

# ITO EN, LTD.

December 1, 2016

ITO EN, LTD. Securities numbers: 2593 (Common Stock)  
: 25935 (Class-A Preferred Stock)

(URL <http://www.itoen.co.jp>)

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*For Immediate Release*

## Consolidated Financial Results

under Japanese Standards for the second quarter of the fiscal year ending April 30, 2017 (Unaudited)

Scheduled filing date of quarterly report: December 9, 2016

Scheduled date of commencement of dividend payment: January 13, 2017

Supplementary documents for quarterly results: Yes

Quarterly results presentation (for institutional investors and analysts): Yes

(Figures are rounded down to million yen.)

### 1. Consolidated Performance Second Quarter of the Fiscal Year Ending April 30, 2017 (May 1, 2016 - October 31, 2016)

(1) Consolidated Results of Operations – cumulative (% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen		Million yen		Million yen		Million yen	
10/31/2016	258,083	2.1%	14,324	43.0%	13,531	37.5%	8,923	56.4%
10/31/2015	252,877	8.1%	10,014	22.3%	9,844	22.8%	5,706	30.3%

Note: Comprehensive income 10/31/2016: 6,840 million yen (12.0%) 10/31/2015: 6,108 million yen (11.5%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
10/31/2016	71.27	71.09
10/31/2015	45.08	44.97

Note: The above “Earnings per share” pertains to common stock. For “Earnings per share” for Class-A Preferred Stock, refer to “Reference” below.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	
10/31/2016	287,805	131,318	45.3%
4/30/2016	287,702	127,215	43.9%

Reference: Shareholders' equity 10/31/2016: 130,304 million yen 4/30/2016: 126,209 million yen.

### 2. Dividends

	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
4/30/2016	—	20.00	—	20.00	40.00
4/30/2017	—	20.00	—	—	—
4/30/2017 (Forecast)	—	—	—	20.00	40.00

Note: Revision of dividends forecast during the current quarterly period: None

Note: The above “Dividend per share” pertains to common stock. For “Dividend per share” for Class-A Preferred Stock, refer to “Reference” below.

### 3. Forecasted Consolidated Results for the Fiscal Year Ending April 30, 2017 (May 1, 2016 - April 30, 2017)

(% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen		Million yen		Million yen		Million yen	Yen	
4/30/2017	475,000	2.0%	20,500	18.9%	19,500	29.4%	12,000	39.3%	94.93

Note: Revision of operation results forecast during the current quarterly period: Yes

For information on the forecasts of consolidated financial results, please see the “Notice on the Differences between the Forecasts and the Actual of the Consolidated Financial Results for the First Half of the Fiscal Year Ending April 2017, and the Revision of the Forecasts of the Consolidated Financial Results for the Full Year” announced today (December 1, 2016).

Note: The above “Earnings per share” pertains to common stock. For “Earnings per share” for Class-A Preferred Stock, refer to “Reference” below.

## Notes

(1) Changes in important subsidiaries during the period

(Changes in specific subsidiaries accompanied by a change in the scope of consolidation): None

(2) Application of special accounting methods in preparation for quarterly consolidated financial statements: Yes

Note: Application of simplified accounting and specific for preparing the quarterly consolidated financial statements.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

i. Changes in accounting policies associated with in accounting standards: Yes

ii. Changes in accounting policies other than i. above: None

iii. Changes in accounting estimates: Yes

iv. Restatements: None

Note: For further information, please refer to “2. Information Regarding “Notes” in Consolidated Summary Report, (3) Changes in Accounting Policies, Changes Accounting Estimate, and Restatements” on page 5 in the Attachments.

(4) Numbers of shares outstanding (common stock)

i. Number of outstanding shares (including treasury shares) 10/31/2016 89,212,380 shares 4/30/2016 89,212,380 shares

ii. Number of treasury shares 10/31/2016 530,079 shares 4/30/2016 535,579 shares

iii. Average number of shares during the period 10/31/2016 88,677,462 shares 10/31/2015 88,676,801 shares

Note: The above “Number of outstanding shares” pertains to common stock. For “Number of outstanding shares” for Class-A Preferred Stock, refer to “Reference” below.

\*Note: Implementation status of audit procedures

This consolidated financial report is not subject to audit procedures based on Financial Instruments and Exchange Act and the audit procedures for the consolidated financial statements were not being conducted when this report was disclosed.

\*Note: Request for appropriate use of the business outlook and other special remarks

The forecasts are based on information available to the management at the time of an announcement. Due to variable factors, actual results may be different from the forecast figures. For the basis of presumption of the forecasted operation results and the notes on its use, refer to “(3) Explanations Regarding Forecasts for Consolidated Results and Future Outlook” on page 4.

## Reference

### (1) Earnings per share – Class-A Preferred Stock (May 1, 2016 – October 31, 2016)

	Net income per share	Net income per share (diluted)
	Yen	Yen
10/31/2016	76.27	76.09
10/31/2015	50.08	49.97

### (2) Dividends per Share – Class-A Preferred Stock

(Record date)	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
4/30/2016	—	25.00	—	25.00	50.00
4/30/2017	—	25.00			
4/30/2017 (Forecast)			—	25.00	50.00

Note: Revision of dividends forecast during the current quarterly period: None

### (3) Earnings per share – Class-A Preferred Stock in Forecasted Consolidated Operation Results

	Earnings per share (Consolidated)
	Yen
4/30/2017	104.93

Note: Revision of operation results forecast during the current quarterly period: Yes

For information on the forecasts of consolidated financial results, please see the “Notice on the Differences between the Forecasts and the Actual of the Consolidated Financial Results for the First Half of the Fiscal Year Ending April 2017, and the Revision of the Forecasts of the Consolidated Financial Results for the Full Year” announced today (December 1, 2016).

### (4) Number of outstanding shares – Class-A Preferred Stock

- |   |            |                   |            |                   |
|---|------------|-------------------|------------|-------------------|
| i. Number of outstanding shares (including treasury shares) | 10/31/2016 | 34,246,962 shares | 4/30/2016  | 34,246,962 shares |
| ii. Number of treasury shares                               | 10/31/2016 | 113,598 shares    | 4/30/2016  | 110,038 shares    |
| iii. Average number of shares during the period             | 10/31/2016 | 34,135,053 shares | 10/31/2015 | 34,142,119 shares |

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# 1. Qualitative Information Regarding Consolidated Financial Results for This Quarter

## (1) Explanations Regarding Consolidated Results of Operations

During the first half of the fiscal year ending April 30, 2017 (May 1, 2016–October 31, 2016), the Japanese economy has been on a moderate recovery track, helped by improved employment and income conditions combined with the effects of government policies. Nevertheless, there is continued uncertainty about the outlook being driven by the economic slowdown in emerging countries in Asia and other regions and the impact of Britain’s withdrawal from the EU.

In the beverage industry, sales competition continues in the beverage industry, and consumer sentiment has been weak, notwithstanding favorable weather in some regions. Due to these factors, the business climate has become increasingly severe.

Under these business conditions, in keeping with the management principle of “Always Putting the Customer First,” the ITO EN Group vigorously engaged in business activities while constantly seeking to identify and address areas of customer dissatisfaction in the beverage market.

As a result, ITO EN recorded consolidated net sales of 258,083 million yen, up 2.1% from the same period of the previous fiscal year. On the earnings front, we recorded operating income of 14,324 million yen, up 43.0% year on year, ordinary income of 13,531 million yen, up 37.5% year on year, and profit attributable to owners of parent of 8,923 million yen, up 56.4% year on year.

Net sales	258,083 million yen, up 2.1%
Operating income	14,324 million yen, up 43.0%
Ordinary income	13,531 million yen, up 37.5%
Profit attributable to owners of parent	8,923 million yen, up 56.4%

An analysis of sales by business segment is as follows.

### <Tea Leaves and Beverages Business>

Regarding the domestic business, in the tea leaf product category, we strengthened sales of comparatively highly priced packaged teas through activities that include demonstration sales of tea made with the traditional Japanese teapot “*Kyusu*” and tasting events by employees who hold the “*Tea Taster*” certification based on the internal certification system. By actively promoting cold-brewed green tea, which features less bitterness and astringency and offers an enjoyable sweet taste, we have expanded the leaf product market in summer. Also, convenient tea leaf products that can be made with ease, such as “*Premium Tea Bag Series*” and other instant powder-type green teas, are being well received by domestic customers as well as tourists from overseas.

In the beverage product category, products such as “*Oi Ocha Hojicha*” (roasted green tea), “*Oi Ocha Genmaicha*” (brown rice tea with green tea) and “*Kyoto-Uji-Matcha-iri Oi Ocha*” (green tea with *Matcha* Powder produced in the Uji region of the Kyoto Prefecture) have performed well in meeting consumers’ preferences in the mainstay “*Oi Ocha*” line. The “*Momiji Package*” (“autumn leaves” package) was released in August 2016 based on the theme of “Making Japanese autumn taste better.”

Mainly in the *Kyusu* area, we are working to realize stable procurement of high-quality raw materials by actively utilizing abandoned farmlands through managing the large-scale tea plantations and achieving productivity and environmental preservation. ITO EN has increased the prescribed amount for preparing “*Oi Ocha Senyo Chayou*”—which cultivated by paying special attention to aroma through the “Tea-producing region development project”—in order to pursue the original fragrance and flavors in teas served from a tea pot, along with continuing to further enhance the value of the “*Oi Ocha*” brand.

In the Japanese tea /Healthy tea category, the mainstay product “*Kenko Mineral Mugicha*” (healthy mineral barley tea) continued to perform well.

In the coffee beverages category, the “*TULLY’S COFFEE*” brand products, especially the aluminum can shaped bottles, continues to enjoy popularity, achieving ever higher sales volumes and improved business performance.

In the black tea beverages category, our brand was reborn as “*TEAs’ TEA NEW AUTHENTIC*” as a new brand delivering authentic flavor with the catch copy of “authentic and original.”

In addition to the various measures mentioned above, we will continue our efforts to improve the profitability by strengthening mainstay brands with a focus on beverages in small containers, making further cost cuts, bolstering control of advertising, sales and marketing expenses while being mindful of their cost benefits, and strengthening management of business results by area, amid the harsh business environment surrounding sales activities.

Chichiyasu Company has been engaging in active sales of milk and yogurt, mainly in Hiroshima Prefecture, and expanding its brand synergies through joint development with ITO EN. In addition, with its robust sales channels in western Japan, NEOS Corporation has been continuously adding to its foundation for boosting the profitability of the Group’s vending machine business.

In the overseas markets, regarding tea leaf products, ITO EN has actively expanded its business, particularly in the U.S., Australia and Southeast Asia, through sales of matcha green tea offered under the “*Global Brand*.”

For beverage products, ITO EN (North America) INC. steadily increased sales of sugar-free beverages such as “*Oi Ocha*” driven by the global boom of Japanese food and matcha green tea as well as the increasing health-conscious trend. In addition, Distant Lands Trading Company, which engages in the entire process from cultivation to sales of coffee beans, mainly in the U.S.,

will continue to pursue synergies through measures such as sales of our Group's products to its main customers, namely food service chain operators.

Toward the Tokyo Olympic and Paralympic Games to be held in Tokyo in 2020, we will continue active sales activities for tea leaf products and beverage products and concurrently bring out the best in the Company's unique business model covering the entire process from the tea fields to products to provide new value for a healthy and rich dietary life around the world. To that end, we aim at growing our brands from the current "ITO EN mainly operating in Japan" to the "Global ITO EN."

As a result, net sales in the Tea Leaves and Beverages Business was up 1.6%, to 240,279 million yen, and operating income was up 46.1%, to 12,833 million yen from the same period of the previous fiscal year.

#### <Restaurant Business>

In addition to drinks centered on seasonal products such as the *Chocolista (SHAKE)* performing well at Tully's Coffee Japan Co., Ltd., delicatessen items such as pasta, and sandwich items are also popular.

Furthermore, new coffee shop openings have been smooth, and expansion continues, with the total number of coffee shops at present being 658. Further brand enhancement as a specialty coffee shop will be achieved through revitalization, such as renovating existing stores and strengthening store competitiveness, and active ongoing investment.

As a result, net sales in the Restaurant Business rose 10.8% year on year to 14,928 million yen, and operating income increased 0.9% year on year to 1,691 million yen.

#### <Others>

Mason Distributors, Inc. showed good results with dietary supplement sales, with increased revenue and earnings, but it was affected by fluctuations in foreign exchange.

As a result, net sales in the Others fell 2.1% year on year to 2,875 million yen, and operating income fell 8.6% to 430 million yen from the same period of the previous fiscal year.

## (2) Explanations Regarding Consolidated Financial Position

The following is a consolidated financial position for the second quarter of the fiscal year ending April 30, 2017.

#### <Assets>

Assets as of October 31, 2016 stood at 287,805 million yen, an increase of 102 million yen from the end of the previous fiscal year. The major factors for the change were a rise of 2,766 million yen in "Cash and deposits" and an increase of 1,049 million yen in "Notes and accounts receivable-trade," as well as a decrease of 1,367 million yen in "Merchandise and finished goods," a decrease of 1,268 million yen in "Other current assets," and a decrease of 1,628 million yen in "Goodwill."

#### <Liabilities>

Liabilities as of October 31, 2016 stood at 156,486 million yen, a decrease of 3,999 million yen from the end of the previous fiscal year. The major factor for the decrease was a decrease of 3,821 million yen in "Notes and accounts payable-trade."

#### <Net assets>

Net assets as of October 31, 2016 stood at 131,318 million yen, an increase of 4,102 million yen from the end of the previous fiscal year. The major factors for the changes of the net assets were "Retained earnings" increasing due to "Profit attributable to owners of parent" totaling 8,923 million yen and a 2,626 million yen decrease in "Dividends from surplus" and a 2,242 million yen decrease in "Foreign currency translation adjustment."

#### <Cash flows from operating activities>

Net cash inflows from operating activities totaled 15,817 million yen (13,146 million yen inflow in the same period of the previous fiscal year). The main factors affecting this were increases due to profit before income taxes of 13,349 million yen and depreciation and amortization of 6,063 million yen and decreases due to a 1,388 million yen increase in notes and accounts receivable-trade and a 3,697 million yen decrease in notes and accounts payable-trade.

#### <Cash flows from investing activities>

Net cash outflows from investing activities were 4,405 million yen (compared with 3,130 million yen used in the same period of the previous fiscal year). The major factors of cash outflows were 4,469 million yen for capital investment.

**<Cash flows from financing activities>**

Net cash flows used in financing activities were 8,136 million yen (compared with 9,351 million yen used in the same period of the previous year). The major factors for the changes were repayments of finance lease obligations totaling 5,291 million yen and dividends paid totaling 2,622 million yen.

As a result, cash and cash equivalents at the end of the second quarter of the fiscal year ending April 30, 2017 amounted to 56,026 million yen, increased by 2,766 million yen from the end of previous fiscal year.

**(3) Explanations Regarding Forecasts for Consolidated Results and Future Outlook**

The forecast of consolidated financial results for the full fiscal year announced on June 1, 2016 has been revised, considering the financial results of the first six months of the current fiscal year and the recent business environment.

For details, please see the “Notice on the Differences between the Forecasts and the Actual of the Consolidated Financial Results for the First Half of the Fiscal Year Ending April 2017, and the Revision of the Forecasts of the Consolidated Financial Results for the Full Year” announced on December 1, 2016.

## **2. Information Regarding “Notes” in Consolidated Summary Report**

### **(1) Changes in Important Subsidiaries during This Quarter**

Not applicable.

### **(2) Application of Special Accounting Methods in Preparation for Quarterly Consolidated Financial Statements**

(Calculation of tax expenses)

The effective tax rate after the application of deferred tax accounting to the profit before income taxes for the consolidated fiscal year including the second quarter under review is reasonably estimated, and the tax expenses are calculated by multiplying profit before income taxes by this estimated effective tax rate.

### **(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements**

Changes in Accounting Policies

(Application of Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes)

With the revision to the Corporation Tax Act, the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (Practical Issues Task Force No. 32 of June 17, 2016) was applied to the consolidated first fiscal quarter and the depreciation method for buildings accompanying facilities and structures obtained on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

In addition, this change will have an insignificant impact on profits and losses for the consolidated second quarter under review.

Changes in Accounting Estimate

(Change in the service life)

A service life of 5 to 6 years had been applied to the vending machines included in tools, appliances, and fixtures and leased assets in possession of the Group, taking into account depreciation. However, the service life was reviewed and changed to 8 years for and after the consolidated first fiscal quarter.

Following the introduction of the high-performance vending machine that is better than the previous ones, it was discovered during the consolidated first quarter under review that the new machine can be used longer than before.

As a result of this discovery, it was found that there is a difference between the service life before the change and the estimated economically usable period. Thus, it is believed that the cost allocation over 8 years should properly reflect the actual conditions of the Group.

Following this change, operating income increased by 1,709 million yen, and ordinary income and profit before income taxes increased by 1,687 million yen for the consolidated second quarter under review.



### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

as of October 31, 2016 and April 30, 2016

	Million yen	
	4/30/2016	10/31/2016
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	53,259	56,026
Notes and accounts receivable - trade	53,553	54,603
Merchandise and finished goods	27,074	25,707
Raw materials and supplies	7,981	8,370
Other	17,752	16,484
Allowance for doubtful accounts	(105)	(102)
<b>Total current assets</b>	<b>159,517</b>	<b>161,089</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment;</b>		
Buildings and structures, net	19,593	21,030
Land	20,644	20,373
Lease assets, net	29,154	28,719
Other, net	11,625	11,793
<b>Subtotal</b>	<b>81,018</b>	<b>81,917</b>
<b>Intangible assets:</b>		
Goodwill	20,179	18,550
Other	6,975	6,263
<b>Subtotal</b>	<b>27,154</b>	<b>24,813</b>
<b>Investments and other assets:</b>		
Other	20,336	20,299
Allowance for doubtful accounts	(323)	(314)
<b>Subtotal</b>	<b>20,012</b>	<b>19,984</b>
<b>Total non-current assets</b>	<b>128,185</b>	<b>126,715</b>
<b>Total assets</b>	<b>287,702</b>	<b>287,805</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable - trade	33,353	29,531
Short-term loans payable	1,801	1,790
Current portion of bonds	20,000	20,000
Lease obligations	10,442	9,837
Accrued expenses	23,194	24,861
Income taxes payable	3,945	4,713
Provision for bonuses	3,284	3,604
Other	4,734	3,908
<b>Total current liabilities</b>	<b>100,756</b>	<b>98,248</b>
<b>Non-current liabilities:</b>		
Long-term loans payable	29,653	29,501
Lease obligations	16,630	15,017
Net defined benefit liability	9,668	9,895
Other	3,777	3,823
<b>Total non-current liabilities</b>	<b>59,729</b>	<b>58,238</b>
<b>Total liabilities</b>	<b>160,486</b>	<b>156,486</b>

## Quarterly Consolidated Balance Sheets - Continued

	Million yen	
	4/30/2016	10/31/2016
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	19,912	19,912
Capital surplus	18,640	18,640
Retained earnings	94,311	100,579
Treasury shares	(1,302)	(1,297)
<b>Total shareholders' equity</b>	<b>131,562</b>	<b>137,835</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	1,828	1,781
Deferred gains or losses on hedges	(45)	—
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	137	(2,105)
Remeasurements of defined benefit plans	(1,219)	(1,153)
<b>Total accumulated other comprehensive income</b>	<b>(5,352)</b>	<b>(7,531)</b>
<b>Subscription rights to shares</b>	<b>39</b>	<b>47</b>
<b>Non-controlling interests</b>	<b>965</b>	<b>966</b>
<b>Total net assets</b>	<b>127,215</b>	<b>131,318</b>
<b>Total liabilities and net assets</b>	<b>287,702</b>	<b>287,805</b>

**(2) Quarterly Consolidated Statement of Income and Comprehensive Income**

from May 1, 2016 to October 31, 2016

**Quarterly Consolidated Statement of Income [Second quarter period]**

	Million yen	
	10/31/2015	10/31/2016
<b>Net sales</b>	<b>252,877</b>	<b>258,083</b>
Cost of sales	136,794	136,886
<b>Gross profit</b>	<b>116,082</b>	<b>121,196</b>
Selling, general and administrative expenses	106,068	106,871
<b>Operating income</b>	<b>10,014</b>	<b>14,324</b>
<b>Non-operating income:</b>		
Interest income	43	21
Dividend income from securities	38	40
Foreign exchange gains	205	—
Equity income from an unconsolidated subsidiary and affiliates	41	52
Other	254	291
<b>Total non-operating income</b>	<b>584</b>	<b>406</b>
<b>Non-operating expenses:</b>		
Interest expense	577	463
Foreign exchange losses	—	556
Other	176	180
<b>Total non-operating expense</b>	<b>754</b>	<b>1,200</b>
<b>Ordinary income</b>	<b>9,844</b>	<b>13,531</b>
<b>Extraordinary gains:</b>		
Gain on sales of fixed assets	0	10
Gain on donation of fixed assets	5	—
Eviction income	15	—
Other	—	0
<b>Total extraordinary gains</b>	<b>21</b>	<b>10</b>
<b>Extraordinary losses:</b>		
Loss on abandonment of fixed assets	8	14
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	3	0
Impairment loss	45	141
Loss on disaster	0	32
Other	—	3
<b>Total extraordinary losses</b>	<b>58</b>	<b>192</b>
<b>Income before income taxes</b>	<b>9,807</b>	<b>13,349</b>
<b>Total income taxes</b>	<b>3,999</b>	<b>4,258</b>
<b>Net income</b>	<b>5,807</b>	<b>9,090</b>
<b>Profit attributable to non-controlling interests</b>	<b>100</b>	<b>167</b>
<b>Profit attributable to owners of parent</b>	<b>5,706</b>	<b>8,923</b>

## Quarterly Consolidated Statement of Comprehensive Income [Second quarter period]

	Million yen	
	10/31/2015	10/31/2016
<b>Net income</b>	<b>5,807</b>	<b>9,090</b>
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	220	(50)
Deferred gains or losses on hedges	(29)	45
Foreign currency translation adjustment	62	(2,281)
Remeasurements of defined benefit plans, net of tax	34	66
Share of other comprehensive income of entities accounted for using equity method	14	(30)
<b>Other comprehensive income</b>	<b>301</b>	<b>(2,250)</b>
<b>Comprehensive income</b>	<b>6,108</b>	<b>6,840</b>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	6,021	6,755
Comprehensive income attributable to non-controlling interests	87	84

**(3) Quarterly Consolidated Statements of Cash Flows [Second quarter period]**

from May 1, 2016 to October 31, 2016

	Million yen	
	10/31/2015	10/31/2016
Cash flows from operating activities:		
Profit before income taxes	9,807	13,349
Depreciation and amortization	7,979	6,063
Impairment loss	45	141
Amortization of goodwill	1,106	874
Increase (decrease) in provision for bonuses for employees	536	320
Increase (decrease) in net defined benefit liability	271	322
Interest and dividend income	(82)	(61)
Interest expenses	577	463
Loss (gain) on foreign currency translation	22	544
Loss (gain) on valuation of investments securities	3	0
Decrease (increase) in notes and accounts receivable – trade	(1,772)	(1,388)
Decrease (increase) in inventories	(2,968)	389
Decrease (increase) in other current assets	2,609	1,321
Increase (decrease) in notes and accounts payable-trade	(2,718)	(3,697)
Increase (decrease) in consumption tax payable	(1,040)	(605)
Increase (decrease) in other current liabilities	828	1,930
Other	(291)	70
<b>Subtotal</b>	<b>14,914</b>	<b>20,038</b>
Interest and dividend income received in cash	89	55
Interest expenses paid in cash	(574)	(464)
Income taxes paid in cash	(1,283)	(3,811)
<b>Net cash flows from operating activities</b>	<b>13,146</b>	<b>15,817</b>
Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets	(3,075)	(4,469)
Purchase of shares of subsidiaries and associates	(37)	–
Decrease (increase) in other investments	(18)	64
<b>Net cash flows from investing activities</b>	<b>(3,130)</b>	<b>(4,405)</b>
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	182	56
Repayment of long-term loans payable	(120)	(185)
Purchase of treasury shares	(7)	(7)
Proceeds from sales of treasury shares	0	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(969)	–
Repayment of finance lease obligations	(5,759)	(5,291)
Dividends paid	(2,622)	(2,622)
Cash dividends paid to minority shareholders	(92)	(75)
Proceeds from stock issuance to minority shareholders	44	–
Other	(6)	(10)
<b>Net cash flows from financing activities</b>	<b>(9,351)</b>	<b>(8,136)</b>
<b>Effect of exchange rate fluctuation on cash and cash equivalents</b>	<b>47</b>	<b>(509)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>711</b>	<b>2,766</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>48,922</b>	<b>53,259</b>
<b>Cash and cash equivalents at end of period</b>	<b>49,634</b>	<b>56,026</b>

#### (4) Notes to Quarterly Consolidated Financial Statements

(Note Regarding the Company's Position as a Going Concern)

Not applicable.

(Note Regarding Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

Information regarding amounts of sales and profits or losses by reporting segment.

i. For the Second quarter of the previous fiscal year ended April 30, 2016 (May 1, 2015 – October 31, 2015)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Amount on Consolidated Statements of Operations
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	236,463	13,477	2,937	252,877	—	252,877
(2) Intersegment	170	203	1,331	1,706	(1,706)	—
Total net sales	236,633	13,681	4,269	254,583	(1,706)	252,877
Segment profits (losses)	8,782	1,675	471	10,929	(915)	10,014

Notes: i. The segment profits (losses) adjustment includes (970) million yen in amortization of goodwill and 55 million yen in intersegment transactions.

ii. Segment profits are adjusted to the operating income figure on the Quarterly Consolidated Statements of Income.

ii. For the Second quarter of the fiscal year ending April 30, 2017 (May 1, 2016 – October 31, 2016)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Amount on Consolidated Statements of Operations
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	240,279	14,928	2,875	258,083	—	258,083
(2) Intersegment	194	9	1,333	1,536	(1,536)	—
Total net sales	240,474	14,937	4,208	259,620	(1,536)	258,083
Segment profits (losses)	12,833	1,691	430	14,955	(630)	14,324

Notes: i. The segment profits (losses) adjustment includes (735) million yen in amortization of goodwill and 104 million yen in intersegment transactions.

ii. Segment profits are adjusted to the operating income figure on the Quarterly Consolidated Statements of Income.