

Consolidated Financial Results

under Japanese Standards for the fiscal year ended April 30, 2017 (Unaudited)

Scheduled date of general shareholder's meeting: July 25, 2017 Scheduled date of commencement of dividend payment: July 26, 2017

Scheduled filing date of quarterly report: July 26, 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 for the Fiscal Year Ended April 30, 2017 (May 1, 2016 - April 30, 2017)

(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	
4/30/2017	475,866	2.2%	21,774	26.3%	21,524	42.8%	13,693	58.9%
4/30/2016	465,579	8.1%	17,243	51.4%	15,074	34.2%	8,615	18.1%

Note: Comprehensive income 4/30/2017: 15,364 million yen (144.5%) 4/30/2016: 6,284 million yen (-44.0%)

	Net income per share	Net income per share (diluted)	Return on Equity	Ordinary income / Total assets	Operating income / Net sales
	Yen	Yen			
4/30/2017	108.77	108.50	10.5%	7.3%	4.6%
4/30/2016	67.37	67.21	6.8%	5.3%	3.7%

Reference: Equity in earnings (losses) of affiliated companies 4/30/2017: 119 million yen 4/30/2016: 77 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen		Yen
4/30/2017	302,405	136,709	44.8	1,105.09
4/30/2016	287,702	127,215	43.9	1,026.26

Reference: Equity 4/30/2017: 135,520 million yen 4/30/2016: 126,209 million yen.

Note: The above information per share pertains to common stock. For information per share of Class-A Preferred Stock, refer to "Reference" below.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million Yen	Million yen
4/30/2017	27,098	(8,243)	(8,012)	64,202
4/30/2016	30,085	(8,150)	(18,018)	53,259

2. Dividends

	Dividend per share					Total dividend paid	Dividend payout ratio (consolidated)	Dividend on net assets (consolidated)
	First quarter end	Second quarter end	Third quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen		
4/30/2016	—	20.00	—	20.00	40.00	3,547	59.4%	3.9%
4/30/2017	—	20.00	—	20.00	40.00	3,547	36.8%	3.8%
4/30/2018 (Forecast)	—	20.00	—	20.00	40.00		35.9%	

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, 2018 (May 1, 2017 - April 30, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen		Million yen		Million yen		Million yen		Yen
10/31/2017	264,800	2.6%	14,400	0.5%	14,400	3.5%	9,000	0.9%	72.10
4/30/2018	492,500	3.5%	22,600	3.8%	22,000	2.2%	14,000	2.2%	111.55

Note: The above "Net income per share" pertains to common stock. For "Net income 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): Yes

Excluded: ITO EN(USA) INC.

Note: For further information, please refer to "2. ITO EN Group Outline" on page 8 in the Attachments.

(2) 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 "5. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements (Changes in accounting policies)" on page 25 in the Attachments.

(3) Numbers of shares outstanding (common stock)

i . Numbers of shares outstanding (including treasury stock) 4/30/2017 89,212,380 shares 4/30/2016 89,212,380 shares

ii . Numbers of treasury stock 4/30/2017 519,379 shares 4/30/2016 535,579 shares

iii . Average number of shares during the period 4/30/2017 88,683,613 shares 4/30/2016 88,676,801 shares

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

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Performance for Fiscal Year Ended April 30, 2017 (May 1, 2016 - April 30, 2017)

(1) Non-Consolidated Results of Operation (% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen		Million yen		Million yen		Million yen	
4/30/2017	371,831	1.8%	15,646	31.1%	17,460	36.2%	12,095	35.3%
4/30/2016	365,276	3.3%	11,934	84.2%	12,821	85.0%	8,941	111.2%

	Net income per share	Net income per share (diluted)
	Yen	Yen
4/30/2017	95.76	95.52
4/30/2016	70.02	69.85

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen		Yen
4/30/2017	272,676	130,546	47.9%	1,063.94
4/30/2016	259,453	124,045	47.8%	1,008.32

Reference: Equity 4/30/2017: 130,480 million yen 4/30/2016: 124,005 million yen

Note: The above information per share pertains to common stock. For information per share of Class-A Preferred Stock, refer to "Reference" below.

2. Forecasted Non-Consolidated Operation Results for the Fiscal Year Ending April 30, 2018

(May 1, 2017 - April 30, 2018)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen		Million yen		Million yen		Million yen		Yen
10/31/2017	208,515	1.8%	11,000	4.1%	12,220	10.9%	8,720	10.4%	69.82
4/30/2018	381,000	2.5%	16,500	5.5%	18,300	4.8%	13,000	7.5%	103.38

Note: The above "Net income per share" pertains to common stock. For "Net income per share" for Class-A Preferred Stock, refer to "Reference" below.

*Note: The Summary of Financial Results is Not an Audits Subject.

*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 "1. Analysis on Results of Operations and Financial Position, (1) Analysis on Results of Operations" on page 2 in the Attachments.

Reference

(1) Net Income per Share – Class-A Preferred Stock

	Net income per share	Net income per share (diluted)	Net assets per share
	Yen	Yen	Yen
4/30/2017	118.73	118.46	1,100.09
4/30/2016	77.37	77.21	1,031.26

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

(Record date)	Dividend per share					Total dividend paid	Dividend payout ratio (consolidated)	Dividend on net assets (consolidated)
	First quarter end	Second quarter end	Third quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen		
4/30/2016	—	25.00	—	25.00	50.00	1,706	64.6%	4.8%
4/30/2017	—	25.00	—	25.00	50.00	1,698	42.1%	4.7%
4/30/2018 (Forecast)	—	25.00	—	25.00	50.00		41.1%	

(3) Net Income per Share – Class-A Preferred Stock in Forecasted Consolidated Operation Results

	Net income per share (Consolidated)	Net income per share (Non-Consolidated)
	Yen	Yen
10/31/2017	77.10	74.82
4/30/2018	121.55	113.38

(4) Numbers of Shares Outstanding – Class-A Preferred Stock

i . Numbers of shares outstanding (including treasury stock)	4/30/2017	34,246,962 shares	4/30/2016	34,246,962 shares
ii . Numbers of treasury stock	4/30/2017	459,928 shares	4/30/2016	110,038 shares
iii . Average number of shares during the period	4/30/2017	34,086,922 shares	4/30/2016	34,140,479 shares

(5) Information per share of Class-A Preferred Stock in Non-Consolidated Operation Results

	Net income per share	Net income per share (diluted)	Net assets per share
	Yen	Yen	Yen
4/30/2017	105.72	105.48	1,068.94
4/30/2016	80.02	79.85	1,013.32

Contents of Attachments

1. Overview of the Operations' Results, etc.....	2
(1) Overview of the Management Operations' Results in the Current Financial Year.....	2
(2) Overview of the Financial Position in the Current Financial Year	4
(3) Basic Policy Concerning Profit Distribution; Dividends in the Current Term and Next Term.....	5
(4) Risks Relating to Business	5
2. ITO EN Group Outline	8
3. Management Policies.....	11
(1) Company's Basic Management Policies.....	11
(2) Management Targets	11
(3) Medium- to Long-Term Management Strategies and Future Tasks.....	11
(4) Issues Facing the Company.....	11
(5) Other Important Management Matters Related to the Companies	13
4. Basic Policies Concerning Selection of Accounting Standards.....	14
5. Consolidated Financial Statements and Main Notes.....	15
(1) Consolidated Balance Sheets	15
(2) Consolidated Statements of Income and Comprehensive Income	17
Consolidated Statements of Income.....	17
Comprehensive Income	18
(3) Consolidated Statement of Changes in Shareholders' Equity	19
(4) Consolidated Statements of Cash Flows	21
(5) Notes to Consolidated Financial Statements	23
(Note Regarding the Company's Position as a Going Concern).....	23
(Basis of Presentation of Consolidated Financial Statements).....	23
(Changes in Accounting Policies).....	25
(Changes in the Display (Disclosure) Method).....	25
(Changes in Accounting Estimate)	25
(Additional information).....	25
(Notes to Consolidated Statements of Income).....	26
(Business Combinations, etc.).....	27
(Segment Information, etc.)	28
(Notes to Per Share Data)	29
(Notes to Subsequent Events)	29
6. Non-Consolidated Financial Statements and Main Notes	30
(1) Non-Consolidated Balance Sheets	30
(2) Non-Consolidated Statements of Income	32
(3) Non-Consolidated Statements of Changes in Shareholders' Equity	33
7. Other.....	35
Change in Officers.....	35

1. Overview of the Management Operations' Results, etc.

(1) Overview of the Management Operations' Results in the Current Financial Year

① Overview of the Management Operations' Results in the Current Financial Year

During the fiscal year ended April 30, 2017 (May 1, 2016 - April 30, 2017), the global economy maintained a moderate recovery trend despite the uncertain economic future and policies of the U.S. and emerging Asian countries such as China as well as the impact of global geopolitical risk.

The Japanese economy also continued a moderate recovery, primarily due to the improvement in the exports, the employments and the corporate earnings, supported in part by the government's economic- and financial policies, as well as the increase in the number of the foreign citizens visiting Japan, which facilitated a stable consumer spending tendency.

In the beverage industry, there are signs of recovery in the consumers' mind and confidence, although the sales competition between the companies is increasing and the business environment is becoming more and more 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 475,866 million yen, up 2.2% from the previous fiscal year. On the earnings front, an increase in selling expenses in the face of intensified competition resulted in operating income of 21,774 million yen, up 26.3% year on year, ordinary income of 21,524 million yen, up 42.8%, and profit attributable to owners of parent of 13,693 million yen, up 58.9%.

Net sales	475,866 million yen, up 2.2%
Operating income	21,774 million yen, up 26.3%
Ordinary income	21,524 million yen, up 42.8%
Profit attributable to owners of parent	13,693 million yen, up 58.9%

An analysis of sales by business segment follows.

<Tea Leaves and Beverages Business>

Domestic business, in the tea leaf product category, convenient tea leaf products that can be made with ease, such as "Premium Tea Bag Series" and instant powder-type green teas continues to enjoy popularity. Also, sales of highly priced packaged teas are being reinforced through activities that include demonstration sales of tea made with the traditional Japanese teapot "Kyusu" and taste testing events by employees who hold "Tea Taster". "The Tea Taster System" that had been operated as an in-house qualification system was approved by "Skilled Professional on ITOEN TEA TASTER" by Ministry of Health, Labour and Welfare on March 24, 2017.

In the beverage product category, ITO EN worked to increase the value of its mainstay product, *Oi Ocha*, as the leading green tea brand in Japan by proposing dietary habits with a rich sense of the season and new ways of enjoying green tea. We added up a "Sakura (Cherry Blossom) package" in the spring and "Momiji (autumn color of maple leaves) package" in the fall to the package of the "Oi Ocha Ryokucha" (green tea), in order to create a sense of the distinctive seasons in Japan. We also released "Korimizu-dashi Kyoto-Uji-Matcha-iri Oi Ocha" (ice-cold brewed green tea with Kyoto Uji matcha powder), which will help to relieve the strong summer heat with ice-cold water brewing and create a delightful time with the sweetness of the tea, as part of our efforts to offer new ways of enjoying green tea.

Also, mainly in Kyusyu area, we are working to realize a stable and high-quality procurement by aggressively utilizing idle agricultural land under management of the large-scaled tea plantations with 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 brand.

In September 2016, the business magazine "Fortune" ranked ITO EN on 18th place on its list of "50 companies that change the world". ITO EN's ranking position is the highest among all the Japanese Companies. The "Fortune" side has recognized the "Tea-producing regions development project" and all the other efforts of our company in that way.

In the Japanese Tea, Healthy Tea and Chinese Tea category, "Kenko Mineral Mugicha" (healthy mineral barley tea), the best-selling non-caffeinated tea product, has been selling well, not only as a measure against the summer heat, but as a tasty beverage that supplements minerals and prevents dehydration year-round.

In the coffee beverages category, the "TULLY'S COFFEE" brand series achieving even higher sales volumes in every fiscal period. It continues to be popular as a product that leads the bottle-canned coffee market.

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 was engaged in aggressive sales of milk and yogurt, mainly in Hiroshima Prefecture, and is expanding

its brand synergies through joint development with ITO EN. In addition, with 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 proactively grown its business overseas, particularly in the U.S. Australia and Southeast Asia, with the release of *matcha* green tea offered in "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.

As a result, sales in the Tea Leaves and Beverages Business up 1.8%, to 439,698 million yen, and operating income of 19,093 million yen, up 28.1% from the previous fiscal year.

<Restaurant Business>

Tully's Coffee Japan Co., Ltd. is contributing to earnings growth, "TULLY'S BRAZIL FAZENDA BAU PEABERRY RED BOURBON / YELLOW BOURBON" is Tully's 20th Anniversary commemorative coffee beans product to be released. The *matcha* powder green teas and other beverages do show satisfactory sales performances. Also, delicatessen items such as pasta, and sandwich items are also popular.

In addition, new coffee shop openings have been smooth, and expansion continues, with the total number of coffee shops at present being 671. 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 9.9% year on year, to 30,252 million yen, and operating income declined 8.7% year on year, to 3,130 million yen from the previous fiscal year.

<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 rose 2.2% year on year, to 5,915 million yen, and operating income declined 3.4%, to 801 million yen from the previous fiscal year.

② Outlook for the fiscal year ending April 30, 2018

The ITO EN Group will continue to pursue sustainable growth by "The CSV(Creating Shared Value)" while aiming to become a Global Tea Company.

"Oi Ocha," the top brand in green tea beverages, enhancing other individual brands including "Kenko Mineraru Mugicha" (healthy mineral barley tea), "TULLY'S COFFEE," "Ichinichibun no Yasai" (a day's worth of vegetables), "Jujitsu-Yasai" (mixed vegetable and fruit beverage), "TEAs' TEA," and "evian." improving sales of leaf products centering on easy-to-use products, as well as establishing a marketing platform for route sales, pursuing comprehensive cost reductions, and creating Group-wide synergies.

Moving towards "The Tokyo Olympic and Paralympic Games to be held in 2020 in Tokyo", we will use our company's strengths, both domestically and internationally, to provide new value for a healthy and rich dietary life around the world.

In order to increase the recognition ratio of ITO EN, so that when people all over the world say "Tea", they will always remind the Japanese company of ITO EN, starting from the current "mainly Japanese ITO EN", to that end, we aim at growing up our brands to the level of the "Global ITO EN".

For the fiscal year ending April 30, 2018, ITO EN forecasts consolidated net sales of 492,500 million yen, a 3.5% increase from the fiscal year under review, operating income of 22,600 million yen, a 3.8% increase, ordinary income of 22,000 million yen, a 2.2% increase, and profit attributable to owners of parent of 14,000 million yen, a 2.2% increase.

Net sales	492,500 million yen, up 3.5%
Operating income	22,600 million yen, up 3.8%
Ordinary income	22,000 million yen, up 2.2%
Profit attributable to owners of parent	14,000 million yen, up 2.2%

(2) Overview of the Financial Position in the Current Financial Year

① Assets, liabilities and net assets

Assets

Total assets at the end of consolidated fiscal year ended April 30, 2017 stood at 302,405 million yen, increased by 14,703 million yen from the previous fiscal year. These changes in total assets mainly reflected increases of 10,942 million yen in “Cash and deposits,” 3,643 million yen in “Merchandise and finished products.”

Liabilities

Liabilities at the end of consolidated fiscal year ended April 30, 2017 stood at 165,696 million yen, increased by 5,209 million yen from the previous fiscal year. These changes in liabilities mainly reflected increases of 10,000 million yen in “Bonds payable,” 17,991 million yen in “Long-term loans payable,” and a decrease of 20,000 million yen in “Current portion of bonds,” 4,609 million yen in “Lease obligations.”

Net assets

Net assets at the end of consolidated fiscal year ended April 30, 2017 stood at 136,709 million yen, increased by 9,493 million yen from the previous fiscal year. The major changes of the net assets were an increase of 13,693 million yen in “Retained earnings” due to “Profit attributable to owners of parent,” and decreases of 5,253 million yen due to “Dividends from surplus.”

② Cash flows in the Current Financial Year

Cash flows from operating activities

Cash inflows from operating activities were 27,098 million yen (Compared with 30,085 million yen earned in the previous fiscal year). The major factors of cash inflows were 20,723 million yen from income before income taxes, 12,469 million yen from depreciation and amortization, and 1,765 million yen from the amortization of goodwill, while the decrease in income taxes paid was 6,850 million yen and decrease (increase) in inventories was 2,816 million yen.

Cash flows from investing activities

Cash outflows from investing activities were 8,243 million yen (Compared with 8,150 million yen used in the previous fiscal year). The major factor of cash outflow was 8,294 million yen for acquisitions of plant and facility investment.

Cash flows from financing activities

Cash outflows from financing activities were 8,012 million yen (Compared with 18,018 million yen used in the previous fiscal year). The major factors of cash inflows were 20,000 million yen in long-term loans payable and 9,951 million yen in revenue income, resulting from bonds' issuance, while the decrease in repayments of finance lease obligations of 10,361 million yen, payments, resulting from a bonds' redemption of 20,000 million yen and 5,245 million yen in dividends paid.

As a result, cash and cash equivalents for the consolidated fiscal year ended April 30, 2017 amounted to 64,202 million yen, increasing by 10,942 million yen from the previous fiscal year.

(Reference) Financial data regarding cash flows

	4/30/2013	4/30/2014	4/30/2015	4/30/2016	4/30/2017
Equity ratio	46.3%	46.3%	44.4%	43.9%	44.8%
Equity ratio computed at fair market value	110.2%	97.4%	100.2%	125.9%	142.0%
Ratio of cash flows to interest-bearing debt	2.5 years	2.5 years	4.7 years	2.6 years	3.0 years
Interest coverage ratio	19.7 times	19.4 times	15.4 times	27.0 times	30.2 times

Notes: Equity ratio = (Net assets - Stock acquisition rights - Non-controlling interests) / Total assets

Equity ratio computed at fair market value = Equity at fair market value (Treasury stock excluded) / Total assets

Ratio of cash flows to interest-bearing debt = Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio = Cash flows from operating activities / Interest paid

- i .Each indicator is computed based on the consolidated financial data.
- ii .The numbers of shares issued adopted to compute equity at fair market value is subtracted treasury stock.
- iii . Cash flows refer to cash flows from operating activities in the consolidated statements of cash flows.
- iv .Interest-bearing debt refers to all debts with interest payments among debts stated in the consolidated balance sheets.

(3) Basic Policy Concerning Profit Distribution; Dividends in the Current Term and Next Term

Returning profits to shareholders is one of ITO EN's principal management tenets. Our basic policy regarding earnings distribution is to assure dividends based on consolidated business results.

Under this policy, the interim dividend for the fiscal year ended April 30, 2017 was 20 yen per share of common stock and 25 yen per share of Class-A Preferred Stock.

As well, we plan to pay an annual dividend for the fiscal year ended April 30, 2017, which, along with the interim dividend, will amount to 40 yen per share of common stock and 50 yen per share of Class-A Preferred Stock.

As regards the use of retained funds, the Company will retain earnings in order to make needed capital investments in an effort to further increase of corporate value, in other words the increase of investment value of shareholders, and will actively return profits to shareholders through the future development of the business.

(4) Risks Relating to Business

The various risks that could potentially affect the business performance and financial position of ITO EN are summarized below as of April 30, 2017. However, please note that potential risks are not limited to those listed below.

① The Domestic Economy; Consumption Trends

A large part of the Group's business is dependent on developments within Japan's domestic economy. For this reason, economic or financial movements within Japan, and the influence they may have on the Japanese consumer, can exert an influence on the Group's business and financial position.

② Competition in the Beverage Market

Severe competition has been unfolding in the Group's core business beverage market which has been affected by sluggish growth in sales amount due to the intense price competition fueled by strong sales promotions and reflected consumers saving mind.

With changes in consumer preferences, and severe share competition for each category, products in this market have a short lifecycle.

Under current environment, ITO EN has focused on green tea beverages, developing products and services in accordance with its customer's needs. ITO EN delivered impressive results by placing "Route sales system" at the center of our customer service to powerful effect.

As we continue to implement these measures, and the market moves as we forecast, we will develop our ability to withstand the competition. However, if these measures do not sufficiently respond to the changes in the business environment, there is a possibility that the Group's operating results and financial position will be affected.

③ Sourcing and Raw Materials

Tea-related beverages are the Group's core business, with particular emphasis placed on green tea. The decline of the agricultural population and the shrinkage of tea-producing land, accompanied by growing demand for tea leaves, have brought pressure on production volume. In the event, therefore, that the market supply-demand balance deteriorates, and as a consequence, the Group cannot secure supplies of the all-important tea leaves, or that procurement costs rise due to the surge in the prices of such imported ingredients as grains and vegetables, the Group's cost of goods may increase.

Furthermore, within our Beverages division, the share of drinks sold in PET bottles has reached about 73%. It is possible that increases in the price of crude oil, used in the manufacture of PET bottles, will be a factor in our cost of goods. How the Group responds to these changes in the business environment will influence its earnings and financial position.

④ Production System

Much of the Group's production, comprising beverages composed of tea leaves and other raw materials; ingredients used in beverage products; certain ready-to-drink products and yogurt products; is carried out in the Group's own factories. However, the most of production of its ready-to-drink products, and a portion of its tea leaf production, is contracted out to other production facilities.

To ensure that there are no stoppages in production, our own facilities are regularly inspected, and we have adopted measures at numerous external production facilities nationwide to ensure their preparedness in the event of an irregularity.

However, climatic and other natural disasters influencing production cannot be ruled out, and no guarantees can be given. Should such an event occur, it could exert an influence on the Group's sales performance and financial position.

⑤ Climatic and Natural Disasters

As ingredients such as tea leaves, vegetables, fruits, coffee and other agricultural produce are needed in the products that ITO EN emphasizes, the Group's core business of tea leaves and ready-to-drink beverages is susceptible to damage by climatic and other natural events. Especially, a chilly summer or a warm winter, typhoons or prolonged rain causing crop damage or loss can lead to shortages and supply price increases and the loss of sales opportunities. In addition, earthquakes or other natural

disasters of greater magnitude than anticipated will also disrupt supplies. Events such as these may have an influence on the Group's sales performance and financial position.

⑥ Dependency on the “*Oi Ocha*” Brand

The sales of the “*Oi Ocha*” brand took a 39% share of sales in the beverages division for the consolidated fiscal year ended April 30, 2017, an exceptionally high proportion. The domestic green tea market is valued at over 435 billion yen making it, the largest category within the cold beverage market in the 2016 calendar year, according to our research. Of this, ITO EN held a 33% share, again according to our research.

We expect the market for green tea to continue its expansion, and accordingly for the “*Oi Ocha*” brand to continue its growth. However, the fierce competition in the market for green tea; the introduction of new, diversifying products; or a slow-down in market growth are all factors which could bring about a decline in market share. How the Group responds to these changes in the business environment will influence its sales performance and financial position.

⑦ Exchange Fluctuations

The Group is engaged in developing overseas business. The Group's overseas subsidiaries submit their financial reports in local currency, which are translated into yen at the exchange rate when the consolidated financial reports are compiled.

Consequently, the Group's performance results and financial position may be influenced by exchange fluctuations.

⑧ Overseas Business

The Group has consolidated subsidiaries overseas, including ITO EN (North America) INC., in New York, ITO EN (USA) INC. in Hawaii, Mason Distributors, Inc. in Florida, Distant Lands Trading Company, Inc. in Washington, ITO EN AUSTRALIA PTY. LIMITED in Victoria, Australia, ITO EN Asia Pacific Holdings Pte. Ltd. in Singapore, Fujian New Oolong Drink Co., Ltd., and ITO EN BEVERAGE (SHANGHAI), LTD. in China.

All the subsidiaries have developed a plan to overcome losses by developing new business relations, achieving greater efficiency in production, and implementing cost savings measures. It is possible that the Group's business performance and financial position will be affected if the subsidiaries do not reach their objectives.

The Group has traditionally focused on domestic business development, but overseas activities will become increasingly important as business development and corporate activities become increasingly globalized going forward. Therefore, any significant political, economic, or legal changes in the countries in which the Group operates or has transactions overseas could affect the Group's business performance or financial position.

These overseas consolidated subsidiaries represent equity investment of 24,780 million yen in the consolidated fiscal year ended April 30, 2017, and all reported a cumulative operating loss, except for Mason Distributors, Inc. and Fujian New Oolong Drink Co., Ltd.

⑨ Legal and Other Regulations

The Group's business must comply with the Food Sanitation Law, the Product Liability Law (PL), the Waste Management Law and various other legal regulations. In addition, under recycling legislation in the state of Hawaii, drinks are subject to a special tax, the proceeds of which are to be used to finance a bottle-recycling plant. The location and structure of the business determines the burden and cost of legal and other requirements.

The Group abides by all laws and regulations. If legal or other regulations become more stringent, or if strengthening regulations increase the cost burden, it is possible that they will exert an influence on the Group's business performance and financial position.

⑩ Information Management

Through its activities in route sales and mail order service, dealings with suppliers, and own consumer-directed marketing activities, such as New Haiku Contest, large amounts of latent client information come into the Group's possession. This confidential client information is managed by the Group, or consigned to a data management company.

The Group takes appropriate security measures for information management including systems to prevent the loss, abuse, alteration and other improper treatment of important information including customer information. Nevertheless, the Group recognizes that its credibility would be damaged in the event this information were lost or leaked to outside parties as a result of a power outage, natural or man-made disaster, software or equipment defect, software virus infection, unauthorized access, or other unforeseen event, and that this could affect the Group's business performance or financial position.

⑪ Food Safety and Hygiene Control

Awareness of food safety and hygiene are the utmost concern of the Group's management, and product quality management offices have been established, which is complied with “The ITO EN Group's Quality Control Policy.” These offices conduct product quality inspections under their own direction and they also carry out quality control guidance and regular on-site inspections at the plants of the outsourcers. The Group also holds quality meetings on a regular basis, where the

manufacturing management and outsourcing plant managers receive feedback on inspection results in an effort to raise awareness concerning food safety and hygiene. In addition to these activities, we also conduct inspections to prevent the introduction of foreign substances derived from raw materials and the use of prohibited additives.

In light of circumstances following the Great East Japan Earthquake, the Group is performing testing for radioactive substances on all beverage products as well as raw materials of green tea.

Domestic company outlets deal in items that are subject to regulations of the Food Sanitation Law. In addition to compliance with legal ordinances, we conduct thorough sanitary oversight based upon standards of hygiene at each store and based upon the Group manual.

The Group has never committed any violation of food safety and hygiene practices, and has never been subject to official censure or guidance in this regard. However, in the event that problems of food quality were to arise (such as a foreign body being found, or incorrectly labeled produce being distributed, or foreign substances derived from raw materials or prohibited additives being used) or if such problems were harmfully rumored to have arisen, or if there were an outbreak of food poisoning or similar occurrence, this could exert an influence on the Group's business performance and financial position.

⑫ Impairment Accounting

The Group owns various tangible and intangible fixed assets such as real estate used in the business and goodwill. Impairment accounting may have to be applied to these assets and impairment losses may occur, due to declines in their profitability such as declines in their market value or when cash flow can no longer be generated as expected.

2. ITO EN Group Outline

A corporate collective consisting of ITO EN, LTD. (ITO EN), 34 subsidiaries and 5 affiliates (the Company) operate with activities centered on the core business of producing and marketing tea leaves and beverages, as well as being actively engaged in restaurant business other related businesses.

<Tea Leaves and Beverages Business>

ITO EN purchases and manufactures tea leaf products and markets green tea, barley tea and oolong tea leaves throughout Japan with the exception of the Okinawa region, where OKINAWA ITO EN, LTD. markets the products purchased from ITO EN. ITO EN SANGYO, LTD. produces green tea, black tea and barley tea, most of which are purchased by ITO EN. ITO EN KANSAI-CHAGYO, LTD. also produces green tea and barley tea, most of which are purchased by ITO EN.

ITO EN has been in charge of the planning and development of most of its beverage products, and the production of those products is consigned to companies outside of the group. NEOS Corporation markets products purchased from ITO EN through vending machines. ITOEN.ITOCHU MINERAL WATERS CO., LTD. procures third-party products for sale to ITO EN. Chichiyasu Company engages in the processing and sales of milk products and the manufacture and sales of yogurt, and other products and jointly develops products that ITO EN purchases and markets.

The beverage division consigns most of its domestic tea leaves and beverage products distribution to Tohun Logitem Co., Ltd.

For overseas markets, ITO EN (Hawaii) INC.* directly manufactures products and markets them primarily in the state of Hawaii. ITO EN (North America) INC. stocks ITO EN products and markets them mainly in the state of New York. In addition, ITO EN products a portion of its fruit juice, etc. raw materials from both of subsidiaries ITO EN (USA) INC. and ITO EN (North America) INC. Distant Lands Trading Company, Inc. operates from cultivation to sales of coffee beans mainly in the U.S. Fujian New Oolong Drink Co., Ltd. manufactures and sells products, primarily in China and Hong Kong. ITO EN BEVERAGE (SHANGHAI), LTD. purchases products from Fujian New Oolong Drink Co., Ltd. and resells them in China. Ningbo Shunyi Tea products Co., Ltd. produces Chinese tea, most of which is purchased by ITO EN. ITO EN AUSTRALIA PTY. LIMITED is growing tea leaves in order to prepare for growing demand for green tea in the future. ITO EN Asia Pacific Holdings Pte. Ltd. markets products purchased from ITO EN primarily mainly in the Southeast Asia.

* ITO EN (USA) INC. used to be ITO EN Group's Consolidated Subsidiary Company during the fiscal year under view.

ITO EN Group side had decided to transfer the business on ITO EN (USA) INC. to that of the ITO EN (Hawaii) LLC., in order to concentrate the management resources of the group in the United States of America and to accelerate its management decision-making process.

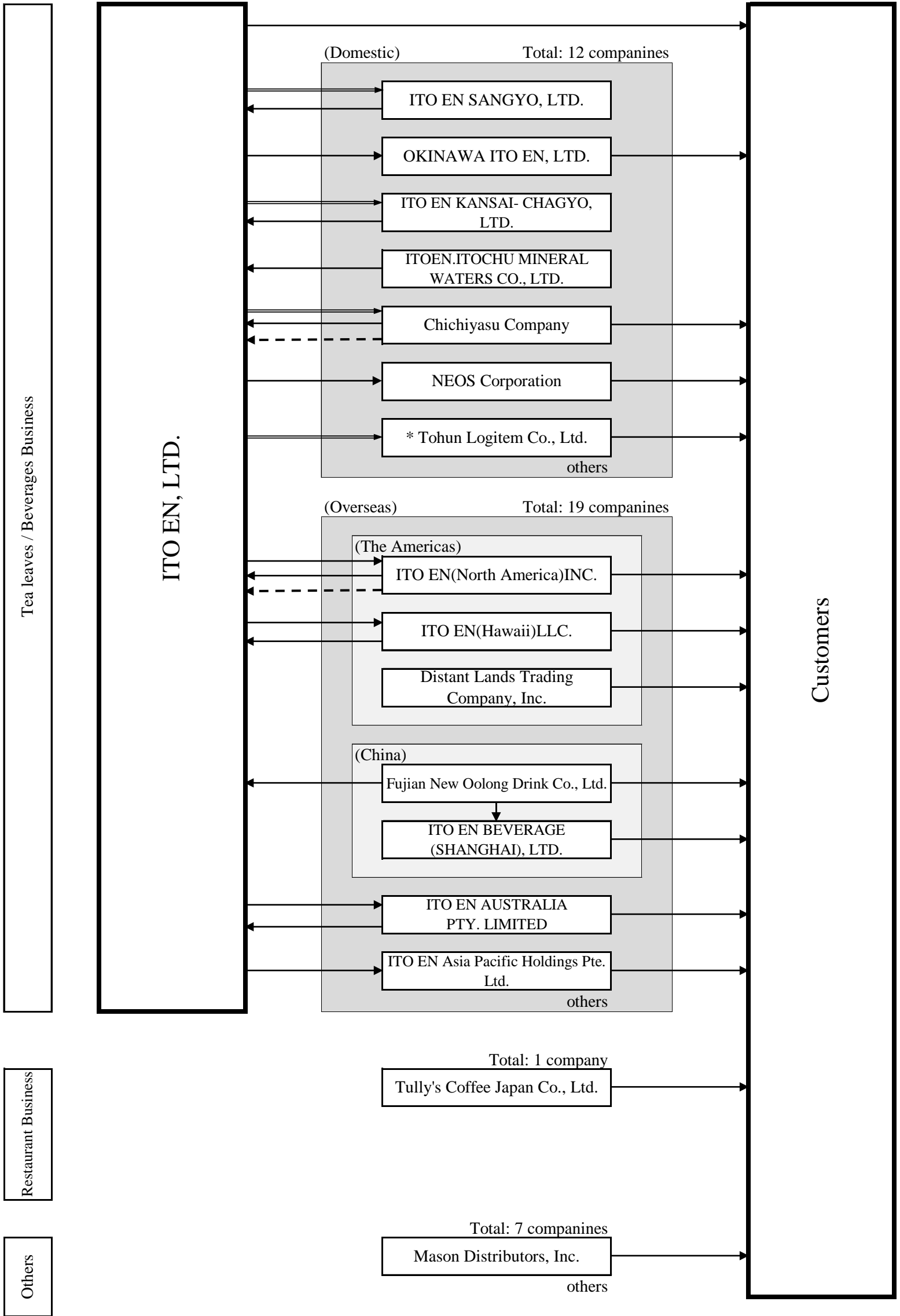
As a result, ITO EN (USA) INC. has been dissolved.

<Restaurant Business>

Tully's Coffee Japan Co., Ltd. is engaged in the operation of nationwide specialty coffee shops and franchise development.

<Others>

Mason Distributors, Inc., located in Florida, engages in the manufacture and sales of dietary supplements.



—————> Sales and purchase of products and raw materials
 =====> Supply of raw materials / consignment of processing products and distribution management
 - - - - -> Lend trademark

Unmarked Consolidated subsidiary
 * Equity-method affiliate

Subsidiaries and Affiliates Outline

Name	Location	Capital stock or Investments in capital (¥ million)	Main Business	Voting rights (%)	Transaction Relationship			
					Interlocking Directors	Business transaction (¥ million)	Financial support	Facility leasing
(Consolidated Subsidiaries) ITO EN SANGYO, LTD.	Makinohara-shi, Shizuoka	300	Tea Leaves / Beverages Business	100.0	2	Purchase of products and Consignment of distribution management	1,038	Office leasing
OKINAWA ITO EN, LTD.	Itoman-shi, Okinawa	90	Tea Leaves / Beverages Business	100.0	1	Sales of ITO EN products	500	Office leasing
ITO EN KANSAI -CHAGYO, LTD.	Nishi-ku, Kobe-shi, Hyogo	10	Tea Leaves / Beverages Business	100.0	1	Purchase of products	1,050	—
Tully's Coffee Japan Co., Ltd.	Shinjuku-ku, Tokyo	100	Restaurant Business	100.0	1	N/A	—	Office leasing
ITOEN.ITOCHU MINERAL WATERS CO., LTD.	Shinjuku-ku, Tokyo	300	Tea Leaves / Beverages Business	65.0	1	Purchase of products	—	Office leasing
Chichiyasu Company	Hatsukaichi-shi, Hiroshima	100	Tea Leaves / Beverages Business	100.0	5	Purchase of products and Lending trademark	3,380	Office leasing
NEOS Corporation	Koto-ku, Tokyo	80	Tea Leaves / Beverages Business	76.7	—	Sales of ITO EN products	—	Office leasing
ITO EN (Hawaii) INC.(*2)	Hawaii, United States	28,800 (\$ thousand)	Tea Leaves / Beverages Business	100.0 (100.0)	3	Purchase of raw materials and Sales of ITO EN products	—	—
ITO EN (North America) INC.(*2)	New York, United States	170,800 (\$ thousand)	Tea Leaves / Beverages Business	100.0	3	Purchase of raw materials, Sales of ITO EN products, and Lending trademark	—	—
Mason Distributors, Inc.	Florida, United States	0 (\$ thousand)	Others	100.0 (100.0)	3	N/A	—	—
Distant Lands Trading Company, Inc.(*2)	Washington, United States	83,755 (\$ thousand)	Tea Leaves / Beverages Business	100.0 (100.0)	3	N/A	11,685	—
ITO EN AUSTRALIA PTY. LIMITED(*2)	Victoria, Australia	26,700 (A\$ thousand)	Tea Leaves / Beverages Business	100.0	3	Purchase of raw materials	—	—
ITO EN Asia Pacific Holdings Pte. Ltd.(*2)	Singapore	25,500 (\$ thousand)	Tea Leaves / Beverages Business	100.0	5	Sales of ITO EN products	—	—
Fujian New Oolong Drink Co., Ltd.	Fujian, China	21,000 (thousand RMB)	Tea Leaves / Beverages Business	65.0	1	Purchase of raw materials	—	—
ITO EN BEVERAGE (SHANGHAI), LTD.	Shanghai, China	40,000 (thousand RMB)	Tea Leaves / Beverages Business	100.0	2	Sales of ITO EN products	—	—
Other 17 companies								
(Equity-method affiliate) Tohun Logitem Co., Ltd.	Saitama-shi, Saitama	100	Tea Leaves / Beverages Business	34.0	1	Consignment of distribution management	—	Office leasing
Other 1 company								

Notes: i . The section for "Main Business" states the names set forth in the segment information.

* ii . ITO EN (USA) INC., ITO EN (North America) INC., Distant Lands Trading Company, Inc., ITO EN AUSTRALIA PTY. LIMITED, and ITO EN Asia Pacific Holdings Pte. Ltd. are specific subsidiaries.

iii . No companies have submitted a securities registration statement or a securities report.

iv . There is no ownership by close relatives, etc.

v . The figures shown in parentheses of the ratio of ownership of voting rights indicate the ratio of indirect ownership included in the ownership ratio.

vi . In addition to those described above, two non-consolidated subsidiaries and three affiliated company not accounted for by the equity method are included in the ITO EN Group.

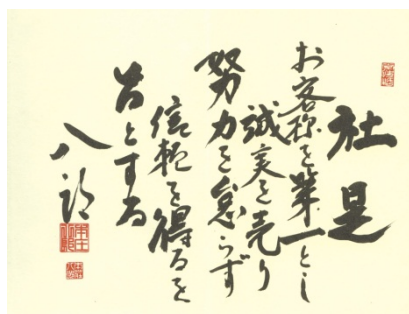
3. Management Policies

(1) Company's Basic Management Policies

Since its inauguration, the ITO EN Group's basic management policy has been “Always Putting the Customers First” to make its customers the Group's foremost priority, and with our “STILL NOW” strategy, seeking to discover what the customers are right now not satisfied with. We are also actively developing and promoting new products that comply with our five key concepts, which are “natural, healthy, safe, well-designed, and delicious” to provide better customer-centered service.

For us, our customers are not only those consumers who purchase our products, but also our shareholders, retailers, suppliers, financial institutions and local communities—in fact anyone who has some form of involvement in ITO EN. We strongly believe that following our “STILL NOW” strategy—listening sincerely to what the customers are right now not satisfied with and placing the highest importance on consistent interaction with our customers—is the best way for the Group to further its business.

Based on its “Always Putting the Customers First” management policy, along with responsible environmental behavior, the Group vows to continually do its best to become a company that can be trusted by the community by increasing its corporate value, managing corporate operations in ways beneficial to shareholders' value, and marketing products that fully satisfy people.



ITO EN credo
Mission Statement
Our mission is to put the customer first,
make integrity our stock in trade,
spare no effort,
and earn the confidence and trust of society

(2) Management Targets

The ITO EN Group has set the following targets as a consolidated medium- to long-term plan to enhance shareholders' value and to promote the efficiency of its consolidated management.

Management targets	4/30/2017 Actual results	4/30/2018 Forecasted numbers	Medium- to long-term targets projected numbers
Net sales	475.8 billion yen	492.5 billion yen	600.0 billion yen
Return on Equity (ROE)	10.5%	10.0%	Over 10.0 %
Total shareholder return	43.5%	37.4%	Over 40.0 %

(3) Medium- to Long-term Management Strategies and Future Tasks

Based on its management principle of “Always Putting the Customers First” continue to aim for “Global Tea Company” under its long-term vision. And, The Group will continue to propose new ways to enjoy Japanese tea in keeping with the times based on its tradition and advanced technologies under the slogan of “connecting the world and delivering smiles with Japanese tea,” aspiring to achieve.

For that purpose, we will develop “*Oi Ocha*” and “Global ITO EN” globally by enhancing our business value chain “from the tea fields to tea shells.”

At the same time, the Group will unite in strengthening the power of our brand and will seek to create synergies by enhancing our revenue base in Japan, centering on tea leaf products and beverage product.

We will realize “The CSV (Creating Shared Values)” and aim for sustainable growth, with each employee working energetically towards their objectives and delivering smiles to customers in today’s world by continuing to strengthen contact points with all customers through the “ITOEN WAY.”

(4) Issues Facing the Company

The ITO EN Group will continue to strive to meet the expectations of consumers regarding its social responsibility as a company, through compliance with laws, regulations, and social norms, and by establishing a quality control structure that ensures product safety, with an unwavering commitment to the management principle of “Always Putting the Customers First” in the pursuit of further enhancing corporate and shareholder value. To this end, the Group will pursue the following initiatives.

① Brand Strategy

1. Product development

ITO EN is actively developing new products embodying the five key concepts “natural, healthy, safe, well-designed, and delicious” and allied to this, ITO EN, using “VOICE” system, a company-wide proposal system by employees and customers, focusing on what we can do now to enhance customer satisfaction, and is making improvements to products already in the market.

ITO EN will continue to use “VOICE” system to develop new products and to improve the existing products in its quest to satisfy customer needs

2. R&D

Based on its fundamental policy for product development, with a particular emphasis on “Healthy” and “Delicious,” the Group’s research and development includes both basic and applied research. The beverages the Group provides undergo various testing for confirmation of their human health benefits, and this information is made publicly available. The Group will also emphasize the development of foods for specified health uses, which are permitted to display their functional properties on the label. The Group also conducts research on ingredients that affect the flavor and aroma of beverages, as well as research related to physical properties, and works on new technologies toward the development of products with superior flavor and aroma.

3. Brand strengthening strategy

With the ITO EN brand at its core, ITO EN is actively promoting several other individual beverage brands such as “*Oi Ocha*” green tea beverage, “*Kenko Mineraru Mugicha*” (healthy mineral barley tea), and “*TULLY’S COFFEE*.” The ITO EN Group is undertaking aggressive sales promotion for its brands, including “*Ichinichibun no Yasai*” (a day’s worth of vegetables), “*Jujitsu-Yasai*” (mixed vegetable and fruit beverage), “*TEAs’ TEA*,” and “*evian*.”

ITO EN’s flagship product, “*Oi Ocha*,” which was launched in 1985, is widely recognized by our customers. ITO EN will continue to provide customers with the authentic taste of green tea that “tastes so natural, with no added flavorings or seasonings.” Also, ITO EN has been trying to serve customers better by enriching its product lineups and diversifying container capacities and PET bottle types. ITO EN leveraged its time-honored traditions that first introduced green tea beverages and its technical capabilities to launch products reflected seasonal tastes and those savory green tea beverages like “*Koicha*” (dark), “*Gyokuro*” (luxurious green tea), “*Hoji*” (roasted green tea), and “*Genma i*” (green tea with roasted rice) which infused with the special characteristics of tea leaves. At the same time, ITO EN avoided becoming complacent with its No. 1 status among tea beverage brands by boosting efforts toward strengthening its brand even further to be the No. 1 beverage brand.

Along with diversifying its product lineups, ITO EN will nonetheless continue serving authentic flavors for full enjoyment.

② Enhancing the Marketing Base

1. Route sales system

The route sales system is an original sales structure that enables prompt responses to customer needs, allows ITO EN to directly link production and retail elements of its organization and tailor its sales promotion activities to specific regions for further expansion. It not only places ITO EN in direct contact with all existing customers, but also with many potential new ones. ITO EN also equipped its route sales representatives with portable terminals. In addition to enhancing communication, these portable terminals deliver improved mobility, which directly contributes more precise information provision and optimal communication with customers.

2. Strengthening customer service

ITO EN has been fully utilizing its route sales system to bring unparalleled levels of service to its customers, but to enhance the marketing base and to enable it to accomplish its consolidated medium- to long-term business plan targets, the Group has been focusing on new business generation and enriching its face-to-face services. These provide invaluable customer feedback, customer-centered manufacturing development and attractive display ideas, suggestions that generally will be incorporated into the route sales system.

③ Across-the-Board Cost Cutting

1. Fabrication-less system

Our Beverage Division’s production strategy is based on what is termed a fables (fabrication-less) system which means that ITO EN does not have its own production. Not only can ITO EN keep capital investment to a minimum, but it can also respond quickly to changes in the market as they arise.

Furthermore, ITO EN has adopted “block production system,” which means ITO EN has divided its domestic business territory into five blocks to keep production facilities as close to markets as possible in order to minimize logistic costs.

2. Strengthening purchasing power of raw materials

As a top manufacturer of green tea, ITO EN handles approximately 25.2% of the green tea leaves harvested in Japan and uses its extremely strong purchasing power to secure a stable supply of high-quality plucked tea leaves that can be purchased at a reasonable price as a result of relationships built on trust with producers over many years. Over those years, ITO EN has also accumulated a high level of production expertise, making it the beverage company that can self-produce high-quality green tea leaves for beverages.

Furthermore, In Japan, the aging of agricultural workers and the lack of young people willing to inherit and carry on work in the agricultural field, resulting shrinkage of a reduction in tea-producing land and growers. ITO EN is cultivating green tea producing areas in Miyazaki, Kagoshima, Oita, and Nagasaki prefectures for mainly green tea used as a beverage ingredient, for

which demand is expected to continue increasing. ITO EN's agro-technicians visit these areas, and leads strictly governed cultivation operations based on cultivation management records and plans. Through our business of cultivating green tea growing areas, we are working to revitalize the tea industry and local communities by utilizing idle agricultural land, creating employment and encouraging young people to inherit and take on the work of agriculture.

④ Strengthening Overseas Operations

With regard to overseas strategies, ITO EN (North America) INC. puts efforts into building strong "ITO EN" brand awareness in the U.S. and establishing a market for green tea by introducing authentic green tea, expanding its wholesale area, and focusing on the natural food market and national chain stores throughout the U.S.. By adopting ITO EN's specialty sales structure, the "Route sales system," in Manhattan, N.Y., where nationwide attention of the U.S. gathers, and operating closely to customers, the market share for green tea beverages is expanding steadily and the presence of "ITO EN" is being appealed proactively.

The company has been particularly successful in selling green tea bags through membership-only supermarkets, and will continue to strengthen this business going forward. This high-quality product, which was previously not available in the U.S. market, has proven extremely popular with customers and has made a significant contribution to the growth of the green tea market in the United States. The Group will also strengthen sales in China and Southeast Asia, concentrating on tea-based beverages.

⑤ Approach for CSR (Corporate Social Responsibility)

In keeping with its management principle of "Always Putting the Customer First," ITO EN will aim to attain sustainable growth and development by enhancing corporate value as a company that is sought after by the public. To achieve that, ITO EN will pursue CSR initiatives through business that takes into account "The SDGs (Sustainable Development Goals)" contents for a global sustainable society and environment and applies the international standard of ISO26000 and the Japanese standard of JIS Z 26000, ensuring full compliance with laws and regulations to earn the trust of all stakeholders.

ITO EN aims at becoming of a "Global Tea Company," at creating new food culture and at proposing lifestyles both within and outside of Japan. ITO EN's intentions also include the contribution towards creating a sustainable society and environment through "The CSV (Creating Shared Values)", that helps to achieve solutions to both social issues and to the growth of the group.

Based on this thing, to protect the environment, ITO EN has established medium-term goals based on its environmental action guidelines. It is now taking action to achieve those goals. In addition, as an effective means for achieving sustained improvement in its environmental activities, ITO EN is introducing an environmental management system that conforms to ISO14001. In addition, all ITO EN departments are certified by the ISO.

In contributing to society, understanding that the activities a company can conduct are the creation of a better society together with the community, ITO EN will place more emphasis on participation in regional revitalization, sporting, and cultural activities.

(5) Other Important Management Matters Related to the Companies

Not applicable

4. Basic Policies Concerning Selection of Accounting Standards

To allow reliable year-on-year and company-to-company comparisons, the ITO EN Group's policy for the time being is to prepare its consolidated financial statements according to Japanese accounting standards.

In addition, the ITO EN Group is considering the formulation of internal manuals and guidelines and the time for the application thereof to prepare for the future application of IFRS.

5. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

As of April 30, 2015 and April 30, 2016

	Million yen	
	4/30/2016	4/30/2017
Current assets:		
Cash and deposits	53,259	64,202
Notes and accounts receivable – trade	53,553	54,677
Merchandise and finished products	27,074	30,718
Raw materials and supplies	7,981	7,181
Accounts receivable-other	11,990	11,741
Deferred tax assets	2,927	3,387
Other	2,834	2,849
Allowance for doubtful accounts	(105)	(99)
Total current assets	159,517	174,657
Fixed assets:		
Property, plant and equipment;		
Buildings and structures	41,021	43,796
Accumulated depreciation	(21,427)	(22,808)
Buildings and structures, net	19,593	20,987
Machinery, equipment and vehicles	18,624	20,861
Accumulated depreciation	(13,428)	(14,558)
Machinery, equipment and vehicles, net	5,196	6,303
Tools, furniture and fixtures	10,198	12,454
Accumulated depreciation	(5,557)	(6,623)
Tools, furniture and fixtures, net	4,641	5,830
Land	20,644	21,587
Lease assets	55,071	56,946
Accumulated depreciation	(25,917)	(29,057)
Lease assets, net	29,154	27,889
Construction in progress	1,787	440
Subtotal	81,018	83,039
Intangible fixed assets:		
Goodwill	20,179	18,371
Software	3,557	2,936
Other	3,418	3,146
Subtotal	27,154	24,454
Investments and other assets;		
Investments in securities	4,886	5,254
Deferred tax assets	4,073	3,657
Other	11,376	11,628
Allowance for doubtful accounts	(323)	(285)
Subtotal	20,012	20,254
Total fixed assets	128,185	127,748
Total assets	287,702	302,405

Consolidated Balance Sheets – Continued

	Million yen	
	4/30/2016	4/30/2017
Current liabilities:		
Notes and accounts payable-trade	33,353	33,061
Short-term loans payable	1,801	2,153
Current portion of bonds	20,000	—
Lease obligations	10,442	8,995
Accrued expenses	23,194	25,297
Income taxes payable	3,945	4,490
Accrued bonuses	3,284	3,549
Other	4,734	3,802
Total current liabilities	100,756	81,349
Non-current liabilities:		
Bonds payable	—	10,000
Long-term loans payable	29,653	47,644
Lease obligations	16,630	13,468
Deferred tax liabilities on revaluation	719	719
Net defined benefit liabilities	9,668	9,455
Other	3,058	3,059
Total non-current liabilities	59,729	84,347
Total liabilities	160,486	165,696
Shareholders' equity:		
Capital stock	19,912	19,912
Capital surplus	18,640	18,644
Retained earnings	94,311	102,750
Treasury stock	(1,302)	(1,983)
Total shareholders' equity	131,562	139,323
Valuation, translation adjustments and others:		
Valuation difference on available-for-sale securities	1,828	2,133
Deferred gains (losses) on hedges	(45)	—
Reversal of revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustments	137	747
Remeasurements of defined benefit plans	(1,219)	(629)
Total accumulated losses from valuation, translation adjustments and others	(5,352)	(3,802)
Stock acquisition rights	39	66
Non-controlling interests	965	1,122
Total net assets	127,215	136,709
Total liabilities and net assets	287,702	302,405

(2) Consolidated Statements of Income and Comprehensive Income

For the fiscal year ended April 30, 2016 and 2017 (May 1, 2015 - April 30, 2016 and May 1, 2016 - April 30, 2017)

Consolidated Statements of Income

	Million yen	
	4/30/2016	4/30/2017
Net sales	465,579	475,866
Cost of sales	246,761	249,696
Gross profit	218,818	226,170
Selling, general and administrative expenses(*1)	201,574	204,395
Operating income	17,243	21,774
Non-operating income:		
Interest income	69	50
Dividend income from securities	63	65
Rent income	81	96
Compensation income for damaged goods	54	50
Equity income from an unconsolidated subsidiary and affiliates	77	119
Gain on expiration of prepaid cards	85	110
Foreign exchange gains	—	205
Other	298	310
Total non-operating income	730	1,008
Non-operating expenses:		
Interest expense	1,082	884
Foreign exchange losses	1,222	—
Loss on cancellation of lease contracts	280	144
Other	314	229
Total non-operating expense	2,899	1,258
Ordinary income	15,074	21,524
Extraordinary gains:		
Gain on sales of fixed assets	172	11
Gain on sales of securities	0	20
Gain on donation of fixed assets	9	21
Eviction income	18	—
Other	5	0
Total extraordinary gains	205	53
Extraordinary losses:		
Loss on abandonment of fixed assets	33	43
Impairment losses(*2)	310	299
Loss (gain) on related company liquidation	—	480
Other	10	31
Total extraordinary losses	353	854
Income before income taxes	14,925	20,723
Income taxes - current	6,532	7,389
Income taxes - deferred	(305)	(519)
Total income taxes	6,226	6,870
Net income	8,699	13,853
Profit attributable to non-controlling interests	83	160
Profit attributable to owners of parent	8,615	13,693

Comprehensive Income

	Million yen	
	4/30/2016	4/30/2017
Net income	8,699	13,853
Other comprehensive income:		
Valuation difference on available-for-sale securities	(202)	284
Deferred gains or losses on hedges	(74)	45
Revaluation reserve for land	39	—
Foreign currency translation adjustment	(1,413)	584
Remeasurements of defined benefit plans, net of tax	(748)	591
Share of other comprehensive income of associates accounted for using equity method	(13)	5
Other comprehensive income	(2,414)	1,510
Comprehensive income	6,284	15,364
(Breakdown)		
Comprehensive income attributable to owners of parent	6,273	15,242
Comprehensive income attributable to non-controlling interests	10	121

(3) Consolidated Statement of Changes in Shareholders' Equity

For the fiscal year ended April 30, 2016 (May 1, 2015 - April 30, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	19,912	20,259	90,949	(1,287)	129,833
Changes during the current period					
Dividends from surplus			(5,254)		(5,254)
Profit attributable to owners of parent			8,615		8,615
Purchase of treasury stock				(15)	(15)
Disposal of treasury stock			0	0	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(1,618)			(1,618)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(1,618)	3,361	(14)	1,729
Balance at the end of the current period	19,912	18,640	94,311	(1,302)	131,562

	Shareholders' equity						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments			
Balance at the beginning of the current period	2,029	29	(6,092)	1,503	(480)	(3,010)	10	928	127,761
Changes during the current period									
Dividends from surplus									(5,254)
Profit attributable to owners of parent									8,615
Purchase of treasury stock									(15)
Disposal of treasury stock									1
Change in treasury shares of parent arising from transactions with non-controlling shareholders									(1,618)
Net changes of items other than shareholders' equity	(201)	(74)	39	(1,366)	(739)	(2,341)	29	37	(2,275)
Total changes of items during the period	(201)	(74)	39	(1,366)	(739)	(2,341)	29	37	(545)
Balance at the end of the current period	1,828	(45)	(6,053)	137	(1,219)	(5,352)	39	965	127,215

For the fiscal year ended April 30, 2017 (May 1, 2016 - April 30, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	19,912	18,640	94,311	(1,302)	131,562
Changes during the current period					
Dividends from surplus			(5,253)		(5,253)
Profit attributable to owners of parent			13,693		13,693
Purchase of treasury stock				(717)	(717)
Disposal of treasury stock		3		35	39
Change in treasury shares of parent arising from transactions with non-controlling shareholders					
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	3	8,439	(681)	7,761
Balance at the end of the current period	19,912	18,644	102,750	(1,983)	139,323

	Shareholders' equity						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments			
Balance at the beginning of the current period	1,828	(45)	(6,053)	137	(1,219)	(5,352)	39	965	127,215
Changes during the current period									
Dividends from surplus									(5,253)
Profit attributable to owners of parent									13,693
Purchase of treasury stock									(717)
Disposal of treasury stock									39
Change in treasury shares of parent arising from transactions with non-controlling shareholders									
Net changes of items other than shareholders' equity	304	45	—	610	589	1,549	26	156	1,732
Total changes of items during the period	304	45	—	610	589	1,549	26	156	9,493
Balance at the end of the current period	2,133	—	(6,053)	747	(629)	(3,802)	66	1,122	136,709

(4) Consolidated Statements of Cash Flows

For the fiscal year ended April 30, 2016 and 2017 (May 1, 2015 - April 30, 2016 and May 1, 2016 - April 30, 2017)

	Million yen	
	4/30/2016	4/30/2017
Cash flows from operating activities:		
Income before income taxes	14,925	20,723
Depreciation and amortization	16,075	12,469
Impairment loss	310	299
Amortization of goodwill	1,824	1,765
Increase (decrease) in allowance for doubtful accounts	(108)	(44)
Increase (decrease) in accrued bonuses for employees	492	265
Increase (decrease) in net defined benefit liability	511	641
Interest and dividends income	(132)	(115)
Interest expenses	1,082	884
Loss (gain) on foreign currency translation	213	(163)
Loss (gain) on sales of investment securities	(0)	(20)
Loss (gain) on related company liquidation	—	480
Decrease (increase) in notes and accounts receivable – trade	(2,340)	(1,104)
Decrease (increase) in inventories	(931)	(2,816)
Decrease (increase) in other current assets	1,294	222
Decrease (increase) in other fixed assets	149	149
Increase (decrease) in notes and accounts payable – trade	195	(307)
Increase (decrease) in consumption tax payable	(729)	(1,012)
Increase (decrease) in other current liabilities	2,141	2,493
Other	(418)	(93)
Subtotal	34,554	34,717
Interest and dividend income received in cash	158	129
Interest expenses paid in cash	(1,114)	(898)
Income taxes paid in cash	(3,512)	(6,850)
Net cash flows from operating activities	30,085	27,098
Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets	(8,449)	(8,294)
Acquisition of investments in securities	(94)	(14)
Proceeds from sales of investments securities	0	49
Acquisition of long-term prepaid expenses	(24)	(82)
Acquisition of investments in affiliates	(37)	(11)
Decrease (increase) in other investments	453	110
Net cash flows from investing activities	(8,150)	(8,243)

Consolidated Statements of Cash Flows – Continued

	Million yen	
	4/30/2016	4/30/2017
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	20	—
Proceeds from long-term loans payable	477	20,000
Repayment of long-term loans payable	(335)	(1,660)
Revenue income, resulting from bonds' issuance	—	9,951
Payments, resulting from a bonds' redemption	—	(20,000)
Purchase of treasury stock	(15)	(717)
Proceeds from sales of treasury stock	1	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,739)	—
Repayment of finance lease obligations	(11,236)	(10,361)
Dividends paid	(5,243)	(5,245)
Dividends paid to minority shareholders	(88)	(75)
Proceeds from stock issuance to minority shareholders	153	110
Other, net	(10)	(14)
Net cash flows from financing activities	(18,018)	(8,012)
Effect of exchange rate fluctuation on cash and cash equivalents	419	99
Net increase (decrease) in cash and cash equivalents	4,336	10,942
Cash and cash equivalents at beginning of period	48,922	52,259
Cash and cash equivalents at end of period	53,259	64,202

(5) Notes to Consolidated Financial Statements
(Note Regarding the Company's Position as a Going Concern)

Not applicable

(Basis of Presentation of Consolidated Financial Statements)

1. Consolidation scope

- (1) Consolidated subsidiaries — 32 companies:

The major consolidated subsidiaries are stated in “2. ITO EN Group Outline, Subsidiaries and Affiliates Outline” and thus the statement thereof is omitted.

ITO EN (USA) INC., which was a consolidated subsidiary in the previous fiscal year, is excluded from the scope of consolidation because they were wound up.

Also, Chichiyasu butsuryu Co. Ltd., which was a consolidated subsidiary of Chichiyasu Company, is excluded from the scope of consolidation because it dissolved as a result of an absorption merger.

- (2) Unconsolidated subsidiaries — 2 companies: Ningbo Shunyi Tea products Co., Ltd. and 1 other company

- (3) Reasons for exclusion from consolidated subsidiaries

Total assets, net sales, net income and retained earnings of the unconsolidated subsidiary are excluded from financial statements consolidated due to immateriality of those amounts. The equity method is applied for accountings for all unconsolidated subsidiaries and affiliates.

2. Application of equity method

- (1) Equity - method applied to unconsolidated subsidiaries — 2 companies:

Ningbo Shunyi Tea products Co., Ltd. and 1 other company

- (2) Equity - method applied to affiliated — 2 companies: Tohun Logitem Co., Ltd. and 1 other company

- (3) Equity - method unapplied to affiliated — 3 companies: Hamano seicha Co., Ltd. and 2 other company

- (4) Reasons for the exclusion of non-equity method affiliates from the scope of equity method:

The affiliated company not accounted for by the equity method is excluded from the scope of application of the equity method because the exclusion thereof will have an insignificant impact on the consolidated financial statements given the current term net profit or loss (in proportional terms) and the retained earnings (in proportional terms), among other elements, and no significance thereof is identified as compared to the whole.

- (5) Financial statements of equity method applied unconsolidated subsidiaries and an affiliate, which ITO EN has used, are determined based on their fiscal year

3. Matters relating to fiscal year end, etc. of subsidiaries

PT ITO EN ULTRAJAYA WHOLESAL, Fujian New Oolong Drink Co., Ltd., and ITO EN BEVERAGE (SHANGHAI), LTD., have fiscal year end on December 31. Distant Lands Trading Company, Inc. has fiscal year end on September 30.

For major transactions which occurred between the fiscal year end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements.

4. Significant accounting policies

- (1) Valuation standards and methods for important assets

① Securities

Available-for-sale securities with market value are revaluated at the market value. Differences between revaluated amounts and original purchase prices are presented in net assets and the sales price is determined by the moving-average method is adopted.

Available-for-sale securities without market value are stated at cost determined by the moving-average method is adopted.

② Inventories

Domestic companies — Inventories are stated at cost determined by the average method is adopted.

Overseas companies — Inventories are stated at the lower cost, determined on the first-in first-out or moving-average method is adopted.

- (2) Depreciation method for important fixed assets

① Property, plant and equipment (excluding lease assets)

Domestic companies — Property, plant and equipment are depreciated on the declining balance method. For buildings (excluding accompanying equipment) acquired after April 1, 1998, the straight line method is applied and building and structures, tools, furniture, and fixtures of the Company acquired after April 1, 2016.

Overseas companies — Property, plant and equipment are depreciated over estimated useful life on the straight line method.

(The service lives for these major categories)

Building and structures: 31 to 50 years
Machinery, equipment and vehicles: 8 to 10 years
Tools, furniture and fixtures: 4 to 8 years

② Intangible assets (excluding lease assets)

Domestic companies only — Intangible assets are amortized on the straight line method over estimated useful lives. The useful life for "Software" is estimated for five to ten years.

③ Lease assets (finance lease transactions that do not transfer ownership of lease property to the lessee)

The straight-line method is applied to leases, with the lease period set as the useful life and the remaining value as zero. Finance lease transactions that do not transfer ownership, for which the starting date of the lease was April 30, 2008 or earlier, are accounted for as operating leases.

(3) Important reserve

① Allowance for doubtful accounts

Sufficient allowance for doubtful accounts is provided to cover possible losses by estimating uncollectable amounts individually in addition to possible losses based on actual losses on collection in the past.

② Accrued bonus

Domestic companies only — Accrued bonus, which is the proportional amount for the current period is recorded as an estimate for the future payment to employees.

(4) Accounting policy for retirement benefits

① Period allocation methodology for the estimated retirement benefit amount

The retirement benefits obligations calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on a straight-line basis.

② Amortization of actuarial gains/losses and prior service cost

prior service cost are amortized pro rata in the years from the following fiscal year by the straight-line method based average remaining service years (Mainly 18 years) of the employees when incurred.

Actuarial gains/losses are amortized pro rata in the years from the following fiscal year by the straight-line method based average remaining service years (Mainly 18 years) of the employees when incurred.

③ Application of the simplified method for small businesses

For certain consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the consolidated fiscal year are recorded as retirement benefit obligations.

(5) Conversion of foreign currency and translation of foreign statements

Receivables and liabilities denominated in foreign currencies are translated into Japanese yen on the basis of the fiscal year end rate and translation differences are charged to income or expenses. Financial statements of foreign consolidated subsidiaries are translated into Japanese yen on the basis of the fiscal year end rates. The average rates for the period are used for translation of income and expenses for the period. Translation differences are included in net assets as foreign statements translation adjustments and non-controlling interests.

(6) Important hedge accounting

① Hedge accounting method

Deferred hedge accounting is applied. Designation accounting is used for forward foreign exchange and foreign exchange swaps that meet the requirements for designation accounting, and exceptional accounting is used for interest rate swaps that meet the requirements for exceptional accounting.

② Hedge method: Interest rate swap contracts, forward foreign currency exchange contracts, and foreign exchange contracts.

Hedge target: Interest paid on loans payable, foreign debt or foreign currency contracts, and borrowings.

③ Hedging policy

Forward foreign exchange transactions are used only to cover actual foreign exchange needs, and foreign exchange swaps are made to match the principal amount and tenor of the hedged foreign currency-denominated obligation. Interest rate swaps are entered into for the amount of borrowings only. Commodity swaps are entered into for the trade amount of raw materials. The Company makes foreign currency exchange forward, foreign exchange swaps, and interest rate swaps contract to hedge its exposure on anticipated transactions, in accordance with internal "derivative transaction regulation."

④ Method of evaluating hedge effectiveness

The validity of hedges is evaluated based on a comparison of total fluctuations in the cash flow or fluctuations in the market value of the hedged item with the total fluctuations in the cash flow or fluctuations in the market value of the hedging instrument. However, for items converted by designation or exceptional accounting, the validity of the hedge is not evaluated.

(7) Amortization of goodwill

Goodwill caused by acquisition of affiliates is amortized mainly in eighteen years by using the straight-line method. Some of them are charged or credited to income as incurred due to immateriality of those amounts.

(8) Cash and cash equivalents on the consolidated statements of cash flows

Cash and cash equivalents on the Consolidated Statements of Cash Flows include cash on hand, time deposits and highly liquidated investments with maturities of three months or less with little fluctuation risks.

(9) Accounting for consumption taxes

Consumption tax (including local consumption) received and paid are netted in the consumption tax payable.

(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 fiscal year under review 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 period under review.

(Change in the Display (Disclosure) Method)

(Consolidated statements of income)

“Loss on cancellation of lease contracts,” which was included in “other” under “non-operating expenses” in the previous fiscal year, is presented independently in the fiscal year under review due to its amount, which exceeded 10% of non-operating expenses. “Loss on sales of fixed assets” and “Loss on valuation of investment securities,” which were presented independently under “Extraordinary losses” in the previous fiscal year, are included in “Other” in the fiscal year under review due to their decreased financial materiality.

The consolidated financial statements for the previous fiscal year have been reorganized in order to apply these changes in the presentation.

As a result, the amount of 594 million yen presented as “Other” under “non-operating expenses” in the consolidated statements of income in the previous fiscal year has been rearranged into 280 million yen as “Loss on cancellation of lease contracts” and 314 million yen as “other.”

The amounts of 0 million yen presented as “Loss on sales of fixed assets” and 3 million yen as “Loss on valuation of investment securities” under “Extraordinary losses” have been reorganized into “Other.”

(Consolidated Statements of Cash Flows)

“Loss (gain) on valuation of investments securities,” which was presented independently under “Cash flows from operating activities” in the previous fiscal year, is included in “Other” in the fiscal year under review due to their decreased financial materiality.

As a result, the amount of 3 million yen presented as “Loss (gain) on valuation of investments securities” under “Cash flows from operating activities” in the consolidated statements of income in the previous fiscal year has been rearranged as “other.”

(Changes in Accounting Estimates)

(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 period 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 3,168 million yen, and ordinary income and profit before income taxes increased by 3,109 million yen for the fiscal year under review.

(Additional information)

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

“The Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied to the consolidated results since the fiscal year under review.

(Notes to Consolidated Statements of Income)***1. Main items of selling, general and administrative expenses**

For the fiscal year ended April 30, 2016 and 2017 (May 1, 2015 - April 30, 2016 and May 1, 2016 - April 30, 2017)

	Million yen	
	4/30/2016	4/30/2017
Selling commission	77,574	79,034
Salaries and wages to employees	41,350	42,069
Transportation	12,184	12,940
Advertising	11,056	12,937
Depreciation and amortization	13,988	10,312
Accrued bonuses	3,222	3,204
Retirement and severance benefit costs for employees	1,565	1,831
Research and development expenses	1,748	1,825
Allowance for doubtful accounts	(32)	(5)

***2. Impairment loss**

A consolidated group company recognized impairment losses on the assets group listed below.

For the fiscal year ended April 30, 2016 (May 1, 2015 - April 30, 2016)

Location	Use	Type of assets	Impairment losses (million yen)
Shijonawate-shi, Osaka etc.	Store, etc. (Tully's Coffee Japan Co., Ltd.)	Buildings, etc.	290
Hatsukaichi-shi, Hiroshima	Assets for business (Chichiyasu Company)	Machinery and equipment, etc.	19

In the case of the consolidated subsidiary Tully's Coffee Japan Co., Ltd., CGU are formed using each shop as a basic unit for measurement, thus being the smallest units generating the cash flow. An extraordinary loss has been recognized on the CGU (buildings and structures, tools, furniture and fixtures) causing continuous deficits in the cash flow generation arising from operating activities. As of the consolidated fiscal year ended April 30, 2017, we had added-up an Impairment Loss amount of 290 million yen (buildings and structures: 252 million yen; tools, furniture and fixtures: 34 million yen and other 3 million yen) and that sum was equal to the total carrying (book) value. The Recoverable Amount was determined through measurement of the Value-in-use, calculated as zero.

In the case of the consolidated subsidiary Chichiyasu Company, CGU are formed using each manufacturing line as a basic unit for measurement, thus being the smallest units generating the cash flow. An extraordinary loss has been recognized on the CGU (buildings and structures, tools, furniture and fixtures) causing continuous deficits in the cash flow generation arising from operating activities. As of the consolidated fiscal year ended April 30, 2017, we had added-up an Impairment Loss amount of 19 million yen (machinery, plant- and delivery equipment: 13 million yen; tools, buildings and structures: 6 million yen and tools, furniture and fixtures: 0 million yen) and that sum was equal to the total carrying (book) value. The Recoverable Amount was determined through measurement of the Value-in-use, calculated as zero.

For the fiscal year ended April 30, 2017 (May 1, 2016 - April 30, 2017)

Location	Use	Type of assets	Impairment losses (million yen)
Shijonawate-shi, Osaka	Store, etc. (Tully's Coffee Japan Co., Ltd.)	Buildings, etc.	299

In the case of the consolidated subsidiary Tully's Coffee Japan Co., Ltd. asset grouping is conducted with each shop as the basic unit of measurement, as these are the smallest units of cash flow generation. An extraordinary loss has been recognized on the assets group, which incurred continuous deficits in cash flow generation arising from operating activities, amounting to as impairment loss for the total book value was 299 million yen (buildings and structures 258 million yen, tools, furniture and fixtures 32 million yen, and other 8 million yen) as of the fiscal year ended April 30, 2017. The recoverable amount was determined through measurement of the value in use, which is calculated as zero.

(Business Combinations, etc.)

(Transactions under common control)

Business transfer

1. Overview of transactions

(1) Name and Contents (details) of the applicable business

Name: The tea leaves- and beverages business of ITO EN (USA) INC., being a consolidated subsidiary company of ITO EN, Ltd.

Contents (details): Producing and marketing beverages

(2) Date of business combination

December 31, 2016

(3) Legal form of business combination

Business transfer in which ITO EN (USA) INC. is the company transferring its business and ITO EN (Hawaii) INC. is the company taking it over

(4) Other matters concerning the transaction overview

Business has been transferred for the purpose of concentrating the Group's management resources and accelerating management decisions in the U.S.

2. Overview of accounting procedures implemented

The transaction is treated as one under common control based on the "Accounting Standard for Business Combinations" and "Guidelines for Application of the Accounting Standards for Business Combination and Business Divestiture.

(Segment Information, etc.)**【Segment information】**

1. Outline of reporting segments

The ITO EN Group reporting segments shall be part of our organizational units whose financial information is individually available, and shall be subject to regular review by its Board of Directors for the purpose of deciding the allocation of its managerial resources and evaluating its business performance.

The ITO EN Group is engaged in the manufacture, purchase and sales of products of tea leaves/beverages in both domestic and overseas markets as its mainstay business and also is engaged in restaurant business. As such, our reporting segments consist of “Tea Leaves/Beverage Businesses,” “Restaurant Business,” and “Others.”

2. Basis for calculating sales, profit or loss, assets, liabilities, and other items by reporting segment

Accounting treatment for reporting segments is the same as the treatment described in “Basis of Presentation of Consolidated Financial Statements.”

Income of reporting segments is based on operating income.

Sales and transfer of intersegment are based on prevailing market price.

3. Information regarding amounts of sales, profit or loss, assets, liabilities, and other items by reporting segment.

For the fiscal year ended April 30, 2016 (May 1, 2015 - April 30, 2016)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	431,995	27,536	6,047	465,579	—	465,579
(2) Intersegment	358	215	2,590	3,164	(3,164)	—
Total net sales	432,353	27,751	8,638	468,744	(3,164)	465,579
Segment earnings (loss)	14,904	2,879	829	18,614	(1,371)	17,243
Segment assets (loss)	250,584	13,773	7,158	271,516	16,186	287,702
Others:						
(1) Depreciation	15,041	882	152	16,075	—	16,075
(2) Amortization of goodwill	211	—	74	285	1,538	1,824
(3) Increase in fixed assets	13,732	2,315	23	16,071	—	16,071

Notes: i .The segment earnings (loss) adjustment (1,371) million yen includes (1,538) million yen in amortization of goodwill and 167 million yen in intersegment transactions.

ii .The segment asset (loss) adjustment 16,186 million yen is unamortized balance of goodwill, and etc.

iii . Segment earnings (loss) are adjusted to the operating income figure on the consolidated statements of operation.

For the fiscal year ended April 30, 2017 (May 1, 2016 - April 30, 2017)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	439,698	30,252	5,915	475,866	—	475,866
(2) Intersegment	374	16	2,581	2,972	(2,972)	—
Total net sales	440,073	30,268	8,496	478,838	(2,972)	475,866
Segment earnings (loss)	19,093	3,130	801	23,025	(1,250)	21,774
Segment assets (loss)	265,393	14,792	7,654	287,785	14,619	302,405
Others:						
(1) Depreciation	11,401	927	140	12,469	—	12,469
(2) Amortization of goodwill	213	—	67	281	1,484	1,765
(3) Increase in fixed assets	12,577	1,640	57	14,276	—	14,276

Notes: i .The segment earnings (loss) adjustment (1,250) million yen includes (1,484) million yen in amortization of goodwill and 233 million yen in intersegment transactions.

ii .The segment asset (loss) adjustment 14,619 million yen is unamortized balance of goodwill, and etc.

iii . Segment earnings (loss) are adjusted to the operating income figure on the consolidated statements of operation.

(Notes to Per Share Data)

For the fiscal year ended April 30, 2016 and 2017 (May 1, 2015 - April 30, 2016 and May 1, 2016 - April 30, 2017)

	Yen	
	4/30/2016	4/30/2017
Common Stock		
Net assets per share	1,026.26	1,105.09
Net income per share	67.37	108.77
Diluted net income per share	67.21	108.50
Class-A Preferred Stock		
Net assets per share	1,031.26	1,110.09
Net income per share	77.37	118.73
Diluted net income per share	77.21	118.46

Note: The basis for calculating net income per share and diluted net income per share is as follows:

	4/30/2016	4/30/2017
(Net income per share)		
Net income (Million yen)	8,615	13,693
Net income pertaining to common stock (Million yen)	5,974	9,645
Net income pertaining to Class-A Preferred Stock (Million yen)	2,641	4,047
Weighted average number of shares of common stock (Thousands of shares)	88,676	88,683
Weighted average number of shares of Class-A Preferred Stock (Thousands of shares)	34,140	34,086
(Diluted net income per share)		
Adjustments to net income (Million yen)	—	—
Increase in common stock (Thousands of shares)	294	307
(*Stock acquisition rights (Thousands of shares))	(294)	(307)
Net income pertaining to common stock (Million yen)	5,979	9,655
Net income pertaining to Class-A Preferred Stock (Million yen)	2,635	4,037
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	—	—

(Notes to Subsequent Events)

Not applicable

6. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

as of April 30, 2016 and April 30, 2017

	Million yen	
	4/30/2016	4/30/2017
Current assets:		
Cash and deposits	38,734	51,297
Notes receivable – trade	191	193
Accounts receivable – trade	47,418	46,911
Merchandise and finished products	17,976	20,953
Raw materials and supplies	5,807	5,249
Prepaid expenses	1,792	1,993
Deferred tax assets	1,946	2,135
Short-term loans to affiliates	2,985	6,111
Accounts receivable-other	10,821	10,458
Other	227	221
Allowance for doubtful accounts	(43)	(31)
Total current assets	127,858	145,492
Fixed assets:		
Property, plant and equipment;		
Buildings, net	10,170	11,446
Structures, net	309	364
Machinery and equipment, net	1,609	2,876
Vehicles, net	28	18
Tools, furniture and fixtures, net	3,225	4,304
Land	13,585	14,578
Lease assets, net	27,022	25,289
Construction in progress	1,626	—
Subtotal	57,576	58,877
Intangible fixed assets;		
Right for leasehold land	80	80
Trademark right	1,375	1,225
Software	3,300	2,606
Telephone rights	89	89
Other	25	0
Subtotal	4,871	4,002
Investments and other assets;		
Investments in securities	4,610	4,946
Investments in affiliates	43,944	40,934
Capital investments	9	9
Capital investments in affiliates	834	843
Long-term loans to affiliates	13,816	11,541
Claims provable in rehabilitation	236	205
Long-term Prepaid expenses	278	401
Deferred tax assets	1,046	1,146
Lease and guarantee deposits	2,559	2,479
Insurance premium	251	257
Other	1,861	1,803
Allowance for doubtful accounts	(301)	(267)
Subtotal	69,146	64,303
Total fixed assets	131,594	127,184
Total assets	259,453	272,676

Non-Consolidated Balance Sheets – Continued

	Million yen	
	4/30/2016	4/30/2017
Current liabilities:		
Accounts payable—trade	26,165	27,710
Short-term loans payable	—	1,400
Current portion of bonds	20,000	—
Lease obligations	9,605	8,153
Accounts payable—others	311	373
Accrued expenses	20,970	20,984
Income taxes payable	2,947	3,234
Income in advance	14	14
Accrued bonuses	2,585	2,823
Other	1,708	711
Total current liabilities	84,307	65,406
Non-current liabilities:		
Bonds payable	—	10,000
Long-term loans payable	29,072	47,322
Lease obligations	15,140	11,900
Allowance for retirement and severance benefits for employees	5,886	6,501
Deferred tax liabilities on revaluation	719	719
Other	281	279
Total non-current liabilities	51,100	76,723
Total liabilities	135,407	142,129
Current Net Assets:		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus		
Legal capital surplus	20,259	20,259
Other capital surplus	—	3
Total Capital surplus	20,259	20,262
Retained earnings		
Legal earnings reserve	1,320	1,320
Other earned surplus		
Reserve for reduction of acquisition cost of fixed assets	536	533
Special reserve fund	76,116	79,616
Earned surplus carried forward	11,528	14,872
Total retained earnings	89,501	96,343
Treasury stock, at cost	(1,302)	(1,983)
Total shareholders' equity	128,370	134,534
Valuation, translation adjustments and others:		
Valuation difference on available-for-sale securities	1,733	1,999
Deferred gains (losses) on hedges	(45)	—
Reversal of revaluation reserve for land	(6,053)	(6,053)
Total accumulated gains (losses) from valuation, translation adjustments and others	(4,364)	(4,054)
Stock acquisition rights	39	66
Total net assets	124,045	130,546
Total liabilities and net assets	259,453	272,676

(2) Non-Consolidated Statements of Income

for the fiscal year ended April 30, 2016 and 2017 (May 1, 2015 - April 30, 2016 and May 1, 2016 - April 30, 2017)

	Million yen	
	4/30/2016	4/30/2017
Net sales	365,276	371,831
Cost of sales	195,047	196,832
Gross profit	170,229	174,999
Selling, general and administrative expenses	158,295	159,352
Operating income	11,934	15,646
Non-operating income:		
Interest and dividends income	3,047	2,300
Other	499	669
Total non-operating income	3,547	2,970
Non-operating expenses:		
Interest expense	862	714
Interest on bonds	98	84
Other	1,698	357
Total non-operating expense	2,660	1,157
Ordinary income	12,821	17,460
Extraordinary gains:		
Gain on sales of fixed assets	1	—
Gain on sales of investment securities	0	19
Total extraordinary gains	1	19
Extraordinary losses:		
Loss on disposal of fixed assets	21	31
Loss on valuation of investment securities	3	0
Impairment losses	—	811
Other	2	5
Total extraordinary losses	27	848
Income before income taxes	12,795	16,631
Income taxes - current	4,502	4,940
Income taxes - deferred	(648)	(404)
Income taxes	3,854	4,535
Net income	8,941	12,095

(3) Non-Consolidated Statements of Changes in Shareholders' Equity

for the fiscal year ended April 30, 2016 (May 1, 2015 - April 30, 2016)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			
						Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
Balance at the beginning of the current period	19,912	20,259	—	20,259	1,320	525	76,116	7,852	85,814
Changes during the current period									
Dividends from surplus								(5,254)	(5,254)
Provision of general reserve									
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate						13		(13)	—
Reversal of reserve for advanced depreciation of noncurrent assets						(2)		2	—
Net income								8,941	8,941
Purchase of treasury stock									
Disposal of treasury stock								0	0
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	—	—	—	10	—	3,676	3,687
Balance at the end of the current period	19,912	20,259	—	20,259	1,320	536	76,116	11,528	89,501

(Million yen)

	Shareholders' equity		Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	(1,287)	124,697	1,935	29	(6,092)	(4,127)	10	120,580
Changes during the current period								
Dividends from surplus		(5,254)						(5,254)
Provision of general reserve								
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate		—						—
Reversal of reserve for advanced depreciation of noncurrent assets		—						—
Net income		8,941						8,941
Purchase of treasury stock	(15)	(15)						(15)
Disposal of treasury stock	0	1						1
Net changes of items other than shareholders' equity			(201)	(74)	39	(237)	29	(207)
Total changes of items during the period	(14)	3,673	(201)	(74)	39	(237)	29	3,465
Balance at the end of the current period	(1,302)	128,370	1,733	(45)	(6,053)	(4,364)	39	124,045

for the fiscal year ended April 30, 2017 (May 1, 2016 - April 30, 2017)

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
Balance at the beginning of the current period	19,912	20,259	—	20,259	1,320	536	76,116	11,528	89,501
Changes during the current period									
Dividends from surplus								(5,253)	(5,253)
Provision of general reserve							3,500	(3,500)	—
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate									
Reversal of reserve for advanced depreciation of noncurrent assets						(2)		2	—
Net income								12,095	12,095
Purchase of treasury stock									
Disposal of treasury stock			3	3					
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	3	3	—	(2)	3,500	3,344	6,841
Balance at the end of the current period	19,912	20,259	3	20,262	1,320	533	79,616	14,872	96,343

	Shareholders' equity		Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	(1,302)	128,370	1,733	(45)	(6,053)	(4,364)	39	124,045
Changes during the current period								
Dividends from surplus		(5,253)						(5,253)
Provision of general reserve		—						—
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate								
Reversal of reserve for advanced depreciation of noncurrent assets		—						—
Net income		12,095						12,095
Purchase of treasury stock	(717)	(717)						(717)
Disposal of treasury stock	35	39						39
Net changes of items other than shareholders' equity			265	45	—	310	26	337
Total changes of items during the period	(681)	6,163	265	45	—	310	26	6,500
Balance at the end of the current period	(1,983)	134,534	1,999	—	(6,053)	(4,054)	66	130,546

7. Other

(1) Change in Officers

For further details, please refer to the “Notice of Relocation of Officers and Corporate Structure Changes” document, disclosed on 25 April 2017 at our Company’s homepage:

http://www.itoen.co.jp/finance_ir/ir-news