

Consolidated Financial Results

under Japanese Standards for the fiscal year ended April 30, 2013 (Unaudited)

Scheduled date of general shareholder's meeting: July 25, 2013

Scheduled date for filing of annual securities report: July 26, 2013

Supplementary documents for financial results: Yes

Financial 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, 2013 (May 1, 2012 - April 30, 2013)

(1) Consolidated Results of Operations (% 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	
4/30/2013	403,957	9.4%	20,250	7.1%	19,914	10.7%	11,244	21.6%
4/30/2012	369,284	5.0%	18,907	6.9%	17,985	8.8%	9,249	20.5%

Note: Comprehensive income 4/30/2013: 13,723 million yen (46.6%) 4/30/2012: 9,360 million yen (38.5%)

	Net income per share	Net income per share (diluted)	Return on Equity	Ordinary income / Total assets	Operating income / Net sales
	Yen	Yen			
4/30/2013	88.64	88.39	10.3%	8.5%	5.0%
4/30/2012	72.18	71.98	8.9%	8.6%	5.1%

Reference: Equity in earnings (losses) of affiliated companies 4/30/2013: 168 million yen 4/30/2012: 142 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen		Yen
4/30/2013	244,970	113,942	46.3%	923.24
4/30/2012	224,843	106,010	47.1%	856.76

Reference: Equity 4/30/2013: 113,491 million yen 4/30/2012: 105,896 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 the end of the year
	Million Yen	Million Yen	Million Yen	Million Yen
4/30/2013	24,042	(9,272)	(16,451)	42,897
4/30/2012	21,462	(8,067)	6,290	43,544

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		
4/30/2012	—	19.00	—	19.00	38.00	3,390	52.6%	4.5%
4/30/2013	—	19.00	—	19.00	38.00	3,365	42.9%	4.3%
4/30/2014 (Forecast)	—	19.00	—	19.00	38.00		39.1%	

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

3. Forecasted Consolidated Results for the Fiscal Year Ending April 30, 2014 (May 1, 2013 - April 30, 2014)

(% 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
10/31/2013	242,550	12.0%	14,600	6.6%	14,350	7.3%	8,550	13.2%	66.74
4/30/2014	440,000	8.9%	23,000	13.6%	21,500	8.0%	12,300	9.4%	97.23

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: Yes
(changes in specific subsidiaries accompanied by a change in the scope of consolidation)
Newly: 1 (Company name) ITO EN Asia Pacific Holdings Pte. Ltd.

- (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: The depreciation method has been changed from this fiscal year and this change is applicable to “a case where it is difficult to distinguish changes in accounting policies from changes in accounting estimates.” For further information, please refer to “4. Consolidated Financial Statements,

(5) Notes to Consolidated Financial Statements (Basis of Presentation of Consolidated Financial Statements)” on page 27 in the Attachments.

- (3) Number of shares outstanding (common stock)

- i . Numbers of shares outstanding (including treasury stock) 4/30/2013 89,212,380 shares 4/30/2012 91,212,380 shares
ii . Numbers of treasury stock 4/30/2013 635,899 shares 4/30/2012 1,983,665 shares
iii . Average number of shares during the period 4/30/2013 88,823,259 shares 4/30/2012 89,225,577 shares

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

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Performance for the fiscal year ended April 30, 2013 (May 1, 2012 - April 30, 2013)

- (1) Non-Consolidated Results of Operations (% 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	
4/30/2013	351,807	5.9%	16,834	4.4%	17,138	8.6%	10,376	29.2%
4/30/2012	332,297	0.8%	16,131	3.1%	15,784	6.0%	8,032	10.7%

	Net income per share	Net income per share (diluted)
	Yen	Yen
4/30/2013	81.58	81.35
4/30/2012	62.32	62.14

- (2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen		Yen
4/30/2013	221,399	114,169	51.6%	928.48
4/30/2012	212,100	109,096	51.4%	882.50

Reference: Equity: 4/30/2013: 114,134 million yen 4/30/2012: 109,073 million yen

Note: The above of 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, 2014 (May 1, 2013 - April 30, 2014)

(% 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
10/31/2013	205,620	4.5%	12,430	4.9%	12,540	3.4%	7,610	10.4%	59.09
4/30/2014	368,880	4.9%	18,350	9.0%	17,850	4.2%	10,650	2.6%	83.81

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: Implementation status of audit procedures

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

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

The forecasts are based on information available to the management at the time of an announcement. Due to variable factors, actual results may be different from the forecast figures. For the basis of presumption of the forecasted operation results and the notes on its use, refer to “(1) Analysis on Operation Results” on page 2.

Reference

(1) Net Income per Share – Class-A Preferred Stock (May 1, 2012 - April 30, 2013)

	Net income per share	Net income per share (diluted)	Net assets per share
	Yen	Yen	Yen
4/30/2013	98.64	98.39	928.24
4/30/2012	82.18	81.97	861.76

(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		
4/30/2012	—	24.00	—	24.00	48.00	1,640	58.4%	5.7%
4/30/2013	—	24.00	—	24.00	48.00	1,640	48.7%	5.4%
4/30/2014 (Forecast)	—	24.00	—	24.00	48.00		44.8%	

(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
10/31/2012	76.74	69.09
4/30/2013	107.23	93.81

(4) Shares Outstanding – Class-A Preferred Stock

i . Numbers of shares outstanding (including treasury stock)

4/30/2013 34,246,962 shares 4/30/2012 34,246,962 shares

ii . Numbers of treasury stock

4/30/2013 81,568 shares 4/30/2012 73,658 shares

iii . Numbers of average shares outstanding

4/30/2013 34,170,970 shares 4/30/2012 34,175,404 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
4/30/2013	91.58	91.35	933.48
4/30/2012	72.32	72.14	887.50

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1. Results of Operations

(1) Analysis on Results of Operations

① Outline of results

During the fiscal year ended April 30, 2013, Japan continued to face economic headwinds, and the outlook for the economy remained uncertain due to factors including financial problems in Europe and economic slowdown in developing countries. At the same time, expectations for the economic and financial policies of Japan's new administration and the impact of those policies led to trends toward a weaker yen and higher stock prices, and promising signs of business recovery began to appear.

In the beverage industry, increased consumer health consciousness, favorable summertime weather, and other factors contributed to a continued increase in sales volumes in the beverage market overall. Nevertheless, the industry faced an increasingly adverse business environment due to the prolonged economic recession, consumer frugality, and price decline in the market.

The beverage industry faced continued hardship as personal consumption had long term downturn in consumer frugality and declining prices.

In these business conditions, in keeping with the management principle "Always Putting the Customers 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.

In December 2012 over limited pesticide residue detected from three of our oolong-tea-bag products leading to a voluntary recall of all products that may have contained glass fragments. We deeply apologize to our customers, shareholders and all concerned for the inconvenience caused. We intend to further reinforce our quality control and are undertaking initiatives to prevent a recurrence.

As a result, ITO EN recorded consolidated net sales of 403,957 million yen, up 9.4% from the previous fiscal year. On the earnings front, a review of expenses coupled with efficient management resulted in operating income of 20,250 million yen, up 7.1% year on year, ordinary income of 19,914 million yen, up 10.7%, and net income of 11,244 million yen, up 21.6%.

An analysis of sales by business segment follows. The reporting segment has been changed from the fiscal year ended April 30, 2013. The reason for this change is that enhance the effective of our segment information. Segment information of the previous fiscal year disclosed based on the current division of the reporting segments.

<Tea Leaves and Beverages Business>

Domestics business, following the renewal of mainstay product "Oi Ocha Ryokucha," and "Oi Ocha Koiaji" in May 2012, ITO EN undertook further value enhancement and sales expansion by renewing "Oi Ocha Hojicha," "Oi Ocha Genmaicha," in August and September. ITO EN has launched products in slim, easy-to-hold 320ml PET bottles and will pursue further brand value enhancement and sales expansion by adding to the new series "Oi Ocha Zokkon," a product that offers highly aromatic, fresh-brewed quality, and offering a broad product line.

In September 2012, ITO EN renewed the package design of "Double Health Function Catechin Green Tea" (certified as a food for specified health uses)," which helps to reduce fat and bad cholesterol and sales are developing favorably.

Among vegetable beverages, cumulative annual sales volume of "Ichinichibun no Yasai" from January to November in 2012 passed the 10 million case milestones for the first time, and sales are steadily increasing. In addition, in September 2012 marked the 20th anniversary of the launch of "Jujitsu Yasai," a mixed vegetable and fruit beverage, and ITO EN will continue to deliver health, peace, and safety of mind in addition to flavor to ensure acceptance of this product by consumers of all ages, from children to the elderly.

Moreover, in November 2011 ITO EN launched a new brand "Asa no Yoo" a yogurt drinks developed jointly with Chichiyasu Company. The line has steadily increased, with cumulative sales volume exceeding 2 million cases.

Furthermore, NEOS Corporation became a consolidated subsidiary of the ITO EN Group at the end of the second quarter of the fiscal year ended April 30, 2013, and ITO EN will seek to increase sales by strengthening vending machine operations and actively selling products through NEOS Corporation.

Regarding overseas, ITO EN (North America) INC. steadily increased sales of "TEAS' TEA." ITO EN established ITO EN Asia Pacific Holdings Pte. Ltd. from the first quarter of this fiscal year ended April 30, 2013, and ITO EN Singapore Pte. Ltd. (a Joint Venture Company) in Singapore from the second quarter of the fiscal year ended April 30, 2013 in order to develop the business in Southeast Asia and other neighboring countries or areas undergoing rapid economic growth.

In addition, ITO EN plans to establish a new factory on Fujian New Oolong Drink Co., Ltd for establishment of the basic business in China, and ITO EN BEVERAGE (SHANGHAI), LTD has been established from the third quarter of fiscal year ended April 30, 2013.

As a result, sales in the Tea Leaves and Beverages Business rose 9.3 % from the third quarter of the previous fiscal year, to 379,324 million yen, and operating income of 17,727 million yen, rose 2.7% from the third quarter of the previous fiscal year.

<Restaurant Business>

Tully's Coffee Japan Co., Ltd. continued to perform well, with net sales rising 7.0% year on year, to 20,525 million yen, and operating income rising 28.2% year on year, to 2,692 million yen.

<Others>

Net sales rising 31.0% year on year, to 4,108 million yen, and operating income rising 36.0%, to 839 million yen.

② Outlook for the fiscal year ending April 30, 2014

In the business conditions in Japan shows anticipated to signs of recovery underpinned by growth in corporate earning. Nevertheless, the economic outlook is uncertain due to electricity supply problems, overseas triggered by factors such as the European financial crisis. Therefore, the ITO EN Group will face an operating environment continual difficulty in fiscal year ending April 30 2014.

ITO EN has recognized that especially consumers have been increasingly conscious of quality about food products. We already has established a very strict quality control system and on top of this, we have a traceability system that enables us to use a product's lot number to ascertain the all production factory, date and time of production, raw materials, and the producer's cultivation conditions. Furthermore, for all of beverage products, we organize a meticulous check system for inspection and monitoring by the radiation counter to confirm their safety before shipping as well as raw materials of green tea to be checked. We continuously endeavor to provide consumers with products they can enjoy with complete peace and safety of mind.

In these circumstances, the Group will closely adhere to the management principle "Always Putting the Customers First" and strive to develop products and improve services to increase customer satisfaction. Specifically, the Group will undertake further improvement in overall business performance by enhancing individual brands, including "Oi Ocha," "Jujitsu-Yasai" (mixed vegetable and fruit beverage), "TEAS' TEA," "TULLY'S COFFEE," "Kenko Mineraru Mugicha" (healthy mineral barley tea), "Double Function Catechin Green Tea" (certified as a food for specified health uses), "Ichinichibun no Yasai" (a day's worth of vegetables), "Asa no Yoo" (yogurt drink), "Stylee Sparkling" (certified as a food for specified health uses).

For the fiscal year ending April 30, 2014, ITO EN forecasts consolidated net sales of 440,000 million yen, a 8.9% increase from the fiscal year under review, operating income of 23,000 million yen, a 13.6% increase, ordinary income of 21,500 million yen, a 8.0% increase, and net income of 12,300 million yen, a 9.4% increase.

(2) Analysis on Financial Position

① Assets, liabilities and net assets

Assets

Total assets at the end of consolidated fiscal year ended April 30, 2013 stood at 244,970 million yen, increased by 20,126 million yen from the previous fiscal year. These changes in total assets mainly reflected increases of 5,631 million yen in “Lease assets,” 3,568 million yen in “Notes and accounts receivable-trade,” and 2,826 million yen in “Goodwill.”

Liabilities

Liabilities at the end of consolidated fiscal year ended April 30, 2013 amounted to 131,028 million yen, increased by 12,194 million yen from the previous fiscal year. These changes in liabilities mainly reflected increases of 4,774 million yen in “Lease obligations,” 3,490 million yen in “Notes and accounts payable-trade.”

Net assets

Net assets at the end of consolidated fiscal year ended April 30, 2013 stood at 113,942 million yen, increased by 7,931 million yen from the previous fiscal year. The major changes of the net assets were an increase of 11,244 million yen in “net income,” and a decrease of 5,018 million yen due to “dividends from surplus.”

② Cash flows

Cash flows from operating activities

Cash inflows from operating activities were 24,042 million yen. The major factors of cash inflows were 19,484 million yen from income before income taxes, 13,769 million yen from depreciation and amortization, and 1,190 million yen from the amortization of goodwill, while decrease in notes and accounts receivable-trade increased by 2,455 million yen, and income taxes paid was 8,762 million yen.

Cash flows from investing activities

Cash outflows from investing activities were 9,272 million yen. The major factors of cash outflows were 6,948 million yen for acquisitions of plant and facility investment, and 1,406 million yen for purchase of investments in subsidiaries resulting in increase in time deposits.

Cash flows from financing activities

Cash inflows from financing activities were 16,451 million yen. This was primarily due to outflows of 1,098 million yen for purchase of treasury stock, 10,979 million yen for repayments of finance lease obligations, and 5,007 million yen for dividends paid were recorded.

As a result, cash and cash equivalents for the consolidated fiscal year ended April 30, 2013 amounted to 42,897 million yen, decreased by 647 million yen from the previous fiscal year.

(Reference) Financial data regarding cash flows

	4/30/2009	4/30/2010	4/30/2011	4/30/2012	4/30/2013
Equity ratio	62.1%	55.8%	52.7%	47.1%	46.3%
Equity ratio computed at fair market value	84.4%	91.5%	84.9%	75.1%	110.2%
Ratio of cash flows to interest-bearing debt	2.5 years	1.5 years	1.5 years	2.6 years	2.5 years
Interest coverage ratio	15.5 times	21.8 times	20.3 times	18.5 times	19.7 times

Notes: Equity ratio = (Net assets - Stock acquisition rights - Minority 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 Earnings Distribution Policy and Cash Dividends for the Fiscal Years to April 2012 and 2013

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, 2013 was 19 yen per share of common stock and 24 yen per share of Class-A Preferred Stock. As well, we plan to pay an annual dividend for the fiscal year ended April 30, 2013, which, along with the interim dividend, will amount to 38 yen per share of common stock and 48 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, 2013. 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 situation.

② Competition in the Beverage Industry

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 situation 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 75%. 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 situation.

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 situation.

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 situation.

⑥ Dependency on the "Oi Ocha" Brand

The sales of the "Oi Ocha" brand took a 37% share of sales in the beverages division for the consolidated fiscal year ended April 30, 2013, an exceptionally high proportion. The domestic green tea market is valued at over 383 billion yen making it, the largest category within the cold beverage market in the 2012 calendar year, according to our research. Of this, ITO EN held a 37% 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 situation.

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 situation may be influenced by exchange fluctuations.

⑧ Overseas Subsidiaries

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, 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. These overseas consolidated subsidiaries represent equity investment of 16,725 million yen in the consolidated fiscal year ended April 30, 2013, and all reported a cumulative operating loss, except for Mason Distributors, Inc and Fujian New Oolong Drink Co., Ltd.

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 situation will be affected if the subsidiaries do not reach their objectives.

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 situation.

⑩ Personal Information

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 consigns to a data management company.

The Group's Compliance Department has established a secure structure for the management of this information. The Group recognizes that its credibility would be damaged if such confidential information were leaked to outside parties, which could also exert an influence on the Group's business performance and financial situation.

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 to this end. These offices conduct product quality inspections under their own direction and also conduct regular on-site inspections at plants of 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 conducts 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.

Regarding overseas restaurants, we have employed four qualified food safety and hygiene officers in the United States in accordance with local legislation, who ensure that legal requirements are implemented.

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 Changes in Asset Valuation

The Group owns assets in land and marketable securities, and it is possible that these will exert an influence on the Group's business performance and financial situation if their valuations decline.

2. ITO EN Group Outline

A corporate collective consisting of ITO EN, LTD. (ITO EN), 25 subsidiaries and an affiliate (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 markets green 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, barley tea and whole rice 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 produces and markets processed milk products, 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 ITO EN SANGYO, LTD.

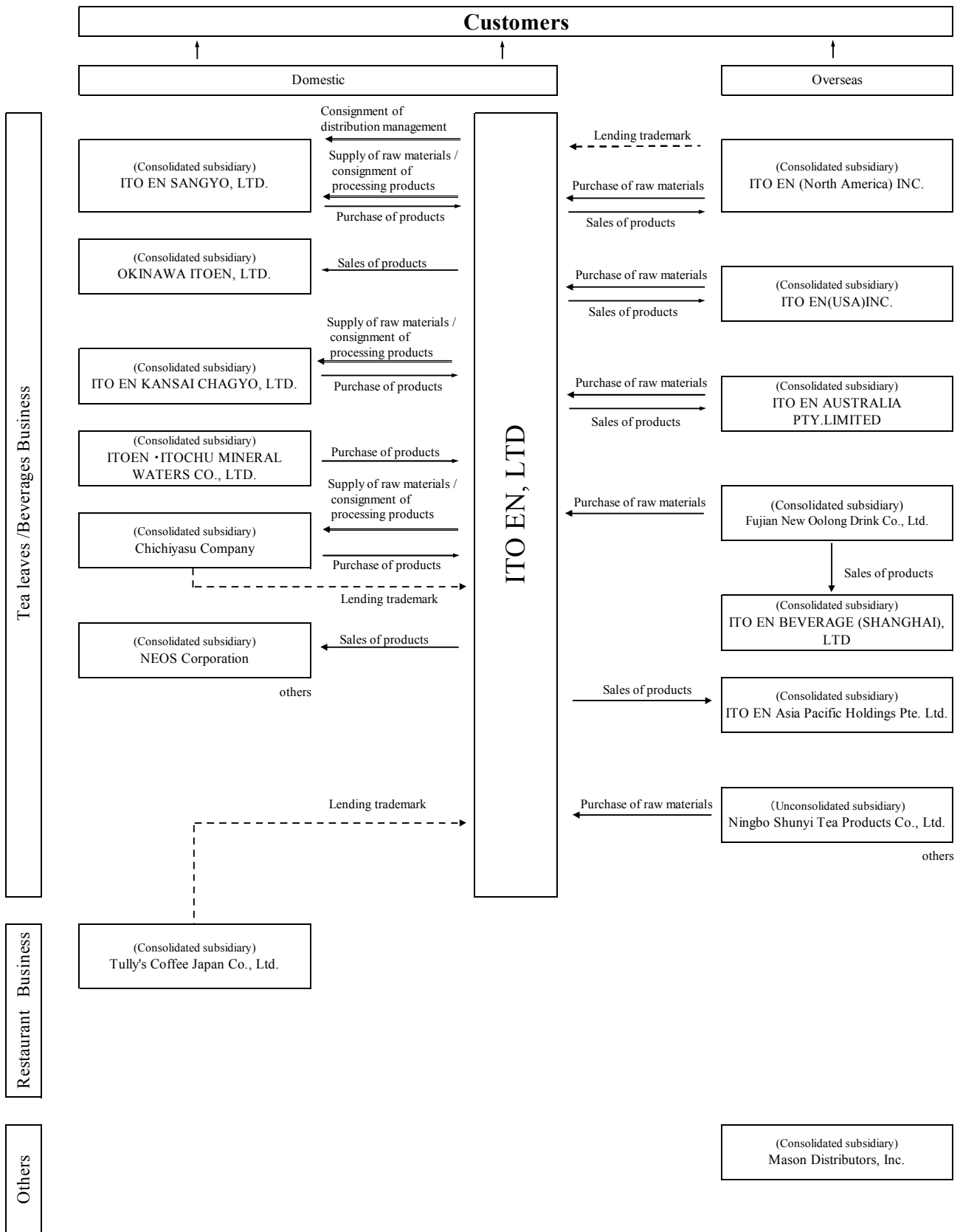
For overseas markets, ITO EN (USA) INC. directly manufactures products and markets them primarily in the state of Hawaii. ITO EN (North America) INC. stocks ITO EN products and markets them mainly in the state of New York. In addition, ITO EN products a portion of its fruit juice, etc. raw materials from both of subsidiaries ITO EN (USA) INC. and ITO EN (North America) INC. Fujian New Oolong Drink Co., Ltd. produces ingredients for oolong tea, which are purchased by ITO EN. ITO EN AUSTRALIA PTY.LIMITED is also growing tea leaves in order to prepare for growing demand for green tea in the future. ITO EN Asia Pacific Holdings Pte. Markets products purchased from ITO EN primarily in the East South Asia.

<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 sale of dietary supplements.



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

Note: The reportable segment has been changed into 3 divisions from the first quarter of the fiscal year ending April 30, 2013. "Tea leaves /Beverages Business," "Restaurant Business," and "Others" which were used to be divided two reportable segments as "Tea leaves /Beverages Business" and "Others" in the previous fiscal year. The reason for this change is that enhance the effectiveness of our segment information.

Subsidiaries and Affiliates Outline

Name	Location	Capital stock or Investments in capital (¥ million)	Main Business	Voting rights (%)	Transaction Relationship			
					Interlocking Directors	Business transaction	Financial support	Facility leasing
(Consolidated Subsidiaries) ITO EN SANGYO, LTD.	Makinohara-shi, Shizuoka	300	Tea Leaves / Beverages Business	100.00	3	Purchase of products and Consignment of distribution management	1,700	Office leasing
OKINAWA ITO EN, LTD.	Itoman-shi, Okinawa	90	Tea Leaves / Beverages Business	100.00	1	Sales of ITO EN products	750	Office leasing
ITO EN KANSAI CHAGYO, LTD.	Nishi-ku, Kobe-shi, Hyogo	10	Tea Leaves / Beverages Business	100.00	1	Purchase of products	50	Office leasing
Tully's Coffee Japan Co., Ltd.	Shinjuku-ku, Tokyo	100	Restaurant Business	100.00	3	Lending trademark	2,000	Office leasing
ITO EN·ITO CHU MINERAL WATERS CO., LTD.	Shinjuku-ku, Tokyo	300	Tea Leaves / Beverages Business	65.00	2	Purchase of products	—	Office leasing
Chichiyasu Company	Hatsukaichi-shi, Hiroshima	100	Tea Leaves / Beverages Business	100.00	4	Purchase of products and Lending trademark	1,115	Office leasing
NEOS Corporation	Koto-ku, Tokyo	80	Tea Leaves / Beverages Business	53.3	—	Sales of ITO EN products	—	Office leasing
ITO EN (USA) INC.	Hawaii, United States	21,500 (\$ thousand)	Tea Leaves / Beverages Business	100.00	3	Purchase of raw materials and Sales of ITO EN products	—	N/A
ITO EN (North America) INC.	New York, United States	81,000 (\$ thousand)	Tea Leaves / Beverages Business	100.00	3	Purchase of raw materials, Sales of ITO EN products, and Lending trademark	391	N/A
ITO EN AUSTRALIA PTY. LIMITED	Victoria, Australia	25,700 (A\$ thousand)	Tea Leaves / Beverages Business	100.00	3	Purchase of raw materials	121	N/A
ITO EN Asia Pacific Holdings Pte. Ltd.	Singapore	25,500 (\$ thousand)	Tea Leaves / Beverages Business	100.00	6	Sales of ITO EN products	—	N/A
Fujian New Oolong Drink Co., Ltd.	Fujian, China	21,000 (thousand RMB)	Tea Leaves / Beverages Business	65.00	1	Purchase of raw materials	—	N/A
ITO EN BEVERAGE (SHANGHAI), LTD.	Shanghai, China	40,000 (thousand RMB)	Tea Leaves / Beverages Business	100.00	2	Sales of ITO EN products	—	N/A
Other 10 companies								
Ningbo Shunyi Tea products Co., Ltd.	Zhejiang, China	7,677 (thousand RMB)	Tea Leaves / Beverages Business	70.00	1	Purchases of raw materials	—	N/A
Other 1 company								

Note ITO EN (USA) INC., ITO EN (North America) INC., ITO EN AUSTRALIA PTY. LIMITED, and ITO EN Asia Pacific Holdings Pte. Ltd. are specific subsidiaries.

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.

(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 consolidate management.

Management targets	4/30/2013 Actual results	4/30/2014 Forecasted numbers	Medium- to long-term targets projected numbers
Net sales	403.9 billion yen	440.0 billion yen	500.0 billion yen
Return on assets (ROA)	4.8%	4.9%	10.0 %
Earnings per share (EPS) (Common Stock)	88.64 yen	97.23 yen	160.00 yen
Earnings per share (EPS) (Class-A Preferred Stock)	98.64 yen	107.23 yen	175.00 yen
Payout ratio (consolidated)	44.5%	40.7%	40.0 %

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

In the beverage industry in Japan, as the intense competition for corporate survival intensifies, beverage producers and marketers are focusing on strict compliance with regulatory requirements and social standards reflecting increased consumer concern over issues such as product safety, quality control, and corporate social responsibility. Against this backdrop, the ITO EN Group will continue with its unwavering commitment to a management principle based on “Always Putting the Customers First,” and work tirelessly to enhance corporate and shareholders' value. To this end, the Group will pursue the following initiatives.

① Brand Strategy

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

R&D

The Central Research Institute undertakes a variety of research and development which contribute to the further improvement of the quality of products and to strengthen brand values, along with technical research on the further improvement of the flavors and stability of products including green tea, coffee, vegetable juice, lactic acid drinks, and examinations of health values of products.

Specifically, ITO EN, which actively engages in research into the taste components of coffee and aroma components of green tea, made a presentation on a new method of analyzing the aroma components of green tea at the Annual Meeting of the Japan Society for Bioscience, Biotechnology, and Agrochemistry this spring. Furthermore, ITO EN is disseminating information concerning the health benefits of ITO EN products and made presentations on the immunity improvement effects of vegetable beverages and the intestinal regulation effects of sterilized lactic acid bacteria at meetings of the Japan Society of Nutrition and Food Science and The Japan Bifidus Foundation, respectively.

ITO EN will continue to advance research and development in an effort to provide foods and beverages which are delicious and helpful for health maintenance of people.

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 and “*Jujitsu-Yasai*” vegetable juice. The ITO EN Group is undertaking aggressive sales promotion for Group Companies’ brands, including “*TEAS’ TEA*” series, which introduced the new tastes of black tea, “*TULLY’S COFFEE*,” “*Kenko Mineral Mugicha*” (healthy mineral barley tea), “*Double Function Catechin Green Tea*” (certified as a food for specified health uses), “*Ichinichibun no Yasai*” (a day’s worth of vegetables), and “*Asa no Yoo*” (yogurt drink), “*Stylee Sparkling*” (certified as a food for specified health uses).

For its leading product, “*Oi Ocha*,” ITO EN has been promoting the authentic taste of green tea which “tastes so natural, with no added flavorings or seasonings” since its launch in 1985. 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 “*Koi Aji*,” “*Gyokuro*,” “*Hoji*,” and “*Genmai*,” 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

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.

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

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.

Strengthening purchasing power of raw materials

As a top manufacturer of green tea, ITO EN handles approximately 23% 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 only 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 products, expanding its wholesale area, and focusing on the natural food market throughout the U.S. Every year, the recognition of green tea is increasing in the United States. By adopting ITO EN's original sales structure, the “Route sales system,” in Manhattan, N.Y. and operating close to the customer, the market share for green tea beverages is expanding steadily.

ITO EN established ITO EN Asia Pacific Holdings Pte. Ltd. from the first quarter of this fiscal year ended April 30, 2013, and ITO EN Singapore Pte. Ltd. (a Joint Venture Company) in Singapore from the second quarter of the fiscal year ended April 30, 2013 in order to develop the business in Southeast Asia and other neighboring countries or areas undergoing rapid economic growth. In addition, ITO EN plans to establish a new factory on Fujian New Oolong Drink Co., Ltd for establishment of the basic business in China, and ITO EN BEVERAGE (SHANGHAI), LTD has been established from the third quarter of fiscal year ended April 30, 2013.

Performance for ITO EN (North America) INC.

% Changes as compared with the corresponding period of the previous fiscal year (dollar basis)

	4/30/2009	4/30/2010	4/30/2011	4/30/2012	4/30/2013	4/30/2014 Est.
Net sales	3.7%	18.6%	8.1%	9.1%	10.5%	6.3%

⑤ Approach for CSR (Corporate Social Responsibility)

ITO EN has established a set of medium- to long-term objectives at the heart of its environmental protection policy and is vigorously implementing measures to achieve them. ITO EN is also moving forward with the introduction of an environmental management system in accordance with the international standard ISO14001 certification, as part of the effective measures it is taking to ensure continuous improvement in its environmental activities. As a result, ITO EN acquired ISO14001 at the head office, production headquarters and all sales branches across the country.

ITO EN is expanding its program of social contribution activities, which are regarded as a way of building an enlightened society in partnership with local communities. These go beyond the domain of sports and culture to include proactive clean-up campaigns in public places and other activities.

(4) Other Important Management Matters Related to the Companies

Not applicable

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Million yen	
	4/30/2012	4/30/2013
Current assets:		
Cash and deposits	43,872	44,856
Notes and accounts receivable – trade	37,181	40,750
Merchandise and finished products	19,586	21,771
Raw materials and supplies	7,231	7,156
Accounts receivable-other	8,688	9,747
Deferred tax assets	2,688	2,518
Other	2,355	2,388
Allowance for doubtful accounts	(54)	(164)
Total current assets	121,549	129,025
Fixed assets:		
Property, plant and equipment;		
Buildings and structures	15,395	17,297
Machines and vehicles	3,567	3,800
Tools and furniture	1,376	1,330
Land	17,359	17,978
Lease assets	27,929	33,561
Construction in progress	839	1,916
Subtotal	66,468	75,885
Intangible fixed assets:		
Goodwill	14,432	17,258
Software	6,171	5,705
Other	1,897	1,839
Subtotal	22,501	24,803
Investments and other assets;		
Investments in securities	3,243	3,625
Deferred tax assets	1,612	2,016
Other	9,806	9,994
Allowance for doubtful accounts	(337)	(380)
Subtotal	14,324	15,256
Total fixed assets	103,294	115,945
Total assets	244,843	244,970

Consolidated Balance Sheets – Continued

	Million yen	
	4/30/2012	4/30/2013
Current liabilities:		
Notes and accounts payable-trade	25,984	29,474
Short-term loans payable	670	508
Lease obligations	9,653	11,778
Accrued expenses	17,779	18,023
Income taxes payable	4,882	4,521
Provision for bonuses	2,999	3,047
Other	2,289	3,526
Total current liabilities	64,258	70,880
Non-current liabilities:		
Bonds payable	20,000	20,000
Long-term loans payable	5,577	6,602
Lease obligations	19,564	22,214
Deferred income tax liabilities on revaluation	837	837
Allowance for retirement and severance benefits for employees	6,209	7,885
Other	2,386	2,607
Total non-current liabilities	54,575	60,147
Total liabilities	118,833	131,028
Shareholders' equity:		
Capital stock	19,912	19,912
Capital surplus	20,259	20,259
Retained earnings	78,954	80,747
Treasury stock	(4,830)	(1,467)
Total shareholders' equity	114,294	119,571
Valuation, translation adjustments and others:		
Valuation difference on available-for-sale securities	158	925
Deferred gains (losses) on hedges	3	30
Reversal of revaluation reserve for land	(6,171)	(6,171)
Foreign currency translation adjustments	(2,388)	(745)
Total accumulated losses from valuation, translation adjustments and others	(8,398)	(5,960)
Stock acquisition rights	23	34
Minority interests	90	416
Total net assets	106,010	113,942
Total liabilities and net assets	224,843	244,970

(2) Consolidated Statement of Income and Comprehensive Income

for the fiscal year ended April 30, 2012 and 2013 (May 1, 2012 - April 30, 2013)

Consolidated Statement of Income

	Million yen	
	4/30/2012	4/30/2013
Operating income and expenses:		
Net sales	369,284	403,957
Cost of sales	192,213	211,869
Gross profit	177,071	192,088
Selling, general and administrative expenses	158,164	171,837
Operating income	18,907	20,250
Non-operating income:		
Interest income	10	26
Dividend income from securities	45	46
Rent income	37	50
Insurance income	93	45
Compensation income for damaged goods	42	48
Equity income from an unconsolidated subsidiary and affiliates	142	168
Foreign exchange gains	—	659
Other	276	362
Total non-operating income	647	1,408
Non-operating expenses:		
Interest expense	1,074	1,235
Loss on foreign currency exchange	159	—
Bond issuance cost	95	—
Expenses for voluntary recall of products	—	227
Other	239	281
Total non-operating expense	1,568	1,744
Ordinary income	17,985	19,914
Extraordinary gains:		
Gain on sales of fixed assets	3	1
Gain on sales of securities	9	0
Gain on donation of fixed assets	12	7
Compensation for transfer	12	—
Gain on step acquisitions	—	260
Total extraordinary gains	37	270
Extraordinary losses:		
Loss on sales of fixed assets	0	2
Loss on abandonment of fixed assets	54	169
Impairment losses(*2)	662	463
Disaster loss	22	0
Loss on valuation of investment securities	10	12
Other	84	50
Total extraordinary losses	833	700
Income before income taxes	17,189	19,484
Income taxes - current	8,264	8,276
Income taxes - deferred	(310)	(10)
Total income taxes	7,954	8,266
Income before minority interests	9,235	11,218
Minority interests in income (loss)	(13)	(25)
Net income	9,249	11,244

Comprehensive Income

	Million yen	
	4/30/2012	4/30/2013
Income before minority interests	9,235	11,218
Other comprehensive income:		
Valuation difference on available-for-sale securities	87	756
Deferred gains or losses on hedges	0	27
Revaluation reserve for land	88	—
Foreign currency translation adjustment	(67)	1,685
Share of other comprehensive income of associates accounted for using equity method	15	35
Other comprehensive income	125	2,505
Comprehensive income	9,360	13,723
(Breakdown)		
Comprehensive income attributable to owners of the parent	9,374	13,704
Comprehensive income attributable to minority interests	(13)	19

(3) Consolidated Statement of Changes in Shareholders' Equity

	Million yen	
	4/30/2012	4/30/2013
Shareholders' equity:		
Common stock and capital stock:		
Balance at the beginning of the current period	19,912	19,912
Balance at the end of the current period	19,912	19,912
Capital surplus:		
Balance at the beginning of the current period	20,259	20,259
Balance at the end of the current period	20,259	20,259
Retained earnings:		
Balance at the beginning of the current period	74,735	78,954
Changes during the current period		
Cash dividends paid	(5,030)	(5,018)
Net income	9,249	11,244
Retirement of treasury stock	—	(4,350)
Disposal of treasury stock	(32)	(81)
Reversal of revaluation reserve for land	32	—
Total changes during the current period	4,218	1,793
Balance at the end of the current period	78,954	80,747
Treasury stock:		
Balance at the beginning of the current period	(4,865)	(4,830)
Changes during the current period		
Purchase of treasury stock	(6)	(1,098)
Retirement of treasury stock	—	4,350
Disposal of treasury stock	41	111
Total changes during the current period	34	3,363
Balance at the end of the current period	(4,830)	(1,467)
Total shareholders' equity		
Balance at the beginning of the current period	110,041	114,294
Changes during the current period		
Cash dividends paid	(5,030)	(5,018)
Net income	9,249	11,244
Purchase of treasury stock	(6)	(1,098)
Disposal of treasury stock	9	29
Reversal of revaluation reserve for land	32	—
Total changes during the current period	4,253	5,157
Balance at the end of the current period	114,294	119,451

Consolidated Statements of Changes in Shareholders' Equity – Continued

	Million yen	
	4/30/2012	4/30/2013
Valuation and translation adjustments:		
Unrealized holding gains on securities, net of tax		
Balance at the beginning of the current period	68	158
Changes during the current period		
Net changes of items other than shareholder's equity	90	767
Total changes during the current period	90	767
Balance at the end of the current period	158	925
Deferred gains (losses) on hedges		
Balance at the beginning of the current period	2	3
Changes during the current period		
Net changes of items other than shareholder's equity	0	27
Total changes during the current period	0	27
Balance at the end of the current period	3	30
Reversal of revaluation reserve for land		
Balance at the beginning of the current period	(6,260)	(6,171)
Changes during the current period		
Net changes of items other than shareholder's equity	88	—
Total changes during the current period	88	—
Balance at the end of the current period	(6,171)	(6,171)
Foreign currency translation adjustments		
Balance at the beginning of the current period	(2,333)	(2,388)
Changes during the current period		
Net changes of items other than shareholder's equity	(54)	1,643
Total changes during the current period	(54)	1,643
Balance at the end of the current period	(2,388)	(745)
Total valuation and translation adjustments		
Balance at the beginning of the current period	(8,523)	(8,398)
Changes during the current period		
Net changes of items other than shareholder's equity	125	2,437
Total changes during the current period	125	2,437
Balance at the end of the current period	(8,398)	(5,960)
Stock acquisition rights		
Balance at the beginning of the current period	7	23
Changes during the current period		
Net changes of items other than shareholder's equity	15	11
Total changes during the current period	15	11
Balance at the end of the current period	23	34
Minority interests		
Balance at the beginning of the current period	105	90
Changes during the current period		
Net changes of items other than shareholder's equity	(14)	325
Total changes during the current period	(14)	325
Balance at the end of the current period	90	416

Consolidated Statements of Changes in Shareholders' Equity – Continued

	Million yen	
	4/30/2012	4/30/2013
Total net assets		
Balance at the beginning of the current period	101,630	106,010
Changes during the current period		
Cash dividends paid	(5,030)	(5,018)
Net income	9,249	11,244
Purchase of treasury stock	(6)	(1,098)
Disposal of treasury stock	9	29
Reversal of revaluation reserve for land	32	—
Net changes of items other than shareholder's equity	126	2,774
Total changes during the current period	4,379	7,931
Balance at the end of the current period	106,010	113,942

(4) Consolidated Statements of Cash Flows

for the fiscal year ended April 30, 2012 and 2013 (May 1, 2012 - April 30, 2013)

	Million yen	
	4/30/2012	4/30/2013
Cash flows from operating activities:		
Income before income taxes	17,189	19,484
Depreciation and amortization	10,892	13,769
Impairment loss	662	463
Gain on step acquisitions	—	(260)
Amortization of goodwill	1,148	1,190
Increase (decrease) in allowance for doubtful accounts	(12)	142
Increase (decrease) in accrued bonuses for employees	332	(150)
Increase (decrease) in allowance for retirement and severance benefits for employees	700	667
Interest and dividends income	(55)	(72)
Interest expenses	1,074	1,235
Loss (gain) on foreign currency translation	129	(438)
Loss (gain) on valuation of investments securities	10	12
Gain on sales of investment securities	(9)	(0)
Decrease (increase) in notes and accounts receivable – trade	3,924	(2,455)
Decrease (increase) in inventories	(4,184)	(226)
Decrease (increase) in other current assets	(103)	28
Decrease (increase) in other fixed assets	60	(8)
Increase (decrease) in notes and accounts payable	(2,456)	175
Increase (decrease) in consumption tax payable	(34)	344
Increase (decrease) in other current liabilities	1,723	(20)
Other, net	(6)	67
Subtotal	30,984	33,948
Interest and dividend income received in cash	59	79
Interest expenses paid in cash	(1,160)	(1,223)
Income taxes paid in cash	(8,420)	(8,762)
Net cash flows from operating activities	21,462	24,042
Cash flows from investing activities:		
Net decrease (increase) in time deposits	(324)	(1,406)
Purchase of property, plant and equipment and intangible assets	(5,637)	(6,948)
Acquisition of investments in securities	(30)	(155)
Proceeds from sales of investments securities	85	41
Acquisition of long-term prepaid expenses	(63)	(52)
Acquisition of investments in affiliates	(84)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,966)	(934)
Decrease (increase) in other investments	(45)	(182)
Net cash flows from investing activities	(8,067)	(9,272)

Consolidated Statements of Cash Flows – Continued

	Million yen	
	4/30/2012	4/30/2013
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	300	367
Proceeds from long-term loans payable	700	1,469
Repayment of long-term loans payable	(1,115)	(478)
Proceeds from issuance of bonds	19,904	—
Purchase of treasury stock	(6)	(1,098)
Proceeds from sales of treasury stock	2	1
Repayment of finance lease obligations	(8,467)	(10,979)
Dividends paid	(5,021)	(5,007)
Dividends paid to minority shareholders	(0)	(5)
Proceeds from stock issuance to minority shareholders	—	12
Other, net	(4)	2
Net cash flows from financing activities	6,290	16,451
Effect of exchange rate fluctuation on cash and cash equivalents	(127)	859
Net increase (decrease) in cash and cash equivalents	19,558	(822)
Cash and cash equivalents at beginning of period	23,986	43,544
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	175
Cash and cash equivalents at end of period	43,544	42,897

(5) Notes to Consolidated Financial Statements Notes to consolidated statements of income 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 — 23 companies:

ITO EN SANGYO, LTD., OKINAWA ITO EN, LTD., ITO EN KANSAI CHAGYO, LTD., Tully's Coffee Japan Co., Ltd., ITOEN · ITOCHU MINERAL WATERS CO., LTD., Chichiyasu Company, NEOS Corporation, ITO EN (USA) INC., ITO EN AUSTRALIA PTY. LIMITED, ITO EN (North America) INC., Mason Distributors, Inc., ITO EN Asia Pacific Holdings Pte. Ltd., Fujian New Oolong Drink Co., Ltd., ITO EN BEVERAGE (SHANGHAI), LTD., and 9 companies

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

(2) Equity - method unapplied to affiliated — 1 company

(3) 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

NEOS Corporation, Fujian New Oolong Drink Co., Ltd., and ITO EN BEVERAGE (SHANGHAI), LTD., have fiscal year end on December 31. 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.

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

② Inventories

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

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

(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.

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

Machines and vehicles: 8 to 10 years

Tools and furniture: 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 is recorded as an estimate for the future payment to employees.

③ Allowance for retirement and severance benefits for employees

ITO EN and some of our domestic subsidiaries accrue the present value of the future obligations required for a lump-sum retirement and severance payment plan at the fiscal year end date. Other subsidiaries accrue 100% of obligations for the lump-sum retirement and severance payment plan. Actuarial differences are recognized as expense using the straight line method over the estimated average remaining service life (mainly seventeen years) of the employees commencing from the succeeding period.

(4) 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.

(5) Financial instruments and hedging

① Hedge accounting

With regard to interest rate swaps for which criteria for special treatment are met, special treatment is, in principle, applied. As for transactions based on foreign currency exchange forward contracts, recognitions of gains or losses resulting from changes in fair value of derivative instruments for hedging are deferred until the related gains and losses on hedged items are recognized. Accounts payable hedged by foreign currency exchange forward contracts is recorded at the contract rate.

② Hedge method: Interest rate swap contracts, Foreign currency exchange contracts

Hedge target: Interest paid on loans payable, Foreign debt or Foreign currency contracts

③ Hedging policy

A consolidated subsidiary in Japan adopts interest rate swap contracts to hedge the risk of exposure to fluctuations in interest rates and verify the correlation between the hedged items and the hedged instruments for individual hedge contracts. The Company makes foreign currency exchange forward contract to hedge its exposure on anticipated transactions, in accordance with internal "derivative transaction regulation".

④ Method of evaluating hedge effectiveness

For interest rate swaps for which special treatment is applied, evaluation of effectiveness is not conducted. Evaluation of hedge effectiveness is not considered necessary as the important terms and conditions of these hedge instruments are the same as those of foreign currency exchange forward contract in accordance with company rules and regulations.

(6) 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.

(7) 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.

(8) Accounting for consumption taxes

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

Changes in Basis of Presentation of Consolidated Financial Statements

Changes in accounting policies that are difficult to distinguish from changes in accounting estimates

Following the revision of the Corporation Tax Act of Japan, the company and its domestic consolidated subsidiaries depreciated property, plant and equipment that were acquired on or after May 1, 2012 under the revised Corporation Tax Act has been changed to the method under the revised act from the fiscal year ended April 30, 2013. The impact of this change to operating income, ordinary income, and income before income taxes is minor.

Notes to Consolidated Statements of Income

*1. Main items of selling, general and administrative expenses

	Million yen	
	4/30/2012	4/30/2013
Selling commission	55,033	64,000
Advertising	12,156	10,369
Allowance for doubtful accounts	19	24
Transportation	8,911	9,599
Salaries and wages to employees	33,564	35,886
Accrued bonuses	2,785	2,740
Retirement and severance benefit costs for employees	1,443	1,512
Lease expenses	4,221	2,336
Depreciation and amortization	9,449	12,246
Research and development expenses	1,685	1,676

*2. Impairment losses

A consolidated group company recognized impairment losses for the fiscal year ended April 30, 2011 and 2012 on the assets group listed below.

i . for the fiscal year ended April 30, 2012 (May 1, 2011 – April 30, 2012)

Location	Use	Type of assets	Impairment loss (million yen)
Kawasaki-shi, Kanagawa, etc	Store, etc.	Buildings, etc	124
United States of America	Asset to be disposed	Land	159
Australia	Production, etc.	Machinery and equipment, etc	321
Others	—	Land and Buildings, etc	56

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 ¥124 million (buildings ¥108 million, and tools and furniture ¥15 million) as of the fiscal year ended April 30, 2012. The recoverable amount was determined through measurement of the value in use, which is calculated as zero.

In the case of the consolidated subsidiary Mason Distributors, INC. asset grouping is conducted with each business as the basic unit of measurement, as these are the smallest units of cash flow generation. With respect to assets leased to others, asset grouping is conducted with each individual asset as the basic unit of measurement, in which the Company reduced the real estate appraiser to the market valuation due to the significant decline in land prices. As such, the Company recorded an impairment loss of ¥159 million.

In the case of the consolidated subsidiary ITO EN AUSTRALIA RTY. LIMITED asset grouping is conducted with each business 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 to the recoverable amount due to ¥321 million (machinery and equipment ¥173 million, buildings ¥142 million, and other ¥6 million) as of the fiscal year ended April 30, 2012. The recoverable amount was determined through measurement of the value in use, which is calculated by discounting expected future cash flows at a rate of 13.5%.

In addition, the Company recorded an impairment loss of ¥56 million (land ¥50 million, buildings ¥4 million, and machinery and equipment ¥1 million) other than those the above.

ii . for the fiscal year ended April 30, 2013 (May 1, 2012 – April 30, 2013)

Location	Use	Type of assets	Impairment loss (million yen)
Kawasaki-shi, Kanagawa, etc	Store, etc.	Buildings, etc	210
Hatsukaichi-shi, Hiroshima	Production, etc.	Machinery and equipment, etc	252

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 ¥210 million (buildings ¥178 million, tools, and furniture ¥32 million, and other ¥0 million yen) as of the fiscal year ended April 30, 2013. The recoverable amount was determined through measurement of the value in use, which is calculated as zero.

In the case of the consolidated subsidiary Chichiyasu Company asset grouping is conducted with each product line 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 ¥252 million (machinery and equipment ¥135 million, buildings and structures ¥105 million, and other ¥12 million) as of the fiscal year ended April 30, 2013. The recoverable amount was determined through measurement of the value in use, which is calculated as zero.

Segment information

1. Outline of reporting segments

i .Method for determination 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”.

ii .Changes in the divisions of the reporting segments

The reporting segment has been changed into 3 divisions from the first quarter of the fiscal year ended April 30, 2013. “Tea leaves /Beverages Business,” “Restaurant Business,” and “Others” which were used to be divided two reporting segments as “Tea leaves /Beverages Business” and “Others” in the previous fiscal year. The reason for this change is that enhance the effectiveness of our segment information.

Segment information of the third quarter of fiscal year of the previous fiscal year disclosed based on the current division of the reporting segments.

In addition, following the revision of the Corporation Tax Act of Japan, the company and its domestic consolidated subsidiaries depreciated property, plant and equipment that were acquired on or after May 1, 2012 under the revised Corporation Tax Act has been changed to the method under the revised act from the fiscal year ended April 30, 2013. Therefore, the reporting segments were changed under the revised Corporation Tax Act has been changed to the method.

The impact of this change to segment earnings is minor.

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.

i . for the fiscal year ended April 30, 2012 (May 1, 2011 – April 30, 2012)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Amount on Consolidated Statements of Operations
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	346,969	19,179	3,136	369,284	—	369,284
(2) Intersegment	227	356	2,288	2,872	(2,872)	—
Total net sales	347,196	19,535	5,424	372,157	(2,872)	369,284
Segment earnings (loss)	17,264	2,099	617	19,981	(1,074)	18,907
Segment assets (loss)	195,860	10,942	4,101	210,904	13,939	224,843
Others:						
(1) Depreciation	10,011	790	42	10,845	—	10,845
(2) Amortization of goodwill	—	—	39	39	1,108	1,148
(3) Investment in affiliates	295	—	—	295	—	295
(4) Increase in fixed assets	15,799	1,179	20	16,999	—	16,999

Notes: i .The segment earnings (loss) adjustment includes (¥1,108) million in amortization of goodwill and ¥34 million in intersegment transactions.

ii .The segment asset (loss) adjustment (¥13,939) million is unamortized balance of goodwill, and etc.

iii . Segment earnings (loss) are adjusted to the operating income figure on the Consolidated Statements of Operation

ii . for the fiscal year ended April 30, 2013 (May 1, 2012 - April 30, 2013)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Amount on Consolidated Statements of Operations
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	379,324	20,525	4,108	403,957	—	403,957
(2) Intersegment	230	546	2,402	3,178	(3,178)	—
Total net sales	379,554	21,071	6,510	407,136	(3,178)	403,957
Segment earnings (loss)	17,727	2,692	839	21,258	(1,007)	20,250
Segment assets (loss)	213,935	12,306	5,716	231,958	13,011	244,970
Others:						
(1) Depreciation	12,803	849	63	13,716	—	13,716
(2) Amortization of goodwill	105	—	42	147	1,042	1,190
(3) Investment in affiliates	163	—	—	—	—	163
(4) Increase in fixed assets	17,349	1,521	1,056	19,927	—	19,927

Notes: i .The segment earnings (loss) adjustment includes (¥1,042) million in amortization of goodwill and ¥34 million in intersegment transactions.

ii .The segment asset (loss) adjustment (¥13,011) million 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

	Yen	
	4/30/2012	4/30/2013
Common Stock		
Net assets per share	856.76	923.24
Net income per share	72.18	88.64
Diluted net income per share	71.98	88.39
Class-A Preferred Stock		
Net assets per share	861.76	928.24
Net income per share	82.18	98.64
Diluted net income per share	81.97	98.39

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

	4/30/2012	4/30/2013
(Net income per share)		
Net income (Million yen)	9,249	11,244
Net income pertaining to common stock (Million yen)	6,440	7,873
Net income pertaining to Class-A Preferred Stock (Million yen)	2,808	3,370
Weighted average number of shares of common stock (Thousands of shares)	89,225	88,823
Weighted average number of shares of Class-A Preferred Stock (Thousands of shares)	34,175	34,170
(Diluted net income per share)		
Adjustments to net income (Million yen)	—	—
Increase in common stock (Thousands of shares)	354	353
(*Stock acquisition rights (Thousands of shares))	(*354)	(353)
Net income pertaining to common stock (Million yen)	6,447	7,882
Net income pertaining to Class-A Preferred Stock (Million yen)	2,801	3,361

Dilative securities, which has no dilative effect for the fiscal year ended April 30, 2012 and 2013:

Resolution at the general shareholders' meeting held on July 29, 2002 (The first stock acquisition rights)

- i . Numbers of stock acquisition rights: 283
- ii . Numbers of common stock: 73,580

Notes to subsequent events

Not applicable

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

as of April 30, 2012 and April 30, 2013

	Million yen	
	4/30/2012	4/30/2013
Current assets:		
Cash and deposits	37,219	34,272
Notes receivable – trade	205	171
Accounts receivable—trade	34,573	37,577
Merchandise and finished products	18,120	18,716
Raw materials and supplies	6,051	6,009
Prepaid expenses	1,768	1,638
Deferred income tax assets	2,363	2,038
Short-term loans to affiliates	2,553	3,278
Advances to suppliers	8,644	8,807
Other	361	362
Allowance for doubtful accounts	(55)	(159)
Total current assets	111,807	112,715
Fixed assets:		
Property, plant and equipment;		
Buildings	11,085	10,616
Structures	241	242
Machinery and equipment	1,662	1,358
Vehicles	10	14
Tools and furniture	993	841
Land	13,469	13,469
Lease assets	27,705	31,298
Construction in progress	126	784
Subtotal	55,293	58,625
Intangible fixed assets;		
Right for leasehold land	80	80
Trademark right	0	0
Software	6,047	5,388
Lease assets	56	15
Telephone rights	89	89
Other	19	0
Subtotal	6,293	5,574
Investments and other assets;		
Investments in securities	3,131	3,457
Investments in affiliates	25,973	31,625
Capital investments	9	9
Capital investments in affiliates	195	301
Long-term loans to affiliates	2,650	2,900
Claims provable in rehabilitation	193	148
Lease and guarantee deposits	109	125
Deferred income tax assets	1,555	1,544
Lease and guarantee deposits	2,676	2,628
Insurance premium	200	220
Golf memberships	1,916	1,588
Other	395	255
Allowance for doubtful accounts	(301)	(323)
Subtotal	38,705	44,483
Total fixed assets	100,293	108,684
Total assets	212,100	221,399

Non-Consolidated Balance Sheets – Continued

	Million yen	
	4/30/2012	4/30/2013
Current liabilities:		
Accounts payable—trade	22,920	24,173
Lease obligations	9,562	10,743
Accounts payable—others	353	166
Accrued expenses	17,363	17,392
Income taxes payable	3,580	3,530
Advance received	2	1
Deposits received	245	264
Income in advance	13	13
Accrued bonuses	2,702	2,527
Other	446	654
Total current liabilities	57,189	59,469
Non-current liabilities:		
Bonds payable	20,000	20,000
Lease obligations	19,411	20,756
Allowance for retirement and severance benefits for employees	5,316	5,934
Asset retirement obligations	95	97
Deferred tax liabilities on revaluation	837	837
Other	154	135
Total non-current liabilities	45,814	47,760
Total liabilities	103,003	107,229
Current Net Assets:		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus		
Legal capital surplus	20,259	20,259
Total Capital surplus	20,259	20,259
Retained earnings		
Legal earnings reserve	1,320	1,320
Other earned surplus		
Reserve for reduction of acquisition cost of fixed assets	505	503
Special reserve fund	67,116	70,116
Earned surplus carried forward	10,808	8,736
Total retained earnings	79,750	80,676
Treasury stock, at cost	(4,830)	(1,467)
Total shareholders' equity	115,091	119,380
Valuation, translation adjustments and others:		
Unrealized holding gains on securities, net of tax	154	904
Deferred gains (losses) on hedges	(0)	20
Reversal of revaluation reserve for land	(6,171)	(6,171)
Total accumulated gains (losses) from valuation, translation adjustments and others	(6,017)	(5,245)
Stock acquisition rights	23	34
Total net assets	109,096	114,169
Total liabilities and net assets	212,100	221,399

(2) Non-Consolidated Statements of Income

for the fiscal year ended April 30, 2012 and 2013

	Million yen	
	4/30/2012	4/30/2013
Operating income and expenses:		
Net sales	332,297	351,807
Cost of sales	177,104	189,816
Gross profit	155,192	161,990
Selling, general and administrative expenses	139,061	145,156
Operating income	16,131	16,834
Non-operating income:		
Interest income	54	74
Dividend income from securities	710	725
Rent income	176	172
Foreign exchange gains	—	700
Proceeds from miscellaneous income	335	318
Total non-operating income	1,276	1,991
Non-operating expenses:		
Interest expense	986	1,038
Interest on bonds	18	98
Bond issuance cost	95	—
Depreciation on lease assets	84	78
Loss on foreign currency exchange	160	—
Expenses for voluntary recall of products	—	227
Miscellaneous loss	277	244
Total non-operating expense	1,622	1,688
Ordinary income	15,784	17,138
Extraordinary gains:		
Gain on sales of fixed assets	0	—
Gain on sales of investment securities	9	0
Total extraordinary gains	9	0
Extraordinary losses:		
Loss on sale of fixed assets	0	—
Loss on disposal of fixed assets	44	38
Impairment losses	50	—
Disaster loss	23	0
Loss on valuation of investment securities	9	12
Loss on withdrawal of golf club membership	13	39
Loss on valuation of stocks of subsidiaries and affiliates	1,001	—
Other	46	3
Total extraordinary losses	1,189	94
Income before income taxes	14,604	17,044
Income taxes - current	6,636	6,552
Income taxes - deferred	(63)	116
Income taxes	6,572	6,668
Net income	8,032	10,376

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

	Million yen	
	4/30/2012	4/30/2013
Shareholders' equity:		
Capital stock		
Balance at the beginning of the current period	19,912	19,912
Balance at the end of the current period	19,912	19,912
Capital surplus common stock and preferred stock		
Balance at the beginning of the current period	20,259	20,259
Balance at the end of the current period	20,259	20,259
Total capital surplus		
Balance at the beginning of the current period	20,259	20,259
Balance at the end of the current period	20,259	20,259
Retained earnings		
Legal earnings reserve		
Balance at the beginning of the current period	1,320	1,320
Balance at the end of the current period	1,320	1,320
Other earned surplus		
Reserve for advanced depreciation of noncurrent assets		
Balance at the beginning of the current period	468	505
Changes during the current period		
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate	39	—
Reversal of reserve for advanced depreciation of noncurrent assets	(2)	(2)
Total changes during the current period	37	(2)
Balance at the end of the current period	505	503
Special reserve fund		
Balance at the beginning of the current period	66,116	67,116
Changes during the current period		
Appropriation of special reserve fund	1,000	3,000
Total changes during the current period	1,000	3,000
Balance at the end of the current period	67,116	70,116
Earned surplus carried forward		
Balance at the beginning of the current period	8,844	10,808
Changes during the current period		
Cash dividends paid	(5,030)	(5,018)
Appropriation of special reserve fund	(1,000)	(3,000)
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate	(39)	—
Reserve for advanced depreciation of noncurrent assets	2	2
Net income	8,032	10,376
Retirement of treasury stock	—	(4,350)
Disposal of treasury stock	(32)	(81)
Reversal of revaluation reserve for land	32	—
Total changes during the current period	1,964	(2,071)
Balance at the end of the previous period	10,808	8,736

Non-Consolidated Statements of Changes in Shareholders' Equity – Continued

	Million yen	
	4/30/2012	4/30/2013
Total retained earnings		
Balance at the beginning of the current period	76,749	79,750
Changes during the current period		
Cash dividends paid	(5,030)	(5,018)
Net income	8,032	10,376
Retirement of treasury stock	—	(4,350)
Disposal of treasury stock	(32)	(81)
Reversal of revaluation reserve for land	32	—
Total changes during the current period	3,001	925
Balance at the end of the current period	79,750	80,676
Treasury stock		
Balance at the beginning of the current period	(4,865)	(4,830)
Changes during the current period		
Purchase of treasury stock	(6)	(1,098)
Retirement of treasury stock	—	4,350
Disposal of treasury stock	41	111
Total changes during the current period	34	3,363
Balance at the end of the current period	(4,830)	(1,467)
Total shareholders' equity		
Balance at the beginning of the current period	112,054	115,091
Changes during the current period		
Cash dividends paid	(5,030)	(5,018)
Net income	8,032	10,376
Purchase of treasury stock	(6)	(1,098)
Disposal of treasury stock	9	29
Reversal of revaluation reserve for land	32	—
Total changes during the current period	3,036	4,289
Balance at the end of the current period	115,091	119,380
Valuation and translation adjustments:		
Unrealized holding gains on securities, net of tax		
Balance at the beginning of the current period	71	154
Changes during the current period		
Net changes of items other than shareholder's equity	82	750
Total changes during the current period	82	750
Balance at the end of the current period	154	904
Deferred gains (losses) on hedges		
Balance at the beginning of the current period	2	(0)
Changes during the current period		
Net changes of items other than shareholder's equity	(2)	21
Total changes during the current period	(2)	21
Balance at the end of the current period	(0)	20

Consolidated Statements of Changes in Shareholders' Equity – Continued

	Million yen	
	4/30/2012	4/30/2013
Reversal of revaluation reserve for land		
Balance at the beginning of the current period	(6,260)	(6,171)
Changes during the current period		
Net changes of items other than shareholder's equity	88	—
Total changes during the current period	88	—
Balance at the end of the current period	(6,171)	(6,171)
Total valuation and translation adjustments		
Balance at the beginning of the current period	(6,186)	(6,017)
Changes during the current period		
Net changes of items other than shareholder's equity	168	771
Total changes during the current period	168	771
Balance at the end of the current period	(6,017)	(5,245)
Stock acquisition rights		
Balance at the beginning of the current period	7	23
Changes during the current period		
Disposal of treasury stock		
Net changes of items other than shareholder's equity	15	11
Total changes during the current period	15	11
Balance at the end of the current period	23	34
Total net assets		
Balance at the beginning of the current period	105,875	109,096
Changes during the current period		
Cash dividends paid	(5,030)	(5,018)
Net income	8,032	10,376
Purchase of treasury stock	(6)	(1,098)
Disposal of treasury stock	9	29
Reversal of revaluation reserve for land	32	—
Net changes of items other than shareholder's equity	184	783
Total changes during the current period	3,221	5,072
Balance at the end of the current period	109,096	114,169

6. Other

Change in Officers

Inauguration, retirement and promotion of directors will be disclosed when it is resolved.