

## Consolidated Financial Results

under Japanese Standards for the fiscal year ending April 30, 2014 (Unaudited)

Scheduled filing date of quarterly report: September 13, 2013

Scheduled date of commencement of dividend payment: —

Supplementary documents for quarterly results: Yes

Quarterly results presentation: None

(Figures are rounded down to million yen.)

### 1. Consolidated Performance First Quarter of the Fiscal Year Ending April 30, 2014 (May 1, 2013 - July 31, 2013)

(1) Consolidated Results of Operations – cumulative (% 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	
7/31/2013	119,193	12.2%	5,568	8.1%	5,426	11.0%	2,987	22.1%
7/31/2012	106,236	3.4%	5,149	-23.5%	4,890	-22.8%	2,447	-27.6%

Note: Comprehensive income 7/31/2013: 2,996 million yen (32.2%) 7/31/2012: 2,267 million yen (-25.7%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
7/31/2013	24.34	24.27
7/31/2012	19.83	19.77

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.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	
7/31/2013	253,032	114,458	45.0%
4/30/2013	244,970	113,942	46.3%

Reference: Equity 7/31/2013: 113,933 million yen 4/30/2013: 113,491 million yen

### 2. Dividends

	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
4/30/2013	—	19.00	—	19.00	38.00
4/30/2014	—				
4/30/2014 (Forecast)		19.00	—	19.00	38.00

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

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

### 3. Forecasted Consolidated Results for the Fiscal Year Ending April 30, 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: Revision of operation results forecast during the current quarterly period: None

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: None

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

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

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

i . Changes in accounting policies associated with in accounting standards: None

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

iii . Changes in accounting estimates: None

iv . Restatements: None

(4) Numbers of shares outstanding (common stock)

i . Numbers of shares outstanding (including treasury stock) 7/31/2013 89,212,380 shares 4/30/2013 89,212,380 shares

ii . Numbers of treasury stock 7/31/2013 635,969 shares 4/30/2013 635,899 shares

iii . Average number of shares during the period (cumulative, consolidated at the end of the first quarter)

7/31/2013 88,576,442 shares 7/31/2012 89,228,715 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.

\* Indication of quarterly review procedure implementation status

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

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

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

## Reference

### (1) Net Income per Share – Class-A Preferred Stock (May 1, 2013 - July 31, 2013)

	Net income per share	Net income per share (diluted)
	Yen	Yen
7/31/2013	24.34	24.27
7/31/2012	19.83	19.77

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

(Record date)	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
4/30/2013	—	24.00	—	24.00	48.00
4/30/2014	—				
4/30/2014 (Forecast)		24.00	—	24.00	48.00

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

### (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
10/31/2013	76.74	69.09
4/30/2014	107.23	93.81

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

### (4) Shares Outstanding – Class-A Preferred Stock

i . Numbers of shares outstanding (including treasury stock)

7/31/2013 34,246,962 shares      4/30/2013 34,246,962 shares

ii . Numbers of treasury stock

7/31/2013 85,008 shares      4/30/2013 81,568 shares

iii . Average number of shares during the period (cumulative, consolidated at the end of the first quarter)

7/31/2013 34,163,421 shares      7/31/2012 34,173,015 shares

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

## (1) Explanations Regarding Consolidated Results of Operations

During the first quarter of the fiscal year ending April 30, 2014 (May 1, 2013–July 31, 2013), the Japanese economy saw improvement in the business results of exporters and an upturn in personal consumption fueled by prospects of the government's economic and financial policies and the subsequent impact of those policies. At the same time, the European sovereign debt crisis and concern over an economic slowdown in China and other developing countries remain downside risks for the Japanese economy.

In the beverage industry, favorable weather, active introduction of new products and other factors contributed to a continued increase in sales volumes in the beverage market overall. Nevertheless, adverse business conditions lingered amid an unpredictable business environment stemming from a number of factors, including heightened concerns over rising raw material and fuel costs resulting from yen depreciation, persistent consumer frugality, and price declines fueled by increased competition.

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 in its efforts to achieve the targets in its medium-term management plan (net sales of 400,000 million yen and operating income of 23,000 million yen in the fiscal year ending April 30, 2014).

As a result, ITO EN recorded consolidated net sales of 119,193 million yen, up 12.2% from the first quarter of the previous fiscal year. On the earnings front, a review of expenses coupled with efficient management resulted in operating income of 5,568 million yen, up 8.1% year on year, ordinary income of 5,426 million yen, up 11.0%, and net income of 2,987 million yen, up 22.1%.

An analysis of sales by business segment follows.

### <Tea Leaves and Beverages Business>

Domestic business, under the brand message "Delicious tea comes from good farms," in May 2013, ITO EN renewed the mainstay products "*Oi Ocha Ryokucha*" and "*Oi Ocha Koiaji*" as a 2013 quality initiative to create a unique level of quality in terms of flavor that combines uncompromising commitment to plantation, raw tea leaves, and production methods—as only ITO EN can. ITO EN launched rooibos tea products in June 2013. It contains polyphenol and many other healthy ingredients and is enjoyed around the world. Since the launch of ITO EN's "*Healthy Rooibos Tea*," sales of products have steadily grown.

Furthermore, "Double Health Function *Catechin Green Tea*" (certified as a food for specified health uses), which helps to reduce fat and bad cholesterol performed favorably. Among vegetable beverages, sales of the "*Ichinichibun no Yasai*" (a day's worth of vegetables) continued to advance well. Moreover, coffee beverages and carbonated beverages resulted in solid sales compared with the corresponding period of the previous fiscal year.

"*Nyusankin Soda*," a product from Chichiyasu Company available nationwide, has sold well since its launch. Like "*Asa no Yoo*," this product is boosting synergy with the Chichiyasu brand. In addition, NEOS Corporation has powerful sales channels in western Japan, and further strengthening of the Group's vending machine business can be expected.

Regarding overseas, ITO EN (North America) INC. steadily increased sales of "*TEAS' TEA*," and new products performed well. To establish business foundations in China and Southeast Asia, ITO EN took advantage of the tailwind created by today's health consciousness among consumers to actively engage in overseas business development.

As a result, sales in the Tea Leaves and Beverages Business rose 12.0%, to 112,302 million yen, and operating income of 4,659 million yen, increase 4.5% from the first quarter of the previous fiscal year.

### <Restaurant Business>

Tully's Coffee Japan Co., Ltd. continued its strong performance from previous fiscal year, further expanding its network to 520 coffee shops, with net sales rose 14.0% year on year, to 5,625 million yen, and operating income rose 29.4% year on year, to 875 million yen from the first quarter of the previous fiscal year.

### <Others>

Net sales rose 27.9% year on year, to 1,265 million yen, and operating income rose 9.2%, to 286 million yen from the first quarter of the previous fiscal year.

## **(2) Explanations Regarding Consolidated Financial Position**

The following is as consolidated financial position for the first quarter of the fiscal year ending April 30, 2014.

### **<Assets>**

Total assets at the end of July 31, 2013 stood at 253,032 million yen, increased by 8,062 million yen from the previous fiscal year. These changes in total assets mainly reflected a decrease of 15,344 million yen in “cash and deposits,” increases of 14,853 million yen in “notes and accounts receivable-trade,” 5,316 million yen in “merchandise and finished goods,” 1,352 million yen in “raw materials and supplies”, and 591 million yen in “lease assets.”

### **<Liabilities>**

Total liabilities at the end of July 31, 2013 amounted to 138,574 million yen, increased by 7,546 million yen from the previous fiscal year. These changes in liabilities mainly reflected an increase of 7,810 million yen in “notes and accounts payable-trade.”

### **<Net assets>**

Total net assets at the end of July 31, 2013 stood at 114,458 million yen, increased by 515 million yen from the previous fiscal year. The major changes of the net assets were an increase of 2,987 million yen in “net income,” and a decrease of 2,502 million yen due to “dividends from surplus.”

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

As for the consolidated business outlook for the first half year and full fiscal year, considering the financial results of the first three months of the current fiscal year and the managerial environment, no change has been made without reviewing.

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

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

Not applicable.

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

(Calculation of income taxes)

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

### **(3) Changes in Accounting Policies, Changes Accounting Estimate, and Restatement**

Not applicable.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

as of July 31, 2013 and April 30, 2013

	Million yen	
	4/30/2013	7/31/2013
<b>Current assets:</b>		
Cash and deposits	44,856	29,511
Notes and accounts receivable – trade	40,750	55,603
Merchandise and finished goods	21,771	27,087
Raw materials and supplies	7,156	8,509
Other	14,655	15,662
Allowance for doubtful accounts	(164)	(143)
<b>Total current assets</b>	<b>129,025</b>	<b>136,231</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment;</b>		
Buildings and structures	17,297	17,633
Land	17,978	17,972
Lease assets	33,561	34,152
Other	7,047	7,249
<b>Subtotal</b>	<b>75,885</b>	<b>77,007</b>
<b>Intangible fixed assets:</b>		
Goodwill	17,258	16,915
Lease assets	24	14
Other	7,520	7,272
<b>Subtotal</b>	<b>24,803</b>	<b>24,202</b>
<b>Investments and other assets;</b>	<b>15,256</b>	<b>15,590</b>
<b>Total fixed assets</b>	<b>115,945</b>	<b>116,801</b>
<b>Total assets</b>	<b>244,970</b>	<b>253,032</b>
<b>Current liabilities:</b>		
Notes and accounts payable-trade	29,474	37,284
Short-term loans payable	508	5,058
Lease obligations	11,778	11,742
Accrued expenses	18,023	19,719
Income taxes payable	4,521	2,515
Provision for bonuses	3,047	1,803
Other	3,526	4,431
<b>Total current liabilities</b>	<b>70,880</b>	<b>82,555</b>
<b>Non-current liabilities:</b>		
Bonds payable	20,000	20,000
Long-term loans payable	6,602	1,926
Lease obligations	22,214	22,503
Allowance for retirement and severance benefits for employees	7,885	8,099
Other	3,444	3,489
<b>Total non-current liabilities</b>	<b>60,147</b>	<b>56,018</b>
<b>Total liabilities</b>	<b>131,028</b>	<b>138,574</b>

**Quarterly Consolidated Balance Sheets – Continued**

	Million yen	
	4/30/2013	7/31/2013
<b>Shareholders' equity:</b>		
Capital stock	19,912	19,912
Capital surplus	20,259	20,259
Retained earnings	80,747	81,232
Treasury stock	(1,467)	(1,473)
<b>Total shareholders' equity</b>	<b>119,451</b>	<b>119,930</b>
<b>Valuation, translation adjustments and others:</b>		
Valuation difference on available-for-sale securities	925	914
Deferred gains or losses on hedges	30	19
Revaluation reserve for land	(6,171)	(6,171)
Foreign currency translation adjustments	(745)	(759)
<b>Total accumulated losses from valuation, translation adjustments and others</b>	<b>(5,960)</b>	<b>(5,996)</b>
<b>Stock acquisition rights</b>	<b>34</b>	<b>46</b>
<b>Minority interests</b>	<b>416</b>	<b>477</b>
<b>Total net assets</b>	<b>113,942</b>	<b>114,458</b>
<b>Total liabilities and net assets</b>	<b>244,970</b>	<b>253,032</b>

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

from May 1, 2013 to July 31, 2013

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

	Million yen	
	7/31/2012	7/31/2013
<b>Operating income and expenses:</b>		
Net sales	106,236	119,193
Cost of sales	57,011	63,383
<b>Gross profit</b>	<b>49,224</b>	<b>55,809</b>
Selling, general and administrative expenses	44,074	50,240
<b>Operating income</b>	<b>5,149</b>	<b>5,568</b>
<b>Non-operating income:</b>		
Interest income	3	5
Dividend income from securities	29	57
Equity in earnings of affiliates	39	56
Other	90	111
<b>Total non-operating income</b>	<b>162</b>	<b>229</b>
<b>Non-operating expenses:</b>		
Interest expense	296	315
Foreign exchange losses	101	—
Other	23	56
<b>Total non-operating expense</b>	<b>420</b>	<b>371</b>
<b>Ordinary income</b>	<b>4,890</b>	<b>5,426</b>
<b>Extraordinary gains:</b>		
Gain on sales of noncurrent assets	0	1
Other	0	—
<b>Total extraordinary gains</b>	<b>0</b>	<b>1</b>
<b>Extraordinary losses:</b>		
Loss on sales of noncurrent assets	—	0
Loss on abandonment of noncurrent assets	7	21
Disaster loss	0	—
Loss on valuation of investment securities	140	—
Impairment loss	3	—
<b>Total extraordinary losses</b>	<b>152</b>	<b>22</b>
<b>Income before income taxes</b>	<b>4,739</b>	<b>5,405</b>
<b>Income taxes</b>	<b>2,297</b>	<b>2,382</b>
<b>Income before minority interests</b>	<b>2,441</b>	<b>3,023</b>
<b>Minority interests in income (loss)</b>	<b>(6)</b>	<b>36</b>
<b>Net income</b>	<b>2,447</b>	<b>2,987</b>

**Quarterly Consolidated Statement of Comprehensive Income [ First quarter period ]**

	Million yen	
	7/31/2012	7/31/2013
<b>Income before minority interests</b>	<b>2,441</b>	<b>3,023</b>
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	34	(13)
Deferred gains or losses on hedges	(25)	(11)
Foreign currency translation adjustment	(196)	(12)
Share of other comprehensive income of associates accounted for using equity method	13	10
<b>Other comprehensive income</b>	<b>(173)</b>	<b>(26)</b>
<b>Comprehensive income</b>	<b>2,267</b>	<b>2,996</b>
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,273	2,951
Comprehensive income attributable to minority interests	(6)	45

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

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

Not applicable.

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

Not applicable.

(Segment Information, etc.)

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

i . For the first quarter of the previous fiscal year ended April 30, 2013 (May 1, 2012 – July 31, 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	100,313	4,932	989	106,236	—	106,236
(2) Intersegment	50	126	637	814	(814)	—
Total net sales	100,364	5,059	1,627	107,050	(814)	106,236
Segment profits (losses)	4,459	676	262	5,398	(249)	5,149

Notes: i .The segment profits (losses) adjustment includes (¥259) million in amortization of goodwill and ¥10 million in intersegment transactions.

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

ii . For the first quarter of the fiscal year ending April 30, 2014 (May 1, 2013 – July 31, 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	112,302	5,625	1,265	119,193	—	119,193
(2) Intersegment	54	170	661	886	(886)	—
Total net sales	112,357	5,795	1,927	120,079	(886)	119,193
Segment profits (losses)	4,659	875	286	5,821	(252)	5,568

Notes: i .The segment profits (losses) adjustment includes (¥263) million in amortization of goodwill and ¥10 million in intersegment transactions.

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