

Consolidated Financial Results

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

Scheduled filing date of quarterly report: March 14, 2014

Scheduled date of commencement of dividend payment: -

Supplementary documents for quarterly results: Yes

Quarterly results presentation (for institutional investors and analysts): No

(Figures are rounded down to million yen.)

1. Consolidated Performance Third Quarter of the Fiscal Year Ending April 30, 2014

(May 1, 2013 - January 31, 2014)

(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	
1/31/2014	333,910	8.7%	15,331	-1.4%	14,953	-1.9%	8,703	0.1%
1/31/2013	307,250	9.3%	15,556	6.1%	15,239	10.4%	8,698	23.7%

Note: Comprehensive income 1/31/2014: 9,500 million yen (-4.8%) 1/31/2013: 9,976 million yen (49.5%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
1/31/2014	69.52	69.32
1/31/2013	69.29	69.09

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	
1/31/2014	241,355	118,574	48.8%
4/30/2013	244,970	113,942	46.3%

Reference: Equity 1/31/2014: 117,808 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	—	19.00	—		
4/30/2014 (Forecast)				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
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) 1/31/2014 89,212,380 shares 4/30/2013 89,212,380 shares

ii . Numbers of treasury stock 1/31/2014 613,739 shares 4/30/2013 635,899 shares

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

1/31/2014 88,580,845 shares 1/31/2013 88,902,884 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.

* 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 - January 31, 2014)

	Net income per share	Net income per share (diluted)
	Yen	Yen
1/31/2014	74.52	74.32
1/31/2013	74.29	74.09

(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	—	24.00	—		
4/30/2014 (Forecast)				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)
	Yen
4/30/2014	107.23

Note: Revision of operation results forecast during the current quarterly period: None

(4) Shares Outstanding – Class-A Preferred Stock

- i . Numbers of shares outstanding (including treasury stock) 1/31/2014 34,246,962 shares 4/30/2013 34,246,962 shares
- ii . Numbers of treasury stock 1/31/2014 91,368 shares 4/30/2013 81,568 shares
- iii . Average number of shares during the period (cumulative, consolidated at the end of the third quarter)
1/31/2014 34,160,739 shares 1/31/2013 34,172,000 shares

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1. Qualitative Information Regarding Consolidated Financial Results for This Quarter

(1) Explanations Regarding Consolidated Results of Operations

During the third quarter of the fiscal year ending April 30, 2014 (May 1, 2013–January 31, 2014), the Japanese economy began to show signs of recovery fueled by prospects of the government’s economic and financial policies and the subsequent impact of those policies, such as an improvement in the business results of exporters, an upturn in personal consumption, and an improvement in the employment situation. At the same time, the European sovereign debt crisis and concern over an economic slowdown in other developing countries remain downside risks for the Japanese economy.

In the beverage industry, 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 persisted amid an unpredictable business environment stemming from lingering concerns over rising raw material and fuel costs resulting from yen depreciation, ongoing consumer frugality, price declines fueled by increased competition, and climatic factors.

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 333,910 million yen, up 8.7% from the third quarter of the previous fiscal year. On the earnings front, increase of selling expenses by tough competition resulted in operating income of 15,331 million yen, down 1.4% year on year, ordinary income of 14,953 million yen, down 1.9%, and net income of 8,703 million yen, up 0.1%. 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*” (green tea) and “*Oi Ocha Koiaji*” (dark) 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 has worked to invigorate the Japanese tea market as a whole and further boost the value and increase sales of the “*Oi Ocha*” brand by strengthening the “*Oi Ocha*” series of tea leaf products, enhancing the line of convenient teabag and instant products, and renewing “*Oi Ocha Zokkon*” (Cherished Blend). This product is made from the first picking of new leaves, which are painstakingly grown at contracted plantations under the Tea-Producing Region Development Project. In addition, sales of “*Healthy Rooibos Tea*,” a healthy tea beverage launched in June 2013, and the vegetable beverage “*Ichinichibun no Yasai*” (a day’s worth of vegetables) are increasing steadily. In the coffee beverages category, the “*TULLY’S COFFEE*” brand series continues to enjoy popularity, achieving higher sales volumes. These and other products are contributing to an improvement in ITO EN’s overall business performance.

In the increased competition, we have implemented measures to reform earning structure by promoting cost reductions and actively use of advertising and sales and marketing expenses in order to further enhance brands.

“*Nyusankin Soda*,” (lactic acid bacteria soda) a product from Chichiyasu Company available nationwide, has sold well since its launch. Like “*Asa no Yoo*,” (yogurt drink) 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 unsweetened drinks 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 8.2%, to 312,776 million yen, and operating income of 12,657 million yen, decrease 5.7% from the third quarter of the previous fiscal year.

<Restaurant Business>

Tully’s Coffee Japan Co., Ltd. continued its strong performance, further expanding its network to 548 coffee shops, with net sales rose 14.1% year on year, to 17,415 million yen, and operating income rose 21.4% year on year, to 2,528 million yen from the third quarter of the previous fiscal year.

<Others>

Net sales rose 22.9% year on year, to 3,718 million yen, and operating income rose 5.2%, to 898 million yen from the third quarter of the previous fiscal year.

(2) Explanations Regarding Consolidated Financial Position

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

<Assets>

Total assets at the end of January 31, 2014 stood at 241,355 million yen, decreased by 3,615 million yen from the previous fiscal year. These changes in total assets mainly reflected a decrease of 2,056 million yen in “cash and deposits,” 2,894 million yen in “notes and accounts receivable-trade,” and an increase of 1,334 million yen in “lease assets.”

<Liabilities>

Total liabilities at the end of January 31, 2014 amounted to 122,780 million yen, decreased by 8,247 million yen from the previous fiscal year. These changes in liabilities mainly reflected a decrease of 4,962 million yen in “notes and accounts payable-trade.”

<Net assets>

Total net assets at the end of January 31, 2014 stood at 118,574 million yen, increased by 4,632 million yen from the previous fiscal year. The major changes of the net assets were an increase of 8,703 million yen in “net income,” and a decrease of 5,005 million yen due to “dividends paid.”

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

As for the consolidated business outlook for full fiscal year, considering the financial results of the nine 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

(Changes in specific subsidiaries)

The company established wholesales joint venture company, PT ITO EN ULTRAJAYA WHOLESALE. This is included in the scope of consolidation from the second quarter of this fiscal year ending April 30, 2014.

In addition, with a purchase of additional shares of TSUCHIKURA Co., Ltd., this is included in the scope of consolidation from the second quarter of this fiscal year ending April 30, 2014.

(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 third 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 January 31, 2014 and April 30, 2013

	Million yen	
	4/30/2013	1/31/2014
Current assets:		
Cash and deposits	44,856	42,800
Notes and accounts receivable-trade	40,750	37,855
Merchandise and finished goods	21,771	21,932
Raw materials and supplies	7,156	8,414
Other	14,655	12,397
Allowance for doubtful accounts	(164)	(205)
Total current assets	129,025	123,194
Fixed assets:		
Property, plant and equipment;		
Buildings and structures	17,297	18,366
Land	17,978	18,437
Lease assets	33,561	34,896
Other	7,047	7,337
Subtotal	75,885	79,037
Intangible fixed assets:		
Goodwill	17,258	16,332
Other	7,545	6,885
Subtotal	24,803	23,218
Investments and other assets;	15,256	15,904
Total fixed assets	115,945	118,160
Total assets	244,970	241,355
Current liabilities:		
Notes and accounts payable-trade	29,474	24,512
Short-term loans payable	508	5,507
Lease obligations	11,778	11,731
Accrued expenses	18,023	17,293
Income taxes payable	4,521	2,348
Provision for bonuses	3,047	1,690
Other	3,526	3,352
Total current liabilities	70,880	66,436
Noncurrent liabilities:		
Bonds payable	20,000	20,000
Long-term loans payable	6,602	1,755
Lease obligations	22,214	22,486
Provision for retirement benefits	7,885	8,436
Other	3,444	3,666
Total noncurrent liabilities	60,147	56,344
Total liabilities	131,028	122,780

Quarterly Consolidated Balance Sheets – Continued

	Million yen	
	4/30/2013	1/31/2014
Shareholders' equity:		
Capital stock	19,912	19,912
Capital surplus	20,259	20,259
Retained earnings	80,747	84,426
Treasury stock	(1,467)	(1,436)
Total shareholders' equity	119,451	123,161
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	925	1,122
Deferred gains or losses on hedges	30	—
Revaluation reserve for land	(6,171)	(6,171)
Foreign currency translation adjustment	(745)	(304)
Total accumulated other comprehensive income (loss)	(5,960)	(5,352)
Stock acquisition rights	34	42
Minority interests	416	723
Total net assets	113,942	118,574
Total liabilities and net assets	244,970	241,355

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

from May 1, 2013 to January 31, 2014

Quarterly Consolidated Statement of Income [Third quarter period]

	Million yen	
	1/31/2013	1/31/2014
Operating income and expenses:		
Net sales	307,250	333,910
Cost of sales	162,257	173,766
Gross profit	144,993	160,143
Selling, general and administrative expenses	129,436	144,812
Operating income	15,556	15,331
Non-operating income:		
Interest income	19	18
Dividend income from securities	45	66
Foreign exchange gains	375	176
Equity in earnings of affiliates	164	75
Other	357	354
Total non-operating income	962	690
Non-operating expenses:		
Interest expense	918	940
Expenses for voluntary recall of products	210	5
Other	150	122
Total non-operating expense	1,279	1,068
Ordinary income	15,239	14,953
Extraordinary gains:		
Gain on sales of noncurrent assets	0	1
Gain on donation of noncurrent assets	—	2
Gain on sales of investment securities	0	2
Gain on step acquisitions	260	—
Gain on bargain purchase	—	198
Other	2	3
Total extraordinary gains	264	208
Extraordinary losses:		
Loss on sales of noncurrent assets	0	1
Loss on abandonment of noncurrent assets	49	19
Disaster loss	11	—
Loss on valuation of investment securities	10	10
Impairment loss	55	44
Gain on step acquisitions	—	73
Total extraordinary losses	126	149
Income before income taxes	15,377	15,012
Income taxes	6,684	6,148
Income before minority interests	8,692	8,864
Minority interests in income (loss)	(6)	160
Net income	8,698	8,703

Quarterly Consolidated Statement of Comprehensive Income [Third quarter period]

	Million yen	
	1/31/2013	1/31/2014
Income before minority interests	8,692	8,864
Other comprehensive income:		
Valuation difference on available-for-sale securities	277	186
Deferred gains or losses on hedges	5	(30)
Foreign currency translation adjustment	989	468
Share of other comprehensive income of associates accounted for using equity method	10	10
Total other comprehensive income	1,283	636
Comprehensive income	9,976	9,500
(Breakdown)		
Comprehensive income attributable to owners of the parent	9,961	9,311
Comprehensive income attributable to minority interests	14	188

(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.)

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

For the third quarter of the previous fiscal year ended April 30, 2013 (May 1, 2012 – January 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	288,964	15,261	3,024	307,250	—	307,250
(2) Intersegment	171	408	1,811	2,391	(2,391)	—
Total net sales	289,136	15,669	4,835	309,641	(2,391)	307,250
Segment profits (losses)	13,419	2,082	853	16,356	(799)	15,556

Notes: i .The segment profits (losses) adjustment includes (¥832) million in amortization of goodwill and ¥33 million in intersegment transactions.

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

For the third quarter of the fiscal year ending April 30, 2014 (May 1, 2013 – January 31, 2014)

(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	312,776	17,415	3,718	333,910	—	333,910
(2) Intersegment	205	509	1,878	2,593	(2,593)	—
Total net sales	312,982	17,924	5,597	336,503	(2,593)	333,910
Segment profits (losses)	12,657	2,528	898	16,084	(753)	15,331

Notes: i .The segment profits (losses) adjustment includes (¥789) million in amortization of goodwill and ¥36 million in intersegment transactions.

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

ii . Information regarding amounts of impairment loss on noncurrent assets, goodwill, etc by reporting segment

(Significant gain on bargain purchase)

For the third quarter of the fiscal year ended April 30, 2013 (May 1, 2012 – January 31, 2013)

Not applicable.

For the third quarter of the fiscal year ending April 30, 2014 (May 1, 2013 – January 31, 2014)

For the third quarter of the fiscal year ending April 30, 2014 (May 1, 2013 – January 31, 2014), "Tea leaves /Beverages Business." recognized 198 million yen in "gain on bargain purchase" after purchased additional shares of TSUCHIKURA Co., Ltd.