

## Consolidated Financial Results

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

Scheduled date of general shareholder's meeting: July 24, 2014      Scheduled date of commencement of dividend payment: July 25, 2014

Scheduled date of for filing of annual securities report: July 25, 2014

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, 2014

(May 1, 2013 - April 30, 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	
4/30/2014	437,755	8.4%	21,100	4.2%	20,518	3.0%	12,096	7.6%
4/30/2013	403,957	9.4%	20,250	7.1%	19,914	10.7%	11,244	21.6%

Note: Comprehensive income 4/30/2014: 12,738 million yen (-7.2%) 4/30/2013: 13,723 million yen (46.6%)

	Net income per share	Net income per share (diluted)	Return on Equity	Ordinary income / Total assets	Operating income / Net sales
	Yen	Yen			
4/30/2014	95.77	95.49	10.4%	8.1%	4.8%
4/30/2013	88.64	88.39	10.3%	8.5%	5.0%

Reference: Equity in earnings (losses) of affiliated companies 4/30/2014: 74 million yen 4/30/2013: 168 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen		Yen
4/30/2014	258,820	120,509	46.3%	974.36
4/30/2013	244,970	113,942	46.3%	923.24

Reference: Equity 4/30/2014: 119,782 million yen 4/30/2013: 113,491 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
4/30/2014	24,300	(4,598)	(18,147)	44,617
4/30/2013	24,042	(9,272)	(16,451)	42,897

### 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		
4/30/2013	—	19.00	—	19.00	38.00	3,365	42.9%	4.3%
4/30/2014	—	19.00	—	20.00	39.00	3,455	40.7%	4.1%
4/30/2015 (Forecast)	—	20.00	—	20.00	40.00		38.5%	

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, 2015 (May 1, 2014 - April 30, 2015)

(% 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
10/31/2014	251,000	5.0%	14,800	2.3%	14,400	2.0%	8,600	3.3%	68.67
4/30/2015	455,500	4.1%	23,000	9.0%	22,000	7.2%	13,100	8.3%	103.94

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) 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: None

iv. Restatements: None

Note: For further information, please refer to “4. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements (Changes in accounting policies)” on page 23 in the Attachments.

(3) Numbers of shares outstanding (common stock)

i. Numbers of shares outstanding (including treasury stock) 4/30/2014 89,212,380 shares 4/30/2013 89,212,380 shares

ii. Numbers of treasury stock 4/30/2014 605,739 shares 4/30/2013 635,899 shares

iii. Average number of shares during the period 4/30/2014 88,586,390 shares 4/30/2013 88,823,259 shares

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

### (Reference) Summary of Non-Consolidated Financial Results

#### 1. Non-Consolidated Performance for the fiscal year ended April 30, 2014 (May 1, 2013 - April 30, 2014)

(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	
4/30/2014	363,461	3.3%	16,060	(4.6%)	16,225	(5.3%)	10,125	(2.4%)
4/30/2013	351,807	5.9%	16,834	4.4%	17,138	8.6%	10,376	29.2%

	Net income per share	Net income per share (diluted)
	Yen	Yen
4/30/2014	79.71	79.48
4/30/2013	81.58	81.35

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen		Yen
4/30/2014	230,820	119,382	51.7%	970.67
4/30/2013	221,399	114,169	51.6%	928.48

Reference: Equity: 4/30/2014: 119,330 million yen 4/30/2013: 114,134 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, 2015 (May 1, 2014 - April 30, 2015)

(% 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
10/31/2014	209,300	3.7%	12,000	7.4%	12,200	6.3%	7,800	9.9%	62.15
4/30/2015	377,700	3.9%	17,800	10.8%	17,550	8.2%	10,700	5.7%	84.39

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

## Reference

### (1) Net Income per Share – Class-A Preferred Stock (May 1, 2013 - April 30, 2014)

	Net income per share	Net income per share (diluted)	Net assets per share
	Yen	Yen	Yen
4/30/2014	105.77	105.49	979.36
4/30/2013	98.64	98.39	928.24

### (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		
4/30/2013	—	24.00	—	24.00	48.00	1,640	48.7%	5.4%
4/30/2014	—	24.00	—	25.00	49.00	1,673	46.3%	5.1%
4/30/2015 (Forecast)	—	25.00	—	25.00	50.00		43.9%	

### (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	73.67	67.15
4/30/2014	113.94	94.39

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

i . Numbers of shares outstanding (including treasury stock)	4/30/2014	34,246,962 shares	4/30/2013	34,246,962 shares
ii . Numbers of treasury stock	4/30/2014	93,698 shares	4/30/2013	81,568 shares
iii . Average number of shares during the period	4/30/2014	34,159,262 shares	4/30/2013	34,170,970 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
4/30/2014	89.71	89.48	975.67
4/30/2013	91.58	91.35	933.48

## Contents of Attachments

<b>1. Analysis on Results of Operations and Financial Position.....</b>	<b>2</b>
(1) Analysis on Results of Operations .....	2
(2) Analysis on Financial Position.....	3
(3) Basic Policy Concerning Profit Distribution; Dividends in the Current Term and Next Term.....	4
(4) Risks Relating to Business .....	4
<b>2. ITO EN Group Outline.....</b>	<b>7</b>
<b>3. Management Policies .....</b>	<b>10</b>
(1) Company's Basic Management Policies .....	10
(2) Management Targets.....	10
(3) Medium- to Long-Term Management Strategies and Future Tasks.....	10
(4) Issues Facing the Company .....	10
(5) Other Important Management Matters Related to the Companies .....	12
<b>4. Consolidated Financial Statements .....</b>	<b>13</b>
(1) Consolidated Balance Sheets .....	13
(2) Consolidated Statements of Income and Comprehensive Income.....	15
Consolidated Statements of Income.....	15
Comprehensive Income.....	16
(3) Consolidated Statement of Changes in Shareholders' Equity.....	17
(4) Consolidated Statements of Cash Flows.....	19
(5) Notes to Consolidated Financial Statements.....	21
Note Regarding the Company's Position as a Going Concern .....	21
Basis of Presentation of Consolidated Financial Statements.....	21
Changes in accounting policies .....	23
Notes to Consolidated Statements of Income .....	24
Segment information.....	25
Notes to per share data.....	26
Notes to subsequent events.....	26
<b>5. Non-Consolidated Financial Statements .....</b>	<b>27</b>
(1) Non-Consolidated Balance Sheets .....	27
(2) Non-Consolidated Statements of Income .....	29
(3) Non-Consolidated Statements of Changes in Shareholders' Equity.....	30
(4) Notes to Non-Consolidated Financial Statements.....	32
Changes in presentation method.....	32
<b>6. Other .....</b>	<b>32</b>
Change in officers.....	32

# 1. Analysis on Results of Operations and Financial Position

## (1) Analysis on Results of Operations

### ① Outline of results

During the fiscal year ended April 30, 2014 (May 1, 2013 - April 30, 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 slowing economies of Europe and emerging market countries combined with fiscal and monetary uncertainty in the Chinese economy, as well as political tensions in Ukraine, 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 the yen's depreciation, a drop in demand from April in the wake of extraordinary purchasing ahead of the consumption tax rate hike on April 1, ongoing consumer frugality, price declines fueled by increased competition, and weather-related factors including large snowfalls in February.

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

As a result, ITO EN recorded consolidated net sales of 437,755 million yen, up 8.4% from the previous fiscal year. On the earnings front, an increase in selling expenses in the face of intensified competition, and the effects of unseasonable weather and the consumption tax increase resulted in operating income of 21,100 million yen, up 4.2% year on year, ordinary income of 20,518 million yen, up 3.0%, and net income of 12,096 million yen, up 7.6%. An analysis of sales by business segment follows.

### <Tea Leaves and Beverages Business>

Domestics 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), and the Japanese plum soda "Kisyoto Soda," (rare sugar soda) launched in March 2014. 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 ITO EN and 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 8.0%, to 409,696 million yen, and operating income of 17,935 million yen, rose 1.2% from the previous fiscal year.

### <Restaurant Business>

Tully's Coffee Japan Co., Ltd. continued its strong performance, further expanding its network to 555 coffee shops, with net sales rose 12.9% year on year, to 23,180 million yen, and operating income rose 18.1% year on year, to 3,178 million yen from the previous fiscal year.

### <Others>

Net sales rose 18.7% year on year, to 4,877 million yen, and operating income rose 20.4%, to 1,011 million yen from the previous fiscal year.

## ② Outlook for the fiscal year ending April 30, 2015

The ITO EN Group will closely adhere to the management principle of “Always Putting the Customers First” and strive to develop products and improve services to increase customer satisfaction. As we approach the 30<sup>th</sup> anniversary of ITO EN’s invention of green tea beverages, the Group will strive to further improve its business performance by further strengthening “*Oi Ocha*,” the top brand in green tea beverages, enhancing other individual brands including “Double Function *Catechin Green Tea*” (certified as a food for specified health uses), “*Kenko Mineraru Mugicha*” (healthy mineral barley tea), “*TEAS’ TEA*,” “*TULLY’S COFFEE*,” “*Ichinichibun no Yasai*” (a day’s worth of vegetables), and “*Jujitsu-Yasai*” (mixed vegetable and fruit beverage), improving sales of leaf products centering on easy-to-use products, as well as establishing a marketing platform for route sales, pursuing comprehensive cost reductions, and creating Group-wide synergies.

For the fiscal year ending April 30, 2015, ITO EN forecasts consolidated net sales of 455,500 million yen, a 4.1% increase from the fiscal year under review, operating income of 23,000 million yen, a 9.0% increase, ordinary income of 22,000 million yen, a 7.2% increase, and net income of 13,100 million yen, a 8.3% 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, 2014 stood at 258,820 million yen, increased by 13,849 million yen from the previous fiscal year. These changes in total assets mainly reflected increases of 6,173 million yen in “Notes and accounts receivable-trade,” 2,367 million yen in “Accounts receivable-other,” and 2,060 million yen in “Machinery, equipment and vehicles.”

#### Liabilities

Liabilities at the end of consolidated fiscal year ended April 30, 2014 stood at 138,310 million yen, increased by 7,282 million yen from the previous fiscal year. These changes in liabilities mainly reflected increases of 2,855 million yen in “Notes and accounts payable-trade,” 1,579 million yen in “Accrued expenses.”

#### Net assets

Net assets at the end of consolidated fiscal year ended April 30, 2014 stood at 120,509 million yen, increased by 6,567 million yen from the previous fiscal year. The major changes of the net assets were an increase of 12,096 million yen in “net income,” and a decrease of 5,005 million yen due to “dividends from surplus.”

### ② Cash flows

#### Cash flows from operating activities

Cash inflows from operating activities were 24,300 million yen (Compared with 24,042 million yen used in the previous fiscal year). The major factors of cash inflows were 20,633 million yen from income before income taxes, 15,140 million yen from depreciation and amortization, and 1,332 million yen from the amortization of goodwill, while decrease in notes and accounts receivable-trade increased by 6,003 million yen, and income taxes paid was 8,260 million yen.

#### Cash flows from investing activities

Cash outflows from investing activities were 4,598 million yen (Compared with 9,272 million yen used in the previous fiscal year). The major factors of cash outflows were 4,843 million yen for acquisitions of plant and facility investment.

#### Cash flows from financing activities

Cash outflows from financing activities were 18,147 million yen (Compared with 16,451 million yen used in the previous fiscal year). The major factors of cash outflows were 12,456 million yen for repayments of finance lease obligations, and 4,998 million yen for dividends paid were recorded.

As a result, cash and cash equivalents for the consolidated fiscal year ended April 30, 2014 amounted to 44,617 million yen, increased by 1,719 million yen from the previous fiscal year.

(Reference) Financial data regarding cash flows

	4/30/2010	4/30/2011	4/30/2012	4/30/2013	4/30/2014
Equity ratio	55.8%	52.7%	47.1%	46.3%	46.3%
Equity ratio computed at fair market value	91.5%	84.9%	75.1%	110.2%	97.4%
Ratio of cash flows to interest-bearing debt	1.5 years	1.5 years	2.6 years	2.5 years	2.5 years
Interest coverage ratio	21.8 times	20.3 times	18.5 times	19.7 times	19.4 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 Policy Concerning Profit Distribution; Dividends in the Current Term and Next Term

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

Under this policy, the year-end dividend for the fiscal year ended April 30, 2014 will be 20 yen per share of common stock and 25 yen per share of Class-A Preferred Stock, an increase of 1 yen from the previous year. As well, we plan to pay an annual dividend for the fiscal year ended April 30, 2014 will amount to 39 yen per share of common stock and 49 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, 2014. However, please note that potential risks are not limited to those listed below.

#### ① The Domestic Economy; Consumption Trends

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

#### ② Competition in the Beverage Market

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

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

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

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

#### ③ Sourcing and Raw Materials

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

Furthermore, within our Beverages division, the share of drinks sold in PET bottles has reached about 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 position.

④ Production System

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

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

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

⑤ Climatic and Natural Disasters

As ingredients such as tea leaves, vegetables, fruits, coffee and other agricultural produce are needed in the products that ITO EN emphasizes, the Group's core business of tea leaves and ready-to-drink beverages is susceptible to damage by climatic and other natural events. Especially, a chilly summer or a warm winter, typhoons or prolonged rain causing crop damage or loss can lead to shortages and supply price increases and the loss of sales opportunities. In addition, earthquakes or other natural disasters of greater magnitude than anticipated will also disrupt supplies. Events such as these may have an influence on the Group's sales performance and financial position.

⑥ Dependency on the “*Oi Ocha*” Brand

The sales of the “*Oi Ocha*” brand took a 37% share of sales in the beverages division for the consolidated fiscal year ended April 30, 2014, an exceptionally high proportion. The domestic green tea market is valued at over 405 billion yen making it, the largest category within the cold beverage market in the 2013 calendar year, according to our research. Of this, ITO EN held a 35% share, again according to our research.

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

⑦ Exchange Fluctuations

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

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

⑧ Overseas Business

The Group has consolidated subsidiaries overseas, including ITO EN (North America) INC., in New York, ITO EN (USA) INC. in Hawaii, Mason Distributors, Inc. in Florida, 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 16,923 million yen in the consolidated fiscal year ended April 30, 2014, 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 position will be affected if the subsidiaries do not reach their objectives.

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

⑨ Legal and Other Regulations

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

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



⑩ Information Management

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

The Group has established a secure structure for the management of important information including customer information. Nevertheless, the Group recognizes that its credibility would be damaged in the event this information were lost or leaked to outside parties as a result of a power outage, natural or man-made disaster, software or equipment defect, software virus infection, unauthorized access, or other unforeseen event, and that this could affect the Group's business performance or financial position.

⑪ Food Safety and Hygiene Control

Awareness of food safety and hygiene are the utmost concern of the Group's management, and product quality management offices have been established 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.

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

⑫ Impairment Accounting

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

## **2. ITO EN Group Outline**

A corporate collective consisting of ITO EN, LTD. (ITO EN), 27 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 purchases and manufactures tea leaf products and markets green tea, barley tea and oolong tea leaves throughout Japan with the exception of the Okinawa region, where OKINAWA ITO EN, LTD. markets the products purchased from ITO EN. ITO EN SANGYO, LTD. produces green tea, black tea and barley tea, most of which are purchased by ITO EN. ITO EN KANSAI CHAGYO, LTD. also produces green tea and barley tea, most of which are purchased by ITO EN.

ITO EN has been in charge of the planning and development of most of its beverage products, and the production of those products is consigned to companies outside of the group. NEOS Corporation markets products purchased from ITO EN through vending machines. ITOEN • ITOCHU MINERAL WATERS CO., LTD. procures third-party products for sale to ITO EN. Chichiyasu Company 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.

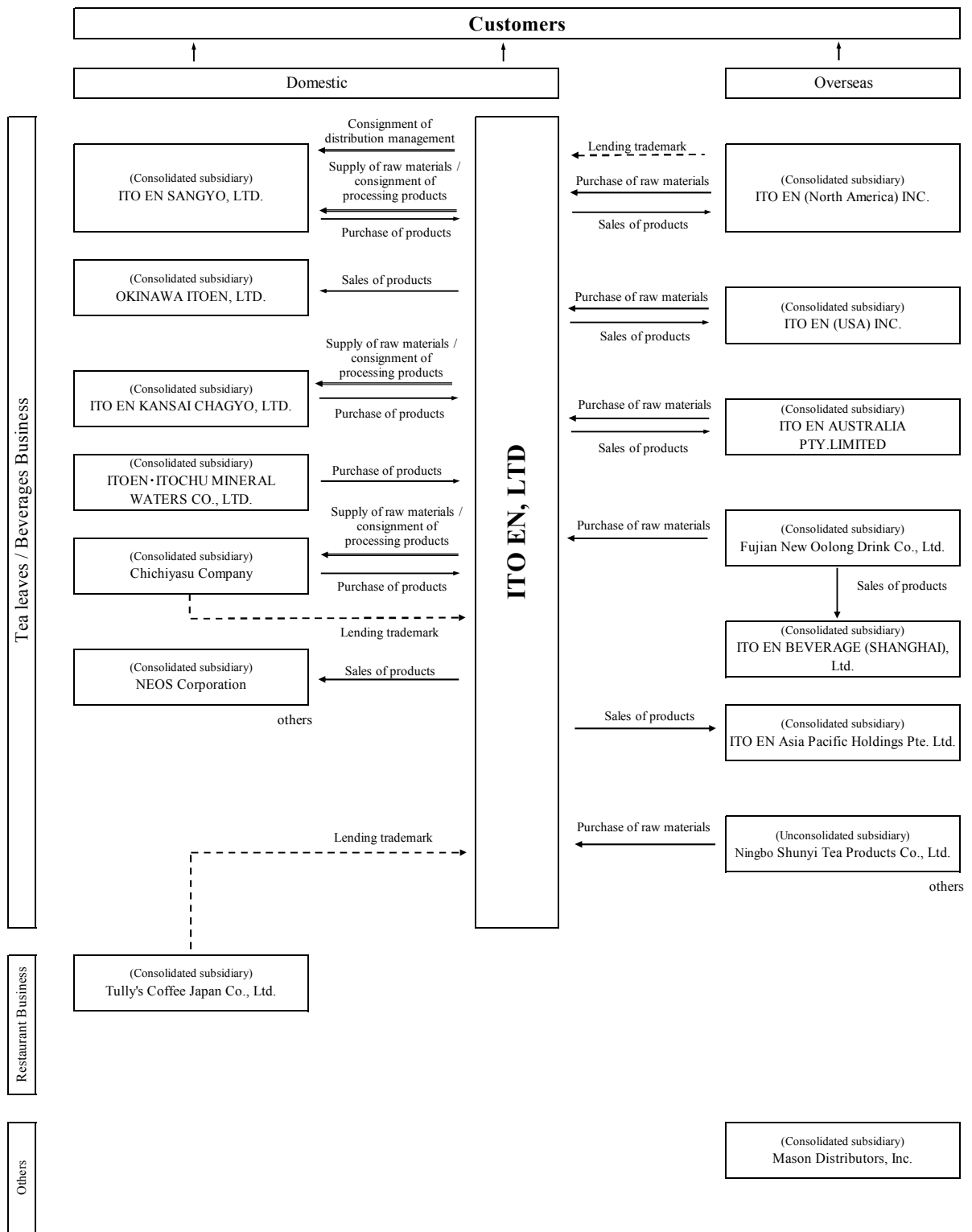
For overseas markets, ITO EN (USA) INC. directly manufactures products and markets them primarily in the state of Hawaii. ITO EN (North America) INC. stocks ITO EN products and markets them mainly in the state of New York. In addition, ITO EN products a portion of its fruit juice, etc. raw materials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

## 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	100.0	3	Purchase of products and Consignment of distribution management	1,628	Office leasing
OKINAWA ITO EN, LTD.	Itoman-shi, Okinawa	90	Tea Leaves / Beverages Business	100.0	1	Sales of ITO EN products	700	Office leasing
ITO EN KANSAI CHAGYO, LTD.	Nishi-ku, Kobe-shi, Hyogo	10	Tea Leaves / Beverages Business	100.0	1	Purchase of products	—	N/A
Tully's Coffee Japan Co., Ltd.	Shinjuku-ku, Tokyo	100	Restaurant Business	100.0	3	Lending trademark	2,000	Office leasing
ITO EN·ITO CHU MINERAL WATERS CO., LTD.	Shinjuku-ku, Tokyo	300	Tea Leaves / Beverages Business	65.0	2	Purchase of products	—	Office leasing
Chichiyasu Company	Hatsukaichi-shi, Hiroshima	100	Tea Leaves / Beverages Business	100.0	4	Purchase of products and Lending trademark	1,040	Office leasing
NEOS Corporation	Koto-ku, Tokyo	80	Tea Leaves / Beverages Business	53.3	1	Sales of ITO EN products	—	Office leasing
ITO EN (USA) INC.	Hawaii, United States	21,500 (\$ thousand)	Tea Leaves / Beverages Business	100.0	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	100.0	3	Purchase of raw materials, Sales of ITO EN products, and Lending trademark	410	N/A
ITO EN AUSTRALIA PTY. LIMITED	Victoria, Australia	25,700 (A\$ thousand)	Tea Leaves / Beverages Business	100.0	3	Purchase of raw materials	66	N/A
ITO EN Asia Pacific Holdings Pte. Ltd.	Singapore	25,500 (\$ thousand)	Tea Leaves / Beverages Business	100.0	6	Sales of ITO EN products	—	N/A
Fujian New Oolong Drink Co., Ltd.	Fujian, China	21,000 (thousand RMB)	Tea Leaves / Beverages Business	65.0	1	Purchase of raw materials	—	N/A
ITO EN BEVERAGE (SHANGHAI), LTD.	Shanghai, China	40,000 (thousand RMB)	Tea Leaves / Beverages Business	100.0	2	Sales of ITO EN products	—	N/A
Other 12 companies								
(Method Applied to Unconsolidated Subsidiaries) Ningbo Shunyi Tea products Co., Ltd.	Zhejiang, China	7,677 (thousand RMB)	Tea Leaves / Beverages Business	70.0	1	Purchases of raw materials	—	N/A
Other 1 company								
(Method Unapplied to Affiliated)								
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	4/30/2014 Actual results	4/30/2015 Forecasted numbers	Medium- to long-term targets projected numbers
Net sales	437.7 billion yen	455.5 billion yen	500.0 billion yen
Return on Equity (ROE)	10.4%	10.6%	Over 10.0 %
Payout ratio (consolidated)	42.4%	40.1%	40.0 %

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

Based on its management principle of “Always Putting the Customers First” as a “Global Tea Company” under its long-term vision, the Group will continue to provide value to customers around the world incorporating both traditions and the latest technologies related to “tea,” with the aim of making lifestyle proposals.

To do this, the Group intends to establish a domestic earnings base that focuses on tea leaves and tea-based beverages, and achieve continuous growth by strengthening its brands and creating synergies across the Group.

The Group will also continue to make strategic investments toward the establishment of an overseas business base, to establish “*Oi Ocha*” as a global brand and further popularize convenient products including tea bags and powdered tea in markets around the world.

Through these initiatives, the Group will work to achieve its medium- to long-term target of “sales of 500 billion yen,” and build a solid position as a globally trusted company.

#### (4) Issues Facing the Company

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

##### ① Brand Strategy

###### 1. Product development

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

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

###### 2. R&D

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

### 3. Brand strengthening strategy

With the ITO EN brand at its core, ITO EN is actively promoting several other individual beverage brands such as “*Oi Ocha*” green tea beverage and “*Jujitsu-Yasai*” vegetable juice. With the ITO EN brand at its core, ITO EN is actively promoting several other individual beverage brands, including the “*Oi Ocha*” green tea beverage and “*Jujitsu-Yasai*” vegetable juice. The ITO EN Group is undertaking aggressive sales promotion for its brands, including “*TEAS’ TEA*,” “*TULLY’S COFFEE*,” “*Kenko Mineral Mugicha*” (healthy mineral barley tea), “*Double Function Catechin Green Tea*” (certified as a food for specified health uses), and “*Ichinichibun no Yasai*” (a day’s worth of vegetables).

Approaching the 30<sup>th</sup> anniversary of the invention of ITO EN’s flagship product, “*Oi Ocha*,” which was launched in 1985, ITO EN will continue to provide customers with the authentic taste of green tea that “tastes so natural, with no added flavorings or seasonings.” Also, ITO EN has been trying to serve customers better by enriching its product lineups and diversifying container capacities and PET bottle types. ITO EN leveraged its time-honored traditions that first introduced green tea beverages and its technical capabilities to launch products reflected seasonal tastes and those savory green tea beverages like “*Koi Aji*” (dark), “*Gyokuro*” (luxurious green tea), “*Hoji*” (roasted green tea), and “*Genmai*” (green tea with roasted rice) which infused with the special characteristics of tea leaves. At the same time, ITO EN avoided becoming complacent with its No. 1 status among tea beverage brands by boosting efforts toward strengthening its brand even further to be the No. 1 beverage brand.

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

## ② Enhancing the Marketing Base

### 1. Route sales system

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

### 2. Strengthening customer service

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

## ③ Across-the-Board Cost Cutting

### 1. Fabrication-less system

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

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

### 2. Strengthening purchasing power of raw materials

As a top manufacturer of green tea, ITO EN handles approximately 23.8% of the green tea leaves harvested in Japan and uses its extremely strong purchasing power to secure a stable supply of high-quality plucked tea leaves that can be purchased at a reasonable price as a result of relationships built on trust with producers over many years. Over those years, ITO EN has also accumulated a high level of production expertise, making it the beverage company that can self produce high-quality green tea leaves for beverages.

Furthermore, in Japan, the aging of agricultural workers and the lack of young people willing to inherit and carry on work in the agricultural field, resulting shrinkage of a reduction in tea-producing land and growers. ITO EN is cultivating green tea producing areas in Miyazaki, Kagoshima, Oita, and Nagasaki prefectures for mainly green tea used as a beverage ingredient, for which demand is expected to continue increasing. ITO EN’s agro-technicians visit these areas, and leads strictly governed cultivation operations based on cultivation management records and plans. Through our business of cultivating green tea growing areas, we are working to revitalize the tea industry and local communities by utilizing idle agricultural land, creating employment and encouraging young people to inherit and take on the work of agriculture.

④ Strengthening Overseas Operations

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

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

⑤ Approach for CSR (Corporate Social Responsibility)

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.

**(5) Other Important Management Matters Related to the Companies**

Not applicable

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

as of April 30, 2013 and April 30, 2014

	Million yen	
	4/30/2013	4/30/2014
<b>Current assets:</b>		
Cash and deposits	44,856	46,412
Notes and accounts receivable – trade	40,750	46,923
Merchandise and finished products	21,771	21,764
Raw materials and supplies	7,156	8,198
Accounts receivable-other	9,747	12,115
Deferred tax assets	2,518	2,297
Other	2,388	2,212
Allowance for doubtful accounts	(164)	(118)
<b>Total current assets</b>	<b>129,025</b>	<b>139,807</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment;</b>		
Buildings and structures	34,964	37,110
Accumulated depreciation	(17,666)	(18,726)
Buildings and structures, net	17,297	18,384
Machinery, equipment and vehicles	12,367	15,631
Accumulated depreciation	(8,567)	(9,770)
Machinery, equipment and vehicles, net	3,800	5,860
Tools, furniture and fixtures	4,775	5,658
Accumulated depreciation	(3,444)	(3,919)
Tools, furniture and fixtures, net	1,330	1,739
Land	17,978	18,423
Lease assets	62,819	60,436
Accumulated depreciation	(29,258)	(25,695)
Lease assets, net	33,561	34,741
Construction in progress	1,916	178
<b>Subtotal</b>	<b>75,885</b>	<b>79,326</b>
<b>Intangible fixed assets:</b>		
Goodwill	17,258	15,983
Software	5,705	4,946
Other	1,839	1,670
<b>Subtotal</b>	<b>24,803</b>	<b>22,600</b>
<b>Investments and other assets;</b>		
Investments in securities	3,625	3,782
Deferred tax assets	2,016	3,076
Other	9,994	10,634
Allowance for doubtful accounts	(380)	(407)
<b>Subtotal</b>	<b>15,256</b>	<b>17,085</b>
<b>Total fixed assets</b>	<b>115,945</b>	<b>119,012</b>
<b>Total assets</b>	<b>244,970</b>	<b>258,820</b>



## Consolidated Balance Sheets – Continued

	Million yen	
	4/30/2013	4/30/2014
<b>Current liabilities:</b>		
Notes and accounts payable-trade	29,474	32,330
Short-term loans payable	508	5,429
Lease obligations	11,778	11,681
Accrued expenses	18,023	19,602
Income taxes payable	4,521	4,780
Provision for bonuses	3,047	3,048
Other	3,526	3,568
<b>Total current liabilities</b>	<b>70,880</b>	<b>80,440</b>
<b>Non-current liabilities:</b>		
Bonds payable	20,000	20,000
Long-term loans payable	6,602	1,549
Lease obligations	22,214	22,028
Deferred income tax liabilities on revaluation	837	837
Allowance for retirement and severance benefits for employees	7,885	—
Net defined benefit liabilities	—	10,604
Other	2,607	2,850
<b>Total non-current liabilities</b>	<b>60,147</b>	<b>57,870</b>
<b>Total liabilities</b>	<b>131,028</b>	<b>138,310</b>
<b>Shareholders' equity:</b>		
Capital stock	19,912	19,912
Capital surplus	20,259	20,259
Retained earnings	80,747	87,812
Treasury stock	(1,467)	(1,423)
<b>Total shareholders' equity</b>	<b>119,451</b>	<b>126,560</b>
<b>Valuation, translation adjustments and others:</b>		
Valuation difference on available-for-sale securities	925	1,014
Deferred gains (losses) on hedges	30	1
Reversal of revaluation reserve for land	(6,171)	(6,171)
Foreign currency translation adjustments	(745)	(304)
Remeasurements of defined benefit plans	—	(1,318)
<b>Total accumulated losses from valuation, translation adjustments and others</b>	<b>(5,960)</b>	<b>(6,777)</b>
<b>Stock acquisition rights</b>	<b>34</b>	<b>52</b>
<b>Minority interests</b>	<b>416</b>	<b>673</b>
<b>Total net assets</b>	<b>113,942</b>	<b>120,509</b>
<b>Total liabilities and net assets</b>	<b>244,970</b>	<b>258,820</b>

## (2) Consolidated Statements of Income and Comprehensive Income

for the fiscal year ended April 30, 2013 and 2014 (May 1, 2013 - April 30, 2014)

### Consolidated Statements of Income

	Million yen	
	4/30/2013	4/30/2014
<b>Operating income and expenses:</b>		
Net sales	403,957	437,755
Cost of sales	211,869	225,951
<b>Gross profit</b>	<b>192,088</b>	<b>211,804</b>
Selling, general and administrative expenses(*1)	171,837	190,703
<b>Operating income</b>	<b>20,250</b>	<b>21,100</b>
<b>Non-operating income:</b>		
Interest income	26	29
Dividend income from securities	46	67
Rent income	50	74
Insurance income	45	4
Compensation income for damaged goods	48	102
Equity income from an unconsolidated subsidiary and affiliates	168	74
Foreign exchange gains	659	181
Other	362	334
<b>Total non-operating income</b>	<b>1,408</b>	<b>870</b>
<b>Non-operating expenses:</b>		
Interest expense	1,235	1,248
Expenses for voluntary recall of products	227	—
Other	281	205
<b>Total non-operating expense</b>	<b>1,744</b>	<b>1,453</b>
<b>Ordinary income</b>	<b>19,914</b>	<b>20,518</b>
<b>Extraordinary gains:</b>		
Gain on sales of fixed assets	1	205
Gain on sales of securities	0	2
Gain on donation of fixed assets	7	2
Gain on step acquisitions	260	—
Gain on bargain purchase	—	198
Other	—	9
<b>Total extraordinary gains</b>	<b>270</b>	<b>419</b>
<b>Extraordinary losses:</b>		
Loss on sales of fixed assets	2	17
Loss on abandonment of fixed assets	169	28
Disaster loss	0	—
Impairment losses(*2)	463	166
Loss on valuation of investment securities	12	17
Gain on step acquisitions	—	73
Other	50	—
<b>Total extraordinary losses</b>	<b>700</b>	<b>303</b>
<b>Income before income taxes</b>	<b>19,484</b>	<b>20,633</b>
<b>Income taxes - current</b>	<b>8,276</b>	<b>8,539</b>
<b>Income taxes - deferred</b>	<b>(10)</b>	<b>(123)</b>
<b>Total income taxes</b>	<b>8,266</b>	<b>8,416</b>
<b>Income before minority interests</b>	<b>11,218</b>	<b>12,216</b>
<b>Minority interests in income (loss)</b>	<b>(25)</b>	<b>120</b>
<b>Net income</b>	<b>11,244</b>	<b>12,096</b>

## Comprehensive Income

	Million yen	
	4/30/2013	4/30/2014
<b>Income before minority interests</b>	<b>11,218</b>	<b>12,216</b>
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	756	77
Deferred gains or losses on hedges	27	(28)
Foreign currency translation adjustment	1,685	436
Share of other comprehensive income of associates accounted for using equity method	35	37
<b>Other comprehensive income</b>	<b>2,505</b>	<b>522</b>
<b>Comprehensive income</b>	<b>13,723</b>	<b>12,738</b>
(Breakdown)		
Comprehensive income attributable to owners of the parent	13,704	12,598
Comprehensive income attributable to minority interests	19	140

### (3) Consolidated Statement of Changes in Shareholders' Equity

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

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	19,912	20,259	78,954	(4,830)	114,294
Changes during the current period					
Dividends from surplus			(5,018)		(5,018)
Net income			11,244		11,244
Purchase of treasury stock				(1,098)	(1,098)
Retirement of treasury stock			(4,350)	4,350	
Disposal of treasury stock			(81)	111	29
Net changes of items other than shareholders' equity					
Total changes of items during the period			1,793	3,363	5,157
Balance at the end of the current period	19,912	20,259	80,747	(1,467)	119,451

	Shareholders' equity						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments			
Balance at the beginning of the current period	158	3	(6,171)	(2,388)	—	(8,398)	23	90	106,010
Changes during the current period									
Dividends from surplus									(5,018)
Net income									11,244
Purchase of treasury stock									(1,098)
Retirement of treasury stock									
Disposal of treasury stock									29
Net changes of items other than shareholders' equity	767	27	—	1,643	—	2,437	11	325	2,774
Total changes of items during the period	767	27	—	1,643	—	2,437	11	325	7,931
Balance at the end of the current period	925	30	(6,171)	(745)	—	(5,960)	34	416	113,942

for the fiscal year ended April 30, 2013 and 2014 (May 1, 2013 - April 30, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	19,912	20,259	80,747	(1,467)	119,451
Changes during the current period					
Dividends from surplus			(5,005)		(5,005)
Net income			12,096		12,096
Purchase of treasury stock				(23)	(23)
Retirement of treasury stock					—
Disposal of treasury stock			(25)	67	41
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	7,065	43	7,108
Balance at the end of the current period	19,912	20,259	87,812	(1,423)	126,560

	Shareholders' equity						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments			
Balance at the beginning of the current period	925	30	(6,171)	(745)	—	(5,690)	34	416	113,942
Changes during the current period									
Dividends from surplus									(5,005)
Net income									12,096
Purchase of treasury stock									(23)
Retirement of treasury stock									—
Disposal of treasury stock									41
Net changes of items other than shareholders' equity	88	(28)	—	441	(1,318)	(817)	18	257	(541)
Total changes of items during the period	88	(28)	—	441	(1,318)	(817)	18	257	6,567
Balance at the end of the current period	1,014	1	(6,171)	(304)	(1,318)	(6,777)	52	673	120,509

#### (4) Consolidated Statements of Cash Flows

for the fiscal year ended April 30, 2013 and 2014 (May 1, 2013 - April 30, 2014)

	Million yen	
	4/30/2013	4/30/2014
Cash flows from operating activities:		
Income before income taxes	19,484	20,633
Depreciation and amortization	13,769	15,140
Impairment loss	463	166
Loss (gain) on step acquisitions	(260)	73
Amortization of goodwill	1,190	1,332
Gain on bargain purchase	—	(198)
Increase (decrease) in allowance for doubtful accounts	142	(19)
Increase (decrease) in accrued bonuses for employees	(150)	(3)
Increase (decrease) in provision for retirement benefits	667	—
Increase (decrease) in net defined benefit liability	—	681
Interest and dividends income	(72)	(97)
Interest expenses	1,235	1,248
Loss (gain) on foreign currency translation	(438)	(116)
Loss (gain) on valuation of investments securities	12	17
Loss (gain) on sales of investment securities	(0)	(2)
Decrease (increase) in notes and accounts receivable – trade	(2,455)	(6,003)
Decrease (increase) in inventories	(226)	(835)
Decrease (increase) in other current assets	28	(2,093)
Decrease (increase) in other fixed assets	(8)	(223)
Increase (decrease) in notes and accounts payable	175	2,622
Increase (decrease) in consumption tax payable	344	203
Increase (decrease) in other current liabilities	(20)	1,367
Other	67	(193)
<b>Subtotal</b>	<b>33,948</b>	<b>33,701</b>
Interest and dividend income received in cash	79	109
Interest expenses paid in cash	(1,223)	(1,250)
Income taxes paid in cash	(8,762)	(8,260)
<b>Net cash flows from operating activities</b>	<b>24,042</b>	<b>24,300</b>
Cash flows from investing activities:		
Net decrease (increase) in time deposits	(1,406)	250
Purchase of property, plant and equipment and intangible assets	(6,948)	(4,843)
Acquisition of investments in securities	(155)	(5)
Proceeds from sales of investments securities	41	6
Acquisition of long-term prepaid expenses	(52)	(34)
Acquisition of investments in affiliates	—	(121)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(934)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	168
Decrease (increase) in other investments	(182)	(18)
<b>Net cash flows from investing activities</b>	<b>(9,272)</b>	<b>(4,598)</b>

## Consolidated Statements of Cash Flows – Continued

	Million yen	
	4/30/2013	4/30/2014
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(367)	50
Proceeds from long-term loans payable	1,469	—
Repayment of long-term loans payable	(478)	(824)
Purchase of treasury stock	(1,098)	(23)
Proceeds from sales of treasury stock	1	2
Repayment of finance lease obligations	(10,979)	(12,456)
Dividends paid	(5,007)	(4,998)
Dividends paid to minority shareholders	(5)	(0)
Proceeds from stock issuance to minority shareholders	12	121
Other, net	2	(16)
<b>Net cash flows from financing activities</b>	<b>(16,451)</b>	<b>(18,147)</b>
<b>Effect of exchange rate fluctuation on cash and cash equivalents</b>	<b>859</b>	<b>164</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(822)</b>	<b>1,719</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>43,544</b>	<b>42,897</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>175</b>	<b>—</b>
<b>Cash and cash equivalents at end of period</b>	<b>42,897</b>	<b>44,617</b>

## **(5) Notes to Consolidated Financial Statements**

### **Note Regarding the Company's Position as a Going Concern**

Not applicable

### **Basis of Presentation of Consolidated Financial Statements**

#### **1. Consolidation scope**

- (1) Consolidated subsidiaries— 25 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 11 companies

The company established wholesales joint venture company, PT ITO EN ULTRAJAYA WHOLESALE as new consolidated subsidiaries on the fiscal year ended April 2014. In addition, with a purchase of additional shares of TSUCHIKURA Co., Ltd., unconsolidated subsidiaries the previous fiscal year, as new consolidated subsidiaries on the fiscal year ended April 2014.

- (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:  
PT ULTRAJAYA ITO EN MANUFACTURING
- (3) Financial statements of equity method applied an unconsolidated subsidiaries and an affiliate which ITO EN has used are determined based on their fiscal year

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

PT ITO EN ULTRAJAYA WHOLESALE, Fujian New Oolong Drink Co., Ltd., and ITO EN BEVERAGE (SHANGHAI), LTD., have fiscal year end on December 31. TSUCHIKURA Co., Ltd., have fiscal year end on June 30. For major transactions which occurred between the fiscal year end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements. Consolidated subsidiary NEOS Corporation has changed its fiscal year-end from December 31 to April 30. With this change, the financial statements used for NEOS Corporation were for a 13-month accounting period for the fiscal year.

#### **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  
Machinery, equipment and vehicles: 8 to 10 years  
Tools, furniture and fixtures: 4 to 8 years
- ② Intangible assets (excluding lease assets)  
Domestic companies only—Intangible assets are amortized on the straight line method over estimated useful lives. The useful life for "Software" is estimated for five to ten years.



- ③ Lease assets (finance lease transactions that do not transfer ownership of lease property to the lessee)  
The straight-line method is applied to leases, with the lease period set as the useful life and the remaining value as zero. Finance lease transactions that do not transfer ownership, for which the starting date of the lease was April 30, 2008 or earlier, are accounted for as operating leases.
- (3) Important reserve
- ① Allowance for doubtful accounts  
Sufficient allowance for doubtful accounts is provided to cover possible losses by estimating uncollectable amounts individually in addition to possible losses based on actual losses on collection in the past.
- ② Accrued bonus  
Domestic companies only— Accrued bonus is recorded as an estimate for the future payment to employees.
- (4) Accounting policy for retirement benefits
- ① Period allocation methodology for the estimated retirement benefit amount  
The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on a straight-line basis.
- ② Amortization of actuarial gains/losses and prior service cost  
Actuarial gains/losses are amortized pro rata in the years from the following fiscal year by the straight-line method based on average remaining service years (Mainly 17 years) of the employees when incurred.
- ③ Application of the simplified method for small businesses  
For certain consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the consolidated fiscal year are recorded as retirement benefit obligations.
- (5) Conversion of foreign currency and translation of foreign statements  
Receivables and liabilities denominated in foreign currencies are translated into Japanese yen on the basis of the fiscal year end rate and translation differences are charged to income or expenses. Financial statements of foreign consolidated subsidiaries are translated into Japanese yen on the basis of the fiscal year end rates. The average rates for the period are used for translation of income and expenses for the period. Translation differences are included in net assets as foreign statements translation adjustments.
- (6) 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.
- (7) Amortization of goodwill  
Goodwill caused by acquisition of affiliates is amortized mainly in eighteen years by using the straight-line method. Some of them are charged or credited to income as incurred due to immateriality of those amounts.
- (8) Cash and cash equivalents on the consolidated statements of cash flows  
Cash and cash equivalents on the Consolidated Statements of Cash Flows include cash on hand, time deposits and highly liquidated investments with maturities of three months or less with little fluctuation risks.
- (9) Accounting for consumption taxes  
Consumption tax (including local consumption) received and paid are netted in the consumption tax payable.

## **Changes in accounting policy**

### Application of the Accounting Standard for Retirement Benefits

ITO EN has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; “the Accounting Standard for Retirement Benefits”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; “the Guidance on Accounting Standard for Retirement Benefits”) from the end of the current consolidated fiscal year (excluding the stipulations of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits). Accordingly, a method in which the value of pension assets excluded from retirement benefit obligations is recorded as net defined benefit liability has been adopted, and accordingly unrecognized actuarial gains/losses and unrecognized prior service cost have been recorded as net defined benefit liability.

In accordance with transitional treatment as stipulated in Article 37 of the Accounting Standard for Retirement Benefits for the application of accounting standards for retirement benefits, the impact resulting from the change has been recorded under remeasurements of defined benefit plans under accumulated other comprehensive income at the end of the current consolidated fiscal year.

As a result, net defined benefit liability of 10,604 million yen was recorded and accumulated other comprehensive income decreased by 1,318 million yen at the end of the current consolidated fiscal year.

In addition, net assets per share of common stock and Class-A Preferred Stock decreased by 10.74 yen for the current fiscal year.

## Notes to Consolidated Statements of Income

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

	Million yen	
	4/30/2013	4/30/2014
Selling commission	64,000	73,672
Advertising	10,369	11,533
Allowance for doubtful accounts	24	50
Transportation	9,599	10,981
Salaries and wages to employees	35,886	38,715
Accrued bonuses	2,740	2,850
Retirement and severance benefit costs for employees	1,512	1,615
Lease expenses	2,336	1,609
Depreciation and amortization	12,246	13,386
Research and development expenses	1,676	1,637

### \*2. Impairment losses

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

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

Location	Use	Type of assets	Impairment losses (million yen)
Yokohama-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 yen (buildings 178 million yen, tools, furniture and fixtures 32 million yen, 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.

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 yen (machinery and equipment 135 million yen, buildings and structures 105 million yen, and other 12 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.

for the fiscal year ended April 30, 2014 (May 1, 2013 – April 30, 2014)

Location	Use	Type of assets	Impairment losses (million yen)
Kobe-shi, Hyogo, etc	Store, etc.	Buildings, etc	163
Hatsukaichi-shi, Hiroshima	Production, etc.	Machinery and equipment, etc	3

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 163 million yen (buildings 135 million yen, tools, furniture and fixtures 27 million yen, and other 1 million yen) as of the fiscal year ended April 30, 2014. 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 3 million yen (machinery and equipment 2 million yen, buildings and structures 0 million yen) as of the fiscal year ended April 30, 2014. The recoverable amount was determined through measurement of the value in use, which is calculated as zero.

## Segment information

### 1. Outline of reporting segments

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

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

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

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

Income of reporting segments is based on operating income.

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

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

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

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Total
	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	—	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 yen in amortization of goodwill and 34 million yen in intersegment transactions.

ii .The segment asset (loss) adjustment 13,011 million yen is unamortized balance of goodwill, and etc.

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

for the fiscal year ended April 30, 2014 (May 1, 2013 - April 30, 2014)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	409,696	23,180	4,877	437,755	—	437,755
(2) Intersegment	265	684	2,458	3,408	(3,408)	—
Total net sales	409,962	23,865	7,336	441,164	(3,408)	437,755
Segment earnings (loss)	17,935	3,178	1,011	22,125	(1,024)	21,100
Segment assets (loss)	226,657	14,071	6,096	246,826	11,993	258,820
Others:						
(1) Depreciation	14,128	924	75	15,127	—	15,127
(2) Amortization of goodwill	228	—	50	278	1,053	1,332
(3) Investment in affiliates	285	—	—	285	—	285
(4) Increase in fixed assets	15,835	1,354	51	17,241	—	17,241

Notes: i .The segment earnings (loss) adjustment includes (1,053) million yen in amortization of goodwill and 28 million yen in intersegment transactions.

ii .The segment asset (loss) adjustment 11,993 million yen is unamortized balance of goodwill, and etc.

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

4. Information regarding amounts of impairment loss on noncurrent assets, goodwill, etc by reporting segment  
(Significant gain on bargain purchase)

For the fiscal year ended April 30, 2013 (May 1, 2012 – April 30, 2013)

Not applicable.

For the fiscal year ended April 30, 2014 (May 1, 2013 - April 30, 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.

## Notes to per share data

	Yen	
	4/30/2013	4/30/2014
Common Stock		
Net assets per share	923.24	974.36
Net income per share	88.64	95.77
Diluted net income per share	88.39	95.49
Class-A Preferred Stock		
Net assets per share	928.24	979.36
Net income per share	98.64	105.77
Diluted net income per share	98.39	105.49

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

	Yen	
	4/30/2013	4/30/2014
(Net income per share)		
Net income (Million yen)	11,244	12,096
Net income pertaining to common stock (Million yen)	7,873	8,483
Net income pertaining to Class-A Preferred Stock (Million yen)	3,370	3,612
Weighted average number of shares of common stock (Thousands of shares)	88,823	88,586
Weighted average number of shares of Class-A Preferred Stock (Thousands of shares)	34,170	34,159
(Diluted net income per share)		
Adjustments to net income (Million yen)	—	—
Increase in common stock (Thousands of shares)	353	355
(*Stock acquisition rights (Thousands of shares))	(353)	(355)
Net income pertaining to common stock (Million yen)	7,882	8,493
Net income pertaining to Class-A Preferred Stock (Million yen)	3,361	3,603

## Notes to subsequent events

Not applicable

## 5. Non-Consolidated Financial Statements

### (1) Non-Consolidated Balance Sheets

as of April 30, 2013 and April 30, 2014

	Million yen	
	4/30/2013	4/30/2014
<b>Current assets:</b>		
Cash and deposits	34,272	34,261
Notes receivable – trade	171	176
Accounts receivable – trade	37,577	43,273
Merchandise and finished products	18,716	17,942
Raw materials and supplies	6,009	7,089
Prepaid expenses	1,638	1,551
Deferred income tax assets	2,038	1,791
Short-term loans to affiliates	3,278	4,467
Advances to suppliers	8,807	11,392
Other	362	162
Allowance for doubtful accounts	(159)	(103)
<b>Total current assets</b>	<b>112,715</b>	<b>122,003</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment;</b>		
Buildings, net	10,616	10,504
Structures, net	242	252
Machinery, equipment and vehicles, net	1,358	2,204
Vehicles, net	14	8
Tools, furniture and fixtures, net	841	1,130
Land	13,469	13,517
Lease assets, net	31,298	32,683
Construction in progress	784	46
<b>Subtotal</b>	<b>58,625</b>	<b>60,347</b>
<b>Intangible fixed assets;</b>		
Right for leasehold land	80	80
Trademark right	0	0
Software	5,388	4,652
Lease assets	15	0
Telephone rights	89	89
Other	0	0
<b>Subtotal</b>	<b>5,574</b>	<b>4,823</b>
<b>Investments and other assets;</b>		
Investments in securities	3,457	3,565
Investments in affiliates	31,625	31,635
Capital investments	9	9
Capital investments in affiliates	301	499
Long-term loans to affiliates	2,900	1,378
Claims provable in rehabilitation	148	167
Lease and guarantee deposits	125	157
Deferred income tax assets	1,544	1,746
Lease and guarantee deposits	2,628	2,637
Insurance premium	220	221
Other	1,844	2,003
Allowance for doubtful accounts	(323)	(376)
<b>Subtotal</b>	<b>44,483</b>	<b>43,645</b>
<b>Total fixed assets</b>	<b>108,684</b>	<b>108,817</b>
<b>Total assets</b>	<b>221,399</b>	<b>230,820</b>

## Non-Consolidated Balance Sheets – Continued

	Million yen	
	4/30/2013	4/30/2014
<b>Current liabilities:</b>		
Accounts payable—trade	24,173	26,653
Lease obligations	10,743	10,872
Accounts payable—others	166	140
Accrued expenses	17,392	18,793
Income taxes payable	3,530	3,361
Income in advance	13	14
Accrued bonuses	2,527	2,434
Other	921	940
<b>Total current liabilities</b>	<b>59,469</b>	<b>63,210</b>
<b>Non-current liabilities:</b>		
Bonds payable	20,000	20,000
Lease obligations	20,756	20,594
Allowance for retirement and severance benefits for employees	5,934	6,563
Deferred tax liabilities on revaluation	837	837
Other	232	231
<b>Total non-current liabilities</b>	<b>47,760</b>	<b>48,227</b>
<b>Total liabilities</b>	<b>107,229</b>	<b>111,437</b>
<b>Current Net Assets:</b>		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus		
Legal capital surplus	20,259	20,259
<b>Total Capital surplus</b>	<b>20,259</b>	<b>20,259</b>
Retained earnings		
Legal earnings reserve	1,320	1,320
Other earned surplus		
Reserve for reduction of acquisition cost of fixed assets	503	501
Special reserve fund	70,116	71,116
Earned surplus carried forward	8,736	12,832
<b>Total retained earnings</b>	<b>80,676</b>	<b>85,770</b>
Treasury stock, at cost	(1,467)	(1,423)
<b>Total shareholders' equity</b>	<b>119,380</b>	<b>124,518</b>
<b>Valuation, translation adjustments and others:</b>		
Unrealized holding gains on securities, net of tax	904	981
Deferred gains (losses) on hedges	20	1
Reversal of revaluation reserve for land	(6,171)	(6,171)
<b>Total accumulated gains (losses) from valuation, translation adjustments and others</b>	<b>(5,245)</b>	<b>(5,188)</b>
<b>Stock acquisition rights</b>	<b>34</b>	<b>52</b>
<b>Total net assets</b>	<b>114,169</b>	<b>119,382</b>
<b>Total liabilities and net assets</b>	<b>221,399</b>	<b>230,820</b>

## (2) Non-Consolidated Statements of Income

for the fiscal year ended April 30, 2013 and 2014

	Million yen	
	4/30/2013	4/30/2014
<b>Operating income and expenses:</b>		
Net sales	351,807	363,461
Cost of sales	189,816	194,266
<b>Gross profit</b>	<b>161,990</b>	<b>169,194</b>
Selling, general and administrative expenses	145,156	153,134
<b>Operating income</b>	<b>16,834</b>	<b>16,060</b>
<b>Non-operating income:</b>		
Interest and dividends income	800	753
Other	1,191	752
<b>Total non-operating income</b>	<b>1,191</b>	<b>1,505</b>
<b>Non-operating expenses:</b>		
Interest expense	1,038	1,018
Interest on bonds	98	98
Expenses for voluntary recall of products	227	—
Other	322	223
<b>Total non-operating expense</b>	<b>1,688</b>	<b>1,340</b>
<b>Ordinary income</b>	<b>17,138</b>	<b>16,225</b>
<b>Extraordinary gains:</b>		
Gain on sales of fixed assets	—	199
Gain on sales of investment securities	0	0
<b>Total extraordinary gains</b>	<b>0</b>	<b>199</b>
<b>Extraordinary losses:</b>		
Loss on disposal of fixed assets	38	19
Disaster loss	0	—
Loss on valuation of investment securities	12	7
Loss on withdrawal of golf club membership	39	—
Other	3	—
<b>Total extraordinary losses</b>	<b>94</b>	<b>27</b>
<b>Income before income taxes</b>	<b>17,044</b>	<b>16,397</b>
<b>Income taxes - current</b>	<b>6,552</b>	<b>6,253</b>
<b>Income taxes - deferred</b>	<b>116</b>	<b>18</b>
<b>Income taxes</b>	<b>6,668</b>	<b>6,271</b>
<b>Net income</b>	<b>10,376</b>	<b>10,125</b>



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

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

(Million yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
<b>Balance at the beginning of the current period</b>	19,912	20,259	20,259	1,320	505	67,116	10,808	79,750
<b>Changes during the current period</b>								
Dividends from surplus							(5,018)	(5,018)
Provision of general reserve						3,000	(3,000)	—
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate								—
Reversal of reserve for advanced depreciation of noncurrent assets					(2)		2	—
Net income							10,376	10,376
Purchase of treasury stock								
Retirement of treasury stock							(4,350)	(4,350)
Disposal of treasury stock							(81)	(81)
Net changes of items other than shareholders' equity								
<b>Total changes of items during the period</b>	—	—	—	—	(2)	3,000	(2,071)	925
<b>Balance at the end of the current period</b>	19,912	20,259	20,259	1,320	503	70,116	8,736	80,676

	Shareholders' equity		Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
<b>Balance at the beginning of the current period</b>	(4,830)	115,091	154	(0)	(6,171)	(6,017)	23	109,096
<b>Changes during the current period</b>								
Dividends from surplus		(5,018)						(5,018)
Provision of general reserve		—						—
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate		—						—
Reversal of reserve for advanced depreciation of noncurrent assets		—						—
Net income		10,376						10,376
Purchase of treasury stock	(1,098)	(1,098)						(1,098)
Retirement of treasury stock	4,350	—						—
Disposal of treasury stock	111	29						29
Net changes of items other than shareholders' equity			750	21	—	771	11	783
<b>Total changes of items during the period</b>	3,363	4,289	750	21	—	771	11	5,072
<b>Balance at the end of the current period</b>	(1,467)	119,380	904	20	(6,171)	(5,245)	34	114,169

for the fiscal year ended April 30, 2013 and 2014 (May 1, 2013 - April 30, 2014)

(Million yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
<b>Balance at the beginning of the current period</b>	19,912	20,259	20,259	1,320	503	70,116	8,736	80,676
<b>Changes during the current period</b>								
Dividends from surplus							(5,005)	(5,005)
Provision of general reserve						1,000	(1,000)	—
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate					0		(0)	—
Reversal of reserve for advanced depreciation of noncurrent assets					(2)		2	—
Net income							10,125	10,125
Purchase of treasury stock								
Retirement of treasury stock								
Disposal of treasury stock							(25)	(25)
Net changes of items other than shareholders' equity								
<b>Total changes of items during the period</b>	—	—	—	—	(2)	1,000	4,096	5,094
<b>Balance at the end of the current period</b>	19,912	20,259	20,259	1,320	501	71,116	12,832	85,770

	Shareholders' equity		Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
<b>Balance at the beginning of the current period</b>	(1,467)	119,380	904	20	(6,171)	(5,245)	34	114,169
<b>Changes during the current period</b>								
Dividends from surplus		(5,005)						(5,005)
Provision of general reserve		—						—
Increase of reserve for advanced depreciation of noncurrent assets of changes in tax rate		—						—
Reversal of reserve for advanced depreciation of noncurrent assets		—						—
Net income		10,125						10,125
Purchase of treasury stock	(23)	(23)						(23)
Retirement of treasury stock								—
Disposal of treasury stock	67	41						41
Net changes of items other than shareholders' equity			76	(18)	—	57	18	75
<b>Total changes of items during the period</b>	43	5,138	76	(18)	—	57	18	5,213
<b>Balance at the end of the current period</b>	(1,423)	124,518	981	1	(6,171)	(5,188)	52	119,382

#### **(4) Notes to Non-Consolidated Financial Statements**

##### **Changes in presentation method**

The non-consolidated balance sheets, non-consolidated statements of income and the non-consolidated statements of changes in net assets have been prepared in accordance with Article 127-1 of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc.

#### **6. Other**

##### **Change in officers**

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