

## Consolidated Financial Results

under Japanese Standards for the fiscal year ending April 30, 2015 (Unaudited)

Scheduled filing date of quarterly report: September 12, 2014

Scheduled date of commencement of dividend payment: —

Supplementary documents for quarterly results: Yes

Quarterly results presentation: None

(Figures are rounded down to million yen.)

### 1. Consolidated Performance for the Fiscal Year Ended April 30, 2015 (May 1, 2014 - July 31, 2014)

(1) Consolidated Results of Operations – cumulative (% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen		Million yen		Million yen		Million yen	
7/31/2014	118,700	-0.4%	2,194	-60.6%	2,082	-61.6%	937	-68.6%
7/31/2013	119,193	12.2%	5,568	8.1%	5,426	11.0%	2,987	22.1%

Note: Comprehensive income 7/31/2014: 1,159 million yen (-61.3%) 7/31/2013: 2,996 million yen (32.2%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
7/31/2014	7.64	7.62
7/31/2013	24.34	24.27

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

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	
7/31/2014	258,298	120,251	46.2%
4/30/2014	258,820	120,509	46.3%

Reference: Equity 7/31/2014: 119,463 million yen 4/30/2014: 119,782 million yen.

### 2. Dividends

	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
4/30/2014	—	19.00	—	20.00	39.00
4/30/2015	—	—	—	—	—
4/30/2015 (Forecast)	—	20.00	—	20.00	40.00

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

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

### 3. Forecasted Consolidated Results for the Fiscal Year Ending April 30, 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	239,000	0.0%	9,200	-36.4%	8,800	-37.7%	5,000	-39.9%	39.34
4/30/2015	455,500	4.1%	23,000	9.0%	22,000	7.2%	13,100	8.3%	103.94

Note: Revision of operation results forecast during the current quarterly period: Yes

For details of the revision of consolidated operation results forecast, please refer to “Notice of Revision of Results Forecasts” for the Fiscal Year Ending April 30, 2015 announced on today, September 1, 2014.

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

## Notes

(1) Changes in important subsidiaries during the period: None

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

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

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

i . Changes in accounting policies associated with in accounting standards: Yes

ii . Changes in accounting policies other than i. above: Yes

iii . Changes in accounting estimates: Yes

iv . Restatements: None

Note: A change has been made to the method for calculation of depreciation, which is categorized under "Changes in accounting policies for items that are difficult to categorize as changes in accounting estimates". For details, refer to "2. Information Regarding "Notes" in Consolidated Summary Report, (3) Changes in Accounting Policies, Changes Accounting Estimate, and Restatements" on page 4.

(4) Numbers of shares outstanding (common stock)

i . Numbers of shares outstanding (including treasury stock) 7/31/2014 89,212,380 shares 4/30/2014 89,212,380 shares

ii . Numbers of treasury stock 7/31/2014 568,959 shares 4/30/2014 605,739 shares

iii . Average number of shares during the period 7/31/2014 88,609,870 shares 7/31/2013 88,576,442 shares

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

\* Indication of quarterly review procedure implementation status

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

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

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

## Reference

### (1) Net Income per Share – Class-A Preferred Stock (May 1, 2014 - July 31, 2014)

	Net income per share	Net income per share (diluted)
	Yen	Yen
7/31/2014	7.64	7.62
7/31/2013	24.34	24.27

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

(Record date)	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
4/30/2014	—	24.00	—	25.00	49.00
4/30/2015	—				
4/30/2015 (Forecast)		25.00	—	25.00	50.00

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

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

	Net income per share (Consolidated)
	Yen
10/31/2014	44.34
4/30/2015	113.94

Note: Revision of operation results forecast during the current quarterly period: Yes

For details of the revision of consolidated operation results forecast, please refer to “Notice of Revision of Results Forecasts” for the Fiscal Year Ending April 30, 2015 announced on today, September 1, 2014.

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

i . Numbers of shares outstanding (including treasury stock)	7/31/2014	34,246,962 shares	4/30/2014	34,246,962 shares
ii . Numbers of treasury stock	7/31/2014	96,398 shares	4/30/2014	93,698 shares
iii . Average number of shares during the period	7/31/2014	34,152,233 shares	7/31/2013	34,163,421 shares

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

### (1) Explanations Regarding Consolidated Results of Operations

During the first quarter of the fiscal year ending April 30, 2015 (May 1, 2014 - July 31, 2014), the Japanese economy began to show signs of recovery fueled by prospects of the government's economic and financial policies and the subsequent impact of those policies, such as an improvement in the business results of exporters and an improvement in the employment situation. At the same time, the slowing a drop in personal consumption from demand in the wake of extraordinary purchasing ahead of the consumption tax rate hike

In the beverage industry, adverse business conditions persisted amid an unpredictable business environment, a drop in demand from April in the wake of extraordinary purchasing ahead of the consumption tax rate hike, price declines fueled by increased competition, and stemming from lingering concerns over rising raw material and fuel costs resulting from the yen's depreciation.

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 118,700 million yen, down 0.4% from the previous fiscal year. On the earnings front, an increase in selling expenses in the face of intensified competition resulted in operating income of 2,194 million yen, down 60.6% year on year, ordinary income of 2,082 million yen, down 61.6%, and net income of 937 million yen, down 68.6%. An analysis of sales by business segment follows.

#### <Tea Leaves and Beverages Business>

Domestics business, convenient tea leaf products that deliver superior flavor with little effort, including "Premium Green Tea Bags with Matcha" and "TEAS' TEA Orange & Earl Grey Tea Bags (Caffeine-free)," continued to perform well. In addition, the current fiscal year marks the 30th anniversary of ITO EN's invention of "Kan-iri Sencha" (Canned Green Tea), the predecessor product of our main "Oi Ocha" brand, based on the idea that as part of Japanese culture, ITO EN wanted as many people as possible to be able to enjoy the delicious taste of tea. We have worked to add even more value to the "Oi Ocha" brand, with new television commercials and promotional campaigns to mark the re-launch of "Oi Ocha Ryokucha" (green tea) and "Oi Ocha Koicha" (dark) in May 2014, to celebrate the 30th anniversary of ITO EN's invention of green tea beverages nationwide.

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.

Chichiyasu Company was engaged in aggressive sales of yogurt and lactic acid bacteria beverages, mainly in Hiroshima Prefecture, and is expanding its brand synergies through joint development with ITO EN. In addition, with robust sales channels in western Japan, NEOS Corporation is adding further strength to the Group's vending machine business.

Regarding overseas, ITO EN (North America) INC. steadily increased sales of beverages such as "Oi Ocha," and easy-to-use tea leaf products performed well. To establish business foundations in China and Southeast Asia, ITO EN took advantage of the tailwind created by today's health consciousness among consumers to actively engage in overseas business development.

As a result, sales in the Tea Leaves and Beverages Business down 1.0%, to 111,143 million yen, and operating income of 1,197 million yen, down 74.3% from the previous fiscal year.

#### <Restaurant Business>

Tully's Coffee Japan Co., Ltd. is contributing to earnings growth, with solid sales of drinks led by seasonal products, and large increases in sales of pasta and other delicatessen items, and of ice cream.

In addition, Tully's Coffee Japan Co., Ltd. continued expanding further its network to 560 coffee shops.

As a result, net sales in the Restaurant Business rose 10.1% year on year, to 6,193 million yen, and operating income rose 3.3% year on year, to 904 million yen from the previous fiscal year.

#### <Others>

Net sales rose 7.8% year on year, to 1,363 million yen, and operating income rose 18.1%, to 337 million yen from the previous fiscal year.

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

The following is as consolidated financial position for the first quarter of the fiscal year ending April 30, 2015.

### **<Assets>**

Assets at the end of July 31, 2014 stood at 258,298 million yen, decreased by 521 million yen from the previous fiscal year. These changes in total assets mainly reflected decreases of 17,615 million yen in “Cash and deposits” and increases of 9,980 million yen in “Notes and accounts receivable-trade,” 5,735 million yen in “Merchandise and finished goods,” and 1,953 in “Raw materials and supplies.”

### **<Liabilities>**

Liabilities at the end of July 31, 2014 stood at 138,047 million yen, decreased by 262 million yen from the previous fiscal year. These changes in liabilities mainly reflected increases of 7,430 million yen in “Notes and accounts payable-trade,” and a decreases of 4,627 million yen in “Short-term loans payable” and 1,759 million yen in “Net retirement benefit liabilities.”

### **<Net assets>**

Net assets at the end of July 31, 2014 stood at 120,251 million yen, decreased by 258 million yen from the previous fiscal year. The major changes of the net assets were increases of 937 million yen in “Net income” and 1,193 million yen from changes in accounting standards related to retirement benefits, and a decrease of 2,625 million yen due to “Dividends from surplus.”

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

The Tea Leaves and Beverages Business recorded weak sales in the first quarter (May 1–July 31, 2014) as a result of a decline in consumption spending following the consumption tax increase, inclement weather in July resulting in a decline from the year-earlier period when record temperatures were recorded, and intensified competition.

Going forward, we will work to reduce costs and review expenses, and strive to strengthen our brands even further, but given the large percentage of the Group’s overall earnings accounted for by the Tea Leaves and Beverages Business, we have revised our forecast for consolidated financial results for the first half of the fiscal year.

For details of the revision of consolidated operation results forecast, please refer to “Notice of Revision of Results Forecasts” for the Fiscal Year Ending April 30, 2015 announced on today, September 1, 2014.

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

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

Not applicable.

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

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

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

Changes in accounting policies

(Application of accounting standards, etc. related to retirement benefits)

From the first quarter of the current fiscal year under review, the Company has applied provisions described in the main clause of Section 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26, issued on May 17, 2012) and the main clause of Section 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, issued on May 17, 2012) and has changed the calculation methods for retirement benefit obligations and service costs. The method of attributing expected retirement benefits to periods has been revised from the straight-line method to the benefit formula method, and the method of determining the discount rate has been revised from a method based on an approximation of the employees’ average remaining service period to a method of using a single weighted average discount rate reflecting the estimated payment period and the amount for each estimated payment period of the retirement benefit.

In accordance with transitional accounting treatments as stated in Section 37 of the Accounting Standard, the impact of the changes in calculation methods for retirement benefit obligations and service costs has been recognized as an adjustment to retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, liability for retirement benefits decreased by 1,855 million yen while retained earnings increased by 1,193 million yen as of May 1, 2014. The impact on operating income, ordinary income and income before income taxes increased by 28 million yen, respectively compared with the results under the previous fiscal year.

Changes in accounting policies which are difficult to differentiate from changes in estimation methods

(Change in depreciation method for tools, furniture and fixtures)

The Company previously used the declining-balance method for depreciation and amortization of tools, furniture and fixtures but effective from the first quarter under review, the straight-line method has been applied to all tools, furniture and fixtures.

During the first quarter of the current fiscal year under review, the Company has revised the capital expenditure planning of tools, furniture and fixtures. As we can expect the Company tools, furniture and fixtures to be used averagely and consistently, the change has been implemented because, it is reasonable, from a cost distribution point of view, to adopt the straight-line method as a depreciation method for tools, furniture and fixtures, the company conditions should be more appropriately reflected by doing so.

As a result of this change, operating income, ordinary income, and net income before income taxes increased by 15 million yen compared with the results under the previous method.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

as of July 31, 2014 and April 30, 2014

	Million yen	
	4/30/2014	7/31/2014
<b>Current assets:</b>		
Cash and deposits	46,412	28,797
Notes and accounts receivable – trade	46,923	56,903
Merchandise and finished goods	21,764	27,499
Raw materials and supplies	8,198	10,152
Other	16,625	16,230
Allowance for doubtful accounts	(118)	(86)
<b>Total current assets</b>	<b>139,807</b>	<b>139,496</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment;</b>		
Buildings and structures, net	18,384	18,496
Land	18,423	18,425
Lease assets, net	34,741	35,401
Other, net	7,777	7,760
<b>Subtotal</b>	<b>79,326</b>	<b>80,083</b>
<b>Intangible fixed assets:</b>		
Goodwill	15,983	15,656
Other	6,617	6,437
<b>Subtotal</b>	<b>22,600</b>	<b>22,093</b>
<b>Investments and other assets;</b>		
Investments in securities	17,085	16,624
<b>Total fixed assets</b>	<b>119,012</b>	<b>118,801</b>
<b>Total assets:</b>	<b>258,820</b>	<b>258,298</b>
<b>Current liabilities:</b>		
Notes and accounts payable-trade	32,330	39,760
Short-term loans payable	5,429	802
Lease obligations	11,681	11,797
Accrued expenses	19,602	22,443
Income taxes payable	4,780	1,195
Provision for bonuses	3,048	1,702
Other	3,568	3,963
<b>Total current liabilities</b>	<b>80,440</b>	<b>81,665</b>
<b>Non-current liabilities:</b>		
Bonds payable	20,000	20,000
Long-term loans payable	1,549	1,458
Lease obligations	22,028	22,348
Net retirement benefit liabilities	10,604	8,844
Other	3,687	3,730
<b>Total non-current liabilities</b>	<b>57,870</b>	<b>56,382</b>
<b>Total liabilities</b>	<b>138,310</b>	<b>138,047</b>



## Quarterly Consolidated Balance Sheets – Continued

	Million yen	
	4/30/2014	7/31/2014
<b>Shareholders' equity:</b>		
Capital stock	19,912	19,912
Capital surplus	20,259	20,259
Retained earnings	87,812	87,241
Treasury stock	(1,423)	(1,348)
<b>Total shareholders' equity</b>	<b>126,560</b>	<b>126,063</b>
<b>Valuation, translation adjustments and others:</b>		
Valuation difference on available-for-sale securities	1,014	1,168
Deferred gains (losses) on hedges	1	2
Reversal of revaluation reserve for land	(6,171)	(6,171)
Foreign currency translation adjustments	(304)	(311)
Remeasurements of defined benefit plans	(1,318)	(1,288)
<b>Total accumulated losses from valuation, translation adjustments and others</b>	<b>(6,777)</b>	<b>(6,600)</b>
<b>Stock acquisition rights</b>	<b>52</b>	<b>70</b>
<b>Minority interests</b>	<b>673</b>	<b>717</b>
<b>Total net assets</b>	<b>120,509</b>	<b>120,251</b>
<b>Total liabilities and net assets</b>	<b>258,820</b>	<b>258,298</b>

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

from May 1, 2014 to July 31, 2014

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

	Million yen	
	7/31/2013	7/31/2014
<b>Operating income and expenses:</b>		
Net sales	119,193	118,780
Cost of sales	63,383	63,083
<b>Gross profit</b>	<b>55,809</b>	<b>55,616</b>
Selling, general and administrative expenses	50,240	53,421
<b>Operating income</b>	<b>5,568</b>	<b>2,194</b>
<b>Non-operating income:</b>		
Interest income	5	8
Dividend income from securities	57	42
Foreign exchange gains	0	7
Equity income from an unconsolidated subsidiary and affiliates	56	34
Other	110	167
<b>Total non-operating income</b>	<b>229</b>	<b>260</b>
<b>Non-operating expenses:</b>		
Interest expense	315	298
Other	56	74
<b>Total non-operating expense</b>	<b>371</b>	<b>373</b>
<b>Ordinary income</b>	<b>5,426</b>	<b>2,082</b>
<b>Extraordinary gains:</b>		
Gain on sales of fixed assets	1	0
Gain on donation of fixed assets	—	26
Eviction income	—	11
<b>Total extraordinary gains</b>	<b>1</b>	<b>37</b>
<b>Extraordinary losses:</b>		
Loss on sales of fixed assets	0	1
Loss on abandonment of fixed assets	21	2
Other	—	0
<b>Total extraordinary losses</b>	<b>22</b>	<b>4</b>
<b>Income before income taxes</b>	<b>5,405</b>	<b>2,116</b>
<b>Total income taxes</b>	<b>2,382</b>	<b>1,121</b>
<b>Income before minority interests</b>	<b>3,023</b>	<b>994</b>
<b>Minority interests in income (loss)</b>	<b>36</b>	<b>56</b>
<b>Net income</b>	<b>2,987</b>	<b>937</b>

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

	Million yen	
	7/31/2013	7/31/2014
<b>Income before minority interests</b>	<b>3,023</b>	<b>994</b>
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(13)	148
Deferred gains or losses on hedges	(11)	0
Foreign currency translation adjustment	(12)	(6)
Remeasurements of defined benefit plans, net of tax	—	30
Share of other comprehensive income of associates accounted for using equity method	10	(8)
<b>Other comprehensive income</b>	<b>(26)</b>	<b>164</b>
<b>Comprehensive income</b>	<b>2,996</b>	<b>1,159</b>
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,951	1,114
Comprehensive income attributable to minority interests	45	44

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

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

Not applicable.

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

Not applicable.

(Segment Information, etc.)

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

i . For the first quarter of the previous fiscal year ended April 30, 2014 (May 1, 2013 – July 31, 2013)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Amount on Consolidated Statements of Operations
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	112,302	5,625	1,265	119,193	—	119,193
(2) Intersegment	54	170	661	886	(886)	—
Total net sales	112,357	5,795	1,927	120,079	(886)	119,193
Segment profits (losses)	4,659	875	286	5,821	(252)	5,568

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

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

ii . For the first quarter of the fiscal year ending April 30, 2015 (May 1, 2014 – July 31, 2014)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Amount on Consolidated Statements of Operations
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	111,143	6,193	1,363	118,700	—	118,700
(2) Intersegment	79	209	662	950	(950)	—
Total net sales	111,222	6,402	2,026	119,651	(950)	118,700
Segment profits (losses)	1,197	904	337	2,439	(244)	2,194

Notes: i .The segment profits (losses) adjustment includes (¥263) million in amortization of goodwill and ¥18 million in intersegment transactions.

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