ITO EN, LTD.

March 2, 2015
ITO EN, LTD. Securities numbers : 2593 (Common Stock)
: 25935 (Class-A Preferred Stock)
(URL http:/www.itoen.co.jp)
47-10, Honmachi 3 chome, Shibuya-ku, Tokyo
Representative: Daisuke Honjo (President)

For Immediate Release

Consolidated Financial Results

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

Scheduled filing date of quarterly report: March 13, 2015

Scheduled date of commencement of dividend payment: －

Supplementary documents for quarterly results: Yes

Quarterly results presentation (for institutional investors and analysts): None

(Figures are rounded down to million yen.)

1. Consolidated Performance Third Quarter of the Fiscal Year Ending April 30, 2015 (May 1, 2014 - January 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen		Million yen		Million yen		Million yen	
1/31/2015	328,296	-1.7%	7,685	-49.9%	7,711	-48.4%	3,980	-54.3%
1/31/2014	333,910	8.7%	15,331	-1.4%	14,953	-1.9%	8,703	0.1%

Note: Comprehensive income 1/31/2015: 6,380 million yen (-32.8%) 1/31/2014: 9,500 million yen (-4.8%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
1/31/2015	31.03	30.94
1/31/2014	69.52	69.32

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

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	
1/31/2015	261,975	122,847	46.6%
4/30/2014	258,820	120,509	46.3%

Reference: Equity 1/31/2015: 121,949 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	－	20.00	－		
4/30/2015 (Forecast)				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
4/30/2015	437,000	-0.2%	12,000	-43.1%	11,600	-43.5%	6,200	-48.7%	47.72

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

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

Notes

(1) Changes in important subsidiaries during the period

(Changes in specific subsidiaries accompanied by a change in the scope of consolidation): 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 from the First quarter under review, 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)	1/31/2015	89,212,380 shares	4/30/2014	89,212,380 shares
ⅱ. Numbers of treasury stock	1/31/2015	535,579 shares	4/30/2014	605,739 shares
ⅲ. Average number of shares during the period	1/31/2015	88,638,183 shares	1/31/2014	88,580,845 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 – January 31, 2015)

	Net income per share	Net income per share (diluted)
	Yen	Yen
1/31/2015	36.03	35.94
1/31/2014	74.52	74.32

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

	Dividend per share				
(Record date)	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	－	25.00	－		
4/30/2015 (Forecast)				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
4/30/2015	57.72

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

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

ⅰ. Numbers of shares outstanding (including treasury stock)	1/31/2015	34,246,962 shares	4/30/2014	34,246,962 shares
ⅱ. Numbers of treasury stock	1/31/2015	99,158 shares	4/30/2014	93,698 shares
ⅲ. Average number of shares during the period	1/31/2015	34,150,251 shares	1/31/2014	34,160,739 shares

Contents of Attachments

1. Qualitative Information Regarding Consolidated Financial Results for This Quarter

(1) Explanations Regarding Consolidated Results of Operations

During the Third quarter of the fiscal year ending April 30, 2015 (May 1, 2014 - January 31, 2015), 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. Nevertheless, the drop in personal consumption from the period of extraordinary purchasing preceding the consumption tax rate hike, coupled with the delay in recovery, has created an even more severe economic downturn than expected.

In the beverage industry, adverse business conditions persisted amid an unpredictable business environment, a prolonged decline in consumption spending following the consumption tax increase, price declines fueled by increased competition, and stemming from lingering concerns over rising raw material and fuel costs resulting from the yen's depreciation. Also, impact of nationwide inclement climate, started from lack of sunlight, heavy rains, and hitting typhoons around the nation in succession were shown.

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 328,296 million yen, down 1.7% 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 7,685 million yen, down 49.9% year on year, ordinary income of 7,711 million yen, down 48.4%, and net income of 3,980 million yen, down 54.3%. An analysis of sales by business segment follows.

<Tea Leaves and Beverages Business>

Domestics business, convenient tea leaf products that deliver superior flavor with "*Premium Tea Bag Series*" at the core, including "*Premium Green Tea Bags with Matcha*" and "*TEAS' TEA Bergamot & Orange Tea*" continued to perform well.
In addition, the current fiscal year marks the 30th anniversary of ITO EN's launch 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 Japanese green tea. To commemorate this anniversary, ITO EN has introduced new, limited-edition packaging for "*Oi Ocha Ryokucha*" (green tea) and "*Oi Ocha Koicha*" (dark), with a design motif featuring the sakura (Japanese cherry tree), which, along with green tea, is an important cultural symbol in Japan. These products are being launched in succession from late January 2015 to coincide with the season during which cherry trees bloom. At the same time, we are working to further increase the value of the "*Oi Ocha*" brand by promoting the 30th anniversary of ITO EN's launch of the canned green tea beverage 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 2.4%, to 305,401 million yen, and operating income of 4,777 million yen, down 62.3% 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 576 coffee shops.

As a result, net sales in the Restaurant Business rose 8.3% year on year, to 18,866 million yen, and operating income rose 9.5% year on year, to 2,767 million yen from the previous fiscal year.

<Others>

Net sales rose 8.3% year on year, to 4,027 million yen, and operating income rose 0.1%, to 899 million yen from the previous fiscal year.

(2) Explanations Regarding Consolidated Financial Position

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

<Assets>

Assets at the end of January 31, 2015 stood at 261,975 million yen, increased by 3,155 million yen from the previous fiscal year. These changes in total assets mainly reflected increases of 13,370 million yen in “Cash and deposits” and 2,287 million yen in “Raw materials and supplies” and decrease of 7,538 million yen in “Notes and accounts receivable-trade.”

<Liabilities>

Liabilities at the end of January 31, 2015 stood at 139,128 million yen, increased by 817 million yen from the previous fiscal year. These changes in liabilities mainly reflected increase of 15,773 million yen in “Short-term loans payable” and decreases of 7,806 million yen in “Notes and accounts payable-trade” and 1,465 million yen in “Net retirement benefit liabilities.“

<Net assets>

Net assets at the end of January 31, 2015 stood at 122,847 million yen, increased by 2,338 million yen from the previous fiscal year. The major changes of the net assets were increases of 3,980 million yen in net income and 1,180 million yen from changes in accounting standards related to retirement benefits, decrease of 5,252 million yen due to dividends from surplus in ”Retained earnings,” and increase of 1,558 million yen in “Foreign currency translation adjustment.”

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

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

2. Information Regarding “Notes” in Consolidated Summary Report

(1) Changes in Important Subsidiaries during this Quarter

Not applicable.

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

(Calculation of income taxes)

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

(3) Changes in Accounting Policies, Changes Accounting Estimate, and 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 Third quarter of the current fiscal year.

As a result, liability for retirement benefits decreased by 1,855 million yen while retained earnings increased by 1,180 million yen as of May 1, 2014. The impact on operating income, ordinary income and income before income taxes increased by 85 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, the Third quarter of the current fiscal year, operating income, ordinary income, and net income before income taxes increased by 87 million yen compared with the results under the previous method.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

as of January 31, 2015 and April 30, 2014

	Million yen	
	4/30/2014	1/31/2015
Assets		
Current assets:		
Cash and deposits	46,412	59,783
Notes and accounts receivable - trade	46,923	39,384
Merchandise and finished goods	21,764	21,211
Raw materials and supplies	8,198	10,485
Other	16,625	13,389
Allowance for doubtful accounts	(118)	(94)
Total current assets	**139,807**	**144,160**
Fixed assets:		
Property, plant and equipment;		
Buildings and structures, net	18,384	18,222
Land	18,423	18,541
Lease assets, net	34,741	34,595
Other, net	7,777	8,052
Subtotal	**79,326**	**79,411**
Intangible fixed assets:		
Goodwill	15,983	15,162
Other	6,617	6,162
Subtotal	**22,600**	**21,325**
Investments and other assets;		
Total Investments and other assets	17,085	17,078
Total fixed assets	**119,012**	**117,814**
Total assets:	**258,820**	**261,975**
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	32,330	24,523
Short-term loans payable	5,429	21,203
Lease obligations	11,681	11,583
Accrued expenses	19,602	19,093
Income taxes payable	4,780	807
Provision for bonuses	3,048	1,559
Other	3,568	4,567
Total current liabilities	**80,440**	**83,339**
Non-current liabilities:		
Bonds payable	20,000	20,000
Long-term loans payable	1,549	1,411
Lease obligations	22,028	21,311
Net retirement benefit liabilities	10,604	9,138
Other	3,687	3,927
Total non-current liabilities	**57,870**	**55,788**
Total liabilities	**138,310**	**139,128**

Quarterly Consolidated Balance Sheets - Continued

	Million yen	
	4/30/2014	1/31/2015
Net assets		
Shareholders' equity:		
Capital stock	19,912	19,912
Capital surplus	20,259	20,259
Retained earnings	87,812	87,637
Treasury stock	(1,423)	(1,281)
Total shareholders' equity	**126,560**	**126,528**
Valuation, translation adjustments and others:		
Valuation difference on available-for-sale securities	1,014	1,541
Deferred gains (losses) on hedges	1	23
Reversal of revaluation reserve for land	(6,171)	(6,171)
Foreign currency translation adjustments	(304)	1,254
Remeasurements of defined benefit plans	(1,318)	(1,227)
Total accumulated losses from valuation, translation adjustments and others	**(6,777)**	**(4,578)**
Stock acquisition rights	**52**	**10**
Minority interests	**673**	**887**
Total net assets	**120,509**	**122,847**
Total liabilities and net assets	**258,820**	**261,975**

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

from May 1, 2014 to January 31, 2015

Quarterly Consolidated Statement of Income [Third quarter period]

	Million yen	
	1/31/2014	1/31/2015
Net sales	**333,910**	**328,296**
Cost of sales	173,766	171,814
Gross profit	**160,143**	**156,481**
Selling, general and administrative expenses	144,812	148,796
Operating income	**15,331**	**7,685**
Non-operating income:		
Interest income	18	29
Dividend income from securities	66	54
Foreign exchange gains	176	476
Equity income from an unconsolidated subsidiary and affiliates	75	37
Other	354	507
Total non-operating income	**690**	**1,104**
Non-operating expenses:		
Interest expense	940	870
Other	127	208
Total non-operating expense	**1,068**	**1,078**
Ordinary income	**14,953**	**7,711**
Extraordinary gains:		
Gain on sales of fixed assets	1	0
Gain on donation of fixed assets	2	26
Gain on sales of investment securities	2	0
Eviction income	―	11
Gain on bargain purchase	198	―
Other	3	2
Total extraordinary gains	**208**	**40**
Extraordinary losses:		
Loss on sales of fixed assets	1	17
Loss on abandonment of fixed assets	19	12
Loss on valuation of investment securities	10	―
Impairment loss	44	71
Loss on step acquisitions	73	―
Other	―	18
Total extraordinary losses	**149**	**120**
Income before income taxes	**15,012**	**7,631**
Total income taxes	**6,148**	**3,528**
Income before minority interests	**8,864**	**4,103**
Minority interests in income	**160**	**123**
Net income	**8,703**	**3,980**

Quarterly Consolidated Statement of Comprehensive Income [Third quarter period]

	Million yen	
	1/31/2014	1/31/2015
Income before minority interests	**8,864**	**4,103**
Other comprehensive income:		
Valuation difference on available-for-sale securities	186	524
Deferred gains or losses on hedges	(30)	21
Foreign currency translation adjustment	468	1,641
Remeasurements of defined benefit plans, net of tax	—	91
Share of other comprehensive income of associates accounted for using equity method	10	(2)
Other comprehensive income	**636**	**2,277**
Comprehensive income	**9,500**	**6,380**
(Breakdown)		
Comprehensive income attributable to owners of the parent	9,311	6,179
Comprehensive income attributable to minority interests	188	200

(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 Third quarter of the previous fiscal year ended April 30, 2014 (May 1, 2013 – January 31, 2014)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Amount on Consolidated Statements of Operations
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	312,776	17,415	3,718	333,910	—	333,910
(2) Intersegment	205	509	1,878	2,593	(2,593)	—
Total net sales	312,982	17,924	5,597	336,503	(2,593)	333,910
Segment profits (losses)	12,657	2,528	898	16,084	(753)	15,331

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

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

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

(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	305,401	18,866	4,027	328,296	—	328,296
(2) Intersegment	241	609	1,926	2,777	(2,777)	—
Total net sales	305,643	19,475	5,954	331,073	(2,777)	328,296
Segment profits (losses)	4,777	2,767	899	8,444	(759)	7,685

Notes: ⅰ.The segment profits (losses) adjustment includes (¥793) million in amortization of goodwill and ¥33 million in intersegment transactions.

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

(Significant Subsequent Events)

Business Combinations

At a meeting held on December 25, 2014, the board of directors of ITO EN, LTD., approved that DISTANT LANDS TRADING CO. a U.S. company (hereinafter referred to as "DLTC") as a surviving company becomes a wholly-owned subsidiary of our company's subsidiary, ITO EN (North America) INC. (hereinafter referred to as "NA") through a merger with a new company, ITO EN Acquisition Corporation (hereinafter referred to as "AC"), which is established for purposes of this acquisition by NA and became a wholly-owned subsidiary of NA on February 3, 2015.

1. Overview of business combination

(1) Name of acquired company and business description (the fiscal year ended September 30, 2014)

Name of acquired company:	DISTANT LANDS TRADING CO.	
Business description:	Production, procurement, processed, manufacture, roast, wholesales of coffee beans, and etc.	
Business results and financial position:	Capital stock:	US$ 87 million
	Net assets:	US$ 4 million
	Total assets:	US$ 105 million
	Net sales:	US$ 161 million

(2) Main reasons for business combination

DLTC is the specialty coffee company which sells roasted coffee and green coffee under its own brand and private brands to foodservice and retail customers. Recently, in September 2013 DLTC launched a single serve coffee business within the highest growth segment of the overall coffee industry, which is expected to be a source of further growth. In addition, DLTC owns coffee farms and processing mills in Latin America, engages in production of premium coffee fruit and sources green coffee from the trusted third party farms on a global basis. The vertically integrated system from procurement of raw materials to sales enables DLTC to provide customized coffees and to build the business model distinguished from its competitors.

For the ITO EN group, the acquisition will enable it to reinforce the sales in North America benefiting from DLTC's sales networks and relationships with its customers, and to offer products with wide selection of drinking format besides the RTD beverages in plastic bottles in the tea category, taking advantage of its procurement, technological development, and production power.

ITO EN strongly believes that this acquisition will enable us to continue to grow the overseas business primarily in North America towards our vision of becoming "a global tea company" which contributes to better lifestyles of customers through our tea products.

(3) Date of business combination

February 3, 2015

(4) Legal form of business combination

Reverse triangular merger under Delaware business combination laws

(5) Percentage of voting rights acquired

Number of voting rights before combination:	0%
Number of voting rights after combination:	100%

2. Acquisition cost

8,138 million yen (approximate calculation price)

3. Assets and liabilities assumed on the date of the business combination and the main components

Undetermined at the present time.

4. Amount, reason for recognition, method and period of amortization of goodwill

Undetermined at the present time.

5. Fundraising method

Bank loans were used to fund this acquisition.