

# Financial Results

for the Fiscal Year Ended April 30, 2018

June 2018 ITO EN, LTD.

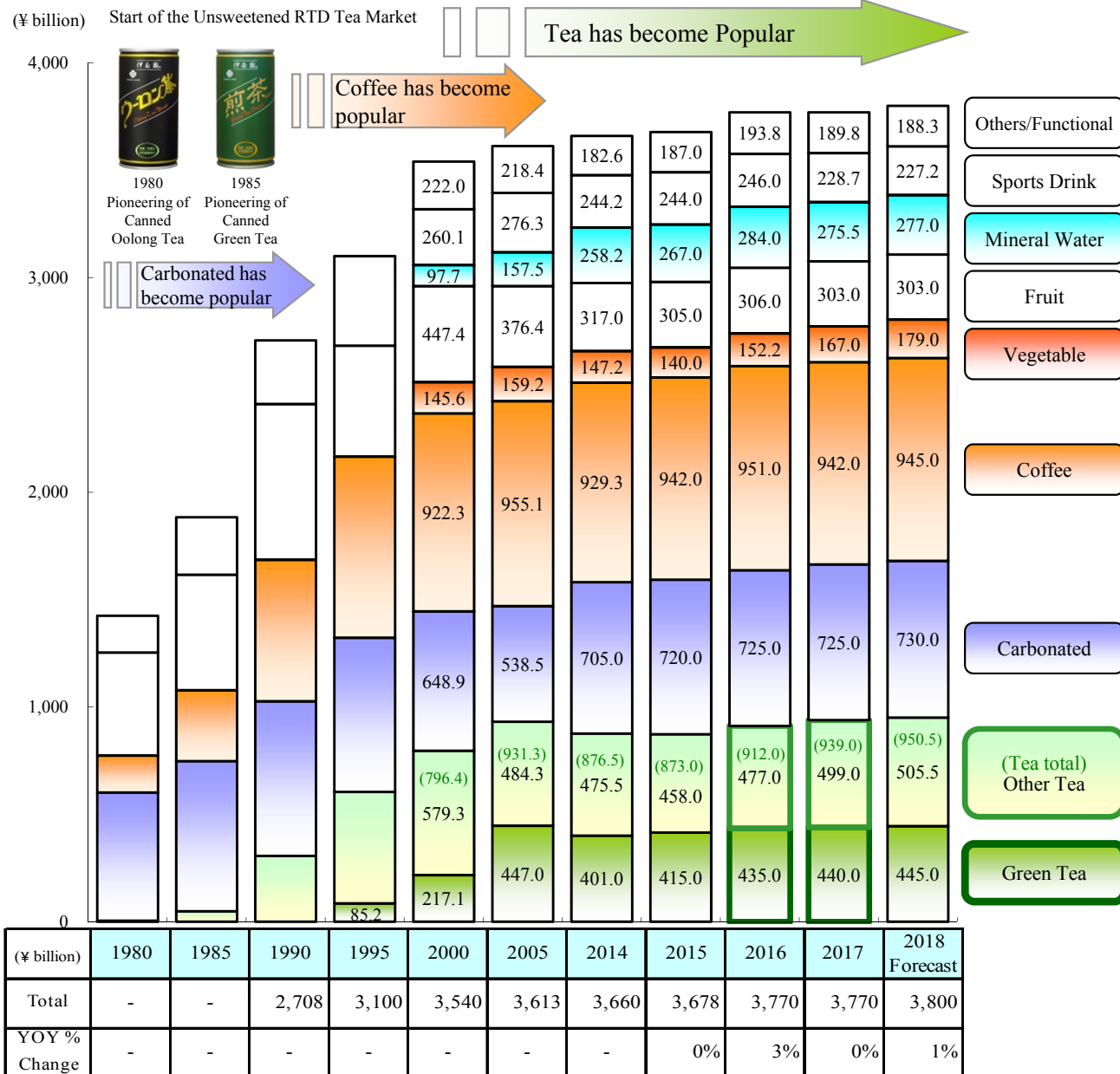


<b>Soft Drink Market in Japan</b>	<b>P.1</b>	
<b>Results &amp; Forecasts by Category (Non-Consolidated)</b>	<b>P.2</b>	
<b>Results of Operations FYE April 2018</b>	<b>P.3</b>	
<b>Forecasts FYE April 2019</b>	<b>P.4</b>	
<b>Brand: <i>Oi Ocha</i> (1)</b>	<b>P.5</b>	<b><u>Appendix</u></b>
<b>Brand: <i>Oi Ocha</i> (2)</b>	<b>P.6</b>	<b>Our Business Model Based on "Customer First" Principle</b>
<b>Brand: Healthy Mineral Barley Tea</b>	<b>P.7</b>	<b>About ITO EN Group (1)</b>
<b>Brand: <i>TULLY'S COFFEE</i> &amp; Vegetable Juice</b>	<b>P.8</b>	<b>About ITO EN Group (2)</b>
<b>Tea Leaf Products &amp; <i>Matcha</i></b>	<b>P.9</b>	<b>Development Program of Tea-growing Area</b>
<b>Building the Value Chain of Coffee Business</b>	<b>P.10</b>	<b>Summary of Consolidated Balance Sheet &amp; Others (Consolidated)</b>
<b>Global Business Strategy</b>	<b>P.11</b>	<b>Management Index (Consolidated)</b>
<b>Management Policy</b>	<b>P.12</b>	
<b>ESG in Our Value Chain</b>	<b>P.13</b>	
<b>Medium and Long-Term Management Plan</b>	<b>P.14</b>	

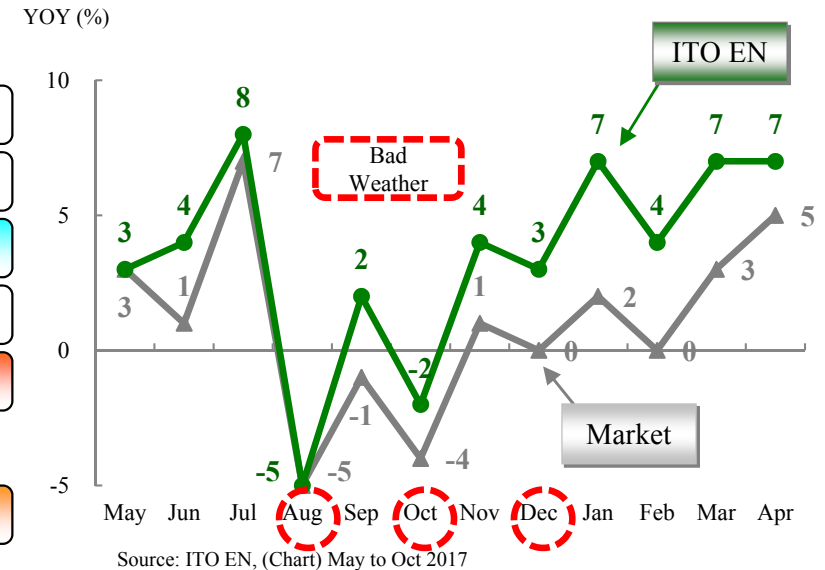


# Soft Drink Market in Japan

## Soft Drink Market Trends



## Monthly Sales Volume Trends



## Topics of Soft Drink Market (2017)

**Market (Volume) stayed flat due to the weather changes in Summer 2017**  
(Overall thirst-quenching drinks showed slower growth)

1. RTD Green Tea Market: +3%  
RTD Green Tea well performed thanks to major brand renewals
2. RTD Coffee Market: -1%  
500ml PET and Bottled Can led the sales but substantial decrease in SOT(stay-on-tab can) Can
3. Vegetable Beverage: +16%  
Strong growth mainly with Tomato Juice

# Results & Forecasts by Category (Non-Consolidated)



We Love Nature

(¥ million)

		FYE Apr. 30, 2017			FYE Apr. 30, 2018			FYE Apr. 30, 2019 Est.		
		Sales Composition	YOY % Change	Sales Composition	YOY % Change	Sales Composition	YOY % Change			
Net Sales		371,831	100.0%	1.8%	383,212	100.0%	3.1%	394,300	100.0%	2.9%
	Tea Leaves	33,675	9.1%	3.7%	35,700	9.3%	6.0%	38,361	9.7%	7.5%
	Drinks	334,843	90.0%	1.6%	343,853	89.7%	2.7%	352,632	89.4%	2.6%
	Others	3,312	0.9%	-1.2%	3,659	1.0%	10.5%	3,306	0.9%	-9.6%
Breakdown of Drinks	Japanese Tea/Healthy Tea	183,644	49.4%	1.4%	186,579	48.7%	1.6%	192,180	48.7%	3.0%
	Chinese Tea	17,037	4.6%	-2.6%	17,421	4.5%	2.3%	17,219	4.4%	-1.2%
	Vegetable	44,300	11.9%	3.2%	47,154	12.3%	6.4%	49,519	12.6%	5.0%
	Fruit	10,739	2.9%	-1.8%	11,866	3.1%	10.5%	11,542	2.9%	-2.7%
	Coffee	42,399	11.4%	3.1%	42,758	11.2%	0.8%	43,848	11.1%	2.5%
	Black Tea	4,900	1.3%	-19.4%	5,083	1.3%	3.7%	5,273	1.3%	3.7%
	Functional	7,064	1.9%	2.1%	6,821	1.8%	-3.4%	6,997	1.8%	2.6%
	Mineral Water	10,958	2.9%	17.7%	10,462	2.7%	-4.5%	10,488	2.7%	0.2%
	Carbonated	9,988	2.7%	2.4%	11,936	3.1%	19.5%	11,928	3.0%	-0.1%
	Others	3,809	1.0%	1.0%	3,768	1.0%	-1.1%	3,634	0.9%	-3.5%



# Results of Operations FYE April 2018

## ■ Summary of Operations (Consolidated and Non-Consolidated) (¥ million)

		FYE Apr. 30, 2017		FYE Apr. 30, 2018		YOY % Change
			Sales Composition		Sales Composition	
Consolidated	Net Sales	475,866	100.0%	494,793	100.0%	4.0%
	Gross Profit	226,170	47.5%	233,983	47.3%	3.5%
	Sales Commission	79,034	16.6%	81,615	16.5%	3.3%
	Advertising	12,937	2.7%	12,491	2.5%	-3.4%
	Freight	12,940	2.7%	14,188	2.9%	9.6%
	Depreciation and Amortization	10,312	2.2%	10,873	2.2%	5.4%
	Selling, General and Administrative Expenses	204,395	43.0%	211,939	42.8%	3.7%
	Operating Income	21,774	4.6%	22,043	4.5%	1.2%
	Ordinary Income	21,524	4.5%	21,441	4.3%	-0.4%
	Extraordinary Losses and Income	-801	-	-450	-	-
Net Income		13,693	2.9%	12,553	2.5%	-8.3%

(Note) Accounting for effects of the US tax reform: -829 million yen

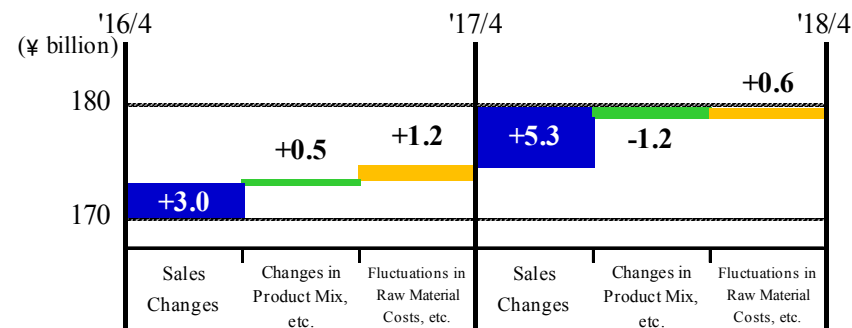
Non-Consolidated	Net Sales	371,831	100.0%	383,212	100.0%	3.1%
	Gross Profit	174,999	47.1%	179,707	46.9%	2.7%
	Operating Income	15,646	4.2%	15,394	4.0%	-1.6%
	Ordinary Income	17,460	4.7%	17,142	4.5%	-1.8%

## ■ Performances of Subsidiaries (¥ million, \$ thousand)

		FYE Apr. 30, 2017		FYE Apr. 30, 2018		YOY % Change
Upper: Net Sales Bottom: Operating Income						
Domestic Subsidiaries		103,478		104,722		1.2%
		5,378		5,620		4.5%
Tully's Coffee Japan Co., Ltd.		30,268		32,589		7.7%
Chichiyasu Company		3,130		3,250		3.8%
		14,621		14,398		-1.5%
		300		305		1.6%
Overseas Subsidiaries		34,863		40,362		15.8%
		2,225		2,619		17.7%
US Business		30,469		35,130		15.3%
		1,687		2,018		19.7%
		\$281,268		\$317,650		12.9%
		\$15,573		\$18,253		17.2%
Other Overseas Subsidiaries		4,393		5,231		19.1%
		538		600		11.6%
Elimination of Internal Transactions		-34,307		-33,504		-
		-1,476		-1,592		-

Exchange rate (US\$) ¥108.4 ¥110.6  
(average during a year)

## ■ Breakdown of Gross Profit Change (Non-Consolidated)



# Forecasts FYE April 2019

## ■ Summary of Operations (Consolidated and Non-Consolidated) (¥ million)

		FYE Apr. 30, 2018		FYE Apr. 30, 2019 Est.		YOY % Change
			Sales Composition		Sales Composition	
Consolidated	Net Sales	494,793	100.0%	507,800	100.0%	2.6%
	Gross Profit	233,983	47.3%	239,600	47.2%	2.4%
	Sales Commission	81,615	16.5%	81,767	16.1%	0.2%
	Advertising	12,491	2.5%	13,265	2.6%	6.2%
	Freight	14,188	2.9%	14,726	2.9%	3.8%
	Depreciation and Amortization	10,873	2.2%	10,746	2.1%	-1.2%
	Selling, General and Administrative Expenses	211,939	42.8%	216,600	42.7%	2.2%
	Operating Income	22,043	4.5%	23,000	4.5%	4.3%
	Ordinary Income	21,441	4.3%	22,500	4.4%	4.9%
	Extraordinary Losses and Income	-450	-	-1,080	-	-
Net Income		12,553	2.5%	14,000	2.8%	11.5%

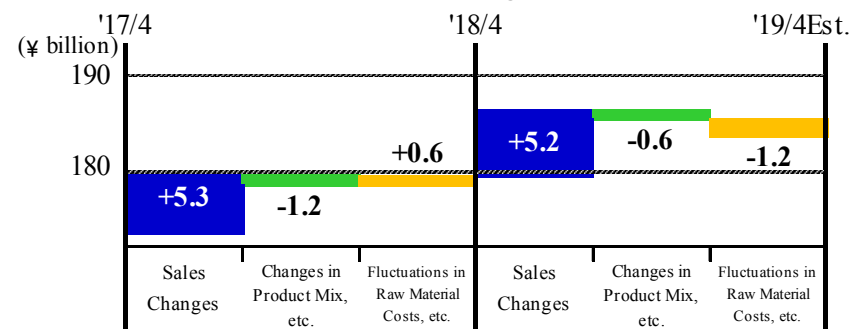
Non-Consolidated	Net Sales	383,212	100.0%	394,300	100.0%	2.9%
	Gross Profit	179,707	46.9%	183,116	46.4%	1.9%
	Operating Income	15,394	4.0%	16,500	4.2%	7.2%
	Ordinary Income	17,142	4.5%	18,180	4.6%	6.1%

## ■ Performances of Subsidiaries (¥ million, \$ thousand)

		FYE Apr. 30, 2018	FYE Apr. 30, 2019 Est.	YOY % Change
Upper: Net Sales Bottom: Operating Income				
Domestic Subsidiaries		104,722	108,242	3.4%
		5,620	5,429	-3.4%
Tully's Coffee Japan Co., Ltd.		32,589	34,300	5.2%
		3,250	3,270	0.6%
Chichiyasu Company		14,398	15,100	4.9%
		305	370	21.0%
Overseas Subsidiaries		40,362	39,565	-2.0%
		2,619	3,096	18.2%
US Business		35,130	34,044	-3.1%
		2,018	2,015	-0.2%
		\$317,650	\$315,230	-0.8%
		\$18,253	\$18,660	2.2%
Other Overseas Subsidiaries		5,231	5,521	5.5%
		600	1,081	79.9%
Elimination of Internal Transactions		-33,504	-34,308	-
		-1,592	-2,025	-

Exchange rate (US\$) ¥110.6 ¥108.0  
(average during a year)

## ■ Breakdown of Gross Profit Change (Non-Consolidated)

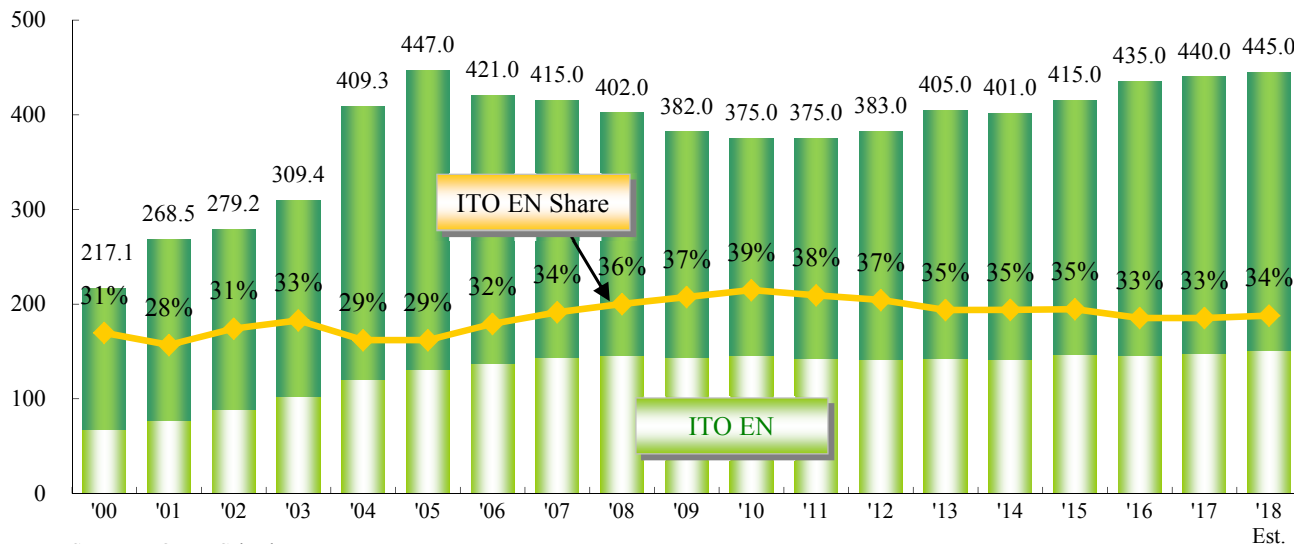




# Brand: *Oi Ocha* (1)

## Green Tea Beverage Market

(¥ billion)



Source: ITO EN, Calendar year

## *Oi Ocha*

**No.1 Brand in RTD Tea Category** \*1



\*1 Source: ITO EN, Jan to Dec 2017

## RTD Roasted Green Tea

**Promoting Summer Consumption**

**RTD Roasted  
Green Tea  
No.1 Share**

**70%\***

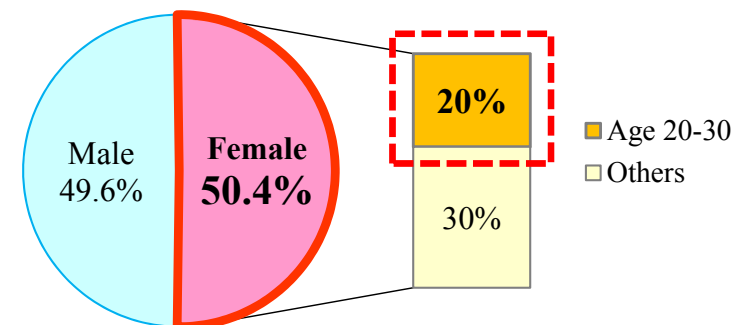
\*2 Source: ITO EN, Jan to Dec 2017



## Developing New Fan Base



**User Composition of  
"Oi Ocha Shin-Ryoku" (New Green Tea)** \*3



\*3 Source: QPR, May 1, 2018 to May 15, 2018





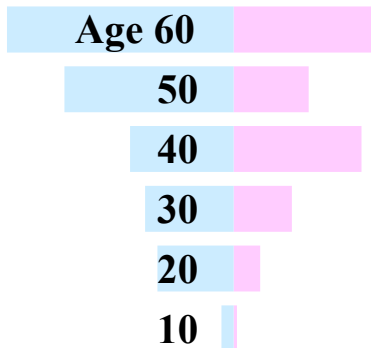
# Brand: *Oi Ocha* (2)

## RTD Tea Brands Led by "*Oi Ocha*"



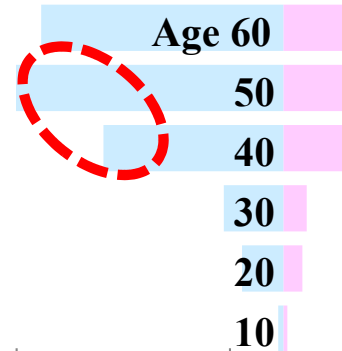
Long Selling Brand marks the 30th Anniversary

**Male 62% Female 38%**



Double in Healthy Catechin with *Matcha*\*

**Male 77% Female 23%**

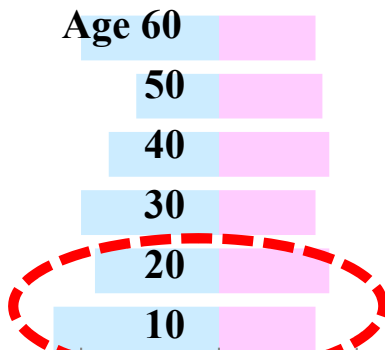


\* Our ratio compared with RTD to Green Tea products



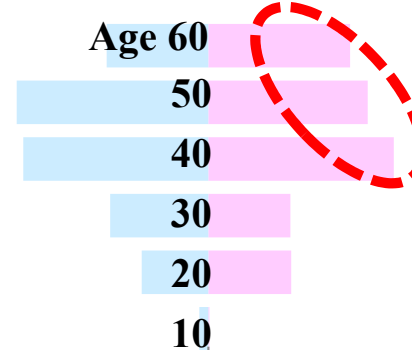
The Ice Brew Green Tea with *Matcha*

**Male 55% Female 45%**



Roasted Green Tea, Used 100% First Flush  
Tea Leaves grown in Japan

**Male 51% Female 49%**



**FOSHU**  
(Tea Catechin)



**Low-Caffeine**  
(Jasmine Tea etc.)



**Caffeine-Free**  
(Rooibos Tea etc.)



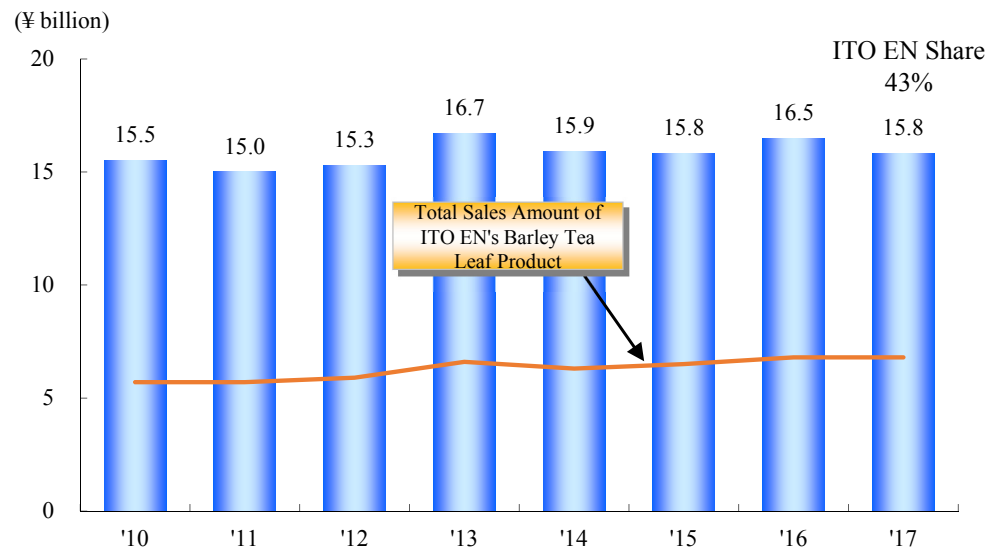




# Brand: Healthy Mineral Barley Tea

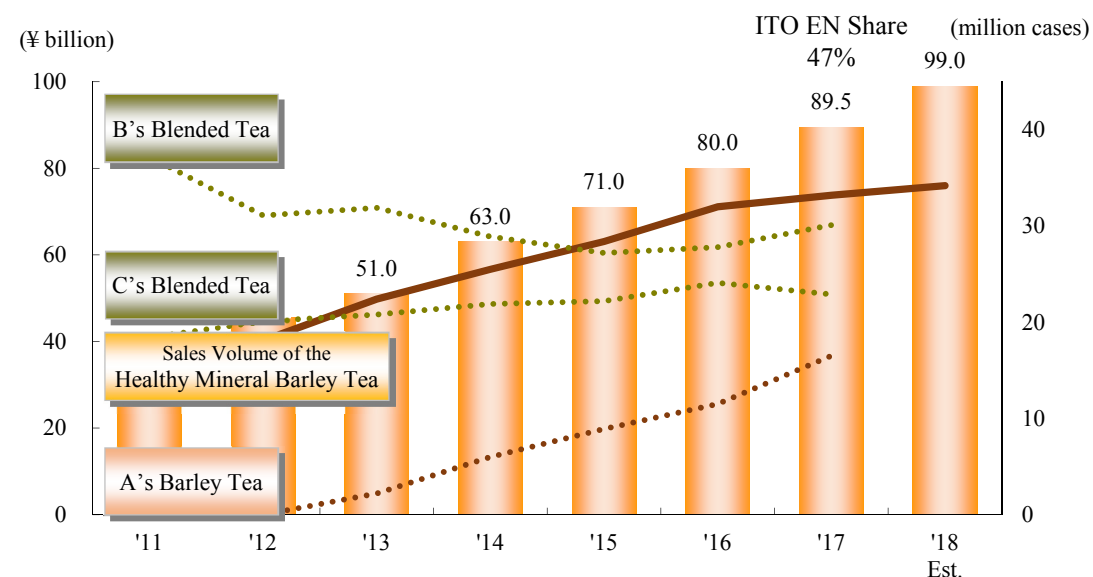


## Barley Tea Leaf Product Market



Source: ITO EN, Market: Calendar year ITO EN: May to Apr

## RTD Barley Tea Market



Source: ITO EN, Market: Calendar year ITO EN: May to Apr

Easy and Tasty with Cold Brew  
Tea Bag Products Supplying Minerals

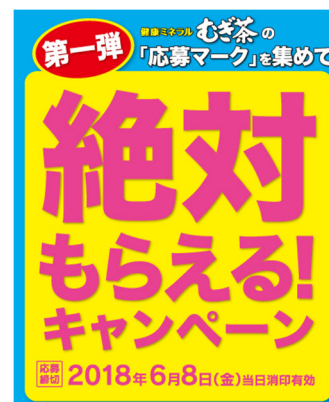


Instant Barley Tea



## No.1 Share in "Caffeine-Free RTD Tea" Category\*

Supplement Minerals  
for Sports Activities



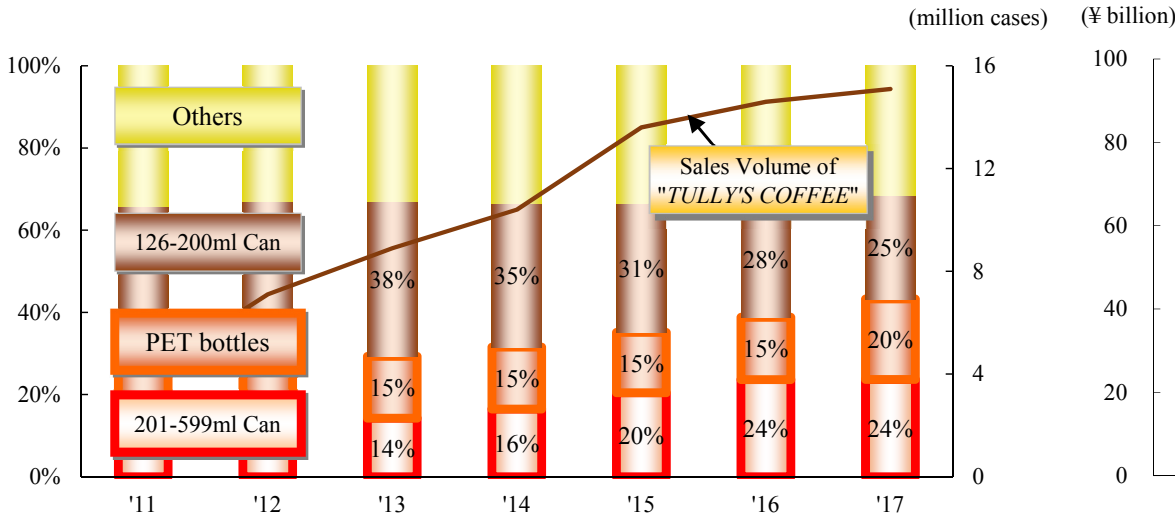
Frozen Bottle





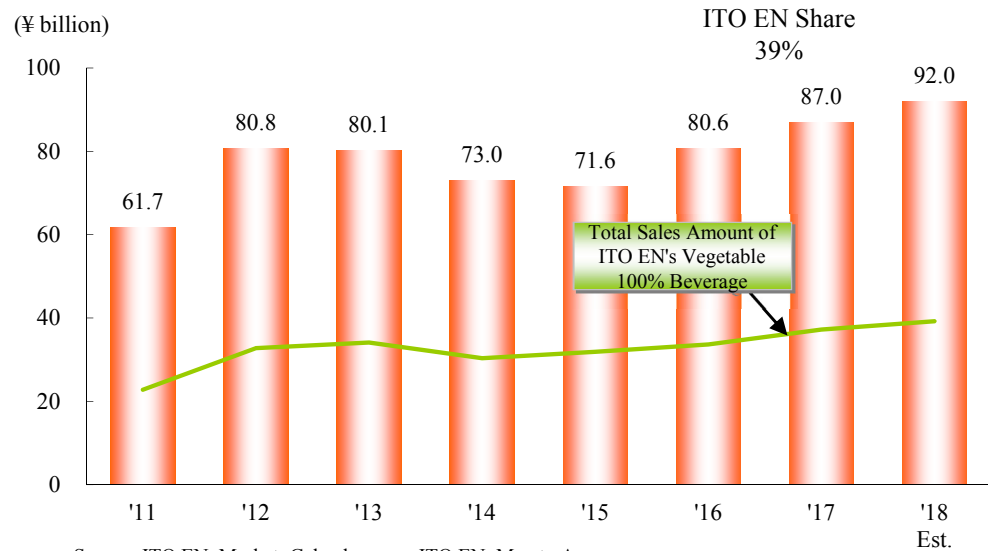
# Brand: *TULLY'S COFFEE* & Vegetable Juice

## RTD Coffee Market



Source: ITO EN, Market: INTAGE Inc. SRI, 2011 to 2017 ITO EN: May 2011 to Apr 2017  
Market share by sales amount for all coffee beverage containers and quantities  
(total for supermarkets, convenience stores and drug stores)

## 100% Vegetable Juice Market



Source: ITO EN, Market: Calendar year ITO EN: May to Apr

## *TULLY'S COFFEE* Brand

Accumulated sales volume achieved  
**Over 100 million cases**

Sugar-Free Latte



## One day Veggie (a day's worth of vegetables)

Promote Collaboration  
with Managerial Nutritionist



## Aojiru (Green Juice)

Double-digit Growth

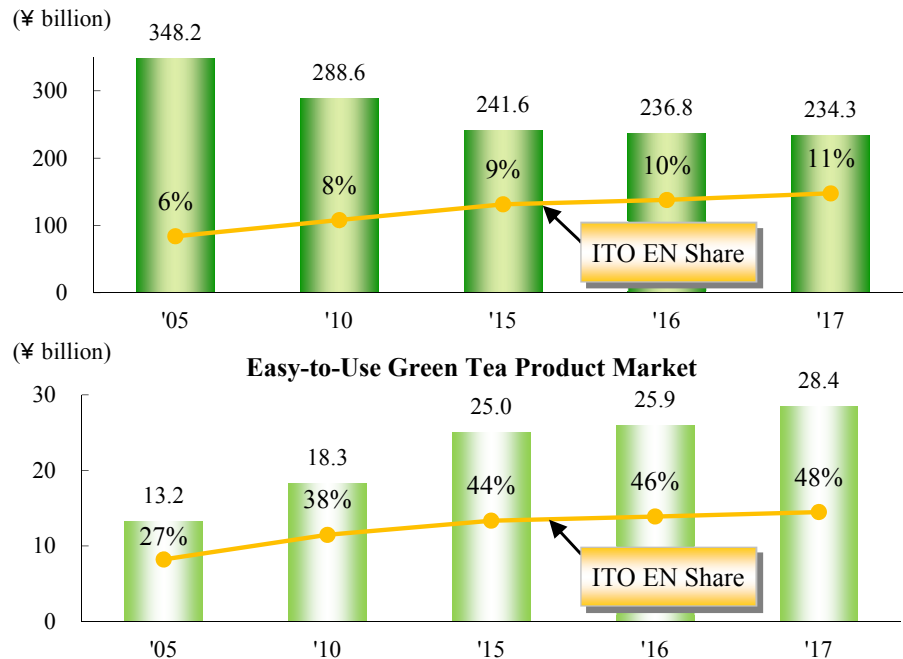


20 Packs (Sticks)  
¥1,410 (Tax Excluded)



# Tea Leaf Products & Matcha

## Green Tea Leaf Product Market



Source: ITO EN, Market: Calendar year ITO EN: May to Apr

## Stimulating the Japanese Green Tea Leaves Market

Sales Shelf with Hanger Hook

**Increase in  
SKUs and Sales**



**"ITO EN Dai-Cha-Kai"** (sales demonstration and  
tasting events of green tea) held by our certified  
TEA TASTER employees



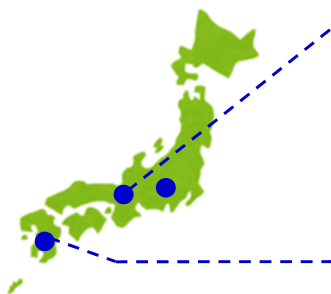
*Perfect Tea Pot*



**"Skilled Professional on ITO EN TEA TASTER"**  
was Approved by Ministry of Health, Labor  
and Welfare

## Expand Distribution of "ITO EN Matcha"

**Developing Matcha  
Production Area**  
(Contract Tea Farmers)



**Original Clean  
Processing Facilities**



**Overseas Sales Volume of  
Matcha Products**

**(Increased) Tripled  
in Three Years**

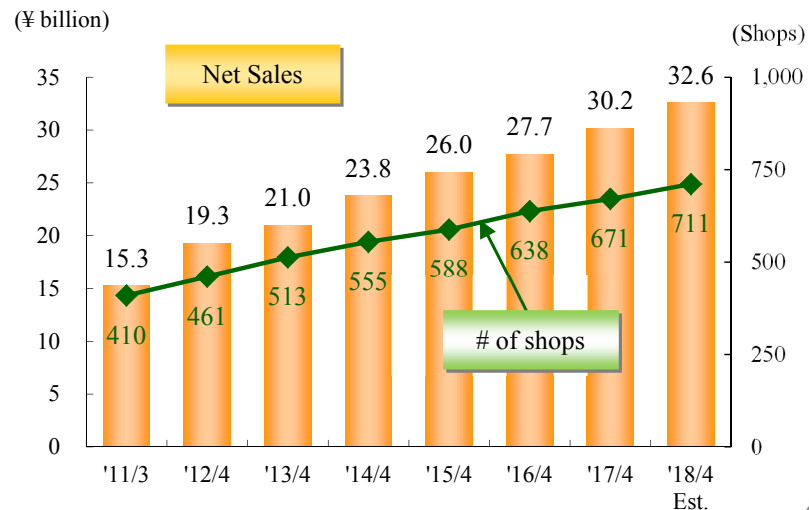


**High Quality and Vivid Green Color**



# Building the Value Chain of Coffee Business

## Tully's Coffee Japan Co., Ltd. Business Overview



## Distant Lands Trading Co.

**Our Business Scope:**  
From Coffee Farm to Distributions



The Company's Own Farms and Mills are Rainforest Alliance Certified



## Value Creation throughout Our Integrated Coffee Business System





# Overseas Business Strategy

Connect the people of the World  
with "*Oi Ocha*" and **ITO EN**

**Oi Ocha**  
Japanese Green Tea

## Mid-Term Goals

Annual Sales Volume  
**100 Million Cases**

"*Oi Ocha*"

Accelerate the Overseas  
Business Strategy

2017

2015

- Universal Label Design
- Product description in Local Languages

Launched  
Global Brand  
**MATCHA GREEN TEA**

1996

Launched  
"*Oi Ocha*"  
Brand

1989

Launched  
PET 500ml Bottle

Launched the  
World's First  
Canned  
Green Tea \*

1985



## Sustainable Growth

### 1. Strengthening of the Domestic Business

- Strengthen the Existing Brands
- Development of the New Brands
- Increasing Company's Share in the Beverage Market
- Improvement of Profitability



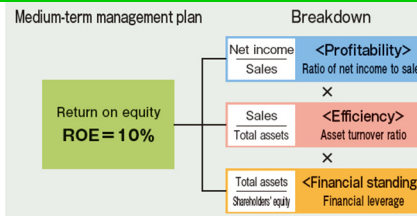
### 2. Strengthening of the International Business

- Double-digit Growth, Mainly in North America
- Maximize the Group's Synergy



### 3. Strengthening ROE Management

- Improvement of Profitability and Capital Efficiency
- Growth in EPS
- Stable return to Stockholders



### 4. Promotion of Sustainability Management

- Enhancement of Governance
- Further effort of CSR/CSV Issues

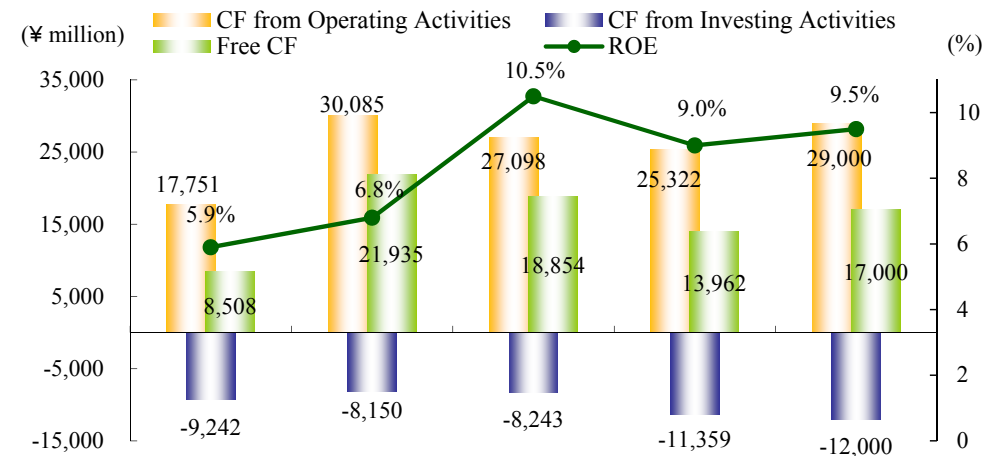


$$\text{Sales force} = (\text{Sojourn time in store}) \times (\text{Frequency of visits})^2$$

(Historical) Trend in Gross Number of Customers



### Consolidated Cash Flows



	'15/4	'16/4	'17/4	'18/4	'19/4Est.
Capital Investments	3,731	8,603	8,135	11,062	12,535
Depreciation Amortization	4,568	5,203	5,418	6,179	6,915
Leased Assets Depr.	11,085	10,872	7,051	7,042	6,751
Lease obligations (Repayment)	-12,143	-11,236	-10,361	-8,616	-7,115



## Management base for sustainable growth



Management base for value creation



Corporate Governance / Risk Management / Compliance / Supply Chain Management / Respect for Human Rights / Human Resource Management / Financial Management

# Medium and Long-Term Management Plan



**2020**

**30th Anniversary of the "Oi Ocha"**

(February 2019)

The Tokyo Olympic and Paralympic Games  
(to be held in Tokyo in 2020)

**FYE April 2022 Plan (Consolidated)**

Net Sales	ROE	Total Return Ratio
¥600.0 billion	Over 10%	Over 40%

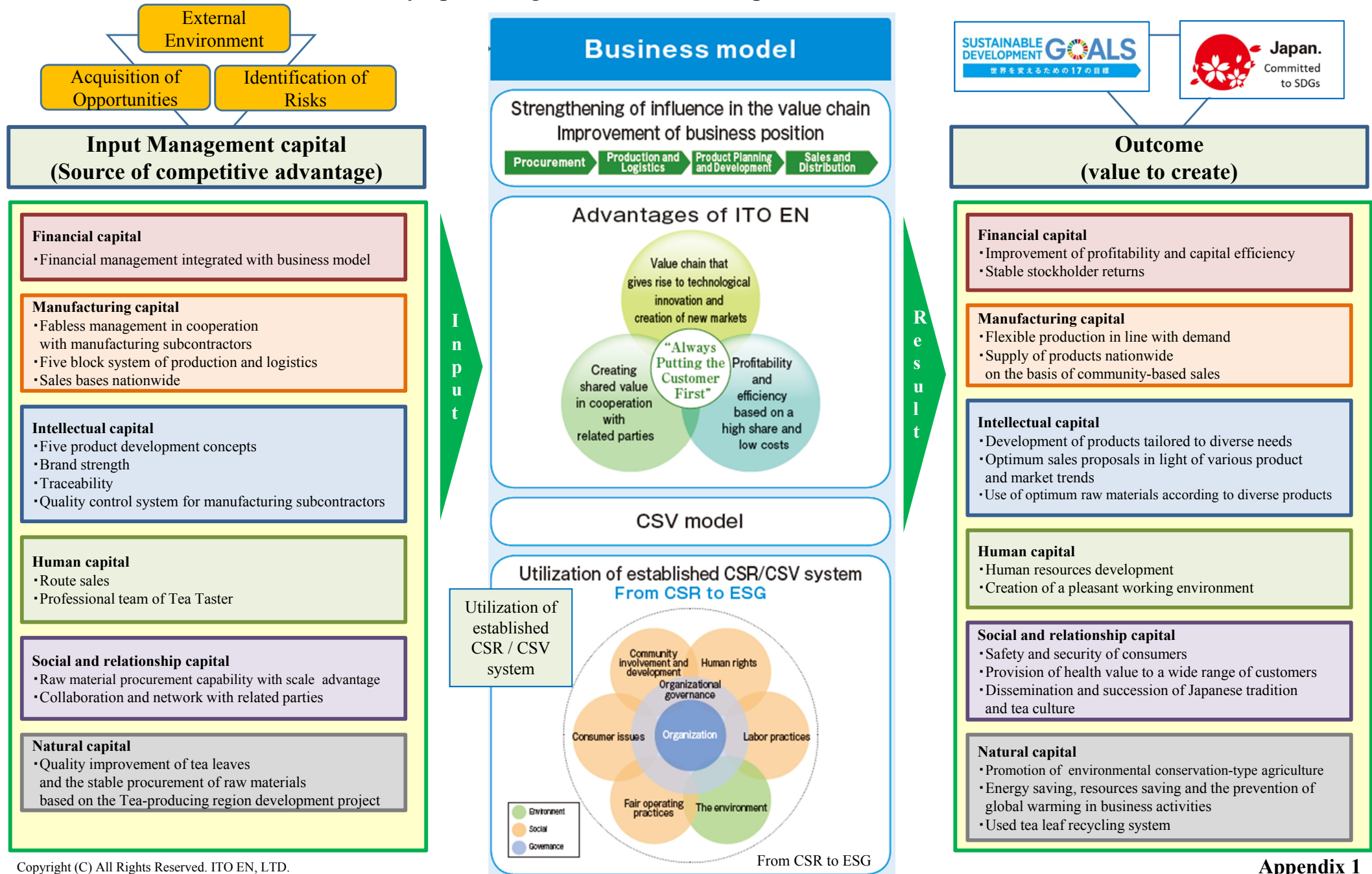


# Appendix

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# Our Business Model Based on "Customer First" Principle

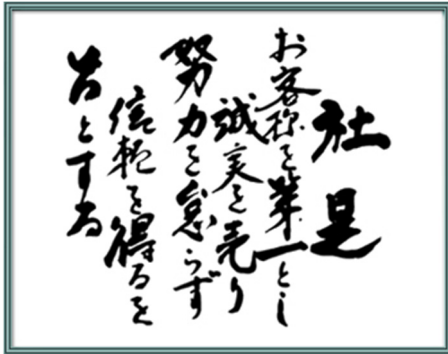
We will create various added value by optimizing the allocation of capital in our business activities.



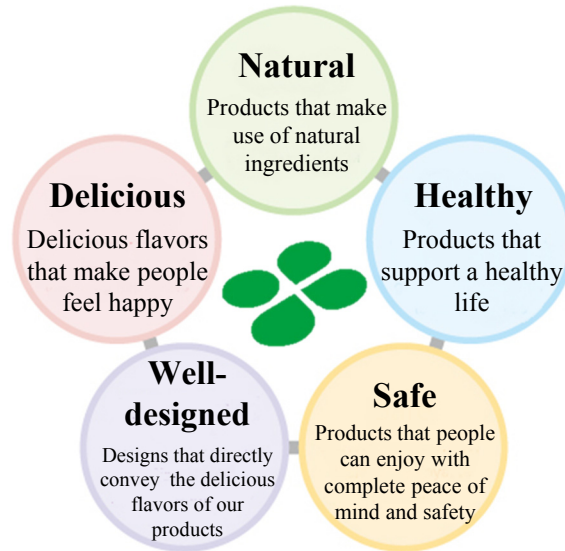
# About ITO EN Group (1)

## Management principle

"Always Putting  
the Customer First"



## Concept for Product Development



## Corporate History

- 1966 Established
- 1980 Develops the world's first Canned Oolong Tea
- 1984 Develops the world's first Canned Green Tea (launched in 1985)
- 1989 Changes the name of Canned Green Tea products to "Oi Ocha"
- 1990 Releases the world's first PET bottled green tea drinks ("Oi Ocha" Green Tea, 1.5L)
- 1998 Stock advanced to the First Section of the Tokyo Stock Exchange
- 2001 Established ITO EN (North America) INC.
- 2006 Tully's Coffee Japan Co., Ltd., into a consolidated subsidiary
- 2007 Class 1 Preferred Stock listed on the First Section of the Tokyo Stock Exchange
- 2011 Chichiyasu Company, into a consolidated subsidiary
- 2015 Distant Lands Trading Co. company became a consolidated subsidiary  
Beginning the Worldwide Expansion of the Global Brand
- 2016 "Matcha Ko Bo" (manufacturing factory of real Matcha Powder in ITO EN Shizuoka Sagara Factory), Kobe Factory (Hyogo Prefecture)

## Production System

### ■ Leaves for green tea & coffee: Own Manufacturing System

Realization of High Quality

### ■ Beverages: Fabricationless (5 blocks)

Production to reduce capital expenditures and transportation cost

Mainly Raw Beverage  
Use Tea Leaf Processing Factory



Factory for Tea Bags Manufacturing  
(ITO EN KANSAI CHAGYO in Hyogo)



Tea Leaves Factory



Pulverization Factory for  
Matcha Powder Raw Material



Central Research Institute



Own Coffee  
Roasting Factory



Factory for Tea Bags Manufacturing  
(ITO EN SANGYO, LTD.)





# About ITO EN Group (2)

## Brands Over 10 Million Cases

(Annual Sales Volume)

RTD Tea  
No.1



Caffeine-Free  
RTD Tea  
No.1



100% Vegetable  
Juice  
No.1



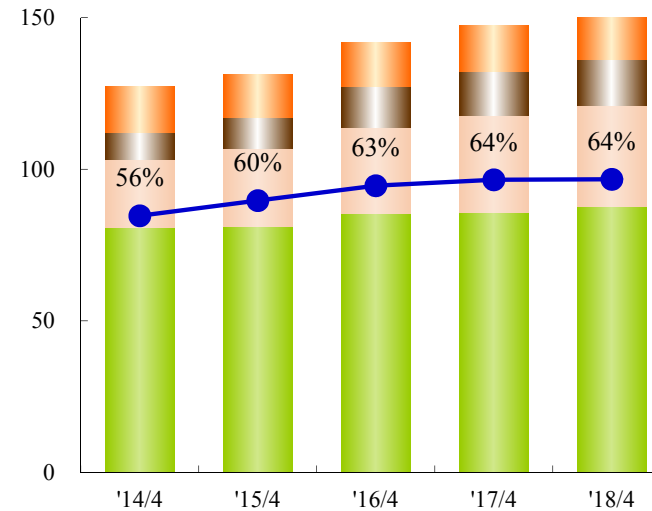
Bottle Can coffee  
No.1



\* Source: ITO EN, Jan 2017 to Dec 2017

## Transition of Main Brands Product Mix

(million cases)



Source: ITO EN

## Provision of Healthy Values

### Sugar-Free Products

Share among  
the all Beverage Sales

About **70%**

## From Tea Farm to Final Tea Products



## Domestic Subsidiaries

Tully's Coffee Japan Co., Ltd.



Chichiyasu Company

Antenna Shop  
"CHICHI YASU"



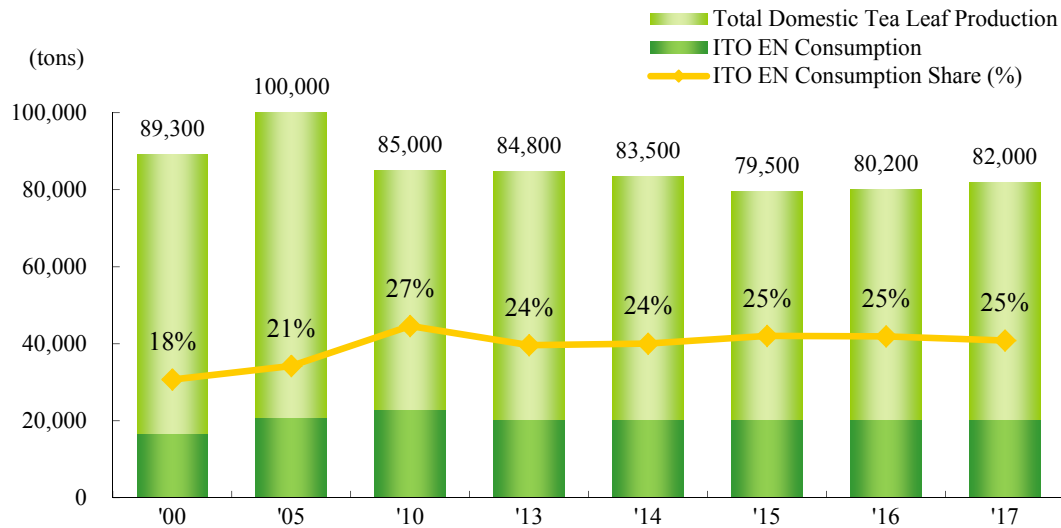
Inside the "LECT" Large Scale Commercial  
Facility of Izumi Co., Ltd.  
(Hiroshima Prefecture, Hiroshima City, West Ward)





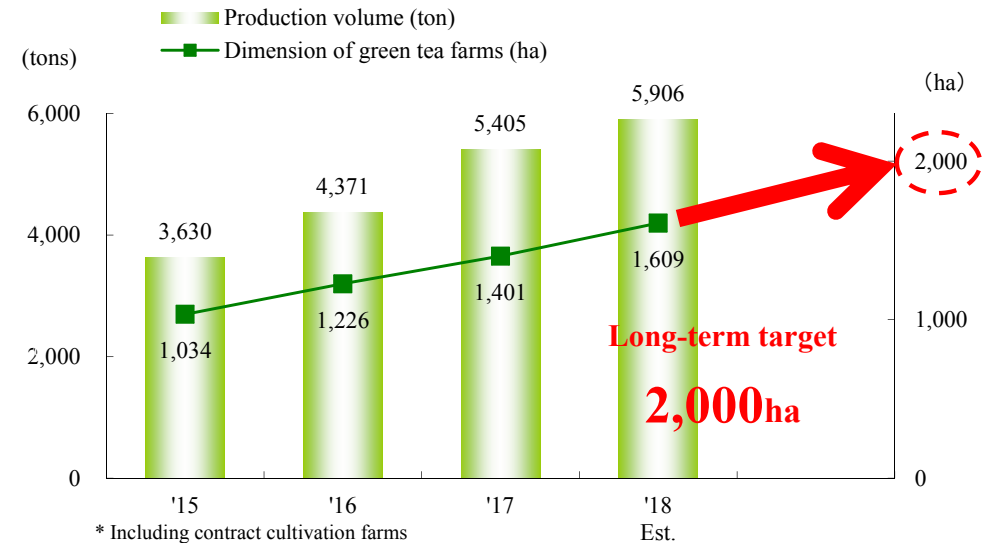
# Development Program of Tea-growing Area

## Total Volume of Domestic Green Tea Leaf Production

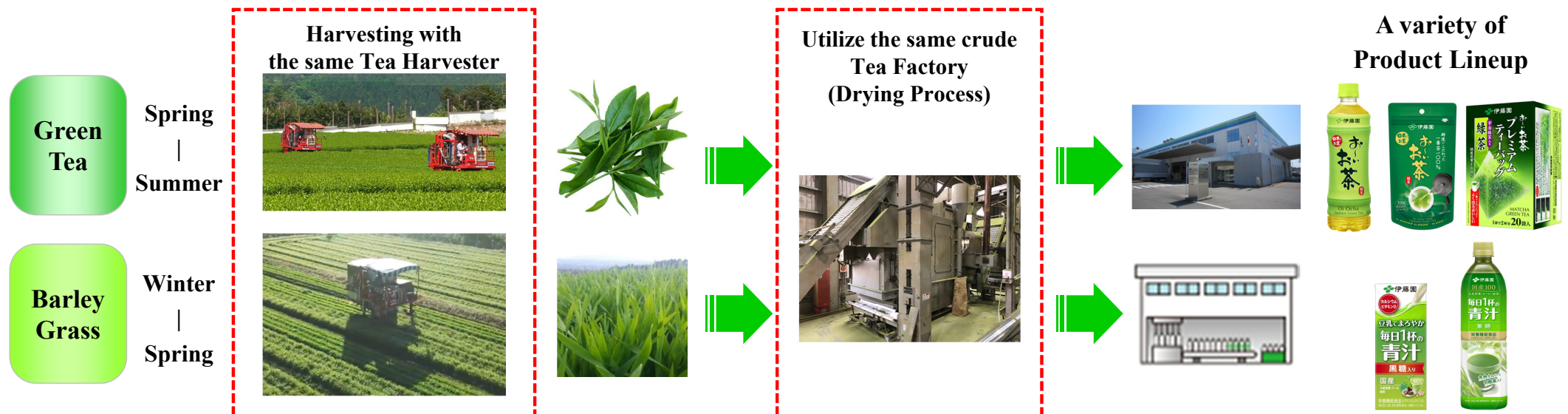


Source: ITO EN

## Development Program of Tea-growing Area



## Evolution of the "Development Program of Tea-growing Area"



# Summary of Consolidated Balance Sheet & Others (Consolidated)

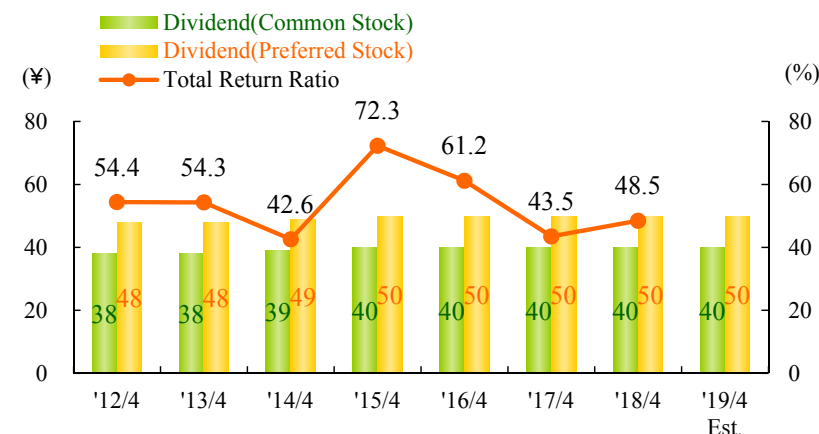
## Consolidated Balance Sheet

(as of April 30, 2017 and 2018)

	2017	2018	Change
(¥ million)			
<b>Current assets</b>	<b>174,657</b>	<b>173,798</b>	<b>-859</b>
Cash and deposits	64,202	61,664	-2,538
Accounts receivable-trade and inventories	92,577	96,792	4,214
<b>Property, plant and equipment</b>	<b>83,039</b>	<b>84,822</b>	<b>1,783</b>
Land	21,587	21,745	157
Leased assets	27,889	24,010	-3,878
Other	33,562	39,066	5,504
<b>Intangible fixed assets</b>	<b>24,454</b>	<b>21,588</b>	<b>-2,865</b>
Goodwill	18,371	16,364	-2,007
<b>Investments and other assets</b>	<b>20,254</b>	<b>20,971</b>	<b>716</b>
<b>Total assets</b>	<b>302,405</b>	<b>301,180</b>	<b>-1,225</b>
<b>Current liabilities</b>	<b>81,560</b>	<b>77,187</b>	<b>-4,372</b>
Accounts payable	33,061	29,879	-3,182
Short-term loans payable	2,364	2,020	-344
Lease obligations	8,995	7,002	-1,992
Income taxes payable	4,490	3,948	-541
<b>Non-current liabilities</b>	<b>84,135</b>	<b>80,241</b>	<b>-3,893</b>
Corporate bonds	10,000	10,000	-
Long-term loans payable	47,433	45,922	-1,511
Lease obligations	13,468	10,282	-3,185
<b>Total liabilities</b>	<b>165,696</b>	<b>157,429</b>	<b>-8,266</b>
<b>Net assets</b>	<b>136,709</b>	<b>143,750</b>	<b>7,041</b>

■ Rating	A+	■ Equity ratio	
■ Bond shelf registration	¥40 billion	4/2017	45.3%
(straight bonds)		4/2018	47.1%

## Dividend & Total Return Ratio



## Recognition from Society

### At 1st "Japan SDGs Award" (FY2017) ITO EN receives "Special SDGs Partnership Award"

We were recognized as a company working on the promotion of SDGs emphasizing partnership through the Tea-Producing Region Development Project (Large-Scale New Tea Farm Business), Used Tea Leaves Recycling System, etc.

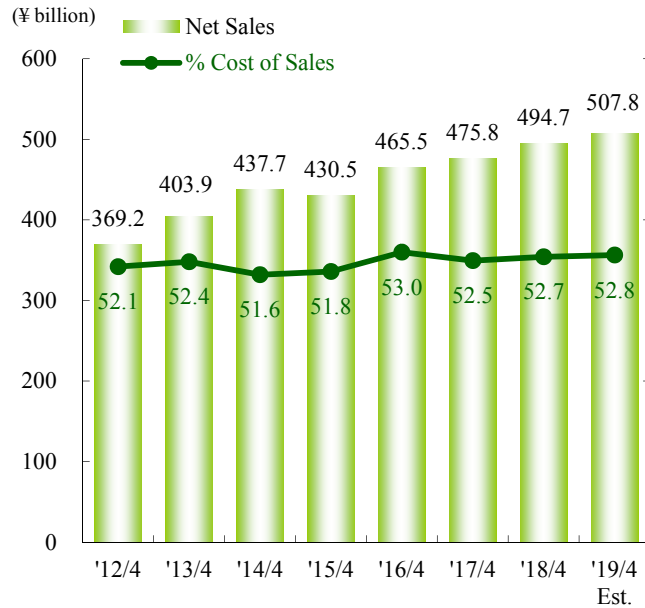


Award ceremony held at the Prime Minister's Office  
(December 2017)

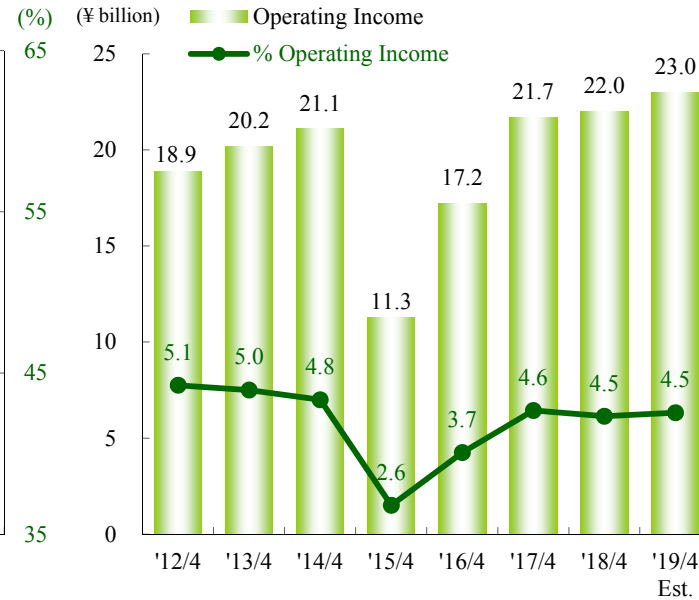
We are permitted to post links on the Ministry of Foreign Affairs of Japan website and use the logo mark in the above figure.

# Management Indexes (Consolidated)

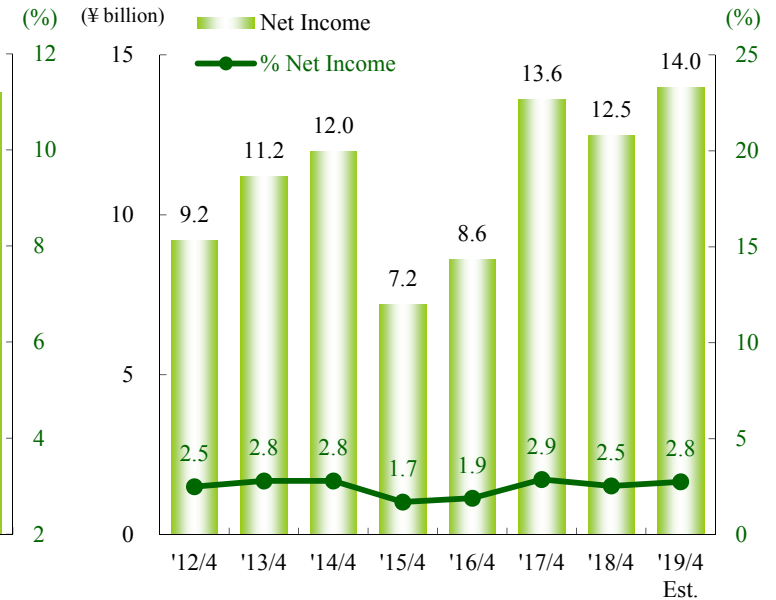
## Net Sales & Cost of Sales ratio



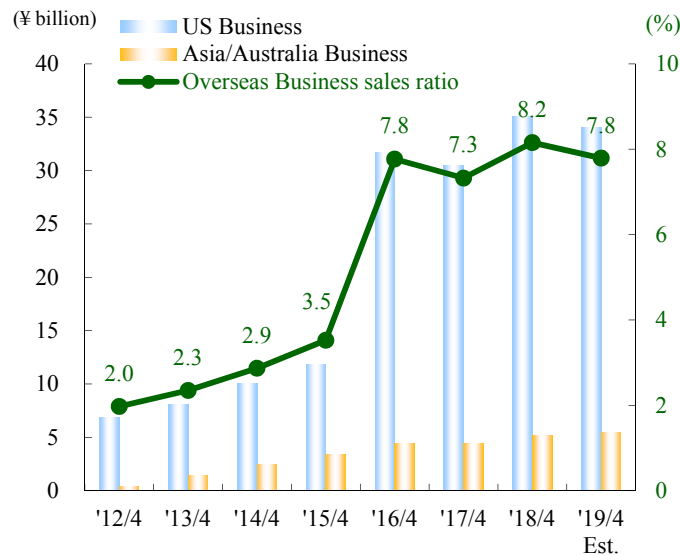
## Operating Income



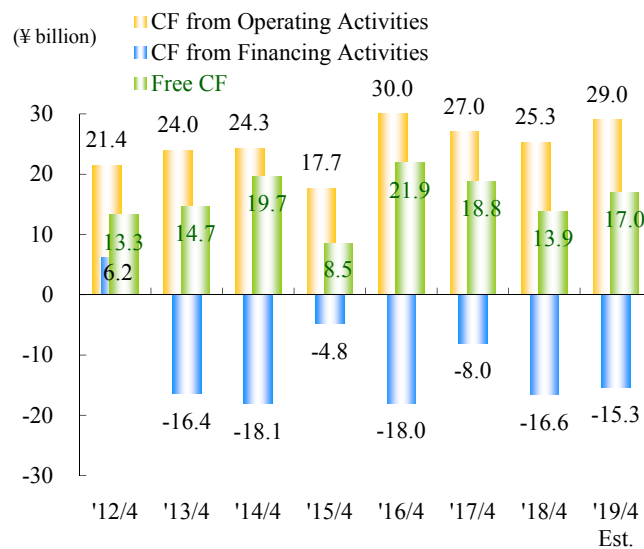
## Net Income



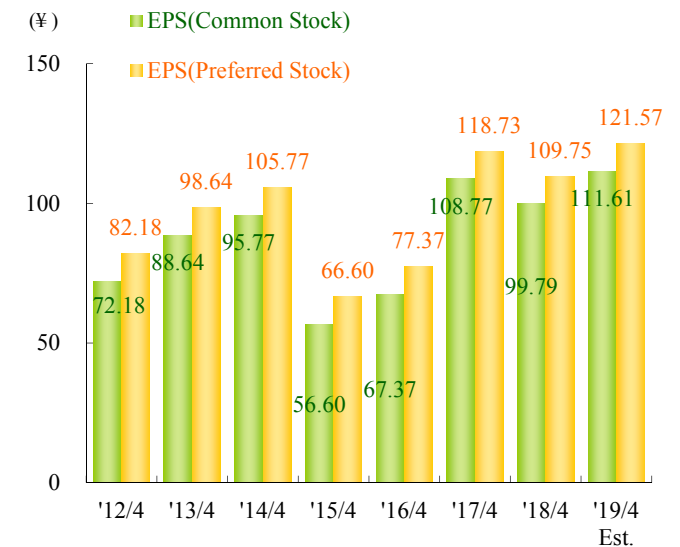
## Overseas Business sales ratio



## Cash Flows



## EPS







The purpose of the materials you have received is to provide the means for a more thorough understanding of ITO EN and should not necessarily be regarded as a recommendation to invest. Furthermore, the data in these materials is based on what we believe is the most accurate information. However, please understand that even without advance notice, both past data and future forecasts may be revised.