

First Half Financial Results

for the Fiscal Year Ending April 30, 2018

December 2017 ITO EN, LTD.



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Appendix

**We will Creative Business Model Based on
Customer First Principle**

Creating Demands for Tea Leaf Products

**Summary of Consolidated Balance Sheet
& Others (Consolidated)**

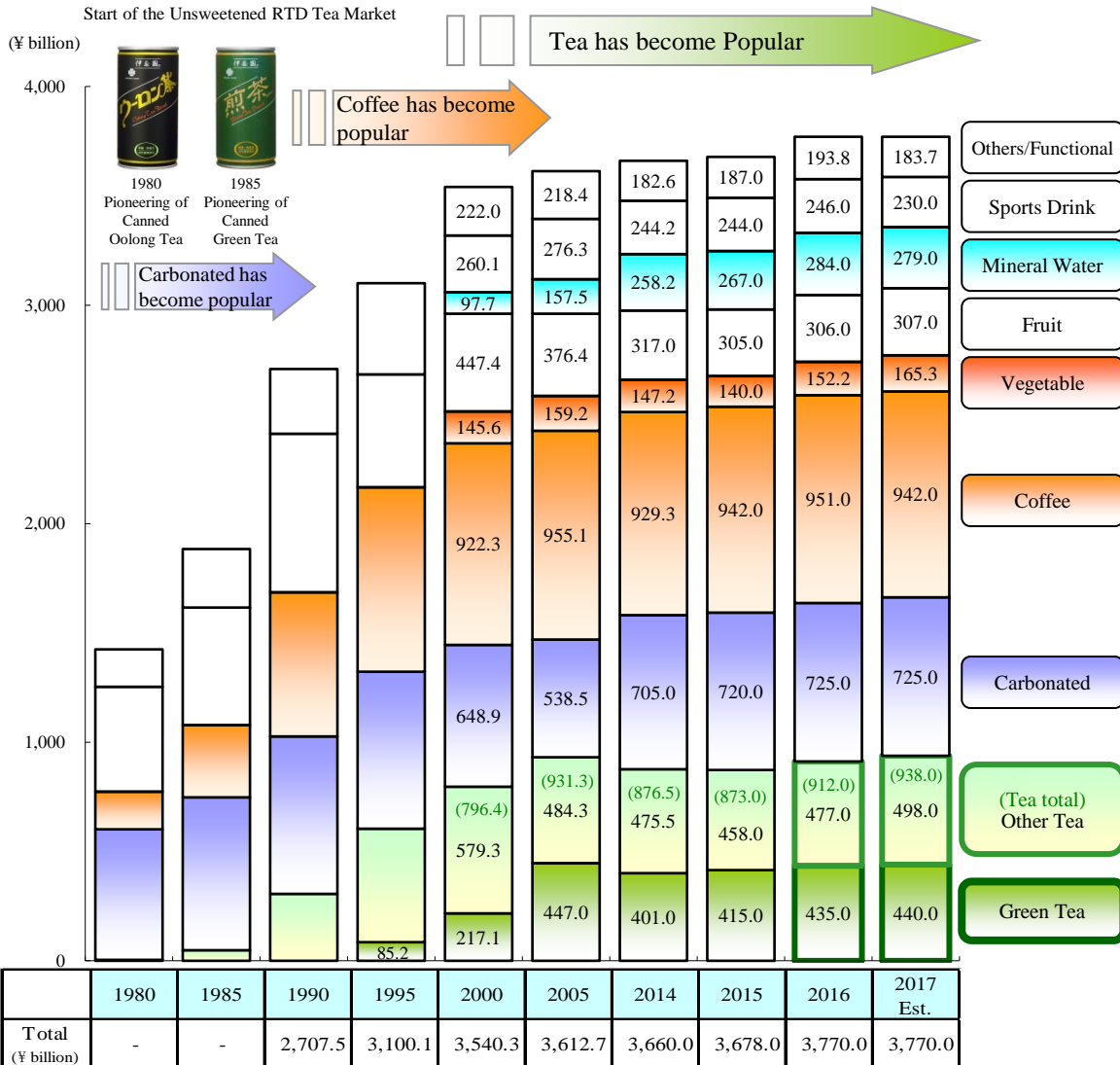
Management Index (Consolidated)



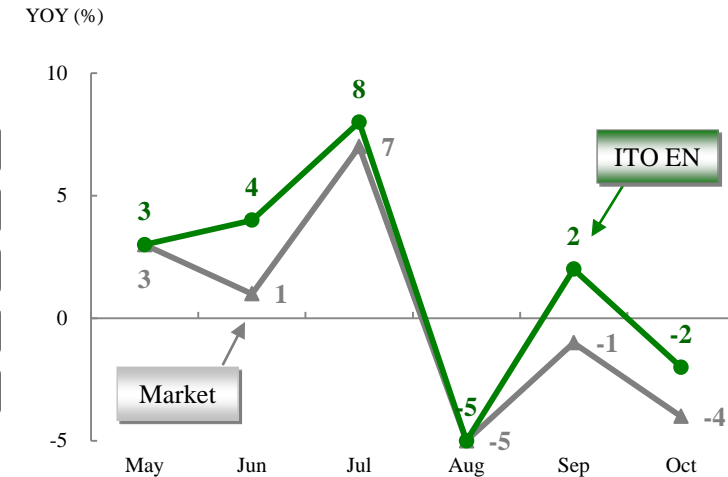
Japan.
Committed
to SDGs

Beverage Market in Japan

RTD Market Trends



Monthly Sales Volume Trends



Source: ITO EN, (Chart) May to Oct 2017

Weather Topics

Aug 2017

Landfall by the third most long-lived typhoon since the recording of statistics began (Typhoon Noru)

Tokyo: Lowest hours of sunlight on record, with 21 consecutive days of rain

Oct 2017

Landfall by typhoons for two weeks in succession (Typhoon Lan and Typhoon Saola)

Tokyo: Rained every Saturday in Tokyo
Western Japan: Highest monthly precipitation since the recording of statistics began in 1946

Source: Japan Meteorological Agency, May to Oct 2017

Results by Category (Non-Consolidated)

(¥ million)

		First Half Total (May to October)								
		FYE Apr. 30, 2016			FYE Apr. 30, 2017			FYE Apr. 30, 2018		
		Sales Composition	YOY % Change		Sales Composition	YOY % Change		Sales Composition	YOY % Change	
Net Sales		201,006	100.0%	3.4%	204,880	100.0%	1.9%	208,338	100.0%	1.7%
	Tea Leaves	14,857	7.4%	6.4%	15,246	7.4%	2.6%	16,436	7.9%	7.8%
	Drinks	184,457	91.8%	3.2%	188,022	91.8%	1.9%	190,108	91.2%	1.1%
	Others	1,691	0.8%	8.6%	1,611	0.8%	-4.8%	1,793	0.9%	11.3%
Breakdown of Drinks	Japanese Tea/Healthy Tea	102,734	51.1%	4.9%	105,754	51.6%	2.9%	106,153	50.9%	0.4%
	Chinese Tea	9,967	5.0%	13.3%	9,670	4.7%	-3.0%	10,076	4.8%	4.2%
	Vegetable	23,479	11.7%	-2.9%	23,556	11.5%	0.3%	25,267	12.1%	7.3%
	Fruit	6,277	3.1%	-19.7%	5,646	2.8%	-10.1%	6,313	3.0%	11.8%
	Coffee	20,989	10.4%	22.8%	21,637	10.6%	3.1%	21,185	10.2%	-2.1%
	Black Tea	3,890	1.9%	-35.8%	2,678	1.3%	-31.1%	2,072	1.0%	-22.6%
	Functional	4,207	2.1%	16.9%	4,605	2.3%	9.4%	4,432	2.1%	-3.8%
	Mineral Water	4,992	2.5%	5.0%	6,800	3.3%	36.2%	5,969	2.9%	-12.2%
	Carbonated	6,352	3.2%	-5.7%	6,368	3.1%	0.2%	7,429	3.6%	16.7%
	Others	1,565	0.8%	-16.1%	1,305	0.6%	-16.6%	1,207	0.6%	-7.5%

Results of Operations (First Half Total)

■ Summary of Operations (Consolidated and Non-Consolidated)

(¥ million)

		FYE Apr. 30, 2017	Sales Composition	FYE Apr. 30, 2018	Sales Composition	YOY % Change
Consolidated	Net Sales	258,083	100.0%	265,883	100.0%	3.0%
	Gross Profit	121,196	47.0%	126,238	47.5%	4.2%
	Sales Commission	43,343	16.8%	44,865	16.9%	3.5%
	Advertising	7,140	2.8%	7,533	2.8%	5.5%
	Freight	6,998	2.7%	7,578	2.9%	8.3%
	Depreciation and Amortization	5,056	2.0%	5,362	2.0%	6.0%
	Selling, General and Administrative Expenses	106,871	41.4%	111,742	42.0%	4.6%
	Operating Income	14,324	5.6%	14,496	5.5%	1.2%
	Ordinary Income	13,531	5.2%	14,603	5.5%	7.9%
	Extraordinary Losses and Income	-181	-	-227	-	-
	Net Income	8,923	3.5%	9,246	3.5%	3.6%

Non-Consolidated	Net Sales	204,880	100.0%	208,338	100.0%	1.7%
	Gross Profit	95,082	46.4%	98,436	47.2%	3.5%
	Operating Income	10,569	5.2%	10,624	5.1%	0.5%
	Ordinary Income	11,019	5.4%	12,261	5.9%	11.3%

■ Performances of Subsidiaries

(¥ million, \$ thousand)

		FYE Apr. 30, 2017	FYE Apr. 30, 2018	YOY % Change
Upper: Net Sales Bottom: Operating Income				
Domestic Subsidiaries		55,142	54,177	-1.8%
		3,288	3,177	-3.4%
	Tully's Coffee Japan Co., Ltd.	14,937	15,928	6.6%
		1,691	1,655	-2.1%
	Chichiyasu Company	7,767	7,677	-1.2%
Overseas Subsidiaries		238	206	-13.3%
		17,172	20,130	17.2%
		1,216	1,419	16.6%
	US Business	14,951	17,369	16.2%
		943	1,060	12.4%
		\$142,692	\$156,167	9.4%
Other Overseas Subsidiaries		\$9,016	\$9,533	5.7%
		2,220	2,760	24.3%
		273	358	31.1%
Elimination of Internal Transactions		-19,112	-16,762	-
		-750	-724	-
Exchange rate (US\$)		¥104.2	¥111.5	
(First Half average rate)				

■ Breakdown of Gross Profit Change (Non-Consolidated)

(¥ billion)

	FYE Apr. 30, 2017	FYE Apr. 30, 2018
Sales Changes	1.8	1.6
Changes in Product Mix, etc.	1.0	-0.2
Fluctuations in Raw Material Costs, etc.	1.0	1.9

Forecasts FYE April 2018

■ Summary of Operations (Consolidated and Non-Consolidated)

(¥ million)

		FYE Apr. 30, 2017		FYE Apr. 30, 2018 Est.		YOY % Change
		Sales	Compositi	Sales	Compositi	
Consolidated	Net Sales	475,866	100.0%	492,500	100.0%	3.5%
	Gross Profit	226,170	47.5%	234,000	47.5%	3.5%
	Sales Commission	79,034	16.6%	81,789	16.6%	3.5%
	Advertising	12,937	2.7%	13,107	2.7%	1.3%
	Freight	12,940	2.7%	13,716	2.8%	6.0%
	Depreciation and Amortization	10,312	2.2%	10,914	2.2%	5.8%
	Selling, General and Administrative Expenses	204,395	43.0%	211,400	42.9%	3.4%
	Operating Income	21,774	4.6%	22,600	4.6%	3.8%
	Ordinary Income	21,524	4.5%	22,000	4.5%	2.2%
	Extraordinary Losses and Income	-801	-	-325	-	-
	Net Income	13,693	2.9%	14,000	2.8%	2.2%

Non-Consolidated	Net Sales	371,831	100.0%	381,000	100.0%	2.5%
	Gross Profit	174,999	47.1%	179,485	47.1%	2.6%
	Operating Income	15,646	4.2%	16,100	4.2%	2.9%
	Ordinary Income	17,460	4.7%	18,000	4.7%	3.1%

■ Performances of Subsidiaries

(¥ million, \$ thousand)

Upper: Net Sales Bottom: Operating Income	FYE Apr. 30, 2017		FYE Apr. 30, 2018 Est.		YOY % Change
Domestic Subsidiaries		103,478	104,895	1.4%	
		5,378	5,452	1.4%	
	Tully's Coffee Japan Co., Ltd.	30,268	32,600	7.7%	
	Chichiyasu Company	3,130	3,160	0.9%	
		14,621	14,928	2.1%	
Overseas Subsidiaries		300	370	22.9%	
		34,863	40,868	17.2%	
		2,225	2,632	18.3%	
	US Business	30,469	35,946	17.2%	
		1,687	2,119	18.3%	
Other Overseas Subsidiaries		\$281,268	\$322,392	18.0%	
		\$15,573	\$19,008	25.6%	
		4,393	4,921	12.0%	
Elimination of Internal Transactions		538	512	-4.7%	
		-34,307	-34,264	-	
		-1,476	-1,584	-	
Exchange rate (US\$)		¥108.4	¥111.5		
(average during a year)					

■ Breakdown of Gross Profit Change (Non-Consolidated)

(¥ billion)

	FYE Apr. 30, 2017	FYE Apr. 30, 2018 Est.
Sales Changes	3.0	4.3
Changes in Product Mix, etc.	0.5	-0.4
Fluctuations in Raw Material Costs, etc.	1.2	0.5

Enhancing of 伊藤園 ITO EN Brand

Nihombashi "Wa-no-Cha" ITO EN

Nihombashi Mitsukoshi Main Store,
Main Building B1F (Tokyo)
(Opened in Sep 2017)



Ueno saryo ITO EN

Matsuzakaya Ueno,
Ueno Frontier Tower B1F (Tokyo)
(Opened in Nov 2017)



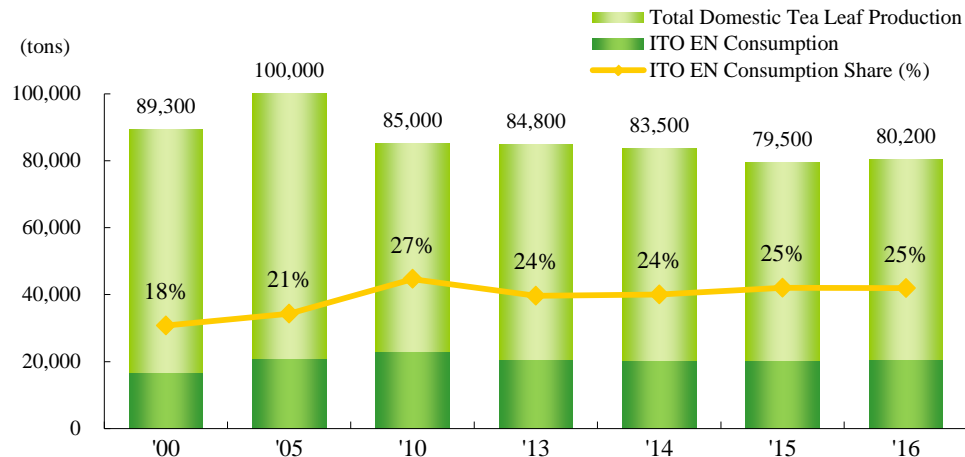
Le monde du thé

Daimaru Kobe B1F (Hyogo)
(Opened in Jun 2017)



Tea-Producing Region Development Project

Total Volume of Domestic Green Tea Leaf Production



Started a New Tea Farm Business in Saga Prefecture

Supporting operation of tea plantations and tea leaf factories by agricultural corporations established by companies engaged in transportation and warehouse businesses



Green Tea Farm in Saga Prefecture (Tara District)
*Immediately after development

Development and Advancement of the "Tea-Producing Region Development Project"

Since 1970s

Cultivation under contract with existing individual Tea Farms

Since 2001

The Large-Scale New Tea Farm Business by renovating abandoned farmlands, etc.

Leaf specialized
for RTD

Leaf specialized
for Leaf Product

Green Tea Leaf specialized for *Matcha*

Contracted Farms of Green Tea Leaf for *Matcha* (*Tencha*) in Kyoto and Kagoshima (●)



* Partially Including Budgeted Plan Values



Feature of "ITO EN Matcha"

1. Freshness (vivid green color)
2. Rich Flavor

High Quality *Matcha*

Unique
processing
technology

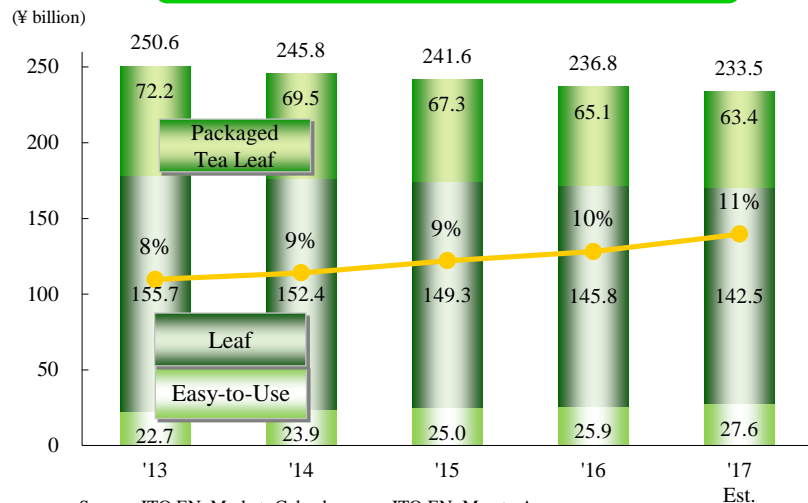


Wide
range of
applications



Brand: *Oi Ocha* (Tea Leaf Products)

Green Tea Leaf Product Market



Raise (Increase) of the Easy-to-Use Green Tea Products' Brand Awareness

TV Commercial specialized for
Tea Bag product
has been broadcasted



Easy-to-Use Green Tea Products
Continued to Perform Well

First Half Cumulative Total
+10% YOY



Penetration of Iced-Water Brewed Green Tea

Dai-Cha-Kai (demonstration sales and
tasting events of green tea) held Nationwide



Enhance Green Tea Leaf Market by Promoting "Japanese Green Tea Day"

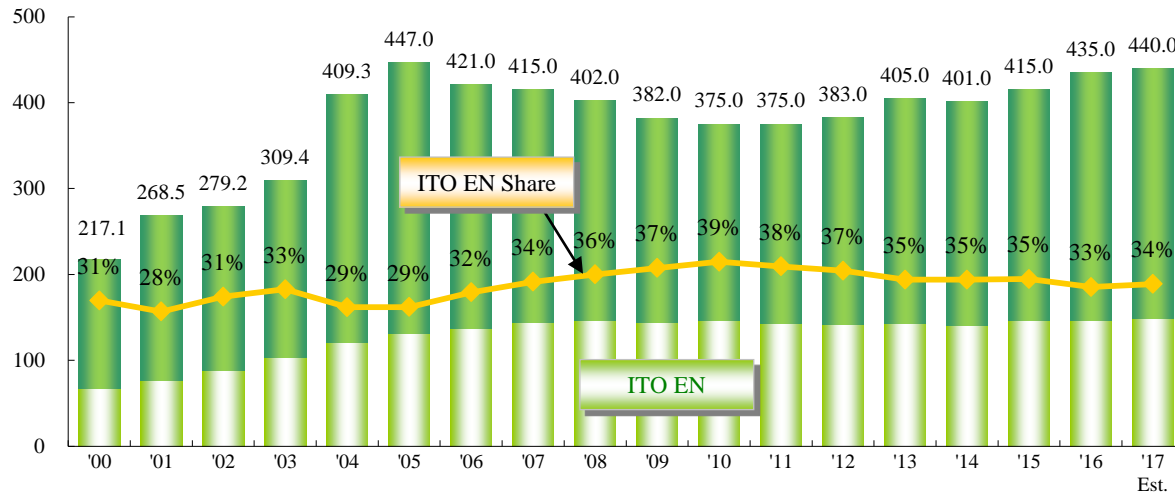




Brand: *Oi Ocha* (RTD Green Tea)

Green Tea Beverage Market

(¥ billion)



Source: ITO EN, Calendar year

RTD Roasted Green Tea Market has Expanded

5 times more than 10 years ago*



* Source: ITO EN, 2005 to 2016

New Initiatives Popular with Young Generation



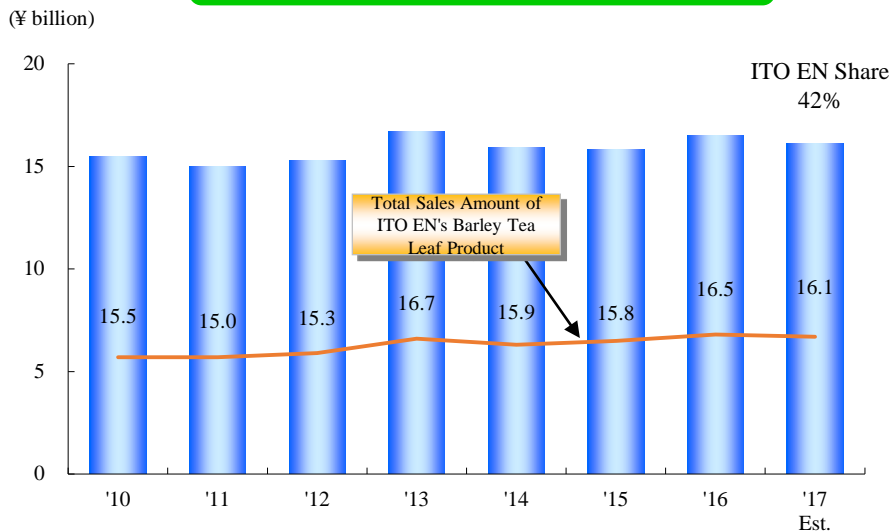
* Cooperation: Koi-Yamagata Station (Tottori Prefecture)

Limited Edition "Autumn Lovers Bottle"

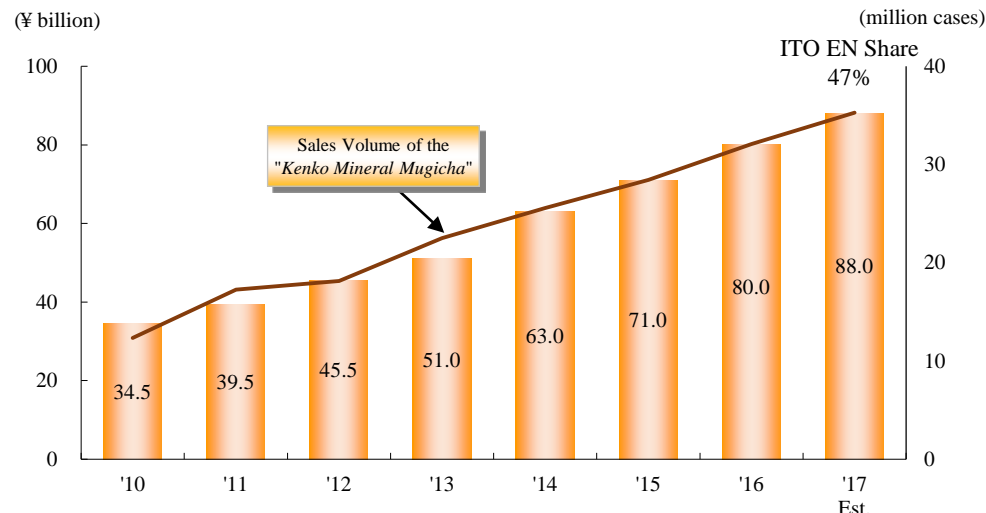


Brand: Barley Tea (RTD & Leaf)

Barley Tea Leaf Product Market



Barley Tea Beverage Market



Proposing Year-Round Consumption of Mineral Ingredients

Spring
&
Summer

Measures against
Hotness



Autumn
&
Winter

For hydration
after a bath



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

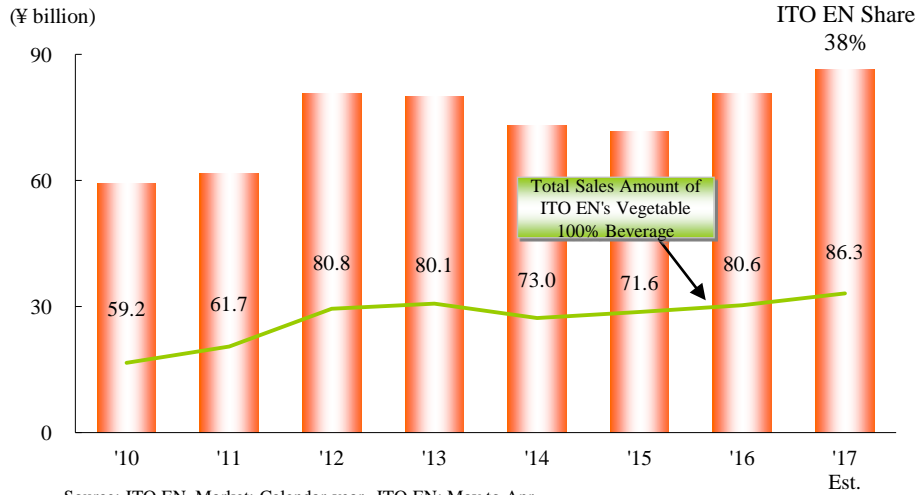
The whole family can drink it safely



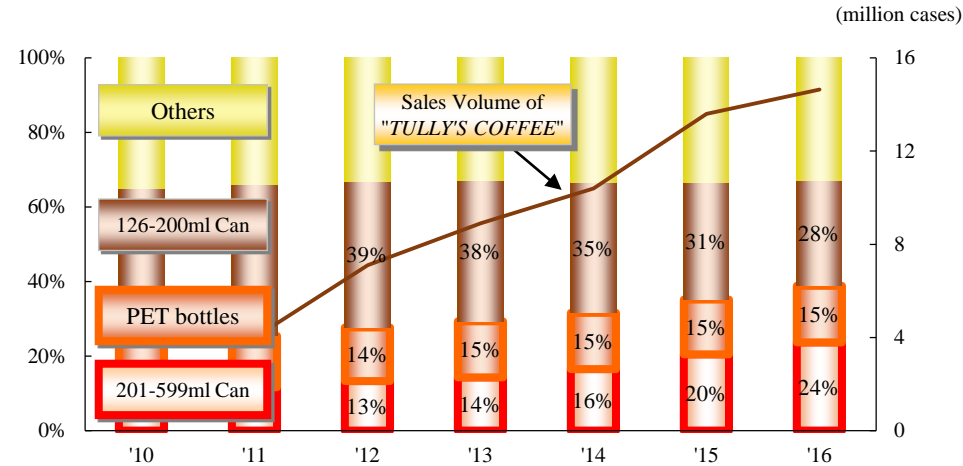


Brand: Vegetable Beverage & Coffee Beverage

Vegetable 100% Beverage Market



Coffee Beverage Market (share by type of container and size)



New Containers

Aojiru (mainly made from Kale or Barley Grass)

Performed Well



TULLY'S COFFEE Brand Continued Its Steady Performance

Led the Bottle Can Coffee Products' Market

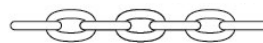
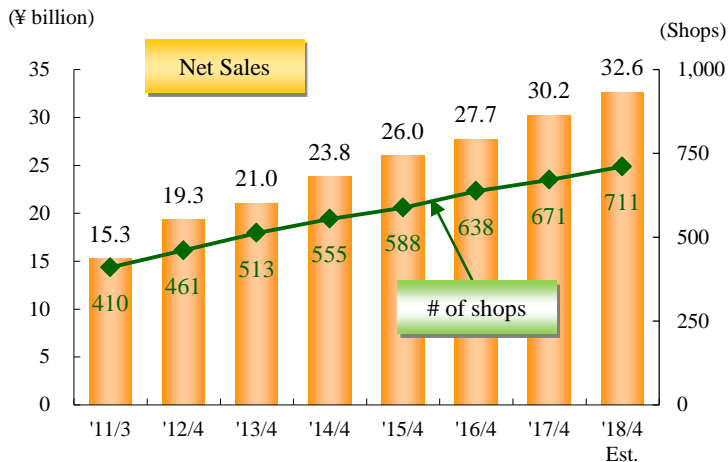
Introduction of the Microwave-Safe PET Bottle

2009
The Bottle Can Coffee
Products Launched



Supply Chain Management

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



Initiatives and Activities with Coffee Farmers

Cupping Contest



Roasting Facility in Japan



Global Interactive Training Program



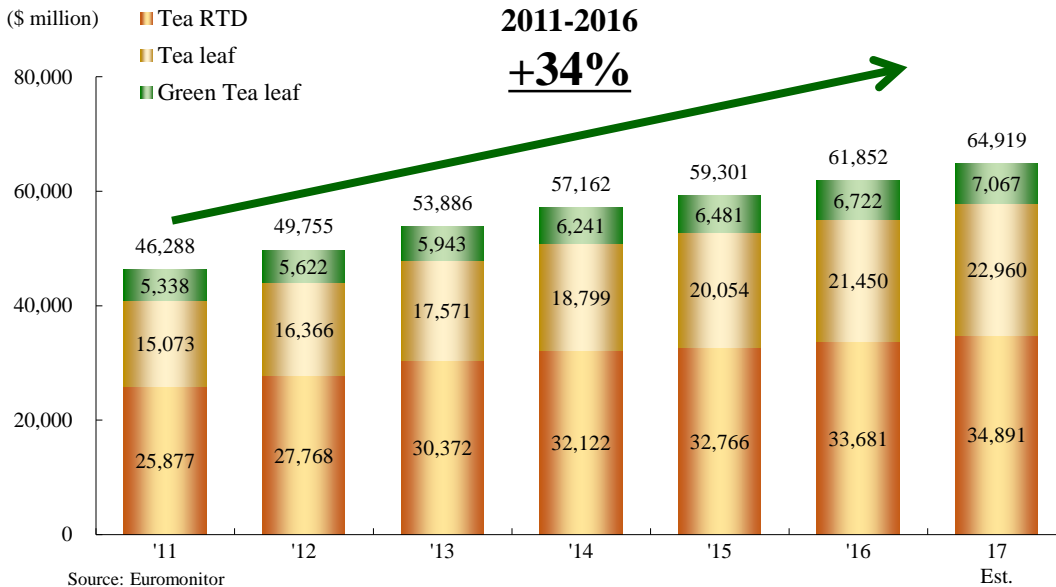
"Know-How" from Plantation to Product



Coffee products made of
high-quality ingredients



Global Tea Market (Leaf & RTD)



Attended 1st "JAPAN'S FOOD" EXPORT FAIR

- For Importers & International Buyers -

Global expansion of "ITO EN" and "Oi Ocha" Brands



Dates: Oct.11-13, 2018 Venue: Makuhari Messe, Japan

USA and China are considered to be the Most Important Business Areas

High possibility of growth of unsweetened and high-quality "Green Tea"

First Half Cumulative Total (YOY Growth Ratio (%))	USA	China
	+76%	+93%*
	+12%	+27%

* Growth rate in relation to the second half of the previous year is shown because sales commenced in December 2016

Capturing Demand & Enhancing Brand Awareness



saryo ITO EN
(Haneda Airport)



TAX FREE ITO EN
(New Chitose Airport)



FaSoLa ITO EN
(Narita International Airport)



GIFT SHOP ITO EN
(Fukuoka Airport)



Management Policy

1. Strengthening of the Domestic Business

- Increasing Company's Share in the Beverage Market
- Improvement of Profitability

2. Strengthening of the International Business

- Double-digit Growth, Mainly in the North American Business
- Enlargement of the Group's Synergy

3. Strengthening ROE Management

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

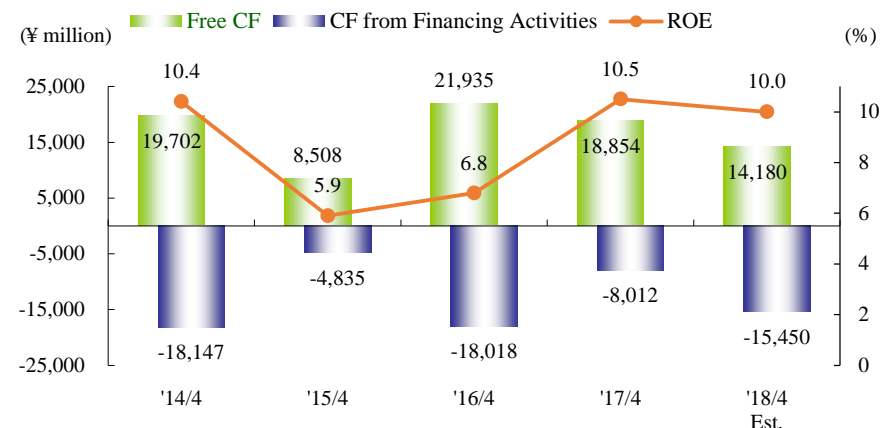
4. Strengthening of CSR/CSV Management

- Sustainable Community
- Sustainable Production and Consumption



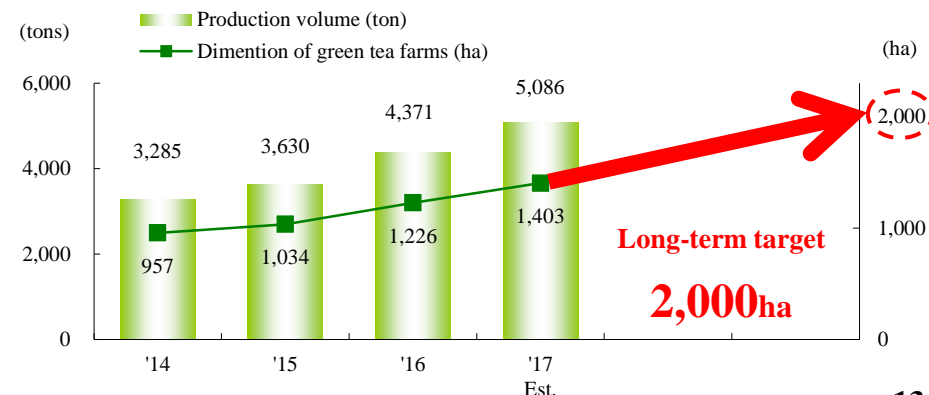
By Our Unique Business Model,
伊藤園 ITO EN has been Expanding
Locally and Globally

Consolidated Cash Flows



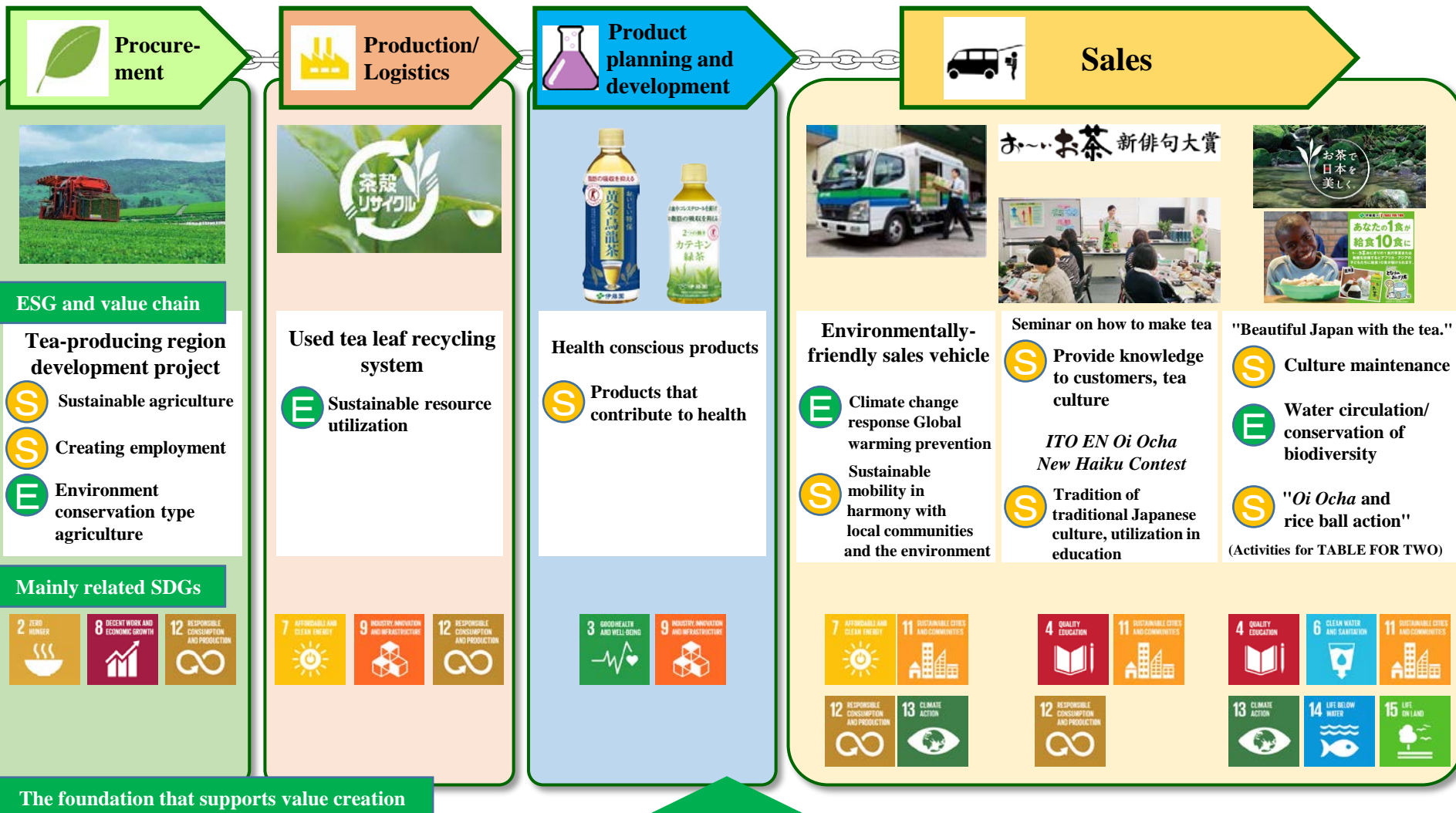
Capital Investments	4,888	3,731	8,603	8,135	11,748
Depreciation Amortization	4,204	4,568	5,203	5,418	5,976
Leased Assets Depr.	10,936	11,085	10,872	7,051	7,045
Lease obligations (Repayment)	-12,456	-12,143	-11,236	-10,361	-8,299

Project of the Developing Green Tea-Producing Regions



A Unique Business Model

A value chain corresponding to



The foundation that supports 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

2015 – 2017


**Medium-Term
Management Plan**

1. Improving profitability of business in Japan
2. Sales release of Global Brand Products

2018 – 2022

Medium and Long-Term Management Plan

To be a "Global Tea Company"

1. Global expansion of "  ITO EN " and "Oi Ocha" Brands
2. #1 market shares both in Domestic and Global Green Tea Markets
3. Training of "Tea Tasters" who can introduce Tea Culture in all over the world

Comprehensive Domestic Beverage Manufacturer, Challenges in New Business Sectors

1. Brand strengthening, development of new brands
2. Expansion of total number of customers, Improving profitability of business in Japan
3. Challenges in new business sectors

(Consolidated) **FYE April 2017**

Net Sales **¥475.8 billion**

ROE **10.5%**

Total Return Ratio **43.5%**

FYE April 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

¥600.0 billion

Over 10%

Over 40%

Appendix

We will Creative Business Model Based on Customer First Principle

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

Input Management capital Management capital
(Source of competitive advantage)

Financial capital (assets etc.)

- Financial management integrated with business model

Manufacturing capital (buildings, facilities, etc.)

- Fableness management to collaborate with manufacturing consigned companies
- Resource saving · Energy saving production (NS system etc.)
- Production logistics 5 block system
- Sales bases deployed nationwide

Intellectual capital (know-how / branding power)

- Five product development concepts
- High patenting ability
- Branding power
- Optimum raw material cultivation suitable for various products
- Traceability
- Quality control system to manufacturing consigned companies
- Manufacturing technology strength through cooperation with outsourcing parties and material manufacturers
- In-house feedback mechanism of market information (Internal Proposal Voice System)

Human capital (employee education and health promotion etc.)

- Route sales
- Tea professional collective tea taster
- Human resources system with real ability
- Penetration of consciousness of "customer first principle"

Social capital (public facilities as the foundation of industry and daily life)

- Material procurement power with scale advantage
- Cooperation with stakeholders · Network

Natural capital (biological, mineral, fossil fuel)

- Quality improvement of tea leaves
- Production of raw materials Stable procurement

Business model based on customer first principle

ITO EN's unique competitive advantage



Corporate Governance is the foundation.



Output
(Added value to be created)

Financial capital

- Improve profitability · capital efficiency
- Improvement of EPS
- Stable shareholder returns

Manufacturing capital · Flexible production according to demand

- Development of optimal manufacturing process and containers suitable for various products
- Commodity supply to all over the country by community-based sales

Intellectual capital

- Product development according to various needs
- Optimal sales proposal based on various products and market trends
- Use of optimal raw materials according to various products
- Due to transparency of production area and thorough quality control · Reliability Brand value improvement
- Improvement of technical capabilities of manufacturing consigned companies
- Contribution to anti-counterfeiting measures

Human capital

- Human resource development
- Create a comfortable workplace

Social capital · Expansion of consumption of domestic raw materials and activation of green tea market

- Consumer safety · Security
- Provide health value to a wide range of customers
- Inheritance of popularization of Japanese tradition · tea culture

Natural capital

- Regional activation of tea production area
- Increase food self-sufficiency rate, measures against abandoned land for cultivation
- Promotion of environment conservation type agriculture
- Energy conservation / resource saving · prevention of global warming in business activities
- Tea shell recycling system

Creating Demands for Tea Leaf Products

Various Ways to Use Tea Leaves and Our Products

Introducing recipes which use
Tea Leaves and Used-Tea-Leaves



Used-Tea-
Leaves



Introducing ways of enjoying
Instant Tea Products

"NINJA ICE"



Vanilla ice cream
with
Hoji Tea Powder



Shelf and Product Reform



Promoting Tea Leaf Products with
Hook Hole on its upper part



A New Brand, Created by Women Project Team

Tea Bags Products that Appeal to
Working Women

KEEP IN MY BOTTLE

キープインマイボトル

1. No Tag, No String on the Tea Bags
2. No Flavor, No Color added
3. Good taste even if kept in for a long time



Summary of Consolidated Balance Sheet & Others (Consolidated)

Consolidated Balance Sheet

(as of October 31, 2016 and 2017)

	2016	2017	Change
(¥ million)			
Current assets	161,089	175,138	14,048
Cash and deposits	56,026	61,998	5,971
Accounts receivable-trade and inventories	88,680	94,793	6,112
Property, plant and equipment	81,917	84,702	2,784
Land	20,373	21,616	1,243
Leased assets	28,719	26,060	-2,659
Other	32,824	37,025	4,200
Intangible fixed assets	24,813	23,160	-1,653
Goodwill	18,550	17,517	-1,032
Investments and other assets	19,984	21,254	1,270
Total assets	287,805	304,256	16,450
Current liabilities	98,248	77,931	-20,316
Accounts payable	29,531	27,771	-1,760
Short-term loans payable	1,790	2,465	675
Current portion of bonds	20,000	-	-20,000
Lease obligations	9,837	7,952	-1,885
Income taxes payable	4,713	5,292	579
Non-current liabilities	58,238	82,009	23,770
Corporate bonds	-	10,000	10,000
Long-term loans payable	29,501	46,689	17,187
Lease obligations	15,017	11,560	-3,457
Total liabilities	156,486	159,940	3,453
Net assets	131,318	144,315	12,996

■ Rating	A+	■ Equity ratio	
■ Bond shelf registration	¥40 billion	10/2016	45.3%
(straight bonds)		10/2017	47.1%

Topics

■ Received the Grand Prize and Economy, Trade and Industry Minister's Award in the "5th Platinum Vision Award*1"

In recognition of the "Tea-producing region development project (New Tea Farms Business,)" as a solution through business based on analysis of issues in Japanese agriculture



*1 Initiatives by local governments and enterprises to solve issues in society and the community through the creation of new industries through innovation and measures filled with ideas are honored in the form of awards, to introduce and propagate them as models for the future and problem-solving initiatives to be taken by developed countries.

■ Received the "Director-General Award from the Maritime Bureau, Ministry of Land, Infrastructure, Transport and Tourism" as an excellent business operator in the Eco-Ship Modal Shift Project*2

In recognition of the significant reduction of CO2 emissions achieved by partially switching long-distance truck transportation to maritime transportation



*2 An initiative aimed at promoting the modal shift towards using maritime transportation, by selecting cargo owners and logistics operators, who contribute to this modal shift, granting them permission to use the Eco-Ship Mark; and bestowing an award from the Director-General of the Maritime Bureau to excellent business operators, who have made large contributions related to this initiative.

■ ITO EN Oi Ocha New Haiku Contest certified as a "beyond2020 Program*3"

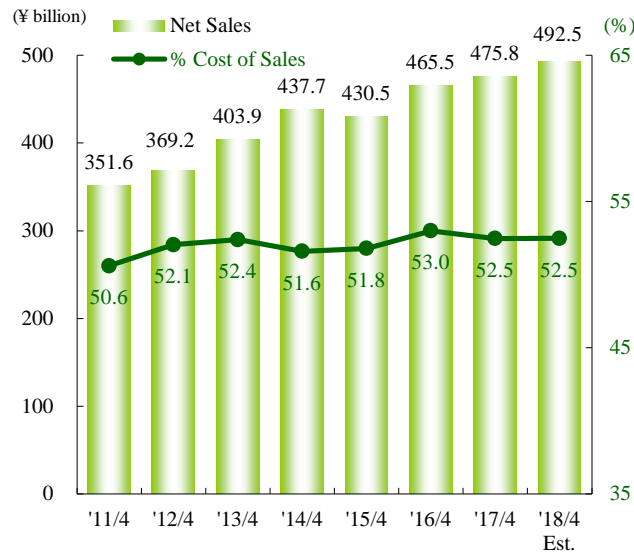
We will strive toward further communication and development of the "tea culture" along with Japanese culture.



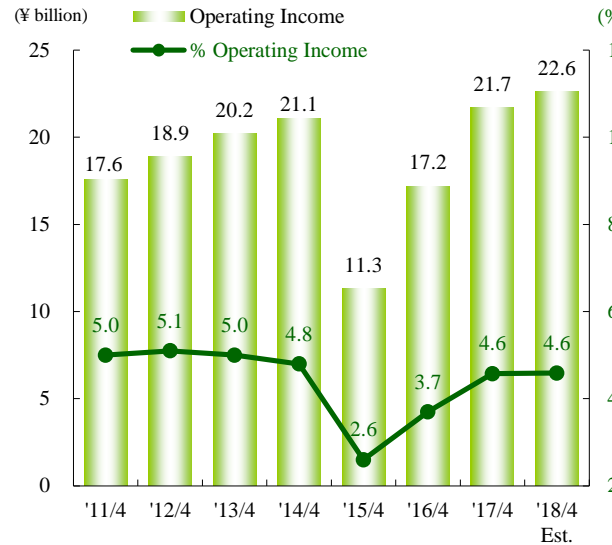
*3 A government (Cabinet Secretariat Headquarters for the Promotion of the Tokyo Olympic and Paralympic Games) initiative looking beyond 2020 for providing a sense of unity throughout all of Japan in nationwide implementation by certifying and granting a logo mark to cultural programs that contribute to the creation of a legacy, proudly shown to the next generation and suitable of a mature society, through the utilization of regionally rich and diverse culture, which is one of Japan's strengths.

Management Indexes (Consolidated)

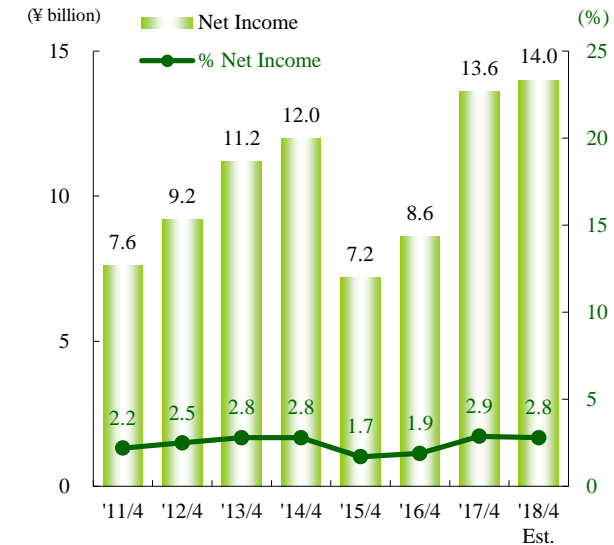
Net Sales & Cost of Sales ratio



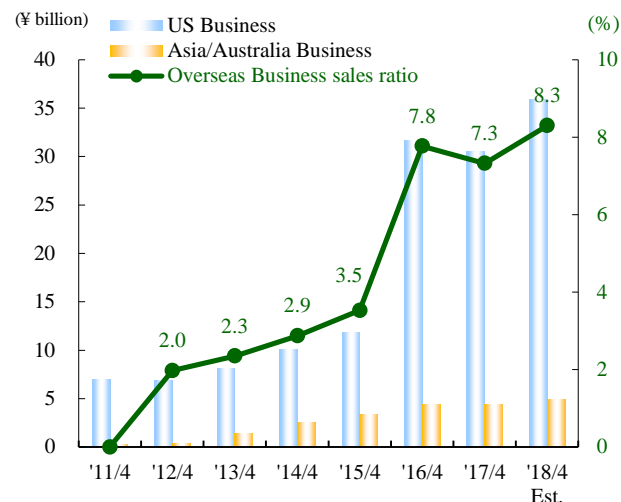
Operating Income



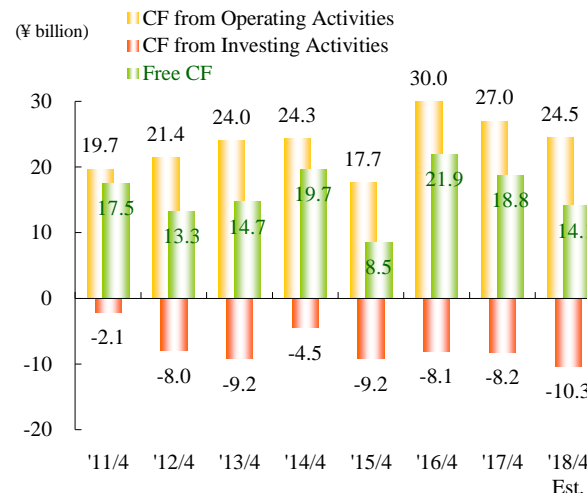
Net Income



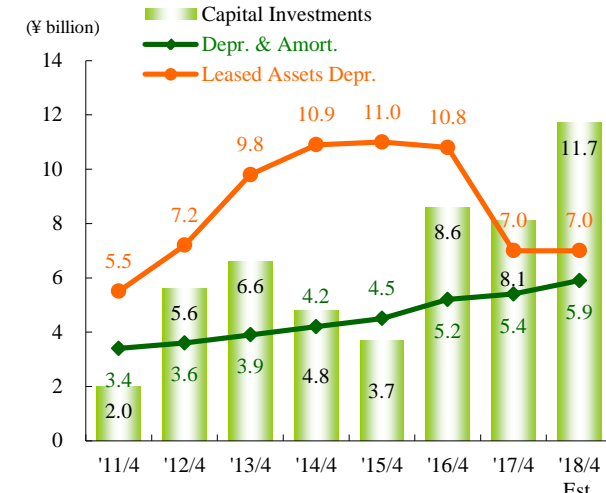
Overseas Business sales ratio



Cash Flows



Capital investments & Depr. & Amort.





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.