

Financial Results

for the Fiscal Year Ended April 30, 2019

June 2019 ITO EN, LTD.



Soft Drink Market in Japan	P.1
Results & Forecasts by Category (Non-Consolidated)	P.2
Results of Operations FYE April 2019	P.3
Forecasts FYE April 2020	P.4
Profitability improvement management	P.5
<i>Oi Ocha</i>	P.6
Tea Leaf Products	P.9
Barley Tea& Vegetable Juice	P.10
<i>TULLY'S COFFEE</i>	P.11
To Become a Health Creation Company	P.12
Global Business Strategy	P.13
Towards a "Global Tea Company"	P.15

Appendix

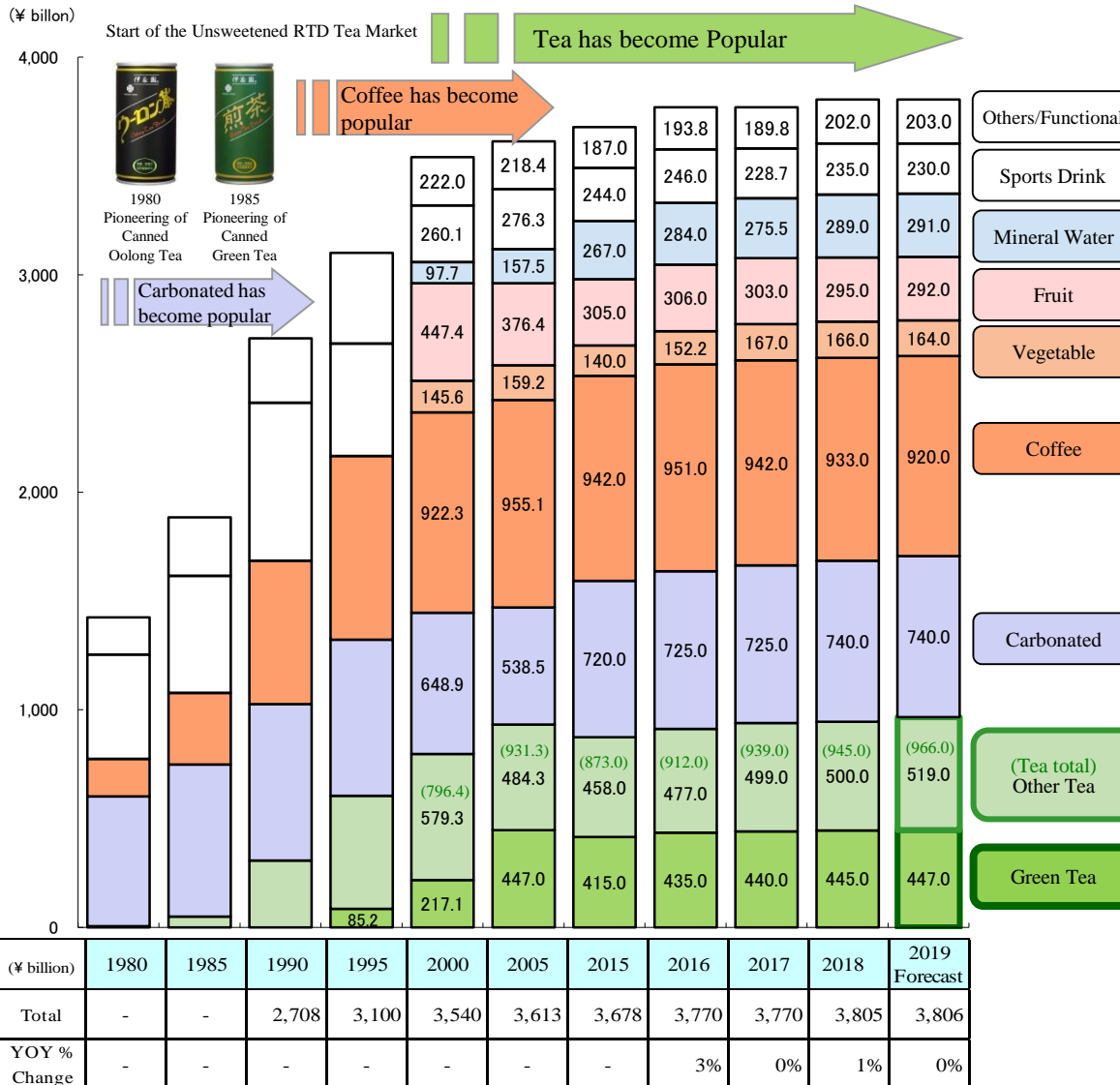
About ITO EN Group

Development Program of Tea-growing Area

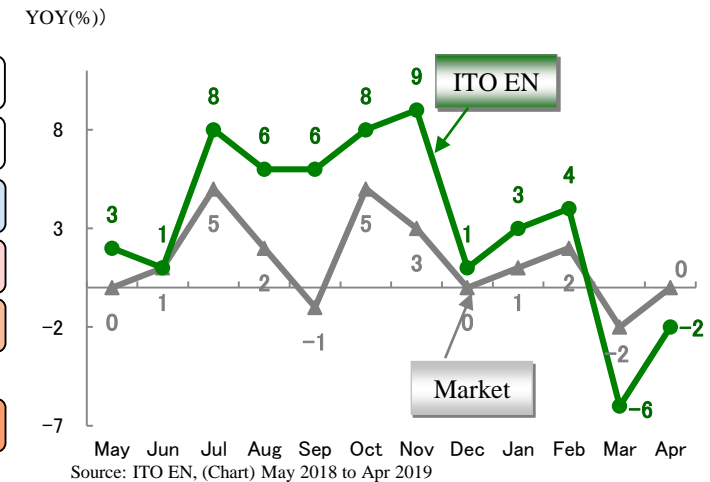
TOPIX

Soft Drink Market in Japan

Soft Drink Market Trends



Monthly Sales Volume Trends



Topics of Soft Drink Market

ORTD Tea market: Exceeded a record high (945.0 billion yen). Of the RTD tea market, the RTD barley tea market: up 14.5%

OTopics

Confusion in production and distribution due to natural disasters

Record-high shipment volume attributable to record heat in the summer

Increased demand for drinks in small PET bottles, which are easy to carry around

Increased shipping costs due to labor shortages

Increased demand for RTD barley tea and RTD roasted green tea throughout the year

Announcement of increases in the prices of beverages in large bottles

Results & Forecasts by Category (Non-Consolidated)

(¥ million)

	FYE Apr. 30, 2018	Sales Composition	YOY % Change	FYE Apr. 30, 2019	Sales Composition	YOY % Change	FYE Apr. 30, 2020 Est.	Sales Composition	YOY % Change
Net Sales	383,212	100.0%	3.1%	394,495	100.0%	2.9%	400,500	100.0%	1.5%
Tea Leaves	35,700	9.3%	6.0%	36,969	9.4%	3.6%	38,466	9.6%	4.1%
Drinks	343,853	89.6%	2.7%	353,921	89.7%	2.9%	358,329	89.5%	1.2%
Others	3,659	1.0%	10.5%	3,605	0.9%	-1.5%	3,703	0.9%	2.7%
Breakdown of Drinks	Japanese Tea/Healthy Tea	186,579	48.7%	198,815	50.3%	6.6%	202,887	50.6%	2.0%
	Chinese Tea	17,421	4.5%	16,782	4.3%	-3.7%	16,416	4.1%	-2.2%
	Vegetable	47,154	12.3%	45,531	11.5%	-3.4%	46,355	11.6%	1.8%
	Fruit	11,866	3.1%	10,451	2.6%	-11.9%	10,304	2.6%	-1.4%
	Coffee	42,758	11.2%	41,758	10.6%	-2.3%	42,647	10.6%	2.1%
	Black Tea	5,083	1.3%	5,723	1.5%	12.6%	5,034	1.3%	-12.0%
	Functional	6,821	1.8%	7,863	2.0%	15.3%	8,416	2.1%	7.0%
	Mineral Water	10,462	2.7%	11,040	2.8%	5.5%	9,824	2.5%	-11.0%
	Carbonated	11,936	3.1%	11,911	3.0%	-0.2%	12,242	3.1%	2.8%
	Others	3,768	1.0%	4,041	1.1%	7.3%	4,199	1.0%	3.9%

Results of Operations FYE April 2019

■ Summary of Operations (Consolidated and Non-Consolidated)

(¥ million)

		FYE Apr. 30, 2018	Sales Composition	FYE Apr. 30, 2019	Sales Composition	YOY % Change
Consolidated	Net Sales	494,793	100.0%	504,153	100.0%	1.9%
	Gross Profit	233,983	47.3%	240,375	47.7%	2.7%
	Sales Commission	81,615	16.5%	84,760	16.8%	3.9%
	Advertising	12,491	2.5%	11,544	2.3%	-7.6%
	Freight	14,188	2.9%	15,210	3.0%	7.2%
	Depreciation and Amortization	10,873	2.2%	11,296	2.2%	3.9%
	Selling, General and Administrative Expenses	211,939	42.8%	217,555	43.2%	2.6%
	Operating Income	22,043	4.5%	22,819	4.5%	3.5%
	Ordinary Income	21,441	4.3%	23,211	4.6%	8.3%
	Extraordinary Losses and Income	-450	-	-724	-	-
	Net Income	12,553	2.5%	14,462	2.9%	15.2%

Non-Consolidated	Net Sales	383,212	100.0%	394,495	100.0%	2.9%
	Gross Profit	179,707	46.9%	184,965	46.9%	2.9%
	Operating Income	15,394	4.0%	15,851	4.0%	3.0%
	Ordinary Income	17,142	4.5%	18,600	4.7%	8.5%

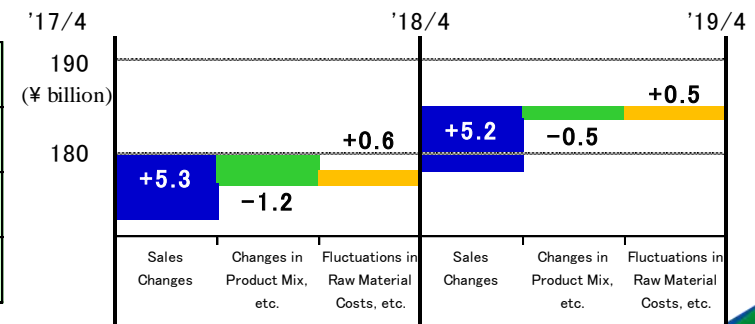
■ Performances of Subsidiaries

(¥ million, \$ thousand)

		FYE Apr. 30, 2018	FYE Apr. 30, 2019	YOY % Change
Upper: Net Sales Bottom: Operating Income				
Domestic Subsidiaries		104,722	107,765	2.9%
		5,620	5,801	3.2%
Tully's Coffee Japan Co., Ltd.		32,589	34,568	6.1%
		3,250	3,504	7.8%
Chichiyasu Company		14,398	14,409	0.1%
		305	269	-11.8%
Overseas Subsidiaries		40,362	38,168	-5.4%
		2,619	2,738	4.5%
US Business		35,130	32,385	-7.8%
		2,018	1,658	-17.8%
		\$317,650	\$291,054	-8.4%
		\$18,253	\$14,901	-18.4%
Other Overseas Subsidiaries		5,231	5,783	10.5%
		600	1,080	79.8%
Elimination of Internal Transactions		-33,504	-36,276	-
		-1,592	-1,572	-

Exchange rate (US\$) ¥110.63 ¥111.27
(average during a year)

■ Breakdown of Gross Profit Change (Non-Consolidated)



Forecasts FYE April 2020

Summary of Operations (Consolidated and Non-Consolidated)

(¥ million)

		FYE Apr. 30, 2019		FYE Apr. 30, 2020 Est.		YOY % Change
			Sales Composition		Sales Composition	
Consolidated	Net Sales	504,153	100.0%	510,000	100.0%	1.2%
	Gross Profit	240,375	47.7%	243,649	47.8%	1.4%
	Sales Commission	84,760	16.8%	85,540	16.8%	0.9%
	Advertising	11,544	2.3%	12,774	2.5%	10.7%
	Freight	15,210	3.0%	15,490	3.0%	1.8%
	Depreciation and Amortization	11,296	2.2%	11,096	2.2%	-1.8%
	Selling, General and Administrative Expenses	217,555	43.2%	220,648	43.3%	1.4%
	Operating Income	22,819	4.5%	23,000	4.5%	0.8%
	Ordinary Income	23,211	4.6%	22,800	4.5%	-1.8%
	Extraordinary Losses and Income	-724	-	-900	-	-
	Net Income	14,462	2.9%	14,200	2.8%	-1.8%

Non-Consolidated	Net Sales	394,495	100.0%	400,500	100.0%	1.5%
	Gross Profit	184,965	46.9%	188,072	47.0%	1.7%
	Operating Income	15,851	4.0%	16,200	4.0%	2.2%
	Ordinary Income	18,600	4.7%	18,100	4.5%	-2.7%

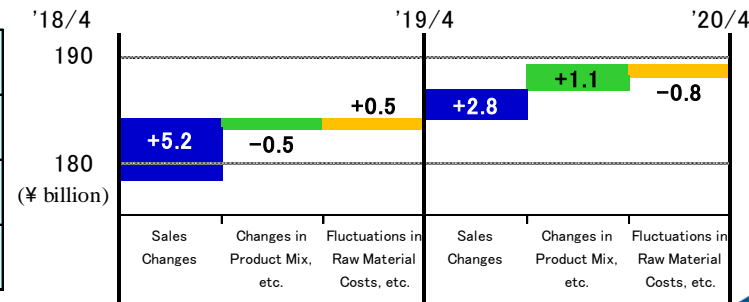
Performances of Subsidiaries

(¥ million, \$ thousand)

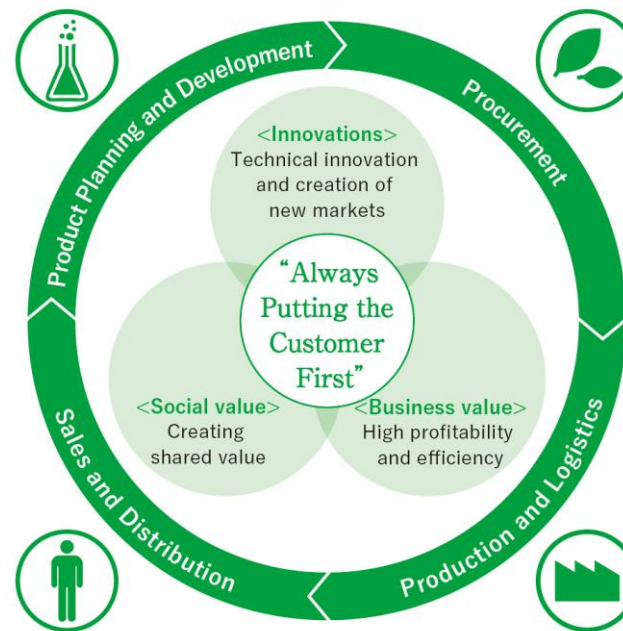
Upper: Net Sales Bottom: Operating Income	FYE Apr. 30, 2019		FYE Apr. 30, 2020 Est.		YOY % Change
Domestic Subsidiaries	107,765		110,048		2.1%
	5,801		5,442		-6.2%
Tully's Coffee Japan Co., Ltd.	34,568		36,300		5.0%
Chichiyasu Company	3,504		3,510		0.1%
	14,409		14,580		1.2%
	269		350		29.9%
Overseas Subsidiaries	38,168		39,252		2.8%
	2,738		2,744		0.2%
US Business	32,385		33,350		3.0%
	1,658		1,710		3.1%
	\$291,054		\$308,793		6.1%
	\$14,901		\$15,836		6.3%
Other Overseas Subsidiaries	5,783		5,902		2.1%
	1,080		1,034		-4.2%
Elimination of Internal Transactions	-36,276		-39,801		-
	-1,572		-1,387		-

Exchange rate (US\$) ¥111.27 ¥108.0
(average during a year)

Breakdown of Gross Profit Change (Non-Consolidated)



Value Chain for Building a Competitive Advantage

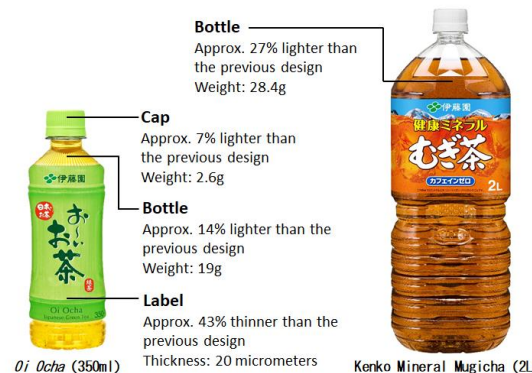


Research and development of high value-added beverages
Providing products that meet needs and fit with the times



Community-based sales (196 sales bases nationwide)
Improvement in the product mix

Environmentally-conscious PET plastic bottle



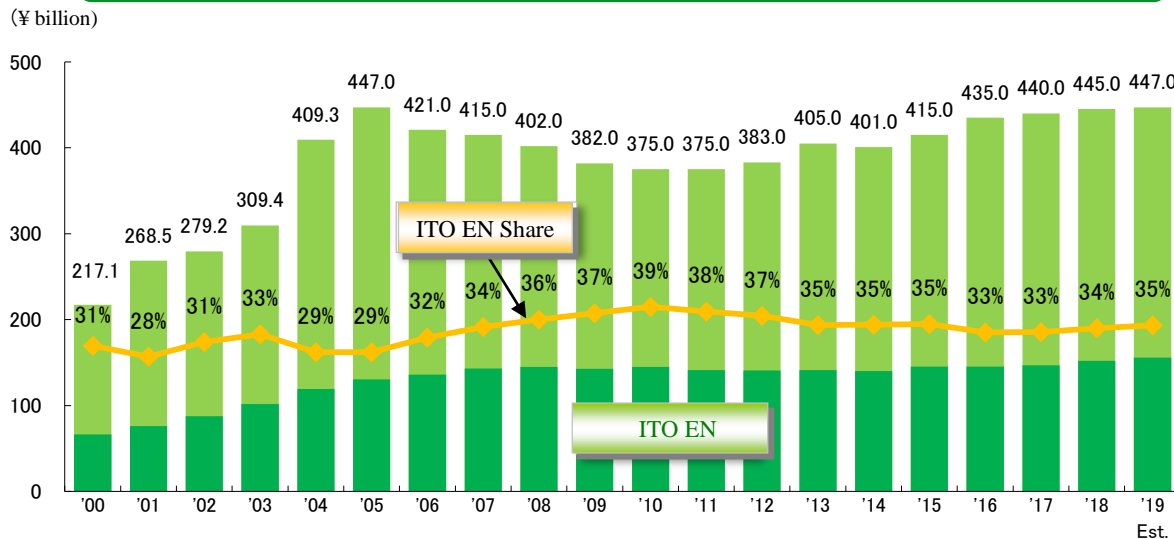
Collaboration with agricultural production corporations
Promotion of the Tea-Producing Region Development Project



Building a logistics network
Innovation in containers

Oi Ocha 30 years anniversary

Green Tea Beverage Market



2018 Developing New Fan Base



Hot sales of Oi Ocha Shin-Ryoku particularly among young women

Unchanged value of tea + new added value

(million cases)

**Oi Ocha was the best-selling brand in the RTD green tea category in the Heisei era.
RTD tea has become a more familiar drink.**

**Launched the world's first PET bottled RTD green tea drink in 1990.
Created and developed the sugar-free beverages market**



World sales record No. 1 Green tea beverage

Oi Ocha Brand Recognized by Guinness World Records

Official name of record: Largest NH RTD green tea brand (retail RSP, current)

Record-setting brand: Oi Ocha^(*)

Target period: January–December, 2018

Certified sales figure: \$1,966,800,000 (estimated)^(*)

(*)1) Excluding Oi Ocha Hojicha products.

(*)2) Based on global third-party survey data.



Show functionality to reduce body fat

Foods with Function Claims

Oi Ocha strong green tea will be launched in the fall of this year.

- Cumulative unit sales have exceeded 3.5 billion.
- Double in Healthy Catechin



A bottle that fits with the times

Oi Ocha in a new small bottle has been launched.

The size makes the new product easier to hold and to put into a bag.



Value Created by the *Oi Ocha* Brand

Job creation, regional development,
environmental conservation

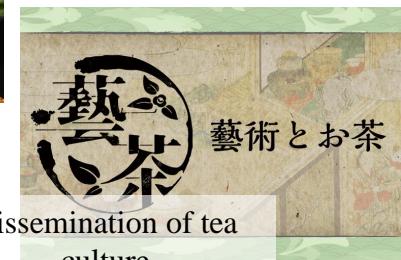


Proposal of added value,
joint undertaking



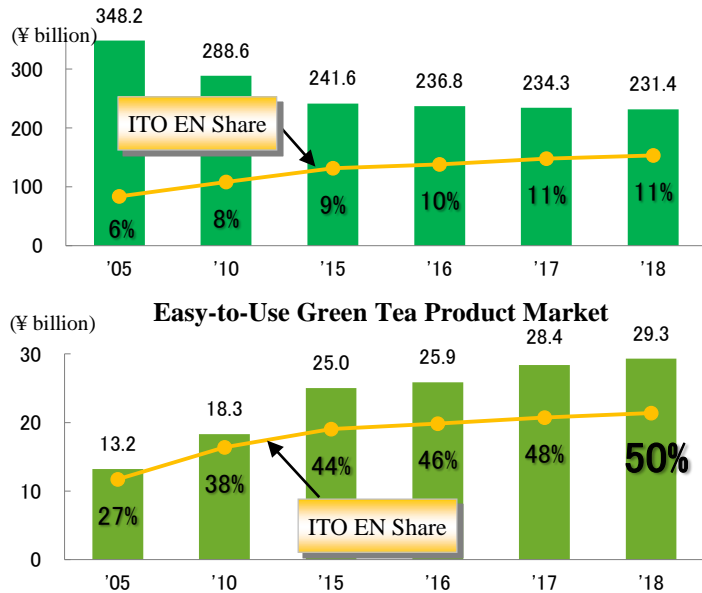
Recycling System of
Used Tea Leaves

Cultural preservation, culture creation



Teaching Japanese
culture

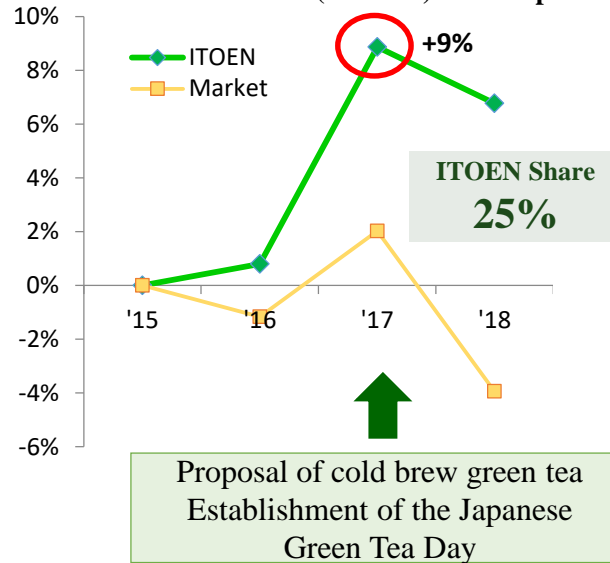
Green Tea Leaf Product Market



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

Trends in demand for green tea leaves at home

Transition of Sales (Amount) As Compared with 2015 Sales



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

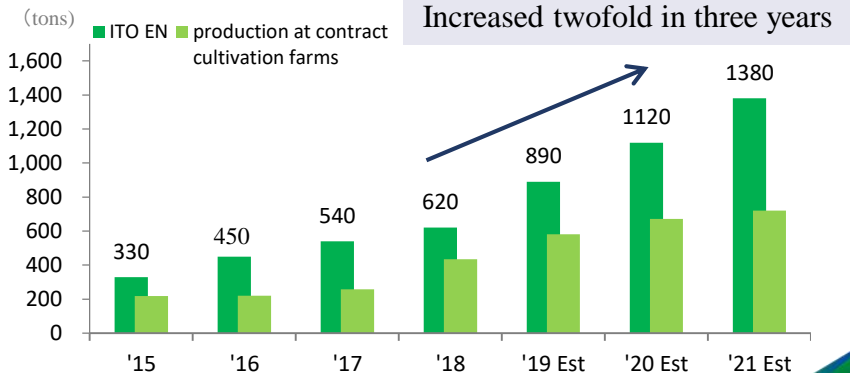
Advantages of ITO EN Matcha



The contract cultivation of matcha started in 2010

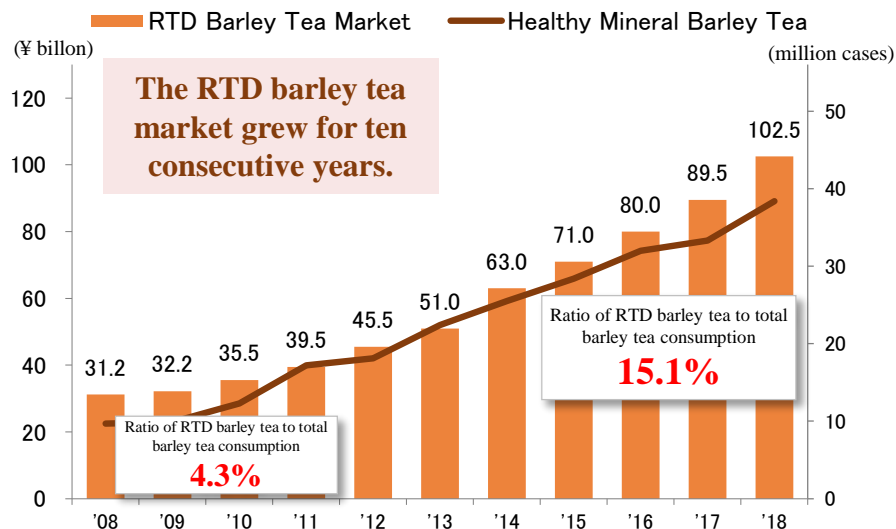


Processing technology by purpose or use



Barley Tea & Vegetable Juice

RTD Barley Tea Market



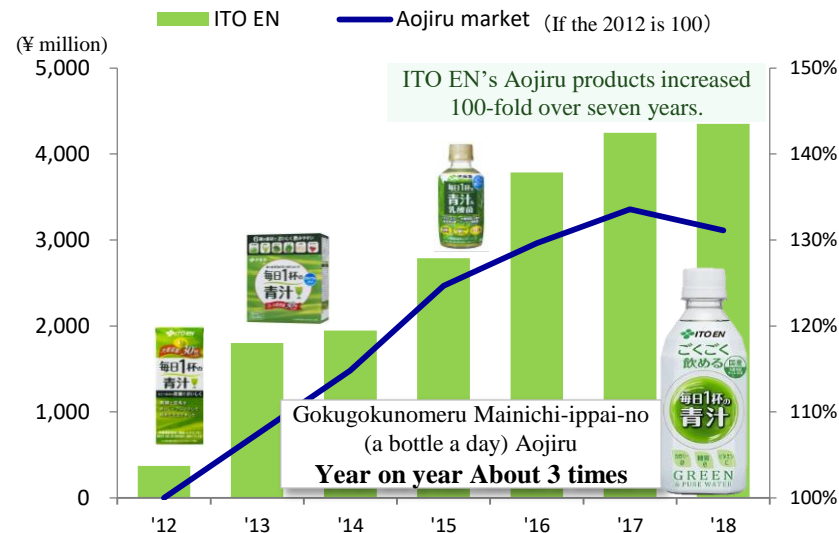
Source: ITO EN, Market: Calendar year ITO EN: May to Apr

Taking in water and minerals at the same time



Mild sweetness
Barley tea flavor

Aojiru (Green Juice) market grew 30% over seven years



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

Taking in Aojiru easily anywhere, anytime, every day

Comparison of the Aojiru market in 2018 with the market five years ago by business category

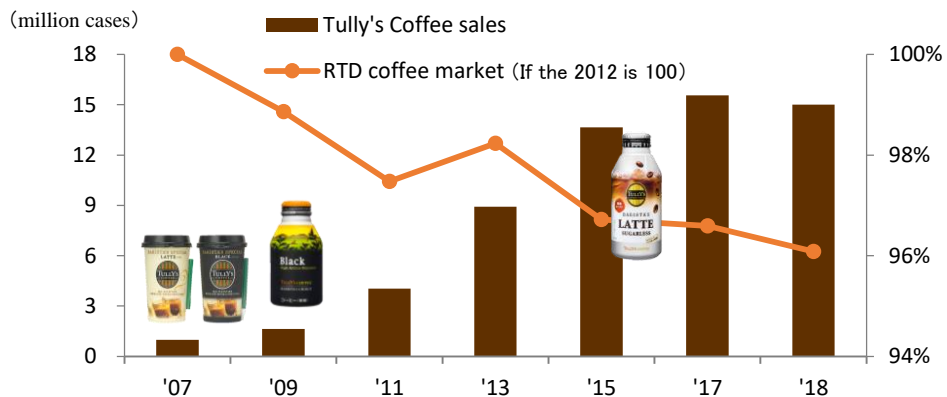
Sales at stores +43%

Online sales +16%



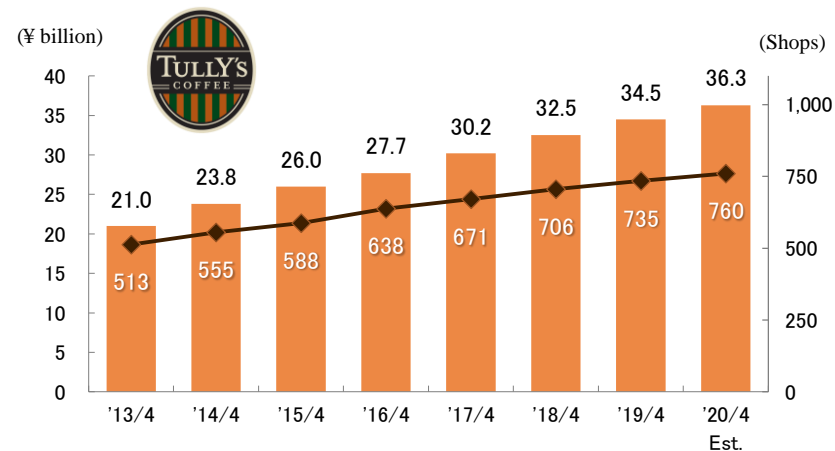
Jelly in pouches as a quick light meal

Tully's Coffee sales and the RTD coffee market



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

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



Synergy between ITO EN and Tully's Coffee Japan

RTD coffee having the quality of coffee served at shops



Roasted and crushed coffee beans are wrapped with aluminum foil and transported and stored, and the flavor is maintained.

※Excluding SOT cans

Tully's Coffee Japan is implementing a unique policy to increase the number of customers



Development of black tea products, including fruit tea
Tully's Coffee & Tea, a concept shop, opens.

High quality coffee beans

To Become a Health Creation Company

Increase in health consciousness

Soft Drink market in Japan
Ratio of sugar-free beverages

49% in 2018

ITO EN's sugar-free beverages

74% in 2018

ITO EN International Forum held on Thursday, May 23



Keynote speech was “Why do tea ceremony teachers look young.”
How to live an enriched life by drinking tea in the age of centenarians was discussed.

Supporting healthy lives



Support for healthy sports as fun



Vegetables dietary education at harvest festivals



Proposing recipes including vegetable beverages



Proposing the installation of vending machines emphasizing health value

Global Business Strategy ①

Overseas branding strategy

Developing global brands

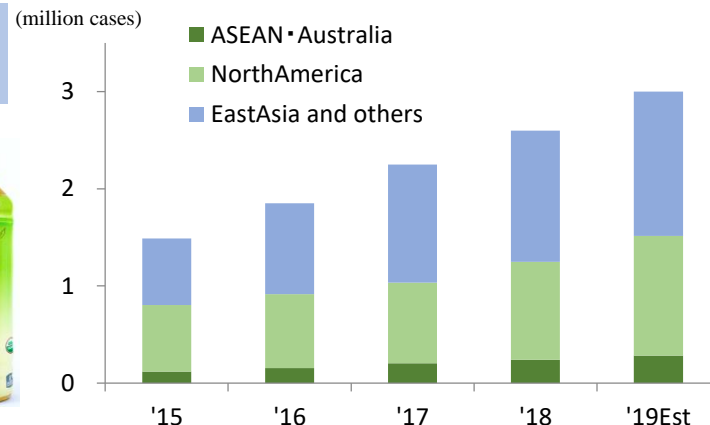
OOi Ocha O MATCHA GREEN TEA

Strengthening of Sales of
Tea Leaf Products

Developing products according to the
characteristics of each area

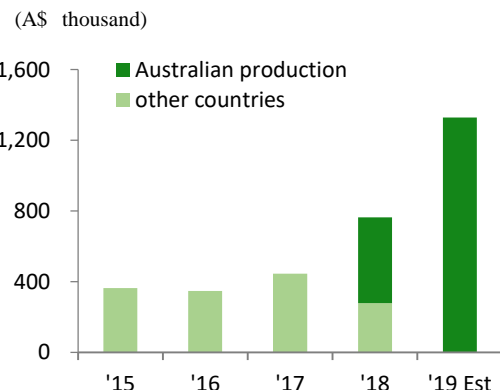
Sales of Oi Ocha overseas (by area)

Oi Ocha is sold in more
than 30 countries.



Local food strategy in Australia

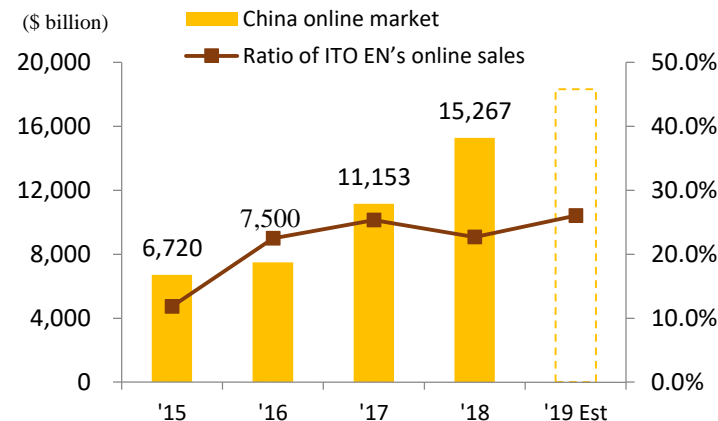
100%
Australian
tea leaves
“Oi Ocha”



~A teabag factory will be operated in 2020~

Strategy to strengthen online sales in China

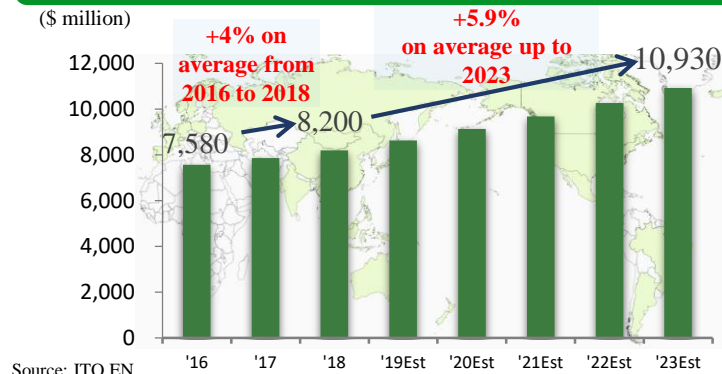
Online sales in 2018 are
five times about five times
as much as those in 2015.



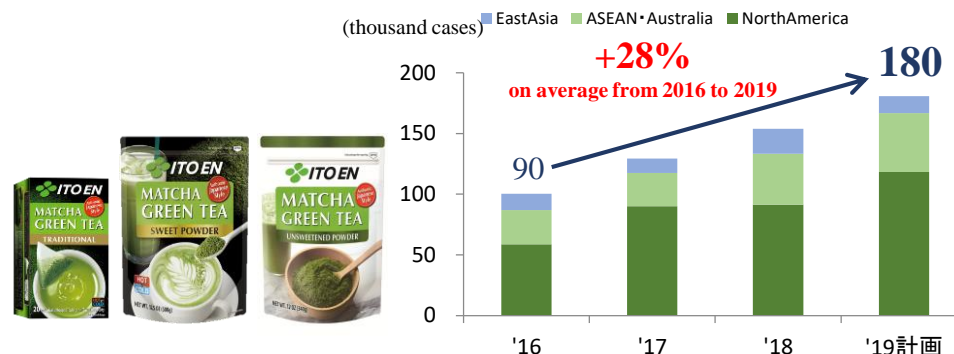
Source: ITO EN, Market: Calendar year ITO EN: May to Apr

Global Business Strategy ②

Global Tea Market (Leaf)



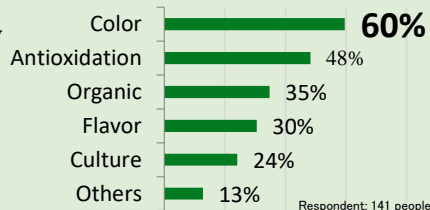
Transition of MATCHA GREEN TEA Sales Overseas



Matcha Is Becoming More and More Popular in the World

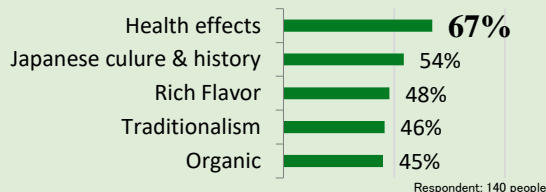
Recognition of matcha in the U.S.

I. Impressions of matcha given by matcha product packages and matcha advertisements



→The bright green color of matcha is impressive and appeals to health-conscious people.

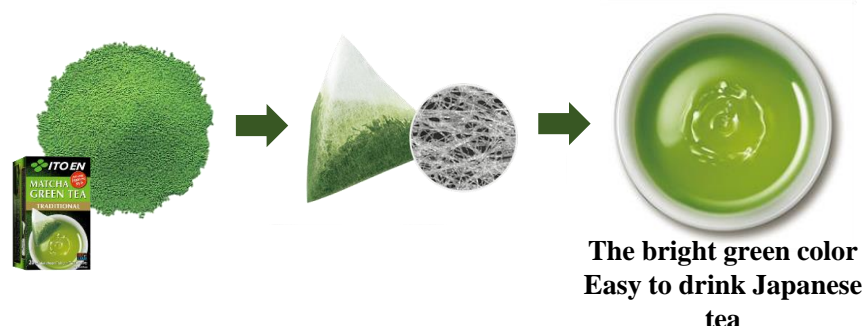
II. The attractiveness of Japanese matcha



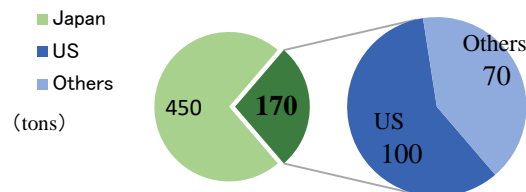
→The appeal of Japanese matcha consists in health effects, tea culture, and history.

Source: Japan Tea Export Council

Value of ITO EN matcha products



ITO EN matcha sales in the world (2018)



Approximately 25% of ITO EN consumption, 620 tons, is sold overseas.

Towards a "Global Tea Company"

Managing principle at all Group companies

"Always Putting the Customer First"

~Strategies for sustainable growth to become a Global Tea Company~

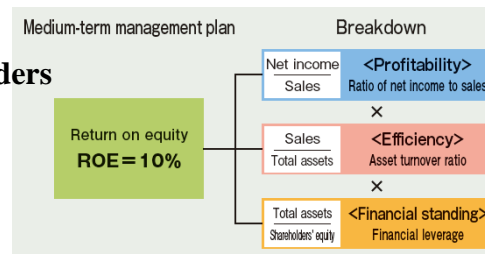
To be established as a comprehensive
beverages manufacture

#.1 market shares both in Domestic and Global Green Tea Markets

1. Strengthen the Brand and Develop New Brands
2. Increase Customers and Improving Profitability
3. Challenge for New Businesses

Strengthening ROE Management

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



Health creation company
that supports enriched lives


Sales of sugar-free beverages
account for 74% of sales of
all beverages



"Skilled Professional on
ITO EN TEA TASTER".


2019
健康経営優良法人
Health and productivity
ホワイト500

Promoting sustainability management

- Enhancement of Governance
(November 2018 Setting up a Nominating and Compensation Committee)
- Further effort of CSR/CSV Issues
- Correspondence to ESG
- Establishment of a high value-adding model

Appendix

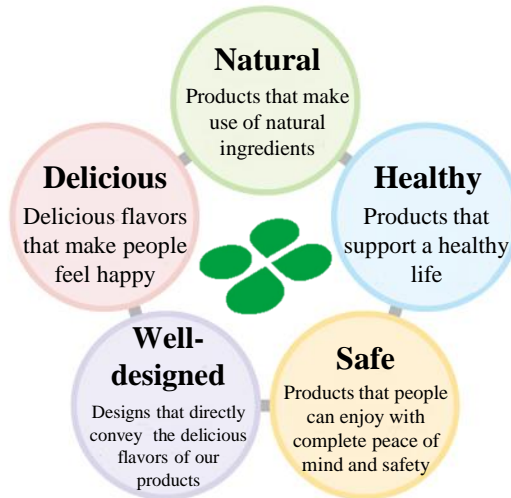
About ITO EN Group

Management principle

"Always Putting
the Customer First"



Concept for Product Development



Corporate History

- 1964 Founded Nihon Family Service Ltd, ITO EN's predecessor
- 1966 Established ITO EN, LTD
- 1980 Launches the world's first sugar-free Canned Oolong Tea
- 1985 Launches the world's first RTD green tea, Canned Green Tea.
- 1989 The Oi Ocha brand is created
- 1990 Releases the world's first PET bottled green tea drinks ("Oi Ocha" Green Tea, 1.5L)
- 1996 Launches the industry's first small PET bottled RTD tea (500 ml)
- 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 (about 60 factories, 5 blocks)

Production to reduce capital expenditures and transportation cost

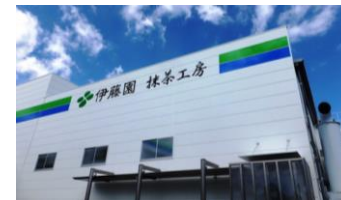
Mainly Raw Beverage
Use Tea Leaf Processing Factory



Tea Leaves Factory



Pulverization Factory for Matcha Powder Raw Material



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



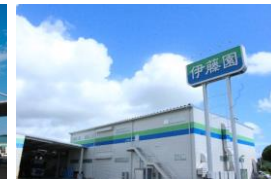
Central Research Institute



Own Coffee Roasting Factory

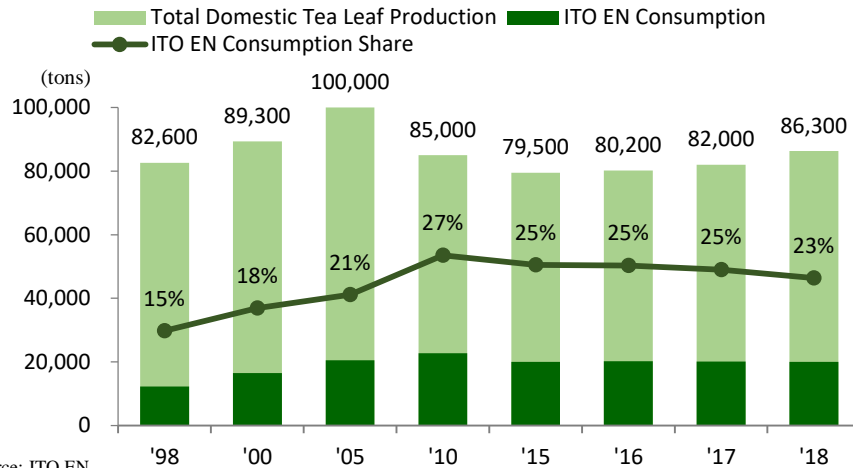


Factory for Tea Bags Manufacturing (ITO EN SANGYO, LTD.)



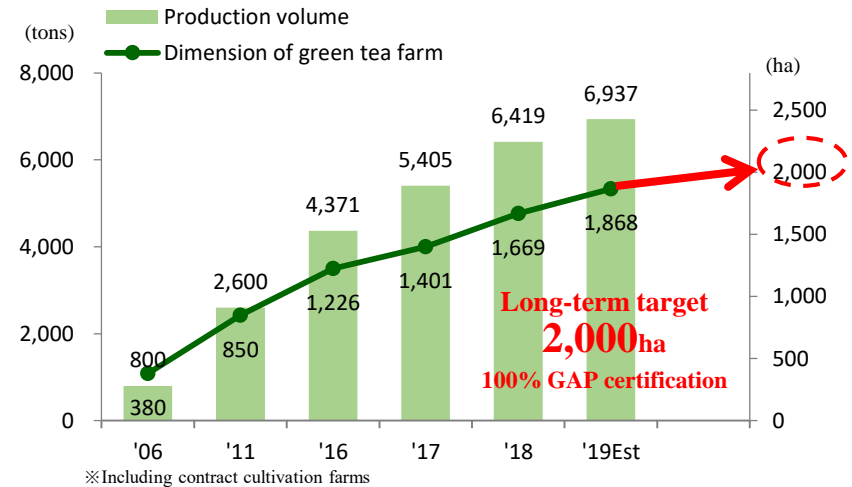
Development Program of Tea-growing Area

Total Volume of Domestic Green Tea Leaf Production



Source: ITO EN

Development Program of Tea-growing Area



To a sustainable agricultural model

Strengthening the contract cultivation of matcha
The area of contract cultivation farms will be expanded twofold in the coming three years.

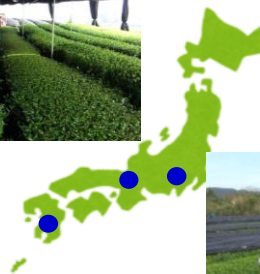
Cultivating raw materials of aojiru in the off-season of tea
Improving efficiency in farming

Value provided to farmers

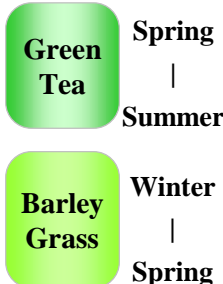
- Stable and sustainable farming
- creation of jobs
- Reduction in production cost, the shortening of work hours

Value provided to society

- Elimination of abandoned farmland (local revitalization)
- Traceability



**Kagoshima, Kyoto
and Shizuoka**



Harvesting with the same Tea Harvester

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
Black coffee
No.1**



* Source: ITO EN, Jan 2018 to Dec 2018

Received the Golden Order of Merit from Japan Red Cross Society



Received the Golden Order of Merit in the Japan Red Cross Society Annual Meeting held on May 22, 2019

Environmentally conscious initiatives

Develops a plant-derived filter and will develop a plant-derived tea bag



Launched in March 2019 100% biodegradable materials "Yokuderu Tea Bag"

Developing a recyclable PET bottle using only recycled resin



Establishing a recycling system of storing used barley tea dregs with water at ordinary temperature, transporting them, and blending them with industrial products



Recycling approximately 20,000 tons of used barley tea dregs annually

The launch of a recycled barley tea dregs product will be announced soon.

Related materials 1

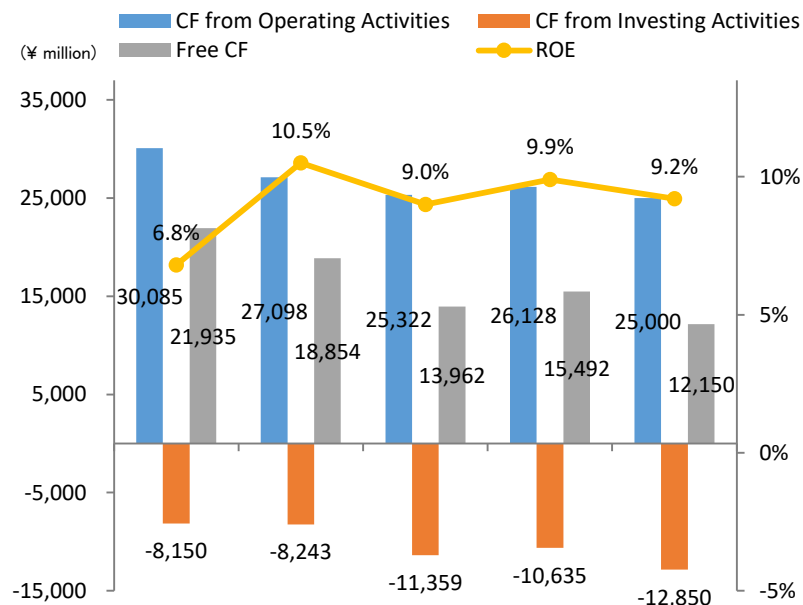
Consolidated Balance Sheet

(as of April 30, 2018 and 2019)

(¥ million)

	2018	2019	Change
Current assets	170,838	177,449	6,611
Cash and deposits	61,664	63,738	2,074
Accounts receivable-trade and inventories	96,792	100,170	3,378
Property, plant and equipment	84,822	84,186	-636
Land	21,745	22,335	590
Leased assets	24,010	19,389	-4,620
Other	39,066	42,460	3,393
Intangible fixed assets	21,588	18,956	-2,632
Goodwill	16,364	14,729	-1,634
Investments and other assets	23,918	23,389	-528
Total assets	301,167	303,981	2,814
Current liabilities	77,187	76,473	-714
Accounts payable	29,879	30,181	302
Short-term loans payable	2,020	2,020	0
Lease obligations	7,002	5,051	-1,950
Income taxes payable	3,948	4,660	711
Non-current liabilities	80,228	76,585	-3,643
Corporate bonds	10,000	10,000	-
Long-term loans payable	45,922	44,522	-1,400
Lease obligations	10,282	7,450	-2,831
Total liabilities	157,416	153,058	-4,358
Net assets	143,750	150,923	7,172

Consolidated Cash Flows

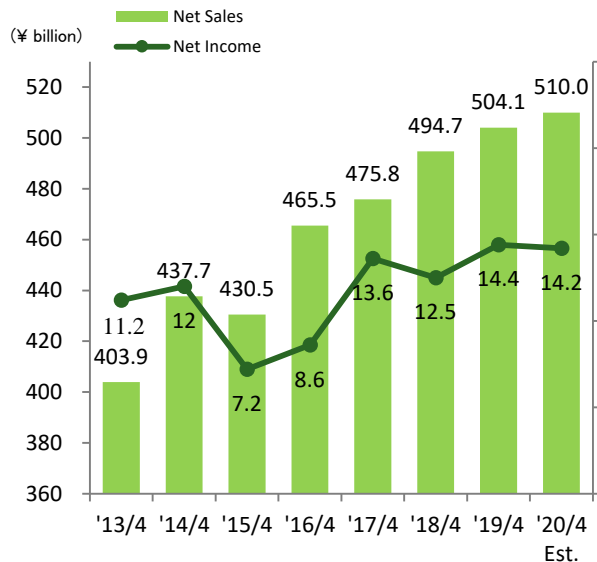


(¥ million)	'16/4	'17/4	'18/4	'19/4	'20/4Est
Capital Investments	8,603	8,135	11,062	10,006	12,152
Depreciation/Amortization	5,203	5,418	6,180	6,735	6,935
Leased Assets Depr.	10,872	7,052	7,042	6,675	6,170
Lease obligations(Repayment)	-11,236	-10,361	-8,616	-6,514	-5,069

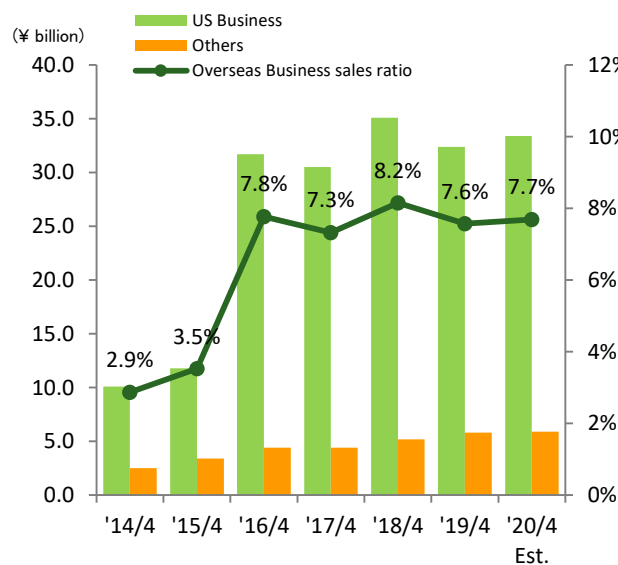
■ Rating	A+	■ Equity ratio	
■ Bond shelf registration (straight bonds)	¥40 billion	4/2018	47.3%
		4/2019	49.2%

Related materials 2

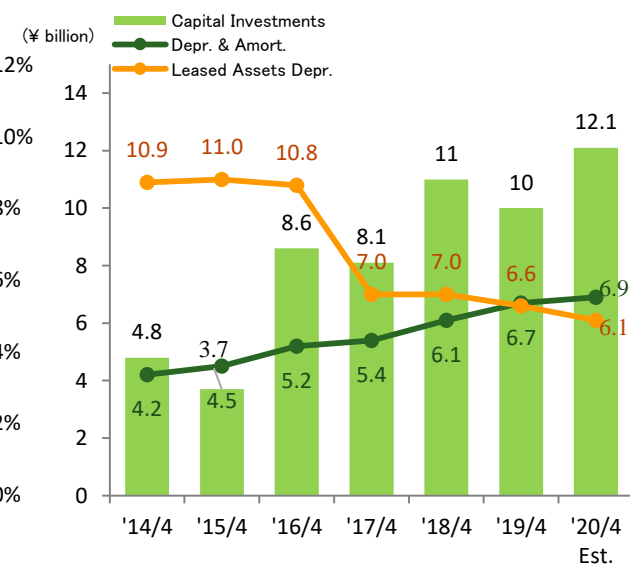
① Net Sales & Net Income



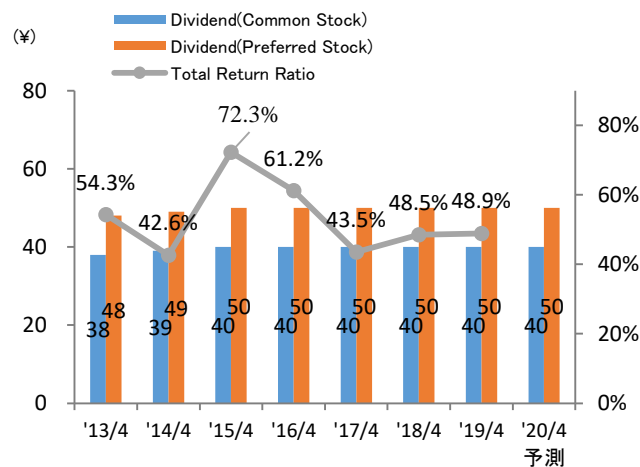
② Overseas Business sales ratio



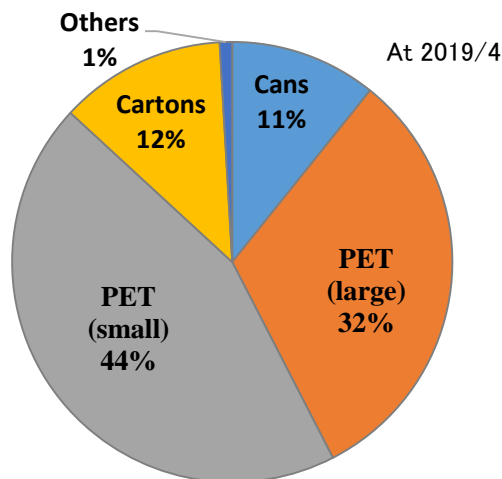
③ Capital investments & Depr.&Amort



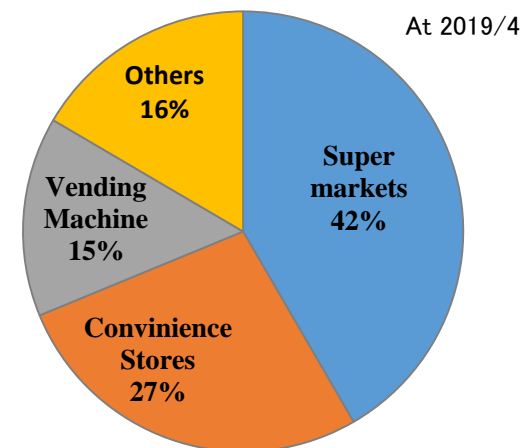
④ Sales composition by area



⑤ Sales composition by Packaging



⑥ Sales composition by Channels





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.