

First Half Financial Results

for the Fiscal Year Ending April 30, 2019

December 2018 ITO EN, LTD.

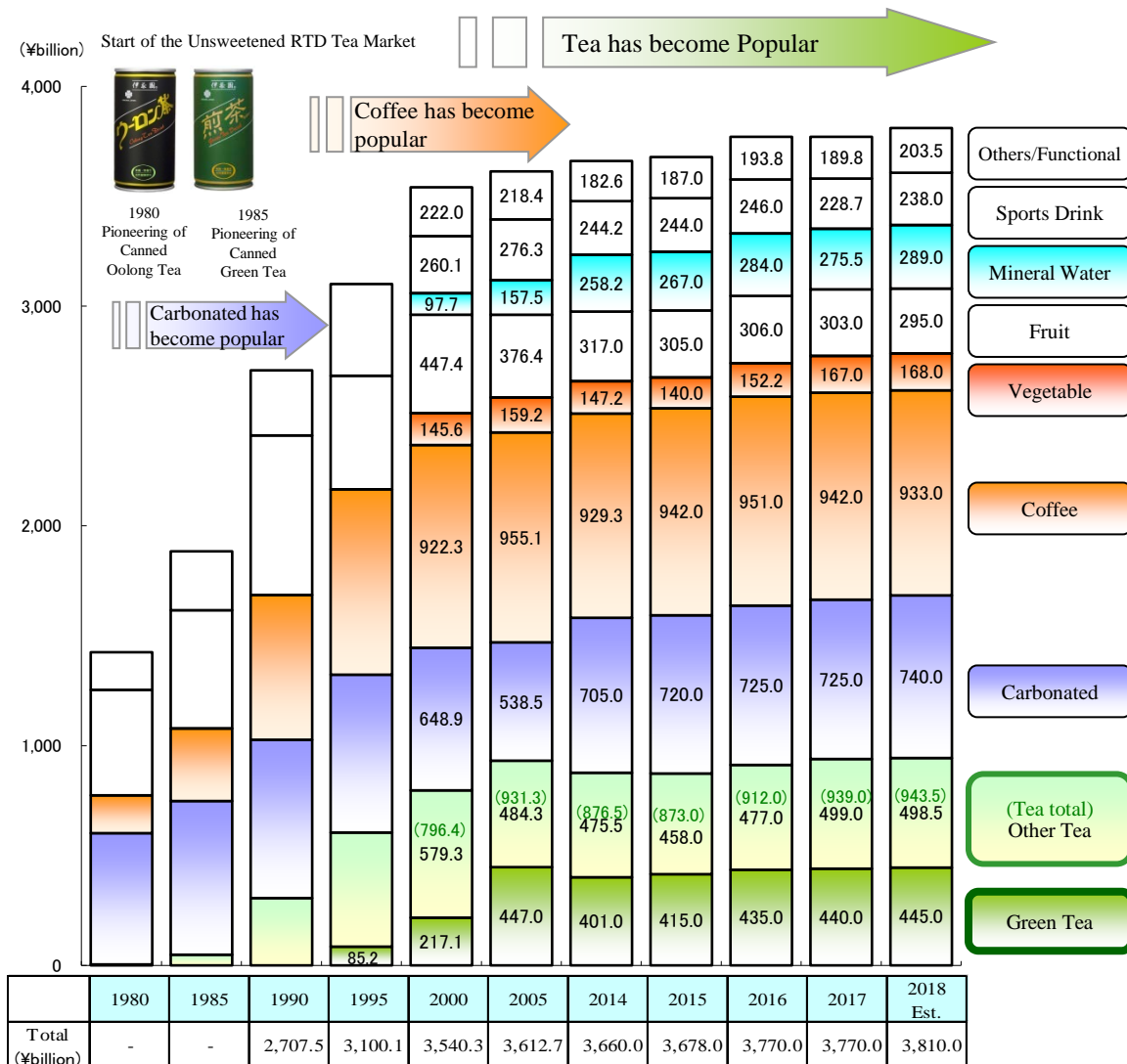


Beverage Market in Japan	P.1	
Results by Category (Non-Consolidated)	P.2	
Results of Operations (First Half Total)	P.3	
Forecasts FYE April 2019	P.4	
“Oi Ocha”	P.5	
Strengthening of the “Oi Ocha”	P.6	<u>Appendix</u>
Expand Distribution of “ITO EN Matcha”	P.7	“Always Putting the Customer First” and “Increased creation for corporate value”
Tea Leaf Products	P.8	CSR Activities Together with Customers
Barley Tea (Leaf, Drink)	P.9	Related materials 1
Group synergy effects of Coffee Business	P.10	Related materials 2
Vegetable Juice	P.11	
Healthy and enriching dietary lifestyle proposals	P.12	
The current state of the tea market of the world and ITO EN	P.13	
Overseas Business Strategy	P.14	
Circle of the value to get in touch with continuous growth	P.15	
Management Policy	P.16	

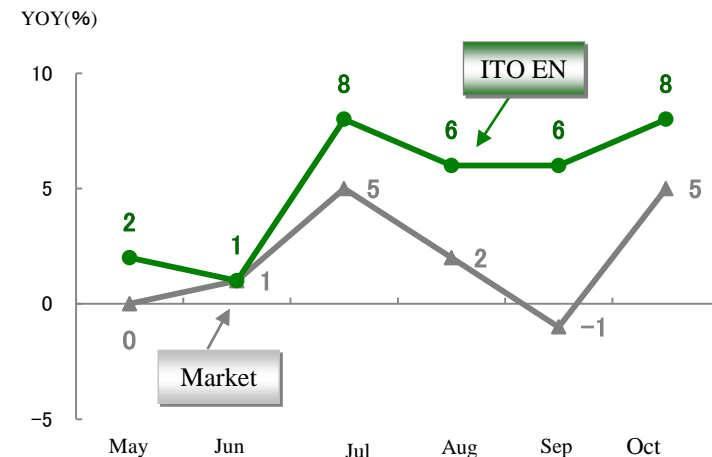


Beverage Market in Japan

RTD Market Trends



Monthly Sales Volume Trends



Source: ITO EN, (Chart) May to Oct 2018

Topics of the Beverage Industry

May-July

- In the observation history, Kanto koshin has recorded earliest end of the rainy season.
- Unseasonable weather continued in late June.
- Demand increase caused by the intense heat record in July.
- Serious damage caused by the heavy rain in West Japan.

August-October

- Extremely hot days continued in August.
- Damage increased due to the weather of autumnal rain front, typhoon 21 and 24 in September.
- Weather was relatively blessed in October.

Results by Category (Non-Consolidated)

(¥ million)

		First Half Total (May to October)								
		FYE Apr. 30, 2017			FYE Apr. 30, 2018			FYE Apr. 30, 2019		
		Sales Composition	YOY % Change	Sales Composition	YOY % Change	Sales Composition	YOY % Change			
Net Sales		204,880	100.0%	1.9%	208,338	100.0%	1.7%	217,725	100.0%	4.5%
	Tea Leaves	15,246	7.4%	2.6%	16,436	7.9%	7.8%	16,902	7.8%	2.8%
	Drinks	188,022	91.8%	1.9%	190,108	91.2%	1.1%	199,013	91.4%	4.7%
	Others	1,611	0.8%	-4.8%	1,793	0.9%	11.3%	1,810	0.8%	1.0%
Breakdown of Drinks	Japanese Tea/Healthy Tea	105,754	51.6%	2.9%	106,153	50.9%	0.4%	113,965	52.3%	7.4%
	Chinese Tea	9,670	4.7%	-3.0%	10,076	4.8%	4.2%	9,172	4.2%	-9.0%
	Vegetable	23,556	11.5%	0.3%	25,267	12.1%	7.3%	25,013	11.5%	-1.0%
	Fruit	5,646	2.8%	-10.1%	6,313	3.0%	11.8%	5,683	2.6%	-10.0%
	Coffee	21,637	10.6%	3.1%	21,185	10.2%	-2.1%	21,366	9.8%	0.9%
	Black Tea	2,678	1.3%	-31.1%	2,072	1.0%	-22.6%	3,155	1.5%	52.3%
	Functional	4,605	2.3%	9.4%	4,432	2.1%	-3.8%	5,053	2.3%	14.0%
	Mineral Water	6,800	3.3%	36.2%	5,969	2.9%	-12.2%	6,510	3.0%	9.1%
	Carbonated	6,368	3.1%	0.2%	7,429	3.6%	16.7%	7,609	3.5%	2.4%
	Others	1,305	0.6%	-16.6%	1,207	0.6%	-7.5%	1,482	0.7%	22.7%

Results of Operations (First Half Total)

■ Summary of Operations (Consolidated and Non-Consolidated)

(¥ million)

		FYE Apr. 30, 2018		FYE Apr. 30, 2019		YOY % Change
			Sales Composition		Sales Composition	
Consolidated	Net Sales	265,883	100.0%	275,468	100.0%	3.6%
	Gross Profit	126,238	47.5%	129,511	47.0%	2.6%
	Sales Commission	44,865	16.9%	47,633	17.3%	6.2%
	Advertising	7,533	2.8%	7,255	2.6%	-3.7%
	Freight	7,578	2.9%	8,246	3.0%	8.8%
	Depreciation and Amortization	5,362	2.0%	5,595	2.0%	4.3%
	Selling, General and Administrative Expenses	111,742	42.0%	116,299	42.2%	4.1%
	Operating Income	14,496	5.5%	13,212	4.8%	-8.9%
	Ordinary Income	14,603	5.5%	13,819	5.0%	-5.4%
	Extraordinary Losses and Income	-227	-	-502	-	-
	Net Income	9,246	3.5%	8,698	3.2%	-5.9%

Non-Consolidated	Net Sales	208,338	100.0%	217,725	100.0%	4.5%
	Gross Profit	98,436	47.2%	101,065	46.4%	2.7%
	Operating Income	10,624	5.1%	9,185	4.2%	-13.5%
	Ordinary Income	12,261	5.9%	10,891	5.0%	-11.2%

■ Performances of Subsidiaries

(¥ million, \$ thousand)

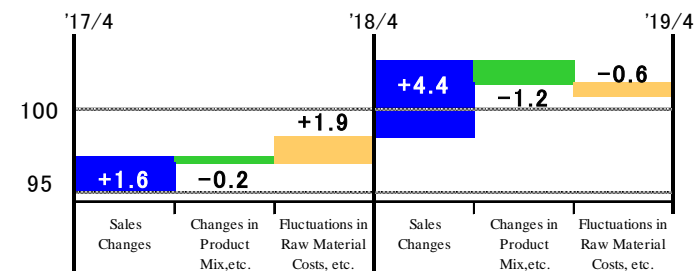
		FYE Apr. 30, 2018		FYE Apr. 30, 2019		YOY % Change
Upper: Net Sales Bottom: Operating Income						
Domestic Subsidiaries		54,177		56,267		3.9%
		3,177		3,451		8.6%
	Tully's Coffee Japan Co., Ltd.	15,928		16,981		6.6%
		1,655		1,875		13.3%
	Chichiyasu Company	7,677		7,479		-2.6%
Overseas Subsidiaries		20,130		20,590		2.3%
		1,419		1,392		-1.9%
	US Business	17,369		17,373		0.0%
		1,060		819		-22.8%
		\$156,167		\$156,290		0.1%
		\$9,533		\$7,368		-22.7%
Other Overseas Subsidiaries		2,760		3,217		16.5%
		358		573		59.9%
Elimination of Internal Transactions		-16,762		-19,115		-
		-724		-817		-

Exchange rate (US\$) ¥111.5 ¥111.2

(First Half average rate)

■ Breakdown of Gross Profit Change (Non-Consolidated)

(¥ billion)



Forecasts FYE April 2019

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

		FYE Apr. 30, 2018		FYE Apr. 30, 2019 Est.		
			Sales Composition		Sales Composition	YOY % Change
Consolidated	Net Sales	494,793	100.0%	507,800	100.0%	2.6%
	Gross Profit	233,983	47.3%	240,220	47.3%	2.7%
	Sales Commission	81,615	16.5%	84,876	16.7%	4.0%
	Advertising	12,491	2.5%	11,590	2.3%	-7.2%
	Freight	14,188	2.9%	14,965	2.9%	5.5%
	Depreciation and Amortization	10,873	2.2%	11,384	2.2%	4.7%
	Selling, General and Administrative Expenses	211,939	42.8%	217,220	42.8%	2.5%
	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	-	-810	-	-
Net Income		12,553	2.5%	14,000	2.8%	11.5%

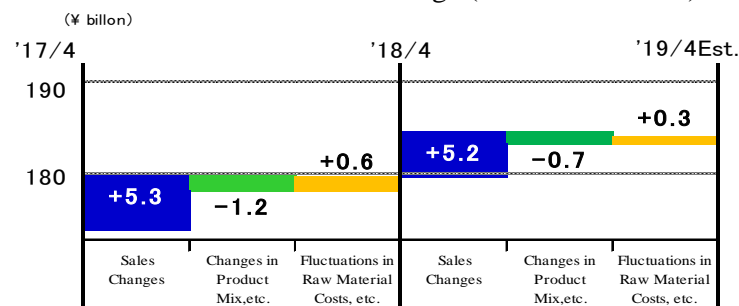
Non-Consolidated	Net Sales	383,212	100.0%	394,300	100.0%	2.9%
	Gross Profit	179,707	46.9%	184,524	46.8%	2.7%
	Operating Income	15,394	4.0%	16,500	4.2%	7.2%
	Ordinary Income	17,142	4.5%	18,180	4.6%	6.1%

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

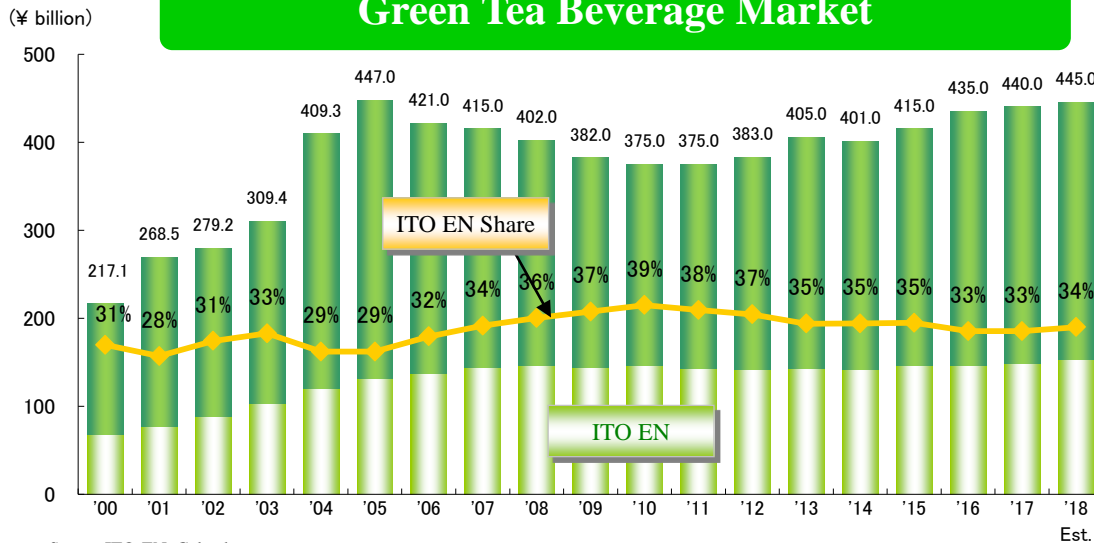
Upper: Net Sales Bottom: Operating Income		FYE Apr. 30, 2018	FYE Apr. 30, 2019 Est.	YOY % Change
Domestic Subsidiaries		104,722	108,250	3.4%
		5,620	5,751	2.3%
Tully's Coffee Japan Co., Ltd.		32,589	34,480	5.8%
Chichiyasu Company		3,250	3,425	5.4%
		14,398	14,610	1.5%
		305	318	4.0%
Overseas Subsidiaries		40,362	39,027	-3.3%
		2,619	2,797	6.8%
US Business		35,130	33,231	-5.4%
		2,018	1,782	-11.7%
		\$317,650	\$307,696	-3.1%
		\$18,253	\$16,506	-9.6%
Other Overseas Subsidiaries		5,231	5,796	10.8%
		600	1,015	68.9%
Elimination of Internal Transactions		-33,504	-33,777	-
		-1,592	-2,049	-

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

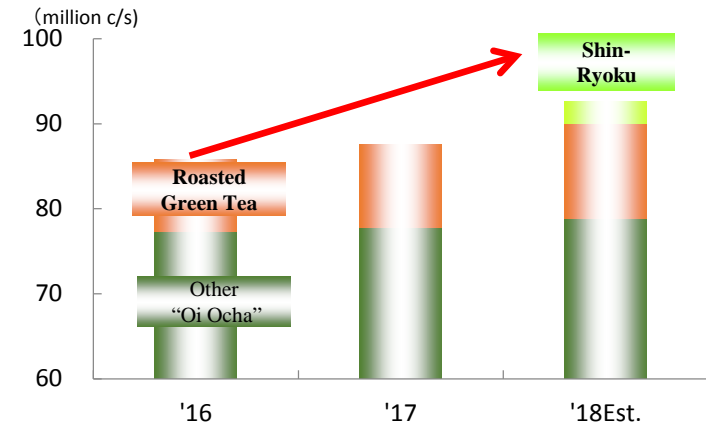
■ Breakdown of Gross Profit Change (Non-Consolidated)



Green Tea Beverage Market



Shin-Ryoku and Roasted Green Tea contributed to the growth of Oi Ocha Brand up to 100 mil.C/S



Consumer composition map of Oi Ocha by gender and generation



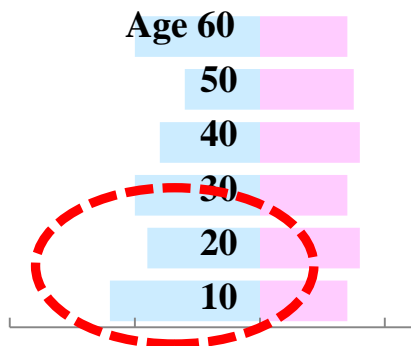
Strengthening of the “Oi Ocha”

Rewarm and enjoy the tea with
Microwavable PET Bottle



Appeal to the preference of the young generation,
The Rich Taste of "Matcha"

Male 68% Female 32%



The Uji Matcha brand
『YOMONOHARU』
“Beginning of new thing”
"happiness"



MATCHA 抹茶
YOMONOHARU 宇治

The brand logo signify
the "Spread of Happiness"

Research to create health value

Clinical Trial to Evaluate the Dementia Prevention Effects of Matcha

Joint research between ITO EN, Shimadzu and MCBL

Research objective: Evaluate the matcha's dementia prevention effects

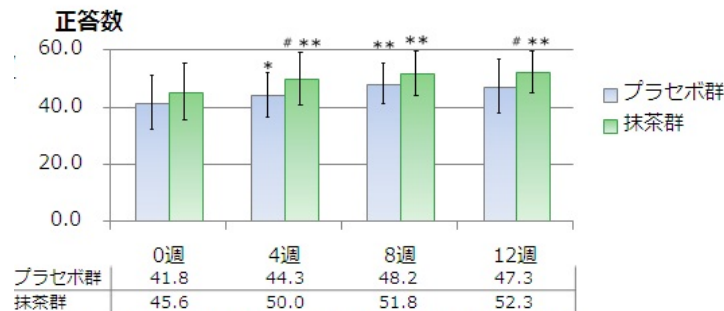
Subjects:
Sochi-kai, medical institute, and
university hospital



[Research group]
• ITO EN, Ltd.
• Shimadzu, Corp.
• MCBL, Inc.
• A medical institute Sochi-kai
(Chief Director: Takashi
Asada)
• Hachiro Sugimoto, a visiting
professor (Doshisha
University)
• University hospital

Evaluations of blood based biomarkers with kinetic analyses, amyloid PET, fNIRS, and various cognitive examinations

It was confirmed that the execution function of
the usual middle and old aged person improves by
continuation absorption of Matcha.



**p<0.01 0週との比較、*p<0.05 プラセボ群との比較

The improvement of the execution function was
confirmed by a careful shift test.

ITOEN Central Research Institute



Expand Distribution of "ITO EN Matcha"

Unique Matcha project of ITO EN

Started the contract cultivation of Matcha from 2010 and expand to Kagoshima, Kyoto and Shizuoka prefectures.



Experience and trust that accumulated from the "Development Program of Tea-growing Area"



Original Clean Processing Facilities



Latest facilities for milling Matcha tea leaves



ITO EN's unique processing technology of Matcha

Matcha \neq insoluble and hard to handle

Intake the health benefit of whole tea leaf with Matcha

Japanese Matcha that certified in world wide



Enjoy Matcha at home easily



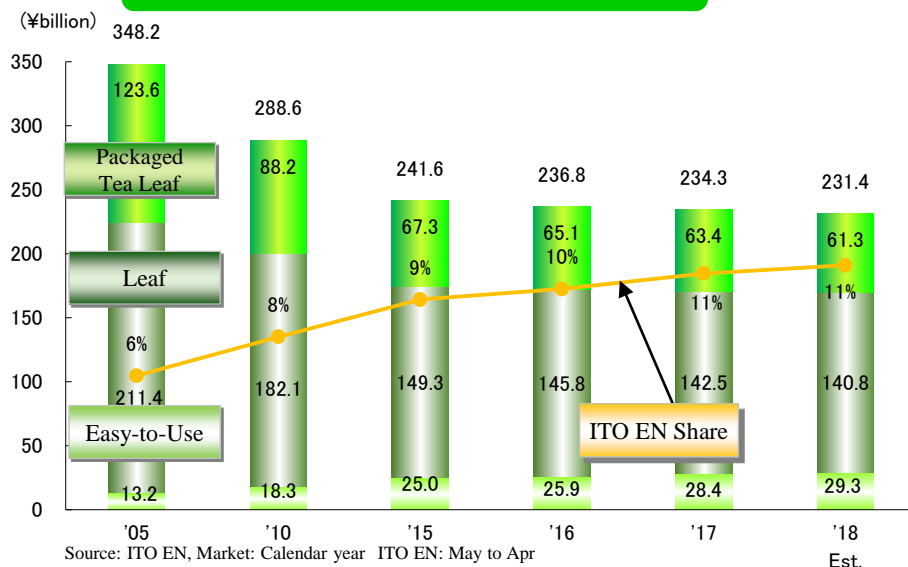
You can enjoy the authentic Matcha anytime and anywhere



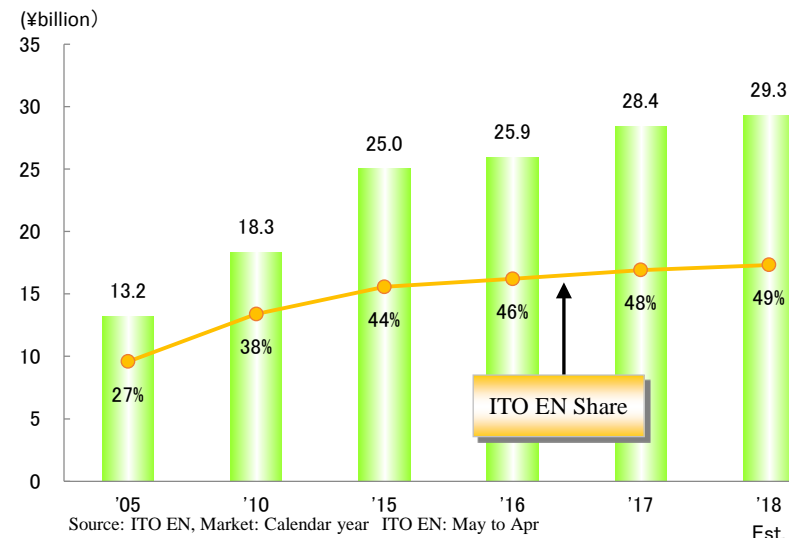
Bring up ITO EN quality as a global quality standard

Tea Leaf Products

Green Tea Leaf Product Market



Easy-to-Use Green Tea Leaf Product Market



Recommending "Situation Oriented Consumptions" of green tea

Activity by our certified TEA TASTER employees



Holding a tea seminar
at Sensoji temple in Asakusa



Enjoy the Ice Cold Brewed green tea easily



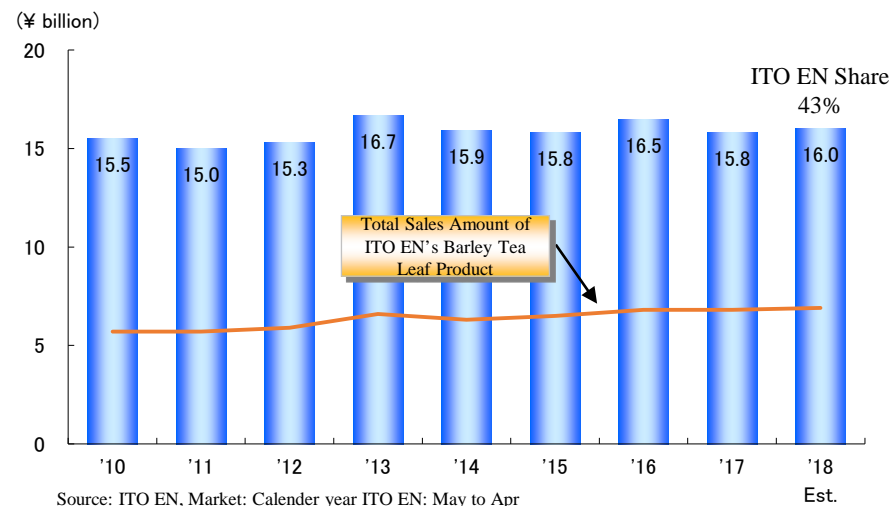
Directly managed shop handling Single-Origin tea leaves



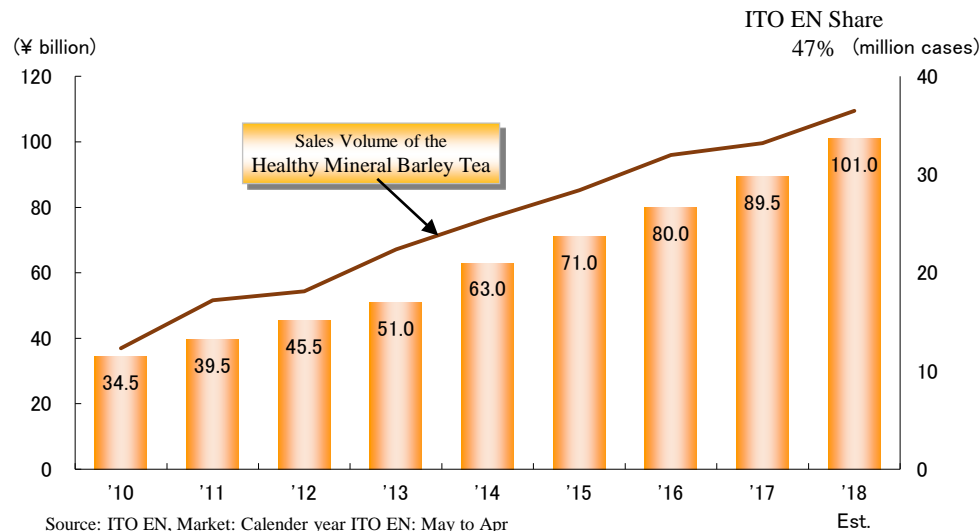
"San-Sen-Cha-Moku" tea shop opened on 10/10
at Hankyu Umeda dept. store

Barley Tea (Leaf, Drink)

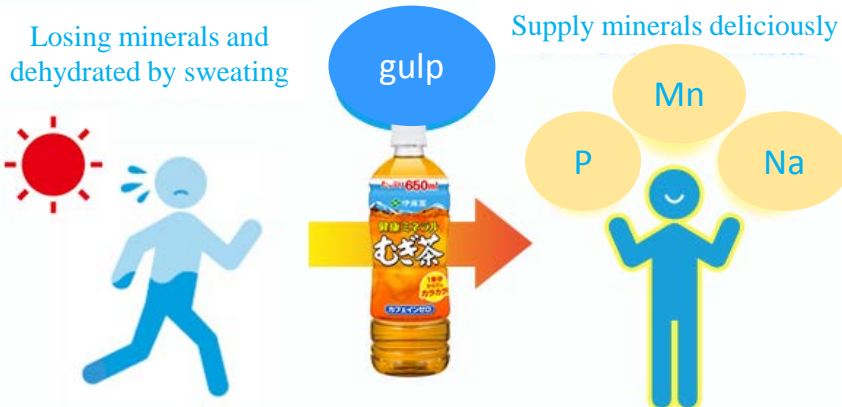
Barley Tea Leaf Product Market



RTD Barley Tea Market



Ideal for hydration after exercise



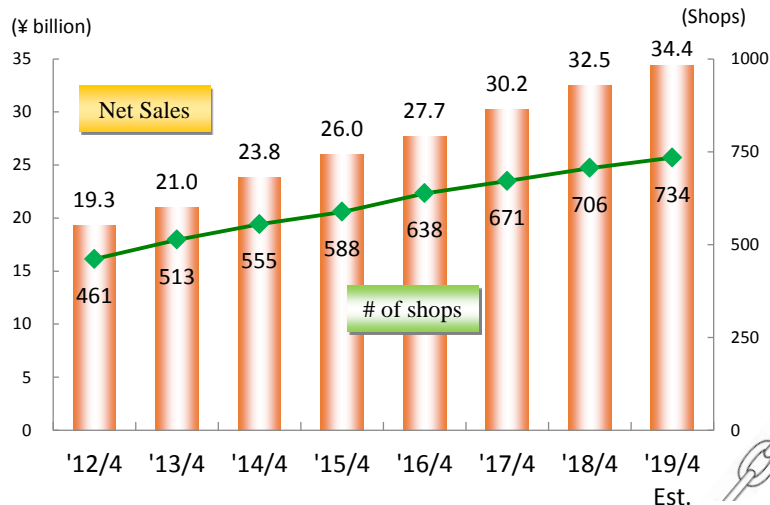
No.1 Share in "Caffeine-Free RTD Tea" Category



Barley powder dissolves quickly even with water or hot water.
Ideal for carrying when you go out with small kids.

Group synergy effects of Coffee Business

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



700th memorial store opened
in West region

Namba ground Kagetsu store

Collaboration with
Yoshimoto Kogyo

700th memorial store opened
in East region
ENODEN Enoshima station store
Collaboration with
Enoshima Electric Railroad



Reinforcement of the brand of Tully's

Distant Lands Trading Co.

The authentic quality for heavy users

Acquire the users of
young generation

For vending machines

Vertical integration of coffee from cultivation
to sales, mainly in the USA

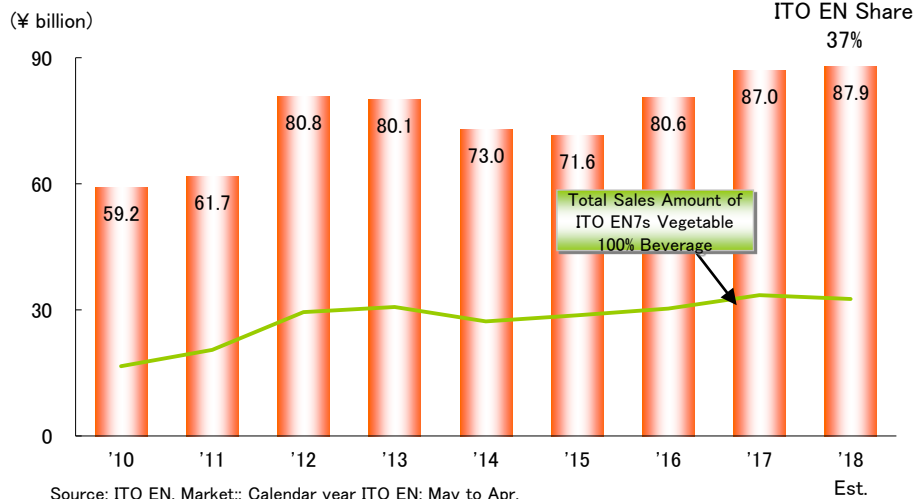


Owned plantations and fine selected factories
acquired authentication of "Rain Forest Alliance"



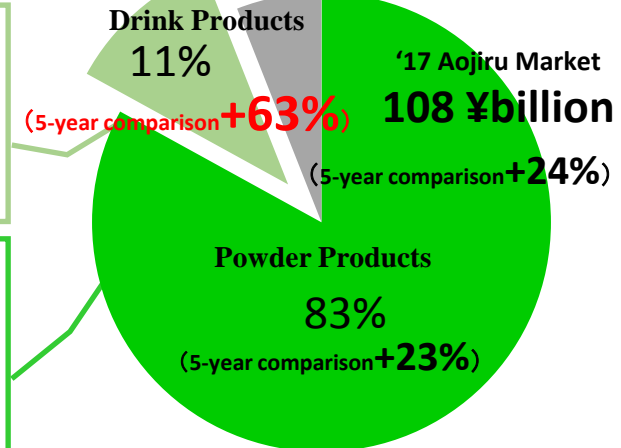
Vegetable Juice

100% Vegetable Juice Market



Aojiru (Green juice) drink category NO.1

Aojiru Products



Collaboration with JDA (Japan Dietetic Association)

栄養の日

たのしく食べる、カラダよろこぶ

8/4 栄養の日 8/1-7 栄養週間



Sampling by a managing dietician



Study of the carrot most suitable for a drink of vegetables

Fine selected kind of carrot "SYUI"



Vegetables are also from a field. (Carrot "Syui and barley young leaf)

Improve efficiency of the agricultural business by cultivating barley young leaves when the tea cultivation is in slack season.

Share the same harvesting machine for tea leaves and young barley leaves

Green Tea

Spring ~ Summer

Barley Grass

Winter ~ Spring



Healthy and enriching dietary lifestyle proposals

Measure to cholesterol



FOSHU

Non caffeine



**Products supporting
the Japanese Red Cross Society**

Supply necessary nutrients



Nutritional function food

The Rooibos Tea market NO.1 brand



**Market increased fivefold
in last 10 years**

25th Anniversary super-long seller of FOSHU product



The industry's first Nata de Coco RTD

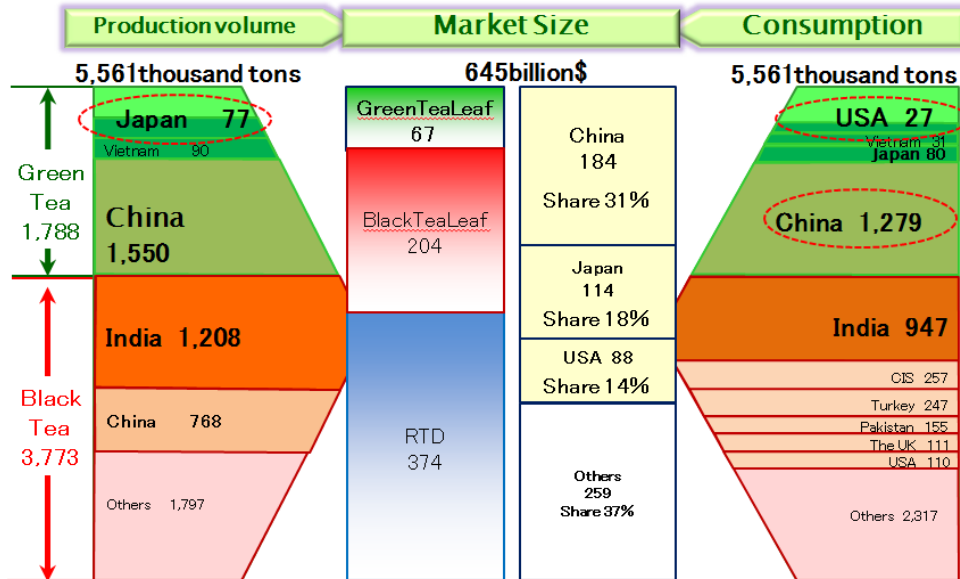
Domestic import water NO.1 brand



**Well-balanced mineral
ingredient**

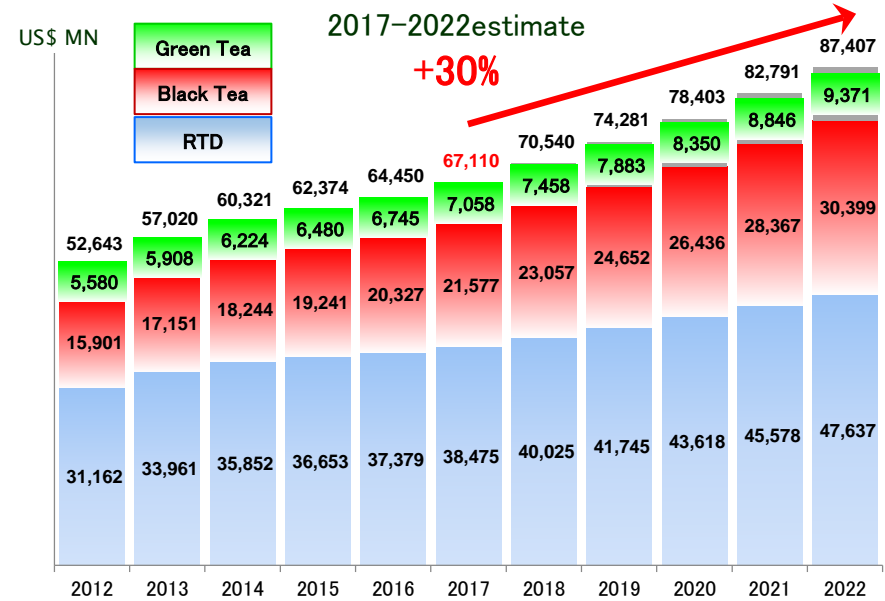
The current state of the tea market of the world and ITO EN

Supply & demand situation of the world



Source: International Tea, Euromonitor

Global Tea Market (Leaf & RTD)



Source: Euromonitor

The Japanese quality to the world



Matcha latte



Matcha is used as the seasoning.



"JAPAN'S FOOD" EXPORT FAIR

"Oi Ocha" sales country



Made from Australian grown green tea

Tea cultivation season is opposite from Japan.

57ha 309t

Planned to start local production of tea bags in Australia



Overseas Business Strategy

Brand strategy

Establish “ITO EN” & “Oi Ocha” as a global brand

Product strategy

The full line-up of the green tea(Leaf tea, Tea bags, Matcha, Powdered tea,Beverages)

Area strategy

Distributing Asia and worldwide centering on North America



GLOBAL RTD



	North America	Asia Oceania
Teabag	+23%	+24%
Drink	+17%	+15%
Matcha	+171%	+81%



GLOBAL MATCHA

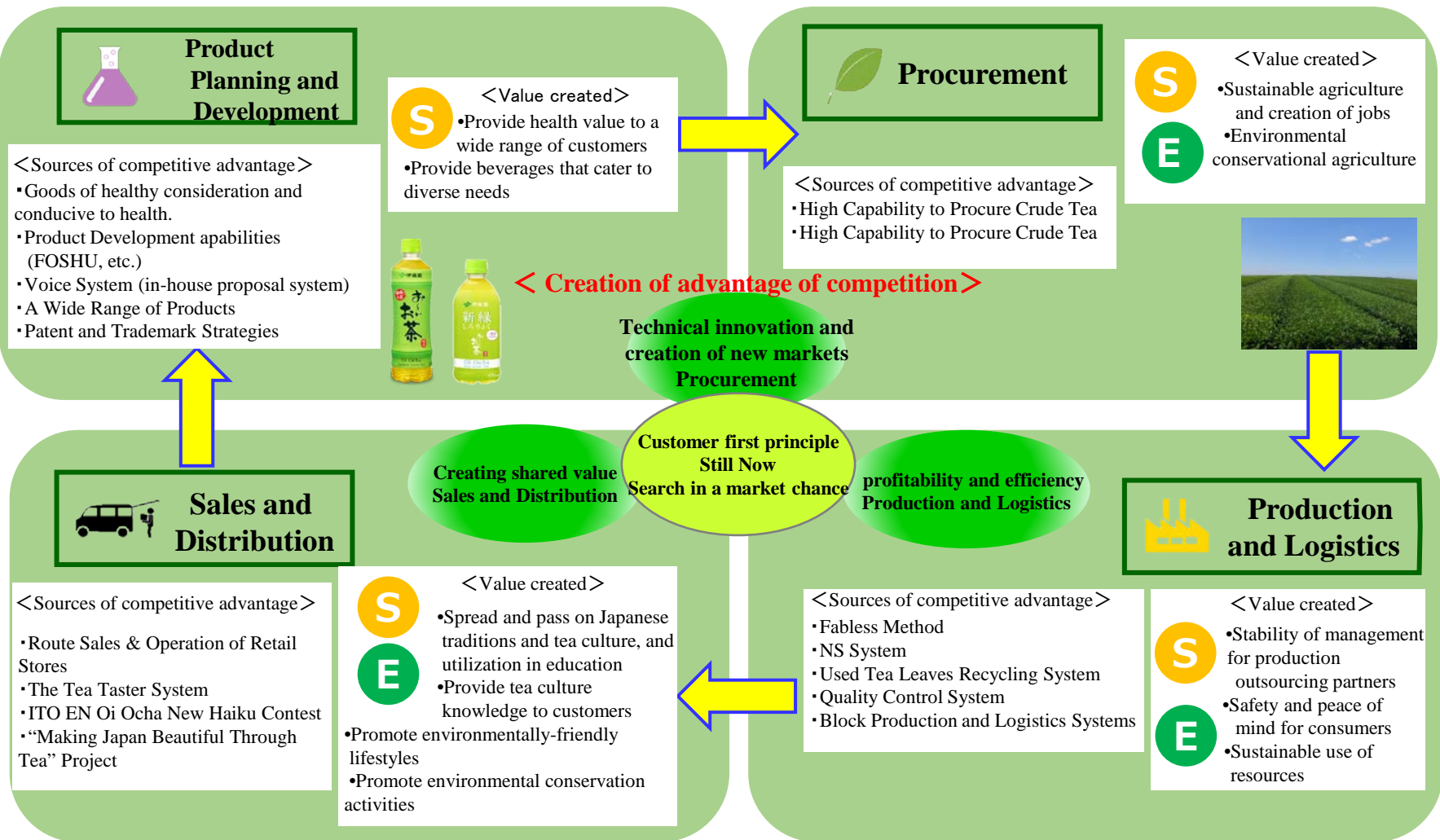


GLOBAL TEABAG USA/AUS/SGP/GCC/TWN

CHN

Circle of the value to get in touch with continuous growth

The ITO EN Value Creation Story: Value circle for building a competitive advantage (cyclic value chain & value creation)



Becoming a Global Tea Company

Foundation that underpins creation of value



Corporate governance, risk management, compliance, supply chain management, respect for human rights, human resources management, finance management

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



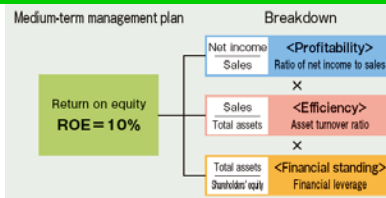
2. Strengthening of the International Business

- 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
- Correspondence to ESG



Medium and Long-Term Management Plan

Towards 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. Train world-class Tea Tasters

Domestic:

Excellent Beverage Company Challenge for New Businesses

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

FYE April 2022 Plan (Consolidated)

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

Appendix

“Always Putting the Customer First” and “Increased creation for corporate value”

Creating corporate value together with brand growth, from the time of our initial founding

Japan “SDGs Award (Special Award “SDGs Partnership Award”))” (2017)



Japan.
Committed to SDGs

“Making Japan Beautiful Through Tea” Project” (2009~)



“Used Tea Leaves Recycling System” (2001~)



“The Tea-Producing Region Development Project (New tea plantations business)” (2001~)



“ITO EN TEA TASTER” System (1994~)



The first “ITO EN Oi Ocha New Haiku Contest” (1989~)



Route Sales (1966~)



1966
The Frontier Tea Corporation, ITO EN's predecessor, launched packaged green tea. In 1969, the corporate name was changed to ITO EN.

1980
Launched canned oolong tea

1989
Launched the Oi Ocha brand

1985
Launched canned Sencha

1990
Launched green tea in PET plastic bottle

2000
Launched heatable PET plastic bottle products

1992
Launched Jujitsu Yasai

2008
Acquired exclusive distributing rights for Evian mineral water in Japan



2007
Launched TULLY'S COFFEE BARISTA'S SPECIAL



2004
Launched One day Veggie

2002
Launched Kenko Mineral Mugicha

2013
Launched Healthy Rooibos Tea

2016
Launched microwaveable product

2012
Launched Stylee Sparkling (FOSHU certified beverage)



2011
Launched Asano Yoo and Futatsunohataraki Catechin Ryokucha (FOSHU certified beverages)

2009
Launched TEAS' TEA brand in Japan
Launched first canned coffee under the TULLY'S COFFEE brand

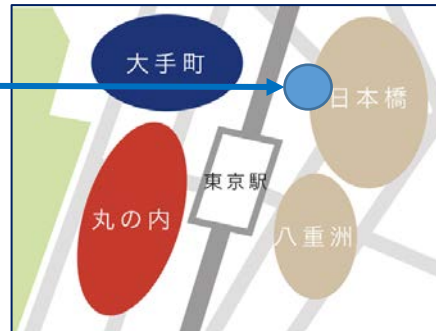


CSR Activities Together with Customers

produce a relaxation space utilizing
recycled used tea leaves



Mitsubishi Estate Co., Ltd. is currently engaged in the Tokyo Tokiwabashi 2027 urban redevelopment project. In the central passageway being used provisionally as part of the project, ITOEN will produce a relaxation space utilizing various ITOEN products, including those made from recycled used tea leaves (created through joint development efforts in association with Mizuno Corporation).
*Construction is scheduled to be completed on Wednesday, December 12, 2018.



Tokyo Tokiwabashi 2027 project (Otemachi 2-Chome Tokiwabashi District Class I Urban Area Redevelopment Project)
Tokyo Tokiwabashi 2027 is a large-scale combined urban redevelopment project being conducted by Mitsubishi Estate Co., Ltd. The project covers an area of 3.1 ha, the largest of its kind in the vicinity of Tokyo Station.

「The 5th Hot-Town Summit 2018
in Shibuya」



Entered into agreement with
Gifu Prefecture and Tajimi City
"Corporation and Support Agreement
for Heat Measure and Disaster"



Related materials 1

Consolidated Balance Sheet

(as of October 31, 2017 and 2018)

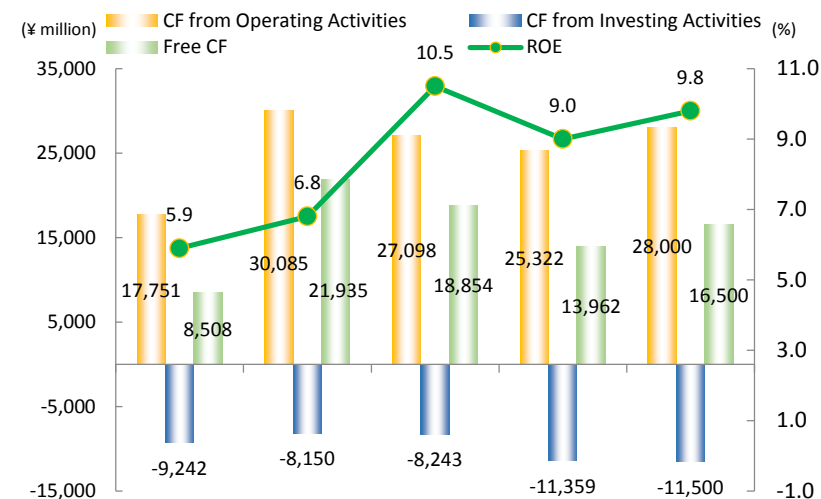
	2017	2018	Change
(¥ million)			
Current assets	175,138	177,345	2,207
Cash and deposits	61,998	61,376	-622
Accounts receivable-trade and inventories	94,793	101,918	7,125
Property, plant and equipment	84,702	84,780	78
Land	21,616	21,839	222
Leased assets	26,060	21,577	-4,482
Other	37,025	41,363	4,338
Intangible fixed assets	23,160	20,426	-2,734
Goodwill	17,517	15,697	-1,819
Investments and other assets	21,254	23,619	2,364
Total assets	304,256	306,172	1,916
Current liabilities	77,931	79,060	1,129
Accounts payable	27,771	31,446	3,675
Short-term loans payable	2,465	2,030	-435
Lease obligations	7,952	5,946	-2,006
Income taxes payable	5,292	4,834	-457
Non-current liabilities	82,009	78,103	-3,906
Corporate bonds	10,000	10,000	-
Long-term loans payable	46,689	45,222	-1,467
Lease obligations	11,560	8,661	-2,898
Total liabilities	159,940	157,163	-2,776
Net assets	144,315	149,008	4,693

■ Rating	A+	■ Equity ratio	
■ Bond shelf registra (straight bonds)	¥40 billion	10/2017	47.1%
		10/2018	48.2%

Promoting Governance Reforms

- Financial strategies with an awareness of capital costs
- Reviewing and revising business portfolios
- Enhancing investment risk management
- Ensuring the effectiveness of the Board of Directors
- Establishing executive officer systems and committees, etc.

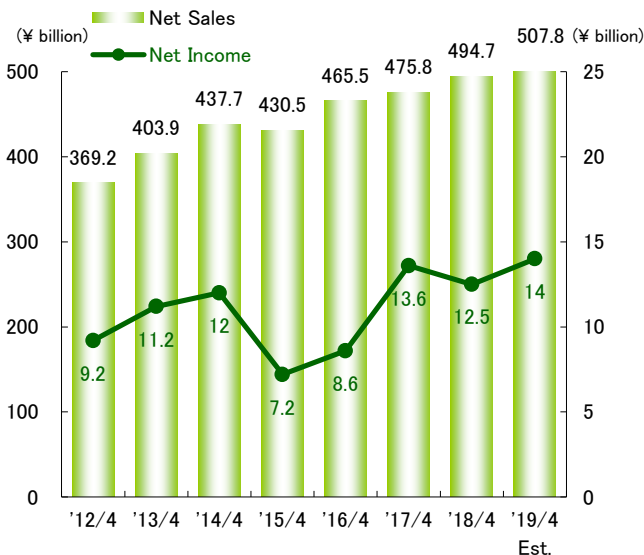
Consolidated Cash Flows



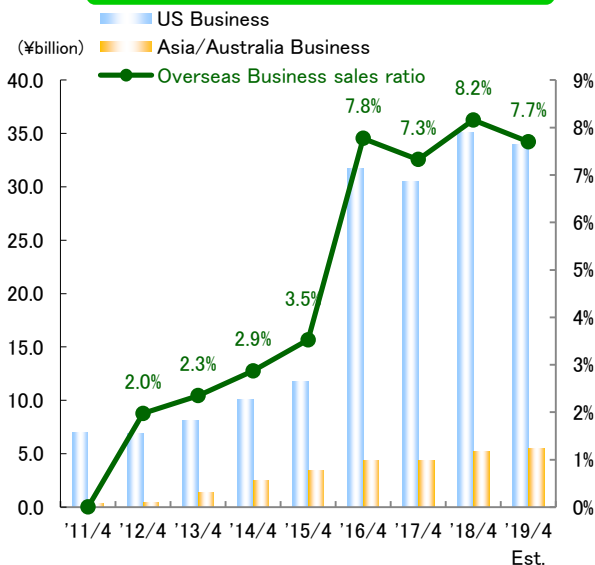
	'15/4	'16/4	'17/4	'18/4	'19/4Est.
Capital Investments	3,731	8,603	8,135	11,062	11,699
Depreciation Amortization	4,568	5,203	5,418	6,179	6,809
Leased Assets Depr.	11,085	10,872	7,051	7,042	6,652
Lease obligations (Repayment)	-12,143	-11,236	-10,361	-8,616	-7,081

Related materials 2

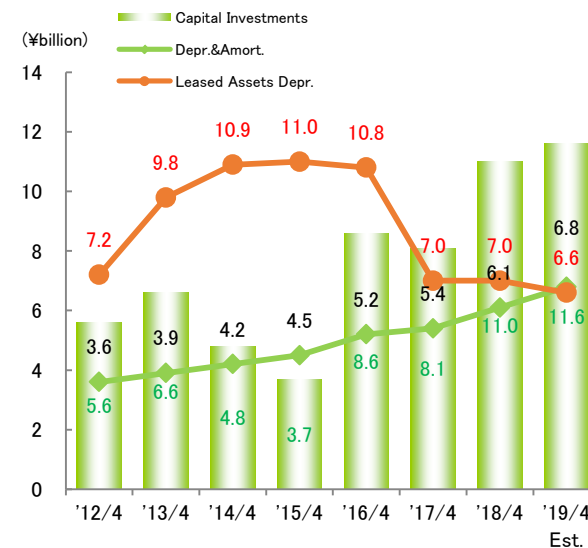
① Net Sales & Net Income



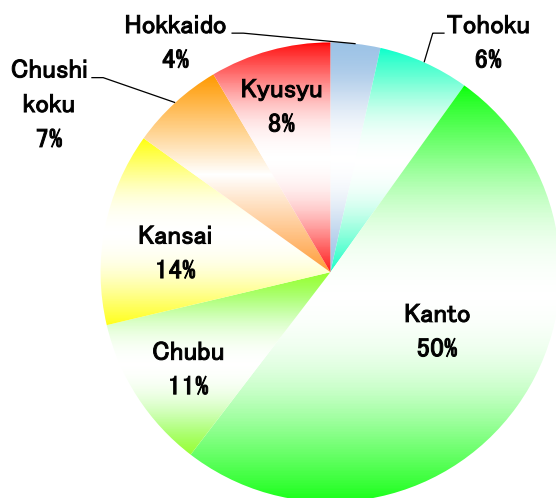
② Overseas Business sales ratio



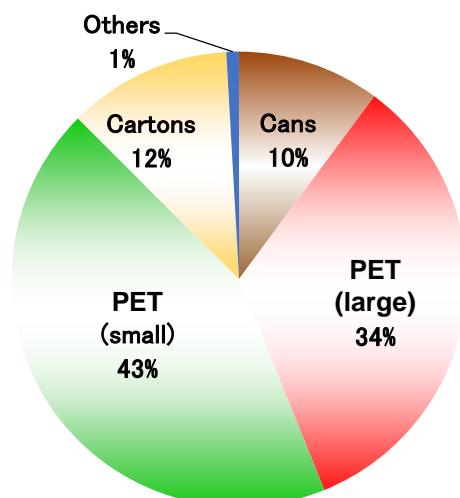
③ Capital investments & Depr.&Amort



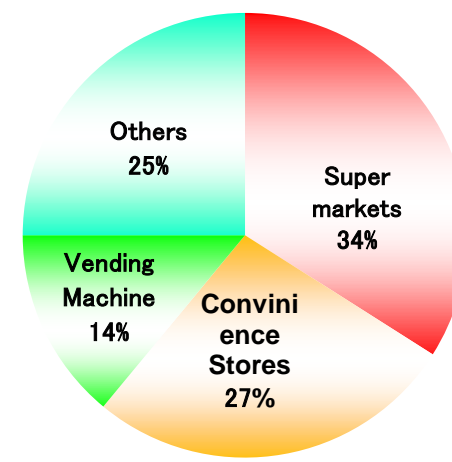
④ Sales composition by area



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.