



Always Putting  
the Customer First

Our principle is to honor each and every customer.

*Consumers*

*Shareholders &  
Investors*

*All Entities Who Sell  
ITO EN's Products*

*Suppliers*

*Financial  
Institutions*

*Local  
Communities*

*Natural*

*Healthy*

*Safe*

*Well-designed*

*Delicious*

1. Beverage Market in Japan
  2. Results of Operations  
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Announcement of Financial Results for the Second Quarter of  
the Fiscal Year Ending April 30, 2011: Explanatory Materials

December 2010

# 1. Beverage Market in Japan

## Market Trends

(¥ billion)

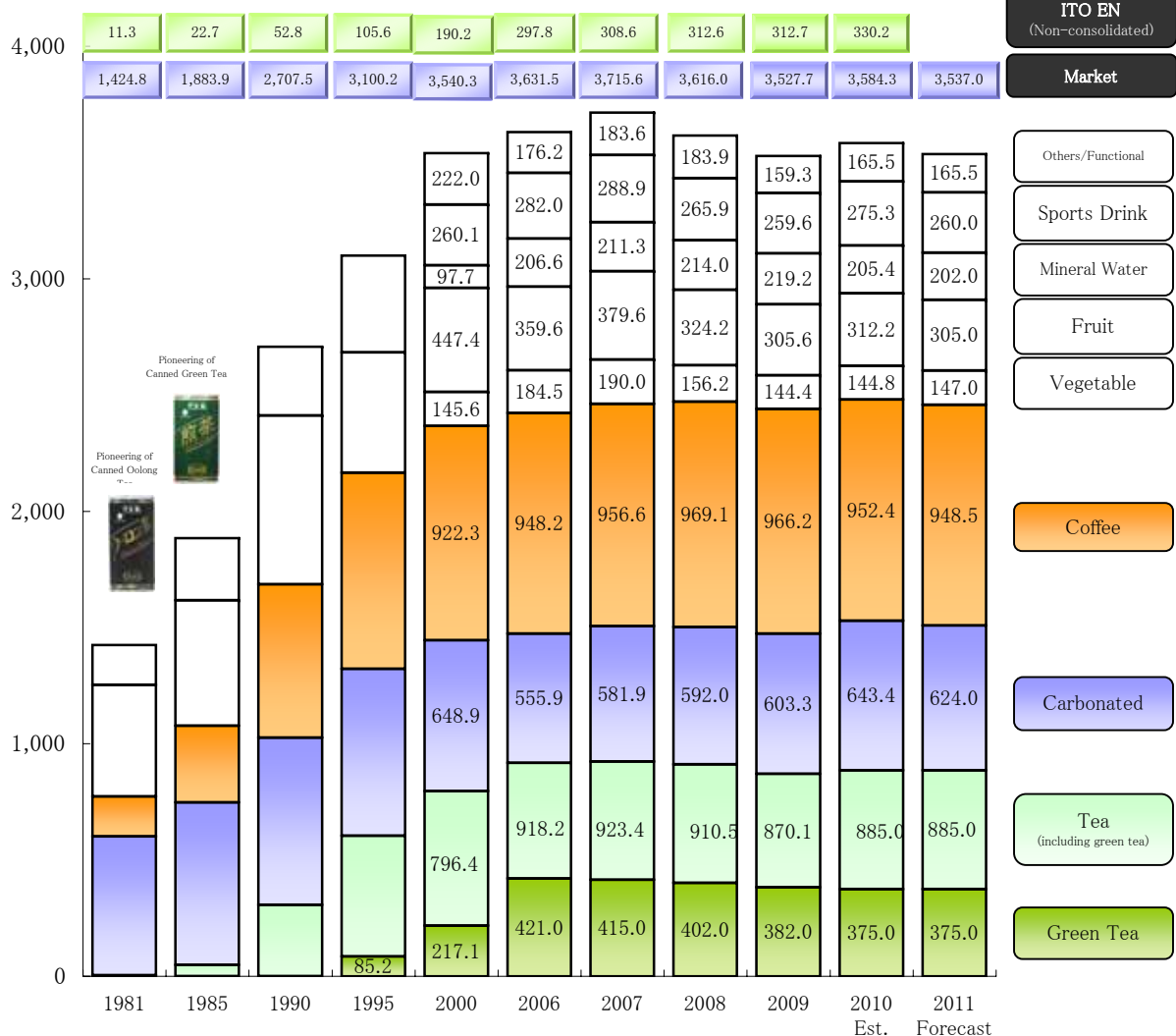
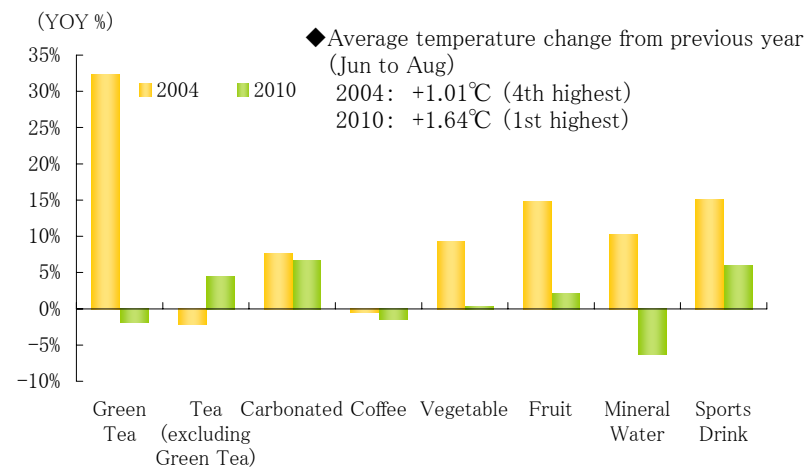


chart ①

## Monthly Sales Trends (sales basis)

chart ②



Source: ITO EN, Calendar Year  
 Note: Vegetable & fruit mixed juice in 2004 is included in Fruit

## Monthly Sales Trends (volume basis)

chart ③



Sources: ITO EN Period: Nov 2009 to Oct 2010

Source: ITO EN, Period: Market (Calendar Year), ITO EN (May to April)  
 Note: Market size of tea includes green tea.

## 2. Results of Operations (First and Second Quarter Totals)

		For the Year Ended Apr. 30, 2010		For the Year Ending Apr. 30, 2011		
		¥ million	Sales Composition	¥ million	Sales Composition	YOY % Change
Consolidated	Net Sales	179,506	100.0%	194,581	100.0%	8.4%
	Gross Profit	87,986	49.0%	94,569	48.6%	7.5%
	Selling Commission	26,005	14.5%	27,337	14.0%	5.1%
	Advertising	5,351	3.0%	5,674	2.9%	6.0%
	Transportation	8,206	4.6%	9,084	4.7%	10.7%
	Depr. and Amort.	2,456	1.4%	3,574	1.8%	45.5%
	Selling, General and Administrative Expenses	78,825	43.9%	82,416	42.3%	4.6%
	Operating Income	9,161	5.1%	12,153	6.2%	32.7%
	Ordinary Income	8,713	4.9%	11,212	5.8%	28.7%
	Extraordinary Expenses and Income	-99	-	-485	-	-
Net Income	4,701	2.6%	5,927	3.0%	26.1%	
Non-Consolidated	Net Sales	169,357	100.0%	183,316	100.0%	8.2%
	Gross Profit	81,071	47.9%	86,810	47.4%	7.1%
	Operating Income	8,642	5.1%	11,042	6.0%	27.8%
	Ordinary Income	8,760	5.2%	10,578	5.8%	20.8%

Performances of Subsidiaries			(¥ million)
	For the Year Ending Apr. 30, 2011		
	Net Sales	Operating Income	
ITO EN (North America) INC.	2,819	265	
	(2,665)	(26)	
	32,345 \$thousands (28,325 \$thousands)	3,056 \$thousands (286 \$thousands)	
Tully's Coffee Japan Co., Ltd	7,700	642	
	(6,943)	(353)	
Domestic Subsidiaries	20,618	634	
	(16,865)	(633)	
Other Subsidiaries	906	-14	
	(852)	(-14)	
Elimination of Internal Transactions	-20,780	-417	
	(-17,177)	(-479)	

※ ( ) is FYE April 30, 2010

Breakdown of Gross Profit Change (Non-Consolidated)		(¥ billion)
	For the Year Ending Apr. 30, 2011	
Sales Changes	6.7	
Changes in Product Mix	-1.1	
Fluctuations in Sales Prices	-2.2	
Fluctuations in Raw Material Costs	2.2	
Inventory Assets	0.1	

### 3. Annual Forecasts

		For the Year Ended Apr. 30, 2010		For the Year Ending Apr. 30, 2011 Est.		
		¥ million	Sales Composition	¥ million	Sales Composition	YOY % Change
Consolidated	Net Sales	332,984	100.0%	352,300	100.0%	5.8%
	Gross Profit	163,393	49.1%	171,600	48.7%	5.0%
	Selling Commission	48,221	14.5%	49,645	14.1%	3.0%
	Advertising	9,509	2.9%	10,295	2.9%	8.3%
	Transportation	15,042	4.5%	16,177	4.6%	7.5%
	Depr. and Amort.	5,687	1.7%	7,648	2.2%	34.5%
	Selling, General and Administrative Expenses	150,940	45.3%	156,600	44.5%	3.7%
	Operating Income	12,453	3.7%	15,000	4.3%	20.5%
	Ordinary Income	11,679	3.5%	13,700	3.9%	17.3%
	Extraordinary Expenses and Income	-506	-	-560	-	-
Net Income	5,996	1.8%	7,000	2.0%	16.7%	

Non-Consolidated	Net Sales	312,766	100.0%	330,200	100.0%	5.6%
	Gross Profit	149,582	47.8%	156,368	47.4%	4.5%
	Operating Income	11,297	3.6%	13,200	4.0%	16.8%
	Ordinary Income	11,119	3.6%	12,400	3.8%	11.5%

#### Forecasts of Subsidiaries

(¥ million)

	For the Year Ending Apr. 30, 2011 Est.	
	Net Sales	Operating Income
ITO EN (North America) INC.	5,420 (5,439)	320 (160)
	63,394 \$thousands (58,875 \$thousands)	3,821 \$thousands (1,760 \$thousands)
Tully's Coffee Japan Co., Ltd	15,100 (13,945)	1,010 (686)
Domestic Subsidiaries	37,600 (31,843)	1,220 (1,178)
Other Subsidiaries	1,860 (1,688)	-23 (-42)
Elimination of Internal Transactions	-37,880 (-32,699)	-727 (-827)

※ ( ) is the FYE April 30, 2010

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

(¥ billion)

	For the Year Ending Apr. 30, 2011 Est.
Sales Changes	8.3
Changes in Product Mix	-1.5
Fluctuations in Sales Prices	-3.4
Fluctuations in Raw Material Costs	3.2
Inventory Assets	0.1

## 4. Management Strategies

### Management Strategies

~ Reinforce operational base to make a leap forward ~

#### Product Marketing Strategies

- Strengthen sales of *Oi Ocha*
- Strengthen more brand values of *TEAS' TEA* and *Tully's Coffee*
- Strengthen contribution of carton, paper packaged, beverages

#### Acquire New Customers

#### Tighten Relationships with Existing Customers

- Diversify product lines
- Reinforce field marketing strategies
- Reinforce vending machine strategies
- Reinforce area marketing strategies

#### Cost Reductions

- Complete cost reduction
- Improve productivity and cost competitiveness

#### Strategy for Sustainable Growth

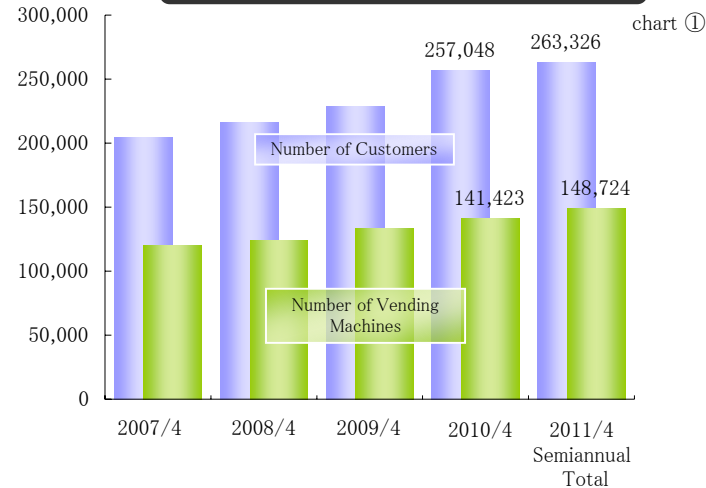
- Solidify the business foundation through the employee training
- Business deployments using the organization's power

#### Overseas Businesses

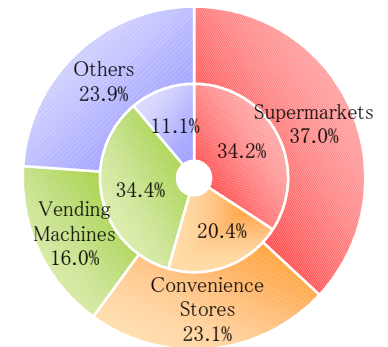
- Expand the businesses in the United States, and improve the profitability

(numbers of vending machines & customers)

### Numbers of Customers & Vending Machines

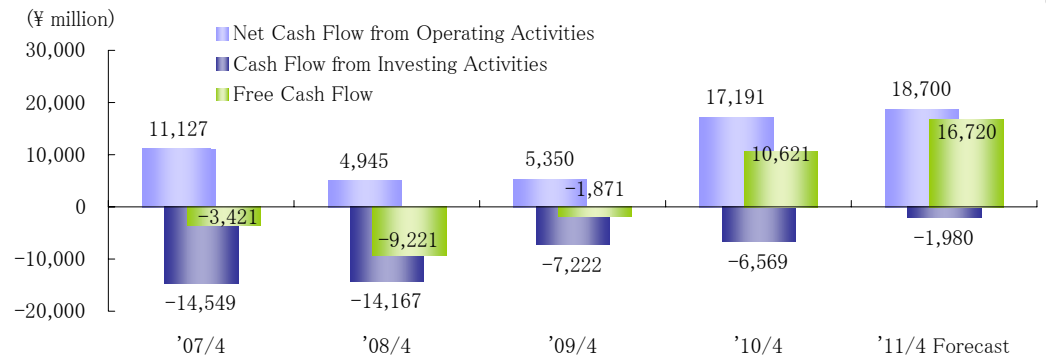


### Sales Composition by Area (sales basis)



Inner circle (Market): Jan to Dec 2009  
Outer circle (ITO EN): May to Oct 2010

### Cash Flows



Investments on Software	-	2,706	3,512	2,034	566
Capital Investments	4,320	7,085	2,804	1,868	1,521
Depr. and Amort.	1,813	2,330	2,687	3,161	3,467
Leased Assets Depr.	-	-	1,600	3,872	5,572

## 5. Category Results and Forecasts (Non-Consolidated)

		First and Second Quarters Total				Annual Total			
		For the Year Ended Apr. 30, 2010	For the Year Ending Apr. 30, 2011			For the Year Ended Apr. 30, 2010	For the Year Ending Apr. 30, 2011 Est.		
		¥ million	¥ million	YOY % Change	Sales Composition	¥ million	¥ million	YOY % Change	Sales Composition
Net Sales		169,357	183,316	8.2%	100.0%	312,766	330,200	5.6%	100.0%
Breakdown	Tea Leaves	13,848	14,437	4.3%	7.9%	30,152	31,253	3.7%	9.5%
	Drinks	153,611	166,845	8.6%	91.0%	278,541	294,777	5.8%	89.3%
	Others	1,897	2,033	7.1%	1.1%	4,072	4,169	2.4%	1.3%
Drinks	Japanese Tea	90,462	92,119	1.8%	50.3%	158,811	160,838	1.3%	48.7%
	Chinese Tea	7,591	9,549	25.8%	5.2%	14,492	16,153	11.5%	4.9%
	Vegetable	18,900	21,023	11.2%	11.5%	34,495	37,130	7.6%	11.2%
	Fruit	8,194	8,567	4.5%	4.7%	14,467	14,029	-3.0%	4.2%
	Coffee	9,514	11,100	16.7%	6.1%	21,353	24,429	14.4%	7.4%
	Black Tea	4,475	7,921	77.0%	4.3%	10,467	14,948	42.8%	4.5%
	Functional	3,321	3,470	4.5%	1.9%	5,194	4,790	-7.8%	1.5%
	Mineral Water	5,953	7,383	24.0%	4.0%	10,525	11,584	10.1%	3.5%
	Others	5,198	5,709	9.8%	3.1%	8,732	10,872	24.5%	3.3%

### Goals of Each Category

#### Green Tea Leaves

- Expand distributions of core leaf-products
- Improve quality of Easy-to-use products

#### RTD Green Tea

- Improve quality
- Expand drink users of RTD daily tea (Hoji-cha, roasted green tea & Genmai-cha, green tea with roasted rice)

#### Vegetable Beverage

- Expand distributions of carton products, thoroughly

#### RTD Black Tea

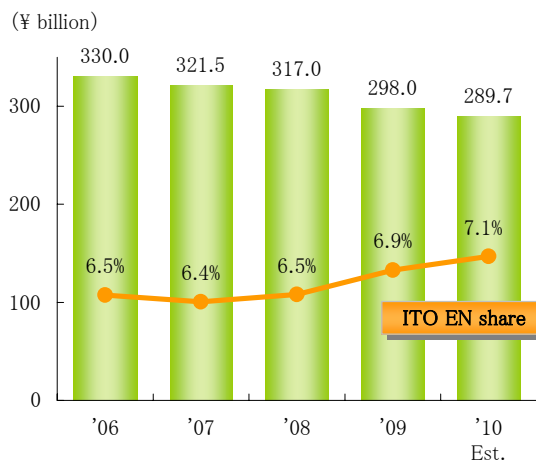
- Increase the sales of hot beverage products
- Establish its position as the category of flavor tea

#### RTD Coffee

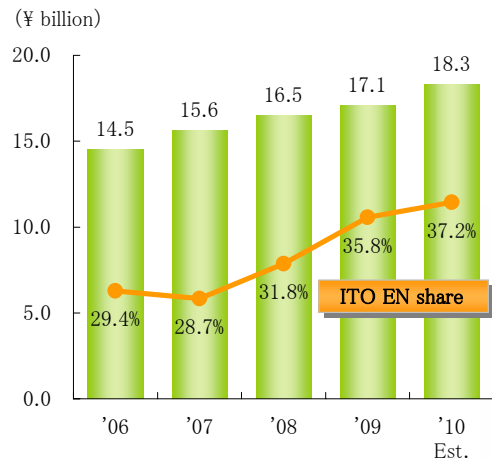
- Branding the TULLY'S COFFEE
- Compete in the market which is the major battlefield for the regular sized canned coffee (190g)

## 6. Tea Leaves

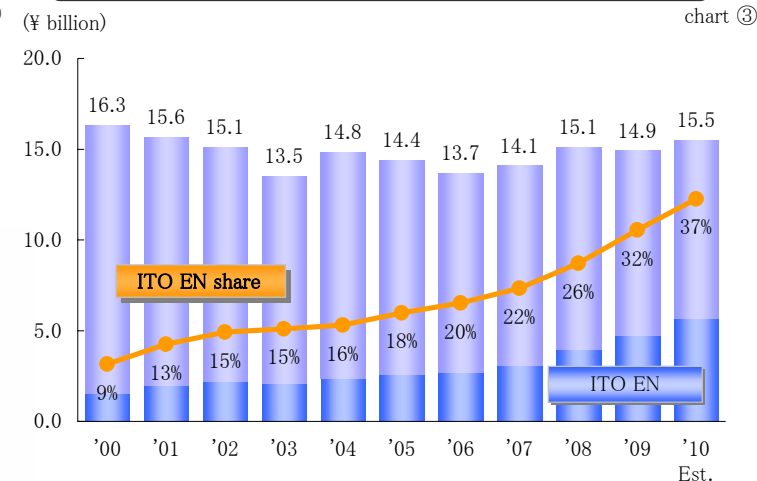
### Green Tea Leaf Market (Tea bags & Instant products included)



### Easy-to-Use Green Tea Product Market (Tea bags & Instant products)



### Barley Tea Market (Tea bags & Others)



Source: ITO EN, Period: Calendar Year

### Develop New Products to Meet Customer Needs

● *Oi Ocha - Maroyaka*  
Mild taste Green Tea



Released in Sep. 13  
100g  
¥ 700 (tax excluded)

It is delicate that how water temperature is, when tea is brewed



Either with hot or cold water, delicious tea can be brewed

● *Noka-no-ichioshi*  
farmers' best recommended - small portions



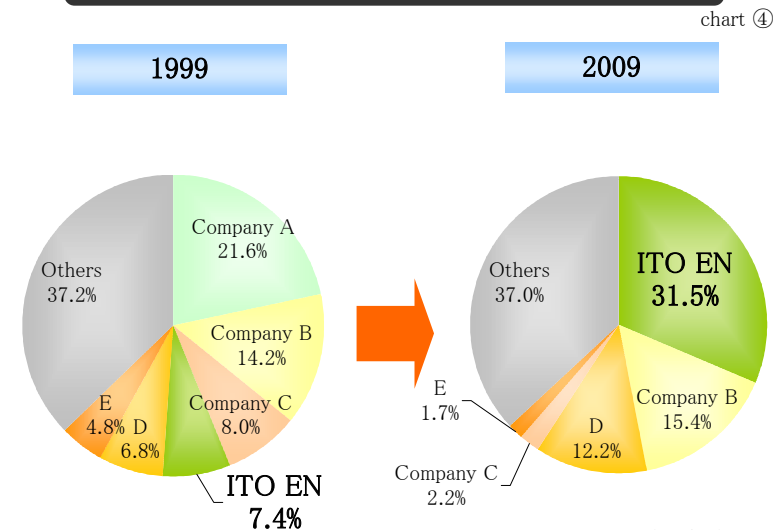
Released in Oct. 11  
60g×2 packs  
¥ 760 (tax excluded)

Never finish using packed green tea



Small-packed green tea for using all before it gets worse

### Share in Barley Tea Market (sales basis)

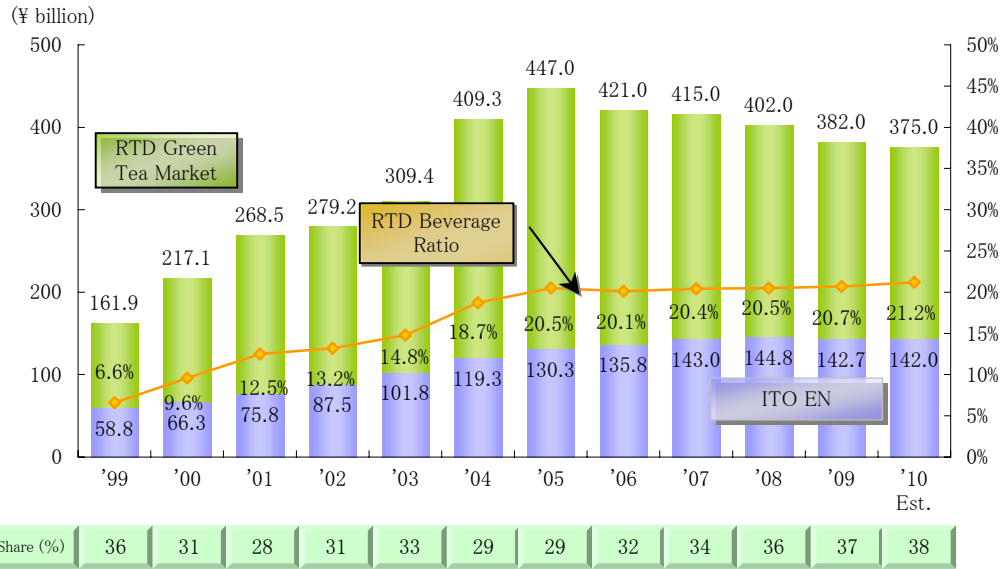


Source: ITO EN, Period: Calendar Year

# 7. RTD Green Tea

## RTD Green Tea Market

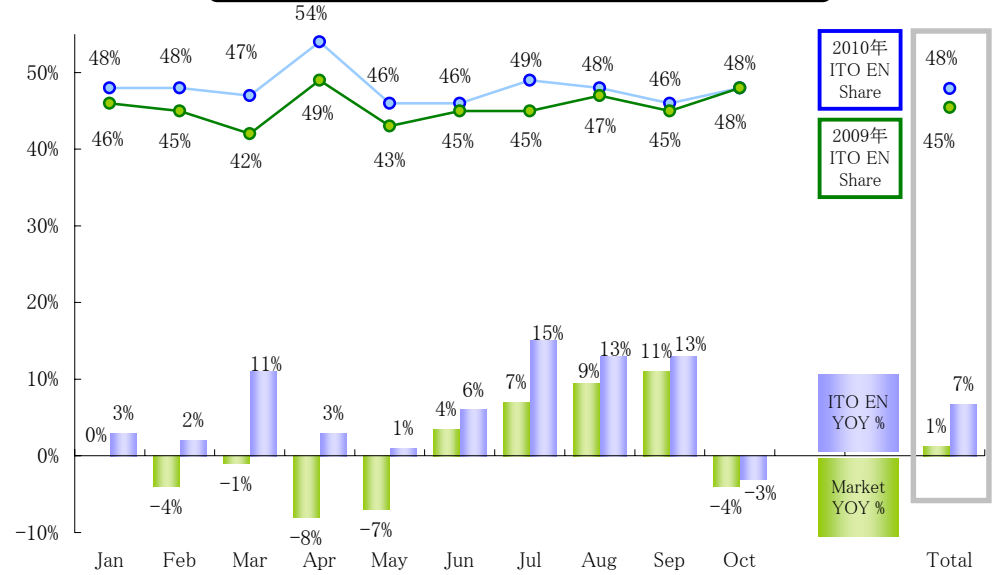
chart ①



Source: ITO EN, Calendar Year

## Monthly Sakes & ITO EN's Share in RTD Green Tea Market (in top 7 companies, volume basis)

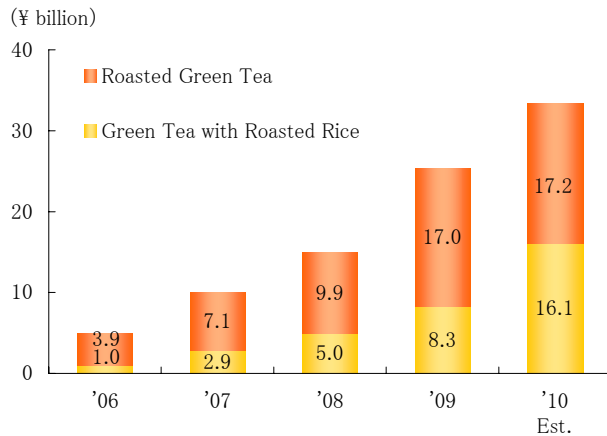
chart ②



Source: ITO EN, Jan to Oct 2010

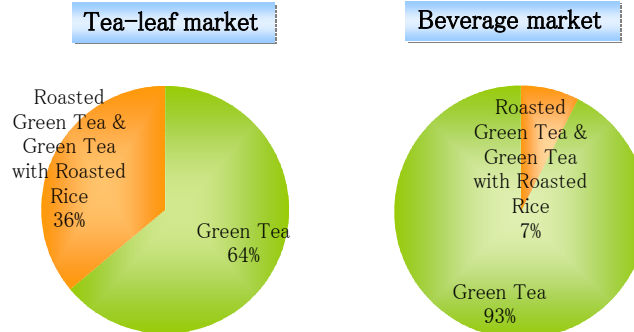
## Market in Roasted Green Tea & Green Tea with Roasted Rice

chart ③



## Types of Green Tea

chart ④



Source: ITO EN, 2010 Est.

## Seasonable Items



*Oi Ocha Fuyu no Ryokucha*  
(winter green tea)

- ◆ Strong taste for going with cold winter
- ◆ Mild & smooth taste

Released in Dec. 6  
490g  
¥ 140 (tax excluded)

## 8. Developing Tea Farms Business

### Domestic Supply and Demand of Green Tea (crude tea leaves basis)

chart ①

	2007		2008		2009		2010 Est.	
	Tons	YOY % Change	Tons	YOY % Change	Tons	YOY % Change	Tons	YOY % Change
Domestic Tea Leaf Production	94,100	2.5%	95,500	1.5%	86,000	-9.9%	84,300	-2.0%
Import	9,590	-14.8%	7,326	-23.6%	5,865	-19.9%	5,630	-4.0%
Export	1,625	3.1%	1,701	4.7%	1,958	15.1%	2,130	8.8%
Domestic Consumption	104,600	-2.2%	102,300	-2.2%	98,500	-3.7%	101,900	3.5%
ITO EN Utilization	22,277	2.2%	23,556	5.7%	24,320	3.3%	22,760	-6.8%
(Ratio of Production of Tea Leaf)	(23.7%)		(24.7%)		(28.3%)		(27.0%)	

Source: ITO EN, Period: ITO EN (May to April), Others (Calendar Year)

### Key Points of the Project of the Developing Green Tea-Producing Regions

**Utilize abandoned arable farms**

Effective use of lands & larger farms

**Local revitalization & creation of employments**

Managements of local communities or companies



**Stable & sustainable farm management resolution of heirless**

long-term contract for stabilization of procurements

**Decrease production costs**

Profitability & mechanization

### Large-Scale Green Tea Farm in *Kitsuki, Oita*

July 2008



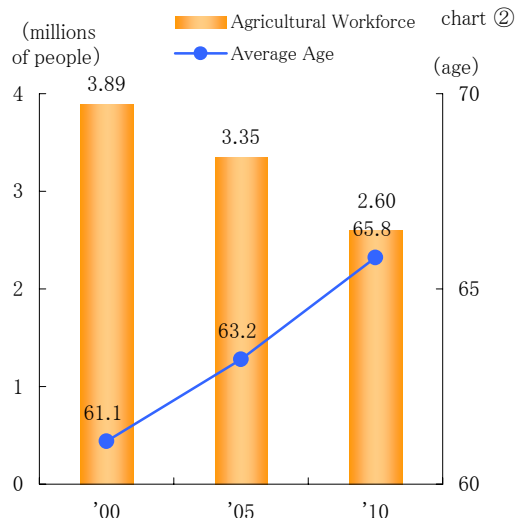
2nd year

May 2010



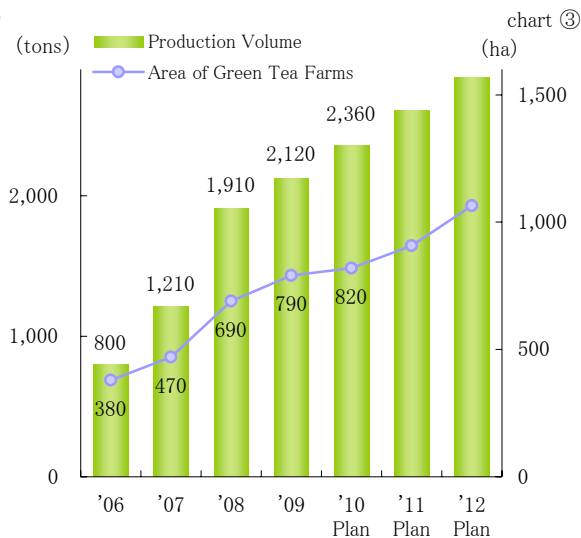
4th year first crop

### Number of Agricultural Workforce and their Average Ages



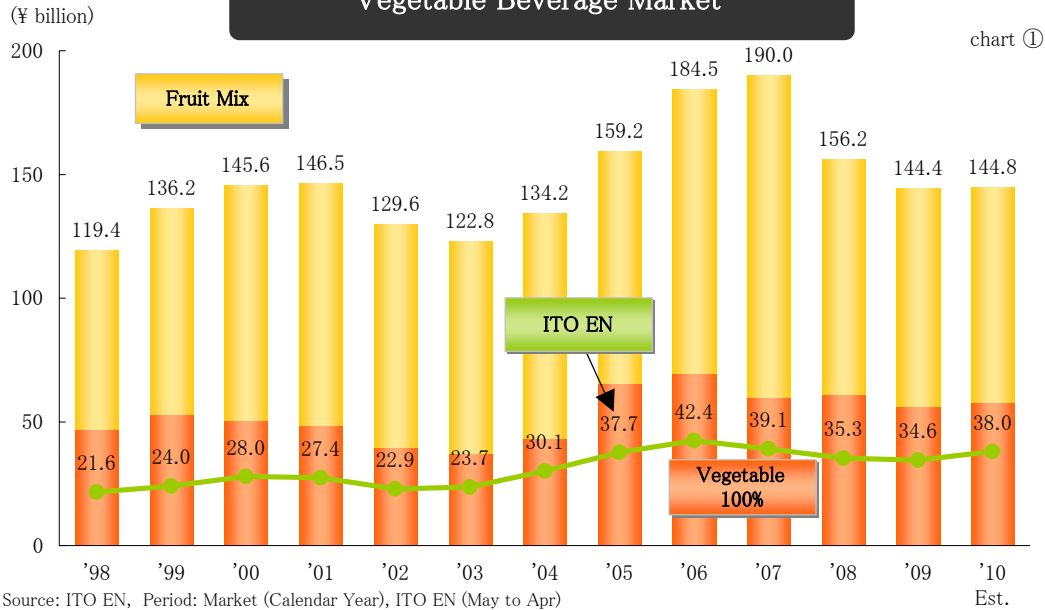
Source: The Ministry of Agriculture, Forestry and Fisheries, Japan

### Area & Production Volume of Green Tea Farms under the Project

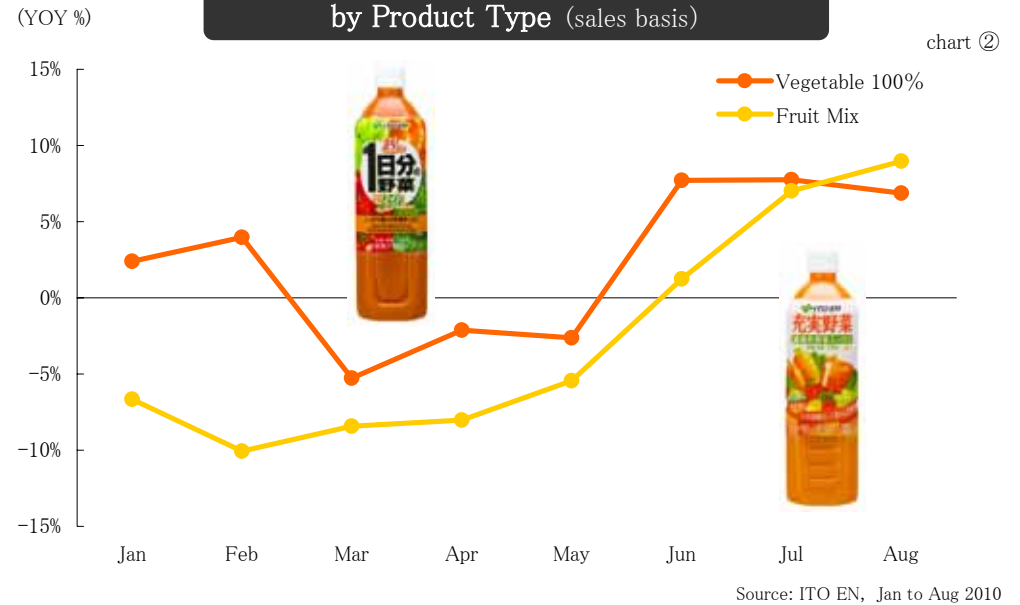


# 9. Vegetable Beverage

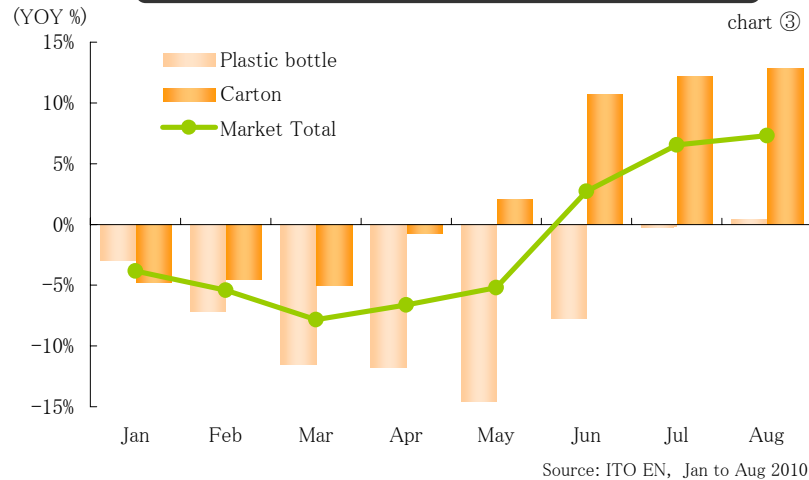
### Vegetable Beverage Market



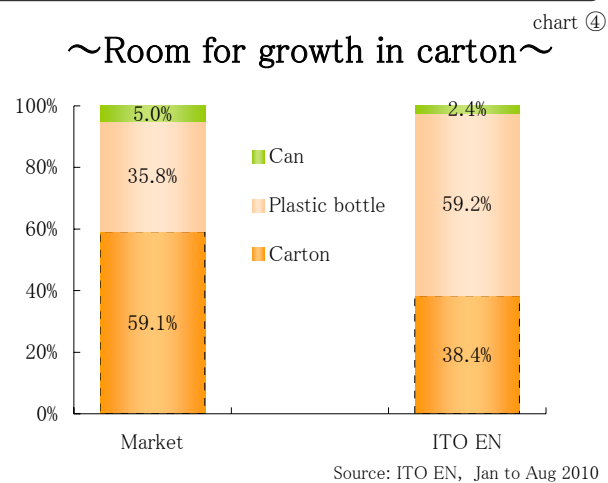
### Vegetable Beverage Market by Product Type (sales basis)



### Vegetable Beverage Market by Packaging Type (sales basis)



### Sales Composition by Packaging Type (sales basis)



### Launched Veggie SHOT

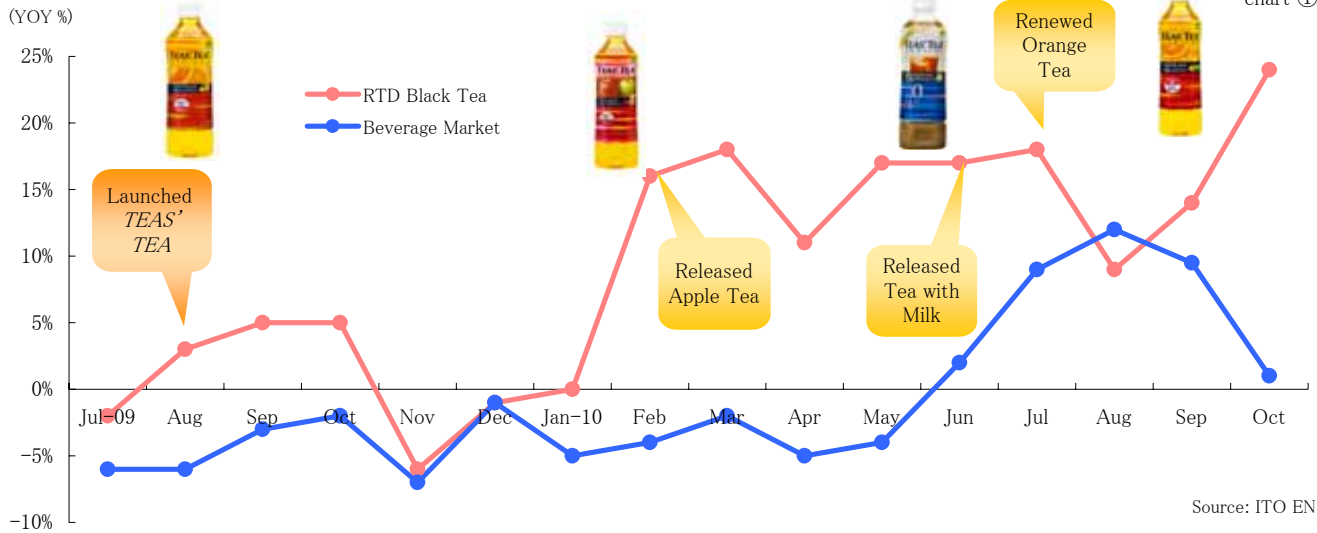
Released in July

◆ Sell at Eastern Australia

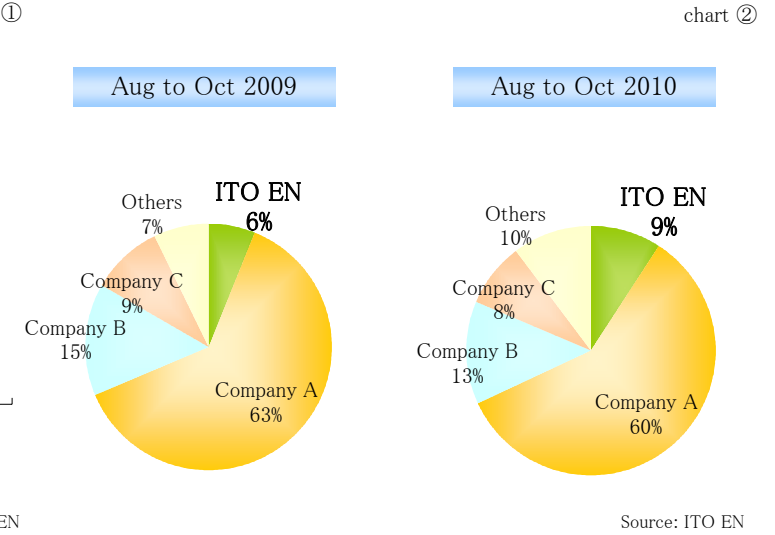


# 10. RTD Black Tea

**RTD Black Tea Market**  
(sales basis)



**Market Share in CVS & Supermarket**  
(volume basis)



## Branding *TEAS' TEA* Brand & Creating the New Market

Launched *TEAS' TEA* on Aug 3, 2009



1. Developed variations of packaging or flavor



2. Expanded *hot products* for winter

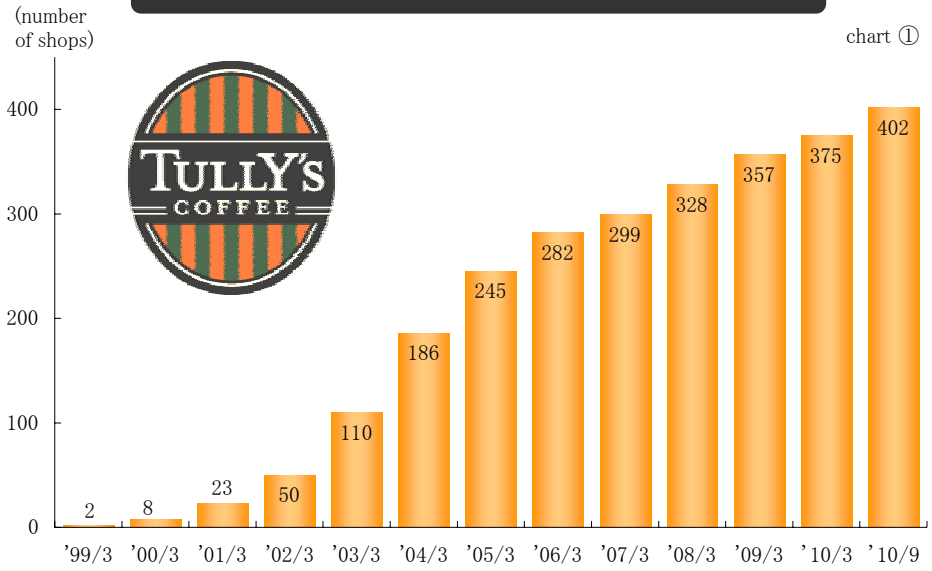


## ◆ Strengthen Advertisements



# 11. TULLY'S COFFEE

## Number of TULLY'S COFFEE Shops



Source: ITO EN ※ Including Koots Green Tea

## Open 400th anniversary shop



Ikebukuro sun-shine alpa

- ◆ Target at women & families in their 30's to 40's
- ◆ Multiple types of tables including family-table
- ◆ Sell *Pasta* for lunch demands

## Launched TULLY'S Standard Sized Canned Coffee



Nov. 1, released in nationwide  
190g  
¥ 124 (tax excluded)

- ◆ The first "standard sized canned coffee" (190g) under TULLY'S COFFEE brand
- ◆ Tasty with more rich flavor & aroma over the flavor of canned coffee
- ◆ Roasted in Japan & *W block method* for better freshness

## Branding TULLY'S COFFEE

### ~Improve Products~



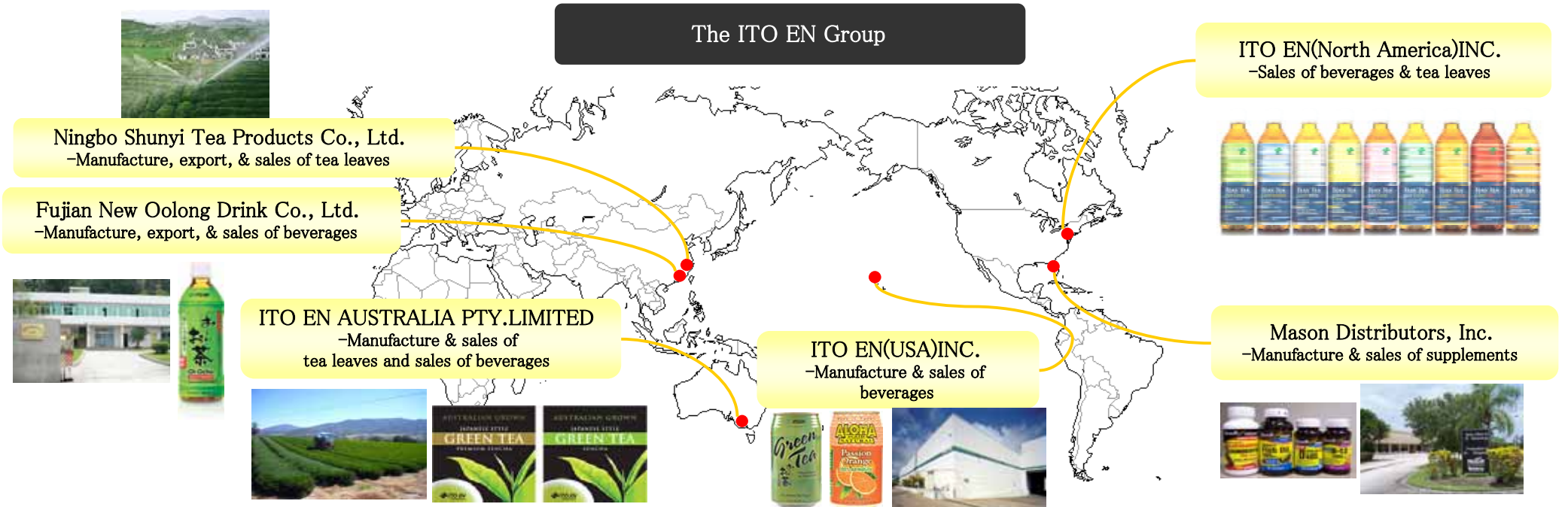
Renewed on Oct. 4  
285ml  
¥ 124 (tax excluded)

- ◆ Blended *mandarin* for enrichment of rich flavor & aroma
- ◆ Both for Hot & Cold

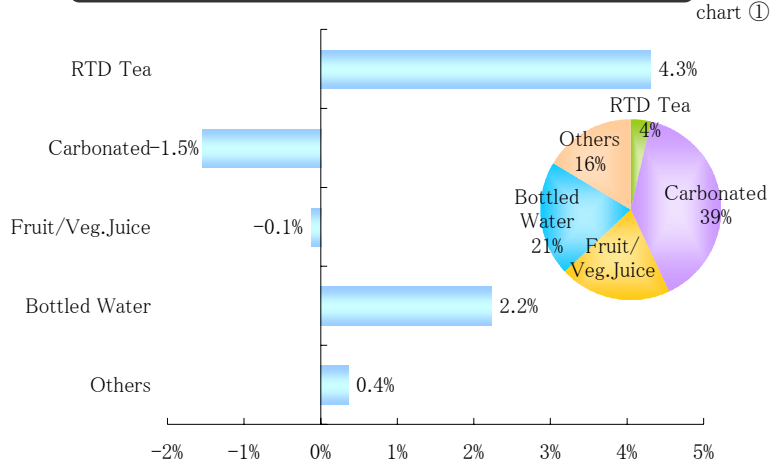
### ~Strengthen Advertisements~



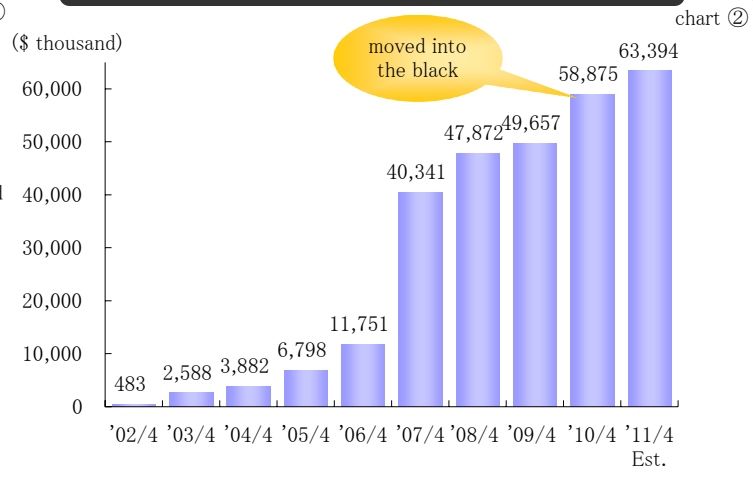
## 12. Overseas Businesses



**Soft Drink Beverage Market in US  
YOY % Change (2009)**



**Sales of ITO EN (North America) INC.**



**Toward the Future Growth**

- ① Develop close relationship with key customers
- ② Strengthen the existing brands "TEAS' TEA"
- ③ Expand distributions of new products
- ④ Strengthen the sales activities on the west coast

# 13. Approach for Society and Environment

## Society

- Project of the developing green tea-producing regions
- *Oi ocha* new *haiku* contest
- ITO EN Ladies Golf Tournament
- Town cleaning activities
- "Green Tea for a Beautiful Japan" campaign
- Lake *Biwa* protection activity activities
- Donations and volunteers
- Tea tasters' lectures
- Coffee schools
- Reading a picture story clubs etc.

### ◆Town cleaning activity



### ◆Lake-Biwa protection activity



Made a donation and cleaned up around the Lake-Biwa & cutted reeds



Selected *Haiku* is printed on *Oi Ocha*

### ◆Project of the developing green tea producing regions



## Environment

- Develop eco-friendly products
- Green procurements (install heat pump system vending machines, etc.)
- Natural resources & energy savings (LED lightings, etc.)
- CO2 emissions reduction (install solar panels)
- Recycling (recycle 100% of empty packages at all departments across the company)
- Acquired company-wide ISO14001 certification
- Tea Dregs Recycling System (received the Eco-Products Awards)
- Environmental educations
- Environmental communications (participated in the Eco-Products Fair) etc.

### ◆"Green Tea for a Beautiful Japan" campaign



Donated some proceeds from the sales of all *Oi Ocha* to environment conservation



### ◆Donation



Donated all funds raised from the sale of admission tickets & others at ITO EN Ladies Golf Tournament to social welfare services

### ◆Tea Dregs Recycling System



Develop various products

### ◆Eco-friendly plastic bottle



### ◆Materials Recycling

成型品、繊維、シートなど  
 制服には、再生PET繊維が含まれています。  
 ワイシャツ...  
 ジャンパー...  
 スラックス...  
 (500mlPETボトル換算)  
**ボトルtoボトル**  
 PETボトル  
 bottle to bottle

Promote plastic bottles recycling

### ◆CO2 emissions reduction



Install solar panels

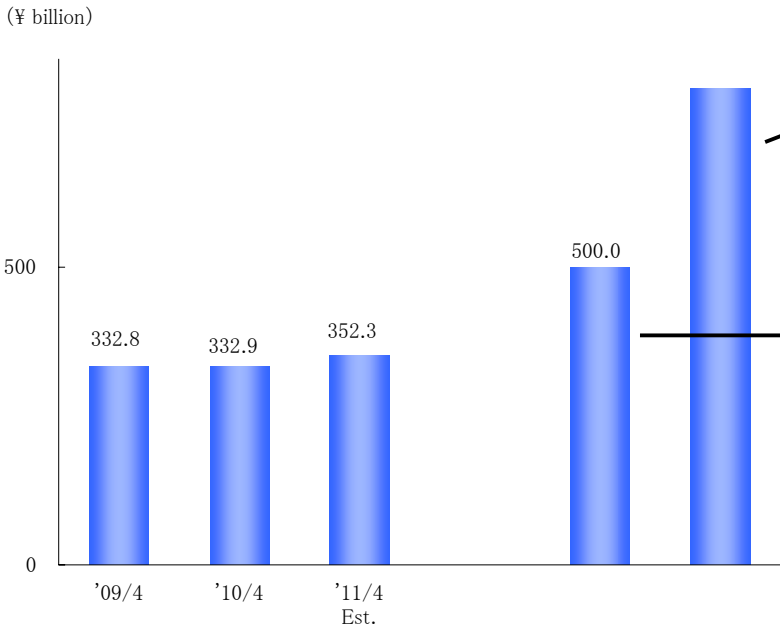


Introduced hybrid vehicles

# 14. Medium Term Goal

## Net Sales Goal (Consolidated)

chart ①



*Towards The World Tea Company*

Establish the status as a  
"Overall Beverage Company"

Managerial Goal

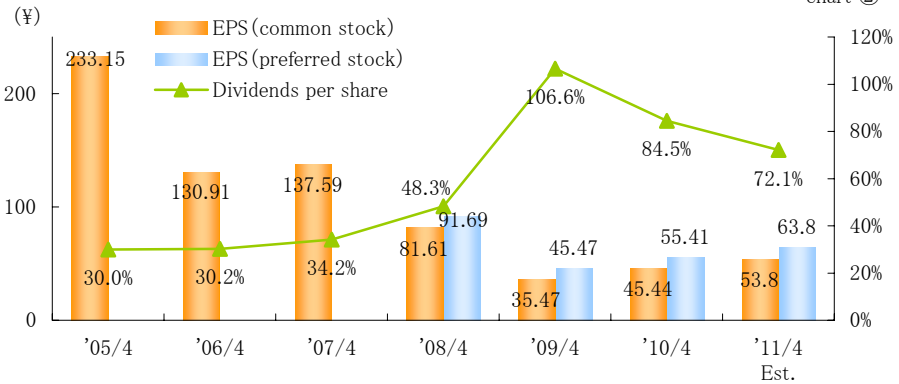
*Product Strategies*  
5 brands with  
10-million cases  
sales each

*Financial Strategies*  
ROA 10%

*Return to Shareholders*  
Consolidated  
Dividend Payout: 40%

## Dividend per Share & Dividened Payout Ratio (consolidated)

chart ②



Improve the profitability

- ◆ Sales & Distribution Basis
- ◆ Total Cost Reductions
- ◆ Strengthen Sales Fundamentals
- ◆ Strengthen Oversea Businesses

## APPENDIX

1. Key Management Indexes (Consolidated)
2. Sales Results and Forecasts by Packaging  
(Non-Consolidated)
3. Market behind Green Tea

## Appendix 1. Key Management Indexes (Consolidated)



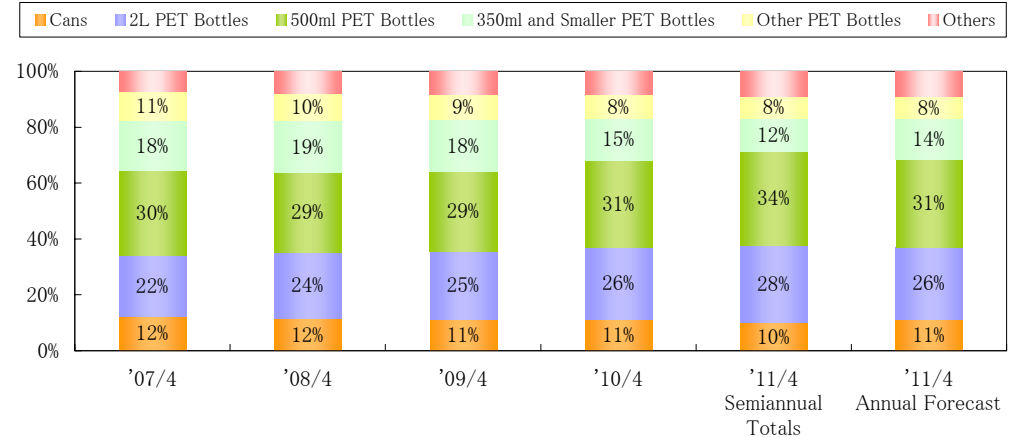
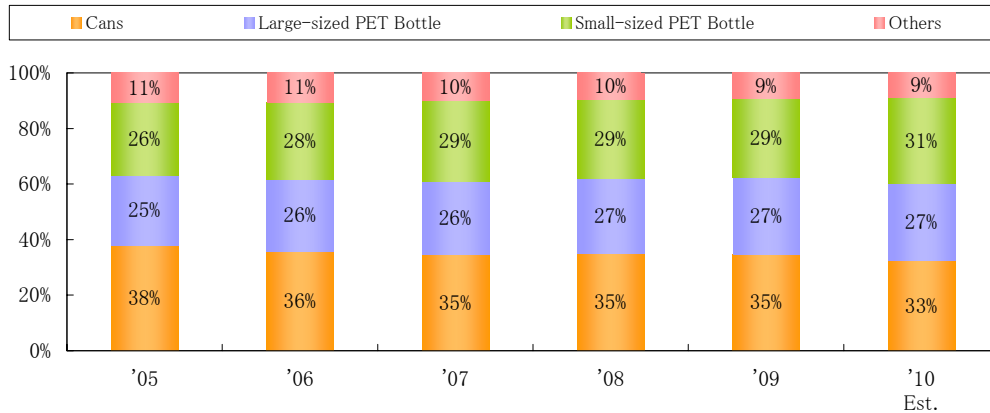
## Appendix 2. Sales Results and Forecasts by Packaging (Non-Consolidated)

		First and Second Quarter Totals				Annual Totals			
		For the Year Ended Apr. 30, 2010		For the Year Ending Apr. 30, 2011		For the Year Ended Apr. 30, 2010		For the Year Ending Apr. 30, 2011 Est.	
		Volume (Thousands of cases)	YOY % Change	Volume (Thousands of cases)	YOY % Change	Volume (Thousands of cases)	YOY % Change	Volume (Thousands of cases)	YOY % Change
<b>Total Volume</b>		98,113	2.7%	110,629	12.8%	177,543	4.8%	192,883	8.6%
<b>Containers</b>	Cans	10,660	6.2%	11,297	6.0%	20,055	5.9%	21,814	8.8%
	Total PET Bottles	79,392	1.8%	89,476	12.7%	142,484	4.2%	153,474	7.7%
	2Liter PET Bottles	26,055	4.9%	30,401	16.7%	45,912	10.5%	49,688	8.2%
	500ml PET Bottles	32,571	14.6%	37,139	14.0%	55,117	13.5%	60,702	10.1%
	350ml and smaller PET Bottles	12,243	-20.9%	13,140	7.3%	26,624	-14.0%	27,916	4.9%
	Other PET Bottles	8,523	-7.6%	8,795	3.2%	14,828	-5.3%	15,166	2.3%
	Cartons	7,077	6.8%	8,808	24.5%	13,081	7.8%	15,896	21.5%
	Others	982	13.7%	1,047	6.6%	1,922	15.7%	1,698	-11.6%

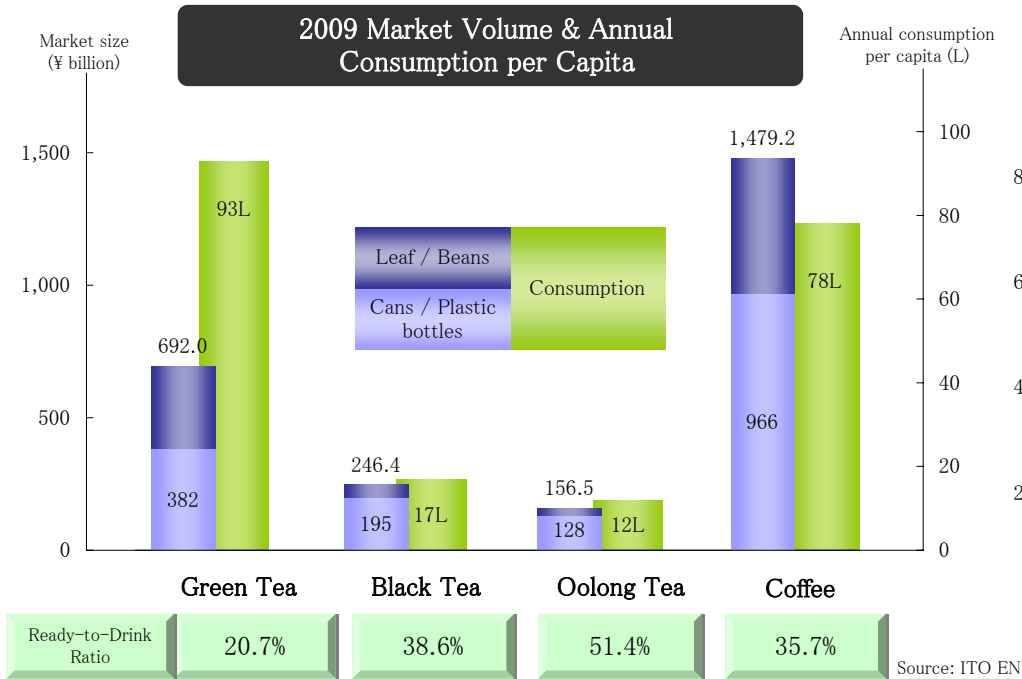
### Market

### Sales Composition by Packaging (volume basis)

### ITO EN



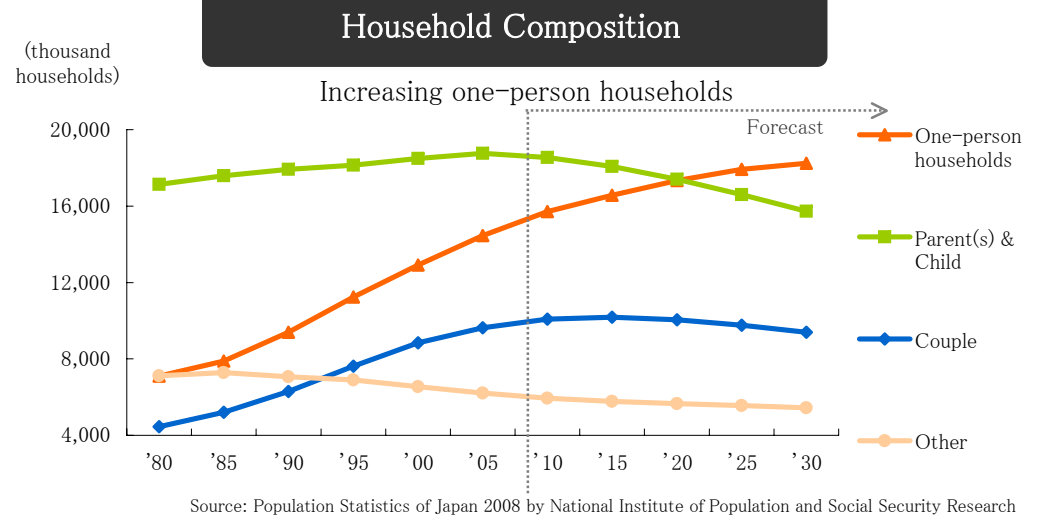
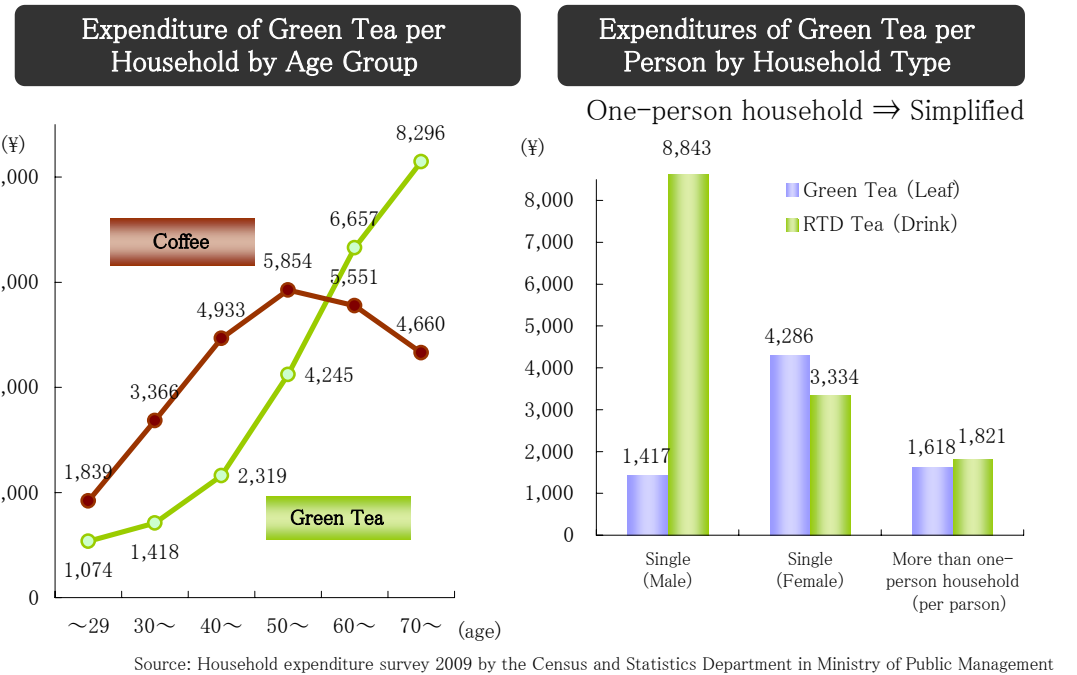
## Appendix 3. Market behind Green Tea



### Ready-to-Drink Ratio by Category

	2005	2006	2007	2008	2009	2010
Green Tea	20.5%	20.1%	20.4%	20.5%	20.7%	21.2%
Oolong Tea	54.5%	52.1%	50.0%	51.1%	51.4%	
Black Tea	38.6%	38.6%	39.6%	40.8%	38.6%	
Coffee	36.6%	35.1%	35.9%	35.4%	35.7%	

Source: ITO EN



## Advisory Note about the Materials

The current plans, forecasts, strategy, etc. outlined in these materials have not yet been realized and are based upon ITO EN management's best judgement given current obtainable information. Therefore, given only this forecasted information, please refrain from interpreting these materials as grounds for general conclusion. Please acknowledge that, depending on various important factors, actual operating results can be quite different from what has been projected. The following are some principal factors that affect actual operating results: 1) Weather, especially summer temperatures; 2) Product mishaps or accidents, such as products being found containing foreign substances or impurities; 3) The economic conditions, particularly shifting consumer trends, surrounding ITO EN's operating environment; 4) In the midst an intensely competitive market characterized by things such as easily changing consumer tastes and preferences, the ability of ITO EN to continue the planning and development of products and services that meet customers' expectations. However, it should be noted that factors influencing operating results are not limited to these alone. 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.