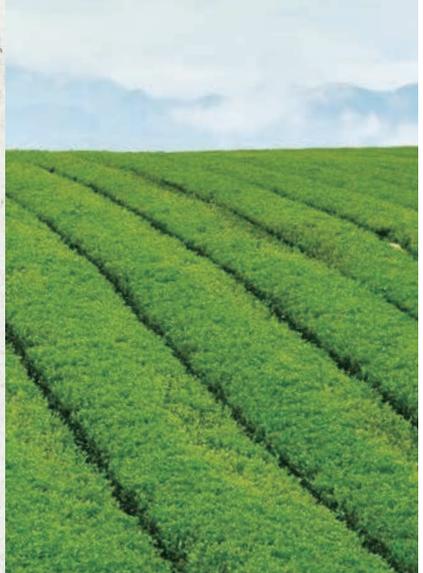




ITO EN  
INTEGRATED REPORT  
**2022**  
Fiscal year ended April 30, 2022



## ITO EN Group's Management Principle "Always Putting the Customer First"



### Definition of Our Customers

Consumers	Shareholders	Retailers
Suppliers	Financial institutions	Local communities

### Management Message

"Always Putting the Customer First" is the ITO EN Group's management principle, representing the fact that the foundation of business management at ITO EN is our commitment to placing importance on each and every customer. Our definition of customers includes consumers, shareholders, retailers, suppliers, financial institutions and local communities.

We regard everyone involved with the ITO EN Group as our customer, and earnestly strive to address our customers' needs through the opinions and requests we receive, and by always using the perspective of our customers as the foundation of our management strategies. Under this management principle we aim to achieve our long-term vision of becoming a Global Tea Company, as part of our Group mission of being a Health Creation Company.

**Hachiro Honjo**, Chairman of the Board and CEO

**Daisuke Honjo**, President and Executive Officer

# The ITO EN Group's Management Philosophy



## CONTENTS

### Value Creation

- 03 The ITO EN Group's History of Value Creation
- 05 Message from the President
- 11 The ITO EN Group's Value Creation Process
- 13 Value Creation Through Tea
- 15 Characteristics and Strengths of Our Value Chain
- 17 Medium- to Long-Term Management Plan and Overseas Business Strategy
- 23 Financial and Capital Strategy
- 25 Financial and Non-Financial Highlights
- 27 Material Issues
  - 27 Revision of Material Issues and KPIs
  - 29 Contribution to Dietary Habits and Health
  - 31 Contribution to Sustainable Domestic Agriculture
  - 33 Environment
  - 39 Deepening Ties with Local Communities and Society
  - 41 Contribution to a Sustainable Supply Chain
  - 43 Promotion of Diverse Human Assets and Active Roles for All
  - 47 Corporate Governance
- 57 Directors and Executive Officers

### Business Overview

- 59 Business Overview at a Glance
- 61 *Oi Ocha*
- 63 Tea Leaves and Matcha Products
- 64 Barley Tea Products
- 65 Vegetable and Aojiru (Barley Grass Green Juice) Products
- 66 *Nippon Yell* Project / Carbonated Beverage Products
- 67 TULLY'S COFFEE Products
- 68 Tully's coffee Japan / Chichiyasu Company
- 69 Stakeholder Engagement
- 70 ITO EN *Oi Ocha* Shinhaiku Contest / Used Tea Leaves Recycling System

### Related Data

- 71 Key Financial and Non-financial Indicators
- 73 Introduction of Main Group Companies
- 74 Company Outline

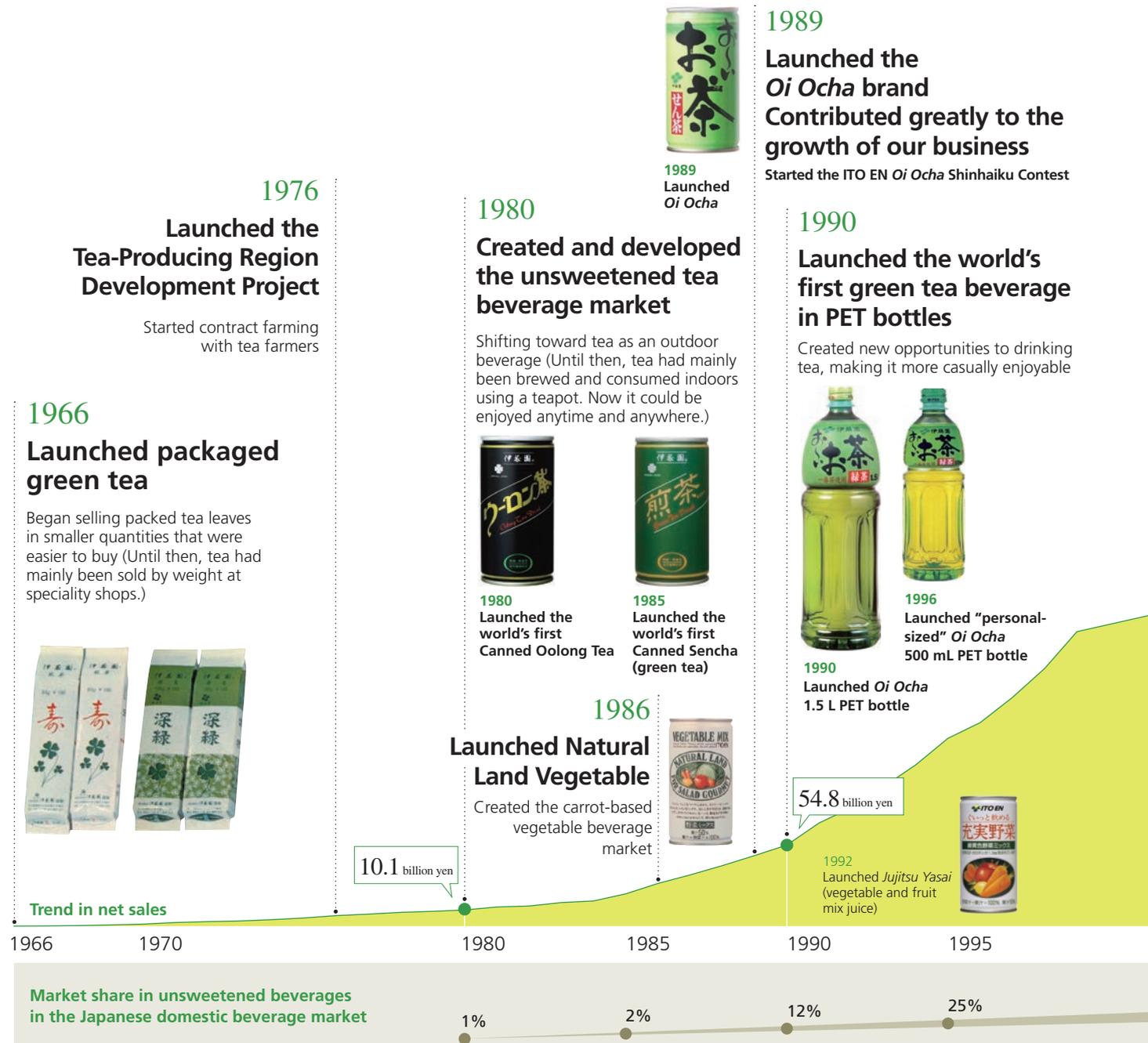
## Editorial Policy

The ITO EN Integrated Report 2022 is created for our stakeholders, primarily shareholders and investors. It presents details of initiatives and activities aimed at improving the ITO EN Group's corporate value in the medium- to long-term, focusing primarily on activities during fiscal 2022 (May 1, 2021–April 30, 2022).\* In addition to this report, we also communicate financial and sustainability-related information on the ITO EN website. (Date of publication: November 2022)

\* The report also includes some information on activities before that period as well as updates on recent activities.

# The ITO EN Group's History of Value Creation

Since starting out as a tea company in 1966, the ITO EN Group has continued to deliver innovations, such as with its launch of packaged green tea. We have continued to identify changes in the lifestyles of Japanese people, creating the unsweetened tea beverage market in Japan with the launch of products such as the world's first canned oolong tea in 1980 and canned Sencha (green tea) in 1985. Since then, we have continued to deliver products that enable consumers to enjoy delicious tea anytime, anywhere, through a stream of world and industry first technologies. Our history is also one of market creation and value creation.



## History of the ITO EN Group

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>Aug. 1966 Established Frontier Tea Corporation, ITO EN's predecessor, in Shizuoka-shi, Shizuoka.</li> <li>May 1969 Changed the Company's name to ITO EN, LTD.</li> <li>Feb. 1972 Introduced a high-speed automatic packaging machine manufactured by Industrial Gesellschaft in Switzerland. Developed vacuum packing technology to preserve the freshness of tea leaves.</li> <li>May 1974 Constructed Shizuoka Sagara Factory at Sagaracho, Haibara-gun (now Makinohara-shi), Shizuoka.</li> <li>Aug. 1979 Signed an exclusive agency agreement with China National Native Produce and Animal By-products Import and Export Corporation to import oolong tea for the first time in Japan.</li> </ul> | <ul style="list-style-type: none"> <li>Jul. 1987 Established ITO EN (USA) INC. in Hawaii, USA.<br/>* Currently ITO EN (Hawaii) LLC</li> <li>May 1992 Listed its stock on the over-the-counter market.</li> <li>Sep. 1994 Established ITO EN AUSTRALIA PTY. LIMITED in Australia.</li> <li>Sep. 1996 Became a listed company on the Second Section of the Tokyo Stock Exchange.</li> <li>Oct. 1998 Stock advanced to the First Section of the Tokyo Stock Exchange.</li> <li>May 2001 Established ITO EN (North America) INC. in New York, USA.</li> <li>Oct. 2004 Built a new crude tea leaf plant and commenced production at ITO EN AUSTRALIA PTY. LIMITED.</li> </ul> | <ul style="list-style-type: none"> <li>Jun. 2006 Obtained shares of Mason Distributors, Inc. (based in Florida, USA), which engages in the nutritional supplement business.</li> <li>Oct. 2006 Obtained shares of FoodX Globe Co., Ltd. (now Tully's Coffee Japan Co., Ltd.), which operates the Tully's Coffee chain.</li> <li>Sep. 2007 Stock listed as Class-A preferred stock on the First Section of the Tokyo Stock Exchange.</li> <li>Mar. 2008 Concluded an exclusive distributor contract for the sale of Evian natural mineral water in Japan with the DANONE Group (headquartered in France).</li> <li>Sep. 2008 Signed a sales agreement for the sale of a selection of Fujiya Co., Ltd. beverages, including Nectar.</li> </ul> |
|---|--|--|

2000

Launched products in heated PET bottle



2002

Launched *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea)

ITO EN leads the barley tea beverage market

\* The product name at the time of launch was *Natural Mineral Mugicha* (meaning "barley tea").



2004

Launched *Oi Ocha Koi Aji* (Unsweetened Bold Green Tea)

(predecessor to *Oi Ocha Koicha*)  
Response to diversification of consumer preferences



2015

Launched global brand **MATCHA GREEN TEA**

Brand launched to increase overseas recognition of the ITO EN brand as a Global Tea Company



2011 Launched *Futatsu-no-Hataraki Catechin Ryokucha* (Catechin Green Tea with Two Benefits), classed as a FOSHU product



2011 Launched Chichiyasu brand products

2013 Launched Healthy Rooibos Tea



2009 Launched first canned coffee under the TULLY'S COFFEE brand



2007 Launched TULLY'S COFFEE BARISTA'S SPECIAL



2004 Launched *Ichinichibun no Yasai* (A day's worth of vegetables)



2012 Launched *Mainichi Ippai no Ajiru* (one glass of barley grass green juice a day)

Since 2019

Launched *Oi Ocha* brand as food with functional claims

Providing health value of tea through products



2019 Launched products in microwaveable PET bottles used 100% recycled PET bottles

Revenue recognition standard is applied from the fiscal year ended April 30, 2022.

Fiscal year ended April 30, 2022

Consolidated net sales **400.7** billion yen

192.7 billion yen



2001

Established **ITO EN (North America) INC.**

Launched operations in the mainland United States

2000 2005 2010 2015 2020 2021 2022

31% 38% 45% 53% 54%

ITO EN's share of unsweetened beverages **75% or more**

- Feb. 2010 Established GREEN VALUE CO., LTD., which engages in the maintenance and procurement of automated vending machines.
- May 2011 Obtained shares of Chichiyasu Company, which manufactures and sells dairy products.
- Jun. 2012 Established ITO EN Asia Pacific Holdings Pte. Ltd. in Singapore.
- Sep. 2012 Established ITO EN BEVERAGE (SHANGHAI), Ltd. in China.
- Oct. 2012 Obtained shares of NEOS Corporation, which engages in automated vending machine business operations.
- May 2013 Established ITO EN (Thailand) Co., Ltd. in Thailand.
- Jul. 2013 Established PT ITO EN ULTRAJAYA WHOLESALE in Indonesia.

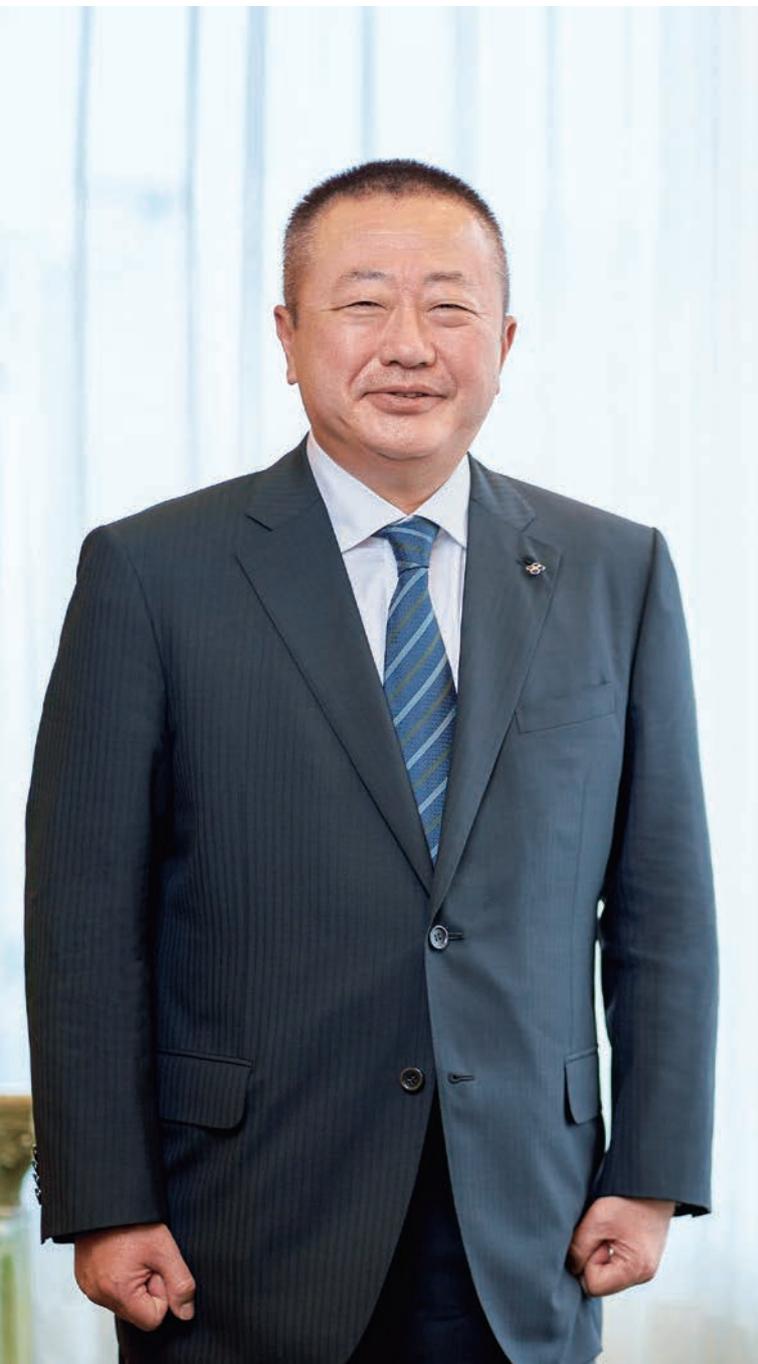
- Feb. 2015 ITO EN (North America) INC. obtained the shares of Distant Lands Trading Co., which is involved in the cultivation and sale of coffee beans mainly in the United States.
- Jun. 2016 Constructed Matcha Kobo (a dedicated matcha production plant) on the site of Shizuoka Sagara Factory.
- Sep. 2016 Constructed Kobe Factory in Kobe-shi, Hyogo, which performs finishing processes for tea leaves used in green tea beverages and other beverages.
- Mar. 2017 Received Ministry of Health, Labour and Welfare (MHLW) approval for the Business Skill test on ITO EN TEA TASTER, as the first in-house business skill test to be certified after the 2016 certification system revision.

- Jun. 2018 Reached an agreement to conduct clinical trials to validate the effectiveness of matcha in improving cognitive function, in association with Shimadzu Corporation and MCBI (Molecular and Clinical Bioinformatics) Inc.
  - May 2021 Signed a business alliance agreement with Eisai Co., Ltd., to work toward the creation of a society with longer healthy life expectancy.
  - Feb. 2022 *Oi Ocha* brand recognized as a world record holder by Guinness World Records\* for the fourth consecutive year.
- \* Largest NH RTD green tea brand in terms of sales (January–December 2021) *Oi Ocha* has been recognized for four successive years since 2018.
- Apr. 2022 Shifted to the Prime Market of the Tokyo Stock Exchange

# Aiming to become a Global Tea Company, as a Health Creation Company

## Daisuke Honjo

President and Executive Officer



### Overview of FY2021 and the Previous Medium- to Long-Term Management Plan

#### Achieving increased sales and profits in FY2021, despite challenging business conditions

FY2021 (the fiscal year ended April 30, 2022) was affected by restrictions on activities due to the COVID-19 pandemic, unseasonable summer weather and a harsh winter.

In 2021, Japan's domestic beverage market showed slight growth, up 0.4% year-on-year. During the two months of August and September—which are typically peak season for the beverage industry—had unusually long rainy periods and the extension of the state of emergency caused people to refrain from going out, which had an unprecedented impact on the market.

Despite these conditions, the whole ITO EN Group worked to improve profitability to achieve increases in both sales and profit—with consolidated net sales for the fiscal year ended April 30, 2022 standing at 461,316 million yen (up 3.4% year-on-year) and operating income at 18,672 million yen (up 12.0%).\*

As for the fiscal year ended April 30, 2022, the previous medium- to long-term management plan, which had started in the fiscal year ended April 30, 2018, has ended.

Unfortunately, as a result of major changes in the external environment—including unseasonable weather, the COVID-19 pandemic and the otherwise unstable global situation—we did not achieve consolidated net sales and other numerical targets. Overseas, although we are steadily increasing sales of the Group's products, we have not yet achieved dramatic growth in our overseas business operations. At the same time, there is a strong feeling of progress toward growth in Japan.

First, we changed our approach from pursuing scale of sales turnover—based on the idea that profits would increase as a result of expanding sales—to focusing on profits. As a result of making drastic improvements to our management structure in December 2018, we were able to successfully improve profitability. Because of this, we were able to secure solid earnings in FY2020 and FY2021, even under the challenging conditions presented by the COVID-19 pandemic.

One factor that has given us confidence in future growth is the significant increase in sales volume for *Oi Ocha Koicha* and other foods with functional claims over the past five years, in response to growing health awareness and health-conscious behavior among customers. Sales of tea leaf products have also remained strong, as a result of efforts to bolster our sales of not only tea-based beverages but also tea leaf products, mainly in Japan.

During the past few years, frequent occurrences of natural disasters due to climate change and growing awareness of environmental issues such as the problem of plastic waste have become more apparent. We realize that customers are demanding added-value products and services that are healthy and environmentally friendly more than ever. Under our management principle of “Always Putting the Customer First,” we maintain constant awareness of tackling the problem of what our customers are still now dissatisfied with, based on the spirit of “STILL NOW.”

ITO EN has five concepts for product development: Natural, Healthy, Safe, Well-Designed, and Delicious. Through our development efforts, we work to develop products that will meet the diverse needs of our customers and provide services that fit closely with them.

Going forward, it will be important to respond to changes in the external environment and customers’ growing awareness of health and environmental issues. In addition to including our core brands *Oi Ocha*, *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea), *Ichinichibun no Yasai* (A Day’s Worth of Vegetables) and *Tully’s Coffee*, we will also work to further enhance the quality, health value and environmental value of our products such as beverages and tea leaves, while aiming to improve customer satisfaction and increase our market share.

\* Performance figures shown are for before the application of the revenue recognition standard.

## Long-Term Vision

### Thoughts toward becoming a Global Tea Company

This fiscal year, the ITO EN Group formulated a new medium- to long-term management plan, with FY2026 (the fiscal year ending April 30, 2027) as the final year. Under this plan, we will once again take on the challenges of our mission of becoming a Health Creation Company that contributes to creating healthy and prosperous lives for customers and a sustainable society, with the long-term vision of becoming a Global Tea Company.

(More details of the new medium- to long-term management plan are provided later. Also see pages 17-22.)

Looking back, the ITO EN Group started out as a tea company in 1966. In 1976, we began working with tea farmers through cultivation under contract farming to enable stable procurement of high-quality tea leaves. We have also proposed tea products in various formats, from tea leaf products to beverage products. We have created new markets through the launch of such products, including the world’s first unsweetened tea beverage, Canned Oolong Tea (launched in 1980), and the world’s first green tea beverage, Canned Sencha (green tea, launched in 1985). ITO EN introduced oolong tea—which until then was only consumed in some parts of China—to Japan and developed it as a canned beverage, creating the custom of drinking oolong tea in Japan. While green tea had long been rooted in the lives of Japanese people as a healthy drink, it was mainly brewed in a Japanese teapot (*Kyusu*). By making green tea into a more readily consumable beverage, we created a market for unsweetened tea beverages that could be enjoyed anytime, anywhere, in accordance with changes in dietary habits and lifestyles. In addition to Japanese green tea and Chinese tea, in recent years, we have also focused on rooibos tea—a rare tea that is native to South Africa—expanding it in Japan as a tea that is mainly popular among women.

In this way, since the time of its founding, the ITO EN Group has continued to innovate, proposing various types of tea and ways of drinking it based on contemporary needs and the lifestyles of Japanese people, and delivering tea to consumers as a more familiar beverage through its unique value chain. The greatest feature of the ITO EN Group is that it is a group of tea specialists, who communicate the delicious taste and value of tea through both beverage and tea leaf products.

Under our long-term vision of becoming a Global Tea Company, I would like us to first introduce *Oi Ocha* to the world as a brand that represents Japan, connect with tea cultures in regions around the world and go on to create new tea cultures and markets, broadly sharing the value of tea on a global scale, through the ITO EN Group’s technologies and value chain. In order to achieve this, we have established three key pillars under our new medium- to long-term management plan—Global, Value Creation and Unique.

## Global

China, Japan, and the United States account for more than half of the total market share in the global tea market, which combines tea-based beverages and tea leaf products. For this reason, we will first seek to further increase our share in

## Global Tea Company

Connect to the cultures of tea around the world and broadly share taste and value as a tea specialist

### Global

Enable tea, which is enjoyed all over the world, to evolve and support the mental and physical health of people around the world.



### Value Creation

Use the knowledge cultivated in tea to create value that aids health and a sustainable society.



### Unique

Be a unique company that integrates tradition and cutting-edge technologies in domains ranging from agriculture to resource circulation.

the Japanese domestic market, in which we already boast the top share in both green tea beverage products and tea leaf products, and solidify the ITO EN brand as the top tea company in Japan. We believe that strengthening our foundation in the domestic market, which is our mother market, will also lead to growth in overseas markets. Overseas, we have rolled out our products in over 30 countries. In particular, we are engaged in efforts to strengthen the foundation for our overseas business operations, with North America and other priority regions as focus areas.

The Group's North American business is performing well, although profitability has declined recently due to the impact of a sharp rise in energy costs due to social circumstances. In the United States, where obesity is a social problem, the health benefits of Japanese tea—including matcha—are attracting attention due to growing consumer health consciousness, and sales of unsweetened tea beverages such as *Oi Ocha* and green tea bag products are strong. There has also been an increase in demand for matcha for use as a flavoring and condiment in processed foods.

We will continue to develop unique tea products in countries around the world based on the key value of health. We will continue to strengthen sales of our mainstay *Oi Ocha* brand, as well as tea bag products and our overseas matcha brand, *MATCHA GREEN TEA*.

The green color of the *Oi Ocha* and *MATCHA GREEN TEA* packaging also evokes images of sustainability through association with nature and the environment. Against the backdrop of the recent global trend toward health consciousness, we would like to develop the Japanese tea products we offer as a symbol of our key value of health and develop them into sustainable products and global brands that are seen everywhere, in all countries and regions.

### Value Creation

We place particular emphasis on providing value that contributes to health through our products and services. In Japan, the percentage of unsweetened beverages in the soft drink market has increased from 1% in 1980 to 54% in 2021, against the backdrop of a growing health consciousness. Under the challenging conditions posed by the COVID-19 pandemic, consumers have become even more health-conscious, and *Oi Ocha Koicha*—a food with functional claims—has displayed the largest increase in sales among our products. Since September 2019, *Oi Ocha Koicha* has been sold as a food with functional claims that the gallate-type catechins it contains reduce body fat. By FY2021, sales volume had doubled (annual sales volume of more than 30 million cases in FY2021).

While ITO EN's competitors also sell many beverage products with functional claims, *Oi Ocha Koicha* proudly boasts the top sales volume in the beverage category of foods with functional claims. We believe that achieving the top position in this category is a very significant achievement as a Health Creation Company.

In order to develop such market-leading products, we engage in various open innovation activities, which include industry-academia collaboration. For example, in August 2022, we presented the results of our research in a trial to evaluate the effects of matcha in inhibiting cognitive decline, at the



Alzheimer's Association International Conference 2022 held in San Diego, USA.

This research was a joint effort with MCBI Inc., a venture corporation established by the University of Tsukuba. In this study, we conducted a clinical trial to assess the inhibitory effects of matcha on the decline of cognitive function in older adults with mild cognitive impairment (MCI), the pre-stage of dementia. Daily intake of matcha was found to be associated with improvements in sleep quality and social cognitive function (perception of emotions based on facial expressions). Going forward, we will continue working to unravel the mechanisms behind these findings and analyze the contents of tests, sharing information on health value and linking our findings to future product development—thereby contributing to the healthy and fulfilling lifestyles for customers both in Japan and overseas, in the era of the 100-year lifespan.

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## Unique

Being unique refers to unique qualities and strengths of the ITO EN Group. We handle around one quarter of the total volume of crude tea—a raw ingredient—produced in Japan. In order to ensure stable procurement of high-quality crude tea, we are working together with tea farmers under the Tea-Producing Region Development Project to produce raw ingredients that match their purpose of use in products.

Through the Tea-Producing Region Development Project, we are also contributing to the resolution of social issues, such as the stable management of tea farmers and effective utilization of dilapidated farmland by converting into tea farms. This is not something that we started in view of the recent trend of sustainability, but an initiative that we have continued steadily since 1976, with the aim of ensuring stable procurement of crude tea and solving problems in domestic agriculture. Today, customers have become aware of issues in sustainability behind their products, and our steady efforts over many years in this area have led to product quality and trust from the market.

Above all, we value the pursuit of delicious taste and quality. Beverages and tea leaf products are not sustainable if they are not great tasting to begin with. The ITO EN Group has raw ingredient procurement capacity, manufacturing technologies and development capabilities to support the creation of delicious unsweetened products that maximize the goodness of naturally derived raw ingredients including tea and other ingredients grown on farms. Over 75% of our beverage products currently on the market are unsweetened beverages, which makes us stand out in the domestic soft drink market.

We will continue to create products that will be supported by customers in Japan and overseas in the long term by utilizing unique business models and product development capabilities for developing unique products from farmed raw ingredients, which simply cannot be imitated by competitors overnight.

## Medium- to Long-Term Management Plan

(FY2022-FY2026)

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### Working together as a united ITO EN Group

Under the new medium- to long-term management plan, we will work on five key strategies: Solidify the existing businesses in Japan, Develop *Oi Ocha* into a global standard brand, Create new businesses, Strengthen the management base, Promote sustainability management. Based on our approach to growth, including Focus on profitability, Continuous growth to increase profits and market share, and improvement of ROE, we have set quantitative targets of consolidated operating income margin of 7% and ROE of 10% or more for the fiscal year ending April 30, 2027. We also aim to maintain a total reduction tendency of 40% and an overseas sales ratio of 12% or more. To achieve this, we plan to invest in business on a scale of 70 billion yen over the next five years. We will work together toward this goal as a united “Team ITO EN Group.”

In other words, we will focus our energies into group management that strengthens cooperation with group companies, not only ITO EN alone. Tully's Coffee Japan, which celebrated its 25th anniversary in 2022, is now back on track for business growth with the recovery of its flow of customers. With regard to Chichiyasu, which manufactures and sells yogurt and other dairy products, we will establish a Chichiyasu Sales Department within ITO EN as of this fiscal year, to further strengthen sales of Chichiyasu brand products. By consolidating these individual strengths into the Group's combined organizational strength, we hope to dynamically enhance creativity and productivity.

We regard the five-year period of the new medium- to long-term management plan as the initial phase of our process toward achieving our long-term vision of becoming a Global Tea Company. Specifically, it is a period for solidifying our domestic business base and accelerating the development of *Oi Ocha* into a global brand. Going forward, I would like us to drive our business forward with a sense of urgency, making the latter phase of the medium- to long-term management plan the beginning for our next phase, working to achieve our vision of becoming a Global Tea Company.

Sustainability Management

Identifying material issues and working to resolve them

In advancing our medium- to long-term strategy, we have revised our sustainability-related material issues and defined the following seven items: Contribution to Dietary Habits and Health, Contribution to Sustainable Domestic Agriculture, the Environment, Deepening Ties with Local Communities and Society, Contribution to a Sustainable Supply Chain, Promotion of Diverse Human Assets and Active Roles for All, and Corporate Governance. The importance of the identified social issues were evaluated both internally and externally, and the Board of Directors deliberated on and identified issues after hearing the opinions of experts.

As I mentioned earlier, we have been running the Tea-Producing Region Development Project since 1976. In 2001, we established a recycling system for used tea leaves, which are produced in large quantities during the manufacturing of tea-based beverage products such as *Oi Ocha*. We have been working together with a diverse range of partner companies to tackle social issues “from tea farmers to used tea leaves,” including the production of recycled products made from used tea leaves. In recent years, various issues such as health anxiety, social anxiety, climate change, and energy resource problems have become more serious, against the backdrop of the COVID-19 pandemic and other factors. As part of our corporate social responsibility, we will work to solve these issues, while at the same time we would like to further refine the strengths we have accumulated so far and use them as opportunities. For example, by delivering products with high health value through the results of many

years of research on the health function of tea, reduction of agrochemicals and increased organic cultivation, it is possible for us to Contribute to customers’ Dietary Habits and Health. For this reason, we believe that contributing to sustainable domestic agriculture will become an increasingly important theme in the future.

At the root of Deepening Ties with Local Communities and Society is the communication with local communities that the ITO EN Group has maintained since its founding. Up until now, we have engaged in activities rooted in local communities by expanding our Route Sales system, in which sales representatives visit local retailers directly to negotiate, deliver and create sales floor areas. However, with the declining population and the increased efficiency of retail distribution networks, it is becoming necessary for us to review the state of our branches and sales offices. Local communities are also important stakeholders for ITO EN, and is part of the business base that supports our businesses. We would therefore like to further strengthen our network with local communities through continuous engagement in community revitalization and regional development, through dietary educational activities by ITO EN Tea Tasters, and collaboration with local governments on social and environmental issues.

With regard to initiatives for creating a decarbonized society and transitioning to a resource-recycling economy, which are urgent global issues, we have declared our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in April 2022, and set targets for reducing CO<sub>2</sub> emissions. We raised our targets for FY2030 with a vision to achieve carbon neutrality by FY2050.

With regard to recycling of containers and packaging, including plastics, we are driving initiatives in line with the

Seven Material Issues



- Contribution to Dietary Habits and Health**  
Suggest and provide healthy and fulfilling lifestyles through research and development with an eye towards the age of centenarians and through products and services helpful to the health of people of different generations
- Contribution to Sustainable Domestic Agriculture**  
Carry out the Tea-Producing Region Development Project to accelerate the development of high value-added materials and environmentally-friendly agriculture to help revitalize agriculture in Japan
- Environment**  
Engage in initiatives for the protection of the global environment, which is shared by all of humanity, as a company that engages in business activities centered mainly on products derived from nature
- Deepening Ties with Local Communities and Society**  
Contribute to the resolution of local societal issues through dialogues with various stakeholders. Utilize communication through tea to support both physical and mental health
- Contribution to a Sustainable Supply Chain**  
Maintain sustainable partnerships with all suppliers to achieve the resolution of social and environmental issues and sustainable profits for all parties
- Promotion of Diverse Human Assets and Active Roles for All**  
Construct an organization where everyone in the value chain is respected and where all employees work vigorously in good health
- Corporate Governance**  
Practice and push ahead with sustainability management to improve responses to environmental and social issues as well as risk management and to increase corporate value

ITO EN Group Policy on Plastics with a view to achieve our FY2030 targets. Going forward, we will continue to enhance our disclosure of sustainability-related information, including information on climate change, and engage in sustainability management from the perspective of both risks and opportunities. (See pages 27 to 56 for more information about our material issues.)

### Considering Human Resources as Human Assets

#### The driving force behind the realization of our long-term vision and the achievement of our medium- to long-term management plan

To realize our long-term vision and achieve the goals of our medium- to long-term management plan, is essential for us to secure and train human resources. The ITO EN Group regards human resources as human assets or treasure, and will continue to implement human resource strategies linked to its management strategies, to promoting diverse human assets and active roles for all.

In Japan, as the working population continues to decline significantly due to the declining birthrate, it is becoming very difficult for companies to recruit the human resources they need. One of our challenges for the future is how we respond to contemporary trends, such as offering a comfortable working environment and support for employees to realize their dreams.

We will also focus on human resource development to achieve our management strategy. By creating an environment where people can think, learn, and actively take on challenges, will foster a positive way of thinking about human resource development as a part of our corporate culture. We will train core human resources who will contribute to the growth of the ITO EN group, and can play active roles globally and be next-generation leaders to create new value, leading to the sustainable improvement of corporate value. We will also take measures to improve job satisfaction and create an organization where all employees—including women, seniors, and other employees with diverse experiences and backgrounds—can engage healthily and energetically in active roles.

Looking ahead, we will seek to further accelerate the improvement of various systems relating to human capital and create an environment in which diverse human resources can work comfortably, proudly, and in a lively manner.



### Message to Stakeholders

#### Toward a bright future

ITO EN's corporate logo, the four-leaf clover, was designed with the hope of happiness for everyone involved with ITO EN—including our employees, their families, and other stakeholders.

Based on the Group management principle of Always Putting the Customer First, the essential basis of our management is to value all customers. We believe that it is not enough to simply listen to everything that customers have to say, and that we must always respond from the other person's point of view. This attitude applies to all stakeholders, including customers, business partners, local communities, and employees.

One of the things that I value is the capacity to be future-oriented. While there are various management issues to be addressed, depending on the external environment and other factors, we have continued to push forward with the belief that tomorrow will be good—that the future will be bright. If we believe that there is a bright future ahead, we should be able to make people happy and achieve interesting things.

Since its founding, the ITO EN Group has contributed to the realization of healthy and fulfilling lifestyles for its customers and a sustainable society through products derived from nature—including tea—based on strong partnerships with all stakeholders who are involved with the Group. Going forward, we will continue to further evolve this strength and head forward toward a bright future by becoming a Global Tea Company—a feat that we believe only the ITO EN Group can achieve as a Japanese company.

*Daijuke Honjo*

President and Executive Officer

# ITO EN Group's Value Creation Process

Based on our unique capability to develop products from farms, something that we have developed in our tea business, we build a wide variety of partnership through our value chain and lead it to the creation of markets and value. As a Health Creation Company, we seek to become a Global Tea Company by linking our medium- to long-term management plan to seven material issues.

- External environment**
- Climate change and environmental problems
  - Change of the supply chain
  - Diversification of lifestyles and values
  - Decrease in the domestic population and intensification of competition
  - Rising health consciousness in Japan and overseas
  - Increase in population and expansion of markets overseas

## Inputs

### Six capital categories (management resources)

#### Financial capital

- Financial credit rating: **A+** (R&I, JCR)
- Equity ratio: **49.2%**

#### Manufacturing capital

- Number of plants: **24**  
(ITO EN, subsidiaries and affiliates of the ITO EN Group)

#### Intellectual capital

- Research and development capabilities
- 5 concepts for product development
- Voice system  
(Annual number of proposals): **21,392**
- Number of patents relating to tea: **114**
- Annual number of food health research presentations: **20**

#### Human capital

- Number of Group employees: **8,028**
- Number of employees of ITO EN alone: **5,175**
- Number of ITO EN sales personnel: Approx. **3,500**
- Number of qualified ITO EN TEA TASTERS: Approx. **2,300**

#### Social and relationship capital

- Contracted tea production area: **2,241 ha**
- Beverage production outsources: Approx. **50** plants
- Outsourced leaf plants: Approx. **70** plants
- Number of sales bases: **186**
- Number of tea shops: **110**
- Number of Tully's Coffee Japan shops: **760**

#### Natural capital

- Areas (farms) for growing raw ingredients of products such as tea, barley, vegetables and coffee
- Water resources relating to raw ingredient production, product manufacturing, etc.

(Note) Fiscal year ended April 30, 2022

## Medium- to Long-Term Management Plan

(FY4/2023-FY4/2027) ⇒P.17-22

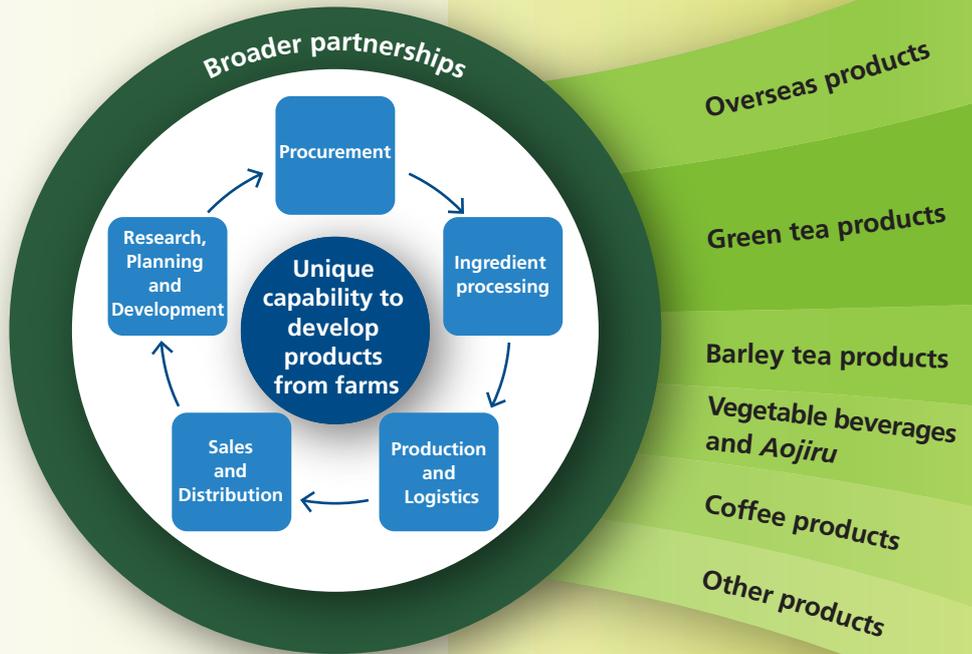
### Seven Material Issues ⇒P.27-56

- Contribution to Dietary Habits and Health
- Contribution to Sustainable Domestic Agriculture
- Environment
- Deepening Ties with Local Communities and Society

### Business model / value chain ⇒P.15-16

## Outputs

### Business Overview ⇒P.59-68



- Contribution to a Sustainable Supply Chain
- Promotion of Diverse Human Assets and Active Roles for All
- Corporate Governance

## Group Management Principle: Always Putting the Customer First

The spirit of "STILL NOW" 5 concepts for product development

Long-term vision

# Global Tea Company

Connect to the cultures of tea around the world and broadly share taste and value as a tea specialist

### Global

Enable tea, which is enjoyed all over the world, to evolve to support the mental and physical health of people around the world.

### Value Creation

Use the knowledge cultivated in tea to create value that aids health and a sustainable society.

### Unique

Be a unique company that integrates tradition and cutting-edge technologies in domains ranging from agriculture to resource circulation.

## Outcomes

### Value offered to stakeholders

#### Consumers

- Helping to enrich people's dietary habits through our products and by communicating information about the health benefits of tea



#### Shareholders / Financial institutions

- Sustained profitable growth and shareholder returns
- Timely and transparent disclosure of financial and non-financial information



#### Retailers

- Offering products matched with a wide variety of customer needs and lifestyles



#### Suppliers

- Strong partnerships with raw ingredient producers and outsourced manufacturers helps achieve the compatibility of solutions to social issues and the sustainable profitability of all parties



#### Local communities

- The utilization of our nationwide network of business locations and dietary education activities contributes to the revitalization of local communities



#### Employees

- Self-directed employee development and improving their engagement in their work to enable all of our people to energetically work in good health



### Profitable growth based on deliciousness and health

- Ubiquitizing our products in people's dietary habits in Japan and overseas and the creation and development of an unsweetened tea market

### Contributing to a sustainable society

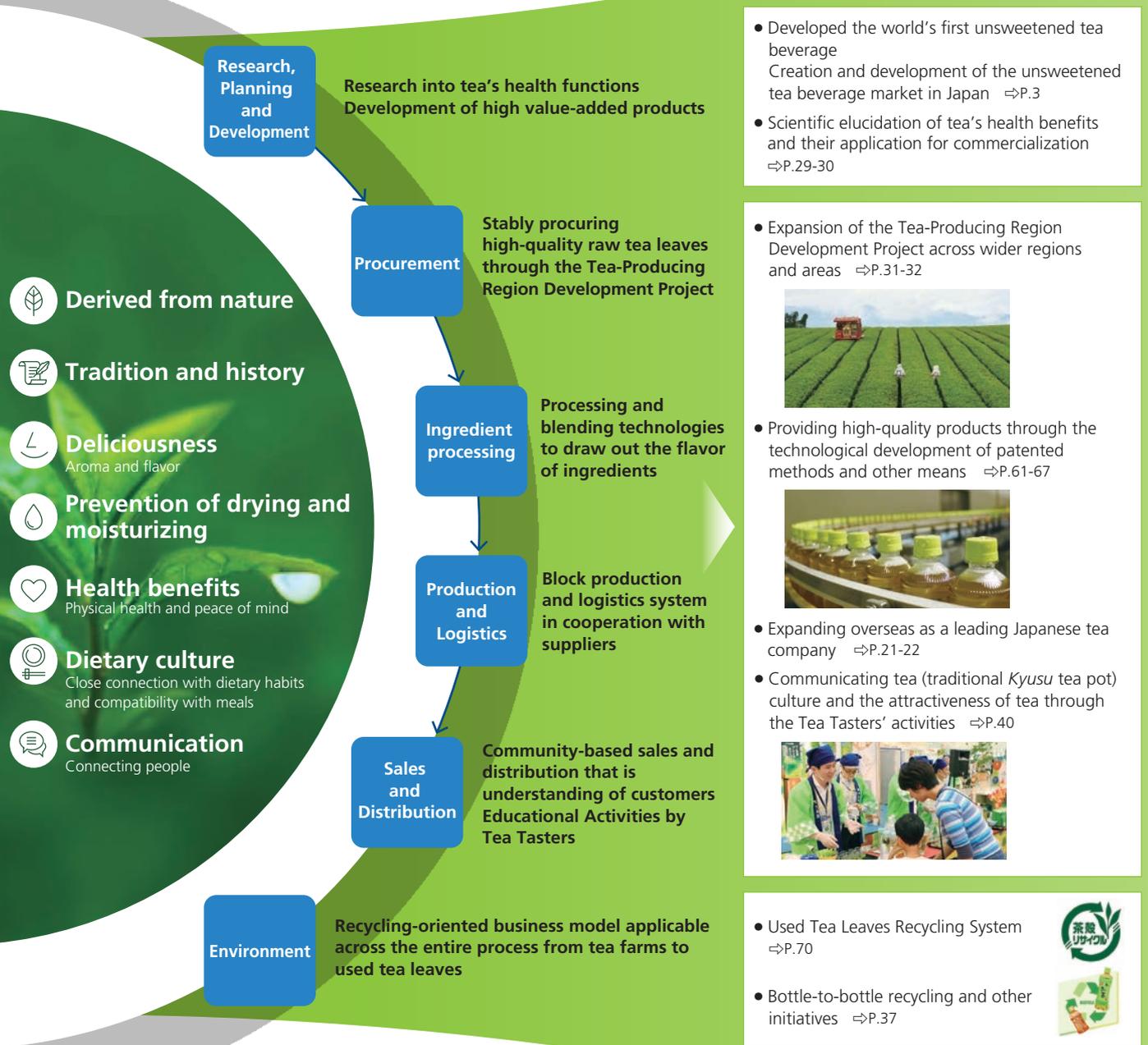
- Sustainable agriculture
- Extend healthy life expectancy
- Promote resources recycling, etc.

Sustainably creating value as a Health Creation Company



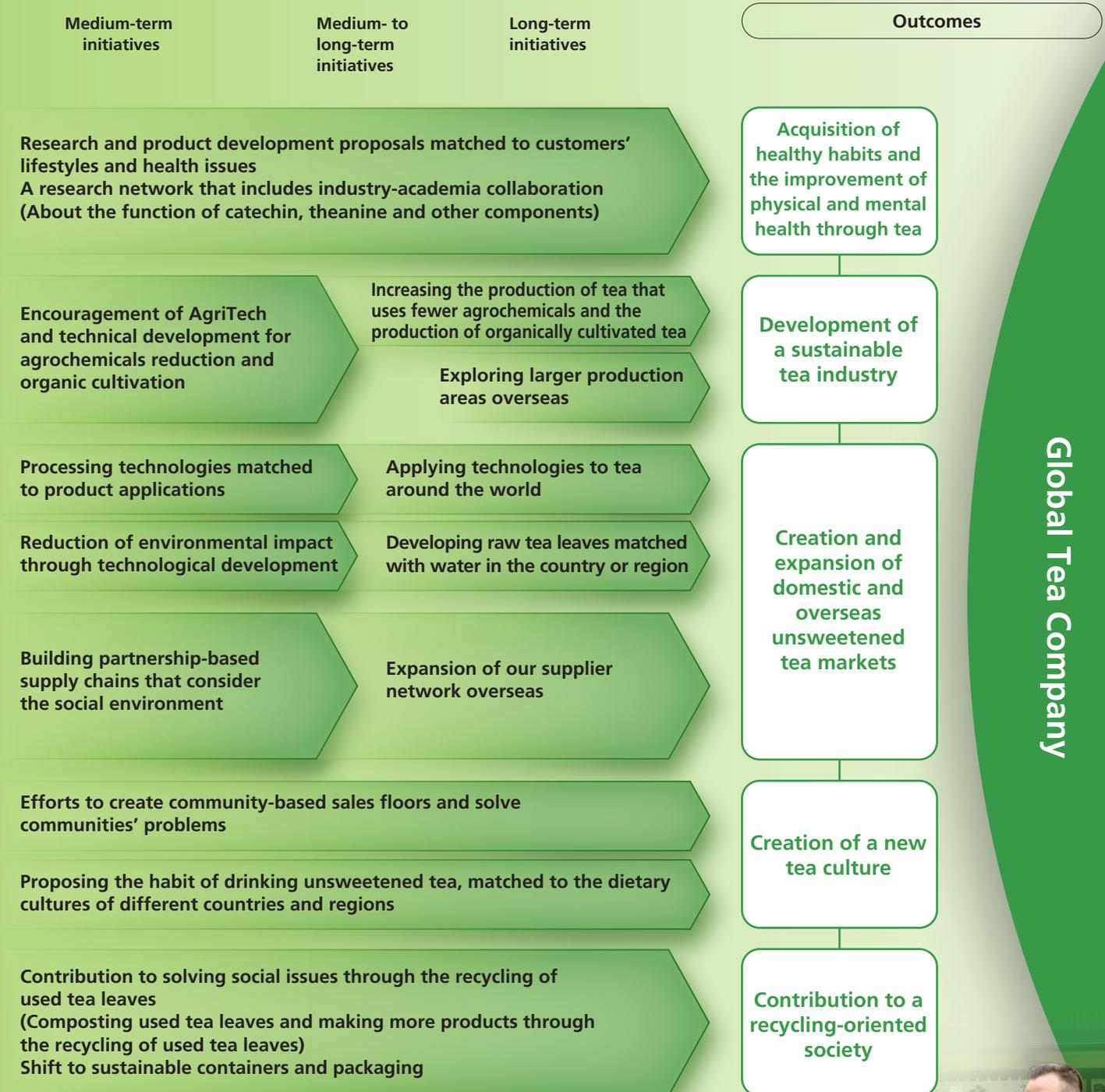
# We Sustainably Create Value Through Tea\* and Aim to Become a Global Tea Company

\* Everything about tea, including Japanese tea (green tea), all over the world



The ITO EN Group launched the world's first Canned Oolong tea and Canned Sencha (green tea) and it created and has developed the unsweetened tea beverage market.

As the best tea company in Japan, we will pursue the evolution of the basic value provided by different tea, mainly green tea, in combination with the ITO EN Group's characteristic value chain and we will sustainably create value with the goal of becoming a Global Tea Company.

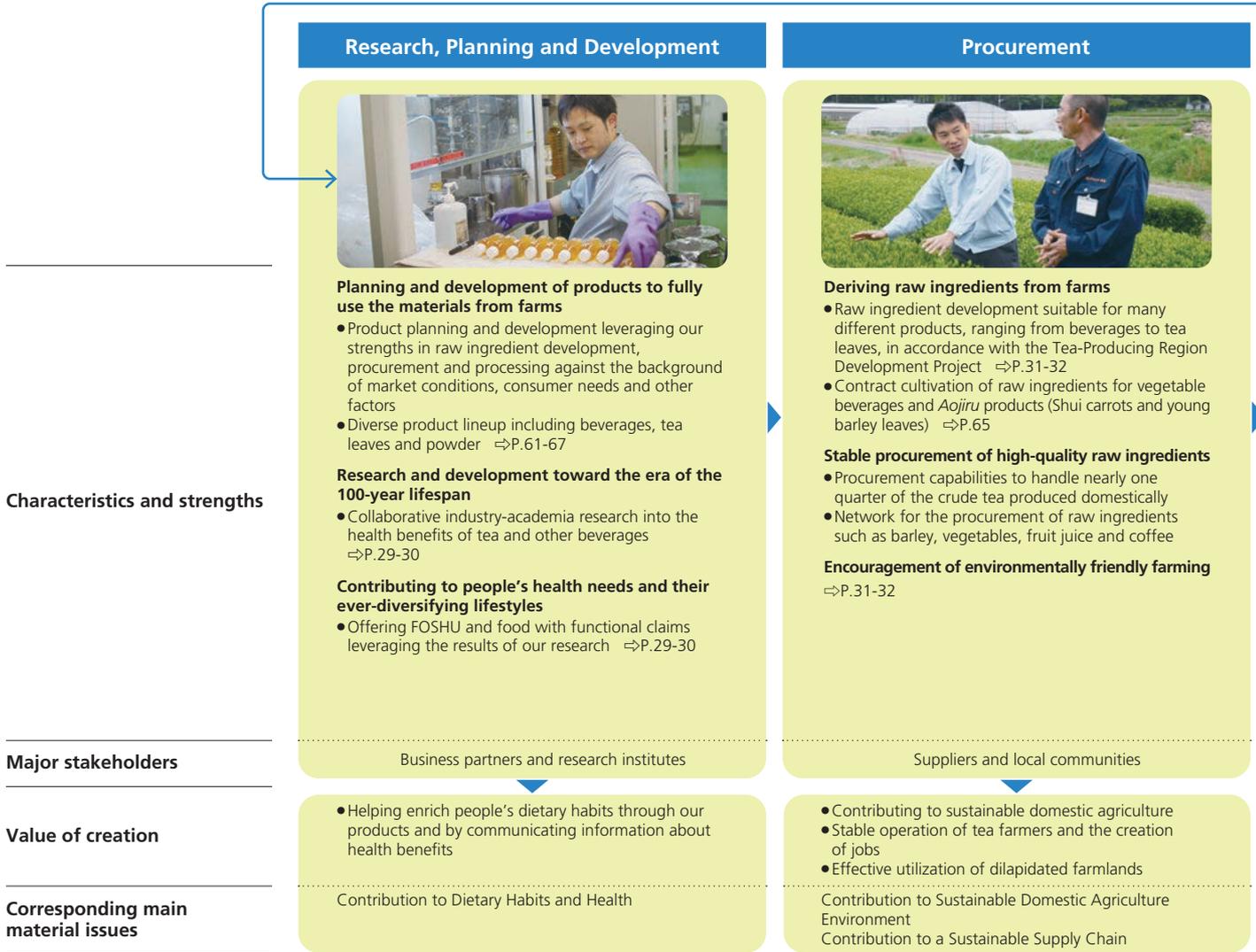


Global Tea Company



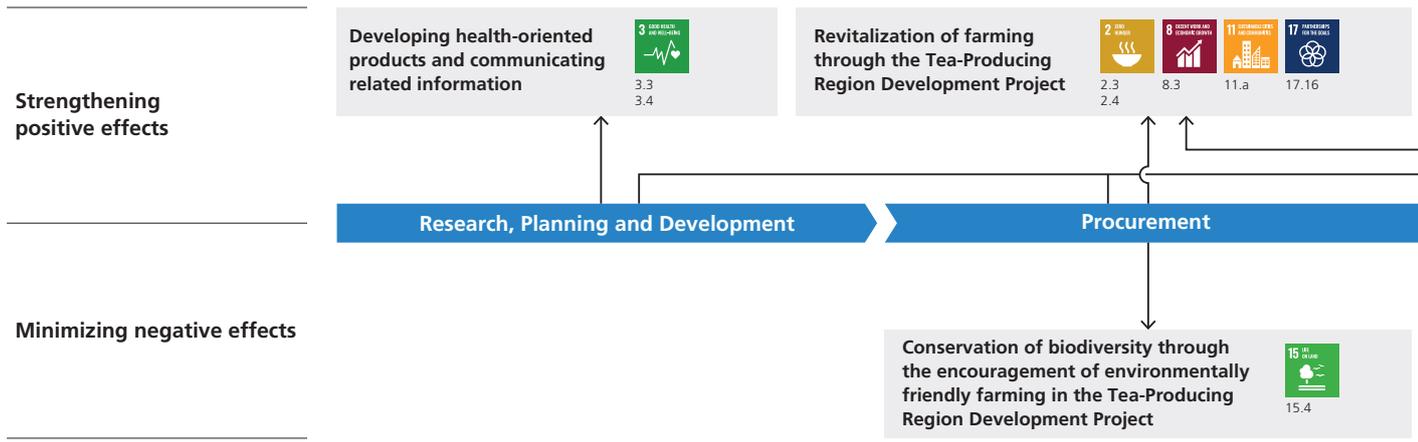
# Characteristics and Strengths of Our Value Chain

We will create value based on our unique capability to develop products from farms developed through our five concepts for product development and our tea business, and our characteristics and strengths in the leveraging of a wide variety of partnerships with stakeholders. Addressing the seven material issues, we will achieve profitable growth and contribute to a sustainable society.



<b>Management base to support our value chain</b>	<p><b>Stable financial base</b></p> <ul style="list-style-type: none"> <li>Financial credit rating: A+ (R&amp;I, JCR)</li> <li>ROE 8.2%</li> <li>Total return ratio 44.5% ⇒P.23-24</li> <li>* Fiscal year ended April 30, 2022</li> </ul>	<p><b>Corporate Governance</b></p> <ul style="list-style-type: none"> <li>Promote sustainability management</li> <li>Risk management</li> <li>Compliance ⇒P.47-56</li> </ul>
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## Major initiatives relating to SDG-related targets in the value chain



**5 concepts for product development**

- Natural**  
Products that make use of natural ingredients
- Healthy**  
Products that support a healthy life
- Safe**  
Products that people can enjoy with complete peace of mind and safety
- Well-designed**  
Designs that directly convey the delicious flavors of our products
- Delicious**  
Delicious flavors and tastes that make people feel happy

**Ingredient processing      Production and Logistics      Sales and Distribution**



**Processing technologies to fully draw out the characteristics of high-quality raw ingredients suited to the final products**

- Raw ingredient processing technologies for each product, such as beverage, leaf, powder and other tea, considering how and where they will be consumed, drinking scenes and the sizes of containers  
Green tea: Heating (roasting)  
Barley and coffee beans: Roasting  
Carrots: Boiling  
Product information websites  
▶ <https://www.itoen.jp/products/>

**Selection and processing of raw ingredients to achieve the compatibility of the flavor and health benefits of a product**

- Selection and processing of raw ingredients considering material-derived ingredients such as catechin and theanine

**Processing raw ingredients at our plants in Japan (Oi Ocha, barley tea and coffee)**

Suppliers

- Fully leveraging the flavor and health benefits of ingredients

Contribution to Sustainable Domestic Agriculture  
Contribution to a Sustainable Supply Chain



**Manufacturing and logistics dividing the whole country into five blocks**

- Fabless method in cooperation with suppliers (Outsourcing the manufacturing of beverage products)
- Environmentally friendly logistics structure ⇒P.41-42

**Manufacturing technologies with compatibility between quality and environmental friendliness**

- NS System developed in collaboration with suppliers (NS System reduces the weight of containers and consumption of energy and water) ⇒P.41

**Uncompromising quality control system**

- Establishing a system for quality management and traceability encompassing the entire process from raw ingredients to the completion of products ⇒P.41

**Environmentally friendly containers and packaging**

- Reducing the weight of containers, ending the use of labels, using recyclable materials in plastic bottles, and other efforts ⇒P.37-38

**Used Tea Leaves Recycling System** ⇒P.70

Suppliers and local communities

- Stability of the management of manufacturing and logistics outsources
- Manufacturing of safe, reliable and environmentally friendly products

Contribution to Dietary Habits and Health Environment  
Contribution to a Sustainable Supply Chain



**Community-based route sales**

- Visiting customers to increase the ways to interface with them ⇒P.39
- Sales personnel consistently handle business negotiations, deliveries, sales floor development and other tasks

**Voice system for internal proposals** ⇒P.45

**A wide variety of sales channels**

- Route sales, wide-area operations (e.g. mass retailers, convenience stores, corporate bodies), directly managed stores, e-commerce and other channels

**Co-creation with local communities**

- Partnerships with local governments and solving social issues ⇒P.40

**Creation of connections through tea**

- ITO EN Tea Tasters communicating through tea ⇒P.39-40

**Linked sales of products such as beverages and tea leaves** ⇒P.61-67

Retailers, consumers and local communities

- Sustainable growth of communities and business locations
- Revitalization of local communities and society
- Offering tasty, high-quality products

Contribution to Dietary Habits and Health Environment  
Deepening Ties with Local Communities and Society

**Active Roles and career advancement of diverse human resources**

- Utilization of human resources throughout the value chain
- Human resource development
- Creating an easy-to-work workplace environment ⇒P.43-46

**Major stakeholders**

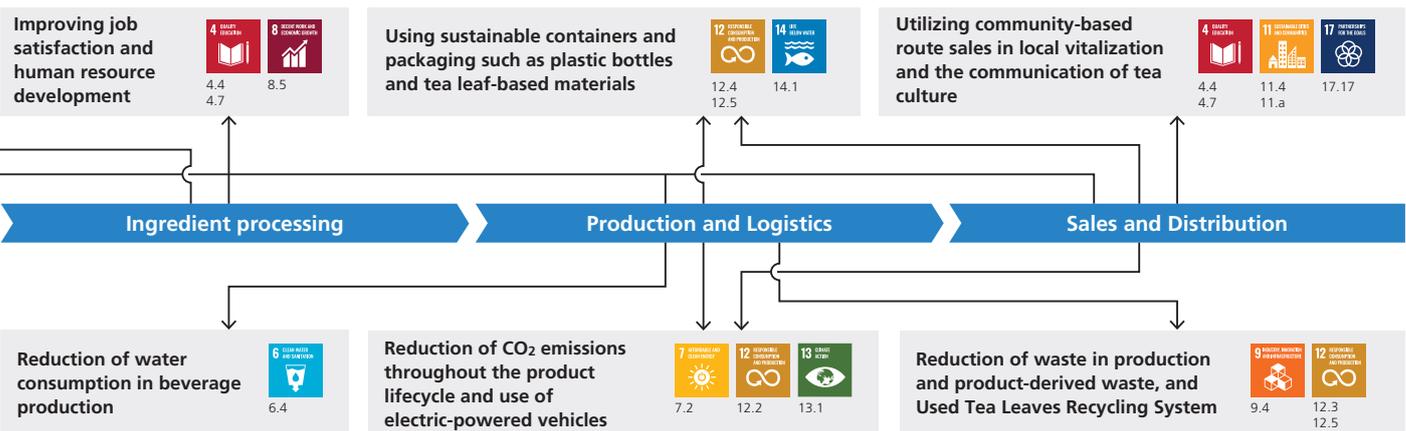
- Shareholders
- Financial institutions
- Employees

**Value of creation**

- Profitable growth and shareholder returns
- Employees' self-improvement
- Contributing to a sustainable society
- Improving work engagement

**Corresponding main material issues**

- Corporate governance
- Promotion of diverse human assets and active roles for all

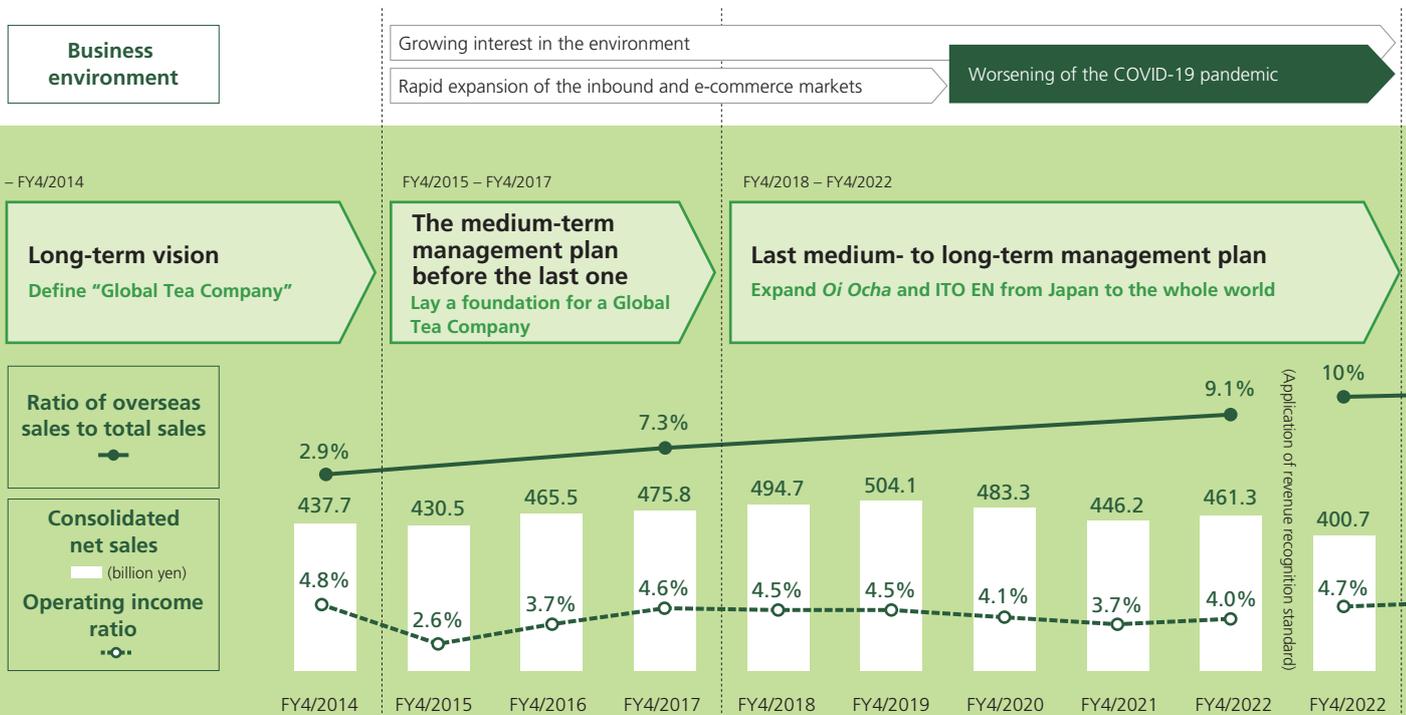


# Looking Back on Past Medium- to Long-Term Management Plans

Since 2011, the ITO EN Group has defined its long-term vision as becoming a Global Tea Company and it has built a foundation for its global expansion in accordance with the medium-term management plan before the last one (FY4/2015 – FY4/2017). In the last medium- to long-term management plan (FY4/2018 to FY4/2022), our overseas sales ratio was 9.1% (10% in the new standard).

The last medium- to long-term management plan set the targets of consolidated net sales of 600 billion yen, ROE of 10% or more and total return ratio of 40% or more as we pushed forward with group management. However, the COVID-19 pandemic worsened our profitability, impacting products for inbound customers, restaurant operations, vending machines and other businesses. Worse, we failed to achieve our targets in terms of consolidated net sales and ROE due to reasons such as the slump in the sales of our overseas operations.

Meanwhile, we achieved a great increase in sales of FOSHU and food with functional claims by marketing health-oriented products fully leveraging ingredients such as tea catechin and theanine. We demonstrated our strengths as a Health Creation Company. In addition, to improve profitability we have reviewed our structure in terms of, for example, sales activities and methods, production, logistics and warehouses at our business locations. This is steadily facilitating our shift to being a profit-oriented company. In the fiscal year ended April 30, 2022, the final year of the last medium- to long-term management plan, our consolidated net sales and operating income ratio rose from the FY4/2021 level, establishing a foothold for a new stage of growth in the new medium- to long-term management plan.



	Results	Targets	Results	Targets	Results	Results (New standard)*1
Consolidated net sales (billion yen)	437.7	500.0 or more	475.8	600.0	461.3	400.7
Operating income ratio	4.8%	5% (maintain)	4.6%	—	4.0%	4.7%
ROE	10.4%	10%	10.5%	10% or more	8.2%	8.2%
Total return ratio	42.6%	—	43.5%	40% or more	44.5%	44.5%
Ratio of overseas sales to total sales	2.9%	—	7.3%	10% or more	9.1%	10%*2

Key strategies	Achievements	Challenges
<ul style="list-style-type: none"> <li>Strengthen domestic revenue base</li> <li>Pursue expansion into new domestic business domains</li> <li>Strategic investments for establishing an overseas business foundation</li> </ul>	<ul style="list-style-type: none"> <li>Develop global brands</li> <li>Create new businesses</li> </ul>	<ul style="list-style-type: none"> <li>Global expansion of <i>Oi Ocha</i> and ITO EN brands</li> <li>Develop world-class Tea Tasters</li> <li>Comprehensive beverage manufacturer in Japan</li> <li>Take on challenges in new businesses</li> <li>Increase FOSHU and food with functional claims</li> <li>Shift to a profit-oriented corporate structure</li> <li>Facilitate the growth of our overseas operations</li> <li>Continue to strengthen the synergy of the ITO EN Group</li> </ul>

\*1 The revenue recognition standard began to be applied in the fiscal year ended April 30, 2022.

\*2 Exchange rate in the fiscal year ended April 30, 2022 (US dollars): 113.79 yen (average for the fiscal year)

# Key Points in the New Medium- to Long-Term Management Plan

The economy and society are rapidly changing. Some examples of this are the COVID-19 pandemic that appears endless, the rapid change in the global state of affairs, the steep rise of the cost of raw ingredients, materials and logistics, the demographics of Japan and the world, and the growing interest in social issues. It is also assumed that the business environment surrounding the ITO EN Group will continue to change. Against this backdrop, the new medium- to long-term management plan has been formulated under the ITO EN Group's management principle, "Always Putting the Customer First," with the goal of extending the results of the last medium- to long-term management plan, solving the problems manifest such as our overseas operations, achieving sustainable growth and taking another leap forward.

Five key strategies, quantitative targets and a business investment plan have been formulated, mainly aimed at continuing to focus on our mainstay brands including *Oi Ocha*, improving our health-related messages and claims based on material-derived ingredients, focusing our overseas operations primarily on North America, increasing investment in growth including our new businesses and building a structure for that purpose, continuing efforts to improve profitability and integrating sustainability and business management.

(⇒See pages 19 and 20 for our key strategies and roadmap and pages 21 and 22 for our overseas business strategies)



**Yoshihisa Nakano**

Director and Senior Managing Executive Officer  
General Director of Production Headquarters with responsibility for Logistics Headquarters and Sustainability  
Chair of FY4/2022 Long-term Management Planning Committee

FY4/2023 – FY4/2027

## New Medium- to Long-Term Management Plan

As a Health Creation Company, we accelerate the globalization of *Oi Ocha* both domestically and internationally

Ratio of overseas sales to total sales

**11% or more**

**12% or more**

Operating income ratio

**6%**

**7%**

**FY4/2025**

**FY4/2027**

	Targets	Targets
Annual rate of growth of net sales	<b>3% or more</b>	<b>3% or more</b>
Operating income ratio	<b>6%</b>	<b>7%</b>
ROE	<b>10% or more</b>	<b>10% or more</b>
Total return ratio	<b>40% (maintain)</b>	<b>40% (maintain)</b>
Ratio of overseas sales to total sales	<b>11% or more</b>	<b>12% or more</b>

5 key strategies

- ① Solidify the existing businesses in Japan
- ② Develop *Oi Ocha* into a global standard brand
- ③ Create new businesses
- ④ Strengthen the management base
- ⑤ Promote sustainability management

### Key Points in the New Medium- to Long-Term Management Plan

Keep focusing on our core brands including *Oi Ocha*

Improve our health-related messages and claims based on material-derived ingredients

Focus our overseas operations primarily on North America

Increase investment in growth including new businesses and build a structure for that purpose

Continue with efforts to improve profitability

Integrate sustainability and business management

Analyze risks and opportunities based on an understanding of the changes in our business environment

Look back on the last medium- to long-term management plan

# Key Strategies and Roadmap of the New Medium- to Long-Term Management Plan

## We Will Solidify Domestic Operations as a Health Creation Company and Accelerate the Development of *Oi Ocha* into a Global Brand in the Five-year Period

We will focus on the following in the five-year period (FY4/2023 – FY4/2027).

### Five key strategies

#### ① Solidify the existing businesses in Japan

- 1 Establish the status of an unrivaled tea company in Japan**
  - Technical improvement for deliciousness and quality
  - Increase awareness of health to stimulate the market
  - Reinforce new sales outlets (EC and D2C)
- 2 Increase the brand value centering on health appeal**
  - Increase FOSHU and food with functional claims
    - + Address the diverse health issues of customers
- 3 Improve contact with customers**
  - Establish a connection between digital and real interfaces
    - + Open a community site
    - + Interface with customers in new ways
  - Increase activities for dietary education related to tea and vegetables

#### ② Develop *Oi Ocha* into a global standard brand

- 1 Integrate *Oi Ocha* into the dietary cultures of different countries and regions and enable it to permeate daily life**
  - Strengthen our marketing measures adapted to different regions
  - Gradual development of local production
  - Group cooperation
  - Development of global human resources

**Develop *Oi Ocha* into a global brand**

#### ③ Create new businesses

- 1 Offer new value for food and life**
- 2 Leverage tea's functionality and the techniques and relationships cultivated in the tea business**
  - Create businesses in collaboration with external companies (open innovation)
  - Create businesses through our in-house venture program

#### ④ Strengthen the management base

- 1 Increase synergy within the ITO EN Group**
- 2 Optimize supply chain**
- 3 Accelerate human resource development, research and development and DX**
  - Increase research into health, functionality and tea farms
  - Improve IT literacy and develop human resources with digital expertise

#### ⑤ Promote sustainability management

- 1 Contribute to consumers, local communities, agriculture and the resolution of global environmental issues through business activities appropriate to ITO EN**
- 2 Achieve continuous growth towards being a 100-year-old company**

In the medium- to long-term management plan spanning the five years between FY4/2023 and FY4/2027, we will be a Health Creation Company, continue to help ensure customers' lives are healthy and enriched and ensure the sustainability of our society. At the same time, we will enhance our efforts to develop *Oi Ocha* into a global brand in pursuit of being a Global Tea Company. To this end, our five key strategies are: Solidify our existing businesses in Japan, Develop *Oi Ocha* into a global standard brand, Create new businesses, Strengthen our management base and Promote sustainability management. Further, we defined quantitative targets for the fiscal year ending April 30, 2027 based on our stance on growth which is represented by Focus on profitability, Continuous growth to increase profit and market share and ROE improvement, as well as our business investment plan.

Long-term vision

## Global Tea Company

Connect to the cultures of tea around the world and broadly share taste and value as a tea specialist

### Quantitative targets

#### Stance on growth

- Focus on profitability
- Continuous growth to increase profit and market share
- ROE improvement

• FY4/2022

#### Results

Operating income ratio	4.7%
ROE	8.2%
Total return ratio	44.5%
Ratio of overseas sales to total sales	10%

*Oi Ocha*  
35th anniversary  
(February 2024)

• FY4/2025

Strengthen our foundation with a focus on our North American operations, etc.

Solidify the existing businesses in Japan

#### Targets

Operating income ratio	6%
ROE	10% or more
Total return ratio	40% (maintain)
Ratio of overseas sales to total sales	11% or more

The Tea-Producing Region Development Project  
50th anniversary  
(2026)

• FY4/2027

*Oi Ocha*  
Global total (domestic and overseas)

More than 100 million cases

FOSHU and Food with Functional Claims Domestic sales breakdown

30% or more

#### Targets

Operating income ratio	7%
ROE	10% or more
Total return ratio	40% (maintain)
Ratio of overseas sales to total sales	12% or more

Average five-year growth rate in consolidated net sales of 3% or more

#### Business investment Cumulative total five-year cash flows

Cash inflow

Cash outflow

Operating cash flow  
150 billion yen or above

Business investment  
70 billion yen

Repayment of interest-bearing liabilities  
40 billion yen

Shareholder return  
35 billion yen or above

# Overseas Business Strategy

As people grow more oriented toward health and the popularity of Japanese food and matcha increases, the green tea market is expanding around the world and is expected to keep growing. Amid this trend, we market beverages and tea leaf products from the ITO EN and *Oi Ocha* brands in over 30 countries and regions.

While sweetened beverages are very common overseas, we aim to steadily ubiquitize unsweetened tea in the dietary habits of people around the world, instead of trying to create a fad. Expanding the unsweetened tea market in Japan also took a long time. In preparation for the stage where the overseas unsweetened tea beverages markets will rapidly expand, the medium- to long-term management plan is designed to facilitate the growth of our operations in the countries and regions we have already expanded to, and strengthen the foundation of our overseas operations.



**Kazuhiko Nakajima**

Executive Officer and General Director of International Business Headquarters

## ITO EN and *Oi Ocha* All around the World

### Business base location

Japan, North America, China, Australia, Singapore, Thailand and Indonesia

### *Oi Ocha* is marketed in:

Over 30 countries and regions in Asia, North America, Europe, the Middle East and in other places around the world

### Progress in overseas expansion

**North America** | 1987 ITO EN (Hawaii) LLC (Hawaii)  
2001 ITO EN (North America) INC. (New York)

**China** | 1994 Ningbo Shunyi Tea Products Co., Ltd. (Zhejiang)  
1998 Fujian New Oolong Drink Co., Ltd. (Fujian)  
2012 ITO EN BEVERAGE (SHANGHAI), LTD. (Shanghai)

**Australia** | 1994 ITO EN AUSTRALIA PTY. LIMITED

**Southeast Asia** | 2012 ITO EN Singapore Pte. Ltd. (Singapore)  
2013 ITO EN (Thailand) Co., Ltd. (Thailand)  
2013 PT ITO EN ULTRAJAYA WHOLESALE (Indonesia)



## Growth of Overseas Business

We set the target of having an overseas sales ratio at 12% or more by the end of the fiscal year ending April 30, 2027. Longer term, we will increase our overseas sales ratio and strive to become a Global Tea Company.

**FY4/2025**

### Strengthen our foundation with a focus on our North American operations, etc.

- Marketing matched with the region
- Develop human resources with expertise and knowledge of regional characteristics

Ratio of overseas sales to total sales **11% or more**

**FY4/2027**

### Develop *Oi Ocha* into a global brand

- Growth of our businesses in North America and the countries and regions we have already expanded to
- Development of markets in Europe and other regions
- Optimization of supply chain

Ratio of overseas sales to total sales **12% or more**

### Long-term vision

## Global Tea Company

Connect to the cultures of tea around the world and broadly share taste and value as a tea specialist

**Global**

Enable tea, which is enjoyed all over the world, to evolve to support the mental and physical health of people around the world.

**Value Creation**

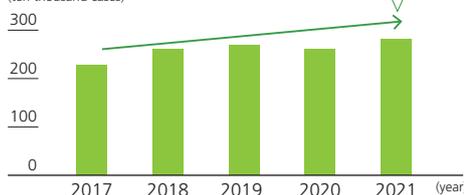
Use the knowledge cultivated in tea to create value that aids health and a sustainable society.

**Unique**

Be a unique company that integrates tradition and cutting-edge technologies in domains ranging from agriculture to resource circulation.

### Trend in sales of *Oi Ocha* overseas

(ten thousand cases)

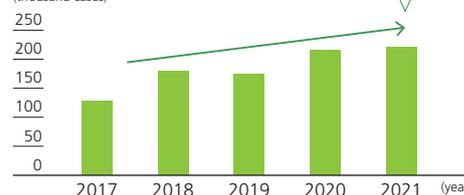


Average annual growth rate **+6%**



### Quantity of overseas sales of tea bags from global brands

(thousand cases)



Average annual growth rate **+14%**



Source: ITO EN (May-April of each year / sales volume)

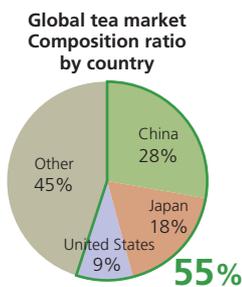
## Overseas Key Strategies

### Regional strategy

#### Key regions (e.g. North America)

Combining tea beverages and tea leaves, the global tea market is nearly 67 billion US dollars (nearly 8 trillion yen). The majority of the market, 55%, is in the top 3 countries: China, Japan and the United States. North America is regarded as a key region as it is the third largest market, behind Japan. We will work to achieve dramatic growth in the region.

To this end, in terms of sales, we will expand our interface with customers by making products available at major chain stores and through e-commerce, a growing form of business, while increasing our marketing activities in an effort to enhance the recognition of *Oi Ocha*. We will also develop human resources with expertise and knowledge of regional characteristics through cooperation between ITO EN and local affiliates and we will optimize our supply chain in accordance with the sales volumes in different regions through measures such as a shift to local production and increasing our production capacity. In this way, we will strengthen the foundation of our business.



#### Regional expansion (e.g. Australia, Asia, Europe, the Middle East)

In Australia and Asia (China, Singapore, Thailand, Indonesia), our local affiliates take the lead in marketing products such as *Oi Ocha*, tea bags and matcha. Even in the regions where we have no local affiliates, our products are marketed via local agencies and similar organizations. *Oi Ocha* is marketed in over 30 countries and regions in Asia, North America, Europe, the Middle East and other areas.

In the latter half of the medium- to long-term management plan, we will pursue expansion into more countries and regions such as those in Europe, on the assumption that Europe will be a key region in the future.

#### Crude tea procurement and local production

Aiming to popularize Japanese green tea overseas, our production activities are adapted to national standards through

the Tea-Producing Region Development Project and we procure tea leaves that are certified as required in the different countries and regions. We also develop technologies for and increase the production of organic green tea, a product that is in high demand in the markets of Western countries and other regions. Some of our green tea products marketed overseas are made from tea leaves procured from contracted growers in Zhejiang, China and the new tea farms business in Victoria, Australia. Just like we do in Japan, these overseas partners grow high-quality tea leaves suitable for beverage and tea bag products so that the leaves can satisfactorily be used in products for China and Australia. As we seek to optimize our supply chain in the future, we will also improve suppliers outside Japan, in consideration of national regulations and import barriers.



A tea farm in Australia

### Brand strategy

#### Improving the corporate and product brand images

Our regionally optimized marketing activities will increase recognition of *Oi Ocha*, pioneer in unsweetened tea beverages around the world, and develop it into a global brand. For tea bags and matcha, we market the *MATCHA GREEN TEA* overseas strategy brand to enable our green tea and matcha products to be consumed more often. At the same time, we will seek to make the ITO EN brand more widely known.

#### Marketing activities matched to the region

Our regionally adapted marketing activities will popularize *Oi Ocha*, the No. 1 brand in Japan, in people's everyday lives in different regions. In addition to our point-of-purchase efforts, we will encourage greater use of social media and video for promotion and advertising so that customers' learning about and identifying with products on-site can lead them to purchase the products.

### Brand enhancement

Corporate

Expansion of the ITO EN brand

Products

*Oi Ocha* (beverage and tea leaf products)

*MATCHA GREEN TEA* (tea leaf products)



United States Canada China Hong Kong Taiwan South Korea Australia Singapore Thailand Indonesia



Tea bags Instant tea

Different countries and regions



Different countries and regions

# Financial and Capital Strategy

ITO EN Group aims to achieve sustainable growth and increase corporate value by generating stable cash flow and investing in growth areas, while maintaining a stable financial base.

## Minoru Watanabe

Vice Chairman, Director and Executive Officer with responsibility for Administration Headquarters and International Business Headquarters, in charge of New Business

## Basic Policy

At ITO EN Group, ROE is a particularly important indicator of our financial performance. This is why we use ROE as one of the ways to evaluate directors regarding the stock option program that started in 2004 as a remuneration system linked to our results of operations. In the new medium- to long-term management plan announced in June 2022, we continued to target ROE of 10% or more.

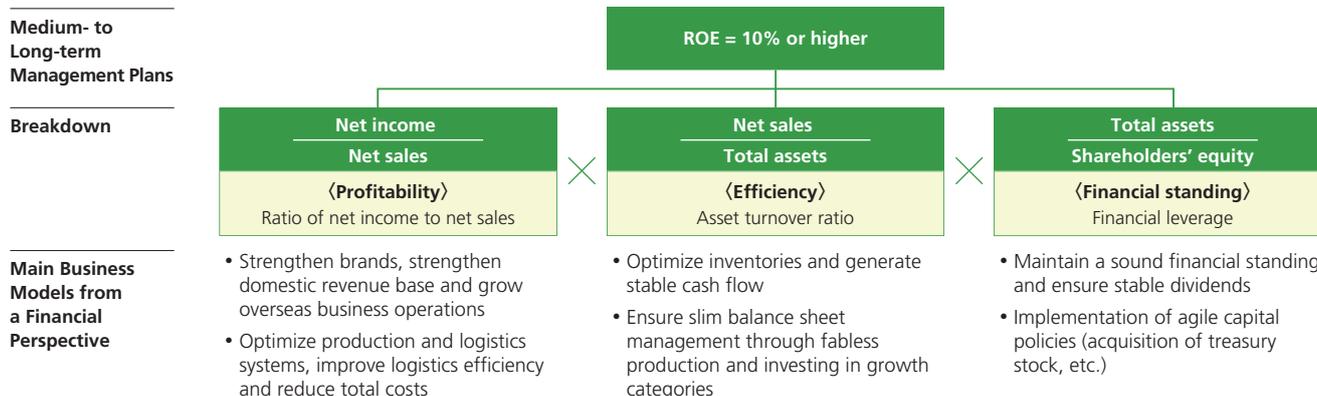
This performance indicator can be divided into three components: the ratio of net income to net sales, the asset

turnover ratio and financial leverage. Increasing the ROE requires “the improvement of profitability (ratio of net income to net sales),” “the efficient use of assets (asset turnover ratio)” and “the use of financial leverage.” We place the most emphasis on “the improvement of profitability” and “the efficient use of assets.” Despite the impact of the pandemic, the ROE for the fiscal year ended April 30, 2022 increased by 3.5 percentage points from the previous year to 8.2% due to a gradual recovery in economic activity.

(consolidated)	FY4/2020	FY4/2021	FY4/2022
<b>ROE</b>	5.2%	4.7%	8.2%
<b>Ratio of net income to net sales</b>	1.6%	1.6%	3.2%
<b>Asset turnover ratio</b>	1.63 times	1.43 times	1.21 times
<b>Financial leverage</b>	2.00 times	2.08 times	2.12 times

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others are applied from the fiscal year ended April 30, 2022.

## ROE-based management and financial tree comprising profitability, efficiency, and financial standing (Conceptual diagram)



## Improving Profitability

In order to improve profitability, we believe that the key issues are strengthening our domestic revenue base and achieving growth of overseas businesses. In terms of strengthening our revenue base in Japan, we will work to establish our position as the unrivaled tea company, enhance our brand value mainly through appealing to health-conscious consumers and form stronger ties with customers. We are working to improve productivities by expanding the market share of our mainstay brands, and enhancing cost awareness, and improve logistics efficiency and reduce overall costs by seeking to optimize our nationwide production and logistics

networks. For overseas operations, our activities will continue to be focused on *Oi Ocha*, *MATCHA GREEN TEA* and other global brands as interest in healthy lifestyles continues to increase worldwide. We will make efforts to increase brand recognition and expand the market in North America and other primary markets outside of Japan. We will also explore ways of providing new dietary and lifestyle value and utilizing the functionality of tea, and technologies and connections developed in the tea business, with the aim of creating new businesses.

## Increasing Asset Efficiency

We will aim to generate stable cash flow through the improvement of our operating capital, including the optimization of inventories. Generated cash flow will be mainly used for business investments, repayment of interest-bearing liabilities, and shareholder returns. With regard to business investments, in addition to the acquisition of production facilities, opening of new Tully's Coffee shops

and other capital investments, we will also proactively invest in growth areas and for the future. To repay interest-bearing liabilities, we will repay existing loans and lease obligations. With regard to shareholder returns, we will implement stable and continuous shareholder returns with the goal of maintaining a total return ratio of 40%.

(consolidated)	FY4/2020	FY4/2021	FY4/2022
<b>Operating CF</b>	24,719 million yen	25,351 million yen	22,226 million yen
<b>Investment CF</b>	(9,217) million yen	(7,514) million yen	(7,397) million yen
<b>Free CF</b>	15,502 million yen	17,836 million yen	14,829 million yen
<b>Amount of capital investment</b>	9,990 million yen	7,199 million yen	7,511 million yen
<b>Depreciation</b>	7,022 million yen	7,255 million yen	7,246 million yen
<b>Lease depreciation</b>	6,081 million yen	5,171 million yen	4,035 million yen
<b>Lease obligations (amount of repayment)</b>	(4,679) million yen	(3,691) million yen	(2,732) million yen

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others are applied from the fiscal year ended April 30, 2022.

## Ensuring Financial Stability

In addition to capital investments, we expect to utilize cash in hand in a variety of ways in the future, including for investments in R&D, growth areas such as M&A, and in making preparations for future investments. Despite the historically unprecedented rapid changes currently taking place in financial markets, we have secured sufficient liquidity of cash on hand to ensure financial stability.

Looking ahead, we will procure capital through interest-bearing liabilities as needed, while maintaining financial stability by, for example, diversifying our fundraising, such as by issuing corporate bonds and borrowing from financial institutions, and establishing a commitment line as a response to unpredictable situations.

## Shareholder Returns Policy

Our basic policy is to ensure stable and continuous returns to shareholders, with a target total return ratio of at least 40%. With regard to dividends, we will continue to make stable and continuous dividend payouts, with the basic

policy of not reducing dividends. Repurchase of shares is flexibly implemented when considered necessary as a measure to return profits to shareholders that contributes to capital efficiency.

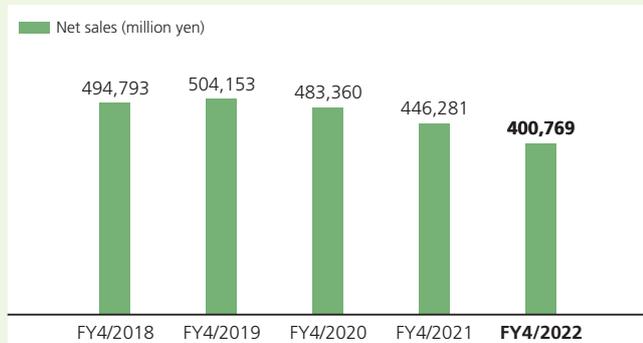
(consolidated)	FY4/2020	FY4/2021	FY4/2022
<b>EPS (Common stock)</b>	61.5 yen	55.1 yen	103.9 yen
<b>EPS (Class-A preferred stock)</b>	71.5 yen	65.1 yen	113.9 yen
<b>Total return ratio</b>	92.1%	74.0%	44.5%

# Financial and Non-Financial Highlights

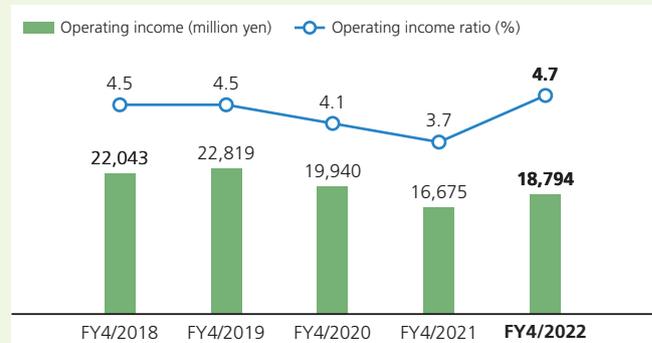
## Financial Indicators (consolidated)

(Note) Revenue recognition standard is applied from the fiscal year ended April 30, 2022.

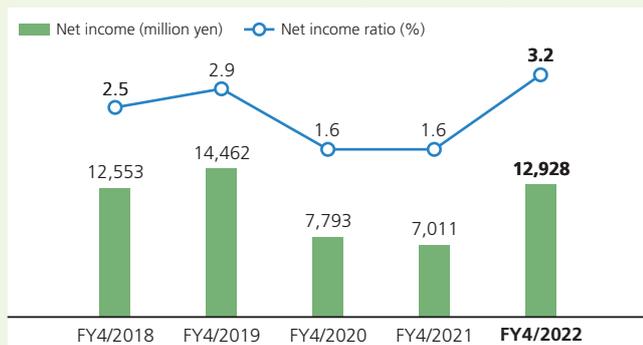
### Net sales (consolidated)



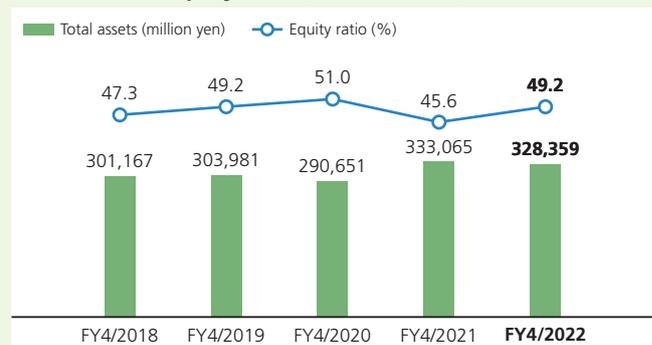
### Operating income / Operating income ratio (consolidated)



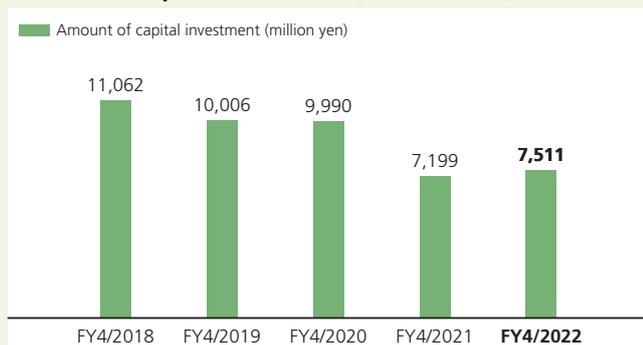
### Net income / Net income ratio (consolidated)



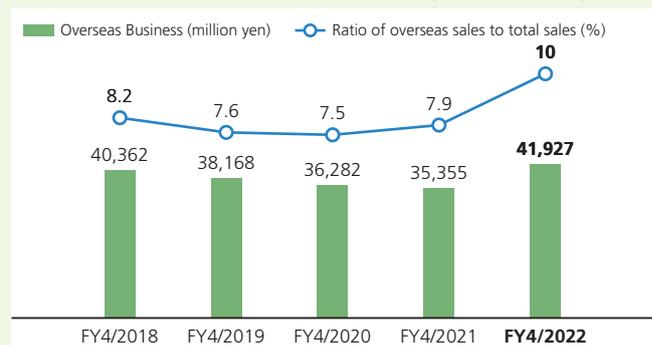
### Total assets / Equity ratio (consolidated)



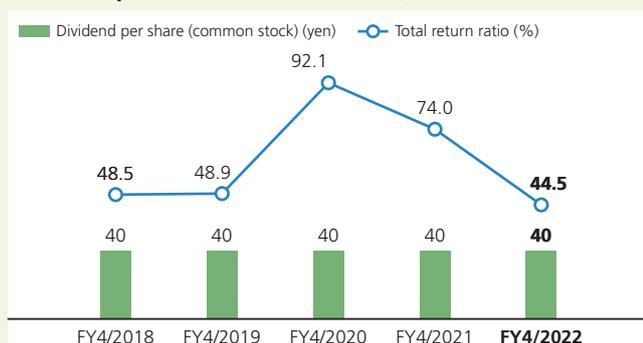
### Amount of capital investment (consolidated)



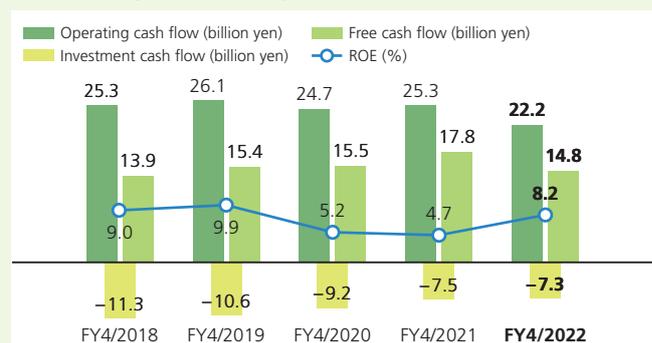
### Ratio of overseas sales to total sales (consolidated)



### Dividend per share (common stock) / Total return ratio



### Cash flow (consolidated)

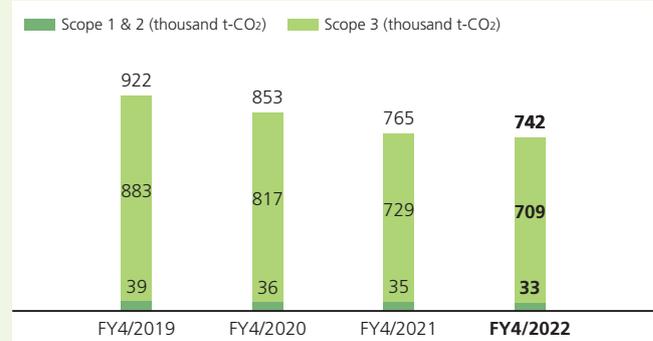


## Non-financial Indicators (Non-consolidated results of ITO EN)

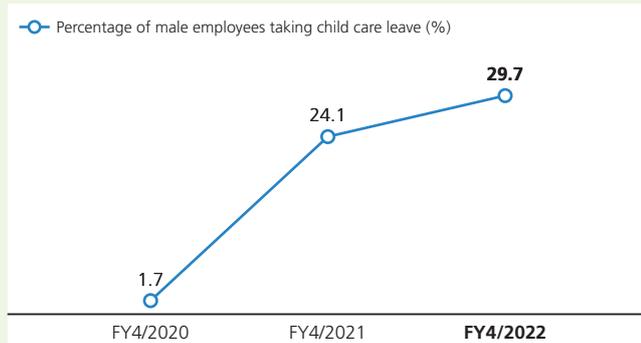
### Taking annual paid leave ratio



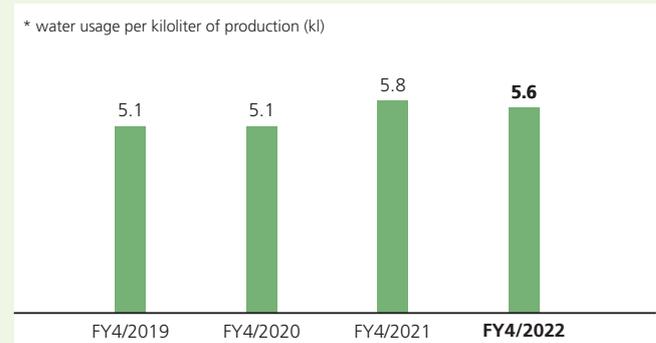
### CO2 emissions



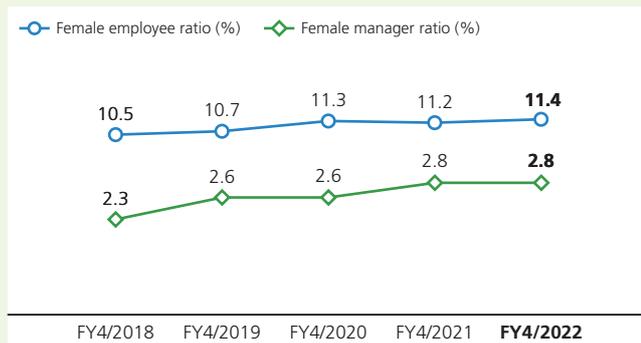
### Percentage of male employees taking child care leave



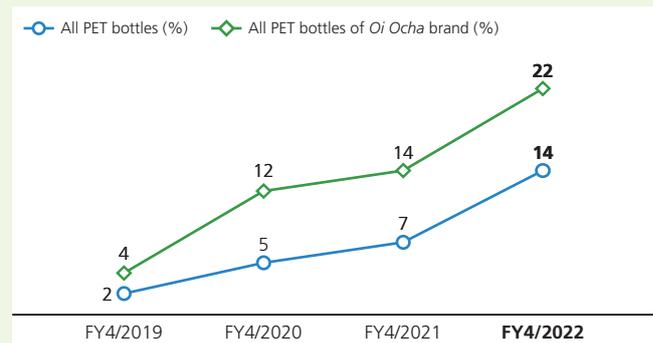
### Water usage intensity\* in the manufacturing process



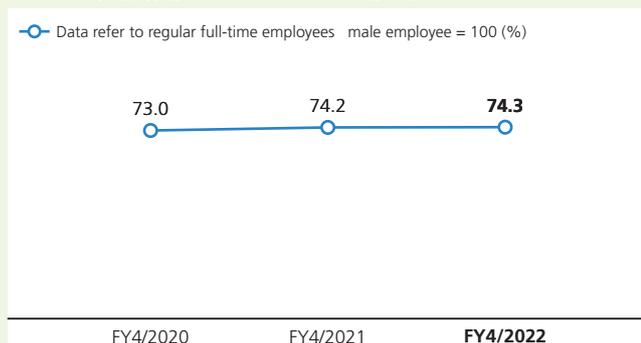
### Female employee ratio / Female manager ratio



### Ratio of recycled materials used for PET bottles



### Gender pay gap for full-time employees



\*1 Please see pages 71 and 72 for details of financial and non-financial data.

\*2 Sustainability data is also available on our corporate website.  
<https://www.itoen.co.jp/sustainability/performance/>

# Revision of Material Issues and KPIs

With the formulation of the new medium- to long-term management plan (FY4/2023-FY4/2027) in June 2022, we revised our material issues in response to changes in the external environment. As a result, we established seven new material issues: Contribution to Dietary Habits and Health, Contribution to Sustainable Domestic Agriculture, the Environment, Deepening Ties with Local Communities and Society, Contribution to a Sustainable Supply Chain, Promotion of Diverse Human Assets and Active Roles for All, and Corporate Governance. We are working on these issues in conjunction with the medium- to long-term management plan.

## Material Issues Identification Process

1

### Identification of social issues

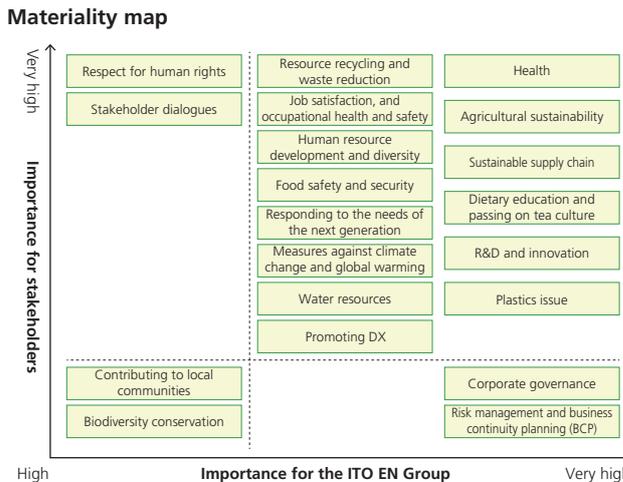
From the perspective of the changing external environment, the demands and expectations of society, and key customer issues, we identified social issues by referring to international disclosure standards, ESG evaluation criteria, and the SDGs.

\* Disclosure standards referred to: GRI Standards, SASB Standards, ESG evaluations (FTSE, MSCI), SDGs, ISO 26000.

2

### Importance / materiality evaluation

We have adopted a double materiality system to identify the material issues that the ITO EN Group should address in order to achieve sustainable growth while ensuring profitability and become a unique company that is valued and needed by customers, through the resolution of social issues and the creation of shared value in the medium- to long-term. Social issues identified in step 1 were mapped from the perspectives of importance to society and importance to the company, and organized as candidates for material issues.



**Materiality map**

The map plots social issues on a grid. The vertical axis represents 'Importance for stakeholders' (from High to Very high) and the horizontal axis represents 'Importance for the ITO EN Group' (from High to Very high). Issues are categorized into boxes: 
 

- High importance to stakeholders, High importance to ITO EN Group:** Respect for human rights, Stakeholder dialogues, Job satisfaction and occupational health and safety, Human resource development and diversity, Food safety and security, Responding to the needs of the next generation, Measures against climate change and global warming, Water resources, Promoting DX.
- High importance to stakeholders, Medium importance to ITO EN Group:** Resource recycling and waste reduction, Health, Agricultural sustainability, Sustainable supply chain, Dietary education and passing on tea culture, R&D and innovation, Plastics issue.
- High importance to stakeholders, Low importance to ITO EN Group:** Contributing to local communities, Biodiversity conservation.
- Low importance to stakeholders, High importance to ITO EN Group:** Corporate governance, Risk management and business continuity planning (BCP).

3

### Stakeholder dialogues

Based on the candidate material issues identified, we sent a questionnaire to external experts, investors, internal and external officers and other stakeholders asking about their expectations and requests for the ITO EN Group, and issues that should be prioritized. Senior management and external experts also held stakeholder dialogues to hear the opinions of stakeholders.



**Theme:** Identifying Material Issues (Evaluation of Priority Issues)

**Date:** April 13, 2022 (Wednesday)

**Experts:**  
 Yoshitsugu Minagawa (Chief Counselor of Norinchukin Research Institute Co., Ltd., Chairman and Director of Japan Agriculture-Welfare Collaboration Association)  
 Minoru Matsubara (Executive Officer in charge of Responsible Investment, Resona Asset Management Co., Ltd.)  
 Minako Oishi (Former Vice Chairperson, Nippon Association of Consumer Specialists)\*  
\* Affiliations and positions are correct as of July 2022.



**Participants:**  
 Daisuke Honjo, President and Executive Officer  
 Shusuke Honjo, Executive Vice President, Representative Director, Executive Officer and CDO (Chief Digital Officer)  
 Yoshihisa Nakano, Director, Senior Managing Executive Officer and General Director of the Production Headquarters  
 Atsushi Hirata, Director, Senior Managing Executive Officer and General Director of the Administration Headquarters

4

### Identification of material issues

After steps 1-3, the Board of Directors deliberated over the candidate material issues in conjunction with the new medium- to long-term management plan. The Board identified seven material issues as the areas to be addressed as management issues with corresponding themes for initiatives. We have set key performance indicators (KPIs) for each theme, and plan to manage, evaluate and revise them regularly using a PDCA cycle.

27

ITO EN INTEGRATED REPORT 2022

## Seven Material Issues and Indicators (KPIs)

Material issues	Theme	Indicators (KPIs)	FY4/2022 results	SDGs (Contributable Goals and Targets)
Contribution to Dietary Habits and Health ⇒P.29-30	Research and development toward the era of the 100-year lifespan	●Number of research presentations relating to health value of foods FY2026: 25 (per year)	20	 3.3 3.4
	Contributing to the health needs of customers and their ever-diversifying lifestyles	●FOSHU and Food with Functional Claims sales breakdown FY2026: 30% or more	17.3%	 3.3 3.4
		●Overseas sales ratio FY2026: 12% or more	10%	
Product safety and security Pursuit of quality and reduction of environmental impact	●International food safety certification rate: 100% * Domestic beverage / leaf manufacturing plants	95.1%	 12.4	
		●Beverage / leaf factory audit rate: 100% * Domestic beverage / leaf manufacturing plants	100%	
Contribution to Sustainable Domestic Agriculture ⇒P.31-32	Evolution of a unique world-class agricultural model	●Area developed through the Tea-Producing Region Development Project FY2026: 2,650 ha FY2030: 2,800 ha	2,241 ha	 2.3  2.4  8.3  11.a 17.16
●Production volume of organic farming FY2026: 380 t FY2030: 500 t		236 t		
Environment ⇒P.33-38	Response to climate change	●CO <sub>2</sub> emission reduction rate (compared with FY2018) FY2030 Scope 1 & 2: 50% reduction, Scope 3: 20% reduction FY2050 Scope 1-3: carbon neutral	Scope 1 & 2 -15% Scope 3 -19%	 7.2  12.2  13.1
		●Company-wide renewable energy ratio FY2030: 100%	0%	
		●Ratio of electric vehicles introduced (percentage of all vehicles) FY2030: 50%	8.2%	
	Water resources	●Reduction rate of basic water usage intensity (compared with FY2018) FY2030: 16% reduction * water usage per 1 kL of product produced	10.3%	 6.4 6.6
		●Ascertaining the impact of water risks (storms and other flood / water damage) and water stress (droughts, etc.) on business	Implemented	
	Sustainable containers and packaging	●Percentage ratio of recycled materials used for all PET bottle FY2030: 100%	14%	 12.4 12.5 14.1
		●Percentage ratio of recycled materials used for all Oi Ocha PET bottle FY2025: 100%	22%	
Biodiversity conservation	●Maintenance and operation of GAP certification: 100% * The Tea-Producing Region Development Project	100%	 15.4	
	●Total number of participants in water source conservation activities, environmental conservation and maintenance activities: 500 (per year)	* Scale of activities reduced due to COVID-19 pandemic.		
Promoting waste reduction / resource recycling	●Foodstuff recycling rate: 90% or more	94.4%	 9.4  12.3 12.5	
	●Number of recycled used tea leaf products launched FY2026: 2 (per year)	4		
Deepening Ties with Local Communities and Society ⇒P.39-40	Co-creation with local communities	●Number of sakura (cherry trees) planted FY2026: 150 (per year)	179	 11.a  17.17
	Creation of connections through tea	●Number of participants in dietary education FY2026: 600,000 (per year)	510,000	 4.4  4.7 11.4
Contribution to a Sustainable Supply Chain ⇒P.41-42	Building a sustainable supply chain	●Number of quality meetings held FY2026: 7 (per year)	7	 9.4
●Conducting assessments of suppliers		Implemented		
Promotion of Diverse Human Assets and Active Roles for All ⇒P.43-46	Promotion of initiatives to ensure respect for human rights	●Number of compliance education sessions held (for all employees) FY2026: 12 (per year)	12	 8.5  10.2
	Development and empowering of diverse human resources	●Employee engagement score FY2026: 3.5 or higher	3.22	 4.4  4.7 8.5
		●Female manager ratio FY2026: 10%	2.8%	
		●Gender pay gap (regular full-time employees, male employees = 100) FY2026: 80% Of the above, less than 10 years of service FY2026: 100%	74.3% 94.3%	
		●Percentage of male employees taking childcare leave FY2026: 50%	29.7%	
Promoting health and productivity management	●Maintain Health and Productivity Management Organization (White 500) certified	Certified	 3.5 3.6 3.a	
Corporate Governance ⇒P.47-56	Promoting sustainability management	●Strengthen the system for tackling material sustainability issues and supervisory functions, and engage in dialogues with stakeholders	Stakeholder dialogues: 1	
	Promoting DX	●Number of DX Promotion Committee meetings FY2026: 11 (per year)	12	
	Enhancing the group risk management	●Number of Risk Management Committee meetings FY2026: 4 (per year)	* The committee was established in FY2022.	 16.5
●Number of regular meetings with (10) affiliated companies FY2026: 4 (per year)		4		

# Contribution to Dietary Habits and Health

As we enter a super-aging society, our society faces challenges such as how to increase people's healthy life expectancy and prevent lifestyle-related diseases. Consumers are becoming more health conscious worldwide due to concerns about infectious diseases.

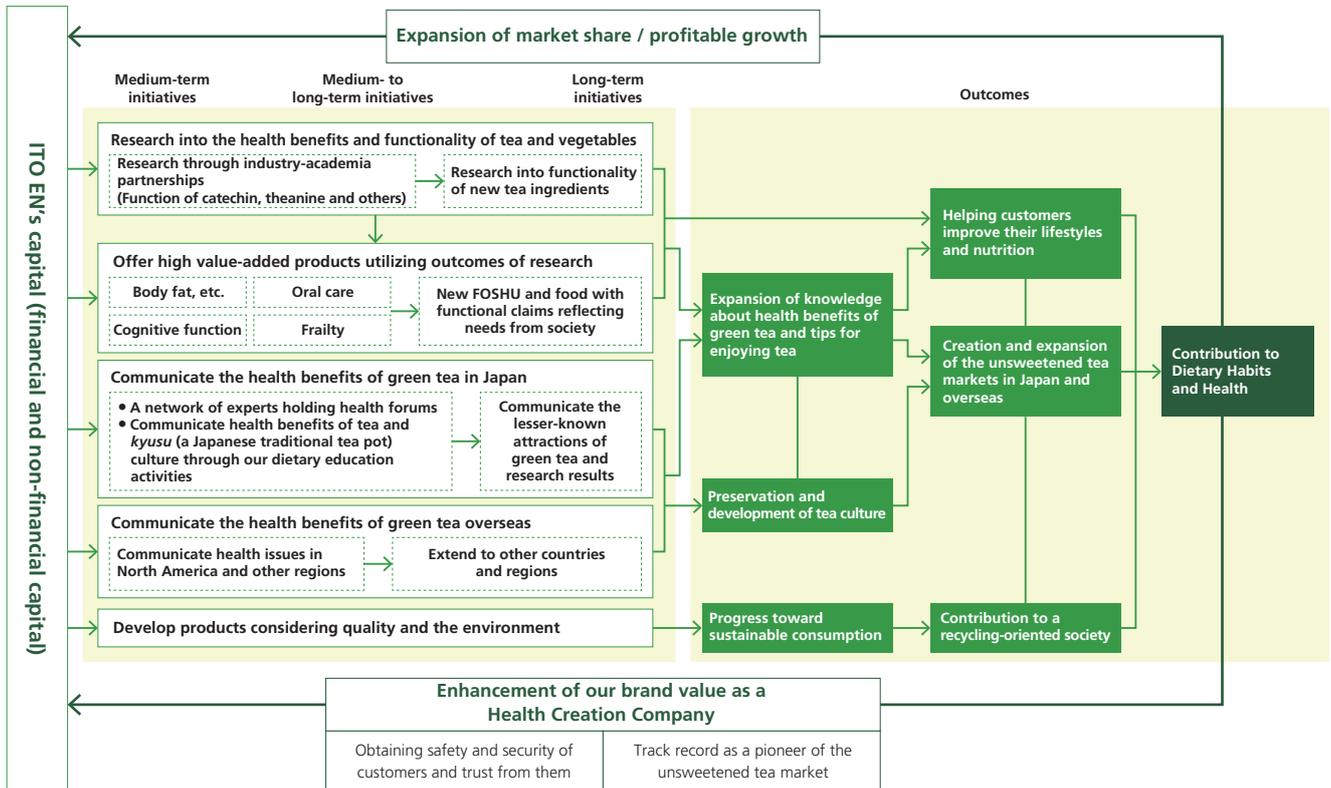
The ITO EN Group has commercialized tea and other naturally derived raw ingredients aligned with modern lifestyles and provided tasty and healthy products since its founding. We recognized the growing health consciousness and the diversification of preferences as an opportunity for growth. With an eye towards an era with a 100-year life expectancy, we provide healthy and fulfilling lifestyles through research and development involving industry-academia partnerships and through products and services that support the health of people of all generations.

**Mitsumasa Shida**, Executive Officer, General Director of Marketing Headquarters



## Contribution to Dietary Habits and Health: the Value Creation Process (Logic Model)

Our medium-term, medium- to long-term and long-term initiatives create value for both ITO EN and society, circulate capital and lead to the creation of sustainable value.



## Research and Development toward the Era of the 100-year Lifespan

For many years, the Central Research Institute has conducted basic research including into the evaluation of the functionality of tea and other food ingredients and the elucidation of their mechanisms and it has also worked on applied research to demonstrate the effectiveness of food intake. As our social environment continues to change, the diversity of customers' health awareness and lifestyles is expected to increase. With an eye toward an era with 100-year life expectancies, we work on research and development and providing products and services through industry-academia partnerships in an effort

to solve the health problems of all generations of people and prolong healthy life expectancies.



Central Research Institute (Makinohara-shi, Shizuoka)

## Daily Intake of Matcha Confirmed to Improve Sleep Quality and Social Cognitive Function



Amount of intake: 2 g matcha per day

Subjects: **99** people between the ages of 60 and 85\*

Period: **12** months

Methods: Cognitive function evaluations, blood-based biomarkers, kinetic analyses (blood tea component levels), neuroimaging (fNIRS and Amyloid PET imaging) sleep evaluations, etc.

\* Participants diagnosed with mild cognitive impairment (MCI, a stage before dementia) or subjective cognitive decline (SCD, a pre-clinical stage of dementia)

We collaborated with MCBI Inc., a venture corporation established by the University of Tsukuba, to conduct a clinical trial to assess matcha's inhibitory effects on the decline of cognitive function in older adults with mild cognitive impairment (MCI), a pre-dementia stage of disease, or with subjective cognitive decline (SCD). The results of the tests suggest that the daily intake of matcha may facilitate the improvement of social cognitive function (emotion perceivable from facial expressions) and sleep quality. The research results were presented at the Alzheimer's Association International Conference (AAIC)\* 2022 held in San Diego, California, USA in August 2022.

\* The world's largest international conference aimed at advancing dementia science and sharing the results of research that can lead to the prevention, diagnosis and treatment of Alzheimer's disease.

Matcha has been popular in Japan for a very long time. Theanine, one of its components, is reported to effectively relieve stress and improve sleep quality and working memory. Catechin, another component, reportedly has benefits such as the lowering of blood cholesterol levels, the reduction of body fat and the improvement of working memory. Additionally, it has been reported that the short-term (12 weeks) intake of matcha can increase attentiveness and the accuracy of decision making in the middle-aged and older adults.

The clinical study involves the testing of subjects' cognitive function and research into their sleep before and after the long-term (12 months) intake of matcha with the goal of comprehensively analyzing the effects of matcha.

### Research into the function of green tea's gallate-type catechin

- Lowered bad cholesterol levels, suppressed body fat absorption, other benefits (Joint research with Tohoku University, etc.)

### Research into the antiviral action of green tea

- Fighting the influenza virus, the inactivation of the COVID-19 coronavirus in a test tube and the introduction of the practice of gargling with green tea and holding green tea in the mouth for a while for public hygiene, and others (Joint research with the University of Shizuoka, the Kyoto Prefectural University of Medicine and other institutions)

### Research into new areas of health

- Research into measures to prevent frailty and eating disorders and FemTech through beverages and foods, among other research

## Contributing to the Health Needs of Customers and Their Ever-Diversifying Lifestyles

### Proposing high value-added products utilizing research

In view of factors such as the global increase in health consciousness and changes in consumer lifestyles, ITO EN addresses nutritional issues—such as deficiencies in the consumption of vitamins and minerals and the excessive consumption of fats, sugars and salt. To this end, we work to develop products suitable for customers' needs for health. Leveraging the results of long-term research, we contribute to health and the enrichment of customers' lives by providing FOSHU and food with functional claims that provide benefits for health and nutritional improvement.

<b>Indicators (KPIs)</b>	<b>FOSHU and Food with Functional Claims sales breakdown:</b>
* FY4/2022 result: 17.3%	<b>FY2026: 30% or more</b>

## Communicating Information about the Health Benefits of Green Tea

### Communicating health-related information at the ITOEN Health Forum

We organize the ITOEN Health Forum to communicate tea's value for health, inviting researchers and other experts to lecture and participate in panel discussions. The forum in June 2022 was based on new perspectives for extending people's healthy life expectancies using green tea: the inhibition of chronic inflammation.\*1 It discussed topics such as the causes of chronic inflammation and eating habits that include green tea. The subject of the forum in September was a beginner's guide to frailty\*2 prevention, and we discussed the possible roles that green tea may be able to play in the prevention of frailty. Going forward, we will continue to organize forums and communicate information that is useful for staying healthy every day in pursuit of tea-based solutions to social problems and a society of enriched lifestyles.

\*1 Chronic inflammation refers to the long-term, chronic persistence of a condition where the body is always inflamed, a condition that is usually transient, in the process of self-healing. This is a bad condition in terms of health.

\*2 This is a condition between being healthy and being bedridden which necessitates care. Frailty consists of three types of deterioration including physical, mental and social.



ITO EN Health Forum

# Contribution to Sustainable Domestic Agriculture

In domestic farming, there is the challenge of creating jobs and attracting young farmers against the backdrop of trends such as the decrease in the number of farmers and the aging of farmers. Since 1976, ITO EN has developed its sustainable farming model, the Tea-Producing Region Development Project, and has helped tea farmers to stabilize their operations and has consistently procured high-quality raw ingredients. Since 2001, we have been developing new production areas by converting the ever-increasing amount of dilapidated farmland into tea farms.

Amid the global increase in awareness of the need to reduce or eliminate the use of sugar, we are also committed to reducing the use of agrochemicals and developing areas for organic farming in an effort to catch up with the continued increase in demand in overseas markets. In collaboration with farmers, we develop high value-added raw ingredients, encourage environmentally friendly farming and contribute to the revitalization of farming in Japan.

**Koichi Ueda**, General Manager, Agricultural Technology Department

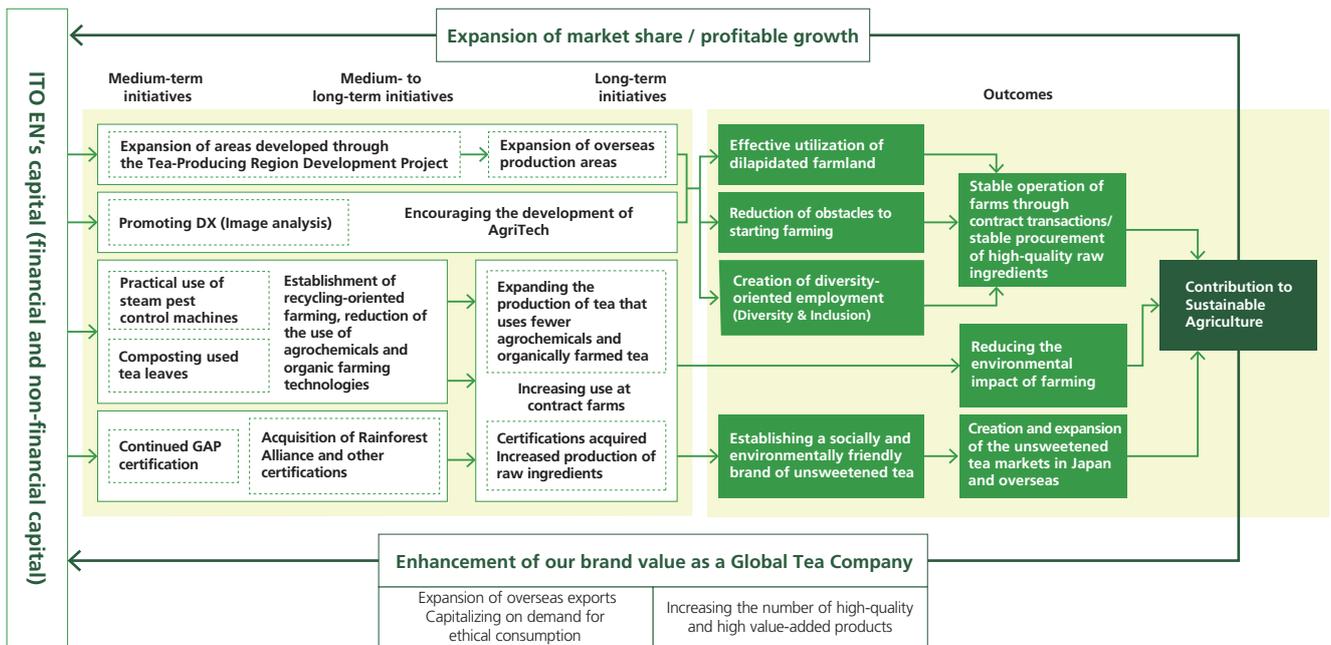


## Evolution of our Unique, World-Class Agricultural Model: Value Creation Process (Logic Model)

Our medium-term, medium- to long-term and long-term initiatives create value for both ITO EN and society, circulate capital and lead to the creation of sustainable value.



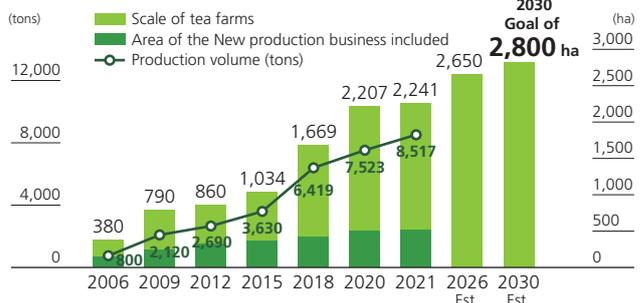
Tea farms in Kitsuki, Oita Prefecture



## Expansion of Area Developed through the Tea-Producing Region Development Project

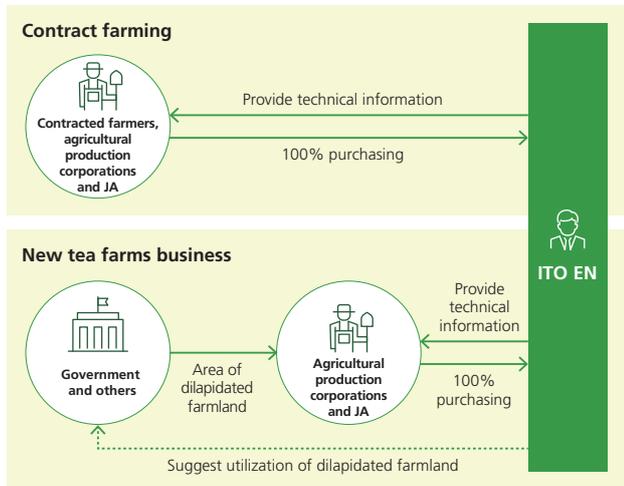
In the Tea-Producing Region Development Project, we work with producers to develop leaf-based tea for drinking using *kyusu* (Japanese traditional tea pots), green tea beverage named *Oi Ocha* and many other cultivation and processing technologies matched to different products. ITO EN's purchasing all of the high-quality ingredients produced stabilizes producers' operations and creates jobs, which contributes to sustainable farming. The Tea-Producing Region Development Project (cultivation under contract and operation of new tea farms) will be applied in areas covering 2,800 ha by FY2030.

### Changes in the development of the Tea-Producing Region Development Project Statistics



Source: ITO EN (The Tea-Producing Region Development Project: May-April)

## Relationships between the parties involved and ITO EN regarding the Tea-Producing Region Development Project

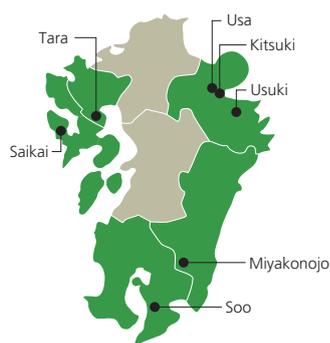


## Value provided by the Tea-Producing Region Development Project

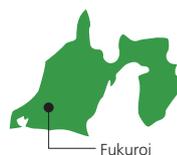
Involved parties (e.g. contracted farmers)	ITO EN
<ul style="list-style-type: none"> <li>Sustainable farm management</li> <li>Effective utilization of dilapidated farmland</li> <li>Creation of jobs and solution to the shortage of successors</li> <li>Reduction of production costs through the expansion of scale and the shift to mechanization and IT</li> </ul>	<ul style="list-style-type: none"> <li>Stable procurement of high-quality tea leaves</li> <li>Improving the quality of the raw materials of green tea beverages</li> <li>Cost reductions</li> </ul>

## New production areas developed by converting dilapidated farmland to tea farms (Expanded to nine districts in seven prefectures as of 2022)

### Five prefectures in Kyushu (Oita, Miyazaki, Kagoshima, Saga and Nagasaki)



### Shizuoka



### Saitama (expansion started in April 2022)



### Indicators (KPIs)

**Area developed through the Tea-Producing Region Development Project:**  
 FY2026: 2,650 ha, FY2030: 2,800 ha  
**Production volume of organic farming:**  
 FY2026: 380 t, FY2030: 500 t

## Initiatives for DX Promotion

Employing AI-based image analysis, we collaboratively developed and started the trial operation of a technology that determines the right time to pick tea leaves and estimates the quality of crude tea. Common ways for determining the right time to pick tea leaves or to evaluate the quality of crude tea involve farmers' expertise obtained from their long years of experience and the use of dedicated analysis equipment. The new technology allows you to easily make decisions and estimations simply by photographing tea leaves using a smartphone before they are picked or after they undergo crude tea processing. We will verify the accuracy and practicality of the technology and plan its full-scale rollout for the contracted production areas starting from the picking of new tea leaves in 2024. Through technical assistance, we contribute to solving the problems faced in tea farming and promote sustainable agriculture.



Determining the right time to pick tea leaves



Evaluating crude tea's components

## Technical Development to Reduce the Use of Agrochemicals and for Organic Farming

Anticipating that demand in overseas markets will continue to rise, we are developing technologies to reduce the use of agrochemicals and for organization farming. We have started using nitrogen components contained in used tea leaves instead of nitrogen fertilizers that are necessary for growing tea leaves. The used tea leaves generated by outsourced plants during the manufacturing of beverage products are composted for use in the contracted production areas, thereby facilitating recycling-oriented farming. We will also use an agrochemical-free, steam-operated machine to control pests and eliminate weeds. In this way, we contribute to environmentally friendly tea farming and the expansion of exports of Japanese tea.



Steam-operated pest control machine

## Comment from stakeholders



ITO EN's Tea-Producing Region Development Project is more about procuring raw materials. It works with producers from the stage of preparing the soil and enhances the sustainability of domestic farming and food. ITO EN is moving forward with technical development to reduce the use of agrochemicals and chemical fertilizers, as shown by its use of steam-operated pest control machinery and the composting of used tea leaves. It also works to move forward with organic farming and the shift to IT utilizing AI in an effort to solve the problems faced by local communities. As ITO EN seeks to become a Global Tea Company, we expect the company to expand overseas while pursuing harmony with the global environment and maintaining the quality and brand it has built in Japan. Further, we expect ITO EN to be an industry leader and become more capable of communicating its efforts externally.

**Yoshitsugu Minagawa**, Chief Counselor of Norinchukin Research Institute Co., Ltd. and Chairman and Director of Japan Agriculture-Welfare Collaboration Association

# Environment

As a company that engages in business activities centered mainly on products derived from nature, the ITO EN Group is working to reduce its environmental impact, based on the ITO EN Group Environmental Policy. In FY2021, we revised the ITO EN Group Medium- to Long-term Environmental Goals and are now aiming to achieve carbon neutrality throughout the value chain by FY2050.

We are also working together with stakeholders—including manufacturing contractors—to become a decarbonized, recycling-oriented society, such as by introducing containers and packaging made from sustainable materials.

**Yoshihisa Nakano**, Director, Senior Managing Executive Officer and General Director of Production Headquarters with responsibility for Logistics Headquarters and Sustainability



- ITO EN Group Environmental Policy ▶ <https://www.itoen.co.jp/company/policy/environment/>
- ITO EN Group Medium- to Long-Term Environmental Goals ▶ <https://www.itoen.co.jp/sustainability/environment/#effort0-goals>



## Response to the TCFD Recommendations

Increased occurrence of abnormal weather conditions and natural disasters due to global warming will have various effects on the ITO EN Group’s business activities, including poor crop growth, disruptions to procurement, and suspension of operations due to weather-related disasters.

In April 2022, the Group declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and has positioned addressing climate change as one of the key issues in its management strategy. Going forward, we will continue to actively engage in initiatives and information disclosure aimed at realizing a sustainable society and improving the sustainability of our business.

### Governance

The ITO EN Group’s Sustainability Promotion Committee—an advisory body to the Executive Board which convenes four times a year—discusses policies, strategies, and measures to address climate change issues as its key themes. Membership of the committee, which is chaired by the President, consists of the director in charge of sustainability, who is also responsible for measures to address environmental issues (primarily climate change), the director in charge of production, logistics, marketing, sales, international business, administration, etc., and the heads of major divisions. Key matters considered by the Sustainability Promotion Committee are reported and deliberated on by the Executive Board and Board of Directors, and reflected in subsequent management strategies.

In FY2021, against the backdrop of growing awareness of environmental issues such as global warming, the Board of

Directors resolved to revise targets for reducing CO<sub>2</sub> emissions upward to 50% overall reduction in total emissions for Scope 1 and 2 and 20% reduction in total emissions for Scope 3 with respect to CO<sub>2</sub> emissions in FY2018 by FY2030, and to achieve carbon neutrality throughout the value chain by FY2050.

### Sustainability promotion system focused primarily on climate change



### Risk management

Based on the ITO EN Group Risk Management Policy, the Group has established a Risk Management Committee chaired by the President, and has established a company-wide risk management system to recognize and evaluate risks and take appropriate measures to address them, in cooperation with the main departments and committees in charge of risks. In particular, we recognize climate change risk as one of the key risks.

Risks in climate change scenario analyses are reviewed by the Sustainability Promotion Committee and reported to

the Executive Board and Board of Directors. Risks that are most important in terms of impact and probability of occurrence are also reported to the Risk Management Committee, which is an advisory body to the Board of Directors. The Risk Management Committee (which convenes four times a year) confirms the progress and effectiveness of measures to address key risks, and works to enhance company-wide risk management by continual verification and improvement every fiscal year.

## Strategy

In FY2020, we analyzed the impact of climate change on green tea—our main raw ingredient. Impacts on the amount and quality of tea leaves harvested under each of the scenario conditions were analyzed quantitatively and qualitatively, based on the representative concentration pathway (RCP) scenarios put forward by the Intergovernmental Panel on Climate Change (IPCC).

In FY2021, the scope of these scenario-based analyses was expanded to include the entire ITO EN value chain. We analyzed the impact of medium- to long-term climate change

on our business in the target years 2030 and 2050, based on two scenarios—the 1.5/2°C and 4°C scenarios—created by the IPCC and the International Energy Agency (IEA).

In implementing these scenario analyses, subcommittees linked to the Sustainability Promotion Committee and other related departments within the company also participated in discussions, and the analysis results were reported to and discussed by the Sustainability Promotion Committee, Executive Board and Board of Directors, and reflected in the Group’s medium- to long-term management plan and business plans.

### 1. Identification of key risks and opportunities

We broadly listed risks and opportunities associated with climate change for the entire ITO EN value chain, based on various assumptions regarding the society surrounding our business environment in 2030 and 2050. We also conducted an assessment of the importance of risks and opportunities with consideration for the probability of occurrence, the degree of impact, and the structure of our business.

### 2. Scenario definitions

#### 1.5/2°C scenario

Society as a whole transforms, shifting toward decarbonization, and succeeds in curbing the rise in temperature

<Reference scenarios> IPCC RCP2.6, IEA NZE / SDS

\* We referred to IPCC RCP4.5 for some parts of the analysis.

#### 4°C scenario

Society prioritizes economic growth, temperatures continue to rise and impacts continue to worsen

<Reference scenarios> IPCC RCP8.5, IEA STEPS

### 3. Evaluation of business impact

#### Results of scenario analysis

##### Main impacts in the 1.5/2°C scenario

Type of risk/opportunity	Identified risk/opportunity	Impact on us	Timing	Level of impact	
Transition risks	Policies and regulations	Introduction of carbon tax	Imposition of taxes on Scope 1 & 2 emissions from our own plants and business vehicles	Medium term Long term	Major
		GHG emissions control	Increased costs due to the introduction of recycled PET bottles, renewable electricity, and electric vehicles	Short term Medium term	Major
	Reputation	Change in consumers’ behavior	Decline in sales due to customer attrition if our response to ethical consumption, etc., is insufficient	Medium term Long term	Medium
		Damage to reputation among investors	Decline in share prices and difficulty in raising funds due to a deterioration in reputation among investors as a result of inadequate response to climate change	Medium term Long term	Medium
Opportunities	Products and services	Increasing demand for environmentally friendly products	Increase in sales through product development and initiatives that raise consumer awareness of consideration for the environment	Medium term	Medium

##### Main impacts in the 4°C scenario

Type of risk/opportunity	Identified risk/opportunity	Impact on us	Timing	Level of impact	
Physical risks	Chronic	Rise in average temperatures	Increase in procurement costs due to decline in crop yield and quality, as a result of impact on crops	Medium term	Major
		Changes in precipitation and weather patterns	Loss of sales opportunities as a result of plant shutdowns / suspension of operations due to drought	Medium term	Medium
	Acute	Intensification of storm and flood damage	Loss of sales opportunities, loss of assets, and incurrence of recovery costs as a result of plant shutdowns / suspension of operations at plants and offices due to storm and flood damage	Short term Medium term	Major
Opportunities	Products and services	Increased demand due to environmental changes	Increase in sales opportunities for beverages to prevent heat stroke and products with functional claims, due to extreme heat and rising average temperatures	Medium term	Medium

<Occurrence period> ..... Short term: 2022–2024; medium term: 2025–2030; long term: 2031–2050

<Level of impact> ..... Major: Have a significant impact on business operations and require a response to issues that are already apparent, or in readiness for issues that may become apparent in the future

Medium: Do not have a significant impact on business operations, but require a response to issues that are already apparent, or in readiness for issues that may become apparent in the future

\* Risks / opportunities with a medium or greater impact are listed in accordance with the scenario definitions.

#### 4. Consideration of response measures

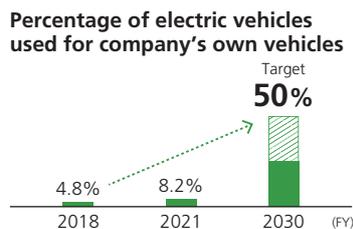
##### ■ Response to climate change

##### Cost impact of introduction of carbon tax (transition risk)

In the future, it is highly likely that carbon taxes will be introduced and the carbon tax price will rise. If such a tax is introduced, it is expected that costs will be incurred due to the corresponding tax burden, according to the amount of CO<sub>2</sub> emissions. To address this issue, we are introducing energy-saving and renewable-energy equipment with the aims of reducing Scope 1 and 2 CO<sub>2</sub> emissions by 50% by FY2030 (in comparison with FY2018), and achieving carbon neutrality by FY2050. If these measures achieve their targets, we expect to see tax savings of approximately 330 million yen in FY2030 and approximately 1,290 million yen in FY2050.

##### Scope 1: Initiatives to reduce CO<sub>2</sub> emissions from our own vehicles

We are working to reduce the environmental impact of our vehicles by actively switching to electric vehicles,\* selecting appropriately sized vehicles, and engaging in efficient sales activities by regularly reviewing and revising routes used for visits.



\* "Electric vehicles" refers to four vehicle types: hybrid, plug-in hybrid, electric vehicle, and fuel cell vehicle.

##### ■ Water resources

##### Physical risk (changes in precipitation and weather patterns)

##### Risks related to drought, storm and flood damage

Focusing on drought and flood risks in 2030 and 2050, we used the World Resources Institute's Aqueduct\*<sup>1</sup> tool to conduct analyses and assess the impact of shutdowns / suspension of operations at our own plants and outsourced plants due to the decrease in precipitation and damage caused by storm and flood damage, and the impact of product loss and recovery due to the intensification and frequency of storm and flood damage.

##### (1) Risk of shutdowns / suspension of operations at ITO EN's own plants and outsourced plants due to drought caused by reduced precipitation

Upon analyzing drought risks at our own plants and outsourced plants, we found that some plants are expected to incur drought risks, mainly at our own plants. We will engage in measures such as reducing water consumption and water source protection activities, starting with the affected plants.

##### ■ Number of plants expected to incur drought risks\*<sup>2</sup>

2030		2050	
1.5/2°C	4°C	1.5/2°C	4°C
3 plants	4 plants	3 plants	3 plants

\*1 World Resources Institute Aqueduct: A world map and information on water risks provided by the World Resources Institute (WRI). Water risk indicators include physical water stress, water quality, legal and regulatory risks relating to water resources, and reputation risks. The map can be accessed and used by anyone via the website. Information can be viewed by specifying the country, region, or field of business locations and suppliers.

\*2 Drought risk analysis: Aqueduct Water Risk Atlas was used to analyze drought risks by selecting the target time periods (2030 / 2040) and scenarios (RCP4.5 / RCP8.5).

\*3 Flood risk analysis: Aqueduct Floods was used to analyze flood risks by selecting the target time periods (2030 / 2050), scenarios (RCP4.5 / RCP8.5) and factors (river flooding / coastal storm surge).

##### Estimated impact of carbon tax

(Million yen)

Scope 1 & 2	FY2030	FY2050
When no measures are taken to reduce CO <sub>2</sub>	660	1,290
When CO <sub>2</sub> reduction targets are achieved	330	—
Amount of impact reduction from measures to reduce emissions	330	1,290

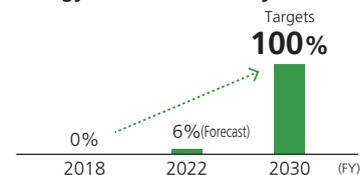
\* Carbon tax price (price per t-CO<sub>2</sub>): independently estimated and set from the unit price forecast of developed countries in the IEA World Energy Outlook 2021 net-zero scenario.

##### Scope 2: Reductions through the use of renewable energy

Since June 2022, we have switched all electricity used at the ITO EN head office building and other buildings owned by the company (three business locations) to electricity derived from renewable energy. As a result, we expect to contribute to reductions in annual CO<sub>2</sub> emissions by approximately 700 t-CO<sub>2</sub>.

By FY2030, we aim to switch to 100% renewable energy-derived electricity for all electricity used throughout the ITO EN Group.

##### Percentage of total electric power usage accounted for by renewable energy-derived electricity



##### (2) Risk of shutdowns / suspension of operations, product loss, and recovery costs due to intensification of storm and flood damage

Upon analyzing flood risks at our own / outsourced plants and our business sites, we found that some plants and business sites are expected to incur flood risks, mainly due to river flooding. Going forward, we will work to strengthen our BCP measures, regularly identify risks, and take appropriate countermeasures.

##### ■ Plants and business sites expected to incur flood risks\*<sup>3</sup> due to river flooding

2030		2050	
1.5/2°C	4°C	1.5/2°C	4°C
24 sites 7 plants	25 sites 7 plants	24 sites 7 plants	25 sites 7 plants

## ■ Ingredient procurement

### Physical risks (impact on crops)

#### Green tea raw ingredients

In FY2020, we used the Aqua Crop model\* to conduct quantitative and qualitative analyses of impact on tea leaf crop yields under the conditions of the IPCC RCP scenarios (RCP2.6, RCP4.5, RCP6.0, RCP8.5) in some domestic tea-producing regions (Kyushu region and Shizuoka Prefecture). In FY2021, we further deepened the level of our qualitative analysis of the impact of climate change on tea growth based on research papers and other literature.

\* A produce growth model developed by the Food and Agriculture Organization of the United Nations (FAO) to evaluate the impact of climate, soil and other environmental conditions and cultivation management conditions on productivity for agricultural produce.

#### <Analysis results>

With regard to the impact on yield and quality of tea due to climate change, due to the nature of tea (warm climate is preferential to growth), no significant decrease in yield or impact on quality is expected. On the other hand, it has been pointed out that there is a possibility that a shortage of the number of cold days required for breaking dormancy may occur in the Kyushu and Okinawa regions, and that the yield of the first flush tea may decrease in those areas. In addition, in the Shizuoka and Kanto regions, the first tea picking season is predicted to begin earlier, and if this change is not handled appropriately it may lead to a decrease in yield.

Under the 4°C scenario, it is known that the northern limit of suitable areas for tea cultivation may rise to some parts of the Tohoku region by around 2050.

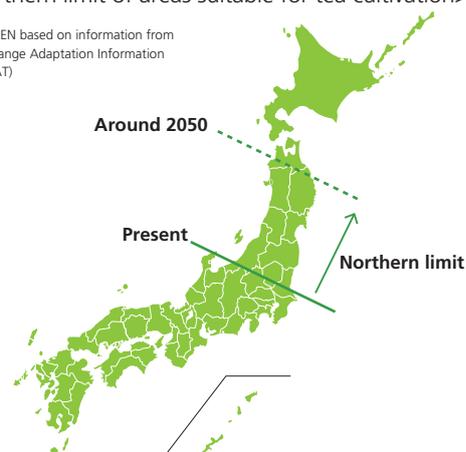
#### <Future action>

The Tea-Producing Region Development Project—a sustainable agriculture model that we implement in collaboration with tea farmers—is characterized by contract farming as well as the conversion of dilapidated farmland into new tea farms, leading to the stable procurement of high-quality raw ingredients. We are also working to develop technologies to reduce the use of agrochemicals and promote organic farming, such as the practical application of steam pest control machines that can control pests and eliminate weeds using steam, without the use of pesticides.

In the future, we will work to develop new production regions and establish new cultivation management methods to counter the effects of climate change.

#### <Rise in the northern limit of areas suitable for tea cultivation>

Reference: Created by ITO EN based on information from the Climate Change Adaptation Information Platform (A-PLAT)



#### Other raw ingredients

As a result of conducting a risk analysis of the yield forecast, impact amount, and impact on quality of coffee beans and barley (some of our other main raw ingredient crops), we found that there is a possibility of a significant decrease in yield for both coffee beans and barley, especially under the 4°C scenario. We will seek to distribute risks by diversifying the production areas of our suppliers, share risks with suppliers, and work together to consider and implement appropriate countermeasures.

## ■ Appropriate farm management and ecosystem conservation

The Group is working on environmentally friendly agriculture through the development of technologies for reducing pesticides and organic farming in its Tea-Producing Region Development Project based on the ITO EN Group Basic Policy on Biodiversity Protection. We have also acquired 100% GAP certification\* for the Tea-Producing Region Development Project. We will continue these efforts going forward, and will conduct research on biodiversity risks.

\* GAP (Good Agricultural Practice) certifications are granted to farms that engage in food safety and environmental conservation initiatives. In addition to the Global GAP international standard, other schemes include JGAP and ASIAGAP, which are granted by the Japan GAP Foundation. GAP certification here refers to farms that have obtained one of these three certifications.

### Metrics and targets

Under the ITO EN Group Medium- to Long-term Environmental Goals, we have set the following CO<sub>2</sub> reduction targets for FY2030, with a view to achieving carbon neutrality by FY2050. We have also set targets for water usage and PET bottles, as key indicators relating to climate change risks.

Indicators	FY2030 targets
CO <sub>2</sub> emissions - Scope 1 & 2 (Direct emissions from the use of fuels within the company, and indirect emissions associated with the use of electricity purchased by the company)*1	-50%
CO <sub>2</sub> emissions - Scope 3 (Other emissions relating to business activities, aside from those covered by Scope 1 and 2)*1	-20%
Ratio of power derived from renewable energy	100%
Ratio of electric vehicles*2 used by the company	50%
Reduction in water usage intensity (water usage per 1 kl of product produced)*1	-16%
Ratio of recycled materials (including bio-derived materials) used for PET bottles	100%

\*1 Compared with reference year FY2018

\*2 "Electric vehicles" refers to four vehicle types: hybrid, plug-in hybrid, electric vehicle, and fuel cell vehicle.

# Initiatives to Address Environmental Issues Throughout the Product Life Cycle

## Pickup!

### Crude tea factory with low CO<sub>2</sub> emissions\*

The ITO EN crude tea factory in Iruma, Saitama (which entered operation in April 2022) uses city gas with low CO<sub>2</sub> emissions and reuses waste heat in the production line.

\* 57% reduction in CO<sub>2</sub> emissions per unit production volume compared with typical crude tea plants (according to research by TERADA SEISAKUSHO CO., LTD.).



### Raw materials

- The Tea-Producing Region Development Project
  - Composting used tea leaves
  - Trialing steam-operated pest control machine
  - Promoting organic farming
- ⇒ P.31-32

### Advantages of "bottle-to-bottle"

- Reduces use of new fossil-fuel derived resources
- Reduces CO<sub>2</sub> emissions (approximately 60% reduction\*)
- Contributes to a domestic resource recycling economy in Japan

\* When switching from general PET bottles to 100% recycled PET materials.

### Resource circulation and recycling

- Horizontal recycling of PET bottles
- Effective use of resources

### Disposal & collection / recovery

- Recovery of resources from empty container collection boxes, installed next to vending machines, by ITO EN sales staff
- Reducing product waste



Reed cutting at Lake Biwa

### Sales

- Environmentally friendly vending machines Heat pump mechanism saves energy Vending machine with used tea leaf formulated sheets\*
- Environmental conservation activities through community-based sales, "Make Japan Beautiful with Tea Campaign," etc. ⇒ P.40



Vending machine with used tea leaf formulated sheets

\* Vending machines with used tea leaf formulated sheets help to mitigate the heat island effect.



## Containers and Packaging

We engage in 3R (Recycle, Reduce, Replace & Reuse) activities based on the ITO EN Group Policy on Containers and Packaging and the ITO EN Group Policy on Plastics. Going forward, we will contribute to the creation of a sustainable society by further driving initiatives aimed at achieving more effective utilization of resources and reducing environmental impact.

ITO EN Group Policy on Containers and Packaging

▶ [https://www.itoen.co.jp/company/policy/containers\\_packaging/](https://www.itoen.co.jp/company/policy/containers_packaging/)

ITO EN Group Policy on Plastics

▶ <https://www.itoen.co.jp/company/policy/package/>

### Initiatives for 3R

#### Recycling (circulation of resources)

##### Initiatives using empty container collection boxes installed next to vending machines

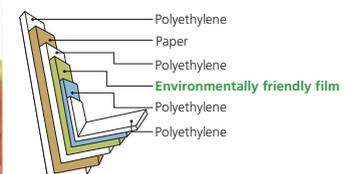
In FY2021, we launched "bottle-to-bottle" initiative at the ITO EN head office building in Shibuya-ku, Tokyo. Through our route sales activities, we have also started "bottle-to-bottle" initiative for recycling some of the used PET bottles collected from empty container collection boxes installed next to vending machines.

##### Adoption of easily recyclable paper containers

The adoption of brick-shaped aluminum-free paper pack-type drink containers (eco-containers) has made it possible to recycle ITO EN paper pack products in the same way as milk cartons.



Eco-container (200 mL paper pack products)





## Materials

- Efforts on containers and packages  
Use recycled materials for PET bottles  
Material weight reduction and unlabeled products
- Adopting environmentally friendly materials



## Production partner plants

- Manufacturing technologies that reduce the impact on the environment  
NS System ⇨P.41
- Effective use of resources  
Used Tea Leaves Recycling System ⇨P.70



Manufacturing process for green tea beverage products

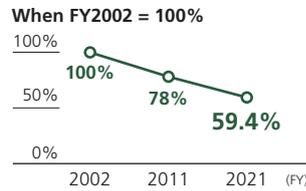


## Logistics

- Improving efficiency through block production and logistics and building an environmentally friendly logistics system ⇨P.42
- Switching sales vehicles to electric vehicles

## Pickup!

### Reduction in the weight of plastic materials used per PET bottle for Oi Ocha products



After the renewal of the *Oi Ocha* packaging in 2002 and with the introduction of the NS System—a unique filling method—developed in 2010, through the use of environmentally-conscious PET plastic bottles we have reduced the amount of plastic used in bottles, caps and labels by around 40% per bottle (*Oi Ocha* 500 mL, 525 mL PET bottles).

## Pickup!

### Upcycling of used tea leaves: lightweight panels made from a composition containing used tea leaves

In FY2022, we began using lightweight panels made from a composition containing used tea leaves for sliding doors, back doors, and flooring materials in some of our sales vehicles, contributing to the reduction of petroleum resource usage and CO<sub>2</sub> emissions.



## Reduce (resource-saving)

We are working to further reduce the weight of containers and packaging and reduce the amounts of materials used, with the aim of realizing a sustainable society and environment.

We are reducing the weight of materials such as PET bottles, caps, and labels, and expanding our range of unlabeled products to reduce the amount of plastic we use.

Environmentally friendly PET bottles

Unlabeled products



Approx.  
26% lighter than  
the previous design

Bottle weight:  
28.7 g

\* per bottle



## Replace & Reuse (replacing with environmentally friendly materials and reusable containers)

### Switching to plant-derived biodegradable materials

We have introduced Green Planet™\*1 biodegradable telescopic straws\*2 (eco-straws)

for *Oi Ocha* paper cartons, and sell tea bag products with plant-based biodegradable filters.



\*1 An environmentally friendly, 100% plant-derived, biodegradable polymer developed by Kaneka Corporation. The polymer biodegrades into water and carbon dioxide in a wide range of environments including seawater and soil, and has acquired "OK Biodegradable MARINE" certification for biodegradability in seawater.

\*2 The industry's first biodegradable telescopic straw, jointly developed by ITO EN, Kaneka Corporation, and Nippon Straw Co., Ltd.

# Deepening Ties with Local Communities and Society

Since its founding, the ITO EN Group has been actively cooperating with local communities through community-based business activities ranging from raw ingredient production areas to manufacturing and consumption areas, based on its management principle of Always Putting the Customer First. In recent years, the nature of local communities and forms of communication are changing, but the fundamental nature of community-based activities will remain the same. We contribute to maintaining and improving customers' mental and physical health by solving issues facing local communities through dialogues with various stakeholders, and communication focused on tea.

**Shusuke Honjo**, Executive Vice President, Representative Director, Executive Officer, General Director of Sales Headquarters and Chief Digital Officer with responsibility for Marketing Headquarters



## Community-based Route Sales

We have established a sales system that supports various channels such as route sales (a community-based sales service), wide-area sales such as mass retailers, convenience stores, and corporate business sales, and specialty tea shops.

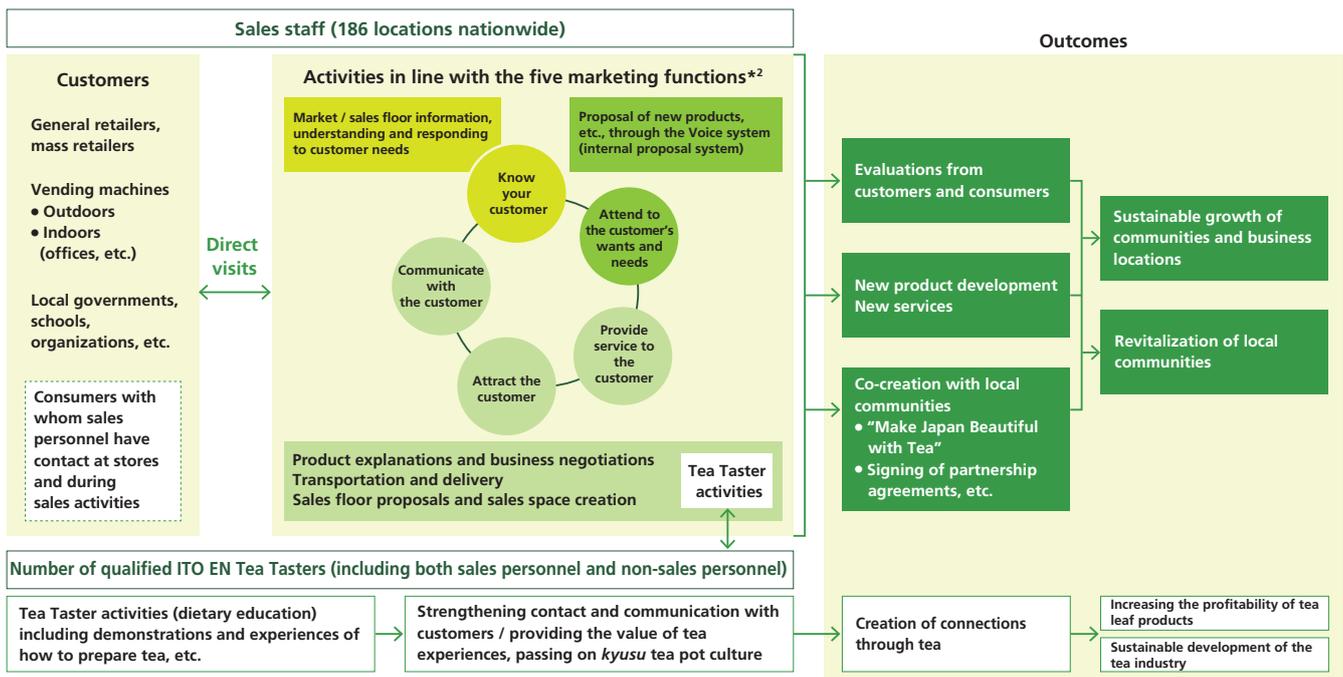
In particular, ITO EN is characterized by route sales, which can be said to be the source of its marketing power. Utilizing our sales network of 186 locations nationwide (as of the end of April 2022), we employ approximately 3,500 sales staff who work comprehensively to explain products, conduct business negotiations, deliver products, and create sales space. These sales personnel are responsible for mass retailers and vending machines in the area of their sales locations, and also visit customers directly.

This enables us to respond with finely tuned services, such as proposing products and sales space creation / sales floor displays suitable for the specific needs of each community and its customers, and to collect and understand market information from a perspective close to that of customers. Information obtained through sales activities based on the spirit of "STILL NOW"\*1 is utilized to contribute to product development via the internal proposal system "Voice System" (see page 45) and other internal communication tools.



### Features of the route sales community-based sales service for close understanding of customers

- Direct contact with customers
- Sales personnel comprehensively handle business negotiations, deliveries, sales space creation and other tasks
- Agile response on a location-by-location basis



\*1 The spirit of "STILL NOW" : We constantly ask ourselves "what customers are still now dissatisfied with," and contribute to solving their requests and dissatisfactions. We work actively to solve social and environmental issues through our core business.

\*2 The five marketing functions: ITO EN defines marketing as "creating a mechanism for making sales." This includes the five marketing functions: Know your customer (Marketing Research), Attend to the customer's wants and needs (Merchandising), Provide service to the customer (Sales), Attract the customer (Sales Promotion), and Communicate with the customer (Advertising).

## Co-creation with Local Communities

Our nationwide network of community-based locations and route sales contribute to the sustainable growth of our business as well as the revitalization of each community, and the resolution of social issues. Through our core business, we work to solve social issues in local communities and achieve the creation of shared value (CSV).

### Initiatives in the vending machine business

Through vending machines that meet the needs of customers in each region and location, we are working to increase earnings per vending machine, revitalize local communities, and solve social issues. We have also rolled out wellness vending machines emphasizing product lineups with high health value, and disaster response-ready (lifeline) vending machines that enable the provision of beverages even in the event of a disaster. We aim to increase the value of our vending machines for customers in the communities where they are installed, and to achieve both sustainable business growth and the resolution of social issues.



Disaster response-ready vending machines

### Contributing to the resolution of social issues in communities with *Oi Ocha*

We are continuing our “Make Lake Biwa Beautiful with Tea” (since 2008) and “Make Japan Beautiful with Tea” (since 2010) initiatives, in which we donate a portion of the sales of all *Oi Ocha* brand beverages and tea leaf products to activities such as environmental conservation. In addition to these donations, ITO EN employees also participate in environmental conservation and maintenance activities run by local governments, contributing to the revitalization of local communities and the promotion of understanding for their activities. Since 2019, we have been collaborating with

the Japan Cherry Blossom Association to plant cherry trees across Japan through the “Future Cherry Trees for My Town Project.” In January 2022, we planted our 1,000th cherry tree under this project.



Planting cherry trees

### Initiatives in collaboration with local governments

We are working to solve social issues in local areas and communities, and have signed comprehensive partnership agreements with local governments to promote local vitalization and agreements on health promotion and support in times of disaster. In FY2021, we endorsed the “Ureshino City Declaration of Through Tea” issued by Ureshino City, Saga, to support promoting “Ureshino tea” and maintaining the health of local citizens. We have also launched the “Lifestyles with Tea Project in Senshu,” which aims to create local communities through co-creation such as the creation and cultivation of tea farms and dietary education, mainly in the Senshu area of Osaka Prefecture.

As a Health Creation Company, we will continue working to spread the health benefits of Japanese tea to many customers and contributing to the promotion of health and communication among local citizens.



Planting tea seedlings in the Senshu area of Osaka Prefecture

## Creation of Connections through Tea

In addition to passing on *kyusu* tea pot culture across generations and contributing to the sustainability of the tea industry, we support our customers’ physical and mental health through communication focused on tea.

### Enlightening and passing on *kyusu* tea pot culture and contributing to the tea leaf business through Tea Taster activities

ITO EN’s Tea Taster System is an MHLW-certified in-house business skill test system, with the objectives of instilling employees of “tea-company ITO EN” with a high level of tea-related knowledge and skills and communicating tea culture both inside and outside the company (see page 45). Qualified Tea Tasters engage in activities throughout Japan to communicate with customers the deliciousness of tea—which is a part of Japan’s food culture—and how to enjoy it. Through demonstrations of how to prepare tea and other experiences, Tea Tasters share the appeal and attraction of

tea to customers and link this on to increases in sales of ITO EN’s tea leaf products. Going forward, we will continue to pass on tea (and *kyusu* tea pot) culture through communication focused on tea, thereby contributing to the advancement of the tea industry and supporting customers’ mental and physical health.



# Contribution to a Sustainable Supply Chain

The ITO EN Group has established policies, including the ITO EN Group Human Rights Policy, the ITO EN Group Fundamental Supplier Policy, the ITO EN Group Procurement Policy and the ITO EN Group Quality Policy, and is working in collaboration with its outsourced beverage producers and other stakeholders to establish a supply framework that pays due care and consideration to both the environment and society.

We urge suppliers who engage in business directly with us to cooperate proactively in the observance of these policies, seek to achieve close communication through their business operations, and aim to strengthen sustainability throughout the supply chain.

ITO EN Group Human Rights Policy	▶ <a href="https://www.itoen.co.jp/company/policy/human_rights/">https://www.itoen.co.jp/company/policy/human_rights/</a>
ITO EN Group Fundamental Supplier Policy	▶ <a href="https://www.itoen.co.jp/company/policy/suppliers/">https://www.itoen.co.jp/company/policy/suppliers/</a>
ITO EN Group Procurement Policy	▶ <a href="https://www.itoen.co.jp/company/policy/procurement/">https://www.itoen.co.jp/company/policy/procurement/</a>
ITO EN Group Quality Policy	▶ <a href="https://www.itoen.co.jp/company/policy/quality/">https://www.itoen.co.jp/company/policy/quality/</a>

## Supply Chain Management

In order to sustainably deliver safe products that offer greater peace of mind to customers, we have adopted the Fables Method, in which the production of beverage products is outsourced to partner factories in each region, and created a sustainable and efficient block-based production and logistics system in which the country is divided into five blocks. In recent years, there is a need for the problems of

marine plastic waste, climate change, human rights issues, and other social and environmental issues to be addressed throughout the supply chain.

Through even stronger partnerships with our suppliers, we have realized a sustainable business model by establishing a supply chain management system that takes both social and environmental considerations into account.

## Technological Development in Collaboration with Suppliers

The NS System\* created through joint development with Toyo Seikan Co., Ltd. is an environmentally friendly manufacturing technology that considers quality, weight of PET bottle containers, and reduction of water consumption.

The NS System is a method that enables aseptic bottling at room temperature without the use of sterilizing agents to sterilize bottles. This eliminates the need to use large volumes of water that would otherwise be required to wash away sterilants. Additionally, since the only time when bottles are exposed to high temperatures is during sterilization using hot water, we are able to minimize the level of heat resistance required, allowing us to produce more lightweight bottles.

The use of more lightweight bottles leads to a reduction in the amount of materials used in production, and CO<sub>2</sub> emissions during delivery.

\* NS System: Non-Sterilant (i.e., not using any sterilizer)



## Thorough Quality Control and Establishment of Traceability

We have worked together with our suppliers to establish a rigorous quality control system to ensure product safety from product design, raw ingredients / materials and packaging to manufacturing and distribution.

We have established a traceability system for green tea products (beverages and leaves) that allows us to check the manufacturing situation of products and the state of cultivation of tea leaves used based on information such as the expiration date printed on the product. For other products, we can determine the manufacturing situation of the product and raw ingredients / materials used from printed product labels. For raw ingredients produced overseas, we use safe raw

ingredients that comply with laws and regulations, such as confirmation by quality assurance certificates received from raw ingredients suppliers around the world. In addition, our representatives personally visit sites to check the quality control system.



Measurement of pesticide residues in raw ingredients

## Establishment of an Environmentally Friendly and Socially Conscious Logistics System

Together with our logistics partner companies, we have built and operate an efficient logistics system that considers the environment, and engage in “white” (ethical) logistics with the aim of achieving sustainable logistics. In FY2021, we began building new distribution centers integrated with the warehouses of our sales locations and started mixed delivery of beverages and tea leaf products, in an effort to reduce numbers of delivery vehicles and CO<sub>2</sub> emissions.

Going forward, we will engage in environmentally friendly and socially conscious logistics throughout the supply chain, including other industries, to solve the “2024 problem” in the logistics industry—such as through joint transportation with other companies.



Increasing efficiency through mixed delivery of beverages and tea leaf products

## Communication with Suppliers

We are working to strengthen partnerships with our suppliers through communication such as sharing information and exchanging opinions and confirming future policies with suppliers, including manufacturing contractors, raw ingredient suppliers, and material manufacturers.

We hold regular quality meetings with suppliers to improve quality, ensure the creation of safe and secure products, distribute information and share good examples and policies

### Quality meetings

At a quality meeting held in June 2022, sustainability was raised as an agenda, and both ITO EN and its suppliers confirmed the importance of initiatives to solve social and environmental issues through material issues and the ITO EN Group Medium- to Long-Term Environmental Goals, as well as distributing information on various policies.

such as the ITO EN Group Human Rights Policy and the ITO EN Group Fundamental Supplier Policy.

We are also working jointly to solve environmental and social issues, such as conducting supplier surveys that incorporate environmental and human rights items and working to conserve water sources near outsourced manufacturing plants.



### Water source conservation activities

In March 2022, ITO EN employees participated in the Forest Development with Corporate Participation project promoted by Gunma Prefecture together with Nihon Canpack Co., Ltd. —a beverage product manufacturing contractor—to carry out forest conservation activities leading to the conservation of water sources.



## Comment from stakeholders



Younger generations, especially Generation Z, tend to value not only price and quality but also the story behind the product when choosing a product. I expect ITO EN to address social and environmental issues from the perspective of the product life cycle throughout the entire value chain, from procurement of raw materials to manufacturing, distribution, disposal, and recycling, and to communicate this information so that it is conveyed clearly to consumers and Japanese dietary culture is preserved for future generations.

**Minako Oishi**, Former Vice Chairperson, Nippon Association of Consumer Specialists

# Promotion of Diverse Human Assets and Active Roles for All

Based on the view that people are a company’s most important assets, the ITO EN Group regards all of its human resources as human assets, and aims to train employees who are always positive and ready to take on new challenges. Based on the ITO EN Group Human Resources Policy, we engage in human capital management that promotes active roles for all human resources through diversity, aiming to improve job satisfaction (work engagement) for all employees and continuously increase corporate value.



**Atsushi Hirata**, Director, Senior Managing Executive Officer and General Director of Administration Headquarters, with responsibility for Internal Control and Compliance

ITO EN Group Human Resources Policy ▶ [https://www.itoen.co.jp/company/policy/human\\_resources/](https://www.itoen.co.jp/company/policy/human_resources/)

## Human Resource Strategy

### Concept

The ITO EN Group aims to become a Global Tea Company, through its business activities as a Health Creation Company under its management principle of Always Putting the Customer First.

In order to achieve this, it is important for employees and workplaces to function effectively together such as in creating value through highly engaged employees, from the two perspectives of employees and workplace, and by providing growth opportunities through diverse experiences. We believe that the growth of employees who strive to realize CDP\* in a comfortable working environment will lead to the

growth of the company itself.

In order to realize the five key strategies of our new medium- to long-term management plan, we have established the themes of Community Communication, Globalization, Next-Generation Leaders, Promotion of DX, and Diversity and Inclusion and defined a concrete image of the kinds of human resources we are looking for. By continuing and developing the HR management initiatives we have implemented so far and creating customer value, we will continue to contribute to achieving the goals of the medium- to long-term management plan and enhancing corporate value.

### Overall picture



\* CDP (Career Development Program): A medium- to long-term program that aims to develop the careers and skillsets of employees.

### Linkage with medium- to long-term management plan



## HR Management —Major initiatives and Outcomes—



### Optimizing organizational structure and placement

By considering the individuality and aptitudes of each employee and placing them in the most suitable roles in each workplace, we will further develop the strengths of our employees and continuously build a system that allows diverse human resources to play active roles. The establishment of such a system will lead to the strengthening of contact with customers at locations in each community, and the strengthening of group synergies through Team ITO EN.

### Securing and training diverse human resources

The ITO EN Group works to create workplaces where diverse human resources can play active roles according to their individual abilities and aptitudes, through mutual recognition and acceptance of diverse values regardless of gender, nationality, age, career stage (mid-career hiring, etc.) or disabilities. By promoting diversity, we foster a corporate culture in which employees think and learn for themselves, and actively engage in challenges, thereby contributing to the revitalization of society as a whole and the creation of new innovation.

By raising the mandatory retirement age to 65 as of May 2022, we will develop an environment in which senior employees can demonstrate the experience, knowledge and expertise they have accumulated to date in various work places, and encourage the creation of systems which allow employees to work in good health and with enthusiasm until the age of 70.

Based on our belief that the self-actualization of our employees is the source of power that supports the sustainable growth and development of the company, we have established our own systems to promote self-development, including ITO EN Business College, ITO EN Graduate School, and the

#### Indicators (KPIs) FY2026

\* indicates FY4/2022 results

- Employee engagement score: 3.5 or higher
  - Female manager ratio: 10% (\*2.8%)
  - Percentage of male employees taking childcare leave: 50% (\*29.7%)
  - Gender pay gap for employees: 80% (\*74.3%) (Regular full-time employees, male employees = 100)
- Of the above, less than 10 years of service: 100% (\*94.3%)

ITO EN Tea Taster Business Skill Test.

In the medium- to long term, with regard to the five specific qualities of human resources we are looking for (see page 43 on the left), we will train and secure human resources who can play active roles in each region / community and globally, next-generation leaders, human resources who can drive DX with excellent IT skills, and human resource who are accepting of diverse values.

#### • Active participation of women

We have formulated a third-phase action plan (May 2021–April 2023) based on the Act on Promotion of Women’s Participation and Advancement in the Workplace, and are driving initiatives that promote active participation for women. The Company provides female employees with opportunities to reach their full potential and to reconsider and shape their career / life plan to advance further in the workplace. The Company is also translating the provision of trainings by positions for female employees into improvement in the motivation and the retention rate of female employees, stronger support to help them maintain a work-life balance, and increased female manager training.

- ITO EN Business College and ITO EN Graduate School  
At ITO EN Business College (opened in 1989), employees choose what they want to learn from courses such as sales, global business, finance, organizational structure, IT / data analysis, and presentation skills, and work on assignments and undergo schooling for one year, with the aim of acquiring new knowledge. ITO EN Graduate School (opened in 2009)—which is aimed at managers and above—enables employees to acquire the knowledge to accurately grasp and analyze the business environment and become senior managers who can develop effective strategies.

- ITO EN Tea Taster Business Skill Test system  
The ITO EN Tea Taster Business Skill Test is in-house business skill test system that has been in operation since 1994, with the objectives of instilling employees with a high level of tea-related knowledge, and conducting tea-related enlightenment activities both inside and outside the company. Candidates wishing to obtain the qualification participate in a skill test held once annually, with successful candidates being determined by a strict screening process. The test involves academic content, tea tasting and oral recitation, and requires

**Ministry of Health, Labour and Welfare (MHLW) certification holders (as of May 2022)**

Grade	Knowledge & skills (tea tasting)				Numbers of qualification holders
	Green tea	Chinese tea	Black tea	Tea ceremony	
Grade 1	●	●	●	●	17
Grade 2	●	●	●	—	390
Grade 3	●	—	—	—	1,914
<b>Total</b>					<b>2,321</b>

**Thorough implementation of performance-based evaluation**

In its personnel system, the ITO EN Group advocates the concept of evaluating its employees based on performance. Under no circumstances do we allow factors such as academic background, gender, nationality or age to affect the range of opportunities available for an employee to engage in certain work or receive education or training, or to bear any relation to evaluations of work performance. We are focusing on human resource

**Work style reform**

Through organizations such as the Workplace Environment Improvement Committee, which is comprised of members selected from each workplace, we are working to create comfortable workplaces by reducing working hours, improving

- In-house venture system  
From FY2022, in order to realize the creation of new businesses, which is one of the key strategies of the medium- to long-term management plan, we have established an in-house venture system that will provide opportunities for all employees to take on the challenges of new businesses, help to discover and develop new human resources who will lead the next generation, and enable motivated human resources to concentrate on commercialization of idea through an open recruitment and selection system. Through this system, we will provide new value to our customers, expand our business domains, and aim for more sustainable growth.

a wide range of skills and knowledge on tea. In 2017, the ITO EN Tea Taster Business Skill Test became the first in-house business skill test to be certified by the Ministry of Health, Labour and Welfare (MHLW) after the revision of the certification system.

By connecting to the cultures of tea around the world and broadly shares taste and value as tea specialists, Tea Tasters work within the Group both in Japan and overseas, as part of a scheme that develops human resources who can help realize the vision of ITO EN as a Global Tea Company.



MHLW Business Skill Test certification system logo



Practical tea tasting test

development in line with a basic policy that every single employee should have equal opportunities, and evaluations should be fair. In order to realize self-directed growth of our employees, we systematically implement education and training systems according to individual career paths, such as by position, year, and qualification.

the working environment, and improving operational efficiency. We are also improving work-life balance and productivity by implementing work style reforms and creating environments where employees can work comfortably.

**TOPICS Voice System**

ITO EN has a unique internal proposal system—the Voice System—in which all employees regardless of the type of job they do can suggest new products, make suggestions for improvements, and propose sales promotions and other ideas. This scheme keeps the spirit of “STILL NOW”—finding things that customers are still dissatisfied with—in the forefront of all employees’ minds and also contributes to improving job satisfaction (work engagement), with internal awards presented for excellent suggestions, and some product ideas being created in reality.

## Health and productivity management and occupational health and safety

From the perspective of health and productivity management, which considers employee health management from a management perspective and puts it into practice strategically, we formulated the ITO EN Group Health Management Declaration in May 2021. Based on this declaration, we are strengthening our support system for maintaining and improving the health of our employees and working to raise their own awareness of health. In March 2022, ITO EN was selected under the 2022 Certified Health and Productivity Management Organization Recognition Program (White 500). We have also established a Group-wide Health & Safety Committee for the purpose of continuously maintaining occupational health and safety for employees and developing health and safety management systems. The Group-wide Health & Safety Committee, the Workplace Environment Improvement Committee, occupational physicians and other personnel work together to address and improve issues relating to the mental and physical health of employees and occupational health and safety.



## Optimizing salary and benefit support

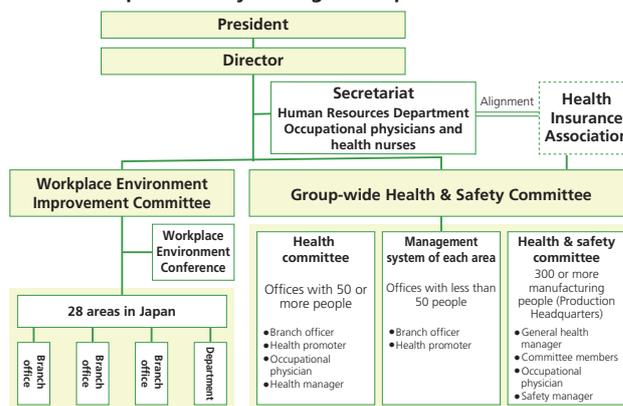
ITO EN provides comprehensive support to support the various life stages of its employees and their families (e.g. childbirth, childcare and nursing care) in terms of welfare / benefit support, work support and salary support schemes. We are working to enhance our childcare leave scheme, with the aim of encouraging male employees to take childcare leave; expanding the applicable scope of our shortened working hours and earlier finish / later start times, with the objective of facilitating a balance between work and illness, childcare and nursing care commitments; expanding a leave of absence scheme for accompanying family members (working overseas,

## Initiatives to ensure respect for human rights

Respect for human rights forms the foundation of the ITO EN Group's management principle, "Always Putting the Customer First," and underlies all of our business activities. The ITO EN Group engages in efforts to ensure respect for human rights by complying with applicable laws and regulations of the countries and regions where we conduct our business activities and establishing policies such as the ITO EN Group Human Rights Policy, the ITO EN Group Fundamental Supplier Policy in accordance with the United Nations (UN) Guiding

In order to achieve sustainable growth as a Health Creation Company, we will continue in our efforts to create working environments where each and every employee can work in a safe and healthy manner.

## Health and productivity management promotion structure



\* Workplace Environment Improvement Committee members at 186 locations nationwide (FY4/2022) also serve as Health and Productivity Management Promotion Officers.  
 \* Health managers and health promoters in the safety management system also serve as Health and Productivity Management Promotion Officers.

etc.); and enhancing our support for employees undergoing fertility treatment. We have received "Kurumin" certification as a company that supports employees with childcare commitments, based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

From the perspective of gender equality, we will continue working to correct the gender pay gap for full-time employees, increase the percentage of female managers, and increase the percentage of male employees taking childcare leave.



Principles on Business and Human Rights. We work to distribute these policies within the company and educate all employees on human rights issues such as compliance and harassment prevention education through e-learning. We will continue to build a framework for promoting respect for human rights and advance a program of due diligence with regard to human rights, such as by assessing human rights risks and taking measures to reduce such risks.

## Feedback from stakeholders



Employees are the ones who drive the company I believe that the key to future growth lies in drawing out the strengths of each and every employee and realizing the three aspects of ease of working, work styles, and job satisfaction, while at the same time nurturing and protecting employees and linking that to a source of power for the company. As interest in human capital has been increasing among investors and other stakeholders in recent years, I believe that it is also important to visualize the fact that human resources are part of the value of the company itself, and convey that to the capital market.

**Minoru Matsubara**, Executive Officer in charge of Responsible Investment Division, Resona Asset Management Co., Ltd.

# Corporate Governance

## Basic Views on Corporate Governance

The ITO EN Group aims to achieve its long-term vision of becoming a Global Tea Company, based on its management principle of Always Putting the Customer First, as a Health Creation Company that contributes to the health of customers around the world. We have positioned corporate governance as a material issue that should be prioritized in management. We also recognize that engaging in sustainability management, strengthening our business management base, and enhancing group risk management will lead to sustainable growth and enhancement of corporate value in the medium- to long-term.

The Group states in the ITO EN Group Founding Charter that its management priority is to exist for all its workers and their families and for society as a whole, and to fulfill its corporate social responsibility by cooperating with the government, local communities, consumers, shareholders, retailers, suppliers, financial institutions and other stakeholders.

This group management principle is a basic concept in the Group's business ethics and the unwavering truth that supports corporate governance. Based on this principle, every officer and employee of the Group is active making concerted efforts to achieve a sustainable society in line with the interests of all stakeholders, and strive to repay their trust.

We have established and disclosed the Corporate Governance Guidelines to convey its basic views and policy on corporate governance.

The main items are as follows.

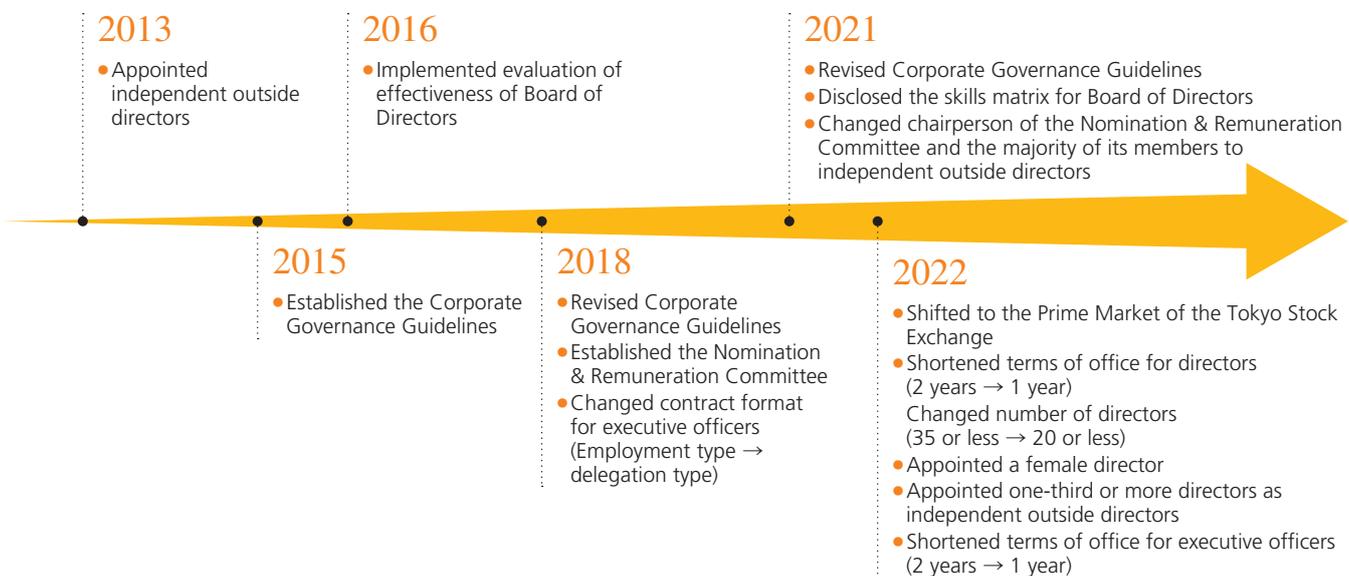
- Basic views on corporate governance
- Corporate governance system
- Relationships with stakeholders

Corporate Governance Guidelines

▶ <https://www.itoen.co.jp/company/governance/>

## History of Enhancing the Corporate Governance System

We are continuously enhancing our corporate governance system to make it more effective and transparent, as a foundation for supporting sustainable growth and medium- to long-term enhancement of corporate value.



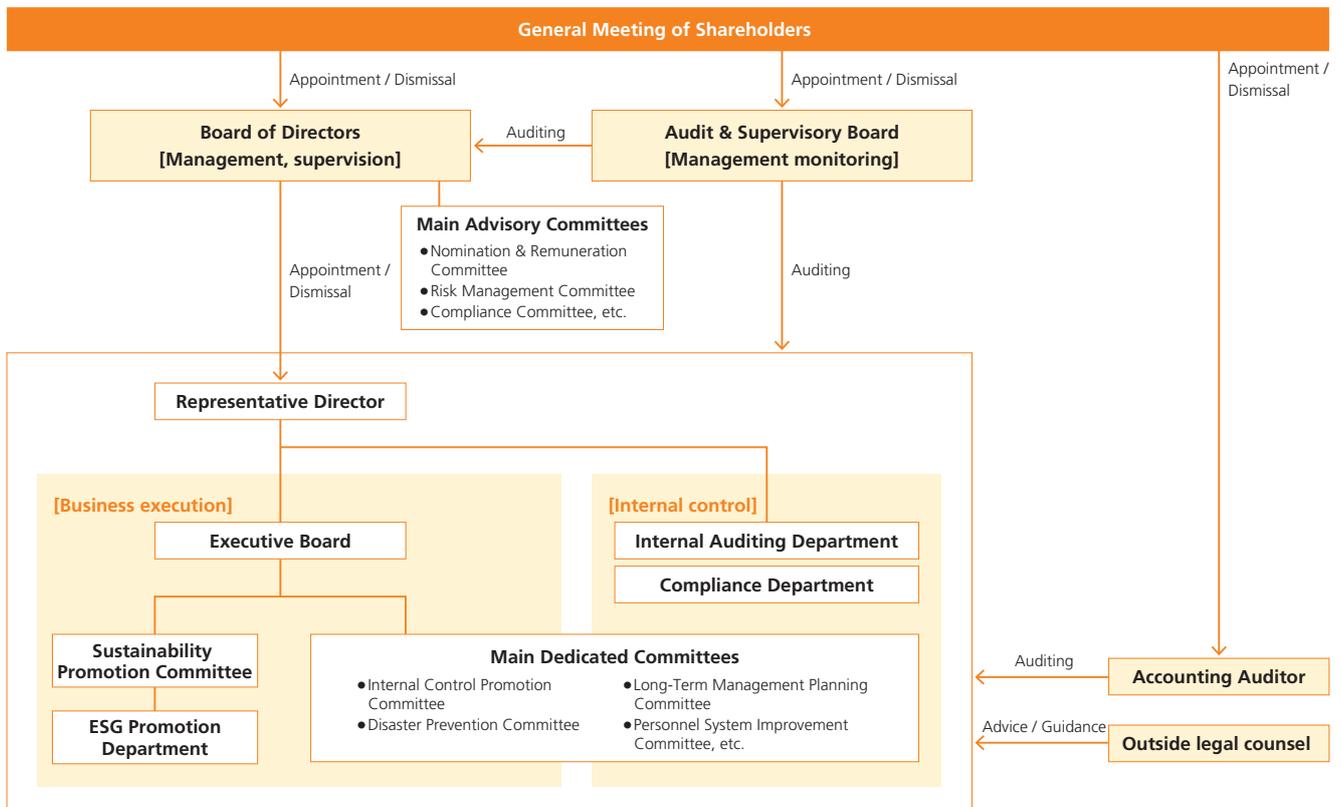
## Outline of Corporate Governance System

To ensure appropriate corporate governance, we have adopted an Audit & Supervisory Board system in which our Audit & Supervisory Board Members check and audit business conditions, decision-making processes, and other matters regarding Representative Directors, Directors in charge of specific areas or the employees of ITO EN Group companies. The Audit & Supervisory Board Members attend every meeting of the Board of Directors, offering fair and impartial advice and audit opinions on overall corporate affairs and each item of business, and audit business execution by the Directors in accordance with the audit policy stipulated by the Audit & Supervisory Board.

### System overview (since July 28, 2022)

Organization Form	Company with an Audit & Supervisory Board
Number of Directors	13 (of which Outside Directors: 5)
Number of Audit & Supervisory Board Members	4 (of which Outside Audit & Supervisory Board Members: 3)
Number of Independent Directors/Audit & Supervisory Board Members	7
State of Voluntary Establishment of Committees	Nomination & Remuneration Committee
Accounting Auditor	KPMG AZSA LLC

## Corporate Governance Structure (since July 28, 2022)



### Board of Directors

The Board of Directors holds a meeting once a month, in principle, to supervise the execution of operations by Directors, in addition to discussing and determining important matters such as the basic management policy and management strategies. In addition, five of 13 Directors are Outside Directors, and they take on functions to supervise and check the execution of duties from an independent standpoint.

#### Examples of main agenda items at Board of Directors meetings in FY4/2022

- Formulation of the medium- to long-term management plan (FY4/2023–FY4/2027)
- Review of material issues relating to sustainability linked to the medium- to long-term management plan
- Setting new targets for reducing CO<sub>2</sub> emissions and declaring support for the TCFD recommendations, etc.

### Executive Board

The purpose of the Executive Board is to discuss and make decision on important matters relating to management, based on the formulation of agenda items for the Board of Directors and the basic management policy decided by the Board of Directors, and to assist the Board of Directors and the president in important matters regarding business operations. It consists of 23 executive officers, and meets once a month in principle.

### Audit & Supervisory Board

Meetings of the Audit & Supervisory Board are held monthly, in principle, to deliberate on and determine important matters concerning audits as well as share information and exchange opinions on the status of audits conducted and the recognition of issues, among other tasks. The Audit & Supervisory Board consists of one standing Audit & Supervisory Board Member and three non-standing Audit & Supervisory Board Members (all of whom are Outside Audit & Supervisory Board Members). The Audit & Supervisory Board Members mainly conduct audits of the legality of the Directors' business execution by attending important meetings such as those of the Board of Directors, inspecting important documents, conducting visiting audits of departments executing business, and expressing opinions as necessary.

### Sustainability Promotion Committee

The Sustainability Promotion Committee was established as an advisory body to the Executive Board, chaired by President and Executive Officer Daisuke Honjo. The committee meets four times a year. The committee has established a sustainability promotion system, formulates action plans, discusses measures and policies on material sustainability issues, and reports to the Board of Directors and the Executive Board, with the aim of enhancing sustainability management. Sustainability-related information is disclosed through integrated reports (this report), corporate governance reports, our corporate website, and responses to CDP.

## Skills Matrix for Directors and Audit & Supervisory Board Members

	Name	Title	Corporate management	Brand strategy Marketing Sales	R&D/Agriculture Procurement / Manufacturing	Overseas strategy	Finance / Accounting	Personnel / Labor management / Development of human resources	ESG	Legal affairs Compliance Risk management
Director	1	Hachiro Honjo	Chairman of the Board	●						
	2	Daisuke Honjo	President and Executive Officer	●	●		●		●	
	3	Shusuke Honjo	Executive Vice President, Representative Director and Executive Officer	●	●		●		●	
	4	Minoru Watanabe	Vice Chairman, Director and Executive Officer	●			●	●		
	5	Yoshihisa Nakano	Director and Senior Managing Executive Officer	●		●			●	
	6	Shigeru Kamiya	Director and Senior Managing Executive Officer	●	●					
	7	Yosuke Jay Oceanbright Honjo	Director	●	●		●			
	8	Atsushi Hirata	Director and Senior Managing Executive Officer	●				●	●	●
	9	Morikazu Taguchi	Outside Director						●	●
	10	Yuichi Usui	Outside Director	●					●	●
	11	Yutaka Tanaka	Outside Director					●	●	
	12	Hideo Takano	Outside Director	●					●	
	13	Keiko Abe	Outside Director			●				
Audit & Supervisory Board Member	1	Shuji Nakagomi	Standing Audit & Supervisory Board Member	●	●					
	2	Yoshiaki Takasawa	Outside Audit & Supervisory Board Member							●
	3	Takashi Miyajima	Outside Audit & Supervisory Board Member	●				●		
	4	Hitoshi Yokokura	Outside Audit & Supervisory Board Member					●		●

\* Please note that the list of skills is not exhaustive. The four main areas of expertise of each Director and Audit & Supervisory Board Member are indicated with a circle (○).

### Reasons for selection of skill items

In order to realize our long-term vision of being a Global Tea Company, we have selected skills required for improving corporate value and medium- to long-term management strategies as skill items.

### Contribution by Independent Officers to Board of Directors and Audit & Supervisory Board

ITO EN has increased the number of its outside officers to strengthen the function of management supervision. Outside Directors and Outside Audit & Supervisory Board Members attend Board of Directors meetings in a capacity

that is independent of management. They work to enhance the effectiveness of management oversight by requesting clear explanations on directors' execution of duties.

### State of attendance by Outside Directors and Audit & Supervisory Board Members at Board of Directors and Audit & Supervisory Board meetings (FY4/2022)

Category	Name	Board of Directors	Audit & Supervisory Board
Director	Morikazu Taguchi	12 times / 12 times	—
Director	Yuichi Usui	12 times / 12 times	—
Director	Yutaka Tanaka	12 times / 12 times	—
Director	Hideo Takano	12 times / 12 times	—
Audit & Supervisory Board Member	Yoshiaki Takasawa	12 times / 12 times	13 times / 13 times
Audit & Supervisory Board Member	Takashi Miyajima	12 times / 12 times	12 times / 13 times
Audit & Supervisory Board Member	Hitoshi Yokokura	10 times / 10 times	10 times / 10 times

\* Hitoshi Yokokura was appointed on July 27, 2021. The number of times he attended meetings of the Board of Directors and the Audit & Supervisory Board held after his appointment.

\* Keiko Abe was appointed as an Outside Director on July 28, 2022. She did not attend meetings during FY4/2022.

## Outside Officers (since July 28, 2022)

Outside Director	<b>Morikazu Taguchi</b>	Expressing opinions based on his expert knowledge of legal affairs developed through many years of legal studies as a university professor, from an objective and technical perspective as an Outside Director
	<b>Yuichi Usui</b>	Expressing opinions based on his broad-ranging insight and his diverse experiences as both a police officer and a business manager, from a practical perspective as an Outside Director
	<b>Yutaka Tanaka</b>	Expressing opinions based on his deep insight concerning tax affairs developed through his experience as a licensed tax accountant from an independent and objective perspective as an Outside Director
	<b>Hideo Takano</b>	Objectively supervising management as an Outside Director, leveraging his experience and wide-ranging insights from deep participation in management support for various enterprises, over the course of his many years at The Tokyo Chamber of Commerce and Industry
	<b>Keiko Abe (New appointment)</b>	Has extensive experience and expert knowledge as a professor of the University of Tokyo's Graduate School of Agricultural and Life Sciences and has been actively involved in research in the field of research on food functionality for many years. She provides opinions and advice in the field of R&D relating to future medium- to long-term management based on her extensive experience and knowledge.
Outside Audit & Supervisory Board Member	<b>Yoshiaki Takasawa</b>	Expressing opinions based on his deep insight concerning corporate legal affairs developed through his experience as an attorney from an independent and objective perspective as an Outside Audit & Supervisory Board Member
	<b>Takashi Miyajima</b>	Engaging in the supervision of management as an Outside Audit & Supervisory Board Member, based on his extensive experience and wide-ranging knowledge and insights with regard to finance and financial issues
	<b>Hitoshi Yokokura</b>	Supervising management as an Outside Audit & Supervisory Board Member based on his high-level knowledge and insights into accounting and legal affairs, as a certified public accountant and attorney

## Evaluation of the Effectiveness of the Board of Directors

A survey with follow up interviews was conducted for the purpose of improving the functionality of the Board of Directors. The results were discussed at a board meeting.

### Surveys and interviews

- (1) Survey period: March–April 2022
- (2) Subjects: All Directors and Audit & Supervisory Board Members
- (3) Survey procedure:
  - (i) Self-assessment by questionnaire
  - (ii) Individual interviews based on the results of the questionnaire
  - (iii) Tabulation and analysis of questionnaire and interview results

### Evaluation items

- (1) Size and composition of the Board of Directors
- (2) Discussions of the Board of Directors
- (3) State of operation of the Board of Directors
- (4) Relationship with shareholders
- (5) Structure of, deliberations at, etc. of Nomination & Remuneration Committee
- (6) Self-assessment

### Results of evaluation

- Regarding the size and operation method of the Board of Directors, it was confirmed that the Board is sufficiently functioning in terms of its fulfillment of its managerial decision-making and supervision. On the other hand, regarding its composition, the appointment of female Directors was identified as a future issue from the perspective of ensuring diversity.
  - The necessity of active discussion about medium- to long-term management strategies from ESG and sustainability perspectives, and of sharing and discussing the status of efforts toward the aim of becoming a Global Tea Company with domestic and overseas group companies has been pointed out.
- At the same time, the enhancement of opportunities to share information with Outside Directors and Audit & Supervisory Board Members was recognized to be an issue regarding ensuring more active discussions.

### Future efforts

The Company will seek to improve the effectiveness of the Board of Directors by continuing working to solve issues.

<b>Addressing the issues raised in the 2022 effectiveness evaluation</b>	<ul style="list-style-type: none"> <li>● Promoting active participation of women (appointment of female executives and increasing the ratio of female managers)</li> <li>● Sharing the status of initiatives and issues based on the key strategies of the medium- to long-term management plan</li> <li>● Management of progress for initiatives and indicators (KPIs) for each material issue</li> <li>● Enhancing the level of discussions on reviewing indicators and responding to new ESG issues and risks</li> </ul>
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## Remuneration for Corporate Officers

### Policy for determining the remuneration for Directors and Audit & Supervisory Board Members

Remuneration for Directors is deliberated by the Nomination & Remuneration Committee, a majority of which is composed of Independent Outside Directors, to ensure objectivity and transparency in accordance with the Company's basic views on corporate governance and basic views on remuneration. The Board of Directors determines the remuneration for Directors, respecting to the report by the Nomination & Remuneration Committee. The Nomination & Remuneration Committee deliberates the individual remuneration for Directors, including whether it is consistent with the policy for determining remuneration and whether it has been evaluated based on the remuneration standards, and the Board of Directors determines the individual remuneration, etc. of Directors giving due respect to the report by the Nomination & Remuneration Committee.

#### Basic policy

1. Remuneration shall be in compliance with the management principle of the ITO EN Group, "Always Putting the Customer First," and will contribute to sustained corporate growth and development and the enhancement of corporate value.
2. Remuneration shall be determined in proportion to the significance of Directors' roles and responsibilities and their contribution to the Company's business performance.
3. Remuneration shall be closely linked to the share price of the Company's stock, so that Directors share the impact of share price fluctuations with the Company's shareholders and the remuneration serves as an incentive for management.
4. Remuneration shall be determined based on objective and fair deliberations and with references to external data.

### Executive remuneration amounts

Remuneration for Inside Directors of the Company comprises fixed remuneration and performance-linked remuneration, and fixed remuneration comprising approximately 70% and performance-linked remuneration approximately 30%. Remuneration for Outside Directors and Audit & Supervisory Board Members shall consist of fixed remuneration only.



#### Fixed remunerations

The amount of fixed remuneration shall be not more than the maximum amount of the remuneration resolved by the General Meeting of Shareholders (100 million yen per month for Directors and 6 million yen per month for Audit & Supervisory Board Members), paid, in principle, on a monthly basis. Remuneration for Inside Directors is determined the by considering business performance and the degree to which the Company has achieved its plan.

#### Performance-linked remuneration

(1) Reasons for the adoption of performance-linked remuneration  
Performance-linked remuneration shall be composed of performance-based remuneration and share based remuneration, which makes part of the remuneration closely linked to the Company's share price and puts Directors in a position where they share the impact of share price fluctuations with shareholders, to enhance interest in its share price and business performance and further raise their motivation and morale for achieving higher share prices and better business performance of the Company. Performance-based remuneration shall be monetary remuneration based on business results, and shall be paid monthly in principle. The Company determines granted share acquisition rights once a year by means of performance-linked, share remuneration-type share options by rigorously evaluating the business performance.

(2) Determination of the performance-linked remuneration  
The Company determines performance-linked remuneration through comprehensive performance evaluation in which, in order to link the business performance and remuneration, the Company designates some of the Company's business performance indicators as measures for Directors' individual performance, sets the standard ratio of consolidated performance to non-consolidated performance for each position, considers each Director's responsibilities, and awards points to each Director with respect to each business performance indicator.

(3) The Company's business performance indicators used as

Directors' performance measures

The Company's primary business performance indicators used as performance measures for Directors include "net sales (growth)," "operating income (profitability)," "cash flows from operating activities (stability)," "earnings per share (profitability)," "return on equity (efficiency)" and "dividend on equity ratio (shareholder return)."

### Total amounts of remuneration, total amounts by remuneration type, and numbers of recipient officers by corporate officer category (FY4/2022)

Officer category	Total amount of remuneration (million yen)	Total amount of remunerations (million yen)			Number of eligible officers
		Fixed remunerations	Performance-linked remuneration (Monetary remuneration)	Performance-linked remuneration (Share-based remuneration)	
Director (excluding Outside Directors)	585	585	—	—	10
Outside Director	42	42	—	—	4
Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Members)	13	13	—	—	1
Outside Audit & Supervisory Board Member	31	31	—	—	4

### **Nomination & Remuneration Committee**

The Company has established the Nomination & Remuneration Committee to enhance the independence and objectivity of the functions of the Board of Directors and its accountability through the appropriate involvement and consultation of Independent Outside Directors on particularly important matters such as the nomination and remuneration of Directors and others. The Nomination & Remuneration Committee shall

be composed of three or more Directors including Outside Directors as members and shall consist of a majority of Independent Outside Directors. Members shall be elected by resolution of the Board of Directors, and the chairperson shall be elected from among the members who are Independent Outside Directors by resolution of the Nomination & Remuneration Committee.

## **Developing Top-level Management and Next-generation Leaders**

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ITO EN seeks to develop top-level management personnel with an emphasis on refining multifaceted management senses, such as by selecting future top-level managers from amongst senior management personnel and allowing them to gain experience in management at Group companies

from an early stage.

We have also established the Business Creation Department and are implementing an in-house venture system to discover and train human resources who will lead the Group in the future, and create new businesses.

## **Cross-shareholdings**

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The Company maintains the policy of not conducting cross-shareholding, in principle. Provided, however, the Company conducts cross-shareholding in cases where it can be judged that cross-shareholding would facilitate transactions, procurement or financing. In addition, the Company maintains the policy of reducing cross-shareholding by stages in cases where cross-shareholding is not judged to contribute to the enhancement of the Group's corporate value over the medium-to long-term. With regard to cross-shareholdings, the Company validates at the Board of Directors' meetings every year that the return on invested capital exceeds capital cost for each stock. In addition, from the perspective of maintaining and

strengthening relationships with its clients over the medium-to long-term, the Company has confirmed at the Board of Directors' meeting that the significance of cross-shareholdings shall be reviewed and that any stock with reduced economic rationality and reduced significance of cross-holding shall be subject to sale or reduction in holding following dialogue with the issuer company. Regarding the exercise of voting rights of shares held in cross-holding, the Company shall appropriately address the matter by closely examining each agenda and comprehensively judging if the proposed matter will contribute to the enhancement of corporate value of the Company and the issuer.

## **Intellectual Property Strategy**

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### **Intellectual property system**

In accordance with its intellectual property policy and important strategies defined in the medium- to long-term management plan, we promote intellectual property management that contributes to solving social issues and improving corporate value. We established an Intellectual Property Department as a specialized department to handle intellectual property, and we have also established a system to actively support the R&D division in cooperation with in-house patent attorneys, attorneys at law, external experts, and various other divisions. As of FY2021, the department launched IP landscape activities, made recommendations for R&D and business strategies based on intellectual property information, and reported to the Board of Directors. In this way, we have begun to incorporate our IP strategy into our management strategy.

### **Support for management strategies**

As a Health Creation Company that contributes to the healthy lives of our customers, we support functional research and development through intellectual property activities—centered primarily on our core tea business—and provide unique products with high health value, as part of our efforts to realize our long-term vision of being a Global Tea Company.

We also help tackle environmental and social issues through our business activities by protecting IP rights in the supply chain from tea farms through to tea products, and recycling of used tea leaves. To support the strengthening of overseas business, we are working to effectively acquire intellectual property rights and avoid risks in each country. In FY2022, we have launched intellectual property education for the training of overseas human resources.

### **Investment for the development of human resources and encouragement of innovation**

We work to train personnel for the creation of intellectual property within the R&D divisions and other divisions engaging in the creation of intellectual property. We are also working to contribute to the development of business through the Employee Invention Compensation System with the aim of encouraging employees to create intellectual property. In FY4/2022, compensation was paid for 124 inventions through this program, with the ratio of R&D costs to net sales standing at 0.47%. In FY4/2023, Ad Hoc Compensation was introduced for inventions that noticeably contribute to the Company's business.

## Opinions from Outside Directors

### Expectations and challenges in aiming for the long-term vision of becoming a Global Tea Company, and the roles we want to play



**Morikazu Taguchi**  
Outside Director

ITO EN's long-term vision of becoming a Global Tea Company is grand, but also realistic. Tea is a luxury item, but ITO EN has shed light on the relationship between tea and healthy living. Good health is a common wish of people around the world, so I think there is a good chance that ITO EN's tea products will open the door to the wider world. However, as with all grand visions, the hurdles to achieve it are high, and there are challenges to overcome. The first challenge is that, since food and drink are deeply related to a country's lifestyle and culture, in order to spread Japanese tea to people around the world it will be necessary to show deep insight into the food culture of each country while appealing to people about the positive points of Japanese tea. It's not an easy challenge, but health is a good starting point. In particular, I would like to give advice on public relations activities to help Japanese tea reach the status of being consumed regularly in countries around the world, based on my experiences in Europe, the United States, China, and various other countries and regions. The second challenge is the development of human resources who will open up overseas markets. I hope that ITO EN will work to nurture human resources with the appropriate aspirations for this role. When it comes to overseas markets, it is necessary to build a strong corporate governance system that can withstand the challenges of global corporate management, so I would like to provide necessary advice in this regard as well.



**Yuichi Usui**  
Outside Director

It has been proven that green tea has antiviral effects against influenza, and inactivates the COVID-19 virus in vitro. It is important to take advantage of these health characteristics to popularize Japanese tea in other countries, but there are also challenges in taking into account the actual circumstances in each country. I hope that ITO EN will contribute to the creation of local employment opportunities by engaging in sales strategies based on actual conditions and local production for local consumption when sales have expanded to a certain degree.

Milk is a beverage that is widely drunk in school lunches in Japan, and I believe another perspective is that of communicating the health benefits of tea to children during infancy and adolescence, seeking to improve recognition and spread it not only in Japan but also in other countries around the world. Tea not only contributes to health, but the theanine contained in tea also has a relaxing effect. As shown by the Japanese tea ceremony, part of traditional Japanese culture, tea is a drink that fosters mental relaxation. I hope that ITO EN will aim to appeal to people about its benefits as it popularizes Japanese tea in other countries.

In terms of other business development, I think that the greatest contribution I can make is in the field of personnel and labor management, based on my experience of more than 30 years at the Metropolitan Police Department followed by several years at a logistics company. From my standpoint as an outside director, I would like to offer opinions that can contribute to improvement.



**Yutaka Tanaka**  
Outside Director

In Japan, population decline is unavoidable in the medium- to long-term, and overseas expansion will be essential given that the market will shrink in size. In this sense, it is very important for ITO EN to spread awareness of the health benefits of Japanese tea to the world while promoting tea in health-conscious countries and providing health value—with the aim of becoming a Global Tea Company.

When expanding overseas, I think that it is important for ITO EN to coordinate with relevant international organizations and implement tea sales strategies and advertising/promotion tailored to each country and region, while at the same time establishing production bases and product supply networks.

It is inevitable that global warming will affect the cultivation areas where tea leaves are grown. For this reason, to ensure a stable supply of tea leaves, it will be necessary to thoroughly research and consider the development of new production areas and cultivation methods based on the impact of climate change.

Corporate value will continue to be created through daily business activities. The leadership of executives responsible for business execution is of course necessary, but above all it is important for all employees to work together to raise awareness of issues and participation in management through their daily duties. As an outside director, I would like to stay aware of issues, not only from the perspective of governance, but also from the perspective of execution of business.



**Hideo Takano**  
Outside Director

Looking ahead, we need to be prepared for the fact that life will not return to the way it was before COVID-19, but I believe that we will be in an era where not only negative but also positive effects—such as increased health consciousness—may occur. In these circumstances, in order for ITO EN to realize its long-term vision of becoming a Global Tea Company under its mission as a Health Creation Company, officers and employees must explore—through their daily duties—to what extent ITO EN can (1) grasp the food culture, eating habits, and trends of target countries around the world, to penetrate and globalize the ITO EN brand, (2) communicate the scientific knowledge and research results developed about tea, such as in the improvement of sleep quality through continuous intake of matcha announced in August, 2022, and (3) become a more advanced, unique company that fuses tradition and advanced technologies.

If ITO EN further utilizes and makes maximum effective use of its value chain, which builds its competitive advantage, and route sales, as a thorough implementation of “making integrity our stock in trade,” under its management principle of Always Putting the Customer First, I am confident that ITO EN will be able to become a Global Tea Company.

From my role in making recommendations from a standpoint independent of management as an outside director, I would like to make efforts to freshly and sensitively identify contemporary trends from day-to-day, and strive to speak and act in a way that has a positive impact on management and the realization of employees’ abilities.

## Messages from New Outside Director



**Keiko Abe**  
Outside Director

As well as conducting education and research in the field of food science as a university faculty member, I have also contributed to the operation of joint projects between industry, government and academia on food and health in Japan. Specifically, I have been communicating information to the world of functional food science to prevent lifestyle-related diseases, and conducting research on molecular theory of taste science to explain the mysteries of the deliciousness of food. Recently, I have been engaged in initiatives aimed for creating a bio-economical society through the food tech industry in the form of sustainable agriculture and food production, which is one target of the SDGs.

ITO EN has incorporated the Global Tea Company strategy into its new medium- to long-term management plan, and displayed the content of its five key strategies and the numerical targets it aims to achieve. I think it is fantastic that the company has also clearly set specific numerical targets (KPIs) for its seven material issues.

As we enter the era of the 100-year lifespan, I think that extending healthy life expectancy through food is a major challenge. To achieve this, it will be necessary to build food systems that contribute to research and practical implementation (product development) on food that is nutritional, palatable, and functional, and that provides both mental and physical satisfaction. One of ITO EN’s material issues is contribution to dietary habits and health. As an outside director, I would like to use my experience to provide advice on the development of tea products for Generation Z and further dissemination of academic information for product differentiation when expanding ITO EN’s business operations overseas, including the United States and Asia.

## Risk Management

### Basic views to risk management

Based on the ITO EN Group Risk Management Policy, we define risks as events that may affect the purpose of corporate management, and work to maintain and improve corporate value by comprehensively and strategically managing and appropriately handling risks that impede the achievement of objectives from a holistic perspective.

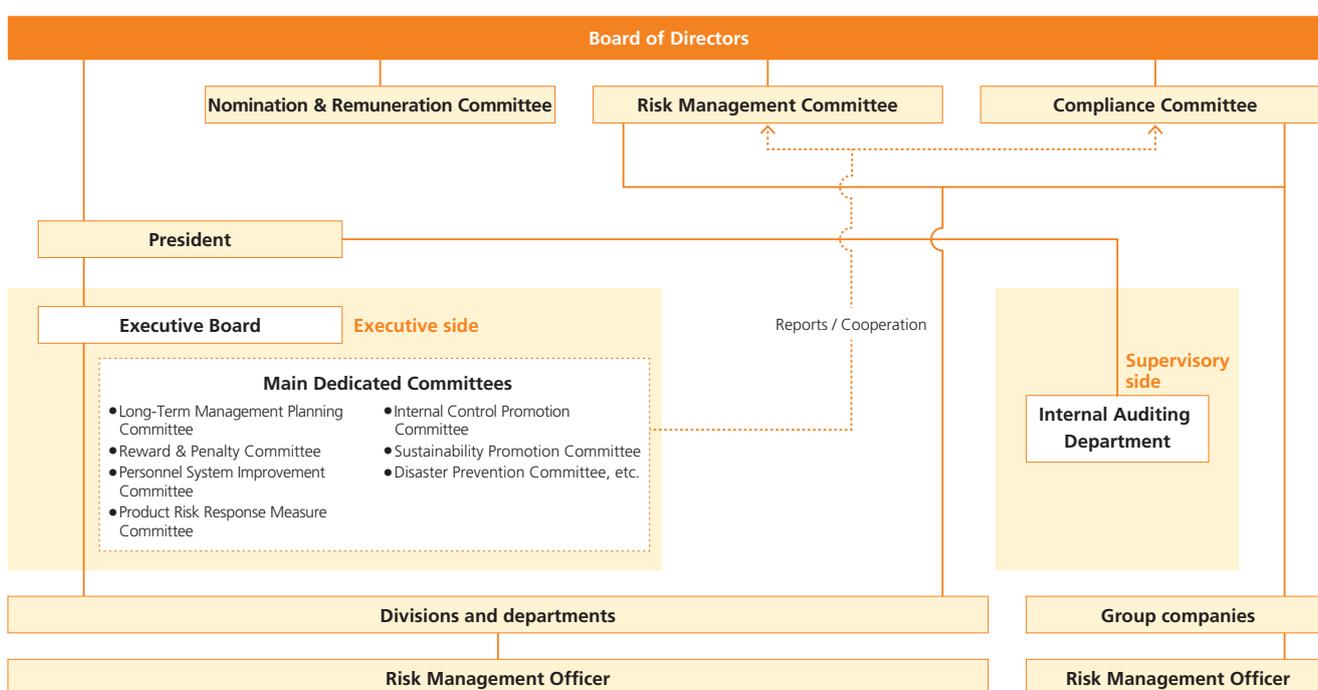
In order to clarify the risk management system and basic matters, we have established a department in charge of risk management, formulated risk management regulations and guidelines, and built a group-wide risk management system.

### <Major risks relating to execution of business>

- (1) Risks related to compliance
- (2) Risks related to information security
- (3) Risks related to quality and the environment
- (4) Risks related to property preservation
- (5) Risks related to disaster and accident

The Company has organized a system to minimize damages when an unforeseen situation occurs by establishing a task force headed by the President to prevent the expansion of damages by taking prompt measures.

### Risk Management System (since May 2022)



## Compliance

The ITO EN Group thoroughly adheres to laws and regulations, basic principles, company regulations, social norms, and corporate ethics, and engages in fair and sincere business activities that sincerely respond to social demands. In order to put this into practice, the Group is working to share the "ITO EN Group Code of Conduct," which embodies the management principle of Always Putting the Customer First, and the ITO EN Group Founding Charter, as guidelines for business and daily operations. We have also established the Compliance Committee and Compliance Department, which are advisory bodies to the Board of Directors, thereby establishing a system to promptly consider and implement countermeasures in the event of a serious compliance-related incident. In FY4/2022, the Compliance Committee met six

times and the Internal Control Promotion Committee met four times.

We have also set up a "Corporate Ethics Hotline" that can be used by anyone, including customers, as a contact point for whistleblowing. The hotline accepts reports, consultations and questions from both inside and outside the company for the early detection of various cases, including the prevention of all kinds of fraud and corruption, such as working environment issues, human rights violations, bribery, money laundering, embezzlement, and obstruction of justice. It also accepts consultations to prevent bullying and all forms of harassment—including power harassment, sexual harassment, and harassment related to pregnancy/childbirth, childcare/nursing leave.

## Business and Other Risks

Risks that may have a significant impact on the Group's business performance include the following. Forward-looking matters and major responses have been

determined by the Group as of the end of April 2022, and business and other risks are not limited to the following.

Items	Major risks	Major responses
<b>Domestic economy, consumption trends</b>	<ul style="list-style-type: none"> <li>Changes in economic trends due to economic and monetary policies in Japan, natural disasters, and the COVID-19 pandemic</li> <li>Changes in personal consumption affected by the above</li> </ul>	<ul style="list-style-type: none"> <li>Forecast of economic, social environment and market trends</li> </ul>
<b>Market competition</b>	<ul style="list-style-type: none"> <li>Intensifying competition in the beverage product market, which is our main business</li> <li>Poor increase in amount of sales due to continued low prices at stores</li> </ul>	<ul style="list-style-type: none"> <li>Development of added-value products that meet customer needs</li> <li>Striving to serve customers, with a focus on route sales</li> </ul>
<b>Raw material procurement</b>	<ul style="list-style-type: none"> <li>Decrease in tea production due to a decrease in the farming population and a decrease in the area of tea farms</li> <li>Difficulty in securing the required tea leaves in a stable manner due to growing demand for tea leaves for beverages</li> <li>Procurement and cost increase due to soaring prices of imported raw ingredients (grains, vegetables, etc.)</li> <li>Soaring prices of oil, which is the raw material for PET bottle containers, will be a factor in high costs</li> <li>Environmental problems such as plastic containers</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of the Tea-Producing Region Development Project</li> <li>Thorough supply chain management</li> <li>Creating more lightweight PET bottles</li> <li>Set target of increasing the ratio of recycled materials used for PET bottles to 100% by FY2030</li> </ul>
<b>Production system</b>	<ul style="list-style-type: none"> <li>Production equipment malfunctions, outages, etc.</li> <li>Impact on production due to natural disasters (storms, floods, earthquakes, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of production equipment inspections</li> <li>Securing multiple outsourced plants around Japan in case of unforeseen situations</li> </ul>
<b>Climate change and natural disasters</b>	<ul style="list-style-type: none"> <li>Various damages such as floods, sediment-related disasters, extreme heat, and changes in water resources due to abnormal weather such as torrential rain</li> <li>Poor crops due to climate change in the production areas of agricultural products, which are the raw ingredients for main products, rising raw material procurement prices, lack of required quantities, etc.</li> <li>Obstacles to head office functions and production and distribution system</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions and sustainable use of water resources</li> <li>Conduct analysis of the impact of climate change on the value chain as a whole to ascertain impact on crops</li> <li>Review of BCP and appropriate management and operation</li> </ul>
<b>Dependence on Japanese tea beverages</b>	<ul style="list-style-type: none"> <li>The ratio of Japanese tea beverage products to the sales of our beverage products is high, at 63%.</li> <li>The impact of slowing growth in the green tea beverage market and changes in the market environment</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening vegetable beverage brands, Tully's brand, etc., and developing other brands</li> </ul>
<b>Overseas business</b>	<ul style="list-style-type: none"> <li>Impact on business performance when there are significant changes due to political, economic, or legal factors peculiar to overseas business countries or regions</li> </ul>	<ul style="list-style-type: none"> <li>Business development paying attention to situations peculiar to each country</li> </ul>
<b>Legal regulations and others</b>	<ul style="list-style-type: none"> <li>Impact of violating various legal regulations applicable to business performance and taking other actions contrary to social demands</li> <li>Increased costs and impact on business performance when responding to new laws and regulations in the future</li> </ul>	<ul style="list-style-type: none"> <li>Thorough compliance throughout the entire Group</li> </ul>
<b>Information management</b>	<ul style="list-style-type: none"> <li>Loss of important information including personal information due to power outages, disasters, viral infections, unauthorized access, etc., and external leakage</li> </ul>	<ul style="list-style-type: none"> <li>Implementing appropriate security measures for information management, including systems</li> </ul>
<b>Food safety and hygiene management</b>	<ul style="list-style-type: none"> <li>Contamination by foreign substances, distribution of products with inappropriate allergen labeling</li> <li>Use of prohibited additives derived from raw materials, pesticide residue problems (including cases of chained rumors)</li> <li>Occurrence of hygiene problems such as food poisoning</li> <li>Quality problems in the industry and society as a whole</li> </ul>	<ul style="list-style-type: none"> <li>Thorough compliance with the ITO EN Group Quality Policy</li> <li>Quality inspections conducted mainly by the quality control department</li> <li>Thorough food safety and hygiene management</li> <li>Maintaining and managing the traceability system</li> <li>Implementing quality control guidance and audits for outsourced plants</li> </ul>
<b>Russia-Ukraine conflict</b>	<ul style="list-style-type: none"> <li>Chaos over global situations</li> <li>Rising raw material, fuel and transport costs</li> </ul>	<ul style="list-style-type: none"> <li>Improving profitability and reducing costs throughout the Group</li> <li>Reviewing prices for some products</li> </ul>

# Directors and Executive Officers (As of November 1, 2022)

## Directors

Chairman of the Board and CEO

### Hachiro Honjo

Aug. 1964	Established Japan Family Service Co., Ltd. Director
Aug. 1966	Established Frontier Tea Corporation (The company name was changed to ITO EN, LTD. in May 1969) Director
May 1978	Executive Vice President
Apr. 1987	Executive Vice President and Representative Director
May 1988	President
May 2009	Chairman of the Board and CEO (current post)

Hachiro Honjo exhibits strong leadership, drawing on his extensive experience and proven track record gained through his many years of managing the ITO EN Group as its founder.

Director and Senior Managing Executive Officer

### Yoshihisa Nakano

Mar. 1989	Joined the Company
Jul. 2010	Director
May 2014	Managing Director
May 2019	Director and Senior Managing Executive Officer (current post)

Yoshihisa Nakano has so far managed the Sales and Human Resources & General Affairs Headquarters. With respect to the Sales Headquarters, he possesses knowledge and experience in various sales formats, including community sales, mass retailers and convenience stores. He currently manages the Production Headquarters.

Outside Director

### Morikazu Taguchi

Apr. 1975	Full-Time Lecturer of Faculty of Law, Aichi Gakuin University
Jan. 1984	Professor of Faculty of Law, Aichi Gakuin University
Apr. 1995	Professor of School of Law, Waseda University
Apr. 2004	Professor of Waseda Law School, Waseda University
Jul. 2013	Outside Director of the Company (current post)
Apr. 2014	Professor Emeritus of Waseda University (current post)

Morikazu Taguchi possesses expert knowledge and various experiences accumulated over many years in legal studies.

Outside Director

### Keiko Abe

Jun. 1994	Associate Professor of Faculty of Agriculture, The University of Tokyo
Apr. 1996	Professor of Graduate School of Agricultural and Life Sciences, The University of Tokyo
Apr. 2008	Research Advisor of Kanagawa Academy of Science and Technology (currently Kanagawa Institute of Industrial Science and Technology) (current post)
Apr. 2010	Project Professor of Graduate School of Agricultural and Life Sciences, The University of Tokyo (current post)
Jun. 2010	Professor Emeritus of The University of Tokyo (current post)
Jun. 2019	Outside Director of Taiyo Kagaku Co., Ltd. (current post)
Jul. 2022	Outside Director of the Company (current post)

Ms. Keiko Abe possesses extensive experience and knowledge, and has been actively involved in the field of research on food functionality for many years.

President and Executive Officer

### Daisuke Honjo

Apr. 1987	Joined the Company
Jul. 1990	Director
May 1997	Managing Director
May 2000	Executive Managing Director
Jul. 2002	Executive Vice President and Representative Director
May 2009	President
May 2019	President and Executive Officer (current post)

Since his appointment as President, Daisuke Honjo has continued to direct the management of ITO EN by making effective use of his extensive experience and insight.

Director and Senior Managing Executive Officer

### Shigeru Kamiya

Mar. 1982	Joined the Company
Jul. 2014	Director
May 2016	Managing Director
May 2019	Director and Senior Managing Executive Officer (current post)

Shigeru Kamiya manages mainly the Sales Headquarters. So far he has driven sales proactively through channels such as convenience stores and mass retailers, and is making strong efforts to strengthen relationships with these clients.

Outside Director

### Yuichi Usui

Oct. 1976	Joined Metropolitan Police Department
Feb. 1994	Deputy Chief of the 7th Anti-riot Squad, Metropolitan Police Department
Oct. 2005	General Manager of the 2nd Personnel Section, Metropolitan Police Department
Feb. 2010	General Manager of Regional Department, Metropolitan Police Department
Apr. 2011	Joined YAMATO TRANSPORT CO., LTD. as General Manager of Human Resources and Administration
Apr. 2012	Executive Officer and General Manager of CSR Promotion Department, YAMATO TRANSPORT CO., LTD.
Apr. 2014	Managing Executive Officer of YAMATO TRANSPORT CO., LTD.
Apr. 2015	Director and Managing Executive Officer of YAMATO TRANSPORT CO., LTD.
Apr. 2018	Member of the Board, YAMATO TRANSPORT CO., LTD.
Jun. 2018	Representative of Usui Firm (current post)
Jul. 2018	Outside Director of the Company (current post)
Sep. 2022	Outside director of TAPP inc. (current post)

Yuichi Usui possesses extensive experience and broad-ranging insights gained through his many years as a police officer. He has also had direct involvement in corporate management at a logistics company, and has accumulated a diverse range of knowledge and experience.

Executive Vice President, Representative Director and Executive Officer

### Shusuke Honjo

Apr. 1994	Joined the Company
Jul. 2003	Director
May 2005	Managing Director
May 2008	Executive Managing Director
May 2010	Executive Vice President
Aug. 2014	Executive Vice President and Representative Director
May 2019	Executive Vice President, Representative Director and Executive Officer (current post)
May 2021	Chief Digital Officer (CDO) (current post)

Shusuke Honjo has continued to lead the Sales Headquarters for many years and possesses extensive experience and insights into all aspects of corporate management.

Director

### Yosuke Jay Oceanbright Honjo

Mar. 1992	Joined the Company
Jul. 2002	Director (current post)

Yosuke Jay Oceanbright Honjo manages all operations in the United States as CEO. He has made strong efforts to enable the Group to further promote its global business management, from the time of its initial expansion into the mainland of the United States, from the beginning at New York.

Outside Director

### Yutaka Tanaka

Apr. 1966	Entered the Sapporo Regional Taxation Bureau
Jul. 2003	District Director, Tokyo Ueno Tax Office
Jul. 2006	Director-General, Takamatsu National Tax Tribunal
Jul. 2007	Attached to the Commissioner's Secretariat of National Tax Agency
Aug. 2007	Head of Tanaka Tax Certified Accountant Office (current post)
Jul. 2013	Outside Audit & Supervisory Board Member of the Company
Jul. 2019	Outside Director of the Company (current post)

Yutaka Tanaka possesses expert insights, broad-ranging knowledge and experiences as a tax attorney

## Audit & Supervisory Board Members

Vice Chairman, Director and Executive Officer

### Minoru Watanabe

Jul. 1976	Joined the Company
Jul. 1996	Director
May 2001	Managing Director
May 2003	Executive Managing Director
May 2008	Executive Vice President
May 2019	Executive Vice President, Director and Executive Officer
May 2022	Vice Chairman, Director and Executive Officer (current post)

Minoru Watanabe manages mainly the Administration Headquarters and possesses extensive experience and knowledge in the areas of finance, human resources & general affairs, and overseas operations.

Director and Senior Managing Executive Officer

### Atsushi Hirata

May 1988	Joined the Company
May 2016	General Director of Administration Division (current post)
Jul. 2020	Director and Senior Managing Executive Officer (current post)

Atsushi Hirata manages mainly the Administration Headquarters and possesses extensive experience and knowledge in the areas of finance, accounting, human resources and general affairs.

Outside Director

### Hideo Takano

Apr. 1977	Joined The Tokyo Chamber of Commerce and Industry
Apr. 2006	General Manager of General Affairs Management Department, The Tokyo Chamber of Commerce and Industry
Apr. 2009	Councilor and General Manager of the Secretarial Office, The Tokyo Chamber of Commerce and Industry
Apr. 2012	Executive Councilor, The Tokyo Chamber of Commerce and Industry
Nov. 2015	Chairman of the Japanese Folk Arts and Techniques Preservation Association
Jun. 2016	Full-time Advisor of The Tokyo Chamber of Commerce and Industry
Jul. 2020	Outside Director of the Company (current post)

Hideo Takano possesses extensive experience and broad-ranging insights gained through his many years at The Tokyo Chamber of Commerce and Industry, where he was involved in the provision of management support for various enterprises.

Audit & Supervisory Board Member

### Shuji Nakagomi

Mar. 1981	Joined the Company
May 2012	Executive Officer
Jul. 2014	Director
May 2017	General Director of Logistics Headquarters
May 2018	Managing Executive Officer
May 2019	Advisor
Jul. 2019	Audit & Supervisory Board Member (current post)

Shuji Nakagomi has an in-depth knowledge of ITO EN's products, sales and logistics activities, based on his leadership of the Sales Administration – and Logistics Headquarters over many years.

Outside Audit & Supervisory Board Member

### Takashi Miyajima

Apr. 1984	Joined Saitama Bank, Ltd.
Jun. 2010	Executive Officer, Resona Bank, Ltd.
Apr. 2015	Executive Officer, Saitama Resona Bank, Ltd.
Apr. 2016	Managing Executive Officer, Saitama Resona Bank, Ltd.
Apr. 2017	Representative Director and President of Resona Capital Co., Ltd.
Jul. 2019	Outside Audit & Supervisory Board Member of the Company (current post)
Jun. 2020	Outside Director (Audit and Supervisory Committee Member) of TOTOKU ELECTRIC CO., LTD.
Jun. 2021	Outside Audit & Supervisory Board Member of MONTEROZA Co., Ltd.

Takashi Miyajima possesses broad-ranging knowledge and experience in finance and financial affairs, developed over his many years working at financial institutions.

Outside Audit & Supervisory Board Member

### Yoshiaki Takasawa

Apr. 1959	Entered the Legal Training and Research Institute of the Supreme Court of Japan
Apr. 1961	Judge of Kanazawa District Court
Apr. 1964	Judge of Amagasaki Branch, Kobe District Court
Apr. 1967	Judge of Osaka District Court
Apr. 1971	Retired as Judge, registered as Attorney and became representative of Yoshiaki Takasawa Law Firm (current post)
Jul. 1991	Outside Audit & Supervisory Board Member of the Company (current post)

Yoshiaki Takasawa possesses expert insights, broad-ranging knowledge and experiences as an attorney.

Outside Audit & Supervisory Board Member

### Hitoshi Yokokura

Apr. 1992	Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)
Mar. 1995	Registered as Certified Public Accountant
Dec. 2001	Resigned from Asahi Shinwa & Co. (currently KPMG AZSA LLC)
Jan. 2002	Established Yokokura CPA Office
Dec. 2007	Registered as Attorney (Tokyo Bar Association) Joined Bingham Sakai Mimura Aizawa (currently Anderson Mori & Tomotsune)
Apr. 2014	Partner attorney of Waseda Legal Commons, LPC (current post)
Jul. 2017	Auditor of Minor Audit Corporation
Jun. 2020	Outside Director of Credit Saison Co., Ltd. (current post)
Jul. 2021	Outside Audit & Supervisory Board Member of the Company (current post)

Hitoshi Yokokura possesses expert insight, extensive knowledge and experience as a certified public accountant and an attorney.

## Executive Officers (excluding directors with executive officer status)

Managing Executive Officers

### Hideki Yoshida

General Director of Chugoku, Shikoku and Kyushu Area Sales Headquarters

### Nozomi Kishi

General Director of National Distribution Sales Headquarters and General Manager of 2nd CVS Sales Department

### Hisashi Ishida

Deputy Director-General of Administration Headquarters

### Minoru Shirai

Deputy Director-General of Production Headquarters

### Takahiro Sasaki

General Director of Chubu Area Sales Headquarters

Executive Officers

### Hitoshi Suzuki

General Director of Logistics Headquarters

### Hiroyasu Ando

General Director of Hokkaido and Tohoku Area Sales Headquarters

### Iwao Sakane

Senior Fellow of Central Research Institute

### Masato Kawamoto

General Manager of Internal Auditing Department

### Shinji Karasawa

General Director of Specialized Sales Headquarters

### Naohiro Nakanishi

General Director of Wide Area Corporate Sales Headquarters

### Tamotsu Kunieda

General Director of Kansai Area Sales Headquarters

### Ryo Yamamoto

General Director of Southern Kanto Area Sales Headquarters

### Mitsumasa Shida

General Director of Marketing Headquarters

### Kazuhiro Nakajima

General Director of International Business Headquarters and General Manager of International Business Development Department

### Satoshi Matsunaga

General Manager of Secretarial Department and Vehicles Operation Department

### Toshiyuki Okano

General Manager of Administration Department, Production Headquarters

# Business Overview at a Glance (Fiscal year ended April 30, 2022)

## Business Overview of the ITO EN Group



### Tea Leaves and Beverages Business

**364.1 billion yen**

### Restaurant Business

**30.0 billion yen**  
 •Tully's Coffee Japan Co., Ltd. **760 shops**

### Others

**6.6 billion yen**

## ITO EN (Non-consolidated)

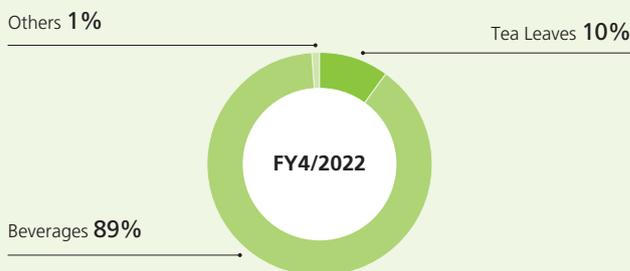
### Results

Fiscal year ended April 30, 2022

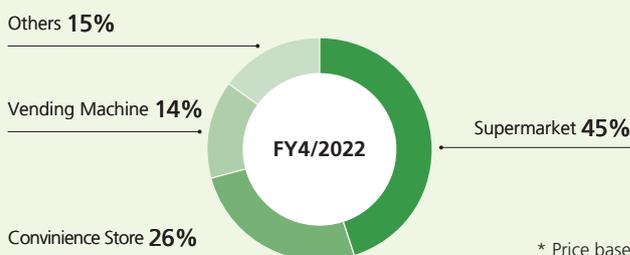
	Results (billion yen)	YoY %Change
<b>Net Sales</b>	358.4	+2%
<b>Tea Leaves</b>	36.8	+1%
<b>Beverages</b>	318.3	+1%
<b>Others</b>	3.2	+29%

\* Previous standard

### Sales composition

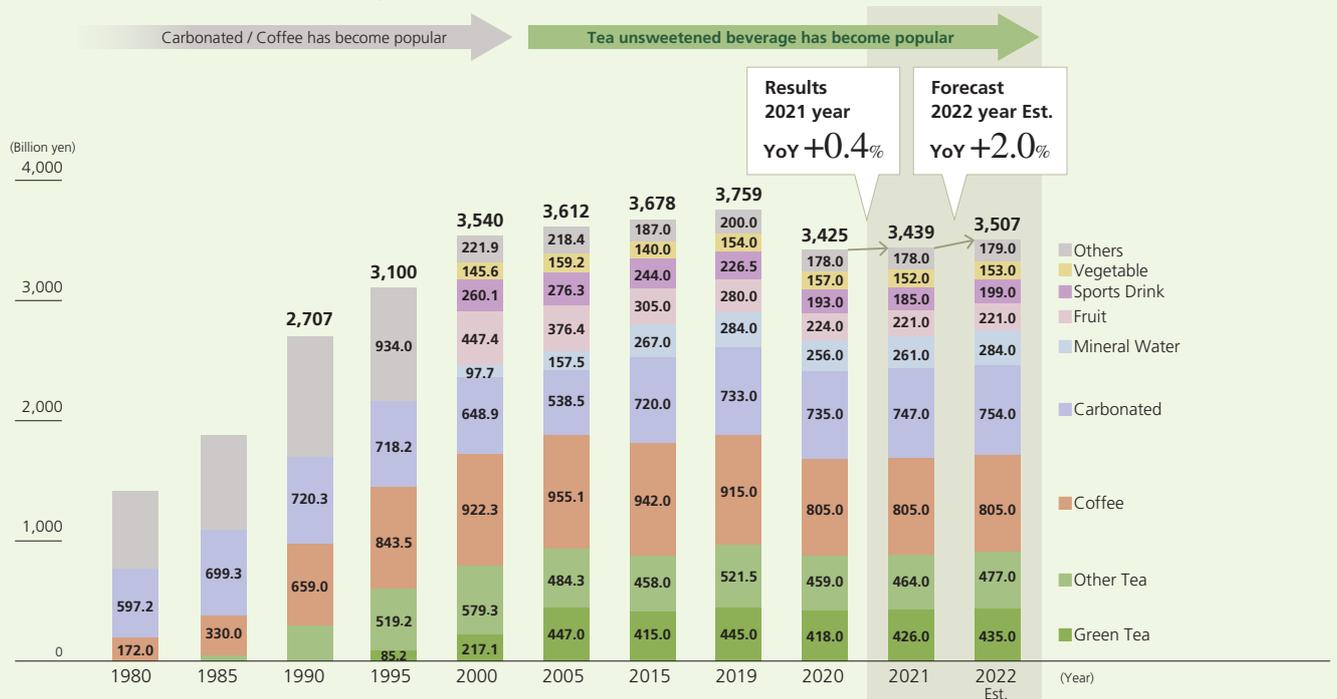


### Sales composition by channels (Non-consolidated)

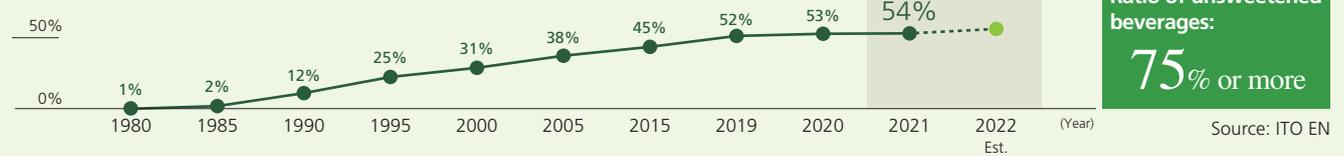


\* Price base

## Japanese Domestic Beverage Market Trends



### Trends in unsweetened beverages market

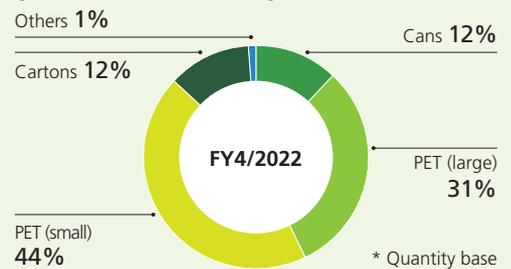


## ITO EN (Non-consolidated) Results & Forecasts by Category

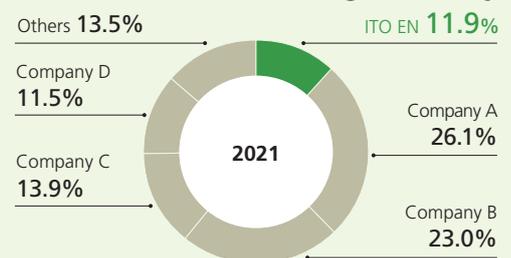
	Fiscal year ended April 30, 2022		
	Results (ten thousand cases)	Sales Composition	YoY %Change
<b>Beverages</b>	21,525	100%	0%
<b>Tea total</b>	14,928	69%	0%
Japanese Tea	13,589	63%	+3%
Chinese Tea	868	4%	-26%
Other Tea	470	2%	-7%
<b>Vegetable</b>	2,937	14%	-10%
<b>Coffee</b>	1,664	8%	+11%
<b>Mineral Water</b>	664	3%	+1%
<b>Carbonated</b>	401	2%	+6%
<b>Others</b>	928	4%	+8%

\* Percentages are rounded to the first decimal place, so the total may not necessarily equal 100.

## Sales Composition by Packaging (Non-consolidated)



## Market Share of Beverage Industry



Source: ITO EN / Quantity base

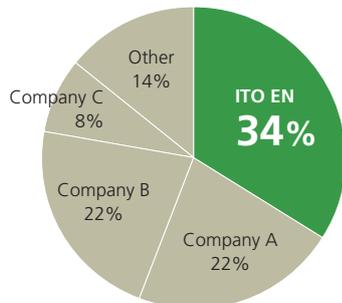
# Oi Ocha

## Market Overview

In 2021 the size of Japan’s domestic green tea beverage market was 426 billion yen, up 2% year-on-year. ITO EN’s share of sales amount increased 1% year-on-year to 34%. In 2022, we expect to further increase our market share to 35%. With our No.1 green tea beverage brand\* *Oi Ocha* we have achieved absolute deliciousness through our raw ingredient procurement and manufacturing technology capabilities. In the future, we will expand our lineup of green tea products that contribute to health and provide further value to our customers by addressing issues to create a more sustainable society.

\* INTAGE SRI+ unsweetened tea beverage market data: *Oi Ocha* brand sales amount (Period: January–December 2021)

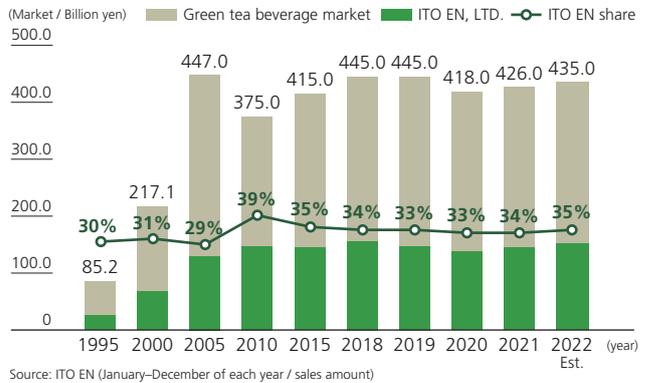
### Share in the value of green tea beverages sold



Source: ITO EN (January–December 2021)



### Progress in the green tea beverage market



### Oi Ocha is the No. 1 tea brand in Japan and in the world



Guinness World Records™ is a registered trademark of Guinness World Records Limited.  
 Official name of record: Largest NH RTD green tea brand (retail RSP, current)  
 Record-setting brand: *Oi Ocha* brand (excluding *Oi Ocha Hojicha* beverage products)  
 Target period: January–December 2021

## Achievements and Challenges

We have been working together with tea farmers on the Tea-Producing Region Development Project since 1976. In order to deliver authentic deliciousness direct from tea farms, we are working to improve the quality of the *Oi Ocha* brand every year. In 2022, we focused on deliciousness from the moment the cap is opened, emphasizing “freshness” from the raw tea leaves to the bottle, and developing an ingredient called New Freshness Tea Leaves 2022 that helps to further enhance freshness. 2022 quality *Oi Ocha* Green Tea—created from our unique manufacturing technology expertise, starting from these raw ingredients—is characterized by its freshly brewed aroma and taste, as well as the improved refreshing sensation as it goes down one’s throat.

*Oi Ocha Koicha* (Bold Green Tea) also continues to perform well. After its relaunch as a Food with Functional Claims\*<sup>1</sup>, it has exceeded the previous year’s results for 36 consecutive months (as of the end of August 2022) in response to growing customer health needs. In FY4/2022, annual sales of *Oi Ocha Koicha* exceeded 30 million cases, making it the No.1\*<sup>2</sup> in terms of sales volume of Foods with Functional Claims (beverages category).

In response to the recent growing need for small-volume green tea beverages in business situations and when going out, we have launched a 195 mL-sized PET bottle of *Oi Ocha* Green Tea. In both beverages and tea leaves, our product lineup is also characterized by a wide variety of products that match various situations and needs. These efforts have led to an increase in our share of the green tea beverage market.

At the same time, in order to solidify the position of *Oi Ocha* as the overwhelming No.1 brand, the challenge is to further enhance our brand value in Japan, centered on *Oi Ocha* Green Tea, and to establish *Oi Ocha* as a global brand overseas. In addition, we have set the goal of increasing the percentage use of recycled materials (including biologically derived materials) in *Oi Ocha* PET bottles to 100% by FY2025. The actual usage rate as of FY2021 was 22%. Material and environmental costs also pose challenges, but we will collaborate with various partner companies and organizations to address them further.

\*1 Gallate catechins are reported to have a function of reducing the body fat of people with high BMI.  
 \*2 INTAGE SRI+ Foods with Functional Claims Market data: cumulative sales volume in 2021



## Future Strategies

### Enhancing the quality of *Oi Ocha* and further improving product and brand value

Even if a product is well known, it will not be chosen and consumed continuously by customers unless it is delicious. Through the Tea-Producing Region Development Project, and with our production and processing technologies for crude tea, we will develop specialized raw ingredients optimized for a wide variety of products and seek to evolve manufacturing methods and materials that meet the lifestyle situations and needs of our customers. We will also make environmental considerations such as in weight reduction of containers and packaging, “bottle-to-bottle,” and technological development with a view to organic farming. As a leading tea company, we will continue to improve the brand value of *Oi Ocha* and lead the green tea beverage market.



**Tetsuya Yasuda,**  
Brand Manager,  
Marketing Headquarters

### Developing green tea products that contribute to health

Green tea has long been said to be good for health. The Central Research Institute is collaborating with external research institutions to further unravel the health effects of constituent ingredients in tea—such as catechins and theanine.

In addition to communicating these research results to the public, we will link them on to commercialization of tea products as Foods for FOSHU and Foods with Functional Claims. Raising awareness of the health benefits of catechins and theanine will lead to the revitalization of the Japanese tea market, and enable us to contribute to the healthy and prosperous lives of our customers by providing products that contribute to health.

### Communication through tea

In addition to disseminating tea culture through ITO EN Tea Taster activities, ITO EN is also engaged in activities to support various other aspects of traditional Japanese culture including haiku, shogi, kabuki, and sumo. Going forward, in order to achieve two-way communication with customers, we will strengthen efforts to communicate information via social media and other digital media.

As the top tea company in Japan, we will continue to strengthen the domestic base of the *Oi Ocha* brand and develop it into a Global Brand—as set forth in the key strategies of the medium- to long-term management plan—through initiatives that help to improve the value of tea under the themes of “Healthy,” “Fun / Enjoyable” “Environment,” and “Traditional Culture,” with a primary focus on “Deliciousness.”



# Tea Leaves and Matcha Products



## Market Overview

In 2021, the Japanese green tea leaf market (household packaged tea) decreased by around 4% year on year, partly due to a reaction to the home-use demand in the previous year. At the same time, ITO EN's share of the market increased by 1 percentage point from the previous year to 26%, with sales of tea bags and other easy and convenient products growing by around 3%. Going forward, we will continue to lead the green tea market as "tea company ITO EN" by utilizing

our unique characteristics such as sales of Foods with Functional Claims that contribute to healthy living, and linked sales of green tea leaves and beverages.



Source: ITO EN (May 2021–April 2022 / sales amount)

## Achievements and Challenges

The *Ichiban-zumi-no* (first picking tea) *Oi Ocha* series of Foods with Functional Claims—Japan's first\*<sup>1</sup> green tea leaves with gallate-type catechins derived from green tea, which are claimed to reduce body fat in those with higher BMI (released in March 2021)—has been recognized for its health value, and performed well. In September 2022 we launched *Ichiban-zumi-no Oi Ocha* with *Gyokuro*, the first food product in Japan to have double functional claims,\*<sup>2</sup> with two functional ingredients—gallate-type catechins (reduces body fat in those with higher BMI) and theanine (supports cognitive function\*<sup>3</sup>).

In terms of environmental measures, in September 2022 we expanded our lineup of environmentally friendly tea bags using plant-derived biodegradable filters, with the launch of *Oi Ocha Hojicha* (Roasted Green Tea) and *Oi Ocha Genmaicha* (Roasted Rice Tea).

By linking sales of tea leaf and beverage products, we have proposed a diverse product lineup that can be used in all manner of everyday situations, from high-quality teas to



everyday teas, easy and convenient products, and products for use in personal reusable bottles. We are also working to revitalize the market by leveraging our diverse sales channels.

One challenge going forward will be to further revitalize the stagnant Japanese tea leaf market, and to further expand our market share in Japan and build a solid brand image based on stronger overseas expansion in the future.

\*1 Japan' first Food with Functional Claims that reduces body fat using gallate-type catechins as functional ingredients in the green-tea tea leaves category (Source: survey by ITO EN in 2020)

\*2 Theanine temporarily supports working memory, a part of cognitive function

\*3 Japan' first Food with Functional Claims in the green tea leaf product category (Source: survey by ITO EN, as of August 2022)

## Future Strategies



**Tatsuya Yoshida,**  
Brand Manager,  
Marketing Headquarters

### Proposing value for all generations through diverse product lineups and sales categories

Our key strengths lie in our crude tea procurement capabilities through the Tea-Producing Region Development Project and our raw ingredient processing technologies for all kinds of products at our own factories. Going forward, we will continue to take advantage of these strengths to further improve quality.

We will also expand our lineup of Foods with Functional Claims, offering products that contribute to health, and continue to develop environmentally friendly tea bag products utilizing 100%-biodegradable filters.

### Strengthening sales of matcha

Matcha is highly regarded around the world for its delicious taste and health benefits. We sell the *Oi Ocha Omatcha* series (beverages and powders), which are Foods with Functional Claims containing theanine and tea catechins, which have been reported to improve the accuracy of cognitive functions (attentiveness and judgment). Going forward, we will continue to announce the results of health-related research and work together with local governments to further communicate information on the functional benefits of matcha.

We will also engage in research and development of matcha raw ingredients and matcha products for commercial use and overseas markets, aiming to increase our presence and market share as the "tea company ITO EN" in the matcha market.

# Barley Tea Products

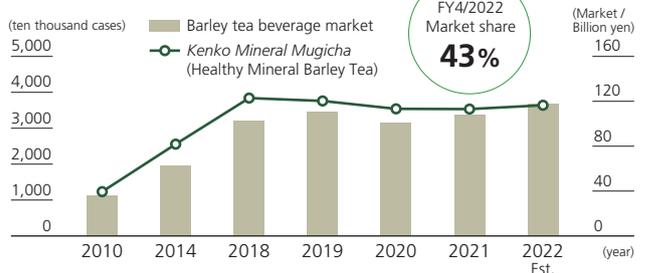


## Market Overview

In 2021 the size of the barley tea beverage market was 108 billion yen. Barley tea is recognized as a caffeine-free beverage that can be consumed by men and women of all ages, and the market is expected to grow in 2022 as consumer health consciousness continues to increase. In particular, *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) maintains the top share in the barley tea beverage market, with a share of 43% in 2021.

Going forward, we will continue to lead the market by promoting the health benefits of barley tea and proposing new drinking scenarios, driving linked sales in conjunction with barley tea leaf products (tea bags and instant tea) and sales of sub-brand products.

### Barley tea beverage market



Source: ITO EN (Market: January–December / sales amount; ITO EN: May–April / sales volume)

## Achievements and Challenges

In FY4/2022, proprietary roasting technology at the Group's barley roasting plant was used to further improve the quality of taste of *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) to be even sweeter and more fragrant, with a sharper aftertaste.

In FY4/2022, a total of approximately 35 million cases of *Kenko Mineral Mugicha* were sold—as an all-season beverage that can be used to rehydrate and replenish minerals,\*<sup>1</sup> which is suitable not only for combating the heat during the summer, but also as a unsweetened sports drink after exercise, and during the dry winter season. In April 2022, we created a new drink category by launching *Kenko Mineral Mugicha* Oat Blend, which has a gentle aroma and sweetness.

Quality control standards for *Kenko Mineral Mugicha* and *Kaori Kaoru Mugicha* tea bag products are as strict as those for food products certified for infants.\*<sup>2</sup> In recognition of its status as a safe, secure, caffeine-free product, *Kenko Mineral Mugicha* was awarded first place in the barley tea category at Benesse Corporation's *Tamahiyo*\*<sup>3</sup> Baby Products Awards 2022. It was highly rated as a product worth buying or drinking during pregnancy.

At the same time, the challenge is to further expand our

sales volume and market share amid the intensification of competition in the barley tea beverage market. In order to do so, it is necessary not only to bolster sales but also to further propose the value of our barley tea products, as a beverage that supports healthy living.

\*1 The minerals contained in *Kenko Mineral Mugicha* are essential nutrients such as phosphorous, manganese and sodium.

\*2 Food products certified for infants: Under the new criteria of the Ministry of Health, Labour and Welfare concerning radioactive materials in food, standards for products consumed by infants are stricter than the standards for ordinary food products.

\*3 *Tamahiyo*: an abbreviation for Benesse Corporation's women's magazines *Tamago Club* and *Hiyoko Club*.



## Future Strategies

### Further improving quality and responding to diversifying customer needs

Making full use of our unique roasting technology, we aim to improve brand value and increase sales volume by further enhancing the aroma, flavor, and delicious taste of *Kenko Mineral Mugicha*.

We will also respond to the diverse lifestyle needs of our customers by expanding our new drinking customer base to other demographics including women, and linking sales of beverages and tea bag products as only ITO EN can do.

Going forward, we will continue to provide value through our products while maintaining a close understanding of the needs of our customers, in order to firmly establish ITO EN's barley tea product range as a national beverage that supports healthy living.



**Osamu Aizawa,**  
Brand Manager,  
Marketing Headquarters

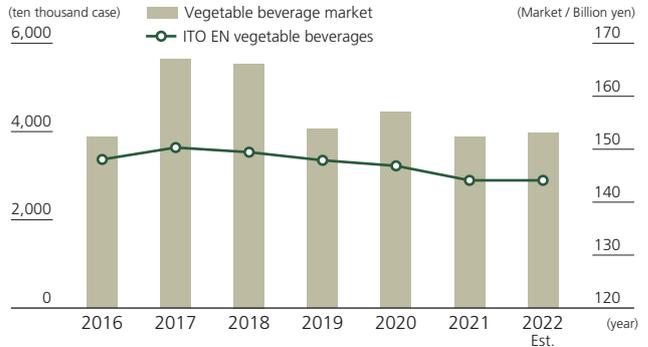
# Vegetable and Aojiru (Barley Grass Green Juice) Products



## Market Overview

The scale of the vegetable beverage market (which includes 100% vegetable juices, mixed vegetable and fruit juices, Aojiru and other beverages) has been fairly constant at around 150 billion yen in recent years. In the 1980s and 1990s, when tomato-based vegetable beverages were the mainstream product in the industry, ITO EN developed carrot-based mixed vegetable juice beverages—creating a market for vegetable beverages (carrot beverages). *Ichinichibun no Yasai* (A Day's Worth of Vegetables) is currently the top-selling 100% vegetable beverage brand\*1 in the 100% vegetable beverage market. In the Aojiru market (beverages and powders), sales of our Aojiru unsweetened beverage products have grown fivefold\*2 over the past five years. We are leading this market through the sale of delicious and easy-to-drink Aojiru beverages. Going forward, we will continue to tackle the challenges of grasping the contemporary needs of customers and proposing new value as early as possible.

### Vegetable beverage market



Source: ITO EN (Market: January–December / sales amount; ITO EN: May–April / sales volume)

\*1 INTAGE SRI + vegetable 100% market data: cumulative sales for January–December 2021 at supermarkets, convenience stores, drugstores, DIY stores / excluding *Ichinichibun no Yasai Vitamin 12-shu*

\*2 Source: ITO EN (comparison between 2021 and 2017 / sales amount)

## Achievements and Challenges

In FY4/2022 we enhanced our product lineup, including Foods with Functional Claims regarding health benefits, products with environmentally friendly containers and packaging, and products that meet diversifying customer tastes and drinking scenarios.

- Foods with Functional Claims  
We launched the *Jujitsu Yasai* (vegetable and fruit mix juice) series of foods with functional claims, which compensates for a lack of vegetables and allows easy and casual consumption of nutrients that tend to be deficient in daily life.
- Environmentally friendly containers and packaging  
We have adopted the industry's first brick-shaped aluminum-free paper pack-type drink container (ECO container), which can be stored for extended periods at room temperature and recycled in the same way as milk cartons, and ECO bottles, including recycled PET

(bottle-to-bottle) and bottles in which in over 25% of petroleum-derived PET plastic have been replaced with plant-based PET.

- Responding to diversifying needs  
We released three capped personal container varieties of *Ichinichibun no Yasai* (March 2022).

At the same time, the challenge is to expand our sales volume and share of the currently stagnated vegetable beverage market by providing new value, revitalizing the market, and bolstering our sales of chilled products.



Symbol displayed on recyclable aluminum-free ECO containers



## Future Strategies



**Tetsuo Yamaguchi,**  
Brand Manager,  
Marketing Headquarters

### Strengthening chilled products and increasing market share in the vegetable beverage market

Looking ahead, we will continue to expand our lineup of paper container products including Foods with Functional Claims, roll out more capped personal containers, implement various environmental measures (biodegradable straws, aluminum-free carton beverage containers), and continue the improvement and expansion of our chilled sales system, which is an issue to be addressed going forward.

### Farming of vegetable beverage ingredients under contract

In addition to tea, we will utilize our strengths contract farming to improve product quality and develop new products—including ingredients such as ITO EN's exclusive *Shui* carrots (which contain around 1.5 times more β-carotene and 2.5 times more GABA than typical carrot varieties) and young barley leaves.

## Communication

In FY2022 we launched an in-house qualification system called the Vegetable and Fruit Meister System. Employees—including those qualified under this system—will learn to improve their knowledge of nutrition and the superiority of ITO EN products, improve their business negotiation and information dissemination skills, and communicate them with customers.

Going forward, we will continue to utilize the power of vegetables harvested from the farms and the healthy ingredients derived from these vegetables to develop products and provide value that meet the needs of delicious taste and health benefits.

### TOPICS JA ZEN-NOH × ITO EN *Nippon Yell* Project

One of ITO EN's material issues is contributing to sustainable domestic agriculture.

As part of these efforts, since FY2021, we have been participating in the *Nippon Yell* Project, which is operated by the National Federation of Agricultural Cooperative Associations (ZEN-NOH), which supports agricultural production areas throughout Japan through the development and sale of products. As of August 2022, we have launched products using hyuganatsu citrus from Miyazaki prefecture, ripe kabosu citrus from Oita prefecture, apples from Nagano prefecture, ripe shekwasha (flat lemon) from Okinawa prefecture, and kiwifruit from Ehime prefecture.

ZEN-NOH and ITO EN will continue working together on product development to build a value chain that starts with producers.



This project was started from the concept of developing products that provide support to resolve problems faced by producers. This has led to the expansion of awareness of domestic agricultural products in Japan, and we have received offers from various prefectures asking to participate in the initiative.

**Shinya Yamada.**

JA ZEN-NOH Business Development Department



As a company involved in agriculture, through this project, we will continue working to become a bridge between producers and consumers.

**Shintaro Motobe.**

ITO EN 1st Mass Retailer Sales Department

## Carbonated Beverage Products



### Carbonated Beverages as a Response to Rising Health Consciousness

In 2021, the scale of the carbonated beverage market was 747 billion yen—second only to coffee beverages in the domestic beverage market. ITO EN is taking on the challenges of developing products with distinctive health benefits to increase its presence in the carbonated beverage market.

In this market, the carbonated water category in particular has grown more than fourfold over the past 10 years, reaching a scale of approximately 130 billion yen. One of our representative products in this category is *Mineral STRONG*—a strong carbonated water containing silica derived from natural water. The healthy energy drink *Vitamin Power GO!*—offering replenishment of vitamins with zero caffeine—has also become popular, as a standard item in vending machines.

Going forward, we will continue to propose healthy and delicious carbonated beverage products as we work to build our unique position in the carbonated beverage market.



**Motoko Kobayashi,**  
Brand Manager,  
Marketing Headquarters

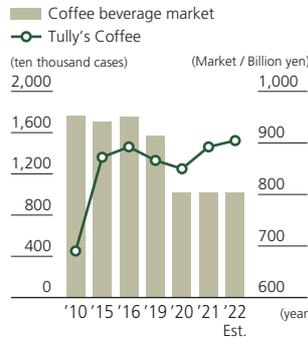
# TULLY'S COFFEE Products



## Market Overview

In 2021 the size of the coffee beverage market was 800 billion yen. Sales volume of TULLY'S COFFEE brand beverages increased by around 17% in comparison with the previous year. The household coffee market (regular coffee, simple drip, and instant coffee) is also growing—primarily in the simple drip bag category—as customers' lifestyles continue to change as a result of the COVID-19 pandemic. In addition to beverages, we are strengthening the TULLY'S brand by leveraging our strengths in linked sales with beverages, by expanding our lineup of simple drip coffee and regular coffee under the TULLY'S COFFEE brand.

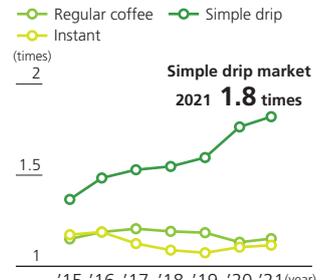
### Coffee beverage market



Source: ITO EN (Market: January–December / sales amount; ITO EN: May–April / sales volume)

### Household coffee market growth rate

(A growth rate represents the rate of growth from the 2010 level)



Source: ITO EN (Market: January–December / sales amount)

## Achievements and Challenges

Our TULLY'S COFFEE brand products are specialty coffees made using carefully selected high-quality Arabica coffee beans, roasted in Japan. They have been well received by customers seeking authentic coffee flavor. In FY4/2022, sales of 390 mL of TULLY'S COFFEE BARISTA'S BLACK—our mainstay coffee beverage—grew by 10%\* year on year, while sales of 370 mL of TULLY'S COFFEE BARISTA'S SUGAR-FREE LATTE grew by 70%\* year on year.

In March 2022, we launched *TULLY'S COFFEE MATCHA LATTE*, made using our unique ITO EN matcha with a particular focus on the freshness of matcha raw ingredients, allowing

customers to enjoy the rich taste of matcha. In January 2022, we launched *TULLY'S COFFEE HOJICHA LATTE*, made using carefully selected hojicha, also contributing to the growth of the TULLY'S brand.

At the same time, competition in the coffee beverage and coffee product market is intensifying, and the challenge for the future is to improve product power through the further pursuit of shop quality. Another challenge is to expand brand categories other than coffee and enhance communication with customers.

\* Source: ITO EN (May 2021–April 2022 / sales volume)

## Future Strategies



**Shuji Uchiyama,**  
Deputy Director-General of Marketing Headquarters and Brand Manager



TULLY'S Online Cafe

### Improving product power

We will strengthen our efforts aimed at improving shop quality in beverages, simple drip bags, and regular coffee products—such as the establishment of the Fresh 3 manufacturing method (freshly roasted, freshly ground, and freshly brewed) to protect the deliciousness of our coffee.

### Expanding brand categories

In addition to the sale of Japanese tea latte, in August 2022 we launched TULLY'S &TEA, a tea beverage brand that enables customers to enjoy the delicious taste of our tea concept shop TULLY'S COFFEE &TEA.

### Communication

We have launched a community site named TULLY'S Online Cafe in which we connect interactively with fans of our TULLY'S COFFEE brand products. (The site had 29,320 participants as of August 2022.) Through the combination of two-way interaction with customers via this online cafe and face-to-face contact at coffee seminars at Tully's Coffee Japan shops, we aim to improve understanding of the TULLY'S COFFEE brand and expand its fan base.

## TOPICS ITO EN × Tully's Coffee Japan × DLTC Group Synergies

ITO EN sells beverages, simple drip and regular coffee products created through joint development with Tully's Coffee Japan Co., Ltd.—an ITO EN group company. Distant Lands Trading Co. (DLTC), an ITO EN Group company based in the USA, engages in all coffee business processes from farming to sales. ITO EN is pursuing group synergies with DLTC by purchasing a portion of the coffee beans produced by DLTC as raw ingredients for use in its bottle-type canned coffee. DLTC is promoting sustainable production with care and consideration for environmental, social and economic aspects, such as by obtaining Rainforest Alliance certification for a portion of its proprietary farms and mills.

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

Tully's Coffee, which originated in Seattle, USA, opened its first shop in Ginza, Tokyo, in 1997 as Tully's Coffee Japan, and that shop celebrated its 25th anniversary in 2022. As of April 2022 there are 760 shops, and sales have grown to 30 billion yen in the fiscal year ended April 30, 2022. Tully's Coffee will remain close to customers' daily lives, as a cafe brand loved by cities and people.

#### Net sales and number of shops



\* Revenue recognition standard is applied from the fiscal year ended April 30, 2022.

## TOPICS Initiatives to address environmental and social issues

As of May 2022, Tully's Coffee Japan shops nationwide began serving drinks in hot/cold joint-use paper cups. Some cold drinks served in paper cups are also served using straw-free lids (i.e., lids not requiring a straw). As a result, the amount of plastic used by Tully's Coffee Japan shops is expected to be reduced by more than 100 tons per year. Some shops have also begun to introduce silver skin paper straws developed using a composition containing silver skin\*—the skin of coffee beans. These paper straws were upcycled and developed based on a patented technology developed through ITO EN's Used Tea Leaves Recycling System.

We will also continue to contribute to the resolution of environmental and social issues through community-based activities such as coffee schools and limited-area promotions.

\* Silver skin: the thin skin removed during the process of roasting raw coffee beans.



### Chichiyasu Company

Founded in Hiroshima Prefecture in 1886, Chichiyasu Company launched yogurt products for the first time in Japan in 1917. The Company became a member of the ITO EN Group in 2011, posting sales of 11.8 billion yen in the fiscal year ended April 30, 2022. Chichiyasu will continue to deliver smiles to customers through products and initiatives centered on the keywords safe, secure, delicious, and healthy.



CHICHI YASU LECT shop (Hiroshima-shi, Hiroshima)

## TOPICS Initiatives to reduce plastic usage

In 2017, the CHICHI YASU LECT shop was opened in a commercial facility in Hiroshima-shi to commemorate the 100th anniversary of the initial release of yogurt products in Japan. As of September 2022, the shop has replaced cups used to serve soft-serve ice cream with paper, and plastic spoons with wooden alternatives. This initiative is expected to reduce the amount of plastic used at the shop by approximately 63%. Looking ahead, we will seek to drive the further evolution of our sustainability activities, such as by replacing drink cups with paper containers, to achieve sustainable growth together with society.

# Stakeholder Engagement

## Dialogue with Shareholders and Investors

ITO EN has established an Investor Relations Section of the Public Relations Department, under the jurisdiction of the Administration Headquarters, to promote proactive and agile IR activities. We hold regular financial results briefings and individual interviews, with top-level management taking the lead in conducting continuous dialogues with shareholders, investors, and analysts, both in Japan and overseas. Opinions received from investors and shareholders through dialogues are shared at Board of Directors meetings and actively utilized in corporate management.

In order to provide timely and appropriate information, we promptly post summaries of financial results and financial results presentation materials (IR materials) on our website after the announcement of financial results, to create an environment that enables all customers to view them. In consideration of foreign investors, we also post disclosed materials in English on our global website. We strive to actively provide and disclose information and tools that are judged to be effective in understanding the ITO EN Group, with the aims of being appropriately evaluated by society and increasing corporate value in the medium- to long-term.

### ESG Assessment (as of July 2022)

ITO EN is included as a constituent in several of the ESG investment indexes adopted by Government Pension Investment Fund (GPIF), one of the largest pension fund management funds in the world. We have also been continuously selected as a constituent of the FTSE4Good Index Series, one of the world's leading ESG indexes. In February 2022, ITO EN was selected for the first time as a Supplier Engagement Leader (the highest possible rating) in the Supplier Engagement Rating program of CDP—an international, environmental NPO.



2022 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX



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## Stakeholder Dialogues

ITO EN emphasizes the importance of dialogues, not only with shareholders and investors, but also with various other stakeholders. Through stakeholder dialogues with experts and representatives of consumer groups, and community-based activities centered on our business locations throughout Japan, we receive a wide range of opinions and reflect them in our management activities. We also participate actively in the activities of external organizations.

### The Washoku Association of Japan (Washoku Japan)

ITO EN has participated in Washoku Japan since its initial establishment in 2015, and is working to popularize and enlighten people about washoku (traditional dietary cultures of the Japanese) through tea culture. Washoku Japan members conduct visiting classes on Japanese food as a form of food education activity, aimed at the children who will lead the next generation. Efforts to scientifically determine the compatibility of the “umami” taste of green tea with a variety of washoku dishes and systematization of findings is enabling us to appeal to consumers both in Japan and overseas about the high compatibility of green tea with traditional Japanese cuisine, and to make new proposals for ways of enjoying green tea.



Visiting classes



### Agriculture-Welfare Collaboration Support Consortium\*1

ITO EN participates in the Agriculture-Welfare Collaboration Support Consortium, a public-private partnership that widely develops and supports Agriculture-Welfare Collaboration initiatives to achieve social engagement with confidence and purpose for people with disabilities, etc.—through working in agriculture, forestry, fishing, and other fields. As a company deeply involved in agriculture, we are also contributing to the realization of a sustainable and inclusive society by selling tea leaf products made from green tea raw ingredients that have obtained Noufuku JAS\*2 Japanese agricultural standard certification.



\*1 An initiative to support Agriculture-Welfare Collaboration as a national movement together with various stakeholders including the national government, local governments, related organizations, the business community, consumers, and academic researchers. As of August 2022, a total of 259 companies and other organizations have endorsed the movement. ITO EN has been a supporting member since November 2020.

\*2 The system and authentication of Japanese Agricultural Standards (JAS) began in 2019. It establishes standards for production methods and labels for agricultural, forestry, and fishery products and processed food products made with ingredients from these industries engaged in mainly by people with disabilities.

# Topics

## ITO EN *Oi Ocha* Shinhaiku Contest

ITO EN *Oi Ocha* Shinhaiku Contest is one of the largest haiku contests in Japan, launched with the launch of *Oi Ocha* in 1989. The shinhaiku concept allows poets to freely express their thoughts and feelings in a traditional 5-7-5 rhythm, without being constrained by the conventional rules of haiku—such as the use of seasonal words and fixed forms—or having to concern themselves with extra or insufficient numbers of syllables. A total of 2,000 haiku entries—including the winner of the Minister of Education, Culture, Sports, Science and Technology Award—selected by a panel of judges from a wide range of genres, including haiku poets, are displayed on the package of *Oi Ocha*. In addition to the Japanese language division, we have established an English Haiku division and a Shinhaiku Photo division, where entries can be made via Twitter, helping to expand the world view of shinhaiku by the expression of daily life through both haiku poetry and visuals.

Around 90% of applications are from the educational field. Through shinhaiku we are contributing to the passing

on of Japanese culture and educational opportunities while maintaining a close understanding of daily life through the power of words, and tea.

### The 33rd ITO EN *Oi Ocha* Shinhaiku Contest

Number of entries

1,946,459

Total cumulative number of entries: over 41 million

*Oi Ocha* bottle displaying the Minister of Education, Culture, Sports, Science and Technology's Award entry



## Used Tea Leaves Recycling System

The production process for tea beverage products such as *Oi Ocha* produces more than 50,000 tons of used tea leaves per year. We reuse used tea leaves as fertilizer and livestock feed without disposing of them. In addition, in 2001, we established the Used Tea Leaves Recycling System: a set of unique technologies that enable used tea leaves containing moisture to be stored and transported at room temperature and formulated into products. In cooperation with external stakeholders in various industries, we have so far upcycled

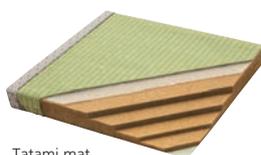
used tea leaves to around 100 types of products, including tatami mats and mask cases, taking advantage of the deodorizing and antibacterial effects of used tea leaves.

In 2018, we also established the Barley Tea Used Tea Leaves Recycling System: a set of unique technologies for upcycling used barley tea produced in the manufacturing process for *Kenko Mineral Mugicha* into industrial products.



### Examples of products recycled from used tea leaves

#### Building material products formulated from used tea leaves



Tatami mat



Drywall board

#### Paper products formulated from used tea leaves



Mask case



Cardboard

#### Plastic products formulated from used tea leaves



Bench



Pillow filling (beads)

#### Other products formulated from used tea leaves



Lightweight panels formulated from used tea leaves used in the frame of ITO EN sales vehicles



Antibacterial stickers

#### Products formulated from used barley tea leaves



Cushioning material

### Proprietary ITO EN technologies that enable the recycling of used tea leaves

- Technologies that enable used tea leaves containing moisture to be stored and transported at room temperature
- Technologies for fixing the CO<sub>2</sub> absorbed by used tea leaves in products
- Product development utilizing the functional properties of tea (e.g., deodorizing and antibacterial effects)
- Use as alternative raw materials to limited resources such as paper and plastics

# Key Financial Indicators (consolidated)

For more details regarding finances, please refer to the following link.  
<https://www.itoen-global.com/ir/>

	(units)	FY4/2018	FY4/2019	FY4/2020	FY4/2021	FY4/2022	
						Previous standard*	New standard
<b>P/L</b>							
Net sales	(million yen)	494,793	504,153	483,360	446,281	461,316	400,769
Year-on-year comparison	(%)	4.0	1.9	(4.1)	(7.7)	3.4	—
<b>Details of main sales</b>							
ITO EN, LTD.	(million yen)	383,212	394,495	377,787	352,732	358,435	300,319
Total of overseas businesses	(million yen)	40,362	38,168	36,282	35,355	41,927	41,927
Cost rate	(%)	52.7	52.3	51.8	51.8	52.3	60.2
Selling, general and administrative expenses	(million yen)	211,939	217,555	212,814	198,327	201,532	140,787
Sales ratio	(%)	42.8	43.2	44.0	44.4	43.7	35.1
Operating income	(million yen)	22,043	22,819	19,940	16,675	18,672	18,794
Profit ratio	(%)	4.5	4.5	4.1	3.7	4.0	4.7
<b>Details of main profits</b>							
ITO EN, LTD.	(million yen)	15,394	15,851	16,626	15,759	15,685	15,685
Total of overseas businesses	(million yen)	2,619	2,738	1,617	1,864	1,472	1,472
Ordinary income	(million yen)	21,441	23,211	19,432	17,029	19,849	19,971
Profit ratio	(%)	4.3	4.6	4.0	3.8	4.3	5.0
Extraordinary income	(million yen)	75	726	645	1,334	2,648	2,648
Extraordinary losses	(million yen)	526	1,451	5,709	4,969	2,276	2,276
Profit attributable to owners of parent	(million yen)	12,553	14,462	7,793	7,011	12,848	12,928
Profit ratio	(%)	2.5	2.9	1.6	1.6	2.8	3.2
<b>B/S</b>							
Total assets	(million yen)	301,167	303,981	290,651	333,065	—	328,359
Current assets	(million yen)	170,838	177,449	173,966	223,880	—	223,278
Cash and deposits	(million yen)	61,664	63,738	64,813	109,430	—	96,571
Non-current assets	(million yen)	130,329	126,532	116,685	109,184	—	105,081
Property, plant and equipment (Tangible assets)	(million yen)	84,822	84,186	82,986	78,099	—	74,490
Intangible assets	(million yen)	21,588	18,956	11,570	8,335	—	8,249
Total liabilities	(million yen)	157,416	153,058	140,956	180,007	—	165,346
Net assets	(million yen)	143,750	150,923	149,695	153,057	—	163,012
Current ratio	(%)	225.2	232.0	244.8	239.3	—	290.7
Equity ratio	(%)	47.3	49.2	51.0	45.6	—	49.2
Liability ratio	(%)	110.4	102.3	95.0	118.6	—	102.3
<b>Statement of cash flows</b>							
Cash flows from operating activities	(million yen)	25,322	26,128	24,719	25,351	—	22,226
Cash flows from investing activities	(million yen)	(11,359)	(10,635)	(9,217)	(7,514)	—	(7,397)
Free cash flow	(million yen)	13,962	15,492	15,502	17,836	—	14,829
Cash flows from financing activities	(million yen)	(16,639)	(15,005)	(12,905)	25,813	—	(29,930)
Cash and cash equivalents at the end of the year	(million yen)	61,376	61,950	63,710	107,763	—	94,471
Amount of capital investment	(million yen)	11,062	10,006	9,990	7,199	—	7,511
Depreciation	(million yen)	13,222	13,411	13,103	12,427	—	11,281
Amortization of goodwill	(million yen)	1,819	1,777	1,762	1,266	—	1,060
<b>Other</b>							
ROE	(%)	9.0	9.9	5.2	4.7	—	8.2
ROA	(%)	4.2	4.8	2.6	2.2	—	3.9
PER (Common stock)	(times)	43.8	47.7	97.2	109.8	—	51.4
PER (Preferred stock)	(times)	21.0	20.4	29.3	35.8	—	16.8
PBR (Common stock)	(times)	3.7	4.5	4.9	4.8	—	4.0
PBR (Preferred stock)	(times)	2.0	2.1	1.7	1.9	—	1.4
EPS (Common stock)	(yen)	99.79	116.02	61.53	55.10	—	103.92
EPS (Preferred stock)	(yen)	109.75	126.00	71.53	65.10	—	113.89
BPS (Common stock)	(yen)	1,165.80	1,229.28	1,221.92	1,250.37	—	1,334.88
BPS (Preferred stock)	(yen)	1,170.80	1,234.28	1,226.92	1,255.37	—	1,339.88
Dividend per share (Common stock)	(yen)	40	40	40	40	—	40
Dividend per share (Preferred stock)	(yen)	50	50	50	50	—	50
Total return ratio	(%)	48.5	48.9	92.1	74.0	—	44.5
Ratio of foreign shareholders (Common stock)	(%)	20.6	23.2	22.4	23.6	—	22.2
Outstanding shares	(thousand shares)	123,459	123,459	123,459	123,459	—	123,459
Common stock	(thousand shares)	89,212	89,212	89,212	89,212	—	89,212
Preferred stock	(thousand shares)	34,246	34,246	34,246	34,246	—	34,246
Year-end common stock price	(yen)	4,370	5,530	5,980	6,050	—	5,340
Year-end preferred stock price	(yen)	2,309	2,568	2,092	2,331	—	1,908

\* Revenue recognition standard is applied from the fiscal year ended April 30, 2022. A year-on-year change is not indicated for items on which the application has a great impact.

# Non-financial Indicators (Non-consolidated results of ITO EN)

For sustainability data, please refer to the following link.  
<https://www.itoen.co.jp/sustainability/performance/>

	(units)	FY4/2020	FY4/2021	FY4/2022
<b>CO<sub>2</sub> emissions</b>				
<b>Scope 1</b>	(thousand t-CO <sub>2</sub> )	24	23	23
<b>Scope 2</b>	(thousand t-CO <sub>2</sub> )	12	12	10
<b>Total for Scope 1 &amp; 2</b>	(thousand t-CO <sub>2</sub> )	36	35	33
<b>Scope 3</b>	(thousand t-CO <sub>2</sub> )	817	729	709
<b>Total for Scopes 1-3</b>	(thousand t-CO <sub>2</sub> )	853	765	742
<b>Total water intake by water source</b>	(thousand m <sup>3</sup> )	445	451	450
<b>Rivers, swamps, and others</b>	(thousand m <sup>3</sup> )	379	385	385
<b>Tap water</b>	(thousand m <sup>3</sup> )	66	66	64
<b>Total water discharge by drainage destination</b>	(thousand m <sup>3</sup> )	194	197	196
<b>Rivers, lakes &amp; marshes (swamps) etc.</b>	(thousand m <sup>3</sup> )	141	143	144
<b>Sewage</b>	(thousand m <sup>3</sup> )	53	54	51
<b>Other</b>	(thousand m <sup>3</sup> )	0	0	0
<b>Total water intake by water source</b>	(thousand m <sup>3</sup> )	20,052	18,591	17,848
<b>Groundwater</b>	(thousand m <sup>3</sup> )	16,148	15,036	14,239
<b>Tap water</b>	(thousand m <sup>3</sup> )	239	196	187
<b>Industrial water</b>	(thousand m <sup>3</sup> )	3,665	3,359	3,423
<b>Total water discharge by drainage destination</b>	(thousand m <sup>3</sup> )	14,102	13,014	12,676
<b>Rivers, lakes &amp; marshes (swamps) etc.</b>	(thousand m <sup>3</sup> )	12,470	11,720	11,290
<b>Sea</b>	(thousand m <sup>3</sup> )	1,386	1,104	1,145
<b>Sewage</b>	(thousand m <sup>3</sup> )	246	190	241
<b>Other</b>	(thousand m <sup>3</sup> )	0	0	0
<b>Gasoline usage per vehicle</b>	(L)	1,381	1,316	1,225
<b>Light oil usage per vehicle</b>	(L)	2,478	2,375	2,377
<b>CO<sub>2</sub> emissions per vehicle</b>	(t-CO <sub>2</sub> /vehicle)	5.6	5.4	5.3
<b>Food recycling rate</b>	(%)	91.8	92.6	94.4
<b>Percentage ratio of recycled materials used for all PET bottle</b>	(%)	12	14	22
<b>All PET bottles of <i>Oi Ocha</i> brand</b>	(%)	5	7	14
<b>All PET bottles</b>	(%)			
<b>The Tea-Producing Region Development Project (area / production volume)</b>	(ha)	1,836	2,207	2,241
<b>Area</b>	(t)	7,122	7,523	8,517
<b>Production volume</b>	(t)	20,039	17,966	19,475
<b>Green tea ingredients</b>	(t)	88,134	84,510	80,378
<b>Oolong tea, black tea, fruit juice raw materials, and others</b>	(t)	108,173	102,476	99,853
<b>Total product raw materials used</b>				
<b>Human resource development</b>				
<b>Number of graduates from ITO EN Business College</b>	(number)	738	748	525
<b>Number of graduates from ITO EN Graduate School</b>	(number)	11	17	30
<b>Education and training (including online education and e-learning)</b>				
<b>Total number of students per year</b>	(number)	19,099	34,492	55,032
<b>Course time per student</b>	(minute)	170.0	218.0	306.0
<b>Engagement / employee engagement score (6 points, UWES reference)</b>	(score)	—	—	3.22
<b>Liquidity</b>				
<b>Number of new graduates recruited</b>	(number)	205	90	138
<b>Turnover rate of regular employees</b>	(%)	4.10	3.71	3.86
<b>Diversity</b>				
<b>Male</b>	(number)	4,793	4,696	4,584
<b>Female</b>	(number)	610	594	591
<b>Total</b>	(number)	5,403	5,290	5,175
<b>Female employee ratio</b>	(%)	11.3	11.2	11.4
<b>Female manager ratio</b>	(%)	2.6	2.8	2.8
<b>Employment rate of people with disabilities</b>	(%)	2.23	2.43	2.46
<b>Taking annual paid leave ratio</b>	(%)	52.0	53.9	52.1
<b>Number of employees taking childcare leave</b>	(number)	61 (3)	68 (38)	72 (45)
<b>Percentage of male employees taking childcare leave</b>	(%)	1.7	24.1	29.7
<b>Percentage of employees returning to work after childcare leave</b>	(%)	95.2	97.2	97.1
<b>Regular employees</b>	(%)	73.0	74.2	74.3
<b>Of which, section chiefs</b>	(%)	90.3	89.3	90.3
<b>Of which, less than 10 years of service</b>	(%)	92.6	95.0	94.3
<b>Health and safety</b>				
<b>Number of occupational accidents</b>	(number)	119	115	110
<b>Occupational accident rate</b>	(accident rate)	2.47	1.69	1.86
<b>Number of work-related fatalities</b>	(number)	0	0	0
<b>Over time work hours per month</b>	(hour)	27.4	22.5	24.9
<b>Labor practices and compliance / number of consultations from employees</b>	(number)	15	17	10
<b>Directors (of which Outside Directors)</b>	(number)	12 (3)	14 (4)	14 (4)
<b>Audit &amp; Supervisory Board Members (of which, Outside Audit &amp; Supervisory Board Members)</b>	(number)	4 (3)	4 (3)	4 (3)
<b>Total</b>	(number)	16 (6)	18 (7)	18 (7)
<b>Independent officers</b>	(number)	5	6	6

# Introduction of Main Group Companies (as of April 30, 2022)

## Domestic

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

Managing and franchise developing specialty coffee shops, *Tully's Coffee*, which originated in Seattle.

### Chichiyasu Company

The company that first released yogurt in Japan in 1917. Mainly manufacturing and selling dairy products such as yogurt and milk.

### OKINAWA ITO EN, LTD.

Selling beverages and tea leaf products in Okinawa Prefecture. Selling attractive unique products to Okinawa such as *Sanpin Hanacha* (Jasmine tea).

### ITO EN·ITOCHU MINERAL WATERS CO., LTD.

Importing and selling natural mineral water *Evian*.

### NEOS Corporation

Operating vending machines nationwide, such as at railway companies and business offices. A joint venture with Otsuka Wellness Vending Co., Ltd.

### GREEN VALUE CO., LTD.

Purchase brokerage, management, and maintenance of vending machines, sales fixtures, vehicles, etc.

### ITO EN SANGYO, LTD.

Two factories are operating in Shizuoka prefecture to manufacture tea bag products such as *Oi Ocha* and roast raw materials for barley tea products.

### ITO EN KANSAI CHAGYO, LTD.

As a production base in western Japan, in collaboration with the ITO EN Kobe Factory, packaging ITO EN tea bags and packaged tea products.

### TSUCHIKURA Co., Ltd.

Founded in Hokkaido in 1958, manufacturing and selling various tea products that suit local tastes as a tea company in Hokkaido.

## United States of America (USA)

### ITO EN (North America) INC.

Supervising the North American market, which is the cornerstone of overseas business. Developing unsweetened tea markets centered on the global brands *Oi Ocha* and *MATCHA GREEN TEA*.

### ITO EN (Hawaii) LLC

Predecessor was ITO EN (USA) INC., which became ITO EN's first overseas expansion base, and has more than 30 years history. Manufacturing and selling *Oi Ocha* canned products and tropical drink *Aloha Maid*.

### Mason Distributors, Inc.

Manufacturing and selling a wide variety of supplements including vitamins, using wide sales network in the United States and around the world.

### Distant Lands Trading Co.

An integrated system has been realized through a coffee bean farms and mills in Costa Rica and Colombia, and roasting and packaging facilities in the United States.

## Australia

### ITO EN AUSTRALIA PTY. LIMITED

Started the Tea-Producing Region Development Project to secure stable green tea ingredients in 2021. In 2020, local production of green tea bag products started.

## Singapore

### ITO EN Asia Pacific Holdings Pte. Ltd.

Promoting business development in Southeast Asia and neighboring countries and regions.

### ITO EN Singapore Pte. Ltd.

Selling *Oi Ocha* (beverages, tea bags) products mainly in Singapore, and Malaysia, Vietnam.

## China

### Fujian New Oolong Drink Co., Ltd.

Manufacturing, exporting and selling *Oi Ocha* beverage products, and oolong tea beverages for Hong Kong.

### ITO EN BEVERAGE (SHANGHAI), LTD.

Selling tea-based beverages and leaf products such as *Oi Ocha* manufactured in China throughout China. Expanding unsweetened tea beverage market in the Chinese market.

## Indonesia

### PT ITO EN ULTRAJAYA WHOLESALE

Established as a joint venture with Indonesian PT ULTRA JAYA. Selling unsweetened tea products such as *Oi Ocha* and matcha for business use in the Indonesian market.

## Thailand

### ITO EN (Thailand) Co., Ltd.

Selling *Oi Ocha* (beverages, tea bags) products in Thailand. From 2020, sales of vegetable beverages have also started.

## Status of major consolidated subsidiaries\*<sup>1</sup>

(Million yen)

	Actual Results in FY4/2022		Forecasts for FY4/2023	
	Net sales	Operating income	Net sales	Operating income
<b>Businesses in the US*<sup>2</sup></b>	36,771 (323,156 thousand US dollars)	555 (4,881 thousand US dollars)	40,412 (336,770 thousand US dollars)	377 (3,144 thousand US dollars)
<b>Tully's Coffee Japan Co., Ltd.</b>	30,060	860	33,000	1,200
<b>Chichiyasu Company</b>	11,844	734	12,560	735
<b>Exchange rate (US dollars)*<sup>3</sup></b>	113.79 yen		120.00 yen	

\*1 Revenue recognition standard is applied from the fiscal year ended April 30, 2022.

\*2 Includes ITO EN (North America) INC. and ITO EN (Hawaii) LLC

\*3 Average for the fiscal year

# Company Outline (as of April 30, 2022)

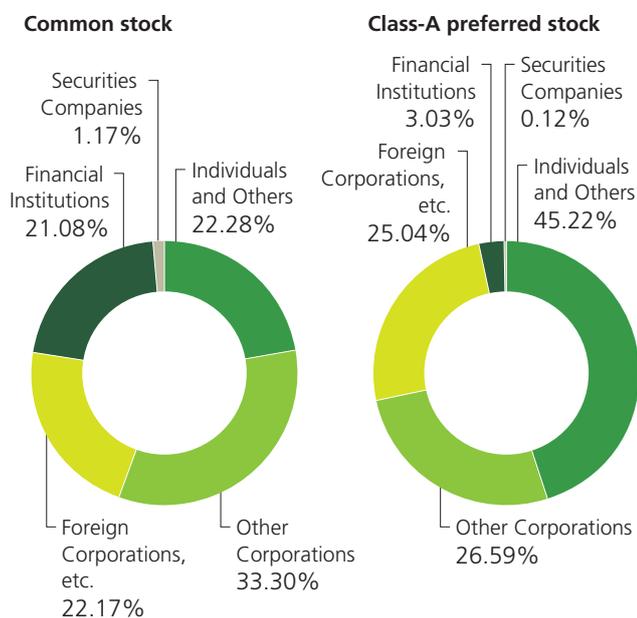
## Company Profile

Company name	ITO EN, LTD.
Head office	47-10, Honmachi 3-chome, Shibuya-ku, Tokyo
Established	August 22, 1966
Capital	19,912,300,000 yen
Number of employees	5,175 persons (non-consolidated basis)
URL	https://www.itoen-global.com
Branches, sales offices and local offices	186 offices in 29 areas throughout Japan
Shops / stores	110 shops nationwide
Factories	Shizuoka Sagara Factory (21, Mekami, Makinohara-shi, Shizuoka) Kobe Factory (5-4-2, Mitsugaoka, Nishi-ku, Kobe-shi, Hyogo) Hamaoka Factory (3406-4, Niino, Omaezaki-shi, Shizuoka) Fukushima Factory (1-2-9, Araitaka, Fukushima-shi, Fukushima) Okinawa Nago Factory (112, Isagawa, Nago-shi, Okinawa)
Research Institute	Central Research Institute (21, Mekami, Makinohara-shi, Shizuoka)

## Shares and Shareholders

<b>Total number of authorized shares</b>	200,000,000 shares	
<b>Total number of issued shares</b>	▶ <b>Common stock</b>	89,212,380 shares
	▶ <b>Class-A preferred stock</b>	34,246,962 shares
<b>Number of shareholders</b>	▶ <b>Common stock</b>	49,566 shareholders
	▶ <b>Class-A preferred stock</b>	64,183 shareholders

## Breakdown of shareholdings by investor type



## Major shareholders

Name of shareholder	Number of shares owned (1,000 shares)			Shareholding ratio (%)
	Common stock	Class-A preferred stock	Total shares	
Green Core Co., Ltd.	17,603	5,895	23,498	19.43
The Master Trust Bank of Japan, Ltd. (Trust account)	9,989	85	10,074	8.33
Honjo International Scholarship Foundation	5,200	1,560	6,760	5.59
State Street Bank and Trust Company 505223	5,058	—	5,058	4.18
Hachiro Honjo	2,446	882	3,329	2.75
The Bank of New York 134104	—	3,304	3,304	2.73
ITO EN Employees' Shareholding Association	1,874	242	2,116	1.75
Toyo Seikan Group Holdings, Ltd.	1,955	126	2,081	1.72
Resona Bank, Limited.	1,933	—	1,933	1.60
Custody Bank of Japan, Ltd. (Trust account)	1,882	—	1,882	1.56

\*1 The Company holds 2,492 thousand treasury stock (1,004 thousand shares of common stock and 1,487 thousand shares of Class-A preferred stock), but is excluded from the major shareholders listed above.

\*2 Shareholding ratio is calculated with the exclusion of treasury stock.

## Class-A preferred stock information

Class-A preferred stock can receive dividends of profits preferentially compared to common stock.

	Class-A preferred stock	Common stock
<b>Security code</b>	25935	2593
<b>Voting rights</b>	None*1	Available
<b>Dividends</b>	Preferred dividends Amount of common dividends × 125%*2 Any accrued amount is accumulated	Common dividends Not accumulated
<b>Right to receive distributions of residual assets</b>	Equal with common stock*3	—
<b>Conversion rights into common stock</b>	No conversion right based on shareholder's intention*4	—
<b>Share unit</b>	100 shares	100 shares
<b>Shareholder special benefit plan</b>	Available	Available

\*1 In some cases, voting rights are available.

\*2 The first decimal place is rounded up to the nearest whole number. The lower limit is 15 yen. Even when no dividend is paid for common stock, 15 yen per share is paid for Class-A preferred stock.

\*3 If any accrued amount is accumulated, the shortfall in the payment is paid to the shareholders of Class-A preferred stock before the payment for common stock.

\*4 In the specific cases shown below, the Company may obtain Class-A preferred stock in exchange for common stock at the ratio of 1:1.

[Specific cases]

1. Merger in which the Company becomes an extinct company and share exchange and share transfer in which the Company becomes a wholly owned subsidiary (except those implemented by the Company alone).
2. When, due to a tender offer for the Company's common stock, the shareholding ratio of the tender offer exceeds 50%.
3. When the listing of the Class-A preferred stock of the Company is abolished.



[For further information on ITO EN Integrated Report 2022]

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