

# Financial Results

## Presentation for FY2020 2Q

(Fiscal Year Ending April 30, 2021)

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December 2020 ITO EN, LTD.



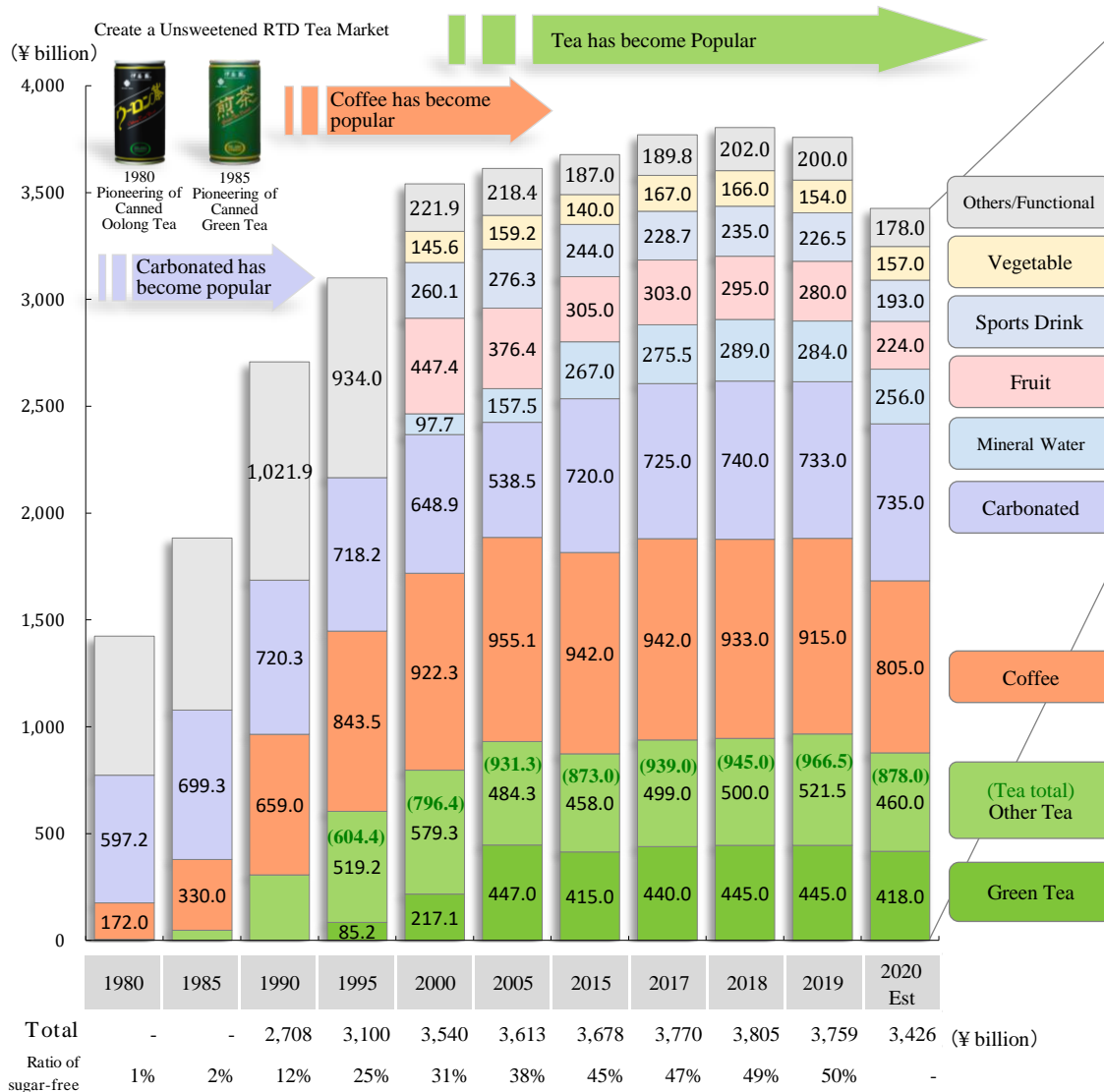
Soft Drink Market in Japan	...P.3
About achievements	...P.6
Spread of COVID-19	
Marketing & Management strategy	...P.12
Appendix	...P.23

# Soft Drink Market in Japan/ About achievements

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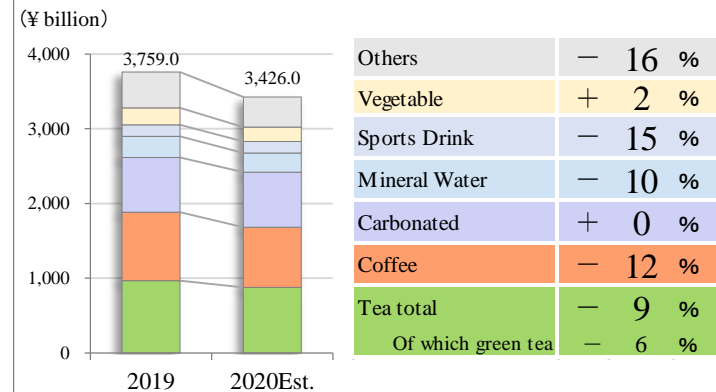
# Soft Drink Market in Japan

## Soft Drink Market Trends



## Soft Drink Market

### Forecast 2020 year YoY -9%



## Topics of Soft Drink Market

2019

Apr Rolled out progressive price increases for products in large-sized PET.

Jul **Sales volumes decreased due to heavy/sustained rain and low temperatures.**

Dec Extensive damage was incurred due to multiple typhoons and other natural disasters.

2020

Feb Spread of COVID-19

Apr **Declaration of a State of Emergency**

May Lifting of the state of emergency

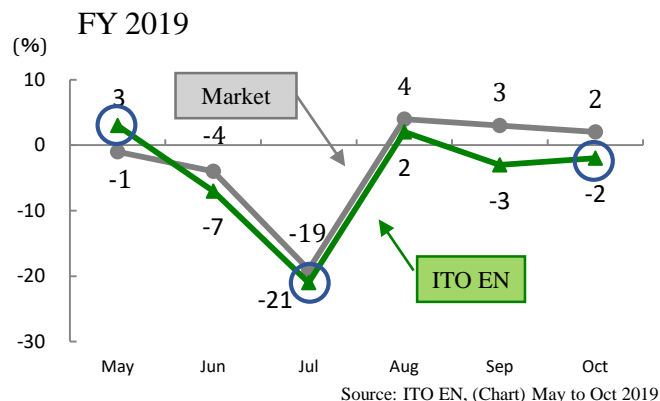
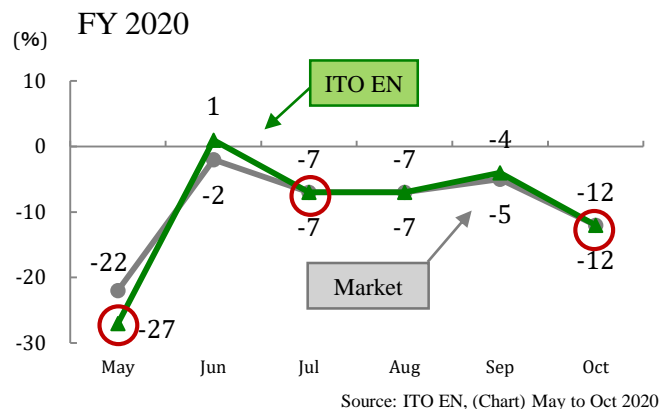
Jul **Record amount of rainfall and long rainy season**

Aug Surge in COVID-19 (2nd wave) Reduced summer holiday and self-restraint on events

Oct Self-restraint on outing and sporting events at schools in the fall

# Soft Drink Market in Japan and ITO EN

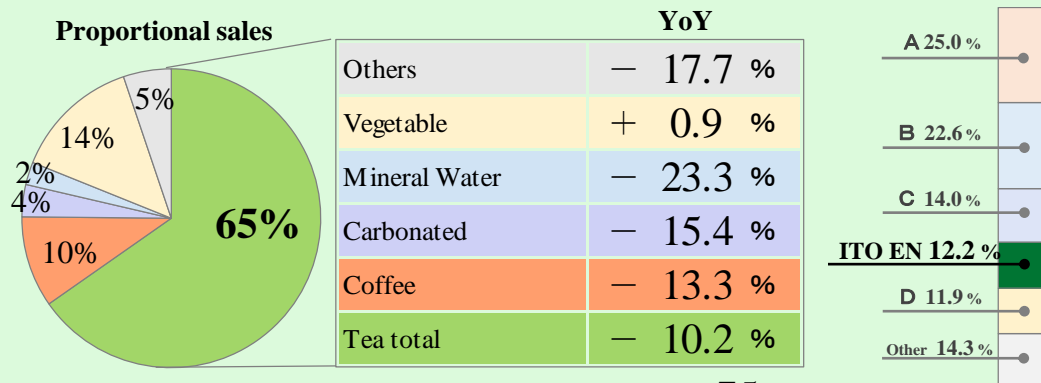
## Monthly Sales Volume Trends



## Beverage business of ITO EN (non-consolidated)

**FY 2020 2Q (May to Oct, 2020) YoY -10.2%**

**Shares in soft drink market**



2Q(6months)	FY 2019 Results			FY 2020 Results		
	Sales	Composition	YoY % Change	Sales	Composition	YoY % Change
Drinks	191,043	100.0%	-4.0%	171,619	100.0%	-10.2%
Tea total	124,800	65.3%	-1.2%	112,040	65.3%	-10.2%
Japanese Tea/Healthy Tea	111,325	58.3%	-2.3%	101,532	59.2%	-8.8%
Chinese Tea	9,642	5.0%	5.1%	8,148	4.7%	-15.5%
Black Tea	3,833	2.0%	21.5%	2,360	1.4%	-38.4%
Vegetable	23,347	12.2%	-6.7%	23,555	13.7%	0.9%
Coffee	19,530	10.2%	-8.6%	16,941	9.9%	-13.3%
Mineral Water	5,490	2.9%	-15.7%	4,213	2.5%	-23.3%
Carbonated	7,065	3.7%	-7.1%	5,977	3.5%	-15.4%
Others	10,811	5.7%	-11.6%	8,893	5.2%	-17.7%

# Financial Results for FY2020 2Q

## ■ Summary of Operations (Consolidated and Non-Consolidated)

(¥ million)

		FY 2019 2Q(6months)		FY 2020 2Q(6months)		YoY % Change
			Sales Composition		Sales Composition	
Consolidated	Net Sales	265,471	100.0%	236,585	100.0%	-10.9%
	Gross Profit	126,923	47.8%	112,475	47.5%	-11.4%
	Sales Commission	44,488	16.8%	40,348	17.1%	-9.3%
	Advertising	6,408	2.4%	5,622	2.4%	-12.3%
	Freight	8,082	3.0%	7,397	3.1%	-8.5%
	Depreciation and Amortization	5,665	2.1%	5,153	2.2%	-9.0%
	Selling, General and Administrative Expenses	112,815	42.5%	103,864	43.9%	-7.9%
	Operating Income	14,107	5.3%	8,610	3.6%	-39.0%
	Ordinary Income	13,872	5.2%	8,317	3.5%	-40.0%
	Extraordinary Losses and Income	-183	-	-229	-	-
	Net Income	8,925	3.4%	4,596	1.9%	-48.5%

Non-Consolidated	Net Sales	208,881	100.0%	189,522	100.0%	-9.3%
	Gross Profit	98,732	47.3%	89,811	47.4%	-9.0%
	Operating Income	10,983	5.3%	8,399	4.4%	-23.5%
	Ordinary Income	11,983	5.7%	9,377	4.9%	-21.7%

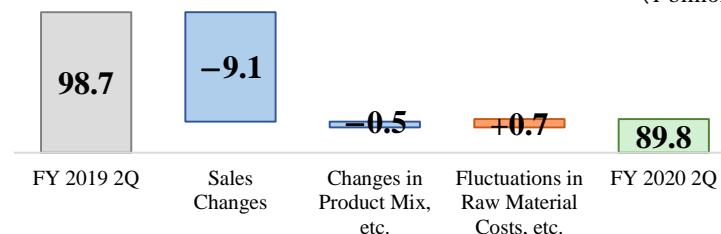
## ■ Performances of Subsidiaries

(¥ million, \$ thousand)

Upper: Net Sales Bottom: Operating Income	FY 2019 2Q(6months)		FY 2020 2Q(6months)		YoY % Change
Domestic Subsidiaries	55,291		46,295		-16.3%
	2,908		- 395		-
Tully's Coffee Japan Co., Ltd.	17,609		11,860		-32.6%
	1,759		- 1,243		-
Chichiyasu Company	7,366		7,376		0.1%
	260		434		66.7%
Overseas Subsidiaries	18,836		17,761		-5.7%
	961		1,050		9.3%
US Business	15,806		14,904		-5.7%
	388		438		12.9%
	\$ 146,344		\$ 139,998		-4.3%
	\$ 3,598		\$ 4,118		14.5%
Other Overseas Subsidiaries	3,030		2,857		-5.7%
	573		612		6.8%
Elimination of Internal Transactions	- 17,538		- 16,993		-
	- 745		- 444		-
Exchange rate (US\$)	108.01		106.46		

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

(¥ billion)



## ITO EN (non-consolidated) Main impact on sales \*2Q ( Aug to Oct, 2020 )

**- 7.4 %**

Reference: 1Q  
( May to July, 2020 )

**- 11.2 %**

### Shift to telecommuting

- Decrease in visits to convenience stores particularly in urban areas
- Decline in purchase from vending machines at offices

### Changes in lifestyles due to self-quarantine

- Increase in consumers making tea and coffee from leaves and beans at home

### Decrease in foreign visitors to Japan

- Decrease in use of vending machines at tourist sites as a decline from sports-related demand from the previous year

Sales results YoY		( July )	August	September	October	2Q
ITO EN (non-consolidated)		- 8%	- 8%	- 4%	- 10%	- 7.4%
Business type	Supermarkets	+ 1%	+ 0%	- 1%	- 11%	- 3%
	Convenience Store	- 18%	- 19%	- 6%	- 9%	- 12%
	Vending Machine	- 13%	- 12%	- 6%	- 13%	- 10%
	E-commerce	+ 14%	+ 24%	+ 14%	+ 25%	+ 21%
By product	Tea Total (RTD)	- 8%	- 9%	- 5%	- 15%	- 10%
	Vegetable (RTD)	+ 6%	+ 2%	- 2%	+ 0%	+ 0%
	Tea Leaf	+ 2%	+ 5%	+ 10%	+ 6%	+ 7%



## Subsidiaries Main impact on sales \*2Q ( Aug to Oct, 2020 )

### Tully's Coffee Japan

**- 22 %**

Reference: 1Q  
( May to July, 2020 ) **- 43 %**

- Sales are on a recovery trend due to a decline in the number of temporarily closed shops and shops that shortened operating hours.
- The rate of recovery in sales at stores in urban areas and around transportation is small

Sales results YoY	( July )	August	September	October
Sales	- 28%	- 29%	- 21%	- 15%
Ratio of shops that suspended operations or shortened business hours (at the end of the month)	+ 35%	+ 26%	+ 32%	+ 24%

### US Business (ITO EN (North America) INC.)

**- 1 %**

Reference: 1Q  
( May to July, 2020 ) **- 14 %**

- Online sales (online shopping services) remained strong.
- Increased household demand increases sales of leaf products.

### China Business

**- 1 %**

Reference: 1Q  
( April to June, 2020 ) **- 5 %**

- Sales are on a recovery trend, reflecting the slowdown in the spread of COVID-19.

\*With respect the China business, numbers are based on results for the period from July to September 2020.



## Full-year Forecasts for FY 2020

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Revised the full-year forecast based on the current situation

- ✓ COVID-19 will prolong the impact throughout the fiscal year
  - Shift to telecommuting
  - Changes in lifestyles due to self-quarantine
  - Decrease in foreign visitors to Japan
- ✓ Reduce total cost as much as possible and invest management resources in the core businesses and brands in order to recover the businesses in line with economic recovery during and after the pandemic.

# Forecasts for FY 2020

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

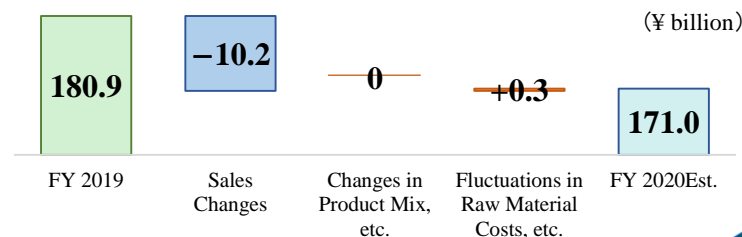
		FY 2019 Results		FY 2020 Forecast		YoY % Change
			Sales Composition		Sales Composition	
Consolidated	Net Sales	483,360	100.0%	450,000	100.0%	-6.9%
	Gross Profit	232,755	48.2%	218,000	48.4%	-6.3%
	Sales Commission	80,537	16.7%	76,056	16.9%	-5.6%
	Advertising	11,206	2.3%	10,845	2.4%	-3.2%
	Freight	14,651	3.0%	13,994	3.1%	-4.5%
	Depreciation and Amortization	10,957	2.3%	10,231	2.3%	-6.6%
	Selling, General and Administrative Expenses	212,814	44.0%	205,700	45.7%	-3.3%
	Operating Income	19,940	4.1%	12,300	2.7%	-38.3%
	Ordinary Income	19,432	4.0%	12,100	2.7%	-37.7%
	Extraordinary Losses and Income	-5,064	-	-3,000	-	-
	Net Income	7,793	1.6%	5,800	1.3%	-25.6%

Non-Consolidated	Net Sales	377,787	100.0%	356,000	100.0%	-5.8%
	Gross Profit	180,977	47.9%	171,000	48.0%	-5.5%
	Operating Income	16,626	4.4%	14,300	4.0%	-14.0%
	Ordinary Income	18,142	4.8%	15,800	4.4%	-12.9%

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

Upper: Net Sales Bottom: Operating Income	FY 2019 Results		FY 2020 Forecast		YoY % Change
Domestic Subsidiaries	102,885	92,745	-9.9%		
	3,196	-1,772	-		
Tully's Coffee Japan Co., Ltd.	32,811	27,500	-16.2%		
	1,725	-1,500	-		
Chichiyasu Company	14,251	14,042	-1.5%		
	410	648	58.0%		
Overseas Subsidiaries	36,282	35,314	-2.7%		
	1,617	2,077	28.4%		
US Business	30,971	29,920	-3.4%		
	654	941	43.9%		
	\$ 285,736	\$ 277,043	-3.0%		
	\$ 6,034	\$ 8,714	44.4%		
Other Overseas Subsidiaries	5,311	5,394	1.6%		
	963	1,136	18.0%		
Elimination of Internal Transactions	-33,595	-34,059	-		
	-1,500	-2,305	-		
Exchange rate (US\$)	108.39	108.00			

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



Support healthy and enriched lifestyles with the power of tea. Create a new history of tea that continues for 1,200 years and strive to solve social issues.

Tea consumed daily by Japanese people will draw more attention in the age of 100-year life expectancy. ITO EN aims to achieve sustainable growth as an Innovative Health Solutions Company based on its policy of “Always Putting the Customer First.”



## Material issues

## ITO EN's policies and initiatives

## Major related SDGs



### Consumer issues

Diversification of lifestyles,  
Healthy life expectancy, lifestyle, MCI

- Proposal of tea products and other products contributing to health
- Scientific research on health factors of tea nutrition
- Efforts to prevent “loss of eating”



### Communities and societies

Issues in domestic agriculture and tea industry,  
Changes in workstyles and communication

- Promotion of the Tea-Producing Region Development Project
- Educational activities for tea culture by ITO EN Tea Tasters
- Continuation of new Haiku awards



### Global environment

Plastic pollution,  
Resource exhaustion, global warming

- Used Tea Leaves Recycling System
- Establishment of plastic policy and activity promotion
- Responses to climate change

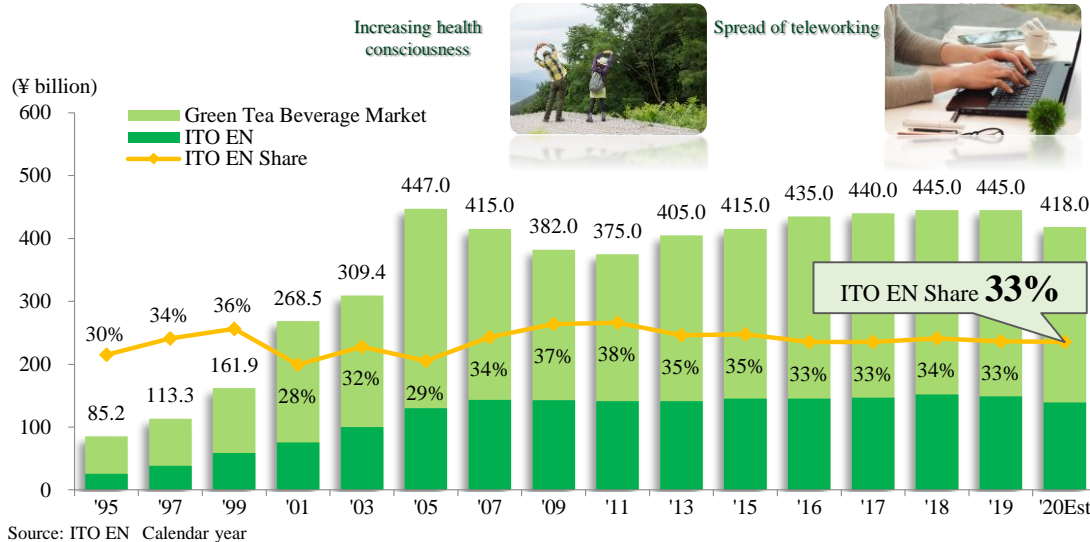


# Marketing & Management strategy

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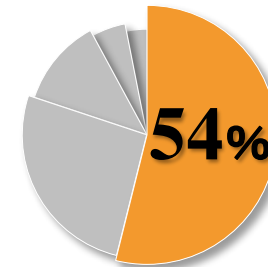
# Oi Ocha Proposals for New Lifestyles

ITO EN retains its market share from the previous fiscal year in the green tea beverage market.



## Hot green tea beverage market in fall-winter season

おーお茶



Hot unsweetened tea beverage market

Share **#.1**

\*INTAGE SRI (Sep 2019 to Aug 2020 / Price base)

## Microwavable products suited to new lifestyles



### Microwavable products



\*Follow the procedures and notes for heating.

## Environmental actions

### Producing safe and reassuring products

- ✓ Increase in adoption of fully-recyclable PET bottles
- ✓ Release of products without labels
- ✓ Step up environmental actions including container weight reduction

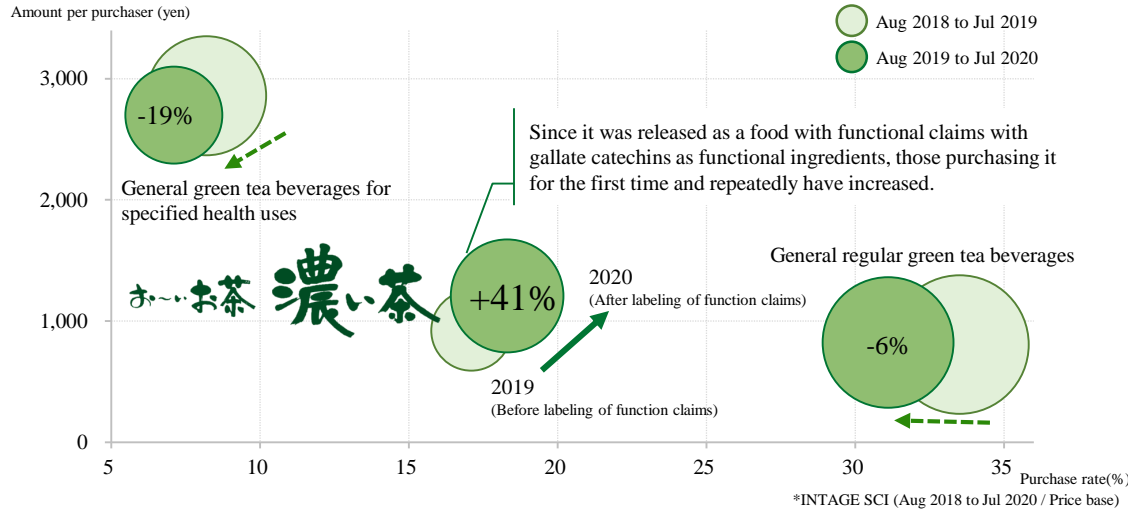




# Oi Ocha Anticipation forward tea catechins

## Greater anticipation forward tea catechins

Purchase rate x Amount per purchaser x amount purchased by every 100 purchasers (not the scale)



おーお茶 濃い茶

“Oi ocha Bold Green Tea”

2Q (May to Oct, 2020)  
YoY comparison of sales quantity

Approximately **1.5 times**

The government-designated drink with function claims

Sales quantity **#.1**

\*INTAGE SRI (Nov 2019 to Oct 2020 / Price base)

## Proposing products with ITO EN's original technologies to respond to consumer health needs

伊藤園の公式通販サイト  
**伊藤園 健康体**  
ITO EN's official online shopping website

Beverages and instant food items available anywhere

Instant nutritional supplement products for core users

Tea catechins' functions support a healthy lifestyle.

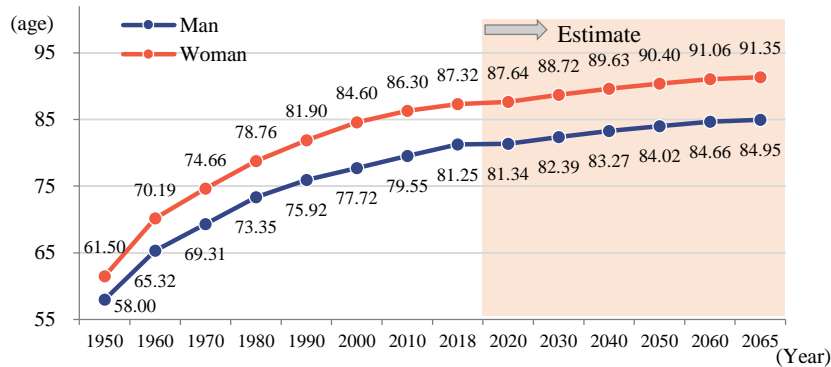
Place greater emphasis on advertising and communicating the health value of tea

Launched on Nov 30

# Oi Ocha Matcha project

Japan boasts one of the world's longest life expectancies.

The average life expectancy exceeds 80 years both in men and in women.

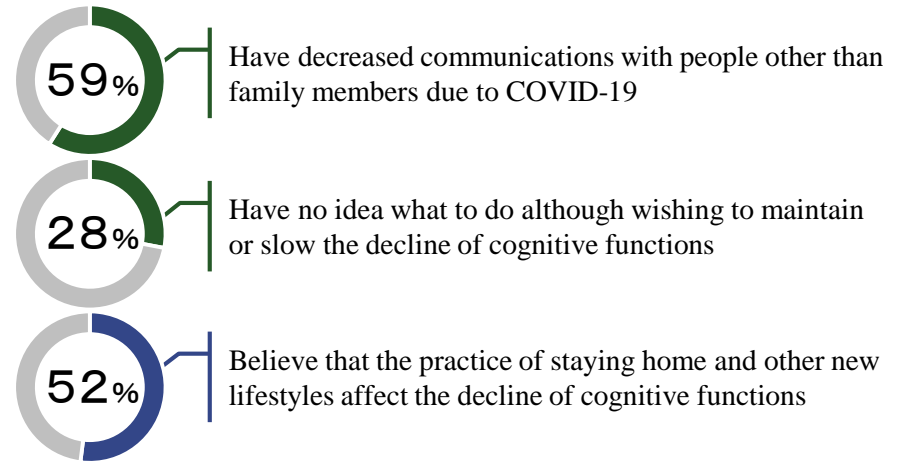


Trend and future prospect of average life expectancy

Source: Japan's Cabinet Office: White Paper on the Ageing Society FY2020 (full edition)

Survey on awareness of cognitive functions (October 2020)

\* ITO EN's online survey to 600 males and females in their 50s, 60s and 70s all over the country



Japan's first\* food with function claims stating that it boosts accuracy of cognitive functions (attentiveness and judgment)

\*ITO EN is Japan's first to release food with function claims in the category of cognitive functions on the basis of combination of theanine and tea catechins. (According to the survey by ITO EN in 2020)  
Functional ingredients: Theanine and tea catechins

**認知機能の精度を高める**  
※認知機能の一部である  
注意力・判断力  
人生100年プロジェクト

**おーいお茶 お抹茶**

“Oi ocha Matcha”

Launched on Dec 7



370ml / 150yen  
(excluding tax)



32 Sticks / 2,800yen  
(excluding tax)



6 Sticks / 600yen  
(excluding tax)



## Attentiveness

A function of maintaining attention to continue a specific action



## Judgment

A function of ensuring accuracy and rapidity of judgment and properly responding to changing situations

Containing ITO EN's original raw material for matcha developed and cultivated with contracted farmers



Cultivation of raw material for matcha under contract



Unique clean processing facilities



Cutting-edge powdering systems

Notification labeling:  
This product contains theanine and tea catechins. They are reported to have a function of increasing the accuracy of attentiveness, a function of maintaining attention to continue a specific action, and judgment, a function of ensuring accuracy and rapidity of judgment and properly responding to changing situations, among the cognitive functions that decline with age. This product is suited to those concerned about cognitive functions.



# Tea Leaf Products

## Leaf market and trend in ITO EN's sales in 2020

**Strong performance of tea bag products and other easy and convenient products**

### OTea Leaf Market (May to Oct 2020)

Japanese tea leaf total

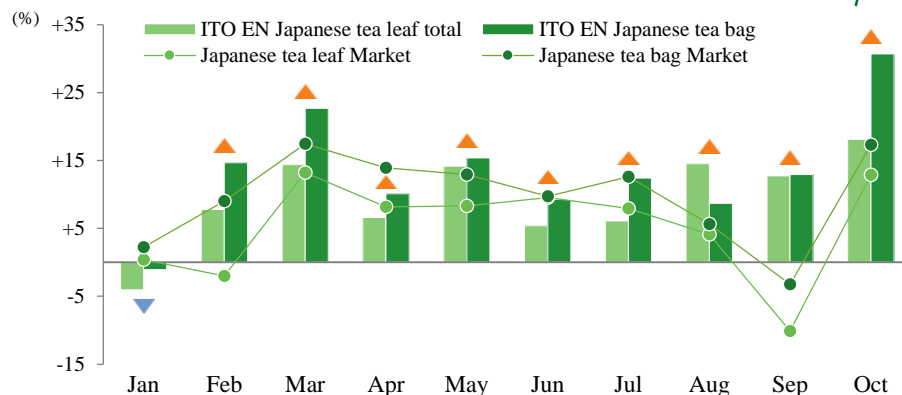
Japanese tea bag

YoY **+5%**

YoY **+9%**



### OTea Leaf Market Trends (YoY %)



## Leaf market is lifted up chiefly by demand for consumption at home

### Change in buyer composition

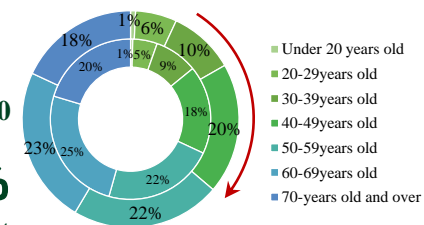
The share of the age group under 50 grew after increase in working from home.

The share of the age group under 50

**36.2%**

YoY **+4.3 Pont**

Buyer composition in Japanese tea leaf market



Outer ring: 2020 Inner ring: 2019  
\*INTAGE SCI (Apr to Sep 2020 / Price base)

### OITO EN (May to Oct 2020)

Japanese tea leaf total

YoY **+12%**

Japanese tea bag

YoY **+15%**

\*INTAGE SCI (Jan to Oct 2020 / Price base)



## Offering new lifestyles with tea



ITO EN Tea Taster explains how to take in tea nutrients on social media.



Glass tea utensils "OchaSURU? Glass Kyu-su"

## New products and actions matched with lifestyle changes

A large package with 120 tea bags released in the Oi Ocha tea bag series.

Use of avatar technologies for proposing how to brew good tea

- At selling spaces across the country
- Also presenting the way of brewing catechin-rich tea

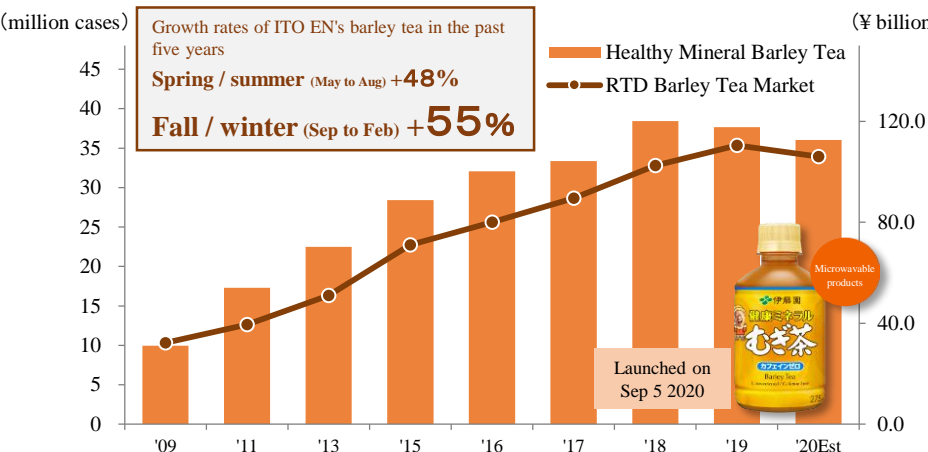


Launched on Nov 2

# Barley Tea & Black Tea

## RTD Barley Tea Market

### ORTD Barley Tea Market



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

The basic value of healthy mineral barley tea

Year-round consumption (hydration and mineral supplementation)

冬こそ! ミネラルゴクゴク!

健康維持にミネラル補給

冬も汗かきシーンがいっぱい!

暖房でカラカラ

スポーツでカラカラ

就寝中はカラカラ

お風呂でカラカラ

ミネラルとは、からだの健康維持に必要な5大栄養素のひとつです!

\* Minerals mentioned in this product label refer to phosphorus, manganese and sodium.

Launched on Nov 2

Food with Function Claims

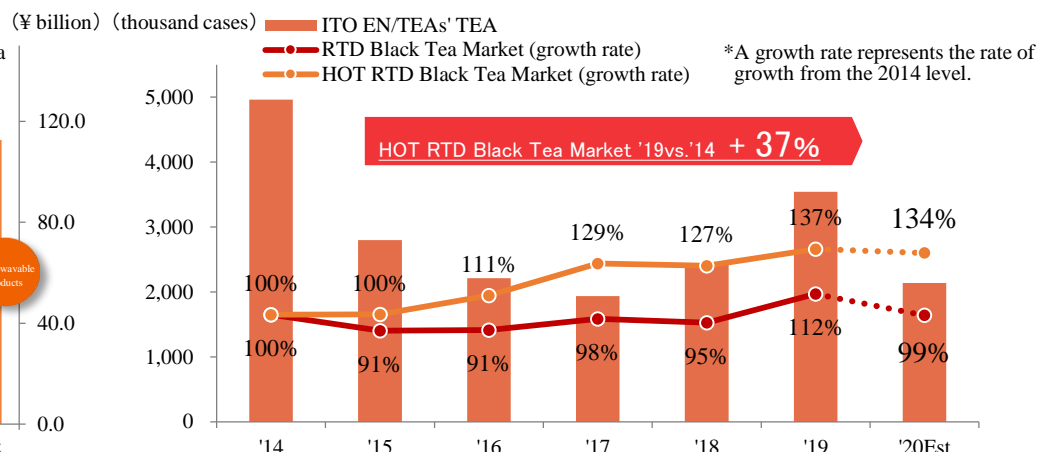
Containing functional ingredients improving the blood flow and keeping body temperature

さらさらむぎ茶

香り薫るむぎ茶

## RTD Black Tea Market

### ORTD Black Tea Market (growth rate)



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

The basic value of TEAs' TEA "Fresh" series

Using raw materials as they are, without additives

※ No flavoring agents, souring agents, or sweeteners are used.

生! だから、おいしい。HOT

無添加

香料・酸味料  
人工甘味料

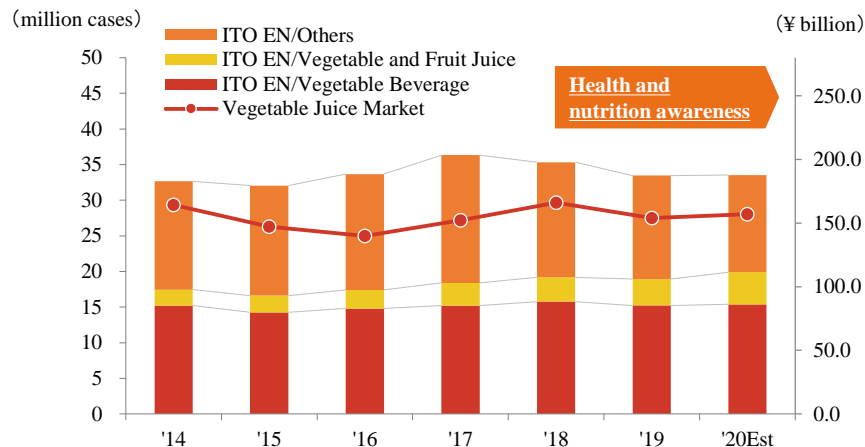
Launched on Oct 5



# Vegetable Juice

## Vegetable Juice Market

### OSales status of vegetable juice



Source: ITOEN Market: Calendar year ITOEN: May to Apr

## Needs for Vegetable Juice Easier nutrition



Two brands with high nutritional value

YoY + 5.8%

\* In total of Ichinichibun no Yasai (A daily worth of vegetables) and Vitamin YASAI (Vitamin vegetables)  
\*2Q (May to Oct, 2020)

Food with nutritional function claims  
(Vitamin E, niacin and biotin)



Food with Function Claims  
(Containing functional ingredients that lowers high blood pressure)

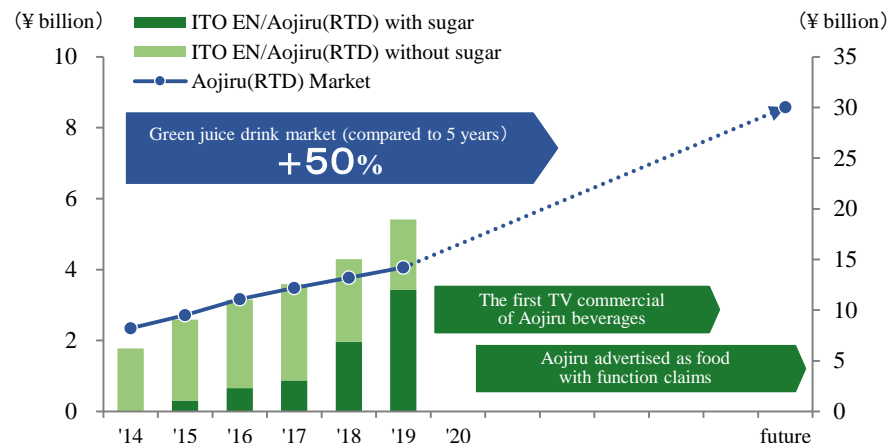


"Shui" - a carrot variety exclusively for ITO EN

Launched on Oct 19

## Aojiru Market (RTD)

### OSales status of Aojiru (RTD)



Source: ITOEN Market: Calendar year ITOEN: May to Apr

## Needs for Aojiru Low calorie, low sugar and nutritional value



Food with Function Claims  
(Containing functional ingredients suppressing a rise in blood sugar level or in neutral fat level)

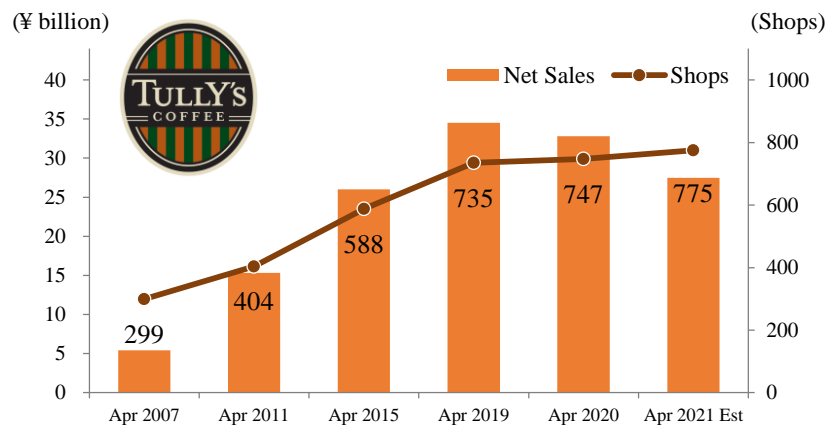
Launched on Jan 18, 2021

Sugar-free Aojiru products YoY + 11%

\*2Q (May to Oct, 2020)

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

### Changes in sales and number of stores



### Sales for first half of FY2020 (May to Oct, 2020)

#### Sales at major locations (YoY)

In urban areas and transport facilities: - 41 %

In suburban areas: - 23 %

\*Year-on-year comparison in actual sales of stores in operation for 15 months or longer, excluding the month of launch

#### Coffee beans sales

YoY +9.1 %

#### Number of customers (Oct, 2020)

YoY -15 %

Reference: Cafe market in total YoY - 25 %

Source: Japan Foodservice Association

Sales composition ratio by location in the previous year

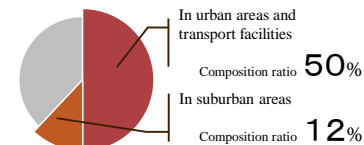


Photo: The outlet in Terminal 3 (for international flights) of Haneda Airport

## Enjoying TULLY'S taste casually at home

- Growing needs for enjoying coffee at home in new lifestyles
- TULLY'S coffee beans carefully selected from production sites around the world prove very popular.



Left : Launched on Sep 11 / 240g / 1,140yen  
"Guatemala Cupping Contest Select"  
Right : Launched on Dec 4 / 200g / 2,300yen  
"Sweet Anaerobic Honduras"

## ITO EN "TULLY'S COFFEE Brand"

### Coffee beverages that achieve shop-level quality



#### Bottle-Can Black Coffee

Share **#.1**



\*INTAGE SRI (Nov 2019 to Oct 2020 / Price base)



# Connect with a local community

## Community-based sales

Unfailingly delivering products to customers all over the country

sales locations nationwide  
(As of May 2020)

**196 bases**



## Support for environmental conservation and improvement activities

Donations for environmental conservation activities and employees' participation in environmental activities



Implemented in all  
the **47** prefectures  
The **10**th in 2020

## Activities for planting cherry trees as a symbol of Japanese culture

Jointly with Japan Cherry Blossom Association



To date, a total of **620** or more  
cherry trees have been planted  
across the country.

(As of Oct 30, 2020)

わたしの街の  
未来の  
**桜**  
プロジェクト

## Vending machines with sanitary considerations



Vending machines with antibacterial stickers  
containing used tea leaves increased.

30,000 units → **60,000 units**

## Activities for raising awareness of tea culture

Organizing Dai-Cha-Kai (demonstration sales and tasting events of green tea), tea seminars and other events across the country

ITO EN TEA TASTERs

**2,289 People**

(As of May 2020)



\*For FY2020, remotely controlled avatars are used.

## Tea-Producing Region Development Project (new tea plantations business & cultivation under contract)

Developing tea-producing regions together with national and  
local governments and business operators

Area of tea plantations

Long-term target

**1,836ha → 2,000ha**

(As of Apr 2020)



## Contribution to local communities through sporting facilities

Introducing artificial turf blended with used tea leaves and other products  
with recycled tea leaves



Rover's Dreamfield (Kisarazu-shi, Chiba Prefecture)

Using tea leaves used for nearly  
**39,000** bottles of Oi Ocha

\*On the assumption of 525 ml PET bottles

Artificial turf with used tea leaves has an effect of  
lowering the rise in surface temperature by up to 7°C  
in comparison with conventional artificial turf made of  
black rubber chips.

## Resolution of social problems in cooperation with local governments

Embarking on actions to address social problems relating  
to cognitive functions



Making good use of Oi Ocha Japanese Green Tea  
with Matcha, a food with functional claims stating  
that its theanine and tea catechins improve the  
accuracy of cognitive functions (specifically,  
attentiveness and judgment)

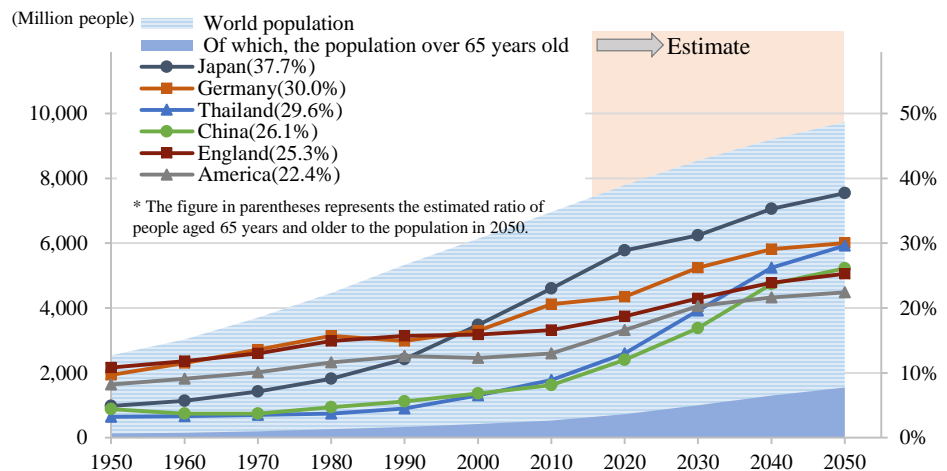


\* Photo: A scene of cognitive function test  
(Hannan-shi, Osaka Prefecture)

# Overseas Business Strategy

## Trends in world population and aging

In 30 years, 16% of the world population, or approximately one in six, will be aged 65 years and older.



## Growing recognition of vegetable juice in China

Launching a flagship shop on Tmall Global, a cross-border e-commerce platform



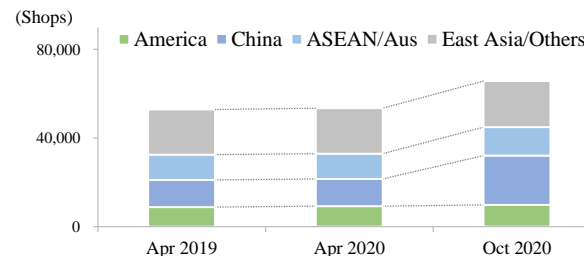
- Outline of the flagship shop
  - ✓ Launched on June 29, 2020
  - ✓ Dealing in vegetable juice and a powder form of Aojiru (Green Juice)
- Live sales promotion using KOLs
  - ✓ Hiring Austin Li, one of China's top-ranked KOLs

※ KOL: Key Opinion Leader

## Sales of green tea products for overseas markets

### Global sales of Oi Ocha (RTD)

Trend in number of overseas stores dealing in Oi Ocha (RTD)



Number of overseas stores dealing in Oi Ocha

Compared to the end of April 2020 **+ 23%**



### At-home consumption on the increase around the world

Total sales of global brands (leaf)

YoY **+ 14%**



### MATCHA GREEN TEA obtains halal certification



Production commenced in October 2020.  
Made in Japan

ITO EN is working to become a corporate group that supports and enriches the lives of all its customers around the world, by contributing to their health

## Corporate sustainability

### • The ITO EN Group medium- to long-term environmental goals set

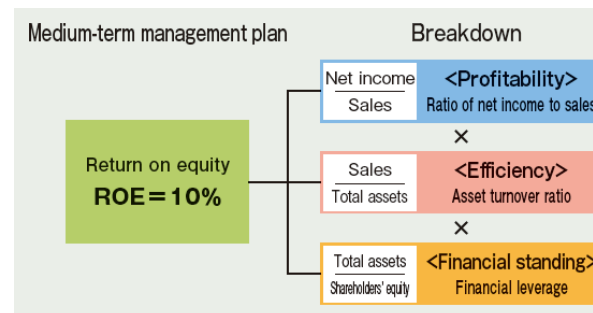
- Initiatives in containers and packages
- Response to climate change \*Refer to page 24

### • High value-added models

- Catechins, theanine and others  
Emphasizing value of tea through products

## Strengthening ROE Management

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



## As an Innovative Health Solutions Company that supports enriched lives



Embarking on education for improving knowledge on cognitive functions and a health promotion program towards the era when many people will live to 100 years old

In cooperation with the initiative for developing dementia supporters, we hold dementia supporter training talks at 196 locations across the country. We carry out mild cognitive impairment (MCI) screening tests to approximately 280 ITO EN employees aged 50 years and older, who are thought to be possibly suffering a decline in cognitive functions, specifically attentiveness and judgment, due to aging. According to the test results, we implement actions for diet improvement using our products.

- Cost cutting through the Tea-Producing Region Development Project and contact cultivation with farmers
- Efficient management of fixed expenses through emphasis on community-based sales system of route sales
- High asset turnover based on fabless method production
- Simultaneous pursuit of maintaining a sound financial standing and stable dividend



# Appendix

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## The ITO EN Group medium-to long-term environmental goals set

### I. Efforts on containers and packages

- Setting a basic policy of three R's, i.e. recycling, reducing, replacing and reusing, plus Clean.
- Striving to increase the ratio of recycled materials, including bio-derived materials, to the materials for PET bottles to 100% by 2030

\* For details, see the next page.



### II. Response to climate change

- Setting CO2 emission reduction targets

Target for FY2030: Reduce Scopes 1 & 2 gross emissions by 26%

Reduce Scope 3 emissions per unit of production by 26%

Target for FY2050: Reduce Scopes 1 & 2 gross emissions by 50%

Reduce Scope 3 emissions per unit of production by 50%

\* All reduction targets above are compared to FY2018.

- Starting climate change analyses concerning tea leaves

- ✓ A rise in tea leaf yield was confirmed although it varies depending on the production site.
- ✓ The analysis found a risk of producing an adverse effect on tea tree growth and quality due to the spread of pests to the north. Operated by ITO EN, the Tea-Producing Region Development Project partly implements active pest control measures.
- ✓ We will continuously conduct these unique and scenario analyses and develop new production sites, cultivation and management methods and technologies in collaboration with tea producing farmers.

\* For details, see ITO EN Integrated Report 2020.



## ITO EN Group Policy on Plastics



### Recycling (circulation of resources)

- We will strive to increase the ratio of recycled and other materials (Including bio-derived materials) to materials for producing PET bottles to 100% by 2030.
- We will step up the use of recycled materials for purposes other than PET bottle production.
- We will carry out activities to increase the recycling ratio in collaboration with governments, industry associations and business partners.



### Reduce (resource-saving)

- We will improve container design and production methods with a view to continuously cutting the weight of containers and packages and reducing their consumption.



### Replace & Reuse

- We will increasingly use bio-derived materials and biodegradable materials.
- We will encourage food and drink businesses to switch to reusable containers.



### Clean (environmental conservation)

- We will encourage sorted collection of plastic waste for effective use of plastic resources, take part in cleanup and other social contribution activities and provide constant support for environmental conservation activities at different locations.



環境配慮型ペットボトル



# Appendix : Corporate sustainability

## ITO EN's unique model of sustainable agriculture: Tea-Producing Region Development Project (Since the 1970s)

### Business policy of Tea-Producing Region Development Project

- Improvement of quality and cost cutting
- Stable management of the tea business and stable supply of raw materials
- Promotion of management of tea fields that coexist with the environment



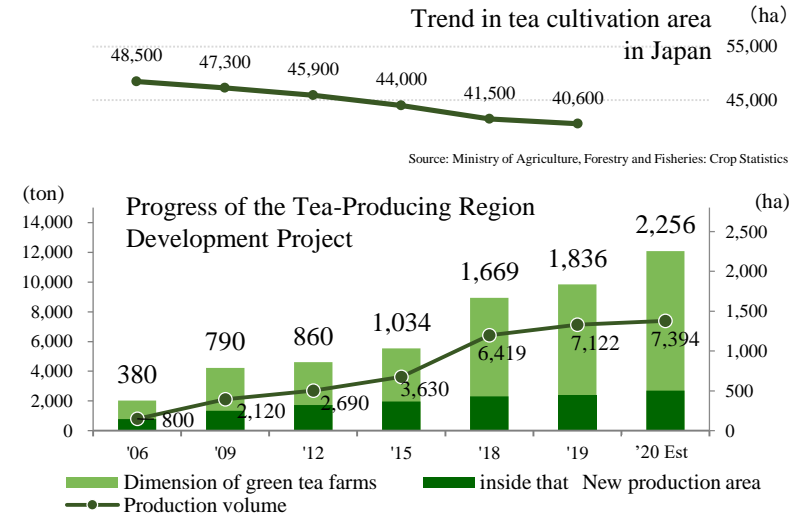
Photo: Creating a 50 ha tea field in the Kitsuki region of Oita Prefecture

### Value provided to farmers

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

### Value provided to society

- Elimination of abandoned farmland (local revitalization)
- Traceability



## Recycling of used tea leaves emitted from the manufacturing process of tea beverages and others into everyday products (Since July 2003)

### Recycling System of Used Tea Leaves

- Technologies that enable used tea leaves to be stored and transported at room temperature while still containing moisture
- Technologies for developing products using used tea leaves that still contain moisture
- Product development utilizing the properties of tea
- Technologies for fixing CO<sub>2</sub> absorbed by tea leaves during growth into products made by recycling used tea leaves

### Process flow of products recycled from used tea leaves



Cultivation



Production



Manufacturing

Annual used tea leaf emissions  
63,200 ton (FY2019 results)



Properties such as the antibacterial and deodorizing effects of used tea leaves (from green tea) are used to create high added-value products.



At least 100 product items recycled from used tea leaves



# Appendix : Related materials

## ITO EN (non-consolidated) Results & forecast by Category

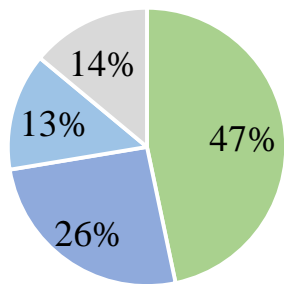
(¥ million)

2Q(6months)	FY 2019	FY 2019		FY 2020	FY 2020	
		Sales Composition	YoY % Change		Sales Composition	YoY % Change
Net Sales	208,881	100.0%	-4.1%	189,522	100.0%	-9.3%
Tea Leaves	16,198	7.8%	-4.2%	16,683	8.8%	3.0%
Drinks	191,043	91.4%	-4.0%	171,619	90.6%	-10.2%
Tea total	124,800	59.7%	-1.2%	112,040	59.1%	-10.2%
Japanese Tea/Healthy Tea	111,325	53.3%	-2.3%	101,532	53.8%	-8.8%
Chinese Tea	9,642	4.6%	5.1%	8,148	4.3%	-15.5%
Black Tea	3,833	1.8%	21.5%	2,360	1.2%	-38.4%
Vegetable	23,347	11.2%	-6.7%	23,555	12.4%	0.9%
Coffee	19,530	9.4%	-8.6%	16,941	8.9%	-13.3%
Mineral Water	5,490	2.6%	-15.7%	4,213	2.2%	-23.3%
Carbonated	7,065	3.4%	-7.1%	5,977	3.2%	-15.4%
Fruit	4,694	2.2%	-17.4%	3,848	2.0%	-18.0%
Others	6,111	2.9%	-6.5%	5,040	2.7%	-17.5%
Others	1,638	0.8%	-9.5%	1,219	0.6%	-25.6%

(¥ million)

Full-year (May to Apr)	FY 2019 Results	FY 2019		FY 2020 Forecast	FY 2020	
		Sales Composition	YoY % Change		Sales Composition	YoY % Change
Net Sales	377,787	100.0%	-4.2%	356,000	100.0%	-5.8%
Tea Leaves	35,269	9.3%	-4.6%	36,142	10.2%	2.5%
Drinks	339,395	89.9%	-4.1%	316,838	89.0%	-6.6%
Tea total	218,142	57.8%	-1.4%	202,790	57.0%	-7.0%
Japanese Tea/Healthy Tea	193,246	51.2%	-2.8%	183,814	51.6%	-4.9%
Chinese Tea	17,219	4.6%	2.6%	14,838	4.2%	-13.8%
Black Tea	7,677	2.0%	34.1%	4,138	1.2%	-46.1%
Vegetable	43,960	11.6%	-3.5%	44,741	12.6%	1.8%
Coffee	36,538	9.7%	-12.5%	33,895	9.5%	-7.2%
Mineral Water	9,396	2.5%	-14.9%	7,547	2.1%	-19.7%
Carbonated	11,175	3.0%	-6.2%	10,101	2.8%	-9.6%
Fruit	8,855	2.3%	-15.3%	7,797	2.2%	-12.0%
Others	11,325	3.0%	-4.9%	9,965	2.8%	-12.0%
Others	3,122	0.8%	-13.4%	3,019	0.8%	-3.3%

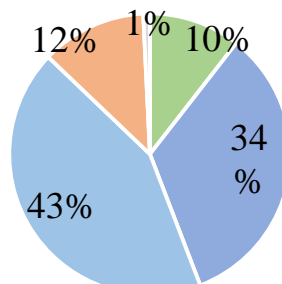
## Sales composition by Channels (Non-Consolidated)



Sales composition

Unit: Price base / May to Dec 2020

## Sales composition by Packaging (Non-Consolidated)



Sales composition

Unit: thousand cases / May to Dec 2020

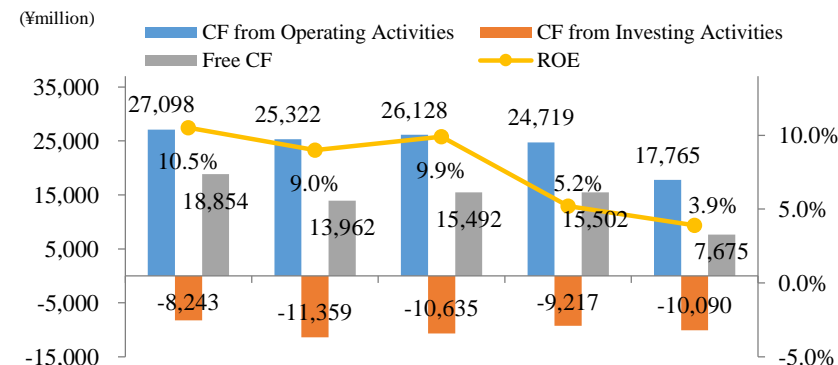
2Q(6months)	FY 2019	FY 2020	FY 2020	
			YOY % Change	Composition ratio YOY
Drink Total	132,368	119,981	-9.4%	-
Cans	12,673	12,626	-0.4%	+0.9pt
PET(large)	42,948	40,374	-6.0%	+1.2pt
PET(small)	60,239	51,539	-14.4%	-2.6pt
Cartons	15,274	14,519	-4.9%	+0.6pt
Others	1,233	923	-25.2%	-0.2pt

# Appendix : Related materials

## Consolidated Balance Sheet (as of October 30, 2019 and 2020)

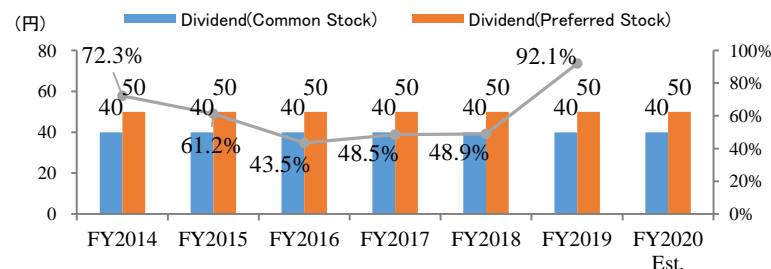
	Oct 2019	Oct 2020	Change
(¥million)			
<b>Current assets</b>	<b>178,974</b>	<b>189,478</b>	<b>10,504</b>
Cash and deposits	63,494	79,074	15,580
Accounts receivable-trade and inventories	103,123	98,501	-4,622
<b>Property, plant and equipment</b>	<b>83,647</b>	<b>81,166</b>	<b>-2,481</b>
Land	22,263	22,138	-125
Leased assets	17,187	13,761	-3,426
Other	44,197	45,267	1,070
<b>Intangible fixed assets</b>	<b>17,374</b>	<b>10,961</b>	<b>-6,413</b>
Goodwill	13,689	7,236	-6,453
<b>Investments and other assets</b>	<b>23,088</b>	<b>22,294</b>	<b>-794</b>
<b>Total assets</b>	<b>303,085</b>	<b>303,900</b>	<b>815</b>
<b>Current liabilities</b>	<b>73,549</b>	<b>73,194</b>	<b>-355</b>
Accounts payable	27,569	26,234	-1,335
Short-term loans payable	2,020	6,732	4,712
Lease obligations	4,457	3,443	-1,014
Income taxes payable	4,969	3,458	-1,511
<b>Non-current liabilities</b>	<b>75,136</b>	<b>78,986</b>	<b>3,850</b>
Corporate bonds	10,000	10,000	-
Long-term loans payable	43,822	48,206	4,384
Lease obligations	6,454	5,435	-1,019
<b>Total liabilities</b>	<b>148,685</b>	<b>152,181</b>	<b>3,496</b>
<b>Net assets</b>	<b>154,399</b>	<b>151,719</b>	<b>-2,680</b>

## Consolidated Cash Flows



(¥ million)	FY2016	FY2017	FY2018	FY2019	FY2020 Est.
Capital Investments	8,135	11,062	10,006	9,990	8,441
Depreciation/Amortization	5,418	6,180	6,735	7,022	7,015
Leased Assets Depr.	7,052	7,042	6,675	6,081	5,420
Lease obligations (Repayment)	-10,361	-8,616	-6,514	-4,679	-3,848

## DPS and total return ratio ,Others



Rating	A+	Equity ratio	10/2019	50.5%
Bond shelf registration(straight bonds)	¥40 billion		10/2020	49.5%



The purpose of the materials you have received is to provide the means for a more thorough understanding of ITO EN and should not necessarily be regarded as a recommendation to invest. Furthermore, the data in these materials is based on what we believe is the most accurate information. However, please understand that even without advance notice, both past data and future forecasts may be revised.