

# ITO EN INTEGRATED REPORT 2021

Fiscal year ending April 30, 2021



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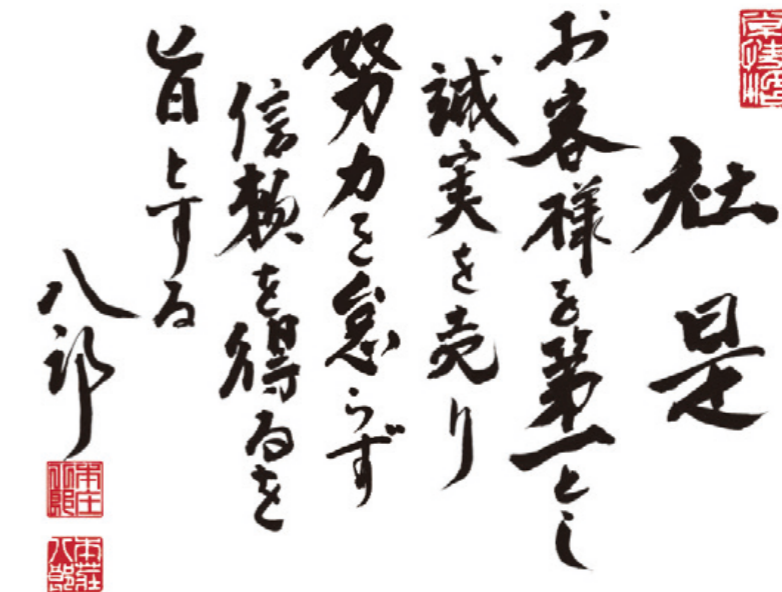
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### Editorial Policy

The ITO EN Integrated Report 2021 is issued as an integrated report, combining our financial and non-financial information in a single document. Additionally, we communicate information from multiple viewpoints via various other reports and websites, to enable all stakeholders to gain a greater understanding of ITO EN and its activities. This report focuses primarily on activities during fiscal 2020 (May 1, 2020 to April 30, 2021), but also includes details of selected ongoing initiatives and more recent activities. The professional affiliations and official positions of the stakeholders introduced in this report are current as of the time of their activities. (Date of publication: February 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. Looking ahead, under this management principle, we will continue working vigorously towards the fulfillment of our long-term vision of becoming a Global Tea Company.

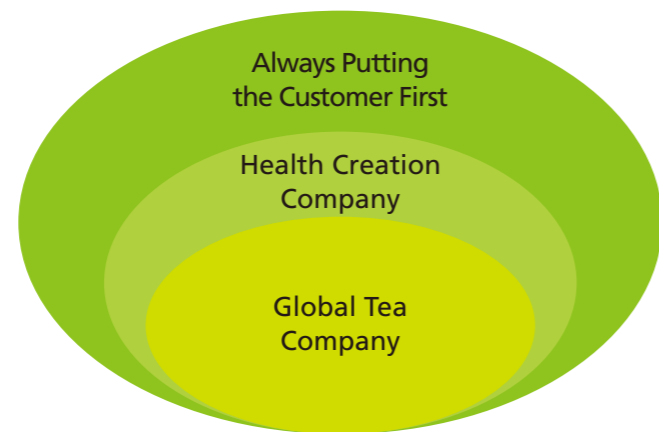
Hachiro Honjo, Chairman of the Board  
 Daisuke Honjo, President and CEO

# ITO EN Group's Management Philosophy

**Basic management concept** ITO EN Group's Management Principle  
**Always Putting the Customer First**  
 Company motto, ITO EN Group Basic Code

**Mission in society** ITO EN Group Mission  
**Health Creation Company**  
 Contributing to the realization of healthy and prosperous lives for our customers and a sustainable society through products derived from nature and sincere services

**Aiming for the medium-to long-term** Medium- to Long-Term Vision  
**Global Tea Company**  
 Contributing to the health of customers around the world, the corporate group "ITO EN" supports the enriched lifestyle of each and every person



Thoughts for realizing the mission and vision

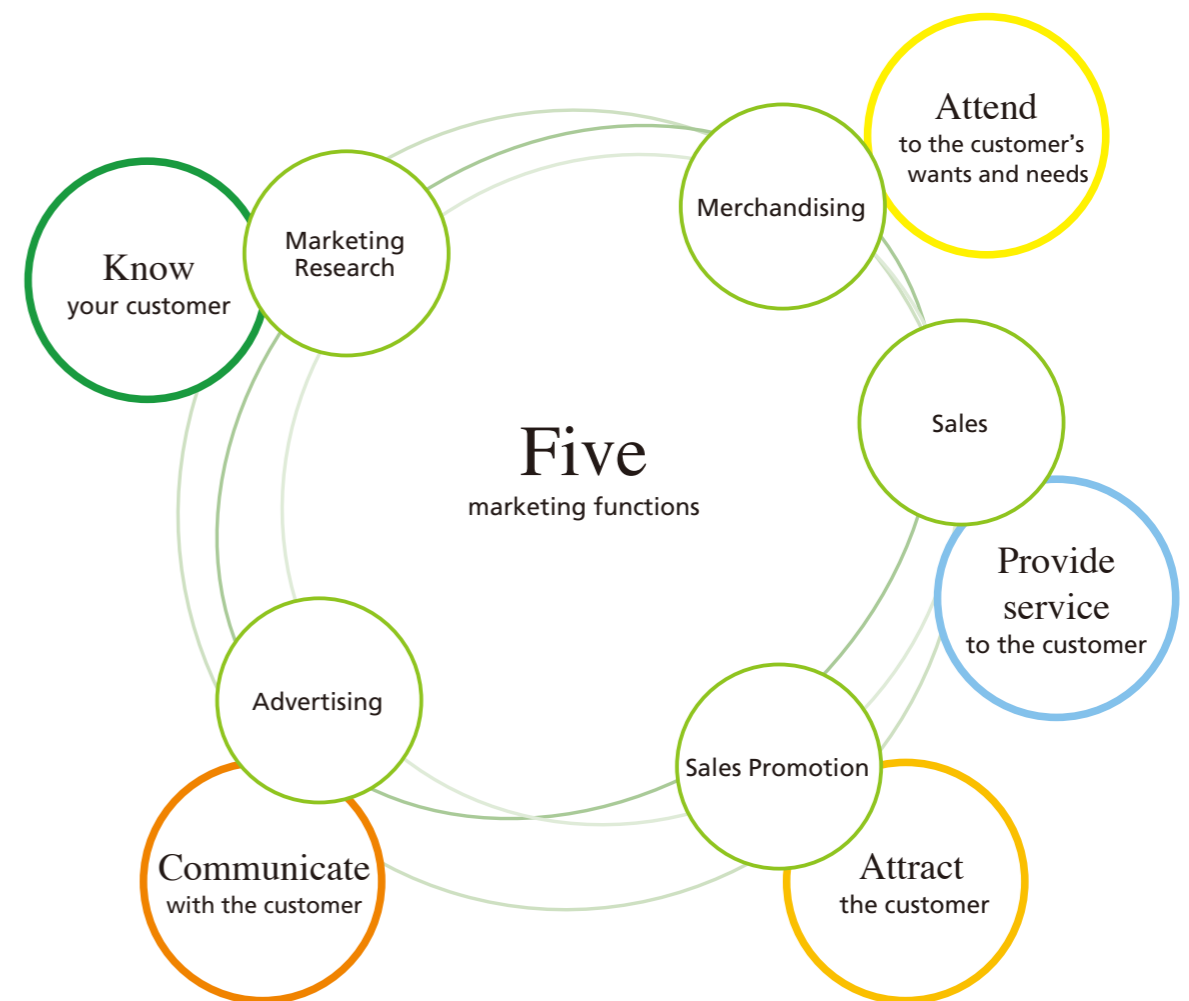
## The spirit of "STILL NOW"

5 Concepts for Product Development  
 (Natural, Healthy, Safe, Well-designed, Delicious)

〈Code of Conduct〉  
 ITO EN Group Code of Conduct, ITO EN Group Standard of Conduct  
 ITO EN Group CSR Charter Environmental Policy  
 ITO EN Group CSR Charter Human Rights Policy

# "Always Putting the Customer First" Becoming a "Global Tea Company"

All employees unite as "Team ITO EN" to pursue our management principle of "Always Putting the Customer First." At ITO EN, in order to implement effective marketing, we have prepared the following interpretation of the mechanism for making a sale, which we instill in our employees.



The spirit of  
**"STILL NOW"**

We are constantly considering the problem of "what customers are still now dissatisfied with..." and contribute to solving their requests and dissatisfactions.  
 We are actively working to solve social and environmental issues through our core businesses, including products and services.



## Quality, healthy lifestyles and a commitment to social responsibilities underpin the growth of the ITO EN Group.



President and CEO  
**Daisuke Honjo**

### Overview of the Past Fiscal Year ~Challenging market conditions created new opportunities for ITO EN

I would like to begin this year's message with my condolences to everyone who lost family members or friends due to the pandemic and my sincere wish for a speedy recovery of everyone currently infected with the coronavirus. I also want to express my sincere respect and appreciation for the hard work of healthcare professionals and others who are treating people and fighting this crisis.

The pandemic has dramatically altered the economy, society and our values. Many people have shifted to new life styles in order to live with the pandemic, such

as by restricting outings and working from home.

The past fiscal year was a difficult period for Japan's beverage industry as the pandemic along with record-setting rain and flooding reduced total beverage sales in 2020 by 9% compared with 2019 sales. At the ITO EN Group, sales decreased 7.7% to ¥446,281 million in the fiscal year that ended in April 30, 2021.

Market conditions pose challenges for us but also create new opportunities. As people spend more time at home, the number of people, including young people, who make Japanese tea at home is increasing.

This is an extremely positive trend for the ITO EN Group as well as the entire Japanese tea industry. In fact, tea bags and other leaf tea products are one of our best performing product categories. We are also posting strong sales of products for healthy living as the interest in staying healthy increases in Japan. For example, *Oi Ocha Koicha* and other functional food products are selling very well.

### A New Medium-to Long-term Management Plan

The impact of the pandemic on our sales and earnings has forced us to take another look at the goals of our current management plan, which covers the five-year period ending in April 2022. The business climate today is much different from our outlook when we announced this plan in June 2017. As a result, we must revise our goals and strategies. We are working on a new medium-to long-term management plan to be announced in June 2022. This plan will incorporate our outlook for negative effects of the pandemic to continue during the first half of the fiscal year ending in April 2022 and then begin to taper off slowly in the second half.

The ITO EN Group must accomplish two important goals: make our core brands even more powerful and speed up our growth outside Japan. As Japan's population declines, the beverage market is maturing and undergoing fundamental changes. For instance, tea and other unsweetened beverages now have a market share of more than 50%. We want to raise the market shares of our four core brands: *Oi Ocha*, *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea), *Tully's Coffee*, and *Ichinichibun no Yasai* (A Day's Worth of Vegetables). The targets are market-leading positions by a wide margin for these brands.

Continuing to increase sales of *Jujitsu Yasai* (vegetable/fruit juice) and *Mainichi Ippai no Aojiru* (one glass of barley grass green juice a day) are also goals of ours as a growing number of consumers in Japan seek products that are healthy and authentic.

Operations that encompass beverages and tea leaf products are a major strength of the ITO EN Group. For example, we sell *Oi Ocha* and *Kenko Mineral Mugicha* as bottled and canned beverages as well as tea bags and a variety of other tea leaf products. Selling Tully's Coffee beverages in bottles and cans generates synergies with the 764 "Tully Coffee" specialty coffee shops. Going one more step, we launched a drip coffee product in June 2021 that is easy to prepare. We will continue to leverage these strengths to make our branding activities even stronger.

The ITO EN Group has operations outside Japan mainly in North America, China, Southeast Asia and Australia. In the United States, the green tea leaf market is growing at an annual rate of about 4% and sales of ITO EN tea leaf products are increasing at an annual rate of about 6%. In addition, sales of our *Oi Ocha* beverages and global branded *MATCHA GREEN TEA* teabag products are consistently strong outside Japan. We will expand the Japanese tea market overseas by making more people aware of the aroma, umami and vivid color of high quality "Japanese tea," and by taking advantage of the opportunities presented by the increased health consciousness among people worldwide.

### An Uncompromising Commitment to Quality

Based on the ITO EN Group's philosophy of "Always Putting the Customer First," we are constantly focusing our attention on issues we call "STILL NOW," which means seeking what customers are still now dissatisfied with. Furthermore, we are always developing products that will satisfy our customers by prioritizing five themes: natural, healthy, safe, well-designed, and delicious. We are also dedicated to providing services closely linked to our customers' needs. About 75% of the beverages we sell are unsweetened, including the core *Oi Ocha* brand and other key brands such as *Kenko Mineral Mugicha* and *Tully's Coffee*. A commitment to technologies which maintain quality

to produce outstanding unsweetened products that retain all of the richness and flavors of tea and other ingredients is one of our greatest strengths. This mindset has defined the ITO EN Group since the beginning of our operations as a tea store in 1966. One result of this resolute commitment was the 1980 launch of canned oolong tea, the world's first unsweetened tea beverage. This was the beginning of our beverage business. Today, we carry on this spirit of using innovative technologies and the creation of new types of flavorful unsweetened products. Furthermore, a resolute commitment to quality is paramount throughout the ITO EN Group, such as at Tully's Coffee Japan Co., Ltd., and Chichiyasu, K.K. and all overseas group companies. This dedication gives us a competitive edge that other companies cannot match. I believe that the high market shares of our tea beverages, tea leaf products and other major products are the direct result of these strengths of our group.



## Our Mission as the World's Leading Tea Company

Increasing demand for authentic products is another result of customers' new life styles and growing interest in healthy living. One trend we can see is a return to making tea at home using a tea pot. To continue growing, the ITO EN Group needs to further appeal the authenticity of Japanese tea and further enlarge the Japanese tea market.

The ITO EN Tea Producing Region Development Project is a framework for working with tea farmers for

the production of quality tea leaves used in our tea leaf and beverage products. This innovative project has the dual goals of solving problems involving agriculture in Japan and ensuring a reliable supply of tea leaves. In addition, we operate a new type of specialty tea stores for the purpose of reinforcing the public's perception of the value of Japanese tea. The stores are also a link between tea farmers and consumers. The stores are Nihombashi *Wa-no-Cha ITO EN* in central Tokyo and *ocha room ashita ITO EN* in Tokyo's trendy and vibrant Shibuya district. To increase the number of Japanese tea fans, the stores raise awareness of the delicious flavors of Japanese tea and are sources of information about tea, including its appeal and culture as well as other knowledge.

ITO EN has succeeded at creating a culture of enjoying sugar-free tea beverages by developing products with origins in Japan's culture of tea along with qualities that reflect the preferences of today's consumers. As the pandemic dramatically alters the lives of people worldwide, I believe that the mission of the ITO EN Group as the world's preeminent tea company is to be a constant source of new ideas for tea and other products that contribute to good health.

## Supporting the Sustained Progress of Agriculture

Demand for green tea beverages and green tea leaf products has been climbing steadily for many years.

However, land used for growing green tea, the amount of green tea produced and agricultural workers for green tea are all slowly declining year after year. As a buyer of about one-fourth of Japan's green tea production ITO EN have been conducting the Tea Producing Region Development Project since 1976. The purposes are ensuring a reliable supply of high-quality ingredients for our products and of helping solve various issues in Japan's agricultural sector. The project has two elements. One is contract growing, in which we purchase all of the green tea leaves produced by farmers participating in the project. The other is creating new land for growing green tea, such as by utilizing abandoned farmland to establish large tea fields. We started the farmland project in 2001 mainly in Kyushu and in 2020 extended these activities to Shizuoka prefecture. As of April 2021, this project has added 2,207 hectares of green tea fields, well above our original target of 2,000. Enlarging the cultivation of green tea also has the benefits of supporting the sustainable growth of green tea production in Japan, finding successors for the many farmers who are retiring, and dealing with the social problem of abandoned and unused farmland.

We also use knowledge acquired from the Tea Producing Region Development Project to use contract farming for the production of vegetables for our vegetable juice products. In addition, we participate in the Nippon Support Project that was started by Japan Agricultural Cooperatives as a new way to support

agriculture in Japan. In June 2021, we jointly launched the Nippon Support Miyazaki Prefecture Grown Hyuga Summer project and started sales activities of jointly developed products. I want ITO EN to continue to play a role as a link between farmers and consumers in Japan in order to raise the awareness and sales of Japan's agricultural products.

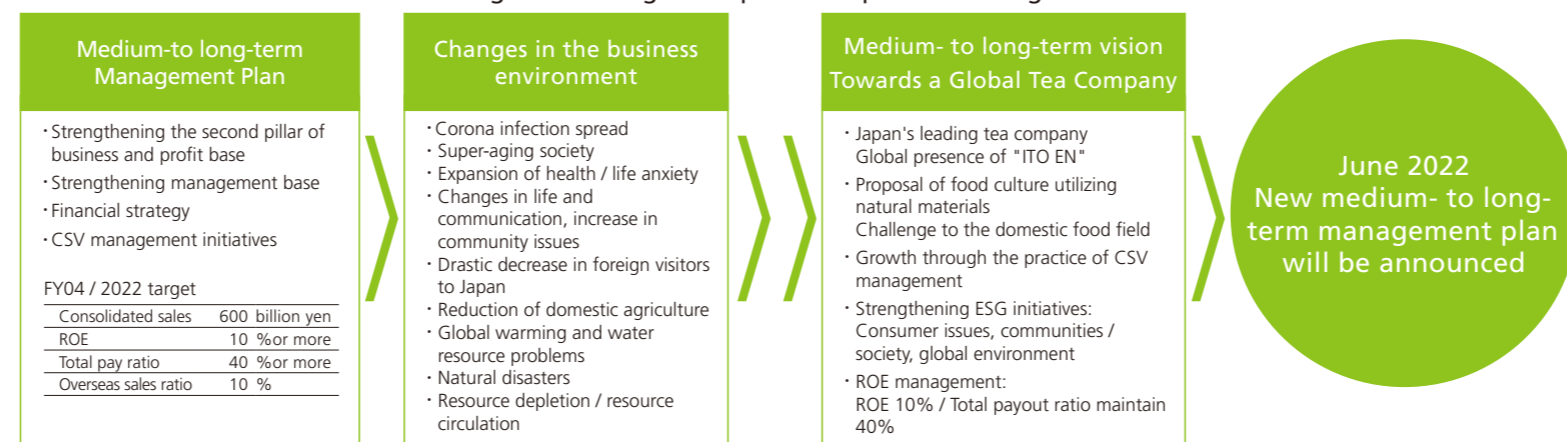


## Environmental Activities

In 2020, we established the ITO EN Group Medium- to long-term Environmental Goals, which include goals related with climate change and water resources, and initiative for containers and packaging. We are making steady progress in all these areas while taking into account various changes affecting our initiatives. Plastic trash in the world's oceans and the need to recycle containers and packaging are two urgent issues directly linked to the primary business operations of the ITO EN Group and the entire beverage industry.

We have established the goal of using only PET plastic bottles made entirely of recycled materials by 2030 throughout our group. We plan to accomplish this switch to 100% recycled materials for PET plastic bottles even earlier for our core *Oi Ocha* brand, which has an annual sales volume of more than 80 million cases. For this brand, our target is 2025. Our environmental activities also include the sale of products with biodegradable ECO straws made of plant-based materials. Overall, we plan to step up the pace of a broad range of environmental initiatives in accordance with the ITO EN Group Policy on Plastics. (see page 46)

## Formulation of the next medium- to long-term management plan in response to changes in the business environment





To combat climate change, we have many activities for lowering the CO<sub>2</sub> emissions of our business operations. Furthermore, climate change is a significant threat to our group because of the impact on the quality and yield of tea leaves and the yield amount. We are using various scenarios to study this threat. Our ability to continue to grow will depend on our actions related with environmental problems. This is why I view environmental programs, activities concerning human rights and all other ESG activities as the basis for the growth of the ITO EN Group.

### A Health Creation Company for the Benefit of Our Customers

The ITO EN Group is making steady progress toward our goal of being a Health Creation Company that contributes to the good health and fulfilling lives for people globally. Green tea, our original business, has been recognized as a health beverage for centuries. As a supplier of many healthy products, we have the resources and strengths to achieve our goal. Scientific studies have demonstrated that theanine, one component of the flavors of green tea, helps people relax and improves sleep. In addition, catechins, the major component of green tea's astringency, is an antioxidant that is known to provide protection against lifestyle diseases.

Collaboration with companies in other industries is another way that we are using tea to contribute to the health of people around the world and helping them enjoy fulfilling lives. One aspect of this cooperation is research concerning the link between Japanese tea and good health. For example, ITO EN, Shimadzu Corporation and MCBI (Molecular and Clinical Bioinformatics) Inc., a start-up company originating at Tsukuba University, conducted clinical tests to assess the ability of Matcha consumption to reduce the decline in cognitive functions. In December 2020, we started selling *Oi Ocha Omatcha*, a beverage designated as a food product with functional claims, that may increase the accuracy of cognitive functions

(alertness and ability to make decisions). We also launched *Oi Ocha O-Matcha Powder*. In 2021, we established a business alliance with Eisai Co., Ltd. for activities that contribute to enabling people to lead long and healthy lives.

We sell a diverse lineup of products created by using our unparalleled Japanese tea expertise in order to help our customers stay healthy. One example is *Oi Ocha Koicha*, a food product with functional claims concerning the reduction of body fat. This product contains catechin gallate and is popular due to its good taste and value as a health food. In March 2021, we started selling the *Oi Ocha, First Picking* series of tea leaves with the functional food claim of reducing body fat in people with a high BMI (Body Mass Index) due to the benefits of catechin gallate. As a Health Creation Company, we will continue our R&D programs involving tea and other products for a healthy life. We are also dedicated to making people aware of the value of Japanese tea and to helping the people of the ITO EN Group and their families enjoy long and healthy lives.

Our corporate logo is based on a four-leaf clover. This design dates back to the founding of our predecessor company Nihon Family Service Co., Ltd. and embodies our wish for the happiness of our employees and their families. I want the ITO EN Group to be an organization where everyone is happy and proud to be a member of and where customers desire enjoying ITO EN products. Our goal is more growth as a highly trustworthy organization as we establish a position as the world's preeminent tea company.

President and CEO

*Daisuke Honjo*

## Expectations and Challenges toward Health Creation Company



Outside Director  
Yutaka Tanaka

Outside Director  
Hideo Takano

President and CEO  
Daisuke Honjo

**Takano** I was elected an outside director at the July 2020 shareholders meeting. Since outings were restricted due to the pandemic, I had many opportunities to talk about ITO EN at home. I realized that almost all of the company's products have health benefits. At board meetings, I saw that the company has a strong commitment to all stakeholders in addition to activities for earnings profits. Most of all, I am impressed with ITO EN's dedication to helping people stay healthy.

**Tanaka** For a long time, I was one of the many consumers who enjoyed ITO EN's tea products. Now I am seeing the company from the inside. I believe the company's operations use the perspective of consumers, such as the development of packaging. In addition, this is a company that takes very good care

of its employees. I think a key issue for ITO EN now is taking actions for growth on a global scale, while fulfilling a broad range of social responsibilities.

**Honjo** Your statements demonstrate that outside directors can use an objective view of ITO EN to see aspects of our operations that we often aren't aware of from inside the company. These views must be incorporated in the company's management. I have known Mr. Tanaka for about 20 years. He has given me many suggestions with his third-party perspective. Since 2020, he has been providing this knowledge as an outside director. His input includes subjects outside his field of specialty. All of his opinions are from a fresh standpoint from the perspective of people like us who have worked at numerous departments of ITO EN for many years.

## Focusing on quality and healthy products to become a “Global Tea Company”

**Takano** 「Progress in terms of the company’s infrastructure and products as well as its workforce will be needed for growth as a Health Creation Company. For the infrastructure, the functions of the Central Research Institute need to be further upgraded and research using collaboration with the academic sector and other cooperation are needed. I want ITO EN to sell more types of beverages with health benefits based on data. For the workforce, I want to see more investments involving employees’ health. In May 2021, ITO EN released the ITO EN Group Health Management Declaration. As stated in this declaration, success in today’s business climate requires sound physical and mental health for everyone at our group. People must be aware of the need for well-being with regard to society too.



**Honjo** Creating jobs is the primary social contribution of companies. All companies depend on their people. Companies that give people pleasant workplace environments will grow and achieve progress in other ways. More than ever before, companies must take actions that have a positive physical and mental influence on their employees. For industry-academic collaboration, ITO EN is working with MCBI, a start-up company originated at Tsukuba University, and Shimadzu Corporation for research concerning more ways to use Matcha to improve cognitive functions. ITO EN started as a tea company and should once again reaffirm its corporate identity as a tea company. We are not merely a producer of beverages. My goal is to make ITO EN an organization capable of supplying tea leaf products, beverages and many other products utilizing ingredients derived from tea throughout the world and, of course, in Japan.. This is my thinking as we work on creating our next medium-to long-term management plan. The quality of our products is central to all of our activities. We want our customers to enjoy our products. We also want to focus on making products that help people stay healthy. The ability to accomplish all of these goals is key to ITO EN’s strength.

**Takano** Japanese tea has always been associated with relaxing or taking a short rest. Taking a break like

this is a small source of happiness. Today, with more tension and confusion in the world than ever, I think ITO EN’s tea products can help people be happy. This is why I think that ITO EN should work even harder on making people aware of the happiness that comes from enjoying Japanese tea in a variety of places.

**Tanaka** Different generations of people have different perceptions of staying healthy. ITO EN must have a thorough understanding of these differences. The same is true for overseas markets. As people become more interested in healthy life styles, I think we will see clear trends in health-related actions emerge, such as moves by some countries to impose a tax on high sugar products. ITO EN aims to be a Global Tea Company. This is a big dream that will entail conducting business while supplying products like unsweetened tea beverages that are appealing to health-conscious people.

**Honjo** No company other than ITO EN can aim to become a Global Tea Company. To accomplish this goal, our mission is to give people worldwide an understanding of Japan’s culture of food and tea. Only ITO EN can develop all types of products that are derived from tea; we must continue to create these products. In recent years, Japanese food has become increasingly popular in Europe and Asia. We will make efforts to increase sales of Japanese tea as more people enjoy Japanese food.

**Tanaka** ITO EN needs to decide how to divide the keyword of health among different categories of products. The benefits of Japanese tea have been known for a long time.



Are these benefits for all aspects of one’s health? Or are they for specific problems like body fat and cognitive functions? This is the spirit of “STILL NOW,” which means seeking what customers are still now dissatisfied with. I think ITO EN must target demand as much as possible, while always keeping in mind what customers are looking for.

**Takano** To become a Global Tea Company, ITO EN is supplying flavorful beverages and making people

aware of the Japanese culture of tea while meeting demand worldwide for healthy products. Now ITO EN must decide how to use these strengths and market trends to increase the value of the ITO EN brand and heighten the company’s profile in many markets. Furthermore, focusing on the theme of health creation will make employees of the ITO EN Group aware that they are working at an organization that is more than supplier of beverages. The group is making contributions to solving social problems, especially issues involving health. Pride in belonging to our group will increase the motivation of everyone to realize their full potential.

**Honjo** The pandemic of COVID-19 coronavirus has made people more health conscious. But we are

## A Highly Distinctive Company Capable of Sustained Progress

**Honjo** ITO EN aims to become a company that is successful for more than 100 years. In the beverage industry, there are social issues involving the materials used, particularly concerning plastic marine debris. There is an urgent need for environmental measures in order to achieve sustainable growth and I plan to raise the speed of adoption these measures. In addition, our goal at ITO EN is to supply products with quality and flavors that are far above even the high levels of the beverage industry. We aim to be a distinctive company that is unlike any other and that no one can imitate or catch up to.

**Tanaka** Companies have numerous types of social responsibilities. As ITO EN aims to become a Global Tea Company, what measures are needed regarding these responsibilities? I think ITO EN must take many actions to firmly establish its product brands and the corporate brand. Consumers should trust these brands and know they can buy ITO EN products with confidence. Furthermore, ITO EN should supply more information about its initiatives to address social and environmental issues overseas. Many people want to know what ITO EN is doing about the Sustainable Development Goals (SDGs).. Making these kinds of people supporters of ITO EN will contribute to making us an organization that can remain successful for 100 and even 200 years.

**Takano** The entire ITO EN Group needs to be focused on the goals of becoming a viable company for the next 100 years and being a distinctive company

not a pharmaceutical company. What we do is to develop products that taste good and are good for your health. We must constantly meet the health-related needs of people by creating products that they can consume frequently. Almost all of the ingredients used in our products are natural, such as tea, barley, coffee beans and vegetables. We supply products after carefully selecting the ingredients, and taking other actions to confirm that the ingredients that people eat and drink are good for their health. Despite the challenges posed by the pandemic, I think this is a period of new opportunities for us.



like no other. I am confident that we can accomplish these goals. As Mr. Tanaka said, as a multitude of changes take place in the business climate, we have high expectations concerning the “Always Putting the Customer First” philosophy, which underpins the power of ITO EN’s management and all activities of the group. Environmental issues are not simply problems involving consumers or companies. People are worried about these issues from their respective standpoints. Solving these issues will require dialogues with all categories of stakeholders. Route salespeople are the front line of ITO EN’s interaction with customers, and these salespeople are also playing an important role regarding environmental issues, which is a major underlying strength of ours.

**Honjo** I agree with Mr. Takano. The ITO EN route sales system allows our salespeople nationwide to visit our customers and talk with them. They deliver merchandise and collect feedback directly from customers. These activities also help ITO EN deal with environmental issues and to supply products with outstanding quality and flavors.

We will continue to place importance on dialogues with our customers and all categories of our stakeholders. Our goal is to differentiate ourselves from competitors by operating as a Health Creation Company with distinctive strengths that no other company can match. I also believe that aiming for this goal is at the heart of ITO EN’s value and significance as a member of society.



# Using experience and achievements to advance to the next stage ITO EN Group—A History of Accumulated Product Development

Net sales  
FY4, 2021  
446.2 billion yen

In 1984, ITO EN invented the world's first green tea beverage—canned Sencha (green tea)—ahead of other firms in the industry, and began developing the green tea beverage market. Since then we have developed numerous world and industry first technologies and delivered a steady stream of innovative products, including the launch of the *Oi Ocha* brand in 1989, which is now consumed in more than 30 countries around the world. Today, working under our management principle of "Always Putting the Customer First,"

based on our product development concepts of "natural," "healthy," "safe," "well-designed" and "delicious," and as a "Health Creation Company," we aim to be a "Global Tea Company" that supports the enriched lifestyles that contribute to the "health" of customers around the world. We have worked to establish our position—primarily in Japan—as a comprehensive beverage manufacturer, producing both tea leaves and tea beverages, and are working as a Group to achieve sustainable growth by strengthening our brands and creating synergies.



1966  
launched packaged green tea



1980  
Launched canned oolong tea



1985  
Launched canned Sencha (green tea)



1989  
Launched the *Oi Ocha* brand



1990  
Launched green tea in PET plastic bottle.



1996  
Launched the current mainstream-sized (500 ml) PET plastic bottle product.



2000  
Launched products in heated PET plastic bottle.



2019  
*Oi Ocha* using microwaveable PET plastic bottle



2019, 2020  
Foods with functional claims of *Oi Ocha* brand

In 1966, established Frontier Tea Corporation, ITO EN's predecessor.

In 1969, changed the Company's name to ITO EN, LTD.

### Create and develop the unsweetened tea beverage market

In 1980, launched the world's first canned oolong tea.  
In 1985, launched the world's first canned Sencha (green tea).  
In 1989, launched the *Oi Ocha* brand.

### Create new drinking opportunities to enjoy tea

In 1990, launched green tea in PET plastic bottle.  
In 1996, launched 500ml PET plastic bottle product.  
In 2000, launched products in heated PET plastic bottle.

### Promotion of container resource recycling

In 2019, *Oi Ocha* using microwaveable 345ml PET plastic bottle, and using 100% recyclable PET plastic bottle.  
In 2020, set a goal to increase the ratio of recycled materials (including biological sources) used in PET bottles to 100% by 2030.

### Providing the health value of tea through products

In 2019, launched *Oi Ocha*, a food with functional claims, that reduces body fat  
In 2020, launched *Oi Ocha*, a food with functional claims that enhances the accuracy of cognitive function through the theanine and tea ingredients.



1986  
Launched National Land Vegetable



1992  
Launched *Jujitsu Yasai* (vegetable and fruit mix juice)



2002  
Launched *Kenko Mineral Mugicha*



2004  
Launched *Ichinichibun no Yasai*

### Creation of vegetable drink market

Launched carrot-based vegetable drinks when tomato-based vegetable drinks were the mainstream.  
In 1986, launched National Land vegetable in 1992, launched *Ichinichibun no Yasai* in 2004.

### Leading the barley tea market

In 1988 and 2002, launched canned barley tea, and *Kenko Mineral Mugicha*, respectively.



2007  
Launched TULLY'S COFFEE BARISTA'S SPECIAL



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



2011  
Launched Chichiyasu brand products



2012  
Launched *Mainichi-ippai no Aojiru*



2015  
Launched *MATCHA GREEN TEA* as global brand

### Brand development linked to "Tully's Coffee" shops

In 2006, Tully's Coffee Japan became a consolidated subsidiary and launched chilled coffee beverages, and in 2009 launched the first canned coffee under the Tully's Coffee brand.

### Developing Chichiyasu brand products

In 2011, Chichiyasu became a consolidated subsidiary and launched the Chichiyasu brand product *Asa no Yoo*.

### Developing global brand products for overseas markets

In 2015, launched global brand tea bag *ITO EN MATCHA GREEN TEA*.

### Leading Aojiru (barley grass green juice) market

In 2012 and 2018, launched *Mainichi-ippai no Aojiru* paper pack, and PET plastic bottle respectively.

1960

1970

1980

1990

2000

2010

2015

2020

## ITO EN Group History

Aug. 1966 Established Frontier Tea Corporation, ITO EN's predecessor, in Shizuoka-shi, Shizuoka.  
May 1969 Changed the Company's name to ITO EN, LTD.  
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.  
May 1974 Constructed Shizuoka Sagara Factory at Sagaracho, Haibara-gun (now Makinohara-shi), Shizuoka.  
Jun. 1979 Signed a distribution 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, and began selling oolong tea.

Jul. 1987 Established ITO EN (USA) INC. in Hawaii, USA  
May 1992 Listed its stock on the over-the-counter market.  
Sep. 1994 Established ITO EN AUSTRALIA PTY. LIMITED in Australia.  
Sep. 1996 Became a listed company on the Second Section of the Tokyo Stock Exchange.  
Oct. 1998 Stock advanced to the First Section of the Tokyo Stock Exchange.  
May 2001 Established ITO EN (North America) INC. in New York, USA.  
Oct. 2004 Built a new crude tea leaf plant and commenced production at ITO EN Australia PTY. LIMITED.

Jun. 2006 Obtained shares of Mason Distributors, Inc. (based in Florida, USA), which engages in the nutritional supplement business.  
Oct. 2006 Obtained shares of FoodX Globe Co., Ltd. (now Tully's Coffee Japan Co., Ltd.), which operates the Tully's Coffee chain.  
Sep. 2007 Stock listed as Class 1 preferred stock on the First Section of the Tokyo Stock Exchange.  
Mar. 2008 Concluded an exclusive distributor contract for the sale of Evian natural mineral water in Japan with the DANONE Group (headquartered in France).  
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 WHOLESAL 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 specialized 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 for ITO EN Tea Taster, as the first in-house business skill test to be certified after the 2016 certification system revision.  
Jun. 2018 Agreement reached to conduct clinical trials to validate the effectiveness of matcha in preventing dementia, in association with Shimadzu Corporation and MCBI (Molecular and Clinical Bioinformatics) Inc.

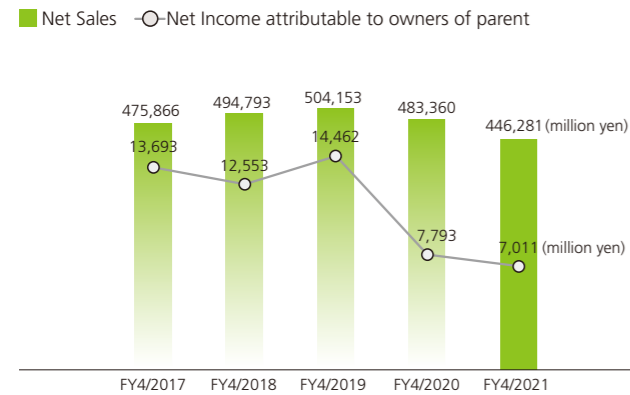
Feb. 2021 Guinness World Records certified the *Oi Ocha* brand for the third consecutive year as the natural- and healthy unsweetened ready-to-drink (RTD) green tea beverage sales (January–December 2020, actual results)  
May, 2021 Business alliance agreement with Eisai Co., Ltd. regarding coexistence and prevention of dementia.



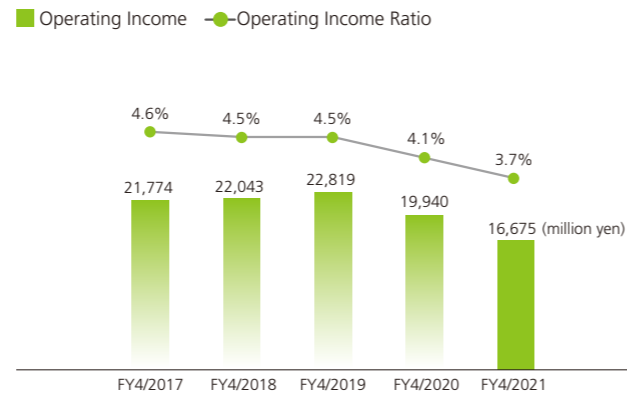


## Financial Data (excluding Non-consolidated Sales by Channel)

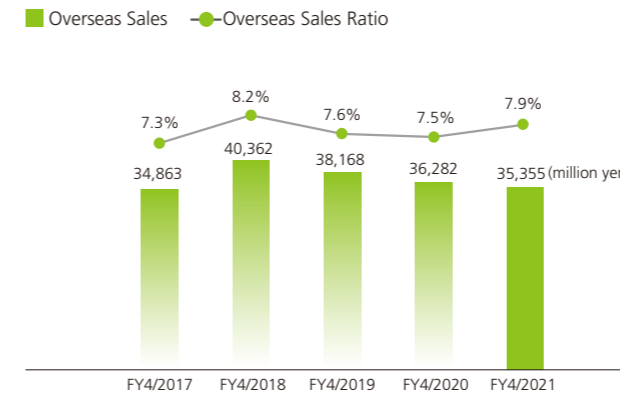
Net Sales and Net Income attributable to owners of parent



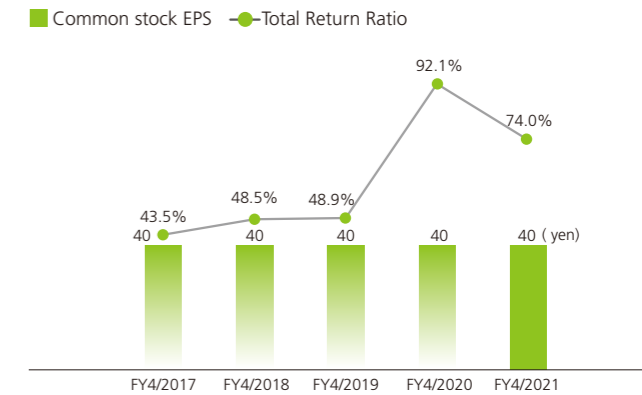
Operating Income and Operating Income Ratio



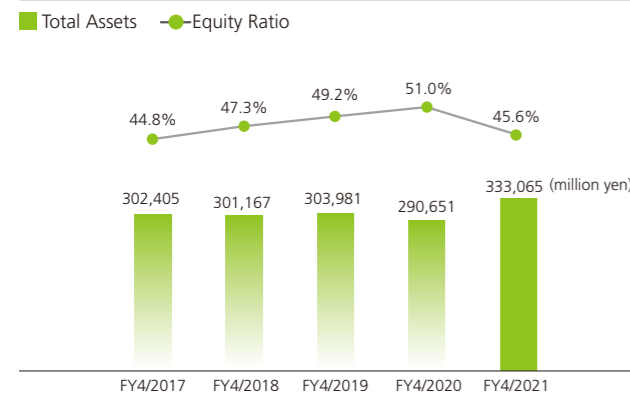
Overseas Sales and Overseas Sales Ratio



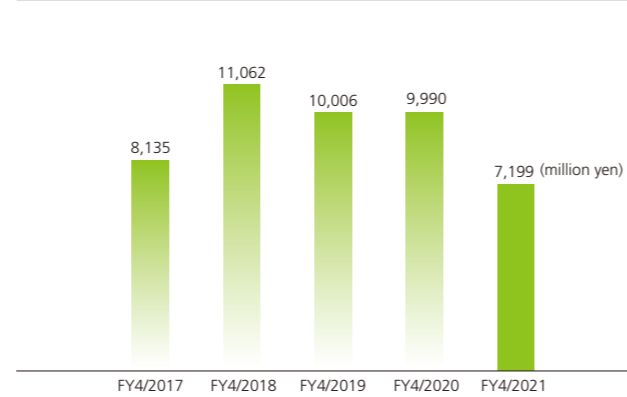
Common stock EPS and Total Return Ratio



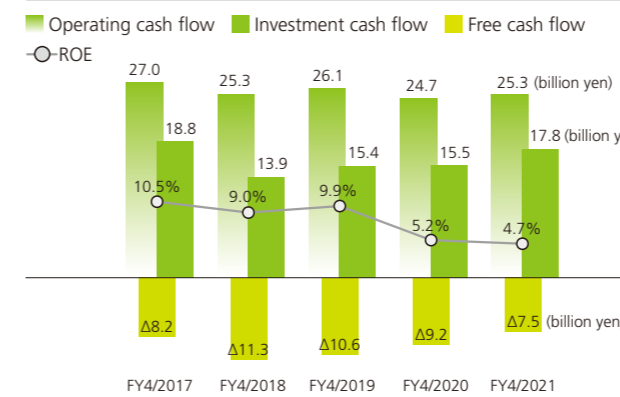
Total Assets and Equity Ratio



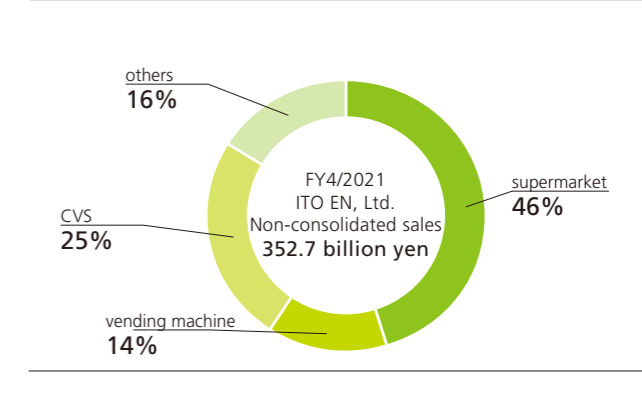
Capital Investment



Cash Flows

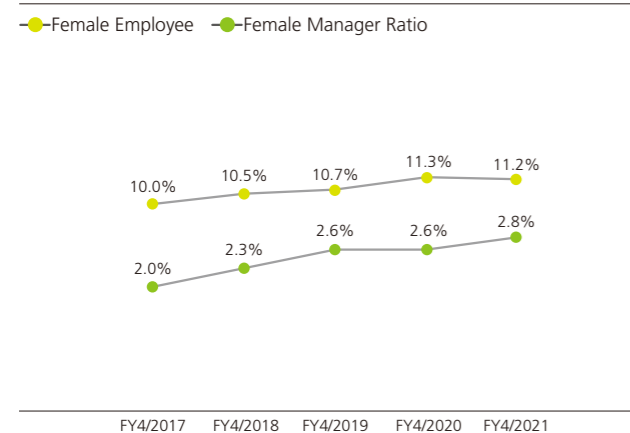


Non-consolidated Sales by Channel

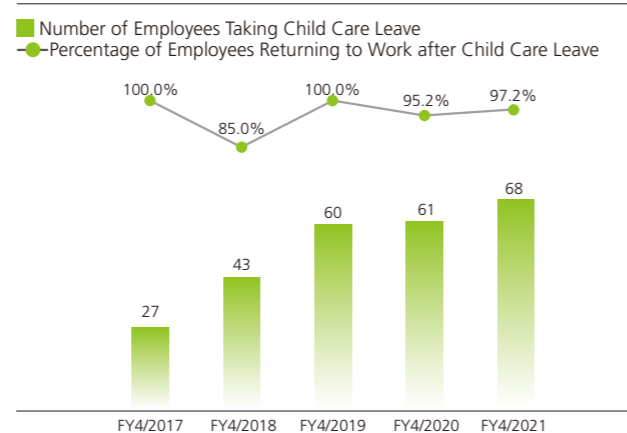


## Non-financial Indicators (ITO EN, Ltd.)

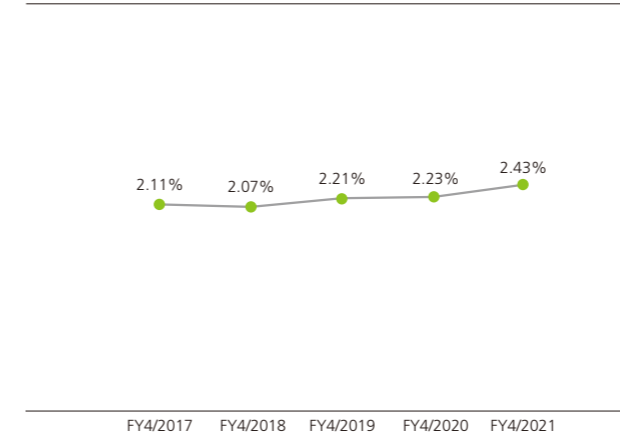
Female Employee and Manager Ratio



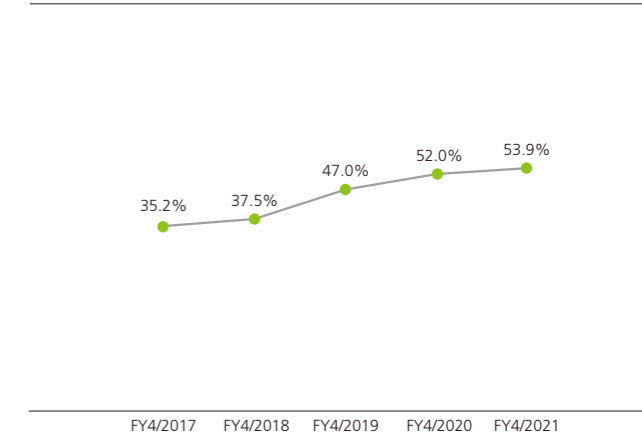
Number of Employees Taking Child Care Leave and Percentage of Employees Returning to Work after Child Care Leave



Employment Rate of People with Disabilities



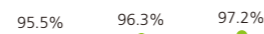
Paid Leave Acquisition Rate



### Health Checkup Rate



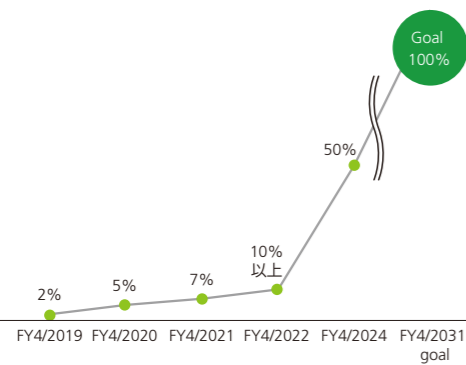
### Stress Check Consultation Rate



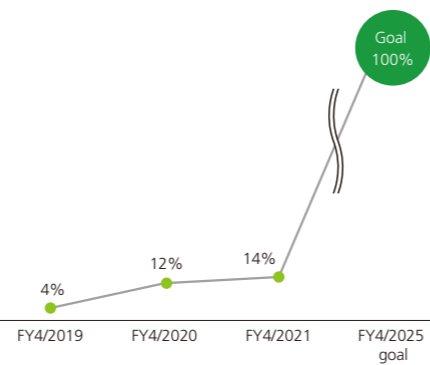
### Food Recycling Rate



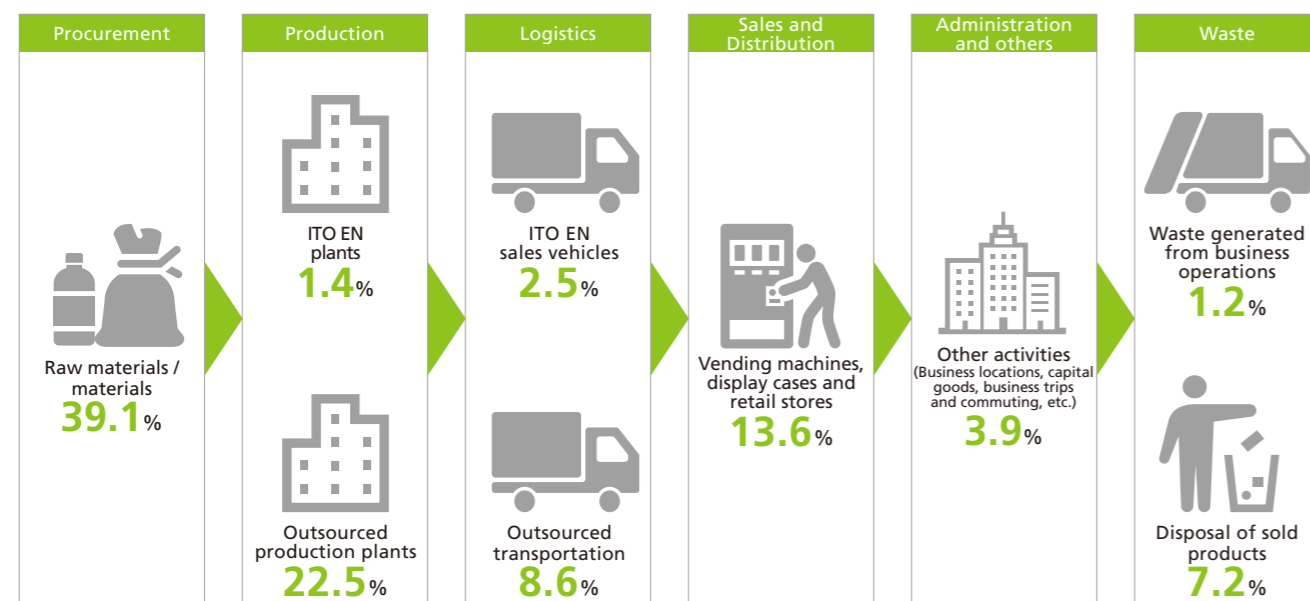
### Bottle-to-Bottle All PET Bottle Recycling Rate



### Bottle-to-Bottle *Oi Ocha* All PET Bottle Recycling Rate



## CO<sub>2</sub> Emission Ratio Through The ITO EN Value Chain (The CO<sub>2</sub> emission ratio cited here is for the fiscal year 2021)



## 1. CO<sub>2</sub> emissions amount, actual results

	FY4 2019 (target base year)	FY4 2020	FY4 2021	Year-on-year change rate from FY2019
Scope 1 : Direct emissions due to use of fuel by the company itself	26	24	23	-8.4%
Scope 2 : Indirect emissions accompanying use of power purchased by the company	14	12	12	-10.5%
Total (thousand t-CO <sub>2</sub> )	39	36	35	-9.1%

### Scope 3 emissions

Category	FY4 2019 (target base year)	FY4 2020	FY4 2021	Year-on-year change rate from FY2019
1 Purchased goods and services	581	534	471	-19.0%
2 Capital goods	21	17	13	-38.5%
3 Fuel and energy-related activities that are not included in Scopes 1 and 2	6	6	6	-6.3%
4 Transportation and distribution (upstream)	86	80	65	-24.3%
5 Waste generated in operations	10	10	9	-7.7%
6 Business trip	1	1	1	-1.9%
7 Employee commuting	2	2	2	-1.4%
8 Leased assets (upstream)	N/A	N/A	N/A	-
9 Transportation and distribution (downstream)	N/A	N/A	N/A	-
10 Processing of sold products	N/A	N/A	N/A	-
11 Use of sold products	N/A	N/A	N/A	-
12 End-of-life treatment of sold products	58	56	55	-5.2%
13 Leased assets (downstream)	118	111	104	-11.9%
14 Franchises	N/A	N/A	N/A	-
15 Investment	N/A	N/A	N/A	-
Total for Scope 3 (thousand t-CO <sub>2</sub> )	883	817	725	-17.9%
Scope 3 emission intensity (t-CO <sub>2</sub> / million yen)	2.24	2.16	2.06	-8.1%
Total for Scopes 1-3	922	852	760	-17.6%
Emission intensity 1-3 (t-CO <sub>2</sub> / million yen)	2.34	2.26	2.16	-7.7%
ITO EN non-consolidated net sales (million yen)	394,495	377,787	352,732	-10.6%

\*The numbers are rounded, so the total may not match.

## 2. Water resources amount, actual results

### 1) ITO EN, LTD.

Usage by water source	FY4 2019	FY4 2020	FY4 2021
Rivers, swamps, and others	290	236	238
Tap water	69	66	66
Total	359	301	304

Displacement amount by drain destination	FY4 2019	FY4 2020	FY4 2021
Rivers, swamps, and others	155	141	143
Sewage	55	53	55
Others (water canals, watering mountains, etc.)	0	0	0
Total	211	194	198

\*Scope of aggregation of in-house water source : ITO EN, LTD. (company-owned domestic plants and research centers, buildings and business locations).  
\*The numbers are rounded, so the total may not match.

### 2) Beverage manufacturing contractor

Usage by water source	FY4 2020	FY4 2021
Groundwater	16,148	14,074
Tap water	239	191
Industrial water	3,760	3,432
Total	20,147	17,698

Displacement amount by drain destination	FY4 2020	FY4 2021
Rivers, swamps, and others	12,577	11,922
Sea	1,272	929
Sewage	308	276
Others	31	0
Total	14,157	13,127

\*The total range of beverage manufacturing contractors covers the production of ITO EN products out of the total production volume. Includes some estimates.  
\*The numbers are rounded, so the total may not match.

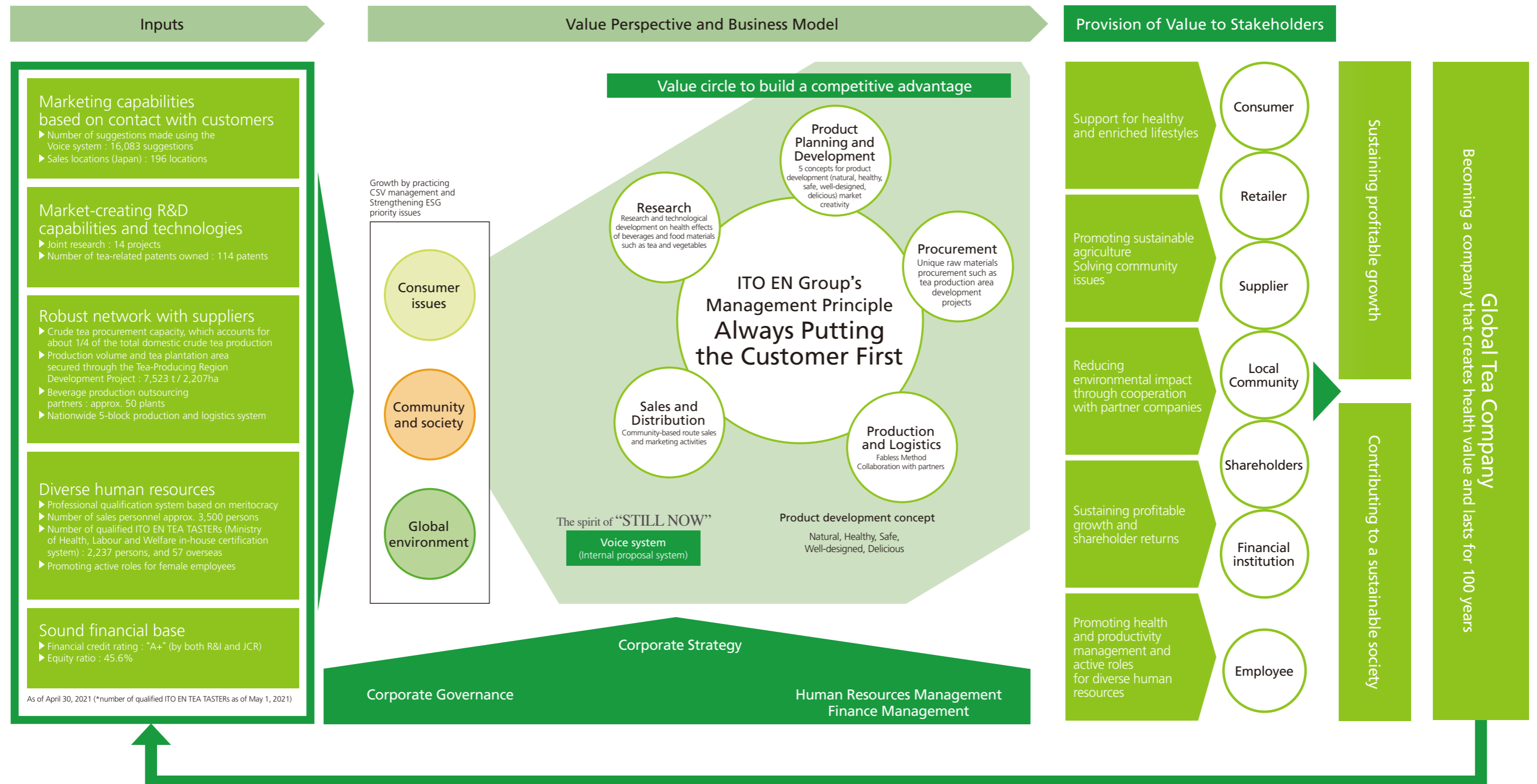
# Using experience and achievements to advance to the next stage

## Value Creation Model based on “Always Putting the Customer First”

To supply quality products and services consistently, ITO EN uses a “Voice System” (internal suggestion system) originating from complaints and requests received from customers, along with distinctive strengths that include a production infrastructure extending from fields to factories. Our value circle encompasses “Always Putting the Customer First,” being a source of value for stakeholders, sustaining profitable growth and contributing to a sustainable society as we take the actions needed to become a Global Tea Company.

**ITO EN Group’s Management Principle**

**“Always Putting the Customer First”**  
 Always Putting the Customer First, Make Integrity Our Stock in Trade, Spare No Effort and Earn the Confidence and Trust of Society



As of April 30, 2021 (\*number of qualified ITO EN TEA TASTERS as of May 1, 2021)



# Using experience and achievements to advance to the next stage

## ITO EN Group Material ESG Issues

In order to drive CSR management, in April 2012, the ITO EN Group adopted the ISO26000 international standard as its compass, and established seven key themes in line with the standard's core subjects: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

We have identified three of those themes in particular as material issues for the ITO EN Group: consumer issues, community and society, and global environment.

### ISO26000- Seven Core Subjects and Issues



Material Issues	Consumer issues	Community and society	Global environment
Social issues	<ul style="list-style-type: none"> <li>Diversification of lifestyles</li> <li>Healthy life expectancy (Body fat, blood cholesterol, cognitive function, and others)</li> </ul>	<ul style="list-style-type: none"> <li>Japanese agriculture and tea industry issues</li> <li>Changes to workstyles and communication</li> <li>Remarkable population ageing</li> </ul>	<ul style="list-style-type: none"> <li>Marine plastic waste problem</li> <li>Depletion of resources and waste</li> <li>Global warming and water resource problems</li> </ul>
ITO EN Initiatives	<ul style="list-style-type: none"> <li>Product development and sales to contribute to health unsweetened beverage ratio 75%</li> <li>Research and development and dissemination of health value of tea ITO EN Health Forum and others</li> </ul>	<ul style="list-style-type: none"> <li>The tea-producing region development project</li> <li>Communicating the appeal of tea related culture and enlightenment activities through ITO EN TEA TASTERS</li> <li>ITO EN Group Human Rights Policy</li> </ul>	<ul style="list-style-type: none"> <li>ITO EN Group Medium- to Long-Term Environmental Goals</li> <li>Used Tea Leaves Recycling System</li> </ul>

### Group policies and goals related to society and the environment

#### ITO EN Group Medium- to Long-Term Environmental Goals

##### Containers and packaging:

- 3R (recycle, reduce, replace & reuse) + clean (environmental protection)
- Aim to increase the ratio of recycled materials used in PET bottles to 100% by 2030

##### CO<sub>2</sub> emission reduction:

- FY2030 Scope 1, 2: Total amount reduced by 26%, Scope 3 basic unit reduced by 26%
- FY2050 Scope 1, 2: Total amount reduced by 50%, Scope 3 50% reduction in basic unit \* CO<sub>2</sub> emissions reduction

\* Target base year: FY2018

##### Reduction of water usage:

- FY 2030 16% reduction of water usage intensity · FY 2018, 5.0m<sup>3</sup> / kl → FY 2030, 4.2m<sup>3</sup> / kl

\* Basic unit: Water consumption per 1 kl of production

#### ITO EN Group Human Rights Policy

Formulated the Policy based on the UN's Guiding Principles on Business and Human Rights.

▶ [https://www.itoen.co.jp/csr/human\\_rights/](https://www.itoen.co.jp/csr/human_rights/)

#### ITO EN Group Health Management Declaration

- Maintaining and improving physical and mental health
- Creating a safe and comfortable working environment
- Promoting work-life balance

▶ <https://www.itoen.co.jp/csr/labour/kenkousengen/>

### Material Issues and Main KPIs

Material Issues	Main KPIs	Major progress (April 2021 FY)	Main related SDGs	
Consumer issues	Promotion of health value (health and nutrients)	<ul style="list-style-type: none"> <li>Proposing products and eating habits that contribute to health</li> <li>Research and announcements relating to health value of foods</li> </ul>	<ul style="list-style-type: none"> <li>Foods with Functional Claims (FFC) : 18 products</li> <li>Research and announcements relating to health value of foods:12</li> </ul>	3 GOOD HEALTH AND WELL-BEING
	Product packaging and appropriate information disclosure"	<ul style="list-style-type: none"> <li>Appropriate labeling of origin of raw materials</li> <li>Development of environmental friendly containers</li> </ul>	<ul style="list-style-type: none"> <li>Revision of guidelines for proper display</li> <li>Promotion of PET bottles weight reduction</li> </ul>	4 QUALITY EDUCATION
	Quality control	<ul style="list-style-type: none"> <li>Thorough quality management in the supply chain</li> <li>Implementation of regular audits at main overseas raw material suppliers and manufacturing contractors</li> <li>Continued ISO9001 and FSSC22000 certification</li> </ul>	<ul style="list-style-type: none"> <li>Continued ISO9001 and FSSC22000 certification</li> </ul>	
Community and society	Promotion of health-based management	<ul style="list-style-type: none"> <li>Development of a work environment that considers the health and safety of employees (Development of preventive management system for health problems, and others)</li> </ul>	<ul style="list-style-type: none"> <li>Certified as a "good health management corporation" for 4 consecutive years</li> <li>Formulation of "ITO EN Group Health Management Declaration"</li> </ul>	2 GOOD WORK
	Community and human rights issues	<ul style="list-style-type: none"> <li>Promotion of efforts to respect human rights through business activities</li> <li>Strengthening relationships with local communities and external organizations</li> <li>Strengthening awareness of tea culture by utilizing the ITO EN Tea Taster System</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of "ITO EN Human Rights Policy"</li> </ul>	8 DECENT WORK AND ECONOMIC GROWTH
	Promotion of cultural activities	<ul style="list-style-type: none"> <li>Enhancing activities to promote awareness of Japanese culture and tea culture, through initiatives such as the ITO EN <i>Oi Ocha</i> New Haiku Contest and seminars on how to prepare tea.</li> </ul>	<ul style="list-style-type: none"> <li>Number of applications of ITO EN <i>Oi Ocha</i> New Haiku Contest : more than 2 million</li> <li>Tea culture utilizing online and SNS</li> <li>Implementation of enlightenment activities</li> </ul>	17 PARTNERSHIPS FOR THE GOALS
Promoting sustainable agriculture	<ul style="list-style-type: none"> <li>Expanding crude tea production volumes and plantation areas under the Tea-Producing Region Development Project (new tea plantations business)</li> </ul>	<ul style="list-style-type: none"> <li>Goal of crude tea production volumes and plantation areas :achieved 2000ha</li> <li>New tea plantations business:over 500ha</li> </ul>		
Global environment	Response to climate change	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions in overall business activities</li> </ul>	<ul style="list-style-type: none"> <li>Comparison with FY 2018</li> <li>Scope 1 &amp; 2 : 9.1% reduction</li> <li>Scope 3 : 8.1% reduction</li> <li>⇒See page 17 for environmental results</li> </ul>	
	Water management	<ul style="list-style-type: none"> <li>Formulation of water reduction targets and establishment of management processes throughout the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of medium- to long-term environmental targets for water resources</li> </ul>	
	Containers and packaging	<ul style="list-style-type: none"> <li>Advancing weight reduction and use of recycled materials in PET plastic bottles; by 2030, 100% use of recycled materials, etc.* for PET plastic bottles</li> <li>*Includes bio-derived materials</li> <li>Advancing the use of biodegradable materials for straws and tea-leaves packaging materials</li> <li>Advancing the use of aluminum-free paper pack containers</li> <li>Reducing use of raw materials for containers and maintaining lightweight ratios</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of the use of recycled pet materials (Recycled pet usage rate 7%)</li> <li>Promotion of weight reduction of PET bottle"</li> </ul>	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Waste and recycling	<ul style="list-style-type: none"> <li>Reducing product waste</li> <li>Maintaining a recycling rate of 90% or higher for foodstuffs</li> <li>Maintaining a recycling rate of 100% at green tea packaging plants</li> <li>Promoting the recycling of used tea leaves</li> </ul>	<ul style="list-style-type: none"> <li>Foodstuffs recycling rate : 92.6%</li> <li>Recycling rate of green tea packaging plants : 100%</li> </ul>	13 CLIMATE ACTION
	Conservation of biodiversity	<ul style="list-style-type: none"> <li>Maintaining registered varieties under the Tea-Producing Region Development Project</li> <li>Obtaining GAP certification for suppliers under the Tea-Producing Region Development Project</li> </ul>	<ul style="list-style-type: none"> <li>Obtaining 100% GAP certification for the Tea-Producing Region Development Project ⇒See page 24</li> </ul>	14 LIFE BELOW WATER

Japanese tea is a traditional beverage that has remained a central element of people's lives even as life styles underwent dramatic changes over the course of centuries. The ITO EN Group created new markets for tea by transforming a beverage that was consumed mainly indoors into a beverage that can be enjoyed at any time and place. Making this possible is a production system beginning with tea growers. We altered every step beginning with producing tea leaves to reflect changes in how people drink tea. Activities also include measures resulting from discussions with external stakeholders. There are a variety of measures extending from studying the health benefits of tea to recycling used tea leaves and containers. We remain dedicated to creating innovative ideas and taking on new challenges to continue playing a role in the sustainability of the tea industry.

## The creation and growth of the unsweetened beverage market

A business starting with farms and extending to research about good health, the development of products and the recycling of resources

### Enjoying tea outdoors

→From drinking tea indoors brewed in a pot to enjoying tea at any time and place

### The creation of the unsweetened beverage market

During the Edo Period, the emergence of something called a "tea bento" made it possible to drink tea outdoors. Beginning in the 1980s, demand for tea beverages increased as these new types of beverages were developed for sale at stores along with snacks like nigiri sushi and bento lunches. One result was the birth of the market for unsweetened tea beverages.

\*A tea bento is a combination of a bento set for a meal and utensils needed to prepare tea. This allowed people to enjoy fresh tea with their lunch while sightseeing or on some other outing.



Tea lunch box from the Edo period

### Information about the health benefits of Japanese tea based on research and the creation of products with these benefits (1986 Establishment of the ITO EN Central Research Institute in 1986)

→Development and sale of food for specified health uses and food products with functional claims

### Scientifically identifying the health benefits of Japanese tea that have been recognized for centuries

Early in the 13th century, a monk named Eisai wrote a two-volume book called "Kissayojoki" about the medicinal benefits of Japanese tea. In modern times, numerous research projects have been undertaken to prove that there is a scientific basis for these benefits. ITO EN uses many activities to publicize the results of research about tea and to create products that incorporate the benefits of tea.

→See page 26



Kamakura period cafe health story

## Realizing the full potential of Japanese tea for many more years

### Tea and other ingredients are produced to match each product's applications.

• Ensure a reliable supply of quality ingredients and contribute to the well-being of tea growers.

### Products that reflect the growing interest in leading a healthy life

• Ideas targeting health issues looking ahead to an era of 100-year life expectancy

### Products for increasingly diverse ways and places to enjoy beverages

• A complete lineup of products from beverages to tea leaf items  
• Products for a next-generation of ways to enjoy beverages, including personal beverage containers

### Ideas for new ways to enjoy Japanese tea

• Innovations for "eating" as well as drinking tea

### Growing awareness of and demand for Japanese tea in other countries

### Pass on the culture of tea to the next generation

• Educational activities and explanations of traditional teapot "Kyusu" culture by ITO EN Tea Tasters

### Activities for the recycling of resources

• Solutions for environmental issues concerning used tea leaves, containers and packaging

2021 Tea-based beverage market, approximately 900 billion yen (forecast)

2021 Green tea beverage market, approximately 435 billion yen (forecast)

## Responding to the diversification of tea tastes and drinking scenes



Contract cultivation of tea: 1976 Tea-Producing Region Development Projects →See page 24

### Working with tea growers

Since 1976, we have been using contract production for tea. ITO EN and farmers work jointly to produce high-quality tea, all of which is purchased by ITO EN.

- Tea-Producing Region Development Project using cooperation between ITO EN and tea producers and others outside the ITO EN Group

### Knowledge about the culture of tea

As more people enjoy Japanese tea as ready-made beverages, ITO EN's tea tasters are involved with activities to make people aware of the rich flavors and enjoyment of preparing tea using a Japanese traditional tea pot "Kyusu".

- Dissemination of tea culture in collaboration with schools, local governments, and organizations (ITO EN Tea Taster System)

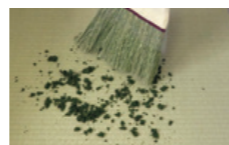
Dissemination of tea culture: 1994 ITO EN Tea Taster System →See page 26 & 53

Resource recycling: 2001 Used Tea Leaves Recycling System →See page 27

Resource recycling: 2014 Hot compatible *Oi Ocha* PET bottles are made from recycled materials →See page 46

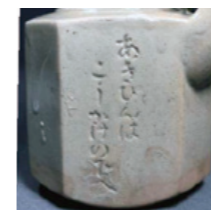
### Utilization of used tea leaves as a resource

For centuries, used tea leaves have been reused for cleaning homes, as an ingredient when preparing meals and as animal feed. ITO EN recycles tea leaves remaining after the production of beverages for the production of industrial products and other purposes.



Old-fashioned cleaning tool using tea leaf

- ITO EN recycles tea leaves into industrial products in collaboration with outside parties in various industries
- Used tea leaves recycling system



Meiji era train Precautions for pottery bottles

### Collection and recycling of beverage containers

During the Meiji Era, tea pots sold at railway stations included a message reminding people to place used pots under benches for collection. Today, we place collection bins for used PET plastic containers beside vending machines for recycling.



Collection of empty containers by our sales staff

- ITO EN aims to use 100% recycled materials in all PET bottle products by 2030 in collaboration with external parties such as recycling companies.

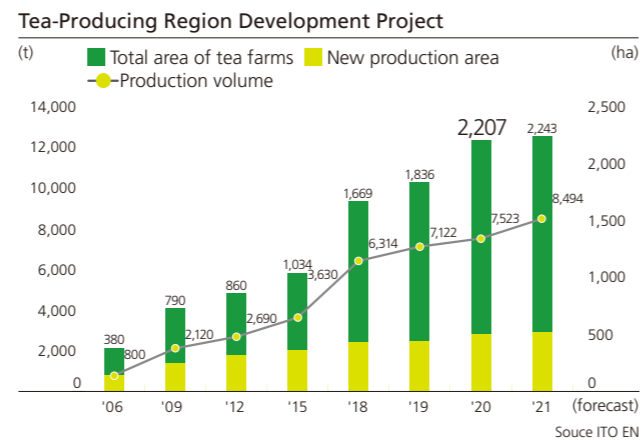




## The Tea-Producing Region Development Project – ITO EN's sustainable agriculture model

ITO EN procures around a quarter of all crude tea grown in Japan. We use contract farming for the production of tea leaves. We work with tea growers to determine the best way to grow and process tea leaves for specific applications, such as tea leaf products and *Oi Ocha* green tea beverages. We purchase all of the high-quality tea leaves grown by contract farmers. This relationship underpins the stability of their operations and the creation of employment opportunities while contributing to the use of sustainable agriculture.

In addition to contract farming, we have been seeking ways to cooperate with local governments, businesses and others for the conversion of abandoned farmlands into tea farms. These activities are one reason for the steady growth of our contract growing farm land, which was 2,207 hectares at the end of March 2021.



Tea-Producing Region Development Project helps maintain a reliable supply of high-quality tea leaves and has numerous other benefits. Through this project, we will also build organic farming technology (less fertilizer, chemicals and herbicides and other environmental measures), promote IT and labor-saving technologies, and the creation of year-round employment in contract farming areas.

Organic methods lower the environmental impact of farming and are important for business activities in other countries, where residual agricultural chemical standards are different from those in Japan.



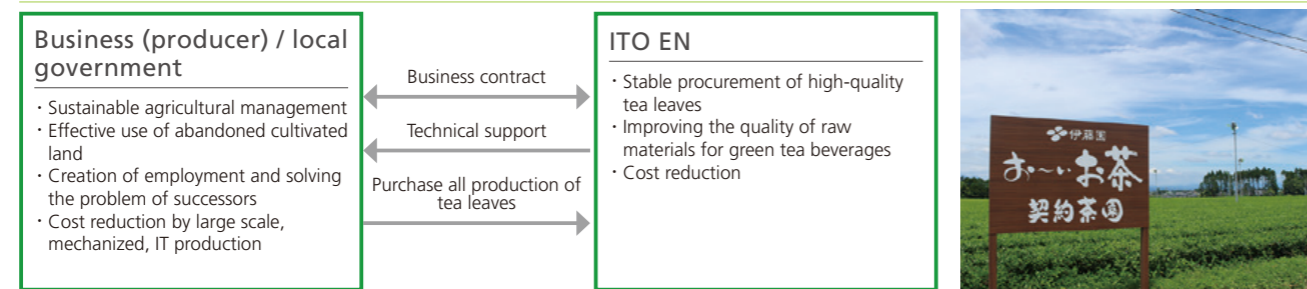
Koichi Ueda, General Manager, Agricultural Technology Department

### Significant results of the Tea-Producing Region Development Project

<p>Create tea farm from abandoned farmlands</p> <p>New production area more than <b>500</b>ha</p>	<p>Average age of employees (new production area <sup>*1</sup>)</p> <p>Approximately <b>45</b> years old</p> <p>(domestic average 67.8 years old <sup>*2</sup>)</p>	<p>Working hours per 10a (new production area <sup>*3</sup>)</p> <p>Approximately <b>44</b> hours</p> <p>(Shizuoka Prefecture average approximately 122 hours <sup>*4</sup>)</p>	<p>GAP certification acquisition rate<sup>*5</sup></p> <p><b>100%</b></p>
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<sup>\*1</sup> Weighted average of the average age of regular employees in each new production area.  
<sup>\*2</sup> Domestic agricultural employees (Source: Ministry of Agriculture, Forestry and Fisheries)  
<sup>\*3</sup> An example of a new production area  
<sup>\*4</sup> Ministry of Agriculture, Forestry and Fisheries "Situation over tea"  
<sup>\*5</sup> GAP (Good Agricultural Practice) certifications are granted to farms that have 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 plantations that have obtained one of those three certifications.

### Value for stakeholders and ITO EN through the Tea-Producing Region Development Project



### New development and production areas that convert abandoned farmlands into tea farm

As of 2020, deployed in eight districts in six prefectures (Oita, Miyazaki, Kagoshima, Saga, Nagasaki, Shizuoka).

**Kyushu five prefectures**

**Shizuoka prefecture**  
(started development in August, 2020)

**Abandoned farmlands converted into large-scale tea farms**

### Roadmap for technological development and dissemination of tea agriculture

2020	2030	2040	2050
<p><b>Technology development</b> (remote sensing, steam pest control machine)</p>	<p><b>Technology establishment</b> (compost containing tea leaves, commercialization of steam pest control machine)</p>	<p><b>Verification at contract production area</b> (problem extraction, cost reduction)</p>	<p><b>Dissemination in contract production areas</b></p>
<p><b>Organic</b></p> <p>Fertilizing used tea leaves Matching of contract tea growers and beverage factories that also produce compost containing a large amount of used tea leaves</p> <p>Promotion of sound-cycle agriculture</p>	<p><b>IT</b></p> <p>AI management work optimization Monitoring the environment to grow tea by using AI linked to weather, soil and other sensors for the best possible conditions</p>	<p><b>IT</b></p> <p>Picking, transporting and weighing tea all use automated processes. The chemical analysis of tea is automated and IT is used for operating harvesting and transportation operations. The automatic weighing of fresh leaves and the use of other labor-saving technologies further alleviate difficulties created by Japan's labor shortage.</p>	<p><b>Complex management</b></p> <p>Production of other crops during the tea off-season Stable operations of farms to protect jobs throughout the year by growing other crops after the tea-growing season has ended</p> <p>Tea cultivation + cultivation of young barley leaves, etc.</p>
<p><b>Organic</b></p> <p>Practical use of steam pest control machine Weed and pest control using a steam weed and pest removal unit</p>	<p><b>IT</b></p> <p>Judgment of picking time Remote sensing for decisions and AI image analysis are used during the tea picking season.</p>	<p><b>Complex management</b></p> <p>Generalization of crude tea factory Crude tea factories are operated during the winter as well to remain profitable.</p> <p>Tea processing + vegetable drying, etc.</p>	<p><b>Contributing to sustainable agriculture</b></p>



## Research and Communication about the Health Benefits of Green Tea

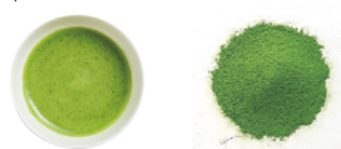
The health benefits of green tea have been well known during the entire history of this beverage that dates back about 1,200 years. Now these benefits are backed up by scientific evidence resulting from many research programs. The ITO EN Central Research Institute collaborates with many other research organizations to study green tea. As a Health Creation Company, we announce results of this research, transform this knowledge into products and promote many other activities to fully utilize the many ways that green tea contributes to solving health issues that exist worldwide.

### Research themes involving extreme population aging

#### Main research

Verification of prevention of dementia by green tea and matcha and identification of the mechanism for this benefit

- Joint research by ITO EN Central Research Institute, Shimadzu Corporation, and MCBI Co., Ltd.



#### Business partnership

Alliance with Eisai Co., Ltd. for enabling people to live a long life in good health (Activities started in 2021)

- Eisai-ITO EN health seminars throughout Japan about matcha, exercise and a healthy diet
- Implementation of Eisai's "brain age measurement app" utilization plan



### Research themes about lifestyle diseases

#### Main research

Functions of gallate-type catechins contained in green tea

- Lower bad cholesterol, suppress fat absorption, etc.
- Joint research with Tohoku University, etc.

### Research themes about health-related concerns in society

#### Main research

Antiviral effect of green tea

- Fighting the influenza virus, inactivating the new coronavirus in a test tube, public hygiene by gargling with green tea or drinking liquids with green tea
- Joint research with Shizuoka Prefectural University, Kyoto Prefectural University of Medicine

## "The ITO EN Health Forum" – Knowledge for using Japanese tea for 100-year life expectancy

ITO EN started holding "ITO EN Health Forums" in 2019 in order to examine subjects involving the health value of Japanese tea. The September 2021 forum featured presentations by research scientists and others and a panel discussion.

ITO EN is committed to playing a role in the use of Japanese tea for solving social issues and enabling people to enjoy healthy lives for many years. These forums are a valuable source of information about ways to stay healthy.



## Activities to Communicate Tea Culture (The ITO EN Tea Taster System)

Japanese tea is a ideal beverage for enabling people to enjoy time together. ITO EN employees who are certified by the ITO EN Tea Taster System use their extensive knowledge of tea to communicate tea culture both within and outside the company. This System has been certified by Japan's Ministry of Health, Labour and Welfare as an Authorized company Certification Program. Certified tea tasters share with others their knowledge about the history of tea, its health benefits, how to prepare tea, ways to enjoy tea and many other aspects of the culture of tea.

→See page 53



## Environmental Contributions Across the Entire Product Life Cycle

As the seller of *Oi Ocha* beverages, Japan's No.1 green tea brand, ITO EN has a large number of activities for decreasing environmental impact. Activities extend from tea farm to the production of products, sales activities and consumption.

### Used Tea Leaves Recycling System

Producing *Oi Ocha* beverages and other tea products results in a large volume of used tea leaves (63,200 tons\* in 2019). ITO EN developed in 2001 a technology not only to reuse tea leaves as fertilizer and livestock, but also to transport, storage and mixture in products used tea leaves with water content while preventing spoilage. Since then, benefits such as deodorizing and antibacterial action of used tea leaves have been used in materials in more than 100 familiar products, such as tatami mats and mask storage cases.

#### Used tea leaves products



### Unique 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

Product development that utilizes the functional properties of tea such as deodorizing and antibacterial action

Technologies for fixing the CO<sub>2</sub> absorbed by used tea leaves in products

Use as an alternative material to limited resources, including paper and plastic products

### Initiatives Related to Containers and Packaging

Against the backdrop of climate change issues and marine plastic waste issues, we are working on technological development and effective resource utilization that contribute to reducing the amount of plastic used in packaging, such as reducing the weight of PET bottles and recycling bottles-to-bottles.

• Use of the NS (Non-Sterilant) System for reducing the weight of PET plastic bottles (reduction of about 30% for a 525ml bottle)  
→See page 43

• Use of biodegradable filters for *Oi Ocha* tea bag products  
→See page 31 & 41

• Use of 100% recycled materials for all PET plastic bottles for *Oi Ocha* beverages by 2025  
→See page 46

Market Overview

The *Oi Ocha* brand of beverages, which is Japan's No.1 green tea brand, has been certified for three consecutive years by the Guinness World Records as the world's best-selling green tea beverage. In 2020, green tea beverage sales in Japan were down 6% from 2019 to 418.0 billion yen as people in Japan stayed indoors more during states of emergency. Unfavorable weather linked to climate change was another factor. ITO EN's market share on a monetary basis was unchanged at 33%. During this challenging time, we used numerous activities to energize the green tea beverage market using the slogan "Deliver the power of green tea." Two initiatives were the development of functional food and other products and online events utilizing social networking services. There are also ongoing activities for using *Oi Ocha* products to combat social and environmental problems, such as by recycling used tea leaves and working on methods for bottle-to-bottle recycling.

ITO EN – a source of all the power of Japanese tea

- Deliciousness**
  - All products are backed by cooperation with tea growers to make products incorporating high-quality ingredients for outstanding flavor
  - Product development according to lifestyle
- Healthy**
  - Tea beverages help people enjoy vigorous and fulfilling lives
- Enjoyable**
  - ITO EN's certified Tea Tasters play a central role in activities concerning how to brew Japanese tea correctly, the culture of tea and other subjects involving Japanese tea.

*Oi Ocha* Value Circle and Initiatives for Social and Environmental Issues



Research, planning and development

- Research about how compounds in tea contribute to good health in food products with functional claims  
Joint research programs of the ITO EN Central Research Institute with other scientists and research institutions
- Studies to identify the health benefits of catechin, theanine and other active ingredients of Japanese tea  
Concepts and designs for creating products with the best possible flavors and the establishment of production and processing technologies for ingredients that are needed to make products with the ideal properties

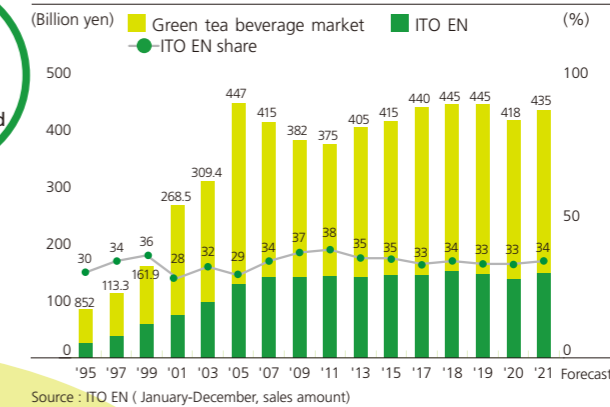
**Benefits for Health**  
Research for ways to deal with health issues such as increasingly longer life expectancies

**Development of products incorporating innovations from research programs**  
Development and commercialization of functional food and other products that use the benefits of active ingredients of tea and other ingredients



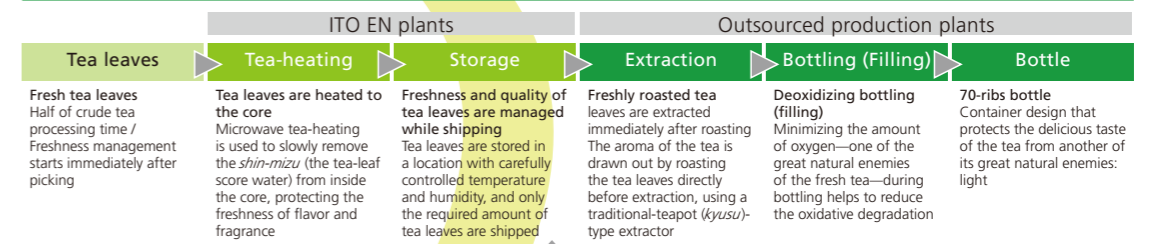
Japanese green tea beverage market share **33%**  
**No.1** brand in Japan and in the world

Japanese green tea beverage market



\* Guinness World Records TM is a registered trademark of Guinness World Records Limited.  
Record name: "Large Natural Healthy RTD Green Tea Beverage (Latest Annual Sales)"  
Brands to be recorded: "*Oi Ocha*" brand (excluding *Oi Ocha* Hojicha beverage products)  
Recording period: January-December 2020 INTAGE SRI sugar-free tea beverage  
Market data (Period: January-December 2020 / Sales amount)

Our high-quality raw material procurement, production and logistics for achieving freshness and delicious taste



**The Tea-Producing Region Development Project**  
This project plays a key role in ensuring a reliable supply of quality tea leaves for *Oi Ocha* green tea beverages.  
→ See page 24



New development and production: Fukuoka area, Shizuoka prefecture

**The NS System Helps Reduce the Weight of Bottles**  
The NS (Non-Sterilant) System is a room-temperature aseptic filling system that eliminates the need for chemical sterilization of bottles.  
→ See page 43

**Used Tea Leaves Recycling System**  
After the extraction stage, used tea leaves are recycled as a raw material for various industrial products that can utilize the functions of these leaves.  
→ See page 27



Sales, information collection and other activities using route sales and other platforms

- Sales activities and ideas for sales areas that are possible only by using the unparalleled green tea and tea leaf expertise of ITO EN
- The route sales system makes it possible to use direct customer contact for collecting market information and monitoring trends.

"Making Japan Beautiful Through Tea", "the Future Sakura Project"

Part of the sales of *Oi Ocha* beverages are donated to environmental activities, cherry tree planting and protection, and other programs throughout Japan. Many ITO EN Group employees volunteer to participate in environmental and other activities of communities.



Employee participation activities

**The Tea Taster System and Communication of Tea Culture**  
Tea Tasters are involved in many activities, including the use of SNS and other online channels, to give more people an understanding of the appeal of tea and the culture of tea. → See page 53

**The ITO EN *Oi Ocha* New Haiku Contest**  
Individuals who submit award-winning haiku receive gift packages of *Oi Ocha* products. → See page 63

**Bottle-to-bottle recycling of PET plastic bottles**  
By 2025, ITO EN plans to use 100% recycled materials for the fabrication of all of the PET plastic bottles for *Oi Ocha* beverages.  
→ See page 48





# Business Overview

## Tea Leaves and *Matcha* Products



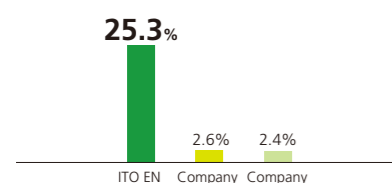
### Market overview

In 2020, the household Japanese tea market increased by 5% because of the growth of demand for consumption at home, partly due to the large number of people working from home, and the increasing interest in healthy diets. Growth of the tea bag category of this market was 7%. During the year, ITO EN increased sales activities for packaged green tea and for tea bag products for personal beverage containers. Due to these measures, ITO EN's share of the household Japanese tea market increased 0.4 percentage point to 25.3%. Sales of all Japanese tea products were up 11% and sales of Japanese tea bags increased 14%.

As the leader in the Japanese tea industry, we will continue to produce and sell products that reflect our customers' needs as well as changes in society.

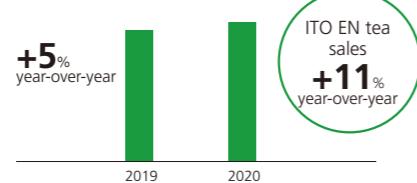
### Trend in household tea leaf market in 2020

Household tea leaf market share 2020



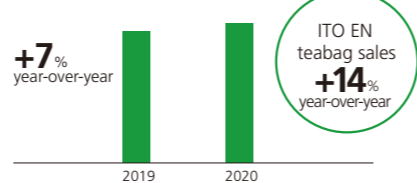
\*Source: ITO EN(2020, January–December, sales amount)  
\*Intage SRI+(2020, January–December, Japanese green tea market, sales amount)

Total Japanese tea market



\*Source: Market total, ITO EN (January–December 2020 / Sales amount)  
\* ITO EN's Japanese tea and tea bag sales trends: Intage SCI (January–December 2020, Japanese tea market sales amount)

Total Japanese tea teabag market



\*Source: Market total, ITO EN (January–December 2020 / Sales amount)  
\* ITO EN's Japanese tea and tea bag sales trends: Intage SCI (January–December 2020, Japanese tea market sales amount)

### Environmental activities for containers and other materials

The lineup of tea bag products includes tea bags with biodegradable eco-filters made of plant-based materials. These tea bags have outstanding properties for extracting the flavors of tea and contribute to reducing the problem of plastic debris in the world's oceans. In addition, cartons for tea leaf products use paper certified by the Forest Stewardship Council.

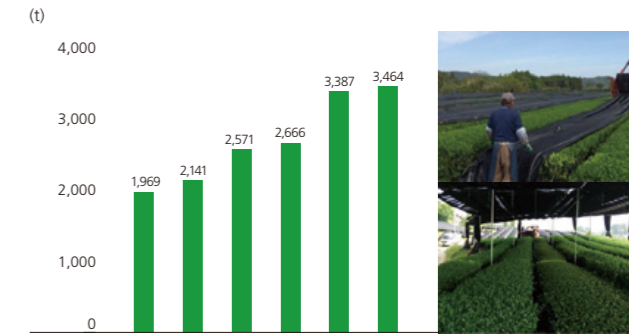
\* FSC certified paper is paper made from properly managed forest wood.



### Invigorating the *matcha* market

*Matcha* is one part of Japan's proud traditional food culture. The matcha market extends from matcha for tea ceremonies to beverages, foodservice products and many other products. All are widely recognized for their rich flavors and health benefits. To meet the growing demand for *Matcha* worldwide, ITO EN started operating a production facility solely for *Matcha* at the Shizuoka Sagara Factory. Since 2020, the "ITO EN MATCHA PROJECT" has been studying how matcha can be a source of benefits concerning cognitive problems. By supplying a diverse spectrum of highly appealing matcha products, ITO EN is dedicated to the further growth of this market.

Production volume of matcha raw materials (tencha)



\*Source: research by the Japanese Association of Tea Production  
Cultivation of matcha producing areas  
We are expanding the production of matcha raw materials (tencha) by expanding contract cultivation in Kyoto and Kagoshima prefectures.

### Japan's first\* *matcha* product using theanine and catechin for improving the accuracy of cognitive functions (alertness, decisions)

Reducing cognitive problems is one of the themes of research and other activities concerning matcha at ITO EN. One result of these activities is the December 2020 launch of *Oi Ocha Omatcha*, a food product with functional claims concerning the use of theanine and catechin for improving the accuracy of cognitive functions. This product uses matcha produced from ITO EN's contract growing program. People suspecting they have cognitive problems can enjoy the rich flavors and after-taste of this product every day. ITO EN will engage in research to create products for long and healthy lives and other activities that can make customers' lives more fulfilling and active.

\* ITO EN developed the first food with functional claims in the cognitive function category that combines theanine and tea catechin in Japan (source: ITO EN 2020)



Oi Ocha Omatcha with functional claims

### A diverse lineup including products for personal drink bottle

ITO EN's beverages, leaf products, tea bags, instant tea and other tea products span many types of life styles and other needs concerning the enjoyment of Japanese tea. In recent years, an increasing number of people have been using their own bottles for beverages due to the environmental and economic benefits. In the leaf tea category, demand is growing for tea bags and other convenient tea products. ITO EN is using its industry-leading expertise to use suitable ingredients and production methods for the personal container to create new ideas that allow people to enjoy tea at any time and place.



Tea bag for personal bottle BOTTLE in PON



Tea bag for personal bottle KEEP IN MY BOTTLE

### Using strengths as the market leader for creating ideas extending from R&D to sales activities

ITO EN has a diverse lineup of products that accurately target customers' needs and specific applications. One source of ideas is the ITO EN Central Research Institute, which studies and identifies the health benefits of tea's active ingredients. Products also reflect a knowledge of tea-leaf market trends in every sector from retail to commercial as well as the analysis of regional markets. Other activities are aimed at energizing our markets. Examples include a shelving allocation proposals for more productive sales areas and sales areas that bring together tea-leaf and beverage products.

#### Research and development

- Activities for understanding why theanine and catechin and other active ingredients of tea have health benefits

#### Market research

- The tea market and sales trends (Identify trends in every market sector from retail to commercial)
- Regional trends in tea sales (Analysis of individual regions and product categories)
- Consumption trend studies centered on Japanese tea (Surveys about beverage consumption and consumer spending centered on Japanese tea)

#### Uncovering points of dissatisfaction

- Our employees directly collect customer dissatisfaction points and requests (Voice system)

#### Productive sales floor

- Ideas for productive sales floor by using the shelving allocation proposals (POS analysis with images for shelving allocation proposals; ideas for standard configurations for maximizing sales)
- Year-round sales promotion proposals (Ideas for year-round lifestyle themes and for sales promotions for specific seasons)
- Provision of sales promotion racks and displays (From end cap displays to associated sales, all materials needed for contributing to the growth of a store's sales)
- Route sales expansions (Thorough follow-up on sales activities at individual stores)

### Japan's first food with functional claims with green tea leaf

The ITO EN Central Research Institute has achieved results in research on the function of gallate-type catechins derived from green tea to "reduce body fat in people with high BMI" <sup>\*1</sup>. And for the first time in Japan <sup>\*2</sup>, we launched the *Ichiban-zumi-no Oi Ocha* series (first crop tea) of foods with functional claims made only from tea leaves in March 2021.

\*1 Functional ingredient: Gallate-type catechin 340 mg (extract)

\*2 Japan's first green tea leaf product category that "reduces body fat" by using gallate-type catechin, a food that is involved in functionality (according to ITO EN 2020)

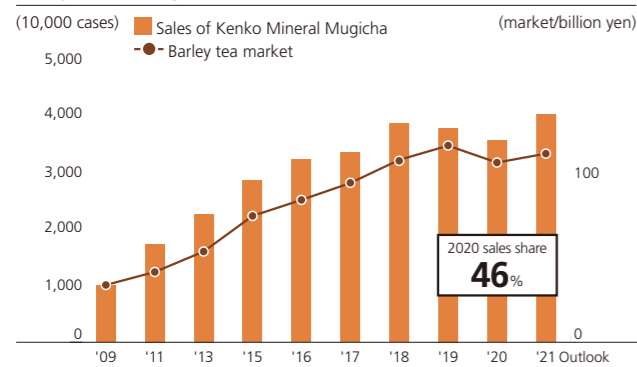




Market overview

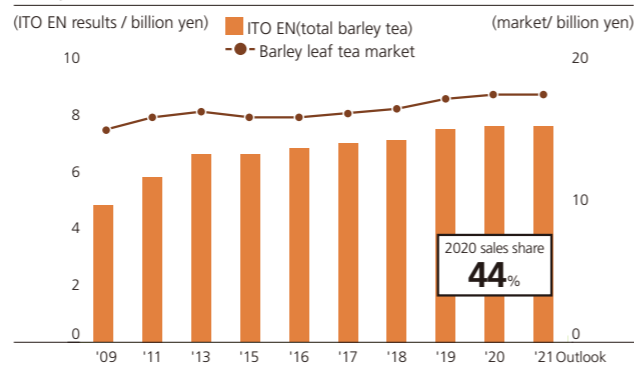
Annual sales of barley tea beverages are currently about 100 billion yen, which is approximately three times more than 10 years ago. *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) is the leading caffeine-free tea beverage brand (based on volume). The brand has a 46% share of the barley tea beverage market and a 44% share of the market for barley tea leaf products. We are stepping up marketing activities for year-round enjoyment of barley tea, such as for hydration during the dry period of Japan's winter, rather than only to stay cool during the summer. We are also committed to safe and reliable quality of products, which allows people of all ages to enjoy with no health concerns. *Kenko Mineral Mugicha* is an ideal source of minerals and hydration when exercising or participating in a sport. ITO EN uses its line of sugar-free sports drinks to support some of Japan's best-known track-and-field athletes. As with our green tea beverages, we are recycling used tea leaves after barley tea beverage production for environmental measure.

Barley tea beverages market



\* Source: ITO EN Market: January-December (sales amount), ITO EN: May-April (sales volume)

Barley tea leaf market



\* Source: ITO EN Market: January-December (sales amount), ITO EN: May-April (sales volume)

Great taste and minerals – A sugar-free sports drink for all generations and seasons and ideal for hot weather and preventing dehydration

*Kenko Mineral Mugicha* is much more than just a flavorful beverage for cooling off on a hot summer day. The properties of barley tea also make it ideal for the intake of minerals and fluids when exercising or playing a sport and to prevent dehydration during Japan's low-

humidity winter. ITO EN produces these beverages using high-grade barley along with its own roasting process and extraction technology. The result is kettle-quality fragrances and flavors and a line of beverages that are driving growth of the barley tea beverage market.

Quality control

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\*. These products can be consumed safely and with peace of mind by very young children.

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.



Barely tea used tea leaves recycling system

Producing barley tea results in residual organic materials just as the processes used for green tea beverages do. For years, we have recycled this residue as animal feed and fertilizer. In 2019, we also started recycling some of used tea leaves for use in industrial products.

Development of Products made from recycled barley tea used tea leaves

Barley eco pallet

Each pallet contains barley tea used tea leaves that results from the production of about ten 600ml bottles of *Kenko Mineral Mugicha*. Incorporating this reduces the amount of polypropylene by 32% compared with conventional pallets, which reduces the weight by approximately 7kg.

Cushioning material (For hot water heaters)

Barley tea used tea leaves can be used in cushioning materials consisting primarily of recycled paper. Adding this lowers the amount of recycled paper pulp used by about 20% and the weight of the cushioning material by about 7%.



Used barley tea leaf

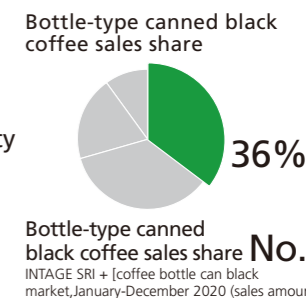
Cushioning material



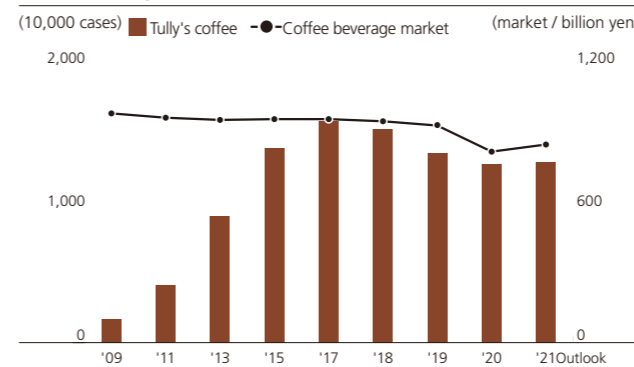
Market overview

TULLY'S COFFEE beverages performed well in Japan's coffee beverage market during 2020. In the bottled and canned black coffee category, *TULLY'S COFFEE BARISTA'S BLACK* ranked first with a 36% market share. The popularity of this product is the result of more people enjoying regular coffee at home, rising interest among consumers in coffee growing regions and quality, and this product's rich flavors similar to the coffee served at TULLY'S COFFEE specialty coffee shops. In July 2021, we started selling *TULLY'S COFFEE THE BARISTA'S ROAST* series of drip coffee products. This series allows people to enjoy at home coffee shop quality flavors with all the richness of coffee beans (freshly roasted, freshly ground, freshly dripped).

TULLY'S COFFEE shops have many activities in addition to the sale of high-quality coffee products in order to contribute to progress with environmental and social issues. One is the sale of T-shirts colored by using a dye that includes used coffee grounds. There are also community café activities such as classes about how to brew delicious coffee.

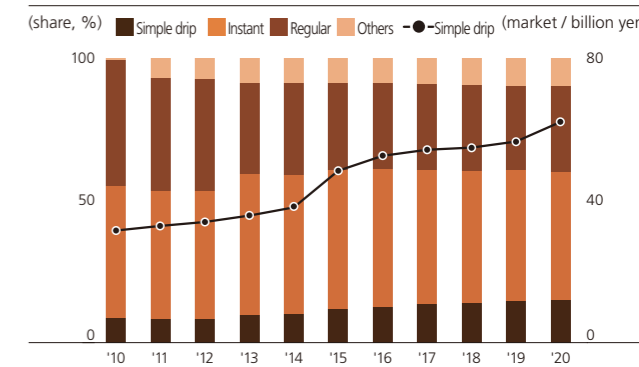


Coffee beverage market



\*Source: ITO EN Market: January-December (sales amount), ITO EN: May-April (sales volume)

Household coffee market



\*Source: ITO EN Market: January-December (sales amount)

Group synergies with Distant Land Trading.Co and Tully's Coffee Japan

Tully's Coffee Japan has a diverse lineup of bottled and canned coffee beverages, drip bag coffee and other products that benefit from closely linked sales activities. All products, which benefit from joint development activities, are the result of carefully selected ingredients and production processes. Only high-grade arabica beans roasted in Japan are used to produce the rich flavors and aromas.

Distant Lands Trading Co. (DLTC), an ITO EN Group company in the United States, has operations extending

from growing to selling coffee. ITO EN benefits from numerous synergies with this company, including DLTC's role as a supplier of coffee beans used for bottled and canned coffee beverages. In addition, this company has a strong commitment to sustainable production practices that reflect environmental, social and economic considerations. For example, some of the proprietary plantations and coffee bean sorting and selection plants of DLTC have received Rainforest Alliance certification

Environmental and social initiatives of Tully's Coffee Japan

Operations at the shops of Tully's Coffee Japan are an important element of this company's environmental and social initiatives. In June 2021, these shops started selling T-shirts made of 100% organic cotton and colored with a dye that includes reused coffee grounds. There are also a variety of community café programs, such as coffee classes, to foster close ties with communities where shops are located.



Collaboration T-shirt between Tully's Coffee Japan and nano UNIVERSE



Coffee school such as how to brew delicious coffee



## Business Overview

### Vegetable and Aojiru (barley grass green juice) Products

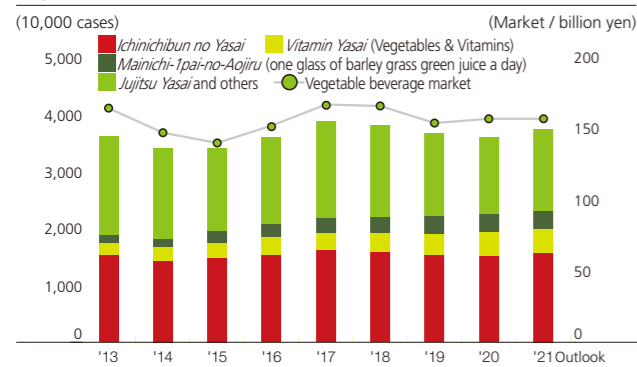


#### Market overview

In 2020, sales of vegetable beverages, which include 100% vegetable juice, mixed vegetable and fruit juices, *Aojiru* and other beverages, totaled about 150 billion yen. ITO EN's *Ichinichibun no Yasai* (A Day's Worth of Vegetables) is the market leader in the 100% vegetable juice category with a share of 36% based on sales volume. We are constantly working on enlarging our lineup of nutritious and delicious beverages, food products with functional claims, and other vegetable and *Aojiru* products. Protecting the environment is another priority. We were first to use aluminum-free paper pack-type drink containers for vegetable juice, allowing these containers to be recycled just as with milk cartons. Bottle-to-bottle PET bottle recycling is another component of environmental programs in this product sector.

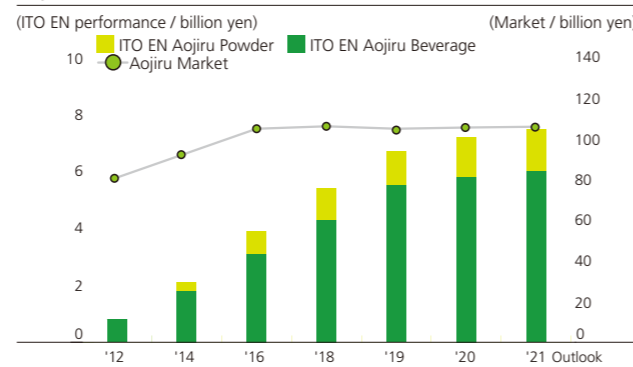
To enlarge the market for *Aojiru*, which is sold mainly as a powder, we are selling liquid *Aojiru* in PET plastic bottles to make this healthy beverage even easier to purchase and consume.

#### Vegetable drinks sales



\*Source: ITO EN Market: January–December (sales amount), ITO EN: May–April (sales volume)

#### Aojiru drinks sales



\*Source: ITO EN Market: January–December (sales amount), ITO EN: May–April (sales volume)

#### Good taste and good health

Some of the ingredients used for our nutritious and delicious vegetable beverages are grown under contract at farms that utilize our knowledge about growing tea. For instance, we performed research to find the most nutritious type of carrot and selected the Shui variety from among about 50 options for use in our beverages. For *Aojiru* as well, we use the idle periods of tea growing to use the same fields for growing barley grass and other crops used as ingredients. Attention to ingredients and innovative production processes result in *Aojiru* with unmatched quality and flavors. →See page 42

The vegetable juice lineup includes *Jujitsu Yasai Shui* Carrot Mix, which is a food with functional claims. GABA,

a component of carrots, is believed to help lower blood pressure in people with high blood pressure. In June 2021, we launched *Eiyo Kyoka-gata Ichinichibun-no-Yasai* (A day's worth of vegetables) as a food with functional claims regarding three benefits: holding down increases in neutral fats and blood glucose after a meal and reducing high blood pressure. We will continue to seek more ways to supply vegetable products that combine great taste with benefits that contribute to staying healthy.



#### Environmental Initiatives

- More of our vegetable beverages are sold using eco-packs, which are a brick-shaped aluminum-free paper containers that can be recycled just as with milk cartons.
- We use biodegradable eco-straws made of plant-derived materials with *Jujitsu Yasai Nyusankin Mix*, a beverage that was launched in June 2021.
- Bottles for some products were replaced with eco-bottles, which use PET resin obtained from bottle-to-bottle recycling of bottles and plant-based (biomass) PET resin (used in bottles for *Jujitsu Yasai* brand beverage launched in October 2021 and other products).



Mark on aluminum-less ECO container that is easy to recycle



Mark on eco-friendly PET bottle

#### TOPIC

### Support for Agriculture in Japan Going Beyond Tea and Vegetables

**Participation in the Japan Support Project of ZEN-NOH**  
ITO EN is a proud participant in the Nippon Support Project of the National Federation of Agricultural Cooperative Associations (ZEN-NOH). In 2021, we started selling products that incorporate *hyuuganatsu* grown in Miyazaki prefecture and *kabosu* grown in Oita prefecture (both are types of citrus fruits) as part of this project. Local governments, ZEN-NOH and ITO EN plan to use the development of products to create a value chain that encompasses farmers through these activities.

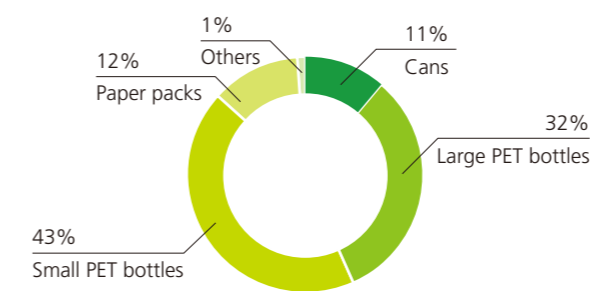


## Business Overview

### ITO EN Non-consolidated Sales by Category and Outlook for the Next Year

Previous standard	FY2020			FY2021			FY2022 plan
	results	share	rate of change	results	share	rate of change	
ITO EN Non-consolidated Sales	377,787	100%	-4.2%	352,732	100%	-6.6%	370,000
Tea Leaves	35,269	9.3%	-4.6%	36,449	10.4%	3.3%	37,548
Beverages	339,395	89.9%	-4.1%	313,777	88.9%	-7.5%	328,662
Tea-based beverage	218,143	57.8%	-1.4%	201,133	57.0%	-7.8%	210,783
Green tea / Healthy tea	193,246	51.2%	-2.8%	182,681	51.7%	-5.5%	193,394
Chinese tea	17,219	4.6%	2.6%	14,611	4.1%	-15.1%	13,548
Black tea	7,677	2.0%	34.1%	3,841	1.1%	-50.0%	3,840
Vegetable	43,960	11.6%	-3.5%	43,622	12.4%	-0.8%	45,382
Coffee	36,538	9.7%	-12.5%	34,486	9.8%	-5.6%	35,766
Mineral water	9,396	2.5%	-14.9%	7,752	2.2%	-17.5%	9,480
Carbonic acid	11,175	3.0%	-6.2%	9,916	2.8%	-11.3%	10,241
Fruit	8,855	2.3%	-15.3%	7,651	2.2%	-13.6%	7,557
Functional and others	11,325	3.0%	-4.9%	9,214	2.6%	-18.6%	9,451
Others	3,122	0.8%	-13.4%	2,505	0.7%	-19.8%	3,789

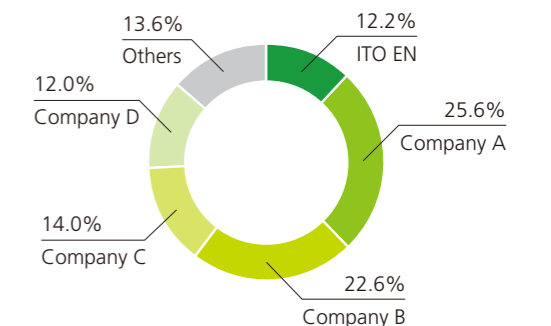
#### Sales volume composition by container (FY4 2021, ITO EN non-consolidated basis)



(Unit: Thousand cases)

通期	FY2020	FY2021	Composition ratio year-on-year	Sales change rate
Beverages sales volume	231,881	215,852	-	-7%
Cans	23,699	24,668	+1pt	+4%
Large PET bottles	70,663	68,515	+1pt	-3%
Small PET bottles	106,754	94,035	△2pt	-12%
Paper packs	28,517	27,135	+0pt	-5%
Others	2,247	1,498	△0pt	-33%

#### Beverage industry share in 2020



\* January–December 2020 Quantity basis

\*Since the composition ratio is rounded to the first decimal place, the total may not be 100%

### Overseas strategy

Global sales of green tea products are expected to continue to climb because of the popularity of Japanese food, including matcha, and the rising interest in healthy life styles. To grow along with this market, it is necessary for us to appeal to consumers about the value of tea. Our objective is to establish a reputation as the Global Tea Company that can help people around the world stay healthy. We want everyone to understand the numerous benefits of making green tea part of their lives. Positioning ITO EN as the preeminent brand for Japanese tea products will provide a sound base for raising our market share in other countries.

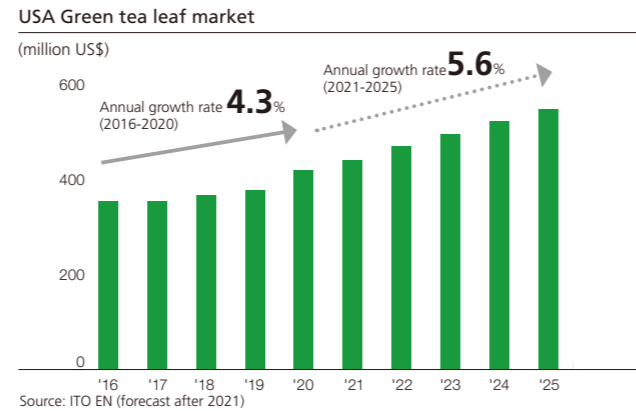
Director Yosuke Jay Oceanbright Honjo

Developing global brands: *Oi Ocha* and *MATCHA GREEN TEA*

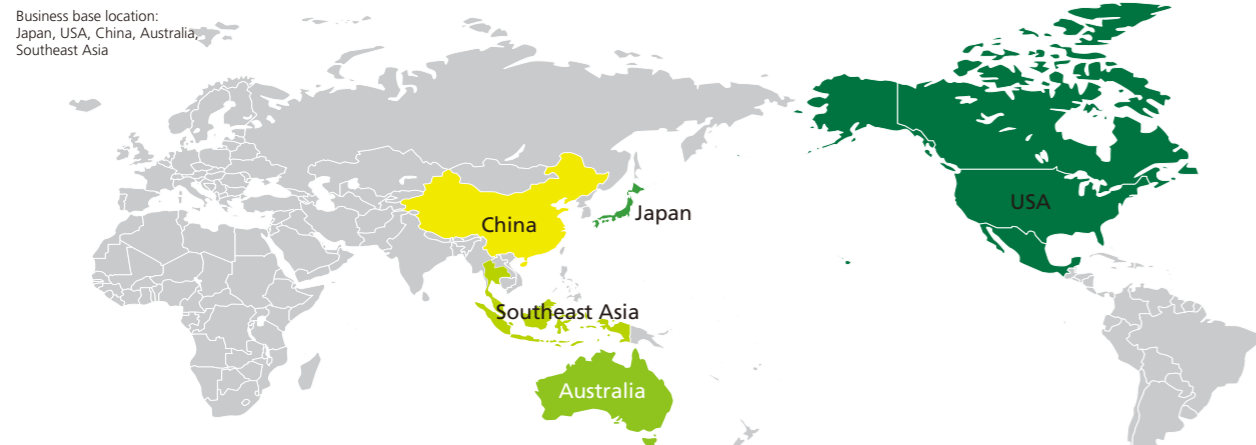
As the Global Tea Company, ITO EN is firmly linking its brand with Japanese tea products worldwide.  
(High-quality Japanese tea featuring outstanding aromas, umami, rich flavors and coloration)

### Growth potential of the global market for green tea leaf products

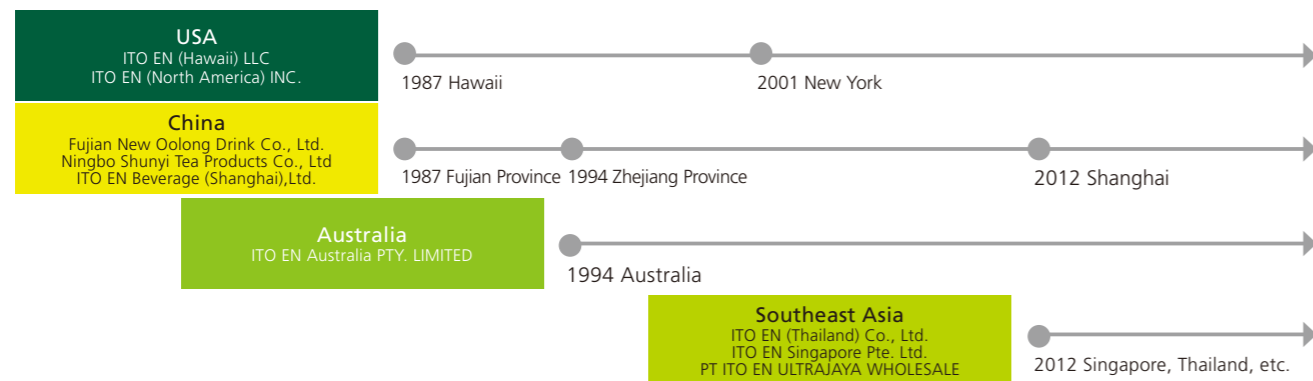
According to the International Tea Committee, worldwide tea production in 2019 was about 6.15 million tons, an increase of approximately 43% over the prior ten years. Green tea is about 30% of all tea production. In the United States, the market for green tea leaf products is increasing steadily and this growth is expected to continue.



### Trends in overseas expansion



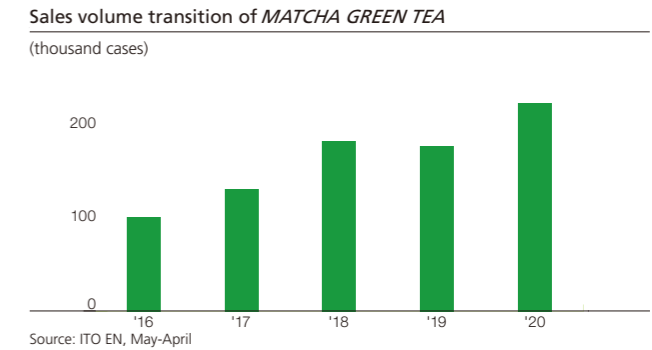
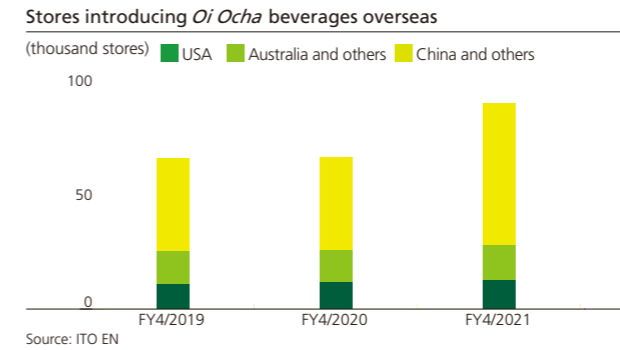
### Progress in overseas expansion



*Oi Ocha* sold in more than 30 countries worldwide



Overseas strategic product *MATCHA GREEN TEA*

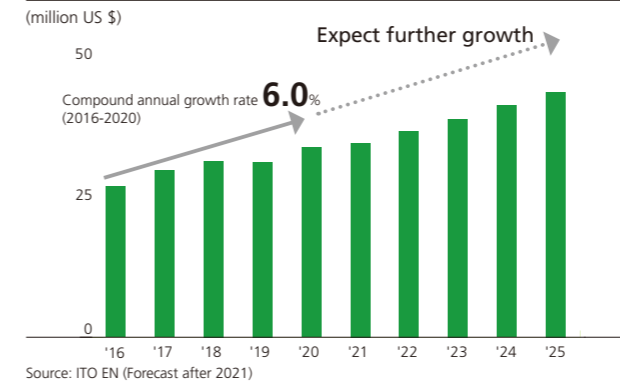


### Business presence in the United States

Sales of green tea leaf products in the United States increased at an annual rate of 4.3% between 2016 and 2020 (see graph on page 36). Sales of ITO EN (North America) products are growing by about 6%. In the United States, the popularity of Japanese cuisine is increasing steadily. As the number of major retailers selling products of the core *Oi Ocha* and *MATCHA GREEN*

*TEA* brands climbs, more expansion is expected for the market for green tea, which is an excellent match with every type of Japanese food. In March 2021, a partner company of ITO EN (North America) started manufacturing *matcha LOVE* tea bags, which use matcha produced in Japan.

### North American ITO EN Leaf Product Sales Trends



### Local production of *matcha LOVE* tea bag products

Fabless management started in the United States in March 2021  
 • Export tea raw materials produced in Japan  
 • Lineup of 4 series products



### Business presence in China and Southeast Asia

In China, we are expanding the lineup of *Oi Ocha* products beyond green tea to include roasted green tea and roasted rice tea products. These products are sold mainly in large cities and use convenience stores, supermarkets and e-commerce as sales channels. In

Southeast Asia (Singapore, Thailand, Indonesia), the number of stores selling *Oi Ocha* and *MATCHA GREEN TEA* products is increasing.



### Business presence in Australia

ITO EN grows tea in the state of Victoria. Since May 2020, green tea grown in Victoria has been used for the production of tea bag products in Australia. Establishing a fully integrated infrastructure, extending from fields to tea leaf processing (crude tea, finishing processes) and

tea bag products gives ITO EN a strong base for the growth of locally grown tea products in Australia.



# A Value Circle for “Always Putting the Customer First”

A value circle (research, planning, development, procurement, production, logistics, sales and distribution) backed by strengths no competitor can match

Value creation at ITO EN always begins with feedback from customers. The “STILL NOW” spirit that is an integral part of the “Always Putting the Customer First” philosophy is at the heart of every stage of the value circle. This circle is backed by products and services as well as by a commitment to using business operations for progress involving social and environmental issues.

S: Initiatives related to social issues E: Initiatives related to environmental issues

### Distinctive ITO EN strengths for research ▶ See page 46

- Joint research programs with partners in the business, academic and public sectors
- Research and technology development concerning the health benefits and manufacturing technologies for tea, vegetable and other ingredients for beverage and food products
- Investigative research concerning methods for growing and processing plants for ingredients used for these products
- World's first, industry's first research and technology development

S: Research regarding body fat, cognitive functions and other health issues and the commercialization of new ideas (food for specified health uses, food with functional claims)

E: Used tea leave recycling system  
Development of products that conserve resources and energy

Activities for issues concerning 100-year life expectancy, healthy life and environmental problems

### Distinctive strengths for sales and distribution ▶ See page 44

- Route sales with deep ties with local markets
- Diverse sales channels, including large stores, department stores specialty stores and other stores
- The ITO EN Tea Taster System

S: Ability to supply products with flexibility and reliability even after a natural disaster and during the pandemic, sales of products with health benefits  
Programs to educate consumers about the culture of Japanese tea

E: “Making Japan Beautiful through Tea” and other regional environmental programs and the use of hybrid and electric company vehicles

Contribution to social and environmental issues of local communities

## Using tea cultivation expertise in other product categories

All *Oi Ocha* products incorporate a firm dedication to outstanding quality along with measures to reduce the environmental impact of these products. This commitment extends from tea fields to how beverages are conveyed from factories to customers and finally to the handling of used bottles.

Research, Planning and Development	Five Concepts for Product Development (Natural, Healthy, Safe, Well-designed, Delicious)	Green tea products 
Material Procurement	Material development and sustainable agriculture tailored to products	<ul style="list-style-type: none"> <li>• 100% domestic tea leaves</li> <li>• Tea production area development projects, 100% GAP certification, development of tea leaves exclusively for beverage products</li> </ul>
Production and Logistics	Unique manufacturing technology Fabless method	<ul style="list-style-type: none"> <li>• “Freshness heating” to enhance the aroma and taste of raw tea leaves</li> <li>• Natural clear manufacturing method, natural extraction and fresh manufacturing method</li> <li>• Tea pot type extractor</li> </ul>
Sales and Distribution	ITO EN unique sales method	<ul style="list-style-type: none"> <li>• Linked sales of beverages and leaf products</li> <li>• Tea taster activity</li> </ul>
Environment	Efforts to recycle resources, and others	<ul style="list-style-type: none"> <li>• NS system, weight reduction of PET bottles</li> <li>• Labelless</li> <li>• Used tea leaves recycling system</li> <li>• Bottle-to bottle recycling</li> </ul>

Expand to other product categories



### Product planning and development originality and strengths ▶ See page 40

- Developing a broad lineup of beverage and leaf products with many container sizes
- The Voice internal suggestion program
- Technologies for producing high-quality products that fully utilize the properties of natural ingredients
- S: Use products to be a source of health benefits  
75% of tea beverages are sugar free, food for specified health uses, food with functional claims, and other products
- E: Environmentally friendly container and packaging initiatives

Supporting healthy and prosperous life, realizing sound material-cycle society

### Distinctive ITO EN strengths for procurement ▶ See page 42

- ITO EN purchases about one-fourth of all crude tea produced in Japan
- Tea-Producing Region Development Project
- Production of ingredients (carrots, barley grass) exclusively for ITO EN by using contract growers
- S: Stability and creation of agricultural jobs, reduction of unused farm land
- E: Environmentally responsible farming by using fertilizer prudently

Programs for sustainable agriculture

### Distinctive ITO EN strengths for production and logistics ▶ See page 43

- Fabless method
- Quality control system (ensures traceability)
- The NS (Non-Sterilant) System
- S: Joint activities with partner manufacturers and support, supply of safe products consumers can enjoy with confidence
- E: Lighter bottles, used tea leaves recycling system, reduction of energy use, reduction of water use, environmentally responsible logistics operations

Supply of safe and environmentally responsible products and activities for reduced environmental impact

We are expanding our vertically integrated business model which we have cultivated in the tea business to other categories, such as raw materials, final products, and resource recycling.

Research, Planning and Development	Barley tea products 	Coffee products 	Vegetable and Aojiru (barley grass green juice) products 
Material Procurement	<ul style="list-style-type: none"> <li>• Procurement of raw barley suitable for product quality</li> <li>• Contract cultivation of domestic barley</li> </ul>	<ul style="list-style-type: none"> <li>• DLTC's own farm (Costa Rica) Rainforest Alliance certification acquired</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated raw materials (carrot "Shui", barley young leaves, and others)</li> </ul>
Production and Logistics	<ul style="list-style-type: none"> <li>• Kettle quality (hot air roasting, medium roasting)</li> </ul>	<ul style="list-style-type: none"> <li>• 100% domestic roasting</li> <li>• Freshly baked (within 2 weeks), freshly ground (within 24 hours), and freshly brewed</li> </ul>	<ul style="list-style-type: none"> <li>• Natural sweet manufacturing method, etc.</li> </ul>
Sales and Distribution	<ul style="list-style-type: none"> <li>• Linked sales of beverages and leaf products</li> </ul>	<ul style="list-style-type: none"> <li>• Linked development of beverages, shops, coffee bags</li> </ul>	<ul style="list-style-type: none"> <li>• Linked sales of <i>aojiru</i> drinks and green powder</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Weight reduction of PET bottles</li> <li>• Barley tea used tea leaves recycling system</li> <li>• Labelless</li> </ul>	<ul style="list-style-type: none"> <li>• Silver skin* recycling (Efforts at Tully's Coffee Japan store)</li> </ul>	<ul style="list-style-type: none"> <li>• Brick type aluminumless paper pack beverage container</li> <li>• Biodegradable ECO straw</li> <li>• Bottle-to bottle recycling</li> </ul>

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

# Research, Product Planning and Development

Activities are focused on the goals of supplying products that make use of natural ingredients for improving the quality of life as people live longer and incorporate the “STILL NOW” spirit.

Mitsumasa Shida,  
General Director,  
Marketing Headquarters



## ITO EN's stance for research and product planning and development

Activities involving research and product planning and development are centered on five concepts for new products: natural, healthy, safe, well-designed and delicious. Basic research, applied research and product planning and development are all guided by these concepts. One priority is fulfilling our responsibilities as a Health Creation Company that contributes to the health of people around the world. ITO EN is a company that uses the power of tea and other natural ingredients to produce delicious products that help people stay healthy while playing a role in solving health-related issues in society. Examples of these products include unsweetened beverages, food for specified health uses, food with functional claims.



## Research and the development of technologies

ITO EN has a long-standing commitment to using tea to help solve social issues and contribute to other forms of social progress. Research programs that include joint activities with a diverse spectrum of external partners continue to identify the scientific basis for the power of tea.



## Three research themes for the age of 100-year life expectancy

- Research for a society with very long life expectancies
  - Determination of how matcha and theanine produce health benefits
- Research regarding body fat and other items involving a healthy life style
  - Determination of how tea catechin produces health benefits
- Research concerning the properties of good taste
  - Determination of the compatibility of tea and cooking

## The spirit of “STILL NOW” and Voice System

ITO EN's Voice System, a source of suggestions and ideas from employees, makes it possible to incorporate in product development activities customers' wishes, complaints and other input received through route sales and other sales activities. This system is also firmly rooted in the “STILL NOW” spirit. Everyone at ITO EN has the opportunity to propose ideas for products and other activities and there is an award program to recognize outstanding ideas. Voice System feedback is divided into four categories with emphasis on ideas for

products. The other three are ideas concerning sales activities and examples of successful innovations for how products are sold and how ITO EN interacts with customers. Every year, approximately 16,000 suggestions, recommendations and ideas are submitted through the Voice System. An examination and evaluation process is used to select Voice Grand Prize and other award winners in order to motivate employees to continue participating in the Voice System.

## The spirit of “STILL NOW”

### Seeking what customers are still now dissatisfied with

The needs of customers are constantly evolving. To continue growing, every company must be able to quickly identify changes to prevent overlooking the emergence of new potential sources of demand. Success also demands the ability to take actions that reflect these changes.

ITO EN is constantly aware of these requirements in order to identify ways that customers are still dissatisfied and use products and services to achieve customer satisfaction.

A program for the feedback of customers' wishes and dissatisfaction

## The Voice System

Ideas for products Ideas for sales activities Successful sales activities Successful customer interaction

Voice System proposals  
(FY2020)

**16,083** cases

Opinions / Consumer needs sent to  
the customer service office  
(FY2020)

**34,253** cases

Healthy

## New ideas for food for specified health uses and food with functional claims

*Oi Ocha Koicha* contains catechin gallate, which is reported to contribute to the reduction of body fat. In September 2019, this product was relaunched as a food with functional claims. Following this new designation, sales of *Oi Ocha Koicha* has posted 24 consecutive months of year-over-year sales volume growth\*<sup>1</sup> as consumers responded positively to the great taste and potential benefit to reduce body fat. Today, this beverage is Japan's best selling food with functional claims in the beverage category based on volume\*<sup>2</sup>.

In the food for specified health uses sector, *Futatsu-no-Harataki Catechin Ryokucha* (Catechin Green Tea with Two Benefits) beverage has been very successful. Catechin is believed to reduce cholesterol and help absorb and expel fat.



\*1 September 2019-August 2021 / Sales volume  
\*2 INTAGE SRI + (Period: January-December 2020 / Quantity)

## Caffeine-free green tea

In June 2020, we started selling *Oi Ocha Caffeine Zero* to provide a green tea beverage that is safe for consumption during pregnancy and can be enjoyed with no worries by small children.



Environment

## Products with environmentally responsible containers and eco-friendly containers

- Beverages in brick-shaped aluminum-free paper container that can be recycled just as with milk cartons



Brick type aluminum carton beverage containers

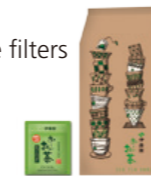
- Bottle-to-bottle recycling  
→ See page 46



Uses 100% recycled PET bottles  
*Oi Ocha* Microwave compatible hot PET bottles

- Biodegradable materials  
Biodegradable eco-straws made of plant-derived materials  
→ See page 48
- Use of biodegradable filters

Use of eco-filters  
*Oi Ocha* tea bags 120P



- Products with no labels



Labelless *Kenko Mineral Mugicha*  
(Healthy mineral barley tea)

Social

## Launch of social contribution (donation) products

Part of the sales of *Karada-ni-li Koto – Kuromamecha* (Black Bean Tea), which uses high-quality beans grown in Japan, will be donated to the Japanese Red Cross during the three-year period that ends in March 2024.

ITO EN signed a partnership agreement with the Japanese Red Cross in March 2018. The main form of support is participation in the Disaster Readiness Project, which has the goals of ensuring that people remember major disasters and fostering the desire among the public to be prepared and help each other when a disaster occurs.

We will continue to donate part of the sales of our products to the Japanese Red Cross for activities targeting regional issues. Major themes of these activities are providing aid when a disaster occurs, educational programs concerning the importance of disaster readiness, and measures concerning COVID-19 and other infectious diseases.



# Procurement, Production and Logistics

ITO EN uses cooperation with all partners to maintain a sustainable supply chain for ensuring a reliable supply of products that customers can enjoy with confidence.

**Yoshihisa Nakano,**  
Director, Senior Managing Executive  
Officer and General Director of the  
Production Headquarters



## ITO EN's stance regarding production and logistics

ITO EN has established procurement and quality assurance policies to establish a framework for rigorous activities spanning the procurement of tea from farmers and all other manufacturing and logistics processes. In addition, we are constantly reinforcing supply chain management regarding environmental and social aspects of our operations. This includes partners such as companies used for outsourced manufacturing as part of our fables method. Traceability measures make it possible to operate a thorough quality assurance program extending from basic ingredients to the sale of our products to consumers.

## Procurement of raw materials

The Tea-Producing Region Development Project, an initiative that symbolizes ITO EN's dedication to tea, uses our exclusive expertise to provide assistance to tea farmers. We want to support the sound operations of tea farms as they grow tea while taking actions to protect the environment.

We also provide assistance for tea farms participating in this development project to earn GAP (Good Agricultural Practice) certification\* and 100% of these

farms are currently certified. As the world's leading green tea company, we have a strong commitment to sustainable production of tea in Japan. We will continue to step up these activities to play an even bigger part in solving problems in Japan's agricultural sector.

\* GAP (Good Agricultural Practice) certifications are granted to farms that have food safety and environmental conservation programs. In addition to the Global GAP international standard, JGAP and ASIAGAP are granted by the Japan GAP Foundation. GAP certification here refers to plantations that have received one of those three certifications.

## ■ The Tea-Producing Region Development Project → See page 24

The production volume and land used for green tea (crude tea) in Japan are declining. This project, which supports tea growing operations helps to ensure a reliable supply of tea leaves for *Oi Ocha* products and to maintain the high quality of these beverages. Activities of the project underpin a value co-creation process with communities and tea farmers. Benefits include the use of the increasing number of abandoned farm land in Japan, revitalization of communities and supporting the financial stability of farms.

· ITO EN signs contracts with local governments and businesses that are the primary operators of this project.

· Local governments and businesses prepare land for growing tea and conduct tea growing operations.

· ITO EN supplies technologies and other know-how concerning tea growing and other aspects of tea plantation operations.



## ■ Use of tea growing expertise for vegetable contract farming

### Carrots (Shui)

Compared with ordinary carrots, the shui variety, used exclusively by ITO EN, has about 50% more beta carotene and about 2.5 times more GABA.



### Moroheiya

Every step from planting seedlings to cultivation is performed by machinery.



### Barley grass

Growing barley grass, which is an Aojiru ingredient, during the off-season for tea production enables farms to use their land more productively.



## Beverage production and logistics

### ■ Supply chain management

ITO EN divides Japan into five blocks for the production and logistics of beverages in order to provide quality products to customers with speed and reliability. This block system includes production by partner companies in each block. Strict traceability and quality assurance activities cover every step from raw materials to the delivery of beverages to stores.

There are numerous and serious social issues involving all production and logistics operations. Activities need to

reflect problems such as pollution of oceans by plastic debris, climate change, human rights involving supply chains, and other issues.

We will increase joint activities with partner companies for even more robust supply chain management regarding manufacturing and logistics efficiency and measures concerning environmental and social issues. All activities have the goal of establishing a sustainable business model.

### ■ Traceability

Tracing activities for green tea grown in Japan include the records kept as tea is grown and picked with particular emphasis on records about agricultural chemicals. Every green tea beverage and leaf product container has a lot number. Using this number reveals when and where the product was made, the ingredients used, how the tea or other crops were grown, and other pertinent information. Ingredients for our products procured from other countries are checked by using a quality assurance report

submitted by these suppliers.

We also confirm how these ingredients and other raw materials are grown, processed and supervised. Only companies making safe products complying with laws and regulations are used for making ITO EN products. At times, ITO EN sends people to visit suppliers to confirm the proper use of agricultural chemicals and manufacturing knowledge to confirm that quality assurance operations meet our standards.

## ■ Environmentally friendly logistics – Example of measures for transporting raw materials

Operations of all suppliers are consistent with the ITO EN environmental policy and goals. Furthermore, these companies have programs that are in line with those of ITO EN in order to cooperate in taking actions to reduce environmental impact. For the transport of raw materials, large trucks are used as much as possible and we are improving logistic efficiency. On some routes, vehicles able to transport goods in two temperature zones are used. Taking these actions reduces unused space on trucks, allows using fewer trucks and cuts CO<sub>2</sub> emissions from vehicle exhaust.



## Cooperating with partner companies to protect the environment

### The NS (Non-Sterilant) System reduces water usage and bottle weight

The NS System, developed with Toyo Seikan Co., Ltd., allows aseptic bottling at room temperature without the use of sterilizing agents to sterilize bottles.

This reduces the need for water to remove sterilants. Additionally, the only time bottles are exposed to high temperatures is during sterilization using hot water. As a result, we can produce lighter weight bottles because a lower level of heat resistance is required. The use of lighter weight bottles lowers the volume of materials used to produce bottles and CO<sub>2</sub> emissions for transporting these bottles. We will continue to work with suppliers to create technologies and achieve other advances for environmentally responsible beverage production and logistics.

\* NS system: Non-Sterilant (no fungicide used)



# Sales and Distribution

Based on the philosophy of “Always Putting the Customer First,” all sales and distribution activities originate with customer interaction in order to consistently contribute to the quality of our customers’ lives and to society.

**Shusuke Honjo,**  
Vice President, Representative  
Director, Executive Officer,  
General Director of the Sales Headquarters  
and Chief Digital Officer



## The Team ITO EN sales network

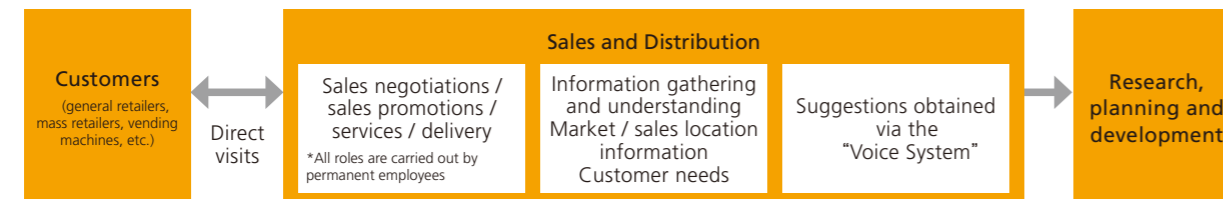
### Route sales system for community-based sales activities

ITO EN’s sales force of about 3,500 sales personnel handles everything from product explanation to business consultations and the merchandise delivery. This community-based route sales system, which places priority on direct customer contact, is operated from 196 locations throughout Japan (as of April 30, 2021). Responding precisely to every customer’s requirements and questions is the nucleus of our sales and marketing activities. Route sales gives us access to current information from the market. We then use our Voice System (see page 41) for submitting suggestions and other feedback, to utilize this information for developing products and other activities. Everyone at ITO EN is constantly thinking about “what customers are still now dissatisfied with.” Every year, about 16,000 suggestions and other types of information are submitted so that customer feedback is always guiding our operations. Successful activities concerning business meetings, merchandise displays and other subjects are shared by using the ITO EN intranet to provide benefits throughout the company.

#### Route sales system scheme

- Direct contact with customers
- Providing a finely tuned response to customer needs is a key point of the sales activities
- Agile response on a site-by-site basis

#### Information gathering process utilizing route sales



### Wide-area and other sales activities to match many types of retail formats

In addition to route sales, ITO EN products are sold by wide-area corporate sales personnel who serve companies and other organizations with nationwide networks and wide-area salespeople who are assigned to a specific retail category such as convenience stores and supermarkets. Using this structure for sales allows us to strengthen ties with customers while holding sales meetings that

precisely target each customer’s needs with suggestions for the best possible sales area layouts. Overall, the use of the Team ITO EN approach combining wide-area and community-based sales gives us a strong base for all sales-related activities. In addition, ITO EN operates tea shops in locations such as department stores, shopping malls and airports.



## Vending machines

Increasing sales per machine is a central goal of vending machine operations. Environmental considerations are paramount regarding vending machines, marketing tools and other materials used. To make our machines safe as well as a sales channel that our customers require, we place emphasis on three key characteristics of these machines: wellness, cashless (contactless payments) and cleanliness. This stance sets us apart from our

competitors. All vending machine sales activities are aimed at helping customers stay healthy. For example, there are measures to protect customers from infections when making a purchase and a product lineups with many health benefits. We will continue to use the three key characteristics to operate vending machines that are needed as the world lives with the pandemic and looks ahead to life after this crisis.



### Wellness

Wellness vending machines feature merchandise that emphasize health benefits, mainly food products with health functions. There are currently about 5,000 of these vending machines in Japan (as of April 30, 2021).

### Cashless

We have operated vending machines that accept transportation-sector e-money payments since 2009. There are now about 27,000 machines (as of April 30, 2021) capable of handling cashless payments. In addition to eliminating physical contact, these machines reduce the amount of work needed to collect and transport money in vending machines.



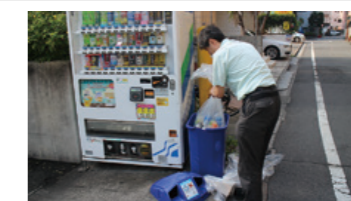
### Cleanliness

All parts of vending machines touched by customers are thoroughly cleaned using disinfectants and in other ways. For more protection, antibacterial seals with used tea leaves and antiviral sheets are placed on purchase buttons, the merchandise pickup area and other locations that customers touch. This hygiene management allows customers to use ITO EN vending machines with confidence.



### Sales personnel collect empty cans and bottles

Route sales personnel collect cans and PET bottles in the recycling boxes beside vending machines for recycling by qualified companies. No cans or bottles placed in these bottles go to landfills or incinerators.





# Initiatives to Tackle Environmental Issues

## ITO EN Group Medium-to Long-term Environmental Goals

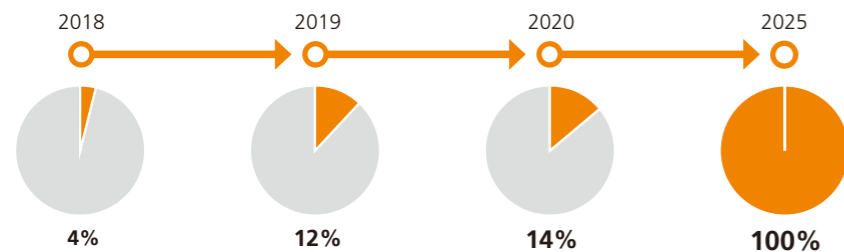
Based on its management principle of "Always Putting the Customer First," the ITO EN Group believes that it has a social responsibility to protect the global environment shared by all of humanity and pass a better world on to the next generation. To express this responsibility in a format that is easy to understand and tell the public our objectives, we established the ITO EN Group Medium- to Long-term Environmental Goals in three categories: containers and packaging, climate change, and water resources.  
 ▶ <https://www.itoen.co.jp/csr/system/>

### A roadmap for making "PET bottles entirely" from recycled materials by 2030

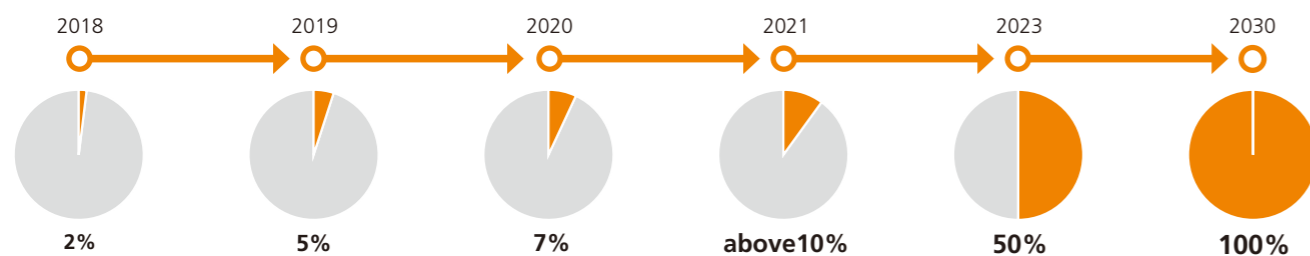
Switching to recycled materials for containers and packaging of *Oi Ocha* beverages and other products is a major component of the environmental goals. Our goals are making all PET bottles for the *Oi Ocha* brand with 100% recycled materials by 2025 and using entirely recycled materials for all PET bottles at ITO EN by 2030.

In 2020, we started using PET bottles made entirely of recycled materials for 345ml heat-resistant bottles for *Oi Ocha* beverages, 525ml and 600ml PET bottles for *Oi Ocha* beverages (in some areas of Japan), *Oi Ocha* bottles with no label, and other types of bottles. We are also assisting our business partners with the use of recycling technologies for direct bottle-to-bottle recycling of PET bottles.

#### Utilization rate of recycled materials, etc. for all PET bottle products of *Oi Ocha*



#### Utilization rate of recycled materials, etc. for all our PET bottle products



We are also promoting a bottle-to-bottle recycling activity in which PET bottles return to PET bottles with various local governments and business partners in order to realize a recycling-based society.

## Bottle-to-bottle recycling activities with local governments

ITO EN signed agreements for cooperation concerning bottle-to-bottle recycling with the city of Himeji (Hyogo prefecture) in August 2021 and the city of Sendai (Miyagi prefecture) in October 2021. By raising the visibility of recycling activities, working with the public sector is expected to make people more aware of the importance of sorting trash and disposing of items properly. Cooperation is also expected to increase the recycling of resources in these cities. We will continue to support the creation of a recycling-based society by making environmentally responsible products and increasing recycling activities.



### Benefits of bottle-to-bottle recycling

- Reduces the use of newly produced petroleum-derived resources
- Lowers CO<sub>2</sub> emissions (by about 60%\*)
- Contributes to creating an economy in Japan where resources are recycled

\* If switching from a general PET bottle to 100% recycled PET material

Going forward, we will continue to contribute to a recycling-based society through our efforts creating and recycling products that are environmentally friendly.

### Remarks by an ITO EN Supplier

#### Hokkaican Co., Ltd., manufacturer of the 345ml heat-resistant PET bottle made of 100% recycled materials for *Oi Ocha* beverages

In 2000, ITO EN became the first company to start selling beverages in PET bottles capable of withstanding high temperatures. To make this bottle, ITO EN selected a PET bottle developed by Hokkaican that uses a coating technology called ACTIS for improving the gas barrier against oxygen.

The bottle protects tea from damage caused by oxygen and heat. Hokkaican continued research activities involving ACTIS to improve the quality, reduce the weight and improve ease of recycling of PET bottles. One reason was the increasing size and use of heat-resistant PET bottles. The result was the creation of ACTIS-Lite, which modifies the thickness and composition of PET bottles. In 2012, Hokkaican and ITO EN Group completed the development of a PET bottle that can use recycled materials. The goal was to be prepared for the use of recycled materials in later years. Using ACTIS-Lite made it possible to ensure the safety of these bottles with regard to food hygiene, too. Sales of these bottles started in 2014.



Masaaki Ikezawa  
 Hokkaican Co., Ltd.  
 Director and Managing Executive Officer  
 General Manager of Development Division



Cross-section of the heat-resistant PET bottle using ACTIS-Lite to allow fabricating these bottles entirely from recycled materials. (The structure is different in some products.)

## Initiatives for containers and packaging

1L slim PET bottle product that is both convenient and environmentally friendly

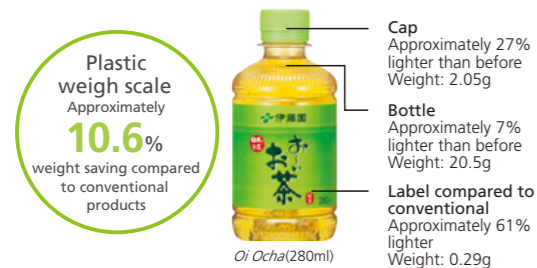


Biodegradable stretchable ECO straws<sup>2</sup> using "Green Planet TM"<sup>\*1</sup> are used with "Oi Ocha" paper carton products, etc.



\*1 An environment-friendly 100% plant-derived biodegradable polymer that is biodegraded into water and carbon dioxide in a wide range of environments such as underwater and in soil developed by Kaneka Corporation, has obtained the certification "OK Biodegradable MARINE" that biodegrades in seawater.  
\*2 The industry's first biodegradable stretchable straw jointly developed by ITO EN, Kaneka Corporation, and Nippon Straw Co., Ltd.

Oi Ocha 280ml PET bottle that uses more than 10% less plastic than before



Oi Ocha Labelless using 100% recycled PET bottles that take into consideration "short time" and "easy" needs and the environment



## Response to water resources

### Conservation and protection of water resources medium- to long-term environmental goals

- 1. Reduce water used for manufacturing**
  - Lower water use intensity by 16% by 2030 compared with 2018 water use
- 2. Activities for protecting water resources**
  - We work with our contract beverage production partners and communities for the protection of water resources. These activities are mainly in areas where ITO EN Group and partner company beverage factories are located. To protect water resources, we also conduct activities in conjunction with the public sector, industry associations, suppliers, individuals and others.
  - Programs that give the public knowledge about the importance of water resources
- 3. Monitoring and reducing risk involving water**
  - We periodically check the locations of our business sites and companies associated with our entire supply chain, including suppliers of raw materials, to determine if they are in high water stress watersheds or in regions susceptible to flooding. Appropriate measures are used to reduce vulnerability to these risk factors.

#### Water resource protection programs

At Lake Biwa, which is the largest lake in Japan, ITO EN started the Making Lake Biwa Beautiful Through Tea campaign in 2008. A portion of the sales of Oi Ocha products in the Kansai region are donated to conservation programs and ITO EN employees and other volunteers also engage continuously in the cutting of reeds.



#### Use of donations

- ① Conservation and nurturing of reeds
  - ② Volunteer activities involving reeds
  - ③ Support for environment education involving reeds
- ▶ <https://www.itoen.co.jp/itoen-motherlake/index.html>

## Response to climate change

The ITO EN Group is establishing governance frameworks, analyzing climate change risk and opportunities, and analyzing climate change scenarios in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). In 2020, we established medium- and long-term targets for lowering CO<sub>2</sub> emissions and performed climate change analysis concerning the volume of green tea, the main raw material used by ITO EN, that is grown in Japan.

<b>Governance</b>	The ITO EN Group has an ESG Promotion Committee that is chaired by the president of ITO EN. Members of the committee discuss policies and strategies concerning climate change, review CO <sub>2</sub> emission reduction targets, and study ways to lower these emissions. Important subjects examined by this committee are reported to the Board of Directors and the Executive Board for further discussions and actions. In addition, assessments of ESG at the ITO EN Group, including those for climate change, are performed by an external organization and the results are incorporated in the determination of the remuneration of directors and other executives.														
<b>Strategy</b>	In 2020, we conducted a quantitative and qualitative analysis of the effects of climate change on green tea, the primary raw material for our products. We used four CO <sub>2</sub> concentration pathway scenarios of the IPCC: RCP2.6, RCP4.5, RCP6.0 and RCP8.5. For each scenario, we determined how climate change is likely to affect the amount of tea leaves grown for different types of tea and picking seasons. Irrespective of variations in results in different regions of Japan, all scenarios resulted in the outlook for a larger volume of tea production. Qualitative analysis indicates that climate change will cause harmful insects and bacteria to move farther north, resulting in the risk of negative effects for growing tea and the quality of tea leaves. Many activities are used to protect tea fields from pests and diseases. At some contract farms, wind and water are used to blow away harmful insects. There are also programs to create new regions in Japan for growing tea, new ways to manage the tea fields and new technologies. We believe these activities will create more opportunities. We will continue to use the TCFD framework for the constant analysis and reexamination of risks and opportunities and incorporate the results of these activities in our business plans.														
<b>Risk management</b>	We identify significant risk factors involving climate change and make these factors an integral part of the overall risk management system. This system encompasses risk concerning compliance, the quality of products, the environment, financial soundness, natural disasters and accidents, and other items. Every risk factor is examined at least once every year by the committee that oversees that factor and reports are submitted to the Board of Directors in a timely manner.														
<b>Metrics and Targets</b>	The ITO EN Group has established the following targets for reducing CO <sub>2</sub> emissions in relation to the level of emissions in 2018. <table border="1"> <tr> <td rowspan="2">2030 target</td> <td>Scope1,2</td> <td>Total CO<sub>2</sub> emissions</td> <td>26% reduction</td> </tr> <tr> <td>Scope3</td> <td>CO<sub>2</sub> emission intensity</td> <td>26% reduction</td> </tr> <tr> <td rowspan="2">2050 target</td> <td>Scope1,2</td> <td>Total CO<sub>2</sub> emissions</td> <td>50% reduction</td> </tr> <tr> <td>Scope3</td> <td>CO<sub>2</sub> emission intensity</td> <td>50% reduction</td> </tr> </table> <p>We also have policies and targets for containers and packaging, water and other resources and are taking numerous actions based on a road map. For taking the actions needed to accomplish these targets, we use an environmental management system that complies with ISO14001. We establish KPIs, manage progress toward achieving our targets, and make changes as needed, such as by revising targeted issues or adding other KPIs.</p>	2030 target	Scope1,2	Total CO <sub>2</sub> emissions	26% reduction	Scope3	CO <sub>2</sub> emission intensity	26% reduction	2050 target	Scope1,2	Total CO <sub>2</sub> emissions	50% reduction	Scope3	CO <sub>2</sub> emission intensity	50% reduction
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	Scope3	CO <sub>2</sub> emission intensity	50% reduction												

### Initiatives for accomplishing CO<sub>2</sub> emission reduction targets

#### Installation of solar panels

ITO EN Sangyo Ltd. and ITO EN Kansai Chagyo Ltd. have installed solar panels at their business facilities. Starting in 2021, ITO EN AUSTRALIA PTY. LIMITED is using power from solar panels at its business locations. These panels cut CO<sub>2</sub> emissions and are an internal source of electricity from renewable energy.



Solar panels installed at ITO EN AUSTRALIA PTY. LIMITED

# Human Resource Strategies

Our people are a valuable asset as well as our greatest strength. Health is a key element of our management to enable everyone to do their best and achieve their full potential.

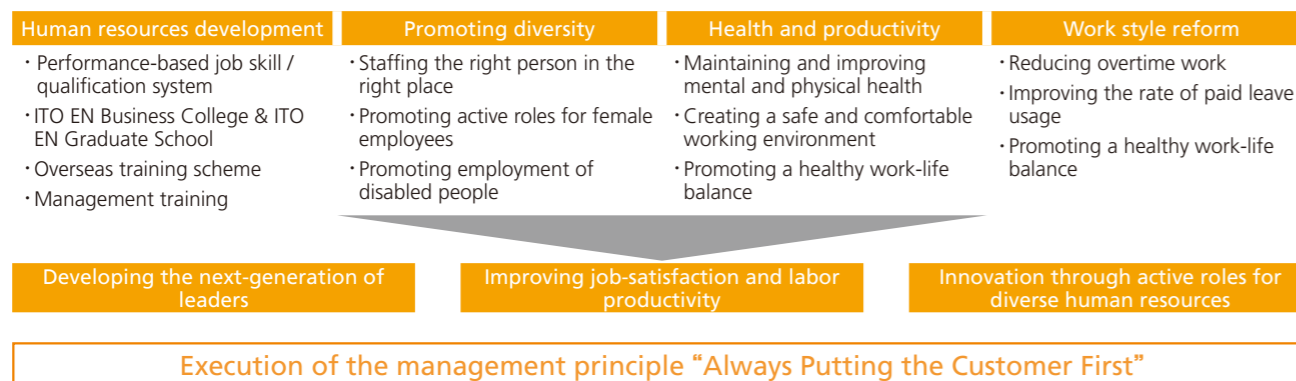


**Atsushi Hirata**  
Director and Senior Managing Executive Officer

## Basic policy

Performance-based evaluation is the nucleus of the human resources system of the ITO EN Group. Job assignments, opportunities for training, assessments of performance and other activities are not affected at all by an individual's academic background, gender, nationality, age or other personal characteristics. Everyone has an equal opportunity and evaluations are absolutely fair. This is the basis of our activities concerning human resources. We have programs to develop skills and implement working style reforms for our diverse workforce and a health management program to enable our people to remain in excellent health. All these activities are focused on our management philosophy of "Always Putting the Customer First." Additionally, we are always seeking ways to further strengthen human resources management as we continue making progress toward becoming a Global Tea Company.

## Approach to human resources management



## Developing the skills of a diverse workforce

Training programs are one of the highest priorities concerning the people of the ITO EN Group.

### ITO EN Business College & ITO EN Graduate School

Everyone at the ITO EN group has the opportunity for study and self-improvement at ITO EN Business College and ITO EN Graduate School. Established in 1989, the business college has courses covering sales, finance, marketing, organizations, global business and other subjects. Participants spend one year acquiring knowledge and discussing various issues, including challenges at the ITO EN Group. Since 2009, the graduate school has held classes for employees, mainly qualified ITO EN Business College graduates, that are focused on output from a management perspective. The more practical subject

matter of these courses gives people skills for becoming key personnel at the group from a medium-to long-term perspective.

Number of graduates of ITO EN Business College & ITO EN Graduate School: 765 persons (Cumulative number of graduates 15,609 persons)



### Management training program

Internal and external resources are used to give people who want to advance to management positions training that encompasses the required knowledge, skills and

mindset. This program also helps motivate younger employees to aim for high career goals.

### Overseas training program

Every year, ITO EN Group employees can apply for an opportunity to receive training in a different country. Individuals spend one year in an assignment to gain skills involving market surveys, marketing, sales, finance

and other activities. This knowledge will enable them to advance to important roles for the continued growth of the group on a global scale.

## Diversity

Increasing the diversity of the ITO EN Group's workforce will be vital to the group's success in the future. We place people in positions that are best suited to their strengths and other characteristics and build on those strengths to maintain a powerful Team ITO EN. This thinking is at the heart of diversity at the ITO EN Group. Japan's declining

working age population poses a challenge. Rather than simply assigning people to jobs, we are building an infrastructure capable of utilizing the capabilities of a diverse array of people through the organic and effective linkage of skills.

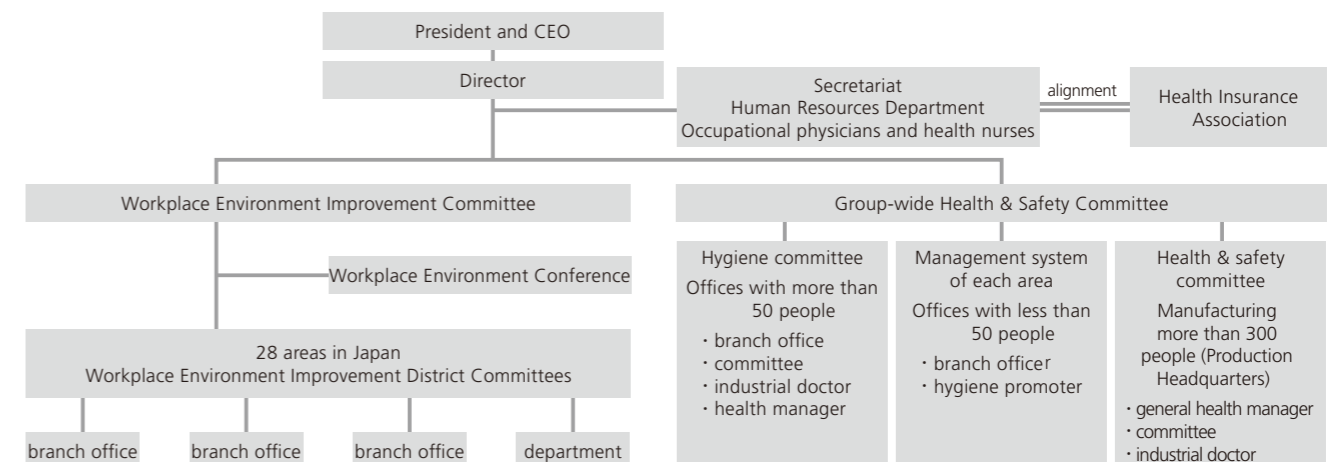
## Health and productivity management

We use a management perspective concerning the health of our employees and their families. We have a commitment to the strategic use of health and productivity management for building an even stronger framework for maintaining and upgrading the health of everyone. Raising employees' awareness of the importance of good health is another goal. To express this commitment, we announced the "ITO EN Group Health Management Declaration" in May 2021. To translate this statement into actions, we appointed a health management (hygiene promotion) officer at every business site in Japan. Issues identified by these officers are submitted to the Workplace Environment Improvement Committee, Safety and Hygiene Committee, occupational physicians and other channels. After examinations by these committees and individuals, selected issues are discussed by the Board of Directors. This provides a framework for confirming progress concerning health

and productivity management activities on a regular basis. In March 2021, ITO EN was again certified under the large enterprise category of the 2021 Certified Health and Productivity Management Organization Recognition Program in Japan.

We continue to strengthen programs for helping employees maintain good health and improve their health as well as to increase their motivation concerning healthy life styles. As a Health Creation Company, we use a large number of initiatives for enabling everyone to do their jobs in good health and contribute to the sustained growth of the ITO EN Group.

Please see here for details on ITO EN Group Health Declaration and health and productivity management.  
▶ <https://www.itoen.co.jp/csr/labour/kenkousengen/>



## ■ Initiatives for health of employees

Based on the philosophy of the ITO EN Group Health Declaration, people receive support that reflects their health characteristics with regard to prevention, guidance, treatments and work-life balance. For example, regular health checkups for all employees include examinations in addition to the minimum statutory requirements. Employees receive gastroscopic exams, a test for H pylori and other examinations to detect cancer.

There are many programs that provide financial support concerning healthy living. Employees can receive payments for gynecological exams, procedures to help stop smoking as well as sleep apnea, dental problems and other health issues. We want people to increase

activities for preventing diseases and finding problems at an early stage. We also provide support for family members, such as payments to cover part of the cost of health checkups for employees' spouses. Employees have access to external resources that include counseling by occupational physicians and public health nurses and a 24-hour counseling service for general health and mental health. Employees and family members can rely on this system for assistance with a broad range of issues. In addition, every ITO EN Group business location conducts stress checks. All information about medical examinations and consultations is strictly confidential and counseling services are provided for support as needed.

## Workstyle reforms

ITO EN allows its diverse workforce many options for how to do their jobs. Furthermore, we allow everyone to work until the age of 70. These programs invigorate our entire organization and raise the productivity of Team ITO EN. Workplace environment improvement committees, consisting of people selected by every workplace, and

other organizations are used for reducing working time, improving the environment for doing jobs, raising the efficiency of tasks and making other improvements. For more progress with workstyle reforms, we will continue to use these measures to maintain productive and pleasant workplaces.

## Support for family and other personal needs

ITO EN provides comprehensive support to employees, including working time flexibility, salary structures and other means, for childbirth, childcare, caring for an elderly parent and other needs. One step is the childcare leave program, which has been expanded to encourage men to take time off for this purpose. We have expanded eligibility for reduced working time and shifted working time (earlier finish / later start) to give people extra time for an illness, childcare, elderly parent care or some other requirement.

In addition, we expanded a leave of absence program for accompanying family members (working overseas, etc.); and increased 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.



## Respect for human rights

Initiatives to ensure respect for human rights are a fundamental part of our management principle of "Always Putting the Customer First" and the foundation for all of our business activities. All ITO EN Group companies strictly comply with the laws and regulations of the areas where they operate. In April 2020, we established the ITO EN Group Human Rights Policy based on the UN's

Guiding Principles on Business and Human Rights. We continue to fulfill our responsibilities concerning human rights while giving everyone at our group an even better understanding of human rights issues involving business activities.

ITO EN Human Rights Policy:  
[https://www.itoen.co.jp/csr/human\\_rights/](https://www.itoen.co.jp/csr/human_rights/)

## Results for the fiscal year ended April 2021

Number of graduates from ITO EN Business College & ITO EN Graduate School <b>765</b> persons (Cumulative total number of graduates: 15,609 persons)	Number of qualified ITO EN TEA Tea Taster* <b>2,237</b> persons (*As of May 2021)	Employee education and training costs <b>111</b> million yen	Ratio of female managers <b>2.8</b> %	Employment rate for people with disabilities* <b>2.43</b> %
Percentage of employees returning to work after child care leave <b>97.2</b> %	Health checkup rate <b>100</b> %	Stress Check Consultation Rate <b>97.2</b> %		

## The ITO EN Tea Taster System

ITO EN's Tea Taster System started in 1994 with the objectives of giving employees a high level of knowledge about tea and conducting educational activities concerning tea at the ITO EN Group and outside the group. In 2017, this system became the first company qualification that was certified by the revised business skill test certification system of the Ministry of Health, Labour and Welfare. Tests are conducted once every year and, following a rigorous evaluation process, qualified employees become Tea Taster. Earning this qualification

requires expertise covering many subjects. Tests include academic study, tea testing and oral recitations. Certification demands knowledge about tea culture, how to make great-tasting tea and many other subjects. This training enables people to make important contributions to every stage of the value circle (research, product planning and development, procurement, production and logistics, sales and distribution) for tea as we continue making progress toward becoming the Global Tea Company.

### \* The Ministry of Health, Labour and Welfare (MHLW) Business Skill Test

The MHLW certifies programs established by companies or organizations for testing the skills of their employees. Certified programs must fulfill certain requirements and encourage employees to improve their skills.



## Tea Taster qualifications

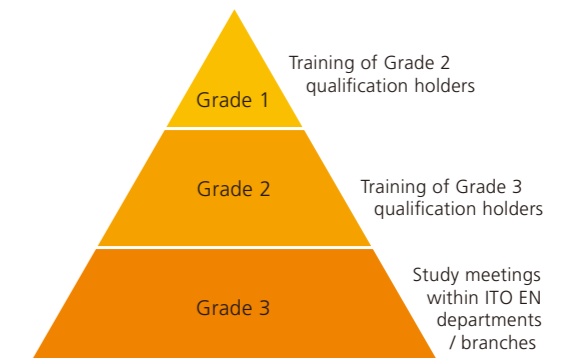
Tea Taster qualifications range from Grade 3 to Grade 1. Earning a Grade 1 or 2 qualification requires knowledge and skills about green tea as well as Chinese tea and black tea. Grade 1 requires a broad range of knowledge about tea at a very high level along with an understanding of Japanese traditional culture, such as the tea ceremony, and manners and etiquette. These "tea professionals" are a source of information about

the appeal of tea and strengths of ITO EN within the company and for others. Tea Taster qualification holders also engage in training with the objective of improving knowledge and skills required by the qualification and conduct training at every grade level in order to develop the next generation of Tea Tasters.

Grade levels and numbers of qualification holders(domestic)

Grade levels	Knowledge & skills (tea tasting)				Number of qualification holders
	Green tea	Chinese tea	Black tea	Tea ceremony	
Grade 1	○	○	○	○	17
Grade 2	○	○	○		381
Grade 3	○				1,839
Total					2,237

\* In addition, there are 57 qualified employees working overseas. as of May 2021



## Example of the activities of Tea Tasters

In 2020, the Tea Taster System started using Twitter and other online channels to provide information about the appeal of tea because of restrictions on face-to-face communications with customers due to the pandemic.



Online tea brewing seminar

# Financial Management

ITO EN Group aims to achieve sustainable growth and increase corporate value by generating profits that exceed cost of capital and investing in growth areas, while maintaining a stable financial base.

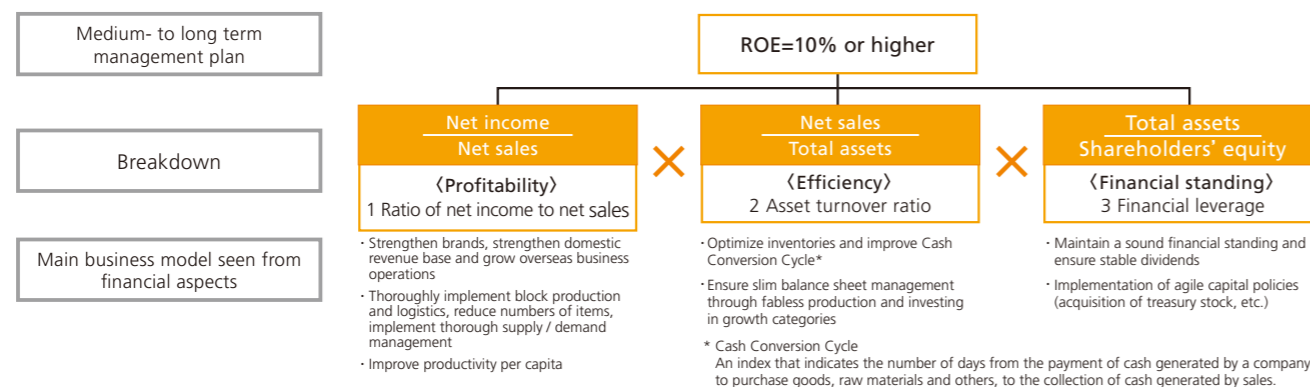
**Minoru Watanabe,**  
Vice President, Director and Executive Officer  
with responsibility for  
Administration Headquarters and  
International Business Headquarters

## 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. Our medium- to long-term management plan includes the goal of an ROE of at least 10%. 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 higher 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 raising profitability and the asset turnover ratio. In the fiscal year that ended in April 2021, our ROE decreased 0.5 percentage point from the previous fiscal year to 4.7% as the pandemic continued to impact our performance.

	FY4 2019	FY4 2020	FY4 2021
ROE	9.9%	5.2%	4.7%
Ratio of net income to net sales	2.9%	1.6%	1.6%
Asset turnover ratio	1.67 times	1.63 times	1.43 times
Financial leverage	2.07 times	2.00 times	2.08 times

## ITO EN's ROE-based corporate management and financial tree comprising profitability, efficiency, and financial standing (Conceptual diagram)



## Improving profitability

In order to improve our ROE in the future, we believe that the key issues for profitability are strengthening our revenue base in Japan and achieving growth of overseas businesses. In terms of strengthening our revenue base in Japan, we are working to expand our market share and to reform our cost structure through selection of and focus on mainstay brands. Two points are particularly important. One is raising productivity by making everyone at the ITO EN Group more aware of the need to control expenses. The other is efficiency and cost-cutting for distribution activities by optimizing our nationwide framework for production and distribution activities. For

measures aimed at new sources of medium- to long-term growth, we established the Business Creation Department in June 2020. The members of this department are seeking opportunities for starting new businesses in Japan concerning food, the environment and other market sectors.

For overseas operations, our activities will continue to be focused on *Oi Ocha*, *MATCHA GREEN TEA* and other core brands as the interest in healthy lifestyles and diets continues to increase worldwide. North America and China are the primary markets for our growth outside Japan.

## Increasing asset efficiency

We will prioritize improvement of our operating capital, including the optimization of inventory assets, and investment in growth areas. With regard to capital investment, in addition to investing in the acquisition of production facilities and opening of new Tully's Coffee shops, we are also proceeding gradually with a changeover from leasing of vending machines and other sales promotion fixtures to outright purchasing, given the current interest rate conditions. We are also periodically reviewing and revising our medium- to long-term capital investment plans based on the state of

profitability of each business.

As a result of continuous efforts until now, in the fiscal year ending April 2021, non-consolidated operating income for ITO EN, LTD. decreased by 5.2% year on year, and the operating income ratio increased 4.5% (an increase of 0.1 points year on year). Moving forward, we will work to further improve productivity and asset efficiency, with a target operating income ratio of at least 5%, and work to achieve an ROE of 10%.

	FY4 2019	FY4 2020	FY4 2021
Operating CF	26,128 million yen	24,719 million yen	25,351 million yen
Investing CF	▲10,635 million yen	▲9,217 million yen	▲7,514 million yen
Free CF	15,492 million yen	15,502 million yen	17,836 million yen

	FY4 2019	FY4 2020	FY4 2021
Amount of capital investment	10,006 million yen	9,990 million yen	7,199 million yen
Depreciation	6,735 million yen	7,022 million yen	7,255 million yen
Lease depreciation	6,675 million yen	6,081 million yen	5,171 million yen
Lease obligations (amount of repayment)	▲6,514 million yen	▲4,679 million yen	▲3,691 million yen

## Ensuring financial stability

We have secured sufficient liquidity of cash on hand to respond to the rapid changes taking place in financial markets triggered by the COVID-19 pandemic and to ensure financial safety in times of crisis. We have sought to diversify our fundraising methods, by issuing corporate

bonds and borrowing from financial institutions, and established a commitment line for response to unpredictable situations. Looking ahead, we will procure capital through interest-bearing liabilities as needed, while maintaining financial stability.

## 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. Regarding

the acquisition of treasury stock, as a shareholder return strategy that contributes to improving capital efficiency, we will expeditiously acquire treasury stock when we judge it to be necessary, and ensure a consolidated total return ratio of at least 40%.

	FY4 2019	FY4 2020	FY4 2021
EPS (Common stock)	116.0 yen	61.5 yen	55.1 yen
EPS (Preferred stock)	126.0 yen	71.5 yen	65.1 yen
Total return ratio	48.9%	92.1%	74.0%

# Corporate Governance

## Corporate governance policy

Under the management principle of “Always Putting the Customer First,” the ITO EN Group Founding Charter provides that “the ITO EN Group has developed the basics for management to continually grow and develop as an enterprise and enhance corporate value: cooperate with its stakeholders, including the government, local communities, consumers, shareholders, retailers, suppliers, and financial institutions, and fulfill its corporate social responsibility (CSR).” The management principle above is the basic concept of ITO EN’s corporate ethics and the foundation that supports our corporate governance. Based on this principle, every officer and employee of ITO EN is active in promoting concerted efforts to achieve a sustainable society in line with the interests of all stakeholders and strives to repay their trust.

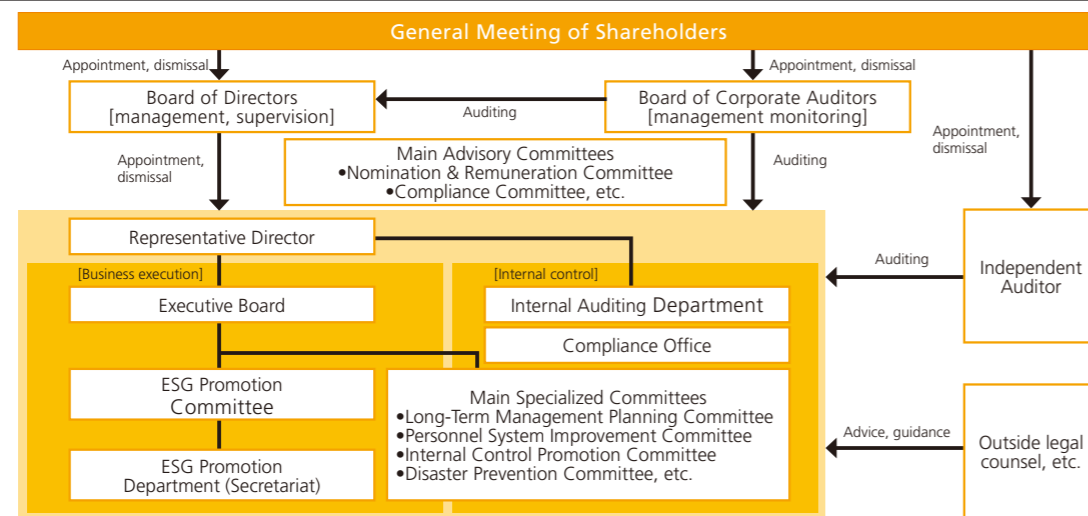
In addition, to conduct appropriate corporate governance, a Board of Corporate Auditors system has been adopted and our corporate auditors check and audit business conditions, the decision-making process,

and other matters regarding the respective representative directors, the directors in charge, and the employees of ITO EN Group companies. Internal and outside corporate auditors 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 Board of Corporate Auditors.

ITO EN has established and disclosed the ITO EN Corporate Governance Guidelines to convey its basic approach to and policy on corporate governance. The major items are as follows:

- Management principle and the basic approach to corporate governance
- Corporate governance system
- Response for protecting the interests of stakeholders

## Outline of Corporate Governance System



### Board of Directors

Meetings of the Board of Directors are generally held monthly to discuss and determine the basic policy and strategy for management and other important matters. The Board of Directors consists of 14 directors, including four outside directors, who make use of their expert knowledge in supervising and checking the execution of duties.

### Executive Board

The Executive Board discusses and decides on matters to be discussed at the Board of Directors and important matters related to management based on the basic management policy resolved by the Board of Directors. The purpose is to assist important business matters performed by the Board of Directors and the President. It consists of 23 executive officers and meetings are held once a month in principle.

### Board of Corporate Auditors

Meetings of the Board of Corporate Auditors are generally held monthly to discuss and determine important matters relating to audits and share information on the status of audits conducted, the recognition of issues, etc., and exchange opinions, among other tasks. The Board of Corporate Auditors consists of one standing corporate auditor and three part-time corporate auditors (all of whom are outside corporate auditors). The corporate auditors mainly conduct audits of the legality of the directors’ business execution by attending important meetings such as those of the Board of Directors, perusing important documents, conducting visiting audits of departments executing business and expressing opinions as necessary.

### Environmental, Social, and Governance (ESG) Promotion Committee

The ESG Promotion Committee (Chairman: Daisuke Honjo, President and CEO) has been established as an advisory body to the Executive Board and meets four times a year. With the aim of strengthening ESG management, the ESG Committee organizes an ESG promotion system, formulates an action plan, discusses measures and policies regarding ESG issues, and reports to the Board of Directors and the Executive Board. ESG information is disclosed through integrated reports (this paper), corporate governance reports, corporate websites, and responses to CDP.

## Contribution by independent officers to Board of Directors and Board of Corporate Auditors

ITO EN has increased the number of its outside officers to strengthen the function of management supervision. The main requirement for the appointment of outside directors and outside corporate auditors is for them to fulfill their auditing and supervisory functions from an objective and independent perspective, thereby contributing to the achievement of sound corporate governance.

State of attendance by outside directors at Board of Directors and Board of Corporate Auditors meetings (fiscal 2021)

Category	Name	Board of Directors	Board of Corporate Auditors
Director	Morikazu Taguchi	11 times / 12 times	—
Director	Yuichi Usui	11 times / 12 times	—
Director	Yutaka Tanaka	10 times / 12times	—
Director	Hideo Takano	9times / 9times	—
Auditor	Yoshiaki Takasawa	11 times / 12 times	14 times / 14 times
Auditor	Masahiro Nagasawa	10 times / 12 times	13 times / 14 times
Auditor	Takashi Miyajima	11 times / 12 times	14 times / 14 times

\*Yutaka Tanaka retired as Auditor in July 2019, and was appointed as Director. Takashi Miyajima was appointed as Auditor in July 2019  
\*Hitoshi Yokokura joined as Auditor in July 2021, and is not listed in the state of attendance.

### Outside Officers(after August 2021)

Outside Directors	Morikazu Taguchi	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
	Yuichi Usui	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
	Yutaka Tanaka	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
	Hideo Takano	Objectively supervising management leveraging his experience and wide-ranging insights from deep participation in management support for various enterprises during his many years at the Tokyo Chamber of Commerce and Industry
Outside Corporate Auditors	Yoshiaki Takasawa	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 corporate auditor
	Takashi Miyajima	Engaging in the supervision of management as an outside auditor, based on his extensive experience and wide-ranging knowledge and insights with regard to finance and financial issues
	Hitoshi Yokokura	Based on his experience as a certified accountant and lawyer, he conducts management oversight as an outside corporate auditor based on his high level of knowledge regarding accounting and legal affairs.

## Evaluation of the effectiveness of the Board of Directors

ITO EN has been analyzing and evaluating the effectiveness of its Board of Directors annually since fiscal 2015, and working to improve the Board’s functionality.

Our analysis and evaluation of the effectiveness of the Board of Directors for fiscal 2021 was as follows.

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.

### (1) Surveys and interviews

- (1) Survey period: March April 2021
- (2) Subjects: All directors and corporate auditors
- (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
  - (iv) Validation of collected results at a Board of Directors meeting

### (2) Contents

- (1) Structure and membership of the Board of Directors
- (2) Roles and responsibilities of the Board of Directors
- (3) State of operation of the Board of Directors
- (4) Decision-making and methods of deliberation
- (5) Relationship with shareholders, etc.

### (3) Results of evaluation

- It was verified that the Board of Directors is functioning

satisfactorily in making management judgments and supervising management, in terms of its size, structure, qualifications and operational methods.

- With regard to discussions, it was found that the Board of Directors is engaging in free, unrestricted, and constructive discussions with the full participation of both inside and outside directors, and contributing to corporate management.
- It was found that the Board is making steady progress with regard to issues identified in the previous fiscal year, such as reviewing standards for matters for deliberation.
- In terms of new issues, the need for discussions on medium- to long-term management plans was recognized. In addition, it was mentioned that the information support system should be further strengthened, the execution status should be reported regularly, and the accuracy of information sharing should be improved

### (4) Future efforts

We will strive to improve the functions of the Board of Directors by resolving issues.

## ■ Remuneration for corporate officers

(1) Policy for determination of remuneration amount, for corporate officers

Remuneration for directors at ITO EN consists of fixed remuneration and performance-linked remuneration, while remuneration for corporate auditors consists solely of fixed remuneration. Bonuses and retirement benefits for corporate officers were abolished in July 2002.

Fixed remuneration is determined according to position, within the scope of remuneration agreed by resolution of the General Meeting of Shareholders.

With regard to performance-linked remuneration, ITO EN has introduced a performance-linked remuneration stock options scheme. Amounts of stock options granted to each director are determined by strict evaluations of individual performance.

(2) Amount of remuneration for corporate officers  
Total amount of remuneration, total amount by remuneration type, and number of recipient officers by corporate officer category are as follows

Total amount of remuneration by corporate officer category, total amount of remuneration, etc., by type and number of recipient officers by corporate officer category (FY2019)

Officer category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc., by type (million yen)			Number of recipient officers (people)
		Fixed remuneration	Performance-linked remuneration	Non-monetary rewards, etc. on the left	
Directors (excluding outside directors)	617	579	37	37	10
Outside directors	39	39	-	-	4
Auditors (excluding outside corporate auditors)	13	13	-	-	1
Outside Officers	31	31	-	-	3

## (3) Nomination & Remuneration Committee

ITO EN has established a Nomination & Remuneration Committee that determines matters such as the nomination of and remuneration for directors and other officers. This enables us to further enhance the independence, objectiveness and accountability of the

Board of Directors through the appropriate involvement and advice of outside directors. Membership of the Nomination & Remuneration Committee consists of three or more directors, two or more of whom must be outside directors.

## ■ Developing top-level management and next-generation leaders

ITO EN seeks to develop top-level management personnel with an emphasis on refining multifaceted management capabilities, such as 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.

## ■ Compliance

The ITO EN Group thoroughly adheres to laws and regulations, basic principles, company regulations, social norms, and corporate ethics, and promotes fair and sincere business that sincerely responds to social demands.

In order to put this into practice, the Group is working to spread the "ITO EN Group Code of Conduct and the Code of Behavior," which embodies the "Always Putting the Customer First" and "ITO EN Group Basic Code," as guidelines for business and daily operations.

We have also established the Compliance Committee and Compliance Office, which are advisory bodies to the Board of Directors. As a result, we have established a system to promptly consider and implement countermeasures in the event of a serious compliance-related incident. In fiscal 2020, we held the Compliance

Committee 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. We receive consultations from inside and outside the company to prevent harassment (power harassment, sexual harassment, harassment related to pregnancy / childbirth, childcare / nursing leave, etc.) and to prevent corruption, such as bribery. We are strengthening Group compliance in order to promote early detection and response to problems and the self-cleaning effect of companies.

Click here for "ITO EN Group Compliance" Guidelines for Code of Behavior " " .

<https://www.itoen.co.jp/files/user/pdf/csr/compliance/all.pdf>

## ■ Fair business practices

The ITO EN Group strives to ensure a wide range of compliance, including thorough sound procurement, fair transactions with outsourced manufacturers, and free and fair competition in sales.

## ■ Supply chain management

The ITO EN Group has established a procurement policy and has established a supply system that considers the environment and society in collaboration with related parties, including manufacturing contractors. The procurement policy stipulates the pursuit of quality, safety, security, legal compliance, fair procurement, consideration for human rights, labor and the environment, and conducts evaluations using survey forms on an irregular basis. In addition, we are working to improve supply chain management by sharing good practices at

business partner meetings. On the other hand, for new transactions, we explain procurement policies and standards set by the company, and conduct on-site audits as necessary to confirm the status of activities. In terms of logistics, we regularly evaluate each outsourced company with audit slips regarding items related to transportation and storage specified by the company. By sharing information at business partner meetings, we ensure safety and security, and build supply chain management in collaboration with outsourced companies.

## ■ Intellectual property protection

The ITO EN Group respects the intellectual property rights of other companies and protects and utilizes the intellectual property rights of the company.

## ■ Thorough quality control

As a beverage manufacturer, delivering safe and secure products to consumers is our top priority. We have established a quality control policy and are working to establish a supply system that considers both the environment and society in collaboration with related parties such as manufacturing contractors. Our quality control policy stipulates the provision of safe and reliable products, compliance with laws and regulations, and ensuring product safety in accordance with international standards. In terms of quality control, we have built a quality management system based on the international regulation ISO9001 certification, and the Shizuoka Sagara Factory has also obtained FSSC22000 (food safety management system) certification for its operation.

Pesticide residue inspection at the raw material stage is carried out by our quality control department, and inspection of flavor, equipment analysis, microorganisms, etc., at the product stage is carried out by both our quality control department and the outsourced manufacturing factory.

Products are manufactured in factories that comply with our quality control standards (beverage manufacturing and tea leaf manufacturing guidelines), information is shared, and product safety is achieved through quality control meetings with factories (joint meetings with related parties such as contractors). ITO EN Group thoroughly manufactures safe products.

## Commitment

The sustained growth of every company requires a firm commitment to ESG. Furthermore, sound corporate governance and measures to strengthen governance are essential for properly managing business activities. Recognizing the importance of strict compliance with laws and guidelines, all executives and employees of the ITO EN Group are dedicated to maintaining sound management and internal controls to ensure the efficiency, fairness and transparency of how businesses are conducted.

The Corporate Governance Code of Japan, which was revised in June 2021, states that companies must place priority on sustainability activities from the standpoint of the medium- to long-term growth of corporate value. Moreover, the ITO EN Group along with its entire supply chain, including procurement, production and distribution operations, is working together for environmental and social programs concerning climate change, resource management, product quality, respect for human rights and other issues.



Shunji Hashimoto  
Vice Chairman with  
responsibility for Compliance,  
Production Headquarters and  
Logistics Headquarters

## Risk management

ITO EN has approached risk management by establishing a department in charge of risks, formulating regulations and guidelines, and building a cross-organizational risk management system to deal with risks accurately and appropriately. The Group is managing risks by developing a system for dealing accurately with risks from the standpoints of (1) compliance, (2) information security, (3) quality and the environment, (4) property preservation

and (5) disaster and accident. ITO EN has also put in place the Compliance Committee, the Safety and Health Committee and the Disaster Prevention Committee, etc. Additionally, as risk management strategy based on business continuity planning (BCP), ITO EN also strengthens its ability to achieve business continuity by distributing BCP manuals to each department to instill greater awareness of BCP.

## Development of internal control systems

Based on its "Basic Policy on Internal Control Systems," the ITO EN Group has built internal control systems for the purpose of increasing the transparency of its business operations, while increasing effectiveness and efficiency,

increasing the reliability of its financial reporting, promoting compliance with laws and regulations, and protecting its assets.

### Response to the coronavirus

The coronavirus pandemic has limited the movements of people and the activities of companies and the outlook for this crisis remains uncertain. The ITO EN Group places the highest priority on the safety of customers, employees, and suppliers and other business partners in order to prevent the spread of infections. The Pandemic Response Department has established policies for safety during this crisis and actions have been taken to make everyone at the group aware of these policies. The following safety measures are used at offices.

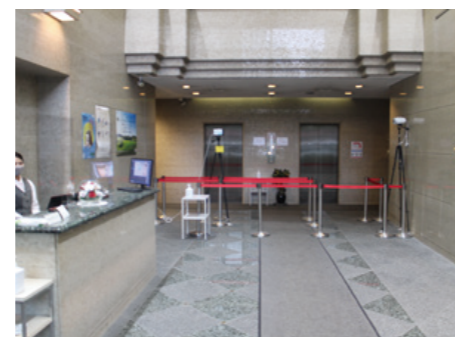
### Major infection control measures in offices

- Workplace vaccination program (starting with Tokyo area employees and spouses)
- Distribution of hygiene supplies to employees (masks, hand sanitizer and other items)
- Temperature check when starting work, entering a building or other times; hand washing, gargling, use of sanitizers
- Use of the internet for conferences and sales meetings
- Partitions in offices and meeting rooms and other safety measures

### Support for healthcare providers

ITO EN donated *Oi Ocha* beverages, tea leaf products and other products with a value of about 180 million yen to more than 600 hospitals and lodging facilities throughout Japan with emphasis on key medical institutions designated by local governments. These products provided support to the many healthcare professionals who are at the front line of the battle against COVID-19.

- About 1.29 million 280ml PET bottles of *Oi Ocha* green tea
- About 160,000 190g cans of *Oi Ocha* green tea
- About 860,000 containers of tea leaf products



Temperature measurement when entering the head office (thermography)



Donated products

## Business risks

The risks that may have a significant impact on the Group's business performance are as follows. The Group has determined future matters and major measures as of the end of April 2021, and the risks are not limited to the following.

Item	Main risks	Main correspondence
Domestic economy, consumption trends	<ul style="list-style-type: none"> <li>• Changes in economic trends due to economic and monetary policies in Japan, natural disasters, and the spread of new coronavirus infections</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>
Market competition	<ul style="list-style-type: none"> <li>• Intensifying competition in the beverage product market, which is our main business</li> <li>• Sales increase due to continued low prices at stores</li> </ul>	<ul style="list-style-type: none"> <li>• Development of products that meet customer needs</li> <li>• Strive to serve customers with a focus on route sales</li> </ul>
Raw material procurement	<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 plantations</li> <li>• Due to growing demand for tea leaves for beverages, it will not be possible to secure the required tea leaves in a stable manner</li> <li>• Procurement and cost increase due to soaring prices of imported raw materials (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>• Weight reduction of PET bottles</li> <li>• Goal to increase the ratio of recycled materials used for PET bottles to 100% by 2030</li> </ul>
Production system	<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 inspection</li> <li>• Secure multiple outsourced factories all over the country in case of an unforeseen situation.</li> </ul>
Climate change / natural disasters	<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 materials for main products, and rising raw material procurement prices, lack of required quantities, etc.</li> <li>• Obstacles to head office functions 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 climate change analysis on the impact of climate change on tea leaves and yields</li> <li>• Review of BCP and appropriate management and operation</li> </ul>
Dependence on <i>Oi Ocha</i> brand	<ul style="list-style-type: none"> <li>• The ratio of the <i>Oi Ocha</i> brand to the sales of our beverage products is as high as about 40%.</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 <i>Kenko Mineral Mugicha</i> brand, <i>Tully's</i> brand, etc., and developing other brands</li> </ul>
Overseas business	<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 that pays attention to the situation peculiar to the country</li> </ul>
Legal regulations and others	<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 for the entire Group, and others</li> </ul>
Information management	<ul style="list-style-type: none"> <li>• Loss of important information including personal information due to power outages, disasters, virus infections, unauthorized access, etc., and external leakage</li> </ul>	<ul style="list-style-type: none"> <li>• Implement appropriate security measures for information management including systems</li> </ul>
Food safety and hygiene management	<ul style="list-style-type: none"> <li>• Occurrence of hygiene problems such as contamination of foreign substances, distribution of products with inappropriate allergen labeling, food poisoning, etc.</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 occur in the industry and society as a whole</li> </ul>	<ul style="list-style-type: none"> <li>• Set and comply with the ITO EN Group Quality Control Policy</li> <li>• Quality control department is in charge of quality inspection</li> <li>• Thorough food safety and hygiene management</li> <li>• Maintenance of traceability system</li> <li>• Implementation of quality control guidance and audits for outsourced factories</li> </ul>



# Stakeholder Engagement (Building relationships with customers)

## Investor dialogues

Based on the accurate monitoring of the cost of capital, we use constructive dialogues between management and shareholders and other investors concerning their interests and concerns about ITO EN. Dialogues also include easily understood explanations of management policies for the business portfolio, capital expenditures, R&D, investments in human resources and other aspects of business activities. These activities give stakeholders a

better understanding of ITO EN. For the timely and proper disclosure of information, we use earnings announcement information meetings and our website with the goal of explaining our strategies and the business climate for our operations. Following every announcement of results of operations, feedback from shareholders and other investors is provided to the Board of Directors and utilized for reviews of management strategies and other activities.

## Investor relations activities

The Investor Relations Section of the Public Relations Department, which is part of the Administration Headquarters, conducts a variety of IR activities with the frequent participation of senior management. For the fair disclosure of information, consolidated and non-consolidated earnings, reports and information meeting materials are posted quickly on the ITO EN website for accessibility by individual and institutional investors and

securities analysts. The website also has the ITO EN Integrated Report, business report, securities reports, shareholders meeting notices and other documents of interest to investors. For investors outside Japan, earnings reports, information meeting materials, some news releases and the ITO EN Integrated Report are provided in English.

## Stakeholder dialogues

ITO EN places an emphasis on communication with stakeholders and reflects a wide range of opinions of stakeholders in its management. Feedback is received through dialogues with investors, prominent individuals, consumers and representatives of consumer organizations, from questionnaires returned by consumers who attend events, and from other sources. Many types of community engagement events are held in Japan,

mainly at our business locations. Information received at these events provides information and opinions from local governments that is incorporated in our management and in joint activities with communities. Based on the management principle of "Always Putting the Customer First," our code of conduct states that we will always respect the viewpoints of all of our stakeholders.

### Inclusion in ESG stock indexes

Many companies and agencies worldwide perform ESG assessments of companies. Based on these assessments, ITO EN has been selected for inclusion in several stock indexes for companies with strong commitments to ESG.



## Activities to continue and protect Washoku culture

ITO EN has participated in *Washoku* Japan\* since its establishment in 2015 for activities that use the culture of Japanese tea for promotional and educational programs involving *washoku* (the traditional food culture of Japan). One program is *washoku* classes for children that are held at various locations and led by people from *Washoku* Japan member companies. Students learn about the importance of Japanese tea as one category of *washoku* culture food and its central role in the types of food generally preferred in Japan. The goal is to pass on to the next generation knowledge about tea as a vital

element of the *washoku* culture. Activities involving this culture also include scientific studies concerning why green tea goes well with Japanese cuisine, such as due to the "umami" (or "savory" taste) of tea. This information provides a basis for promoting green tea and *washoku* in Japan and other countries and creating new ideas for enjoying green tea.



\* Washoku Japan is an organization established when the application was made for *washoku* (traditional dietary cultures of the Japanese) to be included in the UNESCO Intangible World Heritage of Humanity list. It conducts activities for passing on *washoku* culture to the next generation, and sharing its values amongst all citizens.

## The ITO EN Oi Ocha New Haiku Contest

The *ITO EN Oi Ocha New Haiku Contest* started with the release of *Oi Ocha* in 1989, and is the largest open call for creative competition in Japan. New Haiku is not bound by the rule of haiku, such as "must incorporate seasonal words." With new haiku it doesn't matter what you feel or think as long as it has a 5-7-5 rhythm. You can put it on and express it freely. The biggest feature is

to publish the award-winning works on the packages of *Oi Ocha*.

Approximately 90% of the applications are from the educational field, and through new haiku, we face our daily lives with the power of tea and language, contributing to the succession of Japanese culture and educational opportunities.

### The 32th ITO EN Oi Ocha New Haiku Contest

Record high number of applications  
**2,057,963**

Total cumulative number of entries received over the history of the contest: more than 39,700,000 entries from 98 countries and regions

Oi Ocha bottle displaying the entry which won the Minister of Education, Culture, Sports, Science and Technology's Prize entry

Final screening meeting

## External recognition

All aspects of ITO EN's activities, including its business management, from procurement to distribution, have gained external recognition. The following table shows the honors received in the past few years.

	Category	Awards*1
Overall	Overall management	Porter Prize (2013)
	Continuous improvement of CSR activities	Japan SDGs Award (Special Award "SDGs Partnership Award") (2017) Environmental Communication Award (Outstanding Performance Award) (2018, 2016, 2015) Japanese Red Cross National Recognition Ceremony (Golden order of merit) (2019)
	Overseas diffusion	Prize of the Minister of Agriculture, Forestry and Fisheries for the Overseas Promotion of Japanese Food (2013)
Procurement	The Tea-Producing Region Development Project	Prize of the Minister of Agriculture, Forestry and Fisheries in the Leading Companies in Food Industry Award (2016) Nikkei Social Initiative Award for the Corporate Sector (2015)
	Production and Logistics	New eco-friendly beverage carton containers
NS System		Environmental Performance Award (Outstanding Performance Award) (2015) Prize of the Director-General of the Food Industry Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries in the Food Industry Mottainai Award (2015)
Modal shift		Food Industry Mottainai (waste) Award (Ministry of Agriculture, Forestry and Fisheries Food Industry Bureau Director's Award) (2015) Special Award at the Logistics Environment Awards (2018)
Product Planning and Development	Used Tea Leaves Recycling System	Eco Mark Award 2014 (Silver Award) (2015) Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for Promoters of the 3Rs (2013)
		Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2011) Social Products Award at Social Products Award (2021)
Sales and Distribution	"Making Lake Biwa Beautiful Through Tea" "Making Japan Beautiful Through Tea"	Prize of the Excellence Award of The Japan Awards for Biodiversity (2015) Prize of the Minister of Economy, Trade and Industry in the Japan Water Prize Award (2015)
	The ITO EN <i>Oi Ocha</i> New Haiku Contest	Encouragement Prize of the Review Board of the Ministry of Education, Culture, Sports, Science and Technology for the Recognition of Enterprises for Their Support of Young People's Activities (2015)
	KEEP IN MY BOTTLE*2	*Gold Prize in the FOODEX Gourmet Beauty Grand Prix (Drinks Category) (2018) *KEEP IN MY BOTTLE Cereal Tea (7 bags) was also awarded the Buyer's Special Prizes*
	Kenko Mineral Mugicha Instant Barley Tea 40g	Grand Prize in the FOODEX Gourmet Beauty Grand Prix (Mom's Love Category) (2017)
	<i>Oi Ocha Shirayoku</i> (New Green) 470ml PET plastic bottle 470ml	Gold Prize in the FOODEX Gourmet Beauty Grand Prix (Drinks Category) (2019)
<i>Oi Ocha</i>	The <i>Oi Ocha</i> brand was recognized and certified by Guinness World Records® as the world's largest natural healthy RTD green tea brand - retail RSP, current (2019, 2020, 2021)	

\*1 Years shown indicate the year the award was received.

\*2 \*KEEP IN MY BOTTLE\* won several series such as 7 bags of jasmine tea.

## Executive Officers (excluding directors with executive officer status) (as of November 1st, 2021)

### Directors

#### Chairman of the Board 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 (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.

#### Vice President, Director and Executive Officer Minoru Watanabe

Jul. 1976 Joined ITO EN  
Jul. 1996 Director  
May 2001 Managing Director  
May 2003 Executive Managing Director  
May 2008 Executive Vice President  
May 2019 Vice President, 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 Yosuke Jay Oceanbright Honjo

Mar. 1992 Joined ITO EN  
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 Yuichi Usui

Oct. 1976 Joined Metropolitan Police Department  
Feb. 1994 Deputy Chief of the 7th Antiriot 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 General Affairs Department  
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 ITO EN (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.

#### President and CEO Daisuke Honjo

Apr. 1987 Joined ITO EN  
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 CEO (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 Mitsuo Yashiro

Apr. 1978 Joined ITO EN  
Jul. 1992 Director  
May 2001 Managing Director  
May 2010 Executive Managing Director  
May 2019 Director and Senior Managing Executive Officer (current post)

Mitsuo Yashiro manages mainly the Marketing Headquarters, and possesses extensive experience and knowledge in the areas of product development and R&D.

#### Director and Senior Managing Executive Officer Atsushi Hirata

May 1988 Joined ITO EN  
May 2016 General Director of Administration Headquarters (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 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, National Tax Agency  
Aug. 2007 Head of Tanaka Tax Certified Accountant Office (current post)  
Jul. 2013 Outside Audit & Supervisory Board Member of ITO EN  
Jul. 2019 Outside Director of ITO EN (current post)

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

#### Vice President, Representative Director and Executive Officer Shusuke Honjo

Apr. 1994 Joined ITO EN  
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 Vice President, Representative Director and Executive Officer  
May 2021 CDO(Chief Digital Officer ) (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 and Senior Managing Executive Officer Yoshihisa Nakano

Mar. 1989 Joined ITO EN  
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 retail and convenience stores. He currently manages the Production Headquarters.

#### Vice Chairman Shunji Hashimoto

Jan. 1970 Joined ITO EN  
Jul. 1990 Director  
May 1994 Managing Director  
May 1997 Executive Managing Director  
May 2000 Executive Vice President  
May 2019 Vice Chairman (current post)

Shunji Hashimoto manages mainly the Production and Logistics Headquarters, and possesses extensive experience and knowledge in the areas of purchasing, R&D, quality control, and logistics.

#### Director and Senior Managing Executive Officer Shigeru Kamiya

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

Shigeru Kamiya manages mainly the Sales Headquarters. 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 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 Faculty of Law, Waseda University  
Apr. 2004 Professor of Waseda Graduate Law School, Waseda University  
Jul. 2013 Outside Director of ITO EN (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 Hideo Takano

Apr. 1977 Joined Tokyo Chamber of Commerce and Industry  
Apr. 2006 General Unification Manager, General Affairs Department, Tokyo Chamber of Commerce and Industry  
Apr. 2009 Director and Administration Secretary- General, Tokyo Chamber of Commerce and Industry  
Apr. 2012 Executive Director, Tokyo Chamber of Commerce and Industry  
Nov. 2015 Director and Chairman, General Incorporated Foundation and Association for the Preservation of Japanese Folk Crafts and Technology (current post)  
Jun. 2016 Standing Councilor, Tokyo Chamber of Commerce and Industry  
Jul. 2020 Outside Director of ITO EN (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.

### Auditors

#### Standing Corporate Auditor Shuji Nakagomi

Mar. 1981 Joined ITO EN  
May 2007 General Manager, Product Department  
May 2010 Deputy Director-General of Area Sales Administration Headquarters  
May 2012 Executive Officer and General Director, Area Sales Administration Headquarters  
Jul. 2014 Director  
May 2017 General Director of Logistics Headquarters  
May 2018 Managing Executive Officer  
May 2019 Special Advisor  
Jul. 2019 Standing Corporate Auditor (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 The Saitama Bank, Ltd.  
Jun. 2010 Executive Officer with responsibility for Tama Area, Resona Bank, Ltd.  
Apr. 2015 Executive Officer with responsibility for Financing Department, Saitama Resona Bank, Ltd.  
Apr. 2016 Managing Executive Officer, Saitama Resona Bank, Ltd.  
Apr. 2017 President and Representative Director, Resona Capital Co., Ltd. (current post)  
Jul. 2019 Outside Audit & Supervisory Board Member of ITO EN (current post)  
Jun. 2020 Outside Audit & Supervisory Board Member of TOTOKU ELECTRIC Co., LTD. (current post)

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 a judge, registered as an attorney and became representative of Yoshiaki Takasawa Law Firm (current post)  
Jul. 1991 Outside Audit & Supervisory Board Member of ITO EN (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 Minori Audit Corporation (current post)  
Jun. 2020 Outside Director of Credit Saison Co., Ltd. (current post)  
Jul. 2021 Outside Audit & Supervisory Board Member of ITO EN, LTD. (current post)

Hitoshi Yokokura possesses expert insights, broad-ranging knowledge and experiences as a certified accountant and lawyer.

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

### Managing Executive Officers

#### Hideki Yoshida

General Director of Chugoku, Shikoku and Kyushu Area Sales Headquarters

#### Hisashi Ishida

Deputy Director-General of Administration Headquarters

#### Minoru Shirai

Deputy Director-General of Production Headquarters

#### Takahiro Sasaki

General Director of Northern- and Eastern Kanto Area Sales Headquarters

#### Takeshi Saito

General Director of Chubu Area Sales Headquarters

#### Nozomi Kishi

General Director of National Distribution Sales Headquarters

### Executive Officers

#### Masami Sasame

General Manager, 2nd Production Development Department

#### 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, Internal Auditing Department

#### Kiyoshi Kondo

General Director of Sales Unified Administration Headquarters and General Manager of Office Administration Center

#### Shinji Karasawa

General Director of Specialized Sales Headquarters

#### Naohiro Nakanishi

General Manager of Wide Area Corporate Sales Headquarters

#### Tamotsu Kunieda

General Director of Kansai Area

# Key Financial Indicators

## 5 years (2017 to 2021 ) (consolidated)

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

	(Units)	FY4/2017	FY4/2018	FY4/2019	FY4/2020	FY4/2021
<b>P/L</b>						
Net sales	(million yen)	475,866	494,793	504,153	483,360	446,281
Year-on-year comparison	(%)	2.2	4.0	1.9	(4.1)	(7.7)
<b>Details of main sales</b>						
ITO EN, LTD.	(million yen)	371,831	383,212	394,495	377,787	352,732
Total of overseas businesses	(million yen)	34,863	40,362	38,168	36,282	35,355
Cost rate	(%)	52.5	52.7	52.3	51.8	51.8
Selling, general and administrative expenses	(million yen)	204,395	211,939	217,555	212,814	198,327
Sales ratio	(%)	43.0	42.8	43.2	44.0	44.4
Operating income	(million yen)	21,774	22,043	22,819	19,940	16,675
Profit ratio	(%)	4.6	4.5	4.5	4.1	3.7
<b>Details of main profits</b>						
ITO EN, LTD.	(million yen)	15,646	15,394	15,851	16,626	15,759
Total of overseas businesses	(million yen)	2,225	2,619	2,738	1,617	1,864
Ordinary income	(million yen)	21,524	21,441	23,211	19,432	17,029
Profit ratio	(%)	4.5	4.3	4.6	4.0	3.8
Extraordinary income	(million yen)	53	75	726	645	1,334
Extraordinary losses	(million yen)	854	526	1,451	5,709	4,969
Net income attributable to owners of parent	(million yen)	13,693	12,553	14,462	7,793	7,011
Profit ratio	(%)	2.9	2.5	2.9	1.6	1.6

<b>B/S</b>						
Total assets	(million yen)	302,405	301,167	303,981	290,651	333,065
Current assets	(million yen)	174,657	170,838	177,449	173,966	223,880
Cash and deposits	(million yen)	64,202	61,664	63,738	64,813	109,430
Non-current assets	(million yen)	127,748	130,329	126,532	116,685	109,184
Property, plant and equipment (Tangible assets)	(million yen)	83,039	84,822	84,186	82,986	78,099
Intangible assets	(million yen)	24,454	21,588	18,956	11,570	8,335
Total liabilities	(million yen)	165,696	157,416	153,058	140,956	180,007
Net assets	(million yen)	136,709	143,750	150,923	149,695	153,057
Current ratio	(%)	214.1	225.2	232.0	244.8	239.3
Equity ratio	(%)	44.8	47.3	49.2	51.0	45.6
Liability ratio	(%)	122.3	110.4	102.3	95.0	118.6

<b>Statement of cash flows</b>						
Operating cash flow	(million yen)	27,098	25,322	26,128	24,719	25,351
Investment cash flow	(million yen)	(8,243)	(11,359)	(10,635)	(9,217)	(7,514)
Free cash flow	(million yen)	18,854	13,962	15,492	15,502	17,836
Cash flows from financing activities	(million yen)	(8,012)	(16,639)	(15,005)	(12,905)	25,813
Cash and cash equivalents at the end of the year	(million yen)	64,202	61,376	61,950	63,710	107,763
Amount of capital investment	(million yen)	8,135	11,062	10,006	9,990	7,199
Depreciation	(million yen)	12,469	13,222	13,411	13,103	12,427
Amortization of goodwill	(million yen)	1,765	1,819	1,777	1,762	1,266

<b>Other</b>						
ROE	%	10.5	9.0	9.9	5.2	4.7
ROA	%	4.6	4.2	4.8	2.6	2.2
PER (Common stock)	(times)	37.1	43.8	47.7	97.2	109.8
PER (Preferred stock)	(times)	17.7	21.0	20.4	29.2	35.8
PBR (Common stock)	(times)	3.7	3.7	4.5	4.9	4.8
PBR (Preferred stock)	(times)	1.9	2.0	2.1	1.7	1.9
EPS (Common stock)	(yen)	108.77	99.79	116.02	61.53	55.10
EPS (Preferred stock)	(yen)	118.73	109.75	126.00	71.53	65.10
BPS (Common stock)	(yen)	1,105.09	1,165.80	1,229.28	1,221.92	1,250.37
BPS (Preferred stock)	(yen)	1,110.09	1,170.80	1,234.28	1,226.92	1,255.37
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	%	43.5	48.5	48.9	92.1	74.0
Ratio of foreign shareholders	%	19.1	20.6	23.2	22.4	23.6
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 stock price (Ex-rights adjusted)	(yen)	4,040	4,370	5,530	5,980	6,050
Year-end stock price (Preferred stock)	(yen)			2,568	2,092	2,331

# Non-financial Summary

## (ITO EN non-consolidated bases)

	unit	FY2019	FY2020	FY2021	
CO <sub>2</sub> emissions	Scope1	thousand t-CO <sub>2</sub>	26	24	23
	Scope2	thousand t-CO <sub>2</sub>	14	12	12
	Total for Scope 1 and Scope 2	thousand t-CO <sub>2</sub>	39	36	35
	Scope3	thousand t-CO <sub>2</sub>	883	817	725
	Total for Scope 1, 2,3	thousand t-CO <sub>2</sub>	922	852	760
Emission intensity	t-CO <sub>2</sub> / million yen	2.34	2.26	2.16	
Water resources	Usage by water source	thousand m <sup>3</sup>	359	301	304
	Rivers, swamps, and others	thousand m <sup>3</sup>	290	236	238
	Tap water	thousand m <sup>3</sup>	69	66	66
	Displacement amount by drain destination	thousand m <sup>3</sup>	211	194	198
	Rivers, swamps, and others	thousand m <sup>3</sup>	155	141	143
Sewage	thousand m <sup>3</sup>	55	53	55	
Others	thousand m <sup>3</sup>	0	0	0	
Water resources (Beverage manufacturing contractor)	Usage by water source	thousand m <sup>3</sup>	—	20,147	17,698
	Groundwater	thousand m <sup>3</sup>	—	16,148	14,074
	Tap water	thousand m <sup>3</sup>	—	239	191
	Industrial water	thousand m <sup>3</sup>	—	3,760	3,432
	Displacement amount by drain destination	thousand m <sup>3</sup>	—	14,157	13,127
Rivers, swamps, and others	thousand m <sup>3</sup>	—	12,577	11,922	
Sea	thousand m <sup>3</sup>	—	1,272	929	
Sewage	thousand m <sup>3</sup>	—	308	276	
Others	thousand m <sup>3</sup>	—	31	0	
Vehicle fuel usage	Gasoline usage per vehicle	ℓ	1,542	1,381	1,316
	Light oil usage per vehicle	ℓ	2,570	2,478	2,375
	CO <sub>2</sub> emissions per vehicle	CO <sub>2</sub> per vehicle	5.9	5.6	5.4
Food recycling rate	%	94.7	91.8	92.6	
Usage rate of recycled materials for PET bottles	Oi Ocha products	%	4	12	14
	All PET bottle products	%	2	5	7
Tea-Producing Region Development Project (area / production volume)	Area	ha	1,669	1,836	2,207
	Production volume	t	6,314	7,122	7,523
Crude tea used (green tea ingredients)	t	20,013	20,039	17,966	
Other raw materials used (oolong tea, black tea, fruit juice raw materials, and others)	t	90,601	88,134	84,510	
Total product raw materials used	t	110,614	108,173	102,476	
Number of employees	Male	number	4,828	4,793	4,696
	Female	number	581	610	594
	Total	number	5,409	5,403	5,290
Female employee ratio	%	10.7	11.3	11.2	
Female manager ratio	%	2.6	2.6	2.8	
Taking annual paid leave ratio	%	47.0	52.0	53.9	
Number of Employees Taking Child Care Leave	number	60	61	68	
Percentage of Employees Returning to Work after Child Care Leave	%	100	95.2	97.2	
Employment Rate of People with Disabilities	%	2.21	2.23	2.43	
Health Checkup Rate	%	100	100	100	
Stress Check Consultation Rate	%	95.5	96.3	97.2	
Number of new graduates recruited	number	217	205	90	
Group education and training under the supervision of the Career Development Department	Number of participants per year	Gross number	1,935	17,787	34,492
	Total attendance time	hour	446	389	270
* Including e-learning from the fiscal year ending April 2020	Total number of attendance	time	74	57	89
Number of Voice System proposals (in-house proposal system)	number	10,439	9,462	16,083	
Occupational accident rate	%	2.90	2.47	1.69	

Domestic

Tully's Coffee Japan Co., Ltd.

Managing and franchise developing specialty coffee shops, *Tully's Coffee*, that 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*.

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 other products, and finish processing raw materials for green tea beverages.

Tsuchikura CO., LTD.

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

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*.



TULLY'S COFFEE, Tokyo Chamber of Commerce and Industry Building



TULLY'S COFFEE & TEA, Lalaport Tachikawa TACHIKAWA



Chichiyasu Company Headquarters



Chichiyasu character Chibo

Status of major consolidated subsidiaries

(Billion yen)

	Actual Results in FY4/2021		Budget Plan for FY4/2021	
	Net sales	Operating income	Net sales	Operating income
Businesses in the US <sup>*1</sup>	300 (283,135 thousand US dollars)	7 (6,758 thousand US dollars)	322 (298,191 thousand US dollars)	11 (10,410 thousand US dollars)
Tully's Coffee Japan Co., Ltd.	262	-14	315	10
Chichiyasu Company	139	7	136	7
Exchange rate (US dollars) <sup>*2</sup>	106.20 yen		108 yen	

\*1 Includes ITO EN (North America) INC., ITO EN (Hawaii) LLC etc.  
\*2 Average for the fiscal year

Mason Distributors, Inc.

Manufacturing and selling more than 400 types of supplements including vitamins, using wide sales network in the United States and 25 countries around the world.

Distant Lands Trading Co.

An integrated system has been realized through a coffee bean plantations and selection factories in Costa Rica and Colombia, and a roasting and packaging factory in the United States.

Australia

ITO EN Australia PTY. LIMITED

Started tea-producing region projects 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 drinks have also started.

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 5,290 persons (non-consolidated basis)

URL <https://www.itoen.co.jp>

Branches, sales offices and local offices 196 offices in 30 areas throughout Japan

Shops / stores 112 stores 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, Araikita, Fukushima-shi, Fukushima)

Okinawa Nago Factory (112, Isagawa, Nago-shi, Okinawa)

Research Institute Central Research Institute (21, Mekami, Makinohara-shi, Shizuoka)

Non-financial information

CSR / ESG initiatives

<https://www.itoen.co.jp/csr/>

Corporate Governance Report

<https://www.itoen.co.jp/files/user/pdf/company/report202108.pdf>

Financial information

Annual Securities Report

<https://www.itoen.co.jp/files/user/pdf/ir/securities/202104.pdf>

Shares and Shareholders

Total number of authorized shares	200,000,000 shares	
Total number of issued shares	▶ Common stock	89,212,380 shares
	▶ Preferred stock	34,246,962 shares
Number of shareholders	▶ Common stock	46,501 persons
	▶ Preferred stock	58,984 persons

Major shareholders

Name of shareholder	Number of shares owned (1,000 shares)			Percentage ownership of total shares (%)
	Common stock	Class 1 preferred stock	Total shares	
Green Core Co., Ltd.	17,403	5,895	23,298	19.22
Honjo International Scholarship Foundation	5,200	1,560	6,760	5.58
State Street Bank and Trust Company 505223	6,480	-	6,480	5.34
The Master Trust Bank of Japan, Ltd. (trust account)	4,630	85	4,715	3.89
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	1,941	259	2,201	1.82
Toyo Seikan Group Holdings, Ltd.	1,955	126	2,081	1.72
Resona Bank	1,933	-	1,933	1.59
Custody Bank of Japan, Ltd. (Trust Account)	1,652	-	1,652	1.36

(Note)  
1. In addition to the above, there are 2,208 thousand treasury stocks (1.79% in total, including 1,012 thousand treasury stocks of common stock and 1,196 thousand shares of class 1 preferred stock.  
2. The above total shareholding ratio is calculated by deducting treasury stock.

Preferred stock

Preferred stock can receive dividends of profits preferentially compared to common stock

	Preferred stock	Common stock
Security code	25935	2593
Voting rights	None <sup>*1</sup>	Available
Dividends	Preferred dividends Amount of common dividends × 125% <sup>*2</sup> Any accrued amount is accumulated	Common dividends Not accumulated
Right to receive distributions of residual assets	Equal with common stock <sup>*3</sup> -	
Conversion rights into common stock	No conversion right based on shareholder's intention <sup>*4</sup> -	
Share unit	100 shares	
Shareholder special benefit plan	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 preferred stock  
\*3 If any accrued amount is accumulated, the shortfall in the payment is paid to the shareholders of preferred stock before the payment for common stock  
\*4 In the specific cases shown below, the Company may obtain 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 offeror exceeds 50%  
3. When the listing of the preferred stock of the Company is abolished



[For further information on ITO EN Integrated Report 2021]  
ESG Promotion Department

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