

# ITO EN INTEGRATED REPORT 2023

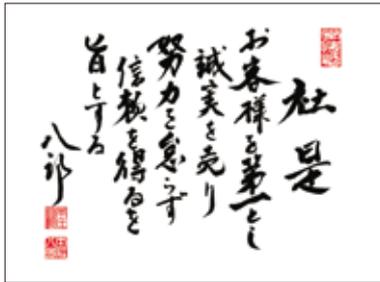
Fiscal year ended April 30, 2023



# ITO EN Group's Management Principle and Management

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

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



Management Principle  
**"Always Putting the Customer First"**

### Definition of Our Customers

Consumers	Shareholders	Retailers
Suppliers	Financial institutions	Local communities

Group Mission  
**Health Creation Company**

**Create healthy and fulfilling lifestyles for customers and a sustainable society**

- Mental and physical health
- Health of society
- Health of the planet

Long-Term Vision  
**Global Tea Company**

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

Mission & Vision  
**Values for realization**

**The spirit of "STILL NOW"**

We constantly ask ourselves "what customers are still now dissatisfied with," and contribute to solving their requests and dissatisfactions.

**5 concepts for product development**

Natural, Healthy, Safe, Well-designed, Delicious

**Code of Conduct**

**Policies and Declarations**

### Statements of ITO EN Group's approach and way of thinking

- ITO EN Group Code of Conduct
- ITO EN Group Basic Sustainability Policy
- ITO EN Group Procurement Policy
- ITO EN Group Human Rights Policy
- ITO EN Group Fundamental Supplier Policy
- ITO EN Group Human Resources Policy
- ITO EN Group Environmental Policy
- ITO EN Group Risk Management Policy
- etc.

## History of the ITO EN Group

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.

Aug. 1979 Signed an exclusive agency agreement with China National Native Produce and Animal By-products Import and Export Corporation to import oolong tea for the first time in Japan.

Jul. 1987 Established ITO EN (USA) INC. in Hawaii, USA. \*Currently ITO EN (Hawaii) LLC

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.

# Philosophy

## CONTENTS

### Value Creation

- 03 Message from the President
- 09 The ITO EN Group's History of Value Creation
- 11 The ITO EN Group's Value Creation Process
- 13 Sustainable Value Creation through Green Tea
- 15 Progress of Medium- to Long-Term Management Plan
- 19 Overseas Business Strategy
- 21 Value Chain Characteristics and Value Created
- 23 Implementation of Sustainability Management (Message from the CSO)
- 25 Human Resource Strategies Underpinning Growth (Message from the CHRO)
- 27 "The Tea-Producing Region Development Project," ITO EN's Unique Sustainable Agriculture Model
- 31 Financial and Capital Strategy

### Business Overview

- 33 Business Overview
- 34 Product Strategies of ITO EN (Non-consolidated)
- 35 *Oi Ocha* Beverages and Green Tea Leaf Products
- 38 *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) and the "Caffeine-Free RTD Tea" Category
- 39 TULLY'S COFFEE
- 41 Vegetable Beverages
- 42 Chichiyasu (Dairy Products) / Innovations

### Material Issues

- 43 Material Issues: Initiative Themes and KPIs
- 45 Contribution to Dietary Habits and Health
- 47 Contribution to a Sustainable Supply Chain
- 49 Environment
- 53 Promotion of Diverse Human Assets and Active Roles for All
- 57 Deepening Ties with Local Communities and Society

### Corporate Governance

- 59 Corporate Governance
- 65 Directors and Executive Officers
- 67 Messages from Outside Directors
- 69 Risk Management / Compliance

### Related Data

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

### Editorial Policy

The ITO EN Group publishes the ITO EN Integrated Report as a communication tool, to give shareholders, investors and other stakeholders a better understanding of the Group's initiatives for enhancement of corporate value in the medium and long term.

Based on feedback we have received through dialogue, this report consists of a value creation and growth story centered around the three key pillars for realizing our long-term vision of becoming a Global Tea Company—Unique, Value Creation and Global. Our aim was to clearly set out how the Group's uniqueness will drive value creation and sustainable growth and will help us evolve into a Global Tea Company.

We hope that this report will serve as an opportunity for greater communication with all our stakeholders.

#### Period covered

Fiscal year ended April 30, 2023  
(May 1, 2022–April 30, 2023)

\* The report also includes information on some activities before that period, and some very recent activities.

#### Scope covered

ITO EN, LTD. and its subsidiaries

#### Date of publication

January 2024  
(published annually)

### Notice concerning forward-looking statements

The forward-looking statements in this report are based on information available at the time of publication. The actual results and performance of ITO EN, LTD. and the ITO EN Group may differ significantly from these forward-looking statements.

Mar. 2008 Concluded an exclusive distributor contract for the sale of *Evian* natural mineral water in Japan with the DANONE Group (headquartered in France).

Sep. 2008 Signed a sales agreement for the sale of a selection of Fujiya Co., Ltd. beverages, including Nectar.

May 2018 Contracted as exclusive distributor for all beverage products.

Feb. 2010 Established Green Value Co., Ltd. which engages in the maintenance and procurement of automated vending machines.

May 2011 Obtained shares of Chichiyasu Company, which manufactures and sells dairy products.

Jun. 2012 Established ITO EN Asia Pacific Holdings Pte. Ltd. in Singapore.

Sep. 2012 Established ITO EN BEVERAGE (SHANGHAI), Ltd. in China.

Oct. 2012 Obtained shares of NEOS Corporation, which engages in automated vending machine business operations.

May 2013 Established ITO EN (Thailand) Co., Ltd. in Thailand.

Jul. 2013 Established PT ITO EN ULTRAJAYA WHOLESALE in Indonesia.

Feb. 2015 ITO EN (North America) INC. obtained the shares of Distant Lands Trading Co., which is involved in the cultivation and sale of coffee beans mainly in the United States.

Mar. 2017 Received Ministry of Health, Labour and Welfare (MHLW) approval for the Business Skill test on ITO EN TEA TASTER, as the first in-house business skill test to be certified after the 2016 certification system revision.

Apr. 2022 Shifted to the Prime Market of the Tokyo Stock Exchange.

# Advancing to the Second Stage of Evolution into a “Global Tea Company” Accelerating Value Creation and Growth as Team “ITO EN Group”

President and Executive Officer  
**Daisuke Honjo**



## Review of the First Year of Medium- to Long-Term Management Plan (FY4/2023 – FY4/2027)

In FY2022 (the fiscal year ended April 30, 2023), the Japanese economy faced an even tougher situation due to the protracted impact of the Russia-Ukraine conflict, increased risk of an economic downturn due to global fiscal tightening, and soaring costs of raw materials and energy, despite expectations for increased movement of people and a recovery in business conditions as people explored new ways of working and living amidst the COVID-19 pandemic. Given the impact of these factors, every company has sought to strengthen its management structure through price revisions, and the ITO EN Group also revised prices for some of its products. Meanwhile, the Japanese beverages market grew 3.6% year on year (in value terms) during 2022 (January to December), due mainly to the increased movement of people.

Against this backdrop, the ITO EN Group's consolidated net sales in FY4/2023, which was the first year of the medium- to long-term management plan, rose 7.7% year on year, to 431,674 million yen, while the Group's operating income climbed 4.2% year on year, to 19,588 million yen. These results can largely be attributed to the development of a corporate culture and structures that place emphasis on profitability following a change of approach from pursuing scale of sales turnover to focusing on profits from the second half of FY4/2019, and improvement in productivity achieved through expansion of core beverage products such as *Oi Ocha* alongside a review of the number of other product items handled.

Total cumulative sales of products under the core *Oi Ocha* brand, recorded by ITO EN (on a non-consolidated basis) since the brand's launch in 1989, have now surpassed 40 billion bottles (500 mL PET bottle equivalent). During FY4/2023, we invested capital in our mainstay brands, and products besides *Oi Ocha Ryokucha* (Green Tea), which is the core product under this *Oi Ocha* brand, such as *Oi Ocha Hojicha* (Roasted Green Tea), and *Oi Ocha Koicha* (Bold Green Tea) under Foods with Functional Claims label sold strongly despite increasingly severe market conditions, and annual sales volume hit an all-time high, topping 90 million cases. Also in the “household-use” tea leaf market (tea leaves, tea bags, tea powder and other instant tea products), which is contracting alongside diversification of consumers drinking behaviors, we have steadily increased our market share by strengthening sales measures alongside value propositions for tea as a leading tea company. This core *Oi Ocha* brand has been given a central role under our current medium- to long-term management plan in terms of solidifying the existing businesses in Japan, and we also aim to build it into a

global brand.

In the United States, which is a priority market in our overseas business, while net sales showed steady growth, with an increasing number of stores introducing *Oi Ocha* products, we reported a loss despite higher sales due to rising costs.

However, we are tapping into rising health consciousness and expanding sales in other countries besides the United States and the *Oi Ocha* brand is now sold in 40 countries and regions worldwide. In addition to the *Oi Ocha* brand, ITO EN also markets *MATCHA GREEN TEA* as a core brand around the world. Going forward, we will continue seeking to increase sales routes for both brands according to circumstances in each country and region and to integrate them into the food cultures of each country and region.

Under our management principle of “Always Putting the Customer First,” the ITO EN Group conducts its business activities based on the spirit of “STILL NOW,” that is, constantly questioning what our customers are still now dissatisfied with. Over the past three years of the COVID-19 pandemic, as we searched for ways to overcome difficulties, there are times when I have felt this spirit for real. This is the impetus behind our sales operations. Even when difficulties have arisen, we have managed to solve them by quickly and meticulously meeting the needs of our customers. I take pride in the fact that our strength lies in our sales impetus, which stems from our management principle and the spirit of “STILL NOW.”

Impetus is also important for management. Under our current medium- to long-term management plan, we aim to achieve further growth and evolution based on an assessment of the business environment, steadily judging conditions, one by one, including making revisions.

### Three Key Pillars of Initiatives for Becoming a Global Tea Company —Unique, Value Creation and Global

At the ITO EN Group, we currently have a long-term vision of aiming to become a “Global Tea Company.” ITO EN started out

as a tea company. As a manufacturer that handles tea beverage and tea leaf products, we take great pride in being a “tea company.” ITO EN is “a group of tea specialists” who are knowledgeable about tea plant varieties, tea farming, and processing and manufacturing technologies for producing various tea products. We have defined our vision as a “Global Tea Company” as “Connect to the cultures of tea around the world and broadly share taste and value as a tea specialist.” In other words, we intend to leverage the knowhow we have developed through tea to move beyond Japanese tea and connect to diverse tea cultures around the world, and to go on to create new tea cultures and markets, through our technologies and value chain.

While we have a long way to go to realize our long-term vision, I believe that this journey can be broken down into several stages. The first stage is to establish our status as an unrivaled tea company in Japan, with *Oi Ocha* as our core brand. The second stage is to spread Japanese tea under our core *Oi Ocha* brand around the world, integrating it into the dietary cultures of different countries and regions and enabling it to permeate people’s everyday lives (to develop *Oi Ocha* into a global brand). The third stage is to use the Group’s technological capabilities to create value through the development of various types of tea from around the world in addition to Japanese tea.

Under our medium- to long-term management plan, we have established three key pillars for our initiatives in our quest to become a Global Tea Company - Unique, Value Creation and Global. FY4/2024, which is the second year of our medium- to long-term management plan, is the start of stage two, and I believe we will speed up implementation of initiatives based on these three pillars, enabling us to realize our goal of becoming a Global Tea Company further down the line in stage three.

### Uniqueness as Source of Value Creation

Being unique refers to unique qualities and strengths of the ITO EN Group. To organize the three key pillars, the ITO EN Group’s

### Progress against Targets under Medium- to Long-Term Management Plan



uniqueness will lead to value creation, contributing to taste and helping solve social and environmental issues, and will also lead to the starting point of “Global” initiatives that will support the healthy and fulfilling lifestyles of people around the world. Starting out as a tea company in 1966, ITO EN is now a market leader in the unsweetened beverage market, which we created by launching the world’s first unsweetened tea beverage, Canned Oolong Tea in 1980, and developing the world’s first green tea beverage, Canned Sencha (green tea) in 1984 and launching it in the next year. When it comes to unsweetened beverages, it is no exaggeration to say that the quality of the ingredients determines the taste of the products. We have refined the taste of our products not only by carefully selecting the ingredients used to make them but also by using the processing technologies (heating, roasting, blending, etc.) developed through our green tea products in other products such as barley tea products and coffee products and, focusing on tea beverages and black coffee beverages, we have driven the growth of the unsweetened beverages market. While we will continue actively investing capital into our core brands such as *Oi Ocha*, *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) and TULLY’S COFFEE and conducting marketing activities, I believe that the main focus of our efforts should not be branding which prioritizes image but rather “quality” and the “value” of the products themselves. This “value” is created by our unique value chain which we have developed over many years. This means we can deliver products to customers through

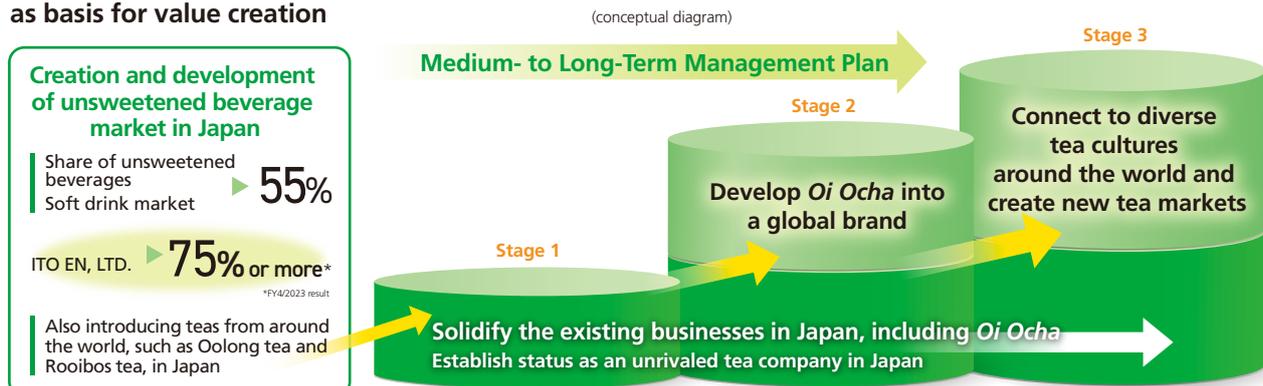
our unique vertically integrated business model spanning product development, starting with the development of raw ingredients from farms, and sales. It also means that we have developed strong relationships with our suppliers, including collaborating with tea farmers and contract manufacturers to develop technologies and implement initiatives to reduce the environmental impact of our business activities. One very unique feature of this value chain is our initiatives related to raw ingredients (procurement and processing of raw ingredients), that is, our deep involvement at every stage, from cultivation to production. Besides buying raw ingredients directly from the tea market based on an assessment of tea quality by our highly-skilled team of experts, we are also involved in the Tea-Producing Region Development Project and handle diverse varieties of tea as the largest firm in the tea business, with around one quarter of the total volume of crude tea produced in Japan. Launched in 1976, the Tea-Producing Region Development Project is a mechanism through which we ask tea farmers to produce crude tea that meets the taste and quality requirements of our final products and we agree to purchase all tea leaves produced by contracted local tea farmers. Through this project, we achieve the stable procurement of high quality raw ingredients, whilst at the same time stabilizing the management of tea farmers.

Furthermore, Japanese tea is harvested each harvest season, from the Ichibancha (first picked tea) in spring to the Nibancha (second picked tea) and the Shutobancha (teas picked

### Three key pillars of initiatives for becoming a Global Tea Company



### Progression through the stages to becoming a Global Tea Company, with ITO EN Group’s uniqueness as basis for value creation



in fall). Through our unique technological capabilities (heating, roasting, blending, etc.), these diverse varieties of tea leaves procured through the Tea-Producing Region Development Project and other channels are used to make an array of products ranging from high-quality teas and matcha to everyday teas and beverages. Thanks to our raw ingredient procurement capabilities achieved through collaboration with tea farmers, and our sophisticated raw ingredient processing technologies, we are able to offer products for all kinds of life scenarios and customer needs.

I know that, in our product development and marketing activities, we have consistently created great tasting, healthy products for our customers and have garnered trust and support of our brands as a result. Despite fierce price competition in the retail market, we will turn the uniqueness that stems from the taste and quality of our products and our tea farms (raw ingredients) into added value which will enhance our brand value.

### Pursuing “Value Creation” as a Health Creation Company

The ITO EN Group’s mission is to become a Health Creation Company. Through our unique value chain developed through tea, our ingredient-based products, and our business integrity, we intend to create health value.

The word “health” probably conjures up the image of physical health in most people’s minds. However, our definition of a Health Creation Company is much wider, and we aim to realize healthy and fulfilling lifestyles for customers and a sustainable society through the creation of three types of health value: mental and physical health, the health of society, and the health of the planet.

#### Mental and physical health

The share of unsweetened beverages in Japan’s soft drink market increased to 55% in 2022 and, having driven the growth of the unsweetened beverages market since the launch of the world’s first Canned Oolong Tea in 1980, over 75% of ITO EN’s beverage products are unsweetened beverages.

I believe that we have helped customers form healthy living habits by making tea, which has traditionally been drunk with a meal, readily available in great tasting products for different lifestyle scenarios. In recent years, to spread the word about the value of green tea, we have conducted industry-academia collaboration research projects into its health benefits and announced our research findings both in Japan and overseas. We have also launched evidence-based products such as *Oi Ocha Catechin Ryokucha* (Green Tea) in the Food for Specified Health Uses (FOSHU) category and *Oi Ocha Koicha* (Bold Green Tea) in the food with functional claims category.

Besides contributing to physical health, tea is also used for entertaining customers, facilitating interpersonal communication, taking a break and generally supporting mental health. In today’s information society, the aroma and taste of tea or coffee and



the process of taking the time to make a drink from tea leaves or coffee beans can be soothing and can create mental space. I believe that passing on this tea culture to future generations is also an important role for us, and we are also putting effort into essential food education activities such as tea-making classes and matcha tasting sessions delivered by employees qualified under our in-house TEA TASTER qualification system.

Baristas at Tully’s Coffee shops, which are operated by an ITO EN group company, also hold coffee school sessions, which have been well received by local customers. I believe that such communication and interpersonal interactions through the medium of tea or coffee are another big attraction of tea culture and coffee culture. By providing healthy products and continuing to engage in activities rooted in tea culture and coffee culture, we will contribute to mental and physical health.

#### Health of society

As we enter the era of the 100-year lifespan and confront changes in our society and living environment against the backdrop of the COVID-19 pandemic and Japan’s shrinking population due to a declining birthrate and population aging, extending healthy life expectancy is a major social challenge.

Through industry-academia collaboration research projects, ITO EN intends to contribute to better meal proposals and living habits from a disease prevention perspective to address social issues such as dementia and frailty.

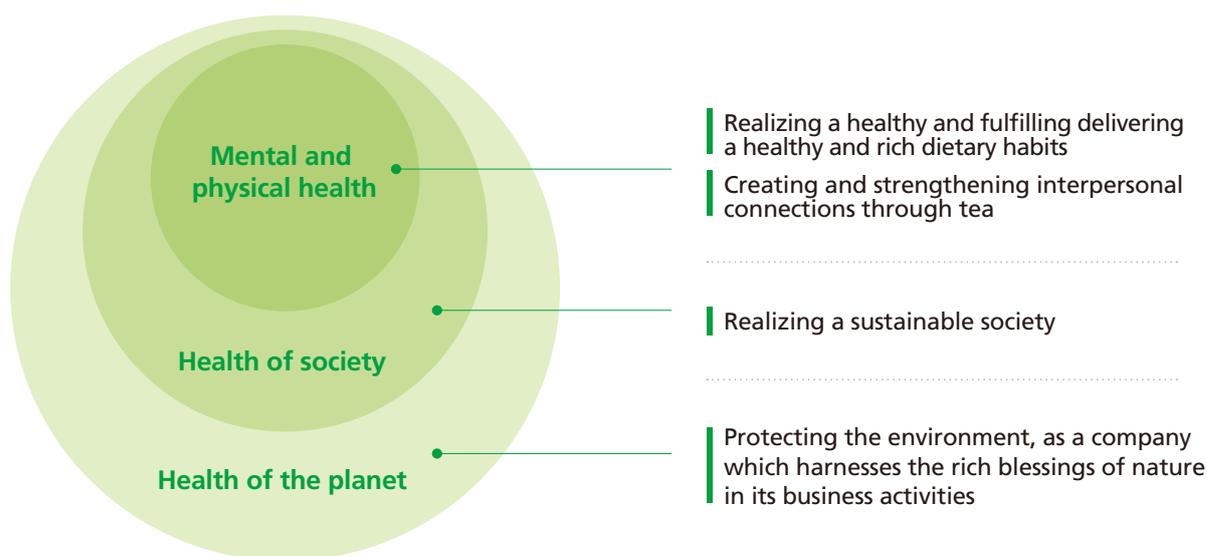
We are also expanding community-based sales and marketing activities, centering on route sales, throughout Japan, and are focusing on disaster responsive vending machines and support for disaster stricken regions, as well as ongoing food education activities and activities to protect the environment. Meanwhile, upstream in the value chain, we are also helping to revitalize communities in tea-producing regions and in the coffee-growing regions of ITO EN group companies.

Through products and services that reflect our changing society and lifestyles and all its business activities, the ITO EN Group is committed to working with local communities to solve issues and contribute to the health of society.

#### Health of the planet

It stands to reason that the ITO EN Group, which harnesses the rich blessings of nature in its business activities, feels a responsibility to protect the global environment and pass it on to the next generation. We have worked to reduce to our environmental impact alongside the development of

“Three Types of Health” to be created in line with Group Mission of being a “Health Creation Company”



our business, including promoting environmentally-friendly farming practices through our involvement in the Tea-Producing Region Development Project since 1976, and developing technology for the upcycling of used tea leaves produced during the manufacture of tea-based beverages (2001). With the summer of 2023 seeing heatwaves and extreme weather events worldwide, decarbonization initiatives and the transition to a resource-efficient and circular economy are urgent issues and steadfast action needs to be taken to address them. Based on the ITO EN Group’s Environmental Policy and Medium-to Long-Term Environmental Goals, we are working with stakeholders on a range of initiatives including reducing our greenhouse gas emissions and tackling climate change, and recycling PET bottle resources. Throughout the value chain spanning all our business activities, we will develop a food culture that is in harmony with nature and contribute to the health of the planet alongside the growth of the ITO EN Group.

We will translate the value provided through these “Three Types of Health” into the sustainable growth of the ITO EN Group, and realize improvement in our corporate value, healthy and fulfilling lifestyles for customers, and a sustainable society.

**Global -Spreading Value Overseas**

Looking at developments in overseas business, *Oi Ocha*, our unsweetened green tea brand, is steadily gaining traction in Southeast Asia and other parts of the world where sweetened beverages such as sugar sweetened green tea are mainstream. Perhaps due to economic growth in these parts of the world or heightened health consciousness in the wake of the COVID-19 pandemic, we are seeing a change in market trends, with other companies also starting to sell unsweetened beverages. While the ITO EN Group also sells sweetened local brand beverages to meet local needs in regions such as North America and Southeast Asia, in light of growing health consciousness, we are stepping up sales centered on the *Oi Ocha* brand, which is unsweetened

and the same quality as products available in Japan.

We are, therefore, pushing ahead with the development and production of organically grown green tea that uses fewer agrochemicals and matcha raw ingredients for export in compliance with international requirements. While disseminating the results of research into the health benefits of green tea and integrating green tea into food cultures around the world by proposing its compatibility with local diets and its good nutritional balance, we will seek to promote and firmly establish the *Oi Ocha* brand in Europe, following on from the United States and Asia. From the viewpoint of addressing environmental issues such as decarbonization and the regulation of plastic, we will comply with international requirements ranging from raw material environmental requirements to production and logistics standards, and we will aim for supply chain optimization, including expanding local production according to market growth. By further refining this unique value chain, we will expand our business globally, to make the value we provide in terms of taste and health available to as many customers as possible.

I myself am deeply involved in overseas business, which will play a core role in the ITO EN Group’s growth strategy, and I am working with our International Business Headquarters and our local subsidiaries to implement a range of measures with an even greater sense of urgency. We will spread Japanese green tea all around the world and then go on to create new tea cultures through the further development of teas from around the world. Taking pride in ourselves as a group of tea specialists, we will continue taking on challenges for the realization of our long-term vision.

**Initiatives to Strengthen Corporate Governance and Message to Shareholders and Investors**

ITO EN transitioned to a company with an Audit and Supervisory Committee in FY4/2024. By strengthening the supervisory

function of the Board of Directors and ensuring the soundness, efficiency and transparency of management, we will seek to strengthen corporate governance, and by adopting a system that allows the delegation of important decisions on business execution to executive directors, we will seek to speed up decision-making and business execution.

In recent years, there is an increasing number of issues that need to be addressed in areas such as energy and the balancing of sustainability, including climate change, and economic growth, and neither individuals nor companies will be able to grow if they are bound by existing organizational frameworks and ways of thinking. I came up with the Team “ITO EN Group” approach which involves addressing such problems beyond organizational boundaries and I also established the Group Business Management Department in FY4/2024 and put in place a system whereby the officers of group companies attend meetings of the DX Promotion Committee and the Sustainability Promotion Committee. In addition, I established the positions of CSO and CHRO, aiming to further promote theme-based cross-organizational management.

Besides Japan’s declining birth rate and aging population, labor shortages have emerged in a wide range of industries in the wake of the COVID-19 pandemic, and securing human resources and improving labor productivity have become urgent issues. Having sought expansion in the scale of net sales in the past, the ITO EN Group is now placing more emphasis on profitability, and we will step up action to develop and secure diverse human resources to achieve sustainable growth despite the changes in the external environment.

In FY4/2023, ITO EN appointed a female Outside Director. Our evaluation of the effectiveness of the Board of Directors for 2022 also recognized the appointment of female Directors and Audit and Supervisory Committee Members as essential from the viewpoint of ensuring the diversity of the Board of Directors, and we intend to produce internally appointed female Directors and Audit and Supervisory Committee Members in the future. While the ITO EN Group has a much higher percentage of male employees than female employees due to its business model which hinges on route sales, we also have many female employees who bring a wide range of experience and skills to their work. Tully’s Coffee Japan in particular employs diverse human resources regardless of gender and nationality. Going forward, we will continue increasing personnel exchanges between group companies and developing human resources with diverse values, and we will keep creating opportunities for employees to take on challenges and advance their careers.

Most recently, we have been calling on employees in the Group not to follow precedents but to “give it a go because there are no precedents.” In our dramatically changing environment, we will foster a groupwide culture that allows employees to fully enjoy and immerse themselves in their work and create innovation.

I would like all our shareholders and investors to continue being ITO EN shareholders for many years and to accompany us

on our journey towards a new phase of growth. To this end, we will lay and further strengthen the business and management foundations for sustainable growth. I am determined to keep pressing on, with renewed resolve.

Having increased our dividend in FY4/2024, I am committed to ensuring that this is not a one off and that we continue to improve our corporate value in the future so that we can return profits to our shareholders and investors.

### Continuing to be a Company that Employees are Glad They Work for and Achieving Sustainable Growth

Our achievement of sustainable growth as a “Health Creation Company” rests on the premise that our employees and their families remain in good health. The design of the ITO EN Group’s corporate mark, the four-leaf clover, reflects the hope of happiness for our employees and their families, for all our other stakeholders and everyone else involved with ITO EN. The design incorporates the idea that ITO EN is connected with society (local communities and the environment) in the form of a ring, and will strive for development in a spirit of “harmony” and value connections with everyone including its employees and customers. The idea incorporated into this mark is one which leads to the Group Mission of contributing to society as a “Health Creation Company.”

I imagine that many people associate ITO EN with the color green and the green-colored packaging of the *Oi Ocha* brand and the vivid, fresh green of this *Oi Ocha* packaging and green tea also brings to mind sustainability, including the environment. With the sustainability of society and the environment attracting worldwide attention, we will spread *Oi Ocha* throughout the world, with the aim of realizing our long-term vision of becoming a Global Tea Company further down the line.

The ITO EN Group currently consists of 43 companies located all over the world. Although the difficulties faced during the COVID-19 pandemic are behind us, the external environment remains challenging. However, we will continue being a company that all our employees are glad to be working for and a company that our customers can trust, and we will make steady progress towards achieving sustainable growth as Team “ITO EN Group.”

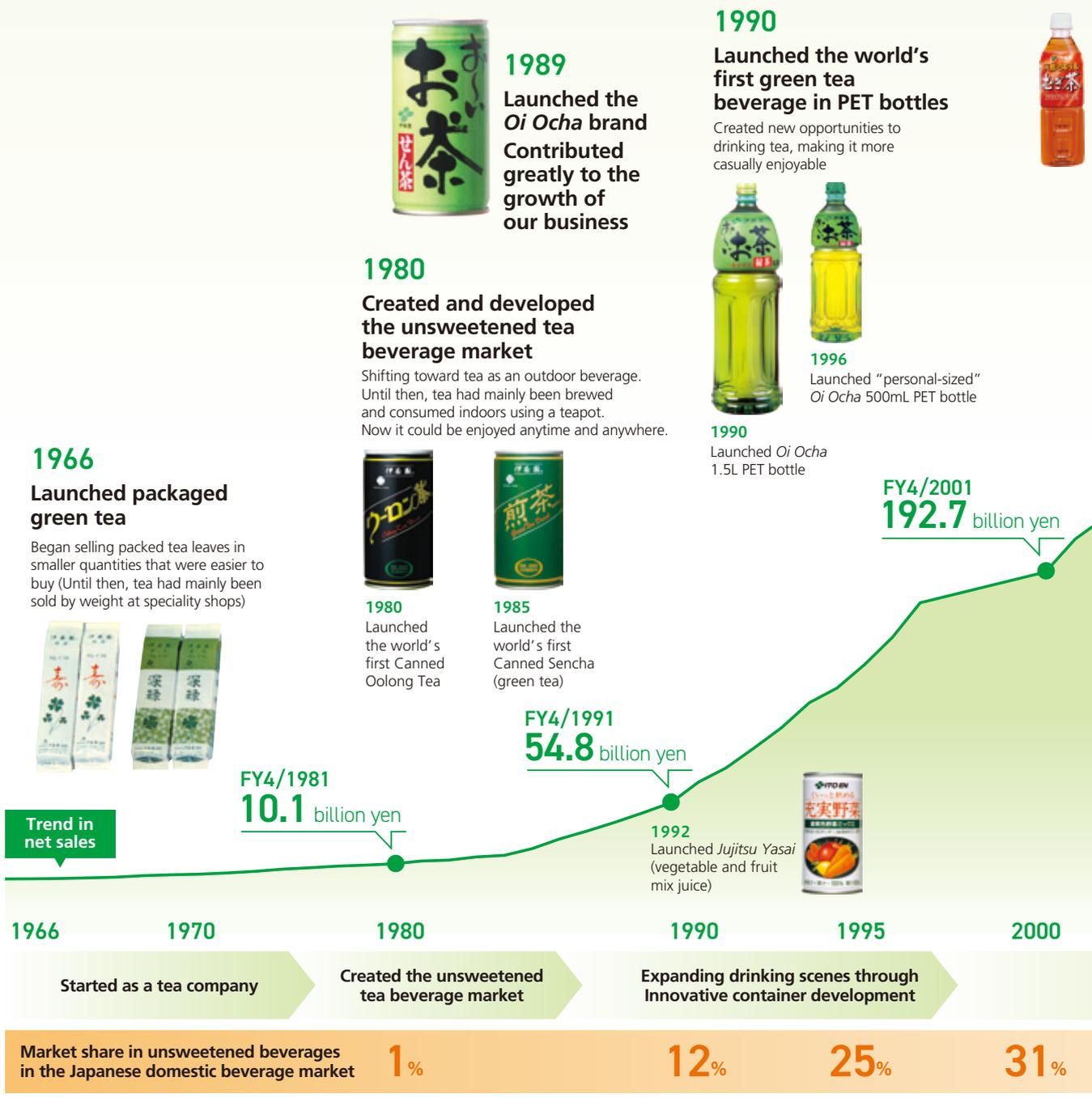
President and Executive Officer



# The ITO EN Group's History of Value Creation

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

History of Market and Value Creation



**Main Sustainability Initiatives**

- Since 1976** The Tea-Producing Region Development Project  
Started contract farming with tea farmers
- Since 1982** Established organic fertilizer-based green tea cultivation technology
- Since 1989** Started the ITO EN *Oi Ocha* Shinhaiku Contest
- Since 2001**
- Since 2001**

**Actual Result in FY4/2023**

Net sales (consolidated)



**431.6**  
billion yen

Operating income (consolidated)



**19.5**  
billion yen



Number of group companies

**43** companies



Area developed through the Tea-Producing Region Development Project

**2,437** ha



ITO EN's share of unsweetened beverages

**75% or more**



Oi Ocha No.1 green tea beverage in cumulative sales

Over **40** billion<sup>1</sup>



Household Leaf product

**No. 1**<sup>2</sup>



Kenko Mineral Mugicha (Healthy Mineral Barley Tea)

**No. 1**<sup>3</sup>



TULLY'S COFFEE bottle-type canned coffee black

**No. 1**<sup>4</sup>



Ichinichibun no Yasai (A day's worth of vegetables) Vegetable juice 100% beverage

**No. 1**<sup>5</sup>

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

FY4/2022 **461.3** billion yen (Previous standard)

FY4/2022 **400.7** billion yen (New standard)

Since 2019 Launched products used 100% recyclable PET bottles

**2000**

Launched products in heated PET bottles

**2002**

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

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

FY4/2011 **351.6** billion yen



2013 Launched **Healthy Rooibos Tea**



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



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



2011 Launched **Chichiyasu** brand products



2015 Launched global brand **MATCHA GREEN TEA**

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



Oi Ocha microwaveable PET bottle



2004 Launched **Oi Ocha Koi Aji** (Unsweetened Bold Green Tea)

(predecessor to Oi Ocha Koicha)



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

2010

Further expansion as a comprehensive beverage manufacturer in Japan

**39%**

2015

Accelerate the development of ITO EN and Oi Ocha into a global brand toward becoming "Global Tea Company"

**45%**

2021 2022

**55%**

ITO EN's share of unsweetened beverages

**75% or more**

**Used Tea Leaves Recycling System** Proprietary technology to utilize used tea leaves as an effective resource

**Formulation of Environmental Policy**

Since 2008 "Make Lake Biwa Beautiful with Tea" Project

Since 2010 "Make Japan Beautiful with Tea" Project

Since 2011 Established material issues by introducing CSR management based on ISO 26000

Since 2022 Material issues were revised to promote sustainability management Declared support for TCFD recommendations

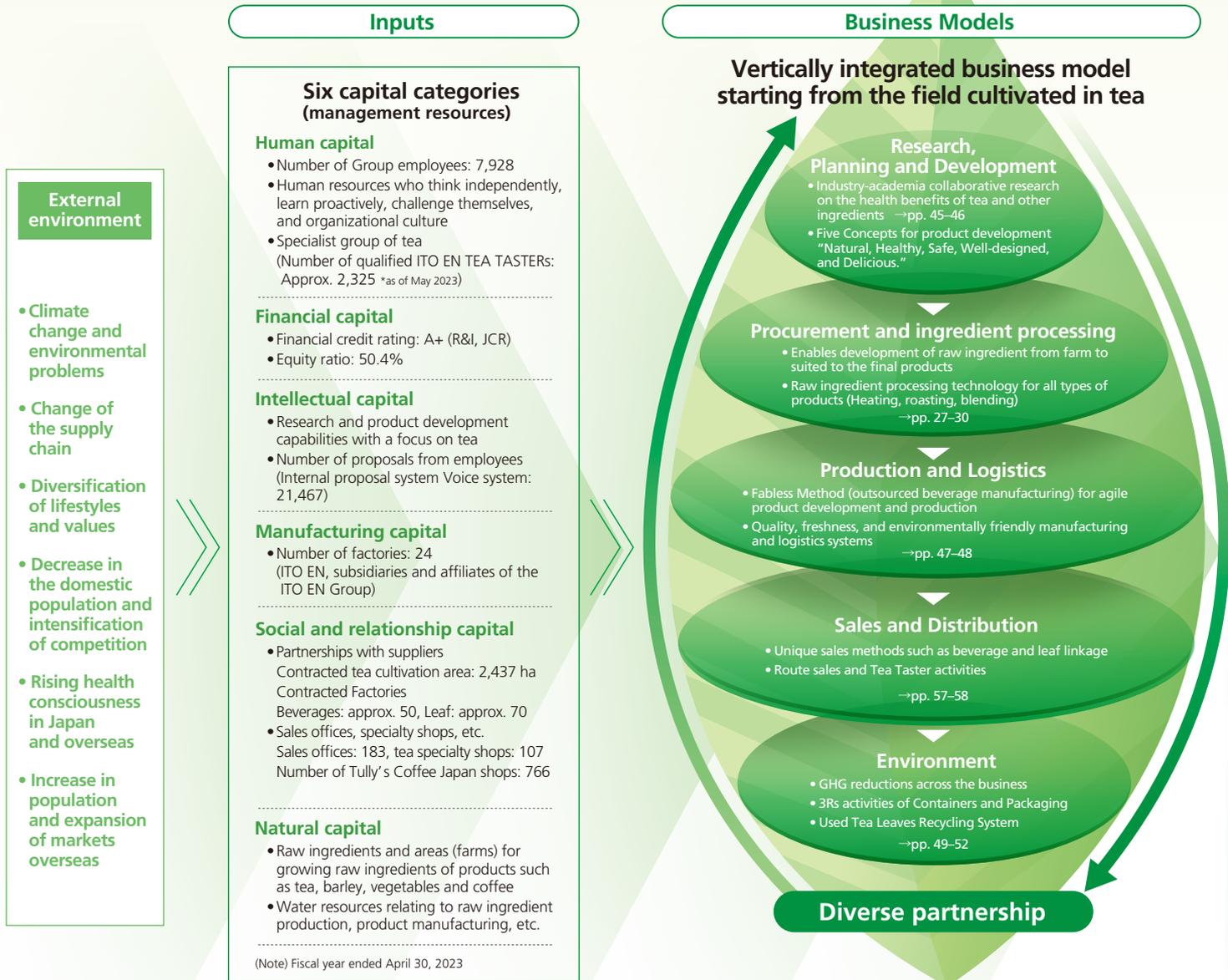
1. Equivalent to 500mL PET bottle  
2. According to ITO EN (May 2022–April 2023/Value basis)  
3. INTAGE SRI + Barley tea beverage market data / January-December 2022  
4. INTAGE SRI /2017-2022 / All types of cans and bottled cans (excluding vending machines) / 600 size or less  
5. INTAGE SRI + vegetable 100% market data / January-December 2022

# ITO EN Group's Value Creation Process

The ITO EN Group has a "Vertically integrated business model that starts from farms," which has been developed in the tea business.

Along with diverse partnerships, this business model is being horizontally extended to other product categories.

We will continue to be a Health Creation Company and create various values continuously toward becoming a Global Tea Company.



## Seven Material issues

Dietary Habits and Health, Sustainable Domestic Agriculture, Promotion of Diverse Human Assets, Corporate Governance

## Group Mission

**Group Management Principle "Always Putting the Customer First"**

## Outputs

## Outcomes

### Value offered to stakeholders

Green tea products



#### Consumers



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

Overseas green tea products



#### Shareholders/ Financial institutions



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

Barley tea products



#### Retailers



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

Coffee products



#### Suppliers



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

Vegetable beverages and Aojiru



#### Local communities



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

FOSHU and Foods with Functional Claims



#### Employees



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

**Profitable growth based on deliciousness and health**

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

**Contributing to a sustainable society**

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

Long-term vision

Global Tea Company

Horizontal expansion of business model developed in tea into other categories

Environment, Local Communities and Society, Supply Chain, →pp. 43-70

“Health Creation Company”

Five marketing functions The Spirit of “STILL NOW”

— Aiming for global expansion, with unique initiatives from tea farms onwards as the source of value creation —

# Sustainable Value Creation through Green Tea

The ITO EN Group has a distinctive value chain, spanning research of the fundamental value provided by green tea, a traditional Japanese beverage, in terms of taste and health benefits, and product development which begins at tea farms. Through numerous unique initiatives along this value chain, we will further develop the fundamental value of green tea, create sustainable value, and spread this globally.

## Three key pillars of initiatives for becoming a Global Tea Company





Outcomes

Outputs

Provision of FOSHU and food products with functional claims, and acquisition of product certification

▶ pp. 18–19, pp. 35–42, pp. 45–46

Development of beverages and tea leaves, and products for various scenarios

▶ pp. 27–30, pp. 35–42

Expansion of exports of green tea and matcha compliant with international requirements

▶ pp. 19–20, pp. 27–30

Development of product raw ingredients for export that meet international production requirements

▶ p. 19

Application of technologies to tea of each country/region

Proposals of the practice of drinking unsweetened tea tailored to the lifestyle and food culture of each country/region

▶ p. 19

Shift to sustainable containers and packaging

▶ p. 51



Acquisition of healthy habits and the improvement of physical and mental health through tea



Creation of a new tea culture



Creation and expansion of domestic and overseas unsweetened tea markets



Development of a sustainable tea industry

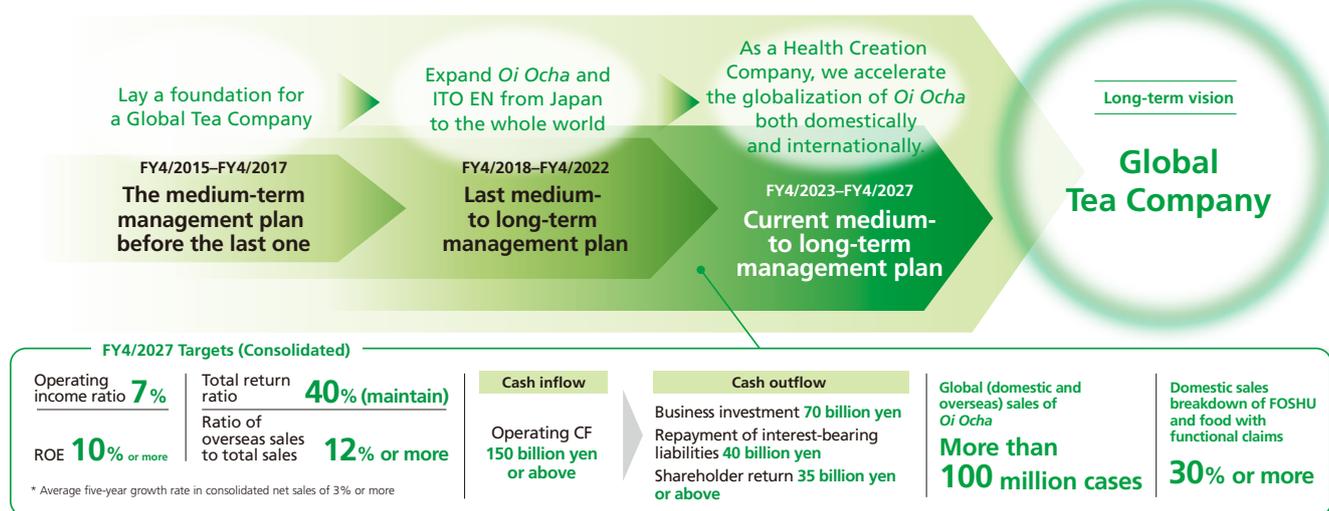


Contribution to a recycling-oriented society

# Progress of Medium- to Long-Term Management Plan

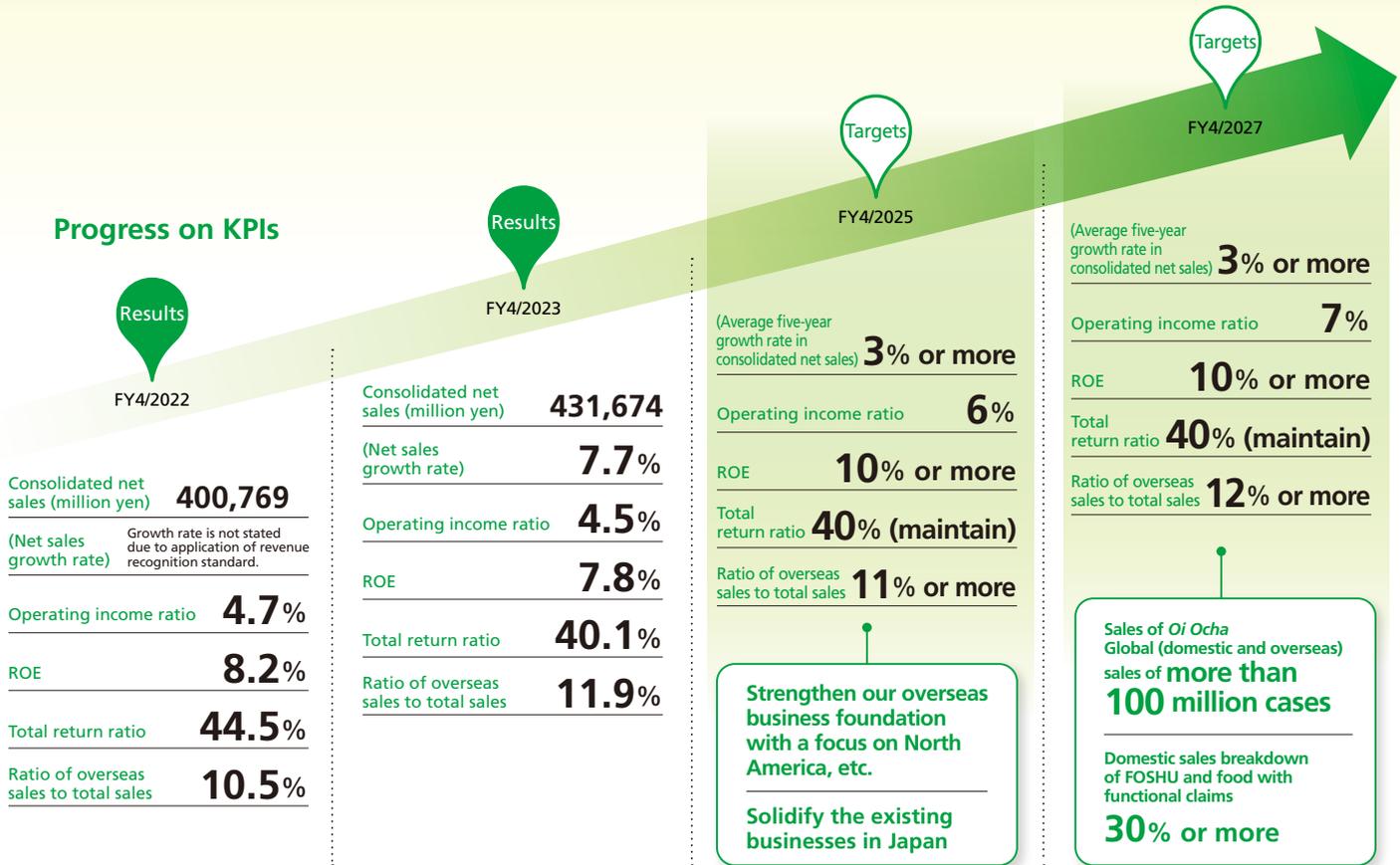
Under our Medium- to Long-Term Management Plan (FY4/2023–FY4/2027), which began in FY4/2023, we aim to solidify domestic operations and accelerate *Oi Ocha*'s shift to being a global brand over the five-year period, and we are implementing initiatives under five key strategies.

## Changes under Medium- to Long-Term Management Plan for Realization of Long-Term Vision



## Progress of Five Key Strategies

	Key Strategies	
<b>Solidify the existing businesses in Japan</b>	<ol style="list-style-type: none"> <li><b>Establish the status of an unrivaled tea company in Japan</b> <ul style="list-style-type: none"> <li>Technical improvement for deliciousness and quality</li> <li>Increase awareness of health to stimulate the market</li> <li>Reinforce new sales outlets (EC and D2C)</li> </ul> </li> <li><b>Increase the brand value centering on health appeal</b> <ul style="list-style-type: none"> <li>Increase FOSHU and food with functional claims</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li><b>Improve contact with customers</b> <ul style="list-style-type: none"> <li>Establish a connection between digital and real interfaces</li> <li>Increase activities for dietary education related to tea and vegetables</li> </ul> </li> </ol>
<b>Develop <i>Oi Ocha</i> into a global standard brand</b>	<ol style="list-style-type: none"> <li><b>Integrate <i>Oi Ocha</i> into the dietary cultures of different countries and regions and enable it to permeate daily life</b> <ul style="list-style-type: none"> <li>Strengthen our marketing measures adapted to different regions</li> <li>Gradual development of local production</li> <li>Group cooperation</li> <li>Development of global human resources</li> </ul> </li> </ol>	
<b>Create new businesses</b>	<ol style="list-style-type: none"> <li><b>Offer new value for food and life</b></li> <li><b>Leverage tea's functionality and the techniques and relationships cultivated in the tea business</b> <ul style="list-style-type: none"> <li>Create business through collaboration with outside organizations and in-house venture program</li> </ul> </li> </ol>	
<b>Strengthen the management base</b>	<ol style="list-style-type: none"> <li><b>Increase synergy within the ITO EN Group</b></li> <li><b>Optimize supply chain</b></li> </ol>	<ol style="list-style-type: none"> <li><b>Accelerate human resources development, research and development and DX</b> <ul style="list-style-type: none"> <li>Increase research into health, functionality and tea farms</li> <li>Improve IT literacy and develop human resources with digital expertise</li> </ul> </li> </ol>
<b>Promote sustainability management</b>	<ol style="list-style-type: none"> <li><b>Contribute to consumers, local communities, agriculture and the resolution of global environmental issues through business activities appropriate to ITO EN</b></li> <li><b>Achieve continuous growth towards being a 100-year-old company</b></li> </ol>	



Progress/Results	Challenges and Future Initiatives
<ul style="list-style-type: none"> <li>• <i>Oi Ocha</i> annual sales quantity topped 90 million cases; Achieved 35% share of domestic market; <i>Oi Ocha</i> cumulative sales topped 40 billion bottles.</li> <li>• Achieved growth of <i>Oi Ocha Koicha</i> (Bold Green Tea), a food with functional claims, and tea leaf products, and expansion of lineup of tea-type and vegetable beverage products and tea leaf products.</li> <li>• Achieved growth in <i>Oi Ocha</i> convenient tea leaf products (tea bags and instant teas).</li> <li>• Launched innovative products targeted at young people, women and older consumers. <span style="float: right;">p. 18, pp. 35-42</span></li> </ul>	<ul style="list-style-type: none"> <li>■ Strengthen <i>Oi Ocha</i> brand, aiming for global (domestic and overseas) sales of more than 100 million cases.</li> <li>■ Bolster sales of leaf tea products. <span style="float: right;">pp. 35-37</span></li> <li>■ Leverage R&amp;D capabilities to disseminate information about new functionality of food. <span style="float: right;">pp. 45-46</span></li> <li>■ Further strengthen e-commerce and direct-to-consumer business formats.</li> </ul>
<ul style="list-style-type: none"> <li>• Number of countries and regions in which <i>Oi Ocha</i> is sold increased to 40. (Expansion in North America, Australia, Southeast Asia, and Korea, and entry to new markets)</li> <li>• Achieved compliance with international requirements by developing organically grown green tea and matcha raw ingredients using fewer agrochemicals and promoted their export.</li> <li>• Acquired Rainforest Alliance certification for some matcha raw ingredients for export. <span style="float: right;">pp. 19-20</span></li> </ul>	<ul style="list-style-type: none"> <li>■ Integrate region-based marketing of <i>Oi Ocha</i> with global marketing of <i>Oi Ocha</i>. <span style="float: right;">p. 19</span></li> <li>■ Expand local production aiming for optimization of supply chain in overseas business. <span style="float: right;">pp. 19-20</span></li> <li>■ Develop global human resources with diverse knowledge and experience. <span style="float: right;">pp. 25-26</span></li> </ul>
<ul style="list-style-type: none"> <li>• Opened aostand, an <i>Aojiru</i> (Barley Grass Green Juice) stand. <span style="float: right;">p. 41</span></li> <li>• Launched a demonstration experiment for a vending machine that makes personalized recommendations based on mood. <span style="float: right;">p. 58</span></li> <li>• Introduced in-house venture system (116 applicants in first fiscal year). <span style="float: right;">p. 56</span></li> </ul>	<ul style="list-style-type: none"> <li>■ Promote new business development through collaboration with outside partners such as start-ups and our in-house venture system, etc.</li> </ul>
<ul style="list-style-type: none"> <li>• Improved efficiency through the consolidation of sales bases and logistics warehouses, etc.</li> <li>• Enhanced various types of training and qualification schemes for development of DX human resources, etc.</li> <li>• Strengthened contact points with customers through a vending machine app, and implemented business process reengineering by promoting the use of RPA.</li> </ul>	<ul style="list-style-type: none"> <li>■ Further pursue Group synergy.</li> <li>■ Consider human resources strategies linked to management strategies. <span style="float: right;">pp. 25-26, p. 53</span></li> <li>■ Consider using AI, further implement business process reengineering, and develop human resources.</li> </ul>
<ul style="list-style-type: none"> <li>• Enhanced sustainability information disclosures (TCFD, biodiversity, human capital, etc.).</li> <li>• Promoted horizontal recycling (bottle to bottle) in collaboration with stakeholders, etc. <span style="float: right;">pp. 49-52</span></li> </ul>	<ul style="list-style-type: none"> <li>■ Address material issues, taking risks and business opportunities into consideration.</li> </ul> <p>* Further contribute to the resolution of social and environmental issues through the Tea-Producing Region Development Project, tap into business opportunities, implement human rights due diligence, etc. <span style="float: right;">pp. 23-24, pp. 27-30, pp. 43-58</span></p>

## As an unrivaled tea company in Japan, we will accelerate *Oi Ocha*'s development into a global brand.

In FY4/2023, which was the first year under our medium- to long-term management Plan, the annual sales quantity of *Oi Ocha* on a global basis (domestic and overseas sales combined) set a new record, topping 90 million cases, and we consolidated our position as an unrivaled tea company in Japan, with a domestic market share of 35%. Overseas, the number of countries and regions in which we sell *Oi Ocha* has increased to 40.

Countries and regions around the world have different lifestyles and habits, as well as meals and drinks which are part of the daily routine. Whilst every region has its own food culture which has been passed down over the generations, the excessive intake of fat, sugar, salt, etc. sometimes leads to issues. With countries around the world becoming more health conscious, our global brand vision for our *Oi Ocha* unsweetened green tea is that it will be incorporated for hydration purposes and at mealtimes and as an aid to communication and relaxation, and that it will become an integral part of the daily life in each region and contribute to customers' health.

As we work towards realization of our long-term vision of becoming a Global Tea Company, the period starting from FY4/2024, which is the second year under our medium- to long-term management plan, is positioned after the first stage, when we establish ourselves as an unrivaled tea company in Japan, and at the start of the second stage, when we develop *Oi Ocha* into a global brand. In FY4/2023, we made preparations to advance into the second stage, including achieving compliance with international quality standards by developing organically grown green tea and matcha raw ingredients that use fewer agrochemicals and promoting their export overseas, and developing crude tea for use in the local production of products which will start in the near future.

In the markets we have already entered where sweetened beverages are the mainstream, unsweetened tea beverages are starting to gain traction amid growing health awareness. We will further step up global marketing such as video ads that are the same for every country as well as marketing that reflects changing market trends and is rooted in the lifestyle and culture of each respective market. In terms of market expansion and new challenges, we will make a full-scale entry to European markets, change the business model of the overseas business by shifting to local production, and take firm action to optimize our supply chain, and we will push ahead with *Oi Ocha*'s development into a global brand.



**Kazuhiko Nakajima,**

Executive Officer and Head of International Business  
Chair of Long-term Management Planning Committee

### *Oi Ocha*'s Elevation into a Global Brand

#### Medium- to Long-Term Management Plan (FY4/2023–FY4/2027)

We will solidify domestic operations as a Health Creation Company and accelerate *Oi Ocha*'s shift to being a global brand



Progress in FY4/2023



From FY4/2024

- Full-scale entry to European markets
- Expansion of overseas local production

FY4/2027

Develop *Oi Ocha* into a global brand

Our global brand vision for *Oi Ocha*

Integrated into the lifestyles and food cultures of countries and regions around the world and contributing to customers' health

An integral part of everyday life

Diverse scenarios and food cultures



*Oi Ocha*

#### Creation and development of unsweetened beverage market in Japan

Ratio of unsweetened beverages 75% or more for ITO EN, compared with 55% for the soft drink market overall

\* FY4/2023 result

Also spreading teas from around the world, such as Oolong tea and Rooibos tea, in Japan

- Increase in number of countries and regions in which *Oi Ocha* is sold to 40
- Development of raw materials that meet global requirements
- Global marketing plus marketing rooted in lifestyle and culture of each country and region

FY4/2023

*Oi Ocha* annual sales quantity

More than **90 million cases**  
**35%** domestic market share

Solidify the existing businesses in Japan

—Establish the status of an unrivaled tea company in Japan—

FY4/2027

*Oi Ocha* sales quantity Global total (domestic and overseas):

More than **100 million cases**

# Overview of Existing Business in Japan and Overseas Business

## Existing Business in Japan

Under our core *Oi Ocha* brand, *Koicha* (Bold Green Tea) in the food with functional claims category continued to grow, in addition to regular Green Tea and *Hojicha* (Roasted Green Tea) products, and the *Oi Ocha* brand's share of the green tea beverages market in Japan rose 2 percentage points from the pre-pandemic level of 2019, to 35%. In addition, *Oi Ocha Koicha* (Bold Green Tea) Premium Tea Bags, a new product classed as a food with functional claims, also performed strongly.

ITO EN has raw material procurement capacity, handling around one quarter of the total volume of crude tea produced in Japan through the Tea-Producing Region Development Project and other channels and having employees, who are tea experts, assess the quality of the raw materials themselves, and it also possesses raw materials processing and production technologies for all types of products, from beverages to tea leaf products and instant (granule) products. In face of growing demand for

convenient tea leaf products, ITO EN harnessed these unique features and worked to improve the quality of *Oi Ocha* instant products and bolster their sales. As a result, our share of the market for household-use tea leaf products also increased. We also pursued new possibilities for Japanese tea, launching new products that match the lifestyles and health needs of each generation, including *Oi Ocha Maroyaka* (Fresh Aroma and Mild Taste) for young customers, *Hare nochi kumori toki-doki Ocha* (Fruit Tea with a Japanese Tea base) for women, and *Torori Green Tea* (Thickened Green Tea for Nursing Care) for older consumers.

By focusing on our core *Oi Ocha*, *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) and TULLY'S COFFEE brands, we absorbed a 7.8 billion yen cost increase from higher raw material and material costs, and reported gains in sales and profits. In FY4/2024, we anticipate a 16.0 billion yen cost increase from higher raw material and material costs but aim to achieve gains in sales and profits in our domestic business and overseas

*Oi Ocha's* share of green tea beverages market



ITO EN's share of market for household-use green tea leaf products



Business overview of main product categories ▶ From p. 35

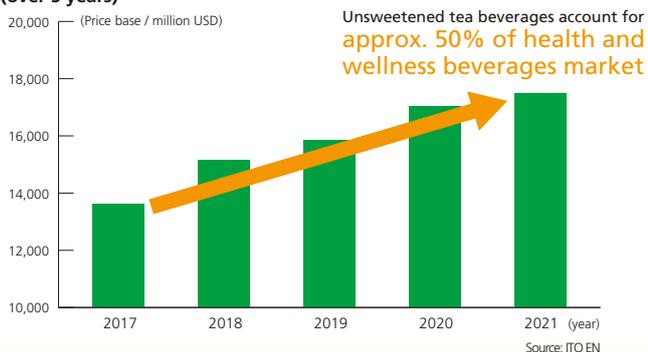
## Overseas Business

In the United States, which is a overseas priority market, sales increased by 20%, with an increasing number of stores introducing *Oi Ocha* products, but we reported a loss despite higher sales due to rising costs. We also increased retailers in other countries besides the United States and, especially in the Asian markets we have entered, we achieved profitability. In countries where sweetened beverages are mainstream, the habit of drinking unsweetened tea is gradually becoming more widespread, with local companies also selling unsweetened beverages. Under such conditions, we increased sales channels in various countries and regions by using one or the other of our global *Oi Ocha* and *MATCHA GREEN TEA* brands depending on the situation in each market.

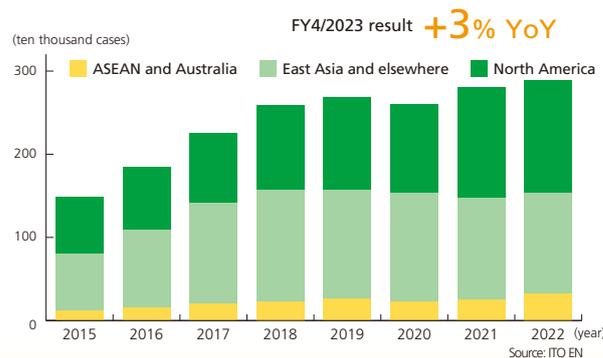
In FY4/2023, sales quantities of *Oi Ocha* brand products in overseas markets were strong for both beverage products and tea bag products. As a first step in the wake of the COVID-19 pandemic, we increased the number of foreign airlines using our tea bag products for inflight services. We also made progress developing new business with a view to expanding sales channels in new regions such as Europe and the Middle East. In addition, we will strengthen our product lineup not only for each country but also for each distribution channel and for different drinking scenes and uses in each country to meet diversified needs, aiming for *Oi Ocha's* development into a global brand and further growth.

### Growth of unsweetened *Oi Ocha* beverages amid heightened health awareness worldwide

Growth of 28.5% in global health and wellness beverages markets (over 5 years)



*Oi Ocha* beverages sales quantities in overseas markets



# Overseas Business Strategy

## Integration into Lifestyle and Food Cultures and Marketing by Country/Region around the World

### Integration into lifestyle and food cultures and promotion of the health benefits of green tea

Certification marks are displayed on our products sold overseas, such as *Oi Ocha* brand products, after receiving religious certifications, such as halal and kosher certifications, as well as the Healthier Choice certification, which is given to products recognized by the government as contributing to health due to the product being sugar-free or other factors.

These are our efforts to respond to the values and health consciousness of local customers and promote integration into their lifestyle and food cultures, as well as measures leading to the development of *Oi Ocha* into a global brand.



### Global marketing and marketing by country/region

In FY4/2023, ITO EN highlighted *Oi Ocha* and traditional Japanese culture to increase awareness of *Oi Ocha* and popularize its deliciousness by publishing global video advertisements with unified expressions and messages as well as conducting local marketing, such as advertisement and promotions rooted in the local area, including posts on social media services in each country and region and making product samples available at events.

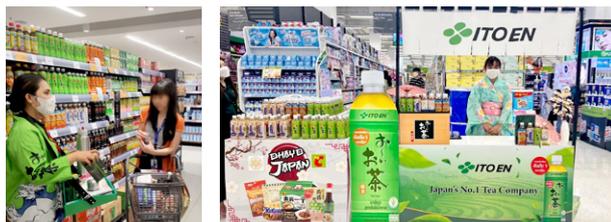
Looking ahead to the growth of the unsweetened tea market, we will continue these consistent and steady efforts to integrate ITO EN and *Oi Ocha* brands into local lifestyle and food cultures and to increase awareness of them.



Global video advertising



Social media advertising in various countries



Tasting and sampling events in various countries (Indonesia, Thailand, etc.)

## Developing Raw Ingredients That Meets Global Standards for the Continued Growth of Overseas Business

### Development of green tea and matcha raw ingredients grown organically or with reduced pesticides to meet international standards

To promote the overseas export of green tea and matcha, it is necessary to meet the quality standards of each country. Therefore, through the Tea-Producing Region Development Project, we are working to increase export volume by developing green tea and matcha raw ingredients grown organically or with reduced pesticides to meet the standards of each country. Promoting reduced pesticide use and organic cultivation will also contribute to the conservation of biodiversity in tea producing areas.

▶ The Tea-Producing Region Development Project pp. 27-30

For some matcha raw ingredients that are in high demand overseas, we are collaborating with tea farmers to obtain international certifications, such as Rainforest Alliance certification.

Going forward, we will continue to balance the development of our overseas business with our contribution to reducing the environmental impact in tea-producing regions.



Developing a steam weed control/weeding machine that can control and remove weeds without using pesticides to promote reduced pesticide use and organic cultivation

### Raw ingredient development and supply chain optimization for local production

To date, our overseas business has centered on a business model of exporting products produced in Japan and selling them overseas. In response to overseas growth markets and the increase in the number of countries and regions where we sell our products, however, we are planning to expand local production overseas in the near future.

Therefore, we are making full use of our procurement capabilities and raw ingredients processing technology to work on the development of raw ingredients for export for local production to prepare for the evolution of our business model. We will continue to optimize our supply chain, taking into account transportation costs and the environment.

\*In certain cases, beverage products are manufactured at overseas production partners' factories and exported to countries where we operate.

#### Business model of the overseas business to date

Export and sell products produced in Japan overseas

#### Business model evolution

Export tea as raw ingredients for local production, and produce and sell products locally

**Voice**

**Sharing *Oi Ocha* with the world**

Depending on the circumstances in each country or region in which we have already started selling our products, ITO EN is developing production, procurement and sales schemes, while actively implementing activities to expand opportunities to experience *Oi Ocha* through advertising promotions, samples, participation in events and other means. In Indonesia, where I worked for four years until FY4/2023, the retail price of *Oi Ocha* is higher than locally produced sweetened beverages, but demand is increasing among health-conscious and wealthy individuals, leading to the revitalization of the market.

In countries we are newly expanding into, we are focusing on marketability and the tea-drinking culture and customs that vary by country and region to determine the value and information (health benefits, how to drink tea, etc.) that should be communicated. It will not be easy to make *Oi Ocha* a global brand, but I strongly feel that it is feasible.



Tsukasa Machiguchi,  
General Manager of  
International Sales  
Department

**Expansion of the Number of Countries and Regions Where *Oi Ocha* is Sold**

Sold in 40 countries and regions overseas (as of FY4/2023), with plans to expand in the future



**Global brands *Oi Ocha* and MATCHA GREEN TEA**



**Expansion into More Countries and New Challenges**

We are steadily expanding into more countries and regions to sell *Oi Ocha*, in anticipation of a full-scale expansion into Europe and other countries in the future. We will take on new challenges, such as the development of environmentally friendly products that are compatible with countries with strict environmental regulations, and the optimization of the supply chain from crude tea procurement to overseas local production and sales.

**TOPICS**

**Local Production for Local Consumption from Raw Ingredients  
Production to Consumption in Australia and China**

As part of the raw ingredients for green tea products sold overseas, we use green tea raw ingredients with quality equivalent to the high quality of ingredients in Japan produced through the new tea farms business in Victoria, Australia and cultivation under contract in Zhejiang, China. In addition, both countries have achieved local production for local consumption, including the cultivation of crude tea, and the local production and sale of products.



Tea farm of the new tea farms business in Victoria, Australia

# Value Chain Characteristics and Value Created

In our value chain, our strengths are our particularly unique efforts in crude tea (procurement and ingredient processing), research, product planning and development. Centered on these sources of value creation, we have formed a value chain that extends overseas from Japan. Based on our 5 concepts for product development, we aim to solidify our domestic business and further develop our overseas business by leveraging our unique initiatives to provide a variety of value-added products.



## 5 Concepts for Product Development

### Natural

Products that make use of natural ingredients

### Healthy

Products that support a healthy life

### Safe

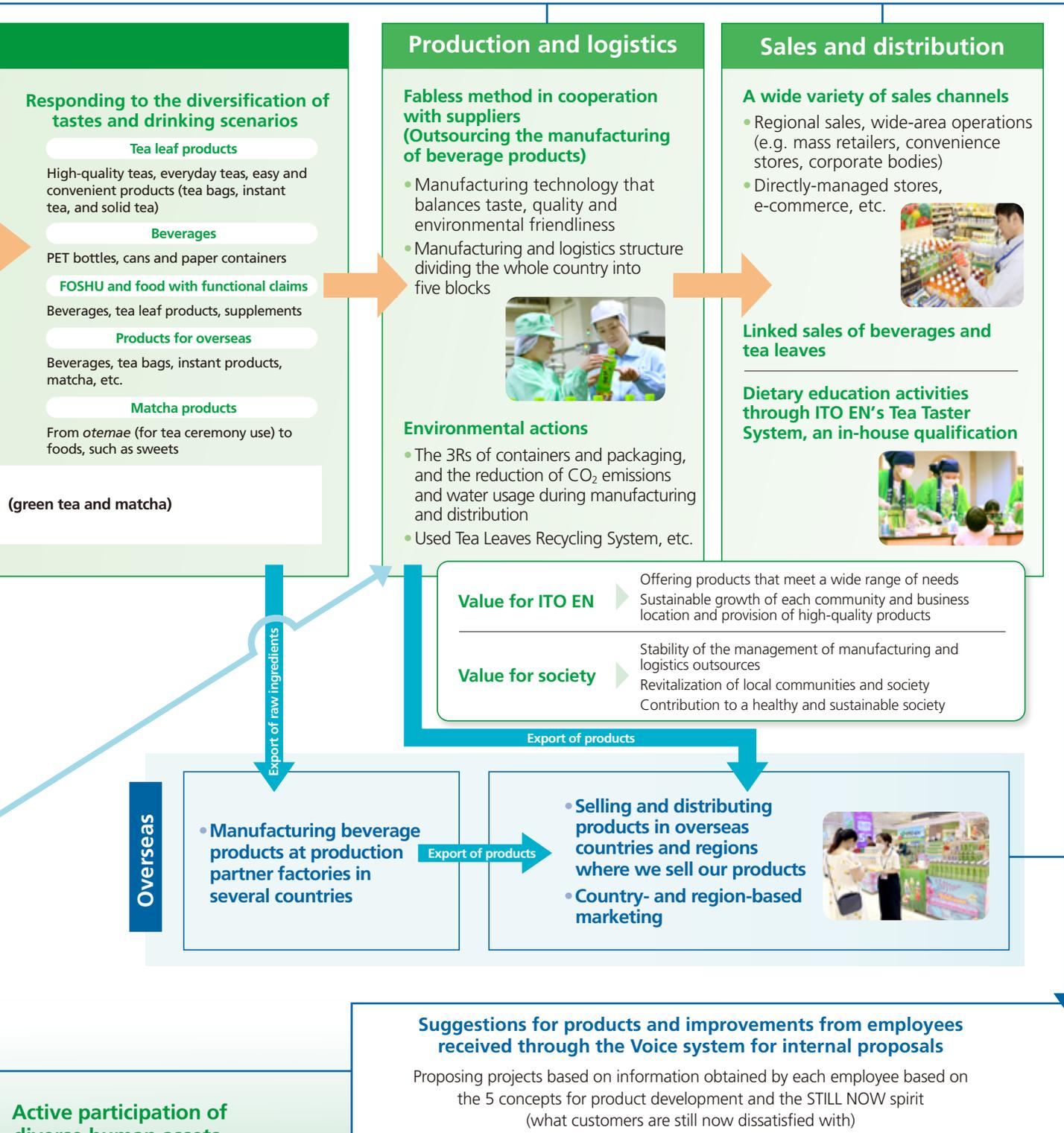
Products that people can enjoy with complete peace of mind and safety

### Well-designed

Designs that directly convey the delicious flavors of our products

### Delicious

Delicious flavors and tastes that make people feel happy



Message from the CSO (Chief Sustainability Officer)

# Strengthening Competitiveness and Sustainable Growth Promoting Sustainability Management

## Sustainability Management of the ITO EN Group

Based on the Management Philosophy of “Always Putting the Customer First,” its management principle since its foundation, ITO EN aims to become a company that continues to operate for 100 or 200 years by sustainably growing its business through the provision of tea-based products and services. To ITO EN, sustainability management means the achievement of both the sustainability of the company by solidifying its management foundation to become a 100-year company, as well as the sustainability of society by solving the various social and environmental issues surrounding our business. By promoting sustainability management, the ITO EN Group strengthens its competitiveness, leading to sustainable growth.

For this reason, we have set the promotion of sustainability management as one of our key strategies in our five-year medium- to long-term management plan starting in FY4/2023. We will combine our management strategy with seven material issues (key sustainability issues) and work toward our long-term vision of becoming a Global Tea Company as set forth in our medium- to long-term management plan.

These ideas are summarized in the ITO EN Group Basic Sustainability Policy formulated in 2022.

ITO EN Group Basic Sustainability Policy  
 ▶ <https://www.itoen-global.com/company/policy/sustainable.html>

## Addressing and Acting on Material Issues

In FY4/2023, we completely reviewed our material issues and identified seven, responding to the changes in the external environment, in addition to formulating a medium- to long-term management plan. Our material issues include issues that are strongly related to our business and realize value creation (dietary habits and health, sustainable domestic agriculture, environment and local society/community), as well as those to be strengthened as a management foundation that supports value creation (diverse human Assets, governance and supply chains). To address each material issue, we set KPIs for initiatives



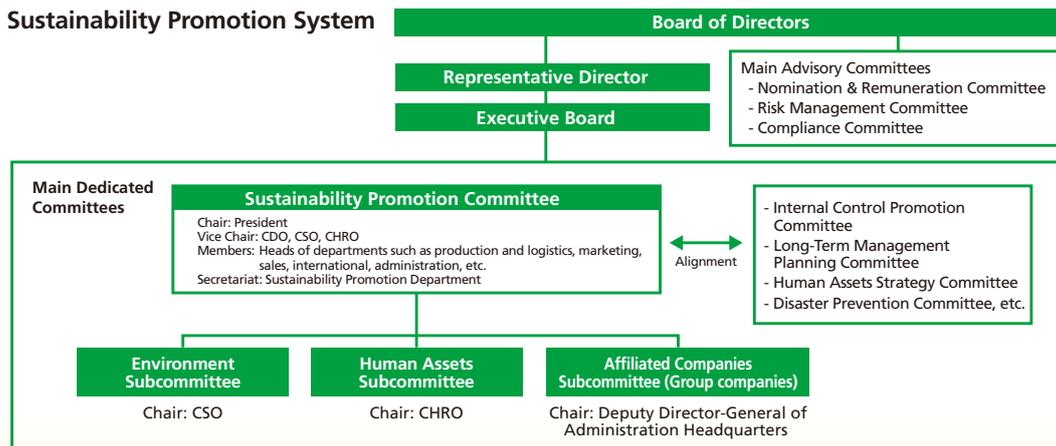
**Yoshihisa Nakano**  
 Director and Senior Managing Executive Officer  
 General Director of Production Headquarters  
 and CSO with responsibility for the Logistics Headquarters

on each theme and promote initiatives across all relevant departments.

Details ▶ p. 24 Figure below, pp. 43–70

## Sustainability Management —Sustainability Promotion Structure—

To strengthen sustainability management, we have established the Sustainability Promotion Committee chaired by the President. The committee aids the operation of our company by implementing the PDCA cycle in the management of the progress of initiatives related to material issues and formulating action plans. Our issue was that ITO EN was solely responsible for understanding CO<sub>2</sub> emissions and taking measures to reduce them and the entire group was not working together on sustainability management. Therefore, starting in FY4/2023, our group companies gradually began taking measures such as the calculation of CO<sub>2</sub> emissions. In FY4/2024, we expanded the Sustainability Promotion Committee to also include management from group companies, working toward the promotion of sustainability management across the entire ITO EN Group. In addition to the committee, which meets quarterly, we have established three subcommittees: subcommittees on the environment, human assets, and affiliated companies (group companies), each of which discusses issues related to the theme of their activities. The environment and human assets subcommittees are chaired by the CSO and CHRO, respectively.



## Achieving Both the Growth of Business and the Creation of Value for Society Even before Sustainability Began Drawing Attention

Contributing to Dietary Habits and Health and Contributing to Sustainable Domestic Agriculture are material issues that are very much related to our business strategies. The Tea-Producing Region Development Project, an initiative contributing to sustainable domestic agriculture, began in 1976 when ITO EN handled only tea leaf products. In this business, we are deeply involved in product development from farmed raw ingredients, including the provision of cultivation technology, through contract transactions with tea farmers. Amid the challenges of the decrease of the area for cultivating tea and the tea production volume in Japan, we are achieving both the stable procurement of high-quality raw materials and the stable management of tea farmers by collaborating with tea farmers to produce crude tea and purchase all of their tea leaves. Since 2001, we have been developing new production areas by converting dilapidated farmland into tea farms and expanding the scale of this every year. In recent years, we are contributing to the development of our overseas business and the reduction of environmental impact in tea-producing regions by producing tea grown organically or with reduced pesticides to meet international standards.

Contributing to Dietary Habits and Health is also a material issue unique to our company, which creates and leads the unsweetened beverage market and continues to move forward as a Health Creation Company. By offering products that contribute to health based on years of research and evidence centered on tea, something we have been working on since the establishment of the Central Research Institute in 1986, we will contribute to solving health issues and strengthen our competitiveness. Through industry-academia collaboration efforts with universities and research institutes, we are also focusing on disseminating new health value through tea.

Details ▶ The Tea-Producing Region Development Project, pp. 27–30, Contribution to Dietary Habits and health, pp. 45–46

## Supply Chain Management that Considers Both the Environment and Society

In addition to collaborating with tea farmers, we employ a fables method, outsourcing the manufacturing of beverage products to

partner factories. Through the value chain that includes crude tea procurement, production and logistics, sales and distribution, over the years we have built a strong network of raw material suppliers, such as tea farmers, and other suppliers, such as manufacturing outsourcees, logistics outsourcees and materials suppliers. In recent years, there has been a need to respond to issues, such as climate change, resource recycling, and respect for human rights, in addition to providing safe and secure products. We cannot address these issues without partnering with our suppliers. To date, we have worked to address environmental issues by reducing CO<sub>2</sub> emissions and water usage during manufacturing processes and implementing the 3Rs for containers and packaging. Regarding the 3Rs in containers and packaging, we have been working on reducing the weight of PET bottles over the past decade or so. In addition, we are promoting the horizontal recycling of PET bottles (bottle-to-bottle recycling), to achieve the goal of all PET bottle products being 100% recycled materials by 2030. To promote bottle-to-bottle recycling, it is necessary to promote consumers' understanding of how to separate plastic bottles as well as to collaborate within the industry. In this context, we will contribute to the realization of a recycling-oriented society through partnerships with our stakeholders, such as recyclers, business operators and local governments.

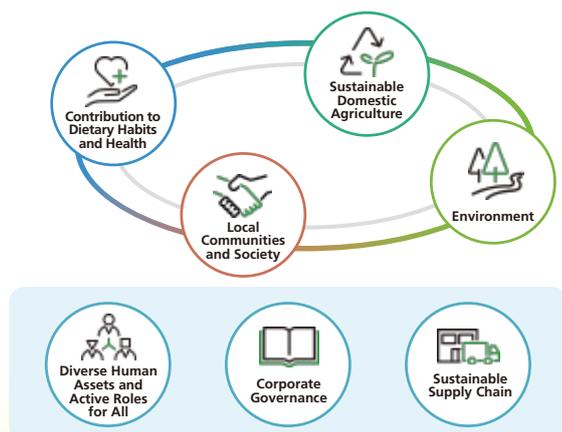
Additionally, as part of our efforts to respect human rights in our supply chain, we conducted due diligence targeting domestic tea farmers and foreign workers and specified technical interns at our own factories in June 2023, aided by an external research organization.

Details ▶ Contribution to a Sustainable Supply Chain, pp. 47–48, Environment, pp. 49–52

## Promoting Sustainability Management Centered on Unique Initiatives as the CSO

As exemplified by our research on the health benefits of tea and the Tea-Producing Region Development Project, our sustainability management is not a result achieved in a short space of time, but rather an accumulation of efforts carried out steadily over a long period of time. That is why it is the source of our value creation and our competitive advantage. As the CSO, I will continue to lead the way with the strong determination that we will lead the tea market, contribute to solutions to social and environmental issues, and ultimately achieve a sustainable increase in corporate value.

## Seven Material Issues



### Contribution to Dietary Habits and Health

Create healthy and prosperous lives through research and development with an eye towards the age of centenarians and through products and services helpful to the health of people of different generations

### Contribution to Sustainable Domestic Agriculture

Carry out the Tea-Producing Region Development Project to accelerate the development of high value-added materials and environmentally-friendly agriculture to help revitalize agriculture in Japan

### Environment

Engage in initiatives for the protection of the global environment, which is shared by all of humanity, as a company that engages in business activities centered mainly on products derived from nature

### Deepening Ties with Local Communities and Society

Contribute to the resolution of local societal issues through dialogues with various stakeholders. Utilize communication through tea to support both physical and mental health

### Contribution to a Sustainable Supply Chain

Maintain sustainable partnerships with suppliers to achieve the resolution of social and environmental issues and sustainable profits for all parties

### Promotion of Diverse Human Assets and Active Roles for All

Construct an organization where everyone in the value chain is respected and where all employees work vigorously in good health

### Corporate Governance

Practice and push ahead with sustainability management to improve responses to social and environmental issues as well as risk management and to increase corporate value

Message from the CHRO (Chief Human Resource Officer)

# Human Resource Strategies Underpinning Growth

## Developing the Human Resources Necessary According to the Company's Growth Stage

Based on the idea that the most important asset for a company is "people," the ITO EN Group regards human resources as "human assets or treasure." An organization cannot grow if its people don't achieve growth. The growth of an organization is directly linked to improvements in corporate value. For this reason, we consider human resources requirements according to our company's growth stage and implement measures for recruitment, training, and retention. We are now required to diversify our human resources to become a Global Tea Company, moving away from sales (sales and new business development) skills centered on domestic route sales, which have been the driving force behind our growth to date. For example, our overseas business is currently at the stage of expanding sales. To this end, we recognize that there is a need to develop globally competitive human resources who have the knowledge and experience to contribute to sales and marketing. Specifically, we need people who have a deep understanding of ITO EN's management principle and brand characteristics, as well as who can act locally overseas and put sales and marketing into practice. Looking ahead to the stages of local production in the near future in the countries where we do business and the acceleration of product development in line with the increase in those countries, we need global human resources in the production and research and development fields. While aiming to increase the overseas sales ratio in our medium- to long-term management plan, we also believe that it is necessary to increase, to a similar level, the ratio of employees who can work across borders within the ITO EN Group.

## For Improving Employee Engagement

However, developing human resources is not easy. We recognize as one issue that it is becoming more difficult for young



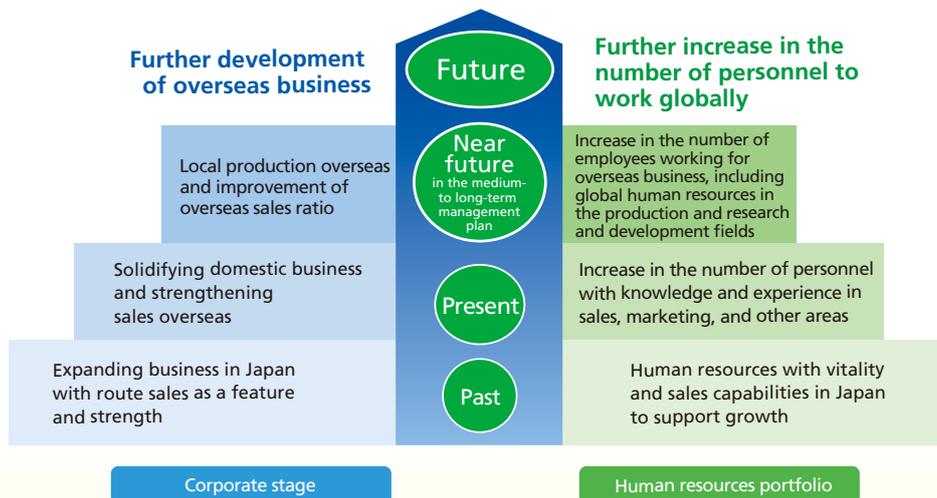
**Atsushi Hirata**

Director and Senior Managing Executive Officer  
General Director of Administration Headquarters and CHRO  
with responsibility for Internal Control and Compliance

employees, who will play an active role in Japan and overseas in the future and help us to become a "Global Tea Company," to have an image of their own career development and to realize their growth and the contribution they will make through the work they do. To this end, it is important to provide intrinsic and extrinsic motivation so that employees feel increasingly attached to the ITO EN Group and increase job satisfaction (improvement of employee engagement). Consistent efforts, including that sales staff receive feedback from external evaluations, such as compliments from related customers, can give employees the opportunity to feel that they have contributed to the health of customers through the products they sell. At regular interviews with the members, in addition, the superiors improve their skills in understanding each member's intentions, share information about career development, and provide solid motivation for the future. Another initiative is to review and understand the skills of each employee and place the right people in the right places, which helps employees gain experience in multiple divisions while they are still young, resulting in the development of their careers. It goes without saying that it is also essential to create systems appropriate for the times, such as salary system, evaluation system, and shift pattern.

Meanwhile, senior employees with a wealth of experience can utilize the time value of their own experience to instill ITO EN's corporate culture and corporate climate in each group

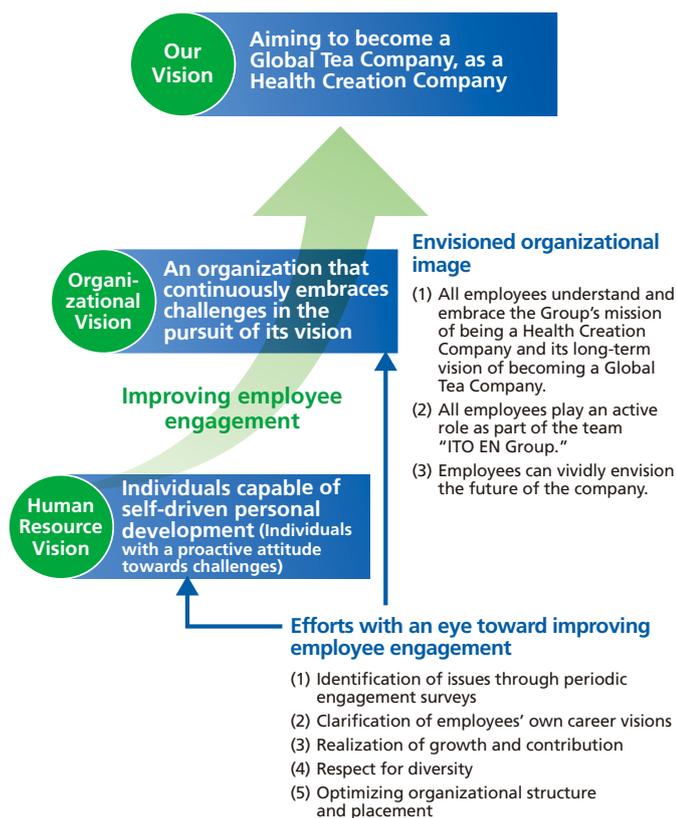
### Image of the link between corporate stage and human resources portfolio



company, thereby raising the standards of each company as a team of ITO EN Group and contributing to the success of all employees.

## What We Aim for in Our Human Resources Strategy (Human Resource Vision and Organizational Vision)

We aspire to become an organization where all employees can develop a concrete vision for the ITO EN Group to continue to be a “Health Creation Company,” the Group’s mission, and to become a “Global Tea Company,” its long-term vision, and where they can feel the connection and contribution to the work they are responsible for, as well as that continues to take on challenges even in the face of various changes in the environment. To become such an organization, we need to become a group of human resources who are willing to voluntarily grow through change (human resources who grow autonomously), without being obsessed with past successes. Amid increasing diversity (not just diversity in age and gender, but people with diverse ideas), it is important to change your own mindset.



## To Achieve the Vision

### Establishment of Human Assets Strategy Committee

In FY4/2024, we expanded the previous Personnel System Improvement Committee to establish the Human Assets Strategy Committee (chaired by CHRO). While ITO EN had been considering personnel policies and systems on its own, we are currently considering human capital across the Group, by starting to develop different personnel systems for each company of the

ITO EN Group. We will also work with related committees to consider medium- to long-term human resources strategies.

### Setting KPIs related to human capital and PDCA

We also conduct the Employee Awareness Survey, an engagement survey, on a yearly basis to understand employee awareness and quantify it as an engagement score. As part of the medium- to long-term management plan, we have set KPIs for the “employee engagement score,\*” along with the “female manager ratio,” “gender pay gap,” and “percentage of male employees taking childcare leave,” toward FY4/2027, the final year of the medium- to long-term management plan, to monitor progress and thoroughly implement the PDCA cycle. We will develop a foundation for human capital management, review the KPIs and consider further measures in line with the progress of measures and changes in the external environment.

\* Using the UWES (Utrecht Work Engagement Scale) as a reference, we conduct a survey for quantification with questions based on three elements: “Vigor,” “Dedication,” and “Absorption.”

Details ▶ Promotion of Diverse Human Assets and Active Roles for All pp. 53–56

## What I Value as a CHRO

As the General Director of Administration Headquarters, I have looked at our company in a wide range of fields, including human resources, finance and accounting, internal control, and compliance. Among these, I am convinced that human capital is the most important factor in increasing corporate value. The growth of people leads to the growth of the organization, directly leading to the growth of the ITO EN Group. The management needs to view investment in employees as a business investment for the company. As CHRO, I would like to lead the construction of human resources strategies linked to management strategies, and improve the value of our corporate brand as a “Health Creation Company” while investing in human capital.

As CHRO, I am also responsible for human rights issues. In 2023, we started human rights due diligence in our supply chain by inviting business and human rights experts as lecturers to hold training sessions for management and executives at ITO EN Group companies. As part of our human rights governance system, we will work to respect human rights in collaboration with related committees, such as the Risk Management Committee and Sustainability Promotion Committee, chaired by the President.

The ITO EN Group is at a stage where its business growth and social stage are undergoing major changes as the external environment changes. With the realization that their company is changing, employees’ sense of value at work will also change: they will want to contribute not only to increasing the company’s size and performance, but also to increasing its social value, such as health and the environment. What is central to the sustainable enhancement of corporate value is human capital. We aim to be a company that creates value in both ways, by making our employees like us and making our customers like us.

# "The Tea-Producing Region Development Project," ITO EN's Unique

The ITO EN Group uses approximately one-quarter of Japan's crude tea production. The area of domestic farmland has been shrinking since its peak in 1961, chiefly due to the aging of agricultural workers and the lack of successors: the downward trend is continuing in tea-producing areas as well. In anticipation of the growing demand for tea with various health components and value, however, the ITO EN Group has been working on the Tea-Producing Region Development Project through contract transactions since 1976 and working with tea farmers to produce high-quality raw ingredients. Through product raw ingredients with different characteristics depending on the variety, tea season, and other factors brought about by ITO EN's research and development and raw ingredients processing technology, we have launched products that are both delicious and healthy, providing customers with new options and the value of "lifestyles with tea."

Additionally, against the backdrop of growing global health consciousness, we are working even harder to develop high value-added raw ingredients, such as matcha, reduced pesticides, and organically grown tea, and to promote environmentally friendly agriculture.



Fumio Ito,  
General Manager of Agricultural  
Technology Department

## Responding to challenges and business opportunities in the tea-related market: the evolution of the Tea-Producing

Stable procurement of raw ingredients

**Challenges**

Decrease in tea cultivation area and production volume, and stabilization of tea farmers' management

**Business opportunities**

Growth of green tea beverage market

**Started, in 1976, the Tea-Producing Region Development Project to ensure stable management of tea farmers and stable procurement of high-quality raw ingredients**

**The scale of the Tea-Producing Region Development Project has expanded, while tea production and the tea farm area declined.**

Crude tea production (t) 100,098t

Tea cultivation area (ha) 59,600ha

36,900ha Production volume of the Tea-Producing Region Development Project (8,794 t in FY4/2023)

Production and cultivation area of crude tea, Source: Ministry of Agriculture, Forestry and Fisheries (April to March each year)  
Production volume of the Tea-Producing Region Development Project, Source: ITO EN (May to April each year)

Diversification of raw ingredients and high value-added products

**Challenges**

Decrease in demand for tea brewed in a kyusu teapot due to expansion of the green tea beverage market

**Business opportunities**

Diversification of consumer preferences and health consciousness

**Development of raw ingredients with a wide variety of characteristics**

**Product development starting from tea farms**

Developed crude tea exclusive to *Oi Ocha* beverage

**100% purchasing of produce through contract transactions**

From first picked teas, second picked teas, to teas picked in fall

**Developing matcha raw ingredients for various uses**

*Tencha* (tea leaves used as raw ingredients for matcha)

Overseas availability of raw ingredients and environmental measures

**Challenges**

Complying with quality standards in overseas countries and responding to climate change

**Business opportunities**

Growing global health consciousness

**Reducing pesticides, expanding organic cultivation, and strengthening efforts in environmentally friendly agriculture**

**Problem solving through collaboration with diverse external parties**

**Reduced pesticides and organic cultivation technology development**

Reduced pesticides

Initiatives for the practical use of "steam-operated pest control machines/weed control machines" that do not use pesticides

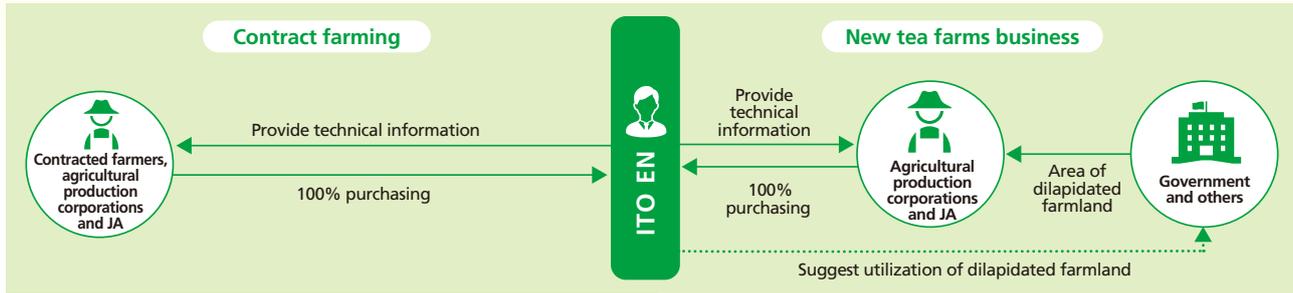
**Challenge to reducing GHG emissions from tea farms**

Action to combat global warming

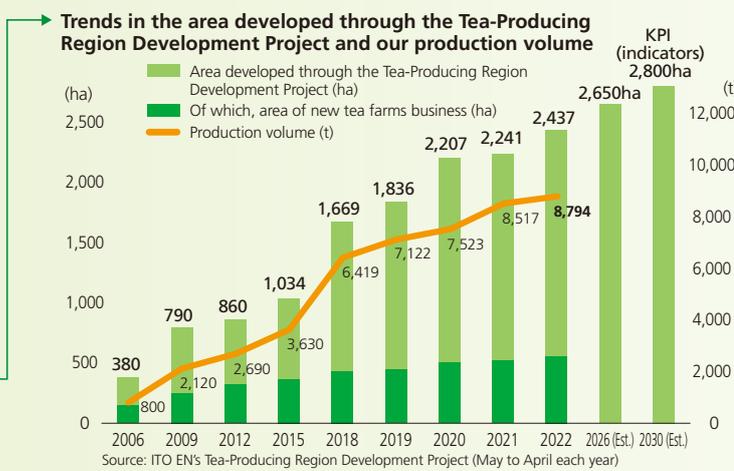
Biochar\* dispersion test conducted in collaboration with a biomass power generation company and tea farmers  
\*Carbonized wood, bamboo, etc.

# Sustainable Agriculture Model - Improve brand value from Japan to overseas by evolving the tea value chain from farms -

## A win-win system for ITO EN and society (related parties)



## Region Development Project



- Value for ITO EN**
    - Stable procurement of high-quality raw ingredients and cost reduction
    - A solid foundation for our business
    - Improving the quality of *Oi Ocha* and other products
  - Value for society**
    - Effective utilization of dilapidated farmland
    - Stable management of tea farmers through 100% purchasing, increase in young people working in agriculture, and resolving the lack of successors
    - Inheriting cultivation techniques and know-how and lowering production costs
    - Job creation and local vitalization
- Labor hours per 10 ha: 44 hours**  
(New tea farms<sup>1</sup>, average in Shizuoka: approx. 122 hours<sup>2</sup>)
- Average age of employees: 45 years old**  
(New tea farms<sup>3</sup>) (Domestic average 67.8 years old<sup>4</sup>)

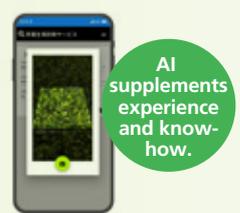
## Product development and sales capabilities that make the most of raw tea leaves, from first flush teas to teas picked in fall

- Proprietary ingredient processing techniques** (Heating, blending, etc.)
- Product development capability**
- Manufacturing and processing technology of matcha** (Blending, milling, etc.)

- Tea leaf products**  
High-quality teas, everyday teas, easy and convenient products (tea bags, instant tea, and solid tea)
  - Beverages**  
PET bottles, cans and paper containers
  - FOSHU and Food with Functional Claims**  
Beverages, tea leaf products, supplements
  - Products for overseas**  
Beverages, tea bags, matcha, etc.
  - Matcha products**  
From *otemae* (for tea ceremony use) to cooking ingredients for sweets, etc.
- A lineup that can accommodate all situations in which tea is consumed, such as drinking at home and the demand for personal water bottles

- Value for ITO EN**
  - Expanding share in the tea leaf product market and green tea beverage market
- Value for society**
  - Diversification of product options to suit lifestyles
  - Enjoying deliciousness and health benefits
  - Preservation of tea culture

## Utilizing DX to support inexperienced farmers and stabilize agricultural management



- Value for ITO EN**
    - Expanding opportunities to export green tea and matcha raw ingredients overseas
  - Value for society**
    - Improving the sustainability of tea-producing areas
- All the tea farmers of the Tea-Producing Region Development Project acquired GAP certification<sup>5</sup>**

Utilizing a system jointly developed with an electrical equipment manufacturer to use AI image analysis to help determine harvest timing and quality

1. Example of new tea farms 2. "The Situation of Japanese Tea," Ministry of Agriculture, Forestry and Fisheries 3. Weighted average of the average ages of regular employees at new tea farms (FY4/2022) 4. Farmers in Japan (source: Ministry of Agriculture, Forestry and Fisheries) 5. GAP (Good Agricultural Practice) certifications are granted to agriculture businesses that engage in food safety and environmental conservation initiatives. In addition to the Global GAP international standard, other schemes include JGAP and ASIAGAP, which are granted by the Japan GAP Foundation. GAP certification here refers to farms that have obtained one of these three certifications.

# Examples of Specific Initiatives for the Tea-Producing Region

## Developing large-scale tea farms and improving productivity to achieve stable procurement of raw ingredients

### Large-scale tea farm management and labor-saving management through mechanization

We have created large-scale tea farms in flat areas suitable for tea cultivation to achieve labor-saving management and increased productivity through increased scale and mechanization, such as the use of riding plucking machines.

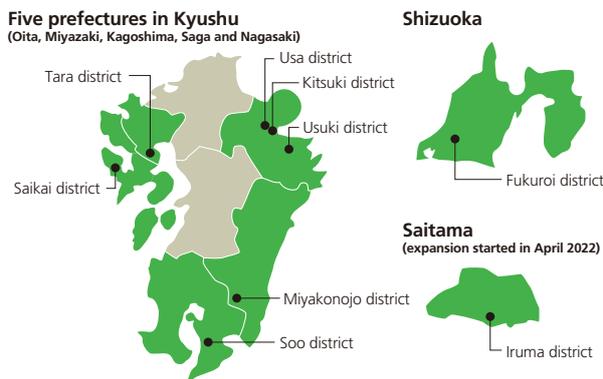


Large-scale tea farm management and mechanization

### Expanding the scale of development by converting dilapidated farmland into tea farms to develop new tea farms

#### New production areas developed by converting dilapidated farmland to tea farms

(Expanded to nine districts in seven prefectures as of FY4/2023)



**Total of the Tea-Producing Region Development Project in FY4/2023: 2,437 ha**  
(Of which, new tea farms: 500 ha or more)

ITO EN's domestic crude tea handling volume

**Approx. 1/4 of total in Japan**  
(Approx. 18,000 t in FY4/2023)

Production volume of the Tea-Producing Region Development Project

**FY4/2023: 8,794 t**  
Approximately 10% of domestic crude tea production  
Approximately half of ITO EN's crude tea handling volume

\*Other crude tea is purchased from the tea market, etc. after checking the quality.

**Area developed through the Tea-Producing Region Development Project**  
When the indicator (KPI) of 2,800 ha is achieved in FY4/2031

Both domestic crude tea production volume and our production volume as a percentage of our crude tea handling volume will continue to increase, contributing to the development of overseas business, product diversification, and quality improvements.

## Contribution to stabilizing agricultural management

### Determining the timing for picking tea leaves and the quality of crude tea using AI image analysis

We have developed and piloted a system that uses AI image analysis to make it easy to determine harvest timing and quality, something that previously required tea farmers to have years of experience and advanced know-how. We plan to fully introduce the system in the contract farms in 2024.



## Strengthening efforts in reducing pesticides, organic cultivation, and environmentally

### Reduced pesticides and organic cultivation technology development

When exporting green tea and matcha overseas, it is necessary to meet the quality standards of each country. In order to capitalize on the growing demand overseas, we are developing techniques for reducing pesticide use and organic cultivation that comply with the standards of each country.

Specifically, we are working to select varieties that are resistant to pests and diseases, and to put into practical use steam-operated pest control machines/weed control machines that can control and eliminate weeds without using pesticides. We are also promoting recycling-oriented agriculture, in which used tea leaves containing nitrogen are used as compost instead of nitrogen fertilizer.

These initiatives are aimed at achieving both developing overseas business and reducing the environmental impact around tea-producing areas.

#### Index (KPI) for organic cultivation production

**FY4/2027: 380 t**  
**FY4/2031: 500 t**

### Recycling-oriented agriculture (use of used tea leaves compost)



Biodiversity conservation

▶ <https://www.itoen-global.com/sustainability/materiality/environment.html#section06>

# Development Project for the Future

## Developing and utilizing a wide variety of raw ingredients to promote the strengthening of beverages, tea leaf products, and product lineups

### Developed raw ingredients exclusive to *Oi Ocha* green tea beverages

Green tea beverage in PET bottles, which can be opened, recapped, and enjoyed anytime and anywhere, are consumed in a different way than tea brewed in a kyusu teapot. Therefore, we cultivate, produce, process, and use raw ingredients exclusively for green tea beverage. As of 2023, all the "Oi Ocha Green Tea" (all PET bottle beverage products) is produced from exclusive raw ingredients. We work backwards from the desired aroma, taste, and way of drinking of the final product to determine the variety, harvest timing, processing method, and other factors and develop products from farms, taking into account the features of each product.

### Making full use of a wide variety of crude tea by purchasing all the produce, and creating a full lineup of products that meet customers' needs

Green tea is picked several times a year,\* from the first flush tea (new tea) that is picked in the spring, the second flush tea, to tea picked in fall. We purchase all of the crude tea with a wide variety of characteristics produced in collaboration with tea farmers to develop products that meet all needs, including tastes and ways of drinking, and strengthen sales in conjunction with beverages and tea leaf products.

\*Varies depending on tea farmer and production area



## by promoting DX (AI image analysis, etc.)

### Convert tea farmers' know-how, cultivation records, etc. into data and utilize them

The promotion of DX, which utilizes data such as past cultivation records and the status of tea farms depending on the weather, is useful not only for determining the harvest timing, but also for determining the appropriate timing and amount of pesticides and fertilizers to be used, contributing to the development of techniques for reduced pesticide cultivation and organic cultivation.

## friendly agriculture in response to international standards and climate change

### Biochar dispersion test aimed at reducing GHG in tea farms (global warming countermeasures)

Biochar\* is expected to have anti-global warming and soil improvement effects in agriculture.

\* Carbonized biomass, such as wood and bamboo

We have begun a test of biochar dispersion over tea farms to verify its contribution to reductions in GHG (global warming countermeasures) and improved tea productivity.

#### Test flow of biochar dispersion



Biomass power generation utilizing unused wood produces biochar as a byproduct

Biomass power generation utilizing unused wood produces biochar as a byproduct

### ITO EN dedicated crude tea factory with low CO<sub>2</sub> emissions during production and processing

ITO EN's dedicated crude tea factory in the Iruma District, Saitama Prefecture, where new tea farms are being developed, is an environmentally friendly factory that reduces CO<sub>2</sub> emissions by 57% compared to general crude tea factories.

\* According to a survey by Terada Seisakusho Co., Ltd.



# Financial and Capital Strategy

While making financial soundness and safety the top priority, we will generate a stable and continuous cash flow, and achieve sustainable growth and increase corporate value over the medium- to long-term by investing in growth fields and new businesses with an eye toward the future, considering to balance these actions with shareholder returns.

Minoru Watanabe,  
Vice Chairman, Director and Executive Officer  
with responsibility for Administration Headquarters, International Business  
Headquarters and Group Business Management Department

## Basic Policy and ROE Policy

The ITO EN Group regards return on equity (ROE) as a particularly important indicator of financial performance. In the medium- to long-term management plan announced in June 2022, we set a target ROE of 10% or more, which is a level that exceeds the cost of capital.

ROE can be divided into three components: the ratio of net income to net sales, the asset turnover ratio and financial leverage. Respectively, they represent profitability (how much profit you were able to keep from the sales achieved), efficiency (how efficiently you are using your total assets), and financial standing (how you are utilizing debt).

The ROE for FY2022 (fiscal year ended April 2023) was 7.8%, a decrease of 0.4 points from the previous fiscal year. We recognize that profitability (ratio of net income to net sales) declined as the company was unable to absorb the increase in the cost of procuring raw materials due to soaring energy costs and other costs by passing it on to the sale price of products, efficiency (asset turnover ratio) increased as sales increased due to the increased flow of people and the economic recovery following the COVID-19 pandemic, and financial standing (financial leverage) decreased due to a decrease in interest-bearing liabilities, such as lease obligations.

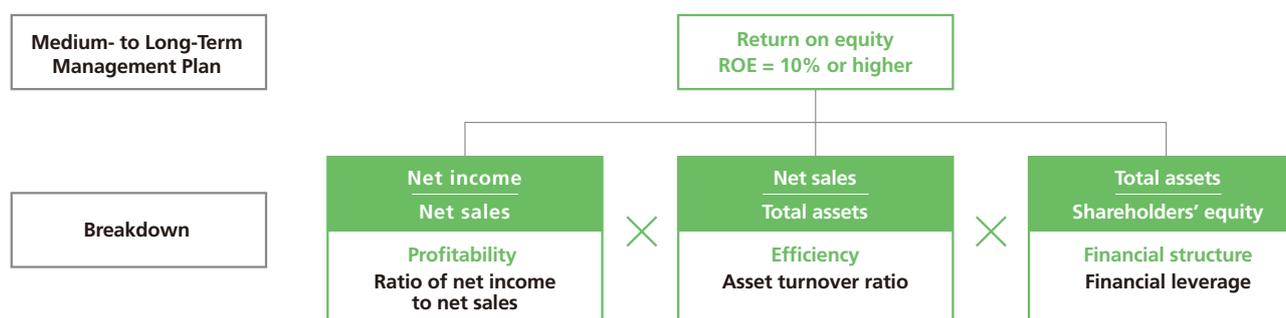
We recognize that improving “profitability (return on sales)” is the most important factor in achieving ROE of 10% or more, as stated in our medium- to long-term management plan. To achieve the target, in Japan, a review of the number of product items handled led to improved production and logistics efficiency and reduced product disposal losses. We are also continuing to strengthen initiatives, such as concentrating marketing expenses for our main brands, strengthening our management of profitability per vending machine, appropriate personnel allocation and streamlining routes. Regarding overseas business, we are leveraging the Group’s local subsidiaries and distributors in North America, Asia, and other regions to strengthen sales of our main products, such as *Oi Ocha*, expecting that these efforts will contribute to improved profitability.

We will also maintain and improve efficiency through fabless management (outsourced beverage production).

[Consolidated]		FY4/2019	FY4/2020	FY4/2021	FY4/2022	FY4/2023
ROE	(%)	9.9	5.2	4.7	8.2	7.8
Ratio of net income to net sales	(%)	2.9	1.6	1.6	3.2	3.0
Asset turnover ratio	(times)	1.67	1.63	1.43	1.21	1.29
Financial leverage	(times)	2.07	2.00	2.08	2.12	2.01

Note: Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 dated March 31, 2020) and others have been applied as of FY4/2022.

## ITO EN’s ROE-based Corporate Management and Financial Tree Comprising of Profitability, Efficiency, and Financial Standing (Conceptual diagram)



## Cash Allocation

To reduce capital investment risk and respond quickly to the market environment, we have adopted a fabless method of beverage manufacturing which does not require us to have our own factories. Compared to other companies with their own factories, we are unique in that our investment cash flow is lower, which is complemented by our operating cash flow (cost of sales) each fiscal year.

Regarding cash generated from operating activities, we will allocate a balanced amount of cash to business investments with the goal of achieving sustainable growth, shareholder returns and the repayment of interest-bearing liabilities, while making financial soundness and safety the top priority.

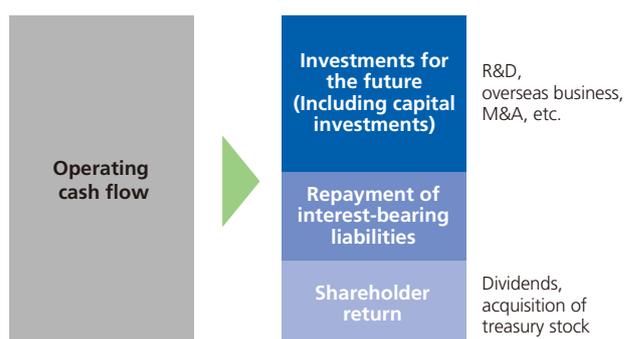
Regarding business investment, we will also proactively invest for the future by acquiring production facilities both in Japan and overseas, investing in research and development, including collaborative industry-academia research on the functionality of green tea and matcha and investing in growth fields, in addition to capital investments, such as consolidated subsidiary Tully's Coffee Japan opening new shops.

While cash on hand increased in FY2020 (FY4/2021) due to COVID-19 countermeasures, the impact of COVID-19 appears to be settling down. Based on the economic environment

and our financial situation, we will also consider using proceeds to repay borrowings.

Going forward, we will continue to prioritize financial soundness, allocate funds to investments while balancing shareholder returns based on the shareholder return policy, business investments aligned with the growth stage of each company, growth investments in overseas businesses to become a Global Tea Company and R&D investments.

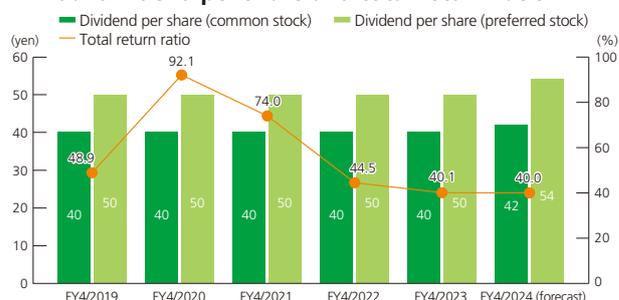
### Our Cash Allocation (diagram)



## Shareholder Returns Policy

Our basic policy is to avoid reducing dividends to continuously provide stable shareholder returns and dividends. While securing the internal reserves necessary for the future development of our business and strengthening our management structure, we will continue to provide stable shareholder returns with a total return ratio of 40%. Dividends for FY2023 (FY4/2024) are scheduled to be 42 yen per share of common stock, an increase of 2 yen from the previous fiscal year, and 54 yen per share of preferred stock, an increase of 4 yen. We will continue to aim to pay stable dividends going forward. To improve capital efficiency and carry out flexible capital policies, we will acquire treasury stock based on a comprehensive evaluation of business performance, the stock price, the business environment, etc.

### Annual dividend per share and total return ratio



\* Total return ratio is the ratio of annual dividend amount plus the amount of treasury stock acquired to net income.  
The calculation formula is: Total return ratio = (total dividend payment (common stock + preferred stock) + amount of treasury stock acquired) ÷ net income

		FY4/2019	FY4/2020	FY4/2021	FY4/2022	FY4/2023
EPS (Common stock)	(yen)	116.02	61.53	55.10	103.92	103.82
EPS (Preferred stock)	(yen)	126.00	71.53	65.10	113.89	113.82
DOE (Common stock)	(%)	3.25	3.27	3.20	3.00	2.84
DOE (Preferred stock)	(%)	4.05	4.08	3.98	3.73	3.54

## Dialogue with Shareholders and Investors

We promote proactive and flexible IR activities. We hold regular financial results briefings and individual interviews, conducting continuous dialogues with shareholders, investors, and analysts, both in Japan and overseas. In FY4/2023, we held a small ESG meeting for domestic institutional investors. We also provide opportunities where we can listen to a wide range of opinions from not only investors but also experts. Opinions received from investors and shareholders are shared at Board of Directors meetings and actively utilized in corporate management.

To provide information on a timely and appropriate basis, financial statements are promptly posted on our website once financial results are announced, while materials are disclosed in English on our global website.

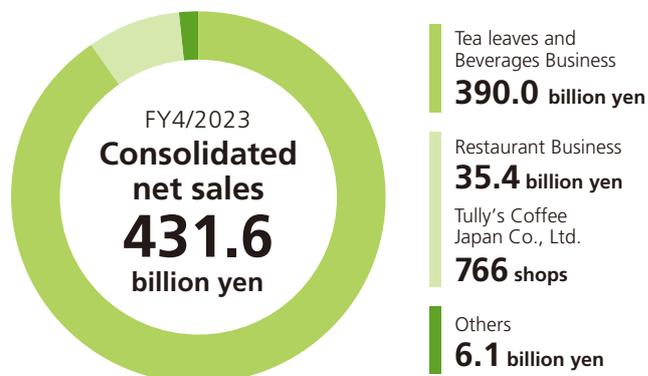
We will continue to strive to actively disclose information that is useful for people's understanding of our group, aim to be appropriately evaluated by society and improve our corporate value over the medium- to long-term.

# Business Overview

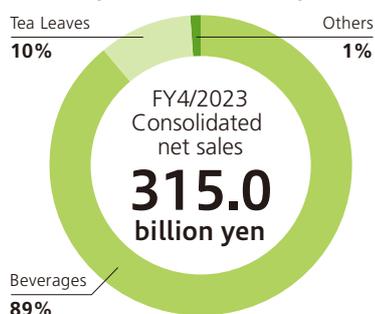
The net sales of the Tea Leaves and Beverages Business in the fiscal year ended April 30, 2023 stood at 390.033 billion yen (up 7.1% year-on-year), mainly reflecting the achievement of a record-high sales volume (more than 90 million cases) of *Oi Ocha* brand beverages, the quality improvement of granule-type instant products, and the proposal of tea products for young people.

In the Restaurant Business, the number of visitors to Tully's Coffee Japan Co., Ltd.'s shops recovered in the shift to life in the endemic COVID-19 era. Further, steady progress was made in opening new shops, with the total number of shops being 766 as of April 30, 2023. As a result, net sales from the Restaurant Business were 35.492 billion yen (up 18.1% year-on-year).

## ITO EN Group business segment results



## ITO EN (non-consolidated)

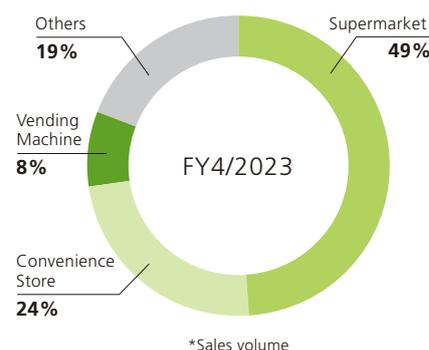


## ITO EN (non-consolidated) results & forecasts by category

(Unit: ten thousand cases)

Category	Result	FY4/2023	
		Sales Composition	YoY %Changes
Beverages	21,829	100%	+1%
Tea total	15,286	70%	+2%
Japanese Tea	13,868	64%	+2%
Chinese Tea	835	4%	-4%
Other Tea	582	3%	+24%
Vegetable	2,592	12%	-12%
Coffee	1,752	8%	+5%
Mineral Water	668	3%	+1%
Carbonated	534	2%	+33%
Fruit	452	2%	+3%
Others	541	2%	+11%

## Sales composition by channel (non-consolidated)



## Performances and status of major group companies

(million yen)	Results in FY4/2023	
	Net Sales	Operating income
Businesses in the US <sup>1</sup>	45,361 (333,292 thousand US dollars)	-1,483 (-10,897 thousand US dollars)
Tully's Coffee Japan Co., Ltd.	35,495	2,429
Chichiyasu Company	11,947	670
Exchange rate (US dollars) <sup>2</sup>	136.10 yen	

1. Includes ITO EN (North America) INC. and ITO EN (Hawaii) LLC  
2. Average for the fiscal year

# Product Strategies of ITO EN (Non-consolidated)

We market *Oi Ocha* and other products produced mainly from raw ingredients derived from raw materials harvested on farms as our mainstay brands based on five concepts for product development: Natural, Healthy, Safe, Well-designed and Delicious.

Our key advantage lies in our capabilities for developing unique products from farmed raw ingredients, which we have cultivated through the tea business over many years. We are capable of ensuring both consistent commitment to quality and reduction of environmental impact, throughout the process from tea farms (raw ingredients) to products, used tea leaves and resource recycling.

We have horizontally deployed this vertically integrated business model, which spans the entire product life cycle from tea farms (raw ingredients) to resource recycling, to other product categories. Stable procurement of high-quality raw ingredients, ability to fully use processing and manufacturing technologies to draw out the good taste and health effects of raw ingredients, and the linked sales of beverages and leaf products (tea leaves, coffee beans and powders) are our features and strengths.



Mitsumasa Shida,  
Executive Officer, General Director of  
Marketing Headquarters

This business model contributes to our product strategies, the development of new raw ingredients and technologies, and our sustainable growth, and at the same time, it creates value such as assistance in solving social issues.

## Unique ability to develop products accumulated with tea and starting at farms (raw ingredients)/ vertically integrated business model

### Research, Planning and Development

5 concepts for product development  
(Natural, Healthy, Safe, Well-designed, Delicious)



### Procurement and Raw Ingredient Processing

Sustainable agriculture and raw ingredient processing technologies

- The Tea-Producing Region Development Project
- Crude tea procurement and raw ingredient processing (roasting and blending) for all kinds of products, in addition to the development of raw ingredients for beverages only

### Production and Logistics

Distinctive manufacturing technologies and fables method (beverage products)

- Manufacturing lines that implement environmental and quality considerations, including the NS System
- Manufacturing and logistics that emphasizes the freshness of green tea

### Sales and Distribution

Unique sales approach

- Linked sales of beverages and tea leaves
- Tea Taster activities

### Environment

Resource recycling initiatives and others

- Reducing the weight of containers and ending the use of labels
- Horizontal recycling (from bottles to bottles)
- Used Tea Leaves Recycling System

## Horizontal deployment to other categories



- Procurement of barley as a raw ingredient that is appropriate for the product
- 100% of barley used as a raw ingredient is roasted in Japan



- DLTC's farms (acquisition of Rainforest Alliance certification)
- 100% of coffee beans are roasted in Japan



- Contract cultivation of dedicated raw ingredients including *Shui* carrots and young barley leaves in Japan
- Contract cultivation of tomatoes and other ingredients in Europe



- Hot air roasting and medium roasting for creating the distinctive "Kettle quality"



- TULLY'S COFFEE beverages\* feature the Fresh 3 manufacturing method (freshly roasted, freshly ground, and freshly brewed).  
\*Some bottle-type canned products



- Natural Sweetness Production Method (beverages using carrots)
- Natural green method (*Aojiru* unsweetened beverage products)



- Linked sales of beverages and tea leaves



- Linked sales under the Tully's coffee brand (beverages, regular coffee, and coffee shops)

- Linked sales of beverages and vegetable powder (such as young barley leaves and carrots)



- Reducing the weight of containers
- Bottle-to-bottle recycling
- Recycling of used barley tea leaves



- Environmental actions at Tully's coffee shops
- Silver skin recycling
- Reducing the amount of plastic materials used
- In-house collection (recycling) of used coffee beans

- Aluminum-free paper pack-type drink containers (recyclable paper containers)
- ECO bottles (bottle-to-bottle recycling, etc.) and biodegradable ECO straws



# Oi Ocha Beverages and Green Tea Leaf Products

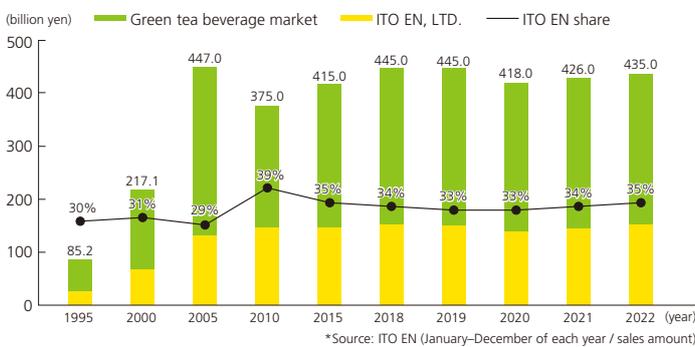
## Market Overview

In 2022 the scale of Japan's domestic green tea beverage market was 435 billion yen, up 2% year-on-year. Since 2020, when the market slowed down due to the COVID-19 pandemic, the market size has been recovering and trending toward expansion, mainly reflecting the growth of health awareness.

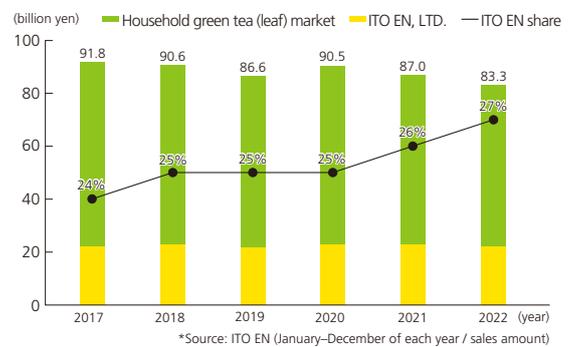
On the other hand, the size of the market of green tea leaves for household use (household packaged tea) in 2022 was 83.3 billion yen, down approx. 4% year-on-year, due to sluggish

demand for leaf tea prepared using a teapot, which resulted from the increase in opportunities to go out and a reactionary reduction of home-use demand. Demand for tea bags and instant teas such as granules has been growing in recent years, with the acceleration of the improvement of convenience in the leaf market. Demand for easy and convenient products is expected to continue growing.

### Green tea beverage market



### Household green tea leaf market



## Achievements and Challenges

### Oi Ocha beverage products

In FY4/2023, we continued to enhance the product power and brand value of *Oi Ocha* and strengthened communication through tea. As a result, total cumulative sales since its launch in 1989 have exceeded 40 billion bottles (500 mL PET bottle equivalent). The annual sales volume was also a record high, having exceeded 90 million cases. Sales of *Oi Ocha* as the No.1 green tea beverage brand<sup>1</sup> have been growing steadily in both the global and Japanese markets since October 2022, when beverage companies including ITO EN revised prices.

Since 1976, we have been working on the Tea-Producing Region Development Project, in which we produce high-quality green tea raw ingredients in Japan together with tea farmers. In May 2023, we replaced 100% of the raw ingredients of *Oi Ocha* Green Tea PET bottle beverage products with raw ingredients produced through the Tea-Producing Region Development Project.<sup>3</sup>

For *Oi Ocha*, we create taste by devising creative measures in the blending of tea leaves and roasting time, among other matters, as we pursue quality that suits the settings where they will be consumed, as well as the season, time and other factors.

1, 2. Official name of record: Largest unsweetened green tea RTD brand –retail, current Record-setting brand: *Oi Ocha* brand (excluding *Oi Ocha* Hojicha beverage products)

INTAGE SRI+ unsweetened tea beverage market data/ January–December 2022

Target period: January - December 2022

3. Mainly for cold green tea

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



Contract tea farms for *Oi Ocha*

To increase customers' familiarity with these initiatives with tea-producing regions, we launched the Tea Supporter project to support the future of tea by developing tea-producing regions. During June and July 2023, we enabled customers' learning about the attractions of tea through experiences, such as tea planting and picking, at tea farms in Kagoshima and Saitama where we implement the Tea-Producing Region Development Project. We told them that drinking *Oi Ocha* supports tea farmers and the future of tea.



Tea planting experience in the Tea Supporter project

However, for the sustainable development of the *Oi Ocha* brand, we must increase the number of customers among young generation and women while valuing middle-aged and older customers, who are now the majority of our customers. In FY4/2023, we planned and developed a green tea beverage product jointly with young people (university students).

We considered flavor, packaging design and marketing activities (advertising and promotion) with them and launched *Oi Ocha Maroyaka* (fresh aroma and mild taste) (a beverage product and a leaf product). Since its launch in May 2023, customers in their 20s have evaluated it more highly than other green tea products.

We cannot pass down the tea culture of Japan to the next generation unless we can enable the younger generation to understand the attractions and good taste of Japanese tea and *Oi Ocha*. Taking measures that target young generations will remain a task that we must do to achieve sustainable growth as we aim to achieve our long-term vision of becoming a Global Tea Company.



*Oi Ocha Maroyaka* (fresh aroma and mild taste) created through joint development efforts with students of Chiba University

#### Voice

### Expanding the possibilities of tea through projects with the young generation

I think that the system for joint planning and development through collaborations with actual customers is all the more important in this era with diverse goods, experiences, and services. We will continue to take the initiative by listening to customers' voices so that the young generation will be even more interested in tea.



Shohei Koguchi, Advertising Department

### Green tea leaf products (tea bags and instant teas)

We handle around one quarter of the total volume of crude tea in Japan. We are capable of ensuring the stable procurement of high-quality raw ingredients, an example of which is the implementation of the Tea-Producing Region Development Project. With our initiatives starting at tea farms and technologies for processing raw ingredients, among other initiatives, we offer a lineup of diverse products, including beverages, leaves for high-quality teas and everyday teas, tea bags, and instant teas in forms such as granules. Our market share of the household tea leaves stands at 27%. We were the first to capture the trend toward increased convenience, from tea prepared using a teapot to tea bags and instant teas. In FY4/2023 we enhanced the lineup of tea bag products with eco-friendly tea bag products featuring environmental considerations (the use of a plant-derived, biodegradable filter) and *Oi Ocha Koicha* Premium Tea Bag, a Food with Functional Claims containing gallate-type catechin that is reported to reduce body fat (visceral fat and subcutaneous fat). Further, in March 2023, we launched the *Sarasara Tokeru Oi Ocha* series (bags and stick-type packs) of instant products in response to the growing demand for products for personal reusable bottles and demand for time-efficient products which can be prepared easily and that taste good.

Further, in time with the Japanese Green Tea Day, which is October 1, we held the Japanese Green Tea Day *Oi Ocha Dai-Cha-Kai* (demonstration sales and green tea tasting events) for communicating the attractions, good taste, and fun of teas across Japan. Thus, we continued to implement initiatives to disseminate tea culture and engage in two-way communication with customers through Tea Taster activities.

On the other hand, a challenging task that we face is the further revitalization of the green tea leaf market in Japan, which includes both leaf (tea leaf) products prepared using teapot, demand for which is slowing down, and easy and convenient products that have been increasingly in demand. By further improving quality and enhancing the lineup by responding to needs, we will lead the market revitalization as the No. 1 tea company in Japan.



## Future Strategies

In the medium- to long-term management plan, we aim to solidify the existing businesses in Japan (establish the status of an unrivaled tea company in Japan) and develop *Oi Ocha* into a global brand. Our goal is to increase the annual sales volume of *Oi Ocha* (beverages) globally (in Japan and overseas) to at least 100 million cases in total in FY4/2027. We will push forward with research, product planning and development and marketing activities under the themes of deliciousness, health, the environment, overseas, efforts in new business categories and innovation.

### 1) Enhancing the value of *Oi Ocha* by achieving both good taste and health benefits

We will strive to transform the quality of green tea and other products by fully leveraging our crude tea procurement capabilities optimized for various products through the Tea-Producing Region Development Project, raw ingredient processing technologies, and manufacturing methods which maintain the fresh good taste of the raw ingredients, among other resources.

We are also working to further unravel the health effects of tea components, such as catechins and theanine, and use these research findings in the commercialization of products as FOSHU and Foods with Functional Claims. In September 2023, we launched *Oi Ocha* Catechin Green Tea, a FOSHU beverage product, and a powder product (in stick-type packs) as a Food with Functional Claims under the same brand. For the packaging design, we used AI technology to express the vitality of tea leaves with patterns, which was our first effort using AI.\*

Further, we will use the findings from our ongoing research on the functionality of components in matcha (including a function improving the accuracy of cognitive function and one relieving stress) to enhance the lineup of matcha products (beverages and leaf products) with evidence-based good taste and health benefits. We will also develop and firmly establish green tea products targeting young people and work to develop new green tea products on an ongoing basis.



\*Designs and illustration created by designers referencing images created using generative AI.

### 2) Strengthening easy and convenient tea leaf products and responding to demand from inbound tourists

In response to the accelerating trend toward easier and more convenient leaf products, we began operating a new factory for tea bags (Kumagaya, Saitama) in October 2023. By introducing a state-of-the-art manufacturing line, we downsized the

cartons and switched the material of the individual packages of the tea bags from plastics to a paper material, saving resources. We will continue to take environmental measures for easy and convenient leaf products in our efforts to further enhance these products' value. While demand from inbound tourists has recovered, we will expand sales of matcha products and instant products, which are highly popular as souvenirs, to instill the idea, "Choose ITO EN when buying Japanese tea," and increase the visibility of the *Oi Ocha* brand for people from overseas.



Tea bag packaging factory to start operation in October 2023



### 3) Developing *Oi Ocha* into a global brand

At present, we market *Oi Ocha* in 40 countries and regions other than Japan. However, we need to enhance initiatives for overseas markets to further develop *Oi Ocha* into a global brand. While sweetened beverages are the mainstream overseas, we will use the recent global growth of health awareness as a business opportunity and strive to enable overseas consumers to understand the health value of *Oi Ocha* and leaf products using the certification systems of each country and indications on packaging labels. In addition, we will make full use of the Tea-Producing Region Development Project and raw ingredient processing technologies to develop crude tea that can be produced locally in overseas countries. Further, to accelerate expansion in Europe following the United States, Asia and Oceania, we will prepare to launch environmentally friendly products, including the development of containers that conform to the environmental rules of each country.

Moving forward, we will increase the visibility of the good taste and health effects of green tea cultivated in Japan, thus developing *Oi Ocha* into a world-class global brand.

#### TOPICS

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

One of the largest haiku contests in Japan, launched with the launch of *Oi Ocha* in 1989. The shinhaiku concept permits unrestricted expressions, without the constraints of the conventional rules of haiku—such as the use of seasonal words and fixed forms—or concerns regarding extra or insufficient numbers of syllables. A total of 2,000 haiku entries—including the winner of the Minister of Education, Culture, Sports, Science and Technology Award—selected by a panel of judges from a wide range of genres are displayed on *Oi Ocha* bottles. Around 90% of applications are from the educational field. We are contributing to Japanese cultural heritage and educational opportunities through the power of words and tea.



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

The 34th  
ITO EN *Oi Ocha*  
Shinhaiku Contest

Number of entries:  
**1,921,404**

Total cumulative number of entries: over 43 million

# Kenko Mineral Mugicha (Healthy Mineral Barley Tea) and the Caffeine-Free RTD Tea Category

## Market Overview

Barley tea is valued highly for its health benefits, which are due to it containing minerals and not containing caffeine, in addition to its benefit from the demand for thirst-quenching beverages in the summer. Thus, the barley tea beverage market has been expanding every year. In 2022, the size of the market grew to 123.0 billion yen. It has grown to approx. 2.4 times its size ten years ago.<sup>1</sup> In this market, sales of our barley tea beverages reached a record high. *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea), our mainstay brand, boasts the largest share of the market, supported by a broad range of consumers including men and women of all ages.<sup>2</sup>

1. Source: ITO EN (Comparison of the size of the barley tea beverage market between 2013 and 2022/ sales amount)
2. INTAGE SRI+ the barley tea beverage market data (period: January-December 2022/sales amount)

## Barley tea beverage market



## Achievements and Challenges

Our strengths lie in our ability to procure raw ingredients, as we account for 45% of the market for barley tea raw ingredients in Japan, and in the unique roasting processing technologies of the ITO EN Group. This has enabled linked sales of beverages and tea leaf products on sales floors with a wide range of products including beverages, tea bags and instant products. As a result, total cumulative sales of our barley tea beverages exceeded 13 billion bottles\* in April 2023, when we celebrated the 35th anniversary of their launch.

*Kenko Mineral Mugicha* (Healthy Mineral Barley Tea), ITO EN's mainstay brand, is the Guinness World Records™ record holder for the best-selling RTD barley tea brand (in terms of the most recent annual sales volume). We have been able to

\*On the assumption of 500 mL PET bottles

Official name of record: Best-selling RTD barley tea brand-current Record-setting brand: *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) Target period: 2022

establish a firm brand image that shows the product as a beverage supporting healthy living throughout the year.

At the same time, the challenge we must address is increasing the sales volume by enhancing the value of *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) and acquiring a broader range of customers amid the expansion of the barley tea beverage market. To do so, we need to propose value to the consumers according to the target, such as women and young people.



## Future Strategies

As a part of the project for *Mugi-no Aru Kurashi* (Life with Barley)\*, a D2C brand we launched in September 2022 to acquire new groups of customers such as women and young people, we launched *Mugi-no Aru Kurashi* Oat Blended Tea (beverage product) in June 2023. Starting with beverage products, we will propose a life with barley comprehensively, from drinking to eating, by taking advantage of barley.

Moving forward, we will contribute to the healthy,

\**Mugi-no Aru Kurashi* is a D2C brand with the goal of popularizing sustainable, comfortable lifestyles proposing dietary life with advantages of barley, from drinking to eating.

prosperous lives of customers by developing new brands such as *Mugi-no Aru Kurashi* with a focus on *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) and providing products and services with health benefits which maximize the characteristics of barley.



Yuri Nemoto, Barley Tea, Black Tea, Chinese Tea, and Healthy Tea Brand Group

### TOPICS

## Caffeine-Free RTD Tea Category

Due to growing health awareness, the scale of the Caffeine-Free RTD Tea Category product market was 228 billion yen in 2022. This is a 1.4-fold expansion over ten years.\* In addition to barley tea, we offer a wide lineup of products in the Caffeine-Free RTD Tea Category, including rooibos tea, buckwheat tea and pearl barley tea. Recently, soy isoflavones, a kind of polyphenol contained in soybeans, have been attracting attention mainly from women, and sales of the beverage product of *Kuromame Cha* (Black Soybean Tea) have increased 2.7-fold in five years. We will enhance the caffeine-free tea-based products, which use traditional healthy ingredients of Japan, as a new category and contribute to the health of people with various kinds of tea.

\*Source: ITO EN (Comparison of the size of the market of products in the Caffeine-Free RTD Tea Category between 2012 and 2022/sales amount)



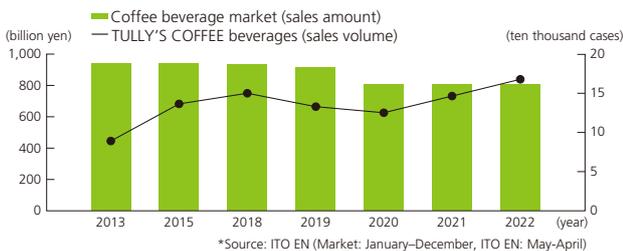
# TULLY'S COFFEE

## Market Overview

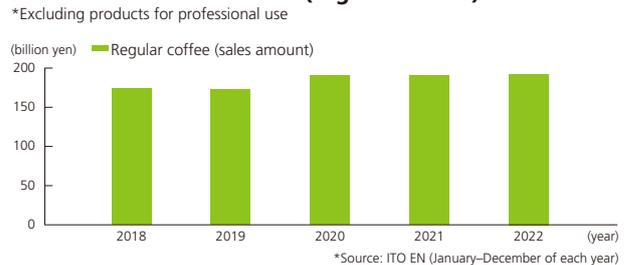
While the coffee beverage market has been shrinking due in part to the shrinkage of the vending machine channel as the main sales channel and a decline in demand for stay-on-tab (SOT) cans, which have a high share of the market, there is a trend in which products developed in pursuit of authentic taste and aroma are the force driving the market. Also, in the household

coffee market (regular coffee, simple drip, and instant coffee), which expanded due to the growth in home-use demand during the COVID-19 pandemic, highly priced products featuring quality and coffee shop branding have been growing. It is expected that the market's support for products that offer both high quality and convenience will increase.

### Coffee beverage market



### Household coffee market (regular coffee)



## Achievements and Challenges

The TULLY'S COFFEE brand operated by ITO EN features high-quality arabica coffee beans roasted in Japan and adopts a unique method in pursuit of freshness as the key to good taste.

In FY4/2023, thanks to consumers' preference for authentic coffee flavor, sales of TULLY'S COFFEE BARISTA'S BLACK, our mainstay product, increased by 12% year on year, and sales of TULLY'S COFFEE BARISTA'S Sugar-Free LATTE rose 30%\* year on year. Sales of the overall TULLY'S COFFEE brand exceeded 15 million cases, a record-high sales volume.

Amid the soaring prices of raw ingredients, we continue to use 100% arabica coffee beans and procure high-quality raw ingredients, which was enabled by strengthening cooperation with producers and suppliers all over the world. Further, in May 2023, we launched TULLY'S COFFEE BLACK&SODA GASSATA, a novel carbonated black coffee beverage, to cater to diversifying tastes, thus proposing new value from black coffee.

On the other hand, the challenging tasks we face include ensuring the stable procurement of raw ingredients via the supply chain, responding to the rapid change of society and the environment surrounding the coffee market, including the soaring prices of materials and growing awareness of human rights, and providing greater value for the TULLY'S COFFEE brand through cooperation with shops. In addition, we are also addressing the tasks of communicating with customers and enhancing activities to enable more people to know about the good taste and fun of coffee.



\*Source: ITO EN (May 2022–April 2023 / sales volume)

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

Since 1997, we have been operating Tully's Coffee, a specialty coffee shop chain originating from Seattle, in Japan. Under the philosophy of creating community cafés rooted in local communities, we offer select coffees from around the world and relaxing spaces. In FY4/2023, due to the recovery in the movement of people, there was a recovery in the number of people visiting Tully's Coffee shops and we achieved sales and average customer spend that exceeded the pre-COVID-19 level. Further, steady progress was made in the opening of new shops, including ones in infrastructure



TOBU icourt shop, an environmentally friendly shop

locations such as around train stations and in airport facilities and environmentally friendly shops, as well as an increase of &TEA shops with an enhanced tea menu. As a result, the total number of shops was 766 as of April 30, 2023.

We will continue to accelerate the opening of new shops that are appropriate for their locations, including the operation of shops under new concepts, aiming to further enhance the value of the Tully's brand.

### Net sales and number of shops



## Future Strategies

Three Group companies — ITO EN (sales of products from the TULLY'S COFFEE brand), Tully's Coffee Japan (operation of Tully's coffee shops) and Distant Lands Trading Co. based in the U.S. (DLTC/cultivation, procurement, processing, roasting and sales of coffee beans) — will strengthen their cooperation in production regions and throughout their supply chains. We will continue to leverage synergy within the Group to advance collaborative initiatives, such as the sale of TULLY'S COFFEE brand beverages and coffee beans in the coffee-related business, the procurement of raw ingredients, and the joint development of products using coffee beans from company farms.



### TOPICS

## DLTC's company farms in Costa Rica commended by the government of the country

In May 2023, Cattica, a Costa Rica-based affiliate of DLTC, was awarded a National Medal for Distinguished Contribution to Agriculture by the government of Costa Rica in recognition of its great contribution to the development of agriculture through the sustainable operation of coffee farms. Based on its rigorous responsibility standards in social, environmental and economic aspects, Cattica engages in the production, procurement, processing and export of high-quality coffee. Among this company's farms, the Rio Negro farm is the first coffee farm in Costa Rica to become Rainforest Alliance Certified. It is a pioneering entity driving agricultural management that considers society and the environment. The company is committed to improving the working and living environments of its producers and providing educational opportunities, thus contributing to the development of local communities.

The President of Costa Rica visiting Hacienda La Minita

# Vegetable Beverages

## Market Overview

In the vegetable beverage market (which includes 100% vegetable juices, mixed vegetable and fruit juices, *Aojiru* and other beverages), the environment surrounding vegetables is diversifying, including increased opportunities to cook vegetables at home and the growth of demand for cut and frozen vegetables. The scale of the vegetable beverage market has continued to decrease, mainly reflecting the reduction of consumption and outflow of customers to other categories. The impact of the rising raw ingredient prices is also a big challenge.

## Achievements and Challenges

In the 1980s and 1990s, when tomato-based vegetable beverages were the mainstream product in the industry, ITO EN developed carrot-based mixed vegetable juice beverages—creating a market for vegetable beverages (carrot beverages). At present, we are enhancing the lineup of Foods with Functional Claims, including *Riso-no Tomato* (Tomato Juice) containing GABA, which has the two functions of improving the quality (depth) of sleep and reducing temporary mental stress, in pursuit of good taste and health value while firmly maintaining the position of *Ichinichibun no Yasai* (A Day's Worth of Vegetables), which not only tastes good but also permits consumers to fully intake major nutrients, as the top-selling 100% vegetable beverage brand\*.

\*INTAGE SRI + vegetable 100% market data: cumulative sales for January–December 2022 at supermarkets, convenience stores, drugstores, DIY stores / excluding *Ichinichibun no Yasai Vitamin 12-shu*



For *Aojiru* products (Barley Grass Green Juice/beverages and powder), while the number of people who have continued to drink unsweetened products regularly has remained steady, in December 2022 we launched a new restaurant business,

## Future Strategies

Today's society is moving forward with digitalization and the amount of information is increasing, so improving efficiency is important, including cost and time efficiency. The awareness of this is also reflected in cuisine and people's diets. However, an increasing number of people are more conscious of their vegetable intake and nutritional balance than before, reflecting growing health awareness. They demand tasty and healthy meals while reducing the time they spend on eating.

In response, we will enhance chilled products and continue to take measures to acquiring new *Aojiru* product users. At the same time, we will propose new ways for busy modern people to compensate for vegetable deficiencies, which will help improve dietary lifestyles.

On the other hand, beverages that are Foods with Functional Claims have been growing due to an increase in demand for health effects needed by customers, reflecting growing health awareness. From 2023, it is expected that an increase in opportunities to go out, including the recovery in the movement of people, will lead to reaffirmation of the value of vegetable beverages, which enable efficient, easy nutritional intake, resulting in a recovery in demand.

*aostand*, an *Aojiru* juice stand to further expand sales channels and the spectrum of purchasers and to broaden people's recognition of delicious *Aojiru*. However, we face the challenging task of revitalizing the vegetable beverage market by communicating the value of vegetable beverages, devising creative means of communication, and proposing new value at a time when demand in the market is expected to recover.



### Voice



The purpose of opening *aostand* is to change the image of *Aojiru*, which is negative. By directly communicating the drinkability of *Aojiru* at shops, which are closest to customers, we will increase opportunities to drink it and contribute to healthy dietary lifestyles.

Yuji Kobayashi, Section Manager in charge, Section 1, Directly Managed Store Department 1

In autumn 2023, we launched powder vegetable products that are convenient and versatile. Through activities like these, we will continue striving to develop products which will contribute to the healthy dietary lifestyles of modern people, focusing on both beverages and foods, so that they can consume vegetables more easily and enjoyably.



# Chichiyasu (Dairy Products) / Innovations

## Enhancement of the Chichiyasu brand

Founded in Hiroshima Prefecture in 1886, Chichiyasu Company is a dairy product manufacturer that first launched yogurt products in Japan in 1917. In April 2023, it launched new, cross-category products from its mainstay *Maiasa Kaicho* brand, that is, yogurt and beverage products as Foods with Functional Claims (distributor: ITO EN). Leveraging the deliciousness and classic taste of Chichiyasu products, we will continue to make

proposals leveraging the synergy of the ITO EN Group and supporting the healthy, prosperous lives of customers.



### TOPICS

Chichiyasu is working to enable people to understand its brand and to increase its visibility by enhancing communication with customers and using Chibo, the character used in its logo. As part of this initiative, in March 2023 the company resumed factory tours, which had been suspended since 2017, by redesigning its program to be experience-based. It is also implementing new measures to increase its visibility, such as the Chichiyasu Pouch Collection offered through its first collaboration with GASHAPON®.



Factory tours were resumed to enhance its contact with customers.

## Addressing health issues with carbonated beverages

In the carbonated beverage market, the carbonated water category has grown to four times its size over the last ten years, reflecting growing health awareness and the shift to unsweetened beverages which are megatrends. We are taking on the challenge of proposing unsweetened, delicious carbonated beverages as a new source of value. *Mineral STRONG* –a strong carbonated water is a refreshing, anti-heatstroke beverage that is optimal for not only hydration but also refreshment.

In addition, we launched *Glucosamine Carbonated Water* containing N-acetylglucosamine, which helps alleviate feelings of discomfort in the skin and knee joints, targeting women in the second generation of baby boomers who are a large part of the population.



We will support healthy everyday living by proposing the value that this product provides, a calorie-free, single-serve beverage that enables people to take in glucosamine with a good taste.

### Voice



We will propose healthy and delicious carbonated drink products as we work to build our unique position in the carbonated beverage market.

Motoko Kobayashi, Brand Manager, Carbonated, Water, Lactic Acid, and Functional Brand Group

## Creation of new customers

In April 2023, we launched *Hare Nochi Kumori Toki-doki Ocha* (Fruit Tea with a Japanese Tea base), a novel fruit tea featuring the gentle roasting aroma of green tea and roasted green tea targeting women in generation Z. To address the challenge that we face regarding tea-based beverages, that is, how we can encourage young people to enjoy tea, we have proposed a new series that expands the ways that people can enjoy tea. At the same time, we enhanced promotional activities with a focus on social media, including the distribution of an animated video communicating the fundamental concept of this product.

In September, we launched *Tsukiyo-no Ocha to Mata Ashita* (Fruit Tea with a Japanese Tea and Oolong tea base), a new fruit tea featuring green tea and oolong tea harmonized with the fresh taste of fruit. Through these and



other initiatives, we are attempting to create a culture of drinking Japanese tea among young people.

### Voice



We have commercialized this product as approach for acquiring young customers, which is a challenge that we face. We will continue to communicate the new appeal of Japanese tea-based beverages to consumers through our products.

Michiko Kakizaki, Deputy Chief, Green Tea Brand Group

# Material Issues: Initiative Themes and KPIs

Under ITO EN Group Basic Policy on Sustainability, we have set the seven Material issues: Contribution to Dietary Habits and Health, Contribution to Sustainable Domestic Agriculture, the Environment, Deepening Ties with Local Communities and Society, Contribution to a Sustainable Supply Chain, Promotion of Diverse Human Assets and Active Roles for All, and Corporate Governance. We are working on initiatives that are interlinked with the five key strategies of our medium- to long-term management plan.

## Material Issues Identification Process

**1 Identification of social issues**

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

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

**2 Importance/materiality evaluation**

We evaluated the material issues candidates by adopting a double material issues approach, which maps the extracted social issues from both the perspective of their importance for stakeholders and their importance for the sustainable growth of the ITO EN Group.

**Materiality map**

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

**3 Stakeholder dialogues**

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

**4 Identification of material issues**

After steps 1-3, the Board of Directors deliberated the Board of Directors deliberated the candidate material issues in conjunction with the medium- to long-term management plan. The Board identified seven material issues as the areas to be addressed as management issues with corresponding themes for initiatives. We have set key performance indicators (KPIs) for each theme, and have been managing and evaluating them using a PDCA cycle since FY4/2023.

The Material Issues identified will be reviewed regularly based on changes in the external environment and other factors.

Material issues	Theme
<b>Contribution to Dietary Habits and Health</b> ▶ pp. 45–46	Research and development toward the era of the 100-year lifespan
	Contributing to the health needs of customers and their ever-diversifying lifestyles
	Product safety and security Pursuit of quality and reduction of environmental impact
<b>Contribution to Sustainable Domestic Agriculture</b> ▶ pp. 27–30	Evolution of a unique world-class agricultural model
<b>Environment</b> ▶ pp. 49–52	Response to climate change
	Water resources
	Sustainable containers and packaging
	Biodiversity conservation
	Promoting waste reduction/resource recycling
<b>Deepening Ties with Local Communities and Society</b> ▶ pp. 57–58	Co-creation with local communities
	Creation of connections through tea
<b>Contribution to a Sustainable Supply Chain</b> ▶ pp. 47–48	Building a sustainable supply chain
<b>Promotion of Diverse Human Assets and Active Roles for All</b> ▶ pp. 25–26, 53–56	Promotion of initiatives to ensure respect for human rights
	Development and empowering of diverse human resources
	Promoting health and productivity management
<b>Corporate Governance</b> ▶ pp. 59–70	Promoting sustainability management
	Promoting DX
	Enhancing group risk management

Commitment	Indicators (KPIs)	FY4/2023 results	SDGs (Contributable Goals and Targets)
Suggest and Provide healthy and fulfilling lifestyles through research and development with an eye towards the age of centenarians and through products and services helpful to the health of people of different generations	• Number of research presentations relating to health value of foods FY4/2027: 25 (per year)	26	 3.3 3.4
	• FOSHU and Food with Functional Claims sales breakdown FY4/2027: 30% or higher	17.1%	 3.3 3.4
	• Overseas sales ratio FY4/2027: 12% or higher	11.9%	
	• International food safety certification rate: 100% Domestic beverage/leaf manufacturing factories	96.4%	 12.4
	• Beverage/leaf factory audit rate: 100% Domestic beverage/leaf manufacturing factories	100%	
Carry out the Tea-Producing Region Development Project to accelerate the development of high value-added materials and environmentally-friendly agriculture to help revitalize agriculture in Japan	• Area developed through the Tea-Producing Region Development Project FY4/2027: 2,650 ha FY4/2031: 2,800 ha	2,437 ha	  2.3 2.4 8.3
	• Production volume of organic farming FY4/2027: 380 t FY4/2031: 500 t	253 t	  11.a 17.16
Engage in initiatives for the protection of the global environment, which is shared by all of humanity, as a company that engages in business activities centered mainly on products derived from nature	• CO <sub>2</sub> emission reduction rate (compared with FY4/2019) FY4/2031 Scope 1 & 2: 50% reduction, Scope 3: 20% reduction FY4/2051 Scope 1-3: carbon neutral	Scope 1 & 2* -17.7%  Scope 3* -16.3%	   7.2 12.2 13.1
	• Company-wide renewable energy ratio FY4/2031: 100%	13.7%	
	• Ratio of electric vehicles introduced (percentage of all vehicles) FY4/2031: 50%	8.2%	
	• Reduction rate of basic water usage intensity (compared with FY4/2019) water usage per 1kl of product produced FY4/2031: 16% reduction	10.8% increase	 6.4 6.6
	• Ascertaining the impact of water risks (storms and other flood / water damage) and water stress (droughts, etc.) on business	Implemented	
	• Percentage ratio of recycled materials used for all PET bottle FY4/2031: 100%	15%	  12.4 12.5 14.1
	• Percentage ratio of recycled materials used for all <i>Oi Ocha</i> PET bottle FY4/2026: 100%	24%	
	• Maintenance and operation of GAP certification: 100% The Tea-Producing Region Development Project	100%	 15.4
	• Total number of participants in water source conservation activities, environmental conservation and maintenance activities: 500 (per year)	615 people	
	• Foodstuff recycling rate: 90% or more	94.8%	  9.4 12.3 12.5
	• Number of recycled used tea leaf products launched FY4/2027: 2 (per year)	15	
	Contribute to the resolution of local societal issues through dialogues with various stakeholders Utilize communication through tea to support both physical and mental health	• Number of sakura (cherry trees) planted FY4/2027: 150 (per year)	137
• Number of participants in dietary education FY4/2027: 600,000 (per year)		618,000	  4.4 4.7 11.4
Maintain sustainable partnerships with suppliers to achieve the resolution of social and environmental issues and sustainable profits for all parties	• Number of quality meetings held FY4/2027: 7 (per year)	9	 9.4
	• Conducting assessments of suppliers	Implemented	
Construct an organization where everyone in the value chain is respected and where all employees work vigorously in good health	• Number of compliance education sessions held (for all employees) FY4/2027: 12 (per year)	12	  8.5 10.2
	• Employee engagement score FY4/2027: 3.5 or higher	3.18	
	• Female manager ratio FY4/2027: 10%	3.3%	  4.4 4.7 8.5
	• Gender pay gap (regular full-time employees, male employees = 100) FY4/2027: 80% Of the above, less than 10 years of service FY4/2027: 100%	77.3%  Less than 10 years of service 94.2%	
	• Percentage of male employees taking childcare leave FY4/2027: 50%	32.3%	
	• Maintain Health and Productivity Management Organization (White 500) certified	Certified	 3.5 3.6 3.a
	Practice and push ahead with sustainability management to improve responses to environmental and social issues as well as risk management and to increase corporate value	• Strengthen the system for tackling material sustainability issues and supervisory functions, and engage in dialogues with stakeholders	1
• Number of DX Promotion Committee meetings FY4/2027: 11 (per year)		11	
• Number of Risk Management Committee meetings FY4/2027: 4 (per year)		4	 16.5
• Number of regular meetings with (10) affiliated companies FY4/2027: 4 (per year)		4	

\* The scope of Scope1-3 emissions included ITO EN, LTD., ITO EN SANGYO, LTD., Tully's Coffee Japan Co., Ltd., and Chichiyasu Company.

# Contribution to Dietary Habits and Health

The ITO EN Group, a pioneer in the creation and leadership of the unsweetened beverage market, is dedicated to offering high value-added products and services that are both delicious and beneficial to health, with a particular emphasis on tea. Society continues to change, and there is a growing global awareness of health and lifestyles and preferences are becoming increasingly diverse, including tea consumption preferences. In these circumstances, we aim to enhance the basic values of tea — its flavor, health benefits and compatibility with meals — which have been beloved for over a thousand years in Japan. Through focused research and development, we will reveal scientific evidence that propels these core values forward, thereby creating new dimensions of value.



Takanobu Takihara,  
General Manager of Central  
Research Institute

As a Health Creation Company, our mission is to promote health and well-being for individuals, society and the global environment. We aspire to expand the concept of “a life with tea,” contributing to the rich dietary habits and health of our customers both domestically and internationally.

## Contribution to Dietary Habits and Health: Value Creation



## Research and Development Centered on Deliciousness, Health and the Environment

Since its establishment in 1986, the Central Research Institute has been dedicated to fundamental research on the evaluation of the health benefits of tea and other food ingredients and the elucidation of their mechanisms, as well as applied research on the effectiveness of food intake under the themes of deliciousness, health and the environment. With an eye toward

the era of the 100-year lifespan, the institute collaborates with academia and industry on research and development, with the goals of addressing health challenges across different age groups and prolonging healthy lifespans. It also provides products and services that are mindful of both taste and health, as well as the environment.



Central Research Institute (Makinohara City, Shizuoka)

### Research Organization



**Number of research presentations relating to health value of foods Indicators (KPIs) FY4/2027: 25 (per year) FY4/2023 result: 26 (per year)**

### Key Research Findings to Date

#### Health

#### Functions of the gallate-type catechins contained in green tea

- Lowered bad cholesterol levels, suppressed body fat absorption (Joint research with Tohoku University, etc.)
- Improved working memory in healthy middle-aged and elderly individuals

#### Deliciousness

- Scientific verification of the synergy between tea and dashi (broth)  
—The umami components in tea that complement traditional Japanese flavors—

#### Antiviral action of green tea

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

#### Environment

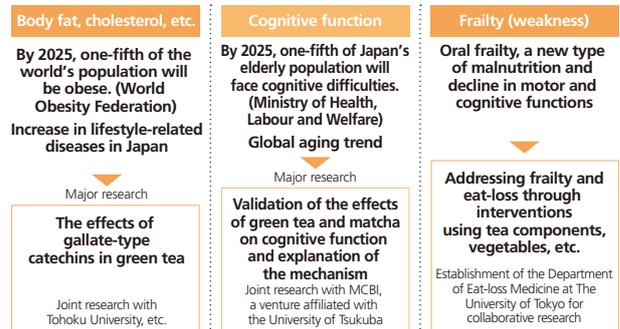
- Development of upcycled products using the Used Tea Leaves Recycling System

## Exploration of New Possibilities in Tea

For many years, ITO EN has scientifically demonstrated the effects of gallate-type catechins in green tea on lifestyle-related diseases, such as body fat and cholesterol. These findings have led to the product development of FOSHU and Foods with Functional Claims. To address the era of the 100-year lifespan, we have also conducted clinical studies to examine the effects of green tea and matcha on cognitive function. To date, our research has revealed the potential of tea to improve the attentiveness, judgment, working memory and social cognitive function, along with enhancing sleep quality of elderly individuals. We will continue to deepen our research and publish new findings.

Additionally, we are conducting research on the possible benefits of tea consumption in relation to frailty, eat-loss (eating disorders), oral function and more.

Starting from FY4/2024, we are embarking on research related to femcare, addressing health issues specific to women, as part of our continuous exploration of new possibilities for tea.



## Strengthening Industry-Academia Collaboration

### Industry-academia collaboration in joint research

To foster collaboration with external research institutions and universities, we introduced a joint research open call system in FY4/2020 as part of our open innovation efforts. Since FY4/2021, we have established industry-academia collaborative courses and endowed courses at universities and graduate schools, contributing to the creation of new value from tea.

#### Industry-Academia Collaborative Courses and Endowed Courses

- 2020 Department of Eat-loss Medicine, Graduate School of Medicine, The University of Tokyo
- 2022 Department of Molecular Anti-virus Immunology, Kyoto Prefectural University of Medicine
- 2023 Tea Science Center, Graduate School, University of Shizuoka

### ITO EN Wellness Forum

Leveraging its network of researchers developed in its collaborative research and other efforts, ITO EN continues to organize the ITO EN Wellness Forum. On the theme, “Wisdom for Living a Rich Life in the Era of a 100-Year Lifespan with Tea,” the forum not only shares with society information about the health benefits of green tea and how to use it, but also helps ITO EN connect with new researchers.



ITO EN Wellness Forum

### Collaboration with local governments

In partnership with local residents, ITO EN is conducting an epidemiological research project in Hannan City, Osaka Prefecture to explore the potential health advantages of regularly consuming green tea and matcha. To support the health and well-being of people and communities, we will disseminate research findings on the value of tea and its significance as a means of communication, ultimately promoting lifestyles enriched by tea.

## Proposing High Value-Added Products That Support Health

To address nutritional challenges stemming from vitamin and mineral deficiencies, as well as the excessive intake of fats, sugars and salt, ITO EN is committed to developing products that meet its customers' health needs. Leveraging its research findings, it develops a wide range of food products that are proven to enhance health, such as FOSHU and Foods with

Functional Claims, thereby contributing to healthy lifestyles and nutritional improvement.

#### Domestic sales breakdown of FOSHU and Food with Functional Claims

Indicators (KPIs) FY4/2027: 30% or more FY4/2023 result: 17.1%

### Message from a Collaborative Researcher

ITO EN and the University of Tokyo partnered in April 2020 to establish the Department of Eat-loss Medicine. Based on the findings of our joint research, we are working to address challenges in an aging society. This includes the development of *Torori Green Tea* (thickened green tea for nursing care), a product specifically designed for easier consumption by individuals with reduced swallowing function due to aging. A persistent inability to eat, which is eat-loss, can lead to malnutrition and frailty. The collaboration with ITO EN, a Health Creation Company, has great significance in its contribution to the prevention of Eat-loss and the extension of healthy lifespans not through medical treatment, but through diet and lifestyle improvements.

Companies collaborating with research institutions can have an impact in the medical field. Through joint product development and the organization of the Wellness Forum, the connection between ITO EN and researchers has undeniably expanded. I am hopeful that ITO EN will continue to lead in this area.

Looking forward, our goal is to expand the collaboration between ITO EN and the University of Tokyo beyond the industry-academia relationship, to evolve into a more extensive partnership involving healthcare, residents, industry and municipal governments.



Kazumichi Yonenaga,  
Project Associate Professor  
Graduate School of Medicine  
Department of Eat-loss  
Medicine, Graduate School  
of Medicine, The University  
of Tokyo

# Contribution to a Sustainable Supply Chain

## Supply Chain Management

Based on the ITO EN Group's established policies, including the Human Rights Policy, Fundamental Supplier Policy, Procurement Policy and Quality Policy, the Group aims to build a responsible supply system that is socially and environmentally conscious in collaboration with manufacturing contractors and related parties. In recent years, it has been necessary for the entire

supply chain to address various social and environmental issues, such as climate change, resource recycling and human rights issues. Through strong partnerships with suppliers, we will address these challenges and achieve sustainable supply chain management.

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

## Thorough Quality Control and Commitment to Safety and Security

### Thorough quality control

The ITO EN Group has established rigorous quality control systems to ensure the safety of its products, from product design, raw ingredients and packaging materials to manufacturing and distribution. The initiative is being driven by the ITO EN Quality Control Department in collaboration with the Group's in-house factories, group company factories and partner factories. We have established the quality control systems, with more than 95% of our domestic beverage and leaf manufacturing factories acquiring international food safety certifications, including FSSC 22000 certification. Regular factory audits and quality meetings are held to ensure that our products are safe and secure.

**International Certification Status of Our Beverage and Leaf Factories in Japan**  
 Beverage factories (including partner factories): 49/51  
 Leaf factories (including partner factories): 31/32

Note: As of the end of July 2023

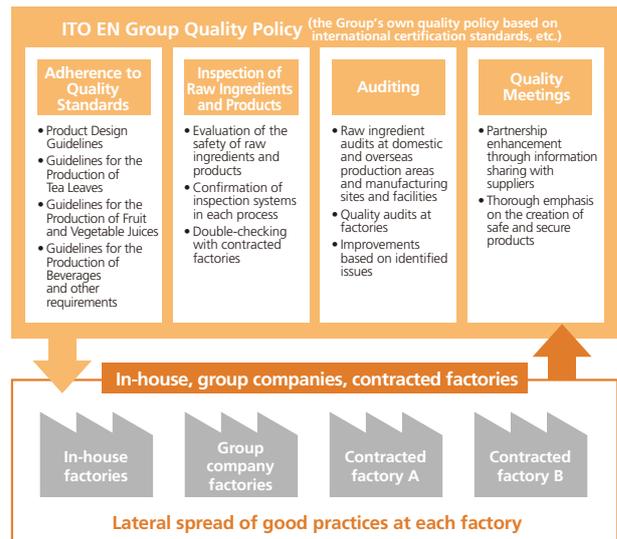
### Commitment to safety and security

ITO EN has implemented a traceability system for its green tea products, including beverages and tea leaves. This system records and stores information about the history and inspection results at every stage, from the tea farm and farmers to the final product shipment. This system allows for the tracking and verification of specific ingredients and products. To eliminate the possibility of foreign material contamination during manufacturing, we diligently carry out thorough measures. This includes clarifying the rules for entering the manufacturing line, preventing foreign material from being brought in through work clothes, implementing measures to prevent foreign material contamination from raw materials and introducing metal detectors and X-ray inspection machines.



Enhanced measures to prevent foreign material contamination

### ITO EN Group quality control system



### Voice



Akiko Suzuki,  
 Manager,  
 Section 1, 2nd Quality  
 Control Department

We hold regular quality meetings with our suppliers including manufacturing contractors to improve quality and ensure safe and secure products. Through regular communication, we collaboratively address not only quality but also environmental challenges in the manufacturing process.

## Addressing Social and Environmental Issues in the Supply Chain

### Environmentally friendly manufacturing technologies

ITO EN has adopted the Fables Method, in which the manufacturing of beverage products is outsourced to local partner factories. Through collaborations with suppliers, we are committed to environmentally conscious practices during beverage manufacturing. In FY4/2023, we introduced a dedicated production line at the beverage factory of TOYO PACK KIYAMA Co., Ltd., leading to improved resource efficiency.



Oi Ocha production line

### Promotion of white logistics

To consistently deliver safe and secure products to our customers, ITO EN has established an efficient production and logistics system, divided into five regional blocks across the nation. Our efforts for FY4/2023 involve increasing the loading efficiency of delivery vehicles and expanding the combined shipping of beverage and leaf products. Furthermore, in response to the anticipated shortage of transportation capacity, known as the “2024 problem” in the logistics industry, we are taking measures to improve delivery efficiency and long-distance transport. This includes promoting collaborations with other companies in non-competitive areas to address the challenges effectively.



Efficient shipping through the combined delivery of beverage and leaf products

We will continue to build an efficient logistics system with our logistics partners in consideration of society and the environment, aspiring to achieve sustainable “white logistics.”

### Collaboration and communication with suppliers

ITO EN strives to strengthen partnerships through communication with suppliers, including manufacturing contractors, raw ingredient suppliers and material manufacturers. We regularly hold meetings with our suppliers to share information about quality improvement and our approach to social and environmental challenges, in addition to organizing engagement activities to achieve our Medium- to Long-term Environmental Goals (see page 49). We also work together to address social and environmental challenges. For instance, we include environmental and human rights factors in supplier evaluations.



Quality meeting

In collaboration with suppliers, we also participate in conservation activities protecting the water sources near our production bases. In March and November 2022, our employees participated in forest conservation activities as part of the Forest Development with Corporate Participation project led by Gunma Prefecture together with NIHON CANPACK CO.,LTD.



Water source conservation activities

### Respect for human rights

Respect for human rights forms the foundation of the ITO EN Group’s management principle, “Always Putting the Customer First,” and underlies all of its business activities. In accordance with the United Nations Guiding Principles on Business and Human Rights, the ITO EN Group has formulated policies, including the Human Rights Policy and Fundamental Supplier Policy, to encourage respect for human rights and achieve sustainable supply chain management. Our framework, overseen by the Chief Human Resources Officer (CHRO), who is responsible for promoting human resources and human rights, is centered around the Risk Management Committee, an advisory body to the Board of Directors.

### Human rights due diligence

Initiating its human rights due diligence, the ITO EN Group conducted a human rights training session for the management team in March 2023 in collaboration with the Caux Round Table (CRT) Japan Committee. In April, a workshop targeting key department managers was held to identify potential human rights issues throughout the entire supply chain. Based on these insights, we identified high-priority human rights themes. In June, we conducted interviews with foreign workers\* and Japanese managers at two agricultural corporations involved in the Tea-Producing Region Development Project and our Shizuoka Sagara Factory, to understand the working environment of foreign laborers. We will broaden the scope of human rights due diligence and strengthen our dedication to advancing human rights.



Human rights training session

\* Total of four technical intern trainees and specified skilled workers at the agricultural corporations, and nine specified skilled workers at Shizuoka Sagara Factory



Conducting human rights due diligence with tea farmers  
(Photo courtesy of CRT)

# Environment

The ITO EN Group believes that, as a company whose operations are centered on naturally derived products, protecting the global environment shared by all humans and passing it on to the next generation is one of its most important tasks. We address environmental challenges related to climate change, water resources, plastic containers and packaging, waste, and

biodiversity, which is closely linked to these issues. Under the ITO EN Group Environmental Policy, we have established the ITO EN Group Medium- to Long-term Environmental Goals to reduce our environmental impact and prevent pollution across the entire value chain of our business activities.

ITO EN Group Environmental Policy

▶ <https://www.itoen-global.com/company/policy/environment.html>

ITO EN Group Medium- to Long-Term Environmental Goals

▶ <https://www.itoen-global.com/sustainability/materiality/environment.html>

## Medium- to Long-term Environmental Goals and Initiatives

	Current Initiatives	Targets
<b>Response to climate change</b>	<p><b>Support for the TCFD recommendations</b></p> <ul style="list-style-type: none"> <li>Scenario analysis and disclosure</li> <li>Examination and implementation of measures based on the results of scenario analysis</li> </ul> <p><b>Initiatives to reduce GHG emissions</b></p> <ul style="list-style-type: none"> <li>Introduction of electric vehicles (HVs and EVs), LED lighting, solar power generation facilities, and renewable energy</li> </ul>	<p><b>GHG emission reductions (compared to FY4/2019)</b></p> <p><b>FY4/2023 results</b></p> <p>Scope 1 and 2 -17.7%</p> <p>Scope 3 -16.3%</p> <p><b>FY4/2031</b></p> <p>Scope 1 and 2 50% reduction in total</p> <p>Scope 3 20% reduction in total</p> <p><b>FY4/2051</b></p> <p>Carbon neutral</p>
<b>Conservation of water resources</b>	<p><b>Initiatives to reduce water usage</b></p> <p>(Water recycling, reducing water consumption by consolidating product items)</p> <p>Ascertaining the impact of water risk and stress on business</p>	<p><b>Reduction in water usage* (compared to FY4/2019)</b></p> <p><b>FY4/2023 result</b></p> <p>10.8% increase</p> <p><b>FY4/2031</b></p> <p>16% reduction</p> <p>* Per 1 kl of production</p>
<b>Biodiversity conservation</b>	<ul style="list-style-type: none"> <li>Revision of biodiversity conservation policy</li> <li>Clarification of business dependency and impact</li> </ul>	<p>Conservation and restoration of biodiversity</p>
<b>Container packaging and resource recycling</b>	<ul style="list-style-type: none"> <li>Implementation of the 3Rs for containers and packaging</li> <li>Resource circulation through horizontal recycling of PET bottles (bottle-to-bottle)</li> <li>Used Tea Leaves Recycling System</li> </ul>	<p><b>Usage rate of recycled materials for PET bottles</b></p> <p><b>FY4/2023 result</b></p> <p>15%</p> <p><b>FY4/2031</b></p> <p>100% for all PET bottle products</p>

Note: The scope of Scope 1 to 3 emission data includes ITO EN, LTD., ITO EN SANGYO, LTD., Tully's Coffee Japan Co., Ltd., and Chichiyasu Company.

## Response to Climate Change

### Outline of scenario analysis

Type of risk/opportunity	Identified risk/opportunity	Impact on us	Consideration of response measures
<b>Physical risks (4°C scenario)</b>	Rise in average temperatures	<ul style="list-style-type: none"> <li>Increase in procurement costs due to decline in crop yield and quality, as a result of impact on crops</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of the Tea-Producing Region Development Project</li> <li>Promotion of environmentally friendly agriculture</li> <li>Development of new production areas and diversification of procurement sources</li> </ul>
	Changes in precipitation and weather patterns and intensification of storm and flood damage	<ul style="list-style-type: none"> <li>Loss of sales opportunities and recovery costs due to operational and production stoppages caused by droughts, storms, and flood damage</li> </ul>	<ul style="list-style-type: none"> <li>Investigation of water risks and implementation of Business Continuity Planning (BCP)</li> <li>Risk sharing with suppliers</li> <li>Water source conservation activities</li> <li>Protection from torrential rains and flooding</li> </ul>
<b>Transition risks (1.5/2°C scenarios)</b>	Introduction of carbon tax	<ul style="list-style-type: none"> <li>Increased costs due to the imposition on fuel and electricity usage (including price pass-through) from company-owned factories, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of GHG emissions based on the Medium- to Long-term Environmental Goals</li> </ul>
	GHG emissions control	<ul style="list-style-type: none"> <li>Increased costs associated with the use of recycled materials for PET bottles, transition to renewable energy sources, and introduction of electric vehicles (EVs, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Cost reduction through material weight reduction, energy conservation, and eco-driving</li> </ul>
<b>Opportunities</b>	Increased demand due to changes in consumer preferences	<ul style="list-style-type: none"> <li>Increase in sales opportunities due to demand growth for heat-resistant, health-oriented, and environmentally friendly products</li> </ul>	<ul style="list-style-type: none"> <li>Planning and development of healthy and environmentally friendly products</li> </ul>

Disclosure in Line with TCFD Recommendations ▶ <https://www.itoen-global.com/sustainability/materiality/tcf.html>

**Initiatives and Progress** \* Reference year: FY4/2019

In April 2022, ITO EN declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It has positioned addressing climate change as a key management strategy, taking steps to resolve various

issues involved. In FY4/2023, as part of our efforts to achieve carbon neutrality by FY4/2051, we successfully reduced GHG emissions across our value chain to 1,487 thousand t-CO<sub>2</sub> (down 16.3% from the reference year\*).

**Scope 1 (Vehicle Policy)**

ITO EN reduced GHG emissions from vehicles to approximately 30 thousand t-CO<sub>2</sub>, a reduction of 9.0% from the reference year, by optimizing the number of required vehicles, reevaluating the vehicle size based on usage, streamlining operational routes, improving fuel efficiency through eco-driving, and proactively introducing electric vehicles. Plans for FY4/2024 include the gradual introduction of the EV Bottle Car (with used tea leaf lightweight panels) at our sales offices in the Tokyo region.



Industry-first EV Bottle Car (with used tea leaf lightweight panels) (Introduced in October 2023)

**Scope 2 (Electricity Policy)**

ITO EN reduced GHG emissions from electricity sources to approximately 29 thousand t-CO<sub>2</sub>, a reduction of 25.0% from the reference year, by reducing total power consumption through the introduction of LED lighting and other energy-saving measures, shifting to renewable energy sources for purchased electricity, purchasing environmental value certificates, and installing solar panels for on-site power generation at company-owned factories. Plans for FY4/2024 include the conversion of purchased electricity to renewable energy sources, mainly at locations where EVs will be introduced, and the installation of solar panels at company-owned factories.



Installation of solar panels at ITO EN Kobe Factory (January 2023)

**Scope 3**

ITO EN promotes the use of recycled materials in PET bottles and lightweight containers and packaging. It also strengthens its environmental engagement with its beverage manufacturing contractors. The initiative aims to reduce energy consumption by improving energy and production efficiency. Additional efforts, such as optimizing the number of vending machines in operation, led to a Scope 3 GHG emissions reduction of approximately 1,427 thousand t-CO<sub>2</sub>, a reduction of 16.3% from the reference year.

**Water Resources Response**

Water resources play a crucial role in the production of beverages, as they not only serve as a primary ingredient but also support the growth of crops, including tea leaves. Water is also essential in the manufacturing process of products. ITO EN is dedicated to sustainable water usage practices, aiming to reduce water usage through recycling and ensuring proper wastewater management throughout the production of beverages.

We thoroughly analyze water-related risks, such as drought and flood risks, at our own business locations and

contracted factories. To reduce potential water risks, we take Business Continuity Planning (BCP) measures across the entire organization and engage with contracted factories. This commitment extends to conservation activities for water ecosystems near our production sites, in cooperation with the manufacturing contractors of our flagship product, *Oi Ocha*.

▶ See page 48 for our water source conservation activities

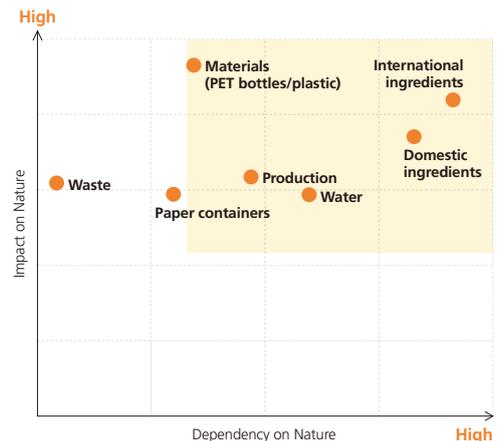
**Biodiversity Conservation**

The ITO EN Group reaffirms that the conservation of biodiversity contributes to the foundation of rich natural blessings and the basis of its business activities. In March 2023, the Group revised ITO EN Group Policy on Biodiversity Conservation, which was originally established in 2013. Under this policy, the Group promotes initiatives for the conservation and restoration of biodiversity through its business activities. By thoroughly assessing the connections (dependency and impact) between our business operations and biodiversity/natural capital within our value chain, we identify key areas, such as sourcing of domestic and international ingredients, manufacturing practices (including water usage), and materials, to comprehensively analyze risks and opportunities.

In July 2023, the Group joined the 30by30 Alliance for Biodiversity, an initiative led by the Ministry of the Environment. This participation reflects the Group's commitment to achieving a more nature-positive impact.



**Clarification of Dependency and Impact**



## Sustainable Containers and Packaging

We engage in the 3Rs (Recycle, Reduce, Replace & Reuse) activities based on the ITO EN Group Policy on Containers and Packaging and the ITO EN Group Policy on Plastics. Going

forward, we will contribute to the creation of a sustainable society by further driving initiatives aimed at achieving more effective utilization of resources and reducing environmental impact.

- ITO EN Group Policy on Containers and Packaging ▶ [https://www.itoen-global.com/company/policy/containers\\_packaging.html](https://www.itoen-global.com/company/policy/containers_packaging.html)  
 ITO EN Group Policy on Plastics ▶ <https://www.itoen-global.com/company/policy/package.html>

### Recycling

ITO EN aims to achieve a 100% usage rate of recycled materials, including bio-derived materials, in all of its PET bottle products by FY4/2031 to effectively utilize used PET bottles. The efforts include the horizontal recycling (bottle-to-bottle) of empty containers, with its employees collecting them from collection boxes placed next to vending machines. In FY4/2023, the usage rate of recycled materials stood at 15%.

We also use brick-shaped aluminum-free paper pack-type drink containers for our paper pack products. These containers, commonly known as ECO containers, can be recycled just like milk cartons.



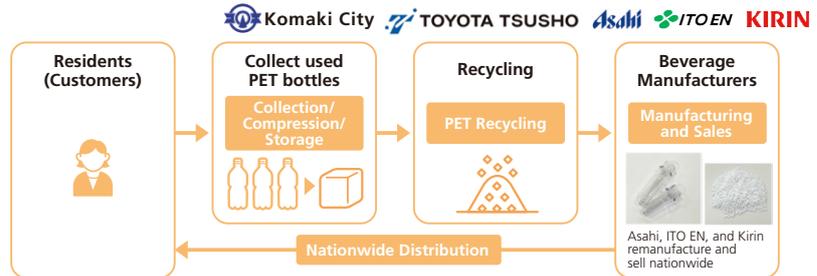
#### TOPICS

### Horizontal Recycling (Bottle-to-Bottle) Collaboration

In September 2023, ITO EN, in collaboration with Komaki City, Toyota Tsusho Corporation, Asahi Soft Drinks Co., Ltd., and Kirin Beverage Company, Limited, signed a Collaborative Agreement on Horizontal Recycling of PET Bottles. This initiative marked the first collaboration in Japan in which three beverage manufacturers jointly signed a resource recycling-related agreement with a local government.

The horizontal recycling effort extends beyond PET bottles collected from households to include those collected by ITO EN, as well as those from offices. In April 2023, ITO EN, TOKYU CORPORATION, TOKYU RECREATION CO.,LTD. and ECO-EIGHT Co., Ltd. commenced a bottle-to-bottle resource recycling initiative at TOKYU KABUKICHO TOWER, which opened in April of the same year in Shinjuku, Tokyo.

#### From Collection to Recycling to Product Manufacturing



### Reduce

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

FY4/2023, initiatives to reduce the weight of our core products, including *Oi Ocha* PET bottles for vending machines, led to an annual reduction of approximately 1,300 tons in plastic usage.

### Replace & Reuse

ITO EN uses Green Planet™<sup>1</sup> biodegradable telescopic straws<sup>2</sup> (ECO straws) for its *Oi Ocha* paper pack products, as well as plant-derived Biodegradable Eco Filters, which have obtained the GreenPla Certification, for its flagship tea bag products.

1. An environmentally friendly, 100% plant-derived, biodegradable polymer developed by Kaneka Corporation. The polymer biodegrades into water and carbon dioxide in a wide range of environments including seawater and soil, and has acquired "OK Biodegradable MARINE" certification for biodegradability in seawater.
2. The industry's first biodegradable telescopic straw, jointly developed by ITO EN, LTD., Kaneka Corporation, and NIPPON STRAW Co., Ltd.



## Resource Recycling (Used Tea Leaves Recycling System)

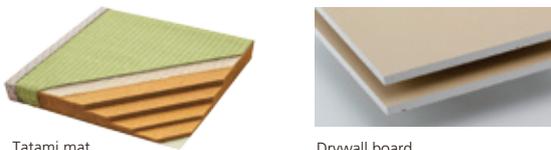
At ITO EN, the Used Tea Leaves Recycling System is implemented to repurpose tea residue generated during the process of manufacturing tea beverage products, such as *Oi Ocha*. This system involves reusing tea leaves as fertilizer and animal feed, as well as transforming them into new raw materials for industrial products. Currently, used tea leaves are upcycled into about 100 different products, including construction materials and mask cases, by taking advantage of their deodorizing and antibacterial properties. This technology creates environmental value by offering an alternative to limited resources, such as

paper and plastic, and by capturing the CO<sub>2</sub> absorbed by tea leaves into upcycled products. The tea leaf lightweight panels, upcycled through this process, achieves a weight reduction of up to 110 kg\* when applied to the framework of sales vehicles, helping to reduce fuel consumption.

Since 2018, a similar initiative has been undertaken for *Kenko Mineral Mugicha*, upcycling used barley tea dregs generated during the manufacturing process into various industrial products.

\* Weight reduction of up to 110 kg when the conventional framework used in a 3-ton vehicle is replaced with the tea leaf lightweight panels

### Examples of products recycled from used tea leaves

<b>Building material products formulated from used tea leaves</b>  <p>Tatami mat      Drywall board</p>		<b>Paper products formulated from used tea leaves</b>  <p>Mask case      ITO EN's corporate business card</p>		
<b>Plastic products formulated from used tea leaves</b>  <p>Bench      Pillow filling (beads)</p>		<b>Other products formulated from used tea leaves</b>  <p>Lightweight panels formulated from used tea leaves used in the frame of ITO EN sales vehicles      Antibacterial stickers</p>		<b>Products formulated from used barley tea dregs</b>  <p>Cushioning material</p>

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

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

## Addressing Environmental Issues throughout the Product Lifecycle



# Promotion of Diverse Human Assets and Active Roles for All

The ITO EN Group views “people” as the most valuable asset for a company and embraces all individuals working within the Group as “human assets.” Based on the ITO EN Group Human Resources Policy, we are dedicated to fostering individuals who are always positive and ready to take on new challenges. To address the various challenges related to human capital management, the Human Assets Strategy Committee was established in FY4/2024. Our medium- to long-term human resources strategies are examined and coordinated in

collaboration with relevant committees, such as the Long-Term Management Planning Committee and the Human Assets Subcommittee of the Sustainability Promotion Committee. We aim to achieve sustainable growth and increased corporate value through our medium- to long-term human resources strategies. This involves developing a diverse workforce, promoting active roles of all individuals, and improving overall employee engagement and job satisfaction.

ITO EN Group Human Resources Policy ▶ [https://www.itoen-global.com/company/policy/human\\_resources.html](https://www.itoen-global.com/company/policy/human_resources.html)

## Approach to Human Resources Strategy

At the ITO EN Group, we believe that the growth of individuals contributes to the growth of the organization. We are committed to developing people who can grow independently in the face of change, without clinging to past successes.

Our goal is to create an organization where all employees understand and embrace the mission and long-term vision of the ITO EN Group, and where everyone plays an active role as a part of the ITO EN Group team.

We aim to cultivate a corporate culture that encourages ongoing learning, proactive initiative, and a willingness to embrace challenges. As a Health Creation Company, we are committed to our medium- to long-term management plan and our vision of becoming a Global Tea Company.



## Envisioned Ideal Workforce: Aspire to an Ideal Image, Think Independently, Learn Proactively, and Challenge Themselves

### Linkage of medium- to long-term management plan and human resources strategy



## Securing Diverse Human Resources

The ITO EN Group works to create workplaces where diverse human resources can play active roles according to their individual abilities and aptitudes, through mutual recognition and acceptance of diverse values regardless of gender, nationality, age, career stage (mid-career hiring, etc.) or disabilities. By promoting diversity, we revitalize the entire company and create new innovations.

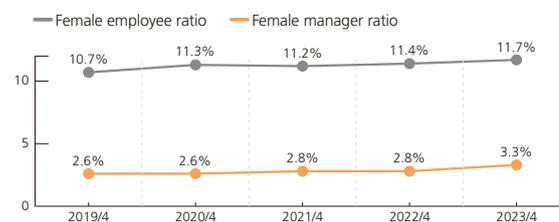
### Active participation of women

We have formulated a fourth-phase action plan (May 2023–April 2027) based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and are driving initiatives that promote active participation for women. The Company provides female employees with opportunities to reach their full potential and to reconsider and shape their career/life plan to advance further in the workplace. The Company is also translating the provision of rank-based training for female employees into improvement in the motivation and the retention rate of female employees, stronger support to help them maintain a work-life balance, and increased female manager training.

### Promotion of employees with diverse skills and experiences

The ITO EN Group encourages the participation of employees with specialized skills, such as lawyers, accountants, and nutritionists, as well as those with diverse experiences, including mid-career hires and cross-company or government-related personnel exchanges.

### Female employee and manager ratio



#### Indicators (KPIs)

Female manager ratio FY4/2027: 10%

In addition, since May 2022, the retirement age has been extended to 65, creating an environment where senior employees can contribute their accumulated experience, knowledge, and expertise to the next generation. We are committed to establishing mechanisms that enable them to work in various roles, promoting a lively and healthy working environment.

## Initiatives Leveraging Human Resources Development and Educational Systems

In order to realize the autonomous growth of our employees, the ITO EN Group is systematically introducing education and training systems according to individual career paths, such as by position, year, and qualification. Based on our belief that the self-actualization of our employees is the source of power that supports the sustainable growth and development of the company, we have established our own systems to support personal development, including ITO EN Business College, ITO EN Graduate School, and the ITO EN Tea Taster Business Skill Test.

### ITO EN Business College and ITO EN Graduate School

At ITO EN Business College (opened in 1989), employees choose programs that are relevant to their current interests. Over the course of one year, participants engage in learning, acquiring knowledge, and improving problem-solving skills. Through schooling and discussions led by outside lecturers, participants are exposed to diverse opinions and develop critical thinking skills. ITO EN Graduate School (opened in 2009)—

which is aimed at managers and above—enables employees to acquire the knowledge to accurately grasp and analyze the business environment and become senior managers who can develop effective strategies.

More than 16,000 employees, ranging from those in their second year at the company to managerial positions, have enrolled and completed courses.

### ITO EN Tea Taster Business Skill Test system

This internal certification system, which started in 1994, aims to provide employees with comprehensive knowledge and skills related to tea and to raise awareness of tea both within and outside the company. The annual exams consist of a written, tea tasting, and oral test, and successful applicants are selected through a rigorous screening process. In 2017, the ITO EN Tea Taster Business Skill Test became the first in-house business skill test to be certified by the Ministry of Health, Labour and Welfare (MHLW) after the revision of the certification system.

Employees qualified under this system play a vital role in disseminating knowledge about tea, including brewing techniques, and promoting tea culture in different settings, such as educational institutions and stores. They participate in group training sessions to enhance their knowledge and skills. They also serve as educators in



employee learning programs, equipping all employees with a comprehensive understanding of tea and its associated skills.

We work on the system on a group-wide basis as it can help realize the vision of ITO EN as a Global Tea Company, connecting to the cultures of tea around the world and broadly sharing taste and value as a tea specialist.

### Ministry of Health, Labour and Welfare (MHLW) certification holders (as of May 2023)

Grade	Knowledge & skills (tea tasting)				Numbers of qualification holders
	Green tea	Chinese tea	Black tea	Tea ceremony	
Grade 1	●	●	●	●	19
Grade 2	●	●	●	—	395
Grade 3	●	—	—	—	1,911
<b>Total</b>					<b>2,325</b>

In addition to the above, we currently have 54 Tea Tasters overseas to spread tea culture throughout the world.

**ITO EN Vegetable and Fruit Meister system**

In FY4/2023, the ITO EN Vegetable and Fruit Meister System was launched. With this system, employees gain valuable knowledge about vegetables and fruits, one of the Company's core product categories, and can easily share this information both inside and outside the organization. In its inaugural year, 429 employees passed the introductory level.

**Improving Employee Engagement**

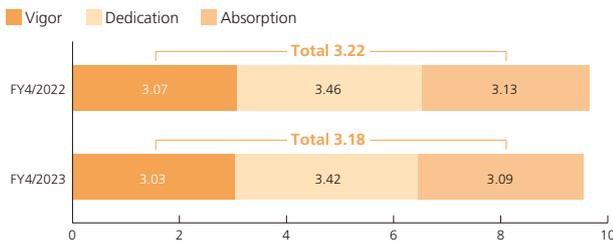
For the ITO EN Group to continually enhance its corporate value, it is imperative that all employees feel job satisfaction, act vibrantly, and fully leverage their individual capabilities. Through our annual company-wide employee awareness survey, we assess employee engagement scores\* and identify issues that need to be addressed. While our employees are vital to the growth and success of the Company, we recognize that they often encounter obstacles in envisioning their own career development and

\* Survey conducted with reference to the Utrecht Work Engagement Scale (UWES)

**Employee engagement score trend**

A survey was conducted based on the following three criteria:

- Vigor: "Deriving energy from work and feeling lively"
- Dedication: "Feeling proud of and fulfilled by work"
- Absorption: "Passionately engaged in work"



**Indicator (KPI) FY4/2027 Overall 3.5 or higher (out of 6 points)**

**Optimizing Organizational Structure and Placement**

ITO EN continually builds a system where diverse individuals can thrive by considering each employee's individuality and aptitude. Instead of fitting people into roles, we place them in positions that best suit their characteristics, further enhancing their strengths. Internal transfers and exchanges within ITO EN and its group companies contribute to improving employees' abilities and knowledge, leading to stronger organizational capabilities and synergies within both ITO EN and the team "ITO EN Group."

**Thorough implementation of performance-based evaluation**

In its personnel system, the ITO EN Group advocates the concept of evaluating its employees based on performance. Under no circumstances do we allow factors such as academic background, gender, nationality or age to affect the range of opportunities available for an employee to engage in certain work or receive education or training, or to bear any relation to evaluations of work performance. We are focusing on human resource development in line with a basic policy that every single employee should have equal opportunities, and evaluations should be fair.

**Executive candidate training**

This training program is designed for potential leaders and managerial candidates to acquire the knowledge, skills, and mindset necessary for leadership roles through both internal and external training. This program contributes to fostering a sense of self-awareness and consciousness among participants as future leaders.

recognizing their growth and the contribution they are making through their assigned tasks. Employee engagement can be improved by clarifying career development through discussions with supervisors, creating and implementing systems that allow employees to perceive an appropriate evaluation and contribution in their assigned tasks, and optimizing organizational structure and placement. We will continue to pursue initiatives that help resolve engagement-related issues.

**Diverse internal recognition programs, catering to all employees**

ITO EN has established multiple recognition programs where everyone, not only in the sales department, but also in production, administration, and other areas, has the chance to be evaluated and recognized. Each program not only acknowledges the winners but also enhances overall engagement.

**Example: Annual Best Staff Awards**

(Awarded to employees who have contributed to operational improvements that lead to increased productivity)



Winner  
Tomohisa Yamaguchi,  
Group Leader of  
Specialized Sales  
Administration Division

In my first year after transferring, I persevered in improving logistics with the guidance and support of my superiors and colleagues. I never imagined that I could receive such a significant award. This achievement will be a great encouragement as I move forward along my career path.

**Work Style Reform**

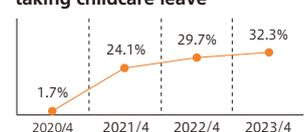
Through organizations such as the Workplace Environment Improvement Committee, which is comprised of members selected from each workplace, we are working to create comfortable workplaces by reducing monthly overtime work hours improving the working environment, and improving operational efficiency. Compared to the pre-pandemic level in FY4/2019, the monthly overtime work hours in FY4/2023 decreased by 6 hours (from 31 hours to 25 hours), while the paid leave acquisition rate increased. The percentage of male employees taking childcare leave was 32.3% in FY4/2023, aiming to reach 50% by FY4/2027.

Through the promotion of work style reform, our aim is to achieve a harmonious work-life balance and increase productivity.

**Annual paid leave acquisition rate**



**Percentage of male employees taking childcare leave**



## Optimizing Salary and Benefit Support

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

commitments, based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

From the perspective of gender equality, we will continue working to correct the wage gap between male and female employees, increase the percentage of female managers, and increase the percentage of male employees taking childcare leave.



### Pay gap between male and female employees

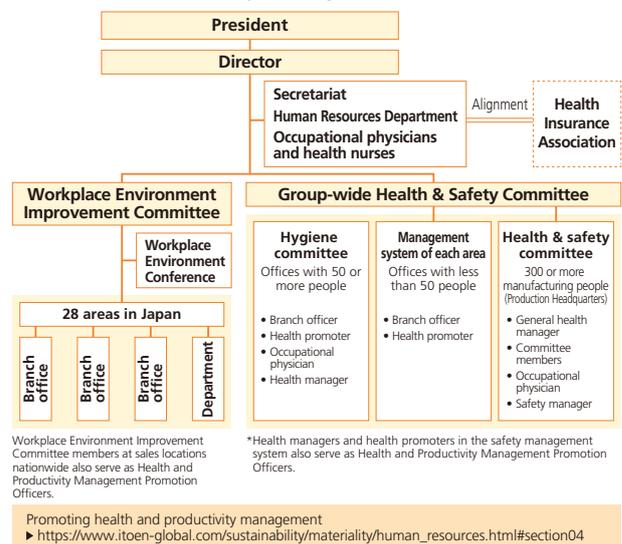
	*Male employee = 100		Indicators (KPI)
	FY4/2020	FY4/2023	FY4/2027
Regular employees	73.0%	77.3%	80.0%
Of which, less than 10 years of service	92.6%	94.2%	100%

## Health and Productivity Management and Occupational Health and Safety

From the perspective of health and productivity management, which considers employee health management from a management perspective and puts it into practice strategically, we formulated the ITO EN Group Health Management Declaration in May 2021. Based on this declaration, we are strengthening our support system for maintaining and improving the health of our employees and working to raise their own awareness of health. In March 2023, ITO EN was selected under the 2023 Certified Health and Productivity Management Organization Recognition Program (White 500) for the second consecutive year. We have also established a Group-wide Health & Safety Committee for the purpose of continuously maintaining health and safety management systems. The Group-wide Health & Safety Committee, the Workplace Environment Improvement Committee, occupational physicians and other personnel work together to address and improve issues relating to the mental and physical health of employees and occupational health and safety.

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

### Health and productivity management promotion structure



Promoting health and productivity management  
 ▶ [https://www.itoen-global.com/sustainability/materiality/human\\_resources.html#section04](https://www.itoen-global.com/sustainability/materiality/human_resources.html#section04)



### TOPICS

## Culture of Encouraging Voluntary Participation and Challenges

The ITO EN Group has a corporate culture that provides opportunities to those who volunteer by themselves. We have been using our unique internal proposal system, known as the Voice System, since 1992. This system allows all employees, regardless of their position, to propose new products, improvements, sales promotions, and more. The system also motivates employees to always be aware of the spirit of “STILL NOW,” finding things that customers are still dissatisfied with. Outstanding ideas not only turn into products, but also earn internal recognition, leading to enhanced employee engagement and job satisfaction throughout the company.

Moreover, our corporate framework is designed to encourage individuals to challenge themselves and contribute to their own personal growth. This process is facilitated through training programs for self-development, internal open recruitment systems for department transfers, and the In-House Venture System for proposing new business ideas.

The Voice System raises the awareness of each employee to address customer dissatisfaction, leading to recognition from both customers and within the company. I would like to continue to make proposals based on the insights I have gained in the sales field.



FY4/2023 Voice Grand Prize Winner Junya Shiratori, Transportation Sales Department

I proposed a new business plan using the In-House Venture System established in FY4/2023, and I am currently working tirelessly on realizing the first project. While working for the company, this system gives employees the chance to take on new initiatives and challenge themselves for personal growth.



Yoko Mukaida, Manager of Group Business Management Department

# Deepening Ties with Local Communities and Society



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

The ITO EN Group has established sales offices and shops, including Tully's Coffee, throughout the country, conducting business closely tied to local communities and collaborating with local residents. These efforts have successfully deepened ties with local communities and society, significantly contributing to our business development. Our material issues, such as sustainable domestic agriculture, dietary habits and health, sustainable supply chain, and environment, are also closely connected with local communities. By focusing on these areas, we aim to generate diverse values, such as the sustainable growth of the Company, stable operation of our suppliers, and a healthy, sustainable society.

We will continue to conduct business activities deeply rooted in local communities, aiming to create further value for both the Company and society.

## Sales and Distribution System with Close Ties to Local Communities

ITO EN has a comprehensive sales and distribution system closely tied to local communities. Leveraging our nationwide network of 183 sales offices\*, our sales and distribution system caters to different channels, such as route sales, specialty tea shops (107 shops), and e-commerce, as well as wide-area sales covering mass retailers, convenience stores, and corporate clients.

In the route sales operation, sales representatives visit customers at mass retailers and vending machines, handling

negotiations, delivery, and in-store displays as part of their integrated duties. This approach establishes a unique business model that closely engages with local communities.

Furthermore, as part of the ITO EN Group, Tully's Coffee Japan is committed to the philosophy of "creating community cafes rooted in local communities" and has successfully opened 766 shops across Japan.

\* Number of business locations and shops as of April 30, 2023

### Driving Value: Route Sales Demonstrating ITO EN Group's Management Principle, "Always Putting the Customer First"



### Dietary Education by Certified Tea Tasters\* under the Tea Taster System

\* Certified Tea Tasters nationwide, regardless of department or position



#### Voice

### Regular Customer Visits Lead to Merchandising Proposals and Product Launches

The source of our sales strength lies in the trust relationships with our customers (retailers) built through regular store visits, which lead to new merchandising proposals and product launches. Through regular conversations with customers, each sales representative gains insight into customer demographics and product demand trends, enabling unique merchandising development at their respective stores.

By providing our health-beneficial products to local customers, we believe we are contributing to their dietary habits and health maintenance.

Yuriko Kondo, Section 3, Store Sales Department



## Contributing to Local Issues through Vending Machines

Our vending machines cater to the needs of each location and community. Offering more than just beverages, they contribute to local revitalization and address social issues. For example, we have introduced Wellness Vending Machines® focused on healthy products and disaster response-ready (lifeline) vending machines equipped to provide beverages during disasters.

In collaboration with Pokémon Local Acts, we have introduced disaster response-ready vending machines with designs featuring “Ambassadorial Pokémon” of their respective prefectures. These machines, which appear as Gyms in “Pokémon GO,” a location-based game for smartphones, contribute to local revitalization and health promotion during normal times and support local Business Continuity Planning (BCP) measures during emergencies.

Additionally, we are also advancing vending machine digital transformation (DX) by introducing a facial recognition payment service. This service allows for contactless payment in places where using coins or smartphones is not feasible. We have also initiated pilot projects for personalized services. These projects use facial analysis and emotion recognition technologies to recommend products that meet the physical and emotional health of customers.

©Pokémon. ©Nintendo/Creatures Inc./GAME FREAK inc.™, ®, and character names are trademarks of Nintendo.



Disaster response-ready vending machine, featuring an Ambassadorial Pokémon

## Collaboration with Local Governments

We have signed comprehensive partnership agreements with local governments nationwide on regional revitalization as well as other agreements such as on health promotion, environmental conservation, and disaster response. While conducting business activities closely connected to local communities, including selling products, we work to address and solve social issues at both the local and regional level, thus embodying the principles of Creating Shared Value (CSV).



Comprehensive Partnership Agreement-Signing Ceremony

In March 2023, we signed a comprehensive partnership agreement to promote the tea industry with Shibushi City, Kagoshima Prefecture, where our Tea-Producing Region Development Project began in 1976.

Since FY4/2023, we have also initiated the Lifestyles with Tea Project in Senshu, located within the Osaka Prefecture. As part of this project, our Tea Tasters deliver lectures on “The Art of Tea Appreciation” as a regular course at the Osaka University of Tourism, establishing a connection with the local community through tea.



Lecture on “The Art of Tea Appreciation”

## Contributing to Solutions for Social and Environmental issues in Communities through Oi Ocha

Through its *Oi Ocha* brand, ITO EN has been contributing a portion of the sales from its beverages and tea leaf products to environmental conservation activities. This includes the “Make Lake Biwa Beautiful with Tea” initiative (launched in 2008) and the “Make Japan Beautiful with Tea” initiative (launched in 2010). These initiatives involve not only donations but also the active participation of our employees in environmental preservation and maintenance activities in each prefecture. In 2023, we collaborate with our business partners for in-store activities under the theme of “Forest, Water, and Biodiversity Conservation.” We will continue contributing to protecting the

environment and revitalizing local communities alongside consumers, partner companies, and local authorities.

Since 2019, we have been planting cherry trees across the country as part of the Future Cherry Trees for My Town Project, in collaboration with the Japan Cherry Blossom Association. Under this project, a total of 1,327 cherry trees have been planted (as of July 2023).



Planting cherry trees

Make Japan Beautiful with Tea

▶ <https://www.itoen.co.jp/kirei/>

The Future Cherry Trees for My Town Project

▶ <https://www.itoen.co.jp/sakura-plant/>

## Tea Taster Activities for Promoting and Preserving Tea Culture

ITO EN has established the ITO EN’s Tea Taster System, an internal certification system recognized by the Ministry of Health, Labour and Welfare, where employees possess extensive knowledge of and expertise in tea culture and share it both within and outside the company. Employees qualified under this system can be

found throughout the country, regardless of their job position, promoting the deliciousness and delights of tea.

The Company also collaborates with government agencies. During the G7 Hiroshima Summit in May 2023, our Tea Tasters presented Japanese tea and matcha to government officials and media from different countries, showcasing their appeal.



Tea Tasters serving matcha tea at the G7 Hiroshima Summit

Moreover, by conducting tea brewing demonstrations and workshops at events and stores nationwide, they directly convey the appeal of tea to customers, ultimately increasing the sales potential of our tea leaf products.

By communicating the appeal of tea both inside and outside the company, we will continue to promote and preserve tea culture, contributing to the development of the tea industry.

### Results of Dietary Education Activities in FY4/2023

Tea brewing seminars, *Dai-Cha-Kai* (demonstration sales and green tea tasting events), production site tours, etc.

Number of customer contacts (number of participants): 618,000 people

\* Including online sessions

# Corporate Governance

## Basic Views

The Group's management priority is to fulfill its corporate social responsibility by actively cooperating with the government, local communities, consumers, shareholders, retailers, suppliers, financial institutions, employees and other stakeholders, aiming for sustained corporate growth and the improvement of corporate value under the Group's management principle of

Always Putting the Customer First. The Group's basic views on corporate governance are in line with this management priority. As a Health Creation Company that contributes to the health of customers around the world, the Company will strengthen and enhance its corporate governance system to achieve its long-term vision of becoming a Global Tea Company.

Corporate Governance Guidelines (revised on July 26, 2023)

▶ [https://www.itoen-global.com/up\\_image/company/2023/Corporate\\_Governance\\_Guidelines\\_July\\_26\\_2023.pdf](https://www.itoen-global.com/up_image/company/2023/Corporate_Governance_Guidelines_July_26_2023.pdf)

## History of Enhancing the Corporate Governance System

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
<b>Organization Design</b>						Established the Nomination & Remuneration Committee			Changed chairperson of the Nomination & Remuneration Committee and the majority of its members to independent outside directors	<ul style="list-style-type: none"> <li>Shifted to the Prime Market</li> <li>Changed number of directors (35 or less → 20 or less)</li> </ul>	Transitioned to a company with an Audit and Supervisory Committee Changed number of directors (20 or less → 11 or less*)	
<b>Rules, policy</b>			Established the Corporate Governance Guidelines			Revised Corporate Governance Guidelines			Revised Corporate Governance Guidelines			
<b>Directors, executive officers</b>	Appointed independent outside directors								Shortened terms of office for directors and executive officers (2 years → 1 year) Appointed a female director Appointed one-third or more directors as independent outside directors	Disclosed the skills matrix for Board of Directors		
						Changed contract format for executive officers (Employment type → delegation type)						
<b>Board effectiveness evaluation, officers' remuneration</b>				Implemented evaluation of effectiveness of Board of Directors								Introduced a restricted stock compensation plan

\* Excludes Directors who serve as Audit and Supervisory Committee Members

## Outline of Corporate Governance System

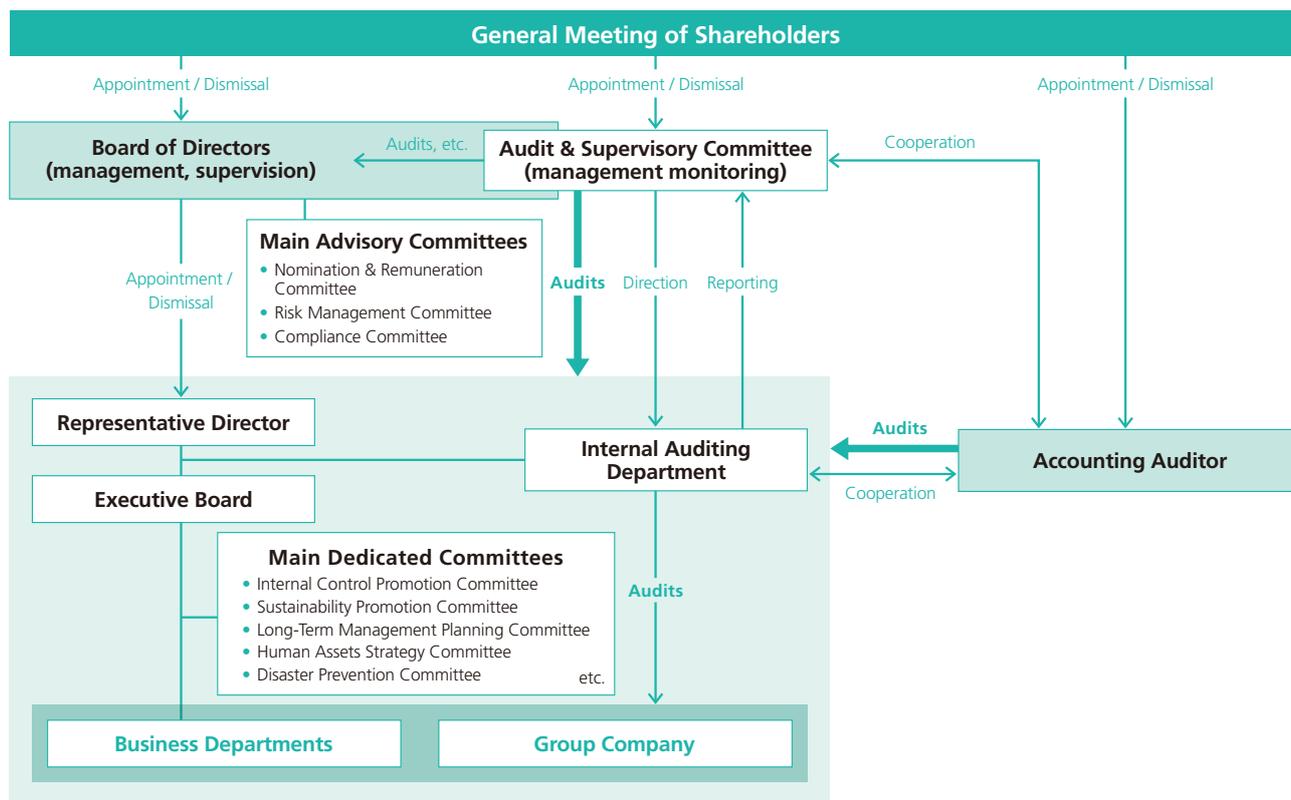
The Company transitioned from a company with an Audit and Supervisory board to a company with an Audit and Supervisory Committee by resolution at the annual General Meeting of Shareholders held on July 26, 2023. The following are the reasons for the transition:

- Directors who serve as members of the Audit and Supervisory Committee have voting rights at Board of Directors meetings. This strengthens corporate governance and enhances the supervisory functions of the Board of Directors.
- In the new system, decisions regarding important matters related to the execution of business can be delegated to executive directors, which results in faster decision making and allows for the more agile execution of business.

### Overview of the new system (as of July 26, 2023)

Organization Form	Company with an Audit & Supervisory Committee
Number of Directors as set forth in the Articles of Incorporation	15
Term of office of the Director as set forth in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman (Except where the Chairman concurrently serves as the President)
Number of Directors	14
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Outside Directors designated as independent officers	5

## Corporate Governance Structure (since July 26, 2023)



## Major Boards and Committees

### Board of Directors

The Board of Directors holds a meeting once a month, in principle, to supervise the execution of operations by Directors, in addition to discussing and determining important matters such as the basic management policy and management strategies. In addition, five of 14 Directors are Independent Outside Directors, and they take on functions to supervise and check the execution of duties from an independent standpoint.

### Major agenda items at the Board of Directors meetings in FY4/2023

- Disclosures based on the TCFD recommendations (including the results of scenario analyses), environmental expenses, etc.
- Formulation and revisions of the code of conduct and policies (ITO EN Group Code of Conduct, Basic Sustainability Policy, Supplier Policy, Environmental Policy, Policy on Biodiversity Conservation, etc.)
- Revision of Corporate Governance Guidelines
- Issuance of stock options (share acquisition rights) for Directors
- Progress in the medium- to long-term management plan and issues to address

### Audit & Supervisory Committee

The Audit and Supervisory Committee is made up of four Directors who serve as Audit and Supervisory Committee Members (three of them are Independent Outside Directors). They have extensive experience and knowledge in management and expert knowledge in legal affairs, financial accounting and tax affairs. The Audit and Supervisory Committee holds regular meetings. The Directors who are Audit and Supervisory Committee Members attend meetings of the Board of Directors and other important meetings and state objective and unbiased opinions on overall management. They also oversee and audit the Directors' execution of their duties. The Audit and Supervisory Committee cooperates with the accounting auditor and the Internal Auditing Department to conduct audits. They share information and exchange opinions.

### Nomination & Remuneration Committee

The Company has a Nomination & Remuneration Committee which serves as an advisory body to the Board of Directors. The committee's main objective is to improve the independence and objectivity of the Board of Directors in the implementation of its functions and the Directors' accountability. The Nomination & Remuneration Committee is composed of five members (two inside Directors and three Independent Outside Directors). The chairperson is an Independent Outside Director. In FY4/2023, the committee discussed organizational changes, the remuneration policy for Directors, the appointment of officers and remuneration. The committee reported the results of its discussions to the Board of Directors.

## Major Boards and Committees

### Attendance at meetings of the Board of Directors and the Audit & Supervisory Board

Directors as of July 26, 2023	Members of the major boards and committees (FY4/2024)			Number of meetings attended in FY4/2023	
	Board of Directors	Audit & Supervisory Committee	Nomination & Remuneration Committee	Board of Directors	Nomination & Remuneration Committee
Hachiro Honjo (Chairman of the Board and CEO)	○ Chairperson			11 times / 12 times (92%)	—
Daisuke Honjo (President and Executive Officer)	○		○	12 times / 12 times (100%)	5 times / 5 times (100%)
Shusuke Honjo (Executive Vice President, Representative Director and Executive Officer)	○		○	12 times / 12 times (100%)	4 times / 5 times (80%)
Minoru Watanabe (Vice Chairman, Director and Executive Officer)	○			11 times / 12 times (92%)	—
Yoshihisa Nakano (Director and Senior Managing Executive Officer)	○			12 times / 12 times (100%)	—
Shigeru Kamiya (Director and Senior Managing Executive Officer)	○			11 times / 12 times (92%)	—
Yosuke Jay Oceanbright Honjo (Director and Executive Officer)	○			12 times / 12 times (100%)	—
Atsushi Hirata (Director and Senior Managing Executive Officer)	○			12 times / 12 times (100%)	—
Hideo Takano (Outside Director)	○			12 times / 12 times (100%)	—
Keiko Abe <sup>1</sup> , (Outside Director)	○		○	10 times / 10 times (100%)	—
Kiyoshi Kondo <sup>2</sup> , (Director, Audit & Supervisory Committee Member)	○	○ Chairperson		—	—
Yuichi Usui (Outside Director, Audit & Supervisory Committee Member) <sup>3</sup>	○	○	○ Chairperson	12 times / 12 times (100%)	5 times / 5 times (100%)
Yutaka Tanaka (Outside Director, Audit & Supervisory Committee Member) <sup>4</sup>	○	○		12 times / 12 times (100%)	5 times / 5 times (100%)
Hitoshi Yokokura (Outside Director, Audit & Supervisory Committee Member) <sup>5</sup>	○	○	○	12 times / 12 times (100%)* <sup>6</sup>	—

1. For Keiko Abe, the number of Board meetings held in FY4/2023 is the number of Board meetings held after she assumed her post on July 28, 2022.

2. Kiyoshi Kondo assumed the post of Director and Audit and Supervisory Committee Member on July 26, 2023.

3, 4 and 5. Yuichi Usui, Yutaka Tanaka and Hitoshi Yokokura assumed the post of Outside Director and Audit and Supervisory Committee Member on July 26, 2023.

6. The number of Board meetings attended by Hitoshi Yokokura in FY4/2023 is the number of Board meetings that he attended as an Outside Audit and Supervisory Board Member.

Audit & Supervisory Committee Members in FY4/2023	Attendance at meetings of the Audit & Supervisory Board in FY4/2023
Shuji Nakagomi (Standing Audit & Supervisory Committee Member)	13 times / 13 times (100%)
Yoshiaki Takasawa (Outside Audit & Supervisory Committee Member)	12 times / 13 times (92%)
Takashi Miyajima (Outside Audit & Supervisory Committee Member)	13 times / 13 times (100%)
Hitoshi Yokokura (Outside Audit & Supervisory Committee Member)	13 times / 13 times (100%)

### Executive Board

The Executive Board consists of 25 executive officers. The purpose of the Executive Board is to discuss and make decision on important matters relating to management, based on the formulation of agenda items for the Board of Directors and the basic management policy decided by the Board of Directors, and to assist the Board of Directors and the Representative Directors in important matters regarding business operations. In principle, the Executive Board holds a meeting once a month to enhance the Board of Directors' supervisory functions and build a system for the agile execution of business.

### Internal Auditing Department

The Internal Auditing Department, comprising 25 members, reports directly to the President. The department conducts business management audits. Its main focus is the rationality and efficiency of business operations as a whole, compliance with laws, regulations and internal rules, and the effectiveness of the internal control and risk management systems.

### Sustainability Promotion Committee

The Sustainability Promotion Committee comprises five Directors and 20 other members. The Chairperson is the President. The committee aims to improve sustainability management. It builds and operates a system for promoting sustainability and determines and revises material sustainability issues and KPIs.

### Main Dedicated Committees

The Company has ten cross-functional dedicated committees under the Executive Board, including the Long-Term Management Planning, Human Assets Strategy, Internal Control Promotion and Product Risk Response Measure committees. They present improvement proposals when appropriate to the Board of Directors or Executive Board for company-wide issues in relevant fields.

Note: For information about the Risk Management Committee and Compliance Committee, advisory bodies to the Board of Directors, please refer to pp. 69 and 70.

### Voice

To enhance the governance of the Company, which has an Audit and Supervisory Committee, it is crucial to establish a collaborative relationship between the Audit and Supervisory Committee Members, who audit and oversee the Directors' performance of their duties, and the Internal Auditing Department, which audits the employees' execution of their duties. The change in the system has made closer collaboration possible. As a Director serving as an Audit and Supervisory Committee Member, I am committed to contributing to the achievement of sustainable growth and the enhancement of corporate value. I will exercise my voting rights at Board of Directors meetings and work with the Outside Directors to strengthen the supervisory functions of the Board of Directors. I will also improve the quality of audits across the entire Group, including ITO EN and overseas companies.

Kiyoshi Kondo, Director (Audit and Supervisory Committee Member)



## Outside Directors (as of July 26, 2023)

The Company has two Outside Directors (excluding Directors serving as Audit and Supervisory Committee Members) and three Outside Directors serving as Audit and Supervisory Committee Members. Outside Directors attend Board of

Directors meetings in a capacity that is independent of management. They work to enhance the effectiveness of management oversight by requesting clear explanations on Directors' execution of duties.

Name	Career	Audit and Supervisory Committee Member	Independent officer
Hideo Takano	Supervises management as an Outside Director, leveraging the extensive experience and knowledge that he has gained from his many years of work at The Tokyo Chamber of Commerce and Industry supporting the management of various enterprises.		○
Keiko Abe	Has extensive experience and expert knowledge as a professor at the University of Tokyo's Graduate School of Agricultural and Life Sciences and has been actively involved in research in the field of food functionality for many years. Provides useful opinions and advice in the field of R&D relating to medium- to long-term management based on her extensive experience and knowledge.		○
Yuichi Usui (Audit & Supervisory Committee Member)	Possesses extensive experience and broad ranging insights gained through his many years as a police officer, and has also had direct involvement in corporate management at a logistics company. He uses his diverse experience and knowledge in the management of the Company.	○	○
Yutaka Tanaka (Audit & Supervisory Committee Member)	Possesses expert insights, broad-ranging knowledge and experience as a tax accountant. He expresses opinions that contribute to enhancing the Company's corporate value and conducts effective audits of management.	○	○
Hitoshi Yokokura (Audit & Supervisory Committee Member)	Possesses expert insight and extensive knowledge and experience as a certified public accountant and an attorney. He points out issues in accounting and legal affairs and conducts effective audits of management at the Company.	○	○

## Evaluation of the Effectiveness of the Board of Directors

The Company has been analyzing and evaluating the effectiveness of the Board of Directors every year since FY4/2016, in an effort to improve its functioning.

### (1) Evaluation method

- (i) Survey period: March–April 2023
- (ii) Subjects: All Directors and All Audit and Supervisory Board Members
- (iii) Evaluation method
  - Self-assessment by questionnaire
  - Individual interviews based on the results of the questionnaire
  - Tabulation and analysis of questionnaire and interview results

### (2) Evaluation items

- (i) Size and composition of the Board of Directors
- (ii) Discussions of the Board of Directors
- (iii) State of operation of the Board of Directors
- (iv) Relationship with shareholders
- (v) Structure of, deliberations at, etc. of Nomination and Remuneration Committee
- (vi) Self-assessment

## Results of evaluation and initiatives

<b>Issues pointed out in the evaluation of the effectiveness of the Board of Directors in FY4/2022</b> <small>(from March to April 2022)</small>	<ul style="list-style-type: none"> <li>• Appointment of female directors to ensure diversity</li> <li>• The necessity of active discussion about medium- to long-term management strategies from ESG and sustainability perspectives, and of sharing and discussing the status of efforts toward the aim of becoming a Global Tea Company with domestic and overseas group companies</li> <li>• The enhancement of opportunities to share information with Outside Directors and Audit and Supervisory Board Members to ensure more active discussions</li> </ul>
<b>Initiatives in FY4/2023</b>	<ul style="list-style-type: none"> <li>• Appoint a female director</li> <li>• Share information on progress in the medium- to long-term management plan and issues to address</li> <li>• Manage progress for initiatives and indicators (KPIs) for each material issue</li> <li>• Discuss new ESG issues and how to deal with risks</li> </ul>
<b>Evaluation of the effectiveness of the Board of Directors in FY4/2023</b> <small>(from March to April 2023)</small>	<ul style="list-style-type: none"> <li>• Regarding the size and operation of the Board of Directors, it was confirmed that the Board is sufficiently functioning in terms of its fulfillment of its managerial decision-making and supervising functions. Regarding its members, it was concluded that the Board's gender balance improved due to the appointment of a female director.</li> <li>• It was concluded that opportunities to share information to ensure more active discussions increased, including prior explanations of agenda items to the Outside Directors and Outside Audit and Supervisory Board Members and the timely provision of information on companies and the industry.</li> <li>• On the other hand, the necessity of active discussion about medium- to long-term management strategies from ESG and sustainability perspectives, and of sharing and discussing the status of efforts toward the aim of becoming a Global Tea Company with domestic and overseas group companies has been pointed out.</li> </ul>
<b>Initiatives in FY4/2024</b>	<ul style="list-style-type: none"> <li>• Share information on progress in the medium- to long-term management plan and issues to address in the entire ITO EN Group to become a Global Tea Company</li> <li>• Promote sustainability management throughout the ITO EN Group</li> </ul>

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

## Remuneration for Corporate Officers

### Policy for determining the remuneration for Directors

The Company transitioned to a company with an Audit and Supervisory Committee on July 26, 2023. At a meeting of the Board of Directors held on the same date, it revised its policy for determining the remuneration for Directors as below.

Remuneration etc. of Directors is deliberated by the Nomination and Remuneration Committee, which consists of a majority of Independent Outside Directors, to ensure objectivity and transparency in accordance with the Company's basic views on corporate governance and basic views on remuneration. The Board of Directors determines the remuneration for Directors, respecting the report by the Nomination and Remuneration

Committee. Remuneration for the Directors who serve as Audit and Supervisory Committee Members and for the other Directors is determined separately. Their remuneration does not exceed the maximum set by the General Meeting of Shareholders. The Nomination and Remuneration Committee deliberates on the individual remuneration, etc. of Directors, including whether it is consistent with the policy for determining remuneration and whether it has been evaluated based on the remuneration standards, and the Board of Directors determines the individual remuneration for Directors giving due respect to the report by the Nomination and Remuneration Committee.

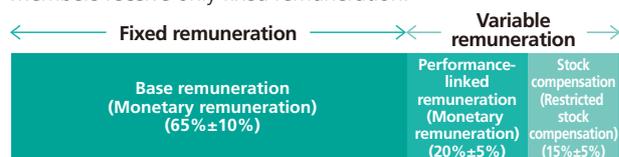
### Basic policy

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

### Composition of remuneration

Remuneration, etc. of Directors (excluding Outside Directors and Directors serving as Audit and Supervisory Committee Members) of the Company comprises fixed remuneration and variable remuneration. Fixed remuneration accounts for about 65% of the total remuneration and variable remuneration accounts for about 35% (performance-linked remuneration about 20%, stock remuneration about 15%). Outside Directors

and Directors serving as Audit and Supervisory Committee Members receive only fixed remuneration.



- (i) Fixed remuneration: Fixed remuneration is base remuneration paid in cash according to Directors' positions and roles. In principle, it is paid monthly.
- (ii) Variable remuneration: Performance-linked remuneration is monetary remuneration based on performance evaluation during the evaluation period. In principle, it is paid monthly.

The purpose of stock compensation is to create a stronger connection between compensation and the Company's stock price. This allows Directors to share the effects of changes in the stock price with shareholders. As a result, the Company expects that they should have more interest in the stock price and operating results and increase their motivation to improve them. The stock compensation plan is a restricted stock compensation plan where shares of the Company's stock are allotted annually to the Directors and Executive Officers according to their positions and roles during the period.

#### (i) Determination of variable remuneration

The Company determines performance-linked remuneration through comprehensive performance evaluation in which, in order to link the business performance and remuneration, the Company designates some of the Company's business

performance indicators as measures for Directors' individual performance, sets the standard ratio of consolidated performance to non-consolidated performance for each position, considers each Director's responsibilities, and awards points to each Director with respect to each business performance indicator.

- (ii) The Company's business performance indicators used as Directors' performance measures

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

### Total amounts of remuneration, total amounts by remuneration type, and numbers of recipient officers by corporate officer category (FY4/2023)

Officer category	Total amount of remuneration (million yen)	Total amount of remunerations (million yen)			Number of eligible officers
		Fixed remuneration	Performance-linked remuneration (Monetary remuneration)	Performance-linked remuneration (Stock compensation)	
Director (excluding Outside Directors)	503	453	—	50	10
Outside Director	48	48	—	—	5
Total	552	501	—	50	15
Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Members)	13	13	—	—	1
Outside Audit & Supervisory Board Member	34	34	—	—	3
Total	47	47	—	—	4

## Cross-shareholdings

---

The Company holds shares for purposes other than pure investment (cross-shareholdings), including ensuring close business relationships and facilitating every transaction, such as purchases and funding. If cross-shareholdings do not contribute to improving corporate value in the medium- to long-term, the Company will gradually reduce them. Each year, the Board of Directors assesses whether the return on invested capital exceeds the cost of capital for each stock of shares held for purposes other than pure investment (cross-shareholdings). In addition, from the perspective of maintaining and strengthening relationships with its clients over the medium- to long-term,

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

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

---

ITO EN seeks to develop top-level management personnel with an emphasis on refining multifaceted management senses, such as by selecting future top-level managers from amongst senior management personnel and allowing them to gain experience in management at Group companies from an early stage. One of the key strategies in the medium- to long-term management

plan is to create new businesses. To implement the strategy, the Company has established an internal venture system. To cultivate top executives capable of developing strategies, the Company has opened ITO EN Graduate School for managers and higher positions.

## Initiatives for Intellectual Property

---

### Intellectual property system

In accordance with its intellectual property policy and important strategies defined in the medium- to long-term management plan, we promote intellectual property management that contributes to solving social issues and improving corporate value. The Company has in-house patent attorneys and lawyers and also has an Intellectual Property Department dedicated to IP matters, as well as consulting outside experts. The Company has established a system where the department cooperates with other divisions to actively support the R&D division. In their IP landscape

activities, the department makes recommendations for R&D strategy meetings and business planning meetings. The department reports its activities and intellectual property risk management issues to the Board of Directors and receives feedback. The Company's success rate of patent applications filed in Japan as of October 2023 was 65.6% (Number of patents held ÷ Number of patents applications × 100) and the Company aims to file applications efficiently, meeting patentability requirements. The ratio of R&D costs to net sales was 0.49% in FY4/2023.

### Support for management strategies

Towards the realization of its being a Global Tea Company as a Health Creation Company, we provide unique products with high health value through its support of research and development by intellectual property activities regarding the functionality of food, including the impact of green tea and matcha on cognitive functions. In our core tea business, we protect IP rights in the supply chain from tea farms through to tea products, and recycling of used tea leaves. We also help solve environmental and social issues by implementing a recycling-oriented business model based on intellectual property rights, including the recycling of

used tea leaves, organic farming using fewer pesticides, and sustainable containers and packaging. To help overseas operations, we aim to acquire IP rights and avoid IP infringement risks around the world and, to this end, will gather data on intellectual property globally and acquire rights in an appropriate and effective manner. Moreover, since FY4/2023, we have been developing human resources for the creation of intellectual property in overseas operations and provided education on intellectual property to 40 individuals.

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

Our growth have been driven by a range of innovations, such as the creation of beverages from unsweetened tea which had previously been considered impossible. The Intellectual Property Department works to develop personnel for the creation of intellectual property by providing education to promote knowledge and skills acquisition to overseas human resources mentioned above, as well as research and development, marketing, and manufacturing departments and other sections engaging in the creation of intellectual property. In FY4/2023, we

provided intellectual property education to 225 people in departments involved in intellectual property creation. The cumulative total number of people involved in intellectual property promotion is 146 as of October 2023. We have an Employee Invention Compensation System. In FY4/2024, we paid compensation for 151 inventions. Through the system, we encourage employees to create intellectual property and strive to develop business.

# Directors and Executive Officers (As of July 26, 2023)

Position Name	Chairman of the Board and CEO <b>Hachiro Honjo</b>	President and Executive Officer <b>Daisuke Honjo</b>	Executive Vice President, Representative Director and Executive Officer <b>Shusuke Honjo</b>	Vice Chairman, Director and Executive Officer <b>Minoru Watanabe</b>	Director and Senior Managing Executive Officer <b>Yoshihisa Nakano</b>	Director and Senior Managing Executive Officer <b>Shigeru Kamiya</b>
<b>Career Summary</b>	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 1969 Managing Director Jun. 1970 Executive Managing Director May 1978 Executive Vice President Apr. 1987 Executive Vice President and Representative Director May 1988 President May 2009 Chairman of the Board and CEO (current post)	Apr. 1987 Joined the Company Jul. 1990 Director May 1997 Managing Director May 2000 Executive Managing Director Jul. 2002 Executive Vice President and Representative Director May 2009 President May 2019 President and Executive Officer (current post)	Apr. 1994 Joined the Company Jul. 2003 Director May 2005 Managing Director May 2008 Executive Managing Director May 2010 Executive Vice President Aug. 2014 Executive Vice President and Representative Director May 2018 General Director of Sales Control Headquarters (current post) May 2019 Executive Vice President, Representative Director and Executive Officer (current post) May 2021 Chief Digital Officer (CDO) (current post) May 2022 In charge of Marketing Headquarters (current post)	Jul. 1976 Joined the Company Jul. 1996 Director May 2001 Managing Director May 2003 Executive Managing Director May 2008 Executive Vice President May 2012 In charge of Administration Headquarters (current post) May 2014 In charge of International Business Headquarters (current post) May 2019 Executive Vice President, Director and Executive Officer (current post) May 2022 Vice Chairman, Director and Executive Officer (current post) May 2023 In charge of Group Management Promotion Department (current post)	Mar. 1989 Joined the Company May 2010 General Director of Personnel and General Affairs Headquarters Jul. 2010 Director May 2014 Managing Director May 2015 General Manager of National Distribution Sales Headquarters May 2019 Director and Senior Managing Executive Officer (current post) General Director of Production Headquarters (current post) May 2022 In charge of Logistics Headquarters (current post) May 2023 Chief Sustainability Officer (CSO) (current post)	Mar. 1982 Joined the Company May 2012 Executive Officer General Director of National Retailer Sales Headquarters Jul. 2014 Director May 2016 Managing Director May 2019 In charge of National Distribution Sales Headquarters (current post) Director and Senior Managing Executive Officer (current post) May 2021 General Director of Tokyo and Chiba Area Sales Headquarters May 2022 In charge of National Retailer Sales Headquarters (current post) May 2023 In charge of General Planning Department (current post)
<b>Number of shares held (shares)</b>	Common stock 2,446,230 Class-A preferred stock 882,900	Common stock 1,159,960 Class-A preferred stock 216,870	Common stock 509,190 Class-A preferred stock 81,480	Common stock 17,400 Class-A preferred stock 16,000	Common stock 11,700 Class-A preferred stock 2,000	Common stock 9,200 Class-A preferred stock 640
<b>Skills Matrix</b>						
Corporate management	○	○	○	○	○	○
Brand strategy, Marketing and Sales		○	○			○
R&D, Agriculture, Procurement and Manufacturing					○	
Overseas strategy	○	○	○	○		
Finance and Accounting				○		
Personnel, Labor affairs and Human resource development				○		
ESG		○	○		○	
Legal affairs, Compliance and Risk management						

Note: The above table does not show all the skills possessed by each person. A maximum of four particularly specialized skills possessed by each person are marked with a circle (○).

## Managing Executive Officers

General Director of Kansai Area Sales Headquarters <b>Hideki Yoshida</b>	General Director of Tokyo and Chiba Area Sales Headquarters <b>Nozomi Kishi</b>	Deputy Director-General of Production Headquarters <b>Minoru Shirai</b>	General Director of Chubu Area Sales Headquarters <b>Takahiro Sasaki</b>	General Director of Specialized Sales Headquarters <b>Shinji Karasawa</b>	General Director of National Distribution Sales Headquarters <b>Hiroyasu Ando</b>	Senior Fellow of Central Research Institute <b>Iwao Sakane</b>	President and CEO of Green Value Co.,Ltd. <b>Masato Kawamoto</b>	General Director of Wide Area Corporate Sales Headquarters <b>Naohiro Nakanishi</b>
---	--	--	---	--	--	---	---	--

Director and Executive Officer <b>Yosuke Jay Oceanbright Honjo</b>	Director and Senior Managing Executive Officer <b>Atsushi Hirata</b>	Outside Director <b>Hideo Takano</b>	Outside Director <b>Keiko Abe</b>	Director (Audit and Supervisory Committee Member) <b>Kiyoshi Kondo</b>	Outside Director (Audit and Supervisory Committee Member) <b>Yuichi Usui</b>	Outside Director (Audit and Supervisory Committee Member) <b>Yutaka Tanaka</b>	Outside Director (Audit and Supervisory Committee Member) <b>Hitoshi Yokokura</b>
Mar. 1992 Joined the Company May 2001 President & CEO of ITO EN (North America) INC. (current post) Jul. 2002 Director (current post) Feb. 2015 CEO of Distant Lands Trading Co. (current post) Nov. 2015 CEO of ITO EN (Hawaii) LLC (current post) Jun. 2023 Executive Officer In charge of U.S. business(current post)	May 1988 Joined the Company May 2010 Executive Officer May 2012 General Director of Administration Headquarters May 2014 Managing Executive Officer General Director of Personnel and General Affairs Headquarters May 2016 General Manager of Administration Headquarters (current post) May 2019 Senior Managing Executive Officer In charge of Internal Control(current post) Jul. 2020 Director and Senior Managing Executive Officer (current post) May 2022 In charge of Compliance (current post) May 2023 Chief Human Resource Officer (CHRO) (current post)	Apr. 1977 Joined The Tokyo Chamber of Commerce and Industry Apr. 2006 General Manager of General Affairs Management Department, The Tokyo Chamber of Commerce and Industry Apr. 2009 Councilor and General Manager of the Secretarial Office, The Tokyo Chamber of Commerce and Industry Apr. 2012 Executive Councilor, The Tokyo Chamber of Commerce and Industry Oct. 2015 President of Japan Retailers Association Nov. 2015 Chairman of the Japanese Fork Arts and Techniques Preservation Association Jun. 2016 Full-time Advisor of The Tokyo Chamber of Commerce and Industry May 2019 Councilor of Japan Retailers Association (current post) Jul. 2020 Outside Director of the Company (current post)	Jun. 1994 Associate Professor of Faculty of Agriculture, The University of Tokyo Apr. 1996 Professor of Graduate School of Agricultural and Life Sciences, The University of Tokyo Apr. 2008 Research Advisor of Kanagawa Academy of Science and Technology (currently Kanagawa Institute of Industrial Science and Technology) (current post) Apr. 2010 Project Professor of Graduate School of Agricultural and Life Sciences, The University of Tokyo (current post) Jun. 2010 Professor Emeritus of The University of Tokyo (current post) Jun. 2019 Outside Director of Taiyo Kagaku Co., Ltd. (current post) Jul. 2019 Visiting Professor of Agriculture(current post) Jul. 2022 Outside Director of the Company (current post)	Aug. 1989 Joined the Company May 1999 General Manager of South Tokyo Sales Department May 2002 General Manager of Sales Promotion Department III May 2009 General Manager of Vending Machine Department May 2012 Manager of Internal Auditing Office May 2014 General Director of Regional Sales Management Headquarters May 2019 General Director of Sales and Management Headquarters May 2020 Executive Officer May 2022 Advisor Jul. 2023 Director of the Company (Audit & Supervisory Committee Member)	Oct. 1976 Joined Metropolitan Police Department Feb. 1994 Deputy Chief of the 7th Anti-riot Squad, Metropolitan Police Department Oct. 2005 General Manager of the 2nd Personnel Section, Metropolitan Police Department Feb. 2010 General Manager of Regional Department, Metropolitan Police Department Apr. 2011 Joined YAMATO TRANSPORT CO., LTD. as General Manager of Human Resources and Administration Apr. 2012 Executive Officer and General Manager of CSR Promotion, YAMATO TRANSPORT CO., LTD. Apr. 2014 Managing Executive Officer of YAMATO TRANSPORT CO., LTD. Apr. 2015 Director and Managing Executive Officer of YAMATO TRANSPORT CO., LTD. Apr. 2018 Member of the Board, YAMATO TRANSPORT CO., LTD. Jun. 2018 Representative of Usui Firm (current post) Jul. 2018 Outside Director of the Company (current post) Jul. 2023 Outside Director of Ohsho Food Service CO., Inc. (current post) Jul. 2023 Outside Director of the Company (Audit & Supervisory Committee Member) (current post)	Apr. 1966 Entered the Sapporo Regional Taxation Bureau Jul. 2003 District Director of Tokyo Ueno Tax Office Jul. 2006 Director-General of Takamatsu National Tax Tribunal Jul. 2007 Attached to the Commissioner's Secretariat of National Tax Agency Aug. 2007 Head of Tanaka Tax Certified Accountant Office (current post) Jul. 2013 Outside Audit & Supervisory Board Member of the Company Jul. 2019 Outside Director of the Company Jul. 2023 Outside Director of the Company (Audit & Supervisory Committee Member) (current post)	Apr. 1992 Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC) Mar. 1995 Registered as Certified Public Accountant 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 Jun. 2020 Outside Director of Credit Saison Co., Ltd. (current post) Jul. 2021 Outside Audit & Supervisory Board Member of the Company May 2023 Outside Corporate Auditor, Yoshinoya Holdings Co., Ltd. (current post) Jun. 2023 Outside Director of the Company (Audit & Supervisory Committee Member) (current post)
Common stock 480,350 Class-A preferred stock —	Common stock 1,365 Class-A preferred stock 120	Common stock — Class-A preferred stock —	Common stock — Class-A preferred stock —	Common stock 2,600 Class-A preferred stock 960	Common stock 900 Class-A preferred stock —	Common stock 5,700 Class-A preferred stock —	Common stock — Class-A preferred stock —
○	○	○		○	○		
○			○				
○							
	○					○	○
	○	○			○	○	
	○			○			○

### Executive Officers

General Director of Southern Kanto Area Sales Headquarters <b>Toru Yamamoto</b>	General Director of Marketing Headquarters <b>Mitsumasa Shida</b>	Head of International Business and General Manager of International Business Promotion Department <b>Kazuhiko Nakajima</b>	General Manager of Secretarial Department and Vehicle Operation Department <b>Satoshi Matsunaga</b>	General Manager of Administration Department, Production Headquarters <b>Toshiyuki Okano</b>	General Director of National Retailer Sales Headquarters <b>Katsumi Masui</b>	General Director of Sales Management Headquarters <b>Koichi Tamaie</b>	General Director of Northern and Eastern Kanto Area Sales Headquarters <b>Kazuhiro Hiraoka</b>	Deputy Director-General of Administration Headquarters <b>Tsuyoshi Arai</b>
--	--	---	--	---	--	---	---	--

## Expectations and Challenges under the New Corporate Governance System Toward the Increase of Corporate Value over the Medium- to Long-Term

### Message from the lead Outside Director



Outside Director  
**Hideo Takano**

#### Taking one step at a time to steadily respond to a wide range of issues is important

Amidst the greatly changing environment in and outside Japan, the transition to the new governance system highlights the enhancement of the consolidated management of the ITO EN Group and increases the transparency of its management for consumers and investors. Among the wide range of matters that require discussions in the future toward the realization of our vision of becoming a Global Tea Company, substantial debate is needed regarding how we appropriately balance costs and earnings, which are the ultimate mission of a business, from a sustainability-oriented perspective to overcome social issues going forward. I am committed to expressing objective and fair opinions on each subject from an independent standpoint to the Group's employees and all other stakeholders, after examining the status of corporate management, operating trends, decision-making processes and other matters.

In practical terms, I believe that the discussion of disclosure based on the TCFD recommendations, the promotion of water resource preservation activities, methods for utilizing human resources, the digital transformation promotion system and other matters is important. For ITO EN, which handles tea and products made from natural resources, the impact of global warming caused by climate change in the future on production volume and quality of agricultural crops is a major problem. However, there should also be business opportunities, in addition to response to risks and costs associated with the response, and I hope to achieve a balance between risks and opportunities by ensuring these business opportunities are seized.

Creating products that address environmental problems will be an indispensable lifeline in overcoming environmental challenges, and I believe that it is important to steadily take one step at a time, rather than swinging for the fences.

### Messages from Outside Directors who are members of the Nomination & Remuneration Committee



Outside Director  
(Audit and Supervisory Committee Member)  
**Yuichi Usui**

#### Expectations for enhanced risk management under the new corporate governance system

I believe that it is critical for ITO EN, that has transitioned to being a company with an Audit and Supervisory Committee, to ensure that its directors who are Audit and Supervisory Committee Members promptly and flexibly fulfill the roles previously fulfilled by its Audit and Supervisory Board Members. I became the chair of the Nomination & Remuneration Committee and I am committed to making decisions that always reflect the performance of individual employees. Regarding public disclosure of the matters determined by the committee, we will ensure that these matters contribute to the improvement of employee engagement and that all employees and stakeholders understand our actions and have confidence in us.

In addition, at meetings of the Board of Directors, I have requested detailed reports on compliance problems that have occurred within the Company and have utilized my previous experience when asking questions and providing advice on the Company's policies regarding the prevention of recurrence. Although an extremely efficient system is in place for handling potential compliance problems, I believe that ensuring that this system functions effectively will be a challenge for the future. Regarding the Corporate Ethics Hotline that has been established, I believe that the content of hotline reports should be shared across the entire Company as a guide for future improvements, in addition to examination within the relevant departments. Moreover, it can be said that securing human resources is critical to an enterprise's success. In particular, I believe that it is important for the Company to create a workplace environment that supports employees in their balancing of work with having and raising children and caring for other family members, and ensures that families are able to live with peace of mind through methods such as allowing male employees to take childcare leave.



Outside Director  
**Keiko Abe**

### **Use of our research and survey data for the popularization of tea beverages in the international community**

As an initiative toward the realization of our vision of becoming a Global Tea Company, I believe that it is most important that we popularize tea beverages in the international community. For this reason, it is necessary to disclose data on the latest research and survey results as well as the directions and targets of activities toward a future society, provide a clear picture of the status of progress, and implement transparent corporate governance in which these measures are shared throughout the Company. Toward the improvement of people's well-being (their physical and mental condition), I hope that research that indicates there is scientific evidence of the health benefits of tea supported by the long history of tea drinking is conducted, that this information (data) is proactively communicated and that consumption trend data can be formulated based on surveys of how ITO EN's products are used at what time of day and in what settings, or with what kinds of meals or luxury items, etc. At meetings of the Board of Directors, I have provided advice to the effect that the Company should strengthen its attitude toward presenting scientific evidence obtained from research and development activities to magazines and academic conferences both nationally and internationally. Going forward, I hope to see enhanced research under academic-industrial alliances, and cooperation and data sharing across the ITO EN Group as a whole.

Diversity has become more important in recent years, and many female employees are displaying their abilities in their work in the ITO EN Group. I believe that it is important to increase opportunities for them to make constructive statements at industrial meetings, academic conferences, study sessions, etc. It is also important to share issues and requests toward women's empowerment through exchange of frank opinions at meetings between the management team and female employees.



Outside Director  
(Audit and Supervisory Committee Member)  
**Hitoshi Yokokura**

### **Discussions for creating value and achieving growth on a global scale are important**

The Company adopted a new corporate governance system in the current fiscal year, and the Board of Directors will need to discuss strategies and the major direction of the ITO EN Group even more than before and support active and sound risk-taking to seize growth opportunities. As a director who is an Audit and Supervisory Committee Member, I am committed to fully considering this need and evaluating and supervising the status of related matters from an objective and independent standpoint based on close consultation and cooperation with the internal audit section and independent auditors. Globally, the ITO EN Group handles products made from natural sources, so it cannot be indifferent to the changes in the natural environment that are occurring globally and the turmoil in the international situation. In these circumstances, the Company seeks to grow as a unique enterprise that globally creates and provides value to contribute to people's health and the achievement of a sustainable society. I believe that the Board of Directors should discuss and examine how to incorporate directions of the Group's measures and agenda submitted to its meetings into strategic targets and management plans and how they are related to the improvement of corporate value.

Moreover, in these times of great uncertainty, it is impossible to foresee all of the issues that enterprises may face. We must carefully determine the skills and mindsets that are needed to address unexpected situations and solve difficult issues, and we must appoint the right people to the right jobs. Diversity and inclusion for human resources are the foundation for the above. Teams consisting of diverse human resources should identify issues from diverse perspectives and solve them through a variety of approaches. As part of its measures for strengthening its management base during the implementation of the medium- to long-term management plan, the Company aims to utilize human assets. By boldly pursuing this, I hope that the Company will grow to become an innovative organization that does not flinch in the face of crisis and that tenaciously paves its way for the future.

# Risk Management

## Basic Approach to Risk Management

The ITO EN Group defines risks as events that may affect the purpose of corporate management, and works to maintain and improve corporate value by comprehensively and strategically managing and appropriately handling risks that impede the achievement of objectives from a holistic perspective.

ITO EN Group Risk Management Policy ▶ [https://www.itoen-global.com/company/policy/risk\\_management.html](https://www.itoen-global.com/company/policy/risk_management.html)

## Risk Management System

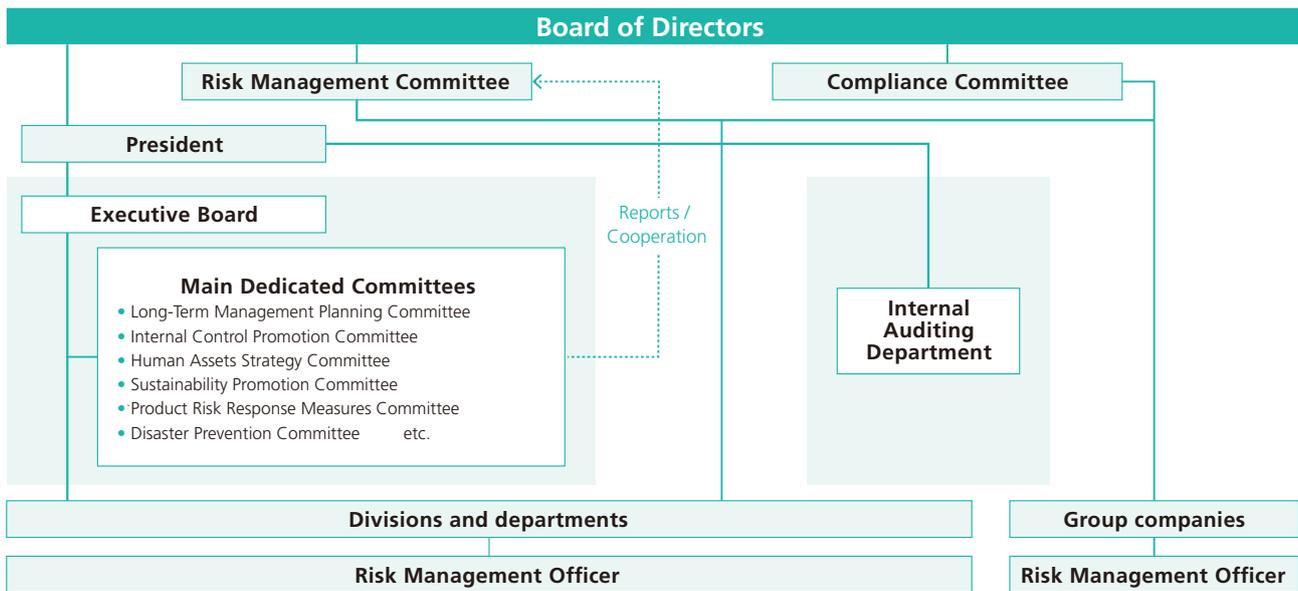
To enhance risk management across the board, the ITO EN Group has created a holistic risk management structure by formulating risk management regulations and establishing the Risk Management Committee chaired by the President.

The committees by area of risk, including compliance, sustainability, quality management and disaster control, collaborate with each other by addressing risks based on their individual roles and functions and by sharing risk information and

the status of the handling of risks with the Risk Management Committee. Moreover, the Risk Management Committee also discusses the handling of human rights risks in the supply chain.

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

### Risk Management System (since May 2023)



## Risk Evaluation

To understand risk information and the status of the handling of risks on a company-wide basis, the Company comprehensively clarifies risks, evaluates and confirms them at meetings of the Risk Management Committee using a risk map (impact and frequency of the occurrence of risks), and identifies high-priority

risks. The evaluation of these risks and the status of their handling is reported to the Board of Directors. Important risks are managed by regularly confirming them and reviewing them as necessary, including the methods for handling them.

## Business and Other Risks

Major risks that could affect the ITO EN Group's operating performance, financial condition, etc. (the Japanese economy, consumption trends, climate change, natural disasters, information management, etc.) are described in securities reports and the Company's website.

Securities report (Japanese only) ▶ [https://ssl4.eir-parts.net/doc/2593/yo\\_ho\\_pdf/S100RH38/00.pdf](https://ssl4.eir-parts.net/doc/2593/yo_ho_pdf/S100RH38/00.pdf)  
 ITO EN's website ▶ [https://www.itoen-global.com/investors/management\\_plan/business\\_risk.html](https://www.itoen-global.com/investors/management_plan/business_risk.html)

# Compliance

## Thorough Observance of the ITO EN Group Code of Conduct is the Foundation of Compliance

The ITO EN Group thoroughly adheres to laws and regulations, ordinances, rules, internal regulations and fair business practices, adapts to corporate ethics and social demand, and promotes competition-based, fair and equitable business practices. To achieve this, we ensure that the basic compliance requirement of the thorough implementation of the ITO EN Group Code of

Conduct, which describes the Company's concept of sound business activities based on the management principle of Always Putting the Customer First (basic policy) and how all of the people working in the Group should act (standard of conduct), is instilled in employees.

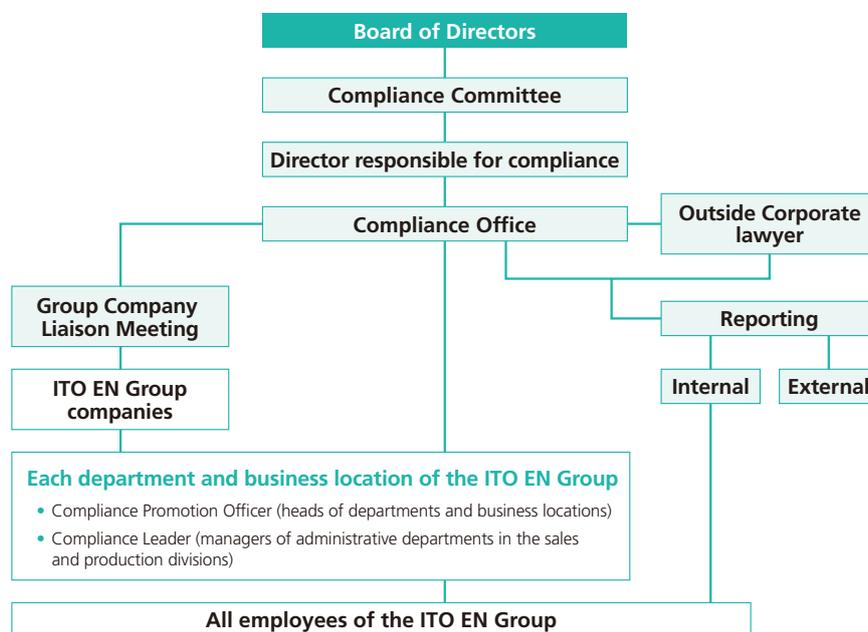
ITO EN Group Code of Conduct ▶ <https://www.itoen-global.com/company/policy/promise.html>

## Compliance System

We have also established the Compliance Committee and Compliance Office, which are advisory bodies to the Board of Directors, thereby establishing a system to promptly consider and implement countermeasures in the event of a serious compliance-related incident.

The Compliance Committee meets four times a year and reports on its activities.

Moreover, a Promotion Officer is assigned in each department and business location and Compliance Leaders are assigned at sales headquarters and regional headquarters around the country. Through the collaborative efforts of each section, we are enhancing compliance by conducting detailed reviews to prevent compliance violations and their recurrence.



## Promotion of Compliance Education to Ensure a Thorough Understanding of Compliance

To promote company-wide compliance awareness, twelve curriculums for compliance education are provided annually to all departments and business locations, with the goals of implementing improvements, addressing existing issues and problems and promoting employees' understanding of the ITO EN Group Code of Conduct. To create an environment where everyone can work comfortably and where no fraudulent

or harassing acts are permitted, the Company has also established Compliance Enhancement Promotion Month which occurs twice a year, provides e-learning and face-to-face education at its departments and business locations, posts compliance awareness-raising posters, and distributes pocket-sized compliance cards.

## Compliance Support System (Internal Reporting System)

The Company has established a Corporate Ethics Hotline that can be used by anyone, including customers. Whistleblowing, consultation requests and questions are received internally and externally through contact points set up by internal departments and by external contact points. In FY4/2023, there were 58 whistleblowing reports, and 45 of these were whistleblowing and consultation requests regarding the workplace environment and harassment incidents. In accordance with Japan's Whistleblower Protection Act, whistleblowing information is

kept confidential, known to the staff working for the contact points, and the whistleblower's consent to the disclosure of information is requested when necessary to handle the incident. In this manner, the anonymity of the whistleblower is protected, and disadvantageous treatment of the whistleblower is prohibited. Incidents identified through whistleblowing, etc. are reported to the officer in charge of compliance and handled in cooperation with corporate lawyers, etc.

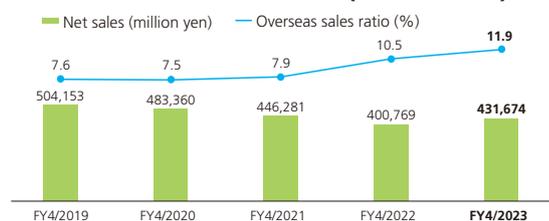
# Key Financial Indicators (consolidated)

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

	(units)	Previous standard			New standard*	
		FY4/2019	FY4/2020	FY4/2021	FY4/2022	FY4/2023
<b>P/L</b>						
Net sales	(million yen)	504,153	483,360	446,281	400,769	431,674
Year-on-year comparison	(%)	1.9	(4.1)	(7.7)	—	7.7
Overseas sales ratio	(%)	7.6	7.5	7.9	10.5	11.9
Operating income	(million yen)	22,819	19,940	16,675	18,794	19,588
Profit ratio	(%)	4.5	4.1	3.7	4.7	4.5
Ordinary income	(million yen)	23,211	19,432	17,029	19,971	20,341
Profit ratio	(%)	4.6	4.0	3.8	5.0	4.7
Profit attributable to owners of parent	(million yen)	14,462	7,793	7,011	12,928	12,888
Profit ratio	(%)	2.9	1.6	1.6	3.2	3.0
<b>B/S</b>						
Total assets	(million yen)	303,981	290,651	333,065	328,359	338,774
Total liability	(million yen)	153,058	140,956	180,007	165,346	166,646
Net assets	(million yen)	150,923	149,695	153,057	163,012	172,128
Current ratio	(%)	232.0	244.8	239.3	290.7	262.7
Equity ratio	(%)	49.2	51.0	45.6	49.2	50.4
Liability ratio	(%)	102.3	95.0	118.6	102.3	97.7
<b>Statement of cash flows</b>						
Cash flows from operating activities	(million yen)	26,128	24,719	25,351	22,226	23,773
Cash flows from investing activities	(million yen)	(10,635)	(9,217)	(7,514)	(7,397)	(8,638)
Free cash flow	(million yen)	15,492	15,502	17,836	14,829	15,135
Cash flows from financing activities	(million yen)	(15,005)	(12,905)	25,813	(29,930)	(9,130)
Cash and cash equivalents at the end of period	(million yen)	61,950	63,710	107,763	94,471	100,899
<b>Other</b>						
ROE	(%)	9.9	5.2	4.7	8.2	7.8
ROA	(%)	4.8	2.6	2.2	3.9	3.9
<b>Common stock</b>						
PER	(times)	47.7	97.2	109.8	51.4	40.5
PBR	(times)	4.5	4.9	4.8	4.0	3.0
EPS	(yen)	116.02	61.53	55.10	103.92	103.82
BPS	(yen)	1,229.28	1,221.92	1,250.37	1,334.88	1,408.55
Dividend per share	(yen)	40	40	40	40	40
<b>Preferred stock</b>						
PER	(times)	20.4	29.3	35.8	16.8	16.2
PBR	(times)	2.1	1.7	1.9	1.4	1.3
EPS	(yen)	126.00	71.53	65.10	113.89	113.82
BPS	(yen)	1,234.28	1,226.92	1,255.37	1,339.88	1,413.55
Dividend per share	(yen)	50	50	50	50	50
Total return ratio	(%)	48.9	92.1	74.0	44.5	40.1

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

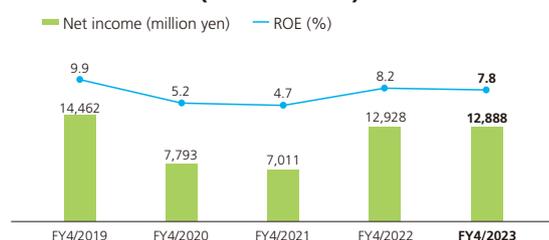
## Net sales/overseas sales ratio (consolidated)



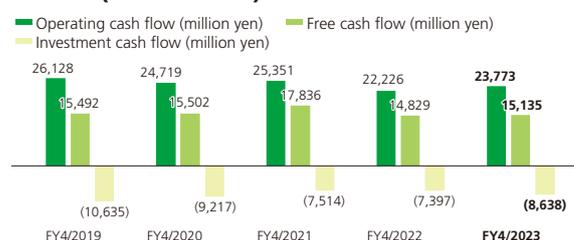
## Operating income/operating income ratio (consolidated)



## Net income/ROE (consolidated)



## Cash flow (consolidated)



# Non-financial Indicators

For sustainability data, please refer to the following link.  
<https://www.itoen-global.com/sustainability/performance.html>

		(units)	FY4/2021	FY4/2022	FY4/2023
GHG emissions * The scope of Scope 1-3 emissions includes ITO EN, LTD., ITO EN SANGYO, LTD., Tully's Coffee Japan Co.,Ltd., and Chichiyasu Company. * Scope 1: Direct emissions due to use of fuel by the company itself. Scope 2: Indirect emissions accompanying use of power purchased by the company. Scope 3: Other emissions relating to business activities, aside from those covered by Scope 1 and 2	Scope 1	(thousand t-CO <sub>2</sub> )	33	32	30
	Scope 2	(thousand t-CO <sub>2</sub> )	33	30	29
	Total for Scope 1&2	(thousand t-CO <sub>2</sub> )	67	62	60
	Scope 3	(thousand t-CO <sub>2</sub> )	1,485	1,433	1,427
	Total for Scopes 1-3	(thousand t-CO <sub>2</sub> )	1,552	1,495	1,487
<b>Water resources</b>					
* Data boundary: ITO EN, LTD. (company-owned domestic factories and research centers, buildings and business locations)	Total water intake	(thousand m <sup>3</sup> )	468	490	383
	Total water discharge	(thousand m <sup>3</sup> )	197	196	182
<b>Water resources (beverage production outsourcing partners)</b>					
* Data boundary: Water use for ITO EN products out of total amount of beverage production outsourcing partners, includes some estimates.	Total water intake	(thousand m <sup>3</sup> )	18,591	17,848	17,500
	Total water discharge	(thousand m <sup>3</sup> )	13,014	12,676	12,466
<b>Sustainable containers and packaging</b>					
Percentage ratio of recycled materials used for all PET bottle	All PET bottles of <i>Oi Ocha</i> brand	(%)	14	22	24
	All PET bottles	(%)	7	14	15
<b>Waste reduction</b>					
Food recycling rate		(%)	92.6	94.4	94.8
Amount of raw materials used in products	Total	(t)	102,476	99,853	89,792
	Crude tea (green tea ingredients)	(t)	17,966	19,475	17,936
	Other raw materials (oolong tea, black tea, fruit juice raw materials, and others)	(t)	84,510	80,378	71,856
<b>Human resource development</b>					
Education and training (including online education and e-learning)	Total number of students per year	(number)	34,492	55,032	89,009
	Course time per student	(minute)	218.0	362.0	683.0
<b>Engagement</b>					
Employee engagement score (6 points, UWES reference)		(score)	—	3.22	3.18
<b>Liquidity</b>					
Turnover rate of regular employees		(%)	3.71	3.86	4.65
<b>Diversity</b>					
Number of employees (consolidated)	Total (consolidated)	(number)	8,180	8,028	7,928
	Female employee ratio (consolidated)	(%)	18.4	18.7	18.8
Number of employees	Total	(number)	5,290	5,175	5,205
	Female employee ratio	(%)	11.2	11.4	11.7
Female manager ratio		(%)	2.8	2.8	3.3
Employment rate of people with disabilities		(%)	2.43	2.46	2.48
Taking annual paid leave ratio		(%)	53.9	52.1	54.8
Number of employees taking childcare leave	Percentage of male employees taking childcare leave	(%)	24.1	29.7	32.3
	Percentage of employees returning to work after childcare leave	(%)	97.2	97.1	98.0
Pay gap between male and female employees (Male employee = 100)	All employees	(%)	—	—	58.2
	Regular employees	(%)	74.2	74.3	77.3
	Of which, section chiefs	(%)	89.3	90.3	94.2
	Of which, less than 10 years of service	(%)	95.0	94.3	94.2
<b>Health and safety</b>					
Number of occupational accidents		(number)	115	110	116
Occupational accident rate		(%)	1.69	1.86	2.26
Number of work-related fatalities		(number)	0	0	0
Over time work hours per month		(hour)	22.5	24.9	25.4
<b>Labor practices and compliance</b>					
Number of reports to the Corporate Ethics Hotline		(number)	36	34	58
<b>Corporate Governance structure</b>					
Directors / Audit & Supervisory Board Members	Total	(number)	18 (7)	18 (7)	17 (8)
	Directors (of which Outside Directors)	(number)	14 (4)	14 (4)	13 (5)
	Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	(number)	4 (3)	4 (3)	4 (3)
	Independent officers	(number)	6	6	7

Unless otherwise noted, the actual results disclosed below are for ITO EN, LTD.

# Introduction of Main Group Companies (as of April 30, 2023)

## Domestic

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

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

### Chichiyasu Company

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

### OKINAWA ITO EN, LTD.

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

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

Importing and selling natural mineral water *Evian*.

### NEOS Corporation

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

### Green Value Co.,Ltd.

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

### ITO EN SANGYO, LTD.

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, package ITO EN tea bags and packaged tea products.

### TSUCHIKURA Co., Ltd.

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

## USA

### ITO EN (North America) INC.

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

### ITO EN (Hawaii) LLC

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

### Mason Distributors, Inc.

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

### Distant Lands Trading Co.

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

## Australia

### ITO EN AUSTRALIA PTY. LIMITED

Started the Tea-Producing Region Development Projects to secure stable green tea ingredients in 2001. In 2020, local production of green tea tea bag products started.

## 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.

## 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, as well as Malaysia and Vietnam.

## Indonesia

### PT ITO EN ULTRAJAYA WHOLESALE

Established as a joint venture with Indonesian PT ULTRA JAYA.

Selling unsweetened tea products such as *Oi Ocha* and *MATCHA* for business use in the Indonesian market.

## Thailand

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

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

# Stakeholder Engagement

ITO EN engages in dialog with various stakeholders, including investors, experts, and analysts. In March 2023, we held an ESG small meeting for domestic institutional investors and invited five companies to participate in a dialogue with our directors on our sustainability strategy, which is linked to our Medium- to Long-Term Management Plan.



Conducting an ESG small meeting

## ESG Assessment (as of July 2023)

ITO EN Group is included as a constituent in several of the ESG investment indices adopted by the Government Pension Investment Fund (GPIF), one of the largest pension fund management funds in the world and has also been continuously selected as a constituent of the FTSE4Good Index Series, one of the world's leading ESG indices. In addition, for the second year in a row, we have been selected as a Supplier Engagement Leader (the highest possible rating) by CDP, an international non-governmental organization (NGO), in recognition of our efforts to continuously reduce environmental impact throughout our supply chain in collaboration with our suppliers.



2023 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX



THE INCLUSION OF ITO EN, LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF ITO EN, LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

# Company Outline

## Company Profile (as of April 30, 2023)

<b>Company name</b>	ITO EN, LTD.
<b>Head office</b>	47-10, Honmachi 3-chome, Shibuya-ku, Tokyo
<b>Established</b>	August 22, 1966
<b>Capital</b>	19,912,300,000 yen
<b>Number of employees</b>	5,205 persons (non-consolidated basis)
<b>URL</b>	https://www.itoen-global.com
<b>Branches, sales offices and local offices</b>	183 offices in 29 areas throughout Japan
<b>Shops / stores</b>	107 shops nationwide
<b>Factories</b>	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)
<b>Research Institute</b>	Central Research Institute (21, Mekami, Makinohara-shi, Shizuoka)

## Major shareholders

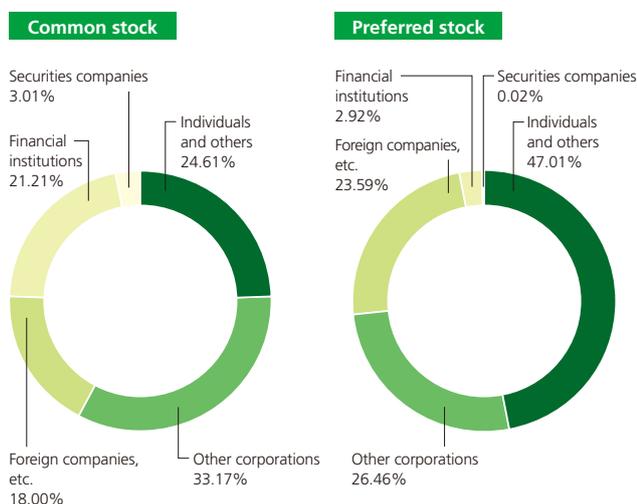
Name of shareholder	Number of shares owned (1,000 shares)			Shareholding ratio (%)
	Common stock	Preferred stock	Total	
Green Core Co., Ltd.	17,603	5,895	23,498	19.42
The Master Trust Bank of Japan, Ltd. (trust account)	10,841	85	10,926	9.03
Honjo International Scholarship Foundation	5,200	1,560	6,760	5.59
Hachiro Honjo	2,446	882	3,329	2.75
The Bank of New York 134104	—	3,294	3,294	2.72
ITO EN Employees' Shareholding Association	1,934	239	2,174	1.80
Toyo Seikan Group Holdings, Ltd.	1,955	126	2,081	1.72
The Bank of New York Mellon (International) Limited 131800	2,036	—	2,036	1.68
Resona Bank, Ltd.	1,933	—	1,933	1.60
State Street Bank and Trust Company 505223	1,803	—	1,803	1.49

1. ITO EN holds 2,466 thousand shares of treasury stock (976 thousand shares of common stock and 1,489 thousand shares of Class 1 preferred stock) which are excluded from the above list of major shareholders.  
2. Percentage of total is calculated based on total shares outstanding excluding treasury stock.

## Shares and Shareholders (as of April 30, 2023)

<b>Total number of authorized shares</b>	200,000,000 shares	
<b>Total number of issued shares</b>	Common stock	89,212,380 shares
	Preferred stock	34,246,962 shares
<b>Number of shareholders</b>	Common stock	61,450 shareholders
	Preferred stock	67,871 shareholders

## Breakdown of shareholdings by investor type



## Preferred stock

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

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

1. In some cases, voting rights are available.  
2. The first decimal place is rounded up to the nearest whole number. The lower limit is 15 yen. Even when no dividend is paid for common stock, 15 yen per share is paid for 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.



**Sustainability Promotion Department**

47-10 Honmachi 3-chome, Shibuya-ku, Tokyo, Japan 151-8550

Tel: +81-3-5371-7213 | Fax: +81-3-5371-7196

E-mail: [csr@itoen.co.jp](mailto:csr@itoen.co.jp)

<https://www.itoen-global.com>