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# Introduction

Integrated disclosure TCFD/TNFD

Our business activities rely heavily on ecosystem services provided by such as plants, animals, air, water, soils, minerals which are essential for agriculture, therefore, the ongoing degradation and loss of natural capital and biodiversity represent significant risks to our operations. We acknowledge that environmental challenges, including the degradation and loss of natural capital and biodiversity, present significant risks to our business operations. By addressing these issues through our business operations, our goal is to contribute to climate regulation, reduce the overconsumption of natural resources, and promote sustainable corporate growth. If our efforts to tackle environmental issues succeed in halting and reversing the loss of biodiversity and natural capital, we are confident this will further enhance the resilience and sustainability of our business activities. Through analysis based on the TCFD and TNFD frameworks, we have recognized that climate regulation and natural capital/biodiversity are deeply interconnected. We believe it is essential to conduct integrated assessments and evaluations of these issues and to pursue holistic solutions. We have identified and evaluated key risks and opportunities related to climate regulation and natural capital/biodiversity across our business operations, and have recorded them as a component of our Integrated Disclosure based on TCFD/TNFD recommendations. In this report, we remain dedicated to expanding and deepening the scope of our analysis, continuously updating our understanding of the surrounding environmental conditions, and refining our risk management approaches. We will also work toward the formulation of metrics and targets that lead to meaningful KPIs, ensuring our efforts remain measurable, transparent, and impactful.

Expansion of target business and scope

Among the ITO EN Group’s businesses, we initially prioritized the Leaf and Drink-related business, which accounts for over 90% of our consolidated sales. Since FY2020, we have been conducting scenario analysis in accordance with the TCFD recommendations, starting with our core product green tea in the beginning. We analyzed the impact of climate regulation on harvesting and quality for tea. And then we identified risks associated with global warming, changing precipitation patterns, and weather variability, which could affect green tea cultivation areas and raw material quality. Each year, we have expanded the scope of analysis to better understand the entire value chain. Since FY2021, our analysis has included: Raw materials such as barley and coffee Manufacturing facilities Logistics bases In addition to our ongoing analysis and disclosure of climate-related risks and opportunities based on the Task Force on Climate-related Financial Disclosures (TCFD), we initiated analyzing and disclosing nature-related risks and opportunities in accordance with the Taskforce on Nature-related Financial Disclosures (TNFD) framework starting in FY2023. Building on our initial TNFD-aligned analysis conducted in FY2023, we broadened the scope of our nature-related risk and opportunity assessment in FY2024 to include coffee, furthermore to green tea, and broadened the coverage to encompass the entire value chain.

■Disclosure approach

TCFD | TNFD

Governance | Strategy | Risk and impact management | Metrics and Targets

## Introduction

As part of the LEAP approach recommended by the Taskforce on Nature-related Financial Disclosures (TNFD), we used ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) to evaluate our dependencies and impacts on nature. Using the Integrated Biodiversity Assessment Tool (IBAT), we evaluated multiple locations to understand how activities such as green tea cultivation and product manufacturing depend on and affect the surrounding natural environment, including adjacent ecosystems and biodiversity. For water-related risks and dependencies, we used the Aqueduct tool developed by the World Resources Institute (WRI) to analyze water stress, availability, and potential impacts across our operational sites.

*1 ENCORE ： Exploring Natural Capital Opportunities, Risks and Exposure A tool recommended in TNFD guidance as being available for diagnosing dependencies and impacts

*2 IBAT ： Integrated Biodiversity Assessment Tool A database that integrates global biodiversity information developed by the World conservation Monitoring Centre o United Nations Environment Program （UNEP-WCMC)

*3 Aqueduct : World map and information showing water risks provided by the World Resources Institute (WRI)

## ■Expansion of target business and scope

Changes in the scope of analysis of TCFD/TNFD

| Analysis Target Year | | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|---|---|---|
| TCFD | Transition Risks | VC-risk of carbon tax introduction impact calculation | → | → | → | Annual update | Analysis target under consideration |
| TCFD | Physical Risks (impacts on harvest volume and quality, detarmination of financial impact) | Green tea | Green tea, Barley, Coffee | → | → | Annual update | |
| TCFD | Physical Risk (Impacts of water scarcity and flooding, determination of financial impact) | - | Our own factories and those of our main outsourcing partner companies | Factories of group companies and factory of main outsourcing companies | Our own warehouse and those of our main outsourcing partner companies | Annual update | |
| TCFD | Physical Risk (Impacts of water scarcity and flooding, determination of financial impact) | - | - | Green tea, barley, Coffee | → | Annual update | |
| TNFD | Identification of dependencies and impacts on nature | - | - | - | Green tea | Green tea, Coffee | |
| TNFD | Identification of dependencies and impacts on nature | - | - | - | Cultivation process | VC-wide | |

■The TNFD framework outlines of a set general requirements

TCFD | TNFD
Governance | Strategy | Risk and impact management | Metrics and Targets

General Requirements

The TNFD framework outlines a set of general requirements.

1. Application of materiality

The ITO EN Group conducts nature-related risk and opportunity assessments based on the principle of double materiality, considering both Financial materiality – how nature-related issues may affect the company's financial performance. Impact materiality – how the company's activities may impact natural capital and biodiversity. In our analysis and disclosure efforts, we prioritize business areas that are most material to our group, ensuring that our response is focused and effective.

2. Scope of disclosures

In this report, we broadened the scope of our analysis to cover not only the ITO EN Group's direct operations, but also the entire upstream and downstream value chain. Under the TCFD framework, the ITO EN Group has conducted scenario analysis focusing on raw materials for our green tea, coffee, and barley businesses, which are core to our operations. In addition, we have evaluated climate-related risks and opportunities at key sites involved in beverage and leaf manufacturing, as well as sales and storage. Under the TNFD framework, our initial analysis in the previous fiscal year focused primarily on the upstream cultivation activities of the green tea business. In the current fiscal year, we have expanded the scope to cover the entire value chains of both the green tea and coffee businesses, enabling a more comprehensive assessment of nature-related risks and opportunities.

3. Location of nature-related issues

We conducted an analysis of material areas and areas of concern by referring to various guidance documents provided by the Taskforce on Nature-related Financial Disclosures (TNFD). Recognizing that our issues are dependence on natural capital and biodiversity in designated areas, our group performed evaluations based on regional characteristics. Specifically, we used the Integrated Biodiversity Assessment Tool (IBAT) to assess biodiversity-related dependencies and impacts across multiple sites, including areas involved in green tea cultivation and product manufacturing. For water-related risks, we applied the Aqueduct tool to analyze dependencies and potential impacts on water resources, using location-specific data.

Material Location
- Locations where the organization has identified material nature-related dependencies, impacts, risks and opportunities

Sensitive Location
- Areas important for biodiversity
- Areas of high ecosystem integrity
- Areas of rapid decline in ecosystem integrity
- Areas of high physical water risks
- Areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, Local Communities and stakeholders.

■The TNFD framework consists of asset general requirements

| TCFD | | TNFD | |
|---|---|---|---|
| Governance | Strategy | Risk and impact management | Metrics and Targets |

4. Integration with other sustainability-related disclosures

The TNFD framework is designed to be consistent with the preceding TCFD framework, enabling organizations to align climate-related and nature-related disclosures effectively. As climate regulation is recognized as one of the drivers of natural capital and biodiversity loss, we acknowledge the close interconnection between climate-related and nature-related issues. In response, the ITO EN Group is committed to further integrating disclosure content, particularly in the areas of strategy and metrics & targets, to provide a more comprehensive and aligned view of environmental risks and our response measures.

5. The time horizons considered

In this disclosure, we have defined the following time horizons for the analysis of climate-related and nature-related risks and opportunities:

- Short-term: Current to FY2026
- Medium-term: FY2027 to FY2030
- Long-term: FY2031 to FY2050

6. Engagement with Indigenous Peoples, Local Communities and affected stakeholders

The ITO EN Group is committed to identifying and addressing human rights impacts on stakeholders involved in our business activities. As part of this effort, we endeavor to understand labor conditions by conducting on-site visits to locations such as green tea cultivation areas and our group company’s coffee farms. Looking ahead, we intend to extend these efforts to encompass overseas raw material procurement sources, with the aim of improving work engagement and promoting fair and responsible labor practices throughout our value chain.

■Recognition of climate regulation & natural capital/biodiversity

TCFD | TNFD

Governance | Strategy | Risk and impact management | Metrics and Targets

Recognition of climate regulation(TCFD)

The ITO EN Group is actively addressing global warming through the adoption of renewable energy and energy-saving measures through the introduction of renewable energy and the implementation of energy-saving measures. At present, our efforts are focused on reducing greenhouse gas (GHG) emissions and introducing equipment that helps minimize environmental impact. In addition, we endeavor to ensure the stable procurement of raw materials by anticipating future climate-related impacts through scenario analysis, and by seeking collaboration with contractors across our supply chain. For green tea, the key raw material in our main products, the ITO EN Group is addressing both mitigation and adaptation aspects of climate-related challenges. We are promoting sustainable agriculture through our long-standing Tea-Producing Region Development Project, which has been in place since 1976. Under the ITO EN Group Environmental Policy, we have committed to reducing environmental impact and contributing to the realization of a decarbonized society. As part of this commitment, we are actively implementing measures to combat global warming, including the adoption of renewable energy and the promotion of energy efficiency across our operations.

Scenario Assumptions

As part of our TCFD-aligned climate risk assessment, the ITO EN Group conducts scenario analysis based on two representative climate futures:

・1.5/2°C scenario – representing a low-carbon transition pathway aligned with global climate goals.

・4°C scenario – representing a high-emissions pathway with significant physical climate risks.

| 1.5/2℃ Scenario | 4℃ Scenario |
|---|---|
| A scenario in which society as a whole moves significantly toward decarbonization, with temperature rise suppressed to around 1.5℃ above industrial levels | A scenario in which the current situation continues with insufficient decarbonization rprogress, leading to accelerated climate regulation with grobal temperature rise exceeding 4℃ compared to pre-industrial levels |
| The increase in the global average temperature to well below 2℃ above pre-industrial levels | By the 21st century, compared to before the industrial Revolution, the average temperature will rise by about 4℃ |
| IEA Net Zero Emissions Scenario by 2050 case(NZE)<br>IPCC RCP 1.9 | IEA Stated Policies Scenario(STEPS)<br>IPCC RCP8.5 |
| ・Change in consumer behavior toward decarbonization and response to regulations may be required<br>・Restriction on the use of materials that are not decarbonaized may require securing alternative raw materials more desirable<br>・Decarbon-oriented activities by consumers may make sustainable product | ・Frequent natural disasters may increase vulnerability and supply chain risk<br>・Expansion and intensification of natural disaster may reduce production capacity of works<br>・Extreme weather may increase the serious need for business continuity measures |

Timing of occurrence The timing of occurrence when risks and opportunities are expected to materialize, evaluated in three stage:

- Short-term : Current to FY2026
- Medium-term : FY2027 to FY2030
- Long-term : FY2031 to FY2050 Preparedness

We have established and evaluated preparedness standards for countermeasures.

- High : Prepared
- Medium : Partially prepared
- Low : Aware but unprepared Impact level

When the relevant risks and opportunities materialize, the magnitude of impact on business in evaluated in three stage of high, medium, low impact levels.

- High : Expected to have a significant impact on business
- Medium : There is a certain degree of impact on business
- Low : Impact on business is not significant and is limited

## ■Recognition of climate regulation & natural capital/biodiversity

TCFD | TNFD

Governance | Strategy | Risk and impact management | Metrics and Targets

Recognition of natural capital/biodiversity(TNFD)

The ITO EN Group's business activities are deeply dependent on nature's blessings, such as water resources and agricultural products. We fully recognize the importance of natural capital and biodiversity at water sources and raw material production areas, which are the origins of these essential resources. At the same time, we are aware that our use of natural capital and biodiversity may have certain impacts on the environment. Therefore, we remain dedicated to identifying our dependencies and impacts, analyzing the associated risks and opportunities, and taking appropriate actions to ensure business continuity while contributing to the conservation of natural capital and biodiversity. As defined in the ITO EN Group Policy on Biodiversity Conservation, our group is committed to reducing the burden on biodiversity and effectively utilizing biological resources. Through our business activities, we actively promote initiatives aimed at the conservation and recovery of biodiversity, contributing to the realization of a nature-positive society.

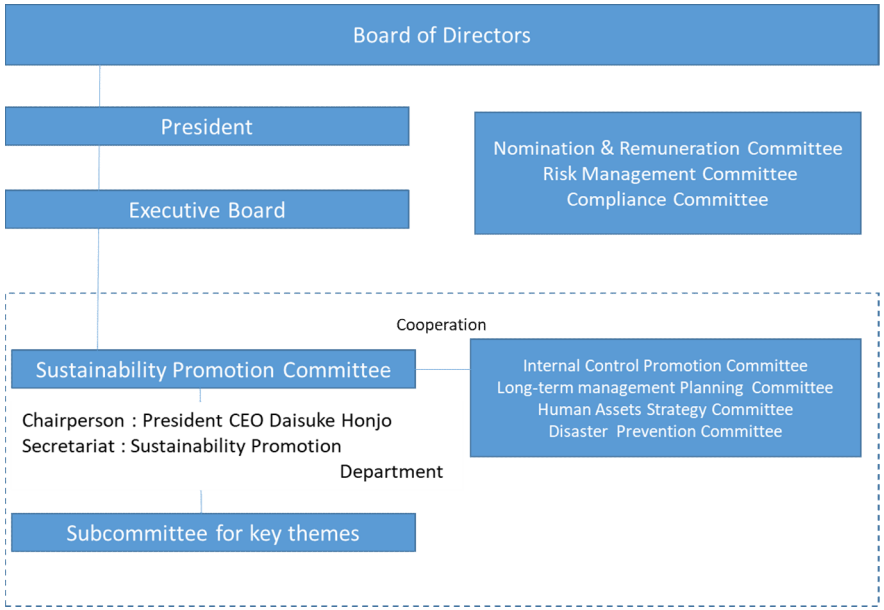
## ■Governance

### Executive structure

The ITO EN Group recognizes sustainability as a key management priority that supports risk mitigation, revenue generation, and long-term corporate value creation.To promote and strengthen sustainability management, we have set up the Sustainability Promotion Committee as a subordinate body of the Executive Committee, which convenes four times a year. This committee is chaired by the Representative Director and President, and includes the Chief Sustainability Officer (CSO), Chief Human Resources and Human Rights Promotion Officer (CHRO), and officers in charge of production, logistics, marketing, sales, international operations, management, as well as representative directors of Group compawell as the measures and policies addressing key social and environmental issues.

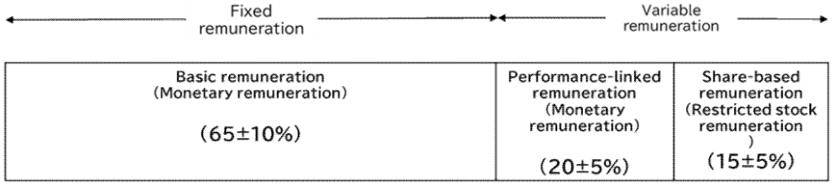
To facilitate more focused and in-depth discussions on critical themes, the Group has established dedicated subcommittees for key topics. Among these, the Environmental Subcommittee, led by the Chief Sustainability Officer (CSO), plays a central role in addressing climate regulation and other environmental challenges. Sustainability promotion committee identifies matters to be reported executive committee and the board of directors, and proposes corresponding action plans. These matters are also shared with the Long-term Management Planning Committee, which is responsible for formulating and revising medium-term management plans, and are subsequently reflected in the Group's business strategies.

### Sustainability promotion system




### Breakdown of Executive Remuneration

Director remuneration at the ITO EN Group comprises both fixed and variable components. The variable portion is performance-linked and incorporates ESG index evaluations conducted by external rating agencies, particularly those related to climate policies, targets, and achievements. By incorporating ESG evaluation results into the performance assessment criteria for executive remuneration, our goal is to Foster proactive engagement by the Board of Directors and management in sustainability management, including ESG initiatives. This approach is expected to enhance both corporate value and the long-term sustainability of our business.



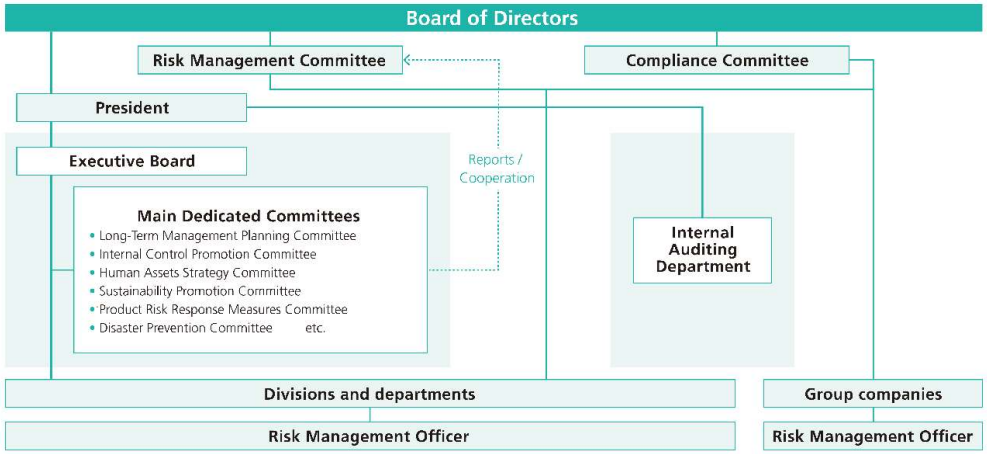
■Governance Executive Structure

Indigenous people and Local communities

Ito En has identified key environmental issues that are closely interconnected with human rights concerns. In response, we have set up a dedicated framework for addressing human rights issues under the leadership of the Chief Human Resources Officer (CHRO), who also serves as the Human Rights Promotion Officer. This structure ensures that human rights considerations are integrated into our environmental and sustainability initiatives, reinforcing our commitment to responsible business practices across the value chain

ITO EN conducts human rights due diligence in accordance with the ITO EN Group Human Rights Policy and Supplier Basic Policy, with particular attention to Indigenous Peoples, local communities, and other vulnerable. Human rights issues are regularly discussed within the Risk Management Committee, chaired by the Representative Director and President, which serves as an advisory body to the Board of Directors. Matters related to human rights are reported to and deliberated by the Board of Directors, ensuring that governance and oversight are firmly embedded in our approach to human rights and sustainability. As part of our initiatives addressing nature-related issues, ITO EN has begun engagement with indigenous peoples , local communities, and other affected stakeholders—starting with our green tea and coffee supply chains. At our contracted tea plantations in Japan, foreign workers are engaged in cultivation and management activities.
To ensure and support their well-being, we conduct annual on-site awareness surveys.

In the coffee sector, we monitor the management practices of our owned farms in Costa Rica. Our Group employees visit these farms to assess labor conditions and the rights of local workers, including those from neighboring countries. These site visits allow us to gain a comprehensive understanding of labor conditions and human rights situation at representative farms, informing future engagement and improvement efforts



■Strategy scenario analysis

Strategy(TCFD)

To assess climate regulation-related risks, ITO EN conducts scenario analysis in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Through the expansion of the analysis scope, we have pinpointed and specified key climate-related risks and opportunities that may impact our business activities. This process has supported the development of countermeasures and the strengthening of related initiatives. FY2020, focusing on greenhouse gas emissions from tea plantations—particularly those involved in tea production area development projects for green tea cultivation. Each year, we have deepened our analysis and expanded the scope to include other key raw materials such as barley and coffee.

Raw material production areas

ITO EN has conducted an analysis of drought and flood risks in major agricultural procurement regions for key raw materials using the Aqueduct tool developed by the World Resources Institute (WRI).

| Flood Risk | Asia | Oceania | United States (North,Central,South) | Africa |
|---|---|---|---|---|
| Tea | Japan Saitama~Shizuoka | Australia Victoria | | |
| | Japan Kyushu | | | |
| Barley | | Australia West Australia | Canada Alberta | |
| | | Australia South Australia | Canada Saskatchewan | |
| Coffee (Arabica) | | | Brazil Minas Gerais | Tanzania Kilimanjaro |
| | | | Brazil Sao Paulo | Ethiopia Shidamo |
| | | | Clombia Willa | エチオピア Regenpti |
| | | | Costa Rica South of SanJose | |
| Coffee (Robusta) | Viet nam Central highland Southern Rigion | | | |

Water Risk Assessment: Drought and Flood Risks

ITO EN conducted a comprehensive assessment of drought and flood risks in major agricultural procurement regions using the Aqueduct tool developed by the World Resources Institute (WRI). The findings are as follows: Green Tea Production Areas Drought Risk: No significant risks were identified in any region.Flood Risk: No risks confirmed in any region. Barley Production Areas Drought Risk: Very high risk confirmed in Canada; moderate risk in some regions of Australia. Flood Risk: High risk confirmed in Western Australia; low risk in South Australia. Coffee Production Areas Drought Risk: Moderate risk confirmed in the Kilimanjaro region of Tanzania. Flood Risk: Moderate risk confirmed in Brazil, Tanzania, and Costa Rica; low risk in Ethiopia. These insights inform our climate adaptation strategies and strengthen the resilience of our supply chain against water-related risks.

| Drought Risk | Asia | Oceania | United States (North,Central,South) | Africa |
|---|---|---|---|---|
| Tea | Japan Saitama~shizuoka | Australia Victoria | | |
| | Japan kyushu | | | |
| Barley | | Australia West Australia | Canada Alberta | |
| | | Australia South Australia | Canada Saskatchewan | |
| Coffee (Arabica) | | | Brazil Minas Gerais | Tanzania Kilimanjaro |
| | | | Brazil Sao Paulo | Ethiopia Shidamo |
| | | | Columbia Willa | エチオピア Regenpti |
| | | | Costa Rica South of SanJose | |
| Coffee (Robusta) | Viet nam Central highland Southern Region | | | |

■Strategy scenario analysis

Water Risk Analysis Across the Value Chain

Water Risk Analysis Across the Value Chain ITO EN conducted drought and flood risk assessments for its value chain—including owned and contracted factories, domestic and overseas sales bases, and logistics warehouses—using the Aqueduct tool developed by the World Resources Institute (WRI). Drought Risk: The analysis confirmed the potential for operational disruptions at owned and contracted factories, as well as domestic and overseas Group sites, due to reduced precipitation and damage from wind and water. As countermeasures, we are advancing water conservation at factories and optimizing forest ecosystems that serve as water sources. Some contracted factories have already begun improving water use efficiency and implementing water recharge activities. Going forward, we will further advance these efforts to reduce water usage and enhance water replenishment. Flood Risk: The analysis identified risks of product loss and recovery challenges due to intensified and more frequent wind and water damage. To mitigate these risks, we have set up Business Continuity Planning (BCP) measures at owned and contracted factories. In the future, we intend to strengthen risk-sharing and communication with business sites and contracted factories to enhance preparedness and resilience. ITO EN conducts scenario analysis for raw material production areas, as well as for its own and contracted factories, domestic and overseas business sites, and logistics warehouses. While some assessments utilize historical data, we continuously update key information—such as warehouse inventory status—to ensure accurate risk identification and evaluation. This dynamic approach allows us to grasp current and emerging risks more effectively, enhancing the relevance of our climate-related scenario analysis and supporting timely decision-making across our operations.

The risk of drought

| | | 2030 | | 2050 | |
|---|---|---|---|---|---|
| | | 1.5/2℃ | 4℃ | 1.5/2℃ | 4℃ |
| ITO EN's own factories/outsourced factories | Japan (out of 23 factories) | 3 factories | 4 factories | 3 factories | 3 factories |
| Group companies' own factories/outsourced factories | Japan (out of 20 factories) | 13 factories | 13 factories | 13 factories | 13 factories |
| | Overseas (out of 16 factories) | 4 factories | 4 factories | 4 factories | 4 factories |

The risk of flood

| | | 2030 | | | | 2050 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Riverine | | Coastal | | Riverine | | Coastal | |
| | | 1.5/2℃ | 4℃ | 1.5/2℃ | 4℃ | 1.5/2℃ | 4℃ | 1.5/2℃ | 4℃ |
| ITO EN's own factories/outsourced factories | Japan (out of 23 factories) | 19 business locations, 7 factories | 19 business locations, 7 factories | 1 business location | 1 business location | 19 business locations, 7 factories | 20 business locations, 7 factories | 1 business location | 1 business location |
| Group companies' own factories/outsourced factories | Japan (out of 20 factories) | 9 factories | 9 factories | - | - | 9 factories | 9 factories | - | - |
| | Overseas (out of 16 factories) | 3 factories | 3 factories | - | - | 3 factories | 3 factories | - | - |
| Logistics warehouses | ITO EN's own warehouses in Japan(out of 19 warehouses) | 4 warehouses | 4 warehouses | - | - | 4 warehouses | 4 warehouses | - | - |
| | Outsourced warehouses in Japan(out of 28 warehouses) | 7 warehouses | 7 warehouses | 1 warehouse | 1 warehouse | 7 warehouses | 7 warehouses | 1 warehouse | 1 warehouse |

■Strategy scenario analysis



Strategy(TNFD)

LEAP analysis

ITO EN conducts nature-related risk and opportunity assessments using the LEAP (Locate, Evaluate, Assess, Prepare) approach recommended by the Taskforce on Nature-related Financial Disclosures (TNFD). Following the LEAP methodology, we focused on our green tea and coffee businesses—two of the most critical raw material sectors for our Group.

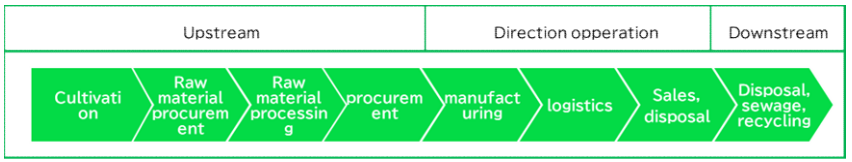
LEAP analysis content

| | |
|---|---|
| Scoping | Targeted the entire value chain of green tea business and coffee business these are important to our Group |
| Locate | Identified geographical locations of various bases in the value chain and areas where nature is likely to be affected |
| Evaluate | Identified dependencies and impacts on nature |
| Assess | Identified and evaluated nature-related risks and opportunities, and evaluated impact level and timing of occurrence |
| Prepare | Clarified indicators and targets related to dependencies and impacts, and risks and opportunities, and clarified countermeasures |

Scoping: Selection of analysis and evaluation targets for all business

We expanded the scope to include direct operations in the Leaf and Drink-related businesses, as well as all upstream and downstream activities across the value chain. Through this process, we assessed geographical locations and examined the relationships between our business activities and natural capital/biodiversity. This comprehensive approach enables us to identify dependencies and impacts, and to develop strategies that support nature-positive outcomes and long-term business resilience.

Value chain

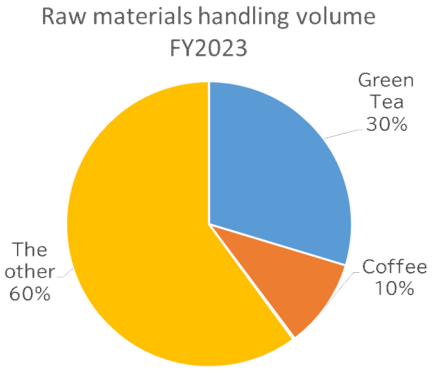



Building on insights from last year's TNFD analysis, ITO EN determined that agricultural raw material procurement represents a business activity with significant dependencies and impacts on nature. Accordingly, we focused our scoping efforts on this area. Among agricultural products, we selected green tea, which has the highest handling volume and serves as the core raw material for our Group's main products, and coffee, which has been identified as having substantial dependencies and impacts on nature. For each of these raw materials, we evaluated the nature-related dependencies and impacts across the value chain. Looking ahead, we intend to continue analyzing raw material procurement activities that exhibit high dependencies and impacts on nature in future fiscal years, further strengthening our nature-positive strategy and risk management framework.

■Strategy LEAP analysis

The reason for selecting Green tea

ITO EN's core product is tea beverages, which we initiated selling in 1980. Among these, green tea beverages have played a pioneering role in creating the unsweetened tea beverage market since their launch in 1985. In 2024, green tea beverages accounted for 36% of total sales by value, making them a representative product of our Group. Our flagship brand, Oi Ocha, is the world's No.1 unsweetened green tea beverage brand, developed using high-quality, specialized raw materials and advanced manufacturing and processing technologies that span from tea plantations to finished products. We aim to achieve annual sales of 100 million cases or more both domestically and internationally. In addition to beverages, we offer a diverse lineup of tea products—including loose leaf tea, tea bags, instant (granulated) tea, and matcha—across various tea leaf types. As a result, we procure approximately one-quarter of the domestic tea leaf market volume for our raw tea leaf (staple) needs. Given its substantial share in our raw material handling, green tea is a critical ingredient for our business and a key focus in our nature-related risk and opportunity analysis.




The reason for selecting Coffee

ITO EN Group sells beverage products under the Tully's Coffee brand, with BARIST'S BLACK as the flagship product. Within the Group, Distant Lands Trading Co. operates coffee farms and engages in green bean trading and food and beverage-related businesses. Leveraging the group synergy among these three entities, we pursue "shop-quality" excellence from raw materials to finished products—one of our Group's key strengths in the coffee business. The coffee business continues to grow steadily. In FY2023, Tully's Coffee brand products surpassed 17 million cases annually, setting a new record. Tully's Coffee Japan also saw significant growth in both sales and store count. As such, coffee is positioned as a strategic pillar for future growth within our Group. However, coffee is also highly sensitive to climate regulation and biodiversity changes, with increasing concerns around the "Coffee 2050 Problem." Furthermore, Coffee is designated as a high-impact commodity by the Science Based Targets Network (SBTN) and is subject to the EU Deforestation Regulation (EUDR). Given these factors, we have designated coffee as a key target for nature-related risk and opportunity analysis under the TNFD framework.

*4 Coffee 2050 Problem: Arabica coffee: climate change and other factors will halve the area suitable for growing Arabica coffee by 2050. WCR (World Coffee Research) prediction.
*5 SBTN：Science Based Targets Network
*6 EUDR：EU Deforestation Regulation

■Strategy LEAP analysis

Locate: Discovery of interface points with nature

In line with the TNFD's LEAP (Locate, Evaluate, Assess, Prepare) approach, ITO EN conducted a geospatial analysis of nature-related dependencies, impacts, risks, and opportunities, recognizing that these factors are highly region-specific. During the Locate stage, we identified key operational areas for our green tea and coffee businesses, including procurement sources and manufacturing sites. We mapped the geographical locations (countries, regions, and specific sites) across the entire value chain and analyzed their relationships with natural capital and biodiversity. We designated ecologically vulnerable areas as areas of concern and identified priority areas where business activities show strong dependencies and impacts on nature. For this analysis: We used IBAT, as recommended by TNFD, to evaluate proximity to Protected Areas (PA) and Key Biodiversity Areas (KBA) within a 1 km radius of each target site. We used Aqueduct to assess water-related risks—including flood risk, drought risk, water stress, and coastal eutrophication—from the perspective of natural capital and biodiversity. The analysis covered 142 sites across the green tea and coffee value chains, including 111 directly operated sites and 31 supplier sites. Please note that due to partial overlap between green tea and coffee business sites, the total number of analyzed sites differs from the figures shown in the table on the following pages.

Selection of Key Sites in the Green Tea Business Value Chain

Material locations identification

As part of our nature-related risk and opportunity analysis, ITO EN selected 121 sites within the green tea business value chain that are essential to the Group's manufacturing and sales activities for green tea beverages and tea leaf products. These sites represent critical operational bases and were prioritized for evaluation due to their strategic importance and potential dependencies and impacts on natural capital and biodiversity.

| Green tea | Cultivation | Processing | Processing | Materials | Materials | Processing | Processing | Processing | Storage | Sales | Sales | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bases | 16 | 8 | 4 | 8 | 6 | 12 | 2 | 6 | 21 | 29 | 9 | 121 |

For the green tea business, ITO EN targeted tea production areas contracted with the Group, including seven prefectures and nine districts involved in new production area development projects, these include Australia as an overseas location. These regions were selected for their strategic importance in raw material cultivation. Other cultivation areas, we included major operational sites with significant environmental impact—such as green tea processing factories, beverage manufacturing plants, packaging material suppliers, sales offices, and logistics warehouses—in our analysis. We evaluated the dependencies and impacts on natural capital and biodiversity across these sites to gain a comprehensive understanding of nature-related risks and opportunities throughout the green tea value chain. .

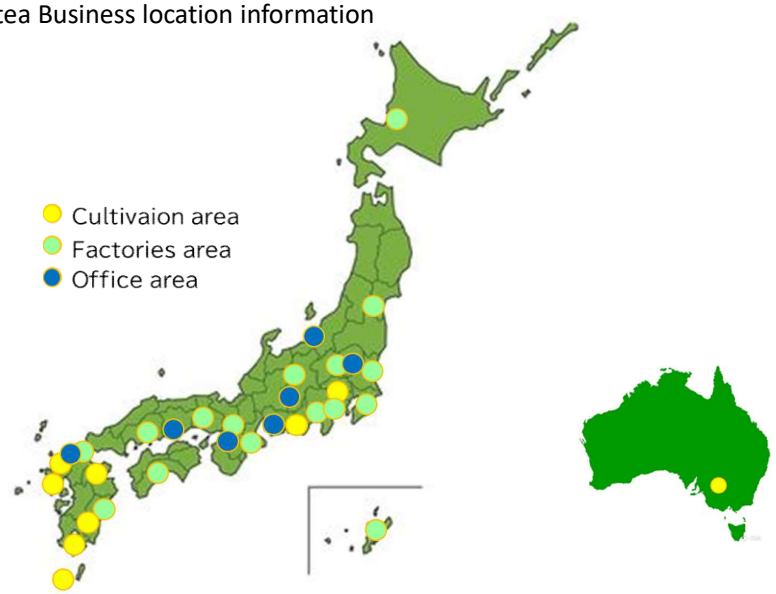
*7 PA：Protected Area
*8 KBA：Key Biodiversity Area

■Strategy LEAP analysis

Sensitive locations identification

ITO EN designated Group assets and activities across direct operations, upstream, and downstream value chains as candidate sites for nature-related analysis, focusing on locations that interface with nature in ecologically sensitive areas. These sites were prioritized based on their proximity to protected areas, biodiversity hotspots, and regions with high dependencies and impacts on natural capital. Using IBAT and Aqueduct, ITO EN analyzed the relationship between business activities and natural capital/biodiversity across tea plantations and manufacturing sites within the green tea value chain. The analysis revealed that important protected areas for biodiversity conservation are located near several tea plantations in key raw material procurement regions, as well as near factories involved in leaf and beverage manufacturing. Additionally, we identified that adjacent and nearby areas of these tea plantations and factories are important habitats for endangered species, highlighting the ecological sensitivity of these locations. Based on this, we designated scattered tea plantations in Shizuoka, Kyushu, Saitama, and other domestic regions, along with Group-owned factories conducting leaf and drink manufacturing, as areas of concern for nature-related risk and opportunity management.

Green tea Business location information




※The plots on the map are images and differ from the actual number of location mentioned above. In analysis, individual address were input and analyzed

■Strategy LEAP analysis

Selection of Key Sites in the Coffee Business Value Chain

Material locations identification

As part of our nature-related risk and opportunity analysis, ITO EN selected 107 sites within the coffee business value chain that are essential to the Group's manufacturing and sales activities for coffee beverages and coffee bean products. These sites were prioritized based on their strategic importance and potential interactions with natural capital and biodiversity.

| coffee | Cultivation | Processing | Processing | Materials | Materials | Processing | Processing | Processing | Storage | Sales | Sales | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bases | 15 | 8 | 4 | 8 | 5 | 4 | - | 4 | 21 | 29 | 9 | 107 |

While ITO EN imports coffee from various regions around the world, our nature-related risk and opportunity analysis focused on Group-owned farms in Costa Rica and countries with high handling volumes. These locations were prioritized due to their strategic importance and potential for significant dependencies and impacts on natural capital and biodiversity. In our analysis, we also considered domestic distribution sites, some of which overlap with green tea beverage bases, reflecting shared infrastructure across product lines. This integrated approach enables us to evaluate nature-related risks more holistically across the Group's operations.

Sensitive locations identification

ITO EN designated Group assets and activities across direct operations, upstream, and downstream value chains as candidate sites for nature-related analysis, focusing on those located in ecologically sensitive areas. Through analysis using IBAT and Aqueduct, we evaluated major coffee-producing regions and confirmed that important protected areas for natural capital and biodiversity conservation are located nearby markably conservated countries and regions assessed. Furthermore, we identified that areas adjacent to coffee farms are particularly important habitats for endangered species, reinforcing the need for careful management and monitoring of nature-related risks and impacts in these regions.

Coffee raw material location information

※The plots on the map are images and differ from the actual number of locations mentioned above. In actual analysis, individual addresses were input and analyzed

■Strategy LEAP analysis

Evaluate： Diagnosis dependencies and impacts

ITO EN organized and evaluated dependencies and impacts on natural capital and biodiversity within the priority areas identified during the Locate stage—covering both material locations and ecologically sensitive sites. Using ENCORE, a TNFD-recommended tool, we screened our business value chain to assess how various activities depend on and affect natural systems. The results were compiled into heat maps, enabling visual identification of high-risk areas. We applied a five-level evaluation scale, with particular focus on sites rated Very High (VH) and High (H) in terms of both dependencies and impacts. This approach supports targeted risk management and prioritization of nature-positive actions across our operations.

Heat map of business dependencies on nature

| | | Cultivation | | Package | Logistics | Intermediate product | product | Logistics | Sales | Wastes |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Green tea | Coffee | | | | | | | |
| Provisioning services | Biomass provisioning services | VH | VH | - | - | - | - | - | - | - |
| | Genetic materials services | VH | VH | - | - | - | - | - | - | - |
| | Water supply | H | H | M | VL | H | H | VL | M | M |
| Regulating and maintenance services | Soil and sediment retention services | VH | VH | L | L | L | L | M | M | VL |
| | Water supply | VH | VH | M | - | VH | H | - | - | - |
| | Soil quality regulation services | VH | VH | - | - | - | - | - | - | - |
| | Dilution by atmosphere and ecosystems | M | M | L | VL | L | L | - | - | - |
| | Biological control | H | H | - | - | VL | VL | VL | - | - |
| | Flood mitigation | H | H | M | M | M | VL | VL | M | M |
| | Global climate regulation | VH | VH | L | L | L | L | L | L | L |
| | Storm mitigation | H | H | M | M | M | M | L | M | L |
| | Water flow regulation | H | H | M | L | H | H | VL | M | M |
| | Rain-fall pattern regulation | VH | VH | M | M | - | M | VL | VL | M |

Very High Very Low

Heat map business impacts on nature

| | Cultivation | | Package | Logistics | Intermediate product | product | Logistics | Sales | Wastes |
|---|---|---|---|---|---|---|---|---|---|
| | Green tea | Coffee | | | | | | | |
| Water supply | H | H | - | - | - | - | - | - | - |
| Emissions of GHG | M | M | M | M | L | M | M | M | H |
| Emissions of non-GHG pollutants | M | M | H | L | L | L | L | L | M |
| Emissions of nutrient pollutants to water and soil | H | H | VH | L | M | M | VL | L | M |
| Emissions of toxic pollutants to water and soil | H | H | - | M | - | H | - | - | M |
| Area of land use | H | H | L | M | L | L | L | L | M |
| Area of freshwater use | H | H | M | L | M | M | L | M | M |
| Introduction of invasive species | H | H | - | L | - | - | VL | M | M |

Very High Very Low

As a result of our analysis, both the green tea and coffee businesses demonstrated very high levels of dependency on nature at the cultivation stage, along with high levels of impact. These raw material crops rely heavily on soil quality, water availability (including rainfall), climate conditions, and are affected by pests and diseases, all of which are closely tied to natural capital and biodiversity. Regarding impacts on nature, the cultivation stage was identified as having relatively high environmental impacts, due to land use changes, agrochemical application, and water consumption. Additionally, the packaging materials used in our products were found to have high impacts on nature, particularly in terms of resource extraction and waste generation. This evaluation was conducted using ENCORE, and results were visualized through heat maps, focusing on areas rated Very High (VH) and High (H) in terms of both dependencies and impacts.

■Strategy LEAP analysis

Assess： Evaluation of risks and opportunities

Based on the nature-related dependencies and impacts identified during the Evaluate stage of the TNFD LEAP approach, ITO EN extracted business risks and opportunities that the Group can actively address. We defined the “ideal state” to be achieved in relation to nature-positive outcomes and climate resilience, and outlined both current countermeasures and long-term strategies to move toward that ideal. To ensure integrated management, we aligned this analysis with climate-related risks and added “Climate” and “Nature” classifications to each risk and opportunity item.

In evaluating nature-related risks, ITO EN defined the “Impact Level” as the potential financial impact on business operations. Each identified risk was assessed based on its expected impact level and the timing of occurrence, enabling a structured for understanding of both severity and urgency.

【Impact level】 Low： : Impact on business is not significant and is limited,
Medium： There is a certain degree of impact on business
High： Expected to have a significant impact on business

【Preparedness】 Low： Prepared, Medium： Reasonably prepared, High: under preparation

【Timing of occurrence】 shot-term： Current to FY2026 Medium-term: FY2027 to FY2030 Long-term： FY2031 to FY2050

| Definition | Field | Scenario | Risks to the business | Impact | Preparedness | Occurrence Period | Key Opportunities | The ideal state | Current and Future Countermeasures | | Reference Page |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Transition risk Systems and Regulations | climate Nature | Strengthening of intake/discharge restriction | Poor growth, Manufacturing delays/halt | M | M～L | M～L | Cost Reduction Through Efficient Water Utilization | Optimization of usage | Optimizing fertilizer/pesticide usage, water source conservation activities, and establishing a monitoring system for laws and regulations | Tea-Producing Region Development Project: Promoting Sustainable Agriculture<br>Promoting the Recirculation of Factory Water<br>Further Advancement of Water Source Conservation Activities | P17<br>P18 |
| | Nature | Strength restriction on fertilizer/pesticides. | Poor growth | | M | M～L | Cost reduction through reduced fertilizer/pesticide usage | Promoting Reduction in Usage | Establishment of a monitoring system for the proper use of chemical fertilizers and pesticides, including regulatory compliance | Tea-Producing Region Development Project: Promoting Sustainable Agriculture<br>Current Status Survey and Assessment | P17 |
| | | Strengthening forest conservation regulations | Restrictions on raw material procurement | | | | Environmental Contribution through the Promotion of Sustainable Agriculture | Promotion of Environmentally Conscious Agriculture | Interviews with Contract Partners<br>Establishment of a Regulatory Compliance Monitoring System | Expanding interviews with contract partners<br>Analyzing the integrity of ecosystems in regions where raw material production/manufacturing sites are located, conserving important areas, and relocating sites | P18 |
| | Climate Nature | Strengthening of energy usage regulations | Rising energy prices | L | L | S～L | Cost reduction through energy consumption control | Energy consumption reduction | Expanding Energy Conservation<br>Introducing Renewable Energy<br>Establishing a Regulatory Monitoring System | | P19 |
| | Climate | Strengthening GHG emission regulations | Payment equivalent to a carbon tax | | | S～M | Cost reduction through GHG emissions reduction | | | | P19～21 |
| | Climate Nature | Strengthening of packaging material regulations | Increased costs due to the use of recycled materials | | | S～L | | Introduction of Environmentally Friendly Packaging Materials | Container Lightweighting and Joint Development with Material Manufacturers<br>Establishment of Regulatory Compliance Monitoring System | Shift to Environmentally Responsive Materials Across All Supplies<br>3R Approach for Materials (Recycle, Reduce, Replace & Reuse) + Clean (Environmental Conservation) | P22 |
| | | Strengthening of industrial waste regulations | Increase in processing costs | S | M | S～M | | Enhanced Emissions Reduction | | | |
| | Nature | Relationship with indigenous peoples and local communities | Acceleration in the rate of loss of natural capital/biodiversity | M | M | M～L | Strengthening relationships with indigenous peoples and local communities | Business activities incorporating the views of indigenous peoples and local communities | Identify raw material production areas adjacent to key regions identified by tools and consider habitat protection measures<br>Identify points of contact with local/regulated areas | Assessing and Protecting Natural Capital/Biodiversity<br>Engaging with Farmers<br>Raw Material Sourcing Due Diligence | - |
| Market | Climate Nature | Towards ethical consumption | Reduction in sales of non-compliant products | | M～L | | Increased sales through the introduction of ethical products | Sales of Environmentally Conscious Products | Development of environmentally conscious and certified products<br>Promotion of decarbonization across the entire VC | Promoting the Development of Environmentally Conscious Products<br>Awareness Activities by Our Employees | - |

■Strategy LEAP analysis

TCFD | TNFD

Governance | Strategy | Risk and impact management | Metrics and Targets

| Definition | | Field | Scenario | Risks to the business | Impact | Preparedness | Occurrence Period | Key Opportunities | The ideal state | Current and Future Countermeasures | Reference Page |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Physical risk | Acute | Climate Nature | Natural disasters (floods, droughts, landslides) | Concerns over raw material procurement, Manufacturing delays/halt | L | M～L | S～M | Improved Production Efficiency Through Preemptive BCP Measures | Risk identification, sharing, and BCP development | Identifying and Sharing Water Risks Using Tools and Developing Response Plans<br>Purchasing from Multiple Sourcing Locations, Block Production/Logistics | P23 |
| | | Nature | Changes in Biodiversity (Pest and Disease Occurrence) | | M | | | Maintaining Raw Material Quality | | Implementation of IPM (Integrated Pest Management), thorough pest control management | |
| | chronic | Climate Nature | Water source pollution and drought Deterioration of soil environment | | L | | L～M | Improved Production Efficiency Through Preemptive BCP Measures | | Identifying and Sharing Water Risks Using Tools and Developing Response Plans<br>Purchasing from Multiple Sourcing Locations, Block Production and Logistics | |
| | | | Rising temperatures | Concerns over raw material procurement, Deterioration of the manufacturing environment | | | | Increased product sales due to rising temperatures | | Development of Heat-Resistant Varieties<br>Improvement of Factory and Other Work Environments | P23<br>P24 |
| | | Nature | Changes in Biodiversity | Concerns over raw material procurement, Manufacturing delays/halt | M | | | Development of Resilient Raw Materials | | Development of disease- and pest-resistant varieties, renewal of factory equipment and buildings | - |

## ■Strategy LEAP analysis

Prepare: Discovery of interface points with nature

In response to the risks and opportunities identified during the Assess stage of the TNFD LEAP approach, ITO EN is preparing to organize and report future initiatives and activities aimed at risk reduction. We recognize the importance of establishing and managing clear indicators and targets to monitor progress and effectiveness. In addition to GHG emissions and water-related indicators, which are already quantitatively measured and target-managed, we are currently examining methods to monitor and quantify the impacts of our business activities on nature. This includes evaluating biodiversity-related metrics and ecosystem service dependencies as a component of our future analysis and reporting framework. By integrating these efforts, our goal is to strengthen our nature-positive strategy and ensure alignment with global sustainability standards.

Scenario: Strengthening of Water Intake/Discharge Regulations and Fertilizer/Pesticide Use Restriction

Our company considers the “Tea Production Area Development Project” to be one of the most effective countermeasures for managing water use in tea production regions. By working closely with contracted farmers on cultivation management, we are able to monitor and control both the volume of water intake and the quality of discharged water. This collaborative approach not only supports sustainable water use but also reinforces our commitment to expanding tea plantations that can actively cooperate with us. Furthermore, increasing the number of managed tea plantations contributes to mitigating environmental impacts, particularly in areas designated for environmental protection. In our contracted beverage factories, we carefully monitor water intake volumes and are actively working to reduce them through the implementation of circulating water systems and cascade water usege. We also regularly check the quality of discharged water and have confirmed that it remains within a range that does not negatively affect the surrounding environment.

The tea production area development project

To ensure the stable procurement of safe, secure, and high-quality green tea raw materials while contributing to the revitalization of domestic agriculture, Ito En launched the Tea Production Area Development Project since 1976. This initiative represents a distinctive approach that integrates two core strategies: contract cultivation, whereby tea leaves are fully purchased from farmers across various regions, and the new production area business, which involves converting abandoned farmland into large-scale tea plantations. This project was initiated to address structural challenges in Japan’s agricultural sector, including the aging of tea farmers and the shortage of successors. Through long-term partnerships and direct engagement with producers, Ito En has established a reliable supply chain for high-quality green tea raw materials used in its beverages and leaf products. At the same time, the conversion of abandoned farmland into productive tea plantations helps prevent ecological degradation such as imbalanced vegetation and biodiversity loss, thereby contributing to environmental conservation. As part of this initiative, Ito En employees regularly visit tea plantations and processing facilities to provide technical guidance on cultivation methods and tea leaf production. By sharing cultivation records and working alongside contracted farmers, the company promotes best practices and strengthens local agricultural capabilities. In addition, experimental programs are being conducted at selected sites to advance environmentally friendly farming techniques, supporting the transition to sustainable agriculture and reinforcing our commitment to nature-positive business practices.

■Strategy LEAP analysis

Measures to strengthen water intake/discharge restriction

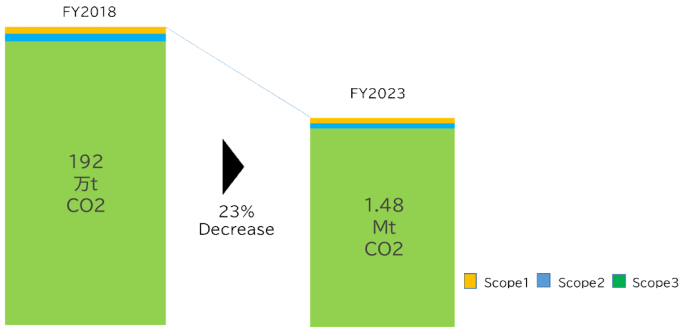
Recognizing the significant dependence of our Group's business activities on natural capital, we have newly identified water as a critical resource that underpins our operations. Water use is intricately connected to biodiversity and climate regulation, and we are positioning water stewardship as a key component of our integrated sustainability strategy. To address this, we have set a goal to replenish at least 100% of the water intake used by our contracted beverage factories and affiliated companies with strong cooperation to our Group. As part of this initiative, we are exploring forest conservation activities aimed at enhancing water source recharge. Since 2022, we have been engaged in collaborative forest conservation efforts with local governments, alongside our partners Nihon Canpack Co., Ltd. and Gold Pack Co., Ltd. These activities not only contribute to water resource sustainability but also support broader ecosystem conservation. Looking ahead, we intend to expand the scope of these efforts to include additional factories and regions, thereby strengthening our commitment to securing high-quality water sources and promoting nature-positive business practices.

■Strategy climate regulation response

Initiative of “Energy regulation strengthening, GHG emission regulation strengthening”

As part of our integrated sustainability strategy, we have been working to reduce GHG emissions across our value chain. Using FY2018 as the base year, we achieved a 23% reduction in GHG emissions by FY2023

GHG Emission Trends




| | FY2018 | | FY2023 | |
|---|---|---|---|---|
| | GHG Emissions tCO2 | % | GHG Emissions tCO2 | % |
| Scope1 tCO2 | 46,471 | 2.4 | 40,939 | 2.8 |
| Scope2 tCO2 | 47,814 | 2.5 | 36,455 | 2.5 |
| Scope3 tCO2 | 1,829,923 | 95.1 | 1,404,046 | 94.8 |
| Total | 1,924,208 | | 1,481,439 | |

In Scope 1, the primary source of emissions is fuel consumption from sales vehicles. To address this, we are advancing eco-driving practices and optimizing sales routes to reduce fuel use. Additionally, we are accelerating the transition to low-emission vehicles. For Scope 2, we endeavor to reduce emissions by installing solar power generation systems and converting to renewable energy sources at our facilities. These measures contribute not only to climate mitigation but also to the reduction of our dependency on fossil fuel-based energy, thereby supporting the resilience of natural capital.

Scope 1

As part of our Group’s initiatives to reduce Scope 1 GHG emissions and mitigate climate-related pressures on natural capital, we are advancing fuel efficiency across all operational sites. This includes optimizing sales routes and encouraging eco-driving practices among our fleet drivers. In addition, we are actively transitioning to low-emission vehicles, including electric vehicles (EV), hybrid vehicles (HV), plug-in hybrid vehicles (PHV), fuel cell vehicles (FCV), and hydrogen-powered vehicles. In FY2023, electric vehicles accounted for 9.7% of our company-owned fleet. Notably, we introduced the industry-first “EV Bottle Car,” which features lightweight panels made from tea waste. This innovative vehicle is being gradually introduced across our Tokyo-area sales bases, contributing not only to emission reductions but also to resource circularity and environmental innovation

Scope 2

Our Group recognizes that energy use and GHG emissions are key pressures on climate regulation, a vital ecosystem service supported by natural capital. As part of our nature-related risk mitigation efforts, we are actively promoting the transition to renewable energy and enhancing energy efficiency across our operations. In June 2022, we converted the electricity used at three of our own business sites—including the Ito En Head Office—to electricity derived from renewable sources. In January 2023, we installed solar power generation equipment at the Ito En Kobe Factory, enabling approximately 13% of the site's electricity to be supplied by solar energy. Following this, we also introduced solar power generation at the Ito En Shizuoka Factory, and continue to expand the use of renewable energy across our facilities.

Scope 3

Our Group recognizes that material use and logistics are key drivers of pressure on natural capital, particularly in relation to climate regulation and waste management. As part of our nature-related risk mitigation efforts, we are advancing initiatives focused on the 3Rs—Reduce, Reuse, Recycle—plus Replace and Clean (environmental conservation) in packaging materials. We are promoting lightweight packaging, expanding label-less product offerings, and substituting conventional materials with environmentally considerate alternatives such as plant-derived biodegradable materials and reusable containers. In addition, we are increasing the use of recycled materials, including recycled PET bottles, which can reduce GHG emissions by up to 60% compared to virgin materials. Our goal is to apply these materials to all PET bottle products by FY2030, thereby contributing to resource circularity and climate mitigation.

In logistics, we are improving efficiency through block production and integrated logistics systems. We are also reducing GHG emissions by expanding mixed loading of beverage and leaf products and collaborating with other companies to optimize transportation. As nearly all beverage manufacturing is outsourced to partner factories, we hold regular environmental quality meetings to share energy-saving proposals and GHG reduction targets. Through these collaborative efforts, our goal is to further reduce emissions across our value chain.

Initiative of GHG emission regulation strengthening

Our Group recognizes that climate regulation is a critical ecosystem service, and that greenhouse gas (GHG) emissions represent a material pressure on this function. Looking ahead, we anticipate that the introduction of carbon pricing mechanisms, such as a carbon tax, could have a significant financial impact on our operations. Based on assumptions from the International Energy Agency (IEA), we estimate that, if a carbon tax is implemented, the cost burden associated with our Group's GHG emissions could reach approximately ¥2 billion in FY2030 and ¥3.5 billion in FY2050. However, we have set ambitious GHG reduction targets—50% reduction by FY2030 and net zero by FY2050. If these targets are achieved, we expect to mitigate the financial impact, with estimated cost reductions of approximately ¥990 million in FY2030 and ¥3.5 billion in FY2050. To support these targets, we are actively promoting the adoption of renewable energy and the installation of energy-saving equipment across our operations. These measures not only contribute to climate mitigation but also enhance our resilience to future regulatory and market shifts related to carbon pricing.

Initiative of GHG emission regulation strengthening

Our Group recognizes that sustainable agriculture plays a vital role in preserving natural capital, including soil health, biodiversity, and water resources. To enhance productivity while reducing environmental burden, we are advancing digital transformation (DX) in agriculture by converting long-standing expertise—such as optimal tea harvesting timing and fertilizer application assessments—into data. This supports the transfer of knowledge to the next generation of tea producers and facilitates compliance with GAP and organic certifications. In FY2023, we formed a capital and business alliance with Watercel Co., Ltd. and introduced the cloud-based cultivation management system Agri-note in selected tea production areas. This tool serves as an agricultural support platform to improve operational efficiency and data management. Additionally, we initiated operating the jointly developed Agricultural Chemical Suitability Judgement System, which helps ensure appropriate use of agricultural inputs and enhances traceability of green tea raw materials, particularly for overseas markets. These initiatives contribute to reducing environmental impacts, improving transparency across the supply chain, and strengthening the resilience of tea cultivation systems in the face of nature-related risks.

As part of our Group's initiatives to enhance ecosystem services and reduce environmental burden in agricultural production, we are conducting demonstration experiments on the application of biochar to tea plantation soils. Biochar, a carbon-rich material produced from biomass, offers dual benefits: long-term carbon sequestration and soil quality improvement.

. By applying biochar to tea fields, our goal is to enhance soil structure, increase nutrient retention, and improve water-holding capacity, which may lead to higher productivity. At the same time, biochar contributes to climate regulation by fixing carbon in the soil, thereby reducing atmospheric GHG concentrations. These trials are part of our broader efforts to promote nature-positive agriculture and strengthen the resilience of tea cultivation systems.

Our Group acknowledges that nitrous oxide ($N_2O$) emissions from fertilizer application in tea plantations represent a significant pressure on climate regulation, a key ecosystem service provided by natural capital. $N_2O$ is known to have a global warming potential approximately 265 times greater than $CO_2$, and its release is considered an unavoidable aspect of agricultural activities due to the nutrient characteristics of tea trees. To mitigate this impact, we are conducting technical studies aimed at reducing $N_2O$ emissions while maintaining agricultural productivity. As part of these efforts, we are currently implementing demonstration experiments to evaluate the effectiveness of reduction measures and to confirm that there is no adverse effect on tea harvesting quality and amount yield.

Toward obtaining SBT certification

In response to the growing need for decarbonized management, our Group has established clear GHG reduction targets: a 50% reduction by FY2030 and net zero emissions by FY2050. To reinforce our commitment, we submitted a formal commitment letter to the Science Based Targets initiative (SBTi) in November 2024, with the aim of obtaining certification for our GHG reduction targets in alignment with global climate science. As the Ito En Group, we remain dedicated to advancing initiatives that enable us to set and achieve meaningful targets for both climate and nature.

## ■Strategy climate regulation response

Initiative of packaging regulation strengthening

In alignment with the Ito En Group Policy on Containers and Packaging and the Ito En Group Policy on Plastics, our Group is actively promoting sustainable packaging practices that contribute to the conservation of natural capital. These efforts are structured around the principles of 3R—Reduce, Reuse, Recycle—plus Replace and Clean (environmental conservation).
Our Group has set a target to achieve 100% use of recycled materials in PET bottles by FY2030, and is actively promoting horizontal recycling (bottle-to-bottle) as a key strategy to reach this goal. To accelerate progress, we are collaborating with businesses and local governments to enhance bottle-to-bottle recycling systems, while also raising consumer awareness on proper separation and disposal practices. As a result of these efforts, the recycled material usage rate in FY2024 reached 45%

Initiative of addressing physical risk

Initiative of Natural disasters (floods, water shortages, landslides)

To address concerns regarding the stable procurement of green tea raw materials, our company is advancing the Tea Production Area Development Project as an effective countermeasure. This initiative focuses on expanding contracted tea plantations and increasing the number of partner farmers, thereby strengthening the resilience of our supply chain. In the event of natural disasters, we maintain close communication with contracted farmers to ensure a swift and coordinated response. In the past, incidents such as slope collapses in tea plantations and impassable agricultural roads have been reported. However, by sharing information promptly and maintaining strong relationships, we have been able to minimize the impact. While diversifying procurement across multiple production areas is one approach, we have found that expanding the area of contracted tea plantations and increasing the number of trading partners through this project yields particularly favorable results. We will continue to promote the expansion of tea production areas to ensure a stable and sustainable supply of green tea leaves.

Initiative of Biodiversity changes

To mitigate damage to tea cultivation caused by pest outbreaks, our Group is implementing countermeasures that take into account natural capital and biodiversity conservation. As part of the Tea Production Area Development Project, we are conducting demonstration experiments aimed at reducing the use of chemical pesticides and fertilizers. These efforts contribute to both environmental sustainability and the long-term resilience of tea production.

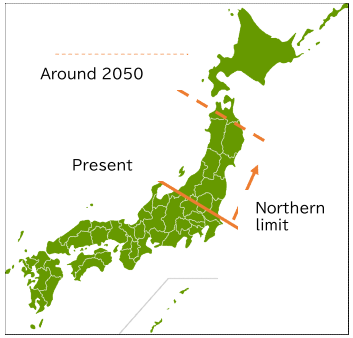
In addition, we are advancing circular agriculture by composting a portion of the tea waste generated during green tea beverage manufacturing. This compost is applied to tea plantations as an alternative to chemical fertilizers, with a particular focus on the nitrogen components remaining in the tea waste. These initiatives not only reduce environmental impact but also enhance soil health and resource efficiency. Through these integrated efforts, our goal is to build a sustainable tea production system that supports biodiversity and contributes to a nature-positive future.

Initiative of Green Tea Cultivation Areas in Response to Rising Temperatures

Green tea is originally a subtropical plant and has limited tolerance to cold temperatures. As a result, suitable cultivation areas are primarily located west of the Kanto region in Japan. Tea trees require a dormant period, which occurs when they are exposed to low temperatures for a certain duration. This dormancy allows the trees to synchronize bud sprouting, leading to a uniform and timely first harvest. However, if this dormant period is disrupted due to rising temperatures, the timing of bud emergence becomes irregular, posing a risk of reduced yield in the first tea harvest. If appropriate measures are not taken to adapt to temperature increases, certain regions may experience a decline in productivity.


While further investigation is needed, past cases have shown that high temperatures and low rainfall during summer can lead to defoliation and leaf withering, resulting in reduced yields in the following year's first tea harvest. These impacts are believed to be linked to climate variability and may become more frequent under ongoing climate change. If trends of rising average temperatures are confirmed in the future, it may become necessary to shift tea production areas northward to maintain stable yields. Our Group recognizes the importance of climate adaptation and will continue to monitor environmental changes while exploring sustainable cultivation strategies.

Rise in the northern limit of areas suitable for tea cultivation




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

■Strategy climate regulation response

Initiative of coffee cultivation suitable area due to temperature rise

We acknowledge that climate change poses a serious threat to coffee cultivation, particularly for Arabica species. According to warnings from World Coffee Research (WCR), suitable cultivation areas for Arabica coffee are projected to decrease by up to 50% due to global warming. In addition, pest damage is expected to become more severe, further impacting productivity. At the same time, global coffee consumption continues to rise, raising concerns about the future availability of high-quality coffee. In response, our Group is strengthening cultivation management across multiple production areas to ensure a stable supply of coffee beans. As part of our initiatives, Tully's Coffee is implementing grafting projects in certain regions. These projects involve grafting disease-resistant rootstock with flavorful, high-quality scion wood, helping to maintain coffee cultivation under increasingly challenging environmental conditions. Through these efforts, our goal is to build a resilient and sustainable coffee supply system that can adapt to climate-related risks while preserving quality and biodiversity.

"Grafting project "protecting coffee's taste and future

Tully's Coffee Japan is deeply engaged in coffee-producing countries and actively works to improve coffee quality through local partnerships. One notable initiative is the grafting project launched in collaboration with Cenfrocafe Agricultural Cooperative in Peru since 2019. In response to challenges such as global warming and repeated variety improvements, we performed trials with local producers using coffee varieties that are genetically close to the original species—now considered rare. In 2024, we initiated full-scale production of these varieties. Through this project, our goal is to cultivate flavorful, high-quality coffee beans with unique varietal characteristics, while contributing to the sustainability of coffee farming. Our goal is to continue delivering emotionally resonant cups of coffee to our customers.

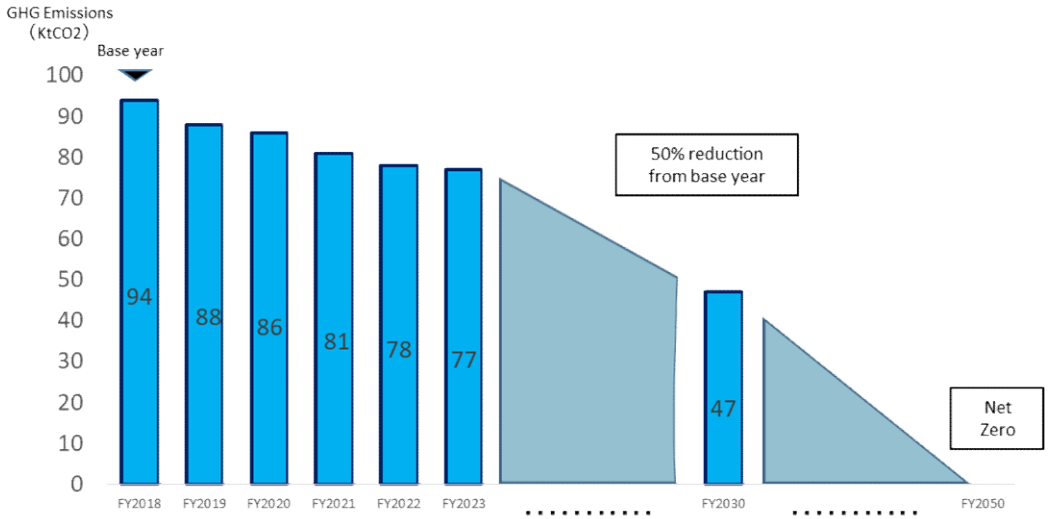

Rare coffee produced during the project's testing phase
Will go on sale in May 2024

■Strategy climate regulation transition plan

Transition plan

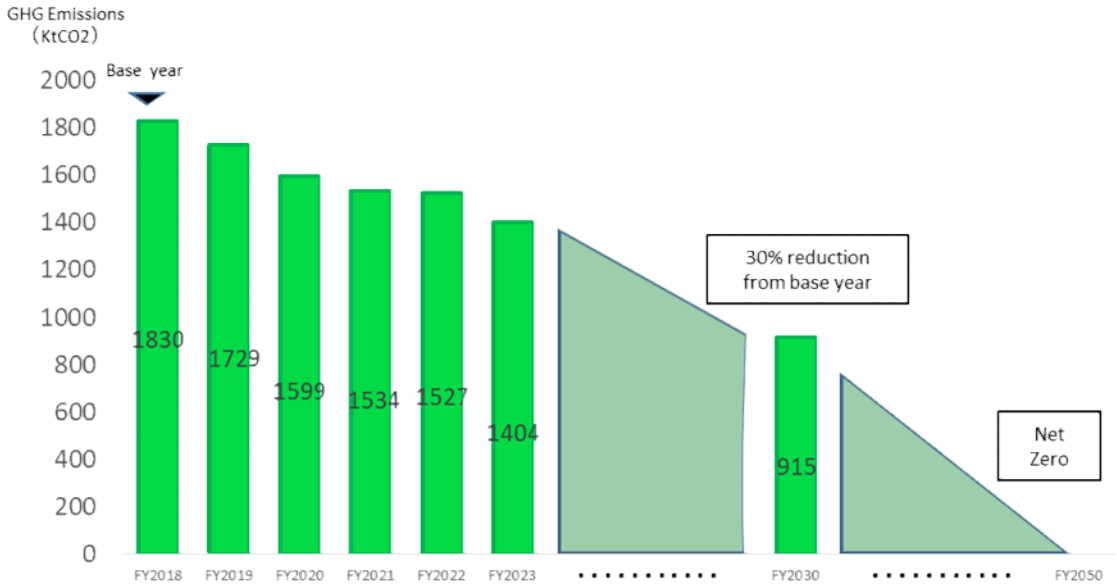
Roadmap for GHG emission reduction

The ITO EN Group has set a goal of achieving net zero greenhouse gas (GHG) emissions by FY2050, as outlined in the ITO EN Group Medium- to Long-term Environmental Targets. Using FY2018 as the base year, our goal is to reduce Scope 1 and 2 emissions by 50% and Scope 3 emissions by 30% by FY2030. These targets reflect our commitment to mitigating climate change and promoting a transition to a decarbonized society. For Scope 1 and 2 emissions, we are advancing initiatives based on three key pillars: Conversion of sales vehicles to electric vehicles (EVs) Promotion of energy-saving measures Transition to renewable energy In terms of vehicle electrification, we are optimizing delivery routes. Regarding electricity use, we are implementing a planned transition to renewable energy through: Installation of solar power generation panels Introduction of energy-saving equipment during building renovations and new construction Conversion to renewable electricity sources Planned purchase of environmental value certificates Through these integrated efforts, our goal is to reduce our environmental footprint and contribute to the realization of a sustainable, low-carbon society.



■Strategy climate regulation transition plan

Scope 3 accounts for over 95% of the ITO EN Group's total GHG emissions, with more than 80% attributed to Category 1, which includes purchased goods and services such as raw materials and packaging. To address this, we are actively promoting GHG emissions reduction and water usage reduction measures, particularly in this area. For materials, we are advancing 3R + Clean initiatives, including: Lightweighting of PET bottles, caps, and labels Expansion of label-less products Use of environmentally friendly materials, such as plant-derived biodegradable plastics and reusable containers In logistics, we endeavor to improve efficiency through: Block production logistics Higher loading rates and mixed loading of beverage and tea leaf products Collaboration with other companies to optimize transportation As nearly all of our beverage production is outsourced to external factories, we request suppliers to: Establish GHG emissions and water usage reduction targets Appoint environmental managers Provide primary data for calculating GHG emissions These efforts are part of our broader strategy to reduce environmental impact across the entire value chain and contribute to a sustainable, decarbonized society.



## ■Strategy Tea business initiatives

Tea business initiatives

To help limit the global average temperature increase to 1.5–2.0°C, the ITO EN Group is committed to implementing science-based climate actions across all business operations. These efforts are not only aimed at reducing greenhouse gas emissions but also at contributing to sustainable business growth and enhancing societal resilience. In addition, we recognize the importance of natural capital and biodiversity conservation in achieving long-term sustainability. Accordingly, we are advancing initiatives aligned with Nature-based Solutions (NbS), which leverage the power of ecosystems to address environmental and societal challenges.

As the tea business is central to the ITO EN Group's operations, we have carried out a range of integrated measures addressing measures from an integrated perspective of climate regulation and natural capital/biodiversity conservation. These initiatives aim to ensure the sustainable growth of our tea business while contributing to the preservation and enhancement of biodiversity and ecosystem services. By aligning our actions with both climate adaptation and mitigation strategies, and by incorporating Nature-based Solutions (NbS), we are building a resilient and environmentally responsible supply chain.

| Countesrmeasures | Initiatives |
|---|---|
| Biochar spreading | ・CO2 fixation test in soil through biochar spreading<br>・pH impact confirmation on soil |
| Tea variety selection and development | ・Selection and development of tea trees resistant to pests<br>・Selection and development of tea trees resistant to climate regulation<br>・Selection and development of tea trees with high yield<br>・Cultivation of diverse tea varieties |
| Tea production area development project area expansion | ・New cultivation area selection considering climate regulation scenario<br>・Consideration of effective fertilizer and pesticide applications |
| Appropriate use of chemical fertilizer and pestcides | ・Appropriate use of fertilizers and pesticides that contribute to GHG emission reduction<br>・Consideration of effective fertilized and pesticide application methods |
| Promotion of organic cultivation | ・Expansion of organic cultivation and tea cultivation |
| Advancement of agricultural DX | ・introduction and expansion of agricultural support tool<br>・Resolution of successor problem and overwork issues |
| Enhance of traceability | ・Expansion of export opportunities for overseas residual pesticide standards compliance |

Risk and impact management （TCFD/TNFD)

The ITO EN Group defines events that may affect corporate management as risks, and manages them based on the ITO EN Group Risk Management Policy. We take an integrated and strategic approach to managing risks that may hinder or potentially hinder the achievement of our Group's management objectives. Through appropriate responses, our goal is to ensure business continuity, asset preservation, stakeholder trust, safety of officers, employees, and their families, and the maintenance and enhancement of corporate value. As an advisory body to the Board of Directors, we have set up a Risk Management Committee, chaired by the Representative Director and President. This committee oversees a company-wide risk management system that identifies, evaluates, and addresses risks in cooperation with risk supervising departments and various specialized committees. These committees share risk-related information and response status with the Risk Management Committee to ensure coordinated action. The Risk Management Committee of the ITO EN Group recognizes climate change risks and natural capital/biodiversity risks as important issues and manages them as a component of the Group-wide integrated risk management system

Risk evaluation

The ITO EN Group evaluates risk severity using risk maps based on two axes while general business risks are evaluated using a threshold of 1% or more of sales, climate-related risks often result in smaller direct financial impacts. Therefore, we also assess risks using non-financial indicators, such as: The number of employees exposed to physical climate risks The number of business sites affected This multi-dimensional evaluation approach enables us to capture the full scope of climate and nature-related risks and supports strategic decision-making across the Group.

## ■Indicator and Targets

The ITO EN Group has established the following global core disclosure indicators to assess and communicate our dependencies and impacts on nature, in accordance with international sustainability frameworks:

| Metric No. | Driver of nature change | Indicator | Metric | Connection to GBF targets |
|---|---|---|---|---|
| - | Climate change | GHG emissions | ・GHG emissions<br>（Refer to Ito En Sustainability Date） | FY2030 Scope1・2 ▲50%reduction<br>Scope3 ▲30%reduction |
| C1.0 | Land/freshwater/ ocean-use change | Total spatial Footprint | ・Area under Tea Cultivation Development Projects | FY2030 2,800ha |
| C1.1 | | Extent of land/ freshwater/ocean-use change | - | - |
| C2.0 | Pollution/ pollution removal | Pollutants released to soil split by Type | **・No soil-related discharges or emissions attributable to operational activities at manufacturing sites**<br>**・Pesticides and fertilizers are applied in compliance with a designated positive list to ensure environmentally responsible use.** | - |
| C2.1 | | Wastewater discharged | **・Volume of wastewater discharged by destination, as reported in ITO EN's sustainability data.**<br>**・Water consumption intensity, measured per unit of output** | Water consumption per unit of production in 2030 3.0㎥/kℓ |
| C2.2 | | Waste generation and disposal | **Volume of waste generated and the corresponding recycling rate** | More than 90% resourcing rate |
| C2.3 | | Plastic pollution | **Target percentage of recycled content in PET bottles, as part of circular economy and resource efficiency initiatives** | FY2030 Percentage of recycled PET bottles and other materials used 100% |
| C2.4 | | Non-GHG air pollutants | NOx、$SO_x$、VOC | - |
| C3.0 | Resource use/ replenishment | Water withdrawal and consumption from areas of water Scarcity | **Volume of water withdrawn, categorized by source (e.g., surface water, groundwater, municipal supply)** | FY2030 Water conservation rate of 100 per cent or more |
| C3.1 | | Quantity of high-risk natural Commodities sourced from land/ocean/Freshwater | **Total energy consumption associated with operational activitie** | - |
| C4.0 | Invasive alien species and other | Placeholder indicator: Measures against Unintentional introduction of invasive alien species | **Under consideration** | - |
| C5.0 | State of nature | Placeholder indicator: Ecosystem Condition | | |
| | | Placeholder indicator: Species extinction Risk | | |