

# Material Issues: Initiative Themes and KPIs

The ITO EN Group is working on initiatives to address seven material issues tied to business strategy of our new Medium-Term Management Plan as we strive to become a Global Tea Company under our long-term vision as a Health Creation Company.

## Material issues identification process

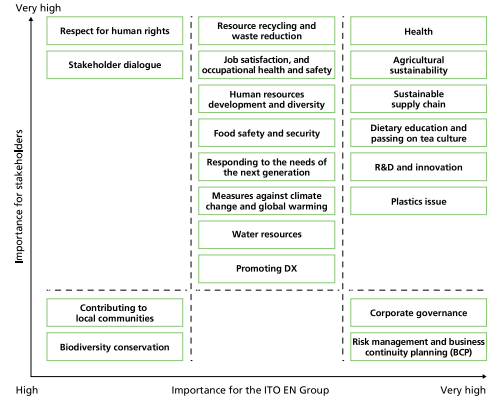
**1 Identification of social issues**  
Identify social issues by referring to multiple international standards from the perspective of the changing external environment, the demands and expectations of society, and key customer issues.

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

## 2 Importance/materiality evaluation

Evaluate candidates for material issues 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



## 3 Stakeholder dialogues

Send questionnaires 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 based on candidates for material issues identified and host stakeholder dialogues by senior management and external experts.

## 4 Identification of material issues

After steps 1-3, have the Board of Directors deliberate the candidates for material issues in conjunction with the Medium- to Long-Term Management Plan and identify seven material issues as the areas to be addressed as management issues with corresponding themes for initiatives.

## Seven Material Issues and Key Performance Indicators (KPIs)

Material issues	Commitment	Theme	Indicators (KPIs)	FY4/2024 results	SDGs (Contributable Goals and Targets)
<b>Contribution to Dietary Habits and Health</b> ▶ pp. 39–40	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	Research and development toward the era of the 100-year lifespan	• Number of research presentations relating to health value of foods 25 presentations a year	28	
		Contributing to the health needs of customers and their ever diversifying lifestyles	<ul style="list-style-type: none"> <li>• FOSHU and Food with Functional Claims sales breakdown FY4/2027: 30% or higher</li> <li>• Nations where <i>Oi Ocha</i> is sold More than 100 countries by FY4/2041 (More than 60 countries by FY4/2029)</li> <li>• Ratio of products made with no added sugar* in international beverage sales *Sugar-free beverages (tea/water/carbonated water) + unsweetened natural beverages such as 100% vegetable drinks and fruit drinks</li> </ul>	17.5% 40 nations/regions 70.6%	
		Product safety and security Pursuit of quality and reduction of environmental impact	<ul style="list-style-type: none"> <li>• International food safety certification rate: 100% *Domestic beverage/leaf manufacturing factories</li> <li>• Beverage/leaf factory audit rate: 100% Domestic beverage/leaf manufacturing factories</li> </ul>	95.7% 100%	
<b>Contribution to Sustainable Agriculture</b> ▶ pp. 41–42	Accelerate the development of high-value-added materials and environmentally friendly agriculture through the Tea-Producing Region Development Project to contribute to sustainable agriculture	Evolution of a unique world-class agricultural model	<ul style="list-style-type: none"> <li>• Area developed through the Tea-Producing Region Development Project FY4/2027: 2,650 ha FY4/2031: 2,800 ha</li> <li>• Production volume of organic farming FY4/2027: 380 t FY4/2031: 500 t</li> <li>• Maintenance and operation of GAP certification: 100% *The Tea-Producing Region Development Project</li> </ul>	2,512 ha 273 t 100%	  
		Response to climate change	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emission reduction rate (compared with FY4/2019)<sup>1</sup> FY4/2031 Scope 1 &amp; 2: 50% reduction, Scope 3: 20% reduction FY4/2051 Scope 1–3: carbon neutral</li> <li>• Company-wide renewable energy ratio FY4/2031: 100%<sup>2</sup></li> <li>• Ratio of electric vehicles introduced (percentage of all vehicles) FY4/2031: 50%<sup>2</sup></li> </ul>	Scope 1 & 2 17.9% reduction Scope 3 23.3% reduction 20% 9.7%	 
<b>Environment</b> ▶ pp. 43–47	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	Water resources	• Reduction of basic water usage intensity (compared with FY4/2019) FY4/2031: 16% reduction *Water usage per 1 kl of product produced	5.5% increase	
		Sustainable containers and packaging	• Percentage ratio of recycled materials used for all PET bottles FY4/2031: 100%	36%	
		Biodiversity conservation	• Total number of participants in water source conservation activities, environmental conservation and maintenance activities: 500 per year	1,221	
		Promoting waste reduction/resource recycling	<ul style="list-style-type: none"> <li>• Foodstuff recycling rate • ITO EN: Over 90% • Tully's Coffee Japan: Over 50%</li> <li>• Number of recycled used tea leaf products launched 10 products a year</li> <li>• Reduction in vending machine dummy plastic use FY4/2029: 50% reduction (vs. FY4/2019)</li> </ul>	16 27.2% reduction	 
		Co-creation with local communities	• Number of <i>sakura</i> (cherry trees) planted 150 trees a year	112	
<b>Deepening Ties with Local Communities and Society</b> ▶ pp. 55–56	Contribute to the resolution of local societal issues through dialogues with various stakeholders Utilize communication through tea to support both physical and mental health	Creation of connections through tea	• Number of participants in dietary education 600,000 participants a year	454,000	
		Building a sustainable supply chain	<ul style="list-style-type: none"> <li>• Number of quality meetings held 7 times a year</li> <li>• Conducting assessments of suppliers</li> </ul>	10 Implemented	
<b>Contribution to a Sustainable Supply Chain</b> ▶ pp. 48–50	Respect human rights for everyone throughout the value chain and maintain sustainable partnerships with suppliers to both resolve social and environmental issues and achieve sustainable profits for all parties	Promotion of initiatives to ensure respect for human rights	<ul style="list-style-type: none"> <li>• Conduct human rights due diligence for high-risk supply chains At least once a year</li> <li>• Conduct internal human rights awareness training At least 3 times a year</li> </ul>	3 2	 
		Development and empowering of diverse human resources	<ul style="list-style-type: none"> <li>• Employee engagement score FY4/2027: 4.2 or higher *Out of 6 points (Survey items changed since FY4/2024)</li> <li>• Female manager ratio FY4/2027: 10%</li> <li>• Gender pay gap (regular full-time employees, male employees = 100) FY4/2027: 80% Of the above, less than 10 years of service 100%</li> <li>• Percentage of male employees taking childcare leave FY4/2027: 50%</li> </ul>	3.99* 3.7% 79.8% Less than 10 years of service 94.3% 43.1%	  
<b>Promotion of Diverse Human Assets and Active Roles for All</b> ▶ pp. 51–54	Construct an organization where all employees work vigorously in good health	Promoting health and productivity management	• Maintain Health and Productivity Management Organization (White 500) certification	Certified	
		Promoting sustainability management	• Strengthen the system for tackling material sustainability issues and supervisory functions, and engage in dialogues with stakeholders	1	
		Enhancing group risk management	<ul style="list-style-type: none"> <li>• Risk Management Committee meetings</li> <li>• Regular meetings with affiliated companies</li> </ul>	2 4	
		Thorough compliance	• Number of compliance education sessions held (for all employees) 12 times a year	12	
<b>Corporate Governance</b> ▶ pp. 57–70	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	Promoting DX	• DX Promotion Committee meetings	6	

1. The reporting boundary used for the reported Scope 1 and 2 emissions is ITO EN, LTD. and its consolidated subsidiaries (Except for Cafetalera de Tierras Ticas, S.A. and EMPRESAS DE ANTOQUIA LTDA).  
The reporting boundary used for the reported Scope 3 emissions is ITO EN, LTD. and its consolidated subsidiaries in Japan.  
2. Applies to ITO EN, LTD. only.