

Material Issues: Initiative Themes and KPIs

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

Material Issues Identification Process

1 Identification of social issues

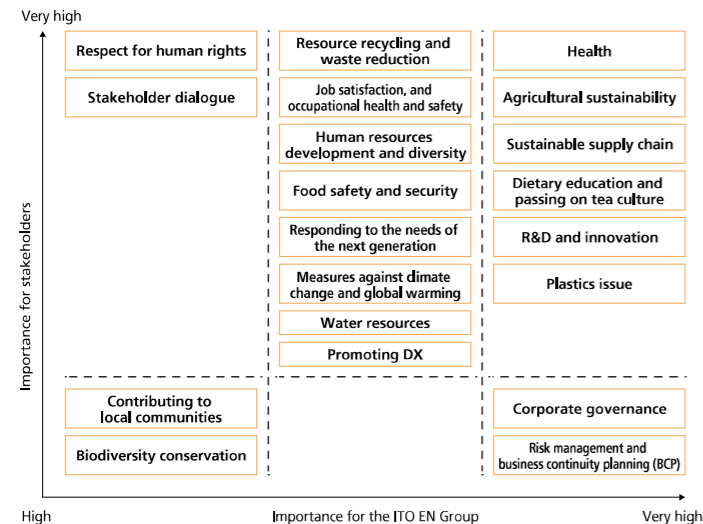
From the perspective of the changing external environment, the demands and expectations of society, and key customer issues, we identified social issues by referring to international disclosure standards, ESG evaluation criteria, and the SDGs.

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

2 Importance/materiality evaluation

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

Materiality map



3 Stakeholder dialogues

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

4 Identification of material issues

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

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

Material issues	Theme	Commitment	Indicators (KPIs)	FY4/2023 results	SDGs (Contributable Goals and Targets)
Contribution to Dietary Habits and Health ▶ pp. 45–46	Research and development toward the era of the 100-year lifespan	Suggest and Provide healthy and fulfilling lifestyles through research and development with an eye towards the age of centenarians and through products and services helpful to the health of people of different generations	• Number of research presentations relating to health value of foods FY4/2027: 25 (per year)	26	3.3 3.4
	Contributing to the health needs of customers and their ever-diversifying lifestyles		• FOSHU and Food with Functional Claims sales breakdown FY4/2027: 30% or higher	17.1%	3.3 3.4
	Product safety and security Pursuit of quality and reduction of environmental impact		• Overseas sales ratio FY4/2027: 12% or higher	11.9%	
Contribution to Sustainable Domestic Agriculture ▶ pp. 27–30	Evolution of a unique world-class agricultural model	Carry out the Tea-Producing Region Development Project to accelerate the development of high value-added materials and environmentally-friendly agriculture to help revitalize agriculture in Japan	• International food safety certification rate: 100% Domestic beverage/leaf manufacturing factories	96.4%	12.4
			• Beverage/leaf factory audit rate: 100% Domestic beverage/leaf manufacturing factories	100%	
Environment ▶ pp. 49–52	Response to climate change	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	• Area developed through the Tea-Producing Region Development Project FY4/2027: 2,650 ha FY4/2031: 2,800 ha	2,437 ha	13.1 13.2 13.3
			• Production volume of organic farming FY4/2027: 380 t FY4/2031: 500 t	253 t	11.a 17.16
			• CO ₂ emission reduction rate (compared with FY4/2019) FY4/2031 Scope 1 & 2: 50% reduction, Scope 3: 20% reduction FY4/2051 Scope 1–3: carbon neutral	Scope 1 & 2* -17.7% Scope 3* -16.3%	7.2 12.2 13.1
	• Company-wide renewable energy ratio FY4/2031: 100%		13.7%		
	• Ratio of electric vehicles introduced (percentage of all vehicles) FY4/2031: 50%		8.2%		
	• Reduction rate of basic water usage intensity (compared with FY4/2019) water usage per 1kl of product produced FY4/2031: 16% reduction		10.8% increase	6.4 6.6	
	• Ascertaining the impact of water risks (storms and other flood / water damage) and water stress (droughts, etc.) on business		Implemented		
	• Percentage ratio of recycled materials used for all PET bottle FY4/2031: 100%		15%	12.4 12.5 14.1	
	• Percentage ratio of recycled materials used for all <i>Oi Ocha</i> PET bottle FY4/2026: 100%		24%		
	• Maintenance and operation of GAP certification: 100% The Tea-Producing Region Development Project		100%	15.4	
Deepening Ties with Local Communities and Society ▶ pp. 57–58	Co-creation with local communities	Contribute to the resolution of local societal issues through dialogues with various stakeholders	• Total number of participants in water source conservation activities, environmental conservation and maintenance activities: 500 (per year)	615 people	
	Creation of connections through tea	Utilize communication through tea to support both physical and mental health	• Foodstuff recycling rate: 90% or more	94.8%	9.4 12.3 12.5
Contribution to a Sustainable Supply Chain ▶ pp. 47–48	Building a sustainable supply chain	Maintain sustainable partnerships with suppliers to achieve the resolution of social and environmental issues and sustainable profits for all parties	• Number of recycled used tea leaf products launched FY4/2027: 2 (per year)	15	
			• Number of sakura (cherry trees) planted FY4/2027: 150 (per year)	137	11.a 17.17
Promotion of Diverse Human Assets and Active Roles for All ▶ pp. 25–26, 53–56	Development and empowering of diverse human resources	Construct an organization where everyone in the value chain is respected and where all employees work vigorously in good health	• Number of participants in dietary education FY4/2027: 600,000 (per year)	618,000	4.4 4.7 11.4
			• Number of quality meetings held FY4/2027: 7 (per year)	9	9.4
	• Conducting assessments of suppliers		Implemented		
	• Number of compliance education sessions held (for all employees) FY4/2027: 12 (per year)		12	8.5 10.2	
	• Employee engagement score FY4/2027: 3.5 or higher		3.18		
Promoting health and productivity management	Promoting sustainability management	Practice and push ahead with sustainability management to improve responses to environmental and social issues as well as risk management and to increase corporate value	• Female manager ratio FY4/2027: 10%	3.3%	
			• Gender pay gap (regular full-time employees, male employees = 100) FY4/2027: 80% Of the above, less than 10 years of service FY4/2027: 100%	77.3%	4.4 4.7 8.5
			• Percentage of male employees taking childcare leave FY4/2027: 50%	32.3%	
Corporate Governance ▶ pp. 59–70	Promoting DX	Enhancing group risk management	• Maintain Health and Productivity Management Organization (White 500) certified	Certified	3.5 3.6 3.a
			• Strengthen the system for tackling material sustainability issues and supervisory functions, and engage in dialogues with stakeholders	1	
			• Number of DX Promotion Committee meetings FY4/2027: 11 (per year)	11	
			• Number of Risk Management Committee meetings FY4/2027: 4 (per year)	4	16.5
			• Number of regular meetings with (10) affiliated companies FY4/2027: 4 (per year)	4	

* The scope of Scope 1-3 emissions included ITO EN, LTD., ITO EN SANGYO, LTD., Tully's Coffee Japan Co., Ltd., and Chichiyasu Company.