

ITO EN, LTD.
(Common stock: 2593,
Preferred stock: 25935)



Company Information

Exchange	TSE Prime Market
Industry	Food products (manufacturing)
President	Daisuke Honjo
Address	47-10, Honmachi 3-chome, Shibuya-ku, Tokyo
Year-end	April
URL	https://www.itoen-global.com/

Stock Information

<Common Stock>

Share Price	Number of shares issued (End of the term)		Total market cap	ROE (Act)	Trading Unit
¥5,190	89,212,380 shares		¥463,012 million	8.2%	100 shares
DPS (Est)	Dividend yield (Est)	EPS (Est)	PER (Est)	BPS (Act)	PBR (Act)
¥40.00	0.8%	¥103.92	49.9 times	¥1,334.88	3.9 times

* The share price is the closing price on June 16. Each number is based on the result of the fiscal year ended April 2022.

<Preferred Stock>

Share Price	Number of shares issued (End of the term)		Total market cap	ROE (Act)	Trading Unit
¥1,851	34,246,962 shares		¥63,391 million	8.2%	100 shares
DPS (Est)	Dividend yield (Est)	EPS (Est)	PER (Est)	BPS (Act)	PBR (Act)
¥50.00	2.7%	¥106.20	17.4 times	¥1,339.88	1.4 times

* The share price is the closing price on June 16. Each number is based on the result of the fiscal year ended April 2022.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
April 2018 (Act)	494,793	22,043	21,441	12,553	99.79	40.00
April 2019 (Act)	504,153	22,819	23,211	14,462	116.02	40.00
April 2020 (Act)	483,360	19,940	19,432	7,793	61.53	40.00
April 2021 (Act)	446,281	16,675	17,029	7,011	55.10	40.00
April 2022 (Act)	400,769	18,794	19,971	12,928	103.92	40.00
April 2023 (Est)	418,000	20,000	19,500	12,000	96.28	40.00

*The forecast is company's one. Unit: million yen, yen. The company began to apply the revenue recognition criteria in the term ending April 2022.

This Bridge Report outlines the results of ITO EN for the fiscal year ended April 2022 and the forecast for the term ending April 2023.

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Key points

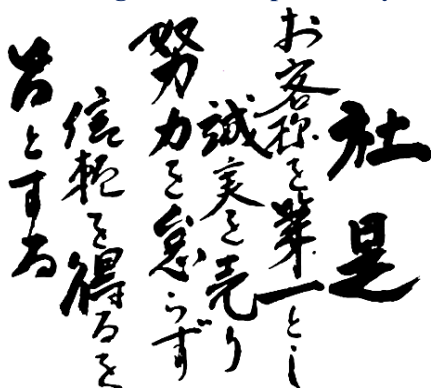
- In the term ended April 2022, sales increased 3.4% from the previous term to 461.3 billion yen. The non-consolidated sales of ITO EN rose 1.6% year on year. The sales of Tully's Coffee Japan, which was strongly affected by the COVID-19 crisis in the previous term due to the location of its stores in metropolitan areas, recovered significantly, and sales of the US business were strong, too. Operating income increased 12.0% year on year to 18.6 billion yen. While Tully's Coffee Japan moved into the black, the non-consolidated profit of ITO EN decreased slightly, and the profit of the US business fell. Compared to the estimates released at the time of the announcement of the second quarter financial results, sales were almost as expected due to the strong performance of the US business, but operating income did not reach the estimate.
*Based on the old revenue recognition standard.
- For the term ending April 2023, sales are expected to increase 4.3% year on year to 418 billion yen, and operating income is forecast to rise 6.4% year on year to 20 billion yen. The sales of ITO EN (non-consolidated) and other group companies are projected to grow. The non-consolidated profit of ITO EN is expected to rise, and Tully's Coffee Japan, which moved into the black in the previous term, is expected to see significant profit growth. On the other hand, the profit of the US business is forecast to decline. The company plans to pay a dividend of 40 yen/share for common shares and a dividend of 50 yen/share for preferred shares, like in the previous term. The expected dividend payout ratio is 41.5% for common shares and 47.1% for preferred shares.
- The company formulated a new mid/long-term management plan for five years from the term ending April 2023 to the term ending April 2027. The plan's priority strategies are (1) the solidification of existing domestic businesses, (2) the globalization of Oi Ocha, (3) the creation of new businesses, (4) the enhancement of the management base, and (5) the promotion of sustainability management. The targets of the plan are an operating income margin of 7%, a ROE of 10% or higher, keeping total return ratio of 40%, an overseas sales ratio of 12% or higher, and a five-year average growth rate of consolidated sales of 3% or higher in the term ending April 2027.
- The COVID-19 crisis has subsided, and the sales of all business entities, mainly ITO EN (non-consolidated) and Tully's Coffee Japan, are expected to increase in the current term, and operating income is also expected to recover by 20 billion yen due to a significant increase in the profit of Tully's Coffee Japan despite the decline in the profit from the US business. The new mid-term management plan is aimed at steadily growing sales and improving profitability over the next five years. Although it is difficult for sales to recover to the pre-pandemic level in the next five years, it is assumed that sales will reach about 470 billion yen in the term ending April 2027, operating income margin will be 7%, and operating income will exceed 30 billion yen, hitting a record high. In this environment with several uncertainties such as high raw material prices, price revisions, and sustainability of the vending machine business due to labor shortages, we would like to pay attention to the progress of the new mid/long-term management plan that leverages the company's strengths in product development and brand power.

1. Company Overview

ITO EN mainly manufactures and sells beverages (including tea beverages such as green tea, coffee, and vegetable beverage), and tea leaves, and also operates restaurants and conducts franchise (FC) business of Tully's Coffee, etc., manufactures and sells supplements via its subsidiaries. In Japan, the company has the largest share of 34% (as of 2021) in the market of green tea beverages, including "Oi Ocha." In addition, it owns a variety of popular product brands, such as "Kenko Mineral Mugicha" (barley tea) which is the bestselling caffeine-free tea beverage, "Ichinichibun no Yasai" (Vegetable Beverage), the most selling 100% vegetable beverage, and "TULLY'S COFFEE" which is the top-selling bottle-shaped canned black coffee product developed in cooperation with Tully's Coffee Japan Co., Ltd.. Each of them has achieved an annual sales quantity of over 10 million cases ("Oi Ocha" has sold about 80 million cases).

The ITO EN Group is composed of 31 consolidated subsidiaries, including Tully's Coffee Japan Co., Ltd. and Chichiyasu Company, and 3 companies accounted for using the equity method. With the aim of becoming a "Global Tea Company," it is developing the "Oi Ocha" brand and cultivating new green tea markets in the U.S. (mainly New York), China, Australia, and Southeast Asia.

1-1 Management Principle "Always Putting the Customer First"



The corporate ethos of ITO EN is "Customer First," which means that "valuing all customers is the basic of business administration."

Customers mean all stakeholders (including consumers, shareholders, retailers, suppliers, financial institutions and local communities) related to ITO EN. The company recognizes all stakeholders as customers, listens to their respective opinions and requests sincerely and takes measures from the viewpoint of customers. This is their stance for business administration.

Under this management philosophy, the company has set up the following mission and visions.

Mission	Health Creation Company Contributing to the realization of healthy and prosperous lives for our customers and a sustainable society
Vision	A Global Tea Company As a company specializing in tea, the company will connect with the global tea culture and widely convey its deliciousness and value. <p>*Globalization The company will evolve the tea drunk all over the world and support the healthy life of people around the globe.</p> <p>*Value Creation Utilizing the knowledge the company cultivated on tea to create value that contributes to the health of customers and a sustainable society.</p> <p>*Uniqueness Aspiring to become a unique and exceptional company that fuses tradition and innovative technology in all processes from agriculture to recycling of resources.</p>

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1-2. Five Concepts for Product Development since the Establishment of the Company



The concepts for product development are “Natural,” “Healthy,” “Safe,” marketing strategies and the pursuit of deliciousness. For its representative product “Oi Ocha,” ITO EN has been using high-quality ingredients and production methods since the period of the predecessor “Canned Sencha (green tea),” which was released in 1985, and brings out natural deliciousness without using any flavoring or seasoning agents.

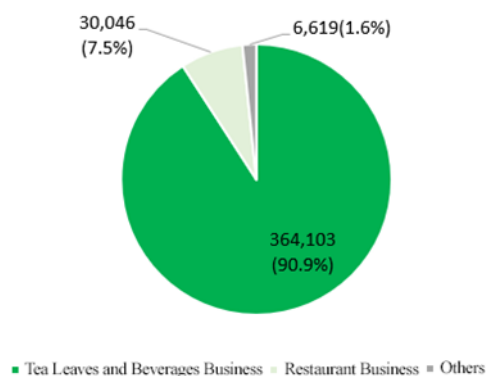
Natural	Products made of natural ingredients
Healthy	Products that support a healthy life
Safe	Products that can be enjoyed safely
Well-designed	Design that directly conveys deliciousness
Delicious	Deliciousness that makes you feel happy

(Source: The company)

1-3. Outline of the business

The business of ITO EN is classified into the Beverages Business and Tea Leaves, which manufactures and sells tea leaves and beverages, the Restaurant Business, in which Tully's Coffee Japan Co., Ltd. operates specialty coffee shops and FC business, and The Others, in which Mason Distributors, Inc. (Florida, the U.S.) manufactures and sells supplements.

Sales composition by segments (FY4/22 Units: million yen)



Product brands representative of ITO EN, LTD. that have sold over 10 million cases annually

RTD Tea No.1



Food with functional claims (beverages) No.1



Caffeine-Free RTD Tea No.1



100% Vegetable Juice No.1



Bottle Can Black Coffee No.1



(Source: The company)

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1-4 Global tea company

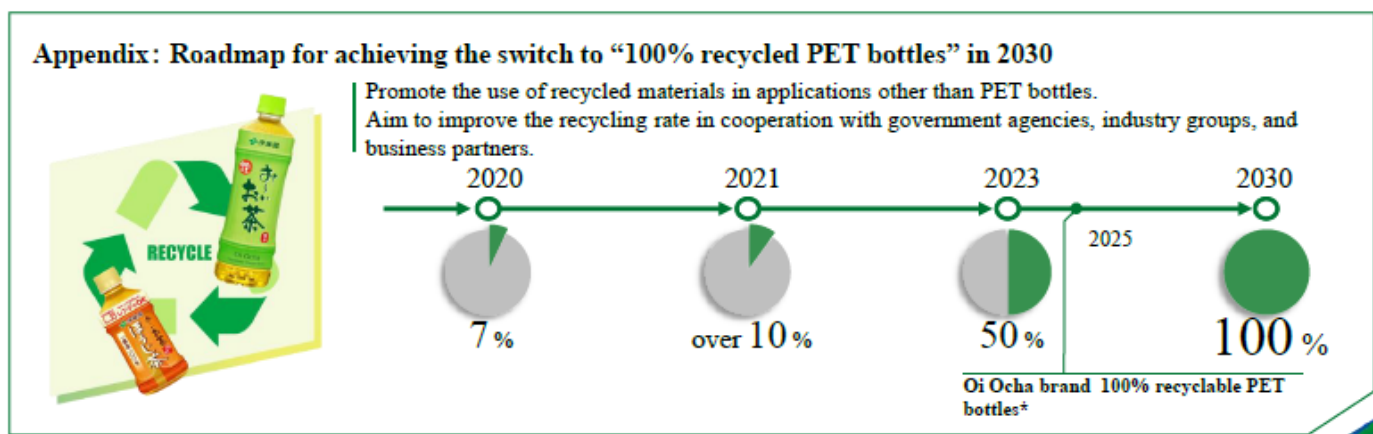
As a global tea company, the company aims to be the corporate group ITO EN that can contribute to the health of customers around the world, and support the affluent life of each customer. To attain this goal, the company is conducting activities as a health-enhancing enterprise that supports corporate sustainability and affluent lives, and strengthening its ROE management.

Corporate sustainability

The company set the medium/long-term environmental goals of the ITO EN Group, and takes measures for containers and packages, and for coping with climate changes, while advertising the value of tea, such as catechin and theanine, through their products. In addition, the company concentrates on the tea plantation development project, which is an original sustainable agricultural model, and on recycling used tea leaves which are excreted after the production of tea beverages, etc.

Packaging Initiatives

Following the basic policy of “3Rs (recycling, reduction, and replacement & reuse) + Clean,” the company aims to replace the material used in all the plastic bottles of the “Oi Ocha” brand and all of the plastic-bottled products with recyclable materials (including biological origin ones) by the end of the fiscal year 2025 and by 2030, respectively.



(Source: The company)

Policy regarding the plastics of the ITO EN Group

Recycling resources	-To fully make the material used in plastic bottles to recyclable materials* by 2030. -To promote the use of recyclable materials other than plastic bottles. -To conduct activities for improving the ratio of recycling in cooperation with administrative bodies, industrial groups, business partners, etc. *Including biological materials
Reduction (resource saving)	-To modify the designs and production methods of containers for further decreasing the weights and consumption of containers and packages
Replacement & Reuse	-To promote the use of biological and biodegradable materials -To promote installing reusable containers in the restaurant business
Clean (environmental conservation)	-To promote the sorting-out of waste for utilizing plastic resources, participate in social contribution activities, such as cleaning activities, and continuously support environmental conservation activities in each region

(Produced based on the reference material of the company)

Response to climate changes

The company is striving to reduce CO₂ emissions by setting goals and analyzing climate changes related to tea leaves.

The company set new numerical targets in April 2022, and set the goal of reducing the CO₂ emissions of Scope 1 (direct discharge amount) and Scope 2 (amount of indirect discharge from energy) by 50% from fiscal 2018 by fiscal 2030, and the goal of decreasing the CO₂ emissions of Scope 3 (other indirect discharge amount) by 20% in total. The company also set the goal of carbon-neutral by fiscal 2050. The company has engaged in the installation of environmentally friendly filling systems in beverage factories, modal shift, promotion of eco-driving of commercial vehicles, active installation of heat pump-type vending machines, etc. As the company does not own factories for producing beverages, but adopted the fabless business model in which production is outsourced, the company will enhance cooperation with about 50 factories in 5 blocks around Japan to attain the goals for fiscal 2030. Under ITO EN Group's policy regarding plastics, the company aims to fully make the materials used for plastic bottles to recyclable materials and such by 2030. Compared with virgin resin, recyclable materials and such are expected to reduce CO₂ emissions considerably, and help achieve the goals for Scope 3.

Goals of reducing CO₂ emissions

Target fiscal year		Conventional	Hereafter
FY 2030	Scopes 1-2	To reduce total emissions by 26%	To reduce total emissions by 50%
	Scope 3	To reduce emissions per product by 26%	To reduce total emissions by 20%
FY 2050	Scopes 1-2	To reduce total emissions by 26%	Carbon-neutral
	Scope 3	To reduce emissions per product by 26%	

*The reference year is the fiscal year 2018 for both. The emission intensity is emissions per million yen in sales. The 20% reduction target of the total amount of emissions in FY2030 has been set in line with the current target: sufficiently lower than 2°C, under the Paris Agreement, considering the impact of the recent rise in raw material prices.

In the analysis of climate changes related to tea leaves, the company continuously conducts original analysis and scenario analysis, and based on the analysis results, the company develops new plantations, cultivation management methods, technology developments, etc. in cooperation with tea farmers.

A Sustainable Agricultural Model Unique to ITO EN

© “The Tea-Producing Region Development Project” (from 1976)

The area of tea plantations in Japan has been on the decline, and the production amount of green tea (unrefined tea) fell below 70,000 tons, down 22% from 10 years ago. The number of farmers is also on a downward trend with the average age standing at 67.8, indicating that the agricultural industry is aging.

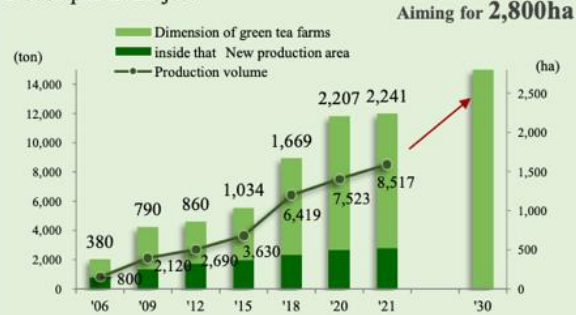
Under these circumstances, the company started a project for developing tea plantations, in which the company signs contracts with individual tea farmers or engages in development of tea plantations (a new plantation project), in 1976 with the aim of stably procuring high-quality tea leaves, and strives for sustainable procurement of tea ingredients in collaboration with tea farmers, including the farmers of large-scale tea plantations. The efforts to save labor and improve operational efficiency have delivered unprecedented results, that is, the average age of those engaging in the tea plantation development project (new plantation project) being 45 and the adoption rate of rideable tea-picking machines being 100%.

The new plantation project, which brings high value to the society and enterprises through regional vitalization, sustainable agricultural management, etc., started in Miyazaki Prefecture in 2001 and implemented in Shizuoka Prefecture in 2020, and now it has expanded into seven prefectures and nine districts.

The company achieved the mid/long-term target of increasing the plantation area to 2,000 ha by the end of April 2021. The target for 2030 is to expand the area to 2,800 ha.

Aiming for both stable raw material procurement and sustainable revitalization of tea farming

Progress of the Tea-Producing Region Development Project



*Japan's tea plantation area: Jan to Dec each year
Tea-Producing Region Development Project: May to Apr

Issues

- Stable production of safe and secure raw materials for green tea products that coexist with the environment.
- Creation of employment and rejuvenation of farmers.

Actions under the Tea-Producing Region Development Project (new tea plantations business)

The implementation area consists of nine districts in seven prefectures.



Iruma District, Saitama Prefecture with full-scale development in 2022.



Exclusive crude tea leaf plant for ITO EN

Actions to accelerate DX: AI-assisted image analysis

No experience in agriculture is required. ■ Lack of successors
Lowering of tea production entry barriers

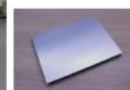
• Judgment of timing of plucking



• Component valuation of crude tea leaf



Developed lightweight panels blended using recycled tea leaves.
Adopted as a trestle for sales vehicles.
Up to 110 kg weight reduction



Use of "lightweight panels blended using recycled tea leaves" for door panels and flooring materials of the girders.

(Source: The company)

In addition, determining the timing of tea leaf picking and evaluating the ingredients of crude tea based on image diagnosis using AI would facilitate farming without experience, solve the shortage of successors problem, and reduce the hurdles for new market entry.

◎ Efforts to Achieve Sustainable Agriculture

The company is also making concentrated efforts in the agricultural industry with an eye toward the future in cooperation with the government, local municipalities, producers, Japan Agricultural Cooperatives, and subcontracting companies.

In Nippon Yell Project organized by JA, the company is developing products collaboratively to support agricultural areas in Japan with those products. The company produces beverages from fruits around Japan in each season and sells them via all channels.

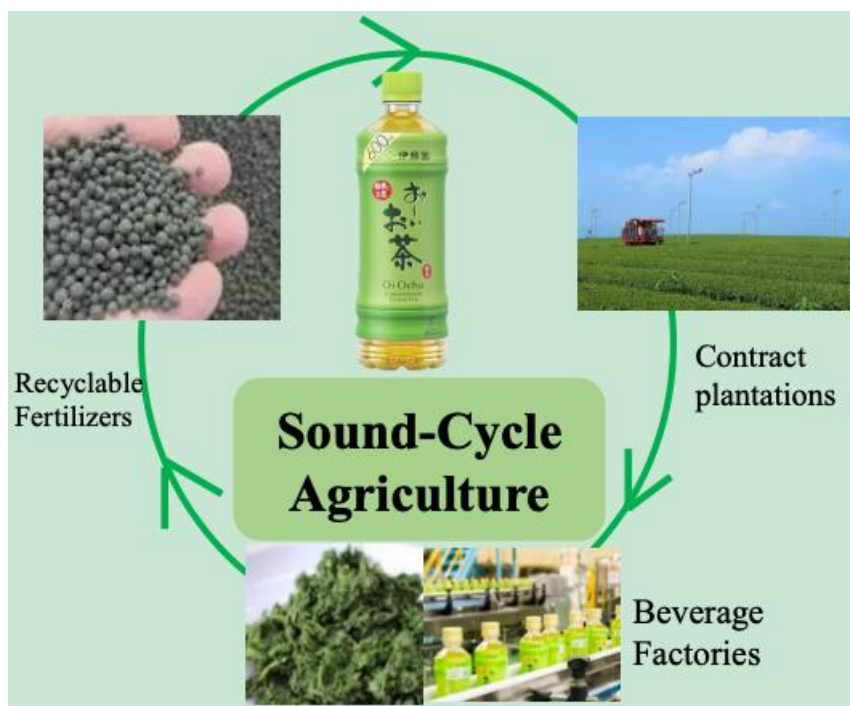
The company believes that ITO EN is the only food manufacturer that is capable of producing and selling tea leaves and beverages using ingredients cultivated in the fields. Having formulated a roadmap toward technological development and promotion of tea agriculture, the company intends to contribute to promoting sustainable agriculture through development of a variety of technologies by utilizing information technology (IT), etc. and implementation of mixed husbandry.

The company is also working to establish recycling-based agriculture through the technological development of tea agriculture.

The company is proceeding with technological development to decrease fertilizer costs and environmental load by recycling fertilizers that utilize the nitrogen component contained in used tea leaves and reduce chemicals and pesticides by popularizing steam machines for pest control.

After developing these technologies, the company will conduct tests at the contracted plantation areas to identify and solve problems and reduce costs, and it will disseminate them to the contracted plantation areas.

The company will establish a safe, secure, and environmentally friendly brand starting from its raw materials to the products, which will also lead to the expansion of overseas exports.



(Source: The company)

Recycling used tea leaves discharged in the production process of tea beverages for daily necessities, etc. (from 2001)

In the used tea leaves recycling system, the company creates products with high added value utilizing the tea leaves' (green tea) characteristics, such as the antibacterial and odor eliminating effects, based on the technology to transport tea leaves while keeping them at room temperature and keeping moisture, the technology for developing products made from used tea leaves with moisture, and the fixation technology for using used tea leaves that have absorbed CO₂ in products.

Activities as a health-enhancing enterprise and SDGs

In the COVID-19 crisis, interest in our own health and our family members' health is heightened. The company's main business is to handle products that would contribute to health, and will enhance such business activities. In detail, the company supports healthy, affluent lives by utilizing the functions of tea, which is consumed by Japanese people on a daily basis, creates a new chapter of 1200 year-long history of tea, and strives to solve social issues. As part of such business activities, the company started the education for deepening the knowledge of cognitive function and health enhancement programs. In detail, the company cooperated in the development of caregivers for dementia patients, attending the lectures for developing caregivers for dementia patients at 186 sites nationwide (as of the end of April 2022), and conducted screening tests for mild cognitive impairment, targeting about 280 employees aged 50 years or older whose cognitive function (attentiveness and judgment) are considered to decline due to aging. According to the test results, the company takes measures for improving the habits of eating and drinking, etc.

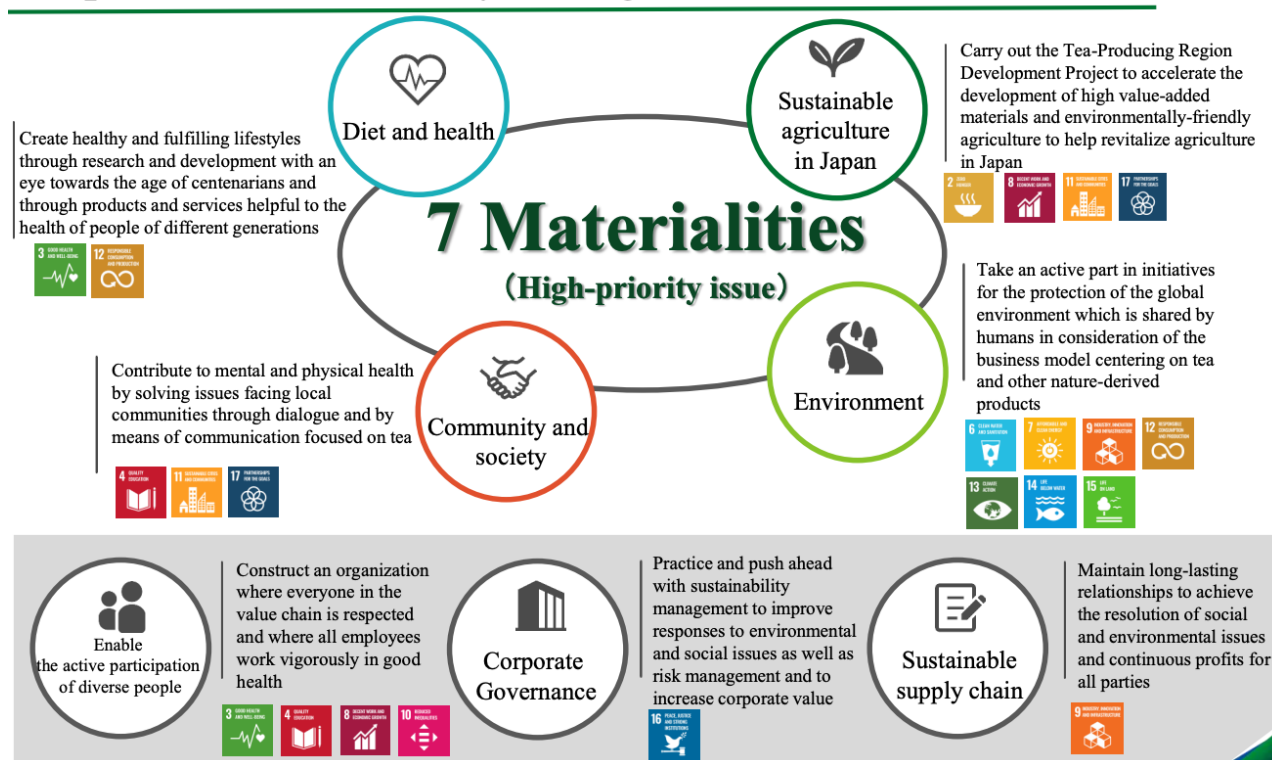
In addition, under the group's ethos, Customers First, the company aims to achieve sustainable growth as an enterprise that enhances health, and will engage in corporate activities to attain SDGs, while addressing seven important problems related to consumers, communities, society, and the earth environment.

(Produced based on the reference material of the company)

◎ Seven Material Issues

In line with the mid/long-term management plan newly formulated by the ITO EN Group, the material issues were reviewed to respond to changes in the external environment. As a result, (1) contribution to eating habits and health, (2) contribution to sustainable domestic agriculture, (3) the environment, (4) deepening ties with local communities, (5) contribution to sustainable supply chains, (6) promotion of diverse human resources and everyone's success, and (7) corporate governance have been newly identified as material issues. The company will proceed with its initiatives while linking it with the new mid/long-term management plan.

To promote Sustainability Management



-Contribution to eating habits and health

The company will provide a healthy and prosperous life through research and development that foresee the needs of the era of the 100-year lifespan and products and services that contribute to the health of all generations.

-Contribution to sustainable domestic agriculture

The company will contribute to the revitalization of domestic agriculture by developing high value-added raw materials and promoting environmentally friendly agriculture through the tea plantation development project.

-The environment

Given the business model centered on naturally derived products, mainly tea, the company is actively involved in the issue of protecting the global environment shared by humankind.

-Deepening ties with local communities

The company will solve local community issues through dialogue and contribute to physical and mental health by communication through tea.

-Contribution to sustainable supply chains

The company will solve social and environmental issues through sustainable partnerships that achieve sustainable revenues for both parties.

-Promotion of diverse human resources and everyone's success

The company will respect the human rights of all people in the value chain and create an organization where all employees are healthy and active.

-Corporate governance

By promoting and practicing sustainability management, the company will strengthen its response to environmental and social issues and risk management and improve its corporate value.

(Produced based on the reference material of the company)

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Strengthening of ROE Management

With the goal of achieving a ROE of 10% or higher, the company carries out business administration focused on profitability (ratio of net income to sales), efficiency (asset turnover ratio), and financial stand (financial leverage).



(Source: The company)

	FY 4/17	FY 4/18	FY 4/19	FY 4/20	FY 4/21	FY 4/22
ROE(%)	10.5	9.0	9.9	5.2	4.7	8.2
Net Income to Sales Ratio (%)	2.88	2.54	2.87	1.61	1.57	3.23
Asset Turnover Ratio (Times)	1.61	1.64	1.67	1.63	1.43	1.21
Leverage (Times)	2.25	2.17	2.07	2.00	2.08	2.11

* Calculated by Investment Bridge Co, Ltd.

2. Fiscal Year Ended April 2022 Earnings Results

2-1. Trend of the domestic beverage market

	2020	2021	YoY	Outlook of 2022	YoY	Compared to 2020
Tea total	8,770	8,900	+1.5%	9,120	+2.5%	+4.0%
Green Tea	4,180	4,260	+1.9%	4,350	+2.1%	+4.1%
Other Tea	4,590	4,640	+1.1%	4,770	+2.8%	+3.9%
Coffee	8,050	8,050	0.0%	8,050	0.0%	0.0%
Carbonated	7,350	7,470	+1.6%	7,540	+0.9%	+2.6%
Mineral Water	2,560	2,610	+2.0%	2,840	+8.8%	+10.9%
Fruits	2,240	2,210	-1.3%	2,210	0.0%	-1.3%
Sports Drink	1,930	1,850	-4.1%	1,990	+7.6%	+3.1%
Vegetable	1,570	1,520	-3.2%	1,530	+0.7%	-2.5%
Others	1,780	1,780	0.0%	1,790	+0.6%	+0.6%
Domestic beverage market	34,250	34,390	0.4%	35,070	+2.0%	+2.4%

*Unit: 100 million yen. Created based on the company's materials.

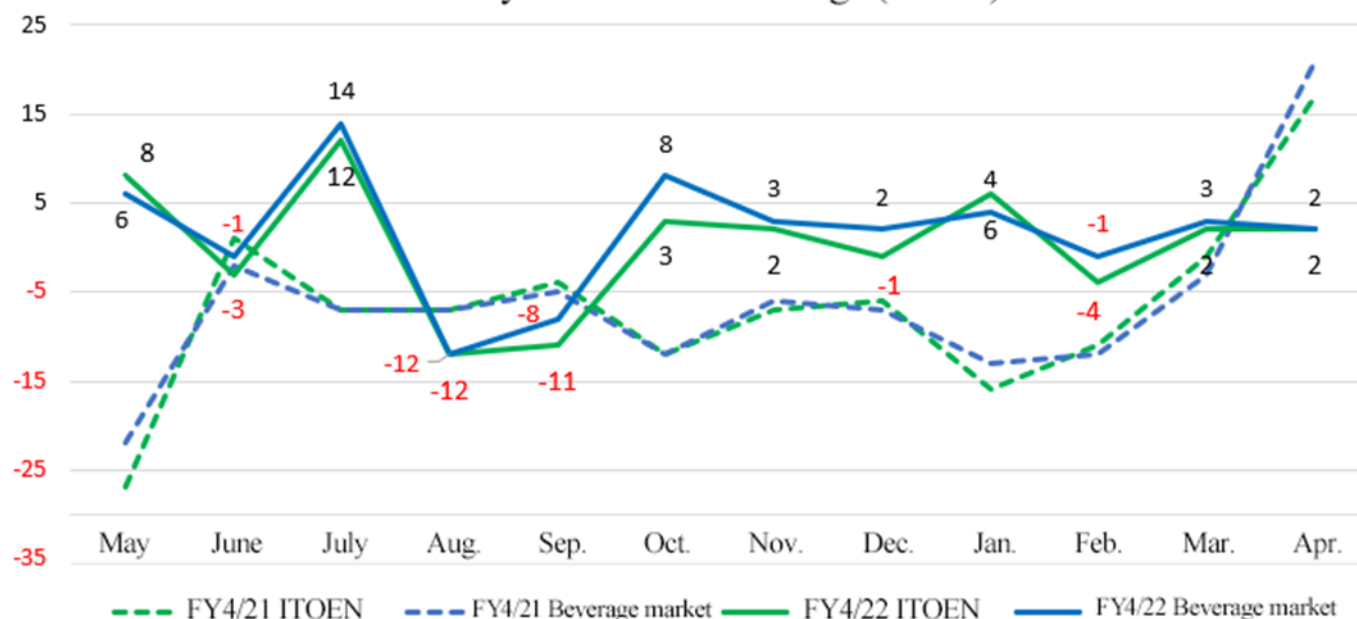
In 2022, the size of the domestic beverage market is expected to continue to recover, increasing 2% over 2021.

On the other hand, the percentage of sugar-free beverages in the Japanese beverage, which was 1% in 1980 when the company released canned oolong tea has gone up to 54% in 2021. The company expected that as people's awareness of health increases, the percentage of sugar-free beverages continues to rise.

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Monthly Volume YoY Change (unit:%)



(Created based on the company's materials.)

In July 2021, sales volume increased considerably as the rainy season ended early nationwide, but from August, sales volume declined considerably, due to the record rainfall caused by the unusual prolonged rain, the extension of the period of the state of emergency, etc. In October, the state of emergency was lifted, and the demand for beverages outside home grew, so sales volume increased in both the beverage market and the company.

However, in January 2022 priority measures such as the measures to prevent the spread of the COVID-19 that were once lifted were applied again, and in February, air temperature fell below the average, mainly in eastern and western Japan.

The sales of tea leaves and beverages increased only slightly by 1% from the previous year.

2-2. Consolidated earnings

FY 4/22 New standard

	FY 4/21	Ratio to sales	FY 4/22	Ratio to sales	YoY	Compared to the estimate
Sales	446,281	100.0%	400,769	100.0%	-	-0.6%
Gross Profit	215,003	48.2%	159,581	39.8%	-	-1.7%
SG&A expenses	198,327	44.4%	140,787	35.1%	-29.0%	-1.1%
Operating Income	16,675	3.7%	18,794	4.7%	+12.7%	-6.0%
Ordinary Income	17,029	3.8%	19,971	5.0%	+17.3%	+0.9%
Net Income	7,011	1.6%	12,928	3.2%	+84.4%	+1.0%

*unit: million yen. The net income is the net income attributable to owner of parent. The company started applying the recognition revenue standard in the term ending April 2022. For items that are strongly affected by the new standard, increase/decrease rate is not written.

The compared to the estimate is an increase/decrease from the estimate at the time of the announcement of the financial results for the second quarter.

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FY 4/22 Old standard

	FY 4/21	Ratio to sales	FY 4/22	Ratio to sales	YoY	Compared to the estimate
Sales	446,281	100.0%	461,316	100.0%	+3.4%	-0.7%
Gross Profit	215,003	48.2%	220,205	47.7%	+2.4%	-1.5%
SG&A expenses	198,327	44.4%	201,532	43.7%	+1.6%	-1.0%
Operating Income	16,675	3.7%	18,672	4.0%	+12.0%	-6.6%
Ordinary Income	17,029	3.8%	19,849	4.3%	+16.6%	+0.2%
Net Income	7,011	1.6%	12,848	2.8%	+83.2%	+0.4%

*unit: million yen. The net income is the net income attributable to owner of parent.

The compared to the estimate is an increase/decrease from the estimate at the time of the announcement of the financial results for the second quarter.

Sales and profit grew, Sales were largely in line with forecasts..

(The following contents are based on the old standard.)

Sales grew 3.4% year on year to 461.3 billion yen. The non-consolidated performance of ITO EN grew 1.6% year on year. The performance of Tully's Coffee Japan recovered significantly from the previous term, in which it was strongly affected by the COVID-19 pandemic because its shops are located in metropolitan areas, and the US business performed well, too.

Operating income rose 12.0% year on year to 18.6 billion yen. While Tully's Coffee Japan turned profitable, the non-consolidated profit of ITO EN decreased slightly, and the profit of the US business fell. Compared to the estimates released at the time of the announcement of the second quarter financial results, sales were almost as expected due to the strong performance of the US business, but operating income did not reach the estimate.

Sales and Operating Income in each company

(FY 4/22 New standard)

	FY 4/21	Ratio to sales	FY 4/22	Ratio to sales	YoY	Compared to the estimate
ITO EN (Non-consolidated)	352,732	79.0%	300,319	74.9%	-	-1.3%
Tully's Coffee Japan Co., Ltd.	26,215	5.9%	30,060	7.5%	-	-4.6%
Chichiyasu Company	13,897	3.1%	11,844	3.0%	-	-0.7%
Other Domestic Subsidiaries	51,620	11.6%	48,486	12.1%	-	-7.0%
US Business	30,068	6.7%	36,771	9.2%	+22.3%	+14.7%
Other Overseas Subsidiaries	5,286	1.2%	5,155	1.3%	-2.5%	-5.2%
Elimination of Internal Transactions	-33,538	-	-31,867	-	-	-
Consolidated Sales	446,281	100.0%	400,769	100.0%	-	-0.6%
ITO EN (Non-consolidated)	15,759	4.5%	15,685	5.2%	-0.5%	-7.7%
Tully's Coffee Japan Co., Ltd.	-1,374	-	860	2.9%	-	-14.0%
Chichiyasu Company	702	5.1%	734	6.2%	+4.5%	+7.9%
Other Domestic Subsidiaries	685	1.3%	655	1.4%	-4.4%	-20.2%
US Business (unit: thousand dollars)	717	2.4%	555	1.5%	-22.6%	-24.4%
Other Overseas Subsidiaries	1,146	21.7%	917	17.8%	-20.0%	-21.0%
Elimination of Internal Transactions	-962	-	-613	-	-	-
Consolidated Operating Income (Profit Ratio)	16,675	3.7%	18,794	4.7%	+12.7%	-6.0%

*unit: million yen. Foreign exchange rate (Average to US dollar during the period): FY4/21 ¥106.20, FY4/22 ¥113.79.

Revenue recognition standards have been applied from the term ended April 2022. The rates of increase/decrease for items that are significantly affected by this are not stated. The compared to the estimate is an increase/decrease from the estimate at the time of the announcement of the financial results for the second quarter

Sales and Operating Income in each company

BRIDGE REPORT



(FY 4/22 Old standard)

	FY 4/21	Ratio to sales	FY 4/22	Ratio to sales	YoY	Compared to the estimate
ITO EN (Non-consolidated)	352,732	79.0%	358,435	77.7%	+1.6%	-1.1%
Tully's Coffee Japan Co., Ltd.	26,215	5.9%	29,938	6.5%	+14.2%	-5.0%
Chichiyasu Company	13,897	3.1%	13,424	2.9%	-3.4%	-1.4%
Other Domestic Subsidiaries	51,620	11.6%	50,372	10.9%	-2.4%	-6.4%
US Business	30,068	6.7%	36,771	8.0%	+22.3%	+14.7%
Other Overseas Subsidiaries	5,286	1.2%	5,155	1.1%	-2.5%	-5.2%
Elimination of Internal Transactions	-33,538	-	-32,781	-	-	-
Consolidated Sales	446,281	100.0%	461,316	100.0%	+3.4%	-0.7%
ITO EN (Non-consolidated)	15,759	4.5%	15,685	4.4%	-0.5%	-7.7%
Tully's Coffee Japan Co., Ltd.	-1,374	-	739	2.5%	-	-26.1%
Chichiyasu Company	702	5.1%	734	5.5%	+4.5%	+7.9%
Other Domestic Subsidiaries	685	1.3%	654	1.3%	-4.5%	-20.3%
US Business (unit: thousand dollars)	717	2.4%	555	1.5%	-22.6%	-24.4%
Other Overseas Subsidiaries	1,146	21.7%	917	17.8%	-20.0%	-21.0%
Elimination of Internal Transactions	-962	-	-613	-	-	-
Consolidated Operating Income (Profit Ratio)	16,675	3.7%	18,672	4.0%	+12.0%	-6.6%

*unit: million yen. Foreign exchange rate (Average to US dollar during the period): FY4/21 ¥106.20, FY4/22 ¥113.79.

2-3. Financial Status and Cash Flows (CF)**◎Balance sheet**

	April 2021	April 2022	Increase/Decrease		April 2021	April 2022	Increase/Decrease
Current assets	223,880	223,278	-602	Current liabilities	93,548	76,796	-16,752
Cash and deposits	109,430	96,571	-12,859	Accounts payable	29,999	30,365	+366
Accounts receivables	53,136	58,015	+4,879	Short-term loans payable	25,004	2,897	-22,107
Inventories	45,432	54,317	+8,885	Non-current liabilities	86,459	88,549	+2,090
Fixed assets	109,184	105,081	-4,103	Long-term loans payable	65,858	68,917	+3,059
Property, plant and equipment	78,099	74,490	-3,609	Total liabilities	180,007	165,346	-14,661
Intangible fixed assets	8,335	8,249	-86	Net assets	153,057	163,012	+9,955
Investments and other assets	22,749	22,340	-409	retained earnings	123,679	131,105	+7,426
Total assets	333,065	328,359	-4,706	Total liabilities and net assets	333,065	328,359	-4,706

*unit: million yen

Total assets decreased by 4.7 billion yen from the end of the previous fiscal year to 328.3 billion yen due to a decrease in cash and deposits, property, plant and equipment. Total liabilities decreased by 14.6 billion yen to 165.3 billion yen due to a decrease in short-term favorable sub liabilities. Total net assets increased by 9.9 billion yen to 163.0 billion yen due to an increase in retained earnings. The equity ratio rose 3.6 points from the end of the previous fiscal year to 49.2%.

BRIDGE REPORT



◎Cash Flows (CF)

	FY 4/21	FY 4/22	Increase/Decrease
Operating CF (A)	25,351	22,226	-3,125
Investing CF (B)	-7,514	-7,397	+117
Free CF (A+B)	17,837	14,829	-3,008
Financing CF	25,813	-29,930	-55,743
Balance of cash and cash equivalents at end of period	107,763	94,471	-13,292

*unit: million yen.

The surpluses of operating CF and free CF shrank, due to the increase in inventories, the decrease in trade payables, etc.
 Financing CF turned negative, due to the decrease in revenues and increase in expenditures due to repayments.
 The cash position decreased.

3. Fiscal Year Ending April 2023 Financial Forecasts

3-1 Consolidated Earnings

	FY 4/22	Ratio to sales	FY 4/23 (Est.)	Ratio to sales	YoY
Sales	400,769	100.0%	418,000	100.0%	+4.3%
Gross profit	159,581	39.8%	162,300	38.8%	+1.7%
SG&A expenses	140,787	35.1%	142,300	34.0%	+1.1%
Operating income	18,794	4.7%	20,000	4.8%	+6.4%
Ordinary income	19,971	5.0%	19,500	4.7%	-2.4%
Net income	12,928	3.2%	12,000	2.9%	-7.2%

*unit: million yen

Both sales and profit are forecasted to increase.

Sales are expected to increase 4.3% year on year to 418 billion yen, and operating income is forecast to rise 6.4% year on year to 20 billion yen. The sales of ITO EN (non-consolidated) and other group companies are projected to grow. The non-consolidated profit of ITO EN is expected to rise, and Tully's Coffee Japan, which moved into the black in the previous term, is expected to see significant profit growth. On the other hand, the profit of the US business is forecast to decline. The company plans to pay a dividend of 40 yen/share for common shares and a dividend of 50 yen/share for preferred shares, like in the previous term. The expected dividend payout ratio is 41.5% for common shares and 47.1% for preferred shares.

Major Components of SG&A Expenses

	FY 4/22	Ratio to sales	FY 4/23 (Est.)	Ratio to sales	YoY
Selling commission	252	0.1%	258	0.1%	+2.2%
Advertising cost	9,980	2.5%	11,015	2.6%	+10.4%
Freight cost	13,751	3.4%	14,291	3.4%	+3.9%
Depreciation and amortization	9,153	2.3%	8,310	2.0%	-9.2%
Others	107,651	26.9%	108,426	25.9%	+0.7%
Total	140,787	35.1%	142,300	34.0%	+1.1%

*unit: million yen.

Sales and Operating Income in each company

	FY 4/22	Ratio to sales	FY 4/23 (Est.)	Ratio to sales	YoY
ITO EN (Non-consolidated)	300,319	74.9%	312,500	74.8%	+4.1%
Tully's Coffee Japan Co., Ltd.	30,060	7.5%	33,000	7.9%	+9.8%
Chichiyasu Company	11,844	3.0%	12,560	3.0%	+6.0%
Other Domestic Subsidiaries	48,486	12.1%	50,754	12.1%	+4.7%
US Business	36,771	9.2%	40,412	9.7%	+9.9%
Other Overseas Subsidiaries	5,155	1.3%	6,102	1.5%	+18.4%
Elimination of Internal Transactions	-31,867	-	-37,329	-	-
Consolidated Sales	400,769	100.0%	418,000	100.0%	+4.3%
ITO EN (Non-consolidated)	15,685	5.2%	16,500	5.3%	+5.2%
Tully's Coffee Japan Co., Ltd.	860	2.9%	1,200	3.6%	+39.5%
Chichiyasu Company	734	6.2%	735	5.9%	+0.1%
Other Domestic Subsidiaries	655	1.4%	593	1.2%	-9.5%
US Business (unit: thousand dollars)	555	1.5%	377	0.9%	-32.1%
Other Overseas Subsidiaries	917	17.8%	1,234	20.2%	+34.6%
Elimination of Internal Transactions	-613	-	-640	-	-
Consolidated Operating Income (Profit Ratio)	18,794	4.7%	20,000	4.8%	+6.4%

*unit: million yen. Foreign exchange rate (Average to US dollar during the period): FY4/22 ¥113.79, FY4/23 ¥120.00.

4. Marketing Strategies

4-1 Oi Ocha

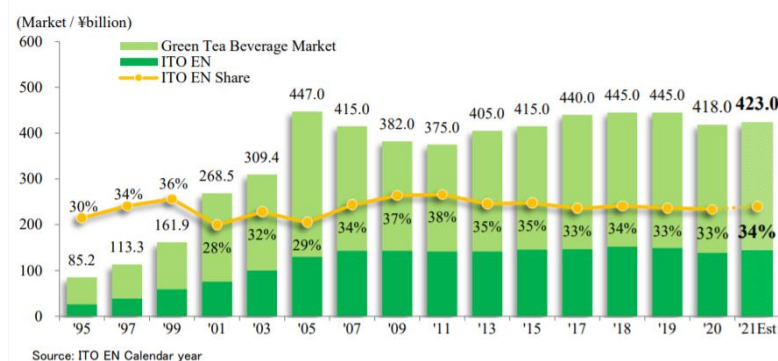
The scale of the green tea beverage market in 2022 is estimated to be 435 billion yen, up 2% from the previous year. ITO EN's market share in terms of sales increased 1 point to 35%. In particular, "Oi Ocha Bold Green Tea" contributed significantly to the market share improvement.

The company considers that customers highly evaluated its unique microwavable products and the aroma and deliciousness as if it were brewed with a teapot.

The company aims to keep the position of "No.1 as it is selected because of its good taste" by focusing more on quality and taste.



Green Tea Beverage Market Trends



(Source: the company)

Market share of Green Tea Beverages sold in 2021



ITO EN

Source: ITO EN (Forecast for 2021)

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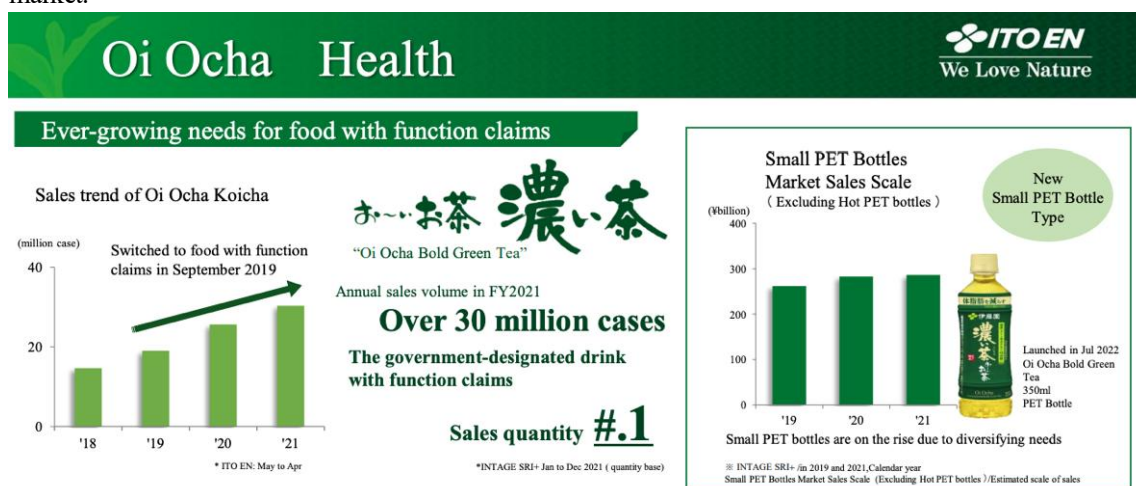


“Oi Ocha Bold Green Tea” is recognized as a beverage for meeting customers’ preference that can be sold stably regardless of weather and season.

The sales volume in FY2021 exceeded 30 million cases. The sales of Oi Ocha have continued to grow since its renewal as a food with functional claims with gallate catechin as a functional ingredient in September 2019, and it has the largest sales volume in the beverage category of foods with functional claims.

The company has also introduced a small size in response to the upward trend of small plastic bottles due to diversified needs.

The functional beverage market is expected to grow rapidly. Therefore, the company intends to expand sales at a faster pace than the market.



(Source: the company)

4.2 Communication

The sales expansion of Oi Ocha is supported by the cooperation with many stakeholders, collaboration with local communities, and various communications with consumers.

Foundation to support Oi Ocha

Work with lots of stakeholders

Raw Material Development



※ Since 1976, we have been working with tea farmers the Tea-Producing Region Development Project

Production and Logistics

- Production is outsourced to all over the country
- A five block system of production and logistics introduced



Communication via the Internet



CHA GOCORO

Interactive Communication by ITO EN Tea Tasters

Online communication



Tea Seminar



ITO EN Official Twitter

Face-to-face communication



Tea Seminar



Enjoying Matcha

Community Relations

Enjoying tea and realizing a healthy and affluent lifestyle

Project for creating shared value

The Lifestyles with Tea Project in Senuo has begun.



The post-COVID-19 pandemic, brings together relationships through communication over tea.

(Source: the company)

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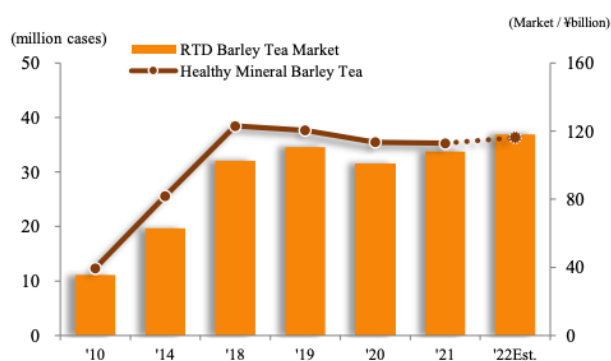


4-3 Barley tea

The sales of barley tea as a sugar-free and healthy beverage are strong. In addition to the standard “Kenkou Mineral Mugicha”, “Kenkou Mineral Mugicha Oat Blend” was introduced. Its features are a mild aroma and sweetness and refreshing taste.

RTD Barley Tea

RTD Barley Tea Market



※Source: ITO EN, Market: Calendar year ITO EN: May to Apr

(Source: the company)

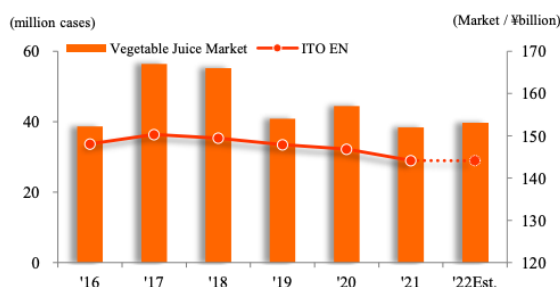
4-4 Vegetable beverages

In addition to strengthening the Ichinichibun no Yasai brand, the company is focusing on developing and increasing the recognition of Aojiru, a sugar-free, carb-free, and zero-calorie product, whose sales have grown five times in the past five years.

At the company, employees with registered dietitian qualifications are engaged in dietary education activities with the themes of vegetables and vegetable beverages, and a new qualification system for vegetable dietary education has been launched.

Vegetable Juice

Vegetable Juice Market



※Source: ITO EN, Market: Calendar year ITO EN: May to Apr

(Source: the company)

Vegetable for Easy Health Support

New "Vegetable Dietary Education Qualification System" launched



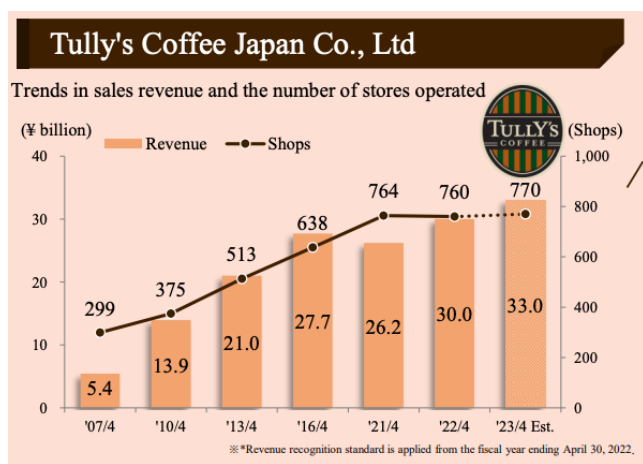
4-5. Tully's Coffee Japan

Tully's Coffee Japan has been struggling during the COVID-19 crisis because its strength lies in its urban store locations, but sales in the term ended April 2022 significantly recovered as sales of the stores in central Tokyo increased 21% year on year, and sales of suburban stores rose 22% year on year. Sales of coffee beans were also solid as they were up 7% year on year.

Tully's Coffee Hibiya Koen, the first Tully's Coffee to open in a Tokyo Metropolitan Park, offers limited menus, including alcohol.

The company is also working on strengthening home delivery and product sales, promoting environmentally friendly products (nationwide expansion of the silver-skin blended paper straws and paper cups for both hot and cold beverages), and productivity improvement.

BRIDGE REPORT

**Sales for FY2021 (May, 2021 to Apr, 2022)****Sales at major locations (YoY)**

In urban areas and transport facilities: + 21 %

In suburban areas: + 22 %

※*Year-on-year comparison of net sales at stores in operation for 15 months or longer, excluding the month of launch

Coffee beans sales (YoY)

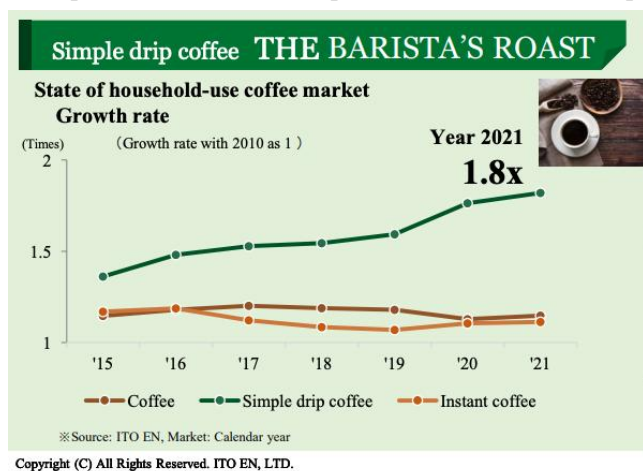
+7.2 %

**Launched in May 2022**

In commemoration of the 25th anniversary of its founding 1997 Classic Roast Full Body – TULLY'S traditional dark roast coffee

(Source: the company)

To improve brand value and capture diverse needs, the company is expanding the lineup of beverages and Ouchi Café.

**Coffee at home / Lineup expansion****THE BARISTA'S ROAST****Simple Drip coffee****Single Use Pack(powder)**

Growing demand related to enjoying time at home



MY HOME
BLACK COFFEE
/low in sugar COFFEE
1000ml
In one-liter paper cartons with caps

15

(Source: the company)

4-6 Overseas strategy

The company aims to become a global tea company that proposes healthy lives to people all over the world with Japanese green tea. In overseas, Oi Ocha's sales increased 26% between 2017 and 2021.

By 2027, the company aims to achieve an overseas sales ratio of 12% or higher.

Therefore, the company has set strengthening the foundations of North America and China as a priority theme, and it will work on marketing tailored to the region, human resource development that can play an active role globally, the development of raw materials in line with local standards, and the undertaking of organic and pesticide-reduced agriculture.

4-7 Corporate Sustainability

As a measure for reducing environmental burdens, the company adopted 100% recyclable plastic bottles in 2019. In August 2021, the company signed an agreement with Himeji City, to recycle used plastic bottles sorted and discarded by citizens into new plastic bottles. Through such resources-recycling efforts, the company plans to adopt 100% recycled plastic bottles for all products of the Oi Ocha brand by 2025 and for all its beverage products by 2030. While promoting the reduction of waste and the effective use of resources, the company aims to improve the sustainability of the environment, society, and economy.

5. A New Five-year Mid/long-term Management Plan

Based on the management philosophy, mission, and visions mentioned above, the company has formulated a new five-year mid/long-term management plan for the period from the term ending April 2023 to the term ending April 2027.

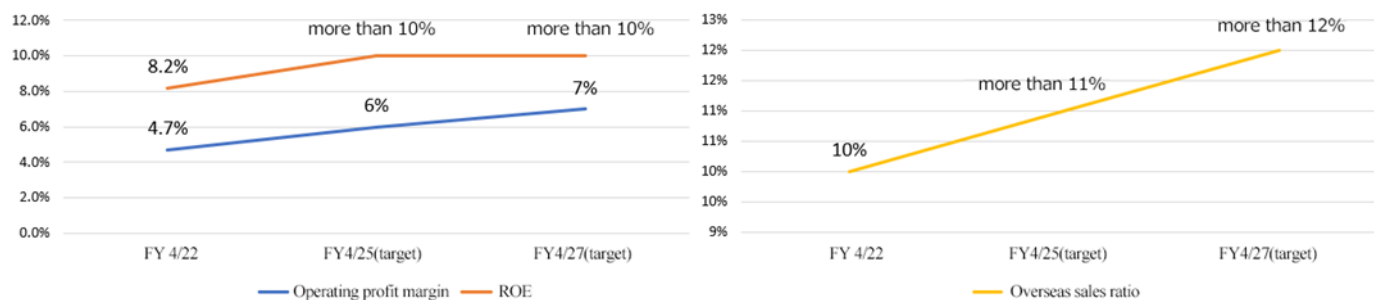
5-1 Priority Strategies

Below are the five priority strategies.

Solidification of existing domestic businesses	-Establishing the company's position as the unshakeable top tea company in Japan -Improving brand value centered on health promotion and strengthening contact points with customers
Globalization of Oi Ocha	Promoting Oi Ocha in everyday life by fusing it with the food culture of each country, mainly the U.S. and China
Creation of new businesses	-Providing new value for food and life -Utilization of tea functionality and the technology and connections the company cultivated in the tea business
Enhancement of the management base	-Strengthening the synergies of the ITO EN Group -Promoting human resources development, R&D, and strengthening DX
Promoting sustainability management	-Contributing to solving problems of consumers, local communities, agriculture, and the global environment through ITO EN's unique business activities -Sustainable growth toward becoming a 100-year company

5-2 Quantitative Goals

For growth goals, the company focuses on profitability, sustainable growth to increase its market share, and improving profit margin. It aims to achieve a five-year average growth rate of 3% or higher in consolidated sales and maintain a total return ratio of 40%.



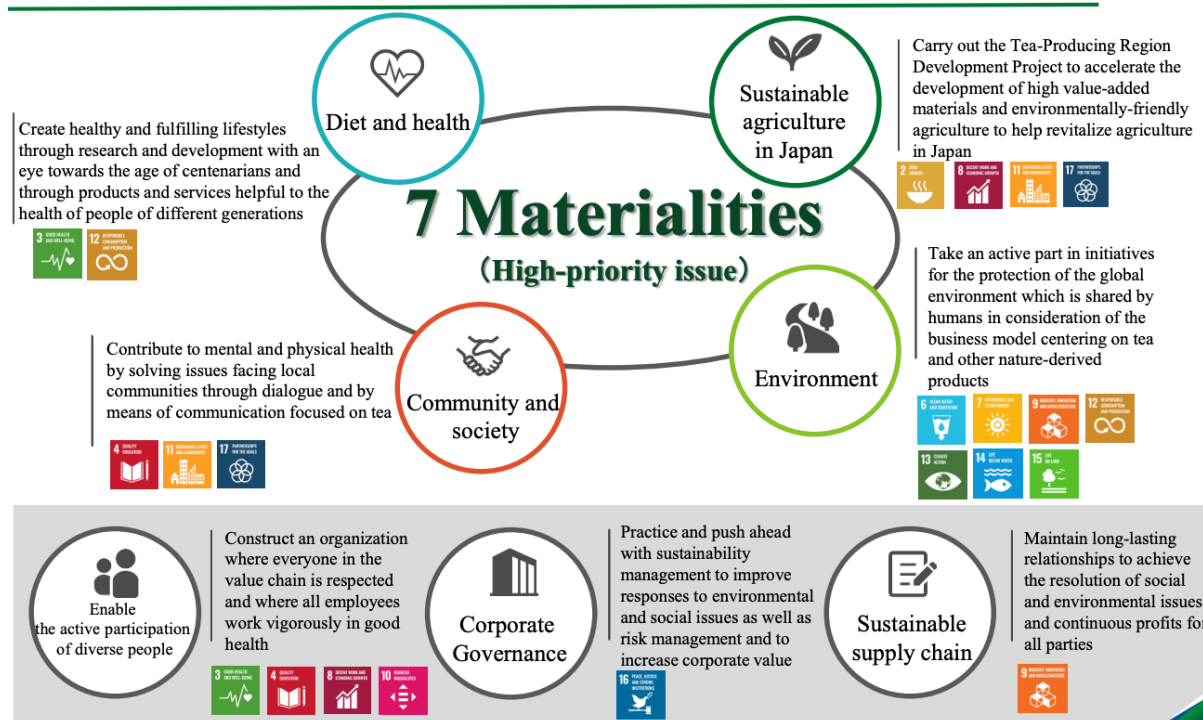
5-3 Business Investment

With a cumulative operating CF of 150 billion yen or more for five years, the company plans to conduct a 70-billion-yen business investment, reduce interest-bearing debt by 40 billion yen, and provide shareholder returns of 35 billion yen or more.

5-4 Material Issues

As a health creation company, ITO EN identified seven material issues.

To promote Sustainability Management



-Contribution to eating habits and health

The company will provide a healthy and prosperous life through research and development that foresee the needs of the era of the 100-year lifespan and products and services that contribute to the health of all generations.

-Contribution to sustainable domestic agriculture

The company will contribute to the revitalization of domestic agriculture by developing high value-added raw materials and promoting environmentally friendly agriculture through the tea plantation development project.

-The environment

Given the business model centered on naturally derived products, mainly tea, the company is actively involved in the issue of protecting the global environment shared by humankind.

-Deepening ties with local communities

The company will solve local community issues through dialogue and contribute to physical and mental health by communication through tea.

-Contribution to sustainable supply chains

The company will solve social and environmental issues through sustainable partnerships that achieve sustainable revenues for both parties.

-Promotion of diverse human resources and everyone's success

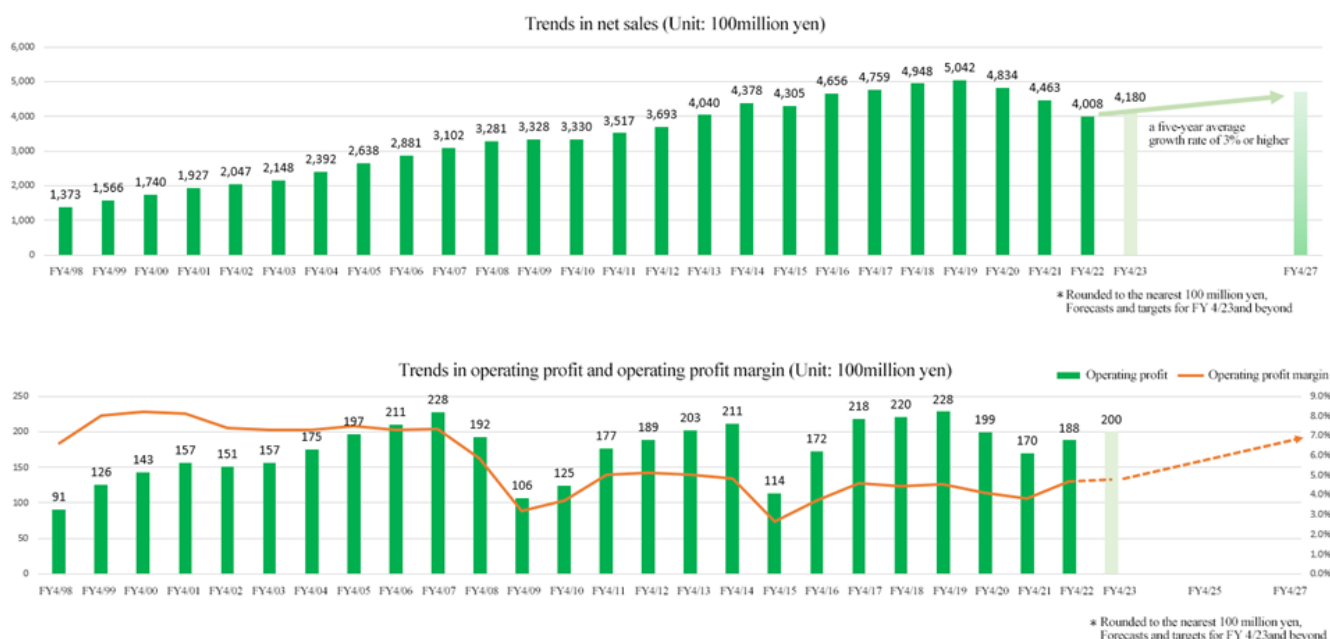
The company will respect the human rights of all people in the value chain and create an organization where all employees are healthy and active.

-Corporate governance

By promoting and practicing sustainability management, the company will strengthen its response to environmental and social issues and risk management and improve its corporate value.

6. Conclusions

The COVID-19 crisis has subsided, and the sales of all business entities, mainly ITO EN (non-consolidated) and Tully's Coffee Japan, are expected to increase in the current term, and operating income is also expected to recover by 20 billion yen due to a significant increase in the profit of Tully's Coffee Japan despite the decline in the profit from the US business. The new mid-term management plan is aimed at steadily growing sales and improving profitability over the next five years. Although it is difficult for sales to recover to the pre-pandemic level in the next five years, it is assumed that sales will reach about 470 billion yen in the term ending April 2027, operating income margin will be 7%, and operating income will exceed 30 billion yen, hitting a record high. In this environment with several uncertainties such as high raw material prices, price revisions, and sustainability of the vending machine business due to labor shortages, we would like to pay attention to the progress of the new mid/long-term management plan that leverages the company's strengths in product development and brand power.



<Reference: Regarding Corporate Governance>

◎Organization type and the composition of directors and auditors

Organization type	Company with corporate auditor
Directors	14 directors, including 4 outside ones
Auditors	4 auditors, including 3 outside ones

◎Corporate Governance Report: Updated December 1, 2021

Basic Policy

The management philosophy of the ITO EN Group (hereinafter "the Group") is "Always Putting the Customer First." In the Group's Corporate Mission Statement, the foundation of management is that the Group exists for the benefit of all people who work there and their families, as well as the entire society, and that we fulfill our corporate social responsibility in cooperation with our stakeholders, including the national government, local communities, consumers, shareholders, sales partners, suppliers, and financial institutions.

This management philosophy is the basic concept of the Group's corporate ethics and is an unchanging truth that supports corporate governance. The Group will actively promote management that lives up to the trust of all stakeholders and realizes a sustainable society through the concerted efforts of all executives and employees.

Based on this philosophy, the Group, as a health-enhancing company, aims to become a global tea company in its medium/long-term vision. In addition, by contributing to the health of our customers around the world, we will work to achieve sustainable growth, enhance our corporate value over the medium/long term, and further strengthen our corporate governance.

To realize an appropriate form of corporate governance, our company, which has a board of auditors, carries out audits in which the auditors inquire the business conditions, the decision-making processes, etc. of the representative directors, the directors in charge, the executive officers or the employees of our group companies.

The auditors attend every meeting of the board of directors in order to give their objective and impartial opinions on the audit situations concerning the company in general or individual issues, and audit the business execution by the directors in accordance with the audit policies set out by the board of auditors.

Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)

This information is based on the code revised in June 2021.

【Principle 4-11: Prerequisites for Ensuring the Effectiveness of the Board of Directors and Board of Corporate Auditors】

The composition of the Board of Directors of the Company shall be determined by taking into consideration the knowledge, experience, and ability of the members in light of the management strategy, etc., ensuring that the Board of Directors is well-balanced as a whole, having the necessary and appropriate number of members to ensure effective decision-making and substantive discussions at the Board of Directors meetings, and giving due consideration to the perspective of ensuring diversity of gender, internationality, professional experience, and age.

Currently, there are no female directors, but we will continue to examine ways to ensure diversity in terms of gender.

(Article 6 “Composition of the Board of Directors” of the Company's Corporate Governance Guidelines)

Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)

[Disclosure in accordance with the principles of the corporate governance code]

Our company formulated “Corporate Governance Guidelines of ITO EN, Ltd. (hereinafter called “ITO EN Guidelines”)” based on resolutions of the board of directors, for describing the basic concept and policy for corporate governance, and disclosed them in our corporate site. Please refer to them.

https://www.itoen-global.com/management/csr_csv/governance.php

【Principle 1-4 Strategically held shares】

In principle, our company will not hold any shares of other companies, unless it is considered that the shareholding would smooth transactions, procurement, or fund raising. If the shareholding is not expected to contribute to the improvement in mid/long-term corporate value, we will reduce the number of shares we hold step by step. As for the shares of listed companies we hold in accordance with the above proviso (hereinafter called “strategically held shares”), we check whether the return of invested capital exceeds capital cost for each stock at the annual meeting of the board of directors. From the viewpoint of maintaining and cementing the mid/long-term relations with counterparty, we check the meanings of shareholding, and confirm at the meetings of the board of directors that we will sell or reduce the shares whose economic rationality and meanings have diluted after consulting with the parties concerned.

As for the exercise of voting rights for strategically held shares, we check the contents of each bill and comprehensively judge whether it will contribute to the improvement in corporate value of our company and the invested company, before exercising them. (Article 14 of the Guidelines of our company—Policy for strategic shareholding)

【Supplementary Principle 2-4 (1) Ensuring Diversity in Appointing Core Personnel, etc.】

<Approach for ensuring diversity in the appointment of core personnel, etc.>

Since its foundation, the Group has established the ITO EN Group Mission Statement with the objective of becoming an incomparably great company. As a general rule, the promotion of human resources is based on competence, without regard to mere seniority, academic background, or clique. Based on this principle, we will create an environment in which a diverse range of human resources can play an active role in accordance with their individual abilities and aptitudes, without any loss of opportunities afforded by their gender, nationality, age, mid-career hires, or disabilities. By fostering an organizational culture based on this meritocracy approach, we aim to become a global tea company.

(Article 18 “Diversity Policy” of our guidelines)

<Voluntary and measurable targets for ensuring diversity in the recruitment of core human resources>

(1) Promotion of women to management positions

Based on the idea of competency-based recruitment, we promote our executives and managers without distinction of gender. In addition, we recognize that the promotion of women's activities is an important management issue from the perspective of ensuring diversity, and we are working to improve the retention rate of female employees, strengthen support for balancing work and family life, and foster managers. As the ratio of female managers was 2.3% and the ratio of female candidates for management positions (equivalent to assistant managers) was 5.0% in FY 2020, we set a goal of increasing female managers by 150% and female candidates for management positions (equivalent to assistant managers) by 130% from FY 2020 by FY 2023. We aim to further develop and promote female managers as a long-term goal (2030).

(2) Promotion of mid-career hires to management positions

The ratio of mid-career hires to our managers is equal to the ratio of mid-career hires to all employees (approximately 20%), and people with a variety of experience and knowledge are promoted to management positions according to their abilities. At present, we have not set voluntary and measurable goals, but we will continue to hire and train diverse human resources based on competency-based thinking to create an environment where they can be more active.

(3) Appointment of non-Japanese nationals to management positions

We currently have 16 non-Japanese hires, four of whom are active in management positions. Approximately 10% of the Group's employees (about 800 people) are non-Japanese, and they are appointed according to their abilities in each country and each group company. In our company, the percentage of non-Japanese managers is equal to or higher than the percentage of managers to all employees, and employees having diverse backgrounds are active in the company. At present, we have not set any voluntary and measurable goals, but as a company aiming to become a global tea company, we will promote the promotion of employees throughout the Group under our competency-based approach.

<Human resources development policy and internal environment improvement policy for ensuring diversity, and their status>

(1) Human resources development policy

Under our competency-based approach, we focus on human resources development based on the principle of equal opportunities for each employee and fair evaluation. We will promote health management that enables every employee to work vigorously in good health by fostering diverse human resources and reforming work styles based on the practice of the Group's management philosophy "Always Putting the Customer First."

① Education on compliance

Based on the Guide for ITO EN Group Compliance Code of Conduct, we educate all employees to respect human rights and to treat individuals fairly, according to their aptitudes and abilities, without discrimination based on gender, age, ethnicity, race, nationality, religion, belief, social status, family origin, or disability.

② Management education

We provide education to managers to deepen their understanding of the importance of ensuring diversity, and educate them on the purpose and content of the various systems in place to enable diverse human resources to play an active role.

③ Training to facilitate the flourishing of women

We provide opportunities for female employees to reconsider and formulate their career and life plans so that they can fully demonstrate their abilities and play an active role in the company. By providing education for women at different levels, we are strengthening the motivation and retention rate of female employees, supporting them in balancing work and family life, and training them for management positions.

④ Overseas human resources development education

With the aim of developing human resources who can support our future overseas business, we provide education that focuses on promoting cross-cultural understanding and communication. Specifically, we have a pre-entry system where we invite employees who wish to work overseas in the near future and provide them with training in advance, and an overseas trainee system where they actually travel overseas to receive training, to support their careers and promote their understanding of different cultures.

(2) Internal environment improvement policy

We promote work-life balance by allowing our diverse human resources to flexibly choose their work styles according to their individual circumstances, and we are working to improve the environment so that everyone can have a comfortable workplace.

① ITO EN Family Support System

We have established the ITO EN Family Support System to provide comprehensive support for employees and their families during life events (marriage, childbirth, childcare, nursing care, etc.).

② Workplace Environment Improvement Promotion Committee

We have established the Workplace Environment Improvement Promotion Committee (whose meeting is held twice a year in principle) to examine overall workplace environment issues and improvement measures, and to create a better workplace environment. Under the committee, regional committees (28 meetings were held in FY 2020) were set up with representatives from each business site to exchange opinions on issues such as working hours, workplace safety and health management, and reviewing future work styles.

③ Support for people with disabilities

For employees with disabilities working in each workplace, the human resources department makes regular visits, meets with employees and their families, and collaborates with public support groups to support people with disabilities so that they can work vigorously for a long time.

④ Voice system (Internal proposal system)

We have a Voice System that allows all employees, regardless of job title, to propose new products and sales promotions. Through this system, all employees are always aware of the "spirit of STILL NOW = what customers are still dissatisfied with," and also contribute to the improvement of employee motivation by giving internal awards for outstanding proposals.

For more information on human resources development and internal environment improvement, please refer to our corporate website. https://www.itoen.co.jp/sustainability/human_resources/ (Japanese only)

【Supplementary Principle 3-1 (3) Initiatives for Sustainability, etc.】

<Initiatives for Sustainability>

Based on the management philosophy of "Always Putting the Customer First," the Group is working to realize its medium/long-term vision of becoming a global tea company by implementing CSV management and promoting ESG, with the aim of both solving environmental and social issues and enhancing corporate value. To this end, based on the ITO EN Group CSR Charter, we have established seven core themes in accordance with the ISO 26000 international standard: organizational governance, human rights, labor practices, the environment, fair business practices, consumer issues, and community involvement and development, and have positioned consumer issues, community involvement and development, and the environment as particularly important issues.

Regarding environmental issues, we have formulated the ITO EN Group Medium/Long-Term Environmental Targets based on the ITO EN Group Environmental Policy, and are working to reduce our environmental impact. Among these, against the backdrop of the plastic issues related to the containers and packaging of our products, we formulated the ITO EN Group Policy on Plastics in September 2020, and are working on resources recycling with the aim of adopting recycled materials, etc. fully for our plastic bottles by 2030.

Please refer to the CSR/ESG (Environmental, Social and Governance) section of our corporate website.

https://www.itoen-global.com/management/csr_csv.php

<Initiatives for human capital>

We believe that our most important asset is our people, and we aim to develop human resources who can always take on challenges in a proactive manner. We view human resources as human assets and realize initiatives linked to management strategies by transforming human resources from cost (= management) to investment (= value creation) in human capital.

(1) Internal training system: ITO EN University and ITO EN Graduate School

As means of promoting the growth of our employees and supporting them in realizing their own dreams, we opened in-house training system, ITO EN University and ITO EN Graduate School, every year to actively support self-development for employees by providing educational opportunities to acquire the specialized knowledge necessary for business and management.

(2) ITO EN Tea Taster System

The Tea Taster (tea qualification) System, which was launched in 1994, is a system unique to the ITO EN Group that provides qualifications to employees with advanced tea-related knowledge and skills, with the aim of improving tea-related knowledge and skills and promoting tea culture both inside and outside the company (since March 2017, the system has been an in-house certification approved by the Ministry of Health, Labour and Welfare). The program is being implemented at Group companies in Japan and overseas as part of efforts to strengthen employee training with the aim of becoming a global tea company.

(3) Health management

In May 2021, we formulated the ITO EN Group Vigorous Health Declaration. Through the implementation of health management, we aim to be a company that contributes to society through the healthy and vigorous work of every employee and their cheerful and positive approach to challenges. Specifically, we aim to increase our corporate value over the medium/long term through the revitalization of the organization by improving the vitality and productivity of our employees by encouraging regular lifestyle habits among all employees, focusing on the four pillars of a balanced diet, maintenance of an appropriate weight, moderate exercise, and good sleep.

(4) Extension of retirement age

Our company previously had a reemployment system that allowed employees to work for up to five years after the retirement age of 60, but we have decided to extend the retirement age to 65 from May 2022 to create an environment where employees can work with peace of mind and vigor. We will create an environment in which employees can use the experience and knowledge they have accumulated to date in a variety of workplaces, and promote the creation of a system in which employees can work healthily and vigorously until the age of 70.

<Initiatives for intellectual property>

(1) Utilization and protection of intellectual property rights

We consider intellectual property activities to be essential for business continuity and development, and we will build an IP landscape using intellectual property information to support management strategies, the growth of our business, and the promotion of innovation, and promote the use of intellectual property rights for brands, existing and new businesses, and overseas development, which are the pillars of our medium/long-term business plans.

We provide intellectual property information to R&D, marketing, and new business divisions to support future R&D and brand strategies. At the same time, we have secured intellectual property rights for the products, technologies, designs, naming, etc. that support our business and thereby maintain our competitive advantage in the market. In particular, in our core tea-related business, we have secured intellectual property rights for everything from tea plantations to tea products and recycling of tea leaves with an awareness of the supply chain, and we are contributing to the settlement of environmental and social issues through our business.

(2) Investment in human resources development

We have a specialized Intellectual Property Department with in-house patent attorneys and lawyers, as well as utilizing outside experts. Regarding human resources in departments related to the creation of intellectual property, mainly in research and development, we are working to develop human resources who can design research, utilize rights, and formulate strategies with an awareness of the acquisition of rights through continuous training to build their knowledge and skills.

(3) Research on intellectual property rights of other companies

We respect the intellectual property rights of other companies and conduct patent searches and information gathering to avoid the risk of infringement. In particular, to support overseas expansion toward becoming a global tea company, we will promote the appropriate and effective acquisition of intellectual property rights in each country while collecting information on the actual status of disputes and inspections in each country to avoid risks.

<Response to TCFD recommendations>

For the response to climate change, four IPCC representative concentration pathway scenarios, RCP2.6, RCP4.5, RCP6.0, and RCP8.5, were selected based on TCFD recommendations. We conducted an analysis of the impact on the yield and quality of domestic tea leaves, our main ingredients, and disclosed the results in the Integrated Report in FY 2020.

In addition, we have set medium/long-term CO₂ emission reduction targets and KPIs, and are promoting environmental management by utilizing the ISO 14001 system, which has been certified for all departments.

We will continue to conduct scenario analysis based on TCFD and other frameworks to enhance the quality and quantity of our disclosure.

【Principle 5-1 Policy for constructive dialogue with shareholders】

After grasping its own capital cost accurately, our company listens to the voices of shareholders and pays proper attention to their interests and concerns through the constructive dialogue between the management and shareholders, revises its business portfolio, explicitly explains its management policies including the investment in equipment, R&D, and human capital, and win the understanding of shareholders. Furthermore, at the Board of Directors' meeting following the announcement of financial results, we will share the opinions received from shareholders and analysts and actively utilize them in the review of management strategies.

(Article 16 of the Guidelines of our company — Policy for constructive dialogue with shareholders)

For details, please see the report titled “Situation of IR-related activities.”

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