

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
¥5,060	89,212,380 shares		¥451,414 million	8.2%	100 shares
DPS (Est)	Dividend yield (Est)	EPS (Est)	PER (Est)	BPS (Act)	PBR (Act)
¥40.00	0.8%	¥96.28	52.6 times	¥1,334.88	3.8 times

* The share price is the closing price on December 16. The number of outstanding shares, EPS, and DPS are based on financial results for the second quarter of the term ending April 2023. ROE and BPS are the results in the previous fiscal year.

<Preferred Stock>

Share Price	Number of shares issued (End of the term)		Total market cap	ROE (Act)	Trading Unit
¥1,794	34,246,962 shares		¥61,439 million	8.2%	100 shares
DPS (Est)	Dividend yield (Est)	EPS (Est)	PER (Est)	BPS (Act)	PBR (Act)
¥50.00	2.8%	¥106.20	16.9 times	¥1,339.88	1.3 times

* The share price is the closing price on December 16. The number of outstanding shares, EPS, and DPS are based on financial results for the second quarter of the term ending April 2023. ROE and BPS are the results in the previous fiscal year.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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. EPS and DPS are the numbers for common stock.

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

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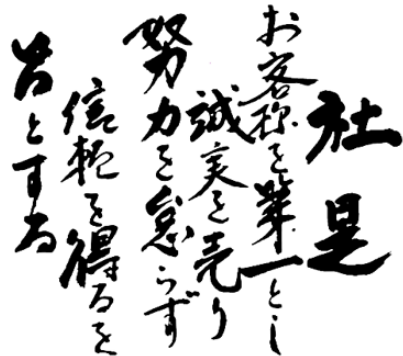
Key points

- Sales in the second quarter of the term ending April 2023 were 227.2 billion yen, up 8.9% year on year. The non-consolidated sales of ITO EN grew 5.2% year on year, and the sales of Tully's Coffee Japan increased 21.0% year on year, showing a significant recovery, as it was strongly affected by the coronavirus pandemic in the previous term because its shops are located in metropolitan areas. Operating income rose 4.4% year on year to 11.3 billion yen. While the profit of Tully's Coffee Japan increased significantly, the non-consolidated profit of ITO EN declined slightly due to the skyrocketing prices of ingredients and materials, and the business in the U.S. recorded an operating loss.
- No change in the overall earnings forecast (the company revised some forecasts for sales and profits of respective group companies). 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 progress rate in the first half of the term is 54.4% for sales and 56.7% for operating income. As a characteristic of the company, sales and profit are larger in the first half of each term, including the beverage season from July to September. This term, sales were as usual, but operating income was lower than usual. There are concerns over the downturn of consumer confidence in the wake of the hike of prices of all kinds of food and beverages, but we would like to see how much they can increase sales and profit from the third quarter by utilizing their product competitiveness and marketing capability.

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 35% (as of 2022 forecast) 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 90 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”

	<p>“Always Putting the Customer First” is the ITO EN Group’s management principle, representing the fact that the foundation of business management at ITO EN is their commitment to placing importance on each and every customer.</p> <p>Customers mean all stakeholders (including consumers, shareholders, retailers, suppliers, financial institutions and local communities) related to ITO EN Group. 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.</p>
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Under this management philosophy, the company has set up the following mission and visions.

<p>Mission</p>	<p>Health Creation Company Create healthy and fulfilling lifestyles for customers and a sustainable society</p>
<p>Vision</p>	<p>A Global Tea Company Connect to the cultures of tea around the world and broadly share taste and value as a tea specialist</p> <p>*Global Enable tea, which is enjoyed all over the world, to evolve to support the mental and physical health of people around the world.</p> <p>*Value Creation Use the knowledge cultivated in tea to create value that aids health and a sustainable society.</p> <p>*Unique Be a unique company that integrates tradition and cutting-edge technologies in domains ranging from agriculture to resource circulation.</p>

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.

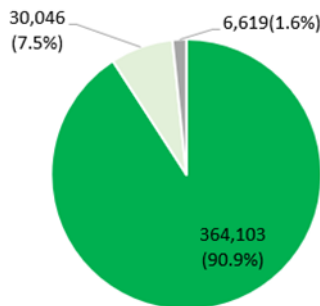
Natural	Products made of natural ingredients
Healthy	Products that support a healthy life
Safe	Products that can be enjoyed safely
Well-designed	Design that directly conveys deliciousness
Delicious	Deliciousness that makes you feel happy

(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)



■ Tea Leaves and Beverages Business ■ Restaurant Business ■ Others

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)

1-4 Global tea company

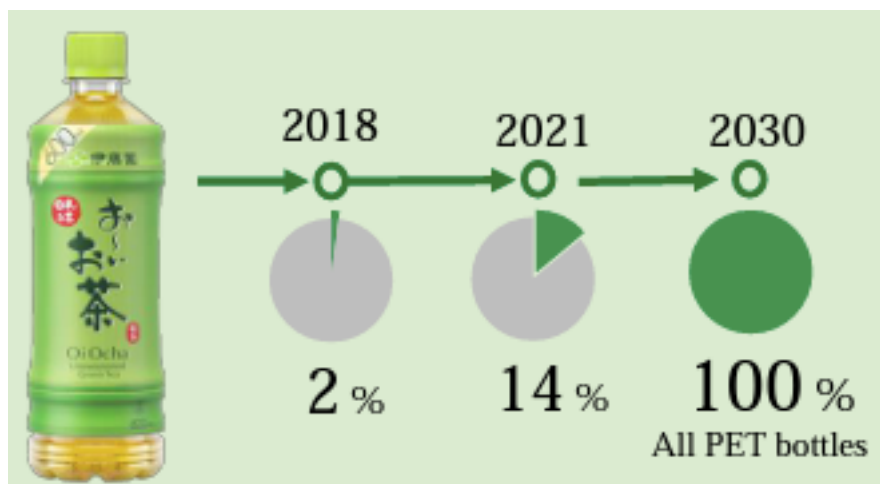
The ITO EN Group pursues the vision of becoming a Global Tea Company. Under the three themes: “global,” “value creation,” and “unique,” it will get connected to tea cultures around the world as a tea specialist and spread the deliciousness and value of tea. As an enterprise for enhancing health, the company aims to realize healthy and affluent lives of customers and a sustainable society.

Corporate sustainability

The ITO EN Group set “mid/long-term environmental goals” and is taking measures for attaining them. They concurred with the recommendations from Task Force on Climate-related Financial Disclosures (TCFD) and recognize measures against climate change as important ones in their management strategy. They will actively implement initiatives for realizing a sustainable society and improving the sustainability of the business of ITO EN.

Packaging Initiatives

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



(Source: The company)

Policy and achievement regarding the plastics of the ITO EN Group

Recycling resources	<ul style="list-style-type: none"> -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. <p>*Including biological materials</p>
Reduction (resource saving)	<ul style="list-style-type: none"> •To design containers and modify production methods for further reducing the weights and consumption amounts of containers and packaging materials. •Reduced the consumption of plastics per plastic bottle for Oi Ocha by about 40% from 2002 (for 500-ml and 525-ml plastic bottles for Oi Ocha). •Reduced the weight of a 2L plastic bottle for the “Oi Ocha” brand by about 26%.
Replacement & Reuse	<ul style="list-style-type: none"> -To promote the use of biological and biodegradable materials <p>These materials have been adopted for teabag filters and straws for beverages in paper containers.</p> <ul style="list-style-type: none"> •In the restaurant business, they will replace conventional containers with recyclable ones. •TULLY’S COFFEE shops started serving coffee with paper cups that can be used for both cold and hot beverages. CHICHIYASU LECT shops replaced conventional cups for soft-serve ice cream with paper ones.

(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 fables 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

		Goal
FY 2030	Scopes 1-2	To reduce total emissions by 50%
	Scope 3	To reduce total emissions by 20%
FY 2050	Scopes 1-2	Carbon-neutral
	Scope 3	

*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 number of farmers is also on a downward trend with the average age on uptrend.

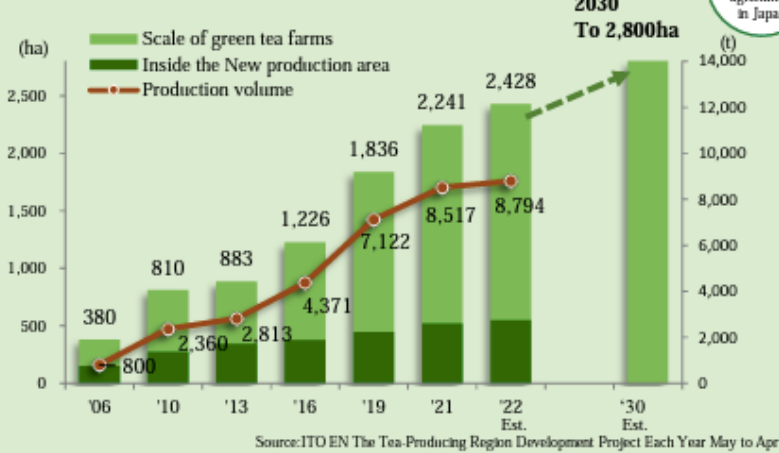
Under these circumstances, the company started a project for developing tea plantations, in which the company signs contracts with individual tea farmers or engages in development of tea plantations (a new plantation project), in 1976 with the aim of stably procuring high-quality tea leaves and strives 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-Producing Region Development Project (new tea plantation business) being 45 and the adoption rate of ridable 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 Saitama Prefecture in 2022, and now it has expanded into seven prefectures and nine districts.

The company achieved the mid/long-term target of Tea-Producing Region Development Project which is 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.

Our Agricultural Model: The Tea-Producing Region Development Project

Changes in the Development of The Tea-Producing Region Development Project



Initiatives to reduce agricultural chemicals and introduce organic cultivation

Increasing use of steam pest control machines

>Pest control and weeding using



Fly pests and kill weeds

Reduction of chemical pesticides
⇒**Less herbicides**

Development of fertilizers from used tea leaves.

>Produce compost with high content of used tea leaves. Matching beverage factories and contract plantations



Reduce both fertilizer costs and environmental impact

Organic Production FY2021 Results 236 tons
Targets for FY2030 **500 tons**

(Source: The company)

The company actively implements measures for reducing the amount of agricultural chemicals and realizing organic cultivation. They aim to harvest 500 tons of tea from organic cultivation in fiscal 2030 (the actual harvest amount in fiscal 2021: 236 tons).

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.

The company intends to formulate a roadmap for technological development and dissemination of tea farming, and to contribute to the promotion of sustainable agriculture through the establishment of various technologies and implementation of combined management through the use of IT and other means.

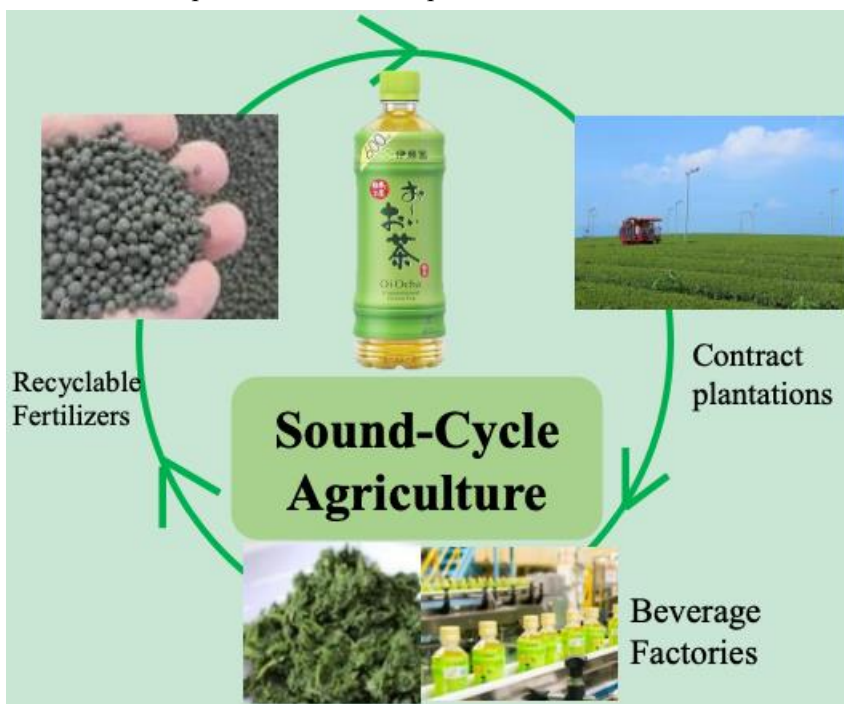
Furthermore, in Nippon Yell Project organized by JA; the company is developing products collaboratively to support agricultural areas in Japan with those products. The company produces beverages from fruits around Japan in each season and sells them via all channels.

*Establishment of recycling-based agriculture

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.

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 dietary habits and health, (2) contribution to sustainable domestic agriculture, (3) environment, (4) deepening ties with local communities and society, (5) contribution to a sustainable supply chain, (6) promotion of diverse human assets and active roles for all, 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 dietary habits and health

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

-Contribution to sustainable domestic agriculture

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

-Environment

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

-Deepening ties with local communities and societies

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

-Contribution to a sustainable supply chain

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

-Promotion of diverse human assets and active roles for all

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

-Corporate governance

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

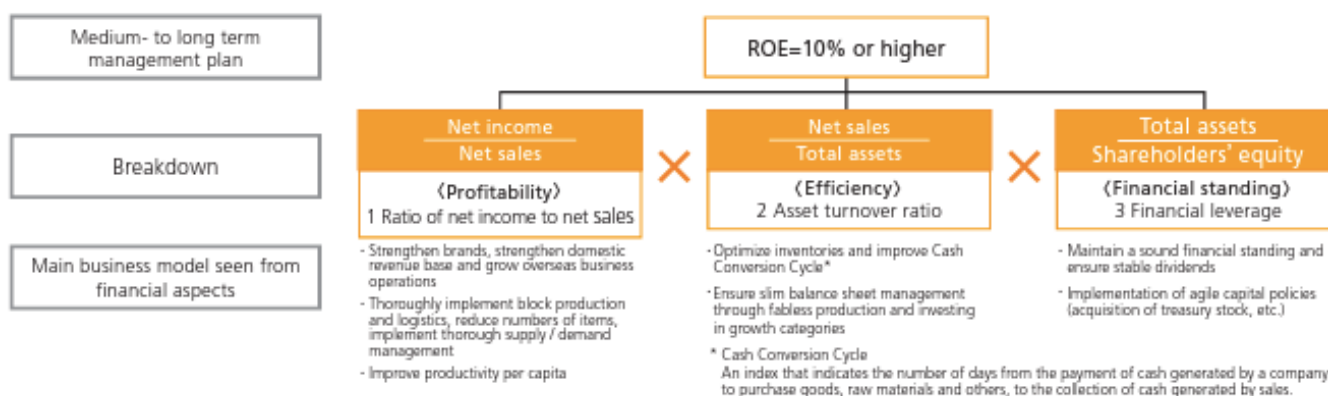
(Produced based on the reference material of the company)

Strengthening of ROE Management

The company recognizes ROE as a particularly important management indicator, so ROE was selected as one of items for evaluating performance-based stock options adopted in 2004 for the directors of the company.

In the new mid/long-term management plan announced in June 2022, too, the company aims to achieve an ROE of 10% or higher. For improving ROE, the company puts importance especially on “improvement in profitability” and “improvement in efficiency of assets utilization.”

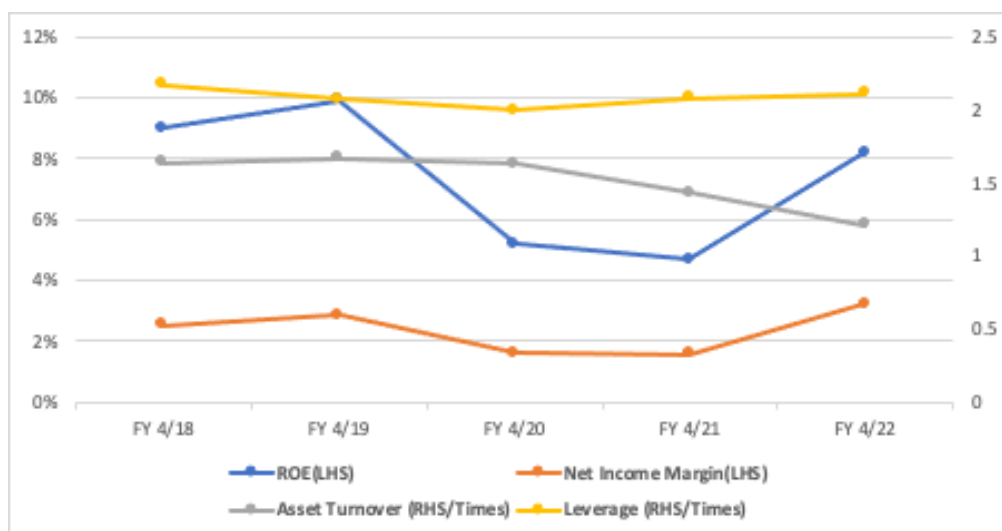
ITO EN's ROE-based corporate management and financial tree comprising profitability, efficiency, and financial standing (Conceptual diagram)



(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	2.12

* Calculated by Investment Bridge Co, Ltd.



*Created by Investment Bridge Co., Ltd. with reference to disclosed material.

2. Second Quarter of the Fiscal Year Ending April 2023 Earnings Results

2-1. Trend of the domestic beverage market

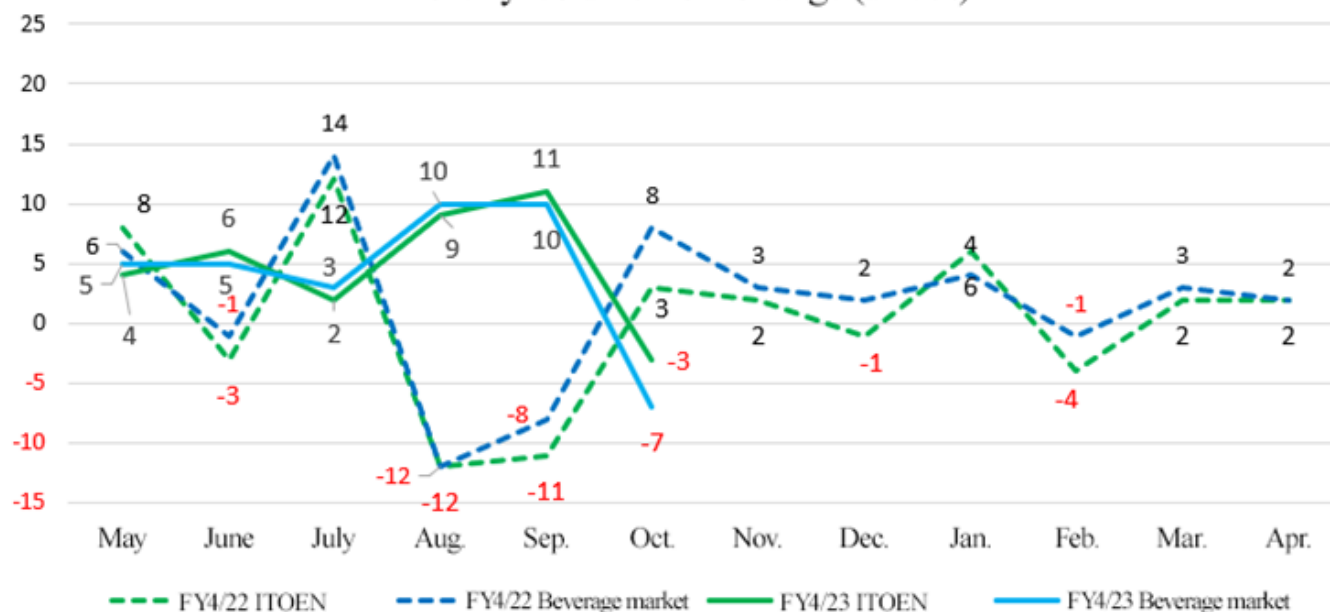
	2019	2020	2021	Outlook of 2022	YoY	Revision rate	Compared to 2019	Compared to 2020
Tea total	9,665	8,770	8,900	9,170	+3.0%	0.5%	-5.1%	+4.6%
Green Tea	4,450	4,180	4,260	4,350	+2.1%	0.0%	-2.2%	+4.1%
Other Tea	5,215	4,590	4,640	4,820	+3.9%	1.0%	-7.6%	+5.0%
Coffee	9,150	8,050	8,050	8,090	+0.5%	+0.5%	-11.6%	+0.5%
Carbonated	7,330	7,350	7,470	7,540	+0.9%	0.0%	+2.9%	+2.6%
Mineral Water	2,840	2,560	2,610	2,920	+11.9%	+2.8%	+2.8%	+14.1%
Fruits	2,800	2,240	2,210	2,230	+0.9%	+0.9%	-20.4%	-0.4%
Sports Drink	2,265	1,930	1,850	2,070	+11.9%	+4.0%	-8.6%	+7.3%
Vegetable	1,540	1,570	1,520	1,470	-3.3%	-3.9%	-4.5%	-6.4%
Others	2,000	1,780	1,780	2,100	+18.0%	+17.3%	+5.0%	+18.0%
Domestic beverage market	37,590	34,250	34,390	35,590	+3.5%	+1.5%	-5.3%	+3.9%

*Unit: 100 million yen. Created based on the company's materials. Revision rate means the revision rate from the outlook for 2022 mentioned in the financial documents for the term ended April 2022.

The scale of the Japanese beverage market in 2022 was smaller than that in 2019 before the outbreak of the novel coronavirus, but mineral water and sports drinks sold well, so the sales in the Japanese beverage market are expected to grow 3.5% from 2021. On the other hand, the sales of vegetable beverages are sluggish.

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.

Monthly Volume YoY Change (unit:%)



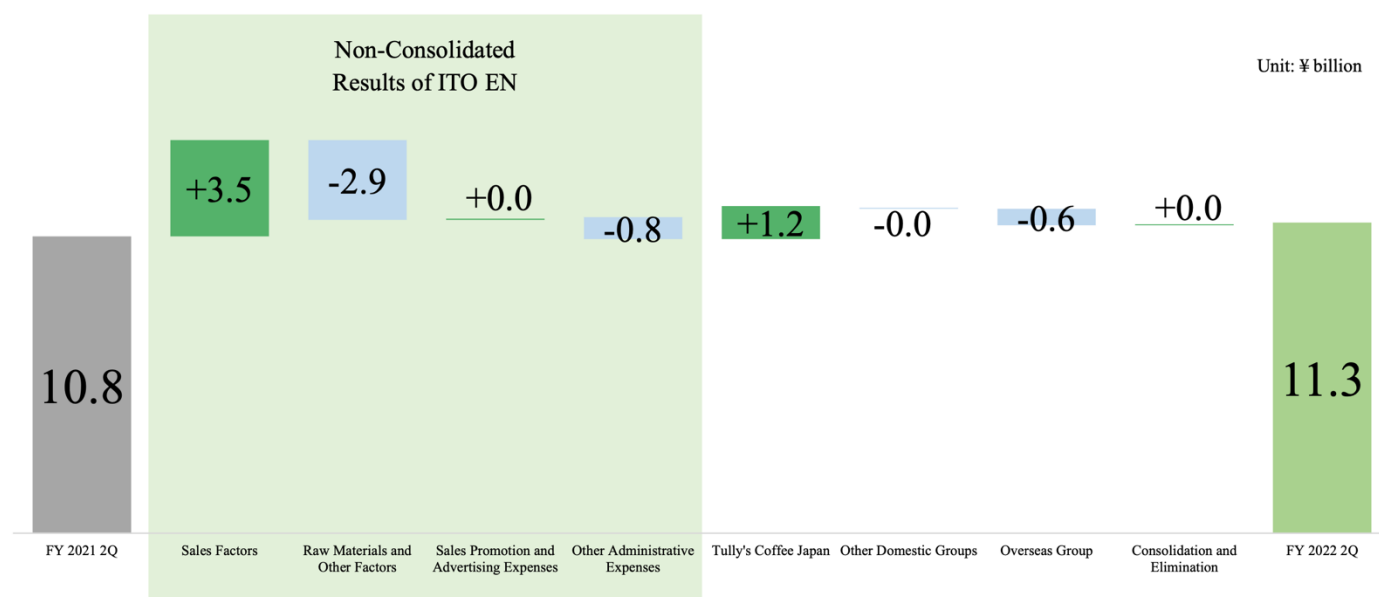
(Created based on the company's materials.)

From July to September 2022, beverages sold well, due to the extreme heat throughout Japan and the recovery of flow of people, but in October, consumer confidence weakened due to the price revisions in the entire food product market and the unfavorable weather. Accordingly, the sales volumes in the beverage market and the company declined from the previous year.

2-2. Consolidated earnings

	FY 4/22 2Q	Ratio to sales	FY 4/23 2Q	Ratio to sales	YoY	Compared to the estimate
Sales	208,716	100.0%	227,262	100.0%	+8.9%	+3.3%
Gross Profit	82,469	39.5%	85,211	37.5%	+3.3%	-
SG&A expenses	71,612	34.3%	73,875	32.5%	+3.2%	-
Operating Income	10,856	5.2%	11,335	5.0%	+4.4%	-2.3%
Ordinary Income	11,303	5.4%	12,548	5.5%	+11.0%	+9.1%
Net Income	7,752	3.7%	7,923	3.5%	+2.2%	+11.6%

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



(Source: The company)

Sales and profit grew

Sales grew 8.9% year on year to 227.2 billion yen. The non-consolidated performance of ITO EN grew 5.2% year on year and the performance of Tully's Coffee Japan recovered significantly, up 21.0% year on year, from the previous term, in which it was strongly affected by the COVID-19 pandemic because its shops are located in metropolitan areas.

Operating income rose 4.4% year on year to 11.3 billion yen.

While the profit of Tully's Coffee Japan grew considerably, the non-consolidated profit of ITO EN declined slightly due to the hike of prices of ingredients and materials, and the business in the U.S. recorded an operating loss.

Sales and Operating Income in each company

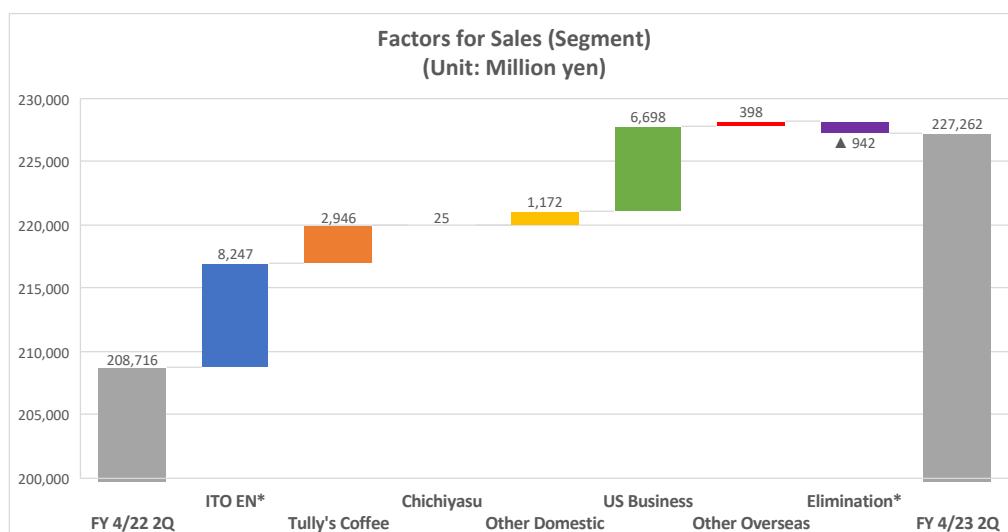
	FY 4/22 2Q	Ratio to sales	FY 4/23 2Q	Ratio to sales	YoY
ITO EN (Non-consolidated)	159,505	76.4%	167,752	73.8%	+5.2%
Tully's Coffee Japan Co., Ltd.	14,017	6.7%	16,963	7.5%	+21.0%
Chichiyasu Company	6,155	2.9%	6,180	2.7%	+0.4%
Other Domestic Subsidiaries	25,494	12.2%	26,666	11.7%	+4.6%
US Business	17,224	8.3%	23,922	10.5%	+38.9%
Other Overseas Subsidiaries	2,844	1.4%	3,243	1.4%	+14.0%
Elimination of Internal Transactions	-16,524	-	-17,466	-	-
Consolidated Sales	208,716	100.0%	227,262	100.0%	+8.9%

BRIDGE REPORT



ITO EN (Non-consolidated)	9,149	5.7%	9,017	5.4%	-1.4%
Tully's Coffee Japan Co., Ltd.	115	0.8%	1,334	7.9%	+1,055.3%
Chichiyasu Company	440	7.1%	406	6.6%	-7.5%
Other Domestic Subsidiaries	595	2.3%	585	2.2%	-1.7%
US Business (unit: thousand dollars)	330	1.9%	-321	-	-
Other Overseas Subsidiaries	555	19.5%	578	17.8%	+4.2%
Elimination of Internal Transactions	-329	-	-265	-	-
Consolidated Operating Income (Profit Ratio)	10,856	5.2%	11,335	5.0%	+4.4%

*unit: million yen. Foreign exchange rate (Average to US dollar during the period): FY4/22 2Q ¥110.49, FY4/23 ¥137.48



*Created by Investment Bridge based on company's material.

*Profit for ITO EN indicates its non-consolidated ITO EN.

*Elimination means "Elimination of Internal Transactions".

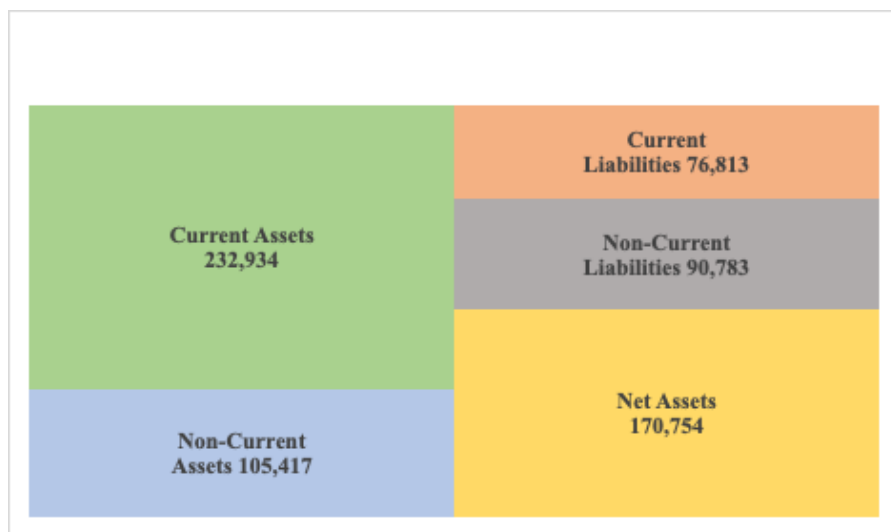
2-3. Financial Status and Cash Flows (CF)

◎Balance sheet

	April 2022	October 2022	Increase/Decrease		April 2022	October 2022	Increase/Decrease
Current assets	223,278	232,934	+9,656	Current liabilities	76,796	76,813	+17
Cash and deposits	96,571	100,525	+3,954	Accounts payable	30,365	30,439	+74
Accounts receivables	58,015	61,338	+3,323	Short-term loans payable	2,897	2,532	-365
Inventories	54,317	58,401	+4,084	Non-current liabilities	88,549	90,783	+2,234
Fixed assets	105,081	105,417	+336	Long-term loans payable	68,917	70,441	+1,524
Property, plant and equipment	74,490	74,757	+267	Total liabilities	165,346	167,597	+2,251
Intangible fixed assets	8,249	8,484	+235	Net assets	163,012	170,754	+7,742
Investments and other assets	22,340	22,175	-165	retained earnings	131,105	136,446	+5,341
Total assets	328,359	338,351	+9,992	Total liabilities and net assets	328,359	338,351	+9,992

*unit: million yen

BRIDGE REPORT



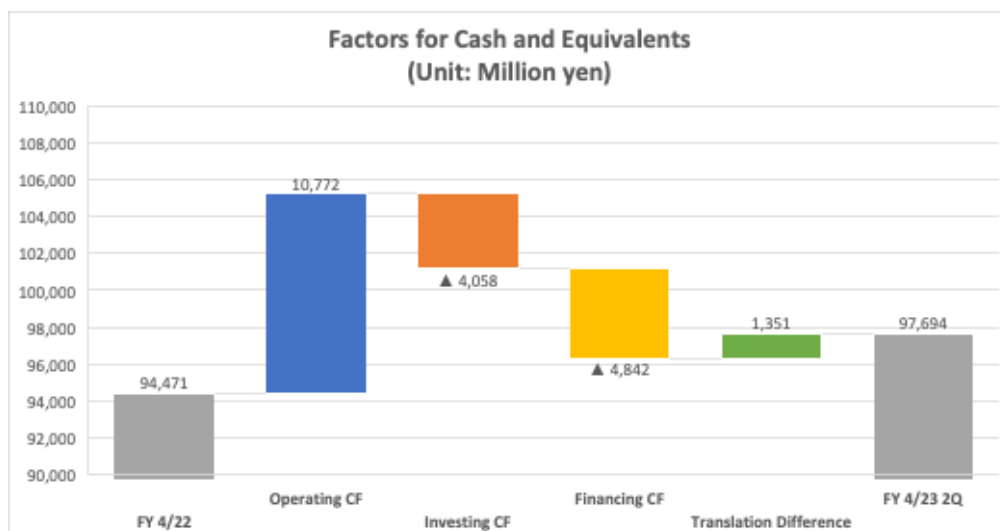
*Created by Investment Bridge based on company's material.

Total assets increased 9.9 billion yen from the end of the previous term to 338.3 billion yen, due to the growth of cash & deposits, accounts receivable, and inventory assets, etc. Total liabilities augmented 2.2 billion yen to 167.5 billion yen, due to the increase in long-term debt, etc. Net assets rose 7.7 billion yen to 170.7 billion yen, due to the rise in retained earnings, etc. The equity ratio rose 0.9 points from the end of the previous fiscal year to 50.1%.

◎Cash Flows (CF)

	FY 4/22 2Q	FY 4/23 2Q	Increase/Decrease
Operating CF (A)	11,762	10,772	-990
Investing CF (B)	-4,385	-4,058	+327
Free CF (A+B)	7,377	6,714	-663
Financing CF	-5,383	-4,842	+541
Balance of cash and cash equivalents at end of period	110,067	97,694	-12,373

*unit: million yen.



*Created by Investment Bridge based on company's material.

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	Progress Rate
Sales	400,769	100.0%	418,000	100.0%	+4.3%	54.4%
Gross profit	159,581	39.8%	162,300	38.8%	+1.7%	52.5%
SG&A expenses	140,787	35.1%	142,300	34.0%	+1.1%	51.9%
Operating income	18,794	4.7%	20,000	4.8%	+6.4%	56.7%
Ordinary income	19,971	5.0%	19,500	4.7%	-2.4%	64.3%
Net income	12,928	3.2%	12,000	2.9%	-7.2%	66.0%

*unit: million yen

No revision to the earnings forecast. Sales and profit expected to grow.

No change in the overall earnings forecast (the company revised some forecasts for sales and profits of respective group companies). 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%	10,592	2.5%	+6.1%
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	Revision rate	Progress rate
ITO EN (Non-consolidated)	300,319	74.9%	312,500	74.8%	+4.1%	0.0%	53.7%
Tully's Coffee Japan Co., Ltd.	30,060	7.5%	34,450	8.2%	+14.6%	+4.4%	49.2%
Chichiyasu Company	11,844	3.0%	12,342	3.0%	+4.2%	-1.7%	50.1%
Other Domestic Subsidiaries	48,486	12.1%	50,153	12.0%	+3.4%	-1.2%	53.2%
US Business	36,771	9.2%	47,417	11.3%	+29.0%	+17.3%	50.5%
Other Overseas Subsidiaries	5,155	1.3%	5,865	1.4%	+13.8%	-3.9%	55.3%
Elimination of Internal Transactions	-31,867	-	-44,728	-	-	-	-
Consolidated Sales	400,769	100.0%	418,000	100.0%	+4.3%	0.0%	54.4%

ITO EN (Non-consolidated)	15,685	5.2%	16,500	5.3%	+5.2%	0.0%	54.6%
Tully's Coffee Japan Co., Ltd.	860	2.9%	2,000	5.8%	+132.6%	+66.7%	66.7%
Chichiyasu Company	734	6.2%	650	5.3%	-11.4%	-11.6%	62.5%
Other Domestic Subsidiaries	655	1.4%	650	1.3%	-0.8%	+9.6%	90.0%
US Business (unit: thousand dollars)	555	1.5%	0	0.0%	-	-	-
Other Overseas Subsidiaries	917	17.8%	1,000	17.1%	+9.1%	-19.0%	57.8%
Elimination of Internal Transactions	-613	-	-800	-	-	-	-
Consolidated Operating Income (Profit Ratio)	18,794	4.7%	20,000	4.8%	+6.4%	0.0%	56.7%

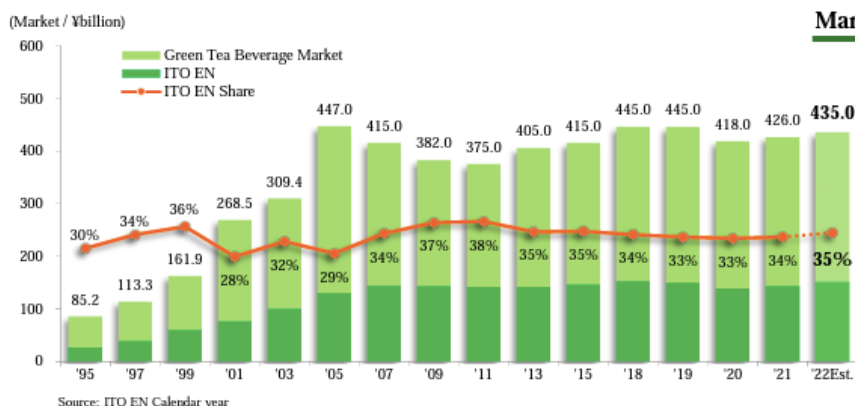
*unit: million yen. Foreign exchange rate (Average to US dollar during the period): FY4/22 ¥113.79, FY4/23 ¥137.00 (Before revision, it was ¥120.00).

4. Marketing Strategies

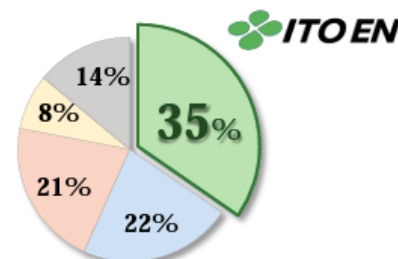
4-1 Oi Ocha

In 2022, the scale of the green tea beverage market is expected to grow 2% from the previous year to 435 billion yen. The company's market share in terms of sales is projected to rise 1 point to 35%. In the first half of this term, the sales quantity of the core product "Oi Ocha" increased 7% year on year. It hit a record high in the second quarter (Aug-Oct). Among hot green tea beverages in the autumn-winter season, "Oi Ocha" boasts the largest market share. The company considers that this is because their product lineup includes microwavable products and customers highly evaluated "the aroma and deliciousness fresh out of a teapot."

Green Tea Beverage Market Trends



Market Share of Green Tea Beverages Sold in 2022



(Source: the company)

"Oi Ocha" is liked by many consumers, as the company offers value from various aspects, including "to enjoy the Japanese culture in a modern fashion," "diversity of products," "commercialization of food for specified health use and food with functional claims," "products for saving their tastes," and "environmental conservation initiatives."

The sales quantity of "Oi Ocha Bold Green Tea," a beverage with functional claims released in August 2019, in fiscal 2021 exceeded 30 million cases. The company aims to sell 100 million cases of the "Oi Ocha" brand.

4-2 Leaf

The tea leaf market is slightly shrinking, but the company's market share is expanding.

The company enhanced the sale of products for specific health use and products with functional claims to meet the demand for health-oriented products, and the sales in the first half were up 8% year on year.

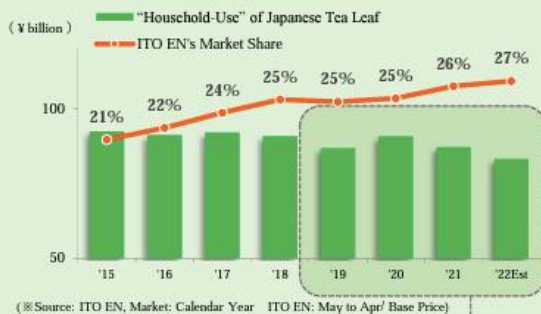
The company developed environmentally friendly teabags.

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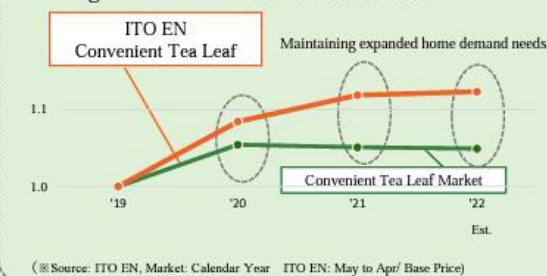


Green Tea leaf Market Trends

“Household-Use” of Japanese Tea Leaf Market and ITO EN’s Market Share



Trends in Convenient Tea Leaf Products during the Pandemic



Strong Product Power

Strengthen tea leaf product for Food for Specified Health Use and Food with Functional Claims

Number of products

▶ **14 Products**

(in Oct 2022)

Growth Rate

▶ **First Half Results**

YoY **+8%**

※ Source: ITO EN, May to Apr / Base Price



Tea Bags Committed to Taste and the Environment

▶ Responding to home use demand Strengthening convenient tea leaf products

おーお茶

Eco-tea bags

Launched in Sep 19 2022



【Ingredients】
Blend of **specialty** ingredients developed for use in tea bags

【Filter】
Made with **plant-derived** biodegradable materials



Eco-friendly, healthy and delicious tea (leaves) in response to market changes and consumer need

(Source: the company)

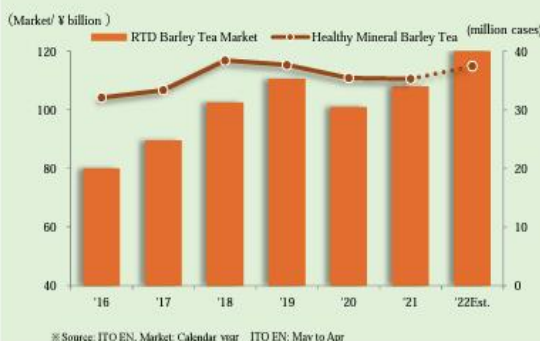
4-3 Barley tea/Vegetable beverages

Barley tea sold well as a beverage free of sugar and caffeine. The sales of the regular products “Kenko Mineral Mugicha (healthy mineral barley tea)” and “Mugicha Teabag (barley tea bag)” have been growing.

Barley Tea

健康ミネラル むぎ茶

RTD Barley Tea Market



Long-selling Barley Tea, which continues to grow

Barley Tea bags

First Half Results

YoY

+ **1.3%**

※ Source: ITO EN, May to Oct / Base Price



Sales share in 2021

Over 45%

※ Source: ITO EN

Roasting and processing technology brings kettle-brewed quality to Tea bag drinks

Kenko Mineral Mugicha (Healthy Mineral Barley Tea)

First Half Results

YoY

+ **10%**

※ Source: ITO EN, May to Oct / Base Volume



Hydrate during dry autumn and winter seasons with intake of fluids and minerals.

Easy to drink

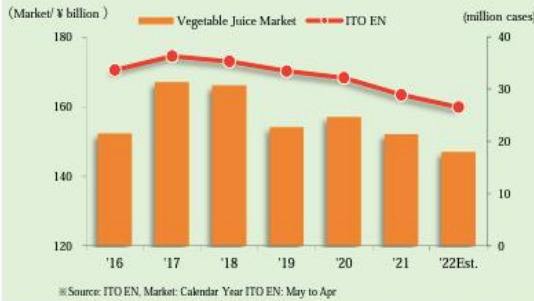


(Source: the company)

While consumers who are concerned about the calories from vegetables refrain from drinking vegetable beverages, the company improved its marketing structure and enhanced the sale of paper containers in May 2022. As a result, the sales share of paper containers increased 1.3 points in the first half of this term. In December 2022, the company opened stalls for selling Aojiru (barley grass green juice) at station platforms. Through such activities, the company aims to meet the demand from health-conscious consumers and expand sales.

Vegetable Juice

Vegetable Juice Market



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

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Since May 2022, Strengthened sales of paper containers by expanding sales strategy

First half-year Share of paper container sales

YoY + 1.3 pt



Source: ITO EN Intage SRI + Data May to Oct Each Year / Paper container sales amount in Vegetable Juice Market

Open on Dec 12, 2022
Offering delicious drink options
青汁専門店 **oostand**
Aojiru Specialty Stand (Barley Grass Green Juice Stand)

To showcase the deliciousness of Aojiru (Green Juice)
(Keihin Kyuko line at Kami-Ooka sta.)



(Source: the company)

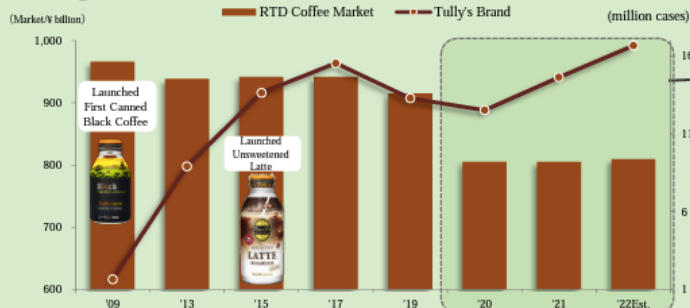
4-4. Tully's Coffee

In the coffee beverage market, too, the shift to sugar-free drinks is progressing, so the company is expanding its product lineup. The sales quantity of bottled sugar-free coffee is growing considerably.

TULLY'S COFFEE The World of Coffee Made with Quality and Taste

RTD Coffee Market

▶ Shift to sugarless coffee in the coffee beverage market



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

Taking on the challenge of sugarless beverages

▶ TULLY'S COFFEE BARISTA'S BLACK
390ml Bottled-Canned
First Half Results YoY +13%
(YoY 2021 +10%)



▶ TULLY'S COFFEE BARISTA'S Sugar-free LATTE
370ml Bottled-Canned
First Half Results YoY +32%
(YoY 2021 +70%)



※Source: ITO EN First half results May to Oct 2022, May 2021 to Apr 2022/Base Volume

"Tully's at Home"

Enjoying the taste of a coffee shop at home

▶ MY HOME BLACK COFFEE
Carton With roof top Cap 1000ml



▶ BARISTA'S ROAST Simple drip coffee



▶ BARISTA'S ROAST regular coffee (powder)



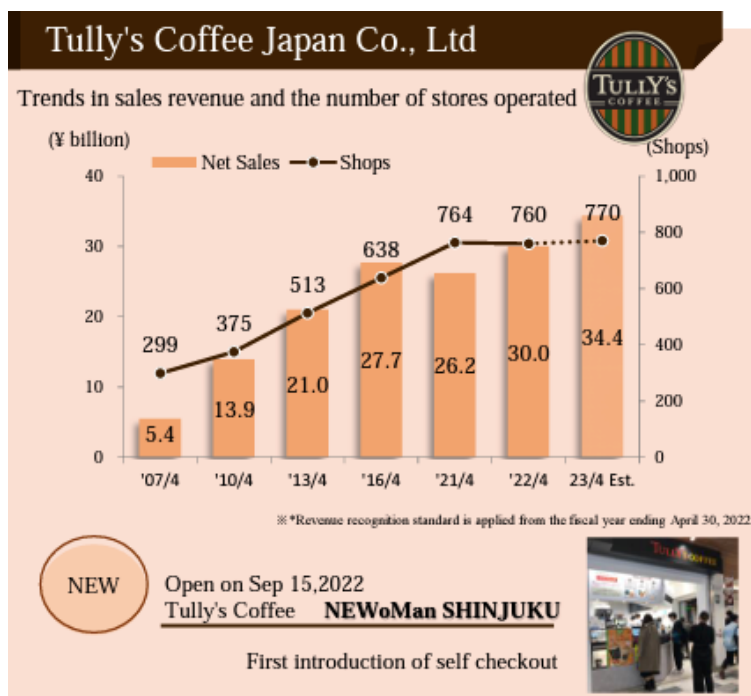
(Source: the company)

4-5. Tully's Coffee Japan

The sales performance of Tully's Coffee Japan remains healthy, as the sales at shops in urban areas grew 26% from the previous year and the sales at shops in suburban areas increased 15% from the previous year. As the company enhanced sales activities, average spending per customer increased 9% and the sales of coffee beans grew 12% from 2019 before the outbreak of the novel coronavirus. The number of downloads of the official app exceeded 1 million. The company installed self-service checkout equipment for the first time in NEWoMan Shinjuku Shop, and started the delivery service at about 340 shops. The company strengthened the initiatives for improving productivity by streamlining shop operation.

In December 2022, the company installed an order integration system to streamline operation, and will aim to induce synergy with Distant Lands Trading Co. in the U.S.

By working on new initiatives, the company will increase fans and proceed to the recovery stage.



(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.

The sales of the drink “Oi Ocha” and the tea leaf “Global Brand” have been growing steadily.

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 As an enterprise that enhance health

(1) Linkage between agriculture and welfare

The company started “the linkage between agriculture and welfare,” an initiative for enabling disabled people and others to work in the fields of agriculture, forestry, fisheries, etc. and participate in society with confidence and a purpose in life, and started selling “Funwari-kaoru Shizuokacha (Shizuoka Tea with Mild Aroma),” which is made of tea leaves certified by JAS for the linkage between agriculture and welfare, at directly managed stores, in November 2022.

In addition, the company supports this initiative as a supporting member of the consortium for supporting the linkage between agriculture and welfare, etc.

The company will contribute to a society in which diversity is recognized mutually through agriculture.

*JAS for the linkage between agriculture and welfare

Japan Agricultural Standards (JAS) enacted and enforced in 2019. These standards are applied to the methods for production and indication of agricultural, forestry, and fisheries products that have been produced while involving independent-minded disabled people and processed food products produced from them.

(2) Basic value of tea: “Creation of a community”

On “Day of Japanese Tea,” which was defined by the company as October 1, the company held real and online communication events for enjoying tea.

As a real event, the company held “Wakuwaku Daichakai (Exciting Large-scale Tea Ceremony)” involving the company’s staff, students, and customers, creating a community for enjoying tea regardless of age, gender, and generation. As an online event, the company introduced the attractive points of tea by webcasting each site.

In Senshu “Ocha-no-arukurashi (Living with Tea)” Project, the company gave a lecture titled “Enjoy Tea” as a regular subject at Osaka University of Tourism, as part of collaboration among industry, government, and academia.

(3) Contribution to dietary habits and health

The company has enhanced research into the functionality of green tea components.

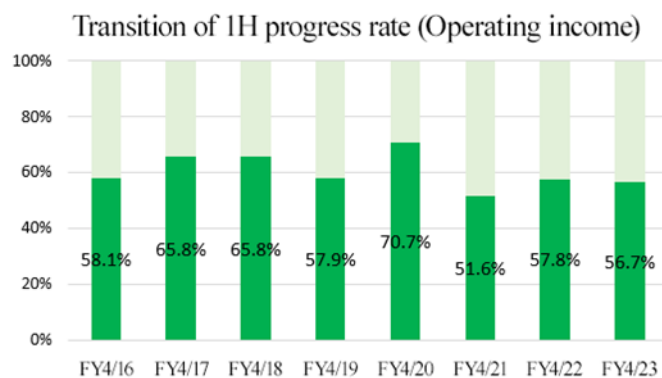
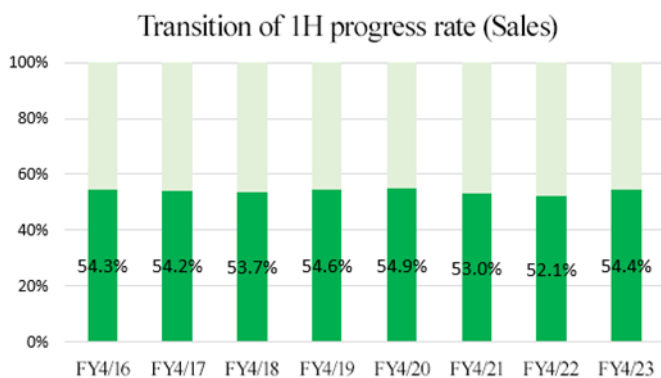
As a result of the collaborative research with MCBI Co., Ltd., which is a venture firm originating from the University of Tsukuba, they confirmed that the continuous intake of matcha (green tea) would “improve the quality of sleep” and “improve the social cognition function.”

At “ITO EN Health Forum,” which is held regularly, they disseminate the health value of tea with researchers. They plan to keep diffusing “the possible roles of tea” for enabling people to lead a healthy life with smiles every day.

Through such efforts, the company will foster connections via “tea” and support the mental and physical health of each customer.

5. Conclusions

The progress rate in the first half of the term is 54.4% for sales and 56.7% for operating income. As a characteristic of the company, sales and profit are larger in the first half of each term, including the beverage season from July to September. This term, sales were as usual, but operating income was lower than usual. There are concerns over the downturn of consumer confidence in the wake of the hike of prices of all kinds of food and beverages, but we would like to see how much they can increase sales and profit from the third quarter by utilizing their product competitiveness and marketing capability.



*FY4/16 to FY4/22: Proportion of the results for 1H to full-year results.

< Reference 1: 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.

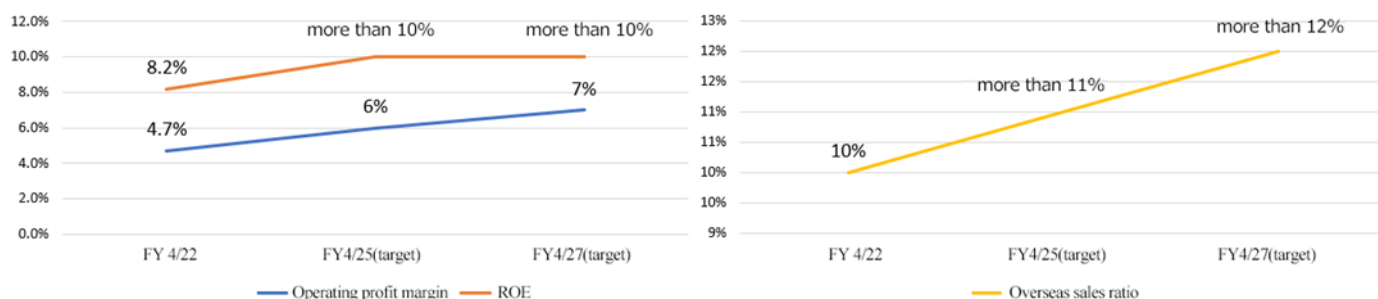
5-1 Key Strategies

Below are the five key strategies.

Solidify the existing businesses in Japan	-Establish the status of an unrivaled tea company in Japan -Increase the brand value centering on health appeal, Improve contact with customers
Develop Oi Ocha into a global standard brand	Combine and create Oi Ocha with eating cultures in the United States, China and other countries into daily life
Create new businesses	-Offer new value for food and life -Leverage tea's functionality and the techniques and relationships cultivated in the tea business
Strengthen the management base	-Increase synergy within the ITO EN Group -Accelerate human resources development, research and development and DX
Promote sustainability management	-Contribute to consumers, local communities, agriculture and the resolution of global environmental issues through business activities appropriate to ITO EN -Achieve continuous growth towards being a 100-year-old 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%.



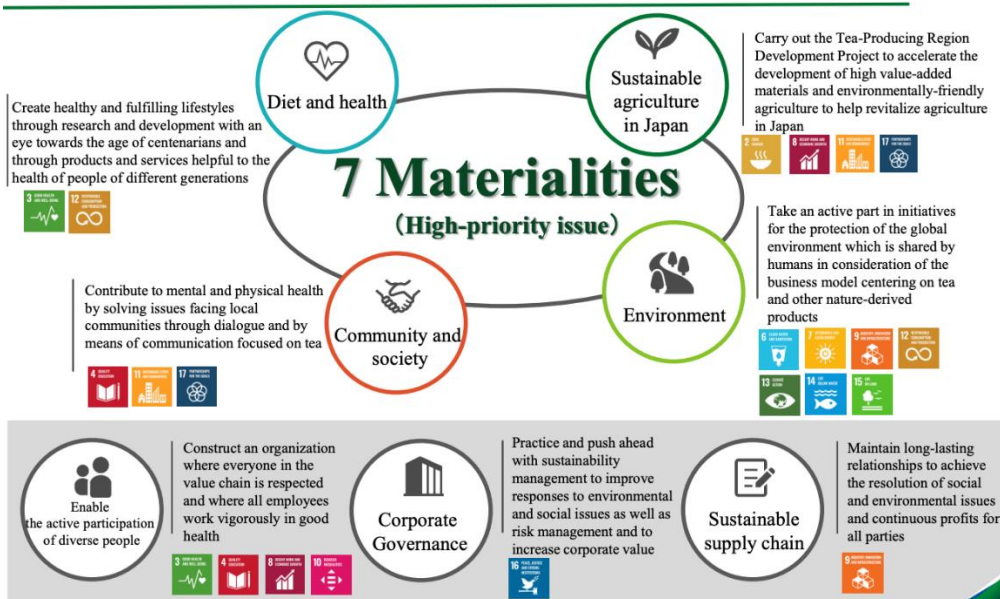
5-3 Business Investment

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



(Source: the company)

-Contribution to dietary habits and health

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

-Contribution to sustainable domestic agriculture

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

-Environment

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

-Deepening ties with local communities and societies

Contribute to the resolution of local societal issues through dialogues with various stakeholders

Utilize communication through tea to support both physical and mental health

-Contribution to a sustainable supply chain

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

-Promotion of diverse human assets and active roles for all

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

-Corporate governance

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

<Reference 2: Regarding Corporate Governance>

◎Organization type and the composition of directors and auditors

Organization type	Company with corporate auditor
Directors	13 directors, including 5 outside ones
Auditors	4 auditors, including 3 outside ones

◎Corporate Governance Report: Updated December 1, 2022

Basic Views

The management principle of the ITO EN Group (the “Group”) is “Always Putting the Customer First.” The Group states in the ITO EN Group Founding Charter that its management priority is to exist for all its workers and their families and for society as a whole, and to fulfill its corporate social responsibility by cooperating with the government, local communities, consumers, shareholders, retailers, suppliers, financial institutions and other stakeholders.

This group management principle is a basic concept in the Group’s business ethics and the unwavering truth that supports corporate governance. Every officer and employee of the Group is active in making concerted efforts to achieve a sustainable society in line with the interests of all stakeholders and strives to repay their trust.

Under this management principle, the Group aims to be a “Health Creation Company” and fulfil our long- term vision of becoming a “Global Tea Company”. Further, the Group aims to translate its contribution to the health of customers around the world into sustainable growth and medium-to-long-term improvement in its corporate value and is committed to further strengthening corporate governance.

ITO EN, LTD. (the “Company”) is a company with an audit & supervisory board. Its Audit & Supervisory Board Members shall conduct audits by seeking confirmation with Representative Directors, Directors, Executive Officers or employees regarding the status of business operations, decision-making processes and other matters to achieve appropriate corporate governance.

Audit & Supervisory Board Members attend every meeting of the Board of Directors, offering fair and impartial advice and audit opinions on overall corporate affairs and each item of business, and audit business execution by the Directors in accordance with the audit policy stipulated by the Audit & Supervisory Board.

Reasons not to implement each Principle of the Corporate Governance Code (Excerpts)

The reason is presented based on the Code revised in June 2021.

【Supplementary Principle 2-4 (1) Ensuring Diversity in the Promotion of Core Human Resources, etc.】

Voluntary and measurable goals for ensuring diversity in the promotion to core human resources

(1) Appointment of women employees to managerial positions

Since its foundation, the Group has aimed to achieve unparalleled greatness as set out in the ITO EN Group Founding Charter. The Company understands that promoting women’s active participation and advancement in the workplace is an important management issue from the perspective of ensuring diversity and has set itself the FY2023 goals of having 150% or more of its managers be women (2.3% in FY2020) and 130% or more of its section managers or equivalent (next-generation management candidates) be women (5.0% in FY2020) compared to FY2020 levels, respectively. It is working towards the achievement of these goals to improve the female employee retention rate, to increase support for female employees balancing their family and work lives and to train female managers.

(2) Appointment of mid-career hires to managerial positions

Of the total employees, 23.4% were hired mid-career, and the percentage of managers that were hired mid- career is 19%. By assigning and developing human resources with diverse experience and knowledge to be managers based on their merits, the Company has developed an environment in which diverse human resources can thrive. It will continue to assign mid-career hires to positions in a fair and impartial manner and aim to achieve a percentage of managers that were hired mid-career that is the same or higher than percentage of employees that were hired mid-career.

(3) Appointment of foreign nationals to managerial positions

When promoting mid-career hires to managerial positions, employees are promoted according to their merits at group companies around the world, regardless of nationality. On a consolidated group basis, 9.71% (795 persons) of employees are foreign nationals. The Company currently employs 14 foreign nationals with diverse backgrounds and they are playing active roles in the company. As a company that aims to become a global tea company, the company is currently in a phase where it is advancing the promotion of personnel based on their merits across the Group as whole and it has not set any targets for the appointment of foreign nationals as managers.

The Company will examine objectives regarding appointment of foreign managers in line with future business development.

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

The Company has established the ITO EN, LTD. Corporate Governance Guidelines (the “ITO EN Guidelines”) based on the resolution of the Board of Directors as an indication of the Company’s basic views and guidelines on corporate governance. Refer to the ITO EN Guidelines on the Company’s corporate website.

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

【Principle 1-4 Cross-Shareholdings】

The Company maintains the policy of not conducting cross-shareholding, in principle. Provided, however, that the Company conducts cross-shareholding only if it is judged to contribute to maintaining and strengthening business relationships or enhancing the Group’s corporate value in the medium to long term.

The Board of Directors examines cross-shareholding every year to determine whether the purpose of holding each stock is appropriate and whether the return on investment in each stock exceeds the capital cost and thereby verifies the significance of the cross-shareholding. The Company sells and reduces shareholdings in stocks, in consultation with the issuers of the stocks, if the economic rationality and significance of holding them are reduced.

Regarding the exercise of voting rights of shares held in cross holding, the Company shall appropriately address the matter by closely examining each agenda and comprehensively judging if the proposed matter will contribute to improving the corporate value of the Company and the issuer.

If a company that has a cross-holding in the Company (“Cross-shareholding Company”) shows the intention to sell, etc. shares in the Company, the Company shall not prevent the selling, etc. The Company fully examine the economic rationality of transactions with the Cross-shareholding Company and will not conduct any transactions that will harm the interests of the Company or the common interests of the shareholders.

(Chapter3. 4. Policy on Cross-shareholding of the ITO EN Guidelines)

【Supplementary Principle 2-4 (1) Ensuring Diversity in the Promotion of Core Human Resources, etc.】

Policies for ensuring diversity in promotion to core human resources, etc.

The Company believes that a company’s most important assets are its people. Based on this belief, the Company has formulated the ITO EN Group’s Human Resources Policy. Under the policy, in assigning personnel, the Company strives to ensure diversity based on the belief that diverse perspectives and the values of diverse employees in terms of gender, nationality, race, age, disabilities, experience, etc. give it an advantage in achieving sustainable growth.

(Chapter4. 3. Ensuring Diversity of the ITO EN Guidelines)

Policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation

(1) Policy for human resource development

The Company is focusing on developing human resources who always take a positive attitude and take on challenges in line with a basic policy that career advancement should be based on merit, every single employee should have equal opportunities, and evaluations should be fair. The Company supports employees’ career development and self-realization, believing that diverse people who pursue their ideals, think for themselves, teach themselves, take the initiative, and realize their dreams will help the Company achieve sustainable growth and development and enhance corporate value.

(i) Compliance training

In accordance with the ITO EN Group Compliance Code of Conduct, the Company provides all employees with training to prevent discrimination because of gender, age, ethnicity, race, nationality, religion, beliefs, social status, family origin, disability or other characteristic and to ensure respect for human rights and fair treatment according to the aptitudes and abilities of individuals.

(ii) Management training

The Company provides training to managers to deepen their understanding of the importance of ensuring diversity as well as training on the purposes and details of systems which have been developed to enable active participation by diverse human resources.

(iii) Training to promote the advancement of women in the workplace

The Company provides female employees with opportunities to reach their full potential and to reconsider and shape their career/life plan to advance further in the workplace. The Company is translating the provision of rank-based training for women into improvement in the motivation and the retention rate of female employees, stronger support to help them maintain a work-life balance, and increased management training.

(iv) Overseas human resource development

The Company provides training to develop human resources who will support overseas business in the future, with emphasis on understanding different cultures and facilitating communication. More specifically, the Company puts out calls for employees wanting to work overseas in the near future and provides them with career development support and seeks to increase their understanding of different cultures through a pre-entry program of training prior to overseas assignment and an overseas trainee program undertaken later after actually being assigned overseas.

(2) Policy for internal environment development

The Company aims to create a creative and productive corporate structure in which each employee always takes a positive attitude and takes on challenges, works hard together, uses its organizational strength, and responds promptly to changes in the environment. In that corporate structure, the Company promotes a work-life balance and develops a comfortable workplace environment for everyone by ensuring that diverse human resources can flexibly choose work styles according to their specific circumstances.

(i) ITO EN Family Support System

The Company has developed the ITO EN Family Support System to provide comprehensive support for ITO EN employees and their families during major life events (getting married, giving birth, raising a child, providing long-term nursing care, etc.).

(ii) Workplace Environment Improvement Promotion Committee

The Company has established the Workplace Environment Improvement Promotion Committee (convened twice a year, in principle) to comprehensively consider workplace environment issues and improvement measures and create a more positive workplace environment. District committees made up of representatives of each office have been established under the Committee to exchange opinions on issues such as working hours, workplace safety and hygiene management and review future work styles. In FY2021, information regarding health and measures for the Business Continuity Plan (BCP) was shared, and relevant learning opportunities were provided at workplaces in 28 areas in Japan.

(iii) Support for persons with disabilities

HR departments regularly visit employees with disabilities working at each workplace, hold meetings with the employees and their families and liaise with public support groups to ensure that employees with disabilities can play an active role and continue working long term.

(iv) Voice System (internal proposal system)

The Company has an employee voice scheme (Voice System for internal proposals), in which all employees regardless of the type of job they do can suggest new products, sales promotions and other ideas. This System keeps the spirit of “Still Now”, i.e. finding things that customers are still dissatisfied with, in the forefront of all employees’ minds and also helps improve employee motivation as internal awards are presented for excellent suggestions.

For further details of human resource development and development of the internal environment, refer to the Company’s 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 principle, “Always Putting the Customer First,” the Group formulated the ITO EN Group Basic Sustainability Policy with the goal of solving environmental and social issues and increasing corporate value in a compatible manner (the creation of shared value (CSV)) through the promotion and implementation of sustainability management. To this end, the Group set the seven core subjects of the ISO 26000 international standard as material issues in April 2012, and has been promoting CSR (Corporate Social Responsibility) and CSV management. In line with the changes in the external environment and the formulation of a new medium- to long-term management plan, it identified seven material sustainability issues that need to be addressed. Based on the ITO EN Group Basic Sustainability Policy, these 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 resources and active participation by all, and corporate governance) are incorporated in its management strategies, and the Group will advance its initiatives by interlocking these seven material issues with the medium and long-term management plan.

In accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), the Group conducted a scenario analysis of the impact of climate change-related risks and opportunities on business activities in relation to green tea, a raw material for its main products, in FY2020.

In FY2021, the scope of the scenario analysis was expanded to the entire value chain of the Company’s business, and risks and opportunities were analyzed under the 1.5, 2 and 4 °C scenarios in order to evaluate the impact on the Company’s business and examine countermeasures. In April 2022, the Company expressed its support for the TCFD recommendations. For more information, please see the Company’s integrated report and corporate website.

<https://www.itoen-global.com/management/esg.php>

<https://www.itoen-global.com/management/report.php>

<Initiatives for human capital>

The Company aims to develop employees who are always ready to take on new challenges, based on the view that “people” are its most important assets. By accounting for employees as “human assets” and shifting from human resource expenditure (= management) to human capital investment (= value creation), the Company will realize initiatives for human capital linked to management strategies.

(1) Internal training programs ITO EN Business College & ITO EN Graduate School

The Company offers ITO EN Business College & ITO EN Graduate School internal training programs every year as part of its support for employees, to encourage their personal growth and help them realize their dreams. The Company actively supports the self-improvement of employees by offering them training opportunities to acquire the specialist knowledge they need for business and management.

(2) ITO EN TEA TASTER System

ITO EN TEA TASTER System is an in-house tea taster qualification system that has been in operation since 1994, with the objectives of awarding qualifications to employees with high levels of tea-related knowledge and skills, improving tea-related knowledge and skills, and promoting tea culture both inside and outside the company (The in-house business skill test has been certified by the Ministry of Health, Labour and Welfare (MHLW) since March 2017). The Company is involved in the system with Group companies in Japan and overseas as part of efforts to strengthen the development of employees for realization of the Group vision of being a “Global Tea Company”.

(3) Health and productivity management

The Company formulated the ITO EN Group Health Management Declaration in May 2021. Through the implementation of health and productivity management, the Company aims to be a company where every single employee is in good health and can work energetically and contribute to society through a positive attitude and challenging spirit. More specifically, the Company aims to achieve enhancement of its corporate value in the medium and long term through the energization of organizations, including improvements in employees’ vitality and productivity, by getting employees to lead regular lifestyles hinging on eating a well balanced diet, maintaining a healthy weight, exercising moderately, and sleeping well.

(4) Increase in mandatory retirement age

The Company had previously established a system of reemployment allowing employees to continue working for up to five years after reaching mandatory retirement age of 60 but it has decided to raise the mandatory retirement age to 65 from May 2022 to develop an environment in which employees can work with peace of mind and enthusiasm. The Company will develop an environment in which employees can demonstrate the experience, knowledge and knowhow they have accumulated to date in various work places and encourage the creation of systems which allow employees to work in good health and with enthusiasm until the age of 70.

<Initiatives for intellectual property>

(1) The Company's intellectual property system

In accordance with its intellectual property policy and important strategies defined in the medium- to long-term management plan, the Company promotes intellectual property management that contributes to solving social issues and improving corporate value. The Company has in-house patent attorneys and lawyers and also has an Intellectual Property Department dedicated to IP matters, as well as consulting outside experts. Moreover, the members of the Intellectual Property Department are assigned to the research and development section of the Production Division, thereby ensuring systems that proactively provide support to the research and development sections exist.

In cooperation with each department, the Intellectual Property Department provides support for strategies for research and development and brand and intellectual property-related education. Moreover, the Intellectual Property Department began IP Landscape activities last year and provides recommendations at research and development strategy meetings and business planning meetings. Details of these activities and the risk management issues related to intellectual property are reported by the executive officers in charge to the Board of Directors, and feedback is obtained.

(2) Support for management strategies

ITO EN Group mission: Health Creation Company

Towards the realization of its being a Health Creation Company, the Group provides unique products that have significant health value and contributes to customers' healthy living through its support of research and development by intellectual property activities regarding the functionality of food, including the impact of green tea and matcha on cognitive functions.

Long-term vision: a Global Tea Company

In its core tea-related business, the Company also helps address environmental and social issues through its business activities by protecting intellectual property rights in the supply chain, starting with tea plantations through to tea products and used tea leaves recycling with the aim of becoming a Health Creation Company.

To support the strengthening of overseas operations, the Group started to provide education regarding intellectual property to overseas human resources in the current fiscal year. In addition, the Company aims to acquire IP rights and avoid IP infringement risks around the world and, to this end, will gather data on disputes and examinations around the world and acquire rights in an appropriate and effective manner.

(3) Investment for the development of human resources and encouragement of innovation

The Company's growth has been driven by a range of innovations, such as the creation of beverages from unsweetened tea which had previously been considered impossible. Innovation is the Company's source of growth. The Intellectual Property Department works to develop personnel for the creation of intellectual property by providing education to promote knowledge and skills acquisition within the research and development departments and other sections engaging in the creation of intellectual property. This fiscal year, we have started intellectual property education for the Marketing Division.

On a systemic level, the Company is also working to contribute to the development of business through the establishment and operation of the Employee Invention Compensation System with the aim of encouraging employees to create intellectual property. In the fiscal year ended April 30, 2022, 124 projects received compensation through this program. In the current fiscal year, Ad Hoc Compensation was newly introduced to provide a special reward to inventions that noticeably contribute to the Company's business. A one million yen bonus will be awarded per invention, in principle, with no upper limit set regarding bonuses for inventions whose contribution to the Company is extremely high.

The ratio of research and development cost to net sales was 0.47% in the fiscal year ended April 30, 2022.

【Principle 5-1 Policy for Constructive Dialogue with Shareholders】

The Company shall have constructive dialogue with shareholders with the aim for sustained growth and the improvement of corporate value over the medium- to long-term. The Company shall improve the system to promote dialogue and actively facilitate dialogue flexibly. Opinions, etc. of shareholders are communicated to the management when necessary and reported at Board of Directors meetings regularly.

(Chapter5. 3. Constructive Dialogue with Shareholders of the ITO EN Guidelines)

For details, refer to “IR Activities” in this report.

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