



ITO EN, LTD. FY2024-FY2028

# New Medium-Term Management Plan Presentation Material

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# Look Back on the Previous Medium-Term Management Plan over the Past 2 Years

Achieve sales growth and profitability improvement through business streamlining and price revisions, and make steady progress toward globalization of Oi-Ocha

## FY2023 Progress on KPIs

	(Compared with the plan)		(Compared with the plan)
<u>Annual Rate of Growth of Net Sales (2 years): 6.4%</u>	○ +2.7pt	<u>Total Return Ratio: 52.7%</u>	○ +12.7pt
<u>Operating Income Ratio: 5.5%</u>	○ +0.1pt	<u>Overseas Sales Ratio: 11.7%</u>	○ +1.6pt
<u>ROE: 8.9%</u>	○ +0.4pt		

Key Strategies	Progress/Results
<b>(1) Solidify the existing Businesses in Japan</b>	<ul style="list-style-type: none"> <li>■ Sales growth and profitability improvement through appropriate price revisions</li> <li>■ Launched efforts to rebuild domestic business structure</li> </ul>
<b>(2) Globalize Oi Ocha</b>	<ul style="list-style-type: none"> <li>■ Oi Ocha annual sales quantity exceeded 90 million cases</li> <li>■ Started to produce Oi Ocha in Europe using new manufacturing method</li> <li>■ Expanded sales in overseas business, and returned to profitability in North America business</li> </ul>
<b>(3) Create New Businesses</b>	<ul style="list-style-type: none"> <li>■ Brought the in-house venture system into operation</li> <li>■ Invested in agricultural DX- and matcha-related companies</li> </ul>
<b>(4) Strengthen the Management Base</b>	<ul style="list-style-type: none"> <li>■ Establish risk management infrastructure</li> <li>■ Transitioned to a company with an Audit and Supervisory Committee</li> </ul>
<b>(5) Promote Sustainability Management</b>	<ul style="list-style-type: none"> <li>■ Established calculation methods for GHG emissions and water usage throughout all group companies, and started responding to TNFD</li> <li>■ Started human rights DD and strengthened sustainability promotion system (installation of CSO, CHRO, etc.)</li> </ul>

On the occasion of the 60th anniversary of the company's founding, a new Medium-Term Management Plan was formulated to achieve further growth and improve profitability.

## Reason for Review

- In the two years of the previous Medium-Term plan, we achieved certain results in profitability improvement and overseas expansion.
- On the other hand, the business environment changed more than expected due to soaring raw material costs, etc.
- Revised Medium-Term Management Plan with an eye to the future for further growth and improved profitability

## Point

- Develop a 5-year Medium-Term Management Plan based on a long-term vision of the future around 2040
- Accelerating globalization toward becoming the world's tea company
- Flexibly respond to changes in the business environment and transform into a business structure focused on profitability

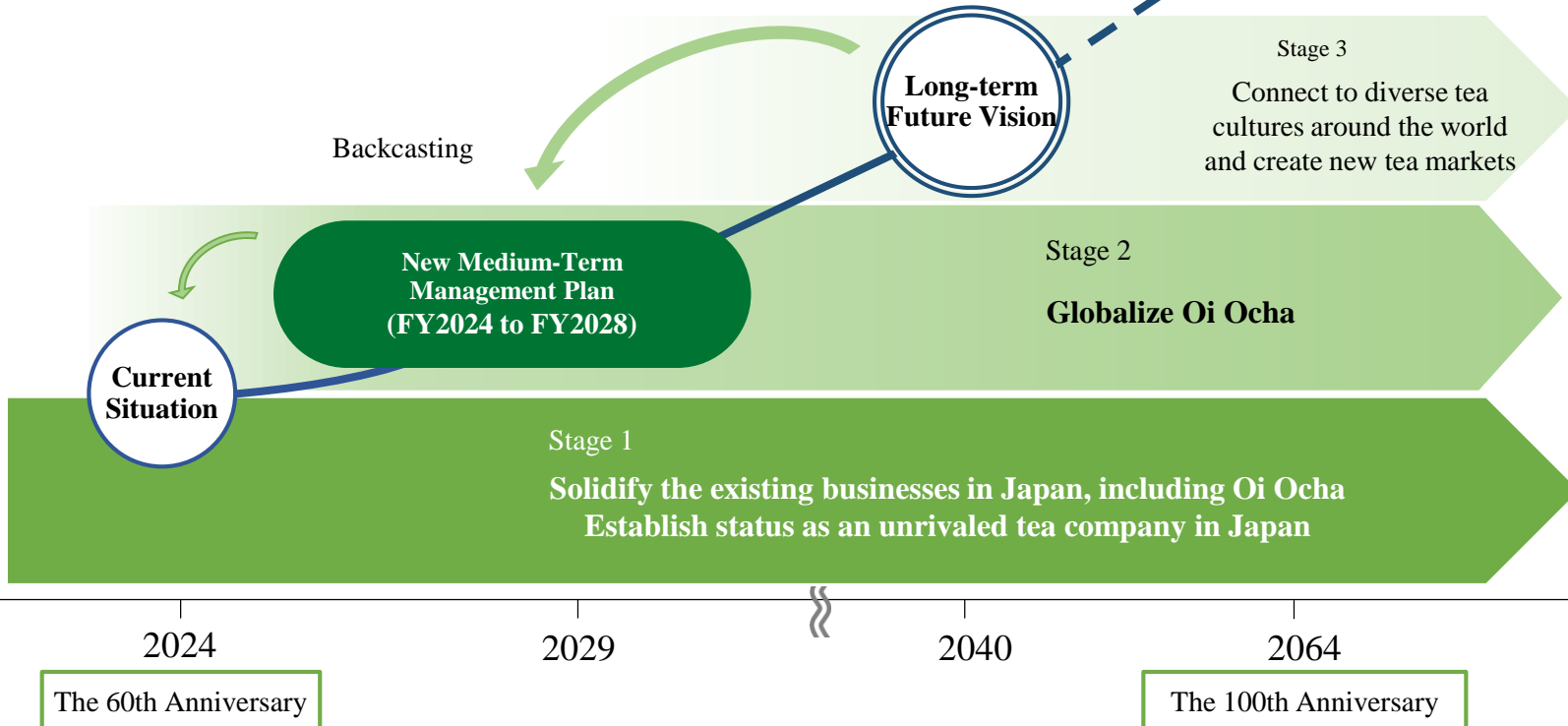
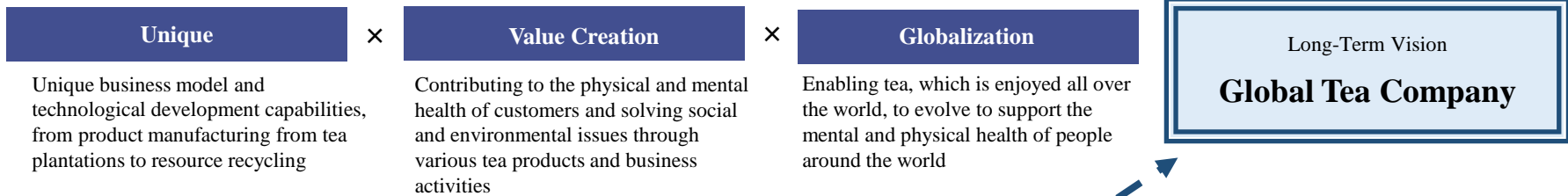
## Main Changes

- Establishment of long-term quantitative goals
- Expansion of measures to globalize Oi-Ocha
- Expansion of measures to strengthen existing domestic businesses

# Approach to the New Medium-Term Management Plan











Based on the concept of the three stages of a Global Tea Company, set a long-term future vision around 2040 and formulated a Medium-Term Management Plan with backcasting.

## Three pillars of initiatives to realize the long-term vision



# Assumptions and Response Policies for the Business Environment in 2040

Established a long-term response policy and set a future vision, in anticipation of changes in the environment

	Risks	Opportunities	Long-Term Response Policies
Overseas Business	 Competition with global companies	 Expansion of overseas tea market	Focusing management resources on tea, our strength, with the expanding overseas market as our biggest growth opportunity
Business in Japan	 Declining population	 Rising health consciousness	Optimizing business structure in line with changes in market and customers due to population decline and seeking to improve profitability
	 Depopulation in rural areas	 Diversification of consumption	Creating new businesses centered on tea and health in response to diversifying consumer preferences
Procurement/ Production Research and Development	 Shrinking domestic tea production area	 Technological innovation	Supporting tea producing regions for stable procurement of raw materials and supplying superior products through technological innovation
Management Base	 Increasing regulations and demands	 Cooperation in non-competitive areas	Shifting to a functional organization that can respond to globalization and environmental changes and developing diverse human resources

Contributing to our customers' healthy and prosperous lives and the realization of a sustainable society through business activities centered on tea in more than 100 countries around the world

<p><b>Business in Japan</b></p> <p>Improvement in profitability (Operating Income Ratio: <b>10%</b> or more)</p> <p>Business structure that adapts to environmental changes Expansion of in-house e-commerce, raw material wholesale, and new businesses</p>	<p><b>Overseas Business</b></p> <p>Business Expansion (Sales Countries: <b>40</b> ⇒ More than <b>100</b> countries)</p> <p>Specializing in tea (beverages, tea bags, and matcha) Building a network with local companies</p>
<p>Global Marketing Brand Strategy</p>	

<p>Evolving uniqueness</p>	<p><b>Ingredient Procurement</b></p> <p>Building superiority in crude tea procurement Expanding the share of green tea</p>	<p><b>Production</b></p> <p>Building a global block production system by leveraging our accumulated technology and quality control capabilities</p>	<p><b>Research and Development</b></p> <p>Significantly expanding R&amp;D as a source of profit</p>
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<p>Strengthen the Management Base</p>	<p><b>Organization</b></p> <p>Global headquarters overseeing domestic and overseas business, and highly productive functional organization</p>	<p><b>Human Assets</b></p> <p>Expanding human assets in key areas in conjunction with business strategy</p>
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Promoting Sustainability Management

# Roadmap of the Medium-term Management Plan

Present (FY2023)		5-year Medium-Term Management Plan (FY2024 to FY2028)		Long-Term Future Vision (FY2040)
		Founded 60th anniversary (October 2024)	40th anniversary of Oi Ocha (February 2029)	Connect to diverse tea cultures around the world and create new tea markets
Globalize Oi Ocha		Advancing to the Second Stage of Evolution into a "Global Tea Company" on a full scale	Collaborating as a group to accelerate global branding in countries around the world Countries where Oi Ocha is sold: Over <b>60</b> countries	More than <b>100</b> countries
Solidify the existing Businesses in Japan		(-2025) Structural reforms in response to environmental changes	Toward a business structure that focuses on profitability Non-consolidated operating income ratio: <b>8.5%</b> or more	<b>10%</b> or more
	FY2023	FY2028		FY2040
Consolidated Net Sales	453.8 billion yen	Average Annual Growth Rate <b>2% or more</b> (Overseas: 8% or more*)		Average Annual Growth Rate <b>3% or more</b>
Operating Income Ratio	5.5%	<b>8% or more</b>		<b>10% or more</b>
ROE	8.9%	<b>10% or more</b>		—
Total Return Ratio	52.7%	<b>40% or more</b>		—
Oi Ocha Overseas	YoY+12%	Average Annual Growth Rate <b>24% or more</b>		Average Annual Growth Rate <b>10% or more</b>

\* Excluding impact of exchange rates

# 5 Key Strategies of the Medium-Term Management Plan



## Globalize Oi Ocha

- Development of global marketing
- Building of a global production and sales system
- Evolution of the Tea-Producing Region Development Project



## Solidification of the Existing Businesses in Japan

- Restructuring of domestic business structure
- Optimization of supply chain
- Marketing selection and concentration



## Create New Businesses

- Provision of new value centered on tea and health
- Expansion of business areas through capital alliances and M&A



## Strengthen the Management Base

- Increase in governance and synergies of the ITO EN Group
- Strengthening and promoting of human capital management, DX, and risk management



## Promoting Sustainability Management

- Continuous growth and value creation towards being a 100-year-old company by responding to materiality combined with business strategy

### \* Seven Material Issues

- Contributions to dietary habits and health
- Contributing to sustainable farming
- Environment
- Deepening ties with local communities and society
- Contribution to a sustainable supply chain
- Promotion of diverse human assets and active roles for all
- Corporate governance

FY2028 Operating Income Ratio: 8% or more

Achievement of Materiality KPIs



# Globalization of Oi Ocha

Promoting the globalization of Oi Ocha by expanding global investment through collaboration, both domestically and internationally

**Oi Ocha's Core Values** Aroma like freshly poured · Enjoy the original taste of ingredients anytime, anywhere

What is Green Tea? ~ Traditional beverages that not only taste good, but also have been close to people's hearts and bodies, weaving people together, and should be passed on to the future and the world ~

**Global Marketing** Spreading "Oi-Ocha", a fusion of Japanese tradition and innovative technology, throughout the world



Unified global advertisement to the world

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Common global brand design and quality



**Local Marketing** Integrate with the culture of each country and permeate daily life through area-specific advertising and sales promotions

(North America area)  
Expansion of total marketing



(Japan)  
Branding the "Tea Business" itself



(Asia, Australia, Europe)  
SNS x Drinking Experience



## Global Production and Sales Structure

### Manufacture

- Accelerate local production with new manufacturing methods
- Establishment of block production and block quality control system

### Marketing

- Expansion of countries where tea is sold, focusing on growth areas of the tea market
- Establishment of a local subsidiary to serve as a base for area expansion

Restructuring to a business structure optimized for markets, customers, and regions in line with changes in the environment

## Supply Chain

Promoting optimization of the entire supply chain, from raw material procurement to sales

- Standardization of product materials and standards, expansion of production lots, review of stock points
- Strengthening Collaboration within and outside the Group
- Efficiency through Supply Chain DX

## Product & Marketing

Maximize investment efficiency and improve profitability through marketing selection and concentration

- Concentrate advertising and sales promotion on core and growing brands
- Shift to a more profitable container mix
- Expand R&D on health and functionality and add value to products

## Business Structure

New sales structure optimized for customers and regions in light of market changes and aging employees

### Local Sales

Restructuring to a new sales structure to strengthen intra-group cooperation in the vending machine business and mass retailer sales

### Directly-managed Store Operations

Directly managed store business transferred to ITO EN FOOD SERVICE CO., LTD. to strengthen sales functions within the group, aiming for a business structure that can flexibly implement measures.

Expanding our own e-commerce and raw material wholesale business with a focus on tea and health, as well as promoting capital alliances and M&A with companies where we can expect synergies to expand our business domain

Abundant knowledge on tea and health x Crude tea procurement capabilities x Unique technology and know-how = New value

## Expansion of Tea and Health Business

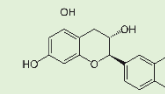
### The Company's e-commerce site

Expansion of high-profit products through health appeal and higher quality



### Raw Material Wholesale Business

Supply of high value-added raw materials and materials suitable for each form and customer needs



Matcha / Tea Leaves    Functional Materials

## Capital Alliance/M&A Promotion

Expand business in the tea and health field through collaboration with external parties

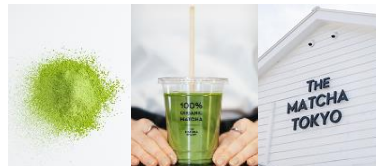
Investment value: 30 billion yen (5 years)

Priority areas: Overseas, EC/D2C, raw material wholesale, agriculture, and environment

Most recent case (capital and business alliances):

### THE MATCHA TOKYO Co.,Ltd

⇒ Collaboration in expanding sales of matcha in Japan and abroad



### Water-cell Co.,Ltd

⇒ Collaboration to strengthen tea production area business



Investing in future growth fields with an emphasis on profitability and capital efficiency

## Approach to Growth and Financial Goals (FY2028)

- Focus on profitability	Operating Income Ratio	8% or more
- Continuous growth to increase profit and market share	Annual Rate of Growth of Net Sales	2% or more
- Management with an emphasis on capital efficiency	ROE	10% or more
- Shareholder return	Total Return Ratio	40% or more

## 5-year Cumulative CF (FY2024 to FY2028)

### Operating cash flow

From 160.0 billion yen

- Growth Investments  
Research and development, marketing, human resources, DX, and environment
- Supply Chain Investment  
Factory equipment for fabless production

### Investment Cash Flow

Capital Investment:	55.0 billion yen	( Overseas: 20.0 billion yen Japan: 10.0 billion yen )
Business Investment:	30.0 billion yen	

### Financing Cash Flow

Shareholder Returns:	From 45.0 billion yen	Total Return Ratio: 40% or more
Repayment of interest-bearing liabilities:	25.0 billion yen	