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(Securities Code 2593)
July 5, 2021

To Shareholders with Voting Rights:

Daisuke Honjo
President
ITO EN, LTD.
47-10 Honmachi 3-chome,
Shibuya-ku, Tokyo, Japan

**NOTICE OF
THE 56TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your continued support and patronage.

It is our pleasure to inform you of the 56th Annual General Meeting of Shareholders of ITO EN, LTD. (the “Company”). The meeting will be held for the purposes as described below.

From the perspective of preventing the spread of COVID-19, we request shareholders to refrain from attending the General Meeting of Shareholders in person, and to exercise voting rights in advance, in writing or via the Internet, etc.

Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:00 p.m. on Monday, July 26, 2021, Japan time.

- 1. Date and Time:** Tuesday, July 27, 2021 at 10:00 a.m. Japan time
- 2. Place:** Ball Room “Sumpu,” 3F Hotel Associa Shizuoka
56 Kurogane-cho, Aoi-ku, Shizuoka-City, Shizuoka
(This General Meeting of Shareholders is held in Shizuoka Prefecture in consideration of the Tokyo Olympics.)
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report and Non-consolidated Financial Statements for the Company’s 56th Fiscal Year (May 1, 2020 - April 30, 2021)
 2. Consolidated Financial Statements for the Company’s 56th Fiscal Year (May 1, 2020 - April 30, 2021) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and Audit & Supervisory Board
 - Proposals to be resolved:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Election of 1 Audit & Supervisory Board Member

Requests to Shareholders

- If attending the meeting in person, please submit the enclosed voting rights exercise form to the reception desk at the venue.
- All shareholders attending in person are requested to wear a mask while at the venue, in order to prevent the spread of COVID-19. Shareholders are also asked to cooperate with the measures implemented at the venue to prevent the spread of infection, including alcohol-based hand sanitizer and body temperature measurement. Attendees not wearing a mask, and those deemed to have health concerns such as a fever, will not be permitted to enter.
- Seating at the venue will be widely spaced to ensure physical distancing, and attendees may be refused admittance due to lack of space.
- Souvenirs will not be distributed to shareholders attending. We request your understanding in this matter.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

The Company proposes that surplus be appropriated as follows.

1. Matters concerning year-end dividend

Our basic policy regarding earnings distribution is to assure stable distribution of dividends.

Taking into account the Company's business performance for the fiscal year ended April 30, 2021 as well as the future business development, etc., the year-end dividend payment for the fiscal year ended April 30, 2021 is proposed to be made as follows.

For Class-A Preferred Stock, the year-end dividend payment per share for the fiscal year ended April 30, 2021 is to be made as cash in the amount of 125 percent of the amount of cash to be distributed per share of common stock (calculation shall be made to the first decimal place and the first decimal place shall be rounded up) based on the terms of the Class-A Preferred Stock.

(1) Type of dividend assets

Cash

(2) Matters concerning allocation of dividend assets and the total amount thereof

Dividend per share of the Company's common stock: ¥20

Total amount of dividend for common stock: ¥1,764,002,260

Dividend per share of the Company's Class-A Preferred Stock: ¥25

Total amount of dividend for Class-A Preferred Stock: ¥826,266,050

The annual dividend for the fiscal year ended April 30, 2021, including the interim dividend, will amount to ¥40 per share of common stock and ¥50 per share of Class-A Preferred Stock.

(3) Effective date of dividends of surplus

July 28, 2021

2. Matters concerning appropriation of other surplus

The use of retained earnings is proposed as follows for the purpose of making investments for enhancement of corporate value and strengthening the management foundation in preparation for aggressive business development in the future.

(1) Item and amount of surplus to be increased

Special reserve fund: ¥4,000,000,000

(2) Item and amount of surplus to be decreased

Earned surplus carried forward: ¥4,000,000,000

Proposal 2: Election of 1 Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Mr. Masahiro Nagasawa will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the election of 1 Audit & Supervisory Board Member.

The Audit & Supervisory Board has given its consent to this proposal.

The candidate is as follows:

Name (Date of birth)	Career summary, positions and significant concurrent positions	Class and number of shares of the Company held	Special interests with the Company
Hitoshi Yokokura (May 30, 1969)	<p>April 1992 Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)</p> <p>March 1995 Registered as Certified Public Accountant</p> <p>December 2001 Resigned from Asahi Shinwa & Co. (currently KPMG AZSA LLC)</p> <p>January 2002 Established Yokokura CPA Office</p> <p>December 2007 Registered as Attorney (Tokyo Bar Association)</p> <p> Joined Bingham Sakai Mimura Aizawa (currently Anderson Mori & Tomotsune)</p> <p>April 2014 Partner attorney of Waseda Legal Commons, LPC (current post)</p> <p>July 2017 Auditor of Minori Audit Corporation (current post)</p> <p>June 2020 Outside Director of Credit Saison Co., Ltd. (current post)</p> <p>[Significant concurrent positions]</p> <p>Partner attorney of Waseda Legal Commons, LPC</p> <p>Auditor of Minori Audit Corporation</p> <p>Outside Director of Credit Saison Co., Ltd.</p>	<p>Common stock</p> <p>–</p> <p>Class-A preferred stock</p> <p>–</p>	<p>Not applicable</p>
<p>[Reason for the nomination as a candidate for Outside Audit & Supervisory Board Member]</p> <p>Mr. Hitoshi Yokokura possesses expert insight, extensive knowledge and experience as a certified public accountant and an attorney. Although he has previously not participated in corporate management other than having served as an outside officer, the Company nominates him as a new candidate for Outside Audit & Supervisory Board Member because it has judged that he can supervise and audit the management of the Company by leveraging his high level of expertise and insight in accounting and legal affairs.</p>			

(Notes)

1. Mr. Hitoshi Yokokura is a new candidate for Outside Audit & Supervisory Board Member.
2. If this proposal is approved as originally proposed, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company plans to enter into a contract with Mr. Hitoshi Yokokura to limit his liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under such contract shall be the minimum liability amount stipulated by laws and regulations.
3. In accordance with Article 430-3, paragraph 1 of the Companies Act, the Company has entered into a directors and officers liability insurance policy (D&O insurance) in which Directors and Audit & Supervisory Board Members of the Company and the Group are insureds. The insurance policy covers losses that may result from the directors and officers being liable for their performance of duties.
However, there are certain exemptions, such as no coverage if the act was committed with the knowledge that it was in violation of laws and regulations. If the said proposal is approved as proposed, the Company plans to include Mr. Hitoshi Yokokura as an insured in the insurance contract.
The policy will be for one year and will be renewed by resolution of the Board of Directors prior to the expiration of its term.
4. Mr. Hitoshi Yokokura meets the requirements for independent officer in accordance with the provisions of the Tokyo Stock Exchange, and therefore the Company plans to appoint him as an independent officer and register him with the Tokyo Stock Exchange.

(Reference)

<The Company's Standards for Determining Independence of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members>

Based on the independence standards for outside directors and auditors prescribed by the Tokyo Stock Exchange, the Company stipulates its standards for determining independence of its independent Outside Directors and independent Outside Audit & Supervisory Board Members as follows:

- (1) An Outside Director or an Outside Audit & Supervisory Board Member who meets none of the conditions stipulated in items A. to F. below and is deemed to have no potential conflict of interest with general shareholders of the Company shall be judged independent:
 - A. A person for whom the Company is a major business partner, or a person serving as an executive of an entity for which the Company is a major business partner
 - B. A person who is a major business partner for the Company, or a person serving as an executive of an entity that is a major business partner for the Company
 - C. A consultant, an accounting expert or a legal expert who receives a significant amount of money or other properties from the Company, except for the Company's remuneration for Directors and Audit & Supervisory Board Members (or a member of a corporation, an association or any other institution that receives such properties from the Company)
 - D. A person who recently met the following condition:
 - (a) A person stipulated in any of items A. to C. above
 - E. A person who met any of the conditions stipulated in items (a) to (c) below at any time in the period of ten years before taking office as Outside Director or Outside Audit & Supervisory Board Member of the Company:
 - (a) A person serving as an executive, or as Director who is not an executive, of the Company's parent company
 - (b) A person serving as Audit & Supervisory Board Member of the Company's parent company (only in the case of appointing an Outside Audit & Supervisory Board Member as independent Audit & Supervisory Board Member)
 - (c) A person serving as an executive of a fellow subsidiary of the Company
 - F. A person who is a next of kin of any of the persons stipulated in items (a) to (g) below (excluding those of the persons who are not significant):
 - (a) A person stipulated in any of items A. to E. above
 - (b) A person serving as an executive of the Company's subsidiary
 - (c) A person serving as Director who is not an executive, or as an accounting advisor, of the Company's subsidiary (only in the case of appointing an Outside Audit & Supervisory Board Member as independent Audit & Supervisory Board Member)
 - (d) A person serving as an executive, or as Director who is not an executive, of the Company's parent company
 - (e) A person serving as Audit & Supervisory Board Member of the Company's parent company (only in the case of appointing an Outside Audit & Supervisory Board Member as independent Audit & Supervisory Board Member)
 - (f) A person serving as an executive of a fellow subsidiary of the Company
 - (g) A person who recently met any of the conditions stipulated in items (b) and (c) above or a person serving as an executive of the Company (or a person serving as Director who is not an executive of the Company, in the case of appointing an Outside Audit & Supervisory Board Member as independent Audit & Supervisory Board Member)
- (2) An Outside Director or an Outside Audit & Supervisory Board Member who meets any of the conditions stipulated in items A. to F. above but is deemed, after full consideration of specific situations and on grounds reasonably justifiable to outside stakeholders, to have no potential conflict of interest with general shareholders of the Company shall be judged independent.

(Attachment)

Business Report

(From May 1, 2020 to April 30, 2021)

1. Items regarding current status of corporate group

(1) Business activities and results

During the fiscal year ended April 30, 2021 (May 1, 2020 - April 30, 2021), the Japanese economy was in an extremely difficult situation due to the impact of the novel coronavirus disease (COVID-19), which is spreading globally. Despite a temporary recover in personal consumption, a state of emergency was declared twice since the beginning of the year and the uncertain situation is expected to continue.

In the beverage industry as well, the business environment continued to be tough throughout the year due to the negative impact of economic stagnation, which was the result of restrictions on activities and people refraining from going out due to the spread of COVID-19, and changes in lifestyles such as an increase in working at home, in addition to the impact of abnormal weather and unseasonable weather, such as the Heavy Rain Event of July 2020.

Under these business conditions, in keeping with the management principle of “Always Putting the Customer First,” the ITO EN Group made a concerted effort to vigorously engage in business activities by constantly considering “what customers are still now dissatisfied with” for all of the customers surrounding the Group.

As a result, in terms of business performance in the fiscal year ended April 30, 2021, the Company recorded net sales of 446,281 million yen (down 7.7% year on year), operating income of 16,675 million yen (down 16.4%), ordinary income of 17,029 million yen (down 12.4%), and profit attributable to owners of parent of 7,011 million yen (down 10.0%).

Please note that as extraordinary losses, we reported 4,056 million yen in impairment losses on goodwill, etc. related to NEOS Co., Ltd. and stores, etc. related to Tully’s Coffee Japan Co., Ltd.

Performance by each of the business segments were as follows.

<Tea Leaves and Beverages Business>

[Domestic tea leaf products]

In March 2021, the Company launched the “*Oi Ocha, First Picking*” series of tea products that, while maintaining the delicious flavor of the tea, have the functional food claim of “reducing body fat in people with a high BMI.” Persons who drink this tea product can take in 340 mg of gallate catechins (per 16 g of tea leaves after brewing), which is the ingredient reported to have the function of reducing body fat in people with a high BMI. We use 100% Japanese-made first-grade tea, which is richer in catechins and amino acids compared to ordinary tea, and by brewing it with boiling water, customers can enjoy not only its strong flavor, but also the sweet aroma and rich taste of first-grade tea at the same time.

In the same month, we also launched a new version of our long-selling “*One-Pot Eco Tea Bag*” series of tea bags for pots that can be easily and deliciously brewed with cold or hot water. Against the backdrop of people spending more time at home, sales have been increasing for teabags for large Japanese teapots, which are convenient for using at home. For this product, we switched to environmentally friendly tea bags using filters made of plant-derived biodegradable materials.

By launching products that leverage these unique R&D capabilities, the Company, as “tea-company ITO EN,” will deliver the charm of tea throughout Japan and the world, as well as contribute to the revitalization and further development of Japan’s tea industry.

[Domestic beverage products]

In March 2021, the Company launched “*Oi Ocha Roasted Green Tea*,” which has the sweet aroma unique to roasted green tea, and “*Oi Ocha Green Tea with Roasted Rice*,” which has the sweet aroma unique to freshly roasted rice, from the “*Oi Ocha*” brand. Both of these products were developed in the pursuit of the “happiness aroma,” which is characteristic of traditional Japanese flavored teas, by further enhancing the aroma compared to current products.

The “*Oi Ocha*” brand was recognized by Guinness World Records™ as the world’s number one seller

in “largest natural healthy RTD green tea beverages (sales in the most current fiscal year)” and received the official certification for the third consecutive year after it was so recognized in May 2019. In 2020, accumulated sales of “*Oi Ocha*” surpassed 35 billion units in terms of 525-milliliter PET bottles as people became more familiar with Japanese tea. The Company will continue to provide products to people around the world in response to the needs of our customers and the changing times, while we aim to be “a company that creates healthy lives with the power of tea.”

For black tea beverages, we launched “*TEAs’ TEA NEW AUTHENTIC Fresh Lemon Tea, Sugar-free,*” an aromatic sugar-free lemon-flavored tea product that is made by extracting fresh lemon together with black tea, in April 2021.

For coffee beverages, we launched “*TULLY’S COFFEE BARISTA’S CAPPUCINO,*” for the enjoyment of the sweet aroma of cinnamon and the deep flavor of coffee, “*TULLY’S COFFEE BARISTA’S BLACK,*” a drink that can be diluted and easily customized to suit one’s taste simply by adding milk, water, etc., and “*TULLY’S COFFEE ESPRESSO WITH MILK,*” a drink that provides the delicious bitterness and deep flavor of coffee made with an espresso machine, in March 2021. In addition, we launched “*TULLY’S COFFEE HONEY MILK LATTE,*” a drink that is characterized by the gentle sweetness of honey and made with the same honey sold as “*TULLY’S HONEY*” at “*TULLY’S COFFEE*” specialty coffee shops, in April.

However, performance in the fiscal year under review was significantly affected by a delay in the recovery of demand as a result of restrictions on activities and people refraining from unnecessary and non-urgent outings associated with the declaration of a state of emergency and adoption of strict infection control measures.

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 413,581 million yen, down 6.9% year on year, and operating income of 18,164 million yen, down 3.3%.

<Restaurant Business>

Tully’s Coffee Japan Co., Ltd. released “*Almond Praline Soy Latte,*” a limited time only “all soy” drink made from soymilk, “*&TEA Rooibos Royal Milk Tea, Honey Ginger,*” a drink made from rooibos tea which has a growing market as a healthy drink, and other popular products. In addition, the need remains high for “home cafes” where customers can purchase coffee beans they like to enjoy while relaxing at home, and sales of coffee beans and “*Tully’s Specialty Café au Lait Base, 275 ml,*” which enliven the times spent drinking coffee at home, performed favorably. The total number of coffee shops at present is 764.

We are actively taking preventative measures against the spread of COVID-19 such as employees washing hands, using alcohol disinfectant, temperature taking before starting work, wearing masks, installing plastic screens, etc. in front of registers as a measure to prevent infection through droplets, and ensuring social distancing.

However, performance in the fiscal year under review was significantly affected by a delay in the recovery of demand as a result of shortened operating hours and people refraining from unnecessary and non-urgent outings associated with the declaration of a state of emergency and adoption of strict infection control measures.

As a result of these activities, the Restaurant Business recorded net sales of 26,206 million yen, down 20.1 % year on year, and operating loss of 1,374 million yen, compared with operating income of 1,725 million yen in the same period last year.

<Others>

The Others recorded net sales of 6,493 million yen, up 0.0% year on year, and operating income of 617 million yen, down 5.9%.

(2) Net sales by segment

(Millions of yen)

	55th term (from May 1, 2019 to April 30, 2020)		56th term (from May 1, 2020 to April 30, 2021)		YoY Change	YoY Change %
	Net sales	Sales Composition	Net sales	Sales Composition		
Tea leaves/Beverages Business	444,071	% 91.9	413,581	% 92.7	(30,490)	% (6.9)
Restaurant Business	32,798	6.8	26,206	5.9	(6,591)	(20.1)
Others	6,490	1.3	6,493	1.4	3	0.0
Total	483,360	100.0	446,281	100.0	(37,078)	(7.7)

(Notes)

1. Consumption taxes are not included in the amounts above.
2. Intersegment transactions have been eliminated in the above figures for net sales.

(3) Capital investments

Capital investments in the fiscal year ended April 30, 2021 amounted to 7.1 billion yen. The main components thereof were as follows.

Company name	Details of main facilities and equipment
The Company	Vending machines, etc.
Tully's Coffee Japan Co., Ltd.	New store facilities, etc.

(4) Financing

During the fiscal year under review, the Group procured 40.1 billion yen in long-term loans from financial institutions to fund the Group's requirements.

In order to efficiently secure working capital, the Company has entered into a syndicated commitment line agreement with eight banks with which it has a transactional relationship, for a total amount of 10.0 billion yen. In addition, the Company has also entered into an overdraft agreement with four banks with which it has a transactional relationship, for a total amount of 6.5 billion yen.

(5) Issues to be addressed

The ITO EN Group will continue to strive to meet the expectations of consumers regarding its social responsibility as a company, through compliance with laws, regulations, and social norms, and by establishing structures that ensure product safety and quality control, with an unwavering commitment to the management principle of "Always Putting the Customer First" in the pursuit of further enhancing corporate and shareholder value. To this end, the Group will pursue the following initiatives.

(i) Brand strategy

1. Product development

Under the five product development concepts of "natural, healthy, safe, well-designed, and delicious," the Company is actively developing new products and improving existing products through the utilization of the Voice System (proposal system that incorporates customers' complaints and requests into product development), which is the Company's proprietary proposal system, by all employees under the belief of "STILL NOW" (what customers are still now dissatisfied with). The Company will continue to use the Voice System to develop and improve products in a way tailored to customers' needs.

2. R&D

Of the Company's product development concepts, the ITO EN Group's research and development includes both basic and applied research, with a particular emphasis on "Healthy," "Safe," and "Delicious." The products the Company provides undergo various testing for confirmation of their human health benefits, and the latest information is always made publicly available. The ITO EN Group will also emphasize the development of foods for specified health uses (FOSHU), which are permitted to display their health benefits on the label, and products labeled with functional food claims. The ITO EN Group also conducts research on ingredients that affect the deliciousness of beverages, as well as research related to physical properties, and works on new technologies toward the development of superior products.

3. Brand strengthening strategy

With the ITO EN brand at its core, the Company is actively promoting several other individual beverage brands such as “*Oi Ocha*” green tea beverage, “*Kenko Mineral Mugicha*” (healthy mineral barley tea), “*TULLY’S COFFEE*,” and “*Ichinichibun no Yasai*” (a day’s worth of vegetables).”

With regard to the Company’s flagship product, “*Oi Ocha*,” the Company pursues the utmost excellence in the ingredients and production method that have continued since its launch in 1985, and brings out the authentic taste of green tea that “tastes so natural, with no added flavorings or seasonings,” which it provides to customers. Moreover, the Company has been working to enhance container capacities and variations so that customers can enjoy green tea beverages in various drinking situations. Using its technical capabilities as the first company to launch a green tea beverage, the Company will aim to be the No. 1 soft drink brand and further strengthen its brand without becoming complacent with its No. 1 status among green tea beverages by incorporating the characteristics of tea leaves, such as with seasonal products and Koicha (unsweetened bold green tea), Hojicha (roasted tea), Matcha iri (green tea with matcha), and Genmaicha, and launching products that promote the value of beverages. Along with diversifying its product lineups, the Company will nonetheless serve authentic flavors for full enjoyment.

(ii) Enhancing the marketing base

1. Route sales system

The route sales system is a sales system that enables the provision of products and services directly to customers. By adopting this system, the Company has expanded sales activities with close regional ties as it has been placed in direct contact with customers.

Furthermore, the Company is working to provide efficient and appropriate services to customers by utilizing portable terminals with excellent functionality and portability for use by its route sales representatives.

2. Strengthening customer service

The Company has been fully utilizing its route sales system to bring unparalleled levels of service to its customers, but to build a strong marketing base, the ITO EN Group has been focusing on acquiring new customers while enhancing its existing face-to-face services. Furthermore, the Company listens to customers’ complaints, and carries out comprehensive proposals, such as the development of products that can satisfy customers and the creation of an attractive sales floor, through its route sales system.

(iii) Across-the-board cost cutting

1. Fabless system

Our Beverage Division’s production strategy is based on what is termed a fabless (fabrication-less) method which means that the Company does not have its own production. Not only can the Company keep capital investment to a minimum, but it can also respond quickly to changes in the market as they arise.

Furthermore, the Company has adopted a “block-based production system,” which means the Company has divided its domestic business territory into five blocks to keep production facilities as close to markets as possible in order to make logistics operations more efficient.

2. Strengthening purchasing power of raw materials

As a top manufacturer of green tea, the Company handles approximately one quarter of the crude tea leaves harvested in Japan and uses its extremely strong purchasing power to secure a stable supply of high-quality plucked tea leaves as a result of relationships built on trust with producers over many years. Over those years, the Company has also accumulated a high level of production expertise, making it the beverage company that can self-produce high-quality green tea leaves for beverages. In Japan, the aging of agricultural workers and the lack of young people willing to inherit and carry on work in the agricultural field, are resulting in a reduction in tea-producing land and growers. The Company is engaged in Tea-Producing Region Development Project, in five prefectures in the Kyushu region and Shizuoka Prefecture, mainly for green tea used as a beverage ingredient, for which demand is expected to continue increasing. The Company assists farmers with the selection of saplings and development of tea plantations, and provides them with cultivation and crude tea processing expertise to enable them to use machines and IT to manage those plantations at low cost. Through this business of cultivating green tea growing areas, we are aiming to stably procure even higher quality plucked tea leaves through the promotion of tea plantation management with a balance between productivity and environmental protection, and working to revitalize the tea industry and local communities by utilizing abandoned agricultural land, creating employment and encouraging young people to inherit and take on the work of agriculture.

(iv) Strengthening overseas operations

In order for the Company’s consolidated subsidiary ITO EN (North America) INC. to establish and

develop a market for green tea in the U.S., the Company is working to establish the “ITO EN” brand, while at the same time spreading authentic green tea throughout the U.S. by conducting sales activities at natural food markets, national chain stores, etc. throughout the U.S. With regard to teabag products ITO EN “*MATCHA GREEN TEA*,” as high-quality green tea teabags, which were previously not available in the U.S. market, they have proven extremely popular with customers and have made a significant contribution to the growth of the green tea market in the U.S. The Company will continue to strengthen this business going forward. The Group will also continue to strengthen sales in China, Southeast Asia, and Australia.

(v) Strengthening ESG (Environment, Social, and Governance) initiatives

In addition to financial initiatives, non-financial initiatives and strategies are becoming increasingly important for the sustainable growth of the ITO EN Group as the external environment undergoes significant change. In order to enhance corporate value over the medium to long term, the Company must appropriately address social issues, such as the problem of waste plastic, climate change, water resource issues, sustainable farming, and human rights, including supply chains.

With regard to environmental protection, the Company has established a set of medium- to long-term environmental goals based on its environmental policy and is vigorously implementing measures to achieve them, while also working to address climate change. The Company has also introduced an environmental management system in accordance with the international standard ISO 14001 certification, as part of the effective measures it is taking to ensure continuous improvement in its environmental activities. As a result, the Company acquired ISO 14001 at the Head Office, production headquarters and all sales branches across the country. With regard to the problem of waste plastic, in addition to measures such as making PET bottles lighter, the Company has also set a target of achieving a 100% conversion to recycled materials, etc. (including bio-derived materials) for PET bottles by 2030, as part of efforts to promote resource recycling.

With regard to social issues such as human rights, in March 2020, the Company formulated and announced the ITO EN Group Human Rights Policy. With regard to the problem of climate change, the Company has set a target of reducing the total CO₂ emissions for Scope 1 and 2 by 26% by FY2030 and 50% by FY2050 (from a FY2018 level). For the sustainable use of water resources, the Company formulated and announced its Medium- to Long-Term Environmental Goals for Water Resources in April 2021.

Under the ITO EN Group’s management principle “Always Putting the Customer First,” the Company will practice CSV (Creating Shared Value) management to achieve both the resolution of social issues and the enhancement of corporate value by creating a new food culture and proposing lifestyles to realize its vision “Global Tea Company” and by strengthening its efforts for ESG as a company required by society.

(vi) Measures for preventing the spread of COVID-19

The business environment facing the Group has rapidly become difficult and grown increasingly uncertain, affected by COVID-19 spreading worldwide.

In Japan, the government has issued the declaration of a state of emergency and adopted strict infection control measures, placing voluntary restraints on individuals going out while also limiting corporate activities. As these unprecedented situations develop, the Japanese economy is expected to remain uncertain.

For preventing the spread of COVID-19, the Group prioritizes the health and safety of its customers, business partners and employees and ensures that all the employees comply with the policy formulated by the Company’s COVID-19 virus response headquarters.

We would like to request the continued support and encouragement of our shareholders in the above endeavors.

(6) Trends in assets and operating results

(i) Assets and operating results of the Group

Item \ Term	FY2017 53rd term	FY2018 54th term	FY2019 55th term	FY2020 56th term (current fiscal year)
Net sales (Millions of yen)	494,793	504,153	483,360	446,281
Ordinary income (Millions of yen)	21,441	23,211	19,432	17,029
Profit attributable to owners of parent (Millions of yen)	12,553	14,462	7,793	7,011
Earnings per share of common stock (Yen)	99.79	116.02	61.53	55.10
Earnings per share of Class-A preferred stock (Yen)	109.75	126.00	71.53	65.10
Total assets (Millions of yen)	301,167	303,981	290,651	333,065
Net assets (Millions of yen)	143,750	150,923	149,695	153,057
Net assets per share of common stock (Yen)	1,165.80	1,229.28	1,221.92	1,250.37
Net assets per share of Class- A preferred stock (Yen)	1,170.80	1,234.28	1,226.92	1,255.37

(ii) Assets and operating results of the company preparing the Business Report

Item \ Term	FY2017 53rd term	FY2018 54th term	FY2019 55th term	FY2020 56th term (current fiscal year)
Net sales (Millions of yen)	383,212	394,495	377,787	352,732
Ordinary income (Millions of yen)	17,142	18,600	18,142	17,565
Net income (Millions of yen)	12,069	13,282	13,148	7,115
Earnings per share of common stock (Yen)	95.84	106.33	105.69	55.96
Earnings per share of Class-A preferred stock (Yen)	105.80	116.31	115.69	65.96
Total assets (Millions of yen)	270,770	270,427	266,436	296,470
Net assets (Millions of yen)	137,199	142,830	147,918	150,501
Net assets per share of common stock (Yen)	1,121.29	1,172.01	1,217.27	1,238.65
Net assets per share of Class- A preferred stock (Yen)	1,126.29	1,177.01	1,222.27	1,243.65

(Note) Earnings per share are calculated based on the average number of issued shares during the period minus the average number of shares of treasury stock during the period.

(7) Significant subsidiaries

Company name	Capital stock	Equity Investment Ratio	Principal lines of business
ITO EN SANGYO, LTD.	300 million yen	100.0%	Tea manufacturing and sales
ITO EN KANSAI CHAGYO, LTD.	10 million yen	100.0%	Tea manufacturing and sales
Tully's Coffee Japan Co., Ltd.	100 million yen	100.0%	Restaurant management and franchise restaurant operation
Chichiyasu Company	100 million yen	100.0%	Processing and sales of milk, and manufacturing and sales of cultured milk, etc.
NEOS Co., Ltd.	80 million yen	76.7%	Beverage sales
ITO EN (North America) INC.	US\$ 170.80 million	100.0%	Beverage and tea sales
Distant Lands Trading Co.	US\$ 83.75 million	[100.0%]	Coffee bean cultivation, procurement, processing, manufacturing, roasting, sales, etc.
ITO EN (Hawaii) LLC	US\$ 28.80 million	[100.0%]	Beverage manufacturing and sales
ITO EN AUSTRALIA PTY. LIMITED	A\$ 26.70 million	100.0%	Tea manufacturing and sales
ITO EN Asia Pacific Holdings Pte. Ltd.	US\$ 25.50 million	100.0%	Beverage and tea sales

(Note) Equity investment ratios for the Company in square brackets ([]) indicate indirect holding ratios.

The total number of consolidated subsidiaries is 31, including the above significant subsidiaries.

(8) Principal lines of business

The ITO EN Group's main business is the manufacture, procurement, and sale of green tea and other tea leaf products and tea beverages, vegetable beverages, coffee beverages, and other drink products in Japan and overseas, and its main method of sales is centered on route sales. In addition, the Company also operates a restaurant business.

(9) Major business offices

Offices	Location, etc.	
The Company	Head Office	47-10 Honmachi 3-chome, Shibuya-ku, Tokyo, Japan
	Sales offices	196 offices in 30 regions nationwide
	Stores	112 stores nationwide
	Factories	Shizuoka Sagara Factory (Makinohara-shi, Shizuoka) Kobe Factory (Kobe-shi, Hyogo) Hamaoka Factory (Omaezaki-shi, Shizuoka) Fukushima Factory (Fukushima-shi, Fukushima) Okinawa Nago Factory (Nago-shi, Okinawa)
	Research Institute	Central Research Institute (Makinohara-shi, Shizuoka)
	Subsidiaries	Domestic sales offices
Overseas sales offices		ITO EN (North America) INC. (The United States) Distant Lands Trading Co. (The United States) ITO EN (Hawaii) LLC (The United States) ITO EN Asia Pacific Holdings Pte. Ltd. (Singapore), etc.
Stores		Tully's Coffee Japan Co., Ltd.: 764 stores nationwide
Domestic production bases		ITO EN SANGYO, LTD. (Makinohara-shi, Shizuoka) ITO EN KANSAI CHAGYO, LTD. (Kobe-shi, Hyogo) Chichiyasu Company (Hatsukaichi-shi, Hiroshima), etc.
Overseas production bases		ITO EN AUSTRALIA PTY. LIMITED (Australia) Distant Lands Trading Co. (The United States), etc.

(10) Status of employees**(i) Number of employees of the corporate group**

Number of employees		Increase/decrease from the previous fiscal year-end
Male	6,678	Decrease by 181
Female	1,502	Increase by 23
Total	8,180	Decrease by 158

(Note) The above numbers of employees do not include 26 persons seconded to other companies and 10,845 temporary employees (temporary employees, contract employees, and part-time employees). In addition, the numbers include one person seconded from another company.

(ii) Number of employees of the company preparing the Business Report

Number of employees		Increase/decrease from the previous fiscal year-end	Average age	Average years of service
Male	4,696	Decrease by 97	40.2 years old	16.6 years
Female	594	Decrease by 16	35.6 years old	11.3 years
Total or average	5,290	Decrease by 113	39.6 years old	16.0 years

(Note) The above numbers of employees do not include 122 persons seconded to other companies and 1,904 temporary employees (temporary employees, contract employees, and part-time employees). In addition, the numbers include four persons seconded from another company.

2. Status of shares of the Company**(1) Total number of authorized shares**

Common stock 200,000,000 shares

Class-A preferred stock 200,000,000 shares

(2) Total number of issued shares

Common stock 89,212,380 shares (1,012,267 treasury stock)

Class-A preferred stock 34,246,962 shares (1,196,320 treasury stock)

(3) Number of shareholders as of the end of the fiscal year ended April 30, 2021

Common stock 46,501 (Increase by 1,726 from the previous fiscal year-end)

Class-A preferred stock 58,984 (Decrease by 2,615 from the previous fiscal year-end)

(4) Status of major shareholders

Name of shareholder	Number of shares held			Percentage ownership of total shares
	Common stock	Class-A preferred stock	Total number of shares	
Green Core Co., Ltd.	Thousands of shares 17,403	Thousands of shares 5,895	Thousands of shares 23,298	% 19.22
Honjo International Scholarship Foundation	5,200	1,560	6,760	5.58
State Street Bank and Trust Company 505223	6,480	–	6,480	5.34
The Master Trust Bank of Japan, Ltd. (Trust account)	4,630	85	4,715	3.89
Hachiro Honjo	2,446	882	3,329	2.75
The Bank of New York 134104	–	3,304	3,304	2.73
ITO EN Employees' Shareholding Association	1,941	259	2,201	1.82
Toyo Seikan Group Holdings, Ltd.	1,955	126	2,081	1.72
Resona Bank, Limited	1,933	–	1,933	1.59
Custody Bank of Japan, Ltd. (Trust account)	1,652	–	1,652	1.36

(Notes)

1. In addition to the above, the Company retains 1,012 thousand shares of common stock and 1,196 thousand shares of Class-A preferred stock as treasury stock, for a total of 2,208 thousand shares of treasury stock (1.79%).
2. Percentage ownership of total shares as given above is calculated with the exclusion of treasury stock.

(5) Other important matters regarding shares

Not applicable.

3. Matters regarding share acquisition rights, etc. of the Company

(1) Summary of the details of share acquisition rights, etc. held by officers of the Company that have been delivered as consideration for their execution of duties as of the final day of the fiscal year ended April 30, 2021

Name	Second series of share acquisition rights of ITO EN, LTD.	10th series of share acquisition rights of ITO EN, LTD.
Number of holders		
Directors of the Company (excluding Outside Directors)	5	1
Audit & Supervisory Board Members of the Company	1	–
Date of resolution on issuance	July 28, 2004	October 27, 2015
Exercise period for share acquisition rights	From September 1, 2004 to August 31, 2034	From September 1, 2016 to August 31, 2021
Number of share acquisition rights	960	12
Class of shares underlying share acquisition rights	Common stock of the Company	Common stock of the Company
Number of shares underlying share acquisition rights	249,600 shares	1,200 shares
Issuance price of share acquisition rights	Gratis	Gratis
Amount to be paid in upon exercise of share acquisition rights	1 yen	1 yen

Name	11th series of share acquisition rights of ITO EN, LTD.	12th series of share acquisition rights of ITO EN, LTD.
Number of holders		
Directors of the Company (excluding Outside Directors)	2	3
Audit & Supervisory Board Members of the Company	–	–
Date of resolution on issuance	October 27, 2016	October 26, 2017
Exercise period for share acquisition rights	From September 1, 2017 to August 31, 2022	From September 1, 2018 to August 31, 2023
Number of share acquisition rights	25	41
Class of shares underlying share acquisition rights	Common stock of the Company	Common stock of the Company
Number of shares underlying share acquisition rights	2,500 shares	4,100 shares
Issuance price of share acquisition rights	Gratis	Gratis
Amount to be paid in upon exercise of share acquisition rights	1 yen	1 yen

Name	13th series of share acquisition rights of ITO EN, LTD.	14th series of share acquisition rights of ITO EN, LTD.
Number of holders		
Directors of the Company (excluding Outside Directors)	5	6
Audit & Supervisory Board Members of the Company	–	–
Date of resolution on issuance	October 26, 2018	October 25, 2019
Exercise period for share acquisition rights	From September 1, 2019 to August 31, 2024	From September 1, 2020 to August 31, 2025
Number of share acquisition rights	88	119
Class of shares underlying share acquisition rights	Common stock of the Company	Common stock of the Company
Number of shares underlying share acquisition rights	8,800 shares	11,900 shares
Issuance price of share acquisition rights	Gratis	Gratis
Amount to be paid in upon exercise of share acquisition rights	1 yen	1 yen

(2) Summary of the details of share acquisition rights delivered as consideration for the execution of duties by employees of the Company, etc. during the fiscal year ended April 30, 2021
Not applicable.

4. Matters regarding company officers

(1) Directors and Audit & Supervisory Board Members

Position	Name	Responsibilities in the Company and significant concurrent positions outside the Company
Chairman of the Board and CEO	Hachiro Honjo	Honorary Chairman and Director of Tully's Coffee Japan Co., Ltd. Chairman of the Board of Chichiyasu Company Chairman of the Board of ITO EN (North America) INC. Chairman of the Board of ITO EN (Hawaii) LLC Director of ITO EN AUSTRALIA PTY. LIMITED Chairman of the Board of ITO EN Asia Pacific Holdings Pte. Ltd.
President and Executive Officer	Daisuke Honjo	Chairman of the Board of Distant Lands Trading Co. Director of ITO EN Asia Pacific Holdings Pte. Ltd.
Executive Vice President, Representative Director and Executive Officer	Shusuke Honjo	General Manager of Sales Control Headquarters Director of ITO EN Asia Pacific Holdings Pte. Ltd.
Vice Chairman	Shunji Hashimoto	In charge of Compliance, and Production and Logistics Division Audit & Supervisory Board Member of ITO EN SANGYO, LTD. Audit & Supervisory Board Member of ITO EN KANSAI CHAGYO, LTD. Audit & Supervisory Board Member of Chichiyasu Company Director of ITO EN AUSTRALIA PTY. LIMITED Director of ITO EN Asia Pacific Holdings Pte. Ltd.
Executive Vice President, Director and Executive Officer	Minoru Watanabe	In charge of Administration and International Division Director of ITO EN (North America) INC. Director of Distant Lands Trading Co. Director of ITO EN (Hawaii) LLC Director of ITO EN AUSTRALIA PTY. LIMITED Director of ITO EN Asia Pacific Holdings Pte. Ltd.
Director and Senior Managing Executive Officer	Mitsuo Yashiro	In charge of Marketing Division Director of Chichiyasu Company
Director and Senior Managing Executive Officer	Yoshihisa Nakano	General Manager of Production Division

Position	Name	Responsibilities in the Company and significant concurrent positions outside the Company
Director and Senior Managing Executive Officer	Shigeru Kamiya	In charge of National Distribution Sales Division General Manager of National Retailer Sales Division
Director and Senior Managing Executive Officer	Atsushi Hirata	In charge of Internal Control General Manager of Administration Division
Director	Yosuke Jay Oceanbright Honjo	President & CEO of ITO EN (North America) INC. CEO of Distant Lands Trading Co. CEO of ITO EN (Hawaii) LLC
Director	Morikazu Taguchi	Professor Emeritus of Waseda University
Director	Yuichi Usui	Representative of Usui Firm
Director	Yutaka Tanaka	Certified Tax Accountant and Head of Tanaka Tax Certified Accountant Office
Director	Hideo Takano	Chairman of the Japanese Folk Arts and Techniques Preservation Association
Standing Audit & Supervisory Board Member of the Company	Shuji Nakagomi	
Audit & Supervisory Board Member	Yoshiaki Takasawa	Attorney and Representative of Yoshiaki Takasawa Law Firm
Audit & Supervisory Board Member	Masahiro Nagasawa	Certified Public Accountant and Representative of Nagasawa CPA Firm Outside Audit & Supervisory Board Member of Tokyo Individualized Educational Institute, Inc.
Audit & Supervisory Board Member	Takashi Miyajima	Outside Director (Audit and Supervisory Committee Member) of TOTOKU ELECTRIC CO., LTD.

(Notes)

- Directors Morikazu Taguchi, Yuichi Usui, Yutaka Tanaka and Hideo Takano are Outside Directors as defined in Article 2, Item 15 of the Companies Act.
- Audit & Supervisory Board Members Yoshiaki Takasawa, Masahiro Nagasawa and Takashi Miyajima are Outside Audit & Supervisory Board Members as defined in Article 2, Item 16 of the Companies Act.
- There are no special relationships that are required to be disclosed between firms where Outside Directors and Outside Audit & Supervisory Board Members hold significant concurrent positions and the Company.
- Audit & Supervisory Board Member Yoshiaki Takasawa possesses considerable knowledge regarding legal affairs and finance as an attorney.
- Audit & Supervisory Board Member Masahiro Nagasawa possesses considerable knowledge regarding finance and accounting as a Certified Public Accountant.
- Audit & Supervisory Board Member Takashi Miyajima possesses considerable knowledge regarding finance and accounting from his many years of experience at financial institutions.
- Summary of the details of a directors and officers liability insurance policy
In accordance with Article 430-3, Paragraph 1 of the Companies Act, the Company has entered into a directors and officers liability insurance policy (D&O insurance) in which Directors and Audit & Supervisory Board Members of the Company and the Group are insureds. The insurance policy covers losses that may result from the directors and officers being liable for their performance of duties. However, there are certain reasons for coverage exclusion, such as in case of actions taken with the knowledge that such actions are in violation of laws and regulations.
Insured persons who are Directors of the Company (excluding Outside Directors) partially pay their own insurance premiums. For other insured persons, the Company bears the full amount of insurance premiums.
The policy period is one year, and the Company plans to renew the policy after a resolution by the Board of Directors before the expiration of the policy.
- The Company has entered into contracts with Directors Morikazu Taguchi, Yuichi Usui, Yutaka Tanaka and Hideo Takano, and Audit & Supervisory Board Members Shuji Nakagomi, Yoshiaki Takasawa, Masahiro Nagasawa and Takashi Miyajima to limit their liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under this contract shall be the amount stipulated by laws and regulations.
- Changes in Directors and Audit & Supervisory Board Members from the fiscal year ended April 30, 2021
Responsibilities in the Company and significant concurrent positions outside the Company for Directors as of May 1, 2021 are as follows.

Position	Name	Responsibilities in the Company and significant concurrent positions outside the Company
Executive Vice President and Representative Director Executive Officer	Shusuke Honjo	General Manager of Sales Control Headquarters and CDO Director of ITO EN Asia Pacific Holdings Pte. Ltd.
Director Senior Managing Executive Officer	Shigeru Kamiya	In charge of National Distribution Sales Division General Manager of National Retailer Sales Division General Manager of Tokyo and Chiba Area Sales Division

(2) Remuneration for Directors and Audit & Supervisory Board Members

Category	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)		Number of eligible Directors and Audit & Supervisory Board Members (persons)
		Fixed remuneration	Performance-linked remuneration	
Directors (excluding Outside Directors)	617	579	37	10
Outside Directors	39	39	–	4
Total	656	619	37	14
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	13	13	–	1
Outside Audit & Supervisory Board Members	31	31	–	3
Total	45	45	–	4

(Notes)

- As of the end of the fiscal year ended April 30, 2021, there were 14 Directors and four Audit & Supervisory Board Members.
- The total amount of the remuneration for Directors (excluding Outside Directors) includes 47 million yen paid as employee salary (including bonuses) to three Directors serving concurrently as employees.
- The business results related to the performance-linked remuneration are as shown in “(6) Trends in assets and operating results” on page 11.
- The maximum amount of remuneration and the maximum number of shares for performance-linked remuneration are 100 million yen per year and 32,000 shares of common stock, respectively, in accordance with the resolution of the 46th Annual General Meeting of Shareholders held on July 26, 2011. The number of Directors as of the conclusion of the relevant General Meeting of Shareholders is twenty-one (21).
- The maximum amount of monetary remuneration for Directors is 100 million yen per month based on the resolution of the 27th Annual General Meeting of Shareholders held on July 29, 1992. The number of Directors as of the conclusion of the relevant General Meeting of Shareholders is nineteen (19).
- The maximum amount of monetary remuneration for Audit & Supervisory Board Members is 6 million yen per month based on the resolution of the 27th Annual General Meeting of Shareholders held on July 29, 1992. The number of Audit & Supervisory Board Members as of the conclusion of the relevant General Meeting of Shareholders is three (3).
- The amount of the above-stated performance-linked remuneration is 37 million yen in an amount expensed during the fiscal year under review in relation to share acquisition rights granted in the form of share options to eight (8) Directors (excluding Outside Directors).
- Retirement benefits for officers were discontinued in July 2002.

(3) Policy for determining the remuneration for Directors and Audit & Supervisory Board Members

Remuneration for Directors (excluding Outside Directors) is managed in compliance with the Company’s

basic views on corporate governance and determined by the resolution of the Board of Directors based on reports on deliberations from the Nomination & Remuneration Committee.

The Board of Directors has confirmed that the method for determining the content of remuneration, etc. and the content of remuneration, etc. determined for each individual Director for the fiscal year under review are consistent with the relevant determining policy, and that the report from the Nomination and Remuneration Committee has been respected, and the Board of Directors has therefore judged that the content is in line with the relevant determining policy.

The details of the determining policy regarding the content of remuneration, etc. for each individual Director are as follows.

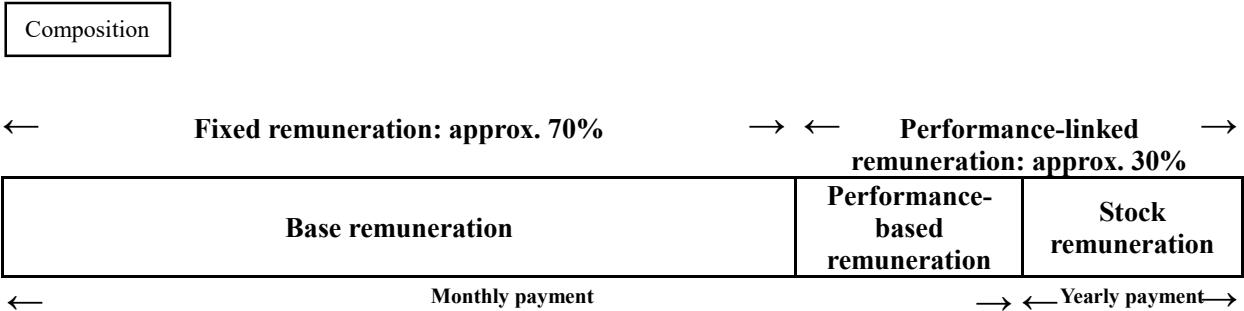
(a) Basic policy

1. Remuneration shall be such that it is in compliance with the management principle of the ITO EN Group, "Always Putting the Customer First," and will contribute to sustained corporate growth and development and the enhancement of corporate value.
2. Remuneration shall be determined in proportion to the significance of Directors' roles and responsibilities and their contribution to the Company's business performance.
3. Remuneration shall be closely linked to the share price of the Company's stock, so that Directors share the impact of share price fluctuations with the Company's shareholders and the remuneration serves as an incentive for management.
4. Remuneration shall be determined based on objective and fair deliberations and with references to external data.

(b) Composition of the remuneration

Remuneration for Directors of the Company (excluding Outside Directors) comprises fixed remuneration and performance-linked remuneration, and remuneration for Audit & Supervisory Board Members and Outside Directors is fixed remuneration only.

Remuneration for Directors (excluding Outside Directors) shall be paid, in principle, on a monthly basis and its composition is as follows:



(i) Fixed remuneration

The amount of the fixed remuneration shall be not more than the maximum amount of the remuneration (100 million yen per month for Directors and 6 million yen per month for Audit & Supervisory Board Members), and the Board of Directors determines the amount by respecting deliberations at the Nomination & Remuneration Committee, while also considering their job positions in the Company as well as the business performance and the degree to which the Company has achieved its plan.

The Nomination & Remuneration Committee comprises three or more members, including Director(s) and two or more Outside Directors. The Nomination & Remuneration Committee deliberates on the nomination of Directors and executive officers, the remuneration for Directors and executive officers and other relevant matters based on inquiries from the Board of Directors, gives due consideration to these matters while Outside Directors appropriately participate and provide advice, and submits reports on its deliberations to the Board of Directors.

(ii) Performance-linked remuneration

(ii)-1 Reasons for the adoption of performance-linked remuneration

By adopting performance-linked remuneration, which makes part of the remuneration for Directors closely linked to the Company's share price and puts Directors in a position where they share the impact of share price fluctuations with the Company's shareholders, the Company aims to enhance Directors'

interest in its share price and business performance and further raise their motivation and morale for achieving higher share prices and better business performance of the Company.

The Company determines share acquisition rights granted to each Director by means of performance-linked, share remuneration-type share options by rigorously evaluating the business performance.

(ii)-2 Determination of the performance-linked remuneration

The Company determines performance-linked remuneration through comprehensive performance evaluation in which, in order to link the business performance and remuneration, the Company designates some of the Company's business performance indicators as measures for Directors' individual performance, sets the standard ratio of consolidated performance to non-consolidated performance for each position, considers each Director's responsibilities, and awards points to each Director with respect to each business performance indicator.

(ii)-3 The Company's business performance indicators used as Directors' performance measures

The Company's primary business performance indicators used as performance measures for Directors include "net sales (growth)," "operating income (profitability)," "cash flows from operating activities (stability)," "earnings per share (profitability)," "return on equity (efficiency)" and "dividend on equity ratio (shareholder return)."

(4) Matters related to outside officers

- (i) Relationships between the Company and companies, etc. where Outside Directors and Outside Audit & Supervisory Board Members hold significant concurrent positions
Relationships between the Company and companies, etc. where Outside Directors and Outside Audit & Supervisory Board Members hold significant concurrent positions are provided in Note 3 of “(1) Directors and Audit & Supervisory Board Members” on page 17.

(ii) Major activities during the fiscal year

Item	Name	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Board meetings	Summary of duties performed by outside officers regarding the expected roles
Director	Morikazu Taguchi	11/12	–	Mr. Morikazu Taguchi views an overall picture of the management of the Group and has offered opinions, advice and proposals that contribute to the enhancement of the Group’s corporate value, from a standpoint independent of the Board of Directors and the management of the Company. In particular, he has substantially fulfilled the role expected of him by identifying management and business risks, leveraging his many years of knowledge and experience as an expert in the area of legal affairs. He has also provided a leadership role in the management of the Nomination & Remuneration Committee from a fair and transparent perspective as a member of the committee.
Director	Yuichi Usui	11/12	–	Mr. Yuichi Usui views an overall picture of the management of the Group and has offered opinions, advice and proposals that contribute to the enhancement of the Group’s corporate value, from a standpoint independent of the Board of Directors and the management of the Company. In particular, he has substantially fulfilled the role expected of him by identifying risks and providing highly effective supervision of the management of the Company by leveraging his years of experience and broad insight as a policeman, as well as his experience as a corporate manager.
Director	Yutaka Tanaka	10/12	–	Mr. Yutaka Tanaka views an overall picture of the management of the Group and has offered opinions, advice and proposals that contribute to the enhancement of the Group’s corporate value, from a standpoint independent of the Board of Directors and the management of the Company. In particular, he has offered opinions by leveraging his expertise and broad knowledge and experience as a certified tax accountant, and has also performed his duties and provided a leadership role to ensure fair and transparent management of the Nomination & Remuneration Committee by utilizing his wealth of experience and achievements made since he served as Outside Audit & Supervisory Board Member of the Company.
Director	Hideo Takano	9/9	–	Mr. Hideo Takano views an overall picture of the management of the Group and has offered opinions, advice and proposals that contribute to the enhancement of the Group’s corporate value, from a standpoint independent of the Board of Directors and the management of the Company. In particular, he has substantially fulfilled the role expected of him by providing highly effective supervision of the management of the Company, offering opinions by

				leveraging his years of experience and broad insight gained as he has been deeply engaged in providing support for the management of various companies.
Audit & Supervisory Board Member	Yoshiaki Takasawa	11/12	14/14	As Outside Audit & Supervisory Board Member, Mr. Yoshiaki Takasawa primarily audits the legality of Directors' performance of duties and provides advice and proposals as needed by referring to reports from the Standing Audit & Supervisory Board Member or the Internal Auditing Department, inspecting important documents and conducting visiting audits of departments executing business operations. In particular, he has offered opinions from a legal expert perspective as an experienced attorney, and has been working to strengthen the Company's audit system.
Audit & Supervisory Board Member	Masahiro Nagasawa	10/12	13/14	As Outside Audit & Supervisory Board Member, Mr. Masahiro Nagasawa primarily audits the legality of Directors' performance of duties and provides advice and proposals as needed by referring to reports from the Standing Audit & Supervisory Board Member or the Internal Auditing Department, inspecting important documents and conducting visiting audits of departments executing business operations. In particular, he has offered opinions from an accounting expert perspective as a Certified Public Accountant, and has been working to strengthen the Company's audit system.
Audit & Supervisory Board Member	Takashi Miyajima	11/12	14/14	As Outside Audit & Supervisory Board Member, Mr. Takashi Miyajima primarily audits the legality of Directors' performance of duties and provides advice and proposals as needed by referring to reports from the Standing Audit & Supervisory Board Member or the Internal Auditing Department, inspecting important documents and conducting visiting audits of departments executing business operations. In particular, he has offered opinions from a broad perspective, based on his years of experience at financial institutions and his insight gained as he has engaged in corporate management, and has been working to strengthen the Company's audit system.

(Notes)

1. The Company has registered Directors Morikazu Taguchi, Yuichi Usui, Yutaka Tanaka, and Hideo Takano and Audit & Supervisory Board Members Yoshiaki Takasawa and Masahiro Nagasawa as independent officers with the Tokyo Stock Exchange.
2. For Hideo Takano, who took office on July 28, 2020, the number of times he attended meetings is shown for the meetings of the Board of Directors held after he took office.

5. Accounting Auditor

(1) Name of Accounting Auditor KPMG AZSA LLC

(2) Amount of remuneration for Accounting Auditor for the fiscal year

Item	Amount paid (Millions of yen)
(i) Amount of remuneration, etc. for audit operations, as provided for in Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan (Act No. 103 of 1948)	69
(ii) Total of money and other economic benefits that the Company and subsidiaries should pay to Accounting Auditor	96

(Notes)

1. Under the audit agreement between the Company and the Accounting Auditor, remuneration for audits pursuant to the Companies Act and remuneration for audits pursuant to the Financial Instruments and Exchange Act are not separated, and otherwise cannot practically be separated. Consequently, the amount shown in item (i) reflects the total remuneration for these types of audit.
2. The Audit & Supervisory Board consented to the amount of remuneration, etc. for the Accounting Auditor after fully examining details explained by the Accounting Auditor such as the number of days and allocation of personnel in the financial audit plans for the current fiscal year, the verification and evaluation of the results of the audit in the previous fiscal year, the appropriateness of the execution of audits by the Accounting Auditor, and the grounds for calculated estimates forming the basis for the remuneration.
3. Of the Company's significant subsidiaries, overseas subsidiaries are audited by audit corporations other than the Company's Accounting Auditor.

(3) Details of operations other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan (non-audit operations)

Not applicable.

(4) Policy for determining of the dismissal or non-reappointment of Accounting Auditor

The Audit & Supervisory Board shall dismiss the Accounting Auditor, based on the consent of all Audit & Supervisory Board Members, in the event the Accounting Auditor is deemed to fall under any of the cases set forth in each item of Article 340, Paragraph 1 of the Companies Act. In this case, an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall report on the decision of dismissal and its reasons at the first General Meeting of Shareholders convened after the dismissal. In addition, the Audit & Supervisory Board shall determine the content of proposals to dismiss or not reappoint the Accounting Auditor in cases when it is judged necessary after comprehensively considering the status of the execution of duties by the Accounting Auditor and other factors.

6. The Company's basic views on corporate governance, systems to ensure that the Directors execute duties in compliance with laws and regulations and the Articles of Incorporation, and other systems to ensure the adequacy of operations and the operational status thereof

The Company has developed the following systems to ensure the adequacy of operations pursuant to the provisions of the Companies Act and the Regulation for Enforcement of the Companies Act.

Furthermore, pursuant to provisions concerning the "evaluation of the system for ensuring the appropriateness of documents and other information related to financial accounting" in the Financial Instruments and Exchange Act, the Company has created development and operational systems to ensure that internal control systems are operated appropriately, including at Group companies, in order to ensure that internal control reports are submitted with securities reports, and receive audit certification from the Accounting Auditor.

(1) Basic views on corporate governance

The management principle of the Company is "Always Putting the Customer First." The Company provides in the ITO EN Group Founding Charter that the ITO EN Group has developed the basics for management to continually grow and develop as an enterprise and enhance corporate value: cooperate with its stakeholders, including the government, local communities, consumers, shareholders, retailers, suppliers, and financial institutions, and fulfill its corporate social responsibility (CSR).

The management principle above is the basic concept of the ITO EN Group's corporate ethics and the unchanging truth that supports our corporate governance. Based on this principle, every officer and employee of the Company is actively promoting concerted efforts to achieve a sustainable society in line with the interests of all stakeholders and strives to repay their trust.

To conduct appropriate corporate governance as a company with Audit & Supervisory Board, Audit & Supervisory Board Members check and audit business conditions, the decision-making process, and other matters regarding the respective representative directors, the directors in charge, and the employees of ITO EN Group companies.

In addition, the Company enhances transparency by earnestly reflecting the views of Outside Audit & Supervisory Board Members and Outside Directors, who are external experts, in management.

Audit & Supervisory Board Members attend meetings of the Board of Directors, offering objective and fair advice 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.

(2) Systems to ensure that the ITO EN Group's Directors and employees execute duties in compliance with laws and regulations and the Articles of Incorporation

- (i) The Board of Directors passes a resolution of the ITO EN Group Code of Conduct and the Guidelines for the Code of Behavior pertaining to the compliance system and defines them as the code of conduct and the code of behavior for the ITO EN Group's Directors and employees, etc. to take action in compliance with laws and regulations, the Articles of Incorporation and corporate ethics.
- (ii) The Company increases the effectiveness of the compliance system of the ITO EN Group based on the ITO EN Group Code of Conduct and the Code of Behavior by establishing the Compliance Committee chaired by the Director appointed by the President and establishing an administrative office for the Compliance Committee in the Compliance Office.
- (iii) The Company has set contact points inside and outside the company as a means for employees, etc. to be able to directly provide information on acts that run counter to laws and regulations and compliance.

(3) Systems to store and manage information on the execution of duties by Directors

- (i) During the storage period of information on the execution of duties by Directors that is provided for by laws and regulations and internal regulations, the Company records and stores the information in documents or electromagnetic media in a searchable state and maintains a state to allow the Directors and Audit & Supervisory Board Members to inspect the information.
- (ii) Unless otherwise provided for by laws and regulations, the storage period of documents above shall be dependent on the type of each document specified by the Documents Handling Regulations.

(4) Regulations concerning the management of risk of loss and other systems

- (i) Recognizing risks concerning its business operations as follows, the Company has established a department in charge of risks, formulated regulations, rules and guidelines, and built a cross-sectional risk management system.
 - 1. Compliance risks
To fully enforce compliance based on the ITO EN Group Code of Conduct and Code of Behavior, the Company implements company-wide compliance education with the Compliance Office playing a central role.
 - 2. Information security risks
For information protection, the Company has established the personal information protection policy to prevent the leakage of personal information, and for business information management, the Company prevents the leakage of information and unauthorized access by strengthening computer security.
 - 3. Quality and environmental risks
The Company has built a systematic management system, including the improvement of quality and product safety, and response to product liability, etc. by establishing the product management standards and guidelines.
The Company works to address environmental risks as company-wide environmental issues based on the approach of the environmental management system.
 - 4. Risks concerning the protection of assets
The Company makes efforts to prevent the occurrence of credit losses due to the bankruptcy of business partners by fully enforcing credit management and receivables collection management according to the credit management standards. The Company also works to develop a system to prevent the occurrence of dead stock by making efforts for the management of inventories such as products, raw materials and materials.
 - 5. Disaster and accident risks
The Disaster Prevention Committee strives to minimize damages at the time of a disaster by reviewing the business continuity plan (BCP).
- (ii) The Company has organized a system to minimize damages when an unforeseen situation occurs by establishing a task force headed by the President to prevent the expansion of damages by taking prompt measures.

(5) Systems to ensure the efficient execution of duties by Directors

- (i) The Board of Directors and the Executive Board are the basis of these systems and hold a meeting once a month, in principle, and on a temporary basis, as needed.

- (ii) Each department in charge executes operations based on decisions of the Board of Directors according to the division of duties and the Authority Regulations, and the Directors in charge check the execution of operations as needed.

(6) Systems to ensure the adequacy of operations in the ITO EN Group

- (i) The Company has established the code of behavior in conformity with the ITO EN Group Code of Conduct and Code of Behavior to ensure the compliance system in the Group companies and prepared a whistleblowing desk inside and outside the company for the employees, etc. to provide information on acts, such as a violation of any law and regulation by a Group company or the Company, directly to the Company.
- (ii) For the business management of the Group companies, the Company has established management systems and management standards in the Affiliates Management Regulations, and they are reported and examined at a debriefing session that are held regularly. Important matters are determined by resolution of the Board of Directors of the Company.
- (iii) The Internal Auditing Department conducts audits on the internal control system of the Company and the Group companies and reports the audit results to the President.

(7) Matters concerning a system for employees who should assist with the duties of Audit & Supervisory Board Members and their independence from Directors

For the employees who should assist with the duties of Audit & Supervisory Board Members, Audit & Supervisory Board Members appoint the number of the employees they need as their assistants from the employees of the Company and ensure the effectiveness of their instructions by placing the assistants under their directions and orders.

(8) Systems for the ITO EN Group's Directors and employees to report to Audit & Supervisory Board Members and other systems to report to Audit & Supervisory Board Members

- (i) The ITO EN Group's Directors and employees appropriately report important issues that could have a major impact on the execution of operations and the management to Audit & Supervisory Board Members.
- (ii) Audit & Supervisory Board Members may ask the ITO EN Group's Directors and employees for a report, as needed. In addition, it is prohibited to treat the ITO EN Group's Directors and employees who make a report to Audit & Supervisory Board Members disadvantageously as a result.

(9) Systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively

- (i) Audit & Supervisory Board Members exchange information and opinions with the President, the Internal Auditing Department and the Accounting Auditor to enhance their audit work.
- (ii) When Audit & Supervisory Board Members recognize that there is a problem in the development and operation of the Company's internal control, they may express opinions at a meeting of the Board of Directors and ask for the implementation and reporting of improvement measures.
- (iii) The Company will secure a system for the violation of laws and regulations and other compliance problems in the ITO EN Group to be reported appropriately to Audit & Supervisory Board Members.
- (iv) When Audit & Supervisory Board Members request the advance payment of expenses necessary for the execution of their duties, the Company appropriately processes the expenses or payables.

(10) Overview of operational status

The Company made the ITO EN Group Code of Conduct, which defines the compliance code of conduct, as its operational guidelines for day-to-day operations. The Company also distributed copies of its handbook to officers and employers and made efforts to increase awareness of it, while at the same time conducting education related to compliance as appropriate.

The Compliance Committee, which is led by a Director appointed by the President, met four times, while the Internal Control Promotion Committee met five times. At these meetings, the committees confirmed and discussed issues related to compliance systems and internal controls at the Company and measures to respond to these issues, in a cross-sectional manner.

In terms of information security, the Company formulated and put into effect the Basic Regulations on Information Security, to ensure that electronic information assets are appropriately stored and managed.

For quality risks, the Product Risk Control Committee met six times to deliberate risks related to products manufactured and sold by the Company and measures for addressing those risks.

The Board of Directors met 12 times and the Executive Board met 11 times in the fiscal year ended April

30, 2021. At these meetings, important matters related to the execution of operations were discussed and determined, and the execution of duties at ITO EN Group companies was supervised. Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, attend meetings of the Board of Directors. In addition, the Standing Audit & Supervisory Board Member attends meetings of the Executive Board.

The Internal Auditing Department audited the Company and ITO EN Group companies, and gave directions for improvement as necessary, after reporting the results of the audit to the President and the Audit & Supervisory Board as necessary.

7. Basic policies related to control of the Company

At the time of submission of this Business Report, the Company has not introduced any takeover defense measures. This is because it cannot be guaranteed that takeover defense measures would function effectively, and there is a risk that the introduction of such measures would cause the share price to fall and conversely increase the risk of takeover. The Company believes that its greatest takeover defense measure is to form close relationships with all stakeholders, increase business performance, ensure that stakeholders form a deep understanding of the Company, and always increase corporate value.

8. Policy on decisions on dividends and other appropriation of surplus

Our basic policy regarding earnings distribution is to assure stable distribution of dividends. In addition, in order to facilitate agile capital policies in response to changes in the corporate environment, the Company appropriately purchases treasury stock, while taking into consideration its financial position, trends in the share price, and other factors.

Under these policies, the Company paid an interim dividend of 20 yen per share of common stock, and 25 yen per share of Class-A preferred stock.

In addition, the annual dividend for the fiscal year ended April 30, 2021, including the interim dividend, will amount to 40 yen per share of common stock and 50 yen per share of Class-A preferred stock.

Furthermore, the Company intends to actively return retained earnings to shareholders through future business development, by utilizing retained earnings for investments to enhance corporate value, etc., and endeavoring to increase corporate value, i.e., increase the value of shareholders' investment.

(Note) Monetary amounts and numbers of shares less than the units used for display purposes have been rounded down in this Business Report.

Non-consolidated Balance Sheet

(As of April 30, 2021)

(Millions of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	186,561	Current liabilities	77,272
Cash and deposits	93,614	Accounts payable - trade	24,540
Notes receivable - trade	226	Short-term loans payable	23,472
Accounts receivable - trade	46,342	Lease obligations	2,089
Merchandise and finished goods	24,755	Accounts payable - other	816
Raw materials and supplies	7,358	Accrued expenses	20,047
Prepaid expenses	2,225	Income taxes payable	2,781
Short-term loans receivable from subsidiaries and associates	1,274	Unearned revenue	14
Accounts receivable - other	10,349	Provision for bonuses	2,859
Other	425	Other	652
Allowance for doubtful accounts	(11)	Non-current liabilities	68,696
Non-current assets	109,908	Bonds payable	10,000
Property, plant and equipment	52,338	Long-term loans payable	45,450
Buildings	10,465	Lease obligations	3,376
Structures	291	Provision for retirement benefits	8,826
Machinery and equipment	2,202	Deferred tax liabilities for land revaluation	719
Vehicles	12	Other	324
Tools, furniture and fixtures	15,323		
Land	15,031	Total liabilities	145,968
Leased assets	8,873		
Construction in progress	137	Net assets	
Intangible assets	1,831	Shareholders' equity	154,792
Leasehold interests in land	80	Capital stock	19,912
Trademark right	625	Capital surplus	20,278
Software	693	Legal capital surplus	5,000
Telephone subscription right	89	Other capital surplus	15,278
Other	343	Retained earnings	121,068
Investments and other assets	55,738	Legal retained earnings	1,320
Investment securities	4,195	Other retained earnings	119,747
Shares of subsidiaries and associates	35,716	Reserve for tax purpose reduction entry of non-current assets	527
Investments in capital	9	General reserve	107,616
Investments in capital of subsidiaries and associates	1,051	Retained earnings brought forward	11,604
Long-term loans receivable from subsidiaries and associates	6,640	Treasury shares	(6,466)
Distressed receivables	44	Valuation and translation adjustments	(4,439)
Long-term prepaid expenses	103	Valuation difference on available- for-sale securities	1,613
Deferred tax assets	3,688	Revaluation reserve for land	(6,053)
Leasehold and guarantee deposits	2,287	Share acquisition rights	148
Business insurance premiums	329		
Other	1,786		
Allowance for doubtful accounts	(114)	Total net assets	150,501
Total assets	296,470	Total liabilities and net assets	296,470

(Note) Amounts of less than one million yen are rounded down.

Non-consolidated Statement of Income

(From May 1, 2020 to April 30, 2021)

(Millions of yen)

Account	Amount	
Net sales		352,732
Cost of sales		183,110
Gross profit		169,621
Selling, general and administrative expenses		153,862
Operating income		15,759
Non-operating income		
Interest and dividend income	1,566	
Foreign exchange gains	275	
Other	492	2,334
Non-operating expenses		
Interest expenses	182	
Interest on bonds	22	
Rent expenses	81	
Depreciation on rental buildings	65	
Loss on cancellation of leases	129	
Other	46	528
Ordinary income		17,565
Extraordinary income		
Subsidy income	453	
Compensation income	87	540
Extraordinary losses		
Loss on sales of non-current assets	5	
Loss on abandonment of non-current assets	70	
Loss on valuation of shares of subsidiaries and associates	5,390	
Loss on disaster	4	
Loss on COVID-19 impact	229	
Other	139	5,839
Income before income taxes		12,266
Income taxes - current	5,113	
Income taxes - deferred	37	5,151
Net income		7,115

(Note) Amounts of less than one million yen are rounded down.

Non-consolidated Statement of Changes in Shareholders' Equity

(From May 1, 2020 to April 30, 2021)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			
						Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance as of May 1, 2020	19,912	5,000	15,264	20,264	1,320	528	100,616	16,667	119,133
Changes of items during period									
Dividends of surplus								(5,180)	(5,180)
General reserve							7,000	(7,000)	-
Reversal of reserve for tax purpose reduction entry of non-current assets						(1)		1	-
Net income								7,115	7,115
Purchase of treasury shares									
Disposal of treasury shares			13	13					
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	13	13	-	(1)	7,000	(5,063)	1,934
Balance as of April 30, 2021	19,912	5,000	15,278	20,278	1,320	527	107,616	11,604	121,068

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available- for-sale securities	Revaluation reserve for land	Valuation and translation adjustments		
Balance as of May 1, 2020	(6,499)	152,810	994	(6,053)	(5,058)	167	147,918
Changes of items during period							
Dividends of surplus		(5,180)					(5,180)
General reserve		–					–
Reversal of reserve for tax purpose reduction entry of non-current assets		–					–
Net income		7,115					7,115
Purchase of treasury shares	(9)	(9)					(9)
Disposal of treasury shares	43	56					56
Net changes of items other than shareholders' equity			619	–	619	(18)	600
Total changes of items during period	33	1,981	619	–	619	(18)	2,582
Balance as of April 30, 2021	(6,466)	154,792	1,613	(6,053)	(4,439)	148	150,501

(Note) Amounts of less than one million yen are rounded down.

Consolidated Balance Sheet

(As of April 30, 2021)

(Millions of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	223,880	Current liabilities	93,548
Cash and deposits	109,430	Notes and accounts payable - trade	29,999
Notes and accounts receivable - trade	53,137	Short-term loans payable	25,004
Merchandise and finished goods	35,177	Lease obligations	2,966
Raw materials and supplies	10,255	Accrued expenses	24,858
Accounts receivable - other	12,208	Income taxes payable	3,453
Other	3,774	Provision for bonuses	3,543
Allowance for doubtful accounts	(103)	Other	3,723
Non-current assets	109,184	Non-current liabilities	86,459
Property, plant and equipment	78,099	Bonds payable	10,000
Buildings and structures	20,887	Long-term loans payable	55,858
Machinery, equipment and vehicles	6,091	Lease obligations	5,023
Tools, furniture and fixtures	16,440	Deferred tax liabilities for land revaluation	719
Land	22,060	Net defined benefit liability	11,000
Leased assets	12,206	Other	3,858
Construction in progress	404	Total liabilities	180,007
Other	7	Net assets	
Intangible assets	8,335	Shareholders' equity	155,785
Goodwill	4,625	Capital stock	19,912
Software	1,001	Capital surplus	18,660
Other	2,708	Retained earnings	123,679
Investments and other assets	22,749	Treasury shares	(6,466)
Investment securities	4,477	Accumulated other comprehensive income	(4,012)
Deferred tax assets	5,657	Valuation difference on available- for-sale securities	1,956
Other	12,750	Revaluation reserve for land	(6,053)
Allowance for doubtful accounts	(135)	Foreign currency translation adjustment	217
		Remeasurements of defined benefit plans	(133)
		Share acquisition rights	148
		Non-controlling interests	1,136
		Total net assets	153,057
Total assets	333,065	Total liabilities and net assets	333,065

(Note) Amounts of less than one million yen are rounded down.

Consolidated Statement of Income

(From May 1, 2020 to April 30, 2021)

(Millions of yen)

Account	Amount	
Net sales		446,281
Cost of sales		231,278
Gross profit		215,003
Selling, general and administrative expenses		198,327
Operating income		16,675
Non-operating income		
Interest income	88	
Dividend income	65	
Rent income	90	
Compensation income for damaged products	28	
Share of profit of entities accounted for using equity method	114	
Gain on prepaid card	149	
Foreign exchange gains	243	
Other	354	
		1,134
Non-operating expenses		
Interest expenses	436	
Loss on cancellation of leases	154	
Other	190	
		780
Ordinary income		17,029
Extraordinary income		
Gain on sales of non-current assets	7	
Gain on donation of non-current assets	6	
Subsidy income	1,230	
Compensation income	87	
Other	2	
		1,334
Extraordinary losses		
Loss on sales of non-current assets	5	
Loss on abandonment of non-current assets	94	
Impairment loss	4,056	
Loss on valuation of investment securities	4	
Loss on disaster	9	
Loss on COVID-19 impact	544	
Other	254	
		4,969
Income before income taxes		13,395
Income taxes - current	6,209	
Income taxes - deferred	170	
		6,379
Net income		7,015
Profit attributable to non-controlling interests		3
Profit attributable to owners of parent		7,011

(Note) Amounts of less than one million yen are rounded down.

Consolidated Statement of Changes in Shareholders' Equity

(From May 1, 2020 to April 30, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of May 1, 2020	19,912	18,646	121,848	(6,499)	153,907
Changes of items during period					
Dividends of surplus			(5,180)		(5,180)
Profit attributable to owners of parent			7,011		7,011
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		13		43	56
Net changes of items other than shareholders' equity					
Total changes of items during period	-	13	1,831	33	1,878
Balance as of April 30, 2021	19,912	18,660	123,679	(6,466)	155,785

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of May 1, 2020	1,232	(6,053)	(449)	(322)	(5,592)	167	1,213	149,695
Changes of items during period								
Dividends of surplus								(5,180)
Profit attributable to owners of parent								7,011
Purchase of treasury shares								(9)
Disposal of treasury shares								56
Net changes of items other than shareholders' equity	723	-	667	189	1,579	(18)	(76)	1,484
Total changes of items during period	723	-	667	189	1,579	(18)	(76)	3,362
Balance as of April 30, 2021	1,956	(6,053)	217	(133)	(4,012)	148	1,136	153,057

(Note) Amounts of less than one million yen are rounded down.

Independent Auditor's Report (Translation)

June 18, 2021

To the Board of Directors
ITO EN, LTD.

KPMG AZSA LLC
Tokyo Office

Kensuke Sodekawa (Seal)
Certified Public Accountant
Designated Engagement Partner

Masahiro Inomata (Seal)
Certified Public Accountant
Designated Engagement Partner

Yukihiro Kase (Seal)
Certified Public Accountant
Designated Engagement Partner

Audit Opinion

We have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity, the related notes and the accompanying supplemental schedules (collectively, "non-consolidated financial statements, etc.") of ITO EN, LTD. (the "Company") for the Company's 56th Fiscal Year (May 1, 2020 - April 30, 2021) in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the non-consolidated financial statements, etc. were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements,

etc. in accordance with accounting principles generally accepted in Japan, including the design, implementation and maintenance of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of the Company's ability to continue as a going concern, and disclosing matters related to going concern as applicable in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing

the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, in making those risk assessments, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the non-consolidated financial statements, etc. is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc. or, if such notes are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and the designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Independent Auditor's Report (Translation)

June 18, 2021

To the Board of Directors
ITO EN, LTD.

KPMG AZSA LLC
Tokyo Office

Kensuke Sodekawa (Seal)
Certified Public Accountant
Designated Engagement Partner

Masahiro Inomata (Seal)
Certified Public Accountant
Designated Engagement Partner

Yukihiro Kase (Seal)
Certified Public Accountant
Designated Engagement Partner

Audit Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the related notes of ITO EN, LTD. (the "Company") and its consolidated subsidiaries (collectively referred to as the "Group") for the fiscal year from May 1, 2020 to April 30, 2021 in accordance with Article 444, Paragraph 4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, including the design, implementation and maintenance of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern, and disclosing matters related to going concern as applicable in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, in making those risk assessments, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and the designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Audit Report

With respect to directors' performance of their duties during the 56th fiscal year, for the period from May 1, 2020 to April 30, 2021, the Audit & Supervisory Board has prepared this Audit Report as the consensus view of all Audit & Supervisory Board Members, after deliberations based on the Audit Reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

1. Auditing methods and content of audits by audit & supervisory board members and the Audit & Supervisory Board
 - (1) The Audit & Supervisory Board established the audit plan, allocation of duties, etc., based on the basic audit policy of establishing a good corporate governance system for the Company and the Group and contributing to sound and sustainable growth and enhancement of societal trust. In addition to receiving reports from each Audit & Supervisory Board Member on the status of implementation and results of audits, the Audit & Supervisory Board received reports from Directors, executive officers, employees, etc., and the Accounting Auditor on the status of execution of their duties, and requested explanations as necessary.
 - (2) In conformity with the auditing standards established by the Audit & Supervisory Board, and in accordance with the audit policies, audit plan, assignment of duties, etc., each Audit & Supervisory Board Member, while utilizing online tools, etc., has endeavored to communicate with directors, executive officers, other employees, etc., of the Company and the Group to collect information and improve auditing circumstances, and has executed the audit based on the following methods.
 - i) Each Audit & Supervisory Board Member attended meetings of the Board of Directors and other important meetings and exchanged views with the President, in addition to receiving reports on the status of performance of duties from directors, executive officers and employees and requesting explanations as necessary, reviewing important approved documents, and examining the status of operations and status of assets at the Head Office and other principal business locations. In addition, with regard to subsidiaries, each Audit & Supervisory Board Member conducted visits to the subsidiaries selected based on the audit plan and communicated and exchanged information with the directors, Audit & Supervisory Board Members, etc. of subsidiaries and received business reports from subsidiaries as necessary.
 - ii) With regard to the systems to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation described in the Business Report and other systems established based on resolutions by the Board of Directors and the content thereof in relation to the development of systems set forth in Article 100, Paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act as systems required to ensure the propriety of the operations of a business group comprising a stock company and its subsidiaries (internal control systems), each Audit & Supervisory Board Member regularly received reports from directors, employees, etc., on the status of the establishment and implementation of these internal control systems, received reports from the Internal Auditing Department on the status of internal audits and evaluations of internal controls and requested explanations, and expressed their views as necessary.
 - iii) In addition to monitoring and verifying whether the Accounting Auditor maintained its independence and conducted appropriate audits, each Audit & Supervisory Board Member received reports from the Accounting Auditor on the status of the execution of its duties, including audit plans, quarterly review results, and year-end audit results, and requested explanations and expressed their views as necessary. In addition, Audit & Supervisory Board Member attended the on-site inspection of major branch offices conducted by the Accounting Auditor and confirmed the status of execution of duties by the Accounting Auditor. In addition, each Audit & Supervisory Board Member was notified by the Accounting Auditor that it had established "system for ensuring that duties are performed properly" (as set forth in each item of Article 131 of the Regulation on Corporate Accounting) in accordance with the "product quality management standards regarding audits" (Business Accounting Council, October 28, 2005), etc., and requested explanations as necessary.

In accordance with the procedures mentioned above, we have reviewed the Business Report and accompanying supplemental schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity, and notes to the non-consolidated financial statements) and accompanying supplemental schedules, as well as

the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity and notes to the consolidated financial statements), for the fiscal year ended April 30, 2021.

2. Results of audit

(1) Results of audit of business report

- i) We acknowledge that the Business Report and accompanying supplemental schedules fairly present the status of the Company in conformity with the related laws and regulations and the Articles of Incorporation.
- ii) With respect to directors' performance of their duties, we acknowledge that no instance of misconduct or material fact constituting a violation of any law and regulation nor the Articles of Incorporation was found.
- iii) We acknowledge that the Board of Directors' resolutions with respect to internal control systems are appropriate. We do not find any matters to be additionally mentioned with respect to the contents of the Business Report and directors' performance of their duties in relation to the internal control systems.

(2) Results of audit of financial statements and the accompanying supplementary schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditor, KPMG AZSA LLC, are appropriate.

(3) Results of audit of consolidated financial statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, KPMG AZSA LLC, are appropriate.

June 25, 2021

Audit & Supervisory Board

ITO EN, LTD.

Shuji Nakagomi (Seal)

Audit & Supervisory Board Member

Yoshiaki Takasawa (Seal)

Audit & Supervisory Board Member

Masahiro Nagasawa (Seal)

Audit & Supervisory Board Member

Takashi Miyajima (Seal)

Audit & Supervisory Board Member

Note: Audit & Supervisory Board Members Yoshiaki Takasawa, Masahiro Nagasawa, and Takashi Miyajima are Outside Audit & Supervisory Board Members as defined in Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act.