

ITO EN REPORT 2015



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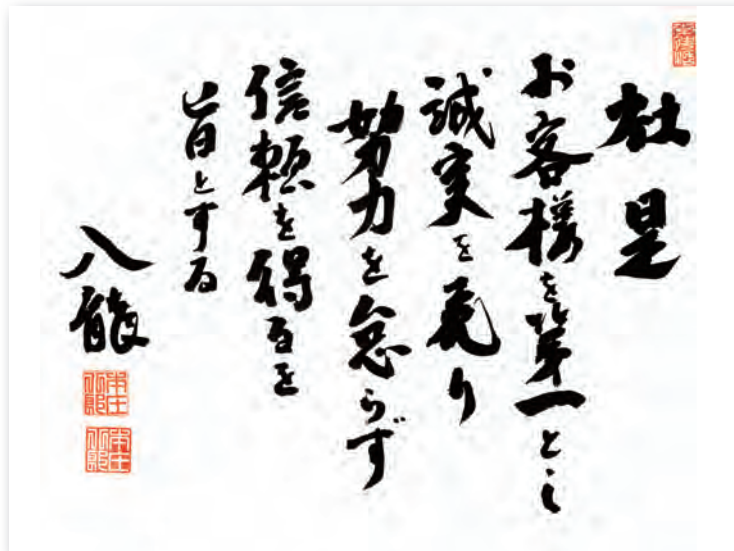
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Definition of “our” customers

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ITO EN Group’s management principle **“Always Putting the Customer First”**

“Always Putting the Customer First” is the ITO EN Group’s management principle, representing the fact that the foundation of business management at ITO EN is our commitment to placing importance on each and every customer.

We regard everyone involved with the ITO EN Group as our customer, Customers mean consumers, retailers, suppliers, shareholders, financial institutions and local communities and we earnestly strive to address our customers’ needs through the opinions and requests we receive, and by always using the perspective of our customers as the foundation of our management strategies.

At the ITO EN Group, we currently have a long-term vision of aiming to become a “Global Tea Company.”

To achieve this objective, we commit ourselves to further growth through the concerted efforts of all of our employees in Japan and overseas by such means as strengthening the domestic profit base, improving the collective brand capabilities of the Group, and creating synergies, as well as expanding overseas business and establishing new growth areas.

Hachiro Honjo, Chairman and Representative Director

Daisuke Honjo, President and Representative Director



A New Business Startup Phase Has Been Launched Our Pursuit of a Management Strategy for Offering New Value to Society

ITO EN, LTD.

本庄大介

Daisuke Honjo

President and Representative Director

Challenge of Innovation

Return to our roots and charge into the next 50 years

The origins of ITO EN lie in sincerity, efforts and trust. Going back about half a century, ITO EN introduced vacuum-packed green tea and created a new breeze in the green tea industry. This symbolized ITO EN's cordiality towards its customers, with its desire to serve tea to more people at any place and at any time, and its passion for innovations in the green tea market.

These aspirations eventually spawned the innovation of the creation of the world's first canned green tea beverages. This helped green tea, a domestic beverage brewed in a *kyusu* (Japanese teapot), reach new heights to become a beverage that people can drink anywhere whenever they want, giving customers a sense of reliability. Every employee of ITO EN implemented and practiced its management principle of "Always Putting the Customer First" with the desire for the happiness of all the stakeholders, which is also expressed in the four-leaf clover, the Company's logo mark. As a result, ITO EN created a new market for sugar-free tea.

In fiscal 2014, ITO EN returned to these origins and took the first steps into a new startup phase.

The environment in which society places importance on innovations, reflecting the global boom in the consumption of Japanese cuisine, heightened health consciousness, an increase in foreign visitors and other factors, corresponds precisely to the surrounding operating environment during the period of the inception of ITO EN's business. Now is the time for us to polish our sincerity towards customers and our efforts regarding innovations and strengthen our resolve to continue to offer new value to gain the increased trust of customers.

Toward realizing the long-term vision of aiming to become a "Global Tea Company"

Achieve a higher profit ratio in domestic business and expand overseas business through strategic growth investments

The ITO EN Group has adopted a long-term vision of aiming to become a "Global Tea Company." With a view to offsetting the impact of the future market saturation

in Japan, we hope to establish a solid business foundation that also achieves sustained high growth in overseas markets by producing synergetic effects within the ITO EN Group. The key to achieving this will be strengthening the overseas business, with M&A as one example, while maintaining an operating profit ratio of at least 5% in the domestic beverage business and investing any excess to help drive growth. We aim to achieve a ratio of overseas sales to consolidated net sales of 10% or higher in the very near future in order to gain the recognition of people around the world that ITO EN in Japan is a representative tea company offering a variety of products including tea bags and Matcha (green powdered tea) by 2020, when Tokyo will host the Olympic and Paralympic Games.

The medium-term management plan of the ITO EN Group clarifies strategic investments as a key measure meant for 1. strengthening the domestic profit base; 2. taking on challenges focused on new business fields in Japan; and 3. establishing a solid foundation for overseas business and calling for a consolidated net sales target of no less than ¥500 billion, an ROE target of 10%, and a dividend payout ratio target of 40%.

The development of the overseas market, which displays considerable growth potential, is also important. In the immediate future, we will focus on the North American and Asian markets and solidify the foundations before considering the European and other markets. Although the Japanese business models cannot be simply transferred to the overseas business environment, it is essential to form partnerships with local companies who share our management principle, and we plan to achieve this through strategical investments, including M&A. Based on medium- and long- term perspectives, we are determined to achieve our vision by taking full advantage of our strengths of having the business model of covering the entire value chain from tea plantations to products and accumulated know-how, and by producing synergy effects within the ITO EN Group.

Review of fiscal year 2014 and start of fiscal year 2015

Re-embark on a Growth Orbit through Enhanced Policy

In fiscal 2014, the beverage industry in Japan continued to suffer from challenging conditions due to such factors as a reaction to the rush of demand in anticipation of the consumption tax increase and the extended slump of personal consumption. The record poor sunshine in summer, successive typhoons, heavy rainfall, and other unseasonal weather

conditions nationwide negatively affected the business environment in the industry.

In light of these circumstances, the Company focused on its flagship products *Oi Ocha Ryokucha* (green tea) and *Oi Ocha Koicha* (strong-tasting green tea) and worked on further increasing the brand value of *Oi Ocha* by developing a special limited package with a design combining Ocha and cherry blossoms, the symbols of Japan, to sensationally commemorate the 30th anniversary of the launch of green tea beverages nationwide.

Sales of our tea leaf products were robust, thanks to an outstanding reputation earned not only in Japan but also from foreign visitors for *Oi Ocha Sarasara Matcha-Iri Ryokucha* (Green Tea infused with powdery Matcha) and other simple and delicious offerings.

Sales of our Japanese tea beverages were also strong, supported extensively by brisk sales of *Kenko Mineraru Mugicha* (Healthy Mineral Barley Tea), *Oi Ocha Zeppin Hojicha* (Premium Roasted Green Tea) and other products. In coffee beverages, the sales volume of TULLY'S COFFEE brand products expanded and contributed to the enhancement of the ITO EN Group's performance.

Personal consumption is showing signs of gradual recovery, partially attributable to the effects of the government's economic policy package and monetary measures. Going forward, the ITO EN Group aims to achieve sales and profit growth by further focusing on its management principle of "Always Putting the Customer First" and by intensifying management measures to improve profitability.

Strategies for the domestic beverage business

Growth Segment backed by Health-Conscious Trends

In Japan, where the declining birthrate and aging of the population are gathering momentum, the expansion of the overall beverage market remains weak. In this situation, the markets for green tea and coffee are likely to expand in the future. In May 2015, a group of researchers mainly from the National Cancer Center in Japan announced the results of their research that, in summary, the habitual consumption of green tea and coffee results in a subsequent decrease in overall mortality. We expect that the potential growth abilities

of green tea and coffee in matured markets will continue to receive support from health-conscious trends.

As a comprehensive beverage manufacturer that also offers vegetable beverages and functional beverages, the ITO EN Group will pursue business activities with a focus on potential growth abilities backed by health-conscious trends.

With a stagnant overall market in the background, the green tea segment is faced with intense price competition. However, we can see that high quality, health-oriented, safe and reliable products offer high added value to our customers. With the aim of ensuring growth and profitability and distinguishing ourselves from other companies, we have devised strategies to utilize the strengths that ITO EN has accumulated, such as the stable procurement and purchase of high-quality tea leaf, strict production management, the traceability system for green tea established by ITO EN, linked sales of beverages and tea leaf products, and route sales.

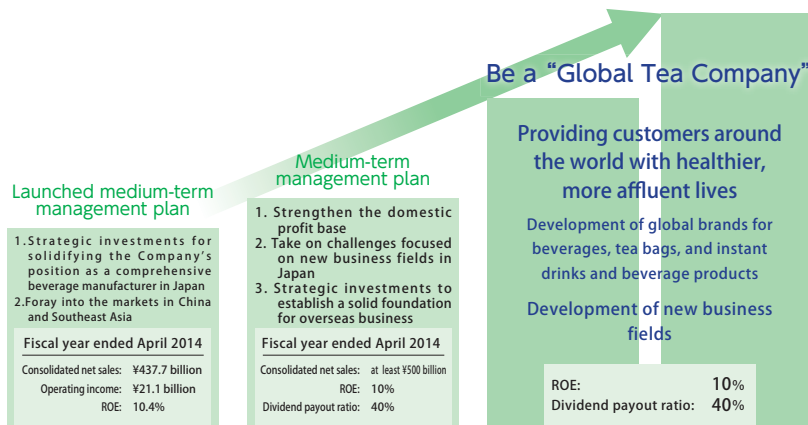
In terms of procurement, ITO EN took a stake in Farming Corporation Hamano Seicha (a tea manufacturer) in June 2015. This was ITO EN's first investment in a farming corporation. We plan to expand the tea plantation under cultivation to 65 hectares to produce 292 tons of crude tea and establish a new factory in 2016. By stepping into this segment to the extent of taking a stake in the farming corporation, we believe that we will not only secure high-quality raw tea leaves but also make contributions to help solve the problems faced by the segment, such as the aging of farmers and the increase in abandoned farmland.

In terms of sales, we progressively introduced the online system for vending machines, mainly in the Tokyo metropolitan area, as part of the measures for strengthening and improving the profitability of the vending machines. By utilizing the sales data obtained through our vending machine marketing initiatives, we expect to enhance sales calls and visits, rationalize the replenishment of products in the vending machines, and avoid opportunity losses. Furthermore, we will strengthen our cooperation with NEOS Corporation, a Group company, to further improve the efficiency of sales via vending machines.

In terms of logistics, ITO EN will establish Tohun Logitem Co., Ltd., a joint venture logistics company, in October 2015. We intend to review our branches and logistics networks for the next five years with the aim of improving and rationalizing our distribution functions.

Long-term vision: Aiming to become a "Global Tea Company"

- Sustainable growth
- Maintain an operating profit margin of at least 5% in the domestic beverage business and invest any excess to help drive growth



Overseas Business Strategy

Pursue Growth Opportunities by Building Partnerships and Targeting Japanese-Level Quality

Japan is not the only country where growth in the beverage market is being supported by health-conscious trends. Driven by the healthful image of Japanese cuisine, the health benefits of catechin and other tea leaf constituents are gradually being recognized by people outside Japan. The Ministry of Agriculture, Forestry and Fisheries of Japan is targeting the tripling of exports of tea to ¥15 billion yen in 2020 compared to ¥5.05 billion recorded in 2012.

ITO EN has been focusing on beverages in the overseas market. Given the global boom in the consumption of Japanese cuisine, however, we also plan to emphasize the promotion of our tea leaf products.

Furthermore, the Group has been developing the Tea-Producing Region Development Project (a business system based on a new tea plantations business cultivation project^{*1}) in Japan and Australia. We plan to use this achievement as a foothold for becoming a “Global Tea Company.”

In 2015, the ITO EN Group acquired shares in Distant Lands Trading Company, a company engaging in the coffee business from coffee growing to sales, predominantly in the United States. The ITO EN Group will continue to enhance its cooperation with this specialty coffee company by taking advantage of the company's strengths of offering reliable quality coffee beans according to consumer needs and its multiple sales channels within the United States.

In this way, we will also pursue growth opportunities in overseas markets by targeting the level of quality that we have achieved in Japan and creating value through collaborative efforts with the stakeholders.

CSR activities, a further foundation for business growth

Offer New Value to Society throughout the Entire Value Chain

The CSR/CSV-based corporate management that achieves the creating shared value lies at the heart of the business model of the ITO EN Group. In the CSR activities of the Group, we use the ISO 26000^{*2} “Guidance on Social Responsibility” in our efforts to contribute to addressing social issues, such as the improvement of food self-sufficiency, health, food safety, the environment and water conservation. In addition to these CSR activities based on our core business, we are using our strengths to promote activities for creating shared value^{*3} throughout the entire value chain in matters of major importance to the management of the Group, including the environment, consumer issues and community involvement and

development, which are parts of seven core subjects to be expressed in ISO 26000.

For example, the Tea-Producing Region Development Project has been generating new jobs for partners and stimulating local economies, which serves as the driving force for both the local communities and producers on the one hand, while ITO EN benefits from the stable supply of high-quality tea leaf that enables us to pride ourselves in offering safe, delicious products to customers on the other hand.

As part of its efforts to develop human resources^{*4}, ITO EN has enhanced these activities so that the employees can also learn about sustainability together with the partners. As a result, employees have been gathering increased force as members of Team ITO EN.

We believe that cooperation and coordination with stakeholders are the most important factors for creating shared value described above. And it will be encouraging for us when the value created from such cooperation and coordination with stakeholders leads to the external recognition of ITO EN.

For example, ITO EN won the 2013 Porter Prize^{*5} based on the evaluation of its competitive strategies. In 2014, ITO EN received the Nikkei Social Initiative Award for the corporate sector based on the judgment that our Tea-Producing Region Development Project has contributed to solving social problems in terms of local revitalization. Our environmentally friendly paper beverage containers that do not use aluminum foil and can be distributed at room temperature won the 3Rs (Reduce, Reuse, and Recycle) Awards for promoters of the 3Rs granted by the Minister of Agriculture, Forestry and Fisheries of Japan based on the evaluation of the ITO EN's coordination with the partner company that developed the container. ITO EN was also awarded the Japan Water Grand Prize (the Minister of Economy, Trade and Industry prize) based on the evaluation of our CSR activities as a comprehensive beverage manufacturer to protect water, which is the basis of its business, such as activities conducted under the project called Making Japan Beautiful Through Tea and so forth.

From ITO EN in Japan to ITO EN around the world

The challenge of becoming a Global Tea Company

The ITO EN Group will continue to step up its measures for becoming a Global Tea Company based on the management principle of “Always Putting the Customer First” by achieving innovations and value creation and striving to enhance its corporate value.

*1 Please refer to page 9

*2 ISO 26000: Guidance on Social Responsibility issued by the International Organization for Standardization (ISO)

*3 CSV: Creating Shared Value

*4 ESD: Education for Sustainable Development

*5 Award granted by the Graduate School of International Corporate Strategy, Hitotsubashi University

For Always Putting the Customer First

●Always Putting the Customer First

All employees unite as Team ITO EN to pursue our management principle of “Always Putting the Customer First.” At ITO EN, with the aim of promoting an understanding of marketing for employees, we have prepared following interpretation of a sale that is to be shared and practiced by our employees.

Five marketing functions

1. Marketing research..... Know your customer
2. Merchandising..... Attend to the customer’s wants and needs
3. Sales..... Provide service to the customer
4. Sales promotion..... Attract customer
5. Advertising Communicate with the customer

●Concept for product development



At ITO EN, we value natural blessings and continue to provide their delicious flavors to customers in the form of beverages. With the aim of single-mindedly serving our customers and adding elegance and health to people's daily lives, we continue to take on the challenge of creating “natural,” “healthy,” “safe,” “well-designed,” and “delicious” products, and pursue new possibilities.

ITO EN's commitment

Everything is for that cup of tea.

—History of technological innovations and new market generation—

'66



The Frontier Tea Corporation, ITO EN's predecessor, launched packaged green tea. In 1969, the corporate name was changed to ITO EN. (The above photograph shows the products with the new corporate name).

'79



Signed a contract with the China National Native Produce and Animal By-Products Import and Export Corporation, a Chinese company, to become the first company to import oolong tea into Japan.

'80



Launched the world's first canned oolong tea.

'84



Invented the world's first canned *Sencha* (green tea) beverage. (The product was launched in 1985.)

'89



Launched the *Oi Ocha* brand. Started the *Oi Ocha* New Haiku Contest.

The T-N (Tea and Natural) Blow process (1984)

- Achieved improved quality by removing oxygen during the filling and capping production stage.

The Natural Clear production method (1996)

- A micro-filter made from natural materials is used for fine filtration.
- The clear color of green tea is preserved and the formation of sediment in tea is prevented.

From tea plantations to products: ITO

~ For products of

Procurement

- ▶ High capability to procure crude tea
- ▶ The Tea-Producing Region Development Project

Production and Logistics

- ▶ Fables method
- ▶ NS System
- ▶ Used Tea Leaves Recycling System
- ▶ Quality control system
- ▶ Block production and logistics systems

Product Development

- ▶ Product capabilities
- ▶ A wide products
- ▶ Patent trademark

At ITO EN, we have been building our business models based on our belief that product development is the crucial starting point. This has enabled us to create new value.

The 30th anniversary of the introduction of green tea beverage products *Oi Ocha* Green Tea, a beverage that is now well received not only in Japan but also around the world. We have been providing our customers with this brand, while generating and accumulating a number of the world's first and industry's first technological innovations. Our commitment to the natural flavor and aroma of green tea itself and our desire to provide comfort and smiles to all customers who drink *Oi Ocha* Green Tea form the basis of our initiatives. ITO EN will continue to move forward together with tea and take on challenges with the aim of becoming a "Global Tea Company."

'90



Launched the world's first green tea beverage in PET containers (1.5 liter).

'96



Obtained a patent for technology known as the "Natural Clear" production method.

'00



Began to sell products in heatable PET containers.

'11



Oi Ocha Green Tea received the 2011 Good Design-Long Life Design Award (hosted by the Japan Institute of Design Promotion).

'15



Launched special limited packages with designs using cherry blossoms and autumn leaves to commemorate the 30th anniversary of the launch of green tea beverages.

Joint development of heatable PET containers (2000)

- High performance containers with improved quality preservation characteristics compared to conventional PET containers
- Selection of crude tea ingredients and a brewing method suited to warm beverages

Introduce Green tea beverages in eco-friendly PET containers (from 2010)

- Reduced the weight of the PET containers by around 30% compared with the last one.
- Room-temperature aseptic filling method that does not use a sterilizer to sterilize PET containers.

EN's unique single value chain system

higher quality ~

Product development

Business strategies and strategies

Sales and distribution

- ▶ Route sales
- ▶ Retailers

Marketing

- ▶ Marketing
- ▶ The Tea Taster System
- ▶ *Oi Ocha* New Haiku Contest
- ▶ "Making Japan Beautiful Through Tea" project

For details about the value chain, please refer to Sustainability Report 2015: Special Features Edition. ▶ <http://www.itoen.co.jp/csr>

Procurement



Outcome of relentless pursuit of quality performance

The core of the ITO EN green tea business, its mainstay business, lies in the procurement of crude tea. ITO EN has a competitive advantage in the market as it already handles approximately one quarter of Japan's crude tea production. As part of the measures for maintaining the stable procurement of high-quality crude tea, we have been developing the Tea-Producing Region Development Project in collaboration with tea farmers and public administrative agencies. This initiative encompasses cultivation under contract with individual tea farmers and the large-scale new tea plantations business that uses abandoned farmland, etc. to resume tea growing from redeveloping the field through cultivation since 2001. The new tea plantations business is undertaken in six districts in four prefectures of Kyushu, namely Miyazaki, Oita, Kagoshima, and Nagasaki.

As of 2014, the combined area of the new tea plantations and contract cultivation covered 957 hectares (600 hectares for contract cultivation areas and 357 hectares for new tea plantations). We are expanding these areas in a planned manner with the aim of achieving a scale of 2,000 hectares in the future.

We have been providing cultivation technology support,

including mechanization and IT, and expertise, and getting the result that we are unrivaled in the field of crude tea procurement, along with building the traceability system* to meet the consumer requests for security and safety, and devising measures for improving the quality of the tea leaf itself. The cumulative effect of the crude tea factories constructed by the farmers, the testing and research laboratory, and the companies that supply agricultural materials, etc., which has recently become evident, is adding to the reinforcement of our brands.

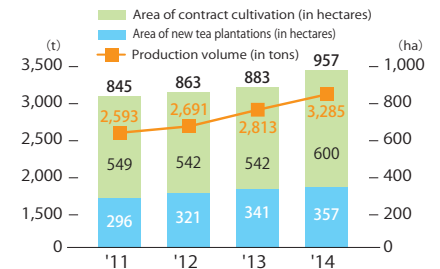
On the other hand, this the Tea-Producing Region Development Project has been creating new value, not only by addressing issues regarding agriculture in Japan, such as the elimination of abandoned farmland, the creation of employment, and the improvement of food self-sufficiency, but also by contributing to solving the problems of tea farmers' management stability through purchasing all their crops and resolving the shortage of successors, etc.

* A food traceability system enables the movement of any food product to be followed by documenting each aspect of food handling, and so forth. When an incident occurs, the food traceability system can assist efficiently in the recall of the food product(s) in question and assist in the investigation of the cause.

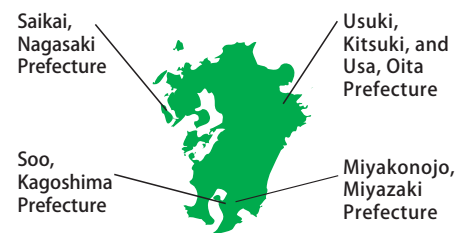


Coordination of ITO EN's employees and partner in the Tea-Producing Region Development Project

Progress of the plantations area and production volume in the Tea-Producing Region Development Project



New Tea Plantations Business Areas



For more detailed information, please visit the following web page. ▶ <http://www.itoen.co.jp/csr/cultivate/>

TOPIC

ITO EN won the Nikkei Social Initiative Award for the corporate sector

This award, sponsored by Nikkei Inc., recognizes companies that have contributed to the purpose of solving social issues for the sound development and improved understanding of social business (2014 marked the third occasion upon which this honor was bestowed). ITO EN was granted the award for the corporate sector based on the evaluation that "ITO EN developed large-scale tea plantations using abandoned farmland, contributing to local revitalization through the production of high-quality crude tea, the stabilization of farm management, and local job creation."



ITO EN has adopted the fables method*¹ whereby we entrust contract tea beverage production companies with tea brewing and bottling processes after we handle the processes of heating and blending the crude tea leaves that we procure for each product and producing crude tea procurement. By not owning a fabrication plant (except in Okinawa), we have achieved efficient production processes, including the reduction of capital investment costs, the adjustment of production volumes to meet demand, and the building of optimum production lines by taking advantage of the characteristics of the outsourced beverage production companies.

Coordination of ITO EN's employees and the employees of a partner company in the beverage production



Production and logistics



Innovations generated from coordination

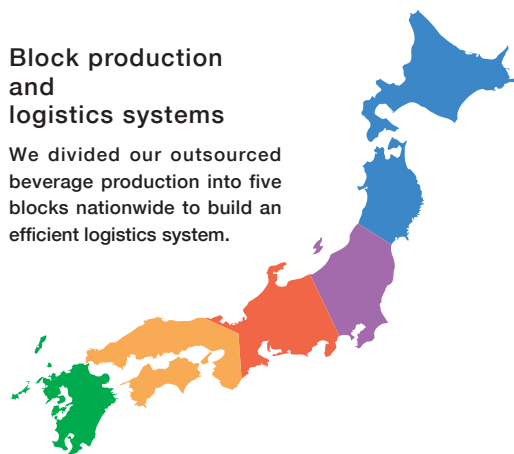
Coordination between ITO EN and outsourced tea beverage producers and beverage container manufacturers has been the source of innovations that generate new value, in addition to the economic benefits of such initiatives. For example, the NS*² system, which was jointly developed with TOYO SEIKAN KAISHA, LTD., is a room-temperature aseptic filling method that does not use a sterilizer, but instead uses heated water to sterilize PET containers. This has resulted in a production method that meets the requests of customers for high-quality products and improves environmental performance by reducing the amount of water and energy used.

In coordination with our partner companies, we have also built the Used Tea Leaves Recycling System that makes effective use of approximately 49,000 tons of used tea leaves that are generated annually during the tea beverage production process. Although most of this is used as fertilizer and fodder, ITO EN has developed more than 30 different products containing used tea leaves, including *tatami* mats, building materials, and cardboard for the *Oi Ocha* Green Tea PET containers.

In this way, innovations that take social and environmental aspects into consideration are generated through coordination with partner companies.

Block production and logistics systems

We divided our outsourced beverage production into five blocks nationwide to build an efficient logistics system.



*¹ Fables method: A system of not owning a fabrication plant

*² NS : Non-Sterilant or not using any sterilizer.

VOICE

Generating the sextiary industry is important for solving issues in agriculture. ITO EN's value chain for tea is being developed based on this concept.

In the fables method, we are successful in building networks with the best partner companies for each case. We can make requests for rigorous quality management to the partner companies because we assign them to the fabrication business.

In the Tea-Producing Region Development Project, the ITO EN took a stake in Farming Corporation Hamano Seicha in June 2015. In this situation, we at ITO EN take pride in the sustainable business model we are developing that incorporates optimum processing systems and takes into consideration the reduction of CO₂ emissions and other environmental issues, in line with the global trend.



Shunji Hashimoto, Executive Vice-President



An employee of ITO EN engaging in product development activity

Products Development



Offering sought products according to the times

Looking at the history of products and development initiatives at ITO EN, we have aimed to achieve innovations to meet the needs of customers according to the times, as represented by the world's first canned oolong tea and canned green tea created by ITO EN, and we have brought the innovations to fruition as commercial products and created new value. Recently, against the backdrop of increased health awareness, we have been moving forward with comprehensive research into the health-promoting properties of green tea, with a particular focus on the functions of catechin.

Our strategy in this area is to use this basic research to devise on-target patent strategies and perfect our initiatives by creating technologies that are unique to ITO EN. We have established a department specializing in patent and trademark strategies to strengthen the systems-related aspects and a structure to link our research and development, which have produced unique blending techniques and production technologies supported by our unique and unbeatable know-how to accompany this basic research.

Using these research and development capabilities, *Oi Ocha Koicha* (strong-tasting green tea), which contains twice the amount of catechin of ordinary *Oi Ocha Ryokucha* (green tea), and the other products in the *Catechin-Cha Series* (tea containing catechin) were launched for health purposes, targeted at people who are concerned about their fat intake and cholesterol levels. This *Catechin-Cha Series* was approved as "Food for Specified Health Use"^{*1}.

The newly institutionalized "Food with Function Claims"^{*2} is another target field for ITO EN's research and development.

We will ensure that we offer new value to customers in this field.

As a top tea manufacturer ITO EN focuses on research and development regarding delicious flavors and aromas as well as health, ITO EN's strength lies in customer value optimization based on its capability to provide customers with high-quality products. Female employees are also involved in product development at ITO EN. We are developing simple, uncomplicated offerings that suit customers' taste and preferences in our tea leaf product segment, in the same manner as in our beverage product segment.

Furthermore, as a result of our product development, we launched *Manatsu-no-Hiyashiume* (cooled plum juice for mid-summer) containing the fruit juice of the *Nankobai* (Japanese plum) and plum vinegar made in Japan with solar salt, and *Hokkaido Tokibicha* (corn tea), a tea blend containing 100% Hokkaido ingredients (corn, brown rice, black soybeans and adzuki beans) from Hokkaido. In this way, ITO EN is creating value from the perspective of "local production for local consumption."

^{*1} Food for Specified Health Use (FOSHU): An application for FOSHU labelling is made for each product for the approval of the Secretary General of the Consumer Affairs Agency. FOSHU refers to any food that is approved to make specific health claims on the food label.

^{*2} Food with Function Claims: Food product about which notification is made to the Consumer Affairs Agency regarding function claims labelling by businesses who prepare scientific papers that show the products' functional effects.

TOPIC

Cumulative sales volume exceeding 25 billion bottles!^{*}

The cumulative sales volume of *Oi Ocha* has exceeded 25 billion bottles. In 1984, ITO EN succeeded in producing a green tea beverage. In February 1985, we launched *Kan-iri Sencha* (canned green tea), the predecessor of *Oi Ocha*. In 1989, we changed the product name to the current *Oi Ocha*. It has been 25 years since its launch, and it is now a long-selling brand with wide support from customers. We will continue rising to the challenge of creating delicious flavors as the manufacturer of the representative brand of tea (the Tea of Japan *Oi Ocha*), a traditional Japanese beverage.



Oi Ocha at the time of its launch (left) and the current *Oi Ocha*

^{*} Calculated based on 500 ml PET bottles as of December 2014

ITO EN's marketing capabilities are derived from its route sales system.

The tasks of each of the approximately 4,000 employees who are engaging in sales and distribution range from providing descriptions of ITO EN's products and conducting sales negotiations to delivering the products, all on their own. In their sales activities, they place importance on contact with customers, responding meticulously to the various requirements of retailers according to business categories.

This system gives us a distinct advantage, as it allows us to collect and grasp the market information from perspectives that are closer to those of customers. In this way, we are developing our sales activities in an efficient manner throughout Japan to provide a wide variety of products offered in different sizes by using the latest information obtained on site.

Sales and Distribution / Marketing



Being rooted in the community and listening to the voices of customers

ITO EN has built a framework under which employees negotiate business deals widely through the community-based sales system of route sales, corporate sales to major companies, and distribution sales for convenience stores and supermarkets.

Furthermore, ITO EN has been developing specialty stores in department stores, airports etc., based on another framework under which we can grasp market movements in real time (number of specialty stores nationwide: 211).

As a community-based company, ITO EN creates value in partnerships with local communities through its business. The "Making Japan Beautiful Through Tea" and "Making Lake Biwa Beautiful Through Tea" projects are the activities directly connected to our business. These projects aim at learning with the people in the local communities and promoting water conservation and other measures to preserve the natural environment and regional culture.



An employee of ITO EN engaging in sales promotion activity

VOICE

We will aim to increase our profitability by promoting the product strategy of strengthening sales of differentiated products and high value-added products in tandem with the use of our proposal capabilities during meticulous sales visits based on the community-based sales system. ITO EN's route sales system has the strength of a community-based presence. Its integrated sales activities encompass direct visits to sales by approximately 4,000 sales persons from 201 sales bases nationwide, sales negotiations, and the planning of sales floors. Moreover, our Tea Taster System (please refer to page 22) provides additional depth to our sales promotion activities, and our Voice System (please refer to page 22) has a track record of receiving more than 19,000 cases of employee proposals annually. These systems indicate that we at ITO EN value the concerns of our customers.

Going forward, we will continue to observe consumption trends in Japan and overseas, including movements related to the Tokyo Olympic and Paralympic Games in 2020 and inbound tourists to Japan from overseas. In addition, in response to the government's call for regional revitalization, ITO EN will further reinforce its contact with the local communities and polish its sales capabilities with mobility by keeping up with the latest developments.



Shusuke Honjo, Vice-President and Representative Director

Branding

—Establishing a position as a comprehensive beverage manufacturer—

ITO EN is applying the innovations related to green tea that have been accumulated and that are expected to lead to new market creation and the value that has been co-created and shared through coordination with the partners to other beverages.

ITO EN is also taking advantage of the “Voice System,” an internal proposal system.

In this way, ITO EN has established a wide range of brands as a comprehensive beverage manufacturer.



Leaf tea products

Easy and convenient products, including the premium tea bag series



Healthy Mineral Barley Tea

Barley tea beverages for proper hydration and minerals



Vegetable beverages

Vegetable beverages that use *Shui*, a carrot selected by ITO EN, and other vegetables



TOPIC

Development of eco-friendly cartons for vegetable beverages

In the past, aluminum foil liners were used inside the paper containers for vegetable beverages for preservation purposes. In 2014, ITO EN developed a non-aluminum beverage carton (commonly called an eco-friendly carton) in collaboration with Nippon Paper Industries Co., Ltd. and TOPPAN PRINTING CO., LTD. As this new carton can be recycled in the same manner as milk cartons, ITO EN was awarded five prizes, based on the evaluation of a wide range of aspects such as the environment, lifestyles, recycling-oriented society, and universal designs, including the 3Rs (Reduce, Reuse, and Recycle) Awards for promoters of the 3Rs (the Minister of Agriculture, Forestry and Fisheries prize). (Please refer to page 21.)



For more detailed information about ITO EN brands, please visit the following web page.

▶ <http://www.itoen.co.jp/brand/>

Oi Ocha

It has been 30 years since ITO EN launched *Kan-iri Sencha* (canned green tea), the predecessor of its flagship product *Oi Ocha*. We have been selling valuable products that are free of artificial flavors and that retain the natural, delicious taste of green tea to our customers based on our unchanging focus on the crude tea procurement and manufacturing process since 1985. In commemoration of the 30th anniversary of the launch of green tea beverage products, we developed a special limited edition package with a design that combines the Ocha and cherry blossoms, the symbols of Japan, for *Oi Ocha Ryokucha* (green tea) and *Oi Ocha Koicha* (strong-tasting green tea) that were released in late January 2015. In the fall of 2015, we release a package with a design of maple leaves for the “tea that fully brings out the sweetness of cooked rice.” In this way, we will seek to further improve the value of the *Oi Ocha* brand by pursuing the seasonality and sense of seasons cherished by the Japanese.



Package with a design using the cherry blossom, a symbol of Japan, which flowers in spring

Package with a design of maple leaves for the Tea of Japan *Oi Ocha* to help people to enjoy autumn

TULLY'S COFFEE

Synergy effects from the affiliation with Tully's Coffee Japan Co., Ltd.



TEAS' TEA

A brand that ITO EN reverse-imported from ITO EN (North America) Inc.



Other brands



Research and Development - Central Research Institute -

Research and development initiatives conducted at the Central Research Institute cover a wide range of fields from basic technologies to applied technologies to support the maintenance and promotion of good health. Efforts are also being focused on the development of Food for Specified Health Use that is approved by the government to make specific health claims on the food label, and functional food. Furthermore, we will continue to make technical proposals with the aim of developing more flavorful products.



Establishment of the *ITO EN* brand

— The challenge to become a “Global Tea Company” —

By applying the business model of “From Tea Plantations to Products” that it has been developing in Japan, the ITO EN Group will provide new value to customers around the world toward healthier, more affluent dietary lives and promote them as a Cool Japan feature.

The ITO EN Group has three overseas business strategies:

(1) Development of global brands

- Promote the development of the market for sugar-free tea
- Develop region-oriented products

(2) Expansion of sales in the US business

- Expand synergy effects through cooperation with Distant Lands Trading Company
- Reinforce sales, mainly of leaf tea products

(3) Promotion of Japanese-level quality

- Green tea strategy to ensure the linkage with the Cool Japan movements
- Capture demand from inbound tourists to Japan from overseas at the same time



Selling Kiyora, a tea beverage, in Indonesia.



Fujian New Oolong Drink Co., Ltd., which is engaged in the manufacture, export, and sales of beverages

China

We are undertaking the development of our business in China and Southeast Asia to establish business foundations in those markets.

Southeast Asia



A scene showing the new tea plantations business



Certificate of appreciation issued by the Australian government and the Australian Trade Commission in April 2010 for ITO EN's technology of developing products using green tea produced in Australia

Australia

The Tea-Producing Region Development Project (new tea plantations business) in the State of Victoria in Australia, and a crude tea factory.



[TEAS' TEA]



Tea bags



Coffee farm of Distant Lands Trading Company



There are an increasing number of habitual drinkers of *Oi Ocha* in Silicon Valley.

Sales of *Oi Ocha* and other sugar-free beverages are growing, driven by the increased health awareness in the United States and the registration of WASHOKU(Japanese cuisine) by UNESCO on its list of Intangible Cultural Heritage of Humanity in December 2013. Sales of leaf tea products have also been strong, thanks to the Matcha(powdered green tea)

America

From ITO EN in Japan to ITO EN around the world

Flight out to the World with WASHOKU and Green Tea

In December 2013, WASHOKU, the traditional Japanese cuisine, was honored by UNESCO as an Intangible Cultural Heritage of Humanity. Professor Isao Kumakura, Chairman of the Washoku Association of Japan and Hachiro Honjo, Chairman and Representative Director of ITO EN had a special talk on the theme of WASHOKU, which has strong connection with tea, and the traditional dietary cultures of the Japanese.



Taking the occasion of the registration under the title of "Washoku, traditional dietary cultures of the Japanese," by the UNESCO on its Representative List of Intangible Cultural Heritage of Humanity, the Washoku Association of Japan (abbreviated name: Washoku Japan), a general incorporated association, has been advancing a campaign to ensure that all citizens share the value of WASHOKU, in order to hand it down to the next generation.

Protecting Japanese food and cultures

Professor Kumakura: WASHOKU registered by UNESCO on its list of Intangible Cultural Heritage of Humanity uses seasonal ingredients and is good for health. Tea is essential to a traditional menu of *ichiju-sansai* meal featuring steamed rice, miso soup and three main dishes, isn't it?

WASHOKU is also a superb culture and deeply related to extending "OMOTENASHI" hospitality to visitors. This cultural background is also reflected in WASHOKU's popularity overseas. In Japan, on the other hand, WASHOKU is threatened and I feel it necessary to convey the wonder of this heritage on to the next generation.

Amid these circumstances, the Washoku Association of Japan was set up as a general incorporated association. We have been developing activities centered on the three axes of research and study, public awareness, and handing down of knowledge and skills. With the help of Chairman Honjo, as you became a director of the Association, we hope to keep the activities to protect the Japanese food and cultures on track.

Honjo: The start is the most important. I would like to contribute to a wide range of activities under Chairman Kumakura as you have a profound knowledge about WASHOKU and the tea culture.

Professor Kumakura: The Japanese government chose Shima in Mie Prefecture as the venue for the Group of Seven summit to be held in Japan in 2016 and started to emphasize Japanese traditions. France where its gastronomy was one of the first food cultures to be listed as an Intangible Cultural Heritage of Humanity has been developing an initiative called The Week of Taste to educate elementary school children about the French cuisine heritage. In Japan, we also need activities to protect the food culture, including school meals.

Polishing up traditions and skills

Honjo: We have Tea Tasters, an in-house qualification system of ITO EN, and our employees polish up their knowledge and practical

Chairman, the Washoku Association of Japan (a general incorporated association)

Professor Isao Kumakura



skills about tea. The qualification grades range from the 3rd grade to 1st grade. We have about 1,800 certified employees who are promoting the proliferation of the tea culture by giving demonstrations on how to brew delicious tea around the country.

To obtain the 1st grade qualification, one will need a wide range of learning on tea not only about the Japanese green tea but the red tea and other teas and will need to acquire tea tasting skills and skills to identify materials (crude tea).

Professor Kumakura: It is amazing that people with the 1st grade can even identify crude tea. The system is superb because the qualifications are useful in your company's core business in production and sales.

Honjo: These skills are necessary not only for the employees involved in tasks related to consumption but also for the people in charge of production and product development.

Professor Kumakura: No matter how good a person is in brewing tea, it is no good if he or she doesn't have quality tea. Brewing a delicious cup of tea is possible only with the quality tea of your company.

Honjo: ITO EN is a comprehensive beverage company and we offer both tea leaf products and beverages. We have been pursuing flavors and quality and achieved innovations such as canned beverages, beverages in PET containers, and hot beverages in PET containers. On the other hand, we haven't forgotten about the origin of tea, which is the delicious tea flavor brewed in kyusu, a Japanese teapot.

Professor Kumakura: Both tradition and innovations are important. The dissemination of PET containers that employ solid techniques has broadened the base of tea and expanded the beverage market. People are revisiting the rich dietary life of having delicious tea and the culture of comfort that it brings.

Promoting WASHOKU to the World as a Cool Japan Feature

Honjo: ITO EN launched the Tea-Producing Region Development Project based on the concept that delicious tea comes from great tea plantations. In

addition to direct purchasing from the market, we have maintained contract cultivation plantations with farmers for over 40 years. Moreover, we expanded our business of large-scale tea plantation in Kagoshima, Miyazaki, Oita, and Nagasaki prefectures for over 10 years.

In Oita Prefecture, we now find tea plantation and farmers' crude tea factory, after part of the land was converted from vast abandoned farmland. Measures for dealing with the abandoned farmland and generating the sextiary industry are important issues. Kayano Nosan Agricultural Union in Oita Prefecture receives many visitors for inspection of its plantations and facilities. Recently, we launched a new initiative in Kumamoto Prefecture in which we took various measures including taking a stake in a farming corporation.

Professor Kumakura: Each tradition was created to suit the era. As exemplified by your company, it is necessary to create new traditions that suit the modern age, not bound by old traditions. I think that agriculture that forms the basis of food will gain more importance in the future.

Honjo: Last year, ITO EN commemorated the 30th anniversary of the invention of green tea beverage products. In the culture and sports' fields, it was also a milestone year as we celebrated the 25th anniversary of ITO EN *Oi Ocha* Haiku Contest and 30th anniversary of ITO EN Ladies Golf Tournament. ITO EN started its business dealing with green tea and now offers wide-ranging brand products as a comprehensive beverage company.

Overseas, the ITO EN Group has been developing the Tea-Producing Region Development Project in Australia, for example. We hope to promote sugar-free beverages as well as WASHOKU to the world as a Global Tea Company.

Professor Kumakura: ITO EN's management principle of "Always Putting the Customer First" has much in common with hospitality. The World Exhibition at Milan in 2015 is the first expo having the core theme on food. I think that we should take advantage of the expo among other things to promote WASHOKU to the world as a Cool Japan feature.

ITO EN's the Tea-Producing Region Development Project and the Tea Taster System are precisely the initiatives to create a new tea tradition. I hope that ITO EN spread WASHOKU as well as tea around the world.



Chairman and Representative
Director, ITO EN, LTD.

Hachiro Honjo

CSR Initiatives

ITO EN Group's capabilities to respond to social issues

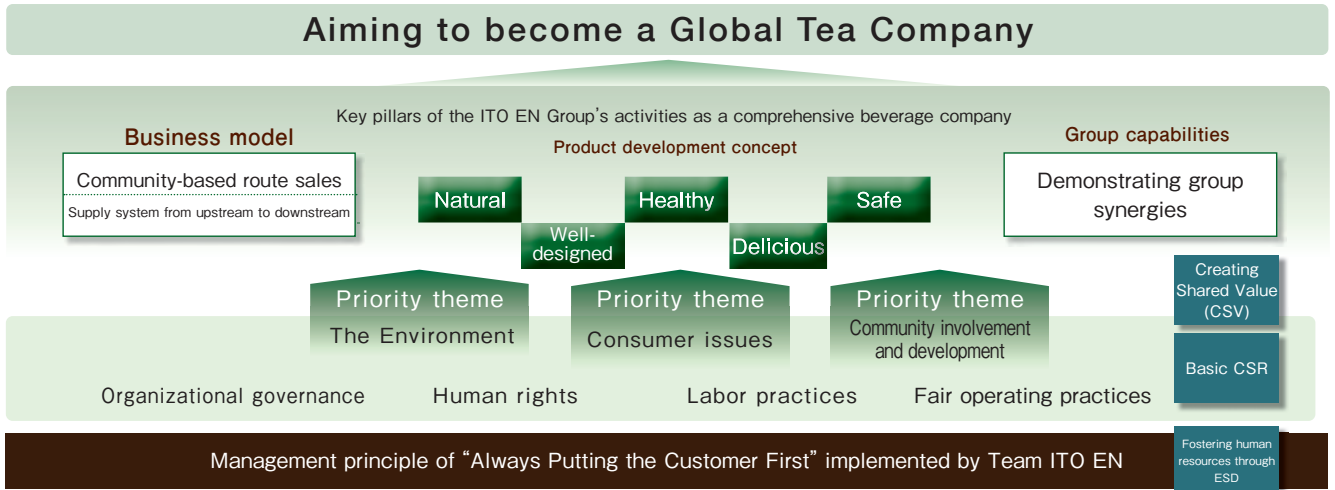
Under the management principle of "Always Putting the Customer First," the ITO EN Group aims to enhance its corporate value and seeks to achieve sustainable growth and development as a company that is needed by society.

To achieve this, ITO EN has made it a principle to gain the trust of its stakeholders, including consumers, retailers, suppliers, shareholders, financial institutions, local communities, the government / local governments, NGOs and NPOs, and its own employees. We will ensure strict legal and regulatory compliance in accordance with the ITO EN GROUP CSR Charter and address the seven core subjects of social responsibility defined in ISO 26000 (the international standard for social responsibility) and JIS Z 26000 (domestic guidance on social responsibility). Of these, we have positioned "the environment," "consumer issues," and

"community involvement and development" as priority fields and have been strategically promoting these based on the concept of the Creating Shared Value (CSV) under which we seek to strike a balance between solving social issues and achieving the growth of the ITO EN Group. In addition, we use the concept of Education for Sustainable Development (ESD) with the aim of enhancing human resources development and coordinated power among stakeholders, thereby deepening our commitment to CSR/CSV.

In concrete terms, we have established priority matters in our CSR/CSV activities that reflect stakeholders' opinions and are focusing on value creation through the efficient use of operating capital.

Outline of the ITO EN Group's CSR activities



- Basic CSR: Strengthening management foundations based on the seven core subjects of ISO 26000
- Creating Shared Value (CSV): Striking a balance between solving social issues and promoting the ITO EN Group's growth (Seeking to achieve CSV based on the priority themes of "the environment," "consumers," and "communities").
- Fostering human resources through ESD: Implementation through the united efforts of Team ITO EN

CSV	ESD	CSR
<p>CSV represents a concept whereby companies aim to solve social and economic issues at the same time as conducting their business activities. This concept is primarily advocated by Professor Michael E. Porter of Harvard Business School.</p> <p>We are taking on the challenge of creating shared value from both the social and economic perspectives based on the concept of CSV and making use of CSV as a competitive strategy.</p>	<p>Human resources development and community development</p> <p>ESD represents education to foster human resources who will regard social and environmental issues as their own and carry out actions to solve them for the purpose of creating a sustainable society and environment.</p> <p>Our ESD initiatives include activities for building cooperative relationships with stakeholders.</p>	<p>CSR (Corporate Social Responsibility) represents the capabilities of businesses to respond to social issues in broad areas for the purpose of winning the trust of society and activities to contribute to a sustainable society and environment through their businesses in cooperation with stakeholders.</p> <p>We systematically promote our CSR activities by adhering to the seven core principles and seven subjects defined in the international standard ISO 26000 as a compass for the globalization of our business activities.</p>

ITO EN Group Basic CSR Promotion Policy

Established in April 2012 and revised in February 2014.

1. Based on our management principle of "Always Putting the Customer First," all employees at "Team ITO EN" will conduct CSR activities as one unit.
2. The ITO EN Group will conduct business activities in such a way as to respond to the expectations of a broad range of stakeholders, including consumers, shareholders, customers, suppliers, financial institutions, local communities, and employees.
3. The ITO EN Group will make best use of the pillars of its activities as a comprehensive beverage manufacturer, namely "business model," "product development concept," and "grouping capabilities," to strengthen its CSR activities through its core business.
4. CSR activities will be promoted through the utilization of the international ISO 26000 and domestic JIS Z 26000 standards. We will engage in the seven core subjects set forth in these standards concerning organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. Moreover, the ITO EN Group positions the environment, consumer issues, and community involvement and development as its priority themes and implement proactive initiatives to achieve the creating shared value by solving social issues, making the best use of the aforementioned three pillars of its activities.
5. The ITO EN Group will use the concept of ESD (Education for Sustainable Development) and foster human resources who are able to implement CSR/CSV activities.
6. In the manner stated above, we will enhance our competitiveness and our corporate value as expected by society and aim to become a Global Tea Company.

ITO EN Group's Fundamental concepts of CSR (for each core subject of ISO26000)

*Excerpts from the ITO EN GROUP CSR Charter Established in March 2013 and revised in February 2014.

Organizational governance

The ITO EN Group will promote sound management based on its management principle and seek to enhance synergy effects among the entire Group and its business continuity capabilities by improving corporate governance across the Group and business continuity management (BCM). It will also focus on strengthening the appeal and understanding of our brand image and improving corporate value through our core business.

Human rights

The ITO EN Group will not discriminate or participate in discrimination based on gender, age, ethnicity, race, religion, creed, etc. We will promote global business activities that will reflect our respect for fundamental human rights and the privacy of all stakeholders.

Labor practices

The ITO EN Group will develop a workplace environment that emphasizes diversity and improved work-life balance so that each employee can work enthusiastically. We will also foster global talents who are able to exert their professional capabilities in the workplaces in Japan and overseas and help them to find fulfillment in furthering their professional goals.

In addition, the ITO EN Group will implement appropriate labor policies in accordance with the circumstances of the country it operates its business.



The environment

The ITO EN Group will, through responding appropriately to environmental issues such as the prevention of global warming, water resource protection and biodiversity measures, and the reduction and recycling of waste, continue to make efforts to reduce environmental burdens across the entire value chain and preserve natural resources through the coexistence of humans and nature with the aim of contributing to the sustainable development of the global environment. It will also promote environmental management initiatives in an integrated manner, as well as coordination with stakeholders.



Cardboard box using used tea leaves



Empty-container collection bin using used tea leaves



Logo mark for the "Making Japan Beautiful Through Tea" project



Book entitled OI Haiku, a collection of masterpieces from New Haiku Contests for the past 26 years, published by ITO EN, LTD. and the editorial department of Magazine House, Ltd.

In-house CSR award system

In fiscal 2011, ITO EN established the CSR Grand Prize, an in-house award system, for the purpose of raising the awareness and motivation of each employee with regard to CSR and improving team capabilities through activities to strengthen the relationships of trust with our customers, as well as other CSR activities.

Targets for CSR activities and performance management for fiscal year 2014

ITO EN has set CSR targets for each core subject of ISO26000 and is managing the progress of the CSR activities based on the PDCA cycle of "plan," "do," "check," and "act," and is conducting follow-up activities.



For more detailed information about CSR, please visit the following web page.
▶ <http://www.itoen.co.jp/csr/>

Recognition from society

All aspects of ITO EN's activities, including its business management in general and from procurement to distribution, have gained external recognition (the following table shows honors received* in the past few years).

	Categories	Awards
Overall Procurement and Logistics Production and Logistics Products Development Sales and Distribution / Marketing	Overall management	<ul style="list-style-type: none"> Porter Prize (2013) Expansion of Individual Investors Award (2004) Disclosure Award (2004, 1999)
	Continuous improvement of CSR activities	<ul style="list-style-type: none"> Environmental Communication Award (Outstanding Performance Award) (2015) JAPAN FOOD JOURNAL CO., LTD. Award (Food Safety, Security, and Environmental Contribution Award) (2014)
	Overseas diffusion	<ul style="list-style-type: none"> Prize of the Minister of Agriculture, Forestry and Fisheries for the Overseas Promotion of Japanese Food (2013)
	The Tea-Producing Region Development Project	<ul style="list-style-type: none"> Nikkei Social Initiative Award for the corporate sector (2015) Grand Prize for research and development (new technology sector) in the Food Action Nippon Award (2013) Prize of the Minister of Agriculture, Forestry and Fisheries in the Eco Products Award (2008)
	New eco-friendly beverage carton	<ul style="list-style-type: none"> Prize of the Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry in the Japan Packaging Competition (2015) Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs (2014)
	NS System	<ul style="list-style-type: none"> Environmental Performance Award (Outstanding Performance Award) (2015) Prize of the Director-General of the Food Industry Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries in the Food Industry Mottainai Award (2015) Prize of the Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry in the Circular Resource Techniques and Systems Award (2014)
	Used Tea Leaves Recycling System	<ul style="list-style-type: none"> Silver Prize in the Eco Mark Award (2015) Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs (2013) Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2011) Prize of the Minister of the Environment in the WASTEC Grand Prize award (2006) Prize of the Minister of Agriculture, Forestry and Fisheries in the Eco Products Award (2005)
	"Making Japan Beautiful Through Tea" and "Making Lake Biwa Beautiful Through Tea"	<ul style="list-style-type: none"> Prize of the Minister of Economy, Trade and Industry in the Japan Water Grand Prize award (2015)
	Oi Ocha New Haiku Contest	<ul style="list-style-type: none"> Encouragement Prize of the review board of the Ministry of Education, Culture, Sports, Science and Technology for the recognition of enterprises for their support of young people's activities (2015) Grand Prize for the marketing and communication sector in the PR Award Grand Prix (2014)
	Lemongrass Green Tea Rooibos Tea Oi Ocha Ryokucha (Green Tea)	<ul style="list-style-type: none"> Silver Prize in the FOODEX Gourmet Beauty Grand Prix (2015) Gold Prize in the FOODEX Gourmet Beauty Grand Prix (2014) GOOD DESIGN LONG LIFE DESIGN AWARD (2011)

Year in parentheses indicates year award was received.

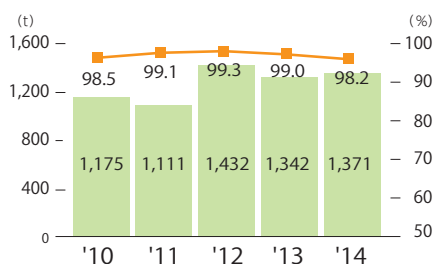


For more detailed information about the awards received, please visit the following web page.

<http://www.itoen.co.jp/csr/>

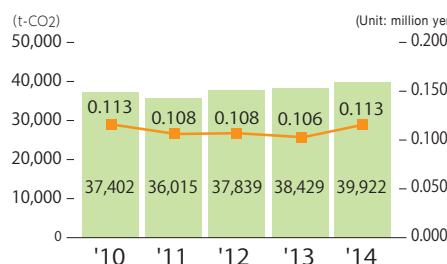
Key related data

Emissions and recycling rate of ITO EN's leaf tea production factories



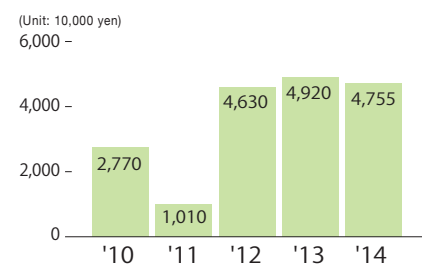
* Changes in emissions (bar graph) of ITO EN's leaf tea production factories (Sagara Factory in Shizuoka Prefecture, Hamaoka Factory, and Fukushima Factory) and changes in their recycling rates (line graph)

Changes in CO₂ emissions



* Changes in company-wide emissions (bar graph) at ITO EN and changes in the ratio of CO₂ emissions to production output per million yen (line graph)

Expenditure on social contributions



* Changes in the sum of donations collected from the "Making Japan Beautiful Through Tea" and "Making Lake Biwa Beautiful Through Tea" project and the "Building Ties through Tea" project.

* In fiscal 2011, ITO EN did not undertake the above projects but donated a total of approximately 800 million yen to the Japanese Red Cross Society and the prefectural governments of Iwate, Miyagi, and Fukushima.

Human resources development

The ITO EN Group believes that its greatest asset is its people, and it places strong emphasis on human resources development based on this belief.

ITO EN Business College (from 1989)

As the ITO EN internal training system, The ITO EN Business College was established to provide employees with learning opportunities to help them develop their individual abilities and promote personal development. It provides education (one year) in a wide range of fields with the objective of furthering the careers of employees and helping them to become more effective in the workplace.

ITO EN Graduate School (from 2009)

As the ITO EN internal training system, ITO EN Graduate School was established to develop human resources who will acquire the ability to lead ITO EN in the future. It provides education (one year) in a wide range of fields to help students acquire a sense of management.

Developing globally competent human resources

In our quest to become a Global Tea Company, the ITO EN Group is working systematically to develop globally competent human resources that can immediately play an active role in overseas expansion, an issue of ever growing importance. One way in which we do this is by offering Group personnel opportunities to train overseas in collaboration with other companies in the Group.

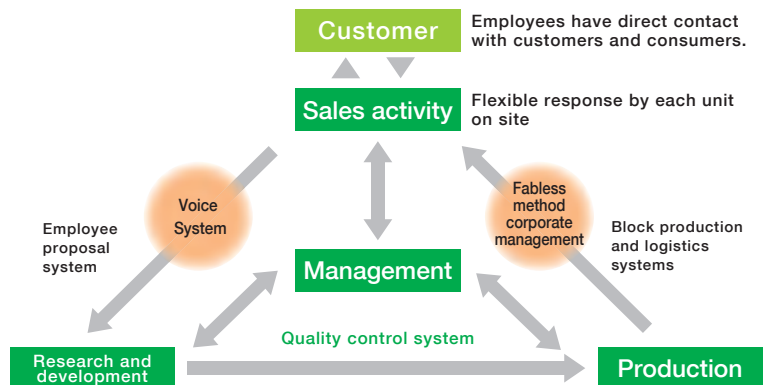
The Tea Taster System (from 1994)

As an in-house system unique to ITO EN, the Tea Taster System grants qualifications to employees with superior expertise and abilities with respect to tea, with the aim of disseminating tea culture inside and outside the Company and improving the employees' knowledge and techniques regarding tea. As of May 2015, there are 1,819 qualified tea tasters (1st grade: 12 persons, Pre-1st grade: 2 persons, 2nd grade: 224 persons, 3rd grade: 1,581 persons).



In-house structure that supports integrated production processes from crude tea to products

In order to deal promptly with a variety of issues, a framework is in place that enables close cooperation among the departments in charge of sales, management, production, and research and development.



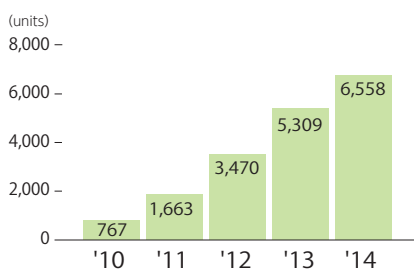
Safety is confirmed at all stages relating to products, raw ingredients, and manufacturing materials.



For more detailed information about human resources development, please visit the following web pages.

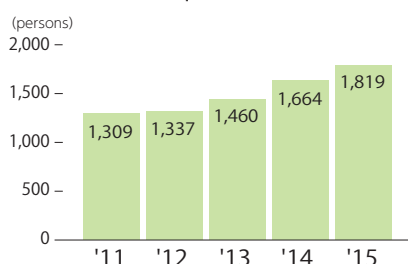
- ▶ <http://www.itoen.co.jp/company/jobs/attitude/>
- ▶ <http://www.itoen.co.jp/csr/labour/>

Number of disaster response vending machines



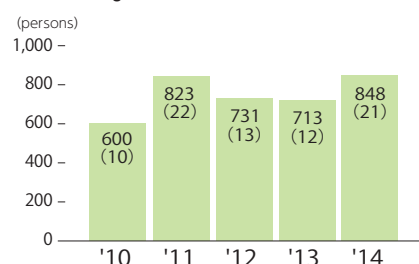
* In the event of a power outage due to a disaster, the vending machine can fall back on the internal battery or manual off-grid power system and allow people to take the products from the machine free of charge. (the number as of each end of the fiscal year)

Changes in the number of employees with tea taster qualifications



* The number of persons with qualifications for each fiscal year is as of May.

Number of graduates from ITO EN Business College and ITO EN Graduate School



* The figures in parentheses indicate the number of graduates of ITO EN Graduate School.

Corporate Governance

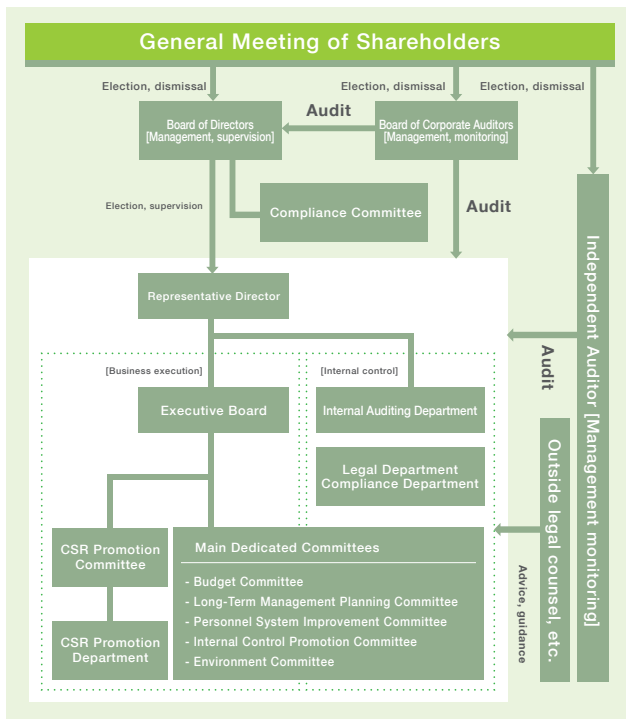
Corporate Governance Policy

Under the management principle of “Always Putting the Customer First,” ITO EN provides in the ITO EN Group Founding Charter that “the ITO EN Group has formulated 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 ITO EN’s corporate ethics and the foundation that supports our corporate governance. Based on this principle, every officer and employee of ITO EN is active in promoting concerted efforts to achieve a sustainable society in line with the interests of all stakeholders, and strives to repay their trust.

In addition, to conduct appropriate corporate governance, a Board of Corporate Auditors system has been adopted and our corporate auditors 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. Internal and outside corporate auditors attend every meeting of the Board of Directors, offering fair and impartial advice and audit opinions on overall corporate affairs and each item of business, and audit business execution by the directors in accordance with the audit policy stipulated by the Board of Corporate Auditors.

Outline of the System of Corporate Governance



● Board of Directors

Meetings of the Board of Directors are generally held monthly to discuss and determine the basic policy and strategy for management and other important matters.

The Board of Directors consists of seventeen directors, including two outside directors who are in charge of supervising and checking the execution of duties from an independent position.

● Board of Corporate Auditors

Meetings of the Board of Corporate Auditors are generally held monthly to discuss and determine the important matters relating to audits and share information on the status of audits conducted, the recognition of issues, etc. and exchange opinions, among other tasks.

The Board of Corporate Auditors consists of one standing corporate auditor and three part-time corporate auditors (all of whom are outside corporate auditors). The corporate auditors mainly conduct audits of the legality of the directors’ business execution by attending important meetings such as those of the Board of Directors, perusing important documents, conducting visiting audits of departments executing business and expressing opinions as necessary.

▶ State of attendance at board meetings

		Meetings of the Board of Directors	Meetings of the Board of Corporate Auditors
Number of meetings held		14 times	14 times
State of attendance times	Outside directors	12 times of the 14 times and all of the 14	—
	Outside corporate auditors	All of the 14 times	All of the 14 times

Contribution by Independent Officers to Board of Directors and Board of Corporate Auditors

ITO EN has increased the number of its outside officers to strengthen the function of management supervision. The main requirement for the election of outside directors and outside corporate auditors is independence. These outside officers fulfill their functions of audit and supervision from an objective and independent perspective, thereby contributing to the achievement of sound corporate governance.

▶ Independent Directors/Auditors

Outside directors	Hirokazu Uchiki	expressing opinions based on his abundant management experience and extensive knowledge from a practical perspective as an outside director
	Morikazu Taguchi	expressing opinions based on his expertise in legal affairs worthy of a university faculty and graduate school from an objective and professional perspective as an outside director
Outside corporate auditors	Yoshiaki Takasawa	expressing opinions based on his deep insight concerning corporate legal affairs developed through his experience as an attorney from an independent and objective perspective as an outside corporate auditor
	Yutaka Tanaka	expressing opinions based on his deep insight concerning tax affairs developed through his experience as a licensed tax accountant from an independent and objective perspective as an outside corporate auditor
	Masahiro Nagasawa	expressing opinions based on his deep insight concerning accounting developed through his experience as an accountant from an independent and objective perspective as an outside corporate auditor

Compliance

ITO EN established the Compliance Committee and the Compliance Department on May 1, 2004 and stipulated “legal compliance” as our basic management policy, and declared our intention to aim for “the ITO EN Group: a model of corporate compliance.”

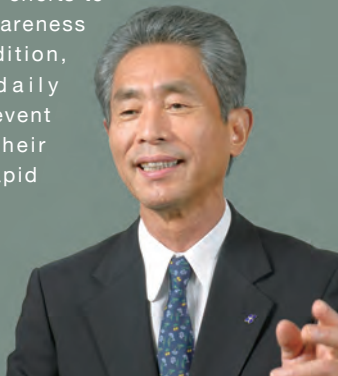
ITO EN Group Compliance “Guidelines for Code of Behavior” are distributed to all officers and employees of the ITO EN Group to ensure full legal compliance. They encompass a series of initiatives for compliance including the Code of Conduct based on the principles of the ITO EN Funding Charter and the Code of Behavior specifying the detailed provisions.

VOICE

A compliance system that bolsters the enhancement of corporate value has been established.

Compliance is the most basic of management basics. It is often referred to as “legal compliance.” Its significance, which I convey to employees, is “how to win the trust of our customers.” That is exactly why the ITO EN Group Compliance Code of Conduct provides first that we will provide all customers with natural, healthy, safe, well-designed, delicious products based on our outstanding skills and technologies. And each and every employee must observe the Codes when taking actions and make efforts to boost trust with an awareness of compliance. In addition, more respect for daily communication will prevent problems or lead to their early discovery and rapid solution.

Executive Vice-Chairman
Yoshito Ejima



Communications with Shareholders

The Public Relations Department is in charge of communications with the shareholders of ITO EN. The method of response is to be considered together with the President and Representative Director and the directors in charge, among other officers, in order to take the appropriate actions. In addition, regular meetings are held across the border between the Public Relations Department and the Finance and Accounting Department to express opinions based on each department’s professional perspective and take cooperative actions in the disclosure of and accounting for the settlement of accounts and other matters to improve communications with shareholders.

We make efforts to ensure timely and appropriate information disclosure to shareholders through active information communication via financial results briefings and the Company’s homepages so that they can deepen their understanding of the Company’s management strategy and business environment. In addition, at the meeting of the Board of Directors that was held after the announcement of the settlement of accounts, the opinions of the shareholders and analysts are shared to actively utilize them when reviewing the management strategy and for any other purposes.

The Company also conducts surveys of substantial shareholders as necessary to gain an understanding of the shareholder structure.

Promotion of IR Activities

ITO EN has established the IR and Shares Department under the Public Relations Department, which is controlled by the Management Division, to promote active IR activities.

As for information communication and disclosure, from the perspective of fairness, the consolidated financial results and non-consolidated financial results and materials for the financial results briefing (IR reference) are posted on the website promptly after the announcement of the financial results for the full fiscal year and the second quarter so that individual investors, analysts and institutional investors who are unable to attend the financial results briefing can access these reference materials. In addition, corporate books*, performance reports, monthly sales results, news releases, securities reports, convocation notices for general meetings of shareholders and other disclosure information are published to provide a variety of tools with which investors can deepen their understanding.

Consideration is also given to foreign investors by providing English versions of the financial results, the materials for the financial results briefing (IR reference), part of new releases and corporate books.

*From this fiscal year 2015, this is integrated with “ITO EN REPORT.”



For details about corporate governance, please see the report on corporate governance.
▶ <http://www2.tse.or.jp/disc/25930/140120141127086552.pdf>

Financial Summary

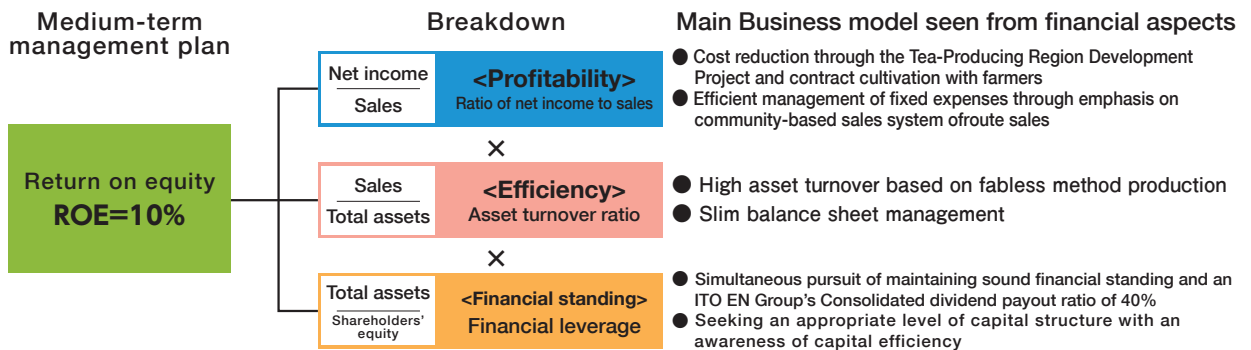
Currently, the ITO EN Group is targeting at an ROE of 10% as a management index in its medium term management plan.

In the background, executive compensation that is based on executives' performance and linked to business performance of the company was emphasized in the aftermath of the collapse of the bubble economy in 1990 with the aim to clarify the management responsibility of officers and enhance corporate governance. In July 2002, ITO EN discontinued the system for providing retirement allowances and bonuses to its officers and introduced stock option system as compensation linked to business performance in April

2004.

In the above process, six management indices were calculated and chosen: growth (net sales), profitability (operating income and EPS), efficiency (ROE and ROA), and return to shareholders (dividend on equity ratio). Later, ROA was replaced with operating cash flow. ITO EN is carrying out business activities by maintaining an awareness of these indices. For example, the essence of ITO EN's ROE is shown in the following chart.

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



Pursuing profitability from raw material procurement to marketing

ITO EN has been focusing on 100% domestically grown crude tea. The ratio of handling crude tea grown in Japan is about quarter. In the value chain, procurement of crude tea through such means as the Tea-Producing Region Development Project is the starting point and it is contributing to the enhancement of profitability and stability. In this way, contributions to profitability start right from the cost level, achieving high gross income on sales.

Flexible adjustment of production volumes according to demand, use of optimal production lines according to the strengths of the packers, benefitting from fruits of technical innovations generated from competition among the packers and other aspects are making highly efficient value chain management possible, contributing to enhanced profitability in the variable cost level.

Moreover, we have established the business model in which customers' voices are directly captured in route sales from the 201 sales bases across the country and used for marketing.

Pursuit of efficiency through a slim balance sheet

ITO EN controls fixed asset investment by relying on the fables method, whereby capital expenditures are kept within depreciation, in order to strengthen its financial standing.

Keeping a balance to both capital efficiency and financial soundness

Based on the method of managing profit and loss statements and balance sheet by utilizing its strengths, ITO EN maintains financial soundness, while securing adequate funds to realize a dividend payout ratio of 40% as well as its credit rating. Retained earnings and cash are controlled at appropriate levels and allocation of funds to strategical investments, including M&A, may be made for future growth, as appropriate. Our capital policies as part of ROE management measures are based on the process for seeking appropriate capital structure that also takes capital efficiency into account.

VOICE

Financial management combined with the business model unique to ITO EN

The characteristics of ITO EN's value chain include stable and efficient procurement of crude tea that takes advantage of the economies of scale arising from it's the Tea-Producing Region Development Project and contract cultivation with farmers, route sales conducted by approximately 4,000 employees at 201 sales bases across the country, the fables method of not owning a fabrication plant which is unique in the industry, and so on. Based on these aspects, we base financial management on our strengths. This year marks the 50th anniversary of the founding of ITO EN and we renew our resolve to continue to pioneer innovations in response to consumer needs toward the next 50 years, 100 years, and beyond.

Minoru Watanabe, Executive Vice-President

Key financial indicators (Over the past 5 years)

	(Unit)	April 2011	April 2012	April 2013	April 2014	April 2015
P/L						
Net sales	(Million yen)	351,692	369,284	403,957	437,755	430,541
Year-on-year	(%)	+5.6	+5.0	+9.4	+8.4	-1.6
Details of main sales						
Non-consolidated	(Million yen)	329,631	332,297	351,807	363,461	353,754
ITO EN (North America) INC.	(Million yen)	5,405	5,476	6,487	7,933	9,340
Tully's	(Million yen)	15,336	19,383	21,071	23,865	26,036
Chichiyasu	(Million yen)	—	10,628	11,076	12,750	13,186
Cost rate	(%)	50.6	52.1	52.4	51.6	51.8
Selling, general and administrative expenses	(Million yen)	156,020	158,164	171,837	190,703	196,016
Sales ratio	(%)	44.4	42.8	42.5	43.6	45.5
Operating income	(Million yen)	17,679	18,907	20,250	21,100	11,393
Profit ratio	(%)	5.0	5.1	5.0	4.8	2.6
Details of main profits						
Non-consolidated	(Million yen)	15,648	16,131	16,834	16,060	6,478
ITO EN (North America) INC.	(Million yen)	334	394	471	530	95
Tully's	(Million yen)	1,212	2,008	2,681	3,178	3,572
Chichiyasu	(Million yen)	—	61	△119	217	87
Ordinary income	(Million yen)	16,526	17,985	19,914	20,518	11,229
Profit ratio	(%)	4.7	4.9	4.9	4.7	2.6
Extraordinary income	(Million yen)	143	37	270	419	49
Extraordinary losses	(Million yen)	1,796	833	700	303	386
Net income	(Million yen)	7,675	9,249	11,244	12,096	7,292
Profit ratio	(%)	2.2	2.5	2.8	2.8	1.7
B/S						
Total assets	(Million yen)	192,462	224,843	244,970	258,820	285,947
Current assets	(Million yen)	99,302	121,549	129,025	139,807	153,597
Cash and deposits	(Million yen)	23,986	43,872	44,856	46,412	48,922
Accounts receivable	(Million yen)	39,538	37,181	40,750	46,923	51,512
Non-current assets	(Million yen)	93,159	103,294	115,945	119,012	132,350
Property, plant and equipment	(Million yen)	57,692	66,468	75,885	79,326	80,115
Intangible assets	(Million yen)	21,778	22,501	24,803	22,600	34,042
Total liabilities	(Million yen)	90,831	118,833	131,028	138,310	158,185
Current liabilities	(Million yen)	60,413	64,258	70,880	80,440	76,038
Non-current liabilities	(Million yen)	30,418	54,575	60,147	57,870	82,146
Net assets	(Million yen)	101,630	106,010	113,942	120,509	127,761
Retained earnings	(Million yen)	74,735	78,954	80,747	87,812	90,949
Current ratio	(%)	164.4	190.1	182.0	173.8	202.0
Equity ratio	(%)	52.7	47.1	46.3	46.3	44.4
Liability ratio	(%)	89.5	112.2	115.5	115.5	124.7
Statement of cash flows						
Net cash provided by (used in) operating activities	(Million yen)	19,714	21,462	24,042	24,300	17,751
Cash flows from investing activities	(Million yen)	(2,133)	(8,067)	(9,272)	(4,598)	(9,242)
Free cash flow	(Million yen)	17,581	13,394	14,769	19,702	8,509
Cash flows from financing activities	(Million yen)	(12,103)	6,290	(16,451)	(18,147)	(4,835)
Amount of capital investment	(Million yen)	2,100	4,031	6,639	4,889	3,732
Depreciation	(Million yen)	9,011	10,892	13,769	15,140	15,653
Depreciation of goodwill	(Million yen)	931	1,148	1,190	1,332	1,326
Other						
ROE	(%)	7.6	8.9	10.3	10.4	5.9
ROA	(%)	4.1	4.4	4.8	4.8	2.7
PER (Common stock)	(Time)	24.1	20.1	26.5	22.8	44.0
PER (Preferred stock)	(Time)	15.1	14.2	18.4	16.2	28.9
PBR (Common stock)	(Time)	1.7	1.7	2.5	2.2	2.4
PBR (Preferred stock)	(Time)	1.3	1.3	2.0	1.8	1.9
EPS (Common stock)	(Yen)	59.31	72.18	88.64	95.77	56.60
EPS (Preferred stock)	(Yen)	69.28	82.18	98.64	105.77	66.60
BPS (Common stock)	(Yen)	821.36	856.76	923.24	974.36	1031.19
BPS (Preferred stock)	(Yen)	826.36	861.76	928.24	979.36	1036.19
Dividend per share (Common stock)	(Yen)	38.0	38.0	38.0	39.0	40.0
Dividend per share (Preferred stock)	(Yen)	48.0	48.0	48.0	49.0	50.0
Payout ratio (Common stock)	(%)	64.1	52.6	42.9	40.7	70.7
Payout ratio (Preferred stock)	(%)	69.3	58.4	48.7	46.3	75.1
Payout ratio (Total of common stock and preferred stock)	(%)	65.6	54.4	44.5	42.4	72.0
Ratio of Foreign Shareholders	(%)	8.4	6.5	12.5	13.3	14.3
Outstanding shares	(1000 shares)	125,459	125,459	123,459	123,459	123,459
Common stock	(1000 shares)	91,212	91,212	89,212	89,212	89,212
Preferred stock	(1000 shares)	34,246	34,246	34,246	34,246	34,246
Year-end stock price (Ex-rights adjusted)	(Yen)	1,431	1,448	2,345	2,185	2,490



For the financial details, please see the following website
http://www.itoen.co.jp/finance_ir/library/

List of Officers

As of September 1, 2015

Chairman and Representative Director

Hachiro Honjo

Aug. 1964 Established Japan Family Service Co., Ltd.
Director
Aug. 1966 Established Frontier Tea Corporation (The
company name was changed to ITO EN,
LTD. in May 1969)
Director
May 1978 Executive Vice-President
Apr. 1987 Vice-President and Representative Director
May 1988 President and Representative Director
Ma 2009 Chairman and Representative Director
(current post)

President and Representative Director

Daisuke Honjo

Apr. 1987 Joined ITO EN
Jul. 1990 Director
May 1997 Managing Director
May 2000 Executive Managing Director
Jul. 2002 Vice-President and Representative Director
May 2009 President and Representative Director
(current post)

Vice-President and Representative Director

Shusuke Honjo

Apr. 1994 Joined ITO EN
Jul. 2003 Director
May 2005 Managing Director
May 2008 Executive Managing Director
May 2010 Executive Vice-President
Aug. 2014 Vice-President and Representative Director
(current post)

Executive Vice-Chairman

Yoshito Ejima

Apr. 1968 Joined ITO EN
Nov. 1983 Director
May 1987 Managing Director
May 1992 Executive Managing Director
May 1997 Executive Vice-President
May 2014 Executive Vice-Chairman (current post)

Executive Vice-President

Shunji Hashimoto

Jan. 1970 Joined ITO EN
Jul. 1990 Director
May 1994 Managing Director
May 1997 Executive Managing Director
May 2000 Executive Vice-President (current post)

Executive Vice-President

Minoru Watanabe

Jul. 1976 Joined ITO EN
Jul. 1996 Director
May 2001 Managing Director
May 2003 Executive Managing Director
May 2008 Executive Vice-President (current post)

Executive Managing Director

Mitsuo Yashiro

Apr. 1978 Joined ITO EN
Jul. 1992 Director
May 2001 Managing Director
May 2010 Executive Managing Director (current post)

Executive Managing Director

Yoshio Kobayashi

Apr. 1975 Joined ITO EN
Jul. 1992 Director
May 2001 Managing Director
May 2014 Executive Managing Director (current post)

Managing Director

Masami Kanayama

Apr. 1976 Joined ITO EN
Jul. 2010 Director
May 2013 Managing Director (current post)

Managing Director

Yoshihisa Nakano

Mar. 1989 Joined ITO EN
Jul. 2010 Director
May 2014 Managing Director (current post)

Director

Yosuke Jay Oceanbright Honjo

Mar. 1992 Joined ITO EN
Jul. 2002 Director (current post)

Director

Osamu Namioka

Mar. 1989 Joined ITO EN
Jul. 2010 Director (current post)

Director

Shigeru Kamiya

Mar. 1982 Joined ITO EN
Jul. 2014 Director (current post)

Director

Fujitsugu Soma

Feb. 1984 Joined ITO EN
Jul. 2014 Director (current post)

Director

Shuji Nakagomi

Mar. 1981 Joined ITO EN
Jul. 2014 Director (current post)

Managing Executive Officer

Hidemitsu Sasaya

Manager of CSR Promotion Department

Atsushi Hirata

Manager of Personnel and General Affairs
Division

Executive Officer

Ikuo Sato

Deputy Manager of Personnel and General Affairs
Division, Manager of Personnel Department

Katsunori Yoshino

Manager of South Kanto District Sales Division

Nobuyuki Sakashita

Manager of Production Division

Motohiko Takuma

Deputy Manager of Production Division

Yoshiaki Tanoura

Deputy Manager of International Division

Kenichiro Ishizaka

Manager of Special Sales Division

Takeshi Saito

Manager of Chushikoku & Kyushu Districts Sales Division

Katsumi Asano

Manager of Administrative Division

Yuko Sagesaka

Manager of Central Research Institute

Outside Director

Hirokazu Uchiki

Apr. 1965 Joined Uchiki Glass Shokai Co., Ltd.
 Apr. 1969 Director of Uchiki Glass Shokai Co., Ltd.
 Oct. 1984 President and Representative Director of Uchiki Glass Shokai Co., Ltd. (current post)
 Jul. 2013 Outside Director, ITO EN (current post)

Outside Director

Morikazu Taguchi

Apr. 1975 Full-Time Lecturer, Faculty of Law, Aichi Gakuin University
 Jan. 1984 Professor, Faculty of Law, Aichi Gakuin University
 Apr. 1995 Professor, School of Law, Waseda University
 Apr. 2004 Professor, Waseda Law School, Waseda University
 Jul. 2013 Outside Director, ITO EN (current post)
 Apr. 2014 Specially Appointed Professor, Shinshu University School of Law (current post)
 Apr. 2014 Professor Emeritus, Waseda University (current post)

Standing Corporate Auditor

Minoru Takahashi

Apr. 1973 Joined Saitama Bank, Ltd.
 Mar. 2002 Executive Officer, Daiwa Bank Holdings, Inc. (now Resona Holdings, Inc.)
 Apr. 2006 Executive Officer, PENTAX Corporation (now HOYA CORPORATION)
 Apr. 2007 Joined ITO EN
 May 2007 Manager of the Internal Control Office
 May 2008 Manager of the Internal Audit Office
 Jul. 2011 Standing Corporate Auditor, ITO EN (current post)

Outside Corporate Auditor

Yoshiaki Takasawa

Apr. 1959 Entered the Legal Training and Research Institute of the Supreme Court of Japan
 Apr. 1961 Judge of Kanazawa District Court
 Apr. 1964 Judge of Amagasaki Branch, Kobe District Court
 Apr. 1967 Judge of Osaka District Court
 Apr. 1971 Retired as judge and registered as attorney
 Jul. 1991 Outside Corporate Auditor, ITO EN (current post)

Outside Corporate Auditor

Yutaka Tanaka

Apr. 1966 Entered the Sapporo Regional Taxation Bureau
 Jul. 2003 District Director, Tokyo Ueno Tax Office
 Jul. 2006 Director-General, Takamatsu National Tax Tribunal
 Jul. 2007 Attached to the Commissioner's Secretariat, National Tax Agency
 Aug. 2007 Head of Tanaka Tax Certified Accountant Office (current post)
 Jul. 2013 Outside Corporate Auditor, ITO EN (current post)

Outside Corporate Auditor

Masahiro Nagasawa

Oct. 1981 Joined Price Waterhouse (now Japan Assurance Arata)
 Apr. 1984 Joined Shinwa Audit Corporation (now KPMG AZSA LLC.)
 Aug. 2002 Representative Partner, Asahi Audit Corporation (now KPMG AZSA LLC.)
 Jul. 2012 Representative, Nagasawa CPA Firm (current post)
 Jul. 2013 Outside Corporate Auditor, ITO EN (current post)
 May 2014 Outside Corporate Auditor, Tokyo Individualized Educational Institute, Inc. (current post)

Messages from Outside Directors and an Outside Corporate Auditor

Outside Director

Hirokazu Uchiki

In the two years since I was appointed an outside director, at meetings of the Board of Directors, I have received explanations about agenda items mainly from departments in charge, have confirmed the contents of the items, and have expressed my opinions based on my experience as a corporate manager.

I believe that the strengths of ITO EN are its young employees and new business. ITO EN has many young staff who will take the lead in the years to come. It also deals in tea, which allows the Company to make many different proposals to the market suitable for the four seasons in Japan.

I will fulfill my duties as an outside director, helping the Company to hand down tea to posterity and increasing transparency in governance.

Outside Director

Morikazu Taguchi

Two years have passed since I took office as an outside director. During that period, I have expressed my opinions frankly at meetings of the Board of Directors from the perspective of a person from outside the Company and from the perspective of a legal professional.

ITO EN's core management principle—Always Putting the Customer First—is a solid foundation for its compliance program and corporate governance. Under this management principle, ITO EN strives to promote compliance. I believe that fairness and transparency are important for a company to achieve sustainable development and increase its corporate value. It is also important to respond to the trust of all stakeholders. The Company needs to enhance internal communication to promote cooperation with its employees. From this perspective, as an outside director, I will contribute to improving corporate value.

Outside Corporate Auditor

Yoshiaki Takasawa

For many years, as an outside corporate auditor, I have expressed my opinions at meetings of the Board of Directors based on my belief that operations and compliance are two wheels of a cart.

ITO EN has established an internal reporting system. In its governance, the Company needs to supervise the operation of the system and to increase transparency, while expecting the employees' active use of the system. ITO EN also has the Voice System. I believe that the Company has a very good system to reflect its employees' voices in its management. Listening to employees' opinions will be important for the Company's governance. From this perspective, I will perform my duties as an outside corporate auditor.

Introduction of Main Group Companies



■ Tully's Coffee Japan Co., Ltd.

Address: Shinjuku-ku, Tokyo
Established: 1998
Capital: 100 million yen

As a specialty coffee shop chain, the company manages eateries and develops its franchise.

▶ <http://www.tullys.co.jp>



■ ITO EN (North America) INC.

Address: New York, New York, USA
Established: 2001 Capital: 149 million US dollars
The company sells the "Oi Ocha" and "TEAS' TEA" series of products, etc. and has also introduced Japanese food culture centered on Japanese tea.

▶ <http://www.itoen.com>



■ Chichiyasu Company

Address: Hatsukaichi-shi, Hiroshima
Established: 1886
Capital: 100 million yen
The company has produced and sold dairy products such as milk and yogurt since its foundation in 1886.

▶ <http://www.chichiyasu.com>



■ ITO EN (USA) INC.

Address: Honolulu, Hawaii, USA
Established: 1987
Capital: 21.5 million US dollars

The company has produced and sold beverages mainly in Hawaii.

▶ <http://itoen-usa.com/>



■ OKINAWA ITO EN, LTD.

Address: Itoman-shi, Okinawa
Established: 1981
Capital: 90 million yen
The company sells *Sanpin-Cha* and other beverage products and tea leaf products.

▶ <http://www.okinawa-itoen.jp>

Domestic

- ITO EN-ITOCHU MINERAL WATERS CO., LTD.
- NEOS Corporation
- GREEN VALUE CO., LTD.
- ITO EN SANGYO, LTD.
- ITO EN KANSAI CHAGYO, LTD.

Overseas

[United States]

Mason Distributors, Inc.
Distant Lands Trading Company, Inc.

[Australia]

ITO EN AUSTRALIA PTY. LIMITED

[Singapore]

ITO EN Asia Pacific Holdings Pte. Ltd.
ITO EN Singapore Pte. Ltd.

[China]

Ningbo Shunyi Tea Products Co., Ltd.
Fujian New Oolong Drink Co., Ltd.
ITO EN BEVERAGE (SHANGHAI), LTD.

[Indonesia]

PT ULTRAJAYA ITO EN MANUFACTURING
PT ITO EN ULTRAJAYA WHOLESALE

[Thailand]

ITO EN (Thailand) Co., Ltd.

Company Outline As of April 30, 2015

Company Profile

Company name	ITO EN, LTD.
Head Office	47-10, Honmachi 3-chome, Shibuya-ku, Tokyo
Established	August 22, 1966
Capital	19,912,300,000 yen
Number of employees	5,381 persons
URL	http://www.itoen.co.jp
Branches, sales offices and local offices	201 offices in 30 areas throughout Japan
Stores	211 stores throughout Japan
Factories	Shizuoka Sagara Factory (21, Mekami, Makinohara-shi, Shizuoka) Hamaoka Factory (3406-4, Niino, Omaezaki-shi, Shizuoka) Fukushima Factory (1-2-9, Araikita, Fukushima-shi, Fukushima) Okinawa Nago Factory (112, Isagawa, Nago-shi, Okinawa)
Research institute	Central Research Institute (21, Mekami, Makinohara-shi, Shizuoka)

Shares and Shareholders

Total number of authorized shares:	200,000,000 shares
Total number of issued shares	▶ Common stock: 89,212,380 shares ▶ Preferred stock: 34,246,962 shares
Number of shareholders	▶ Common stock: 74,306 persons ▶ Preferred stock: 67,341 persons

▶ Major shareholders

Common stock

Name of shareholder	Shareholding (1,000 shares)	Ratio of shareholding (%)
Green Core Co., Ltd.	17,403	19.51
Honjo International Scholarship Foundation	5,200	5.83
Ito En Employees' Shareholding Association	2,611	2.93
Hachiro Honjo	2,445	2.74
State Street Bank and Trust Company 505223	2,430	2.72
The Master Trust Bank of Japan, Ltd. (trust account)	2,338	2.62
BNYML -NON TREATY ACCOUNT	2,219	2.49
Japan Trustee Services Bank, Ltd. (trust account 9)	1,968	2.21
Toyo Seikan Group Holdings, Ltd.	1,955	2.19
Resona Bank, Limited	1,933	2.17

Preferred Stock

Preferred stock can receive dividends of profits preferentially compared to common stock.

Overview

	Preferred stock	Common stock
Security code	25935	2593
Voting rights	None (Note 1)	Available
Dividends	Preferred dividend Amount of common dividend x 125% (Note 2) Any accrued amount is accumulated.	Common dividend Not accumulated
Right to receive distributions of residual assets	Equal with common stock (Note 3)	—
Conversion rights into common stock	No conversion right based on shareholder's intention (Note 4)	—
Share unit	100 shares	
Shareholder special benefit plan	Available	

(Note 1) In some cases, voting rights are available.
(Note 2) The first decimal place is rounded up to the nearest whole number. The lower limit is 15 yen. Even when no dividend is paid for common stock, 15 yen per share is paid for preferred stock.
(Note 3) If any accrued amount is accumulated, the shortfall in the payment is paid to the shareholders of preferred stock before the payment for common stock.
(Note 4) In the specific cases shown below, the Company may obtain preferred stock in exchange for common stock at the ratio of 1:1.
[Specific cases]
1. Merger in which the Company becomes an extinct company and share exchange and share transfer in which the Company becomes a wholly owned subsidiary (except those implemented by the Company alone).
2. When, due to a tender offer for common stock, the shareholding ratio of the tender offerer exceeds 50% and the percentage of the offeror through a tender offer for two of the Company's common stock has become more than 50%.
3. When the listing of the preferred stock of the Company is abolished.

Company History

Year	Month	Overview
1966	Aug.	Establishes Frontier Tea Corporation, ITO EN's predecessor, in Shizuoka-shi, Shizuoka.
1969	May	Changes the Company's name to ITO EN, LTD.
1972	Feb.	Introduces a high-speed automatic packaging machine manufactured by Industrial Gesellschaft in Switzerland. Develops vacuum packing technology to preserve the freshness of tea leaves.
1974	May	Constructs Shizuoka Sagara Factory in Sagaracho, Haibara-gun, Shizuoka. Intensifies the production system.
1979	Aug.	Signs an agency contract with China National Native Produce and Animal By-products Import and Export Corporation to import oolong tea for the first time in Japan and starts selling oolong tea.
1980	Sep.	Develops Canned Oolong Tea and starts selling it in some areas.
1985	Feb.	Starts selling the world's first Canned Green Tea.
1987	Jul.	Establishes ITO-EN (USA) INC. in Hawaii, USA as the first step in overseas expansion.
1989	Feb.	Changes the name of Canned Green Tea products to <i>Oi Ocha</i> .
1990	Mar.	Releases the world's first PET bottled green tea drinks (<i>Oi Ocha</i> Green Tea, 1.5L).
1992	May	Offers stock to the public.
	Sep.	Releases Juju Yasaï.
1993	Dec.	Issues convertible bonds worth 140 million Swiss francs.
	Jun.	Issues convertible bonds worth 100 million Swiss francs.
1994	Sep.	Establishes ITO EN AUSTRALIA PTY. LIMITED in Australia.
1996	Sep.	Goes public on the Second Section of the Tokyo Stock Exchange.
1998	Feb.	Establishes joint venture Fujian New Oolong Drink Co., Ltd. in China.
	Oct.	Stock advanced to the First Section of the Tokyo Stock Exchange.
2000	Oct.	Releases the industry's first hot drinks in heatable PET bottles.
2001	May	Establishes the consolidated subsidiary ITO EN (North America) INC. in continental USA.
2004	May	Releases <i>Oi Ocha</i> Koi Aji and <i>Ichinichibun-no-Yasaï</i> . ITO EN AUSTRALIA PTY. LIMITED builds new raw tea leaf plant and commences production.
	Jun.	Obtains shares of Mason Distributors, Inc. that engages in the nutritional supplement business based in Florida, USA to strengthen the business in North America.
2006	Oct.	Makes FoodX Globe Co., Ltd. (now Tully's Coffee Japan Co., Ltd.), which operates the Tully's Coffee chain, a consolidated subsidiary to expand the coffee business.
2007	Sep.	Lists Class 1 preferred stock on the First Section of the Tokyo Stock Exchange.
2008	Mar.	Concludes an exclusive distributor contract for the sale of Evian natural mineral water in Japan with the DANONE Group (headquartered in France).
2009	Aug.	Releases the black tea brand TEAS' TEA NEW YORK.
2010	Feb.	Establishes GREEN VALUE CO., LTD., which engages in the maintenance and procurement of automatic vending machines.
2011	May	Makes Chichiyasu Company a consolidated subsidiary to strengthen the dairy product business.
	Jun.	Establishes ITO EN Asia Pacific Holdings Pte. Ltd. in Singapore.
2012	Sep.	Establishes ITO EN Beverage (Shanghai), Ltd. in China.
	Oct.	Opens a representative office in Vietnam. Makes NEOS Corporation a consolidated subsidiary.
	May	Establishes ITO EN (Thailand) Co., Ltd. in Thailand.
2013	Jul.	Establishes a joint venture for the manufacture and sale of beverages in Indonesia.
	Sep.	Makes TSUCHIKURA Co., Ltd. a consolidated subsidiary.
2015	Feb.	ITO EN (North America) INC. obtains 100% of the shares of Distant Lands Trading Company, Inc., which is involved in the cultivation and sale of coffee beans mainly in the United States.



For further information on ITO EN REPORT 2015,
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About ITO EN REPORT 2015

ITO EN decided to start issuing the ITO EN REPORT from fiscal 2015 as a report that integrated our conventional Corporate Book and CSR Report, with the aim of providing a better understanding of our financial and non-financial information in a single document. This report is designed as a digest version.

For more detailed information, please refer to the following materials attached separately to this report.

(1) "Sustainability Report 2015: Special Features Edition, Sustainability Report 2015: Performance Report Edition" (CSR Report) and Communication Book (The Seven Stories of the green tea), which mainly summarizes non-financial information.

(2) "ITO EN REPORT 2015: Financial Reports," which mainly summarizes financial information.

The above information is also published on our corporate website.

(3) Data in detail are also published on our website, with the above information included with additional and updated details.

This report focuses primarily on activities during fiscal year 2014 (May 1, 2014 to April 30, 2015), but also includes details of selected ongoing initiatives and more recent activities. The professional affiliation and official positions of the stakeholders that are introduced in this report are current at the time of their activities.

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Disclaimers

This report contains statements of plans and strategies, as well as performance estimates and forecasts, regarding the future of the ITO EN Group. These statements are forward-looking statements based on Group assumptions and beliefs that reflect information available at the time.