



S-book  
**Sustainability Report 2015**  
Special Features Edition

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## Positioning of and editorial policy for Sustainability Report 2015 : Special Features Edition (CSR Report 2015)

ITOEN decided to start issuing the ITO EN REPORT from fiscal 2015 as an integrated report that combines its financial and non-financial information, with the aim of providing a better understanding in a single document. This report, Sustainability Report 2015: Special Features Edition, supplements the ITO EN REPORT 2015 with respect to the non-financial information. It primarily consists of the top message, special topics that take ITO EN's priority matters into account, and third-party opinions. The non-financial information in the ITO EN REPORT is made up of three parts, with the second part comprising the Sustainability Report 2015: Performance Report Edition (a separate brochure mainly for performance reporting) and the third part containing the standard Communication Book (The Seven Stories of the green tea). The detailed information is also published on our corporate website.

The guidelines that have been referred to in editing this report (Special Features Edition / Performance Report Edition), the scope of this report, and the period covered by this report are as follows:

### [Guidelines referred to in this report]

Social responsibilities governed by the international standard ISO 26000 / JIS Z 26000 (domestic guidance on social responsibility), the GRI Sustainability Reporting Guidelines Version 3.1, and the Ministry of Environment's Environmental Report Guidelines (2012 Edition)

### [Scope of this report]

This report refers to the ITO EN Group, in principle. When an individual article does not refer to the Group, the scope of the article is described in the said article.

### [Period covered by this report]

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

### [Date of publication]

October 2015 (previous issue "S-book CSR Report 2014": October 2014; next issue of the Sustainability Report: October 2016 (planned))

**(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.

## Top Message

### 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 ISO 26000 "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 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 the 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, ITO EN has enhanced these activities so that the employees can also learn about sustainability together with the partners (ESD: education for sustainable development). 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 the stakeholders leads to the external recognition of ITO EN.

For example, ITO EN won the 2013 Porter Prize 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 vitalization. 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) Award for promoters of the 3Rs granted by the Minister of Agriculture, Forestry and Fisheries of Japan based on the evaluation of 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.

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.

Daisuke Honjo,  
President and  
Representative Director

本庄大介

## Management principle

### “Always Putting the Customer First”

We believe 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. In other words, they are all our stakeholders. With our customers, we will comply with laws and regulations and create value not only in the financial aspects but also in the social and environmental aspects. As a prior condition for these commitments, we will protect the global environment for future generations, promote voluntary and ongoing environmental protection activities, and contribute to our co-existence with nature.



## The ITO EN Group’s CSR

In order to share the same values within the ITO EN Group and aim for integration, we established the ITO EN GROUP CSR Charter that concretely outlines the concept of the CSR management in March 2013 (Revised in February 2014).

### ITO EN GROUP CSR Charter

Based on the management principle of “Always Putting the Customer First,” we make it a principle to listen to stakeholders’ opinions and gain their trust. We will ensure strict legal and regulatory compliance and address the seven core subjects defined in ISO 26000 (the international standard on social responsibility) and JIS Z 26000 (domestic guidance on social responsibility) through our mainstay business, thereby aiming to become a “Global Tea Company.”

We will also implement measures for a Green Economy domestically and globally, create a new dietary culture and propose lifestyle ideas, and contribute to achieving a sustainable society and environment through Creating Shared Value (CSV), by striking a balance between solving social issues and promoting the ITO EN Group’s growth.

\*A ITO EN, in addition to this basic concept, we formulated the CSR Charter according to the seven core subjects (organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development).

### ITO EN GROUP CSR Charter



### Outline of the ITO EN Group’s CSR / CSV activities



■Basic CSR: Strengthening management foundations based on the seven core subjects of ISO 26000

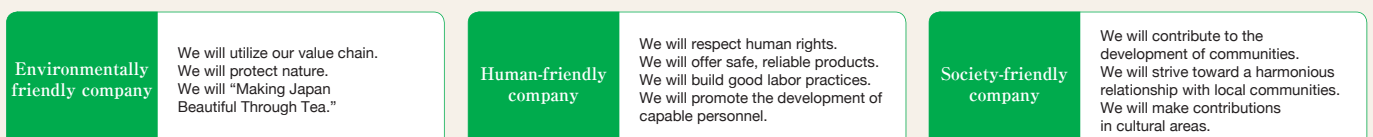
■Creating Shared Value (CSV): Striking a balance between solving social issues and promoting the ITO EN Group’s growth (Seeking to achieve CSV based on the priority themes of the environment, consumer issues, and communities involvement and development).

■Fostering human resources through ESD: Implementation through the united efforts of Team ITO EN

▼ITO EN Group’s 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 the 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.”

**Three CSR Goals :** At ITO EN, we aim for the following three goals as our CSR targets for contributing to a sustainable society and environment.



For details of the three CSR goals, please see page 41 of the Communication Book.

□ Please find the details on the website shown on the right. URL ▶ <http://www.itoen.co.jp/csr/>

## Creating Shared Value through the Value Chain from Tea Plantations to Products

ITO EN strives to provide high quality products to its customers by taking advantage of its unique value chain “From tea plantations to products.” It adopts a variety of improvements that are unique to ITO EN in the production process. Through the overall flows of operations from procurement to production, logistics, product development, sales and distribution and marketing (which are termed as the value chain), ITO EN creates new value in cooperation with the related parties. With respect to the value, the characteristics and the source of the strength of ITO EN lie in the creation of not only the value of business aspects (featured in the items below marked with ○), but also the value of social and environmental aspects\* (featured in the items below marked with ●). These items are the materiality

(important matters) that have been determined in consideration of the opinions of the stakeholders. This special feature will present the details of the value chain centered on green tea and the evaluation of the value chain that is obtained externally.

\*Including value for business partners

In developing a unique value chain, fundamental initiatives that support value chain development are important. The four main fundamental initiatives are as follows. First, ITO EN, as a company that handles food, has established a strict quality management structure and a traceability system in the overall value chain from the design of products to the procurement of raw ingredients, production and retailing. It places priority on gaining customers’ trust by taking the initiative to ensure the safety of products as the most important issue and providing safety and comfort to customers.



### Procurement

#### High capability of crude tea procurement

- High quality and steady crude tea procurement capabilities with the advantages of scale
- Expansion of the consumption of domestic crude tea and the revitalization of the green tea market



#### Tea-Producing Region Development Project

- Improvement of tea leaf quality and steady crude tea procurement
- Cost cutting
- Optimization of picking period by using IT
- Improvement of food self-sufficiency ratio and dealing with abandoned farmland
- Local vitalization and promotion of environmental preservation agriculture

#### Tea-Producing Region Development Project

- ▶ Grand Prize for research and development (new technology sector) in the Food Action Nippon Award 2013
- ▶ Nikkei Social Initiative Award for the corporate sector



### Production and Logistics

#### Fabless method

- Cutting costs for capital spending and production adjustments in accordance with demand
- Stable management through order taking (for packers)

#### NS system

- Product differentiation through superior quality and cost cutting
- Promotion of resource- and energy-saving products



#### Used Tea Leaves Recycling System

- Cost cutting through resource saving and recycling
- Environmental awareness and development of new lifestyles (for Consumers) purchasing eco-friendly products

#### Quality control system

- Enhancement of brand value
- Security and safety of consumers

#### Block production and logistics systems

- Cutting logistics costs and prompt product distribution
- Environmental awareness and decentralization of inventory and logistics management

#### Used tea leaves recycling system

- ▶ Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs, etc.

#### NS system

- ▶ 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, etc.



### Product Development

#### Product development capabilities

- Product differentiation through high added value products
- Provision of health value to a range of customers



#### Wide range of products

- Flexible response to the expansion of the beverage market, business meetings with major retailers and consumers’ needs
- Provision of beverages that meet a wide range of needs

#### Patent strategies and trademark strategies

- Product differentiation from competitors, improvement of brand power and ensuring of competitiveness
- Contribution to handling counterfeit products

#### Aluminum-free paper package beverage containers

- ▶ Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs, etc.

#### Container packaging simplification

- ▶ Simplification Excellence Prize

Second, because businesses are able to be managed only through cooperation with related parties, ITO EN has established and is promoting a code of conduct and standards of conduct to ensure respect for fundamental human rights and compliance. It has stipulated specific points to which all its employees are required to pay attention when carrying out businesses, and it ensures that all employees fully understand and thoroughly comply with the relevant points.

Third, based on its belief that its greatest asset is people, ITO EN focuses on the creation of a comfortable workplace and the development of human resources. It has been developing a working environment in which diversity is valued and the work-life balance is further improved, so that each employee who carries out business is able to work energetically. Moreover, not only to enhance the abilities and skills of its employees, but also to increase their work motivation, ITO EN has established a self-development system including ITO EN Business College and ITO EN Graduate School as ITO EN internal training systems.

Fourth, ITO EN is striving to strengthen its financial foundations with the aim of achieving a high earnings structure, steady earnings, greater capital efficiency and other challenges by adopting financial management that is integrated with ITO EN's unique business model.

ITO EN's value chain, which is made up of the characteristics of its business foundation as described above, has been creating a wide range of new value.

### External Recognition(2013-2015 prizes)

ITO EN's business foundation, which creates value through cooperation with the related parties, has also led to improvement in its external recognition. In recognition of ITO EN's fundamental initiatives, mainly based on the fact that the fusion and integration and harmony (fitting) of the uniqueness of the activities of ITO EN's overall value chain and each activity create synergy effects, its overall management strategies were recognized and it won the Porter Prize (refer to page 7). ITO EN also won the Food Safety, Security, and Environmental Contribution Award in recognition of its continued CSR activities, the Environmental Communication Award (Outstanding Performance Award) in recognition of its unique CSR reports and the Prize of the Minister of Agriculture, Forestry and Fisheries for the Overseas Promotion of Japanese Food in recognition of the cultural aspects.

Moreover, under this activity foundation, each activity at each stage of the value chain has led to the receipt of various types of recognition as indicated at the bottom of the items below.



## Sales and Distribution

### Community-based sales system

- Acquisition of new customers and strengthening of existing customers  
Management of potential customers and improvement of customer satisfaction
- Provision of products nationwide by implementing community-based sales activities



### Retailers

- Acquisition of new customers and strengthening of existing customers  
Management of potential customers and improvement of customer satisfaction
- Protection and succession of tea culture and tradition

### Oi Ocha New Haiku Contest

- ▶ Grand Prize for the marketing and communication sector in the PR Award Grand Prix, etc.

### Gift Package

- ▶ Japan Packaging Contest (Gift Packaging Award)



## Marketing

### Marketing

- Expansion of sales and market share, enhancement of product differentiation and development and strengthening of brand value through total marketing
- Flexible response to meet consumer needs

### The Tea taster system

- Revitalization of the green tea market and strengthening of sales and promotional capabilities through the tea expert group
- Promotion and succession of tea culture, a Japanese tradition

### Oi Ocha New Haiku Contest

- Expansion of sales and market share through added value
- Promotion of Japanese traditional culture and contribution to school education

### "Making Japan Beautiful Through Tea" project

- Expansion of sales and market share through added value
- Promotion of eco-friendly lifestyle and environmental preservation activities



### Making Japan Beautiful Through Tea

- ▶ Prize of the Minister of Economy, Trade and Industry in the Japan Water Grand Prize award

### Roibos Tea

- ▶ Gold Prize in the FOOD EX Gourmet Beauty Grand Prix 2014, etc.

- : Business aspects value
- : Social and environmental aspects value

Become a Global Tea Company

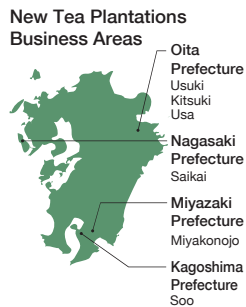
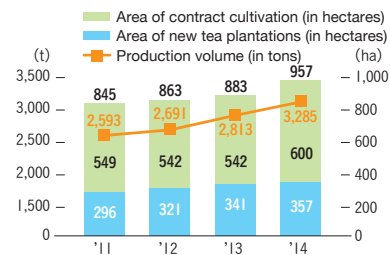
## ITO EN's Initiatives to Creating Shared Value (CSV)

In all three approaches to creating shared value (CSV), (i) development of industrial clusters, (ii) review of the value chain and (iii) improvement of products and services, ITO EN carries out strategic initiatives with the aim of simultaneously achieving social value and economic value. The shared value that is created through each approach, which is an achievement of ITO EN through cooperation with the related parties by taking advantage of its core businesses, has also brought about external recognition.

### Resolving Social Issues through the Tea-Producing Region Development Project (Development of Industrial Clusters)

ITO EN cooperates with regional government agencies, unions, and producers to promote the utilization of abandoned farmland to develop new plantations, and to offer cultivation technology and expertise, including mechanization and IT, while purchasing entire crops of tea leaves to increase tea leaf quality and reduce costs. For tea farmers, entering into transactions with ITO EN enables them to undertake stable farming management and promote environmental preservation through the appropriate use of fertilizers and pesticides.

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



Under the new tea plantations business, in certain regions, farmers have established crude tea production factories, leading the creation of the sextiary industry. In addition to the strengthening of cooperation with prefectural tea industrial research organizations and promotion organizations, ITO EN is striving to strengthen cooperation with agricultural material related companies, universities and agricultural cooperation organizations in relation to fertilizers and other materials. As a result, the development of industrial clusters is progressing in tea producing regions.

Through the cooperation as described above, ITO EN has gained value: the steady procurement of high quality raw ingredients. On the other hand, farmers and local communities are able to enjoy the positive cycle of the development of successors and the securing of new farmers, resulting in a younger farming population. In this way, they have also gained value: the positive effects on local economies, including the eradication of abandoned farmland and the creation of employment.



- Development of new tea plantations
- Steady crude tea procurement
- Stability of agricultural management foundation
- Revitalization of local employment and economies

#### \* ITO EN received the 3rd Nikkei Social Initiative Award – Corporate Category Prize

The Tea-Producing Region Development Project received the “Nikkei Social Initiative Award.” The award recognizes superior initiatives in a “social business” that resolves social issues through business methods.

### Innovation through Cooperation with Partners (Review of the Value Chain)

Cooperation between ITO EN and outsourced tea beverage producers has been the source of innovations that create new value, in addition to the economic benefits of such initiatives.



The New Tea Plantations Business; Tea fields in Kitsuki, Oita Prefecture, producing crude tea leaves exclusively for Oi Ocha

The NS system, which was jointly developed with Toyo Seikan Co., Ltd., adopts 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 the creation of a range of value meeting customers' requirements and environmental considerations, such as the securing of safety and security and reductions in the amount of water and energy used.

To make effective use of the approximately 49,000 tons of used tea leaves that are generated annually during the tea beverage production process, while most of the tea leaves are used by farmers as fertilizer and fodder, ITO EN has also developed the Used Tea Leaves Recycling System with its partner companies. By using used tea leaves as a part of the raw materials, ITO EN has developed more than 30 recycled products, including tatami mats, building materials, and cardboard for the *Oi Ocha* PET containers. As described above, innovation that creates both social and environmental value has been developed through cooperation with partners.

**( Value for ITO EN ) × ( Value for society )**

- Cost cutting through resources and energy saving
- Wider use of resources and energy saving products
- Acquisition of eco-friendly products

**\* ITO EN received three awards, including the 2014 Circular Resource Techniques and Systems Award**

Having been recognized for its capability to achieve sustainable consumption, the new aseptic filling method, the NS system, has won three awards (all jointly with Toyo Seikan Co., Ltd.).

- Circulating society aspect: 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)
- Sustainable consumption aspect: Prize of the Director-General of the Food Industry Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries in the Food Industry Mottainai Award (2015)
- Environmental aspect: Environmental Performance Award (Outstanding Performance Award) (2015)

## Provision of Products that Achieve Health and Sustainable Consumption (Improvement of Products and Services)

Against the backdrop of increased health awareness, ITO EN has been moving forward with research into the health-promoting properties of green tea, and provides health value to its customers. Accordingly, it launched *Oi Ocha Koicha* (strong-tasting green tea), which contains twice the amount of catechin of ordinary *Oi Ocha Ryokucha* (green tea), and the *Catechin-Cha Series* (green tea containing catechin), a product approved as a Food for Specified Health Use (FOSHU), targeted at people who are concerned about their fat intake and cholesterol levels. The newly institutionalized "Food with Function Claims" is another target field for ITO EN's research and development. It will ensure that it will offer new value to its customers in this field.

With respect to containers, ITO EN has successfully reduced the weight of the PET containers for green tea beverages through the creating shared value in the environmental aspect.

Products such as *Oi Ocha*, a mainstay product, excluding certain products, adopt eco-friendly PET containers nationwide. Moreover, ITO EN developed a non-aluminum beverage carton for vegetable drinks (commonly called an eco-friendly carton) that uses eco-friendly film instead of aluminum foil liners in collaboration with Nippon Paper Industries Co., Ltd. and Toppan Printing Co., Ltd. The new carton for vegetable beverages is capable of keeping products at room temperatures for an extended period and is still able to be recycled in the same manner as milk cartons. Accordingly, it has created value, including sustainable consumption.

**Caps** —————

**About 13% lighter**  
than the existing ones  
Weight: 2.6g

**Containers** —————

**About 30% lighter**  
than the existing ones  
500ml PET containers  
(conversion)  
Weight: 19g

**Labels** —————

**Between 40% and 50% thinner**  
than the existing ones  
Thickness: 20 micrometers



Eco-friendly PET containers



Catechin-Cha Series

**( Value for ITO EN ) × ( Value for society )**

- Establishment of brand
- Expansion of sales and market share and achieving product differentiation through total marketing
- Enjoying products with health awareness
- Sustainable consumption life

**\* ITO EN received five awards, including the 2014 Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs.**

Having been recognized in the various aspects outlined below, the non-aluminum beverage carton won five awards (all jointly with Nippon Paper Industries Co., Ltd. and Toppan Printing Co., Ltd.).

- Sustainable consumption aspect: Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs (2014)
- Lifestyle aspect: Japan Packaging Contest (Food Packaging Award) (2014)
- Universal design aspect: IAUD Award (2014)
- Environmental product development aspect: Eco Products Award (Chairperson's Award, Eco-Products Awards Steering Committee) (2014)
- Circulating society aspect: Prize of the Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry in the Japan Packaging Competition (2015)

## Reading ITO EN's Competitive Strategies

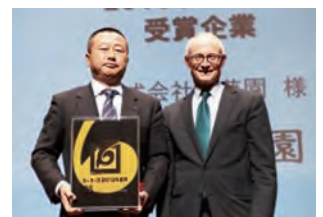
Various activities that form the ITO EN's value chain stretching from tea plantations to products are related to each other. These activities also produce synergy through their harmony. The activity system map prepared by the Porter Prize Steering Committee at the Porter Prize reception presented below shows how these activities are related to each other in a manner that is easy to understand. The map shows where each of these activities is positioned within a system that is a value chain. It is an extremely instructive guide for understanding the ITO EN's original competitive strategies for creating shared value (CSV).

The green items in the following map are core business items. In the map, these items are arranged to flow from the upper reaches to the lower reaches of the value chain.

Light green lines connect the green items to related items. These lines indicate the interrelations of activities within the value chain. White items deriving from the green ones represent separate activities related to the core items.

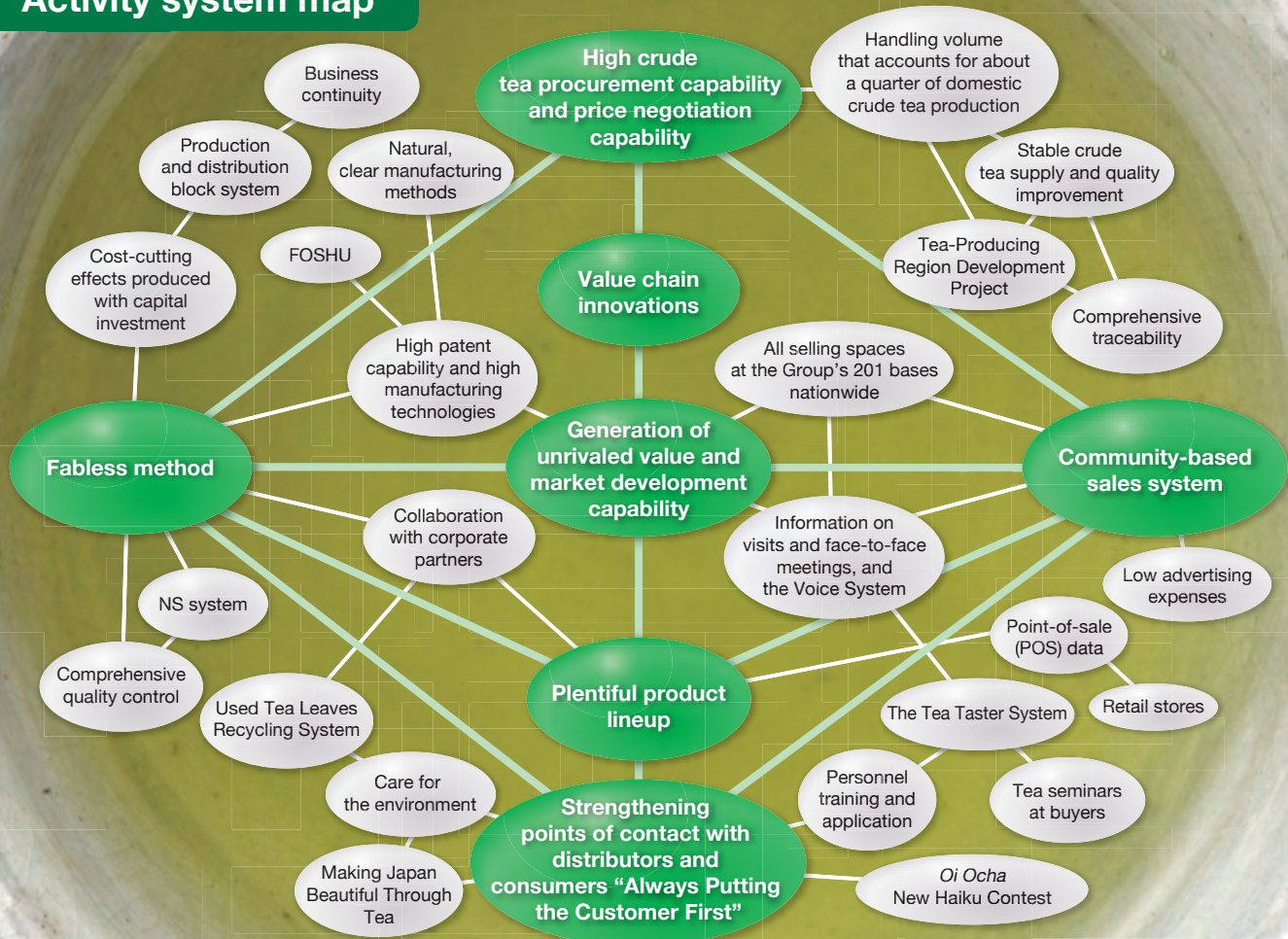
The high capability to procure tea leaves and the capability to develop markets and points of contact with distributors and consumers are linked in the vertical direction from top to bottom. The fabless method and the community-based sales system appear on the left and right on the map, respectively. Working in combination with manufacturing outsourcees, the capability to procure crude tea and the capability to develop technologies are achieving a broad

lineup of products (which covers many types of products and containers). All selling areas at the ITO EN's 201 bases across Japan stock these products according to customer demand through community-based sales. The Voice System for reflecting field opinions is leading to the development of more new products. Various activities fit in with each other as the origin of the CSV concept for generating new value in this manner.



Daisuke Honjo (left), the president and representative director of ITO EN, Ltd., poses for the camera with Professor Michael E. Porter (right) at the Porter Prize ceremony held at the Hitotsubashi Lecture Hall in Tokyo's Chiyoda Ward on December 5, 2013.

### Activity system map





## Collaboration with Stakeholders

The ITO EN Group aims to develop shared value with stakeholders and build a sustainable society as a corporate group that is sought by society. The ITO EN Group introduces its distinctive activities in fiscal 2014 in this section, focusing on its collaborations with various stakeholders.

### Hosted a Symposium Planned by ITO EN

ITO EN filed an application for the ESD Exchange Seminar, a side event sponsored by the Ministry of Education, Culture, Sports, Science and Technology to coincide the UNESCO World Conference on Education for Sustainable Development (ESD) that was held in Nagoya City on November 11, 2014. Selected for the ESD Exchange Seminar, ITO EN hosted a symposium of its own planning.

The theme for this symposium was Minna-de Manabu: Shoku-to No-no OMOTENASHI, MOTTAINAI and SATOYAMA-no Kokoro (Learning Together: Hospitality through Food and Agriculture, a Sense of Regret for Creating Waste and the Spirit behind Woodlands Near Populated Areas). ITO EN asked experts in various fields to take part in the symposium to discuss the roles of stakeholders in achieving sustainable social development, using the ITO EN ESD Model as an example. ITO EN compiled the details of their discussions and published the information worldwide.



Experts who took the platform at the symposium (from left to right)\*: Mineko Nakajima (Former TV Reporter and General Manager of the Development Promotion Department at Mitsubishi Estate Co., Ltd.), Emiko Magoshi (President of Transcultural Management Society and Professor at J. F. Oberlin University), Hidemitsu Sasaya (Managing Director and Executive Officer of ITO EN, Ltd.), Koichiro Matsuura (8th Director General of the United Nations Educational, Scientific and Cultural Organization), Izumi Washitani (Principal of Sekaiichi Tameninaru Gakko (the Most Beneficial School in the World) and Professor at the University of Tokyo), Isao Kumakura (Chairman of the Washoku Association of Japan and President of Shizuoka University of Art and Culture) and Mari Christine (Goodwill Ambassador for the UN-Habitat and Honorary Director of the Aichi Kaisho-no Mori Center)

\* The titles stated above were correct as of November 2014.

Please find the details on the website shown on the right. URL ▶ <http://www.itoen.co.jp/csr/stakeholder/>

### Participated the 3rd National Convention of the Society of Global Business

The Society of Global Business held its 3rd National Convention at the Waseda University International Conference Center on July 4, 2015 with the Revitalization of Japan's Local Economies and the Role of Global Business as its theme. The Society also held a panel discussion at this Convention. Managing Director and Executive Officer Hidemitsu Sasaya of ITO EN sat on the panel with Governor



Suichi Abe of Nagano Prefecture, Yoshiharu Takamura, a professor in the Department of Town Planning and Design at Nihon University's College of Science and Technology, Uichiro Niwa, a former Japanese ambassador to China and a former chairman of ITOCHU Corporation, and President Masato Yamazaki of Iyo Bank Regional Economy Research Center. Takashi Inoue, a specially appointed professor at the Kyoto University Graduate School of Management, moderated their discussions, which covered topics such as the roles various stakeholders play in the revitalization of local economies. Sasaya from ITO EN stressed points including the importance that a common platform that prompts stakeholders to cooperate has in the development of communities, human resources and jobs.

Please find the details on the website shown on the right. URL ▶ <http://s-gb.net/news/1539/>

### Cooperated in the Ministry of the Environment's Project for Sending Support Messages to the UNESCO World Conference on ESD

The Ministry of the Environment invited people throughout Japan to send in their messages for the future in 5-7-5 syllabic form (free haiku) in July 2014 to raise public awareness for the success of the UNESCO World Conference on ESD. (A total of 1,997 haiku were sent in response to the Ministry's invitation.) ITO EN cooperated in this project by printing the six top-rated submissions, including the Ministry of the Environment Prize winner, on the packages of some of the products in the Oi Ocha series.



Please find the details on the website shown on the right. URL ▶ <http://www.itoen.co.jp/news/detail/rd=24209>

## Topics

### Won an Award in the Japan Water Grand Prize Contest

ITO EN won the Prize of the Ministry of Economy, Trade and Industry in the 17th Japan Water Grand Prize\* contest that was held in 2015 with Making Lake Biwa Beautiful Through Tea and Making Japan Beautiful Through Tea, its projects for supporting the conservation of regional water environments through CSR activities.



\* Sponsored by the Japan Water Grand Prize Committee and the Ministry of Land, Infrastructure, Transport and Tourism

## Value Generation Model of the ITO EN Group

The ITO EN Group aims to enhance the sustainability of our society and environment and to increase its value as a corporate group on a long-term basis in a sustainable manner. For this purpose, the Group has plotted adequate business strategies that are able to achieve optimum distribution, taking operating conditions and risks into consideration and making the most of the strengths found in its management capital. The Group will generate value for all customers by building a strong business model and displaying its management capability based on such strategies under corporate governance.

The ITO EN Group has accurately grasped various operating conditions and risks for the Group and built business strategies that make the most of Group strengths in six types of capital accumulated over the years (Financial, Manufactured, Human, Intellectual, Social and relationship, Natural). For this purpose, the Group has set “materiality” for business administration based on its medium- and long-term plans and consideration of opinions received from stakeholders. In addition, the Group is practicing the CSV approach to materiality items as its strategy for generating value.



# Management Capability

## Corporate Governance as a Basis

Three focuses of activities as a comprehensive beverage manufacturer



### Drive That Bolsters Management Capability

Integration of ISO 26000 CSR, CSV and ESD

#### CSR Goals

- Environmentally friendly company
- Human-friendly company
- Society-friendly company

## Generating Value with Optimum Business Strategies and Management Capability

In administering its operations with corporate governance as the foundation, the ITO EN Group generates value by connecting its management capital, which is distributed in an optimum manner, with its management capability that comprises an original business model, product development concepts and Group capability, which correspond to the three focuses of its activities as a beverage manufacturer.

# Value Generation

## Generation of Value for All Customers

### 〈 Shareholders 〉

Value for shareholders consists of a sound financial standing and shareholder returns. The ITO EN Group can deepen their understanding by disclosing information in a timely and appropriate manner and fulfilling its responsibility to provide transparent explanations at general meetings of shareholders and periodic briefings.

### 〈 Consumers 〉

Value for customers is the supply of safe, reliable products and the expansion of a lineup of products that satisfy demand related to health and preferences. The Group can link the development of products to healthy, abundant lifestyles in an honest response to opinions provided by customers.

### 〈 Suppliers/Retailers 〉

Value for suppliers and buyers is the development of equal, fair business relations. The Group can produce innovations that solve social and environmental issues and meet customer demand through sound partnerships.

### 〈 Local governments 〉

The Group can forge collaborative relationships of various types with local governments, in addition to cooperating with their policy of regional revitalization.

### 〈 Employees 〉

Value for employees consists of work-life balance and consideration for diversity. The Group can link the acceptance of employee requests and proposals to the development of offices where employees can work energetically.

### 〈 Local communities and the environment 〉

The Group can link its support for local industries, cultures, environment and foods to the local revitalization and greater employment opportunities. The Group can also connect its environmental activities to the conservation of the global environment and natural surroundings.

Aiming to Achieve Medium- and Long-Term Growth (for a Transition to a Global Tea Company)

Furthermore, the Group contributes to the sustainability of our society and environment by making the most of CSR/CSV as drivers that bolster its business administration. At the same time, the Group links CSR/CSV to the stronger manpower capability of the Group as a team through ESD. The Group links these three factors (CSR, CSV and ESD) to the reinforcement of its business foundations.

The ITO EN Group aims to help all people achieve abundant, healthy lifestyles by generating financial, social and environmental values simultaneously through these undertakings. The ITO EN Group will continue seeking medium- and long-term growth for its transition to a Global Tea Company.

# Evolution of ITO EN's CSR and CSV

The ITO EN Group has been practicing the management principle of Always Putting the Customer First, which the Group has focused on since its foundation. As collaboration and cooperation with stakeholders are emphasized, the Group has introduced CSR in line with the international standards in the wake of the introduction of the international social responsibility standard ISO 26000. The Group has also been promoting value creation with business partners

through its core business by using its value chain to solve social issues. The ITO EN Group will continue to strive to strengthen its CSV activities with a focus on the environment, consumer issues and community issues and enhance CSR/CSV management with three elements (CSR, CSV and ESD) in step with the promotion of human development (ESD), which plays a key role in CSV activities.

- November 2010 ● ISO 26000 issued.
- May 2011 ● CSR Promotion Office established in the Management Planning Department. CSR Grand Prize, an in-house prize-giving system, established.

## Introduction of ISO 26000

- April 2012 ● Basic CSR Promotion Policy of the ITO EN Group established.
- May ● CSR Promotion Office integrated with the Environment Department and reorganized into the CSR Promotion Department (direct control by the President).
- June ● First ITO EN CSR E-mail Magazine issued
- September ● ITO EN CSR Report 2012, the first CSR Report, issued.
- March 2013 ● CSR Charter of the ITO EN Group established. Basic policy for the biodiversity protection of the ITO EN Group established.
- May ● Basic ESD Promotion Policy established. CSV section added to the CSR Grand Prize.
- October ● CSR Report 2013 consisting of the web edition and two separate volumes of the communication edition (Seven Stories about Tea) and the performance edition issued.
- December ● Porter Prize won



## Full-fledged introduction of CSV and systematization of CSR, CSV and ESD.

- February 2014 ● CSR Charter of the ITO EN Group revised (CSV clearly stated). Basic CSR Promotion Policy of the ITO EN Group revised (CSV clearly stated). Basic ESD Promotion Policy revised (CSV clearly stated).
- April ● Environmental Policy of the ITO EN Group (the Basic Environmental Principles and the Environmental Action Guidelines) revised\*. \*Established in March 2001
- July ● ITO EN CSR Email Magazine renamed to ITO EN CSR/CSV/ESD Email Magazine.
- August ● ITO EN Global Action Program (GAP) established and promoted as an ESD ITO EN model.
- October ● CSR Report 2014 issued consisting of brochure "Evolving Management Strategies," Communication Book and the web edition. \*The communication edition of the CSR Report 2013 became the standard. 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. Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs.
- November ● ITO EN Symposium held on the sidelines of the UNESCO World Conference on ESD (hosted by the Ministry of Education, Culture, Sports, Science and Technology).



## External evaluation of the CSR system

JAPAN FOOD JOURNAL Awards  
(the Food Safety and Security and the Environmental Contribution Prizes)  
Environmental Communication Awards (Award for Excellence in CSR Report)

- February – March 2015 ● Prize of the Director-General of the Food Industry Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries in the Food Industry Mottainai Award and others.
- May – July ● Nikkei Social Initiative Awards for the corporate sector, Prize of the Minister of Economy, Trade and Industry in the Japan Water Grand Prize contest, Environmental Performance Award (Outstanding Performance Award), etc. received.
- October ● ITO EN REPORT 2015, Sustainability Report 2015 Special Edition/Performance Report Edition (CSR Report 2015) issued.

# Opinions of Experts (Materiality Review)

ITO EN places emphasis on dialogues with stakeholders and reflects them in its management and CSR activities accordingly. When we visit stakeholders and hold dialogues with them, we receive opinions from them in a wide range of areas. Particularly through dialogues with stakeholders that were conducted 14 times over four years from 2011 to 2014, we have been evolving our activity policy every year and introducing its process in the CSR Report and on our website.

In the fiscal year under review, the fifth year of dialogues with stakeholders, we conducted a review that summarizes

focused management issues (materiality) centered on the feature of the value chain of ITO EN's business model and the concept of value creation, as we introduce in pages 7 through 12 of the ITO EN REPORT 2015 and this report, and held the "Stakeholder Dialogue 2015 for Materiality Review," a panel of experts to discuss progress management. The following is a summary of comments from the experts who attended the panel (a comment from Mr. Hadama was received in an interview; in addition to the persons below, Takashi Nawa also attended the panel). \*Listed in the order of the Japanese syllabary.



## Hisa Anan

Former Secretary General of the Consumer Affairs Agency  
President of the Association to Create Society with Consumer Citizenship (ASCON)

I visited a factory of ITOEN and felt that quality control was implemented thoroughly as the basis for the safety and security of consumers to promote consumer-oriented management, and I consider that this is extremely important. The provision of health value to consumers and the easy-to-understand transmission of information are important elements for FOSHU products and functional food that ITOEN will offer in the future based on its product development capabilities. Accordingly, I hope to see the company's efforts regarding consumer education and edification.



## Masami Kojima

Senior Editor of the Home Living Department of The Mainichi Newspapers

I consider that the Tea-Producing Region Development Project in the value chain is exactly what materiality is all about. It not only contributes to solving agricultural problems in Japan such as the elimination of abandoned farmland, but also leads to the local revitalization through job creation. I believe that this is an area where ITO EN is able to appeal more strongly to society.



## Toshihiko Goto

Chief Executive Officer,  
of Sustainability Forum Japan

I believe that environmental efforts, such as the NS System from the perspective of diffusing resource saving and energy saving and the used tea leaves recycling system, are important from the standpoint of resource saving, recycling and the reduction of CO<sub>2</sub>. The fables method without captive factories is a way of allocating and using the management resources and technologies of a specialized manufacturer effectively. I pay attention to how the efforts made by ITO EN with cooperative partners to reduce the capital investment risk will lead to the further reduction of CO<sub>2</sub>, etc.



## Masami Hadama

Lawyer of TMI Associates

A company is required to not only avoid violating laws, but also to operate as an active entity that gives consideration to its stakeholders and provides them with joy and profits, taking one step forward. To realize the materiality of each part throughout the entire value chain of ITO EN, I believe that compliance and corporate governance, which are the bases of the value chain, are important aspects.



## Emiko Magoshi

Professor at J.F. Oberlin University,  
College of Business and Public Administration  
President of Transcultural Management Society

Products made by ITO EN receive an evaluation and provide the impression that they are very reliable and taste good. I think that in addition to this brand power, the added value created by the New Haiku Contest and the Making Japan Beautiful Through Tea project are working as an advertisement to consumers with fewer advertising expenses. As ITO EN is launching diversified products, I believe that it is important for this diversity to match diversity in corporate governance.



## Junichi Mizuo

Dr. and Professor of Surugadai University,  
the Faculty of Economics and Management  
Head Researcher of the Business Ethics  
Research Center

I consider that community-based sales for integrating sales with marketing and for employees to have regular customer contact to figure out trends in new demand and meet customer needs precisely when they respond to these needs are important. I hope that ITO EN will promote sustainability management based on "ECSR in Sanpo Yoshi (good in three directions)," in which the company will pursue employee satisfaction (ES) and customer satisfaction (CS) and enhance CSR.

# Major CSR Targets

ITO EN establishes targets (KPI) by core theme based on ISO 26000 and manages and follows up on progress in its activities based on the plan, do, check, action (PDCA) cycle. The following provides a summary.

	Item	Activity targets for FY2014	Activity results in FY2014	Activity targets for FY2015
Organizational governance	Corporate governance	<ul style="list-style-type: none"> <li>Fair and highly transparent management</li> </ul>	<ul style="list-style-type: none"> <li>Internal Control Promotion Committee held (six times)</li> <li>IR meeting for individual investors held (16 times for approximately 2,400 persons)</li> </ul>	<ul style="list-style-type: none"> <li>Improvement in the efficiency and effectiveness of internal control</li> </ul>
Human rights	Respect for human rights	<ul style="list-style-type: none"> <li>Human rights educational activities</li> </ul>	<ul style="list-style-type: none"> <li>Promotion system for human rights educational activities developed</li> <li>Education on harassment, etc. implemented</li> </ul>	<ul style="list-style-type: none"> <li>Human rights educational activities</li> </ul>
Labor practices	Creation of a pleasant workplace environment and the promotion of diversity	<ul style="list-style-type: none"> <li>Maintenance of an employment rate of 2.0% or more under the revised Act for Employment Promotion etc. of Persons with Disabilities (2.19% actual)</li> </ul>	<ul style="list-style-type: none"> <li>Employment rate of 2.0% or more under the revised Act for Employment Promotion etc. of Persons with Disabilities maintained</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of an employment rate of 2.0% or more under the revised Act for Employment Promotion etc. of Persons with Disabilities</li> </ul>
The environment	Promotion of recycling	<ul style="list-style-type: none"> <li>Food recycling rate of 90% or more</li> </ul>	<ul style="list-style-type: none"> <li>Recycling rate of 91.5%</li> </ul>	<ul style="list-style-type: none"> <li>Food recycling rate of 90% or more</li> </ul>
	Prevention of global warming	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions by 8% from FY2009 on a company-wide basis [unit consumption]</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions by 9.5% from FY2009 on a company-wide basis [unit consumption]</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions by 8% from FY2009 on a company-wide basis [unit consumption]</li> </ul>
	Eco-friendly product development	<ul style="list-style-type: none"> <li>Expansion of the used tea leaves recycling business</li> </ul>	<ul style="list-style-type: none"> <li>Cardboard made of recycled used tea leaves: 50,340,000 cases</li> <li>Commercialization of products made of used tea leaves: 28 products (30 products or more in total)</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the used tea leaves recycling business</li> </ul>
	Promotion of energy saving	<ul style="list-style-type: none"> <li>Reduction of electricity consumption by 2% from FY2013 on a company-wide basis [unit consumption]</li> </ul>	<ul style="list-style-type: none"> <li>Electricity consumption : 9.1% from FY2013 on a company-wide basis [unit consumption]</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of electricity consumption by 2% from FY2013 on a company-wide basis [unit consumption]</li> </ul>
Fair operating practices	Compliance	<ul style="list-style-type: none"> <li>Promotion of acquisition of business compliance certificate</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition rate of business compliance certificate: 70% and more of those under the scope</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of acquisition of business compliance certificate</li> </ul>
Consumer issues	Customer satisfaction	<ul style="list-style-type: none"> <li>Improvement in customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Review of product design based on customer information</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of halal certification (Sagara Factory, ITO EN SANGYO) (second half)</li> </ul>
	Health value	<ul style="list-style-type: none"> <li>Improvement of functional beverage products, enhancement of lineup</li> </ul>	<ul style="list-style-type: none"> <li>Improvement and launch of functional beverage products</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of the lineup of functional food</li> </ul>
Community involvement and development	Education and culture	<ul style="list-style-type: none"> <li>Edification of tea culture</li> </ul>	<ul style="list-style-type: none"> <li>Tea seminars using the Tea Taster System implemented 837 times</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of edification activities of tea culture</li> <li>Enhancement of relationships with external groups</li> <li>Active participation in events</li> </ul>
	Regional contribution	<ul style="list-style-type: none"> <li>Expansion of the Tea-Producing Region Development Project (new tea plantations business) Annual production: 871 tons</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the Tea-Producing Region Development Project (new tea plantations business) Annual production: 824 tons</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the Tea-Producing Region Development Project (new tea plantations business) Annual production: 881 tons</li> </ul>

Please find the details on the website shown on the right. URL ▶ <http://www.itoen.co.jp/csr/>

# Third Party Opinion

## Takashi Nawa

Professor at Hitotsubashi University Graduate School of International Corporate Strategy



### The multi-dimensional management model is highly valued.

The management of ITO EN is thought to be a world-class cutting-edge model with the three-dimensions.

First, in the horizontal dimension, ITO EN aspires to consistently create both economic and social values in its whole value chain. Michel E. Porter, a professor at Harvard University, highly praises ITO EN's model as an advanced case of CSV because it intends to deliver health and comfort for customers in cooperation with stakeholders in a broad range throughout the entire life cycle from tea plantations to recycling wastes.

Second, in the vertical dimension, ITO EN's management model has a three-layer structure in which CSV is positioned as a business model in the upper layer, CSR is in the middle layer as social readiness, and ESD is in the lower layer as human development that supports the above two layers. While Professor Porter talks about the importance of shifting from CSR to CSV, ITO EN is unique in trying to enhance both CSV and CSR. We could also say that focusing on the cultivation of human resources that are the bearer of business and society is one of the superior traits of ITO EN's management model, which is built on the strength of placing emphasis on "Genba" (actual job sites).

Third, the depth is worth special attention. ITO EN leverages various assets in its value creation process.

Above all, ITO EN creates values with not only tangible assets such as goods and money, but also with intangible assets such as human resources, skills, networks and brands. Although these intangible assets do not appear in the financial statements, they have become driving forces for the sustainable growth of the company. I believe that such management with profound depth that does not come to the surface is the real strength of ITO EN.

### Expectations for the global development of CSV 2.0

ITO EN accelerates global development with the aim of becoming a Global Tea Company. Improvement in quality of life (QOL) such as health and comfort is required all over the world. At the same time, I sincerely hope that this three-dimensional management model will spread around the world as a 21st century global model (CSV 2.0) born in Japan.

## Response to Third Party Opinion

I really appreciate the evaluation of our business model from the perspective of an expert in management strategies. In this report, we have devised ways of taking an integrated reporting approach in both financial and non-financial aspects to convey our business model in an easy-to-understand manner so that the report will serve as communication with our stakeholders. We also focus on the analysis of value creation in our value chain and the creation of financial and non-financial value at each stage that constitutes the value chain. To respond to a wide range of stakeholders' concerns, we will continue to promote value creation through the CSR and CSV of the international

standard based on ISO 26000 and the cultivation of human resources based on ESD as part of our management strategies, and will further accelerate our efforts to achieve the goal of becoming a Global Tea Company, bearing in mind the "expectations for the global development of CSV 2.0" as identified.

## Hidemitsu Sasaya

Managing Executive Officer  
Manager of CSR Promotion Department  
Vice Chairman, CSR Promotion Committee  
Chairman, Environmental Committee  
Observer, Compliance Committee



## Company Overview

Company name	<b>ITO EN, LTD.</b>
Head office	47-10, Honmachi 3-chome, Shibuya-ku, Tokyo
Date of establishment	August 22, 1966
Paid-in Capital	¥19,912,300,000
Number of employees	5,381
Branches and sales offices	30 districts and 201 bases nationwide
Stores	211 stores nationwide
Factories	Shizuoka Sagara Factory (21 Mekami, Makinohara, Shizuoka Prefecture) Hamaoka Factory (3406-4 Shinno, Omaezaki, Shizuoka Prefecture) Fukushima Factory (1-2-9 Araikita, Fukushima, Fukushima Prefecture) Okinawa Nago Factory (112 Isagawa, Nago, Okinawa Prefecture)
Research facility	Central Research Institute (21 Mekami, Makinohara, Shizuoka Prefecture)
Main business activities	Manufacture and sales of tea leaf and beverage products

### Major domestic Group companies

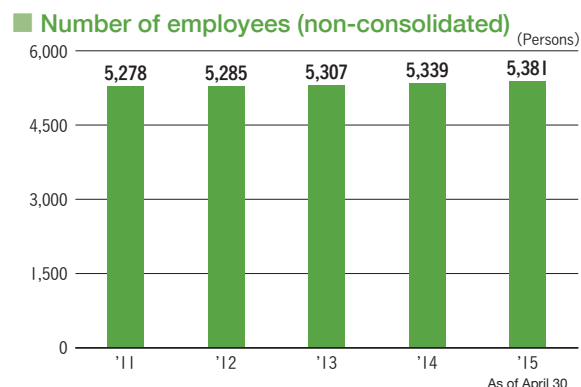
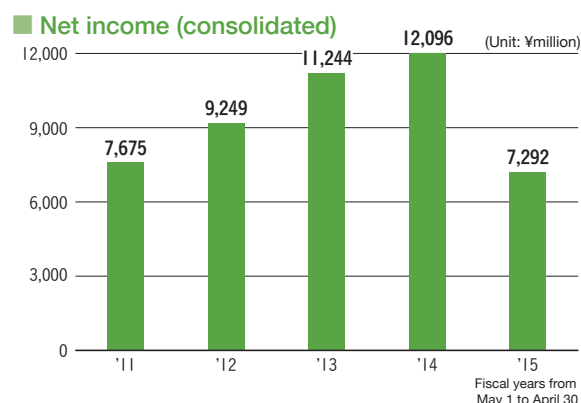
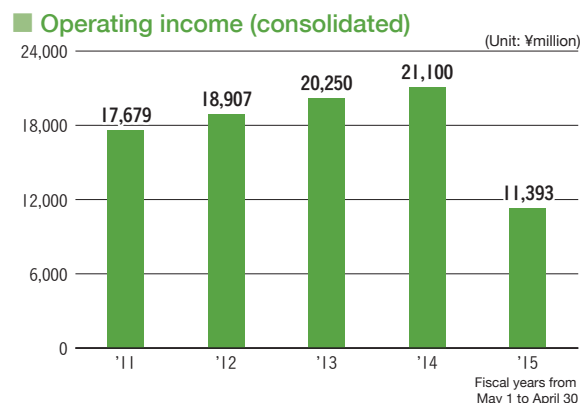
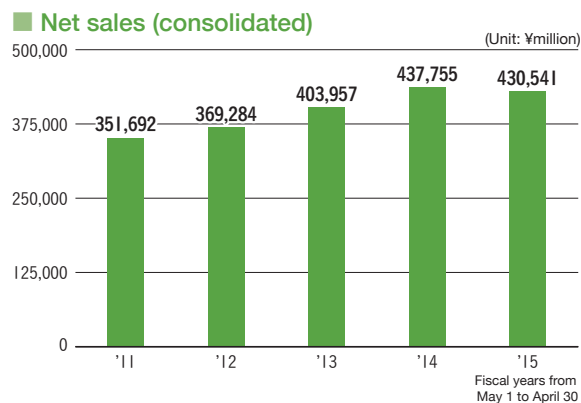
Tully's Coffee Japan Co., Ltd.  
ITO EN • ITOCHU MINERAL WATERS CO., LTD.  
Chichiyasu Company  
ITO EN SANGYO, LTD.  
OKINAWA ITO EN, LTD.  
ITO EN KANSAI CHAGYO, LTD.  
GREEN VALUE CO., LTD.  
NEOS Corporation

### Major overseas Group companies

ITO EN (North America) INC.  
ITO EN (USA) INC.  
Mason Distributors, Inc.  
Distant Lands Trading Company, Inc.  
ITO EN AUSTRALIA PTY. LIMITED  
ITO EN Asia Pacific Holdings Pte. Ltd.  
ITO EN Singapore Pte. Ltd.  
Nigbo Shunyi Tea Products Co., Ltd.  
Fujian New Oolong Drink Co., Ltd.  
ITO EN BEVERAGE (SHANGHAI), LTD.  
PT ULTRAJAYA ITO EN MANUFACTURING  
PT ITO EN ULTRAJAYA WHOLESALE  
ITO EN (Thailand) Co., Ltd.

\* As of April 30, 2015

## Business Results



For further information on Sustainability Report 2015: Special Features Edition,  
please contact the CSR Promotion Department:

# ITO EN, LTD.

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



# S-book

## Sustainability Report 2015 Performance Report Edition



### Capabilities to Respond to Social Issues

# CSR

**CSR:**

CSR stands for corporate social responsibility, which the ITO EN Group interprets as representing the capabilities of businesses to respond to wide social issues in broad areas for the purpose of winning the trust of society, and undertaking activities to contribute to a sustainable society and environment through its core businesses in cooperation with stakeholders.

In the ITO EN Group, 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.

**Seven core subjects of ISO 26000**



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# Organizational governance

## Basic concept

The ITO EN Group will secure the transparency, soundness and regulatory compliance of its management and practice prompt and appropriate information disclosure by constructing a sound management system based on its management principle of "Always Putting the Customer First."

### Organizational governance: [CSR Charter\*]

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, along with business continuity management (BCM). The Group will also focus on strengthening the appeal and understanding of its brand image and improving its corporate value through its main business.

\*The ITO EN Group has formulated the CSR Charter by adhering to the seven core subjects (organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development), and states their content at the beginning of the activity report page of each topic.

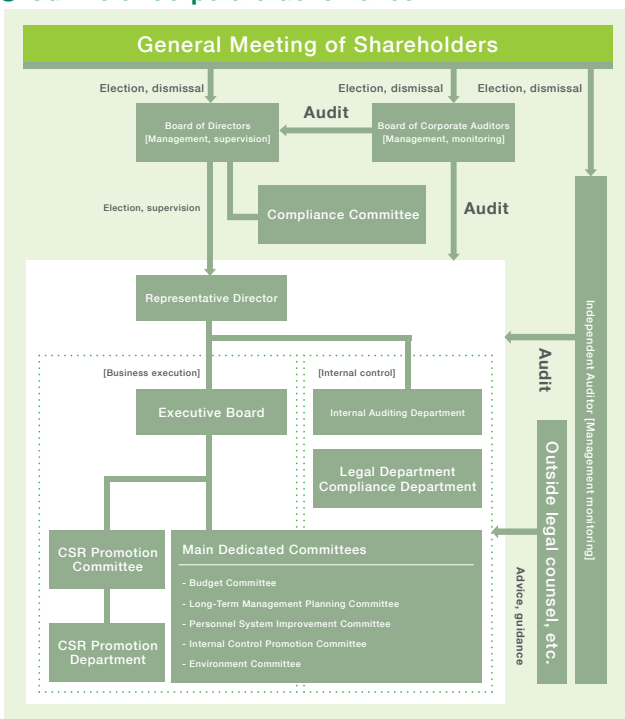
## Corporate Governance Policy

Under the management principle of "Always Putting the Customer First," ITO EN provides in the ITO EN 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 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.

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

## Communications with Shareholders

## Promotion of IR Activities

For details of the corporate governance, please see pages 23 and 24 of the ITO EN REPORT 2015.

## Risk Management

To deal with all kinds of risks, including compliance, information security, quality and environmental issues, debt collection, disasters, and accidents, the ITO EN Group has drawn up internal regulations, etc. and established the Risk Department to manage them.

### ● Risk Management through BCP (Business Continuity Plan)

In light of its experience at the time of the Great East Japan Earthquake that occurred on March 11, 2011, ITO EN distributes the BCP manual to all departments and works to enhance its business continuity capabilities through training to promote the penetration of the BCP that we have already formulated.

### ● Strengthening Information Security

Recognizing the asset value of all the information it handles, the ITO EN Group is bolstering its information security by working on the appropriate protection and management of information. We also appropriately handle all personal information we have and manage it strictly by establishing a personal information protection policy.

## CSR Management

ITO EN promotes CSR activities, with "CSR Management Promotion" as one of its strut of management. As a system to promote CSR, we held meetings of the CSR Promotion Committee, which consists of the President as the chairman and officers responsible for the production, sales and management departments, six times in fiscal 2014 to discuss CSR targets (KPI), etc.

To promote greater CSR awareness and engagement in CSR activities of all ITO EN employees, we provide internal training on the subjects of CSR and the environment.

The ITO EN Group also holds regular liaison conferences for the persons in charge of CSR.

### ● CSR Grand Prize

ITO EN has been making honorable recognition of employees' activities for the CSR Grand Prize since fiscal 2011, with the aim of raising the awareness of individual employees toward CSR, strengthening mutual trust

with customers, and increasing the motivation of employees and enhancing their capabilities as a team through CSR activities.

In fiscal 2014, we commended excellent cases of community-oriented activities from the perspective of creating shared value (CSV) and education for sustainable development (ESD), in addition to CSR, and excellent cases that provided a clue for our future sales activities in order to promote the sharing of remarkable activity cases.

### Activities that received the CSR Grand Prize in fiscal 2014 (the entire prize was given to teams)

- Creating shared value (CSV) based on an agreement with a local government: Conservation of the village forest and the succession of tea culture in cooperation with a local community (Kishiwada City [Owl Agreement])
- Creating shared value (CSV) by developing a new environmentally friendly aluminum-less paper container
- Creating shared value (CSV) by deploying a NS system across the country

### Formulation of the Basic ESD Promotion Policy

Education for sustainable development (ESD) means cultivating leaders who support a sustainable society. ESD is promoted around the world. The ITO EN Group promotes ESD based on the Basic ESD Promotion Policy (established in May 2013 and revised in February 2014) to systematize and develop the cultivation of human resources who support sustainable society and cooperation with stakeholders by promoting CSR based on ISO 26000 more strongly.

The ITO EN Group promotes areas such as the following.

[Areas promoted]

- Implementation of in-house education of CSR and CSV that adopt the concept of ESD
- Implementation of education and practical activities in cooperation with stakeholders
- Penetration of ESD within the company and promotion of the wider adoption of ESD in society, using the ESD logo

### Dialogues with stakeholders

ITO EN engaged in the following activities in fiscal 2014 to strengthen communication with stakeholders.

- Conducting dialogues with stakeholders (three times a year)
- Hearing opinions from the heads of local governments
- Conducting dialogues with consumers and representatives of consumer groups
- Conducting consumer surveys
- Conducting regular briefings for shareholders

### Outline of dialogues with stakeholders conducted in fiscal 2014

First dialogue with stakeholders in fiscal 2014

**Date:** May 16, 2014 (ITO EN head office)

**Topic:** Effective transmission of CSR/ CSV

**Stakeholders in attendance:** Takashi Inoue (President and CEO of Inoue Public Relations, Inc., Adjunct Professor at the Graduate School of Management, Kyoto University), Setsu Mori (President and Chief Editor of Alterna), and Hiroji Tanaka (Professor Emeritus at the Tokyo College of Transport Studies, former Vice Chairman of the Japan Society for Business Ethics Study, Chief Researcher at the Business Ethics Research Center)

Second dialogue with stakeholders in fiscal 2014

**Date:** September 29, 2014 (ITO EN head office)

**Topic:** Evolving management strategies: Thinking about CSV

**Stakeholders in attendance:** Takashi Nawa (Professor at the Hitotsubashi University Graduate School of International Corporate Strategy)

Symposium planned by ITO EN, a co-located event of the UNESCO World Conference on Education for Sustainable Development

**Date:** November 11, 2014

**Venue:** Nagoya Congress Center

**Topic:** OMOTENASHI of food and agriculture, MOTTAINAI and Heart of SATOYAMA to learn together

**Stakeholders in attendance:**

**Panelists:**

Isao Kumakura (Chairman of the Washoku Association of Japan, President of Shizuoka University of Art and Culture), Emiko Magoshi (President of Transcultural Management Society, Professor at J.F. Oberlin University), Koichiro Matsuura (8th Director-General of UNESCO), Mari Christine (Goodwill Ambassador for UN-HABITAT, Honorary Director of the Aichi Kaisho Forest Center), and Izumi Washitani (President of Tameninaru Gakko, Professor at the University of Tokyo)

**Facilitator:** Mineko Nakajima (former announcer, Manager of the Urban Development Promotion Department, Mitsubishi Estate Co., Ltd.)

\* Professional affiliations and titles are correct as of the event date.

In addition to the above, we convey a wide variety of corporate information to our shareholders using a broad range of communication materials, such as our Corporate Book (name changed to ITO EN Report from 2015), Kabunushi no Minasama e (annual investor report), and CSR Report. We also introduce our CSR activities on the ITO EN website.

ITO EN CSR Website:

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

### Information Disclosure

The ITO EN Group believes that the disclosure of information on the status of the Group's management and activities in broad areas is one of its important responsibilities, and we continually strive to increase the soundness and transparency of our management through proactive disclosure practices.

ITO EN discloses such information according to its "Disclosure Policy" in compliance with the Financial Instruments and Exchange Act and the timely disclosure rules established by the Tokyo Stock Exchange. Even if the information is not subject to laws, regulations and the timely disclosure rules, we strive to disclose it as quickly and accurately as possible from the perspective of fairness and promptness if public concern is deemed to be high.

Disclosure Policy:

 [http://www.itoen.co.jp/finance\\_ir/inquiry/policy/](http://www.itoen.co.jp/finance_ir/inquiry/policy/)

### Opinion of an expert

In the organizational governance of ITO EN, the fundamental concept under the management principle is clear. The mechanism is constructed with the core subjects required by ISO 26000 as the basis. Specifically, ITO EN responds sincerely to and practices the items demanded by society through efforts such as corporate governance (governance system, internal control), CSR management, risk management, the Basic ESD Promotion Policy, dialogues with stakeholders and information disclosure. In particular, ITO EN is good at cultivating human resources for sustainable development.

#### Hiroji Tanaka

Director and Chief Researcher at the Business Ethics Research Center  
Professor Emeritus at the Tokyo College of Transport Studies





# Human Rights

## Fundamental concept

The ITO EN Group will not discriminate based on gender, age, ethnicity, race, religion, creed, etc. We will promote business activities that will reflect our respect for fundamental human rights.

### Human rights: [CSR Charter]

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 the fundamental human rights and privacy of all stakeholders.

## Efforts for respecting human rights

Respecting human rights is a fundamental rule in society. The ITO EN Group has formulated the code of conduct and the standards of behavior by defining our way of thinking about respect for fundamental human rights, as stated above, in addition to complying with laws and regulations, etc. We have set these codes and standards as guidelines for our business activities, and work to develop a pleasant workplace environment by rooting out power harassment and sexual harassment and eliminating discrimination based on gender, age, ethnicity, race, religion, creed, etc.

The ITO EN Group provides its employees with education and training on human rights issues as part of its compliance training. In the training, we discuss power harassment and sexual harassment, among other human rights issues.

### ● Efforts for respecting human rights through business activities Ogyaa Donation Foundation

Ogyaa Donation is a compassionate movement to extend a helping hand to children with mental and physical disabilities that is conducted by the Ogyaa Donation Foundation. Since 2003, ITO EN has been donating a portion of the sales made by its vending machines, which are mainly located in obstetrics and gynecology medical facilities in many parts of the country.



Logo of the Ogyaa Donation Foundation

## Opinion of stakeholder

**Yoshiyuki Rikitake**  
Executive Director of the Ogyaa Donation Foundation

We have sent a letter of gratitude to ITO EN, as the company has been supporting this project for many years. We celebrated the 50th anniversary of the founding of the Foundation in 2013 and hope that the company will continue to cooperate with this project for the next 50 years.



## Ishikawa Victim Support Center

Ishikawa Victim Support Center is a public interest incorporated association that provides victims of crimes and accidents and their families with support activities such as telephone counselling, legal consultation, and attendance at the police and court. There are groups that provide similar support in 47 prefectures around the country.

Since April 2012, ITO EN has been donating a portion of the sales made by its vending machines in Ishikawa Prefecture to the Ishikawa Victim Support Center in an effort to support victims.

## Aichi Branch of the Japanese Red Cross Society

ITO EN requires companies and organizations where its vending machines are installed to use a portion of the sales made by the vending machines for the activities of the Aichi Branch of the Japanese Red Cross Society in cooperation between them and the Aichi Branch of Japanese Red Cross Society, which conducts various support activities in the event of disasters and illness.

ITO EN cooperates with companies and organizations where its vending machines are installed and assists in the activities of the Aichi Branch of Japanese Red Cross Society, which provides support in the event of disaster or illness. In recognition of its efforts, ITO EN received a medal of merit from the Japanese Red Cross Society in 2013.

## Opinion of stakeholder

**Hisao Ohsima, Director-General of the Aichi Branch of the Japanese Red Cross Society**



I was surprised to see that ITO EN was working on CSR systematically based on ISO 26000. The Japanese Red Cross Society is also seeing a trend of seeking new ideas. I believe that the keys to the activities of the Red Cross are networks of people. I greatly appreciate the company's support efforts using its vending machines.

## Red Feather Community Chest Movement

The Red Feather Community Chest Movement conducted by the Central Community Chest of Japan is an effort to raise funds to support local welfare activities for the elderly, disabled people and children and the installment and operation of a disaster volunteer center at the time of a disaster. ITO EN donates a portion of the sales made by its vending machines to this movement for use in the welfare activities of various social welfare corporations and NPOs.



## Other efforts

ITO EN uses advertising panels on its vending machines, which are installed in many parts of the country and that many people see, regardless of their age and gender, for the introduction of human rights activities, accepting requests from people involved in human rights activities to make their activities widely known. A typical example is our participation in the Yumeiku Work Support Project that is conducted in Shimane and Tottori Prefectures to display paintings by disabled people.

ITO EN also conducts activities such as providing visually impaired people with a voice file that explains how to make good tea, in cooperation with the Sukoyaka Dietary Life Association.

## Opinion of an expert

I believe that the largest customers of a company is its employees. It is true that the largest customer is the consumers, but the original point of all services provided by a company to consumers is its employees. It is important to present the stance and clear policy of the company when promoting employee satisfaction (ES). I am looking forward to seeing the efforts of ITO EN to become a "Human-friendly company."

**Junichi Mizuo**

Dr. and Professor of Surugadai University,  
the Faculty of Economics and Management  
Head Researcher of the Business  
Ethics Research Center





# Labor Practices

## Fundamental Concept

Since its founding, the ITO EN Group has been working to create an environment in which employees enhance their individual abilities and skills by working hard based on the concept of a merit system and the true spirit of Wa, (harmony) and each of them increases their willingness to work. We will continue to aim to undertake decent work (humane work worth carrying out) by promoting our efforts to improve the workplace environment and increase employees' abilities and willingness to work.

### Labor practices: [CSR Charter]

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 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 countries in which it operates its business.

## Creation of a pleasant workplace with diversity

The ITO EN Group works to create a pleasant workplace environment where diverse people are able to engage in work in a pleasant atmosphere and with job satisfaction.

### Equal opportunities for men and women

In fiscal 2014, the percentages of male and female employees in ITO EN were 90.7% and 9.3%, respectively. Although the length of service of female employees is increasing each year, the current situation is that the percentage of male employees is still high due to the type of operation based on route sales, where delivery activities such as loading and unloading products are the primary job. We will continue to promote the creation of a pleasant working environment for both men and women to enable them to work energetically through actions such as expanding job types and increasing opportunities for them to exercise their abilities.

Number of employees by gender (As of April 30, 2015)

Male	Female	Total
4,879 (90.7%)	502 (9.3%)	5,381

(persons)

Number of managers by gender (As of April 30, 2015)

Male	Female	Total
1,059 (98.4%)	17 (1.6%)	1,076

(persons)

Number of new graduates hired (Fiscal 2014)

Male	Female	Total
203 (84.2%)	38 (15.8%)	241

(persons)

### Employment of disabled people

At ITO EN, 119 peoples with disabilities work in various job categories as of March 31, 2015, and the employment rate of the disabled was 2.19% in fiscal 2014. We attempt to increase their retention rate by confirming their aptitude for the workplace by conducting practical training for two weeks before hiring at the designated place of employment. We also provide support to the disabled for their employment by providing them with opportunities to gain work experience in an actual workplace, while fostering the understanding of employees.

### Reemployment system

ITO EN has established a reemployment system whereby employees can work for a maximum of five years after retirement. As a general rule, we conclude a contract with all employees who wish to be reemployed. We have put an environment in place that enables them to demonstrate the experience, knowledge, and expertise they have developed in a variety of workplace settings.

### Recruitment of global talents

With the aim of becoming a "Global Tea Company," the ITO EN Group promotes activities to hire foreign employees.

### Efforts for a pleasant workplace environment

ITO EN has established the workplace environment improvement promotion committee to examine overall problems and remedial measures related to the workplace environment and create a better workplace environment. The regional committee, consisting of representatives from each region (held three times a year, in principle), is established under the workplace environment improvement promotion committee to exchange views on a variety of issues. Each employee fosters an awareness of improvement in various work-related problems on a daily basis and works voluntarily toward achieving business improvement, while constructing a cooperative framework within the company.

Every year, ITO EN also conducts a survey of all employees on various systems and the workplace environment. The results of the survey are analyzed and organized by the department in charge and used to review the personnel system and improve the workplace environment.

## A variety of human resource development

Based on the concept that its most important asset is human resources, the ITO EN Group focuses on the cultivation of human resources. Above all, we believe that the basis of education is self-development, and we prepare a variety of self-development programs to support the motivation of employees. We also work to cultivate human resources in conjunction with the education system by qualification, job title, year of employment, and type of job.

### ITO EN Business College and ITO EN Graduate School

At ITO EN Business College, an internal training system established in 1989, employees select subjects from the curriculum such as sales, finance, marketing, and organizational studies and work on assignments and group discussions for a year, aiming to acquire knowledge (827 graduates in fiscal 2014). ITO EN Graduate School was also established in 2009, and it is used as a place for employees working on self-development to acquire an understanding of management (21 graduates in fiscal 2014).

### Development of global human resources

With the aim of becoming a "Global Tea Company," the ITO EN Group cultivates global human resources in a planned manner that will work as an immediate operating force for the Group's global business operations, which will become increasingly important in the future, by taking actions such as announcing opportunities for overseas training in cooperation with Group companies.

### The Tea Taster System

The Tea Taster (tea qualification) System, which was launched in 1994, is an in-house qualification system unique to the ITO EN Group that aims to improve the knowledge and techniques of employees regarding tea and disseminate tea culture inside and outside the Company by issuing a qualification to employees who have a wealth of knowledge and advanced techniques regarding tea. Many employees take on the challenge every year, and we established the first grade in May 2013 in addition to the pre-first, second and third grades. The number of qualified employees was 1,819 as of May 2015 (12 first grade, 2 pre-first grade, 224 second grade, and 1,581 third grade).



### ● Internal Proposal System

The ITO EN Group has established the Voice System, whereby any employee, irrespective of job type, is able to make a proposal, etc. for new products and sales promotions. In fiscal 2014, the number of proposals was 19,259. This system helps all employees to remain constantly aware of what customers are still dissatisfied with and contributes to improving their motivation by making an honorable recognition of outstanding proposals.

### ● Equal opportunities and fair evaluations

At the ITO EN Group, employees are provided with equal opportunities in terms of education, assignments and jobs, irrespective of age, academic background, gender, etc., and strive to develop their careers through a variety of work experiences.

In their evaluations, employees evaluate their actions and performance themselves, and then their direct and indirect superiors conduct a multilevel evaluation. The results are feed-back to the employees, and are reflected when setting their targets for the next fiscal year.

### ● Product development through the eyes of women

The ITO EN Female Team is a project to design and develop products for women by female employees of ITO EN. This project aims to create new demand by valuing things that only women are able to discover. A product developed by the ITO EN Female Team received the golden award in the FODDEX Gourmet Beauty Grand Prix 2014. For details, please see “Consumer Issues” (page xii).

## Promotion of work-life balance

The ITO EN Group believes that fulfilling the personal lives of employees is directly connected to the fulfillment of their work at the Company. We strive to develop an environment and enhance various systems to create a pleasant workplace environment for everyone by promoting work-life balance (harmony between an employee’s work and personal life).

### ● Support for fostering the next generation of children

ITO EN has established an action plan to enable all employees to use the child-care leave system actively, and has been steadily implementing it. As a result, in 2010 we were certified as a general employer that has met the requirements under the Act on Advancement of Measures to Support Raising Next-Generation Children. In 2015, we established the third edition of the action plan to maintain our efforts.



### ● Efforts to reduce working hours

ITO EN encourages the implementation of “No Overtime Days” on a company-wide basis and the taking of long vacations of five consecutive days or more as part of its efforts to prevent long working hours. We will continue to strengthen our efforts to reduce working hours.

## Improvement of employee health management and safety and health

The ITO EN Group has established internal regulations for safety and health, with the aim of preventing industrial accidents and maintaining and improving the health of employees. Employees also work together to identify and solve problems related to industrial safety in their workplaces using the “5S action”—seiri(orderliness); seiton(tidiness); seisou(cleaning); seiketsu(cleanliness); and shitsuke(good manners)—to promote the creation of a safe working environment on a daily basis.

### ● Efforts for health management

The ITO EN Group checks more items than those required by law during the health checks of all employees and conducts gynecological and prostate exams for those who request them by covering part of the costs. On top of this, the Group also provides support for the health care of employees’ families by establishing a medical checkup re-examination subsidy system and a complete medical checkup subsidy system for their spouses.

In addition, we have developed a support system to obtain consultations on physical and mental health for employees and their families and eliminate concerns by providing counseling services by industrial physicians and public health nurses and establishing “24-Hour Health and Medical and Mental Health Consultations” at offsite facilities.

We also pay attention to the health of employees by consulting with industrial physicians for each issue involving working health.

### ● Safety and health

ITO EN continuously makes efforts to improve industrial safety. In fiscal 2014, there were 113 industrial accidents. When an industrial accident occurs, an accident report is used to analyze its causes in order to prevent any recurrences.

To take basic steps to prevent health impediments to employees, we pay attention to employees’ health by establishing health committees at the Company headquarters and factories with 50 or more employees and a safety and health committee in the production department to hold seminars from industrial physicians about safety measures and measures against heat exhaustion, influenza, and other industrial health themes. We also established the Company-wide Safety and Health Committee in 2015 for the purpose of developing a management system for safety and health.

### ● Promotion of traffic safety

ITO EN provides its employees with compliance education that includes compliance with traffic rules and the thorough practice of driving etiquette, as there are many sales employees who use vehicles for their route sales. To promote safe driving, we also aim to achieve our goal of “Zero Accidents” by installing a driving recorder and providing comprehensive education.

## Human development through ESD

We strengthen the implementation of CSR education based on the Basic ESD (education for sustainable development) Promotion Policy for sustainable society and environment.

## Opinion of an expert

The degree of confidence in ITO EN’s products is very high, and the company sells a variety of products. In response to this, I consider that even more diversity is required for management. I believe that to achieve its long-term vision of becoming a global tea company, it is important for product diversity and the integrity of corporate governance to coincide.



### Emiko Magoshi

Professor at J.F. Oberlin University, College of Business and Public Administration  
President of Transcultural Management Society



# The Environment

## Basic Policy

The ITO EN Group strongly believes that it has an important responsibility to help protecting the global environment, preserving it for future generations and securing sustainability. The Group sets environmental targets under its Environmental Policy and takes steps to achieve the targets.

### The Environment: CSR Charter

We will work to reduce our environmental footprint all through the value chain by appropriately addressing environmental challenges, including the curbing of global warming, conservation of water resources and biodiversity, and reduction and recycling of waste. We will also preserve natural assets voluntarily and continuously by living in harmony with nature, aiming for sustainable development. The entire group will promote environmental management and will cooperate with stakeholders.

## The ITO EN Group Environmental Policy (revised in April 2014)

### Basic Environmental Principles

Under its principle of Always Putting the Customer First, the ITO EN Group strongly believes that its top priority is helping to protect the global environment, which is shared by us all, and preserving it for next generations. To this end, we will comply with laws and regulations in all of our operations and will protect the environment voluntarily and continuously in consideration of our entire value chain.

We will contribute to the sustainable development of society and the environment and to a green economy through creating shared value (CSV), or striking a balance among our efforts to achieve harmony between people and nature, preserve natural assets and use them appropriately, and develop a food culture in harmony with nature, social progress, and the growth of ITO EN.

### Guidelines for Environmental Action

1. Being aware of the impact of the entire Group's business activities on the global environment and society and working to minimize the impact
2. Complying with laws and regulations and agreements related to operations, products, and services, working to prevent environmental contamination, and enhancing the environmental management system
3. Promoting resource saving and the curbing, proper disposal, and recycling of waste
4. Promoting eco-friendly product development, manufacturing, and research
5. Promoting eco-friendly purchase and business structure
6. Working to prevent global warming
7. Working to conserve water resources
8. Working to conserve biodiversity
9. Raising awareness of the global environment, incorporating ESD (Education for Sustainable Development), cultivating human resources that can make contributions to society and the environment, and each employee acting in consideration of environmental preservation
10. Promoting communication with stakeholders and environmental preservation activities

## Environmental Management

The ITO EN Group continuously promotes eco-friendly activities under its environmental policy, employing an environmental management system based on ISO 14001. The production departments, the sales department, the headquarters department, and certain affiliates have earned ISO 14001 accreditation. The Environmental Committee under the Executive Board deliberates on environmental policy, environmental targets, and the progress of activities.

## Compliance with environmental laws and regulations

Every year, all ITO EN offices confirm their compliance with environmental laws and regulations, using a laws and regulations registry. The Legal Department, Internal Auditing Department, and ISO Secretariat carries out audits and on-site inspections.

ITO EN has introduced an electronic manifesto management system at sales bases to promote compliance with laws and regulations in operations related to waste and to improve operating efficiency.

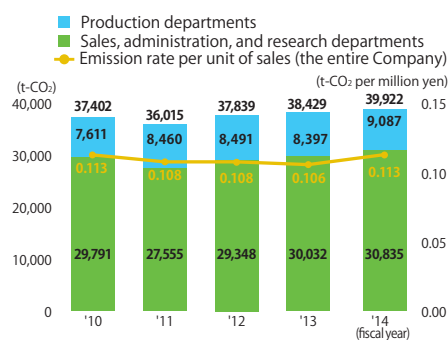
## Initiatives to Prevent Global Warming

We believe that climate change associated with global warming is a serious common challenge that society faces.

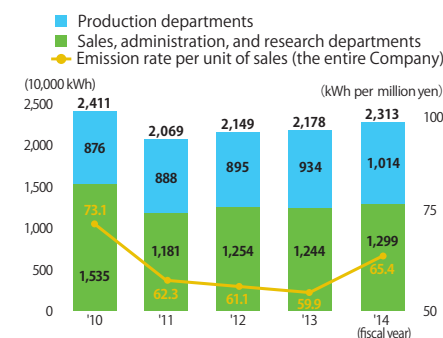
## Results at the entire Company

All departments at ITO EN sought to reduce greenhouse gas emissions, using an ISO 14001 PDCA cycle. However, chiefly in association with an increase in production volume, overall CO<sub>2</sub> emissions (emission rate) rose 6.6% from FY2013, and the electric power consumption rate climbed 9.1% from FY2013.

### Trends in CO<sub>2</sub> emissions



### Trends in electric power consumption



## Initiatives at factories and offices

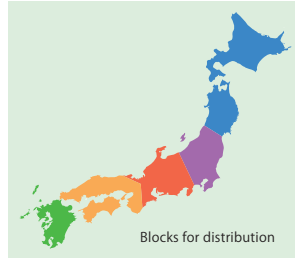
We took steps to improve efficiency in the use of energy at our factories (production departments), although CO<sub>2</sub> emissions rose 8.2%, mainly because of an increase in production volume. One subsidiary has installed solar panels and uses renewable energy.

We stepped up our efforts to save electricity at offices (in sales, administration, and research departments). We have introduced LED lighting at the headquarters and energy-saving air conditioning at regional bases. As a result, the electric power consumption rate was roughly on a par with the level in FY2013.

## ● Initiatives in distribution and sales

Sales staff at 201 sales bases nationwide and 3,636 vehicles deliver our products to customers. As our business has expanded, the number of our vehicles has increased. Given the situation, we believe that reducing energy consumption per vehicle and curbing air pollutant emissions are important issues.

We divide the nation into five blocks and outsource the manufacturing of beverage products in each block to curb energy consumption in transport. We promote "green distribution." We have made a modal shift from road to rail in the transportation of beverage products in expanded areas.



## ● Saving energy for vending machines

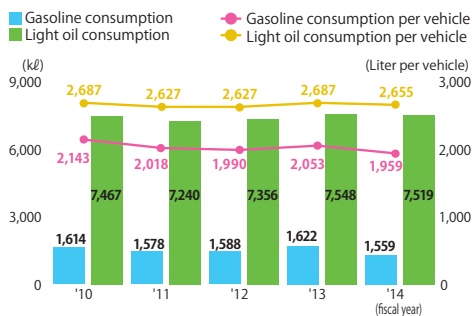
We have been actively introducing vending machines having an energy-saving function to reduce power consumption. As of April 30, 2015, 83% of our vending machines used heat pump technology.

## Introduction of economy driving and vehicles

We have been reducing fuel consumption by actively introducing eco-friendly vehicles and optimizing sales routes. We have also been promoting eco-friendly driving at all of our bases. Through these initiatives, fuel consumption per vehicle is roughly at the same level as in fiscal year 2013.

At present 87.8% of our vehicles are low-emission vehicles meeting the standards specified by the government when they began to be used or economy vehicles, such as hybrid vehicles.

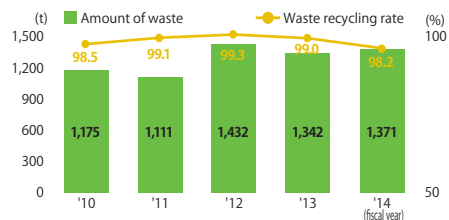
### ■ Trends in vehicle fuel consumption



## Initiatives for Resource Saving and Reduction of Waste

ITO EN promotes 3Rs (reduce, reuse, and recycle).

### ■ Trends in the amount of waste and the waste recycling rate at ITO EN's tea leaf processing factories



We have set an environmental target of reducing the loss from disposal of products at all sales bases, and each base is taking steps to reduce it, using the PDCA cycle.

Sales bases collect empty containers, which are all recycled by proper recycling business operators.

In principle, we outsource the recycling of residues generated in the manufacturing process and out-of-date products at sales bases to recycling business operators that can handle them under the Food Recycling Law. In fiscal year 2014, our food recycling rate stood at 91.5%.

## Topics

### Used Tea Leaves Recycling System

Most used tea leaves generated in the manufacturing process are reused as compost and feedstuff. ITO EN has also developed its own Used Tea Leaves Recycling System. In the system, part of the used tea leaves are used in paper products, building materials and resin, among other products. Cooperating enterprises manufacture and sell a variety of products that incorporate used tea leaves. Because tea leaves containing moisture, rather than dried leaves, are used for materials such as paper, raw materials used can be reduced, and resources can be saved.

Moreover, CO<sub>2</sub> that would be generated in association with the use of oil resources for drying used tea leaves is not generated. The system has three eco-friendly features: resource saving, CO<sub>2</sub> reduction, and recycling.

### ITO EN's Used Tea Leaves Recycling System (used tea leaves regenerated into familiar tatami) awarded the Silver Prize of Eco Mark Award 2014

In March 2015, the Used Tea Leaves Recycling System (used tea leaves regenerated into familiar tatami), which the Company introduced ten years ago, was awarded the Silver Prize of Eco Mark Award 2014\* (by the Japan Environment Association, a public interest incorporated foundation).

Eco Mark Award 2014

The Eco Mark Award is given to companies and other entities that have made great contributions to the building of a sustainable society through consumers' environmentally-conscious choice of products and companies' efforts for environmental improvement, by way of production and sales of eco-friendly products or promoting public awareness thereof.

For further information, please visit the address below.

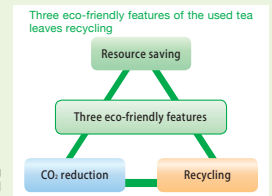
<http://www.itoen.co.jp/csr/recycle/>



A cardboard box containing used tea leaves



A container for collecting used tea leaves



## Topics

### Eco-friendly beverage container

#### (i) Lightweight plastic bottle using the NS System Winning the award for excellence of the Environmental Award

The Environmental Award (the 42nd series of awards were given in 2015) is given by the Hitachi Environment Foundation, a public interest incorporate foundation, and Nikkan Kogyo Shimbun, Ltd. to entities that have achieved breakthrough results or are expected to achieve breakthrough results in research, studies, development, and practical activities associated with environmental conservation. The purpose of the award is to promote environmental conservation activities and to contribute to building a sustainable society.

The Company and Toyo Seikan Co., Ltd. won the award for excellence for the NS System\* as a new beverage filling system for sustainable consumption.

\*NS System

The NS System is a unique filling method jointly developed by ITO EN and Toyo Seikan. The NS System uses no sterilizers to sterilize bottles and enables filling at room temperature.

NS stands for Non-Sterilant.



The two companies decided to donate prize money (1 million yen) to the municipal government of Makinohara, Shizuoka Prefecture, where the companies have plants, for environmental conservation. A presentation ceremony was held on August 24, 2015.

The presentation ceremony at a meeting room in the Haibara office building of the Makinohara municipal office (from right, Makinohara Mayor Shigeki Nishihara, Motohiko Takuma, executive officer and deputy general manager of the Production Headquarters of ITO EN, and Kenji Shinoyama, plant manager of the Shizuoka plant of the Production Headquarters and general manager of the Chubu Sales Department of the Sales Headquarters of Toyo Seikan)



Comment of Makinohara Mayor Shigeki Nishihara

“We are very proud of you for helping to making eco-friendly products for an efficient, low-carbon society in collaboration with each other and appreciate your contribution. I sincerely ask you to continue to exchange information and collaborate with Makinohara in many ways to help each other develop and grow.”

(ii) Aluminum-free paper beverage container  
Winning the Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs (of the 3R Suishin Kyogikai)

Paper beverage containers use aluminum foil to make long storage at room temperature possible. However, there has been little progress in the recycling of paper containers because the separation of aluminum from paper requires special processing. ITO EN has succeeded in developing an aluminum-free paper beverage container (ECO container), using an eco-friendly film instead of aluminum foil, for the first time in the industry in cooperation with Nippon Paper Industries and Toppan Printing. The aluminum-free container has made long storage at room temperature and recycling like that of milk cartons possible. We will expand the types of products for which the aluminum-free container is used as an eco-friendly container and the areas where products using the container will be sold.



### Initiatives for Conservation of Water Resources and Biodiversity

We believe that water is a very important resource for the ITO EN Group's business. We work to conserve water resources, use water more efficiently, prevent water contamination, and conserve biodiversity.

In our Tea-Producing Region Development Project, we have started to promote eco-friendly agriculture, use a variety of tea, and monitor living things around tea plantations. In collaboration with stakeholders, we are running the Making Japan Beautiful Through Tea campaign and are engaging in local activities to preserve forests and mountains.

### Building Relations with Stakeholders and Promoting ESD

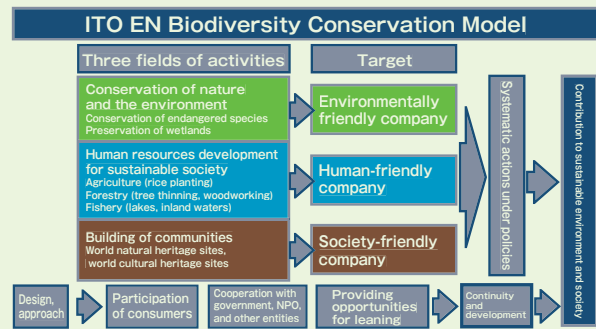
We regard communication with our stakeholders as an important issue and have taken part in Japan Network for Promoting the SATOYAMA Initiative for environmental conservation and the Watarase Yusuichi environmental conservation activities.

We promoted environmental education through the Making Japan Beautiful Through Tea project and recycled products using used tea leaves, education for conserving world natural heritage sites and cultural assets, and experience-based education, including factory visits. Under our ESD (education for sustainable development) basic policy, we will integrate those activities.

### Topics

#### ITO EN Biodiversity Conservation Model

ITO EN has established the ITO EN Biodiversity Conservation Model, aiming to become a company that is friendly to the environment, human, and society in three fields—the conservation of nature and the environment, harmony between the environment and human, and the building of communities—under the ITO EN Group's basic biodiversity conservation policy, Basic CSR Promotion Policy, and Environmental Policy. We incorporate the model into our management.



### Opinion of an expert

More and more companies in Europe and the United States are refusing to purchase, in principle, goods that will consume large amounts of energy, increase the burden on the environment, or emit CO<sub>2</sub> and are instead seeking sustainable purchases. In Japan, the Corporate Governance Code considers a variety of stakeholders and sustainability, and corporate reform should be based on those considerations. ITO EN's review of the materiality of value creation and natural capital and its Biodiversity Conservation Model are timely initiatives in that they attach importance to stakeholders' opinions, something that is being demanded both inside and outside the company.

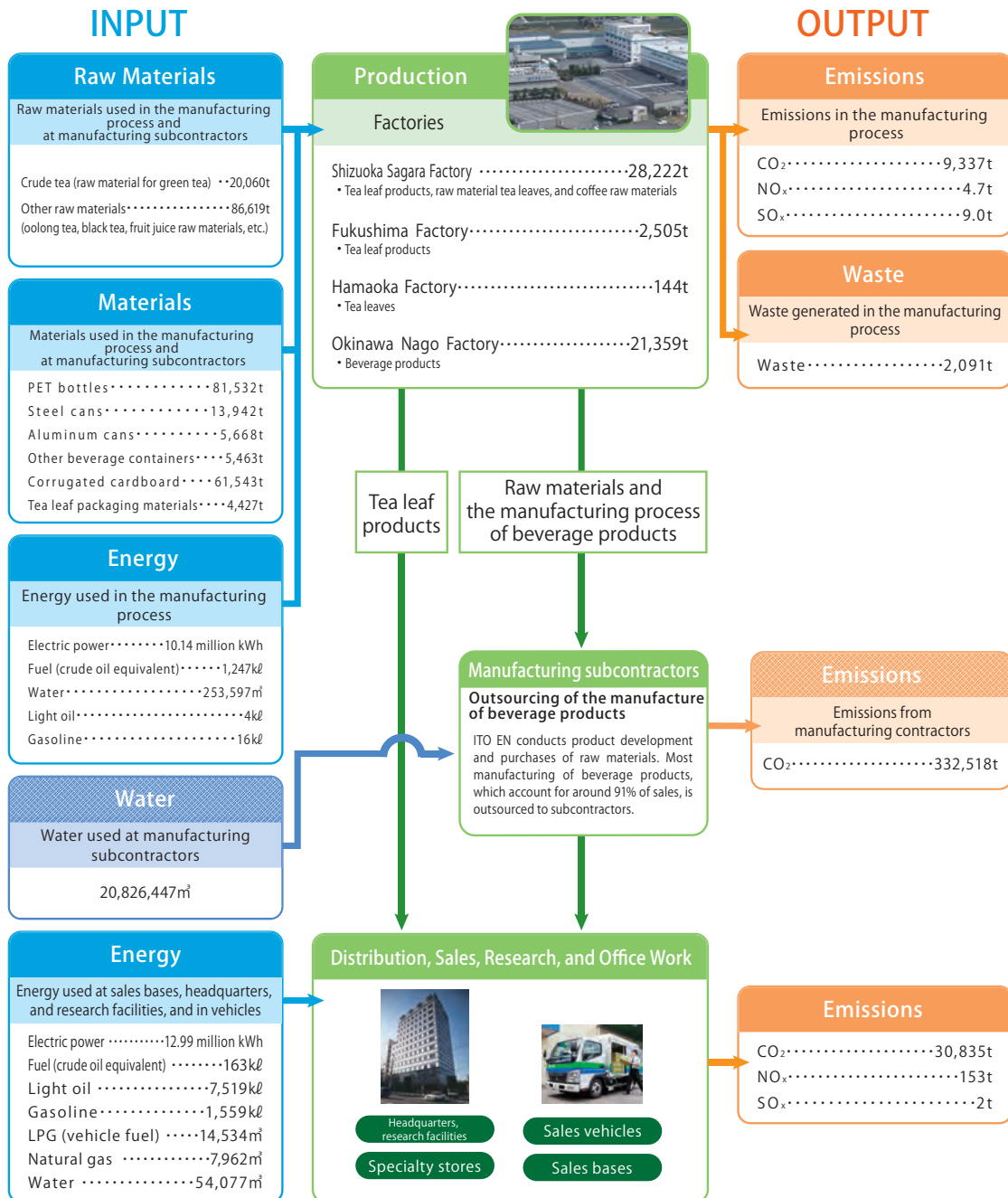
#### Toshihiko Goto

Chief Executive Officer  
Sustainability Forum Japan, a specified nonprofit corporation



## Environmental Impact of Business Activities

ITO EN tracks total resource and energy consumption and adverse environmental impacts throughout its supply chain, and continuously takes steps to reduce these adverse impacts on the environment. The chart below shows the input and output of our business activities in FY2014.



- \* Amounts that are difficult to determine accurately, such as energy used at directly managed stores, are not included.
- \* The latest calculation coefficients for electric power announced by electric power companies are used to calculate emissions. Emissions from other forms of energy are calculated under Article 3 of the enforcement order for the Act on Promotion of Global Warming Countermeasures.
- \* The quantity of drainage water from our factories was 28,147m<sup>3</sup> (estimate). Since manufacturing of beverage products is limited, the quantity of drainage water is calculated by subtracting the amount of water used as raw material from the total amount of water used.
- \* The quantity of drainage water from manufacturing subcontractors was 12,969,741m<sup>3</sup> (estimate), a slight increase from the quantity in FY2013.

### Topics: Participation in the Water Project

On August 1, 2004, the Ministry of the Environment launched a new project named Water Project to conserve water resources, which are the common property of all people. The campaign aims to continue enjoying benefits from water resources by promoting public awareness of the importance of the healthy circulation of water and water resources, as well as providing information on Water Circulation Basic Act and the Water Day in light of the purpose of the Act. ITO EN supports the campaign and is taking part.





# Fair Operating Practices

## Basic Concepts

All members of the ITO EN Group, including officers and employees, strive to ensure the legality and appropriateness of the business management and operational execution of the Group in compliance with Japanese and foreign laws, in-house regulations and other rules. Furthermore, they take the expectations of all stakeholders in the Group, such as consumers, investors, business partners and the members of local communities, seriously and work to live up to their expectations in good faith.

### Fair Operating Practices: ITO EN GROUP CSR Charter

The ITO EN Group prevents corporate scandals by strengthening procurement in supply chain management, complying with relevant laws and regulations, enforcing fair market rules and appropriate business practices and respecting contracts. At the same time, the Group advances its business activities with the aim of developing relationships with business partners in a mutually sustainable manner.

## ● The ITO EN Group Code of Conduct, Code of Behavior, and Conduct Checkpoints

The ITO EN Group advances its business activities through fair and honest competition in strict compliance with applicable rules, such as laws, the Funding Charter, in-house regulations, societal norms and ethical standards. At the same time, the Group undertakes its businesses by attaching importance to the viewpoints and standpoints of consumers.

To enforce these policies, the Group works to disseminate the ITO EN Group Code of Conduct and Code of Behavior, the embodiments of the Group principle of "Always Putting the Customer First," among Group members in the awareness that their comprehensive implementation is a basis for compliance.

The ITO EN Group has organized relationships between conduct and laws, the Funding Charter and in-house regulations into nine points that comprise the ITO EN Group Code of Conduct. In an additional step, the Group has established the ITO EN Group Code of Behavior by subdividing and specifying the items that should be observed by each Group officer and employee in the business activities he or she undertakes for the Group.

Furthermore, the ITO EN Group has established Conduct Checkpoints to enable each Group employee to examine his or her conduct from five viewpoints that are the concretized versions of the Group credo. The Group works to make the Conduct Checkpoints known to all Group employees through steps such as periodic education, in addition to asking them to give their consideration in their everyday activities.

## Compliance

### ● Establishment of a Compliance System

The ITO EN Group has appointed a corporate ethics director who is responsible for Group-wide compliance management in an attempt to achieve exhaustive compliance. The Group has adopted compliance with laws as a basic management policy and has declared that it will transform itself into a model of corporate compliance.

The Group established the Compliance Committee and the Compliance Department in 2004 in order to establish a system for promptly examining and executing responses in cases where serious compliance cases have emerged. The Group Compliance Committee met six times in fiscal 2014.

Additionally, the respective Group departments cooperate in comprehensive examinations to prevent non-compliance and its recurrence in a bid to step up compliance.

### ● Reinforcing Group Compliance

The ITO EN Group has assigned compliance promotion specialists to Group companies in Japan as a system for intra-Group communication, information sharing and opinion exchanges related to compliance. These specialists hold domestic Group company compliance liaison meetings periodically.

### ● Internal Reporting System

The ITO EN Group has established a corporate ethics hotline, a contact point for whistleblowers, within the Legal Compliance Department to deal with matters such as whistleblowing, related consultations and inquiries. The Group administers the internal reporting system based on the Whistleblower Protection Act to ensure that the employees in charge of the whistleblowing office comply with basic rules, protect whistle-blowers and related individuals, and prevent the leakage of whistleblowing details.

The Group reports cases it becomes aware of through whistleblowing and other reports to the Compliance Committee and deals with such cases in cooperation with corporate attorneys and other legal experts.

### ● Promotion of Compliance Education

The ITO EN Group takes steps such as the provision of compliance education and training programs to all Group officers and employees in a planned manner in an attempt to raise Group-wide awareness of compliance. In fiscal 2014, the Group offered them programs including those related to basic compliance knowledge, legal compliance and education for preventing harassment.

Furthermore, the Group has assigned compliance leaders and compliance promotion officers to its main sales offices and areas across Japan. The Group encourages its officers and employees to take a compliance certification test. Group officers and employees certified through the test account for around 70% of those under the scope of the compliance-awareness enhancement programs at present.

### ● Strict Handling of Compliance Violations

The ITO EN Group deals with compliance violations fairly and impartially by facing the facts sincerely, taking exhaustive measures to prevent their recurrence and punishing violating employees appropriately after working to gain an accurate understanding of the facts and bring their true causes to light when such violations occur.

\* Please also refer to page 24 of the ITO EN Report 2015 regarding compliance.

## Ensuring Fair Competition and Business Transactions

The ITO EN Group strives to maintain compliance in a wide range of fields, such as consistently sound procurement, fair transactions with manufacturing outsourcees and free, fair completion in businesses and sales.

### ● Protection of Intellectual Property Rights

The ITO EN Group makes positive use of its intellectual property rights, in addition to respecting such rights owned by other companies. The Research and Development Department and the Intellectual Property Department of ITO EN, Ltd. deal jointly with specific cases involving these rights.

## Opinion of an expert

I asked about compliance in tea manufacturing from a technical perspective because technical scandals that are hard for ordinary people to understand, such as dishonest business accounting and the falsification of earthquake-proof device performance, have emerged in succession. I received comprehensive answers to my questions from ITO EN once again. They informed me that all management systems at ITO EN are linked with the importance the company attaches to the everyday beverage known as tea. I learned about the craftsmen-like pride in manufacturing food and drinks, and the sense of responsibility for customers, however advanced the underlying technologies for the processes might be ranging from raw ingredient production to product quality management to sales. This discovery gave me the impression that ITO EN's products are extremely dependable. I would like to ask ITO EN to continue delivering high-quality green tea (in which Japan takes pride to) people all over the world, together with Japanese food, whose popularity has been growing.



### Mitsuhiro Umezu, Ph.D.

Associate professor, Keio University  
President, Japan Society for Business Ethics



# Consumer Issues

## Basic Concepts

The ITO EN Group emphasizes the major importance of product development and points of contact with customers in its medium- and long-term management plans. In all stages, from the raw ingredients used in products offered to customers to the finished products, the Group aims to manufacture products and offer services in accordance with its principles for product and service development – natural, healthy, safe, well-designed and delicious – based on strict standards for controlling their quality.

### Consumer Issues: ITO EN GROUP CSR Charter

The ITO EN Group seeks to achieve reliability and safety by maintaining a strict quality control system for the entire value chain with actions including compliance with all consumer-related laws and traceability system improvement. At the same time, the Group aims to satisfy customers at higher levels by creating products that comply with its product development principles – natural, healthy, safe, well-designed and delicious – and making contributions in fields such as health and dietary culture.

## Quality Control Initiatives

The ITO EN Group recognizes quality control as the most important responsibility toward customers of a group such as itself that deals with food. With this awareness, the Group is striving to ensure the safety of its products through establishing strict quality control systems for all processes related to products, including product design, raw ingredient procurement, package preparation, manufacturing and distribution.

### Consistent Quality Control Systems

In 2002, ITO EN gained certification under ISO9001, an international standard for quality control and quality assurance. The Company works to control product quality using a quality management system that it has developed. The Shizuoka Sagara Factory of ITO EN was certified under FSSC22000 in November 2013.

The Quality Control Department of ITO EN inspects raw ingredients for agrochemical residues. The Department and factories operated by the Company's manufacturing outsourcees check aspects such as fragrance, flavor, machine analysis and microorganisms at the manufacturing stage.

ITO EN is manufacturing its products at factories that meet its quality control standards (guidelines for manufacturing beverages and tea leaves). The Company ensures that the safety and reliability of its manufactured products are exhaustive by asking officials in charge of product quality at these factories to join the Company in quality meetings, in addition to requesting that they share information on a daily basis.

Furthermore, ITO EN has established an inspection system against radioactive substances based on tests and monitoring studies carried out on all its beverage products using radiation detectors.

### Quality Control by ITO EN (Main Tests)

Raw ingredients	Raw ingredients for beverages	<ul style="list-style-type: none"> <li>Sensory tests (tests of shape, luster, aroma and water color)</li> <li>Microorganism tests</li> <li>Physicochemical tests (ingredient analysis, etc.)</li> <li>Agrochemical residue tests</li> <li>Radioactive substance tests</li> </ul>
	Water	<ul style="list-style-type: none"> <li>Water quality tests</li> <li>Radioactive substance tests</li> </ul>
Products	Tests by ITO EN and factories operated by its manufacturing outsourcees	<ul style="list-style-type: none"> <li>Sensory tests (tests of shape, luster, aroma and water color)</li> <li>Microorganism tests</li> <li>Physicochemical tests (ingredient analysis, etc.)</li> <li>Radioactive substance tests</li> </ul>



A view of a radioactive substance test using a germanium semiconductor detector. A germanium semiconductor detector is used for testing foods whose standard value is 10Bq/kg or below or 50Bq/kg or below, including beverages, tea for drinking (extracted liquids), water used in such products, milk and milk-based drinks.

### Ensuring Traceability

ITO EN checks the cultivation control records kept by tea producers, particularly those related to agrochemicals, in a prioritized manner through its traceability system for green tea raw ingredients produced in Japan.

### Controlling the Quality of Raw Ingredients for Vegetable Beverages Produced Overseas

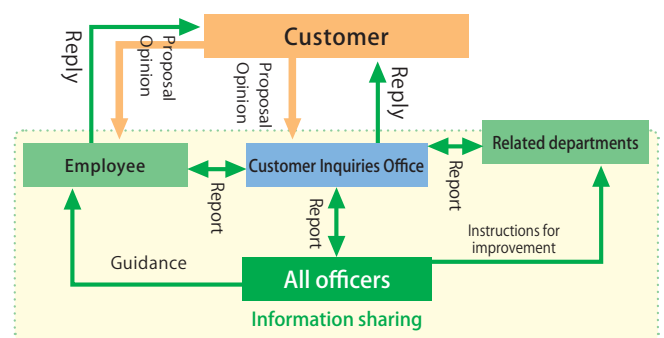
ITO EN uses safe raw ingredients in compliance with laws. The Company inspects the quality of procured raw ingredients using quality assurance certificates sent from its suppliers around the world and confirms the cultivation, processing and management conditions in the locations where the raw ingredients are produced. The Company's officials in charge of raw ingredient purchases travel to each of these locations to check the actual conditions regarding agrochemical use and quality control systems.

## Initiatives for Increasing Customer Satisfaction

In fiscal 2009, ITO EN declared its compliance with ISO10002 (an international standard for complaint handling and management systems). This standard requires companies to attempt to improve their various activities in a sustained manner, build a framework for handling complaints based on the PDCA cycle and operate such framework to achieve customer satisfaction. ITO EN considers the positive reflection of customer opinions on its business administration and the practice of its management principle of "Always Putting the Customer First" as its basic policies for satisfying customers.

Inquiries, opinions and proposals that come from customers by means such as telephone calls, letters and emails are valuable information for ITO EN. The Company makes it a rule to respond to customer opinions sincerely, promptly and carefully, placing high value on the initial responses to the customers concerned. ITO EN has established the Customer Inquiries Office at its headquarters as the section in charge of the customer responses described above. In addition, ITO EN works to ensure that information from customers, such as their opinions, becomes the shared knowledge of all of its officers, related departments and employees, in addition to asking its salespeople to respond to each opinion contributed by customers carefully and sincerely in the course of their everyday sales activities.

### Response Processes for Customer Opinions and Proposals



## ● ITO EN Product Awarded Gold Prize in FOODEX Gourmet Beauty Grand Prix 2014

ITO EN's Healthy Rooibos Tea, which was released as a new health tea that is caffeine-free and a good accompaniment to meals, won the Gold Prize in the FOODEX Gourmet Beauty Grand Prix 2014 that was held on March 4, 2014. In 2015, the Company's Lemongrass Tea took the Silver Prize in the same event.

The FOODEX JAPAN International Food and Beverage Exhibition is one of the largest food and beverage trade shows in Asia. Gourmet Beauty is an official FOODEX JAPAN organization that consists of women with a comprehensive knowledge of food. Women from many different backgrounds, including photo models, TV personalities, nutritionists and professional food buyers, send out information about new trends in food from their uniquely female perspectives as members of this organization.



## ● Providing Product Information on Packages and the Website

ITO EN displays the raw ingredients and nutritional contents on the packages of the beverage products it sells. In addition, ITO EN voluntarily shows the areas of origin of the raw ingredients used in green tea, barley tea and vegetable beverages, and tea leaf products on the packages and on its website. The Company presents the results of its tests for measuring radioactive substances on its website as well.

Jujiitsu Yasai Kokusan 100% Shun no Yasai (Full Vegetables Using Seasonal Greens Grown in Japan Only)

Raw Ingredient Name (Vegetable Name)	Area of Origin
Carrots	Japan (Miyazaki, Kagoshima, Kumamoto and Nagasaki)
Tomatoes	Japan (Nagano and Yamanashi)
Celery	Japan (Nagano, Aichi and Shizuoka)
Colored sweet potatoes	Japan (Miyazaki and Kagoshima)
Asparagus	Japan (Nagano, Akita and Nagasaki)
Lettuce	Japan (Nagano and Gunma)
Parsley	Japan (Shizuoka, Fukuoka, Nagano, Chiba, Ibaraki and Oita)
Watercress	Japan (Nagano, Ibaraki, Tochigi and Yamanashi)
Cabbage	Japan (Aichi, Nagano and Gunma)
Radishes	Japan (Nagano)
Spinach	Japan (Nagano and Oita)
Japanese honeysuckle (mitsuba)	Japanese honeysuckle (mitsuba)

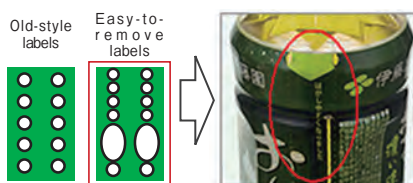
Raw Ingredient Name (Fruit Name)	Area of Origin
Plums	Japan (Wakayama)

An example of the areas of origin of raw ingredients published on the ITO EN website (as of July 2014)

## ● Consideration for Various Customers Container Package Improvement

ITO EN has adopted easy-to-remove labels for the packages of *Oi Ocha* Green Tea and its other main products. These labels can be easily removed from the bottles because of the adjusted sizes and intervals of the perforations on the packages.

The Company is also adopting PET bottle caps and stay-on tabs that are easy for people with a weak grip to use in a growing number of products.



## Universal Vending Machines

ITO EN has placed the selection buttons on these vending machines lower to make purchasing easier for elderly people and children. The Company has also adopted a machine design that enables handicapped people to deposit coins easily. ITO EN installs these vending machines mainly in hospitals and public facilities.



## Communication with Customers

### ● Activities for Popularizing and Teaching Tea Culture Undertaken by Employees Qualified as Tea Tasters

ITO EN employees qualified through the in-house Tea Taster qualification program are actively working in areas such as initiatives for teaching tea culture that cover points including knowledge of tea, how to serve tea,

the good flavor of tea and its health benefits, and disseminating related information to parties within and outside ITO EN as tea experts. In fiscal 2014, these Tea Tasters engaged in activities including explanations and demonstrations on serving delicious tea at around 800 events held nationwide. Specifically, they offered this service in cooperation with the Matsue Castle Great Tea Party and a similar event on Japanese culture at the Sensoji Temple in Tokyo's Asakusa area, through alliances with distribution companies that are ITO EN's customers, at facilities such as community centers and schools, at tea parties held for supporting the Tohoku region's reconstruction from the Great East Japan Earthquake and at large tea parties in stores, including mass merchandise outlets.

### ● Dietary Education Initiatives

ITO EN is working to promote systematic dietary education through tea and other beverage products based on the 2nd Basic Plan for the Promotion of Dietary Education formulated by the Cabinet Office in 2011.

Specifically, the Company is attaching importance to initiatives including activities for popularizing and teaching tea culture undertaken by its Tea Tasters, seminars on tea and health, information provision through product packages and websites\*, and participation in national conventions for the promotion of dietary education.

\*Ocha Hyakka (Tea Encyclopedia)

<http://ocha.tv/>

Ocha Hyakka Kizku (Tea Encyclopedia for Kids)

<http://ocha.tv/kids/>



## Research on Health Benefits of Tea and Development of Designated Health Foods

The ITO EN Central Research Institute has conducted research in a wide variety of fields including those related to tea, and has contributed to the development of various beverage products and the improvement of their manufacturing processes. Designated health foods with two health benefit statements intended for people concerned about body fat and cholesterol, Futatsu no Hataraki Catechin Green Tea, Futatsu no Hataraki Catechin Oolong Tea and Futatsu no Hataraki Catechin Jasmine Tea, are products developed by ITO EN on the basis of the findings of research undertaken by the Institute for many years. The ITO EN Central Research Institute is also studying and developing functional foods.

## Protection of Personal Information

ITO EN uses fair means for acquisition, complying with rules such as the Act on the Protection of Personal Information, and providing proper protection, maintenance and management with regard to the personal information of customers. The Company makes the Personal Information Protection Policy, the Privacy Policy and Points to be Made Public under Personal Information Protection Laws available to the public on its official website. In addition, ITO EN strictly manages all information obtained through its website in compliance with the ITO EN Website Privacy Policy.

## Opinion of an expert

Activities for popularizing and teaching tea culture and prizes won reflect how ITO EN has worked to meet demand and live up to expectations in society, and what such operations have achieved. As a consumer, I would like to support the Company's activities based on the principle of Always Putting the Customer First. I am also counting on ITO EN's traceability program as an interactive information system that relays the reactions of consumers, such as their excitement about products they have purchased and their questions, to producers, and enables consumers to understand the situations in the places where ITO EN's products originate. I would like to make the most of the traceability program to strengthen relationships of mutual trust, by joining hands with all the people involved in the processes ranging from manufacturing to consumption.



**Yoriko Tobe**

Director  
Consumer Research Institute, NACS



# Community involvement and development

## Fundamental Concepts

The ITO EN Group is committed to contributing to community services, community participation and community development to revitalize the local community.

Focusing on activities related to local agriculture, food and gastronomic culture, the local environment and local woodlands and mountains, Japanese culture and heritage, and earthquake disaster reconstruction support as the priority areas, the ITO EN Group promotes these activities through its core businesses in each operational stage from production to sales.

The Group also operates in cooperation with its group companies in North America and Australia with the aim of becoming a "Global Tea Company."

## Community involvement and development [CSR Charter]

The ITO EN Group, as a corporate citizen, endeavors to promote activities that contribute to the sustainable development of local communities by dealing, through its core businesses, with local issues such as the environment, food, agriculture, culture, the declining birthrate and the aging population and community revitalization. The Group also strives to develop sound relationships with the local community in overseas countries in which the Group operates by responding to community issues in accordance with individual needs in the relevant countries.

## The Tea-Producing Region Development Project (Contract Cultivation/New Tea Plantations Business)

It is the quality of the tea leaves that creates the delicious flavor of tea. ITO EN employees travel directly to tea-producing regions and tea markets and undertake direct purchasing only after discerning the quality of the leaf tea. For a portion of leaf tea as raw materials, ITO EN carries out an initiative called the Tea-Producing Region Development Project. The project aims to enhance flavor from the tea plantations stage (by initiating (i) contract cultivation plantations where employees work together with local growers to improve tea leaf quality, and (ii) the New Tea Plantations Business in which abandoned farmland is utilized and tea growing is resumed from redeveloping the fields through cultivation).

In June 2015, ITO EN invested in a contract cultivation partner, Farming corporation Hamano Seicha, an agricultural corporation in Kumamoto Prefecture.

## ● Background of the Tea-Producing Region Development Project (New Tea Plantations Business)

ITO EN handles about 1/4 of Japan's crude tea production, but the stable procurement of high quality raw leaf tea materials was an issue in the past. After assessing local production issues such as (i) the creation of large-scale tea plantations using abandoned farmland, etc., (ii) the stable production of high quality tea leaves, (iii) stable farm management and (iv) job creation, ITO EN decided from 2001 to fully engage in the New Plantations Business in addition to contract cultivation with individual tea farmers.

## ● Promotion of the Tea-Producing Region Development Project (New Tea Plantations Business)

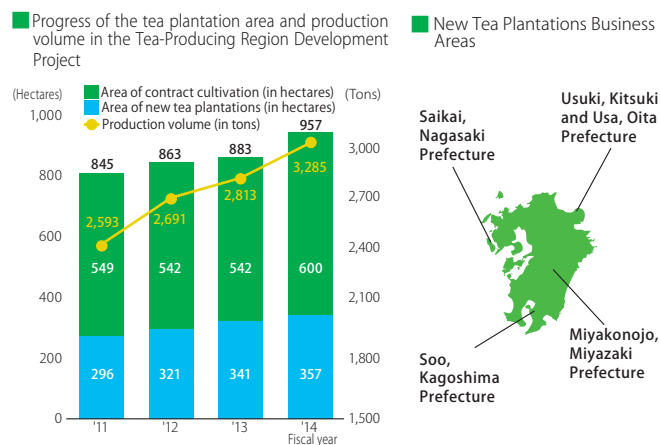
ITO EN cooperates with regional government agencies, unions, and producers to promote the utilization of abandoned farmland to develop new tea plantations, and to offer cultivation technology and expertise, including mechanization and IT, while purchasing entire crops of tea leaves to increase tea leaf quality and reduce costs. For tea farmers, contracting transactions with ITO EN enables them to undertake stable farming management and promote environmental preservation through the appropriate use of fertilizers and pesticides.

At present, ITO EN is managing the New Tea Plantations Business to grow high quality crude tea for *Oi Ocha* in six districts in four prefectures of Kyushu, namely Miyazaki, Oita, Kagoshima and Nagasaki.

As of April 2015, the New Tea plantations area was 357 hectares, and the combined area of this and other contract cultivation tea plantations increased to 957 hectares. ITO EN is slated to expand to a scale of 2,000

hectares in the future. With developments such as the establishment of crude tea production factories, the project is leading the creation of the sextiary industry.

In recognition of these initiatives, in June 2015 the Tea-Producing Region Development Project (New Tea Plantations) received the 3rd Nikkei Social Initiative Award for the corporate sector sponsored by Nikkei Inc.



The New Tea Plantations Business; Tea fields in Kitsuki, Oita Prefecture, producing crude tea exclusively for *Oi Ocha*

## ● The Tea-Producing Region Development Project (New Tea Plantations Business) in Australia

Under the Tea-Producing Region Development Project (New Tea Plantations Business), ITO EN AUSTRALIA PTY. LIMITED, which produces and sells tea leaves, is engaged in developing tea plantations, supervising tea cultivation and processing crude tea in the state of Victoria, Australia, where the seasons are the opposite of those in Japan. It is also working to improve tea cultivation technologies in cooperation with local tea producers and ensure the comprehensive traceability of crude tea in the same manner as in Japan. Tea leaves produced here are used mainly as raw materials for products sold in Australia and for foods for specialized health uses of ITO EN.

## Relations between Shizuoka Sagara Factory and the Local Community

The ITO EN Shizuoka Sagara Factory (established 1974) in Makinohara, Shizuoka Prefecture, one of Japan's main tea regions, carries out initiatives based on the local community. These include the promotion of dietary education together with the city of Makinohara (with ITO EN's employees participating in the city's dietary education promotion committee), factory tours, tea picking demonstrations at elementary schools and regional cleanups. The factory also holds an annual factory festival every October, with the 23rd factory festival held in fiscal 2014.



Factory tours

## ● Initiatives Supporting Regional Environment, World Heritage, etc.

In fiscal 2014, ITO EN carried out a wide range of activities based on the principle of learning together with the stakeholders of each local community.

## ● “Making Japan Beautiful Through Tea” Project (Cooperation: 26 prefectures)

This project is an initiative involving donating a portion of all sales of *Oi Ocha* products during the period from August 1, 2014 to October 31, 2014 to nationwide environmental preservation and development activities in Japan. ITO EN's employees also participate in nationwide environmental preservation and development activities.



Outline of the implementation of the "Making Japan Beautiful Through Tea" Project  
 Environmental Preservation and Development Activities for World Natural Heritage Site, etc.  
 Hokkaido: Preservation activities of the important natural environment that is designated as Hokkaido Heritage; Tochigi Prefecture: Preservation activities of clean rivers and lakes in Okunikko; Saitama Prefecture: Preservation activities of green areas in Saitama Prefecture; Tokyo: Green promotion project activities, such as planting lawns in school yards and doubling the numbers of street trees; Kanagawa Prefecture: Preservation activities of green areas in Kanagawa; Aichi Prefecture: Aichi forests and green areas creation project; Nagano Prefecture: Preservation activities of the natural environment and biodiversity in Kirigamine and other areas; Osaka: Nakanoshima Nigiwai no Mori creation project; Hyogo Prefecture: Biodiversity preservation activities in Rokkosan and other areas; Okayama Prefecture: Development of forests and green promotion activities in Okayama Prefecture; Fukuoka Prefecture: Preservation activities of the important natural environment in Fukuoka Prefecture; Saga Prefecture: Environmental preservation activities in Niji no Matsubara, Ariakekai and other areas; Oita Prefecture: Natural environmental preservation activities in Oita Prefecture, mainly in Kujurenzan; Miyazaki Prefecture: Natural environmental preservation activities in Takachiho and other areas; Kagoshima Prefecture: Environmental preservation activities in Yakushima.

Environmental Preservation and Development Activities for World Cultural Heritage, etc.  
 Niigata Prefecture: Activities to promote the registration of a group of gold mines and other mines in Sado as World Heritage Sites; Shizuoka Prefecture: Environmental preservation activities of Mt. Fuji; Yamanashi Prefecture: Environmental preservation activities of Mt. Fuji; Kyoto Prefecture: Cultural asset preservation activities in Kyoto Prefecture; Hiroshima Prefecture: Environmental preservation activities of Miyajima; Four prefectures in Shikoku: Activities to promote the registration of Shikoku's eighty-eight sacred sites and the pilgrimage routes as World Heritage Sites; Nagasaki Prefecture: Activities to promote the registration of a group of churches and Christianity-related heritage sites in Nagasaki as World Heritage Sites; Kumamoto Prefecture: Activities to promote the registration of Aso as a World Cultural Heritage Site.  
 For details, please visit the website.

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

## Lake Biwa Environmental Preservation Activities: “Making Lake Biwa Beautiful Through Tea”

ITO EN has agreed to and participated in the “Mother Lake 21 Plan,” a project promoted by Shiga Prefecture, since fiscal 2008. In fiscal 2014 it once again donated a portion of all sales of *Oi Ocha* products in the Kansai region during the period from January 13, 2015 to March 31, 2015 to Shiga Prefecture.

Moreover, ITO EN's employees have been continually participating every year in reed cutting with local residents, which helps to preserve the water quality in Lake Biwa.



Reed cutting activities



## Topics

CSR Activities to Support Local Water Environmental Preservation  
 The “Making Lake Biwa Beautiful Through Tea; Making Japan Beautiful Through Tea” Project received the 17th Japan Water Award\*1 in the Economy, Trade and Industry Minister Prize

ITO EN eyed the preservation of the water environment and continued to commence the “Making Lake Biwa Beautiful Through Tea” activities in 2008 to protect the global environment and ensure environmental sustainability for the next generation. In addition to this, from 2010, it launched the “Making Japan Beautiful Through Tea” activities that focused on biodiversity, as for this project, we preserve the water resources in 13 prefectures. With the recognition that some of these activities contributed to the achievement of sound water recycling, the activities received the 17th Japan Water Award in the Economy, Trade and Industry Minister Prize (Main sponsor: The Japan Water Award Committee of the Ministry of Land, Infrastructure, Transport and Tourism\*2).

\*1 The award was established in 1999 to award activities such as the achievement of a sound water cycle undertaken by schools, companies, organizations, administrations and private individuals. By taking the entire planet into account, it aims to achieve sound water recycling and contribute to developing a nation and society that are resilient to water disasters while preserving the rich natural environment created by beautiful water.

\*2 The Japan Water Award Committee (Honorary President: The Imperial Prince Akishinonomiya Fumihito; Committee Chairman: Mamoru Mohri) consists of members including the Chairman of WWF Japan, the leaders of a variety of industries and university professors, and it is engaged in the selection of winners of the award and other activities. The committee hosts the award jointly with the Ministry of Land, Infrastructure, Transport and Tourism.

## Cleanup Activities at Sales Bases, etc.

The ITO EN Group promotes the “Adapt Program,” a community beautification campaign, and its employees carry out the program twice a month at the Headquarters Building, Nishi-Shinjuku Building (ITO EN and GREEN VALUE), Taito Asakusa Building, sales bases, Kagurazaka Building (Tully's Coffee Japan) and ITO EN KANSAI CHAGYO.

Since 2011, ITO EN has also been participating in the “Cedar Avenue of Nikko Cleanup Operation” that is held every July with the sponsorship of the Cedar Avenue of Nikko Protection Institute (in the Tochigi Prefecture Board of Education Offices).

## ● Ongoing Initiatives to Support the Reconstruction Projects Following the Great East Japan Earthquake *Oi Ocha* “KIZUNA” Project

ITO EN carried out the *Oi Ocha* “Bond” Project, the donation of a portion of all sales of *Oi Ocha* products during the period from August 1, 2014 to October 31, 2014, to support the education of children affected by the Great East Japan Earthquake. (Applicable area: 20 prefectures, excluding the areas subject to the “Making Japan Beautiful Through Tea” Project; Donation beneficiaries: The “IWATE Learning Hope Fund” in Iwate Prefecture, the “Great East Japan Earthquake Miyagi's Children Fund” in Miyagi Prefecture and the “Fukushima Donation for Orphans Affected by the Great East Japan Earthquake” in Fukushima Prefecture.)



## “Ochakko-kai” Tea Events

When friendly neighbors in the Tohoku region want to ask each other “How about a cup of tea?” they use the phrase “Ochakko shiyo ka?” and gather to chat about all sorts of things. ITO EN has been continually holding “Ochakko-kai” tea gatherings (tasty tea-making seminars) to help with the reconstruction of a community that enables people in the disaster-affected areas to maintain bonds and connections.

It will continue to undertake initiatives to support the communities in the disaster-affected areas in the future.

Number of “Ochakko-kai” tea gatherings held (from November 2011 to May 2015): 154 times

## ● Disaster Response Vending Machines, etc.

ITO EN is aggressively promoting the installation of disaster response vending machines that generate electricity independently by switching their power sources to their built-in batteries or by manually and have functions that allow customers to take products from the machines free of charge when a disaster takes place and drinks are required as relief supplies.

Moreover, ITO EN has entered into agreements with a number of local municipalities whereby it will provide drinks as relief supplies on a priority basis at a time of the occurrence of a large-scale disaster.



## ● Supporting Local Characters and Cooperation with Local Municipalities

Through its core businesses, ITO EN also provides a range of support to local characters that have platform-like functions for local revitalization. For example, it supports “Kanyao,” a character that identifies, puts together and sends out information about “good things,” including the social contribution activities of companies in Kanagawa Prefecture and NPO activities. In addition, for “Sanomaru,” a character of Sano City, Tochigi Prefecture that is well known nationwide, the Sano Branch of ITO EN is engaged in activities as a member of the “Sanomaru Supporters.”

ITO EN also entered into a “comprehensive cooperative agreement on local revitalization” with Yokohama City, Kanagawa Prefecture in November 2012. In March 2014, ITO EN was recognized as a “Yokohama-style community contribution company” by Yokohama City.

## ● Managing Tea Specialty Stores

ITO EN has directly owned stores (specialty stores) in the Kanto and Kansai regions, and sells both Japanese and world teas. Based on its aspiration of "Introducing the Japanese tea culture using Japanese teapots to as many people as possible," ITO EN has opened 16 ITO EN stores in the Tokyo metropolitan area, which are Japanese tea specialty stores at which it provides carefully selected high quality tea in a bright, comfortable Japanese atmosphere. In September 2014, it opened "Saryo ITO EN," a Japanese café, at Haneda Airport. In line with the concept of Cool Japan, ITO EN also offers its services at Narita Airport.

## Cooperation with Consumers

## ● Oi Ocha New Haiku Contest, Japan's Largest Creative Public Contest

The *Oi Ocha* New Haiku Contest is a creative public contest that has been held since 1989 when *Oi Ocha* was launched, and has attracted a cumulative total of approximately 28,010,000 applications. The contest is characterized by the enjoyment of a free sensibility that is not restricted by the traditional 5-7-5 haiku format, and by the display of the winning entries on *Oi Ocha* series packaging. The contest is also widely used in school education.

The English Haiku category was also established from the second contest, and it received 16,445 applications in 2014.

For details, please visit the webpage.

 <http://www.itoen.co.jp/new-haiku/>



## ● Initiatives to Support Regional Gastronomic Culture

ITO EN participates in FOOD ACTION NIPPON, a national movement to increase Japan's food self-sufficiency rate. In Japan's many regions, there are unique gastronomic cultures such as diverse ingredients and preparation methods. In recent years, regional gastronomic culture featuring local specialties and regional gourmets has been the focus of efforts to revitalize the regions. As a manufacturer of products centered on tea, a staple beverage to accompany meals, ITO EN supports regional revitalization through food by participating in regional gourmet events.



## ● Supporting Japanese gastronomic culture (Washoku)

"Washoku: traditional Japanese cuisine" has been added to UNESCO's Intangible Cultural Heritage, and it is now important to take initiatives to protect it and pass it down to future generations. ITO EN participates in the Washoku Association of Japan (abbreviated name: Washoku Japan). Washoku Japan consists of three groups, the investigation and research group, the promotion and enlightenment group and the skills and know-how group, and ITO EN participates in all the groups.

Taking advantage of Washoku day on November 24 and Washoku month in November as a good opportunity for the Washoku promotion, Washoku Japan is resolved to enhance cooperation between ordinary people, manufacturers, distributors, restaurant operators, researchers and organizations. It strives to create and expand opportunities for people to become familiar with Washoku culture, and it sends out extensive information about the attractiveness of Washoku culture to the public.

In addition to the enlightenment activities of tea culture, a traditional culture, ITO EN supports Washoku culture promotional activities.



## ● ITO EN Ladies Golf Tournament

ITO EN has been holding the Ladies Professional Golf Tournament, and the 2014 tournament is its 30th tournament. It manages "ITO EN Green Club," a volunteer group whose members are mainly recruited in Chiba prefecture, the host prefecture, and all admission fees and other income are donated to social welfare projects and other initiatives in the host area.

For details, please visit the webpage.

 <http://www.itoen.co.jp/golf/ladies/>



## Contribution to Communities through ESD

In various activities in local communities, ITO EN adopts the method of Education for Sustainable Development (ESD) with the aim of contributing to learning, human resources development and community development through cooperation between its employees and the local residents.

## Opinion of an expert

ITO EN's initiatives are highly evaluated because they have reached a level at which values are shared with the local communities. For example, through the Tea-Producing Region Development Project, a project that helps community revitalization, ITO EN responds to the challenges of the steady procurement of high quality tea leaves. Protecting local gastronomic cultures potentially helps to increase demand for tea that is a good accompaniment for Washoku, Japanese traditional food.

Activities in which ITO EN's employees and local residents participate, such as the Lake Biwa environmental preservation activities, help educate local human resources and employees. However, ITO EN is required to evaluate the social significance and the impact on management of its activities, and it is required to constantly strive to improve its activities.

### Makoya Kageyama

Professor of the International College of Arts and Sciences of Yokohama City University and Center Chief, CSR Center LLP, Yokohama City University



The Tea-Producing Region Development Project is highly recognized by various sectors as a good example of a project that addresses the issues faced by local communities and farming villages. The introduction of eco-friendly vending machines is considered to bring about a significant social impact, so I will be interested in future developments related to this venture.

In September 2015, the UN General Assembly adopted sustainable development goals that the international community is required to work to achieve by 2030. I hope that ITO EN will continue to promote innovative businesses by placing its focus on addressing social issues.

### Kaori Kuroda

Executive Director and Board Member of CSO Network Japan





# Main Initiatives of Group Companies

## Fundamental Concepts

The ITO EN Group develops business both domestically and overseas. Its management principle is “Always Putting the Customer First,” and this principle is also adopted by each Group company in developing its businesses. The Group actively engages in the core ISO 26000 subjects of the environment, consumer issues and communities.

Moreover, in accordance with the ITO EN GROUP CSR Charter and the ITO EN Group Basic CSR Promotion Policy, the Group is committed to promoting and strengthening CSR measures in a systematic manner, with the aim of making ITO EN a “Global Tea Company.”

## Tully’s Coffee Japan Co., Ltd.

Tully’s Coffee Japan (headquartered in Tokyo) operates restaurants such as Tully’s Coffee. It plans and holds events such as a coffee school and picture book readings in its restaurants as a community cafe rooted in the local community. The restaurants that have implemented outstanding initiatives are commended under an internal award program called the Community Cafe Award. Examples of these superior initiatives are shared and studied by all other Tully’s restaurants. In this way, Tully’s Coffee Japan promotes CSR that values communication with local communities. In fiscal 2014, the Community Cafe Award was presented to “Nigaoe Daicho (Portrait book)” of the Marunouchi Tokio Marine & Nichido Building Restaurant, “Creation of a community cafe by restaurants and developers” of the atré vie Sugamo Restaurant, and “STORY – Making the best efforts for somebody” of the Toyama Prefectural Central Hospital Restaurant.

In November 2014, Tully’s Coffee Japan also opened the Kids’ Comm Grand Tree Musashikosugi Restaurant, a Tully’s restaurant that is designed to be especially comfortable for mothers and children. It has a book corner with picture books that have earned the Tully’s Picture Book Award, as well as adults’ books, and it serves a menu of drinks and food, decaffeinated cafe latte and children’s menus, that family customers can enjoy.

In June 2015, Tully’s Coffee Japan opened the TULLY’S COFFEE with U LUMINE Restaurant. It is the first Tully’s restaurant with a children’s area offering digital picture books, enabling customers to read certain books that have received the Tully’s Picture Book Award\* in digital form. With the aim of becoming a community cafe that customers love to visit, Tully’s Coffee Japan strives to provide a relaxing, comfortable space and take initiatives rooted in each local community.



Kids’ Comm Grand Tree Musashikosugi Restaurant (External appearance and book corner)



Children’s area at TULLY’S COFFEE with U LUMINE Ikebukuro Restaurant and the books that received the 12th Picture Book Award

\* The Tully’s Picture Book Award was launched in 2003. It is a project through which Tully’s Coffee Japan aspires to provide dreams and hopes to children as readers, to identify and support picture book creators in accordance with one of its management principles, “Support the development of children and young people by helping them to achieve their dreams and goals.” The picture books that have received the award following the selection process are sold in Tully’s restaurants, and they are also donated to hospitals and other institutions. A portion of the proceeds from the sales of the picture books is donated to Save the Children Japan.

## OKINAWA ITO EN, LTD.

OKINAWA ITO EN (headquartered in Okinawa Prefecture) sells beverages and tea leaf products. The PET-bottled beverages *Umi to Daichi no Yushosui* (a fountain from the depths of the sea and the great earth) and *Kenko Mineral Mugicha* (healthy mineral barley tea), which are sold in Okinawa, are blended with deep-sea water drawn from the depths off the Manza coast. As an enterprise that sells beverages and tea leaves in Okinawa, which is surrounded by beautiful oceans and natural splendor, OKINAWA ITO EN has contributed assistance payments since 2009 to the Onna village fishery cooperative when purchasing the deep-sea water to help with coral sea cultivation activities. Moreover, OKINAWA ITO EN contributes a portion of the proceeds from the sales of “Sanpin Tea,” a PET-bottled beverage, to NPO MESH Support, an operator of emergency helicopter services, to support its activities. OKINAWA ITO EN also strives to increase the recognition and understanding of these activities by printing the details of the activities on the packages of the relevant products.



## ITO EN SANGYO, LTD.

ITO EN SANGYO, LTD. (headquartered in Shizuoka Prefecture) is engaged in the teabag manufacturing, barley roasting and logistics businesses. It undertakes these businesses with an emphasis on ties with the local community. For example, it asked Makinohara City, Shizuoka Prefecture to provide a notice on its website about the AEDs that ITO EN SANGYO had installed in its offices so that the AEDs could be used by a large number of community members. It has also developed electric power supply facilities for the power source of drainage pumps as a measure to deal with flooding in the local area at the time of heavy rain. These measures are greatly appreciated by the local community.

ITO EN SANGYO also conducts annual extracurricular school activities such as factory tours and hands-on facility field trips for students. These activities are used as opportunities through which students are able to learn the joy of work and the responsibilities of being a member of society. As ITO EN SANGYO often finds during recruitment interviews that applicants comment, “I went on a factory tour when I was a child,” it will make efforts to ensure that it will continue to grow further with the local community in the future.



Solar panels installed on facility rooftop

## ITO EN KANSAI CHAGYO, LTD.

ITO EN KANSAI CHAGYO, LTD. (headquartered in Hyogo Prefecture), which engages in the production and sales of green tea, barley tea, and gift products, began operating a new factory in November 2012. The new factory has adopted new production facilities and established facilities for factory tours. It has also carried out eco-friendly measures, mainly by installing solar photovoltaic power generation facilities and introducing LED lights.



In addition, its employees undertake cleanup activities in the areas around the new factory on a regular basis.

## Chichiyasu Company

Chichiyasu Company (headquartered in Hiroshima Prefecture) is engaged in the manufacture and sales of dairy products such as yogurt and milk. It holds plant tours mainly for local primary school children. The tours, a historical initiative that commenced in the late 1920s, include visits to the production line for yogurt and milk and explanations of the corporate history of Chichiyasu since its establishment in 1886.



Moreover, as part of the activities for making contributions to the local community, Chichiyasu's employees participated in weed cutting and cleanup activities with local community members in the Ohno district, a neighboring area, along Eikeijigawa River, one of Hiroshima Prefecture's major water sources, in April 2015, and in Ono Imose no Taki Park in July 2015.

In addition, Chichiyasu undertook cleanup activities in Miyajima, a Cultural World Heritage Site, in December 2014 as an initiative in cooperation with ITO EN.

As the company that launched the first yogurt products in Japan, Chichiyasu strives to implement initiatives to increase the understanding of dairy products and undertake activities through which it is able to contribute to the area where its offices are located.

## GREEN VALUE CO., LTD.

GREEN VALUE CO., LTD. (headquartered in Tokyo) is engaged in vending machine maintenance and serves as a sales intermediary for vending machines. With the aim of building a recycling-based society, it recycles vending machines that are no longer used domestically by separating the component materials from the machines, rather than simply disposing of them. Recycled products from vending machines are transformed and put to good use in a great many ways. GREEN VALUE is also promoting the Adapt Program, a town beautification program, in cooperation with the ITO EN headquarters and other offices, such as the Nishi-Shinjuku Building.

## ITO EN (USA) INC.

ITO EN (USA) INC. (headquartered in Hawaii) is engaged in the production and sales of beverages mainly in Hawaii. In Hawaii, there is a word, *Ohana*, which means family. Helping each other economically or psychologically and valuing sharing among people is called the spirit of *Ohana*. Embracing the spirit of *Ohana*, ITO EN (USA) INC. recognizes the approach of food bank organizations that provide food to needy families living in Hawaii, and it provides them with beverage products, foodstuffs, monetary donations and other assistance.

## ITO EN (North America) INC.

ITO EN (North America) INC. (headquartered in New York) sells *Oi Ocha* and *TEAS' TEA* series products, capitalizing on the overseas trend of healthy living. It also introduces a Japanese gastronomic culture centered on tea, including green tea. Moreover, since an article of benches made of resin containing used tea leaves was introduced in the local media, the Used Tea Leaves Recycling System, the ITO EN Group's flagship eco initiative, is also attracting increasing attention in North America.



## ITO EN AUSTRALIA PTY. LIMITED

ITO EN AUSTRALIA PTY. LIMITED (headquartered in Victoria) produces and sells tea leaves. As the Tea-Producing Region Development Project (New Tea Plantations Business) in the state of Victoria, Australia, where the seasons are the opposite of those in Japan, ITO EN AUSTRALIA develops tea plantations, cultivates tea, offers advice to local tea producers and processes crude tea. It is also working to improve tea cultivation technologies in cooperation with local tea producers and ensure the comprehensive traceability of crude tea in the same manner as in Japan.



Tea leaves produced here are used mainly as the raw ingredients of products sold in Australia and for foods for specialized health uses of ITO EN. Operating in Australia, where the number of diseases and pests is limited, ITO EN AUSTRALIA carries out eco-friendly green tea production by establishing cultivation methods that do not use many agricultural chemicals, and by adopting other ideas.  
(Refer to Page xiii.)

## Other Major ITO EN Group Companies

### Domestic

- ITO EN·ITOCHU MINERAL WATERS CO., LTD.
- NEOS Corporation

### Overseas

#### <USA>

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

#### <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.

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