

ITO EN INTEGRATED REPORT



Everything is for that cup of tea.



02 Management Message

03 Top Message

06 Always Putting the Customer First

07 ITO EN's Commitment

09 Procurement

10 Production and Logistics

11 Product planning and development

12 Sales and Distribution

13 Developing and strengthening brands

— Proposing healthy and fulfilling lifestyles through beverages —

15 Establishment of the **ITOEN** brand

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

17 Special Interview

Leading a country facing global challenges first

Hiroshi Komiyama

Chairman of Mitsubishi Research Institute, Inc.
Former President of Tokyo University
President of Platinum Society Network



Hachiro Honjo,

Chairman and Representative
Director, ITO EN, LTD.

19 Special Feature

A group of experts on tea “Tea tasters”

21 CSR Initiatives

22 Dealing with ESG issues and evaluation in society

23 Generating innovations with customers

25 Societal recognition

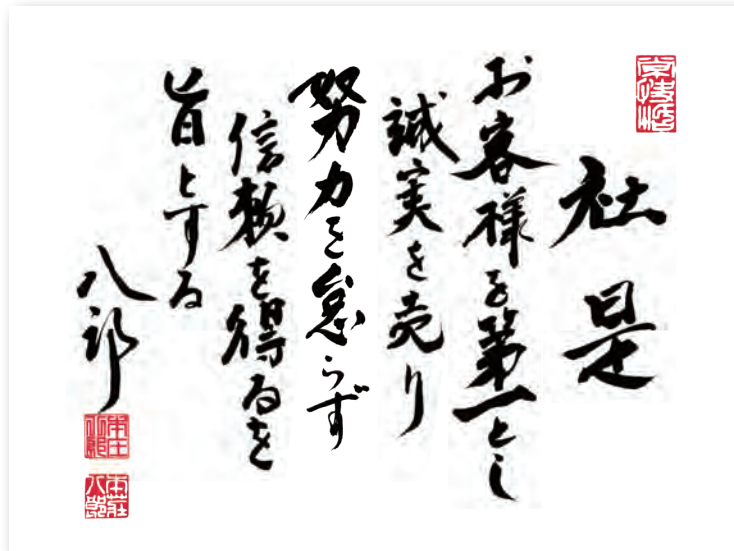
26 Human resources development/
In-house structure that supports integrated
production processes from crude tea to products

27 Corporate Governance

29 Financial Summary

31 List of Officers

33 Introduction of Main Group Companies/Company Outline



Definition of “our” customers

- Consumers
- Shareholders
- Retailers
- Suppliers
- Financial institutions
- Local communities

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

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

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

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

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

Hachiro Honjo, Chairman and Representative Director

Daisuke Honjo, President and Representative Director



**To become a “Global Tea Company,”
we are pursuing sustainable growth
through innovation and the creation
of shared value.**

ITO EN, LTD.

Daisuke Honjo

President and Representative Director

New era of sustainability

Contributing to solving social problems as a comprehensive beverage manufacturer

Aiming to become a “Global Tea Company,” the ITO EN Group is striving to enhance its corporate value continuously, while making contributions to the sustainability of society and the environment. The Group analyzes the business environment and risks from a global perspective and produces management strategies that make the most of its strengths.

There have been significant developments globally. In September 2015, the United Nations adopted the Sustainable Development Goals (SDGs)*1 to be achieved by 2030, and in December 2015, the Paris Agreement on Climate Change was reached. In Japan, companies have been required to comply with the Corporate Governance Code. Important decisions have been made in all aspects of the Environmental, Social and Governance (ESG) criteria. I believe that a new era of sustainability has begun.

In this environment, there will be global sports events in the near future, including the 2020 Tokyo Olympic and Paralympic Games. As stated in the Olympic Charter, we are expected to create legacies and have opportunities to address social issues and produce results in business at the same time.

In 1984, ITO EN created the world’s first canned green tea, the result of our aspiration to change the green tea market from a customer standpoint as lifestyles diversified. As a comprehensive beverage manufacturer, ITO EN will offer green tea to the world, enhancing technology for manufacturing green tea, which is healthy and part of the Japanese lifestyle, and addressing immediate challenges associated with such key words as “Cool Japan,” “inbound,” and “legacy.” ITO EN aims to grow as a “Global Tea Company” so that green tea will be consumed more often in Japan and overseas and drinking green tea as a way of life will be established as a legacy, which will contribute to healthy and more fulfilled communities worldwide.

To this end, ITO EN will focus on sincerity, efforts and trust as stated in the company creed. Every employee of Team ITO EN will implement and practice its management principle of “Always Putting the Customer First” with the desire for the happiness of all stakeholders, which is also expressed in the four-leaf clover, the Company’s logo mark.

Review of fiscal year 2015 and the start of fiscal year 2016

Product development in response to health consciousness and meticulous sales

Given drastic changes in the social environment, the competitive environment has become increasingly challenging with each year. In this environment, ITO EN ramped up efforts in fiscal 2015 in product development and sales to achieve growth in its business. Owing to these efforts, in the fiscal year under review, ITO EN posted net sales of 465.579 million yen (up 8.1% year on year), operating income of 17,243 million yen (up 51.4%), and ordinary income of 15,074 million yen (up 34.2%). Profit attributable to owners of parent stood at 8,615 million yen (up 18.1%).

ITO EN focused on three brands: *Oi Ocha*, the No. 1 green tea megabrand, whose manufacturing process and raw materials ITO EN gives particular attention to, Kenko Mineral Mugicha, the No. 1 caffeine-free tea beverage, in which field ITO EN is taking the lead, and TULLY’S COFFEE, which has been well received and has been taking the lead in the bottle canned coffee market.

Group companies have been performing well. In Japan, Tully’s Coffee Japan Co., Ltd. has opened coffee shops at good locations, and Chichiyasu Company, a manufacturer of milk beverages, has also been performing well. Overseas, sales have been strong at Distant Lands Trading Company, Inc. based in Seattle, USA, which was acquired by ITO EN (North America) INC. the fiscal year before last.

In this environment, in the fiscal year under review, the final year of the medium-term management plan, ITO EN aims to achieve increases in sales and profits for the second consecutive fiscal year and for the medium-term management plan. In domestic operations, ITO EN will work to enhance sales calls and visits. We will strengthen follow-up approaches to our customers, including vending machine customers. ITO EN will also seek to enhance its brands. In addition to the three brands above, ITO EN will strive to increase its market share in the domestic market of leaf tea products, as easy and convenient leaf tea products are selling well to inbound tourists and other customers under the Global Tea Company strategy.

In Japan, with its declining birthrate and aging population, growth in the overall beverage market remains weak, but the markets for green tea and coffee are likely to expand in the future. In May 2015, a group of researchers mainly from the National Cancer Center in Japan announced the results of their research that, in summary, the habitual consumption of green tea

and coffee results in a subsequent decrease in overall mortality. We expect that the potential growth abilities of green tea and coffee in mature markets will continue to receive support from health-conscious trends.

ITO EN will pursue business activities, including those associated with vegetable beverages and functional beverages, with a focus on potential growth abilities backed by health-conscious trends.

Toward the long-term vision of aiming to become a “Global Tea Company”

Create shared value through collaboration with stakeholders

To realize its vision of a “Global Tea Company,” ITO EN aims to establish an operating base for sustaining high growth through synergies within the Group in overseas markets to make up for the adverse effect of the future maturity of the domestic market.

ITO EN aims to achieve a ratio of overseas sales to consolidated net sales of 10% or higher in the very near future in order to earn the recognition of people around the world that ITO EN in Japan is a representative tea company offering a variety of products including tea bags and Matcha (green powdered tea). To do this, we will seek to take advantage of the boom in the consumption of Japanese cuisine, by 2020, when Tokyo will host the Olympic and Paralympic Games.

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

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

Business strategies to create value using our strengths

Instill the principle of “Always Putting the Customer First”

The basis of management is corporate governance. We comply with the Corporate Governance Code. In our business strategies, we make the most of our strengths in management capital. The characteristics of ITO EN are a robust financial standing based on stable cash flows, the establishment of its own broad network for the fables method, and strong sourcing and product development capabilities.

Human resources engaging mainly in route sales for meeting social needs and human resources development using the Tea Taster System, an in-house qualification system, are the unique features of ITO EN. In addition, we will make the most of our strengths in our management resources across our entire value chain, including intellectual property, collaboration with the stakeholders, and efforts to leverage natural resources and water.

As a specific strategy for the optimum distribution of resources, we are implementing a medium- to long-term management plan. The priority initiatives in the medium-term management plan are (i) strengthen the domestic profit base, (ii) take on challenges focused on new business fields in Japan, and (iii) make strategic investments to establish a solid foundation for overseas business. The targets are consolidated net sales of 500 billion yen or more, an ROE of 10%, and a dividend payout ratio of 40%.

As a comprehensive beverage manufacturer, we will use our management power based on three pillars: (i) coordinated community-based route sales as a unique business model and a supply system from upstream to downstream, (ii) five product development concepts since our foundation: natural, healthy, safe, well-designed, and delicious, and (iii) Group capabilities to generate synergies among a number of Group companies.

We determine matters of major importance to management and promote activities, taking an approach of seeking to create shared value.

The three pillars are supported by our management principle “Always Putting the Customer First.” We aim for a value creation model, where we can use our management power by instilling that principle and can develop operations to maximize value for all customers.

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

■ Sustainable growth

■ An operating profit margin of 5% or more in the domestic beverage business

Invest any excess to help drive growth



Incorporation of SDGs into CSR/CSV management

Enhance the business model using a common world language

As early as FY2011, the Group introduced ISO 26000*2, an international standard, and since then has developed a CSR system where it has sorted out challenges and activities in Seven core subjects*3, while sticking to the fundamentals, including compliance and corporate governance.

In addition, for priority matters in management, including the environment, consumers, and community issues, we have created shared value (CSV*4), while solving social issues, and leveraging our strengths. In this way, we have promoted CSR/CSV management.

Last year the United Nations adopted Sustainable Development Goals (SDGs; 17 goals and 169 targets). We understand that the SDGs can be a common language related to sustainability when we seek to become a “Global Tea Company.” We will deepen our understanding of goals that are related to the Group, including sustainable consumption and production, sustainable agriculture, sustainable urban development, environmental issues, health, and education.

Going forward, we will refer to SDGs in relation to the CSR based on ISO 26000 and the CSV system. SDGs show the goals to achieve by 2030. We will refer to SDGs when we identify CSR/CSV social issues and will deepen our understanding of social issues related to the Group.

The Tea-Producing Region Development Project, for example, revitalizes regions by generating employment and stabilizes the management of producers in regions. Meanwhile, we can source high-quality tea leaves in a stable manner. This project is our typical CSV activity for the community issues of ISO 26000. We understand that the project contributes to achieving the goals of sustainable consumption and production, sustainable agriculture, and sustainable cities and communities of SDGs.

In our activities, we have our employees learn about sustainability with customers. We are emphasizing human resources development (ESD*5: positioned as the goal of education in SDGs).

In Japan, we will contribute through our core business to promote cultural programs associated with regional revitalization, an important social issue, and the creation of legacies at international sports events.

We draw encouragement from high public acclaim for activities generated from our partnerships. For example, we won the 2013 Porter Prize*6 based on the evaluation of our competitive strategies. In FY2015, our Tea-Producing Region Development Project won the Prize of the Minister of Agriculture, Forestry and Fisheries for the food industry sector. Our new, recyclable, eco-friendly beverage carton that does not use aluminum foil and can be distributed at room temperature was awarded the Prize of the Minister of

the Environment in the Global Environment Grand Prize Award. We also won the Japan Water Prize (the Minister of Economy, Trade and Industry) based on the acclaim of our CSR activities, including those conducted under the project called Making Japan Beautiful Through Tea. Our contributions to a sustainable society have been receiving increased recognition.

We will continue to create shared value through CSR/CSV management based on partnerships between parties concerned (one of the SDGs).

From ITO EN in Japan to ITO EN around the world

The challenge of becoming a Global Tea Company

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

*1 SDGs: New world sustainability standards consisting of the 17 goals and 169 targets for economies, society, and the environment across the world that are described in the 2030 Agenda for Sustainable Development, which was adopted by the United Nations in November 2015. SDGs have been established as a compass for the sustainability of the international community from 2016 to 2030.

*2 ISO 26000: Guidance on social responsibility issued by the International Organization for Standardization (ISO) in November 2010

*3 Seven core subjects: Organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development

*4 CSV: Creating Shared Value

*5 ESD: Education for Sustainable Development

*6 Porter Prize: An award granted by the Graduate School of International Corporate Strategy, Hitotsubashi University

Always Putting the Customer First

●Always Putting the Customer First

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

Five marketing functions

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

●Concept for product development



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

ITO EN's commitment

Everything is for that cup of tea.

—History of technological innovations and the new market generation—

'66



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

'79



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

'80



Launched the world's first canned oolong tea.

'84



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

'89



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

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

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

The Natural Clear Production Method (1996)

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

From tea plantations to used tea leaves: ITO EN's unique



Procurement

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



Production and Logistics

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

Foundations supporting the value chain*

- ▶ Ensuring the safety of products
- ▶ Respect for human rights, compliance

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

Oi Ocha Green Tea, a beverage that is now well received not only in Japan but also around the world. We have been providing our customers with this brand, while generating and accumulating a number of the world's first and the industry's first technological innovations.

Our commitment to the natural flavor and aroma of green tea itself and our desire to provide comfort and smiles to all customers who drink *Oi Ocha* Green Tea form the basis of our initiatives.

ITO EN will continue to move forward together with tea and take on challenges with the aim of becoming a "Global Tea Company."



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

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

Began to sell products in heatable PET containers.

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

Launched special limited packages with designs using cherry blossoms and autumn leaves.

Joint development of heatable PET containers (2000)

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

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

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

single value chain system

~ For products of a higher quality ~



Product planning and development

- ▶ Product planning capabilities
- ▶ Product development capabilities
- ▶ A wide range of products
- ▶ Patent strategies and product strategies



Sales and Distribution

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

Creating a pleasant workplace, developing human resources ▶ Financial management integrated with the business model

a set of activities to add value, including sourcing, manufacturing, distribution, product planning, development, and sales.

Procurement



Outcome of the relentless pursuit of quality performance

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

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

We have been providing cultivation technology support,

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

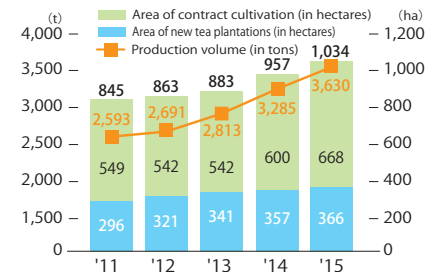
On the other hand, the Tea-Producing Region Development Project has been creating new value, not only by addressing issues regarding agriculture in Japan, such as the elimination of abandoned farmland, the creation of employment, and the improvement of food self-sufficiency, but also by contributing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

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

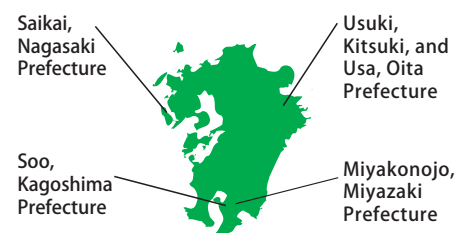


Coordination of ITO EN's employees and partner in the Tea-Producing Region Development Project Hitomi Toshima (left), Representative Director of Hinarien, and Fuyuhito Sekita (right) of the Agricultural Technology Department of ITO EN

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



New Tea Plantations Business Areas



TOPIC



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

ITO EN chosen as one of the “50 Companies That Are Changing The World” of *Fortune* business magazine (September 2016 issue).

Two Japanese companies were ranked among the “50 Companies That Are Changing The World” of *Fortune* business magazine (September 1, 2016 issue). ITO EN's initiatives in addressing social issues, the Tea-Producing Region Development Project and the Used Tea Leaves Recycling System, as part of its management strategies received high acclaim. ITO EN was ranked 18th, the highest rank among Japanese companies.

▶ For further information, please visit the website of *Fortune*: <http://beta.fortune.com/change-the-world>

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

(From left) Shintaro Beppu, Toyo Seikan Co., Ltd., Akiko Suzuki, 2nd Quality Control Dept., ITO EN., and Taishi Tanaka, HOTEI FOODS Corporation.



Production and Logistics



Innovations generated from coordination

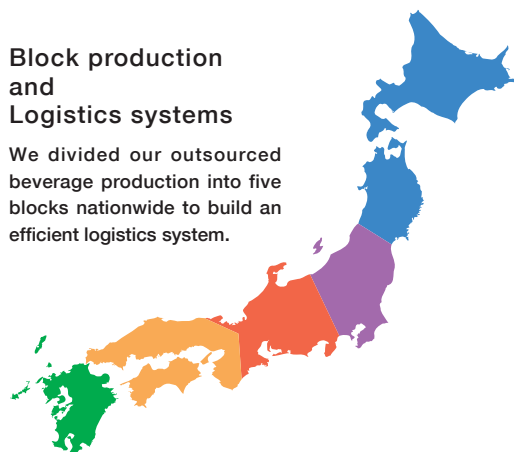
Coordination between ITO EN, outsourced tea beverage producers and beverage container manufacturers has been the source of innovations that generate new value, in addition to the economic benefits of such initiatives. For example, the NS*² system, which was jointly developed with TOYO SEIKAN KAISHA,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

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

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

Block production and Logistics systems

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



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

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

VOICE

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

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

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



Shunji Hashimoto, Executive Vice-President

Employees at ITO EN engaging in product planning and development

(From left)
Tetsuya Yasuda, Brand Manager, Koichi Kuramochi,
Hiroko Yano, Osamu Aizawa, Chief, Marketing Dept.

(From left)
Yumiko Hamada, International Business Promotion Dept.
Yoshimi Onizawa, 2nd Mass Retailer Sales Dept.,
Humina Kobayashi, 3rd Mass Retailer Sales Dept.
Haruna Umeoka, 1st Mass Retailer Sales Dept.

Keisuke Tomita, 2nd Development Dept.



Product planning and development



Offering desirable products according to the times

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

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

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

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

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

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

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

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

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

VOICE

Our R&D policies are based on the Company's five concepts for product development. We are conducting research, focusing on three concepts: safe, healthy, and delicious. We believe that health is particularly important for enhancing the value of products in association with the question of what eating habits should be like to address issues associated with the aging of society. We will also conduct research on Food for Specified Health Uses and Food with Function Claims to meet consumer needs. We use scientific knowledge, including the results of analyses of the components of tea beverages and coffee, in product development and the improvement of quality.

We are looking to advance research on palatable constituents and how palatability is felt, communicating the healthiness of green tea, among other beverages, from ITO EN to the world.



Yuko Sagesaka, Executive Officer, Head of Central Research Institute

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

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

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

Sales and Distribution



Rooted in the community and listening to the voices of customers

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

Furthermore, ITO EN has been developing specialty stores in department stores, airports etc., based on another framework under which we can grasp market movements in real time (number of specialty stores nationwide: 179).

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

Employees at ITO EN engaging in sales
(Photo at the top; from left)
Kaoru Une, Advertising Dept., Sachiko Yamanaka, Section Chief, 3rd Mass Retailer Sales Dept., Yumi Takeda, T2020 Promotion Dept., and Hiroko Iwasawa, Fuchu Branch
(Photo in the middle)
Hiroshi Watanabe, Chuo Branch



VOICE

We will aim to increase our profitability by promoting the product strategy of strengthening sales of differentiated products and high value-added products in tandem with the use of our proposal capabilities during meticulous sales visits based on the community-based sales system. ITO EN's route sales system has the strength of a community based presence. Its integrated sales activities encompass direct visits to sales by approximately 4,000 sales persons from 199 sales bases nationwide, sales negotiations, and the planning of sales floors. Moreover, our Tea Taster System (please refer to page 20) provides additional depth to our sales promotion activities, and our Voice System (please refer to page 26) has a track record of receiving more than 16,000 cases of employee proposals annually. These systems indicate that we at ITO EN value the concerns of our customers.

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



Shusuke Honjo, Vice-President and Representative Director

Developing and strengthening brands

—Proposing healthy and fulfilling lifestyles through beverages—

Under the management principle of “Always Putting the Customer First,” we aim to deliver the value of tea including the tradition of tea and cutting-edge technology to customers around the world and propose lifestyles as a “Global Tea Company,” our long-term vision. To this end, we will work to establish ourselves as a comprehensive beverage company in Japan that offers mainly tea leaf and tea beverages. We will seek to achieve sustainable growth by creating synergies in the Group.



Leaf tea products

Easy and convenient products, including the premium tea bag series



Healthy Mineral Barley Tea

Barley tea beverages for proper hydration and minerals



TULLY'S COFFEE

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



TOPIC

A new way of enjoying green tea: using ice water in summer

The taste of green tea changes significantly depending on how it is made. Green tea made with ice water has less astringency, and ice water maximizes the sweetness of green tea. We propose green tea made with ice water as a new form of hospitality and a new way to enjoy green tea in summer.

This proposal has added to ways to use tea leaf products. In addition, we have developed new products using the same method. We have launched *Oi Ocha Uji Matcha Made with Ice Water* in a plastic bottle and *Bottled Oi Ocha Gyokuro Made with Ice Water*, a premium Gyokuro. These new products have been well received.



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

▶ <http://www.itoen.co.jp/brand/>

Oi Ocha

In 1984, ITO EN invented the world's first canned green tea. Five years later, we launched *Oi Ocha*, our mainstay brand. *Oi Ocha* has become a brand widely loved by consumers because it is scent-free, is made from domestic tea leaves, and focuses intently on palatability and quality.

At present, we are offering new ways to enjoy green tea. We bring a sense of Japan's unique seasons, printing cherry blossoms on the bottle in the spring and maple leaves in the autumn. We have launched products made with ice water and a high-priced bottled green tea with a very rich, sweet taste.

We will emphasize the good match between *Oi Ocha* and *Washoku*, (Japanese cuisine), that was registered as an Intangible Cultural Heritage by UNESCO in 2013, in our advertising and at stores. We will also propose drinking and eating habits that match the season and new ways of enjoying green tea. In this way, we will enhance the value of *Oi Ocha*, Japan's No. 1 tea beverage brand.



Package with a design using cherry blossoms, a symbol of Japan, which flower in spring

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

Vegetable beverages

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



TEAS' TEA

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



Other brands



VOICE

For sustainable growth, we need to study customer needs thoroughly and work to meet them. Customer needs do not necessarily change with the times. However, the ways that the needs are met do change. We will work not to miss those changes, but understand them and respond to them promptly. There are useful clues to product development and innovations in continuity and change. To establish the business foundation for continued growth, we need to build a system to create competitive advantages. We have opportunities to unite beyond departmental boundaries, such as large tea parties. This is one of our strengths. Making the most of our unique strengths and creativity, we will work to provide value to customers and to contribute to society.



Mitsuo Yashiro, Executive Managing Director

Establishment of the **ITO EN** brand

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

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

(1) Development of global brands

- Promote the MATCHA GREEN TEA brand in foreign countries
- Promote the development of the market for sugar-free tea and Tea bags
- Develop region-oriented products and sales promotions

(2) Expansion of sales in the US

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

(3) Promotion of Japanese-level quality

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



Selling Kiyora, a tea beverage, in Indonesia.



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

China

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

Southeast Asia



A scene showing the new tea plantation business



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

Australia

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



Tea bags



Drinks



Distant Lands Trading Company



matcha LOVE

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

America

From ITO EN in Japan to ITO EN around the world

ITO EN wins high acclaim of *Fortune*.

Komiyama: Humans have reached the first turning point since the Industrial Revolution. Mass production and mass consumption have reached their limits, and social issues, including environmental and population issues, are rapidly growing into serious problems. Japan is one of the countries facing these global challenges first. I believe that humans should pursue quality of life and advocate a "Platinum Society." This concept is consistent with the SDGs of the United Nations. ITO EN was chosen by *Fortune*, which is amazing.

Honjo: Thank you. We are very proud of that, as a company aiming to become a Global Tea Company. As *Fortune* says about its reason for choosing us, we are executing the Tea-Producing Region Development Project in Kyushu as an agricultural business to deal with complicated issues, employing innovative approaches, including purchasing tea farmers' entire crops, using abandoned farmland, and utilizing IT. We are also pursuing sustainable consumption and production, one of the SDGs, promoting the Used Tea Leaves Recycling System and reducing the weight of plastic bottles.

Innovations, collaboration, and education

Komiyama: Japan should become the first country that will overcome global challenges, a Model for the world, utilizing cutting-edge technologies. To realize the Platinum Society, industry, government, and academia need to create shared values. One of the precepts of the merchants of Omi was "benefits for all three sides": vendor, customer, and society. We need to work to achieve economic value and social value simultaneously through a "win-win-win approach."

Honjo: Since our founding, we all have worked under the management principle "Always Putting the Customer First" and have taken on challenges in collaboration with our stakeholders. We have invented canned and plastic-bottled tea beverages and have created a new market, which has changed the concept of tea. We have been executing the "Making Japan Beautiful Through Tea" project, which is intended to preserve nature and culture in different regions, learning with local communities.

Komiyama: One of the strengths of ITO EN is that it has achieved innovation through business and has created a sustainable business. ITO EN emphasizes education, which has boosted the morale of the employees. ITO EN shows a Platinum Society model.

The Sustainable Development Goals (SDGs) have been published by the United Nations as common global goals related to sustainable development that should be achieved by 2030. In Japan, creating a legacy from the Tokyo Olympic and Paralympic Games in 2020 is required. Against this backdrop, ITO EN Chairman Hachiro Honjo spoke with Mitsubishi Research Institute Chairman Hiroshi Komiyama, who has been leading Japan's intellectual world as the 28th President of Tokyo University and has been

Leading a co global chal

Companies are expected to solve social issues through innovations in Japan, a country that is one of the first in having to address certain global challenges. I hope that ITO EN will lead the business community.



Profile of Hiroshi Komiyama

Hiroshi Komiyama was a professor at the Faculty of Engineering of the University of Tokyo. From April 2005 to March 2009, he was President of the University of Tokyo. Since April 2009, he has been Chairman of the Institute of Mitsubishi Research Institute, Inc. He founded Platinum Society Network and became President in 2010. He is the leader in the effort to realize a Platinum Society.

Chairman of Mitsubishi Research Institute, Inc.
The 28th President of The University of Tokyo
President of Platinum Society Network

Hiroshi Komiyama

advocating a Platinum Society, a next-generation, problem-solving social model, from a global perspective. Dr. Komiyama spoke extensively about the legacy of the Tokyo Olympics, while discussion focused on what direction ITO EN, which was ranked 18th in *Fortune* business magazine's "50 Companies That Are Changing The World"* for addressing social issues through business, should take in the new age.

Country facing challenges first

We will always be taking on challenges in collaboration with our stakeholders, aiming to become a Global Tea Company. We will work to create a legacy for the Tokyo Olympics.



Chairman and Representative Director
ITO EN, LTD.

Hachiro Honjo

Everything is for
that cup of tea.

Flag bearer of a new era

Honjo: Our innovations throughout our value chain are the result of our collaboration with stakeholders, including tea farmers, local governments, and companies in different industries, and we have created shared value. We hope that this business model will become a source of our competitiveness. As a comprehensive beverage manufacturer, we have built brands in a wide range of products, including tea beverages.

Komiyama: The 2020 Tokyo Olympics and Paralympics will be an opportunity for your strategy to blossom. They will give us an opportunity to create the foundations of a sustainable society from 2020 as a legacy. The legacy of the Tokyo Olympics in the 1960s was infrastructure. The legacy of the 2020 Olympics will be solutions to future problems to be presented by Japan.

Honjo: WASHOKU (Japanese cuisine) has been registered as an Intangible Cultural Heritage. As a director of The WASHOKU Association of Japan, I believe that WASHOKU and tea should be handed down as a healthy part of the Japanese lifestyle. Our employees held large tea ceremonies at World Heritage sites—Chusonji, Nikko Toshogu, Itsukushima Shrine, and Daigoji—as a cultural program for internally qualified tea tasters to promote tea culture and preserve Japanese culture. We feel that the response has been good.

For many years, we have given awards to haiku in English in our *Oi Ocha* Haiku Contest. We would like to invite more inbound tourists to participate in the contest as a Cool Japan feature. We will show our business model for sustainable consumption and production to the entire world and will grow to become a Global Tea Company.

Komiyama: Your Tea-Producing Region Development Project and Tea Taster System are pioneering activities that will be a legacy. I hope that you will create a new Platinum Model in which you will hand down tea as part of Japanese culture through business and that you lead countries facing global challenges from a global perspective.

ITO EN was ranked 18th among the "50 Companies That Are Changing The World" of *Fortune* business magazine (September 2016 issue) of Time Inc. ITO EN's Tea-Producing Region Development Project and Used Tea Leaves Recycling System earned high acclaim. The criteria for selecting the 50 companies include the impact on important social issues, results and the degree of innovation.

For further information, please visit the website of *Fortune*:
<http://beta.fortune.com/change-the-world/>

A group of experts on tea

Tea tasters

The tea tasters are responsible for the sourcing of tea, product development, and sales in a professional manner for ITO EN to become a “Global Tea Company.” They are one source of the Company’s competitiveness. The basis of competitiveness is human resources, and the improvement in employees’ skills boosts their motivation.

Tea as well as *WASHOKU* are becoming more popular internationally, and improving health is an urgent issue worldwide. ITO EN aims to achieve sustainable growth by meeting the needs of society.



Tea tasters of the 1st grade,
pros among pros who know
everything about tea

(Upper row, from left to right) Taizan Nakamura (General Manager, Sales Promotion Dept.), Minoru Suzuki (Deputy General Manager, Customer Service Office), Ikutaro Mochizuki (Section Chief, 1st Production Dept.), Yasuhiro Ogawa (1st Marketing Dept.), Yasutaka Yokomichi (Section Chief, Purchase Dept.), Shoko Tanaka (1st Marketing Dept.), Tetsuya Kobayashi (General Manager, Sales Promotion Dept.), Tatsuya Yoshida (Brand Manager, 1st Marketing Dept.), Osamu Aizawa (Chief, 1st Marketing Dept.), Mitsumasa Shida (General Manager, 1st Marketing Dept.)

(Lower row, from left to right) Hiroaki Muramatsu (Agricultural Technology Dept.), Noriko Shiga (Sales Promotion Dept.; also on the upper photo on the right page), Toshiki Sakurai (1st Production Dept.), Yumiko Hamada (International Business Promotion Dept.), Takashi Ai (Chief, 1st Marketing Dept.)

(Lower photo on the left page) Haruna Umeoka (1st Mass Retailer Sales Dept.), Takeshi Harada (Assistant Branch Manager of Kumagaya Branch)

(Lower photo on the right page) Masami Inoue (Raw Materials Dept.)



Learning

The basis of management consists of human resources.

As a comprehensive manufacturer of tea and other beverages, ITO EN has a Tea Taster System* as the in-house qualification system. Around a third of the employees, 2,063 people, are qualified as tea tasters and are working with pride in different sections. The tea tasters of the 1st grade aim to become pros among pros, who understand everything about tea. This system has been very effective for human resources development and improving employees’ motivation. The basis of our management consists of our excellent human resources.

The tea tasters listen to the voices of customers

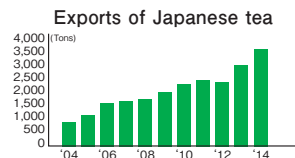
throughout the value chain and are working to create new value with customers. ITO EN sold tea leaf products when it was founded and has grown as a comprehensive beverage manufacturer by applying the sales approach for tea leaf products to the sale of beverages. Meanwhile, we have established a system where we can obtain information on customer needs directly through our specialty stores. The history and system show our distinctiveness and strategy, which boost the effect of human resources development and enrich the activities of the tea tasters.

ster



Japanese tea is getting popular in the world.

Japanese tea is getting popular in the world as a healthy and cool drink. Exports of Japanese tea increased fivefold in ten years from 2004. Tea is attracting attention from inbound tourists as part of Japanese culture. Against this backdrop, ITO EN is taking on new challenges as a company primarily manufacturing tea.



Source: Customs statistics of the Ministry of Finance



Handing down

We hand down traditional culture.

Tokyo will host the Olympic and Paralympic Games in 2020. In this environment, tea professionals are taking the lead in promoting tea as a Cool Japan feature, communicating its advantages to the world. Our significant challenge in Japan is to create and hand down legacies in the environment surrounding tea.

For example, we held large tea ceremonies at World Heritage sites, such as Chusonji, Nikko Toshogu, Daigoji, and Itsukushima Shrine, and entertained consumers. Some visitors said that the ceremony befitted ITO EN. The tea ceremonies motivated our tea professionals to hone their skills.

At a meeting of experts held at ITO EN, Yoshiyuki Mano, a sports policy expert, expressed his expectations of activities like ours, saying, "In the 'golden sports years' from 2019, when the Rugby World Cup will be held in Japan, to 2021, it will be important to create legacies. Companies can play an important role of supporting cultural programs, combining the creation of legacies and regional revitalization."

Extending hospitality

The tea tasters' slogan is "Contribute to enhancing the diets of customers by extending OMOTENASHI hospitality." Their activities include tea ceremonies at Matsuejo Castle, events in collaboration with Sensoji and other facilities associated with Japanese culture and distribution companies to which ITO EN sells products, events at community halls and schools, tea events to provide aid for reconstruction in areas affected by the earthquake in Tohoku, and tea events at mass retailers.



Yoshiyuki Mano

Waseda University, Faculty of Sport Sciences, Professor. Tokyo Organizing Committee of the Olympic and Paralympic Games, Counselor to the CEO. Legacy Co-creation Association, Chairperson.

*The Tea Taster System is an in-house qualification system established in 1994. The system qualifies employees having extensive knowledge and high skills to improve knowledge and skills and promote tea culture inside and outside the Company. As of May 2016, there are 2,063 qualified tea tasters (1st grade: 15 persons, Pre-1st grade: 2 persons, 2nd grade: 236 persons, 3rd grade: 1,810 persons). As tea experts, qualified tea tasters communicate knowledge about tea, including knowledge about how to make tea, the flavors of tea, and the healthiness of tea, inside and outside the Company. In FY2015, the tea tasters held 1,084 events nationwide, explaining and demonstrating how to make tasty tea.

CSR Initiatives

ITO EN Group's capabilities to respond to social issues

The CSR System with a Global Perspective

The ITO EN Group regards the implementation of its management principle of "Always Putting the Customer First" to earn trust from stakeholders as important. In view of the sustainable development goals (SDGs) as worldwide goals for the sustainability of society and the environment, it incorporates into its management its efforts to address the seven principles and the seven core subjects in the ISO 2600 international standards and the JIS Z 26000 domestic standards through its core business.

With the goal of becoming a global tea company, we are working to develop and propose new culinary culture and lifestyles in Japan and overseas and to actively create shared value (CSV) for

achieving both the resolution of social issues and the growth of the ITO EN Group in its contribution to ensuring sustainability in society and the environment. (Quoted from the ITO EN Group CSR Charter)

Outline of the ITO EN Group's CSR activities



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

ITO EN Group's Basic CSR Promotion Policy

Established in April 2012 and revised in February 2014, August 2016

1. In accordance with its management principle of "Always Putting the Customer First," the ITO EN Group will be engaged as Team ITO EN in CSR activities towards realizing a sustainable society in view of the SDGs as global goals for sustainability in society and the environment.
 2. The ITO EN Group will conduct its business activities while responding to the expectations of customers, shareholders, suppliers, financial institutions, local communities, employees, and other extensive stakeholders.
 3. The ITO EN Group will increase its CSR activities through its core business on the basis of its activities as a general beverage manufacturer, namely the business model, the concept in product development, and the group strength.
 4. In view of the SDGs, the ITO EN Group will carry out its CSR activities based on the ISO 26000 international standards and the JIS Z 26000 domestic standards. It will address the seven principles and seven core subjects, namely organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. Based on the three axes of activities, the ITO EN Group will define environmental and consumer issues, participation in communities, and development of communities as priority subjects and actively work towards creating shared value (CSV) by resolving social issues based on the SDGs.
 5. The ITO EN Group introduces the idea of Education for Sustainable Development (ESD) to train its staff to practice CSR/CSV activities.
- By taking these actions, the ITO EN Group will increase its competitive edge and its corporate value as a company prized by society and will aim to develop into a global tea company while contributing to the achievement of the Sustainable Development Goals (SDGs).

In-house CSR award system

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

Targets for CSR activities and performance management for fiscal year 2015

ITO EN has set CSR targets for each core subject of ISO 26000 and is managing the progress of the CSR activities based on the PDCA cycle of "plan," "do," "check," and "act," and is conducting follow-up activities.



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

Dealing with ESG* issues and evaluation in society

The ITO EN Group systematizes its activities in accordance with the seven core subjects defined in ISO 26000, considering the SDGs. The Group positions the environment, consumers, and communities as priority CSV themes.

The chart below shows the relationships between our activities and E (environment), S (social), and G (governance) issues from the perspective of investors. We aim to achieve a sustainable increase in our corporate value, reducing management risk and expanding business opportunities by dealing with ESG issues appropriately. The activities affect our evaluation in society (please refer to page 25).

*ESG is an acronym comprised of the first letters of environment, social, and governance.

Sustainable increase in corporate value



- Establishing a corporate governance system
- Communication with stakeholders
- Explanations through disclosures in a timely and appropriate manner

- Establishing a quality control system
- Ensuring traceability
- Developing healthy products



Food for Specified Health Uses
Food with Function Claims



- Strengthening the compliance system

- ISO 14001 certification
- Cost cutting through resource saving and a reduction in emissions



Cardboard box using used tea leaves



Vending machine for donations to Ogyaa Donation Foundation

- Creating diversified work places; striking a work-life balance
- Developing human resources through the Tea Taster System



● Environment
 ● Social
 ● Governance

Generating innovations with customers

The ITO EN Group pursues a sustainable society and environment and the long-term and sustainable improvement of corporate value. We have enhanced the Group's strengths, making the most of the capital provided by shareholders, and in the course of that, we have created a number of innovations. We will continue to make the most of our strengths under our corporate governance and create value for all of our customers.

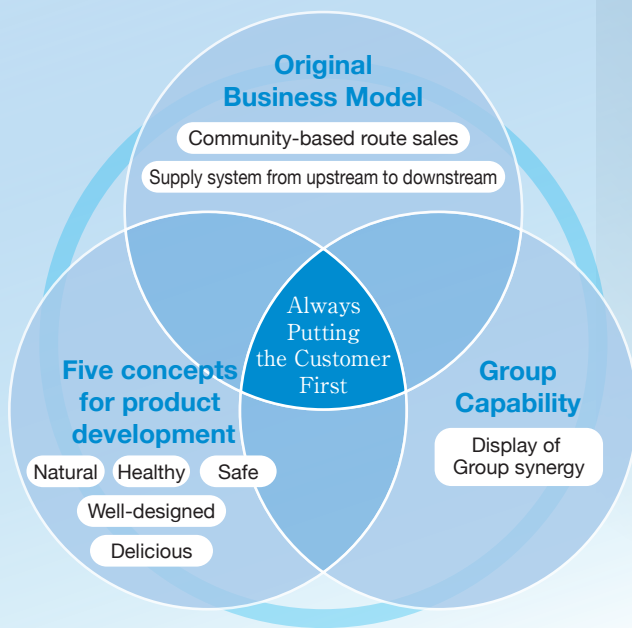
The ITO EN Group accurately understands the business environment and risks surrounding it and defines its strengths in six aspects: finance, manufacturing, human resources, intellectual property, society, and nature. Under our medium- to long-term management plan, we determine priority issues, listening to the opinions of our stakeholders. We will continue to address priority issues, making efforts to create new value and innovations with our customers.



Management Capability

Corporate Governance as a Base

Three areas of focus for its activities as a beverage manufacturer



CSR, CSV and ESD as the Drive That Bolsters Management Capabilities

Priority themes

- The Environment
- Consumer issues
- Community

In operating with corporate governance as the foundation, the ITO EN Group generates value by connecting its management capital, which is distributed optimally with its management capabilities to create an original business model, product development concepts and Group capabilities that correspond to the three areas of focus for its activities as a beverage manufacturer.

Meanwhile, the Group contributes to the sustainability of our society and environment by making the most of

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, fulfilling 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, the environment and food to 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 (to become a Global Tea Company)

CSR/CSV as the drivers that bolster its business administration.

At the same time, the Group uses CSR/CSV for stronger manpower capabilities of the Group as a team through ESD. The Group links these three factors (CSR, CSV and ESD) to reinforce its business foundations. While simultaneously generating financial, social and environmental values through these undertakings, the ITO EN Group aims to help all people achieve fulfilling, healthy lifestyles. The ITO EN Group will continue seeking medium- and long-term growth to become a “Global Tea Company”.

Societal recognition

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

Recognition from society

Categories	Awards
Overall management	<ul style="list-style-type: none"> Porter Prize (2013) Expansion of Individual Investors Award (2004) Disclosure Award (2004, 1999)
Continuous improvement of CSR activities	<ul style="list-style-type: none"> Environmental Communication Award (Outstanding Performance Award)(2016, 2015) JAPAN FOOD JOURNAL CO., LTD. Award (Food Safety, Security, and Environmental Contribution Award) (2014)
Overseas diffusion	<ul style="list-style-type: none"> Prize of the Minister of Agriculture, Forestry and Fisheries for the Overseas Promotion of Japanese Food (2013)
The Tea-Producing Region Development Project	<ul style="list-style-type: none"> Prize of the Minister of Agriculture, Forestry and Fisheries in the Leading Companies in Food Industry Award (2016) Nikkei Social Initiative Award for the Corporate Sector (2015) Grand Prize for Research and Development (New Technology Sector) in the Food Action Nippon Award (2013) Prize of the Minister of Agriculture, Forestry and Fisheries in the Eco Products Award (2008)
New eco-friendly beverage carton	<ul style="list-style-type: none"> Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2016) Prize of the Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry in the Japan Packaging Competition (2015) Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for Promoters of the 3Rs (2014)
NS System	<ul style="list-style-type: none"> Environmental Performance Award (Outstanding Performance Award) (2015) Prize of the Director-General of the Food Industry Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries in the Food Industry Mottainai Award (2015) Prize of the Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry in the Circular Resource Techniques and Systems Award (2014)
Used Tea Leaves Recycling System	<ul style="list-style-type: none"> Silver Prize in the Eco Mark Award (2015) Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for Promoters of the 3Rs (2013) Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2011) Prize of the Minister of the Environment in the WASTEC Grand Prize Award (2006) Prize of the Minister of Agriculture, Forestry and Fisheries in the Eco Products Award (2005)
"Making Japan Beautiful Through Tea" and "Making Lake Biwa Beautiful Through Tea"	<ul style="list-style-type: none"> Prize of the Excellence Award of The Japan Awards for Biodiversity (2015) Prize of the Minister of Economy, Trade and Industry in the Japan Water Prize Award(2015)
Oi Ocha New Haiku Contest	<ul style="list-style-type: none"> Encouragement Prize of the Review Board of the Ministry of Education, Culture, Sports, Science and Technology for the Recognition of Enterprises for Their Support of Young People's Activities (2015) Grand Prize for the Marketing and Communication Sector in the PR Award Grand Prix (2014)
Lemongrass Green Tea Rooibos Tea Oi Ocha Ryokucha (Green Tea)	<ul style="list-style-type: none"> Silver Prize in the FOODEX Gourmet Beauty Grand Prix (2015) Gold Prize in the FOODEX Gourmet Beauty Grand Prix (2014) GOOD DESIGN LONG LIFE DESIGN AWARD (2011)

*Year in parentheses indicates the year the award was received.

In September 2016, ITO EN was ranked 18th in the "50 Companies That Are Changing The World" of *Fortune* business magazine.

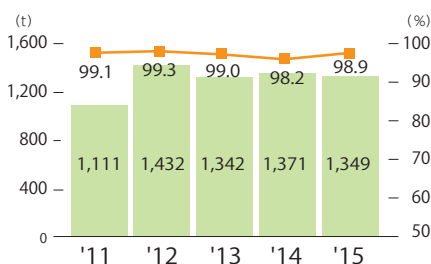


For more detailed information about the awards received, please visit the following web page.

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

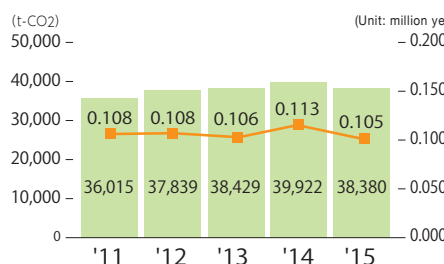
Related key data

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



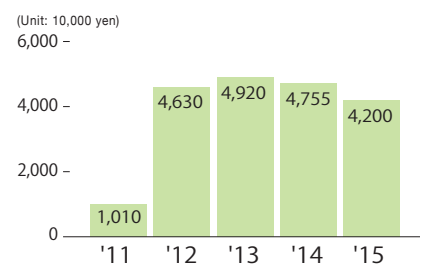
* Changes in emissions (bar graph) of ITO EN's leaf tea production factories (Sagara Factory in Shizuoka Prefecture, Hamaoka Factory, and Fukushima Factory) and changes in their recycling rates (line graph)

Changes in CO₂ emissions



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

Expenditure on social contributions



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

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

Human resources development

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

ITO EN where women shine

ITO EN is working to create a work environment where women can fully display their capabilities.

ITO EN has developed an action plan to further promote women's participation. ITO EN is supporting women's careers and is promoting women's participation especially in cross-functional projects.

TOPIC

Team88

Team 88 was created by 13 female volunteers. "The team name is pronounced 'Team happa'(which means 'leaves' in Japanese). The name connotes the 88th day of spring (the peak time for tea picking) and leaves," said Yoshie Inoue (far right) of the Sales Promotion Dept., the leader of the team. The team aims to "value harmony and communicate the appeal of tea to people from around the world on a variety of occasions."



Developing globally competent human resources

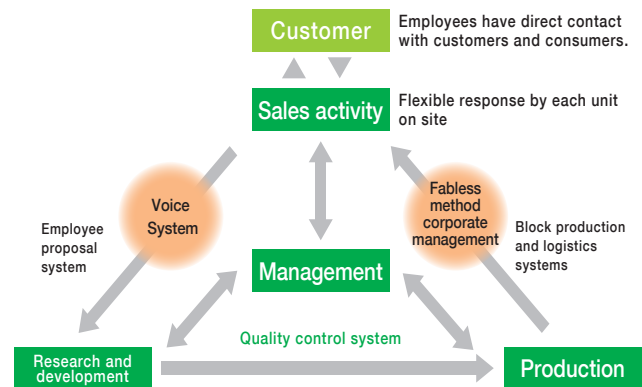
The ITO EN Group is working systematically to develop globally competent human resources that can immediately play an active role in overseas expansion, an issue of ever growing importance. One way in which we do this is by offering Group personnel opportunities to train overseas in collaboration with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

Proposal system ("Voice System")

The ITO EN Group has a "Voice System" where every employee can make proposals about new products and sales promotion regardless of their job categories. In-house awards are given to good proposals, and that has contributed to increasing employees' motivation to work. (In FY2015, approximately 16,000 proposals were made.)

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

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



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

ITO EN Business College, ITO EN Graduate School

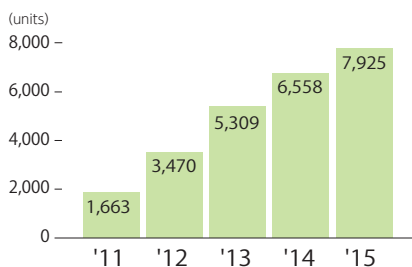
The Group has established the ITO EN Business College to provide employees with learning opportunities to help them develop their individual abilities and promote personal development and ITO EN Graduate School to develop human resources who will acquire the ability to lead ITO EN in the future. It provides education in a wide range of fields.



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

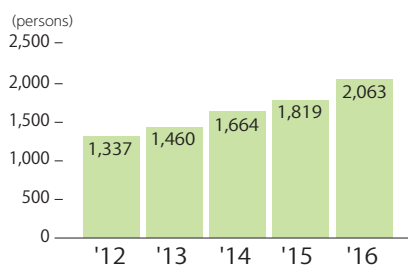
- ▶ <http://www.itoen.co.jp/company/jobs/attitude/>
- ▶ <http://www.itoen.co.jp/csr/labour/>

Number of disaster response vending machines



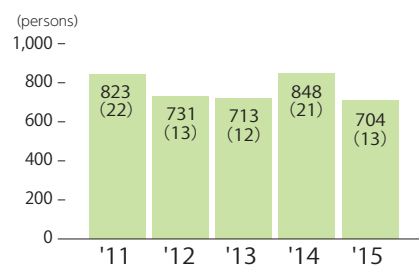
* In the event of a power outage due to a disaster, the vending machine can fall back on its internal battery or manual off-grid power system and allow people to take the products from the machine free of charge. (the number as of each end of the fiscal year)

Changes in the number of employees with tea taster qualifications



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

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



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

Corporate Governance

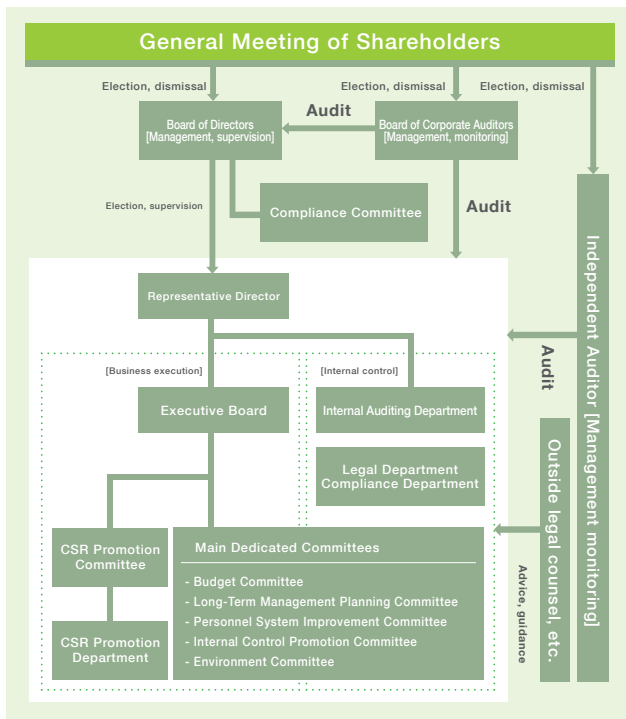
Corporate Governance Policy

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

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

In addition, to conduct appropriate corporate governance, a Board of Corporate Auditors system has been adopted and our corporate auditors check and audit business conditions, the decision-making process, and other matters regarding the respective representative directors, the directors in charge, and the employees of ITO EN Group companies. Internal and outside corporate auditors attend every meeting of the Board of Directors, offering fair and impartial advice and audit opinions on overall corporate affairs and each item of business, and audit business execution by the directors in accordance with the audit policy stipulated by the Board of Corporate Auditors.

Outline of the System of Corporate Governance



● Board of Directors

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

The Board of Directors consists of 19 directors, including two outside directors who are in charge of supervising and checking the execution of duties from an independent position.

● Board of Corporate Auditors

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

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

▶ State of attendance at board meetings

		Meetings of the Board of Directors	Meetings of the Board of Corporate Auditors
Number of meetings held		14 times	14 times
State of attendance times	Outside directors	13 of the 14 times	—
	Outside corporate auditors	All 14 times	All 14 times

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

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

▶ Independent Directors/Auditors

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

Compliance

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

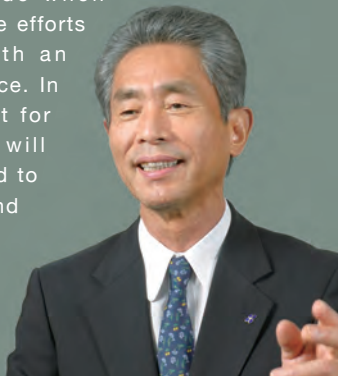
ITO EN Group Compliance “Guidelines for Code of Behavior” are distributed to all officers and employees of the ITO EN Group to ensure full legal compliance. They encompass a series of initiatives for compliance including the Code of Conduct based on the principles of the ITO EN Funding Charter and the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

VOICE

A compliance system that strengthens corporate value has been established.

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

Executive Vice-Chairman
Yoshito Ejima



Communications with Shareholders

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

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

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

Promotion of IR Activities

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

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

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

*The corporate book was renamed “ITO EN REPORT” from fiscal year 2015 and is published as “ITO EN INTEGRATED REPORT” from this fiscal year 2016.



Please visit the website below to see the corporate governance guidelines that were announced in December 2015.

▶ https://www.itoen.co.jp/files/user/pdf/csr/governance/corporate_governance_guideline.pdf

For details about corporate governance, please see the report on corporate governance.

▶ <http://www2.tse.or.jp/disc/25930/140120160721454687.pdf>

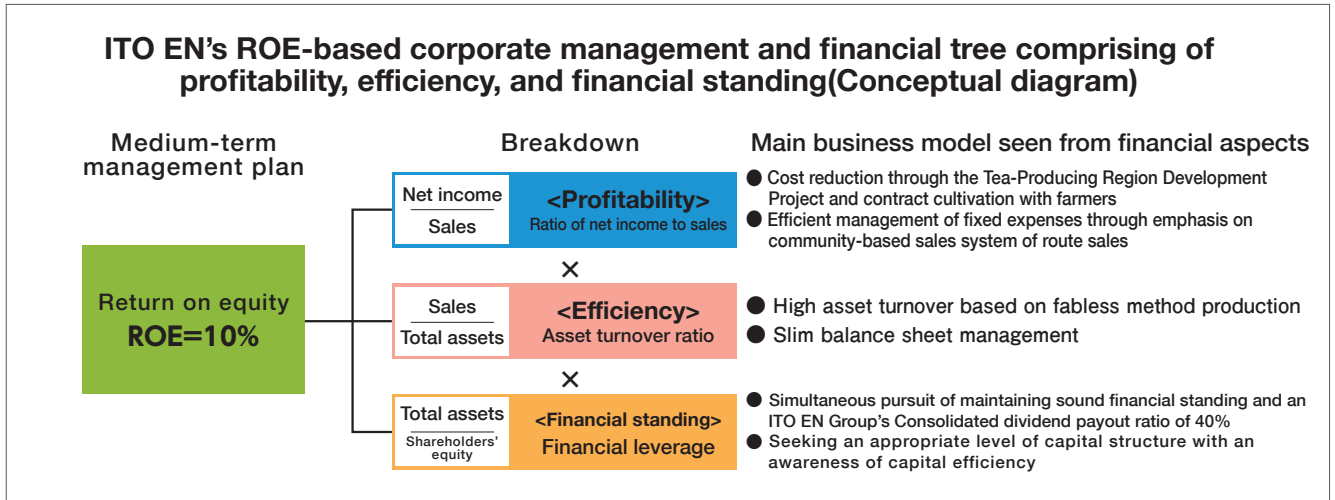
Financial Summary

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

As the background to this, compensation based on executives' performance and linked to the business performance of the company was emphasized in the aftermath of the collapse of the bubble economy in 1990, with the aim of clarifying the management responsibilities of officers and enhancing corporate governance. In July 2002, ITO EN discontinued the system for providing retirement allowance and bonuses to its officers and introduced the stock option system as compensation linked to business performance in

April 2004.

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



Pursuing profitability from raw material procurement to marketing

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

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

Moreover, we have established a business model in which customers' voices are directly captured by approximately 4,000 sales persons, mainly in route sales from the 199 sales bases across the country and used for marketing.

Pursuit of efficiency through a slim balance sheet

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

Keeping a balance for both capital efficiency and financial soundness

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

VOICE

Financial management integrated with a unique business model to enhance ESG value

In recent years, ESG investment, an investment method for pursuing earnings in consideration not only of financial information but also of non-financial information, including environmental, social, and governance information, has a strong presence in asset management worldwide and is attracting attention in Japan. ITO EN uses financial management that harnesses its strengths in each aspect of the value chain and aims to become a company that will be able to permanently create innovations to meet customer needs, while maintaining a profit level in consideration of the cost of equity capital.

Minoru Watanabe, Director and Vice President

Key financial indicators (Over the past 5 years)

	(Unit)	April 2012	April 2013	April 2014	April 2015	April 2016
P/L						
Net sales	(Million yen)	369,284	403,957	437,755	430,541	465,579
Year-on-year	(%)	+5.0	+9.4	+8.4	-1.6	+8.1
Details of main sales						
Non-consolidated	(Million yen)	332,297	351,807	363,461	353,754	365,276
ITO EN (North America) INC.	(Million yen)	5,476	6,487	7,933	9,340	28,896
Tully's	(Million yen)	19,383	21,071	23,865	26,036	27,751
Chichiyasu	(Million yen)	10,628	11,076	12,750	13,186	13,890
Cost rate	(%)	52.1	52.4	51.6	51.8	53.0
Selling, general and administrative expenses	(Million yen)	158,164	171,837	190,703	196,016	201,574
Sales ratio	(%)	42.8	42.5	43.6	45.5	43.3
Operating income	(Million yen)	18,907	20,250	21,100	11,393	17,243
Profit ratio	(%)	5.1	5.0	4.8	2.6	3.7
Details of main profits						
Non-consolidated	(Million yen)	16,131	16,834	16,060	6,478	11,934
ITO EN (North America) INC.	(Million yen)	394	471	530	95	1,489
Tully's	(Million yen)	2,008	2,681	3,178	3,572	2,879
Chichiyasu	(Million yen)	61	-119	217	87	253
Ordinary income	(Million yen)	17,985	19,914	20,518	11,229	15,074
Profit ratio	(%)	4.9	4.9	4.7	2.6	3.2
Extraordinary income	(Million yen)	37	270	419	49	205
Extraordinary losses	(Million yen)	833	700	303	386	353
Profit attributable to owners of parent	(Million yen)	9,249	11,244	12,096	7,292	8,615
Profit ratio	(%)	2.5	2.8	2.8	1.7	1.9
B/S						
Total assets	(Million yen)	224,843	244,970	258,820	285,947	287,702
Current assets	(Million yen)	121,549	129,025	139,807	153,597	159,517
Cash and deposits	(Million yen)	43,872	44,856	46,412	48,922	53,259
Accounts receivable	(Million yen)	37,181	40,750	46,923	51,512	53,553
Non-current assets	(Million yen)	103,294	115,945	119,012	132,350	128,185
Property, plant and equipment	(Million yen)	66,468	75,885	79,326	80,115	81,018
Intangible assets	(Million yen)	22,501	24,803	22,600	34,042	27,154
Total liabilities	(Million yen)	118,833	131,028	138,310	158,185	160,486
Current liabilities	(Million yen)	64,258	70,880	80,440	76,038	100,756
Non-current liabilities	(Million yen)	54,575	60,147	57,870	82,146	59,729
Net assets	(Million yen)	106,010	113,942	120,509	127,761	127,215
Retained earnings	(Million yen)	78,954	80,747	87,812	90,949	94,311
Current ratio	(%)	190.1	182.0	173.8	202.0	158.3
Equity ratio	(%)	47.1	46.3	46.3	44.4	43.9
Liability ratio	(%)	112.2	115.5	115.5	124.7	127.2
Statement of cash flows						
Net cash provided by (used in) operating activities	(Million yen)	21,462	24,042	24,300	17,751	30,085
Cash flows from investing activities	(Million yen)	-8,067	-9,272	-4,598	-9,242	-8,150
Free cash flow	(Million yen)	13,394	14,769	19,702	8,509	21,935
Cash flows from financing activities	(Million yen)	6,290	-16,451	-18,147	-4,835	-18,018
Amount of capital investment	(Million yen)	4,031	6,639	4,889	3,732	8,603
Depreciation	(Million yen)	10,892	13,769	15,140	15,653	16,075
Depreciation of goodwill	(Million yen)	1,148	1,190	1,332	1,326	1,824
Other						
ROE	(%)	8.9	10.3	10.4	5.9	6.8
ROA	(%)	4.4	4.8	4.8	2.7	3.0
PER (Common stock)	(Time)	20.1	26.5	22.8	44.0	49.9
PER (Preferred stock)	(Time)	14.2	18.4	16.2	28.9	24.3
PBR (Common stock)	(Time)	1.7	2.5	2.2	2.4	3.3
PBR (Preferred stock)	(Time)	1.3	2.0	1.8	1.9	1.8
EPS (Common stock)	(Yen)	72.18	88.64	95.77	56.60	67.37
EPS (Preferred stock)	(Yen)	82.18	98.64	105.77	66.60	77.37
BPS (Common stock)	(Yen)	856.76	923.24	974.36	1031.19	1,026.26
BPS (Preferred stock)	(Yen)	861.76	928.24	979.36	1036.19	1,031.26
Dividend per share (Common stock)	(Yen)	38.0	38.0	39.0	40.0	40.0
Dividend per share (Preferred stock)	(Yen)	48.0	48.0	49.0	50.0	50.0
Payout ratio (Common stock)	(%)	52.6	42.9	40.7	70.7	59.4
Payout ratio (Preferred stock)	(%)	58.4	48.7	46.3	75.1	64.6
Payout ratio (Total of common stock and preferred stock)	(%)	54.4	44.5	42.4	72.0	61.0
Ratio of Foreign Shareholders	(%)	6.5	12.5	13.3	14.3	17.7
Outstanding shares	(1000 shares)	125,459	123,459	123,459	123,459	123,459
Common stock	(1000 shares)	91,212	89,212	89,212	89,212	89,212
Preferred stock	(1000 shares)	34,246	34,246	34,246	34,246	34,246
Year-end stock price (Ex-rights adjusted)	(Yen)	1,448	2,345	2,185	2,490	3,360



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

List of Officers

As of September 1, 2015

Chairman and Representative Director

Hachiro Honjo

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

President and Representative Director

Daisuke Honjo

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

Vice-President and Representative Director

Shusuke Honjo

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

Executive Vice-Chairman

Yoshito Ejima

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

Executive Vice-President

Shunji Hashimoto

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

Executive Vice-President

Minoru Watanabe

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

Executive Managing Director

Mitsuo Yashiro

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

Executive Managing Director

Yoshio Kobayashi

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

Managing Director

Masami Kanayama

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

Managing Director

Yoshihisa Nakano

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

Managing Director

Shigeru Kamiya

Mar 1982 Joined ITO EN
Jul 2014 Director
May 2016 Managing Director (current post)

Director

Yosuke Jay Oceanbright Honjo

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

Director

Osamu Namioka

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

Director

Fujitsugu Soma

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

Director

Shuji Nakagomi

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

Managing Executive Officer

Hidemitsu Sasaya

Manager of CSR Promotion Department

Atsushi Hirata

Manager of Personnel and General Affairs Division

Nobuyuki Sakashita

Manager of Production Division

Motohiko Takuma

Deputy Manager of Production Division

Executive Officer

Ikuo Sato

Deputy Manager of Administrative Division, Manager of
Personnel Department

Katsunori Yoshino

Manager of South Kanto District Sales Division

Yoshiaki Tanoura

Deputy Manager of International Division

Takeshi Saito

Manager of Chushikoku & Kyushu Districts Sales Division

Katsumi Asano

Manager of Internal Auditing

Yuko Sagesaka

Manager of Central Research Institute

Minoru Shirai

Manager of Shizuoka Sagara Plant

Jun Kawasaki

Manager of Hokkaido & Tohoku Districts Sales Division

Outside Director

Hirokazu Uchiki

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

Outside Director

Morikazu Taguchi

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

Standing Corporate Auditor

Minoru Takahashi

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

Outside Corporate Auditor

Yoshiaki Takasawa

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

Outside Corporate Auditor

Yutaka Tanaka

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

Outside Corporate Auditor

Masahiro Nagasawa

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

Messages from Outside Directors and an Outside Corporate Auditor

Outside Director

Hirokazu Uchiki

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

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

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

Outside Director

Morikazu Taguchi

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

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

Outside Corporate Auditor

Yoshiaki Takasawa

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

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

Introduction of Main Group Companies As of April 30, 2016

The ITO EN Group's main Group companies in Japan and overseas are shown below. Under its management principle "Always Putting the Customer First," the Group aims to display its strengths.

Domestic

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

Overseas

[United States]

ITO EN (North America) INC.

- ITO EN (USA) INC.
- Mason Distributors, Inc.
- Distant Lands Trading Company, Inc.

[Australia]

- ITO EN AUSTRALIA PTY. LIMITED

[Singapore]

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

[China]

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

[Indonesia]

- PT ULTRAJAYA ITO EN MANUFACTURING
- PT ITO EN ULTRAJAYA WHOLESALE

[Thailand]

- ITO EN (Thailand) Co., Ltd.



For detailed information on major Group companies, please visit the address below.

▶ <http://www.itoen.co.jp/company/group/>

[Topics of Group companies]

■ Tully's Coffee Japan Co., Ltd.

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

▶ <http://www.tullys.co.jp>

- ▶ Steady new shop openings
Total number of shops: 638 (April 30, 2016)
- ▶ Not only specialty coffee but also tea are well received, especially by women. Foods and sweets that are great with coffee and tea are also popular



The largest shop in Tokyo
Prime Five Tokyu Plaza Ginza



Staging a comfortable space around the fireplace
Tamachi Morinaga Plaza Bldg.

■ ITO EN (North America) INC.

The company sells the "Oi Ocha" and "TEAS' TEA" series of products, etc. and has also introduced Japanese food culture centered around Japanese tea.

▶ <http://www.itoen.com>

- ▶ Synergy with Distant Lands Trading Company, Inc., which engages in the entire process from the cultivation of coffee to sales
- ▶ Developing both the beverage business and the leaves business
- ▶ Selling Matcha green tea, taking advantage of health consciousness and the Matcha boom



Developing matcha LOVE tea shops



Company Outline As of April 30, 2016

Company Profile

Company name	ITO EN, LTD.
Head Office	47-10, Honmachi 3-chome, Shibuya-ku, Tokyo
Established	August 22, 1966
Capital	19,912,300,000 yen
Number of employees	5,340 persons
URL	http://www.itoen.co.jp
Branches, sales offices and local offices	199 offices in 30 areas throughout Japan
Stores	179 stores throughout Japan
Factories	Shizuoka Sagara Factory (21, Mekami, Makinohara-shi, Shizuoka) Hamaoka Factory (3406-4, Niino, Omaezaki-shi, Shizuoka) Fukushima Factory (1-2-9, Araikita, Fukushima-shi, Fukushima) Okinawa Nago Factory (112, Isagawa, Nago-shi, Okinawa)
Research institute	Central Research Institute (21, Mekami, Makinohara-shi, Shizuoka)

Shares and Shareholders

Total number of authorized shares:	200,000,000 shares
Total number of issued shares	▶ Common stock: 89,212,380 shares ▶ Preferred stock: 34,246,962 shares
Number of shareholders	▶ Common stock: 61,597 persons ▶ Preferred stock: 69,306 persons

▶ Major shareholders

Common stock

Name of shareholder	Shareholding (1,000 shares)	Ratio of shareholding (%)
Green Core Co., Ltd.	17,403	19.51
State Street Bank and Trust Company 505223	5,706	6.40
Honjo International Scholarship Foundation	5,200	5.83
The Master Trust Bank of Japan, Ltd. (trust account)	2,588	2.90
Ito En Employees' Shareholding Association	2,484	2.78
Hachiro Honjo	2,445	2.74
Japan Trustee Services Bank, Ltd. (trust account 9)	2,371	2.66
Toyo Seikan Group Holdings, Ltd.	1,955	2.19
Resona Bank, Limited	1,933	2.17
BNYML -NON TREATY ACCOUNT	1,683	1.89

Preferred Stock

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

Overview

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

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

Company History

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



New tea plantation business Tea-Producing Region Development Project;
Tea fields in Kitsuki, Oita Prefecture

For further information on ITO EN INTEGRATED REPORT 2016,
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About ITO EN INTEGRATED REPORT 2016

The ITO EN INTEGRATED REPORT from fiscal 2016 is issued as an integrated report with our financial and non-financial information in a single document.

For more detailed information, please refer to the following report.

(1) "Sustainability Report 2016: Special Features Edition, Sustainability Report 2016: Performance Report Edition" (CSR Report) and Communication Book (The Seven Stories of Green Tea), which mainly summarizes non-financial information.

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

This report focuses primarily on activities during fiscal year 2015 (May 1, 2015 to April 30, 2016), but also includes details of selected ongoing initiatives and more recent activities. The professional affiliation and official positions of the stakeholders that are introduced in this report are current as of the time of their activities.

[Date of publication]

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Disclaimer

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 the information available at the time.