

CSR / ESG REPORT 2017



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Editorial Policy

▼ Positioning and Editorial Policy of this CSR/ESG Report 2017

This report has been compiled and edited in an experimental manner, giving consideration to the continuity of previous CSR reports while at the same time incorporating additional content reviewed and revised from an ESG perspective in order to create a report that examines the ITO EN Group's activities from both CSR and ESG perspectives. Specifically, this report rearranges the ISO26000 system—the reporting system for previous CSR reports—into a new ordering, from an ESG-oriented perspective. (The new ordering is as follows: Organizational Governance, Fair operating Practices, Human Rights, Labor Practices, Consumer Issues, Community Involvement and Development, the Environment.) The report also lists supplementary information regarding newly revised key ESG issues (materialities) to complement information given in the ITO EN Integrated Report. With respect to the environment in particular, consideration has been given to ensure that the report not only covers key ESG issues, but gives an all-encompassing picture of the Group's initiatives based on its existing Basic Environmental Policy.

Guidelines referred to in the compiling and editing this report, the scope and period covered by the report, etc., are as follows.

【Guidelines referred to in this report】 Social responsibilities governed by the international standard ISO26000 / JIS Z 26000 (domestic guidance on social responsibility), the GRI Sustainability Reporting Guidelines Version 4.0, and the Ministry of Environment's Environmental Report Guidelines (2012 Edition)

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

【Period covered by this report】 This report focuses primarily on activities during fiscal 2015 (May 1, 2015 to April 30, 2016), and also includes details of selected ongoing initiatives and more recent activities. The professional affiliation and official positions of the parties concerned that are introduced in this report are current at the time of their activities.

【Month of issue】 October 2017 (previous issue: October 2016 *S-book Sustainability Report 2016*; next issue: scheduled for October 2018)

【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.

【ITO EN website (CSR site)】 <http://www.itoen.co.jp/csr/>

The new age of sustainability: ESG and SDGs

In order to survive and overcome this age of rapid change, it is necessary to enhance our capabilities for responding to changes in society. From as early as FY2011, the Group had introduced the ISO 26000*1 international standard, and has since utilized it in reassessing the conventional concept of CSR*2 as a form of philanthropy and switching to a new interpretation of CSR, as a wide-ranging set of capabilities for responding to social changes through the Group's core business operations. The group has utilized the seven core subjects*3 of this international standard to reorganize its CSR activities based on its core business, and to advance the visualization of its activities both internally and externally.

In addition to this, the Group has identified and selected priority matters in corporate management (also referred to as "materialities") by matching the Group's strengths with various social issues through dialogues with its stakeholders. By prioritizing the allocation of management resources to three key areas—the environment, consumers, and community issues—in which the Group can leverage its strengths most effectively, the Group is creating shared value (CSV)*4 with the aim of simultaneously resolving social problems and generating economic value through its business operations.

In this way, the Group promotes a policy of CSR/CSV management, implementing both CSR and CSV through its core business activities. In terms of ESG investment, which is also currently accelerating, the Group examines both opportunities and risk aversion aspects of environmental and social issues, and has therefore reviewed and revised all aspects of ESG-related elements of its operations.

In its aim of becoming a "Global Tea Company," the Group approaches its response to ESG-related matters based on international developments. We understand that the SDGs*5 adopted by the United Nations are a common language for sustainability, and refer to them in our handling of ESG. In addition to making use of the SDGs in enhancing our risk management, we also utilize them in opportunity-related aspects; in achieving goals in areas such as sustainable consumption and production, sustainable agriculture, sustainable urban development, environmental issues, health and education, where the Group can make effective use of its strengths.

If we apply this concept to one of our representative business operations, for example, the Tea-Producing Region Development Project is an implementation of environmental conservational agriculture that generates employment, revitalizes local communities, and stabilizes the management of regional producers; while at the same time enabling us to source high-quality tea leaves in a stable manner.

The project is an example of what ISO26000 refers to as a "community issues" CSV activity, which raises the Group's corporate value not only in terms of environmental aspects (the E in ESG) but also social aspects (S) by leading to the creation of new employment opportunities and revitalizing local communities. In terms of its relationship to the SDGs, it is our understanding that the project contributes to achieving the goals of sustainable consumption and production, sustainable agriculture, and sustainable urban development.

In this way, we can see that CSR, CSV, SDGs and ESG are all mutually related. The point they share in common is that they all aim to achieve sustainability.

In carrying out all of these activities, in addition to devising ways for its employees to learn about sustainability, the Group is also investing its energies into human resources development. (ESD*6: Education for Sustainable Development was also raised as a goal for "education" in the SDGs.)

Aiming to achieve sustainable growth, with growing confidence from society

In its new medium- to long-term vision announced this time, ITO EN aims to become a "Global Tea Company." Collaboration with all of our stakeholders is essential to achieving the realization of this vision. Accomplishments born out of such collaborations which lead to the Group receiving positive recognition externally are therefore a source of encouragement for us.

In addition to the 2013 Porter Prize*7, which ITO EN received in recognition of its competitive strategy, we were also selected in 18th place—making us the highest ranking Japanese company—by business magazine *Fortune* in its "Top 50 Companies that Change the World" (September 2016 issue), in recognition of our Tea-Producing Region Development Project.

In 2017, the ITO EN *Oi Ocha* New Haiku Contest (which has run for 28 years since the launch of the *Oi Ocha* brand itself) was certified by the Japanese government-run Beyond 2020 program, contributing to cultural aspects of society while at the same time playing a useful part in strengthening the *Oi Ocha* brand.

These CSR/CSV activities, together with the Group's human resources management initiatives (which are the foundation that underpins the creation of new value), are also important in terms of competitive strategy. In March 2017, our Business Skill test on ITO EN TEA TASTER was officially certified by the Ministry of Health, Labour and Welfare (MHLW). Moving forward, we will make maximum effective use of this certification in working to train world-class tea professionals.

In order to achieve the above, the Group will invest its energies into ensuring integrity, hard work and customer confidence, which have been the basis of ITO EN's company credo since the time of its original founding.

Integrity, in particular, is the basis of the Group's management activities. We promote a policy of sound and correct corporate governance. Building upon this foundation, each and every Group employee continues to work as a member of "Team ITO EN" to carry out the sentiments instilled in our four-leaf clover corporate logo, wishing for the happiness of all our stakeholders, based on our management principle of "Always Putting the Customer First".

President



Explanation of Terms

- ※1 ISO 26000: Guidance on social responsibility issued by the International Organization for Standardization (ISO) in November 2010
- ※2 CSR (Corporate Social Responsibility): CSR is typically understood to mean a company's responsibility towards society. However, ITO EN regards the word "responsibility" as meaning response + ability, and understands CSR as the wide-ranging ability to respond to society and/or social changes.
- ※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 SDGs (Sustainable Development Goals): 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 September 2015. SDGs have been established as a compass for the sustainability of the international community from 2016 to 2030.
- ※6 ESD: Education for Sustainable Development
- ※7 Porter Prize: An award granted by the Graduate School of International Corporate Strategy, Hitotsubashi University. It is named after Professor Michael Eugene Porter.

Basic thinking and approach to ESG

Sustainable increase in corporate value

Enhancing our capabilities to respond to society using an international-standard-based CSR system

The ITO EN Group carries out CSR activities systematically through its core business operations utilizing the well-established ISO26000 international standard (also standardized domestically in Japan as a JIS standard).

The standard outlines the following seven core subjects: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Approach to ESG

By matching the seven core subjects outlined by the ISO26000 standard with the E (environmental), S (social) and G (governance) elements of ESG, we can generalize and summarize the relationship between them as shown in the diagram below. Basically, the central “organizational governance” segment corresponds to G; the “environment” segment corresponds to E; and the remaining segments correspond to S. Based on this, the Group analyzes each of its activities from the viewpoints of expanding and increasing its business opportunities and reducing environmental and social risks, in order to cater to the demands of its investors.

By doing so, the Group is able to leverage its already-systemized CSR framework in its approach to ESG, in a way that follows the international standard.

Sustainable increase in corporate value

Reducing risk and expanding opportunities by dealing with ESG issues



- Establishing a corporate governance System
- Risk management
- Compliance

- Establishing a quality control system
- Developing healthy products



Food for Specified Health Uses
Food with Function Claims

- Increasing competitiveness through the Tea-Producing Region Development Project
- Enhancing brand value through the protection of culture and nature

- Reducing reputation risk by controlling human rights risk



Vending machine for donations to Ogyaa Donation Foundation



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



- Supply chain management
- Response to climate change
- Promotion of energy-saving measures
- Recycling



Cardboard box using used tea leaves



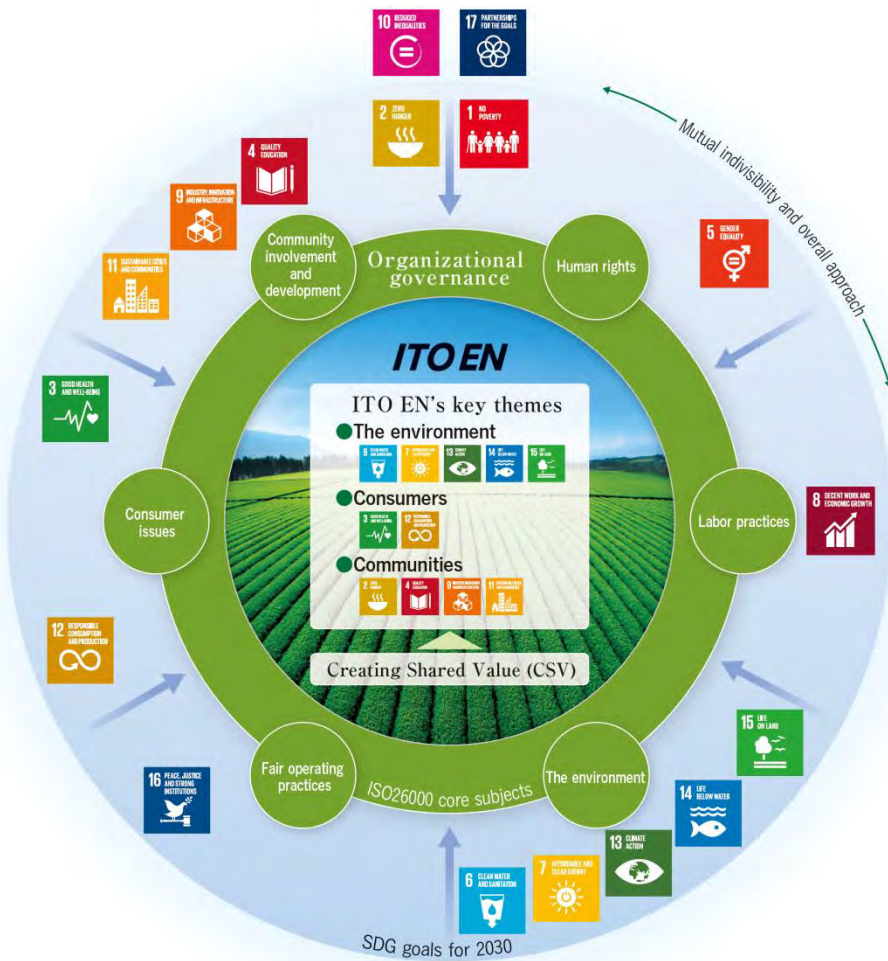
Environment Social Governance

Our mission as a “Global Tea Company”

Implementing a business strategy that contributes to global sustainability

In its approach to ESG—with its aim of becoming a “Global Tea Company”—the ITO EN Group refers to the United Nations SDGs (Sustainable Development Goals), which it regards as a common language for global sustainability. The Group regards the seven core subjects outlined in its approach to ESG as a kind of “To Do List,” while the SDGs themselves are a set of goals to be achieved by 2030. In order to embed these SDG goals into the Group’s ISO26000-based core-business-driven CSR system, the Group has created an experimental summarized version of the system, in which particularly strongly-related SDGs have been linked to each of the various core subjects, as shown in the diagram below.

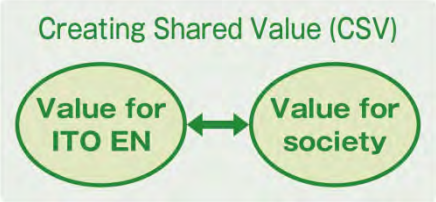
Moving forward, the Group will continue to make even more proactive efforts towards achieving global sustainability, including the goals of the Paris Agreement on Climate Change that was adopted at COP21 (the 2015 United Nations Climate Change Conference).



To Promote Creating Shared Value (CSV) (central portion of the diagram above)

The ITO EN Group implements a policy of Creating Shared Value (CSV) with the aim of simultaneously resolving environmental and social problems and achieving a competitive advantage; referring to the SDGs in terms of both business opportunity and risk avoidance aspects.

The Group has focused on three specific areas of the core subjects outlined in ISO26000 in which it can make most effective use of its strengths—the environment, consumers (consumer issues) and communities (community involvement and development)—as key CSV themes, and is working together with stakeholders to develop these key areas.



※Mutual indivisibility and overall approach: The core subjects outlined in ISO26000 and the 17 SDG goals are all mutually interrelated, and cannot be considered separately. This system is a summarization of these core subjects and goals based on an understanding of this property of mutual indivisibility, which uses an overall approach rather than approaching each issue on a one-to-one basis.

※Outside-in approach: The diagram includes arrows which point inwards from the SDG goals towards the core subjects. These arrows signify the fact that the Group refers to the SDGs in its business management activities. The implied meaning is that the Group refers to these globally defined “outside” goals and seeks to secure business opportunities in its corporate management activities.

Sustainability Management

The ITO EN Group has established the ITO EN Group CSR Charter and the Basic CSR Promotion Policy, and systematized its CSR/CSV activities with reference to SDGs, a common language for sustainability, utilizing global standards. The Group will promote SDGs systematically by establishing the ITO EN Group's Basic SDGs Promotion Policy.

In addition, to strengthen our response to ESG, we will also set key performance indicators (KPIs) in these CSR/CSV systems. As a promotion system, we have revised and enhanced the CSR Promotion Committee to the CSR/ESG Promotion Committee, which is chaired by the President, in 2017. We have also established the ESG Sectional Committee.

As a result of these efforts, ITO EN was selected as a constituent of the MSCI Japan ESG Select Leaders Index, which is one of the three indexes selected by GPIF* for ESG investment, in June 2017. 【Number of constituents: 251 companies (June 2017)】 ※Government Pension Investment Fund, Japan

Outline of the ITO EN Group's sustainability management



The ITO EN Group CSR Charter

Established : March 2013
Revised : August 2016

Based on the management principle of "Always Putting the Customer First," the ITO EN Group makes it a principle to listen to stakeholders' opinions and gain their trust. We will ensure strict legal and regulatory compliance and in light of the details of the SDGs (Sustainable Development Goals), we will address the seven principles and the seven core subjects defined in ISO 26000 (the international standard on social responsibility) and JIS Z 26000 (the domestic guidance on social responsibility) through our mainstay business, thereby aiming to become a Global Tea Company. We will also implement measures for sustainable society and environment domestically and globally, create a new dietary culture and propose lifestyle ideas, and contribute to achieving a sustainable society and environment through Creating Shared Value (CSV) by striking a balance between solving social issues and promoting the ITO EN Group's growth.

(1) Organizational governance

As the ITO EN Group, we will work to exert synergy as an entire Group by promoting sound management based on the management principle and strengthen our ability to continue business by promoting the governance and BCM (business continuity management) of the entire Group. We will also work to advance sustainable industrialization, promote innovations and enhance corporate value, taking advantage of our mainstay business.

(2) Human rights

We will promote global business activities by respecting the basic human rights and privacy of all stakeholders without discriminating and taking part in discrimination based on gender, age, ethnicity, race, religion and creed, etc.

(3) Labor practices

We will create a work environment where each employee will be able to achieve meaningful decent work, diversity is emphasized and work-life balance is improved and strive to enhance the motivation to work and abilities of employees, with the aim of cultivating human resources who are able to take an active role in the workplace in Japan and overseas, such as global human resources. We will also promote appropriate labor policies according to the circumstances in the countries into which we have advanced.

(4) The environment

We will make efforts to reduce environmental loads in the entire value chain for environmental issues such as response to climate change, the appropriate management of water resources, energy, the oceans, the continents and forests, the conservation of and response to biodiversity, and the reduction and recycling of waste, while contributing to the sustainable use of resources. We will also address the conservation of natural assets voluntarily and continuously through the coexistence of people and nature with the aim of achieving the sustainable development of the global environment. In addition, we will work to promote environmental management and cooperation with stakeholders as an entire Group.

(5) Fair operating practices

We will prevent corporate scandals by strengthening our supply chain management in our procurement, complying with related laws and regulations, implementing fair market rules and appropriate business practices and honoring contracts and agreements. We will also promote business activities while contributing to ensuring sustainable consumption and production forms, with the aim of achieving sustainable development mutually with our business partners.

(6) Consumer issues

We will contribute to food security and nutritional improvement by maintaining a strict quality control system in the entire value chain, including compliance with all consumer-related laws and regulations and the enhancement of the traceability system. We will also aim to realize higher customer satisfaction, including the manufacture of products geared to our product development concept of "natural, healthy, safe, well-designed and delicious" and contribution to healthy life and dietary culture, while contributing to ensuring a sustainable consumption form and high-quality education and promoting opportunities for lifelong learning.

(7) Community Involvement and Development

As a corporate citizen, we will promote activities that will contribute to sustainable agriculture and the sustainable development of communities, taking advantage of our mainstay business, for local issues such as the environment, food and agriculture, culture, the aging population and low birth rate, and regional revitalization, etc. We will also work to build a good relationship (global partnership) in countries into which we have advanced by dealing with community issues in keeping with their needs.

To promote the endeavors above, we will adopt the concept of "Education for Sustainable Development (ESD)*2" and work on it. We will conduct our activities in accordance with the ITO EN Group's Basic SDGs Promotion Policy for CSR and the ITO EN Group's Basic ESD Promotion Policy for ESD.

※1 CSV : Creating Shared Value. A concept of aiming to solve social issues through the business activities of companies by satisfying both value for society and value for companies.

※2 ESD : Education for Sustainable Development. It refers to the development of leaders who will underpin a sustainable society.

The ITO EN Group's Basic SDGs Promotion Policy

Established: August 2017

1. Purport

The ITO EN Group will strengthen its activities for a "Global Tea Company" by incorporating SDGs (Sustainable Development Goals) in the CSR system of ISO 26000 (the international standard on social responsibility) based on the ITO EN Group CSR Charter.

For this purpose, we will link the environment, consumer issues and community issues that we have set as the themes of focus for Creating Shared Value (CSV) with the SDGs by organizing SDG targets by linking them with each item of the core subjects and deepen CSV through reference to the SDGs in terms of both business opportunities and the avoidance of risks.

Taking advantage of this CSR system, we will promote a response to ESG in accordance with the international standards.

2. Responses to CSR/CSV and ESG that have incorporated SDGs

(1) Linking the seven core subjects with the SDGs and the selection of matters of focus

We will link CSR activities and KPIs (key performance indicators) that we have organized in the seven core subjects with the SDGs. On this basis, we will position the environment, consumer issues and community issues that we have set as the themes of focus in Creating Shared Value (CSV) as matters of focus for promoting SDGs to deepen CSV.

(2) Setting long-term targets for our activities

We will set long-term targets for 2030, which is the deadline for the SDGs, for each activity as needed.

(3) Response to ESG

For KPIs, we will promote the extraction of the necessary items and the development of data in light of the business characteristics of the ITO EN Group, while taking into account the indicators that are generally referred to in ESG as much as possible.

(4) Formulation of "ITO EN SDGs Promotion Plan"

Based on the Basic SDGs Promotion Policy, we will formulate the "SDGs Promotion Plan," taking into account the CSR system, major activities, association with SDGs, activity targets, and the major relationship with ESG, etc. at the CSR/ESG Promotion Committee.

3. Implementation of business development in collaboration with stakeholders

Because working with related parties is emphasized in the SDGs (Goal 17 Partnership), we will pay attention to collaboration and Creating Shared Value in each activity by taking note of collaboration with multiple stakeholders based on the Group management principle of "Always Putting the Customer First."

We will also work to enhance collaboration with related organizations that promote the SDGs and cooperate with SDG-related international agencies and governments in their policies.

4. Active transmission of activity reports of our efforts regarding the SDGs

We will transmit our efforts regarding the SDGs in ITO EN Integrated Reports, Sustainability Reports and our website, etc.

5. Development of an internal promotion system of SDGs and its penetration

The CSR/ESG Promotion Committee promotes the SDGs and regularly reports the progress to the Executive Board to share information.

We will also promote the formulation of an SDG promotion plan in series at the Group companies.

Basic Thinking

※The SDG pictograms on pages 6~25 display the main relevant SDGs.

The ITO EN Group has constructed a sound management framework based on its Group management principle of “Always Putting the Customer First”; ensuring transparency, soundness and legal compliance in management and implementing swift and appropriate disclosure of information.

CSR Charter :

As the ITO EN Group, we will work to exert synergy as an entire Group by promoting sound management based on the management principle and strengthen our ability to continue business by promoting the governance and BCM (business continuity management) of the entire Group. We will also work to advance sustainable industrialization, promote innovations and enhance corporate value, taking advantage of our mainstay business.

Corporate Governance



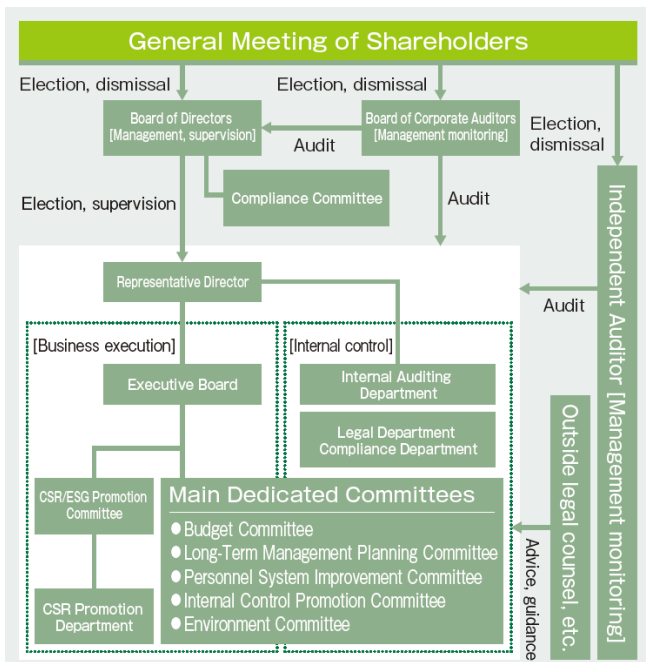
● Corporate Governance Policy

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 15 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.

● Establishment of Corporate Governance Guidelines

The ITO EN Group formulated and announced its Corporate Governance Guidelines※ in December 2015, with the aim of achieving sustainable growth for the Group and medium- to long-term improvement of its corporate value. The major items are as follows:

- Management principle and the basic approach to corporate governance
- System of corporate governance
- Response for protecting the interests of stakeholders

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

● 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.

● Development of an internal control system

Based on the “Basic Policy on Internal Control Systems” resolved at the meeting of the Board of Directors in May 2006, the ITO EN Group has built an internal control system for the purpose of increasing the transparency of the business operations of the Group, further increasing their effectiveness and efficiency, increasing the reliability of financial reporting, promoting compliance with laws and regulations and protecting assets.

● Sustainability Management

The ITO EN Group has utilized global standards to establish a Group CSR Charter and Basic CSR Promotion Policy, and systematized its CSR/CSV activities with reference to the United Nations Sustainable Development Goals (SDGs), which are a common language for sustainability. The Group is working systematically towards the achievement of SDGs, through the establishment of the ITO EN Group Basic SDGs Promotion Policy (established in August 2017).

In addition, to strengthen our response to ESG, we will also set key performance indicators (KPIs) in these CSR/CSV systems. As a promotion system, we have revised and enhanced the CSR Promotion Committee to the CSR/ESG Promotion Committee, which is chaired by the President, in 2017. We have also established the ESG Sectional Committee.

The Group also holds regular CSR personnel liaison meetings.

(ITO EN Group Basic SDGs Promotion Policy)
<https://www.itoen.co.jp/csr/csrpolicy/>

● CSR Grand Prize

ITO EN established the CSR Grand Prize in-house award scheme in FY2011. The scheme awards exceptional examples of social contribution as a mechanism for recognizing employees' efforts in social contribution activities, with the aims of raising individual employee awareness with regard to CSR, building stronger trust with customers, and improving employee motivation and teamwork through CSR activities.

In FY2016, the CSR Prize was awarded to two projects carried out by female volunteers that not only responded to inbound demand but also helped to improve the Group's corporate brand image, through event revitalization and promoting wider awareness of tea culture. (The prize was awarded to two teams simultaneously.)

<FY2016 CSR Grand Prize Winner Activities>

○【Promotion of Female Employee Activities】

Promotion of projects planned by female employees
(Prizes were awarded simultaneously to The 2nd Women in Other Business Areas Project and Team88.)

● Communications with Stakeholders

During fiscal 2016, ITO EN conducted the following kinds of activities to deepen the level of its communication with its stakeholders.

- Held stakeholder dialogues (three times a year)
- Asked the opinions of local government leaders
- Held dialogues with consumers and consumer group representatives
- Carried out consumer questionnaire surveys
- Held regular explanatory meetings for shareholders

■ Outline of FY2016 Stakeholder Dialogues

First FY2016 Stakeholder Dialogue

Date: July 11, 2016 (ITO EN head office)

Theme: "Deepening the Level of Corporate Activities with the Aim of Creating a Legacy"

Attending stakeholders: Yoshiyuki Mano (Counselor to the CEO, Tokyo Organising Committee of the Olympic and Paralympic Games; Professor, Faculty of Sport Sciences, Waseda University; PhD in Sport Sciences; Chairperson, Legacy Co-creation Association), Hiroji Tanaka (Professor Emeritus, Tokyo College of Transport Studies; former Vice Chairman, Japan Society for Business Ethics; Director and Chief Researcher, Business Ethics Research Center), Makoya Kageyama (Professor, International College of Arts and Sciences, Yokohama City University; Director, CSR Center and LLP Center, Yokohama City University), Masami Kojima (Member of Editorial Board, Life News Department, The Mainichi Newspaper Co., Ltd.)

Second FY2016 Stakeholder Dialogue

Date: September 6, 2016 (ITO EN head office)

Theme: "CSV Management 2.0: Aiming to Become a Global Tea Company"

Attending stakeholders: Takashi Nawa (Professor, Graduate School of International Corporate Strategy, Hitotsubashi University)

Third FY2016 Stakeholder Dialogue

Date: November 16, 2016

Theme: "What Kind of Company ITO EN Should Aim to Become in the New Age of Sustainability"

Attending stakeholders: Takashi Nawa (Professor, Graduate School of International Corporate Strategy, Hitotsubashi University)

※Affiliations and job titles are correct as of the date upon which each dialogue was held.

● 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 held after the announcement of the settlement of accounts, the opinions of the shareholders and analysts are shared in order 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 six-month period so that individual investors, analysts and institutional investors who are unable to attend the financial results briefing can access these reference materials. In addition, ITO EN Integrated Reports, 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 that 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 news releases and ITO EN Integrated Reports.

● Disclosure

The ITO EN Group considers the widespread disclosure of information regarding the state of its corporate management and activities amongst its stakeholders to be an important responsibility, and works constantly to increase the soundness and transparency of its management through proactive disclosure of information.

(Disclosure Policy)

http://www.itoen.co.jp/finance_ir/inquiry/policy/

● Establishment of Basic ESD Promotion Policy

The term ESD (Education for Sustainable Development) refers to the education and training of human resources who will play key roles in supporting the sustainable society of the future. ESD initiatives are now underway around the globe. The ITO EN Group is driving forward ESD initiatives in accordance with its Basic ESD Promotion Policy※ (established in May 2013 and revised in August 2016) in order to bolster its CSR activities based on the ISO26000 standard, and to systemize and advance collaborative partnerships with stakeholders and further the development of the next generation of human resources who will underpin the sustainable society of the future.

The Group is advancing the following kinds of initiatives.

【Key ESD Initiatives】

- Carrying out in-house education and training regarding CSR/CSV and the environment incorporating ESD concepts
- Carrying out education and training and practical activities through collaboration with stakeholders
- Ingraining internal awareness within the Group and promoting wider recognition of ESD in society through the use of the ESD logo

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

Risk management

● Comprehensive risk management

The ITO EN Group works to strengthen its response to risks by establishing a department in charge of risks, formulating regulations and guidelines and building a cross-organizational risk management system. The Group conducts risk management by developing a system for dealing accurately with risks from the standpoints of (1) compliance, (2) information security, (3) quality and the environment, (4) property preservation and (5) disaster and accident. ITO EN has also put in place the Compliance Committee, the Safety and Health Committee and the Disaster Prevention Committee, etc.

● Risk Management by BCP (Business Continuity Planning)

In light of experiences during the Great East Japan Earthquake of March 11, 2011, ITO EN is seeking to strengthen its business continuity capabilities by distributing BCP manuals to each department and carrying out education and training to promote deeper awareness of its existing Business Continuity Plans.

● Toughening Information Security

The ITO EN Group recognizes the asset value of all the information that it handles, and is endeavoring to ensure appropriate protection and management of information and implement tougher information security measures. The Group has also established a policy concerning the protection of personal information (PoPI) to ensure appropriate handling and strict management of all personal information in its possession.

Compliance

● ITO EN Group Code of Behavior & Behavioral Standards

The ITO EN Group works to ensure through compliance with applicable laws and ordinances, the ITO EN Founding Charter, internal company regulations, social norms and ethics; promotes business operations based on fair and honest competition; and engages in business activities that place an emphasis on consumer perspectives and viewpoints.

In carrying out these ideals, the Group recognizes that thorough implementation of the ITO EN Group Code of Behavior & Behavioral Standards (which are an embodiment of the Group's management principle of "Always Putting the Customer First") is a fundamental part of compliance, and is seeking to achieve deeper awareness of this throughout the Group.

The Group's Code of Behavior sets forth nine key items, summarizing their relationships with applicable laws, the Founding Charter, and internal company regulations. It also sets forth matters that every officer and employee should observe and comply with in carrying out corporate activities in the form of a more finely segmented and specifically detailed set of Behavioral Standards.

The Group has also set forth a list of Behavioral Checkpoints for each and every employee from five specific viewpoints that are a concrete manifestation of the company credo. We are seeking to ensure thorough recognition and implementation of these checkpoints throughout the Group by encouraging employees to be mindful of them in their daily activities, and by carrying out regular education and training.

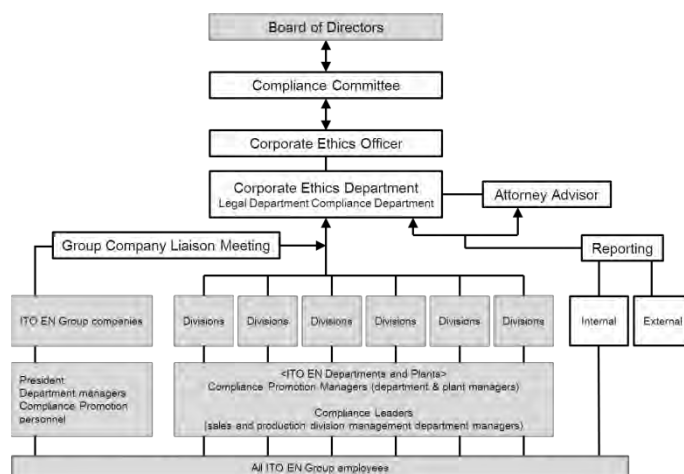
(ITO EN Group Compliance)
<http://www.itoen.co.jp/company/compliance/>

● Establishment of a Group Compliance System

In order to ensure thorough compliance, ITO EN has appointed a Corporate Ethics Officer who is responsible for group-wide compliance management, raised legal compliance as one of its basic management policies, and declared the aim of establishing the ITO EN Group as a compliance-oriented corporate entity.

In 2004, ITO EN established a Compliance Committee and Compliance Department, thereby establishing an organizational framework that enables us to swiftly consider and implement response measures in the occurrence of a serious compliance-related incident. A total of six Compliance Committee meetings were held during FY2016.

In addition to this, we have also appointed Compliance Promotion personnel responsible for promoting compliance in each department and business location, and Compliance Leaders for nationwide sales divisions and regions across Japan. We are also seeking to bolster compliance by holding detailed discussions, in cooperation between divisions, to consider methods for preventing compliance violations and reoccurrences.



● Bolstering Group Compliance

The ITO EN Group has assigned Compliance Promotion personnel at all of its domestic Group companies as a mechanism for communication, sharing of information and exchange of opinions, etc., regarding compliance between Group companies. The Group also holds regular Domestic Group Company Compliance Liaison Meetings.

● Internal Reporting System

The Group has established a Corporate Ethics Hotline as a point of contact for accepting internal reports regarding compliance-related issues; and accepts reports, consultations and questions, etc., from both internal and external sources via the Legal Department Compliance Office and third-party institutions. The Internal Reporting System is operated in accordance with the Whistleblower Protection Act to ensure observation of basic rules by contact point personnel, and thorough protection of whistleblowers and confidentiality of reported matters.

Incidents identified as a result of the Internal Reporting System (or other such means) are reported to the Compliance Committee and handled in conjunction with attorney advisors and other specialist personnel.

● Promoting Compliance Education

To raise awareness regarding compliance, including the prevention of bribery, the ITO EN Group is working to instill knowledge and awareness of compliance throughout the group, such as by carrying out planned compliance education and training for all officers and employees. In FY2016, the Group conducted a range of educational and awareness-raising activities concerning basic compliance-related knowledge, legal compliance, preventing harassment, and communication in the workplace.

ITO EN also recommends that its Compliance Leaders should sit compliance-related certification examinations. Currently, over 70% of Compliance Leaders hold such qualifications.

● Strict Handling of Compliance Violations

In the event of a compliance violation incident, the Group endeavors to accurately ascertain the facts and identify the root cause of the problem. Based on this, we then accept the facts with sincerity, implement thorough measures to prevent reoccurrences, and deal with the incident strictly; such as by taking appropriate disciplinary action against employees responsible for such violations.

※For more details regarding compliance, please refer to page 42 of the ITO EN Integrated Report 2017.

Fair operating practices

Basic Thinking

The ITO EN Group endeavors to ensure legality and appropriateness in its corporate management and the execution of its work operations, based on observance and compliance with both domestic and overseas laws and internal company regulations by all officers and employees. The Group also sincerely accepts and caters to the expectations of all consumers, investors, transaction partners, local communities and other stakeholders.

CSR Charter :

We will prevent corporate scandals by strengthening our supply chain management in our procurement, complying with related laws and regulations, implementing fair market rules and appropriate business practices and honoring contracts and agreements. We will also promote business activities while contributing to ensuring sustainable consumption and production forms, with the aim of achieving sustainable development mutually with our business partners.

Compliance (reiteration)

● ITO EN Group Code of Behavior & Behavioral Standards

The ITO EN Group works to ensure through compliance with applicable laws and ordinances, the ITO EN Founding Charter, internal company regulations, social norms and ethics; promotes business operations based on fair and honest competition; and engages in business activities that place an emphasis on consumer perspectives and viewpoints.

In carrying out these ideals, the Group recognizes that thorough implementation of the ITO EN Group Code of Behavior & Behavioral Standards (which are an embodiment of the Group’s management principle of “Always Putting the Customer First”) is a fundamental part of compliance, and is seeking to achieve deeper awareness of this throughout the Group.

The Group’s Code of Behavior sets forth nine key items, summarizing their relationships with applicable laws, the Founding Charter, and internal company regulations. It also sets forth matters that every officer and employee should observe and comply with in carrying out corporate activities in the form of a more finely segmented and specifically detailed set of Behavioral Standards.

The Group has also set forth a list of Behavioral Checkpoints for each and every employee from five specific viewpoints that are a concrete manifestation of the company credo. We are seeking to ensure thorough recognition and implementation of these checkpoints throughout the Group by encouraging employees to be mindful of them in their daily activities, and by carrying out regular education and training.

Supply chain management

● Raw ingredient procurement and supply chain management

The ITO EN Group has established policies on procurement and quality management, and is working in collaboration with its stakeholders (including outsourced beverage producers) to establish a supply framework that pays due care and consideration in terms of both environmental and social aspects.

Our procurement policy sets guidelines for the pursuit of quality, safety and peace of mind, fairness in procurement, and consideration for human rights, labor and the environment. Our quality management policy dictates rules for the provision of safe and reliable products, compliance with applicable laws and ordinances, and for ensuring safety of products utilizing international standards.

Also on the quality management front, the Group has built a Quality Management System, for which it obtained ISO9001 international standard certification in 2002. ITO EN’s Shizuoka Sagara Factory also obtained FSSC22000 certification in November 2013. Our products are only manufactured in factories that satisfy ITO EN quality management standards, and we thoroughly ensure safety and security in the manufacture of our products by holding regular quality assurance meetings.

In our logistics operations, too, we have constructed an effective supply chain management system in collaboration with our outsourcing partner companies; working to thoroughly ensure safety and security by conducting regular assessments and audits of our outsourcing partners (with respect to checklist items stipulated by ITO EN regarding areas such as transportation and storage) and holding regular meetings to share essential information.

Adherence to fair trade

● Thorough adherence to fair competition and fair trade

The ITO EN Group is engaged in a wide-range of endeavors to ensure thorough compliance; including sound procurement transactions and fairness in its dealings with outsourced production partners, and ensuring free and fair competition in its sales and distribution activities.

● Protection of intellectual property

The ITO EN Group respects the intellectual property rights of other companies, and actively utilizes its own rights. ITO EN responds to specific incidents through collaborative efforts between the Research & Development Division and the Intellectual Property Division.

Basic Thinking

The ITO EN Group does not discriminate on the basis of gender, age, ethnicity, race, religion or beliefs, and advances its business operations with respect for basic human rights.

CSR Charter :

We will promote global business activities by respecting the basic human rights and privacy of all stakeholders without discriminating and taking part in discrimination based on gender, age, ethnicity, race, religion and creed, etc.

Respect for human rights



Respect for human rights is a basic rule of society. In addition to observing and complying with applicable laws and ordinances, etc., the ITO EN Group has also formulated a Code of Behavior and Behavioral Standards that set forth its basic thinking (as above) with regard to respect for basic human rights. In addition to using these codes and standards as guidelines in carrying out its business operations, the Group is also working to create more employee-friendly working environments; by eradicating power harassment and sexual harassment, and eliminating discrimination on the basis of gender, age, ethnicity, race, religion or beliefs.

Moving forward, in order to further enhance our initiatives for respecting human rights, we will participate in human rights-related workshops and work to formulate a human rights policy incorporating the opinions of experts; while at the same time working to promote and encourage greater understanding amongst our employees.

● Promotion of human rights education and awareness-raising activities

The ITO EN Group carries out education and training for its employees with regard to human rights issues as one aspect of its compliance training program. The training also deals with human rights issues such as power harassment and sexual harassment.

● Establishment of a consultation system

ITO EN has established a helpdesk called the *Nandemo* Communication Hotline (the Japanese word *nandemo* means “anything,” signifying that employees can communicate with the company about anything at all that concerns them). In addition to human rights-related incidents, employees can also consult with the helpdesk regarding other matters; including concerns over interpersonal relations and other workplace issues, and domestic/family issues such as childcare and caregiving. There is no limit to the number of consultations permitted, or time limit for a given consultation. The helpdesk accepts anonymous consultations, and employs mechanisms for protecting consultees from suffering any detrimental treatment. The helpdesk respects the wishes of the individual, and works towards achieving an appropriate solution, depending on the content of the consultation, such as by referring consultees to external specialists (i.e. third-party institutions).

The Corporate Ethics Hotline acts as a point of contact for accepting consultations and other inquiries from outside the company.

Community and human rights issues



Through initiatives focusing on respect for human rights through its business activities, ITO EN also seeks to raise employee awareness and promote greater understanding with regard to human rights issues in local communities.

● Initiatives focusing on respect for human rights through business activities

<Ogyaa Donation Fund>

The “Ogyaa Donation Fund” is a charitable movement run by the

Ogyaa Donation Foundation, for lending a helping hand to children with mental and/or physical disabilities.

Since 2003, ITO EN has been donating a portion of its sales from vending machines installed primarily in obstetrics and gynecology department facilities around Japan to the fund. In recognition of this initiative, ITO EN was presented with a letter of gratitude from the Foundation in 2015.

<Ishikawa Victim Support Center>

The Ishikawa Victim Support Center is an organization that conducts support activities for crime and accident victims and their families; including telephone consultations and accompaniment to police stations and court proceedings. There are organizations conducting similar activities in all of Japan’s 47 prefectures.

As part of an initiative to support such victims, since April 2012, ITO EN has been donating a portion of its sales from vending machines installed in Ishikawa Prefecture to the Ishikawa Victim Support Center.

<Japanese Red Cross (Aichi Chapter)>

ITO EN donates a portion of sales from vending machine installation locations towards the activities of the Aichi Chapter of the Japanese Red Cross, which carries out a wide variety of support activities for victims of disasters and disease (in partnership with the Chapter and various vending machine locations). This initiative was recognized in 2013, when ITO EN was awarded the Order of Merit by the Japanese Red Cross.

<Akai Hane Central Community Chest of Japan>

The Akai Hane (Red Feather) Central Community Chest of Japan is a community chest campaign run through regional/prefectural community chests in each of Japan’s prefectures. The campaign collects donations which are used to provide support for community welfare activities for the elderly, disabled people and children, and to establish and operate Disaster Volunteer Centers in readiness for times of disaster. ITO EN donates a portion of its sales from vending machines to this community chest campaign, which are then used to provide financial support for the welfare activities of various social welfare and NPO organizations.

<Other initiatives>

In response to requests from stakeholders engaged in human rights-related activities to assist in the widespread promotion of their initiatives, ITO EN now utilizes the advertising panel sections of its vending machines installed throughout Japan—which attract the attention of large numbers of men and women of all ages—to introduce such activities. One representative example is our participation in the “Yumeiku Work Support Project”—a project that operates in the prefectures of Shimane and Tottori—which exhibits drawings, paintings and other artwork created by disabled people.

ITO EN also works in cooperation with the “Sukoyaka Dietary Life Association”, engaging in activities to provide audio files which explain how to make tasty cup of tea, for people with visual impairments, etc.

Basic Thinking

Since the time of its initial founding, working under the concept of evaluation based on merit, the ITO EN Group has sought to raise the abilities and skills of individual employees through hard work and friendly competition in accordance with the true spirit of *Wa* (Japanese harmony); and to create a decent environment that will increase each and every employee's motivation to work. Moving forward, too, the Group will continue in its aim to offer decent and meaningful work by improving its working environments and driving initiatives to enhance the motivation to work and abilities and of its employees.

CSR Charter :

We will create a work environment where each employee will be able to achieve meaningful decent work, diversity is emphasized and work-life balance is improved and strive to enhance the motivation to work and abilities of employees, with the aim of cultivating human resources who are able to take an active role in the workplace in Japan and overseas, such as global human resources. We will also promote appropriate labor policies according to the circumstances in the countries into which we have advanced.

Personnel affairs and welfare program



The ITO EN Group regards the enrichment of its employees' lifestyles as leading to improvements and enhancements in their work at the company. The Group promotes a healthy work-life balance and seeks to improve its working environments to make them easier for all employees to work in, and to increase and expand the range of its employee welfare schemes.

● Initiatives to create more worker-friendly working environments

ITO EN has established a Workplace Environment Improvement Committee for discussing general problems with the workplace environment, considering improvement measures and working to create a better workplace. As a general rule, the committee meets twice a year, and makes recommendations to the Executive Officer Committee regarding matters discussed. Moreover, in order to understand the actual state of ITO EN's workplace and adjust the improvement measures, ITO EN has also established a regional committee of representatives from each business location under the Workplace Environment Improvement Committee for exchanging opinions regarding various issues. A total of 28 regional committee meetings were held during FY2016, discussing a range of topics including enhancing work hour management, and bolstering ITO EN's health and safety management system such as by conducting workplace safety inspections. By remaining constantly mindful of possible improvements that can be made to resolve various issues in their everyday duties, and working to build a system of cooperation within the company, each ITO EN employee is making an active contribution to the improvement of work processes.

ITO EN also conducts annual attitude surveys of all employees with regard to its schemes and workplace environments. The results of these surveys are analyzed and summarized by the relevant departments, used to provide feedback to the actual workplace, and utilized in reviewing and revising personnel schemes and improving the workplace environment.

● Support schemes for employees' major life events

As of FY2017, ITO EN has launched a Family Support scheme that will enable it to provide comprehensive support for employees and their families during major events in their lives, in terms of various aspects including working schemes, welfare and benefit schemes and wage schemes. Specifically, ITO EN has introduced a Work-at-Home scheme aimed at employees who are subject to various constraints due to reasons such as childcare and caregiving commitments; a Reserve Annual Paid Holiday scheme that enables employees to use expired paid holidays as reserve paid leave in readiness for unexpected circumstances of childcare and caregiving commitments; and a Temporary Leave of Absence scheme, aimed at employees undergoing infertility treatment. Through initiatives such as these, we are seeking to create a better working environment that will enable employees to continue working with security and peace of mind.

● Support for raising the next generation of children

ITO EN has established (and is steadily implementing) action plans to enable all employees to make proactive use of its childcare leave schemes and take childcare leave. As a result of these efforts, in 2010, we received certification as a Standard Compliant General Business Operator as provided for under the Act on Advancement of Measures to Support Raising Next-Generation Children. In 2015 we formulated our third action plan, and are continuing with this initiative.



● Creating schemes to enable employees to work up until the age of 70 (re-employment schemes)

While ITO EN had already established a re-employment scheme that enables retired employees to work for a maximum further five years after reaching mandatory retirement age, in 2017 we revised the scheme to enable employees to continue working actively until the age of 70; with the objective of further reinvigorating the company overall and improving productivity. For employees who wish to continue working beyond the age of 65, after first verifying the wishes of the individual, the company arranges for continuous employment through a process of workplace matching. ITO EN is working to create an environment in which employees can make effective use of the experience, knowledge and expertise developed over the course of their careers in various workplaces, and promoting the development of mechanisms that will enable employees to continue working healthily and actively until the age of 70.

● Achieving work style reforms

By creating an environment in which a diverse pool of human resources can choose from a flexible range of working styles, and enabling all employees to work actively until the age of 70, ITO EN aims to reinvigorate the company overall and improve employee productivity. Through organizational structures such as the Workplace Environment Improvement Promotion Committee, we are also implementing constant improvements to the employee working environment, such as in improving workplace environments and work process efficiency, and driving reductions in working hours. We are also continuing with other initiatives such as permanent employee conversion schemes for fixed-period contract employees, and area recruitment schemes. By creating workplaces in which employees can feel that it is easy and meaningful to work, ITO EN is seeking to further promote a healthy work-life balance.

● Employee separation rate

ITO EN's employee separation rate stood at 4.7% in FY2014, 4.9% in FY2015, and 4.2% in FY2016. The company has further bolstered its efforts towards CDP support and human resources developments, such as by carrying out year-specific education and training for employees in their second and fifth years of employment since joining the company, and enhancing its career support training for younger employees. By creating an environment in which employees can get a real feeling of personal growth and development, from the time of their recruitment until the time they leave the company, ITO EN aims to further improve its employee retention rate.

Health and safety of employees

The ITO EN Group has established internal health and safety regulations with the objective of preventing occupational accidents and maintaining and improving the health of its employees. Additionally, through “5S activities”, employees identify occupational health and safety issues in the workplace and suggest possible improvement measures. In this way, the Group is working daily to create a safer working environment.

※5S is the name of a workplace organization methodology that uses five Japanese words. (Seiri, Seiton, Seisou, Seiketsu, Shitsuke)

● Health and safety

ITO EN is working continuously to improve safety in the workplace. In FY2016, there were 126 occupational accidents within ITO EN. In the event of the occurrence of an occupational accident, we carry out an analysis of the causes of the accident based on an incident report, and endeavor to prevent reoccurrences.

To implement basic measures for the prevention of worker health problems, etc., ITO EN has established health/hygiene committees (which meet once a month as a general rule) at its head office and at business locations with 50 or more employees, and a Health & Safety Committee in its Production Division (which also meets once a month as a general rule). We also give care and consideration for employee health by participating in courses run by industrial physicians on occupational health and hygiene related themes, such as safety measures in the workplace, and measures against heatstroke and infectious diseases such as influenza.

In 2015, ITO EN established a ITO EN Health & Safety Committee (which meets twice a year as a general rule) with the objective of improving its management framework for health and safety-related matters. Moving forward, we will continue to bolster our efforts with regard to health and safety, working towards a goal of zero work-related accidents.

● Initiatives to shorten working hours

ITO EN manages working hours, etc., based on the conditions of agreements formed between workers and management to prevent employees from working excessive hours. Specifically, ITO EN has introduced online systems for its vending machines with the aim of improving work efficiency, implemented “No Overtime Day” as part of its efforts to prevent excessively long working hours, and is actively encouraging employees to take long-term holiday periods of five consecutive days or more. As a result of these initiatives, in FY2016, we achieved an overall shortening of non-prescribed working hours (a reduction of 5.6% in comparison with FY2015). Moving forward, too, we will continue to bolster our efforts towards shortening working hours and encouraging employees to take paid holiday leave.

● Initiatives to manage employee health

In managing the health of all of its employees, ITO EN carries out tests above and beyond those items stipulated by law, and covers part of the cost of gynecology and obstetrics department examinations, prostate gland examinations and various other medical examinations for employees who request them. ITO EN has also established a health check re-examination subsidy scheme, and is engaged in various other initiatives to manage the health and well-being of its employees. We also provide support to help ensure the health of not only our employees but also their families, such as by introducing a multiphasic health check subsidy scheme for spouses, and by forming corporate membership agreements with gyms and sports clubs.

We have also established counseling services (provided by industrial physicians and health nurses) and an external 24-hour Health & Medical Consultation and Mental Health Consultation Desk, and are working to improve our support framework for handling health-related consultations for employees and their families, and for alleviating psychological concerns and anxieties.

In addition to these initiatives, as part of our efforts to maintain and improve the mental and physical health of our employees, we also conduct stress checks at all of our business locations regardless of size or scale. We thoroughly ensure the protection of employees’ privacy with regard to the results of these checks, and make the existence of the above consultation desks known to employees to enable them to make effective use of the available support as necessary.

We also give care and consideration for employee health by participating in courses run by industrial physicians on a range of occupational health and hygiene related themes

● Health and safety education

In addition to conducting health and safety education and training for management-level personnel on a job-specific basis, ITO EN also works to make the relevant information widely and thoroughly known amongst all of its employees through the efforts of Health/Hygiene Committee and Workplace Environment Improvement Promotion Committee members selected by the representatives of each department.

● Frequency rate for occupational accidents with lost worktime

The frequency rate for occupational accidents with lost worktime at ITO EN was 1.94 in FY2014, 1.25 in FY2015, and 1.98 in FY2016. ITO EN is engaged in various initiatives to ensure the continued safety of its employees.

Specifically, we conduct internal awareness raising activities such as by holding regular safety and health/hygiene weeks and distributing various documents to promote employee awareness of health and safety issues. We have also established committees comprised of workplace representatives, and are working to formulate and implement working environment improvement measures by conducting workplace safety surveys and sharing the results amongst committee members.

※Frequency rate for occupational accidents with lost worktime = number of employees killed or injured in occupational accident / number of lost or delayed working hours x 1,000,000

※Number of employees killed in occupational accidents: 0

● Promoting traffic safety

Because ITO EN has many sales personnel who make use of vehicles for their route sales activities, the company carries out compliance education that includes thorough observance of traffic rules and good driving manners.

In order to promote safe driving we have also installed telematics devices in our vehicles and are seeking to ensure thorough implementation of education content, with the aim of achieving a zero accident rate.

Human resources development

Based on our thinking that people are our most important asset, the ITO EN Group is continually investing its energies into human resources development. In particular, we believe that personal development and self-enlightenment are the fundamental basis of all education, and are therefore working to establish, and improve upon, various personal development schemes to help support and motivate our employees. We offer education programs in conjunction with our human resources development programs, which are classified variously by qualification, job rank, number of years of employment and job type.

● ITO EN Business College & ITO EN Graduate School

The ITO EN Business College program is an in-house training scheme established in 1989. Employees choose the content that they wish to study from a range of curriculums (including sales, finance, marketing and organization) and study for one year, with the aim of acquiring knowledge in that field. During that time, employees engage in complete various assignments and group discussions. (In FY2016, 699 employees graduated from ITO EN Business College.) In 2009, we established the ITO EN Graduate School, which is now utilized by employees as an opportunity to get a feel for business management by engaging in further self-development. (In FY2016, 11 employees graduated from ITO EN Graduate School.)

In FY2016, the average number of training hours per employee in group-type training sessions was 26.5 hours (four days) for ITO EN Business College and 88 hours (13 days) for ITO EN Graduate School. Employees also made use of curriculum-specific e-learning to further deepen their level of understanding.

● Development of global human resources

In its aim of becoming a “Global Tea Company,” the ITO EN Group is advancing the planned development of global human resources who can make an immediate contribution to the Group’s global expansion, which will become increasingly important in the future, through collaborative efforts with Group companies and other initiatives such as open in-house recruitment of overseas trainees.

● Career development support

ITO EN has established a range of schemes and systems for supporting career development. In terms of year-specific education schemes, in addition to new recruit follow-up training, we have also introduced programs aimed specifically at employees in their second and fifth years of employment, and those aged 35 and 45; giving them a chance to reflect upon their careers so far and to think about their future plans and career goals. In terms of career consultation interviews, the company holds consultations for employees aged 50, 55, 59 and 60 to discuss their future careers.

● Business Skill test on ITO EN TEA TASTER

The ITO EN Group’s Tea Taster system is a tea-related qualification scheme that was launched in 1994. It is the ITO EN Group’s own proprietary in-house scheme, aimed at improving employee’s knowledge and skills with regard to tea and promoting tea culture widely, both internally and externally, by awarding qualifications to employees with high levels of tea-related knowledge and skills.

Every year, many employees take up the challenge of obtaining a Tea Taster qualification. In addition to Grades 2 and 3, a new Grade 1 qualification was also added in May 2013. In March 2017, the scheme was certified by the Ministry of Health, Labour and Welfare (MHLW) as an approved Business Skill test on ITO EN TEA TASTER. As of May 1, 2017, there are a total of 2,102 Tea Taster qualification holders (Grade 1: 15, Grade 2: 279, Grade 3: 1,808).

Moving forward, we will continue in our efforts, with the aim of increasing the number of qualification holders even further.



● In-house proposal scheme

The ITO EN Group has an employee Voice System, whereby all employees can suggest ideas for new products and sales promotion activities, regardless of their job type. In FY2016, 14,596 proposals were received. In addition to keeping all employees constantly mindful of what customers are dissatisfied with at any given time, the scheme also contributes to increasing employee motivation by giving in-house awards and commendations for the best proposals.

● Equal opportunities and fair evaluations

The ITO EN Group offers equal opportunities in terms of education, placements and work duties, and is not influenced by factors such as age, academic background or gender. The Group seeks to enable its employees to develop their careers by experiencing a varied range of different workplaces.

In terms of evaluations, ITO EN conducts direct and indirect multi-stage evaluations by line managers based on employees’ self-assessments of their own actions and achievements. The results of these evaluations are relayed to the employees as feedback, and reflected in target setting for the next fiscal year.

● Personnel development through ESD

The Group is bolstering its CSR education towards creating a sustainable society and environment based on its Basic ESD (Education for Sustainable Development) Promotion Policy.

Diversity



The ITO EN Group is working to create working environments in which a diverse range of people can work easily, and engage in their work with a feeling that the job they are doing is worthwhile.

● Equal opportunities for men and women

In March 2016, ITO EN formulated a three-year action plan (April 1, 2016 - April 30, 2019) based on the Act on Promotion of Women’s Participation and Advancement in the Workplace, and is currently advancing initiatives towards achieving more active roles for women. In FY2016, we conducted educational training for newly appointed management-level personnel to help promote career support for female employees.

The percentages of male and female employees working at ITO EN in FY2016 were 90.0% men, and 10.0% women. Although the number of continuous years worked by female employees is showing an increasing trend year by year, the current state of affairs is that the percentage of male employees is much higher due to the fact that sales-type positions primarily involve route sales, in which employees must perform delivery duties such as loading and unloading products from vehicles. Moving forward, ITO EN will endeavor to create a workplace in which both men and women can work actively and energetically, such as by expanding the range of available job types and increasing the number of opportunities for employees to make effective use of their abilities.

Numbers of male and female employees
(As of April 30, 2017)

Male	Female	Total
4,859 (90.0%)	539 (10.0%)	5,398

Numbers of male and female employees in management positions (As of April 30, 2017)

Male	Female	Total
1,082 (98.0%)	22 (2.0%)	1,104

Numbers of newly recruited graduate employees
(FY2016)

Male	Female	Total
181 (83.4%)	36 (16.6%)	217

● Employment of disabled people

As of March 31, ITO EN has 114 employees with disabilities working in range of different roles. In FY2016, the company’s employment rate for disabled people stood at 2.11%. By conducting two-week advance practical training at the scheduled posting location prior to hiring in order to verify the suitability of the workplace for each disabled employee, we are working to improve employee retention rates. After hiring, too, we maintain close contact with the workplace, local region and Human Resources Division based on an understanding of each individual’s suitability for their role, in order to create working environments in which it is easy for employees to continue working. We also endeavor to promote greater understanding amongst our other employees, and to provide support for disabled people seeking employment by offering work experience opportunities in our workplaces.

● Recruitment and development of global human resources

The ITO EN Group is advancing a program of recruitment activities for recruiting employees of foreign nationality, in its aim of becoming a “Global Tea Company.”

Under the overseas trainee scheme—in collaboration with other Group companies—I TO EN has introduced a pre-entry type system, carrying out training and human resources development activities in accordance with the stage that each employee is at. We are also implementing an in-house open recruitment scheme, and have introduced mechanisms for supporting employees who wish to work and excel overseas, in achieving the realization of their dreams. In this way, we are working to foster employees who can help us to realize our vision of becoming a “Global Tea Company.”

● Tea promotion and awareness-raising using unique ideas proposed by female staff

Team88※ (Team Happa) is an internal cross-departmental project team that was created by 13 female I TO EN employees with the aim of communicating the appeal of tea to people around the world, with value placed on the traditional Japanese concept of *wa* (harmony). The team engages in a wide range of activities, including distributing information on the appeal of tea in multiple languages, holding tea-related experience-type events, and conducting research into overseas tourists.

In another project—“The 2nd Women in Other Business Areas Project”—carried out in a collaborative effort between a team of female I TO EN employees and the ISETAN Shinjuku department store, an event was held that proposed new ways of drinking Japanese green tea.

In addition to proactively creating opportunities for utilizing the unique ideas of female employees, I TO EN also recognized the efforts of these employees by awarding them with the CSR Grand Prize for FY2016 (one of the Group’s in-house award schemes) at the Management Policy Conference; at which all employees were present. In this way, we are appealing to the rest of the company with regard to these initiatives and seeking to foster greater employee awareness.

※The team name—pronounced “Team Happa”—means “Team Leaves” in Japanese. It is a reference to the 88th day of spring (the peak time for tea picking), and also connotes the image of (tea) leaves.

Basic Thinking

In its medium- to long-term management plan, the ITO EN Group has placed emphasis on matters such as importance of product development, and the importance of maintaining contact with customers. The Group is therefore working to create products and provide services that conform to its product development concept of “natural, healthy, safe, well-designed and delicious,” based on strict standards of quality control in all processes, from the raw ingredient stages to the finished products delivered to our customers.

CSR Charter:

We will contribute to food security and nutritional improvement by maintaining a strict quality control system in the entire value chain, including compliance with all consumer-related laws and regulations and the enhancement of the traceability system. We will also aim to realize higher customer satisfaction, including the manufacture of products geared to our product development concept of “natural, healthy, safe, well-designed and delicious” and contribution to healthy life and dietary culture, while contributing to ensuring a sustainable consumption form and high-quality education and promoting opportunities for lifelong learning.

Quality and safety of products



Quality management initiatives

As a company that deals in food products, the ITO EN Group recognizes quality and safety as being its most important responsibilities to its customers. We have therefore established a strict quality management system that encompasses all processes, from product design, raw ingredients and packaging materials to product manufacture and distribution; and are working hard to guarantee the safety of our products.

Consistent Quality Management System

The ITO EN Group has established policies on procurement and quality management, and is working in collaboration with its stakeholders (including outsourced beverage producers) to establish a supply framework that pays due care and consideration to both environmental and social aspects. ITO EN has built a quality management system with ISO9001 international standard certification for quality management and quality assurance (obtained in 2002), and is engaged in quality management activities utilizing this system. Our Shizuoka Sagara Factory obtained FSSC22000 certification in November 2013.

Agrochemical residue testing at the raw ingredient stage is conducted by the ITO EN Quality Control Division, while taste and aroma testing, device-based analysis, microorganism testing and other tests during the product stages are carried out both by the Quality Control Division and at the Group’s outsourced production plants.

Our products are only manufactured in factories that satisfy ITO EN quality management standards (drink manufacturing and tea leaf production guidelines), and we thoroughly ensure safety and security in the manufacture of our products by sharing information on a daily basis and holding regular quality assurance meetings with factory management personnel. In FY2016, a total of eight joint meetings were held together with stakeholders and other outsourcing partners.

We have also established a radioactive substance testing system, conducting radiation tests using Geiger counters and monitoring all of our drink products for radioactive substances.

In our logistics operations, too, we have constructed an effective supply chain management system in collaboration with our outsourcing partner companies; working to thoroughly ensure safety and security by conducting regular assessments and audits of our outsourcing partners (with respect to checklist items stipulated by ITO EN regarding areas such as transportation and storage) and holding regular meetings to share essential information.

Ensuring product safety

As part of its traceability system for domestically produced green tea raw ingredients, ITO EN carries out checks of tea producers’ cultivation management records, with a particular prioritized focus on parts concerning agrichemicals.

We have also implemented over 31 audits of raw ingredient suppliers, including quality audits and traceability audits, and are also conducting quality audits with respect to our outsourced beverage producers.

We are also working hard to ensure the safety of our products in other ways, such as by implementing suitable operation of the ISO9001 and FSSC22000 standards.

Quality management of overseas-produced raw ingredients for vegetable drinks

ITO EN carries out checks of quality assurance certificates received from its suppliers and procurement locations around the world and verifies growing, processing and management procedures at plantations. This ensures that we only use raw ingredients that are safe and legally compliant. In all cases, purchasing personnel and/or quality management personnel travel to the actual production locations and conduct checks to verify the actual state of use of agrichemicals, and the quality management systems in place on site.

Promoting the introduction of JGAP

ITO EN is advancing initiatives for the acquisition of JGAP (Japan Good Agricultural Practice) certification by its Tea-Producing Region Development Project locations.

We encourage the agricultural enterprises and contracted farmers from whom we procure our crude tea leaves to obtain JGAP certification (which is a food safety and environmental conservation standard). In FY2017, we are aiming to achieve certification for around 60% of all procurement locations.

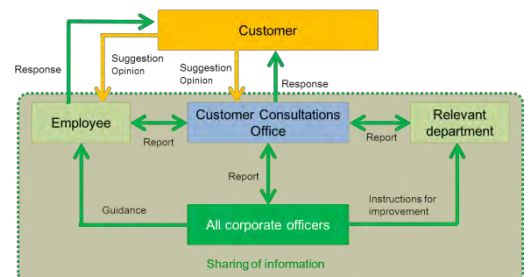
Initiatives to improve customer satisfaction

In FY2009, ITO EN pledged to achieve voluntary conformity with the ISO10002 standard (an international standard for complaint handling management systems.) This standard requires companies to work continuously to make improvements in their various activities, and to create and operate a PDCA cycle-based complaint handling framework in order to achieve greater customer satisfaction. ITO EN makes proactive use of the voices of customers in its corporate management activities, and makes its management principle of “Always Putting the Customer First” its basic policy with regard to customer satisfaction.

ITO EN’s Quality Management (Main Tests and Inspections)

Category	Item	Tests and Inspections
Raw Ingredients	Beverage raw ingredients	<ul style="list-style-type: none"> Sensory testing (shape, color and shine, aroma, water color testing) Microorganism testing Scientific testing (constituent analysis, etc.) Agrochemical residue testing Radioactive substance testing
	Water	<ul style="list-style-type: none"> Water quality testing Radioactive substance testing
Products	Tests conducted by ITO EN and outsourced production plants	<ul style="list-style-type: none"> Sensory testing (shape, color and shine, aroma, water color testing) Microorganism testing Scientific testing (constituent analysis, etc.) Radioactive substance testing

ITO EN’s process for handling opinions and suggestions made by customers:



● Construction of new Kobe Factory

ITO EN adopts a fables method of production, whereby the majority of manufacturing processes for its drink products are outsourced to contracted beverage production companies. ITO EN still maintains its own plant for carrying out the finishing process for the raw ingredient tea leaves, which are the decisive factor in determining flavor and quality. Until now, the only location that was used to carry out this finishing process was our Shizuoka Sagara Factory in Makinohara, Shizuoka (please refer to page 20).

By constructing a new factory at Kobe, near to a major consumer area, ITO EN seeks to increase distribution efficiency, and to disperse the risk of disruption to the supply of raw ingredients in case of damage to the Shizuoka Sagara Factory in the event of a tsunami or other disaster. Additionally, because a large number of ITO EN's contracted tea growers are located in the Kyushu region, we also anticipate reductions in logistics costs.

The Kobe Factory became operational in September 2016, and ITO EN is expected to achieve 1.5 times its previous production capacity in 2017.

Promotion of health value (health and nutrients)

ITO EN Central Research Institute conducts a wide range of research, including tea-related research, and has contributed to the development of various products and the improvement of manufacturing processes. Our strategy in this area is to use this basic research as a foundation for devising on-target patent strategies, and perfect our initiatives by creating technologies that are unique to ITO EN. To that end we have established a department specializing in patent and trademark strategies in order to link this basic research with our R&D efforts to develop unique and imitable blending and production technologies; backed by our unique knowhow, and patent superiority not only in terms of numbers but also high-quality patents. Utilizing the results of many years of such research, ITO EN has developed products such as *Futatsunohataraki Catechin Ryokucha*, *Futatsunohataraki Catechin Oolong Tea* and *Futatsunohataraki Catechin Jasmine Tea*, which are health foods targeting people who are concerned about their body fat and cholesterol levels; and which have been approved as Food for Specified Health Use (FOSHU) products with dual health use specifications.

ITO EN also conducts research and publishes findings concerning the health value of foods (a total of seven times in FY2016). Moving forwards, too, we will continue to advance the development of food and drink products that contribute to promoting health—including FOSHU-approved products and Food with Function Claims—and to propose ideas for healthier dietary lifestyles.

Packaging and appropriate information disclosure of products

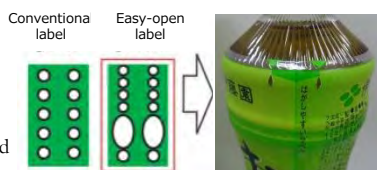
● Provision of product information via packaging and websites

ITO EN displays information regarding ingredients and nutritional content on the packaging of all the drink products that it sells. We also voluntarily display the production region for raw ingredients used in our green tea, barley tea, vegetable drinks and other tea products and drinks on product packaging and websites, and disclose the findings of radioactive substance tests online.

We have also responded appropriately to revisions to food labelling standards, and are working to ensure that customers can feel safe and secure in purchasing our products.

● Care and consideration for a range of customers: improvement of containers and packaging

For *Oi Ocha* and our other major products, we have adopted easy-open package labels in which we have adjusted the size and interval between holes in the perforated lines for ease of peeling.



We are also advancing the use of easy-open PET bottle caps and can pull-tops, aimed at customers with limited hand strength.

● Development of environmentally friendly containers

ITO EN has worked to achieve reductions in weight for the PET plastic bottles used for its green tea and other drink products. In addition to this, in collaboration with Nippon Paper Industries Co., Ltd. and TOPPAN PRINTING Co., Ltd., ITO EN has developed a brick-shaped aluminum-free paper pack-type drink container (commonly referred to as an eco-container) for its beverages. The container adopts an environmentally-friendly film in place of the aluminum lining used in conventional aluminum-type boxes. This has enabled both long-term storage of beverages at room temperature and recycling in the same way as paper milk cartons.



Affordability of products

● Care and consideration for a range of customers: universal vending machines

To enable elderly customers and children to purchase its products more easily, ITO EN has adopted vending machines with product selection buttons in low-down positions, and designs that make it easier for people with disabilities to insert their money. These vending machines are installed in a wide range of locations, with a primary focus on hospitals and public facilities.



● Products and stores catering to inbound demand

As a means of appealing to inbound tourists and consumers, ITO EN has established a Japanese-style café named *Saryo* ITO EN at Tokyo Haneda Airport, along with specialist tea shops at other locations such as Narita International Airport and New Chitose Airport to provide rigorously selected ITO EN green tea and *matcha* in a traditional-feeling Japanese atmosphere. Foreign language speaking store clerks are posted at these stores to cater to non-Japanese speaking customers, and are working to raise brand recognition and increase sales by instilling visitors with the image that green tea and *Matcha* are synonymous with Japan's ITO EN. ITO EN is working not only to increase domestic sales through its response to inbound demand, but also to link these activities on to a further increase in already accelerating global exports by advancing the development of its overseas operations.

Fair marketing and advertising

ITO EN develops its products based on proper legal compliance, a strict quality management system that encompasses everything from raw ingredients to finished products, and five essential product development concepts. Our products must be: natural, healthy, safe, well-designed, and delicious.

With regard to labeling and advertising, too, we endeavor to observe and comply with labeling-related laws and use labels that are both accurate and easy for customers to understand.

Protection of personal information

ITO EN acquires customers' personal information using appropriate methods, observes and complies with the Act on the Protection of Personal Information, and implements appropriate protection, maintenance and management of information. We display our Policy on the Protection of Personal Information, Privacy Policy and other matters for public announcement based on the Act on our website. All information acquired via our website is strictly managed and controlled based on our ITO EN Home Page Privacy Policy.

Basic Thinking

The ITO EN Group participates in communities and contributes to the development of communities in order to energize and revitalize those communities.

The Group is advancing a range of activities through its main business operations, at each stage of its value chain from production to sales and distribution, with priority placed on issues such as local farming, food and food culture, local community environments and *satoyama* (rural/farming) regions, activities relating to Japanese culture and tradition, and support for disaster recovery.

In November 2015, we also established our ITO EN Basic Promotion Policy for Overcoming Population Decline and Vitalizing Local Economy, and are advancing initiatives to create value in local communities.

CSR Charter:

As a corporate citizen, we will promote activities that will contribute to sustainable agriculture and the sustainable development of communities, taking advantage of our mainstay business, for local issues such as the environment, food and agriculture, culture, the aging population and low birth rate, and regional revitalization, etc. We will also work to build a good relationship (global partnership) in countries into which we have advanced by dealing with community issues in keeping with their needs.

Community and human rights issues



● Initiatives focusing on respect for human rights through business activities (reiteration)

<Ogyaa Donation Fund>

The “Ogyaa Donation Fund” is a charitable movement run by the JAOG Ogyaa Donation Foundation, for lending a helping hand to children with mental and/or physical disabilities.

Since 2003, ITO EN has been donating a portion of its sales from vending machines installed primarily in obstetrics and gynecology department facilities around Japan to the fund. In recognition of this initiative, ITO EN was presented with a letter of gratitude from the Foundation in 2015.



The Ogyaa Donation Fund logo

<Ishikawa Victim Support Center>

The Ishikawa Victim Support Center is an organization that conducts support activities for crime and accident victims and their families; including telephone consultations and accompaniment to police stations and court proceedings. There are organizations conducting similar activities in all of Japan’s 47 prefectures.

As part of an initiative to support such victims, since April 2012, ITO EN has been donating a portion of its sales from vending machines installed in Ishikawa Prefecture to the Ishikawa Victim Support Center.

<Japanese Red Cross Society (Aichi Chapter)>

ITO EN donates a portion of sales from vending machine installation locations towards the activities of the Aichi Chapter of the Japanese Red Cross Society, which carries out a wide variety of support activities for victims of disasters and disease (in partnership with the Chapter and various vending machine locations). This initiative was recognized in 2013, when ITO EN was awarded the Order of Merit by the Japanese Red Cross.

<Akai Hane Central Community Chest of Japan>

The Akai Hane (Red Feather) Central Community Chest of Japan is a community chest campaign run through regional/prefectural community chests in each of Japan’s prefectures. The campaign collects donations which are used to provide support for community welfare activities for the elderly, disabled people and children, and to establish and operate Disaster Volunteer Centers in readiness for times of disaster. ITO EN donates a portion of its sales from vending machines to this community chest campaign, which are then used to provide financial support for the welfare activities of various social welfare and NPO organizations.



<Other initiatives>

In response to requests from stakeholders engaged in human rights-related activities to assist in the widespread promotion of their initiatives, ITO EN now utilizes the advertising panel sections of its vending machines installed throughout Japan—which attract the attention of large numbers of men and women of all ages—to introduce such activities. One representative example is our participation in the Yumeiku Work Support Project—a project that operates in the prefectures of Shimane and Tottori—which exhibits drawings, paintings and other artwork created by disabled people.

ITO EN also works in cooperation with the Sukoyaka Dietary Life Association, engaging in activities to provide audio files which explain how to make tasty cup of tea, for people with visual impairments, etc.

Community and community activities



<Formulation of the ITO EN Basic Promotion Policy for Overcoming Population Decline and Vitalizing Local Economy>

The Japanese government is implementing various measures in relation to its Act on Overcoming Population Decline and Vitalizing Local Economy, with the first phase taking place over a five-year period between 2015 and 2019. There are also other pressing issues such as measures for catering to inbound consumers and the promotion of Cool Japan.

ITO EN, too, is seeking to cooperate with the advancement of such measures by national and local government. In order to participate in these efforts, we have formulated the ITO EN Basic Promotion Policy for Overcoming Population Decline and Vitalizing Local Economy, and are engaging in CSR/CSV management through the systematic advancement of initiatives for creating both business value and social value.

* For more details, please visit our website.
<http://www.itoen.co.jp/csr/community/>

<Formation of a comprehensive collaboration agreement with Yokohama City>

In November 2012, as part of its activities to contribute to local communities, ITO EN signed a comprehensive collaboration agreement concerning the revitalization of local communities with Yokoyama City government, with the aims of improving municipal services and revitalizing local economies in the city of Yokohama through bolstering mutual collaboration in terms of activities such as career support, environmental conservation, disaster readiness and food education. While ITO EN had already signed an agreement with Yokohama City in August 2012 concerning cooperation in the supply of essential supplies in times of disaster, the new agreement was signed in order to carry out wider-ranging initiatives to contribute to local communities in the city of Yokohama (not only limited to the provision of supplies in times of disaster).

<Formation of a comprehensive collaboration agreement with Shibuya Ward, Tokyo>

In November 2016, ITO EN signed the Shibuya Social Action Partner Agreement with the Shibuya Ward government. The agreement defines a relationship whereby ITO EN contributes to the local community through its main business activities, while at the same time cooperating with Shibuya Ward in a wide range of activities including resolving local issues, child raising, measures for helping the elderly, and otherwise developing the region. Moving forward, too, we will continue to advance our collaborative relationship with Shibuya Ward, in order to promote the development and revitalization of the district.

<Formation of a comprehensive collaboration agreement with Kochi Prefecture>

In October 2017, ITO EN formed an agreement with Kochi prefecture concerning collaboration and cooperation towards promoting the revitalization of regional communities. The objective of this agreement is to advance efforts for the revitalization of local communities in Kochi Prefecture by mutual collaboration between ITO EN and the prefectural government, making effective use of each other's resources, based on the United Nations SDGs (Sustainable Development Goals). While ITO EN had already signed an agreement with Kochi Prefecture in December 2010 concerning the supply of charge-free provision of inventory already contained in vending machines during times of disaster. The new agreement was signed in order to further bolster the existing relationship, and to systematically advance initiatives to revitalize local communities in collaboration with the prefectural government. To commemorate the signing of the agreement, ITO EN held a Japanese Tea Culture Seminar—given by Business Skill test on ITO EN TEA TASTER—at Kochi Park, Kochi Castle. The seminar received approval from the Japanese government's beyond2020* culture program, and was conducted in English to target visiting foreign nationals and foreign residents living in Japan. The initiatives outlined in the agreement also include the development and sale of drink products that make use of Kochi Prefecture's regional specialty produce, and ITO EN has since launched its *JIN JIN Ginger* product (a dry ginger ale made using 100% juice from ginger grown in Kochi Prefecture, which also boasts the top production volume for ginger in all of Japan) on a nationwide scale.

<Participation in Machiten 2016 forum for revitalizing regional economies>

In December 2016, ITO EN participated in Machiten 2016, a forum aimed at achieving the revitalization of regional economies, held at Shibuya Hikarie. Machiten is a co-creation platform aimed at achieving regional economic revitalization through open innovation. Many stakeholders, including businesses, local governments and related organizations, gather at this forum. Machiten 2016 marked the second time the forum had been held, with ITO EN's Managing Executive Officer Hidemitsu Sasaya serving as executive chairperson. Masanao Ozaki (Governor of Kochi Prefecture) was invited as a guest to the talk session at the opening ceremony to discuss efforts for regional revitalization in Kochi Prefecture.

At the ITO EN Session, discussions were held on collaborative efforts towards regional revitalization, inviting Hyakuo Makino (Sabae City Mayor), Yuzuru Fukuda (President and Representative Director, SAP Japan Co., Ltd.), Mari Christine and Risa Tanaka (President, The Graduate School of Project Design) to speak as guests, with Mineko Nakajima of MITSUBISHI ESTATE Co., Ltd. acting as moderator.

Panels were also displayed to communicate information regarding various initiatives to resolve social issues being faced by local communities through ITO EN's main business operations.

ITO EN is working to resolve social issues by conducting CSR/CSV activities in line with its ITO EN Basic Policy for Promotion of the Development of Communities, Human Resources and Jobs by referring to the United Nations SDGs (Sustainable Development Goals).

ITO EN is also due to participate in Machiten 2017, again with a member of the company acting as executive chairperson.

[Supporters of Machiten 2016]
Cabinet Office; Reconstruction Agency; Ministry of Internal Affairs and Communications; Ministry of Agriculture, Forestry and Fisheries; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism; Ministry of the Environment; Tottori Prefecture; Kochi Prefecture; Toyama City; Sabae City



<Cleaning activities at sales locations>

The ITO EN Group runs an urban beautification movement called the Adapt Program, in which employees at ITO EN's head office, the Nishi Shinjuku Building, Taito Asakusa Building (ITO EN), each sales location and the Kagurazaka Building (Tully's Coffee Japan Co., Ltd.) carry out cleaning activities on a monthly basis.

Since 2011, ITO EN has also participated in the Nikko Cedar Avenue Cleanup Project, which is hosted in July every year by the Nikko Cedar Avenue Protection Foundation (a public interest incorporated association based within the administrative office of Tochigi Prefectural Board of Education).

<Disaster response-ready vending machines, etc.>

ITO EN is proactively introducing disaster-ready vending machines with functionality to enable the extraction of products free-of-charge (by switching to internal battery power and/or enabling power generation by means of a manually operated handle) in order to provide beverages as disaster relief supplies in the occurrence of a major disaster.

ITO EN has also formed agreements with numerous local governments stating that it will prioritize the provision of drink products to them as disaster relief supplies in the occurrence of a major disaster. In order to achieve more widespread recognition and utilization of its disaster-ready and social-contribution type vending machines in society, ITO EN has also formed an official partnership agreement with the providers of the "Pokémon GO" smartphone app for a portion of these vending machines to appear as "PokéStops" or "gyms" in the "Pokémon GO" game, expanding the possibilities for these vending machines.

In this way, ITO EN is evolving its CSV business model to create an optimal balance of both social and business value; seeking to differentiate itself from other companies such as by introducing its disaster-ready vending machines in cooperation with stakeholders (as of July 2017, over 10,000 machines have been installed across Japan), and introducing vending machines that make social contributions from perspectives such as community and human rights.

<The Oi Ocha New Haiku Contest: Japan's largest haiku competition in terms of the number of entries received>

ITO EN has been running the ITO EN *Oi Ocha* New Haiku Contest every year since the launch of *Oi Ocha* in 1989. It is an open creative competition, attracting a cumulative total of over 31.7 million haiku entries so far. Without constraints (such as the requirement of seasonal words and the fixed five-seven-five format), it features the concept of enjoying feelings freely, and the publication of winning entries on product packages in the *Oi Ocha* series. It is also widely incorporated into school education. For the second competition, an English haiku category was created. For the 28th Contest, this category received 18,248 entries. In addition to enjoying the support of the Ministry of Education, Culture, Sports, Science and Technology (MEXT), in 2017, the contest was also certified as part of the Japanese government's beyond2020 Program*. For more details, please visit our website.

<https://itoen-shinhaiku.jp/>

* beyond2020 Program

The beyond2020 Program is a cultural program contributing to the creation of pride-worthy legacies for the next generation, with a view to 2020 (the year of the Tokyo Olympic and Paralympic Games) and beyond. It is a nationwide, unified government initiative, complete with its distinctive logo.

(The program is run by the Cabinet Secretariat, Headquarters for the Promotion of the Tokyo Olympic and Paralympic Games at the Prime Minister's Office.)

Participation in the community and the development of communities

<Our Shizuoka Sagara Factory's involvement in the local community>

ITO EN's Shizuoka Sagara Factory (established in 1974) is located in Makinohara City, Shizuoka: one of a handful of Japanese tea-brewing areas. The Factory is engaged in a range of initiatives that are deeply rooted in the local community, including promoting food education together with Makinohara city government (with employees participating in the city's Food Education Promotion Committee), running observational tours of the factory, courses in hand-rolling of tea (a traditional production method) at elementary schools, and community cleaning activities. In FY2016, 175 observational tours were run at the Factory. The Factory also holds its own festival every October, with FY2016 marking the 25th time the festival had been held.



Scenes from an observational tour of the factory

<Activities by ITO EN Tea Tasters to spread knowledge and increase awareness of tea culture>

As tea professionals, ITO EN Tea Taster (qualification holders for ITO EN's in-house tea-related qualification system) engage proactively in a range of activities to promote awareness and communicate information regarding tea culture both internally and externally; including detailed tea-related knowledge, how to make good tea, it's delicious flavor and its health-promoting benefits. In FY2016, our Tea Tasters conducted 1,238 separate activities nationwide, including explanations and demonstrations of how to make a delicious cup of tea. Specific examples include a large-scale tea ceremony event at Matsue Castle (in Matsue, Shimane); collaborative activities at locations such as Senso-ji Temple (in Asakusa, Tokyo) linking tea to other elements of Japanese culture; activities in collaboration with distribution companies (which act as vendors for ITO EN products), community centers and schools; *Ochakokukai* tea party gatherings as a means of earthquake recovery support for the Tohoku region; and large-scale tea ceremonies instore at general merchandizing stores and other stores.

<Food education initiatives>

ITO EN is seeking to promote systematic food education through tea and other beverages, such as by establishing food education promotion committees, in line with the Second Basic Food Education Promotion Plan formulated by the Cabinet Office in 2011.

In conducting these initiatives, we place an emphasis on activities by ITO EN Tea Tasters to spread knowledge and increase awareness of tea culture, holding tea-related health seminars, providing information on product packaging and via our website*, and participating in major national food education promotion gatherings.

* Tea Encyclopedia: <http://ocha.tv/>

Kid's Tea Encyclopedia: <http://ocha.tv/kids/>

<Protection and continuation of Japanese food culture (washoku)>

Since 2015, ITO EN has participated as a board member of Washoku Japan, and is engaged in efforts to promote *washoku* (traditional Japanese dietary culture) and green tea.

Washoku is a dietary culture born out of the natural environment and history of Japan, handed down by Japanese people since long ago. Washoku Japan is engaged in food education activities targeting the children who will play key roles in the next generation. Early childhood is a very important time in terms of both learning the importance of diet and the formation of the sense of taste. By conducting food education activities aimed at children at this stage, the organization is providing continuous opportunities for children to get a taste of *washoku* culture.

Tea plays a particularly important role in *washoku* culture, and has been majorly involved in the dietary lifestyles of Japanese people. It is also recognized for its various health-promoting benefits.

Moving forward, ITO EN will continue in its involvement in Washoku Japan, and continue working to protect and carry on the traditional Japanese dietary cultures of *washoku* and green tea (such as by participating in *washoku* events) and promote food education activities.



<ITO EN Ladies golf Tournament>

ITO EN hosts a women's golf tournament, which marked its 32nd competition in 2016. With the aim of creating a competition with close ties to the local community, the tournament is operated in collaboration with the ITO EN Green Club, a volunteer organization consisting mainly of members from Chiba Prefecture (where the tournament is held). The tournament also invests its energies into charity activities, such as by donating the full sum of admission fee revenues to social welfare projects in the local area where the competition is held. In hosting the ITO EN Ladies Golf Tournament, the message from ITO EN (which provides support for consumers in leading enriched and healthy lifestyles) is that we hope to be of some use in fostering a sound and healthy society by delivering fresh and invigorating emotional experiences through this sporting competition.



(32nd ITO EN Ladies Golf Tournament: 1,195 volunteers, amount raised for charity: ¥8,877,561)

<http://www.itoen.co.jp/golf/index.html>

<Exchanging opinions with consumer groups>

IN FY2016, ITO EN held two opinion exchange meetings with consumer groups. Moving forward, too, we will continue to reflect the opinions of stakeholders in management of our business.

<Opening of specialized tea shops>

ITO EN has directly-operated stores (specialized tea shops) in the Kanto and Kansai regions, selling Japanese tea and other teas from around the world. In addition to establishing ITO EN specialized tea shops in the Greater Tokyo area that offer rigorously selected teas in a bright, calm, traditional Japanese atmosphere, based on the concept of communicating the Japanese tea culture of making tea in a teapot to as many people as possible, ITO EN has also established shops at other locations such as Narita International Airport, New Chitose Airport and Fukuoka Airport to cater to increasing inbound demand.

We have also launched a Japanese-style café named *Saryo* ITO EN, at Tokyo Haneda Airport, as well as the Kashiwa and Hashimoto branches of the Ario shopping mall chain.



Saryo ITO EN at Haneda International Terminal

Community and industrial development



● Tea-Producing Region Development Project (contracted growing and new tea plantation business)

The key to creating delicious-tasting tea is the quality of the tea leaves. ITO EN employees visit tea-producing regions and tea markets in person to determine the quality of the tea leaves and purchase them directly. In addition to this, for a portion of our raw ingredients (tea leaves) we are also engaged in a Tea-Producing Region Development Project for nurturing delicious tea direct from the plantations. This project involves (1) contracted growing, in which our employees work together with tea plantation growers to improve the quality of the tea leaves, and (2) new tea plantation business projects, in which tea leaves are cultivated beginning with the creation of new plantations, utilizing abandoned farmland and other available land.

In June 2015, ITO EN invested in Farming Corporation Hamano Seicha, one of our contracted tea-growing partners in Kumamoto Prefecture.

Participation in the community and the development of communities

<Background to the Tea-Producing Region Development Project (new tea plantation business) initiative>

ITO EN handles approximately one quarter of all crude tea in Japan. However, ensuring stable procurement of high quality tea leaves as the raw ingredients for our products had been an issue. As a result of considering production issues of (1) the creation of large-scale tea plantations utilizing disused or abandoned farmland, (2) stable production of high quality tea leaves, (3) stable farm management, and (4) the creation of jobs, etc. from 2001 onwards, ITO EN made the decision to engage in full-scale efforts to develop new tea plantations (in addition to forming growing contracts with individual tea farmers).

<Driving the Tea-Producing Region Development Project (new tea plantation business)>

ITO EN cooperates with local governments, unions and producers to develop new tea plantations utilizing abandoned farmland, provides tea farmers with cultivation technology and expertise (including mechanization and IT solutions), and forms agreements to purchase the full volume of harvested tea leaves from growers. In this way, we are seeking to reduce costs and improve the quality of crude tea produced. For tea farmers, these projects help to ensure stable farm management by forming transactional agreements with ITO EN to purchase all of their crops. They also lead to the promotion of environmental conservation agriculture, such as through the appropriate use of fertilizers and agrochemicals.

New tea plantation business projects growing high-quality tea leaves (the raw ingredient for *Oi Ocha*) are currently underway in seven districts in five prefectures of Kyushu; namely Miyazaki, Oita, Kagoshima, Nagasaki and Saga.

As of April 2017, the area covered by new tea plantations is 376 hectares, and the combined area of new plantations and contract cultivation covered a total of 1,226 hectares. We are expanding these areas with the aim of achieving a scale of 2,000 hectares in the future.

In some regions, these projects are also contributing to the conversion into sextiary (or “sixth-order”) industry, such as through the establishment of crude tea manufacturing factories. Moving forward, ITO EN will continue contributing to the creation of jobs in local communities, and aim to further expand the production volume and total area of tea plantations covered by the Tea-Producing Region Development Project.

These efforts have led to positive recognition for ITO EN, with the new tea plantation business project component of the Tea-Producing Region Development Project receiving numerous awards; such as a Corporate Sector category award at the 3rd Nikkei Social Initiative Awards (hosted by Nikkei Inc.) in June 2015, and the Minister of Agriculture, Forestry and Fisheries Prize at the 37th Awards for Distinguished Companies and Others in the Food Industry (hosted by JAFIC, the Japan Food Industry Center) in March 2016. They have also led to media recognition, such as in the September 2016 issue of business magazine *Fortune*, and being awarded the Grand Prize and Minister of Economy, Trade and Industry Prize at the 5th Platinum Vision awards in October 2017.

<Tea-Producing Region Development Project (new tea plantation business) initiatives in Australia>

ITO EN AUSTRALIA PTY. LIMITED produces and sells tea leaves in Victoria State, Australia, where the seasons are the opposite of those in Japan. As part of the Tea-Producing Region Development Project (new tea plantation business), the company provides guidance for creating plantations and cultivating tea, and also processes crude tea.

Community and the environment and culture



● “Making Japan Beautiful Through Tea” and “Making Lake Biwa Beautiful Through Tea” project activities (with cooperation in all 47 prefectures)

“Making Japan Beautiful Through Tea” is an initiative in which a portion of all sales of *Oi Ocha* drink products between November 1 and December 31, 2016, are being donated to environmental conservation and improvement activities in areas throughout Japan. ITO EN employees also participate in these activities themselves.

<“Making Lake Biwa Beautiful Through Tea” Project Lake Biwa environmental conservation activities>

ITO EN has been engaged in the “Making Lake Biwa Beautiful Through Tea” Project since FY2008, as part of its support for Shiga Prefecture’s Mother Lake 21 Plan. Between January 23 and March 31, 2017, ITO EN ran a “Making Lake Biwa Beautiful Through Tea” campaign (which was supported by Shiga Prefecture) in the Kansai region to help in the environmental conservation of Lake Biwa, with a portion of all sales of *Oi Ocha* drink products in the Kansai region during that period being donated. Our employees also participate in reed-cutting activities every year, together with members of the local community, which are useful in preserving the water quality of the lake.

For more details, please visit our website.
<http://www.itoen.co.jp/kirei/>

Earthquake reconstruction assistance to communities

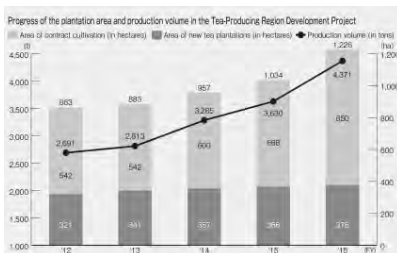


● Continued support for and strengthening of relationships with local governments in earthquake stricken areas

<Ochakkokai events>

In the Tohoku Region, when close friends and neighbors feel like having tea, they come together for “Ochakko” gatherings, where they engage in lively and energetic chatter on all manner of topics while enjoying a drink of tea. As a helping hand to community recovery in disaster-stricken areas by facilitating the continuation of neighborly ties and relationships, ITO EN holds *Ochakkokai* (seminars on how to make a tasty cup of tea) in these regions. A total of 18 events were held during FY2016. In the future, too, we will continue working to support communities in disaster-stricken areas.

Total number of *Ochakkokai* events held: 203 (between November 2011 and July 2017)



A new tea plantation business project plantation in Usa, Oita, dedicated to growing tea as the raw ingredient for *Oi Ocha*

Basic Thinking

The ITO EN Group strongly recognizes that preserving the global environment, passing the environment down to the next generation and guaranteeing its sustainability are important Group obligations. We are promoting activities to achieve environmental targets set on the basis of the ITO EN Group Environmental Policy.

CSR Charter:

We will make efforts to reduce environmental loads in the entire value chain for environmental issues such as response to climate change, the appropriate management of water resources, energy, the oceans, the continents and forests, the conservation of and response to biodiversity, and the reduction and recycling of waste, while contributing to the sustainable use of resources. We will also address the conservation of natural assets voluntarily and continuously through the coexistence of people and nature with the aim of achieving the sustainable development of the global environment. In addition, we will work to promote environmental management and cooperation with stakeholders as an entire Group.

The ITO EN Group Environmental Policy *Revised in August 2016

[Basic Environmental Philosophy]

The ITO EN Group strongly recognizes that preserving the global environment shared by all human beings and passing it down to the next generation based on its principle of “Always Putting the Customer First” are the most important challenges. For this purpose, we will work to conserve the environment voluntarily and continuously in consideration of the entire value chain in light of the details of the SDGs (Sustainable Development Goals), which are goals for a sustainable society and environment in the world, by thoroughly complying with laws and regulations in our all business activities. We will also contribute to the realization of a sustainable society and environment through sustainable consumption and production by making efforts for the coexistence of people and nature, the preservation and appropriate use of natural assets and the development of dietary culture in harmony with nature and through Creating Shared Value (CSV) that will satisfy both the solution of social issues and the growth of the ITO EN Group.

[Environmental Action Guidelines]

1. We will work to recognize the impact of the business activities of the entire Group on the global environment and society and minimize it.
2. We will work to strengthen environmental management by complying with laws and regulations related to our activities, products and services and striving to prevent environmental pollution.
3. We will promote the sustainable use of resources through resources saving, energy saving and the reduction, appropriate disposal and recycling of waste.
4. We will focus on ensuring sustainable production and consumption forms through the entire value chain (procurement, manufacturing, distribution, product development, and sales and marketing).
5. We will work to prevent global warming by contributing to measures against climate change.
6. We will make efforts for the appropriate conservation and management of resources such as water resources, the oceans, the continents and forests and the preservation of biodiversity and contribute to sustainable agriculture and regional construction.
7. We will cultivate human resources that will be able to contribute to society and the environment by raising awareness of the global environment and incorporating the concept of ESD (Education for Sustainable Development) so that each employee will conduct activities with an awareness of the realization of a sustainable society and environment. We will also promote partnership in our environmental activities by enhancing communications with stakeholders.

Environmental management

The ITO EN Group is promoting environmental activities continuously by operating environmental management systems (EMS) based on ISO14001, with the ITO EN Group Environmental Policy as the central pillar. Our production divisions, sales divisions, head office divisions and certain affiliates have acquired ISO certification for their EMS up to this point. In addition, we established the Environment Committee under the Executive Board. The Committee is undertaking activities including the deliberation on the Environmental Policy, environmental targets and the progress of our activities.

● Responses to environment-related laws

All business facilities operated by ITO EN are confirming their compliance every year using registers for laws and the like. At the same time, the Company’s Legal Department, Internal Auditing Department and ISO Secretariat are conducting audits of the facilities and confirming their compliance on-site.

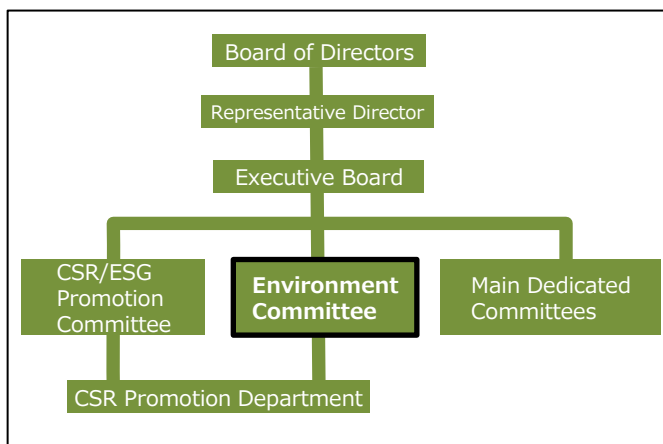
In addition, we have introduced an electronic manifest management system to our sales bases to ensure the compliance of their waste-related operations and enhance their efficiency.

● Organization

At ITO EN, the Environment Committee is ascertaining the actual conditions regarding environmental issues, such as climate change, energy, waste and water resources, deliberating on courses of action and countermeasures as environmental KPIs (environmental targets*) and reporting the results of its deliberations to the management team (the Board of Directors or the Executive Board.).

(*) <https://www.itoen.co.jp/csr/environment/>

In addition, a director is managing and supervising issues related to CSR and the environment as the director in charge of CSR (including the environment).



Promotion of initiatives based on environmental KPIs (environmental targets)

Various organizations are advancing their initiatives for improving global sustainability toward the goal of solving social issues worldwide based on the SDGs set by the United Nations and the Paris Agreement adopted at COP21.

For its part, ITO EN will work more independently to set medium-term environmental targets under its environmental KPIs (environmental targets), minimize the environmental loads of its business activities through steps including the reduction of energy consumption and greenhouse gas (GHG) emissions, and contribute to the sustainability of the natural environment.

Climate change and the prevention of air pollution



● Climate change and initiatives for controlling its effects

We recognize that climate change and its effects are serious common issues that we face in our society. We also take the view that tea leaves and beverages comprising our main businesses face the risk of the influence of poor weather and natural disasters because they use farm products such as tea leaves, vegetables, fruit and coffee beans as their raw materials, and that their potential influence represents an important business challenge for us.

● ITO EN results

All divisions at ITO EN have been working to reduce GHG emissions through the PDCA cycle based on ISO14001. Through our concerted efforts, we reduced our CO₂ emissions (carbon intensity) by 8.1% and our power consumption (power intensity) by 3.9% compared to the latest rate of FY2014 on one's basis.

■ Progress in volume of carbon dioxide (CO₂)

	2014	2015	2016
Sales Division (tons of CO ₂)	30,835	29,287	28,951
Production Division (tons of CO ₂)	9,087	9,093	7,337
Total emissions by ITO EN (tons of CO ₂)	39,922	38,380	36,288
CO ₂ emissions per unit sales (ITO EN) (tons of CO ₂ per million yen)	0.113	0.105	0.098

● Initiatives as a member of an industry organization

The Japan Soft Drink Association (JSDA), of which ITO EN is a member, has taken part in the Japan Business Federation (Keidanren)'s Voluntary Action Plan on the Environment since the Plan's formulation in 1997. The soft drink industry has been working to reduce CO₂ intensity by the target rate of 10% by FY2020 compared to FY1990 as a measure for preventing global warming.

Specific initiatives implemented by the JSDA are as follows.

Initiatives Toward Creating a Low-Carbon Society	
[Initiatives at each group company]	
• Promoting cogeneration of power, conversion to other fuels, and anaerobic wastewater treatments	
• Promoting environmental management and environmental activities in local communities	
[Collaboration in distribution within the industry (in non-competing fields)]	
• Joint distribution, standardization of container and packaging standards, handling of best before dates (revision of the 1/3 rule and labeling products in monthly units)	
[Collaboration with suppliers]	
<Production equipment>	Energy saving
<Vending machines>	Power saving (promotion of voluntary action plans by four member associations of the Japan Softdrink Vending Machine Council)
<Containers>	Internalization of container manufacturing (improving transportation efficiency), reducing weight, shifting from use of disposable bottles to bottle recycling (promotion of voluntary action plans by the 3R (Reduce, Reuse, Recycle) Promotion Organization Liaison Council for eight container/packaging materials)
<Transportation>	Modal shift of targets under the revised Act on the Rational Use of Energy: 1% or greater average annual reduction of unit energy consumption
[Collaboration with consumers, local and national government (as an industry body)]	
• Collaboration and deepening of roles with major organizations in Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging and promotion of recycling in Japan (promoting separate disposal of containers, separate collection and	

Taken from the official website for the JSDA

http://www.j-sda.or.jp/environment/images/pdf/lowcarbonsociety_01.pdf

In addition, for its part, ITO EN will work more independently as a company to improve global sustainability toward the goal of solving social issues worldwide based on the SDGs set by the United Nations and the Paris Agreement adopted at COP21.

● Responses to CDP*

We have refrained from responding to CDP due to difficulties involved in ascertaining the data. We are planning to come up with our conclusion by the end of FY2017 by reviewing methods and details.

* CDP is an international NGO working to address issues in the field of the environment, such as climate change. Its predecessor is the Carbon Disclosure Project that was established in 2000. Since 2002, CDP has been continuing to send a questionnaire on CO₂ emissions and climate change initiatives to major companies worldwide, disclose information to institutional investors and publish analytical reports every year from the viewpoint of the business risks that climate change presents to companies. CDP has expanded its influence to the point where its data are one of the most frequently consulted for ESG investments in the world.

● Initiatives for preventing air pollution

ITO EN has no production or manufacturing facility that discharges the air pollutants prescribed in the Air Pollution Control Act. Furthermore, the Company has aggressively introduced low-emission vehicles (LEVs) for use as commercial vehicles. LEVs used by the Company totaled 3,127 (87.5% of all commercial vehicles used) as of April 30, 2017. The Company is continuing its efforts to prevent air pollution.

Promotion of energy-saving measures



● Initiatives for energy use and its control

All ITO EN divisions are working to control their energy use through the PDCA cycle based on ISO 14001 in order to promote the sustainable use of energy.

We reduced the amount of electricity consumed (power intensity) by 0.2% compared to the latest rate of FY2015.

■ Progress in the amount of electricity consumed

	2014	2015	2016
Sales, Admin & Research Divisions (tens of thousands of kilowatts)	1,299	1,224	1,240
Production Division (tens of thousands of kilowatts)	1,014	1,070	1,089
Total emissions by the Group (tens of thousands of kilowatts)	2,313	2,294	2,329
Amount of electricity consumed per unit sales (group-wide) (tens of thousands of kilowatts per million yen)	65.4	62.8	62.6

● Initiatives at manufacturing plants and offices

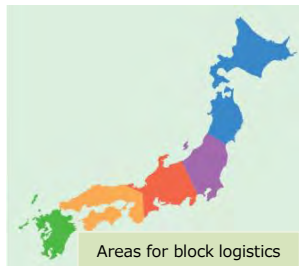
Our manufacturing plants (production divisions) worked to increase the efficiency of their energy use. As a result, our CO₂ emissions fell 19.3%, also supported by contributions made by a natural gas boiler and an LNG satellite introduced to the Nago Plant. Certain affiliates are also working on using renewable energy through steps including the installation of solar panels.

In the meantime, our offices (sales, administrative and research divisions) engaged in comprehensive activities for saving electricity, such as switching to LED lighting in our head office building and converting air-conditioning equipment to energy-saving models at our bases. We reduced the amount of electricity consumed by 1.1% through those activities.

● Initiatives in the fields of logistics and sales

Our sales employees assigned to 197 sales bases nationwide are using 3,574 commercial vehicles to deliver products to our business partners. We recognize that reducing the amount of energy used per vehicle and controlling the emissions of air pollutants in step with an increase in the number of vehicles used in connection with our business expansion are important challenges for us.

In addition, we are outsourcing the manufacture of beverages in five domestic blocks to control the energy used for transportation. In beverage transportation, we are also promoting green logistics by expanding the areas for a modal shift that partially changes the mode of transportation from cars to trains and ships.



Areas for block logistics

We have recently received the 2016 Eco-Ship Modal Shift Award for Outstanding Business Operators from the Director-General of the Maritime Bureau at the Ministry of Land, Infrastructure, Transport and Tourism in recognition of substantial reductions in CO₂ emissions that we achieved by switching a portion of our long-distance trucking to marine transportation.



Eco Ship Mark

● Energy saving through vending machines

We are working to reduce the amount of electricity we consume by aggressively introducing vending machines with built-in energy-saving functions. The ratio of heat-pump vending machines that we have adopted was 86.5% as of April 30, 2017.

● Eco-friendly driving and introduction of environmentally friendly vehicles

We are reducing the amount of fuel used by aggressively introducing environmentally friendly vehicles and increasing the efficiency of our sales routes. We are also promoting eco-friendly driving at all our bases. With these steps, we reduced the volume of fuel used per vehicle to about the same level as the volume in FY2015.

The combined ratio of LEVs that satisfy state-set standards and environmentally friendly vehicles, such as hybrid cars, to all our vehicles at the point of their introduction came to 87.5%.

	2014	2015	2016
Volume of gasoline used (kiloliters)	1,559	1,471	1,423
Volume of gasoline used per vehicle (liters/vehicle)	1,959	1,848	1,748
Volume of diesel oil used (kiloliters)	7,519	7,357	7,262
Volume of diesel oil used per vehicle (liters/vehicle)	2,655	2,639	2,638

Conservation of biodiversity



Based on the ITO EN Group Basic Policy for Biodiversity Conservation(*), ITO EN has set about approaching environmentally friendly farming and adopting diverse tea varieties in the Tea-Producing Region Development Project. Furthermore, we are collaborating with stakeholders in our Making Japan Beautiful Through Tea Project and undertaking activities to maintain mountain villages and woodlands around them.

We are promoting these activities.

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

Initiatives related to the conservation and sustainable use of biodiversity

Sponsored by the Aeon Environmental Foundation

ITO EN wins the Excellence Award in the 4th Japan Awards for Biodiversity

The Japan Awards for Biodiversity are awards given to organizations, associations, companies and individuals to honor their distinguished initiatives related to the conservation and sustainable use of biodiversity selected from entries invited from the public.

ITO EN won the Excellence Award in the Japan Awards for Biodiversity in October 2015 based on high evaluations for its initiatives to keep biodiversity through the Making Lake Biwa Beautiful Through Tea and Making Japan Beautiful Through Tea projects.



Photo from the award ceremony
Chairman Takuya Okada of the Aeon Environmental Foundation (left)
Executive Vice Chairman Yoshito Ejima of ITO EN (right)

Water management



● Initiatives for maintaining water resources

The ITO EN Group recognizes water as a resource that is extremely important for its businesses. We are working to maintain water resources, use water efficiently and prevent water pollution.

● Initiatives related to water use

ITO EN is advancing efforts to reduce the amount of water it uses. At the same time, the Company is working to ascertain the amounts of water used by and the state of drainage at its manufacturing outsourcees and minimize their effects on the environment.

■ Progress in the amount of water used

	2014	2015	2016
Amount of water used (cubic meters)	65,147	63,868	53,186

● Countermeasures against natural disasters and water risks

ITO EN adopts a fabless method of production. The Company has no manufacturing plant, and outsources the manufacture of its beverages to subcontractors nationwide. This method allows the Company to respond flexibly when the manufacture of its products becomes impossible in certain regions due to causes including natural disasters, droughts and water supply suspension.

Waste and recycling



ITO EN is practicing the so-called 3Rs, which means reduce, reuse and recycle.

We are continuing to implement efficient improvements and advance initiatives based on the waste reduction targets set for our EMS (ISO14001).

Furthermore, our sales bases are collecting empty beverage containers and the like. Proper recycling agents are recycling them completely.

As a rule, we are outsourcing the processing of items, such as food leftovers from manufacturing processes and products past their sell-by dates arising at our sales bases, to recycling agents that are able to process them in compliance with the Act on Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources in an effort to promote recycling.

■ State of waste and recycling rate

	2014	2015	2016
Volume of waste discharged (t)	23,265	25,570	22,984
Recycling rate (%)	99.4	98.8	99.5

■ Progress in volume of waste discharged and percentage recycling rate at ITO EN raw tea leaf production plants

	2014	2015	2016
Volume of waste discharged (t)	1,371	1,351	1,540
Recycling rate (%)	98.2	98.9	98.9

Used Tea Leaf Recycling System that transforms tea leaves into a resource

ITO EN developed its original Used Tea Leaf Recycling System even though most of the used tea leaves produced in manufacturing processes are reused for compost and livestock feed. The system refers to the combination of a portion of used tea leaves with paper products, building materials, resin and the like. Cooperating companies are manufacturing and selling these products. The system enables the Company to reduce the volumes of raw materials used and save natural resources.

The system also curbs CO₂ emitted through the consumption of oil resources for drying used tea leaves because it combines the leaves with paper and other materials that contain moisture. Three environmentally friendly features – the conservation of natural resources, CO₂ emission reduction and recycling – characterize the system.

For more details, please visit our website.
<http://www.itoen.co.jp/csr/recycle/>



Collection box for empty containers in which used tea leaves are left



● Initiatives for reducing commercial food waste

ITO EN is acting to reduce commercial food waste by incorporating the reduction of beverages and tea leaves for disposal produced group-wide in its EMS (ISO14001). At the same time, the Company is continuing to undertake efficient improvements to raise the food recycling rate. The Company's food recycling rate was 95.1% in FY2016.

● Initiatives for reducing raw materials used

Based on JSDA's Guidelines for Environmentally Considerate Designs, ITO EN is working to reduce the volumes of raw materials used through efforts to reduce weights and volumes, including the reduction of resin used in PET bottles.

Moreover, the Company is managing the reduction of raw materials used by adopting their management as a FY2019 Medium-Term Environmental Target in a bid to reduce the volume of resin used in PET bottles and lower label weights even more.

■ FY2019 Medium-Term Environmental Targets

- PET bottle weight reduction surpassing the FY2016 results
- 500ml bottles: reduction of 16.5% or more
- 2L bottles: reduction of 31.8% or more

■ Progress in the volumes of raw materials used in products

	2014	2015	2016
Unprocessed tea (raw material for green tea) (tons)	20,060	20,056	20,185
Other raw materials (tons) (Raw materials for oolong tea, black tea, fruit juices, etc.)	86,619	87,703	78,726
Total	106,679	107,759	98,911

Environmentally considerate beverage containers

(1) Lightweight PET bottles utilizing the NS System

Honored with the FY2015 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Awards
Winner of the 3Rs (Reduce, Reuse and Recycle) Promotion Council Chairman Award

This Award commends individuals, groups, schools, business offices, local governments and the like that have worked on activities for the 3Rs (reduce, reuse and recycle) sponsored by the 3Rs Promotion Council and have achieved distinguished results.

Toyo Seikan Co., Ltd. and ITO EN received the 3Rs (Reduce, Reuse and Recycle) Promotion Council Chairman Award based on the evaluations gained by their new beverage replenishment system that realized sustainable consumption (the NS System*).

NS System:

The NS System is an original replenishment system that ITO EN and Toyo Seikan developed jointly. The system enables replenishment at room temperature and uses no sterilizer for bottle disinfection.

NS = non-sterilant: Non-sterilant means no drug use.

(2) Brick-shaped aluminum-free paper pack-type drink container Winner of the FY2015 Grand Prize for the Global Environment Award (the Minister of the Environment Prize)

(Sponsored by the Fujisankei Communications Group)

Aluminum foil is used in beverage containers to enable long-term beverage storage at room temperature. However, their recycling has not advanced sufficiently for reasons including the special processing required to separate aluminum foil from paper. ITO EN succeeded in developing the first brick-shaped aluminum-free paper pack-type drink container (commonly referred to as an eco-container) in the beverage industry in collaboration with Nippon Paper Industries Co., Ltd. and TOPPAN PRINTING Co., Ltd. This eco-container, which utilizes an environmentally considerate film in place of aluminum foil, can be recycled in the same way as milk cartons in addition to enabling long-term beverage storage at room temperature. We plan to expand the product lineup and marketing areas for the eco-container, which excels in consideration for the environment.

Responses to stakeholders

ITO EN attaches importance to communications with its stakeholders. Based on the policy, the Company is taking part in the Japan Network for Promoting the Satoyama Initiative, whose aims include the conservation of woodlands, seas and lakes near populated areas.

In a further step, the Company ran a wide variety of educational programs, including environmental education through “Making Japan Beautiful Through Tea” and other projects, education for maintaining world natural and cultural heritage sites, education through factory tours and other experiences and environmental education using products containing recycled used tea leaves.

● Cost of fines and penalties related to the environment

Fines and penalties related to the environment have produced no cost for ITO EN in the last three years.

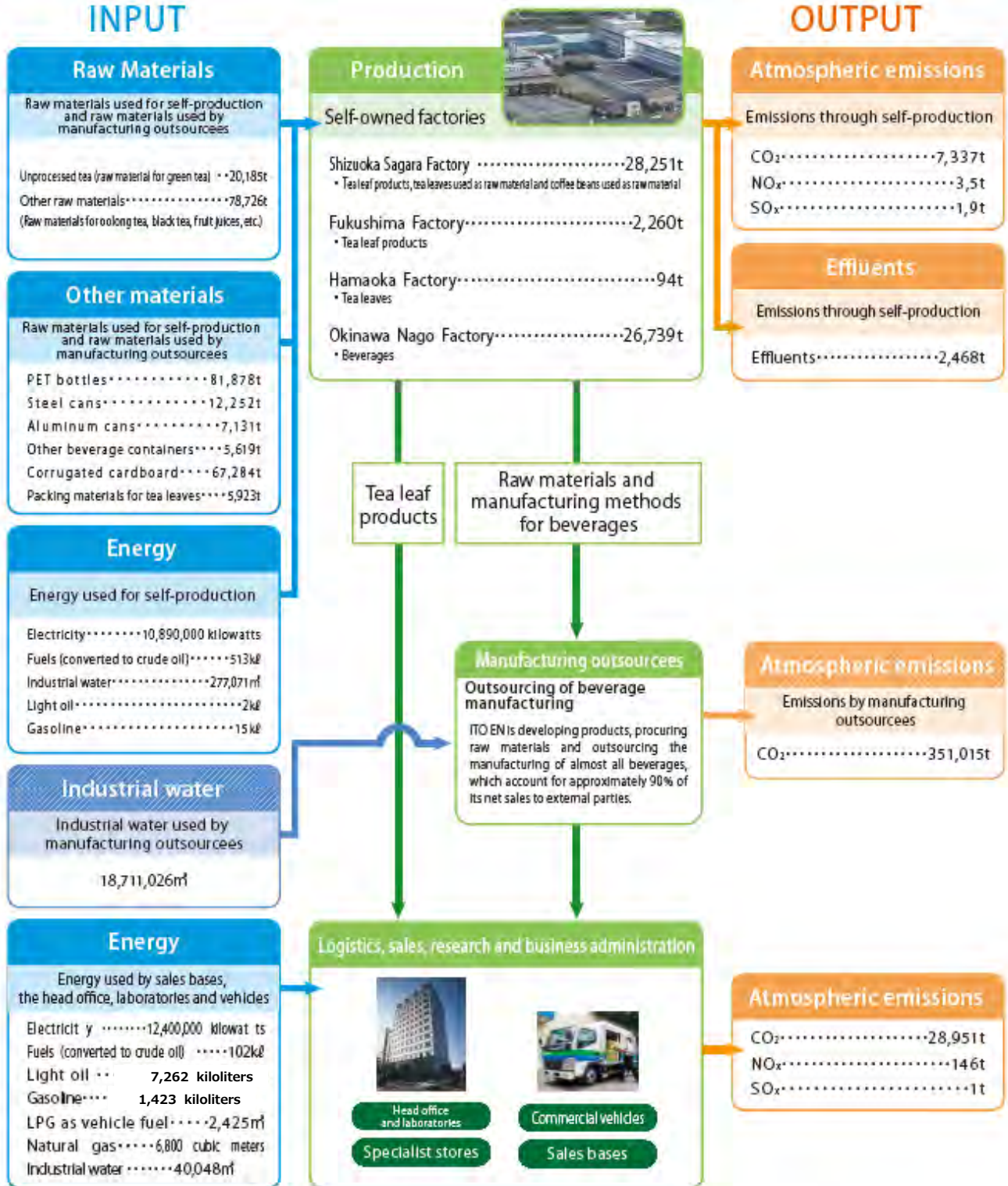
Communications with suppliers

ITO EN organizes get-togethers and other events every year as forums for enhancing its partnerships with its business partners. The Company is seeking communications by sharing information, exchanging views and confirming future policies with them on those occasions.

We are also holding quality control meetings, meetings with business partners and other regular gatherings in addition to constantly sharing information with our manufacturing outsourcees and raw material suppliers such as tea farmers. We are improving product quality and sharing targets such as the reduction of environmental loads through those meetings in a bid to manufacture products that are safer and more reassuring.

Effects Business Activities May Have on the Environment

ITO EN is continuing its efforts to reduce environmental loads by ascertaining the total volumes of natural resources and energy used and the total loads for all value chains. In this section, we introduce the inputs and outputs as a result of our business activities in FY2016.



* Figures that are difficult to determine accurately, such as energy used by stores under direct management, are not stated above.
 * We used the latest coefficients published by the respective power companies to calculate the atmospheric electricity emissions. We calculated the atmospheric emissions for other forms of energy based on the provisions of Article 3 of the Enforcement Ordinance for the Act on Promotion of Global Warming Countermeasures.
 * Effluents from production facilities owned by ITO EN amounted to 13,139 cubic meters (our estimate). We calculated the volume of effluents through self-production by deducting the water used as a raw material for beverages from the total water consumed because we self-produce beverages on a limited scale only.
 * Effluents produced by our manufacturing outsourcers came to 13,808,419 cubic meters (our estimate), falling slightly from FY2015

Organizational governance

ITO EN's continuous improvement initiatives to ensure that is at the forefront of CSR, which also focus on the requirements for the SDGs, are to be highly commended. Promoting CSR management is critical for companies that serve consumers.

Its corporate governance reform, which is fully balanced, can be expected to enhance social confidence in the ITO EN Group as a whole and lead to the sustainable growth of the Group. It is my sincere hope that the Group's practical activities backed by its strong management philosophy will continue to blossom in the future.



Mr. Yoichiro Hamabe
Professor, Aoyama Gakuin University Graduate School of Law
Attorney, Waseda University Legal Clinic
Vice Chairman / Director, Japan Society for Business Ethics

Fair business practices

Issues were raised regarding fair operating practices in the year 2017. The age-old problem at certain large companies involving the falsification of product inspections and data and other fraudulent acts was revealed. This damaged the public trust in Japanese products. As a B to C food company, quality control is ITO EN's lifeline.

The fact that the company is dealing with quality control as an issue for the entire supply chain can be commended. Superior points in its initiatives include the formulation and thorough implementation of purchasing and quality control policies and the development of a mutual coordination system with the companies concerned through means such as holding quality meetings. Considering CSR in light of SDGs, I personally believe that quality management in cooperation with producers may become an ethical business practice originating in Japan. I hope that further deepening in this area will take place in the future.



Mr. Mitsuhiro Umezu
Chairman, Japan Society for Business Ethics
Associate Professor, Keio University Graduate School
Director/Chief Researcher, Business Ethics Research Center

Human rights

The employees of ITO EN are human assets and are given high priority as corporate treasures. This is because they are both the motivational force in promoting CSR and important stakeholders from the company's perspective. For this reason, the company is actively providing study sessions for the employees and has improved its consultation system. It is also undertaking the tasks of dealing with local communities and human rights issues from a range of aspects, thereby enhancing employees' sense of participation in these initiatives. These are enhancing internal and social confidence from the perspective of human rights in ESG investment and contributing to improving ITO EN's reputation.



Mr. Junichi Mizuo
Professor, The Faculty of Economics and Management, Surugadai University
Chief Researcher, Business Ethics Research Center

Labor practices

In order to achieve working style reform, it is important to improve the workplace environment by promoting diversity and achieving harmony between working style and lifestyle. Workplaces where all employees can work comfortably may be created not only by shortening working hours but also through a reemployment system that allows employees to work until the age of 70 and systems that transfer fixed term employees into regular employees.

In order to promote the globalization of the company's management with the aim of Becoming a Global Tea Company, the deepening of diversity and multi-cultural communication that allows employees to understand and accept each other's point of view are important. I would like to see ITO EN continue to take a range of initiatives in the future.



Ms. Emiko Magoshi
Professor, College of Business Management, J. F. Oberlin University
President, Transcultural Management Society

Consumer issues

ITO EN intends to contribute to global sustainability based on ISO26000 by incorporating the SDGs and COP21 into sustainability management.

In order to have a greater impact in the future, the company will need to work with consumers on the promotion of sustainable production and consumption. Many of the social agenda items are negative effects that are brought about by corporate production and consumption by people in the sense that there is a conflict between consumers' benefits and other benefits. For the development of a sustainable society, I hope that the company will promote initiatives above and beyond its loyalty to quality control that embody the concept of customers first and the pursuit of customer satisfaction.



Ms. Yukiko Furuya
Consumer Affairs Specialist Ph.D. (Policy Studies)
Captain, Consumer Conference for Sustainability

Participation in the community and the development of communities

The legacy of the 2024 Paris Olympic Games expected by the International Olympic Committee is a structure for social business-related activities to be created through the strengths of the athletes, the young people and technology with the aim of bringing poverty, unemployment and net carbon emissions to zero. Furthermore, the greatest legacy of the Olympics and Paralympics is human development.

The ITO EN *Oi Ocha* New Haiku Contest, which was certified by the Japanese government-run beyond2020 program may be recognized as an initiative of creating a human resources legacy with an eye to solving social problems and of contributing to the creation of a legacy for the next generation.



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

The environment

This is, in a sense, the first milestone report that encompasses the details of the initiatives that ITO EN has been pursuing based on its decision to develop its own business in reference to the Sustainable Development Goals (SDGs) adopted by the United Nations. I feel that the company is willing to promptly improve its management. However, although the company may have had no choice but to use concepts designated by letters of the alphabet such as CSR, ESG, SDGs, CSV and ISO, due to being in a transitional phase and being conscious of investors, ordinary readers will have a better understanding if the relationships between these concepts are shown in a more organized manner in the future. It is considered more convincing if such a task is commenced by showing actual examples of changes, achievements and so forth that are generated from incorporating the SDGs into business promotion initiatives. I hope to see the SDGs take firm root.



Mr. Hikaru Kobayashi
North Central College (State of Illinois, the United States)
Lecturer under the Fulbright Scholar Program
Specially Appointed Professor, Keio University Graduate
School

Major Group Company Initiatives

Basic Thinking

ITO EN Group develops business operations both in Japan and overseas. Our management principle of “Always Putting the Customer First” is instilled in the business operations of the Group Companies. The Group has focused on specific areas of the core subjects outlined in ISO26000, namely the environment, consumer issues and communities, and is working proactively to develop these key areas.

Moreover, the Group will drive CSR measures forward with the aim of Becoming a Global Tea Company in accordance with the ITO EN Group CSR Charter and the Basic CSR Promotion Policy.

Tully’s Coffee Japan Co., Ltd.

Tully’s Coffee Japan Co., Ltd. (headquartered in Tokyo), which manages Tully’s Coffee and other eateries, plans and holds events such as coffee school and picture book story-time classes at some of its coffee shops as community cafés in local communities. Those coffee shops in Tully’s Coffee franchise chain that have performed excellent initiatives are granted the Community Café Grand Prize* based on an in-house awards system. By sharing the information about these excellent cases throughout Tully’s Coffee Japan as good examples for the other stores in the chain to refer to, CSR that focuses on links with local communities is promoted.

Then, in April 2017, “Casual & Cozy for Woman”, a concept store targeting females, was opened in Takashimaya Gate Tower Mall Store (Nagoya-shi, Aichi Prefecture). The café has a comfortable ambience with a bright, soothing white décor, and provides a comfortable space and high value-added products that satisfy working women, mothers and other adult females.

In October 2017, &TEA Yokohama Motomachi Shop (Yokohama-shi, Kanagawa Prefecture) was opened. Women with highly refined taste can enjoy its opulent atmosphere and comfortable space over a cup of tea from famous tea production regions and a wide range of tea varieties, including tea with fruits.

With the aim of becoming a community café that is loved by its customers, we will provide a comfortable space and take initiatives suited to the local communities.



Takashimaya Gate Tower Mall Shop



&TEA Yokohama Motomachi Shop

OKINAWA ITO EN, LTD.

OKINAWA ITO EN, LTD. (headquartered in Okinawa Prefecture) sells beverages and tea leaf products. The *Umi to Daichi no Yusbosui* (Spring Water from the Sea and Earth) and *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) sold in Okinawa in PET bottles have blends of deep ocean water pumped up offshore from Manza Beach. Starting in 2009, the cooperation money paid by the company at the time of purchasing deep ocean water as a company selling beverages and tea leaves in Okinawa surrounded by the beautiful sea and nature has been used by Onna Village Fisheries Cooperative Association for its activities to nurture the coral sea.

The above activities are notified on the packages of the subject products in order to promote recognition and understanding.



ITO EN SANGYO, LTD.

Many of the employees of ITO EN SANGYO, LTD. (headquartered in Shizuoka Prefecture), which manufactures tea bags and engages in the dry roasting of barley, are residents of the areas that are peripheral to the company’s Factory. The company conducts business activities in Makinohara-shi, which is richly endowed with nature, focuses on forging ties with the local community and ensures that it is environmentally responsible. The company also provides social studies classes at local elementary schools and proactively accepts overseas visitors to Makinohara-shi for Factory tours with the aim of explaining the company’s facilities and production and being instrumental in realizing its hope that people will become even more fond of tea.

Furthermore, blood donation activities are conducted twice a year at the business establishments of the company in coordination with the Japanese Red Cross Society Shizuoka Chapter. ITO EN SANGYO, LTD. is making company-wide efforts to promote energy-saving initiatives such as switching to LED lighting in addition to having photovoltaic power generation equipment.

Starting in fiscal year 2016, the company has been accepting technical apprentices from Thailand. Japanese language classes are taught by some of the employees and a range of events are held with the apprentices. Their attitude of trying hard at their tasks has been motivational for the employees of the company, which has been contributing to a sense of oneness among all the people who work in the plants toward making good products.



Solar panels installed on the rooftops of the facilities

ITO EN KANSAI CHAGYO, LTD.

ITO EN KANSAI CHAGYO, LTD. (headquartered in Hyogo Prefecture), which produces and sells green tea, barley tea and gift products, has facilities that allow Factory tours and follows environmental programs such as the introduction of photovoltaic power generation equipment and LED lighting.

In addition, the company provides waste material to eco classes for elementary school students hosted by the city government of Kobe, and the company’s employees periodically engage in cleaning activities in the areas surrounding the Factory.



Major Group Company Initiatives

Chichiyasu Company

Chichiyasu Company (headquartered in Hiroshima Prefecture), which produces and sells yoghurt, milk and other dairy products, began supporting local food bank activities in August 2017.

In addition, as part of its activities for contributing to the local communities, the employees of the company engaged in grass cutting and cleaning activities with the local residents at one of the main water sources in Hiroshima Prefecture, the Eikeiji River in Ono District where the Factory is located, in April 2017 and at Ono Imose-no-taki Park in June 2017.

Moreover, in October 2017, the company also engaged in cleaning activities at Miyajima, a world cultural heritage, in coordination with ITO EN.

As the company that sold the first yoghurt products in Japan, the company will work to deepen people's understanding of dairy products and engage in activities to contribute to the local communities in which its business establishments are located.



GREEN VALUE CO., LTD.

GREEN VALUE CO., LTD. (headquartered in Tokyo), which carries out the maintenance of automatic vending machines and is an intermediary for the procurement of automatic vending machines, vehicles and so forth, recycles the automatic vending machines that are no longer used in Japan by separating them into material types rather than throwing them on the scrapheap, with the aim of building a recycling-based society. The materials of the recycled automatic vending machines are utilized in a variety of forms.

ITO EN (Hawaii) LLC

ITO EN (Hawaii) LLC (headquartered in the State of Hawaii, USA) produces and sells beverages mainly in Hawaii. Ohana is a word that means family in Hawaii. Helping each other financially and mentally and placing value on sharing is called the spirit of ohana. Having endorsed the Hawaii Foodbank, which engages in activities such as taking meals to families in need who are living in Hawaii with the spirit of ohana, the company offers beverage and food products, donations and so forth.

ITO EN (North America) INC.

ITO EN (North America) INC. (headquartered in the State of New York, USA) sells the *Oi Ocha* and TEAS' TEA series of products, among other items, in response to a global increase in health-oriented attitudes. The company has also been introducing Japanese food culture centered around Japanese tea. In addition, there has been growing interest in North America in the used tea leaf recycling system, one of the ITO EN Group's representative environmentally friendly initiatives, as can be seen in the coverage by local media of the benches made from resin mixed with used tea leaves.



ITO EN AUSTRALIA PTY. LIMITED

ITO EN AUSTRALIA PTY. LIMITED (headquartered in the State of Victoria, Australia) produces and sells tea leaves. In Australia, where the seasons are the opposite of those in Japan, the company also engages in the development of tea plantations and cultivation, gives instructions to local producers and processes crude tea as part of the Tea-Producing Region Development Project (new tea plantation business). It creates solutions for tea cultivation techniques in cooperation with local producers and ensures the traceability of crude tea in the same manner as in Japan.

The tea leaves produced in Victoria, Australia are used as raw materials for products to be sold in Australia, for food for specified health use produced by ITO EN and so forth. In Australia, where there are comparatively fewer tea tree diseases and pests, the company produces environmentally friendly green tea by means such as establishing cultivation methods that use fewer agricultural chemicals. (Please refer to page 21.)



Other Major Group Companies

Domestic

● ITO EN · ITOCHU MINERAL WATERS CO., LTD.

LTD.

● NEOS Corporation

Overseas

[United States]

● Mason Distributors, Inc.

● Distant Lands Trading Company, Inc.

[Singapore]

● ITO EN Asia Pacific Holdings Pte. Ltd.

● ITO EN Singapore Pte. Ltd.

[China]

● Fujian New Oolong Drink Co., Ltd.

● ITO EN BEVERAGE (SHANGHAI), LTD.

[Indonesia]

● PT ITO EN ULTRAJAYA WHOLESALE

[Thailand]

● ITO EN(Thailand)CO.,Ltd.

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