

ITO EN INTEGRATED REPORT 2017



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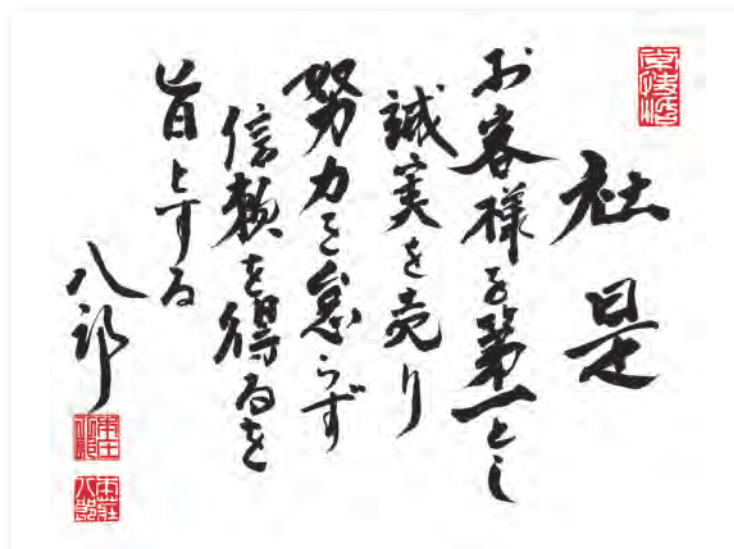
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Definition of “our” customers

- Consumers
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ITO EN Group’s management principle

“Always Putting the Customer First”

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

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

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

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

Hachiro Honjo, Chairman of the Board and CEO

Daisuke Honjo, President



President
ITO EN, LTD.

Daisuke Honjo

Becoming a Global Tea Company: The Road to Creating Shared Value and Sustainable Growth

1 REVIEW

Review of fiscal year 2016

As the social environment continues to change drastically, and competition in the beverage industry, too, becomes more intense with each coming year, the business management environment is becoming increasingly harsh. In FY2016 (which was the final year of its previous medium- to long-term management plan), ITO EN continued to bolster its efforts in product development and sales, with the aim of improving profitability to achieve further growth in its business.

Owing to these efforts, in the consolidated accounting period under review, ITO EN posted net sales of 475,866 million yen (up 2.2 % year on year), operating income of 21,774 million yen (up 26.3%), and ordinary income of 21,524 million yen (up 42.8%). Profit attributable to owners of parent stood at 13,693 million yen (up 58.9%).

ITO EN also focused selectively on three of its brands: *Oi Ocha*, the No. 1 green tea megabrand, for which ITO EN pays particular attention to its manufacturing processes and raw materials; *Kenko Mineral Mugicha*, the No. 1 caffeine-free tea beverage, a field in which ITO EN leads the industry; and TULLY'S COFFEE, which is now

leading the bottle-type canned coffee market.

Group companies have also been performing well. In Japan, Tully's Coffee Japan Co., Ltd. has continued to open coffee shops at good locations, and Chichiyasu Company, which launched the first yoghurt product in Japan, has also performed well. Overseas, sales at ITO EN (North America) INC. have remained strong, including those at Distant Lands Trading Company, Inc. of Seattle, USA, which it acquired in 2015.

Financial highlights (consolidated)

		Units	Fiscal 2016 (actual)	Fiscal 2017 (planned)
Net Sales		(100 million yen)	4,758	4,925
Gross profit		(100 million yen)	2,261	2,325
Operating income		(100 million yen)	217	226
Ordinary income		(100 million yen)	215	220
Management indicators	Gross profit ratio	(%)	47.5	47.2
	Operating income ratio	(%)	4.6	4.6
	ROE	(%)	10.5	10.0

2 VISION

Our new medium- to long-term management plan, starting from fiscal 2017

In FY2017, the first year of the new medium- to long-term management plan announced in June 2017, ITO EN will continue its aim to increase sales and profits. Based on its management principle of “Always Putting the Customer First,” and with the aim of achieving its long-term goal of becoming a “Global Tea Company,” the Group will make efforts in the following four key areas.

First, the Group will seek to further enhance its domestic operations. In addition to intensifying its sales visits and working to secure more new customers, ITO EN will also seek to bolster sales of its main brands, focusing primarily on *Oi Ocha*, with the aim of increasing its market share. It will also aim to increase the number of its brands with sales in excess of 10 million cases from four to six, and continue working to increase profit ratios by improving profitability and increasing productivity.

Second, the Group will ramp up the development and expansion of its overseas business operations. With a central focus on the North American market, ITO EN will seek to achieve double-digit growth by bolstering sales of leaf tea (tea bag) and matcha (powdered green tea) products, centering around the global brand ITO EN MATCHA GREEN TEA. The Group’s target is to secure the No. 1 market share for green tea both in Japan and overseas. To accomplish this, the Group will seek to expand and increase group synergies, through initiatives such as personnel exchanges with its overseas businesses.

Third, the Group will seek to enhance the level of its ROE-based corporate management, and aim to achieve a higher total return ratio, by continuing in its efforts to improve profitability.

Fourth, the Group will work to enhance its CSR/CSV*1 management activities. In addition to conducting CSR activities utilizing its world-standard core business operations, the Group will also create shared value (CSV), with the aim of simultaneously resolving social problems and accomplishing new achievements with its business activities. The Group will remain continuously mindful of both CSR and CSV in its corporate management.

In light of these efforts, and with the significant milestones of the 30th anniversary of the launch of *Oi Ocha* in 2019 and the hosting of the Tokyo Olympic and Paralympic Games in 2020, the Group will aim to achieve the following numerical targets by the fiscal year ending April 2022: consolidated net sales of 600 billion yen or more, a return on equity (ROE) of 10% or higher, and a total return ratio of 40% or higher.

3 INNOVATION

Business model of seizing new chances and avoiding risks through innovation

Globally, there is a movement towards various international frameworks for dealing with environmental and social issues, such as the Sustainable Development Goals (SDGs*2) adopted by the United Nations in 2015 (to be achieved by 2030), and the Paris Agreement on Climate Change. Investments giving consideration to all aspects of environmental, social and governance-related (ESG) aspects of business are accelerating.

Environmental and social sustainability are important issues to be tackled in corporate management. Various global sporting events, such as the 2020 Tokyo Olympic and Paralympic Games, are approaching in the near future. Through the hosting of such sporting competitions based on sustainability, there are expectations for us to create a legacy to pass on to future generations—as stated in the Olympic Charter—in terms of not only sports-related aspects but also economic, environmental, social, and particularly cultural aspects. ITO EN considers this to be an excellent opportunity to create shared value (CSV) for simultaneously resolving social problems and accomplishing new achievements with its business activities.

As it moves towards its long-term vision of becoming a “Global Tea Company,” the Group will use the content of the UN’s SDGs as a reference for securing new business opportunities that leverage the Group’s strengths, while at the same time utilizing them in the analysis of business environments and risks from a global perspective.

In 1984, ITO EN created the world’s first canned green tea. It was the result of our passion for innovation, standing in the shoes of our customers and aspiring to change the green tea market as customer lifestyles diversified.

Since then, too, our creation of new markets through technological innovation has led to other breakthroughs, such as in the development of delicious and easily drinkable vegetable drinks made possible by the addition of fruit juices, and the creation of our TULLY’S COFFEE bottle-type canned coffee brand, which is generating synergies with Tully’s Coffee Japan Co., Ltd.

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



ITO EN has built a history of innovation as a comprehensive manufacturer of tea and other beverages, and has created a unique value chain (procurement, production, product development and sales).

Through collaboration with our stakeholders at all stages of the value chain, our coherent system for green tea production and consumption “from tea plantations to used tea leaves” creates shared value between ITO EN, our stakeholders and society itself, generating a win-win-win relationship.

The innovation and resource allocation management capabilities born out of this relationship lead to improved profitability and efficiency through the achievement of cost cutting and a higher-percentage market share. The result of this has been the creation of a business model that achieves the two S’s: scaling (of business operations) and sustainability.

I believe that this is the advantage of our business model, born out of the implementation of the ITO EN Group’s management principle of “Always Putting the Customer First.”

4 CHALLENGE

Expanding opportunities and reducing risks

Expanding business opportunities

In addition to this advantage, I believe that the increase in demand for drinks such as tea and coffee—in part brought on by a global increase in health-oriented attitudes—will provide a boost to ITO EN’s business operations.

In Japan, with its progressively declining birthrate and aging population, growth in the overall beverage market remains weak. In May 2015, however, interesting research results were announced in relation to green tea and coffee by a team of researchers (which included members from Japan’s National Cancer Center). In summary, the results showed that habitual consumption of drinks such as green tea and coffee results in a

subsequent decrease in overall mortality.

ITO EN expects that the growth potential of green tea and coffee in mature markets will continue to be supported by health-conscious consumers, and will seek to make effective use of this opportunity.

We will also continue to pursue business opportunities associated with vegetable beverages and functional beverages, in view of their potential for growth backed by health-conscious consumer attitudes.

Overseas, too, due partly to the Japanese food boom and rise in popularity of matcha (powdered green tea) in countries such as the United States, exports of green tea have increased by approximately four times in volume over the past ten years (according to statistics published by the Ministry of Finance). According to forecasts by the FAO (Food and Agriculture Organization of the United Nations), global trading volumes of green tea are expected to increase by a further 310,000 tons over the next ten-year period (starting from 2013).

The ITO EN Group regards these developments as a favorable opportunity to technologically refine green tea and matcha, which are not only highly beneficial in terms of health but also an inherent part of the Japanese lifestyle and culture, and communicate their value to the world. We will continue working to increase the range of situations in which green tea is consumed both in Japan and overseas, and to propose lifestyle ideas that will establish the drinking of green tea as a way of life, as a legacy that will contribute to the formation of healthier and more fulfilled communities worldwide.

ITO EN will aim to create such a legacy by communicating the value of green tea to the world; as an essential element of Cool Japan, including its role in the response to inbound demand.

Becoming a “Global Tea Company” through sustainable growth

	Key themes	Initiatives
1. Further strengthening of domestic businesses	Increase market share	<ul style="list-style-type: none"> ● Bolster sales of main brands, with a central focus on <i>Oi Ocha</i> ● Intensify sales visits ● Secure new customers ● Enhance digital marketing and direct communication efforts
	Increase profit ratio	<ul style="list-style-type: none"> ● Increase productivity ● Toughen management of sales handling charges and sponsorship money ● Reduce overall costs
2. Further development of overseas businesses	Achieve double-digit growth, with a central focus on North America	<ul style="list-style-type: none"> ● Bolster overseas development of the <i>Oi Ocha</i> brand ● Strengthen sales of leaf tea products focused on global brand
	Expand and increase group synergies	<ul style="list-style-type: none"> ● Expand ITO EN brand ● Enhance cooperative partnerships with overseas staff through proactive personnel exchanges
3. Enhancement of ROE management	Increase profitability and capital efficiency Improve EPS Ensure stable returns for stockholders	<ul style="list-style-type: none"> ● Continue initiatives towards improving profits ● 40% total return ratio
4. Enhancement of CSR/CSV management	Sustainable communities Sustainable production and consumption Create a legacy	<ul style="list-style-type: none"> ● Social activities that leverage the group’s core business ● Stable raw material procurement and consistent quality ● Appeal to consumers about cultural aspects of green tea

Enhance the level of the Group’s CSR/CSV management by utilizing SDGs

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD





Enhancing risk management

It is also necessary for the Group to develop a business model that is capable of responding to various risks as we move to solidify the foundations of our domestic business operations and expand globally.

As a response to raw material procurement risks due to declining food self-sufficiency ratio and other domestic agricultural issues, the ITO EN Group is advancing its Tea-Producing Region Development Project (new tea plantation business): utilizing abandoned farmland to develop new large-scale tea plantations in collaboration with tea farmers and public administrative agencies in order to maintain stable procurement of high-quality raw materials (crude tea, etc.) in Japan. A similar initiative is also underway in Australia.

The Group's response to market competition-related risks is through customer service, with a central focus on route sales. We are working to provide products that match the

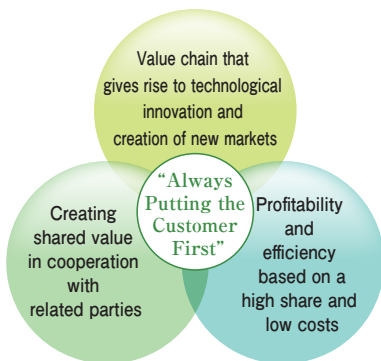
specific needs of customers and making frequent, finely-tuned sales visits, in order to combat risks such as falling prices and intense competition over market share.

Additionally, by bolstering its existing established brands (including not only its *Oi Ocha* mega brand but also other established brands such as *Kenko Mineral Mugicha*, *TULLY'S COFFEE*, and our range of vegetable beverages) and developing new brands, ITO EN will aim to increase the number of its brands with sales in excess of 10 million cases from four (the current number) to six.

The Group will also seek to develop its risk management framework and take appropriate risk management measures against various risks relating to issues such as compliance, information security, quality, the environment, asset preservation, disasters and accidents, etc.; and to exercise its powers of innovation in all of these areas.

ITO EN's advantage

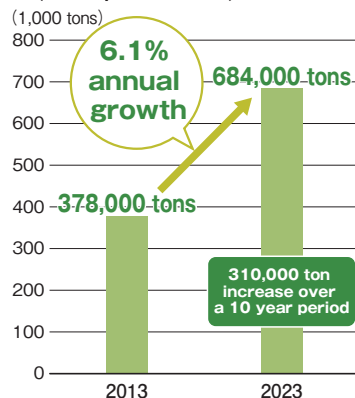
A business model based on
"Always Putting the
Customer First"



Business opportunities

Demand for tea is expanding due to a global rise in health-consciousness

Forecast for global trade volume of green tea (FAO predictions)



Sources: Ministry of Agriculture, Forestry and Fisheries (MAFF) Economic situation regarding tea (May 2016), FAO reference materials for an inter-governmental discussions regarding tea

Main issues and responses

Raw Materials & Procurement Related Issues

Advancement of Tea-Producing Region Development Projects (Japan, Australia)

- Issues
- Concerns over procurement of raw tea leaves due to domestic agricultural issues
 - Soaring prices of raw materials, etc.

Market Competition Related Issues

Provision of products that match the needs of customers
Customer service with a central focus on route sales

- Issues
- Falling prices
 - Intense competition over market share
 - Shortening of product lifecycles, etc.

Brand Development Related Issues

Further increasing the market share for *Oi Ocha*
Developing established brands with sales in excess of 10 million cases, and developing new brands

- Issues
- Establishing a brand system as a comprehensive beverage manufacturer
 - Securing market shares in other beverage markets aside from green tea-related beverages, etc.

5 SUSTAINABILITY

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^{*3} international standard, and has since utilized it in reassessing the conventional concept of CSR^{*1} 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^{*5} 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) 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 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 TER 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".

Explanation of Terms

*1 CSV: Creating Shared Value

*2 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.

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

*4 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.

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

*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.

Always Putting the Customer First

Always Putting the Customer First

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

Five marketing functions

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

Concept for product development



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

Overview of ITO EN

Net sales
(consolidated sales for the fiscal year ended April 2017)

475.8 billion yen

Number of employees
(as of April 30, 2017)

5,398 employees

Nationwide sales network

197 locations

Percentage of domestic share for handling of crude tea










































Approximately 25%

Tea-type beverage *Oi Ocha*

No.1 brand

Creating Shared Value through the implementation of “Always Putting the Customer First” —ITO EN’s business model for responding to ESG—

The ITO EN Group is working to enhance its response to ESG-related issues, for which there are ever-increasing demands. Below is a summary of our flagship green tea business, as an example of the Group’s business model for responding to ESG. ESG relates to each stage of our value chain (procurement, production and logistics, product planning and development, sales and distribution) as shown below. In its response to each of these ESG issues, the group refers to the SDGs (which it regards as a global common language for sustainability), and sets its own activity targets. The key ingredient in driving these initiatives is the foundation that underpins creation of value, which consists of key elements such as governance, human resources management, and so on.

	Main business activities	ESG	Main related SDGs	
Procurement	Tea-Producing Region Development Project  <ul style="list-style-type: none"> ● Sustainable farming ● Creation of jobs/employment ● Environmental conservation agriculture 	  	  	→ See page 15
	Used Tea Leaves Recycling System  <ul style="list-style-type: none"> ● Sustainable use of resources 		  	→ See page 17
Product Planning and Development	Health-Conscious Products  <ul style="list-style-type: none"> ● Products that contribute to health 		 	→ See page 19
Sales and Distribution	Environmentally-Conscious Business Vehicles  <ul style="list-style-type: none"> ● Response to climate change, prevention of global warming ● Sustainability in harmony with local communities and the environment 	 	   	
	Tea-Making Seminars  <ul style="list-style-type: none"> ● Offering knowledge to customers and achieving widespread popularization of tea culture 		  	→ See page 21
	Oi Ocha New Haiku Contest  <ul style="list-style-type: none"> ● Passing on traditional Japanese culture and utilizing it in education 			
	“Making Japan Beautiful Through Tea”  <ul style="list-style-type: none"> ● Preservation of culture ● Environmental conservation ● Conservation of water cycles and biodiversity 	  	     	

Foundation that underpins creation of value

Corporate governance, risk management, compliance, supply chain management, respect for human rights, human resources management, finance management → See page 23

What is ESG (Environmental, Social and Governance)?

ESG is an acronym formed from the initial letters of the words Environmental, Social and Governance.

Today, the idea that the three viewpoints indicated by this acronym are necessary for long-term corporate growth has begun to spread around the world. In Japan too, ESG-oriented viewpoints are spreading rapidly, primarily amongst institutional investors. This style of investment that not only takes into account financial information but also considers ESG is referred to as “ESG investment.”



Things required for

E

(environmental aspects)

- Response to the problem of climate change
- Recycling, and reduction of waste output
- Appropriate management of pollutants
- Reduction of water usage
- Reduction of negative impacts on biodiversity
- Resolution of environmental problems through business activities, etc.



Things required for

S

(social aspects)

- Respect for human rights
- Ensuring safety and quality for customers
- Employee work-life balance and diversity
- Human resources development
- Abolishment of child labor and forced labor
- Sustainable procurement
- Contributing to local communities
- Resolution of social problems through business activities, etc.



Things required for

G

(governance aspects)

- Corporate governance
- Internal control
- Risk management
- Compliance
- Protection of personal information
- Elimination of bribery
- Prevention of tax evasion

What are SDGs (Sustainable Development Goals)? <which we refer to in our approach to ESG issues>

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



The SDGs (Sustainable Development Goals) are a set of 17 goals and 169 targets adopted by the United Nations in September 2015. Working towards the achievement of these goals requires action on the part of all relevant parties, including governments, affiliated institutions and companies, in both developed and developing countries.

- 1 End poverty
- 2 End hunger, achieve food security, and promote sustainable agriculture
- 3 Ensure healthy lives and promote well-being
- 4 Ensure inclusive and equitable quality education
- 5 Achieve gender equality
- 6 Ensure sustainable management of water and sanitation
- 7 Ensure access to sustainable energy
- 8 Promote inclusive and sustainable economic growth and employment

- 9 Build resilient infrastructure, promote industrialization, and foster innovation
- 10 Reduce inequality within and among countries
- 11 Make cities and communities sustainable
- 12 Ensure sustainable consumption and production
- 13 Take urgent action on climate change
- 14 Conserve and sustainably use the oceans and marine resources
- 15 Protect terrestrial ecosystems, sustainably manage forests
- 16 Promote peaceful and inclusive societies

- 17 Strengthen the means of implementation and revitalize the global partnership for sustainable development

* The content summaries of the 17 SDGs expressed here have been summarized by ITO EN based on reference to Japanese translations provided by related institutions.

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.

* For more information regarding ESG, please refer to pages 25~26 and 45~46.

Sustainable increase in corporate value



- 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



Implementing sustainability management



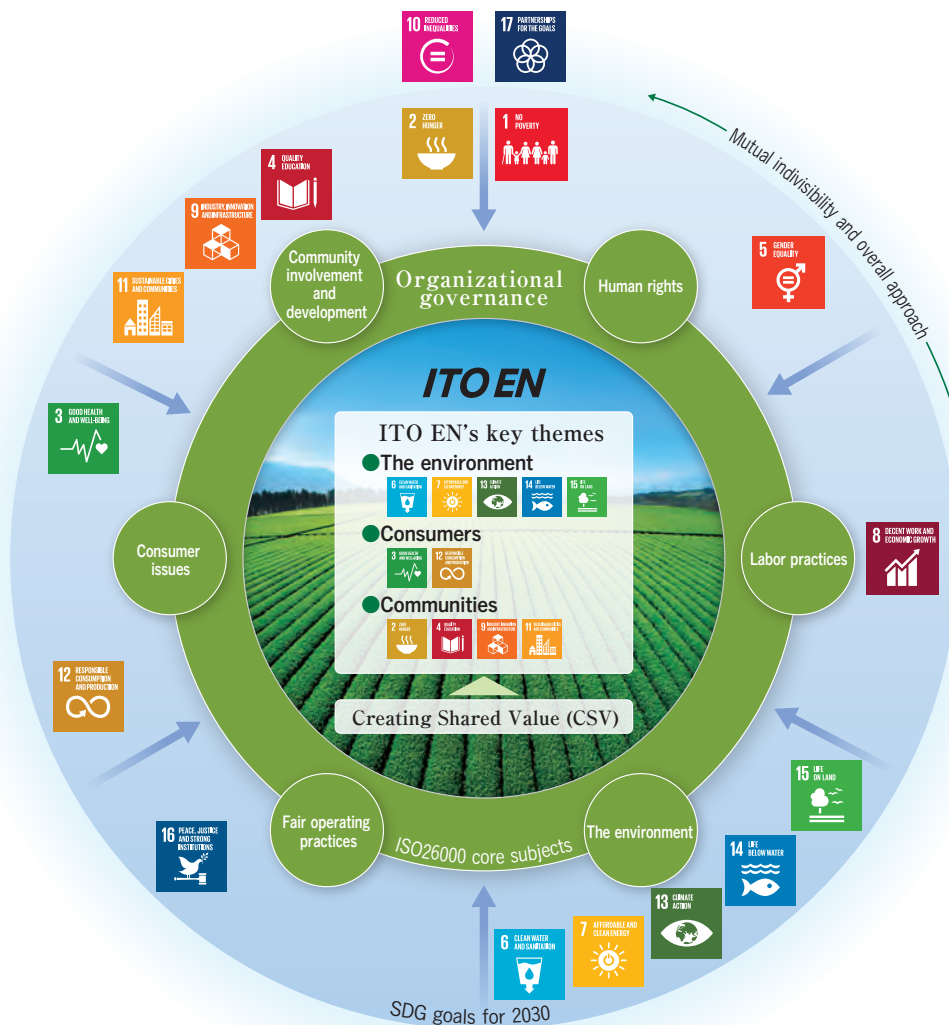
Our mission as a “Global Tea Company”

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).

* For more information regarding sustainability management, please refer to pages 43~46.

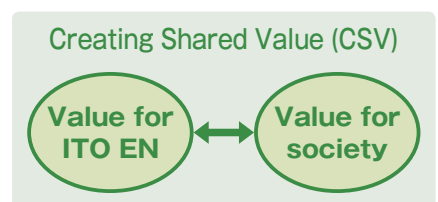


To Promote Creating Shared Value (CSV)

(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.

ITO EN's Business Model for Value Creation

Everything is for that cup of tea.

History of technological innovations and the new market generation

'66



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

'79



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

'80



Launched the world's first canned oolong tea.

'84



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

'89



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

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

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

The Natural Clear Production Method (1996)

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

From tea plantations to used tea leaves: ITO EN's unique single value chain system



Procurement

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



Production and Logistics

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

Foundation that underpins creation of value

- ▶ Corporate governance

- ▶ Risk management
- ▶ Compliance

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

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

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

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

'90



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

'96



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

'00



Began to sell products in heatable PET containers.

'11



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

'17



Launched the new *Oi Ocha* line, boasting even greater freshness and refined flavor

Joint development of heatable PET containers (2000)

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

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

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

~ For products of a higher quality ~



Product planning and development

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



Sales and Distribution

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

- ▶ Supply chain management
- ▶ Respect for human rights

- ▶ Human resources management
- ▶ Finance management

* A value chain is a set of activities to add value, including sourcing, manufacturing, distribution, product planning, development, and sales. When considered from the value providing side, this chain is referred to as a supply chain.

Everything is for that cup of tea.

Procurement



Outcome of the relentless pursuit of quality performance

High-level raw material procurement capabilities

The core of the ITO EN green tea business, its mainstay business, lies in the procurement of crude tea leaves. ITO EN has a competitive advantage in the market as it already handles approximately one quarter of Japan's crude tea production. In order to ensure even greater stability and consistency in our procurement of high-quality crude tea, we have been developing the Tea-Producing Region Development Project, in which we collaborate with tea farmers and local governments for a portion of our procurement needs. This initiative encompasses cultivation under contract with individual tea farmers, and new tea plantation business, which have been making use of abandoned farmland, etc., to grow tea by redeveloping and cultivating fields to create large-scale tea plantations since 2001.

New tea plantation business projects are currently underway in seven districts in five prefectures of Kyushu; namely Miyazaki, Oita, Kagoshima, Nagasaki and Saga. As of 2016, the combined area of new tea plantations and contract cultivation covered a total of 1,226 hectares (850 hectares for contract cultivation areas and 376 hectares for new tea plantations). We are expanding these areas with the aim of achieving a scale of 2,000 hectares in the near future.

Creating value with the Tea-Producing Region Development Project

As part of our Tea-Producing Region Development Project, we provide tea farmers with expertise and cultivation technology support, including mechanization and IT solutions, and form full crop volume purchasing contracts. This, combined with the construction of traceability systems* that meet consumer requirements for safety and security, enables ITO EN to achieve unrivaled results in the field of crude tea procurement.

For ITO EN, new tea plantation business have the business benefits of reducing costs and ensuring stability in the procurement of high-quality crude tea. For tea farmers and agricultural enterprises, these projects help to solve farm management stability issues by agreeing to purchase all of their crops, and resolve other issues such as the shortage of successors. They also have the added benefits of reducing working hours and creating jobs. For the communities in which the new plantations are created, accumulative effects from the construction of crude tea factories and the establishment of experimental research laboratories and companies supplying agricultural materials, etc., also lead to the creation of new jobs and employment opportunities. These projects are also providing solutions to Japanese agricultural issues such as the elimination of abandoned farmland and the improvement of food self-sufficiency,

New tea plantation business (Kitsuki, Oita Prefecture)

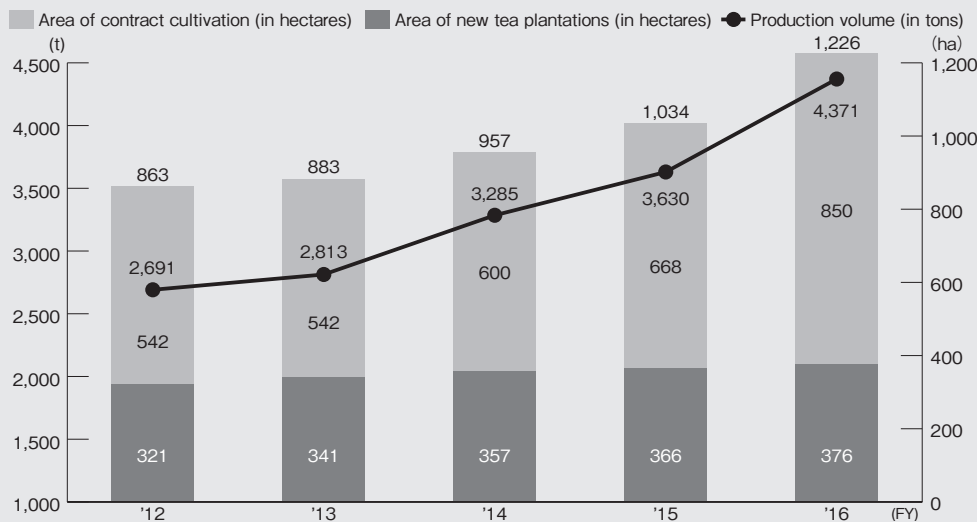


and achieving the realization of sustainable, environmental conservational agriculture through the use of IT solutions and optimal fertilizer-application technologies.

The Tea-Producing Region Development Project is also in line with government policies, such as the transformation of agriculture into a growth industry through intensification and upscaling, and conversion into a sextiary (or "sixth-order") industry through the creation of added value.

* Traceability system: A food traceability system enables the movement of any food product to be traced and/or followed by documenting each aspect of food handling, and so forth. In the event of an incident, the food traceability system can facilitate the smooth and efficient recall of the food product(s) in question and aid investigators in determining the cause of the incident.

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



Tea-Producing Region Development Project JGAP certification target (FY2017)

Approximately **60%***

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

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

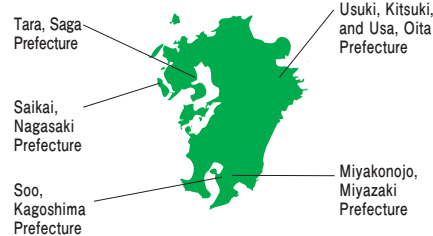


Advanced agricultural model for generating environmental and social benefits

In this way, the Tea-Producing Region Development Project combines intellectual capital in the form of optimal raw ingredient cultivation know-how and traceability with innovation in the form of its full crop volume purchasing scheme. With this project, ITO EN has established an advanced agricultural model which offers value for consumers, creates environmental and social value, and also has business value such as in terms of reducing the costs of crude tea procurement.

This value creation process has led to ITO EN receiving positive media recognition, such as in its selection by *Fortune* magazine, and being awarded various prizes, including the Nikkei Social Initiative Award (Business Category) and the Porter Prize.

New Tea Plantation Business Areas



Commitment

Masahiko Arai,
General Manager, Agricultural Technology Department



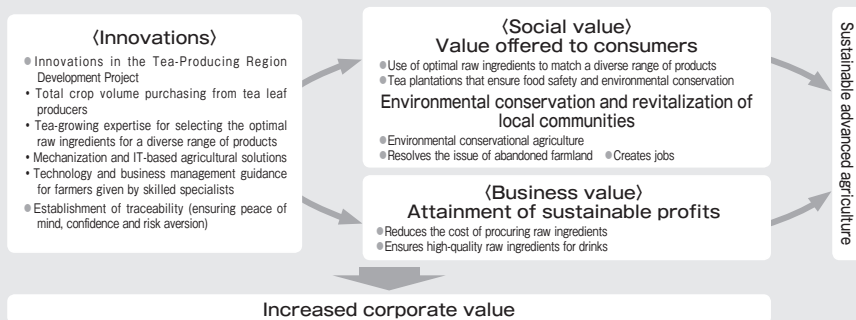
We launched our new tea plantation business (as part of the Tea-Producing Region Development Project) in Miyazaki prefecture in 2001. Japanese agriculture is facing various problems, such as how to deal with areas of abandoned farmland, and a shortage of successors for inheriting control of farming operations. The same could be said of tea-producing areas, and so we thought about what would be the most suitable method of resolving these kinds of problems. The result was the establishment of the current system; which includes providing farmers with technology, and full crop volume purchasing agreements. With our Tea-Producing Region Development Project (new tea plantation business), by holding thorough discussions with local government agencies and the tea farmers themselves, I think that we have succeeded in creating a win-win relationship. Recently we also started one of our New Tea Plantation initiatives in Saga Prefecture. In the future, we are aiming to expand the scope of this project to cover an area of 2,000 hectares with our tea plantations.

This initiative also plays a role in achieving SDG goals **2** (sustainable agriculture), **8** (employment and economic revitalization of local communities) and **12** (utilization of abandoned farmland). Moving forward, we hope to continue contributing to the resolution of social problems.

* The SDG pictograms displayed in the Commitment sections (on pages 16~25, 30 & 42) indicate the main related SDGs for each theme.



Processes for Creating Shared Value (CSV): Sustainable advanced agriculture model



S Social benefits			E Environmental benefits
Case study analysis			
<ul style="list-style-type: none"> • Working hours Dependent on field conditions, but have been reduced by mechanization 	<ul style="list-style-type: none"> • Average worker age: 53 (Miyakonojo, Miyazaki Prefecture) • Average age for core agricultural workers: 66 (Source: Ministry of Agriculture, Forestry and Fisheries) 	<ul style="list-style-type: none"> • Job creation: 56 (Miyakonojo, Miyazaki Prefecture) * Includes jobs at crude tea factories. 	<ul style="list-style-type: none"> • Pinpoint fertilizer application • Biodiversity preservation monitoring

Creating Shared Value (CSV) (Tea-Producing Region Development Project)

Value for ITO EN

Value for society

- Creation of new tea plantation areas
- Stable procurement of raw ingredients
- Stable farm management
- Revitalization of local communities
- Resolves the issue of abandoned farmland
- Environmental conservational agriculture

Total area of tea plantations under the Tea-Producing Region Development Project (cumulative)

Actual	1,226ha (as of 2016)
Target	2,000ha (in the near future)

Everything is for that cup of tea.

Production and Logistics



Innovation through collaboration

Supply chain management

ITO EN has adopted a fables^{*1} method of production. While we still handle the initial processes of heating and blending the crude tea leaves that we procure to manufacture the raw ingredients for our products, we outsource the subsequent tea brewing, extraction and bottling processes to contracted beverage production companies (except in Okinawa). In this way, we have achieved a more efficient business model that enables us to reduce capital investment costs, adjust our production volume according to the level of actual demand, and build optimal production lines by taking advantage of the distinctive characteristics of our outsourcing partners.

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. 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. On the quality management front, the Group has built a Quality Management System with ISO9001 international standard certification (obtained in 2002), with our Shizuoka Sagara Factory obtaining 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.



Employees of ITO EN and partner companies collaborating together in beverage manufacturing
(From left) Shintaro Beppu, Toyo Seikan Group Engineering Co., Ltd., Akiko Suzuki, 2nd Quality Control Dept., ITO EN., and Taishi Tanaka, HOTEL FOODS CORPORATION LIMITED

Innovation through collaboration

Collaborations between ITO EN, outsourced tea beverage producers and beverage container manufacturers generate innovations that lead to the creation of new value, as well as various economic benefits.

The NS² system—which was developed in collaboration with Toyo Seikan Co., Ltd.—is a bottle cleaning method that does not use sterilizing agents, but instead uses heated water to fill and wash and bottles at room temperature. This method not only maintains a high level of quality but also minimizes environmental impact by reducing the amount of water and energy used, and has led to the adoption of more environmentally-conscious PET plastic bottles.

In collaboration with our partner companies, we have also created a Used Tea Leaves Recycling System, which makes effective use of the approximately 56,000 tons of used tea leaves that are generated annually during our tea beverage production processes. Although much of this is used as fertilizer and animal feed, ITO EN has used a portion of these used tea leaves to develop around 100 varieties of recycled products, including paper products, plastic resins and building materials. Cardboard containing recycled tea leaves is also used in the cardboard boxes for *Oi Ocha* Green Tea, with a shipping volume of around 54 million cases per year. These innovations have led to cost reductions, and also have positive benefits in terms of both social and environmental aspects.

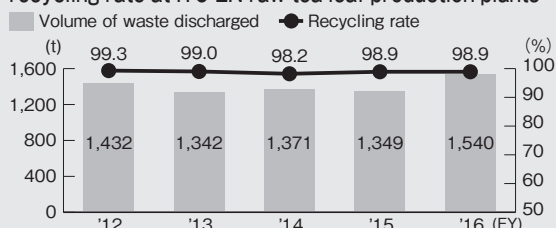
ITO EN's Quality Management (Main Tests and Inspections)

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

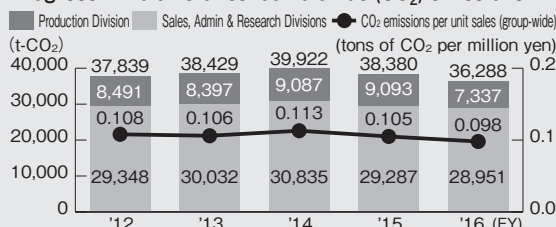
Cooperation with industry bodies

ITO EN is a member of the Japan Soft Drink Association (JSDA). JSDA is a participant in the Japan Business Federation (Keidanren)'s Voluntary Action Plan on the Environment. As a preventive measure against global warming, the soft drink industry is making a concerted effort to achieve the goal of a 10% reduction in unit CO₂ emissions (in comparison with FY1990 levels) by FY2020.

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



Progress in volume of carbon dioxide (CO₂) emissions



Environmentally-conscious PET plastic bottle

- Cap**
Approx. 13% lighter than the previous design
Weight: 2.6g
- Bottle**
Approx. 30% lighter than the previous design
500ml PET plastic bottle (conversion)
Weight: 19g
- Label**
Approx. 40~50% thinner than the previous design
Thickness: 20 micrometers



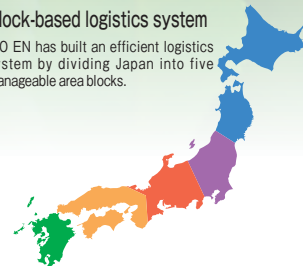
Cardboard box made using recycled used tea leaves



Vending machine equipped with used tea leaf composition sheet

Block-based logistics system

ITO EN has built an efficient logistics system by dividing Japan into five manageable area blocks.



Through care and consideration for the environment and reduction of CO2 emissions

ITO EN also promotes initiatives based on the 3R's*3, and recycling of foodstuff residues produced during its production processes.

In terms of its logistics operations, ITO EN has created an efficient logistics system by dividing Japan into five manageable blocks, and has sought to reduce CO2 emissions and introduce energy-saving measures; which has also had the added benefit of reducing costs. ITO EN has also been awarded the Eco-Ship Modal Shift*4 Award for Outstanding Business Operators by the Japanese Ministry of Land, Infrastructure and Transport (MLIT) in recognition of significant reductions in its CO2 emissions, achieved by switching a portion of its land-based logistics operations (which

originally made use of long-distance trucks to deliver its products) over to seaborne transportation.

Meanwhile, the Sales Division has implemented thorough inventory management and outsourced recycling of all empty containers by suitable recycling contractors. The Group also carries out regular checks of all contractors in accordance with the law.

- *1 Fables method: A system of production without owning a factory or fabrication plant.
- *2 NS: Non-Sterilant, or not using any sterilizer.
- *3 The 3R's: Reduce, Reuse, and Recycle
- *4 Modal shift: Shifting the mode of transportation used to deliver cargo, typically from road-based modes of transportation (such as trucks, etc.) to other modes of transportation that are more environmentally-friendly and enable larger volumes of cargo to be delivered (such as cargo ships and freight trains).

Commitment

Shunji Hashimoto,
Executive Vice President



With our fables production method, we have been able to build a network by utilizing our relationships with the best, most suitable partner companies at any given time. In terms of quality management, too, precisely because we are outsourcing to external contractors, we demand a rigorous approach. I can proudly say that, under these conditions, and through the embedding of an optimal product processing framework, our business model is now beginning to develop into a sustainable and environmentally-conscious one; as highlighted by achievements such as our reduction of CO2 emissions in line with global trends.

Based on innovations such as our fables block-based production method, our NS System and our Used Tea Leaves Recycling System, we are also increasing the viability of our business through cost reduction, and improving our value to society by increasing both our consumer value (through our flexible and resilient supply capabilities and quality assurance initiatives) and our environmental value (through our reduction of CO2 emissions and the amount of resources that we use). The entire ITO EN Group is contributing to the achievement of the CO2 emission reduction plan set forth under the the COP21 Paris Agreement on Climate Change.

In this way, in the areas of production and logistics—since these areas are deeply related to numerous environment-related SDG goals including 9 (technological innovation), 12 (responsible production and consumption), 6, 7, 13 and 15—we will continue working to enhance our response based on these SDGs.



Processes for Creating Shared Value (CSV): Sustainable advanced production and logistics systems

(Innovations)	(Social value)	(Business value)
<ul style="list-style-type: none"> Fables production method: beverage production is outsourced to external partners Block-based production and logistics scheme: the country is divided into five blocks and beverages are manufactured at outsourced partner plants in each of the five blocks that are close to the actual consumption zones NS System: enables the use of lighter containers (bottles) and makes it possible to bottle beverages at room temperature 	<ul style="list-style-type: none"> Distribution of production locations ensures continuity of supply in the event of a disaster Ensures safety, reliability and fine quality Reduction in CO2 emissions due to logistics system Reduction in amount of resources used in containers 	<ul style="list-style-type: none"> Reduction in capital investment costs Slim-line balance sheet Reduction in logistics costs Reduction in cost of materials for containers

S Social benefits	E Environmental benefits
<ul style="list-style-type: none"> Sensory testing personnel in ITO EN testing team framework: at least 20 personnel, etc. 	<ul style="list-style-type: none"> Foodstuffs recycling rate: 95.1% (FY2016)
<ul style="list-style-type: none"> Number of quality assurance meetings (joint meetings together with outsourcing partners and other stakeholders) held: 8 (FY2016) 	<ul style="list-style-type: none"> Reduction in group-wide CO2 emissions: -21.8% (actual results for FY2016, comparison with FY2009)

Creating Shared Value (CSV) (Used Tea Leaves Recycling System)

Value for ITO EN

↔

Value for society

- Cost reductions due to conservation of resources and recycling
- Improvement in corporate image as a result of environmentally-conscious initiatives
- Advancement towards new environmentally-conscious lifestyles

Cardboard boxes made using recycled used tea leaves (cases)

Actual	54 million cases (FY2016)
Target	55 million cases (FY2017)

Everything is for that cup of tea.

Product Planning and Development



Offering desirable products according to the times

Employees at ITO EN engaging in product planning and development (From left) Tetsuya Yasuda, Brand Manager, Koichi Kuramochi, Hiroko Yano, Osamu Aizawa, Chief, Marketing Dept.



One of our FOSHU products
Futatsunohataraki Catechin Ryokucha

Product planning, development and research to match customer needs

ITO EN conducts product planning and development initiatives in line with customer needs, based on five essential product development concepts. Our products must be: natural, healthy, safe, delicious, and well-designed. ITO EN also has an employee voice scheme (Voice System), where employees can suggest product ideas, and a mechanism for reflecting the opinions of customers received by our customer consultations office into actual product development. We also aim to offer health-oriented value by paying care and consideration to nutritional aspects of product design.

Looking back over the history of product development at ITO EN, we have sought to achieve innovations to meet the needs of customers according to any given time, as represented by the world's first canned oolong tea and canned green tea; both created by ITO EN. By bringing these innovations to fruition as commercial products we have created new value.

In light of the recent increase in health awareness, we have been advancing a program of strategic research into the health-promoting properties of green tea, with a particular focus on the functional properties of the chemical catechin. 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 inimitable blending and production technologies; backed by our unique knowhow, and patent superiority not only in terms of numbers but also high-quality patents.

Using these research and development capabilities, ITO EN created and launched *Oi Ocha Koicha* (strong-tasting green tea), which contains twice the amount of catechin of ordinary *Oi Ocha Ryokucha* (green tea), and other health-oriented products such as those in the *Futatsunohataraki Catechin Ryokucha* Series, targeting people who are concerned about their body fat and cholesterol levels. The *Futatsunohataraki Catechin Ryokucha* series and other products have been approved as Food for Specified Health Use (FOSHU)*1 products.

"Food with Function Claims" *2 is another target field in which ITO EN is advancing its research and development activities, offering greater value to customers. We will continue to develop FOSHU and Food with Function Claims

products aside from green tea based on these R&D efforts.

Creating value utilizing local specialty products and through synergies with affiliate companies

In product development utilizing local regional specialty products, we create value by developing a combination of both nationwide deployment-type products and limited local region-only type products, which offer consumers a premium feel of being "locally produced for local consumption."

In its collaborations with affiliate companies, ITO EN utilizes synergy effects through strategic investment and links them to the creation of new brands; such as in the creation of its collaborative product *Asano Yoo* through the application of Chichiyasu Company's lactic acid bacteria technologies to ITO EN beverage development, and the development of TULLY'S COFFEE bottle-type canned coffee in collaboration with Tully's Coffee Japan Co., Ltd.

Appropriate labelling and displaying of information, etc.

ITO EN endeavors to ensure appropriate and easily-understandable labelling on its product packaging and in the informational content displayed in its advertisements, etc., in accordance with relevant laws and standards of conduct. In particular, we were pioneers in proactively displaying the production locations of raw materials on our products, ahead of other companies.

Additionally, we also pay care and consideration to our product lifecycles, such as by applying easy-peel labels with our containers. Through joint efforts with material

Products Utilizing Regional Specialty Produce

- Ise Kabuse Cha (Ise covered tea)**
 - Made using 100% *kabuse-cha* from Mie Prefecture ● Sold exclusively in the Tokai region (Mie, Aichi and Gifu Prefectures)
- Sayama Cha (Sayama tea)**
 - Made using 100% *sayama tea* produced in Saitama Prefecture ● Sold exclusively in Saitama Prefecture
- Hokkaido Tokibi Cha (Hokkaido corn tea)**
 - Made using 100% Hokkaido-produced ingredients (corn, brown rice, black soybeans, adzuki beans and water)
 - Sold exclusively in Hokkaido ● Awarded the 2015 Food Action Nippon Award
- Koubashii Jikabi Baisen Bo Houjicha (Fragrant direct-flame dry-roasted twig hojicha)**
 - Sold exclusively in the Hokuriku region (three prefectures)
- Instant Pack Aomori Apple Juice & Wakayama Tangerine Juice**
 - Straight apple juice made using 100% Aomori-grown apples (Aomori Prefecture boasts the top harvest volume for apples in all of Japan). The juice of freshly-picked apples is squeezed and inserted directly into instant packs.
 - Straight tangerine juice made using 100% Wakayama-grown tangerines (Wakayama Prefecture boasts the top harvest volume for tangerines in all of Japan). The juice of freshly-picked oranges is squeezed and inserted directly into instant packs.
- Others**
 - Other examples include *Ume no Miryoku* (made using Wakayama-grown *nankobai* plums), *Nihon no Kajitsu: Setouchi Lemon* (made using domestically-grown Setouchi lemons from Hiroshima and Ehime Prefectures), *Nihon no Kajitsu: Shinshusan Kyoho* (made using *kyoho* grapes from Nagano Prefecture), and *JIN JIN GINGER* (made using ginger juice from ginger grown in Kochi Prefecture).

Number of employee suggestions made based on the Voice System

(FY2016)
14,596

Number of employee suggestions awarded in-house prizes

(FY2016)
85



Contribution to SDGs: creating products with high health-promoting value

ITO EN is engaged in product development activities specialized towards soft drinks (particularly tea-type beverages) with a central focus on natural ingredients, and provides health-promoting value to a wide range of people through its products.

Percentage of all beverage sales accounted for by sugar-free and/or calorie-free products:

Approximately **70%**

A Team 88 planning meeting (refer to page 24)
 (From left) Wakana Sawada, T2020 Promotion Department, Ayaka Kubota, Finance & Accounting Department, Kaoru Une, Advertising & Promotion Department, Narumi Ogawa, Group Leader, CSR Promotion Department, Sachiko Igarashi, Tokyo Sales Promotion Department, Risa Tadenuma, CVS Sales Department 1, Yumi Shirono, General Affairs Department, Kyoko Kudo, Store Sales Department, Lu YAN FANG, Management Department, Marketing Division.

An ITO EN employee engaged in prototyping
 Keisuke Tomita, 2nd Development Dept.



Oi Ocha Fall Lovers Bottle with autumn leaves packaging

manufacturers, we have also developed a new fresh-cut bottle design to maintain our high standards of freshness in our green tea by protecting it from light, which is a major cause of degradation. These bottles are used as the containers for *Oi Ocha* green tea.

Creating value with product packaging

ITO EN's mega brand *Oi Ocha* also functions as a form of advertising media, in that displaying information on its packaging leads to increased levels of recognition nationwide. The utilization of this packaging is a method that has been built up by ITO EN over many years, such as with the ITO EN *Oi Ocha* New Haiku Contest, which has now been running for over 28 years. The total number of haiku entries received has now exceeded 30 million entries (cumulative total). In fall 2017, we will release a line of "Fall

Lovers Bottles" as a special autumn leaves edition of our packaging displaying 17 bittersweet love-themed haiku chosen from amongst the entries we receive, with a tagline that translates as "#fall is the season of love."

ITO EN applies these kinds of methods—utilizing intellectual property—in creating products that draw social empathy by introducing aspects of Japanese culture such as cherry blossoms and traditional local cuisine, and utilizes them as a source for creating shared value (CSV) by balancing both unrivaled social value and business value.

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

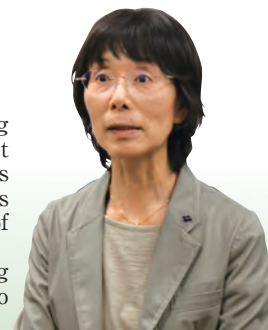
*2 Food with Function Claims: Food products for which notice has been given to the Consumer Affairs Agency regarding functional claims displayed on product packaging based on scientific basis, at the business operator's own liability.

Commitment Yuko Sagesaka,
 Executive Officer, Head of Central Research Institute

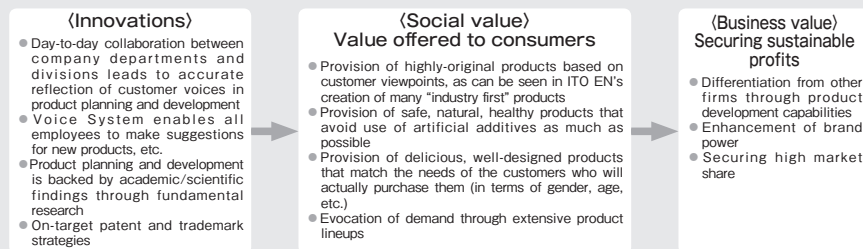


Our R&D policies are based on the Company's five concepts for product development. We are conducting research, focusing on three concepts: safe, healthy, and delicious. We believe that health is particularly important for enhancing the value of products in association with the question of what eating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

We are looking to advance research on palatable constituents and how palatability is felt, communicating the healthiness of green tea, among other beverages, from ITO EN to the world. Doing so we will enable us to contribute to various SDGs, including SDG goals **3** (health) and **9** (technological innovation).



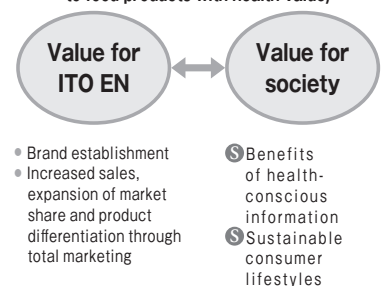
Processes for Creating Shared Value (CSV): Sustainable brand creation



Examples of package utilization through collaboration with stakeholders

- 100 Local Recipes**
 - A campaign introducing 100 local specialty dishes from rural villages around Japan (selected by the Ministry of Agriculture, Forestry and Fisheries (MAFF)) featured on *Oi Ocha* brand products with limited-edition fall season autumn leaves packaging.
- Famous Places to See Cherry Trees in Japan**
 - A campaign introducing 100 famous spots to view cherry trees around Japan (selected by the Japan Cherry Blossom Association) featured on *Oi Ocha* brand products with limited-edition spring seasonal cherry blossom packaging.

Creating Shared Value (CSV) (Research and announcement of findings relating to food products with health value)



Scientific research papers, etc., published or announced

Actual	7 (FY2016)
Target	8 (FY2017)

Everything is for that cup of tea.

Sales and Distribution



Rooted in the community and listening to the voices of customers

A sales network with an intimate understanding of customer needs

The source of ITO EN's marketing power is in its community-based route sales system. The system is comprised of approximately 4,000 sales personnel, who handle everything from product explanations to business negotiations and deliveries themselves. Valuing opportunities for direct contact with customers and providing a finely-tuned service catering to the various types of retail businesses is the key to our sales activities. The advantage of this system is that it enables us to gather and understand market information from a perspective that is closer to the customer's point of view, and to make use of up-to-date information obtained directly from the field. Utilizing various combinations of a diverse range of product lineups and product sizes developed using our product development capabilities, our sales persons in each region conduct effective sales operations across all areas of Japan; catering to the customer needs for easier product purchasing.

In addition to route sales, we have also established an effective framework that enables finely-tuned business negotiations to cater to the needs of various types of retailer, including business sales to major companies and distribution-based sales to convenience stores (CVS) and supermarket chains.

Another of ITO EN's advantages is that our Retail Division has established specialist stores at locations such as department stores and airports, enabling real-time market information collected at these locations to be fed back into our product development activities and so on. (There are currently 177 such stores nationwide.)

Ai Morita, Shop Sales Department



Masaru Watanabe, Group Leader, Katsushika Branch



Maintaining relationships with existing customers, and developing relationships with new customers

Using its community-based sales (centering around route sales) and business-type-specific sales networks, ITO EN provides value to consumers through its products while at the same time valuing the importance of staying in contact with its customers, using these activities to maintain relationships with existing customers and develop new relationships with new customers. Working under a unified sales policy determined by our head office, our regional sales offices carry out sales activities in line with local market trends, seeking to maximize sales and profits while at the same time paying care and consideration to the environment, such as by introducing eco-drive/low-pollution vehicles and proposing the installation of environmentally-conscious vending machines.

Creating shared value (CSV) in local communities

As a community-based company, ITO EN works to create value together with local communities through its core business. Referring to SDG goals such as SDG 11 (sustainable urban development), we have formulated the ITO EN Basic Policy for Promotion of the Development of Communities, Human Resources and jobs, and are working to tackle social issues by implementing CSR and CSV activities leveraging our core business operations.

Tea professionals who have gained qualifications through our in-house Tea Taster System serve tea at instore tea events held at mass retailers, contributing to sales promotion.

Our "Making Japan Beautiful Through Tea" and "Making Lake Biwa Beautiful Through Tea" projects are both

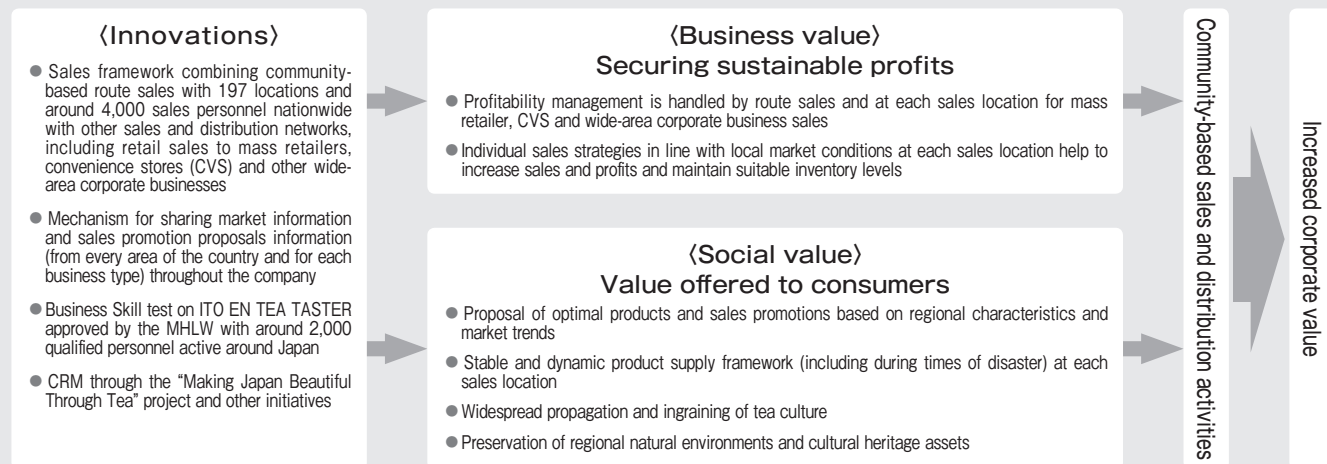


A specialist shop in Tokyo



Sayuri Toyama, Store Manager, Department Store Department 1

Processes for Creating Shared Value (CSV): Community-based sales and distribution activities



* CRM (Cause Related Marketing): A method of marketing that aims to increase sales of products and services and improve corporate image by appealing to consumers about the links between products and services and the social contributions made by the company.

Vending machine for donations to Ogyaa Donation Foundation
 For more details, please visit
 ▶ <http://www.itoen.co.jp/csr/community/vender01/>



initiatives related to our core business that support the conservation of nature (including water) and Japanese culture. In 2015, ITO EN received the Japan Water Prize's Minister of Economy, Trade and Industry Award, increasing the level of nationwide recognition for these projects and solidifying their status as assets to our community-based sales activities in the future. They are also a form of cause related marketing (CRM*) in which we seek to resolve social issues through our sales activities, and are developing into a foundation for marketing activities that enable us to make maximum effective use of the strengths of our nationwide

network of sales offices while at the same time contributing to the resolution of local community issues.

Vending machines represent an important sales route for ITO EN, and we are currently engaged in efforts to raise the level of revenues per machine, with an emphasis on securing prime locations. In addition to ensuring thorough care and consideration for the environment in terms of machine technology aspects, we are also seeking to differentiate ourselves from other firms by placing vending machines—in collaboration with our stakeholders—that are equipped to continue running even in the event of a disaster (numbers of these have exceeded 10,000 units nationwide as of July 2017); and vending machines that contribute to society, from perspectives such as communities and human rights.

In order to achieve more widespread recognition and utilization of its disaster-ready and social-contribution type vending machines in society, ITO EN has 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.



*"Making Japan Beautiful Through Tea" and "Making Lake Biwa Beautiful Through Tea" Projects (cooperative partners in all 47 prefectures)
 Through these initiatives, ITO EN donates a portion of all *Oi Ocha* beverage product sales to the environmental conservation and development activities around Japan. ITO EN employees also participate in these conversation and development activities.

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

Commitment

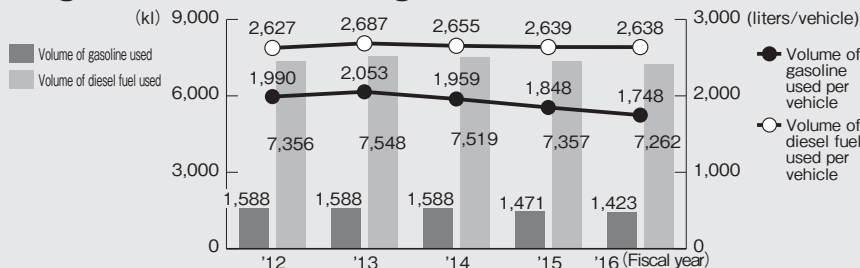
Shusuke Honjo,
 Executive Vice President and Representative Director

We will aim to increase our profitability by promoting the product strategy of strengthening sales of differentiated products and high value-added products in tandem with the use of our proposal capabilities during meticulous sales visits based on the community-based sales system. ITO EN's route sales system has the strength of a community based presence. Its integrated sales activities encompass direct visits to sales by approximately 4,000 sales persons from 197 sales bases nationwide, sales negotiations, and the planning of sales floors. Moreover, our Tea Taster System (please refer to page 37 to 38) provides additional depth to our sales promotion activities, and our Voice System (please refer to page 19) has a track record of receiving more than 14,000 cases of employee proposals annually. These systems indicate that we at ITO EN value the concerns of our customers.

Going forward, we will continue to observe consumption trends in Japan and overseas, including movements related to the Tokyo Olympic and Paralympic Games in 2020 and inbound tourists to Japan from overseas. In addition, in response to the government's call for regional revitalization, ITO EN will further reinforce its contact with local communities and polish its sales capabilities with mobility by keeping up with the latest developments. These efforts relate not only to SDGs 9 (industrialization and technological innovation) and 12 (responsible production and consumption) but also make wide-ranging contributions in other areas, such as the environment and education.



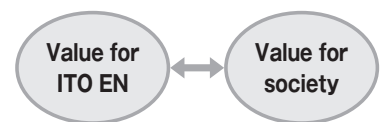
Progress in vehicle fuel usage



S Social benefits	E Environmental benefits
<ul style="list-style-type: none"> Number of activities conducted by qualified Tea Taster to spread knowledge about how to make tea and tea-related culture: 1,238 sessions (FY2016) 	<ul style="list-style-type: none"> Amount donated through the "Making Japan Beautiful Through Tea" project: 37.2 million yen* (FY2016)
<ul style="list-style-type: none"> Number of disaster response-ready vending machines: 9,240 units (FY2016) * Has exceeded 10,000 units as of July 2017 	<ul style="list-style-type: none"> Percentage of low-pollution vehicles introduced as sales vehicles: 87.5% (FY2016) Number of customers participating in environmental conversation activities through the "Making Japan Beautiful Through Tea" project: 3,033* (FY2016) Percentage of heat pump type vending machines installed: 86.5% (FY2016)

* Includes the "Making Lake Biwa Beautiful Through Tea" project.

Creating Shared Value (CSV)
 ("Making Japan Beautiful Through Tea" Project)



- Increased sales and expanded market share through added value
- Encouragement of eco-friendly lifestyles and promotion of environmental conservation activities

Number of prefectures where activities were conducted

Actual	FY2015 34 prefectures FY2016 47 prefectures*
Target	FY2017 Continuation of activities in 47 prefectures*

* Includes the "Making Lake Biwa Beautiful Through Tea" project.

Everything is for that cup of tea.



Foundation that underpins creation of value

In addition to corporate governance, the foundation that underpins ITO EN's creation of value also includes other elements such as respect for human rights, human resources management, and finance management. Our initiatives concerning human rights and human resources management are as follows.

Initiatives concerning respect for human rights

The ITO EN Group has established an ITO EN Group CSR Charter, which sets forth key principles such as not discriminating on the basis of gender, age, ethnicity, race, religion or beliefs; and is working to ensure that these principles are thoroughly ingrained in (and carried out by) its employees.

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

Human resources management and creating a comfortable working environment

The ones that actually implement the ITO EN Group's management principle of "Always Putting the Customer First," generate growth and create innovation are the Group's human resources. At ITO EN, we are advancing a system of human resources management that enables us to cater to diverse working styles, create a worker-friendly working environment (i.e. decent working conditions and work-life balance), and implement human resources development and employee health management.

In terms of our personnel system, we evaluate and reward our employees based on performance. In order to promote a healthy work-life balance and implement work style reform, major indicators such as overtime, rate of paid holiday usage and support for next-generation development are checked at monthly executive boards, and linked on to improvements by other organizational structures such as our Personnel System Improvement Committee. In terms of human resources development, we have built an education and training system that develops employees' abilities, established our own self-improvement system known as ITO EN Business College & ITO EN Graduate School, and are investing our energies into the development of human resources who will play key roles in the next generation of business management. So far, these schemes have produced over 10,000 graduates. We have also established the Business Skill test on ITO EN TEA TASTER to aid in the training

and development of tea professionals (see pages 37-38), and are working to develop global human resources through our overseas training scheme.

Diversity and improving the working environment

ITO EN makes every possible effort with regard to employee health and safety, working towards a goal of zero work-related accidents. In addition to holding meetings of our group-wide Health & Safety Committee, which formulates group-wide policies and goals, individual sales locations also hold their own health/hygiene committee and health & safety committee meetings to discuss (and advise the company regarding) measures for maintaining and improving employee health, educating employees regarding health and safety-related issues, and preventing possible danger.

We are also investing our energies into promoting workplace diversity, and have taken concrete action to do so. In its action plan based on the newly adopted Act of Promotion of Women's Participation and Advancement in the Workplace (April 1, 2016 - April 30, 2019), ITO EN set three goals; for implementing educational training for female employees and other employees to involve them in business activities, enhancing interpersonal networks between fellow female employees, and reducing overall overtime hours by 10%. With respect to employment of people with disabilities, too, ITO EN has recruited in excess of the standard hiring rate, and is working to promote greater understanding amongst employees.

We have also established the in-house CSR Grand Prize award scheme, which awards exceptional examples of social contribution as a mechanism for recognizing social contribution activities, with the aim of increasing the capabilities of ITO EN Group employees to respond to the needs of society.



* In FY2016, the CSR prize was awarded to two projects for the Promotion of Female Employee Planned Projects: "The 2nd Women in Other Business Areas Project" (carried out in collaboration with the ISETAN Shinjuku department store) and "Team88" (carried out by female volunteers within the company).

Human Resources Management

- Work skills qualification schemes
- Career development plan
- ITO EN Business College & ITO EN Graduate School
- Reducing overtime
- Improving the rate of paid holiday usage
- Promoting a healthy work-life balance
- Thorough implementation of "Always Putting the Customer First"
- Training ITO EN TEA TASTER
- Promoting active roles for female employees
- Promoting employment of disabled people
- Development of global human resources

Human resources development

Work style reform

Thorough implementation of ITO EN's philosophy

Promoting diversity

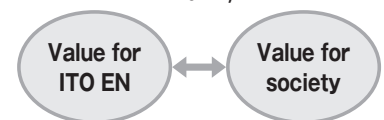
Decent working conditions

Increased productivity

Creation of innovations

Increased corporate value

Creating Shared Value (CSV) (Increasing the number of qualified ITO EN TEA TASTER)



- Revitalization of the green tea market, enhanced sales and distribution capabilities through ITO EN tea professionals
- Widespread propagation and passing on of Japanese traditions and tea culture

Numbers of qualified ITO EN TEA TASTER

Actual	FY2017 2,102 (cumulative)
Target	FY2018 Increase in qualification holders

* Number of qualification holders displayed is for May.

S Social benefits

- Number of qualified ITO EN TEA TASTER: 2,102 (FY2017)
- Number of graduates from ITO EN Business College & ITO EN Graduate School: 710 (FY2016)
- Employment rate for people with disabilities: 2.11% (FY2016)
- Return rate for employees after childcare leave: 100% (FY2016)

An ITO EN Business College seminar



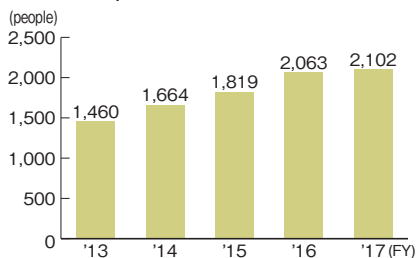
Explanations of matcha (powdered green tea) by ITO EN employees
(Left) Narumi Ogawa, Group Leader, CSR Promotion Department
(Center) Michiko Yamanaka, Manager, 3rd Mass Retailer Sales Department



An explanation of how to make and serve tea to foreign-based clients (in English)
Yumi Takeda, Group Leader, T2020 Promotion Department

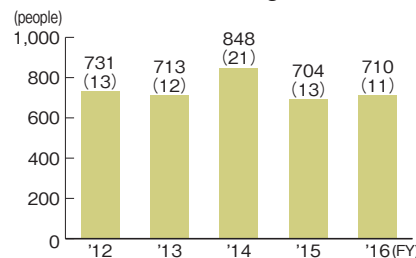


Number of qualified ITO EN TEA TASTER



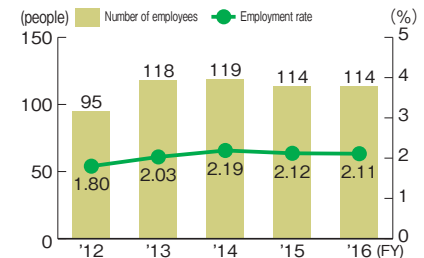
* Numbers of qualification holders quoted for each fiscal year are figures for May.

Number of ITO EN Business College & ITO EN Graduate School graduates



* Figures in brackets are numbers of ITO EN Graduate School graduates.

Numbers and employment rate for people with disabilities



* Numbers of employees quoted for each fiscal year are figures for the end of March. Employment rates are for April - March.

Commitment

Atsushi Hirata,
Managing Executive Officer and Manager of Administration Division



Respect for human rights is one of the basic principles of corporate management. Promoting human resources development and work style reform enables us to increase productivity and create innovation, and makes ITO EN a more comfortable place to work. By developing an attractive working environment for human resources who not only possess business knowledge but also understand ITO EN's philosophy and way of thinking, we hope to continue producing human resources who will help to enable continuous growth for the Group.

These kinds of value creation processes lead to recognition such as in our receipt of the Porter Prize and selection by *Fortune* magazine, support our value chain, and contribute to SDGs including goals 8 (creating a worthwhile working environment), 4 (high-quality training and education) and 5 (gender equality).

While supporting workplace diversity and diverse working styles presents many challenging issues, we will continue to pursue our policy of human resources management and work proactively to manage the health and wellbeing of each and every ITO EN employee.



Topics 2016 In-house CSR Grand Prize Winners
Participation in the St. Patrick's Day Parade Tokyo 2017 by Team88*



* Team88 (The team name is pronounced "Team Happa" meaning "Team Leaves" in Japanese)
The name connotes the 88th day of spring (the peak time for tea picking), and the image of (tea) leaves.
The team was created by 13 female volunteers within the company, with the aim of communicating the appeal of tea," says Yoshie Inoue (center) of the Sales Promotion Department.

The St. Patrick's Day Parade Tokyo has been held every year since 1992, and is Japan's biggest Irish event. Ireland is one of the few countries around the world that consumes significant quantities of black tea, and its national symbol is a green clover. ITO EN aims to become a "Global Tea Company," and shares a common point with Ireland in that its corporate logo is also a green clover. ITO EN has participated in the parade since last year; with 89 employees participating and appealing to spectators about the international attraction of ITO EN and *Oi Ocha*, wearing green clothing based around an *Oi Ocha* PET plastic bottle motif.

- Organizer: Irish Network Japan Tokyo Parade Committee
- Supported by: Embassy of Ireland in Japan, Shibuya City, Harajuku Omotesando Keyaki Association (Shopping District Promotion Union)



Scenes from the St. Patrick's Day Parade Tokyo 2017

Comment **Anne Barrington,** Ambassador of Ireland in Japan



"I really appreciate ITO EN's participation in St. Patrick's Day Parade. I am hoping that we continue to build good relations through our unique and special links to the colour 'green!'"

Everything is for that cup of tea.

ESG in our value chain

Creating value: from tea plantations to used tea leaves

○ : ITO EN value **E** : Environmental value
S : Social value **G** : Governance



Procurement

High capability to procure crude tea

- Stable, high-quality raw ingredient procurement capabilities with the advantage of large-scale operations
- S** Increases consumption of domestically-produced raw ingredients and revitalization of the green tea market



The Tea-Producing Region Development Project

- Increases quality of crude tea and stable procurement of raw ingredients
- Cost reductions
- Mechanization and IT solutions in agriculture
- E** Promotion of environmental conservational agriculture
- S** Improves food self-sufficiency ratio and measures against abandoned farmland
- S** Revitalization of local communities



Production and Logistics

Fabless Method

- Reduces capital investment costs and adjustment of production volumes to match demand
- S** Outsourced beverage production companies: stable business management achieved through orders received

NS System

- Product differentiation and cost reductions through high quality
- E** **S** Contribution to sustainable society and environment
- E** Widespread popularization of resource- and energy-saving products
 Consumers: purchase environmentally friendly products

Used Tea Leaves Recycling System

- Cost reductions through conservation of resources and recycling
- Improves corporate image through consideration for the environment
- E** Advancement of environmental conservation and new lifestyles
 Consumers: purchase environmentally friendly products

Quality Control System

- Increases brand value
- S** Safety and peace of mind for consumers



Block Production and Logistics Systems

- Reduces logistics costs and enables speedy supply of products
- Achievement of community-based area marketing
- E** Consideration for the environment and distribution/dispersal of inventory and logistics management



Foundation that underpins creation of value



G Corporate governance

G Risk management

G Compliance



Commitment

Hidemitsu Sasaya,
 Managing Executive Officer and Manager of CSR Promotion Department



At all stages and in all aspects of its value creation chain—from procurement, through production and logistics, product planning and development to sales and distribution—ITO EN creates value for not only itself as a business, but also in terms of environment **E** and social **S** issues. It is also working to enhance its governance **G** which is the foundation that supports the creation of value. We have organized our entire value chain in relation to the SDGs. It is our understanding that this is the source of ITO EN's advantage in creating new value through collaboration with its stakeholders.

ITO EN listens to the opinions of its stakeholders to identify and continuously review key issues (materialities) in business management, and utilizes them in its management activities. In the following table, key issues at each stage of the value chain are displayed in bold, green text. Values for ITO EN are indicated by white circles, while environmental aspects, social values and governance aspects are indicated respectively by the letters **E**, **S** and **G**.

Product Planning and Development

Product Development Capabilities (FOSHU, etc.)

- Product differentiation through high added-value products
- S** Provides health value to a wide range of customers



A Wide Range of Products

- Expansion of the beverage market, business negotiations with major distributors and flexible response to consumer needs
- S** Provide beverages that cater to diverse needs

Patent and Trademark Strategies

- Differentiation from other firms' products, improved brand power (measures against damage to brand), and ensured competitiveness
- S** Contributes to measures to combat counterfeit/forged products



Sales and Distribution

Route Sales

- Securing new customers and strengthening relationships with existing customers
- Improved potential customer management and customer satisfaction
- S** Supplying products in all areas of Japan through community-based sales
- E** Introduction of environmentally friendly vehicles
- E** Collection of empty containers
- E** Recycling of all empty containers by outsourced recycling partners



Retailers

- Securing new customers and strengthening relationships with existing customers
- Improves potential customer management and customer satisfaction
- S** Preservation and passing down of tea culture and tradition

The Tea Taster System

- Revitalization of the green tea market, enhanced sales and distribution capabilities through ITO EN tea professionals (qualified ITO EN TEA TASTER)
- S** Widespread propagation and passing on of Japanese traditions and tea culture

Oi Ocha New Haiku Contest

- Increases sales and market share through added value
- S** Contributes to promotion of Japanese traditional culture and school education

"Making Japan Beautiful Through Tea" Project

- Increases sales and market share through added value
- E** Promotes environmentally friendly lifestyles and encourages environmental conservation activities



Towards becoming a "Global Tea Company"

S Supply chain management

S Respect for human rights

S Human resources management

S Finance management

Voice of an Expert

Professor Takashi Nawa,
Graduate School of International Corporate Strategy, Hitotsubashi University

In addition to pursuing economic value, ITO EN aims to create new social value at every stage of its value chain. For example, it aims to revitalize rural regions through its domestic raw ingredient procurement activities such as by transforming abandoned farmland into new tea plantations; develops safe and health-friendly products; and seeks to propagate tea culture and Japanese tradition through initiatives such as its Tea Taster System and the *Oi Ocha* New Haiku Contest.

Moving forward, there are expectations for ITO EN to expand these kinds of activities to a more global scale, as a standard bearer for Japanese-style CSV (creating shared value).



Everything is for that cup of tea.

Creating value with vegetable and coffee beverages

In addition to its green tea beverages, ITO EN is also creating value with other beverages. With our vegetable drinks, we are creating both environmental and social value at every stage of the value chain, and contributing to the achievement of the Sustainable Development Goals (SDGs).

Catering to health-conscious consumers

The history of ITO EN's vegetable drinks is also one of innovation. In 1992, ITO EN began catering to the needs of health-conscious consumers with the launch of its carrot-based *Jujitsu Yasai* vegetable drink. Since then, we have continued to create new value with our vegetable-based beverages. On the raw ingredient procurement front, in 1999, we launched a program of carrot research in search of the tastiest, most nutritious and most ideal carrots for use in our vegetable drinks. As a result of the comparative cultivation and processing evaluation of around 50 different varieties of carrot, we eventually selected the *Shui* variety (in 2006).

We also pay particular attention not only to our raw ingredients but also to our production processes. Using our proprietary Natural Sweetness Production Method*, which also improves absorption of β -Carotene, we draw out the natural sweetness and bright coloring of our carrots to create delicious easily-drinkable beverages.

ITO EN has also expanded its use of contracted cultivation for the raw ingredients in its vegetable beverages to include other vegetables aside from carrots, such as mulukhiyah (moroheiya) and spinach; which are used as raw ingredients in our *Jujitsu Yasai* and *Ichinichibun-no-Yasai* ("one day's worth of vegetables") vegetable drinks. We have also ensured traceability in our other vegetable ingredients, including those produced overseas.

In this way, through value created through our value chain, we deliver healthy, safe and delicious products to our customers.

* Natural Sweetness Production Method: First, the carrot tops are removed, and the carrots are peeled. The grassy smell is removed, and the carrots are then blanched (boiled) and finely grated to remove the "scummy" constituents, leaving the natural sweetness of the carrots. (Method Patent No. 3771919)



- Stable procurement of raw ingredients
- Differentiation of products from those of other firms

- Provision of healthy beverages
- Safety and peace of mind for consumers

▼ Main raw ingredient carrot variety "Shui"

The three distinctive features of the *Shui* carrots are that they (1) contain around 1.5 times the amount of β -Carotene contained in typical carrots, (2) are around 1.1~1.3 times sweeter, and (3) contain minimal amounts of scum. *Shui* carrots have also been recognized by specialists, such as in their selection in First Place in the "Carrots - Raw and Steamed" category at the 5th Japan Vegetable Sommelier Association Summit—a gathering of vegetable experts—in 2011.



Vegetable drinks: Developing environmentally-friendly paper containers

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 vegetable-based 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. The development and adoption of this eco-container has led to the receipt of seven awards giving recognition for a wide range of aspects, including environmental, lifestyle, recycling-based society and universal design aspects.



- Cost reductions through conservation of resources and energy-saving

- Widespread popularization of resource- and energy-saving products
- Purchase of environmentally-friendly products

▼ (Brick-shaped aluminum-free paper pack-type drink container)

- Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2016)
- Prize of the Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry in the Japan Packaging Competition (2015)
- Green Purchasing Award (Judges' Honorable-Mention Award) (2015)
- Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for Promoters of the 3Rs(2014)
- Japan Packaging Contest (Drink Packaging Category Prize) (2014)
- IAUD Award (Prize Winner) (2014)
- Eco Products Awards Promotion Committee Chairman's Prize, Award for Excellence) (2014)

Vegetable-related beverages Creating



Procurement

Contracted Cultivation

- Stable procurement of raw ingredients (carrots, etc.)

Quality Management System for Safety & Peace of Mind

- Ensures traceability
- Establishment of an import inspection & testing system



Production and Logistics

Fabless Method

- Reduces capital investment costs and enables adjustment of production volume to match demand

Aluminum-Free Paper Pack Containers

- Product differentiation through high added-value products

Block Production and Logistics System

- Reduces logistics costs and enables speedy supply of products

Natural Sweetness Production Method

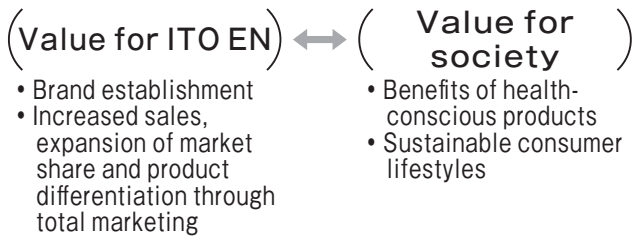
- Unique production method chosen to match the raw ingredients used



Everything is for that cup of tea.

Healthy and sustainable consumption

ITO EN is currently increasing the number of vegetable drink variations that it offers, including *Ichinichibun-no-Yasai*, *Riso no Tomato* (“ideal tomato”) and *Mainichi Ippai no Aojiru* (“one glass of green juice a day”). In response to the needs of health-conscious consumers, we have also developed *Jujitsu Yasai Vegetable & Fiber*; a FOSHU-certified vegetable drink that uses the action of dietary fiber to settle the stomach. ITO EN also promotes voluntary display of production regions for its raw materials on its vegetable drinks, and cooperates with the Nutrition Day and Nutrition Week initiatives established by the Japan Dietetic Association (JDA).



With its long-selling *Jujitsu Yasai* (which has now marked its 25th anniversary), ITO EN is working to improve nutrition for children around the world by participating in the United Nations World Food Programme (WFP)'s Red Cup Campaign, and supporting the School Meals Program for developing nations.



Creating value through coffee

In the coffee beverages field, ITO EN has created a new drink format in the form of Tully's brand bottle-type canned coffee, in collaboration with Group company Tully's Coffee Japan Co., Ltd. (Tully's Coffee Japan). This has now become the No. 1*1 coffee brand in the 400ml bottle-can category, with sales exceeding 10 million cases. This has led to the creation of shared value, for ITO EN in terms of the expansion of its lineup with the inclusion of coffee beverages, for Tully's Coffee Japan in terms of increased recognition, and for consumers by the creation of new added value through the delivery of coffee shop flavor in the canned coffee format.



In addition to this, Tully's Coffee Japan is also contributing to the development of picture book authors with its Picture Book Awards, holding picture book story-time classes at some of its coffee shops, and donating a portion of picture book sales to educational support programs for children in developing countries run by Save the Children Japan (an NGO that helps children around the world).

Tully's Coffee Japan also recycles used coffee beans from its stores for use in business cards and envelopes, and uses environmentally-friendly silverskin-composition paper napkins (made using the skin of the coffee beans themselves, also called silverskin or chaff**2) in its stores.

*1 In the 400ml bottle-can market between January and December 2016. (ITO EN's 400ml bottle-can products contain 390ml and 370ml of beverage.) (Share by SCI monetary amount.)

**2 Silverskin/chaff: the thin skin of the raw coffee beans that is removed during the roasting process.



value through our value chain

Product Planning and Development

Product Development Capabilities (FOSHU, etc.)

○ Product differentiation through high added-value products

A Wide Range of Products

○ Expansion of the beverage market, business negotiations with major distributors and flexible response to consumer needs

Patent and Trademark Strategy

○ Differentiation from other firms' products and improved brand power

Appropriate Disclosure of Information

○ Labelling with production regions for raw ingredients

○ Provision of health-related information



Sales and Distribution

Route Sales

○ Securing new customers and strengthening relationships with existing customers

Collaboration with the Japan Dietetic Association (JDA)

○ Sampling by 100,000 people during Nutrition Week

Partnership with the United Nations World Food Programme (WFP)

○ WFP Red Cup Campaign



Developing and strengthening brands

—Proposing healthy and fulfilling lifestyles through beverages—

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



Leaf tea products

Easy and convenient products, including the premium tea bag series



Kenko Mineral Mugicha (Healthy Mineral Barley Tea)

Barley tea beverages for proper hydration and minerals



TULLY'S COFFEE

Brand enhancement through group synergies



Brand strategy

1. Bolster sales of flagship brands, with a central focus on *Oi Ocha*
2. Expand linked sales of tea leaf products and drinks

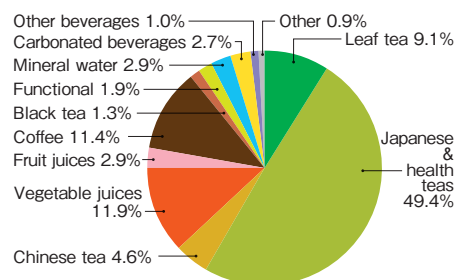
Flagship Drink Brands

Oi Ocha	Increase market share with full product lineup	Ichinichibun-no-Yasai	Encourage drinking and enhance consumer appeal about nutritional value
Kenko Mineral Mugicha	Develop consumer appeal about caffeine-free and mineral content	TULLY'S COFFEE	Further enhance and strengthen brand with expanded product lineup

Leaf Tea Products

Leaf tea	Increase demand with tea awareness-raising activities	Tea bags	Encourage introduction by developing more varieties	Instant tea	Cater to changing lifestyles
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Percentage of total sales by category (ITO EN only)



Total net sales: **371,831 million yen**
(actual sales for the fiscal year ended April 2017)

For more details concerning ITO EN brands, please refer to the following website.
<http://www.itoen.co.jp/brand/>



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

Since the birth of the *Oi Ocha* brand in 1989 sales have continued to grow, with total cumulative sales exceeding 10 billion in 2006, 20 billion in 2011, and 30 billion in 2017. (Sales figures converted to 500ml PET plastic bottle size units).

Moving forward, by appealing to consumers through advertisements and in-store promotions about the good match between *Oi Ocha* and *washoku* (traditional Japanese cuisine and dietary culture)—which was listed as an item of Intangible World Heritage of Humanity by UNESCO in 2013—and by proposing new ways of enjoying green tea as part of a seasonally-rich dietary lifestyle, ITO EN will seek to further increase the value of *Oi Ocha* as the No.1 tea beverage brand, accelerate its global expansion, and aim to achieve annual sales in excess of 100 million cases.



Vegetable beverages

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



TEAs' TEA

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



Other brands



Commitment

Mitsuo Yashiro,
Executive Managing Director



For sustainable growth, we need to study customer needs thoroughly and work to meet them. Customer needs do not necessarily change with the times. However, the ways that the needs are met do change. We will work not to miss those changes, but understand them and respond to them promptly. There are useful clues to product development and innovations in continuity and change. To establish the business foundation for continued growth, we need to build a system to create competitive advantages. We have opportunities to unite beyond departmental boundaries, such as large tea parties. This is one of our strengths. In this way, by utilizing our strengths and originality in ways that other firms cannot, we are working to provide additional value for customers and make a greater contribution to society by contributing to SDG goals **3** (health) and **9** (technological innovation).



Establishment of the **ITO EN** brand

—The challenge of becoming a “Global Tea Company”—

By applying the “From Tea Plantations to Tea Leaves” business model that it has developed in Japan on a global scale, the ITO EN Group aims to become a “world-class tea producer”, providing new value to customers and society through its ITO EN brand, encouraging healthier, more enriched dietary lifestyles, and promoting them as a feature of Cool Japan.

Overseas brand strategy

Strengthening and expanding the *Oi Ocha* brand

- Consistent product label design
- Local/native language labelling on packaging

Bolstering sales of leaf tea

Deploying products that cater to regional characteristics



Selling *Kiyora*, a tea beverage, in Indonesia



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

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

China



A scene showing the new tea plantation business



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

Southeast Asia

Australia

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



Shanghai



Hong Kong



Taiwan



Korea



Australia

Topics Increasing popularity of *Matcha* (powdered green tea) amongst inbound consumers and expanding exports

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.



Saryo ITO EN café inside Haneda Airport's International Passenger Terminal



ITO EN store inside New Chitose Airport's International Passenger Terminal

MATCHA GREEN TEA



Tea bags geared towards the Chinese market



Tea bags



Powdered tea



America

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

From *ITO EN* in Japan to *ITO EN* around the world



Singapore



Thailand



Indonesia

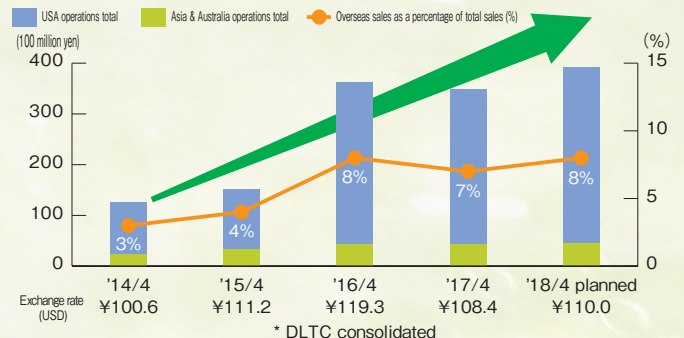


North America

Progress in overseas expansion

United States	Hawaii (1987~)
	New York (2001~)
China	Fujian (1987~)
	Zhejiang (1994~) Shanghai (2012~)
Oceania	Australia (1994~)
Southeast Asia	Southeast Asia (2012~) (Singapore, Thailand, etc.)

Overseas business sales and percentage of total sales



Societal recognition

All aspects of ITO EN's activities, including its business management in general, from procurement to distribution, have gained external recognition (the following table shows the honors received* in the past few years). It is our understanding that these honors are linked to recognition of our activities with respect to the various aspects of ESG (i.e. environmental, social and governance).

	Categories	Awards
Overall	Overall management E S G	<ul style="list-style-type: none"> ● Porter Prize (2013) ● Expansion of Individual Investors Award (2004) ● Disclosure Award (2004, 1999)
	Continuous improvement of CSR activities E S G	<ul style="list-style-type: none"> ● Environmental Communication Award (Outstanding Performance Award) (2016, 2015) ● JAPAN FOOD JOURNAL CO., LTD. Award (Food Safety, Security, and Environmental Contribution Award) (2014)
	Overseas diffusion G	<ul style="list-style-type: none"> ● Prize of the Minister of Agriculture, Forestry and Fisheries for the Overseas Promotion of Japanese Food (2013)
Procurement	The Tea-Producing Region Development Project E S	<ul style="list-style-type: none"> ● Chief Judge's Prize at the 4th Food Industry Mottainai Awards (2017) ● Prize of the Minister of Agriculture, Forestry and Fisheries in the Leading Companies in Food Industry Award (2016) ● Nikkei Social Initiative Award for the Corporate Sector (2015) ● Grand Prize for Research and Development (New Technology Sector) in the Food Action Nippon Award (2013) ● Prize of the Minister of Agriculture, Forestry and Fisheries in the Eco Products Award (2008)
Production and Logistics	New eco-friendly beverage carton E	<ul style="list-style-type: none"> ● Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2016) ● Prize of the Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry in the Japan Packaging Competition (2015) ● Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for Promoters of the 3Rs (2014)
	NS System E	<ul style="list-style-type: none"> ● Environmental Performance Award (Outstanding Performance Award) (2015) ● Prize of the Director-General of the Food Industry Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries in the Food Industry Mottainai Award (2015) ● Prize of the Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry in the Circular Resource Techniques and Systems Award (2014)
Product Planning and Development	Used Tea Leaves Recycling System E	<ul style="list-style-type: none"> ● Silver Prize in the Eco Mark Award (2015) ● Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for Promoters of the 3Rs (2013) ● Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2011) ● Prize of the Minister of the Environment for Global Warming Prevention Activity (Technology Development and Product Division) (2006) ● Prize of the Minister of Agriculture, Forestry and Fisheries in the Eco Products Award (2005)
Sales and Distribution	"Making Japan Beautiful Through Tea" and "Making Lake Biwa Beautiful Through Tea" E	<ul style="list-style-type: none"> ● Prize of the Excellence Award of The Japan Awards for Biodiversity (2015) ● Prize of the Minister of Economy, Trade and Industry in the Japan Water Prize Award (2015)
	Oi Ocha New Haiku Contest S	<ul style="list-style-type: none"> ● Encouragement Prize of the Review Board of the Ministry of Education, Culture, Sports, Science and Technology for the Recognition of Enterprises for Their Support of Young People's Activities (2015) ● Grand Prize for the Marketing and Communication Sector in the PR Award Grand Prix (2014)
	Relax PEACH Lemongrass Green Tea Rooibos Tea Oi Ocha Ryokucha (Green Tea) S	<ul style="list-style-type: none"> ● Gold Prize in the FOOD EX Gourmet Beauty Grand Prix (2017) ● Silver Prize in the FOOD EX Gourmet Beauty Grand Prix (2015) ● Gold Prize in the FOOD EX Gourmet Beauty Grand Prix (2014) ● GOOD DESIGN LONG LIFE DESIGN AWARD (2011)

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

ITO EN Selected in *Fortune's* “50 Companies That Are Changing the World”

』（September 2016 Issue）

ITO EN was selected as one of business magazine *Fortune's* “50 Companies That Are Changing the World” (in the September 1, 2016 issue). ITO EN was selected in 18th place, making it the highest ranking of the two Japanese companies featured in the list.

The “50 Companies That Are Changing the World” ranking began in 2015, and 2016 was the second time that the list had been compiled. In compiling the ranking, *Fortune* selects companies in various fields from countries all over the world that have resolved social issues through their business operations, and linked those solutions to real business results. Companies are evaluated based on the following three viewpoints.

1. Measurable social impact
2. Business results
3. Degree of innovation

ITO EN was recognized for its Tea-Producing Region Development Project, its Used Tea Leaves Recycling System, and various other unique initiatives through which ITO EN is working to resolve social issues through its business operations, as part of its management strategy.

The Tea-Producing Region Development Project was recognized as an initiative that seeks to revitalize local communities and resolve social issues—such as the problem of abandoned farmland and the shortage of agricultural business successors—by increasing food self-sufficiency, facilitating stable farm management and creating employment opportunities by the establishment of new tea plantations through the utilization of abandoned farmland. The Used Tea Leaves Recycling System was recognized for the development of new recycling methods for used tea leaves (aside from conventional uses such as fertilizer and animal feed), giving used tea leaves new life as a useful and effective resource.



For more details, please see the *Fortune* website (in English).

▶ <http://fortune.com/change-the-world/2016>

Porter Prize Winner ITO EN's Competitive Strategy

ITO EN received the Porter Prize* in 2013. The Porter Prize is a prize that was established to commend companies displaying excellence in their competitive strategies, with the purpose of increasing the competitiveness of Japanese companies. The prize is named after Professor Michael E. Porter of Harvard University, who is a leading expert on theory of competitive strategy.

ITO EN was awarded the prize for its consistent strategy, its provision of unique value, the unique value chain created through each of its business processes, and the synergy effects generated by the combination of its various activities.

Professor Porter is an advocate for the concept of creating shared value (CSV) with the aim of simultaneously resolving both social and economic issues through corporate business activities. ITO EN is taking advantage of its receipt of the Porter Prize to accelerate its CSV initiatives, making strategic efforts towards all aspects of the following three approaches: (1) shaping industrial accumulation, (2) reviewing and revising its value chain, and (3) improving its products and services.



A photograph taken at the awards ceremony at Hitotsubashi Auditorium (Chiyoda-ku, Tokyo) on December 5, 2013
(Left) ITO EN President Daisuke Honjo, (right) Professor Michael E. Porter

* The Porter Prize is run by the Graduate School of International Corporate Strategy, Hitotsubashi University



Special
Interview

Hopes for Flagbearer a Culture-

— A new foundation

Masanori Aoyagi

Former Commissioner for Cultural Affairs
Honorary Professor at the University of Tokyo
Director, Yamanashi Prefectural Museum of Art

With the 2020 Tokyo Olympic and Paralympic Games just a few years away, towards its goal of becoming a Global Tea Company, ITO EN will play a key culture. ITO EN contributes to the creation of cultural legacies through its core But how will ITO EN link these capabilities to the creation of a competitive Former Commissioner for Cultural Affairs, Honorary Professor at the University Aoyagi (left) spoke with ITO EN Chairman of the Board and CEO Hachiro Honjo

1 Why a Culture-Based Nation?

[Aoyagi]: Currently, outlying rural regions of Japan are being left exhausted by the country's declining birth rate and population aging, and it appears as though the "circulation of blood" around the country is worsening. This problem cannot be resolved simply by setting the economy back on its feet. Based on my experiences of what I have seen around the world, I feel that the most effective solution for reenergizing and reinvigorating these areas is to rebuild their various regional cultures and empower the people living there with pride and hope for the future. Even if the government injects money in the form of political policies the fundamental root problem will not change. It is important for the local people in these communities to seek out and discover their regional cultures, and to recognize them as their own personal treasure. Culture is something that has intermingled with history and lifestyles and become naturally enrooted in our daily lives.

[Honjo]: Mr. Aoyagi, I was inspired after reading your treatise on building a culture-based nation (*Bunkarikkokuron*, Chikuma Shinsho publishing). In terms of our regional creation efforts, we have formulated an ITO EN Basic Policy for Promotion of the Development of Communities, Human Resources and Jobs, which we are implementing systematically. Tea stimulates conversation and makes people feel happy and energetic. We are also engaged in efforts to link the use of tea to nationwide environmental and cultural conservation activities through our "Making Japan Beautiful Through Tea" project. Mr. Aoyagi, I know that you are Chief Director of the NPO National Council on Fujisan World Heritage. ITO EN supports Mt. Fuji through both its Shizuoka and Yamanashi business locations, and also participates in activities to preserve the *satoyama* culture (loosely meaning "rural culture") of other areas throughout Japan.

[Aoyagi]: Thank you very much for your efforts.

[Honjo]: Since the time of our founding, all ITO EN employees have consistently implemented our Group philosophy and management principle of "Always Putting the Customer First." When we talk about customers, we are talking about all of our stakeholders. Collaboration and partnership between employees and stakeholders is something that is consistent at all stages of our value chain, "from our tea plantations to used tea leaves". In our tea-producing region development activities, we collaborate with farmers and local government. In our used tea leaf recycling, we collaborate with our cooperative partner companies. These collaborations create shared value and give rise to new innovations.

[Aoyagi]: Japanese culture is comfortable, and makes one

want to surrender to it. It is my philosophy that we should protect that Japanese culture, and the *satoyama* culture that has nurtured it. I think that through its business operations, ITO EN is doing a good job of that.

[Honjo]: Our route sales personnel engage in community-based sales, and participate in conservation activities to preserve local culture and the environment. I think that these are very good experiences that also lead to learning for our employees. For me, our human resources are our most important asset.

[Aoyagi]: The affluence of modern-day Japan comes from education, introduced since the Meiji period. Unless we continue to value education, we will not be able to carry that affluence over to future generations. But the amount of money invested in education and culture is decreasing due to budget deficits and population decrease. This is an extremely serious problem. Right now, I think that it is important for all sectors to cooperate and link that cooperation on to improving the sustainability of Japan overall. ITO EN's tea-producing region development and tea leaf recycling activities are the epitome of sustainable production and consumption. They also contribute greatly to the revitalization of rural regions. I think that the cultural programs that the Japanese government is advancing could also be used for the purpose of revitalizing local communities, rather than merely for the Tokyo Olympics and Paralympics.

2 The Appeal of Japan, and Creating a Legacy

[Aoyagi]: Japan has a long history, and—because the country has never been divided up—has also accumulated an extensive cultural heritage. One easily-understandable example is Japanese *matsuri*, or festivals. In December 2016, a number of Japanese traditional festivals were added to UNESCO's Intangible Cultural Heritage list under the heading of "Yama, Hoko and Yatai: float festivals in Japan." Over the course of the long history of these Japanese *matsuri*, unique festival cultures have developed in each of the various regions of Japan. The social mechanism whereby local residents find value in these regional cultures and work to protect and utilize them is the very definition of creating a legacy. Between 2013 and 2016, following on from the listing of Mt. Fuji as a UNESCO World Cultural Heritage site, various other aspects of Japanese culture (including *Washoku*: traditional dietary cultures of the Japanese, *Tesuki Washi*: craftsmanship of traditional Japanese hand-made paper, and *matsuri* festivals) have been added to the Intangible Cultural Heritage list, and the cultural appeal of Japan has been widely publicized around

ITO EN as a for Japan as Based Nation

for competitive advantage



Hachiro Honjo

Chairman of the Board and CEO
ITO EN, LTD.

there are demands for Japan to become a “culture-based nation.” As it heads role in supporting this transformation through the utilization of Japanese tea business operations, which are underpinned by its human resources capabilities, advantage, and open up new frontiers in its global strategy?
of Tokyo and Director of the Yamanashi Prefectural Museum of Art, Masanori (right).

the world. It is important for us—as Japanese people—to recognize the appeal and attraction of Japan more, and to pass that on to the next generation.

[Honjo]: I think so too. I also serve on the board of directors for Washoku Japan, an organization for promoting traditional Japanese dietary culture. I am constantly thinking that we should be passing on *washoku* and (green) tea as essential elements of “Japanese lifestyle culture”, which also offer excellent health benefits. In 2016, as part of our Tea Taster program, we held large tea-ceremony events at Japanese world heritage sites such as Chuson-ji Temple, Nikko Toshogu Shrine, Itsukushima Shrine and Daigo-ji Temple. We felt a strong response towards creating a legacy for the future. We have been developing the Tea Taster program since 1994, considering it to be important also in terms of competitive strategy aspects. In March 2017, it received certification from the Ministry of Health, Labour and Welfare (MHLW) as the Business Skill test on ITO EN TEA TASTER. We will make use of this certification as we continue working to train and develop world-class Tea Taster.

[Aoyagi]: The development of people (i.e. human resources) is the greatest legacy. With factors such as the increase in foreign nationals visiting Japan, (green) tea is gaining global attention together with *washoku* as one aspect of Japanese culture. In addition to its history, taste and aroma, the “color” of tea is also particularly ecological in nature, and can appeal strongly to people’s visual sense; which is another attractive aspect of tea culture. Human resources who can communicate this attraction to others are a strong asset to have.

[Honjo]: I certainly do feel that having the (sense of) value of sustainability is important. One of the reasons why ITO EN was selected in *Fortune’s* “50 Companies That Are Changing the World” (in the September 2016 issue) is that we were recognized for the sustainability of our business model, from tea plantations to used tea leaves. We also refer to the global Sustainable Development Goals (SDGs) in our business activities, and are contributing towards achieving them.

[Aoyagi]: The fact that you refer to the SDGs as a basis for your operations is fantastic.

[Honjo]: We have also been running the ITO EN *Oi Ocha* New Haiku Contest (see page 39) since 1989. In 1984, ITO EN succeeded in creating the world’s first green tea beverage, which was launched in 1985 under the name canned *Sencha* (green tea). The name was changed to *Oi Ocha* in 1989, and we started the ITO EN *Oi Ocha* New Haiku Contest that same year. This decision was partly due to the fact that interest in traditional Japanese short-form poetry and literature was rising due to the fact that 1989

marked the 300th anniversary of (Japanese poet) Matsuo Basho’s poetic travel diary “*Oku no Hosomichi*” (Narrow Road to the Interior); and also that we thought—since there was no place for poets to display such works—that we could use the packaging to display these works. 2017 marked the 28th session of the contest, with the total cumulative number of *haiku* received exceeding 30 million entries. Around 90% of the entries we receive come from schools.

[Aoyagi]: ITO EN has real history of innovation, doesn’t it? *Haiku* are now gaining attention worldwide as a form of culture in which poets express feelings using short expressions.

[Honjo]: The number of English *haiku* entries we receive is also increasing every year, and we have now received entries from a total of 81 countries around the world. In July 2017, the ITO EN *Oi Ocha* New Haiku Contest was also certified as part of the Japanese government’s beyond2020 Program, which seeks to appeal to people both at home and abroad about the attractions of Japanese culture.

3 Expectations for ITO EN Towards Creating a Culture-Based Nation

[Honjo]: In business management today, great importance is placed on ESG (environmental, social, governance) aspects. In response to this, we are working to refine and perfect a business model that will lead to sustainable growth for the future. Utilizing our strengths in terms of cultural aspects, and our human resources who underpin those strengths, we will work to link them to the creation of a new foundation for competitive advantage as we aim to become a Global Tea Company. I would like us to incorporate your thoughts, too, Mr. Aoyagi, and to make effective use of our core business operations in contributing to the establishment of Japan as a culture-based nation.

[Aoyagi]: Your company has received certification from MHLW for its Business Skill test on ITO EN TEA TASTER and from the government for its New Haiku Contest as part of the beyond2020 program. These things are not so easy to achieve. In addition to your “from tea plantations to used tea leaves” (value chain) activities, these two pioneering initiatives will act as an extra boost in linking your business operations on to the creation of legacies for the future. I think that the ability to respond to environmental and social issues has now become an important part of corporate management. I hope that, as a Global Tea Company, ITO EN will help lead the way for Japan as a culture-based nation.

Delivering tea culture to the world with professional innovation

Machida: What is the significance of being approved by the Ministry of Health, Labour and Welfare (MHLW)?

Sato: The scheme is based on the Human Resources Development Promotion Act, which has the objectives of improving employees' abilities and increasing social value.

In order to gain approval, it is necessary to have a strictly designed system and testing scheme. ITO EN's subject module (theory) tests and practical tests were reviewed by MHLW. Gaining MHLW approval and certification means that we can now display the approved business skill test scheme logo on our website, and on business cards, badges and so on.



(Discussion Leader)
Remi Machida, CSR
Promotion Department



Ikuko Sato, Deputy
Manager, Administration
Division

Machida: What kind of beneficial effects does this scheme have?

Sato: Firstly, it is helping to advance the visualization and standardization of vocational skills. It is also our understanding that it leads to recognition of the company's human resources development efforts, and is a source of competitiveness. Having an objective ability testing system will also surely become a source of motivation for potential new employees to apply to join the company. What do those of you who already possess

a Grade 1 qualification think about the scheme being approved by MHLW?

Sakurai: I am involved in the heating of green tea to draw out its distinctive aroma and flavor during the finishing process. My knowledge as a Tea Taster leads improved skill and technique in the tea production process, not only in my area of specialty, but also in other related areas of knowledge.

Mochizuki: On 2016, we also completed the construction of a dedicated matcha (powdered green tea) production plant, and are catering successfully to the recent increase in the popularity of *matcha*. I want to use the knowledge I have learned and work to create matcha that will make consumers even happier.

Shida: The certification of our business skill test is a great source of encouragement. As someone who is responsible for overseeing the development of our No.1 brand *Oi Ocha* and our *matcha* products, I want to refine our product development even further still.

Shiga: In Grade 1 we also learn the traditional Japanese tea ceremony. Recently, opportunities for serving *matcha* have increased, such as in our recent hosting of large tea party events at world heritage sites. Since the MHLW approved business skill test logo is now displayed on our business cards, I get the impression that the level of trust and confidence amongst our customers is increasing. It has also led to an increase in employee motivation.

Hamada: As one of the first group of examinees to pass Grade 1, I am very proud of this certification by MHLW. I am currently a member of the International Business Promotion Department, working to communicate the delicious taste and fantastic appeal of tea to the world and advancing the Group's global business strategy.

Sato: Those are all very pleasing responses. As someone in charge of personnel and general affairs-related matters, I can feel that the scheme is having the kind of benefits shown in the diagram below. I think the



Business Skill Test on ITO EN TEA TASTER approved by the Ministry of Health, Labour and Welfare



Business Skill Test approved by
MHLW logo



伊藤園
自然が好きです。
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厚生労働省認定社内検定
伊藤園ティーテイスター1級

Skilled Professional on ITO EN TEA TASTER Grade I
Business Skill Test approved by MHLW

(Back row, from left to right) Takashi Ai, Chief, 1st Marketing Department; Mitsumasa Shida, General Manager, 1st Marketing Department; Tatsuya Yoshida, Brand Manager, 1st Marketing Department; Osamu Aizawa, Chief, 1st Marketing Department; Yasutaka Yokomichi, Section Chief, Purchase Department; Ikutarō Mochizuki, Section Chief, 1st Production Department; Toshiki Sakurai, GII, 1st Production Department; Hiroaki Muramatsu, Agricultural Technology Department
(Front row, from left to right) Minoru Suzuki, Deputy General Manager, CSR Promotion Department; Shoko Tanaka, 1st Marketing Department; Yasuhiro Ogawa, Sales Promotion Department; Yumiko Hamada, International Business Promotion Department; Taizan Nakamura, Sales Promotion Department; Noriko Shiga, Group Leader, Sales Promotion Department; Tetsuya Kobayashi, General Manager, Sales Promotion Department.

number of applicants is sure to increase more and more in the future. The key feature of this scheme is that new professionals are being born in all areas of our value chain; in procurement, production, product development and sales. We have high hopes for them as the human resources who will play key roles in ITO EN in the future.

Machida: In what kinds of ways do you think the scheme might be utilized in the future? Does it relate to the SDGs, or ESG?

Sato: With this time's certification, I think that the scheme will enter an entirely new phase. In our medium to long-term business plan, we have raised the objective of fostering world-class Tea Taster as we move towards our goal of becoming a "Global Tea Company." We also have Tea Tasters who can offer multilingual support, in languages such as English and Chinese. They can also contribute to our overseas business strategy. They will have a major impact in terms of SDG goals 4, 8 and 11, and the S (i.e. social) component of ESG.

Machida: We have focused on the roles of Tea Taster in learning, delivering hospitality and communicating. What about their role in terms of spreading the word about tea culture?

Sato: Moving forward, Tea Taster will communicate the appeal of tea—as part of the Cool Japan movement—to inbound visitors and create a legacy to pass on to the next generation. ITO EN is a company that started out selling leaf tea. One of our advantages is that we can offer both leaf tea and beverages. Another distinctive feature of our activities is that

we have specialist stores, in locations such as Narita Airport. I want us to take up the role of communicating the attractions of tea to the world.

Expectations from an Expert

We also asked for a comment from Mr. Masami Kojima, of The Mainichi Newspapers Co., Ltd, who has observed the Tea Taster scheme over a number of years, and has also reported on ITO EN's *Ochakkokai* tea party gatherings in the Tohoku region (which was ravaged by the Great East Japan Earthquake of 2011).

Kojima: The Tea Taster scheme impresses me in that it makes use of the company's core business operations in carrying out social contribution activities. It is a good example of making maximum effective use of core business operations that is unique to ITO EN. The fact, too, that over 2,000 qualification holders are working—with their own individual hopes, aspirations and sentiments—to pass on the Japanese culture of tea and communicate its appeal to people both at home and abroad gives me great feelings of hope and expectation; as if some kind of epic-scale social experiment is about to begin.



Masami Kojima
Senior Staff Writer, Lifestyle
News Department
The Mainichi Newspapers Co., Ltd

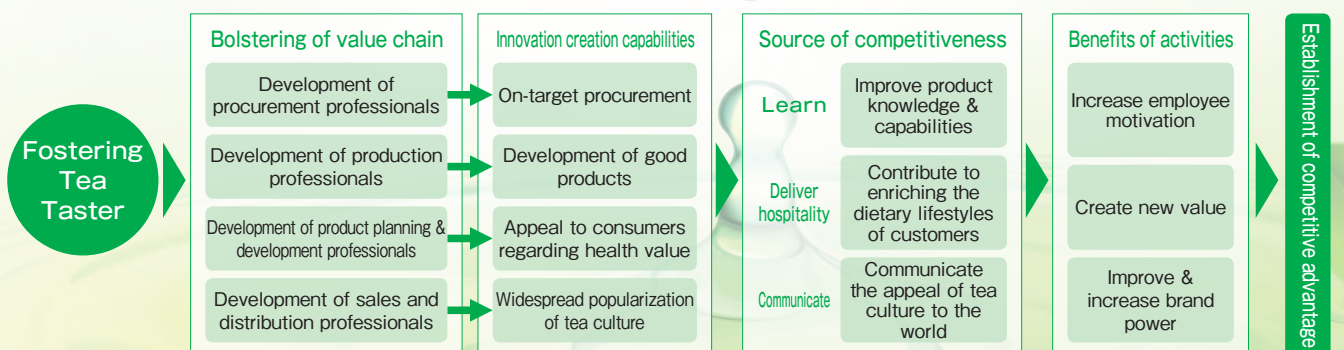


ITO EN's Tea Professionals: Leaping onto the World Stage

The ITO EN Group's Tea Taster system was launched in 1994. 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). In March 2017, the scheme was certified by the Ministry of Health, Labour and Welfare (MHLW) as an approved business skill test. CSR Promotion Department member Remi Machida interviewed Ikuo Sato (Deputy Manager, Administration Division) and the Group's Skilled Professional on ITO EN TEA TASTER Grade 1 qualification holders regarding the significance of this new certification.



Benefits of the Tea Taster scheme receiving MHLW approval



Pushing the Frontiers of Legacy Creation for the Next Generation



—Bringing smiles to the world through haiku poetry—

Japanese haiku poetry is gaining increasing popularity around the world. But why is this? It might be that, in our increasingly complex society, that people have a desire to express their own feelings using a variety of different methods. The same thing surely applies with English haiku.

The ITO EN *Oi Ocha* New Haiku Contest began accepting English haiku entries in its second year (1990). That year, only 673 entries were received. In the latest session (the 28th New Haiku Contest), 18,248 entries were received; the highest number yet. So far, entries have been received from a total of 81 different overseas countries. As Japan heads towards the hosting of the Tokyo Olympic and Paralympic Games in 2020, it is said that the government is aiming to attract 40 million foreign visitors to Japan per year. Japan's haiku culture also has the ability to appeal to these inbound visitors.

Entries from schools and other educational institutions account for around 90% of all entries. Some Japanese schools even make use of English haiku as teaching materials for the purpose of improving students' English language ability.

Winning entries to the ITO EN *Oi Ocha* New Haiku Contest are displayed on *Oi Ocha* product packaging. This is a form of CSV (creating shared value) by utilizing our packaging as a medium for announcing these works of poetry. For ITO EN, this poetry gives added value to its main brand, *Oi Ocha*; for entrants, it provides an opportunity to display their works to the world; for consumers, it enables them to experience haiku culture through tea; and for society, it is a form of cultural promotion.

In 2014, ITO EN cooperated with an international conference on education for sustainable development (ESD) held in the cities of Nagoya and Okayama by displaying ESD freestyle haiku selected by the Ministry of the Environment on some of its *Oi Ocha* products. In this way, it is our understanding that *Oi Ocha* packaging is now recognized as a form of public media. The New Haiku Contest has also been backed by government agencies such as the Ministry of Education, Culture, Sports, Science and Technology (MEXT), and in 2017 become certified as part of the government's beyond2020 program.

In terms of SDGs, the contest qualifies as contributing to SDG goal 4 (high quality education). This means that it can also be utilized as part of ITO EN's brand competitiveness strategy, as the S (social) element of ESG.



Courtesy of: The Japan Times
Date published: July 15, 2017



The beyond2020 Program

ITO EN's *Oi Ocha* New Haiku Contest has been approved and certified as part of the Japanese government's beyond2020 program; 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.)



Voice of an Expert

Tota Kaneko,
Haiku Poet and Judge

Looking back over my long life as a haiku poet, I think that there has been no other haiku-related event with this kind of influence, in the real sense of the word. The New Haiku Contest creates opportunities for many people to experience and compose haiku poetry.

The momentum and influence of the New Haiku Contest today is surely comparable with the thriving days of *senryu* poetry during the Edo period. I hope that the contest will continue to grow and develop further in the future.

Reaching new frontiers in legacy creation as part of the beyond2020 program

Environment



Response to ESG

Social



Governance



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).”

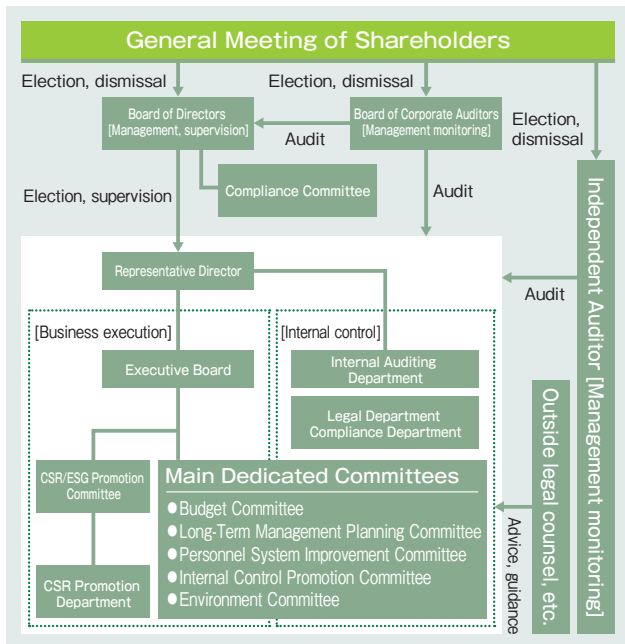
The management principle above is the basic concept of ITO EN's corporate ethics and the foundation that supports our corporate governance. Based on this principle, every officer and employee of ITO EN is active in promoting concerted efforts to achieve a sustainable society in line with the interests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

ITO EN has established and disclosed the ITO EN Corporate Governance Guidelines to convey its basic approach to and policy on corporate governance. 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

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.

● Evaluation of the effectiveness of the Board of Directors

ITO EN has been analyzing and evaluating the effectiveness of the Board of Directors since fiscal 2015 to improve the functions of the Board of Directors.

Specifically, we investigate overall matters related to the Board of Directors, such as its structure, role, duties, operation status and deliberation method, with the directors and corporate auditors as subjects. After the investigation, we evaluate the results of the analysis at the meeting of the Board of Directors.

State of attendance at board meetings

		Meetings of the Board of Directors	Meetings of the Board of Corporate Auditors
Number of meetings held		14 times	15 times
State of attendance times	Outside Directors	13 times/14 times and 11 times/14 times	—
	Outside corporate auditors	14 of the 14 times	15 of the 15 times

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

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

Independent Directors/Auditors

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

Compliance

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

ITO EN Group Compliance “Guidelines for Code of Behavior” are distributed to all officers and employees of the ITO EN Group to ensure full legal compliance. They encompass a series of initiatives for compliance including

the Code of Conduct based on the principles of the ITO EN Funding Charter and the Code of Behavior specifying the detailed provisions.

With these initiatives, ITO EN Group strives to strengthen the Group compliance including the prevention of corruption such as bribery, develop a whistle-blowing system and provide comprehensive compliance education. We take strict measures against the violation of compliance.



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

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

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

▶ <http://www2.tse.or.jp/disc/25930/140120170725438220.pdf>

For the “Guidelines for Code of Behavior” (Code of Conduct and the System of ITO EN Group Compliance), please see this site.

▶ <https://www.itoen.co.jp/files/user/pdf/csr/compliance/all.pdf>

Commitment

Yoshito Ejima,

Vice Chairman in charge of sales departments, internal control, compliance and CSR (including the environment)



We have built a compliance system that supports the enhancement of corporate value.

Without compliance, not only the enduring growth, but even the existence of a company would be under threat. All the employees of the Group must be aware of this, and each employee must make efforts to observe the regulations and earn customers’ confidence in their conduct.

I also believe that we will be able to contribute to fairness in goals 10 and 16 of the SDGs by respecting human rights and valuing everyday communication. I will lead these efforts to ensure the prevention or early detection of problems and prompt measures.

Fair business practices

ITO EN Group is practicing the full enforcement of healthy procurement and transactions and fair transactions with manufacturing subcontractors and securing fair competition.

● Supply chain management

We have set the ITO EN Group procurement policy for procurement in consideration of the social and environmental aspects. With this, we are strengthening our supply chain management in cooperation with the persons concerned.

● Protection of intellectual property

The ITO EN Group respects the intellectual property rights of other companies and actively utilizes the rights of ITO EN.

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.

In addition, as risk management based on the business continuity plan (BCP), ITO EN also strengthens its ability to achieve business continuity by distributing the BCP manual to each department to promote the penetration and awareness of BCP.

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.

Relationship between risk management and ESG

Associated with growing demand for ESG from stakeholders, many problems will arise if we are unable to respond appropriately to ESG. To deal with these issues promptly, we undertake detailed management in accordance with the actual conditions by regularly providing a variety of training.

Stakeholder Engagement

Communications with shareholders

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

We make efforts to ensure timely and appropriate information disclosure to shareholders through active information communication via financial results briefings and the Company's homepage so that they can deepen their understanding of the Company's management strategy and business environment. In addition, at the meeting of the Board of Directors 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.

Communications with Stakeholders

ITO EN places emphasis on communications with stakeholders to reflect their opinions in its management. We receive extensive opinions from them through visits and conversations with related parties. In particular, for the six years from fiscal 2011 to fiscal 2016, we had dialogues with them 18 times in total. The major dialogues included "Informal Gathering with People in the Press and Intellectuals"¹ in 2012, to which we invited people from the five major national newspapers and intellectuals, and we received the suggestion that we should strengthen our information communication. In 2015, we held the "Stakeholder Dialogue for Materiality Review"² to review the material management issues (materiality) of ITO EN. We also held a follow-up meeting for confirmation once again in 2016. In addition, in the belief that the transmission of information to society is also important, we have strengthened our public relations and transmitted information in the presentation of case studies at symposiums and on other occasions. In "Machiten"³, a forum aimed at achieving the revitalization of the regional economy held in 2016, we discussed regional revitalization through the tea of ITO EN at the ITO EN session and held an exhibition and sampling at the same time. Machiten is a co-creation platform that aims to realize the revitalization of the regional economy, and it was an opportunity to help us enhance our corporate value.

<Attendees>

(Affiliations and titles are those that were current when the events were held)

¹ Miyo Iwata (Member of Editorial Board, Life Information Department, Nikkei Inc.), Mika Omura (Member of Editorial Board, Culture and Life News Department, The Mainichi Newspapers Co., Ltd.), Aki Omori (Life Information Department, Editorial Bureau, The Yomiuri Shimbun Tokyo Headquarters), Masami Kojima (Member of Editorial Board, Life News Department, The Mainichi Newspaper Co., Ltd.), Munehiro Matsuda (Expert Committee Member in Environmental Measures, General Affairs Bureau, SANKEI SHIMBUN Co., Ltd.), Hiroji Tanaka (President, Tokyo College of Transport Studies), Tetsushige Nishio (Professor, Meiji University School of Law), and Tsuneo Matsumoto (Professor, Hitotsubashi University Graduate School of Law)

² Hisa Anan (former Secretary General of the Consumer Affairs Agency, President of the Association to Create a Society with Consumer Citizenship (ASCON)), Masami Kojima (ditto), Toshihiko Goto (Representative Director, Sustainability Forum Japan), Takashi Nawa (Professor, Graduate School of International Corporate Strategy, Hitotsubashi University), Masami Hadama (Lawyer, TMI Associates), Emiko Magoshi (Professor, J.F. Oberlin University College of Business Management, President of Transcultural Management Society) and Junichi Mizuo (Professor, Surugadai University The Faculty of Economics and Management, Chief Researcher, Business Ethics Research Center)

³ Hidemitsu Sasaya, Managing Executive Officer of ITO EN, served as the executive chairperson, and 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, Mineko Nakajima (MITSUBISHI ESTATE Co., Ltd.) became a moderator, and discussions were held on collaboration for regional revitalization, inviting Hyakuo Makino (Sabae City Mayor), Yuzuru Fukuda (Representative Director and President, SAP Japan Co., Ltd.), Mari Christine and Risa Tanaka (President, The Graduate School of Project Design).

For further information, please visit the website below:
<https://www.itoen.co.jp/csr/stakeholder/>

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.

The ITO EN Group Environmental Policy

Established: March 2001
Revised: August 2016

Basic Environmental Principles

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.

System of Sustainability Management

Integration of non-financial information from a global perspective

The ITO EN Group has re-examined the material issues (materiality) of ESG from a global perspective and reviewed the CSR system of ISO 26000 in comparison with ESG. The Group has built a system of sustainability management by integrating non-financial information with reference to the Sustainable Development Goals (SDGs). The CSR/ESG Promotion Committee, which is chaired by the President, implements this system.

Material ESG issues are selected using the process on the right.

*For sustainability management, please see pages 12 and 43.



For specific KPI targets, please visit the address below.

▶ <https://www.itoen.co.jp/csr/report/>

ESG	Seven core subjects	Material ESG issues (materiality)	Major targets (KPI items) of ITO EN
G Governance	Organizational governance	Corporate governance	Corporate governance Internal control Sustainability management (management of the CSR and SDGs Basic Promotion Policies and their penetration throughout the company) Implementation of stakeholder dialogue IR activities (communications with shareholders)
		Risk management	Holding of risk-related committees in response to changes in social situations BCP management Data security and protection of privacy
	Fair operating practices	Adherence to fair trade	Compliance with trade-related laws and regulations and their penetration throughout the company
		Supply chain management	Procurement of raw materials and supply chain management (supply chain management based on the ITO EN Group Quality Control Policy/Procurement Policy)
	Human rights	Respect for human rights	Respect for human rights Development and facilitation of the promotion system for human rights educational activities and the provision of education on harassment
	Labor practices	Personnel affairs and welfare program	Response to the revised work style reform system Utilization of the welfare program and the next-generation development support system
		Health and safety of employees	Strengthening of efforts to reduce work hours and promote the acquisition of paid leave Development of a safe work environment
		Human resources development	Acquisition of human resources, prevention of resignations, and human resources development Cultivation of the Business Skill test on ITO EN TEA TASTER certificate holders
		Diversity	Diversity, the inequity of the work environment and the promotion of active roles of women Strengthening of the system for employing and supporting persons with disabilities
	S Social	Consumer issues	Quality and safety of products
Promotion of health value (health and nutrients)			Health-related studies Development and enhancement of food and beverages that contribute to health Patent and trademark strategy
Packaging and appropriate information disclosure of products			Development of eco-friendly containers Appropriate product information disclosure
Affordability of products			Utilization of sales networks by sales channel and the strengthening of retailers (enhancement of points of contact with customers by using tea)
Fair marketing and advertising		Fair marketing and advertising	
Protection of personal information		Data security and protection of privacy (reproduction)	
Community involvement and development		Community and human rights issues	Promotion of vending machines that make a human rights-related contribution (vending machines to make Ogyaa Donations and support victims of crime, etc.) Implementation of regional revitalization activities in accordance with the ITO EN Basic Policy for Promotion of the Development of Communities, Human Resources and Jobs
		Community and community activities	Participation in and development of activities for cultural programs Utilization of the Business Skill test on ITO EN TEA TASTER certificate (promotion of tea culture programs) Strengthening of relationships with local communities
	Community and industrial development	Annual production volume of the Tea-Producing Region Development Project (new tea plantation business) (reference: plantation area) Strengthening of collaboration with agricultural production corporations	
	Community and the environment and culture	Activities of the "Making Japan Beautiful Through Tea" Project	
E Environment	Climate change and the prevention of air pollution	Earthquake reconstruction assistance to communities	Continuation of assistance to earthquake-affected areas and strengthening of relationships with afflicted municipalities
		Climate change and the prevention of air pollution	Reduction of greenhouse gas emissions and CO ₂ emissions of all companies Increase of the composition ratio of heat pump vending machines Improvement of fuel consumption of vehicles
	Promotion of energy savings	Reduction of power usage of all companies Management of energy at the time of production and reduction of energy used at beverage manufacturing plants Management of energy at the time of transportation, improvement of the block production ratio, and modal shift	
	Conservation of biodiversity	Monitoring in the Tea-Producing Region Development Project	
	Water management	Management of water consumption and wastewater at the time of production (strengthening of information gathering on water usage at our plants and the plants of outsourcing contractors)	
Waste and recycling	Management of waste and improvement of the food recycling rate Recycling of used tea leaves		

Process of determining material ESG issues

(1) Review of the CSR system of ISO 26000 in comparison with ESG

- We have reviewed the issues of the seven core subjects in comparison with the ESG issues.
- "Organizational governance" in the seven core subjects is the cornerstone of all issues, and it is designated as G. "Fair operating practices," "human rights," "labor practices," "consumer issues" and "community involvement and development" are designated as S, and "the environment" is E.

(2) Consideration of the degree of materiality of issues

- We undertake a series of reviews on the degree of materiality of issues by listening to the opinions of related parties and intellectuals.

(3) Determination at the CSR/ESG Promotion Committee and the Executive Board

- We set target KPIs on the identified contents at the CSR/ESG Promotion Committee and the Executive Board.
- When we choose and set KPIs, we create a matrix of relationships with the 17 goals of the SDGs as shown in the chart below and refer to the major related issues of the SDGs after verification.

(4) Improvement through the PDCA cycle

- We manage progress and improve the KPIs set in (3) through the PDCA cycle.

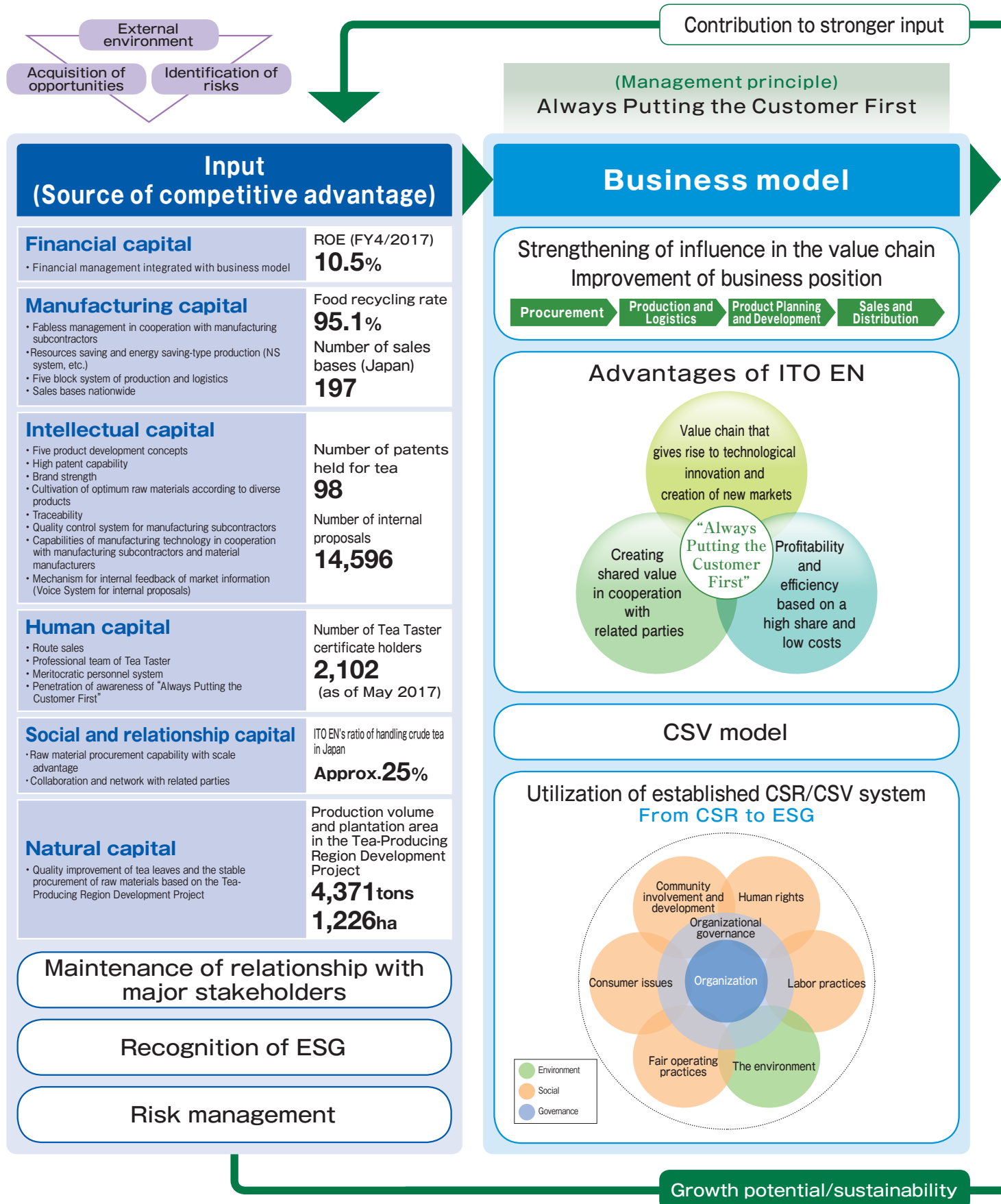
17 goals of SDGs and relationship check: ● indicates major related SDGs, and ○ indicates related SDGs.

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
															●	
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Business model based on our management principle of “Always Putting the Customer First”

ITO EN has established a business model that will constantly realize technological innovations in beverages and the creation of new markets by quickly feeding back customers’ voices to procurement, production and logistics, and product planning and development, as well as sales and distribution, and strengthening the company-wide collaboration based on the concept whereby each employee should pursue the management principle of “Always Putting the Customer First.”

Business model based on our management principle of “Always Putting the Customer First”



This business model has continuously strengthened various kinds of financial and non-financial management capital to deal with ESG issues by realizing Creating Shared Value (CSV) and high profitability and efficiency at the same time in cooperation with the related parties. Based on this business model, we will enhance the sustainability of our business and the sustainability of society by contributing to the Sustainable Development Goals (SDGs) at the same time.

<Medium- to long-term management plan>
Becoming a "Global Tea Company" for sustainable growth

Focused initiatives

1
Further strengthening of domestic businesses

2
Further development of overseas businesses

3
Enhancement of ROE management

4
Enhancement of CSR/CSV management



Targets

Finance targets

Forecasts for FY4/2022

Consolidated net sales

600 billion yen

ROE

10% or more

Total return ratio

40% or more

Non-financial targets

	Material ESG issues (examples)	Major activity targets (main points)
G	Compliance	Promotion of acquisition of business compliance certificate
	Human resources development	Increase in number of ITO EN TEA TASTER certificate holders
	Promotion of health value (health and nutrients)	Development and enhancement of food and beverages that contribute to health
	Community and industrial development	Tea-Producing Region Development Project 2,000 ha in the future
S	Community and the environment and culture	Continuous development of "Making Japan Beautiful Through Tea" (all prefectures)
	Climate change and the prevention of air pollution	Continuation of company-wide efforts to reduce CO ₂ emissions (Results in FY2016: down 21.8% from FY2009)
	Waste and recycling	Food recycling rate of 90% or more
E		

(For non-financial KPIs, please see pages 45 and 46.)
* Including the "Making Japan Beautiful Through Tea" Project

Outcome (value to create)

Financial capital

- Improvement of profitability and capital efficiency
- Increase in ESP
- Stable stockholder returns



Manufacturing capital

- Flexible production in line with demand
- Optimum manufacturing process and the development of containers according to diverse products
- Supply of products nationwide on the basis of community-based sales



Intellectual capital

- Development of products tailored to diverse needs
- Optimum sales proposals in light of various product and market trends
- Use of optimum raw materials according to diverse products
- Improvement of brand value through the transparency of production areas, thorough quality control and reliability
- Improvement of technological capabilities of manufacturing subcontractors, etc.
- Contribution to measures against imitations



Human capital

- Human resources development
- Creation of a pleasant working environment



Social and relationship capital

- Expansion of consumption of domestically produced raw materials and vitalization of the green tea market
- Safety and security of consumers
- Provision of health value to a wide range of customers
- Dissemination and succession of Japanese tradition and tea culture



Natural capital

- Regional revitalization of tea-producing areas
- Improvement of food self-sufficiency and countermeasures against deserted cultivated land
- Promotion of environmental conservation-type agriculture
- Energy saving, resources saving and the prevention of global warming in business activities
- Recycling of used tea leaves



ESG investment

Increase in external evaluation

Business model based on our management principle of "Always Putting the Customer First"

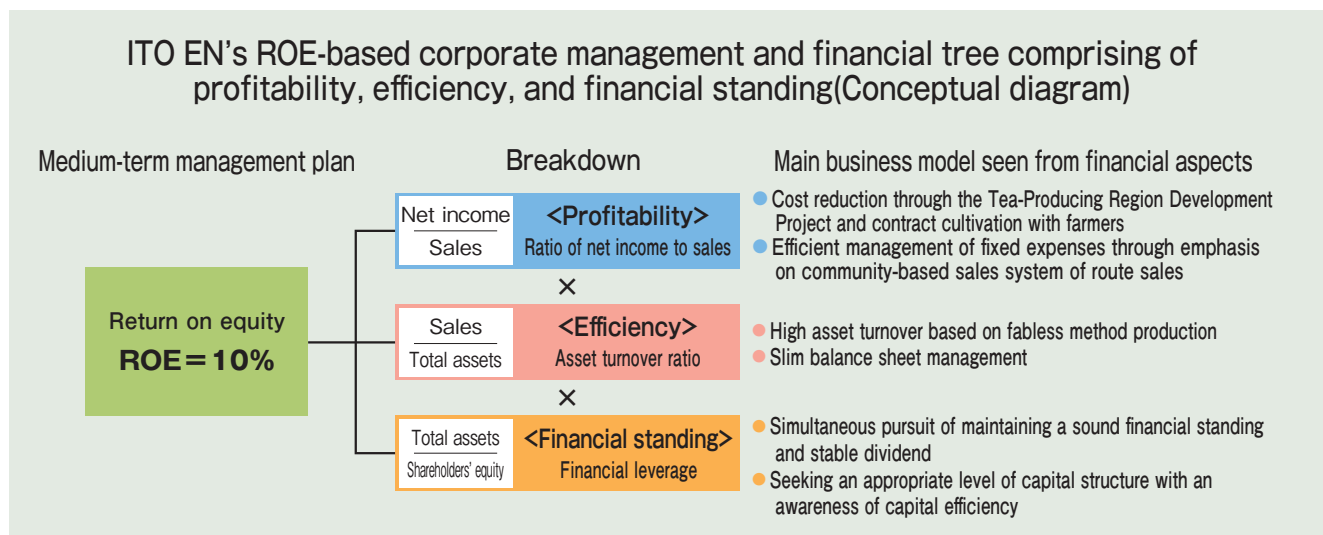
Financial summary and financial management

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

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

to its officers and introduced the stock option system as compensation linked to business performance in April 2004.

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



Pursuing profitability from raw material procurement to marketing

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

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

Moreover, we have established a business model in which customers' voices are directly captured by approximately 4,000 sales persons, mainly in route sales from the 197 sales bases across the country and used for marketing.

Pursuit of efficiency through a slim balance sheet

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

Keeping a balance for both capital efficiency and financial soundness

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

Commitment Minoru Watanabe, Executive Vice President

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

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

Key financial indicators (Over the past 5 years)

	(Unit)	April 2013	April 2014	April 2015	April 2016	April 2017
P/L						
Net sales	(Million yen)	403,957	437,755	430,541	465,579	475,866
Year-on-year	(%)	+9.4	+8.4	-1.6	+8.1	+2.2
Details of main sales						
Non-consolidated	(Million yen)	351,807	363,461	353,754	365,276	371,831
Total of overseas businesses	(Million yen)	9,487	12,565	15,181	36,180	34,863
Tully's	(Million yen)	21,071	23,865	26,036	27,751	30,268
Chichiyasu	(Million yen)	11,076	12,750	13,186	13,890	14,621
Cost rate	(%)	52.4	51.6	51.8	53.0	52.5
Selling, general and administrative expenses	(Million yen)	171,837	190,703	196,016	201,574	204,395
Sales ratio	(%)	42.5	43.6	45.5	43.3	43.0
Operating income	(Million yen)	20,250	21,100	11,393	17,243	21,774
Profit ratio	(%)	5.0	4.8	2.6	3.7	4.6
Details of main profits						
Non-consolidated	(Million yen)	16,834	16,060	6,478	11,934	15,646
Total of overseas businesses	(Million yen)	661	659	307	1,856	2,225
Tully's	(Million yen)	2,681	3,178	3,572	2,879	3,130
Chichiyasu	(Million yen)	-119	217	87	253	300
Ordinary income	(Million yen)	19,914	20,518	11,229	15,074	21,524
Profit ratio	(%)	4.9	4.7	2.6	3.2	4.5
Extraordinary income	(Million yen)	270	419	49	205	53
Extraordinary losses	(Million yen)	700	303	386	353	854
Profit attributable to owners of parent	(Million yen)	11,244	12,096	7,292	8,615	13,693
Profit ratio	(%)	2.8	2.8	1.7	1.9	2.9
B/S						
Total assets	(Million yen)	244,970	258,820	285,947	287,702	302,405
Current assets	(Million yen)	129,025	139,807	153,597	159,517	174,657
Cash and deposits	(Million yen)	44,856	46,412	48,922	53,259	64,202
Accounts receivable	(Million yen)	40,750	46,923	51,512	53,553	54,677
Non-current assets	(Million yen)	115,945	119,012	132,350	128,185	127,748
Property, plant and equipment	(Million yen)	75,885	79,326	80,115	81,018	83,039
Intangible assets	(Million yen)	24,803	22,600	34,042	27,154	24,454
Total liabilities	(Million yen)	131,028	138,310	158,185	160,486	165,696
Current liabilities	(Million yen)	70,880	80,440	76,038	100,756	81,560
Non-current liabilities	(Million yen)	60,147	57,870	82,146	59,729	84,135
Net assets	(Million yen)	113,942	120,509	127,761	127,215	136,709
Retained earnings	(Million yen)	80,747	87,812	90,949	94,311	102,750
Current ratio	(%)	182.0	173.8	202.0	158.3	214.1
Equity ratio	(%)	46.3	46.3	44.4	43.9	44.8
Liability ratio	(%)	115.5	115.5	124.7	127.2	122.3
Statement of cash flows						
Net cash from operating activities	(Million yen)	24,042	24,300	17,751	30,085	27,098
Cash flows from investing activities	(Million yen)	-9,272	-4,598	-9,242	-8,150	-8,243
Free cash flow	(Million yen)	14,769	19,702	8,509	21,935	18,854
Cash flows from financing activities	(Million yen)	-16,451	-18,147	-4,835	-18,018	-8,012
Amount of capital investment	(Million yen)	6,639	4,889	3,732	8,603	8,135
Depreciation	(Million yen)	13,769	15,140	15,653	16,075	12,469
Depreciation of goodwill	(Million yen)	1,190	1,332	1,326	1,824	1,765
Other						
ROE	(%)	10.3	10.4	5.9	6.8	10.5
ROA	(%)	4.8	4.8	2.7	3.0	4.6
PER (Common stock)	(Time)	26.5	22.8	44.0	49.9	37.1
PER (Preferred stock)	(Time)	18.4	16.2	28.9	24.3	17.7
PBR (Common stock)	(Time)	2.5	2.2	2.4	3.3	3.7
PBR (Preferred stock)	(Time)	2.0	1.8	1.9	1.8	1.9
EPS (Common stock)	(Yen)	88.64	95.77	56.60	67.37	108.77
EPS (Preferred stock)	(Yen)	98.64	105.77	66.60	77.37	118.73
BPS (Common stock)	(Yen)	923.24	974.36	1031.19	1,026.26	1,105.09
BPS (Preferred stock)	(Yen)	928.24	979.36	1036.19	1,031.26	1,110.09
Dividend per share (Common stock)	(Yen)	38.0	39.0	40.0	40.0	40.0
Dividend per share (Preferred stock)	(Yen)	48.0	49.0	50.0	50.0	50.0
Ratio of Foreign Shareholders	(%)	12.5	13.3	14.3	17.7	19.1
Outstanding shares	(1000 shares)	123,459	123,459	123,459	123,459	123,459
Common stock	(1000 shares)	89,212	89,212	89,212	89,212	89,212
Preferred stock	(1000 shares)	34,246	34,246	34,246	34,246	34,246
Year-end stock price (Ex-rights adjusted)	(Yen)	2,345	2,185	2,490	3,360	4,040



For detailed information on finance, please visit the address below.

▶ http://www.itoen.co.jp/finance_ir/library/

List of Officers

As of September 1, 2017

Chairman of the Board and CEO

Hachiro Honjo

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

President

Daisuke Honjo

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

Executive Vice President and Representative Director

Shusuke Honjo

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

Vice Chairman

Yoshito Ejima

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

Executive Vice President

Shunji Hashimoto

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

Executive Vice President

Minoru Watanabe

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

Executive Managing Director

Mitsuo Yashiro

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

Managing Director

Yoshihisa Nakano

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

Managing Director

Shigeru Kamiya

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

Director

Yosuke Jay Oceanbright Honjo

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

Director

Shuji Nakagomi

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

Director

Kenichiro Ishizaka

Mar. 1982 Joined ITO EN
Jul. 2016 Director (current post)

Director

Hideki Yoshida

Nov. 1986 Joined ITO EN
Jul. 2016 Director (current post)

Managing Executive Officer

Hidemitsu Sasaya

Manager of CSR Promotion Department

Fujitsugu Soma Manager of Northern and Eastern Kanto Area Sales Division

Atsushi Hirata Manager of Administration Division

Nobuyuki Sakashita Manager of Production Division

Motohiko Takuma Deputy Manager of Production Division

Takeshi Saito Manager of Chubu Area Sales Division

Executive Officer

Ikuo Sato Deputy Manager of Administration Division

Katsumi Asano Manager of Internal Auditing

Yuko Sagesaka Manager of Central Research Institute

Minoru Shirai Manager of Shizuoka Sagara Factory

Jun Kawasaki Manager of Hokkaido and Tohoku Area Sales Division

Nozomi Kishi Manager of 1st CVS Sales Dept.

Outside Director of the Company

Hirokazu Uchiki

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

Outside Director of the Company

Morikazu Taguchi

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

Standing Corporate Auditor

Minoru Takahashi

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

Outside Audit & Supervisory Board Member of the Company

Yoshiaki Takasawa

- Apr. 1959 Entered the Legal Training and Research Institute of the Supreme Court of Japan
- Apr. 1961 Judge of Kanazawa District Court
- Apr. 1964 Judge of Amagasaki Branch, Kobe District Court
- Apr. 1967 Judge of Osaka District Court
- Apr. 1971 Retired as Judge and registered as Attorney
- Apr. 1971 Established Yoshiaki Takasawa Law Firm, Representative of the firm (current post)
- Jul. 1991 Outside Audit & Supervisory Board Member of the Company, ITO EN (current post)

Outside Audit & Supervisory Board Member of the Company

Yutaka Tanaka

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

Outside Audit & Supervisory Board Member of the Company

Masahiro Nagasawa

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

Messages from Outside Directors of the Company and an Outside Audit & Supervisory Board Member of the Company

Outside Director of the Company

Hirokazu Uchiki

The growth of a company will be influenced by whether there is a place where employees are able to engage in their work with a smile and a sense of purpose. Currently, ITO EN works on the transmission of the tea culture through its business in efforts to become a "Global Tea Company." It will not be possible to transmit and set it in place domestically and internationally unless the working employees themselves really like tea. Tea is useful for communication beyond generations and across borders. It is also important to develop human resources through practices that will lead to businesses 10 to 20 years later. ITO EN has established Business Skill test on ITO EN TEA TASTER system to increase the knowledge and skills of tea and the system that is able to declare an in-house career at an employee's own will.

As an outside director, I will use my management experience to make a contribution in order to further strengthen the governance system to enable the thoughts of the company and the employees to go in the same direction and to help both the company and the employees to grow further than they are at present.

Outside Director of the Company

Morikazu Taguchi

ITO EN pays attention to the environment in its manufacturing of tea leaves and recycling of empty containers and contributes to the promotion of local agriculture in cooperation with tea farmers, and it has a business form that enables it to take up the Sustainable Development Goals (SDGs), which are important for promoting its corporate social responsibility (CSR).

In order for all the employees of ITO EN to recognize its CSR principles, it is necessary to share the company information. If they know the history and the current conditions of the company, including its episodes, their awareness as employee will increase.

ITO EN's management principle of "Always Putting the Customer First" requires having contact with all stakeholders in good faith. The corporate culture of valuing human relationships while running at the forefront of corporate governance at the same time in this way is a foundation for further growth in the future.

As an outside director, I will take interest in not only a legal point of view, but also corporate governance and CSR.

Outside Audit & Supervisory Board Member of the Company

Yoshiaki Takasawa

In recent years, public attention to corporate governance and the compliance of companies has been growing. ITO EN has developed business in many parts of the world, including the United States, and we could say that foreign investors and overseas business partners are strict about these things.

In terms of compliance, not only the active (intentional) violation of rules, needless to say, but even the inactive (negligent) violation of rules, or an accidental mistake, can never be overlooked. Each one of us should fully recognize what rules and manuals are specifically in all areas of sales, development, production, general affairs and accounting and comply with them.


I also believe that sharing useful information that we have come to know in these processes with the company through the whistle-blowing system and the Voice System will contribute to corporate governance.

Introduction of Main Group Companies As of April 30, 2017

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

Domestic

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

 For detailed information on major Group companies, please visit the address below.
▶ <http://www.itoen.co.jp/company/group/>

Overseas

- [United States] ● ITO EN (North America) INC.
● ITO EN (Hawaii) LLC
● Mason Distributors, Inc.
● Distant Lands Trading Company, Inc.
- [Australia] ● ITO EN AUSTRALIA PTY. LIMITED
- [Singapore] ● ITO EN Asia Pacific Holdings Pte. Ltd.
● ITO EN Singapore Pte. Ltd.
- [China] ● Fujian New Oolong Drink Co., Ltd.
● ITO EN BEVERAGE (SHANGHAI), LTD.
- [Indonesia] ● PT ITO EN ULTRAJAYA WHOLESALE
- [Thailand] ● ITO EN (Thailand) Co., Ltd.

Topics of Group companies

Tully's Coffee Japan Co., Ltd.

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


- Active store opening in a good location
Total number of shops: 671
- Area-limited products show strong performance.
- Promotion of a community café
- Sequential launch of products commemorating the 20th anniversary of founding



"Casual & Cozy for Woman"
Concept shop for females



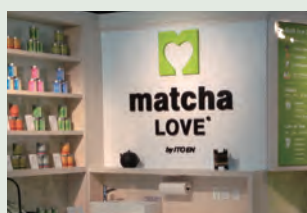
20th anniversary of founding

 ▶ <http://www.tullys.co.jp>

ITO EN (North America) INC.

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

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



Developing matcha LOVE tea shops



 ▶ <http://www.itoen.com>

Status of major consolidated subsidiaries

(Unit: 100 million yen)

	Results in FY2016		Forecast for FY2017	
	Net sales	Operating income	Net sales	Operating income
Business in the US*	304 (281,268 thousand dollars)	16 (15,573 thousand dollars)	345 (314,562 thousand dollars)	20 (18,215 thousand dollars)
Tully's Coffee Japan Co., Ltd.	302	31	323	32
Chichiyasu Company	146	3	156	3
Exchange rate (US dollar)	FY2016 108.4 yen		FY2017 110.0 yen (average during the period)	

*ITO EN (North America) INC., ITO EN (Hawaii) LLC, etc.

Company Outline

As of April 30, 2017

Company Profile

Company name	ITO EN, LTD.
Head Office	47-10, Honmachi 3-chome, Shibuya-ku, Tokyo
Established	August 22, 1966
Capital	19,912,300,000 yen
Number of employees	5,398 persons
URL	http://www.itoen.co.jp
Branches, sales offices and local offices	197 offices in 30 areas throughout Japan
Factories	Shizuoka Sagara Factory (21, Mekami, Makinohara-shi, Shizuoka) Kobe Factory (5-4-2, Mitsugaoka, Nishi-ku, Kobe-shi, Hyogo) Hamaoka Factory (3406-4, Niino, Omaezaki-shi, Shizuoka) Fukushima Factory (1-2-9, Arai-kita, Fukushima-shi, Fukushima) Okinawa Nago Factory (112, Isagawa, Nago-shi, Okinawa)
Research Institute	Central Research Institute (21, Mekami, Makinohara-shi, Shizuoka)

Shares and Shareholders

Total number of authorized shares:	200,000,000 shares
Total number of issued shares	<ul style="list-style-type: none"> ▶ Common stock: 89,212,380 shares ▶ Preferred stock: 34,246,962 shares
Number of shareholders	<ul style="list-style-type: none"> ▶ Common stock: 56,253 persons ▶ Preferred stock: 67,661 persons

Major shareholders

Common stock

Name of shareholder	Shareholding (1,000 shares)	Ratio of shareholding (%)
Green Core Co., Ltd.	17,403	19.51
State Street Bank and Trust Company 505223	6,044	6.77
Honjo International Scholarship Foundation	5,200	5.83
The Master Trust Bank of Japan, Ltd. (trust account)	2,999	3.36
Hachiro Honjo	2,446	2.74
ITO EN Employees' Shareholding Association	2,410	2.70
Japan Trustee Services Bank, Ltd. (trust account 9)	2,248	2.52
Toyo Seikan Group Holdings, Ltd.	1,955	2.19
Resona Bank, Limited	1,933	2.17
The Bank of New York Mellon (International) Limited 131800	1,510	1.69

Preferred Stock

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

Overview

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

(Note 1) In some cases, voting rights are available.

(Note 2) The first decimal place is rounded up to the nearest whole number. The lower limit is 15 yen. Even when no dividend is paid for common stock, 15 yen per share is paid for preferred stock.

(Note 3) If any accrued amount is accumulated, the shortfall in the payment is paid to the shareholders of preferred stock before the payment for common stock.

(Note 4) In the specific cases shown below, the Company may obtain preferred stock in exchange for common stock at the ratio of 1:1.

[Specific cases]

1. Merger in which the Company becomes an extinct company and share exchange and share transfer in which the Company becomes a wholly owned subsidiary (except those implemented by the Company alone).

2. When, due to a tender offer for the Company's common stock, the shareholding ratio of the tender offeror exceeds 50%.

3. When the listing of the preferred stock of the Company is abolished.

Company History

Year	Month	Overview
1966	Aug.	Establishes Frontier Tea Corporation, ITO EN's predecessor, in Shizuoka-shi, Shizuoka.
1969	May.	Changes the Company's name to ITO EN, LTD.
1972	Feb.	Introduces a high-speed automatic packaging machine manufactured by Industrial Gesellschaft in Switzerland. Develops vacuum packing technology to preserve the freshness of tea leaves.
1974	May.	Constructs Shizuoka Sagara Factory in Sagaracho, Haibara-gun, Shizuoka. Intensifies the production system.
1979	Aug.	Signs an agency contract with China National Native Produce and Animal By-products Import and Export Corporation to import oolong tea for the first time in Japan and starts selling oolong tea.
1980	Sep.	Develops Canned Oolong Tea and starts selling it in some areas.
1985	Feb.	Starts selling the world's first Canned Green Tea.
1987	Jul.	Establishes ITO-EN (USA) INC. (now ITO EN (Hawaii) LLC) in Hawaii, USA as the first step in overseas expansion.
1989	Feb.	Changes the name of Canned Green Tea products to <i>Oi Ocha</i> .
1990	Mar.	Releases the world's first PET bottled green tea drinks (<i>Oi Ocha</i> Green Tea, 1.5L).
1992	May.	Offers stock to the public.
	Sep.	Releases <i>Jujitsu Yasai</i> .
1993	Dec.	Issues convertible bonds worth 140 million Swiss francs.
	Jun.	Issues convertible bonds worth 100 million Swiss francs.
1994	Sep.	Establishes ITO EN AUSTRALIA PTY. LIMITED in Australia.
1996	Sep.	Goes public on the Second Section of the Tokyo Stock Exchange.
	Feb.	Establishes joint venture Fujian New Oolong Drink Co., Ltd. in China.
1998	Oct.	Stock advanced to the First Section of the Tokyo Stock Exchange.
2000	Oct.	Releases the industry's first hot drinks in heatable PET bottles.
2001	May.	Establishes the consolidated subsidiary ITO EN (North America) INC. in continental USA.
	May.	Releases <i>Oi Ocha Koi Aji</i> and <i>Ichinichibun-no-Yasai</i> .
2004	Oct.	ITO EN AUSTRALIA PTY. LIMITED builds new crude tea leaf plant and commences production.
	Jun.	Obtains shares of Mason Distributors, Inc. that engages in the nutritional supplement business based in Florida, USA to strengthen the business in North America.
2006	Oct.	Makes FoodX Globe Co., Ltd. (now Tully's Coffee Japan Co., Ltd.), which operates the Tully's Coffee chain, a consolidated subsidiary to expand the coffee business.
2007	Sep.	Lists Class 1 preferred stock on the First Section of the Tokyo Stock Exchange.
2008	Mar.	Concludes an exclusive distributor contract for the sale of Evian natural mineral water in Japan with the DANONE Group (headquartered in France).
2009	Aug.	Releases the black tea brand TEAS' TEA NEW YORK.
2010	Feb.	Establishes GREEN VALUE CO., LTD., which engages in the maintenance and procurement of automatic vending machines.
2011	May.	Makes Chichiyasu Company a consolidated subsidiary to strengthen the dairy product business.
	Jun.	Establishes ITO EN Asia Pacific Holdings Pte. Ltd. in Singapore.
2012	Sep.	Establishes ITO EN Beverage (Shanghai), Ltd. in China.
	Oct.	Opens a representative office in Vietnam. Makes NEOS Corporation a consolidated subsidiary.
2013	May.	Establishes ITO EN (Thailand) Co., Ltd. in Thailand.
	Jul.	Establishes a joint venture for the manufacture and sale of beverages in Indonesia.
2015	Feb.	ITO EN (North America) INC. obtains 100% of the shares of Distant Lands Trading Company, Inc., which is involved in the cultivation and sale of coffee beans mainly in the United States.
2016	Jun.	Constructs Maccha Kobo on the site of Shizuoka Sagara Factory.
	Sep.	Constructs Kobe Factory in Kobe-shi, Hyogo.

For further information on ITO EN INTEGRATED REPORT 2017,
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About ITO EN INTEGRATED REPORT 2017

The ITO EN INTEGRATED REPORT 2017 is issued as an integrated report with our financial and non-financial information in a single document. Additionally, we communicate information from multiple viewpoints via various other reports and websites as shown below, to enable all stakeholders to gain a greater understanding of ITO EN and its activities.

This report focuses primarily on activities during fiscal year 2016 (May 1, 2016 to April 30, 2017), but also includes details of selected ongoing initiatives and more recent activities. The professional affiliation and official positions of the stakeholders that are introduced in this report are current as of the time of their activities.

[Date of publication]
October 2017

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.

