

S-book

Sustainability Report

Special Features Edition

A New Era of Sustainability

— ITO EN's CSR to Address SDGs —



CONTENTS

Top Message 1 Deepening Commitment to CSR Based on SDGs 1
ITO EN's CSR to Address Global Issues 3

[Special Feature]

1 Sustainable Communities: Regional and National Economic
Revitalization Based on Core Business 5

2 Creating a Legacy for Future Generations: Feeling Closer to the World
Beyond the Golden Sports Years 7

Sustainable Production and Consumption 9 A Sustainable Business Model:
From Tea Plantations to Used Tea Leaves 11 Management Principle/ The ITO EN
Group's CSR 13 Third Party Opinion 14 Major CSR Targets (KPI) Back Cover

Deepening Commitment to CSR Based on SDGs

Top Message

Incorporate SDGs to CSR/CSV-based management and use a common language in the world

As early as FY2011, the Group introduced ISO 26000*1, an international standard, and since then has developed a CSR system where it has sorted out challenges and activities in Seven core subjects*2, while sticking to the fundamentals, including compliance and corporate governance.

In addition, for priority matters in management, including the environment, consumers, and community issues, we have created shared value (CSV*3), while solving social issues, and leveraging our strengths. In this way, we have promoted CSR/CSV management.

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

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

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

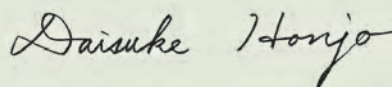
In our activities, we have our employees learn about sustainability with customers. We are emphasizing human resources development (ESD*4: positioned as the goal of education in SDGs).

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

We draw encouragement from high public acclaim for activities generated from our partnerships. For example, we won the 2013 Porter Prize*5 based on the evaluation of our competitive strategies. In FY2015, our Tea-Producing Region Development Project won the Prize of the Minister of Agriculture, Forestry and Fisheries for the food industry sector. Our new, recyclable, eco-friendly beverage carton that does not use aluminum foil and can be distributed at room temperature was awarded the Prize of the Minister of the Environment in the Global Environment Grand Prize Award. We also won the Japan Water Prize (the Minister of Economy, Trade and Industry) based on the acclaim of our CSR activities, including those conducted under the project called Making Japan Beautiful Through Tea. Our contributions to a sustainable society have been receiving increased recognition.

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

President and Representative Director



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

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

*3 CSV: Creating Shared Value

*4 ESD: Education for Sustainable Development

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

A common language for sustainability

The year 2015 was a landmark year when the 2030 Agenda for Sustainable Development was adopted and the Paris Agreement on Climate Change was reached. In Japan, companies started to comply with the Corporate Governance Code. In 2015, important elements were created in all aspects of the ESG (Environment, Social, and Governance) criteria, which is related to the sustainability of companies.

The United Nations has set goals for 2030 as Sustainable Development Goals (SDGs) based on global issues that relevant countries identified, after three years, in a multi-stakeholder process. One of the characteristics of the SDGs is universality. They are applied to both advanced countries and developing countries. Not only governments but also companies are expected to play a role. The SDGs are said to become a common language in the world for sustainability.

Aiming to become a Global Tea Company

Aiming to become a Global Tea Company, ITO EN will develop activities, keeping the SDGs in mind as a common language in the world. The Company has introduced a CSR system based on ISO26000 international standards as guidelines to improve its ability to respond to society and create shared value.

The 2030 Agenda calls for the creation of shared values to achieve the Goals, if the company

What are the Sustaina

In September 2015, "Transforming our Summit. The agenda is a plan for consist of 17 goals and 169 targets



Topic

Ranked among the "50 Companies That Are Changing the World" of *Fortune* Business Magazine (September 2016 Issue)

ITO EN was ranked 18th (highest position among Japanese companies) on the list of 50 companies that are "Changing the World" in a feature of *Fortune* business magazine (September 2016 issue) for its solutions to social issues through its business. ITO EN's use of abandoned farmland in its Tea-Producing Region Development Project and its use of cardboard boxes made in its Used Tea Leaves Recycling System were regarded as providing new growth opportunities to the flagging Japanese farming industry and received high acclaim*.

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

Ranked
18th
 in a list of 50
 companies that
 are changing the
 world

introduces the SDGs. Although SDGs should be used to create business opportunities and avoid business risks in that case, ITO EN has been employing CSR/CSV-based management, combining CSR and CSV (creating shared value) advocated by Professor Michael Porter and others.

Against this backdrop, ITO EN can deepen its commitment to its CSR/CSV-based management by incorporating the SDGs and social issues expected in the long term, up to 2030, into its management.

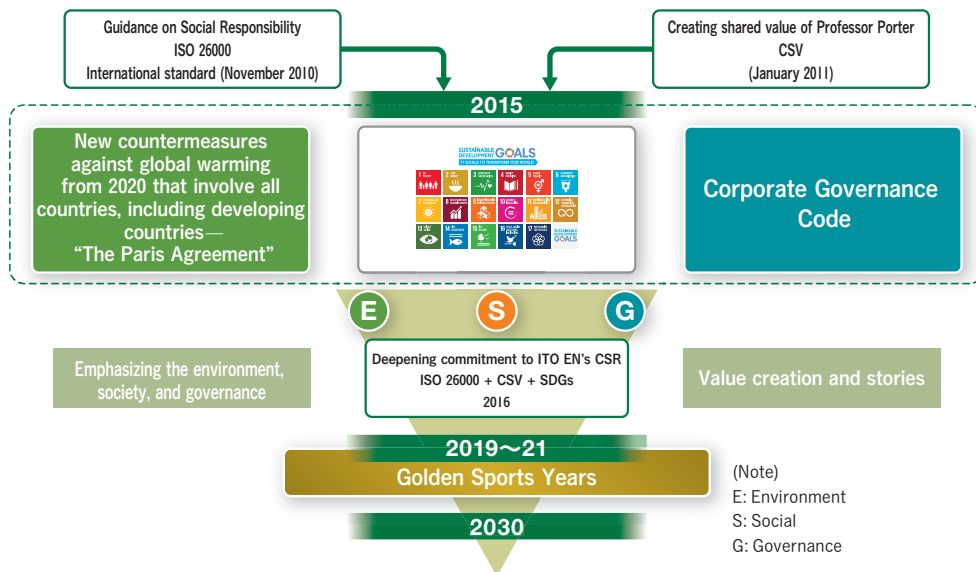
The world is coming to Tokyo

As the 2020 Tokyo Olympics and Paralympics and the Golden Sports Years are approaching, we need to consider that the world is coming to Tokyo. Japan needs to prepare to create a legacy, which will include cultural programs but will also require the ability to prepare, source and execute events that meet global standards

We understand that the SDGs can give us a direction. Specifically, the Group will incorporate the SDGs into its management in the following ways: (i) Reflecting the SDGs into the CSR Charter and Basic CSR Promotion Policy, (ii) Reflecting the SDGs into priority management issues (materiality items), (iii) Using the SDGs for identifying issues in the value chain.

In this way, we will tackle challenges under three categories that we need to address to become a Global Tea Company: promoting Cool Japan features, dealing with inbound tourists, and creating legacies.

Incorporation of SDGs into ITO EN's CSR



ITO EN's major CSR/CSV activities and SDGs

<p>Tea-Producing Region Development Project</p>  	<p>Tea-making seminars</p>  
<p>Used Tea Leaves Recycling System</p>  	<p>Oi Ocha Haiku Contest</p>  
<p>Eco-friendly vehicles</p>  	<p>Making Japan Beautiful Through Tea</p>  

*SDGs that are primarily related to ITO EN's activities are shown

ble Development Goals (SDGs)?

world: the 2030 Agenda for Sustainable Development" was adopted as an outcome document of the United Nations Sustainable Development action for people, planet, and prosperity and includes declarations and goals. These goals are Sustainable Development Goals (SDGs) which



*These logos belong to the United Nations Information Centre.

ITO EN addresses social issues.

The ITO EN Group has organized its CSR activities by identifying risks and opportunities in its business in accordance with the seven principles and seven core subjects of ISO 26000, an international standard. Of the core subjects, ITO EN prioritizes three—the environment, consumer issues, and community involvement and development—and works on creating shared value to create social value and business value at the same time.

ITO EN Group's CSR/CSV and SDGs

Social Issues

Issues in Japan

High population aging rate: 40%

The population aging rate is high in Japan compared with that in other countries. In 2060, around 40% of the population is expected to be 65 years old or older. ITO EN considers health to be a major challenge in Japan and one of its priority issues and is developing healthy products.

Source: 2016 White Paper on Aging Society by the Cabinet Office

Low food self-sufficiency: 39%

Japan's food self-sufficiency rate is very low at 39%. ITO EN is contributing to sustainable agriculture in Japan through its Tea-Producing Region Development Project, among other initiatives.

Source: *Food Balance Sheet for FY2015* by the Ministry of Agriculture, Forestry and Fisheries

Required CO₂ reduction: 26%

To contribute to achieving Japan's commitment in the Paris Agreement, a reduction of 26% in greenhouse gas from 2013 by 2030, ITO EN is working to reduce CO₂ emissions.

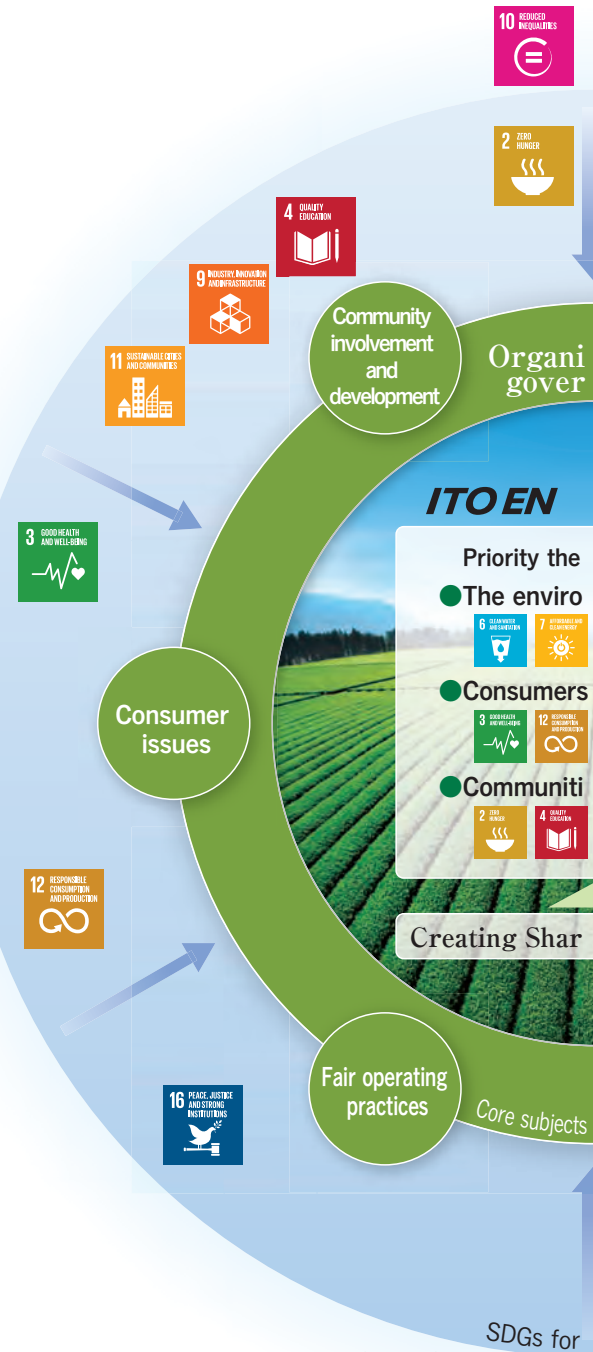
Source: *Japan's draft promise* by the Ministry of the Environment

Promotion of CSR

The ITO EN Group promotes CSR, setting goals based on the principles and core subjects of ISO 26000.

● Seven principles of ISO 26000

Accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights.



Common goals for 2030 for both developed and developing countries: Sustainable Development Goals (SDGs)

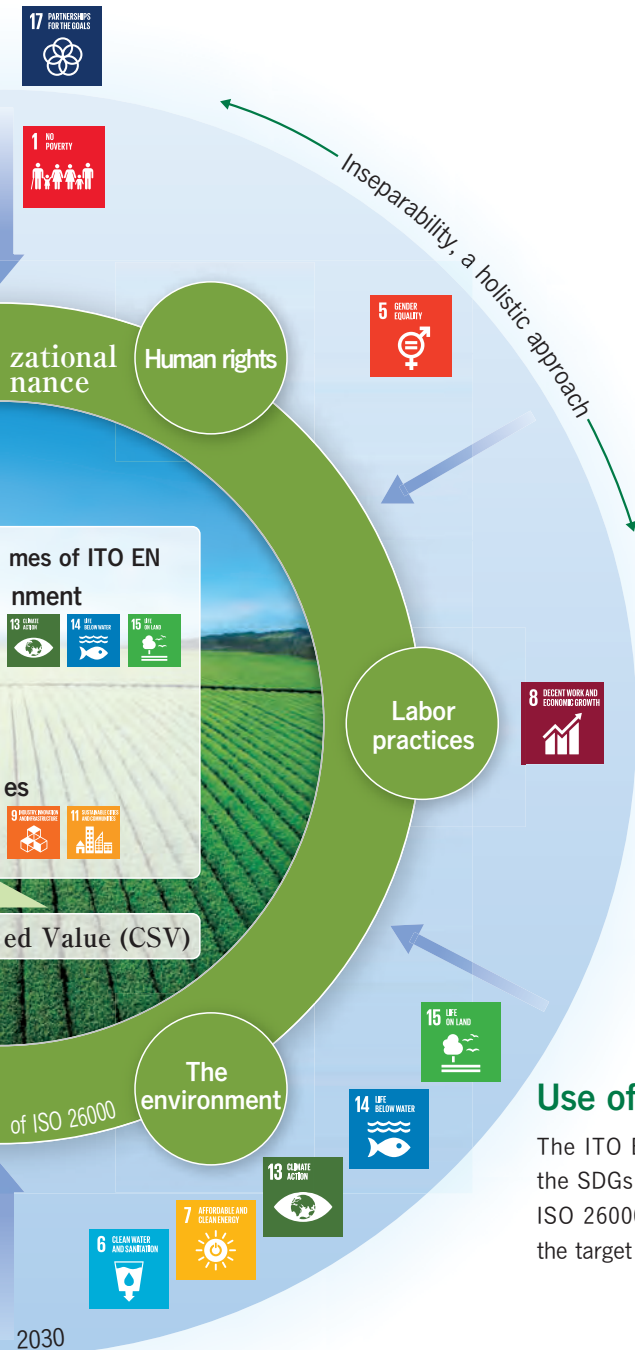
- | | | | | | | | | | | | | |
|----------------------|---|--|---|----------------------------------|--|--|---|---|--|---|--|--|
| 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | |
| 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 |

The Sustainable Development Goals have been adopted, and we consider the SDGs goals for social issues for a certain period that complement the core subjects. Considering the relationship between the core subjects and the SDGs, we will reinforce our CSR/CSV system with the SDGs.

The core subjects of ISO 26000 and the 17 goals

of the SDGs are said to be mutually connected and inseparable (inseparability, a holistic approach).

Based on the understanding of the mutual connections, we have linked each of the SDGs to core subjects on a trial basis to make the SDGs easier to understand, although the SDGs and the core subjects do not correspond to each other on a one-to-one basis (see the chart below).



Use of SDGs

The ITO EN Group regards the SDGs as reinforcing the ISO 26000 framework until the target year 2030

Global Challenges

Temperature increase expected in 2050: **2°C**

Recognizing the issues surrounding global climate change, ITO EN is tacking steps to reduce the environmental load and energy consumption in all of its business activities. ITO EN is contributing to environmental conservation activities.

Source: *Fifth Assessment Report* by the Intergovernmental Panel on Climate Change (IPCC)

Reduction in inequality and relative poverty: **11%**

It is said that around 11% of the population lives in relative poverty on average, even in OECD member countries, which are the world's most advanced countries. ITO EN works to reduce poverty and inequality through fair operating practices and labor practices.

Source: *OECD Income Distribution Database*

Annual food waste: **1.3 billion tons**

Around 0.8 billion people in the world do not have essential nourishment, while around 1.3 billion tons of food waste is disposed of every year. ITO EN is promoting the recycling of used tea leaves. We are reducing food waste, aiming to achieve a food recycling rate of 90% or more every year.

Source: *Global Food Losses and Food Waste* by FAO

Overweight and obese people: **1.9 billion or more**

It is said that there are over 1.9 billion overweight and obese people in the world. ITO EN is providing health benefits to people. For example, it is developing Food for Specified Health Uses for people who are concerned about their body fat.

Source: *Obesity and Overweight, Fact Sheet* by WHO



16 Promote peaceful and inclusive societies

17 Strengthen the means of implementation and revitalize the global partnership

for sustainable development

*ITO EN created the descriptions of the 17 goals, referring to Japanese translations of descriptions by related organizations.

Evaluation from the outside

ITO EN's prompt response to the SDGs in the context of the seven core subjects is a pioneering approach. I have high expectations of future initiatives of ITO EN.

Norichika Kanie

Professor at Graduate School of Media and Governance, Keio University
 Professor Norichika Kanie is an expert on the SDGs. He wrote *Prescriptions for Effective Implementation of the Sustainable Development Goals in Japan* as the leader of the S-11 project of the Environment Research and Technology Development Fund of the Ministry of the Environment (comprehensive research on the Sustainable Development Goals and governance).



Making Japan Beautiful Through Tea



Making Japan Beautiful Through Tea* project is a leading initiative that associates business value creation with social value creation. Part of the sales of all products in the *Oi Ocha* series during the period from November 11, 2015 to December 31, 2015, was donated to activities for World Heritage site conservation and for environmental conservation activities, and some ITO EN staff took part in these activities. This initiative received a prize from the Minister of Economy, Trade and Industry in the 17th Japan Water Prize.

In addition, ITO EN sponsored the GU-1 Grand Prix Rice Ball Contest organized by the Awaji City Government* in 2015, and presented the ITO EN prize. On that occasion, we exchanged opinions with Mr. Yasuhiko Kado, Mayor of Awaji, on the establishment of a collaborative platform including the use of local promotional mascots in a discussion about collaboration with local governments and businesses in the 56th Tokyo Midtown Design Hub exhibition, titled Local Design Studies: 20 Projects for Regional Revitalization*.

In the city of Kasama, a tea event took place during the Kasama Himatsuri festival organized by KASAMAYAKI Cooperative. ITO EN has offered support for this festival for eight years since 2008, as contribution to regional economic revitalization through this festival. This city was among the areas hit by the 2011 Great East Japan Earthquake. We exhibited a vending machine with a disaster response feature. Regarding disaster management, we help to resolve regional issues in the city of Kasama (this activity



Photo: Presenting donations to the Kanagawa Prefectural Government
(From left to right: Yoshinori Nishimoto, General Manager of the Kanagawa East Sales Department, ITO EN, Ltd.; Shusuke Honjo, Vice President and Representative Director, ITO EN, Ltd.; Mr. Yuji Kuroiwa, Kanagawa Prefectural Governor; and Katsunori Yoshino, Executive Officer and Manager of South Kanto District Sales Division)

Special Feature 1

Sustainable Communities

Regional and National Economic Revitalization Based on Core Business

As a result of the accelerated aging population and a decline in the birth rate as well as the increased concentration of the population in the Tokyo region, the demographic decline in rural areas is now a major social issue. In response to the regional economic revitalization by the Japanese government, ITO EN has formulated the ITO EN Basic Policy for Promotion of the Development of Communities, Human Resources and Jobs. We are working on such developments through our core business.

(For the policy, please visit: <http://www.itoen.co.jp/csr/csrpolicy/#houshin2015>)



Human Development

ITO EN cooperates in administrative advancement in the city of Sabae with the participation of its citizens. In September 2015, the Eighth Sabae City Regional Revitalization Plan Contest took place. We participated as a judge together with Mr. Hyakuo Makino, Mayor of the city; Mr. Kazue Nomura, President of the Sabae Chamber of Commerce and Industry; Mr. Shinichi Minowa, Chairman of Fukui Shinkin Bank, and Mr. Taisuke Fukuno, President of jig.jp, a local company.

In the First Iki-Iki Machiokoshi Summit in Isumi, Chiba Prefecture, organized by the Conference of Mayors for Regional Economy Revitalization, we delivered a keynote speech and served as a coordinator of the symposium.* The panel was composed of Mr. Keinchi Yamamoto, Mayor of Karumai-machi, Iwate Prefecture; Mr. Toyohiko Kobayashi, Mayor of Yahiko-mura, Niigata Prefecture; Mr. Kenichi Okubo, Mayor of Neba-mura, Nagano Prefecture; Mr. Shigeru Narihara, Mayor of Shirakawa-mura, Gifu Prefecture; Mr. Hiroshi Ota, Mayor of Isumi, Chiba Prefecture; Mr. Takeshi Arai, Deputy Director-General of the Community, Human and Job Development Headquarters Office in the Cabinet Office; and Mr. Makoto Tanaka, Chairman of Chuo Sanshi Kyokai.

Regarding the revitalization of local economies and CSR, we delivered a keynote lecture at the 24th Presentation Conference of the Japan Society for Business Ethics that took place at the Faculty of Economics in Tohoku University on June 18, 2016. On the common subject of the revitalization of local economies and business ethics, our lecture presented the idea of value creation through collaboration between businesses and related parties with regard to the rejuvenation of the regional economy and CSR/CSV.*

At a symposium organized as part of the hands-on activity promotional project run by the Ministry of Education, Culture, Sports, Science and Technology, we delivered the keynote lecture and participated in a panel discussion.

For the revitalization of regional economy, it is important to spread the efforts to other regions by propagating information about them. We also take part in different activities for dissemination.



The keynote lecture at the auditorium of the Ministry of Education, Culture, Sports, Science and Technology

* For further details about these activities, please visit the websites specified below.
ITO EN: ITO EN's Actions on the development of communities, human resources and jobs
<http://www.itoen.co.jp/csr/community/effort/>

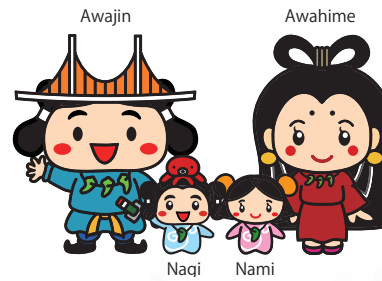
ITO EN: Making Japan Beautiful Through Tea
<http://www.itoen.co.jp/kirei/>
Sponsorship for the GU-1 Grand Prix Rice Ball Contest:
http://www.itoen.co.jp/csr/community/effort/stakeholder_awaji/

was awarded a prize in ITO EN's internal CSR Award).

Continuous Participation Based on the Conclusion of Regional Agreements

ITO EN signed the Shibuya Social Action Partner Agreement with the Shibuya Ward Government. We will work together with the local authorities to resolve Shibuya Ward's local issues in extensive areas.

We address the issues facing different communities by concluding different agreements with local authorities. They include a comprehensive collaboration agreement with the Yokohama City Government for the enhancement of services for citizens and local revitalization, the Fukuro (Owl) Agreement with the Kishiwada City Government for coexistence between people and nature and for the development of culinary culture that is harmonious with nature, and disaster agreements with different communities.



Mascots of Awaji City
Approval No.: 160007 by Awaji City
© Awaji City



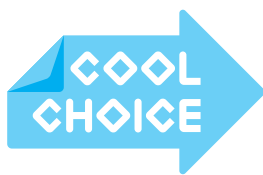
ITO EN has been participating in Machiten, a forum aimed at achieving the revitalization of the regional economy. (The second Machiten was held on December 9 and 10, 2016, and the third is scheduled to be held on December 8 and 9, 2017.). This initiative is aimed at achieving regional economic revitalization through open innovations by key actors in community development, such as local governments, businesses, universities, social business entrepreneurs, media, and non-profit organizations. For details, please visit: <http://machiten.com/>



Products Created in Collaboration with Communities

Made solely from materials produced in Hokkaido, namely corn (maize), brown rice, black beans, azuki beans, and water, the Hokkaido Tokibicha won a 2015 Food Action Nippon Award. ITO EN focuses its energy on locally produced products made from local materials in order to contribute to the creation of the regional industry and the revitalization of the regional economy by diversifying agriculture and fisheries into production and commerce.

The Kenko Mineral Mugicha was recognized as a beverage for heat stroke prevention supported by the Cool Share Kumagaya Initiative Committee, because it approved of the product's features and our efforts.



未来のために、いま選ぼう。

ITO EN supports the initiatives of Fun to Share and Cool Choice, which aim to joyfully share the latest ideas for measures against global warming in a bid to build a low-carbon society.

Ise Kabusecha

Made solely from kabuse-cha tea produced in Mie Prefecture
Marketed only in the Tokai region (i.e. Mie, Aichi, and Gifu Prefectures)

Sayamacha

Made solely from Sayamacha tea produced in Saitama Prefecture
Marketed only in Saitama Prefecture

Hokkaido Tokibicha

Made solely from materials (corn (maize), brown rice, black beans, azuki beans, and water) produced in Hokkaido
Marketed only in Hokkaido
A 2015 Food Action Nippon Award winner

Kobashii Jika Baisen Bo-Hojicha

Marketed in three prefectures in the Hokuriku region

Hiyashiume

Made from Nankobai plum juice

Kiritto Setouchi Lemon

Made from non-concentrated lemon juice grown in the Setouchi region in Japan

*Hidemitsu Sasaya, Managing Executive Officer, was the lecturer from ITO EN in the following activities and events:
The Eighth Sabae City Regional Revitalization Plan Contest
<http://www.itoen.co.jp/csr/outside/#plancontest>
The Conference of Mayors for Regional Economy Revitalization: The First Iki-Iki Machiokoshi Summit
<http://kakouken.net/custom.html>

The Japan Society for Business Ethics: The 24th Presentation Conference
http://www.jabes1993.org/archive/taikai_program_2016.pdf
The Ministry of Education, Culture, Sports, Science and Technology: FY2015 Hands-On Activity Promotion Project: Corporate Social Responsibility Symposium: Encouragement of Hands-On Activity for the Youth through Corporate Social Contribution
<http://www.unei-jimukyoku.jp/csr>

Creating a Legacy for Future Generations

Feeling Closer to the World Beyond the Golden Sports Years

The years when worldwide sporting events take place, such as the year 2020, when the Olympic and Paralympic Games will be held in Tokyo, will provide Japan with the experience of feeling closer to the rest of the world. As prescribed in the Olympic Charter, it is vital to create cultural and other legacies for future generations. In an attempt to build a sustainable society, ITO EN will be introducing the concept of a legacy into its CSR activities on the basis of its core business.



■ The Golden Sports Years (2019 to 2021)

2019: The Rugby World Cup

The Rugby World Cup is one of the world's three greatest sporting events, second to the summer Olympic Games and the FIFA World Cup. It is watched by a cumulative total of 4 billion people worldwide.

2020: The Olympic and Paralympic Games in Tokyo

With the participation of athletes from around 200 countries, these are the largest sporting events watched all over the world.

2021: The World Masters Games

This is a festival of sports open to everyone aged 30 and older. The first event in this series in Asia will take place in the Kansai region in 2021. Nearly 50,000 athletes from around the world will participate.



ITO EN holds a women's golf tournament. In 2015, the 31st tournament was held. It is unique because it is jointly organized by a volunteer group known as the ITO EN Green Club. Admission and other revenue are donated to social welfare programs in the region where the tournament is held.



Sports, Culture and Sustainability

With respect to the role of sports in advancement of society, the 2030 Agenda for Sustainable Development states that they are significant and powerful with the potential for the achievement of sustainable development goals.

Sporting events and host cities see a growth in people making exchanges. When sports take root, businesses and jobs are created.

As a global tea company, ITO EN will advertise tea as one of the Cool Japan items to overseas visitors in a bid to establish it in the community as a legacy product. We will communicate the lifestyle culture of tea and tea making technologies to the rest of the world.

Involvement in the Creation of Olympic Legacies

Japan's Ministry of Education, Culture, Sports, Science and Technology describes a legacy as a gift to future generations and aims to create Olympic and Paralympic legacies. Advanced in its problem-solving skills, Japan regards the two sporting events as opportunities to impress the rest of the world with its strengths and acumen by capitalizing on the deadline effect of the year 2020. It is hoped that there will be collaborative activities among different individuals and organizations to bequeath legacies to future generations. We will take advantage of our strengths in sports and culture.

Dr. Yoshiyuki Mano, an expert in sports policy, made this suggestion in the stakeholder dialogue that we organized, "We will need to create various legacies during the Golden Sports Years, from the 2019 Rugby World Cup until 2021. Businesses have a key role of linking legacy creation with regional economic revitalization and supporting cultural programs." From the perspective of the media, Mr. Masami Kojima commented, "Tea-Producing Region Development Project, tea seminars, and the New Haiku Contest are all directly related to Japanese culture. The Golden Sports Years will provide ITO EN with a good opportunity to spread tea culture with a view of creating a legacy while operating its core business. ITO EN should do so with a focus on activities that gain high consumer recognition."



Yoshiyuki Mano

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



Masami Kojima

Member of Editorial Board, Lifestyle Information Department, Mainichi Newspapers

ITO EN is reinforcing its capabilities to run cultural programs, with an eye towards 2020, in order to share the Japanese culture.

Qualified personnel under the Tea Taster System act as instructors to explain and share the history of tea, knowledge about its healthy features, and a good method to make tea. These activities are not only for dietary education about the benefits of tea but also cultural activities. We conduct community-based seminars at tourist destinations, schools, community centers, welfare facilities, and many other venues.

The *Oi Ocha* New Haiku Contest has existed since the first product in the *Oi Ocha* series was released in 1989. It is Japan's largest haiku competition, attracting a cumulative total of around 29.87 million entries. Without constraints, such as the requirement of seasonal words and the fixed five-seven-five format, it features the concept of enjoying feelings freely and the publication of prize winners on product packages in the *Oi Ocha* series. It is broadly introduced into school education. For the second competition, an English haiku category was added. For the 27th Contest, this category had 17,825 entries.



The grand prize winner in the category of English haiku in the 27th Contest

Demonstration and explanation about matcha powdered green tea by ITO EN staff
Left: Narumi Ogawa, CSR Promotion Dept.
Center: Michiko Yamanaka, Section Manager, Mass Retailer Sales Dept. 3

Sustainable Production and Consumption

In all three approaches to creating shared value(CSV), (i) development of industrial clusters, (ii) redefining of the value chain and (iii) reconceiving products and services, ITO EN carries out strategic initiatives with the aim of simultaneously achieving social value and economic value. We will be helping to achieve the Sustainable Development Goals through this approach. Our individual activities gain high marks from outsiders for our achievements through collaboration with the parties concerned.

Tea-Producing Region Development Project: An Agricultural Model that Attempts to Resolve Problems

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

Under the new tea plantations business, in certain regions, farmers have established crude tea production factories, leading the creation of the sextiary industry. In addition to the strengthening of cooperation with prefectural tea industrial research organizations and promotional organizations, ITO EN is striving to strengthen cooperation with agricultural material related companies,

universities and agricultural cooperation organizations in relation to fertilizers and other materials. As a result, the development of industrial clusters is progressing in tea producing regions.

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



- Development of new tea plantations
- Steady crude tea procurement



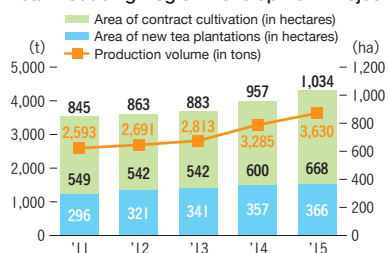
- Stability of agricultural management foundation
- Revitalization of local employment and economies
- Use of Abandoned Farmland

* Award for Distinguished Companies and Others in the Food Industry for FY 2015

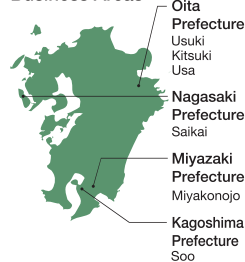
(Winning the Prize from the Minister of Agriculture, Forestry and Fisheries in the Food Industry Category (Promotion of Collaboration between Agriculture, Commerce and Industry))

The Award for Distinguished Companies and Others in the Food Industry recognizes those who contributed to regional development in raw material procurement and job development in collaboration with workers in regional agricultural and fisheries. ITO EN was awarded for its Tea-Producing Regional Development Project.

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



New Tea Plantations Business Areas



Innovation of the Value Chain through Collaboration

The NS system, which was jointly developed with Toyo Seikan Co., Ltd., adopts a room-temperature aseptic filling method that does not use a sterilizer, but instead uses heated water to sterilize PET containers. This has resulted in the creation of a range of value meeting customers' requirements and environmental considerations, such as the securing of safety and security and reductions in the amount of water and energy used.



The new tea-producing region project for the Usa district in Oita Prefecture as part of the Tea-Producing Region Development Project

We make effective use of approximately 49,000 tons per year of used tea leaves generated from the manufacturing process. A large portion is used by farmers as manure and fertilizer.

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

• Cost cutting through resources and energy saving



• Wider use of resources and energy saving products



• Acquisition of eco-friendly products

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

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

- Circulating society aspect: Prize of the Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry in the Circular Resource Techniques and Systems Award (2014)
- Sustainable consumption aspect: Prize of the Director-General of the Food Industry Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries in the Food Industry Mottainai Award (2015)
- Environmental aspect: Environmental Performance Award (Outstanding Performance Award) (2015)
- Sustainable consumption aspect: Prize of the President of the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs (2015)

Health and Sustainable Consumption

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

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

Products such as *Oi Ocha*, a mainstay product, excluding certain products, adopt eco-friendly PET containers nationwide. Moreover, ITO EN developed a non-aluminum beverage carton for vegetable drinks (commonly called an eco-friendly carton) that uses eco-friendly film instead of aluminum foil liners in collaboration with Nippon Paper Industries Co., Ltd. And Toppan Printing Co., Ltd.

The new carton for vegetable beverages is capable of keeping products at room temperatures for an extended period and is still able to be recycled in the same manner as milk cartons. Accordingly, it has created value, including sustainable consumption.

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



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

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

Eco-friendly PET containers

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

- Establishment of brand
- Expansion of sales and market share and achieving product differentiation through total marketing



• Enjoying products with health awareness



• Sustainable consumption life

***A brick-type aluminum-free paper carton for beverages is highly regarded for its extensive aspects.**

(Jointly awarded with Nippon Paper Industries Co., Ltd. and Toppan Printing Co., Ltd. The prize marked with the asterisk (*) symbol was jointly won with Toppan Printing Co., Ltd.)

- Sustainable consumption aspect: Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for promoters of the 3Rs (2014)
- Circulating society aspect: Prize of the Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry in the Japan Packaging Competition (2015)
- Environmental product development aspect: Eco Products Award (Chairperson’s Award, Eco-Products Awards Steering Committee (2014)
- Universal design aspect: IAUD Award (2014)
- Lifestyle aspect: Japan Packaging Contest (Food Packaging Award) (2014)
- Green procurement aspect: Jury’s Encouragement Prize (Green Purchasing Award) (2015)
- Environment on the whole: Prize from the Minister of the Environment (Grand Prize for the Global Environment Award) (2016) (*)

Outsiders’ Rating

With respect to ITO EN’s business model, Mr. Hiroji Tanaka positively comments, “ITO EN implements a system of enabling its own progress while operating its core business by means of CSR/CSV management. That leads to solutions to regional issues. As ITO EN has reached this level, it won a Porter Prize for its competition strategy. On that occasion, it increased its CSV efforts. Given that ITO EN has established a CSR system in compliance with the past ISO 26000 standards, it is able to enhance its system in view of the new sustainable development goals while maintaining its infrastructure.”

Regarding our contribution to local communities, Dr. Makoya Kageyama remarks, “It is marvelous that ITO EN is working to solve not only its own problems but also social problems in different collaborative projects in local communities. For the CSR Award, for which I continue to make comments, successful cases are evolving year after year. Its actions will have a greater managerial significance if a KPI is prepared based on the SDGs in view of continuity, including staff training and social importance.”



Hiroji Tanaka
Professor Emeritus at the Tokyo College of Transport Studies, Director and Chief Researcher at the Business, Ethics Research Center, specializing in corporate ethics and CSR



Makoya Kageyama
Professor at the International College of Arts and Sciences and director of the CSR Center at Yokohama City University, specializing in community CSR

For details about the prizes mentioned on this page and in this report, please visit:
URL ▶ <http://www.itoen.co.jp/csr/>

A Sustainable Business Model:

From Tea Plantations to Used Tea Leaves

ITO EN endeavors to deliver high quality products to customers in its unique integrated production system that covers all stages, from tea plantations to used tea leaves. Throughout the process, including procurement, production, distribution, product planning, development and sales, and the value chain that serves as the foundation that supports them, we work with related parties to create new value. That allows us to create our own value (marked with white circles in the diagram below) as well as social value (marked with green circles) and to address issues on SDGs. It makes ITO EN unique and serves as a source of its strength. They are materiality items determined after listening to comments

from stakeholders. The following focuses on the value chain chiefly for green tea.

Sustainable Production and Consumption through the Value Chain

At the stage of procurement, ITO EN stably secures high quality raw materials using its excellence in procurement and the Tea-Producing Regional Development Project that supports it. In addition, it addresses the sustainable development goals (SDGs), specifically sustainable agriculture, sustainable production, consumption, and construction of local communities.

At the stage of production and distribution, ITO EN has

Value Created on the Value Chain

○ : ITO EN's Value ● : Social Value



Procurement

High capability of crude tea procurement

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



Tea-Producing Region Development Project

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



Production and Logistics

Fabless method

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

NS system

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



Used Tea Leaves Recycling System

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

Quality control system

- Enhancement of brand value
- Security and safety of consumers

Block production and logistics systems

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



Foundations that Support the Value Chain

- ▶ Product Safety Assurance
- ▶ Respect for Human Rights and Compliance
- ▶ Creation of Pleasant Workplace Environment
- ▶ Financial Affairs Management

*Sustainable development goals mainly related to the individual stages are shown as symbols

consideration for the environment, especially for decreasing carbon dioxide in different ways through its fables (production without owning factories) system, the system for recycling used tea leaves, the quality management system, and the production and distribution system. These do not only help us to reduce costs but help to achieve the preservation of energy, water, and biological diversity specified in the SDGs.

During the stage of product planning and development, we capitalize on our strong product development capabilities to conduct research on catechins and health benefits to excel in the creation of functional food. It is linked with the sustainable development goals concerning health.

We engage in sales visits to customers and other efforts including the Making Japan Beautiful through Tea project and the *Oi Ocha* New Haiku Contest. They help to increase the value of our core business and make contributions to environmental conservation and culture.

Fundamental Actions that Support the Value Chain

ITO EN's fundamental actions that support its whole value chain include product safety assurance, respect for human

rights, compliance and creation of worker-friendly workplaces, and personnel development. In this respect, we contribute to the SDGs in consideration of gender, partnerships, sustainable production, and consumption.

Rating of the Value Chain

Regarding these actions, Mr. Toshihiko Goto made his remarks from his perspective as a specialist, "ITO EN has analyzed the materiality items in its whole value chain as well as values for itself and for society at each separate stage. ITO EN's attempts to incorporate the SDGs into its efforts leads to a response in social changes and new definition of values created from a global perspective."



Toshihiko Goto
CEO, Sustainability Forum Japan



Product Planning and Development

Product development capabilities

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



Wide range of products

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

Patent strategies and trademark strategies

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



Sales and Distribution

Community-based sales system

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



Retailers

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

The tea taster system

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

Oi Ocha New Haiku Contest

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

"Making Japan Beautiful Through Tea" project

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



Become a Global Tea Company



Environment and Personnel Development (Decent Work and Gender Equality)
Integrated with the Business Model



Management principle

“Always Putting the Customer First”

We believe that the foundation of business management at ITO EN is our commitment to placing importance on each and every customer.

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



The ITO EN Group’s CSR

The CSR System with a Global Perspective

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

With the goal of becoming a global tea company, we are working to develop and propose new culinary culture and lifestyles in Japan and overseas and to actively create shared value (CSV) for achieving both the resolution of social issues and the growth of the ITO EN Group in its contribution to ensuring sustainability in society and the environment. (Quoted from the ITO EN Group CSR Charter)

Outline of the ITO EN Group’s CSR activities



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

ITO EN Group’s Basic CSR Promotion Policy Established in April 2012 and revised in February 2014, August 2016

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

By taking these actions, the ITO EN Group will increase its competitive edge and its corporate value as a company prized by society and will aim to develop into a global tea company while contributing to the achievement of the Sustainable Development Goals (SDGs).

▼ Positioning of and editorial policy for Sustainability Report 2016: Special Features Edition (CSR Report 2016)

This re-edited report is presented as a Regular Communication Book of Sustainability Report 2016 : Special Features Edition (CSR Report 2016) which was issued in October 2016. It carries special features on non-financial information. Regular reports of non-financial information are available in the report section of the website. Please also refer to the regular Communication Book presenting ITO EN’s activities, titled Seven Stories of Green Tea. The guidelines that have been referred to in editing this report (Special Features Edition/Performance Report Edition), the scope of this report, and the period covered by this report are as follows:

[Guidelines referred to in this report]

Social responsibilities governed by the international standard ISO26000 / JIS Z 26000 (domestic guidance on social responsibility), the GRI Sustainability Reporting Guidelines Version 4.0, and the Ministry of Environment’s Environmental Report Guidelines (2012 Edition)

[Scope of this report]

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

[Period covered by this report]

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

[Date of publication]

May 2017

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

Third Party Opinion

Professor at Hitotsubashi University Graduate School of International Corporate Strategy

Takashi Nawa



The Business Model that Continues to Advance

Since winning the Porter Award in 2013, ITO EN has been constantly advancing its corporate management year after year. Here, I will review it from three viewpoints: truth, goodness, and beauty.

Regarding truth, I appreciate that ITO EN made a timely declaration of its actions formulated last year towards the SDGs. That allows the company to further evolve into a global firm based on a common foundation in the world.

Regarding goodness, the implementation of the development of communities, human resources and job activities at different locations in Japan has drawn attention. Under such circumstances for which the revitalization of the regional economy is a national issue, ITO EN's efforts on community development on the basis of its core business may be regarded as an advanced example of CSV.

In terms of beauty, the focus on the creation of future legacies will be noteworthy. Dissemination of green tea and other things from Japanese culture will help to spread the values of calmness and relaxation to the rest of the world.

I have found several attempts and efforts to plainly explain ITO EN's unique management model in this report. I also appreciate that the relationship between non-financial information and financial information is more distinct.

Aiming to be a Legacy in the World

Recently, *Fortune* business magazine ranked ITO EN as 18th out of 50 companies on its 2016 Change the World list. It had the highest rank among Japanese companies.

Amid the global intensification of conflicts and social problems, ITO EN's management model based on truth, goodness, and beauty has potential for leading the world in the right direction. If these concepts, which have been maintained since its establishment of natural, healthy, safe, well-designed and delicious, are targeted at the minds of people in addition to their bodies, they will lead to a state of physical and mental contentment. If the scope of development of humans as cultural supporters is expanded from employees to customers, communities, partners, and others, ITO EN will surely be able to collaboratively create a circle of empathy in the world.

It is greatly hoped that with its view of making the world beautiful through tea, ITO EN will further strive toward evolving as a global tea company into a legacy for the future.

Response to Third Party Opinion

We are thankful for the remarks on our business model from the perspective of an expert in management strategy.

I deeply appreciate that our introduction of the Sustainable Development Goals adopted by the United Nations last year into our system was keenly noticed.

As an aspiration to create a new era as a global tea company, we will strive to construct a more sophisticated system. I will also express my gratitude for positive remarks in the contents of the report designed to facilitate communication with stakeholders by adding a special feature on the New Age of Sustainability, which discussed the advent of a

new era and sought to be reader-friendly.

As a global tea company, we will expand the scope of ESD from employees to customers, communities, partners, and others as suggested with the aim of solving not only domestic issues, but global ones, and stepping up our efforts to collaboratively achieve legacies.
































Hidemitsu Sasaya

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



Major CSR Targets (KPI)

ITO EN establishes targets (KPI) by core theme based on ISO 26000, in consideration of the SDGs, and manages and follows up on progress in its activities based on the plan, do, check, action (PDCA) cycle. The SDGs are complex targets, and all of the 17 targets are related to ITO EN's business in some way. We classify the items into the seven core themes. The following provides a summary.

	ITO EN item	Related SDGs	Activity targets (main points)
Organizational governance	Corporate governance	 	<ul style="list-style-type: none"> Improvement in the efficiency and effectiveness of internal control
Human rights	Respect for human rights	  	<ul style="list-style-type: none"> Promotion of human rights educational activities
Labor practices	Creation of a pleasant workplace	    	<ul style="list-style-type: none"> Strengthening the system for supporting persons with disabilities (an employment rate of 2.0% or more to be maintained)
The environment	Environment and the promotion of diversity		<ul style="list-style-type: none"> Food recycling rate of 90% or more
	Promotion of recycling		<ul style="list-style-type: none"> Reduction of CO2 emissions
	Prevention of global warming	  	<ul style="list-style-type: none"> Expansion of the used tea leaves recycling business
	Eco-friendly product development	 	<ul style="list-style-type: none"> Reduction of electricity consumption
Fair operating practices	Promotion of energy saving	 	<ul style="list-style-type: none"> Promotion of acquisition of business compliance certificate
Consumer issues	Customer satisfaction	 	<ul style="list-style-type: none"> Response to the new labeling standards
	Health value		<ul style="list-style-type: none"> Enhancement of the lineup of Foods with Function Claims
Community involvement and development	Education, culture, and Conservation about world heritages	     	<ul style="list-style-type: none"> Strengthening of edification activities for tea culture Enhancement of relationships with external groups Active participation in events
	Tea-Producing Region Development Project	  	<ul style="list-style-type: none"> Expansion of the Tea-Producing Region Development Project (new tea plantation business)

Overview of ITO EN, LTD. As of April 30, 2016

Company name **ITO EN, LTD.**
 Head office 47-10, Honmachi 3-chome,
 Shibuya-ku, Tokyo
 Date of establishment August 22, 1966
 Paid-in Capital ¥19,912,300,000
 Number of employees 5,340
 Branches and sales offices 30 districts and
 199 bases nationwide

Factories Shizuoka Sagara Factory
 (21 Mekami, Makinohara, Shizuoka Prefecture)
 Hamaoka Factory
 (3406-4 Shinno, Omaezaki, Shizuoka Prefecture)
 Fukushima Factory
 (1-2-9 Araikita, Fukushima, Fukushima Prefecture)
 Okinawa Nago Factory
 (112 Isagawa, Nago, Okinawa Prefecture)
 Research facility Central Research Institute
 (21 Mekami, Makinohara, Shizuoka Prefecture)
 Net sales (consolidated) 465,579 million yen
 Operating income (consolidated) 17,243 million yen
 (Results in the fiscal year ended April 30, 2016)

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

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