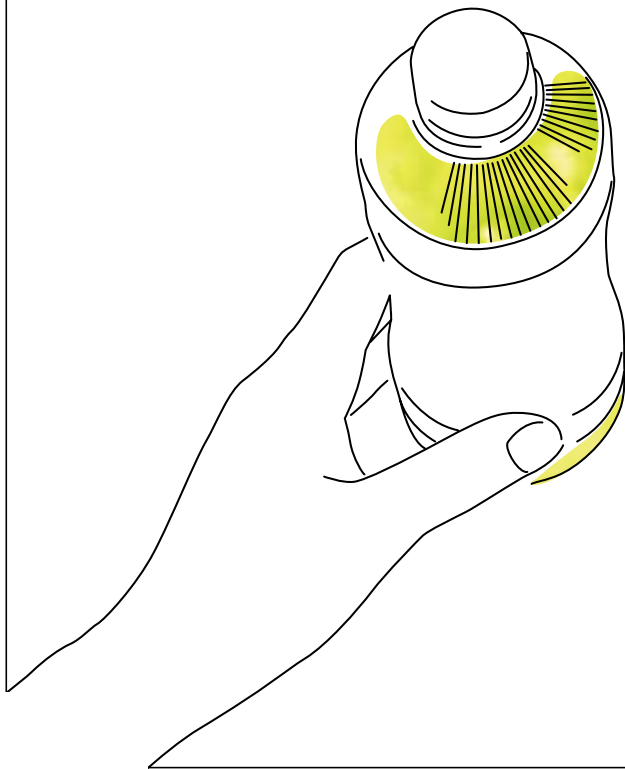


ITO EN INTEGRATED REPORT 2019



At ITO EN, we are working
continuously to create new ways of
enjoying tea to match changing lifestyles.

Japanese Tea Culture

The custom of drinking tea spread to Japan around 1,200 years ago, and has since taken root as a part of Japanese culture that continues into the present day.



1960s

Delivering delicious natural tea to the tables of consumers

Proposing new ways of selling tea

Until the 1960s, the accepted method of selling tea was to sell by weight at specialist tea shops, and the number of retailers was limited. During the 1960s, ITO EN launched packaged green tea (packaged in pre-weighed amounts) at supermarkets and grocery stores, in order to alleviate the dissatisfaction felt by consumers at the inconvenience of only being able to buy tea at specialist shops.

1980s

Innovation: from indoor beverages to outdoor beverages

Inventing the world's first green tea beverage: canned *Sencha*

ITO EN developed canned *Sencha* (green tea) based on the idea of wanting to enable consumers to drink green tea anytime, anywhere. Until then, green tea had been an "indoor" beverage that people drank at home. The release of canned *Sencha* marked the launch of the world's first "outdoor" green tea beverage that consumers could drink whenever and wherever they pleased.

1990s–2010s

Proposing new ways of drinking tea to match the times

Launching *Oi Ocha* products to meet contemporary needs

In March 1990, ITO EN launched the world's first green tea beverage to be bottled in a (1.5L) PET plastic bottle. We went on to develop a steady stream of other new products catering to contemporary needs ahead of the rest of the industry, including green tea in heated, and later microwaveable PET plastic bottles.

Aiming to become a Global Tea Company

Enhancing our global presence

ITO EN's aim is to become a company involved with all kinds of tea drunk worldwide. For this reason, we are working to provide new value—including the appeal and attraction of tea—to enrich the dietary lifestyles of people around the world.

The Future of ITO EN

“We aim to deliver tea that can be enjoyed anytime, anywhere, to customers in Japan and worldwide.





CONTENTS

- 5 ITO EN Group's management principle
- 6 Company History
- 8 Business Operations That Generate Value Chains, Based on Unique Innovation and Social Value
- 10 Strategies for Creating Value**
 - 10 President's Message
 - 14 Main Financial Highlights
 - 16 Medium- to Long-Term Management Plan
 - 18 Overseas strategy
- 20 Initiatives to Create a Value Circle**
 - 20 Value Circle That Corresponds to Always Putting the Customer First
 - 22 Product Planning and Development
 - 24 Procurement
 - 26 Production and Logistics
 - 28 Sales and Distribution
 - 30 Vending machines
 - 31 New Haiku Contest / Promoting tea culture overseas
 - 32 Foundation
 - 34 The Value Created by ITO EN TEA TASTERs
- 36 Business Overview**
 - 36 Always Putting the Customer First
 - 37 Tea leaf
 - 38 *Oi Ocha*
 - 40 Barley tea
 - 41 Coffee beverages
 - 42 Vegetable beverages
 - 43 *Matcha*
 - 44 Financial management
 - 45 Key financial indicators
- 46 2019 TOPICS**
- 50 ESG Initiatives**
 - 50 Sustainability Management
 - 52 3-Way Conversation: President and Outside Directors
 - 54 Corporate Governance
 - 58 List of Officers
 - 60 Environment
 - 62 CSR Grand Prize / Activities to continue and protect *washoku* culture
 - 63 Glossary of Terms
 - 64 Introduction of Main Group Companies
 - 65 Company Outline



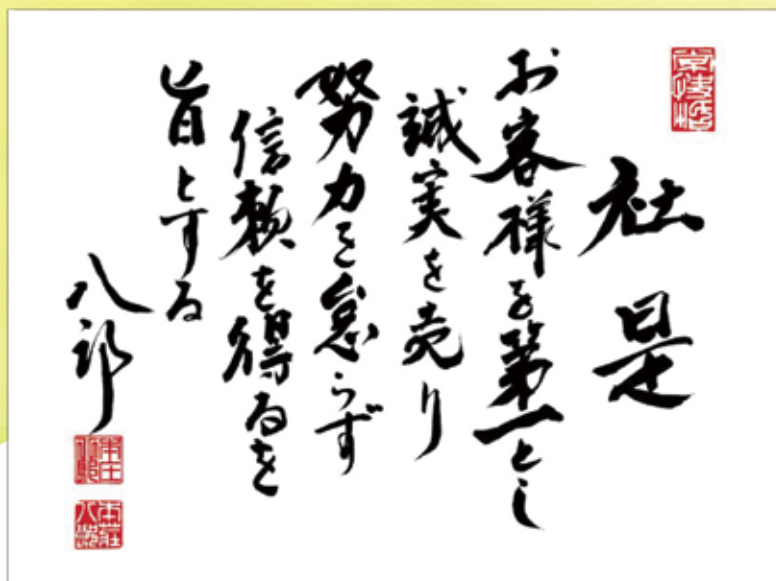
Editorial Policy

The ITO EN Integrated Report 2019 is issued as an integrated report, combining our financial and non-financial information in a single document. Additionally, we communicate information from multiple viewpoints via various other reports and websites, to enable all stakeholders to gain a greater understanding of ITO EN and its activities. This report focuses primarily on activities during fiscal 2018 (May 1, 2018 to April 30, 2019), but also includes details of selected ongoing initiatives and more recent activities. The professional affiliations and official positions of the stakeholders introduced in this report are current as of the time of their activities. (Date of publication: November 2019)

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

Definition of “our” customers

Consumers	Shareholders	Retailers
Suppliers	Financial institutions	Local communities



Management Message

“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.

Our definition of customers includes consumers, shareholders, retailers, suppliers, financial institutions and local communities.

We regard everyone involved with the ITO EN Group as our customer, and 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
Daisuke Honjo, President and CEO

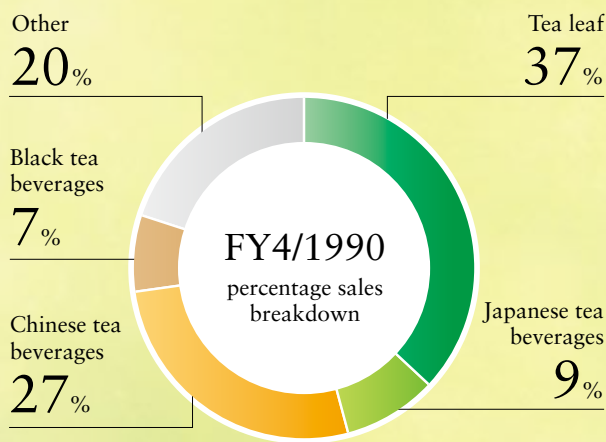
Company History

In 1984, ITO EN invented the world's first green tea beverage—canned *Sencha* (green tea)—ahead of other firms in the industry, and began developing the green tea beverage market.

Since then we have developed numerous world and industry first technologies and delivered a steady stream of innovative products, including the launch of *Oi Ocha* brand in 1989, which is now recognized not only in Japan but around the world.

Today, working under our management principle of Always Putting the Customer First, and with our long-term vision of becoming a Global Tea Company, we aim to deliver value and propose lifestyle ideas to customers worldwide, ranging from traditional tea culture to the latest cutting-edge technologies.

To this end, we have worked to establish our position—primarily in Japan—as a comprehensive beverage manufacturer, producing both tea leaves and tea beverages, and are working as a Group to achieve sustainable growth by strengthening our brands and creating synergies.



1989
Launched the *Oi Ocha* brand

1990
Launched green tea in PET plastic bottle

1966

The Frontier Tea Corporation, ITO EN's predecessor, launched packaged green tea. In 1969, the corporate name was changed to ITO EN.



1980

Launched canned oolong tea



1985

Launched canned *Sencha* (green tea)



1992
Launched *Jujitsu Yasai* (vegetable and fruit mix juice)

1966

History of ITO EN

Aug. 1966 Established Frontier Tea Corporation, ITO EN's predecessor, in Shizuoka-shi, Shizuoka.

May 1969 Changed the Company's name to ITO EN, LTD.

Feb. 1972 Introduced a high-speed automatic packaging machine manufactured by Industrial Gesellschaft in Switzerland. Developed vacuum packing technology to preserve the freshness of tea leaves.

May 1974 Constructed Shizuoka Sagara Factory at Sagarachō, Haibara-gun (now Makinohara-shi), Shizuoka.

1970

1980

Aug. 1979 Signed a distribution agency agreement with China National Native Produce and Animal By-products Import and Export Corporation to import oolong tea for the first time in Japan, and began selling oolong tea.

Jul. 1987 Established ITO EN (USA) INC. in Hawaii, USA.

May 1992 Listed its stock on the over-the-counter market.

Nov. 1994 Established ITO EN AUSTRALIA PTY. LIMITED in Australia.

Sep. 1996 Became a listed company on the Second Section of the Tokyo Stock Exchange.

Oct. 1998 Stock advanced to the First Section of the Tokyo Stock Exchange.

Oct. 2000 Released the industry's first products in heated PET plastic bottles.

1990

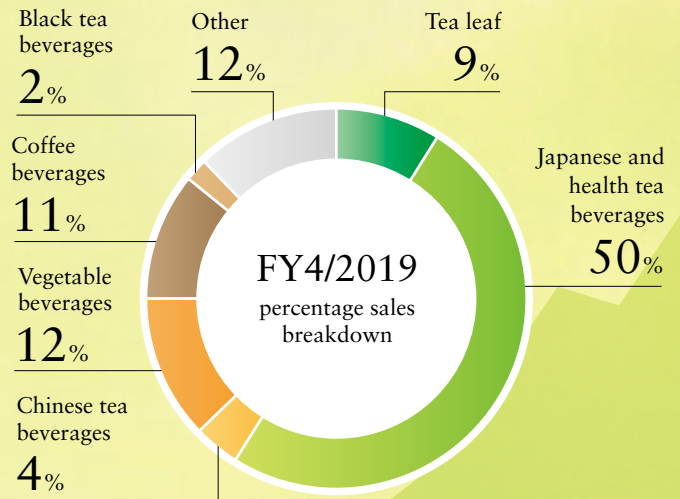
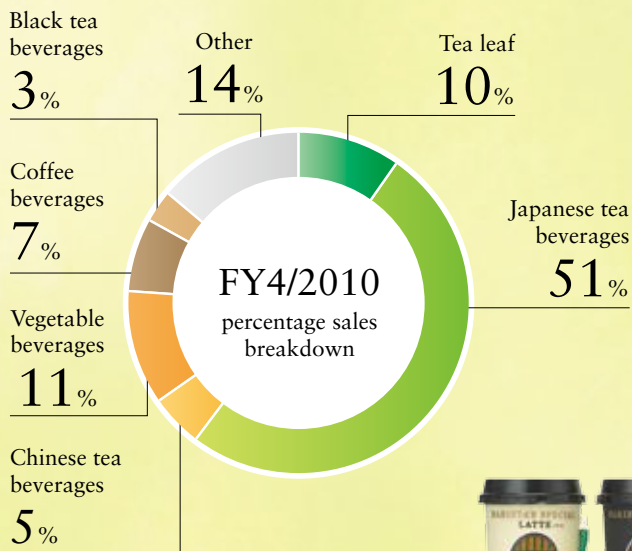
May 2001 Established ITO EN (North America) INC. in New York, USA.

Oct. 2004 Built a new crude tea leaf plant and commenced production at ITO EN AUSTRALIA PTY. LIMITED.

Jun. 2006 Obtained shares of Mason Distributors, Inc. (based in Florida, USA), which engages in the nutritional supplement business.

Oct. 2006 Obtained shares of FoodX Globe Co., Ltd. (now Tully's Coffee Japan Co., Ltd.), which operates the Tully's Coffee chain.

Sep. 2007 Stock listed as Class 1 preferred stock on the First Section of the Tokyo Stock Exchange.



2000
Launched products in heated PET plastic bottle



2007
Launched *TULLY'S COFFEE BARISTA'S SPECIAL*



2008
Acquired exclusive distributing rights for Evian mineral water in Japan



2016
Launched microwaveable product



2004
Launched *Ichinichibun no Yasai* (A daily worth of vegetables) brand



2009
Launched *TEAS' TEA* in Japan



2011
Launched *Futatsunohataraki Catechin Ryokucha* (FOSHU certified beverages)



2013
Launched *Healthy Rooibos Tea*

2002
Launched *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) brand

2009
Launched first canned coffee under the *TULLY'S COFFEE* brand

2000

- Mar. 2008** Concluded an exclusive distributor contract for the sale of Evian natural mineral water in Japan with the DANONE Group (headquartered in France).
- Feb. 2010** Established GREEN VALUE CO., LTD., which engages in the maintenance and procurement of automated vending machines.
- May 2011** Obtained shares of Chichiyasu Company, which manufactures and sells dairy products.
- Jun. 2012** Established ITO EN Asia Pacific Holdings Pte. Ltd. in Singapore.
- Sep. 2012** Established ITO EN BEVERAGE (SHANGHAI), Ltd. in China.

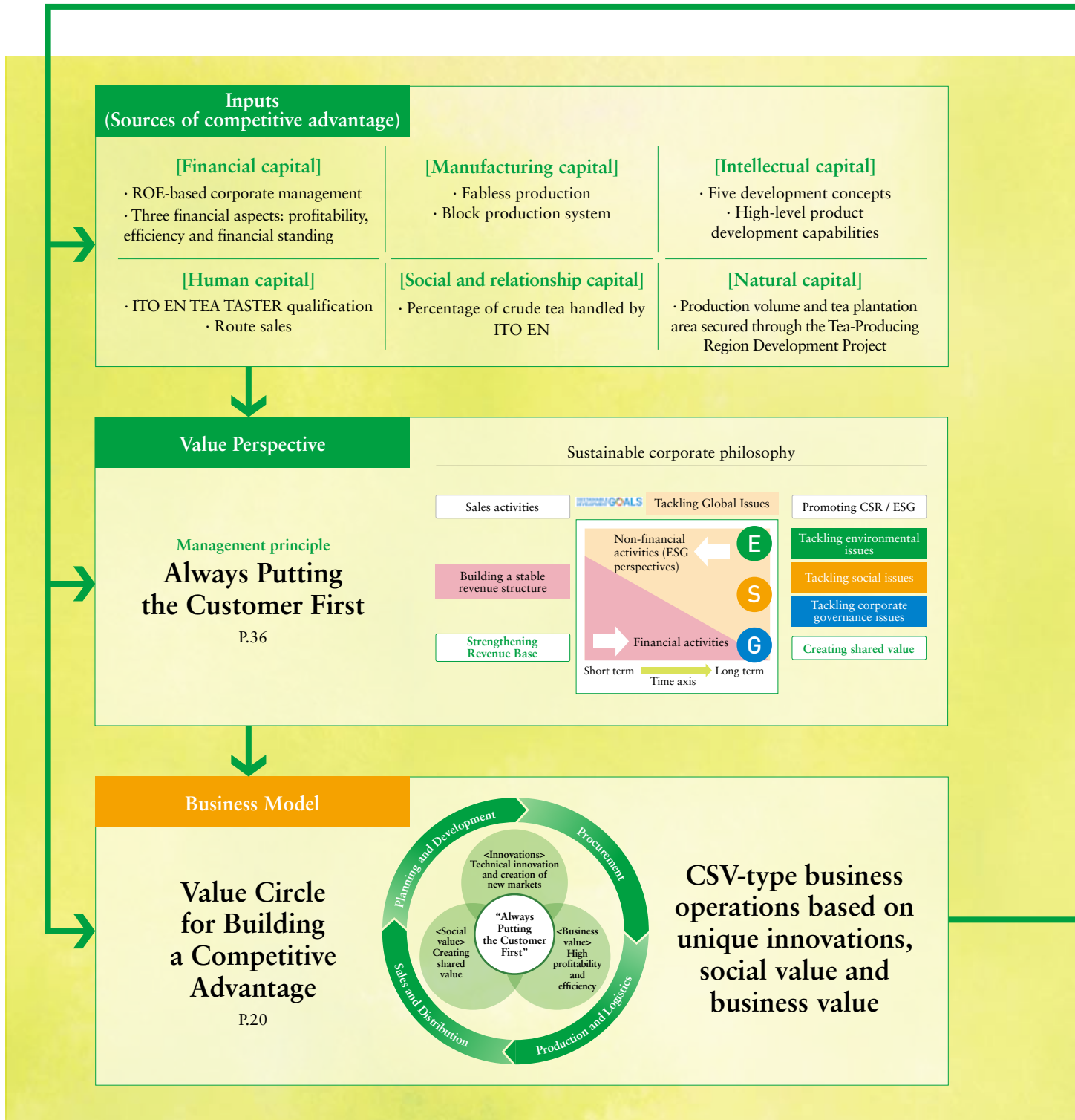
2010

- Oct. 2012** Obtained shares of NEOS Corporation, which engages in automated vending machine business operations.
- May 2013** Established ITO EN (Thailand) Co., Ltd. in Thailand.
- Jul. 2013** Established PT ITO EN ULTRAJAYA WHOLESALE in Indonesia.
- Feb. 2015** ITO EN (North America) INC. obtained the shares of Distant Lands Trading Co., Inc., which is involved in the cultivation and sale of coffee beans mainly in the United States.
- Jun. 2016** Constructed *Matcha Kobo* (a dedicated *matcha* production plant) on the site of Shizuoka Sagara Factory.

2019

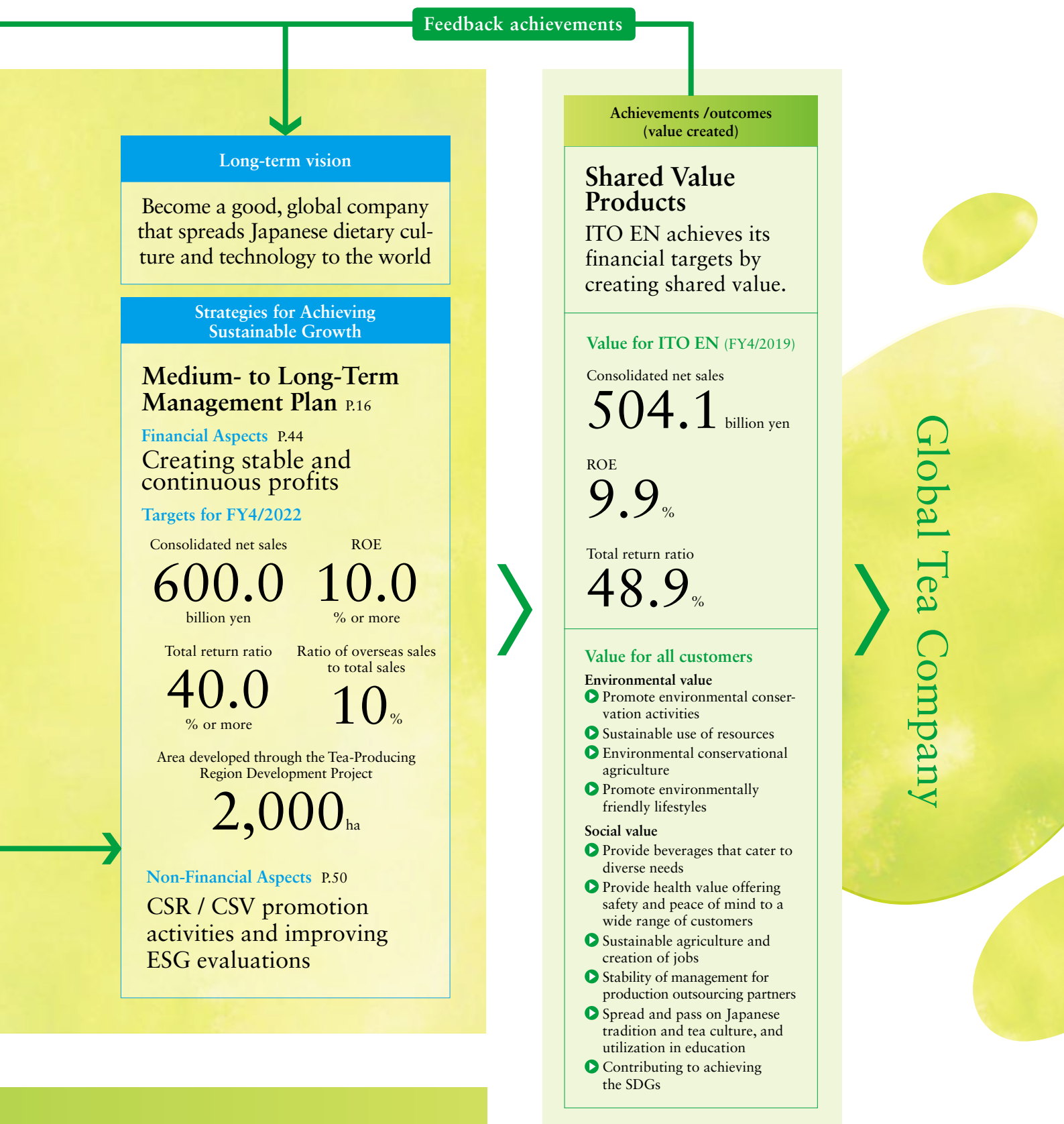
- Sep. 2016** Constructed Kobe Factory in Kobe-shi, Hyogo, which performs finishing processes for tea leaves used in green tea beverages and other beverages.
- Mar. 2017** Received Ministry of Health, Labour and Welfare (MHLW) approval for the Business Skill test on ITO EN TEA TASTER, as the first in-house business skill test to be certified after the 2016 certification system revision.
- Jun. 2017** ITO EN *Oi Ocha* New Haiku Contest certified by the Japanese government's beyond2020 Program.
- Feb. 2019** Marked the 30th anniversary of the launch of *Oi Ocha*.

Business Operations That Generate Value Chains, Based on Unique Innovation and Social Value



Foundation: Governance that underpins the creation of value P.54

ITO EN aims to achieve long-term, continuous improvement in its corporate value with a focus on becoming a sustainable company. We have utilized management capital to refine our strengths and create a diverse range of innovations. Moving forward, we will continue working to create value towards achieving our medium- to long-term goals by further improving and enhancing our corporate governance, and by collaborating with stakeholders.



President's Message



By creating diverse shared value both inside and outside its business operations, ITO EN will aim to become a Global Tea Company that continues to be loved for the next 100 or even 200 years

Daisuke Honjo

President and CEO, ITO EN, Ltd.

Working Towards Sustainable Corporate Growth

Review of fiscal 2018

The fiscal year ended April 2019 (fiscal 2018) was the second year of our current five year medium- to long-term management plan. During this year, we made steady progress towards achieving sustainable growth in both financial and non-financial aspects.

During the first half of the year, a sudden increase in demand due to intensely hot weather coincided with heavy rainfall in western Japan and other natural disasters, and we were forced to change our sales and distribution plans, such as by securing transport trucks at short notice and making irregular deliveries. These turbulent events led to a significant increase in SG&A expenses, causing a slow in growth of operating income. In view of this situation, during the second

half of the year, we reviewed and revised our product development and sales processes. In terms of sales, in particular, we engaged in proactive sales activities with a focus on selling the products that we should, without losing the market share for our flagship brands; and the entire ITO EN Group made united efforts to increase profitability.

As a result of these efforts, we were able to greatly improve our profit ratio during the second half of the year, ultimately resulting in an overall year-on-year increase in both sales and profits for fiscal 2018. In terms of consolidated business results for the year, ITO EN posted net sales of 504,153 million yen (up 1.9% year-on-year), operating income of 22,819 million yen (up 3.5% year-on-year), ordinary income of 23,211 million yen (up 8.3% year-on-year), and net income of 14,462 million yen (up 15.2% year-on-year).

Strengthening efforts to tackle our four key strategic issues

The year ending April 2020 (fiscal 2019) will be the third year of our medium- to long-term management plan, and an important stage in working to achieve sustainable growth. In order to achieve our targets (consolidated net sales of 600 billion yen, return on equity (ROE) of at least 10% and total return ratio of at least 40%) for the year ending April 2022 (fiscal 2021), which is the final year of the current plan, and make further leaps ahead towards our vision of becoming a Global Tea Company, we will continue to engage in efforts to tackle the following four strategic issues.

The first issue is to further enhance our domestic business operations. We will engage in more sales visits to existing customers and work to secure more new customers as we seek to further expand our market share for *Oi Ocha* and our other mainstay brands. ITO EN currently has four product brands with annual sales in excess of 10 million cases, and we will be working to develop an additional fifth and sixth key businesses. At the same time, we will work harder to bolster our revenue base and aim to further improve productivity.

The second issue is to accelerate the expansion of our global business operations. With a primary focus on our global brands *Oi Ocha* and *MATCHA GREEN TEA*, we will bolster our approach to the North American and Chinese markets, and seek to achieve double-digit growth in overseas operations. We will also be expanding collaborative efforts with Group companies around the world, as we seek to secure a position for ITO EN as the No.1 global manufacturer of green tea.

The third issue is to promote ROE-based management. In addition to bolstering our profit-generating power using the “value circle” which I will discuss later on, we will also seek to streamline our balance sheet, improve shareholder returns (total return ratio), and implement other capital policies with an emphasis on capital efficiency and soundness.

The fourth and final issue is to pursue our policy of sustainable business management. In addition to conducting our unique, world-standard CSR activities, we will also work to create more comprehensive value through CSV (creating shared value) initiatives that aim to simultaneously provide both social and economic value through our business operations.

Increasing profitability through our value circle

The source of our competitive advantage lies in our construction of a unique value circle: a circle of value creation, which is a more developed and evolved version of the typical “value chain” concept. Our creation of value is supported mainly by

four key divisions: (1) Product Planning and Development, (2) Procurement, (3) Production and Logistics, and (4) Sales and Distribution, which in turn are underpinned by a shared group-wide foundation consisting of corporate governance, human resources management and other shared functionality. Each division provides the following kinds of value:

- (1) Product Planning and Development: researching and developing high added-value products, and planning new products to match contemporary needs.
- (2) Procurement: powering the Tea-Producing Region Development Project, which facilitates both stable procurement of raw ingredients and response to social issues.
- (3) Production and Logistics: driving container innovation, building and operating the Group’s logistics network.
- (4) Sales and Distribution: driving community-based sales activities utilizing 198 nationwide sales locations, and improving the mix of ITO EN products on the market.

The opinions of customers obtained through the activities of division (4) are fed back into the processes of divisions (1) through (3) as needed. In this way, we achieve the optimization of the overall process circle.

Whereas typical value chains are “line” shaped, ITO EN’s overall value circle forms a circular ring shape, feeding back into itself, and enabling us to provide greater value and pursue sustainable growth strategies.

In our current medium- to long-term management plan, we will seek to improve and enhance the functionality of divisions (1) through (4)—which also relates to our third strategic issue—and work to further enhance our revenue base by widening our I am confident that the best road to sustainable corporate growth is to continue steadily creating non-financial value from a more medium- to long-term perspective in this way, while at the same time making thorough efforts to strengthen our revenue base from a short-term perspective. In other words, this means strengthening our existing brands and developing new brands as a comprehensive beverage manufacturer, in order to establish ourselves in the top position in the global green tea market as a Global Tea Company. It also means creating diverse social values such as “culture,” “health” and “the environment” by contributing to the resolution of global issues, both in our business operations and otherwise. By pursuing these two goals simultaneously, ITO EN will continue to achieve persistent growth, as a company that continues to be needed by its customers and wider society for years to come, into the new Japanese era of Reiwa, and for the next 100 or even 200 years beyond. of value creation to cover a wider range of domains.

President's Message

A new page in the history of green tea culture

February 2019 marked the 30th anniversary of the launch of our flagship brand *Oi Ocha*. In celebration of this, we are carrying out various planned events, based around the four themes of “Japanese culture,” “community-based,” “new era” and “health value.”

The history of green tea in Japan dates back to the early Heian period (the first half of the 9th century.) Green tea was brought to Japan from Tang-Dynasty China by student monks and merchants. After numerous innovations, it evolved into the most familiar drink to Japanese people. We consider the modern green tea beverage boom pioneered by ITO EN to be an extension of this historical context.

Following our successful creation of the world's first green tea beverage in 1984 (launched as canned *Sencha* the following year), in February 1989 came the long-awaited release of *Oi Ocha Ryokucha*. This was followed in 1990 by the release of the world's first PET plastic-bottled green tea beverage product. Since directly after the brand's initial creation, we have devised numerous new innovations, and continued to steadily improve and enhance our lineup to match contemporary needs. As an outcome of these efforts over many years, in 2018, annual sales of the *Oi Ocha* brand finally exceeded 90 million cases. In May 2019, the brand was certified by Guinness World Records as the world's top selling natural and healthy unsweetened ready-to-drink green tea beverage. This and various other statistics show that *Oi Ocha* has now grown into the world's No.1 green tea beverage product brand.

In recent years, the value of green tea has been reassessed, for its health benefits and its status as a traditional beverage,



and it is gaining increasing attention both in Japan and overseas. “Tea company ITO EN” will continue to write new pages in the history of green tea culture, with *Oi Ocha* at the very top of the list.

Creating the shared value of “health”

Health is one of the important values provided by our business. Sugar-free beverage products accounted for 74% of all ITO EN sales for fiscal 2018. This is significantly higher than the percentage of the Japanese beverage market accounted for by sugar-free beverages—only 49%—for the same period (2018). Of course, it goes without saying that green tea products are the most representative of these healthy beverages. Using our strengths as “tea company ITO EN,” we will continue to support healthy lifestyles for customers in various shapes and forms.

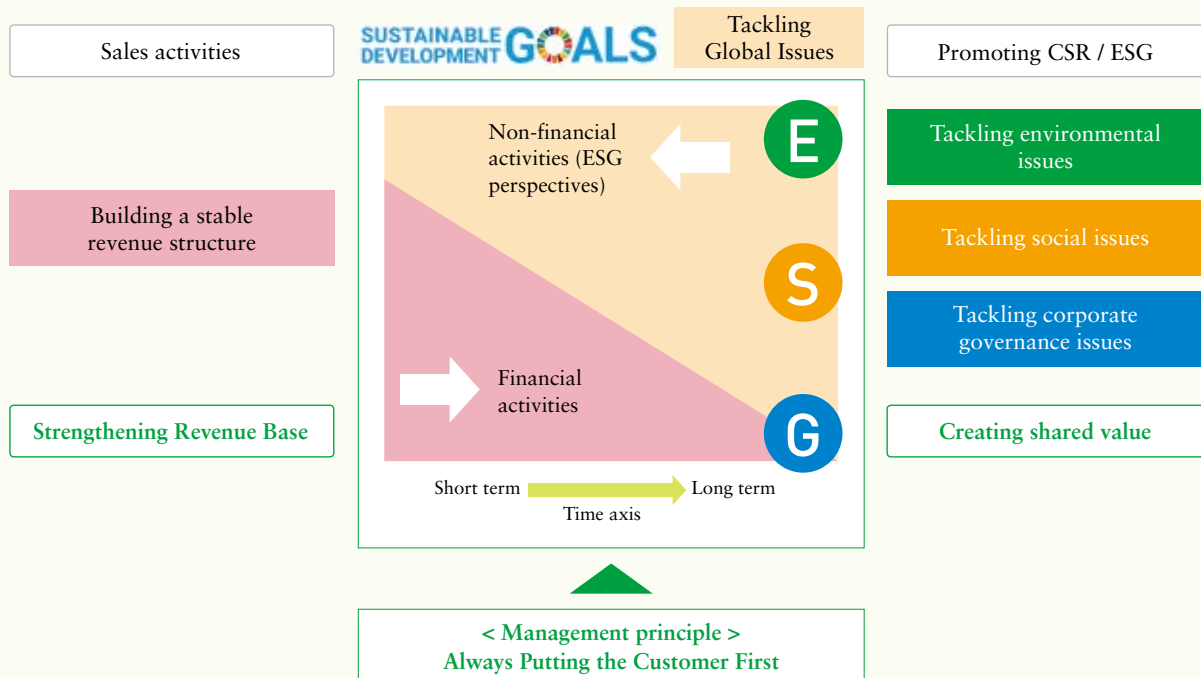
For example, since its launch in 2004, *Oi Ocha Koicya* has become a long-selling product, enjoying strong support primarily from men in their 40s and 50s. Recently, in August 2019, we launched a renewed version of this product, which is now positioned as a Food with Function Claims containing many gallate-type catechins, which have the effect of reducing body fat.

Our provision of this kind of value is not only limited to the manufacture and sale of products. The ITO EN Health Forum held in May 2019 was one event held to commemorate the 30th anniversary of *Oi Ocha*, which I mentioned earlier. The forum featured keynote speeches and panel discussions with some of Japan's leading researchers, based around the theme of “Wisdom for Living a Richer Life in the Age of 100-year Life Expectancy.” An “Experience Tea with Your Five Senses” corner was also installed inside the venue, to communicate in an easily understandable manner how green tea can enrich people's lifestyles. Moving forward, in addition to holding events such as this on a regular basis, we will continue to engage in a wide range of activities aimed at creating the shared value of “health” both as part of our business activities and outside of them; such as by holding dietary education and sports promotion events for children, introducing simple and easy recipes making use of vegetable beverages, and proposing the instillation of Wellness Vending Machines offering a carefully-chosen selection of healthy products.

Carving out our future as a Global Tea Company

In this way, we work to create wide-ranging value, under our management principle of Always Putting the Customer First. The word “customer” here includes not only our consumers and shareholders, but also retailers, suppliers, financial institutions, local communities, and our employees. Together with this diverse range of stakeholders, we seek to improve our corporate

Basic thinking for aiming to become a 100-year company



Becoming a Strong Company Both Financially and Non-Financially

value through the creation of what has come to be called "shared value," via our efforts to resolve social issues through our core business operations. That is our consistent policy.

Earlier, I mentioned "pursuing a policy of sustainable business management" as one of our key strategic issues. This issue is very important and significant from the perspective of creating shared value through our business operations. ITO EN has set material ESG issues and key performance indicators (KPIs) based on the seven core subjects outlined under the ISO26000 standard. We are managing our progress based on a PDCA cycle, and working to improve upon problematic points. From amongst the seven core subjects, we have designated three priority themes where we can make effective use of our strengths: the Environment, Consumer Issues, and Community Involvement and Development. The Environment is one area in particular in which we have established internal committees and advisory bodies, and are working in collaboration with various stakeholders to help resolve key issues such as marine plastic and climate change, which are a source of growing global concern.

I am confident that the best road to sustainable corporate growth is to continue steadily creating non-financial value

from a more medium- to long-term perspective in this way, while at the same time making thorough efforts to strengthen our revenue base from a short-term perspective. In other words, this means strengthening our existing brands and developing new brands as a comprehensive beverage manufacturer, in order to establish ourselves in the top position in the global green tea market as a Global Tea Company. It also means creating diverse social values such as "culture," "health" and "the environment" by contributing to the resolution of global issues, both in our business operations and otherwise. By pursuing these two goals simultaneously, ITO EN will continue to achieve persistent growth, as a company that continues to be needed by its customers and wider society for years to come, into the new Japanese era of Reiwa, and for the next 100 or even 200 years beyond.

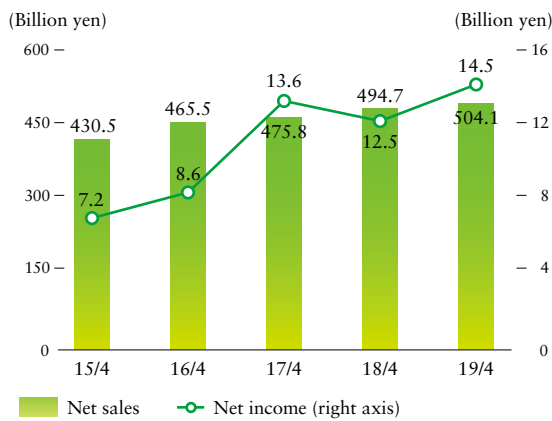
Daisuke Honjo

President and CEO

Main Financial Highlights (ITO EN and Consolidated Group Companies)

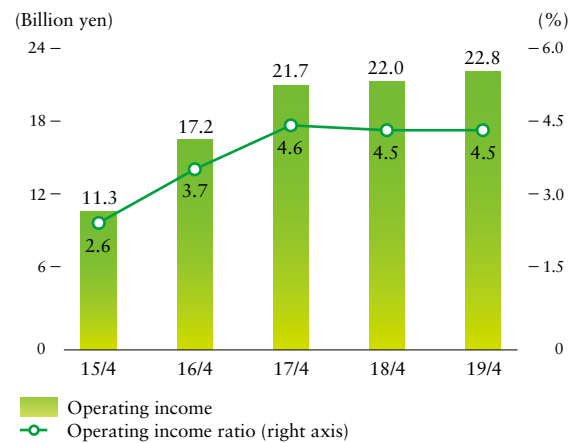
Net sales / Net income (consolidated)

Net sales **504.1** billion yen
 Net income **14.5** billion yen



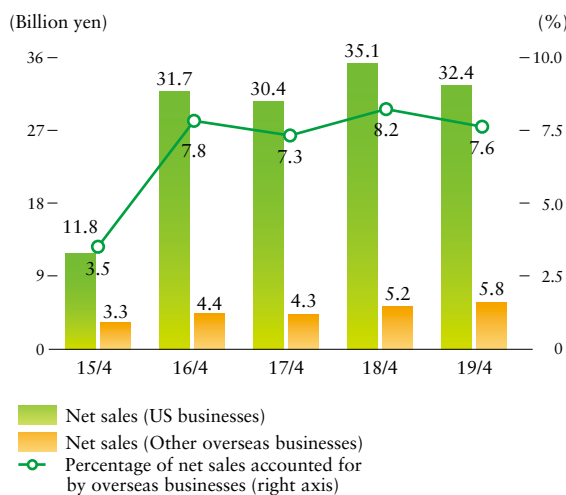
Operating income / Operating income (consolidated)

Operating income **22.8** billion yen
 Operating income ratio **4.5%**



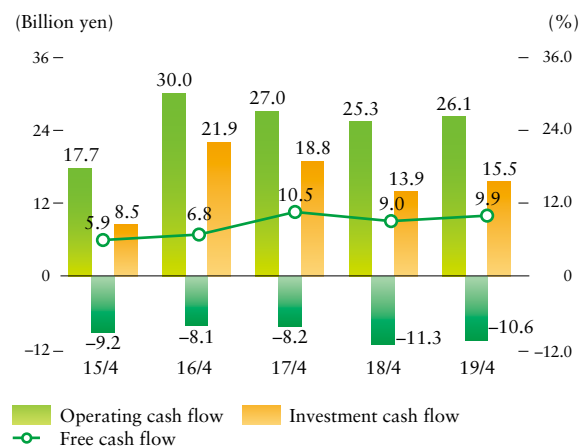
Percentage of net sales accounted for by overseas businesses (consolidated)

Net sales (US businesses) **32.4** billion yen
 Net sales (Other overseas businesses) **5.8** billion yen
 Percentage of net sales accounted for by overseas businesses **7.6%**



Cash flow (consolidated)

Operating cash flow **26.1** billion yen
 Investment cash flow **-10.6** billion yen
 Free cash flow **15.5** billion yen
 ROE **9.9%**

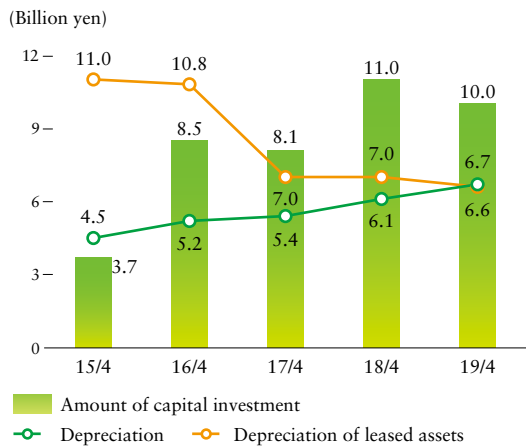


Amount of capital investment / Depreciation (consolidated)

Amount of capital investment **10.0** billion yen

Depreciation **6.7** billion yen

Depreciation of leased assets **6.6** billion yen

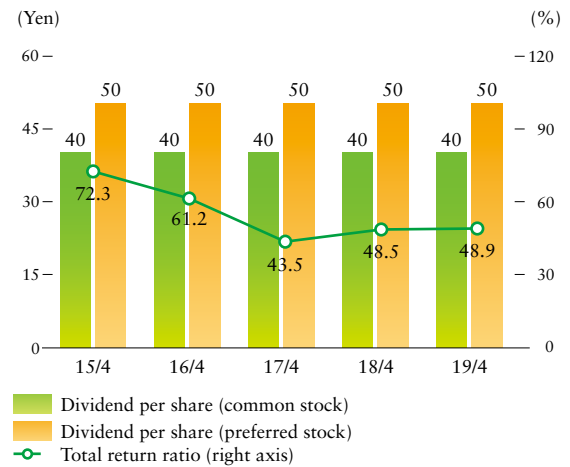


Dividend per share / Total return ratio (consolidated)

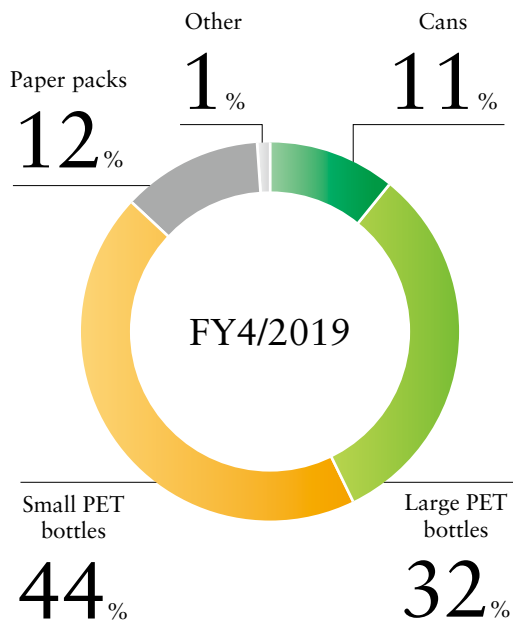
Dividend per share (common stock) **40** yen

Dividend per share (preferred stock) **50** yen

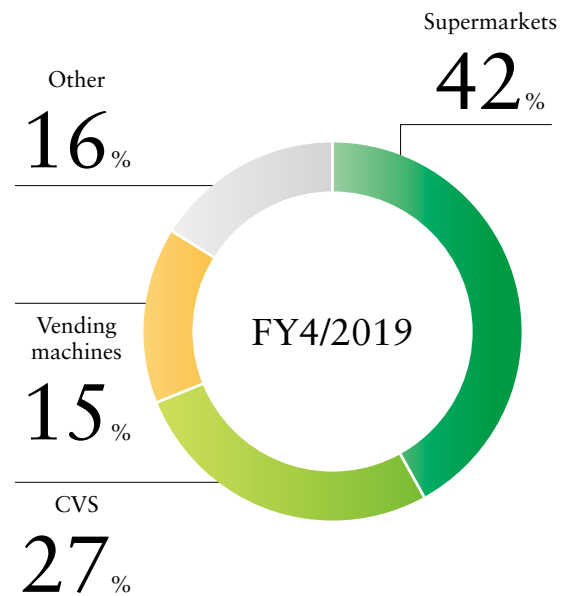
Total return ratio **48.9** %



Percentage breakdown of containers (ITO EN only)



Percentage breakdown of net sales by channel (ITO EN only)



Medium- to Long-Term Management Plan

External Environment & Strengths

External environment (social trends)

- ▶ Decline in birth rate, aging population, and decrease in population size
- ▶ Diversification of lifestyles and values
- ▶ Diversification of sales and purchasing channels (e.g. online shopping)
- ▶ Workstyle reforms and shift towards AI
- ▶ Increase in global demand for tea
- ▶ Climate change and environmental problems
- ▶ Decline of Japanese agriculture
- ▶ Increase in requirement for CSR / ESG-based management
- ▶ Increase in inbound tourism

ITO EN's Strengths

- ▶ Value circle for building a competitive advantage
- High capability to procure crude tea
- Route sales, etc.

Major Risks and Opportunities

Risks

- ▶ Maturation of the Japanese beverage market and intensifying competition over price
- ▶ Change in customer needs
- ▶ Change in sales routes
- ▶ Soaring price of raw materials due to increase in global demand and effects of climate change, etc.

Opportunities

- ▶ Expansion of overseas green tea market
- ▶ Diversification of Japanese (domestic) beverage market
- ▶ Increase in health-oriented attitudes in the beverage market
- ▶ Global *matcha* (green powdered tea) boom

Medium- to Long-Term Management Plan

(FY4/2018 – 4/2022)

I Towards a Global Tea Company

▶ *Oi Ocha*

Annual sales target: 100 million cases

- Strengthen brand strategy for *Oi Ocha*, which is increasing its market share as the no. 1 green tea beverage brand
- Propose unchanging value and new value with the changing of the times, and enhance product lineup
- Bolster research efforts and communication of information regarding the health value and functional properties of Japanese tea and *matcha*

▶ Leaf tea

Overwhelming no.1 domestic share

- Enhance capabilities to propose ways of making and enjoying tea and delivering the value of Japanese tea to match various lifestyle situations (develop new users, including generations who do not own a teapot)
- Strengthen existing sales routes and develop new sales routes
- Bolster production and technology development capabilities
- Enhance training for human resources (ITO EN TEA TASTER) to cater to overseas-customer needs
- Strengthen both digital and real points of contact with customers
- Open flagship shop in FY4/2020

▶ Overseas strategy

Achieve 10% of total sales

- Establish ITO EN as a global brand
- Bolster the overseas expansion of *Oi Ocha* and *MATCHA GREEN TEA* brands
- Deploy products according to area characteristics
- Bolster sales of leaf tea

▶ Procurement

Enhance sustainable value chain

- Increase added value through the Tea-Producing Region Development Project and proactively expand cultivation of leaf tea raw ingredients under contract
- Ensure stable supply and reduce cost prices by building a *matcha* production framework, expanding cultivation under contract and internalizing production
- Make further effective use of production locations in Australia and China as locations for procuring raw materials for overseas-oriented products

Utilizing its value circle for building a competitive advantage, ITO EN aims to achieve its long-term vision of becoming a good, global company that spreads Japanese dietary culture and technology to the world. To that end, ITO EN has formulated—and is now implementing—a medium- to long-term management plan leading up to the fiscal year ending April 2022.

II Second Core Business and Strengthening Revenue Base

- Develop barley tea business into a second core business

Secure overwhelming no.1 share in the caffeine-free market

- Procure domestically-produced barley, grow barley through agricultural business

- Develop coffee business

Implement vertically-integrated business operations

- Implement vertically-integrated business operations based on green tea business
- Receive raw beans and expertise from Distant Lands Trading Co.

- Develop vegetable juice business

Enhance *Aojiru* (Green Juice) product lineup

- Create new value through proprietary production methods and product development
- Improve product value through health-benefit research and PR / promotion initiatives
- Expand the Tea-Producing Region Development Project to vegetable raw ingredients

III Strengthening Management Base: Financial Strategy

- Strengthen financial standing

- Create operating cash flow of 170 billion yen over a 5-year period
- Make capital investments towards a “Global Tea Company”
- Invest over 10 billion yen in production facilities over a 5-year period

IV Strengthening Management Base: CSV Management Initiatives

- Engage in CSR/CSV activities and respond to ESG
- Reduce impact on the natural environment, conduct Japanese tea enlightenment activities, enhance corporate governance, etc.

Long-term vision

Become a good, global company that spreads Japanese dietary culture and technology to the world

Targets for FY4/2022

Consolidated net sales

600.0 billion yen

ROE

10.0 % or more

Total return ratio

40.0 % or more

Ratio of overseas sales to total sales

10 %

Area developed through the Tea-Producing Region Development Project

2,000 ha

Overseas strategy

Establishment of the ITO EN Brand

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

Message

Tomohiko Yanagi

General Manager, International Business Division



The first thing that we keep in mind in our overseas business operations is that we are selling Japanese tea to penetrate the culinary culture of the country or region we are entering, and to establish it as part of the everyday lifestyle. To achieve these aims, what becomes important is the question of how many hardcore fans we can create. Since Japanese cuisine (*washoku*) and *matcha* are currently enjoying a global boom, we want to create opportunities for many people to drink our products, with a primary focus on *Oi Ocha* and our dedicated overseas product range *MATCHA GREEN TEA*, in order to create as many new fans as possible.

We are also advancing local production overseas. Because freshness is an important factor in producing delicious products, we are aiming to achieve local production for local consumption, and from spring 2020 we will be opening a green tea teabag factory in Australia. We want to establish products made with Australian-produced tea leaves in the local market, by developing a start-to-end production framework that encompasses everything from tea leaf cultivation, through the production of semi-finished crude tea and finishing processes, to the production of the actual teabags, which are the final product.

We also aim to achieve overseas sales that will account for at least 10% of the Group’s overall net sales, which is one of the targets of the medium-to-long-term management plan.

We are developing our operations in China and Southeast Asia to establish a solid business foundation in those markets.



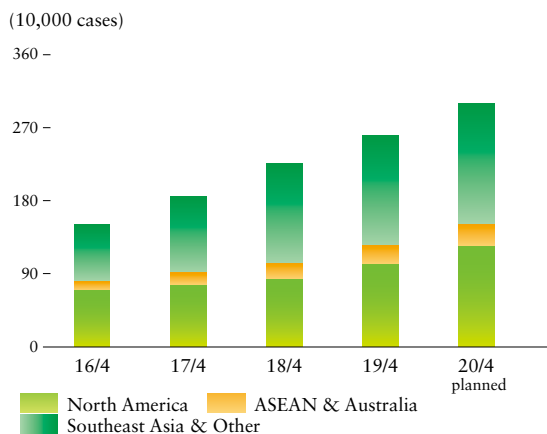
ITO EN(Thailand)Co., Ltd.

PT ITO EN ULTRAJAYA WHOLESALE

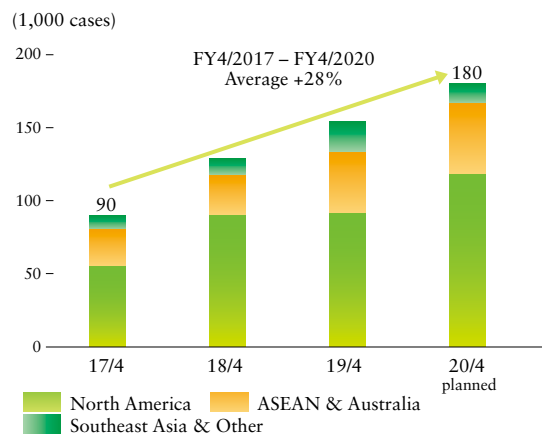
Main regions in which *Oi Ocha* is sold



Progress in overseas sales of *Oi Ocha*



Progress in overseas sales of *MATCHA GREEN TEA*



Overseas brand strategy

Strengthening and expanding the global brand "Oi Ocha" / "MATCHA GREEN TEA"

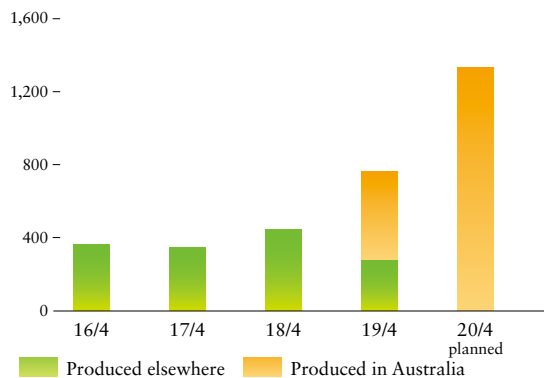
Bolstering sales of leaf tea

Deploying products that cater to regional characteristics

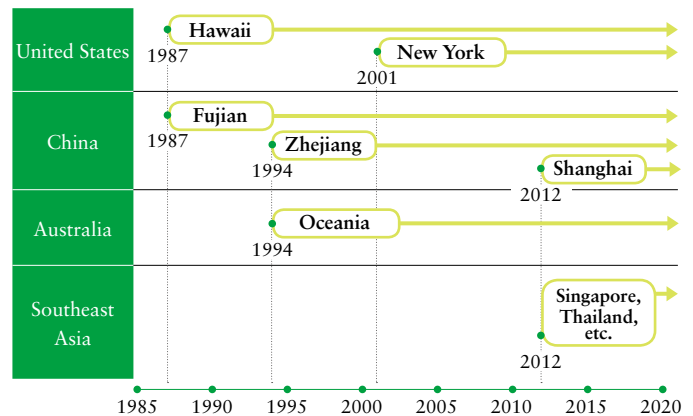


Progress in sales of *Oi Ocha* made using ingredients produced in Australia

(1,000 Australian dollars)



Progress in overseas expansion



Value Circle That Corresponds to Always Putting the Customer First



Product Planning and Development

P.22

Products That Contribute to Health

- Product Development Capabilities (FOSHU, etc.)
- A Wide Range of Products

- Patent and Trademark Strategies

“The ITO EN *Oi Ocha* New Haiku Contest”

CSV Marketing / Brand Creation / Innovative Research

- S** Provide health value to a wide range of customers
Provide beverages that cater to diverse needs



Sales and Distribution

P.28

Route Sales

- Securing new customers and bolstering sales to existing customers

The Tea Taster System

- Revitalization of the green tea market
- Enhancing sales and distribution capabilities through ITO EN tea professionals (national qualification scheme approval)

“Making Japan Beautiful Through Tea”

- Increase sales and market share through added value

Voice System (Group-wide internal proposal system)

CSV (Creating Shared Value) Marketing

- S** Pass on traditional Japanese culture, and utilize in education
Provide tea culture knowledge to customers
- E** Promote environmentally friendly lifestyles Promote environmental conservation activities



Product Planning and Development

<Innovations>
Technical innovation and creation of new markets

Always Putting the Customer First

<Social value>
Creating shared value



Sales and Distribution



Foundation that Underpins Creation of Value

P.32

- S** Supply chain management, respect for human rights, human resources management, finance management
- G** Corporate governance, risk management, compliance

In all of its business operations, from product planning and development to procurement, production, logistics, sales and distribution, ITO EN creates value not only for itself but also in terms of environmental and social aspects, forming a circle of value or “value circle.” We are also working to enhance our corporate governance as the foundation for this value circle. By working in conjunction with stakeholders, the value circle generates further chains of value, and continues in a repeating cycle. This unique value circle content is the source of ITO EN’s competitive advantage towards achieving sustainable growth.



Procurement P.24

- High Capability to Procure Crude Tea**
- Stable procurement capabilities to procure high-quality tea, with the advantage of large-scale operations
- The Tea-Producing Region Development Project**
- Increased quality of crude tea
 - Stable procurement of raw ingredients

Procurement of Distinctive Raw Materials Achieved through Collaboration

- S** Sustainable agriculture and creation of jobs
- E** Environmental conservational agriculture



Production and Logistics P.26

- Fables Method**
- Reduces capital investment costs
 - Enables adjustment of production volumes to match demand
- Used Tea Leaves Recycling System**
- Achieves cost reductions and reduces environmental impact through conservation of resources and recycling
- NS System**
- Enables product differentiation and cost reduction by taking advantage of the properties of green tea
- Quality Control System**
- Increases brand value
- Block Production and Logistics Systems**
- Reduces logistics costs and enables speedy supply of products

Unique Value Creation and Partnerships

- S** Outsourced production partners: stable management through receipt of orders from ITO EN, safety and peace of mind for consumers
- E** Sustainable use of resources



Towards a Global Tea Company



Product Planning and Development



Commitment



Mitsumasa Shida

General Manager,
Marketing Division

In product planning and development, we refer to opinions gathered from a wide range of sources, including the voices of ITO EN employees obtained through our Voice System, and the views of customers collected by our sales personnel. Based on these opinions, we work to understand what makes customers appreciate value and feel happy, based on the spirit of “Still Now” (i.e. finding things that customers are still dissatisfied with).

We also strive to develop strong product brands and highly consistent products that will enjoy the support of consumers for many years. Such products are really created by all of the Group’s employees, through the aggregation of the “mental” or “spiritual” added value that is contributed by each stakeholder involved in their creation. In other words, the strong sentiments of each employee towards the products themselves are gradually built up and carried along the entire value circle.

Another one of our advantages is our unique product lineup, which includes leaf tea products, chilled beverage and dry beverage products. I think that this also gives our products a greater sense of depth. I am confident that our products, created in this kind of development environment, will continue to become increasingly delicious far into the future.

Creating products based on a broad range of opinions

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 for internal proposals), 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. We are responding to the global increase in health-oriented attitudes by driving the development of health-conscious products, and sugar-free products account now for 74% of all ITO EN drink product sales, including tea-based beverages.

Customer opinions and needs received by the customer consultations office

(FY4/2019)
46,054

Number of employee suggestions made based on the Voice System

(FY4/2019)
10,439



Creating products based on a broad range of opinions

ITO EN’s product development is specialized towards soft drinks that make use of naturally-sourced raw materials, with a primary focus on tea-based beverages. Through our products, we provide health value to a wide range of people.

Processes for Creating Shared Value (CSV)

Sustainable brand creation

<Innovations>

- ▶ Voice System (internal proposals) enables all employees to make suggestions for new products, etc.
- ▶ The views of customers are accurately reflected in product planning and development efforts
- ▶ Product planning and development is backed by academic / scientific findings through fundamental research
- ▶ On-target patent and trademark strategies



<Social Value>

Value offered to consumers

- ▶ Provision of highly-original products based on customer viewpoints, as can be seen in ITO EN's creation of many "industry first" products
- ▶ Provision of safe, natural, healthy products that avoid use of artificial additives as much as possible
- ▶ Provision of delicious, well-designed products that match the needs of the customers who will actually purchase them (in terms of gender, age, etc.)
- ▶ Evocation of demand through extensive product lineups



<Business Value>

Securing sustainable profits

- ▶ Differentiation from other firms through product development capabilities
- ▶ Enhancement of brand power
- ▶ Securing high market share

Product development underpinned by basic research

In light of the recent increase in health awareness, we have been conducting 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.



Oi Ocha Koicya, classed as a Food with Function Claims

Futatsunohataraki Catechin Ryokucha, classed as a FOSHU product

Creating value through containers and product packaging

ITO EN is also challenging itself to create new markets by catering to "Still Now" needs (i.e. things that still do not exist but customers wish they had) with its packaging, such as by launching microwave-friendly products that cater to a wide range of customer needs to drink products in three different temperature ranges: warmed, refrigerated, and at room temperature.

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 use 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 more than 30 years. These kinds of methods—utilizing intellectual property—in creating its products enable ITO EN to draw social empathy by introducing aspects of Japanese culture (such as cherry blossoms) according to the particular season, leading to unrivaled social value and business value.



Microwaveable Oi Ocha



Commitment



Masahiko Arai

Executive Officer and General Manager, Agricultural Technology Department

The new tea plantations element of our Tea-Producing Region Development Project—one of ITO EN’s characteristic ingredient-procurement initiatives—was launched in 2001, as an initiative aimed at resolving the issues being faced by tea-producing regions (in the same way as Japanese agriculture as a whole), such as the aging of agricultural workers, the lack of successors and the decrease in size of tea plantation areas. The project began in Miyazaki Prefecture, and with the addition of Saga Prefecture in 2017 new tea plantation business projects are currently underway in seven districts in five prefectures in the Kyushu region. By producing raw ingredients for *Aojiru* (Green Juice) in addition to green tea, we are seeking to achieve even greater productivity and efficiency in these projects. Providing farmers with expertise enables low-cost management through mechanization and the use of IT solutions, and forming full crop volume purchasing contracts allows us to promote stable tea plantation management that achieves a balance between both productivity and environmental conservation. Through collaboration with a range of partners including tea farmers, agricultural production enterprises, local government agencies, experimental research laboratories and local companies, these projects also lead to the creation of new jobs and employment opportunities. We are also encouraging tea farmers to obtain MAFF-recommended GAP* certification, which is granted to farms engaging in food safety and environmental conservation initiatives. Moving forward, as a “Global Tea Company,” we would also like to encourage farmers to obtain worldwide Global GAP certification as needed. As a leading tea company in Japan, we will also continue working hard to help resolve the problems faced by Japanese agriculture, by further enhancing our initiatives with a view to achieving sustainability in the domestic tea industry.

* GAP (Good Agricultural Practice) certification: a type of certification granted to farms that engage in food safety and environmental conservation initiatives. Current schemes include JGAP, which is run by the Japan GAP Foundation, and ASIA GAP.

Tea-Producing Region Development Project:
The Tea-Producing Region Development Project is a procurement initiative in which local business operators take a leading role, cooperating with local governments to provide support for the creation of large-scale tea plantations such as by making use of abandoned farmland, while ITO EN provides technologies and know-how relating to all aspects of tea leaf production. The project encompasses new tea plantation businesses, where ITO EN purchases the entire volume of tea leaves produced, and cultivation under contract, whereby established tea farmers produce tea leaves exclusively for use by ITO EN.

Procuring raw materials through the Tea-Producing Region Development Project

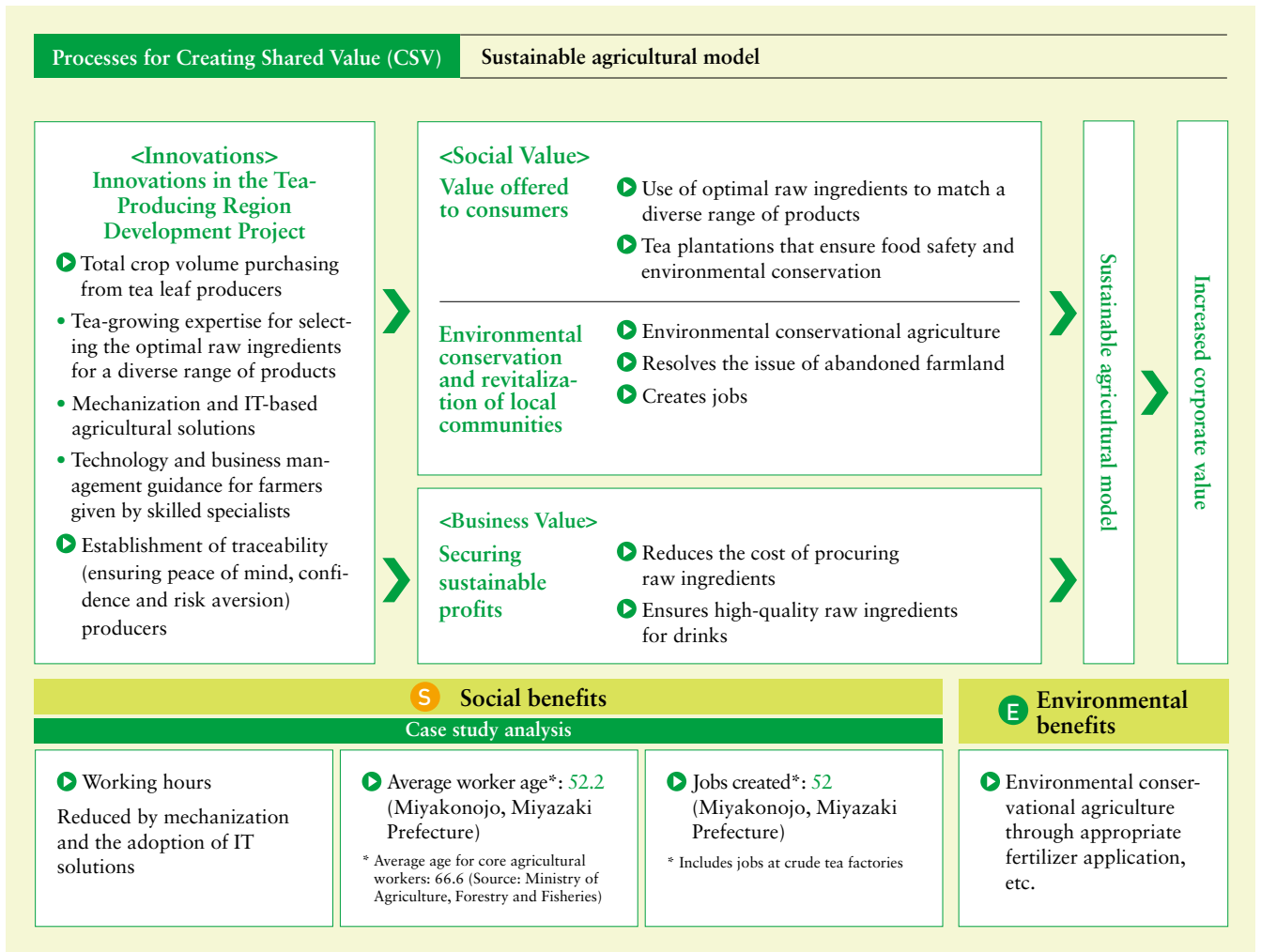
The core of ITO EN’s green tea business—which is its mainstay business—is in the procurement of tea leaves for use as raw ingredients, for which ITO EN currently handles approximately one quarter of Japan’s entire crude tea production. The key to ITO EN’s competitive advantage in the marketplace lies in the Tea-Producing Region Development Project.

New tea plantation business projects are currently

underway in seven districts in five prefectures; namely Miyazaki, Oita, Kagoshima, Nagasaki and Saga. In Saga, where the project commenced in 2017, an agricultural enterprise—established by a local company that conducts transportation and warehouse business operations in northern Kyushu—is operating plantations and crude tea factories. A local regional bank became the first investor in Saga Prefecture by funding this enterprise via an agricultural fund supporting the expansion of agricultural production and growth of agricultural business operations in the region. The funds are being allocated to expanding plantations by making use of abandoned farmland, and purchasing related machinery and so on.

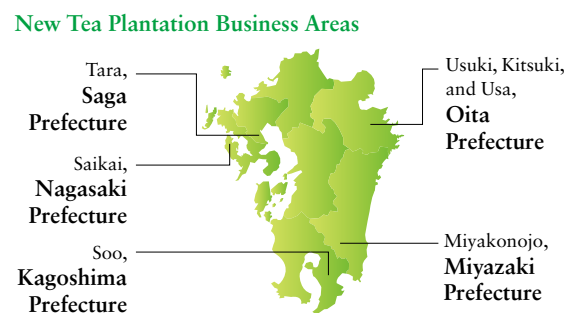
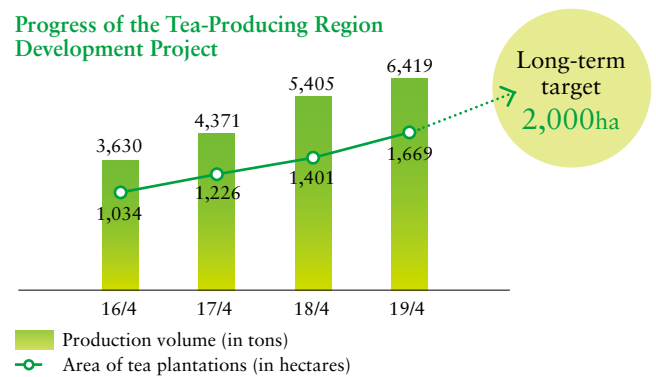
As of 2018, the combined area of new tea plantations and contract cultivation covers a total of 1,669 hectares (1,236 hectares for contract cultivation and 433 hectares for new tea plantations). In the future, we aim to achieve a scale of 2,000 hectares.

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

Our unique 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 industry through the creation of added value. Moreover, in some tea-producing regions, land is also utilized to cultivate vegetables—such as *Shui* carrots, mulukhiyah (moroheiya) and spinach for use in vegetable beverages, and barley grass as a raw ingredient for *Aojiru* (Green Juice)—during the agricultural off-season for tea, contributing to the advancement and continuation of agricultural businesses.





Production and Logistics



Commitment



Yoshihisa Nakano

Director, Senior Managing Executive Officer and General Manager, Production Division

As a manufacturer of food and beverage products, delivering safe products and peace of mind to consumers is our top priority mission. To ensure thorough quality management through various manufacturing and logistics processes, beginning with the procurement of raw ingredients for its tea, ITO EN has established policies on procurement and quality management, and is working to enhance its supply chain management activities with consideration for both environmental and social aspects through cooperation with stakeholders (including outsourcing partners). Moreover, by adopting a fables method of production, we have been able to build a network consisting of strong relationships with partner companies.

Also, by ensuring traceability, we have constructed a thorough Quality Control System covering all aspects of our business, from the raw ingredient stages up until our products reach consumers.

We are also increasing the environmental value of our activities by considering group-wide strategies to tackle major pressing environmental issues such as waste plastic / PET bottles and climate change, which have become the focus of attention in recent times.

Also in recent years, issues such as the aging of agricultural workers, the shortage of successors and the need to respond to the diversification of consumption have been highlighted in Japanese agriculture. As a leading tea company, ITO EN is seeking to display leadership in tackling these ESG issues, and to build more sustainable business models.

Supply chain management

ITO EN has adopted a fables 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, ITO EN has built a Quality Management System with ISO 9001 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



ITO EN and partner company employees work together in beverage production

Processes for Creating Shared Value (CSV)

Sustainable advanced production and logistics systems

<p><Innovations></p> <ul style="list-style-type: none"> ▶ Fables 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 	<p><Social Value></p> <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 	<p><Business Value></p> <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
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S Social benefits

- ▶ Sensory testing personnel in ITO EN testing team framework: at least 20 personnel, etc.
- ▶ Number of quality assurance meetings* (joint meetings together with outsourcing partners and other stakeholders) held: 14 (FY4/2019)

* Includes ITO EN Group quality assurance meetings

E Environmental benefits

- ▶ Foodstuffs recycling rate: 94.6% (FY4/2019)
- ▶ Reduction in group-wide CO₂ emissions (per unit net sales): -8.5% (actual results for FY4/2019, comparison with FY4/2014)

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.

* Fables method: A method of production in which a company does not have its own factory.


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 NS* System, 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 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 eco-friendly PET plastic bottles.

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

Environmentally-conscious PET plastic bottle (525 ml)



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



Commitment



Shusuke Honjo

Executive Vice President,
Representative Director and
General Manager, Sales Division

The key advantage of ITO EN'S route sales system is its community-based approach. Activities encompass direct visits to sales locations, sales negotiations, sales promotion, planning of sales floor displays and delivery of products, by approximately 3,500 sales personnel from 198 sales bases nationwide. By carrying out thorough direct visits, we are working to build stronger relationships with customers, enabling us to cater to a diverse range of needs. Sales promotion activities carried out by our team of tea professionals—our ITO EN TEA TASTERs—also help to spread the appeal and attraction of tea. Meanwhile, our Voice System helps us to utilize the opinions of our sales personnel. We receive over 10,000 employee proposals through this system annually, enabling us to make use of the voices of customers in creating and developing our products.

As a community-based company, we are also striving to resolve social problems through our core business operations by working in collaboration with local communities and stakeholders; such as through the “Making Japan Beautiful Through Tea” Project, and the installation of vending machines that contribute to society in various ways.

Moving forward, we are seeking to further improve our services for all customers, to deliver greater convenience, and to expand and enhance our range of services, particularly for the increasing number of foreign visitors to Japan. We will also continue to contribute widely in terms of both social (S) and environmental (E) aspects, and to engage in sales activities aimed at achieving sustainable growth.

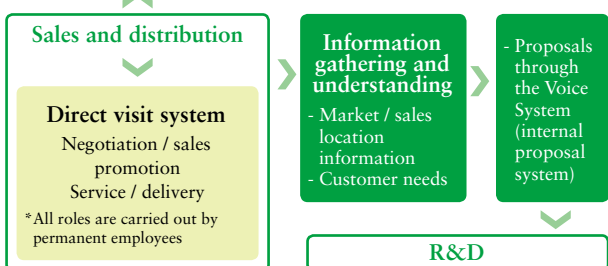
A sales network with an intimate understanding of customer needs

Outline of route sales

Route sales system

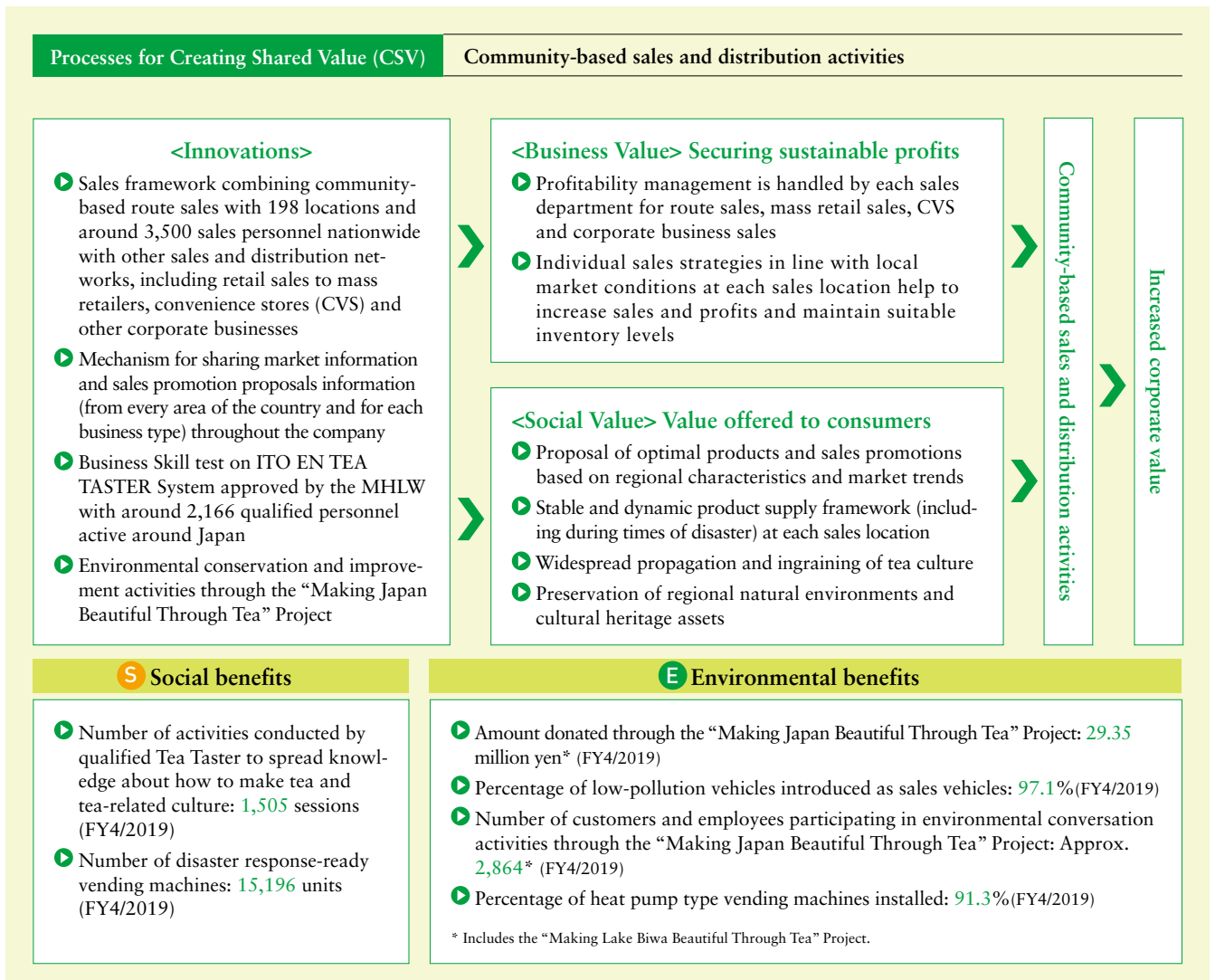
- Direct contact with customers
- Key to sales / distribution activities is in providing a finely-tuned response to customer needs
- Agile response on a location-by-location basis

Customers (general retailers, mass retailers, vending machines, etc.)



The source of ITO EN's marketing power is in its community-based route sales system. The system is comprised of approximately 3,500 sales personnel, who handle very thing 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.



Improving and enhancing our store presence

We have also established an effective framework that enables finely-tuned business negotiations to cater to the needs of various types of retailer, including corporate 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



Season-specific sales floor proposals



Nihombashi “Wa-no-Cha” (“Japanese Tea”) ITO EN, inside Nihombashi Mitsukoshi Main Store

currently 134 such stores nationwide.)

By connecting directly and strengthening contact with customers in this way, ITO EN is engaging in community-based sales activities that enable it to make the most optimal proposals in actual stores and selling spaces.

Community-based sales network

As a community-based company, ITO EN works to create value together with local communities through its core business, and is working to tackle social issues by conducting CSR and CSV activities making effective use of its core operations. Tea professionals who have gained qualifications through our Business Skill test on ITO EN TEA TASTER scheme serve tea at *Dai-Cha-Kai* (demonstration sales and tasting events of green tea) held at mass retailers, contributing to sales promotion.

These efforts 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 bases, while at the same time contributing to the resolution of local community issues.

Vending machines: an important sales route

With regard to the installation of vending machines, we are currently engaged in efforts to raise the level of revenues per machine, with an emphasis on 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; and vending machines that contribute to society, from perspectives such as communities and human rights.

As a company that aims to create health value, ITO EN has also begun to propose Wellness Vending Machines offering unique product lineups. We are also introducing vending machines with QR code payment support, envisaging the diversification of payment methods as a means of catering to inbound demand. In ways such as this, we are seeking to further improve convenience and services for customers towards globalization.

Proposals for installation of new charity vending machines

As of fiscal 2018, ITO EN began proposing charity vending machines that support young people who have recently entered society from social care.

A portion of sales revenue from these vending machines is donated to the *Wakamono Ouen Kikin* (youth support fund), helping to provide support for children and young people who have left orphanage or foster care and entered society. With the cooperation of client companies who install these vending machines, we are offering a helping hand to enable children in such



circumstances to believe in themselves and make a start as members of society.

Vending machines with QR code payment support

ITO EN has rolled out vending machines with QR code payment support at an early stage, envisaging the diversification of payment methods as Japan shifts further towards a culture of cashless payment, and improving convenience for tourists visiting Japan from overseas.

In the future, we will continue seeking to improve convenience and services for customers, with the aim of further improving the value offered by our vending machines.



Card reader with QR code payment support

Vending machine installation proposals offering greater health value

ITO EN is utilizing its strength of supplying numerous products that contribute to health to deploy Wellness Vending Machines with specialized product lineups that cater to health-oriented consumer needs.

In addition to PET plastic bottles and cans, these vending machines can also sell paper pack products, enabling them to cater to diverse needs with regard to product containers.

With interest in health and productivity management growing, Wellness Vending Machines are also being adopted as a form of employee welfare for companies.

1 Ichinichibun no Yasai
(A Day's Worth of Vegetables)

The No.1 100% vegetable beverage! Contains a whole day's worth of vegetables (350g), helping to ensure consumption of essential nutrients.

Recommended by dieticians!

2 Vitamin Yasai
(Vegetables & Vitamins)

Enables consumption of a full day's worth of 12 multivitamins! Contains 1,000mg of vitamin C.

3 Riso-no Tomato
(Tomato Juice)

A 100% tomato drink that aims to achieve an ideal balance of delicious and nutrition. Contains 30mg of tomato-derived lycopene.

4 Kurozu de kassei

Contains 15cc of Japanese-produced *kurozu* (black vinegar), with a gently delicious taste derived from its ingredients. Enables consumption of vitamins B1 and B6.

5 Kenko Mineral Mugicha
(Healthy Mineral Barley Tea)

Enables replenishment of water and minerals that become depleted during daily life, or are lost in sweat during exercise. Its caffeine-free formula means that it can be drunk heartily by the whole family!

* Minerals are essential nutrients such as phosphorous, manganese and sodium.

6 Ougon-oolongcyca

Contains 90% gallate-type catechins, which suppress the absorption of fats! A good choice for people with relatively high body fat. Recommended by the Japan Ningen Dock Health Check Association.

FOSHU

7 Gokugoku nomeru Mainichi-Ipaino-Aojiru

A new type of *aojiru* (green juice) that is easy to drink, like green tea, even for first timers. Contains Japanese-produced barley grass, kale and *matcha* (green tea).

8 Natadecoco Yogurutoaji

Contains dietary fiber which helps to ensure proper gastrointestinal function.

FOSHU

New Haiku Contest

About the ITO EN *Ocha* New Haiku Contest

ITO EN *Ocha* New Haiku Contest was started in 1989, which marked the 300th anniversary of Japanese poet Matsuo Basho's poetic travel diary "*Oku no Hosomichi*" (Narrow Road to the Interior). The previous year, contemporary poet Machi Tawara's *Salad Anniversary* poetry collection had sold 2.6 million copies. It was a time when interest in traditional short-form literature was on the rise, a signs of popularization could be felt. However, since there were virtually no opportunities for writers to exhibit their own works, ITO EN decided to create the contest and use its *Ocha* products as a medium for poets to exhibit their works. The contest is called the "New Haiku" contest because it encourages entrants to express their own thoughts and feelings using the basic 5-7-5 rhythm using their own unique expressive means, without becoming overly hung up on strict rules such as seasonal expressions, and excessive or insufficient numbers of characters. Fiscal 2019 marked the 30th session of the competition, with 1,995,000 entries received (including 25,650 English language entries). The total cumulative number of haiku entries received has now exceeded 35.67 million.

As of this competition we established a new "Tota Kaneko Prize," as a reward to carry on the last wishes of the late poet Tota Kaneko, who had served as a judge since the very first session of the competition, and who sadly passed away in 2018. As another new development for future competitions, we will also be cooperating with the activities of the Haiku UNESCO Intangible Cultural Asset Promotion Council, as a first step in our efforts to promote awareness and stimulate interest in Japanese culture overseas.

Simultaneously achieving cultural promotion and brand strategy

Around 90% of the entries received by the ITO EN *Ocha* New Haiku Contest come from schools and other

educational institutions. Some Japanese schools even make use of English haiku as teaching materials for the purpose of improving students' English language ability.

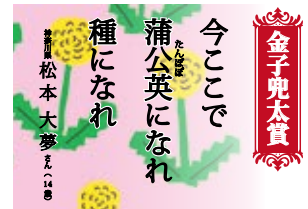
Winning entries to the contest are displayed on *Ocha* product packaging. This is a form of CSV (creating shared value) by utilizing our packaging as a medium for announcing these works of poetry. For ITO EN, this poetry gives added value to its main brand, *Ocha*; for entrants, it provides an opportunity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



New Haiku Contest Awards Ceremony



Minister of Education, Culture, Sports, Science and Technology's Prize winning entry



Tota Kaneko Prize winning entry

Promoting tea culture overseas

ITO EN holds tea seminars, workshops and other events at locations throughout Japan aimed foreign tourists and international students, who could potentially become influencers with respect to Japanese tea culture. Many foreign visitors have participated in these events. In October 2018, following on from 2017, we exhibited at the 2nd "Japan's Food" Export Fair (a food products trade fair aimed at international buyers, specializing in exports). Through our various initiatives, we communicate the appeal and attraction of Japanese tea, via conversations and hands-on demonstrations communicating tea-related knowledge and information on how to make a great-tasting cup of tea. Moving forward, we will

continue to increase recognition of our brand through various activities promoting tea culture, making Japanese tea and *matcha* synonymous with ITO EN.



"Japan's Food" Export Fair



New *Dai-Cha-Kai* event at Senso-ji Temple



Commitment



Atsushi Hirata

Senior Managing Executive Officer
and General Manager,
Administration Division

I believe that people are a company's greatest strength. In Japanese we use the word *jinzai*, meaning "human resources," but we prefer to use a different character to write the word, because I think of them more as "human assets" or "treasure." For a company, people should be a form of treasure, and our mission is to find the right way of "polishing" that treasure until it shines. In its personnel system, ITO EN advocates the concept of evaluating its employees based on merit. Under no circumstances do we allow factors such as academic background, gender, nationality or age to affect the range of opportunities available for an employee to engage in certain work or receive education or training, or to bear any relation to evaluations of work performance. As a basic rule, equal opportunities are given to every individual employee, and evaluations are conducted fairly.

Based on this philosophy, we are working to improve our workplace environments to enable us to increase productivity and create innovation by driving HR development and developing workplaces in which it is easier for employees to work. By providing attractive workplace environments for human assets with not only sound business knowledge but also a good understanding of ITO EN's philosophies, we hope to produce human resources who will grow and develop continuously. While working at a grass-roots level to develop schemes to support employee diversity and a diverse range of workstyles, we will also continue to further enhance our HR management, in order to enable each and every one of our employees to work healthily and energetically.

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.

Respect for human rights

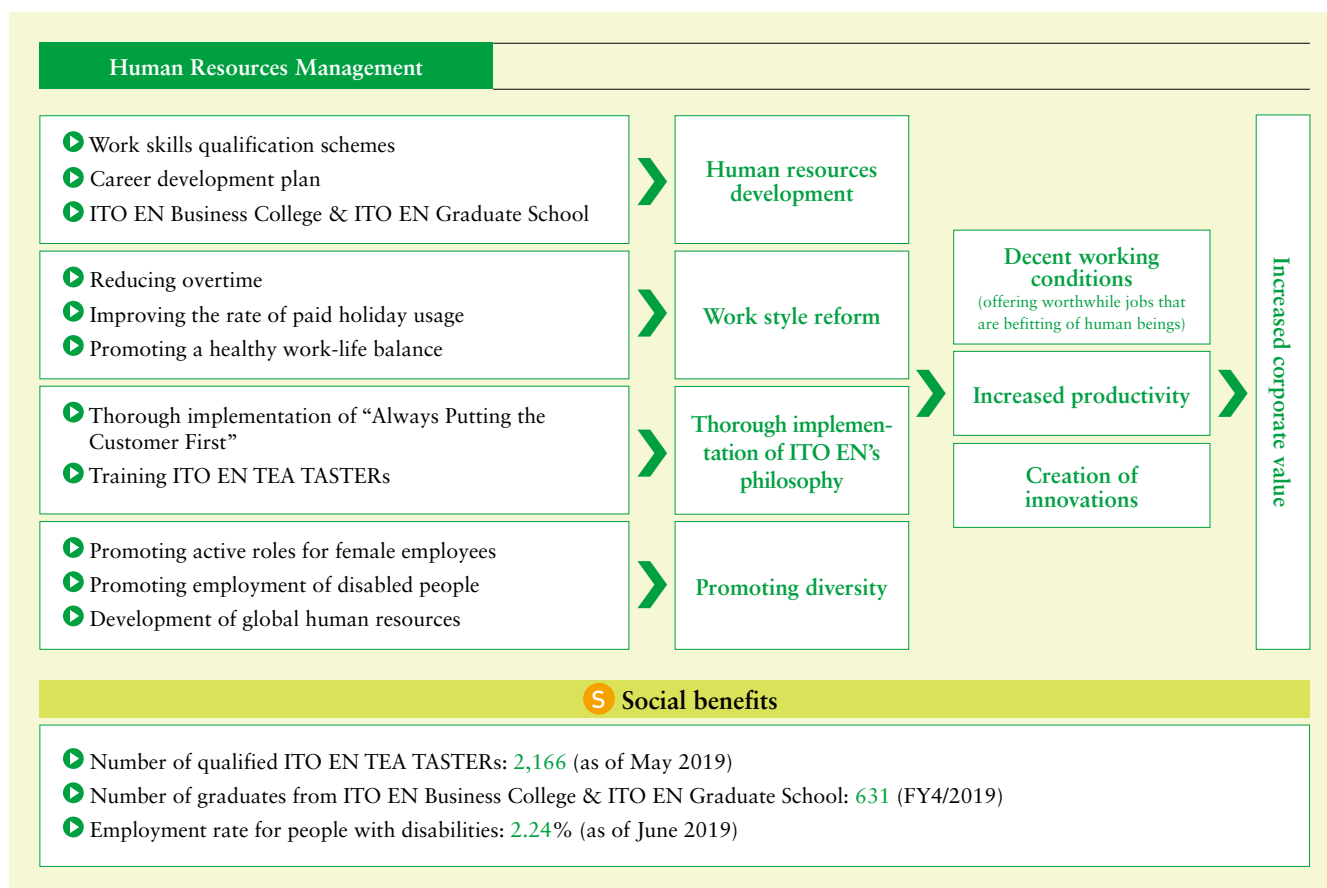
The ones that actually implement the ITO EN Group's management principle of "Always Putting the Customer First," generate growth and create innovation are the Group's human resources. At ITO EN, we are advancing a system of human resources management that enables us to cater to diverse working styles, 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 System to aid in the training and development of tea professionals, and are working to develop global human resources through our overseas training scheme.



Support schemes for major events in employees' lives

In fiscal 2017, ITO EN launched the Family Support System to facilitate comprehensive support for ITO EN employees and their families during major life events through various support schemes, including work support, welfare benefit support and salary support schemes. We are also seeking to improve our working environment to enable employees to continue working with peace of mind, through the introduction of various new schemes; including a work-at-home scheme aimed at employees subjected to various constraints due to reasons such as childcare and nursing care commitments, a reserve annual paid leave scheme that enables employees to make use of lost annual holiday leave as reserve paid leave in case of unforeseen circumstances in childcare and nursing care, and a leave of absence scheme aimed at employees wishing to undergo fertility treatment.

In February 2019, following on from 2018, ITO EN was recognized again under the large-scale enterprise category of the 2019 Certified Health and Productivity Management Organization Recognition Program (“White 500”).

Our certification under this program is in recognition of a wide range of efforts that include conducting regular health checks covering more than the minimal statutory requirements to ensure the health and safety of our employees, conducting stress and mental health checks, developing support systems for gynecological checkups and treatment to help employees quit smoking, and working proactively to develop workplace environments that enable our employees to work more healthily and actively.

We are also investing our energies into promoting workplace diversity, such as by promoting active participation and advancement for female employees. In terms of employing people with disabilities, too, ITO EN has recruited in excess of the standard hiring rate, and is working to create workplaces that will enable employees with disabilities to work easily and continuously. We are also striving to improve and enhance our reemployment scheme, to enable employees to work actively up to the age of 70.



The Value Created by ITO EN TEA TASTERs

As ITO EN works towards its aim of becoming a “Global Tea Company,” the Group has high expectations for its TEA TASTERs, as professionals making an active contribution in all areas of the tea-related value circle; from product planning and development through procurement, production and logistics, to sales and distribution. We consider human resources to be the foundation for our competitiveness. ITO EN TEA TASTERs are a true source of that competitiveness, and play an important role in aiming for sustainable growth for the future.

About the Tea Taster System

ITO EN’s Tea Taster System is an in-house business skill test system that has been in operation since 1994, with the objectives of instilling employees of “tea-company ITO EN” with a high level of tea-related knowledge, and conducting tea-related enlightenment activities both inside and outside the company. Candidates wishing to obtain the qualification participate in a skill test held once annually, with successful candidates being determined by a strict screening process. The test involves academic content, tea tasting and oral recitation, and requires a wide range of skills and knowledge on topics from tea culture to how to make great-tasting tea. The

system was certified by the Ministry of Health, Labour and Welfare (MHLW) as an approved business skill test*, becoming the first in-house business skill test to be certified after the 2016 certification system revision.

As of May 2019, there are a total of 2,166 TEA TASTER qualification holders, conducting tea culture enlightenment activities at various locations throughout Japan. As a representative example of their efforts, in fiscal 2018, TEA TASTERs held a total of 1,505 events, including *Dai-Cha-Kai* (demonstration sales and tasting events of green tea) and seminars on how to prepare delicious Japanese green tea.

* Business Skill Tests approved by the Ministry of Health, Labour and Welfare (MHLW)



Business Skill Test approved by MHLW logo

The MHLW Business Skill Test certification system is based on the Human Resources Development Promotion Act (Act No. 64 of 1969), which aims to develop and improve the skills of workers as required to perform their jobs. The Minister of Health, Labour and Welfare certifies in-house tests or examinations established by employers to test the occupational skills of workers whom they employ, and to encourage workers to improve their skills.



Scene from a seminar on how to prepare delicious Japanese green tea

Professionals with advanced tea-related knowledge and skills Grade 1 ITO EN TEA TASTERs

Grade 1 ITO EN TEA TASTERs are tea professionals with advanced wide-ranging tea-related knowledge and skills, who have also acquired an understanding of traditional Japanese culture and manners, such as the tea ceremony. They act as brand ambassadors and missionaries, implementing the Group’s management principle of “Always Putting the Customer First,” and spreading the appeal of tea and ITO EN’s strengths by communicating information widely both within the Group and externally.



Takashi Ai,
Chief,
Marketing Department



Osamu Aizawa,
Brand Manager,
Marketing Department



Toshiya Asahi,
Section Chief,
Purchase Department



Shoko Tanaka,
Marketing Department



Taizan Nakamura,
Sales Promotion
Department



Yumiko Hamada,
Group Leader, International
Business Promotion Department

Seeking to improve knowledge and skills

Training for ITO EN TEA TASTER qualification holders involves tiered training with the objective of improving knowledge and skills required for their respective qualifications, and educational training that seeks to develop the next generation of ITO EN TEA TASTERs.



A training session for ITO EN TEA TASTER qualification holders

Grade levels	Grade	Knowledge & skills (tea tasting)				Number of qualification holders
		Green tea	Chinese tea	Black tea	Tea ceremony	
	Grade 1	○	○	○	○	17
	Grade 2	○	○	○	—	335
	Grade 3	○	—	—	—	1,814
Total						2,166

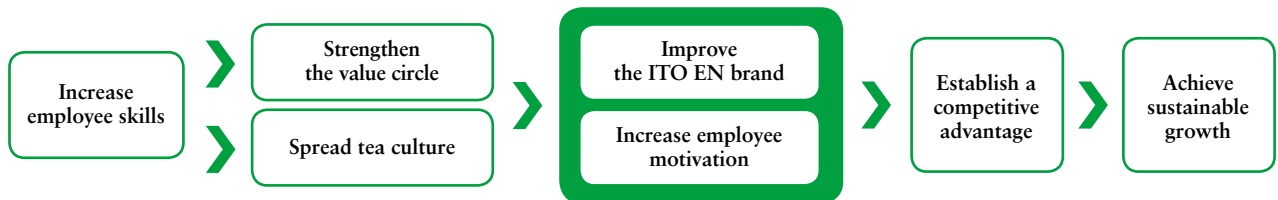
(As of May 2019)

Benefits of the Tea Taster System

The ITO EN's Tea Taster System enables employees to improve the level of their skills and gain knowledge and experience which are then utilized in their daily work duties, creating value in the various areas of the value circle, and resulting in a stronger and more robust value circle overall. Moreover, the contact made with customers through activities to spread tea culture not only enables us to propose

ideas for enriching customers' dietary lifestyles, but also to ascertain their needs and utilize that information in creating better products.

These initiatives generate beneficial effects such as strengthening the ITO EN brand, increasing employee motivation, and establishing a competitive advantage, and also lead to further sustainable growth.



Yoshie Inoue,
Group Leader, Sales
Promotion Department



Yasuhiro Ogawa,
Sales Promotion
Department



Tetsuya Kobayashi,
General Manager, Sales
Promotion Department



Toshiki Sakurai,
GII, 1st Production
Department



Mitsumasa Shida,
General Manager,
Marketing Division



Minoru Suzuki,
Deputy General Manager,
CSR/ESG Promotion
Department



Noriko Hirogami,
Assistant Section Chief,
Sales Promotion Department



Hiroaki Muramatsu,
GII, Agricultural
Technology Department



Ikutaro Mochizuki,
Section Chief, 1st
Production Department



Yasutaka Yokomichi,
Section Chief,
Purchase Department



Tatsuya Yoshida,
Brand Manager,
Marketing Department

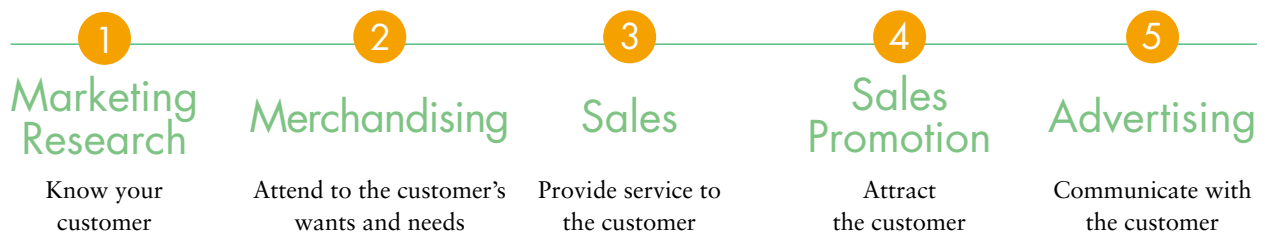
Brand strategy **Always Putting the Customer First**



Five marketing functions



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.



Concept for product development

At ITO EN, we value nature's blessings and continue to provide their delicious flavors to customers in the form of food.

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.

At ITO EN, we want to cater to the expectations of customers through our products and services.

Working based on our keyword “STILL NOW,” we are constantly considering the problem of “what customers are still now dissatisfied with.”

This is the central concept in implementing our management principle of “Always Putting the Customer First.”

We also utilize the stream of requests and points of dissatisfaction submitted to us via our sales personnel in product development efforts.



The spirit of “STILL NOW”

Brand strategy

Tea leaf

Market Overview

In recent years, the number of opportunities to make tea using a traditional teapot has decreased, and the green leaf tea market has contracted as a result. Amidst this decline, the market for easy and convenient products such as tea bags and instant tea continues to grow, and products in this category are driving the expansion of our market share in the green leaf tea market. Based on these consumer inclinations, we are seeking to further improve the quality of our easy and convenient products, and enhance our product lineup.

At the same time, we are also contributing to the revitalization of the green leaf tea market through unique initiatives of the kind only possible at ITO EN, in order to spread the enjoyment and appeal of making tea using a teapot, which is a part of Japanese traditional and lifestyle culture.

Initiatives to expand market share

Holding *Dai-Cha-Kai* (demonstration sales and tasting events of green tea) events to popularize and enlighten people about tea

ITO EN communicates the deliciousness and enjoyment of tea in different ways to match various lifestyle situations, such as by holding *Dai-Cha-Kai* run by ITO EN TEA TASTERS in stores across Japan. ITO EN has also established a commemorative day— *Nihoncha no hi* (Japanese Green Tea Day)*—on October 1 of each year, in honor of the day when Hideyoshi Toyotomi (a prominent figure in Japanese history, known for unifying Japan at the end of the Warring States period) spread tea to many people in Japan by holding a *Dai-Cha-Kai* of his own at Kitano Tenmangu shrine in Kyoto. Our employees hold *ITO EN Dai-Cha-Kai* events simultaneously at mass retailers nationwide to commemorate the day.

* *Nihoncha no hi* (Japanese Green Tea Day): established in 2002 by the Japan Anniversary Association



An ITO EN *Dai-Cha-Kai* event

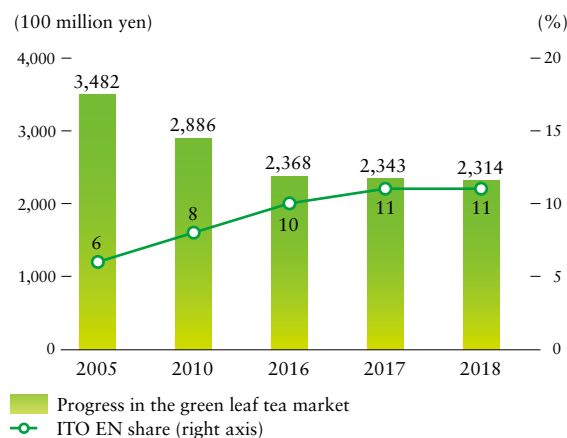
ITO EN sales floor planning

In addition to leaf and teabag-type products, ITO EN also offers other easy and convenient products that enable it to propose unique sales floor planning ideas. One such example is powder-type tea made using the spray drying* production method, which dissolves readily in both cold and hot water.

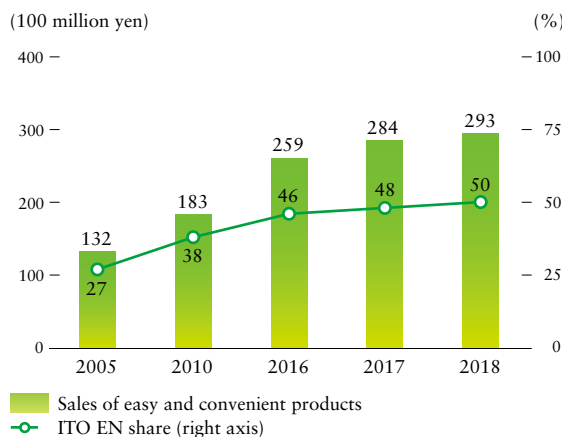
* Spray drying: A manufacturing method whereby extracted liquid tea is concentrated and then dispersed as a fine mist, before being dried rapidly using hot air and granulated into powder.



Progress in the green leaf tea market*



Progress in the easy and convenient leaf tea market*



* Survey period - Market: January-December, ITO EN: May-April

Brand strategy

Oi Ocha

In February 2019, *Oi Ocha* marked the 30th anniversary of its launch. *Oi Ocha* is a beverage that is now well known not only in Japan but around the world, and has grown into a brand that is well and widely loved by consumers. Moving forward, we will continue to identify customer needs and lifestyle changes, and to deliver new innovations, with the aim of ensuring that *Oi Ocha* products continue to enjoy the constant support of customers.

Oi Ocha

has marked the 30th anniversary of its launch

Tea beverage brand

No.1

ITO EN handles
approx. **25%**
of all crude tea in Japan

Market share
34%
According to research conducted by ITO EN (January–December 2018)

Made using
100%
domestically produced tea leaves

Percentage recognition rate of *Oi Ocha* in Japan
99.3%
According to research conducted by ITO EN (Internet research; N=3,954; August 2018)

Medium- to Long-Term Management Plan

Annual sales target:

100 million cases



Oi Ocha Brand Certified by Guinness World Records®*1

The *Oi Ocha* brand—which marked its 30th anniversary in 2019—has now been recognized and certified by Guinness World Records as the world’s largest natural healthy RTD green tea brand in terms of sales (retail RSP, current), and awarded with an official certificate.



Outline of the official certificate presented to ITO EN

Record name:	Largest natural healthy RTD green tea brand - retail RSP, current
Official record name (in English):	Largest NH RTD green tea brand - retail RSP, current
Target brand:	<i>Oi Ocha</i> brand*2
Target year:	January–December 2018
Certified figure:	\$1,966,800,000 (estimated)*3

*1 Officially certified on May 23, 2019.
*2 Excluding *Oi Ocha* roasted tea products.
*3 Based on third-party global survey data.

Oi Ocha HISTORY

- 1985 Launched the world’s first green tea beverage, canned *Sencha* (green tea).
- 1989 Launched the *Oi Ocha* brand. Simultaneously launched *Oi Ocha Genmaicha*. Launched *Oi Ocha Hojicha* (roasted tea). Started the ITO EN *Oi Ocha* New Haiku Contest.
- 1990 Launched the world’s first green tea beverage in PET plastic bottles (1.5 liter). Launched the first *Oi Ocha* leaf tea and teabag products.
- 1993 Launched the current standard large-sized (2 liter) PET plastic bottle product.
- 1996 Launched the current mainstream-sized (500 ml) PET plastic bottle product. Obtained a patent for the “Natural Clear” production method.
- 2000 Launched products in heated PET plastic bottles, ahead of the rest of the industry.
- 2001 Launched *Oi Ocha Shincha*, containing

freshly-picked *shincha* (new tea leaves), and began to release limited-edition seasonal products.

- 2002 Total cumulative sales of *Oi Ocha* exceed 5 billion bottles (500 ml PET plastic bottle equivalent). Updated the *Oi Ocha* packaging (containers for 500 ml PET plastic bottle products) for the first time.
- 2003 *Oi Ocha* becomes the No.1 tea beverage brand in terms of annual sales volume.
- 2004 Launched the green tea beverage *Oi Ocha Koi Aji* (now *Oi Ocha Koicya*), which has a stronger, more astringent flavor than regular *Oi Ocha* green tea.
- 2005 Adopted a dedicated variety of tea leaves as a raw ingredient for use specifically in *Oi Ocha* on a trial basis (Adopted full-scale the following year).
- 2006 Total cumulative sales of *Oi Ocha* exceed 10 billion bottles (500 ml PET plastic bottle equivalent).

2007 Launched new type of 500 ml PET plastic bottles for instore sale (excluding vending machines).

- 2010 Adopted the NS system (aseptic filling method) and lighter, environmentally friendly PET plastic bottles.
- 2011 Total cumulative sales of *Oi Ocha* exceed 20 billion bottles (500 ml PET plastic bottle equivalent).
- 2016 Launched new products in larger-sized microwaveable PET plastic bottles, designed to cater to the demand for beverage products that can be sipped over a long period of time.
- 2017 Total cumulative sales of *Oi Ocha* exceed 30 billion bottles (500 ml PET plastic bottle equivalent). Adopted new “freshness bottle” PET plastic bottle design.
- 2019 Marked 30th anniversary of the launch of *Oi Ocha*.

Birth of the *Oi Ocha* Brand

ITO EN embarked on the development of an easily-portable canned tea beverage, based on the idea of enabling more people to enjoy the delicious natural taste of green tea anytime, anywhere.

In 1984, after almost 10 years of development efforts and a total of 67,200 prototypes, created using varying raw ingredients, processing and brewing methods, ITO EN eventually perfected the world's first green tea beverage: canned *Sencha* (now *Oi Ocha*).

Until that time green tea had been an "indoor" beverage, which was made with a teapot and consumed at home. The appearance of canned green tea in the form of an "outdoor" beverage—which offered consumers the convenience of being able to drink green tea as they pleased, anytime, anywhere—had a major impact on the dietary culture of the Japanese people.

ITO EN then began to consider a new product name that would conjure up images of a homely atmosphere, and "speak" to customers from the display cases of the shop sales

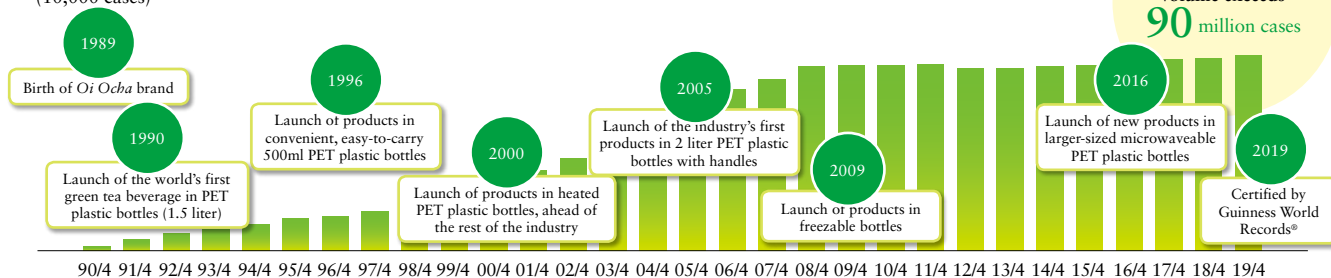
floor. The name that was eventually chosen was *Oi Ocha* (which translates roughly as "Hey! Tea please!" or "Hey! Let's have some tea!"). It is a name that seems to call out to customers from the shelves, and evokes images of tea drunk in a fun family setting, with lively communication. The name was well received by customers of a wide range of ages, which also contributed to a rapid growth in sales.

Commitment to Raw Ingredients

With intensifying competition in the green tea beverage industry, it is becoming increasingly difficult to procure good-quality tea leaves (for use as raw ingredients) in the Japanese tea leaf market. While many beverage manufacturers procure their raw ingredients via wholesalers and other external suppliers, ITO EN procures raw ingredients from dedicated suppliers through the Tea-Producing Region Development Project, and sends its purchasing personnel to buy tea leaves directly from tea markets and other such locations.

Progress in *Oi Ocha* brand sales

(10,000 cases)



Thoughts on the 30th Anniversary of the Launch of *Oi Ocha*

Oi Ocha has now celebrated the 30th anniversary of its launch. The brand has overcome various ordeals, including the hardships of its development phases, green tea wars, and economic downturns, and continues to develop as a global tea brand.

I think the background to *Oi Ocha*'s advancement is the value circle concept, which goes one step beyond the conventional idea of a value chain.

In other words, whereas sustained efforts such as ingredient development, quality improvement, the pursuit of freshness and the provision of health-related information go without saying, we have also continued to increase the unique value offered by *Oi Ocha* by listening constantly to the voices of customers and creating new value through collaborative creation.

The undercurrent to this is the consistent philosophy of valuing our customers, and I think that *Oi Ocha* has been able to mark its 30th anniversary as an unprecedented Japanese-based global tea brand due to its application of ideas originating from traditions such as the tea ceremony, and Japanese tea culture itself.

In this modern age, we now live in a digital society, in

Mitsuo Yashiro

Director and Senior Managing Executive Officer with responsibility for Marketing Division



which customer participation has become a matter of course, and the determination of preferences with regard to companies and products has shifted towards customer evaluations and estimations. I think that it has become difficult to go against this wave of change, such as by lowering prices or trying to sell products forcefully.

What has therefore become important is collaborative creation with customers; and the ability of companies to adapt by creating meaningful value together with customers.

I think that one issue for the future will be the extent to which we can build good connections with customers. I would like us to sincerely accept that the initiative is in the hands of our customers, share enjoyable and valuable times with many people through the use of tea, and continue to raise the level of our signature *Oi Ocha* brand to the next stage, so that customers might feel greater attachment to ITO EN as a company.

Brand strategy

Barley tea

Market Overview

ITO EN proposes barley tea as an ideal drink not only for combatting the midsummer heat, but also for hydration (fluid replenishment) and mineral replenishment when playing sports, and during the wintertime, when we are prone to become dehydrated. It is increasing its sales as an all-year-round beverage.

The barley tea beverage market is continuing to grow, and sales of *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) are growing along with it, currently enjoying a 42% market share as the No.1 caffeine-free tea beverage (in terms of quantity sold).

Meanwhile, the market scale of the barley tea leaf tea market is progressing at around 16 billion yen. ITO EN has also been a pioneer in this market, such as with the development of products containing various minerals, and currently holds a 44% market share, focused primarily around teabags, instant tea, and other easy and convenient products.

Quality management for safety and peace of mind

As a caffeine-free beverage, ITO EN proposes *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) as a product that can be drunk by babies and all other members of the family in safety and peace of mind. We employ a rigorous quality management system, which enables the results of radioactive materials inspection measurements to be verified via information provided in the form of a QR code displayed on the product itself.

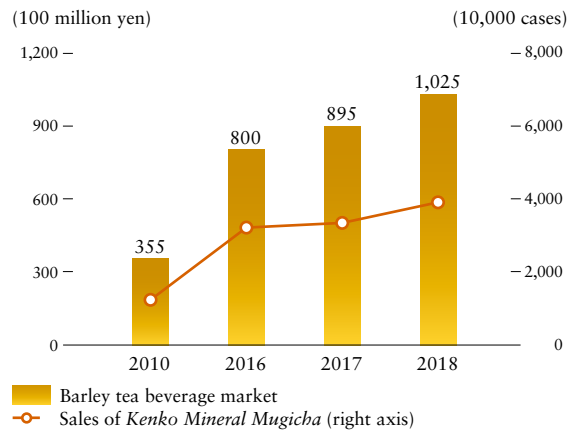
In ways such as this, barley tea is driving initiatives that offer ITO EN a means of developing new customer demographics, while at the same time catering to consumer needs for caffeine-free beverages, offering safety and peace of mind.

Increasing recognition of *Kenko Mineral Mugicha* Co-hosting of the *Atsui Machi Summit* (Hot City Summit)

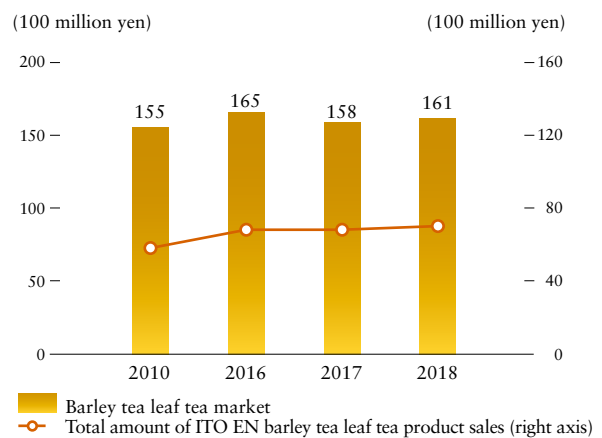
As part of its efforts to further increase recognition of *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) as a beverage for combatting the effects of hot weather, ITO EN co-hosts the *Atsui Machi Summit* (Hot City Summit), a team effort involving four cities that have recorded the hottest temperatures in Japan (Yamagata in Yamagata Prefecture, Kumagaya in Saitama Prefecture, Tajimi in Gifu Prefecture and Shimanto in Kochi Prefecture). Through the *Atsui Machi Summit*, we are working to increase understanding of our initiatives and the product features of *Kenko Mineral Mugicha* as a beverage for combatting the effects of hot weather. *Kenko Mineral Mugicha* has also been approved as the official drink for Kumagaya's COOL SHARE KUMAGAYA initiative, and as Tajimi's official drink for combatting hot weather conditions.



Progress in the barley tea market*



Progress in the barley tea leaf tea market*



* Survey period - Market: January–December, ITO EN: May–April



Please visit the website below for more details of the *Atsui Machi Summit* initiative.

<https://www.itoen.co.jp/mugicha/supply/atsuimachi/>

Brand strategy

Coffee beverages

Creating new value with coffee

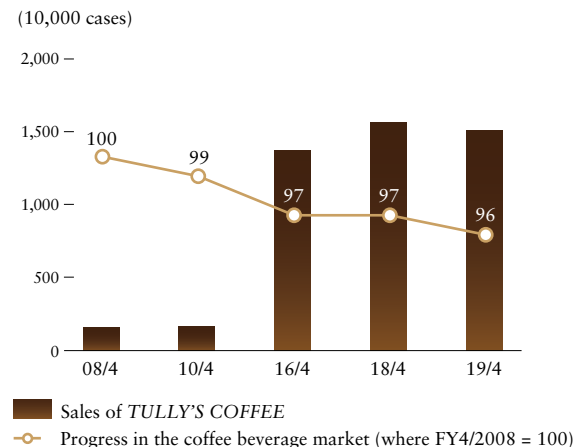
In the coffee beverages field, ITO EN sells and supplies *TULLY'S COFFEE* brand bottle-type canned coffee, in collaboration with its Group company Tully's Coffee Japan Co., Ltd. (Tully's Coffee Japan). In order to cater to the diversification of drinking situations we have also launched new products, such as the coffee beverage industry's first products to be sold in microwavable PET plastic bottles. The *TULLY'S COFFEE* brand has also led to an increase in support from the younger generation of coffee drinkers, with total cumulative sales for the brand having exceeded 100 million cases as of April 2018.

Efforts towards building a coffee value chain

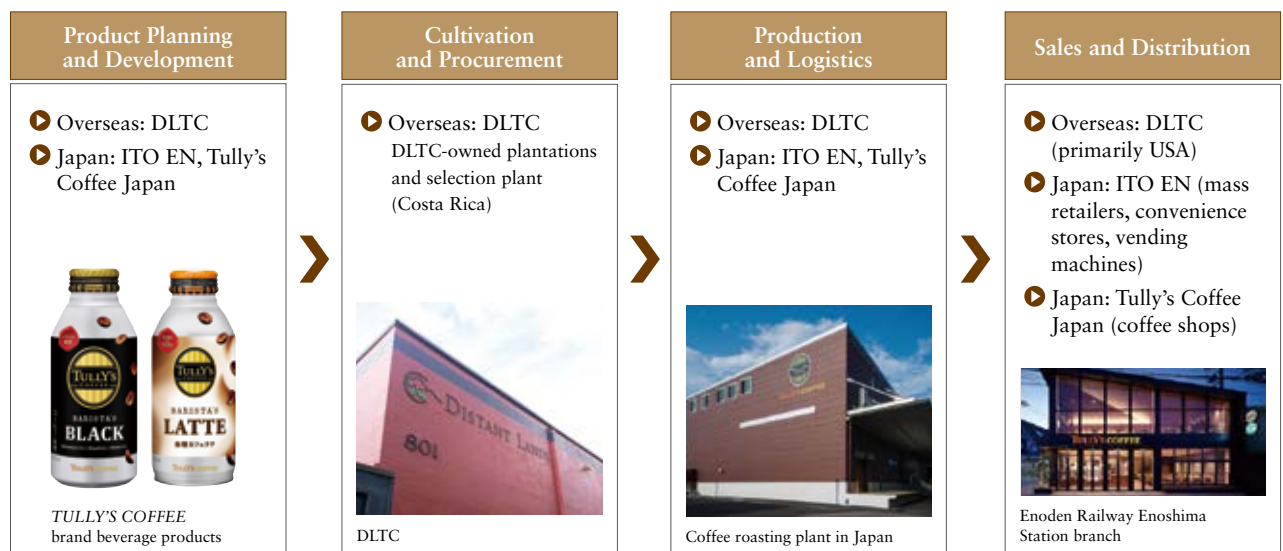
Operating primarily in the United States, ITO EN Group company Distant Lands Trading Co. (DLTC) engages in all coffee business processes from cultivation to sales. ITO EN is pursuing group synergies with DLTC by purchasing a portion of the coffee beans produced by DLTC as raw ingredients for use in its bottle-type canned coffee. DLTC is also promoting sustainable production with care and consideration for environmental, social and economic aspects, such as by obtaining Rainforest Alliance certification for a portion of its proprietary plantations and coffee bean selection plants.



Progress of *TULLY'S COFFEE* and the coffee beverage market



Coffee value chain



Brand strategy

Vegetable beverages

Vegetable beverages catering to health-conscious consumers

ITO EN began catering to the needs of health-conscious consumers with the launch of its carrot based *Jujitsu Yasai* (vegetable and fruit mix juice) in 1992. In 1999, we launched a program of carrot research in search of the tastiest, most highly-nutritious, and most ideal carrots for use in our vegetable beverages. After comparing around 50 different varieties of carrot, we eventually selected the *Shui**¹ variety, which is now used as the main carrot ingredient in our products. We also pay particular attention not only to our raw ingredients but also to our production processes, utilizing our proprietary Natural Sweetness Production Method*² to create delicious easily-drinkable beverages.

We have also expanded our use of cultivation under contract for the raw ingredients in our vegetable beverages to include other vegetables aside from carrots, such as mulukhiyah (*moroheiyai*) and spinach; which are used as raw ingredients in our *Jujitsu Yasai* and *Ichinichibun no Yasai* (A day's worth of vegetables) beverages.

We are also responding to the increase in health-oriented attitudes such as by developing FOSHU-certified vegetable beverages products, and are ensuring traceability in the raw ingredients used in our vegetable beverages, including those produced overseas.

*1 "Shui": The three distinctive features of the *Shui* carrots are that they (1) contain around 1.5 times the amount of B-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.

*2 In the Natural Sweetness Production Method, the carrot tops are removed, and the carrots are peeled to remove the grassy smell. 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)

Appealing to consumers about the nutritional value of *Ichinichibun no Yasai*

ITO EN is working in cooperation with the Japan Dietetic Association (JDA) to improve product value and further invigorate the vegetable beverage market, such as by communicating the nutritional value of *Ichinichibun no Yasai* to customers in stores (primarily mass retailers) throughout Japan, and introducing vegetable beverage recipes developed under the supervision of dietitians.

Expanding the *aojiru* (green juice) market

The *aojiru* market is displaying significant growth, with many people revising their opinions of the drink not only for its health-promoting benefits, but also with regard to its deliciousness and drinkability. Consumer demographics are expanding, primarily amongst younger people, and *aojiru* is starting to become an everyday drink. Since its launch in 2012, the *Mainichi-1paimo-Aojiru* ("one glass of green juice a day") series has grown to become No. 1* in the *aojiru* beverage category in terms of sales quantity, and is currently leading the market.

Moving forward, we will continue to invest our energies into expanding the *aojiru* beverage market further, and creating more lifestyle scenes and situations in which *aojiru* beverages will be consumed.

* Sales between January and December 2018 (according to research conducted by ITO EN).



Vegetable-related value chain



Brand strategy

Matcha

Revitalizing the matcha market

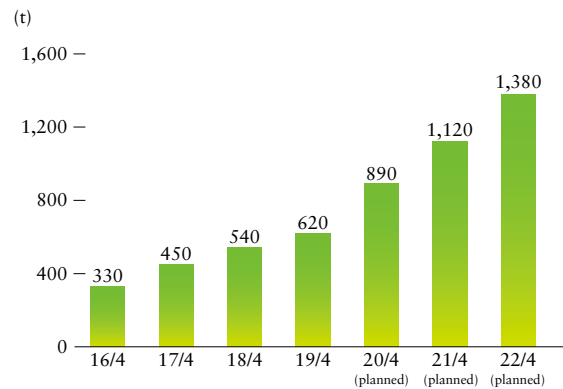
Due to background factors such as UNESCO's addition of *washoku* (traditional dietary cultures of the Japanese) to its Intangible World Heritage of Humanity list (in 2013) and an increase in the number of inbound visitors to Japan, interest in Japanese food culture and Japanese tea is increasing both domestically and overseas. In particular, overseas demand is growing, and export volumes are increasing, with a primary focus on *matcha* (powdered green tea).

In Japan, too, use of *matcha* is spreading to include not only *otemae* (for tea ceremony use) and regular drinking use but also use in desserts and other food products. The market has grown by over 150% over the past five years, exceeding a market value of 20 billion yen, and is expected to continue growing in the future. ITO EN is also increasing its market share year by year, such as by proposing easy and convenient products.

ITO EN has established a framework for catering to globally-increasing demand for *matcha* by commencing operation of a dedicated *matcha* production plant at its Shizuoka Sagara Factory as of 2016. In addition to boosting the *matcha* market with a wide range of products, including truly authentic *matcha*, we are also working to raise our level of recognition; making Japanese tea and *matcha* synonymous with Japan's ITO EN.



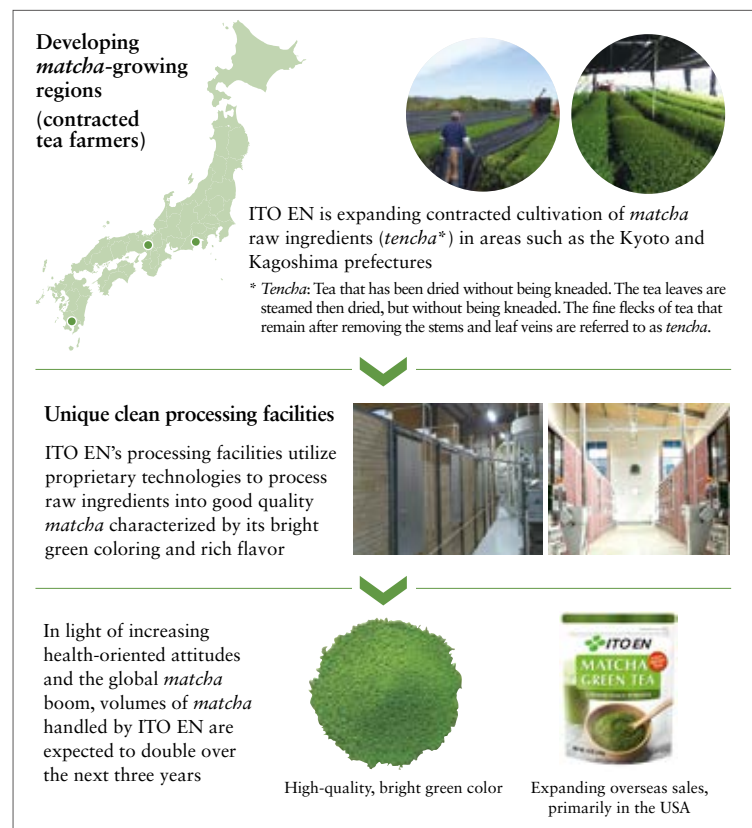
Progress in volume of matcha handled by ITO EN



Initiatives to invigorate the matcha market



Expanding ITO EN Matcha



Financial management

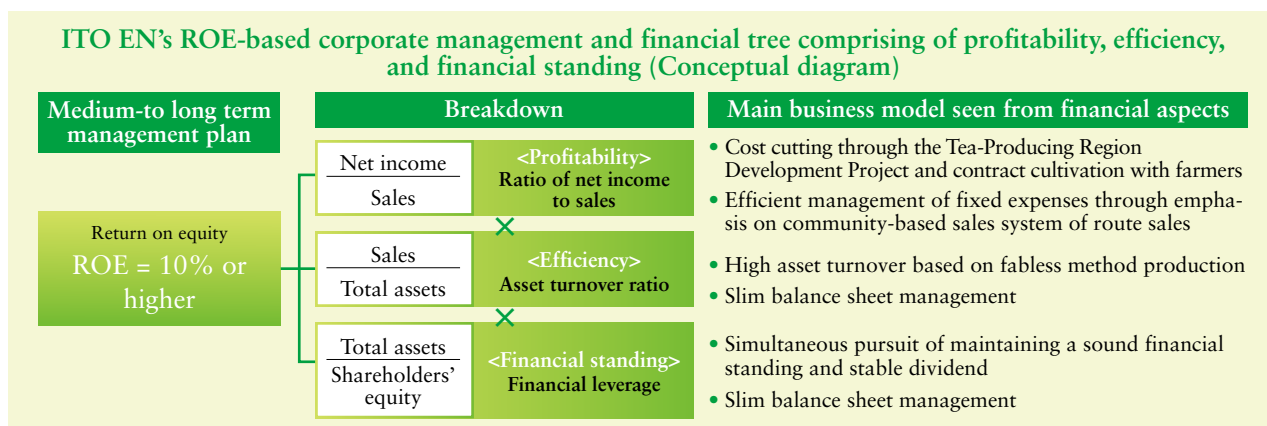
Basic policy

Currently the ITO EN Group is targeting an ROE of at least 10% for the management index in its medium-to long 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 the 1990s, 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, seven management indices were calculated and chosen: growth (net sales), profitability (operating income and EPS), efficiency (ROE and ROA), cash earning capacity (operating cash flow) and return to shareholders (total return ratio). ITO EN maintains an awareness of these indices in carrying out its business activities. 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 prides itself on handling over 25% of the total volume of all crude tea produced in Japan, and possesses high-level capabilities for the procurement of raw ingredients. Procurement of crude tea through such means as the Tea-Producing Region Development Project is the starting point for our value chain, 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 it possible for us to achieve highly efficient value chain management, 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 3,500 sales persons, mainly in route sales from the 198 sales bases across the country and used for marketing purposes.

Pursuit of efficiency through a slim balance sheet management

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 profits and losses, and balance sheets by utilizing its strengths, ITO EN maintains financial soundness, while securing adequate funds to achieve a total return ratio* of at least 40% as well as its credit rating. Retained earnings and cash are controlled at appropriate levels, enabling the allocation of funds (as appropriate) for M&A and other strategic investments aimed at achieving future growth. 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.

* Total return ratio: The sum total of dividend payouts and treasury stock purchases divided by net income for the current fiscal year (given as a percentage)

<p style="color: #008000; font-weight: bold; margin: 0;">Commitment</p> <p style="margin: 5px 0 0 20px;">Minoru Watanabe</p> <p style="margin: 5px 0 0 20px;">Executive Vice President with responsibility for Administration Division and International Business Division</p>	<p style="margin: 0;">Financial management integrated with a unique business model to enhance ESG value</p> <p style="margin: 5px 0 0 20px;">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.</p> <p style="margin: 5px 0 0 20px;">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.</p>
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Key financial indicators (over the past 5 years) (consolidated)



For more details of financial data, please refer to the following site.

https://www.itoen.co.jp/finance_ir/library/

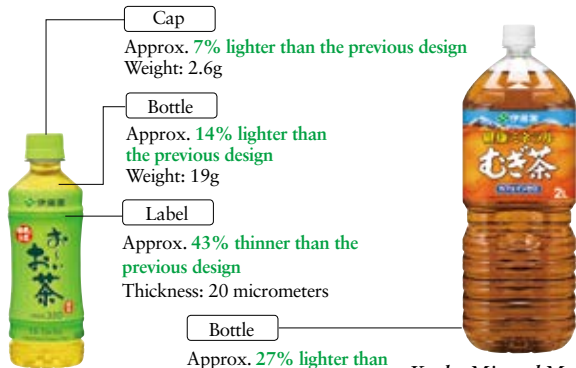
	(Units)	FY4/2015	FY4/2016	FY4/2017	FY4/2018	FY4/2019
P/L						
Net sales	(million yen)	430,541	465,579	475,866	494,793	504,153
Year-on-year	(%)	(1.6)	8.1	2.2	4.0	1.9
Details of main sales						
Non-consolidated	(million yen)	353,754	365,276	371,831	383,212	394,495
Total of overseas businesses	(million yen)	15,181	36,180	34,863	40,362	38,168
Tully's Coffee Japan	(million yen)	26,036	27,751	30,268	32,589	34,568
Chichiyasu	(million yen)	13,186	13,890	14,621	14,398	14,409
Cost rate	(%)	51.8	53.0	52.5	52.7	52.3
Selling, general and administrative expenses	(million yen)	196,016	201,574	204,395	211,939	217,555
Sales ratio	(%)	45.5	43.3	43.0	42.8	43.2
Operating income	(million yen)	11,393	17,243	21,774	22,043	22,819
Profit ratio	(%)	2.6	3.7	4.6	4.5	4.5
Details of main profits						
Non-consolidated	(million yen)	6,478	11,934	15,646	15,394	15,851
Total of overseas businesses	(million yen)	307	1,856	2,225	2,619	2,738
Tully's Coffee Japan	(million yen)	3,572	2,879	3,130	3,250	3,504
Chichiyasu	(million yen)	87	253	300	305	269
Ordinary income	(million yen)	11,229	15,074	21,524	21,441	23,211
Profit ratio	(%)	2.6	3.2	4.5	4.3	4.6
Extraordinary income	(million yen)	49	205	53	75	726
Extraordinary losses	(million yen)	386	353	854	526	1,451
Profit attributable to owners of parent	(million yen)	7,292	8,615	13,693	12,553	14,462
Profit ratio	(%)	1.7	1.9	2.9	2.5	2.9
B/S						
Total assets	(million yen)	285,947	287,702	302,405	301,167	303,981
Current assets	(million yen)	153,597	159,517	174,657	170,838	177,449
Cash and deposits	(million yen)	48,922	53,259	64,202	61,664	63,738
Accounts receivable	(million yen)	51,512	53,553	54,677	58,083	56,581
Non-current assets	(million yen)	132,350	128,185	127,748	130,329	126,532
Property, plant and equipment	(million yen)	80,115	81,018	83,039	84,822	84,186
Intangible assets	(million yen)	34,042	27,154	24,454	21,588	18,956
Total liabilities	(million yen)	158,185	160,486	165,696	157,416	153,058
Current liabilities	(million yen)	76,038	100,756	81,560	77,187	76,473
Non-current liabilities	(million yen)	82,146	59,729	84,135	80,228	76,585
Net assets	(million yen)	127,761	127,215	136,709	143,750	150,923
Retained earnings	(million yen)	90,949	94,311	102,750	110,066	119,242
Current ratio	(%)	202.0	158.3	214.1	225.2	232.0
Equity ratio	(%)	44.4	43.9	44.8	47.3	49.2
Liability ratio	(%)	124.7	127.2	122.3	110.4	102.3
Statement of cash flows						
Net cash from operating activities	(million yen)	17,751	30,085	27,098	25,322	26,128
Cash flows from investing activities	(million yen)	(9,242)	(8,150)	(8,243)	(11,359)	(10,635)
Free cash flow	(million yen)	8,509	21,935	18,854	13,962	15,492
Cash flows from financing activities	(million yen)	(4,835)	(18,018)	(8,012)	(16,639)	(15,005)
Amount of capital investment	(million yen)	3,732	8,603	8,135	11,062	10,006
Depreciation	(million yen)	15,653	16,075	12,469	13,222	13,411
Depreciation of goodwill	(million yen)	1,326	1,824	1,765	1,819	1,777
Other						
ROE	(%)	5.9	6.8	10.5	9.0	9.9
ROA	(%)	2.7	3.0	4.6	4.2	4.8
PER (Common stock)	(times)	44.0	49.9	37.1	43.8	47.7
PER (Preferred stock)	(times)	28.9	24.3	17.7	21.0	20.4
PBR (Common stock)	(times)	2.4	3.3	3.7	3.7	4.5
PBR (Preferred stock)	(times)	1.9	1.8	1.9	2.0	2.1
EPS (Common stock)	(yen)	56.60	67.37	108.77	99.79	116.02
EPS (Preferred stock)	(yen)	66.60	77.37	118.73	109.75	126.00
BPS (Common stock)	(yen)	1,031.19	1,026.26	1,105.09	1,165.80	1,229.28
BPS (Preferred stock)	(yen)	1,036.19	1,031.26	1,110.09	1,170.80	1,234.28
Dividend per share (Common stock)	(yen)	40	40	40	40	40
Dividend per share (Preferred stock)	(yen)	50	50	50	50	50
Total return ratio	(%)	72.3	61.2	43.5	48.5	48.9
Ratio of foreign shareholders	(%)	14.3	17.7	19.1	20.6	23.2
Outstanding shares	(thousand shares)	123,459	123,459	123,459	123,459	123,459
Common stock	(thousand shares)	89,212	89,212	89,212	89,212	89,212
Preferred stock	(thousand shares)	34,246	34,246	34,246	34,246	34,246
Year-end stock price (Ex-rights adjusted)	(yen)	2,490	3,360	4,040	4,370	5,530

Expansion of the Bottle to Bottle initiative
(Recycling of PET plastic bottles)



To make effective use of empty PET plastic bottles collected for recycling, ITO EN has set the medium-term goal of switching to 100% recycled PET plastic bottles (made using recycled PET plastic) as the containers for all *Oi Ocha* products by the year 2030.

As the first phase in this initiative, as of June 2019, we are switching progressively to the use of 100% recycled PET plastic bottles for *Oi Ocha* products sold in 600ml and 525ml bottle sizes. As the second stage, we have also launched *Oi Ocha* products in the industry's first heatable and microwaveable 100% recycled PET plastic bottles.



Oi Ocha (350ml)
Launched on May 27, 2019

Kenko Mineral Mugicha
(Healthy Mineral Barley Tea) (2L)
Launched in February 2019 in certain regions

In an effort to conserve resources, we are working to reduce the weight of plastic product containers and packaging, including PET plastic bottles, caps and labels.

Lightening of containers and packaging
(Reducing the amount of plastic used)

Utilizing alternative materials to plastic



As the movement to restrict the use of disposable plastics continues to gain momentum, ITO EN has recognized the need to tackle the issue of plastic filters, which are used extensively in the leaf tea market. In March 2019, we launched the *Yokuderu Ocha pack*, which is made from 100%-biodegradable materials, which are broken down into water and carbon dioxide by the action of microorganisms. After making tea, the used tea leaves can be thrown away easily, and the fact that the packaging is naturally biodegradable contributes to environmental conservation.

The cans and PET plastic bottles collected directly by ITO EN route sales personnel from the recycling boxes (boxes for empty containers) installed next to vending machines are also recycled into useful resources by appropriate recycling business operators, rather than being committed to landfill or incineration.



100% recycling of empty containers collected

Group-wide simultaneous environmental beatification activities

In June 2019, during the *Umigomi Zero Week* period established by Japan's Ministry of the Environment, employees from ITO EN Group companies engaged in simultaneous environmental beatification activities. A total of 2,963 participants from 233 business locations conducted cleaning activities along surrounding roads, coastlines and rivers, and collected over 1,700kg of garbage.



Expanding the Used Tea Leaves Recycling System



Cardboard box for beverages



Bench made using used tea leaves



Envelopes made using used tea leaves

Used Tea Leaves Recycling System

The used tea leaves produced in the production of *Oi Ocha* and other Japanese tea beverages contain large quantities of moisture, which makes them prone to putrefaction. For this reason, converting them into alternative materials requires drying processes which consume fuel and generate carbon dioxide. Due to these issues, used tea leaves have typically been recycled into fertilizer and animal feed. In 2001, ITO EN established its Use Tea Leaves Recycling System: a unique recycling technology that enables used tea leaves to be stored and transported at room temperature while still containing moisture, and to be processed into a raw material for use in industrial products. The conversion of used tea leaves into an alternative material also does not require the use of drying processes, and ITO EN has so far developed around 100 product varieties created by recycling used tea leaves, as an added-value alternative material which makes effective use of the various functional properties of ingredients contained in the leaves.

Flowchart for recycling of used tea leaves



Barley tea Used Tea Leaves Recycling System

ITO EN is increasing its production of *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea), as an ideal beverage for hydration and mineral* replenishment throughout the year. Large quantities of used barley tea leaves are generated during the production process. Until recently, these leaves had been recycled into fertilizers and animal feed. However, the establishment of ITO EN's Barley tea Used Tea Leaves Recycling System in October 2018 (through the application of the same technologies used in the Used Tea Leaves Recycling System for green tea) has enabled used barley tea leaves to be stored and transported at room temperature while still containing moisture, and to be processed into industrial products. As the first product to be developed based on this technology, ITO EN (in association with Noritz Corporation) has developed a lightweight, high-strength package-cushioning material made from recycled paper, which utilizes

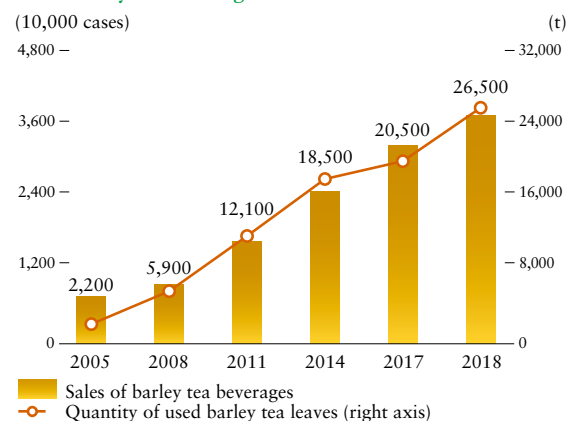


Kenko Mineral Mugicha and the Used Barley Tea Leaf Composition Package Cushioning Material (for tankless water heaters)

used barley tea leaves as one of its raw materials (tentatively named "Used Barley Tea Leaf Composition Package Cushioning Material.") The material is being currently being used as a packaging material for tankless water heaters.

* The "minerals" contained in this product are essential nutrients such as phosphorous, manganese and sodium.

Progress in sales of barley tea beverages and quantity of used barley tea leaves generated



ITO EN Health Forum

On May 23, 2019, ITO EN held an event entitled “ITO EN Health Forum: Wisdom for Living a Happy and Healthy Life with Tea, in the Era of 100-Year Life Expectancy.” The event was hosted by the ITO EN Central Research Institute at the Shibuya Hikarie building in Shibuya, Tokyo.



Scene from a session with a panel of experts

Experience corners to appreciate tea using the five senses



Mindfulness corner: participants enjoy a 10-minute “reset” using green tea



Hand-rolling corner: participants turn freshly-picked green tea into crude tea using traditional manual methods



Ice-water brewing corner: participants experience brewing green tea with ice water

ITO EN Health Forum main lecture content

Part 1: Keynote Lectures

“What is Needed to Extend Healthy Life Expectancy”

Lecturer: Prof. Keiko Abe, Professor Emeritus / Project Professor, Graduate School of Agricultural and Life Sciences, The University of Tokyo

“Why Tea Ceremony Practitioners Look So Youthful”

Lecturer: Dr. Yosky Kataoka (M.D., Ph.D.), Team Leader, Laboratory for Cellular Function Imaging, RIKEN Center for Biosystems Dynamics Research

Part 2: Panel Discussion

“What is Needed to Live a Happy and Healthy Life in the Era of 100-Year Life Expectancy”

- How have Japanese people attained such long lifespans?
- What is needed to extend healthy life expectancy?

Part 3: Presentations

ITO EN Open Joint Research Scheme (open call for joint research projects)

As ITO EN continues to advance its business operations from a medium to long-term perspective, in May 2019, the Central Research Institute planned and held the ITO EN Health Forum in collaboration with employees from other relevant departments. Through this forum, our aim was to increase recognition of ITO EN’s initiatives and philosophies as we head further towards becoming an aged society, with a main focus on tea.

In particular, our thinking was that we would like to aid in various objectives by maintaining the health of consumers through the consumption of tea, and making tea play a useful role in the jobs of professionals engaged in occupations aimed at care homes and other facilities for the elderly.

Moving forward, we plan to continue holding seminars on themes relating to the era of 100-year life expectancy, where we will seek to attain further recognition of the

Hitoshi Kinugasa

General Manager,
ITO EN Central
Research Institute



goodness of tea amongst consumers by giving presentations concerning aspects of tea in line with those themes.

At the Central Research Institute, we also consider it to be important for us to scientifically prove the deliciousness of tea, in addition to its health benefits.

Looking ahead, we will seek to maintain a keen awareness of global circumstances to ensure that we are able to display convincing evidence as a research institute, and continue to communicate our findings through further seminars and other events.

Receipt of the Japanese Red Cross Society Golden Order of Merit



Golden Order of Merit presentation ceremony
(Photograph provided by: the Japanese Red Cross Society)

As the fifth element of plans to commemorate the 30th anniversary of the launch of *Oi Ocha*, in spring 2019, ITO EN launched activities to plant cherry trees under the name of the Cherry Trees for the Future Project, based around the themes of Japanese culture and community-based activities. The No. 1 tea beverage brand *Oi Ocha* marked the 30th anniversary of its launch on February 1, 2019. Under the Cherry Trees for the Future Project, ITO EN donates a portion of revenues from sales of limited-edition commemorative bottles of *Oi Ocha* (featuring a seasonal design showing cherry blossoms in full bloom) to activities to plant cherry tree saplings in areas throughout Japan, via the Japan Cherry Blossom Association.

ITO EN was awarded the Golden Order of Merit at the 2019 (Reiwa 1) National Recognition Ceremony hosted by the Japanese Red Cross Society (JRCS). The Order is an award scheme established by JRCS, whereby medals are awarded to contributors who have donated a certain amount of funds raised through fundraising activities to the organization. The donated funds will be used to aid people in need, such as through the provision of medical aid and distribution of emergency supplies during times of disaster, both in Japan and overseas.



Oi Ocha limited edition seasonal bottle design

External 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).

	Category	Awards*1
Overall	Overall management	Porter Prize (2013)
	Continuous improvement of CSR activities	Japan SDGs Award (Special Award "SDGs Partnership Award") (2017) Environmental Communication Award (Outstanding Performance Award) (2018, 2016, 2015)
	Overseas diffusion	Prize of the Minister of Agriculture, Forestry and Fisheries for the Overseas Promotion of Japanese Food (2013)
Procurement	The Tea-Producing Region Development Project	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)
Production and Logistics	New eco-friendly beverage carton	Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2016) Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for Promoters of the 3Rs (2014)
	NS System	Environmental Performance Award (Outstanding Performance Award) (2015)
	Modal shift	Prize of the Director-General of the Food Industry Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries in the Food Industry Mottainai Award (2015)
Product Planning and Development	Used Tea Leaves Recycling System	Special Award at the Logistics Environment Awards (2018)
		Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for Promoters of the 3Rs (2013)
Sales and Distribution	"Making Lake Biwa Beautiful Through Tea" and "Making Japan Beautiful Through Tea"	Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2011) 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)
	The ITO EN <i>Oi Ocha</i> New Haiku Contest	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)
	KEEP IN MY BOTTLE *2	Gold Prize in the FOODEX Gourmet Beauty Grand Prix (Drinks Category) (2018) <KEEP IN MY BOTTLE Cereal Tea (7 bags) was also awarded the Buyer's Special Prize>
	Kenko Mineral Mugicha Instant Barley Tea	Grand Prize in the FOODEX Gourmet Beauty Grand Prix (Mom's Love Category) (2017)
	Relax Peach 500ml	Gold Prize in the FOODEX Gourmet Beauty Grand Prix (Drinks Category) (2017)
	Healthy Rooibos Tea 500ml	Gold Prize in the FOODEX Gourmet Beauty Grand Prix (2014)
	<i>Oi Ocha Shinryoku</i> (New Green) 470ml PET plastic bottle	Gold Prize in the FOODEX Gourmet Beauty Grand Prix (Drinks Category) (2019)
	<i>Oi Ocha</i>	The <i>Oi Ocha</i> brand was recognized and certified by Guinness World Records as the world's largest natural healthy RTD green tea brand - retail RSP, current (2019)

*1 Years shown indicate the year the award was received.

*2 Awards were given for the following KEEP IN MY BOTTLE varieties: Jasmine Tea (7 bags), Cereal Tea (7 bags), Premium Rooibos Tea (7 bags), Rooibos & Herb Tea (7 bags).

Sustainability Management

Building a sustainability management system utilizing the ISO26000 international standard

In driving CSR initiatives through its core business operations based on its management principle of “Always Putting the Customer First,” the ITO EN Group utilizes the ISO26000 international standard as a compass, and has established seven key themes in line with the standard’s core subjects: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Response to ESG

The correspondent relationship between these seven core subjects and ESG issues is roughly as shown in the figure on the right-hand side of this page. Essentially, the central “organizational governance” portion corresponds to G (governance). The “environment” portion corresponds to E (environment), and the remaining five areas correspond to S (social).

The material ESG issues shown on the next page (entitled “Major ITO EN targets (KPIs) and material ESG issues”) were identified in accordance with the opinions of stakeholders, based on the “seven core subjects” as shown in the figure on right-hand side of this page.

Furthermore, by setting three of the seven core subjects in which ITO EN can leverage its strengths most effectively—the environment, consumers, and community issues—as priority management themes, and approaching them as priority issues, the Group is creating shared value (CSV) with the aim of simultaneously resolving social problems and generating economic value.

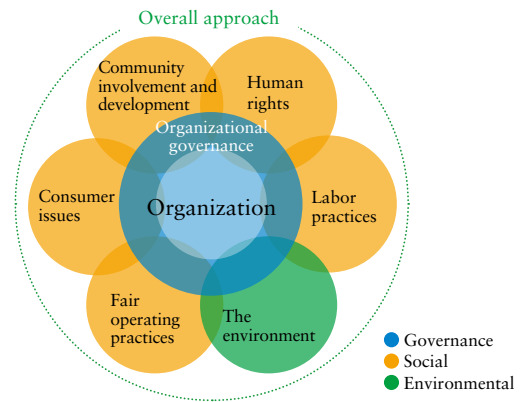
These key themes were selected according to the process described on the right-hand side of this page, under the heading “Process for identifying key themes (materialities).”

With these key themes as a central focus, as shown in the next page, we have also selected major targets for ITO EN (KPIs) necessary in order to tackle each of the material ESG issues. These KPIs were selected according to the process described on the right, under the heading “Process for setting key performance indicators (KPIs) based on ESG issues.” We manage progress and improve upon these KPIs using a PDCA cycle.

While utilizing ISO26000 in this way, the ITO EN Group has established the Group CSR Charter (amongst other policies), and is seeking to further advance the systemization of its CSR activities. As part of the system for driving these efforts, in 2017, we reorganized the CSR Promotion Committee into the CSR/ESG Promotion Committee, which is chaired by the President. The committee continues to tackle issues both within and outside of the company, and is working to create value throughout ITO EN’s entire value chain, with consideration for SDG issues.



ISO26000 the seven core subjects



<Process for identifying key themes (materialities)>

- Step 1** Ascertain expectations of society, sort through and clarify roles and responsibilities of the ITO EN Group
- Step 2** Hold stakeholder dialogues
- Step 3** Formulate Basic CSR Promotion Policy and select KPIs

In April 2012, following the steps shown on the left, we selected “the environment” “consumer issues” and “community” as our key themes. In 2015, we held a stakeholder dialogue for the purpose of materiality review, and confirmed social needs and the effectiveness of our task / issue setting. Looking ahead, we will continue working to ensure that the ITO EN Group can fulfill its roles and responsibilities through ongoing dialogues with our stakeholders.

Process for setting key performance indicators (KPIs) based on ESG issues

- 1 Review of the CSR system of ISO26000 in comparison with ESG**
 - “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 stakeholders and various experts.
- 3 Determination at the CSR/ESG Promotion Committee and the Executive Board**
 - The CSR/ESG Promotion Committee and the Executive Board set target KPIs for the issues identified in Step 2.
 - When choosing and setting KPIs, we refer to the major relevant SDG issues.
- 4 Improvement through the PDCA cycle**
 - We manage progress and improve upon the KPIs set in Step 3 using a PDCA cycle.













For details of the ITO EN Group CSR Charter, please refer to the following site.

<https://www.itoen.co.jp/csr/csrpolicy/>

The list displays information on representative SDGs. For more details, please refer to the following site.

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

Major ITO EN targets (KPIs) and material ESG issues

ESG	Seven core subjects	Material ESG issues	Major targets for which KPIs are set	Major related SDGs
G Governance	Organizational governance	Corporate governance	Corporate governance	 
			Internal control	
			Sustainability management (management of the CSR Charter and other policies and their penetration throughout the company)	
		Risk management	Holding stakeholder dialogues	
			IR activities (communicating with shareholders)	
			Holding risk-related committees in response to changes in social situations	
Compliance	BCP management			
	Data security and protection of privacy			
S Social	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 a 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 working environment	
		Human resources development	Acquisition of human resources, prevention of resignations, and human resources development	
	Diversity	Development of ITO EN TEA TASTER qualification holders		
	Key themes Consumer issues	Quality and safety of products	Toughening of quality control	 
			Ensuring product safety	
		Promotion of health value (health and nutrients)	Promoting efforts to introduce JGAP	
		Product packaging and appropriate information disclosure	Health-related studies	
			Development and enhancement of food and beverages that contribute to health	
		Affordability of products	Patent and trademark strategy	
			Development of eco-friendly containers	
		Fair marketing and advertising	Appropriate product information disclosure	
		Protection of personal information	Utilization of sales networks by sales channel and strengthening of retailers (enhancement of points of contact with customers by using tea)	
		Key themes Community involvement and development	Community and human rights issues	
	Data security and protection of privacy (reiteration)			
	Community and community activities		Promotion of vending machines that make a contribution to human rights issues (vending machines to make <i>Ogyaa</i> 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 industrial development		Participation in and development of activities for cultural programs	
			Utilization of the ITO EN TEA TASTER business skill test certification (programs for the promotion of tea culture)	
	Community and the environment and culture	Strengthening of relationships with local communities		
Increasing annual production volume of the Tea-Producing Region Development Project (new tea plantation business)				
Earthquake reconstruction assistance for communities	Strengthening of collaboration with agricultural production corporations			
	Engaging in activities under the “Making Japan Beautiful Through Tea” Project			
E Environmental	Key themes The environment	Climate change and prevention of air pollution	Reduction of greenhouse gas emissions and CO ₂ emissions of all companies	 
			Increasing the percentage of heat pump vending machines	
		Promotion of energy savings	Improvement of fuel consumption of vehicles	
			Reduction of power usage of all companies	
		Conservation of biodiversity	Management of energy at the time of production and reduction of energy consumed by beverage manufacturing plants	
			Management of energy at the time of transportation, improvement of the block production ratio, and modal shift	
Water management	Monitoring in the Tea-Producing Region Development Project			
Waste and recycling	Management of water consumption and wastewater at the time of production (enhancement of information gathering on water usage at our plants and the plants of outsourcing partners)			
	Management of waste and improvement of the recycling rate for food products			
			Promoting the recycling of used tea leaves	



Daisuke Honjo

President and CEO, ITO EN

Morikazu Taguchi

Outside Director

Yuichi Usui

Outside Director

3-Way Conversation

Aiming to Be a Company that will Continue into the Future

1. The challenge of preserving traditions while catering to new needs

Taguchi: I saw an article about how the *Oi Ocha* brand has been recognized by Guinness World Records as the world's No. 1 green tea brand in terms of sales.

Honjo: Yes, we are very thankful that *Oi Ocha* has been able to mark the 30th anniversary of its launch, and has been recognized by Guinness World Records. ITO EN heralds the product development concepts of Natural, Healthy, Safe, Well-designed and Delicious, and we are engaged in challenges to create products in very difficult areas, such as by making them taste delicious without any additives or added sugar.

Taguchi: The fact that ITO EN provides products that contribute to the health of its customers is one concrete example of "Always Putting the Customer First." I think that this is what has enabled *Oi Ocha* to become the world's top brand in terms of sales.

Honjo: At ITO EN, we refer to all of our stakeholders as customers, and as our management principle of "Always Putting the Customer First" shows, we are constantly thinking about our customers. Our corporate logo is a four-leaf clover,

instilled with our wish of happiness for everyone involved with ITO EN, and we always keep that idea close to our hearts.

Taguchi: Tea culture has elements of familiarity and reassurance, and an essential feel of Japanese culture. Looking ahead, I want ITO EN to continue in its double-bladed approach to the challenge of continuing to value the traditions and origins of the tea business, while at the same delivering innovations to cater to new needs.

Usui: I think the fact that ITO EN is carrying on the tradition of tea drinking is fantastic. I know many people—most of whom are senior citizens—who say that they only drink tea made by ITO EN. Drinking tea leads to the continuation of Japanese traditions. For this reason, it is also important for younger generations to get to know about tea. I think that incorporation of tea into school lunches is also an interesting idea. Moving forward, I think that it would be good if we could increase the number of opportunities to approach younger generations, through dietary education and other methods, and have them come into contact with tea and tea culture on an everyday basis.

Honjo: Yes. Although we already enjoy the strong support of senior generations, there is a need for us to engage in

enlightenment activities to raise recognition of our brand amongst younger generations. Until now, we have used approaches such as sponsoring kabuki theater and other cultural events, but moving forward I would like us to experiment more with new ways of approaching younger generations, such as by investing our efforts into sports events. The *Oi Ocha* brand lineup includes products such as *Koicya* (a stronger tasting blend of green tea) and *Hojicha* (roasted tea), which are tailored to enable customers to choose a variety of tea to match their particular preferences. We want people of a wide range of ages to enjoy our tea.

Taguchi: I think that the aura of Japanese culture exuded by ITO EN's tea is something that can be appreciated anywhere in the world. It is not so much a universal property as a kind of special and characteristic individuality. In addition to this unique individuality, I think that ITO EN's commitment to high quality—as shown by its efforts starting with the tea plantations themselves, as in the Tea-Producing Region Development Project—will also be recognized internationally.

Honjo: Thank you very much. The double-bladed that was just mentioned by Mr. Taguchi is also something that we are mindful of in our activities. We aim to become a Global Tea Company by tackling the challenge of remaining mindful of our origins and preserving traditions, while at the same time catering to new needs.

2. Developing a corporate culture that is unique to ITO EN

Taguchi: As an organization grows more massive in size, it becomes important to share philosophies such as the company's founding spirit and company credo and pass them on to employees. I think that it is also important to share the "value" of the historical culture of the company's products amongst all members of the company. Establishing and improving mechanisms for listening not only to the voices of customers but also to those of employees is a key issue, don't you think?

Usui: I think so, too. In order to ensure that everyone is heading in the same direction and make effective use of the capabilities of the team, you must communicate things to them over and over again.

Honjo: The ITO EN Group now has over 20,000 team members working together. As you point out, I also think that it is necessary to listen to the unheard voices of our employees. In order for everyone to share the same sense of direction and act with shared empathy, I want to continue to communicate the importance of transcending the divisional and departmental barriers between employees.

Usui: A business relies on people. My hope is for employees to work vigorously and energetically every day. ITO EN has a reemployment scheme that enables employees to work up until the age of 70, but what about its approach to hiring

throughout the year? I also hope to see some female officers in the near future.

Honjo: We must constantly consider workstyles and rules that match the needs of the times. Going forward, we will seek to produce female officers by increasing the number of female employees in management positions to match the ratio of female employees to male employees. I also have great expectations for the active contributions of our female employees.

Usui: Incorporating female mindsets and sensibilities is also very important. There are certain times in female employees' lives where they must leave the organization for a certain period of time, for reasons such as maternity and childcare. It is necessary to create systems that can cater to the needs of women in terms of career advancement and promotion, based on a sufficient understanding of female perspectives. I also think it is important to create workplaces in which female employees will feel that they want to aim to become managers and corporate officers.

Honjo: I will take note of the points raised by both of you, and make use of them in our future management activities.

3. The importance of companies in society, and the role of outside directors

Taguchi: The society in which we live today is a corporate society, and it cannot work without the key role played by companies. Corporate activities have a major impact on society, and society has now come to demand social responsibility with regard to companies. In turn, companies are evolving away from "profit supremacy" to become social role models. The focus of corporate compliance is no longer on making rules, but on implementing them. I am involved in ITO EN's compliance functionality and corporate governance from the perspective of a legal professional.

Usui: In our rapidly changing society, being overly mindful of compliance and governance can result in a loss of freedom, which can cause a company to atrophy with regard to tackling new challenges. I involve myself in ITO EN's management from the perspective of a business manager, examining whether or not the company is achieving a healthy balance between flexible corporate management and the demands of society.

Honjo: At ITO EN, we consider ESG (environmental, social and governance) initiatives that cater to the demands of international society to be just as important as—if not more important than—the pursuit of sales, profits and other financial results. I also recognize that there is a strong movement amongst investors around the world to invest in companies that are making strong efforts in these areas. I want to make good use of your frank and honest opinions—as experts who are active in different fields—in the management of ITO EN moving forward.

Corporate Governance

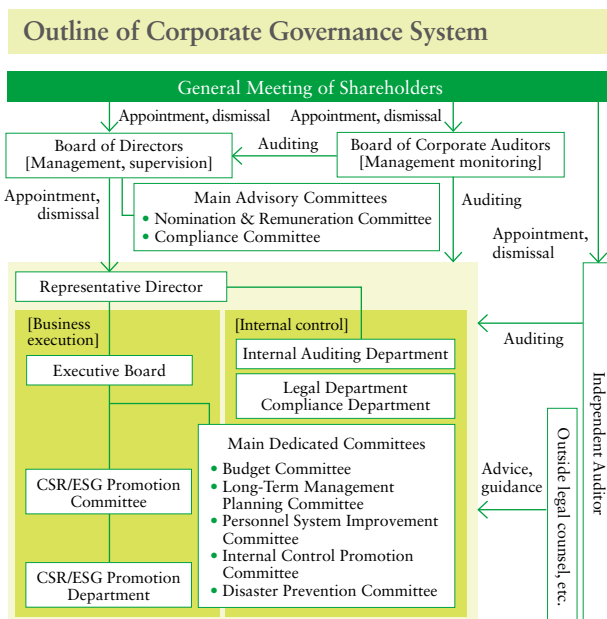
Corporate Governance Policy

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 developed 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
- Corporate governance system
- Response for protecting the interests of stakeholders



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 12 directors, including three outside directors, who make use of their expert knowledge in supervising and checking the execution of duties.

Board of Corporate Auditors

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

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

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

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

Outside Officers

Category	Name	Contribution
Outside directors	Morikazu Taguchi	Expressing opinions based on his expert knowledge of legal affairs developed through many years of legal studies as a university professor, from an objective and technical perspective as an outside director
	Yuichi Usui	Expressing opinions based on his broad-ranging insight and his diverse experiences as both a police officer and a business manager, from a practical perspective as an outside director
	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 director
Outside Audit & Supervisory Board Members	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
	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
	Takashi Miyajima	Engaging in the supervision of management as an outside auditor, based on his extensive experience and wide-ranging knowledge and insights with regard to finance and financial issues

State of attendance by outside directors at Board of Directors and Board of Corporate Auditors meetings (fiscal 2018)

Category	Name	Board of Directors meeting	Board of Corporate Auditors meeting
Director	Morikazu Taguchi	13 times / 14 times	—
Director	Yuichi Usui	11 times / 11 times	—
Auditor	Yoshiaki Takasawa	14 times / 14 times	15 times / 15 times
Auditor	Yutaka Tanaka	13 times / 14 times	15 times / 15 times
Auditor	Masahiro Nagasawa	13 times / 14 times	14 times / 15 times

Evaluation of the effectiveness of the Board of Directors

ITO EN has been analyzing and evaluating the effectiveness of its Board of Directors annually since fiscal 2015 in an effort to improve the Board's functionality. Our analysis and evaluation of the effectiveness of the Board of Directors for fiscal 2018 was as follows.

Fiscal 2018 A questionnaire and interviews were conducted for the purpose of improving the functionality of the Board of Directors. The results were discussed at a board meeting.

1 Surveys conducted

- (1) Survey period: March–April 2019
- (2) Subjects: All directors and corporate auditors
- (3) Survey procedure:
 - (i) Self-assessment by questionnaire
 - (ii) Individual interviews based on the results of the questionnaire
 - (iii) Tabulation and analysis of questionnaire and interview results
 - (iv) Validation of collected results at a Board of Directors meeting

2 Content evaluated

- (1) Structure and membership of the Board of Directors
- (2) Roles and responsibilities of the Board of Directors
- (3) State of operation of the Board of Directors
- (4) Decision-making and methods of deliberation
- (5) Relationship with shareholders, etc.

3 Results of evaluation

- It was verified that the Board of Directors is functioning satisfactorily in making management judgments and supervising management, in terms of its size, structure, qualifications and operational methods.
- With regard to discussions, it was found that the Board of Directors is engaging in freer, more unrestricted, and more constructive discussions than last fiscal year, with the full participation of both inside and outside directors.
- In terms of issues to be addressed, the opinion was raised that, amidst violent changes in the business environment, there is a need to further deepen the level of discussions with regard to medium and long-term management issues. The opinion was also raised that, in order to do so, it is necessary to further improve and enhance the sharing of information with outside directors, and to improve the accuracy of information sharing, such as by thoroughly ensuring regular reports on the state of execution of duties.

4 Future efforts

As a result of discussing the opinions and recommendations from each of its directors and corporate auditors, the Board of Directors recognizes the following items as issues to be addressed moving forward, and will endeavor to maintain and improve its effectiveness.

- Action to ensure the improvement, enhancement and expedition of information sharing
- Review and revision of criteria for selecting items for deliberation
- Clarification of items to be reported

Remuneration for corporate officers

(1) Policy for determination of amounts of remuneration, for corporate officers

Remuneration for directors at ITO EN consists of fixed remuneration and performance-linked remuneration, while remuneration for corporate auditors consists solely of fixed remuneration. Bonuses and retirement benefits for corporate officers were abolished in July 2002.

Fixed remuneration is determined according to position, within the scope of remuneration agreed by resolution of the General Meeting of Shareholders.

With regard to performance-linked remuneration, ITO EN has introduced a performance-linked remuneration stock options scheme. Amounts of stock options granted to each director are determined by strict evaluations of individual performance.

(2) Amounts of remuneration for corporate officers

Total amounts of remuneration, total amounts by remuneration type, and numbers of recipient officers by corporate officer category (for fiscal 2018) are as follows.

Total amounts of remuneration, total amounts by remuneration type, and numbers of recipient officers by corporate officer category

Officer category	Total amount of remunerations, etc. (million yen)	Total amount of remunerations, etc., by type (million yen)				Number of recipient officers (people)
		Fixed remunerations	Performance-linked remunerations	Bonuses	Retirement benefits	
Directors (excluding outside directors)	641	564	76	—	—	13
Corporate auditors (excluding outside corporate auditors)	13	13	—	—	—	1
Outside officers	59	59	—	—	—	6

(3) Nomination & Remuneration Committee

ITO EN has established a Nomination & Remuneration Committee that determines matters such as the nomination of and remuneration for directors and other officers. This enables us to further enhance the independence, objectiveness and accountability of the Board of Directors through the appropriate involvement and advice of outside directors. Membership of the Nomination & Remuneration Committee consists of three or more directors, two or more of whom must be outside directors.

Developing top-level management

ITO EN seeks to develop top-level management personnel with an emphasis on refining multifaceted management senses, such as by selecting future top-level managers from amongst senior management personnel and allowing them to gain experience in management at Group companies from an early stage.

Corporate Governance

Developing the next-generation of leaders

ITO EN is focusing its energies into the development of human resources who will play active roles in management for the next generation, and has established a “Management Problem Solving Course” to enable future leaders to acquire the skills needed in order to recognize and solve medium to long-term management problems from a company / group-wide perspective. The scheme was launched in 2009, and courses are held throughout the year, with around 15 participants chosen to participate each year. In the final session of the course, participants are evaluated by senior management personnel, as a means of nurturing them into potential senior management candidates for the next generation.

Executive officer scheme

ITO EN has introduced an executive officer scheme, through which it is endeavoring to achieve swifter decision making and enhance supervisory functionality with regard to management by the Board of Directors, and to enhance the system for implementation of management plans by clarifying the responsibilities and authority of officers with regard to execution of duties. As of August 2018, we are seeking to enhance our organizational structure for the execution of duties by changing the contractual relationship between the company and its executive officers (from an employment-type contract to a delegation-type contract), and by further clarifying the responsibilities and authority of officers with regard to execution of duties.

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 Group Founding Charter and the Code of Behavior specifying the detailed provisions.

We are striving to enhance Group compliance, including the prevention of bribery and other forms of corruption, for instance by establishing a whistle-blowing system and providing comprehensive compliance education. We take strict measures against compliance violations.

Fair business practices

The ITO EN Group works to thoroughly ensure sound procurement and transactions, and to ensure fair transactions with manufacturing subcontractors and fair competition.

Supply chain management

We have established the ITO EN Group Procurement Policy for procurement paying consideration to social and environmental aspects. Through this policy, we are strengthening our supply chain management in cooperation with various stakeholders.

Protection of intellectual property

The ITO EN Group respects the intellectual property rights of other companies, and makes active use of its own rights.



To see the ITO EN Corporate Governance Guidelines, please visit the following site.

https://www.itoen.co.jp/files/user/pdf/csr/governance/corporate_governance_guideline2018.pdf

For details about corporate government, please see our Corporate Governance Report.

<http://www2.tse.or.jp/disc/25930/140120190717472474.pdf>

To see the ITO EN Group “Guidelines for Code of Behavior” (Code of Conduct and the ITO EN Group’s Compliance System, etc.), please visit the following site.

https://www.itoen.co.jp/eng/csr/pdf/sus/sus_3.pdf

Commitment

For a company to realize sustainable growth, it needs to achieve mutual interaction between both financial results and non-financial strategies and initiatives. I consider corporate governance to be a driver for reaching this goal. We regard developing and operating management frameworks and internal control systems, implementing necessary strategies in a timely manner, and fulfilling responsibilities as basic requirements and key issues in management. We see them as necessary to respond swiftly to changes, to enable high efficiency, impartiality and transparency in management, and to achieve sustained growth in corporate value. For this

Shunji Hashimoto

Vice Chairman with responsibility for Compliance, Production Division and Logistics Division



reason we listen carefully to the opinions of stakeholders, and examine and validate the state of our corporate governance activities in a timely manner based on those opinions, and on current social trends, while at the same time implementing the necessary strategies and improvements as needed.

Risk management

Basic policy

The ITO EN Group has approached risk management by establishing a department in charge of risks, formulating regulations and guidelines, and building a cross-organizational risk management system to deal with risks accurately and appropriately.

The Group is managing risks 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.

Additionally, as risk management strategy based on business continuity planning (BCP), ITO EN also strengthens its ability to achieve business continuity by distributing BCP manuals to each department to instill greater awareness of BCP.

Development of an internal control system

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

Relationship between risk management and ESG

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

Stakeholder Engagement (Building relationships with customers)

Investor dialogues

Although the Finance and Accounting Department is in charge of communications with ITO EN’s investors, responses are considered in consultation with the President and directors with specific responsibilities, among other officers, in order to take the appropriate actions. Regular interdepartmental meetings are also held between the Public Relations Department and the Finance and Accounting Department to exchange opinions based on each department’s professional perspectives, and to engage in collaborative action for the disclosure and explanation of financial results and other matters, in order to improve communications with investors.

We make efforts to ensure timely and appropriate information disclosure to shareholders through active information communication via financial results briefings and our website so that they can deepen their understanding of our 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.

We also conduct surveys of substantial shareholders as necessary to gain an understanding of the shareholder structure.

Promotion of IR activities

ITO EN has established a Finance and Investor Relations Section under its Finance and Accounting Department. The section is controlled by the Administration Division, with top-level management personnel taking a leading role in order to promote proactive and agile 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.

Additionally, 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.

Stakeholder dialogues

ITO EN places an emphasis on communication with stakeholders and reflects a wide range of opinions in its management, received through stakeholder dialogues with experts, dialogues with consumers and representatives from consumer organizations, and questionnaire surveys of consumers.

Outline of main stakeholder dialogues in fiscal 2018

■ 1st Stakeholder dialogue

ESG round table discussion with six institutional investors
Date: December 10, 2018 (SMBC Nikko Securities Inc. head office)

■ 2nd Stakeholder dialogue

ESG round table discussion with six institutional investors
Date: January 28, 2019 (Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)

List of Officers As of July 24, 2019

Directors

Chairman of the Board

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 (current post)

Hachiro Honjo exhibits strong leadership, drawing on his extensive experience and proven track record gained through his many years of managing the ITO EN Group as its founder.

President and CEO

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
 May 2019 President and CEO (current post)

Since his appointment as President, Daisuke Honjo has continued to direct the management of ITO EN by making effective use of his extensive experience and insight.

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
 May 2019 Executive Vice President and Representative Director (current post)

Shusuke Honjo has continued to lead the Sales Division for many years, and offers extensive experience and insights into all aspects of corporate management.

Vice Chairman

Shunji Hashimoto

Jan. 1970 Joined ITO EN
 Jul. 1990 Director
 May 1994 Managing Director
 May 1997 Executive Managing Director
 May 2000 Executive Vice President
 May 2019 Vice Chairman (current post)

Shunji Hashimoto manages mainly the Production and Logistics Divisions, and offers extensive experience and knowledge in the areas of purchasing, R&D, quality control, and logistics.

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
 May 2019 Executive Vice President (current post)

Minoru Watanabe manages mainly the Administration Division, and offers extensive experience and knowledge in the areas of finance, personnel & general affairs, and overseas operations.

Director and Senior Managing Executive Officer

Mitsuo Yashiro

Apr. 1978 Joined ITO EN
 Jul. 1992 Director
 May 2001 Managing Director
 May 2010 Executive Managing Director
 May 2019 Director and Senior Managing Executive Officer (current post)

Mitsuo Yashiro manages mainly the Marketing Division, and offers extensive experience and knowledge in the areas of product development and R&D.

Director and Senior Managing Executive Officer

Yoshihisa Nakano

Mar. 1989 Joined ITO EN
 Jul. 2010 Director
 May 2014 Managing Director
 May 2019 Director and Senior Managing Executive Officer (current post)

Yoshihisa Nakano has so far managed the Sales and Personnel & General Affairs Divisions. With respect to the Sales Division, he offers knowledge and experience in various sales formats, including community sales, mass retail and convenience stores. He currently manages the Production Division.

Director and Senior Managing Executive Officer

Shigeru Kamiya

Mar. 1982 Joined ITO EN
 Jul. 2014 Director
 May 2016 Managing Director
 May 2019 Director and Senior Managing Executive Officer (current post)

Shigeru Kamiya manages mainly the Sales Division. So far he has driven sales proactively through channels such as convenience stores and mass retailers, and is making strong efforts to strengthen relationships with these clients.

Director

Yosuke Jay Oceanbright Honjo

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

Yosuke Jay Oceanbright Honjo manages all operations in the United States as CEO. He has made strong efforts to enable the Group to further global business management, from the time of its initial expansion into the mainland of United States, from beginning at New York.

Outside Director

Morikazu Taguchi

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

Morikazu Taguchi possesses expert knowledge and various experiences accumulated over many years in legal studies.

Outside Director

Yuichi Usui

Oct. 1976 Joined Metropolitan Police Department
 Feb. 1994 Deputy Chief of the 7th Antiriot Squad, Metropolitan Police Department
 Oct. 2005 General Manager of the 2nd Personnel Section, Metropolitan Police Department
 Feb. 2010 General Manager of Regional Department, Metropolitan Police Department
 Apr. 2011 Joined YAMATO TRANSPORT CO., LTD. as General Manager of Human Resources and Administration
 Apr. 2012 Executive Officer and General Manager of CSR Promotion, YAMATO TRANSPORT CO., LTD.
 Apr. 2014 Managing Executive Officer of YAMATO TRANSPORT CO., LTD.
 Apr. 2015 Director and Managing Executive Officer of YAMATO TRANSPORT CO., LTD.
 Apr. 2018 Member of the Board, YAMATO TRANSPORT CO., LTD.
 Jun. 2018 Representative of Usui Firm (current post)
 Jul. 2018 Outside Director of ITO EN (current post)

Yuichi Usui possesses extensive experience and broad ranging insights gained through his many years as a police officer. He has also had direct involvement in corporate management at a logistics company, and has accumulated a diverse range of knowledge and experience.

Outside Director

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 ITO EN
 Jul. 2019 Outside Director of ITO EN (current post)

Yutaka Tanaka possesses expert insights, broad-ranging knowledge and experiences as a tax attorney.

Auditors

Standing Corporate Auditor

Shuji Nakagomi

Mar. 1981 Joined ITO EN
 May 2007 General Manager, Product Department
 May 2010 Deputy General Manager, Area Sales Administration Division
 May 2012 Executive Officer and General Manager, Area Sales Administration Division
 Jul. 2014 Director
 May 2017 General Manager of Logistics Division
 May 2018 Managing Executive Officer
 May 2019 Special Advisor
 Jul. 2019 Standing Corporate Auditor (current post)

Shuji Nakagomi has an in-depth knowledge of ITO EN's products, sales and logistics activities, based on his leadership of the Sales Administration and Logistics divisions over many years.

Outside Audit & Supervisory Board Member

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 ITO EN (current post)

Yoshiaki Takasawa possesses expert insights, broad-ranging knowledge and experiences as an attorney.

Outside Audit & Supervisory Board Member

Masahiro Nagasawa

Oct. 1981 Joined Price Waterhouse (now PricewaterhouseCoopers Aarata LLC)
 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 ITO EN (current post)
 May 2014 Outside Audit & Supervisory Board Member of Tokyo Individualized Educational Institute, Inc. (current post)

Masahiro Nagasawa possesses expert insights, broad-ranging knowledge and experiences as a certified public accountant.

Outside Audit & Supervisory Board Member

Takashi Miyajima

Apr. 1984 Joined The Saitama Bank, Ltd.
 Nov. 2003 Manager, Nagaoka Branch, Resona Bank, Ltd.
 Apr. 2008 General Manager, 1st Sales Department, Ueno & Nippori Area, Resona Bank, Ltd.
 Jun. 2010 Executive Officer with responsibility for Tama Area, Resona Bank, Ltd.
 Apr. 2015 Executive Officer with responsibility for Financing Department, Saitama Resona Bank, Ltd.
 Apr. 2016 Managing Executive Officer, Saitama Resona Bank, Ltd.
 Apr. 2017 President and Representative Director, Resona Capital Co., Ltd. (current post)
 Jul. 2019 Outside Audit & Supervisory Board Member of ITO EN (current post)

Takashi Miyajima possesses broad-ranging knowledge and experience in finance and financial affairs, developed over his many years working at financial institutions.

Executive Officers (excluding directors with executive officer status)

Senior Managing Executive Officer

Atsushi Hirata

General Manager of Administration Division (with responsibility for internal control)

Managing Executive Officers

Kenichiro Ishizaka

General Manager of Specialized Sales Division

Hideki Yoshida

General Manager of Chugoku, Shikoku and Kyushu Area Sales Division

Motohiko Takuma

Deputy General Manager of Production Division

Takeshi Saito

General Manager of Chubu Area Sales Division

Nozomi Kishi

Executive Officer National Distribution Sales Division Director

Hisashi Ishida

Deputy General Manager of Administration Division and General Manager of Legal Department

Executive Officers

Katsumi Asano

Manager of Internal Auditing Department

Minoru Shirai

General Manager of Shizuoka Sagara Factory

Jun Kawasaki

General Manager of Kansai Area Sales Division

Hiroya Okano

General Manager of Hokkaido and Tohoku Area Sales Division

Masahiko Arai

General Manager of Agricultural Technology Department

Takahiro Sasaki

Deputy General Manager of Northern and Eastern Kanto Area Sales Division

Masami Sasame

General Manager, 2nd Production Development Department

Jin Suzuki

General Manager of Logistics Division

Hiroyasu Ando

General Manager of South Kanto Area Sales Division

Iwao Sakane

Senior Fellow of Central Research Institute

Masato Kawamoto

General Manager of Tokyo and Chiba Area Sales Division

Environment

Environmental management

The ITO EN Group has obtained ISO14001 certification for all of its business locations and certain of its affiliate companies, and engages continuously in environmental activities supported by its Environmental Policy. We have also established a CSR/ESG Promotion Committee, chaired by the President and consisting primarily of multiple executive officers, which deliberates and reports to senior management on the state of progress toward environmental goals, and on the directions and strategies to combat environmental issues such as climate change, energy, waste and water resources.

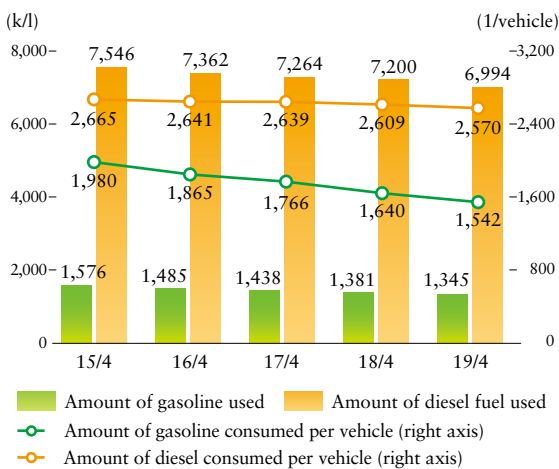
Response to environmental laws and regulations

ITO EN verifies compliance with laws and regulations at all of its business locations each year, using legal regulation registers. We also undergo on-site checks, conducted by our Legal Department, Internal Auditing Department and the ISO administrative office. We are also introducing electronic manifest management systems at our sales locations, and working to ensure thorough compliance with laws and regulations and improve work efficiency with regard to industrial waste and waste disposal-related duties.

Consideration for the global environment in sales activities

Our nationwide sales offices give consideration to the environment by making sales proposals in line with market trends, adopting low-pollution vehicles for use in sales activities, and proposing other eco-conscious solutions, such as the installation of eco-friendly vending machines. We are also engaged in various activities—such as the “Making Japan Beautiful Through Tea” Project—which contribute to local communities and the environment.

Progress in vehicle fuel consumption volumes



For details of environmental goals, please refer to the following link.

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

Creating environmental value in local communities

“Making Japan Beautiful through Tea”

The “Making Japan Beautiful through Tea” and “Making Kansai Beautiful through Tea” projects are two initiatives that support the conservation of nature (including water) and culture, by donating a portion of *Oi Ocha* product sales to communities throughout Japan.



“Making Japan Beautiful Through Tea” campaign logo

The campaign was launched in 2010, and supports environmental conservation and development activities around Japan. In addition to donating funds to local governments, ITO EN employees also participate in environmental conservation and development activities as one aspect of the Group’s environmental efforts, and seek to bolster recognition and understanding of these activities.

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.

These environmental conservation activities 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.



Environmental conservation and development activities at Lake Biwa

Adapt Program (Urban Cleanup Movement)

ITO EN cooperates with local community cleanup activities and other initiatives aimed at creating a nicer environment for people to live in. Employees from our head office building participate in the Tokyo Metropolitan Government’s “Tokyo Fureiai Road Program,” while those from the West Shinjuku Building participate in the *Michi no Supporter* (Road Supporter) Scheme operated by Shinjuku City. By regularly cleaning designated areas in the vicinity of their business locations*, ITO EN employees are working to beautify surrounding environments, reduce littering and raise awareness.

In fiscal 2018, a total of 586 employees participate in these activities, bringing the cumulative total number of participants since the activities were first launched in 2004 to over 13,000.

* Other business locations engaging in cleanup activities: Taito Asakusa Building, Kansai Mass Retailer Department: Ibaraki Branch, head office of Tully’s Coffee Japan Co., Ltd.



Employees engage in Adapt Program urban cleanup activities

Initiatives to combat climate change

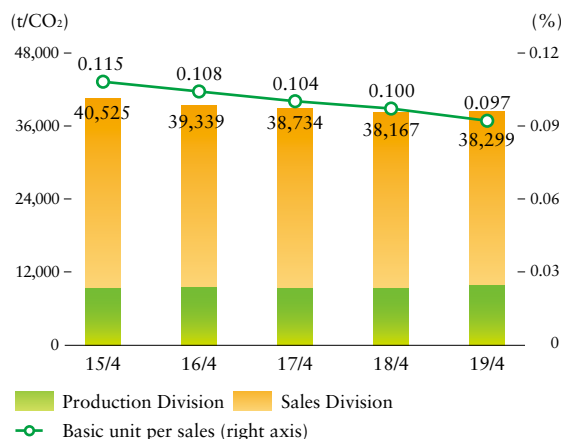
The problem of climate change is now a pressing issue on a global scale. ITO EN also considers tackling climate change to be one of its key issues, and is working towards the goal of reducing group-wide CO₂ emissions by 15% (in comparison with fiscal 2013 levels) by fiscal 2021. Emissions from sales vehicles currently account for approximately 80% of ITO EN's direct emissions, and we are working to reduce these emissions by shifting to eco-friendly vehicles and promoting eco-drive solutions. Our Production Divisions switched from heavy fuel oil to LNG (liquid natural gas) as the fuel for its Okinawa Nago Factory in 2016, and has now reduced CO₂ emissions by over 30% in comparison with previous levels. In February 2019, ITO EN participated in the Japan Climate Initiative, and is engaged in proactive efforts in collaboration with other participating companies and organizations to tackle climate change throughout the Group and its entire value chain, towards the creation of a decarbonized society.

We are also advancing preparations to take suitable action in support of the Task Force on Climate-related Financial Disclosures (TCFD) Consortium of Japan, as being recommended by the Japanese government.



LNG facilities at Okinawa Nago Factory

Progress in CO₂ emissions (ITO EN only)



Collaborative development of environmentally conscious paper containers

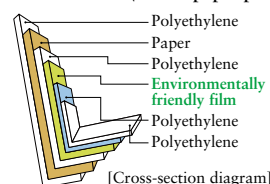
Working in collaboration with Nippon Paper Industries Co., Ltd. and TOPPAN PRINTING CO., LTD., ITO EN has succeeded in developing the beverage industry's first brick-shaped aluminum free paper pack-type drink container (commonly referred to as an eco-container). The container adopts an environmentally-friendly film in place of the aluminum lining used in conventional aluminum type boxes.

Conventionally, paper beverage containers have used aluminum foil coatings to enable long-term storage of beverages at room temperature. However, since separating this aluminum foil from the paper packaging requires special processing, recycling of these containers had not advanced to a sufficient extent. The development of this new eco-container has enabled both long-term storage of beverages at room temperature and recycling in the same way as paper milk cartons.

Environmentally-friendly eco-containers
Can be recycled in the same way as milk cartons



Eco-container (200ml paper pack products)



Enables long-term storage at room temperature

In recent years, customer awareness with regard to the environment is increasing. As a new initiative, ITO EN has adopted recyclable eco-containers that do not contain aluminum foil materials.

Commitment

The ITO EN Group carries out environmental governance based on environmental goals set in accordance with the ITO EN Group Environmental Policy. As a means of achieving these goals, we operate an ISO14001 Environmental Management System, and conduct monitoring of various environmental aspects.

One of ITO EN's unique initiatives within that system is the Used Tea Leaves Recycling System. The recent increase in the range of drinking situations where customers consume *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) has also enabled stable procurement of used barley tea leaves, and we have

Hikari Kato

General Manager, 1st Production Development Department



advanced the development of products utilizing this resource as a material. In response to the problem of plastic waste, we are engaged in efforts to utilize recycled PET plastic and research into biodegradable plastics.

Moving forward, the ITO EN Group will also continue to engage in proactive efforts to alleviate and adapt to the impact of climate change, in order to help create a sustainable society.

CSR Grand Prize

The CSR Grand Prize was established in fiscal 2011 with the aims of raising employee awareness of CSR issues, improving employee motivation and enhancing teamwork abilities through CSR activities and strengthening trusting relationships with customers. Every year, prizes are presented in recognition of exceptional examples of CSR activities.

FY2018 CSR Grand Prize A soothing space created using products made from recycled used tea leaves Development of Tokiwabashi TEA's Park

At a prime location in front of Tokyo Station, project members worked in cooperation with Mitsubishi Estate Co., Ltd. and Mizuno Corporation to create an environmentally-friendly relaxation space using products made from recycled used tea leaves. The products consisted of a 290m² area of artificial turf made using Field Chip “Greentea” used tea leaf composition chips, two vending machines equipped with used tea leaf composition sheets, and four benches made using used tea leaves. The use of the artificial turf helps to contribute to improving management and suppressing increases in the surface temperature of the planting belt in front of the Nippon Building, which is managed by Mitsubishi Estate, while the installation of a permanent promotional signboard explains details of the initiative and advertises the value of products made from recycled used tea leaves to tourists and office workers from surrounding buildings.



Bench made using used tea leaves

Artificial turf made using Field Chip “Greentea” tea leaf composition chips

Vending machine equipped with used tea leaf composition sheet

Activities to continue and protect *washoku* culture

Visiting lessons on tea aimed at the next generation of children

ITO EN has participated in Washoku Japan since its initial establishment in 2015, and is working to popularize and enlighten people about *washoku* (traditional dietary cultures of the Japanese) through tea culture.



A visiting lesson given by an ITO EN TEA TASTER

Washoku Japan organizes visiting lessons on *washoku* given by its members, as food education activities aimed at educating the children who will play active roles in the next generation. Japanese tea is an important ingredient and element of *washoku* culture that has traditionally been served together with Japanese food, and which plays a major part in the dietary lifestyles of Japanese people. As one part of ITO EN's dietary education activities, ITO EN TEA TASTERS visit preschools, elementary schools, junior high schools and other educational facilities and act as lecturers giving visiting lessons on tea, and conducting activities to carry on the

traditions of Japanese tea, which plays an important part in *washoku* culture.

Scientific validation of the affinity between *washoku* and Japanese tea

ITO EN participates in meetings of Washoku Japan's subcommittee for popularization and enlightenment, and announces results on Japanese tea and its ability to accentuate the “*umami*” of Japanese cuisine. We are also engaged in other activities to share the value of these efforts with the Japanese people as a whole, such as by opening booths as part of national dietary education projects in collaboration with Washoku Japan.

Scientifically determining the compatibility of green tea with a variety of *washoku* dishes and systemizing our findings is enabling us to appeal to consumers both in Japan and overseas about the high compatibility of green tea with traditional Japanese cuisine, and to make new proposals for ways of enjoying green tea.



Washoku Japan
Washoku Japan is an organization established when the application was made for *washoku* (traditional dietary cultures of the Japanese) to be included in the UNESCO Intangible World Heritage of Humanity list. It conducts activities for the passing on of *washoku* culture to the next generation, and sharing its values amongst all citizens.

Glossary of Terms

This glossary explains the meanings of key terms needed to understand this report. Please refer to it when reading this report.

CSR (Corporate Social Responsibility)

A term used to refer to the social responsibilities that a company must fulfill through its business activities, while at the same time valuing its relationships with all stakeholders, rather than simply pursuing profits.

CSV (Creating Shared Value)

The concept of aiming to simultaneously resolve social and economic issues through a company's business activities. The concept has been advocated primarily by Michael E. Porter, a professor at Harvard Business School.

ESG (Environmental, Social, Governance)

The idea that the three fundamental viewpoints of ESG (environmental, social and governance) are necessary in order for companies to achieve sustainable growth has now spread around the globe, and is also rapidly gaining acceptance amongst institutional investors, which act as company shareholders.

ISO14001

An international standard for environmental management systems, established with the aim of minimizing the impact of the activities of companies and other organizations on the environment.

ISO26000

A guidebook on social responsibility, issued in November 2010. Unlike other ISO standards, it does not demand certification, and is regarded only as guidance.

KPI (Key Performance Indicator)

While various types of business performance assessments and indicators are used in business management, KPIs are defined as those indicators which are considered to be particularly important or "key."

ROE (Return on Equity)

Return on equity is the ratio of a company's net income (profits) to its equity (shareholders' equity).

SDGs (Sustainable Development Goals)

A set of goals adopted at the United Nations Summit in September 2015. The SDGs consist of 17 Goals and 169 targets, expressing objectives on issues such as environmental destruction, consideration for human rights and alleviation of poverty, to be resolved globally by 2030. A distinctive feature of the SDGs is that they clearly outlined—for the first time—the importance of the roles and involvement of not only national and local governments but also business enterprises in working towards the creation of a sustainable society.

Inbound (Demand / Customers / Consumers)

The concept of attracting foreign travelers to one's country. In Japan, the term is used to refer to travelers visiting Japan from overseas.

Corporate Governance

A blanket term for the decision-making processes within a company. Corporate governance is important to prevent the occurrence of corporate scandals, or deviances from business ethics throughout the organization.

Compliance

The concept of a company meeting the expectations of society by acting in accordance laws, internal regulations and other basic rules in its activities.

Sustainability

The concept of being sustainable, and making an ongoing contribution in terms of both environmental and social aspects, while at the same time achieving economic development (both in the present and in the future).

Paris Agreement

A multilateral international agreement on suppressing climate change, adopted on December 12, 2015 at the United Nations Climate Change Conference (COP 21; the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change). Japan has officially promised to reduce greenhouse gas emissions by 26% in comparison with 2013 levels by 2030.

Introduction of Main Group Companies (As of April 30, 2019)

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.

Overseas

[United States]

ITO EN (North America) INC.
 ITO EN (Hawaii) LLC
 Mason Distributors, Inc.
 Distant Lands Trading Co.

[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.



For detailed information on major Group companies, please refer to the following site.

<https://www.itoen.co.jp/company/group/>

TOPICS

Tully's Coffee Japan Co., Ltd.

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

As a specialty coffee shop chain, Tully's Coffee manages eateries and develops its franchise.



Tully's Coffee & TEA Grand Front Osaka South Building branch



Tully's Coffee & TEA Kyoto Takashimaya branch

Chichiyasu Company

<https://www.chichiyasu.com/>

Chichiyasu Company engages mainly in the manufacture and sale of yoghurt, milk and other dairy products.



Established "Chibo Day (Chichiyasu Day)" on June 1



"CHICHI YASU" antenna shop (Nishi-ku, Hiroshima, Hiroshima Prefecture)

ITO EN (North America) INC.

<https://www.itoen.com>

ITO EN (North America) sells the "Oi Ocha" and TEAS' TEA series of products, etc. and has also introduced Japanese food culture centered around Japanese tea.



Matcha LOVE tea shop

Status of major consolidated subsidiaries

(100 million yen)

	Results in FY4/2019		Forecast for FY4/2020	
	Net sales	Operating income	Net sales	Operating income
Businesses in the US*1	324 (291,054 thousand dollars)	17 (14,901 thousand dollars)	334 (308,793 thousand dollars)	17 (15,836 thousand dollars)
Tully's Coffee Japan Co., Ltd.	346	35	363	35
Chichiyasu Company	144	3	146	4
Exchange rate (US dollars)*2	111.27 yen		108 yen	

*1 Includes ITO EN (North America) INC. and ITO EN (Hawaii) LLC

*2 Average for the fiscal year.

Company Outline (As of April 30, 2019)

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	5,409 persons
URL	http://www.itoen.co.jp
Branches, sales offices and local offices	198 offices in 30 areas throughout Japan
Shops / stores	134 stores nationwide
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, Araitaka, Fukushima-shi, Fukushima) Okinawa Nago Factory (112, Isagawa, Nago-shi, Okinawa)
Research Institute	Central Research Institute (21, Mekami, Makinohara-shi, Shizuoka)



Non-financial information

▶ CSR / ESG page

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

▶ Corporate Governance Report

<http://www2.tse.or.jp/disc/25930/140120190717472474.pdf>

Financial information

▶ Securities Report

<https://www.itoen.co.jp/files/user/pdf/ir/securities/201904.pdf>

Shares and Shareholders

Total number of authorized shares	200,000,000 shares	
Total number of issued shares	▶ Common stock	89,212,380 shares
	▶ Preferred stock	34,246,962 shares
Number of shareholders	▶ Common stock	46,158 persons
	▶ Preferred stock	60,988 persons

Major shareholders

Name of shareholder	Number of shares owned (1,000 shares)			Percentage ownership of total shares (%)
	Common stock	Class 1 preferred stock	Total shares	
Green Core Co., Ltd.	17,403	5,895	23,298	19.16
State Street Bank and Trust Company 505223	7,792	—	7,792	6.41
Honjo International Scholarship Foundation	5,200	1,560	6,760	5.56
The Master Trust Bank of Japan, Ltd. (trust account)	3,479	87	3,566	2.93
The Bank of New York 134104	—	3,339	3,339	2.75
Hachiro Honjo	2,446	882	3,329	2.74
ITO EN Employees' Shareholding Association	2,204	277	2,482	2.04
Japan Trustee Services Bank, Ltd. (trust account 9)	2,286	—	2,286	1.88
Toyo Seikan Group Holdings, Ltd.	1,955	126	2,081	1.71
Resona Bank, Limited	1,933	—	1,933	1.59

* In addition to the above, ITO EN retains 656 thousand shares of common stock and 1,189 thousand shares of Class 1 preferred stock as treasury stock, for a total of 1,846 thousand shares of treasury stock retained (1.50%).

* Percentage ownership of total shares as given above is calculated with the exclusion of treasury stock.

Preferred stock

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

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

*¹ In some cases, voting rights are available.

*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.

*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.

*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.



[For further information on ITO EN Integrated Report 2019]

CSR/ESG Promotion Department

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