

ITO EN
INTEGRATED REPORT
2020



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

The key value of our management principle is to
“Always Putting the Customer First”

The ITO EN Group's central way of thinking is to be constantly mindful of what customers are still now dissatisfied with, and always think and act from a customer point of view.

Make integrity our stock in trade

Good faith is the gradual buildup of small promises: keeping promises with customers, making honest products, and responding and providing services with sincerity and good faith.

Spare no effort

We make constant efforts to improve ourselves amid continuously changing external environmental conditions.

Earn the confidence and trust of society

We aim to become a company that people feel they can entrust with things, and that is widely trusted and considered necessary by society.

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. Looking ahead, under this management principle, we will continue working vigorously towards the fulfillment of our long-term vision of becoming a Global Tea Company.

Hachiro Honjo, Chairman of the Board

Daisuke Honjo, President and CEO



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Editorial Policy

The ITO EN Integrated Report 2020 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 2019 (May 1, 2019 to April 30, 2020), 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: February 2021)



“Always Putting the Customer First” practice Towards a Global Tea Company

All employees unite as “Team ITO EN” to pursue our management principle of “Always Putting the Customer First.”

At ITO EN, in order to implement effective marketing, we have prepared the following interpretation of the mechanism for making a sale, which we instill in our employees.



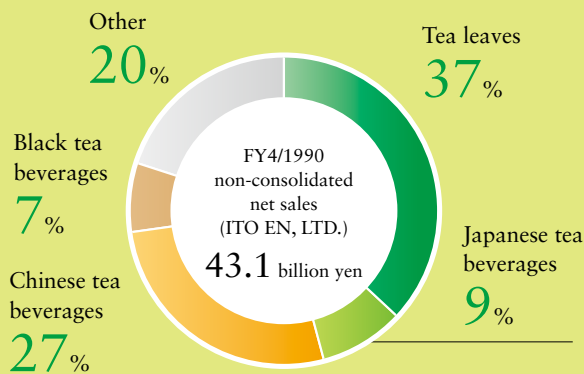
The spirit of
“STILL NOW”

At ITO EN, we want to meet the expectations of customers through our products and services. Working based on our motto “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.

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, based on our product development concepts of “natural,” “healthy,” “safe,” “well-designed” and “delicious,” and with our long-term vision of becoming a Global Tea Company, we aim to propose enriched lifestyles that contribute to the health of customers. 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.



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)



1989

Launched the *Oi Ocha* brand



1990

Launched green tea in PET plastic bottle

1992

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



1966

1970

1980

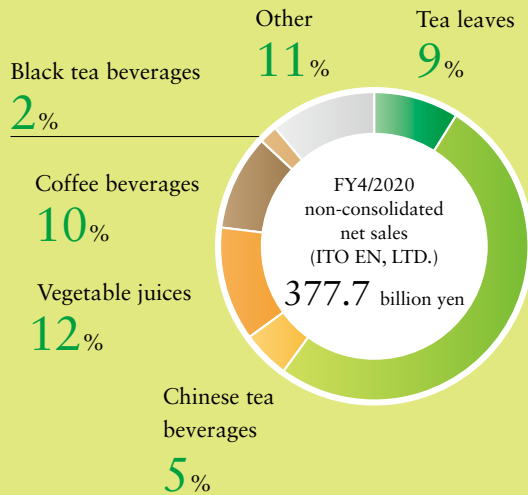
1990

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 Sagaracho, Haibara-gun (now Makinohara-shi), Shizuoka.
- Jun. 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.

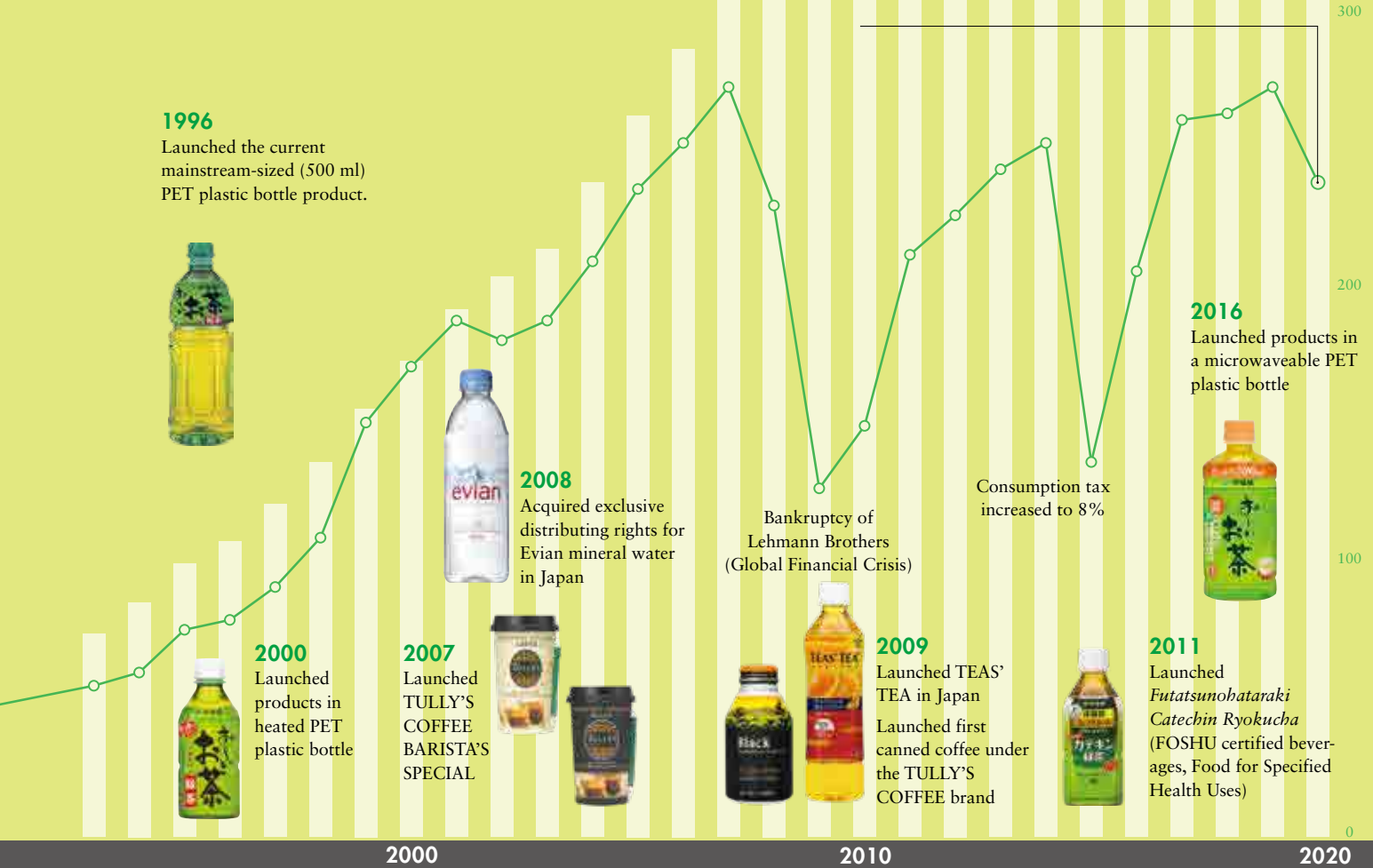
- Jul. 1987** Established ITO EN (USA) INC. in Hawaii, USA
- May 1992** Listed its stock on the over-the-counter market.
- Sep. 1994** Established ITO EN AUSTRALIA PTY. LIMITED in Australia.
- Sep. 1996** Became a listed company on the Second Section of the Tokyo Stock Exchange.
- Oct. 1998** Stock advanced to the First Section of the Tokyo Stock Exchange.
- Oct. 2000** Released the industry's first products in heated PET plastic bottles.
- 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.
- Mar. 2008** Concluded an exclusive distributor contract for the sale of Evian natural mineral water in Japan with the DANONE Group (headquartered in France).



FY4/2020 consolidated net sales (right axis) **483.3** billion yen

Consolidated operating income (left axis) **19.9** billion yen



- 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.
- 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 WHOLESAL in Indonesia.
- Feb. 2015 ITO EN (North America) INC. obtained the shares of Distant Lands Trading Co., which is involved in the cultivation and sale of coffee beans mainly in the United States.
- Jun. 2016 Constructed *Matcha Kobo* (a specialized *matcha* production plant) on the site of Shizuoka Sagara Factory.
- 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. 2018 Agreement reached to conduct clinical trials to validate the effectiveness of *matcha* in preventing dementia, in association with Shimadzu Corporation and MCBI (Molecular and Clinical Bioinformatics) Inc.
- May 2019 *Oi Ocha* brand recognized as a world record holder by the Guinness World Records
*The world's top selling natural- and healthy unsweetened ready-to-drink (RTD) green tea beverage sales (January–December 2018, actual results)

President's Message



ITO EN will continue to tackle new challenges as it aims to become a Health Creation Company which contributes to the health of customers around the world.

Daisuke Honjo,
President and CEO

Since its founding, the ITO EN Group has continued to engage in corporate activities with a primary focus on contact with customers, based on its management principle of “Always Putting the Customer First”. “Always Putting the Customer First” means a constant provision of products and services in line with customers’ wants and needs and a contribution to better lifestyles for customers, in the spirit of “STILL NOW” (considering what customers are still now dissatisfied with.)

ITO EN’s list of achievements begins in 1966, with our launch of packaged green tea. In 1980, we achieved the nationwide launch of the world’s first canned oolong tea. In 1984, we succeeded in launching the world’s first green tea beverage. In 1989, the *Oi Ocha* brand was born, and in 1990 we succeeded in developing the world’s first green tea in a PET plastic bottle. With these and numerous other world and industry firsts, ITO EN has created a market by delivering products and services in line with changes in customer lifestyles.

With the spread of the COVID-19 coronavirus pandemic, the social and economic environments have changed greatly,

and the “New Normal Lifestyle” of balancing the prevention of infection with the continuation of economic activities has penetrated our lifestyles. Looking ahead, it is anticipated that this situation will continue for a long period of time and we believe that consumer awareness and behavior will continue to change greatly in the “With COVID-19” era.

While the business environment surrounding the ITO EN Group is also changing drastically, as a company I believe that it is our mission to maintain employment, to ensure business continuity and to contribute to society; and we must not forget this responsibility to contribute to society as we continue to operate our business and to generate earnings. Society as a whole must get better, and the ITO EN Group must grow together with it. Precisely because we are in a situation where we cannot see what lies ahead, we must return to the starting point of our management principle of “Always Putting the Customer First.” All employees—in their various positions—must face up to customers with sincerity, think constantly about what they can do themselves, and take on the challenge of converting crisis into opportunity.

Our Response to COVID-19

Since the beginning of 2020, the COVID-19 pandemic has spread around the globe. The ITO EN Group established a COVID-19 virus response headquarters and developed environments in which its employees can work in safety. We have established a basic response policy and are taking appropriate measures. The first and top priority is to ensure health, safety and peace of mind for customers. The second is to ensure the continuity of our Group's business operations; including the stable supply of beverages, which are essential to people's daily lives. The third is to provide tea products (beverages and tea leaves) and coffee pot services, free of charge, to the healthcare professionals fighting from day to day to combat the virus through medical activities.

When the state of emergency was announced, we gave consideration to the safety of our employees and responded flexibly with regard to workstyles, such as by offering staggered start and finish times and allowing employees to work-from-home. Through our nationwide sales network, we are providing products to hospitals and accommodation-type treatment and recuperation facilities around the country, free of charge. Going forward, we will continue to work hard and engage in our business activities with a sense of duty as a company that delivers beverages that support customer lifelines, while at the same time employing thorough measures to prevent the spread of infection.

Review of Fiscal 2019

The last fiscal year ended with severely challenging results, with a decrease in both sales and profits for the Group's business operations overall. This was due to factors such as inclement weather conditions during the summer season, natural disasters (such as the typhoon in October 2019 which was designated as a Disaster of Extreme Severity), and the COVID-19 pandemic from early 2020 onward. In terms of non-consolidated business results for ITO EN, Ltd., net sales fell to 377,787 million yen (a decrease of 4.2% year-on-year). However, as a result of focusing its energies into continuous initiatives to improve profitability, ITO EN was able to achieve an increase in operating income, which stood at 16,626 million yen (up 4.9% year-on-year). In response to the state of emergency issued in April 2020, Tully's Coffee Japan placed top priority on the safety of customers and employees, implementing thorough measures and toughening its response to prevent the spread of infections. Over 90% of stores were subject to temporary closures and/or shortening of business hours. At overseas Group companies, too, there was a major impact due to the COVID-19 pandemic. In terms of consolidated business results for the year,

the Group posted net sales of 483,360 million yen (down 4.1% year-on-year), operating income of 19,940 million yen (down 12.6% year-on-year), ordinary income of 19,432 million yen (down 16.3% year-on-year), and net income of 7,793 million yen (down 46.1% year-on-year); constituting a decrease in both sales and profits.

Medium- to Long-Term Issues

In its five-year medium- to long-term management plan, which runs until the year ending April 2022 (fiscal 2021), the ITO EN Group set the goal of becoming a Global Tea Company. Under this plan, we have engaged in four key initiatives: enhancing our domestic business operations, accelerating the expansion of our global business operations, strengthening ROE-based corporate management, and enhancing our CSV management and ESG initiatives.

As a company aiming to become a Global Tea Company, ITO EN regarded fiscal 2020 as a year for making major leaps forwards, making use of the many opportunities that would have been offered by the Tokyo 2020 Olympic- and Paralympic Games. As a result of the COVID-19 pandemic, however, the Games were postponed. There was also a massive decrease in the number of foreign visitors to Japan, and global market conditions are changing drastically. In view of these external conditions, the ITO EN Group is currently reviewing and revising its medium- to long-term management plan while working to firmly solidify its current position.

1 Enhancing Domestic Business Operations and Improving Profitability

The number of opportunities for consumers to purchase products at convenience stores and vending machines in inner-city areas is decreasing, and consumer behavior is also changing, as seen in the increased use of mail-order services as a means of preventing infection. Our vending machine business has also seen a major impact, primarily in transportation infrastructure in central urban areas, due to the significant decrease in numbers of people traveling. At the same time, we have made effective use of our strength in community-based route sales from our 196 locations nationwide, and are working to make more careful and courteous visits to customers than ever. We are placing greater value on our contact with customers than ever before, and working to build strong trusting relationships.

Regarding profitability, despite challenging business conditions both in Japan and overseas during fiscal 2019, ITO EN worked to improve profitability. As a result of these efforts, ITO EN was able to improve its non-consolidated operating income ratio from 4.0% in fiscal 2017 to 4.4% in fiscal 2019. Tully's Coffee Japan and other service businesses are continuing to experience challenging conditions, and

overseas subsidiaries are suffering a greater impact from COVID-19 than those in Japan. We therefore believe that improving the profitability of ITO EN on a non-consolidated basis will be more important than ever.

ITO EN has constructed a block-based production and logistics system, in which the country is divided into five blocks and beverages are manufactured by outsourcing partners. Moving forward, we will make thorough efforts to improve both production and logistics efficiency. ITO EN is also pushing ahead with further workstyle reforms and working to improve worker productivity, such as by making more flexible working schemes and proactively incorporating online approaches. We will continue working to improve profitability, in order to achieve an operating income ratio of 5% or higher at the earliest possible stage.

2 Strengthening our Overseas Business Foundation

We have developed our overseas business presence primarily in North America, China, Southeast Asia and Australia. Health awareness is increasing in each country, including the United States, where the rising obesity rate is a social problem. ITO EN regards its *Oi Ocha* beverage products and ITO EN *MATCHA GREEN TEA* products (tea bag products, etc.) as global brand products, and is rolling them out in parallel with locally-developed brands. The global tea beverage market is expected to continue growing in the future, against the backdrop of health-oriented attitudes. In fiscal 2019, the quantity of *Oi Ocha* sold in North America increased by 15%, while in China it increased by 2%, exceeding the market growth rate in each country despite the impact of the COVID-19 pandemic. Moving forward, we will put our efforts into the growing e-commerce market as we seek to further expand sales of our global brands, with the North American and Chinese markets as key markets.

In our Australian business operations we have established tea bag production facilities, and manufactured and launched ITO EN *MATCHA GREEN TEA* tea bag products utilizing Australian-produced green tea starting from May 2020. Looking ahead, we will work to strengthen our business base using the “local production for local consumption” business model.

3 Initiatives to Tackle Customer Health Issues

Supporting the Era of 100-Year Life Expectancy Through Tea

Japan has now entered an age of super population aging, what is referred to as the era of 100-year life expectancy. Extending healthy lifespans is now a major issue to enable people to live long lives with greater fulfillment. Additionally, the arrival of the “With COVID-19” era is also

leading to health and lifestyle-related concerns, such as the threat of lifestyle diseases. In particular, the increase in the number of senior citizens with dementia, and the increase in lifestyle diseases such as diabetes and high blood-pressure, which are also considered to be closely related to dementia, are becoming major social issues. In response to these issues, ITO EN is engaged in research relating to the health/functional benefits of green tea and *matcha*. One outcome of these research efforts is *Oi Ocha Koicha*, which underwent a renewal in August 2019 as a Food with Functional Claims (specifically, the claim of reducing body fat), and which continues to be very well-received by consumers. Moving forward, we will also continue to invest our energies into the development of products which seek to deliver these kinds of health benefits.

Developing Products Using Natural Ingredients and Aiming to Contribute to Japanese Agriculture

Over the past 30 years, the percentage of the Japanese beverage market accounted for by sugar-free beverages has grown from 8% to 49%. ITO EN boasts the top share in sugar-free beverages, accounting for 74% of all sugar-free beverages on the market.

Sugar-free beverages—as represented by *Oi Ocha*—do not make use of ingredients such as sugar or milk, and the natural ingredients themselves lead to the flavor and quality of the products. For this reason, ITO EN is very particular about agricultural produce, which is the source of raw materials for these products. The Tea-Producing Region Development Project is one initiative that is representative of this attitude. ITO EN handles around one quarter of the total volume of crude tea produced in Japan. In order to ensure stable procurement of high-quality raw materials, we have worked together with tea farmers to produce raw materials to match their purpose of use in products. Through the expansion of the Tea-Producing Region Development Project, we are also contributing to the resolution of social issues, such as by facilitating the stable management of tea plantations and enabling the effective use of abandoned farmlands. By applying this knowledge and engaging in the cultivation of ingredients for vegetable beverages under contract, moving forward we will continue to invest further efforts into the development and procurement of agricultural produce raw materials. We will also continue to cater to customers' health, security and safety-oriented attitudes and contribute to the sustainable development of Japanese agriculture, including tea farming.

4 Enhancing ESG Initiatives

The definition of “customer” in the ITO EN Group’s management principle of “Always Putting the Customer First” includes consumers, shareholders, retailers, suppliers, financial institutions and local communities. Since the time of our founding, we have worked together with customers to create shared value and resolve various social issues through our core business operations.

In recent years, problems such as those of marine plastic waste and climate change have become urgent global issues. In June 2019, the ITO EN Group announced its policy to shift from regular PET plastic bottles to 100% recycled PET bottles for all products in its *Oi Ocha* brand by 2030. After further consideration, in September 2020, we formulated the “ITO EN Group Policy on Plastics,” and decided to aim to increase the percentage of recycled materials and the like used in PET plastic bottles to 100% by 2030. With regard to climate change, we have established the targets of reducing total CO₂ emissions for Scope 1 and 2 by 26% by fiscal 2030 and 50% by fiscal 2050; and for Scope 3 by 26% and 50% for those years respectively, on an emission intensity basis (the baseline year for all of these values is fiscal 2018). We have also conducted impact analyses for tea leaf cultivation as a climate scenario analysis.

With regard to social issues, in April 2020 we formulated the ITO EN Group Human Rights Policy, based on the UN Guiding Principles on Business and Human Rights. We are engaged in various initiatives in cooperation with our stakeholders based on these Group policies and targets.

Aiming to Become a “Health Creation Company”

At the ITO EN Group, we are aiming to achieve something that cannot be achieved by any other company: to contribute to the health of customers in countries around the world as a Global Tea Company, and support the enriched lifestyles of each and every person. Going forward, we will continue to push ahead with our aim of becoming a Health Creation Company that proposes enriched lifestyles that contribute to the health of people in countries around the world through tea.

President and CEO



Shared Value Creation Model Based on “Always Putting the Customer First”

Value Perspective Group Management Principle: “Always Putting the Customer First”

The key value of our management principle is to: “Always Putting the Customer First, Make Integrity our Stock in Trade, Spare no Effort and Earn the Confidence and Trust of Society”

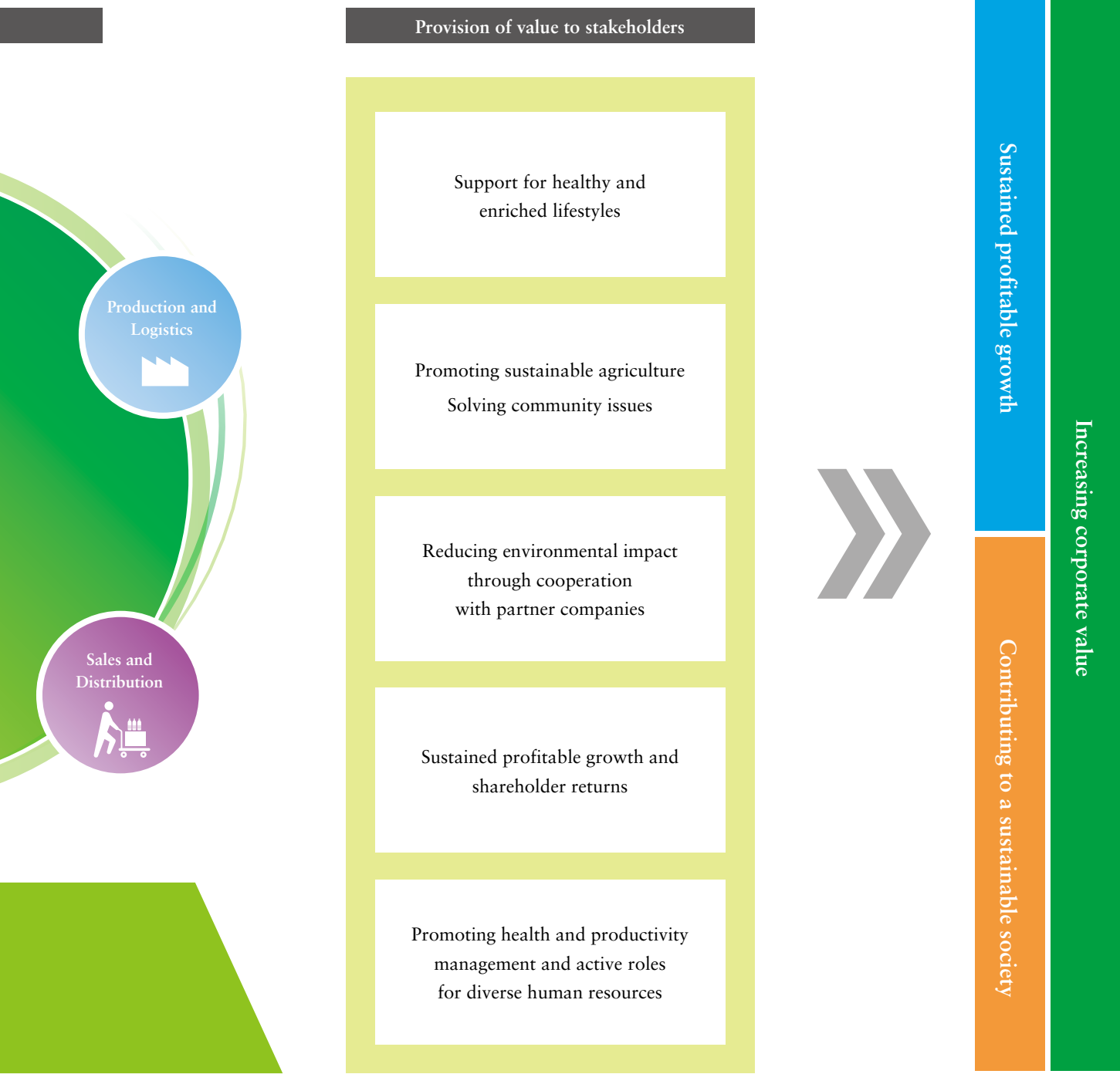
Inputs	
Marketing capabilities based on contact with customers	<ul style="list-style-type: none"> ▶ Number of Suggestions made using the Voice system 9,462 suggestions ▶ Sales locations (Japan) 196 locations
Market-creating R&D capabilities and technologies	<ul style="list-style-type: none"> ▶ Joint research 10 projects ▶ Number of tea-related patents owned 107 patents
Robust network with suppliers <ul style="list-style-type: none"> • Crude tea procurement network, through the Tea-Producing Region Development Project • Co-creation with outsourcing partners adopting the fabless production method 	<ul style="list-style-type: none"> ▶ Crude tea procurement capabilities, accounting for around a quarter of all crude tea produced in Japan ▶ Production volume and tea plantation area secured through the Tea-Producing Region Development Project 7,122 t / 1,836 ha ▶ Beverage production outsourcing partners Approx. 50 plants ▶ Nationwide 5-block production and logistics system
Sound financial base	<ul style="list-style-type: none"> ▶ Financial credit rating “A+” (by both R&I and JCR) ▶ Equity ratio 51%
Diverse human resources	<ul style="list-style-type: none"> ▶ Number of sales personnel Approx. 3,500 persons ▶ Number of qualified ITO EN TEA TASTERS 2,289 persons

As of April 30, 2020 (*number of qualified ITO EN TEA TASTERS as of May 2020)



ITO EN aims to achieve long-term, continuous improvements in corporate value with a key focus on achieving sustained profitable growth and contributing to a sustainable society. Until now, we have refined our strengths utilizing management capital and created various innovations. Moving forward, we will continue to execute strategies aimed at increasing corporate value in the medium- to long-term through the implementation of “Always Putting the Customer First.”

Concept for product development Natural, Healthy, Safe, Well-designed, Delicious



Medium- to Long-Term Vision

Becoming a Global Tea Company that proposes healthy and enriched lifestyles and culture for customers around the world

Under its current medium- to long-term management plan (fiscal 2017–21), ITO EN was engaged in business activities aimed at proposing healthy and enriched lifestyles and culture through Japanese tea to customers both in Japan and overseas, as the leading Japanese tea company, making use of the opportunities offered by the Tokyo 2020 Olympic- and Paralympic Games. As a result of the COVID-19 coronavirus pandemic, however, the number of foreign nationals visiting Japan has drastically decreased, and global market conditions have changed dramatically. As people are required to adapt to the new style of living referred to as the “New Normal,” the ITO EN Group aims to pursue roles and possibilities for tea in this new era, and to contribute in offering healthy and enriched lifestyles and culture to customers. We are currently reviewing and revising the medium- to long-term management plan based on the drastic changes taking place in the external environment.

Material ESG issues

ITO EN has identified and highlighted three of the seven core subjects outlined by the ISO26000 international standard as key themes that are particularly relevant to the Group. They are: “consumer issues,” “community involvement and development,” and the “environment.”

Previous Medium- to Long-Term Management Plan FY4/2015–FY4/2017 (fiscal 2014–16)

1. Improving Profitability of Domestic Business Operations
2. Launching Global Brand Products
3. Strategic Investments for Establishing an Overseas Business Foundation

FY4/2017

	Medium- to Long-Term Management Plan	Actual Results	Achievement Rate
Consolidated net sales	500 billion yen or above	475.8 billion yen	95%
ROE	10%	10.5%	105%
Total return ratio	40%	43.5%	108%

FY4/2018–FY4/2020 (fiscal 2017–19)

1. Global Expansion of *Oi Ocha* and ITO EN Brands
2. Strengthen Domestic Revenue Base and Attempt Challenges in New Business Domains
3. Enhance Group Synergies

Review of up until fiscal 2019 and issues

- Consolidated net sales for fiscal 2018 exceeded 500 billion yen, and a new record was set for profit.
- Although sales in fiscal 2019 fell due to COVID-19, ITO EN (non-consolidated) achieved an increase in profit.

	FY4/2018	FY4/2019	FY4/2020
Non-consolidated operating income ratio	4.0%	4.0%	4.4%

- Growth of overseas business was delayed and improving profitability remains an issue. Goodwill impairment losses were incurred with regard to US subsidiary Distant Lands Trading Co. (DLTC) in fiscal 2019.
- Attempted challenges in new business domains. Established a Business Creation Department in June 2020.

FY4/2020

	Previous fiscal year	Actual Results	Year-on-year
Consolidated net sales	504.1 billion yen	483.3 billion yen	-4.1%
ROE	9.9%	5.2%	-4.7 points
Total return ratio	48.9%	92.1%	+43.2 points
Overseas business net sales ratio	7.6%	7.5%	-0.1 points

Medium- to Long-Term Vision

Becoming a Global Tea Company that proposes healthy and enriched lifestyles and culture for customers around the world

Drastic changes in the external environment

Super population ageing
×
“With COVID-19”

Growing health and lifestyle concerns

Change in communication methods, increase in community issues

Drastic decrease in numbers of foreign nationals visiting Japan

Decline of Japanese domestic agriculture

Global warming
Water resource problems

Natural disasters

Depletion of resources
Recycling of resources

Expanding the global presence of ITO EN as a representative Japanese tea company

Proposing food culture utilizing natural ingredients (attempting new challenges in the Japanese food market domain)

Growth through implementation of CSV management
Enhancing ESG initiatives

Consumer issues

Community and society

Global environment

Enhancing ROE-based corporate management

ROE 10%
Total return ratio 40% (maintain)

ITO EN Group Material ESG Issues

In order to drive CSR management, in April 2012, the ITO EN Group adopted the ISO26000 international standard as its compass, and 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. We have identified three of those themes in particular as material issues for the ITO EN Group: consumer issues, community and society, and global environment.

ISO26000- Seven Core Subjects and Issues



1. Organizational governance

- 1 Due diligence
- 2 Human rights risk situations
- 3 Avoidance of complicity
- 4 Resolving grievances
- 5 Discrimination and vulnerable groups
- 6 Civil and political rights
- 7 Economic, social and cultural rights
- 8 Fundamental principles and rights to work

2. Human rights

- 1 Employment and employment relationships
- 2 Conditions of work and social protection
- 3 Social dialogue
- 4 Health and safety at work
- 5 Human development and training in the workplace

3. Labor practices

- 1 Prevention of pollution
- 2 Sustainable resource use
- 3 Climate change mitigation and adaptation
- 4 Protection of the environment, biodiversity and restoration of natural habitats

4. The environment

- 1 Anti-corruption
- 2 Responsible political involvement
- 3 Fair competition
- 4 Promoting social responsibility in the value chain
- 5 Respect for property rights

5. Fair operating practices

- 1 Fair marketing, factual and unbiased information and fair contractual practices
- 2 Protecting consumers' health and safety
- 3 Sustainable consumption
- 4 Consumer service, support and complaint and dispute resolution
- 5 Consumer data protection and privacy
- 6 Access to essential services
- 7 Education and awareness









6. Consumer issues

- 1 Community involvement
- 2 Education and culture
- 3 Employment creation and skills development
- 4 Technology development and access
- 5 Wealth and income creation
- 6 Health
- 7 Social investment

*Source: ISO26000: 2010 Guidance on Social Responsibility (Japanese translation)









Material Issues



Social issues	ITO EN Policies and Initiatives	Contribution to Relevant SDGs
<p>Diversification of lifestyles</p> <p>Healthy life expectancy, lifestyle diseases, obesity, stress, dementia</p>	<p>P.21 Proposals to support healthy lifestyles</p> <p>P.19 ITO EN Health Forum</p>	 
<p>Japanese agriculture and tea industry issues</p> <p>Changes to workstyles and communication, super population ageing</p>	<p>P.23 The Tea-Producing Region Development Project</p> <p>P.29 Communicating the appeal of tea and sales promotion activities through ITO EN TEA TASTERS</p> <p>P.45 ITO EN Group Human Rights Policy</p>	  
<p>The marine plastic waste problem</p> <p>Depletion of resources</p> <p>Global warming and water resource problems</p>	<p>P.40-43 ITO EN Group Medium- to Long-Term Environmental Goals</p> <p>P.37 Used Tea Leaves Recycling System</p>	  

ITO EN Material Issues and Main KPIs

The ITO EN Group has set main key performance indicators (KPIs) based on its three material issues as listed below.

Material Issues		Main KPIs	Main related SDGs
Consumer issues	Promotion of health value (health and nutrients)	<ul style="list-style-type: none"> Expansion of range of FOSHU, Foods with Functional Claims (FFC) and Foods with Nutrient Function Claims (FNFC): total of 65 products Research and announcements relating to health value of foods: 15 items per year 	
	Quality control	<ul style="list-style-type: none"> Quality meetings: 10 per year, Group quality meetings: 1 per year Regular audits of overseas raw material suppliers and overseas production outsourcing partners Continuous ISO9001 and FSSC22000 certification Obtaining GAP certification for suppliers under The Tea-Producing Region Development Project (→ page 22) 	
Community and society	Community and human rights issues	<ul style="list-style-type: none"> Driving initiatives for tackling human rights issues through business activities Strengthening of relationships with local communities Programs for the promotion of tea culture utilizing the ITO EN TEA TASTER in-house business skill test certification 	
	Promotion of cultural activities	<ul style="list-style-type: none"> Enhancing activities to promote awareness of Japanese culture and tea culture, through initiatives such as the ITO EN <i>Oi Ocha</i> New Haiku Contest and seminars on how to prepare tea. 	
	Promoting sustainable agriculture	<ul style="list-style-type: none"> Expanding crude tea production volumes and plantation areas under the Tea-Producing Region Development Project (new tea plantations business) 	
	Earthquake reconstruction assistance	<ul style="list-style-type: none"> Continuation of assistance to earthquake-affected areas through tea (holding of <i>Ochakko-Kai</i> tea parties;* “Ochakko-Kai”: a heartwarming tea party in the Northeastern Tohoku Region of Japan”) 	
Global environment	Response to climate change	<ul style="list-style-type: none"> Reduction of CO₂ emissions Fiscal 2030 SCOPE 1 & 2 26% reduction of total emissions (comparison with fiscal 2018) SCOPE 3 26% reduction of emission intensity (comparison with fiscal 2018) Fiscal 2050 SCOPE 1 & 2 50% reduction of total emissions (comparison with fiscal 2018) SCOPE 3 50% reduction of emission intensity (comparison with fiscal 2018) 	
	Water management	<ul style="list-style-type: none"> Enhancement of management system for water consumption and wastewater output during production 	
	Containers and packaging	<ul style="list-style-type: none"> Advancing the lightening and use of recycled materials in PET plastic bottles 2030 100% use of recycled materials, etc.* for PET plastic bottles *Includes bio-derived materials Advancing the use of biodegradable materials for the tea-leaves packaging materials and for the straws Reducing use of raw materials for containers and maintaining lightweight ratios Advancing the use of aluminum-free paper pack containers 	
	Waste and recycling	<ul style="list-style-type: none"> Reducing product waste Maintaining a recycling rate of 90% or higher for foodstuffs Maintaining a recycling rate of 100% at green tea packaging plants Promoting the recycling of used tea leaves 	
	Conservation of biodiversity	<ul style="list-style-type: none"> Maintaining registered varieties under the Tea-Producing Region Development Project Obtaining GAP certification for suppliers under the Tea-Producing Region Development Project 	

Note: Targets with no fiscal year displayed are targets for the year ending April 2022 (fiscal 2021).

Value Circle That Corresponds to “Always Putting the Customer First”

In all of its business operations, from research, 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.



Research

P.18

World and industry-first tea research and technology development

- Discovering and explaining the health benefits of catechins, theanine and other substances
- Patent strategy

Research and technology development regarding health benefits and manufacturing technologies for tea, vegetables and other beverage- and food ingredients

Investigative research regarding cultivation and processing methods for raw materials

Open innovation through joint research with external researchers and research institutions

- S** Research regarding solutions to consumer issues, such as super population aging and lifestyle related diseases
- E** Used Tea Leaves Recycling System (conserving and recycling of resources)
- E** Research aimed at spreading resource-saving and energy-saving products



Product Planning and Development

P.20

Capabilities for developing products that contribute to health

- Ratio of sugar-free beverages 74%
- Product development capabilities (FOSHU, etc.)
- Voice system (group-wide internal proposal system)

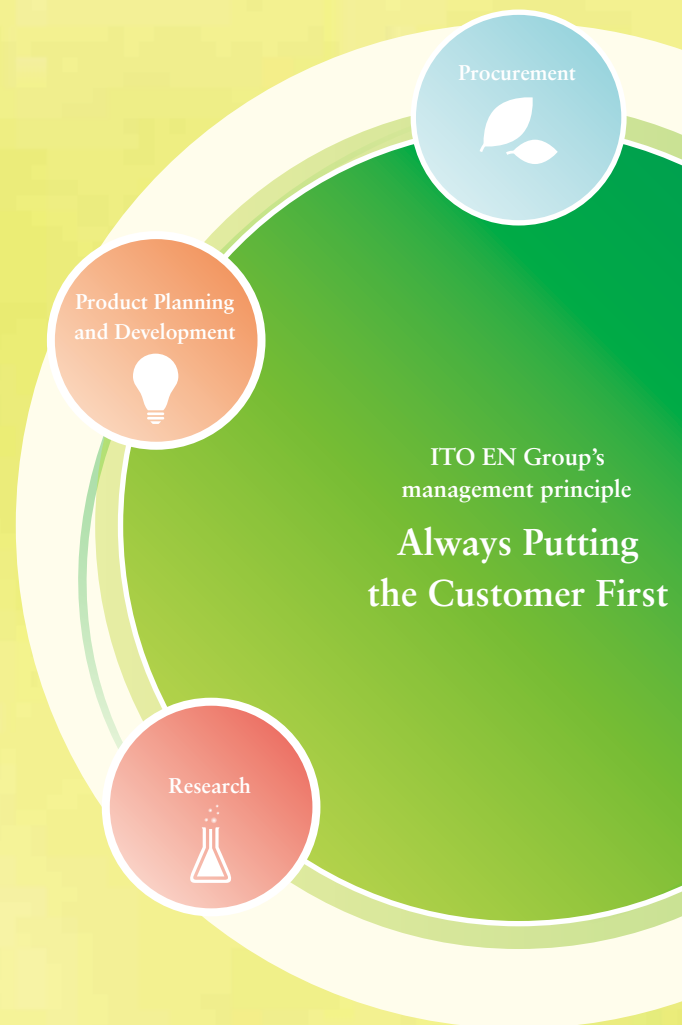
A wide range of products

- Meeting the needs of consumers through beverages and tea leaves products
- Unique raw material-processing technologies utilizing natural ingredients

Market creation capabilities and high market share

- S** Providing health value to a wide range of customers
- E** Providing beverages that cater to diverse needs
- E** Environmentally friendly container- and packaging initiatives

“Always Putting the Customer Towards a “Global Tea



Foundation that Supports Creation

- S** Supply chain management, respect for human rights, human resources management, finance management



Procurement

P.22

High capability to procure crude tea

- Crude tea procurement capabilities accounting for around a quarter of all crude tea produced in Japan

The Tea-Producing Region Development Project

- Stable procurement of high-quality tea leaves
- Development of specialized raw materials through collaboration with producers

Procurement of distinctive raw materials and reduction of costs

- S** Sustainable agriculture and stable management of the tea production industry sector
Resolving community issues such as reuse of abandoned farmlands
- E** Environmentally-friendly agriculture



Production and Logistics

P.24

Fabless Method

- Reduces capital investment costs
- Enables adjustment of production volumes to match demand

Quality Control System

- Ensures traceability

Five-block production and logistics system

- Reduces logistics costs and enables speedy supply of products

NS System

- Enables product differentiation through high-quality products, as well as cost cutting and reduction of environmental impact

Creates value through cooperation with partner companies

- S** Stable management with production outsourcing partners, safety and peace of mind for consumers
- E** Sustainable use of resources, Used Tea Leaves Recycling System (reduction of environmental impact and costs through conserving and recycling of resources), environmentally-friendly logistics system



Sales and Distribution

P.26

Route sales

- Securing new customers
- 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

“The ITO EN *Oi Ocha* New Haiku Contest” (Expressing somebody’s own feelings and thoughts in a 3-line poem, regardless of the forms of haiku, such as seasonal words etc.)

- “Making Japan Beautiful Through Tea”
- Increase sales and market share through added value

Community-based sales and marketing activities

- S** Agile and stable provision of products during disasters and pandemics
- E** Environmental conservation activities in various communities
Eco-friendly driving

First” practice Company”

Production and Logistics



Sales and Distribution



of Value



Corporate governance, risk management, compliance



Research

Our aim is to propose lifestyle improvements for living affluently in the era of 100-year life expectancy, by grasping tea value with the eyes of Science.

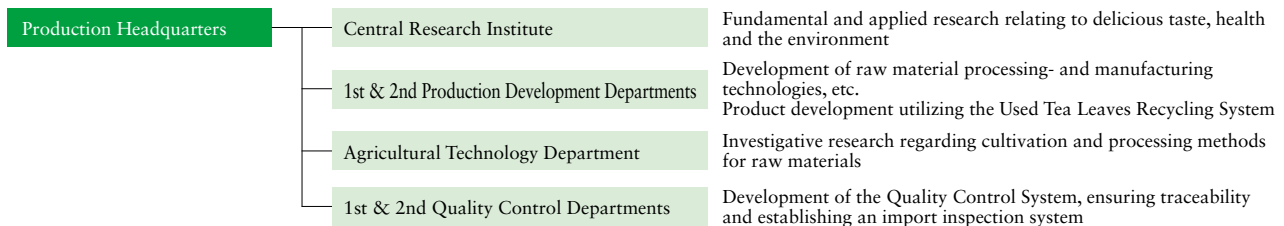


Hitoshi Kinugasa,
General Manager,
ITO EN Central Research Institute

A healthy body and mind are our greatest assets for living a fulfilling life in the era of 100-year life expectancy, and the key theme for us is that how much can the differences between the average life expectancy and the healthy life expectancy be shortened. By scientifically researching and explaining the delicious taste and various health benefits of tea—which have been recognized through experience since ancient times—and making new suggestions, we will propose dietary lifestyle improvements and contribute to the improvement of lifestyle habits for the future.

Research Organization Structure of the Central Research Institute

ITO EN Central Research Institute conducts fundamental and applied research on tea and other food products. The Central Research Institute and various other departments responsible for expanding business activities with consideration for society and the environment also contribute to increase the sustainability of business operations and contribute to society and the environment.



Basic Approach

ITO EN's R&D division engages in fundamental and applied research based on the product development concepts: "Natural", "Healthy", "Safe", "Well-Designed", and "Delicious". In addition to providing further health value to customers through collaboration with a diverse range of stakeholders, we also develop new beverage containers and filling methods, systematize the effective utilization of the used tea leaves output by production processes, and engage in other research

paying consideration to society and the environment, and advance the commercialization of research outcomes.

Looking ahead, we will continue to engage tirelessly in research and technology development relating to delicious taste and the environment, as well as the health benefits of ingredients, and to propose healthy and enriched lifestyles to customers; both as a top tea manufacturer and also as a comprehensive beverage manufacturer.

- Three key priority research themes based on our basic stance

Theme 1: Delicious Taste

We pursue technologies that draw the maximum delicious taste out of ingredients and enable consumers to enjoy them for a long period of time. We also engage in research that leads to the rediscovery of deliciousness to match lifestyle changes.

Theme 2 : Health

We engage in research relating to the healthiness of beverages and food ingredients to match diversifying customer lifestyles, so that they can have healthy days.

Theme 3 : Environment

We engage in the development of environmentally friendly containers, and tackle the challenges of developing new technologies for recycling and waste reduction, in order to contribute to solving social and environmental issues through our business activities.

Setting Research Themes with a View to the Era of 100-Year Life Expectancy

A key social issue in the so-called “era of 100-year life expectancy” is the theme of extending our healthy life expectancy, keeping ourselves in good health. At the Central Research Institute, we have established three research themes with a view to the era of 100-year life expectancy, based on our belief that we can improve the quality of day-to-day life by

improving our dietary lifestyles with tea. In addition to the outcomes obtained through our research, we also held the “ITO EN Health Forum” in May and November 2019, and communicated information regarding the health benefits of tea, with the input of an outside expert.

Three Research Themes

1. Research topics on measures for combating super population aging	2. Research topics on lifestyle-related diseases and prevention of illnesses in everyday life	3. Research topics on the discoveries and the explanations of the Deliciousness
<p>Discovering and explaining the health benefits of <i>matcha</i> and theanine</p> <ul style="list-style-type: none"> Preventing dementia with powdered green tea 	<p>Revealing and explaining the health benefits of tea catechins</p> <ul style="list-style-type: none"> Suppressing the absorption of body fat Reducing cholesterol 	<p>Revealing the compatibility of tea with various dishes</p> <ul style="list-style-type: none"> Synergy effects between tea and <i>dashi</i> (Japanese soup stock made of fish and kelp) and <i>umami</i> (the fifth savory taste after the sweet-, bitter-, salty- and sour tastes)

Major Research Outcomes

Revealing the Mechanism and Validating the Effectiveness of Green Tea / *Matcha* in Preventing Dementia

ITO EN Central Research Institute has conducted clinical trials in association with Shimadzu Corporation and MCBI Inc.—a start-up venture originated from the University of Tsukuba—targeting subjects with mild cognitive impairment (MCI), in order to validate the effects of *matcha* in preventing the onset of dementia. As a result of the trials, it was found that continuous consumption of powdered green tea containing large amounts of theanine (equivalent to a 2g serving of *matcha* for tea-serving use) inhibits decline in cognitive

function. Based on these research outcomes, we are working to develop products for the prevention of mild dementia, as a new possibility for green tea and *matcha*.

▶ See page 34 for leaf tea and *matcha* products.

Initiatives Aimed at Preventing Illnesses in Everyday Life

Lifestyle diseases such as diabetes and hypertension (high blood pressure)—which are also considered to be closely related to dementia—are another major social issue. The ITO EN Central Research Institute has demonstrated that gallate-type catechins contained in green tea suppress the absorption of cholesterol and lower the amount of LDL (bad) cholesterol in the blood.

“ITO EN Health Forum”

ITO EN held an event on the theme of health value of tea, entitled “ITO EN Health Forum: Wisdom for Living a Fulfilling Life in the Era of 100-Year Life Expectancy,” in order to communicate the health benefits of tea. Looking ahead, as a tea company, ITO EN will continue to appeal to consumers about the health value of tea, a key aspect of Japanese culture, and contribute to the health of customers.



Opportunities to Learn

In terms of learning opportunities, we held a panel discussion in which we invited a group of experts to discuss and consider smart ways of consuming tea and catechins in order to increase quality of life, such as during seasons where we are prone to become ill.



Opportunities to Experience

In terms of opportunities for hands-on experience, we offered a space where participants could experience how to incorporate tea in their daily lives, based on the keyword “ochakatsu” (activities for enjoying tea in the daily life), and displayed exhibits introducing our R&D efforts.



For more details of the ITO EN Health Forum, please refer to the following URL.
<https://itoen-forum.com/>



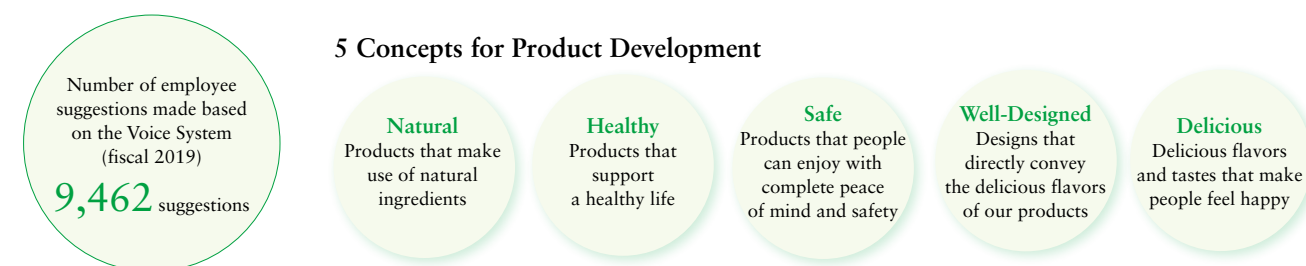
Product Planning and Development



Mitsumasa Shida,
General Director,
Marketing Headquarters





In Product Planning and Development, we refer constantly to the opinions of customers, based on our spirit of “STILL NOW” (finding things that customers are still now dissatisfied with). We make proposals for healthy customer lifestyles with safe and secure quality utilizing natural ingredients, and engage in recycling of resources throughout the product lifecycle.

ITO EN has continually referred to the opinions of customers obtained by various means, including route sales and its Voice System, in order to develop products based on its five concepts for product development, and to create markets. Today, in addition to issues such as super population aging and the diversification of workstyles, there is also a growing interest in an increase in stress and healthy lifestyles due to the effects of the COVID-19 pandemic. Moving forward, we will consolidate our R&D and proposal-making capabilities developed so far, and utilize the power of tea and other natural ingredients that have been familiar since ancient times, in order to contribute to the resolution of customer health issues.



Expanding Know-How Developed Through Tea to Other Product Categories

ITO EN’s key advantage is its value chain, which enables us to pay particular attention to- and to achieve both a consistent commitment to quality and a reduction of the environmental impact; from the procurement of raw materials from plantations to the delivery of products into the hands of customers. We are now applying the same vertically-integrated business model developed through our tea business—which spans the entire product life cycle from raw materials to final products to waste—to other product categories.

		Green tea	Barley tea	Coffee beverages	Vegetable beverages
Product Planning and Development	5 concepts for product development (“Natural”, “Healthy”, “Safe”, “Well-Designed”, “Delicious”)				
Raw material procurement	<ul style="list-style-type: none"> Development of raw materials to match the product application Sustainable agriculture 	Development of tea leaves specialized for drink products The Tea-Producing Region Development Project Acquisition of a GAP certification	Initiatives for cultivation of barley under contract in Japan	RFA certification*1 for DLTC’s company coffee plantations (Costa Rica)	Specialized raw materials (<i>Shui</i> carrots, barley grass, etc.)
Raw material processing	<ul style="list-style-type: none"> Unique raw material processing techniques 	Increasing the fragrance and flavor of ingredients (tea leaves) through microwave heating and blending for freshness (“Freshness heating”)	Attention to “kettle quality” (“hot air roasting” and “medium roasting”)	100% roasting in Japan	Natural Sweetness Production Method, etc.
Production and logistics	<ul style="list-style-type: none"> Environmentally-friendly production methods Recycling initiatives 	Used Tea Leaves Recycling System Reducing the weight of containers	Barley tea Used Tea Leaves Recycling System Reducing the weight of containers	Silver skin*2 recycling	Eco-friendly containers
Key value to be noticed		Catechins and theanine contained in green tea	Precautions against heat (hydration / fluid and mineral replenishment) Caffeine-free	Chlorogenic acid, etc. contained in coffee	Enables casual intake of vegetables and vitamins

*1 RFA certification: Rainforest Alliance (obtained by DLTC for a portion of its plantations and coffee bean selection plants)

*2 Silver skin: the thin skin removed during the process of roasting raw coffee beans.

Proposals to Support Healthy Lifestyles

Throughout its history, ITO EN has proposed products based on green tea—essentially the national drink of the Japanese people—to match customer lifestyle changes, drinking situations, and the needs of a wide range of age groups. In addition to supporting healthy lifestyle habits for customers

FFC (Food with Functional Claims) proposals: reducing body fat

Oi Ocha Koicha has been recognized for the action of the gallate-type catechins that it contains, which give it the functional property of reducing body fat. Since its launch in 2004, ITO EN has sold a total of over 5 billion bottles of *Oi Ocha Koicha*, as a beverage that offers casual support for healthy lifestyle habits.



through this familiar beverage, we will also expand the range of high added-value products and services that we propose with respect to diversifying health problems and issues such as stress.

ITO EN's first caffeine-free green tea beverage

In June 2020, ITO EN released caffeine-free *Oi Ocha Decaf*, aimed at pregnant women and nursing mothers who want to limit their intake of caffeine, as well as young children and other such customers.



Supporting customers in their time at home:

#IeTimeOEN Project

In response to the increase in the number of customers working from home, and time spent at home in general as a result of the COVID-19 pandemic, between May and June 2020, ITO EN launched the #IeTimeOEN initiative. In this initiative, ITO EN TEA TASTERS utilize digital technologies to stream information on enjoying tea and various tea-drinking situations.



ITO EN TEA TASTERS
#IeTimeOEN Project

Environmentally-friendly container- and packaging initiatives



ITO EN has adopted Japan's first* plant-derived biodegradable filter for *Oi Ocha Green Tea Teabags*.

Oi Ocha microwaveable 345ml PET plastic bottles use 100% recycled plastic.

*The first single-chamber teabag (with gusset) in Japan.

▶ See page 40 for ITO EN Group Medium- to Long-Term Environmental Goals.

Processes for Creating Shared Value (CSV)

Originality and Strengths

- Voice System enables all employees to make suggestions with regard to Product Planning and Development, etc.
- Market-creation capabilities based on various “world first” and “industry first” products, and strong brand power
- Development capabilities to develop products that make use of natural ingredients
- Extensive lineup of products that contribute to healthy lifestyles for customers

Environmental (E) and Social (S) Initiatives

- Container and packaging recycling initiatives (recycled PET plastic bottles, biodegradable filters, eco-friendly containers, etc.)
- “Ochakko-kai” events run by ITO EN TEA TASTERS, and other initiatives for creating opportunities for communication in disaster-stricken areas

Supporting healthy and enriched lifestyles

Environmentally-friendly containers and packaging



Procurement

ITO EN ensures stable procurement of high-quality raw materials and contributes to the development of sustainable agriculture in Japan, by producing high-quality ingredients through collaboration with producers and building strong relationships based on harmonious coexistence and mutual prosperity.



Koichi Ueda,
General Manager, Agricultural Technology
Department

ITO EN develops optimal raw materials according to the purpose or way in which tea is to be consumed, such as green tea for use with a traditional teapot kyusu or in green tea beverage products. In the Tea-Producing Region Development Project—which we have worked on over many years—we work with producers to create tea cultivation methods to match the purpose of use, and achieve stable procurement of high-quality raw materials and product differentiation. We also contribute to stable tea plantation management and effective use of abandoned farmlands by sharing our proprietary technologies and know-how with producers, and adopting a cultivation under contract approach whereby we purchase the full amount of tea leaves produced.

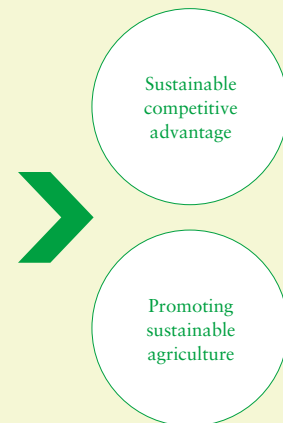
Processes for Creating Shared Value (CSV)

Originality and Strengths

- Crude tea procurement capabilities accounting for around a quarter of all crude tea produced in Japan
- Stable procurement of high-quality tea leaves and cost reductions through initiatives such as the Tea-Producing Region Development Project
- Improving product quality, differentiation from other companies and establishment of traceability through the development of tea made from specialized raw materials

Environmental (E) and Social (S) Initiatives

- Stable and sustainable farm management that is not influenced by market prices
- Effective use of abandoned farmlands (new tea plantations business), creation of employment opportunities
- Environmentally-friendly agriculture through appropriate fertilizer application, etc.
- Advancing GAP certification's acquisition



Main Initiatives to Secure a Sustainable Competitive Advantage and to Promote a Sustainable Agriculture

Enhancing development and procurement of distinctive raw materials

Development of raw materials including tea leaves for specialized beverage use, tea leaves with suppressed amounts of caffeine, and raw materials of *matcha* meeting the overseas demand

Expanding plantations and production areas

Expanding new tea plantations business in the five prefectures of Kyushu region and in Shizuoka Prefecture, and expanding the Tea-Producing Region Development Project through efforts such as cultivation under contract in Shimane prefecture

Quality and safety

Conducting assessments of suppliers

- Conducting questionnaire-based assessments of suppliers and regular on-site visits based on the Group Procurement Policy
- Continuous improvement of quality through annual quality assurance meetings
- Conducting assessments of primary suppliers and quality assurance meetings once a year with regard to market procurement via wholesalers and trading companies

Advancing GAP certification's acquisition

Almost all of tea plantations under the Tea-Producing Region Development Project have obtained GAP certification* (ITO EN plans to obtain certification for 100% of them during fiscal 2020)

*GAP (Good Agricultural Practice) certifications are granted to farms that engage in food safety and environmental conservation initiatives. In addition to the Global GAP international standard, other schemes include JGAP and ASIAGAP, which are granted by the Japan GAP Foundation. GAP certification here refers to plantations that have obtained one of those three certifications.

The Tea-Producing Region Development Project

The Tea-Producing Region Development Project consists of two key initiatives: cultivation under contract in existing production regions and the new tea plantations business, which begins with the creation of new tea plantations. Cultivation under contract is a system whereby ITO EN commissions existing farmers to produce tea leaves for use in its products, and purchases the full volume of tea leaves produced. In the new tea plantations business, local business operators take a leading role, cooperating with local governments to create new large-scale plantations, such as by making use of abandoned farmlands, while ITO EN provides technical guidance and know-how. The plantations then produce tea leaves for use by ITO EN.

Business Policy

- Improve quality and reduce costs
- Enable stable management of tea business and stable supply of raw materials
- Promote tea plantation management in coexistence with the environment

Business Features

- Large-scale plantation management
- Labor-saving management through mechanization
- Introduction of ITO EN's proprietary production technologies
- Contract-based transactions

New tea plantations business rolled out in 8 districts in 6 Japanese prefectures

Total area of tea plantations: 443ha
(as of fiscal year 2019)

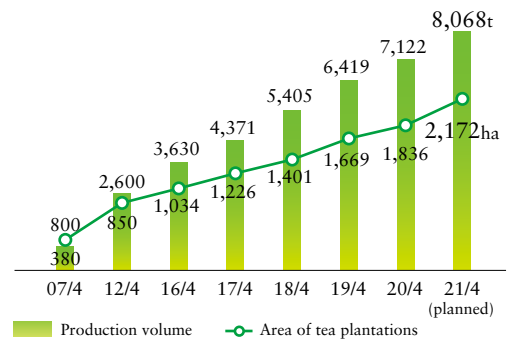
Five prefectures of Kyushu



Shizuoka Prefecture (commenced rollout in August 2020)



Progress of the Tea-Producing Region Development Project



Cultivation Under Contract Utilizing Tea Cultivation Know-How (Aojiru (Barley Grass Green Juice) and Shui Carrots)

Some new tea plantations business locations are seeking to improve productivity through combined production of barley grass—an ingredient used in *Aojiru* (Barley Grass Green Juice)—during the off-season for tea cultivation. They are also engaged in the cultivation of *Shui** carrots, a variety of carrot reserved especially for use by ITO EN in its vegetable beverages.

▶ See page 38: Vegetables and *Aojiru* (Barley Grass Green Juice)



Cultivation of barley grass as a raw material for *Aojiru* (Barley Grass Green Juice)



Shui: a carrot variety exclusively for ITO EN

*ITO EN eventually selected the *Shui* variety from around 50 varieties of carrot, after many years of comparative cultivation and processing evaluations. The three distinctive features of *Shui* carrots are that they (1) contain around 1.5 times the amount of β-Carotene contained in typical carrots, (2) are around 1.1-1.3 times sweeter, and (3) contain minimal amounts of scum. *Shui* carrots have also been recognized by specialists, such as in their selection in First Place in the "Carrots – Raw and Steamed" category at the 5th Japan Vegetable Sommelier Association Summit—a gathering of vegetable experts—in 2011.

Solving community issues through the new tea plantations business

Miyazaki Prefecture Case Study

In the city of Miyakonojo, Miyazaki Prefecture, in addition to contracted cultivation of carrots for use in ITO EN's *Jujitsu Yasai* (vegetable and fruit mix juice), in 2001 JA Miyakonojo and ITO EN also signed an agreement regarding the Tea-Producing Region Development Project. In July of the same year, the agricultural production corporation Agricenter Miyakonojo limited-liability company was established as a subsidiary of JA Miyakonojo. In 2006, 100ha of tea fields were completed, consolidating around 40 tea plantations. The center proactively recruits young employees, including not only those with experience in farming, but also civil engineering, which is necessary in the creation of tea plantations; and is expanding the circle of employment together with agriculture in the area.

Business operators and local government

- Sustainable farm management
- Effective utilization of abandoned farmlands

Business agreement

- Technical guidance
- 100% purchasing of the production

ITO EN

- Cost reductions and stable procurement of high-quality tea leaves





Production and Logistics

ITO EN will build a sustainable supply chain with consideration for a stable supply of safe products that offer peace of mind to customers as well as both environmental and social aspects, while deepening its level of collaboration with partner companies.



Yoshihisa Nakano,
Director, Senior Managing Executive
Officer and General Director of the
Production Headquarters

Nationwide Five-Block Production and Logistics System Utilizing the Fables Method

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 materials for our products, we outsource the subsequent tea brewing, extraction and bottling processes to beverage production companies (except in Okinawa prefecture). 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.

In order to deliver safe products that offer greater peace of mind to customers as quickly as possible, we have created a block-based production and logistics scheme in which the country is divided into five blocks, with around 50 partner plants. Producing products at plants that are close to the actual consumption zones enables us not only to improve logistics efficiency, but also to deliver fresher products to customers.

In terms of quality, we ensure thorough quality control and traceability from the raw material stages right up until our products reach the hands of our customers.

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

Quality Control

The ITO EN Group has established policies on quality and the environment and is working in collaboration with its stakeholders, including partner plants, to establish a supply framework that pays due care and consideration to both environmental and social aspects. 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 terms of logistics, we conduct regular assessments, audits and meetings for each partner company with regard to transport and storage-related rules and other regulations established by ITO EN, in order to thoroughly ensure safety

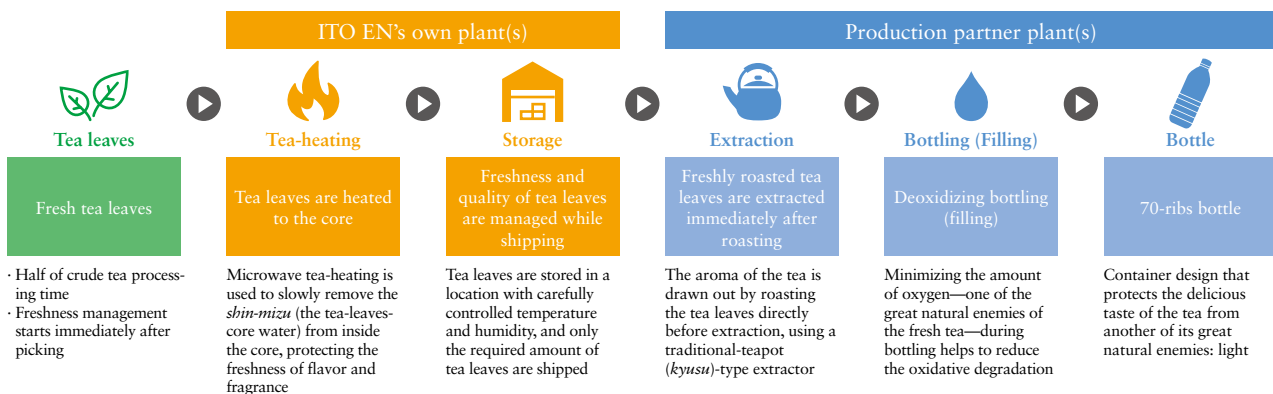
and peace of mind.

Furthermore, in order to bolster our response to urgent issues of marine plastic waste, climate change and social issues in the supply chain, in January 2020 we held an ESG liaison meeting with our main outsourcing partners.

Ensuring Traceability

With regard to domestic green tea beverage and tea leaf products, we are able to grasp the production plant location, date of production, raw materials and state of cultivation by farmers based on the lot numbers of final products delivered into the hands of customers. We also ensure traceability for vegetable beverages that make use of imported raw materials.

Our supply chain for achieving freshness and delicious taste (Oi Ocha)



Solving Issues Through Cooperation with Partner Companies

Development of eco-friendly containers

The NS System*, developed in collaboration with Toyo Seikan Co., Ltd., is a method that enables aseptic bottling at room temperature without the use of sterilizing agents to sterilize bottles. This eliminates the need to use large volumes of water that would otherwise be required to wash away sterilants. Additionally, since the only time when bottles are exposed to high temperatures is during sterilization using hot water, we are able to minimize the level of heat resistance required, allowing us to produce more lightweight bottles. The use of more lightweight bottles leads to a reduction in the amount of materials used in production, and CO₂ emissions during delivery.



*NS System: Non-Sterilant (Not using any kind of sterilizers)

- Reduces the amount of water used for washing during production
- Enables the use of more lightweight bottle materials
- Reduces energy consumption during production and energy costs, and CO₂ emissions during delivery

On-site bottle molding at the filling plants

No use of chemical agents

Bottling at room temperature

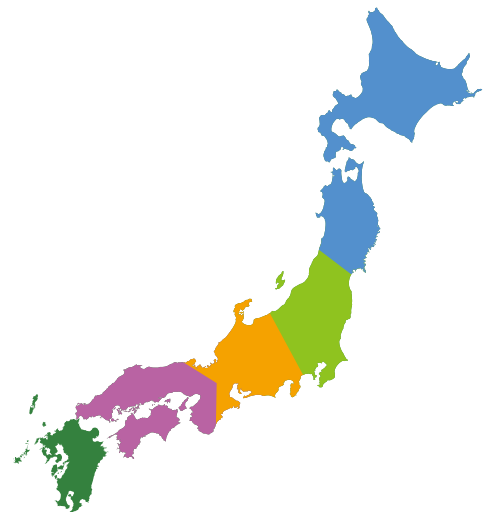
No use of high-temperature washing or refrigeration processes

Initiatives to improve logistics efficiency and reduce environmental impact

By dividing the country into five blocks and producing beverages through outsourced production, we are able to shorten transportation distances between production plants and consumption areas and to minimize energy consumption during transportation. We are also engaged in modal shift initiatives, shifting from transportation of cargo using trucks and other road vehicles to other modes of transportation with lower environmental impact, such as railways and ships.

Nationwide 5-block production and logistics system

- Reduces logistics costs and enables speedy supply of products
- Environmentally-friendly logistics initiatives



Award received for modal shift initiatives

July 2017

Received a prize from the Director-General of the Maritime Bureau, Ministry of Land, Infrastructure, Transport and Tourism as an excellent “Eco Ship and Modal Shift business operator” for the fiscal year 2016



June 2018

Received “Logistic Environment Special Award” at the 19th Logistics Environment Awards

Processes for Creating Shared Value (CSV)

Originality and Strengths

- Unique technologies for processing raw materials such as tea leaves, barley and coffee beans
- Fabless method where production is outsourced to external beverage plants
- NS System enables production of high-quality products and reduction of costs
- Nationwide five-block production and logistics scheme enables delivery of products manufactured at partner plants, situated close to consumption areas

Environmental (E) and Social (S) Initiatives

- NS System enables the use of more lightweight containers, reducing energy consumption and water usage
- Reduction in CO₂ emissions due to production and logistics
- Used Tea Leaves Recycling System
- Enhanced collaboration through ESG liaison meetings, etc., with outsourcing partners

Supply of safe, high-quality products that offer peace of mind to customers

Reduction of the environmental impact



Sales and Distribution

ITO EN will utilize the distinctive nature of its community-based sales network to achieve sustainable growth by working to understand the needs of customers in the “With COVID-19” era and to build stronger trusting relationships with all of our customers than ever before.



Shusuke Honjo,
Vice President, Representative Director,
Executive Officer and
General Director of the Sales Headquarters

Team ITO EN’s Wide-Area and Community Sales Network

The source of ITO EN’s marketing power is in its community-based route sales system. The advantage of route sales is in gathering and understanding market information in locations that are closer to customers. ITO EN has approximately 3,500 sales personnel at 196 sales branch offices based nationwide, who personally engage in product explanations, sales negotiations and deliveries. By valuing contact with all of our customers, we use this network to obtain the latest information from the field and utilize it in our marketing- and sales activities via the “Voice System”. Although lifestyle conditions have changed significantly due to the COVID-19 pandemic, we are working to respond agilely in order to enable stable delivery of products to customers via our route sales network.

We have also established an effective framework that enables finely-tuned business negotiations to meet the needs of various types of retailers, including corporate business sales to major companies and distribution-based sales to convenience stores (CVS) and supermarket chains. In the retail division, we have opened specialty tea shops at locations such as department stores, shopping malls and airports (122 stores nationwide). Feeding back the market information obtained at those locations into product development and other activities of our company is another of ITO EN’s key strengths.

By directly connecting our company with our customers and by strengthening those connections in ways such as those already mentioned above, Team ITO EN is rolling out

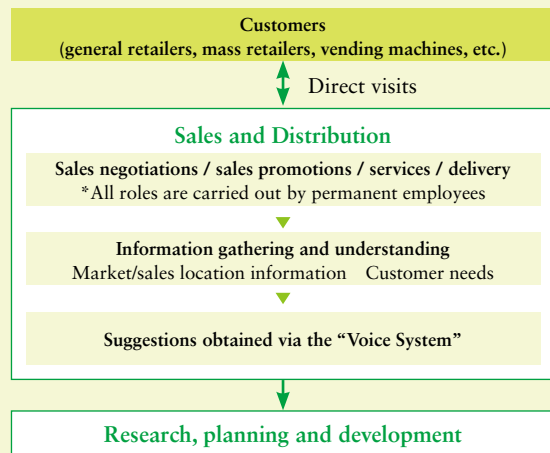
wide-area and community-based sales activities that will enable it to make the most optimal proposals on the sales floor.

Route sales system scheme

- Direct contact with customers
- Providing a finely tuned response to customer needs is a key point of the sales activities
- Agile response on a site-by-site basis



Information gathering process utilizing route sales



Processes for Creating Shared Value (CSV)

Originality and Strengths

- Sales structure combining community-based route sales system and mass retailers, CVS and corporate business sales
- Productivity management based on profit-and loss management on a sales base and divisional basis
- Diverse sales channels of tea leaf products including specialty tea shops, department stores, mass retails and general retail stores
- Sales promotion activities conducted by 2,289 qualified ITO EN TEA TASTERS

Environmental (E) and Social (S) Initiatives

- Supply structure for agile and stable supply of products at regional sales locations during disasters, pandemics and other times of emergency
- Conducting environmental conservation and development activities in various communities
- Energy-saving management of vending machines (percentage of heat pump-type vending machines installed: 92.7%)
- Number of disaster response-ready vending machines: 18,000 units (FY4/2020)

Securing sustainable profits

Creating shared value in local communities

Initiatives to Provide Vending Machines Needed by Customers in the With COVID-19 Era

Vending machines are an important sales channel for ITO EN, and we are engaged in sales efforts with an emphasis on finding good locations leading to increased profitability. We are working to support healthy customer lifestyles and creating sales locations that customers can use with peace of mind, based on three key pillars: cleanliness (hygiene), cashless (contactless payment) and wellness (health). In addition to disaster response-ready vending machines and antibacterial action, we

are also seeking to differentiate from other firms with our own vending machine solutions. For example, vending machines equipped with used tea leaf composition sheets, which are effective in mitigating the heat island phenomenon, and vending machines that contribute to society from the perspective of key ESG issues such as community and human rights.

Initiatives to provide vending machines needed by customers

1 Cleanliness (hygiene)

In addition to thoroughly alcohol sanitizing and cleaning purchase buttons and other parts of vending machines touched by consumers, we are also working to roll out sanitary vending machines that enable customers to purchase products with peace of mind; through the application of antibacterial used tea leaf stickers*¹ (containing an antibacterial formulation with used tea leaves) and antiviral stickers*².



Antibacterial used tea leaf stickers

2 Cashless (contactless payment)

We have proactively introduced vending machines with IT access, enabling payment using QR codes, and have deployed 20,000 vending machines that support cashless payment (as of July 2020).



Card reader with QR code payment support

3 Wellness (health)

We have rolled out “wellness vending machines” with an extensive lineup of wealth-conscious products geared towards the era of 100-year life expectancy. These vending machines have also been adopted by companies engaged in health and productivity management, and also provide opportunities to increase the health awareness of customers. Clients who have installed these vending machines have commented that they provide powerful support for maintaining good health, and help to revitalize their organizations.



Example of the product lineup

*1 The stickers were found to display effective antibacterial action based on antibacterial assessment tests using E.coli, MRSA, salmonella and ringworm.

Test method: Used tea-leaf formulated sheets were exposed to bacterial solutions (E.coli, Methicillin-resistant Staphylococcus aureus (MRSA), salmonella and ringworm) in accordance with the JIS L 1902:2002 bacterial solution absorption method. The number of bacteria was then measured after 18 hours stored at 37°C.

*2 ITO EN uses RIKEGUARD® FILM produced by RIKEN Technos Corporation. The film displays a reduction in the number of specific viruses on its surface, for both enveloped and non-enveloped viruses.

Test method: 0.4ml of viral solution were applied to 5cm square samples (one treated with the antiviral product and one untreated). The level of viral infection was then measured after leaving the samples for 24 hours at 25°C and washing the virus off the surface of the samples (in accordance with the ISO21702 standard).

*The action of the stickers was not validated for all viruses.

TOPIC

Support for healthcare professionals and accommodation facilities that have pledged to accept mildly symptomatic patients in response to the COVID-19 pandemic

ITO EN has donated approximately 78 million yen's worth of products—including tea beverages and tea leaves (tea bags and instant tea) products—to 596 hospitals, including designated infectious disease hospitals, and 56 accommodation facilities that have pledged to accept mildly symptomatic patients.

Examples of products donated

Oi Ocha Green Tea 280ml PET bottles:
approx. 420,000

Oi Ocha Green Tea 190g cans:
approx. 160,000

Tea leaf products (for hotels and restaurants):
approx. 860,000



Initiatives for Solving Environmental Issues Through Sales Activities

Collection of empty bottles and containers by the route sales personnel

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.

Opinion of a route sales personnel representative

People throw away many other kinds of garbage in the recycling boxes aside from PET plastic bottles and cans. Properly separating trash before throwing it away, based on the thinking that “mixed trash is garbage, while separated trash is a supply of resources” leads to the more effective utilization of resources.

Yuta Kurahashi,
ITO EN Takaido Branch



Reduction of CO₂ emissions

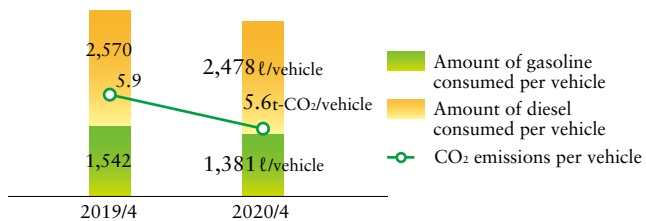
Introduction of low-pollution vehicles and promotion of eco-friendly driving

We are engaged in efforts to reduce vehicles’ fuel consumption and related CO₂ emissions through the proactive introduction of low-pollution vehicles, improved efficiency of sales routes and promotion of eco-friendly driving.

Adoption rate for low-pollution vehicles:

99.9%
(FY4/2020)

Fuel consumption and CO₂ emissions per vehicle



Promoting energy saving by increasing the number of heat pump vending machines

We are increasing the number of heat pump vending machines, which heat products using heat generated by their internal refrigeration systems.

Adoption rate for heat pump vending machines:

92.7%
(FY4/2020)

Vending machine equipped with used tea leaf formulated sheets

ITO EN’s used tea leaf formulated sheets have antibacterial, deodorizing properties and also help mitigating the heat island phenomenon. These vending machines are installed inside hospitals and nursing care facilities, and outdoor locations where there are environmental and scenic considerations.



Vending machine equipped with used tea leaf formulated sheets

Activities to conserve water resources: the “Making Lake Biwa Beautiful Through Tea” campaign

Lake Biwa is Japan’s largest lake. In 2008, ITO EN launched the “Making Lake Biwa Beautiful Through Tea” campaign, with the objective of preserving the lake’s water resources. In addition to the company donating a portion of its sales revenues from *Oi Ocha* products sold in the Kansai region, ITO EN employees and participants recruited from the general public also engage continuously in the cutting of reeds on an annual basis.

Purpose of use for donations

- (1) Conservation and nurturing of reed communities
- (2) Promotion of reed-related volunteer activities
- (3) Support for reed-related environmental education

* Area of Lake Biwa reed community conservation zone in 1955: 260ha, 1991: 127ha, 2016: 184ha

Awarded the “Minister of Economy, Trade and Industry’s Prize” at the Japan Water Prize Awards



Volunteers experience reed cutting activities

Please refer to the following URL for reports on activities carried out so far as part of the “Making Lake Biwa Beautiful Through Tea” campaign.

<https://www.itoen.co.jp/itoen-motherlake/>

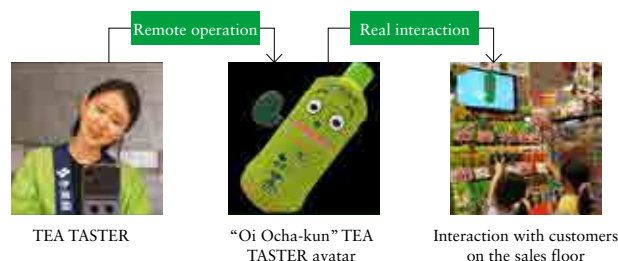
Involvement in Local Communities

Communicating the appeal of tea and sales promotion activities through ITO EN TEA TASTERS

ITO EN TEA TASTERS have a great store of tea-related knowledge. By participating in *Dai-Cha-Kai* (demonstration sales and tasting events of green tea) and other events at locations across Japan and giving demonstrations of how to prepare tea, TEA TASTERS communicate the appeal and attraction of tea to customers and link this on to sales promotion.



TEA TASTERS participate in the *Dai-Cha-Kai* that ITO EN holds on October 1 of each year—*Nihoncha no hi* (Japanese Green Tea Day)—and at other times of year when there is high demand for tea leaf products, such as during the first tea picking of the season.



In 2020, ITO EN deployed the remotely operated “Oi Ocha-kun” TEA TASTER avatar at some of its in-store sales areas.

* “Oi Ocha-kun” TEA TASTER avatar: A system that enables TEA TASTERS to recommend products, answer questions and interact with customers remotely, without actually having to visit the store in person.

“Making Japan Beautiful Through Tea” campaign

Since 2010, ITO EN has been conducting the “Making Japan Beautiful Through Tea” campaign, in which it donates a portion of the sales revenues from *Oi Ocha* products to environmental activities around Japan. In addition to donating funds to local governments, ITO EN employees also participate in environmental conservation and development activities, and seek to promote greater recognition and understanding of these activities. These activities form a foundation for marketing activities that enable us to make maximum effective use of the strengths of our nationwide sales network, while at the same time contributing to the resolution of local community issues.



Forest conservation and tree nurturing activities in Fukushima Prefecture

The ITO EN *Oi Ocha* New Haiku Contest

The ITO EN *Oi Ocha* New Haiku Contest was started in 1989. 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 rules such as seasonal expressions, and excessive or insufficient numbers of characters.

Through these “New Haiku,” ITO EN contributes to culture and education, comes closer to people’s everyday lives through tea and the power of language, and provides opportunities for people to connect.

The 31st ITO EN *Oi Ocha* New Haiku Contest 2020

Number of entries received:

1,954,888

entries from 63 countries and regions
(Total cumulative number of entries received over the history of the contest: over 37,650,000 entries from 93 countries and regions)



Oi Ocha bottle displaying the Minister of Education, Culture, Sports, Science and Technology’s Prize entry



Online recital for winning entries

Ever-evolving *Oi Ocha*

This year, *Oi Ocha* marks the 31st anniversary of its launch. Over the course of its history, *Oi Ocha* has pursued the delicious taste and casual convenience demanded by consumers, catering to various drinking situations and demographics in order to match customer lifestyles as they change with the times.

Today, lifestyles and living conditions are changing greatly due to background such as super population aging and the COVID-19 pandemic, and there is increasing interest in health. Since ancient times, green tea has been used as a medicine, as a tool for social interaction, as a source of nutrition for replenishing nutrients, and as a food. Looking ahead, *Oi Ocha* will continue to evolve with the aim of contributing to healthy and enriched customer lifestyles through the various possibilities that green tea has to offer.



Evolving with a focus on “drinking”

“Drinking at home” indoor beverage
Launched sales of packaged green tea shifting away from the conventional method of sales by weight

Becoming an outdoor beverage that can be drunk anytime, anywhere

Expanded the range of drinking situations through the pioneering development of containers ahead of the industry

Diversifying tea preferences

1960s

1966
The Frontier Tea Corporation, ITO EN's predecessor, launched packaged green tea.



1980s

1985
Launched the world's first green tea beverage, canned *Sencha* (green tea)



1989
Launched the *Oi Ocha* brand



1990
Launch of the world's first green tea beverage in PET plastic bottle



1990s–2010s

2000
Launched products in heated PET plastic bottle



2016
Launched products in microwaveable PET plastic bottle



Initiatives to tackle social and environmental issues

Sustainable crude tea procurement ● ●

- The Tea-Producing Region Development Project
 - ▶ See page 23, Procurement
- GAP certification (100% in fiscal 2020)
- Ensuring traceability

Reducing environmental impact in Production and Logistics ●

- Creating lightweight containers through the introduction of the NS System
- Reducing energy costs during delivery
 - ▶ See page 25, Production and Logistics

Initiatives to recycle used tea leaves ●

- Development of industrial products utilizing the Used Tea Leaves Recycling System
- Fixing CO₂ absorbed by tea trees in products
 - ▶ See page 37, Used Tea Leaves Recycling System

TEA TASTER activities ● ●

- Communicating the value of green tea through activities to enlighten people about Japanese tea culture, etc.
 - ▶ See page 46, The Value Created by ITO EN TEA TASTERS

Containers and packaging ● ●

- Creating more lightweight PET plastic bottles and reducing the volume of plastic used
- Aiming to increase the ratio of recycled materials, including bio-derived materials, used as materials for producing PET bottles to 100% by 2030
- All 345ml microwaveable containers switched to 100% recycled PET plastic by 2019
- Adoption of plant-derived biodegradable filters for *Oi Ocha* Green Tea teabags
 - ▶ See page 41, ITO EN Group Medium- to Long-Term Environmental Goals

“Making Japan Beautiful Through Tea” and “Making Lake Biwa Beautiful Through Tea” ● ●

- Activities to preserve regional natural environments and cultural heritage assets
 - ▶ See page 28, Initiatives for Solving Environmental Issues Through Sales Activities
 - ▶ See page 29, Involvement in Local Communities

The ITO EN *Oi Ocha* New Haiku Contest ● ●

- Spreading- and passing on Japanese culture
- Communication with consumers
 - ▶ See page 29, Involvement in Local Communities

Consumer issues

Community and society

Global environment



Oi Ocha has been certified by Guinness World Records® as the world's No.1 tea beverage brand in terms of sales for the second successive year.

No.1 tea beverage brand

Made using **100%** domestically produced tea leaves

Eat

As an ingredient that enables total consumption of the whole tea leaf (loose tea leaves, *matcha*, etc.)



Matcha beverages are a Food with Functional Claims: increasing the accuracy of cognitive functions* through the action of theanine and tea catechins
*Attention and judgment, which are known to be one part of cognitive function

Drink

A wide range of products from tea leaves to tea beverages

Proposing new value that contributes to healthy- and enriched lifestyles

2020 onward

2017 Launched new "freshness bottle" PET plastic bottle design



Food with Functional Claims: decreases body fat through the action of gallate-type catechins

Caffeine-free green tea beverage

Easy and convenient products (tea bags and instant tea)



The *Oi Ocha* brand

Tea leaves

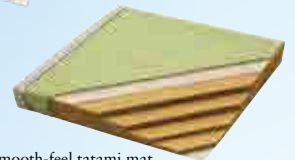
Use

Make effective use of tea leaves as a resource for industrial products utilizing the functional benefits of tea

▶ See page 37, Used Tea Leaves Recycling System



Mask case containing used tea leaves

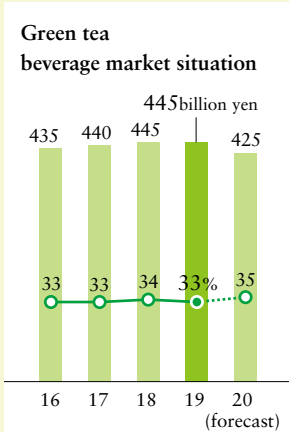


Smooth-feel tatami mat containing used tea leaves



Cardboard box containing used tea leaves

ITO EN market share **33%** (January–December 2019, according to research by ITO EN)



Green tea beverage market
ITO EN share
*January to December

Record name: Largest natural healthy RTD green tea
Target brand: *Oi Ocha* brand (excluding roasted green tea beverages)
Target year: 2019
Certified figure: US\$1,882,900,000 (estimated)

Overseas Strategy

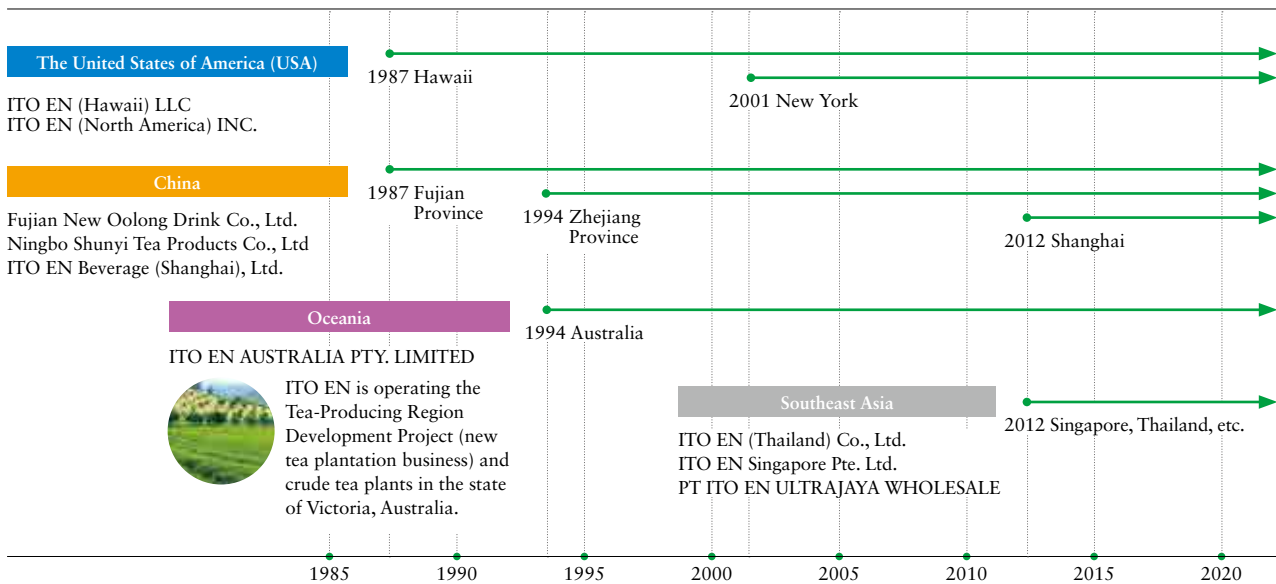
ITO EN has developed a global presence as a representative Japanese brand, in order to communicate the value of green tea to overseas customers and cater to the growing health-conscious attitudes worldwide. By applying the “From Tea plantations to Used Tea Leaves” business model that it has developed in Japan on a global scale, ITO EN aims to advance localized production with the aim of becoming a Global Tea Company.

Overseas brand strategy

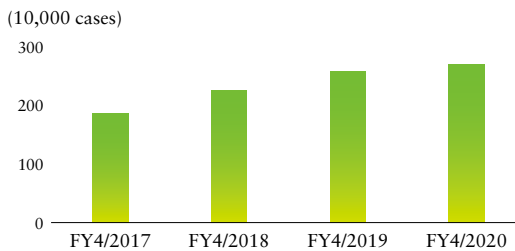
1 Developing global brands
(*Oi Ocha* / MATCHA GREEN TEA)

2 Deploying products interacting with the regional characteristics

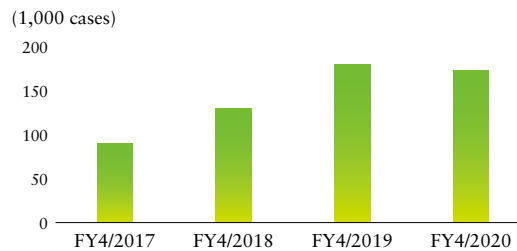
Progress in overseas expansion



Progress in overseas sales of *Oi Ocha*



Progress in overseas sales of MATCHA GREEN TEA



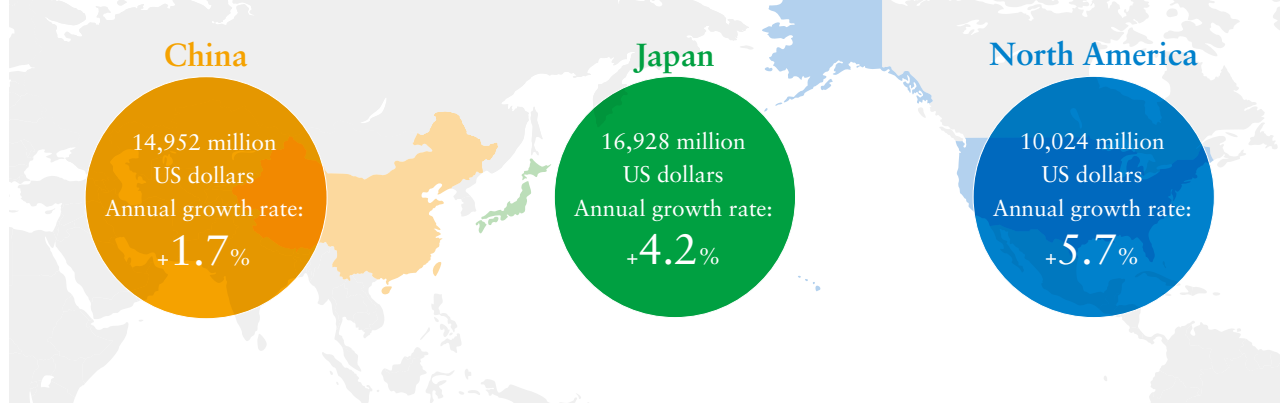
Oi Ocha is sold in **35** countries and regions



Size and Growth Potential of the Global Tea Beverage Market

The global tea beverage market is expected to continue growing in the future due to factors such as the global boom in *washoku* (traditional Japanese cuisine) and *matcha*, and the increase in health-oriented attitudes. By 2022, the Chinese market is expected to become the largest market, on par with the Japanese market. The North American market is also expected to display continuous growth. Looking ahead, as the North American-, Chinese- and other markets continue to grow, ITO EN will deploy global brands—with a primary emphasis on *Oi Ocha*—and seek to expand sales while utilizing e-commerce.

Global tea beverage market scale forecast 2018–2022 (according to research by ITO EN)



Business presence in China

ITO EN has rolled out products aimed at establishing a business base in China. In addition to rolling out *Oi Ocha* in major city areas, with retailers ranging from convenience stores to supermarkets and online shopping sites, we are also bolstering sales of barley tea and other sugar-free beverages.



Oi Ocha and *Mugicha* (Barley tea) sold in China

Business presence in the United States

In the United States, we are seeking to achieve penetration of green tea into everyday life and to expand the market by spreading sales of authentic green tea to more consumers at major national retail chains, while at the same time seeking to establish the “ITO EN brand”.



Flagship products in the US Market are *Oi Ocha* and *MATCHA GREEN TEA*

Commitment

We believe that the global green tea market will still continue to grow. For this reason, it is necessary for us to appeal thoroughly to customers about the value of green tea. As a company that creates health, we must communicate the value of what we can offer customers around the world through tea, and aim to penetrate the lifestyles and culinary cultures of countries around the world.

We believe that creating opportunities for many people to drink green tea—with a focus on our global brand *Oi Ocha* and our dedicated overseas brand *MATCHA GREEN TEA*—and vigorously communicating the value of green tea to consumers will lead to an increase in the number of ITO EN fans and an expansion of our market share.

We are also advancing the localization of production overseas, with an emphasis on freshness, which is an important factor in delivering delicious products. We commenced local production of teabag products in Australia starting from May 2020. Moving forward, we will 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.

As a leading tea company, ITO EN will continue to contribute to people’s health by providing its value to customers around the world through green tea.

Tomohiko Yanagi,
General Director, International
Business Headquarters

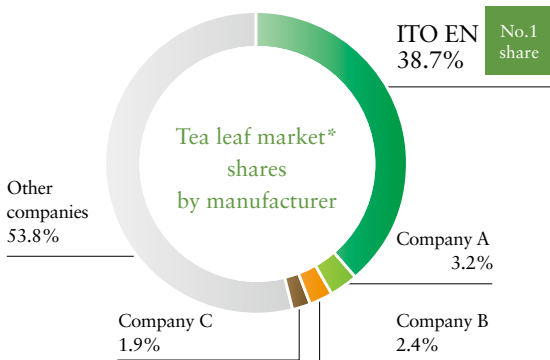


Tea Leaves and Matcha Products

Comprehensive proposals from product development to sales floor creation

ITO EN has conducted detailed analyses of the tea leaf market and regional market trends ranging from home use to carry bottle and commercial segments, and created a wide range of products catering to different customer preferences and purposes of use. We are also working to propose tea leaf products sales opportunities and revitalize the market through initiatives such as sales floor suggestions using shelving-allocation systems, the proposal of iced-water-brewed products and the hosting of events such as our *Dai-Cha-Kai* (demonstration sales and tasting events of green tea) run by ITO EN TEA TASTERs.

In the tea leaf market, ITO EN boasts an overwhelming No.1 share of 38.7% in 2019 at around 4,000 stores—including mass retailers and convenience stores—nationwide.



*Green tea, barley tea, oolong tea and health teas
 *Source: INTAGE SRI / January–December 2019 / monetary basis

Market overview

Although the green tea leaf market has seen a continued trend of decline, an increase in household demand as a result of factors such as an increase in health-oriented attitudes and consciousness, and the impact of the COVID-19 pandemic resulted in cumulative market growth of 6.4% in the Japanese green tea leaf market between February and April 2020.

In particular, the market for easy-to-enjoy green tea tea-bags grew by 13%, with ITO EN achieving growth of 16% year-on-year to a share of 42% in that market. Looking ahead, we will continue working to increase the quality of our easy-to-prepare and convenient products based on consumer needs for products that are easy and delicious to drink and enhance proposals of those products.



Market research

Green tea market and sales trends

Grasping market trends ranging from household to commercial use

Sales trends of green tea by region

Analyzing category trends and top-selling products by region

Consumer trend survey with an emphasis on Japanese green tea

Survey regarding drinking and purchasing behavior, with a primary focus on Japanese green tea

Uncovering points of dissatisfaction

Direct gathering of points of customer dissatisfaction and demands via ITO EN employees (the internal “Voice System”)

Sales floor development

Sales floor proposals through a shelving-allocation system

Conducting POS analysis and image-based shelving-allocation proposals. Proposing staple sales floor layouts for selling products effectively

Year-round sales promotion proposals

Proposing year-round lifestyle themes and sales promotions based on seasonal trends

For spring and summer

Primary focus on rollout of large-volume tea bags which produce delicious tea even when brewed with cold water

For fall and winter

Expansion of range of easy-to-prepare and convenient products and enhancement of Japanese green tea leaf lineup

Provision of sales promotion displays

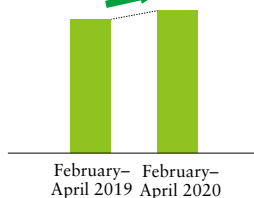
ITO EN provides displays that contribute to in-store sales, from end display to related sales

Route sales expansion

Achieving detailed follow-up on an individual store basis

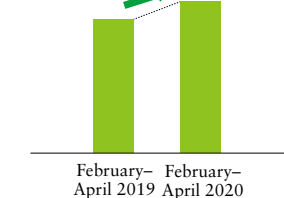
Green tea leaf market trends*

6.4% market growth



Green tea teabag market trends

13% market growth



*Average purchase amount per 100 people

16% year-on-year increase in sales amount for ITO EN green tea teabags (42% share)

*Source: research by ITO EN

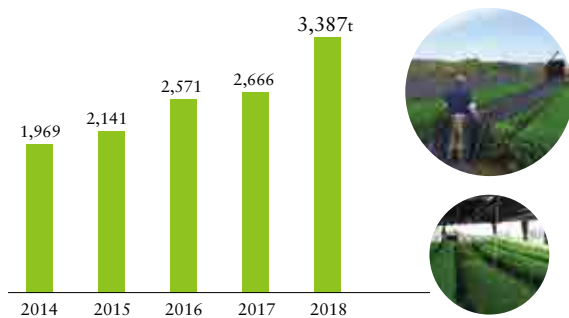
Revitalizing the *matcha* market

Matcha is one part of Japan's proud traditional food culture, which is highly regarded for its compatibility with food, its delicious taste, and its health benefits. In response to the global increase in demand for *matcha*, in 2016, ITO EN opened and commenced operation of a specialized *matcha*

Developing *matcha*-growing regions

We are expanding contracted cultivation of *matcha* raw materials (*tencha*) in areas such as the Kyoto- and Kagoshima prefectures.

Change in production volume of *matcha* raw materials (*tencha*)



*Source: research by the Japanese Association of Tea Production

production plant at its Shizuoka Sagara Factory. ITO EN is now working to revitalize the *matcha* market through a wide range of proposals, ranging from authentic *matcha* to processed *matcha* for food products, beverages and other commercial uses.

Unique clean processing techniques

We produce good quality *matcha* for various purposes using unique processing techniques.



Quern stones (Stone mortar mill for *tencha*)

Matcha ground using quern stones has a smooth taste and texture, and is used mainly for traditional tea ceremony purposes.

Volume of *matcha* that can be produced in one hour: approximately **20g**



ITO EN's *matcha* production plant

Hammer mill pulverizer

Hammer mill pulverizers enable us to increase the productivity of *matcha* production.

Volume of *matcha* that can be produced in one hour: approximately **40kg**



2,000 times that of quern stones

Matcha-related products



Otemae (for tea ceremony use)



Matcha teabags



Matcha processed food products



Matcha beverage products



Expanding overseas sales, primarily in the USA

ITO EN MATCHA PROJECT launched in an attempt to solve issues relating to cognitive function through *matcha*

Over the course of 20 years, in pursuit of the various possibilities of tea, ITO EN has engaged in research to scientifically prove the effect of active ingredients in tea on brain functions, based on fundamental research into catechins. During this time, it has also been confirmed that theanine—another active ingredient contained in *matcha*—has the action of protecting cranial nerves, and that continued consumption of *matcha* partially improves cognitive function in healthy middle-aged people. Based on this discovery, we have launched the ITO EN MATCHA PROJECT*¹, which aims to utilize *matcha* to contribute further to resolving issues relating to cognitive function.

As the first activity in this project, we have launched Japan's first*² *matcha* product that increases cognitive function (attention and judgment) as a Food with Functional Claims. Going forward, we will continue to develop further products.

The project will not stop at transforming research outcomes into products. With a primary focus on dietary lifestyles, we will engage in a wide range of activities that enrich customer lifestyles, including exercise and everyday conversation, and work to tackle local community issues in the era of 100-year life expectancy from the perspectives of prevention and coexistence.



*1 ITO EN MATCHA PROJECT

Based on over 20 years of its research outcomes, ITO EN will contribute to resolving cognitive function-related issues using *matcha*, which is rich in active ingredients that influence brain function. ITO EN will roll out multi-faceted project activities including product development based on research outcomes, research through collaboration between industry and academia, and CSR activities. We will also work to resolve issues by engaging in collaborations with local governments and other industries.

*2 ITO EN is the first in Japan to release a Food with Functional Claims in the cognitive function category through the combination of theanine and tea catechins (According to research by ITO EN in 2020).

Barley Tea Products



Market Overview

The barley tea beverage market is growing continually year by year, due to background factors such as the sugar-free and caffeine-free characteristics of barley tea. In 2019, the market grew to a scale of around 110.5 billion yen. The market has grown in size by around 3.5 times over a 10 year period.

Kenko Mineral Mugicha (Healthy Mineral Barley Tea) is currently the No.1 caffeine-free tea beverage (in terms of quantity sold)*, and leads the market with a 42% share.

Barley tea is a caffeine-free beverage which can be drunk with peace of mind by a wide range of consumers, from children to senior citizens, and enjoys the support of customers throughout the year. In addition to bottled drinks, ITO EN also offers a lineup of teabag and instant barley tea products. Looking ahead, we will seek to further expand sales of the *Kenko Mineral Mugicha* (Healthy Mineral Barley Tea) brand through linked in-store sales of bottled drinks, tea leaves (teabags) and instant products.

*According to research by Inryo Soken research for January–December 2019

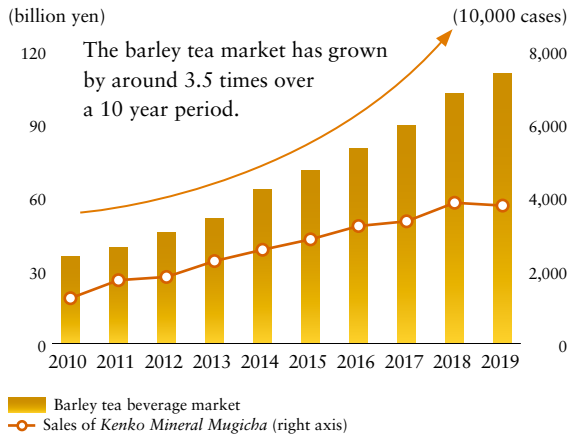
Quality management for safety and peace of mind

Kenko Mineral Mugicha (Healthy Mineral Barley Tea) is managed in the same way as food products for which infant standards apply*. It is a product that can be consumed safely and with peace of mind by babies and other members of the family. We have a rigorous quality management system that enables the results of radioactive materials inspection measurements to be verified via a QR code displayed on the product itself.



*Food products for which infant standards apply: Under the new criteria established by the Ministry of Health, Labour and Welfare on radioactive materials contained in food, stricter standard value apply to products for consumption by infants than for ordinary food products.

Progress in the barley tea market



*Market: January–December, ITO EN: May–April
*Source: research by ITO EN

A beverage for all seasons

Against the backdrop of increasing health-oriented attitudes, ITO EN proposes barley tea as an ideal beverage not only for combating the midsummer heat but also for hydration (fluid replenishment) and mineral replenishment when exercising or playing sports in any season, including during the winter, when we are prone to become dehydrated.



Barley tea value chain

Product Planning and Development	Procurement and Processing of Raw Materials	Production and Logistics	Sales and Distribution
<ul style="list-style-type: none"> A wide range of products: Beverages, teabags, powdered tea Caffeine-free, hydration and mineral replenishment <p>Quality products that can be drunk by the whole family members with safety and peace of mind</p>  <p>Kenko Mineral Mugicha</p>	<ul style="list-style-type: none"> “Kettle quality” (hot air roasting and medium roasting) <p>ITO EN SANGYO Sakaguchi Plant</p> 	<ul style="list-style-type: none"> World-class high-speed barley tea teabag packaging plant Fabless method and block production and logistics systems Barley tea Used Tea Leaves Recycling System <p>Shizuoka Sagara Factory</p> 	<ul style="list-style-type: none"> Rollout of sales areas for beverage products and tea leaves products in mass retailers, convenience stores, etc. <p>Barley tea beverage market No.1 Cosponsor* of <i>Atsui Machi Summit</i> (Hot City Summit) as a beverage for combating hot weather</p> <p>*An organization formed through the teaming-up of private-sector organizations from the cities of Yamagata in Yamagata Prefecture, Kumagaya in Saitama Prefecture, Tajimi in Gifu Prefecture and Shimanto in Kochi Prefecture</p>



Used Tea Leaves Recycling System

The used tea leaves output by production plants contain large quantities of moisture. ITO EN's Used Tea Leaves Recycling System prevents the used tea leaves from putrefying and enables their storage, transportation and use as a raw material for industrial products.

In addition to benefits such as deodorizing and antibacterial action, used tea leaves are also excellent in terms of resource utilization and environmental aspects, such as in helping to reduce the amount of raw materials used to produce products, and in technologies for fixing the CO₂ absorbed by tea trees in various products. So far, ITO EN has developed over 100 types of products made from recycled

used tea leaves, including plastics, drywall board and various paper products containing used tea leaves.

▶ See page 63, External Recognition

Unique ITO EN technologies that enable the recycling of used tea leaves

- Technologies that enable used tea leaves containing moisture to be stored and transported at room temperature
- Product development utilizing the functional properties of tea
- Technologies for fixing the CO₂ absorbed by used tea leaves in products
- Deodorizing and antibacterial action
- Use as an alternative material to limited resources

Recycling of used tea leaves into industrial products

Paper products formulated from used tea leaves



Cardboard boxes for beverages



Used tea leaf formulated sheet



Envelopes made using used tea leaves

Plastic products formulated from used tea leaves



Bench made using used tea leaves



Pillows

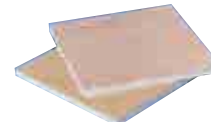


Artificial turf filler material

Building material products formulated from used tea leaves



Tatami floor mats (the first product to be made using used tea leaves)



Drywall board containing used tea leaves



Functional internal wall material


Sheet-type products formulated from used tea leaves



Used tea leaf formulated sheet



Used tea leaf formulated sheets are used as antibacterial stickers applied to the dispenser door (left) and purchase buttons (right) on vending machines

“Greentea” Field Chips have the action of suppressing increases in the surface temperature of artificial turf

Per square meter of soccer field surface*1:

- Uses approximately **430,000** Oi Ocha 525ml PET bottles worth of used tea leaves*2
- Suppresses increases in surface temperature by approximately **7°C**

*1 In the case of soccer field using long-pile artificial turf (1 field = approx. 8,000m²)
*2 Equivalent reduction in CO₂ emissions calculated to be approximately 4.3t-CO₂

Applications of the Used Tea Leaves Recycling System

Products made from recycled barley tea used tea leaves

(starting from September 2019)

Properties such as the adhesive effects of used tea leaves from barley tea are used to create high added-value products.



Barley tea used tea leaves



Shock-absorbent packaging for hot water heaters

Coffee recycling-related products

(starting from July 2012)

Silver skin composition paper is used for paper napkins used at Tully's Coffee



Paper napkins

Vegetable and Aojiru (Barley grass green juice) Products

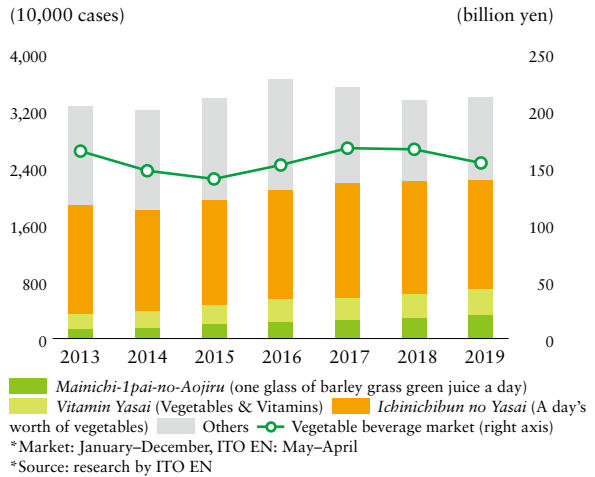


Market Overview

The vegetable beverage market in January–April 2020 has progressed strongly at a level exceeding sales for the same period of the previous fiscal year, due to increased interest in vegetable beverages with good nutritional balance, against the backdrop of factors such as a growing number of consumers with health-oriented attitudes and consciousness.

The *Aojiru* (Barley grass green juice) market (powder and beverage products) has grown by 14% in comparison with five years ago, expanding to a scale of around 105.0 billion yen in 2019. The beverage product market has grown by 73% over the past five years, to 14.2 billion yen in 2019.

Progress in sales of vegetable beverage series



Value creation and communication with a focus on nutrition: increasing the awareness of the delicious and nutritious vegetable beverages

In view of factors such as the global increase in health-oriented attitudes and changes in consumer lifestyles, ITO EN is responding to nutritional issues—such as deficiencies in consumption of vitamins and minerals and excessive consumption of fats, sugars and salt—by developing food and beverage products which contribute to good health, and proposing healthy dietary lifestyles to match the needs of customers.

ITO EN launched the carrot-based *Jujitsu Yasai* (vegetable and fruit mix juice) in 1992, as a response to consumer health-oriented needs. In 1999, we began research into carrots with high nutritional value with optimal delicious taste for use in vegetable beverages. We now use the *Shui* variety of carrot as the principle ingredient, selected from among around 50 varieties. In addition to careful selection of ingredients, we also make our vegetable beverages easier to drink through the use of our unique “Natural Sweetness Production Method”^{*1}.

Shui carrots contain around 2.5 times more GABA than ordinary carrots, and it has been reported that GABA has the

action of lowering blood pressure in people with high blood pressure. Regarding that fact, in October 2020, ITO EN launched *Jujitsu Yasai Shui Carrot Mix*, as a Food with Functional Claims that lowers high blood pressure through the action of GABA. We also give consideration to the environment by adopting brick-shaped aluminum-free paper pack-type drink containers (commonly referred to as eco-containers^{*2}) which can be recycled in the same way as milk cartons. Going forward, we will continue to contribute to healthy consumer lifestyles by bolstering product development efforts with a central focus on *Shui* carrots.

▶ See page 22, Procurement

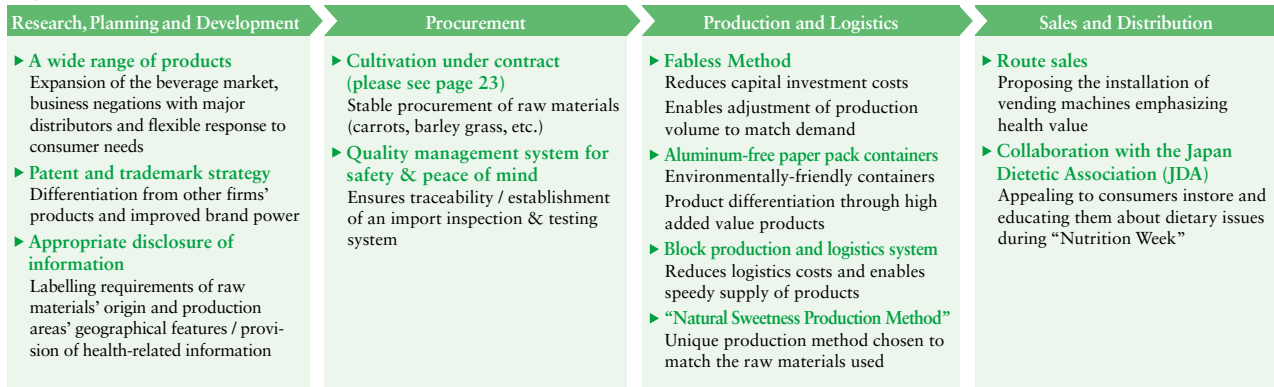


Jujitsu Yasai Shui Carrot Mix

^{*1} 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)

^{*2} 200ml brick-shaped paper pack-type containers produced by Nippon Paper Industries Co., Ltd., in which the conventional aluminum foil lining has been replaced with a transparent barrier film (GL film) developed by Toppan Printing Co., Ltd.

Vegetable-related value chain



Coffee Beverage Products



TULLY'S COFFEE and ITO EN Group Synergies

ITO EN sells products created through joint development with Tully's Coffee Japan Co., Ltd. (Tully's Coffee Japan). Canned and PET bottled coffee products value the spirit of Tully's Coffee, with a characteristic full-bodied flavor and aroma, where everything from raw materials to production methods are carefully selected by Tully's baristas. Only high-quality Arabica coffee beans are used as raw materials. The beans are roasted in Japan to thoroughly unlock their delicious flavor. Looking ahead, we will continue to launch products that leverage the respective strengths and character of both ITO EN and Tully's Coffee, as we seek to further increase the value of the TULLY'S COFFEE brand.

Market Overview

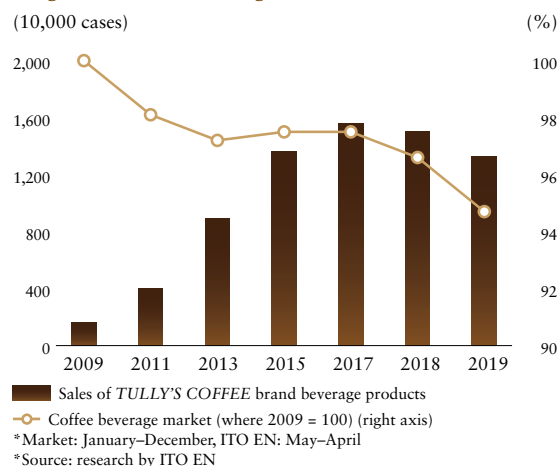
In the coffee beverage market, sales through main sales channels such as vending machines and convenience stores fell below the levels for the previous year as a result of the declaration of a state of emergency, and subsequent consumer restraint from going out. At the same time, the number of people brewing and drinking authentic coffee at home and elsewhere increased. With the increase in the number of opportunities to experience regular coffee, it is thought that the level of consumer selectivity with regard to production regions and quality, and sensitivity with regard to flavor has increased. (According to research by ITO EN, the home-use regular coffee market has grown by over 20% year-on-year in terms of sales for March-May 2020.)

In view of these background factors, in October 2020, Tully's Coffee Japan launched two new products with a particular emphasis on production region: *Brazil 100% Clear Bitter*, which uses 100% Brazilian-produced Arabica beans, and *Kilimanjaro Black*, which uses 51% Tanzanian coffee beans.

The TULLY'S COFFEE brand will continue to meet increasingly diverse customer needs by proposing products that unlock

the appeal of coffee-producing countries through particular attention to coffee beans, roasting and extraction processes.

Progress of coffee beverage sales



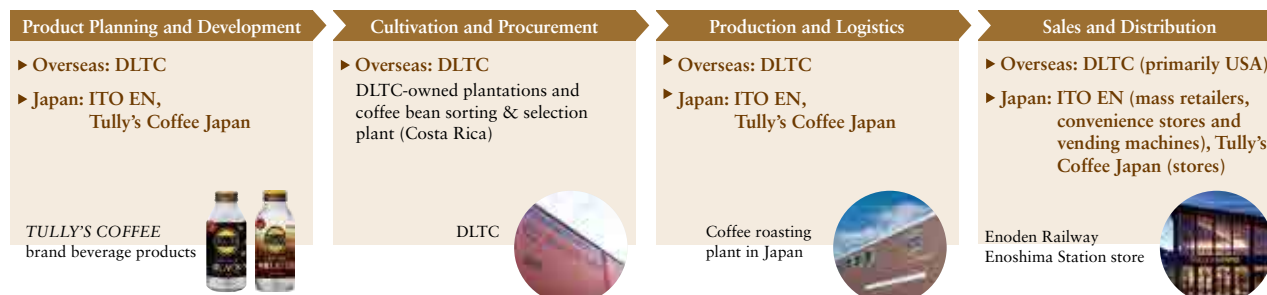
Value creation through the coffee value chain

ITO EN Group company Distant Lands Trading Co. (DLTC) engages in all coffee business processes from cultivation to sales, operating primarily in the United States. ITO EN is pursuing Group synergies with DLTC by purchasing a portion of the coffee beans produced by DLTC as raw materials 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 sorting & selection plants.

Group synergies with DLTC and Tully's Coffee Japan



Coffee value chain



ITO EN Group Medium- to Long-Term Environmental Goals

Based on its management principle of “Always Putting the Customer First”, the ITO EN Group believes that it is its corporate social responsibility to protect the global environment shared by all of humanity, and pass it on to the next generation. Global environmental problems such as the increase in intensely hot weather, floods and landslides as a result of climate change due to global warming, and the problem of marine plastic garbage are now pressing issues for global society.

These kinds of issues are also key issues in the ITO EN Group's business activities. In September 2020, we formulated the ITO EN Group Medium- to Long-Term Environmental Goals with regard to our containers and packaging, and our response to climate change, based on the ITO EN Group Environmental Policy. Through these goals, we are further driving our initiatives to tackle environmental problems, with the aim of contributing to the creation of a sustainable society.

Medium- to Long-Term Environmental Goals

Containers and packaging

CO₂ emissions reduction targets

- Three R's (Recycle, Reduce, Replace & Reuse) + Clean (environmental conservation)
- Aim to increase the ratio of recycled materials, including bio-derived materials, used as materials for producing PET bottles to 100% by 2030

	Fiscal 2030	Fiscal 2050
Scope 1, 2	26% reduction in total emissions (compared to FY2018)	50% reduction in total emissions (compared to FY2018)
Scope 3	26% reduction in emission intensity (compared to FY2018)	50% reduction in emission intensity (compared to FY2018)

*Scope 1: Direct emissions from use of fuels by the company itself.
 Scope 2: Indirect emissions accompanying use of electricity purchased by the company.
 Scope 3: Other indirect emissions aside from those covered by Scope 1 and 2.



For details of the ITO EN Group Environmental Policy, please refer to the following link.

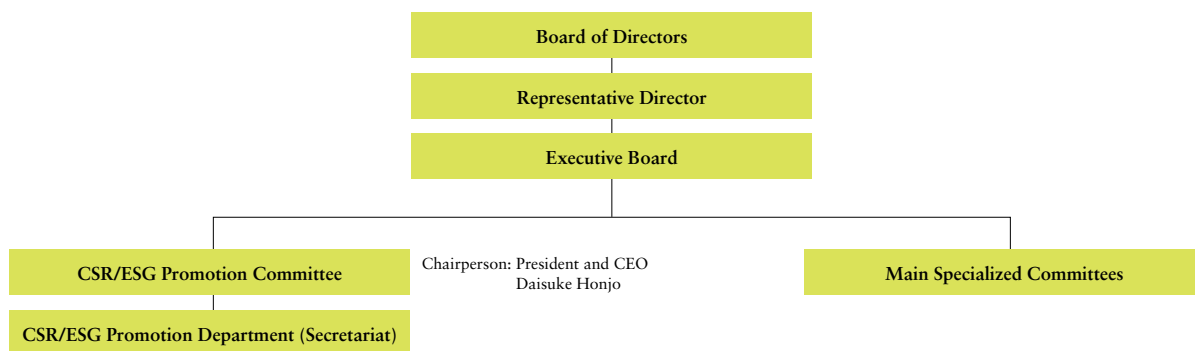
https://www.itoen-global.com/management/csr_csv/environment.php

Environmental Management System

The CSR/ESG Promotion Committee (chaired by President & CEO Daisuke Honjo) keeps track of the actual state of issues relating to the environment, deliberates on policies, goals and strategic measures to respond to these issues, and reports to senior management (the Board of Directors and the Executive Board).

The ITO EN Group also sets KPIs within its environmental management system, based on the ISO14001 standard, to drive initiatives for achieving its environmental targets. So far, we have obtained certification for our production, sales, and head office divisions, and some of our affiliated companies*.

* In terms of affiliated companies, we have obtained certification for ITO EN Sangyo, Ltd., Okinawa ITO EN, Ltd. and Green Value Co., Ltd.



Containers and packaging

The ITO EN Group is engaged in proactive efforts such as the development of technologies that contribute to creating more lightweight PET plastic bottles and reducing plastic usage, and introducing environmentally friendly paper containers.

At the same time, in September 2020, we developed the ITO EN Group Policy on Plastics, in an effort to tackle the challenges of transforming into a more environmentally friendly recycling-based society, against the backdrop of problems such as marine plastic garbage, climate change, and other problems which are now pressing issues for global society. By doing so, the ITO EN Group aims to contribute to the creation of a sustainable society by further driving initiatives aimed at achieving more effective utilization of resources and reducing environmental impact throughout the entire life cycles of the products that it sells.

ITO EN Group Policy on Plastics

● Recycling (circulation of resources)

- Aim to increase the ratio of recycled materials, including bio-derived materials, used as materials for producing PET bottles to 100% by 2030.
- We will promote the use of recycled materials for purposes other than PET bottle production.
- We will carry out activities to increase the recycling ratio in collaboration with governments, industry associations and business partners.

● Reduce (resource-saving)

- We will change container designs and improve production methods with a view to continuously cutting the weight of containers and packages and reducing their consumption.

● Replacing & Reusing (replacing with environmentally friendly materials and reusable containers)

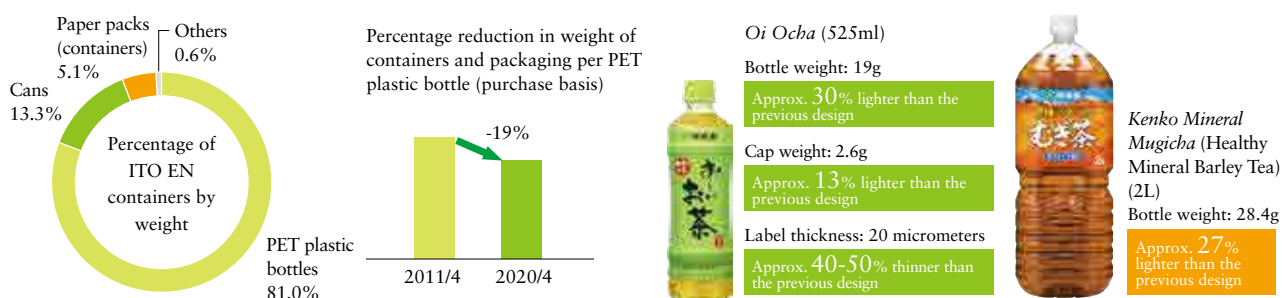
- We will increasingly use bio-derived materials and biodegradable materials.
- We will encourage food and drink businesses to switch to reusable containers.

● Clean (environmental conservation)

- We will encourage sorted collection of plastic waste for effective use of plastic resources, take part in cleanup and other social contribution activities and provide constant support for environmental conservation activities at different locations.

Initiatives to create lightweight containers and packaging

ITO EN is seeking to reduce the weight of its PET plastic bottles—which account for a large portion of its containers and packaging—through the development of more environmentally friendly PET plastic bottles.



Recycling initiatives

Microwaveable *Oi Ocha* 345ml PET plastic bottle
Uses 100% recyclable PET plastic bottles



Replacement initiatives

Developed and released Japan's first* environmentally friendly teabag products



*The first single-chamber teabag (with gusset) in Japan

Tully's Coffee Japan initiatives



Length of straws shortened by 3cm, straws using a composition with 25% biomass plastic in use at all Tully's Coffee stores

Response to climate change

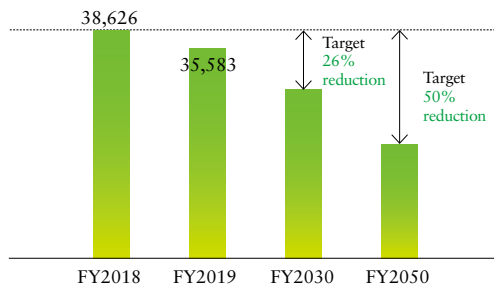
• CO₂ emissions reduction targets

In September 2020, the ITO EN Group highlighted responding to climate change as one of its most important issues, and set the targets of reducing overall CO₂ emissions for Scope 1 and Scope 2 by 26% and emission intensity for Scope 3 by 26%, in comparison with FY2018 levels, by FY2030. We also set the targets of reducing overall CO₂ emissions for Scope 1 and Scope 2 by 50% and emission intensity for Scope 3 by 50%, in comparison with FY2018 levels, by FY2050.

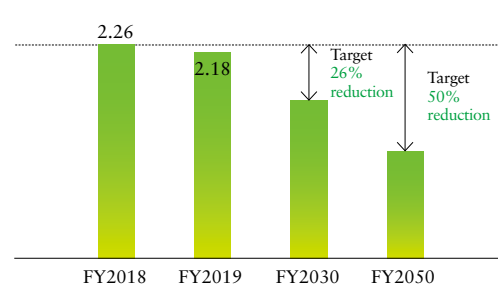
So far, we have worked to reduce emissions through efforts such as introducing environmentally friendly bottle-filling systems at beverage production plants, modal shift, promotion of eco-friendly driving of sales vehicles, and the proactive introduction of heat-pump vending machines. ITO EN has adopted a fables production method, in which it does not possess its own beverage production plants, and instead outsources production to external partners. We are therefore working with around 50 outsourced production plants in five regional blocks, engaging in more cooperative efforts than ever before with a view to achieving our emission reduction targets for FY2030.

CO ₂ emissions reduction targets	Fiscal 2030		Fiscal 2050	
	Scope 1, 2	26% reduction in total emissions (compared to FY2018)	50% reduction in total emissions (compared to FY2018)	50% reduction in total emissions (compared to FY2018)
Scope 3	26% reduction in emission intensity (compared to FY2018)	26% reduction in emission intensity (compared to FY2018)	50% reduction in emission intensity (compared to FY2018)	50% reduction in emission intensity (compared to FY2018)

Scope 1 and 2 total emission reduction targets (t-CO₂)



Scope 3 emission intensity reduction targets (t-CO₂/net sales (million yen))



Main initiatives to reduce CO₂ emissions

• Scope 3 Category 1 (purchased products and services) Category 4 (transportation and delivery (upstream))

Based on the ITO EN Group Policy on Plastics, ITO EN aims to ensure that 100% of materials used in its PET plastic bottles are recyclable materials*¹ by 2030. By using recyclable materials, we can expect to see major benefits in terms of reducing CO₂ emissions in comparison with virgin plastics.

In addition, the introduction of the NS System*² room-temperature aseptic filling method developed in collaboration with Toyo Seikan Co., Ltd. in 2010 is achieving reductions in water usage and energy consumption during production. We have also successfully developed PET plastic bottles that are around 30% lighter than previous designs, contributing to more lightweight products overall and reductions in energy consumption during transportation.

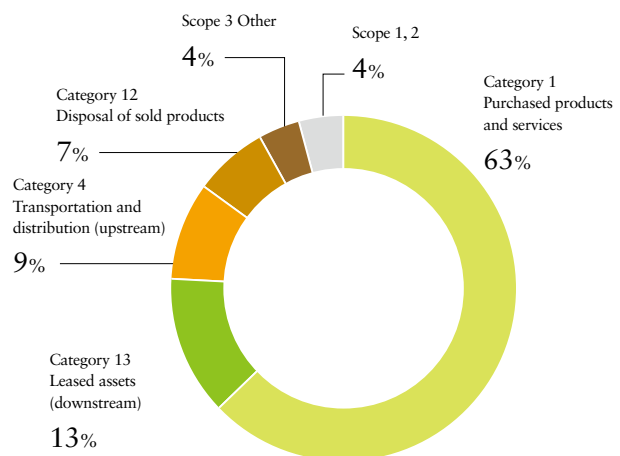
Moving forward, we will continue working to achieve effective use of resources and reduce CO₂ emissions throughout product life cycles through cooperation with suppliers.

▶ Page 53, CO₂ emissions results

*1 Includes bio-derived materials

*2 NS: "NS" stands for "Non-Sterilant", meaning that sterilants are not used. A room-temperature aseptic filling system that makes it possible to bottle products without the need for chemical sterilization of bottles.

Value chain emissions



Commencing Climate Scenario Analysis



• Analysis of impact on tea leaves

ITO EN procures around one quarter of the total volume of crude tea produced in Japan as raw materials for its mainstay products. We therefore recognize the possibility that the effects of climate change on tea leaves and harvest volumes could have a major impact on our business operations, and have conducted climate change scenario analyses using the Aqua Crop model*¹. We selected RCP scenarios*² from the IPCC's Fifth Assessment Report (RCP2.6, RCP4.5, RCP6.0 and RCP8.5), and conducted both quantitative and qualitative analyses of the impact of climate change on tea leaf harvest volume and quality by tea tree variety and picking season under the conditions of each scenario in major tea producing regions in Japan (the Kyushu region and Shizuoka Prefecture).

• Results

Although there were variations by production region, it was found that tea leaf harvest volumes would increase

by around 4–7% for RCP2.6, around 14–23% for RCP4.5, around 29–36% for RCP6.0, and around 41–54% for RCP8.5.

In our qualitative analysis—based on various research monographs, articles and other related scientific literature—it was found that there was a risk that various exotic pests and disease-inducing bacteria would move northward causing a negative impact on the growth and quality of tea trees. However, we are also taking proactive measures against pests, such as by introducing machinery which uses wind and water to blow away pests at some of our contracted production areas.

Looking ahead, we will continue to conduct independent and scenario-based analyses; and to develop new production sites, cultivation management methods and technologies in collaboration with tea farmers based on the results of these analyses.

Harvest volume simulation results

Simulations were conducted using the IPCC Representative Concentration Pathways (RCP) scenarios

RCP scenario		[RCP 2.6] Low-level stabilization scenario	[RCP 4.5] Intermediate stabilization scenario	[RCP 6.0] High-level stabilization scenario	[RCP 8.5] High-level reference scenario
Maximum temperature increase value* ³ (end of 21st century)		+1.7°C	+2.6°C	+3.1°C	+4.8°C
CO ₂ * ⁴		422ppm (+13.79)	537ppm (+128.79)	663ppm (+254.79)	917ppm (+508.79)
Kagoshima Prefecture (annual average temperature 18.4°C)		20.1°C (+1.7°C)	21.0°C (+2.6°C)	21.5°C (+3.1°C)	23.2°C (+4.8°C)
Average change in harvest volume (%)	Soo district	+7.4%	+23.3%	+36.4%	+54.4%
Shizuoka Prefecture (annual average temperature 14.8°C)		16.5°C (+1.7°C)	17.4°C (+2.6°C)	17.9°C (+3.1°C)	19.6°C (+4.8°C)
Average change in harvest volume (%)	Fukuroi district	+4.2%	+14.5%	+29.7%	+41.2%
	Fuji district	+7.2%	+22.8%	+35.4%	+51.7%

*¹ A crop growth model developed by the Food and Agriculture Organization of the United Nations (FAO) to evaluate the impact of climate, soil and other environmental conditions and cultivation management conditions on productivity for agricultural crops

*² Representative Concentration Pathway scenarios from the Fifth Assessment Report (AR5) by the Intergovernmental Panel on Climate Change (IPCC)

The scenarios predict climatic conditions and their impact at the end of the century based on greenhouse gas concentrations

RCP 8.5: high-level reference scenario. Scenario in which greenhouse gas emissions are at their maximum level in 2100

(Temperature levels rise by a maximum of 4.8°C by 2100 with respect to average temperatures between 1986 and 2005)

RCP 6.0: high-level stabilization scenario. Radiative forcing of 6.0W/m² by the end of the century (Temperature levels rise by a maximum of 3.1°C by 2100)

RCP 4.5: intermediate stabilization scenario. Radiative forcing of 4.5W/m² by the end of the century (Temperature levels rise by a maximum of 2.6°C by 2100)

RCP 2.6: low-level stabilization scenario. Scenario in which greenhouse gas emissions are at their minimum level in the future (Temperature levels rise by a maximum of 1.7°C by 2100)

*³ Reference period: 1986–2005

*⁴ Reference value: 408.21ppm

Human Resources Management

We will respond to this period of transition by driving workstyle reforms, and the development of diverse human resources, with a fundamental focus on executing our management principle of “Always Putting the Customer First.”

Atsushi Hirata
 Director, Senior Managing
 Executive Officer and General
 Director, Administration
 Headquarters



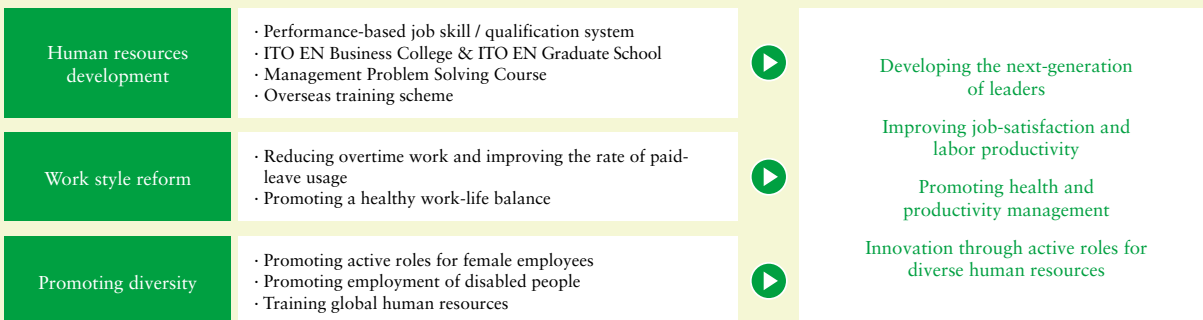
Basic policy

Until now, the ITO EN Group has invested efforts into human resources development through initiatives such as the ITO EN Business College & ITO EN Graduate School, which offers learning opportunities for all employees, based on the concept of performance-based evaluation. We are also working to drive workstyle reforms and promote diversity, through initiatives such as enhancing our personnel schemes and promoting a healthy work-life balance, with the aim of creating environments in which all of our employees can work healthily and energetically.

Society is currently undergoing major changes, not least as

a result of the impact of the COVID-19 pandemic, and social issues are becoming increasingly complex. It is precisely because we are facing such a period of transition that is important for us not only to reform our workstyles but also to review the methods that we have used until now and reform the awareness and mindset of each individual employee, with a fundamental focus on executing our management principle of “Always Putting the Customer First.” Moving forward, we will work with a sense of speed and urgency to develop environments in which all employees can be filled with enthusiasm and positive determination to take an active role as members of Team ITO EN.

Approach to human resources management



Execution of the management principle of “Always Putting the Customer First”

Valuing all customers is the basis for management

Consumers Shareholders Retailers Suppliers Financial institutions Local communities

Actual Results in FY4/2020	Number of graduates from ITO EN Business College & ITO EN Graduate School	Number of qualified ITO EN TEA TASTERs*	Employee education and training costs
	749 persons <small>(Cumulative total number of graduates: 14,844 persons)</small>	2,289 persons <small>*As of May 2020</small>	169 million yen
	Ratio of female managers	Employment rate for people with disabilities*	Percentage of employees returning to work after child care leave
	2.6%	2.33% <small>* As of June 1, 2020</small>	95.2%

Human resources development

Through its unique self-improvement schemes, the ITO EN Business College and ITO EN Graduate School, ITO EN offers 14 courses (in FY2019) including sales, finance, marketing and global organization. In addition to enabling participants to acquire specialist knowledge over the course of a one-year program, these courses also act as requirements upon consideration for promotion.



ITO EN Business College self-improvement program

ITO EN TEA TASTER business skill tests are conducted once every year. Training tea experts enables us to conduct tea-related enlightenment activities both within and outside the company. The system provides opportunities for TEA TASTER qualification holders to develop as human resources and tea professionals through mutual encouragement and competitiveness, without being constrained by their daily work duties or posts within the company.

The Management Problem Solving Course is a selective training scheme that aims to develop the next generation of senior management candidates. Through both internal and external training, the course provides opportunities for participants to develop their aspirations and viewpoints as the next generation of corporate leaders by acquiring a wide-range of management-related knowledge and considering solutions to problems faced by the company, with a medium to long-term perspective.

In our overseas training scheme, human resources who have passed internal recruitment exams undergo a year of training at one of our overseas Group companies, covering topics such as market research, sales and accounting. In this way, we train human resources with a view to expanding our global business operations.



Employees engaged in overseas training

Enhancing personnel schemes and promoting health and productivity management

ITO EN provides comprehensive support to the various life stages of its employees and their families (e.g. childbirth, childcare and nursing care) in terms of welfare / benefit support, work support and salary support schemes. Specifically, we are working to enhance our childcare leave

scheme, with the aim of encouraging male employees to take childcare leave; expanding the applicable scope of our shortened working hours and earlier finish / later start times, with the objective of facilitating a balance between work and illness, childcare and nursing care commitments; introducing and expanding a leave of absence scheme for accompanying family members (working overseas, etc.); and enhancing our support for employees undergoing fertility treatment. In 2020, we received “Kurumin” certification as a company that supports employees with childcare commitments, based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

In order to maintain and improve the health of our employees, we continue to conduct regular health checks covering more than the minimal statutory requirements, and stress checks at all business locations both in Japan and overseas. Most recently, we have introduced gastroscopic examinations to enhance early stage detection and prevention of cancer. We also conduct health promotion programs utilizing *Catechin Ryokucha*, for employees at potential risk of requiring treatment, with the objective of improving their lifestyles.

In 2020, these efforts were recognized again with our certification under the large-scale enterprise category of the 2020 Certified Health and Productivity Management Organization Recognition Program run by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi (Japan Health Council. Goal: economic and medical private organizations, and local governments collaborating to realize concrete countermeasures in the workplace and in the community). This is the third successive year that ITO EN has been recognized under the scheme.



Initiatives to ensure respect for human rights

We consider respect for human rights to be a fundamental part of our management principle of “Always Putting the Customer First”, and the foundation for all our business activities.

In April 2020, we formulated the ITO EN Group Human Rights Policy based on the UN's Guiding Principles on Business and Human Rights, in order to enhance our initiatives for ensuring respect for human rights based on international norms to accompany the diversification of our business activities and the expansion of our overseas presence. Currently, we are working to instill the policy within the Group, and pursuing efforts such as conducting harassment prevention training for all employees utilizing e-learning. Looking ahead, we will continue to build a framework for promoting respect for human rights and advance a program of due diligence with regard to human rights, such as by assessing human rights risks and taking measures to reduce such risks.



For details of the ITO EN Human Rights Policy, please refer to the following link.

https://www.itoen-global.com/management/csr_csv/human_rights.php

The Value Created by ITO EN TEA TASTERs

ITO EN's Tea Taster System is an in-house qualification system designed to train employees who are capable of making active contributions in all areas of the value circle, from tea-related research, through product planning and development, procurement, production and logistics, to sales and distribution. The qualification has a human resources development aspect of acquiring wide-ranging tea-related knowledge, and also plays an important role in communicating the appeal of tea to customers, building connections with customers, and creating places to propose tea drinking opportunities.

The system also contributes to spreading tea culture through ITO EN's business activities and strengthening contact with local communities, from the perspective of "Community and Society", which is one of our key ESG themes.

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 is conducted based on 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 the first in-house business skill test to be certified by the Ministry of Health, Labour and Welfare (MHLW) after the revision of the certification system* in 2016.

As of May 2020, there are a total of 2,289 TEA TASTER qualification holders, conducting tea culture enlightenment activities at various locations throughout Japan. As a representative example of their efforts, in fiscal 2019, TEA TASTERs held a total of 1,166 events, including *Dai-Cha-Kai* (demonstration sales and tasting events of green tea) and seminars on how to prepare delicious Japanese green tea.

*Ministry of Health, Labour and Welfare (MHLW) Business Skill Test certification system: a system whereby the Minister of Health, Labour and Welfare certifies in-house test schemes—established by individual enterprises or organizations to test the skills of their workers—which fulfill certain criteria, and are recognized as deserving of encouragement for promoting the improvement of skills.



MHLW Business Skill Test certification system logo

Initiatives status in fiscal 2019

Activities	Number of Sessions Held
Tea seminars	413
<i>Dai-Cha-Kai</i> (demonstration sales and tasting events of green tea)	608
<i>Ochakko-kai</i> (a heartwarming tea party in the Northeastern Tohoku Region of Japan)	7
Other	138
Total	1,166

Qualified TEA TASTERs take active roles as tea professionals

TEA TASTER qualifications range from Grade 3 to Grade 1. Grade 1 qualification holders in particular not only possess wide-ranging, high-level tea-related knowledge and skills, but have also acquired an understanding of Japanese traditional culture such as the tea ceremony, manners and etiquette, and work to widely communicate information regarding the appeal of tea and the strengths of ITO EN, both inside and outside the company, as tea professionals.

TEA TASTER qualification holders also engage in training with the objective of improving knowledge and skills required by the qualification, and conduct training at each grade level in order to develop the next generation of TEA TASTERs.



A tea tasting examination

Grade levels and numbers of qualification holders

Grade levels	Knowledge & skills (tea tasting)				Number of qualification holders
	Green tea	Chinese tea	Black tea	Tea ceremony	
Grade 1	○	○	○	○	17
Grade 2	○	○	○	—	363
Grade 3	○	—	—	—	1,909
Total					2,289

(As of May 2020)

Internal enlightenment activities for each grade

Grade	Internal enlightenment activities
Grade 1	Development of Grade 1 pre-examination trainees and training of Grade 2 qualification holders
Grade 2	Training of Grade 3 qualification holders
Grade 3	Study meetings within ITO EN departments / branches

Tea culture enlightenment activities

As representatives of tea company ITO EN, TEA TASTER qualification holders act as lecturers spreading and enlightening people of all ages both in Japan and overseas about tea culture, holding various kinds of events to share knowledge on the history and health benefits of tea, and to explain and demonstrate how to make delicious tea.

Until now, ITO EN TEA TASTERs have held events at various locations including sightseeing spots, educational institutions, welfare facilities, in-stores, and in disaster-stricken areas. Even under the conditions of the COVID-19 pandemic, where face-to-face communication with customers is restricted, TEA TASTERs continue to engage in various activities to communicate the appeal of tea and ways of enjoying it, using online approaches and other inventive means.



Tea culture enlightenment activity

• Responding to changes in customer lifestyles

TEA TASTER qualification holders are responding to changes in customer lifestyles—such as customers spending more time at home—such as by communicating ways of enjoying tea at home via ITO EN's official twitter account and holding online tea seminars, and engaging in other activities that enable customers to feel more closely connected and familiar with tea.



The #leTimeOEN project, in which TEA TASTERs communicate ways to enjoy tea via ITO EN's official Twitter account.



View from an online tea seminar for children

• Collaborating with educational institutions and students

ITO EN communicates tea culture through collaborations with educational institutions and other organizations that introduce the appeal of Japanese culture both in Japan and abroad. For example, Tsuda University runs projects that introduce various aspects of Japanese culture to many people, including visiting foreign nationals. ITO EN collaborates with students in the Japanese Tea Culture Working Group—who have English language and general communication abilities—to conduct activities that communicate the various attractions of Japanese tea.

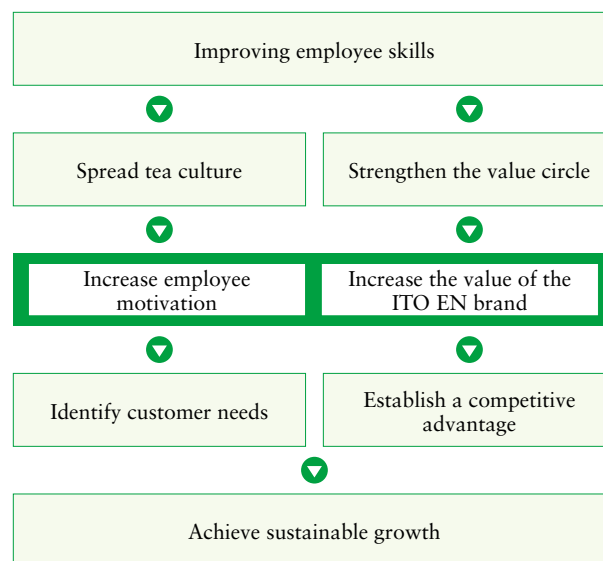


Online tea parties and other events are conducted with the aim of increasing the level of students' tea-related knowledge and skills in preparing tea for consumption, and having them become influencers for spreading Japanese tea around the world in the future

Benefits of the Tea Taster System

The 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. Tea culture enlightenment activities also provide opportunities for communication, to hear the voices of customers first hand and to create connections with them. Creating this kind of community enables us to ascertain customer needs in order to propose more enriched dietary lifestyles, and is also utilized in our development of better products, leading to sustainable growth for the company.

Benefits of the Tea Taster System for the value circle



Financial management

ITO EN aims to achieve sustainable growth and increase corporate value by generating profits that exceed cost of capital and investing in growth areas, while maintaining a stable financial base.

Minoru Watanabe

Vice President, Director and Executive Officer with responsibility for Administration Headquarters and International Business Headquarters

Basic policy

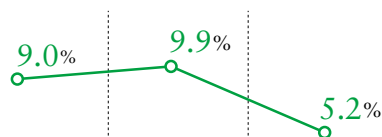
In July 2002, ITO EN discontinued the system for providing retirement allowances and bonuses to its officers. In April 2004, we introduced stock options as a form of performance-linked remuneration. We chose six management indices as our assessment indices for this process: growth (net sales), profitability (operating income and EPS), efficiency (ROE), cash earning capacity (operating cash flow) and return to shareholders (total return ratio). Among these, we regard ROE as a particularly important indicator.

In addition to these, in order to drive management with an awareness of ESG investment, since fiscal 2018 we have also been considering the results of ESG assessments conducted by external assessment bodies.

Management with an emphasis on cost of capital

In our medium- to long-term management plan, we have set the target of an ROE of at least 10%. Factors for increasing ROE are increasing profitability, increasing asset efficiency and utilizing financial leverage, but ITO EN places a particular emphasis on profitability and asset efficiency. Since both profitability and asset efficiency worsened due to the impact of the COVID-19 pandemic, ROE for fiscal 2019 stood at 5.2% (down 4.7 points year on year).

ROE Transition (Return on Equity)



	FY4/2018	FY4/2019	FY4/2020
1 Ratio of net income to net sales	2.5%	2.9%	1.6%
2 Asset turnover ratio	1.64 times	1.67 times	1.63 times
3 Financial leverage	2.17 times	2.07 times	2.00 times

* ROE = 1 Ratio of net income to net sales × 2 Asset turnover ratio × 3 Financial leverage

1 Improving profitability

In order to improve ROE in the future, we believe that the key issues in profitability are strengthening our domestic revenue base and achieving growth of overseas businesses.

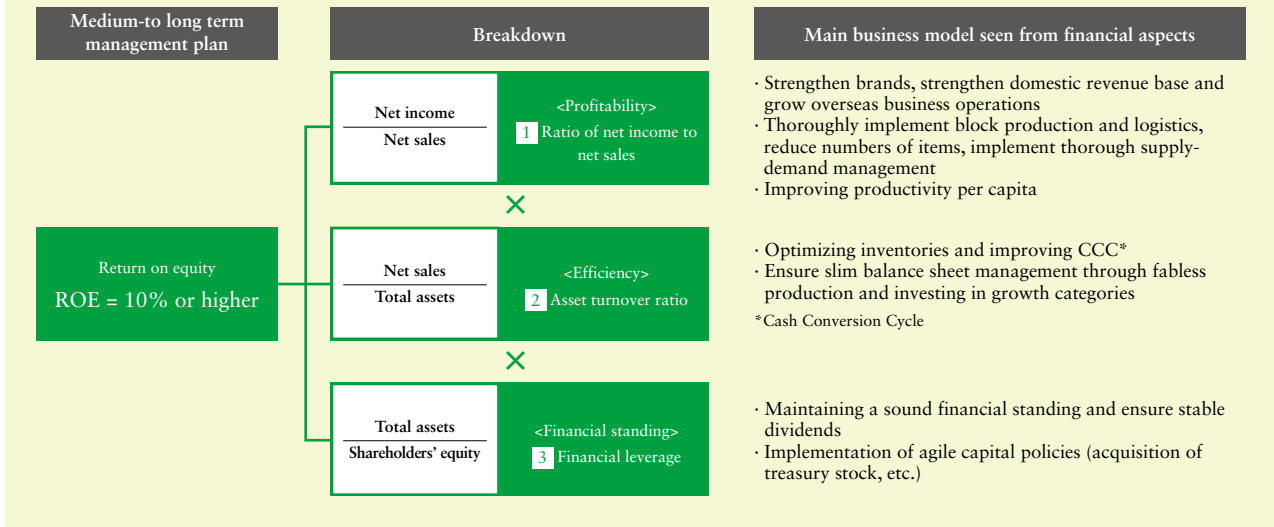
In terms of strengthening our domestic revenue base, we are working to expand our market share and to reform our cost structure through selection of and focus on mainstay brands. In particular, we are working to improve logistics efficiency and reduce costs by seeking to optimize and ensure thorough implementation of our five-block nationwide production and logistics network. In June 2020, we also established the Business Creation Department, and are now working to create new domestic business operations in the areas of food and environmental products, with the aim of achieving new medium- to long-term growth.

In overseas business, against the backdrop of growing health-oriented attitudes, we will continue to put our efforts into the expansion of the North American and Chinese markets as key markets, based around the core pillar of global brands such as *Oi Ocha* and *MATCHA GREEN TEA*. In fiscal 2019, we declared goodwill impairments for the full balance of 4,904 million yen in unamortized goodwill for Distant Lands Trading Co., our coffee bean production and sales company in the United States. Business conditions worsened as a result of progressing oligopoly of the market due to the reorganization of the coffee industry, and the resulting loss of major customers was a factor in the fall in earning power. Moving forward, we will endeavor to recover our earning power by shifting away from a sales strategy centered primarily on commercial and PB products, and investing our energies into strengthening our own brands and developing new customers.

2 Increasing asset efficiency

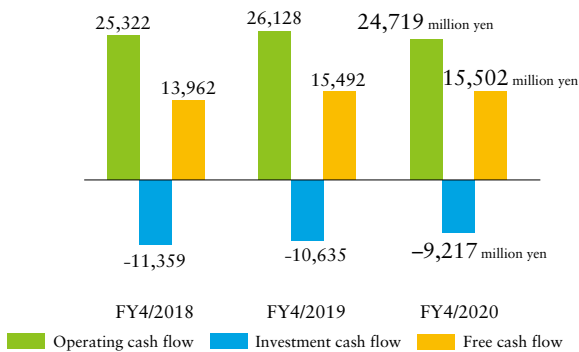
We will prioritize improvement of our operating capital, including the optimization of inventory assets, and investment in growth areas. With regard to capital investment, in addition to investing in the acquisition of production facilities and opening of new Tully's Coffee stores, we are also proceeding gradually with a changeover from leasing of vending machines and other sales promotion fixtures to outright purchasing, given the current interest rate conditions. We are also periodically reviewing and revising our medium- to long-term capital investment plans based on the state of profitability of each business.

ITO EN's ROE-based corporate management and financial tree comprising of profitability, efficiency, and financial standing (Conceptual diagram)



As a result of continuous efforts until now, in fiscal 2019, non-consolidated operating income for ITO EN, LTD. increased by 4.9% year on year, and the operating income ratio stood at 4.4% (an increase of 0.4 points year on year). Moving forward, we will work to further improve productivity and asset efficiency, with a target operating income ratio of at least 5%, and work to achieve an ROE of 10%.

Consolidated cash flow transition



Change in amount of capital investment and depreciation

	(million yen)		
	FY4/2018	FY4/2019	FY4/2020
Amount of capital investment	11,062	10,006	9,990
Depreciation	6,180	6,735	7,022
Lease depreciation	7,042	6,675	6,081
Lease obligations (amount of repayment)	(8,616)	(6,514)	(4,679)

3 Ensuring financial stability

We have secured sufficient liquidity of cash on hand to respond to the rapid changes taking place in financial markets triggered by the COVID-19 pandemic, and to ensure financial safety in times of crisis. We have sought to diversify our fundraising methods, such as by issuing corporate bonds and borrowing

from financial institutions, and established a commitment line as a response to unpredictable situations. Looking ahead, we will procure capital through interest-bearing liabilities as needed, while maintaining financial stability.

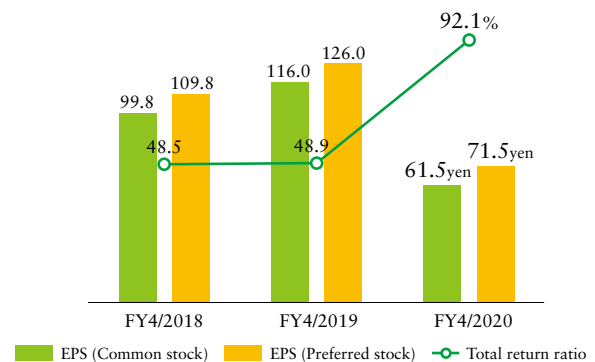
Ensuring financial stability

Financial credit rating "A+" (by both R&I and JCR)
Equity ratio 51.0% (as of the end of fiscal 2019)

Shareholder returns policy

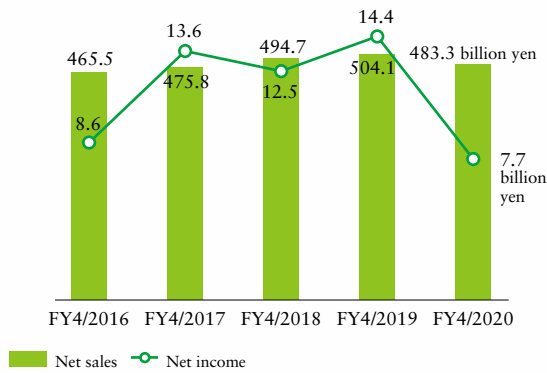
Our basic policy is to ensure stable and continuous returns to shareholders, with a target total return ratio of at least 40%. With regard to dividends, we will continue to make stable and continuous dividend payouts, with the basic policy of not reducing dividends. Regarding the acquisition of treasury stock, as a shareholder return strategy that contributes to improving capital efficiency, we will expeditiously acquire treasury stock when we judge it to be necessary, and ensure a consolidated total return ratio of at least 40%.

Total return ratio and EPS

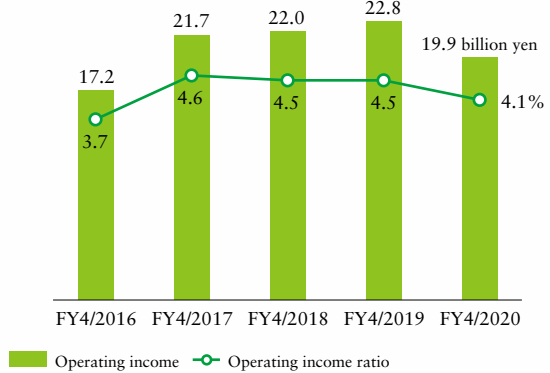


Main Financial Highlights (ITO EN and Consolidated Group Companies)

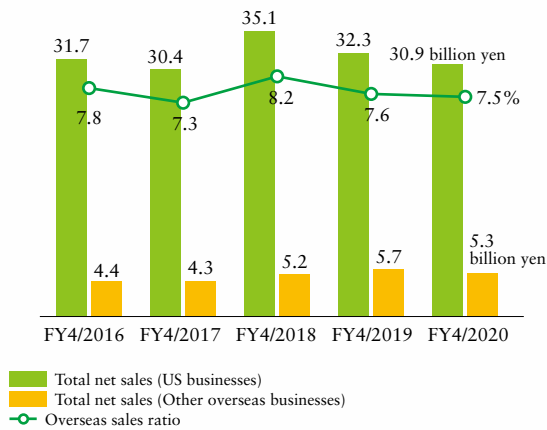
Net sales / net income (consolidated)



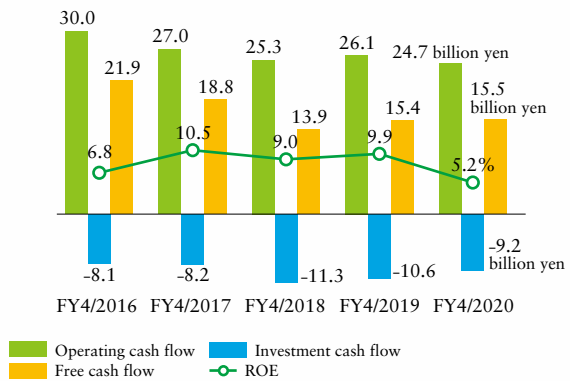
Operating income / operating income ratio (consolidated)



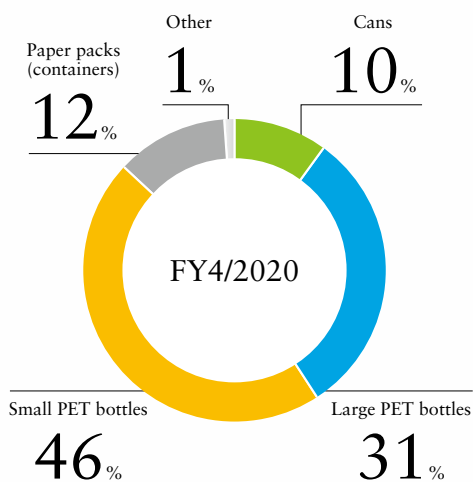
Ratio of net sales accounted for by overseas businesses (consolidated)



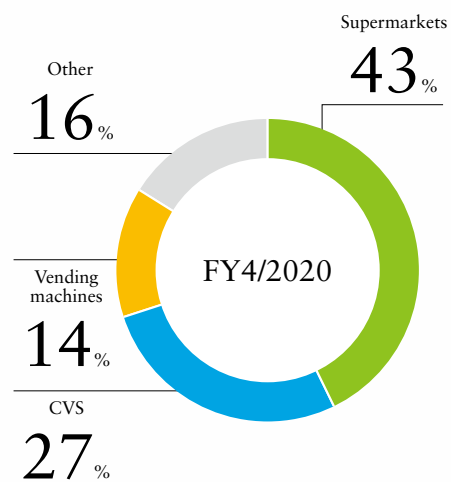
Cash flow transition (consolidated)



Net sales breakdown by container (ITO EN, LTD.)



Percentage breakdown of net sales by channel (ITO EN, LTD.)



Key Financial Indicators (over the past 5 years) (consolidated)

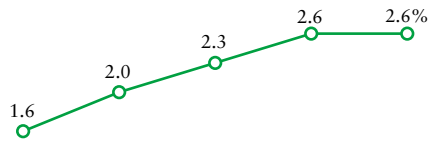


For more details regarding finances, please refer to the following link.
<https://www.itoen-global.com/ir/>

	(Units)	FY4/2016	FY4/2017	FY4/2018	FY4/2019	FY4/2020
P/L						
Net sales	(million yen)	465,579	475,866	494,793	504,153	483,360
Year-on-year comparison	(%)	8.1	2.2	4.0	1.9	(4.1)
Details of main sales						
ITO EN, LTD.	(million yen)	365,276	371,831	383,212	394,495	377,787
Total of overseas businesses	(million yen)	36,180	34,863	40,362	38,168	36,282
Tully's Coffee Japan Co., Ltd.	(million yen)	27,751	30,268	32,589	34,568	32,811
Chichiyasu Company	(million yen)	13,890	14,621	14,398	14,409	14,251
Cost rate	(%)	53.0	52.5	52.7	52.3	51.8
Selling, general and administrative expenses	(million yen)	201,574	204,395	211,939	217,555	212,814
Sales ratio	(%)	43.3	43.0	42.8	43.2	44.0
Operating income	(million yen)	17,243	21,774	22,043	22,819	19,940
Profit ratio	(%)	3.7	4.6	4.5	4.5	4.1
Details of main profits						
ITO EN, LTD.	(million yen)	11,934	15,646	15,394	15,851	16,626
Total of overseas businesses	(million yen)	1,856	2,225	2,619	2,738	1,617
Tully's Coffee Japan Co., Ltd.	(million yen)	2,879	3,130	3,250	3,504	1,725
Chichiyasu Company	(million yen)	253	300	305	269	410
Ordinary income	(million yen)	15,074	21,524	21,441	23,211	19,432
Profit ratio	(%)	3.2	4.5	4.3	4.6	4.0
Extraordinary income	(million yen)	205	53	75	726	645
Extraordinary losses	(million yen)	353	854	526	1,451	5,709
Net income attributable to owners of parent	(million yen)	8,615	13,693	12,553	14,462	7,793
Profit ratio	(%)	1.9	2.9	2.5	2.9	1.6
B/S						
Total assets	(million yen)	287,702	302,405	301,167	303,981	290,651
Current assets	(million yen)	159,517	174,657	170,838	177,449	173,966
Cash and deposits	(million yen)	53,259	64,202	61,664	63,738	64,813
Accounts receivable	(million yen)	53,553	54,677	58,083	56,581	49,168
Non-current assets	(million yen)	128,185	127,748	130,329	126,532	116,685
Property, plant and equipment (Tangible assets)	(million yen)	81,018	83,039	84,822	84,186	82,986
Intangible assets	(million yen)	27,154	24,454	21,588	18,956	11,570
Total liabilities	(million yen)	160,486	165,696	157,416	153,058	140,956
Current liabilities	(million yen)	100,756	81,560	77,187	76,473	71,072
Non-current liabilities	(million yen)	59,729	84,135	80,228	76,585	69,884
Net assets	(million yen)	127,215	136,709	143,750	150,923	149,695
Retained earnings	(million yen)	94,311	102,750	110,066	119,242	121,848
Current ratio	(%)	158.3	214.1	225.2	232.0	244.8
Equity ratio	(%)	43.9	44.8	47.3	49.2	51.0
Liability ratio	(%)	127.2	122.3	110.4	102.3	95.0
Statement of cash flows						
Operating cash flow	(million yen)	30,085	27,098	25,322	26,128	24,719
Investment cash flow	(million yen)	(8,150)	(8,243)	(11,359)	(10,635)	(9,217)
Free cash flow	(million yen)	21,935	18,854	13,962	15,492	15,502
Cash flows from financing activities	(million yen)	(18,018)	(8,012)	(16,639)	(15,005)	(12,905)
Amount of capital investment	(million yen)	8,603	8,135	11,062	10,006	9,990
Depreciation	(million yen)	16,075	12,469	13,222	13,411	13,103
Amortization of goodwill	(million yen)	1,824	1,765	1,819	1,777	1,762
Other						
ROE	(%)	6.8	10.5	9.0	9.9	5.2
ROA	(%)	3.0	4.6	4.2	4.8	2.6
PER (Common stock)	(times)	49.9	37.1	43.8	47.7	97.2
PER (Preferred stock)	(times)	24.3	17.7	21.0	20.4	29.2
PBR (Common stock)	(times)	3.3	3.7	3.7	4.5	4.9
PBR (Preferred stock)	(times)	1.8	1.9	2.0	2.1	1.7
EPS (Common stock)	(yen)	67.37	108.77	99.79	116.02	61.53
EPS (Preferred stock)	(yen)	77.37	118.73	109.75	126.00	71.53
BPS (Common stock)	(yen)	1,026.26	1,105.09	1,165.80	1,229.28	1,221.92
BPS (Preferred stock)	(yen)	1,031.26	1,110.09	1,170.80	1,234.28	1,226.92
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	(%)	61.2	43.5	48.5	48.9	92.1
Ratio of foreign shareholders	(%)	17.7	19.1	20.6	23.2	22.4
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)	3,360	4,040	4,370	5,530	5,980

Main Non-Financial Highlights

Ratio of female managers



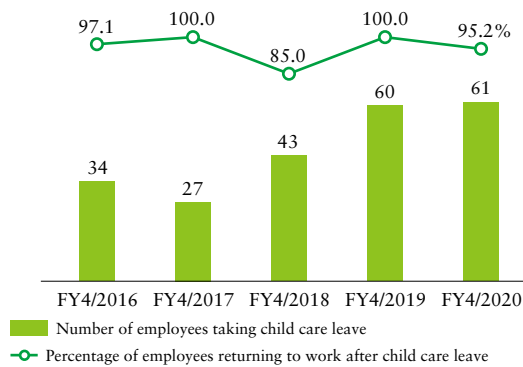
FY4/2016 FY4/2017 FY4/2018 FY4/2019 FY4/2020

Rate of taking annual paid leave



FY4/2016 FY4/2017 FY4/2018 FY4/2019 FY4/2020

Number of employees taking child care leave and percentage of employees returning to work after child care leave



Employment rate of people with disabilities

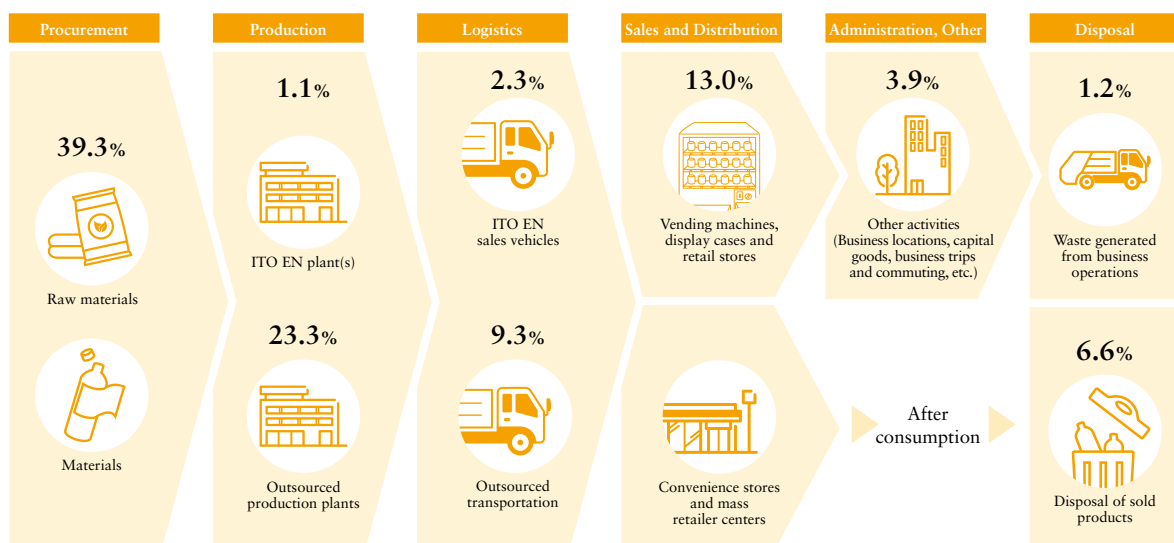


Investing in human resources



(FY4/2020)

Percentage CO₂ emissions through the ITO EN value chain (results for fiscal 2019)



CO₂ emissions amount, actual results

		FY2018	FY2019	Year-on-year change rate from FY2018
Scope1	Direct emissions due to use of fuel by the company itself (thousand t-CO ₂)	26	24★	-6.5%
Scope2	Indirect emissions accompanying use of power purchased by the company (thousand t-CO ₂)	13	12★	-10.5%
Total for Scope 1 and Scope 2 (thousand t-CO ₂)		39	36	-7.9%
Scope3	Category (thousand t-CO ₂)			
	1 Purchased goods and services	589	540	-8.3%
	2 Capital goods	21	17	-19.5%
	3 Fuel and energy-related activities that are not included in Scopes 1 and 2	6	6	-6.2%
	4 Transportation and distribution (upstream)	86	80	-6.8%
	5 Waste generated in operations	10	10	-0.5%
	6 Business travel	1	1	-0.1%
	7 Employee commuting	2	2	-0.2%
	8 Leased assets (upstream)	N/A	N/A	-
	9 Transportation and distribution (downstream)	N/A	N/A	-
	10 Processing of sold products	N/A	N/A	-
	11 Use of sold products	N/A	N/A	-
	12 End-of-life treatment of sold products	58	56	-2.4%
	13 Leased assets (downstream)	118	111	-5.5%
	14 Franchises	N/A	N/A	-
15 Investment	N/A	N/A	-	
Total for Scope 3 (thousand t-CO ₂)		890	823★	-7.5%
Scope 3 emission intensity (t-CO ₂ / million yen)		2.26	2.18	-3.4%
Total for Scopes 1–3 Emissions amount (thousand t-CO₂)		929	859	-7.5%
Emission intensity (t-CO₂ / million yen)		2.35	2.27	-3.4%
ITO EN non-consolidated net sales (million yen)		394,496	377,788	-4.2%

*Data boundary of emissions for Scope 1 and Scope 2: ITO EN, LTD. (company-owned domestic plants and research centers, buildings and business locations).
Data boundary of emissions for Scope 3: ITO EN, LTD. on a non-consolidated basis

*Calculation methods:

Scope 1: Calculated by multiplying the amounts of each fuel consumed by the CO₂ emission coefficient stipulated under the Act on Promotion of Global Warming Countermeasures.

Scope 2: Calculated by multiplying the amounts of electric power purchased by the basic emission coefficient for each power company operator

*Scope 3 emissions: Other indirect emissions aside from those covered by Scopes 1 and 2

*Calculation methods for each category:

Category 1: Calculated as the sum of emissions at the production stage for raw materials and emissions accompanying the use of energy by outsourced beverage production partners. Calculated by multiplying the weights or purchase amounts of raw materials by emission intensity units published by the Ministry of the Environment (MOE) in the "Database on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain" (Ver. 3.0) (hereinafter "the database"). Emissions accompanying energy use at beverage production outsourcing partners are calculated using the same methods as for Scope 1 and Scope 2, covering energy used by outsourcing partners for production of ITO EN products.

Category 2: Calculated by multiplying the purchase amount for property, plant and equipment by emission intensity unit values in the database.

Category 3: Calculated by multiplying the purchase amounts for fuels and electric power by emission intensity unit values in the database for each energy type.

Category 4: Calculated based on the volume of products transported with ITO EN as the consigner, according to the method of calculation published by the Ministry of Economy, Trade and Industry (METI) in its "Joint guidelines on methods for calculating carbon dioxide emissions in the logistics sector" (Ver. 3.1).

Category 5: Calculated by multiplying emissions for each type of waste by the emission intensity unit values in the database.

Category 6: Calculated by multiplying numbers of employees by the emission intensity unit values in the database.

Category 7: Calculated by multiplying numbers of employees by the number of working days, and multiplying the result by the emission intensity unit values in the database for the city districts in which their places of work are located.

Category 12: Calculated by multiplying the weight of waste after deducting the amount of waste collected by the company itself from the weight of materials used in products sold (report values under the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging) by the emission intensity unit values in the database.

Category 13: Calculated by multiplying power consumption for vending machines and display cases by the emission coefficient (substitute value)

*For beverage production outsourcing partners in Category 1, emissions for Scope 1 and Scope 2 are tabulated for outsourcing partners through annual energy consumption surveys

*Emission intensity is expressed as emissions amount per million yen of net sales

*CO₂ emissions are assured by KPMG AZSA Sustainability Co., Ltd. The figures covered by the third party assurance are indicated by a ★ mark

*For FY2018 and FY2019, CO₂ emissions are tabulated for the period May 1 through April 30. For Category 12 of Scope 3, however, values are calculated from actual emission results in the previous year reported for calculation of fees paid by ITO EN for outsourced recycling into new products, in accordance with the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging

*N/A: Not Applicable

Corporate governance

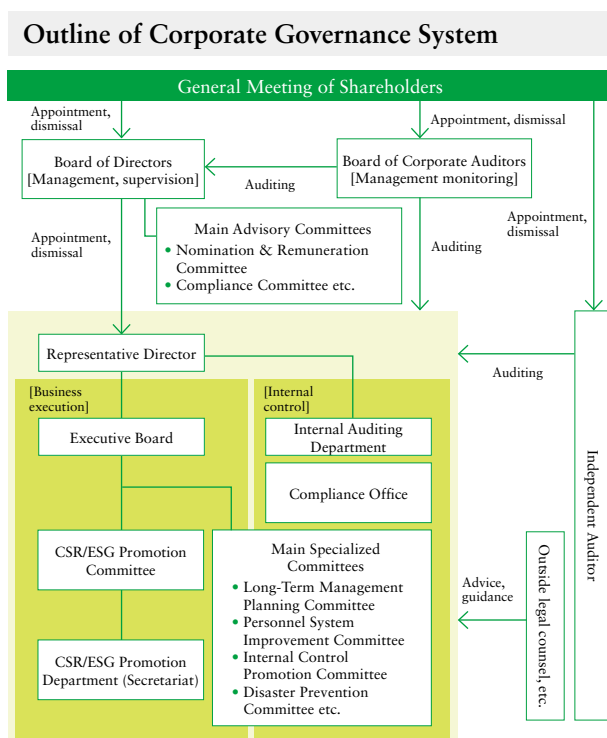
Corporate Governance Policy

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 14 directors, including four 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	Description
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
	Hideo Takano	Objectively supervising management leveraging his experience and wide-ranging insights from deep participation in management support for various enterprises, during his many years at the Tokyo Chamber of Commerce and Industry
Outside Corporate Auditors	Yoshiaki Takasawa	Expressing opinions based on his deep insight concerning corporate legal affairs developed through his experience as an attorney from an independent and objective perspective as an outside corporate auditor
	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 2019)

Category	Name	Board of Directors	Board of Corporate Auditors
Director	Morikazu Taguchi	13 times / 14 times	—
Director	Yuichi Usui	13 times / 14 times	—
Director / Auditor	Yutaka Tanaka	13 times / 14 times	4 times / 4 times
Auditor	Yoshiaki Takasawa	14 times / 14 times	15 times / 15 times
Auditor	Masahiro Nagasawa	13 times / 14 times	14 times / 15 times
Auditor	Takashi Miyajima	11 times / 11 times	11 times / 11 times

Yutaka Tanaka retired as Auditor in July 2019, and was appointed as Director
Takashi Miyajima was appointed as Auditor in July 2019

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, and working to improve the Board's functionality. Our analysis and evaluation of the effectiveness of the Board of Directors for fiscal 2019 was as follows.

Fiscal 2019 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 2020
- (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 Evaluated contents

- (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 free, unrestricted, and constructive discussions with the full participation of both inside and outside directors, and contributing to corporate management.
- It was found that the Board is making steady progress with regard to issues identified for the previous fiscal year, such as by reviewing standards for matters for deliberation.
- In terms of new issues, it was pointed out that the Board should share more information regarding medium- to long-term management plan, including overseas companies, share information regarding the state of execution of business in a timely manner, and engage in deeper discussions.

4 Future efforts

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

Remuneration for corporate officers

(1) Policy for determination of remuneration amount, 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) Amount of remuneration for corporate officers

Total amount of remuneration, total amount by remuneration type, and number of recipient officers by corporate officer category are as follows.

Total amount of remuneration by corporate officer category, total amount of remuneration, etc. by type and number of recipient officers by corporate officer category (fiscal 2019)

Officer category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc., by type (million yen)			Number of recipient officers (people)
		Fixed remuneration	Performance-linked remuneration	Retirement benefits	
Directors (excluding outside directors)	643	557	86	—	9
Auditors (excluding outside corporate auditors)	13	13	—	—	2
Outside Officers	62	62	—	—	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.

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. Starting from 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 Office 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.”

The ITO EN Group Guidelines for Code of Behavior are distributed to all officers and employees of the ITO EN Group, to ensure compliance with laws and corporate ethics, and respond sincerely to social demands. 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 harassment, 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 operating 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.

<https://www.itoen.co.jp/files/user/pdf/company/report202012.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/csr/governance/>

Commitment

Corporate governance, in particular, is an especially important ESG issue for a company to realize sustainable growth. We ensure compliance, effectively operate management frameworks and internal control systems, and fulfill responsibilities for governance in order to respond swiftly to changes, enable high efficiency, impartiality and transparency in management, and to continuously increase corporate value.

The ITO EN Group also has over 8,000 employees, and has adopted the fables method for both production and logistics, and strongly recognizes the importance of building partnerships. Respect for human rights is one of the basic elements of our management principle of “Always Putting

the Customer First”. Moving forward, we will work to increase the level of communication, improve the quality of our work, strengthen efforts to prevent harassment and deepen understanding of international human rights standards and issues, throughout our entire supply chain.

Shunji Hashimoto

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



Risk management

Basic policy

ITO EN 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.

Thorough quality control

As a manufacturer of food and beverage products, delivering safe products and peace of mind to consumers is our top priority mission.

ITO EN Group has established policies on quality management, and is working in collaboration with stakeholders (including outsourced beverage producers) to establish a supply framework that pays due care and consideration to both environmental and social aspects. 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, we have built a quality management system certified under the ISO9001 international standard. At our Shizuoka Sagara Factory, we have obtained certification for, and are operating, an FSSC22000 food product safety management system.

Our Quality Control Department conducts inspections for residual agrichemicals at the raw material stage, while flavor tests, instrumental analyses and inspections for microbes, etc., at the product stage are conducted by both our Quality Control Department and outsourced production plants.

Products are produced at plants that meet our quality management standards (beverage manufacture and tea leaf production guidelines). We ensure the production of safe products that offer peace of mind by sharing information on a day-to-day basis and holding quality assurance meetings with plant representatives (joint meetings with outsourcing partners and other stakeholders).

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.

Response to the COVID-19 coronavirus

In response to the global spread of the COVID-19 pandemic, ITO EN has established a virus response headquarters, headed by the president himself. The headquarters works to prevent the spread of infection such as by gathering information (including information from Group companies), providing sanitary supplies, and making changes to work arrangements, and works to tackle infections at its business locations, with the prerequisite of ensuring business continuity and early-stage re-openings across the board.

Main response measures

Provision of sanitary supplies, thorough disinfection and taking of temperatures

- Periodic provision of face masks to all employees and obligation of wearing them
- Provision of alcohol hand gel to employees who use public transport
- Day-to-day temperature taking and health management, hand-washing and gargling (implementation and record keeping)

Measures to prevent infection at offices

- Installation of thermography equipment at head office reception, temperature measurements
- Installation of air purifiers and partitions to prevent droplet infection on office floors and in conference and negotiation rooms
- Cleaning and disinfection of common areas and places where employees touch, using alcohol-based disinfectant (implementation and record keeping)
- Development and introduction of online (web) conferencing environments



Temperature checks at head office reception using thermography

Increasing flexibility of work structure

- Staggered working hours: we have divided work start times into eight stages, and dispersed working hours
- Changes to days off, satellite work and work from home: we have distributed work days, enabled employees to work from offices in proximity to their homes, and expanded our work-from-home scheme providing employees with mobile computers. Minimizing overlapping of employee working hours and contacts among them, reducing infection risks due to travel
- Super flextime scheme: adjustment of start and finish times within the scope of established total working hours
- Employees aged 65 years or above, pregnant employees and those with chronic illnesses are asked to standby at home (handled as special leave)

Restrictions on travel both in Japan and overseas

- Prohibition of domestic and overseas business trips as a general rule (current response according to state of infections)
- Prohibition of assembly for group meetings, training and events

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 and enhance content for dialogues with investors.

We make efforts to ensure timely and appropriate disclosure of information to shareholders through active communication via financial results briefings and the ITO EN website, so that they may deepen their understanding of our management strategies 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 shareholders and analysts are shared in order to be actively utilized for reviewing management strategies, and 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 Headquarters, 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, quarterly sales status reports, 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 investors and experts, dialogues with consumers and representatives from consumer organizations, and questionnaire surveys of consumers.

Outline of stakeholder dialogues in fiscal 2019

1 ESG liaison meeting with production outsourcing partners

On January 21, 2020, the first ESG liaison meeting was held at ITO EN head office, with nine production outsourcing partners.

At the meeting, representatives from the CSR/ESG Promotion Department and Beverage Department explained ITO EN's future initiatives to tackle environmental and social issues. Opinions were then exchanged with regard to how ITO EN and its suppliers could cooperate and build more of a win-win relationship with regard to issues such as reducing environmental impact and protecting human rights.

2 Opinion exchange meeting with experts in the field of human rights

On March 9, 2020, an opinion exchange meeting aimed at formulating the ITO EN Group Human Rights Policy was held at ITO EN head office with external experts.

External experts

- Kotonoha Law Office
Akiko Sato, lawyer
- Asia-Pacific Human Rights Information Center
Hideki Matsuoka, specially appointed researcher

At the meeting, the Deputy Director-General of ITO EN's Human Resources and Administration Headquarters explained the background and progress involved in developing the Human Rights Policy (which was still being formulated at that time), and received from the experts related domestic- and overseas information, and advice on issues such as the importance of stakeholder viewpoints, and instilling the policy internally.

The opinions of the experts were reflected in the formulation of the ITO EN Group Human Rights Policy. Looking ahead, we will conduct employee training and utilize these opinions in future activities and initiatives.



Opinion exchange meeting with experts in the field of human rights



For details of stakeholder dialogues, please refer to the following link.

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

Third-party assurance

In order to improve the reliability of data disclosed, a portion of environmental data in the ITO EN Integrated Report 2020 is third-party assured by KPMG AZSA Sustainability Co., Ltd.

The indicators covered by this assurance are marked with ★.



Independent Assurance Report

To the President and CEO of ITO EN, Ltd.

We were engaged by ITO EN, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental performance indicators marked with ★ (the "Indicators") for the period from May 1, 2019 to April 30, 2020 included in its ITO EN Integrated Report 2020 (the "Report") for the fiscal year ended April 30, 2020.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Making inquiries and reviewing materials including documented evidence of the Company's Shizaoka-Sagara Factory selected on the basis of a risk analysis, as alternative procedures to a site visit.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
February 3, 2021

List of Officers (As of November 1, 2020)

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.

Vice President, Representative Director and Executive Officer

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 Vice President, Representative Director and Executive Officer (current post)

Shusuke Honjo has continued to lead the Sales Headquarters for many years and possesses 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 Headquarters, and possesses extensive experience and knowledge in the areas of purchasing, R&D, quality control, and logistics.

Vice President, Director and Executive Officer

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 Vice President, Director and Executive Officer (current post)

Minoru Watanabe manages mainly the Administration Headquarters and possesses extensive experience and knowledge in the areas of finance, human resources & 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 Headquarters, and possesses 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 Human Resources & General Affairs Headquarters. With respect to the Sales Headquarters, he possesses knowledge and experience in various sales formats, including community sales, mass retail and convenience stores. He currently manages the Production Headquarters.

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 Headquarters. 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 promote its global business management, from the time of its initial expansion into the mainland of the United States, from the beginning at New York.

Director and Senior Managing Executive Officer

Atsushi Hirata

May 1988 Joined ITO EN
May 2016 General Director of Administration Headquarters (current post)
Jul. 2020 Director and Senior Managing Executive Officer (current post)

Atsushi Hirata manages mainly the Administration Headquarters and possesses extensive experience and knowledge in the areas of finance, accounting, human resources and general affairs.

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 Faculty of Law, Waseda University
Apr. 2004 Professor of Waseda Graduate 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 General Affairs Department
Apr. 2012 Executive Officer and General Manager of CSR Promotion Department, 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

Outside Director

Hideo Takano

Apr. 1977 Joined Tokyo Chamber of Commerce and Industry
Apr. 2006 General Unification Manager, General Affairs Department, Tokyo Chamber of Commerce and Industry
Apr. 2009 Director and Administration Secretary-General, Tokyo Chamber of Commerce and Industry
Apr. 2012 Executive Director, Tokyo Chamber of Commerce and Industry
Nov. 2015 Director and Chairman, General Incorporated Foundation and Association for the Preservation of Japanese Folk Crafts and Technology (current post)
Jun. 2016 Standing Councilor, Tokyo Chamber of Commerce and Industry
Jul. 2020 Outside Director of ITO EN (current post)

Hideo Takano possesses extensive experience and broad-ranging insights gained through his many years at the Tokyo Chamber of Commerce and Industry, where he was involved in the provision of management support for various enterprises.

Auditors

Standing Corporate Auditor

Shuji Nakagomi

Mar. 1981 Joined ITO EN
 May 2007 General Manager, Product Department
 May 2010 Deputy Director-General of Area Sales Administration Headquarters
 May 2012 Executive Officer and General Director, Area Sales Administration Headquarters
 Jul. 2014 Director
 May 2017 General Director of Logistics Headquarters
 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 Headquarters 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 a judge, registered as an attorney and became representative of Yoshiaki Takasawa Law 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)

Managing Executive Officers

Kenichiro Ishizaka

General Director of Specialized Sales Headquarters

Hideki Yoshida

General Director of Chugoku, Shikoku and Kyushu Area Sales Headquarters

Motohiko Takuma

Deputy Director-General of Production Headquarters and General Manager of Shizuoka Sagara Factory

Takeshi Saito

General Director of Chubu Area Sales Headquarters

Nozomi Kishi

General Director of National Distribution Sales Headquarters

Hisashi Ishida

Deputy Director-General of Administration Headquarters

Executive Officers

Katsumi Asano

General Manager of Internal Auditing Department

Minoru Shirai

Deputy Director-General of Production Headquarters

Jun Kawasaki

General Director of Kansai Area Sales Headquarters

Hiroya Okano

General Director of Hokkaido and Tohoku Area Sales Headquarters

Takahiro Sasaki

General Director of Northern- and Eastern Kanto Area Sales Headquarters

Masami Sasame

General Manager, 2nd Production Development Department

Jin Suzuki

General Director of Logistics Headquarters

Hiroyasu Ando

General Director of South Kanto Area Sales Headquarters

Iwao Sakane

Senior Fellow of Central Research Institute

Masato Kawamoto

General Director of Tokyo and Chiba Area Sales Headquarters

Kiyoshi Kondo

General Director of Sales Unified Administration Headquarters and General Manager of Office Administration Center

Shinji Karasawa

Deputy Director-General of Specialized Sales Headquarters

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.

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.



A visiting lesson given by an ITO EN TEA TASTER

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*" (or "savory" taste) 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 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 passing on *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	An abbreviation for Corporate Social Responsibility. The term refers 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)	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	An acronym comprised of the initial letters of the words Environmental, Social and Governance. Today, the idea that the three fundamental viewpoints of ESG are necessary in order for companies to achieve sustainable growth has spread around the globe, and is also spreading rapidly among institutional investors, which are also 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	An abbreviation of the term Key Performance Indicator. While various types of performance indicators are used in business management, KPIs are defined as those indicators which are considered to be particularly important or "key."

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)
		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) Environmental Performance Award (Outstanding Performance Award) (2015)
Production and Logistics	New eco-friendly beverage carton containers	Prize of the Director-General of the Food Industry Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries in the Food Industry Mottainai Award (2015)
	NS System	Special Award at the Logistics Environment Awards (2018)
	Modal shift	Eco Mark Award 2014 (Silver Award) (2015)
Product Planning and Development	Used Tea Leaves Recycling System	Prize of the Minister of Agriculture, Forestry and Fisheries for the 3Rs (Reduce, Reuse, and Recycle) for Promoters of the 3Rs (2013) Prize of the Minister of the Environment in the Global Environment Grand Prize Award (2011)
		Prize of the Excellence Award of The Japan Awards for Biodiversity (2015)
Sales and Distribution	"Making Lake Biwa Beautiful Through Tea"	Prize of the Minister of Economy, Trade and Industry in the Japan Water Prize Award (2015)
	"Making Japan Beautiful Through Tea"	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)
	The ITO EN <i>Oi Ocha</i> New Haiku Contest	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>
	KEEP IN MY BOTTLE*2	Grand Prize in the FOODEX Gourmet Beauty Grand Prix (Mom's Love Category) (2017)
	Kenko Mineral Mugicha Instant Barley Tea 40g	Gold Prize in the FOODEX Gourmet Beauty Grand Prix (Drinks Category) (2017)
	Relax PEACH 500ml	Gold Prize in the FOODEX Gourmet Beauty Grand Prix (2014)
	Healthy Rooibos Tea 500ml	Gold Prize in the FOODEX Gourmet Beauty Grand Prix (Drinks Category) (2019)
	<i>Oi Ocha Shinryoku</i> (New Green) 470ml PET plastic bottle 470ml	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, 2020)
	<i>Oi Ocha</i>	

*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).

ROE	An abbreviation of the term Return On Equity. Return on equity is the ratio of a company's net income (profits) to its equity (shareholders' equity).
SDGs	An abbreviation of the 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 with 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 announced a goal to reduce its greenhouse gas emissions to effectively zero by 2050.

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 of America (USA)]

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 Japan manages the Tully's Coffee eateries and it also develops its franchise chain store system.



Tully's Coffee RAYARD Hisaya-odori Park store



Tully's Coffee Fukuoka Airport store

Chichiyasu Company

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

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



Flagship products: CHICHI YASU Yoghurt (left), CHICHI YASU Yoghurt Low Sugar (right)



"CHICHI YASU" showroom (Nishi-ku, Hiroshima City, Hiroshima Prefecture)

ITO EN (North America) INC.

<https://www.itoen.com>

ITO EN (North America) sells beverage- and tea leaf products, including *Oi Ocha* and *TEAS' TEA*. It also introduces traditional Japanese *washoku* food culture, with a central focus on tea.



Matcha LOVE tea shop

Status of major consolidated subsidiaries

(100 million yen)

	Actual Results in FY4/2020		Budget Plan for FY4/2021	
	Net sales	Operating income	Net sales	Operating income
Businesses in the US*1	309 (285,736 thousand US dollars)	6 (6,034 thousand US dollars)	316 (292,794 thousand US dollars)	10 (9,956 thousand US dollars)
Tully's Coffee Japan Co., Ltd.	328	17	337	17
Chichiyasu Company	142	4	135	4
Exchange rate (US dollars)*2	108.39 yen		108 yen	

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

*2 Average for the fiscal year

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	5,403 persons (non-consolidated basis)
URL	http://www.itoen.co.jp
Branches, sales offices and local offices	196 offices in 30 areas throughout Japan
Shops / stores	122 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, Araikita, 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](#)

<https://www.itoen.co.jp/files/user/pdf/company/report202012.pdf>

Financial information

▶ [Annual Securities Report](#)

<https://www.itoen.co.jp/files/user/pdf/ir/securities/202004.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	44,775 persons
	▶ Preferred stock	61,599 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	5,893	23,297	19.22
State Street Bank and Trust Company 505223	7,585	—	7,585	6.26
Honjo International Scholarship Foundation	5,200	1,560	6,760	5.58
The Master Trust Bank of Japan, Ltd. (trust account)	3,795	89	3,884	3.20
Hachiro Honjo	2,446	882	3,329	2.75
The Bank of New York 134104	—	3,304	3,304	2.73
ITO EN Employees' Shareholding Association	2,090	268	2,358	1.95
Japan Trustee Services Bank, Ltd. (trust account 9)	2,137	—	2,137	1.76
The Bank of New York Mellon (International) Limited 131800	2,098	—	2,098	1.73
Toyo Seikan Group Holdings, Ltd.	1,955	126	2,081	1.72

* In addition to the above, ITO EN retains 1,023 thousand shares of common stock and 1,192 thousand shares of Class 1 preferred stock as treasury stock, for a total of 2,215 thousand shares of treasury stock retained (1.79%).

* 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 dividends Amount of common dividends × 125%* ² Any accrued amount is accumulated	Common dividends 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 2020]

CSR/ESG Promotion Department

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