

# Corporate Governance Report

Last Update: August 2, 2021

**ITO EN, LTD.**

Daisuke Honjo, President

Contact: Administration Headquarters

( [https://www.itoen.co.jp/inquiry\\_form\\_global/form.html](https://www.itoen.co.jp/inquiry_form_global/form.html) )

Securities Code: 2593

<https://www.itoen-global.com/>

The corporate governance of ITO EN, LTD. (the “Company”) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

The management principle of the ITO EN Group is “Always Putting the Customer First.” The Group states in the ITO EN Group Funding Charter that its management priority is to fulfill its corporate social responsibility by cooperating with the government, local communities, consumers, shareholders, retailers, suppliers, financial institutions and other stakeholders, aiming for sustained corporate growth and development and the enhancement of corporate value.

This management principle is a basic concept in the Group’s business ethics and the unwavering truth that supports corporate governance. Based on this principle, all officers and employees of the Group shall strive to actively enhance corporate management by maintaining the trust of all stakeholders, aiming to achieve a sustainable society.

As a company with an audit & supervisory board, the Audit & Supervisory Board Members of ITO EN, LTD. (the “Company”) shall conduct audits by confirming with Representative Directors of each group company or Directors, Executive Officers or employees in charge of each group company regarding the status of business operations, decision-making processes and so forth to achieve appropriate corporate governance.

Audit & Supervisory Board Members 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 Audit & Supervisory Board.

### **[Reasons not to implement each Principle of the Corporate Governance Code]**

Supplementary Principle 4-11 (1) Views on the Balance, Diversity and Size of the Board of Directors

The number of members of the Board of Directors shall be no more than that specified in the Articles of Incorporation of the Company. The basic principle for the composition of the Board of Directors shall be to ensure a necessary and appropriate number of members for effective decision-making and substantive discussions. While there is no female Director as of the date of submission of this report, the Company will make efforts to appoint female Directors with due consideration toward gender, internationality and other characteristics, such as diversity and levels of professionalism.

(Article 6 Composition of the Board of Directors of the ITO EN, LTD. Corporate Governance Guidelines)

### **[Disclosure Based on the Principles of the Corporate Governance Code]**

Disclosure Based on Principles of the Corporate Governance Code

The Company has established the ITO EN, LTD. Corporate Governance Guidelines (the “ITO EN Guidelines”) based on the resolution of the Board of Directors as an indication of the Company’s basic views and guidelines on corporate governance. Refer to the ITO EN Guidelines on the Company website.

#### Principle 1-4 Cross-Shareholdings

The Company maintains the policy of not conducting cross-shareholding, in principle. Provided, however, the Company conducts cross-shareholding in cases where it can be judged that cross-shareholding would facilitate transactions, procurement or financing. In addition, the Company maintains the policy of reducing cross-shareholding by stages in cases where cross-shareholding is not judged to contribute to the enhancement of the Group's corporate value over the medium- to long-term. With regard to listed shares held by the Company in accordance with the proviso above ("shares held in cross holding"), the Company validates at the Board of Directors' meetings every year that the return on invested capital exceeds capital cost for each stock. In addition, from the perspective of maintaining and strengthening relationships with its clients over the medium to long term, the Company has confirmed at the Board of Directors' meeting that the significance of cross shareholdings shall be reviewed and that any stock with reduced economic rationality and reduced significance of cross holding shall be subject to sale or reduction in holding following dialogue with the issuer company.

Regarding the exercise of voting rights of shares held in cross holding, the Company shall appropriately address the matter by closely examining each agenda and comprehensively judging if the proposed matter will contribute to the enhancement of corporate value of the Company and the issuer. (Article 14 Policy on cross-shareholding of the ITO EN Guidelines)

#### Principle 1-7 Related Party Transactions

When the Company conducts a transaction with its officers, major shareholders and others, it shall submit the matter to the Board of Directors in advance and obtain the board's approval in order to ensure that the transaction will not adversely affect common interests of the Company and shareholders, except where the terms and conditions of the transaction are clearly the same as those for general transactions. (Article 13 Management system for transactions among related parties of the ITO EN Guidelines)

#### Principle 2-6 Roles of Corporate Pension Funds as Asset Owners

The Company does not have a corporate pension fund plan.

#### Principle 3-1 Full Disclosure

(1) Basic views and guidelines on management principle and corporate governance  
Refer to "1. Basic Views" above and Article 1 (Basic concept underlying the management principle and corporate governance) of the ITO EN Guidelines.

(2) Management strategy and business results

Refer to the Company website below.

Medium and Long-Term Management Plan:

[https://www.itoen-global.com/ir/management\\_plan.php](https://www.itoen-global.com/ir/management_plan.php)

Financial Information:

[https://www.itoen-global.com/ir/financial/financial\\_highlights.php](https://www.itoen-global.com/ir/financial/financial_highlights.php)

(3) Board policies and procedures in determining the remuneration of the senior management and Directors

Remuneration, etc. of Directors, excluding Outside Directors, shall comprise monthly fixed remuneration and performance-linked remuneration. Remuneration of Outside Directors shall only be monthly fixed remuneration. Monthly fixed remuneration shall be determined within the total amount of remuneration approved by resolution of the general shareholders meeting, according to respective job positions, by taking into account business results for the preceding fiscal year and the degree of achievement of the annual business plan for the current fiscal year and so forth, and by respecting deliberations at the Nomination & Remuneration Committee. With regard to performance-linked remuneration, stock options to be granted to each officer shall be determined by closely evaluating their performance according to a performance-linked stock option scheme. Individual remuneration, etc. of each Director shall be determined according to remuneration standards adopted by resolution of the Board of Directors meeting.

(Article 9 Policy and procedures for determining Directors' remuneration of the ITO EN Guidelines)

Remuneration of Audit & Supervisory Board Members shall be within the total amount of remuneration approved by resolution of the general shareholders meeting and shall only be monthly fixed remuneration. Remuneration of Audit & Supervisory Board Members shall be determined upon discussions with each Audit & Supervisory Board Member at a meeting of the Audit & Supervisory Board.

(Article 10 Policy and procedures for determining Audit & Supervisory Board Members' remuneration of the ITO EN Guidelines)

(4) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and Audit & Supervisory Board candidates

Refer to Article 7 (Policy on nomination and procedures for nomination and removal of Directors) and Article 8 (Policy and procedures for nomination of Audit & Supervisory Board Members) of the ITO EN Guidelines

(5) Explanations with respect to the individual appointments/dismissals and nominations based on (4) above

Refer to the "Notice of Annual General Meeting of Shareholders" posted on the Company website.

#### Supplementary Principle 4-1 (1) Board's Decisions and Scope of the Matters Delegated to the Management

The Company's Board of Directors has the role of overseeing management to secure the fairness and transparency of management and to make prompt and resolute decisions on the execution of important operations and other matters as required by laws and regulations to facilitate sustained growth and the enhancement of corporate value over the medium- to long-term and to improve earning capacity, capital efficiency and so forth.

The execution of operations, other than important operations stipulated above, and relevant decision making shall be delegated to the Executive Board and other lower-level meetings, officers in charge of the operations, Executive Officers and others. The Board of Directors shall supervise the status of the meetings and the execution of duties of the officers and others.

(Article 5 Role of the Board of Directors of the ITO EN Guidelines)

#### Supplementary Principle 4-1 (3) Succession Plan for the CEO and Other Top Executives

The Company is working on human resources development programs including the cultivation of business managers, including the president. The Company has established the Nomination & Remuneration Committee, which is an advisory body to the Board of Directors.

#### Principle 4-9 Independence Standards for Independent Audit & Supervisory Board Members

Refer to the Annex, "Standards for the independence of independent Outside Directors and Outside Audit & Supervisory Board Members of the Company," in the ITO EN Guidelines.

#### Supplementary Principle 4-11 (2) Status of Concurrent Serving of Directors and Audit & Supervisory Board Members as Directors, Audit & Supervisory Board Members or the Management at Other Companies

Refer to annual securities reports posted on the Company website.

#### Supplementary Principle 4-11 (3) Evaluation of Effectiveness of the Board of Directors

The Company has been analyzing and evaluating the effectiveness of the Board of Directors since fiscal 2015, in an effort to improve its functioning.

In particular, the Company examines Directors and Audit & Supervisory Board Members regarding overall matters related to the Board of Directors, such as the structure, roles, responsibilities, operation status and deliberation methods of the Board of Directors, and then the Board of Directors evaluates the results of the analysis.

The Company has decided that the effectiveness of the Board of Directors is fully ensured based on the results of the evaluation. As a future issue, the necessity of further discussions about the medium- to long-term management plan has been recognized. In addition, matters such as the strengthening of the information support system and the full enforcement of regular reports on its execution status as well as the improvement of accuracy of information sharing have also been cited as issues.

The Company will continue to make efforts for further improvement by enhancing the functions of the Board of Directors through the resolution of issues.

**Principle 4-14 Director and Audit & Supervisory Board Member Training**

The Company shall support the execution of duties of the Directors and Audit & Supervisory Board Members by collecting and providing information necessary for them to perform their roles and functions. It shall also provide necessary training and so forth.

In order to perform their roles and functions, Outside Directors and Outside Audit & Supervisory Board Members of the Company shall endeavor to obtain a sufficient understanding of the Group's management strategies and plans, the status of each business, management issues and so forth by such means as receiving explanations from respective divisions in charge of each business at the time of assuming office and on other appropriate occasions after assuming office.

(Article 11 Policy on training for Directors and Audit & Supervisory Board Members of the ITO EN Guidelines)

**Principle 5-1 Policy for Constructive Dialogue with Shareholders**

The Company shall accurately understand its capital cost, listen to the comments of shareholders through constructive dialogues between its management team and shareholders and pay due attention to shareholders' interests and concerns. In addition, it shall provide clear and simple explanations about the review of its business portfolio and its management policy, including capital expenditure and investment in research and development and human resources, in an effort to obtain shareholders' understanding.

(Article 16 Policy on constructive dialogue with shareholders of the ITO EN Guidelines)

For details, refer to "IR Activities" in this report.

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Green Core Co., Ltd.	17,403,400	19.50
State Street Bank and Trust Company 505223	6,480,587	7.26
Honjo International Scholarship Foundation	5,200,000	5.82
The Master Trust Bank of Japan, Ltd. (Trust account)	4,630,000	5.18
Hachiro Honjo	2,446,230	2.74
Toyo Seikan Group Holdings, Ltd.	1,955,200	2.19
ITO EN Employees' Shareholding Association	1,941,515	2.17
Resona Bank, Limited	1,933,100	2.16
Custody Bank of Japan, Ltd. (Trust account)	1,652,200	1.85
The Bank of New York Mellon (International) Limited 131800	1,586,000	1.77

Controlling Shareholder (except for Parent Company)	-----
Parent Company	None

Supplementary Explanation

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## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange
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	First Section
Fiscal Year-End	April
Type of Business	Foods
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

Not applicable.
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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	35
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	Company Chairperson (Except where the Chairperson concurrently serves as the President)
Number of Directors	14
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Morikazu Taguchi	Academic	▲											
Yuichi Usui	Other												○
Yutaka Tanaka	Tax Accountant												○
Hideo Takano	Other												○

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

#### Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Morikazu Taguchi	○	-----	Mr. Morikazu Taguchi is an Outside Director who is independent from the Company. He is qualified as Outside Director because he has engaged in the study of legal affairs as a professor at a university and graduate school for many years and offers appropriate advice from a professional viewpoint. While Mr. Taguchi is a brother of Mr. Hiroshi Taguchi, a former Managing Director of the Company, the Company has decided that there is no issue in the independence of Mr. Taguchi, because Mr. Hiroshi Taguchi left office in July 2012. In addition, because the appointment of Mr. Taguchi does not fall under matters that the Tokyo Stock Exchange defines as those that could give rise to conflicts of interest with general shareholders, he is independent from the Company.
Yuichi Usui	○	-----	Mr. Yuichi Usui has considerable experience and a wide range of insight as a police officer for many years and also has experience in being directly involved in company management in a logistics company. The Company has appointed him as Outside Director because of his diverse experience and insight as well as his experience in supervising and overseeing the management of the Company. Because the appointment of Mr. Usui does not fall under the matters which the Tokyo Stock Exchange defines as those that could give rise to conflicts of interest with general shareholders, he is independent from the Company.
Yutaka Tanaka	○	-----	Mr. Yutaka Tanaka has expertise as well as extensive knowledge and experience as a certified tax accountant and also has an experience as an outside Audit & Supervisory Board Member. The Company has appointed him as Outside Director because of his diverse experience and knowledge as well as his experience in supervising the management of the Company. Because the appointment of Mr. Tanaka does not fall under the matters which the Tokyo Stock Exchange defines as those that could give rise to conflicts of interest with general shareholders, he is independent from the Company.
Hideo Takano	○	-----	Mr. Hideo Takano has deeply participated in business support for a variety of companies at the Tokyo Chamber of Commerce and Industry for many years. The Company has appointed him as Outside Director because of his considerable experience and extensive insight to objectively supervise the management of the Company. Because the appointment of Mr. Takano does not fall under the matters which the Tokyo Stock Exchange defines as those that could give rise to conflicts of interest with general shareholders, he is independent from the Company.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination & Remuneration Committee	Nomination & Remuneration Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	None	None

Supplementary Explanation

The Company 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 enhance the independence, objectiveness and accountability of the Board of Directors through the appropriate involvement and advice of Outside Directors. The Nomination & Remuneration Committee shall comprise no fewer than three members, including Director(s), and no fewer than two Outside Directors or Outside Audit & Supervisory Board Members.

The Nomination & Remuneration Committee shall deliberate on the following matters as an advisory body to Directors and submit a report to the Board of Directors.

- (1) Matters concerning the selection of candidates for Directors
  - (2) Matters concerning senior Executive Officers
  - (3) Matters concerning total amounts of remuneration for Directors and Executive Officers
  - (4) Matters concerning remuneration systems for Directors and Executive Officers
  - (5) Other matters regarding which advice is sought by the Board of Directors
- (Article 4 Nomination & Remuneration Committee of the ITO EN Guidelines)

[*Kansayaku*]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	5
Number of <i>Kansayaku</i>	4

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members witness regular meetings and visiting audits throughout the fiscal year, beginning with the formulation of an annual plan with the accounting auditor, and receive explanations about audit procedures, schedule the implementation status and results of audits, and exchange opinions. In addition, the Internal Auditing Department of the Company is established as a department under the direct control of the Representative Directors independent from other departments and conducts an audit of overall operations and the development and operation status of the internal control system. Audit & Supervisory



Board Members cooperate with the Internal Auditing Department in such a manner as exchanging information and opinions by accompanying audits conducted by the Internal Auditing Department and inspecting internal audit reports.

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	3
Number of Independent <i>Kansayaku</i>	2

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoshiaki Takasawa	Lawyer													○
Masahiro Nagasawa	CPA							△						
Hitoshi Yokokura	Lawyer													○

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. *Kansayaku* of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoshiaki Takasawa	○	-----	The Company has appointed Mr. Yoshiaki Takasawa with an emphasis on his expertise. Mr. Takasawa is an Outside Audit & Supervisory Board Member independent from the Company and is qualified as an independent officer to strengthen the auditing system from a legal perspective as an attorney at law.

Masahiro Nagasawa	○	-----	The Company has appointed Mr. Masahiro Nagasawa with an emphasis on his expertise. Mr. Nagasawa is an Outside Audit & Supervisory Board Member independent from the Company and is qualified as an independent officer to strengthen the auditing system from an accounting perspective as a certified public accountant. While Mr. Nagasawa is from KPMG AZSA LLC, the Company has decided that there is no issue with his independence.
Hitoshi Yokokura		-----	The Company has appointed Mr. Hitoshi Yokokura with an emphasis on his expertise. Mr. Hitoshi Yokokura has expert insights and extensive knowledge and experience as a certified public accountant and an attorney, and the Company has appointed him as an Outside Audit & Supervisory Board Member based on its judgment that he will be able to utilize his advanced expertise and insight in accounting and legal affairs for monitoring and auditing the Company's management. Because the appointment of Mr. Yokokura does not fall under the matters which the Tokyo Stock Exchange defines as those that could give rise to conflicts of interest with general shareholders, he is independent from the Company.

#### [Independent Directors/*Kansayaku*]

Number of Independent Directors/ <i>Kansayaku</i>	6
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Matters relating to Independent Directors/*Kansayaku*

The Company has appointed all those who are qualified to be an independent officer as an independent officer.

#### [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options
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Supplementary Explanation

1. Stock option based on the resolution of the annual general meeting of shareholders held on July 28, 2004 (Second series of share acquisition rights of ITO EN, LTD.)
  - (1) Class and the number of shares underlying the share acquisition rights at the time of issuance  
Common stock of the Company: 146,000 shares
  - (2) Reason for issuing share acquisition rights with particularly favorable conditions  
The Company and its subsidiaries ceased the new accumulation of retirement allowances for Directors and other officers in August 2002 and abolished the retirement benefit program for Directors and other officers in September 2004. Associated with this, the unsettled portion of accumulated retirement benefits in the past was not paid in money, but share acquisition rights were issued without consideration by setting the exercise price at 1 yen per share on the condition that the Directors and other officers of the Company and its subsidiaries are unable to exercise the rights until they retire from the company.
2. Stock option based on the resolution of the annual general meeting of shareholders held on July 26, 2011 (10th series of share acquisition rights of ITO EN, LTD.)
  - (1) Class and the number of shares underlying the share acquisition rights at the time of issuance

Common stock of the Company: 19,300 shares

(2) Reason for issuing share acquisition rights

For the purpose of further increasing the motivation and morale of Directors for higher share prices and the better business performance of the Company by raising the degree of their interest in the share price and business performance of the Company through stronger linkage between part of their remuneration and the Company's share price and their placement in a position of sharing the impact of share price fluctuations with the shareholders, the Company issued share acquisition rights without consideration as a performance-linked stock compensation-type stock option by setting the value of the property to be contributed upon the exercise of share acquisition rights at 1 yen per share.

3. Stock option based on the resolution of the annual general meeting of shareholders held on July 26, 2011 (11th series of share acquisition rights of ITO EN, LTD.)

(1) Class and the number of shares underlying the share acquisition rights at the time of issuance

Common stock of the Company: 21,700 shares

(2) Reason for issuing share acquisition rights

For the purpose of further increasing the motivation and morale of Directors for higher share prices and the better business performance of the Company by raising the degree of their interest in the share price and business performance of the Company through stronger linkage between part of their remuneration and the Company's share price and their placement in a position of sharing the impact of share price fluctuations with the shareholders, the Company issued share acquisition rights without consideration as a performance-linked stock compensation-type stock option by setting the value of the property to be contributed upon the exercise of share acquisition rights at 1 yen per share.

4. Stock option based on the resolution of the annual general meeting of shareholders held on July 26, 2011 (12th series of share acquisition rights of ITO EN, LTD.)

(1) Class and the number of shares underlying the share acquisition rights at the time of issuance

Common stock of the Company: 19,500 shares

(2) Reason for issuing share acquisition rights

For the purpose of further increasing the motivation and morale of Directors for higher share prices and the better business performance of the Company by raising the degree of their interest in the share price and business performance of the Company through stronger linkage between part of their remuneration and the Company's share price and their placement in a position of sharing the impact of share price fluctuations with the shareholders, the Company issued share acquisition rights without consideration as a performance-linked stock compensation-type stock option by setting the value of the property to be contributed upon the exercise of share acquisition rights at 1 yen per share.

5. Stock option based on the resolution of the annual general meeting of shareholders held on July 26, 2011 (13th series of share acquisition rights of ITO EN, LTD.)

(1) Class and the number of shares underlying the share acquisition rights at the time of issuance

Common stock of the Company: 15,100 shares

(2) Reason for issuing share acquisition rights

For the purpose of further increasing the motivation and morale of Directors for higher share prices and the better business performance of the Company by raising the degree of their interest in the share price and business performance of the Company through stronger linkage between part of their remuneration and the Company's share price and their placement in a position of sharing the impact of share price fluctuations with the shareholders, the Company issued share acquisition rights without consideration as a performance-linked stock compensation-type stock option by setting the value of the property to be contributed upon the exercise of share acquisition rights at 1 yen per share.

6. Stock option based on the resolution of the annual general meeting of shareholders held on July 26, 2011 (14th series of share acquisition rights of ITO EN, LTD.)

(1) Class and the number of shares underlying the share acquisition rights at the time of issuance

Common stock of the Company: 17,900 shares

(2) Reason for issuing share acquisition rights

For the purpose of further increasing the motivation and morale of Directors for higher share prices and the better business performance of the Company by raising the degree of their interest in the share price and business performance of the Company through stronger linkage between part of their remuneration

and the Company's share price and their placement in a position of sharing the impact of share price fluctuations with the shareholders, the Company issued share acquisition rights without consideration as a performance-linked stock compensation-type stock option by setting the value of the property to be contributed upon the exercise of share acquisition rights at 1 yen per share.

(\*) Only stock options the exercise period of which have not yet expired are stated.

Recipients of Stock Options	Inside Directors / Inside <i>Kansayaku</i> / Outside <i>Kansayaku</i> / Subsidiaries' Directors
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#### Supplementary Explanation

Number of shares underlying the share acquisition rights	As of the date of issuance	
		People eligible for share acquisition rights
(1) Second series of share acquisition rights of ITO EN, LTD.	146,000 shares	25 people
(2) 10th series of share acquisition rights of ITO EN, LTD.	19,300 shares	15 people
(3) 11th series of share acquisition rights of ITO EN, LTD.	21,700 shares	14 people
(4) 12th series of share acquisition rights of ITO EN, LTD.	19,500 shares	12 people
(5) 13th series of share acquisition rights of ITO EN, LTD.	15,100 shares	8 people
(6) 14th series of share acquisition rights of ITO EN, LTD.	17,900 shares	8 people

#### [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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#### Supplementary Explanation

Details of remuneration of Directors and other officers of the Company for the fiscal year ended April 30, 2021 are as follows.

10 Directors (excluding Outside Directors) 617 million yen

1 Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) 13 million yen

4 Outside Directors 39 million yen

3 Outside Audit & Supervisory Board Members 31 million yen

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Remuneration for Directors (excluding Outside Directors) is managed in compliance with the Company's basic views on corporate governance and determined by the resolution of the Board of Directors based on reports on deliberations from the Nomination & Remuneration Committee.

The Board of Directors has confirmed that the method for determining the content of remuneration, etc. and the content of remuneration, etc. determined for each individual Director for the fiscal year under review are consistent with the relevant determining policy, and that the report from the Nomination and Remuneration Committee has been respected, and the Board of Directors has therefore judged that the content is in line with the relevant determining policy.

The details of the determining policy regarding the content of remuneration, etc. for each individual Director are as follows.

(a) Basic policy

1. Remuneration shall be such that it is in compliance with the management principle of the ITO EN Group, “Always Putting the Customer First,” and will contribute to sustained corporate growth and development and the enhancement of corporate value.
2. Remuneration shall be determined in proportion to the significance of Directors’ roles and responsibilities and their contribution to the Company’s business performance.
3. Remuneration shall be closely linked to the share price of the Company’s stock, so that Directors share the impact of share price fluctuations with the Company’s shareholders and the remuneration serves as an incentive for management.
4. Remuneration shall be determined based on objective and fair deliberations and with references to external data.

(b) Composition of the remuneration

Remuneration, etc. of Directors (excluding Outside Directors) of the Company comprises fixed remuneration and performance-linked remuneration, and remuneration of Audit & Supervisory Board Members and Outside Directors comprises only fixed remuneration. The breakdown of remuneration, etc. of Directors (excluding Outside Directors) is fixed remuneration of about 70% and performance-linked remuneration of about 30%, and both will be paid monthly, in principle.

(i) Fixed remuneration

The amount of the fixed remuneration shall be not more than the maximum amount of the remuneration (100 million yen per month for Directors and 6 million yen per month for Audit & Supervisory Board Members), and the Board of Directors determines the amount by respecting deliberations at the Nomination & Remuneration Committee, while also considering their job positions in the Company as well as the business performance and the degree to which the Company has achieved its plan.

The Nomination & Remuneration Committee comprises three or more members, including Director(s) and two or more Outside Directors. The Nomination & Remuneration Committee deliberates on the nomination of Directors and executive officers, the remuneration for Directors and executive officers and other relevant matters based on inquiries from the Board of Directors, gives due consideration to these matters while Outside Directors appropriately participate and provide advice, and submits reports on its deliberations to the Board of Directors.

(ii) Performance-linked remuneration

(ii)-1 Reasons for the adoption of performance-linked remuneration

By adopting performance-linked remuneration, which makes part of the remuneration for Directors closely linked to the Company’s share price and puts Directors in a position where they share the impact of share price fluctuations with the Company’s shareholders, the Company aims to enhance Directors’ interest in its share price and business performance and further raise their motivation and morale for achieving higher share prices and better business performance of the Company.

The Company determines share acquisition rights granted to each Director by means of performance-linked, share remuneration-type share options by rigorously evaluating the business performance.

(ii)-2 Determination of the performance-linked remuneration

The Company determines performance-linked remuneration through comprehensive performance evaluation in which, in order to link the business performance and remuneration, the Company designates some of the Company’s business performance indicators as measures for Directors’ individual performance, sets the standard ratio of consolidated performance to non-consolidated performance for each position, considers each Director’s responsibilities, and awards points to each Director with respect to each business performance indicator.

(ii)-3 The Company’s business performance indicators used as Directors’ performance measures

The Company’s primary business performance indicators used as performance measures for Directors include “net sales (growth),” “operating income (profitability),” “cash flows from operating activities (stability),” “earnings per share (profitability),” “return on equity (efficiency)” and “dividend on equity ratio (shareholder return).”

### **[Supporting System for Outside Directors and/or *Kansayaku*]**

Information and materials are provided and sent to the Outside Director and Outside Audit & Supervisory Board Members when appropriate, and explanations are given to them as needed.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

Major management organs of the Company include the Board of Directors and the Board of Audit & Supervisory Board Members. The Board of Directors holds a meeting once a month, in principle, to supervise the execution of operations by Directors, in addition to deliberating and determining important matters such as the basic management policy and management strategies. In addition, four of 14 Directors are Outside Directors, and they take on functions to supervise and check the execution of duties from an independent standpoint.

The Board of Audit & Supervisory Board Members consists of one standing Audit & Supervisory Board Member and three non-standing Audit & Supervisory Board Members (all of whom are Outside Audit & Supervisory Board Members). The Audit & Supervisory Board Members mainly conduct audits of the legality of the Directors' business execution by attending important meetings such as those of the Board of Directors, inspecting important documents, conducting visiting audits of departments executing business, and expressing opinions as necessary. Meetings of the Board of Audit & Supervisory Board Members are held monthly, in principle, to deliberate on and determine important matters concerning audits as well as share information and exchange opinions on the status of audits conducted and the recognition of issues, among other tasks.

The Company files six officers with the Tokyo Stock Exchange as an independent officer, and they contribute to the formation of sound corporate governance by demonstrating auditing and supervisory functions from an objective and impartial perspective.

The Internal Auditing Department under the direct control of the Representative Directors conducts operational audits and internal control audits of departments in the Company and of the Group subsidiaries in accordance with the annual plan and policy and reports the outline of the audits to the Executive Board as needed. The Representative Directors and Audit & Supervisory Board Members, etc. inspect audit reports by department, including improvements in findings, which are prepared by the Internal Auditing Department. Audit & Supervisory Board Members make efforts to build an effective audit system for the Group by sharing information and exchanging opinions through accompanying audits conducted by the Internal Auditing Department and inspecting internal audit reports.

The Company appoints KPMG AZSA LLC as the accounting auditor. The accounting auditor conducts accounting audits based on highly specialized knowledge as an expert in accounting from an independent and impartial perspective in accordance with predetermined audit plans and audit standards. The appropriateness of audits by the accounting auditor is verified by the Audit & Supervisory Board Members.

## **3. Reasons for Adoption of Current Corporate Governance System**

The Company adopts the current governance system given that three of the four Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members as a company with a board of Audit & Supervisory Board Members and audit the legitimacy, etc. of the execution of duties by Directors, including expressing honest opinions from an independent standpoint based on their respective expertise (in legal affairs, finance and accounting), and that four Outside Directors, who are an academic expert, an experienced officer in a large company, a professional expert in taxes and a person with a wide range of insight on business management, are expected to fulfill appropriate supervisory functions based on their deep insight and considerable experience related to the streamlining of management and the adequacy of business decisions, among others.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	A convocation notice of a general meeting of shareholders is dispatched three weeks prior to the date of the general meeting of shareholders, in principle.
Scheduling AGMs Avoiding the Peak Day	The general meeting of shareholders is held in late July because the fiscal year end of the Company is in April.
Allowing Electronic Exercise of Voting Rights	The shareholders are able to exercise their voting rights online using a personal computer or a smartphone.
Participation in Electronic Voting Platform	The Company participates in the Electronic Voting Platform for Foreign and Institutional Investors.
Providing Convocation Notice in English	The Company prepares the convocation notice (summary) in English and discloses it on its global website on the same day as the notice in Japanese.
Other	The convocation notice is posted on the Company's website about a week prior to the date of dispatch, in principle.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	<p>1. Basic stance on information disclosure The Company discloses information according to the Financial Instruments and Exchange Act and the Rules on Timely Disclosure of Corporate Information of the Tokyo Stock Exchange ("TSE"). In addition, for constructive dialogues and appropriate communication with its investors and shareholders and all customers, the Company actively provides not only financial information but also non-financial information, such as its management and marketing strategies, efforts for corporate sustainability, including the Tea-Producing Region Development Project and the Used Tea Leaves Recycling System, and research and development represented by the utility of tea catechin to facilitate their understanding of the Company.</p> <p>2. Information disclosure method The disclosure of important information to which the Rules on Timely Disclosure of Corporate Information of the TSE apply is registered on TDnet, presented by the TSE according to the Rules. After the registration, the Company provides the news media with the same information and works to promptly post the same materials on its website.</p> <p>3. Handling of results forecasts and relevant materials Current plans, forecasts and strategies in the disclosure materials of the Company are based on the judgment of the Company's management made from information available to the Company at the present. Therefore, actual results could differ materially from these results forecasts due to a variety of important factors. For this reason, refrain from relying entirely on them. In addition,</p>	

	<p>the disclosure materials aid readers in having a deeper understanding of the Company and do not encourage their investment in the Company.</p> <p>4. Quiet period For the purpose of preventing the leakage of information on account settlement and ensuring fairness, the Company sets a certain period from the closing day of account settlement to the announcement of financial results and a certain period until the announcement of financial results as a quiet period for interim and full-year financial results and quarterly financial results, respectively. During the quiet period, the Company refrains from making comments on the financial results and comments on inquiries. Note that the Company will also refrain from holding individual meetings and company information sessions. However, if any event to which the Rules on Timely Disclosure of Corporate Information apply has occurred, the Company will publish it according to the Rules even during the quiet period.</p>	
Regular Investor Briefings for Individual Investors	The Company conducts IR seminars for individual investors in many parts of the country on an ongoing basis.	None
Regular Investor Briefings for Analysts and Institutional Investors	For the interim and full-year financial results, the Company holds a results briefing promptly after the results announcement, and the President attends it to give explanations by himself. The Company also holds a briefing for the news media (the mass media and the food industry press).	Available
Regular Investor Briefings for Overseas Investors	The Company visits investors mainly in North America and Europe and Asia or hosts a conference call with them.	Available
Posting of IR Materials on Website	<p>On its website, the Company posts the summary of financial results and the financial results presentation (IR materials) promptly after the results announcement from the standpoint of fairness to prepare an environment that enables all institutional and individual investors and customers to view them.</p> <p>In addition, the Company aims to expand understanding of the Company, earn an appropriate evaluation from society and enhance its corporate value in the medium to long term by actively disclosing information that contributes to investment decisions, such as ITO EN Integrated Reports, Business Reports (for shareholders), Sales Results, IR News, Securities Reports, and Convocation Notices of the General Meeting of Shareholders.</p> <p>In consideration of foreign investors, the Company posts English versions of summaries of financial results, financial results presentations (IR materials), some IR News and ITO EN Integrated Reports on its global website.</p>	
Establishment of Department and/or Manager in Charge of IR	The Company has established the Investor Relations Section under the Public Relation Department, and the Public Relation Department is controlled by the Administration Division.	



### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Based on its management principle “Always Putting the Customer First,” the Company has stipulated respect for the position of each stakeholder in the ITO EN Group Guidelines for Code of Behavior, the ITO EN Group CSR Charter, the ITO EN Group Environmental Policy, the ITO EN Group Human Rights Policy and the ITO EN Group Policy on Procurement.
Implementation of Environmental Activities, CSR Activities etc.	<p>To achieve the medium- to long-term management plan, the Company aims to realize both the resolution of social issues and the enhancement of corporate value by positioning the practice of CSR/CSV management and the strengthening of ESG efforts as one of its important strategies. To that end, the Company has established the ITO EN Group CSR Charter and implements efforts for the seven core subjects of organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues and community involvement and development by introducing and applying ISO 26000 international standards and JIS Z26000 domestic standards.</p> <p>For environmental issues, the Company works to minimize the environmental impact by formulating the ITO EN Group Medium- to Long-term Environmental Goals under the ITO EN Group Environmental Policy in September 2020. In addition, as an effective means for the sustained improvement of its environmental activities, the Company has obtained ISO 14001 certification for all departments to expand environmental management. Regarding the issue of waste plastics, the Company works on resource recycling to increase the ratio of recycled materials used for PET bottles to 100% by 2030, by formulating the ITO EN Group Policy on Plastics in September 2020. With regard to response to climate change, the Company has established the targets of reducing total CO<sup>2</sup> 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). The Company has also conducted impact analyses for the cultivation of tea leaves, raw materials for its main products, as a climate scenario analysis. With respect to the sustainable use of water resources, the Company has formulated and published "Medium- to long-term environmental targets for water resources" in April 2021.</p> <p>For human rights and labor practices, the Company formulated the ITO EN Group Human Rights Policy in March 2020 to promote its efforts and in-house trainings in line with the Policy. Regarding the Company’s distinctive efforts such as the Tea-Producing Region Development Project and the Used Tea Leaves Recycling System as well as CSR/ESG efforts, the Company discloses information on the website below and in the integrated reports.  <a href="https://www.itoen-global.com/management/csr_csv.php">https://www.itoen-global.com/management/csr_csv.php</a></p> <p>Under the Group’s management principle “Always Putting the Customer First,” the Company will practice CSV (Creating Shared Value) management to achieve both the resolution of social issues and the enhancement of corporate value by creating a new food culture and proposing lifestyles to realize its medium- to long-term vision “Global Tea Company” and by strengthening its efforts for ESG as a company required by society.</p>
Development of Policies on Information Provision to Stakeholders	In light of the disclosure policy above, the Company makes efforts for its investors, shareholders and other stakeholders to gain a thorough understanding of the Company by providing accurate corporate information through active disclosure and dialogues.

Other	<p>Since its founding, the ITO EN Group has been working to create an environment where the employees will increase their individual abilities, skills and motivation for work through friendly competition between them based on a true spirit of harmony under the concept of a meritocracy. We believe that a company where diverse human resources can make an active contribution is one that can achieve lasting growth and development.</p> <p>Establishing a comprehensive support system for the employees and their families for major events in their lives such as childbirth, childcare and nursing care as the Family Support System, the Company creates an environment where the employees can continue working with peace of mind and live fulfilling lives while maintaining a work-life balance.</p> <p>As part of its most recent efforts, the Company has institutionalized the enhancement of childcare leave (making it part of paid leave), support for balancing work with illness (flexible work style), support for fertility treatment (leave of absence and subsidy) and support for nursing care (work arrangements to shorten work hours and days and the establishment of a consultation desk dedicated to nursing care).</p> <p>The Company is strengthening its support for balancing work with childcare and the promotion of active participation and advancement for female employees by formulating action plans. In March 2020, the Company received a certification mark for a childcare support company (<i>Kurumin</i>) from the Ministry of Health, Labour and Welfare for the third time.</p> <p>The Company is also actively recruiting people with disabilities. To increase the retention rate, the Company checks the adequacy of candidates with their workplace by conducting practice before the recruitment. After they have joined the Company, we work to create a pleasant working environment for them by understanding their disability through regular meetings with professional training officers in the human resources department and in cooperation with the support center at the workplace and in the local community.</p> <p>The Company also makes efforts to enhance health and productivity management as a Health Creation Company. In March 2021, the Company was recognized under the large-scale enterprise category of the 2021 Certified Health and Productivity Management Organization Recognition Program, which is jointly conducted by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, as in the previous year. In May 2021, the Company formulated the ITO EN Group Iki Iki Health Declaration to strengthen the health support system for the employees who work for the Company and raise their awareness of their own health. As specific efforts, the Company (1) conducts regular health examinations with more than the legally mandated items and provides a stress check at all business places, (2) strengthens a support system for gynecological health examinations and antismoking treatment, and (3) introduces measures to early detect and prevent cancer (such as gastrofiberscopy and Helicobacter pylori examination). In addition, as part of activities to deepen the understanding of dementia, which is a social issue, the Company has been working actively on health activities by conducting a mild cognitive impairment (MCI) screening test for certain employees at the expense of the Company and encouraging employees in offices nationwide to participate in a dementia supporter training course provided by local governments. We will continue to develop an environment where all the employees can work healthily and actively.</p>
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## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

Based on its management principle “Always Putting the Customer First,” the Company has built an internal control system to increase the transparency of its business operations and the effectiveness and efficiency of the internal management system of the ITO EN Group based on the policy of earning the trust of all stakeholders by serving their interests. The Internal Auditing Department, which is independent from other administration and operation departments as an organization under the direct control of the President, conducts audits of internal control systems, and the audit results are deliberated by the Internal Control Promotion Committee chaired by a Director and Senior Managing Executive Officer and resolved as an internal control report by the Board of Directors. In addition, the Compliance Department and the Internal Auditing Department check the adequacy of business operations by working to increase awareness of compliance in a wide scope, including laws and regulations, social norms and corporate ethics and conduct compliance education on an ongoing basis. Furthermore, they improve inadequate operations in a timely manner. Moreover, the Company tries to operate the internal control system by adopting a system to report important matters to the Board of Directors or the Executive Board.

1. Systems to ensure that the Group’s Directors and employees execute duties in compliance with laws and regulations and the Articles of Incorporation

(1) The Board of Directors passes a resolution of the ITO EN Group Code of Conduct and the Guidelines for the Code of Behavior pertaining to the compliance system and defines them as the code of conduct and the code of behavior for the Group’s Directors and employees, etc. to take action in compliance with laws and regulations, the Articles of Incorporation and corporate ethics.

(2) The Company increases the effectiveness of the compliance system of the ITO EN Group based on the ITO EN Group Code of Conduct and the Code of Behavior by establishing the Compliance Committee chaired by the Director appointed by the President and establishing an administrative office for the Compliance Committee in the Compliance Department.

(3) The Company has set a consultation desk inside and outside the company as a means for the employees, etc. to be able to directly provide information on acts that run counter to laws and regulations and compliance.

2. Systems to store and manage information on the execution of duties by Directors

(1) During the storage period of information on the execution of duties by Directors that is provided for by laws and regulations and internal regulations, the Company records and stores the information in documents or electromagnetic media in a searchable state and maintains a state to allow the Directors and Audit & Supervisory Board Members to inspect the information.

(2) Unless otherwise provided for by laws and regulations, the storage period of documents above shall be dependent on the type of each document specified by the Documents Handling Regulations.

3. Regulations concerning the management of risk of loss and other systems

(1) Recognizing risks concerning its business operations as follows, the Company has established a department in charge of risks, formulated regulations, rules and guidelines and built a cross-sectional risk management system.

a) Compliance risks

To fully enforce compliance based on the ITO EN Group Code of Conduct and Code of Behavior, the Company implements company-wide compliance education with the Compliance Department playing a central role.

b) Information security risks

For information protection, the Company has established the personal information protection policy to prevent the leakage of personal information, and for business information management, the Company prevents the leakage of information and unauthorized access by strengthening computer security.

c) Quality and environmental risks

The Company has built a systematic management system, including the improvement of quality and product safety, and response to product liability, etc. by establishing the ITO EN Group Quality Control Policy. The Company works to address environmental risks as company-wide environmental issues based on the approach of the environmental management system.

d) Risks concerning the protection of assets

The Company makes efforts to prevent the occurrence of credit losses due to the bankruptcy of business partners by fully enforcing credit management and receivables collection management according to the credit management standards. The Company also works to develop a system to prevent the occurrence of dead stock by making efforts for the management of inventories such as products, raw materials and materials.

e) Disaster and accident risks

The Disaster Prevention Committee strives to minimize damages at the time of a disaster by reviewing the business continuity plan (BCP) and updating the disaster response manual.

(2) The Company has organized a system to minimize damages when an unforeseen situation occurs by establishing a task force headed by the President to prevent the expansion of damages by taking prompt measures.

4. Systems to ensure the efficient execution of duties by Directors

(1) The Board of Directors and the Executive Board are the basis of these systems and hold a meeting once a month, in principle, and on a temporary basis, as needed.

(2) Each department in charge executes operations based on decisions of the Board of Directors according to the division of duties and the Authority Regulations, and the Directors in charge check the execution of operations as needed.

5. Systems to ensure the adequacy of operations in the ITO EN Group

(1) The Company has established the code of behavior in conformity with the ITO EN Group Code of Conduct and Code of Behavior to ensure the compliance system in the Group companies and prepared a whistleblowing desk inside and outside the company for the employees, etc. to provide information on acts, such as a violation of the law by a Group company or the Company, directly to the Company.

(2) For the business management of the Group companies, the Company has established management systems and management standards in the Affiliates Management Regulations, and they are reported and examined at a debriefing session and a conference that are held regularly. Important matters are determined by resolution of the Board of Directors of the Company.

(3) The Internal Auditing Department conducts audits on the internal control system of the Company and the Group companies and reports the audit results to the President.

6. Matters concerning a system for employees who should assist with the duties of Audit & Supervisory Board Members and their independence from Directors

(1) For the employees who should assist with the duties of Audit & Supervisory Board Members, Audit & Supervisory Board Members appoint the number of the employees they need as their assistants from the employees of the Company and ensure the effectiveness of their instructions by placing the assistants under their directions and orders.

(2) The Audit & Supervisory Board Members evaluate their assistants and determine the appointment, dismissal, transfer and the change in wages, etc. of the assistants with the consent of the Board of Audit & Supervisory Board Members.

7. Systems for the Group's Directors and employees to report to Audit & Supervisory Board Members and other systems to report to Audit & Supervisory Board Members

(1) The Group's Directors and employees appropriately report important issues that could have a major impact on the execution of operations and the management to Audit & Supervisory Board Members.

(2) Audit & Supervisory Board Members may ask the Group's Directors and employees for a report, as needed. In addition, it is prohibited to treat the Group's Directors and employees who make a report to Audit & Supervisory Board Members disadvantageously as a result.

8. Systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively

(1) Audit & Supervisory Board Members exchange information and opinions with the President, the Internal Auditing Department and the accounting auditor to enhance their audit work.

(2) When Audit & Supervisory Board Members recognize that there is a problem in the development and operation of the Company's internal systems, they may express opinions at a meeting of the Board of Directors and ask for the implementation and reporting of improvement measures.

(3) The Company will secure a system for the violation of the law and other compliance problems in the ITO EN Group to be reported appropriately to Audit & Supervisory Board Members.

(4) When Audit & Supervisory Board Members request the advance payment of expenses necessary for the execution of their duties, the Company appropriately processes the expenses or payables.

## 2. Basic Views on Eliminating Anti-Social Forces

### 1. Basic policy for exclusion of antisocial forces

Having a strong awareness of its social responsibilities, the ITO EN Group will break any and all relationships with individuals and groups that destroy the social order and interfere with corporate activities and take an adversarial stand against undue claims from organized crime groups, corporate extortionists and other antisocial forces with all officers and employees taking a firm stance without responding to these claims for whatever reason by taking measures across the organization in close cooperation with the Tokyo Center for Removal of Criminal Organizations, the Special Violence Prevention Measures Association of the Metropolitan Police Department (Tokubouren) and other organizations.

(1) The Company is expanding its policy of “not associating with organized crime groups,” in addition to the three do-nots of “do not use,” “do not fear,” and “do not pay,” which are the principles when dealing with antisocial forces.

(2) The Company complies with five guidelines of “response as an organization,” “cooperation with outside specialized institutions,” “ban on any relationships, including transactions, with antisocial forces,” “civil and criminal legal response in emergencies” and the “prohibition of backdoor deals and funding,” which are the basic principles to prevent damage caused by antisocial forces.

### 2. Efforts to exclude antisocial forces

In May 2004, the Group established the Compliance Committee as an advisory body to the Board of Directors and set up the Compliance Department in the head office of ITO EN, to create a compliance company ITO EN Group.

To familiarize all Group companies and employees with its adversarial policy against antisocial forces, the Company prepared the ITO EN Group Code of Conduct and Code of Behavior and published them in education booklets for the Guidelines for Compliance Code of Behavior and the Q&A about the Code of Behavior, and the Compliance Department, the External Relations Office of the General Affairs Department and the Internal Auditing Department cooperate in focusing on employee trainings to strengthen the adversarial consciousness of the employees.

(1) The Company works to obtain information in close cooperation with outside specialized institutions such as the police station with jurisdiction, the National Center for Removal of Criminal Organizations and the Federation of Special Violence Prevention Measures of the Metropolitan Police Department (Tokubouren).

(2) The Company makes an all-out effort to collect information on antisocial forces and unifies it for effective use.

(3) To familiarize all employees with the information, the Company provides guidance in compliance trainings for each department and office.

(4) At the Liaison Meeting for Compliance Promotion Officers by the Group companies, the Group companies maintain an adversarial stance against antisocial forces by holding the same values.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

The Company has not adopted anti-takeover measures at this moment. Anti-takeover measures will not necessarily work effectively and the share price may decline as a result of adopting anti-takeover measures, which could increase the acquisition risk. The Company believes that the most effective anti-takeover measure is to always enhance the corporate value by improving its business performance and deepening stakeholders' understanding of the Company by building a closer relationship with all stakeholders.

### 2. Other Matters Concerning to Corporate Governance System

#### Overview of the timely disclosure system

The Company has established the Inside Information Management Regulations for the purpose of preventing insider trading that violates the Financial Instruments and Exchange Act by setting management standards and other rules for inside information.

Based on the Inside Information Management Regulations, the Company has built a system to report and disclose facts about changes in the operation, business and assets of the Company and facts that could have a significant impact on the investment decisions of investors (the "Significant Facts"). (Refer to the schematic diagram of the internal structure for timely disclosure of corporate information from the Company.)

#### 1. Chief Information Manager

The chief information manager is the President. However, the President may nominate the chief information manager from the Directors, as necessary.

#### 2. Department in charge of inside information management

The Public Relations Department is responsible for inside information management and conducts operations related to the supervision and external publication of the company-wide information management under the direction and supervision of the chief information manager.

#### 3. Internal report of inside information

Departments that handle information promptly report the Significant Facts to the Public Relations Department by phone, fax or in writing if they have occurred, and the Public Relations Department reports them to the chief information manager immediately after receiving the report.

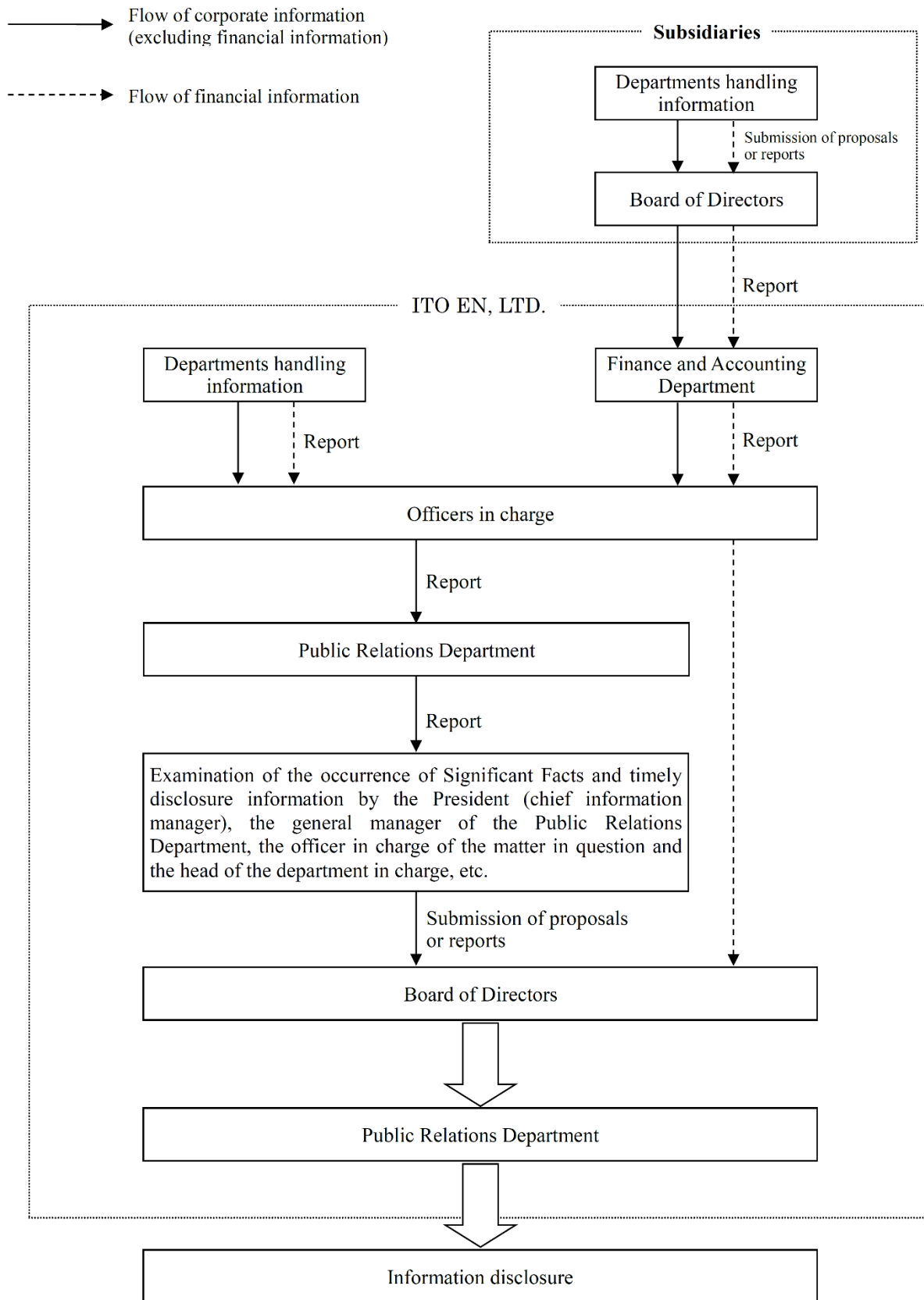
#### 4. Examination of the occurrence of the Significant Facts and timely disclosure information

The President (chief information manager), the general manager of the Public Relations Department, the officer in charge of the matter in question and the head of the department in charge examine whether the matter is the occurrence of the Significant Fact and whether it is timely disclosure information and submit it for discussion or report it to the Board of Directors.

#### 5. Publication of inside information

The Public Relations Department promptly publishes the Significant Facts.

A schematic diagram of the internal structure for timely disclosure of the corporate information of the Company is as follows.



Disclosed by posting on TDnet, the press club and the Company website.

