

ITO EN, LTD. Corporate Governance Guidelines

ITO EN, LTD. Corporate Governance Guidelines (the “Guidelines”) set the basic policy guidelines for corporate governance of ITO EN, LTD. (the “Company”) for the ITO EN Group (the “Group”) to achieve sustained growth and corporate value improvement over the mid- to long-term.

Chapter 1 General Provisions

Basic concept underlying the management principle and corporate governance

Article 1 The Group’s management principle is “Always Putting the Customer First.” The Group’s 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 improvement of corporate value. This ITO EN Group’s management principle is the basic concept of the Group’s business ethics and the unwavering truth that supports corporate governance. Every officer and employee of the Group is active in making concerted efforts to achieve a sustainable society in line with the interests of all stakeholders and strives to repay their trust. Under this management principle, the Group aims to be a Health Creation Company and fulfil our long-term vision of becoming “Global Tea Company.” Further, the Group aims to translate its contribution to the health of customers around the world into sustainable growth and medium-to-long-term improvement in its corporate value and is committed to further strengthening corporate governance.

Basic principles

Article 2 In accordance with the management principle and the basic concept described in the preceding Article, the Company shall endeavor to enhance corporate governance by adhering to the following basic principles.

(i) Ensuring shareholders’ rights and equality

The Company shall take appropriate actions to ensure that shareholders’ rights are substantially secured and develop an environment in which shareholders can exercise their rights appropriately.

(ii) Appropriate cooperation with stakeholders

The Company shall endeavor to ensure appropriate cooperation with stakeholders and develop a corporate culture and climate that respect stakeholders’ rights and positions as well as sound ethical business practices.

(iii) Ensuring appropriate information disclosure and transparency

The Company shall appropriately make statutory disclosures of information, including the Company's financial position, operating results and other financial information, as well as management strategies and issues, risks, corporate governance and other non-financial information. It shall also make non-statutory disclosures of information proactively. The Company shall endeavor to ensure that the information is accurate, easily understood by users and highly useful.

(iv) Effectiveness of the Board of Directors' supervision

The Company shall endeavor to ensure effective supervisory functions of the Board of Directors regarding the execution of operations to achieve sustained growth and the improvement of corporate value over the mid- to long-term.

(v) Constructive dialogue with shareholders

The Company shall have constructive dialogue with shareholders with the aim for sustained growth and the improvement of corporate value over the mid- to long-term.

Chapter 2 Corporate Governance Structure of the Company

The Company's concept of corporate governance structure

Article 3 As a company with an audit & supervisory board, its Audit & Supervisory Board Members shall conduct audits by confirming with Representative Directors of each group company or Directors or employees in charge of each group company regarding the status of business operations, decision-making processes and so forth to realize appropriate corporate governance.

2. Opinions of external experts, including Outside Audit & Supervisory Board Members and Outside Directors, shall be seriously taken into account and reflected in corporate management, thereby enhancing transparency.

3. Audit & Supervisory Board Members shall attend the Board of Directors' meetings and state their opinions about the status of audits on a company-wide basis or on a case-by-case basis in an objective and fair manner and audit the execution of duties of the Directors in accordance with audit policies adopted by the Audit & Supervisory Board.

Nomination & Remuneration Committee

Article 4 The purpose of the establishment of the Nomination & Remuneration Committee is to enhance the independence and objectivity of the functions of the Board of Directors and its accountability. For this reason, appropriate involvement of and advice from

Independent Outside Directors shall be obtained when the nomination and remuneration of Directors and others, and important matters are examined by the committee.

2. The Nomination & Remuneration Committee shall consist of three or more Directors including Outside Directors of the Company as members, a majority of whom shall be Independent Outside Directors of the Company.
3. Members of the Nomination & Remuneration Committee shall be appointed by a resolution of the Board of Directors.
4. The chairperson of the Nomination & Remuneration Committee shall be elected from among the members who are Independent Outside Directors of the Company by resolution of the Nomination & Remuneration Committee.
5. Upon request from the Board of Directors, the Nomination & Remuneration Committee shall deliberate on the following matters and report the results to the Board of Directors.
 - (1) Policy concerning composition of the Board of Directors
 - (2) Matters relating to the election and dismissal of Directors, executive officers, and Audit & Supervisory Board Members, and the proposal of candidates for Directors, executive officers, and Audit & Supervisory Board Members
 - (3) Matters Relating to proposals for the election or dismissal of Representative Directors and executive officers with special titles
 - (4) Matters relating to president succession planning
 - (5) Matters relating to the remuneration limit, remuneration system and remuneration amount for Directors and executive officers and the remuneration limit for Audit & Supervisory Board Members
 - (6) Matters relating to the personnel affairs and remuneration of officers of major subsidiaries and affiliated companies
 - (7) Other matters relating to corporate governance

Roles of the Board of Directors

Article 5 The Board of Directors has the role to oversee management to secure fairness and transparency and to make prompt and resolute decisions on the execution of important operations and other matters as required by the laws and regulations to facilitate sustained growth and the improvement of corporate value over the mid- to long-term and to improve earning capacity, capital efficiency and so forth.

2. The execution of operations, other than important operations stipulated in the preceding Paragraph, and relevant decision making shall be delegated to the Executive Board and other lower-layer 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.

Composition of the Board of Directors

Article 6 The Company's basic policy is that the composition of the Board of Directors must be well balanced as a whole taking knowledge, experience and skills into consideration and that the Board of Directors must consist of the necessary and appropriate number of members to ensure effective decision-making and substantive discussions. The Company determines the composition giving due consideration to ensuring diversity in terms of gender, internationality, career history, age and other characteristics.

Policy on nomination and procedures for nomination and removal of Directors

Article 7 Candidates for the Company's Directors shall be selected by the Board of Directors in accordance with the following policy for nomination by respecting objective and highly transparent deliberations at the Nomination & Remuneration Committee.

(1) Directors (excluding Outside Directors)

Persons who are well versed in the Company's business management, have abundant knowledge and experience and are morally qualified for being involved in the Company's management

(2) Outside Directors

- (i) Persons who have good insight into the Company's management principle and the Group's social responsibility and roles
- (ii) Persons who have abundant experience and extensive insight in corporate management, professional knowledge in legal affairs, financial accounting, tax affairs, finance and so forth and are expected to provide general advice and supervision over the Company's management from objective and professional perspectives
- (iii) Persons who meet the Company's standards for the independence of Outside Directors and are deemed unlikely to cause conflicts of interest with general shareholders

2. If the Board of Directors considers that it is impossible for a Director to appropriately carry out their duties due to a violation of laws, regulations or the Articles of Incorporation or for other reasons, it shall determine, upon deliberation and by respecting deliberations at the Nomination & Remuneration Committee, whether to remove them from their position, to impose other dispositions or to submit a proposal for the removal to the general shareholders meeting.

Policy and procedures for nomination of Audit & Supervisory Board Members

Article 8 Candidates for the Company's Audit & Supervisory Board Members shall be selected by the Board of Directors in accordance with the following nomination policy upon

deliberation by the Nomination & Remuneration Committee and with the consent of the Audit & Supervisory Board.

- (1) Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)
 - (i) Persons who have abundant knowledge of and experience in the Company's business management
 - (ii) Persons who can audit the status of the execution of duties of Directors from a fair and objective standpoint and contribute to the improvement of soundness and transparency of management
- (2) Outside Audit & Supervisory Board Members
 - (i) Persons who have good insight into the Company's management principle and the Group's social responsibility and roles
 - (ii) Persons who are thoroughly aware of their roles as Outside Audit & Supervisory Board Members, can audit the status of the execution of duties of Directors from neutral and objective perspectives by using their knowledge of and experience in corporate management, economy, legal affairs, accounting, tax affairs, audits and other areas, and can contribute to the improvement of soundness and transparency of management
 - (iii) Persons who meet the Company's standards for the independence of Outside Audit & Supervisory Board Members and are deemed unlikely to cause conflicts of interest with general shareholders

Policy and procedures for determining Directors' remuneration

Article 9 Remuneration, etc. of Directors is deliberated by the Nomination & Remuneration Committee, which consists of a majority of Independent Outside Directors, to ensure objectivity and transparency in accordance with the Company's basic views on corporate governance and basic views on remuneration. The Board of Directors determines the remuneration, etc. of Directors, giving due respect to the report by the Nomination & Remuneration Committee.

2. The Nomination & Remuneration Committee deliberates on the individual remuneration, etc. of Directors, including whether it is consistent with the basic policy and whether it has been evaluated based on the remuneration standards, and the Board of Directors determines the individual remuneration, etc. of Directors giving due respect to the report by the Nomination & Remuneration Committee.

(1) Basic policy

- (i) 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
- (ii) Remuneration shall be determined in proportion to the significance of Directors' roles and responsibilities and their contribution to the Company's business performance
- (iii) 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

- (iv) Remuneration shall be determined based on objective and fair deliberations and with references to external data

(2) Composition of remuneration

Remuneration, etc. of Directors (excluding Outside Directors) of the Company comprises fixed remuneration and performance-linked remuneration, and fixed remuneration accounts for about 70% and performance-linked remuneration accounts for about 30%. Remuneration, etc. of Outside Directors comprises only fixed remuneration.

(i) Fixed remuneration (basic remuneration)

Fixed remuneration shall be monetary remuneration of not more than the maximum amount of remuneration resolved at a general meeting of shareholders, and shall be paid monthly, in principle. The amount of remuneration of Outside Directors is determined taking into consideration the business performance and the degree to which the Company has achieved its plan.

(ii) Performance-linked remuneration

Performance-linked remuneration shall be composed of performance-based remuneration and share-based remuneration, which makes part of the remuneration 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, 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.

Performance-based remuneration shall be monetary remuneration based on performance appraisal, and shall be paid monthly, in principle.

Share-based remuneration shall consist of share acquisition rights granted as performance-linked share remuneration-type stock options and the share acquisition rights to be granted to each Director shall be determined each year based on a strict assessment of performance.

- Determination of the performance-linked remuneration

The Company shall perform a comprehensive performance assessment in which, in order to link the business performance and remuneration, the Company designates management indicators as measures of 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 management indicator.

- Management indicators used to measure performance

The Company's management indicators used to measure performance shall 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).”

Policy and procedures for determining Audit & Supervisory Board Members’ remuneration

Article 10 The remuneration of Audit & Supervisory Board Members is deliberated by the Nomination & Remuneration Committee and determined by the Board of Directors. The amount of remuneration shall be within the total amount of remuneration approved by resolution of the general shareholders meeting and shall only be monthly fixed remuneration.

2. The individual 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.

Policy on training for Directors and Audit & Supervisory Board Members

Article 11 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.

2. In order to perform their roles and functions, Outside Directors and Outside Audit & Supervisory Board Members of the Company shall endeavor to obtain 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.

Assessment of effectiveness of the Board of Directors

Article 12 The Board of Directors shall assess and analyze the overall effectiveness of the board every year based on each Director’s self-assessment and so forth and use the results to improve the board.

Chapter 3 Matters concerning Protection of Stakeholders’ Interests

Management system for transactions among related parties

Article 13 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 the common interests of the Company and shareholders, excluding cases in which the terms and conditions of the transaction are clearly the same as those for general transactions.

Policy on cross-shareholding

Article 14 The Company maintains a policy of not conducting cross-shareholding, in principle. Provided, however, the Company conducts cross-shareholding in cases in which it can be judged that cross-shareholding would facilitate transactions, procurement or financing. In addition, the Company maintains a policy of reducing cross-shareholding in stages in cases in which cross-shareholding is not judged to contribute to the improvement of the Group's corporate value over the medium to long term.

2. With regard to listed shares held by the Company in accordance with the proviso in the preceding Paragraph ("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.
3. 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 improvement of corporate value of the Company and the issuer.

Corporate ethics hotline system

Article 15 The Company shall develop an internal reporting hotline and an external reporting hotline with lawyers for employees and others to directly provide the Company with information about illegal conduct of a group company or the Company.

Policy on constructive dialogue with shareholders

Article 16 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 capital, in an effort to obtain shareholders' understanding.

Basic policy for capital policy

Article 17 The Company invests in the creation of profit surpassing capital cost and growth markets while maintaining stable financial bases with the aim of achieving sustainable growth

- and an increase in corporate value.
2. The Company's basic policy is to ensure stable and continuous returns to shareholders, with a target consolidated total return ratio of at least 40%. The Company flexibly implements the acquisition of treasury stock if deemed necessary as a shareholder return strategy that contributes to an increase in capital efficiency.
 3. To fulfill its accountability to shareholders, the Board of Directors of the Company adequately discusses the necessity and rationality of capital policy that will cause a change of controlling interest or significant dilution.

Concept of diversity

Article 18 Since its foundation, the Group has aimed to achieve unparalleled greatness as set out in the ITO EN Group Founding Charter. Given this aim, the Group's basic principle for promoting human resources is to promote based on merit, in other words, to promote truly competent individuals regardless of mere seniority, academic background or other characteristics. Based on this principle, the Group aims to develop an environment in which diverse human resources can thrive according to their individual abilities and aptitudes, without characteristics such as their gender, nationality or age or whether they are mid-career hires or persons with disabilities negatively affect their career opportunities.

By fostering a corporate culture based on this policy of promotion based on merit, the Group aims to realize its vision of becoming "Global Tea Company."

(1) Policy for human resource development

The Company focuses on human resource development in line with a basic policy that career advancement should be based on merit, every single employee should have equal opportunities, and evaluations should be fair. With the management principle of "Always Putting the Customer First" at the root of all its business operations, the Company is committed to implementing health management so that every single employee is healthy and can work energetically, including developing human resources and implementing workstyle reforms.

(2) Policy for internal environment development

The Company promotes a work-life balance and develops a comfortable workplace environment for everyone by ensuring that diverse human resources can flexibly choose work styles according to their specific circumstances.

Basic sustainability policy

Article 19 Based on the management principle, "Always Putting the Customer First," the Group is working to realize its medium- to-long term vision of becoming "Global Tea Company" by aiming to both solve environmental and social problems and improve corporate value at the same time through the practice of CSV management and the pursuit of ESG goals. To this end, the Group set the core subjects of the ISO26000 international standard: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development as themes to be pursued, and identified three of these themes in particular as material issues for Group: consumer issues, community involvement and development, and the environment.

Concept of anti-takeover measures

Article 20 The Company has not adopted anti-takeover measures. The Company believes that it is important 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. If the Company's shares become subject to a takeover bid, the Company demands the party offering the takeover bid explain their measures to increase the Group's value and discloses the opinions of the Board of Directors.

Established on December 1, 2015

Revised on December 3, 2018

Revised on December 1, 2021

**Standards for the independence of independent Outside Directors
and Outside Audit & Supervisory Board Members of the Company**

Based on the standards for the independence of Outside Directors and Outside Audit & Supervisory Board Members specified by Tokyo Stock Exchange Inc., the Company's standards for the independence of independent Outside Directors and Outside Audit & Supervisory Board Members are as described below.

1. Persons who do not fall under A to F below and are deemed unlikely to have conflicts of interest with general shareholders
 - A. Persons whose major client is the Company or their executives
 - B. Persons who are major clients of the Company or their executives
 - C. Consultants, certified public accountants or legal specialists who obtain large amounts of cash or other property, other than officers' remuneration, from the Company (in cases in which persons obtaining the properties are corporate bodies, associations or other organizations, persons who belong to said organizations)
 - D. Persons who have recently fallen under the following
 - (a) Persons listed under A, B or C
 - E. An individual who has fallen under any of the following conditions (a) through (c) at any time in the 10 years prior to taking office
 - (a) An executive or non-executive Director of the Company's parent
 - (b) An Audit & Supervisory Board Member of the Company's parent (limited to cases in which an Outside Audit & Supervisory Board Member of the Company is designated as an independent officer)
 - (c) An executive of any of the Company's fellow subsidiaries
 - F. Close relatives of persons listed under (a) to (g) below, excluding those who are not important
 - (a) Persons listed under A to E
 - (b) Executive persons of the Company's subsidiary
 - (c) Directors or accounting advisors who are not executive persons of the Company's subsidiary, limited to cases in which Outside Audit & Supervisory Board Members are designated as independent officers
 - (d) An executive or non-executive Director of the Company's parent or an executive of the Company's subsidiary
 - (e) An Audit & Supervisory Board Member of the Company's parent (limited to cases in which an Outside Audit & Supervisory Board Member of the Company is designated as an independent officer)

- (f) An executive of any of the Company's fellow subsidiaries
 - (g) Persons who have recently fallen under (b) or (c) or executive persons of the Company; in cases in which Outside Audit & Supervisory Board Members are designated as independent officers, this includes Directors who are not executive persons
2. Among the persons who fall under A to F above, those who are unlikely to have conflicts of interest with general shareholders in consideration of the overall situation and for whom reasons for the non-existence of conflicts of interest are deemed able to be appropriately given to anyone outside the Company.