

Sustainability Report 2022



 **T.HASEGAWA CO.,LTD.**

T.HASEGAWA CO.,LTD. SUSTAINABILITY REPORT 2022

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Editorial Policy

The purpose of this report is to communicate the relationship between the Group and its stakeholders and our creation of value as well as to report on our most important initiatives based on the Company's CSR Policy. We will tie this report into strengthening relationships with stakeholders, creating value, and advancing our sustainability initiatives.

In principle, we publish our Sustainability Report once a year in April. This report is disclosed following approval at a strategic meeting consisting of the representative director and executive officers appointed by the representative director. We have also disclosed the 2022 ESG Data Book, which focuses on ESG data, and the GRI Standards Index as supplementary material for the report.

- Referenced guidelines: GRI Standards. This report has been prepared referencing the GRI Standards.
- Organization covered by report: In principle, the subject of this report is T.HASEGAWA CO.,LTD. "T. Hasegawa" and "the Group" refer to the Company and its subsidiaries.
- Period covered by report: Fiscal 2021 (October 1, 2020 to September 30, 2021). Some fiscal 2022 initiatives are also disclosed. The fiscal years in the 2022 ESG Data Book refer to October 1 of the previous year to September 30 of the year in question.
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- Next publication: April 2023
- Previous publication: April 30, 2021

Sustainability at T. Hasegawa

Message from the President

Awareness of business environment

The COVID-19 pandemic has had a prolonged and profound effect on people's lives and social and economic activity around the world. Health care systems have been pushed to their limits by the emergence of variants, so balancing the prevention of infection with economic activities remains a significant challenge.

In addition, urgent action is required on climate change and other social issues. Not only will abnormal weather caused by climate change result in lower yields and quality of natural raw materials, equipment damaged by natural disasters, disruption of business activities due to supply chain interruptions, and higher temperatures, which will bring about changes in customer needs and consumer behavior, but it is also likely to have a long-term impact on water resources. Furthermore, changes in the demographic structure such as the low birthrate, aging of society, and depopulation will have a far-reaching impact that includes labor shortages and shrinking of the consumer market.

The Group is aware of these social issues that must be addressed and will identify latent needs and opportunities to tie into business growth. For example, the new lifestyles brought about by the COVID-19 pandemic have given rise to new consumer and customer needs. Furthermore, as the international community pursues carbon neutrality, demand for alternative ingredients and natural raw materials has increased. Health-consciousness is on the rise against a backdrop of a low birthrate and aging society. In addition, the increase in the global population and rising standards of living in emerging countries have expanded the market for flavors and fragrances.

The Group's business is intricately connected with people's lives, including food and household essentials. We will contribute to society through our flavor and fragrance technology and achieve business growth.

Basic Strategy and Customer Success

The Group is currently engaged in business based on the three basic strategies of focusing on the expansion of our core business (compound flavors and fragrances), securing of revenue and profit in the domestic market, and growth in overseas markets. Since 2017, we have promoted management reform to develop an organization that takes up challenges without fear of change in order to tie these strategies into steady results. This reform has brought record-high revenue and profit in both fiscal 2020 and 2021.

Through this reform, the focus has shifted from "customer first" to "customer success." We believe that "customer success" will contribute to the improvement of our customers' corporate value. Rather than simply waiting for requests from our customers, we actively research and analyze the issues faced by our customers and latent consumer demand. We provide solutions that leverage our flavor and fragrance technology, aiming to contribute to the success of our customers' businesses and become the most valuable partner for them. We launched the Business Solution Division, which is in charge of research, sales, and marketing, in October 2020 in order to enhance our proposal capabilities and quickly respond to the increasingly diverse and sophisticated



T.HASEGAWA CO.,LTD.
President & CEO
Takao Umino

requests of our customers. More than a year has passed since the establishment of the new division. It has been well received by our customers, and we feel that “customer success” is steadily taking shape.

Overseas markets are positioned as a driver of growth, and we are expanding investments to accelerate that growth. In fiscal 2021, we completed our post-merger integration with MISSION FLAVORS & FRAGRANCES, INC., which we acquired in the United States. Our overseas business accounts for over 40% of our total revenue, and we plan to continue growing it.

Building a Sustainable Society

Simply seeking to boost our own profits is not a way to achieve sustainable growth. Efforts to solve social problems are accelerating worldwide against the backdrop of Sustainable Development Goals (SDGs) adopted by the United Nations and the Paris Agreement taking effect. In August 2020, we signed the United Nations Global Compact to respond to stakeholder demands as a flavor and fragrance manufacturer and to further promote initiatives for realizing a sustainable society. In addition, in 2021, we established a Sustainability Committee for the purpose of systematically promoting sustainability initiatives that are integrated into our business strategies. In 2022, to further promote action on climate change, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Our Group is focused on development of flavors and fragrances to be used as a substitute for food materials that are becoming depleted and responding to health consciousness among consumers. In this way, we are contributing to solving problems facing modern society, including food shortages. It is our human resources that have supported the Group since its founding in 1903, drawing out these possibilities of flavors and fragrances and tying that into customer success. In their respective positions, employees from every division work to provide safe and reliable products with top priority placed on ensuring safety and quality control. The Group has grown by demonstrating unwavering professionalism, a passion for responding to our customers’ needs, and the ability to succeed under all circumstances. Our company is built on “A Foundation in Technology.” This is an expression of our stance of contributing to the world through flavors and fragrances while our different divisions continually collaborate and stimulate one another.

We will use flavor and fragrance technologies to solve Global challenges and contribute to building a sustainable society in which people can enjoy healthy and fulfilling lives.

April 2022

Our purpose

Embracing the motto of being a “A Foundation in Technology,” we strive to contribute to the creation of an enriched society through flavors and fragrances.

Our motto of “A Foundation in Technology” reflects the T. Hasegawa commitment to flavors and fragrances, and our desire to provide our customers with safe and reliable products. Divisions continuously collaborate to encourage innovation while also engaging in partnerships and joint research with external parties. As a manufacturing partner, we provide proposals that lead to customer success by exceeding expectations and accurately identifying consumer needs and latent desires. As a member of society, we work to build and strengthen relationships with all our stakeholders. We will use flavor and fragrance technology to resolve the problems facing society and contribute to the creation of an enriched society.



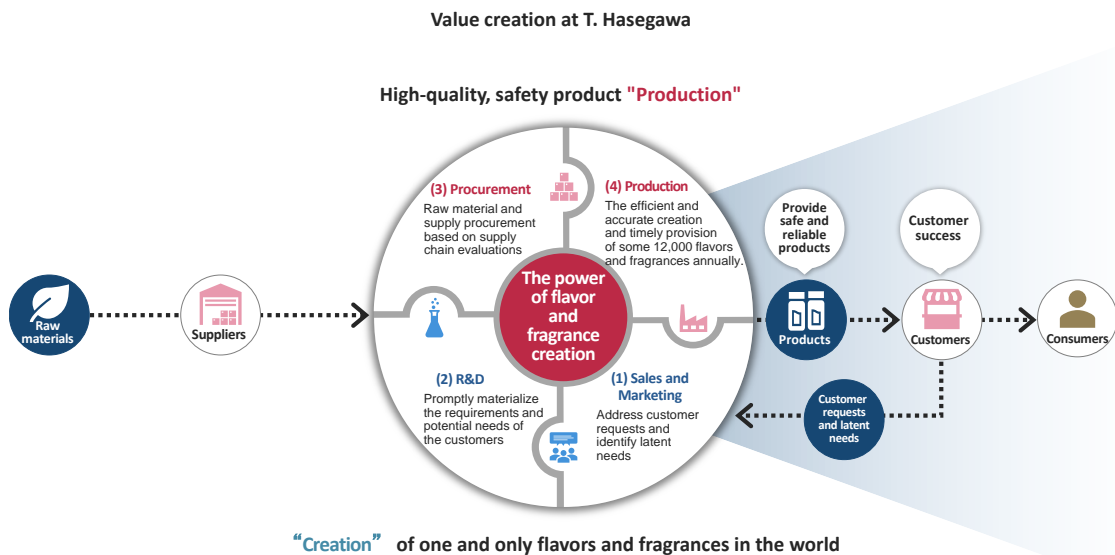
Our value creation process

We link the "Creation" of one and only flavors and fragrances in the world to customer success through a "Production" cycle that ensures high quality and safe manufacturing.

Value creation at T. Hasegawa

- (1) Our value creation process begins with an analysis of consumer needs by Sales and Marketing, which work to identify customer requests and latent desires.
- (2) The R&D Division creates samples of flavors and fragrances reflecting customer requirements and potential needs.
- (3) Procurement evaluates supply chains while engaging in raw material procurement.
- (4) Manufacturing uses the optimal production facilities to efficiently and accurately generate some 12,000 flavors and fragrances annually.

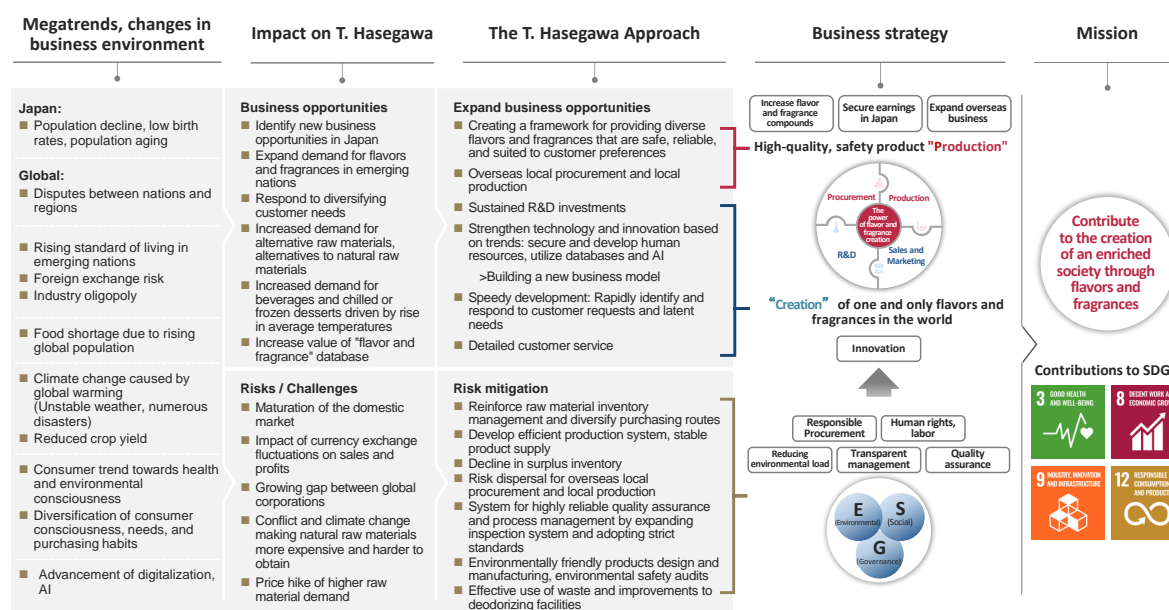
Lastly, we operate a strict quality control system to ensure the timely provision of safe and reliable products to our customers.



Achieving sustainable growth

We will achieve our mission by using innovation to increase business opportunities and reduce risks while still giving due consideration to the environment and to society.

The flavor and fragrance industry is greatly impacted by issues facing Japanese society, including population aging and low birth rates, climate change, food shortages, as well as changes in consumer needs. We will respond to these changes and use innovation rooted in the "power of flavor and fragrance creation" to generate business opportunities and strengthen our sustainability initiatives. Such initiatives include engaging in responsible procurement, reducing environmental load, labor practices that respect human rights, and quality safety. We will also reinforce risk management. Through these efforts, we will contribute to the creation of an enriched society through flavors and fragrances.



T. Hasegawa Sustainability Promotion Structure

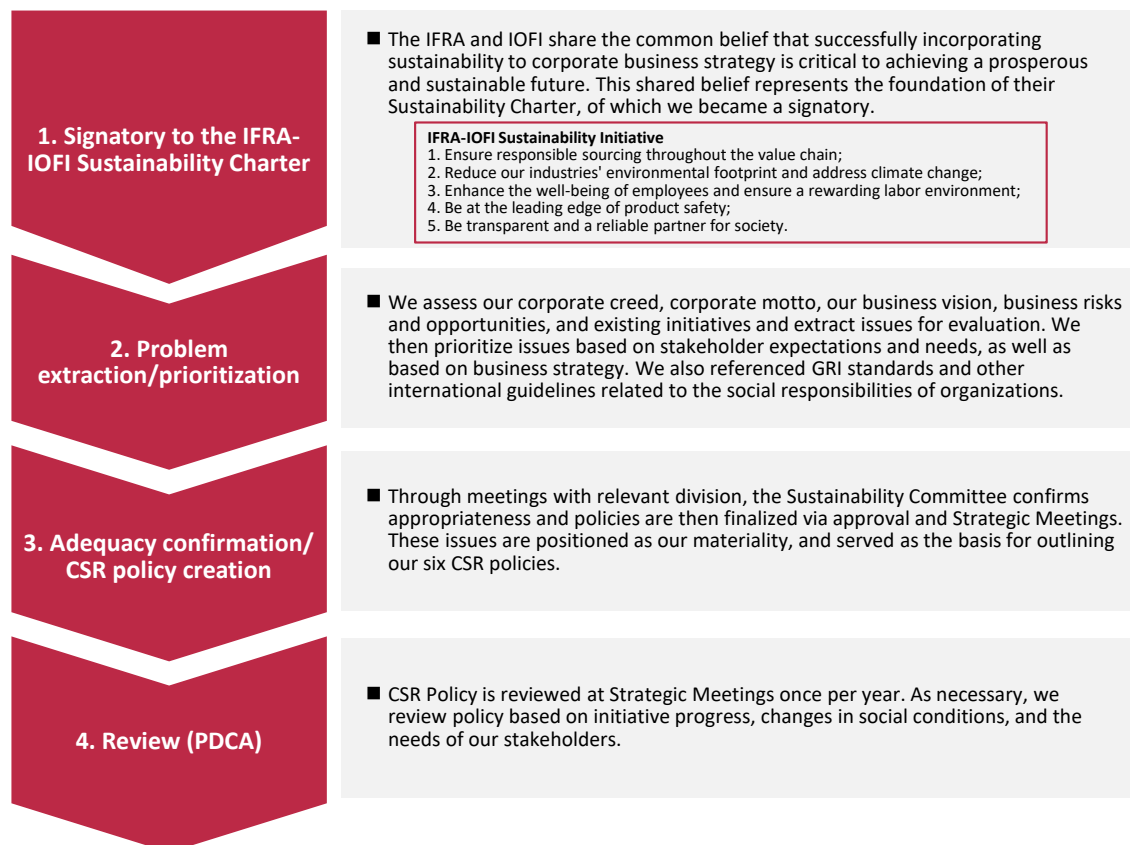
At T. Hasegawa, we have outlined a CSR Policy and established a promotion system for implementing CSR activities throughout the Group.

(1) Creating the T. Hasegawa CSR Policy



















Based on our existing CSR activities, our support for the IFRA-IOFI Sustainability Charter, and our participation in the UN Global Compact, we decided to evaluate our materiality from two aspects: "contributing through our business processes" and "contributing through our products." We used the results of these evaluations as the basis for outlining a CSR Policy comprised of six areas of focus.

[CSR Policy Creation process and regular reviews]

We evaluated elements based on importance to our Group and to our stakeholders. We drafted our CSR Policy after evaluation results were deliberated and approved at Strategic Meetings attended by the Representative Director and executive officers designated by the Representative Director. Furthermore, any future revisions to the CSR Policy shall require approval at a Strategic Meeting.



[CSR Policy]

Category	CSR Policy (materiality)		SDGs that leads to contributions
Social issues we aim to resolve through business processes	Procurement	We promote responsible procurement across our entire value chain.	   
	Environment	We understand the importance of reducing environmental load and proactively engage in activities related to environmental conservation and improvement.	  
	Human rights, labor	We respect human rights and diversity, and work to enhance the well-being of employees and ensure a safe and comfortable labor environment.	  
	Quality safety	Be a leader in product safety.	 
	Governance Fair corporate activities	Ensure healthy, transparent, and fair management practices, and be a reliable partner for society.	 
Contributing to solving social issues through our products	Innovation	We contribute to resolving social issues through the flavor and fragrance business.	   

[Correlation between CSR Policy, risks & opportunities, and business strategy]

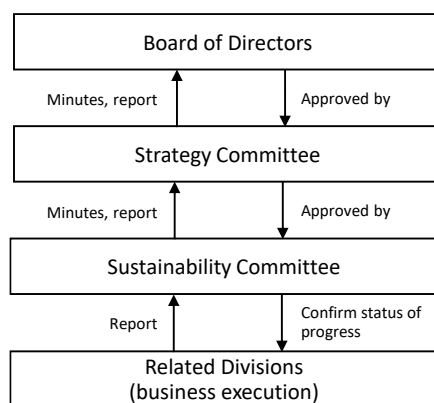
We identify and organize the correlation between CSR Policy, risks & opportunities, and business strategy.

CSR Policy (materiality)		Business strategy, approach	
Procurement	We promote responsible procurement across our entire value chain.	Expand business opportunities	<ul style="list-style-type: none"> Overseas local procurement and local production
		Risk mitigation	<ul style="list-style-type: none"> Reinforce raw material inventory management and diversify purchasing routes Risk dispersal for overseas local procurement and local production overseas Evaluate and develop alternative raw materials Investigate and support supplier sustainability
Environment	We understand the importance of reducing environmental load and proactively engage in activities related to environmental conservation and improvement.	Expand business opportunities	<ul style="list-style-type: none"> Respond to social needs resulting from climate change
		Risk mitigation	<ul style="list-style-type: none"> Environmentally friendly product design and manufacturing, environmental safety audits Effective use of waste and improvements to deodorizing facilities
Human rights, labor	We respect human rights and diversity, and work to enhance the well-being of employees and ensure a safe and comfortable labor environment.	Expand business opportunities	<ul style="list-style-type: none"> Improve production efficiency
		Risk mitigation	<ul style="list-style-type: none"> Secure human resources Prevent, resolve human rights violations Prevent labor accidents
Quality safety	Be a leader in product safety.	Expand business opportunities	<ul style="list-style-type: none"> Creating a framework for providing diverse flavors and fragrances that are safe, reliable, and suited to customer preferences
		Risk mitigation	<ul style="list-style-type: none"> Develop efficient production system, stable product supply System for highly reliable quality assurance by expanding inspection system and adopting strict standards Develop technicians able to manufacture high-quality products
Governance Fair corporate activities	Ensure healthy, transparent, and fair management practices, and be a reliable partner for society.	Risk mitigation	<ul style="list-style-type: none"> Highly transparent management
Innovation	We contribute to resolving social issues through the flavor and fragrance business.	Expand business opportunities	<ul style="list-style-type: none"> Sustained R&D investments Speedy development: Rapidly identify and respond to customer requests and latent needs Detailed customer service Use climate change as opportunity to respond to growing demand for alternative raw materials that increase the use of flavors

(2) Creating a sustainability promotion system

T. Hasegawa uses innovation to pursue business opportunities while also enhancing our sustainability initiatives and reinforcing risk management. Through these efforts, we strive to create an enriched society through flavors and fragrances.

We have established a Sustainability Committee to take a strategic groupwide approach to sustainability initiatives, including ESG and the matters we outline in our CSR Policy. This Committee deliberates and decides on important matters concerning Group sustainability efforts, including business strategy proposals and the content of initiatives. As necessary, matters deliberated by the Sustainability Committee are submitted for approval from Strategic Meetings and the Board of Directors. We also delegate authority to relevant divisions as necessary.



Sustainability Committee overview

- Objectives

To promote a strategic groupwide approach to sustainability initiatives, including ESG and matters outlined in CSR Policy as a cross-functional team.

- Members

The officer in charge of Internal management control as Committee Chair and Committee members are comprised of persons appointed by the Committee Chair based on recommendations from the officers in charge of each relevant division.

- Secretariat

The Committee secretariat shall be comprised of the Corporate Planning Division and the CSR Division.

- Activities in FY2021

We held one Committee Meeting where we confirmed the role of the Sustainability Committee and confirmed the direction of activities towards creating the Sustainability Report and disclosures based on GRI standards index.

(3) Outlining KPI

We set KPI to promote efficacy in initiatives related to CSR Policy (materiality).

CSR Policy (materiality)		KPI
Procurement	We promote responsible procurement across our entire value chain.	<ul style="list-style-type: none"> ■ Supplier assessment implementation rate <ul style="list-style-type: none"> • FY2022: 60% • FY2023: 70% • FY2024: 80%
Environment	We understand the importance of reducing environmental load and proactively engage in activities related to environmental conservation and improvement.	<ul style="list-style-type: none"> ■ Maintain ISO14001 certification ■ Energy consumption per unit <ul style="list-style-type: none"> • lower by 1.6% YoY ■ CO₂ emissions (Scope 1, 2) <ul style="list-style-type: none"> • compared to FY2013 figures, reduce 25% in FY2022 and 46% by FY2030
Human rights, labor	We respect human rights and diversity, and work to enhance the well-being of employees and ensure a safe and comfortable labor environment.	<ul style="list-style-type: none"> ■ Rate of women in management positions <ul style="list-style-type: none"> • 18% or higher by FY2024 ■ Rate of mid-career management hires <ul style="list-style-type: none"> • 18% or higher by FY2024 ■ Rate of foreign workers in management positions <ul style="list-style-type: none"> • maintain 30% or higher ■ Rate of One on One interview based on new HR system <ul style="list-style-type: none"> • 100%
Quality safety	Be a leader in product safety.	<ul style="list-style-type: none"> ■ Maintain ISO9001 & FSSC22000 certification
Governance Fair corporate activities	Ensure healthy, transparent, and fair management practices, and be a reliable partner for society.	<ul style="list-style-type: none"> ■ Board of Directors efficacy evaluations <ul style="list-style-type: none"> • once per year ■ Compliance understanding test participation rate <ul style="list-style-type: none"> • 100% ■ Harassment prevention training participation rate (for management candidates) <ul style="list-style-type: none"> • 100% ■ Training related to internal governance (for new hires, new managers) <ul style="list-style-type: none"> • once or more per year for each ■ Important risk response reporting (follow-up) <ul style="list-style-type: none"> • twice or more per year
Innovation	We contribute to resolving social issues through the flavor and fragrance business.	<ul style="list-style-type: none"> ■ R&D expense to net sales ratio <ul style="list-style-type: none"> • roughly 8% (consolidated-based) ■ Continue open innovation

Stakeholder Engagement

Working to build trust-based relationships with stakeholders

Our Group views all organizations and people involved in our value creation as stakeholders. We are focusing on engaging in dialogue with stakeholders and building trust-based relationships.

Stakeholders	Basic Approach	Typical engagement methods and examples	Relevant CSR Policy
Customers	We aim to contribute to customer success by building trust-based relationships with customers by providing safe and reliable products.	<ul style="list-style-type: none"> Sales development Ascertaining customer satisfaction WEBSITE Response to supplier survey 	CSR Policy 4 Quality Safety CSR Policy 6 Innovation
Joint Research Partners	Absorb leading research and improve technology through knowledge sharing and information exchanges.	<ul style="list-style-type: none"> Joint research, dispatch for Joint Research Partners Regular guidance and lectures by university professors Open innovation Participation in academic conferences and research seminars 	CSR Policy 6 Innovation
Employees	Respect the diversity of each employee, cultivate a culture that allows employees to maximize their individual skills, and work to create a pleasant, comfortable work environment.	<ul style="list-style-type: none"> Tier-specific training Labor union Whistleblowing System Performance evaluation meetings (goal confirmation, interim review, final evaluation) Stress check (once/year) Self-assessment system (once/year) 	CSR Policy 3 Human rights, labor
Shareholders, investors	Under a highly reliable and transparent management structure, we work to build trust-based relationships with shareholders and investors through timely and appropriate information disclosure and opportunities for communication towards achieving sustainable growth and increasing our corporate value.	<ul style="list-style-type: none"> General Meeting of Shareholders (once/year) Earnings conferences (twice/year) Individual IR meetings Disclosure materials IR website 	CSR Policy 5 Governance Fair corporate activities
Suppliers	In accordance with the T. Hasegawa Procurement Policy, we work to build long-term, trust-based relationships by engaging in fair and highly transparent transactions.	<ul style="list-style-type: none"> Purchasing activities Supplier audits Site visit trends Surveys 	CSR Policy 1 Procurement
Natural environment	We give due consideration to environmental conservation in all our business activities.	<ul style="list-style-type: none"> Promote GHG emission reduction measures Promoting energy-saving measures Environmental Safety Committee implementation (facilities, research centers/monthly, companywide/3-4 times per year) ISO14001 management (external & internal audits/ once per year, excluding head office) Environmental safety audits (internal audits/ once per year) Site inspections (safety, energy conservation, static electricity, systems subject to fire prevention measures, etc., each once per year) Resource conservation/ waste reduction and effective use (partial composting) Odor inspections (factories/daily, research centers/twice per month) 	CSR Policy 2 Environment
Local communities	Through business activities, contribute to development and problem resolution for local communities, and promote coexistence.	<ul style="list-style-type: none"> Contributing to local communities through business activities Conducting environmental patrols Local contribution activities 	CSR Policy 2 Environment CSR Policy 6 Innovation
Government / NGOs	We engage with governments and NGOs and participate in industry group activities to collaborate towards resolving social issues.	<ul style="list-style-type: none"> Participate in industry group activities Engage with government and NGOs Compliance with relevant laws and regulations 	CSR Policy 5 Governance Fair corporate activities
Consumers	Contribute to enriched and healthy lifestyles through the final products in which our products are used.	<ul style="list-style-type: none"> Feedback from customers 	CSR Policy 4 Quality Safety CSR Policy 6 Innovation

Groups and initiatives we support and engage with

We support and are engaged in a wide range of global sustainability initiatives

Groups and initiatives we support and engage with
• IFRA-IOFI Sustainability Charter
• United Nations Global Compact
• Roundtable on Sustainable Palm Oil (RSPO)
• CDP
• TCFD
• EcoVadis
• Sedex
• Japan Chemical Industry Association
• The Japan Flavor & Fragrance Materials Association
• International Organization of the Flavor Industry

Signatory of the IFRA-IOFI Sustainability Charter

The Japan Flavor & Fragrance Materials Association (JFFMA), in which our Company is enrolled, is a member of the International Fragrance Association. We are also a member of the International Organization of the Flavor Industry. We contribute to various efforts by these organizations aimed at securing the safety of flavors and fragrances, both directly and through our involvement in JFFMA activities.

The IFRA and IOFI share the common belief that successfully incorporating sustainability to corporate business strategy is critical to achieving a prosperous and sustainable future. This shared belief represents the foundation of their Sustainability Charter. We have always engaged in various sustainability activities and we became a signatory of this Sustainability Charter on March 31, 2020 to publicly declare our commitment to sustainability as a promise to society. Helping achieve a sustainable society, T. Hasegawa will engage in the following five domains outlined in the Sustainability Charter.

IFRA-IOFI Sustainability Initiatives

1. Ensure responsible sourcing throughout the value chain;
2. Reduce our industries' environmental footprint and address climate change;
3. Enhance the well-being of employees and ensure a rewarding labor environment;
4. Be at the leading edge of product safety;
5. Be transparent and a reliable partner for society.

Signatory of the UN Global Compact

On August 24, 2020, T. Hasegawa was registered as a participant in the UN Global Compact, an initiative launched by the United Nations. On the same day, we also joined the Global Compact Network Japan, a local network for UN Global Compact participants in Japan.

The UN Global Compact is a global framework for realizing sustainable growth by encouraging participating companies and organizations to commit to responsible, creative leadership and serve as positive members of society.

T. Hasegawa supports the 10 principles of "Human Rights, Labour, Environment and Anti-Corruption" outlined in the UN Global Compact. We will continue to promote responsible business practices by all our stakeholders as we work towards the realization of a sustainable world.



T. Hasegawa Corporate Code of Conduct

T. Hasegawa embraces the motto of being a “A Foundation in Technology,” and we strive to contribute to the creation of an enriched society through flavors and fragrances. To enable this mission, we outline a Corporate Code of Conduct to define the standard of behavior we expect of every member of the T. Hasegawa Group.

We are committed to developing flavors and fragrances and dedicate ourselves to providing our customers with safe and reliable products. As a member of society, we work to build and strengthen relationships with all our stakeholders. We will use flavor and fragrance technology to resolve the problems facing society and contribute to the creation of an enriched society. To realize this goal, we have outlined the T. Hasegawa Corporate Code of Conduct and we proactively work to reinforce awareness throughout our Group. All T. Hasegawa executives and employees are expected to fully understand and adhere to this Code of Conduct. We apply a high ethical standard while engaging in fair and honest business practices while also striving to fulfill our social responsibilities.

T. Hasegawa Corporate Code of Conduct

1. Legal compliance

We continuously pay attention to laws and regulations, ensure comprehension, and act with social decency.

2. Environmental Issues and Initiatives

We actively address environmental issues as a member of society and endeavor to protect the environment.

3. Opposition to Antisocial Forces

We oppose antisocial forces and all related parties, and never engage in any relations with such parties.

4. Respect for Human Rights

We respect the basic human rights of each individual and do not engage in any unfair discrimination or harassment.

5. Respects for the Rights of Third Parties

We respect the rights of third parties in all business practices, and will not infringe on any such rights.

6. Compliance with Quality Safety Standards

We operate a strict quality control system and endeavor to provide safe products that are in compliance with the law.

7. Prohibition of Insider Trading

We engage in fair stock transactions and do not engage in insider trading or any other suspicious stock transactions.

8. Prohibition of Conflicts of Interests

We do not engage in any actions as stipulated below that could result in conflicts of interests between individual interests and those of the company.

- (1) Become an officer or employee of a competitor.
- (2) Actions that may assist or support the sales activities of a competitor.
- (3) Actions that may compete with the business of our company.

9. Handling of Insider Information

We fully recognize the value of the information possessed by the company and information provided by third parties. We strictly manage all information in accordance with “Confidential Information Control Rules” and the “Rules related to Insider Information Control and Insider Trading,” both of which are part of our corporate regulations.

10. Actions towards our Customers

We never engage in entertainment or gift-giving that could be regarded as bribery, nor any other business practices that may deviate from accepted social practices.

11. Relationships with Suppliers

- (1) We engage in transactions with our suppliers with integrity, and treat suppliers fairly and justly.
- (2) We do not use our dominant bargaining position to impose any unjustified disadvantages on suppliers.
- (3) We never accept rebates or kickbacks from suppliers.

Sustainability Initiatives

CSR Policy 1: Procurement

We will promote responsible procurement throughout our value chain.

Basic approach

Based on our corporate creed of being a “A Foundation in Technology,” the Group seeks to contribute to the creation of an enriched society through flavors and fragrances and is working to provide our customers with reliable products. For that reason, building a supply chain that allows the stable procurement of quality, price-competitive materials is essential. Building long-term relationships based on trust with our suppliers through fair, impartial, and highly transparent trade, we will promote procurement activities that take resources, the environment, and human rights into account so that we can achieve sustainable growth throughout the supply chain.

T. Hasegawa Procurement Group Policy

1. Legal Compliance and Ethical Trade

Observing the laws and social norms in each country and region, we will promote procurement activities with high ethical standards and social sense together with our suppliers.

2. Consideration of Human Rights

We will respect human rights in every situation and work to ensure that we do not engage in any activities that will lead to violation of human rights throughout the supply chain to ensure that we do not discriminate in any way.

3. Consideration of the Global Environment

Together with all of our suppliers, we will be conscious of reducing our environmental footprint and engage in sustainable procurement activities that take conservation of the global environment into account.

4. Mutual Trust, Co-existence, and Co-prosperity with Suppliers

We will respect the standpoints of others based on principles of fair and open competition and mutual trust, seeking co-existence and co-prosperity with all of our business partners, including suppliers.

5. Safety, Reliability and Customer Success

We will engage in procurement activities in such a way as to realize customer success, safety, and reliability by providing quality products to our customers and, in turn, to consumers.

Correlation to stakeholders

We have established the “T. Hasegawa Supplier Guidelines” to promote responsible procurement throughout the supply chain. We build long-term relationships based on trust with our suppliers through fair, impartial, and highly transparent trade.

Overview of T. Hasegawa Suppliers

The Group does business with chemical manufacturers, flavor and fragrance manufacturers, food additive manufacturers, food manufacturers, trading companies, contract manufacturers, and packaging material manufacturers. In fiscal 2021, the total number of suppliers trading with the Company was around 460, and the total number of items was 3,200. The main breakdown is flavor and fragrance ingredients (natural and synthetic), food, and food additives. The ratio of imports to domestic procurement is 35:65, and our suppliers are located in Japan, China, the United States, the European Union, the United Kingdom, India, Brazil, Argentina, and other countries. One of the distinctive characteristics is the high-mix, low-volume, and relatively high unit prices of the materials.

SDGs that lead to contributions



Promotion structure, governance

Material procurement is handled primarily by the Purchasing Division. In addition, risks related to procurement are managed and verified by the Risk Management Committee, which is a Group-wide organization that is chaired by the President & CEO and has directors as members. The Purchasing Division gathers information on risks related to procurement and reports to the Risk Management Committee.

Risks, opportunities & strategy

Risks

- Insufficient procurement of flavor and fragrance ingredients derived from natural resources due to climate change
- Stagnation of business activities and loss of corporate value due to delayed action on social and environmental issues in the supply chain

Opportunities

- Enhancement of development and manufacturing capabilities and reduction of lead times through diversification of items and suppliers

Strategy

- Implementation of global material procurement
- Research on and development of alternative raw materials
- Supplier sustainability surveys and support

Major initiatives of FY2021

We maintained our RSPO certification and established the T. Hasegawa Procurement Policy. In addition, we established our Supplier Guidelines and gathered information for conducting assessments.

Procurement of Perilla Oil

T. Hasegawa is actively promoting use of distinctive domestic flavor and fragrance ingredients and striving to develop uniquely Japanese flavor. One of the important raw materials for this is Perilla oil. To procure it, we partner with a producers' cooperative and provide support for stable production in terms of quality and volume and for business continuity.

- Seed provision: We provide seeds to producers every year to ensure stable quality and yield. We also check the status at production areas in collaboration with seedling companies.
- Technical support: We send researchers and engineers to provide advice and support for improving manufacturing methods and modify equipment to enhance productivity. *
- Support for quality improvement: We send researchers to provide education and support quality inspection methods that are difficult for the producers' cooperative to acquire on its own.
- Supply of packaging material: We provide the producers' cooperative with fillable containers and packaging materials.
- Business continuity: We develop long-term procurement plan looking ahead several years without significantly changing the size cultivation area to ensure that producers can earn stable profits.

* In 2021, we dispatched our engineers and contractors to repair and improve aging Perilla oil production equipment as the evaluation and design of equipment was difficult for the producer's cooperative to handle alone.

Future endeavors

In fiscal 2022 and beyond, we will further solidify our relationship with suppliers and promote sustainable procurement.

- Sharing T. Hasegawa Supplier Guidelines with suppliers
- Educating suppliers to promote sustainability within their supply chains
- Requesting that our suppliers fill out our CSR procurement questionnaires based on the Global Compact Network Japan CSR Procurement Self-Assessment Tool

Supplier Assessments implementation rate

- FY2022: 60%
- FY2023: 70%
- FY2024: 80%

CSR Policy 2: Environment

We understand the importance of mitigating environmental load and proactively engage in activities related to environmental protection and improvement.

Basic approach

We outlined our "Environmental Philosophy" to clarify our stance towards environmental protection and further drafted our "Environmental Safety Activity Policy" to outline specific actions towards realizing that philosophy.

Environmental Philosophy

T. Hasegawa recognizes that the most important common issue facing all of humanity is to pass on this irreplaceable planet to future generations. As a comprehensive manufacturer of flavors and fragrances, we give due consideration to environmental protection in all our business activities.

Environmental Safety Activity Policy

In addition to "Environmental Protection", we also view "Security and Disaster Prevention," "Occupational Safety and Health," and "Chemical Safety" as core corporate themes. As such, we incorporate these themes into our Environmental Safety Activity Policy and engage in relevant activities.

Environmental Protection

1. Promoting efficient energy consumption
2. Promote resource conservation, effective utilization of waste
3. Odor countermeasures, air/water pollutant emissions reduction
4. Strengthen environmental management system (EMS)
5. Promoting Green Purchasing

Security and Disaster Prevention

1. Promote hazardous material safety measures
2. Promote fire safety measures

Occupational Safety & Health

1. Promote labor safety measures
2. Promote work hygiene measures
3. Improve labor environment

Chemical safety

1. Establish chemical substance management system
2. Promote chemical safety measures

Correlation to stakeholders

Information disclosure to customers

We conduct information disclosure via platforms such as the CSR Procurement Self-Assessment Tool (Global Compact Network Japan), Sedex, EcoVadis, and CDP. We also response to supplier surveys conducted by customers.

Employee environmental education

We engage in multifaceted environmental education to improve the environmental awareness among our employees.

- Provide intracompany web based training and information provision
We post environment-related pages to our Intracompany web site and publish a Sustainability Report and other environmental information.
- Internal environmental seminars
The Environmental Safety Committee and Education Committee of each factory plans and holds seminars and workshops related to environmental issues.
- External environmental seminars
Employees involved in environmental safety work participate in specialized seminars and attend lectures and exhibitions to accumulate their environmental knowledge.
- New employee education
Each factory provides education and training for new employees. We also conduct internal seminars for employees to provide environment and safety-related training.
- **Environmental education through our environment management system (ISO14001)**
The Fukaya Facility, Itakura Facility, and R&D Center conduct ISO14001 education and training as a part of our ISO14001 environmental management system (EMS). We also install ISO14001 message board in each workplace to promote environmental protection by displaying Environmental Policy, environmental promotion posters, and other environment-related information.

Information disclosure to stakeholders

We post sustainability information (including this Report) on our company website.

SDGs that lead to contributions

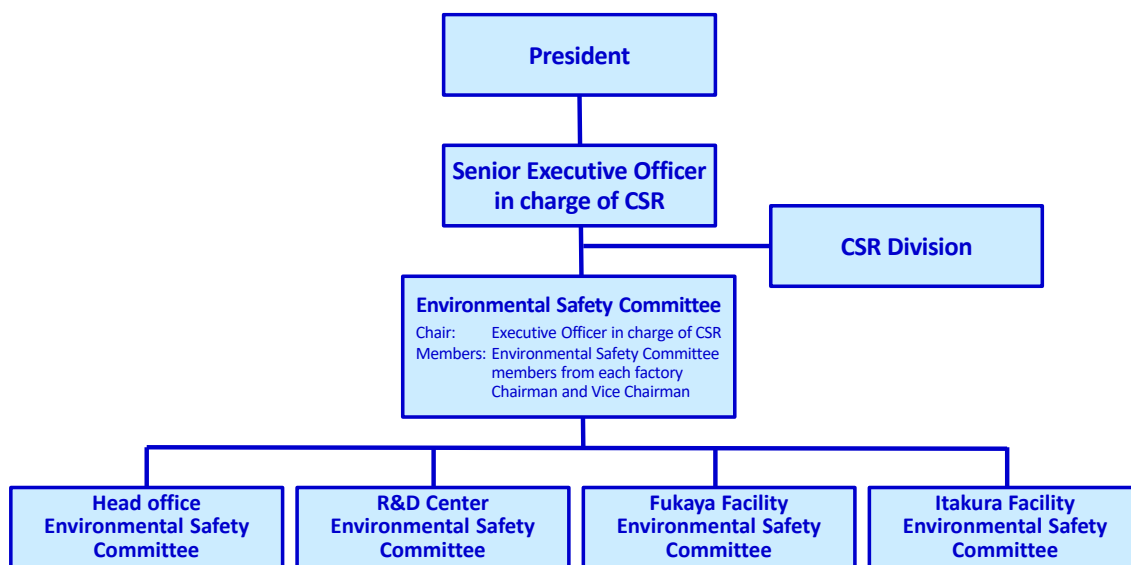


Promotion structure, governance

Promotion structure

We have created and operate an environmental protection management structure in accordance with our "Environmental Safety Management Rules."

We acquired ISO14001 certification, the international standard for environmental management systems, at our Fukaya Facility, Itakura Facility, and R&D Center. Our EMS is jointly managed by our Production Division and R&D Division.



(1) Environmental Safety Committee

1. This Committee is chaired by an executive officer in charge of the CSR Division, who is appointed by the President & CEO. This Committee deliberates and decides on company policies related to environmental protection and safety measures.
2. The Committee receives reports on environmental safety activity plans and activity results from each site, and coordinates activities by the entire company.
3. The Committee selects auditors for environmental safety audits (environmental protection / security and disaster prevention / occupational safety and health), and conducts annual audits of each site.

(2) Environmental Safety Committee of each site

1. We have established Environmental Safety Committees at our head office, R&D Center, Fukaya Facility, and the Itakura Facility. Factory directors, etc. serve as Committee Chair and hold meetings monthly.
2. Each Committee outlines specific activity policies and targets, and promotes environment and safety-related activities.

(3) CSR Division

1. The CSR Division proposes and promotes basic policy related to CSR and the SDGs.
2. This Division is responsible for the overall management of T. Hasegawa environmental safety activities.
3. The CSR Division serves as the secretariat for the planning and management of all company Environmental Safety Committees and environmental safety audits.
4. The Division discloses relevant information by posting a Sustainability Report and publishing information on our website.

(4) ISO14001

In 2001, the Fukaya Facility and Itakura Facility acquired ISO14001 environmental management system (EMS) certification from the Japanese Standards Association, and have since conducted related activities. Our current certifying body is DNV Business Assurance Japan Co., Ltd. Our Production Division, which has the largest environmental impact, continuously works towards improvements by applying a PDCA cycle based on the ISO14001 system that is adjusted for the activity progress at each factory. In June 2012, we added the R&D Center to the scope of certification to strengthen our initiatives related to reducing environmental load from the R&D development phase.

ISO14001 Environmental Policy

As a comprehensive flavor and fragrance manufacture with the Fukaya Production Center*, and R&D Center involved in the production, research, and development of food flavors, cosmetic fragrances, synthetic flavors and fragrances, food additives, foods and cosmetic materials, we recognize the importance of achieving harmony with the environment. We aim to be a company that is trusted by society. To achieve this, we engage in the following activities related to the environment based on the following policies.

1. Promote resource and energy conservation, work to protect the global environment.
2. Promote the reduction and recycling of waste products.
3. Promote coexistence with local communities by strengthening environmental management at applicable sites and surrounding areas, and working to prevent pollution.
4. Comply with air and water laws and treaties related to the environment.
5. Conduct internal audits to make continuous improvements to the EMS.
6. We provide environmental education to improve the environmental awareness of all employees.

*Fukaya Production Center is a business unit that manages the Fukaya Facility and the Itakura Facility

Governance

We conduct environmental safety audits annually at each factory. We outline in our Environmental Safety Management Rules that those results must be reported to Strategic Meetings. The Production Division and R&D Division, both of which are ISO14001 certified, are subject to regular maintenance inspections by an external inspecting organization. Through these regular audits, we confirm that our environmental management system is functioning effectively and work to make improvements.

Environmental safety audits by the Environmental Safety Committee

Since 1997, Environmental Safety Committees conduct audits related to environmental protection and safety measures.

From 2008 onward, we reorganized our auditing framework into three sections in order to conduct comprehensive checks: "Environmental Protection Audits," "Security and Disaster Prevention Audits," and "Occupational Safety and Health Audits." During audits, we select dedicated auditors for each category. These auditors check for compliance with environmental laws, the status of activities, and management status at relevant facilities. The auditors issue an improvement recommendations report for matters that require improvement. In response, audited sites create an improvement plan addressing the recommendations and submit that plan to the Environmental Safety Committee before implementing improvements. In August 2021, we implemented COVID-19 prevention measures and conducted audits of each site. After deliberations by the Environmental Safety Committee, the results were submitted to a Strategic Meeting.

ISO14001 Management System Certification inspections and internal environmental audits

The Fukaya Facility, Itakura Facility, and the R&D Center, all of which are EMS ISO14001 certified, are subject to Certification inspections by DNV Business Assurance Japan Co., Ltd. to confirm system permeation and operation. At the same time, internal environmental auditors registered and approved in accordance with parameters outlined in our environmental manual also conduct internal environmental audits.

Our Production Division, which has the largest environmental impact, applies a PDCA cycle based on the ISO14001 system that is adjusted for activity progress at each factory.

We continuously work towards improvements by engaging in corrective action to address issues or recommended areas of improvement.

Risks & opportunities, strategy & responses

Risks

- Administrative injunctions or lawsuits due to insufficient compliance with laws and regulations
- Negative impact on environmental protection of local community
- Decline in social value
- Suspension of customer transactions, etc.
- Lack of raw materials due to climate change
- Supply chain disruptions due to disasters, etc.

Opportunities

- Respond to social needs resulting from climate change

Strategy

- Reinforce response to legal compliance and risks
- We will apply our CSR Policy to resolve environmental issues and accelerate growth strategy.

Risk response

- Strategic Meetings evaluate and decide on targets from a long-term perspective, manages progress of policies outlined by the Environmental Safety Committee, and promote awareness throughout the Group.
- Reinforce global warming measures (Environmental Safety Committee activities aimed at reducing energy consumption, and CO₂, raw material and resource conservation, and effective use through the composting of waste products)
- We are enrolled in various platforms such as Global Compact Network Japan, Sedex, EcoVadis, and CDP to engage in information disclosure and maintain transparency.

Response to opportunities

- Expand transactions with customers by ensuring information disclosure and traceability
- Accelerate innovation, develop, propose, and sell new products aimed at achieving SDG targets
- Contribute to resource conservation for container raw materials by making PET bottles thinner and lighter using a Carbonation Enhancer® and a natural light degradation Inhibitor.

TCFD initiatives

In March 2022, we declared our support for the TCFD recommendations.

We have been in preparation to identify climate change risks and opportunities, and their respective impact, ahead of disclosing response measures.

Amid the acceleration of global efforts to achieve a decarbonized society, we are proactively addressing the issue of climate change.

Governance	<ul style="list-style-type: none">• Discuss at Strategic Meetings• The topic for FY2021 is to outline mid-term CO₂ emission reduction targets
Strategy	<ul style="list-style-type: none">• In fiscal year 2022, identify risks and opportunities and start preparations for disclosure• The Environmental Safety Committee and the Sustainability Committee will evaluate future policies and submit issues to Strategic Meetings for deliberation.
Risk management	<ul style="list-style-type: none">• Risk management system outlined in CSR Policy 5 [Risk Management], address during risk identification process
Metrics and targets	<ul style="list-style-type: none">• The Environmental Safety Committee set Scope 1 & 2 CO₂ emissions reduction targets Reduce to 46% of FY2013 by FY2030.• The Environmental Safety Committee manages progress and discloses data (Reference: (3) Environmental targets and results (FY2021))• Use CDP supply chain program to ascertain Scope 3 CO₂ emissions volume

Major initiatives in FY2021

(1) Environmental Accounting

To ensure efficient and effective environmental protection activities, we referenced the Environmental Accounting Guidelines published by the Ministry of the Environment to conduct environmental accounting. (Reference: ESG Databook 2022)

(2) Initiatives towards mitigating environmental load

- Energy use

We recognize energy conservation as an important issue and are proactively engaged in conservation efforts. In addition to companywide energy conservation activities, we are also promoting energy conservation by upgrading all boilers in our Production Division to more efficient models, and installing special high-voltage power receiving and transforming equipment and energy monitoring systems. The Fukaya Facility and the Itakura Facility, which are Type 1 Designated Energy Management Factory as defined by the Energy Conservation Act, are working on energy conservation based on energy usage optimization standards.

In FY2021, we improved manufacturing processes, promoted the effective use of steam to reduce steam loss, and optimized boiler operations to reduce energy consumption by 5,390 GJ compared to the previous fiscal year. We also improved our basic unit for energy by 0.6% but this is below our goal reduction rate of 1.8%. We will continue implementing effective measures to reduce energy consumption. (Reference: ESG Databook 2022)

Act on Rationalizing Energy Use Regular Reports

We received an S Class evaluation for six consecutive years (FY2015 through FY2020) through the Business Operator Classification Evaluation System.

Act on Rationalizing Energy Use Regular Reports and the Business Operator Classification Evaluation System is a system by which the Ministry of Economy, Trade, and Industry (METI) evaluates business enterprises that submit regular reports and ranks them into four classifications: S, A, B, or C. METI publishes these evaluation results to its website. Through our FY2020 report (results for FY2019), the average change in our basic unit for energy for the past five years was 99.0%, indicating we had improved our average basic unit for energy, which is defined in the Energy Conservation Act, by 1% or higher each year.

We were awarded an S Class evaluation for the first time in FY2015 and earned this S Class evaluation for six consecutive years through FY2020.

Moving forward, our Environmental Safety Committee will continue to take the lead in proposing energy conservation measures and the Production Division will continue shifting to new facilities with better energy efficiency while also monitoring and improving the state of energy facility use. Our Production Division and R&D Division collaborate to improve manufacturing processes and the entire company works collectively to achieve energy conservation by running a PDCA cycle for energy measures. We will continue implementing energy conservation measures towards being able to obtain these high evaluations.

- **CO₂ emissions**

In FY2021, we were able to reduce energy consumption significantly by engaging in efficient production activities. As a result, we reduced Scope 1 and 2 emissions by 3.7% compared to the previous fiscal year. As for our target of achieving a 46% reduction by FY2030 from FY2013 levels (18,814t), we reduced FY2021 CO₂ emissions by 20.6%.

We also have started calculating Scope 3 emissions on categories for which we are able to calculate. We will receive third-party validation of our CO₂ emission calculations to further expand our understanding of our environmental load. We will also continue engaging in long-term initiatives related to CO₂ emissions. (Reference: ESG Databook 2022)

- **Water use**

We use water for manufacturing processes as well as for cooling and cleaning. We have reduced our water usage by improving manufacturing methods to reduce cooling water use, improve cleaning methods, and increase cooling water recycling equipment. In FY2021, we reduced water usage by 4.5% to 442,776 m³. We will work to effectively use water resources and further reduce water usage. While we recognize that, at present, water risks do not represent a high risk for our production area, we will continue to check risks and response appropriately. (Reference: ESG Databook 2022)

- **Effective use of waste**

We manufacture a diverse range of flavor and fragrance products, and that manufacturing results in the production of various waste. In addition to promoting the effective utilization of these waste, we will also proactively promote the reuse of waste containers, paper, waste glass, and oils. We also have worked to limit the production of landfill waste.

In our contracts, we visit operators and conduct regular audits to confirm they practice proper treatment. As the producer has a responsibility for waste products, we use environmental safety audits to check status once per year. We share this information throughout the company and immediately engage in corrective action to address recommended matters.

As hazardous materials are treated by a waste disposal operator, we manage those records via a manifesto. Through this manifesto, we confirm that no materials go untreated.

In FY2021, we reduced waste materials by 0.4% from the previous year and achieved a 97.6% rate of effective utilization for waste products. We did not achieve our target of zero landfill waste due to the need for landfill treatment of slate tiles (containing asbestos) from the Fukaya Facility, which was damaged in a typhoon. (Reference: ESG Databook 2022)

We also generate a high volume of botanical residue from our natural botanical extraction process. This botanical residue is currently being processed into compost using the fermentation composting technology of the Koumi Compose Co., Ltd., which is a joint venture company between T.HASEGAWA CO.,LTD. (45%equity) and a company producing compost. This composting process takes place in the town of Koumi, located in the Minamisaku District of Nagano Prefecture, and growers of highland vegetables are the prime beneficiaries of this compost.



Laying compost
(Koumi, Nagano Prefecture)



Vegetable farm
(Koumi, Nagano Prefecture)

- **Odor countermeasures**

Being a manufacturer of flavors and fragrances, we pay special attention to our odor countermeasures and volatile compounds. Using deodorizing technology, we make efforts to prevent the emission of malodors. We conduct regular environmental evaluation inside our facilities and the surrounding local community areas.

- **Wastewater treatment**

Since installing wastewater treatment system at the Fukaya Facility in 1969, we have been improving our wastewater treatment system by increasing our treatment technology such as the activated sludge method, dissolved air floatation method, anaerobic method, coagulation and sedimentation method and the membrane filtration method.

Wastewater from each facility is treated through a tertiary treatment process. Wastewater in R&D is treated through a secondary treatment process before being discharged into the sewer system. We comply with wastewater standards outlined in the Water Pollution Control Law, prefectural ordinances, and wastewater control level.



Deodorizing equipment
(Itakura Facility)



Wastewater treatment facilities
(Itakura Facility)

- **Biodiversity protection**

The preservation of biodiversity is one of the most important issues that society as a whole must address. The production of flavors and fragrances uses resources such as energy, natural and synthetic raw materials, and water, which may have some impact on the ecosystem in the entire value chain.

One of the ways in which we can contribute through flavors and fragrances is to develop alternatives for widely consumed food resources, and to reduce consumption. For example, with foods such as meat, milk, sugar, lard, palm, coffee, tea, cacao, and nuts, which are expected to see a surge of demands, if the reduced amounts used in processed foods can be supplemented through flavoring and fragrances, then these products can be delivered to consumers without causing changes in preferences. The use of flavors and fragrances not only helps protect food resources, but it also makes it possible to provide a stable supply of lower prices than compared to natural ingredients.

The second way in which we contribute is by "reducing food loss." By using manufacturing technology to create powdered flavors and fragrances, not only can we reduce container and shipment costs related to transporting the flavors and fragrances, but we also help our customers improve the storage performance of food. Also, using Carbonation Enhancer® and light degradation Inhibitors contributes to making thinner PET bottles and the extending food expiration dates.

We will deepen our understanding of the relationship between our business activities and biodiversity by implementing a systematic process of internal education. We will promote activities aligned with our business and the characteristics of the regions in which we operate.

(3) Environmental targets and results

Environmental targets	FY2021 targets	FY2021 results	Medium- to long-term targets
1. Strengthening our environmental management system (EMS)			
1) Make continuous improvements to the EMS	Continuously implement and improve environmental conservation activities Maintain ISO14001 Management System Certification	Applied to all T. Hasegawa divisions Manufacturing and R&D divisions worked to maintain ISO 14001 Management System Certification	Continuous implementation Continuous implementation
2) Conduct environmental audits	Conduct environmental safety audits Conduct ISO14001 audits, internal environmental audits	Conducted environmental safety audits in ISO14001-certified divisions	Continuous implementation Continuous implementation
3) Promote environmental safety education	Plan and conduct various education Plan and conduct ISO14001 education and training	Provided intracompany web base training and other education in ISO14001-certified divisions	Continuous implementation Continuous implementation
4) Improve environmental management	Issue Sustainability Report Conduct environmental accounting report	Issued Sustainability Report Conducted environmental accounting report	Continuous improvement Enhance content
2. Promoting energy conservation			
1) Reduce energy use	Energy consumption rate per unit: Reduce by 1.8% YoY	Reduced by 5,390 GJ (1.8% YoY reduction) (Production volume consumption rate reduced by 0.6% -> target not achieved)	Continuous implementation
2) CO ₂ emissions reduction (Scope 1, 2)	CO ₂ emissions reduction: Reduce by 1.0% YoY (total volume)	Reduced by 575t (3.7% YoY reduction) Medium- to long-term target progress (20.6% reduction vs. FY2013)	By FY2030: Reduce to 46% of FY2013
3. Resource conservation, effective utilization of waste			
1) Promote resource conservation	Water usage: Continuous improvement Copy paper usage: Continuous improvement	Water usage reduction: 20,872m ³ (4.5% YoY reduction) (Consumption rate: 3.4% improvement) Copy paper usage reduction: 3,508kg (20.4% YoY reduction)	Continuous improvement Continuous improvement
2) Promote effective use of waste	Continuous improvement in effective utilization rate of waste	Effective waste utilization rate of 97.6% (1.0% YoY improvement)	Continuous implementation
3) Landfill disposal volume reduction	Zero landfill disposal	Landfill disposal volume: 0.2t Effective use of landfill glass waste	Zero landfill disposal
4. Limit environmental emissions			
1) Prevent air/water pollutants	Managed based on self-imposed values (factories)	Managed appropriately within self-imposed values Improved wastewater treatment facilities	Continuous improvement
2) Odor control	Increase and appropriately manage deodorizing facilities Conduct odor patrols (factories, R&D centers), zero odor complaints	Appropriate operations, complaint; one case	Continuous improvement
3) Chemical substance management	Applying PRTR*(PRTR Law and self-regulated substances)*Pollutant Release and Transfer Register	Applied PRTR*(PRTR Law and self-regulated substances) *Pollutant Release and Transfer Register	Continuous implementation
5. Green purchasing			
1) Promote green purchasing	Promoting green purchasing	Operating based on Basic Principles & Guidelines on green purchasing	Continuous implementation

Future endeavors

- We will start procuring renewable energy and work on Scope 1 and 2 medium- to long-term CO₂ emission reduction targets.
- We will acquire a third-party certificate for CO₂ reductions to ensure the transparency of our calculation methods and reliability of our data.
- Through the CDP supply chain program, we will track CO₂ emissions along our entire supply chain.
- To improve and increase reporting of climate-related financial information based on TCFD recommendations, we will identify climate change risks and business opportunities, and their respective impact, and identify response measures.

FY2022 targets	
Environmental Protection	(1) Promote energy conservation <ul style="list-style-type: none"> Monthly progress monitoring of energy consumption against the target for each section in manufacturing facilities R&D Division and Production Division collaborating to improve manufacturing processes Promoting energy conservation in production activities Continuous evaluation of capital investments related to long-term energy and resource conservation
	(2) Resource conservation and effective use of waste <ul style="list-style-type: none"> Continuous reductions to water and office paper usage Achieve zero landfill waste
	(3) Continuous implementation of other management activities <ul style="list-style-type: none"> Reinforce energy management through the ISO14001 Environmental Management System
Numerical targets	(1) Energy consumption rate per unit: Reduce by 1.6% YoY
	(2) CO₂ emissions: Reduce by 25% against FY2013 (46% reduction from FY2013 through FY2030).
Occupational Safety & Health Safety & Disaster Prevention Chemical product safety	(1) Promote labor safety measures <ul style="list-style-type: none"> Reinforce static electricity countermeasures and firefighting drill Conduct special safety inspections at Fukaya Facility/Itakura Facility
	(2) Promote fire safety measures <ul style="list-style-type: none"> Exercise the firefighting drill
	(3) Continuous implementation of other safety control

CSR Policy 3: Human Rights and Labor

Respecting human rights and diversity, we will improve employee benefits and create a safe and comfortable work environment.

Basic approach

Basic Policy on Human Rights

The Company will support international human rights standards such as The Universal Declaration of Human Rights, The ILO Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact and will act in accordance with the policy below based on the United Nations' Guiding Principles on Business and Human Rights.

1. Never engage in child labor or forced labor.
2. Comply with regulations on working hours, holidays and minimum wages stipulated by the law.
3. No discrimination in terms of hiring, salary increases and promotions.
4. No harassment against employees or in any working environment.
5. Make efforts to prevent accidents and disasters by giving priority to securing health and safety of the workplace and workers.
6. Engage in discussion with labor representatives appropriately and faithfully.

We will check the status of compliance with items 1-6 of the above policy and work to identify, prevent, and mitigate any negative impact on human rights related to the Company's business activities.

In addition, we will endeavor to remedy or correct the situation through proper procedures in the event that it becomes clear that our business activities have had or exacerbated a negative impact on human rights.

Promotion structure, governance

Based on our belief that human rights and labor are integral parts of compliance, we have established a Compliance Committee that is chaired by the President & CEO and includes directors as members. This committee identifies issues related to human rights and labor and works on improvements as necessary.

Initiatives Related to Respect for Human Rights

The Group has established Compliance Regulations along with the T.Hasegawa Corporate Code of Conduct to be followed by all employees as they engage in business activities, and these include respect for human rights. We will make our employees aware of the Code of Conduct and thoroughly instill it in order to spread awareness of respect for human rights and prevent issues related to human rights. In addition, based on these regulations, we have established internal and external whistleblowing hotlines for employees and work to quickly identify and address issues related to human rights. The Risk Management Committee and the Compliance Committee conduct annual joint risk surveys in each division. The survey can identify risks of violation of human rights.

SDGs that lead to contributions



[Human Resources Development]

Risks, opportunities & strategy

Risks

- If there are not enough human resources with suitable skills, business operations will be suspended, and skills transfer will be difficult.

Opportunities

- Increase employee motivation
- Increase production efficiency by improving the working environment

Strategy

In accordance with the management policy to create a safe and comfortable work environment for our employees, we seek to create an energetic corporate culture in which human resources can grow and maintain their motivation and are committed to providing opportunities to employees to advance their career fairly and without regard to race, nationality, gender, religion, disability, or other attribute.

Education System

		Tier-specific training		Skill improvement			By job category		
		Shared values	Training content				Research	Manufacturing	Sales
Management level	Senior management	Basic management skills	Senior management training	Language training	Support for acquiring qualifications	Support for correspondence education	Harassment prevention training	Training program at other division*	Human resources development program for mid-career employees On-the-job training for trainers
	Managers	Understanding managerial role Promoting autonomy and growth of subordinates	Training for newly appointed managerial staff Management training						
Instruction level		Fostering awareness of participation in management Engaging others to improve results	Junior board Mid-career employee training						
Execution level		Learning about the Company Autonomous action	Internal seminars Third year training Orientation						

* Program in which employees in their third year or so with a division undergo training at a different research laboratory to improve their knowledge and skills

Ensuring Diversity in Promotion of Core Human Resources

- Our approach to securing diversity

The Company respects the diversity of each employee and has actively promoted outstanding human resources to management positions regardless of gender, nationality, or career background. After promotion, we also provide management training and other ongoing education to improve their skills. The Company seeks to further increase the percentage of women in management and will work to promote women and mid-career workers to continue to address the changing management environment. We will also continue promoting talented foreign nationals to expand our overseas business according to our growth strategy.

[Autonomous and Measurable Targets for Securing Diversity and Status Thereof]

Item	Current	Target	Completion
Percentage of women in management positions	16.8%	18% or higher	September 30, 2024
Percentage of mid-career workers in management positions	16.3%	18% or higher	September 30, 2024
Percentage of management positions filled by foreign nationals	30.0%	30% or higher	Maintain current percentage

*Current percentage is as of September 30, 2021

Major initiatives of FY2021

Understand the roles at each level and acquire the required skills.

- Tier-specific training
We conduct training for new employees, mid-career employees, and new managerial staff. The purpose of the training is for the employees to understand the roles at each tier and acquire skills. Implementing a PDCA cycle, we are working to make improvements to be able to plan and carry out better training.

Support employees' studies and growth.

- Online study support
We organize courses that meet a wide range of needs in order to promote self-development. Starting this fiscal year, we raised the percentage of enrollment fees covered for outstanding graduates in order to further encourage skills development.
- Support system for acquiring qualifications
When acquiring qualifications recognized by the Company, such as those for certified public tax accountants and labor and social security attorneys, the Company pays up to half of the enrollment fees. In addition, employees meeting certain requirements, such as a specific TOEIC score, are provided with an incentive payment.
- Internal seminars
Employees from each division provide lectures on the operations in their division and other current events. Participants not only gain a better understanding of T.Hasegawa as a whole, but also the connection and relationship between their division and the division in charge of the lecture, which can be applied to their own operations. By teaching others, the lecturers are also able to deepen their understanding of the operations of their own division.
- Life planning seminars
The Company pays for external seminars on living a fulfilling "second life" after retirement offered to interested employees and their spouses.

- Re-employment support for those having reached mandatory retirement age
We offer a “Re-employment Support Program,” which provides re-employment know-how to those seeking re-employment, and a “Second Life Program,” which is for those seeking to start their own business or move overseas, to help those who are interested set out on a new path after reaching mandatory retirement age.

Foster management awareness among younger workers.

- Junior board
We carry out selective training for cultivating the ability to come up with a medium- to long-term vision, acquiring business management skills, and raising awareness of participation in management.

Support development of global human resources.

- Language training
The Company pays for language lessons by native speakers for employees who need English or Chinese language skills.
- Pre-departure training for expatriates
We invite outside lecturers to provide lectures to employees assigned to overseas subsidiaries on the cultures, laws, and business practices of the countries where they will be living.

Support management encouraging growth and autonomy.

- Management training
The purpose of this training is to help managers understand and practice management that encourages the growth and autonomy of their subordinates.

To ensure that everyone has the same perspective and mindset, the course is open to employees who have been in management positions for a certain period of time.

Train senior management.

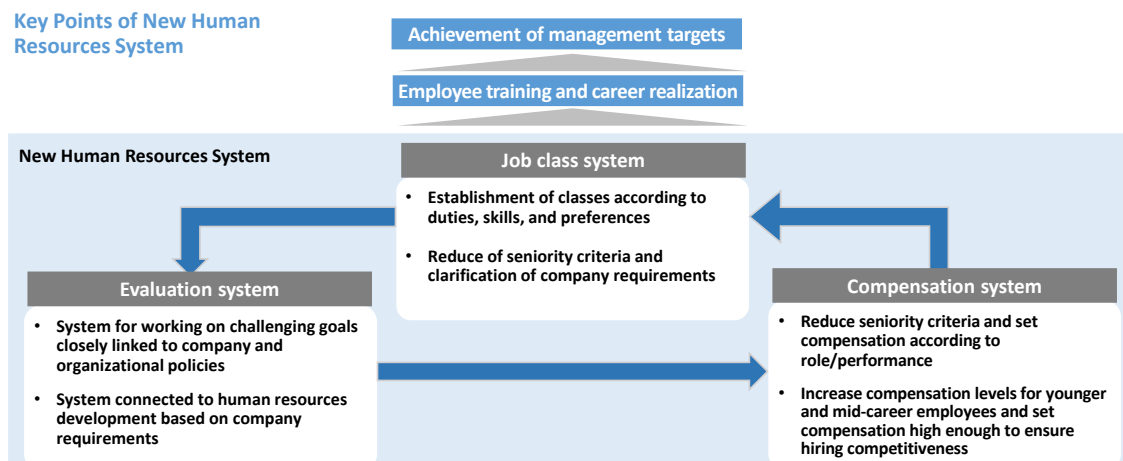
- Senior management training
Two members of senior management took a business school course.

Future endeavors

Human resources system reform

We revised the whole HR evaluation system, including job titles and assignments, evaluations, and compensation.

By clarifying the roles required by the Company (job titles and assignments) and introducing a corresponding evaluation system, we have reformed the personnel system so that compensation is commensurate with performance.



In addition, we are continuing the initiatives of fiscal 2021 and are looking into a more effective systematic educational system that is in line with the human resources system.

Steady implementation of interviews for personnel evaluation and training

We will promote systematization of personnel evaluations according to the new human resources system reforms, such as record keeping for each interview, goal setting, and evaluation. We will strive to interview 100% of employees to be evaluated.

Implementation of training for those conducting evaluations according to human resources system reform

We will implement training for those conducting evaluations so that they understand the intent behind the new human resources system reform and can properly conduct evaluations and training.

[Creating Safe and Fulfilling Workplaces]

Risks, opportunities & strategy

Risks

- Work accidents
- Administrative dispositions, lawsuits, damage to social reputation arising from work accidents
- Loss of excellent human resources due to deterioration of working environment
- Resignations for nursing or childcare
- Difficulty in hiring due to damage to social reputation

Opportunities

- Increased job application rate and employee retention rate
- Increase production efficiency by improving the working environment

Strategy

In accordance with the management policy to create a safe and comfortable work environment for our employees, we seek to create an energetic corporate culture in which human resources can grow and maintain their motivation.

Programs for a pleasant working environment

Program	Description
Self-assessment system	Employees are able to inform the company not only of their work but also their personal circumstances for the purpose of revitalizing the workplace, ensuring appropriate and effective allocation of personnel, and utilizing human resources effectively.
No Overtime Day	Every Wednesday is No Overtime Day and is used to review the way of doing things and increase operational efficiency. At the same time, by reducing overtime work, we will enhance our employees' private lives and promote healthy living.
Leave and reduced working hours for child/nursing care	Leave: Employees with applicable family members can take five days (10 days if they have two or more family members requiring care) of paid leave per year. Reduced working hours: Employees with applicable family members can reduce their working hours to five or six hours per day.
Job search registration system for employees who have left their jobs for child/nursing care	Provides information to employees who have resigned to care for a child or adult family member and wish to receive mid-career recruitment information when there is a corresponding job opening.
Continuous service awards	Employees who have reached their 15th, 25th, and 35th year of continuous service are granted special incentive leave and presented with an award.
Cultural and sporting events	We hold company-wide voluntary participation events such as sports competitions, workplace events such as theatre-going, and various club activities to promote friendships that extend outside of work and increase employee motivation.

Fair treatment and evaluation of non-full-time employees

- Payment of family allowances, housing allowances, and congratulatory or condolence money the same as those for full-time employees
- Enhancement of long-term absence and leave systems
- Introduction of evaluation system and implementation of follow-up interviews
- Reflection of evaluation results in salary and bonuses to increase employee motivation



Obtaining “Kurumin” certification logo

In 2022, the Company obtained certification for the third time for conforming to standards based on the Act on Advancement of Measures to Support Raising Next Generation.

Occupational safety and health initiatives

Our top priority is ensuring safety and health in our operations. We understand and comply with the Industrial Safety and Health Act, the Fire Service Act, and other safety and health-related laws, and we strive to create a safe and healthy working environment. The Environmental Safety Committee makes decisions on environmental safety, company-wide policies on safety measures, action plans, and other such matters. The Environmental Safety Committee takes the lead at each workplace in providing guidance on environmental safety, security, and disaster prevention activities, including regular patrols of the workplace and support for checking and improving dangerous locations and things that could be health hazards. At the same time, the Occupational Safety and Health Committee provides guidance on matters related to occupational safety. All employees are aware of the importance of environmental safety, occupational safety, and safety and disaster prevention and are engaged in these activities.

System for identification of hazards, risk assessment, and investigation of accidents

Members of the Occupational Safety and Health Committee of each division take the lead in identifying, assessing, and reviewing the danger and hazards of dangerous work and raw materials (chemical substances) handled in order to improve safety and health. Based on the results, measures to prevent dangers and health hazards are implemented, and protective equipment is provided to all employees involved in the related work.

We also consider the health of our employees by taking light and noise measurements twice a year and taking measurements in working environments where volatile substances are used.

In addition, a special plant patrol team conducts annual occupational safety patrols to investigate potentially dangerous locations and make continuous improvements.

The Accident Investigation Committee takes an active role in sharing accident information with related parties in a timely manner.

System for improving processes

Audits by the Environmental Safety Committee identify work safety issues requiring improvement, and we promptly address these findings at the plant with Corrective Action Reports.

System for employees to report danger

At the Fukaya Production Center, we have put together a system in which employees provide information on near misses and requests for improvement at morning meetings and safety roundtables at each division and report them to their supervisors.

Training for employees on safety and health

At the Fukaya Production Center, we regularly hold occupational safety workshops for all employees in an effort to raise employee awareness with respect to safe work.

We also actively participate in outside workshops to acquire qualifications necessary for the work.

Major initiatives of FY2021

Support for new and mid-career hires

- We conduct one on one interviews with new employees and mid-career hires so that they can quickly achieve their potential by eliminating their concerns about the new environment.

Encouragement to take paid leave

- We call on division managers to encourage employees to take paid leave.

Ascertainment of employee requests through labor union

- We hold monthly discussions with the labor union to properly understand employee requests.

Initiatives for risks related to human rights

- Ascertainment of risks related to human rights

By establishing multiple channels for consultation and whistleblowing as shown below, we are working to make it easier to provide information so that we can quickly discover issues.

- Assignment of persons in charge at each site
- Installation of banner on intracompany web site
- Direct e-mail
- Whistleblowing boxes
- Outside attorneys

Moreover, the Risk Management Committee and the Compliance Committee conduct annual joint risk surveys in each division so that risks can be identified even if no report is received through one of the contact points established by the Whistleblowing System.

- Harassment prevention training

Not only does harassment in the workplace undermine the personhood and dignity of the victim, but it also harms motivation and self-confidence and can even lead to deterioration of mental health. Based on our convictions as a company that does not allow harassment, we provide a wide range of training to prevent harassment and educate our employees. In addition to the annual training for newly appointed managers, in fiscal 2021, we also provided training for the instructors.

As has been the case in the past, there were no cases of serious violation of human rights or discrimination related to the Group's business continuity in fiscal 2021.

Occupational safety and health initiatives

- Safety patrols: Conducted monthly by the Occupational Safety and Health Committee
- 5S activities: The Occupational Safety and Health Committee leads in monitoring and grading the activities of each section throughout the year and presents awards once a year. Education on “5S” Activities
* 5S stands for Seiri (Sort), Seiton (Systemize), Seiso (Shine), Seiketsu (Standardize), Shituke (Sustain).
- Safety slogans: Slogan ideas are collected from employees, selected by the Occupational Safety and Health Committee, and posted in each section for the whole year. Efforts to raise awareness
- Safety roundtables: Hold monthly by each section. The Occupational Safety and Health Committee and others share information from the facilities and each committee.
- Collective fire and emergency drills: Hold twice a year
* Includes firefighting, reporting, evacuation guidance, rescue, and security
- Prevention of overwork and interviews with industrial physician: We check with employees whose overtime work exceeds the level set forth in our internal regulations and ask if they would like to have an interview with an industrial physician. We also encourage them to be aware of their physical health.
- Health checkups: Employees 35 years of age and older can receive a full medical examination at the Company’s expense, and we encourage them to actively undergo health checkups.
- Stress checks: Conduct once a year, and the results of group analysis are used in mental health care. We recommend that employees determined to have elevated levels of stress talk with an industrial physician.
- Provision of health-related information: We distribute a monthly insurance newsletter. We have an industrial physician go over the health checkup results and encourage employees that need it to undergo an examination. Information on health issues and the work environment by industrial physicians is posted on bulletin boards inside the Company.

■ Related data (Reference: 2022 ESG Data Book)

Future endeavors

- Aiming to balance childcare/nursing care with work, we will introduce an hourly paid leave system for employees engaging in childcare or nursing care.
- We will continue to reform the human resources system so that employees can go about their work with a sense of job satisfaction.
- We will look into creating an environment/system that makes it easy for older people to work.
- We will look into creating an environment/system that makes it easy for people with disabilities to work.

CSR Policy 4: Quality and Safety

We are on the cutting-edge of product safety.

Basic approach

In order to meet the customer requirement of products that are safe and secure to use, the Group has established a quality assurance system and emphasizes the supply of safe and secure products.

Quality & Food Safety Policy

We will implement the following policies to provide our customers with products that are safe to use.

1. We value communication with our customers and work to provide products that embody the needs of our customers and satisfy them.
2. From R&D to raw material procurement, manufacturing, distribution, sales, and administration, we steadily fulfill our role and duties and provide quality products and services that our customers rely on.
3. We observe the related laws and regulations and have established a quality assurance system that allows us to provide safe, high quality products, and we work continuously on making improvements.

Correlation to stakeholders

We are committed to providing products that are safe for customers and valuable for customer success.

SDGs that lead to contributions



We have adopted a traceability system for product quality that employs barcodes from raw material acceptance to product shipment so that our customers can use our reliable products. Every step is traceable from product lot to manufacturing records, product inspection results, lot numbers of raw materials used in the product, and raw material acceptance inspection results.

We check the quality and safety information for the raw materials we use, including standards, allergies, and residual agrochemicals. We also confirm that the compounds used in flavors and fragrances comply with related laws such as the Food Sanitation Act, the Fire Service Act, the Industrial Safety and Health Act, and the Act on the Regulation of Manufacture and Evaluation of Chemical Substances, etc.

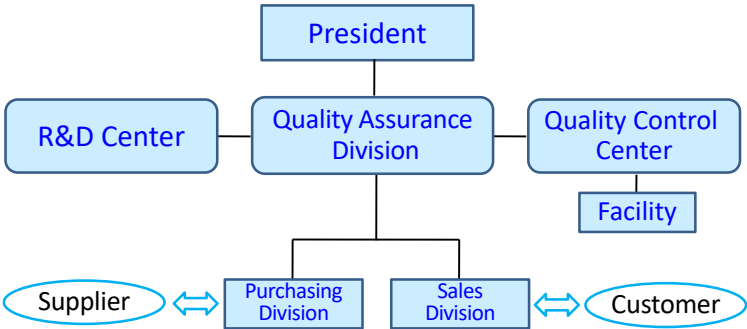
We actively manage information on flavor and fragrance ingredients as chemical substances, issuing Globally Harmonized System of Classification and Labelling of Chemicals (GHS)-compliant Safety Data Sheet (SDS), disclosing information on substances subject to legal regulations, and providing products that customers can use safely.

In addition, by ensuring the traceability of information through a traceability system, we strive to reduce the response time for customer inquiries and provide sustainability information.

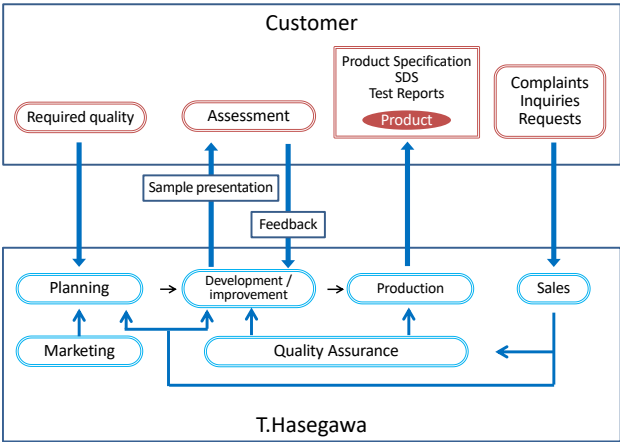
Promotion structure, governance

In order to provide our customers and consumers with a guarantee with respect to the quality and safety of our flavor and fragrance products, we have built a quality assurance system centered on the Quality Assurance Division, which is under the direct control of the President & CEO. We value communication with our customers and promote quality and safety activities. All raw materials we use are registered. Only those raw materials whose quality and safety have been verified are used to produce samples and manufacture products. We focus on providing high quality products, performing final inspections on all products provided to customers.

Our Quality Assurance System



Communication with Customers



Quality Control from Raw Materials to Products

Raw materials	Development		Manufacturing		Product	
Raw material registration	Prototype production	Sample provision	Raw material acceptance	Manufacturing	Quality inspection	Follow-up
All raw materials are checked for legal compliance and safety. Only those that are approved are registered as raw materials that can be used.	Flavor and fragrance products are developed according to customer requirements using registered raw materials.	We check the label and safety information based on laws and regulations and create a safe and reliable sample.	All raw materials arriving at the plant undergo an acceptance inspection to confirm that they meet our standards. In fiscal 2021, we performed raw material inspections on around 9,000 items.	We engage in high quality product manufacturing through manufacturing control utilizing FSSC22000-certified operations and a barcode system.	All products undergo a final inspection by manufacturing batch to confirm that they meet the standards that have been established for each product. In fiscal 2021, we performed product inspections on around 25,900 items.	After selling the products to our customers, we handle any complaints or inquiries that arise.

- Quality Assurance Division

We confirm legal compliance at the raw material purchase stage and provide our customers with reliable product. In addition to complying with laws and regulations in Japan, we check the laws and regulations of the destination country for export products for our overseas customers and provide products that comply with the laws and regulations of each country/region.

Moreover, we are promoting digitalization of Product Specifications to provide our customers with accurate information in a timely manner.

- Quality Control Center

The Quality Control Centers at the Fukaya and Itakura facilities manage the plant quality systems and conduct quality inspections on products manufactured at the facilities and raw materials purchased. Quality inspections are performed on all products and raw materials handled at the plants to provide customers with products of stable quality.

In quality inspections, we are promoting the introduction of inspection equipment necessary for ensuring the quality of products and raw materials, and we have established a system that allows us to carry out all inspections internally. The inspection results are automatically transferred from the inspection equipment to the computer system by an automatic transfer system. Measurement, pass/fail determination, and inspection card issuance is fully automated (digitalized), which also helps to prevent tampering with the data. As a company that handles fragrances, we are also pouring effort into training sensory inspectors. Only those who have been trained to distinguish fragrances and have passed our internal certification test are involved in sensory tests as sensory inspectors.

- ISO9001

In 1998, we acquired ISO9002 certification for the quality management system at our facilities, and in 2003, we transitioned to ISO9001 certification. In 2007, we expanded the scope and acquired company-wide certification. The President & CEO is at the top of management, and all employees involved in business activities cooperate in all-hands quality activities.

In 2012, we obtained FSSC22000 certification for our food safety management system and thereafter began rolling out a management system integrating ISO9001 and FSSC22000. However, currently, to narrow down the activities at each division to focus on the most suitable standards, we have changed the scope so that Head Office, branches, sales offices, R&D Center, and fragrance facilities are covered by ISO9001 certification, and since 2019, flavor facilities are only FSSC22000 certified.

Additionally, in China, we acquired ISO9001 certification in Shanghai in 2004 and in Suzhou in 2010. These certifications guide our quality activities.

- FSSC22000

All divisions related to flavors obtained FSSC22000 certification for their food safety management systems in 2012. By acquiring international standard certifications approved by the Global Food Safety Initiative (GFSI), we continuously reduce risks related to food safety and providing safe and secure products that all our customers are confident in.

FSSC22000 is a standard specific to food safety, so since 2019, we have only obtained this certification at our flavor facilities.

In addition, we have acquired certification under international standards related to food safety at our overseas subsidiaries.

Overseas Subsidiaries - Status of International Food Safety Standards Certification

Location	Certification Type (Year Acquired)
China	FSSC22000 (2012) (Only in Suzhou where food flavoring essences are manufactured)
Malaysia	HACCP (2011), ISO22000 (2013), FSSC22000 (2014)
USA (3 locations in California)	British Retail Consortium (BRC) Global Food Safety Standards certification (2 locations in 2012 and 2019, respectively) Safe Quality Food (SQF) Food Safety Code (ver. 8.1) certification (1 location in 2013) (BRC and SQF are GFSI approved certification standards)

- Internal audits

We conduct annual internal quality and food safety audits at all divisions. We provide training as internal auditors and conduct audits among employees with certified employees as internal auditors. This helps to make improvements to areas that are not usually noticed and eliminate operational inefficiencies. Findings are rolled out to other divisions to make ongoing improvements in every division.

- 5S Audits

Members from the Quality Control Center at the Fukaya and Itakura facilities enter the manufacturing area to conduct hygiene audits based on 5S, which stands for Seiri (Sort), Seiton (Systemize), Seiso (Shine), Seiketsu (Standardize), Shituke (Sustain). Hygiene control at the facilities forms the basis of food safety and helps prevent contamination by foreign materials or microorganisms.

In China (Shanghai and Suzhou), regular patrols and inspections are conducted by the 5S Management Committee.

- Management review

Reports are provided to management as a review of activities related to quality and food safety performed during the year. Reflecting on the year's activities and receiving approval and assignments from management allows us to engage in ongoing improvement activities.

- Compliance initiatives

We believe that employee awareness is important in order to provide customers with high quality products, so we are engaged in activities to raise awareness of compliance. We carry out quality education at various times, including when employees join the company and when they are promoted. In particular, as legal information changes on a daily basis, we constantly gather information from industry groups and various media so that we can promptly communicate legal information to employees through our Intracompany web site, regular workshops, and various study sessions. This information is published on the Intracompany web site and can be checked by employees at any time. Regular study sessions are held on food safety at the Fukaya and Itakura facilities to raise compliance awareness among employees.

- Internal Halal Committee

In order to address the requests of Islamic customers, our exports to Southeast Asia are Halal certified so that we can supply safe and secure products. We have established an Internal Halal Committee, selecting members from related divisions such as Sales, R&D, and Production. The committee shares Halal-related information with our locations in China and Southeast Asia and maintains the Halal certification. We have also entered into an agreement with the Nippon Asia Halal Association as an advisor and work to solve various problems.

- Response to complaints and Quality Control Committee

When complaints arise, quality-related divisions coordinate to clarify the cause and countermeasures and provide a prompt response to the customer. Serious complaints are quickly reported to management, and proper measures are taken from the customer's perspective. Complaint information is shared at Quality Control Committee meetings and rolled out to other divisions to help prevent recurrence. When a manufacturing problem occurs, the cause and countermeasures are clarified in the same way as when dealing with complaints, and information is shared at Quality Control Committee meetings to help prevent recurrence.

Risks, opportunities & strategy

Risks

- Loss of trust due to poor product quality

Opportunities

- Improved trust owing to improved product quality

Strategy

- Investment in aging equipment
- Improvement of inspector skill level
- Review of manufacturing methods and conditions
- Improvement of manufacturer skills through education and training
- Enhancement of production system (supply system)
- Reduction of lead time through promotion of fully automated issuance of inspection cards (digital transformation)
- Improvement of fragrance judgment in sensory test division training for manufacturing personnel

Ongoing Enhancement of Promotion Structure

- Development of the flavor and fragrance industry and enhancement of the response to the environment surrounding the industry

We actively dispatch committee members to industry associations in each country to respond to constantly changing legal information and develop the flavor and fragrance industry as a whole. We also participate in domestic associations such as the Japan Flavor & Fragrance Materials Association (JFFMA) and the Japan Food Additives Association as well as international industry associations such as IFRA and IOFI as special committee members from JFFMA. We are engaged in activities so that the industry as a whole can respond swiftly and appropriately to the various regulations surrounding the industry and develop the flavor and fragrance industry as a whole.

In addition, we have joined the China Association of Fragrance Flavor and Cosmetic Industries (CAFFCI) in China and the Flavor and Extract Manufacturers Association (FEMA) in the United States and have dispatched committee members to participate in the activities of those industry associations.

- Enhancement of response to quality in R&D

Laws and regulations are constantly changing not only in Japan but overseas as well. Active participation in the activities of industry associations and information gathering are necessary in order to respond quickly to these changes, address them in products, and communicate information to customers. The gathered information is registered in an internal database and quickly reflected in product information. Updated information is always accessible to researchers, which allows products to be developed based on the latest information. It can also be used when providing information to customers.

- Enhancement of response to quality in manufacturing processes

In the manufacturing process, we are always required to make products of consistent quality. We assign codes to every raw material and product, and by managing these through barcode, we prevent introduction of the wrong raw material and keep products from getting mixed up. In addition, at our flavor and fragrance compound facilities and powder facilities, data on the weight of the raw materials and the scales used for filling products is recorded in the system. Combining that with barcode management helps with manufacturing control and traceability. By introducing digitalization technology at our facilities, we are striving to continually provide products of consistent quality.

Major initiatives of FY2021

Regular audits were conducted for ISO9001 and FSSC22000, and there were no serious findings, so our maintenance of the certifications was approved. An audit was also conducted for Halal certification, and it was renewed as well.

As an initiative for food safety, we are increasing the number of surveillance cameras inside our facilities, introducing an entrance/exit management system, and implementing exclusion measures. Because the raw materials we used are procured from around the world, we coordinated with the Purchasing Division to enhance our acceptance verification work. We promoted direct sending of samples to customers from our facilities to improve customer service. In addition, at our facilities, we implemented an operational improvement suggestion program, and this year, we received around 1,500 suggestions from employees. Each of our employees is working to provide products with an awareness of quality and food safety. Employees working on manufacturing of flavors and fragrances for foods take a course on HACCP and work to accumulate their knowledge and awareness of food safety (in fiscal 2021, 12 employees at the Fukaya Production Center took the HACCP course).

We also provide courses on ISO9001 and FSSC22000 to increase employee awareness of quality and food safety system requirements in each division and improve operations. (FSSC22000 course: Held twice for 92 participants; ISO9001 internal auditor seminar: Held once for 32 participants)

Future endeavors

Customer demands for safety and security never cease. We will work to enhance our quality assurance system, striving for quality that will continually earn the trust of our customers. The Quality Assurance Division, which is under the direct control of the President & CEO, will lead our efforts to ensure close coordination with the Quality Control Center of the Production Division and the Quality Assurance Divisions of our overseas locations so as to provide quality products that will satisfy all of our customers both in Japan and abroad. At our facility, we will review our manufacturing methods and work on improving operations in order to reduce the number of complaints from our customers and further reduce rejected goods. We will maintain our ISO9001 and FSSC22000 certifications to improve quality and maintain food safety.

Furthermore, we will actively carry out training at our R&D Center to improve skills, thereby producing highly skilled workers to handle flavor and fragrance production in our Production Division. At the Quality Control Center, we will

work to improve the skills of inspectors and enhance the inspection system in the aim of providing customers with high quality products.

Similarly, we will continue to train employees involved in production, introduce an operational improvement suggestion program, and engage in process control in the Production Divisions of our overseas locations.

CSR Policy 5: Governance Fair Corporate Activities

**Ensure management healthy, transparency, and fairness,
and be a reliable partner for society.**

[Corporate Governance]

Basic approach

As a listed company, we respect the following five basic principles of corporate governance. While expanding management monitoring functions and reinforcing compliance, we work towards sustainable growth and maximizing our corporate value by making accurate and quick management decisions, and ensure timely and appropriate business execution.

- (1) Protect shareholder rights and ensure equality
- (2) Build smooth relationships with stakeholders
- (3) Create comfortable work environment for employees
- (4) Ensure timely and appropriate information disclosure and transparency
- (5) Enhance management supervision and ensure accountability to stakeholders by the Board of Directors and the Board of Auditors

SDGs that lead to contributions



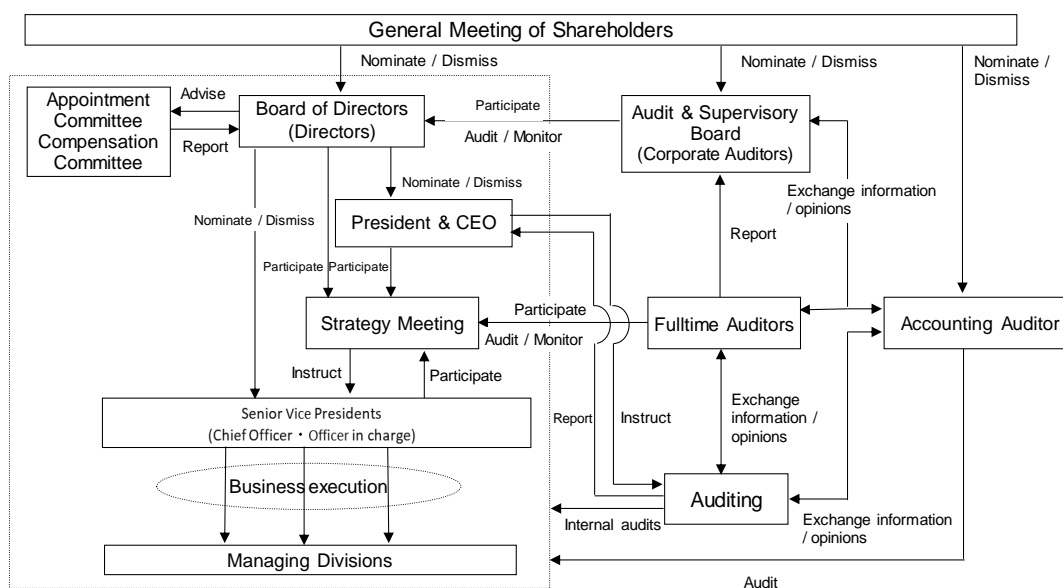
Promotion structure, governance

As a company that has established a Board of Auditors in accordance with the Companies Act, we supervise important decision-making and business execution by the Board of Directors. The Board of Auditors and its members are independent of the Board of Directors, and conducts audits of business execution by the Board of Directors. We also have adopted an executive officer system to promote the appropriate division of responsibilities related to management and business execution.

Furthermore, we established three independent functions: Strategic Meeting, Appointment Committee and Compensation Committee.

Strategic Meeting is designed to engage in dynamic deliberations on business execution, including business strategy proposals and important matters related to operations. Appointment Committee and Compensation Committee is for transparency and objectivity in the processes related to nominating director candidates and deciding on director compensation.

An overview of our corporate governance structure is as indicated in the following chart.



Diversity of directors and corporate auditors

To achieve corporate governance that will serve as the foundation of a credible and highly transparent management system, we ensure diversity in our nomination of directors and corporate auditors. For both internal and external candidates, we make nominations based on the comprehensive consideration of character, expertise, knowledge in various fields, experience, career, gender, and age, among other factors. As stipulated in our Articles of Incorporation, we appoint the appropriate number of directors (up to 10 members) necessary to enable active deliberations and evaluations, and rapid decision-making.

Skills matrix for directors and auditors

Name	Title/post:	Particularly important skills among the expertise we require.									
		Corporate management Business strategy	ESG Sustainability	Quality	Sales Marketing	R&D	Production	Overseas strategy International	Accounting Finance	Human resources Human resource development	Legal affairs Compliance Risk management
Takao Umino	President & CEO	●	●	●	●			●	●	●	●
Yoshiaki Chino	Representative Director & Deputy President	●	●	●	●	●	●	●			●
Minoru Nakamura	Director & Senior Executive Vice President	●	●				●		●	●	●
Tetsuya Nakamura	Director & Executive Vice President			●		●					●
Koichiro Kato	Director & Executive Vice President	●			●			●			●
Shingo Ohkado	Outside Director	●			●			●			●
Takao Yuhara	Outside Director	●						●	●		
Akiko Izumi	Outside Director	●	●		●					●	
Takehiro Matsumoto	Full Time Audit & Supervisory Board Member	●						●	●	●	●
Tomoyoshi Arita	Outside Audit & Supervisory Board Member								●		●
Kazuhiro Yamamura	Outside Audit & Supervisory Board Member							●	●		●
Junko Imura	Outside Audit & Supervisory Board Member								●		

Succession plan

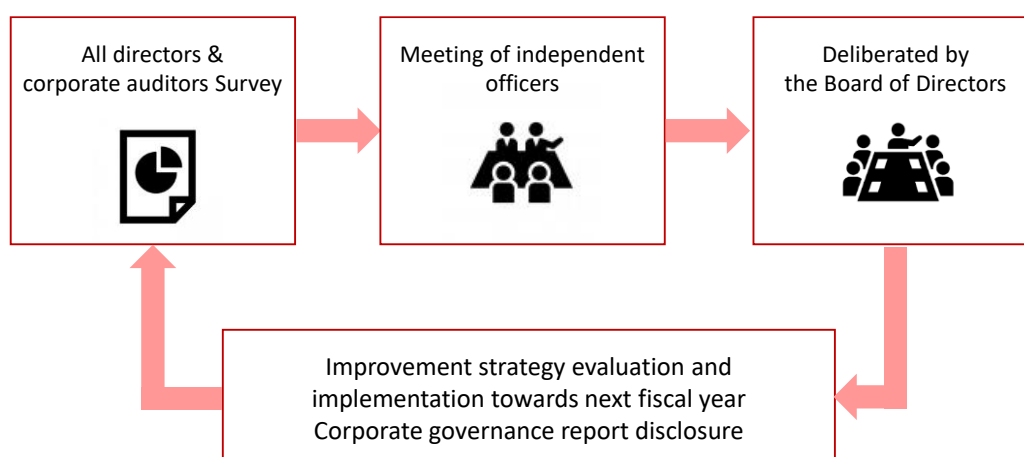
Our Group recognizes that the planned development of successors to our President & CEO is strategically important to ensuring continuous future improvements to our corporate value. In accordance with our Basic Policy on Corporate Governance, candidates attend important meetings, including meetings on business execution, Board of Director's meetings, and Strategic Meetings, to cultivate experience in management planning. We are engaged in the planned candidate development to foster acquisition of the capabilities, experience, knowledge, and skills necessary to serve as President & CEO. Our Board of Directors receives advice from our voluntary Appointment Committee and supervises progress.

To ensure transparency and objectivity related to the selection of candidates for the position of President & CEO, a voluntary Appointment Committee, which is comprised of the representative director and has a majority of outside directors as members, discusses on recommendations and issues reports to the Board of Directors. The Board of Directors considers reports from the Appointment Committee while continuously evaluating overall efforts related to successor development.

Board of Directors' efficacy evaluations

Each year, we analyze and evaluate the efficacy of the Board and publish a summary of those findings.

PDCA cycle for improving Board efficacy



Strategy

As a member of society, our Group works to build and strengthen relationships with all our stakeholders. We will use flavor and fragrance technology to resolve the problems facing society and contribute to the creation of an enriched society. To ensure we fulfill our social responsibilities and to promote sustainable growth and long-term improvements in corporate value, it is critical that we, working under a credible and highly transparency management system, engage in rapid decision-making and business execution that flexibly adapts to changes in our operating environment. We place significant importance on ensuring corporate governance that will serve as the foundation of a credible and highly transparent management system, and make continuous efforts to ensure we maintain a strong and effective governance structure.

Objective indicators for judging management target achievement status

We recognize the operating scope that is both feasible and necessary in order to improve our medium and long-term corporate value through sustainable and stable growth. With that scope in mind, our targets for FY2024 are a consolidated net sales growth rate of 5.0% or higher, a consolidated operating profit margin of 14.0%, and a consolidated ordinary profit margin of 15.0%.

Major initiatives in FY2021

- We implemented our Basic Policy on Corporate Governance, which we created based on the principles of the Corporate Governance Code.
- We held twelve Board of Directors meetings, where we decided on important matters related to management, including management policy, budget, and other matters required by law and our Articles of Incorporation. We also conducted monthly performance analyses and evaluations, and discussed performance from the perspective of compliance with law and our Articles of Incorporation, as well as to check the appropriateness of business activities.
- The Board of Auditors is comprised of four corporate auditors, including three outside auditors. The Board convened eleven times to receive reports on important matters related to audits and to discuss and vote on reported matters. Auditors also attended important meetings such as Board of Directors meetings to audit and supervise the status of business execution by directors. Auditors met with the President & CEO, executive officers, and division heads twice during the year to exchange opinions. The Board also conducted audits of subsidiaries and plants in accordance with audit plans. Furthermore, we worked to increase audit functions by engaging in regular exchanges of opinion with the auditing accountant and our internal audit division.
- The Appointment Committee, a voluntary committee comprised of the representative director and a majority of outside directors, convened four times. The Appointment Committee nominates director candidates from a multifaceted perspective, including factors such as excellent character, expertise, and management capabilities, and submits those recommendations to the Board of Directors.
- The Compensation Committee, a voluntary committee comprised of the representative director and a majority of outside directors, convened once. The Compensation Committee discussed on matters related to director compensation and submits their findings to the Board of Directors.
- To ensure the efficacy of the Board of Directors, we conducted surveys on the structure and management of Board of Directors' meetings. All members of the Board of Directors and the Board of Auditors responded to these surveys, with results summarized and submitted to the Board of Directors for analysis and evaluation. From the results, we confirmed that the Board of Directors functioned effectively in FY2021.

Future endeavors

- We will continue implementing initiatives to maintain a strong and effective governance structure, the foundation of a credible and highly transparent management system.
- We conduct Board efficacy evaluations once per year.
- Results of the efficacy analysis for the Board of Directors conducted in FY2021, we recognized the need to promote the digitization of materials in order to provide explanations further in advance, achieve the early sharing of materials, and enhance security. Doing so will allow us to increase discussion time during meetings. We will also increase opportunities for discussions on management strategy and risks. Furthermore, to promote better understanding business operations and execution among outside officers, we will enhance the content of reports from each division, inspect laboratories and facilities, and hold regular interviews between outside officers and officers in charge as we work to improve governance.
- In June 2021, we submitted a corporate governance report based on the revised Corporate Governance Code to the Tokyo Stock Exchange to disclose information on the status of our corporate governance.

[Compliance]

Basic approach

We position compliance as one of the highest priority issues related to our corporate activities. We outlined the T.Hasegawa Corporate Code of Conduct and Compliance Rules to ensure that the business execution of all officers and employees is compliant with laws and our Articles of Incorporation, as well as to fulfill our corporate social responsibilities. We promote awareness of this content among all officers and employees to reinforce compliance.

Bribery and anticorruption initiatives

T.Hasegawa supports the ten principles of "Human Rights, Labour, Environment and Anti-Corruption" outlined in the UN Global Compact. We will continue to promote responsible business practices by all our stakeholders as we work towards the realization of a sustainable world.

T.Hasegawa Policy on Bribery and Corruption

In light of international trends towards the strengthening of laws and regulations on bribery and corruption, T.Hasegawa established the following basic policy on bribery and corruption to ensure business activities that are compliant with the laws of the countries and regions in which we operate.

1. Our Group does not allow any acts of bribery or corruption. We comply with all laws and corporate ethics related to bribery and corruption prevention applicable in Japan and overseas. This includes "legal compliance", "treatment of customers", and "relations with suppliers" indicated in T.Hasegawa employment regulations and the T.Hasegawa Code of Conduct.
2. No matter what the reason, T.Hasegawa shall never demand a bribe, any corrupt act, or gain only attainable through unjust means. We ensure thorough understanding of this policy among all domestic and overseas business partners involved in our Group operations and request cooperation to prevent any unjust gains on behalf of our Group.
3. T.Hasegawa appoints the officer in charge of internal management control as the chief supervisor related to the prevention of bribery and corruption. To strengthen our compliance system, we implement the necessary training to prevent bribery and corruption and work to enhance our whistleblowing system.

Drafting tax policy

Our tax environment grows more complex as we continue to expand our global operations. To address this growing complexity, we are working to enhance our tax governance to ensure our ability to appropriately respond to the tax risks that exist in each of the countries and regions in which we operate. As part of this effort, we have outlined the T.Hasegawa Tax Policy. The objective of this policy is to foster an awareness of tax compliance within all our officers and employees.

T.Hasegawa Tax Policy

Basic policy

Our Group adheres to the T.Hasegawa Corporate Code of Conduct to ensure to compliance with relevant laws and regulations. Appropriately fulfilling our obligations in each country and region in which we operate ensures that we fulfill our corporate social responsibilities while working to further improve our corporate value.

1. Legal compliance

Our Group complies with relevant tax laws and appropriately fulfills our tax obligations. We do not use tax incentives that are not related to actual business and do not engage in tax avoidance using regions known as tax havens. With international transactions, we comply with the laws and tax ordinances of each country and region, as well as with international tax rules.

2. Ensuring transparency

Our Group complies with all relevant accounting and disclosure standards, and work to provide appropriate information disclosure to all stakeholders. If we receive a request from tax authorities, we provide necessary information disclosure and work to build relationships with authorities. If any tax problems are discovered, we immediately implement necessary measures to prevent reoccurrence.

3. Minimizing tax risks

By maintaining a correct understanding of tax systems, we strive to minimize tax risks towards increasing our corporate value. In our business activities, if we have transactions involving an ambiguous interpretation of tax duties, we receive advice from experts to sufficiently evaluate the transaction in advance and, as necessary, confirm with tax authorities in order to mitigate tax risks.

4. Tax governance

Our Group receives advice from external experts regarding changes in operating environments and the tax systems of the countries and regions in which we operate. To ensure accuracy in our interpretation of tax laws, we respond in a timely and appropriate manner, and have established systems to promote rapid information sharing with the head office.

Approach to animal tests

Our Group policy is to not use animal testing in any of our R&D for flavor and fragrance products. We also do not support any activities that involve animal testing.

However, some animal testing cannot be avoided due to requirements by administrative authorities.

Promotion structure, governance

Compliance Committee

We established a Compliance Committee in accordance with compliance regulations. With the President & CEO serving as Chairperson, the committee is comprised of directors and other members. The Compliance Committee works to prevent illegal activities. To ascertain facts related to latent illegal activities that have been undetected prevent bribery, and to quickly implement corrective action in the event of an illegal activity, the Compliance Committee regularly investigates for illegal activities within the company.

Whistleblowing system

We have established a whistleblowing system to receive reports of illegal activities.

- Compliance training and education

We work to foster a sense of respect for compliance by providing training and education to all officers and employees regarding laws and regulations related to the execution of their duties.

Management of a whistleblowing system

To ensure reliable financial reporting, we have outlined rules on internal controls and implement an internal control system related to financial reporting. We also have established a system for appropriately evaluating the efficacy of that system.

Target

- Compliance comprehension test: Once per year
- Harassment prevention training: Once per year (required for all employees promoted to management positions)

Major initiatives in FY2021

- In addition to outlining the T.Hasegawa Corporate Code of Conduct and reinforcing awareness among all officers and employees, we also distribute the document to create an environment that allows all employees for immediate confirmation of policy. In FY2021, we worked to improve compliance awareness by conducting a compliance comprehension test for all employees to confirm employee understanding of the standards and code of conduct requiring integrity and respect for ethics.
- In accordance with compliance rules, the Compliance Committee met once in FY2021. The Compliance Committee deliberates on important matters related to compliance and reports on the results of comprehension tests. In FY2021, there were no serious compliance violations related to Group business continuity. We confirmed that Group business was operating properly and the correct answer rate for the comprehension test was 99.9%. This confirms that employees have a deep understanding of various rules.
- We have established a whistleblowing system at our company and subsidiaries. We established both internal and external consultation / whistleblowing hotline, and investigated facts and examined countermeasures for reported information. The Compliance Committee also reports to the full-time auditors on the status of consultations and reports from each company. To promote the active use of the whistleblowing system, we

promoted understanding of the system by including questions related to the whistleblowing system in the compliance comprehension test.

- We completely reject any involvement with antisocial forces or organizations that pose a threat to social order or security, and we resolutely refuse unreasonable requests from antisocial forces and organizations. We outline this stance in the T.Hasegawa Corporate Code of Conduct to and ensure compliance among all officers and employees. We constantly collect information from relevant administrative agencies and organizations, including the police. We have established a system for prompt and systematic response in close cooperation with these organizations, and lawyers in the event of an incident.
- To prevent harassment in the workplace (including sexual harassment, harassment related to pregnancy, childbirth, childcare, and nursing care leave, and power harassment), we outline matters requiring employee compliance and administrative measures for addressing problems rooted in employee behavior in our harassment prevention rules and work to ensure awareness among employees. In FY2021, we conducted harassment prevention training for newly appointed managers.

Future endeavors

- Our Group will continue the above efforts towards increasing compliance awareness among our employees. We will work with Group companies to enhance and strengthen the compliance system of our entire Group.
- We worked to improve compliance awareness by conducting a compliance comprehension test (once per year) for all employees to confirm employee understanding of the standards and code of conduct requiring integrity and respect for ethics. (FY2022 compliance comprehension test participation rate target: 100%)
- To promote the utilization of the whistleblowing system, we promote understanding of the system by including questions related to the whistleblowing system in the compliance comprehension test.
- We work to prevent harassment in the workplace by conducting harassment prevention training once a year. This training is mandatory for all employees promoted to managerial positions.
- To promote understanding of internal controls, we will provide training on internal controls once a year for new employees and newly appointed managers.

[Risk Management]

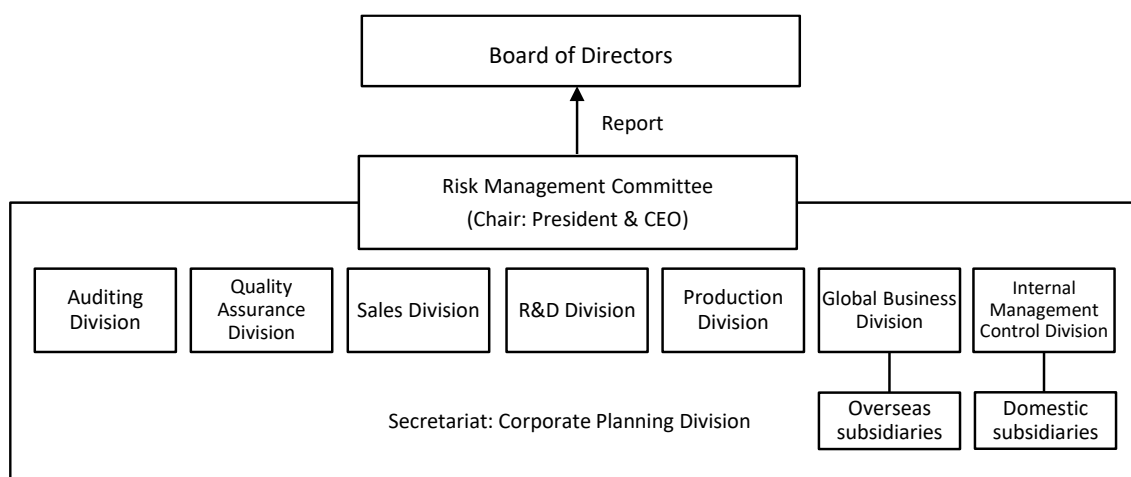
Basic approach

We have established internal rules governing our risk management system. In these rules, we outlined that relevant divisions must conduct risk analysis and management, and evaluate countermeasures. Additionally, these rules stipulate that a Risk Management Committee is to be established for risks requiring a groupwide response. This Risk Management Committee serves as a supervisory body to Related Divisions or group companies for analyzing and managing risks, and the evaluation of countermeasures. To ensure business continuity in the event of an unforeseen situation or crisis, our basic approach is to outline business continuity rules and business continuity guidelines as lower level regulations. Furthermore, we reinforce awareness among all officers and employees of the company.

Promotion structure, governance

We have established internal rules and relevant divisions conduct risk analysis and management, and evaluate countermeasures. Additionally, a Risk Management Committee established by relevant divisions and in accordance with risk management rules conducts the necessary risk analysis, management, and evaluation of countermeasures for the company and Group. The Risk Management Committee oversees risk management for the entire Group with the President & CEO serving as Chairperson and Committee members consisting of directors and other personnel.

Risk Management Committee structure chart



Risk identification process

Our Group identifies risks by conducting annual companywide risk assessments in accordance with risk management rules. Risk assessment results are deliberated by the Risk Management Committee and then reported to the Board of Directors. Based on risk assessment results, we select the core items for monitoring by the Risk Management Committee and regularly confirm the status of progress.

Major risks

The major risks that the Group has identified and the main initiatives related to those risks are as follows.

Risk item	Relevant risks	Major initiatives
Climate risks	Unstable weather could cause sluggish sales for final products in customer industries (beverage industry, food industry, toiletry industry, etc.), which could affect Group performance.	<ul style="list-style-type: none"> • Increase the ratio of sales in categories other than beverages, which are most affected by unseasonable weather.
Raw material procurement risks	Damage caused by abnormal weather (cyclones, hurricanes, etc.) in production areas, social unrest (terrorism, war, infectious diseases, etc.), or accidents at suppliers could make it difficult to procure raw materials, which could affect Group performance.	<ul style="list-style-type: none"> • Promote raw material procurement from multiple global business partners, and promote procurement source and procurement method diversification. • Engage in global purchasing through collaboration between domestic and overseas subsidiary.
Disaster risks	Damage caused by natural disasters (earthquakes, typhoons, etc.) and social unrest (terrorism, wars, infectious diseases, etc.) could impact Group production bases, which could affect Group performance.	<ul style="list-style-type: none"> • To ensure business continuity in the event of an unforeseen situation or crisis, outline and implement business continuity rules and business continuity guidelines as lower level regulations. Improve effectiveness by conducting firefighting training and safety confirmation training based on a large-scale disaster scenario.
Quality risks	Damages attributable to product defects could affect Group performance.	<ul style="list-style-type: none"> • As a manufacturer involved in food safety, prioritize safety first and work to supply products with quality that satisfies customers. • Ensure product safety by having the Quality Assurance Division, which reports directly to the President & CEO, establish a comprehensive quality assurance system that covers R&D, raw materials procurement, production, and sales. • Buy the product liability insurance to address potential situations.
Economic risks	Economic conditions or trends, financial conditions, and trends in the spending of consumers impacted by those conditions could cause sluggish sales for the final products of customer, which could affect Group performance.	<ul style="list-style-type: none"> • Promote global expansion in Asia regions, particularly China and Southeast Asia, as well as the United States to diversify areas of engagement. • We will accurately grasp market growth potential and consumer preferences in each country and region where our Group operates. We will formulate and promote business strategies that can respond quickly and flexibly to rapidly changing business environments.

Risk item	Relevant risks	Major initiatives
Environmental risks	Stricter environmental laws and regulations in Japan and overseas could affect Group performance due to increased cost burden and restrictions on business activities.	<ul style="list-style-type: none"> • Reinforce compliance with environmental laws and regulations in each country and region where we operate. • As part of our commitment to environmentally-conscious business activities, we require proactive initiatives related to environmental protection and the improvement of environmental issues through our CSR Policy and the T.Hasegawa Corporate Code of Conduct.
Impairment loss risks	In the event of a significant decline in the market value of Group assets, or the deterioration of business profitability, the application of impairment accounting would result in an impairment loss on fixed assets, which could affect Group performance.	<ul style="list-style-type: none"> • Appropriately evaluate the profitability of retained fixed assets, evaluate whether or not to maintain holdings, and plan utilization strategies. Also make capital investments to ensure the stable maintenance of fixed assets and improve asset value. • When acquiring business or a company, draft business plans and thoroughly measure future value. After acquisition, systematically promote PMI (post-merger integration) to maximize projected synergy.
Subsidiary risks	Our Group positions the Japanese domestic market and overseas markets as growth drivers. We are strengthening our global expansion into Asian regions, particularly China and Southeast Asia, as well as the United States. However, fraud or other type of scandal due to insufficient management (corporate governance) of domestic and overseas subsidiaries could damage our corporate image or cause a loss of credibility, which could affect Group performance.	<ul style="list-style-type: none"> • Place significant importance on ensuring corporate governance that will serve as the foundation of a credible and highly transparent management system, and work to maintain a strong and effective governance structure. • Apply the T.Hasegawa Corporate Code of Conduct and compliance rules to subsidiaries and build a compliance structure for the entire T.Hasegawa Group. Establish a whistleblowing system to receive reports of illegal activities. • Create core basic rules at overseas subsidiaries and strengthen the governance system of overseas subsidiaries. • Position the management risks of overseas subsidiaries as priority risks for the Group. Conduct regular audits of overseas subsidiaries based on guidelines and audit plans, including their implementation of the Group's core basic rules.

Risk item	Relevant risks	Major initiatives
Currency rate fluctuation risks	Financial statement categories indicated in the local currency of overseas subsidiaries are converted into yen to prepare consolidated financial statements. As such, the exchange rate at the time of conversion could affect Group performance.	<ul style="list-style-type: none"> • Promote global expansion in Asia regions, particularly China and Southeast Asia, as well as the United States. Also promote overseas production and sales to reduce currency rate fluctuation risks. • Draft a management plan that incorporates fluctuations in exchange rates. • The parent company is largely unaffected by fluctuations in exchange rates as the value of exports from Japan and the value of imports of raw materials from overseas are roughly the same amount.
Information security risks	Information assets related to Group business activities lost, damaged or leaked to the outside due to a cyberattack, computer virus infection, or system failure, could result in a suspension of business or damage to our Group's reputation, which could affect Group performance.	<ul style="list-style-type: none"> • Establish rules regarding information security, including the "Basic Policy on Information Security and Countermeasure Standards," and ensure the appropriate implementation and management of information assets owned by the Group. • Install information security software to create an environment that enables early detection, defense, and responses. • In addition to regular information security education for all officers and employees, provide notifications and conduct other enlightenment activities such to increase information security awareness.

Risk item	Relevant risks	Major initiatives
COVID-19 risks	The spread of COVID-19 could affect domestic and overseas economic activities. Depending on the future progression of the virus, there could be an impact on Group business activities.	<ul style="list-style-type: none"> It is difficult to accurately predict when COVID-19 might subside, and there remains a lack of clarity regarding infection trends. Depending on the future progression of the virus, there could be an impact on Group business activities. As such, we will continue to monitor conditions. Our Group Emergency Response HQ established in accordance with Group business continuity rules and business continuity guidelines (pandemic edition) gathered domestic and overseas information necessary for business continuity, and proposed and implemented countermeasures. To prevent the spread of COVID-19 and to ensure the safety of employees, we implemented measures such as staggered commuting and telecommuting at sites in Japan based on the status of infections.

Major initiatives in FY2021

- Risk Management Committee

The Risk Management Committee discussed risk management plans, including risk analysis and management, evaluation reports on priority risk response and annual risk management plans, and the planning and implementation of countermeasures. In FY2021, the Risk Management Committee convened once.

- Business continuity

We outline and implement business continuity rules and business continuity guidelines to ensure business continuity in the event of an unforeseen situation or crisis. We promoted awareness of importance in business continuity planning among all officers and employees, and conducted firefighting training and safety confirmation training based on a large-scale disaster scenario.

- Internal audits

The Internal Audit Division conducts internal audits of company operations based on internal audit plans.

- Information security

We establish rules regarding information security, including the "Basic Policy on Information Security and Countermeasure Standards," and ensure the appropriate implementation and management of information assets owned by the Group. We install information security software to create an environment that enables early detection, defense, and responses. In addition to regular information security education for all officers and employees, we also provide notifications and conduct other enlightenment activities such to increase information security awareness.

- Intellectual property rights

The importance of intellectual property rights increases annually due to a growing awareness of intellectual property rights in society and various measures taken by the government. We have designated the Legal Division as a division in charge of intellectual property rights. We secure intellectual property rights for the results of our R&D efforts, and utilize those results towards providing high-quality, high-value-added products.

- Response to COVID-19

In response to the global COVID-19 pandemic, we established an Emergency Response HQ in accordance with Group business continuity rules and business continuity guidelines (pandemic edition). This HQ gathered domestic and overseas information necessary for business continuity, and proposed and implemented necessary countermeasures. To prevent the spread of COVID-19 and to ensure the safety of employees, we also implemented measures such as staggered commuting and telecommuting at sites in Japan based on the status of infections.

Future endeavors

- We will implement risk management plans drafted by the Risk Management Committee to monitor priority risks and continue working to reduce risks. We will regularly identify latent risks and work to prevent crisis situations through risk avoidance and mitigation.
- Specifically, we conduct annual Group risk assessments one per year to identify companywide risks. Our Risk Management Committee reports on the results of risk assessments, selects priority risks. For identified important risks, the Committee issues progress reports (follow-up) twice a year to check on response progress.

CSR Policy 6: Innovation

We contribute to resolving social challenges through the flavor and fragrance business.

Basic approach

We use compounding technology, analysis, synthesis, and materials development to drive the development of flavors, fragrances, and new aroma elements. We work to develop original flavors and fragrances, and establish and optimize new manufacturing methods.

By responding to customer requests and latent needs from the perspective of resolving social challenges, we link our business activities to new product and new business development. This development is rooted in themes such as "responding to health consciousness", "contributing to foodtech", "providing health and enrichment", and "reducing lifestyle odors". We aim to create a sustainable society by supporting enriched and healthy lifestyles through flavors and fragrances.

Contributing to the flavor and fragrance industry through business activities

Response to health consciousness

Contributions to foodtech

Providing health and enrichment

Reducing odors which
come from daily activities

Improve corporate value
Sustainable growth

Relationships with stakeholders

Customers

We provide our customers with the ideal flavors and fragrances, which are high quality and high value-added products.

Examples of customer success

Developing and providing flavors with a long-lasting shelf life. We responded to customer needs for delicious product flavor with a long shelf life while also contributing to food loss reduction.

Natural environment

To develop alternatives and reduce the use of widely consumed food resources, we develop flavors, fragrances, and ingredients that enable manufacturers to reduce the volumes used in processed foods without altering the flavors customers prefer. We help protect biodiversity and food resources by developing ingredients that enhance the flavor of natural raw materials. We also contribute to plastic bottle thickness reduction and resource savings by developing ingredients that enhance the sensation of carbonation.

Joint Research partners and research institutions

We engage in knowledge sharing and information exchanges to absorb leading research and improve our technology.

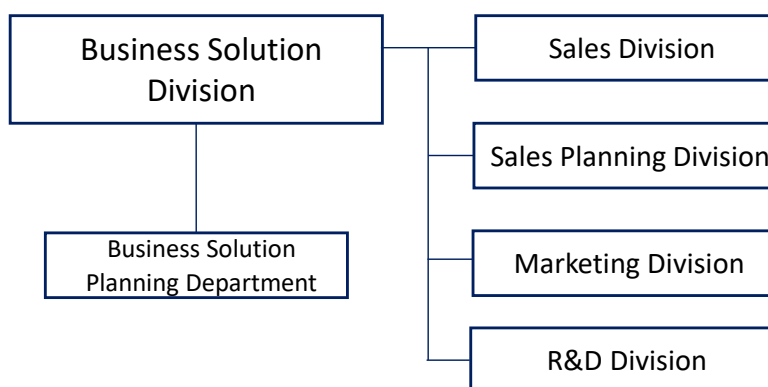
SDGs that lead to contributions



Promotion structure, governance

We established the Business Solution Division to strengthen collaborations between the Sales, the Sales Planning Division, the Marketing Division, and the R&D Division. Based on strategy proposals from the Business Solutions Planning Department, we take an organized approach to providing high quality and high value-added products to customers as we strive to resolve social challenges and achieve sustainable growth.

Our R&D Center (Kawasaki, Kanagawa) is the driving force of our flavor and fragrance development. Our Flavor R&D Center, Fragrance R&D Center, and Technology R&D Center pursue research in their respective fields. They also engaging in collaborations to strengthen our R&D capabilities by fusing the results of the respective R&D Centers.



Opportunities & strategy

Opportunities

- Social challenges we can solve through our technology
- Increasing interest and need for creation of a sustainable society
- Potential for flavors and fragrances to create new value

Strategy

- Proposal activities using marketing data
- Speedy development: Rapidly identify and respond to customer requests and latent needs
- Attentive customer service
- Leverage climate change as business opportunity to respond to growing demand for alternative raw materials
- Sustained R&D investments

Major initiatives of FY2021

Create organization structure

Through the Business Solution Division, we strive to strengthen collaborations between the Sales, the Sales Planning Division, the Marketing Division, and the R&D Division to develop technology that contributes to future increases in sales. We have created a structure that increases the speed of our customer responses by promoting sales activities based on our research results.

Product development and proposals

We established a proposal method that consolidates market data and sensory evaluation data to create visual representations of customer issues and support product development. We developed a physiological response measurement method to create visual representations of the effects of flavors and fragrances by evaluating pleasant and unpleasant responses.

Contribute to society

- Responding to health consciousness

Bringing delicious tastes to low-sugar, low-salt, and low-fat foods

We develop materials that enhance sweetness, umami, and saltiness, respond to customer development needs for "healthy and delicious" products, and propose materials that add delicious flavor to foods with reduced sugar and salt content. By developing products that provide rich flavor, we provide a sense of delicious savories to low-calorie and non-oil products, which can help prevent excessive calorie intake.

- Contributions to foodtech

Solutions for depleted food resources

To develop flavors and fragrances that can replace depleted food resources, we are also developing a flavor series that provides an alternative to savory natural raw materials and alternative flavors and fragrances for citrus essential oils. In response to the shortage of vanilla beans, we combined blended flavors and heat reaction technology to develop a partial substitute for vanilla extract. And to address milk shortages, we are using aroma analysis to develop blended flavors and fragrances. We can then combine those results with fat and oil emulsions to provide a milk substitute. Amid growing needs for the development of meat-free products, such as hamburgers made from soy protein, to reduce the environmental burden, we have developed authentic-tasting beef and beef fat-type products that are free of animal ingredients. We have also developed alternative flavorings such as chicken and pork.

We also reassess the quality of products used in food to extend food quality warranty length, which contributes to food loss reduction.

- Providing health and enrichment

Pursuit of delicious food flavors / Bringing fragrance to lifestyle spaces

Through our development of ingredients that give savory tastes to food, we are contributing to the creation of delicious food.

In addition to developing sustainable aromatic materials that effectively provide fragrance to living spaces, we are also developing environmentally-friendly biodegradable microcapsules in response to the problem of micro-plastics.

- Reducing odors which come from daily activities

Solutions for an aging society

As a solution to various unpleasant odors in our daily lives, we research and examine unpleasant odors in detail, and use data to develop fragrances that help reduce or eliminate unpleasant odors. In addition to developing masking materials for daily odors that contribute to environmental improvements at hospitals and nursing care sites, we also use near-infrared spectroscopy (NIRS) and develop a Swallowing Map™ to add ease of eating and delicious flavor to nursing care food.

T.Hasegawa original technology

We introduce various examples of our original technology on our website.

Top > Research & Development > Our technology

<https://www.t-hasegawa.co.jp/en/research/technique>

Social contributions through the flavor and fragrance business

We participate in the tree planting and product development programs of the Harumeki Foundation, which was established to support the person with vision impairment.

Top > Sustainability > Social Contribution

<https://www.t-hasegawa.co.jp/en/sustainability/social>

Future endeavors

We set KPI related to maintaining and improving our net sales to R&D expense ratio and our ability to continuously implement open innovation. We work to strengthen product development and proposals by promoting joint research with universities and research institutes towards achieving new technology development. At the same time, we continuously work to improve our organizational structure.

KPI: R&D expense to Net sales ratio

- Roughly 8% (consolidated-based)

R&D expense ratio results: FY2021: 8.4% (consolidated)

KPI: Continue open innovation

- Continuously engage in joint research with universities and research institutes towards achieving new technology development. At the same time, we continuously work to improve our organizational structure.

Research collaborations: 11 projects (projected for FY2022)