

# **Sustainability Report 2023**



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

# T. HASEGAWA CO., LTD. SUSTAINABILITY REPORT 2023

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## Editorial Policy

This report aims to communicate the relationship between the Group and its stakeholders and its value creation, as well as to report on important initiatives based on the Company's CSR Policy. Through this report, we will strengthen the relationship with our stakeholders, create value, and promote our sustainability initiatives.

In principle, we publish a Sustainability Report once between April and May every year. This report is disclosed after the approval of the Strategy Committee, which consists of the representative director and senior vice presidents appointed by the representative director. We have also disclosed the ESG Databook 2023, which focuses on ESG data, and the GRI standards index as supplementary materials for this report.

- Referenced guidelines: GRI Standards. This report was created with reference to the GRI Standards.
- Organization to be reported: In principle, T. HASEGAWA CO., LTD. "T. Hasegawa Group," "the Group," and "our Group" refer to the Company and its subsidiaries as a whole.
- Period covered by the report: In principle, FY2022 (October 1, 2021 to September 30, 2022). Some FY2023 initiatives are also disclosed. Note that each fiscal year listed in the ESG Databook 2023 refers to the year from October 1 of the previous year to September 30 of the year in question.
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## Sustainability at the T. Hasegawa Group

### Message from the President



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

#### Basic strategies and customer success

The Group is currently engaged in business based on three basic strategies that focus on expanding the core business (compound flavors and fragrances), securing revenue in the domestic market, and achieving growth in overseas markets. In order to ensure the strategies produce results, we have been promoting management reform. In FY2022, our business remained strong despite difficult business conditions, including resource price rises triggered by the situation in Ukraine and raw material price hikes due to a rapid weakening of the yen. As a result, consolidated net sales continued to reach record high from the previous period and consolidated net profit continued to achieve the highest figure for three consecutive periods. The percentage of overseas net sales to consolidated net sales also increased to 45.9%.

In Japan, we have been improving sales activities and the quality of our proposals, as well as accelerating the speed of customer response by strengthening the cooperation between sales, research, and marketing led by the Business Solution Division. While promoting digital transformation (DX) projects to increase the efficiency of product development and further advancing data usage to acquire new knowledge, we are striving to achieve customer success by providing the Group's proprietary high-quality and high-added-value products with a focus on technology innovation.

Our Group considers customer success as a contribution to improving their corporate value. As such, it is essential to investigate and analyze customers' issues and consumers' potential needs, and provide optimal solutions that leverage our flavor and fragrance technology, rather than waiting for requests from customers. Amid the raw material price hikes and price rises, our customers are also facing the need to review their raw materials and manufacturing approaches. Accordingly, we believe that the viewpoint of customer success has become even more important. We aim to further strengthen customer success by enhancing our proposal capabilities through solution sales that meet increasingly diversifying and sophisticated customer needs.

In overseas markets, which we position as a growth driver, we formulate and promote business strategies according to each region to ensure future growth by efficiently putting management resources into the United States and the Asian region (mainly China and Southeast Asian countries). In the United States, we completed our post-merger integration (PMI) with MISSION FLAVORS & FRAGRANCES, INC. in FY2021, producing synergy effects. In addition, we are promoting a second factory construction project in Rancho Cucamonga, California to build a new production system, with part of the factory commencing operations in June 2022. In China, we have beefed up our sales force and have been expanding the marketing area through local mid-range and major companies, as well as by using agencies. We are also

promoting a new research building construction project aimed at strengthening the research functionality and increasing operational efficiency. In the Southeast Asian region, we are planning to construct a new factory in Malaysia, in an attempt to strengthen our Southeast Asian strategy, with sites in the country serving as a hub. By managing the supply chain across the globe and further promoting the internationalization of our management, we will provide the value created by our Group to even more stakeholders globally.

### **Building a sustainable society**

More than seven years have passed since the adoption of the sustainable development goals (SDGs) and the Paris Agreement in 2015, and actions are being taken all over the world to solve social challenges. There is a greater demand for initiatives that not only pursue the growth of one's own company, but also build a sustainable society with a greater focus on stakeholders.

In 2020, the Group signed the United Nations Global Compact and formulated six CSR policies that we should pursue. In order to promote organizational initiatives for sustainability that are integral to the business strategy, we established a Sustainability Committee in 2021. Moreover, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to further promote responses to climate change in 2022.

Since its foundation, the Group has been developing flavors and fragrances used as a substitute for depleting food materials and raising health consciousness among consumers. In this way, we are contributing to solving problems faced by the modern society, including food shortages. Abnormal weather due to global warming is expected to have a significant impact on the yields and quality of natural raw materials, and customer needs and consumer trends are also expected to change as a result of temperature rises. As we address these challenges, we have realized that it is human resources that unlock the infinite possibilities of flavor and fragrance and provide customer success. All of our employees work to provide safe and reliable products, with top priority placed on ensuring safety and quality control. They demonstrate unwavering professionalism, a passion for responding to our customers' needs, and the ability to succeed under all circumstances. This allows the Group to provide the best solutions to customers and to grow. The Group's corporate motto is "A Foundation in Technology," which is an expression of our stance of contributing to the world through flavors and fragrances as our divisions constantly collaborate and stimulate one another.

The Group will make the most of flavor and fragrance technologies to solve global challenges and contribute to building a sustainable society in which people can enjoy healthy and fulfilling lives.

### **About the accident at the Itakura Facility of the Fukaya Production Center**

On September 15, 2022, a serious accident resulting in the death of an employee of our Company and the injuries of two others occurred at the Itakura Facility of the Fukaya Production Center. We deeply regret that such an accident occurred and sincerely pray that the deceased employee will rest in peace. We would also like to express our deepest apologies for any inconvenience and concern caused to our stakeholders.

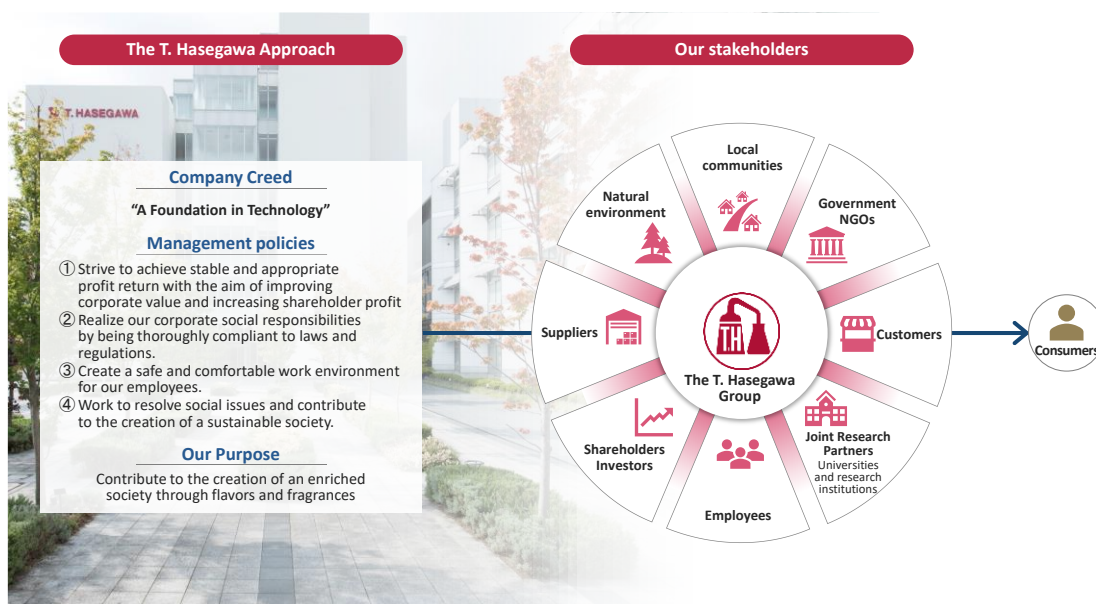
We have established an Accident Investigation Committee to investigate the cause of the accident and formulate measures to prevent a recurrence. The details of the investigation on the causes of the accident and the suggestion on measures to prevent a recurrence by the Accident Investigation Committee have been released under the title "An Accident Resulting in the Death of an Employee of Our Company (Causes of accident, measures to prevent recurrence, and operating status)" on November 11 of the same year. We take this accident, which resulted in a fatality and injuries, seriously. In order to prevent such an accident from occurring again, we will ensure that recurrence prevention measures are implemented, as well as build a proper and effective management system.

May 2023

## T. Hasegawa Group's purpose

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

Our corporate motto of “A Foundation in Technology” reflects the T. Hasegawa Group's commitment to flavors and fragrances, and our desire to provide customers with safe and reliable products. Our divisions constantly collaborate and work hard together while also engaging in partnerships and joint research with external parties. As a manufacturing partner, we provide proposals that will lead to customer success by exceeding their expectations and identifying the needs and latent demand of consumers. As a member of society, we will also work to build and strengthen the relationship with each of our stakeholders and will contribute to the creation of an enriched society using flavor and fragrance technologies to solve the challenges faced by the society.



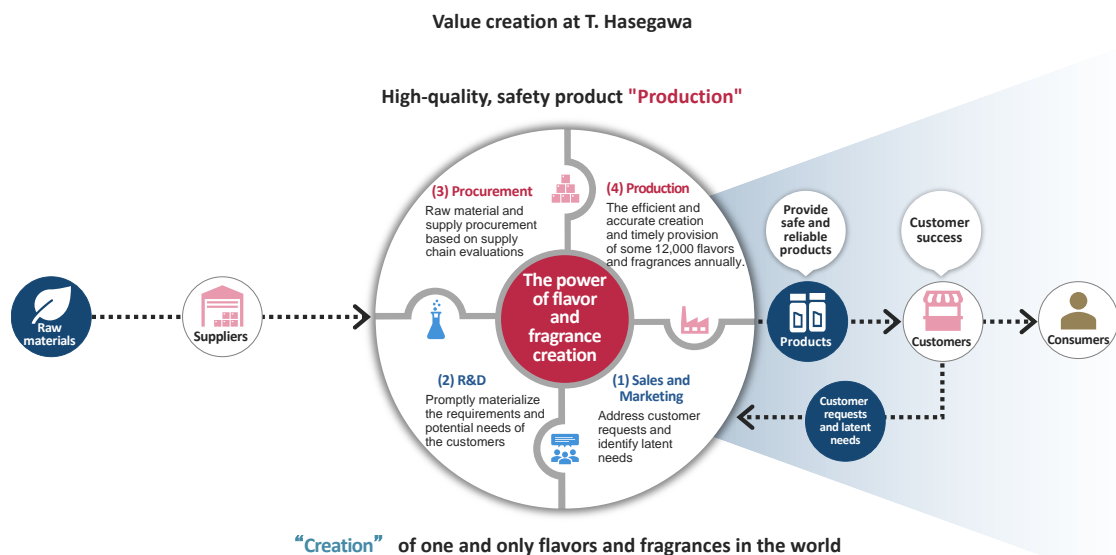
## T. Hasegawa Group's value creation process

**We lead customers to success by creating unique flavors and fragrances in the world and implementing a production cycle to create high quality and safe products.**

Value creation at T. Hasegawa Group:

- (1) Our Sales and Marketing Divisions begin the value creation process by analyzing consumer needs to understand customers' requests and latent demand.
- (2) Our R&D Division creates samples of flavors and fragrances that reflect customers' requests and latent demand.
- (3) Our Procurement Division procures raw materials that take into account the supply chain.
- (4) Our Manufacturing Division uses the optimal production equipment to efficiently and accurately create approximately 12,000 flavors and fragrances annually.

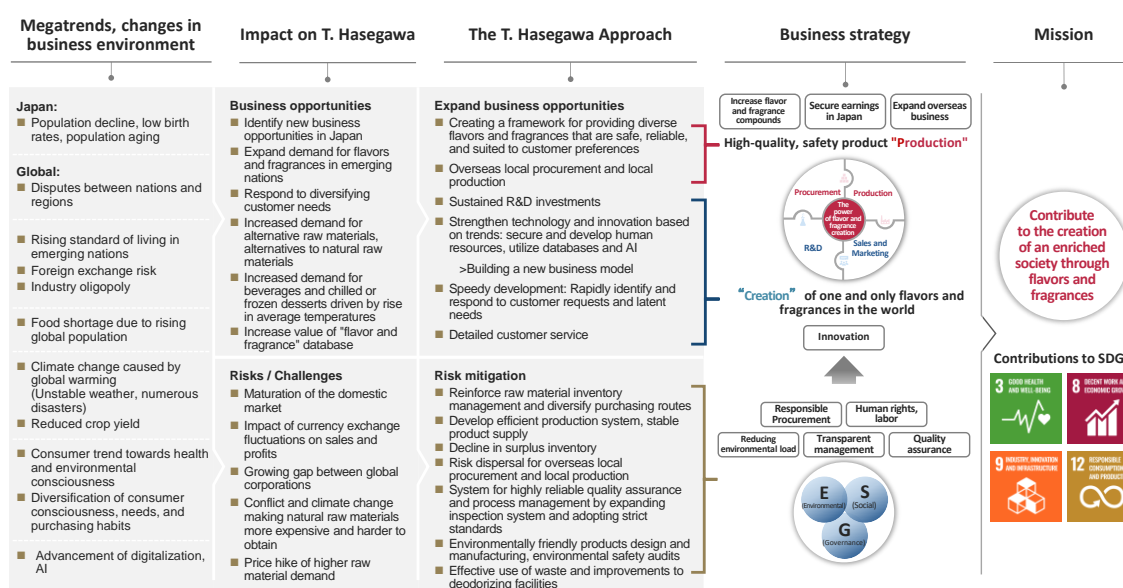
Lastly, we provide safe and reliable products to customers in a timely manner under a perfect quality control system.



## Achieving sustainable growth

**We will realize our vision by expanding business opportunities through innovation and reducing risks while considering the environment and society.**

The flavor and fragrance industry is greatly affected by the declining birthrate and aging population in Japan, climate change, food shortages, changes in consumer needs, and so on. In response to such changes in the business conditions, we capture business opportunities through innovation with the “power of flavor and fragrance creation,” and contribute to the creation of an enriched society through flavors and fragrances. In this process, we will strengthen our sustainability initiatives (such as responsible procurement, reducing environmental impact, human rights and labor, and quality safety), as well as ensure thorough risk management.





## Sustainability promotion system of the T. Hasegawa Group

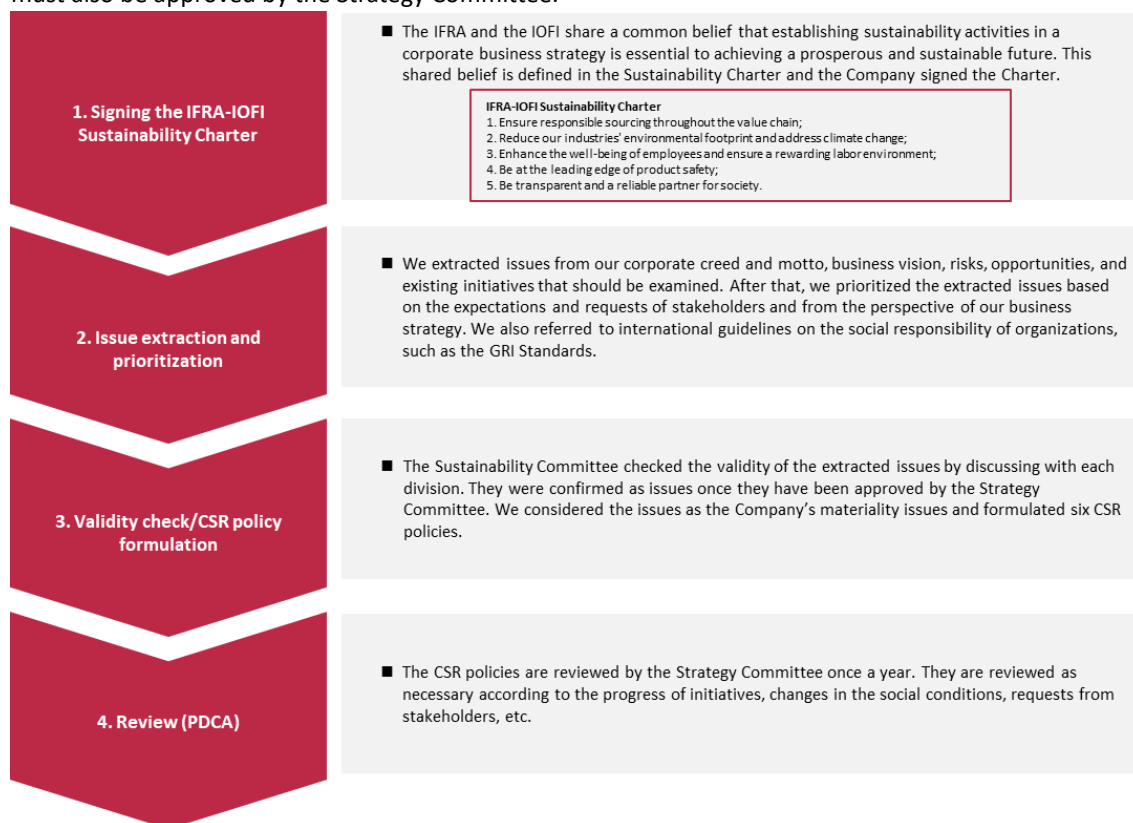
**We promote sustainability by formulating a CSR Policy and developing a company-wide promotion system.**

### (1) Formulation of a CSR Policy

Based on the CSR activities that we have been conducting and our support for the IFRA-IOFI Sustainability Charter and the UN Global Compact, we considered our materiality from two aspects of solving social challenges (contributing through our business processes and contributing through our products) and we have established six CSR policies.

#### [CSR Policy: Formulation process and regular review]

We formulate a CSR Policy by considering materiality from the viewpoint of the Group and its stakeholders and then obtaining approval from the Strategy Committee, which consists of the representative director and senior vice presidents appointed by the representative director. Any future change to the CSR Policy must also be approved by the Strategy Committee.



## [CSR Policy]

Category	CSR Policy (materiality)		SDGs that we are targeting
Social issues we aim to resolve through business processes	Procurement	We will promote responsible procurement across the value chain.	
	Environment	We will learn the importance of reducing the environmental impact and actively engage in environmental protection and improvement activities.	
	Human rights and labor	We will respect human rights and diversity, work to improve the welfare of employees, and realize a safe and comfortable workplace.	
	Quality safety	We will become a leader in product safety.	
	Governance Fair corporate activities	We will ensure the soundness, fairness, and transparency of management and become a reliable partner for society.	
Social issues we aim to resolve through our products	Innovation	We will contribute to resolving social issues through the flavor and fragrance business.	

## [Relationship between the CSR Policy, risks, opportunities, and business strategies]

We confirm and organize the relationship between the CSR Policy, risks, opportunities, and business strategies.

CSR Policy (materiality)		Business strategy/Approach	
Procurement	We will promote responsible procurement across the value chain.	Increase business opportunities	<ul style="list-style-type: none"> <li>Local procurement and production overseas</li> </ul>
		Reduce risk	<ul style="list-style-type: none"> <li>Ensuring the stock management of raw materials, and diversification of the purchase channels</li> <li>Distribution of risks of local procurement and production in other countries</li> <li>Investigation and development of alternative raw materials</li> <li>Sustainability survey and support for suppliers</li> </ul>
Environment	We will learn the importance of reducing the environmental impact and actively engage in environmental protection and improvement activities.	Increase business opportunities	<ul style="list-style-type: none"> <li>Response to social needs brought by climate change</li> </ul>
		Reduce risk	<ul style="list-style-type: none"> <li>Product design and manufacturing with consideration to the environment, and environmental safety audits</li> <li>Effective use of waste products, and installation of sufficient deodorizing equipment</li> </ul>
Human rights and labor	We will respect human rights and diversity, work to improve the welfare of employees, and realize a safe and comfortable workplace.	Increase business opportunities	<ul style="list-style-type: none"> <li>Improvement of production efficiency</li> </ul>
		Reduce risk	<ul style="list-style-type: none"> <li>Securing human resources</li> <li>Prevention and remedy for human rights violation</li> <li>Prevention of labor accidents</li> </ul>
Quality safety	We will become a leader in product safety.	Increase business opportunities	<ul style="list-style-type: none"> <li>Building a system to provide safe, secure and diverse flavors and fragrances, etc., with high palatability</li> </ul>
		Reduce risk	<ul style="list-style-type: none"> <li>Development of an efficient production system, and stable supply of products</li> <li>A reliable, quality assurance system based on an enhanced inspection system and strict standard setting</li> <li>Development of technicians who can produce quality products</li> </ul>
Governance Fair corporate activities	We will ensure the soundness, fairness, and transparency of management and become a reliable partner for society.	Reduce risk	<ul style="list-style-type: none"> <li>Highly transparent management</li> </ul>
Innovation	We will contribute to resolving social issues through the flavor and fragrance business.	Increase business opportunities	<ul style="list-style-type: none"> <li>Maintain investment in research and development</li> <li>Speedy development: Accurately understanding the requests and latent demand of customers and responding to them quickly</li> <li>Detailed response to customers</li> <li>Response to increased demand for alternative raw materials triggered by climate change</li> </ul>

## (2) Development of a sustainability promotion system

In order to contribute to creating an enriched society through flavors and fragrances, we strengthen sustainability initiatives and ensure thorough risk management while capturing business opportunities through innovation.

The person in charge of sustainability in the Company is the President & CEO. Under this framework, we have established a Sustainability Committee to strategically promote sustainability initiatives, including matters stated in the CSR Policy and ESG, across the entire Group. The Committee develops group-wide business strategies related to sustainability and deliberates and resolves important matters, including initiative details. Matters deliberated by the Sustainability Committee are referred and reported to the Strategy Committee and the Board of Directors as necessary. In addition, we delegate authority to related divisions depending on the matters.



### Overview of the Sustainability Committee

- Objective

The objective of the Sustainability Committee is to strategically promote sustainability initiatives, including matters stated in the CSR Policy and ESG, across the entire Group.

- Committee members

The officer in charge of Internal management control serves as the Committee Chair while people appointed by the Committee Chair based on recommendations from the officers in charge of each relevant division serve as members.

- Secretariat

The Committee Secretariat consists of the Corporate Planning Division and the CSR Division.

- Activities in FY2022

The Committee meeting was held once to set out KPIs (management indicators) for each CSR Policy (materiality) item and deliberate on the publication of a Sustainability Report and other matters.

### (3) Formulation of KPIs

We set out KPIs and confirm their progress in an attempt to effectively work on the CSR Policy (materiality).

CSR Policy (materiality)		KPI	FY2022 results	Evaluation of the progress/Future policy
Procurement	We will promote responsible procurement across the value chain.	<ul style="list-style-type: none"> <li>Supplier assessment implementation rate: <ul style="list-style-type: none"> <li>FY2022: 60%</li> <li>FY2023: 70%</li> <li>FY2024: 80%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Supplier assessment implementation rate: <ul style="list-style-type: none"> <li>60% completed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Scheduled to be implemented in FY2023 onwards as well according to the plan</li> <li>Supplier assessment implementation rate: <ul style="list-style-type: none"> <li>FY2023: 70%</li> <li>FY2024: 80%</li> <li>FY2025: 90%</li> </ul> </li> </ul>
	We will learn the importance of reducing the environmental impact and actively engage in environmental protection and improvement activities.	<ul style="list-style-type: none"> <li>Continuation of the ISO 14001 certification</li> <li>Energy consumption per unit <ul style="list-style-type: none"> <li>1.6% reduction compared to the previous year</li> </ul> </li> <li>CO<sub>2</sub> emissions (scopes 1 and 2) <ul style="list-style-type: none"> <li>25% reduction in FY2022 compared to FY2013, 46% reduction by FY2030 compared to FY2013</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>ISO 14001 internal audit and external audit. Continuation of the certification</li> <li>Energy consumption per unit <ul style="list-style-type: none"> <li>4.2% reduction compared to the previous year</li> </ul> </li> <li>CO<sub>2</sub> emissions (scopes 1 and 2) <ul style="list-style-type: none"> <li>22% reduction compared to FY2013</li> </ul> </li> <li>Start of green power purchase (Head office: 100% from Dec. 2021; R&amp;D Center: 10% from Mar. 2022)</li> </ul>	<ul style="list-style-type: none"> <li>Continuation of the ISO 14001 certification</li> <li>Energy consumption per unit <ul style="list-style-type: none"> <li>1.0% reduction compared to the previous year (FY2023)</li> </ul> </li> <li>CO<sub>2</sub> emissions (scopes 1 and 2) <ul style="list-style-type: none"> <li>46% reduction by FY2030 compared to FY2013</li> <li>27% reduction compared to FY2013 (2023 target)</li> </ul> </li> <li>Promotion of green power purchase <ul style="list-style-type: none"> <li>100% (Head office)</li> <li>10% (R&amp;D Center, Fukaya Facility, and Itakura Facility)</li> </ul> </li> </ul>
Human rights and labor	We will respect human rights and diversity, work to improve the welfare of employees, and realize a safe and comfortable workplace.	<ul style="list-style-type: none"> <li>Percentage of women in management positions <ul style="list-style-type: none"> <li>More than 18% by FY2024</li> </ul> </li> <li>Percentage of mid-career workers in management positions <ul style="list-style-type: none"> <li>More than 18% by FY2024</li> </ul> </li> <li>Percentage of management positions filled by foreign nationals <ul style="list-style-type: none"> <li>Maintain 30% or more</li> </ul> </li> <li>Interview implementation rate based on the new human resources system: <ul style="list-style-type: none"> <li>100%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Percentage of women in management positions <ul style="list-style-type: none"> <li>17.1%</li> </ul> </li> <li>Percentage of mid-career workers in management positions <ul style="list-style-type: none"> <li>18.2%</li> </ul> </li> <li>Percentage of management positions filled by foreign nationals <ul style="list-style-type: none"> <li>33.3%</li> </ul> </li> <li>Interview implementation rate based on the new human resources system: <ul style="list-style-type: none"> <li>99.8% (excluding employees who are absent from work)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Percentage of women in management positions <ul style="list-style-type: none"> <li>More than 18% by FY2024</li> </ul> </li> <li>Percentage of mid-career workers in management positions <ul style="list-style-type: none"> <li>Maintain more than 18% by FY2024</li> </ul> </li> <li>Percentage of management positions filled by foreign nationals <ul style="list-style-type: none"> <li>Maintain the current status of 30% or more</li> </ul> </li> <li>Implementation rate of interview under the human resources system, excluding employees who are absent from work <ul style="list-style-type: none"> <li>100%</li> </ul> </li> </ul>
	We will become a leader in product safety.	<ul style="list-style-type: none"> <li>Continuation of the ISO 9001 and FSSC 22000 certifications</li> </ul>	<ul style="list-style-type: none"> <li>A regular audit for ISO 9001 and FSSC 22000 was conducted. There were no serious remarks, so we were given approval to keep the standards.</li> </ul>	<ul style="list-style-type: none"> <li>Continue the management system certification and build a higher quality food safety system.</li> </ul>
Governance Fair corporate activities	We will ensure the soundness, fairness, and transparency of management and become a reliable partner for society.	<ul style="list-style-type: none"> <li>Evaluation of the effectiveness of the Board of Directors: <ul style="list-style-type: none"> <li>Once a year</li> </ul> </li> <li>Rate of taking the compliance comprehension test: <ul style="list-style-type: none"> <li>100%</li> </ul> </li> <li>Rate of taking the harassment prevention training (for new managerial staff): <ul style="list-style-type: none"> <li>100%</li> </ul> </li> <li>Training on internal control (for new employees and new managerial staff): <ul style="list-style-type: none"> <li>At least once a year</li> </ul> </li> <li>Report on the progress of response to serious risks (follow-up): <ul style="list-style-type: none"> <li>At least twice a year</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Evaluation of the effectiveness of the Board of Directors: <ul style="list-style-type: none"> <li>Once a year</li> </ul> </li> <li>Rate of taking the compliance comprehension test: <ul style="list-style-type: none"> <li>100%</li> </ul> </li> <li>Rate of taking the harassment prevention training (for new managerial staff): <ul style="list-style-type: none"> <li>100%</li> </ul> </li> <li>Training on internal control (for new employees and new managerial staff): <ul style="list-style-type: none"> <li>Once a year each</li> </ul> </li> <li>Report on the progress of response to serious risks (follow-up): <ul style="list-style-type: none"> <li>Twice</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>We aim to continue achieving various indexes by continuing our compliance and risk management initiatives to reinforce the governance system and make it effective.</li> </ul>
	We will contribute to resolving social issues through the flavor and fragrance business.	<ul style="list-style-type: none"> <li>Ratio of the R&amp;D expense to sales: <ul style="list-style-type: none"> <li>Around 8% on a consolidated basis</li> </ul> </li> <li>Continuation of open innovation</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of the R&amp;D expense: <ul style="list-style-type: none"> <li>8.0% (consolidation)</li> </ul> </li> <li>Number of joint research: <ul style="list-style-type: none"> <li>13 (FY2022 result)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Maintain 8% in the ratio of the R&amp;D expense</li> <li>Search for new joint researches and continue to strengthen the system to resolve social issues.</li> </ul>

## Stakeholder engagement

### We put an effort in gaining their trust with stakeholders.

Our Group views all organizations and people involved in the Group's value creation as stakeholders. We consider engaging in dialogue with stakeholders to be important and focus on gaining their trust.

Stakeholder	Basic approach	Main dialog method/case	Mainly related CSR Policy
Customers	Build a relationship of trust with customers through the provision of safe and reliable products and aim to contribute to customer success.	<ul style="list-style-type: none"> <li>Sales activities</li> <li>Understanding customer satisfaction</li> <li>Website</li> <li>Replying to supplier surveys</li> </ul>	CSR Policy 4: Quality safety  CSR Policy 6: Innovation
Joint research partners: Universities/Research institutes	Endeavor to absorb cutting-edge research and improve technologies by sharing knowledge, exchanging views, etc.	<ul style="list-style-type: none"> <li>Conducting joint research, and dispatching employees to joint research partners</li> <li>Regular guidance and lectures by university professors, etc.</li> <li>Open innovation</li> <li>Participation in conferences and research groups</li> </ul>	CSR Policy 6: Innovation
Employees	Respect the diversity of each individual employee, foster a corporate culture that showcases the ability of individual employees most, and work to develop a comfortable work environment.	<ul style="list-style-type: none"> <li>Tier-specific training</li> <li>Labor union</li> <li>Whistleblowing system</li> <li>Interview for performance evaluation by the Personnel Division (defining targets, and mid-term and final evaluation)</li> <li>Stress check (once a year)</li> <li>Self-assessment system (once a year)</li> </ul>	CSR Policy 3: Human rights and labor
Shareholders/Investors	Endeavor to improve sustainable growth and corporate value by building a relationship of trust with shareholders and investors through timely and appropriate information disclosure and communication opportunities under a reliable and transparent management system.	<ul style="list-style-type: none"> <li>General meeting of shareholders (once a year)</li> <li>Financial results briefing (twice a year)</li> <li>IR individual meeting</li> <li>Various disclosure materials</li> <li>IR site</li> </ul>	CSR Policy 5: Governance Fair corporate activities
Suppliers	Build a long-term relationship of trust through fair, impartial, and transparent transactions in accordance with the T. Hasegawa Procurement Policy.	<ul style="list-style-type: none"> <li>Purchase activities</li> <li>Supplier monitoring</li> <li>Accompanying on-site inspections</li> <li>Conducting questionnaire surveys</li> </ul>	CSR Policy 1: Procurement
Natural environment	Take into consideration global environment protection in all business activities.	<ul style="list-style-type: none"> <li>Promotion of GHG emission reduction measures</li> <li>Promotion of energy conservation measures</li> <li>Holding Environmental Safety Committee meetings (Facilities, R&amp;D centers: every month; company-wide: 3-4 times per year)</li> <li>Management of ISO 14001 (external and internal audits: once a year, excluding the head office)</li> <li>Environmental safety audit (internal audit: once a year)</li> <li>Various patrols (Safety, energy conservation, static electricity, fire preventive object, etc.: once a year)</li> <li>Resource conservation, and reduction and effective use of waste products (including some composting)</li> <li>Implementation of odor investigation (Facility: every day; R&amp;D center: twice per month)</li> </ul>	CSR Policy 2: Environment
Local community	Achieve harmonious coexistence with the local community by contributing to resolving issues and to the development of the local community through business activities.	<ul style="list-style-type: none"> <li>Contribution to the local community through business activities</li> <li>Implementation of environmental patrol</li> <li>Implementation of community contribution activities</li> </ul>	CSR Policy 2: Environment CSR Policy 6: Innovation
Governments/NGOs	Collaborate with governments and NGOs to resolve social issues through dialogues, participation in industry organizational activities, etc.	<ul style="list-style-type: none"> <li>Participation in industry organizational activities</li> <li>Dialogues with governments/NGOs</li> <li>Compliance with related laws</li> </ul>	CSR Policy 5: Governance Fair corporate activities
Consumers	Contribute to the realization of affluent and healthy living through final products in which our products are used.	<ul style="list-style-type: none"> <li>Feedback through customers</li> </ul>	CSR Policy 4: Quality safety CSR Policy 6: Innovation

## Groups and initiatives that we support and participate in

We support and participate in a wide range of global sustainability initiatives.

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

### Signing the IFRA-IOFI Sustainability Charter

The Japan Flavor & Fragrance Materials Association (JFFMA), which we have joined, is a member of the International Fragrance Association (IFRA). We are also a member of the International Organization of the Flavor Industry (IOFI). We contribute to various activities of these organizations implemented with the aim of securing the safety of flavors and fragrances, directly and by participating in JFFMA's activities.

The IFRA and the IOFI share a common belief that establishing sustainability activities in a corporate business strategy is essential to achieving a prosperous and sustainable future. This shared belief is defined in the Sustainability Charter. We emphasize sustainability most and have been conducting various activities. We signed the Sustainability Charter on March 31, 2020 in order to express such activities as our commitment at a high level. To achieve a sustainable society, we will work on the following five domains stipulated in the Sustainability Charter.

#### IFRA-IOFI: Approaches to Sustainability

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.

**Signing the UN Global Compact**

T. Hasegawa signed the UN Global Compact, an initiative advocated by the UN, and was registered as a participating company on August 24, 2020. On the same day, we also joined the Global Compact Network Japan, a local network of 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.

We support the 10 principles of “Human Rights, Labour, Environment and Anti-Corruption” outlined in the UN Global Compact. T. Hasegawa will continue to promote responsible management for all stakeholders in order to create a sustainable world.



## T. Hasegawa Corporate Code of Conduct

**T. Hasegawa embraces the corporate motto, “A Foundation in Technology,” and strives to contribute to the creation of an enriched society through flavors and fragrances. To enable this mission, we have a Code of Conduct that prescribes the matters for each of us to observe.**

Our corporate motto of “A Foundation in Technology” reflects the Group’s commitment to flavors and fragrances, and our desire to provide customers with safe and reliable products. As a member of society, we also aim to build and strengthen the relationship with each of our stakeholders and to contribute to the creation of an enriched society using flavor and fragrance technologies to solve the challenges faced by the society. To realize the vision, we have established the T. Hasegawa Corporate Code of Conduct and ensures that it is shared across the Group. All executives and employees of the Group will fulfill their social responsibilities by understanding and adhering to this Code of Conduct and acting sincerely and fairly with high ethical standards.

### T. Hasegawa Corporate Code of Conduct

#### **1. Compliance with laws and regulations**

We always pay attention to laws and regulations, work to understand them, and act based on social common sense.

#### **2. Initiatives for environmental issues**

As a member of society, we proactively work on environmental issues to protect the environment.

#### **3. Opposition to antisocial forces**

We stand firm against antisocial forces and organizations of a similar nature and never engage in any relations with such parties.

#### **4. Respect for human rights**

We respect the basic human rights of each individual and never engage in any unfair discrimination or harassment.

#### **5. Respect for the rights of third parties**

We respect the rights of third parties in pursuing the company's business and will not infringe on any such rights.

#### **6. Compliance with quality safety standards**

We endeavor to provide safe products that are in compliance with laws under a strict quality control system.

#### **7. Prohibition of insider trading**

We conduct fair stock trading and never conduct insider trading or any other suspicious stock trading.



**8. Prohibition of conflict of interest**

We do not conduct any act as listed below that will or could result in a conflict between our own and the company's self-interest.

- (1) Becoming an officer or employee of a competitor of the Company
- (2) Promoting or supporting the sales activities of a competitor of the Company
- (3) Performing an act that competes with the business of the Company

**9. Handling of information inside the Company**

We are fully aware of the value of the information possessed by the Company and of the information provided by third parties. We strictly manage such information by observing our company rules ("Confidential Information Management Rules" and the "Rules Related to Information Inside the Company and to Insider Trading").

**10. Actions towards customers**

We do not engage in any act of entertainment or gift-giving that is regarded as bribery, nor any other act that deviates from socially accepted business practices.

**11. Relationships with suppliers**

- (1) We interact with suppliers with good sense and sincerity, and treat them fairly and justly in business transactions.
- (2) We do not abuse the Company's dominant bargaining position to impose any unjustified disadvantages on suppliers.
- (3) We never accept rebates or kickbacks from suppliers.

## Approaches to sustainability

### CSR Policy 1: Procurement

**We will promote responsible procurement across the value chain.**

#### Basic approach

In order to provide customers with products that can be used with peace of mind, it is essential to build a supply chain that enables stable sourcing of good quality and price competitive materials. By gaining their long-term trust with suppliers through fair, impartial, and transparent transactions, we will promote procurement activities that take into consideration resources, the environment, and human rights, so that the entire supply chain will be able to grow sustainably.

#### T. Hasegawa Procurement Policy

##### 1. Legal compliance and ethical transactions

We will observe laws and social norms in each country and region, and promote procurement activities with high ethical standards and social good sense together with suppliers.

##### 2. Considerations for human rights

We will respect human rights in every situation and endeavor to ensure that no activities that may violate human rights are conducted across the entire supply chain so that there is no discrimination.

##### 3. Considerations for the global environment

Together with all suppliers, we will conduct sustainable procurement activities that take into consideration global environmental protection with an awareness on reducing the environmental impact.

##### 4. Mutual trust, co-existence, and prosperity with suppliers

We will respect the standpoint of counterparties based on mutual trust according to the principles of fair and open competition, and seek to co-exist and achieve prosperity together with all of our business partners, including suppliers.

##### 5. Safety, security, and customer success

We will conduct procurement activities aimed at realizing customer success, safety, and security by providing safe and quality products to customers and, in turn, consumers.

### Relation with stakeholders

In order to promote responsible procurement across the entire supply chain, we have established the “T. Hasegawa Supplier Guidelines.” We will gain their long-term trust with suppliers through fair, impartial, and transparent transactions.

### Overview of T. Hasegawa Group suppliers

The Group does business with chemical manufacturers, flavor and fragrance manufacturers in the same industry, food additive manufacturers, food manufacturers, trading companies, contract manufacturers, and packaging material manufacturers. In FY2022, the total number of suppliers that the Company had business with was around 450, with a total number of 3,200 purchased items. The main breakdowns are flavor and fragrance raw materials (natural and synthetic) and food (including food additives), which have the same percentage. 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 around the world. A distinctive characteristic of our suppliers is that they engage in high-mix, low-volume production and offer raw materials with relatively high unit prices.

### SDGs that we are targeting



### Promotion system and governance

Raw material procurement is mainly promoted by the Purchasing Division. The Risk Management Committee is a Group-wide organization that is chaired by the President & CEO and consists of directors as members. It manages and verifies procurement-related risks. The Purchasing Division collects risk information related to procurement and reports it to the Risk Management Committee.

### Risks, opportunities, and strategies

#### Risks

- Failure to procure flavor and fragrance raw materials derived from natural resources due to climate change
- Stagnation of business activities and loss of corporate value due to slow response to social and environmental issues in the supply chain

#### Opportunities

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

#### Strategies

- Implementation of global raw material procurement
- Investigation and development of alternative raw materials
- Sustainability survey and support for suppliers

### Main FY2022 initiatives

While continuing to obtain the RSPO certification, we shared the T. Hasegawa Supplier Guidelines with suppliers, obtained their understanding, and requested them to submit a written consent. At the same time, we conducted a questionnaire survey using the CSR Procurement Self-Assessment Tool (Global

Compact Network Japan). In FY2022, the response rate of the written consent and questionnaire accounted for 60% of the total transaction amount.

### Implementation of supplier assessment

○FY2022 survey

- Survey format: Questionnaire using the CSR Procurement Self-Assessment Tool
- Target: Top 89 suppliers in terms of the purchase amount, out of approximately 450 suppliers
- Response rate: 89% (79 companies responded)
- Results of response from 79 companies (Scoring percentage)



- Trends, etc., based on the response:
  - (1) Suppliers with a high scoring rate in corporate governance have built a sufficient CSR promotion system and tend to score high points overall.
  - (2) Even if they have not developed a CSR promotion system, the companies generally scored high points in quality and safety, and it can be considered that they have implemented quality management.
  - (3) Some suppliers that scored relatively high points had low scores in human rights and supply chain, so human rights and supply chain management can be considered to be future issues, even for companies that have developed a CSR system to some extent.

We understand from the results of the questionnaire that there were no suppliers with significant risks in terms of child labor or forced labor, or suppliers in which the freedom of association or the right of collective bargaining might be at risk.

### **Procurement of certified raw materials**

Based on requests from some customers, we purchase raw materials from Japan Good Agricultural Practices (JGAP), ASIAGAP, or Rainforest Alliance certified farms.

#### **Procurement of perilla oil**

T. Hasegawa promotes the active use of distinctive flavor and fragrance raw materials in Japan as part of its challenge to develop uniquely Japanese flavors. In order to procure perilla oil, which is one such important flavor and fragrance raw material, we collaborate with a producers' association as described below to support stable production in terms of quality and quantity as well as for business continuation.

- Provision of seeds: We provide seeds to producers every year for stable quality and yield of perilla oil. With the cooperation of seed and seedling producers, we confirm the conditions of production sites.
- Technical support: For improved productivity, we dispatch researchers and engineers to give advice and support on production improvement and equipment modification. (\*)
- Quality improvement support: We dispatch researchers to provide training and support for quality inspection procedures that are difficult to learn only from a producers' association.
- Supply of packaging, etc.: We provide containers for filling and packaging materials to a producers' association.
- Business continuity: We promote planned procurement for years ahead that will not significantly increase or decrease the growing area, so that producers' revenue will be stable.

(\*) Since it is difficult for the producers' association to evaluate and design perilla oil extraction equipment by itself when modifying it due to aging, we dispatched personnel who are responsible for the equipment and an equipment contractor to carry out the modification in 2021.

### **Plan for the future**

From FY2023 onwards, we will further advance the supplier assessment, extract issues based on survey results, and cooperate with suppliers to solve the issues together, thereby solidifying the relations with suppliers and promoting sustainable procurement.

- We will continue to share the T. Hasegawa Supplier Guidelines with more suppliers.
- We will continue to request suppliers in the supply chain to promote sustainability.
- We will continue to request suppliers to answer questionnaire surveys using the CSR Procurement Self-Assessment Tool from the Global Compact Network Japan.
- We will ask overseas subsidiaries to assess local suppliers.

#### **Ratio of implementation of supplier assessment (plan)**

- FY2023: 70%
- FY2024: 80%
- FY2025: 90%

## CSR Policy 2: Environment

**We will learn the importance of reducing the environmental impact and actively engage in environmental protection and improvement activities.**

### Basic approach

We have established the Environmental Philosophy to clarify our stance towards environmental protection and have formulated the Environmental Safety Activity Policy in order to embody the philosophy.

#### Environmental Philosophy

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

#### Environmental Safety Activity Policy

In addition to environmental protection, we also view security and disaster prevention, occupational health and safety, and chemical safety as important corporate themes. As such, we incorporate these themes into our Environmental Safety Activity Policy and engage in relevant activities.

##### Environmental Protection

1. Promotion of energy conservation
2. Promotion of resource conservation and effective use of waste products
3. Odor countermeasures/Environmental pollutant emissions reduction
4. Strengthening of the environmental management system (EMS)
5. Promotion of green purchasing

##### Security and Disaster Prevention

1. Promotion of hazardous material safety measures
2. Promotion of disaster-prevention and safety measures

##### Occupational Health and Safety

1. Promotion of labor safety measures
2. Promotion of occupational health activities
3. Improvement of labor environment

##### Chemical Safety

1. Development of a chemical substance management system
2. Promotion of chemical safety measures

## Relation with stakeholders

### Information disclosure to customers

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

### Environmental education for employees

We provide multifaceted environmental education as part of our efforts to improve the environmental awareness among employees.

- Training and information provision via the intracompany website.  
We post environment-related pages on our intracompany website and provide a Sustainability Report and other environmental information.  
Since FY2022, we have been providing e-learning classes on the basic knowledge of SDGs to all employees in Japan, including employees assigned to overseas offices (excluding employees who are absent for a long period of time). We conducted a comprehension test after the session and achieved a response rate of 100%. We disclose the response results on the intracompany website in an effort to improve employees' knowledge on sustainability.
- Internal environmental seminars  
The Environmental Safety Committee, Education Committee, etc., of each factory plan and hold seminars and study meetings on environmental issues. In response to requests from sites, we held some study meetings led by members of the CSR Division.
- External environmental seminars  
Employees involved in environmental safety work participate in professional seminars, lecture meetings, exhibitions, etc., in an effort to upgrade their environmental knowledge.
- New employee education  
Each factory provides education and training to new employees. We also conduct environment and safety-related training during internal seminars for employees, including group training provided when entering the Company.
- **Environmental education under the environment management system (ISO 14001)**  
The Fukaya Facility, the Itakura Facility, and the R&D Center conduct education and training in a planned manner as part of our ISO 14001 environmental management system (EMS). We have also installed an ISO 14001 message board in each workplace and put environment-related information, including the Environmental Policy and environmental promotion posters, in an effort to promote environmental protection.

### Information disclosure to stakeholders

We post sustainability information (including this Report) on the Company website.

## SDGs that we are targeting

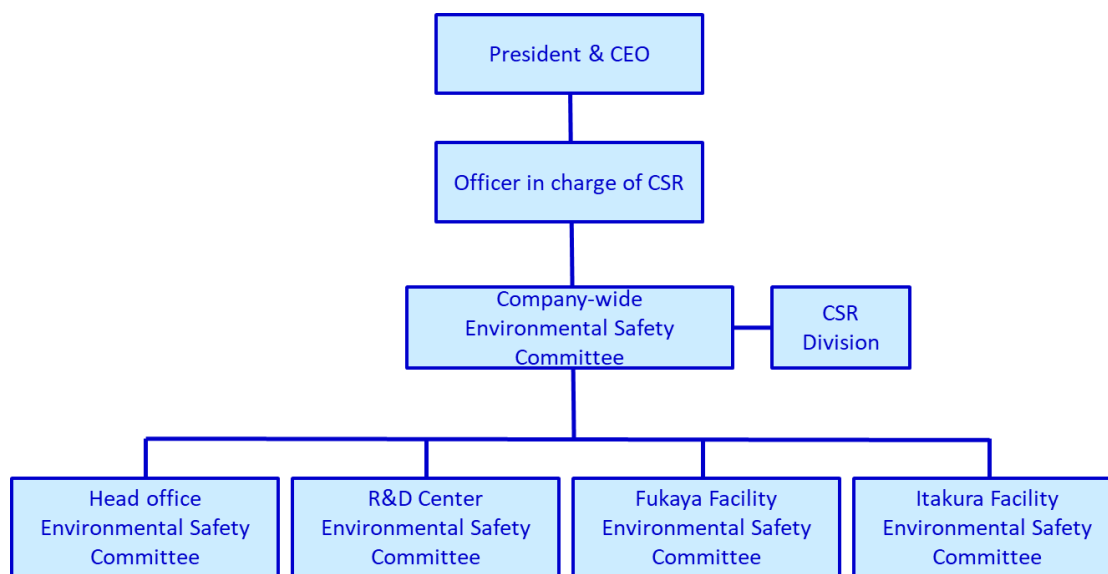


## Promotion system and governance

### Promotion system

We have built and promote an environmental safety management system in accordance with the Environmental Safety Management Rules.

In addition, we have obtained the ISO 14001 certification, an international standard for environmental management systems, at our Fukaya Facility, Itakura Facility, and R&D Center. Our EMS is jointly managed by the Production Division and the R&D Division.



#### (1) Company-wide Environmental Safety Committee

- 1) The Committee is chaired by an officer in charge of CSR appointed by the President & CEO and it deliberates and decides on company-wide policies and activity plans related to environmental protection and safety measures.
- 2) The Committee receives reports on environmental safety activity plans, activity results, etc., from each site, and coordinates activities from a company-wide perspective.
- 3) The Committee selects auditors of environmental safety audits (environmental protection, security and disaster prevention, occupational health and safety), and conducts annual audits at each site.

#### (2) Environmental Safety Committee of each site

- 1) We have established an Environmental Safety Committee at our head office, R&D Center, Fukaya Facility, and the Itakura Facility. It is chaired by the responsible officer, factory director, etc., and held at these sites, excluding the head office, every month.
- 2) Each Committee sets out specific activity policies and targets in accordance with the company-wide activity policy and promotes environment and safety-related activities.

#### (3) CSR Division

- 1) The Division develops and promotes basic policies on CSR and the SDGs.
- 2) This Division is responsible for the overall management of environmental safety activities at T. Hasegawa.
- 3) The Division plans and manages company-wide Environmental Safety Committee meetings and environmental safety audits as a secretariat.
- 4) The Division discloses Sustainability Reports and other related information on our website, etc.



#### **(4) ISO 14001**

In 2001, the Fukaya Facility and the Itakura Facility obtained an ISO 14001 environmental management system (EMS) certification from the Japanese Standards Association and have since conducted relevant activities. Note that the current certifying body is DNV Business Assurance Japan Co., Ltd. The Production Division has a particularly large environmental impact compared to other divisions of the Company. However, the two facilities cooperate to work on continuous improvement by implementing the PDCA cycle based on the ISO 14001 system. In June 2012, we added the R&D Center to the scope of certification in an attempt to strengthen the efforts of reducing environmental impact from the R&D development phase. As for overseas sites, the Suzhou Facility has been certified since 2015.

#### **ISO 14001 Environmental Policy**

As a comprehensive flavor and fragrance manufacturer involved in the production, research, and development of food flavors, cosmetic fragrances, synthetic flavors and fragrances, food additives, foods and cosmetic materials, the Fukaya Production Center and the R&D Center of T. HASEGAWA CO., LTD. recognize the importance of achieving harmony with the environment and aim to become companies that are trusted by society. To achieve this, we will conduct activities related to the environment in accordance with the following policies.

- (1) Promote resource and energy conservation and 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, water, and other laws and agreements related to the environment.
- (5) Conduct internal audits, etc. to make continuous improvements to the EMS.
- (6) Provide environmental education to all employees to improve their environmental awareness.

#### **Governance**

Our Environmental Safety Management Rules state that each factory shall conduct an environmental safety audit annually and report the results to the Strategy Committee. Both the Production Division and the R&D Division are ISO 14001 certified and are subject to confirmation as to the effectiveness of the environment management system.

#### **Environmental safety audits by the company-wide Environmental Safety Committee**

Since 1997, the Environmental Safety Committee has been conducting audits related to environmental protection and safety measures.

From 2008 onwards, we reorganized our auditing framework into three categories: Environmental Protection Audits, Security and Disaster Prevention Audits, and Occupational Safety and Health Audits to conduct more detailed checks. We select expert auditors for each audit category. They check for compliance with environmental laws, the status of activities, and the management status at relevant facilities, and issue an improvement recommendations report for matters that need to be improved. In response, the site to be audited creates an improvement plan for the issues that were pointed out and implements the improvements after reporting to the company-wide Environmental Safety Committee. In FY2022, an audit was conducted at each site in July. The results are to be deliberated by the Environmental Safety Committee, reported to the Strategy Committee, and then referred and reported to the Board of Directors as necessary.

### **ISO 14001 and internal audit (environmental)**

We have obtained an ISO 14001 certification for the Fukaya Facility, the Itakura Facility, and the R&D Center. An internal audit is conducted by the Internal Audit Team as prescribed in the Environmental Manual.

In the Production Division, which has a particularly large environmental impact compared to other divisions of the Company, the two factories cooperate to manage the operations (implementing PDCA) based on the ISO 14001 system.

If any remark is made, a corrective action is taken quickly and then passed to other divisions in an attempt to make continuous improvements.

Note that the Suzhou Facility in China obtained the ISO 14001 certification in 2015 and has been engaging in environmental improvement activities since then.

## **Risks, opportunities, and strategies**

### **Risks**

- Administrative actions or lawsuits due to insufficient compliance with laws and regulations
- Hindering the environmental protection of the local community
- Reputational damage
- Transactions stopped by customers, etc.
- Raw material crop failure due to climate change
- Disruption of the supply chain due to a disaster, etc.

### **Opportunities**

- Response to social needs brought by climate change

### **Strategies**

- We will thoroughly comply with laws and respond to risks.
- We will solve environmental issues in accordance with the CSR Policy and incorporate them in our growth strategy.

### **Related measures**

- The Strategy Committee considers and decides on targets from a long-term perspective, and the company-wide Environmental Safety Committee manages the progress of policies and promotes awareness among the entire Group.
- We ensure that measures against global warming are taken (reduction of energy consumption and CO<sub>2</sub> emissions through the activities of the Environmental Safety Committee, effective use of resources and waste products through resource conservation, and composting of waste products).
- We join platforms, including the CSR Procurement Self-Assessment Tool (Global Compact Network Japan), Sedex, EcoVadis, and CDP and maintain transparency through information disclosure.
- We expand transactions with customers by disclosing information and ensuring traceability.
- We accelerate innovation and develop, propose, and sell new products to achieve the SDGs.
- We contribute to resource conservation for container materials through thinner and lighter weight PET bottles by using Carbonation Enhancer®, a natural light degradation inhibitor, etc.

## Main FY2022 initiatives

### (1) TCFD initiatives and CDP evaluation

The T. Hasegawa Group declared its support for the TCFD recommendations in 2022 and disclosed our analysis of climate change risks.

As part of this process, we are conducting a scenario analysis in light of the requirements of the TCFD. For details, refer to the “Climate change risk analysis of the T. Hasegawa Group.”

Home > Sustainability > Disclosures Based on TCFD Recommendations > Climate change risk analysis of the T. Hasegawa Group

[https://www.t-hasegawa.co.jp/files/en/sustainability/Disclosures\\_Based\\_on\\_TCFD\\_Recommendations.pdf](https://www.t-hasegawa.co.jp/files/en/sustainability/Disclosures_Based_on_TCFD_Recommendations.pdf)

Note that, under the CDP climate change category in FY2022, we achieved the B ranking in the management level, indicating that actions are being taken for environmental risks and that environmental risks and their impacts are tracked, mitigated, and eliminated.

### (2) 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 2023)

### (3) Initiatives for mitigating environmental impact

#### • Energy use

We take energy conservation as an important issue and are proactively working on it. In addition to conducting company-wide energy conservation activities, we promote energy conservation by updating all boilers used in the Production Division to models with less CO<sub>2</sub> emissions and better combustion efficiency and by 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 Factories as defined by the Energy Conservation Act, have established energy usage optimization standards and are working on energy conservation based on them.

In FY2022, we improved manufacturing processes, streamlined the formula, reviewed the use of steam to reduce loss, increased the efficiency of boiler operations, and so on. As a result, the energy consumption was reduced by 1,372 GJ compared to the previous year and the energy consumption rate per unit was improved by 4.2%, achieving the target year-on-year reduction of 1.6%. (Reference: ESG Databook 2023)

#### • CO<sub>2</sub> emissions

In FY2022, we reduced CO<sub>2</sub> emissions in scopes 1 and 2 by 1.6% compared to the previous year. For our target of 46% reduction by FY2030 from the FY2013 level, we have managed to reduce the emissions by 22%.

We started green power procurement as part of the reduction plan. At the head office building, 100% of the electricity used has been procured from green power sources since December 2021, while at the R&D Center, 10% of the electricity used has been procured from green power sources since March 2022. In the Production Division, which uses more electricity, the Fukaya Facility started to procure 10% of the electricity used from green power sources in January 2023 and the Itakura Facility is scheduled to start procuring 10% of the electricity used from green power sources in June 2023.

We received a third-party validation of CO<sub>2</sub> emissions (scopes 1 to 3) for the Company alone for FY2021 and for the consolidation of Group companies in Japan for FY2022. (Reference: ESG Databook 2023)

#### • Water use

We use water in our manufacturing processes, as well as for cooling and cleaning. So far, we have been striving to reduce water usage by reducing the use of cooling water through the implementation of better manufacturing methods and by reducing the use of water through the optimization of cleaning methods and additions of cooling water recycling equipment. In FY2022, we reduced the amount of water usage by 1.3% compared to the previous year.

In addition, in light of rising global interest and the importance of water resources in addition to climate change, the company-wide Environmental Safety Committee (chaired by the officer in charge of CSR) developed a strategy for water risks and built a mechanism to supervise initiatives for water risks.

The Environmental Safety Committee sets numerical targets using data on the amount of water used in the past. The Production Division, in which water usage is particularly high, reports the reasons for the increased or decreased usage and the reduction measures implemented every month. (Reference: ESG Databook 2023)

At the moment, we understand that the water risk in the production area of the Company is not high. However, since we recognize that water is a precious resource globally and it is important to strengthen its management, we will continue to manage water risks properly.

#### • Wastewater treatment

Since we installed a wastewater treatment system at the Fukaya Facility in 1969, we have been improving our wastewater treatment by increasing wastewater treatment facilities using various water purification technologies, 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 from the R&D center is treated through to the secondary treatment process before being discharged to the sewer system. We comply with wastewater standards in terms of regulation values, etc., as prescribed in the Water Pollution Control Law, prefectural ordinances, and agreements with communities. (Reference: ESG Databook 2023)



Wastewater treatment equipment  
(Itakura Facility)

#### • Effective use of waste products

We manufacture a diverse range of flavor and fragrance products, which generate various waste. We work to effectively use such waste and proactively promote resource recycling of waste cans, paper, waste glass, oil, and so on. We also work to limit the generation of landfill waste. The effective utilization rate of waste products was 96.4% in FY2022. (Reference: ESG Databook 2023)

We ask a business operator that manufactures recycled cans to treat cans that do not have much odor and another business operator with recycling technology to treat some waste liquid.

As seen in the enforcement of the Plastic Resource Circulation Act in Japan in 2022 and the intergovernmental negotiations to formulate a legally binding international document (treaty) concerning plastic pollution, we recognize the reduction and waste treatment of plastics as issues that require a more serious response. We sort plastics into recyclable conditions.

When choosing waste service companies, we visit the treatment site to check if they treat waste properly and we also conduct periodic audits. In addition, we also have a responsibility as waste generators, so we audit the Fukaya Facility, Itakura Facility, R&D Center, and head office regarding the conditions of waste treatment as part of our environmental safety audit once a year. If there is any

remark, correction is taken immediately. During an environmental safety audit in FY2022, it was confirmed that waste management was properly conducted.

As an example of effective use of waste products, the large amount of residue generated after extracting natural products (botanical residue) goes through fermentation composting at Koumi Compose Co., Ltd. in Koumi-machi, Minamisaku-gun, Nagano (45% investment by the Company) and then used by highland vegetable farmers.



Laying compost (Koumi-machi, Nagano)



Vegetable field (Koumi-machi, Nagano)

#### • Odor measures

As a company that manufactures flavors and fragrances, we pay extra attention to odor measures (malodor prevention). We work to prevent the emission of odors by adopting many deodorizing equipment using various deodorizing technologies.

We also conduct regular environmental patrol activities in our premises and the surrounding areas as part of our odor measures.



Deodorizing equipment (Itakura Facility)

#### • Dust collection measures

Dust collectors are installed in some manufacturing divisions as part of our efforts to improve the work environment during manufacturing.

#### • Biodiversity protection

The production of flavors and fragrances takes up resources, such as energy, natural and synthetic raw materials, and water, which may have some effect on the ecosystem in the entire value chain.

One of the themes in which we can contribute with flavors and fragrances is to develop alternatives for widely consumed food resources, and to reduce the amount of such resources used. For example, food items that are expected to be in greater demand (such as meat, milk, sugar, lard, palm, coffee, tea, cacao, and nuts) can be delivered to consumers without making them give up on their preferences, if the use of such items in processed food is reduced and they are supplemented with flavors and fragrances instead. The use of flavors and fragrances not only protects food resources, but also makes it possible to stably supply food at lower prices than natural food.

The second theme is reduction of food loss. Using formulation technology to create powdered flavors and fragrances not only reduces the container and transport costs for carrying flavors and fragrances, but also improves food storage. Furthermore, by using Carbonation Enhancer® and light degradation inhibitors, we contribute to making lighter PET bottles and extending the food expiration dates.

While promoting activities that take into consideration the nature of our business and the characteristics of the community, we will work on deepening our understanding of biodiversity through internal education to systematically understand the relationship between our business activities and biodiversity.



In FY2022, we started to collect information in an attempt to launch various activities so that we can share the information related to biodiversity from the next fiscal year onwards.

#### (4) Environmental targets and results

Environmental objective	FY2022 target	FY2022 result	Mid- to long-term target
<b>1. Strengthening of the environmental management system (EMS)</b>			
1) Continuous improvement of the EMS	Continue to manage and improve environmental protection activities Continue to manage and improve ISO 14001 (Certification acquiring division)	All divisions of T. Hasegawa conducted the activities. The Manufacturing and R&D Division continued to manage and improve ISO 14001.	Continue to conduct the activities Continue to conduct the activities
2) Implementation of environmental audit	Conduct environmental safety audit Conduct ISO 14001 review and internal environment audit	Environmental safety audit was conducted. The ISO 14001 certification acquiring divisions conducted the audit.	Continue to conduct the activities Continue to conduct the activities
3) Promotion of environmental safety education	Plan and provide various education courses Plan and provide ISO 14001 education and training	Education via the intracompany website and other topics were provided. The ISO 14001 certification acquiring division conducted the education and training.	Continue to conduct the activities Continue to conduct the activities
4) Improvement of environmental management	Publish the Sustainability Report Conduct environmental accounting	Published the Sustainability Report. Conducted environmental accounting.	Continue the improvement Enhance the activities
<b>2. Promotion of energy conservation</b>			
1) Reduction of energy use	Energy consumption rate per unit: Reduce by 1.6% compared to the previous year	Energy consumption rate per unit was reduced by 1,372 GJ. (0.5% reduction compared to the previous year) (Energy consumption per production unit: 4.2% reduction → Achieved the target)	Continue to conduct the activities
2) Reduction of CO <sub>2</sub> emissions (scopes 1 and 2)	CO <sub>2</sub> emissions: 25% reduction compared to FY2013 (total amount)	CO <sub>2</sub> emissions were reduced by 4,128 t. (22% reduction compared to FY2013)	Reduce by 46% by FY2030 compared to FY2013
<b>3. Resource conservation and effective use of waste products</b>			
1) Promotion of resource conservation	Continue to improve the amount of water used	The amount of water used was reduced by 5,522 m <sup>3</sup> . (1.3% reduction compared to the previous year)	Continue the improvement
	Continue to improve the amount of office paper used	The amount of office paper used was reduced by 871 kg. (5.7% reduction compared to the previous year)	Continue the improvement
2) Promotion of effective use of waste products	Continue to improve the effective utilization rate of waste products	Effective utilization rate of 96.4% (down 1.2 points from the previous year)	Continue to conduct the activities
3) Reduction of landfill amount	Zero landfill amount	Landfill amount of 0 ton Landfill glass waste products were effectively used.	Zero landfill amount
<b>4. Reduction of emissions to the environment</b>			
1) Prevention of air pollution and water quality contamination	Manage based on voluntary regulation values (facilities)	The values were properly managed within the voluntary regulation values. Modification of a wastewater treatment facility	Continue the improvement
2) Odor measures	Increase and properly manage deodorizing equipment Conduct odor patrol (facilities and R&D centers); zero complaints regarding odor	Properly managed equipment and zero complaints regarding odor	Continue the improvement
3) Chemical substance management	Report substance emissions in accordance with the PRTR (law concerning PRTR and voluntarily managed substances)	Reported substance emissions in accordance with the PRTR.	Continue to conduct the activities
<b>5. Green purchasing</b>			
1) Promotion of green purchasing	Promote of green purchasing	Managed green purchasing according to the Green Purchasing Principles/Guidelines.	Continue to conduct the activities

#### Plan for the future

- We will promote renewable energy procurement and work to reduce CO<sub>2</sub> emissions in scopes 1 and 2 in a medium- to long-term perspective.
- We will continue third-party validation of CO<sub>2</sub> emissions to maintain the accuracy of our calculation methods and the reliability of our data.
- We will set a water use reduction target and work to reduce the amount of water used while checking the progress of measures.
- We will ascertain risks, opportunities, and the impact of biodiversity and will consider sharing information in line with the Taskforce on Nature-related Financial Disclosures (TNFD).



### CSR Policy 3: Human rights and labor

**We will respect human rights and diversity, work to improve the welfare of employees, and realize a safe and comfortable workplace.**

#### 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. We never engage in child labor or forced labor.
2. We comply with regulations on working hours, holidays, and minimum wages stipulated by the law.
3. We do not discriminate people in terms of hiring, promotions, and career advancements.
4. We do not allow any harassment that harms workers or the work environment.
5. We endeavor to prevent accidents and disasters by prioritizing the health and safety of the workplace and workers.
6. We have proper and faithful discussions with labor representatives.

We will check the status of compliance with items 1-6 of the above policy and work to build a system for identifying, preventing, and mitigating any negative impact on human rights related to the Company's business activities.

In the event that it becomes clear that the Company has caused or contributed to a negative impact on human rights, we will work to remedy or correct the situation through proper procedures.

#### Promotion system and governance

Human rights and the labor environment are the foundation of compliance as well as essential elements for improved corporate value. As such, the Compliance Committee, which is chaired by the President & CEO and consists of directors in charge of Internal management control, officers in charge of the respective divisions, and others, collaborates across divisions to ascertain the issues related to human rights and the labor environment and make improvements. The Committee also reports to the Board of Directors as necessary.

##### Initiatives on respect for human rights

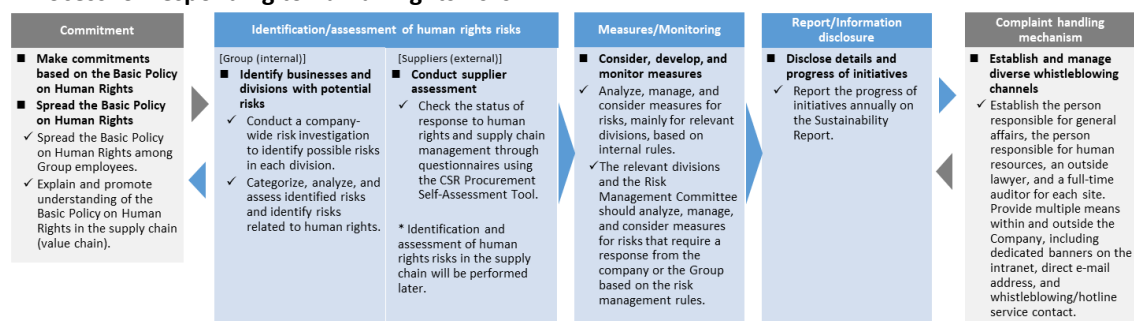
The Group has established the Compliance Regulations as well as the T. Hasegawa Corporate Code of Conduct to be followed by all employees as they engage in business activities, and they include items related to respect for human rights. We strive to make sure all of our employees are aware of the Code of Conduct in order to spread awareness of respect for human rights and prevent issues related to human rights.



### • Response to human rights risks

The Group identifies human rights risks that should be dealt with in order to prevent or mitigate the negative impact of business activities on human rights. We take measures for identified risks and regularly monitor and disclose information to improve our efforts.

### • Process for responding to human rights risks



### • Identifying human rights risks

The risk survey of divisions conducted jointly every year by the Risk Management Committee and the Compliance Committee incorporates the viewpoint of human rights risks. Human rights risks extracted by the survey are categorized, and businesses and divisions that are at risk are identified.

### • Evaluation of human rights risks

Currently, the Group organizes and responds to the following main human rights risks.

Identified human rights risks (The Group)	Response policy	Response results for FY2022
Harassment	Encourage employees to correctly understand harassment and create a comfortable workplace with no harassment.	<ul style="list-style-type: none"> <li>• Harassment prevention training was provided to all management positions.</li> <li>• Posters were displayed to raise awareness.</li> </ul>
Personal data breach	Manage properly in accordance with law.	<ul style="list-style-type: none"> <li>• Internal rules on personal information were revised.</li> <li>• Raising awareness through internal notifications</li> </ul>
Improper use of social media	Increase the understanding of employees on the impact of social media.	<ul style="list-style-type: none"> <li>• Warnings regarding the use of social media were sent through internal notification once a year.</li> <li>• Risks associated with social media were explained as part of new employee orientation to raise their awareness.</li> </ul>
Blocking of labor-management consultation	Stipulate in the basic policy that the Company will appropriately and sincerely discuss with the representative of workers.	<ul style="list-style-type: none"> <li>• As a rule, a consultation was held every month, with a total of 49 labor-management consultation sessions by the headquarters and branches.</li> </ul>
Overwork	Observe the working hours prescribed by law and develop an environment in which employees can work comfortably.	<ul style="list-style-type: none"> <li>• An agreement was entered into regarding the upper limit of overtime work by taking into consideration the adverse impact on health.</li> <li>• A system that generates an alert when the upper limit of overtime working hours is approached as a warning was installed.</li> </ul>
Discrimination	No discrimination is allowed.	<ul style="list-style-type: none"> <li>• The T. Hasegawa Corporate Code of Conduct was distributed to all employees to familiarize them with it.</li> </ul>
Occupational health and safety	Develop a safe work environment that will not cause a labor accident, create work procedures, and disseminate them to all workers.	<ul style="list-style-type: none"> <li>• Scheduled maintenance and upgrade of equipment</li> <li>• Regular safety patrol</li> <li>• Regular safety education</li> </ul>

- Measures and monitoring of human rights risks

We have developed internal rules, and are analyzing, managing, and considering measures for risks, mainly for relevant divisions. In addition, the relevant divisions and the Risk Management Committee analyze, manage, and consider measures for risks that require a response from the company or the Group based on the risk management rules.

- **Establishment of a whistleblowing service**

As part of our complaint handling mechanism, we have established the person responsible for general affairs, the person responsible for human resources, an outside lawyer, and a full-time auditor for each site as the whistleblowing/hotline service contact. The service can be accessed from multiple locations inside and outside the Company from the dedicated banners on the intranet and direct e-mail address.

- **Providing harassment prevention training**

Harassment in the workplace not only damages the personality and dignity of the person who is harassed, but also results in a loss of desire to work or self-confidence or may even cause the mental health to deteriorate. Based on the Company's conviction that harassment shall not be allowed, we provide a wide range of training intended to enlighten employees and prevent harassment. In addition to the training intended for new managerial staff, which we provide every year, we also provided training for senior management level in FY2022.

#### SDGs that we are targeting



## [Human resources development]

### Risks, opportunities, and strategies

#### Risks

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

#### Opportunities

- Increased employee motivation
- Increased production efficiency as a result of improving the work environment

#### Strategies

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 we are committed to providing employees with opportunities to advance their career fairly and without regard to race, nationality, gender, religion, disability, or other attributes.

## Education system

	Tier-specific training		Skill improvement			By job category		
	Shared values	Training content				Research	Manu- facturing	Sales
Senior management level	Basic management skills	Senior management training	Language training	Support for acquiring qualifications	Support for online study	Harassment prevention training	Training programs at other divisions*	Human resource development program for mid-career employees On-the-job Trainer training
Manager level	Understanding managerial roles	Training for new managerial staff						
	Promoting autonomy and growth of subordinates	Management training						
Key position level	Fostering awareness of participation in management	Junior board						
	Engaging others to improve results	Mid-career employee training						
Office work level	Learning about the Company	Internal seminars						Sales instruction manual
	Autonomous action	Third year training New employee orientation						

\* Program to improve the knowledge and skills of employees who have been with their divisions for around three years by providing training at a different R&D center.

## Ensuring diversity in the appointment, etc., of core human resources

• Our approach to ensuring diversity

The Company respects the diversity of individual employees and has actively appointed excellent human resources to management positions regardless of gender or nationality, or whether or not they are mid-career workers. After appointing such employees to management positions, we continue to provide education, including management training, to improve their skills. The Company seeks to further increase the percentage of women in management positions and will appoint women and mid-career workers to move on to management positions in an attempt to address the ever-changing management environment. We will also continue to appoint talented foreign nationals to expand our overseas business based on the growth strategy.

[Voluntary and measurable targets and status of ensuring diversity]

Item	Current status	Target	Time of achievement
Percentage of women in management positions	17.1%	18% or more	End of Sep. 2024
Percentage of mid-career workers in management positions	18.2%	Maintain 18% or more	End of Sep. 2024
Percentage of management positions filled by foreign nationals	33.3%	30% or more	Maintain the current status

\* The current status represents the result as of the end of September 2022.

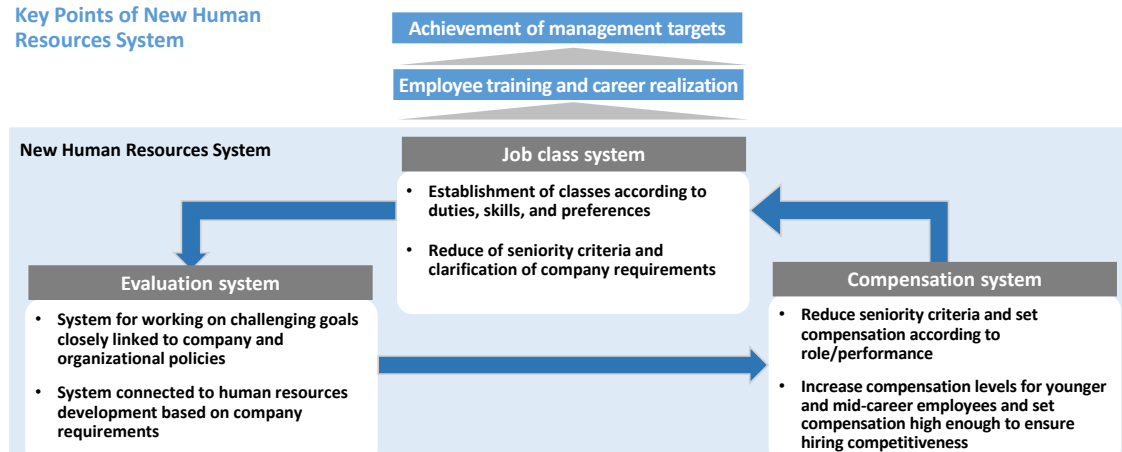
## Main FY2022 initiatives

### Human resources system reform

We review the entire personnel system, including the job class system, evaluation system, compensation system, and human resources development.

By clarifying the roles required by the Company (job class system) and introducing a corresponding evaluation system, we have established a human resources system where the compensation is commensurate with the performance. In FY2022, we reformed the system (excluding the compensation system) in advance.

#### Key Points of New Human Resources System



#### Policy on the human resources system

This policy awards people who work hard and creates a corporate culture that encourages people to take on challenges in response to changes.

#### Evaluation system

- Our approach to the evaluation system

The evaluation system is not only a system for evaluating employees' performance, but also used as a tool to promote the achievement of company-wide and organizational targets, as well as the growth of individuals. Therefore, the actions expected of employees are clarified and the degree of fulfillment of required actions, roles, and specialty and the level of actual achievements are evaluated. Since the results of evaluating employees' performance encourage individuals to grow, we utilize the evaluation system as the foundation for developing human resources.

- Important points of the evaluation system

##### Evaluation of achievements

Employees should work on challenging goals that are closely linked to the policy of the Company or their organizations, and they are expected to obtain measurable achievements that are linked to the company-wide target. In addition to results, the relevant process is evaluated and the results are reflected mainly in their bonuses.

##### Evaluation of actions

The evaluation should be a system that leads to human resource development based on elements required by the Company. The Company also evaluates whether expected actions corresponding to the job class and course were taken. The results are reflected in the job class (promotion) and salary of the relevant employee.

In any evaluation, an interview with the superior of the employee is required and human resources are developed by providing appropriate feedback.

#### Having a proper interview for the performance evaluation and development of employees

We have introduced a cloud-based human resources evaluation system service in line with our new human resources system reform.

The system allows the Human Resources Division to easily check target setting and records of each interview held as part of the evaluation, as well as to check the interview status of the people to be evaluated.

## **Promotion of career development**

### **Understand the roles at each tier 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 employees to understand the roles at each tier and acquire skills. We implement a PDCA cycle and work to make improvements in the planning and management of training.

### **Support employees' self-learning and growth**

- Online study support system  
We organize courses to meet a wide range of needs and promote self-enlightenment. Starting from FY2020, we raised the percentage of subsidy for course fees for people who have completed the course with a good grade in an attempt to further encourage them to improve their skills.
- Support system for acquiring qualifications  
When acquiring qualifications approved 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 course fees. In addition, employees who have met certain requirements, such as those who have acquired a TOEIC score designated by the Company, are provided with an incentive.
- Internal seminars  
Employees from each division of the Company serve as lecturers on the operations of their respective divisions and other current information. This allows participants to not only gain an understanding of the entirety of T. Hasegawa, but also the connection and relationship between their own divisions and the division of the lecturer, which can be of help to their own business. By teaching others, the lecturers themselves can also deepen their understanding of the operations of their own divisions.
- Life planning seminars  
The Company pays the full amount of fees to employees and their spouses who wish to attend external seminars on living a fulfilling second life after retirement.
- Re-employment support for those who are resigning from the Company upon reaching the 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 businesses or relocate to overseas, etc., to help those who wish to set out on a new path after reaching the retirement age.

### **Foster management awareness among younger employees**

- Junior board  
We provide selective training to cultivate the ability to have a medium- to long-term vision, acquire business management skills, and raise the awareness of participating in management.

### **Support the development of global human resources**

- Language training  
The Company covers the full costs of language lessons by native speakers for employees who need English or Chinese language skills.

- Training before overseas assignment

The Company invites outside lecturers to provide lectures to employees assigned to overseas subsidiaries on the cultures, laws, and business practices of the countries where they have been assigned.

### **Support management that encourages growth and autonomy**

- Management training

The purpose of this training is to help managers to 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 are in management positions for a certain period of time.

### **Train senior management**

- Senior management training

Sixteen members of senior management took a business school course.

## **Plan for the future**

### **Promotion and management of the human resources system reform**

Using the evaluation system introduced in FY2022, we started to operate a new compensation system in April 2023.

#### **Compensation system**

- Our approach to the compensation system

In order to encourage employees to achieve the actions and results expected from them, we will focus on treating the desired actions and results to appropriately guide employees in developing an interest and making efforts.

- Important points of the compensation system

Seniority-based wages are discontinued and the weight of the seniority criteria is reduced. In addition, a managerial position allowance is established to reward the relevant role. Bonus payments to employees are balanced by distributing payments according to the performance evaluation of each individual, and high performance will be rewarded accordingly. In order to hire excellent human resources as mid-career hires, we have revised the compensation levels, in which the mid-career employees are treated well.

### **Providing training to those who evaluate employees' performance in line with the human resources system reform**

We will continue to provide training to those who evaluate employees' performance so that they understand the intent of the new human resources system reform and perform proper evaluation and development.

■ Related data (Reference: ESG Databook 2023)

## [Creating safe and rewarding workplaces]

### Risks, opportunities, and strategies

#### Risks

- Occurrence of occupational accidents
- Receiving administrative punishment, facing a lawsuit or ruined reputation as a result of an occupational accident
- Loss of talented human resources due to deterioration of the work environment
- Resignation from work for nursing care and childcare
- Increased difficulties in hiring due to reputational damage

#### Opportunities

- Increased job application rate and employee retention rate
- Increased production efficiency as a result of improving the work environment

#### Strategies

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 comfortable work environment

Program	Description
Self-assessment system	The system allows employees to inform the company not only of their work but also of their personal circumstances for the purposes of revitalizing the workplace, ensuring appropriate and effective allocation of personnel, and utilizing human resources effectively.
No Overtime Day	Every Wednesday is designated as No Overtime Day, which is intended to review the way we work and increase operational efficiency. At the same time, by reducing overtime work, we encourage employees to enhance their private lives and lead healthy lives.
Leave and reduced working hour system for child or nursing care	Leave: Employees who have applicable family members can take 5 days (or 10 days if they have two or more family members requiring care) of paid leave per year. Reduced working hours: Employees who have applicable family members can reduce their working hours to five or six hours per day.
Hour-based paid leave system for child or nursing care	The system allows employees to take family care or nursing care leave on an hourly basis.
Job search registration system for employees who left their jobs for child or nursing care	The system provides information on relevant job openings to employees who resigned for reasons such as child or nursing care and wish to receive mid-career recruitment information.
Commendation for long service	Employees who have reached their 15th, 25th, and 35th work anniversaries are granted special incentive leave and presented with an award.
Cultural and sporting events	We hold company-wide events such as sports competitions, workplace events such as going to theatres, and various club activities as voluntary participation events for employees to promote

Program	Description
	friendships with other employees outside of work and motivate them for work.

#### **Fair treatment and evaluation of non-full-time employees**

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

Note that the Company pays at least the minimum wage in any employment category required by the prefecture where each of our sites is located.

#### **Obtaining the “Kurumin” certification logo**

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



#### **Occupational health and safety initiatives**

We work to improve the workplace sanitation by placing top priority on ensuring occupational safety and disaster prevention. The company-wide Environmental Safety Committee formulates company-wide policies and activity plans, and each site works on workplace environment safety and security and disaster prevention activities in compliance with the Fire Service Act and other laws and regulations related to safety and disaster. At a workplace that handles chemical substances at the Fukaya Production Center, the Environmental Safety Committee serves as the main body to regularly patrol the workplace and check and improve hazardous locations.

#### **System for hazard identification, risk assessment, and incident investigation**

A monthly Occupational Safety and Health Committee meeting is held at each site. They deliberate and share information on safety and health activities while looking at the cause analysis of and measures for accidents and occupational accidents and the status of those who are absent due to illness. Furthermore, the division head of each workplace identifies the hazard in work and assesses risks in the workplace, and then takes action appropriately. They communicate the danger of handling chemical substances and their toxicity, in particular, to all employees, and regularly measure the organic solvent concentration in the work environment to assess its effect on the health of employees. We take measures to reduce occupational accidents and to prevent health issues at the Fukaya Production Center as a whole.

In the event of a serious accident or an occupational accident, a company-wide Accident Investigation Committee is established. We have established a framework of reporting the accident to the Committee quickly, investigating causes, developing recurrence prevention measures, and implementing the measures.

On September 15, 2022, there was a serious accident resulting in the death of one employee and injury of two employees. Accordingly, an Accident Investigation Committee was established to investigate the causes of the accident and develop recurrence prevention measures. The details on the investigation of causes of the accident and proposals on recurrence prevention measures by the Accident Investigation Committee were announced on November 11 of the same year. We take this accident, which resulted in a fatality and injuries, seriously. In order to prevent such an accident from occurring again, we will



ensure that the following recurrence prevention measures are steadily implemented, as well as build a proper and effective management system.

- Changing the manufacturing processes
- Improving the work area (air supply, local ventilation, etc.)
- Permanently installing a carbon monoxide concentration measurement instrument, installing an alarm system, etc.
- Providing safety education and training

In FY2022, six occupational accidents (including one fatal accident) occurred at Fukaya Production Center. We took measures to prevent occupational accidents from occurring again, including making improvements to hazardous locations based on special safety patrol and making sure that all employees are trained. Going forward, we will thoroughly investigate and take corrective action for potential risks and root causes of occupational accidents to eliminate them.

#### **System to improve a series of processes**

Based on audits of factories by the company-wide Environmental Safety Committee regarding environmental safety and work safety, we quickly improve matters requiring improvement and summarize such activities in Corrective Action Reports.

#### **System for employees to report on danger**

At the Fukaya Production Center, employees provide information on near misses and improvement requests during morning meetings and safety roundtables at each workplace so that an understanding on the potential danger at the workplace can be shared among all members. The Occupational Safety and Health Committee has also built a system to report on near misses and applied it to other workplaces. We take measures to reduce risks for reported near misses.

#### **Providing training on safety and health to employees**

The Fukaya Production Center regularly holds occupational safety workshops for all employees in an effort to raise employee awareness with respect to safe work. Our employees also actively participate in outside lectures to obtain the qualifications necessary for work.

### **Main FY2022 initiatives**

#### **Support for new and mid-career hire employees**

- In order to eliminate the anxieties associated with doing their first full-time job, we have introduced a mentor system for new employees, in which young employees who are close in age regularly interview them and provide mental support and other support for developing their careers.
- We have one-on-one interviews with individual mid-career hires to address any anxiety that they may feel about the new environment, so that they can exercise their ability as soon as possible.

#### **Initiatives for developing a comfortable work environment**

- Adoption of staggered work hours
- Addition of short work shift patterns for child and nursing care

#### **Encouragement to take paid leave**

- We encourage division heads to let their employees take paid leave.

#### **Understanding employees' requests through labor union meetings**

- In order to understand employees' requests properly, a meeting with the labor union is held every month.

#### **Occupational health and safety initiatives**

- Prevention of overwork and interviews with industrial physicians: We ask employees who have worked overtime exceeding the level set out in the internal regulations 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 who are 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: Conducted once a year, and the group analysis results are used in mental health care. We recommend employees who were determined to have elevated stress levels to 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 applicable employees to undergo an examination. Information on health issues and work environment from industrial physicians is posted on the bulletin boards in the Company.

■ Related data (Reference: ESG Databook 2023)

#### **Plan for the future**

In order to further promote the creation of a safe and rewarding workplace in accordance with the Basic Policy on Human Rights, we will undertake the following initiatives.

- We will develop and create a system for human rights due diligence.
- We will continue the human resources system reform so that employees will be motivated to engage in work.
- We will continue to consider an environment and system for the elderly to work comfortably.
- We will continue to consider an environment and system for handicapped people to work comfortably.

## CSR Policy 4: Quality safety

**We will become a leader in product safety.**

### Basic approach

In order to meet the customer requirement that products must be safe and reliable to use, the Group has established a quality assurance system and prioritizes the supply of safe and reliable products.

#### Quality & Food Safety Policy

We will implement the following policies to provide customers with reliable products.

1. We value communication with our customers and we work to provide satisfying products that embody their needs.
2. In all processes, from R&D to raw material procurement, manufacturing, distribution, sales, and administration, we steadily fulfill our roles and duties and provide quality products and services that our customers rely on.
3. We observe related laws and regulations, establish a quality assurance system that allows us to provide safe, high-quality products, and work continuously to make improvements.

### Relation with stakeholders

We are committed to providing products that customers can use with a sense of security and that are valuable for customer success.

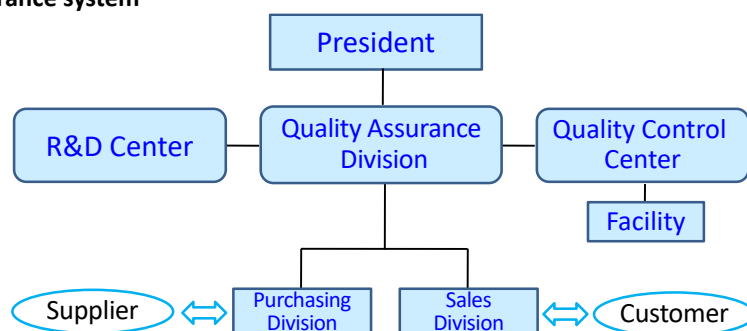
### SDGs that we are targeting



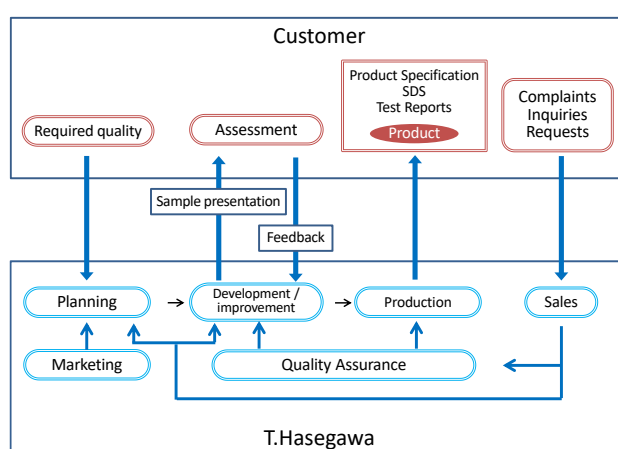
### Promotion system and governance

In order to assure customers and consumers of the quality and safety of our flavor and fragrance products, we have built a quality assurance system led by the Quality Assurance Division, which communicates directly with the President & CEO. We value communication with customers and we promote quality and safety activities. All raw materials that we use are registered under the system. Only raw materials whose quality and safety have been verified are used to make sample pieces and products. We focus on providing high-quality products and perform final inspection for all products for customers.

## Our quality assurance system



## Communication with customers



## Quality control from raw materials to products

Raw material	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 safe and reliable samples.	All raw materials arriving at the plant undergo an acceptance inspection to confirm that they meet our standards. In FY2022, we performed raw material inspection on around 9,200 items.	We engage in high-quality product manufacturing through manufacturing control utilizing FSSC 22000-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 FY2022, we performed product inspection on around 27,400 items.	After selling the products to our customers, we handle any complaints or inquiries that arise.

We use a traceability system based on barcodes for processes from raw material acceptance to product shipment to ensure product quality so that our customers will be able to use our products with a sense of security. All information is traceable under the system, from product lots to manufacturing records, product inspection results, lot numbers of raw materials used in the products, and raw material acceptance inspection results.

We check the quality and safety information for the raw materials that we use, including standards, allergies, and residual agrochemicals. We also confirm the compliance of compounds used in flavors and fragrances with related laws, including 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. By always using raw materials with guaranteed quality and creating quality products, we provide safe and reliable products and manufacture products while considering the environmental impact. By enabling information to be traced using the traceability system, we aim to reduce the time it takes to respond to customer inquiries so that we can provide information in a sustainable manner.

#### **Laws related to chemical substances and our compliance**

From the viewpoint that the components of flavors and fragrances we handle are chemical substances, we actively and appropriately comply with related laws to protect the workers who are handling chemical substances during manufacturing and transport, ensure the safety of users, and conserve the environment.

##### **1. Application for registering new chemical compounds in accordance with Japanese laws**

We perform the following in compliance with the Act on the Regulation of Manufacture and Evaluation of Chemical Substances:

- Notification concerning “Low Production Volume of New Chemical Substances”
- Request pertaining to “Small Production Volume of New Chemical Substances”

We perform the following in compliance with the Industrial Safety and Health Act:

- Application and registration of “New Chemical Substances”
- Application for “Small Production Volume of New Chemical Substances”

##### **2. Publication of Safety Data Sheets (SDSs) supporting the Globally Harmonized System of Classification and Labelling of Chemicals (GHS)**

We disclose information on substances subject to law contained in flavor and fragrance products through SDSs for all of our products so that customers will be able to use them safely. Applicable related laws are as follows:

- Industrial Safety and Health Act
- Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement (Chemical Substances Management Law)
- Fire Service Act
- Ship Safety Act
- Act on Prevention of Marine Pollution and Maritime Disaster (Marine Pollution Prevention Law)
- Poisonous and Deleterious Substances Control Law

For products to be exported, we also issue SDSs corresponding to the GHS system of the export destination country.

##### **3. Information management and response to chemicals regulation trends in countries and law amendment in Japan**

We obtain information on chemicals-related regulation trends of countries and items listed in the registered chemical substance list (inventory) through law search databases in and outside Japan, as well as through industry organizations. We manage the chemical substances by registering information on how they are obtained in our internal system, and we use this data to respond to inquiries from customers.

As for amendment of laws in Japan, we work to obtain notifications from relevant government offices as well as industry organizations. We collaborate with relevant divisions to respond to amendments to the Industrial Safety and Health Act and the Chemical Substances Management Law, which are frequently amended especially in recent years, when collecting raw material information and improving internal systems. We do so while considering the fact that the frequency of counting the emissions of flavors and fragrances applicable to the pollutant release and transfer register (PRTR), updating SDSs, and changing

label indication as well as the number of materials subject to risk assessment will further increase in the future.

#### 4. Response of overseas subsidiaries

Our overseas subsidiaries are also responsible for complying with chemicals-related laws applicable to each site.

- China

(1) Main chemicals management regulations applicable to our subsidiaries in China (Shanghai Facility and Suzhou Facility):

- Safety production regulations: Work Safety Law of the People's Republic of China; Fire Control Law of the People's Republic of China; Regulations on the Control over Safety of Hazardous Chemicals; Measures for Administration of Hazardous Chemicals Registration; and Catalog of Hazardous Chemicals
- Occupational health and protection regulations: Law of the People's Republic of China on Prevention and Control of Occupational Diseases; Regulations on the Management of Occupational Health at Workplaces; and Warning Signs for Occupational Hazards in the Workplace
- Environmental protection regulations: Environmental Protection Law of the People's Republic of China; National Inventory of Hazardous Wastes; and Measures on the Management of Transfer of Hazardous Waste

(2) T. HASEGAWA FLAVOURS AND FRAGRANCES (SHANGHAI) CO., LTD. applied for a simplified single item registration in accordance with the "Measures for Environmental Management of New Chemical Substances" (Order No. 7 of Ministry of Environmental Protection) in 2020. (Note that the current law on new chemical substance management in China is the "Measures for the Environmental Management Registration of New Chemical Substances" (Order No. 12 of the Ministry of Ecology and Environment; enforced in 2021).)

(3) Submission of SDSs

We issue SDSs that are in compliance with GB 30000: Rules for Classification and Labeling of Chemicals, GB 12268: List of Dangerous Goods, and GB 6944-2012: Classification and Code of Dangerous Goods. By registering the information on raw materials provided by suppliers in our internal system, we maintain GHS law information and submit SDSs according to the customer request.

- Malaysia

(1) Main chemicals management regulations in our subsidiaries in Malaysia:

- Occupational Safety and Health Act 1994 (OSHA 1994)
- Subordinate legislation of OSHA 1994: Occupational Safety and Health (Use and Standard of Exposure Chemical Hazardous to Health) Regulations 2000 (USECHH Regulations)

The Malaysia Facility only manufactures food flavors, so it does not have to register chemical substances. However, we internally manage records of substance names listed in the inventory of hazardous harmful chemical substances of CLASS Regulations 2013 (2013 Regulations on classification, labelling, and safety datasheets for hazardous chemicals).

(2) Submission of SDSs

We issue SDSs that comply with the CLASS Regulations 2013. We obtain SDSs of chemical substances used as raw materials of food flavors from suppliers and issue an SDS for samples and products according to the customer request.

- U.S.

(1) Main chemicals management regulations applicable to our subsidiaries in the U.S. (3 sites in California):

Our subsidiaries in the U.S. only manufacture food flavors and not new chemical substances, so they are exempted from the law on the application for registration of new chemical substances. However, Provision 65 (California state law) applies as a chemical substance management related law. We provide a statement related to Provision 65 before the customer places the first order of a product and/or upon request from the customer.

(2) Submission of SDSs

We issue an SDS in compliance with the GHS for samples and products according to the customer request.

### **Product risk assessment (Risk assessment of chemical substances)**

Factory employees regularly receive education on the danger, harm, and appropriate handling of chemical substances and chemicals regulations in and outside Japan in order to appropriately manage the chemical substances handled by the Company as raw materials. In addition, we conduct risk assessments of chemical substances based on the SDSs of raw materials and intermediate products, consider risk mitigation measures, and reflect the results in work procedures. We warn all workers who handle chemical substances of the toxicity of chemicals and precautions for handling chemicals, and provide exposure prevention measures (by installing local exhaust ventilation and wearing protective equipment).

The R&D Center conducts risk assessments of all chemical substances used in the factories in accordance with the Industrial Safety and Health Act, prepares a measure sheet according to the risk level, and put it on the intracompany website so that it will always be available to employees.

We will also respond to an increase in substances subject to risk assessments in the future due to amendments to the Industrial Safety and Health Act.

At our overseas subsidiaries, we also take action according to the actual situation there.

- China

The Shanghai Facility and the Suzhou Facility independently manage chemicals according to the respective local requirements. They formulate and manage the following management measures from the perspectives of safety production, occupational health and safety, environmental protection, and production risk management.

- 1) Obtain SDSs from raw material suppliers and register the information so that it can be searched on internal systems.
- 2) Evaluate workshops in accordance with legal requirements to identify occupational hazards. Regularly inspect workshops every year, publicly announce the results, and put occupational health warning marks at workshops.
- 3) Store flammable dangerous chemicals in specified warehouses.
- 4) Conduct a safety production risk assessment once a year to identify risks (such as the use, storage, and transport of dangerous chemicals), and establish control measures and emergency countermeasures to prevent safety production accidents from occurring.

- Malaysia

In order to confirm that a risk assessment has been conducted for all chemical substances and to ascertain the impact of such substances on employees, our subsidiaries in Malaysia receive chemical substance health risk assessments by external authorized reviewers registered with the Department of Occupational Safety and Health (DOSH) of Malaysia in accordance with the Occupational Safety and

Health (Use and Standard of Exposure Chemical Hazardous to Health) Regulations 2000 (USECHH Regulations). We installed local exhaust ventilation devices (fume hoods) at research labs based on the risk assessment results and in accordance with relevant regulations, and take management measures to confirm the permissible exposure limit of employees. In addition, we provide protective equipment approved by the Standard and Industrial Research Institute of Malaysia-Department of Occupational Safety and Health (SIRIM-DOSH) to employees.

- U.S.

At our subsidiaries in the U.S., risk assessments of raw materials are conducted based on the hazard risk information for respiratory organs of the US Flavor Extract Manufacturers Association (FEMA) or other information provided by suppliers. All employees receive hazard communication training. The facilities are in compliance with the requirements of government agencies as well as the Division of Occupational Safety and Health (Cal/OSHA). Regarding exposure to employees' respiratory organs during flavor manufacturing, we observe the priority chemical substance list for health and safety provided by the FEMA. Precautions on safety are all reflected in manufacturing process sheets so that employees can observe them.

#### **Quality Assurance Division**

We confirm legal compliance at the raw material purchase stage to provide customers with products that they can use with peace of mind. In addition to complying with laws and regulations in Japan, we check laws and regulations of destination countries of export products for our overseas customers, and provide products that comply with the laws and regulations of the respective countries and regions. We also promote automatic creation (digitalization) of product specifications to quickly provide customers with accurate information.

#### **Quality Control Center**

The Quality Control Centers of the Fukaya and Itakura facilities manage the plant quality system and conduct quality inspections of products manufactured at the facilities and purchased raw materials. Quality inspections are performed for all products and raw materials handled at the factories 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 have established a system that allows us to carry out all inspections internally. Inspection results are automatically transferred from the inspection equipment to a computer system by an automatic transfer system. Measurement, pass/fail determination, and inspection card issuance are fully automated (digitalized), which help to prevent data tampering. As a company that handles fragrances, we are also working on 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.

#### **International standard certification**

- ISO 9001

In 1998, we acquired an ISO 9002 certification for the quality management system at our facilities. In 2003, we changed the registration to an ISO 9001 certification. In 2007, we expanded the scope and acquired a certification covering the entire Company. With strong leadership exemplified by the President & CEO as top management, all employees involved in business activities cooperate in quality activities.

In 2012, we obtained a FSSC 22000 certification for our food safety management system and thereafter began rolling out an integrated management system of ISO 9001 and FSSC 22000. However, we have changed the scope of ISO 9001 to cover the head office, branches, sales offices, R&D Center, and



fragrance facilities with the certification and to cover flavor facilities with only the FSSC 22000 certification since 2019, in order to narrow down the activities at each division and focus on the most suitable standards.

In China, we acquired an ISO 9001 certification in Shanghai in 2004 and in Suzhou in 2010. These certifications guide our quality activities.

- FSSC 22000

All divisions associated with flavors obtained an FSSC 22000 certification for their food safety management systems in 2012. We acquired an international standard certification approved by the Global Food Safety Initiative (GFSI), which allowed us to reduce risks related to food safety and provide safe and reliable products that are recognized by our customers overseas as well as in Japan. Since the FSSC 22000 standard specializes in food safety, we changed the scope covered by the certification and has been obtaining the certification only at our flavor facilities since 2019. We have also acquired certifications 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	FSSC 22000 (2012) (Only in Suzhou where food flavoring essences are manufactured)
Malaysia	HACCP (2011), ISO 22000 (2013), FSSC 22000 (2014)
USA (3 locations in California)	British Retail Consortium (BRC) Global Standard for Food Safety certification (1 location in 2012, 2 locations in 2022) (BRC is a GFSI-recognized certification standard)

## Audit

- Internal audit

We conduct annual internal quality and food safety audit at all divisions. We provide specialized training to some employees to serve as internal auditors, and those approved as internal auditors conduct audits. By having employees audit one another, we can make detailed improvements to areas that we do not usually notice and eliminate operational inefficiencies. Findings are shared with other divisions to make ongoing improvements in every division.

- 5S audit

Members from the Quality Control Center of the Fukaya and Itakura facilities enter the manufacturing area to conduct hygiene audits based on the 5S, which stands for Seiri (Sort), Seiton (Systemize), Seiso (Shine), Seiketsu (Standardize), and Shitsuke (Sustain), by using a method equivalent to that used in external audits according to ISO 9001 or FSSC 22000. The hygiene control of a factory forms the basis of food safety and helps prevent contamination by foreign matter or microorganisms.

In China (Shanghai and Suzhou), regular patrols and audits 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. We conduct ongoing improvement activities by reflecting on the year's activities and receiving approval and assignments from management.

### **Compliance initiatives**

We believe employee awareness is important to provide customers with high-quality products and we are engaged in activities to raise awareness of compliance. We repeatedly provide quality management training at various occasions, including when employees join the company and when they are promoted. In particular, legal information changes on a daily basis, so we constantly collect information from industry organizations and various media and work to promptly communicate legal information to employees through intracompany websites, regular workshops, and various study sessions. Such information is posted on intracompany websites and can be checked by employees at any time. Regular study sessions on food safety are held at the Fukaya and Itakura facilities to raise compliance awareness among employees.

### **Internal Halal Committee**

In order to respond to requests from Islamic customers, our export products to Southeast Asian countries are Halal certified to supply safe and reliable products. We established an Internal Halal Committee by selecting members from related divisions, including Sales, R&D, and Production. The Committee shares Halal-related information with our locations in China and Southeast Asian countries and maintains the Halal certification. We have also entered into an agreement with the Nippon Asia Halal Association as an advisor and we are working to solve various problems.

### **Response to complaints and the Quality Control Committee**

When a complaint arises, quality-related divisions coordinate with each other to clarify the cause and countermeasures and quickly respond to the customer. Serious complaints are promptly reported to management, and proper measures are taken from the customer's perspective. Complaint information is shared at Quality Control Committee meetings and with related 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, and strategies**

### **Risks**

- Loss of trust due to poor product quality

### **Opportunities**

- Improved trust owing to improved product quality

### **Strategies**

- Investing in aging equipment
- Improving the skill level of inspectors
- Reviewing manufacturing methods and conditions
- Improving the manufacturing skill level through education and training
- Enhancing the production system (supply system)
- Reducing the lead time by promoting fully automated issuance of inspection cards (digital transformation)
- Developing the sensory skill of manufacturing personnel to differentiate taste and scent through sensory test division training

#### **Continued enhancement of the promotion system**

- Strengthening the development of the flavor and fragrance industry and responding to the environment surrounding the industry

We actively dispatch employees to serve as members of industry organizations of other countries in an attempt to respond to constantly changing legal information and develop the flavor and fragrance industry as a whole. We also joined organizations in Japan, including the Japan Flavor & Fragrance Materials Association (JFFMA) and the Japan Food Additives Association, as well as international industry organizations, such as the IFRA and IOFI, as a special member from the JFFMA. We take quick and appropriate action for the entire industry regarding various regulations related to the industry, and conduct activities that will help develop the entire flavor and fragrance industry.

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 we dispatch employees as committee members to participate in the activities of industry organizations.

- Enhancement of response to quality requirements in R&D

Various legal regulations are constantly changing, not only in Japan but overseas as well. In order to promptly respond to such changes, reflect them in products, and communicate the information to customers, it is necessary to actively participate in activities of industry organizations to collect information. The collected information is registered in an internal database and quickly reflected in product information. Updated information can always be referenced by researchers, which allows them to always develop products based on the latest information, and is also used to provide information to customers.

- Enhancement of response to quality requirements in manufacturing processes

In the manufacturing process, we are always required to produce products with consistent quality. We assign codes to every raw material and product. By managing them using barcodes, we prevent wrong raw materials from being input and products from getting mixed up. In our blended flavor and fragrance facilities and powder facilities, measurement data from scales used to measure raw materials and fill products is recorded in the system. The data is used in combination with barcode management to help manage manufacturing and ensure traceability. By installing IT technologies in our facilities, we are striving to always provide products with the specified quality.

#### **Main FY2022 initiatives**

Regular audits for ISO 9001 and FSSC 22000 were conducted, and we received approval for maintaining the certifications with no serious findings. An audit was also conducted for the Halal certification and its renewal was approved.

As an initiative for food safety, we pruned trees within the premises of the factories and strengthened rat-proof measures by installing rat-proof devices. The raw materials that we use are delivered from around the world. As such, we strengthened the acceptance and inspection work in cooperation with the Purchasing Division. We worked to improve our services by promoting the direct delivery of samples from factories to customers with whom we have close relationship in business, thereby increasing our response speed.

Employees engaged in the manufacturing of flavors and fragrances for foods take courses on HACCP and work to gain knowledge on and raise awareness of food safety. (Number of employees who took HACCP courses at the Fukaya Production Center in FY2022: 12)

We also work to increase awareness on quality and food safety system requirements and improve the operations of standards by the employees of each division by providing courses on ISO 9001 and FSSC

22000. (FSSC 22000 course: Held once for 25 participants; ISO 9001 internal auditor seminar: Held once for 20 participants)

## **Plan for the future**

Customers will always require safety and security. We will work to enhance our quality assurance system and aim to achieve a level of quality that customers will continue to rely on. The Quality Assurance Division, which communicates directly with the President & CEO, will lead our efforts to ensure close collaboration 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 satisfy all customers both in Japan and abroad. At our factories, we will review the manufacturing methods and work to improve operations in order to reduce the number of complaints and further reduce the rejection of goods in the factories. We will also expand the introduction of the entrance and exit monitoring system for food factories. We will continue to obtain the ISO 9001 and FSSC 22000 certifications to improve quality and maintain food safety.

Furthermore, the Production Division will proactively provide training for skill improvement at the R&D Center in order to develop highly skilled workers who can take on the responsibility of flavor and fragrance production. At the Quality Control Center, we will work to improve the skills of inspectors and enhance the inspection system with the aim of providing customers with high-quality products. In our overseas locations, we will also continue to train employees involved in production, introduce an operational improvement suggestion program, and engage in process control in the Production Divisions in the same manner as the Company.

We also realize that properly managing chemical substances to maintain health and the environment is an important issue in building a sustainable society. Going forward, we will continue to monitor trends on regulating related chemicals, including amendments to the Industrial Safety and Health Act, to continue to conduct risk assessments of applicable chemical substances and to reflect changes to SDSs.

## CSR Policy 5: Governance—Fair corporate activities

**We will ensure the soundness, fairness, and transparency of management and become a reliable partner for society.**

### [Corporate governance]

#### Basic approach

As a listed company, we respect the following five basic principles of corporate governance. We will expand management monitoring functions and reinforce compliance, while working towards sustainable growth and maximizing our corporate value by making accurate and quick management decisions and ensuring timely and appropriate performance of duties.

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

#### SDGs that we are targeting

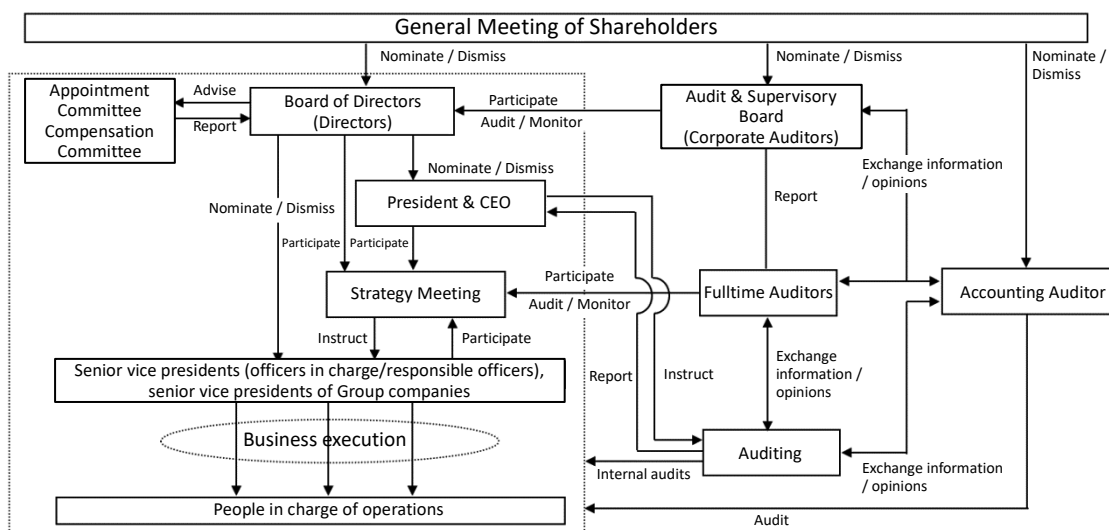


#### Promotion system and governance

The Company adopted the Audit and Supervisory Board corporate governance system under the Companies Act of Japan. The Board of Directors makes important management decisions and supervises business execution, while auditors and the Audit and Supervisory Board, which are independent of the Board of Directors, audit the status of business execution by the Board of Directors, and so on. We have also adopted the executive officer system and the group executive officer system to promote appropriate division of roles between management and business execution, accelerate management decision-making, and strengthen business execution functions.

Furthermore, we have established three voluntary organs: the Strategy Committee, Appointment Committee, and Compensation Committee. The Strategy Committee was established for the purpose of dynamically deliberating on the development of business strategies and on the execution of businesses, including important matters related to the management of the Group. The Appointment Committee and the Compensation Committee were established for the purpose of ensuring transparency and objectivity in relation to the nomination of director candidates and decisions on directors' compensation.

The outline of our corporate governance structure is shown in the following chart.



### Diversity of directors and auditors

To achieve corporate governance that will serve as the foundation of a highly reliable and transparent management system, the Group ensures diversity in the nomination of directors and auditors. For both internal and external candidates, we take into account various factors in the nomination of candidates, including personality, insight, knowledge in various fields, experience, career, gender, and age. As stipulated in the Articles of Incorporation, we appoint the appropriate number of directors (up to 10) to enable active deliberation, consideration, and rapid decision-making.

### Skill matrix of 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	M President & CEO	●	●	●	●			●	●	●	●
Yoshiaki Chino	M Representative Director & Deputy President	●	●	●	●	●	●	●			●
Minoru Nakamura	M Director & Senior Executive Vice President	●	●				●		●	●	●
Tetsuya Nakamura	M Director & Executive Vice President			●		●					●
Koichiro Kato	M Director & Executive Vice President	●			●			●			●
Shingo Ohkado	M Outside Director	●			●			●			●
Takao Yuhara	M Outside Director	●						●	●		
Akiko Izumi	F Outside Director	●	●		●					●	
Takehiro Matsumoto	M Full Time Audit & Supervisory Board Member	●						●	●	●	●
Tomoyoshi Arita	M Outside Audit & Supervisory Board Member								●		●
Kazuhiro Yamamura	M Outside Audit & Supervisory Board Member							●	●		●
Junko Imura	F Outside Audit & Supervisory Board Member								●		

\* M: male; F: female

### **Succession plan**

The Group realizes that the planned development of successors to the President & CEO is important as a business strategy to continue to improve our corporate value in the future. In accordance with the Basic Policy on Corporate Governance, we are working to develop successors in a planned manner so that candidates can gain experience while participating in management through business execution and attending important meetings, including Board of Directors' meetings and Strategic Meetings, to cultivate the abilities, experience, knowledge, skills, and so on necessary to serve as a President & CEO. In addition, in order to ensure transparency and objectivity in relation to the nomination of President & CEO candidates, relevant details are deliberated in the Appointment Committee, a voluntary committee comprised of the representative director and a majority of independent outside directors, and chaired by an independent outside director, before they are reported to the Board of Directors. Based on reports and advice from the Appointment Committee, the Board of Directors continues to supervise the overall efforts for developing successors.

### **Officer remuneration**

The Company determined the policy on decisions regarding the remuneration, etc., of individual directors during a Board of Directors' meeting held on April 16, 2021.

#### **Policy on decisions regarding the remuneration, etc., of individual directors**

a. Basic policy

As the basic policy for the remuneration, etc., of the Company's directors, the remuneration system shall also be linked to shareholder returns so that it will adequately function as an incentive to increase motivation and morale for improving shareholder value and to continue to improve corporate value. Furthermore, the remuneration, etc., of individual directors shall be set at the appropriate level in light of their duties.

Specifically, the remuneration, etc., of internal directors shall include basic remuneration as fixed remuneration, bonus as performance-linked remuneration, and stock-based compensation stock option as non-monetary remuneration. The remuneration, etc., of outside directors shall be paid only as basic remuneration in light of their duties.

b. Policy on decisions regarding the basic remuneration (monetary remuneration), etc., of individuals (including the policy on deciding the time or conditions for granting remuneration, etc.)

As the fixed remuneration of the Company's directors, basic remuneration shall be paid at a certain time every month.

The amount of remuneration payment for individual directors pertaining to basic remuneration (fixed remuneration) shall be determined based on the corresponding level for the position within the remuneration limit approved by the resolution of the General Meeting of Shareholders while taking into consideration the performance, financial condition, economic situation, market level, etc.

c. Policy on decisions regarding the details of performance-linked remuneration, etc., and non-monetary remuneration, etc., and the calculation method for the amount or number thereof (including the policy on deciding the time or conditions for granting remuneration, etc.)

The upper limit for the total amount of bonus payment, which is performance-linked remuneration, shall be determined within the remuneration limit approved by the resolution of the General Meeting

of Shareholders. With consolidated ordinary profit as the indicator for performance-linked remuneration, the payment amount shall be calculated by multiplying the payment unit (which is obtained by multiplying the incentive corresponding to the rate of achievement of the consolidated ordinary profit plan) with the factor corresponding to the position of the director, while taking into account the performance evaluation of the director. This payment shall be made at a certain time every year.

Note that consolidated ordinary profit represents profit from overall management activities and is considered appropriate as an indicator to evaluate the performance of duties of directors. Therefore, consolidated ordinary profit shall be used as the indicator pertaining to performance-linked remuneration.

- d. Policy on decisions regarding the details of non-monetary remuneration, etc., and the calculation method for the amount or number thereof (including the policy on deciding the time or conditions for granting remuneration, etc.)

As a stock-based compensation stock option, which is non-monetary remuneration, a share option that is granted by exercising the right at one yen for one share shall be granted once every year as a rule. Note that the number of options granted shall be determined based on the standard corresponding to the position within the remuneration limit approved by the resolution of the General Meeting of Shareholders.

- e. Policy on decisions regarding the rate of the amount of fixed remuneration, performance-based remuneration, etc., or non-monetary remuneration, etc., to the amount of remuneration, etc., of individual directors

The remuneration, etc., of internal directors shall include basic remuneration (fixed remuneration), bonus (performance-linked remuneration), and stock-based compensation stock option (non-monetary remuneration). The remuneration, etc., of outside directors shall only include basic remuneration.

The rate of payment of the remuneration of internal directors shall be set at the appropriate rate so that it will adequately function as an incentive to increase motivation and morale for improving shareholder value and to continue to improve corporate value, while taking into consideration the post, duties, and trends of other companies with the same business scale as the Company, etc., in a comprehensive manner.

- f. Matters related to decisions regarding the remuneration, etc., of individual directors

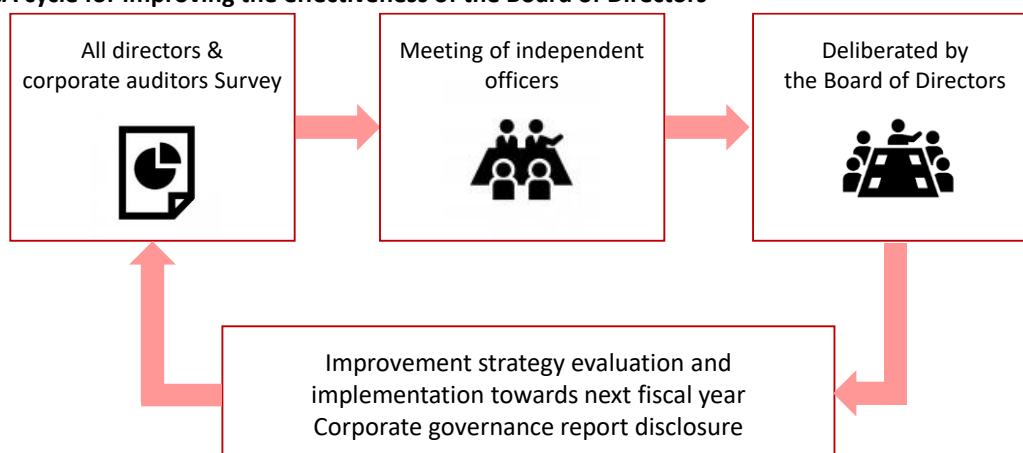
The amount of remuneration, etc., of individual directors shall be determined by the Board of Directors' meeting within the remuneration limit approved by the General Meeting of Shareholders in light of the details of the deliberation at the Compensation Committee, a voluntary committee. Note that the Compensation Committee shall include the representative director and outside directors to ensure the transparency and objectivity of decisions pertaining to remuneration.

### **Evaluation of the effectiveness of the Board of Directors**

The Board of Directors of the Company analyzes and evaluates the effectiveness of the Board and discloses an overview of the results every year.



#### PDCA cycle for improving the effectiveness of the Board of Directors



### Strategies

As a member of society, our Group aims to build and strengthen the relationship with each stakeholder and to contribute to the creation of an enriched society using flavor and fragrance technologies to solve the challenges faced by the society. To fulfill its social responsibilities, grow sustainably, and improve long-term corporate value, it is essential that our Group makes decisions rapidly and executes business flexibly while responding to the changing management environment under a highly reliable and transparent management system. Our Group regards corporate governance that serves as the foundation of a highly reliable and transparent management system as an important challenge and will continue to work on strengthening our governance system so that it remains effective.

#### Objective indicators for judging the achievement of management targets

In order to achieve mid- to long-term improvement of corporate value through sustainable and stable development, our Group has set the following targets with an awareness of the necessary and feasible range: a consolidated net sales growth rate of 5.0% or more; a consolidated operating profit margin of 13.0%; and a consolidated ordinary profit margin of 14.0% for FY2025.

### Main FY2022 initiatives

- We manage corporate governance in line with the Basic Policy on Corporate Governance, which we established based on the principles of the Corporate Governance Code.
- The Board of Directors' meeting was convened eleven times, where they made decisions on important management matters, including the management policy, budget development, and matters prescribed in laws and the Articles of Incorporation. They also conducted monthly performance analyses and evaluations and held discussions from the viewpoint of compliance with laws and the Articles of Incorporation, as well as the appropriateness of operations.
- The Audit and Supervisory Board is comprised of four auditors, including three outside auditors. The Board meeting was convened eleven times to receive reports on important matters related to audit and to discuss and resolve reported matters. The auditors also attended important meetings such as Board of Directors' meetings to audit and supervise the status of performance of duties by directors. They exchanged views with the President & CEO, senior vice presidents, and division heads twice during the year. The Audit and Supervisory Board also audited subsidiaries and factories in accordance with audit plans. Furthermore, the auditors worked to increase audit functions by regularly exchanging views with an independent auditor and the Internal Audit Division.

- The Appointment Committee, a voluntary committee comprised of the representative director and a majority of independent outside directors and chaired by an independent outside director, was convened once. The Appointment Committee nominates director candidates from multiple perspectives, including factors such as excellent character, insight, and good management capabilities, and submits recommendations to the Board of Directors.
- The Compensation Committee, a voluntary committee comprised of the representative director and a majority of independent outside directors and chaired by an independent outside director, was convened twice. The Compensation Committee deliberates on matters related to director remuneration and submits the conclusion to the Board of Directors.
- To ensure the effectiveness of the Board of Directors, the Company conducted a survey of all directors and auditors on the structure and management of the Board of Directors and analyzed and evaluated the responses during a Board of Directors' meeting. As a result, the Company confirmed that the effectiveness of its Board of Directors was secured for FY2022.
- The Company submitted the Corporate Governance Report based on the Corporate Governance Code revised in June 2021 to the Tokyo Stock Exchange to disclose information on the status of our corporate governance.

## Plan for the future

- Our Group will continue to work on strengthening our effective corporate governance system that serves as the foundation of a highly reliable and transparent management system.
- We will evaluate the effectiveness of the Board of Directors once a year to ensure that it remains effective.
- Based on the analysis and evaluation results of the effectiveness evaluation of the Board of Directors conducted in FY2022, we will secure sufficient time for briefing, share materials at an early stage, digitalize materials to strengthen the security, and increase the time for discussions during meetings in FY2023. In addition, we will work to increase opportunities to discuss business strategies and risks. Furthermore, while enhancing the training content for directors and auditors through participation in external seminars, we will work to enrich divisions' report content to promote understanding of outside directors on business details and business execution. We will also continue to work on improving governance by providing opportunities for a regular interview between outside directors and officers in charge.

## [Compliance]

### Basic approach

The Group regards compliance as one of the most important issues in corporate activities. We have prescribed the T. Hasegawa Corporate Code of Conduct and the compliance rules to ensure that the execution of duties by all directors and all employees is in compliance with laws and the Articles of Incorporation, as well as to fulfill the social responsibilities of a company and disseminate them to all directors and employees as part of efforts to ensure compliance.

### Bribery and corruption prevention initiatives

We support the 10 principles of "Human Rights, Labour, Environment and Anti-Corruption" outlined in the UN Global Compact. T. Hasegawa will continue to promote responsible management for all stakeholders in order to create a sustainable world.

## **T. Hasegawa Policy on Bribery and Corruption**

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

1. The T. Hasegawa Group observes all laws and corporate ethics related to bribery and corruption prevention applicable in Japan and overseas in accordance with the “Compliance with laws and regulations,” “Actions towards customers,” and “Relationships with suppliers” sections stipulated in the T. Hasegawa employment regulations and the T. Hasegawa Code of Conduct and does not allow any act of bribery or corruption.
2. The T. Hasegawa Group will never demand profits that can be gained only through bribery, corruption, or other similar means under any circumstances. We also request cooperation from all domestic and overseas business partners involved in our Group’s business to fully understand the aim of this policy and to never look to the interest of the Group by such improper means.
3. The T. Hasegawa Group appoints the officer in charge of internal management control as the chief supervisor related to the prevention of bribery and corruption. We will work to improve the compliance system by taking measures, including the provision of training necessary to prevent bribery and corruption and enhancement of the whistleblowing system.

### **Establishment of a tax policy**

The circumstances surrounding tax has become more complicated as a result of our global development, so the Group is working to strengthen tax governance to appropriately respond to tax risks, etc., in the countries and regions where we operate. As part of this effort, we have established the T. Hasegawa Tax Policy with the aim of raising the awareness of all Group directors and employees on tax compliance.

## **T. Hasegawa Tax Policy**

### **Basic policy**

The T. Hasegawa Group observes laws and regulations in accordance with the T. Hasegawa Corporate Code of Conduct, fulfills its social responsibilities by properly performing tax obligation in the countries and regions where it operates, and aims to further improve corporate value.

### **1. Compliance with laws and regulations**

The Group complies with relevant tax laws and appropriately fulfills tax obligations. We do not use tax incentives for programs that do not correspond to the actual business condition nor engage in

tax avoidance using regions known as tax havens. In international transactions, we observe laws, regulations, and tax ordinances of countries and regions as well as international taxation rules.

## **2. Ensuring transparency**

The Group complies with relevant accounting and disclosure standards that should be complied with and work to appropriately disclose information to all stakeholders. Upon request from tax authorities, we will provide the necessary information and earn their trust. If any tax problem is pointed out, we will promptly implement improvement measures to prevent it from occurring again.

## **3. Minimizing the tax risk**

Through correct understanding of tax systems, the Group aims to minimize the tax risk and improve corporate value. For transactions in business activities whose tax interpretation is unclear, we receive advice from experts to fully examine them and confirm with tax authorities as necessary in an effort to reduce the tax risk.

## **4. Tax governance**

The Group receives advice from external experts regarding changes in the business environment and amendments to the tax system, etc., of each country and region to ensure that we accurately interpret tax laws and regulations. Each site responds to such changes in a timely and appropriate manner, and the Company has also established a system to quickly share such information.

## **Approach to animal tests**

The Group has a policy of not conducting animal testing in any research and development for flavor and fragrance products. We also do not support any activities that involve animal testing.

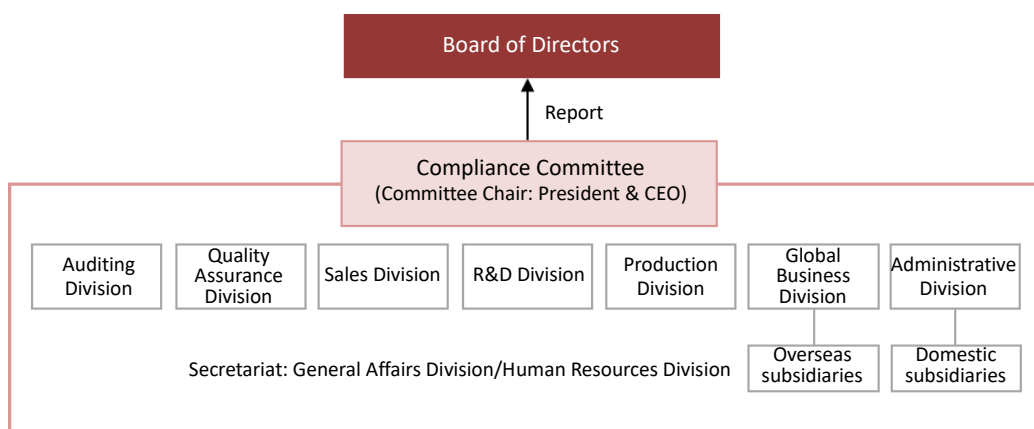
Upon request from the administrative authorities, however, animal testing cannot be avoided in some cases.

## **Promotion system and governance**

### **Compliance Committee**

The Compliance Committee was established in accordance with compliance rules. It is chaired by the President & CEO and includes directors as its members. The Compliance Committee regularly investigates whether any illegal act has been committed in the Company for the purpose of preventing an illegal act from being committed, preventing a potential illegal act from being ignored or concealed, and, in the event of an illegal act, quickly ascertaining the actual condition, discussing countermeasures, and correcting the situation.

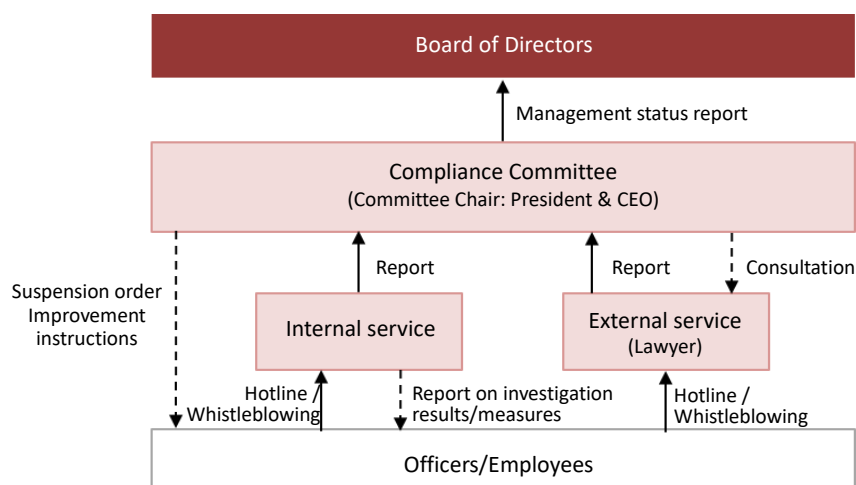
## Compliance Committee structure chart



### • Compliance Committee members (as of December 1, 2022)

Chairperson: Takao Umino (Representative Director, President, and CEO)  
 Vice Chairperson: Minoru Nakamura (Director and Senior Executive Vice President)  
 Member: Yoshiaki Chino (Representative Director and Deputy President)  
           Tetsuya Nakamura (Director and Executive Vice President)  
           Koichiro Kato (Director and Executive Vice President), and 10 other members  
 Observer: Takehiro Matsumoto (Full-time Auditor)  
 Secretariat: General Affairs Division/Human Resources Division

## Whistleblowing system



We have established a whistleblowing system to receive reports on illegal acts. In addition to multiple whistleblowing hotlines, we have established a point of contact with external lawyers as a consulting service independent of management. In the management of the whistleblowing system, we make sure that the following matters are communicated to all directors and employees of the Group: the relevant person asking for advice, whistleblower, and person cooperating in an investigation will not be treated disadvantageously in any case as a result of seeking consultation or whistleblowing in accordance with related laws and regulations and the compliance rules; the Compliance Committee and the Secretariat of

the Compliance Committee will collaborate with full-time auditors to clearly state in the compliance rules that they will monitor the presence or absence of disadvantageous treatment. The division in charge of the whistleblowing system confirms the status of internal reporting with directors and employees of the Group companies, regularly reports the confirmed status during the Compliance Committee that includes directors as members, and reports the system management status to the Board of Directors.

#### **Training and education on compliance**

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

#### **Development and implementation of internal control**

In order to secure the reliability of financial reporting, we have established the rules on internal controls to develop and implement internal control pertaining to financial reporting, and have built a system to appropriately evaluate the effectiveness of the internal control.

#### **Internal audit**

The Internal Audit Division conducts internal audit of the Company's operations based on the internal audit plan.

#### **Target**

- Compliance comprehension test: once a year
- Harassment prevention training: once a year (all new managerial staff are required to receive the training)

#### **Main FY2022 initiatives**

- We have established the T. Hasegawa Corporate Code of Conduct, shared it with all directors and employees, distributed the Code, and made sure that they can be referred to at any time. In FY2022, we conducted a compliance comprehension test for all employees to confirm whether they are aware of the behavior norms and code that require them to be sincere and maintain an ethical view as part of our efforts to improve compliance awareness.
- In accordance with the compliance rules, we held the Compliance Committee once in FY2022. The Compliance Committee deliberates important matters concerning compliance and reports the results of the comprehension test, and so on. In FY2022, there was no serious compliance violation that affects the Group's business continuity and we confirmed that the Group's business is being managed appropriately. In addition, with 99.9% correct answers received in the comprehension test, we confirmed that the understanding on various rules related to compliance has deepened among employees.
- We have established a whistleblowing system in the Company and its subsidiaries, as well as consultation and whistleblowing hotlines in and outside the Company. Upon receiving any consultation request and report, we investigated the facts and considered measures. The status of consultation and reporting at the Group companies is reported to full-time auditors in the Compliance Committee. In addition, we included questions regarding the whistleblowing system in the compliance comprehension test and encouraged all employees to understand the system to promote the use of the whistleblowing system.
- We take a firm attitude toward antisocial forces and organizations that pose a threat to social order and security and ban any relations with them. We also take strong actions for unreasonable requests

from them. The T. Hasegawa Corporate Code of Conduct states that effect, and all directors and employees observe the Code. We constantly collect information from relevant administrative agencies and organizations, including the police. In the event of an incident, we have a system in place to deal with it promptly and systematically in close cooperation with such agencies, organizations, lawyers, and so on.

- To prevent harassment in workplace (including sexual harassment, harassment related to pregnancy, childbirth, childcare, and long-term nursing care leave, and abuse of authority), we prescribe and share matters that employees should observe and administrative measures to address problems arising from speech and behavior in the harassment prevention rules. In FY2022, we provided harassment prevention training to all management positions.

## **Plan for the future**

- The Group will continue the above efforts for increasing awareness on compliance of each employee and work with Group companies to enhance and strengthen the compliance system of the entire Group.
- We will continue to conduct a compliance comprehension test for all employees once a year to confirm whether they are aware of the behavior norms and code that require them to be sincere and maintain an ethical view (Target rate of taking the compliance comprehension test in FY2023: 100%).
- To promote the use of the whistleblowing system, we will include questions regarding the whistleblowing system in the compliance comprehension test conducted once a year and encourage all employees to understand the system.
- We will work to prevent harassment in workplace by conducting harassment prevention training, which is compulsory for all people who have been promoted to management positions, once a year.
- In order to promote understanding on internal control, we will provide training for new employees and new managerial staff once a year.

## **[Risk management]**

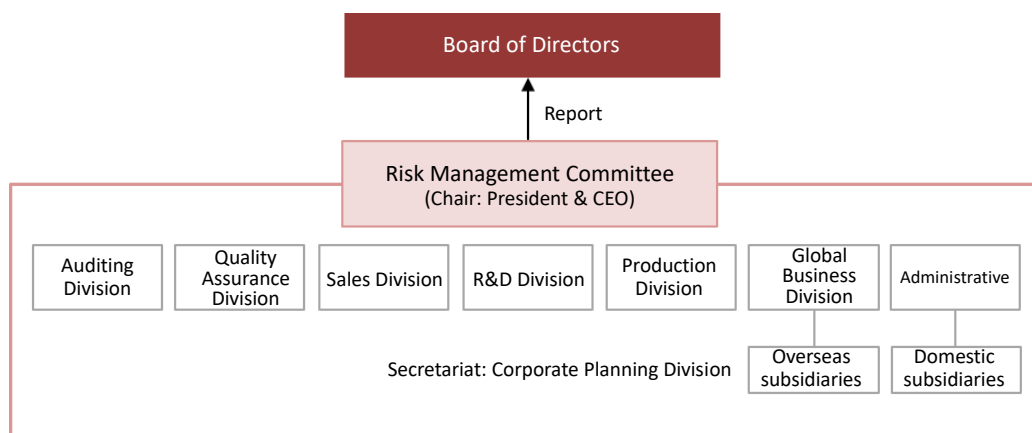
### **Basic approach**

We have developed internal rules on the risk management system, which stipulates that the analysis, management, and consideration of measures for risks must be performed, mainly for relevant divisions. The rules also stipulate that the Risk Management Committee, which is a cross-sectional organization of relevant divisions or the whole Group, must be established to analyze, manage, and consider measures for risks that require a response from the company or the Group. In addition, as our basic approach for risk management, we have established business continuity rules and their subordinate rules, which are business continuity guidelines to continue the Company's business in the event of a contingency or crisis, and shared them with all directors and employees of the Company.

### **Promotion system and governance**

We have developed internal rules, and are analyzing, managing, and considering measures for risks, mainly for relevant divisions. In addition, the relevant divisions and the Risk Management Committee analyze, manage, and consider measures for risks that require a response from the company or the Group based on the risk management rules. The Risk Management Committee has been established as a Group-wide organization that is chaired by the President & CEO and consists of directors as members.

## Risk Management Committee structure chart



- Risk Management Committee members (as of December 1, 2022)  
 Chairperson: Takao Umino (Representative Director, President, and CEO)  
 Vice Chairperson: Minoru Nakamura (Director and Senior Executive Vice President)  
 Member: Yoshiaki Chino (Representative Director and Deputy President)  
 Tetsuya Nakamura (Director and Executive Vice President)  
 Koichiro Kato (Director and Executive Vice President), and 10 other members  
 Observer: Takehiro Matsumoto (Full-time Auditor)  
 Secretariat: Corporate Planning Division

## Risk identification process

The Group identifies risks by conducting annual company-wide risk assessments in accordance with the risk management rules. The risk assessment analysis results are reported to the Risk Management Committee and the Board of Directors. The Risk Management Committee selects the priority risks to be monitored based on the analysis results, and regularly checks them for progress.

## Main risks and initiatives

The following lists the main risk items identified by the Group and the main initiatives.

(As of December 23, 2022)

Risk item	Main initiative
Climate risks	<ul style="list-style-type: none"> <li>• Aim to increase the ratio of sales in categories other than beverages, which are most affected by unseasonable weather.</li> </ul>
Raw material procurement risks	<ul style="list-style-type: none"> <li>• Promote the distribution of suppliers and diversification of procurement methods by working to procure raw materials from multiple suppliers around the world.</li> <li>• Purchase globally through collaborations between the Group's sites in and outside Japan.</li> </ul>
Disaster and other risks	<ul style="list-style-type: none"> <li>• In order to continue business operations in the event of a contingency such as a disaster or crisis, establish and implement business continuity rules and their subordinate rules as business continuity guidelines. In addition, conduct firefighting training and safety confirmation training based on a large-scale disaster scenario to enhance their effectiveness.</li> </ul>



Risk item	Main initiative
Quality risks	<ul style="list-style-type: none"> <li>• As a manufacturer involved in food safety, prioritize safety first and work to supply products with a level of quality that satisfies customers.</li> <li>• Take all possible measures to ensure product safety by building a comprehensive quality assurance system covering research and development, raw materials procurement, production, and sales under the leadership of the Quality Assurance Division, which communicates directly with the President &amp; CEO.</li> <li>• Have a product liability insurance just in case.</li> </ul>
Economic and other risks	<ul style="list-style-type: none"> <li>• Promote global expansion in the U.S. and the Asian region, particularly China and Southeast Asian countries to spread our operating areas.</li> <li>• By accurately ascertaining the market growth potential and consumer preferences in each country and region where the Group operates, develop and promote business strategies that allow us to respond quickly and flexibly to the significantly changing business environment.</li> </ul>
Environmental risks	<ul style="list-style-type: none"> <li>• In response to environmental issues, thoroughly observe environmental laws and regulations in countries and regions where we operate.</li> <li>• State in the CSR Policy and the T. Hasegawa Corporate Code of Conduct that we must actively work to protect the environment and improve environmental issues, and conduct business activities while considering the environment.</li> </ul>
Impairment loss risks	<ul style="list-style-type: none"> <li>• Appropriately evaluate the profitability of retained fixed assets, consider whether to continue retaining them based on the evaluation, and formulate utilization measures. Make capital investments to stably maintain and manage fixed assets in order to improve the asset value.</li> <li>• Before engaging in merger and acquisition deals, develop business plans and fully consider the measurement of future value. After closing a merger and acquisition deal, systematically promote post-merger integration (PMI) to maximize the expected synergy effect.</li> </ul>
Subsidiary management risks	<ul style="list-style-type: none"> <li>• The Group shall regard corporate governance that serves as the foundation of a highly reliable and transparent management system as an important challenge, and work on strengthening its governance system, including for its subsidiaries, so that it remains effective.</li> <li>• Apply the T. Hasegawa Corporate Code of Conduct and the compliance rules to subsidiaries as well and work to build a compliance system for the entire Group. Establish a whistleblowing system to receive reports on illegal acts at subsidiaries.</li> <li>• We created core basic rules at overseas subsidiaries and strengthened the governance system of overseas subsidiaries.</li> <li>• Consider the management risks of overseas subsidiaries as priority risks of the Group, and regularly conduct operating audits of overseas subsidiaries based on the developed guidelines and plans, including the implementation, etc., of the created core basic rules.</li> </ul>
Exchange rate fluctuation risks	<ul style="list-style-type: none"> <li>• Promote global expansion in the U.S. and the Asian region, particularly China and Southeast Asian countries. Reduce the exchange rate fluctuation risks through local production and local sales overseas.</li> <li>• Develop a management plan that incorporates exchange rate fluctuations.</li> </ul>

Risk item	Main initiative
	<ul style="list-style-type: none"> <li>• The Company is rarely affected by exchange rate fluctuations on an unconsolidated basis because the amount of export from Japan and that of import of raw materials from overseas are almost the same.</li> </ul>
Information security risks	<ul style="list-style-type: none"> <li>• Develop information security rules, including the Basic Policy on Information Security and Countermeasure Standards, and ensure appropriate use and management of information assets owned by the Group.</li> <li>• Install information security software, etc., to create an environment that enables early detection, defense, and response.</li> <li>• In addition to providing regular education on information security for all directors and employees, conduct awareness activities through notifications and work to improve awareness on information security.</li> </ul>
Risk on the spread of COVID-19 infection	<ul style="list-style-type: none"> <li>• It is difficult to accurately predict when COVID-19 pandemic will subside, and infection trends still remain uncertain. The business activities of the Group may be affected depending on the future progress, and we will continue to monitor the situation.</li> <li>• The Group's Emergency Response HQ, which was established in accordance with the business continuity rules and the business continuity guidelines (pandemic edition), collected information in and outside Japan for business continuity and developed and promoted countermeasures.</li> </ul>

For details on the risks, refer to the Securities Report.

FY2022 Securities Report: Business and other risks

[https://ssl4.eir-parts.net/doc/4958/yuho\\_pdf/S100PUV1/00.pdf#page=12](https://ssl4.eir-parts.net/doc/4958/yuho_pdf/S100PUV1/00.pdf#page=12)

## Main FY2022 initiatives

- Risk Management Committee

The Risk Management Committee discussed risk management plans, including risk analysis and management, evaluation reports on response to high-priority risks, annual risk management plans, and the planning and implementation of countermeasures. In FY2022, the Risk Management Committee was convened once.

- Business continuity

In order to continue business operations in the event of a contingency or crisis, we have established business continuity rules and business continuity guidelines. We disseminated the content among all directors and employees, and conducted firefighting training and safety confirmation training based on a large-scale disaster scenario.

- Internal audit

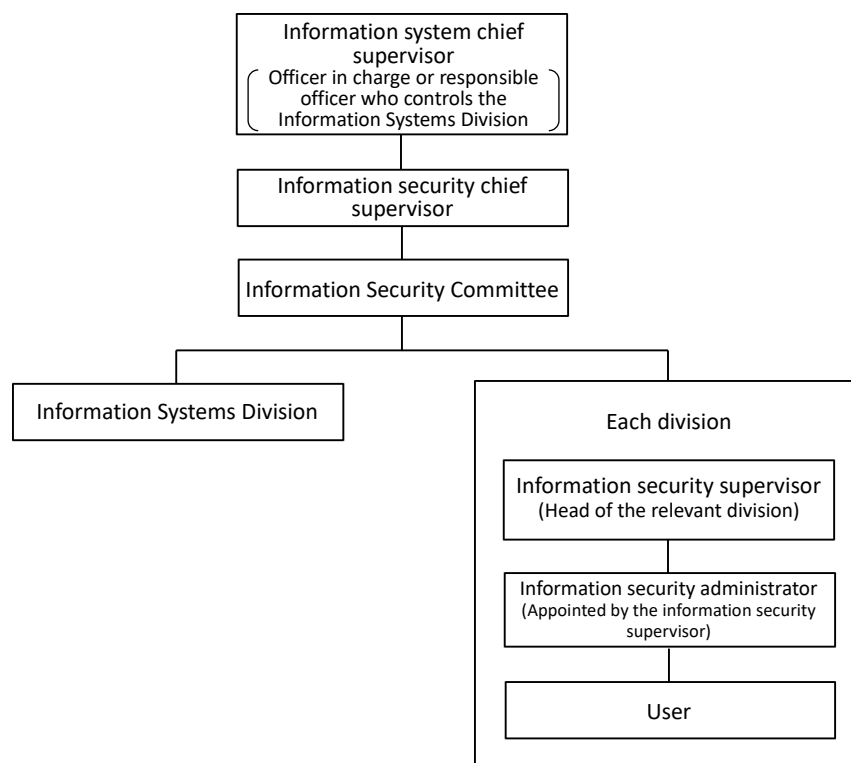
The Internal Audit Division conducts internal audit of the Company's operations based on the internal audit plan.

- Information security

The Group ensures appropriate use and management of its information assets by developing information security rules, including the Basic Policy on Information Security and Countermeasure Standards, and by developing an information security organizational structure. By combining multiple systems, security tools, and monitoring services, the Company has created an environment that

enables early detection, defense, and response. In addition to focusing on warning all directors and employees regarding information security through regular education, notifications, etc., on information security, we regularly conduct trainings to handle and respond to incidents.

#### Information security organization chart



- \* The information system chief supervisor shall be the officer in charge or responsible officer who controls the Information Systems Division.  
The information system chief supervisor shall be responsible for supervising and managing company-wide information security.  
However, an information security chief supervisor may be appointed separately.
- \* The Information Security Committee Chair shall be the officer in charge.
- \* Under the Company's system, any important matters regarding information security are to be submitted and reported to the Strategy Committee, as well as to the Board of Directors as necessary.

#### • Intellectual property rights

The importance of intellectual property rights is increasing year by year due to growing awareness of intellectual property rights in society and various measures taken by the government. The Group has established the Legal Division as a division responsible for controlling intellectual property rights. The Division acquires achievements obtained through research and development, etc., as intellectual property rights, and utilizes them in providing the Group's high-quality, high-value-added products.

#### • Response to COVID-19 pandemic

In response to the impact of the global COVID-19 pandemic, the Group's Emergency Response HQ, which was established in accordance with the business continuity rules and the business continuity

guidelines (pandemic edition), collected information in and outside Japan for business continuity and developed and promoted countermeasures.

### **Plan for the future**

- We will continue our efforts to reduce risks, while monitoring mainly priority risks in accordance with the risk management plan formulated by the Risk Management Committee. We will regularly identify potential risks, and work to avoid and reduce risks and to prevent a crisis from occurring.
- Specifically, we will conduct annual risk assessments covering the Group companies once a year to identify company-wide risks. The Risk Management Committee will report the risk assessment analysis results and select priority risks. For identified priority risks, the Committee will report the progress (follow-up) twice a year to check on the progress of response.

## CSR Policy 6: Innovation

**We will contribute to resolving social issues through the flavor and fragrance business.**

### Basic approach

The Company is working to find unique flavors and fragrances by developing flavors and fragrances and creating new flavor components through technologies for creating fragrance and creating taste, analysis, synthesis, and ingredient development. The Company is also working to streamline and improve the efficiency of manufacturing methods.

With solving social issues as the starting point of our efforts to meet customers' needs and potential demand, we develop new products and search for new businesses from various viewpoints, including "responding to health consciousness," "contributing to foodtech," "providing health and enrichment," and "reducing lifestyle odors (bad smell that comes from daily activities, such as sleeping, walking, and eating)." In this way, we aim to contribute to realizing a rich and healthy life and creating a sustainable society through flavors and fragrances.

—Contribution to society through the flavor and fragrance business—

Responding to health consciousness

Contributing to foodtech

Providing health and enrichment

Reducing lifestyle odors

### Relation with stakeholders

#### Customers

We provide the ideal flavors and fragrances required by customers by providing high-quality and high-value-added products.

#### Examples of customer success cases

We have visualized customers' issues and established a proposal method to support product development by integrating marketing data and sensory evaluation data. By using our proprietary flavor and fragrance visualization tool, we visualize the quality of scents, flavors, and fragrances. We use these techniques and tools to share issues of customers in order to accurately respond to customer requests.

#### Natural environment

To develop alternatives and reduce the use of food resources that are consumed in large quantities, we are developing flavors, fragrances, and ingredients that help us reduce the use of such resources in processed foods without sacrificing consumers' preferences. In synthetic chemical studies, we aim to develop environmentally conscious ingredients by continuing to reduce the amount of solvent used and to replace toxic substances while taking into account green chemistry. We contribute to reducing the thickness of PET bottles and saving resources through the development of ingredients that enhance the flavor of natural raw materials and other ingredients that supplement the sensation of carbonation, which will lead to the protection of biodiversity and food resources.

### Joint research partners, universities, and research institutes

We endeavor to absorb cutting-edge research and improve technologies by sharing knowledge, exchanging views, etc.

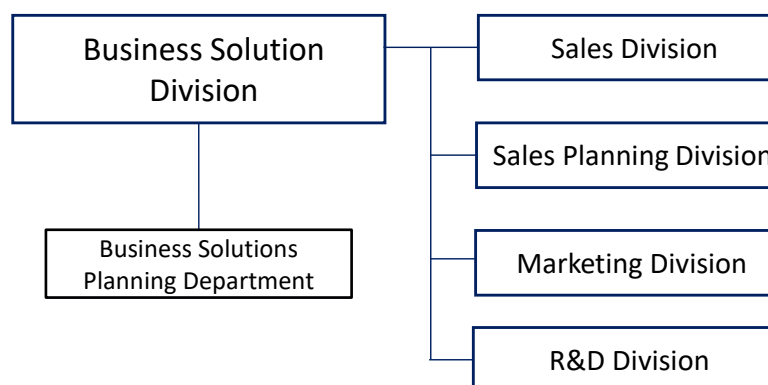
### SDGs that we are targeting



### Promotion system and governance

The Business Solution Division, which was established in 2020, is strengthening collaboration between the Sales, Sales Planning, Marketing, and R&D Divisions. Based on strategies developed by the Business Solutions Planning Department, we aim to contribute to resolving social challenges and achieve sustainable growth by taking an organized approach to provide high-quality and high-value-added products to customers.

In addition, the R&D Center (Kawasaki city in Kanagawa Prefecture) serves as the backbone of our flavor and fragrance development. The Flavor R&D Center, Fragrance R&D Center, and Technology R&D Center pursue research in their respective specialized fields, and collaborate with each other to combine their achievements, thereby strengthening our research and development capabilities.



### Opportunities and strategies

#### Opportunities

- Social challenges to which the Group can contribute with its technology
- Increasing interest and need for creating a sustainable society
- Potential of flavors and fragrances to create new value

#### Strategies

- Proposal activities using marketing data and AI
- Speedy development: Accurately understanding the requests and latent demand of customers and responding to them quickly
- Detailed response to customers
- Response to increased demand for alternative raw materials triggered by climate change
- Maintaining investment in research and development

- Absorbing advanced technologies and knowledge through active exchange of views with universities and research institutes

## Main FY2022 initiatives

### Development of an organizational structure

Collaborations between the Sales, Marketing, and R&D Divisions as the Business Solution Division have advanced and the speed of responding to customers is accelerating. To achieve customer success, we have strengthened information sharing with respect to marketing data, technical materials, and research results, with the aim of further promoting solution sales.

We continue to focus on research and development for increasing sales, and the percentage of research and development expenditures in FY2022 was 8.0% (consolidated basis).

### Product development and proposals

We have established a new proposal method that integrates marketing data with sensory evaluation data. By promoting the active use of intellectual properties such as sensory evaluation data and strengthening the linkage between compounding, analysis, applications, and sensory evaluation, we endeavor to develop new unique products.

We continue to promote joint research with universities and research institutes for product development and to strengthen proposals.

Number of joint research projects: 13 (FY2022 result)

### Contribution to society

- Responding to health consciousness

—Bringing delicious taste to low-sugar, low-salt, and low-fat foods

We develop ingredients that enhance sweetness, umami, and saltiness in response to the development of products by customers in pursuit of “healthy and good taste” and we propose ingredients that add delicious flavor to food with reduced sugar and salt content. By developing products with an oily texture and a rich flavor, we provide oily texture to low-calorie and non-oil products, which helps to prevent excessive calorie intake.

- Contributing to foodtech

—Solution for the lack of food resources

As part of the development of flavors to replace depleting food resources, we also offer a flavor series that can replace savory natural raw materials and alternative blended flavors for citrus essential oils. In response to the shortage of vanilla beans, we partially replace vanilla extract using blended flavors and materials created by applying heat reaction technology. We also partially replace milk by combining blended flavors that we have developed based on aroma analysis with oil and fat emulsions.

For plant-based food, which is effective in reducing the environmental impact, we have Plant React®, an ingredient that adds the flavor and taste of animal products without actually using animals and contributes to reproducing the distinct flavor.

Koku Jyuwa®, which is generated by using the power of enzyme in natural vegetable fats and oils, contributes to reducing the raw materials used and protecting natural resources by expanding the rich flavors in food.

We also re-examined the quality of products used in food to successfully extend its guarantee period, leading to the reduction of food waste.

- Providing health and enrichment

—Bringing fragrance to living spaces and developing new technologies for skin care products

We develop sustainable fragrance ingredients that effectively provide fragrance to living spaces. We are also working to develop original liposome, which can be combined with various products, including milky lotion, cream, skin lotion, and hair care items, at a high level and provides an innovative solution to all kinds of skin problems.

- Reducing lifestyle odors (bad smell that comes from daily activities, such as sleeping, walking, and eating)

—Solution for an aging society

As a solution to various unpleasant odors in our daily lives, we research and investigate unpleasant odors themselves in detail, and use the obtained data to develop fragrances that help reduce or eliminate such unpleasant odors. In addition to developing masking materials for daily odors to improve the hospital and nursing care environment, we use near-infrared spectroscopy (NIRS) and develop Swallowing Map™ as part of our efforts to facilitate eating and add good taste to nursing care food.

#### **T. Hasegawa Group's proprietary technologies**

Many of our proprietary technologies are showcased on our website.

Top > Research & Development > Our technology

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

#### **Social action through the flavor and fragrance business**

The Company participates in the tree planting and product development programs of the Harumeki Foundation, which was established for the purpose of supporting people with vision impairment. We have also published a book, “An Illustrated Guide to the Mysteries of Fragrance and Flavor” (Publisher: Kodansha), written by our researchers. The book explains scents, flavors, and fragrances in an easy to understand manner. The royalties on the book are donated to food bank activity groups.

Top > Sustainability > Social Contribution

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

#### **Plan for the future**

We have set out KPIs for maintaining and improving the ratio of research and development expenses to sales and for continuing open innovations. We are working to strengthen product development and proposals by promoting joint research with universities and research institutes for the continued development of new technologies, and will continue to improve our organizational structure.