

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

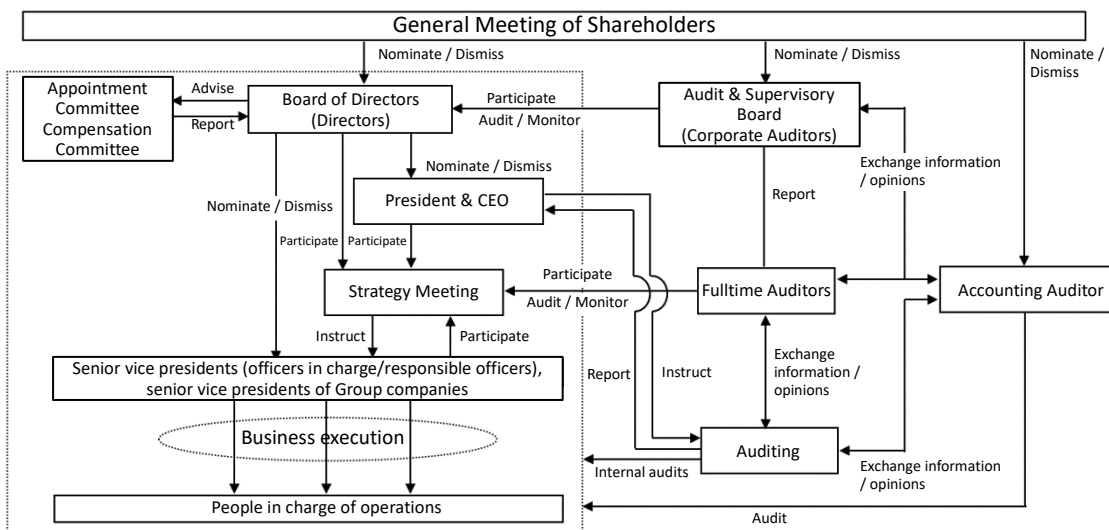


Promotion system and governance

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.

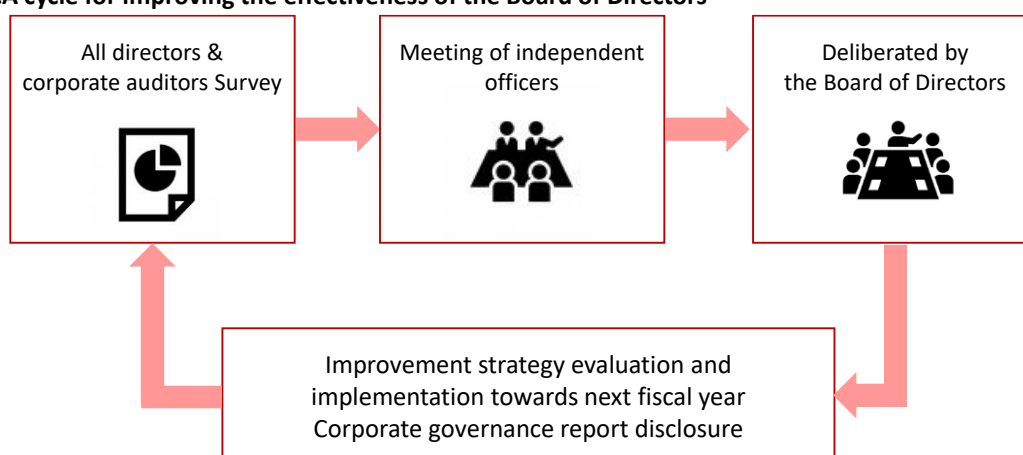
- f. Matters related to decisions regarding the remuneration, etc., of individual directors

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.

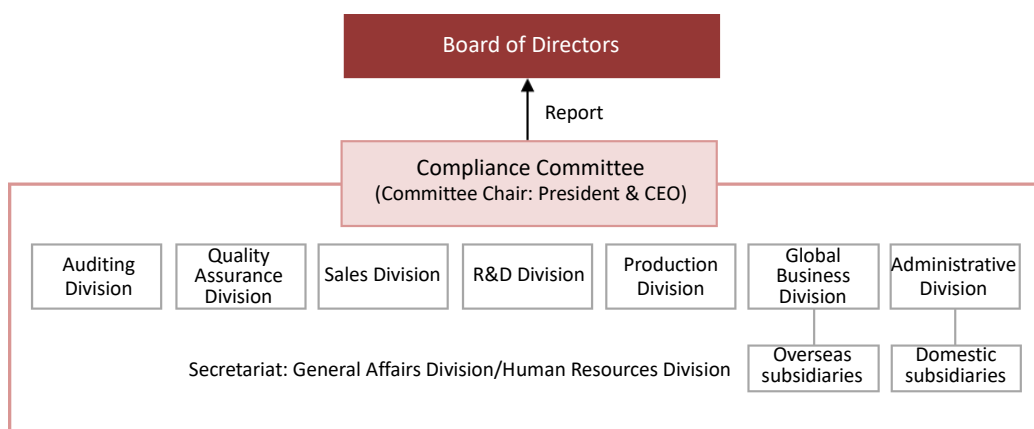
Upon request from the administrative authorities, however, animal testing cannot be avoided in some cases.

Promotion system and governance

Compliance Committee

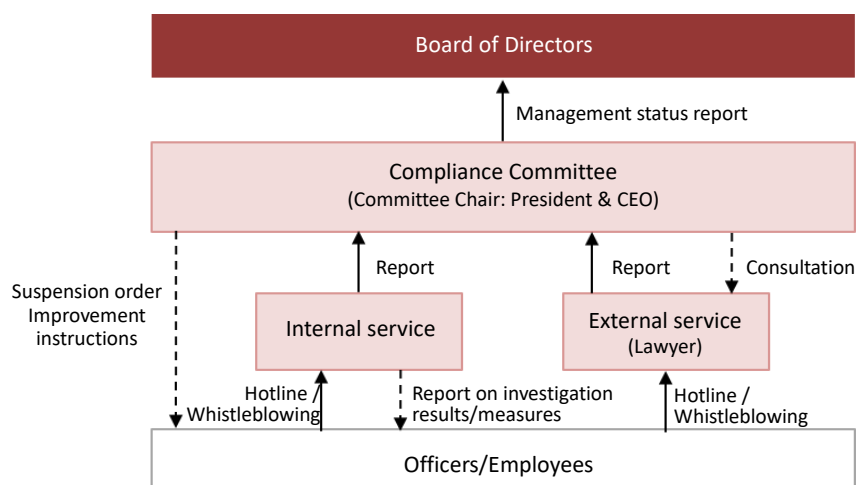
The Compliance Committee was established in accordance with compliance rules. It is chaired by the President & CEO and includes directors as its members. The Compliance Committee regularly investigates whether any illegal act has been committed in the Company for the purpose of preventing an illegal 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]

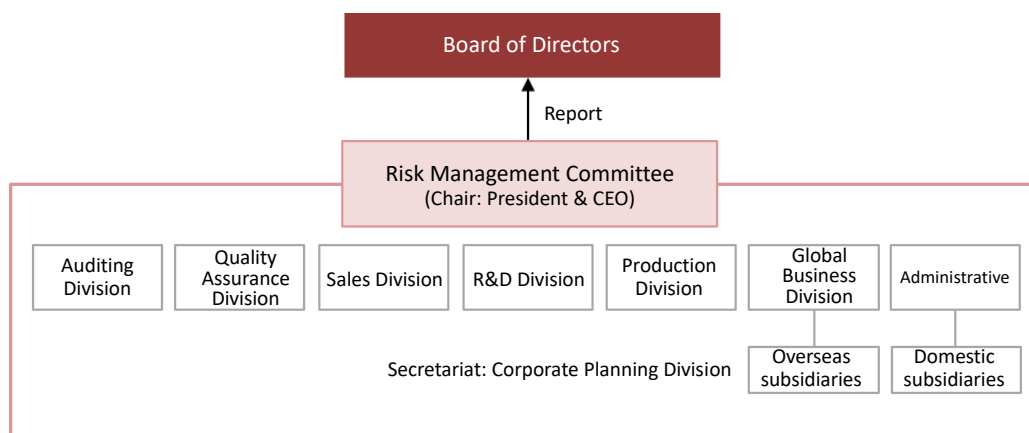
Basic approach

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"> • Aim to increase the ratio of sales in categories other than beverages, which are most affected by unseasonable weather.
Raw material procurement risks	<ul style="list-style-type: none"> • Promote the distribution of suppliers and diversification of procurement methods by working to procure raw materials from multiple suppliers around the world. • Purchase globally through collaborations between the Group's sites in and outside Japan.
Disaster and other risks	<ul style="list-style-type: none"> • 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.

Risk item	Main initiative
Quality risks	<ul style="list-style-type: none"> • As a manufacturer involved in food safety, prioritize safety first and work to supply products with a level of quality that satisfies customers. • 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 & CEO. • Have a product liability insurance just in case.
Economic and other risks	<ul style="list-style-type: none"> • Promote global expansion in the U.S. and the Asian region, particularly China and Southeast Asian countries to spread our operating areas. • 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.
Environmental risks	<ul style="list-style-type: none"> • In response to environmental issues, thoroughly observe environmental laws and regulations in countries and regions where we operate. • 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.
Impairment loss risks	<ul style="list-style-type: none"> • 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. • 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.
Subsidiary management risks	<ul style="list-style-type: none"> • 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. • 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. • We created core basic rules at overseas subsidiaries and strengthened the governance system of overseas subsidiaries. • 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.
Exchange rate fluctuation risks	<ul style="list-style-type: none"> • 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. • Develop a management plan that incorporates exchange rate fluctuations.

Risk item	Main initiative
	<ul style="list-style-type: none"> 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.
Information security risks	<ul style="list-style-type: none"> 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. Install information security software, etc., to create an environment that enables early detection, defense, and response. 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.
Risk on the spread of COVID-19 infection	<ul style="list-style-type: none"> 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. 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.

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

FY2022 Securities Report: Business and other risks

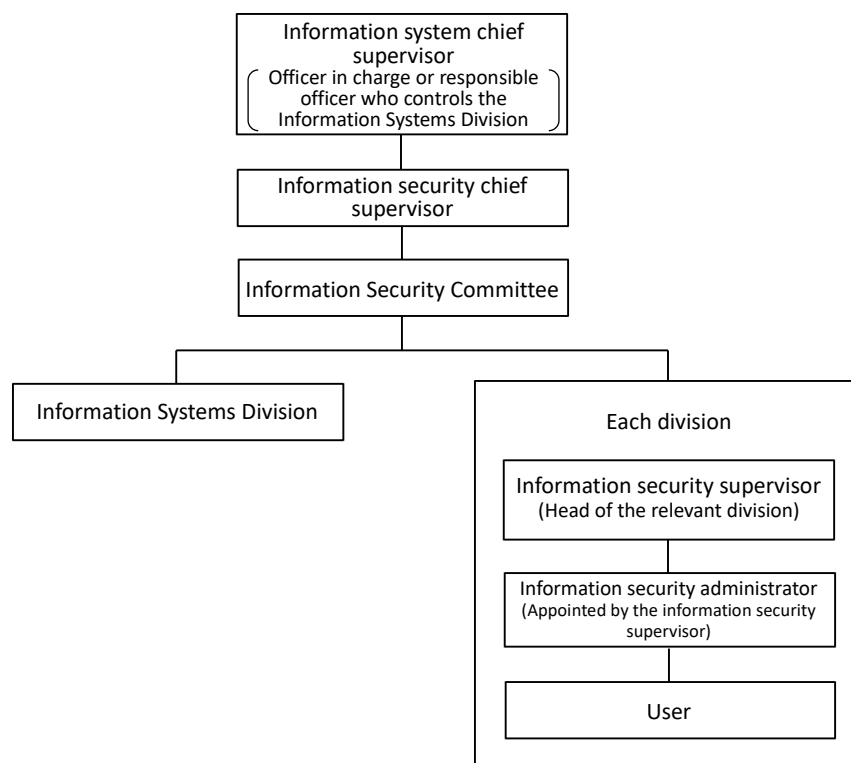
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Main FY2022 initiatives

- 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.