

# Sustainability Report 2021



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

# T.HASEGAWA CO.,LTD. SUSTAINABILITY REPORT 2021

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### Editorial Policy

The purpose of this Report is to convey how we are dedicated to creating value through our highly important activities based on our CSR Policy proposed in November 2020. We will use this report to strengthen our relationship with stakeholders, create values and accelerate our sustainability initiatives.

- Subject of Report : In principle, *this report is stand-alone basis of T.HASEGAWA CO.,LTD.* The phrases of “T. Hasegawa” in this report refer to our company and our consolidated subsidiaries.
- Reporting Period : In principle, Fiscal 2020 (Oct 2019~Sep 2020)。 In part, Fiscal 2021 initiatives are also mentioned
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## Sustainability at T. Hasegawa

### 1. Message from the Top Management



T.HASEGAWA CO.,LTD.  
President & Representative Director  
Takao Umino

The sustainable development goals (SDG's) adopted by the United Nations and the implementation of the Paris Agreement have accelerated the worldwide movement towards resolving the many social challenges such as environmental issues. According to the report by the World Meteorological Organization (WMO), the average global temperature in 2020 reached the highest ever since it began its observation and has led to the frequent occurrences of flooding, inundations and landslide disasters in magnitudes never before experienced. These abnormal weather conditions have led to the decrease in

crop harvest, deterioration of the quality of natural raw materials, destruction of facilities and equipment due to disasters, suspension of corporate activities due to the interruption in the supply chain and changes in the customer needs and consumer movements as a result of temperature increases. Long term affects to the usage of water resource are also expected. Under such environment, we at T. Hasegawa have been undergoing management reforms since 2017 ; building an organization that brings solutions to the challenges we face without fear of changes. The prolonged spread of the COVID-19 pandemic has created enormous damage to countries throughout the world. Even under such major changes in management conditions during the Covid-19 pandemic, we were able to achieve the highest profit in Fiscal Year 2020. We believe that this was due to our ability to respond flexibly to risk factors, all as a result of our reforms conducted over the years that enhanced each individual employee's work consciousness and exerted a positive influence on the overall corporate culture.

At T. Hasegawa, contributing to increasing the corporate value of our customers through the use of our flavor and fragrance technology, we have progressed one step further in our efforts to provide more service to the notion of "customer success" rather than to the notion of "customer first". As our customers are forced to react to this "new business environment" due to the effects of the Covid-19 pandemic, we believe that to focus on this notion of "customer success" is very important. We are proactively providing our customers market research, analysis and trend presentations accelerating our customers understanding the potential needs of their consumers. Therefore, we launched the Business Solution Operations Headquarters to consolidate the R&D, sales and marketing activities in October 2020. In order to respond systematically to increasing complex social issues, demands and risks, the Corporate Planning Division and the CSR Division will play central

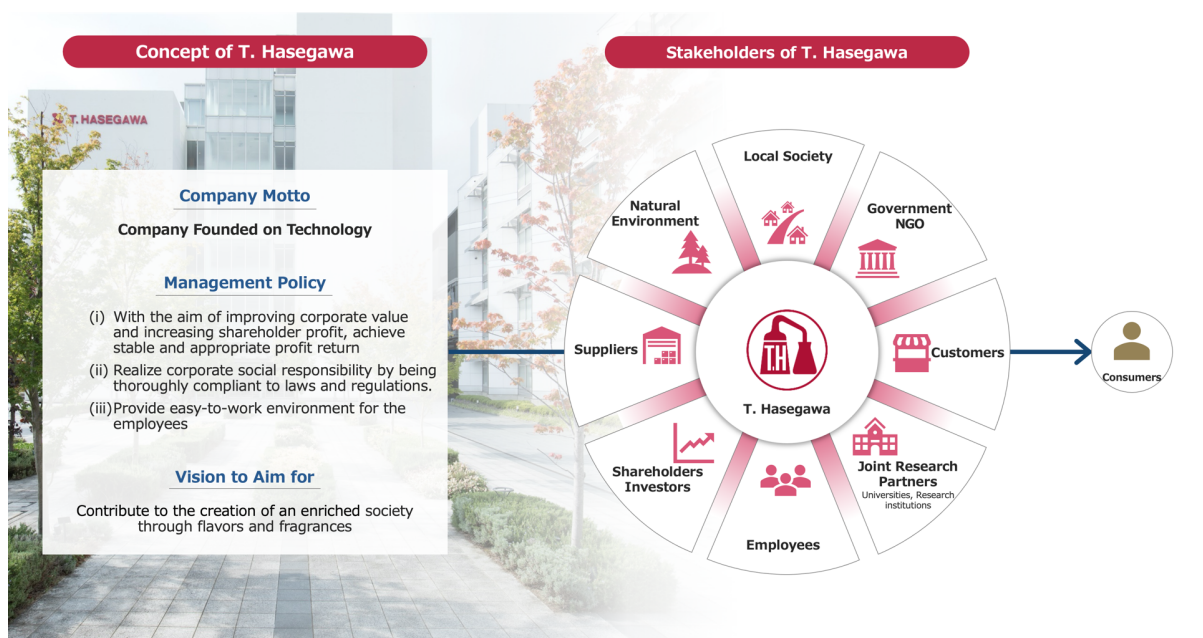
roles in integrating business strategy with environmental and social considerations throughout global supply chain.

The possibilities of flavors and fragrances are infinite. The growing interest in maintaining health due to the declining birth rate and aging population, T. Hasegawa is putting efforts to developing flavors and fragrances that may serve as solutions to the many challenges being faced in the diminishing worldwide supply of food related raw materials. Our employees, which are the most valuable assets for us, have supported T. Hasegawa since its foundation in 1903 which has led to our “customer success” by bringing out the potential in flavors and fragrances. The creation of flavors and fragrances at T. Hasegawa, has been achieved by each individual employees’ contribution to the success of our business. Our corporate motto of “company founded on technology” reflects our stance to contribute to making a better world through flavors and fragrances. T. Hasegawa, will aim to solve challenges the world is facing through the technology of creating flavors and fragrances while enriching society to the extent all people in the world may be able to live on equal terms and with happiness.

## 2. The Meaning of Why T. Hasegawa Exists

T. Hasegawa's corporate motto being "company founded on technology", we contribute to the creation of an enriched society through flavors and fragrances.

T. Hasegawa provides our customers with products that are safe to use by remaining committed to our corporate motto of "company founded on technology". Every department collaborates to engage in joint research sometimes utilizing outside resources to pave the way to "customer success" by providing ideas that meet or exceed the needs of the consumers through continuous improvement. As a trusted contributing member of society, we strive to enhance the relationship with stakeholders, solving problems that society is faced with through the use of flavor and fragrance technology.

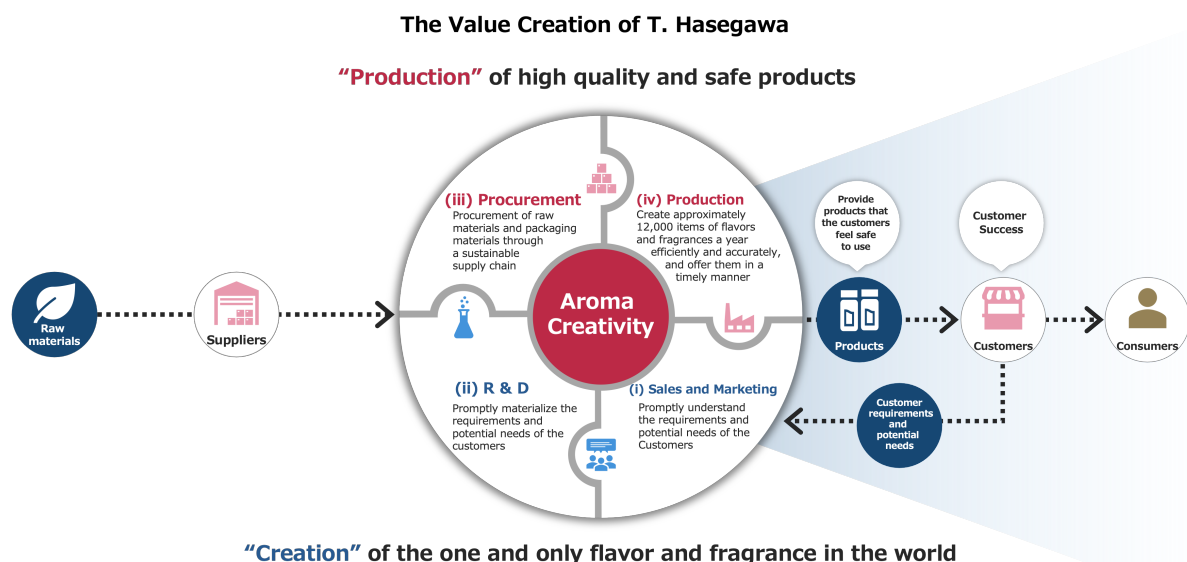


### 3. The Value Creation Process of T. Hasegawa

Lead to customer success through the cycle of the “Creation” of the one and only flavors and fragrances in the world and the “Production” of high quality and safe product

Value Creation at T. Hasegawa is done through:

- ① The Sales and Marketing Division analyze the needs of the consumers to understand our clients’ requirements and their potential wants.
- ② The R&D Division creates samples of flavors and fragrances reflecting the customer requirements and potential needs
- ③ The Purchasing Division develops an efficient supply chain in raw material sourcing
- ④ The Production Division optimizes production equipment to manufacture over 12,000 different flavors and fragrances on an annual basis efficiently and accurately under a complete quality control system



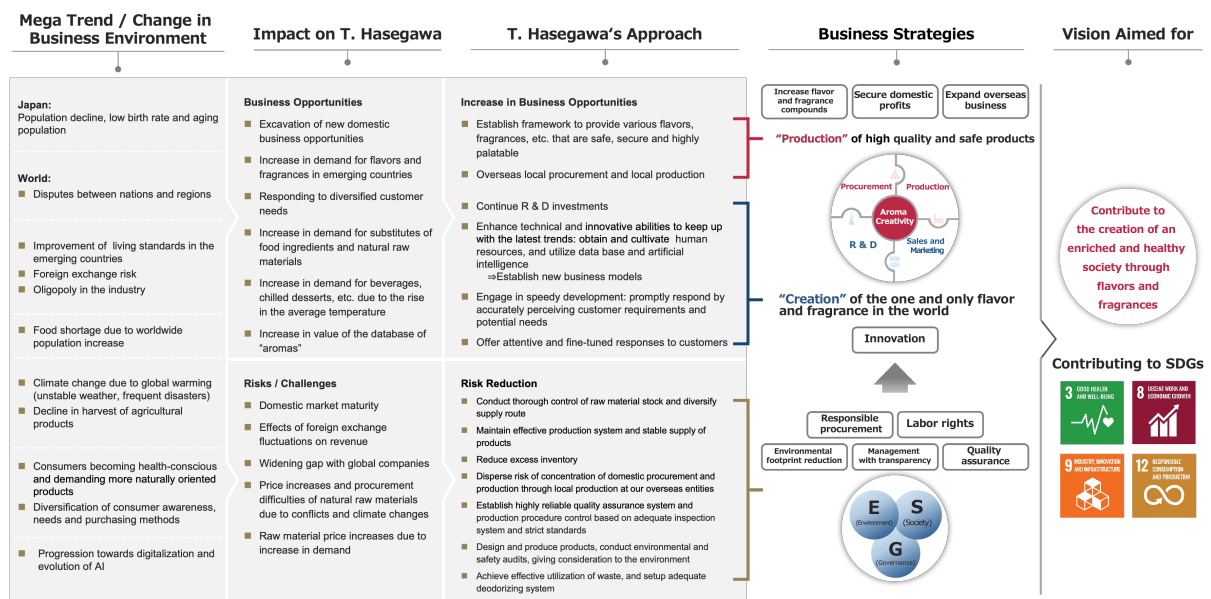
## 4. Towards Sustainable Growth

We will expand our business opportunities through innovation.

Taking into consideration all the environmental and social factors, we aim to achieve sustainable growth by reducing risks associated with those factors.

The Flavor and Fragrance Industry is highly impacted by such domestic factors as the low birth rate and aging population, climate changes, food shortages, variation in consumer needs, etc.

In order to cope with such changes in our business environment, we aim to pursue business opportunities through innovation by “creativity”. At the same time, we enhance our efforts to deal with sustainability issues such as engaging in responsible purchasing, environmental impact reduction, labor rights and assuring quality. Implementation of risk management allows us to contribute to the creation of an enriching society, where we protect the planet and ensure that all people enjoy healthy lives and prosper, using flavors and fragrances.



## **5. T. Hasegawa's Sustainable Business Practices**

**We will proceed to improve our Sustainable Business Practices**

### **(1) Signed the IFRA-IOFI Sustainability Charter**

The Japan Flavors and Fragrance Manufacturers Association to which we belong is a member of the international organization IFRA (International Fragrance Association). We are also a member of the international organization IOFI (International Organization of the Flavor Industry). Our Company either directly or through The Japan Flavors and Fragrance Manufacturers Association has participated in the various product safety enhancing activities. Both IFRA and IOFI have recognized that it is imperative to include sustainable business practices in business strategies to achieve prosperity and a sustainable future thereby launching the Sustainability Charter. At T. Hasegawa, we have placed the utmost importance on sustainability and have been engaging in various activities. In order to make known our official commitment, we signed the aforementioned Sustainability Charter on March 31, 2020. Towards achieving a sustainable society, we will adhere to the five-focus areas defined by this Sustainability Charter.

#### **IFRA –IOFI SUSTAINABILITY FRAMEWORK**

1. Ensure responsible sourcing throughout the value chain.
2. Reduce the Environmental Footprint of the industry 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.

### **(2) Commitment to the United Nations Global Compact Ten Principles**







T.HASEGAWA CO.,LTD. signed the “United Nations Global Compact” advocated by the United Nations and was registered as a participating company on August 24, 2020. On the same date, we also joined “The Global Compact Network Japan” which is the local network of the “United Nations Global Compact”. The “United Nations Global Compact” calls for the member companies and organizations to act as a good member of society by initiating responsible and creative leadership while providing a global framework to achieve sustainable growth.

We support the ten principles raised by the UN Global Compact on "human rights, labor, environment, and anti-corruption" to achieve global sustainability and continue to conduct responsible business activities to all of our stakeholders. The ten principles provide a framework to help shape a global culture where we end extreme poverty, protect the planet and ensure that all people enjoy peace and prosperity now and in the future.



### (3) Formulation of CSR Policy

By signing the IFRA-IOFI Sustainability Charter and the United Nations Global Contract, we have defined six focus areas in our CSR Policy.

Category	Focus Areas	CSR Policy	SDGs aimed to Contribute
Social challenges to be solved by contribution through our business processes	Procurement	Promote responsible procurement throughout the value chain	
	Environment	Understand the importance of environmental loads reduction and actively initiate environmental protection and improvement activities	
	Human Rights and Labor	Respect human rights and diversity, enhance welfare of employees and create a safe and comfortable workplace	
	Quality and Safety	Become a leader in product safety	
	Governance and Fair Business Activities	Ensure the health, fairness and transparency of management and become a reliable partner to society	
Social Challenges to be solved by our contribution through our products	Innovation	Contribute to solving social challenges through flavors and fragrances business	

### (4) Enhancement of Management System to Promote Sustainability

At T.HASEGAWA CO.,LTD. we have created a Sustainability Committee headed by the officer in charge of administration. The committee is a cross functional team designed to promote all CSR related matters and sustainability initiatives including ESG (Environmental, Social, Governance). This committee will draft all business plans and initiatives related to Sustainability for T. Hasegawa. All deliberated matters by the Sustainability Committee are proposed to the Strategic Meeting for management decisions which is comprised of the Representative Director and the executive officers appointed by the Representative Director. If necessary, all matters are proposed and/or reported to the Board of Directors Meeting.



## 6. T. Hasegawa Corporate Code of Conduct

Under the corporate motto of “company founded on technology”, we established the corporate code of conduct to be complied by each one of our employees in order to contribute to the creation of an enriched society using flavors and fragrances.

At T. Hasegawa, we established the T. Hasegawa Corporate Code of Conduct. This Corporate Code of Conduct is to fulfill the social responsibilities through activities with high ethical standards, sincerity and fairness, understood and complied by the officers and employees of T. Hasegawa.

### T. Hasegawa Corporate Code of Conduct

#### 1. Compliance with the Laws and Regulations

We will always pay attention to the laws and regulations, endeavor to understand them and act with social decency.

#### 2. Environmental Issues and Initiatives

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

#### 3. Opposition to Antisocial Forces

We will oppose antisocial forces or to any related parties and cut off any kind of relationship with them.

#### **4. Respect for Human Rights**

We respect each individual's basic human rights and will not engage in any unfair discrimination or harassment.

#### **5. Respects for the Rights of Third Parties**

We respect the rights of third parties when conducting business and will not infringe on such rights.

#### **6. Compliance with Quality Safety Standards**

Under our strict quality control system, we will endeavor to provide products that are in compliance with the laws and are safe.

#### **7. Prohibition of Insider Trading**

We will engage in fair stock exchange and will not deal with insider trading or any other suspicious stock exchanges.

#### **8. Prohibition of Conflicts of Interests**

We will not engage in actions as stipulated hereunder that may result in conflicts of interests between one's interests and those of the company.

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

#### **9. Handling of In-house Information**

We fully recognize the value of the information possessed by the company and those that were provided by third parties. We will put them under strict control by conforming to the "Confidential Information Control Rules" and the "Rules related to In-house Information Control and Insider Trading", both of which are part of our corporate regulations.

#### **10. Actions towards our Customers**

As to entertainment and gifts, we will never engage in actions that may be regarded as bribery or any other business practices that may deviate from social acceptability.

#### **11. Relationship with Suppliers**

- (1) During business with our suppliers, we will deal with good sense and sincerity with fairness and justice.
- (2) When dealing with suppliers, we will not impose any unjustified disadvantages using our dominant bargaining position.
- (3) We will never receive any rebates, etc. from our suppliers.

## Sustainability Initiatives

### 1. CSR POLICY 1 PROCUREMENT

**Promote responsible procurement throughout the entire value chain**

#### 1-1 Basic Concept

It is imperative for us to establish a supply chain that enables us consistent procurement of raw materials with high quality and at competitive prices. We will establish long term trustful relationships with our suppliers through fair, justifiable and highly transparent transactions. In order to achieve sustainable growth throughout the entire supply chain, we will promote procurement activities taking into consideration all the factors related to resources, environment and human rights.

#### PROCUREMENT POLICY OF T. HASEGAWA GROUP

##### 1. TRADING IN COMPLIANCE WITH LAWS AND ETHICS

We will promote procurement activities together with our suppliers with high ethics and social decency that are in compliance with the laws and social norms of every country and region.

##### 2. CONSIDERATION OF HUMAN RIGHTS

We will respect human rights without any discrimination under all situations and will not engage in activities that may lead to human rights violations throughout the supply chain.

##### 3. CONSIDERATION OF THE ENVIRONMENT

We will work with all suppliers to reduce the environmental impact and engage in sustainable procurement activities with consideration to conserve the environment.

##### 4. MUTUAL TRUST, COEXISTENCE AND CO-PROSPERITY WITH THE SUPPLIERS

We will make efforts to realize coexistence and co-prosperity with our business partners including suppliers by respecting our partners' positions with mutual trust under the competitive principles of fairness and equality.

##### 5. SAFETY, SECURITY AND CUSTOMER SUCCESS

We will engage in procurement activities aimed at achieving customer success by providing our customers and the consumers beyond, products that are safe and in high quality.

## Relationship with Stakeholders

According to the "T. Hasegawa Corporate Code of Conduct", we will endeavor to build an unwavering relationship between all of our stakeholders secured through trust. We will establish a long-term trust relationship with our suppliers with trading that are fair, equal and highly transparent.

### • SDG Goals to Contribute



## 1-2 Governance Framework

The Purchasing Department will primarily engage in the procurement of raw materials. The Risk Management Committee which is a cross functional team of T. Hasegawa headed by the President and Representative Director with assistance from other directors being members, controls and verifies the activities of the respective department.

## 1-3 Risk and Strategies

### -Risk

Inability to procure flavor and fragrance raw materials derived from natural resources due to climate change.

Stagnation of business activities and decline in corporate value due to delay in responding to the social and environmental issues within the supply chain.

### -Strategies

Implement global procurement of raw materials

Search, evaluate and develop substitute raw materials

Require suppliers to engage in CSR by having them agree with our policies.

## 1-4 Main Initiatives Undertaken in 2020.

Received the Roundtable on Sustainable Palm Oil (RSPO) Certification. Signed the UN Global Compact.

Signed the IFRA-IOFI Sustainability Charter.

## **Procurement of Perilla Oil**

In order to achieve sustainable procurement of perilla oil, an important flavor and fragrance raw material, we worked in collaboration with the Growers Union of Perilla by providing assistance to secure acceptable quality and sufficient quantity of oil for stable production through the following tactics:

- **Providing Seeds:** Annually providing seeds to growers for the purpose of maintaining quality and yield. With the cooperation of the nursery company, we are closely monitoring the situation and development of the production site.
- **Technical Assistance:** To increase productivity, we are dispatching research and technical staff to give support and assistance to production practices and/or improvements to equipment.
- **Quality Improvement Assistance:** To provide training and assistance to members of the agricultural cooperative on quality control.
- **Packaging Assistance.** To supply the packaging materials to the cooperative.
- **Production Facility Renovation Assistance.** To provide engineers and technical resources to assist in renovation of our suppliers perilla oil extraction system which may have become obsolete without our technical support.

## **1-5 Towards the Future**

Beginning in Fiscal Year 2021 and the years beyond, we will promote sustainable procurement by strengthening our relationship with the suppliers through the initiatives indicated hereunder:

- Sharing raw material procurement policy with suppliers
- Request suppliers to promote Sustainability.
- Provide suppliers a copy of the CSR Procurement Self -Assessment Tool provided by the Global Compact Network Japan., and ask them to fill out the self-assessment tool for our supply chain sustainability analysis

## 2. CSR POLICY 2 ENVIRONMENT

Actively initiate measures to secure and improve the environment.

### 2-1 Basic Concept

#### • Environmental Philosophy

T. Hasegawa recognizes the fact that passing on this irreplaceable Earth to the future generation is the most important challenge shared by mankind and as a manufacturer of flavors and fragrances, all of our business activities will be conducted to protect the environment.

#### • Basic Policy

We consider “security and disaster prevention”, “industrial safety and health” and “chemical safety” to be just as important as “environmental protection” and have incorporated these themes into our “Environmental Safety Activity Policy” for implementation.

### Environmental Safety Activity Policy

## ENVIRONMENTAL SAFETY ACTIVITIES POLICY

#### Environmental Protection

1. Promote energy saving measures
2. Promote resource savings and effective use of waste
3. Promote odor measures and reduce emission volumes of environmental wastes
4. Enhance environmental control system
5. Promote purchase of Green Points

#### Security and Disaster Prevention

1. Promote safety measures of hazardous materials
2. Promote disaster prevention and safety

#### Occupational Safety and Health

1. Promote occupational safety measures
2. Promote occupational health activities
3. Promote better working environments

#### Chemical Safety

1. Maintain chemical safety system
2. Promote chemical safety measures

- **Relationship with Stakeholders**

According to the "T. Hasegawa Corporate Code of Conduct", we endeavor to secure an unwavering relationship with all of our stakeholders built on trust.

**(1) Information Disclosures to Customers**

We disclose information via such platforms as CSR Procurement Self-Assessment Tool (Global Compact Network Japan), SEDEX, EcoVadis and CDP.

**(2) Environmental Education to Employees**

We conduct multifaceted education on environment to raise environmental awareness among employees.

- **Conduct training and provide information via intra-company network**

We post environment related pages on the intra-company network and provide environment related information such as the "Annual Environment Report".

- **Conduct intra-company seminars on environment**

The Environmental Safety Committee and/or the Education Committee host seminars and classes on environmental issues.

- **Attending external seminars on environment**

Employees engaged in environmental safety duties enhance their knowledge related to the environmental issues by attending conferences, seminars, lectures and exhibitions.

- **New employee training**

Training for new employees are conducted with dedicated training sessions on environment and safety.

- **Environmental education through The Environmental Management System (ISO14001)**

At Fukaya Factory, Itakura factory and the Research Center, education and training on environmental issues are systematically done through the Environmental Management System. At each location, "ISO14001" Bulletin Boards are setup to provide information on environmental policy, environmental promotion posters and other environment related information to promote environmental safety.



### (3) Information Disclosure to Stock Holders

We publish our Environmental Report annually. From here on, the Environmental Report will be incorporated and disclosed in The Sustainability Report Section “2. CSR Policy 2 Environment”. The Sustainability Report will also be made public on our website.

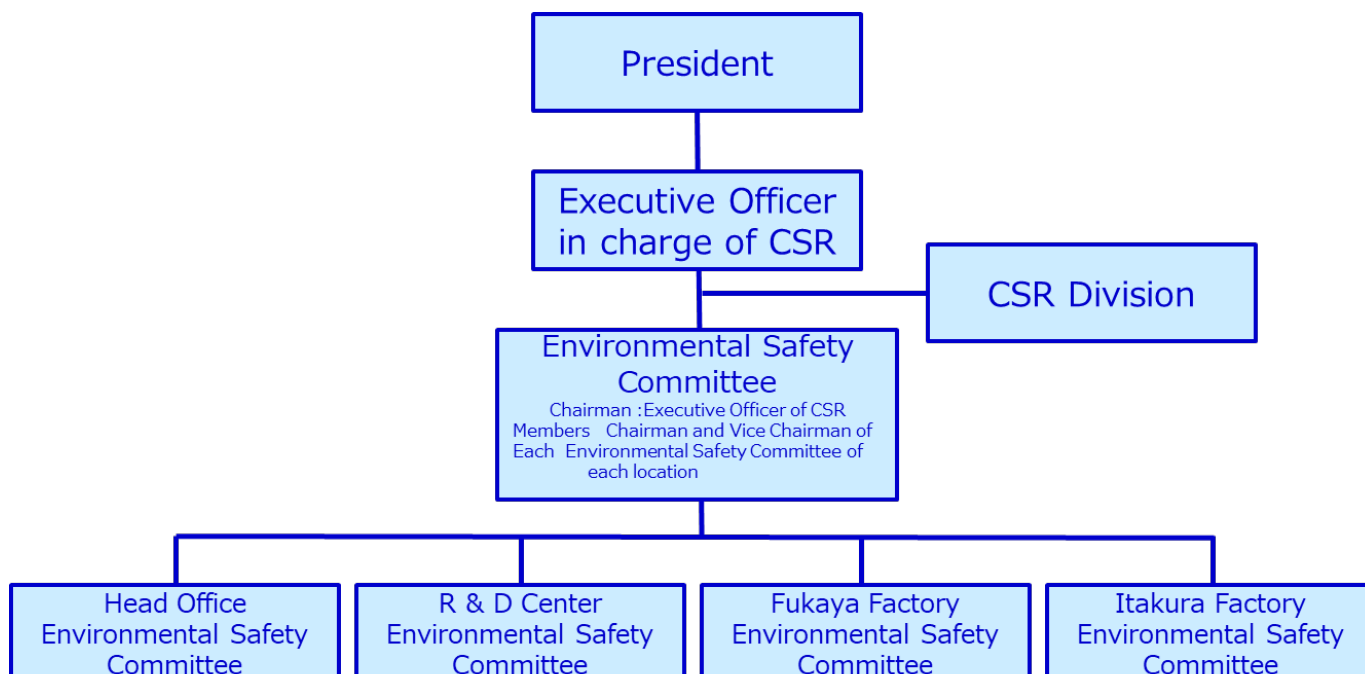
### SDG Goals



### 2-2 Governance Framework

#### • Framework

We establish and promote our environmental safety with control systems based on our “Environmental Safety Control Regulation”. The Fukaya Factory, Itakura Factory and the R & D Center are certified by The Environmental Management System (ISO14001), allowing both the production division and the R & D division to operate in conjunction with each other.



### **(1) The Corporate Environmental Safety Committee**

- ① Committee chaired by the officer in charge of CSR appointed by the Representative Director and President. Deliberates and makes decisions on policies and programs that relate to environmental protection and safety measures.
- ② Receives environmental safety reports on activity plans and performance records from all operating units to mediate issues throughout the entire company.
- ③ Selects auditors for environmental safety audits (environmental protection, security, disaster prevention, and occupational safety). These internal audits are performed annually in all premises: HQ, R&D centers and factories.

### **(2) The Environmental Safety Committee**

- ① An environmental safety committee chaired by the top management of each location is setup at the Head office, R & D Center, Fukaya Factory and Itakura Factory respectively. Meetings are held every month.
- ② Specific policies, objectives and performance activities related to environment and safety are established per location.

### **(3) The CSR Department responsibilities:**

- ① Drafts and promotes the plans related to CSR and SDG's.
- ② Centrally manage T. Hasegawa's environmental safety activities.
- ③ Serves as the secretariat of the Environmental Safety Committee and environmental safety audits.
- ④ Coordinates public relations efforts such as the Sustainability Report and the T. Hasegawa website.

### **(4) ISO14001**

Since 2001, Fukaya and Itakura factories have been operating under the Environmental Management ISO14001 certification obtained from the JSA Group (current certifying body is DNV Business Assurance Japan Co., Ltd). Production divisions act in concert to achieve continuous improvement by running the PDCA under the ISO14001 System. In 2012, the R & D Center was certified to enhance our initiative to reduce environmental impact.

#### **“ISO14001 Environmental Policy“**

As a manufacturer of flavors and fragrances that engages in the production and R & D activities for food and beverage flavorings, fragrances for cosmetics, synthetic aroma chemicals, food additives, food and cosmetics ingredients, etc., T. Hasegawa aims to solidify the importance of being in harmony with the environment and be trusted by society. To realize this aim, we will engage in environmental activities according to the undermentioned policies:

- ① Foster resource and energy savings to protect the earth environment
- ② Reduce waste and promote recycling
- ③ Enhance environmental control, endeavor to prevent contamination
- ④ Comply with laws and standards on air quality management and wastewater
- ⑤ Conduct internal audits to continue improving the environmental management system
- ⑥ Conduct training on the environment and endeavor to raise awareness of all employees

• **GOVERNANCE**

We conduct environment and safety audits every year at each operations site. Our Environment and Safety Control Regulation stipulates that the results of the audits are to be reported at the strategic meeting. As part of being certified by ISO14001 annually, we receive regular maintenance reviews by the outside certifying body in addition to internal environmental audits being conducted within the departments. Through these regular audits, we confirm that the environmental management system is effectively functioning and make improvements as needed.

**Environmental Safety Audit by the Corporate Environmental Safety Committee**

Since 1997, the Corporate Environmental Safety Committee has been conducting audits on environmental protection and safety measures. Through continuous improvement and in order to provide a more detailed structure, our audits have been divided further into “Environmental Protection Audit”, “Security and Disaster Prevention Audit” and “Occupational Safety and Health Audit”. We select auditors with special knowledge to verify compliance to environmental laws, the state of all activities and the state of how all the facilities are controlled, etc. For any issues that require improvements, corrective action reports are issued. The auditees, in return, will draw up improvement action reports against the issues, report to the Corporate Environmental Safety Committee and make the required improvements. In July of 2020, individual audits were conducted at operating locations while enforcing COVID-19 protection measures.

**ISO14001 Regular Maintenance Reviews and Internal Environmental Audits**

Having been certified under the Environmental Management System ISO14001, Fukaya Factory, Itakura Factory and the R & D Center receive regular reviews by the outside certifying body DNV Business Assurance Company Japan to confirm that the system is functioning and operating.

Internal audits for the entire departments are also conducted by the internal environmental auditors who are registered and approved as stipulated in the environmental manual. If any corrective actions or recommendations are issued, corrective measures are promptly introduced to continue the improvement.

## 2-3 Risks, Opportunities and Strategies, Responses

### • Risks

- (1)Administrative actions and lawsuits as a result of inadequate compliance to laws and regulations.
- (2)Obstructing the environmental protection of the local society.
- (3)Decline in social reputation.
- (4)Suspension of business by customers.
- (5)Poor harvest of raw materials due to climate changes.
- (6)Severance of the supply chain due to natural disasters, etc..

### • Opportunities

- (1)Increase in demand of raw material substitutes due to period of climate change.
- (2)Acquisition of new customers.
- (3)Increase in social recognition.
- (4)Increase in valuation by ESG Investors.

### • Strategies

- Thorough compliance to the laws and thorough responses to risks.
- Based on CSR policies, solve environmental challenges and materialize in growth strategies.

### • Responses to Risks – Example

- In a meeting comprised of officers including the President and Representative Director, it was reported that we have achieved a significant initiative for climate change which is in line to the Paris Agreement. The initiative was based on the economic validity of an investment regarding the change of boiler fuel using evidence that CO2 emission over the past 15 years was reduced and that the rate of reduction surpassed that of Japan (reduce 26% by 2030 starting from 2013).
- Deploy continuous improvement action plans that enhance systems such as conducting the environment audit annually to run plan-do-check-action cycle (“PDCA”).
- Thorough implementation of measures against global warming (i.e. reduction of energy consumption and CO2 emission, resource saving of raw materials, effective use of waste such as composting).
- Implement information disclosures and maintain transparency by joining such platforms as CSR Procurement Assessment Tool (Global Compact Network Japan), Sedex, EcoVadis, CDP, etc.)

• **Response to Opportunities –Example**

- Expansion of business with customers through information disclosure and guarantee of traceability.
- Acceleration of innovation, new product development, presentations and sales as a part of our efforts to achieve SDGs' goals.
- Advancement in technology and partnering with bottle manufacturers using our carbonation enhancing flavors and natural light deterioration prevention inhibitors which contributes to resource saving of raw materials that are used to reduce the thickness and weight of PET bottle containers.

**2-4 Major Initiatives of Fiscal Year 2020**

**(1) Environmental Accounting**

To efficiently and effectively promote environmental protection activities, we implemented the “environmental accounting” by referring to the “Environmental Accounting Guidelines” published by the Ministry of the Environment in Japan.

Period Covering: October 1, 2019~September 30, 2020

(Unit: JPN thousand)

<b>Environmental Maintenance Costs</b>			
Classification	Main Initiatives Undertaken	invested	Cost
(1)Costs incurred within business		110,564	546,656
1 Pollution Control Costs	Modified waste water treatment facilities Optimum operations of environmental facilities (waster water , air, odor, etc.)	31,001	235,401
2 Earth Environmental Protection Costs	Energy saving measures	79,563	77,092
3 Resource re-cycling costs	Promote effective utilization of wastes	0	234,163
(2)Upstream & Downstream Costs		(Note)	(Note)
(3)Management Activity Costs	Committee related activities, ISO14001 operations, publication of the Environment Report	0	62,895
(4)R & D Costs		(Note)	(Note)
(5)Social Activities Costs		-	-
(6)Environmental Damages Costs		-	-
Total		110,564	609,551

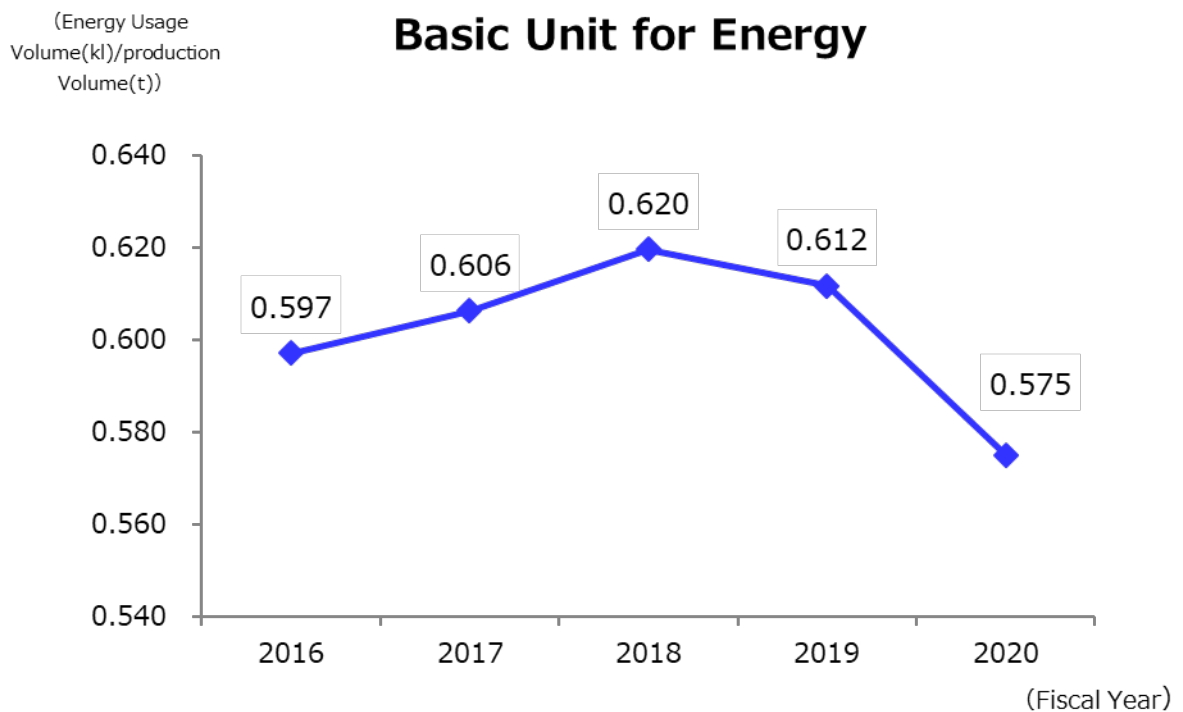
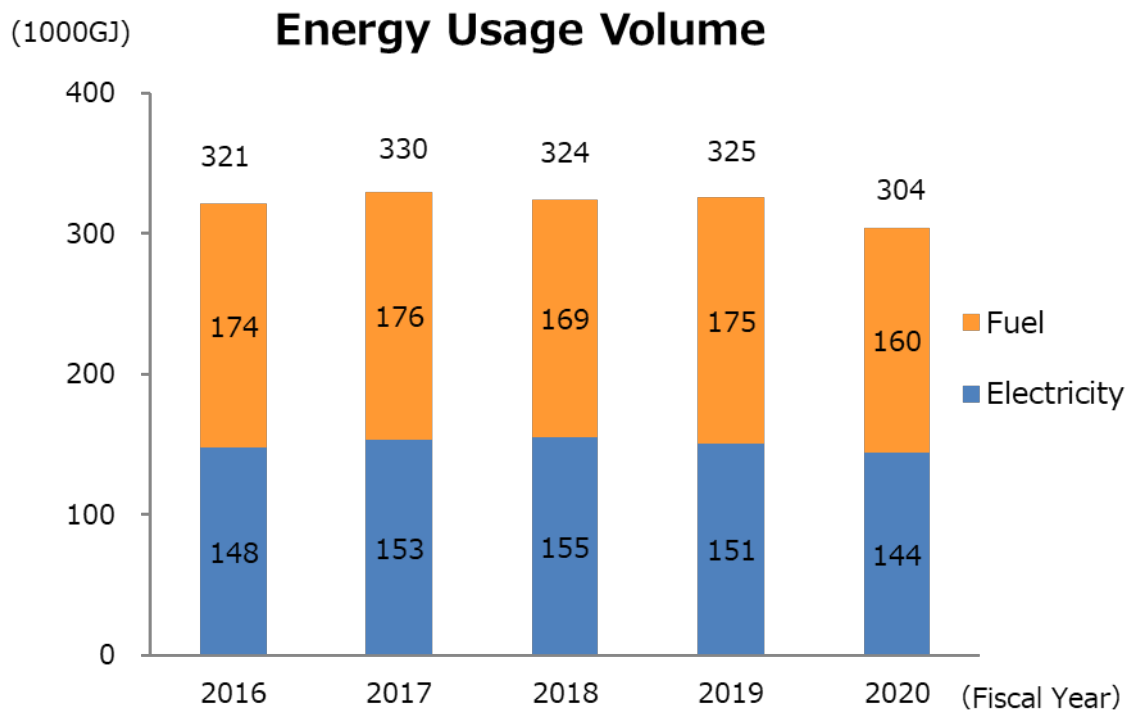
(Note)Upstream & down stream costs, R&D costs are omitted since they are difficult to calculate

Environmental Protection Effects				
Details of the Effects		Environmental Protection Effects Indicators		
		Classification	Values (vs past year)	
(1)Effects against business costs	①Effects related to resources that were invested for the business	Energy	21,606 GJ decrease	
		CO <sub>2</sub>	1,402 t decrease	
		Water	26,257 m <sup>3</sup> decrease	
	②Effects related to environmental loads and waste emitted from business activities	Atmospheric and water related emissions	Set self-imposed voluntary numbers and controlled emissions	
		Waste generated	Total waste	634 t decrease
			Effective Use Rate	96.6%
Landfill waste	0 t			
(2)Effects against upstream and downstream costs	Effects generated from business activities related to finance and services	-	(Note)	
(3)Other environmental protection effects	Effects related to transportation and others	-	(Note)	

(Note)Upstream & down stream costs and other environmental protection effects are omitted since they are difficult to calculate

#### • Energy Consumption

Energy saving is an active opportunity at T. Hasegawa. We have streamlined and set up standards of usage to engage in energy saving activities throughout the company, like upgrading all the boilers of the facilities to those with better efficiency. We also introduced cogeneration facilities and energy monitoring systems. The Fukaya Factory and the Itakura Factory are both designated as ‘Class 1 Energy Control Factory’ under the Energy Saving Law in Japan. In Fiscal Year 2020, the modification of the manufacturing processes, reduction of steam loss by effective use of steam and efficient operations of the boilers have reduced energy consumption by 21600 GJ year over year and improved 6% in terms of Basic Unit for Energy, which is a unit measured consumed energy in KL per manufactured products per ton. We will continue to implement effective measures and endeavor to continue reducing energy consumption.



## **Designated as an “S” Class Evaluation Grade for Six Consecutive Years under the Business Classification Evaluation System**

Energy Saving Law Periodic Report/Business Classification Evaluation System is a system where The Ministry of Economy, Trade and Industry of Japan evaluates businesses that submit periodic reports and grades them into 4 categories(S,A,B,C) and publishes the results on its Homepage website. We received the S class evaluation (the highest ranking) for the first time in 2015 and have continued to receive the same S class evaluation for six consecutive years. Under the 2020 report, based on the 2020 actual figures, our 5 year moving average of the energy intensity recorded 99.0%, qualifying for the Energy Saving Law’s requirement of more than 1% annual improvement in terms of Basic Unit for Energy.

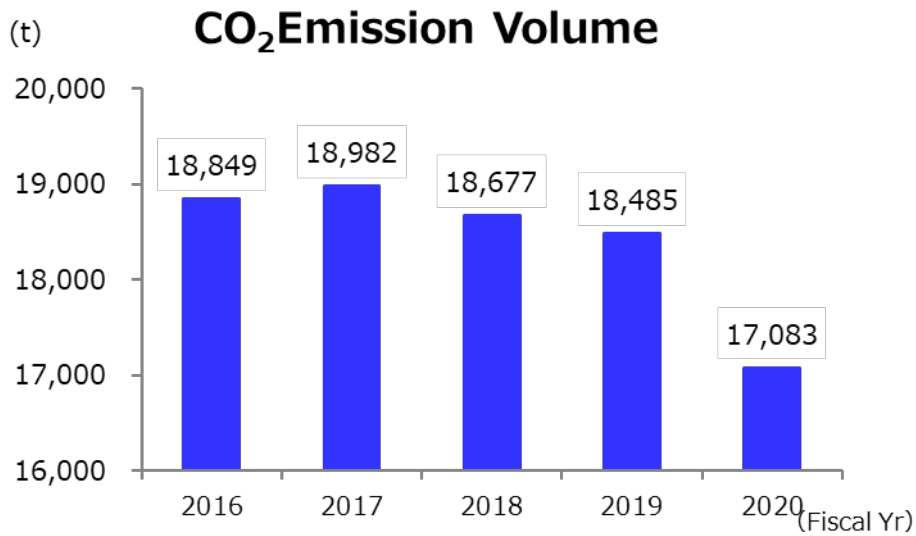
The Environmental Safety Committee plays the central role to plan the energy saving policies, and the production division assumes the primary role to design and develop facilities with energy efficiency, monitoring the actual state of the operations of energy and implement modifications.

Working in collaboration with the R & D division, we have been able to receive such high marks by building procedures to achieve energy savings and will continue to initiate further energy saving measures.

### **• CO2 Emission**

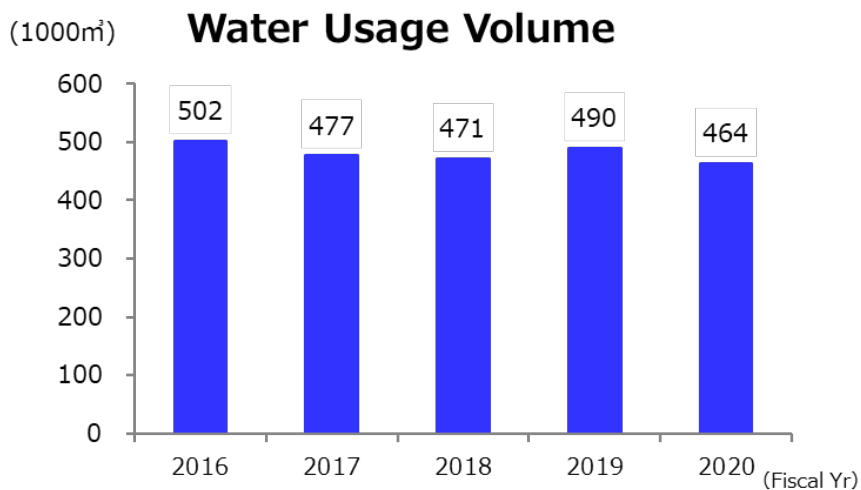
In 2020, we accomplished a major reduction in energy use due to the effective consumption of energy. The CO2 emission was reduced by 7.6% year over year. On a mid to long term basis we will continue to implement effective measures and endeavor to reduce CO2 emission significantly.





• **Water Consumption**

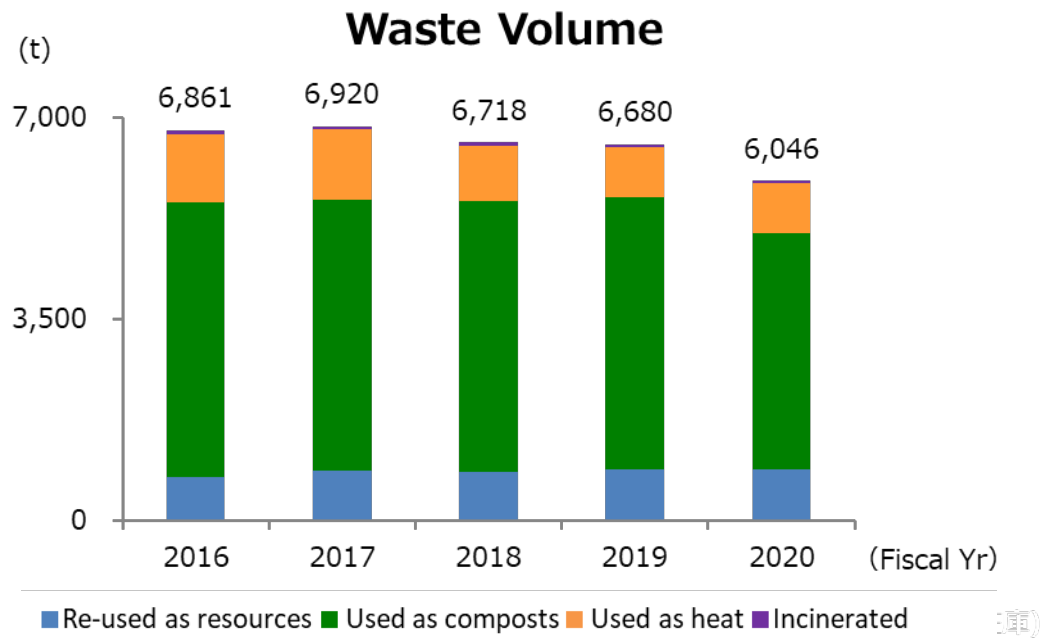
We use water not just for production but also for cooling and cleaning. We have been reducing water consumption by modifying the production processes and increasing the number of water recycling facilities. In 2020, our water consumption was 463.648 m<sup>3</sup> which resulted in a 5.4% decrease compared with the preceding year. We will continue efforts to reduce water consumption in the future.



• **Effective Utilization of Waste**

As a result of manufacturing flavors and fragrances, we generate waste. Waste management, is a priority at T. Hasegawa, so we can effectively utilize waste and divert or reduce waste from going to a landfill. We champion programs for recycling of cans, paper, glass, oil, etc. In 2020, we reduced waste 9.5% in

comparison with the preceding year and the effective utilization rate of waste was 9.6%. In addition, our factories continue not to generate any landfill wastes.



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



Spraying compost (Koumi Town, Nagano Prefecture)



Vegetable fields (Koumi Town, Nagano Prefecture)

- **Air Quality Management**

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



Deodorizing System (Itakura Factory)



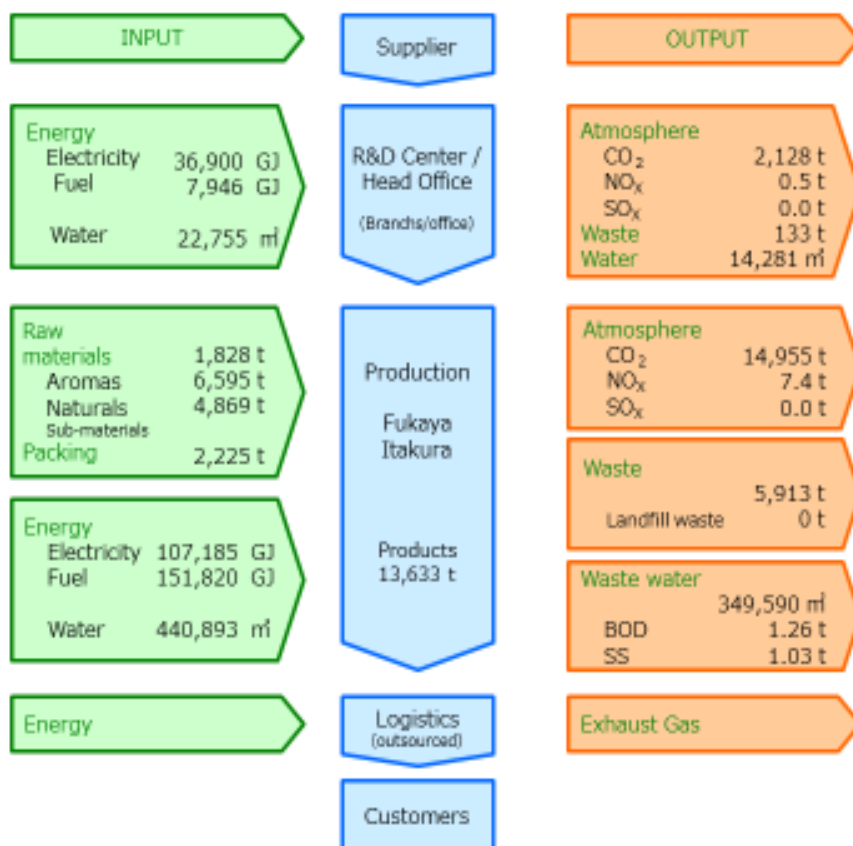
Deodorizing System (R & D Center)

- **Waste Water Treatment**

Since the installation of the waste water treatment system at the Fukaya Factory in 1969, we have been improving our waste water treatment by increasing our treatment technology such as the activated sludge method, dissolved air floatation method, anaerobic method, coagulation and sedimentation method and the membrane filtration method. We are engaged in efforts to purify waste water by not just complying with the regulatory values set by the water pollution control laws, but to exceed the regulations in our self-governed requirements.

Environmental Data Library  
 (1)Impacts on environment through our business activities

ENVIRONMENTAL DATA LIBRARY : Business Activities Environmental Effects in 2020



(2)Environmental Targets and Actual Achievements (year 2020)

Environmental Goals	Fiscal 2020 Goals	Fiscal 2020 Achievements	Mid Term Goals
<b>1. Environmental Control System Improvement and Expansion</b>			
1) Continuous Improvement of the Environmental Management System	<ul style="list-style-type: none"> <li>Continue operations and improvement of environmental protection activities</li> <li>Continue operations and improvement of ISO14001 practices of certified Departments</li> </ul>	<ul style="list-style-type: none"> <li>Continuous operations and improvement of ISO14001 at the production divisions and R &amp; D</li> </ul>	Continue practice Continue practice
2) Conduct Environmental Audits	<ul style="list-style-type: none"> <li>Conduct environmental audits</li> <li>Conduct ISO14001 reviews and internal audits</li> </ul>	<ul style="list-style-type: none"> <li>Conducted environmental audits</li> <li>Conducted ISO14001 review at the certified departments</li> </ul>	Continue practice Continue practice
3) Promote Environmental Safety Education	<ul style="list-style-type: none"> <li>Plan and conduct various education programs</li> <li>Plan and conduct various ISO14001 training</li> </ul>	<ul style="list-style-type: none"> <li>Conducted in-house intra-net education and other training</li> <li>Conducted ISO14001 training at certified departments</li> </ul>	Continue practice Continue practice
4) Improvement of Environmental Control	<ul style="list-style-type: none"> <li>Publication of Environmental Report</li> <li>Conduct Environmental Accounting</li> </ul>	<ul style="list-style-type: none"> <li>Published the 2020 Environment Report</li> <li>Conducted Environmental Accounting</li> </ul>	Continue improving Environmental Report and enrich contents of environmental accounting
<b>2. Promote Energy Saving</b>			
1) Reduction of Energy Consumption	<ul style="list-style-type: none"> <li>Reduction of energy intensity by 2.0% vs preceding year</li> </ul>	<ul style="list-style-type: none"> <li>Reduced by 21600GJ(6.6% decrease vs preceding year) (production volume intensity improved by 6.0%)</li> </ul>	Continue practice
2) Reduction of CO2 Emission	<ul style="list-style-type: none"> <li>Reduction of CO2 emission by 0.7% vs preceding year (total volume)</li> </ul>	<ul style="list-style-type: none"> <li>Reduced by 1,402t(7.6% decrease vs 2019)</li> </ul>	Continue practice
<b>3. Resource Saving, Effective Utilization of Waste</b>			
1) Promote Resource Saving	<ul style="list-style-type: none"> <li>Continuous improvement in reduction of water usage</li> <li>Continuous improvement in reduction of office paper consumption</li> </ul>	<ul style="list-style-type: none"> <li>Water consumption reduced by 26,257m<sup>3</sup> (5.4% decrease vs preceding year)(4.7% improvement in intensity)</li> <li>Reduction of office paper consumption reduced by 1,563kg (8.8% improvement vs preceding year)</li> </ul>	Continue improvement
2) Promote Effective Utilization of Waste	<ul style="list-style-type: none"> <li>Continuous improvement in waste effective utilization rate</li> </ul>	<ul style="list-style-type: none"> <li>Effective waste utilization rate of 96.6%(0.2% decline vs preceding year)</li> </ul>	Continue practice
3) Reduction of Landfill Waste	<ul style="list-style-type: none"> <li>Zero landfill waste generation</li> </ul>	<ul style="list-style-type: none"> <li>Zero landfill disposal</li> <li>Effective use of landfill glass waste</li> </ul>	Zero landfill disposal
<b>4. Suppression of Environmental Emission</b>			
1) Prevention of Air Pollution, Water Pollution	<ul style="list-style-type: none"> <li>Control by self-imposed restriction values</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate control of self-imposed regulatory values</li> <li>Improvement of waste water disposal facility</li> </ul>	Continue practice
2) Odor Measures	<ul style="list-style-type: none"> <li>Additional installments of deodorizing facilities and appropriate maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Optimum operations</li> <li>Received one malodor claim</li> </ul>	Continue practice
3) Chemical Substances Control	<ul style="list-style-type: none"> <li>Conduct odor patrol(factories, R&amp;D Center), zero malodor complaints</li> </ul>	<ul style="list-style-type: none"> <li>Conducted PRTR</li> </ul>	Continue practice
<b>5. Purchase of Green Points</b>			
1) Promote Purchase of Green Points	<ul style="list-style-type: none"> <li>Conduct PRTR(PRTR law and self imposed controlled substances)</li> </ul>	<ul style="list-style-type: none"> <li>Operated following basic principle of purchasing green points and guidelines</li> </ul>	Continue practice

**(3)Emissions of Pollutant Release and Transfer Register Regulation (“PRTR”) subjected materials/Transported Data (Last 3 years)**

Factory	No	Ingredient	Fiscal 2017 (2017/4/1-2018/3/31)			Fiscal 2018 (2018/4/1-2019/3/31)			Fiscal 2019 (2019/4/1-2020/3/31)		
			Handled Volume	Emitted to Air	Moved Volume	Handled Volume	Emitted to Air	Moved Volume	Handled Volume	Emitted to Air	Moved Volume
Fukaya Factory	12	Acetaldehyde	3,528	0	0	4,460	0	0	3,782	0	0
	28	Allyl Alcohol	-	-	-	1,194	0	0	1,193	0	0
	204	Diphenyl ether	1,891	0	0	1,669	0	0	1,868	0	0
	207	2,6-di-tertiary-butyl-4-cresol	4,097	0	0	4,994	0	0	3,849	0	0
	232	N,N-Dimethyl form aldehyde	1,144	0	1,093	1,041	0	1,035	1,539	0	1,514
	300	Toluene	3,865	376	3,489	9,497	680	8,817	4,994	476	4,519
	392	n- Hexane	24,829	1,909	14,809	22,904	1,957	15,247	36,819	1,407	31,329
	399	Benzaldehyde	1,166	0	0	1,318	0	0	1,626	0	0
	436	Alpha Methyl Styrene	2,903	0	0	2,900	0	0	2,902	0	0
Itakura Factory	392	n- Hexane	1,280	1,254	0	1,204	1,198	0	-	-	-

Note: Reporting year ends of Emissions of PRTR subjected materials/Transported Data do not coincide with final year end of T.HASEGAWA CO.,LTD.

### 3. CSR POLICY 3 HUMAN RIGHTS AND LABOR

Feature a work place that respects human rights and diversity with improved welfare, safety and easy-to-work/better environment for the employees.

#### 3-1 Basic Concept

##### • Basic Policy

We at T. Hasegawa support the global human rights standards such as the “The Universal Declaration of Human Rights”, “The ILO Declaration on Basic Principles and Rights in Labor” and the “UN Global Compact”. Our policies to conduct business are based on the “United Nations’ Guiding Principles on Business and Human Rights”, as shown below:

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

#### 3-2 Governance Framework

The Compliance Committee chaired by the President and Representative Director and also being comprised of other directors has been formed to ensure compliance with human rights and labor as we regard human rights and labor to be at the forefront of our business. The committee will proceed to make improvements as necessary.

##### • Initiatives For Human Rights

The “T. Hasegawa Corporate Code of Conduct” is in effect for all employees to follow when performing their business duties. “Respecting human rights” is an item included in the Code of Conduct. We instill that the Code of Conduct is thoroughly understood to cultivate human rights awareness and to prevent any human rights issues. We also have a “compliance regulation” enacted whereby employees or stakeholders can report potential risks for the purpose of early detection of human rights issues and for proper actions to be taken.

- **SDG's to Contribute**



**(1) Human Resource Development**

**3-(1)-1. Risks .Opportunities and Strategies**

- **Risks**

Shortage of human resources with appropriate skills, business slow down and reduction of technology transfer.

- **Opportunities**

Enhancement of employee motivation and company culture.

Increase in production efficiency by improving the working environment.

- **Strategies**

By adhering to the management policy of “fostering a better working environment for all employees”, we aim to establish a dynamic corporate climate where human resources are developed and where the will and motivation to work are sustained” and where the opportunity to advance one’s career is provided equally without any prejudice to race, nationality, gender, religion and disabilities.



• **Education System**

		Training According to Work Capacity Levels		Skill Up			Work Type			
		Common Values	Contents of Training				R&D	Production	Sales	
Managerial Level	Executives	Basic management skills	Business executive training	Language Training	Support of Obtaining Qualifications	Support of Correspondence Education	Harassment Prevention Training	Training at different departments*	Human Resource Cultivation for Mid-career Employees On-The-Job Training	Sales Guidance Manual
	Managers	Understanding managerial roles Promote staff autonomy and growth	Newly appointed managers training Management training							
Leadership Level	Cultivate awareness to participate in management		Junior board training							
	Increase output by involving others around yourself		Mid-career employees training							
Staff Level	Know about the company you work for		In-house seminars							
	Cultivate ability to work on your own		Training after 3 years of working experience* Training for the newly hired							

\*Job rotation and/or On-The-Job-Training System for enhancing knowledge and skills of employees in other division after approximately 3 year working experience in one division.

**3-(1)-2. Main Initiatives in 2020**

**Understand the roles and responsibilities of each job requirement and acquire the expected skills**

• **Segregated Training by Respective Job Title and Department**

We conduct training for newly hired employees, full-time employees and new management staff. Training is done with the objective to providing the necessary understanding of the roles and skills expected. We go through the Plan-Do-Check-Action (“PDCA”) cycle procedures to plan and manage so that the training sessions are improved as needed.

**Supporting Employees Willing to Learn by Themselves and Grow**

• **Subsidizing System for Correspondence Education**

To promote continuous learning we provide financial assistance to employees completing educational course programs that encourage enhancements of skills.

- **Support System for Acquiring Qualifications**

Financial assistance is subsidized up to a maximum of 50% of the tuition fees to acquire advanced qualifications that the company recognizes such as a certified tax accountant, certified public accountant and certified social insurance labor consultant. We also provide incentives to employees who meet certain requirements of the company such as Test of English for International Communication (“TOEIC”) scores.

- **In-house Seminars**

We give lectures on department activities and on current events as cross-functional learning opportunities. Recipients of these seminars are able to understand the connection and relationship between their own department and the lecturer’s department which builds cross-department knowledge.

### **Cultivating Management Awareness among Junior Employees**

- **Junior Board**

We conduct a management trainee program with the objective of cultivating an ability to develop strategic planning and enhance managerial skills.

### **Support of Cultivating Global Human Resources**

- **Foreign language training**

We provide training lessons in English and/or Chinese by native speakers paid in full by the company to employees.

- **Training prior to assuming overseas appointments.**

For those employees assigned to work at our overseas subsidiaries, we provide training on the local cultures, law and business practices

### **3-(1)-3. Towards the Future**

While we continue the initiatives undertaken in 2020, we are planning to introduce further effective education systems in conjunction with our human resources system.

### **Support managerial position employees**

- **Management Training**

We conduct training aimed at the managerial position employees so that they will understand and implement management methods that encourage growth and the autonomy of their staff members.

## **Executives**

- **Executive Training**

Provide assistance for executives to continue education within various fields of development pertinent to enhance their leadership roles and responsibilities within T. Hasegawa.

## **(2) Building Up a Safe and Rewarding Workplace**

### **3-(2)-1 Risks, Opportunities and Strategies**

- **Risks**

Occurrence of occupational accidents.

Administrative actions, lawsuits and decline in reputation as a result of occupational accidents.

Loss of quality employees as a result of poor working conditions.

Quitting due to taking care of children and elderly parents.

Difficulty in recruiting as a result of decline in corporate reputation.

- **Opportunities**

High quality candidates seeking employment and employee retention.

Improvement in production efficiency due to work environment.

- **Strategies**

By adhering to the management policy of fostering a better working environment for all employees”, we aim to establish a dynamic corporate climate where human resources are developed with the will and motivation to work”.

### **3-(2)-2. Main Initiatives in 2020**

- Conduct interviews and training to newly hired employees and mid-hired employees so they may eliminate any anxieties about their new workplace and demonstrate their abilities as soon as possible.
- Encourage employees to use vacation days to increase motivation, improve mental health and decrease burnout.
- Harassment Prevention in the Workplace.

The purpose of this policy is not to regulate our employees’ personal morality, but to ensure that in the workplace, no one harasses another individual. Harassment can be intentional and unintentional; therefore, consistent training on ways to recognize and prevent harassment is key to any successful work environment.

- Hold monthly meetings with the Labor Union to appropriately understand and evaluate the requests of employees.
- “Safety Patrol”: The Safety and Health Committee conducts patrols in premises every month.
- “5S” Activities”: The Safety and Health Committee monitors the building, rates the performances of every department and hands out rewards once a year. The initiative is set to promote the \*5S Activities:  
     \*5S stands for Seiri (Organize), Seiton (Tidy up), Seiso (Clean up), Seiketsu (Keep clean), and Shitsuke (Discipline)
- ”Safety Slogan”: Each year a contest is held to submit a winning motto for a safety slogan which is judged and decided by the Safety and Health Committee. The slogan is used for one year which leads to awareness while representing our beliefs and values.
- “Safety Social Gathering”: Held once per month to share information from the Safety and Health Committee and other committees as appropriate to employees.
- Fire Prevention Drill: Conducted twice annually the fire drill is a comprehensive coverage of protocols that includes elements of “extinguishing”, ”alerting”, ”escaping and guiding”, “rescuing” and ”protecting”.

■ Related Data (Fiscal 2020)

- Number of Employees by Employment Type
 

Executive Officers	Men 11	Women 1
Employees	Men 672	Women 333
Full time Contract Employees	Men 56	Women 15
- Average Length of Service by Gender    Men : 17.5 years    Women : 15.2 years  
     (Includes contract employees with employee contract with a fixed-term)
- Percentage of Employees covered by the Union Agreement  
     (Numbers in parenthesis indicate statistical total)
 

Against Total Employees	54.0% ( 1,088)
Against non-managerial employees	95.3% (616)
- Average utilization rate of Paid Leave    63.6%
- Rate of turnover    1.4% (Past 3 year average of employees who left for personal reasons)
- Total number of employees who took paternity/maternity leave    Men 3 Women 12
- Total number of employees who returned to work after paternity/maternity leave during reporting period.  
     Men 3 Women 10
- Number of employees working 12 months after returning to work from paternity/maternity leave  
     Men 1 Women 9

- Return to work percentage and 12 months job remaining percentage of employees who returned to work after paternity/maternity leave

Men Job Return Rate 100% Job Remaining Rate 100%

Women Job Return Rate 100% Job Remaining Rate 100%

#### ■ Systematic work environment management

- Self-declaration system
- No overtime work day
- System to encourage all employees to consume all paid holidays
- System to allow shortening work hours to caring of children and nursing elders
- Job application system for those having left to take care of children and nursing elders.
- Long Time Service Awards.
- Supporting cultural events and sporting activities for team spirit building.

#### ■ Obtaining KURUMIN Mark,

KURUMIN Mark is a proof that a corporation is certified by the Minister of Health, Labor and Welfare in Japan as a "child-rearing support company.

Received certification in 2015 and 2019 for meeting the requirements of the “Act on Advancement of Measures to Support Raising Next-Generation Children”.

#### 3-(2)-3. Towards the Future

- We strive to support work/life balance and recognize that our employees need time away from work to focus on family and self-care. We introduce paid-time off per working hour system to enable such work time flexibilities to function.
- Employees are our number one assets; therefore, providing proper training and development through our human resources system is vital to our success. We review our human resource system as necessity requires.
- Our working environment is highly diverse with Employees in terms of ages, physical conditions and working experiences. This level of diversity requires us to look at the working environment from many angles to continue supporting and engaging all of our team members.

## 4. CSR POLICY 4 QUALITY SAFETY

### We will be the leader of Product Safety

#### 4-1 Basic Concept

##### • Basic Policy

In order to meet the demand of our customers for “safe and secure to use”, we have established a quality assurance system that places importance in supplying safe and secure products.

##### • Relationship with Stakeholders

We aim to continue providing our customers with products that are safe and secure to use and also with values that leads to customer success.

#### Product Quality/Food Safety Policy

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

1. We value engaging in communication with our customers to provide products that meet or exceed the needs of our customers.
2. From R & D to raw material procurement, production, logistics, sales and administration, every department will fulfill its duty, to provide our customers the highest quality products and services.
3. We comply with related laws and regulations in establishing a quality assurance system that provides products that are safe and high in quality as we continually make improvements.

##### • SDG's To Contribute



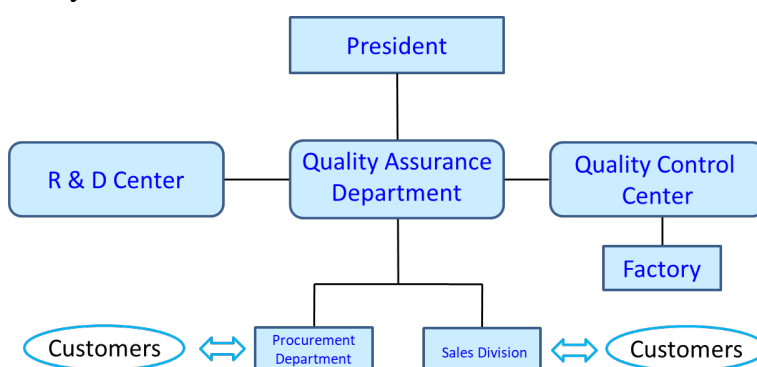
We have a traceability system that uses bar codes to track raw materials from the point of receiving through all the way to product shipment so that our customers may feel safe to use our products. We are able to track finished product lot numbers, production records, product test results, lot numbers of the raw materials used in the products and all the records of tests conducted on the raw materials upon receiving. We check quality and safety related information such as the specifications, allergens and residual pesticides for all the raw materials used. For compound flavors and fragrances, we confirm that they comply with the related laws and regulations such as the Food Sanitation Act, Fire Service Act, Occupational Safety and Health Act, Regulations related to Chemical Substance Reviews and Production. We always use raw materials that are guaranteed and reflect the quality of such raw materials to our products. We produce products that are safe and secure to use and to minimize environment footprint.

We publish Safety Data Sheet (“SDS”) conforming to Globally Harmonized System of Classification and Labelling of Chemicals (“GHS”) to disclose information regulated by law. Through our traceability system, we are able to trace information which allows us to reduce the time required to respond to the request from our customers and provide information in a timely manner.

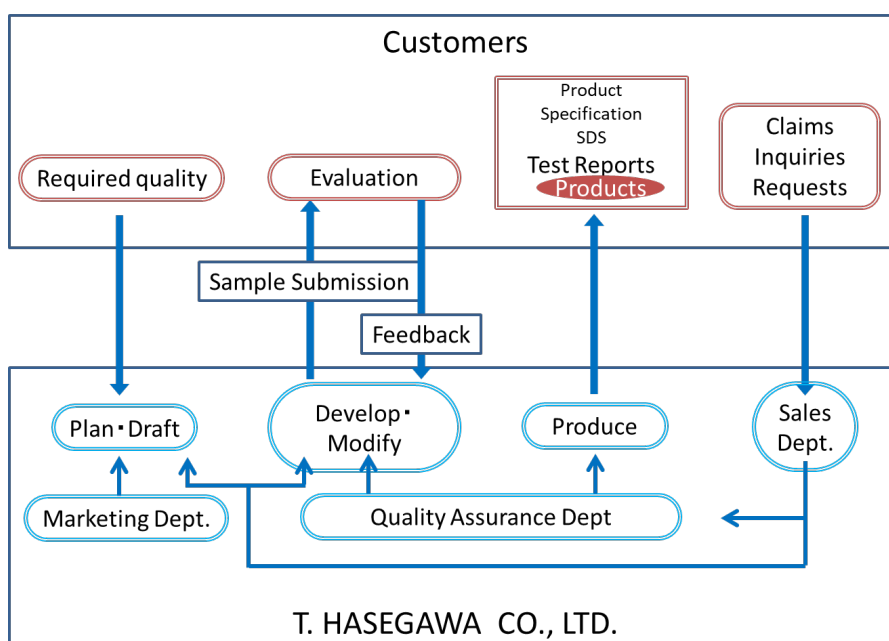
#### 4.2. Governance Framework

To guarantee the quality and safety of our flavor and fragrance products to our customers, we have established a quality assurance system led by the Quality Assurance Department which is under the direct control of the President and Representative Director. All raw materials used at our company are registered in our raw material lists by the Quality Assurance Department. Only those raw materials with quality and safety checks having been completed are used for samples and finished product production. We conduct completion tests against all products that we supply to our customers to make sure that we provide high quality products.

##### ■ Quality Assurance System



##### ■ Communication with clients



■ Quality Control from Raw Materials to Products

Raw Materials	Development		Production		Products	
Registering Raw Materials	Developing Samples	Submitting Samples	Receiving Raw Materials	Producing	Inspecting Quality	Following Up
All raw materials are checked for regulation compliance and safety confirmation. Only approved raw materials are registered as raw materials allowed to be used.	Using registered raw materials, we develop flavor and fragrance products that meet the requirements of our customers.	We conduct safe and secure sample work by confirming labelling information based on laws and regulations as well as safety information.	All raw materials received at the factory are inspected upon delivery to confirm that they conform to our specifications. In Fiscal 2020, about 9,000 items of raw materials were inspected.	We produce high quality products through the utilization of FSSC2200 and the bar coding system.	All products undergo completion test per each production lots to make sure that they conform to each specific product specifications. In Fiscal 2020, about 26,200 products were inspected.	We respond to claims and inquiries after the products are sold to the customers.

(1)Quality Assurance Department

At the time of purchasing raw materials, we confirm that they are in compliance to the laws and regulations. We require products not to just comply with Japanese laws, but also in response to our overseas customers, we confirm the acceptance to local country and region laws and regulations.

(2)The Quality Control Department

The Quality Control Department at the factories conduct the QC activities like quality checks on the finished products and incoming raw materials purchased. Every product and raw material handled at the factories are checked for quality. We have internal systems and equipment in place to conduct tests and continually upgrade equipment necessary in maintaining the quality of our product and raw materials. The test results are uploaded by the autonomous transfer system to our computer system whereby the data provides recorded numbers, determination of pass or fail, and printouts of test results. This helps to prevent tampering of data. As a flavor and fragrance company, we also put emphasis on cultivating sensory expert personnel. Sensory experts have accumulated many hours of training to distinguish different odors and have passed sensory certification tests.



### (3)ISO9001

We received the global standard Quality Management System Certification for ISO9002 for both Fuakaya and Itakura factories in 1998. In 2003, we transferred over to ISO9001 and then expanded the certification to cover R&D center in 2007. Under the President and Representative Director, all employees fully cooperate and participate in our quality control system. Acquiring the Food Safety Management System FSSC22000 in 2012, we have been deploying a consolidated management system of ISO9001 and FSSC22000 since 2019. Each department adopts the optimum standard: the headquarters, sales branches and offices, the R & D Center and the fragrance factory are covered by the requirements of ISO9001 whereas the flavor factories are covered by the FSSC22000 Certification.

### (4)FSSC22000

We received the FSSC22000 Food Safety Management System Certification for Fukaya factory, Itakura factory and R&D Division in 2012. By acquiring an international standard recognized by GFSI (Global Food Safety Initiative), we are able to reduce the risk associated with food safety which is recognized by our customers. Since R&D center is covered by ISO9001, we decided to exclude R&D Division from subjects of FSSC22000 to avoid overlap in 2019 so that it is valid only for Fukaya factory and Itakura factory.

### (5)Internal Audits

We conduct internal audits related to quality and food safety once per year. Internal auditors have received training as auditors and are useful in coming up with detailed improvement ideas which leads to the elimination of unnecessary or wasteful elements of work. The suggested points are also shared with other departments to conduct continuous improvement initiatives.

### (6)5S Audits

At the Fukaya and Itakura factories, members of the Quality Control Center enter the production areas and conduct sanitary audits based on 5S Activities (Seiri (Organize), Seiton (Tidy up), Seiso (Clean up), Seiketsu (Keep clean), and Shitsuke (Discipline)). Sanitation control inside the factories are the basics of Food Safety and is useful to prevent contamination by foreign matter and microbes.

### (7)Management Review

Annual reviews of the quality and food safety activities are provided in a report to top management. By reviewing the annual activities, top management makes strategic direction and plans what initiatives we will engage for continuous improvement.

#### (8) Compliance Initiatives

Employee engagement and awareness in compliance for food safety is important in providing high quality products to our customers. We conduct repetitive education and training on quality matters upon hiring new employees and regularly thereafter on a timeline prepared by the QC department. Since laws and regulations change frequently, we promptly convey information related to laws and regulations to our employees through the internet, regular training sessions and lectures from industry related associations and third-party suppliers, vendors or customers. At the factories, we hold regular training sessions related to food safety to increase compliance awareness among the employees.

#### (9) Internal Halal Committee

We have received Halal certification for export products to Southeast Asia to achieve safe and secure supply of our products. We have established an Internal Halal Committee comprised of members from sales, R & D and production to share information related to Halal matters and to maintain and control the Halal Certification. We also signed an Advisory Agreement with the Nippon Asia Halal Association to assist with compliance and continuous improvement.

#### (10) Actions Taken When Claims are Received and the Role of the Quality Control Committee

When claims are received, the Quality Assurance Department and the Quality Control Center work together to verify the causes and work on the countermeasures of the claim and respond promptly to the customers with a root cause analysis. In the event of serious claims, top management is notified immediately and appropriate actions are taken. The information related to the claims are shared by the Quality Control Committee, horizontally deployed to other related departments to be used to prevent any quality issue recurrences.

### 4.3. Strategies

#### • Continuous Enhancement of Governance

(1) To respond to the constantly changing information related to the laws and regulations, we participate and are members of industry related associations. We are active members of International Fragrance Association (IFRA) and International Organization of the Flavor Industry (IOFI), and dispatch our employees as committee members to Japan Flavor & Fragrance Materials Association (JFFMA) and The Japan Food Additives Association to participate in the meetings of these associations. We are engaged in activities for the development of the flavor and fragrance industry.

## (2) Reinforcing Quality at the R & D Level

Globally, laws and regulations change regularly and we proactively obtain information from industry associations to maneuver with those changes, while being able to convey proper information to our customers. The information received from outside resources is evaluated and recorded into an internal data base and utilized immediately. The updated information is accessed by researchers in the development of new products. We utilize this setup not only to provide newer information to the customers but also to develop better products.

## (3) Reinforcing Quality during the Production Process

Products with consistent quality are demanded of the production process. We assign codes to all raw materials and finished products. By using a bar code management system, we prevent mixing of erroneous raw materials and product mishandling. At the factories, the scales and balances used for measuring or weighting raw materials are registered in production control system. Data collected from the scales and balances and automatically entered to the system are matched with data from the bar code management system for ensuring accurate traceability. We aim to provide products with consistent quality at the factories utilizing technology.

### **4-4. Major Initiatives of Fiscal 2020**

We received standard annual audits of ISO9001 and FSSC22000 with no major issues and continuation of our certifications under both. Audits for Halal were also completed and renewal certification was approved. Further food safety initiatives were undertaken such as the installation of additional security cameras, a control system to monitor entry and exit of rooms and pest control devices. Also at the factories, we have business improvement proposal system in place and approximately 1,500 proposals were submitted by the employees during the fiscal year. Employees are committed to providing products with awareness towards quality and food safety.

### **4-5. Towards the Future**

We will continue to enhance our quality assurance system so as to maintain continuous trust in our quality from our customers. The Quality Assurance Department is in direct control from the President and Representative Director. The Quality Assurance Department will work together with other division such as Quality Control Center of the production division and quality control departments of our overseas locations to provide products with quality satisfactory to all of our customers both domestically and globally.

## 5. CSR POLICY 5 Governance. Fair Business Activities

We become a trustful partner to the society based on securing soundness, fairness and transparency in Management.

### (1)Corporate Governance

#### 5-(1)-1 Basic Concept

As a listed company on the Tokyo Stock Exchange first section, we respect the 5 basic principles of corporate governance indicated here below.

- (1) Protecting shareholder rights and secure fairness
- (2) Establishing good relationship with stakeholders through seamless dialogue
- (3) Fostering a better working environment for all employees
- (4) Making timely and appropriate disclosures to secure transparency
- (5) Further improving management supervision by Board of Directors and Board of Auditors and securing accountability to stock holders

Observing those 5 principles, we will enhance the function to check management and comply with the laws and regulations. Those kind of actions will enable us to make precise and prompt management decisions in a timely manner and maximize our corporate values through attaining sustainable growth.

#### SDG's To Contribute



#### 5-(1)-2 Governance Framework

We have adopted to setup the Board of Auditors in our organizational structure as required by the Companies Act. The Board of Auditors supervises important business decisions made and executed by the Board of Directors.

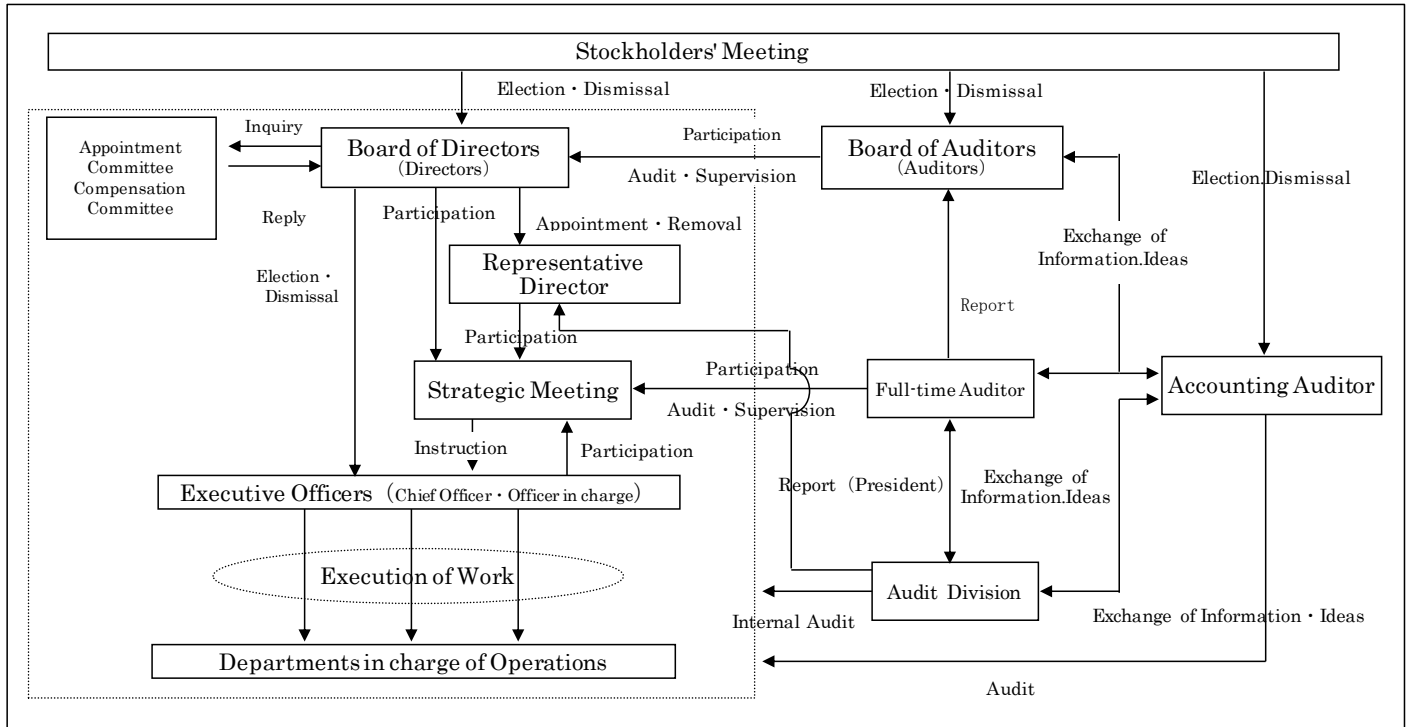
The executive duties of the Board of Directors are audited by both in-house auditor, outside auditors and the Board of Auditors who are independent from the Board of Directors.

Furthermore, we established a division of roles between management and execution of business responsibilities by introducing Executive Officers. The Executive Officers hold a strategic meeting that reviews and evaluates the business and builds management strategies. The Appointment Committee along

with the Committee on Compensation decides on the compensation of board members and provides transparency and objectiveness to stakeholders.

Outline of our Corporate Governance System as indicated here below

**【Corporate Governance System】**



**• Diversity of Directors and Auditors**

To realize corporate governance that is the foundation of a highly trustful and transparent management system, we secure the Board of Directors with diverse backgrounds in education and career paths. The appointment of the directors and auditors take into consideration personality, insight, and knowledge related to various areas of expertise. The number of directors is held to less than 10 according to the Articles of Incorporation which forms a structure with an optimum number of members, with the ability to actively engage in discussion, review and decisions.

## ■ Skill Matrixes of Directors and Auditors

### SKILL MATRIX

NAME	MANAGERIAL POSITION	SPECIFIC SKILLS POSSESSED TO UTILIZE AMONG SPECIALIZED SKILLS REQUIRED BY OUR COMPANY									
		CORPORATE MANAGEMENT & STRATEGIES	QUALITY	ESG SUSTAINABILITY	SALES & MARKETING	R & D	PRODUCTION	GLOBAL STRATEGIES	ACCOUNTING & FINANCE	HUMAN RESOURCES	LEGAL, COMPLIANCE, RISK MANAGEMENT
Tokujiro Hasegawa	Chairman & Representative Director	●	●	●		●			●		●
Takao Umino	President & Representative Director	●	●	●	●			●	●	●	●
Yoshiaki Chino	Director & Deputy President	●	●	●	●	●	●				●
Minoru Nakamura	Director & Senior Executive Vice President	●		●					●	●	●
Shingo Daimon	Outside Director	●			●			●			●
Takao Yuhara	Outside Director	●						●	●		●
Koji Kataoka	Full Time Auditor								●		●
Tomonori Arita	Outside Auditor								●		●
Kazuhito Yamamura	Outside Auditor							●	●		●
Junko Imura	Outside Auditor								●		

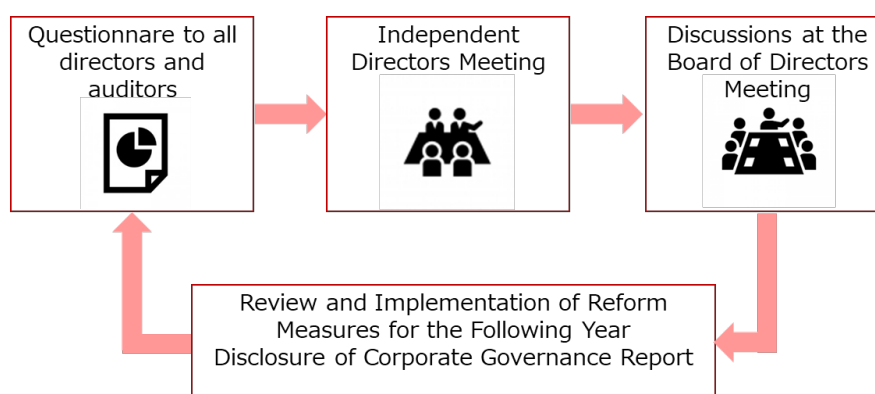
#### • Succession Program

Cultivating a successor to the President and Representative Director through a planned approach is the most important matter in our management strategy to the continuity of our corporate values in the future. In identifying a successor the candidate must hold or acquire the ability, experience and skills required for the post of President and Representative Director. This can be achieved by having the candidates accumulate the management experience through job execution, attending the Board of Director Meetings and Strategic Meetings. To maintain transparency of selecting the proper candidate for the President and Representative Director, an additional Appointment Committee may be formed, comprised of the President and Representative Director along with outside Directors and provide a detailed report at the Board of Directors meetings. The Board of Directors manage the overall initiative to cultivate the successor.

#### • Evaluating the Effectiveness of the Board of Directors

Every year, our Board of Directors analyzes and evaluates the effectiveness of the Board and discloses the overview of the results for transparency.

## ■The PDCA Cycle to improve the effectiveness of the Board of Directors



### 5-(1)-3. Strategies

Fulfilling our social responsibility while achieving sustainable growth, it is imperative that we make prompt decisions under a management system with good reliability and transparency that responds flexibly to the changes in the management environment. Our group consider Corporate Governance which is the foundation of a management system with good reliability and transparency as an important challenge and therefore continue to make initiatives to strengthen an effective governance system.

#### • Objectives

Our objective is to grow our business through sustainable and stable development. One objective is to increase the consolidated sales rate by more than 4.0%; secondly our aim is to have a consolidated operating profit rate of 11.0% and a consolidated ordinary profit rate of 12.0% by the end of Fiscal Year 2023.

### 5-(1)-4 Major Initiatives of Fiscal 2020

- We followed the “Basic Principles related to Corporate Governance” enacted according to each principle of the Corporate Governance Code.
- Board of Directors:
  - 11 meetings were held through the year.
  - Critical matters such as business strategy, sales budget and business matters related to law and regulations were determined.
  - Analysis of sales achievements and ongoing business matters were discussed monthly.
  - All discussion and decision making were conducted to be compliance to laws and regulations along with appropriate business activities.
- Board of Auditors:

- 4 auditors with 3 being outside auditors.
- 12 meetings were held throughout the year.
- Reviewed reports and made appropriate decisions based on the received information.
- Auditors attended Board of Director meetings.
- Auditors reviewed the performance of duties conducted by directors.
- Interviews to the officers who were department heads were done twice through the year.
- Auditors visited and audited subsidiaries and factories in accord with audit plan.
- Regular meeting with the public accountants and in-house audit team members improved quality of auditing activities.
- Other critical activities
  - The Appointment Committee meeting which is made of Representative Director and outside auditors were held once through the year. The Appointment Committee selected candidates for directors and made a proposal to the Board of Directors.
  - Compensation Committee Meeting, of which members are comprised by Representative Director and outside auditors were held once through the year. The Compensation Committee reviewed the compensation of the directors and made a proposal to the Board of Directors.
  - Questionnaires related to the make-up of the board and operations were handed out to all directors and all auditors to ensure the effectiveness of the Board of Directors. The responses were compiled and the results indicated that the effectiveness of Board of Directors' meeting was acceptable in 2020.

#### **5-(1)-5 Towards the Future**

- In light of the 'effectiveness analysis' of the Board of Directors' meetings, we will increase discussion time in the Board Meeting by providing sufficient explanation of meeting agendas prior to the meeting. To assist outside board members with understanding the nature and details of the content and activities, the content of the reports from each department were reformatted and improved. Regular interviews between the outside auditors and executive officers were held in order to continue the improvement of governance.
- We will continue our initiatives to strengthen our effective corporate governance.

#### **(2) Compliance**

##### **5-(2)-1. Basic Concept**

We consider compliance as one of the most important challenges of our business. The T. Hasegawa Corporate Code of Conduct and Compliance Regulations is established so that the business activities of all officers and all employees are in compliance.



## **Initiatives to Prevent Bribery and Corruption**

We support the 10 principles related to “Human Rights, Labor, Environment, Anti-Corruption” raised by the United Nations Global Compact to realize global sustainability. We will continue to promote responsible management to all of our stakeholders in the future.

## **Policies of T. Hasegawa to Prevent Bribery and Corruption**

In view of the global enforcement of anti-bribery and anti-corruption regulations, we have stipulated the undermentioned basic directives to prevent bribery and corruption that are in compliance with the local laws and regulations of the countries we are doing business in.

1. Within the “T. Hasegawa Corporate Code of Conduct” and stipulated in our employment handbook the codes related to “compliance of laws and regulations”, “actions towards customers,” and “relationship with suppliers”, T. Hasegawa will prohibit corruption based activities while complying with laws and regulations related to bribery and corruption applicable to both domestic and overseas.
2. Under no reasons should T. Hasegawa gain any profit through bribery and corruption or any other illegal means. We will direct our business partners both domestic and overseas to fully understand the meaning of our policies and not engage in any illegal activities to gain any profits on behalf of our group.
3. T. Hasegawa appoints the officer in charge of administration as the chief supervisor related to the prevention of bribery and corruption and to supervise our compliance system. We will endeavor to control our compliance system by implementing necessary training to prevent bribery and corruption and by expanding our internal notification system.

### **• Installation of Tax Policy**

Due to our global expansion, taxes are becoming complicated along with the tax risks. In order to enhance our tax governance capabilities, we will establish the T. Hasegawa Tax Policy to cultivate awareness of taxes among officers and employees of our group.

## **T. Hasegawa Tax Policy**

### **Basic Policy**

T. Hasegawa will comply with the laws and regulations based on the “T. Hasegawa Corporate Code of Conduct”. By appropriately fulfilling our tax obligations in the various countries where we conduct business, we accomplish our social responsibilities as a company and aim towards further improving our corporate value.

### **1. Compliance with Laws and Regulations**

We will comply with tax related laws and regulations and appropriately fulfill our tax obligations. We will not take advantage of any tax incentives that has nothing to do with our business activities or engage in any tax avoidance measures such as using regions known to be as tax haven areas. In global trade, we will comply with the laws and regulations, tax treaties and global taxation of the various countries and regions where we conduct business.

### **2. Secure Transparency**

We will make efforts to appropriately disclose information to all of our stakeholders by complying with our accounting standards and disclosure standards. If any requests are made from the tax authorities, we will provide all the necessary information to establish a positive relationship with the authorities. If any tax related issues are raised, we will promptly implement corrective measures to prevent any recurrences.

### **3. Minimizing Tax Risks**

We will aim to minimize the tax risks to improve our corporate values through correct understanding of the tax system. In the event of any business dealings where there are some vague tax related interpretations, we will conduct adequate reviews in advance with the help of experts and if necessary, confirm with the tax authorities to try to reduce the tax risks.

### **4. Tax Governance**

To make sure that our tax related interpretations are correct, we receive advice from outside experts on matters related to business environment changes and tax law changes of various countries and regions. We thereby are able to respond in a timely and appropriate manner at all of our business locations to ensure a system where all the information are shared with us.

- **Policy towards Animal Experimentation**

We do not engage in any animal experimentation for the research and development of our flavors and fragrances. We also do not support any animal experimentation activities. However, we will comply with the authorities accordingly.

#### **5-(2)-2. Governance Framework**

(1) The Compliance Committee

Established under the Compliance Regulations, members of the Committee include directors with the President and Representative Director being the Chairman. The Compliance Committee monitors and prevents illegal activities as well as preventing inactions and concealment of potential illegal activities by investigating for any illegal activities within the company. The committee aims to quickly evaluate any illegal activities that may have occurred and make corrective actions.

(2) Whistle-Blower System

We have an established Whistle-Blower System to receive reports of illegal activities

(3) Training and Education regarding Compliance

By training and education, we cultivate awareness to all of our directors and employees to respect compliance to the laws and regulations.

(4) Streamlining and Implementation of Internal Control

To strengthen credibility of our financial reports, we have in place an internal control regulation that is monitored and tested regularly that establishes a system that properly evaluates the validity and effectiveness of the reports.

#### **5-(2)-3 Goals**

(1) Compliance Tests: Conduct once annually.

(2) Seminar to prevent harassment: Conduct once annually (Mandatory to all promoted to managers).

#### **5-(2)-4 Main Initiatives for Fiscal 2020**

- The “T. Hasegawa Corporate Code of Conduct”, we established an environment to confirm from time to time that copies of the corporate codes are distributed and are thoroughly understood by all of the officers and employees. Also in order to make sure that the codes of conducts and regulations that require compliance with sincerity and ethics are thoroughly understood, compliance understanding tests were conducted to cultivate awareness towards compliance.

- Based on the Compliance Regulations, the Compliance Committee Meeting was held once in 2020. Important issues regarding compliance and the results of the Compliance Understanding Tests were reported during the Compliance Committee. During Fiscal 2020, there were no serious compliance violations related to our businesses. The percentage of correct answers to the Compliance Understanding Tests were 99.9%, thereby allowing us to confirm that the understanding of compliance is deepening within the group.
- Whistle-Blower Systems have been established at T.Hasegawa. Any situation of a whistle-blowing report will be sent and investigated by the full time auditor.
- We will not pursue, forge or establish any relationships whatsoever with Anti-Social Forces. Our T.Hasegawa Corporate Code of Conducts addresses this issue and is being complied with by all of our officers and employees. We always engage in assisting information requested from government agencies and organizations like the police department, we have a system in place to work together closely with these agencies, organizations and lawyers to deal with these issues promptly.
- It is our policy to prohibit harassment of any employee by any supervisor, employee, customer or vendor on the basis of sex or gender. It is not always easy to define precisely what types of conduct could constitute harassment and there is a wide range of behavior that may violate this policy; therefore, frequent and consistent training on harassment prevention is required. New managers are provided training at time of hire and periodically thereafter.

#### **5-(2)-5. For the Future**

We will continue all the initiatives to enhance compliance awareness. We will enrich and strengthen the compliance system of our entire group.

### **(3)Risk Management**

#### **5-(3)-1 Basic Concept**

A Risk Management Committee has been established which is a cross functional team that analyzes, manages and/or takes actions against risks. Business Continuity Regulations and Business Continuity Procedures have been installed. Officers and employees are provided these internal regulations and individual departments are to spearhead analyzing, managing and developing countermeasures to deal with risks.

## 5-(3)-2 Governance Framework

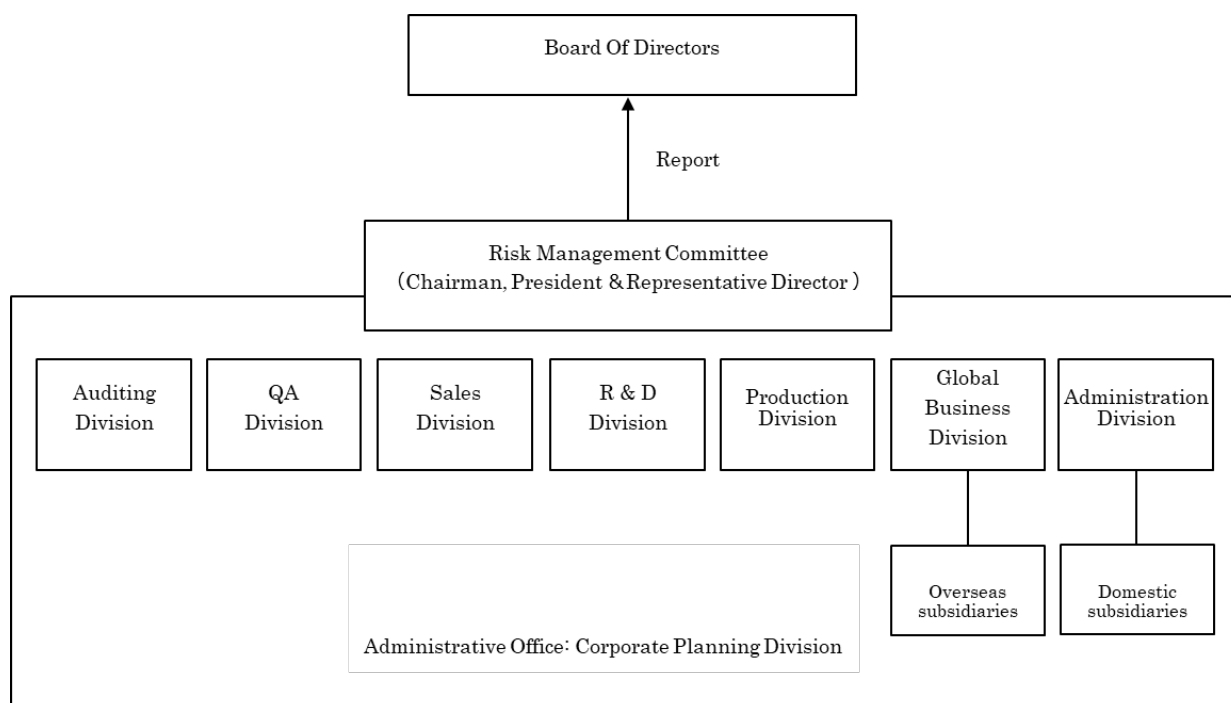
### (1) Compliance Committee

By managing internal regulations, the related departments take the lead to analyze, manage and come up with counter measures. Also for risks that need to be dealt with as a whole company or as a group, the related departments as well as the Risk Management Committee based on the Risk Management Regulations will take the lead. The Risk Management Committee is setup as a cross sectional organization of group companies with officers being members and chaired by the President and the Representative Director.

#### • Risk Identification Process

Based on the Risk Management Regulations, we conduct an annual risk survey covering the entire company to identify risks. The results of the analysis of the risk survey are reported to the Risk Management Committee as well as to the Board of Directors. Based on the survey results, important risks that should be monitored by The Risk Management Committee are selected with the progress being reported on a regular basis.

**Organizational Chart of the Risk Management Committee**



## Major Risks

The major risks and the initiatives undertaken

RISK CATEGORY	ASSOCIATED RISKS	MAJOR INITIATIVES UNDERTAKEN
Risks associated with weather	Decline in sales of finished products of our customers' industries (beverage, food, toiletries, etc.) due to unstable climate.	Diversify our portfolio of customers other than the beverage industry since it is the most affected by unstable climate conditions
Risks associated with procurement of raw materials	Damage due to impacts of abnormal weather conditions (cyclones, hurricanes, etc.) on agricultural products, social unrests(terrorism, war, pandemics, etc.) , accidents at suppliers, etc. lead to difficulties in procurement and affect sales of our group.	Strive to procure raw materials from multiple suppliers around the world, and promote diversification of procurement methods. Implement global purchasing through collaboration among the Group's domestic and overseas subsidiaries.
Risks associated with disasters	Damage due to natural disasters (earth quakes, typhoon) and social unrests (terrorism, war, epidemic) at our production sites affect sales of our group.	Install and adopt Business Continuity Plans ("BCP") and its procedures to secure continuation of business activities in case of unexpected occurrences of disasters and crisis.
Risks associated with quality	Damage due to defects of our finished products affect the sales of our group.	Make efforts to supply our finished products with quality that satisfies our customers, bearing in mind that food safety comes first. Quality Assurance Division reports directly to the President and Representative Director Purchase Product Liability Insurance.
Risks associated with economic situations	The economic situations, economic trends, financial affairs and trends in personal consumption lead to decline in sales of finished products of our	Accelerate global expansion in Asia, mainly in China and Southeast Asia, and in the United States, and diversify the regions in which we operate.

<b>RISK CATEGORY</b>	<b>ASSOCIATED RISKS</b>	<b>MAJOR INITIATIVES UNDERTAKEN</b>
	customers and affect the sales of our group.	Accurately understand the market growth and consumer preferences of each country and region of our subsidiaries, plan and execute business strategies that align with trends
Risks associated with environment	Enforcement of environmental laws increase costs, possibly restricting business activities, etc. which affects the sales of our group.	Comply with environmental laws and regulations of each country and region where we engage in business.  Develop initiatives in compliance with the CSR Policy and our Corporate Code of Conduct.
Risks associated with impairment loss	If the current value of our assets drastically drops or if the profitability of our business declines, the application of impairment accounting leads to impairment loss of fixed assets and affects financial performance of our group.	Evaluate profitability of fixed assets and decide continuation of ownership, or propose alternative solutions. In addition, maintain the asset value by spending adequate maintenance capital expenditures.  In implementing M&A, draw up business plans and conduct adequate reviews of future value assessment. Once M&A is completed, proceed to PMI (post-merger integration) to maximize estimated synergy effects.
Risks associated with Subsidiary Management	We position the global market as the driving force of growth for our group and we are increasing our business exposure in Asia such as China and South East Asia as well as in the United States of America. However, if the subsidiary management (corporate	Consider corporate governance, which is the foundation of a highly reliable and transparent management system, to be an important issue, and strives to strengthen its effective governance system, including those of our subsidiaries.

<b>RISK CATEGORY</b>	<b>ASSOCIATED RISKS</b>	<b>MAJOR INITIATIVES UNDERTAKEN</b>
	<p>governance) becomes inadequate or illegal and scandalous incidences occur, the corporate image may be damaged and trust lost, which may affect financial performance of our group.</p>	<p>Apply the T.Hasegawa Corporate Code of Conduct and the Compliance Regulations to our subsidiaries and make efforts to establish a compliance system that covers the entire group. Also we setup whistle-blowing system to receive reports of illegal activities at subsidiaries.</p> <p>Strengthen governance structure at our overseas subsidiaries by establishing important standards and regulations.</p> <p>Regarding operation risk in our overseas subsidiaries as major risk factors of our group, we plan and conduct business operational audits of our overseas subsidiaries based on the important standards and regulations we developed and our business audit procedures in planned manner.</p>
<p>Risks associated with foreign exchange rate fluctuations</p>	<p>The financial statement items of our overseas subsidiaries are indicated in local currencies; therefore, in the consolidation process, they are converted into Japanese Yen equivalent. The exchange rate at the time of the conversion may affect financial performance of our group.</p>	<p>Our businesses are diversified into multiple currencies such as Yen, US Dollar and Chinese Yuan.</p> <p>Create business plans anticipating foreign exchange currency fluctuations.</p> <p>On a stand-alone basis, we are hardly affected by exchange rate fluctuations because the amount of exports from Japan and imports of raw materials from overseas are almost equal.</p>



<b>RISK CATEGORY</b>	<b>ASSOCIATED RISKS</b>	<b>MAJOR INITIATIVES UNDERTAKEN</b>
Risks associated with Covid-19	The world-wide pandemic of Covid-19 is still spreading since it was first reported back in January of 2020 in Wuhan City of the People's Republic of China. Depending on the future outcome of the pandemic, business performance of our group may be affected.	<p>In order to ensure business continuity, we established the Emergency Countermeasures Headquarters ("EMH") based on the Business Continuity Plan ("BCP") and its procedures.</p> <p>EMH collected information both domestically and internationally, formulated and promoted countermeasures, and took measures to prevent the spread of Covid-19 infection and ensure the safety of employees.</p> <p>Implementation examples are staggered working hours, alternate work-at-home system in Japan except for production divisions.</p> <p>Depending on the future outlook of Covid-19, our group's business activities may be affected, and we will continue to monitor the situation closely.</p>

### 5-(3)-3 Main Initiatives of Fiscal 2020

- **Risk Management Committee**

The Risk Management Committee made an evaluation report on the analysis, maintenance and actions taken against important risks. These included the planning of the annual program, drafting and implementation of the actions. In Fiscal 2020, a meeting of the Risk Management Committee was held.

- **Business Continuity**

To enable our business to continue in the event of unexpected situations and disasters, we have business continuity regulations and guidelines developed. Officers and employees are aware of the details of the continuity plan. Implementation of the procedures of the plan are practiced by holding emergency fire drills and confirming safety of all employees via an electronic safety confirmation service on the assumption that a major disaster had occurred.

- **Internal Audits**

The Internal Audit Department conducted internal audits based on the internal audit plans.

- **Information Security**

For the purpose of protecting our information assets, we have the Basic Information Security Policy, Countermeasure Standards and the Information Security Implementation Guidelines in place to maintain and improve our information security activities. Also we have rules in our T. Hasegawa Corporate Code of Conduct that stipulates how to handle internal information. Officers and employees are provided these rules to enhance information security.

- **Intellectual Property**

With the increased social awareness of intellectual property as well as the implementation of various regulations by the government, the importance of intellectual property is on the rise year after year. At T. Hasegawa, our Legal Department handles intellectual property. We acquire intellectual property rights from the results of our research and development so that we may utilize them to provide high quality and high value added products.

- **Responding to the COVID-19 Pandemic**

With the widespread epidemic of COVID-19 throughout the world, we established the Emergency Countermeasures Headquarters to respond to this pandemic. The EMH implemented various infection prevention measures such as introduction of staggered working hours, alternate work-at-home system, restrictions of business trips, and restrictions of holding meetings with visitors.

#### **5-(3)-4 Towards the Future**

We will continue our initiatives to reduce risks by monitoring important risks planned by the Risk Management Committee.

## 6. CSR POLICY 6 INNOVATION

Contribute to solving social challenges through the flavor and fragrance business

### 6-1. Basic Concept

#### • Basic Policy

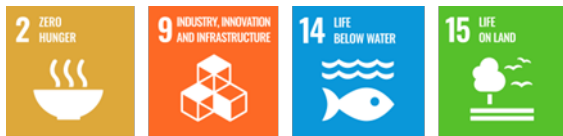
Our initiatives are related to the research into proprietary aromas and new aromatic ingredients making use of analysis, synthesis, compounding, material development while achieving rationalization and efficiency of our production procedures.

We lead to the development of new products and new business research activities by responding to the needs and potential demands of customers, which start with the resolution of social issues.

#### • Relationship with Stakeholders

Providing high quality and high added value, we provide the optimum "fragrance" that customers demand. By rationalizing and streamlining the manufacturing methods, it is possible to shorten the delivery, which leads to cost reduction for both our company and our customers.

#### • SDG's to Contribute



### 6-2. Governance Framework

The Business Solutions Division pursues to contribute to the resolution of social issues and achieve sustainable growth by strengthening cooperation among the Sales Division, Sales Planning Department, Marketing Department, and R&D Division. All department work together in unison to provide high-quality, high-value-added products to customers based on the strategies planned by the Business Solutions Planning Department.

The Flavor Institute, The Fragrance Institute and The Technical Institute all pursue specialized fields respectively but by having all three Institutes work together and by combining results, we are able to enhance our R & D capabilities.

### 6-3. Main Initiatives in Fiscal 2020

The core of aroma development rest on the shoulders of R&D Center (in Kawasaki City, Kanagawa Prefectures). We make our contributions to the creation of an enriched society through flavors and fragrances.

- Reduced energy consumption and attain reduction of CO2 by modifying the production procedures of citrus flavors
- Developed ingredients to mask odors
- Present ingredients for sensitive skin protection

#### ■ Contributions we can provide to solving social challenges

##### (1) Food Shortage

We are focusing on the development, market analysis and sales promotion of flavors for alternative protein based products. By developing meat flavors for alternative protein products, it is possible to reduce livestock meat by using plant based substitutes.

Our Milk Colloid® and Utility Flavor® are becoming ingredients to compliment the loss of milk supply as a result of the decline in the number of dairy farmers. Our FATENHANCER® are displaying effects to suppress excessive calorie intake by imparting fat mimetic to low calorie and non-oil products.

##### (2) Food Loss

We contribute to the reduction of food loss by re-verification of our flavor shelf life; Re-verification of the quality assurance period of our flavor extends the shelf life of the customer's product inventory which contains the flavor.

##### (3) Health and Aging Society

We developed masking ingredients that help to mask odors and improve the environment at hospitals and nursing homes. With the application of Near Infrared Spectroscopy (“NIRS”) and through Mapping The Tongue™, we are engaged in the work to make nursing home food more delicious to eat.

## ■Details related to Innovation

Products · Solutions	Overviews · Initiatives
Solutions for an Aging Society	<ul style="list-style-type: none"> <li>• Development of masking odors to improve the environment at hospitals and nursing homes.</li> <li>• As a part of our efforts in the field of "food" in a super-aging society, we are making nursing care food easier to eat and tastier (using and developing Near-infrared spectroscopy ("NIRS") and Deglutition Mapping™ (Myoelectric potential measurement)).</li> </ul>
Solutions for Shortages of Food Resources	<ul style="list-style-type: none"> <li>• Reduce consumption of livestock meat by utilizing meat flavors to food ingredients of botanical protein origin as part of efforts to combat forecasted food resource shortages in the future.</li> </ul>
Carbonation Enhancer ®:	<ul style="list-style-type: none"> <li>• Enhances the fizzy feeling of carbonated drinks. Enables thinning of PET bottle thickness.</li> <li>• The main ingredient of Carbonation Enhancer ® is Yuzunone which is an ingredient that T.Hasegawa discovered from a natural yuzu fruit.</li> </ul>
HASEAROMA ®	<ul style="list-style-type: none"> <li>• Our series of flavors rich in natural characteristics as a result of detailed research of the aroma of real food sources. Utilizing the combined T.Hasegawa technology of analysis, synthesis and compounding .We discovered the aroma of food by a variety of methods bearing in mind the concept of “making it more delicious” and adding to it a touch of creativity of the flavorists.</li> </ul>
MARUKAJIRI Flavors ®	<ul style="list-style-type: none"> <li>• Marukajiri means biting into a whole fruit in Japanese. Recreates experiences when one bites into a fresh whole seasonal fruit.</li> <li>• Flavor series developed by putting focus on the retro nasal aroma(plays an important role in the</li> </ul>

Products · Solutions	Overviews · Initiatives
	<p>perception of deliciousness when eating food as the aroma passes from the mouth to the nose).</p>
Masking Flavors	<ul style="list-style-type: none"> <li>• Masking agent developed to respond to the requirements of customers such as to improve the aroma of sweeteners, inhibit sourness, sour taste and bitterness, etc..</li> <li>• There are aromatic ingredients that affects the overall aroma of food stuff. These aromatic ingredients were discovered from the food stuff during the development phase of the HASEAROMA® which involved the detailed research of aroma of food components. Having confirmed the effects, we are now utilizing them as flavors effective for masking.</li> </ul>
BOOSTRACT ®	<ul style="list-style-type: none"> <li>• Materials that give richness and mouthfulness to flavor.</li> <li>• Pursuit of deliciousness in food.</li> </ul>
HASELATTE ®	<ul style="list-style-type: none"> <li>• Materials that give the flavor of milk.</li> <li>• Pursuit of deliciousness in food.</li> </ul>
HASELOCK ®	<ul style="list-style-type: none"> <li>• Powdered Flavoring agent with excellent preservation stability.</li> <li>• Pursuit of deliciousness in food.</li> </ul>
AQUASPACE AROMA ®	<ul style="list-style-type: none"> <li>• Natural and fresh fragrances for fragrance products.</li> <li>• Captures, analyzes and recreates aromatic ingredients of botanicals without collecting the actual plants.</li> </ul>
Utility Flavors ®	<ul style="list-style-type: none"> <li>• Aroma modifying ingredients to enhance oily and milk fat features.</li> <li>• Applicable to low fat food, refrigerated snacks, desserts, beverages, breads, bakery products, cream stews, etc.</li> <li>• Effective to mask sourness and protein odors.</li> </ul>

Products · Solutions	Overviews · Initiatives
FATENHANCER®	<ul style="list-style-type: none"> <li>• Ingredients to impart cooked oily aroma and koku(bodily character)to low calorie low fat foods, non-oil products, etc.</li> </ul>
ReplaTH®	<ul style="list-style-type: none"> <li>• Flavor-improving materials to replace savory natural raw materials that are subject to soaring price and instability in quality.</li> </ul>
MILK COLLOID®	<ul style="list-style-type: none"> <li>• Enhances milk fat feeling without using any milk products, providing solutions to the shortage of dairy ingredients.</li> </ul>
Natural Light Degradation Inhibitor	<ul style="list-style-type: none"> <li>• Ingredients introduced to respond to the requirements to make PET bottles more lighter in weight.</li> </ul>
Hasegawa Seasoning Oil	<ul style="list-style-type: none"> <li>• Aroma improving ingredients/animal fats and vegetable oil in which the flavors of the material and the flavor produced by heating are transferred. Such flavors are created in operation process such as heating and stirring.</li> <li>• Also known as aroma oil, seasoning oil.</li> <li>• Enhances aroma and deliciousness of processed food.</li> </ul>
The Harumeki Foundation	<ul style="list-style-type: none"> <li>• Participated in the tree planting program and product development program of the Harumeki Foundation which was founded to support people with visual disabilities.</li> <li>• Supported product development and also part of the sales were donated to the Foundation.</li> </ul>



## ■ DATA

### Environment

		Fiscal 2018	Fiscal 2019	Fiscal 2020	
Energy Usage	GJ	324,397	325,457	303,851	
CO <sub>2</sub> Emission	t	18,677	18,485	17,083	
Production	t	13,510	13,726	13,633	
Air	SOx	kg	0	0	
	NOx	kg	6,505	6,178	7,881
Water Quality	BOD	kg	1,219	1,630	1,257
	SS	kg	1,094	1,099	1,030
	Discharge	m <sup>3</sup>	360,770	379,558	363,871
Water Usage	m <sup>3</sup>	471,065	489,905	463,648	
Waste generated	t	6,718	6,680	6,046	

### Human right & Labor

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Officers (Men)	10	10	11
Officers (Women)	1	1	1
Employees (Men)	653	666	672
Employees (Women)	316	332	333
Full Time Contract Employees (Men)	46	47	56
Full Time Contract Employees (Women)	7	10	15
Rate of employees covered by Union Agreement (against total employees)	54.4%	54.5%	54.0%
Rate of employees covered by Union Agreement (against non-managerial full time employees)	92.6%	93.3%	95.3%
Paid leave utilization rate	57.8%	59.7%	63.6%
Job turnover rate (past 3 year average of employees who left for personal reasons)	1.6%	1.6%	1.4%
Total number of employees who took maternity leave (Men)	2	1	3
Total number of employees who took maternity leave(Women)	9	13	12
Total number of employees who returned to work during the reported period(Men)	2	1	3
Total number of employees who returned to work during the reported period(Women)	16	9	10
Total number of employees still working 12 months after returning to work from maternity leave (Men)	1	2	1
Total number of employees still working 12 months after returning to work from maternity leave (Women)	14	16	9
Rate of employees who returned to work after maternity leave(Men)	100%	100%	100%
Rate of employees still working 12 months after returning to work from maternity leave(Men)	100%	100%	100%
Rate of employees who returned to work after maternity leave(Women)	100%	100%	100%
Rate of employees still working 12 months after returning to work from maternity leave(Women)	100%	100%	100%

## Governance

	Fiscal 2018	Fiscal 2019	Fiscal2020
Directors (number of persons)	10	9	8
Outside directors (number of persons)	2	2	2
Board of Directors Meeting held(days)	11	12	11
Auditors (number of persons)	4	4	4
Outside auditors (number of persons)	3	3	3
Board of Auditors Meeting held(days)	10	11	12