

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.

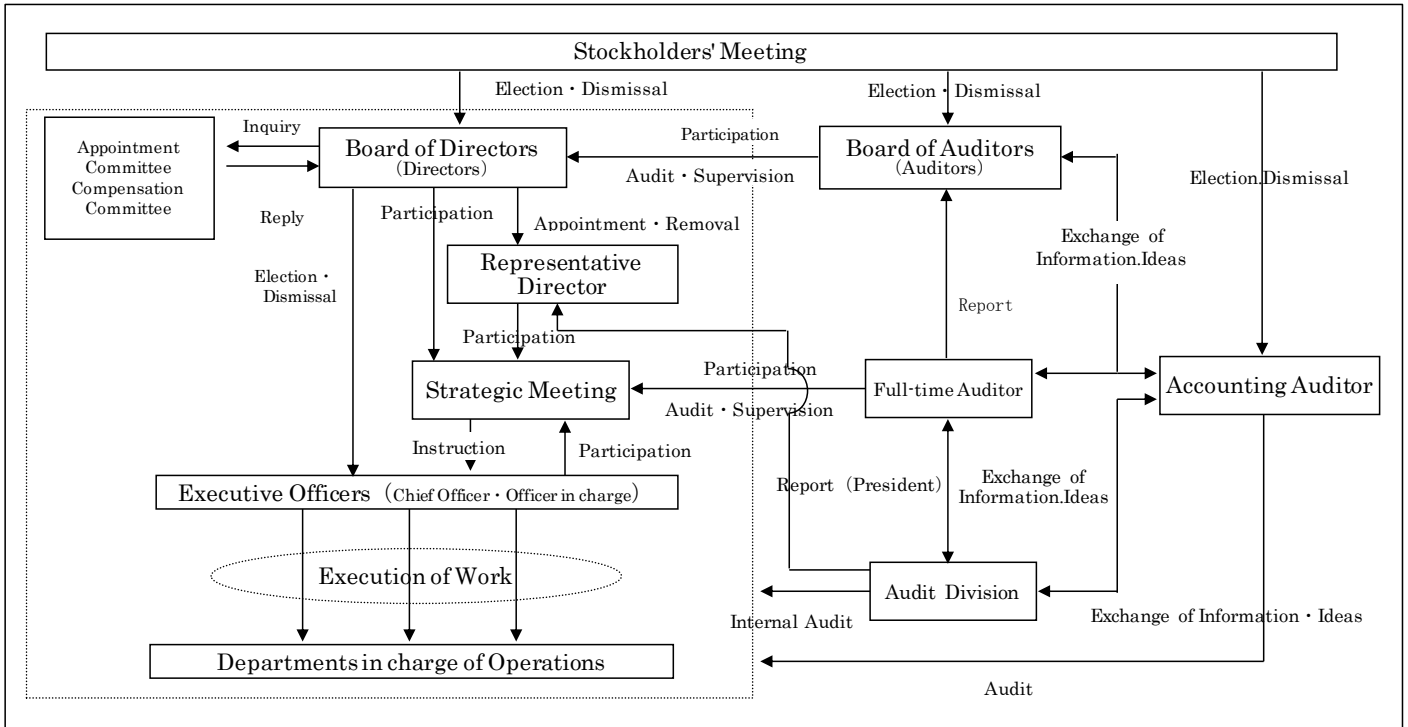
The executive duties of the Board of Directors are audited by both in-house auditor, outside auditors and the Board of Auditors who are independent from the Board of Directors.

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								●		

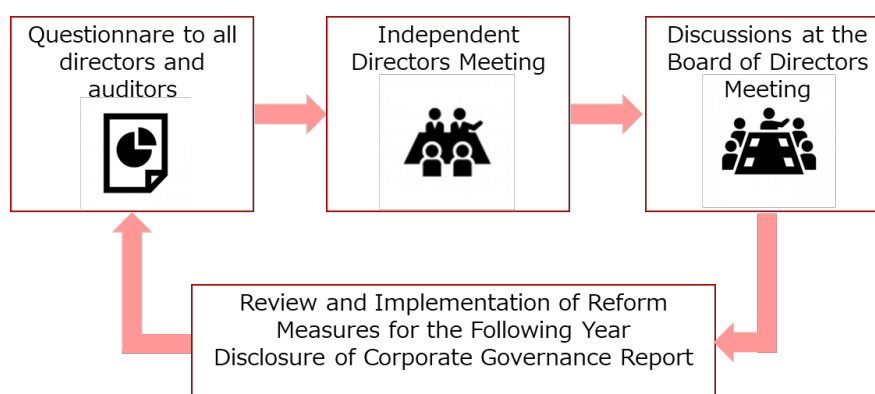
• Succession Program

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

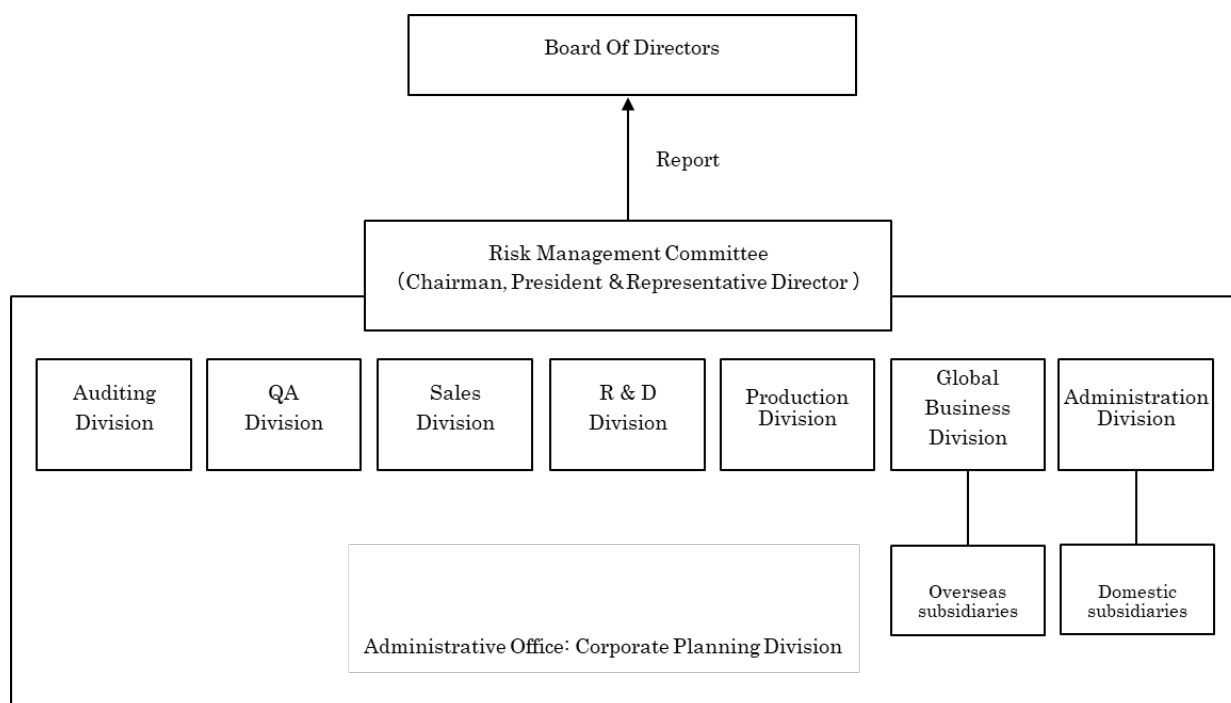
(1) Compliance Committee

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.

RISK CATEGORY	ASSOCIATED RISKS	MAJOR INITIATIVES UNDERTAKEN
	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.

RISK CATEGORY	ASSOCIATED RISKS	MAJOR INITIATIVES UNDERTAKEN
	<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>

RISK CATEGORY	ASSOCIATED RISKS	MAJOR INITIATIVES UNDERTAKEN
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.