

T.HASEGAWA

Sustainability Report 2024



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T.Hasegawa CO., LTD. SUSTAINABILITY REPORT 2024

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About this report

The report aims to communicate the Group's relationship and its value creation to its stakeholders. In addition, we report on important initiatives based on the Company's CSR Policy, thereby continuing to promote our sustainability initiatives.

In principle, we publish a Sustainability Report once every year in May. We also prepare ESG Databook 2024 and the GRI Standards Index, which are supplementary materials and integral parts of this report. Furthermore, we will disclose the report after the approval of the Strategy Committee, which consists of the representative director and senior vice presidents appointed by the representative director.

Referenced guidelines

This report was created with reference to the GRI Standards.

Organization to be reported

In principle, T.Hasegawa CO., LTD. Note that "T.Hasegawa Group," "the Group," and "our Group" refer to the Company and its subsidiaries as a whole.

Period covered by the report

In principle, FY2023 (October 1, 2022 to September 30, 2023). Some

FY2024 initiatives are also disclosed. Note that each fiscal year listed in the ESG Databook 2024 refers to the year from October 1 of the previous year to September 30 of the current year.

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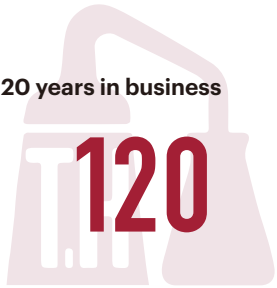
Company overview

Consolidated performance (FY2023)

(million yen)

Net sales	64,874
Operating profit	7,507
Ordinary profit	8,185
Net profit attributable to owners of parent	6,671

Over 120 years in business



T.Hasegawa was established in 1903, at the beginning of the flavor and fragrance industry in Japan. Since then, we have accumulated flavor and fragrance know-how for over 100 years as a leading company.

No. 2 market share in Japan



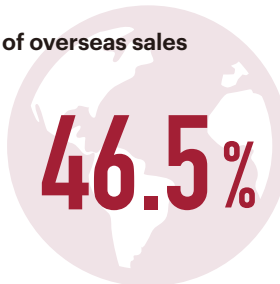
T.Hasegawa boasts the No. 2 market share in Japan and No. 10 in the world, with net sales of approximately 65 billion yen. We develop various processed foods including beverages, daily necessities, and toiletry products from the aspect of flavor and fragrance.

Ratio of operating profit to sales



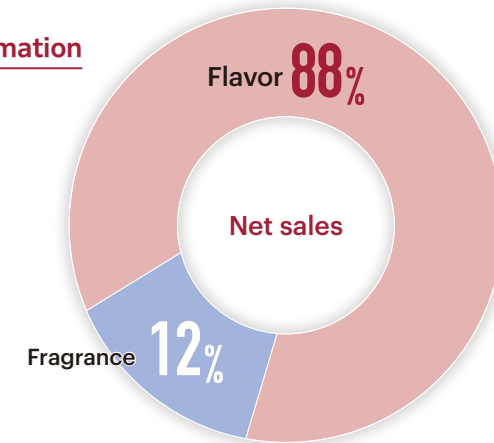
T.Hasegawa's ratio of operating profit to sales has remained high, at around 10% in past years. The company has engaged in sound management with high profitability since its listing on the stock exchange in 2000.

Ratio of overseas sales



T.Hasegawa's overseas sales now account for more than 40% of our total sales, and we are developing into an increasingly global flavor and fragrance company.

Segment information



Flavor



Applications

Beverages, frozen and other desserts, confectioneries, dairy products, chewing gum, instant food, retort pouch food, animal feed, etc.

Fragrance



Applications

Perfumes, skin-care products, hair-care products, body-care products, bath additives, detergents, fabric softeners, air fresheners, etc.

Message from the President



Takao Umino

President & CEO

Sustainability at the T.Hasegawa Group

Global climate change and natural disasters have exacerbated a wide range of social challenges, such as poverty, food shortages, and increasing income disparity between people all over the world. Furthermore, the flavor and fragrance industry is greatly affected by the declining birthrate and aging population in Japan, changes in consumer needs, and so on. Specifically, abnormal weather and loss of biodiversity due to climate change are expected to have a significant impact on the yields and quality of natural raw materials derived from plants and animals, but also on changes in customer needs and consumer trends as a result of temperature rises.

Since its foundation, the Group has focused on developing differentiated products with special features by further enhancing its research and technological development capabilities in light of its corporate motto of being “A Foundation in Technology.” Through these efforts, we aim to contribute to solving social challenges, such as food shortages, by developing flavors and fragrances used as a substitute for depleting food materials and responding to health consciousness.

In order to pursue future growth of the Group, we need to build a resilient organization that can flexibly respond to changes in the business environment and unforeseen circumstances and strengthen its global expansion further while striving to expand its market share in the domestic market, which is maturing due to the declining birthrate and aging population. We will efficiently allocate management resources to the United States, is our priority region, and to Asia, centering on China and Southeast Asia, to capture market growth potential and consumer preferences accurately. Furthermore, we will formulate and implement business strategies in response to changes in the business environment. We will also make investments to achieve sustainable growth in the future and aim to expand our business performance in overseas markets.

Improving corporate value and solving social challenges

Our Group's vision is to contribute to the creation of an enriched society through flavors and fragrances. By creating new value through innovation and using flavor and fragrance technologies to solve the challenges faced by society, we will strive to realize our vision while aiming to achieve sustainable growth and improve the corporate value of our Group.

Research

In Japan, under the Business Solution Division, which oversees sales, research and marketing, we are attempting to refine existing technologies and develop new technologies by clarifying priority areas in order to promote strategic research and development. Our aim is to improve our technological development capabilities, which will contribute to the sustainable growth of our Group. In addition, we will enhance our business acumen to capture market trends and our competitive mindset through collaboration with sales and marketing and differentiate ourselves from our competitors by developing products with unique characteristics. We will then focus on creating new value by leveraging

outside knowledge and promoting technological innovation through the sharing and integration of intellectual assets. Furthermore, we will contribute to solving challenges facing society by utilizing the technologies we have developed in the flavor and fragrance business.

► Food (flavor)

In the Flavor Sector, we will continue to develop flavors by pursuing an ongoing expansion of health consciousness in society, which brings delicious taste to low-sugar, low-salt, and low-fat foods, as well as flavors that are stable and long-lasting, thereby ensuring safety and security as our first priority. In addition, we will focus our efforts on the development of flavors that can be used as substitutes for food materials to solve social challenges, such as the shortage of food resources.

► Fragrance

In the Fragrance Sector, we will work to continue expanding our market share in Japan by conducting thorough basic research and creating new fragrances with superior safety and stability. Overseas, we will endeavor to create fragrances preferred by local consumers based on the results of market research and preference surveys.

Sales

By collaborating with research and marketing, we will strive to understand the potential customer desires by utilizing market research and analysis, thereby providing the right solutions that leverage our comprehensive strengths. Through these efforts, we aim to establish ourselves as a trusted partner to our customers, expand sales, and increase our sales share by contributing to customer success. We will also strengthen our search for and development of new customers and expand our sales base to support our future growth.

Procurement

To realize stable procurement of high-quality and price-competitive materials, we promote procurement activities that take into consideration resources, the environment, and human rights. We will engage in dialogue with our suppliers through supplier assessments and other means related to human rights, labor, the environment, fair corporate activities, quality and safety, information security, supply chain, local communities, and corporate governance.

Production and quality control

We will promote further safety measures and develop an occupational health and safety system. We will also restructure our factories and inte-

grate production equipment to accommodate changes in production items. Furthermore, we will promote coexistence with local residents by preventing the spread of odors around the factories and reducing GHG emissions over the long term. Efforts to improve manufacturing methods, review distribution systems, and optimize inventories will also continue to reduce manufacturing costs.

We will continue to place the highest priority on complete quality control and assurance of safety and attempt to provide safe and reliable products that satisfy our customers under a comprehensive quality assurance system covering research and development, raw materials procurement, production, and sales under the leadership of the Quality Assurance Division, which communicates directly with the President & CEO.

Overseas expansion

We are expanding our overseas operations based on a strategy of efficient investment of management resources and steady global development.

In the United States, we will continue to promote proactive sales activities for local customers to improve our business performance in the US market. In addition, we will make use of the Rancho Cucamonga, California factory, which commenced operation in June 2023, to increase production capacity and production efficiency in the United States.

In China, we will focus on developing new customers and cultivating existing customers through strategic sales activities utilizing our marketing function. At the same time, we will manage profits with utmost diligence, aiming to expand our business performance in terms of both sales and profits. Meanwhile, the new research building was completed in December 2023. We will maximize the functions of the new research building to strengthen our research and development capabilities and improve the efficiency of our operations.

Under the overall sales strategy for the regions in Southeast Asia, we will strengthen our sales activities and aim to expand our business performance by collaborating with sales representatives at our sites in Malaysia, Thailand, and Indonesia, as well as in neighboring regions, and by utilizing our application laboratories. In anticipation of expanding our business performance and increased demand for flavors and fragrances in the future, we will move forward with the plan to construct a new factory in Malaysia.

Sustainability

There is a greater demand for initiatives that not only pursue the growth of one's own company but also build a sustainable society with a greater focus on its stakeholders. Amid these circumstances, we first organized CSR activities that we have engaged in for many years. Next, we expressed our support for the IFRA-IOFI Sustainability Charter and the UN Global Compact, which were both signed in 2020. Finally, we determined that our materiality is categorized into two types: solving social issues through our business process and by our products. Then, based on the materiality set forth, we have stipulated six CSR policies ("Procurement," "Environment," "Human rights and labor," "Quality safety," "Governance—Fair corporate activities," and "Innovation") in 2020.

In order to promote organizational initiatives for sustainability that are integral to the business strategy, we established a Sustainability Committee in 2021.

In March 2022, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to continue promoting responses to climate change. Considering the stable procurement of natural raw materials, we have started to consider implementing biodiversity initiatives in FY2023 for disclosure based on the Task Force on Nature-Related Financial Disclosure (TNFD).

We have also identified human rights risks that should be dealt with to prevent or mitigate the negative impact of business activities on human rights. We take measures to address identified risks and regularly monitor and disclose information to improve our efforts.

Human capital

As the external environment changes on a daily basis, it is necessary to hire and develop human resources who can flexibly respond to change (without regard to race, nationality, gender, religion, disability, or other attributes) and enhance our human capital in order to solve a range of problems facing the world.

The Group considers human resources as capital and promotes human capital management. This approach aims to maximize the value of human resources and increase corporate value over the medium to long term by continuously considering and implementing improvement measures.

In accordance with the management policy of creating a safe and comfortable work environment for our employees as well as linking the management and human resource strategies, we seek to create

an energetic corporate culture in which human resources can grow and maintain their motivation. We are committed to providing employees with opportunities to advance their careers fairly.

Gaining and strengthening trust with stakeholders

As a member of society, the Group strives to gain and strengthen relationships of trust with each of its stakeholders.

For example, to ensure timely and appropriate information disclosure, transparency, and accountability to shareholders, we are strengthening IR activities by holding individual meetings with analysts and institutional investors, holding financial results briefings for institutional investors, and enhancing information disclosure.

Conclusion

In considering the sustainable growth of the Company and the realization of a sustainable society, we must look not only one or two years from now but also evolve with a broader perspective of more than 100 years into the future. The world of flavors and fragrances still leaves uncharted territory, but we have the latest science and the sensibilities we have inherited from more than a century of history. To pursue the limitless possibilities of flavors and fragrances, we aim to make proposals that exceed expectations as a partner in manufacturing by analyzing flavor and fragrance trends, developing new technologies, and strengthening our ability to make proposals that anticipate potential needs.

In addition, the world is facing a variety of challenges, such as worsening global environmental problems, maturing and diversifying markets, aging societies, and food resource shortages. By using flavor and fragrance technologies to solve these problems, we will contribute to the creation of an enriched society.

T.Hasegawa Group's purpose

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

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

The T.Hasegawa Approach

Company Creed

“A Foundation in Technology”

Management policies

- Strive to achieve stable and appropriate profit return to improve corporate value and increase shareholder profit.
- Realize our corporate social responsibilities by being thoroughly compliant with laws and regulations.
- Create a safe and comfortable work environment for our employees.
- Work to resolve social issues and contribute to the creation of a sustainable society.

Vision

Contribute to the creation of an enriched society through flavors and fragrances

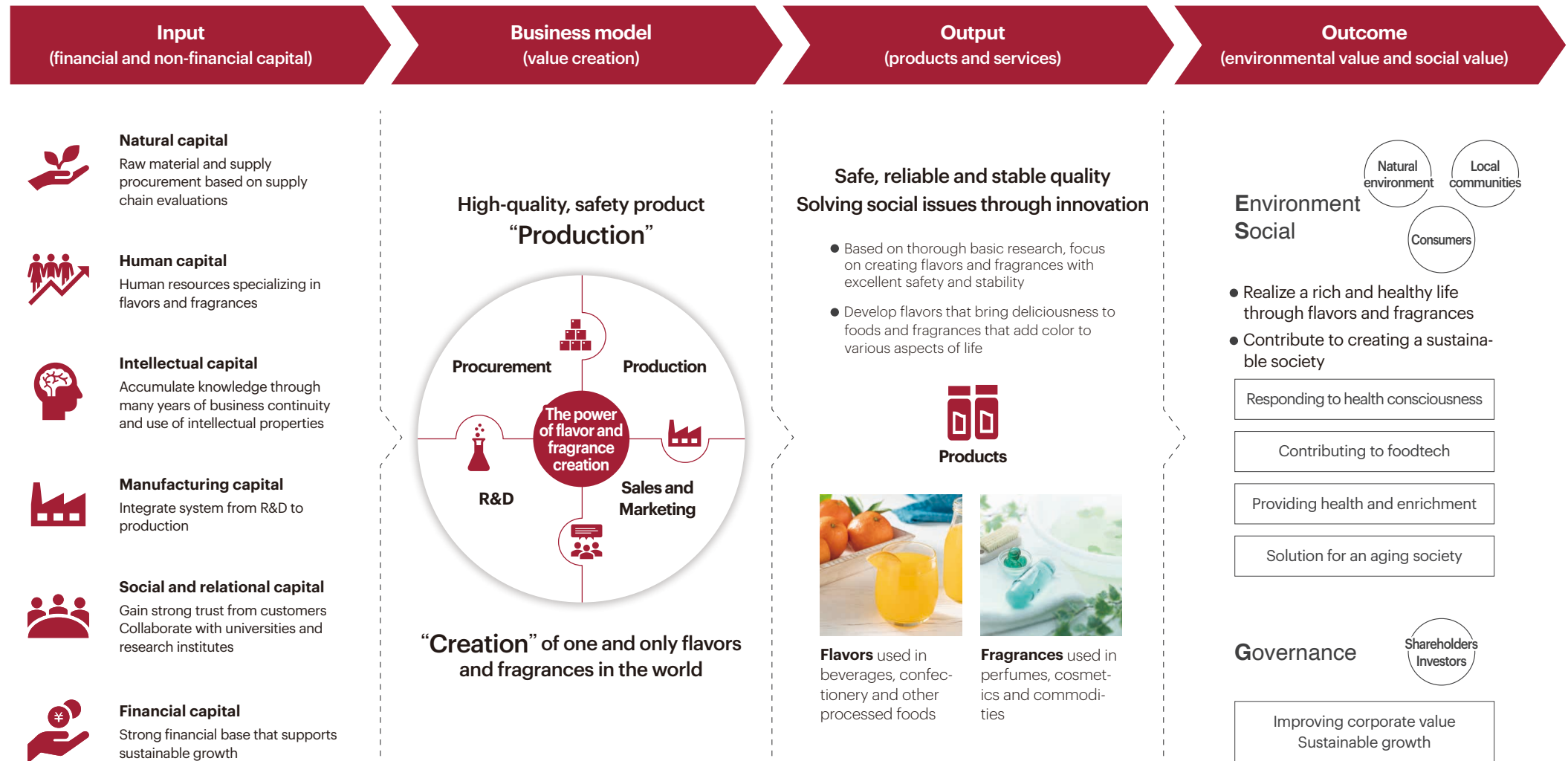
Our stakeholders



Value creation process/Coexistence with environment and community

While realizing an enriched and healthy life through flavors and fragrances, we contribute to establishing a sustainable society by solving social issues.

Through our value-creation process which consists of “Creation” of unique flavors and fragrances in the world and “Production” of high-quality and safe products, we will contribute to the realization of affluent and healthy living by providing high value-added products. We will also use flavor and fragrance technology to solve social challenges and contribute to building a sustainable society.



T.Hasegawa Corporate Code of Conduct

Our Group* embraces our corporate motto, “A Foundation in Technology,” and reflects our Group’s desire to provide customers with safe and reliable products. As a member of society, we also aim to build and strengthen relationships with each of our stakeholders and contribute to the creation of an enriched society by using flavor and fragrance technologies to solve the challenges faced by society. To realize this vision, we have established the T.Hasegawa Corporate Code of Conduct as a set of rules that each of us must observe and ensure that it is shared across the Group.

All executives and employees of the Group will fulfill their social responsibilities by understanding and adhering to this Code of Conduct and acting sincerely and fairly with high ethical standards.

T.Hasegawa Corporate Code of Conduct

1. Compliance with laws and regulations

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

2. Initiatives for environmental issues

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

3. Opposition to antisocial forces

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

4. Respect for human rights

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

5. Respect for the rights of third parties

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

6. Compliance with quality safety standards

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

7. Prohibition of insider trading

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

8. Prohibition of conflict of interest

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

(1) Becoming an officer or employee of a competitor of the Company

(2) Promoting or supporting the sales activities of a competitor of the Company

(3) Performing an act that competes with the business of the Company

9. Handling of information inside the Company

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

10. Actions towards customers

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

11. Relationships with suppliers

(1) We interact with suppliers with good sense and sincerity, and treat them fairly and justly in business transactions.

(2) We do not abuse the Company’s dominant bargaining position to impose any unjustified disadvantages on suppliers.

(3) We never accept rebates or kickbacks from suppliers.

*Some of our overseas sites use a modified version based on this Code of Conduct in accordance with local conditions.

Sustainability of the T.Hasegawa Group

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

Basic approach and policy

◆ Formulation of a CSR Policy

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

◆ CSR Policy: Formulation process and regular review

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



The IFRA and the IOFI* share a common belief that establishing sustainability activities in a corporate business strategy is essential to achieving a prosperous and sustainable future. This shared belief is defined in the Sustainability Charter, which the Company signed.

IFRA-IOFI Sustainability Charter

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

We extracted issues from our corporate motto, business vision, risks, opportunities, and existing initiatives that should be examined. After that, we prioritized the extracted issues based on the expectations and requests of stakeholders and from the perspective of our business strategy. We also referred to international guidelines on the social responsibility of organizations, such as the GRI Standards.






The Sustainability Committee checked the validity of the extracted issues by discussing them with each division. They were confirmed as issues once they had been approved by the Strategy Committee. We considered the issues to be the Company's materiality issues and formulated six CSR policies.

The Strategy Committee reviews the CSR policies once a year. They are reviewed as necessary according to the progress of initiatives, changes in the social conditions, requests from stakeholders, etc.

* International Fragrance Association (IFRA);
International Organization of the Flavor Industry (IOFI)

Strategies

◆ Relationship between the CSR Policy, risks, opportunities, and business strategies

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

Indicator and targets

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

CSR Policy (materiality)		KPI	FY2023 results	Evaluation of the progress/Future policy
Procurement	We will promote responsible procurement across the value chain.	<ul style="list-style-type: none"> Supplier assessment implementation rate: FY2023: 70% FY2024: 80% 	<ul style="list-style-type: none"> Supplier assessment implementation rate: 70% completed (based on amount raised) 	<ul style="list-style-type: none"> Scheduled to be implemented in FY2023 onwards as well according to the plan Supplier assessment implementation rate: FY2024: 80% FY2025: 90%
Environment	We will learn the importance of reducing the environmental impact and actively engage in environmental protection and improvement activities.	<ul style="list-style-type: none"> Continuation of the IOS 14001 certification Energy consumption per unit 1.6% reduction compared to the previous year GHG emissions (scopes 1 and 2) 30% reduction in FY2023 compared to FY2013, 46% reduction by FY2030 compared to FY2013 	<p>Compared to FY2013</p> <ul style="list-style-type: none"> Rate of green power procurement Head office: 100% from Dec. 2021 R&D Center: 10% from Mar. 2022 Fukaya Facility: Jan. 2023; Itakura Facility: 10% from Jun. 2023 	<ul style="list-style-type: none"> Continuation of the ISO 14001 certification Energy consumption per unit 1.3% reduction compared to the previous year (FY2024) GHG emissions (set a target for each scope 1 and 2) 46% reduction by FY2030 compared to FY2013 30% reduction compared to FY2013 (2024 target) Rate of green power procurement (non-fossil energy) In FY2024, head office: 100%, R&D Center, Fukaya Facility and Itakura Facility: 20% increase in procurement rate
Human rights and labor	We will respect human rights and diversity, work to improve the welfare of employees, and realize a safe and comfortable workplace.	<ul style="list-style-type: none"> Percentage of women in management positions More than 18% by FY2024 Percentage of mid-career workers in management positions More than 18% by FY2024 Percentage of management positions filled by foreign nationals Maintain 30% or more Interview implementation rate based on the new human resources system: 100% 	<ul style="list-style-type: none"> Percentage of women in management positions 15.1% Percentage of mid-career workers in management positions 17.7% Percentage of management positions filled by foreign nationals 33.3% Interview implementation rate based on the new human resources system: 100% (excluding employees who are absent from work) 	<ul style="list-style-type: none"> Percentage of women in management positions More than 18% by FY2024 Percentage of mid-career workers in management positions More than 18% by FY2024 Percentage of management positions filled by foreign nationals Maintain the status of 30% or more (FY2024) Implementation rate of interviews under the human resources system, excluding employees who are absent from work 100%
Quality safety	We will become a leader in product safety.	<ul style="list-style-type: none"> Continuation of the ISO 9001 and FSSC 22000 certifications 	<ul style="list-style-type: none"> A regular audit for ISO 9001 and FSSC 22000 was conducted. There were no serious remarks, so we were approved to keep the standards. 	<ul style="list-style-type: none"> Continue the management system certification and build a higher quality food safety system.
Governance Fair corporate activities	We will ensure the soundness, fairness, and transparency of management and become a reliable partner for society.	<ul style="list-style-type: none"> Evaluation of the effectiveness of the Board of Directors: Once a year Rate of taking the compliance comprehension test: 100% Rate of taking the harassment prevention training (for new managerial staff): 100% Training on internal control (for new employees and new managerial staff): At least once a year Report on the progress of response to serious risks (follow-up): At least twice a year 	<ul style="list-style-type: none"> Evaluation of the effectiveness of the Board of Directors: Once a year Rate of taking the compliance comprehension test: 100% Rate of taking the compliance training (including harassment prevention; all employees, including executive officers, assigned employees, and temporary employees): 100% Training on internal control (for new employees and new managerial staff): Once a year each Report on the progress of response to serious risks (follow-up): Twice 	<ul style="list-style-type: none"> We aim to continue achieving various indexes by continuing our compliance and risk management initiatives to reinforce the governance system and make it effective. Evaluation of the effectiveness of the Board of Directors: Once a year Rate of taking the compliance comprehension test: 100% Rate of taking the compliance training (including harassment prevention; all employees, including executive officers, assigned employees, and temporary employees): 100% Training on internal control (for new employees and new managerial staff): Once a year each Report on the progress of response to serious risks (follow-up): Twice
Innovation	We will contribute to resolving social issues through the flavor and fragrance business.	<ul style="list-style-type: none"> Ratio of the R&D expense to sales: Around 8% on a consolidated basis Continuation of open innovation 	<ul style="list-style-type: none"> Ratio of the R&D expense: 8.0% (consolidation) Number of joint research: 15 	<ul style="list-style-type: none"> Maintain 8% in the ratio of the R&D expense Search for new joint research and continue to strengthen the system to resolve social issues.

See ESG Databook 2024 for ESG data other than the above.

Stakeholder engagement

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

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

Involved initiatives

◆ Signing the IFRA-IOFI Sustainability Charter

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

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

IFRA-IOFI: Approaches to Sustainability

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

◆ Signing the UN Global Compact

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

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

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



◆ Main organizations and initiatives

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

- United Nations Global Compact (UNGC)
- IFRA-IOFI Sustainability Charter
- International Fragrance Association (IFRA)
- International Organization of the Flavor Industry (IOFI)
- Roundtable on Sustainable Palm Oil (RSPO)
- Japan Sustainable Palm Oil Network (Jaspon)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- CDP
- EcoVadis
- Sedex
- Japan Chemical Industry Association
- Japan Flavor & Fragrance Materials Association



CSR Policy 1: Procurement

Basic approach and policy

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

For the purpose of promoting responsible procurement across the entire supply chain, we have established the “T.Hasegawa Group Procurement Policy” and “T.Hasegawa Group Supplier Guidelines.”

T.Hasegawa Group Procurement Policy

1. Legal compliance and ethical transactions

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

2. Considerations for human rights

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

3. Considerations for the global environment

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

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

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

5. Safety, security, and customer success

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

We will gain their long-term trust with suppliers through fair, impartial, and transparent transactions.

◆ Related policies:

- CSR Policy
- Environmental Safety Activity Policy
- Basic Policy on Human Rights
- Quality & Food Safety Policy
- T.Hasegawa Group Policy on Bribery and Corruption
- T.Hasegawa Group Tax Policy

Governance and risk management

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

Note that the Group does business with chemical manufacturers, flavor and fragrance manufacturers in the same industry, food additive manufacturers, food manufacturers, trading companies, contract manufacturers, and packaging material manufacturers. In FY2023, the total number of suppliers that the Company had business with was around 400, with a total number of 3,100 purchased items. The main breakdowns are flavor and fragrance raw materials (natural and synthetic) and food (including food additives), which have the same percentage. The ratio of imports to domestic procurement is 35:65, and our suppliers are located in Japan, China, the United States, the European Union, the United Kingdom, India, Brazil, Argentina, and other countries around the world. A distinctive characteristic of our suppliers is that they engage in high-mix, low-volume production and offer raw materials with relatively high unit prices.

Strategies

◆ Opportunities

- Overseas local procurement and local production

◆ Measures

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

Implementation of supplier assessment

To promote responsible procurement, the Group conducts supplier assessments related to human rights, labor, the environment, fair corporate activities, quality and safety, information security, supply chain, local communities, and corporate governance.

► FY2023 survey

Survey format:

Questionnaire using the CSR Procurement Self-Assessment Tool

Target:

Top 169 suppliers in terms of the purchase amount, out of approximately 400 suppliers

Response rate:

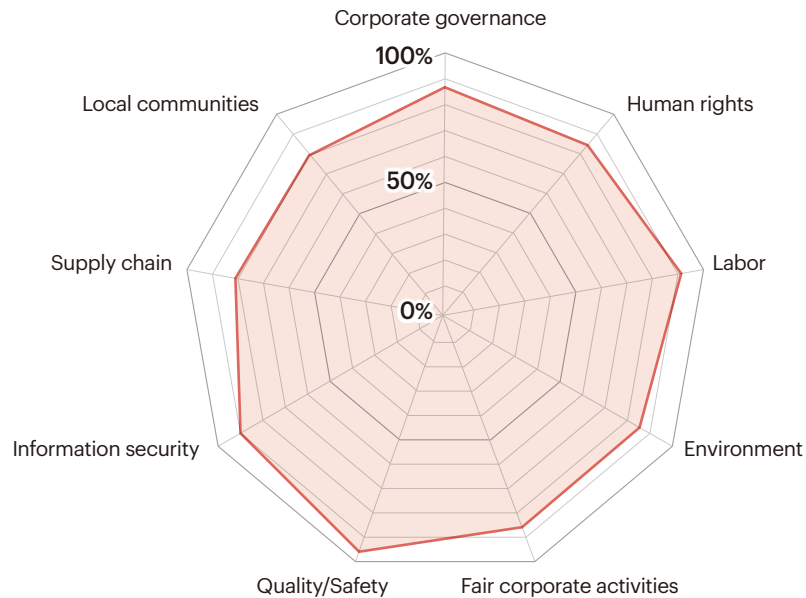
93% (157 companies responded/169 companies surveyed)

► Trends, etc., based on the response

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

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

Results of response from 157 companies (scoring percentage)



► Implementation of supplier monitoring

The Group has been conducting on-site audits of product safety and quality at several of its suppliers on an ongoing basis, and these audits also include checks on the environment, human rights and occupational safety.

► Plan for the future

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

- We will continue to share the T.Hasegawa Group Supplier Guidelines with more suppliers.
- We will continue to request suppliers in the supply chain to promote sustainability.
- We will continue to request responses from suppliers using the CSR Procurement Self-Assessment Tool from the Global Compact Network Japan.
- We will request overseas subsidiaries to conduct assessments of local suppliers and promote dialogue with domestic and overseas suppliers.

Procurement of certified raw materials

We purchase raw materials from certified farms through Japan Good Agricultural Practices (JGAP), ASIAGAP, or Rainforest Alliance.

► Procurement of perilla oil

We promote the active use of distinctive flavor and fragrance raw materials in Japan as part of our challenge to develop uniquely Japanese flavors. To procure perilla oil, which is an important flavor and fragrance raw material, we collaborate with a producers' association, as described below, to support stable production in terms of quality and quantity as well as for business continuation.

Provision of seeds:

We provide seeds to producers every year for stable quality and yield of perilla oil. With the cooperation of seed and seedling producers, we confirm the conditions of production sites.

Technical support:

To improve productivity, we dispatch researchers and engineers to give advice and support on production improvement and equipment modification.*

Quality improvement support:

We dispatch researchers to provide training and support for quality inspection procedures that are difficult to learn only from a producers' association.

Supply of packaging, etc.:

We provide containers for filling and packaging materials to a producers' association.

Business continuity:

We promote planned procurement for years ahead that will not significantly increase or decrease the growing area so that producers' revenue will be stable.

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

Indicator and targets

Indicator	Unit	Scope	Calculation period Time of calculation	FY2021	FY2022	FY2023	Mid - to long - term target
Supplier assessment implementation rate: (percentage based on procurement amount)	%	Non- consolidated	Fiscal year- end	—	60	70	80 (FY2024) 90 (FY2025)

See ESG Databook 2024 for ESG data other than the above.



CSR Policy 2: Environment

Basic approach and policy

We have established the Environmental Philosophy to clarify our stance towards environmental protection and have formulated the Environmental Safety Activity Policy and the Environmental Policy based on ISO 14001 in order to embody the philosophy.

Environmental Philosophy

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

Environmental Safety Activity Policy

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

Environmental Protection

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

Security and Disaster Prevention

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

Chemical Safety

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

ISO 14001 Environmental Policy

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

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

◆ Relation with stakeholders

Information disclosure to customers

We disclose information via platforms such as the CDP, EcoVadis, and Sedex. We also respond to supplier surveys conducted by customers.

Environmental education for employees

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

▶ Training and information provision via the intracompany website

We post environment-related pages on our intracompany website and provide a Sustainability Report and other environmental information.

Since FY2022, we have been providing e-learning classes on the basic knowledge of SDGs to all employees in Japan, including employees assigned to overseas offices (excluding employees who are absent for a long period of time). We conducted a comprehension test after the session and achieved a response rate of 100%. We disclose the response results on the intracompany website in an effort to improve employees' knowledge of sustainability.

▶ Internal environmental seminars

The Environmental Safety Committee, Education Committee, etc., of each factory plan and hold seminars and study meetings on environmental issues. Upon request, we also held some study meetings led by members of the CSR Division.

▶ External environmental seminars

Employees involved in environmental safety work participate in professional seminars, lecture meetings, exhibitions, etc., in an effort to upgrade their environmental knowledge.

▶ Internal education

New employees undertake adequate education and training when they join the firm. We also provide sustainability training as part of our courses for new hire employees.

Environmental education under the environment management system (ISO 14001)

The Fukaya Facility, the Itakura Facility, and the R&D Center conduct education and training in a planned manner as part of our ISO 14001 environmental management system (EMS). We have also installed an ISO 14001 message board in each workplace and put environment-related information, including the Environmental Policy and environmental promotion posters, in an effort to promote environmental protection.

Information disclosure to stakeholders

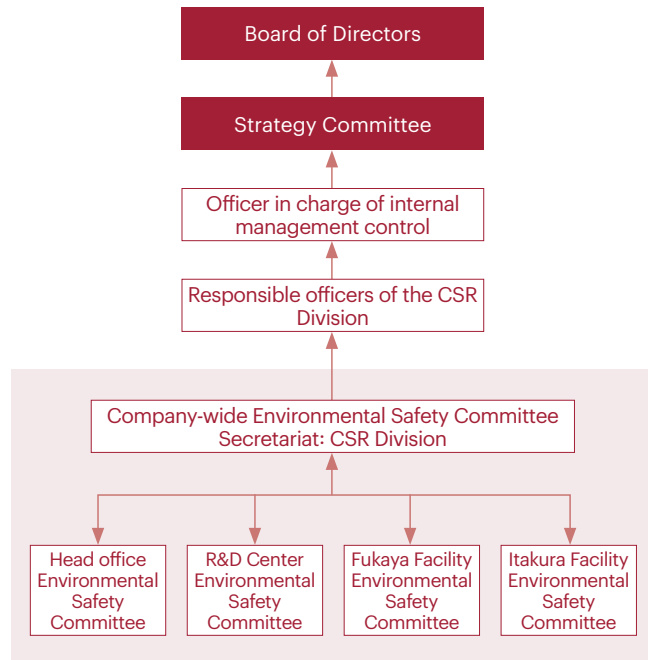
We post sustainability information (including this Report) on the Company website.

Governance and risk management

◆ Promotion system

We have built and promoted an environmental safety management system in accordance with the Environmental Safety Management Rules. In addition, we have obtained the ISO 14001 certification, an international standard for environmental management systems, at our Fukaya Facility, Itakura Facility, and R&D Center. The Production Division and the R&D Division jointly check and manage that the systems are functioning effectively.

Environmental safety management structure chart



(1) Company-wide Environmental Safety Committee

- ① The Committee is chaired by an officer in charge of the CSR Division and consists of the Committee Chair and Vice Committee Chair of the Environmental Safety Committee of each site. It deliberates and decides on company-wide policies and activity plans related to environmental protection and safety measures.
- ② The Committee receives reports on environmental safety activity plans, activity results, etc., from each site, and coordinates activities from a company-wide perspective.
- ③ The Committee selects auditors of environmental safety audits (environmental protection in addition to security and disaster prevention) and conducts annual audits at each site.

(2) Environmental Safety Committee of each site

- ① We have established an Environmental Safety Committee at our head office, R&D Center, Fukaya Facility, and Itakura Facility. It is chaired by the factory director, etc., and held at these sites, excluding the head office, every month.
- ② We promote activities related to environmental protection as well as security and disaster prevention by establishing specific activity plans and targets in accordance with the activity policy determined by the company-wide Environmental Safety Committee.

(3) CSR Division

- ① The Division develops and promotes basic policies on CSR and the SDGs.
- ② This Division is responsible for the overall management of environmental safety activities.
- ③ The Division operates the company-wide Environmental Safety Committee as a secretariat and formulates and manages the progress of the non-fossil energy conversion plan.
- ④ The Division manages environmental safety audits as a secretariat, compiles the results of environmental safety audits, and reports the results to the Strategy Committee.
- ⑤ The Division discloses related information in our Sustainability Report and on our website.

Environmental management system based on ISO 14001

In 2001, the Fukaya Facility and the Itakura Facility obtained an ISO 14001 environmental management system (EMS) certification from the Japanese Standards Association and have since conducted relevant activities. Note that the current certifying body is DNV Business Assurance Japan Co., Ltd. The Production Division (Fukaya Facility and Itakura Facility) has a particularly large environmental impact

compared to other divisions of the Company. Furthermore, the Division works on continuous improvement by implementing the PDCA cycle, which is a core concept of the ISO 14001 system. In June 2012, we added the R&D Center to the scope of certification in an attempt to strengthen the efforts of reducing environmental impact from the product design phase.

The Suzhou Facility in China has been certified since 2015. ISO 14001 certification has been acquired by four of the Group's ten production and R&D sites (the ratio of ISO 14001-certified sites is 40%).

Internal audit (ISO 14001)

An internal audit is conducted in accordance with the internal program as prescribed in the Environmental Manual.

When issues are identified, we take corrective actions promptly and disseminate them to the related divisions to ensure continuous improvement.

Environmental safety audits by the company-wide Environmental Safety Committee

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

From 2008 onwards, we reorganized our auditing framework into three categories to conduct more detailed checks: Environmental Protection Audits, Security and Disaster Prevention Audits, and Occupational Safety and Health Audits. We select expert auditors for each audit category. They check for compliance with environmental laws, the status of activities, and the management status at relevant facilities while issuing an improvement recommendations report for matters that need to be enhanced. In response, the site to be audited creates an improvement plan for the issues that were pointed out and implements the improvements after reporting to the company-wide Environmental Safety Committee. In FY2023, an audit was conducted at each site in August. The results are to be deliberated by the Environmental Safety Committee, reported to the Strategy Committee, and then referred and reported to the Board of Directors as necessary.

From FY2024, Occupational Safety and Health Audits will be conducted mainly by each site's Occupational Safety and Health Committee.

Strategies

◆ Opportunities

- Response to social needs brought about by climate change

◆ Measures

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

◆ Related measures

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

◆ TCFD initiatives and CDP evaluation

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

As part of this process, we are conducting a scenario analysis in light of the requirements of the TCFD.

For details, refer to the “Climate change risk analysis of the T.Hasegawa Group.”

Home > Sustainability > Disclosures Based on TCFD Recommendations > Climate change risk analysis of the T.Hasegawa Group
https://www.t-hasegawa.co.jp/files/hasegawa_group_tcfid.pdf

Note that, under the CDP climate change category in FY2023, we achieved the B ranking at the management level in the CDP evaluation, indicating that actions are being taken for environmental risks and that such risks and their impacts are tracked, mitigated and eliminated.

In the area of water security, we received the B- ranking at the management level, which indicates that we have developed and implemented activities, policies, and strategies related to water issues.

◆ Environmental accounting

To ensure efficient and effective environmental protection activities, we referenced the Environmental Accounting Guidelines published by the Ministry of the Environment for conducting environmental accounting.

◆ Initiatives for mitigating environmental impact

Energy use

We take energy conservation as an important issue and are proactively working on it. In addition to conducting company-wide energy conservation activities, we promote energy conservation by updating all boilers used in the Production Division to models with less GHG emissions and better combustion and fuel efficiency and by installing special high-voltage power receiving and transforming equipment and energy monitoring systems. The Fukaya Facility and the Itakura Facility, which are Type 1 Designated Energy Management Factories as defined by the Act on Rationalizing Energy Use and Shifting to Non-fossil Energy (Energy Conservation Act), have established energy usage optimization standards and are working on energy conservation based on those standards. The facilities also plan to convert non-fossil energy, including their domestic groups.

In FY2023, we improved manufacturing processes, streamlined the formula, reviewed the use of steam to reduce loss, increased the efficiency of boiler operations, optimized air conditioning and lighting operating hours, and so on. As a result, the energy consumption was reduced by 13,865 GJ compared to the previous year and the energy consumption rate per unit was improved by 0.9%, falling short of the target year-on-year reduction of 1.0%.

GHG emissions

In FY2023, we reduced CO2 emissions in scopes 1 and 2 by 7.7% compared to the previous year. For our target of 46% reduction by FY2030 from the FY2013 level, we have managed to reduce the emissions by 28%.

We aim for green power procurement rate of 100% by FY2030 as part of the reduction plan. At the head office building, 100% of the electricity used has been procured from green power sources since December 2021, while at the R&D Center, 10% of the electricity used has been procured from green power sources since March 2022. In the Production Division, which uses more electricity, the Fukaya Facility and the Itakura Facility started to procure 10% of the electricity used from green power sources in January 2023 and June 2023, respectively. We have submitted a letter of commitment to SBTi with the aim of obtaining SBT certification within two years, and will continue our efforts to reduce GHG emissions over the medium to long term, including Scope 3 and overseas groups.

Having received a third-party validation of GHG emissions (scopes 1 to 3) for the Company alone for FY2021, we have been receiving the validation for the consolidation of Group companies in Japan since FY2022.

We will continue third-party validation of GHG emissions to maintain the accuracy of our calculation methods and the reliability of our data. See ESG Databook 2024 for details.

Water use

We use water in our manufacturing processes, as well as for cooling and cleaning. So far, we have been striving to reduce water usage by reducing the use of cooling water through the implementation of better manufacturing methods and by reducing the use of water through the optimization of cleaning methods and additions of cooling water recycling equipment. In FY2023, we reduced the amount of water usage by 43,431 m³ compared to the previous year and improved the energy consumption per production unit by 6.4%, achieving the target value of 0.5% reduction.

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

This Committee sets numerical targets using data on the amount of water used in the past. The Production Division, in which water usage is particularly high, reports the reasons for the increased or decreased usage and the reduction measures implemented every month.

At the moment, we understand that the water risk in the Company's production area in Japan is not high. However, since we recognize that water is a precious resource globally and that it is important to strengthen its management, we will continue to manage water risks properly. In the future, we will set a water use reduction target and work to reduce the amount of water used while checking the progress of measures.

Wastewater treatment

Since we installed a wastewater treatment system at the Fukaya Facility in 1969, we have been installing and upgrading wastewater treatment facilities using various water purification technologies, such as the activated sludge method, dissolved air floatation method, anaerobic method, coagulation and sedimentation method, and the membrane filtration method.

Wastewater from production facilities is treated through a tertiary treatment process. Wastewater from the R&D Center is treated through to the secondary treatment process before being discharged to the sewer system. We comply with wastewater standards in terms of regulation values, etc., as prescribed in the Water Pollution Control Law, prefectural ordinances, and agreements with communities.



Wastewater treatment equipment (Itakura Facility)

Selection of waste service companies

When choosing waste service companies that are responsible for waste generators, we visit the treatment site to check if they treat waste properly and we also conduct periodic audits. Internally, we check the Fukaya Facility, the Itakura Facility, the R&D Center, and our head office regarding the conditions of waste treatment as part of our environmental safety audit once a year. If there is any remark, corrective actions are taken immediately. During an environmental safety audit in FY2023, it was confirmed that waste management was properly conducted.

Effective use of waste products

We manufacture a diverse range of flavor and fragrance products, which generate various waste. We work to effectively use such waste and proactively promote resource recycling of waste cans, paper, waste glass, oil, and so on. We also work to limit the generation of landfill waste. The effective utilization rate of waste products was 95.7% (domestic consolidated: 96.0%) in FY2023.

We ask a business operator that manufactures recycled cans to treat cans that are less likely to transfer the odor and another business operator with recycling technology to treat some waste liquid.

As seen in the enforcement of the Act on Promotion of Resource Circulation for Plastics (Plastic Resource Circulation Act) in Japan in 2022 and the intergovernmental negotiations to formulate a legally binding international document (treaty) concerning plastic pollution, we recognize the reduction and waste treatment of plastics as issues that require a more serious response. Although it is difficult to reduce plastic containers due to the characteristics of our products, we separate plastics used within the Company that can be recycled and then make an effort to use them effectively. At Koumi Compose Co., Ltd. in Koumi-machi, Minamisaku-gun, Nagano (45% investment by the Company), the large amount of residue generated after extracting natural products (botanical residue) from our Company goes through fermentation composting for use by highland vegetable farmers, as part of its efforts to effectively use waste products. In addition, from the viewpoint of stable procurement of domestic raw materials for flavors and fragrances and the realization of a circular economy, the Company is conducting experimental cultivation of lemongrass using this compost in Koumi-machi.



Vegetable field (Koumi-machi, Nagano)



Laying compost (Koumi-machi, Nagano)

Odor measures

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

As part of our odor measures, we regularly conduct environmental (odor) patrols of the premises and surrounding areas.



Deodorizing equipment (Itakura Facility)

Dust collection measures

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

Chemical substance management

We manage chemical substance emissions by specifying flavors and fragrances applicable to the Pollutant Release and Transfer Register (PRTR) and substances to be voluntarily controlled.

Biodiversity protection

In preparation for disclosure in line with the Taskforce on Nature-related Financial Disclosures (TNFD), we commenced the identification and assessment of nature-related risks and opportunities in FY2023 based on the LEAP approach recommended by the TNFD. We are organizing the value chain for natural raw materials of major flavors and fragrances, collecting information on our Company's and major suppliers' sites, and identifying priority areas that fall under the assessment criteria set forth in the TNFD. In addition, we are assessing the importance of biodiversity by identifying the dependency and impact of our business, identifying and assessing the nature-related risks and opportunities that may arise in the future and considering how to respond to these risks and opportunities.

We will continue to analyze biodiversity-related risks, opportunities, and their impacts and disclose information in a manner that integrates the TNFD and TCFD.



Birds, amphibians, aquatic insects, and other animals in the area use the biotope.



A biotope consisting of a pond and a stream has been established on the premises of the R&D Center.



A variety of plants, mainly native species, are planted in the biotope.

Indicator and targets

Indicator		Unit	Scope	Calculation period Time of calculation	FY2021	FY2022	FY2023	Mid - to long - term target	
GHG emissions	GHG emissions (scope 1)	t-CO ₂ e	Non-consolidated	Fiscal year	7,442	6,873	6,477	Scope 1.2 GHG emissions were targeted to be reduced by 46% by 2030 compared to FY2013. However, the Scope 2 GHG emissions will be set at 2030 "0" due to the change of the electricity procurement rate by non-fossil certificates to 100% until 2030. We will continue to target a 46% reduction in Scope 1 by 2030 compared to FY2013, but will revise the target to be more ambitious, including Scope 3, in order to obtain SBT certification.	
	GHG emissions (scope 2)				7,463	7,792	7,052		
	GHG emissions (scope 3)				115,143	135,029	144,131		
Energy	Energy consumption	GJ	Non-consolidated	Fiscal year	299,602	298,230	284,366	Reduce energy consumption per unit of production by 1.6% in FY2023 compared to the previous year.	
	Of which fuel				136,437	125,078	117,647		
	Of which electricity				163,165	173,153	166,719		
Waste products	Amount of waste generated	Ton	Non-consolidated	Fiscal year	5,993.5	5,310.9	4,483.1	Zero landfill waste	
	Effective utilization rate				97.6	96.4	95.7		
	Amount of hazardous waste				0.5	3.1	4.3		
Water resources	Total water used	m ³	Non-consolidated	Fiscal year	441,691	436,169	393,028	FY2023 target (water use per production unit) Reduce by 0.5% compared to the previous fiscal year	
	Of which tap water				156,748	155,629	148,540		—
	Of which commercial-use water				125,918	129,433	119,503		—
	Of which groundwater				159,025	151,107	124,985		—
	Total wastewater volume				348,838	345,019	307,318		
	Of which surface water				335,207	328,257	291,178		
	Of which third parties				13,631	16,762	16,140		

See ESG Databook 2024 for ESG data other than the above.

CSR Policy 3: Human rights and labor ~Human capital~

Basic approach and policy

The Company views human resources as capital and promotes human capital management, which aims to maximize the value of human resources and increase corporate value over the medium to long term by continuously considering and implementing improvement measures.

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

In order to further promote the creation of a safe and rewarding workplace, we will undertake the following initiatives.

Governance and risk management

◆ Promotion system

Based on the management policy of creating a safe and comfortable work environment for our employees, the Human Resources Division plans to address various human resource policies and formulate them as activity policies for each fiscal year. Each plan is approved and executed in accordance with the rules of administrative authority. The actual results that are deemed to be significant are reported to the Board of Directors on a quarterly basis.

Strategies

◆ Opportunities

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

◆ Measures

< Human resources system reform >

The Company introduced a new personnel system in FY2023 after a total review of its job class system, evaluation system, compensation system and human resources development.

We have clarified the roles required by the Company (job class system) and introduced a corresponding evaluation system.

In addition, compensation is set in line with grade levels, providing compensation commensurate with performance regardless of length of service, gender, or other factors.

Evaluation system

▶ Our approach to the evaluation system

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

▶ Important points of the evaluation system

- Evaluation of achievements

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

The evaluation should be a system that leads to human resource development based on elements required by the Company. The Company also evaluates whether expected actions corresponding to the job class and course were taken. The results are reflected in the job class (promotion) and salary of the relevant employee. In any evaluation, an interview with the superior of the employee is required, and human resources are developed by providing appropriate feedback.

Compensation system

▶ Our approach to the compensation system

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

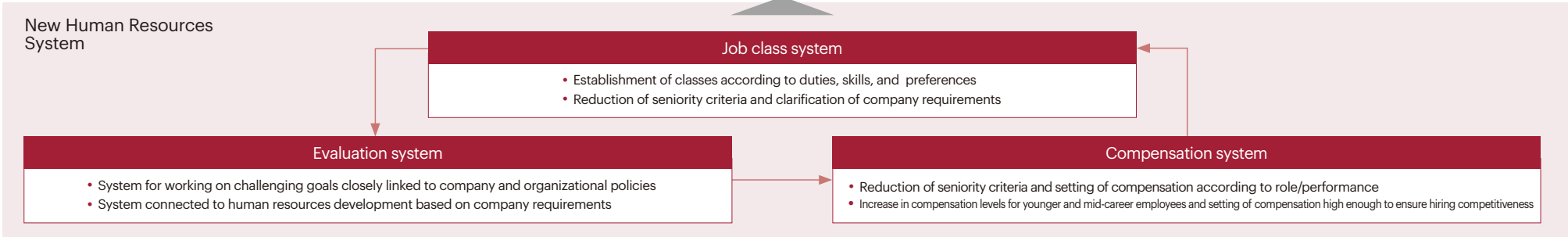
▶ Important points of the compensation system

Seniority-based wages, which were in the previous system, have been eliminated in order to alleviate the seniority criteria. Job performance wages are set according to grade level to match job performance and compensation. In addition, a managerial position allowance is established to reward the relevant role. Bonus payments to employees are balanced by distributing payments according to the performance evaluation of each individual, and high performance will be rewarded accordingly. In order to hire excellent human resources as mid-career hires, we have revised the compensation levels, so that the mid-career employees are treated well.

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

We have introduced a cloud-based human resources evaluation system service in line with our new human resources system reform. The system allows the Human Resources Division to easily check the target setting and records of each interview held as part of the evaluation and to check the interview status of the people to be evaluated.

Key Points of New Human Resources System



< Human resources development >
Human capital improvement initiatives

Education system

	Shared values	Tier-specific training	Company-wide training	By job category			Skill improvement		
				Research	Manufacturing	Sales			
Senior management level	Basic management skills	Senior management training	Compliance training, harassment training, etc.	Training programs at other divisions*	Human resource development program for mid-career employees On-the-job trainer training	Sales instruction manual	Language training	Support for acquiring qualifications	E-learning for self-development
Manager level	Understanding managerial roles Promoting autonomy and growth of subordinates Analysis and implementation of management strategies	Training for new managerial staff Organizational capability training THBC Advance							
Key position level	Fostering awareness of participation in management Engaging others to improve results	THBC Basic Mid-career employee training							
Office work level	Learning about the Company Autonomous action	Internal seminars Third year training New employee orientation							

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

Promotion of career development

● Tier-specific training

We conduct training for new employees, mid-career employees and new managerial staff. The purpose of the training is for employees to understand the roles at each tier and acquire skills. We implement a PDCA cycle and work to make improvements in the planning and management of training.

● Internal seminars

Employees from each division of the Company serve as lecturers on the operations of their respective divisions and other current information. This allows participants to gain not only an understanding of T.Hasegawa as a whole but also the connection and relationship between their own divisions and the division of the lecturer, which can help their own business. By teaching others, the lecturers themselves can also deepen their understanding of the operations of their own divisions.

▶ Support employees' self-learning and growth

● E-learning for self-development

In order to acquire a wide range of knowledge, we have introduced an e-learning system that allows our employees to take courses at their own pace, regardless of time or location. There is no limit to the number of courses available, and there is no cost burden.

● Support system for acquiring qualifications

When acquiring qualifications approved by the Company, such as those for certified public tax accountants and labor and social security attorneys, the Company pays up to half of the course fees. In addition, employees who have met certain requirements, such as those who have acquired a TOEIC score designated by the Company, are provided with an incentive.

● Life planning seminars

We regularly offer external seminars to employees and their spouses who wish to participate in a fulfilling second life after retirement.

● Re-employment support for those who are resigning from the Company upon reaching retirement age

We offer a Re-employment Support Program, which provides re-employment know-how to those seeking re-employment, and a Second Life Program, which is for those seeking to start their own businesses or relocate overseas, etc., to help those who wish to set out on a new path after reaching retirement age.

▶ Foster management awareness among younger employees

● TH Business College (THBC)

The THBC provides people who are willing to learn on their own with opportunities to develop their skills, with the aim of acquiring business management skills and enhancing their sense of participation in management.

THBC Basic: The course aims at mastering the basics of business management through lectures and exercises in areas such as critical thinking, finance and accounting, basic management strategy, and marketing basics.

THBC Advance: The program provides practical training in management skills, management decision-making techniques, and analysis of business plans and strategies.

▶ Support the development of global human resources

● Language training

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

● Training before overseas assignment

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

▶ Support management that encourages growth and autonomy

● Organizational capability training (formerly management training)

This program is designed to enable newly appointed managers to understand and practice management that promotes the growth and autonomy of their subordinates as part of their training program. To ensure that all of those managers have the same perspective and mindset, this program is implemented in the year after they are promoted to management positions.

▶ Train senior management

● Senior management training

Three members of senior management took a business school course in FY2023.

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

We will continue to provide training to those who evaluate employees' performance so that they understand the intent of the new

human resources system reform and perform proper evaluation and development.

< Respecting diversity and creating a comfortable workplace > Ensuring diversity in the appointment, etc., of core human resources

▶ Our approach to ensuring diversity

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

Fair treatment and evaluation of non-full-time employees

● Payment of the same family allowances, housing allowances, and congratulatory or condolence money as those for full-time employees

● Enhancement of long-term absence and leave systems

● Introduction of an evaluation system to have follow-up interviews

● Reflection of evaluation results in salary and bonuses to increase employee motivation

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

Obtaining the “Kurumin” certification logo

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



Support for new and mid-career hire employees

- Mentor System

To help relieve new employees who feel confused about working life and organizational activities and are anxious about performing their duties, young employees close to their age regularly meet with them to provide support for their mental and career development.

- Conducting one-on-one interviews

We provide support in helping individual mid-career hires to address any anxiety that they may feel about the new environment so that they can exercise their abilities as soon as possible.

Initiatives for developing a comfortable work environment

- Staggered work hours
- Short work shift for child and nursing care
- Adoption of hourly paid leave for employees in FY2023

Encouragement to take paid leave

- To promote the use of paid leave, we regularly notify division members of their use status and encourage division heads to create an environment that facilitates the use of leave.

Understanding employees' requests through labor union meetings

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

Indicator and targets

Indicator	Unit	Scope	Calculation period Time of calculation	FY2021	FY2022	FY2023	FY2024 target
Percentage of women in management positions	%	Non-consolidated	Fiscal year-end	16.8	17.1	15.1	18% or more
Percentage of mid-career workers in management positions	%	Non-consolidated	Fiscal year-end	16.3	18.2	17.7	18% or more
Percentage of management positions filled by foreign nationals	%	Non-consolidated	Fiscal year-end	30.0	33.3	33.3	Maintain 30% or more

Status of employees	Unit	Scope	Calculation period Time of calculation	FY2021			FY2022			FY2023		
				Total	Male	Female	Total	Male	Female	Total	Male	Female
Full-time employee	Person	Domestic consolidated	Fiscal year-end	1,087	719	368	1,097	718	379	1,086	704	382
Full-time contract employee	Person	Domestic consolidated	Fiscal year-end	68	52	16	69	50	19	75	53	22
Short-term employee	Person	Domestic consolidated	Fiscal year-end	75	34	41	69	19	50	63	17	46

See ESG Databook 2024 for ESG data other than the above.

CSR Policy 3: Human rights and labor ~Human rights~

Basic approach and policy

We will respect human rights and diversity, work to improve the welfare of employees, and realize a safe and comfortable workplace. In addition, we will promote respect for human rights in our business activities in accordance with our Basic Policy on Human Rights.

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

Basic Policy on Human Rights

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

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

We will check the status of compliance with items 1-6 of the above policy and work to build a system for identifying, preventing and mitigating any negative impact on human rights related to the Company's business activities. In the event that it becomes clear that the Company has caused or contributed to a negative impact on human rights, we will work to remedy or correct the situation through proper procedures.

Governance and risk management

◆ Promotion system

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

Major human rights risks

Identified human rights risks (the Group)	Response policy	Response results for FY2023
Harassment	Encourage employees to correctly understand harassment and create a comfortable workplace with no harassment.	<ul style="list-style-type: none"> ■ Compliance training, including harassment prevention, was conducted. ■ Posters were intermittently displayed to raise awareness.
Personal data breach	Manage properly in accordance with the law.	<ul style="list-style-type: none"> ■ For new employee training, the Information Systems Division issued a reminder regarding information leaks. ■ Alerted employees about the risk of personal information leakage through the use of generative AI.
Improper use of social media	Increase employee awareness of the impact of social media.	<ul style="list-style-type: none"> ■ Warnings regarding the use of social media were sent through internal notification once a year.
Blocking of labor-management consultation	Establish a basic policy of appropriate and good faith consultation with worker representatives.	<ul style="list-style-type: none"> ■ As a rule, a consultation was held every month, with a total of 49 labor-management consultation sessions by the headquarters and branches.
Overwork	Adhere to legally mandated working hours and make it a policy to provide a good working environment for employees. At present, no excessive working hours have occurred, but when such incidents do occur, we will analyze the causes and work to reduce them through countermeasures.	<ul style="list-style-type: none"> ■ An agreement was entered into regarding the upper limit of overtime work to avoid any adverse impact on health. ■ A system that generates an alert when the upper limit of overtime working hours is approached as a warning was installed.
Discrimination	Distribute the "T.Hasegawa Corporate Code of Conduct," which states that discrimination of any kind is not tolerated, to all employees to increase their understanding of the Code.	<ul style="list-style-type: none"> ■ The T.Hasegawa Corporate Code of Conduct, which requires compliance with respect for human rights, was distributed and made known to all employees who entered the Company in this fiscal year.
Occupational health and safety	Carry out continuous initiatives such as developing a safe work environment that will not cause a labor accident, creating work procedures, and disseminating them to all workers.	<ul style="list-style-type: none"> ■ Reinforced safety measures for various facilities. ■ Identification of risks for each operation, implementation of behavioral risk assessment, and revision of work procedures ■ Investigation of manufacturing risks and safety training

Strategies

◆ Risks

Identification of human rights risks

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

Evaluation of human rights risks

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

Implementation of supplier assessment

To promote responsible procurement, the Group conducts supplier assessments, including human rights and labor, through questionnaires. For details, refer to [P.15](#).

Response to human rights risks

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

Measures and monitoring of human rights risks

Having developed internal rules, we analyze, manage and consider measures for risks, mainly for relevant divisions. In addition, the relevant divisions and the Risk Management Committee analyze, manage, and consider measures for risks that require a response from the Company or the Group based on the risk management rules.

Establishment of a whistleblowing service

As part of our complaint handling mechanism, we have established the person responsible for general affairs, the person responsible for human resources, an outside lawyer and a Full-Time Auditor for each site as the whistleblowing/hotline service contact. The service can be accessed from multiple locations both inside and outside

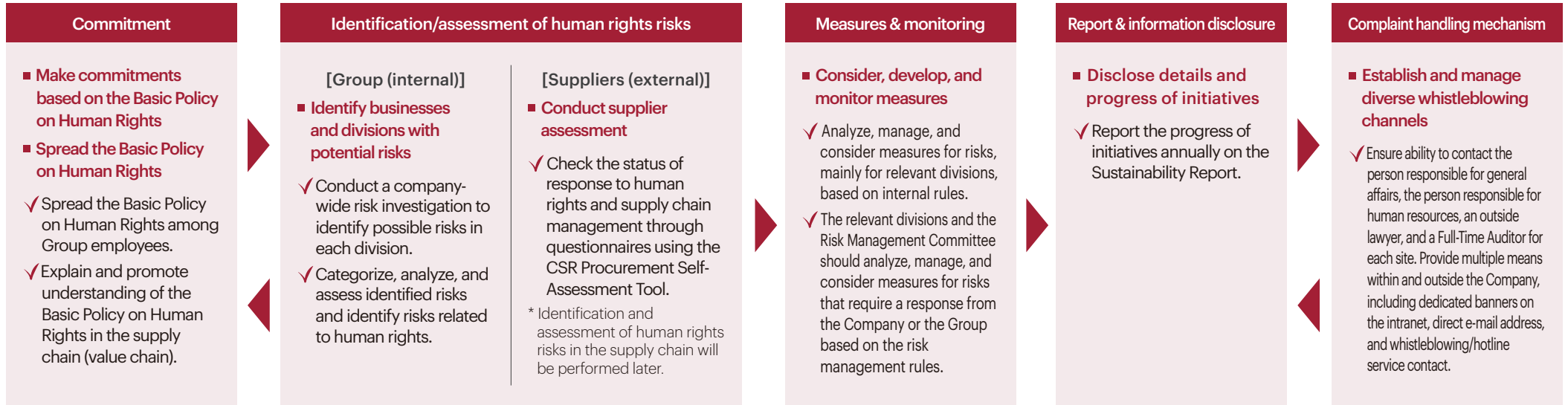
the Company from the dedicated banners on the intranet and direct e-mail address.

Personal information regarding the consultant and the content of opinions and consultations are strictly controlled and will not be divulged outside the Company without the consent of the consultant.

Providing harassment prevention training

Harassment in the workplace not only damages the personality and dignity of the person who is harassed, but it also results in a loss of desire to work or self-confidence or may even cause mental health to deteriorate. Based on the Company's conviction that harassment shall not be allowed, we provide a wide range of training intended to enlighten employees and prevent harassment. In FY2023, we conducted compliance training, including our harassment prevention program, for all employees using e-learning. This expanded training from previous years, which had targeted only newly appointed managers.

Process for responding to human rights risks



Indicator and targets

Indicator	Unit	Scope	Calculation period Time of calculation	FY2021	FY2022	FY2023	Mid-to long-term target	Remarks
Internal control training for new employees (human rights included in the content)	%	Non-consolidated	Fiscal year-end	100	100	100	100	At time of hiring and assignment (including temporary employees)
Compliance training (including harassment prevention training)	%	Non-consolidated	Fiscal year-end	100	100	100	100	For leadership level in FY2021 For managers in FY2022 At time of promotion to management in FY2022 For all employees in FY2023

See ESG Databook 2024 for ESG data other than the above.



CSR Policy 3: Human rights and labor ~Occupational health and safety~

Basic approach and policy

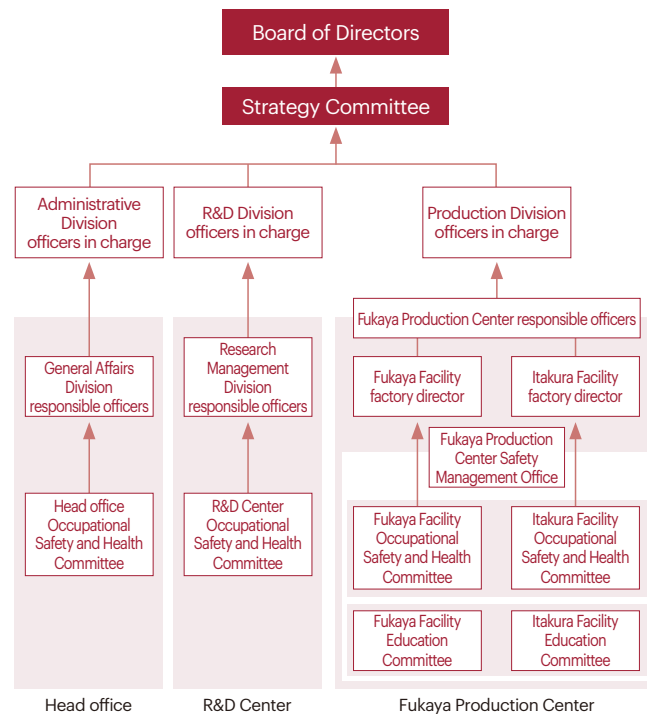
The Company is committed to occupational health and safety as an important theme.

Governance and risk management

◆ Promotion system

We have established Occupational Safety and Health Committees at each site and are implementing measures to prevent personal hazards and health problems among our employees. Incident reports are regularly held twice a year at the Board of Directors' meetings. Serious incidents are reported and discussed for responses on a case-by-case basis.

Health and safety management system chart



Strategies

◆ Opportunities

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

We work to improve workplace sanitation by placing top priority on ensuring occupational safety and disaster prevention. At each site, the Occupational Safety and Health Committee develops activity policies and plans, and it works on workplace environment safety and security and disaster prevention activities in compliance with the Fire Service Act and other laws and regulations related to safety and disaster.

System for hazard identification, risk assessment and incident investigation

With the goal of reducing the number of occupational accidents, each site holds a monthly Occupational Safety and Health Committee meeting. The Committee deliberates and shares information on safety and health activities based on the analysis of factors and countermeasures for accidents and occupational injuries, as well as the situation of employees on sick leave. Furthermore, the division head of each workplace identifies workplace hazards, assesses risks, and implements appropriate countermeasures while listening to input from employees. In particular, they communicate the dangers of handling chemical substances and their toxicity to all employees while regularly measuring the organic solvent concentration in the work environment to assess its effect on the health of employees.

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

The Fukaya Production Center, which is our production factory, established a Safety Management Office in April 2023. It has been working to improve the workplace environment to prevent occupational accidents, which is its most important issue. We ensure that all employees check and follow the rules.

In accordance with the Occupational Health and Safety Management System Guidelines of the Ministry of Health, Labour and Welfare, we are operating and promoting an Occupational Health

And Safety Management System for the Fukaya Production Center, which was established internally.

To prevent the industrial accident at the Itakura Facility that occurred on September 15, 2022, from being forgotten, we have designated September 15 as Safety Day. With the aim of raising awareness of occupational safety, we promoted the development of a safe work environment and occupational safety education for all employees.

System to improve a series of processes

Until FY2023, the company-wide Environment and Safety Committee audited environmental and occupational safety issues at plants for prompt improvement and compiled them in Corrective Action Reports and other documents. However, starting from FY2024, the Occupational Safety and Health Committee at each site will take the lead in conducting audits on occupational safety.

System for employees to report on danger

At the Fukaya Production Center, employees provide information on near misses and improvement requests during morning meetings and safety roundtables at each workplace so that all members can understand the potential danger there. The Occupational Safety and Health Committee also deliberates and takes risk reduction measures, which are deployed to other workplaces. In addition, hazard prediction activities (KY activities) engaged in work that may cause accidents and occupational injuries are conducted at each workplace to enable employees to foresee hazards in their own work and take preventive measures.

Providing training on safety and health to employees

The Fukaya Facility holds safety and health-related skills training for all employees (training upon hiring, training upon reassignment, forklift skills training, etc.) in an effort to raise employee awareness of safe work practices. Our employees also actively participate in outside lectures to obtain the qualifications necessary for work.

Employee health care

- Prevention of overwork and interviews with industrial physicians
We properly monitor the working hours of all employees, including managers, and confirm whether they wish to be interviewed by an occupational physician if they work long hours. We also encourage them to be aware of their physical health.
- Health checkups
Employees who are 35 years of age and older can receive a full medical examination at the Company's expense, and we encourage them to undergo health checkups actively.

- Stress checks
Stress checks are conducted once a year to promote employee awareness of stress and improve the work environment. We recommend that employees who were determined to have elevated stress levels to talk with an industrial physician. In addition, each division reports the results of the group analysis and then formulates and implements improvement measures.
- Provision of health-related information
We distribute a monthly insurance newsletter published by the health insurance association. We have an industrial physician go over the health checkup results and also encourage applicable employees to undergo an examination. Information on health issues and work environment from industrial physicians is posted on the Company's bulletin boards.



Indicator and targets

Indicator	Unit	Scope	Calculation period Time of calculation	FY2021	FY2022	FY2023	Mid-to long-term target	Remarks
Number of workplace deaths	Person	Non-consolidated	Fiscal year-end	0	1	0	0	
Number of accidents requiring leave	Case	Non-consolidated	Fiscal year-end	1	5	4	0	Excluding commuting accidents
Number of accidents not requiring leave	Case	Non-consolidated	Fiscal year-end	7	6	6	0	Excluding commuting accidents
Ratio of worktime loss from accidents resulting in leave	—	Non-consolidated	Fiscal year-end	0.53	3.17	2.13	0	Excluding commuting accidents Excluding accidents not requiring leave
Ratio of worktime loss from occupational accidents resulting in leave	—	Non-consolidated	Fiscal year-end	0.0048	3.9843	0.0188	0	Excluding commuting accidents
Ratio of worktime loss from occupational illnesses resulting in leave	—	Non-consolidated	Fiscal year-end	0	0	0	0	

See ESG Databook 2024 for ESG data other than the above.

CSR Policy 4: Quality safety

Basic approach and policy

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

Quality & Food Safety Policy

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

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

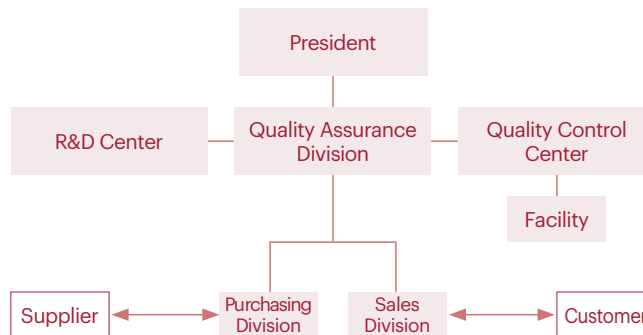
◆ Relation with stakeholders

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

Governance and risk management

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

Quality assurance system chart



◆ Our quality assurance system

Quality Assurance Division

We confirm legal compliance at the raw material purchase stage to provide customers with products that they can use with peace of mind. In addition to complying with laws and regulations in Japan, we check laws and regulations of destination countries of export products for our overseas customers and provide products that comply with the laws and regulations of the respective countries and regions.

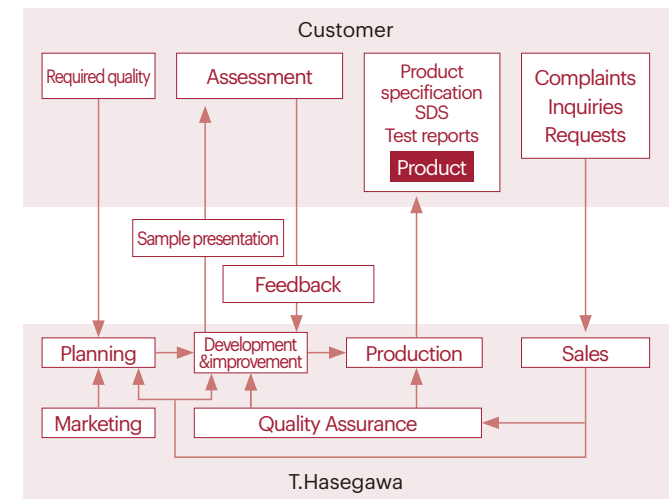
We also promote automatic creation (digitalization) of product specifications so that we can quickly provide customers with accurate information.

Quality Control Center

The Quality Control Centers of the Fukaya Facility and the Itakura Facility manage the plant quality system and conduct quality inspections of products manufactured at the facilities and purchased raw materials.

In quality inspections, we have established a system that allows us to carry out all inspections internally. Inspection results are automatically transferred from the inspection equipment to a computer system by an automatic transfer system. Measurement, pass/fail determination, and inspection card issuance are fully automated (digitalized), which helps to prevent transcription errors. As a company that handles fragrances, we are also working on training sensory inspectors. Only those who have been trained to distinguish fragrances and have passed our internal certification test are involved in sensory tests.

◆ Communication with customers



◆ Quality control from raw materials to products

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

We check the quality and safety information for the raw materials that we use, including standards, allergies and residual agrochemicals. We also confirm the compliance of compounds used in flavors and fragrances with related laws, including the Food Sanitation Act, the Fire Service Act, the Industrial Safety and Health Act, and the Act on the Regulation of Manufacture and Evaluation of Chemical Substances. By consistently using raw materials with guaranteed quality and creating quality products, we provide safe and reliable products and manufacture products while considering the environmental impact.

In addition, a traceability system allows information to be provided promptly in response to customer inquiries.

◆ Laws related to chemical substances and our compliance

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

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

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

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

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

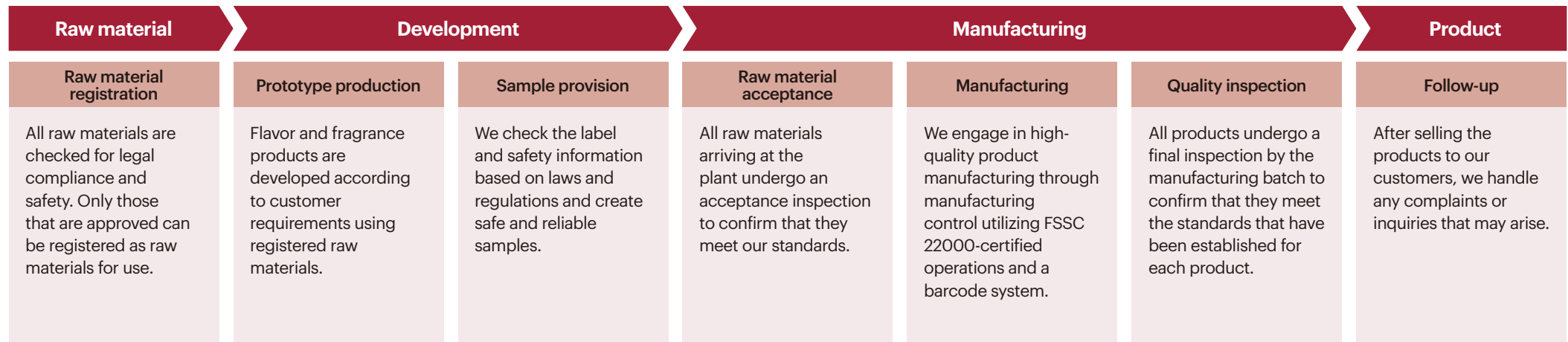
- Application and registration of “New Chemical Substances”
- Application for “Small Production Volume of New Chemical Substances”

② Publication of Safety Data Sheets (SDSs) supporting the Globally Harmonized System of Classification and Labeling of Chemicals (GHS)

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

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

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



③ Information management and response to chemical regulation trends in countries and law amendment in Japan

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

As for the amendment of laws in Japan, we work to obtain notifications from relevant government offices as well as industry organizations. We collaborate with relevant divisions by responding to amendments to the Industrial Safety and Health Act and the Chemical Substances Management Law, which have frequently been amended, especially in recent years, when collecting raw material information and improving internal systems. We do so while considering the fact that the frequency of counting the emissions of flavors and fragrances applicable to the Pollutant Release and Transfer Register (PRTR), updating SDSs, and changing label indication, as well as the number of materials subject to risk assessment, will further increase in the future.

④ Response of overseas subsidiaries

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

▶ China

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

Safety production regulations: Work Safety Law of the People's Republic of China; Fire Control Law of the People's Republic of China; Regulations on the Control over Safety of Hazardous Chemicals; Measures for Administration of Hazardous Chemicals Registration; Catalog of Hazardous Chemicals; and Safety Production License Ordinance

Occupational health and protection regulations: Law of the People's Republic of China on Prevention and Control of Occupational Diseases; Regulations on the Management of Occupational Health at Workplaces; and Warning Signs for Occupational Hazards in the Workplace

Environmental protection regulations:

Environmental Protection Law of the People's Republic of China; National Inventory of Hazardous Wastes; and Measures on the Management of Transfer of Hazardous Waste

(2) Application for registration and notification of new chemical substances

T.Hasegawa FLAVOURS AND FRAGRANCES (SHANGHAI) CO., LTD. has so far applied for a simplified single item registration in accordance with the "Measures for Environmental Management of New Chemical Substances" (Order No. 7 of the Ministry of Environmental Protection) and for notification of a second item in accordance with the "Measures for the Environmental Management Registration of New Chemical Substances" (Order No. 12 of the Ministry of Ecology and Environment; enforced in 2021).

(3) Submission of SDSs

We issue SDSs for all products that comply with GB 30000: Rules for Classification and Labeling of Chemicals, GB 12268: List of Dangerous Goods, and GB 2944: Classification and Code of Dangerous Goods.

▶ Malaysia

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

Industrial Safety and Health Act 1994 (OSHA 1994)

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

The Malaysia Facility only manufactures food flavors, so it does not have to register chemical substances. However, we internally manage records of substance names listed in the inventory of hazardous harmful chemical substances of CLASS Regulations 2013 (2013 Regulations on Classification, Labelling and Safety Data Sheets of Hazardous Chemicals).

(2) Submission of SDSs

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

▶ United States

(1) Main chemical management regulations applicable to our subsidiaries in the United States (3 sites in California):

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

(2) Submission of SDSs

We issue SDSs in compliance with the GHS for samples and products according to customer requests.

◆ Product risk assessment (risk assessment of chemical substances)

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

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

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

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

► China

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

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

► Malaysia

In order to confirm that a risk assessment has been conducted for all chemical substances and to ascertain the impact of such substances on employees, our subsidiaries in Malaysia receive chemical substance health risk assessments by external authorized reviewers registered with the Department of Occupational Safety and Health (DOSH) of Malaysia in accordance with USECHH Regulations. Based on the risk assessment results and in accordance with relevant regulations, we installed local exhaust ventilation devices (fume hoods) at research labs and employed management measures to confirm the permissible exposure limit of employees. In addition, we provide protective equipment to employees approved by the Standard and Industrial Research Institute of Malaysia-Department of Occupational Safety and Health (SIRIM-DOSH).

► United States

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

◆ International standard certification

ISO 9001

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

In 2012, we obtained a FSSC 22000 certification for our food safety management system and then began rolling out an integrated management system of ISO 9001 and FSSC 22000. However, in order to narrow down the activities at each division and focus on the most suitable standards, we have changed the scope of ISO 9001 to cover the head office, branches, sales offices, R&D Center, and fragrance facilities with the certification and to cover flavor facilities with only the FSSC 22000 certification since 2019.

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

FSSC 22000

In 2012, all divisions associated with flavors obtained an FSSC 22000 certification for their food safety management systems. We acquired an international standard certification approved by the Global Food Safety Initiative (GFSI), which allowed us to reduce risks related to food safety and provide safe and reliable products that are recognized by our customers overseas and in Japan.

Since the FSSC 22000 standard specializes in food safety, we changed the scope of the certification and have been obtaining it only at our flavor facilities since 2019.

We have also acquired certifications under international standards related to food safety at our overseas subsidiaries.

Overseas subsidiaries

- Status of international food safety standards certification

Location	Certification type (year acquired)
China	FSSC 22000 (2012) (Only in Suzhou, where food flavoring essences are manufactured) (In China, ISO 9001 certification is ongoing in both Shanghai and Suzhou facilities)
Malaysia	HACCP (2011), ISO 22000 (2013), FSSC 22000 (2014)
United States (3 locations in California)	British Retail Consortium (BRC) Global Standard for Food Safety certification (1 location in 2012 and 2 locations in 2022) (BRC is a GFSI-recognized certification standard)

◆ Audit

Internal audit

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

5S audit

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

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

Management review

To provide information to management, we provide reports to review activities related to quality and food safety performed during the year. We conduct ongoing improvement activities by reflecting on the year's activities and receiving approval and assignments from management.

Compliance initiatives

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

Internal Halal Committee

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

Response to complaints and the Quality Control Committee

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

countermeasures are clarified in the same way as when dealing with complaints, and information is shared at Quality Control Committee meetings to help prevent recurrence.

Strategies

◆ Opportunities

- Increased trust owing to improved product quality

◆ Measures

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

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

Furthermore, the Production Division will proactively provide training for skill improvement at the R&D Center to develop highly skilled workers who can take on the responsibility of flavor and fragrance production. At the Quality Control Center, we will work to improve the skills of inspectors and enhance the inspection system with the aim of

providing customers with high-quality products.

In our overseas locations, we will also continue to train employees involved in production, introduce an operational improvement suggestion program, and engage in process control in the Production Divisions in the same manner as the Company.

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

◆ Continued enhancement of the promotion system Strengthening the development of the flavor and fragrance industry and responding to the environment surrounding the industry

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

In addition, we have joined the China Association of Fragrance Flavor and Cosmetic Industries (CAFFCI) in China and FEMA in the United States, and we dispatch employees as committee members to participate in the activities of industry organizations.

Enhancement of response to quality requirements in R&D

Various legal regulations are constantly changing, not only in Japan but also overseas. In order to promptly respond to such changes, reflect them in products, and communicate the information to customers, it is necessary to participate actively in activities of industry organizations to collect information. The collected information is registered in an

internal database and quickly reflected in product information. Updated information can always be referenced by researchers, which allows them to develop products based on the latest information and is also used to provide information to customers.

Enhancement of response to quality requirements in manufacturing processes

In the manufacturing process, we are always required to produce products with consistent quality. We assign codes to every raw material and product. By managing them using barcodes, we prevent incorrect raw materials from being input and products from getting mixed up. In our compound flavor and fragrance facilities and powder facilities, the system records measurement data from scales used to measure raw materials and fill products. The data is used

in combination with barcode management to help manage manufacturing and ensure traceability. By installing IT technologies in our facilities, we are striving to ensure that we consistently provide products with the specified quality.

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

As an initiative for food safety, we pruned trees within the factories' premises and strengthened rat-proof measures by installing rat-proof devices. The raw materials that we use are delivered from around the world. As such, we strengthened the acceptance and inspection work in cooperation with the Purchasing Division. We

worked to improve our services by promoting the direct delivery of samples from factories to customers with whom we have close business relationships, thereby increasing our response speed.

Employees engaged in the manufacturing of flavors for foods take courses on HACCP and work to gain knowledge on and raise awareness of food safety. (Number of employees who took HACCP courses at the Fukaya Production Center in FY2023: 12)

We also work to increase awareness of quality and food safety system requirements and improve the operations of standards by the employees of each division by providing courses on ISO 9001 and FSSC 22000. (FSSC 22000 course: held three times for 58 participants; ISO 9001 internal auditor seminar: held two times for 77 participants)

Indicator and targets

Indicator	Unit	Scope	Calculation period Time of calculation	FY2021	FY2022	FY2023	Mid- to long-term target (per year)
Serious quality incident with market recall (number of recalls)	Case	Non-consolidated	Fiscal year	0	0	0	0
Product complaints from customers	Case	Non-consolidated	Fiscal year	5	3	0	0
Number of FSSC 2200 courses held	Time	Non-consolidated	Fiscal year	2	1	3	1
Number of FSSC 2200 course participants	Person	Non-consolidated	Fiscal year	92	37	58	10
Number of ISO 9001 internal auditor seminars held	Time	Non-consolidated	Fiscal year	1	1	2	2
Number of ISO 9001 internal auditor seminar participants	Person	Non-consolidated	Fiscal year	32	20	77	70

See ESG Databook 2024 for ESG data other than the above.

CSR Policy 5: Governance -- Fair corporate activities ~Corporate governance~

Basic approach and policy

The Basic Principles on Corporate Governance

As a listed company, we respect the following five basic principles of corporate governance. We will achieve sustainable growth and maximize corporate value through accurate and prompt management decisions as well as timely and appropriate execution of duties while enhancing the management check function and ensuring compliance (legal observance).

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

It has established the Basic Policy on Corporate Governance, which is posted on the Company's website.

<https://www.t-hasegawa.co.jp/en/ir/governance>

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

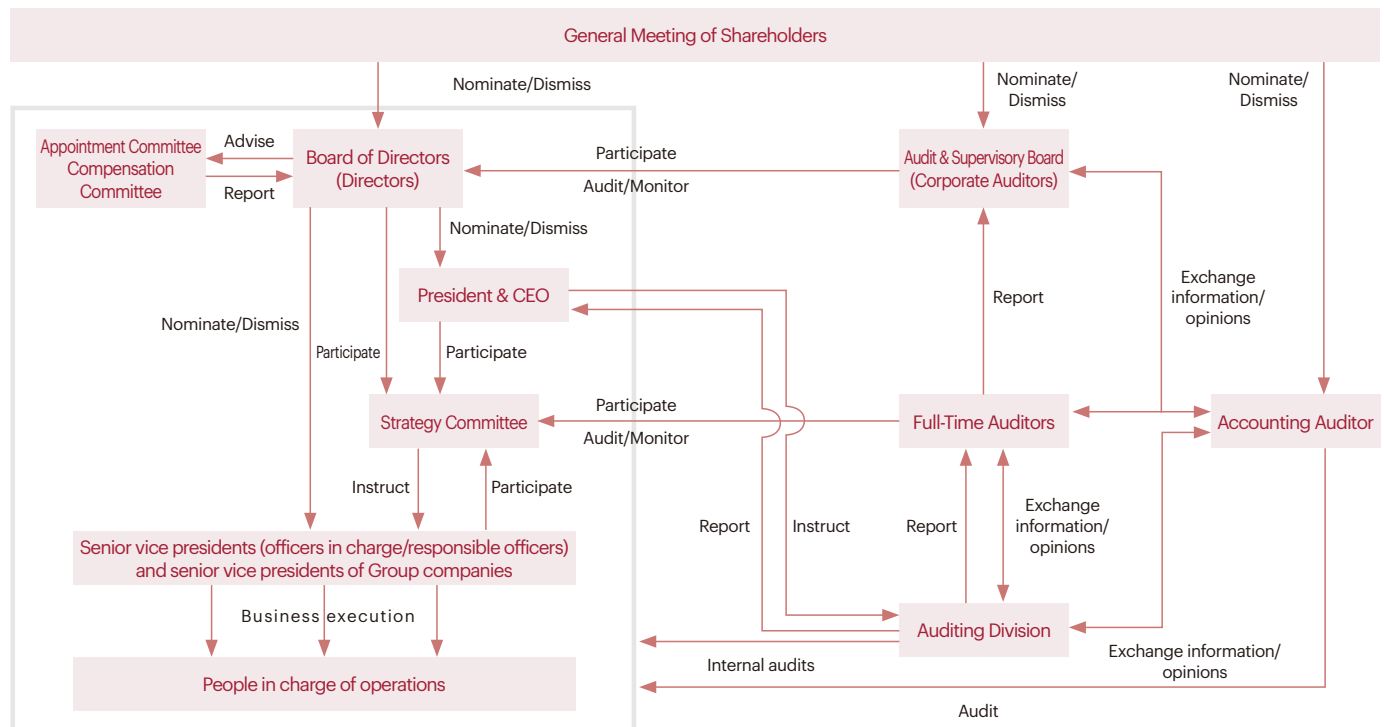
System

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

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

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

Corporate governance structure



◆ Diversity of directors and auditors

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

◆ Succession plan

The Group realizes that the planned development of successors to the President & CEO is important as a business strategy for continuing to improve our corporate value in the future. In accordance with the Basic Policy on Corporate Governance, we are working to develop successors in a planned manner so that candidates can gain experience while participating in management through business execution and attending important meetings, including Board of Directors meetings and the Strategy Committee. As a result, we are able to cultivate the abilities, experience, knowledge, skills, and other factors that are necessary to serve as a President & CEO.

In order to ensure transparency and objectivity in the nomination of President & CEO candidates, relevant details are deliberated in the Appointment Committee (which is a voluntary committee comprised of the representative director and a majority of independent outside directors) and chaired by an independent outside director before they are reported to the Board of Directors. Based on reports and advice from the Appointment Committee, the Board of Directors continues to supervise the overall efforts for developing successors.

◆ Skill matrix of directors and auditors

Name	Title/post	Particularly important skills among required expertise									
		Corporate management Business strategy	ESG Sustainability	Quality	Sales Marketing	R&D	Production	Overseas strategy International	Accounting Finance	Human resources Human resource development	Legal affairs Compliance Risk management
Takao Umino	President & CEO	●	●	●	●			●	●	●	●
Yoshiaki Chino	Representative Director & Deputy President	●	●	●	●	●	●	●			●
Minoru Nakamura	Director & Senior Executive Vice President	●	●				●		●	●	●
Tetsuya Nakamura	Director & Executive Vice President	●	●	●		●	●	●			●
Koichiro Kato	Director & Executive Vice President	●			●			●			●
Kenji Hasegawa	Director & Executive Vice President	●	●		●				●		●
Shingo Ohkado	Outside Director	●			●			●			●
Takao Yuhara	Outside Director	●						●	●		
Akiko Izumi	Outside Director	●	●		●					●	
Paul Dupuis	Outside Director	●			●			●	●	●	●
Takehiro Matsumoto	Full-Time Auditor	●						●	●	●	●
Tomoyoshi Arita	Outside Auditor								●		●
Kazuhito Yamamura	Outside Auditor							●	●		●
Maki Suzuki	Outside Auditor										●

◆ Officer remuneration

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

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

a. Basic policy

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

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

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

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

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

c. Policy on decisions regarding the details of performance-linked remuneration, etc., and non-monetary remuneration, etc., and

the calculation method for the amount or number thereof (including the policy on deciding the time or conditions for granting remuneration)

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

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

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

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

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

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

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

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

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

◆ Evaluation of the effectiveness of the Board of Directors

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

In FY2023, we conducted a questionnaire survey of all directors and auditors regarding the composition and operation of the Board of Directors, and the results of the survey were compiled, analyzed and evaluated by the Board. As a result, we confirmed that the effectiveness of the Board is ensured.

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



Main FY2023 initiatives

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

- The Appointment Committee, which is a voluntary committee comprised of the representative director and a majority of independent outside directors and chaired by an independent outside director, was convened twice. In consultation with the Board of Directors, the Appointment Committee deliberates on matters pertaining to the election of candidates for directors and corporate auditors and reports the results of such deliberations to the Board.
- The Compensation Committee, which is a voluntary committee comprised of the representative director and a majority of independent outside directors and chaired by an independent outside director, was convened twice. In consultation with the Board of Directors, the Compensation Committee deliberates on the amount of compensation for directors and reports the results of such deliberations to the Board.
- To ensure the effectiveness of the Board of Directors, the Company surveyed all directors and auditors on the Board's structure and management and then analyzed and evaluated the responses during the Board meeting. As a result, the Company confirmed that the Board's effectiveness was secured for FY2023.
- The Company submitted a report on corporate governance to the Tokyo Stock Exchange to disclose information on the status of our corporate governance.

Corporate Governance Report

<https://www2.jpx.co.jp/disc/49580/140120231205599463.pdf>

- The Company is strengthening its investor relations activities to ensure timely and appropriate disclosure (information disclosure), transparency and accountability to shareholders. In FY2023, we held 58 individual meetings with analysts and institutional investors to deepen their understanding of the Group's management policies, global strategies and capital policies. We also held two financial results briefings for institutional investors. Acting as a presenter, the President & CEO provided a direct explanation to analysts and institutional investors regarding the Group's financial summary, management policy, global strategy, medium-term three-year plan, capital policy and other details. In addition, IR-related materials (in Japanese and English) were disclosed on the Company's website to enhance information disclosure.

Plan for the future

- Our Group will continue working to strengthen our effective corporate governance system, which serves as the foundation of a highly reliable and transparent management system.
- We will evaluate the effectiveness of the Board of Directors once a year to ensure that it remains effective.
- Based on the results of the analysis and evaluation of the effectiveness of the Board of Directors conducted in FY2023, the Company will promote even earlier sharing of materials, ensure sufficient time for advance explanations, and increase the time for discussion at meetings in FY2024. In addition, we will work to increase opportunities to discuss business strategies and risks. Furthermore, while enhancing the training content for directors and auditors through participation in external seminars, we will work to enrich divisions' report content to promote the understanding of outside directors on business details and business execution. We will also continue to improve governance by, for example, providing opportunities for regular meetings between outside directors, officers in charge and senior vice presidents.

Actual data	Unit	FY2021	FY2022	FY2023
Number of Board of Directors members	People	6	8	8
Ratio of independent outside directors	%	33.3	37.5	37.5
Ratio of female directors	%	0	12.5	12.5
Number of Board of Directors meetings held	Times	12	11	11
Average attendance rate at Board of Directors meetings (Directors and Corporate Auditors)	%	97.5	100.0	99.2
Number of Audit and Supervisory Board meetings held	Times	11	11	11
Average attendance rate at Audit and Supervisory Board	%	100.0	100.0	97.7

See ESG Databook 2024 for ESG data other than the above.

CSR Policy 5: Governance -- Fair corporate activities ~Compliance~

Basic approach and policy

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

◆ Bribery and corruption prevention initiatives

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

T.Hasegawa Group Policy on Bribery and Corruption

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

1. The T.Hasegawa Group observes all laws and corporate ethics related to bribery and corruption prevention applicable in Japan and overseas in accordance with the “Compliance with laws and regulations,” “Actions towards customers,” and “Relationships with suppliers” sections stipulated in the T.Hasegawa employment regulations and the T.Hasegawa Corporate Code of Conduct and does not allow any act of bribery or corruption.
2. The T.Hasegawa Group will never demand profits that can be gained only through bribery, corruption, or other similar means under any circumstances. We also request cooperation from all domestic and overseas business partners involved in our Group’s business to understand the aim of this policy fully and to never look to the interest of the Group by such improper means.

3. The T.Hasegawa Group appoints the officer in charge of internal management control as the chief supervisor for preventing bribery and corruption. We will work to improve the compliance system by taking measures, including the provision of training to prevent bribery and corruption and the enhancement of the whistleblowing system.

* Corruption refers to any act of abusing one’s position or authority to gain an unfair advantage, including bribery, excessive entertainment, giving or receiving gifts, embezzlement, bid-rigging, collusion, and other forms of unfair competition, extortion, fraud, accounting irregularities, money laundering, and the like.

◆ Establishment of a tax policy

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

T.Hasegawa Group Tax Policy

Basic policy

The T.Hasegawa Group observes laws and regulations in accordance with the T.Hasegawa Corporate Code of Conduct, fulfills its social responsibilities by properly performing tax obligations in its operating countries and regions, and aims to continue improving corporate value.

1. Compliance with laws and regulations

The Group complies with relevant tax laws and appropriately fulfills tax obligations. We do not use tax incentives for programs that do not correspond to the actual business condition

nor engage in tax avoidance using regions known as tax havens. In international transactions, we observe laws, regulations and tax ordinances of countries and regions as well as international taxation rules.

2. Ensuring transparency

The Group complies with relevant accounting and disclosure standards that should be complied with and works to disclose information to all stakeholders appropriately. If any tax problem is pointed out, we will promptly implement improvement measures to prevent it from occurring again.

3. Minimizing the tax risk

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

4. Tax governance

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

◆ Approach to animal tests

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

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

System

◆ Compliance Committee

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

- Compliance Committee members (as of December 21, 2023)

Committee Chair:

Takao Umino (Representative Director and President & CEO)

Vice Committee Chair:

Minoru Nakamura (Director and Senior Executive Vice President)

Member:

Yoshiaki Chino (Representative Director and Deputy President)

Tetsuya Nakamura (Director and Executive Vice President)

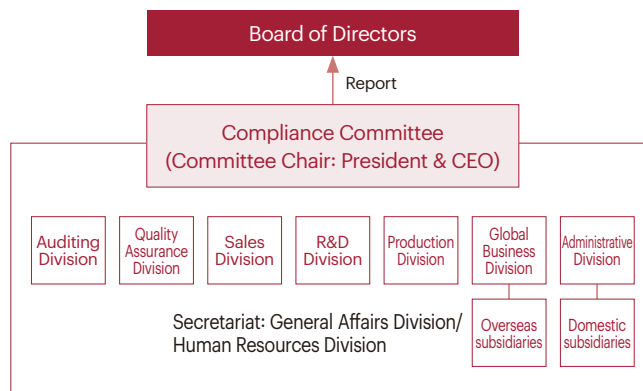
Koichiro Kato (Director and Executive Vice President)

Kenji Hasegawa (Director and Executive Vice President), and nine other members

Observer: Takehiro Matsumoto (Full-Time Auditor)

Secretariat: General Affairs Division/Human Resources Division

Compliance Committee structure chart

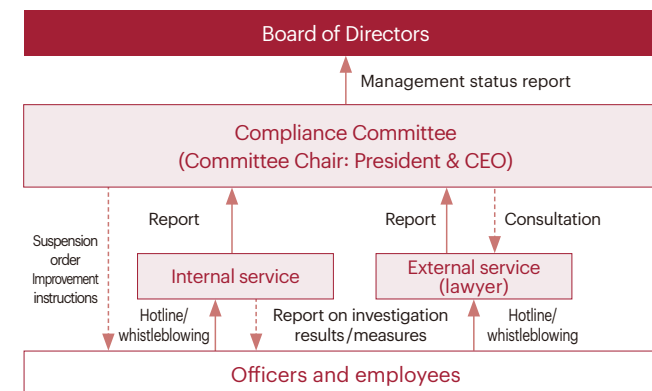


◆ Whistleblowing system

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

The division in charge of the whistleblowing system confirms the status of internal reporting with directors and employees of the Group companies, regularly reports the confirmed status during the Compliance Committee that includes directors as members and reports the system management status to the Board of Directors.

Whistleblowing system



◆ Training and education on compliance

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

◆ Development and implementation of internal control

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

◆ Internal audit

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

FY2023 initiatives

- We have established the T.Hasegawa Corporate Code of Conduct, shared it with all directors and employees, distributed the Code, and made sure that they can be referred to at any time. In FY2023, we conducted a compliance comprehension test for all employees to confirm whether they are aware of the behavior norms and the Code that require them to be sincere and maintain an ethical view as part of our efforts to improve compliance awareness.
- In accordance with the compliance rules, we held the Compliance Committee once in FY2023. The Compliance Committee deliberates important matters concerning compliance, reports the results of the comprehension test, and so on. In FY2023, there was no serious compliance violation that affected the Group's business continuity, and we confirmed that the Group's business is being managed appropriately. Furthermore, since the comprehension test had 100.0% correct answers, we confirmed that employees had a deeper understanding of various rules related to compliance.
- We have established a whistleblowing system in the Company and its subsidiaries, as well as consultation and whistleblowing hotlines in and outside the Company. Upon receiving any consultation request and report, we investigated the facts and considered the appropriate measures. The status of consultation and reporting at the Group companies is reported to full-time auditors in the Compliance Committee. In addition, we included questions regarding the whistleblowing system in the compliance comprehension test and encouraged all employees to understand the system to promote its use.
- We take a firm attitude toward antisocial forces and organizations that may pose a threat to social order and security and will ban any relations with them. We also take strong action against unreasonable requests from them. Given that the T.Hasegawa Corporate Code of Conduct has stated that effect, all directors and employees observe the Code. We constantly collect information from relevant administrative agencies and organizations, including the police. In the event of an incident, we have a system in place to deal with it promptly and systematically in close cooperation with such agencies, organizations, lawyers, and so on.

- To prevent harassment in the workplace (including sexual harassment, harassment related to pregnancy, childbirth, childcare, and long-term nursing care leave, and abuse of authority), we prescribe and share matters that employees should observe and administrative measures to address problems arising from speech and behavior in the harassment prevention rules. We recognize the importance of harassment prevention from the perspective of thorough compliance, so we conducted compliance training in FY2023. The training covered harassment prevention and other topics for all employees, including executive officers, loaned employees and temporary employees.

Indicator and targets

- Compliance comprehension test: once a year, 100% examination rate
- Harassment prevention training: once a year, 100% examination rate (all new managerial staff are required to receive the training)

* In FY2023, compliance training, including harassment prevention, was conducted for all employees, including executive officers, loaned employees and temporary employees.

Actual data	Unit	Scope	Calculation period Time of calculation	FY2021	FY2022	FY2023	Mid- to long-term target
Number of whistleblowing cases	Case	Non-consolidated	Fiscal year	6	7	9	—
Number of serious compliance violations	Case	Non-consolidated	Fiscal year	0	0	0	0
Number of compliance related training held	Time	Non-consolidated	Fiscal year	6	5	4	—
Total fines	Yen	Non-consolidated	Fiscal year	0	0	0	0

See ESG Databook 2024 for ESG data other than the above.

Plan for the future

The Group will continue the above efforts to increase each employee's compliance awareness and work with Group companies to enhance and strengthen the entire Group's compliance system.

- We will continue to conduct a compliance comprehension test for all employees once a year to confirm whether they are aware of the behavior norms and the Code that require them to be sincere and maintain an ethical view (target rate of taking the compliance comprehension test in FY2024: 100%).
- To promote the use of the whistleblowing system, we will include questions regarding that system in the compliance comprehension test conducted once a year and encourage all employees to understand it fully.
- We will continue to provide compliance training, including harassment prevention, to all employees, including executive officers, loaned employees and temporary employees.
- To promote a greater understanding of internal control, we will provide training for new employees and new managerial staff once a year.

CSR Policy 5: Governance -- Fair corporate activities ~Risk management~

Basic approach and policy

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

System

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

- Risk Management Committee members (as of December 21, 2023)

Committee Chair:

Takao Umino (Representative Director and President & CEO)

Vice Committee Chair:

Minoru Nakamura (Director and Senior Executive Vice President)

Member:

Yoshiaki Chino (Representative Director and Deputy President)

Tetsuya Nakamura (Director and Executive Vice President)

Koichiro Kato (Director and Executive Vice President)

Kenji Hasegawa (Director and Executive Vice President), and eight other members

Observer: Takehiro Matsumoto (Full-Time Auditor)

Secretariat: Corporate Planning Division

◆ Risk identification process

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

Risk Management Committee structure chart



◆ Main risks

The following stipulates the main risk items identified by the Group and the description of risks.

(As of December 22, 2023)

Risk item	Description of risks (impact on business performance if risks materialize)
Risks related to human rights	If an act that violates human rights were to occur in any business area involving the Group as a whole, it would lead to a loss of social credibility for the Group and affect its business performance.
Climate risks	Poor weather conditions will cause a slump in sales of final products in client industries (beverage industry, food industry, toiletries industry, etc.), which will affect the Group's business performance.
Raw material procurement risks	Damage caused by abnormal weather (cyclones, hurricanes, etc.) in production areas, social unrest (terrorism, war, infectious diseases, etc.), accidents at suppliers, etc., makes it difficult to procure raw materials and affects our Group's business performance.
Disaster and other risks	Damage caused by natural disasters (earthquakes, typhoons, etc.) or social unrest (terrorism, war, infectious diseases, etc.) at our Group's production sites will affect our business performance.
Quality risks	Damages resulting from product defects, which affect the Group's business performance.
Economic and other risks	Economic conditions, economic trends and financial conditions in the countries in which the Group operates, as well as trends in consumer spending, which are affected by these factors, may cause a slump in our customers' sales of final products, thereby affecting the Group's business performance.
Environmental risks	In the event of stricter environmental and other regulations in Japan or overseas, the Group's business performance will be affected by increased costs, restrictions on business activities, and other factors.
Impairment loss risks	If the market value of the Group's assets declines significantly or if the profitability of the business deteriorates, the application of impairment accounting will result in an impairment loss on fixed assets, which will affect the Group's business performance.
Subsidiary management risks	In addition to Japan, the Group has positioned overseas markets as growth drivers while strengthening its global operations in the Asian region (particularly in China and Southeast Asia) and the United States. However, in the event of fraud or misconduct due to insufficient management (corporate governance) of domestic and overseas subsidiaries, the Group's business performance will be affected by deterioration of the corporate image and loss of credibility.
Exchange rate fluctuation risks	Financial statement items denominated in local currencies of overseas subsidiaries are converted into yen for the purpose of preparing consolidated financial statements, and the exchange rate at the time of conversion affects the Group's business performance.
Information security risks	If information assets related to the Group's business activities are lost, destroyed, or leaked to outside parties due to cyber-attacks, computer virus infections, system failures, or other causes, it could lead to the suspension of operations and loss of the Group's social credibility, which would affect business performance.

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

FY2023 Securities Report: Business and other risks

https://ssl4.eir-parts.net/doc/4958/yuho_pdf/S100SIRV/00.pdf

Main FY2023 initiatives

◆ Risk Management Committee

The Risk Management Committee discussed risk management plans, including risk analysis and management, evaluation reports on response to high-priority risks, annual risk management plans, and the planning and implementation of countermeasures. In FY2023, the Risk Management Committee was convened once.

◆ Business continuity (BCP)

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



Firefighting training at the Fukaya Facility

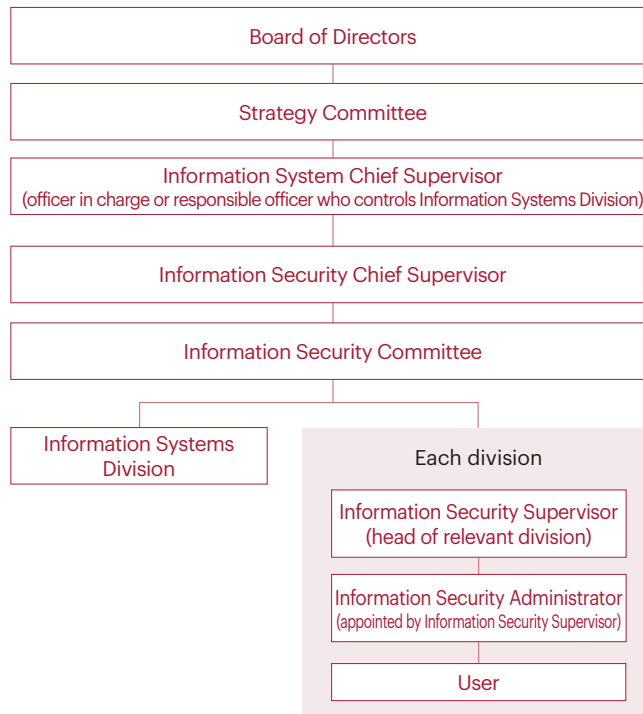


Firefighting training at the Itakura Facility

◆ Information security

The Group ensures the appropriate use and management of its information assets by developing information security rules, including the Basic Policy on Information Security and Countermeasure Standards, and by developing an information security organizational structure. By combining multiple systems, security tools and monitoring services, the Company has created an environment that enables early detection, defense and response. In addition to focusing on warning all directors and employees regarding information security through regular education, notifications, etc., on information security, we regularly conduct training to handle and respond to incidents.

Information security organization chart



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

◆ Internal audit

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

◆ Intellectual property rights

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

Plan for the future

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

CSR Policy 6: Innovation

Basic approach and policy

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

By responding to customer needs and potential demands while starting from the solution of social issues, we will lead to new product development and new business exploration from the perspectives of “responding to health consciousness,” “contributing to foodtech,” “providing health and enrichment,” and “solutions for an aging society.” Through flavors and fragrances, we aim to realize rich and healthy lifestyles and contribute to the creation of a sustainable society.

— Contribution to society through the flavor and fragrance business —

Responding to
health consciousness

Providing health and
enrichment

Contributing to foodtech

Solution for an aging society

◆ Relation with stakeholders

Customers

We provide the ideal flavors and fragrances for customer needs by providing high-quality and high value-added products.

Examples of customer success cases

We integrate marketing data and sensory evaluation data to visualize customer issues and make proposals that support product development. We have also developed a unique communication tool called Aroma Value Visualizer®, which visualizes the value of flavor and fragrance by combining physiological response measurements such as salivary gland activity and technologies, and Aroma Rainbow®, which expresses fragrance in color. We use these techniques and tools to share issues with customers in order to respond accurately to customer requests.

Natural environment

We are developing flavors, fragrances, and ingredients that contribute to reducing the use of valuable food resources in processed foods without sacrificing consumers' preferences. In synthetic chemical studies, we aim to develop environmentally conscious ingredients by continuing to reduce the amount of solvent used and replace toxic substances with improved manufacturing processes while taking into account green chemistry. Specifically, we are using “The IFRA Green Chemistry Compass,” published by the IFRA, to evaluate the conformity of our chemical processes to green chemistry based on the 12 articles related to green chemistry. This clarifies issues to be addressed and enables more efficient improvement activities. We contribute to reducing the thickness of PET bottles and saving resources through the development of ingredients that enhance the flavor of natural raw materials and other ingredients that supplement the sensation of carbonation, which will lead to the protection of biodiversity and food resources. As part of our own Circular Economy initiative, we began experimental cultivation of lemongrass in Koumi-machi in 2023 using botanical residue compost from our affiliated company, Koumi Compose.

Joint research partners: universities and research institutes

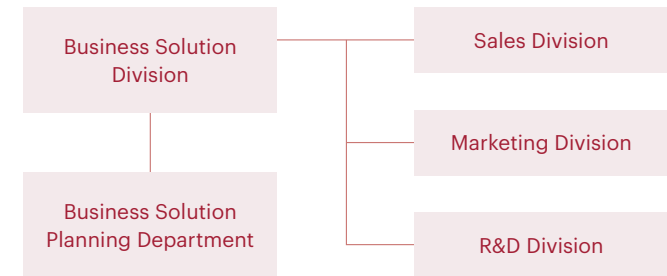
Through knowledge sharing and opinion exchange, we strive to absorb cutting-edge research and improve our technology.

Governance

The Business Solution Division, which was established in 2020, is strengthening collaboration between the Sales, Marketing and R&D Divisions. Under the strategy of the Business Solution Planning Department, we will systematically work to provide our customers with high-quality and high value-added products while aiming to help solve social issues and achieve sustainable growth.

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

Organization chart



(1) Fragrance Division

The domestic market for cosmetic fragrances is now in a mature stage, and competition among domestic and overseas fragrance manufacturers is becoming even more intense. In addition, we are also facing rising raw material prices due to changes in the resource environment.

Under these circumstances, we have been working to continue improving our perfumery technology while placing the highest priority on safety, quality and environmental issues. Furthermore, we have been conducting research and development in cooperation with sales and marketing. Utilizing our perfumery, analysis and synthesis technologies, we worked on the development of highly perfected fragrances with long-lasting and diffusive characteristics, proposed new product forms in terms of application, reliably identified customer needs based on preference and marketing surveys, and conducted research that led to cost reductions. As a result, many of our products have been adopted by customers both domestically and internationally.

As we continue promoting globalization, we are also further strengthening our technical support based on market research in overseas countries and regions while making every effort to acquire new customers.

Our Chinese subsidiary, T.Hasegawa (Shanghai) Co., Ltd., is strengthening sensory evaluation and research on applications in addition to its Perfumery R&D Division in order to respond to diversifying customer needs.

(2) Flavor Division

In the flavor market, competition among domestic and foreign flavor manufacturers has become more intense. In addition, customers' product life cycles are becoming shorter.

Under these circumstances, we have been working together with our customers in research and development to accurately grasp the diversification of lifestyles and changing tastes and to respond immediately to customer needs. We have also researched and developed flavors that reproduce realistic natural aromas or that combine new flavoring materials using various extraction and processing technologies in addition to flavor-enhancing materials that impart richness, thereby actively presenting these to our customers to meet their needs. Furthermore, we conducted research and development on new applications of flavors, which resulted in the adoption of our manufactured goods in major new products by domestic and international customers.

In addition, as we aim for globalization, we are developing flavors that meet the unique tastes of each country and researching their applications to our customers' products. While strengthening technical support for our overseas subsidiaries and distributors in various countries, we have steadily increased our customers' adoption of our products.

The R&D Division of US subsidiary T.Hasegawa USA, INC. has been expanding research on applications to customers' products and has been successful in acquiring new customers. T.Hasegawa (Shanghai) Co., Ltd. is strengthening and expanding the Flavor R&D Division, the Applied Prototype Production Division and the Basic R&D Division so as to respond to customer needs.

(3) Basic R&D Division (common to Fragrance Division and Flavor Division)

① Research on synthetic flavors and fragrances

We have developed synthetic flavors and fragrances that characterize the aroma of our products while also improving manufacturing methods to streamline the manufacturing process of existing products and develop manufacturing methods for flavors and fragrances that consider environmental conservation (sustainability). As an example, for one of the synthetic raw materials in production, we have switched from a process that uses raw materials from rare plants to an upcycled process that uses by-products from the flavors and fragrances industry.

② Research on natural products

We have developed an aroma analysis method using various aroma collection methods and the latest analytical equipment to improve the accuracy of analysis of trace aroma components, thereby clarifying the composition of aroma components in many natural products and applying it to the development of flavor and fragrance products. In addition, we have been developing flavor materials using extraction technology to utilize natural flavors as well as natural pigments, natural antioxidants, and other functional food materials as naturally derived materials. Meanwhile, we continued to develop fruit processing methods and flavors compatible with fruit processing in cooperation with the Flavor R&D Center.

③ Research on sensory evaluation, physiological response and biotechnology

We have developed original evaluation methods using measurement technologies in sensory evaluation and physiological response (head blood flow, muscle potential, etc.) and utilized them in our proposal activities. In addition, we continue to conduct basic R&D on microorganisms and enzymes, as well as the development of flavor-enhancing ingredients through the application of these R&D results.

④ Other research related to flavor and fragrance development

We continued R&D on high value-added flavor and fragrance products using emulsification, powdering and other formulation technologies suitable for flavor and fragrance applications, as well as rationalization through process improvements in flavor and fragrance manufacturing. Furthermore, we developed new, safe food ingredients that meet the needs of the market.

Strategies

◆ Opportunities

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

◆ Measures

- Sustaining R&D investments
- Proposing activities using marketing data and AI
- Speedy development: accurately identifying and rapidly responding to customer requests and latent needs
- Detailing responses to customers
- Responding to increased demand for alternative raw materials triggered by climate change
- Absorbing advanced technologies and knowledge through active exchange of views with universities and research institutes

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

◆ Development of an organizational structure

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

We continue to focus on research and development to increase sales, and the percentage of R&D expense in FY2023 was 8.0% (consolidated basis).

◆ T.Hasegawa Group's proprietary technologies

Many of our proprietary technologies are showcased on our website. Top > Research & Development > Our technology
<https://www.t-hasegawa.co.jp/research/technique>

For a new technology, we have developed NANOLYS®, an innovative solution for all sensitive skin around the world. This information is available on our website.

<https://www.t-hasegawa.co.jp/nanolys>

◆ Product development and proposals

We offer proposals that integrate marketing data with sensory evaluation data. We also promote the active use of intellectual property, such as sensory evaluation data, to strengthen the linkage between compounding, analysis and application and to develop new, unique products.

Presentation of aroma components related to bitter oranges

Given that bitter oranges are used to flavor sweets, liquors, and perfumes, two different methods extract the essential oil from its flowers, each with different properties. Although these essential oils, called orange flower absolute and neroli oil, have very different fragrance characteristics, the components that contribute to their aroma have not yet been clarified. Therefore, the Company investigated the differences in aroma between these essential oils.

Based on the results of the sensory evaluation of essential oils, the characteristics of each oil were listed. The important aroma components of the essential oils were identified by the Aroma Extract Dilution Analysis method. Furthermore, by comparing with fresh flowers, we were able to clarify the important components of the fragrance of bitter orange flowers and the aroma components characteristic of fresh flowers.

This research result was presented at the 67th Symposium on Fragrance, Terpene and Essential Oil Chemistry (Chiba University, Chiba, Japan) on October 28-30, 2023, under the title of "Study on Important Aroma Components of Bitter Orange (Citrus Aurantium) Flower Essential Oil." It was selected for the Best Presentation Award.

◆ External collaboration

To strengthen product development and proposals, we are striving to absorb cutting-edge research and improve technology through knowledge sharing and opinion exchange, and we are continuously promoting joint research with universities and research institutes. Number of joint research projects: 15 (FY2023 result)

Expression of fragrance with color

The Company is developing Aroma Rainbow® as a new way of expressing fragrance. To academically clarify what similarities exist between expressing fragrance with "color" and with "words," we conducted a joint research with Professor Tadayuki Wakata of Wase-

da University (currently Shonan Institute of Technology). A psychological examination of the "impressions" of colors and fragrances was conducted using verbal and color expressions.

The results showed commonalities among "verbal evaluation of fragrance impression," "color evaluation of fragrance impression," and "verbal evaluation of color impression," indicating the possibility that color reflects the impression of fragrance and that fragrance can be expressed non-verbally. The results of these studies have been presented at the 2019, 2020 and 2021 Japanese Association for the Study of Taste and Smell.

In addition, 25 pairs of synonyms used to describe aromas and tastes were investigated using a newly developed iPad application to investigate the colors that harmonize with the images of the synonyms. The results show that for almost all of the synonyms, the harmonizing colors are also in a pairwise relationship. Professor Wakata presented the results of this research orally at the 7th Asia Color Association Conference (ACA) 2022 (Taipei, online) on October 20-21, 2022, under the title of "EXPRESSION OF IMPRESSION WORDS WITH COLOR."

These results strongly suggest the potential of color to express invisible fragrances and the images that consumers hold in their minds or to supplement the meaning of words that describe fragrances. We believe that this will expand the possibilities of Aroma Rainbow®.

Synthesis of DAMASCENOLIDE®, a rose aroma component

DAMASCENOLIDE® is a compound with a citrus-like scent that is a key aroma component of roses and is a useful fragrance compound that imparts naturalness to roses. In collaboration with the Laboratory of Molecular Design, Tokyo University of Agriculture, we have conducted research on analogs of DAMASCENOLIDE® to develop new, superior fragrance compounds. Having synthesized a total of 40 analogs of DAMASCENOLIDE®, we have presented nine analogs at a conference on their synthetic methods and aroma characteristics. As shown in the figure, we found that each of them had a characteristic aroma. We are currently testing their usefulness as fragrances, but their use is expected to increase the desirability of various products.

◆ Contribution to society

Responding to health consciousness

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

We develop ingredients that enhance sweetness, umami and saltiness in response to the development of products that pursue a "healthy and good taste" for customers. Furthermore, we also propose ingredients that add delicious flavor to food with reduced sugar and salt content. In addition, by developing products that impart a sense of fat and oil and a rich, full-bodied effect, we are proposing ingredients that add a sense of satisfaction to low-calorie, non-oil products.

Contributing to foodtech

— Solution for the lack of food resources

As part of the development of flavors to replace depleting food sources, we also offer a flavor series that can replace savory natural raw materials and alternative compounded flavors for citrus essential oils. To address the shortage of vanilla beans, we are developing materials that can produce a vanilla taste even when the amount of vanilla beans is reduced by applying compounded flavor and heat reaction technology. In addition, we have developed a compounded flavor based on aroma analysis. By combining that flavor with emulsified oils and fats, we are proposing an ingredient that can complement the flavor of milk.

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

Koku Jyuwa®, which is generated by using the power of enzymes in natural vegetable fats and oils, contributes to reducing the use of oil and fat ingredients of supply concerns by imparting a rich, full-bodied effect to foods.

We also re-examined the quality of food products to ensure that the guarantee period was successfully extended, thereby reducing food waste.

Providing health and enrichment

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

We are developing high value-added and long-lasting fragrance materials that can provide fragrance in situations where it is needed.

We are also working to develop original pre-liposomes, which can be combined with various products (including milky lotion, cream, skin lotion, and hair care items) and provide an innovative solution to all kinds of skin problems.

Solution for an aging society

— Improving quality of life in hospitals and nursing homes

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

◆ Social action through the flavor and fragrance business

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

Top > Sustainability > Social Contribution

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

- Support for tours and job introductions for nearby students at the R&D Center (Kawasaki City High School for Science and Technology).
- Provision of drinking water and temporary shelter for the nearby residents of the R&D center in the event of an emergency.

- Periodic odor survey (twice/month) and noise survey around the R&D Center. Environmental (odor) patrols are conducted around the perimeter and on nearby public roads. During the patrols, trash pickup is also conducted.
- Provision of samples and job referrals to public institutions (National Institute of Health Sciences, open to the public).
- Cooperation of researchers in lectures and talks at high schools and universities (high schools from which the relevant researchers graduated).

Indicator and targets

Indicator	Unit	Scope	Calculation period Time of calculation	FY2021	FY2022	FY2023	Mid- to long-term target
R&D expenses	Billion yen	Consolidated	Fiscal year	47	50	52	R&D expenses as a percentage of consolidated sales: Approx. 8% of consolidated sales
Number of patent applications / Number of domestic applications in parentheses	Case	Consolidated	Fiscal year	33 (25)	30 (25)	24 (16)	—
Number of joint research projects with external organizations	Case	Consolidated	Fiscal year	14	12	15	Continue to conduct the activities

See ESG Databook 2024 for ESG data other than the above.

Th