

# The Value Creation Story of T. Hasegawa



December 3, 2020



T.HASEGAWA CO.,LTD.

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▲Distillation column

# #01 The Meaning of Existence of T. Hasegawa

With the company motto being “a company founded on technology,” we contribute to the creation of an enriched society through flavors and fragrances.

T.Hasegawa is working to provide our customers with products that the customers feel safe to use by remaining committed to flavors and fragrances based on the corporate motto of “a company founded on technology.” Every department constantly works in conjunction with each other, improves itself through competition, but at the same time, continues to collaborate or engage in joint research with outside sources, or as a partner of creating goods, paves the way to “customer success” by providing proposals that meet the needs of the consumers or even surpass the potential customer needs. Also as a member of the society, we strive to build up trust and enhance the relationship with the stakeholders, solving problems faced by the society through the use of flavor and fragrance technology and thereby contributing to the creation of an enriched society.

The Value Creation Story of T. Hasegawa

## Concept of T. Hasegawa

### Company Motto

Company Founded on Technology

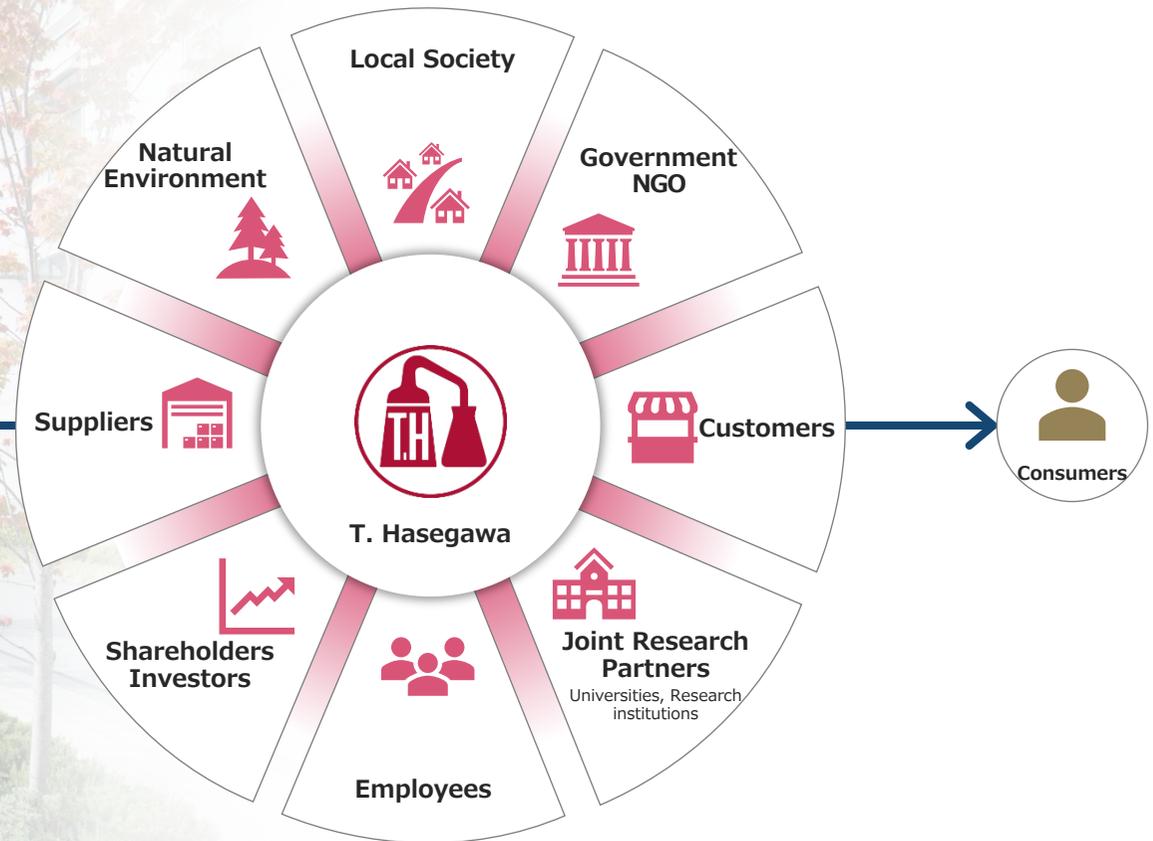
### Management Policy

- (i) With the aim of improving corporate value and increasing shareholder profit, achieve stable and appropriate profit return
- (ii) Realize corporate social responsibility by being thoroughly compliant to laws and regulations.
- (iii) Provide easy-to-work environment for the employees

### Vision to Aim for

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

## Stakeholders of T. Hasegawa



# #02 The Path to Growth

**Committed to flavors and fragrances for more than 100 years since our foundation, we have grown by responding with attention to detail to our customers' needs of the time.**

Since its foundation in 1903, T.Hasegawa has been providing high value added products by committing itself to flavors and fragrances, accumulating research work to respond with attention to detail to our customers' needs of the time. Also, as our customers' speed to develop new products accelerates, the sales methodology has transformed from the conventional type of responding to just the needs of customers to the type where solutions are provided to the customers to solve their challenges. As such T. Hasegawa continues its growth by responding to the needs of the changing times with flexibility.

The Value Creation Story of T. Hasegawa

1903  
Founded during the initial stage of the flavors and fragrances industry

1961  
T. HASEGAWA CO., LTD. established  
Founder Shozo Hasegawa



2001  
Listed on the 1st Section of Tokyo Stock Exchange (TSE)

2003  
100th anniversary since foundation



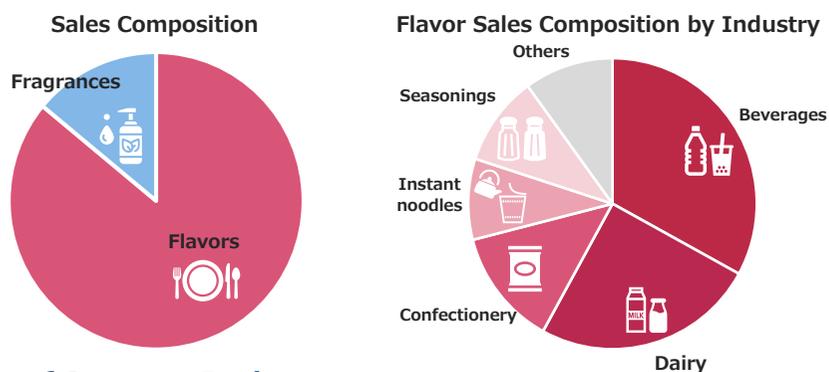
Changing Times	Founding—1950s	1960s	1970s	1980s	1990s	2000s	2010s	
		<b>Seeking Convenience</b>	<b>Westernization of Foods</b>	<b>Rise in Health-consciousness</b>				
State of Research and Production	<b>What we have changed (transformation)</b>							
	<b>Domestic</b>	<b>Building the foundation as a Total Manufacturer of Flavors and Fragrances</b>			<b>Enhanced Research and Production Capabilities - Creation of High Value Added Products</b>			
	<ul style="list-style-type: none"> <li>'03 T.Hasegawa Store founded</li> <li>'23 Begin producing essences</li> <li>'47 Begin producing aroma chemicals</li> <li>'48 T.Hasegawa Store LLC established</li> <li>Kawasaki Factory completed</li> <li>Begin selling food flavors</li> </ul>	<ul style="list-style-type: none"> <li>'61 T.HASEGAWA CO., LTD. established</li> <li>'64 Fukaya Facility completed</li> <li>* Transferred flavor production to Fukaya Factory</li> <li>'69 Kawasaki Research Center completed</li> <li>'93 Changed name to Technical Institute</li> <li>* Transferred aroma chemical production to Fukaya Facility</li> </ul>	<ul style="list-style-type: none"> <li>'77 Integrated all production divisions to Fukaya Facility</li> <li>* Transferred fragrance production to Fukaya Facility</li> </ul>	<ul style="list-style-type: none"> <li>'84 Itakura Facility completed</li> <li>ATH Co., Ltd established</li> </ul>	<ul style="list-style-type: none"> <li>'94 Published "HASEGAWA LETTER"</li> <li>'95 T.HASEGAWA CO., LTD. shares registered on the over-the-counter market</li> <li>'99 T.HASEGAWA FINE FOODS CO., LTD. established ('08 Absorbed and consolidated)</li> <li>* Begin production of fruit preserves</li> </ul>	<ul style="list-style-type: none"> <li>'00 Listed on the 2nd Section of TSE</li> <li>'01 Listed on the 1st Section of TSE</li> <li>'03 100th Anniversary</li> <li>Hasegawa International Scholarship Foundation established</li> <li>'07 Core computer system upgraded</li> <li>'09 Begin construction of R &amp; D Center</li> </ul>	<ul style="list-style-type: none"> <li>'11 Hasegawa Business Service CO., LTD. established</li> <li>'13 Published "The Science of Flavors and Fragrances"</li> </ul>	
<b>Overseas</b>	<b>Expanded to North America</b>		<b>Expanded to China</b>		<b>Expanded to Southeast Asia→Overseas Business Expansion</b>			
		<ul style="list-style-type: none"> <li>'78 T.HASEGAWA U.S.A., INC. established</li> </ul>	<ul style="list-style-type: none"> <li>'91 Hong Kong Office opened</li> <li>'00 T.HASEGAWA FLAVOURS AND FRAGRANCES (SHANGHAI) CO., LTD. established (China) ('01 Full scale operations begin)</li> </ul>	<ul style="list-style-type: none"> <li>'03 T.HASEGAWA (SOUTHEAST ASIA) CO., LTD. established (Thailand)</li> <li>'06 T.HASEGAWA FLAVOURS (SUZHOU) CO., LTD. Established (China) ('09 Full scale operations begin)</li> </ul>	<ul style="list-style-type: none"> <li>'14 PT. HASEGAWA FLAVOURS AND FRAGRANCES INDONESIA established (Indonesia)</li> <li>Acquired Peressol Sdn. Bhd. (Current T.HASEGAWA FLAVOURS (KUALA LUMPUR) SDN. BHD. (Malaysia))</li> <li>Acquired FLAVOR INGREDIENT HOLDINGS, LLC (USA)</li> <li>Established local subsidiary in Taiwan</li> </ul>			
State of Marketing and Sales	As customers' new product development speed accelerates, new product ideas are sought, making it mandatory even for the sales force to have marketing knowledge and be literate in IT.				<b>Solution Sales</b>			
					<b>Proposal Based Sales</b>			
					<b>Conventional Sales Methodology</b>			
Concept of Values	<b>Our practices handed down unchanged (our inheritance) - Our treasured "methodology" tried and true since our foundation (our DNA)</b>							
	<b>A company founded on technology/Committed to flavors and fragrances/Customers come first/High Quality · Safety</b>							

Total manufacturer of flavors and fragrances supplying about 12,000 items annually

Business Areas

As a total manufacturer of flavors and fragrances, we have wide ranging business with manufacturers of food, beverage and daily use goods.

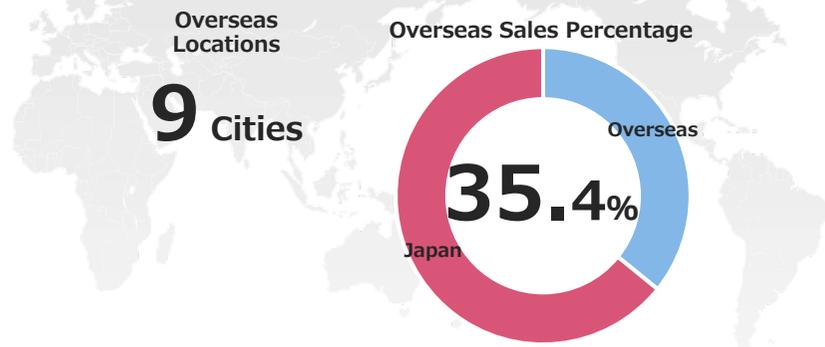
As a total manufacturer of flavors and fragrances, T.Hasegawa is engaged in R & D, production and sales of compound flavors and fragrances, emulsions, powders, natural extractions (extracts, etc.), fruit preserves, natural colors, etc. For flavors, we have wide ranging business with food and beverage manufacturers such as beverages, dairy, confectionery, instant noodles, etc. For fragrances, we sell our products to a wide range of customers for use in cosmetics, toiletries and household items.



Expansion of Overseas Business

In addition to the strong domestic revenue base, overseas business is being expanded mainly to North America and Asia

While making efforts to expand the domestic market share which is our revenue base, we are expanding our overseas business centered around North America, China and Southeast Asia in order to achieve sustainable and stable growth. For the overseas market, we utilize our "Aroma Creativity" cultivated through our domestic business to provide stable supply of high quality flavors and fragrances matching the preferences of each countries we have expanded into. Also for our overseas expansion, we acquired flavor companies in the USA and Malaysia, taking advantage of M & A to achieve growth, not just by relying on internal organic growth.



Company Founded on Technology

(As of September 30, 2020)

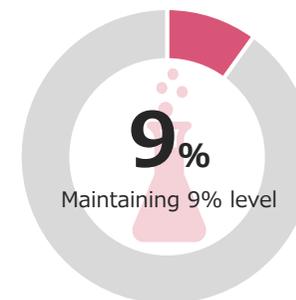
Putting emphasis on R & D, we create products that surpass customer expectations

At T.Hasegawa whose corporate motto is "a company founded on technology," many types of research and development are being conducted from creating new aromas (aroma creation) all the way to preparing samples of finished products (application). R & D expenses remain at a high level of about 9% of the consolidated sales. The proportion of the number of personnel involved with R & D is also large, at about 20.5%.

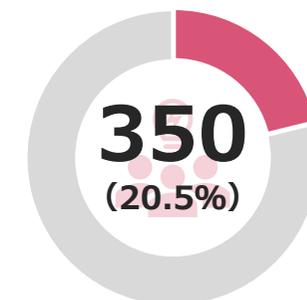
Number of Patents



Percentage of R & D Expenses Against Consolidated Sales



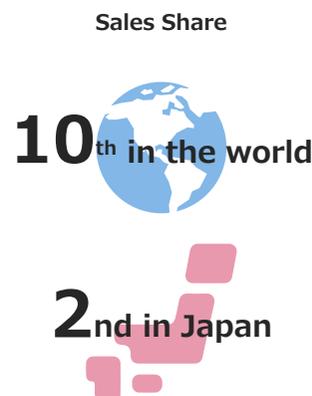
Personnel Involved With R & D (Percentage Against Entire Employee)



Position

In terms of sales share, the Company is ranked 10th in the world, and 2nd in Japan.

Sales Share of the World's Top 10 Flavors and Fragrances Companies (\$1 Million)



Rank	Company	Country	2019 Sales (Annual)	Share
1	Givaudan	Switzerland	6,156	24.1%
2	IFF	USA	5,140	20.1%
3	Firmenich	Switzerland	3,872	15.1%
4	Symrise	Germany	3,054	11.9%
5	ADM/ Wild Flavors	Germany	2,745	10.7%
6	Mane SA	France	1,553	6.1%
7	Takasago	Japan	1,393	5.4%
8	Sensient Flavors	USA	700	2.7%
9	Robertet SA	France	524	2.1%
10	T.Hasegawa	Japan	467	1.8%
Total			25,604	100.0%

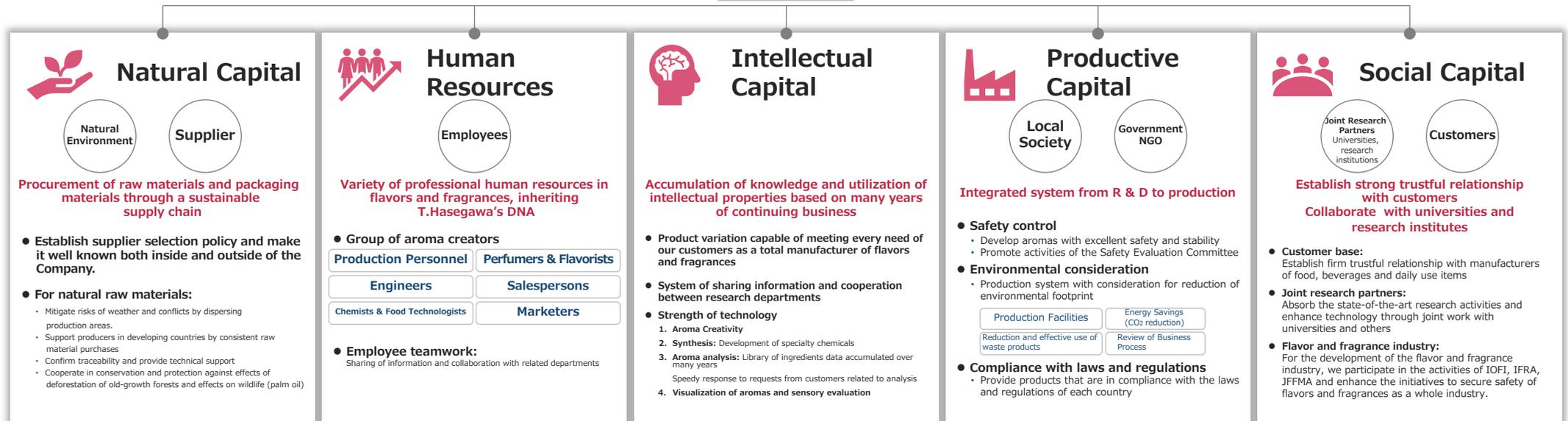
\*Estimated by the Company by reference to disclosed materials of each company

# #04 The Source of Value Creation

“Aroma Creativity” due to “Proposal Ability,” “Speedy Development Capability” and “Ability to Produce Multiple Varieties” gives birth to optimum “aromas” that our customers seek.

By combining technology and sensibility, we are exploring infinite possibilities that flavors and fragrances offer. Aiming to make products that our customers will feel safe to use, we create the one and only “flavor and fragrance” in the world that fits the times.

The Value Creation Story of T. Hasegawa



## #05 The Value Creation Process

We will lead our customers to success through the cycle of "Creation" of the one and only flavor and fragrance in the world and the "Production" of high quality and safe products.

The value creation at T.Hasegawa:

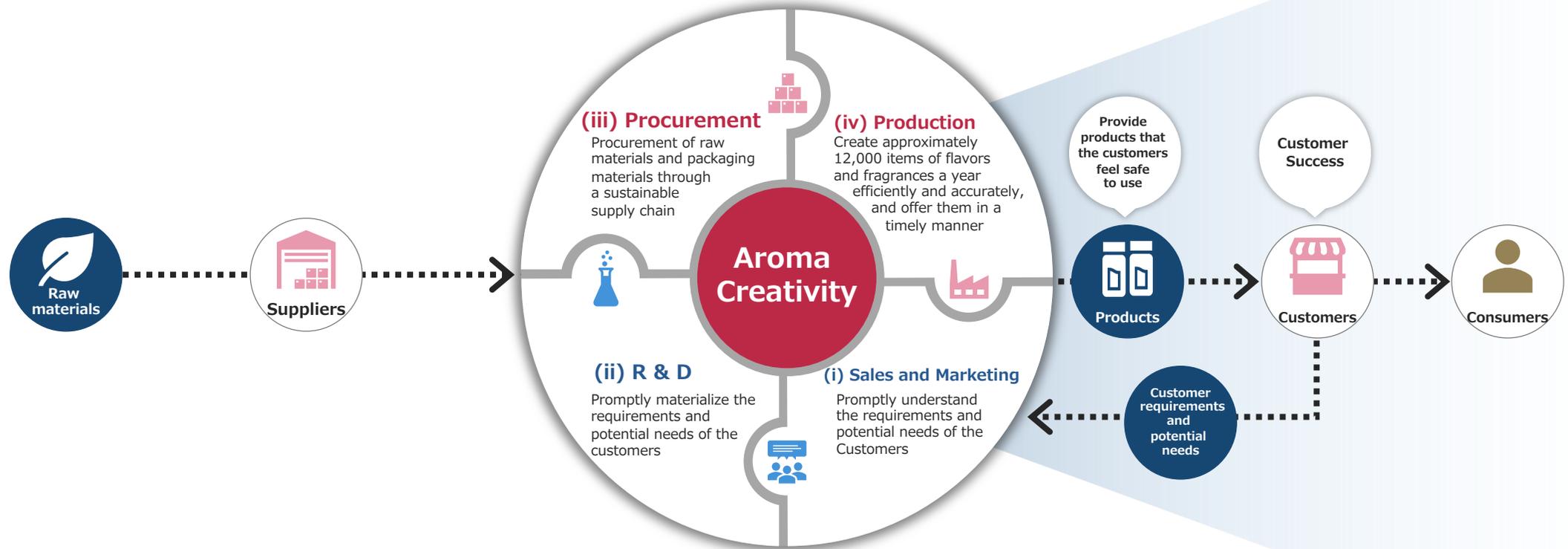
- (i) Begins by the sales and marketing divisions analyzing the needs of the consumers to understand the requirements and the potential needs of our customers;
- (ii) The R & D division promptly creates samples of flavors and fragrances reflecting the customer requirements and the potential needs in actual visible state;
- (iii) The procurement division develops a sustainable supply chain in raw materials procurement.
- (iv) The production division uses optimum production equipment to produce approximately 12,000 different "flavors and fragrances" a year efficiently and accurately.

Under a complete quality control system, we provide our customers with safe and secure products on a timely basis.

The Value Creation Story of T. Hasegawa

### The Value Creation of T.Hasegawa

"Production" of high quality and safe products



"Creation" of the one and only flavor and fragrance in the world

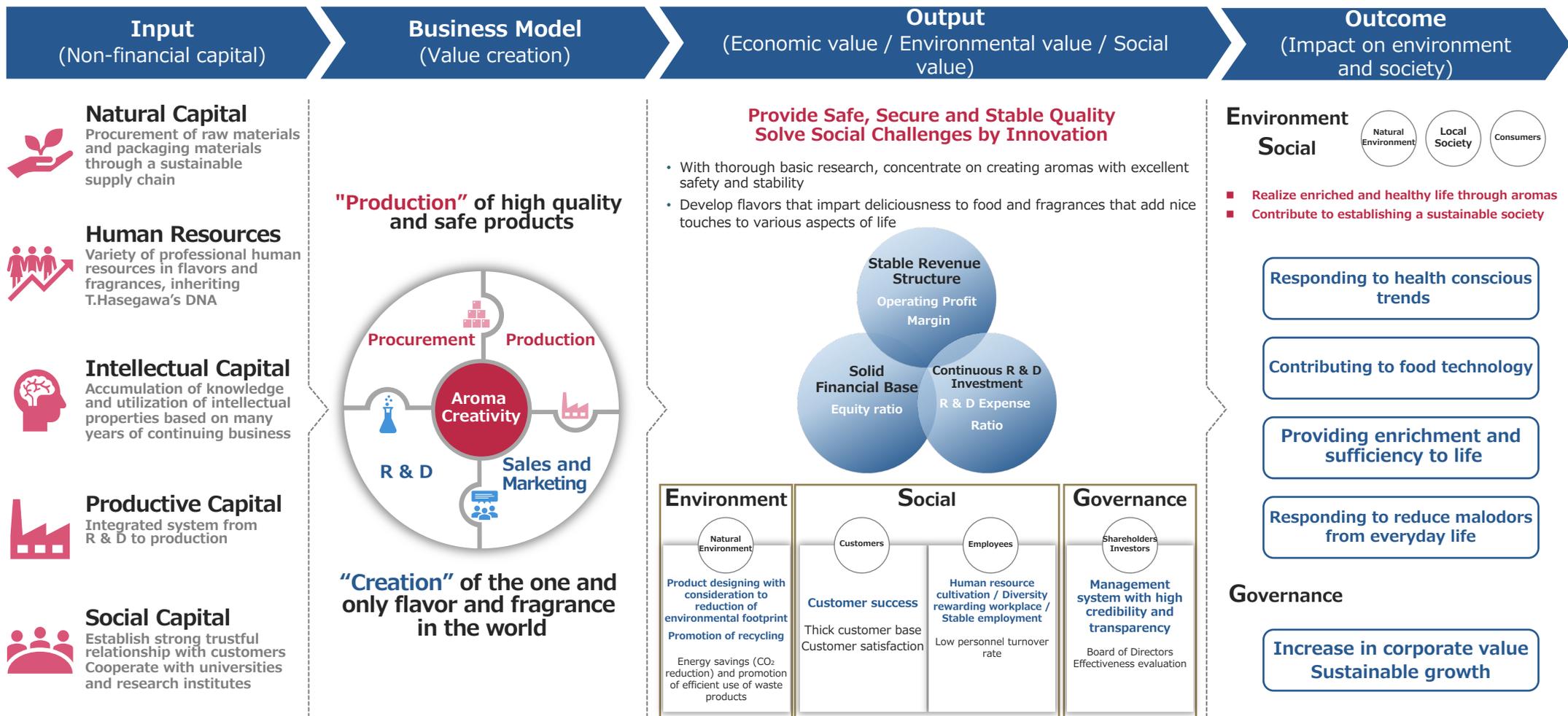
# #06 The Value Creation Process / Coexistence With the Environment and Society

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

By our value creation process which consists of "Creation" of the one and only flavor and fragrance in the world and "Production" of high quality and safe products, we will contribute to the creation of an enriched and healthy life through provision of high value added products. We will also contribute to establishing a sustainable society by solving social challenges through the use of aroma technology.

The Value Creation Story of T. Hasegawa

## T.Hasegawa's Value Creation Process / Coexistence With the Environment and Society



# #07 Towards Sustainable Growth

The vision that we aim for is to be achieved by expanding our business opportunities through innovation whereby all the encountered risks are to be reduced while giving consideration to the environment and society.

The flavor and fragrance industry is highly impacted by such domestic factors as the low birth rate and aging population in Japan, climatic changes, food shortages, variation in consumer needs, etc. In order to cope with such changes in our business environment, we aim to pursue business opportunities through innovation of "Aroma Creativity," and at the same time, enhance the efforts to deal with sustainability issues such as engaging in responsible procurement, environmental footprint reduction, labor rights and quality assurance. Thorough implementation of risk management allows us to contribute to the creation of an enriched society through flavors and fragrances.

The Value Creation Story of T. Hasegawa

