



香りを言葉にする。 科学と感性。

香りは時として爆発になり、数多くの情報を発信します。

コミュニケーションが多様になるとともに

香りも進化が求められています。

香料の可能性は無限です。そして、大きな期待がかけられています。

科学と感性が融合した高品位な技術力。

私たち長谷川香料は高レベルでの研究開発と製造技術を追求してきました。

分析、合成、調香など、長年積み重ねてきた

さまざまな分野の技術力を結集し、

多角的な視点で香りをカタチにしています。

ここには伝統の技術力と未来を見据えた先端技術があります。

香りに未来を描く。
香りに感動を込める。

 長谷川香料株式会社

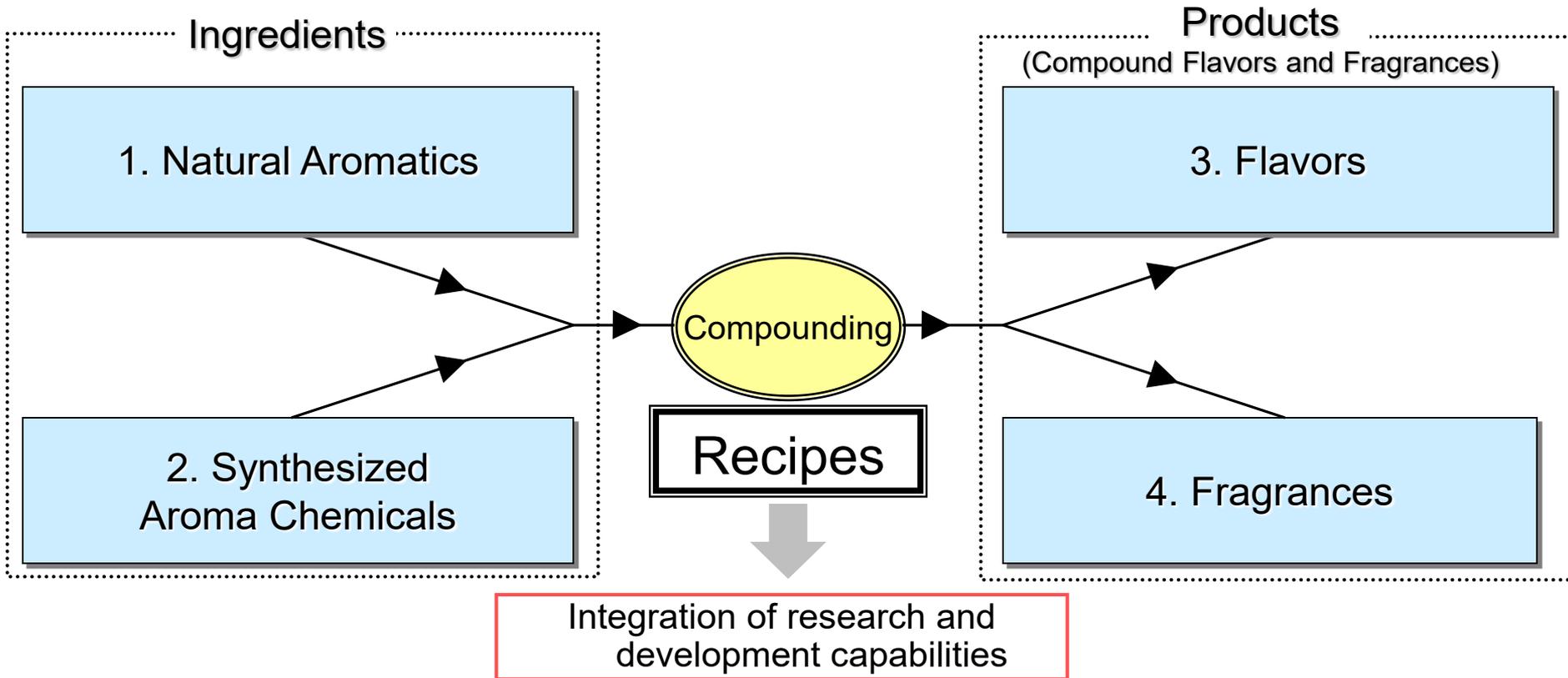
Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2022

May 30, 2022

T. HASEGAWA CO., LTD.

- I. Business Overview
- II. Overview of Financial Statement
- III. Revision of Full-Year Targets
(Consolidated)
- IV. Business Environment
- V. Management Policy
- VI. Global Strategy
- VII. Capital Policy
- VIII. Accompanying Materials

I. Business Overview



Flavorists : Experts who formulate flavors

Perfumers : Experts who formulate fragrances

Flavors and fragrances are in accordance with customer requests

⇒ Formulas created by flavorists and perfumers based on experience are invaluable assets for flavor and fragrance companies.

II. Overview of Financial Statement

Trends by Category (Domestic Market)

- 2nd Quarter, FYE September 2022 (October 2021 to March 2022)

Category		Trend	
Beverages		Increase	<ul style="list-style-type: none"> • Following the lifting of the state of emergency in September 2021, the recovery accelerated and demand for thirst-quenching beverages increased. • Remained sluggish in 2022 due to renewed spread of COVID-19 • Upward trend after lifting of quasi-state of emergency measures in March
Sweet and savory snacks	Savory snacks	Decrease	<ul style="list-style-type: none"> • Potato Snacks - potato chips decreased due to poor potato crop in Hokkaido • Corn Snacks and Wheat Flour Products - increased due to greater frequency of special sales • For sales of other snacks, sales of small pouch-type products remained strong
	Chocolate	Decrease Slightly	<ul style="list-style-type: none"> • Chocolate bars impacted by weak Valentine's Day sales, while sales of high cacao content chocolate also struggled • Sales of chocolate snacks struggled for large-bag products, although sales of standard products were strong
Frozen Desserts		Increase	<ul style="list-style-type: none"> • Sales of family-type products decreased due to a fallback from the previous year's increase • Sales of premium products were strong with double-digit growth
Instant Noodles		Increase	<ul style="list-style-type: none"> • Sales of both package-type instant noodles and cup noodles remained steady as the fallback from the special demand during the COVID-19 pandemic has run its course • Anniversary commemoration measures of leading brands and aggressive new product launches also contributed

Source: Nikkan Keizai Tsushin

Impact of COVID-19

- Japan: Due to the spread of infections at the beginning of 2022, priority quasi-state of emergency measures were applied, resulting in sluggish sales in the food service industry and CVS. Since the lifting of the quasi-state of emergency measures, overall demand has been on a recovery trend, and development of new products by customers has also increased from the previous fiscal year.
- Overseas: No impact in the U.S.
 No impact in China until the second quarter of the fiscal year ending September 30, 2022. Impact of Shanghai lockdown since end of March under scrutiny.
 In Southeast Asia, impact varied by customer and industry, despite economic recovery trend.

Summary of Consolidated Performance

- Net sales Increased YoY
Progress rate against full-year target was 47.2% (average progress rate: 48%)
 - Operating profit Increased YoY
Progress rate against full-year target was 52.5% (average progress rate: 44%)
- Millions of yen

	FY21 2Q Actual	FY22 2Q Actual	Achievement yr/yr		Progress vs Annual Plan	Average progress rate	Differences
			Value	%	%		
Net sales	26,135	29,199	3,063	11.7%	47.2%	47.5%	-0.3%
Cost of sales	15,582	17,110	1,527	9.8%	46.5%	47.6%	-1.1%
Gross profit	10,553	12,088	1,535	14.6%	48.4%	47.4%	1.0%
SG&A expenses	7,584	8,265	681	9.0%	46.7%	48.4%	-1.7%
Operating income	2,968	3,823	854	28.8%	52.5%	44.4%	8.0%
Ordinary income	3,304	4,266	961	29.1%	53.3%	45.4%	8.0%
Income before income taxes	4,435	4,739	304	6.9%	46.7%	45.9%	0.8%
Net income	3,138	3,318	180	5.8%	45.5%	44.8%	0.7%
EBITDA	4,660	5,796	1,135	24.4%	50.6%		

- * Current FY progress rate is the rate of progress compared to the targets published on May 11, 2022.
- * The average progress rate is the average progress rate for the past 10 fiscal years (excluding the maximum and minimum values).
- * Net income refers to profit attributable to owners of parent.
- * EBITDA = Operating income + Depreciation (including amortization of customer-related assets) + Amortization of goodwill
EBITDA margin (%) : 19.9%

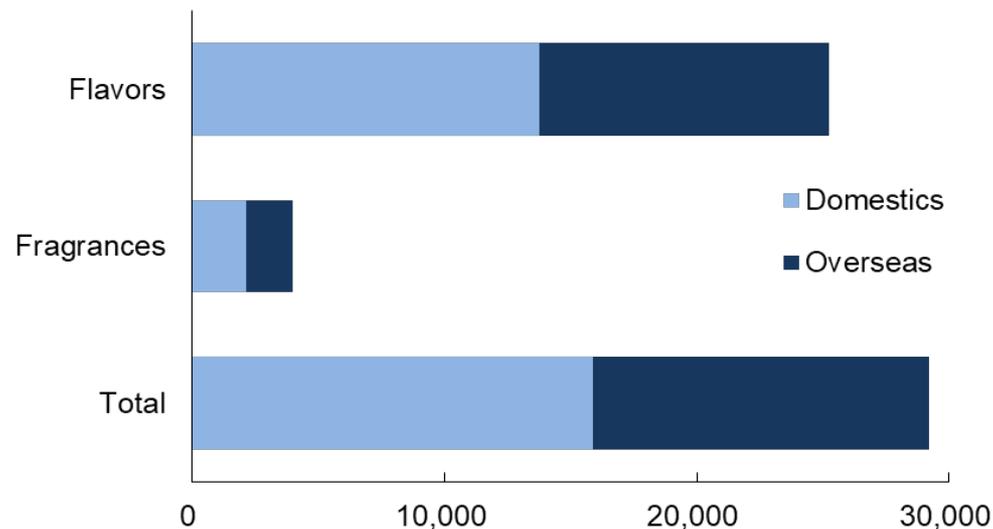
Net Sales by Segment

- Sales growth factors
Higher sales of U.S. subsidiaries (including MISSION) and T. HASEGAWA non-consolidated
Newly consolidated Thai and Taiwanese subsidiaries from current fiscal year.

Millions of yen

Segment	FY21 2Q Actual	FY22 2Q Actual	yr/yr		Remark
			Value	%	
Flavors	22,189	25,223	3,033	13.7%	Higher sales of U.S. subsidiaries (including MISSION) and T. HASEGAWA non-consolidated Newly consolidated Thai and Taiwanese subsidiaries from current fiscal year
Fragrances	3,946	3,975	29	0.7%	Sales increased at Parent company
Total	26,135	29,199	3,063	11.7%	—

FY21 2Q Actual



Overseas net sales as a percentage of consolidated net sales

FYE September 30, 2022, 2Q
45.6%

(FYE September 30, 2021:
41.4%)

Net Sales by Group Company

- Sales growth factors
Higher sales of U.S. subsidiaries (including MISSION)
and T. HASEGAWA non-consolidated

(Million Yen)

	FY21 2Q Actual	FY22 2Q Actual	yr/yr	%
Japan	17,897	18,658	761	4.3%
U.S.	3,898	5,485	1,586	40.7%
China	4,027	4,517	489	12.2%
Malaysia	494	590	95	19.4%
Others	561	1,599	1,038	185.0%
Adjustment	-744	-1,651	-907	-
Consolidated	26,135	29,199	3,063	11.7%

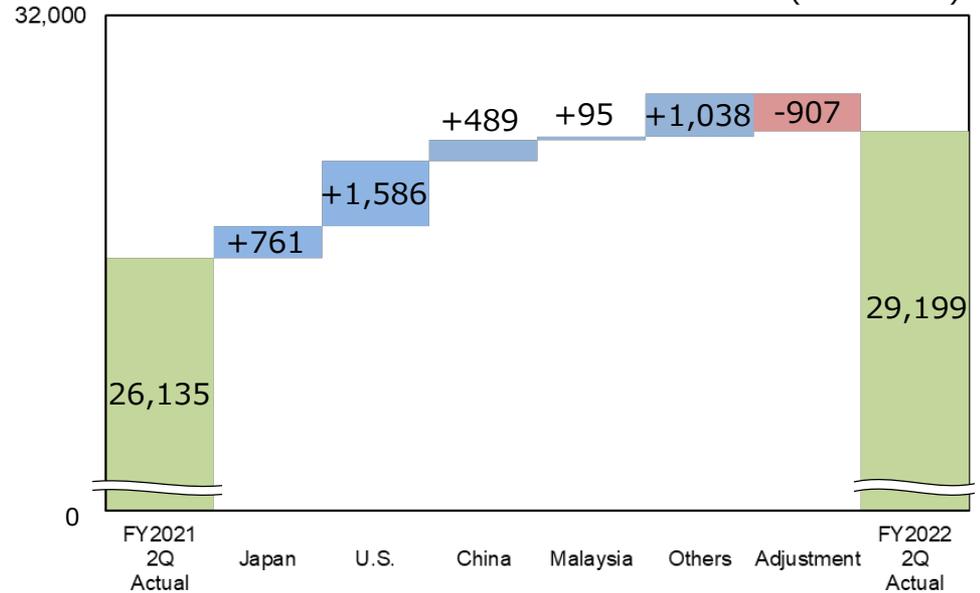
- Effect of exchange rate

(Million Yen)

	Due to forex rates	others	Amount of change
Japan	-	761	761
U.S.	466	1,120	1,586
China	491	-2	489
Malaysia	36	59	95
Others	0	1,038	1,038
Adjustment	-7	-900	-907
Consolidated	986	2,077	3,063

Currency	FY2021 2Q	FY2022 2Q	Yr/Yr
1US\$	¥105.20	¥114.96	9.3% lower
1RMB	¥16.08	¥18.04	12.2% lower
1MYR	¥25.77	¥27.46	6.6% lower

(Million Yen)



Japan	Increase in sales in Flavor segment	Sales Increase
U.S.	Increase in sales to health sector at existing company Contribution of MISSION (3 months in same period of previous fiscal year, 6 months in current fiscal year)	Sales Increase
China	Same as the previous year on a local currency basis Increase in sales on yen basis due to depreciation of yen	Sales Increase
Malaysia	Increase in sales to savory snacks	Sales Increase

Operating Profit by Group Company

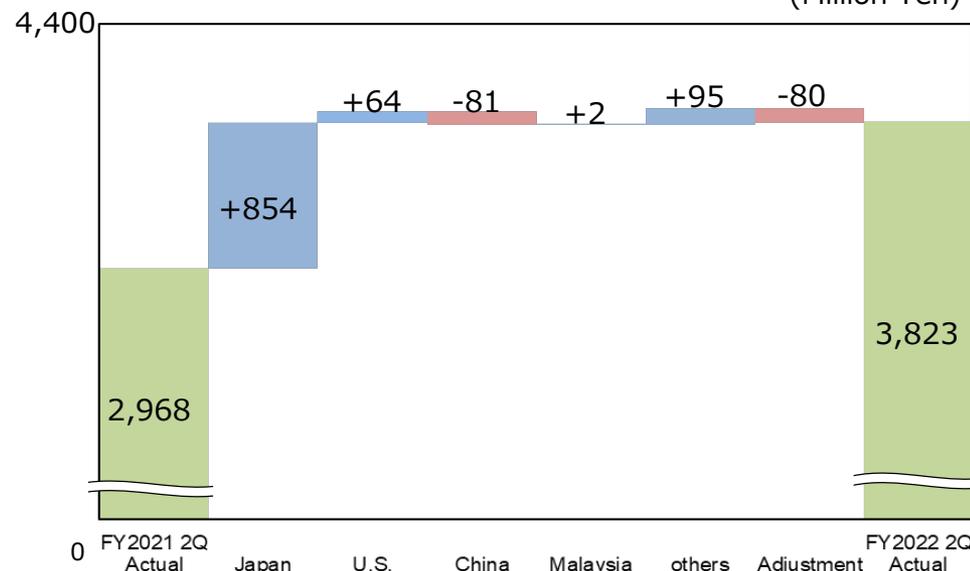
- Profit growth factors
Higher operating profit at T. HASEGAWA non-consolidated

(Million Yen)

	FY21 2Q Actual	FY22 2Q Actual	yr/yr	%
Japan	1,668	2,522	854	51.2%
U.S.	210	274	64	30.5%
China	1,067	986	-81	-7.6%
Malaysia	58	60	2	3.6%
Others	12	108	95	755.3%
Adjustment	-49	-129	-80	-
Consolidated	2,968	3,823	854	28.8%

Currency	FY2021 2Q	FY2022 2Q	Yr/Yr
1US\$	¥105.20	¥114.96	9.3% lower
1RMB	¥16.08	¥18.04	12.2% lower
1MYR	¥25.77	¥27.46	6.6% lower

(Million Yen)



- Effect of exchange rate

(Million Yen)

	Due to forex rates	others	Amount of change
Japan	-	854	854
U.S.	23	41	64
China	107	-188	-81
Malaysia	4	-2	2
Others	-0	95	95
Adjustment	41	-121	-80
Consolidated	175	679	854

Japan	Increase in net sales and improvement in cost-of-sales ratio, decrease in SG&A expenses	Profit Increase
U.S.	Increase in net sales	Profit Increase
China	Deterioration in cost-of-sales ratio and increase in SG&A expenses	Profit Decrease
Malaysia	Due to deterioration in cost-of-sales ratio and increase in SG&A expenses, Profit decreased on a local currency basis. Increase in profit on yen basis due to depreciation of yen	Profit Increase

Ⅲ. Revision of Full-Year Targets (Consolidated)

Revision of Full-Year Targets (Consolidated)

- On May 11, 2022, the full-year targets published on November 12, 2021 were revised.

	FY21 Actual		Original Plan (Nov. 12, 2021)		Revised Plan (May 11, 2022)					
	Value	Share	Value	Share	Value	Share	vs. FY20 Actual		vs. Original Plan	
							value	%	value	%
Net sales	55,755	100.0%	59,200	100.0%	61,800	100.0%	6,044	10.8%	2,600	4.4%
Cost of sales	33,106	59.4%	34,400	58.1%	36,810	59.6%	3,703	11.2%	2,410	7.0%
Gross profit	22,648	40.6%	24,800	41.9%	24,990	40.4%	2,341	10.3%	190	0.8%
SG&A expenses	15,788	28.3%	17,170	29.0%	17,700	28.6%	1,911	12.1%	530	3.1%
Operating income	6,859	12.3%	7,630	12.9%	7,290	11.8%	430	6.3%	-340	-4.5%
Ordinary income	7,466	13.4%	8,090	13.7%	8,000	12.9%	533	7.1%	-90	-1.1%
Income before income taxes	9,692	17.4%	10,250	17.3%	10,160	16.4%	467	4.8%	-90	-0.9%
Net income	6,763	12.1%	7,290	12.3%	7,300	11.8%	536	7.9%	10	0.1%

Millions of yen

[Reasons for Revision of Full-Year Targets]

Net sales: *Upward revision of full-year targets*

- Upward revision of T. HASEGAWA non-consolidated full-year targets
- Weaker yen than initially assumed forex rate
→ Anticipate yen-denominated net sales at overseas subsidiaries will exceed expectations

(Reference) Net sales increase due to forex rates: + 1,930 million yen

(Reference)

Revised forecast exchange rate

1US\$	¥120.00
1RMB	¥18.50
1MYR	¥27.50

Profit: Downward revision of operating profit and ordinary profit, net profit in line with initial full-year target (Operating profit and Ordinary profit)

- Cost of sales will increase more than expected due to soaring raw material costs and increased utility costs, and gross profit margin is expected to deteriorate.

(Net Profit)

- Income taxes are expected to decrease due to the downward revision of ordinary profit.

* Net income refers to profit attributable to owners of parent.

IV. Business Environment

- Worldwide flavors and fragrances sales: Approx. 3.2 trillion yen (approx. 30.0 billion U.S. dollars)

Europe, Africa, Middle East

- Market size: Approx. 1,160 billion yen*
- Many users have introduced a preferred supplier system, and major flavor and fragrance companies in Europe and the U.S. have established foundations

North America

- Market size: Approx. 810 billion yen*
- Many users have introduced a preferred supplier system, and major flavor and fragrance companies in Europe and the U.S. have established foundations
- The Company established a U.S. subsidiary in California in 1978
- 2017: Acquired FLAVOR INGREDIENT HOLDINGS, LLC
Manufacture and sale of food and beverage flavors, mainly in the health sector
- 2020: Acquired MISSION FLAVORS & FRAGRANCES, INC.
Manufacture and sale of flavors and fragrances with strength in sweet flavors used in dairy products, ice cream, etc.

Asia

- Market size: Approx. 940 billion yen*
- Market expansion due to economic growth in China and other emerging markets.
Major global flavor and fragrance companies are entering China
- The Company established subsidiaries in Shanghai (2000), Suzhou (2006), Thailand (2003), Indonesia (2014), and Taiwan (2017)
- Secured a manufacturing site in Malaysia through M&A (2014).

South America

- Market size: Approx. 260 billion yen*
- Mainly imports from North America, Mexico, etc.
Competition intensifying in the Brazilian market owing to economic growth



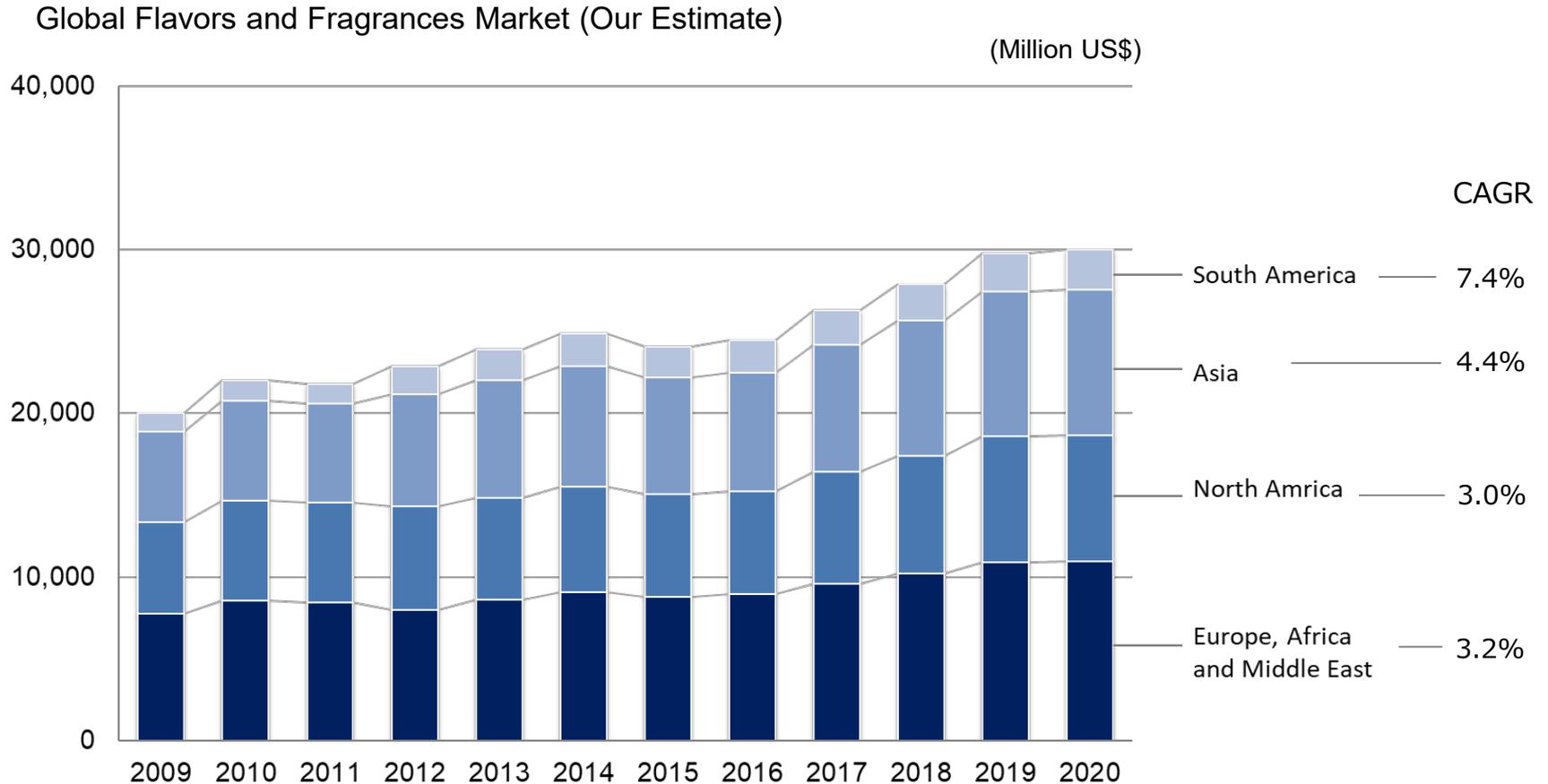
* The Company's estimates for market size by region

* Forex rate: 1 U.S. dollar = 105.8 yen (2020)

● = the Company's site

Global Flavors and Fragrances Market (Our Estimate)

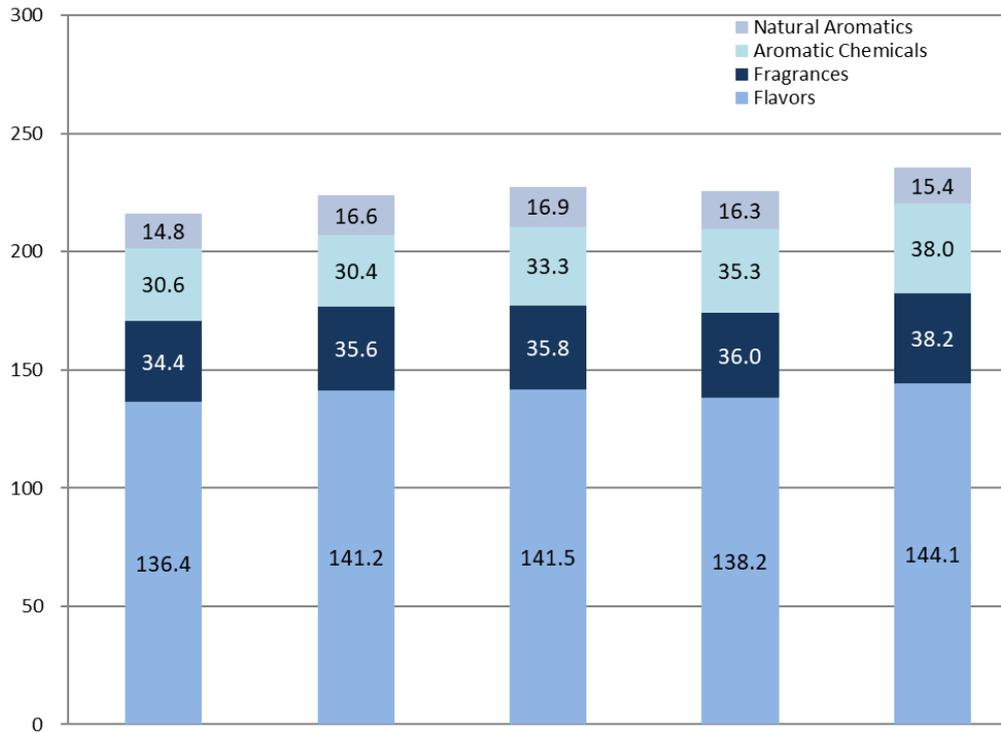
- Global flavors and fragrances market in 2020: Grew approx. 1% YoY



Japanese Flavors and Fragrances Market Size

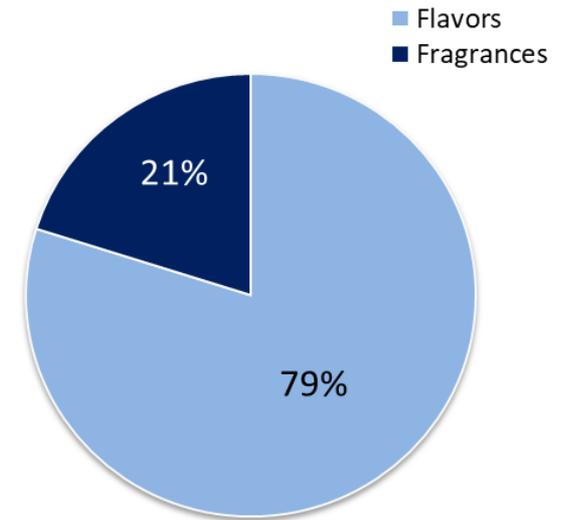
- Flavors account for approximately 80% of the Japanese flavors and fragrances market (approx. 50% of the global market).

Domestic flavor and fragrance market sales
(Billion yen)



	2017	2018	2019	2020	2021
Total	216.2	223.8	227.5	225.7	235.7
Yr/Yr	1.7%	3.5%	1.7%	-0.8%	4.4%

Breakdown of flavors and fragrances
(FY2021)



Source of reference :

Japan Flavor & Fragrance Materials Association Magazine

V. Management Policy

Focus Areas

**Become an Organization
that Takes on Challenges**

● Strengthen Proposal Capabilities

● Promote Reform

● Concentration and Selection

● Enhance Human Resources
(Develop Human Resources, Hire Experienced Personnel)

● Accelerate Expansion in Overseas Market

● Strengthen Sustainability Initiatives

Basic Strategies

Expand
Compounded
Flavors and
Fragrances
Sales

Secure Profits
in Domestic
Market

Growth in
Overseas
Market

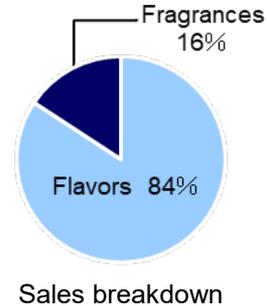
VI. Global Strategy

Basic Strategy: Expand market share by anticipating new market demand caused by declining birthrate and aging population, as well as growing health consciousness

Current initiatives and progress

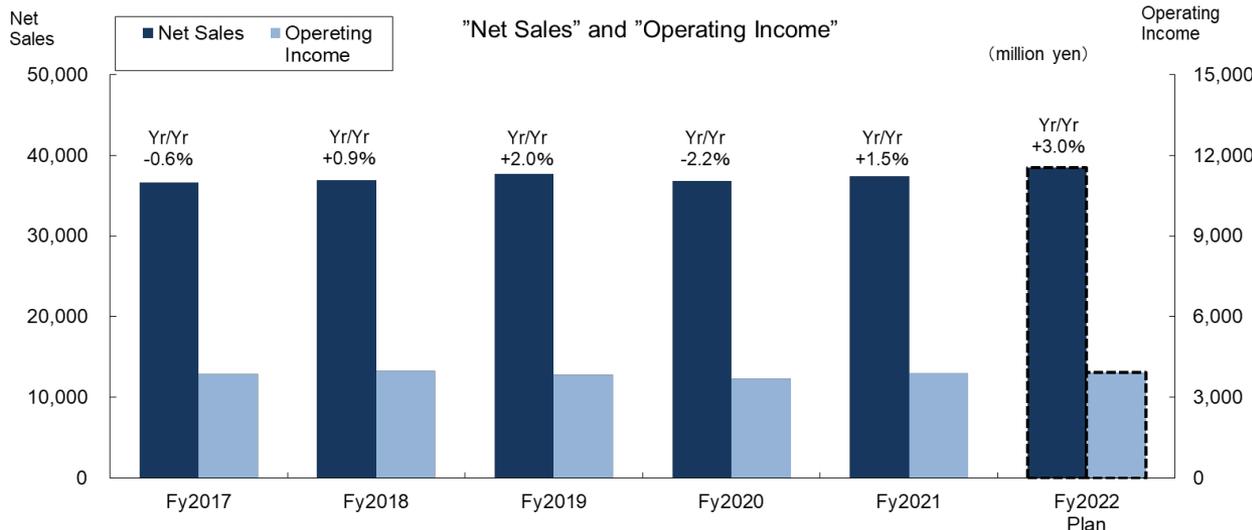
Strengthen collaboration between departments
Promote solution sales

- **Strengthen collaboration between sales, research, and marketing through the Business Solutions Division**
- **Enhance the quality of sales activities** ⇒ Improve operational efficiency and thoroughly manage pipeline
- **Enhance the quality of proposals** ⇒ Leverage marketing data, enhance technical materials, and promote sales activities utilizing research results ⇒ **Promote solution sales and further strengthen customer success**



Address expansion in flavor and fragrance applications

- Focus on the development of flavors to substitute for food ingredients and **strengthen response to SDGs**
⇒ Focus on applications among dairy products, vegetables, fruit juices, and alternative meat market (soy meat, etc.)
- Making plant-based meat developed by DAIZ Inc. delicious through flavors and food ingredient technologies
⇒ Contribute to solving social issues
- Strengthen measures in new sectors such as health foods, medical foods, and needs related to masking odors in day-to-day life
⇒ Propose new ingredients, ingredients that make health-conscious foods delicious, etc.



FYE September 30, 2022,
2Q results

Net sales: 18.6 billion yen
(+4.3% YoY)

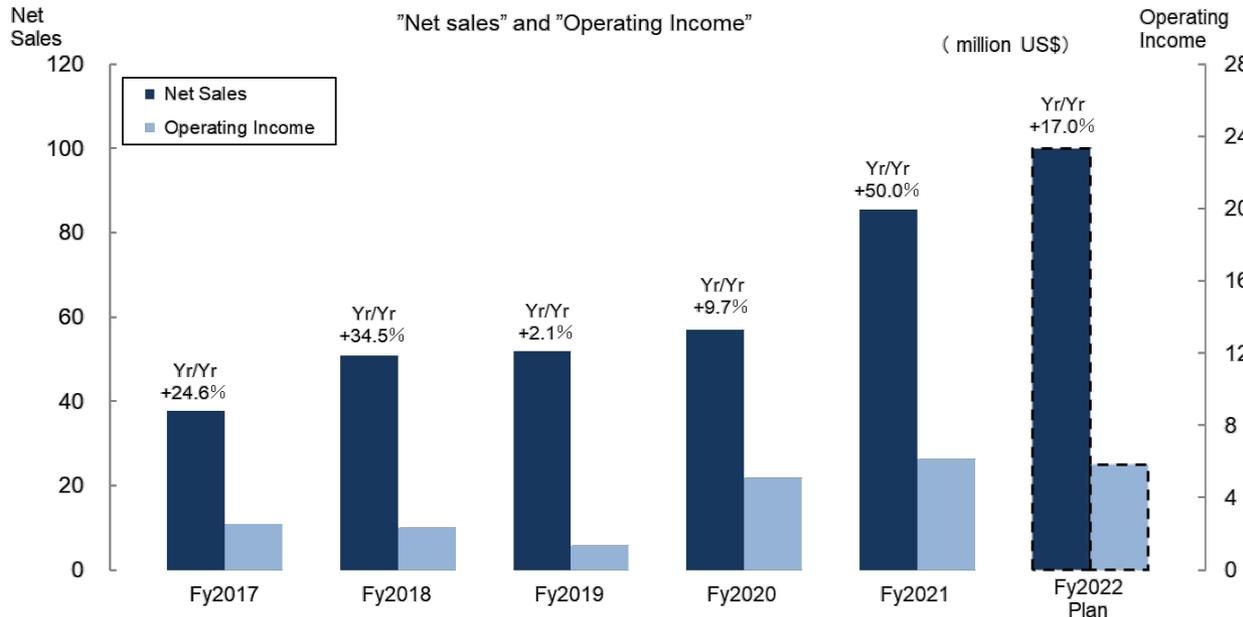
Operating profit: 2.5 billion yen
(+51.2% YoY)

Overseas Strategy –U.S.–

Basic Strategy: Increase sales in the savory, health, and beverage sectors, and achieve synergies from acquisitions

Current initiatives and progress

Realization of MISSION synergies	<ul style="list-style-type: none"> Acquisition of MISSION by T. HASEGAWA U.S.A. INC. in December 2020 ⇒ PMI completed at the end of September 2021 as originally planned, with synergies ⇒ Aim for further growth in the U.S. market 	 <p>Flavors 100%</p> <p>Sales breakdown</p>
Create new production system	<ul style="list-style-type: none"> Promotion of second plant construction plan as part of measures to create a new production system (California) ⇒ Phase 1 construction completed in April 2022, with full operation scheduled for June. 	
Strengthen sales activities	<ul style="list-style-type: none"> Strengthen marketing system and thoroughly manage pipeline ⇒ Formulate long-term growth strategies and customer-specific strategies by sector based on analysis of market trends, etc. 	
Utilize and deploy Japanese technology	<ul style="list-style-type: none"> Bridge to Tokyo project: Project team currently working to utilize and deploy Japanese technology in the U.S. Localization of some technologies completed in the U.S. and begun sales to customers 	



FYE September 30, 2022, 2Q results

Net sales: 47 million U.S. dollars
(5.4 billion yen)
(+28.7% YoY)

Operating profit: 2.3 million U.S. dollars
(0.27 billion yen)
(+19.4% YoY)

* Savory flavors
Salty flavors used in savory snacks, dressings, seasonings, and other products

Acquisition of MISSION Status after PMI completion

- Acquisition of MISSION by T. HASEGAWA U.S.A. INC. in December 2020
 - ⇒ **PMI completed at the end of September 2021 as originally planned, with synergies**
 - ⇒ Enabled MISSION to propose and sell a wide range of flavor products to existing customers
 - ⇒ Aim for growth in the U.S. market by further realizing synergies

Second plant construction plan

- Promotion of second plant construction plan as part of measures to create a new production system (California)
- Phase 1 construction completed in April 2022 with operations scheduled to begin in June 2022 (partial start of operations).
- After completion of Phase 1, U.S. production capacity increased by approximately 2,000 tons. Expect an additional 2,000 tons to be added after completion of all work
 - ⇒ Able to adequately respond to future business expansion in the U.S.



◀ Second plant in California, U.S.

Basic Strategy: Grow earnings through various measures based on a stronger organizational foundation

Current initiatives and progress

Strengthen sales systems

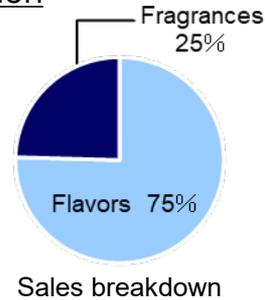
- Utilize marketing functions
⇒ Develop strategic approaches to customers, tap unentered sectors and potential demand
Focus on large and midsize local companies and utilize agents to expand sales area
- Deepen collaboration between sales, research, and marketing
- Thoroughly manage pipelines and sales activities ⇒ Start introducing IT tools

Improve profitability

- Thorough cost management** ⇒ Results include cuts to manufacturing costs, establishment of cost-conscious mindset, etc.

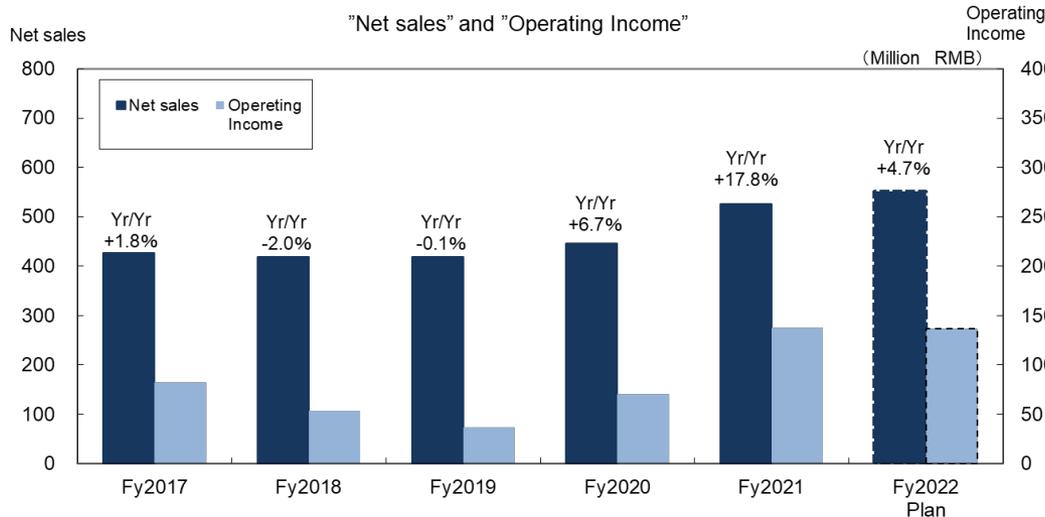
Strengthen research systems

- New research building construction project underway** ⇒ Aim to strengthen research functions and improve operational efficiency



Impact of Shanghai lockdown

- Shanghai operations were suspended due to the lockdown from the end of March 2022, but partially resumed in late April.
- Suzhou site still operating, but some impact on the production and shipping of flavor products.



FYE September 30, 2022,
2Q results

Net sales: 250 million yuan
(4.5 billion yen)
(Flat YoY)

Operating profit: 54.6 million yuan
(0.98 billion yen)
(-17.6% YoY)

* IFRS 15 "Revenue from Contracts with Customers" has been applied to consolidated subsidiaries overseas, excluding the U.S., from FYE September 2019

For ease of comparison, net sales figures for FYE September 2018 and prior are calculated using the same standards

Overseas Strategy –Southeast Asia–

Basic Strategy: Increase sales through collaboration between manufacturing and sales bases in Malaysia (THKL) and sales sites in Thailand and Indonesia

Current initiatives and progress

Strengthen sales systems

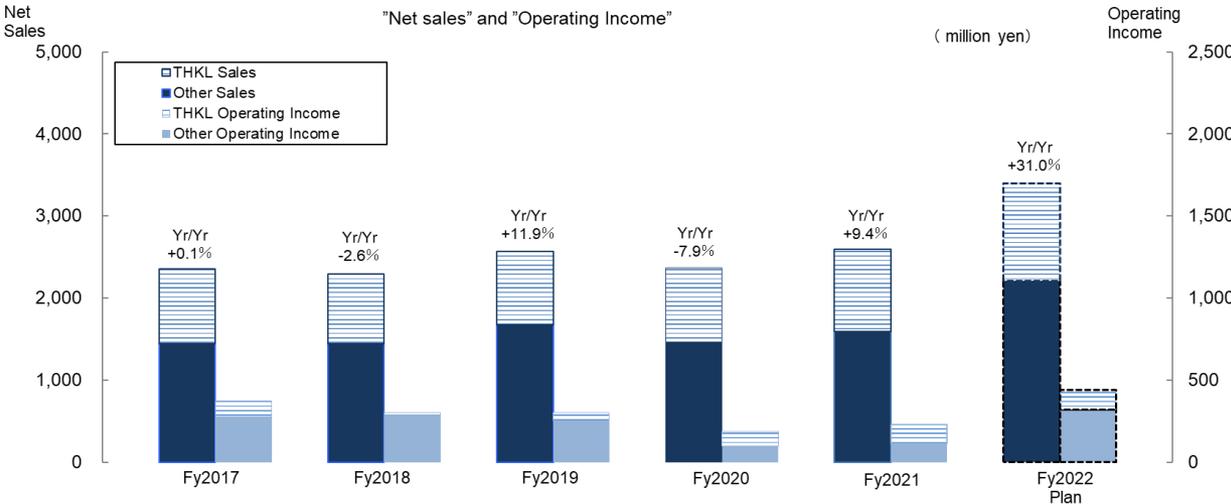
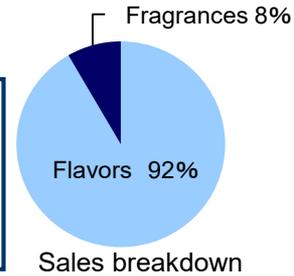
- Acquire sales personnel for new customer development and strengthen organization
- Appoint someone to take responsibility for (manage) the Southeast Asian region
⇒ Coordinate organic collaboration among Southeast Asian sites
- Thoroughly manage pipelines and sales activities ⇒ Start introducing IT tools

Speed up responses to customers

- Promote utilization of application laboratories ⇒ Respond quickly to customer needs
- **Improve efficiency by expanding library and utilizing flavor kits**

Strategic development in Southeast Asia using THKL as a hub

- Established Corporate Planning Office at THKL in order to formulate and promote strategies for Southeast Asia.
- Utilize THKL as a hub in Southeast Asia (for addressing Halal demand)
- Guidance on research and production with personnel dispatched from Japan
- Promote efficient research and development
- **Promote sharing of formulation and technical information with head office research departments**
- Manage progress of new plant construction plan in Malaysia based on economic trends



FYE September 30, 2022, 2Q results

Net sales: 1.75 billion yen
(+31.0% YoY)

Operating profit: 0.27 billion yen
(+84.3% YoY)

* Net sales are calculated by summing net export sales to Southeast Asia, which are included in the Company's non-consolidated net sales
* As its importance within the Group has increased, T. HASEGAWA (SOUTHEAST ASIA) CO., LTD. (Thailand) has been included in the scope of consolidation from FYE September 2022

Basic Policies Related to Business Portfolio

- Develop our businesses based on three basic strategies: **(1) Expand Compounded Flavors and Fragrances Sales, (2) Secure Profits in Domestic Market, and (3) Growth in Overseas Market**
- Achieve abundant and healthy living through aromas and contribute to the creation of a sustainable society

■ Entered □ Not entered

	Earnings foundation	Growth drivers						
	Japan	U.S.	China	Southeast Asia				
<p>Flavor Business</p> <p>Providing flavors that make food delicious</p>	<ul style="list-style-type: none"> ➢ Broad usage in the beverage and food industries ➢ Strengthen response to SDGs • Develop flavors to substitute for food ingredients • Capital and business alliance with DAIZ Inc. ➢ Strengthen measures in new sectors • Health foods, medical foods, etc. 	<ul style="list-style-type: none"> ➢ Usage mainly in savory foods, beverages, and health sector ➢ Trade mainly with local companies ➢ Expand business through M&A • Strengthen sweet flavors with M&A in 2020 ➢ Strengthen collaboration with research departments in Japan 	<ul style="list-style-type: none"> ➢ Usage mainly in beverages and instant noodles ➢ Trade mainly with international and local companies ➢ Tap unentered sectors and potential demand • Focus on large and midsize local companies • Expand area of sales by utilizing agents 	<ul style="list-style-type: none"> ➢ Usage mainly in seasoning powders and beverages • Target further expansion among beverage makers ➢ Strengthen collaboration between sites • Increase sales in Malaysia, Thailand, and Indonesia ➢ Expand operations into countries around sites • Expand into Vietnam, the Philippines, and Myanmar 				
<p>Fragrance Business</p> <p>Providing fragrances that add color to various aspects of life</p>	<ul style="list-style-type: none"> ➢ Broad usage in daily necessities and cosmetics industries ➢ Strengthen measures in new sectors • Address need to mask odors in day-to-day life, etc. • Propose ways to resolve discomfort with fragrances ➢ Strengthen response to SDGs • Develop environmentally-friendly fragrances 	<p>T. HASEGAWA Group has yet to enter</p>	<ul style="list-style-type: none"> ➢ Usage mainly in daily necessities industry ➢ Trade mainly with local companies ➢ Focus on expansion among toiletry makers ➢ Strengthen collaboration with research departments in Japan 	<table border="1"> <tr> <td>Production</td> <td> <ul style="list-style-type: none"> ➢ Address with exports from Japan ⇒ Consider local production based on business development </td> </tr> <tr> <td>Sales</td> <td> <ul style="list-style-type: none"> ➢ Usage mainly among body care product makers ➢ Focus on acquiring new customers </td> </tr> </table>	Production	<ul style="list-style-type: none"> ➢ Address with exports from Japan ⇒ Consider local production based on business development 	Sales	<ul style="list-style-type: none"> ➢ Usage mainly among body care product makers ➢ Focus on acquiring new customers
Production	<ul style="list-style-type: none"> ➢ Address with exports from Japan ⇒ Consider local production based on business development 							
Sales	<ul style="list-style-type: none"> ➢ Usage mainly among body care product makers ➢ Focus on acquiring new customers 							

Japan	<ul style="list-style-type: none">• Strengthen collaboration between sales, research, and marketing through the Business Solutions Division• Focus on enhancing quality of sales activities and proposals ⇒ Promote solution sales and further strengthen customer success• Focus on the development of flavors to substitute for food ingredients and strengthen response to SDGs• Making plant-based meat developed by DAIZ Inc. delicious through flavors and food ingredient technologies
U.S.	<ul style="list-style-type: none">• Acquisition of MISSION by T. HASEGAWA U.S.A. INC. in December 2020• Post-merger integration (PMI) completed at the end of September 2021 as originally planned ⇒ Synergies achieved• Progress on plans for the construction of the second plant as scheduled
China	<ul style="list-style-type: none">• Utilize marketing functions to focus on large and midsize local companies, and utilize agents to expand sales area• Thorough cost management ⇒ Effective (cut manufacturing costs, established cost-conscious mindset, etc.)• New research building construction project underway
Southeast Asia	<ul style="list-style-type: none">• Established Corporate Planning Office in Malaysia in order to formulate and promote strategies for Southeast Asia.• Speed up customer response by expanding library and utilizing flavor kits• Promote efficient R&D in Malaysia• Manage progress of new plant construction plan in Malaysia based on economic trends

VII. Capital Policy

Basic Policy

- Maintain a level of shareholders' equity that will enable us to execute growth investments and appropriately respond to risks, in order to achieve sustainable growth in corporate value and maximize it going forward

Policy on Use of Funds

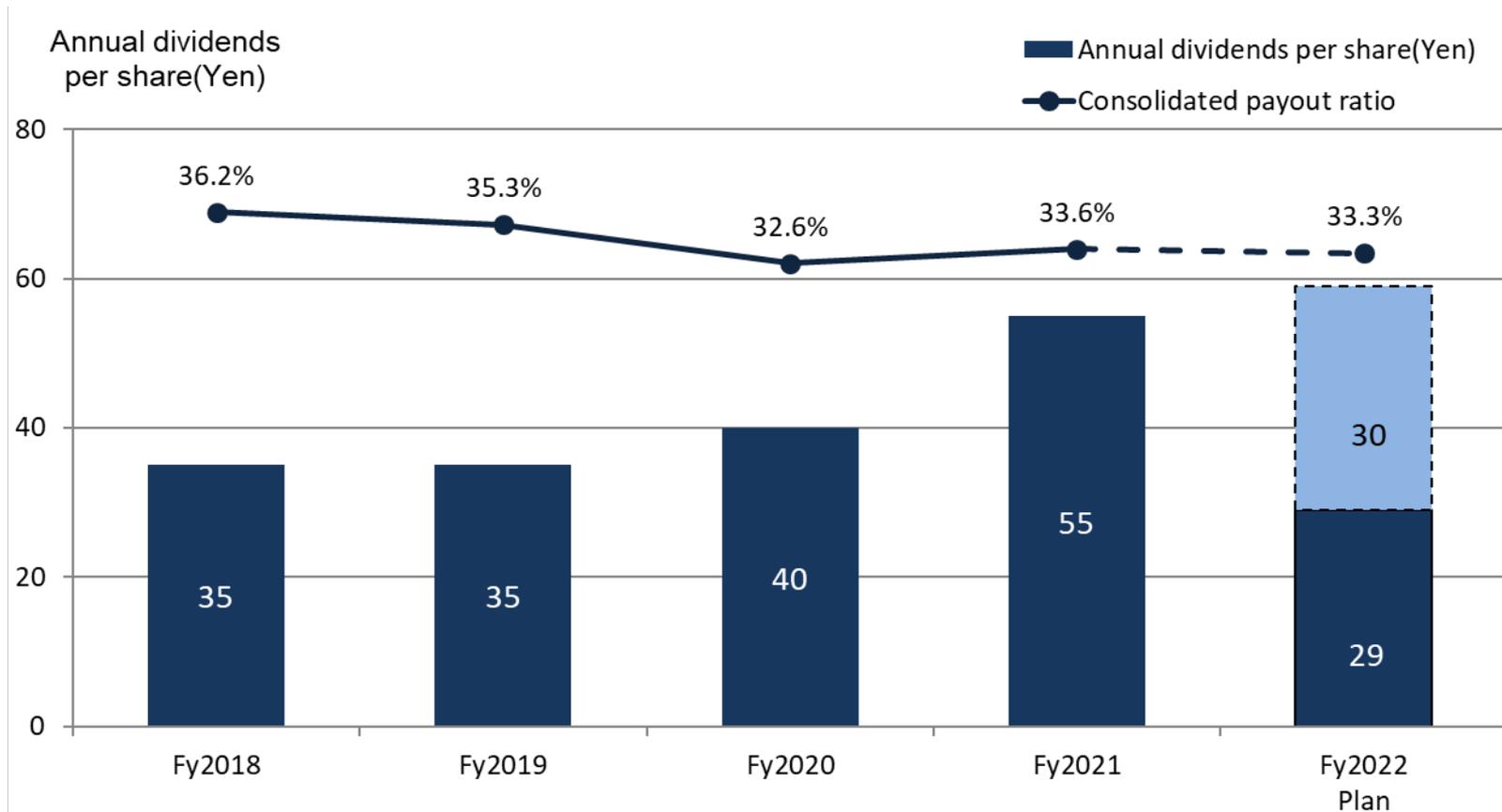
- Appropriately use funds, taking into consideration factors such as the maintenance of a sound financial position and enhancement of capital efficiency
 - **Shareholder returns**
Pay dividends from surplus twice a year, including interim and year-end dividends, targeting a consolidated payout ratio of approximately 35%
 - **Capital expenditures**
Investment to increase production capacity for growth, as well as renewal and maintenance of existing facilities
 - **M&A**
Make comprehensive assessments from perspectives including market size, business risk, and acquisition amount
Achieve M&A with expected synergies in terms of customer networks, technology, human resources, etc.

Cross-Shareholdings

- Reduce the total number of shares held from the perspective of improving capital efficiency, etc. (some shares have already been sold and the Company will continue to consider opportunities to sell shares)
- Each year, the Board of Directors verifies the appropriateness of holding shares from a medium- to long-term perspective, based on the holding purpose, economic rationality, and other factors

Shareholder Returns

- Strive to return profits to shareholders in accordance with business performance, while also securing the necessary internal reserves to further strengthen the Group's management foundations and engage in future business development
- Pay dividends from surplus twice a year, including interim and year-end dividends, targeting a consolidated payout ratio of approximately 35%
- Introduced a shareholder benefit program in FYE September 2015 to encourage investors to hold the Company's shares over the medium- to long-term



Sale of Cross-Shareholdings (Partially Completed)

- February 4, 2022 : Published “Notice Concerning Expected Recording of Gain on Sales of Investment Securities (Extraordinary Income)”

[Overview]

Reason : Review of cross-shareholdings
 Shares sold : 2 listed securities held by the Company
 Scheduled date of sale : From February 7, 2022 to September 30, 2022
 Gain on sale : 2,200 million yen (forecast)

[Progress]

- The sale of the investment securities was partially completed between February and March 2022.

Shares sold : 1 listed security held by the Company * The sale of the listed security is ongoing
 Gain on sale : 478 million yen * Extraordinary income recorded in FYE September 2022, 2Q financial statements

(Reference)

Ratio of investment securities to consolidated net assets

FYE September 2019	FYE September 2020	FYE September 2021
25.1%	21.5%	18.2%

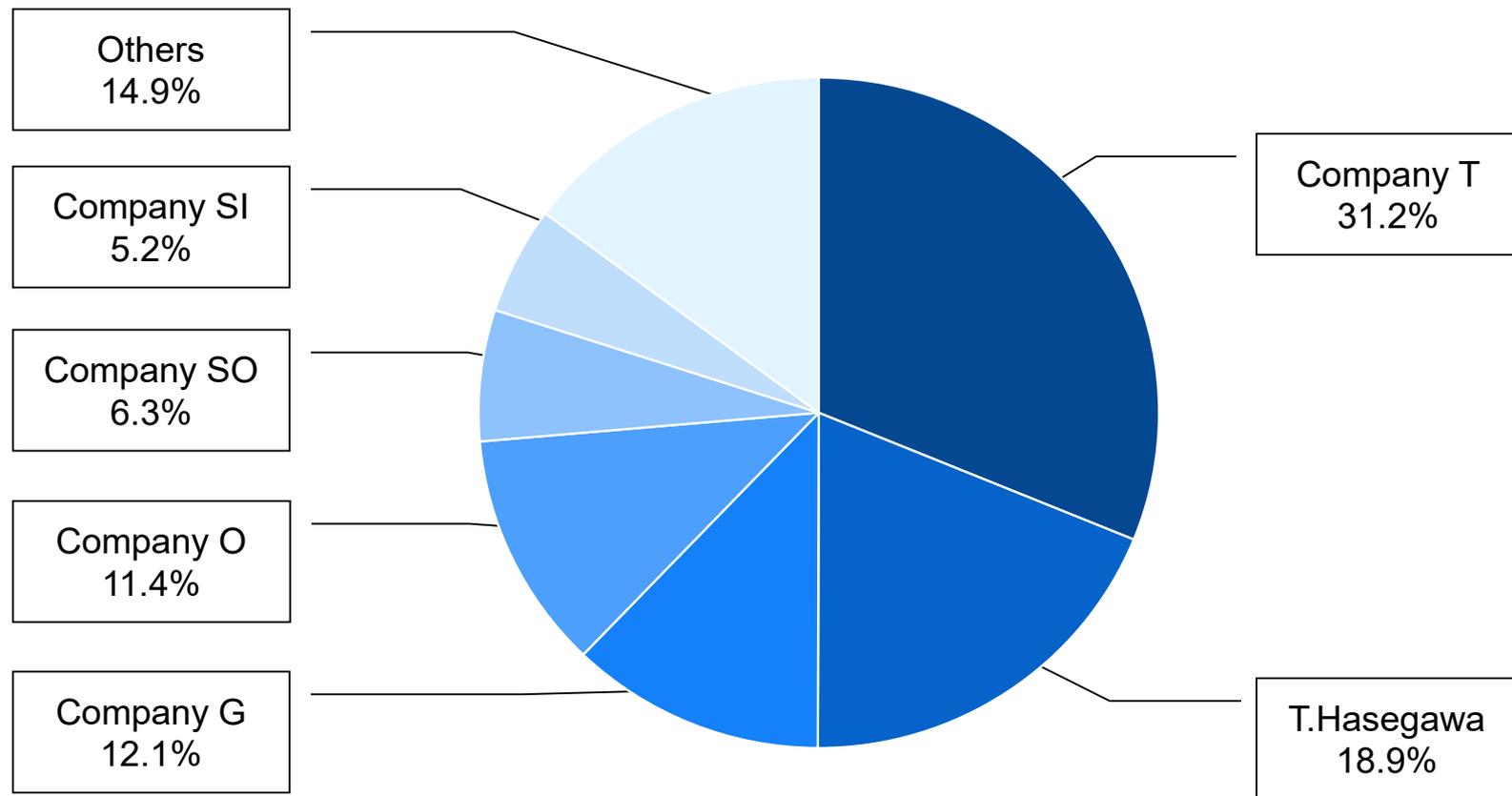
*Aim for 10% or less by FYE September 2026

VIII. Accompanying Materials

Top 10 Companies by Share of Net Sales in the Global Flavors and Fragrances Market

Million USD				
	Company name	Country	Sales(2021Yr)	Market Share
1	IFF	U.S.	8,510	28.7%
2	Givaudan	Switzerland	6,099	20.6%
3	Firmenich	Switzerland	3,924	13.2%
4	Symrise	Germany	3,242	10.9%
5	ADM/Wild Flavors	Germany	3,189	10.8%
6	Mane SA	France	1,569	5.3%
7	Takasago	Japan	1,369	4.6%
8	Sensient Technologies	U.S.	739	2.5%
9	T.Hasegawa	Japan	512	1.7%
10	Robertet SA	France	503	1.7%
Total			29,656	100.0%

- * Estimated by the Company based on information disclosed by each company
- * Excluding the following segments
 IFF: Nourish Segment and Scent Segment; Takasago International Corporation: Real Estate Segment; Sensient Technologies: ColorGroup · AsiaPacific Group; Robertet: Les actifs
- * Human Nutrition only for ADM/Wild Flavors
- * FY2020 figures used for Mane SA



(As of Mar. 2021)

- *1 Market shares calculated by taking the total non-consolidated net sales of the top 10 companies as 100, based on data from a private research organization.
- *2 The Company's fiscal year ends in September; T, SO, and SI in March; and G and O in December. The Company's net sales in the above graph are calculated for the period from April 2020 to March 2021.

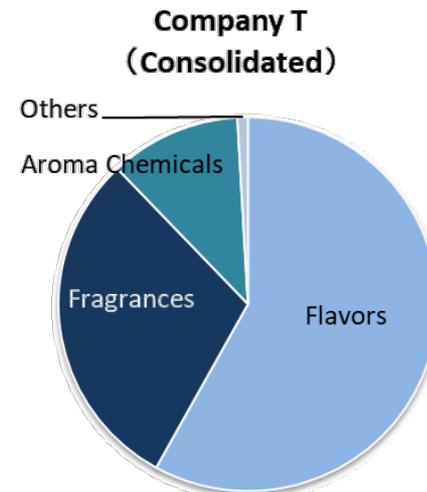
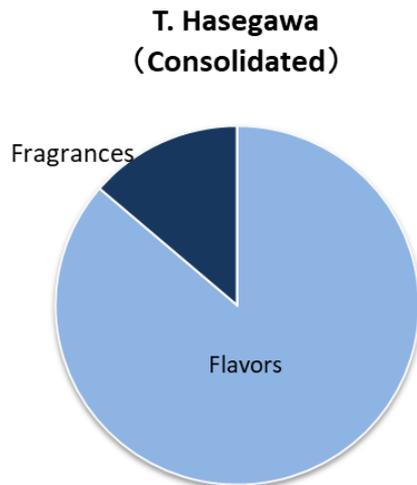
Sales Breakdown

- The Company specializes in high value-added compounded flavors and fragrances
- High-mix production: Sales of approximately 12,000 flavors and fragrances per year

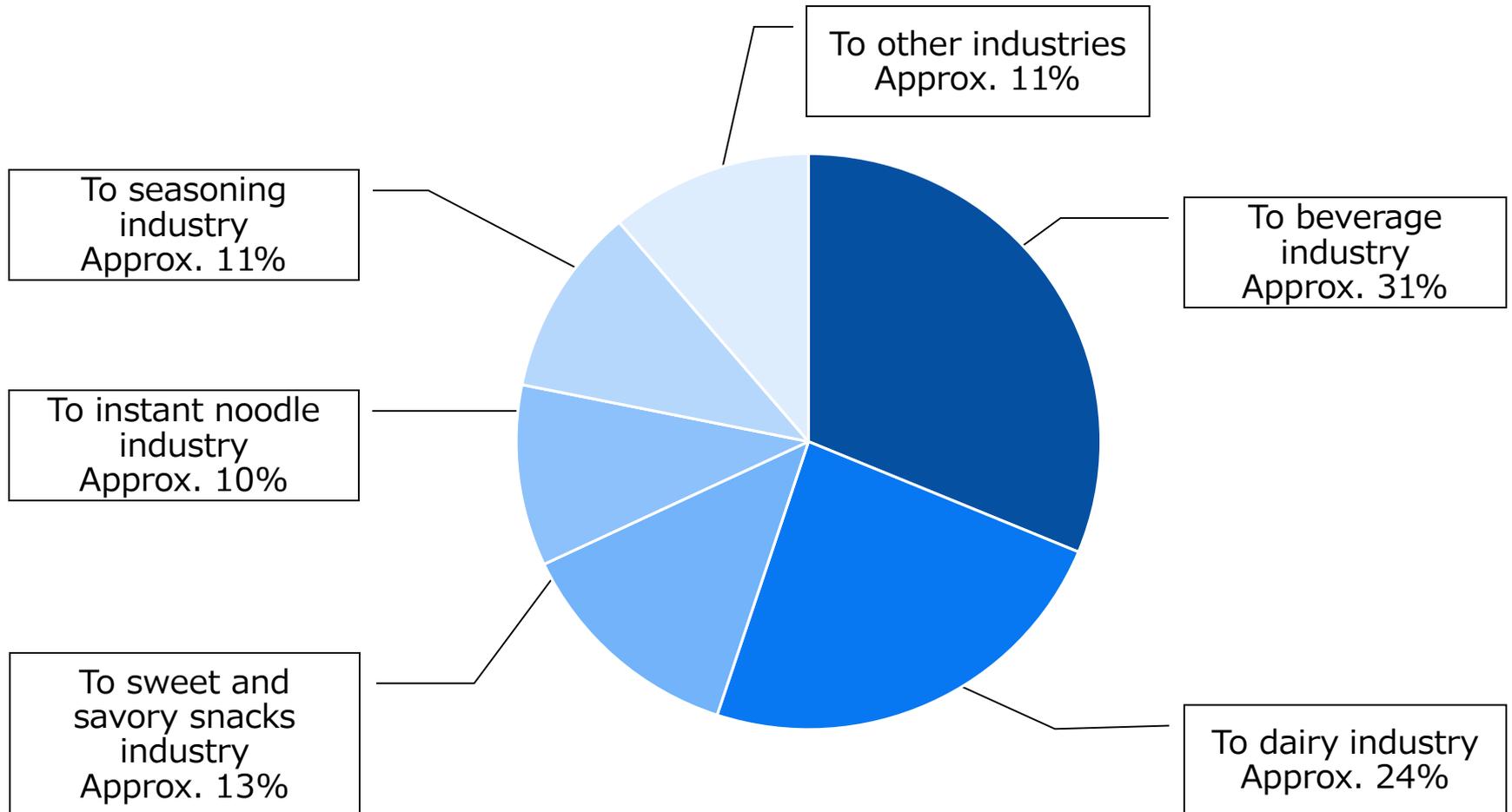
Millions of yen

	T. Hasegawa (Consolidated)		Company T (Consolidated)	
	FY ended in Sep. 2021		FY ended in Mar. 2022	
	Sales	Share	Sales	Share
Flavors	48,115	86.3%	94,292	58.1%
Fragrances	7,640	13.7%	48,481	29.8%
Aroma Chemicals	-	-	18,219	11.2%
Others	-	-	1,446	0.9%
Total	55,755	100.0%	162,440	100.0%
Ratio of gross profits to sales	40.6%		31.5%	
Ratio of operating income to sales	12.3%		5.4%	

* Synthesized aroma chemicals for T shows the total amount from the aroma ingredients and fine chemicals segments



- Many sales are to the beverage industry, and sales are seasonal



Note: Reference data is calculated by taking the cumulative total net sales (non-consolidated) of customers classifiable by industry for FYE September 2022 2Q as 100.

- Operating profit growth factors
Increase sales at U.S. subsidiaries (including MISSION) and T. HASEGAWA non-consolidated and improvement in cost-of-sales ratio are main factors

Millions of yen

	FY21 2Q (Cumulative results)		FY22 2Q (Cumulative results)		Change		Factor
					Amount	%	
Net sales	26,135	100.0%	29,199	100.0%	3,063	11.7%	Higher sales of U.S. subsidiaries (including MISSION) and T. HASEGAWA non-consolidated * MISSION : Results for three months in the previous fiscal year and six months in the current fiscal year
Cost of sales	15,582	59.6%	17,110	58.6%	1,527	9.8%	Cost-of-sales ratio improved due to changes in sales breakdown of T. HASEGAWA non-consolidated
Gross profit	10,553	40.4%	12,088	41.4%	1,535	14.6%	
SG&A expenses	7,584	29.0%	8,265	28.3%	681	9.0%	Increase in amortization of intangible assets at MISSION (net increase for 3 months) (Goodwill of 310 million yen and customer-related assets of 195 million yen)
Operating profit	2,968	11.4%	3,823	13.1%	854	28.8%	
Ordinary profit	3,304	12.6%	4,266	14.6%	961	29.1%	Non-operating income Foreign exchange gains increased by 84 million yen due to the depreciation of the yen
Profit before income taxes	4,435	17.0%	4,739	16.2%	304	6.9%	(Extraordinary income) Previous FY : The Company (non-consolidated) Extraordinary income from sales of investment securities: 1,137 million yen Current FY : The Company (non-consolidated) Extraordinary income from sales of investment securities: 486 million yen
Net profit	3,138	12.0%	3,318	11.4%	180	5.8%	Profit (loss) attributable to non-controlling interests (36) million yen

* Net profit refers to profit attributable to owners of parent.

Analysis of Changes in Consolidated Balance Sheet

Millions of yen

	Sep. 30, 2021	Mar. 31, 2022	Change	Factor
Current assets	55,242	58,302	3,059	<ul style="list-style-type: none"> • Increase in cash and deposits: 2,379 million yen • Increase in inventories: 1,316 million yen • Decrease in accounts receivable - trade: (455) million yen
Non-current assets	65,703	64,849	△ 854	<ul style="list-style-type: none"> • Increase in property, plant and equipment: 1,768 million yen • Increase in goodwill and customer-related assets (valuation increase due to depreciation of yen): 773 million yen • Decrease in investment securities: (3,667) million yen
Total assets	120,945	123,151	2,205	
Current liabilities	11,604	10,546	△ 1,057	<ul style="list-style-type: none"> • Decrease in provision for bonuses: (581) million yen • Decrease in income taxes payable: (483) million yen
Non-current liabilities	11,040	9,892	△ 1,147	<ul style="list-style-type: none"> • Decrease in deferred tax liabilities: (878) million yen (Decrease in unrealized gains on investment securities)
Total liabilities	22,644	20,438	△ 2,205	
Net assets	98,301	102,713	4,411	<ul style="list-style-type: none"> • Net profit: 3,318 million yen • Dividends of surplus: (1,356) million yen • Increase in foreign currency translation adjustment: 4,331 million yen • Decrease in valuation difference on securities: (2,501) million yen (Decrease in unrealized gains on investment securities)
Total liabilities and net assets	120,945	123,151	2,205	

Consolidated Statement of Cash Flows

Millions of yen

	FY21 2Q (Cumulative results)	FY22 2Q (Cumulative results)	Change	Major items in FY22 2Q
Cash flows from operating activities	4,393	3,551	△ 842	<ul style="list-style-type: none"> • Profit before income taxes: 4,739 million yen • Depreciation: 1,590 million yen • Amortization of goodwill: 382 million yen • Gain on sales of investment securities: (486) million yen • Increase in inventories: (851) million yen • Income taxes paid: (1,698) million yen
Cash flows from investing activities	△ 13,001	△ 1,392	11,608	<ul style="list-style-type: none"> • Purchase of property, plant and equipment: (1,862) million yen • Sales of investment securities: 708 million yen
Cash flows from financing activities	△ 934	△ 1,403	△ 469	<ul style="list-style-type: none"> • Dividends paid: (1,350) million yen
Effect of exchange rate change on cash and cash equivalents	278	640	361	
Net increase (decrease) in cash and cash equivalents	△ 9,263	1,394	10,657	
Cash and cash equivalents at beginning of period	25,360	19,378	△ 5,981	<ul style="list-style-type: none"> • Increase due to 2 newly consolidated subsidiaries: 515 million yen
Cash and cash equivalents at end of period	16,097	20,773	4,675	

Millions of yen

	FY2022 Plan	FY2022 2Q Actual	Progress (%)
Capital Investment	3,731	1,980	53.1%
Depreciation & Amortization	3,429	1,590	46.4%
Amortization of Goodwill	733	382	52.1%
R&D Expenses	4,858	2,396	49.3%

* Depreciation includes amortization of customer-related assets.

T. HASEGAWA Non-consolidated (Actual)

Millions of yen

	FY2021 2Q Actual		FY2022 2Q Actual		Achievement		Progress* vs annual Plan
	Value	Share	Value	Share	yr/yr		
					Value	%	%
Net sales	17,897	100.0%	18,658	100.0%	761	4.3%	48.5%
Cost of sales	10,941	61.1%	11,009	59.0%	67	0.6%	46.7%
Gross profit	6,955	38.9%	7,649	41.0%	693	10.0%	51.2%
SG&A expenses	5,287	29.5%	5,126	27.5%	-160	-3.0%	46.6%
Operating income	1,668	9.3%	2,522	13.5%	854	51.2%	64.0%
Ordinary income	1,965	11.0%	2,925	15.7%	960	48.9%	40.5%
Profit before income taxes	3,096	17.3%	3,404	18.2%	307	9.9%	36.3%
Net income	2,310	12.9%	2,567	13.8%	257	11.1%	34.6%

- Net sales increased mainly thanks to higher sales in the flavor segment.
- Operating profit increased thanks to higher sales, improved cost-of-sales ratio due to changes in sales breakdown, and lower SG&A expenses.
(In the same period of the previous fiscal year, expenses related to the acquisition of MISSION were recorded.)

* Progress rate against revised targets published on May 11, 2022

Consolidated U.S. Subsidiaries (Actual)

* Consolidated statements of income of the Company's two U.S. subsidiaries (T. HASEGAWA U.S.A., INC. and MISSION FLAVORS & FRAGRANCES, INC.)

* MISSION FLAVORS & FRAGRANCES, INC.'s financial results for the previous fiscal year are for the three months from January to March 2021, and the financial results for the fiscal year under review are for the six months from October 2021 to March 2022.

(Million yen)

Yen Basis	FY2021 2Q		FY2022 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	3,898	100.0%	5,485	100.0%	1,586	40.7%
Cost of sales	2,344	60.1%	3,316	60.5%	972	41.5%
Gross profit	1,554	39.9%	2,168	39.5%	614	39.5%
SG&A expenses	1,343	34.5%	1,894	34.5%	550	40.9%
Operating income	210	5.4%	274	5.0%	64	30.5%
Ordinary income	223	5.7%	280	5.1%	57	25.5%
Net income	173	4.5%	215	3.9%	41	23.9%

Yen 105.20/USD

Yen 114.96/USD

9.3% lower

(Thousand US\$)

Local Currency Basis	FY2021 2Q		FY2022 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	37,061	100.0%	47,715	100.0%	10,653	28.7%
Cost of sales	22,286	60.1%	28,850	60.5%	6,563	29.4%
Gross profit	14,774	39.9%	18,865	39.5%	4,090	27.7%
SG&A expenses	12,774	34.5%	16,475	34.5%	3,701	29.0%
Operating income	2,000	5.4%	2,389	5.0%	388	19.4%
Ordinary income	2,124	5.7%	2,440	5.1%	315	14.9%
Net income	1,652	4.5%	1,873	3.9%	220	13.4%

- Net sales increased mainly because of an increase in sales to the health sector at our existing company and MISSION's contribution (3 months in same period of previous fiscal year, 6 months in current fiscal year)
- Operating profit increased thanks to higher sales.

Consolidated China Subsidiaries (Actual)

* Consolidated statements of income of the Company's two consolidated subsidiaries in China (T. HASEGAWA FLAVOURS AND FRAGRANCES (SHANGHAI) CO., LTD. and T. HASEGAWA FLAVOURS (SUZHOU) CO., LTD.)

(Million yen)

Yen Basis	FY2021 2Q		FY2022 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	4,027	100.0%	4,517	100.0%	489	12.2%
Cost of sales	2,257	56.0%	2,677	59.3%	420	18.6%
Gross profit	1,770	44.0%	1,840	40.7%	69	3.9%
SG&A expenses	702	17.5%	853	18.9%	150	21.4%
Operating income	1,067	26.5%	986	21.8%	-81	-7.6%
Ordinary income	1,121	27.9%	1,062	23.5%	-58	-5.3%
Net income	509	12.6%	535	11.9%	26	5.1%

Yen16.08/RMB

Yen18.04/RMB

12.2% lower

(Thousand RMB)

Local Currency Basis	FY2021 2Q		FY2022 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	250,490	100.0%	250,422	100.0%	-68	-0.0%
Cost of sales	140,370	56.0%	148,418	59.3%	8,048	5.7%
Gross profit	110,120	44.0%	102,003	40.7%	-8,116	-7.4%
SG&A expenses	43,716	17.5%	47,308	18.9%	3,591	8.2%
Operating income	66,403	26.5%	54,695	21.8%	-11,708	-17.6%
Ordinary income	69,763	27.9%	58,916	23.5%	-10,846	-15.5%
Net income	31,686	12.6%	29,698	11.9%	-1,988	-6.3%

- Net sales were unchanged on the local currency basis due to a decrease in sales in the fragrance segment despite an increase in sales in the flavor segment. Net sales increased on the yen basis due to depreciation of the yen.
- Operating profit decreased due to deterioration in cost-of-sales ratio and increase in SG&A expenses.

Malaysian Subsidiaries (Actual)

* Statement of income of T HASEGAWA FLAVOURS (KUALA LUMPUR) SDN. BHD.

(Million yen)

Yen Basis	FY2021 2Q		FY2022 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	494	100.0%	590	100.0%	95	19.4%
Cost of sales	287	58.2%	346	58.6%	58	20.3%
Gross profit	206	41.8%	244	41.4%	37	18.1%
SG&A expenses	148	30.0%	183	31.1%	35	23.8%
Operating income	58	11.9%	60	10.3%	2	3.6%
Ordinary income	65	13.3%	68	11.5%	2	3.8%
Net income	48	9.8%	46	7.9%	-1	-3.3%

Yen 25.77/MYR Yen 27.46/MYR 6.6% lower

(Thousand Malaysian Ringgit)

Local Currency Basis	FY2021 2Q		FY2022 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	19,190	100.0%	21,497	100.0%	2,307	12.0%
Cost of sales	11,160	58.2%	12,601	58.6%	1,440	12.9%
Gross profit	8,029	41.8%	8,896	41.4%	866	10.8%
SG&A expenses	5,752	30.0%	6,682	31.1%	930	16.2%
Operating income	2,277	11.9%	2,213	10.3%	-63	-2.8%
Ordinary income	2,544	13.3%	2,477	11.5%	-66	-2.6%
Net income	1,876	9.8%	1,703	7.9%	-172	-9.2%

- Net sales increased mainly as a result of higher sales to savory snack makers.
- Operating profit decreased on the local currency basis due to a deterioration in the cost-of-sales ratio and an increase in SG&A expenses, but increased on the yen basis due to depreciation of the yen.

- T. HASEGAWA non-consolidated DX promotion and IT reform project:
 Approx. 3.0 billion yen
 (Plan: FY9/22: Approx. 0.5 billion yen, FY9/23: Approx. 1.0 billion yen, FY9/24: Approx. 1.5 billion yen)
- U.S. second plant construction plan: Approx. 2.7 billion yen
 (Actual: FY9/20: Approx. 1.1 billion yen, FY9/21: Approx. 0.4 billion yen)
 (Plan: FY9/22: Approx. 1.2 billion yen)
- China new research building construction plan: Approx. 2.0 billion yen
 (Plan: FY9/23: Approx. 2.0 billion yen)
- Malaysia new plant construction plan: Approx. 2.0 billion yen
 (Plan: FY9/23: Approx. 1.0 billion yen, FY9/24: Approx. 1.0 billion yen)
- R&D expenses trended at around 8% of consolidated net sales

Million Yen

	FY2021 (actual)	FY2022 (plan)	FY2023 (plan)	FY2024 (plan)
Capital Investment	2,767	3,731	5,910	4,528
Depreciation & Amortization	3,186	3,429	3,529	3,613
R&D Expenses	4,675	4,858	5,086	5,249

* Reprinted from the "Financial Results for the Fiscal Year Ended September 30, 2021" disclosed on November 25, 2021.

This presentation is based on data as of May 30, 2022, and was created with the intention of providing information on future management plans and results for the second quarter of the fiscal year ending September 30, 2022.

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