

Translation

Notice: This document is a translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended March 31, 2022 (Based on Japanese GAAP)

May 11, 2022

Company name: T. HASEGAWA CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 4958 URL <https://www.t-hasegawa.co.jp/>
 Representative: President & CEO Takao Umino
 Inquiries: Director & Senior Executive Vice President Minoru Nakamura TEL 03-3241-1151
 Scheduled date to file Quarterly Securities Report: May 13, 2022
 Scheduled date to commence dividend payments: June 1, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended March 31, 2022 (from October 1, 2021 to March 31, 2022)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended March 31, 2022	29,199	11.7	3,823	28.8	4,266	29.1	3,318	5.8
Six months ended March 31, 2021	26,135	6.8	2,968	20.2	3,304	22.9	3,138	49.9

Note: Comprehensive income Six months ended March 31, 2022 ¥5,209 million [(3.8)%]
 Six months ended March 31, 2021 ¥5,413 million [288.6%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended March 31, 2022	80.69	80.44
Six months ended March 31, 2021	75.65	75.37

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2022	123,151	102,713	83.0
As of September 30, 2021	120,945	98,301	81.1

Reference: Equity As of March 31, 2022 ¥102,259 million
 As of September 30, 2021 ¥98,051 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended September 30, 2021	–	22.00	–	33.00	55.00
Year ending September 30, 2022	–	29.00			
Year ending September 30, 2022 (Forecast)			–	30.00	59.00

Note: Revision of cash dividend forecast most recently announced: No

3. Forecast of consolidated financial results for the year ending September 30, 2022 (from October 1, 2021 to September 30, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	61,800	10.8	7,290	6.3	8,000	7.1	7,300	7.9	177.50

Note: Revision of consolidated financial results forecast most recently announced: Yes

4. Notes

(1) Changes in significant subsidiaries during the six months ended March 31, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to “Application of special accounting methods for preparing quarterly consolidated financial statements” under “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes to quarterly consolidated financial statements” on page 8 of the Attached Material.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

Note: For details, please refer to “Changes in accounting policies” under “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes to quarterly consolidated financial statements” on page 8 of the Attached Material.

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	42,708,154 shares	As of September 30, 2021	42,708,154 shares
----------------------	-------------------	--------------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2022	1,562,622 shares	As of September 30, 2021	1,608,431 shares
----------------------	------------------	--------------------------	------------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2022	41,125,893 shares	Six months ended March 31, 2021	41,481,396 shares
---------------------------------	-------------------	---------------------------------	-------------------

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of forecasts of financial results, and other special matters

(Caution regarding forward-looking statements and others)

The forward-looking statements, including the earnings forecasts, shown in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual results may differ substantially due to various factors. For the suppositions that form the assumptions for financial forecasts and cautions concerning the use thereof, please refer to “1. Qualitative information on financial results for the period, (3) Explanation of consolidated financial results forecast and other forward-looking statements” on page 3 of the Attached Material.

(How to obtain supplementary material on financial results)

The Company plans to hold a financial results meeting for institutional investors and analysts through live streaming on Monday, May 30, 2022.

Materials for the financial results meeting will be disclosed on TDnet and posted on the Company’s website.

Attached Material Index

1. Qualitative information on financial results for the period.....	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position.....	3
(3) Explanation of consolidated financial results forecast and other forward-looking statements.....	3
2. Quarterly consolidated financial statements and significant notes thereto	4
(1) Consolidated balance sheets	4
(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative).....	6
Consolidated statements of income (cumulative).....	6
Consolidated statements of comprehensive income (cumulative).....	7
(3) Notes to quarterly consolidated financial statements	8
(Uncertainties of entity’s ability to continue as going concern).....	8
(Notes when there are significant changes in amounts of equity)	8
(Changes in significant subsidiaries during the six months ended March 31, 2022).....	8
(Application of special accounting methods for preparing quarterly consolidated financial statements)	8
(Changes in accounting policies).....	8
(Segment information, etc.).....	10

1. Qualitative information on financial results for the period

(1) Explanation of operating results

In the six months ended March 31, 2022, amid the prolonged impact of the novel coronavirus disease (COVID-19), the Japanese economy faced concerns about the impact of the escalating situation in Ukraine and steep price rises for resources and raw materials, etc., on economic activities in Japan and overseas, and the future remained uncertain.

The flavor and fragrance industry remained in a severe situation due largely to maturation of the domestic market, fiercer competition among peers, and growing demand for quality assurance.

Under this environment, giving primary consideration to quality control of products and securing of safety, the Group worked to further improve research and technology development capabilities and focused on development of the Company's unique high quality and high value added products.

In addition, earnings performance of US-based MISSION FLAVORS & FRAGRANCES, INC. ("MISSION"), which newly became a consolidated subsidiary in December 2020, contributed to consolidated operating results of the Group (for the same period of the previous fiscal year, results were recorded for the three months of January to March of 2021).

Furthermore, Thailand subsidiary T. HASEGAWA (SOUTHEAST ASIA) CO., LTD. and Taiwan subsidiary T. HASEGAWA FLAVOURS AND FRAGRANCES (TAIWAN) CO., LTD., which were non-consolidated subsidiaries, have newly been included under the scope of consolidation effective from the first quarter ended December 31, 2021, due to increased materiality for the Group.

In the six months ended March 31, 2022, net sales increased year on year, amounting to ¥29,199 million (up 11.7% year on year). The Company's non-consolidated net sales increased by 4.3% year on year. As for net sales of major overseas consolidated subsidiaries, net sales of subsidiaries in the USA (including MISSION) increased by 40.7% year on year (up 28.7% on a local currency basis), those of subsidiaries in China increased by 12.2% year on year (relatively unchanged on a local currency basis), and those of subsidiaries in Malaysia increased by 19.4% year on year (up 12.0% on a local currency basis).

By division, net sales of the Flavor Division increased by 13.7% year on year, amounting to ¥25,223 million, due mainly to increased net sales from our U.S. subsidiaries (including MISSION) and our Chinese subsidiaries and the new addition of our Thailand subsidiary and Taiwan subsidiary to the scope of consolidation.

Net sales of the Fragrance Division increased by 0.7% year on year, amounting to ¥3,975 million due mainly to an increase in non-consolidated sales of the Company.

As for profit, although selling, general and administrative expenses increased in line with an increase in personal expenses and amortization of goodwill of MISSION, etc., operating profit increased by ¥854 million (28.8%) year on year to ¥3,823 million due largely to an increase in gross profit resulting from the increase in net sales and improvement in the ratio of cost to sales. Ordinary profit increased by ¥961 million (29.1%) year on year to ¥4,266 million. Profit attributable to owners of parent increased by ¥180 million (5.8%) year on year to ¥3,318 million, due mainly to an increase in ordinary profit, despite a decrease in extraordinary income resulting from a decrease in gain on sale of investment securities.

Operating results by segment are as follows. Furthermore, operating results by segment include inter-segment sales, etc.

(Japan)

Net sales were ¥18,667 million (up 4.3% year on year), and segment profit was ¥2,518 million (up 49.5% year on year).

(Asia)

Net sales were ¥6,244 million (up 32.9% year on year), and segment profit was ¥1,081 million (up 2.7% year on year).

(USA)

Net sales were ¥5,528 million (up 40.3% year on year), and segment profit was ¥274 million (up 30.5% year on year).

(2) Explanation of financial position

(Current assets)

While cash and deposits, securities, merchandise and finished goods, and raw materials and supplies increased by ¥1,379 million, ¥999 million, ¥402 million, and ¥910 million, respectively, compared to the end of the fiscal year ended September 30, 2021, current assets increased by ¥3,059 million compared to the end of the fiscal year ended September 30, 2021 to ¥58,302 million, due largely to a decrease of ¥455 million in notes and accounts receivable - trade.

(Non-current assets)

While construction in progress, included in property, plant and equipment, and customer relationship, included in intangible assets, increased ¥1,409 million and ¥617 million, respectively, compared to the end of the fiscal year ended September 30, 2021, non-current assets decreased by ¥854 million compared to the end of the fiscal year ended September 30, 2021 to ¥64,849 million, due largely to a decrease of ¥3,667 million in investment securities.

(Current liabilities)

While income taxes payable and provision for bonuses decreased by ¥483 million and ¥581 million, respectively, compared to the end of the fiscal year ended September 30, 2021, current liabilities decreased by ¥1,057 million compared to the end of the fiscal year ended September 30, 2021 to ¥10,546 million, due largely to an increase of ¥336 million in notes and account payable - trade.

(Non-current liabilities)

Non-current liabilities decreased by ¥1,147 million compared to the end of the fiscal year ended September 30, 2021 to ¥9,892 million, due largely to a decrease in deferred tax liabilities by ¥878 million.

(Net assets)

While retained earnings and foreign currency translation adjustment increased by ¥2,296 million and ¥4,312 million, respectively, compared to the end of the fiscal year ended September 30, 2021, total net assets increased by ¥4,411 million compared to the end of the fiscal year ended September 30, 2021 to ¥102,713 million, due largely to a decrease in valuation difference on available-for-sale securities by ¥2,501 million.

(3) Explanation of consolidated financial results forecast and other forward-looking statements

Revisions have been made to the consolidated financial results forecast announced on November 12, 2021. For details, please refer to “Receipt of Dividends From Consolidated Subsidiaries and Revisions to Financial Results Forecast for the Year” released today (May 11, 2022).

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	19,037	20,417
Notes and accounts receivable - trade	17,063	16,607
Securities	3,999	4,999
Merchandise and finished goods	7,516	7,919
Work in process	120	124
Raw materials and supplies	6,444	7,354
Other	1,077	899
Allowance for doubtful accounts	(17)	(21)
Total current assets	55,242	58,302
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,977	16,089
Other, net	14,117	15,774
Total property, plant and equipment	30,094	31,863
Intangible assets		
Goodwill	6,043	6,200
Other	10,670	11,495
Total intangible assets	16,713	17,695
Investments and other assets		
Investment securities	17,930	14,263
Retirement benefit asset	21	21
Other	998	1,060
Allowance for doubtful accounts	(55)	(55)
Total investments and other assets	18,894	15,290
Total non-current assets	65,703	64,849
Total assets	120,945	123,151
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,000	5,337
Income taxes payable	1,653	1,169
Provision for bonuses	1,550	968
Provision for bonuses for directors (and other officers)	59	-
Other	3,340	3,070
Total current liabilities	11,604	10,546
Non-current liabilities		
Deferred tax liabilities	2,643	1,765
Retirement benefit liability	7,314	7,461
Asset retirement obligations	63	63
Long-term accounts payable - other	629	221
Other	388	379
Total non-current liabilities	11,040	9,892
Total liabilities	22,644	20,438

(Millions of yen)

	As of September 30, 2021	As of March 31, 2022
Net assets		
Shareholders' equity		
Share capital	5,364	5,364
Capital surplus	7,305	7,306
Retained earnings	76,107	78,404
Treasury shares	(2,630)	(2,555)
Total shareholders' equity	86,147	88,520
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,272	7,771
Foreign currency translation adjustment	1,852	6,164
Remeasurements of defined benefit plans	(221)	(196)
Total accumulated other comprehensive income	11,903	13,739
Share acquisition rights	250	206
Non-controlling interests	–	246
Total net assets	98,301	102,713
Total liabilities and net assets	120,945	123,151

(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Net sales	26,135	29,199
Cost of sales	15,582	17,110
Gross profit	10,553	12,088
Selling, general and administrative expenses	7,584	8,265
Operating profit	2,968	3,823
Non-operating income		
Interest income	55	75
Dividend income	123	121
Foreign exchange gains	111	196
Other	60	61
Total non-operating income	351	455
Non-operating expenses		
Interest expenses	3	3
Other	11	8
Total non-operating expenses	15	12
Ordinary profit	3,304	4,266
Extraordinary income		
Gain on sale of investment securities	1,137	486
Total extraordinary income	1,137	486
Extraordinary losses		
Loss on abandonment of non-current assets	7	13
Total extraordinary losses	7	13
Profit before income taxes	4,435	4,739
Income taxes	1,297	1,385
Profit	3,138	3,354
Profit attributable to non-controlling interests	–	36
Profit attributable to owners of parent	3,138	3,318

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Profit	3,138	3,354
Other comprehensive income		
Valuation difference on available-for-sale securities	(236)	(2,501)
Foreign currency translation adjustment	2,485	4,331
Remeasurements of defined benefit plans, net of tax	25	24
Total other comprehensive income	2,275	1,855
Comprehensive income	5,413	5,209
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,413	5,154
Comprehensive income attributable to non-controlling interests	—	55

(3) Notes to quarterly consolidated financial statements

(Uncertainties of entity's ability to continue as going concern)

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Changes in significant subsidiaries during the six months ended March 31, 2022)

Not applicable.

Furthermore, while it does not constitute a change in specified subsidiaries, T. HASEGAWA (SOUTHEAST ASIA) CO., LTD. and T. HASEGAWA FLAVOURS AND FRAGRANCES (TAIWAN) CO., LTD., which were non-consolidated subsidiaries, have been included under the scope of consolidation effective from the first quarter ended December 31, 2021, due to increased materiality.

(Application of special accounting methods for preparing quarterly consolidated financial statements)

(Calculation of income tax expense)

Tax expense is calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the second quarter ended March 31, 2022.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter ended December 31, 2021, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result of this application, the previous treatment of the portion of the consideration payable to customers as sales commission that was previously recorded as selling, general and administrative expenses will be changed to the method of deducting such payables from the transaction price. Furthermore, for transactions with variable consideration, when that uncertainty is resolved after the fact, it will be included in the transaction price only for the portion of revenue highly unlikely to be significantly reduced. Furthermore, for subcontract processing transactions with supply of materials for value that are repurchase agreements treated as financial transactions, the Company continues to recognize the outstanding supplies held by the subcontractor as inventories. At the same time the amount equivalent to the outstanding supplies held by the subcontractor will be recognized as "Liabilities for subcontract processing transactions with supply of materials for value," included in "Other" under current liabilities.

Furthermore, the Company has applied the alternative treatment stipulated in paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" and recognizes revenue at the time of shipment when the period from the time of shipment until the time that control of the merchandise or finished goods is transferred to the customer is a typical period in cases of domestic sale of merchandise and finished goods in Japan.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter ended December 31, 2021 was added to or deducted from the opening balance

of retained earnings of the first quarter ended December 31, 2021, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter ended December 31, 2021, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the first quarter ended December 31, 2021 were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the first quarter ended December 31, 2021.

As a result, the effect of this application on the quarterly consolidated financial statements in the six months ended March 31, 2022 is immaterial. There is immaterial effect on the opening balance of retained earnings of the fiscal year ending September 30, 2022.

Furthermore, the information on disaggregation of revenue from contracts with customers during the six months ended March 31, 2021 has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter ended December 31, 2021, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no effect on the quarterly consolidated financial statements.

(Segment information, etc.)

I. Six months ended March 31, 2021 (from October 1, 2020 to March 31, 2021)

1. Information on net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Consolidated (Note 2)
	Japan	Asia	USA	Total		
Net sales						
Sales to external customers	17,598	4,640	3,896	26,135	–	26,135
Inter-segment sales or transfers	298	57	44	399	(399)	–
Total	17,897	4,697	3,940	26,535	(399)	26,135
Segment profit	1,684	1,053	210	2,948	20	2,968

Notes: 1. The adjustments on segment profit of ¥20 million include ¥25 million of inter-segment transactions, ¥3 million of adjustments for inventories, and negative ¥8 million for others.

2. Segment profit is adjusted to operating profit in the consolidated statements of income (cumulative).

II. Six months ended March 31, 2022 (from October 1, 2021 to March 31, 2022)

1. Information on net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Consolidated (Note 2)
	Japan	Asia	USA	Total		
Net sales						
Flavor and fragrance business (Note 3)	17,558	6,158	5,481	29,199	–	29,199
Revenue from contracts with customers	17,558	6,158	5,481	29,199	–	29,199
Sales to external customers	17,558	6,158	5,481	29,199	–	29,199
Inter-segment sales or transfers	1,108	85	47	1,240	(1,240)	–
Total	18,667	6,244	5,528	30,439	(1,240)	29,199
Segment profit	2,518	1,081	274	3,875	(51)	3,823

Notes: 1. The adjustments on segment profit of negative ¥51 million include ¥32 million of inter-segment transactions, negative ¥80 million of adjustments for inventories, and negative ¥3 million for others.

2. Segment profit is adjusted to operating profit in the consolidated statements of income (cumulative).

3. The Flavor and fragrance business is composed mainly of the manufacturing and sales of flavors and fragrances, and the net sales of the Flavor and fragrance business are composed mainly of revenue from goods transferred to customers at a specific point in time.

2. Matters related to changes in reportable segments, etc.

As described in “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations from the beginning of the first quarter ended December 31, 2021, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments. Furthermore, the information on disaggregation of revenue from contracts with customers during the six months ended March 31, 2021 has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

Moreover, following the new addition of T. HASEGAWA (SOUTHEAST ASIA) CO., LTD. and T. HASEGAWA FLAVOURS AND FRAGRANCES (TAIWAN) CO., LTD., which were unconsolidated subsidiaries, to the scope of consolidation effective from the first quarter ended December 31, 2021, those two companies have been included in the reportable segment “Asia.”