

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2023 (Based on Japanese GAAP)

May 12, 2023

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
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 Scheduled date to file Quarterly Securities Report: May 15, 2023
 Scheduled date to commence dividend payments: June 1, 2023
 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, 2023 (from October 1, 2022 to March 31, 2023)

(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, 2023	31,313	7.2	3,585	(6.2)	3,728	(12.6)	2,824	(14.9)
Six months ended March 31, 2022	29,199	11.7	3,823	28.8	4,266	29.1	3,318	5.8

Note: Comprehensive income Six months ended March 31, 2023 ¥(303) million [-%]
 Six months ended March 31, 2022 ¥5,209 million [(3.8)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2023	68.65		68.40	
Six months ended March 31, 2022	80.69		80.44	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	129,816	109,426	84.1
As of September 30, 2022	133,553	111,017	82.9

Reference: Equity As of March 31, 2023 ¥109,157 million
 As of September 30, 2022 ¥110,777 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended September 30, 2022	–	29.00	–	32.00	61.00
Year ending September 30, 2023	–	30.00	–	–	–
Year ending September 30, 2023 (Forecast)	–	–	–	31.00	61.00

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

3. Forecast of consolidated financial results for the year ending September 30, 2023 (from October 1, 2022 to September 30, 2023)

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	66,000	5.8	7,000	(13.1)	7,450	(17.9)	6,170	(22.9)	149.96

Note: Revision of consolidated financial results forecast most recently announced: No

4. Notes

(1) Changes in significant subsidiaries during the six months ended March 31, 2023
(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: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(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, 2023	42,708,154 shares	As of September 30, 2022	42,708,154 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	1,562,784 shares	As of September 30, 2022	1,562,744 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2023	41,145,376 shares	Six months ended March 31, 2022	41,125,893 shares
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* 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 Wednesday, May 24, 2023.

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

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1. Qualitative information on financial results for the period

(1) Explanation of operating results

The Japanese economy in the six months ended March 31, 2023 continued to present an uncertain outlook resulting from concerns regarding the impact on economic activities in Japan and overseas due to the situation in Ukraine becoming prolonged and soaring raw material and energy prices, despite the economy showing signs of recovery amid the easing of behavioral restrictions accompanying the novel coronavirus disease (COVID-19) and the normalizing of social and economic activities.

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 the six months ended March 31, 2023, net sales increased by ¥2,114 million (7.2%) year on year, amounting to ¥31,313 million. The Company's non-consolidated net sales increased by 3.1% year on year. As for net sales of major overseas consolidated subsidiaries, net sales of subsidiaries in the USA increased by 11.6% year on year (down 6.3% on a local currency basis) due to the impact of the weaker Japanese yen, those of subsidiaries in China increased by 12.6% year on year (up 3.6% on a local currency basis), and those of subsidiaries in Malaysia increased by 34.1% year on year (up 20.4% on a local currency basis).

By division, net sales of the Flavor Division increased by 7.6% year on year, amounting to ¥27,131 million, due mainly to increased net sales of the Company, on a non-consolidated basis, and our subsidiaries in China, and increased net sales of U.S. subsidiaries due to the impact of the weaker Japanese yen.

Net sales of the Fragrance Division increased by 5.2% year on year, amounting to ¥4,182 million due mainly to increases in non-consolidated sales of the Company and in sales of subsidiaries in China.

As for profit, operating profit decreased by ¥238 million (6.2%) year on year to ¥3,585 million due largely to the deterioration of the ratio of cost to sales in association with an increase in raw material cost and an increase in selling, general and administrative expenses. Ordinary profit decreased by ¥538 million (12.6%) year on year to ¥3,728 million due largely to a decrease in operating profit and the recording of foreign exchange losses of ¥146 million (the recording of foreign exchange gains of ¥196 million in the same period of the previous fiscal year). As a result, profit attributable to owners of parent decreased by ¥493 million (14.9%) year on year to ¥2,824 million.

Furthermore, the yen exchange rates for major currencies (average rate for the period) applied for translation in the statements of income for the six months ended March 31, 2023 are as follows.

1 USD=136.96 JPY (114.96 JPY in the same period of the previous fiscal year, 19.1% yen depreciation YoY)

1 RMB=19.61 JPY (18.04 JPY in the same period of the previous fiscal year, 8.7% yen depreciation YoY)

1 RM=30.60 JPY (27.46 JPY in the same period of the previous fiscal year, 11.4% yen depreciation YoY)

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

(Japan)

Net sales were ¥19,250 million (up 3.1% year on year), and segment profit was ¥2,377 million (down 5.6% year on year).

(Asia)

Net sales were ¥7,140 million (up 14.4% year on year), and segment profit was ¥1,341 million (up 24.0% year on year).

(USA)

Net sales were ¥6,195 million (up 12.1% year on year), and segment loss was ¥196 million (segment profit of ¥274 million in the same period of the previous fiscal year).

(2) Explanation of financial position

(Current assets)

While securities, and merchandise and finished goods increased by ¥999 million and ¥652 million, respectively, compared to the end of the fiscal year ended September 30, 2022, current assets decreased by ¥397 million compared to the end of the fiscal year ended September 30, 2022 to ¥65,592 million due largely to decreases in cash and deposits, notes and accounts receivable - trade, and raw materials and supplies by ¥222 million, ¥1,351 million, and ¥462 million, respectively.

(Non-current assets)

While investment securities increased by ¥196 million compared to the end of the fiscal year ended September 30, 2022, non-current assets decreased by ¥3,339 million compared to the end of the fiscal year ended September 30, 2022 to ¥64,224 million due largely to progress in amortization resulting in decreases in property, plant and equipment, goodwill, and customer relationship included in intangible assets by ¥1,464 million, ¥953 million, and ¥1,242 million, respectively.

(Current liabilities)

Current liabilities decreased by ¥2,235 million compared to the end of the fiscal year ended September 30, 2022 to ¥11,096 million due largely to decreases in notes and accounts payable - trade, income taxes payable and provision for bonuses by ¥215 million, ¥611 million and ¥673 million, respectively, compared to the end of the fiscal year ended September 30, 2022.

(Non-current liabilities)

Non-current liabilities increased by ¥89 million to ¥9,293 million compared to the end of the fiscal year ended September 30, 2022 due largely to an increase in deferred tax liabilities by ¥132 million compared to the end of the fiscal year ended September 30, 2022.

(Net assets)

While retained earnings and valuation difference on available-for-sale securities increased by ¥1,507 million and ¥135 million, respectively, total net assets decreased by ¥1,590 million to ¥109,426 million due largely to a decrease in foreign currency translation adjustment by ¥3,288 million compared to the end of the fiscal year ended September 30, 2022.

Furthermore, the yen exchange rates for major currencies (at the end of the period) applied for translation in the balance sheets as of March 31, 2023 are as follows.

1 USD=133.53 JPY (144.81 JPY at the end of the previous fiscal year, 7.8% yen appreciation YoY)

1 RMB=19.42 JPY (20.37 JPY at the end of the previous fiscal year, 4.7% yen appreciation YoY)

1 RM=30.27 JPY (31.24 JPY at the end of the previous fiscal year, 3.1% yen appreciation YoY)

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

No revisions have been made to the consolidated financial results forecast announced on November 11, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	20,351	20,129
Notes and accounts receivable - trade	18,722	17,370
Securities	8,999	9,999
Merchandise and finished goods	7,750	8,403
Work in process	78	141
Raw materials and supplies	9,013	8,550
Other	1,099	1,022
Allowance for doubtful accounts	(26)	(24)
Total current assets	65,989	65,592
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,593	18,429
Other, net	14,158	13,857
Total property, plant and equipment	33,752	32,287
Intangible assets		
Goodwill	6,815	5,861
Other	13,379	12,310
Total intangible assets	20,194	18,172
Investments and other assets		
Investment securities	12,589	12,785
Retirement benefit asset	18	18
Other	1,039	988
Allowance for doubtful accounts	(30)	(27)
Total investments and other assets	13,616	13,764
Total non-current assets	67,563	64,224
Total assets	133,553	129,816
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,211	5,996
Income taxes payable	1,694	1,082
Provision for bonuses	1,632	958
Provision for bonuses for directors (and other officers)	74	–
Other	3,718	3,059
Total current liabilities	13,331	11,096
Non-current liabilities		
Deferred tax liabilities	1,101	1,234
Retirement benefit liability	7,442	7,440
Asset retirement obligations	69	69
Long-term accounts payable - other	212	203
Other	378	345
Total non-current liabilities	9,204	9,293
Total liabilities	22,536	20,390

(Millions of yen)

	As of September 30, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	5,364	5,364
Capital surplus	7,513	7,513
Retained earnings	81,898	83,406
Treasury shares	(2,555)	(2,555)
Total shareholders' equity	92,220	93,728
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,657	6,793
Foreign currency translation adjustment	12,098	8,809
Remeasurements of defined benefit plans	(199)	(173)
Total accumulated other comprehensive income	18,556	15,429
Share acquisition rights	239	269
Total net assets	111,017	109,426
Total liabilities and net assets	133,553	129,816

(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, 2022	Six months ended March 31, 2023
Net sales	29,199	31,313
Cost of sales	17,110	18,885
Gross profit	12,088	12,428
Selling, general and administrative expenses	8,265	8,842
Operating profit	3,823	3,585
Non-operating income		
Interest income	75	83
Dividend income	121	130
Foreign exchange gains	196	–
Other	61	91
Total non-operating income	455	306
Non-operating expenses		
Interest expenses	3	3
Foreign exchange losses	–	146
Other	8	12
Total non-operating expenses	12	162
Ordinary profit	4,266	3,728
Extraordinary income		
Gain on sale of investment securities	486	253
Total extraordinary income	486	253
Extraordinary losses		
Loss on abandonment of non-current assets	13	34
Total extraordinary losses	13	34
Profit before income taxes	4,739	3,947
Income taxes	1,385	1,122
Profit	3,354	2,824
Profit attributable to non-controlling interests	36	–
Profit attributable to owners of parent	3,318	2,824

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Profit	3,354	2,824
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,501)	135
Foreign currency translation adjustment	4,331	(3,288)
Remeasurements of defined benefit plans, net of tax	24	25
Total other comprehensive income	1,855	(3,127)
Comprehensive income	5,209	(303)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,154	(303)
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.

(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, 2023.

(Segment information, etc.)

[Segment information]

I. 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 and information on disaggregation of revenue

	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 or loss	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.

II. Six months ended March 31, 2023 (from October 1, 2022 to March 31, 2023)

1. Information on net sales and profit or loss for each reportable segment and information on disaggregation of revenue

	Reportable segment				Adjustment (Note 1)	Consolidated (Note 2)
	Japan	Asia	USA	Total		
Net sales						
Flavor and Fragrance business (Note 3)	18,146	7,049	6,116	31,313	–	31,313
Revenue from contracts with customers	18,146	7,049	6,116	31,313	–	31,313
Sales to external customers	18,146	7,049	6,116	31,313	–	31,313
Inter-segment sales or transfers	1,103	91	78	1,274	(1,274)	–
Total	19,250	7,140	6,195	32,587	(1,274)	31,313
Segment profit or loss	2,377	1,341	(196)	3,522	62	3,585

- Notes: 1. The adjustments on segment profit or loss of ¥62 million include ¥38 million of inter-segment transactions, ¥24 million of adjustments for inventories, and ¥0 million for others.
2. Segment profit or loss 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.

(Significant subsequent event)

The Company resolved to sell part of the investment securities held by the Company at the Board of Directors' meeting held on February 3, 2023 in order to review the holdings of cross-shareholdings, and it partially completed the sale of such investment securities on April 21 and April 28, 2023. The Company will hereby record ¥423 million of gain on sale of investment securities in extraordinary income for the third quarter ending June 30, 2023.