

Translation

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

February 3, 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: February 14, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended December 31, 2022 (from October 1, 2022 to December 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	%
Three months ended December 31, 2022	15,515	8.5	1,532	(5.1)	1,435	(18.3)	1,041	(14.5)
Three months ended December 31, 2021	14,295	17.5	1,614	60.0	1,758	64.5	1,217	(23.2)

Note: Comprehensive income Three months ended December 31, 2022 ¥(2,502) million [–%]
 Three months ended December 31, 2021 ¥1,235 million [(21.0)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended December 31, 2022	25.30	25.22
Three months ended December 31, 2021	29.60	29.50

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	127,728	107,214	83.7
As of September 30, 2022	133,553	111,017	82.9

Reference: Equity As of December 31, 2022 ¥106,958 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	Yen	Yen	Yen	Yen
Year ended September 30, 2022	–	29.00	–	32.00	61.00
Year ending September 30, 2023	–				
Year ending September 30, 2023 (Forecast)		30.00	–	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 three months ended December 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: 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 December 31, 2022	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 December 31, 2022	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)

Three months ended December 31, 2022	41,145,380 shares	Three months ended December 31, 2021	41,111,163 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

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.

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1. Qualitative information on financial results for the period

(1) Explanation of operating results

The Japanese economy in the three months ended December 31, 2022 continued to present an uncertain outlook, fueled by concerns regarding the prolonged Ukraine situation, soaring raw material prices and resources prices, and the impact on economic activities in Japan and overseas from rising commodity prices, despite expectations for economic recovery with the progressing move toward the normalization of social and economic activities as well as eased behavioral restrictions associated with the novel coronavirus disease (COVID-19).

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 three months ended December 31, 2022, net sales increased by ¥1,220 million (8.5%) year on year, amounting to ¥15,515 million. The Company's non-consolidated net sales increased by 2.8% year on year. As for net sales of major overseas consolidated subsidiaries, net sales of subsidiaries in the USA increased by 17.3% year on year (down 5.8% on a local currency basis) due to the impact of the weaker Japanese yen, those of subsidiaries in China increased by 17.0% year on year (up 4.7% on a local currency basis), and those of subsidiaries in Malaysia increased by 47.9% year on year (up 29.8% on a local currency basis).

By division, net sales of the Flavor Division increased by 8.8% year on year, amounting to ¥13,297 million, due mainly to increased net sales from the Company's non-consolidated financial results, our U.S. subsidiaries, and subsidiaries in China.

Net sales of the Fragrance Division increased by 7.0% year on year, amounting to ¥2,217 million due mainly to an increase in sales of subsidiaries in China.

As for profit, operating profit decreased by ¥82 million (5.1%) year on year to ¥1,532 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 ¥322 million (18.3%) year on year to ¥1,435 million due largely to a decrease in operating profit and the recording of foreign exchange losses of ¥189 million (the recording of foreign exchange gains of ¥64 million in the same period of the previous fiscal year). As a result, profit attributable to owners of parent decreased by ¥176 million (14.5%) year on year to ¥1,041 million.

Furthermore, the yen exchange rates for major currencies (average rate for the period) applied for conversions in the statements of income for the three months ended December 31, 2022 are as follows.

1 USD=141.59 JPY (113.71 JPY in the same period of the previous fiscal year, 24.5% yen depreciation YoY)

1 RMB=19.87 JPY (17.78 JPY in the same period of the previous fiscal year, 11.8% yen depreciation YoY)

1 RM=30.98 JPY (27.18 JPY in the same period of the previous fiscal year, 14.0% yen depreciation YoY)

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

(Japan)

Net sales were ¥9,518 million (up 2.8% year on year), and segment profit was ¥1,069 million (down 0.2% year on year).

(Asia)

Net sales were ¥3,807 million (up 20.1% year on year), and segment profit was ¥730 million (up 25.8% year on year).

(USA)

Net sales were ¥2,910 million (up 18.4% year on year), and segment loss was ¥294 million (segment loss of ¥3 million in the same period of the previous fiscal year).

(2) Explanation of financial position

(Current assets)

While securities increased by ¥999 million compared to the end of the fiscal year ended September 30, 2022, current assets decreased by ¥2,936 million compared to the end of the fiscal year ended September 30, 2022 to ¥63,053 million due largely to decreases in cash and deposits, notes and accounts receivable - trade, and raw materials and supplies by ¥3,407 million, ¥233 million, and ¥329 million, respectively.

(Non-current assets)

While investment securities increased by ¥462 million compared to the end of the fiscal year ended September 30, 2022, non-current assets decreased by ¥2,888 million compared to the end of the fiscal year ended September 30, 2022 to ¥64,674 million due largely to progress in amortization resulting in decreases in property, plant and equipment, goodwill, and customer relationship, included in intangible assets by ¥1,430 million, ¥771 million, and ¥1,151 million, respectively.

(Current liabilities)

Current liabilities decreased by ¥2,171 million compared to the end of the fiscal year ended September 30, 2022 to ¥11,160 million due largely to decreases in income taxes payable and provision for bonuses by ¥1,052 million and ¥1,147 million, respectively, compared to the end of the fiscal year ended September 30, 2022.

(Non-current liabilities)

Non-current liabilities increased by ¥149 million to ¥9,353 million due largely to an increase in deferred tax liabilities by ¥120 million compared to the end of the fiscal year ended September 30, 2022.

(Net assets)

Total net assets decreased by ¥3,802 million to ¥107,214 million due largely to a decrease in foreign currency translation adjustment by ¥3,876 million compared to the end of the fiscal year ended September 30, 2022.

(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 December 31, 2022
Assets		
Current assets		
Cash and deposits	20,351	16,944
Notes and accounts receivable - trade	18,722	18,488
Securities	8,999	9,999
Merchandise and finished goods	7,750	7,829
Work in process	78	20
Raw materials and supplies	9,013	8,683
Other	1,099	1,111
Allowance for doubtful accounts	(26)	(24)
Total current assets	65,989	63,053
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,593	18,571
Other, net	14,158	13,750
Total property, plant and equipment	33,752	32,321
Intangible assets		
Goodwill	6,815	6,044
Other	13,379	12,293
Total intangible assets	20,194	18,337
Investments and other assets		
Investment securities	12,589	13,051
Retirement benefit asset	18	18
Other	1,039	975
Allowance for doubtful accounts	(30)	(29)
Total investments and other assets	13,616	14,015
Total non-current assets	67,563	64,674
Total assets	133,553	127,728
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,211	5,815
Income taxes payable	1,694	641
Provision for bonuses	1,632	484
Provision for bonuses for directors (and other officers)	74	–
Other	3,718	4,218
Total current liabilities	13,331	11,160
Non-current liabilities		
Deferred tax liabilities	1,101	1,222
Retirement benefit liability	7,442	7,483
Asset retirement obligations	69	69
Long-term accounts payable - other	212	207
Other	378	369
Total non-current liabilities	9,204	9,353
Total liabilities	22,536	20,513

(Millions of yen)

	As of September 30, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	5,364	5,364
Capital surplus	7,513	7,513
Retained earnings	81,898	81,622
Treasury shares	(2,555)	(2,555)
Total shareholders' equity	92,220	91,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,657	6,978
Foreign currency translation adjustment	12,098	8,222
Remeasurements of defined benefit plans	(199)	(187)
Total accumulated other comprehensive income	18,556	15,013
Share acquisition rights	239	256
Total net assets	111,017	107,214
Total liabilities and net assets	133,553	127,728

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended December 31, 2021	Three months ended December 31, 2022
Net sales	14,295	15,515
Cost of sales	8,455	9,414
Gross profit	5,839	6,100
Selling, general and administrative expenses	4,224	4,568
Operating profit	1,614	1,532
Non-operating income		
Interest income	38	43
Dividend income	24	26
Foreign exchange gains	64	–
Other	22	34
Total non-operating income	149	104
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	–	189
Other	4	9
Total non-operating expenses	6	201
Ordinary profit	1,758	1,435
Extraordinary losses		
Loss on abandonment of non-current assets	4	10
Total extraordinary losses	4	10
Profit before income taxes	1,754	1,425
Income taxes	521	383
Profit	1,232	1,041
Profit attributable to non-controlling interests	15	–
Profit attributable to owners of parent	1,217	1,041

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended December 31, 2021	Three months ended December 31, 2022
Profit	1,232	1,041
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,467)	320
Foreign currency translation adjustment	1,457	(3,876)
Remeasurements of defined benefit plans, net of tax	12	12
Total other comprehensive income	2	(3,543)
Comprehensive income	1,235	(2,502)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,216	(2,502)
Comprehensive income attributable to non-controlling interests	18	—

(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 first quarter ended December 31, 2022.

(Segment information, etc.)

[Segment information]

I. Three months ended December 31, 2021 (from October 1, 2021 to December 31, 2021)

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)	8,732	3,128	2,434	14,295	–	14,295
Revenue from contracts with customers	8,732	3,128	2,434	14,295	–	14,295
Sales to external customers	8,732	3,128	2,434	14,295	–	14,295
Inter-segment sales or transfers	525	42	23	590	(590)	–
Total	9,257	3,170	2,458	14,885	(590)	14,295
Segment profit or loss	1,071	580	(3)	1,649	(34)	1,614

- Notes: 1. The adjustments on segment profit of negative ¥34 million include ¥25 million of inter-segment transactions, negative ¥56 million of adjustments for inventories, and negative ¥2 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.

II. Three months ended December 31, 2022 (from October 1, 2022 to December 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)	8,905	3,754	2,855	15,515	–	15,515
Revenue from contracts with customers	8,905	3,754	2,855	15,515	–	15,515
Sales to external customers	8,905	3,754	2,855	15,515	–	15,515
Inter-segment sales or transfers	613	53	55	721	(721)	–
Total	9,518	3,807	2,910	16,236	(721)	15,515
Segment profit or loss	1,069	730	(294)	1,505	26	1,532

- Notes: 1. The adjustments on segment profit of ¥26 million include ¥18 million of inter-segment transactions, ¥8 million of adjustments for inventories, and negative ¥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.