

Translation

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Summary of Consolidated Financial Results for the Three Months Ended December 31, 2021 (Based on Japanese GAAP)

February 4, 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
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 Scheduled date to file Quarterly Securities Report: February 14, 2022
 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, 2021 (from October 1, 2021 to December 31, 2021)

(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, 2021	14,295	17.5	1,614	60.0	1,758	64.5	1,217	(23.2)
Three months ended December 31, 2020	12,164	(1.4)	1,009	(18.5)	1,068	(20.4)	1,583	35.1

Note: Comprehensive income Three months ended December 31, 2021 ¥1,235 million [(21.0)%]
 Three months ended December 31, 2020 ¥1,563 million [(29.0)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended December 31, 2021	29.60	29.50
Three months ended December 31, 2020	38.19	38.05

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	119,257	98,721	82.4
As of September 30, 2021	120,945	98,301	81.1

Reference: Equity As of December 31, 2021 ¥98,321 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	–				
Year ending September 30, 2022 (Forecast)		29.00	–	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	59,200	6.2	7,630	11.2	8,090	8.4	7,290	7.8	177.37

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, 2021
(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 December 31, 2021	42,708,154 shares	As of September 30, 2021	42,708,154 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	1,562,622 shares	As of September 30, 2021	1,608,431 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, 2021	41,111,163 shares	Three months ended December 31, 2020	41,477,860 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

In the three months ended December 31, 2021, amid the prolonged impact of the novel coronavirus disease (COVID-19), the Japanese economy faced concerns about the impact of infection trends, including variants, 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 (no record in the three months ended December 31, 2020).

Furthermore, our Thailand subsidiary T. HASEGAWA (SOUTHEAST ASIA) CO., LTD. and our 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 their increased materiality for the Group.

In the three months ended December 31, 2021, net sales increased year on year, amounting to ¥14,295 million (up 17.5% year on year). The Company's non-consolidated net sales increased by 6.5% year on year. As for net sales of major overseas consolidated subsidiaries, net sales of subsidiaries in the USA (including MISSION) increased by 63.8% (up 50.5% on a local currency basis), those of subsidiaries in China increased by 25.2% year on year (up 11.4% on a local currency basis), and those of subsidiaries in Malaysia increased by 35.9% (up 27.3% on a local currency basis).

By division, net sales of the Flavor Division increased by 18.5% year on year, amounting to ¥12,223 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 11.8% year on year, amounting to ¥2,071 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 the recording of amortization of goodwill of MISSION, etc., operating profit increased by ¥605 million (60.0%) year on year to ¥1,614 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 ¥689 million (64.5%) year on year to ¥1,758 million. Profit attributable to owners of parent decreased by ¥366 million (23.2%) year on year to ¥1,217 million, due mainly to a decrease in extraordinary income with the recording of ¥1,137 million in extraordinary income from a gain on sale of investment securities in the same period of the previous fiscal year, despite an increase in ordinary profit.

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

(Japan)

Net sales were ¥9,257 million (up 6.5% year on year), and segment profit was ¥1,071 million (up 104.9% year on year).

(Asia)

Net sales were ¥3,170 million (up 46.0% year on year), and segment profit was ¥580 million (up 41.0% year on year).

(USA)

Net sales were ¥2,458 million (up 62.3% year on year), and segment loss was ¥3 million (segment profit of ¥59 million in the same period of the previous fiscal year).

(2) Explanation of financial position

(Current assets)

While cash and deposits decreased by ¥802 million, compared to the end of the fiscal year ended September 30, 2021, merchandise and finished goods and raw materials and supplies increased by ¥337 million and ¥385 million, respectively. Due largely to these factors, current assets decreased by ¥152 million compared to the end of the fiscal year ended September 30, 2021 to ¥55,089 million.

(Non-current assets)

While investment securities decreased by ¥2,164 million, compared to the end of the fiscal year ended September 30, 2021, non-current assets decreased by ¥1,535 million compared to the end of the fiscal year ended September 30, 2021 to ¥64,167 million, due largely to an increase of ¥519 million in construction in progress, included in property, plant and equipment.

(Current liabilities)

While notes and account payable - trade, increased by ¥526 million, compared to the end of the fiscal year ended September 30, 2021, income taxes payable and provision for bonuses decreased by ¥1,066 million and ¥1,049 million, respectively. Due largely to these factors, current liabilities decreased by ¥1,231 million compared to the end of the fiscal year ended September 30, 2021 to ¥10,372 million.

(Non-current liabilities)

While retirement benefit liability increased by ¥111 million, compared to the end of the fiscal year ended September 30, 2021, long-term accounts payable - other and deferred tax liabilities decreased by ¥403 million and ¥569 million, respectively. Due largely to these factors, non-current liabilities decreased by ¥877 million compared to the end of the fiscal year ended September 30, 2021 to ¥10,162 million.

(Net assets)

Compared to the end of the fiscal year ended September 30, 2021, while retained earnings and foreign currency translation adjustment increased by ¥195 million and ¥1,454 million, respectively, valuation difference on available-for-sale securities decreased by ¥1,467 million. Due largely to these factors, total net assets increased by ¥420 million compared to the end of the fiscal year ended September 30, 2021 to ¥98,721 million.

(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 12, 2021.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	19,037	18,235
Notes and accounts receivable - trade	17,063	17,232
Securities	3,999	3,999
Merchandise and finished goods	7,516	7,854
Work in process	120	35
Raw materials and supplies	6,444	6,829
Other	1,077	917
Allowance for doubtful accounts	(17)	(15)
Total current assets	55,242	55,089
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,977	15,926
Other, net	14,117	14,638
Total property, plant and equipment	30,094	30,564
Intangible assets		
Goodwill	6,043	6,021
Other	10,670	10,826
Total intangible assets	16,713	16,848
Investments and other assets		
Investment securities	17,930	15,765
Retirement benefit asset	21	21
Other	998	1,021
Allowance for doubtful accounts	(55)	(53)
Total investments and other assets	18,894	16,754
Total non-current assets	65,703	64,167
Total assets	120,945	119,257
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,000	5,526
Income taxes payable	1,653	586
Provision for bonuses	1,550	501
Provision for bonuses for directors (and other officers)	59	-
Other	3,340	3,758
Total current liabilities	11,604	10,372
Non-current liabilities		
Deferred tax liabilities	2,643	2,074
Retirement benefit liability	7,314	7,425
Asset retirement obligations	63	63
Long-term accounts payable - other	629	226
Other	388	373
Total non-current liabilities	11,040	10,162
Total liabilities	22,644	20,535

(Millions of yen)

	As of September 30, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Share capital	5,364	5,364
Capital surplus	7,305	7,306
Retained earnings	76,107	76,303
Treasury shares	(2,630)	(2,555)
Total shareholders' equity	86,147	86,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,272	8,804
Foreign currency translation adjustment	1,852	3,307
Remeasurements of defined benefit plans	(221)	(209)
Total accumulated other comprehensive income	11,903	11,903
Share acquisition rights	250	190
Non-controlling interests	–	209
Total net assets	98,301	98,721
Total liabilities and net assets	120,945	119,257

(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, 2020	Three months ended December 31, 2021
Net sales	12,164	14,295
Cost of sales	7,379	8,455
Gross profit	4,784	5,839
Selling, general and administrative expenses	3,775	4,224
Operating profit	1,009	1,614
Non-operating income		
Interest income	30	38
Dividend income	26	24
Foreign exchange gains	–	64
Other	29	22
Total non-operating income	85	149
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	22	–
Other	2	4
Total non-operating expenses	26	6
Ordinary profit	1,068	1,758
Extraordinary income		
Gain on sale of investment securities	1,137	–
Total extraordinary income	1,137	–
Extraordinary losses		
Loss on abandonment of non-current assets	3	4
Total extraordinary losses	3	4
Profit before income taxes	2,203	1,754
Income taxes	619	521
Profit	1,583	1,232
Profit attributable to non-controlling interests	–	15
Profit attributable to owners of parent	1,583	1,217

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit	1,583	1,232
Other comprehensive income		
Valuation difference on available-for-sale securities	(140)	(1,467)
Foreign currency translation adjustment	107	1,457
Remeasurements of defined benefit plans, net of tax	12	12
Total other comprehensive income	(20)	2
Comprehensive income	1,563	1,235
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,563	1,216
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.

(Changes in significant subsidiaries during the three months ended December 31, 2021)

Not applicable.

Furthermore, while it does not constitute a change in significant 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 their increased materiality.

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

(Calculation of 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, 2021.

(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."

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 three months ended December 31, 2021 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 three months ended December 31, 2020 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.)

[Segment information]

I. Three months ended December 31, 2020 (from October 1, 2020 to December 31, 2020)

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

	Reportable segment				Adjustment (Note 1)	Consolidated (Note 2)
	Japan	Asia	USA	Total		
Net sales						
Sales to external customers	8,549	2,129	1,486	12,164	–	12,164
Inter-segment sales or transfers	145	41	27	215	(215)	–
Total	8,694	2,171	1,514	12,380	(215)	12,164
Segment profit	523	411	59	993	15	1,009

(Millions of yen)

Notes: 1. The adjustments on segment profit of ¥15 million include ¥16 million of inter-segment transactions, negative ¥0 million of adjustments for inventories, and negative ¥0 million for others.

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

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

1. Information on net sales and profit 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

(Millions of yen)

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.

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 three months ended December 31, 2020 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 non-consolidated 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.”