

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended June 30, 2022 (Based on Japanese GAAP)

August 8, 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: August 10, 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 nine months ended June 30, 2022 (from October 1, 2021 to June 30, 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	%
Nine months ended June 30, 2022	45,790	11.3	6,232	17.9	6,998	22.6	6,538	28.0
Nine months ended June 30, 2021	41,123	9.2	5,287	21.9	5,708	21.5	5,107	20.5

Note: Comprehensive income
 Nine months ended June 30, 2022 ¥11,580 million [57.0%]
 Nine months ended June 30, 2021 ¥7,376 million [120.8%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended June 30, 2022	158.96	158.48
Nine months ended June 30, 2021	123.36	122.90

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	129,024	107,906	83.2
As of September 30, 2021	120,945	98,301	81.1

Reference: Equity
 As of June 30, 2022 ¥107,408 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: No

4. Notes

(1) Changes in significant subsidiaries during the nine months ended June 30, 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 June 30, 2022	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 June 30, 2022	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)

Nine months ended June 30, 2022	41,131,785 shares	Nine months ended June 30, 2021	41,405,599 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 nine months ended June 30, 2022 continued to present an uncertain outlook, fueled by concerns regarding the prolonged impact of the novel coronavirus disease (COVID-19), the prolonged Ukraine situation, soaring resource prices and raw material prices, and the impact of the sharp trajectory of a weaker Japanese yen on economic activities in Japan and overseas.

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 full period (for the same period of the previous fiscal year, results were recorded for the six months of January to June 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 nine months ended June 30, 2022, net sales increased year on year, amounting to ¥45,790 million (up 11.3% year on year). The Company's non-consolidated net sales increased by 3.5% year on year. As for net sales of major overseas consolidated subsidiaries, net sales of subsidiaries in the USA (including MISSION) increased by 36.7% year on year (up 21.6% on a local currency basis), those of subsidiaries in China increased by 11.9% year on year (down 1.2% on a local currency basis), and those of subsidiaries in Malaysia increased by 28.8% year on year (up 18.7% on a local currency basis).

By division, net sales of the Flavor Division increased by 13.1% year on year, amounting to ¥39,899 million, due mainly to increased net sales from the Company's non-consolidated financial results and our U.S. subsidiaries (including MISSION), and the new addition of our Thailand subsidiary and Taiwan subsidiary to the scope of consolidation.

Net sales of the Fragrance Division increased by 0.6% year on year, amounting to ¥5,890 million due mainly to an increase in non-consolidated sales of the Company despite the decrease in sales of subsidiaries in China.

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 ¥944 million (17.9%) year on year to ¥6,232 million due largely to an increase in gross profit resulting from the increase in net sales. Ordinary profit increased by ¥1,290 million (22.6%) year on year to ¥6,998 million due mainly to an increase in operating profit and an increase in foreign exchange gains. Profit attributable to owners of parent increased by ¥1,430 million (28.0%) year on year to ¥6,538 million due mainly to an increase in ordinary profit and an increase 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 ¥28,827 million (up 3.5% year on year), and segment profit was ¥3,998 million (up 28.1% year on year).

(Asia)

Net sales were ¥9,875 million (up 34.2% year on year), and segment profit was ¥1,776 million (up 7.5% year on year).

(USA)

Net sales were ¥8,977 million (up 36.4% year on year), and segment profit was ¥488 million (up 1.2% year on year).

(2) Explanation of financial position

(Current assets)

Due largely to increases in cash and deposits, notes and accounts receivable - trade, securities, merchandise and finished goods, and raw materials and supplies by ¥1,077 million, ¥2,657 million, ¥1,999 million, ¥520 million, and ¥1,665 million, respectively, compared to the end of the fiscal year ended September 30, 2021, current assets increased by ¥8,003 million compared to the end of the fiscal year ended September 30, 2021 to ¥63,246 million.

(Non-current assets)

While buildings and structures, construction in progress, included in property, plant and equipment, and goodwill, due to the impact of a weaker yen amid progress in amortization denominated in foreign currency, and customer relationship, included in intangible assets, increased ¥580 million, ¥1,742 million, ¥633 million and ¥1,661 million, respectively, compared to the end of the fiscal year ended September 30, 2021, non-current assets increased by ¥74 million compared to the end of the fiscal year ended September 30, 2021 to ¥65,777 million, due largely to a decrease of ¥5,445 million in investment securities.

(Current liabilities)

While notes and account payable - trade, increased by ¥1,129 million, compared to the end of the fiscal year ended September 30, 2021, provision for bonuses decreased by ¥874 million. Due largely to these factors, current liabilities increased by ¥263 million compared to the end of the fiscal year ended September 30, 2021 to ¥11,867 million.

(Non-current liabilities)

Non-current liabilities decreased by ¥1,790 million compared to the end of the fiscal year ended September 30, 2021 to ¥9,250 million, due largely to a decrease in deferred tax liabilities by ¥1,507 million.

(Net assets)

While retained earnings and foreign currency translation adjustment increased by ¥4,323 million and ¥8,588 million, respectively, compared to the end of the fiscal year ended September 30, 2021, total net assets increased by ¥9,605 million compared to the end of the fiscal year ended September 30, 2021 to ¥107,906 million, due largely to a decrease in valuation difference on available-for-sale securities by ¥3,667 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 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 June 30, 2022
Assets		
Current assets		
Cash and deposits	19,037	20,115
Notes and accounts receivable - trade	17,063	19,721
Securities	3,999	5,999
Merchandise and finished goods	7,516	8,036
Work in process	120	162
Raw materials and supplies	6,444	8,109
Other	1,077	1,123
Allowance for doubtful accounts	(17)	(22)
Total current assets	55,242	63,246
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,977	16,557
Other, net	14,117	16,231
Total property, plant and equipment	30,094	32,789
Intangible assets		
Goodwill	6,043	6,676
Other	10,670	12,715
Total intangible assets	16,713	19,392
Investments and other assets		
Investment securities	17,930	12,484
Retirement benefit asset	21	21
Other	998	1,143
Allowance for doubtful accounts	(55)	(54)
Total investments and other assets	18,894	13,595
Total non-current assets	65,703	65,777
Total assets	120,945	129,024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,000	6,130
Income taxes payable	1,653	1,450
Provision for bonuses	1,550	675
Provision for bonuses for directors (and other officers)	59	-
Other	3,340	3,610
Total current liabilities	11,604	11,867
Non-current liabilities		
Deferred tax liabilities	2,643	1,135
Retirement benefit liability	7,314	7,449
Asset retirement obligations	63	63
Long-term accounts payable - other	629	217
Other	388	383
Total non-current liabilities	11,040	9,250
Total liabilities	22,644	21,117

(Millions of yen)

	As of September 30, 2021	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	5,364	5,364
Capital surplus	7,305	7,306
Retained earnings	76,107	80,430
Treasury shares	(2,630)	(2,555)
Total shareholders' equity	86,147	90,546
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,272	6,604
Foreign currency translation adjustment	1,852	10,441
Remeasurements of defined benefit plans	(221)	(184)
Total accumulated other comprehensive income	11,903	16,861
Share acquisition rights	250	223
Non-controlling interests	–	275
Total net assets	98,301	107,906
Total liabilities and net assets	120,945	129,024

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Net sales	41,123	45,790
Cost of sales	24,272	26,808
Gross profit	16,851	18,981
Selling, general and administrative expenses	11,563	12,749
Operating profit	5,287	6,232
Non-operating income		
Interest income	82	119
Dividend income	173	175
Foreign exchange gains	117	388
Other	90	99
Total non-operating income	464	782
Non-operating expenses		
Interest expenses	5	5
Other	38	10
Total non-operating expenses	43	16
Ordinary profit	5,708	6,998
Extraordinary income		
Gain on sale of investment securities	1,480	2,230
Total extraordinary income	1,480	2,230
Extraordinary losses		
Loss on abandonment of non-current assets	21	15
Total extraordinary losses	21	15
Profit before income taxes	7,167	9,213
Income taxes	2,059	2,621
Profit	5,107	6,591
Profit attributable to non-controlling interests	–	53
Profit attributable to owners of parent	5,107	6,538

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Profit	5,107	6,591
Other comprehensive income		
Valuation difference on available-for-sale securities	(475)	(3,667)
Foreign currency translation adjustment	2,705	8,619
Remeasurements of defined benefit plans, net of tax	38	36
Total other comprehensive income	2,268	4,988
Comprehensive income	7,376	11,580
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,376	11,496
Comprehensive income attributable to non-controlling interests	—	83

(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 nine months ended June 30, 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 third quarter ended June 30, 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 nine months ended June 30, 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 nine months ended June 30, 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)

I. Nine months ended June 30, 2021 (from October 1, 2020 to June 30, 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	27,361	7,250	6,511	41,123	–	41,123
Inter-segment sales or transfers	482	105	70	659	(659)	–
Total	27,844	7,356	6,581	41,782	(659)	41,123
Segment profit	3,122	1,653	482	5,257	29	5,287

- Notes: 1. The adjustments on segment profit of ¥29 million include ¥41 million of inter-segment transactions, negative ¥3 million of adjustments for inventories related to inter-segment transactions, and negative ¥8 million for others.
2. Segment profit is adjusted to operating profit in the consolidated statements of income (cumulative).

II. Nine months ended June 30, 2022 (from October 1, 2021 to June 30, 2022)

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

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Consolidated (Note 2)
	Japan	Asia	USA	Total		
Net sales						
Flavor and fragrance business (Note 3)	27,122	9,765	8,901	45,790	–	45,790
Revenue from contracts with customers	27,122	9,765	8,901	45,790	–	45,790
Sales to external customers	27,122	9,765	8,901	45,790	–	45,790
Inter-segment sales or transfers	1,704	110	75	1,890	(1,890)	–
Total	28,827	9,875	8,977	47,680	(1,890)	45,790
Segment profit	3,998	1,776	488	6,263	(31)	6,232

- Notes: 1. The adjustments on segment profit of negative ¥31 million include ¥79 million of inter-segment transactions, negative ¥107 million of adjustments for inventories related to inter-segment transactions, 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 nine months ended June 30, 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 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.”