

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2022 (Based on Japanese GAAP)

November 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 of ordinary general meeting of shareholders: December 22, 2022
 Scheduled date to file Securities Report: December 23, 2022
 Scheduled date to commence dividend payments: December 6, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(1) Consolidated operating results

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	%
Year ended September 30, 2022	62,398	11.9	8,051	17.4	9,075	21.6	8,007	18.4
Year ended September 30, 2021	55,755	11.1	6,859	28.1	7,466	27.4	6,763	32.9

Note: Comprehensive income Year ended September 30, 2022 ¥14,713 million [69.3%]
 Year ended September 30, 2021 ¥8,688 million [163.5%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended September 30, 2022	194.65	193.97	7.7	7.1	12.9
Year ended September 30, 2021	163.63	163.00	7.1	6.4	12.3

Reference: Share of profit (loss) of entities accounted for using equity method Year ended September 30, 2022 ¥— million
 Year ended September 30, 2021 ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	133,553	111,017	82.9	2,692.34
As of September 30, 2021	120,945	98,301	81.1	2,385.69

Reference: Equity As of September 30, 2022 ¥110,777 million
 As of September 30, 2021 ¥98,051 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended September 30, 2022	8,001	1,208	(2,721)	27,425
Year ended September 30, 2021	9,980	(14,130)	(2,733)	18,863

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended September 30, 2021	—	22.00	—	33.00	55.00	2,268	33.6	2.4
Year ended September 30, 2022	—	29.00	—	32.00	61.00	2,509	31.3	2.4
Year ending September 30, 2023 (Forecast)	—	30.00	—	31.00	61.00		40.7	

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

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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 “3. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements” on page 15 of the Attached Material.

(3) Number of issued shares (common shares)

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

As of September 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 September 30, 2022	1,562,744 shares	As of September 30, 2021	1,608,431 shares
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Average number of shares during the period

Year ended September 30, 2022	41,134,938 shares	Year ended September 30, 2021	41,335,042 shares
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Note: For further details about the number of shares as a basis for calculation of earnings per share (consolidated), please refer to “Per share information” under “3. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements” on page 20 of the Attached Material.

Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(1) Non-consolidated operating results					Percentages indicate year-on-year changes			
	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended September 30, 2022	39,174	4.9	5,151	32.4	8,992	102.1	8,700	80.5
Year ended September 30, 2021	37,362	1.5	3,891	5.1	4,449	(13.9)	4,819	(0.0)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended September 30, 2022	211.50	210.76
Year ended September 30, 2021	116.59	116.14

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	107,980	89,567	82.7	2,171.02
As of September 30, 2021	106,168	86,968	81.7	2,109.95

Reference: Equity As of September 30, 2022 ¥89,327 million
 As of September 30, 2021 ¥86,718 million

2. Forecast of non-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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	39,700	1.3	4,020	(22.0)	4,450	(50.5)	4,080	(53.1)	99.16

* Financial results reports are exempt from audit 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. Overview of operating results and others, (4) Future outlook” on page 4 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 Tuesday, November 29, 2022.

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

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

The Japanese economy in the fiscal year ended September 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 raw material prices and resource 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 previous fiscal year, results were recorded for the nine months of January to September 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 fiscal year ended September 30, 2022, due to increased materiality for the Group.

In the fiscal year ended September 30, 2022, net sales increased year on year, amounting to ¥62,398 million (up 11.9% year on year). The Company's non-consolidated net sales increased by 4.9% year on year. As for net sales of major overseas consolidated subsidiaries, net sales of subsidiaries in the USA (including MISSION) increased by 32.3% (up 14.3% on a local currency basis), those of subsidiaries in China increased by 13.0% year on year (down 1.4% on a local currency basis), and those of subsidiaries in Malaysia increased by 36.0% (up 22.7% on a local currency basis).

By division, net sales of the Flavor Division increased by 13.0% year on year, amounting to ¥54,359 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 5.2% year on year, amounting to ¥8,039 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 personnel expenses and amortization of goodwill of MISSION, etc., operating profit increased by ¥1,192 million (17.4%) year on year to ¥8,051 million due largely to an increase in gross profit resulting from the increase in net sales. Ordinary profit increased by ¥1,609 million (21.6%) year on year to ¥9,075 million due mainly to an increase in operating profit and an increase in foreign exchange gains. As a result, profit attributable to owners of parent increased by ¥1,243 million (18.4%) compared to the fiscal year ended September 30, 2021 to ¥8,007 million.

(2) Overview of financial position for the fiscal year

(Current assets)

Due largely to increases in securities, and raw materials and supplies by ¥4,999 million and ¥2,568 million, respectively, compared to the fiscal year ended September 30, 2021, current assets increased by ¥10,747 million compared to the fiscal year ended September 30, 2021 to ¥65,989 million.

(Non-current assets)

Property, plant and equipment increased by ¥3,657 million compared to the fiscal year ended September 30, 2021 to ¥33,752 million, mainly due to respective increases of ¥3,615 million in buildings and structures, net, and ¥757 million in machinery, equipment and vehicles, net, and a decrease of ¥1,370 million in construction in progress.

Intangible assets increased by ¥3,481 million to ¥20,194 million, mainly due to respective increases of ¥771 million in goodwill and ¥2,165 million in customer relationship resulting from yen depreciation, despite the progress of amortization in foreign currencies.

Investments and other assets decreased by ¥5,278 million compared to the fiscal year ended September 30, 2021 to ¥13,616 million due mainly to sale of investment securities.

(Current liabilities)

Current liabilities increased by ¥1,727 million compared to the fiscal year ended September 30, 2021 to ¥13,331 million, due largely to an increase in notes and accounts payable - trade by ¥1,211 million.

(Non-current liabilities)

Non-current liabilities decreased by ¥1,835 million compared to the fiscal year ended September 30, 2021 to ¥9,204 million, due largely to a ¥1,541 million decrease in deferred tax liabilities due mainly to sale of investment securities.

(Net assets)

Compared to the fiscal year ended September 30, 2021, while retained earnings and foreign currency translation adjustment increased by ¥5,790 million and ¥10,246 million, respectively, valuation difference on available-for-sale securities decreased by ¥3,615 million. Due largely to these factors, total net assets increased by ¥12,715 million compared to the fiscal year ended September 30, 2021 to ¥111,017 million.

(3) Overview of cash flows for the fiscal year

Cash and cash equivalents ("cash") in the fiscal year ended September 30, 2022 increased by ¥8,562 million (a decrease by ¥6,497 million in the fiscal year ended September 30, 2021) compared to September 30, 2021 to ¥27,425 million.

The respective cash flow positions for the fiscal year ended September 30, 2022, and the factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥8,001 million (compared with ¥9,980 million provided for the previous fiscal year). The main factors were income taxes paid of ¥3,228 million, and loss (gain) on sale and valuation of investment securities of ¥2,230 million, and an increase in inventories of ¥1,795 million while there were profit before income taxes of ¥11,267 million and depreciation of ¥3,406 million.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥1,208 million (compared with ¥14,130 million used for the previous fiscal year). The main factors were payments into time deposits of ¥1,156 million and proceeds from withdrawal of time deposits of ¥3,934 million, and purchase of property, plant and equipment of ¥3,602 million and proceeds from sale of investment securities of ¥2,599 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,721 million (compared with ¥2,733 million used for the previous fiscal year). The main factor was dividends paid of ¥2,548 million.

(Reference) Trends in cash flow indicators

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Equity ratio (%)	79.2	81.1	81.1	82.9
Market value equity ratio (%)	72.6	77.3	90.7	92.4
Ratio of cash flow to interest-bearing debt (%)	0.00	1.63	3.31	3.86
Interest coverage ratio (times)	13,905.7	2,059.7	1,109.2	1,826.6

Equity ratio	:	Equity / Total assets
Market value equity ratio	:	Market capitalization / Total assets
Ratio of cash flow to interest-bearing debt	:	Interest-bearing debt / Cash flow
Interest coverage ratio	:	Cash flow / Interest payments

- Notes:
1. All indicators are calculated using consolidated financial data.
 2. Market capitalization is based on number of shares issued excluding treasury shares.
 3. Operating cash flow is used for cash flow.
 4. Interest-bearing debt includes all liabilities on the consolidated balance sheets on which interest is being paid. Interest payments are equal to interest paid as stated in the consolidated statements of cash flows.

(4) Future outlook

The outlook for the Japanese economy is expected to remain uncertain fueled by concerns regarding the prolonged Ukraine situation, soaring raw material prices and resource prices, the sharp trajectory of a weaker Japanese yen, and rising commodity prices with no end in sight to the COVID-19 pandemic.

The flavor and fragrance industry is also anticipated to remain in a severe situation due to further intensifying competition among companies for market share, increasing demand for quality assurance, and other factors.

Under this situation, with the declared commitment to building on a solid foundation of technology, the Group will conduct distinctive and differentiated product development by further improving research and technology development capabilities, and strive to reduce cost through an increase in productivity and promotion of streamlining of all aspects of operations.

Moreover, in order to flexibly respond to the changes in the business environment and unforeseen circumstances and seek future growth of the Group, it is essential to further strengthen the global expansion while working to increase the share in the Japanese market where maturation is progressing in step with the falling birthrate and the aging population. The Group will efficiently invest managerial resources into the USA as our priority region as well as the Asian region, centering on China and Southeast Asia, to accurately capture the growth potential of the markets, consumer palatability, etc. and plan and promote a business strategy in line with changes in the business environment. In addition, the Group will implement investments to achieve sustainable growth into the future, aiming to enhance the business performance in overseas markets.

The Group plans to achieve consolidated net sales at ¥66,000 million (up 5.8% year on year), operating profit at ¥7,000 million (down 13.1% year on year), ordinary profit at ¥7,450 million (down 17.9% year on year), and profit attributable to owners of parent at ¥6,170 million (down 22.9% year on year) for the fiscal year ending September 30, 2023.

(5) Basic policy on profit distribution and dividends for the fiscal year and next fiscal year

The Company has the basic policy of paying dividends of surplus twice a year, interim dividend and year-end dividend, targeting the payout ratio of 35% on a consolidated basis, to return profit to shareholders based on its business performance, while securing internal reserves necessary for further strengthening of the Group's management base and future business expansion.

The Company stipulates in the Articles of Incorporation that dividends of surplus, etc. may be paid by a resolution of the Board of Directors in accordance with the provision of Article 459, paragraph (1) of the Companies Act, and the Board of Directors is the decision-making body for dividends of surplus.

With regard to the dividend for the fiscal year ended September 30, 2022, the Company decided to pay an annual dividend of ¥61 per share (of which, interim dividend of ¥29). As a result, the payout ratio on a consolidated basis for the fiscal year ended September 30, 2022 is 31.3%.

Internal reserves will be used for capital expenditures and effective investments to implement the globalization strategy.

Dividends of surplus for the fiscal year are as follows.

Date of resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at a Board of Directors meeting held on May 11, 2022	1,193	29
Resolution at a Board of Directors meeting held on November 11, 2022	1,316	32

With regard to the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥61 per share (of which, interim dividend of ¥30).

(6) Accident at Itakura Facility

On September 15, 2022, a serious accident occurred at the Itakura Facility of the Company's Fukaya Production Center, resulting in the death of an employee and injuries of two other employees. The Company deeply regrets that such an accident occurred. The Company sincerely prays for the repose of the soul of the deceased employee and hopes for the speedy recovery of the injured employees. The Company would also like to express its deepest apologies for any inconvenience and concern caused to the authorities concerned, its shareholders, its customers, and many others.

In response to the accident, the Company established an Accident Investigation Committee, which worked to investigate the causes of the accident and formulate measures to prevent its recurrence. Details of the investigation into the cause of the accident by the Accident Investigation Committee and its recommendations for measures to prevent recurrence were announced on November 11, 2022 as "An Accident Resulting in the Death of an Employee of Our Company (Causes of accident, measures to prevent recurrence, and operating status)".

The Company takes the accident, which caused human casualties, very seriously, and to prevent recurrence of such an accident from happening again, the Company will promote activities to steadily implement the measures recommended by the Accident Investigation Committee, and to establish an effective management system.

2. Basic concept regarding selection of accounting standards

The Group plans to continue using the Japanese GAAP to prepare its consolidated financial statements for the time being, as they facilitate comparison with previous consolidated financial statements and with other companies. The Group's policy on applying the International Financial Reporting Standards (IFRS) is to take action as appropriate based on considerations of various conditions in Japan and overseas.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	19,037	20,351
Notes and accounts receivable - trade	17,063	—
Notes receivable - trade	—	2,444
Accounts receivable - trade	—	16,277
Securities	3,999	8,999
Merchandise and finished goods	7,516	7,750
Work in process	120	78
Raw materials and supplies	6,444	9,013
Other	1,077	1,099
Allowance for doubtful accounts	(17)	(26)
Total current assets	55,242	65,989
Non-current assets		
Property, plant and equipment		
Buildings and structures	40,402	45,747
Accumulated depreciation	(24,425)	(26,154)
Buildings and structures, net	15,977	19,593
Machinery, equipment and vehicles	35,691	37,501
Accumulated depreciation	(31,542)	(32,595)
Machinery, equipment and vehicles, net	4,148	4,905
Tools, furniture and fixtures	7,784	8,380
Accumulated depreciation	(6,711)	(7,220)
Tools, furniture and fixtures, net	1,072	1,159
Land	6,829	7,396
Construction in progress	2,067	696
Total property, plant and equipment	30,094	33,752
Intangible assets		
Goodwill	6,043	6,815
Customer relationship	9,711	11,877
Other	958	1,502
Total intangible assets	16,713	20,194
Investments and other assets		
Investment securities	17,930	12,589
Deferred tax assets	575	619
Retirement benefit asset	21	18
Other	422	420
Allowance for doubtful accounts	(55)	(30)
Total investments and other assets	18,894	13,616
Total non-current assets	65,703	67,563
Total assets	120,945	133,553

(Millions of yen)

	As of September 30, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,000	6,211
Income taxes payable	1,653	1,694
Provision for bonuses	1,550	1,632
Provision for bonuses for directors (and other officers)	59	74
Other	3,340	3,718
Total current liabilities	11,604	13,331
Non-current liabilities		
Deferred tax liabilities	2,643	1,101
Retirement benefit liability	7,314	7,442
Asset retirement obligations	63	69
Long-term accounts payable - other	629	212
Other	388	378
Total non-current liabilities	11,040	9,204
Total liabilities	22,644	22,536
Net assets		
Shareholders' equity		
Share capital	5,364	5,364
Capital surplus	7,305	7,513
Retained earnings	76,107	81,898
Treasury shares	(2,630)	(2,555)
Total shareholders' equity	86,147	92,220
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,272	6,657
Foreign currency translation adjustment	1,852	12,098
Remeasurements of defined benefit plans	(221)	(199)
Total accumulated other comprehensive income	11,903	18,556
Share acquisition rights	250	239
Total net assets	98,301	111,017
Total liabilities and net assets	120,945	133,553

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

Consolidated statements of income

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Net sales	55,755	62,398
Cost of sales	33,106	36,776
Gross profit	22,648	25,622
Selling, general and administrative expenses		
Packing and transportation costs	1,061	1,261
Salaries and allowances	6,477	7,119
Provision for bonuses	1,010	1,046
Provision for bonuses for directors (and other officers)	59	74
Retirement benefit expenses	549	574
Welfare expenses	1,304	1,474
Depreciation	1,172	1,423
Amortization of goodwill	572	824
Other	3,581	3,771
Total selling, general and administrative expenses	15,788	17,570
Operating profit	6,859	8,051
Non-operating income		
Interest income	117	163
Dividend income	274	256
Foreign exchange gains	147	518
Other	116	174
Total non-operating income	655	1,112
Non-operating expenses		
Interest expenses	8	7
Other	39	80
Total non-operating expenses	48	88
Ordinary profit	7,466	9,075
Extraordinary income		
Gain on sale of investment securities	2,265	2,230
Total extraordinary income	2,265	2,230
Extraordinary losses		
Loss on abandonment of non-current assets	38	38
Total extraordinary losses	38	38
Profit before income taxes	9,692	11,267
Income taxes - current	2,670	3,099
Income taxes - deferred	259	107
Total income taxes	2,929	3,207
Profit	6,763	8,060
Profit attributable to non-controlling interests	—	53
Profit attributable to owners of parent	6,763	8,007

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Profit	6,763	8,060
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,279)	(3,615)
Foreign currency translation adjustment	3,169	10,246
Remeasurements of defined benefit plans, net of tax	35	22
Total other comprehensive income	1,925	6,653
Comprehensive income	8,688	14,713
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,688	14,660
Comprehensive income attributable to non-controlling interests	—	53

(3) Consolidated statements of changes in equity

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,364	7,298	71,169	(1,820)	82,012
Cumulative effects of changes in accounting policies					
Restated balance	5,364	7,298	71,169	(1,820)	82,012
Changes during period					
Change in scope of consolidation					
Dividends of surplus			(1,825)		(1,825)
Profit attributable to owners of parent			6,763		6,763
Purchase of treasury shares				(846)	(846)
Disposal of treasury shares		6		36	43
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes in items other than shareholders' equity					
Total changes during period	—	6	4,938	(809)	4,135
Balance at end of period	5,364	7,305	76,107	(2,630)	86,147

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	11,551	(1,316)	(256)	9,978	228	92,218
Cumulative effects of changes in accounting policies						—
Restated balance	11,551	(1,316)	(256)	9,978	228	92,218
Changes during period						
Change in scope of consolidation						—
Dividends of surplus						(1,825)
Profit attributable to owners of parent						6,763
Purchase of treasury shares						(846)
Disposal of treasury shares						43
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes in items other than shareholders' equity	(1,279)	3,169	35	1,925	21	1,947
Total changes during period	(1,279)	3,169	35	1,925	21	6,082
Balance at end of period	10,272	1,852	(221)	11,903	250	98,301

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,364	7,305	76,107	(2,630)	86,147
Cumulative effects of changes in accounting policies			(1)		(1)
Restated balance	5,364	7,305	76,106	(2,630)	86,146
Changes during period					
Change in scope of consolidation			334		334
Dividends of surplus			(2,549)		(2,549)
Profit attributable to owners of parent			8,007		8,007
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		1		75	76
Change in ownership interest of parent due to transactions with non-controlling interests		206			206
Net changes in items other than shareholders' equity					—
Total changes during period	—	207	5,792	74	6,074
Balance at end of period	5,364	7,513	81,898	(2,555)	92,220

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	10,272	1,852	(221)	11,903	250	98,301
Cumulative effects of changes in accounting policies						(1)
Restated balance	10,272	1,852	(221)	11,903	250	98,299
Changes during period						
Change in scope of consolidation						334
Dividends of surplus						(2,549)
Profit attributable to owners of parent						8,007
Purchase of treasury shares						(0)
Disposal of treasury shares						76
Change in ownership interest of parent due to transactions with non-controlling interests						206
Net changes in items other than shareholders' equity	(3,615)	10,246	22	6,653	(10)	6,642
Total changes during period	(3,615)	10,246	22	6,653	(10)	12,717
Balance at end of period	6,657	12,098	(199)	18,556	239	111,017

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	9,692	11,267
Depreciation	3,186	3,406
Amortization of goodwill	572	824
Increase (decrease) in long-term accounts payable - other	(19)	(417)
Share-based payment expenses	65	65
Increase (decrease) in provision for bonuses	83	(47)
Increase (decrease) in provision for bonuses for directors (and other officers)	(14)	14
Increase (decrease) in allowance for doubtful accounts	7	(20)
Increase (decrease) in retirement benefit liability	242	154
Decrease (increase) in retirement benefit asset	(3)	3
Interest and dividend income	(391)	(420)
Interest expenses	8	7
Foreign exchange losses (gains)	(62)	(308)
Loss (gain) on sale of property, plant and equipment	(0)	7
Loss on abandonment of non-current assets	38	38
Loss (gain) on sale and valuation of investment securities	(2,265)	(2,230)
Decrease (increase) in trade receivables	(1,087)	(401)
Decrease (increase) in inventories	584	(1,795)
Increase (decrease) in trade payables	(7)	574
Increase (decrease) in accrued consumption taxes	2	(67)
Other, net	649	145
Subtotal	11,284	10,801
Interest and dividends received	398	433
Interest paid	(8)	(4)
Income taxes paid	(1,693)	(3,228)
Net cash provided by (used in) operating activities	9,980	8,001
Cash flows from investing activities		
Payments into time deposits	(3,724)	(1,156)
Proceeds from withdrawal of time deposits	3,146	3,934
Purchase of property, plant and equipment	(2,572)	(3,602)
Proceeds from sale of property, plant and equipment	1	13
Payments for retirement of property, plant and equipment	(26)	(16)
Purchase of intangible assets	(166)	(523)
Purchase of investment securities	(138)	(41)
Proceeds from sale of investment securities	2,235	2,599
Purchase of shares of subsidiaries	(12,885)	—
Net cash provided by (used in) investing activities	(14,130)	1,208

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from financing activities		
Purchase of treasury shares	(846)	(0)
Proceeds from sale of treasury shares	0	0
Repayments of lease liabilities	(61)	(103)
Dividends paid	(1,824)	(2,548)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(68)
Net cash provided by (used in) financing activities	(2,733)	(2,721)
Effect of exchange rate change on cash and cash equivalents	385	1,559
Net increase (decrease) in cash and cash equivalents	(6,497)	8,047
Cash and cash equivalents at beginning of period	25,360	18,863
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	515
Cash and cash equivalents at end of period	18,863	27,425

(5) Notes to consolidated financial statements

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

Not applicable.

(Changes in significant accounting policies for preparation of consolidated financial statements)

(Significant change in scope of consolidation)

T. HASEGAWA (SOUTHEAST ASIA) CO., LTD. and T. HASEGAWA FLAVOURS AND FRAGRANCES (TAIWAN) CO., LTD., which were non-consolidated subsidiaries, are included under the scope of consolidation during the current fiscal year, due to increased materiality.

(Changes in accounting policies)

(1) 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 fiscal year ended September 30, 2022, 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 has been 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 has been 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 are 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 fiscal year ended September 30, 2022 was added to or deducted from the opening balance of retained earnings of the fiscal year ended September 30, 2022, 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 fiscal year, 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 fiscal year 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 fiscal year.

As a result, the opening balance of retained earnings of the fiscal year decreased by ¥1 million. The effect on the consolidated financial statements for the fiscal year ended September 30, 2022 was immaterial.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of September 30, 2021 has been included in "Notes receivable - trade" and "Accounts receivable - trade" under current assets from the consolidated balance sheet as of September 30, 2022.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers for the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(2) 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 fiscal year ended September 30, 2022, 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 consolidated financial statements.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Group are components of the Group for which discrete financial information is available and regularly reviewed by the Board of Directors of the Company to make decisions about allocation of managerial resources and to assess their performance.

The Group manufactures and sells various fragrances and flavors. Local corporations in China, Malaysia, and the USA are in charge of their manufacturing and sales, and local corporations in Indonesia, Thailand, and Taiwan are in charge of their sales. The Company is responsible for all other countries and Japan. The local corporations are independent operation units, and based on the global strategy formulated by the Company, they draft a strategic plan for the respective region and carry out business activities. Accordingly, the Group consists of segments by the location of each company that is based on manufacturing and sales structures, and there are three reporting segments, Japan, Asia, and the USA. 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 during the current fiscal year, those two companies are included in the reportable segment “Asia.”

2. Calculation method of net sales, profit or loss, assets, and other items for each reportable segment

The methods of accounting for reporting segments are in accordance with the accounting policies adopted to prepare the consolidated financial statements.

Profit of each reportable segment is an amount based on operating profit. Inter-segment sales or transfers are based on current market prices.

As described in “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations beginning with the consolidated financial statements for the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segment. The effect of this change on the consolidated financial statements for the current fiscal year is immaterial.

Segment information for the previous fiscal year is calculated based on the accounting standard before the change.

3. Information on net sales, profit or loss, assets, and other items for each reportable segment and information on disaggregation of revenue

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(Millions of yen)

	Reportable segment				Adjustment (Note 1) (Note 2)	Amount recorded on the consolidated financial statements (Note 3)
	Japan	Asia	USA	Total		
Net sales						
Sales to external customers	36,710	9,863	9,181	55,755	–	55,755
Inter-segment sales or transfers	660	155	105	921	(921)	–
Total	37,370	10,018	9,287	56,676	(921)	55,755
Segment profit	3,930	2,218	662	6,810	48	6,859
Segment assets	106,574	20,809	24,669	152,053	(31,107)	120,945
Other items						
Depreciation	1,921	575	689	3,186	–	3,186
Interest income	37	116	1	155	(37)	117
Interest expenses	1	6	3	11	(2)	8
Increase in property, plant and equipment and intangible assets	1,521	436	809	2,767	–	2,767

- Notes:
1. The adjustments on segment profit of ¥48 million include ¥57 million of inter-segment transactions, negative ¥4 million of adjustments for inventories related to inter-segment transactions, and negative ¥3 million for others.
 2. The adjustments for segment assets of negative ¥31,107 million include negative ¥30,949 million of adjustments for inter-segment transaction and corporate assets, and negative ¥158 million of inventories related to inter-segment transactions, and ¥0 million for others.
 3. Segment profit is adjusted to operating profit in the consolidated financial statements.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

	Reportable segment				Adjustment (Note 1) (Note 2)	Amount recorded on the consolidated financial statements (Note 3)
	Japan	Asia	USA	Total		
Net sales						
Flavor and fragrance business (Note 4)	36,748	13,501	12,148	62,398	—	62,398
Revenue from contracts with customers	36,748	13,501	12,148	62,398	—	62,398
Sales to external customers	36,748	13,501	12,148	62,398	—	62,398
Inter-segment sales or transfers	2,434	196	118	2,749	(2,749)	—
Total	39,183	13,697	12,267	65,147	(2,749)	62,398
Segment profit	5,164	2,431	511	8,107	(55)	8,051
Segment assets	108,376	25,666	32,045	166,088	(32,535)	133,553
Other items						
Depreciation	1,722	716	967	3,406	—	3,406
Interest income	41	161	0	204	(41)	163
Interest expenses	2	6	10	19	(11)	7
Increase in property, plant and equipment and intangible assets	1,636	651	2,017	4,306	—	4,306

- Notes: 1. The adjustments on segment profit of negative ¥55 million include ¥80 million of inter-segment transactions, negative ¥131 million of adjustments for inventories related to inter-segment transactions, and negative ¥3 million for others.
2. The adjustments for segment assets of negative ¥32,535 million include negative ¥32,238 million of adjustments for inter-segment transaction and corporate assets, and negative ¥296 million of inventories related to inter-segment transactions, and ¥0 million for others.
3. Segment profit is adjusted to operating profit in the consolidated financial statements.
4. 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.

[Related information]

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

1. Information for each product or service

(Millions of yen)			
	Fragrance	Flavor	Total
Sales to external customers	7,640	48,115	55,755

2. Information for each region

(1) Net sales

(Millions of yen)				
Japan	Asian region	North American region	Others	Total
32,671	13,869	8,597	616	55,755

Note: Net sales are classified by country or region based on customers' location.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	USA	Others	Total
19,018	7,147	3,928	—	30,094

Note: Property, plant and equipment are classified by country or region based on their location.

3. Information for each of main customers

Not applicable.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

1. Information for each product or service

(Millions of yen)

	Fragrance	Flavor	Total
Sales to external customers	8,039	54,359	62,398

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	Asian region	North American region	Others	Total
33,787	16,488	11,221	901	62,398

Note: Net sales are classified by country or region based on customers' location.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	USA	Others	Total
18,474	8,365	6,911	—	33,752

Note: Property, plant and equipment are classified by country or region based on their location.

3. Information for each of main customers

Not applicable.

[Information on impairment losses on non-current assets for each reportable segment]

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

Not applicable.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

Not applicable.

[Information on amortization and unamortized balance of goodwill for each reportable segment]

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(Millions of yen)

	Japan	Asia	USA	Others	Total
Amortization in the fiscal year	—	137	434	—	572
Unamortized balance at end of the fiscal year	—	459	5,583	—	6,043

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Millions of yen)

	Japan	Asia	USA	Others	Total
Amortization in the fiscal year	—	152	671	—	824
Unamortized balance at end of the fiscal year	—	371	6,443	—	6,815

[Information about gain on bargain purchase for each reportable segment]

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

Not applicable.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

Not applicable.

(Per share information)

(Yen)

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)	Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)
Net assets per share 2,385.69	Net assets per share 2,692.34
Earnings per share 163.63	Earnings per share 194.65
Diluted earnings per share 163.00	Diluted earnings per share 193.97

Note: Basis for calculation of earnings per share and diluted earnings per share is as follows.

	Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)	Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	6,763	8,007
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common shares (Millions of yen)	6,763	8,007
Average number of shares during the period (Shares)	41,335,042	41,134,938
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common shares (Shares)	159,593	144,390
[Of the above, share acquisition rights (Shares)]	[159,593]	[144,390]

(Significant subsequent event)

Not applicable.