

Translation

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

February 9, 2024

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, 2024
 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, 2023 (from October 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended December 31, 2023	16,413	5.8	1,828	19.3	1,854	29.2	1,331	27.9
Three months ended December 31, 2022	15,515	8.5	1,532	(5.1)	1,435	(18.3)	1,041	(14.5)

Note: Comprehensive income Three months ended December 31, 2023 ¥(1,069) million [-%]

Three months ended December 31, 2022 ¥(2,502) million [-%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended December 31, 2023	32.35	32.22
Three months ended December 31, 2022	25.30	25.22

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	135,395	113,987	84.0
As of September 30, 2023	139,125	116,319	83.4

Reference: Equity As of December 31, 2023 ¥113,679 million

As of September 30, 2023 ¥116,024 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, 2023	–	30.00	–	31.00	61.00
Year ending September 30, 2024	–				
Year ending September 30, 2024 (Forecast)		31.00	–	31.00	62.00

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

3. Forecast of consolidated financial results for the year ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

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	66,500	2.5	8,300	10.6	8,800	7.5	6,750	1.2	164.05

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, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No

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

Note: For details, please refer to “Application of special accounting methods for preparing quarterly consolidated financial statements” under “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes to quarterly consolidated financial statements” on page 8 of the Attached Material.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of December 31, 2023	42,708,154 shares	As of September 30, 2023	42,708,154 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	1,562,888 shares	As of September 30, 2023	1,562,828 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, 2023	41,145,311 shares	Three months ended December 31, 2022	41,145,380 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 the forecast of financial results, and other special matters

The forward-looking statements, including the earnings forecast, 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 results forecast and cautions concerning the use thereof, please refer to “1. Qualitative information on financial results for the period, (3) Explanation of consolidated financial results forecast and other forward-looking statements” on page 3 of the Attached Material.

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1. Qualitative information on financial results for the period

(1) Explanation of operating results

The Japanese economy in the three months ended December 31, 2023 showed signs of a gradual recovery, with improvements in employment and income amid the continued normalization of social and economic activities. On the other hand, the outlook for the economy remained uncertain amid concerns over the impacts on domestic and overseas economic activities of developments in the international situation, soaring raw material and resource prices, rising commodity prices, strong fluctuations in foreign exchange rates, etc.

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.

In this environment, giving primary consideration to quality control of products and securing of safety, the Group worked to further improve research and technology development capabilities and focused on development of the Company's unique high quality and high value-added products.

In the three months ended December 31, 2023, net sales increased by ¥898 million (5.8%) year on year, amounting to ¥16,413 million. 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 increased by 20.0% year on year (up 14.9% on a local currency basis), those of subsidiaries in China decreased by 4.6% year on year (down 7.3% on a local currency basis), and those of subsidiaries in Malaysia increased by 3.0% year on year (up 1.3% on a local currency basis).

By division, net sales of the Flavor Division increased by 8.7% year on year, amounting to ¥14,458 million, due mainly to increased net sales of the Company on a non-consolidated basis, and increased net sales of subsidiaries in the USA.

Net sales of the Fragrance Division decreased by 11.8% year on year, amounting to ¥1,955 million due mainly to decreases in non-consolidated sales of the Company and net sales of subsidiaries in China.

As for profit, operating profit increased by ¥296 million (19.3%) year on year to ¥1,828 million due largely to higher sales and improved cost-of-sales ratio. Ordinary profit increased by ¥419 million (29.2%) year on year to ¥1,854 million due largely to an increase in operating profit and a decrease in foreign exchange losses. As a result, profit attributable to owners of parent increased by ¥289 million (27.9%) year on year to ¥1,331 million.

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

1 USD=147.89 JPY (141.59 JPY in the same period of the previous fiscal year, 4.4% yen depreciation YoY)

1 RMB=20.44 JPY (19.87 JPY in the same period of the previous fiscal year, 2.9% yen depreciation YoY)

1 RM=31.50 JPY (30.98 JPY in the same period of the previous fiscal year, 1.7% yen depreciation YoY)

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

(Japan)

Net sales were ¥9,980 million (up 4.9% year on year), and segment profit was ¥1,101 million (up 3.0% year on year).

(Asia)

Net sales were ¥3,737 million (down 1.8% year on year), and segment profit was ¥799 million (up 9.5% year on year).

(USA)

Net sales were ¥3,531 million (up 21.3% year on year), and segment loss was ¥65 million (segment loss of ¥294 million in the same period of the previous fiscal year).

(2) Explanation of financial position

(Current assets)

Current assets decreased by ¥1,318 million compared to the end of the fiscal year ended September 30, 2023 to ¥69,347 million due largely to an increase in securities by ¥5,999 million and decreases in cash and deposits and notes and accounts receivable - trade by ¥6,282 million and ¥948 million, respectively, compared to the end of the fiscal year ended September 30, 2023.

(Non-current assets)

Non-current assets decreased by ¥2,411 million compared to the end of the fiscal year ended September 30, 2023 to ¥66,048 million due largely to decreases in property, plant and equipment, goodwill, customer relationship included in intangible assets, and investment securities by ¥624 million, ¥541 million, ¥767 million, and ¥468 million respectively, compared to the end of the fiscal year ended September 30, 2023.

(Current liabilities)

Current liabilities decreased by ¥714 million compared to the end of the fiscal year ended September 30, 2023 to ¥11,414 million due largely to an increase in accounts payable - trade by ¥363 million and a decrease of ¥1,044 million in provision for bonuses, compared to the end of the fiscal year ended September 30, 2023.

(Non-current liabilities)

Non-current liabilities decreased by ¥682 million to ¥9,994 million compared to the end of the fiscal year ended September 30, 2023 due largely to a decrease in deferred tax liabilities by ¥602 million.

(Net assets)

Total net assets decreased by ¥2,332 million compared to the end of the fiscal year ended September 30, 2023 to ¥113,987 million due largely to a decrease in foreign currency translation adjustment by ¥2,090 million.

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

1 USD=141.83 JPY (149.58 JPY at the end of the previous fiscal year, 5.2% yen appreciation YoY)

1 RMB=19.93 JPY (20.46 JPY at the end of the previous fiscal year, 2.6% yen appreciation YoY)

1 RM=30.86 JPY (31.88 JPY at the end of the previous fiscal year, 3.2% yen appreciation YoY)

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

No revisions have been made to the consolidated financial results forecast announced on November 10, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	25,699	19,417
Notes and accounts receivable - trade	19,863	18,915
Securities	7,000	12,999
Merchandise and finished goods	8,045	8,070
Work in process	115	38
Raw materials and supplies	8,689	8,901
Other	1,273	1,025
Allowance for doubtful accounts	(22)	(21)
Total current assets	70,665	69,347
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,042	19,406
Other, net	15,271	15,284
Total property, plant and equipment	35,314	34,690
Intangible assets		
Goodwill	6,060	5,518
Other	13,564	12,776
Total intangible assets	19,624	18,294
Investments and other assets		
Investment securities	12,414	11,946
Retirement benefit asset	18	18
Other	1,113	1,125
Allowance for doubtful accounts	(24)	(26)
Total investments and other assets	13,521	13,063
Total non-current assets	68,460	66,048
Total assets	139,125	135,395
Liabilities		
Current liabilities		
Accounts payable - trade	5,425	5,788
Income taxes payable	819	712
Provision for bonuses	1,630	585
Provision for bonuses for directors (and other officers)	70	-
Other	4,184	4,328
Total current liabilities	12,129	11,414
Non-current liabilities		
Deferred tax liabilities	1,354	752
Retirement benefit liability	7,516	7,492
Asset retirement obligations	69	69
Long-term accounts payable - other	195	190
Other	1,541	1,489
Total non-current liabilities	10,677	9,994
Total liabilities	22,806	21,408

(Millions of yen)

	As of September 30, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	5,364	5,364
Capital surplus	7,513	7,513
Retained earnings	86,019	86,074
Treasury shares	(2,556)	(2,556)
Total shareholders' equity	96,341	96,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,554	6,229
Foreign currency translation adjustment	13,352	11,261
Remeasurements of defined benefit plans	(223)	(208)
Total accumulated other comprehensive income	19,682	17,282
Share acquisition rights	295	307
Total net assets	116,319	113,987
Total liabilities and net assets	139,125	135,395

(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, 2022	Three months ended December 31, 2023
Net sales	15,515	16,413
Cost of sales	9,414	9,722
Gross profit	6,100	6,691
Selling, general and administrative expenses	4,568	4,862
Operating profit	1,532	1,828
Non-operating income		
Interest income	43	67
Dividend income	26	31
Other	34	38
Total non-operating income	104	136
Non-operating expenses		
Interest expenses	1	6
Foreign exchange losses	189	98
Other	9	6
Total non-operating expenses	201	110
Ordinary profit	1,435	1,854
Extraordinary losses		
Loss on abandonment of non-current assets	10	2
Total extraordinary losses	10	2
Profit before income taxes	1,425	1,852
Income taxes	383	520
Profit	1,041	1,331
Profit attributable to owners of parent	1,041	1,331

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit	1,041	1,331
Other comprehensive income		
Valuation difference on available-for-sale securities	320	(324)
Foreign currency translation adjustment	(3,876)	(2,090)
Remeasurements of defined benefit plans, net of tax	12	15
Total other comprehensive income	(3,543)	(2,400)
Comprehensive income	(2,502)	(1,069)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,502)	(1,069)
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to quarterly consolidated financial statements

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

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

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

(Calculation of income tax expense)

Tax expense is calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the first quarter ended December 31, 2023.

(Segment information, etc.)

[Segment information]

I. Three months ended December 31, 2022 (from October 1, 2022 to December 31, 2022)

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

	Reportable segment				Adjustment (Note 1)	Consolidated (Note 2)
	Japan	Asia	USA	Total		
Net sales						
Flavor and fragrance business (Note 3)	8,905	3,754	2,855	15,515	–	15,515
Revenue from contracts with customers	8,905	3,754	2,855	15,515	–	15,515
Sales to external customers	8,905	3,754	2,855	15,515	–	15,515
Inter-segment sales or transfers	613	53	55	721	(721)	–
Total	9,518	3,807	2,910	16,236	(721)	15,515
Segment profit or loss	1,069	730	(294)	1,505	26	1,532

- Notes: 1. The adjustments on segment profit or loss of ¥26 million include ¥18 million of adjustments for intra-group transactions related to inter-segment transactions, ¥8 million of adjustments for inventories, and negative ¥0 million for others.
2. Segment profit or loss is adjusted to operating profit in the consolidated statements of income (cumulative).
3. The Flavor and fragrance business is composed mainly of the manufacturing and sales of flavors and fragrances, and the net sales of the Flavor and fragrance business are composed mainly of revenue from goods transferred to customers at a specific point in time.

II. Three months ended December 31, 2023 (from October 1, 2023 to December 31, 2023)

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

	Reportable segment				Adjustment (Note 1)	Consolidated (Note 2)
	Japan	Asia	USA	Total		
Net sales						
Flavor and fragrance business (Note 3)	9,282	3,707	3,424	16,413	–	16,413
Revenue from contracts with customers	9,282	3,707	3,424	16,413	–	16,413
Sales to external customers	9,282	3,707	3,424	16,413	–	16,413
Inter-segment sales or transfers	697	30	107	835	(835)	–
Total	9,980	3,737	3,531	17,249	(835)	16,413
Segment profit or loss	1,101	799	(65)	1,836	(7)	1,828

- Notes: 1. The adjustments on segment profit of negative ¥7 million include ¥29 million of adjustments for intra-group transactions related to inter-segment transactions, negative ¥36 million of adjustments for inventories, and negative ¥1 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.