

T. HASEGAWA CO., LTD.

Summary of Questions and Answers from the Financial Results Briefing for  
the Second Quarter of the Fiscal Year Ending September 2025

Question What discussions are being held at board and strategy meetings regarding ideal levels of cash and deposits and the equity ratio? Will cash and deposits and the equity ratio decline after capital investment peaks in the fiscal year ending September 2026? Is there any possibility of further strengthening shareholder returns as a means to achieve this?

Answer We are discussing ways to make effective use of our cash and deposits. As for the equity ratio, it is at a high level due to the small amount of borrowings, which is also a factor that increases the cost of capital. We have set the investment hurdle rate at an IRR of 8% and our policy is to aggressively pursue investments that exceed that hurdle rate. In order to enhance corporate value, focus on cost of capital, and emphasize return on capital in management, we are discussing issues such as M&A, organic growth of the Company's business, and strengthening shareholder returns.

Question Looking at the capital allocation, it seems as though there will be about 20 billion yen remaining after deducting shareholder returns and capital investments. How will this be used? Do you mainly plan to carry out M&A, and how much synergy has been achieved through past M&A?

Answer Other than shareholder returns and capital investments, we are mainly anticipating M&A. The past M&A include one in Southeast Asia and three in the United States, all of which have been successful. M&A has two objectives: to buy time for growth and to purchase synergies. In the United States, 40 years since the launch of the business in 1978, sales were approximately \$40 million USD. Since 2017, however, sales in the United States have exceeded \$100 million as a result of acquisitions worth \$33 million. We believe accelerated growth and synergies from the acquisition added \$30 million. Our approach to acquisition involves taking small- or medium-sized companies and operating them as a single entity. At any given time, we have a list of dozens of companies and conduct one-on-one negotiations. We will continue to pursue M&A in this manner.

Question With regard to the overseas business environment, the cumulative sales of your Chinese subsidiaries in the second quarter on a local currency basis increased 12% year on year, which is very strong. What is the background of this strong performance and how can it be sustained in the future?

Answer Although the Chinese economy is showing signs of a downturn, flavors and fragrances tend to be relatively unaffected by said downturns because they are

raw materials used in household items and food products. In addition, personal income and consumption are growing from coastal areas to inward areas, and demand for flavors and fragrances is expected to grow. In this environment, sales increased mainly due to strong performance in the flavor business, especially for beverages. Operating profit increased by 30.5%, a significant increase, mainly due to a significant improvement in the cost of sales ratio (from 53.9% to 50.8%) due to changes in the product mix. We believe this trend will continue.

**Question** In the United States, excluding the newly consolidated ABELEI, sales and profit decreased in the first quarter and increased in the second quarter. What is the current business environment and the outlook for the third quarter and beyond?

**Answer** As ABELEI is still in its first year since being acquired, various special factors are in effect. Excluding these factors, the order pattern in the United States was sluggish from October to December (1Q), but returned to normal from January to March (2Q), and the operating loss recovered from 500 million yen to 300 million yen. This trend is expected to continue and full-year results excluding ABELEI are expected to proceed as planned.

**Question** There was mention that the number of high-margin products at the Malaysian subsidiary has increased. What kind of products increased specifically?

**Answer** At the Malaysian base, in the past there was a high proportion of low-price seasoning powder used, but over the past several years we have been working to propose liquid compound flavors with higher added value. The results of these efforts have resulted in higher profit margins.

**Question** With regard to the Japanese business environment, there was mention that the cost of raw materials is going up. What factors other than the weak yen are contributing to this? Also, please talk about the cost of raw materials moving forward.

**Answer** Raw material costs rose 5% from the same period last year, contributing to a decline in profit. Of this 5%, 2.9% was due to the weak yen, and 2.1% was due to other factors, which is affected by the rise in prices of natural raw materials such as coffee. The Company uses the averaging method to value our inventories, there is a gradual rise and fall as opposed to an immediate reaction to temporary fluctuations. Therefore, we do not expect any drastic changes in the outlook for the impact on operating profit.