

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended June 30, 2024 (Based on Japanese GAAP)

August 5, 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 commence dividend payments: –
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended June 30, 2024 (from October 1, 2023 to June 30, 2024)

(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, 2024	52,705	9.4	7,493	26.0	8,003	25.1	5,617	4.9
Nine months ended June 30, 2023	48,165	5.2	5,945	(4.6)	6,397	(8.6)	5,355	(18.1)

Note: Comprehensive income
 Nine months ended June 30, 2024 ¥9,854 million [99.1%]
 Nine months ended June 30, 2023 ¥4,950 million [(57.2)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended June 30, 2024	136.53	135.95
Nine months ended June 30, 2023	130.16	129.68

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	146,854	123,671	84.0
As of September 30, 2023	139,125	116,319	83.4

Reference: Equity
 As of June 30, 2024 ¥123,327 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	–	31.00	–		
Year ending September 30, 2024 (Forecast)				39.00	70.00

Note: Revision of cash dividend forecast most recently announced: Yes

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	71,300	9.9	9,560	27.3	10,000	22.2	7,350	10.2	178.64

Note: Revision of consolidated financial results forecast most recently announced: Yes

4. Notes

(1) Significant changes in the scope of consolidation during the nine months ended June 30, 2024 No

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

Note: For details, please refer to “Notes to 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 June 30, 2024	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 June 30, 2024	1,562,948 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)

Nine months ended June 30, 2024	41,145,272 shares	Nine months ended June 30, 2023	41,145,361 shares
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* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: No

* Proper use of the forecast of financial results, and other special matters

(Caution regarding forward-looking statements and others)

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. Overview of operating results and others, (3) Explanation of consolidated financial results forecast and other forward-looking statements” on page 3 of the Attached Material.

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1. Overview of operating results and others

(1) Overview of operating results during the period

The Japanese economy in the nine months ended June 30, 2024 showed signs of a gradual recovery, with the improvements in employment and income. On the other hand, the outlook for the economy remained uncertain amid continuing concerns over the impacts on domestic and overseas economic activities of the international situation, soaring raw material and resource prices, rising commodity prices, and 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 nine months ended June 30, 2024, net sales increased by ¥4,540 million (9.4%) year on year, amounting to ¥52,705 million. The Company's non-consolidated net sales increased by 5.0% year on year. As for net sales of major overseas consolidated subsidiaries, net sales of a subsidiary in the USA increased by 20.0% year on year (up 9.1% on a local currency basis), those of subsidiaries in China increased by 10.6% year on year (up 3.9% on a local currency basis), and those of a subsidiary in Malaysia increased by 23.5% year on year (up 17.8% on a local currency basis).

By division, net sales of the Flavor Division increased by 10.8% year on year, amounting to ¥46,683 million, due mainly to increased net sales of a subsidiary in the USA, the Company on a non-consolidated basis and subsidiaries in China.

Net sales of the Fragrance Division decreased by 0.4% year on year, amounting to ¥6,021 million due mainly to decreases in non-consolidated sales of the Company and net sales of subsidiaries in China.

As for profit, although selling, general and administrative expenses increased in line with an increase in personnel expenses, operating profit increased by ¥1,548 million (26.0%) year on year to ¥7,493 million due largely to an increase in gross profit resulting from higher sales and improved cost-of-sales ratio. Ordinary profit increased by ¥1,606 million (25.1%) year on year to ¥8,003 million due largely to increases in operating profit and foreign exchange gains. Profit attributable to owners of parent increased by ¥261 million (4.9%) year on year to ¥5,617 million, due mainly to an increase in ordinary profit, despite a decrease in extraordinary income resulting from a decrease in gain on sale of investment securities.

Furthermore, the yen exchange rates for major currencies (average rate for the period) applied for translation in the statements of income for the nine months ended June 30, 2024 are as follows.

1 USD=150.79 JPY (137.10 JPY in the same period of the previous fiscal year, 10.0% yen depreciation YoY)

1 RMB=20.85 JPY (19.59 JPY in the same period of the previous fiscal year, 6.4% yen depreciation YoY)

1 RM=31.98 JPY (30.52 JPY in the same period of the previous fiscal year, 4.8% yen depreciation YoY)

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

(Japan)

Net sales were ¥31,287 million (up 5.0% year on year), and segment profit was ¥4,193 million (up 7.2% year on year).

(Asia)

Net sales were ¥12,398 million (up 13.1% year on year), and segment profit was ¥2,992 million (up 36.2% year on year).

(USA)

Net sales were ¥11,385 million (up 20.4% year on year), and segment profit was ¥235 million (segment loss of ¥202 million in the same period of the previous fiscal year).

(2) Overview of financial position during the period

(Current assets)

Current assets increased by ¥6,049 million compared to the end of the fiscal year ended September 30, 2023 to ¥76,714 million due largely to increases in notes and accounts receivable - trade, securities, and merchandise and finished goods of ¥2,238 million, ¥6,998 million, and ¥554 million, respectively.

(Non-current assets)

Non-current assets increased by ¥1,679 million compared to the end of the fiscal year ended September 30, 2023 to ¥70,140 million due largely to an increase in buildings and structures of ¥1,358 million.

(Current liabilities)

Current liabilities increased by ¥570 million compared to the end of the fiscal year ended September 30, 2023 to ¥12,699 million due largely to increases in accounts payable - trade, and income taxes payable of ¥1,058 million and ¥135 million, respectively, and a decrease of ¥721 million in provision for bonuses.

(Non-current liabilities)

Non-current liabilities decreased by ¥194 million to ¥10,483 million compared to the end of the fiscal year ended September 30, 2023 due largely to a decrease in deferred tax liabilities of ¥124 million.

(Net assets)

Net assets increased by ¥7,352 million compared to the end of the fiscal year ended September 30, 2023 to ¥123,671 million due largely to increases in retained earnings and foreign currency translation adjustment of ¥3,066 million and ¥4,119 million, respectively.

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 nine months ended June 30, 2024 are as follows.

1 USD=161.07 JPY (144.99 JPY at the end of the previous fiscal year, 11.1% yen depreciation YoY)

1 RMB=22.04 JPY (19.94 JPY at the end of the previous fiscal year, 10.5% yen depreciation YoY)

1 RM=34.17 JPY (30.96 JPY at the end of the previous fiscal year, 10.4% yen depreciation YoY)

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

Revisions have been made to the consolidated financial results forecast announced on November 10, 2023. For details, please refer to “Notice Concerning Revision of Full-Year Earnings Forecast and Dividend Forecast” released today (August 5, 2024).

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	25,699	22,096
Notes and accounts receivable - trade	19,863	22,102
Securities	7,000	13,998
Merchandise and finished goods	8,045	8,600
Work in process	115	153
Raw materials and supplies	8,689	8,569
Other	1,273	1,219
Allowance for doubtful accounts	(22)	(25)
Total current assets	70,665	76,714
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,042	21,401
Other, net	15,271	15,020
Total property, plant and equipment	35,314	36,422
Intangible assets		
Goodwill	6,060	5,737
Other	13,564	14,245
Total intangible assets	19,624	19,982
Investments and other assets		
Investment securities	12,414	12,533
Retirement benefit asset	18	18
Other	1,113	1,208
Allowance for doubtful accounts	(24)	(25)
Total investments and other assets	13,521	13,734
Total non-current assets	68,460	70,140
Total assets	139,125	146,854
Liabilities		
Current liabilities		
Accounts payable - trade	5,425	6,484
Income taxes payable	819	955
Provision for bonuses	1,630	908
Provision for bonuses for directors (and other officers)	70	–
Other	4,184	4,352
Total current liabilities	12,129	12,699
Non-current liabilities		
Deferred tax liabilities	1,354	1,230
Retirement benefit liability	7,516	7,497
Asset retirement obligations	69	69
Long-term accounts payable - other	195	182
Other	1,541	1,503
Total non-current liabilities	10,677	10,483
Total liabilities	22,806	23,182

(Millions of yen)

	As of September 30, 2023	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	5,364	5,364
Capital surplus	7,513	7,513
Retained earnings	86,019	89,085
Treasury shares	(2,556)	(2,556)
Total shareholders' equity	96,341	99,407
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,554	6,626
Foreign currency translation adjustment	13,352	17,472
Remeasurements of defined benefit plans	(223)	(178)
Total accumulated other comprehensive income	19,682	23,920
Share acquisition rights	295	344
Total net assets	116,319	123,671
Total liabilities and net assets	139,125	146,854

(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, 2023	Nine months ended June 30, 2024
Net sales	48,165	52,705
Cost of sales	28,845	30,632
Gross profit	19,320	22,073
Selling, general and administrative expenses	13,374	14,579
Operating profit	5,945	7,493
Non-operating income		
Interest income	134	192
Dividend income	190	166
Foreign exchange gains	14	113
Other	132	78
Total non-operating income	471	550
Non-operating expenses		
Interest expenses	5	18
Other	13	21
Total non-operating expenses	18	40
Ordinary profit	6,397	8,003
Extraordinary income		
Gain on sale of investment securities	1,203	2
Total extraordinary income	1,203	2
Extraordinary losses		
Loss on abandonment of non-current assets	42	32
Total extraordinary losses	42	32
Profit before income taxes	7,557	7,974
Income taxes	2,202	2,356
Profit	5,355	5,617
Profit attributable to owners of parent	5,355	5,617

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Profit	5,355	5,617
Other comprehensive income		
Valuation difference on available-for-sale securities	(104)	72
Foreign currency translation adjustment	(317)	4,119
Remeasurements of defined benefit plans, net of tax	16	44
Total other comprehensive income	(404)	4,237
Comprehensive income	4,950	9,854
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,950	9,854
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.

(Notes to 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, 2024.

(Notes to quarterly consolidated statements of cash flows)

The Company has not prepared quarterly consolidated statements of cash flows for the nine months ended June 30, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended June 30, 2024 are as follows.

	(Millions of yen)	
	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Depreciation	2,721	2,985
Amortization of goodwill	675	736

(Notes to segment information, etc.)

[Segment information]

I. Nine months ended June 30, 2023 (from October 1, 2022 to June 30, 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)	28,003	10,822	9,339	48,165	–	48,165
Revenue from contracts with customers	28,003	10,822	9,339	48,165	–	48,165
Sales to external customers	28,003	10,822	9,339	48,165	–	48,165
Inter-segment sales or transfers	1,803	135	116	2,055	(2,055)	–
Total	29,806	10,958	9,456	50,220	(2,055)	48,165
Segment profit or loss	3,910	2,198	(202)	5,906	38	5,945

- Notes: 1. The adjustments on segment profit or loss of ¥38 million include ¥75 million of adjustments for intra-group transactions related to inter-segment transactions, negative ¥36 million of adjustments for inventories related to inter-segment transactions, and negative ¥0 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.

II. Nine months ended June 30, 2024 (from October 1, 2023 to June 30, 2024)

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)	29,235	12,264	11,206	52,705	–	52,705
Revenue from contracts with customers	29,235	12,264	11,206	52,705	–	52,705
Sales to external customers	29,235	12,264	11,206	52,705	–	52,705
Inter-segment sales or transfers	2,052	134	179	2,366	(2,366)	–
Total	31,287	12,398	11,385	55,072	(2,366)	52,705
Segment profit	4,193	2,992	235	7,421	72	7,493

- Notes: 1. The adjustments on segment profit of ¥72 million include ¥97 million of adjustments for intra-group transactions related to inter-segment transactions, negative ¥24 million of adjustments for inventories related to inter-segment transactions, and negative ¥0 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.