

T. HASEGAWA CO., LTD.

Summary of Questions and Answers from Financial Results Briefing for the Second Quarter of the Fiscal Year Ending September 2024

Question What are T. HASEGAWA's initiatives toward creating sustainable flavors and fragrances? How much progress has been made in reducing CO2 emissions, for example, by replacing existing flavors and fragrances based on natural materials?

Answer Since flavors and fragrances work to reduce the amount of natural raw materials used, we believe that these products themselves contribute to combatting the depletion of natural resources. In addition, as part of its circular economy initiatives, we are using food residues from its manufacturing plants to produce compost at an affiliate. This is then used to grow lemongrass, which in turn is used as a raw material for flavors and fragrances.

Although there is no data on whether natural or synthetic materials are more effective in reducing CO2 emissions, natural materials such as vanilla beans and citrus fruits are rising in price. We are responding to customer requests to replace these natural materials with flavors and fragrances. In the USA, there are many cases where natural raw materials are specified due to the market's strong preference for them, so we provide products in line with customer requests.

Question The Chinese economy has been stagnant. Will this affect your business performance?

Answer Flavors and fragrances are relatively unaffected because they are used in daily essentials and food products.

Question Is there any impact of the ongoing weakening of the yen on your business performance? Also, I would like to know about your forex sensitivity.

Answer Foreign exchange rates have an impact on our business performance, with weaker yen a positive driver. A one yen fluctuation in the yen/dollar exchange rate results in a change of approximately 100 million yen in consolidated net sales and approximately 4 million yen in consolidated operating profit. A one yen fluctuation in the yen/yuan exchange rate results in a change of 500 million yen in consolidated net sales and approximately 150 million yen in consolidated operating profit.

Question You mentioned that the win-rate has risen due to the promotion of solution sales. Is there a possibility that the win-rate will decrease going forward as competitors copy your methods?

Answer It is a method that has been well received by customers and could be copied. That said, it would probably take other companies about four years to develop a competitive marketing department, which is a feature of our Business Solutions Division. While we are ahead of other companies, we believe the impact on the win-rate will be negligible. In T. HASEGAWA's case, we have established a marketing department with specialists and are now having this department train employees from the sales and research departments. Although there is concern about copying, we would like to further develop new initiatives while we have a lead.

Question You mentioned that the product mix has improved in Japan, the USA, and China. I would like to know which applications are experiencing growth.

Answer In our compounded flavors and fragrances, the profit margins of liquid flavors and fragrances for beverages and other applications tends to be higher than that of other products. Therefore the increase in sales volume of liquid flavors and fragrances has led to a better product mix. We will allocate resources towards liquid flavors and fragrances, as they are a major source of earnings. Our new plant in China is also primarily for the production of liquid flavors and is expected to lead to further market share gains.

Question Please describe the specific initiatives and their effectiveness related to "thorough profit management" in the China strategy.

Answer We changed our conventional operating method, in which raw material costs and production costs for each product were not precisely managed, and now conduct profit management in detail by item. We have clarified pricing and ensured that profits can be managed in our sales activities through our sales offices and agents in China.

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