T. HASEGAWA CO., LTD.

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

Question What are the reasons behind the significant deterioration in profit margins in Japan? Is this a temporary issue?

Answer The profit margin in Japan decreased from 11.6% in the fiscal year ending September 2024 to 9.3%, a decline of approximately 2.3%. One contributing factor was a decrease in production volume and a subsequent change in the product mix due to sluggish sales related to beverages. Additionally, the disposal of inventory was a temporary factor that impacted margins. An increase in SG&A expenses was largely driven by increased personnel costs, accounting for about 70% of the increase. Our countermeasure includes a variety of initiatives, such as expanding into the commercial sector, acquiring new clients in the western Japan region, developing food ingredient alternatives, and implementing price adjustments to cope with rising raw material costs. With these measures in place, we anticipate the profit margin will recover to 10.3% in the fiscal year ending September 2026.

Question What were the causes for recording an operating loss in the U.S., and what is the outlook for future performance? Why is operating profit expected to remain at $0.1 million in the fiscal year ending September 2026 despite the absence of PMI costs?

Answer The U.S. operations experienced a 610 million yen profit decrease, resulting in a loss of 280 million yen, as the downturn in the first half could not be offset in the second half. Of the 610 million yen profit decrease, 280 million yen was due to PMI costs, 400 million yen was due to underperformance with existing customers, and there was a positive contribution of 80 million yen from ABELEI. We are addressing this situation by bolstering relationships with new and mid-tier clients, localizing Japanese technology and products, expanding synergies with ABELEI, and implementing other cost-reduction measures. As mentioned, the 280 million yen in PMI costs were one-time expenses and will not recur in the fiscal year ending September 2026. While the U.S. economy shows signs of recovery and orders are returning to normal, a complete recovery is yet to be achieved. Therefore, we conservatively plan a $0.1 million operating profit for the fiscal year ending September 2026, although there is a significant likelihood of an upside.

Question Despite an increase in revenue, why is there a forecasted decline in EBITDA in China for the fiscal year ending September 2026?

Answer EBITDA is planned to decrease as depreciation for the year ending September

2026 is planned to be less than for the year ending September 2025 and operating profit is expected to remain flat.

Question Regarding capital investment, compared to previous forecasts, the investment amount excluding the new plant in Malaysia has increased substantially. Is this due to additional investments or simply the impact of inflation?

Answer Initially, we estimated an approximate investment of 4.8 billion yen for our third plant in China. However, during the construction planning phase, Chinese authorities requested design changes, which led to an increase in investment by about 2.3 billion yen from the initial plan.

Question The cash allocation appears to show surplus funds. How do you plan to utilize it?

Answer We expect a surplus of approximately 8 billion yen over three years, and we plan to allocate these funds for additional capital investments, extra dividends, M&A activities, or share buybacks.

Question Please explain the reasons for the high profit margins in China and the sustainability outlook.

Answer Although there remains a possibility that the Chinese operations could be affected by a continued economic downturn, flavors and fragrances, as essential raw materials in food and household items, tend to be relatively unaffected by economic fluctuations. Factors contributing to high profit margins include localizing over 80% of our procurement, producing and selling locally, and strategically revising the sales mix to expand high-margin liquid compound flavors, thereby improving the cost of sales ratio. Despite rising personnel costs in China, increased sales are expected to offset these costs, leading us to anticipate continued high-margin contributions beyond the fiscal year ending September 2026.