Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2023 (Based on Japanese GAAP)

November 10, 2023

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
Inquiries: Director & Senior Executive Vice President Minoru Nakamura TEL 03-3241-1151
Scheduled date of ordinary general meeting of shareholders: December 21, 2023
Scheduled date to file Securities Report: December 22, 2023
Scheduled date to commence dividend payments: December 5, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(1) Consolidated operating results

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	%
Year ended September 30, 2023	64,874	4.0	7,507	(6.8)	8,185	(9.8)	6,671	(16.7)
Year ended September 30, 2022	62,398	11.9	8,051	17.4	9,075	21.6	8,007	18.4

Note: Comprehensive income Year ended September 30, 2023 ¥7,798 million [(47.0)%]
Year ended September 30, 2022 ¥14,713 million [69.3%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended September 30, 2023	162.16	161.54	5.9	6.0	11.6
Year ended September 30, 2022	194.65	193.97	7.7	7.1	12.9

Reference: Share of profit (loss) of entities accounted for using equity method Year ended September 30, 2023 ¥– million
Year ended September 30, 2022 ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	139,125	116,319	83.4	2,819.86
As of September 30, 2022	133,553	111,017	82.9	2,692.34

Reference: Equity As of September 30, 2023 ¥116,024 million
As of September 30, 2022 ¥110,777 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended September 30, 2023	8,012	(3,092)	(2,657)	29,957
Year ended September 30, 2022	8,001	1,208	(2,721)	27,425

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended September 30, 2022	–	29.00	–	32.00	61.00	2,509	31.3	2.4
Year ended September 30, 2023	–	30.00	–	31.00	61.00	2,509	37.6	2.2
Year ending September 30, 2024 (Forecast)	–	31.00	–	31.00	62.00		37.8	

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

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

Note: For details, please refer to “Changes in accounting policies” under “3. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements” on page 15 of the Attached Material.

(3) Number of issued shares (common shares)

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

As of September 30, 2023	42,708,154 shares	As of September 30, 2022	42,708,154 shares

Number of treasury shares at the end of the period

As of September 30, 2023	1,562,828 shares	As of September 30, 2022	1,562,744 shares

Average number of shares during the period

Year ended September 30, 2023	41,145,353 shares	Year ended September 30, 2022	41,134,938 shares

Note: For further details about the number of shares as a basis for calculation of earnings per share (consolidated), please refer to “Per share information” under “3. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements” on page 19 of the Attached Material.

Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended September 30, 2023	39,711	1.4	4,538	(11.9)	5,125	(43.0)	4,679	(46.2)
Year ended September 30, 2022	39,174	4.9	5,151	32.4	8,992	102.1	8,700	80.5

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended September 30, 2023	113.72	113.29
Year ended September 30, 2022	211.50	210.76

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	110,157	91,647	82.9	2,220.23
As of September 30, 2022	107,980	89,567	82.7	2,171.02

Reference: Equity As of September 30, 2023 ¥91,352 million
As of September 30, 2022 ¥89,327 million

2. Forecast of non-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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	40,400	1.7	4,820	6.2	9,430	84.0	8,080	72.7	196.38

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* 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, (4) Future outlook” on page 4 of the Attached Material.

(How to obtain supplementary material on financial results)

The Company plans to hold a financial results meeting for institutional investors and analysts through live streaming on Wednesday, November 22, 2023.

Materials for the financial results meeting will be disclosed on TDnet and posted on the Company’s website.

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

The Japanese economy in the fiscal year ended September 30, 2023 showed signs of moderate recovery due to the easing of behavioral restrictions as the novel coronavirus disease (COVID-19) was reclassified as a Class 5 infectious disease, and the normalizing of social and economic activities. On the other hand, the economy continued to present an uncertain outlook fueled by concerns regarding the impact on economic activities in Japan and overseas due to the situation in Ukraine becoming prolonged, soaring raw material and resource prices, and the weaker Japanese yen and other factors.

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 fiscal year ended September 30, 2023, net sales increased by ¥2,476 million (4.0%) year on year, amounting to ¥64,874 million. The Company's non-consolidated net sales increased by 1.4% year on year. As for net sales of major overseas consolidated subsidiaries, net sales of subsidiaries in the USA increased by 4.6% year on year (down 6.3% on a local currency basis) due to the impact of the weaker Japanese yen, those of subsidiaries in China increased by 8.6% year on year (up 4.6% on a local currency basis), and those of subsidiaries in Malaysia increased by 24.2% (up 16.9% on a local currency basis).

By division, net sales of the Flavor Division increased by 5.0% year on year, amounting to ¥57,075 million, due mainly to increased net sales of the Company, on a non-consolidated basis, and our subsidiaries in China, and increased net sales of U.S. subsidiaries due to the impact of the weaker Japanese yen.

Net sales of the Fragrance Division decreased by 3.0% year on year, amounting to ¥7,799 million due mainly to a decrease in non-consolidated sales of the Company.

As for profit, operating profit decreased by ¥544 million (6.8%) year on year to ¥7,507 million due largely to an increase in selling, general and administrative expenses as well as the deterioration in cost-of-sales ratio in association with increases mainly in raw material cost. Ordinary profit decreased by ¥890 million (9.8%) year on year to ¥8,185 million due largely to decreases in operating profit and in foreign exchange gains. Profit attributable to owners of parent decreased by ¥1,335 million (16.7%) year on year to ¥6,671 million due largely to decreases in ordinary profit and 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 fiscal year ended September 30, 2023 are as follows.

1 USD=138.98 JPY (124.46 JPY in the previous fiscal year, 11.7% yen depreciation YoY)

1 RMB=19.68 JPY (18.96 JPY in the previous fiscal year, 3.8% yen depreciation YoY)

1 RM=30.71 JPY (28.90 JPY in the previous fiscal year, 6.3% yen depreciation YoY)

(2) Overview of financial position for the fiscal year

(Current assets)

Current assets increased by ¥4,675 million compared to the fiscal year ended September 30, 2022 to ¥70,665 million, due largely to increases in cash and deposits, and accounts receivable - trade by ¥5,348 million and ¥1,073 million, respectively, but a decrease in securities by ¥1,999 million.

(Non-current assets)

Property, plant and equipment increased by ¥1,562 million compared to the fiscal year ended September 30, 2022 to ¥35,314 million, due largely to increases in buildings and structures, net, and construction in progress by ¥449 million and ¥1,049 million, respectively.

Intangible assets decreased by ¥570 million compared to the fiscal year ended September 30, 2022 to ¥19,624 million, mainly due to respective decreases of ¥755 million in goodwill and ¥320 million in customer relationship due to the progress of amortization, despite a total increase of ¥511 million in software and software in progress included in other.

Investments and other assets decreased by ¥94 million compared to the fiscal year ended September 30, 2022 to ¥13,521 million due mainly to sale of investment securities.

(Current liabilities)

Current liabilities decreased by ¥1,202 million compared to the fiscal year ended September 30, 2022 to ¥12,129 million, due largely to decreases in accounts payable - trade, and income taxes payable by ¥786 million and ¥874 million, respectively.

(Non-current liabilities)

Non-current liabilities increased by ¥1,473 million compared to the fiscal year ended September 30, 2022 to ¥10,677 million, due largely to increases in deferred tax liabilities, and long-term lease liabilities included in other by ¥253 million and ¥1,107 million, respectively.

(Net assets)

Total net assets increased by ¥5,301 million compared to the fiscal year ended September 30, 2022 to ¥116,319 million, due largely to increases in retained earnings and foreign currency translation adjustment by ¥4,120 million and ¥1,253 million, respectively, despite a decrease in valuation difference on available-for-sale securities by ¥103 million.

1 USD=149.58 JPY (144.81 JPY at the end of the previous fiscal year, 3.3% yen depreciation YoY)

1 RMB=20.46 JPY (20.37 JPY at the end of the previous fiscal year, 0.4% yen depreciation YoY)

1 RM=31.88 JPY (31.24 JPY at the end of the previous fiscal year, 2.0% yen depreciation YoY)

(3) Overview of cash flows for the fiscal year

Cash and cash equivalents (“cash”) in the fiscal year ended September 30, 2023 increased by ¥2,531 million (an increase by ¥8,562 million in the fiscal year ended September 30, 2022) compared to September 30, 2022 to ¥29,957 million.

The respective cash flow positions for the fiscal year ended September 30, 2023, and the factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥8,012 million (compared with ¥8,001 million provided for the previous fiscal year). The main factors were income taxes paid of ¥3,226 million, and loss (gain) on sale and valuation of investment securities of ¥1,203 million, and an increase in trade receivables of ¥1,042 million while there were profit before income taxes of ¥9,322 million and depreciation of ¥3,700 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,092 million (compared with ¥1,208 million provided for the previous fiscal year). The main factors were payments into time deposits of ¥2,283 million and proceeds from withdrawal of time deposits of ¥1,511 million, and purchase of property, plant and equipment of ¥2,805 million and proceeds from sale of investment securities of ¥1,270 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,657 million (compared with ¥2,721 million used for the previous fiscal year). The main factor was dividends paid of ¥2,552 million.

(Reference) Trends in cash flow indicators

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Equity ratio (%)	81.1	81.1	82.9	83.4
Market value equity ratio (%)	77.3	90.7	92.4	90.2
Ratio of cash flow to interest-bearing debt (%)	1.63	3.31	3.86	18.5
Interest coverage ratio (times)	2,059.7	1,109.2	1,826.6	1,153.2

Equity ratio : Equity / Total assets
Market value equity ratio : Market capitalization / Total assets
Ratio of cash flow to interest-bearing debt : Interest-bearing debt / Cash flow
Interest coverage ratio : Cash flow / Interest payments

Notes:
1. All indicators are calculated using consolidated financial data.
2. Market capitalization is based on number of shares issued excluding treasury shares.
3. Operating cash flow is used for cash flow.
4. Interest-bearing debt includes all liabilities on the consolidated balance sheets on which interest is being paid. Interest payments are equal to interest paid as stated in the consolidated statements of cash flows.

(4) Future outlook

The outlook for the Japanese economy is expected to remain uncertain fueled by concerns regarding the impact on economic activities in Japan and overseas due to trends in international affairs, soaring raw material and resource prices, significant fluctuations in exchange rates, rising commodity prices and other factors, despite expectations for an economic recovery as social and economic activities normalize.

The flavor and fragrance industry is also anticipated to remain in a severe situation due to further intensifying competition among companies for market share, increasing demand for quality assurance, and other factors.

Under this situation, with the declared commitment to building on a solid foundation of technology, the Group will conduct distinctive and differentiated product development by further improving research and technology development capabilities, and strive to reduce cost through an increase in productivity and promotion of streamlining of all aspects of operations.

Moreover, in order to seek future growth of the Group, it is essential to further strengthen the global expansion while building a resilient organization that can flexibly respond to the changes in the business environment and unforeseen circumstances and working to increase the share in the Japanese market where maturation is progressing in step with the falling birthrate and the aging population. The Group will efficiently invest managerial resources into the USA as our priority region as well as the Asian region, centering on China and Southeast Asia, to accurately capture the growth potential of the markets, consumer palatability, etc. and plan and promote a business strategy in line with changes in the business environment. In addition, the Group will implement investments to achieve sustainable growth into the future, aiming to enhance the business performance in overseas markets.

The Group plans to achieve consolidated net sales at ¥66,500 million (up 2.5% year on year), operating profit at ¥8,300 million (up 10.6% year on year), ordinary profit at ¥8,800 million (up 7.5% year on year), and profit attributable to owners of parent at ¥6,750 million (up 1.2% year on year) for the fiscal year ending September 30, 2024.

(5) Basic policy on profit distribution and dividends for the fiscal year and next fiscal year

The Company has the basic policy of paying dividends of surplus twice a year, interim dividend and year-end dividend, targeting the payout ratio of 35% on a consolidated basis, to return profit to shareholders based on its business performance, while securing internal reserves necessary for further strengthening of the Group's management base and future business expansion.

The Company stipulates in the Articles of Incorporation that dividends of surplus, etc. shall be determined by a resolution of the Board of Directors in accordance with the provision of Article 459, paragraph (1) of the Companies Act, and the Board of Directors is the decision-making body for dividends of surplus.

With regard to the dividend for the fiscal year ended September 30, 2023, the Company decided to pay an annual dividend of ¥61 per share (of which, interim dividend of ¥30). As a result, the payout ratio on a consolidated basis for the fiscal year ended September 30, 2023 is 37.6%.

Internal reserves will be used for capital expenditures and effective investments to implement the globalization strategy.

Dividends of surplus for the fiscal year are as follows.

Date of resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at a Board of Directors meeting held on May 12, 2023	1,234	30
Resolution at a Board of Directors meeting held on November 10, 2023	1,275	31

With regard to the dividend for the next fiscal year, the Company plans to pay an annual dividend of ¥62 per share (of which, interim dividend of ¥31).

2. Basic concept regarding selection of accounting standards

The Group plans to continue using the Japanese GAAP to prepare its consolidated financial statements for the time being, as they facilitate comparison with previous consolidated financial statements and with other companies. The Group's policy on applying the International Financial Reporting Standards (IFRS) is to take action as appropriate based on considerations of various conditions in Japan and overseas.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	20,351	25,699
Notes receivable - trade	2,444	2,512
Accounts receivable - trade	16,277	17,351
Securities	8,999	7,000
Merchandise and finished goods	7,750	8,045
Work in process	78	115
Raw materials and supplies	9,013	8,689
Other	1,099	1,273
Allowance for doubtful accounts	(26)	(22)
Total current assets	65,989	70,665
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,747	47,337
Accumulated depreciation	(26,154)	(27,294)
Buildings and structures, net	19,593	20,042
Machinery, equipment and vehicles	37,501	37,772
Accumulated depreciation	(32,595)	(32,875)
Machinery, equipment and vehicles, net	4,905	4,897
Tools, furniture and fixtures	8,380	8,736
Accumulated depreciation	(7,220)	(7,539)
Tools, furniture and fixtures, net	1,159	1,197
Land	7,396	7,430
Construction in progress	696	1,746
Total property, plant and equipment	33,752	35,314
Intangible assets		
Goodwill	6,815	6,060
Customer relationship	11,877	11,557
Other	1,502	2,007
Total intangible assets	20,194	19,624
Investments and other assets		
Investment securities	12,589	12,414
Deferred tax assets	619	697
Retirement benefit asset	18	18
Other	420	416
Allowance for doubtful accounts	(30)	(24)
Total investments and other assets	13,616	13,521
Total non-current assets	67,563	68,460
Total assets	133,553	139,125

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	6,211	5,425
Income taxes payable	1,694	819
Provision for bonuses	1,632	1,630
Provision for bonuses for directors (and other officers)	74	70
Other	3,718	4,184
Total current liabilities	13,331	12,129
Non-current liabilities		
Deferred tax liabilities	1,101	1,354
Retirement benefit liability	7,442	7,516
Asset retirement obligations	69	69
Long-term accounts payable - other	212	195
Other	378	1,541
Total non-current liabilities	9,204	10,677
Total liabilities	22,536	22,806
Net assets		
Shareholders' equity		
Share capital	5,364	5,364
Capital surplus	7,513	7,513
Retained earnings	81,898	86,019
Treasury shares	(2,555)	(2,556)
Total shareholders' equity	92,220	96,341
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,657	6,554
Foreign currency translation adjustment	12,098	13,352
Remeasurements of defined benefit plans	(199)	(223)
Total accumulated other comprehensive income	18,556	19,682
Share acquisition rights	239	295
Total net assets	111,017	116,319
Total liabilities and net assets	133,553	139,125

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net sales	62,398	64,874
Cost of sales	36,776	39,185
Gross profit	25,622	25,689
Selling, general and administrative expenses		
Packing and transportation costs	1,261	1,240
Salaries and allowances	7,119	7,369
Provision for bonuses	1,046	1,040
Provision for bonuses for directors (and other officers)	74	70
Retirement benefit expenses	574	614
Welfare expenses	1,474	1,541
Depreciation	1,423	1,578
Amortization of goodwill	824	912
Other	3,771	3,814
Total selling, general and administrative expenses	17,570	18,181
Operating profit	8,051	7,507
Non-operating income		
Interest income	163	204
Dividend income	256	269
Foreign exchange gains	518	85
Other	174	147
Total non-operating income	1,112	706
Non-operating expenses		
Interest expenses	7	7
Other	80	22
Total non-operating expenses	88	29
Ordinary profit	9,075	8,185
Extraordinary income		
Gain on sale of investment securities	2,230	1,203
Total extraordinary income	2,230	1,203
Extraordinary losses		
Loss on abandonment of non-current assets	38	65
Total extraordinary losses	38	65
Profit before income taxes	11,267	9,322
Income taxes - current	3,099	2,397
Income taxes - deferred	107	252
Total income taxes	3,207	2,650
Profit	8,060	6,671
Profit attributable to non-controlling interests	53	–
Profit attributable to owners of parent	8,007	6,671

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Profit	8,060	6,671
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,615)	(103)
Foreign currency translation adjustment	10,246	1,253
Remeasurements of defined benefit plans, net of tax	22	(24)
Total other comprehensive income	6,653	1,126
Comprehensive income	14,713	7,798
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,660	7,798
Comprehensive income attributable to non-controlling interests	53	–

(3) Consolidated statements of changes in equity

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,364	7,305	76,107	(2,630)	86,147
Cumulative effects of changes in accounting policies			(1)		(1)
Restated balance	5,364	7,305	76,106	(2,630)	86,146
Changes during period					
Change in scope of consolidation			334		334
Dividends of surplus			(2,549)		(2,549)
Profit attributable to owners of parent			8,007		8,007
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		1		75	76
Change in ownership interest of parent due to transactions with non-controlling interests		206			206
Net changes in items other than shareholders' equity					–
Total changes during period	–	207	5,792	74	6,074
Balance at end of period	5,364	7,513	81,898	(2,555)	92,220

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	10,272	1,852	(221)	11,903	250	98,301
Cumulative effects of changes in accounting policies						(1)
Restated balance	10,272	1,852	(221)	11,903	250	98,299
Changes during period						
Change in scope of consolidation						334
Dividends of surplus						(2,549)
Profit attributable to owners of parent						8,007
Purchase of treasury shares						(0)
Disposal of treasury shares						76
Change in ownership interest of parent due to transactions with non-controlling interests						206
Net changes in items other than shareholders' equity	(3,615)	10,246	22	6,653	(10)	6,642
Total changes during period	(3,615)	10,246	22	6,653	(10)	12,717
Balance at end of period	6,657	12,098	(199)	18,556	239	111,017

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,364	7,513	81,898	(2,555)	92,220
Cumulative effects of changes in accounting policies					–
Restated balance	5,364	7,513	81,898	(2,555)	92,220
Changes during period					
Change in scope of consolidation					–
Dividends of surplus			(2,551)		(2,551)
Profit attributable to owners of parent			6,671		6,671
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	4,120	(0)	4,120
Balance at end of period	5,364	7,513	86,019	(2,556)	96,341

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,657	12,098	(199)	18,556	239	111,017
Cumulative effects of changes in accounting policies						–
Restated balance	6,657	12,098	(199)	18,556	239	111,017
Changes during period						
Change in scope of consolidation						–
Dividends of surplus						(2,551)
Profit attributable to owners of parent						6,671
Purchase of treasury shares						(0)
Disposal of treasury shares						–
Change in ownership interest of parent due to transactions with non-controlling interests						–
Net changes in items other than shareholders' equity	(103)	1,253	(24)	1,126	55	1,181
Total changes during period	(103)	1,253	(24)	1,126	55	5,301
Balance at end of period	6,554	13,352	(223)	19,682	295	116,319

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	11,267	9,322
Depreciation	3,406	3,700
Amortization of goodwill	824	912
Increase (decrease) in long-term accounts payable - other	(417)	(17)
Share-based payment expenses	65	55
Increase (decrease) in provision for bonuses	(47)	(9)
Increase (decrease) in provision for bonuses for directors (and other officers)	14	(4)
Increase (decrease) in allowance for doubtful accounts	(20)	(9)
Increase (decrease) in retirement benefit liability	154	38
Decrease (increase) in retirement benefit asset	3	(0)
Interest and dividend income	(420)	(474)
Interest expenses	7	7
Foreign exchange losses (gains)	(308)	(35)
Loss (gain) on sale of property, plant and equipment	7	(2)
Loss on abandonment of non-current assets	38	65
Loss (gain) on sale and valuation of investment securities	(2,230)	(1,203)
Decrease (increase) in trade receivables	(401)	(1,042)
Decrease (increase) in inventories	(1,795)	67
Increase (decrease) in trade payables	574	(818)
Increase (decrease) in accrued consumption taxes	(67)	(131)
Other, net	145	419
Subtotal	10,801	10,838
Interest and dividends received	433	408
Interest paid	(4)	(6)
Income taxes paid	(3,228)	(3,226)
Net cash provided by (used in) operating activities	8,001	8,012
Cash flows from investing activities		
Payments into time deposits	(1,156)	(2,283)
Proceeds from withdrawal of time deposits	3,934	1,511
Purchase of property, plant and equipment	(3,602)	(2,805)
Proceeds from sale of property, plant and equipment	13	2
Payments for retirement of property, plant and equipment	(16)	(40)
Purchase of intangible assets	(523)	(703)
Purchase of investment securities	(41)	(44)
Proceeds from sale of investment securities	2,599	1,270
Net cash provided by (used in) investing activities	1,208	(3,092)

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	0	–
Repayments of lease liabilities	(103)	(104)
Dividends paid	(2,548)	(2,552)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(68)	–
Net cash provided by (used in) financing activities	(2,721)	(2,657)
Effect of exchange rate change on cash and cash equivalents	1,559	268
Net increase (decrease) in cash and cash equivalents	8,047	2,531
Cash and cash equivalents at beginning of period	18,863	27,425
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	515	–
Cash and cash equivalents at end of period	27,425	29,957

(5) Notes to consolidated financial statements

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

Not applicable.

(Changes in accounting policies)

(Application of ASU 2016-02 "Leases")

Overseas subsidiaries applying the U.S. Generally Accepted Accounting Principles (GAAP) have applied the Accounting Standards Update (ASU) 2016-02 "Leases" (issued on February 25, 2016; "ASU 2016-02") from the end of the current fiscal year.

Due to the application of ASU 2016-02, lessees, in principle, recognize assets and liabilities for all leases. As an accepted transitional measure for when applying this accounting standard, the Company adopted a method of recognizing cumulative effects of the application of this accounting standard on the date of its initial application.

There is no effect on the consolidated financial statements for the current fiscal year.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

   The reportable segments of the Group are components of the Group for which discrete financial information is available and regularly reviewed by the Board of Directors of the Company to make decisions about allocation of managerial resources and to assess their performance.

   The Group manufactures and sells various fragrances and flavors. Local corporations in China, Malaysia, and the USA are in charge of their manufacturing and sales, and local corporations in Indonesia, Thailand, and Taiwan are in charge of their sales. The Company is responsible for all other countries and Japan. The local corporations are independent operation units, and based on the global strategy formulated by the Company, they draft a strategic plan for the respective region and carry out business activities. Accordingly, the Group consists of segments by the location of each company that is based on manufacturing and sales structures, and there are three reporting segments, Japan, Asia, and the USA.

2. Calculation method of net sales, profit or loss, assets, and other items for each reportable segment

   The methods of accounting for reporting segments are in accordance with the accounting policies adopted to prepare the consolidated financial statements.

   Profit of each reportable segment is an amount based on operating profit. Inter-segment sales or transfers are based on current market prices.

3. Information on net sales, profit or loss, assets, and other items for each reportable segment and information on disaggregation of revenue

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Millions of yen)

	Reportable segment				Adjustment (Note 1) (Note 2)	Amount recorded on the consolidated financial statements (Note 3)
	Japan	Asia	USA	Total		
Net sales						
Flavor and fragrance business (Note 4)	36,748	13,501	12,148	62,398	–	62,398
Revenue from contracts with customers	36,748	13,501	12,148	62,398	–	62,398
Sales to external customers	36,748	13,501	12,148	62,398	–	62,398
Inter-segment sales or transfers	2,434	196	118	2,749	(2,749)	–
Total	39,183	13,697	12,267	65,147	(2,749)	62,398
Segment profit	5,164	2,431	511	8,107	(55)	8,051
Segment assets	108,376	25,666	32,045	166,088	(32,535)	133,553
Other items						
Depreciation	1,722	716	967	3,406	–	3,406
Interest income	41	161	0	204	(41)	163
Interest expenses	2	6	10	19	(11)	7
Increase in property, plant and equipment and intangible assets	1,636	651	2,017	4,306	–	4,306

Notes: 1. The adjustments on segment profit of negative ¥55 million include ¥80 million of inter-segment transactions, negative ¥131 million of adjustments for inventories related to inter-segment transactions, and negative ¥3 million for others.

2. The adjustments for segment assets of negative ¥32,535 million include negative ¥32,238 million of adjustments for inter-segment transaction and corporate assets, and negative ¥296 million of inventories related to inter-segment transactions, and ¥0 million for others.

3. Segment profit is adjusted to operating profit on the consolidated financial statements.

4. 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.

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Millions of yen)

	Reportable segment				Adjustment (Note 1) (Note 2)	Amount recorded on the consolidated financial statements (Note 3)
	Japan	Asia	USA	Total		
Net sales						
Flavor and fragrance business (Note 4)	37,243	14,920	12,710	64,874	–	64,874
Revenue from contracts with customers	37,243	14,920	12,710	64,874	–	64,874
Sales to external customers	37,243	14,920	12,710	64,874	–	64,874
Inter-segment sales or transfers	2,475	156	151	2,783	(2,783)	–
Total	39,718	15,077	12,861	67,658	(2,783)	64,874
Segment profit or loss	4,518	3,094	(166)	7,446	60	7,507
Segment assets	110,562	27,987	32,792	171,342	(32,216)	139,125
Other items						
Depreciation	1,694	755	1,249	3,700	–	3,700
Interest income	39	169	32	241	(36)	204
Interest expenses	1	4	36	43	(36)	7
Increase in property, plant and equipment and intangible assets	2,923	790	542	4,256	–	4,256

Notes: 1. The adjustments on segment profit or loss of ¥60 million include ¥77 million of inter-segment transactions, negative ¥17 million of adjustments for inventories related to inter-segment transactions, and negative ¥0 million for others.

2. The adjustments for segment assets of negative ¥32,216 million include negative ¥31,903 million of adjustments for inter-segment transaction and corporate assets, and negative ¥313 million of inventories related to inter-segment transactions, and ¥0 million for others.

3. Segment profit is adjusted to operating profit on the consolidated financial statements.

4. 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.

[Related information]

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

1. Information for each product or service

(Millions of yen)

	Fragrance	Flavor	Total
Sales to external customers	8,039	54,359	62,398

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	Asian region	North American region	Others	Total
33,787	16,488	11,221	901	62,398

Note: Net sales are classified by country or region based on customers' location.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	USA	Others	Total
18,474	8,365	6,911	–	33,752

Note: Property, plant and equipment are classified by country or region based on their location.

3. Information for each of main customers

Not applicable.

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

1. Information for each product or service

(Millions of yen)

	Fragrance	Flavor	Total
Sales to external customers	7,799	57,075	64,874

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	Asian region	North American region	Others	Total
34,676	17,424	11,926	845	64,874

Note: Net sales are classified by country or region based on customers' location.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	USA	Others	Total
19,252	8,531	7,530	–	35,314

Note: Property, plant and equipment are classified by country or region based on their location.

3. Information for each of main customers

Not applicable.

[Information on impairment losses on non-current assets for each reportable segment]

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

Not applicable.

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

Not applicable.

[Information on amortization and unamortized balance of goodwill for each reportable segment]

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Millions of yen)

	Japan	Asia	USA	Others	Total
Amortization in the fiscal year	–	152	671	–	824
Unamortized balance at end of the fiscal year	–	371	6,443	–	6,815

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Millions of yen)

	Japan	Asia	USA	Others	Total
Amortization in the fiscal year	–	162	749	–	912
Unamortized balance at end of the fiscal year	–	210	5,849	–	6,060

[Information about gain on bargain purchase for each reportable segment]

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

Not applicable.

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

Not applicable.

(Per share information)

(Yen)

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)		Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)	
Net assets per share	2,692.34	Net assets per share	2,819.86
Earnings per share	194.65	Earnings per share	162.16
Diluted earnings per share	193.97	Diluted earnings per share	161.54

Note: Basis for calculation of earnings per share and diluted earnings per share is as follows.

	Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)	Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	8,007	6,671
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent pertaining to common shares (Millions of yen)	8,007	6,671
Average number of shares during the period (Shares)	41,134,938	41,145,353
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Millions of yen)	–	–
Increase in the number of common shares (Shares)	144,390	156,962
[Of the above, share acquisition rights (Shares)]	[144,390]	[156,962]

(Significant subsequent event)

Not applicable.