Consolidated Financial Statements
The Second Quarter of the Fiscal Year ended March 31st, 2025
(From April 1st, 2024 to September 30th, 2024)

Takasago International Corporation

Note : This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

1. Business Results

During the first quarter of this consolidated fiscal year, the Japanese economy recovered moderately, although there were signs of weakness in some areas.

As for overseas economies, although the economies of the Americas and Europe remained firm, China's economy remained sluggish and growth was generally moderate. With regard to the outlook for the Japanese economy, although moderate growth is expected to continue, there is still a high degree of uncertainty regarding overseas economic and price trends and resource price trends against a backdrop of geopolitical risks such as the prolonged invasion of Ukraine and the situation in the Middle East, trends after the US Presidential Election and other factors, and we need to pay close attention to trends in foreign exchange markets and their impact on the economy.

The flavor and fragrance industry also showed an overall steady trend in line with global economic trends. The operating environment continues to be competitive, but the markets' growth such as that of China and Southeast Asia can be expected to continue and such mature markets as Europe and the US are also expected to remain strong.

Given these situations, under "Vision 2040" with the slogan, "Care for People, Respect the Environment", the Takasago Group has promoted a new mid-term management plan "New Global Plan-2（NGP-2）" (2024-2026) .

During the second quarter of the consolidated fiscal year under review, consolidated net sales increased 15.2% year on year, to ¥113,585 million.

Looking at the business segment, net sales in the flavors business increased 7.6% year on year, to ¥60,654 million,due to the solid performance of flavor products for drinks in the US subsidiary. In the fragrances business, net sales increased 24.5% year on year, to ¥36,442 million, due to the improvement in the shipment adjustments in the US subsidiary. In the aroma ingredients business, net sales increased 30.6% year on year, to ¥8,035 million due to the strong performance of specialty and commodity products. In the fine chemical business, net sales increased 28.2% year on year, to ¥7,747 million, due to the strong performance of pharmaceutical intermediates. In the other business, the real estate business, net sales increased 0.3% year on year, to ¥706 million. A weaker yen also contributed to the increase in sales due to the high ratio of overseas sales.

In terms of profit, operating profit during this period increased 422.3% year on year, to ¥8,004 million. Ordinary profit increased 107.2% year on year, to ¥6,895 million. Net income attributable to owners of parent increased 129.8% year on year, to ¥4,898 million.

By region, net sales in Japan decreased 1.6% year on year, to ¥37,159 million, due to weak sales to customers in Japan, despite strong inter-segment sales of pharmaceutical intermediates via a US subsidiary in the fine chemical business, while operating profit increased 586.8% year on year, to ¥3,984 million, due to an improved profit margin mainly from an optimized product mix in the aroma ingredients business and increased inter-segment sales in the fine chemical business.

In the Americas, net sales increased 32.9% year on year, to ¥33,554 million and operating profit increased 819.8% year on year, to ¥1,878 million, due to an improvement in gross profit through optimization of product mix, selling prices, and raw material purchase prices, in addition to an improved shipment adjustment situation that occurred with the implementation of the new enterprise system at a US subsidiary at the end of the previous period.

In Europe, net sales increased 26.0% year on year, to ¥19,634 million due to the strong performance in the French and German subsidiaries, and operating profit was ¥1,263 million (operating loss was ¥692 million in the previous year), due to improved gross profit through optimization of product mix, selling prices and raw material purchase prices.

In Asia, net sales increased 16.3% year on year, to ¥23,238 million and operating profit increased 44.2% year on year, to ¥1,884 million, due to the strong performance in the Indonesian and the Chinese subsidiaries.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31st, 2024	As of September 30th, 2024
Assets		
Current Assets		
Cash and deposits	18,333	11,172
Notes and accounts receivable	45,568	57,865
Electronically recorded monetary claim	2,784	2,450
Merchandise and finished goods	30,964	31,966
Work in progress	298	284
Raw materials and supplies	24,193	26,185
Others	4,102	5,361
Allowance for doubtful accounts	(207)	(185)
Total current assets	126,038	135,100
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	31,638	32,481
Others(net)	33,444	38,837
Total property, plant and equipment	65,083	71,318
Intangible asset	4,710	4,605
Investments and other assets		
Investment in securities	24,433	24,632
Others	8,631	8,760
Allowance for doubtful accounts	(469)	(508)
Total investments and other assets	32,595	32,884
Total non-current assets	102,388	108,808
Total Assets	228,427	243,908

(Millions of yen)

	As of March 31st, 2024	As of September 30th, 2024
Liabilities		
Current liabilities		
Notes and accounts payable	18,935	21,781
Short-term loans payable	23,944	23,752
Current portion of long-term loans payable	9,464	7,128
Income taxes payable	815	1,991
Provision for bonuses	2,095	2,182
Provision for directors' bonuses	42	23
Others	13,769	13,569
Total current liabilities	69,068	70,429
Non-current liabilities		
Long-term loans payable	13,327	15,001
Provision for directors' retirement benefits	21	18
Allowance for litigation losses	156	311
Net defined benefits liability	9,606	9,837
Others	5,367	5,480
Total non-current liabilities	28,479	30,648
Total liabilities	97,547	101,078
Net assets		
Shareholders' equity		
Capital stock	9,248	9,248
Capital surplus	8,389	8,412
Retained earnings	89,919	94,137
Treasury stock	(1,652)	(1,608)
Total shareholders' equity	105,906	110,189
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	11,139	11,027
Deferred gains (losses) on hedges	4	(7)
Foreign currency translation adjustments	10,920	18,378
Remeasurements of defined benefit plans	1,083	1,080
Total accumulated other comprehensive income	23,148	30,479
Non-controlling interests	1,825	2,161
Total net assets	130,880	142,830
Total liabilities and net assets	228,427	243,908

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Comprehensive Income

[Quarterly consolidated statements of income]

(Millions of yen)

	2nd quarter of FY2023 (From April 1st, 2023 to September 30th, 2023)	2nd quarter of FY2024 (From April 1st, 2024 to September 30th, 2024)
Net sales	98,572	113,585
Cost of sales	70,684	74,467
Gross profit	27,887	39,118
Selling, general and administrative expenses	26,355	31,113
Operating profit	1,532	8,004
Non-operating income		
Interest income	53	66
Dividends income	227	304
Equity in earnings of affiliates	—	168
Foreign exchange gains	1,711	—
Others	216	230
Total non-operating income	2,209	769
Non-operating expenses		
Interest expenses	232	361
Equity in losses of affiliates	134	—
Foreign exchange loss	—	1,464
Others	47	52
Total non-operating expenses	413	1,878
Ordinary profit	3,328	6,895
Extraordinary income		
Gain on sales of non-current assets	2	10
Gain on sales of investment in securities	306	221
Total extraordinary income	308	232
Extraordinary losses		
Loss on disposal of non-current assets	18	29
Loss on valuation of investment securities	11	1
Provision for loss on litigation	—	134
Total extraordinary losses	29	164
Income before income taxes	3,607	6,963
Income taxes–current	794	1,939
Income taxes–deferred	595	(130)
Total income taxes	1,390	1,808
Interim net income	2,217	5,154
Net income attributable to non-controlling interests	85	255
Net income attributable to owners of parent	2,132	4,898

[Quarterly consolidated statements of Comprehensive Income]

(Millions of yen)

	2nd quarter of FY2023 (From April 1st, 2023 to September 30th, 2023)	2nd quarter of FY2024 (From April 1st, 2024 to September 30th, 2024)
Interim net income	2,217	5,154
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	1,400	(111)
Deferred gains (losses) on hedges	(0)	(12)
Foreign currency translation adjustment	6,203	7,347
Remeasurements of defined benefit plans	38	(2)
Share of other comprehensive income of associates accounted for using equity method	171	304
Total other comprehensive income	7,813	7,525
Interim comprehensive income	10,031	12,680
(Break down)		
Comprehensive income attributable to owners of the parent	9,864	12,229
Comprehensive income attributable to non-controlling interests	167	450

3. Segment Information

(1) The second quarter of the fiscal year ended March 31st, 2024 (April 1st, 2023 – September 30th, 2023)

1.Information Concerning Sales and Profit or Loss Amount by Reporting Segment and Breakdown of Revenue

(Millions of yen)

	Japan	Americas	Europe	Asia	Total	Adjustment amount *1	Quarterly consolidated statement of income amount *2
Net sales							
The flavors and fragrances business*3	37,055	25,253	15,584	19,974	97,868	—	97,868
Revenue from contracts with customers	37,055	25,253	15,584	19,974	97,868	—	97,868
Other revenue*4	703	—	—	—	703	—	703
External sales	37,759	25,253	15,584	19,974	98,572	—	98,572
Inter-segment sales or transfers	6,955	182	1,702	162	9,002	(9,002)	—
Total	44,715	25,435	17,287	20,136	107,575	(9,002)	98,572
Segment profit or loss	580	204	(692)	1,306	1,398	134	1,532

Notes

1. The segment profit or loss adjustments amount, 134 million yen, includes 217 million yen in adjustments for intersegment revenue related to intersegment transaction, 85 million yen in adjustments for inventories related to intersegment transaction and (169) million yen in others.
2. Segment profit or loss is adjusted with operating profit, as recorded in quarterly consolidated statements of income.
3. In the flavors and fragrances business, main business is manufacturing and sales of flavors, fragrances, aroma ingredients, and fine chemicals. Sales in the business consist primarily of revenue from goods transferred to customers at a point in time.
4. Other revenue consists of lease revenue related to the other real estate business.

(2) The second quarter of the fiscal year ended March 31st, 2025 (April 1st, 2024 – September 30th, 2024)

1.Information Concerning Sales and Profit or Loss Amount by Reporting Segment and Breakdown of Revenue

(Millions of yen)

	Japan	Americas	Europe	Asia	Total	Adjustment amount *1	Quarterly consolidated statement of income amount *2
Net sales							
The flavors and fragrances business*3	36,453	33,554	19,634	23,238	112,879	—	112,879
Revenue from contracts with customers	36,453	33,554	19,634	23,238	112,879	—	112,879
Other revenue*4	706	—	—	—	706	—	706
External sales	37,159	33,554	19,634	23,238	113,585	—	113,585
Inter-segment sales or transfers	13,418	291	2,161	194	16,066	(16,066)	—
Total	50,577	33,845	21,796	23,432	129,652	(16,066)	113,585
Segment profit	3,984	1,878	1,263	1,884	9,010	(1,006)	8,004

Notes

1. The segment profit adjustments amount, (1,006) million yen, includes 267 million yen in adjustments for intersegment revenue related to intersegment transaction, (1,064) million yen in adjustments for inventories related to intersegment transaction and (209) million yen in others.
2. Segment profit is adjusted with operating profit, as recorded in quarterly consolidated statements of income.
3. In the flavors and fragrances business, main business is manufacturing and sales of flavors, fragrances, aroma ingredients, and fine chemicals. Sales in the business consist primarily of revenue from goods transferred to customers at a point in time.
4. Other revenue consists of lease revenue related to the other real estate business.