

110th
ANNIVERSARY

香りのない
生活なんて。

香りは人と社会を豊かにしてきました。

季節のにおい、懐かしい母のにおい、そして家族で囲む食事のにおいに至るまで、
香りはイメージの扉を開けて、私たちに無限の広がりを与えてくれます。
長谷川香料は1世紀以上の歴史をもつ総合香料メーカーとして業界の発展に
貢献してきました。独自の研究開発によって生まれた香りの素材と製法に、定評
ある調香などの高度な技術を駆使して、どんな要望にも応えられる製品づくり
に取り組んでいます。時代とともに進歩する、それが私たちの香りです。

香りには人を幸せにする仕事がある。

 **長谷川香料株式会社**

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FY13 2nd Quarter Financial Results
T. HASEGAWA CO., LTD.

I . Summary of the Consolidated Financial Statements . . . P2-P9

- Market Environment
- Consolidated Results
- Sales by Segments
- Profit and Loss Statements (Year-on-Year Analysis)
- Sales and Operating Income by Groups
- FY13 Annual Plan

II . Global Strategies . . . P10-P14

- Domestic Strategies
- Global Strategies
- Three-Year-Plan

III . Management Strategies . . . P15-P17

IV . Appendix Tables . . . P18-P39

- Outlines of Flavors & Fragrances Business
- Market Size of Flavors & Fragrances Industry
- Business Outline of T. Hasegawa Co., Ltd
- Financial Statements

I . Summary of the Consolidated Financial Statements

Market Environment

Domestic Market

- Domestic flavors and fragrances market stayed almost flat in 2012
- Beverage market slightly expanded due to the boom of the carbonated drinks
- Yogurt maintained a high level of sales due to the effect of yogurt being frequently featured on TV programs in the beginning of last year

Global Market

- Global flavors and fragrances market expanded by approx. 5% due to the growing demand in emerging markets especially in Asia
- Beverage market in China continued to grow although its growth rate slowed down

Consolidated Results

• Year-on-year: Net income increased due to the increase of net sales and the decrease of cost of sales

• vs. Plan: Operating income exceeded the YTD plan due to lowering sales cost ratio

Ordinary income and net income exceeded the plan due to the foreign exchange gain

Yen million

	FY12 2Q YTD Actual		FY13 2Q YTD Plan		FY13 2Q YTD Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	20,747	100.0%	21,380	100.0%	21,079	100.0%	331	1.6%	-300	-1.4%
Cost of sales	13,748	66.3%	13,910	65.1%	13,471	63.9%	-276	-2.0%	-438	-3.2%
Gross profit	6,999	33.7%	7,470	34.9%	7,607	36.1%	608	8.7%	137	1.8%
SGA expenses	5,244	25.3%	5,470	25.6%	5,372	25.5%	127	2.4%	-97	-1.8%
Operating income	1,754	8.5%	2,000	9.4%	2,235	10.6%	480	27.4%	235	11.8%
Ordinary income	2,072	10.0%	2,140	10.0%	2,857	13.6%	785	37.9%	717	33.5%
Income before income taxes	2,019	9.7%	2,060	9.6%	2,826	13.4%	806	40.0%	766	37.2%
Net income	1,104	5.3%	1,390	6.5%	1,951	9.3%	847	76.7%	561	40.4%

Sales by Segments

- Net sales increased due to the increase of flavor sales of subsidiary in China.
- Sales of fruit preparations (products and traded items) increased by approx. ¥100m.

Yen million

	FY12 2Q YTD Actual	FY13 2Q YTD Actual	yr/yr		Remark
			Value	%	
Fragrances	2,841	2,628	-213	-7.5%	Sales for toiletry products decreased
Flavors	17,906	18,450	544	3.0%	Sales of the subsidiary in Shanghai increased
Total	20,747	21,079	331	1.6%	—

Profit and Loss Statements (Year-on-Year Analysis)

- Operating income increased due to the increase of net sales and the decrease of cost of sales

Yen million

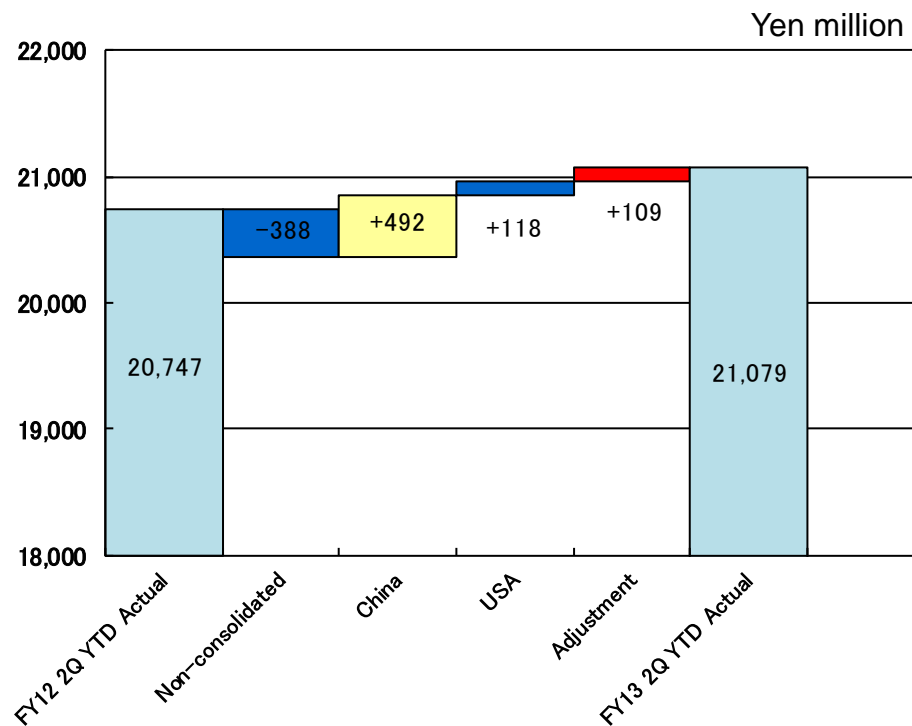
	FY12 2Q YTD Actual		FY13 2Q YTD Actual		yr/yr		Remark
	Value	%	Value	%	Value	%	
Net sales	20,747	100.0%	21,079	100.0%	331	1.6%	
Cost of sales	13,748	66.3%	13,471	63.9%	-276	-2.0%	Sales cost ratio improved on non-consolidated basis due to the decrease of the production expenses Sales cost ratio of overseas subsidiaries improved due to the decrease in the loss on valuation of inventory
Gross profit	6,999	33.7%	7,607	36.1%	608	8.7%	
SGA expenses	5,244	25.3%	5,372	25.5%	127	2.4%	Non-consolidated SGA expenses slightly decreased while that of overseas subsidiaries increased
Operating income	1,754	8.5%	2,235	10.6%	480	27.4%	
Ordinary income	2,072	10.0%	2,857	13.6%	785	37.9%	(FY12) non-operating income increased due to foreign exchange gain of ¥150m (FY13) non-operating income increased due to foreign exchange gain of ¥376m
Income before income taxes	2,019	9.7%	2,826	13.4%	806	40.0%	
Net income	1,104	5.3%	1,951	9.3%	847	76.7%	(FY12) The adjustment of corporate tax of ¥273m due to the oncoming corporate tax ratio reduction

Net Sales by Group

Net sales

- Consolidated sales increased due to the increase in sales of the subsidiaries overseas making up for the decrease in non-consolidated sales

	Yen million			
	FY12 2Q YTD Actual	FY13 2Q YTD Actual	yr/yr	%
Non-consolidated	18,307	17,918	-388	-2.1%
China	1,926	2,419	492	25.6%
USA	781	899	118	15.1%
Adjustment	-267	-157	109	-
Consolidated	20,747	21,079	331	1.6%



- Non-consolidated: Fragrance sales decreased ⇒ Decrease of net sales
- China: Flavor sales increased ⇒ Increase of net sales
- U.S.A.: Contribution of the new products ⇒ Increase of net sales

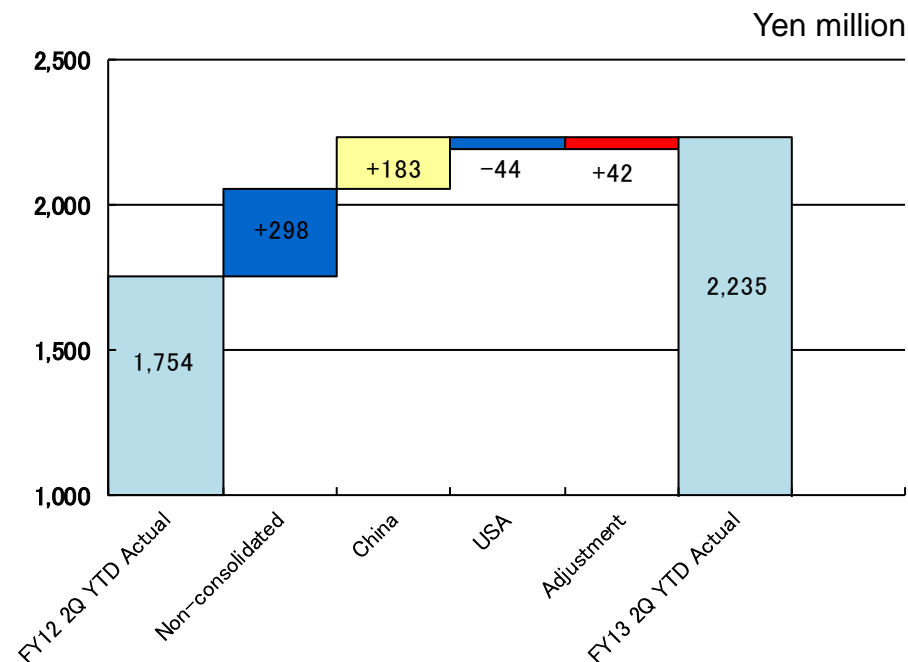
Operating Income by Group

Operating income

- Operating income of non-consolidated and the subsidiaries in China increased.

Yen million

	FY12 2Q YTD Actual	FY13 2Q YTD Actual	yr/yr	%
Non-consolidated	1,443	1,742	298	20.7%
China	264	448	183	69.6%
USA	13	-31	-44	-
Adjustment	33	75	42	-
Consolidated	1,754	2,235	480	27.4%



- Non-consolidated: Decrease of sales cost ⇒ Increase of operating income
- China: Increase of net sales and lowering the sales cost ratio ⇒ Increase of operating income
- U.S.A.: Increase of SGA due to an enhancement of R&D and sales ⇒ Decrease of operating income

FY13 Annual Plan (Consolidated)

- **Net sales** : Although the first half results were below plan, recovery in the second half is expected
 - Sales for beverages which account for 40% of total sales peak in spring and summer (the second half of the fiscal year)
 - **Profit** : The gap between FY13 2Q YTD results and the plan is mainly caused by foreign exchange gain
- ⇒ No change in FY13 Annual Plan announced on November 9th , 2012

Yen million

	FY12 Actual		FY13 Plan				FY13 2Q YTD Achievement		
	Value	Share	Value	Share	yr/yr		Value	Share	Progress
Net sales	44,386	100.0%	46,090	100.0%	3.8%		21,079	100.0%	45.7%
Cost of sales	29,263	65.9%	29,960	65.0%	2.4%		13,471	63.9%	45.0%
Gross profit	15,122	34.1%	16,130	35.0%	6.7%		7,607	36.1%	47.2%
SGA expenses	10,796	24.3%	11,230	24.4%	4.0%		5,372	25.5%	47.8%
Operating income	4,326	9.7%	4,900	10.6%	13.3%		2,235	10.6%	45.6%
Ordinary income	4,704	10.6%	5,180	11.2%	10.1%		2,857	13.6%	55.2%
Income before income taxes	4,532	10.2%	5,030	10.9%	11.0%		2,826	13.4%	56.2%
Net income	2,586	5.8%	3,400	7.4%	31.5%		1,951	9.3%	57.4%

II . Global Strategies

Domestic Strategies

Market Environment

Maturity in domestic market under the aging society



Policy

Ensure the profitability by expanding the market share

Efforts

Promotion of the solution-oriented sales activities

- Collaborative work between R&D and sales to provide solutions to customers

Enhance the capability to provide flavors and fragrances for new applications

- Focus on new areas such as non-alcohol drinks, alcohol drinks, health food, food for medical use
- Develop flavors that can replace food materials such as milk, vegetables, fruits and meat

Cost-cutting measures and profit management utilizing EPR

- Continue to promote cost-cutting efforts through improvement of production efficiency, reducing inventory losses and overall streamlining measures

Promote step-by-step globalization with effective human resources and funds allocation

1st Step: Cultivate local markets in China, U.S. and Southeast Asia

1. Provide products that can meet the local tastes and preferences
 - Penetrate into locally operating global, local and Japanese companies by providing the tailor-made products capturing the local tastes
2. Localization of the management
 - Locally recruit and cultivate the management positions of overseas subsidiaries

2nd Step: Increase business opportunities with global companies

- Increase business opportunities with global companies though expanding the business network

Global Strategies

1st Step: Cultivate local market in China, U.S. and Southeast Asia

	China	U.S.	Southeast Asia
Policy	<ul style="list-style-type: none"> • Develop products capturing local taste • Localization of the management setup • Strengthen business relationships with current customers • Cultivate business relationships with new customers • Increase the production capacity 	<ul style="list-style-type: none"> • Penetrate into the U.S. beverage market • Apply the technology cultivated in Japan to the U.S. market through cooperation between R&D departments in U.S. and Japan • Construct the new organization aimed at enhancing growth opportunities with global companies • Increase the production capacity 	<ul style="list-style-type: none"> • Increase sales through collaborative work with domestic sales department and technical service visits • Proactive sales activities in prioritized countries • Improve profitability • Reviews for acquirement of the local production site
Efforts	<ul style="list-style-type: none"> • Chinese local employee became the new president of the subsidiary in Shanghai (Apr. 2013) • Local procurement of raw materials • 2nd phase of the capital investment of Suzhou plant is underway (starting operation in Mar. 2015) 	<ul style="list-style-type: none"> • Enhanced and strengthened human resources in R&D • Hired sales personnel in beverage section • Collaboration with R&D in Japan • Enhancement of R&D facilities 	<ul style="list-style-type: none"> • Technical service visits to locally operating customers • Started the research for new production site

Three-Year-Plan (Consolidated)

Yen million

	'12/9 Actual	'13/9 Plan	'14/9 Plan	'15/9 Plan
Net sales	44,386	46,090	47,470	49,110
Cost of sales	29,263	29,960	30,670	31,880
Operating income	4,326	4,900	5,410	5,820
Ordinary income	4,704	5,180	5,680	6,100
Net income	2,586	3,400	3,740	4,030
Sales growth ratio	0.3%	3.8%	3.0%	3.5%
Sales cost ratio	65.9%	65.0%	64.6%	64.9%
Operating income ratio	9.7%	10.6%	11.4%	11.9%
Ordinary income ratio	10.6%	11.2%	12.0%	12.4%
Net income ratio	5.8%	7.4%	7.9%	8.2%
Overseas net sales ratio	19.2%	20.4%	22.0%	23.8%

※Overseas sales of FY13 2Q YTD increased to 21.8% due to the weak yen

※Three-Year-Plan of T. Hasegawa group is revised every year

※Please refer to page 39 for details

III. Management Strategies

Basic Strategies :

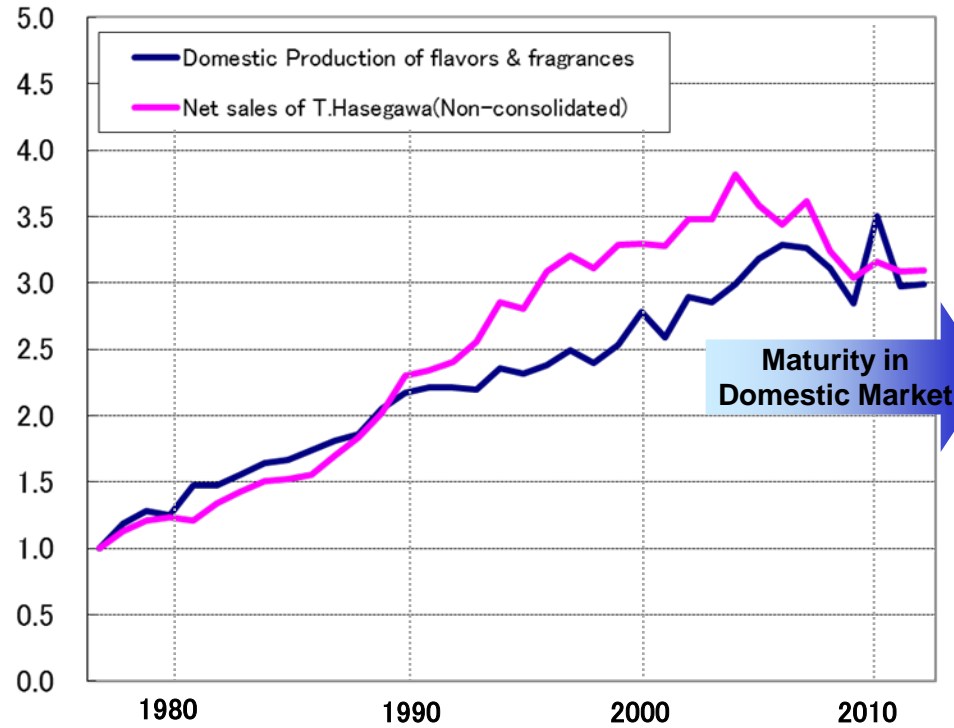
Concentrate management resources on high-value added and profitable compound flavors and fragrances

Make steady revenues in the domestic market

Aim for growth in the overseas market

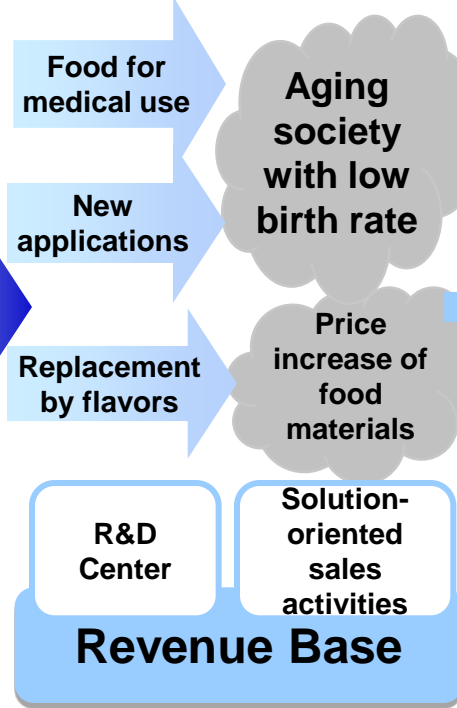
Management Strategies

(times)

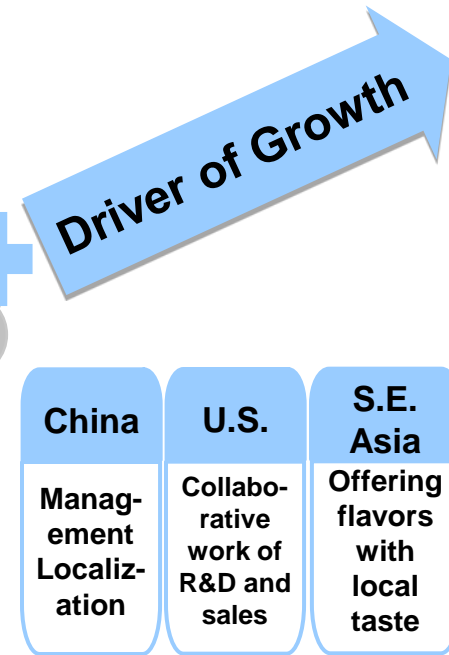


※Assuming the figures of 1977 as 1.0

Domestic Market



Overseas Market



Westernization of eating habits along with rapid economic growth

Growing demand for flavors

Growth in T. Hasegawa's net sales

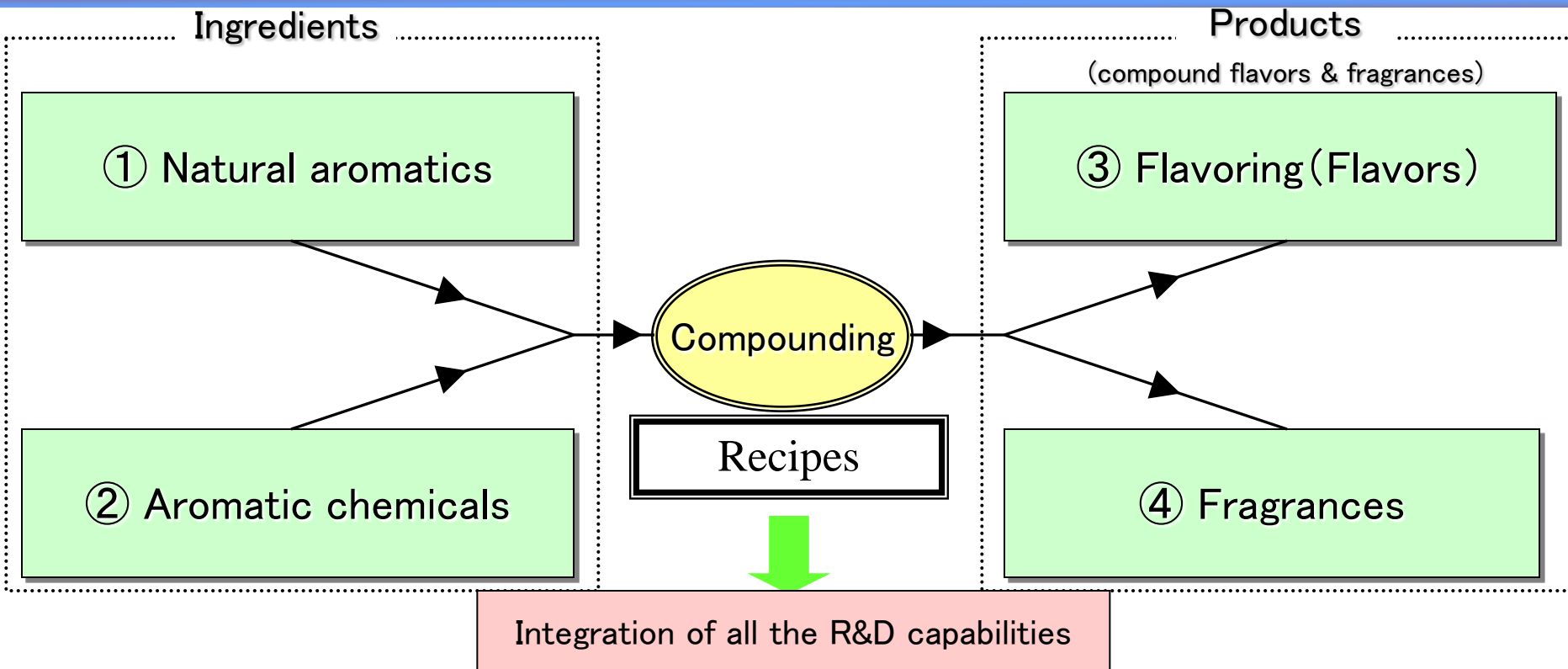
Maturity in domestic market

● Development of instant noodles and canned coffee (processed food and beverage of Japanese origin)

IV. Appendix

Outlines of Flavors & Fragrances Business

Flavors & Fragrances Business



The experts who formulate fragrances are known as “perfumers”
The experts who formulate flavors are known as “flavorists”

Fragrances and Flavors are custom-made in accordance with our customers’ requests

⇒ Recipes formulated by perfumers and flavorists are the integration of all the R&D capabilities of flavors & fragrances companies

**Market Size
of
Flavors & Fragrances
Industry**

Total World Market of Flavors & Fragrances Industry (T.H. Estimates)

Estimated sales volume of global market: Approx. ¥2,000bn (Approx. \$23bn)

Europe, Middle East

-Market size: Approx. ¥700bn(*)

-Many of the end-users introduce preferred supplier program and European and American companies build the solid business bases

North America

-Market size: Approx. ¥550bn(*)

-Many of the end-users introduce preferred supplier program and European and American companies build the solid business bases

-T. Hasegawa established a subsidiary in California in 1978. Specializes in local companies with proactive R&D and sales activities mainly in the areas of savory flavors

Asia

-Market size: Approx. ¥600bn(*)

-Market is growing along with the economic growth of developing countries including China.

-Most of the major flavors and fragrances companies are in operation in China

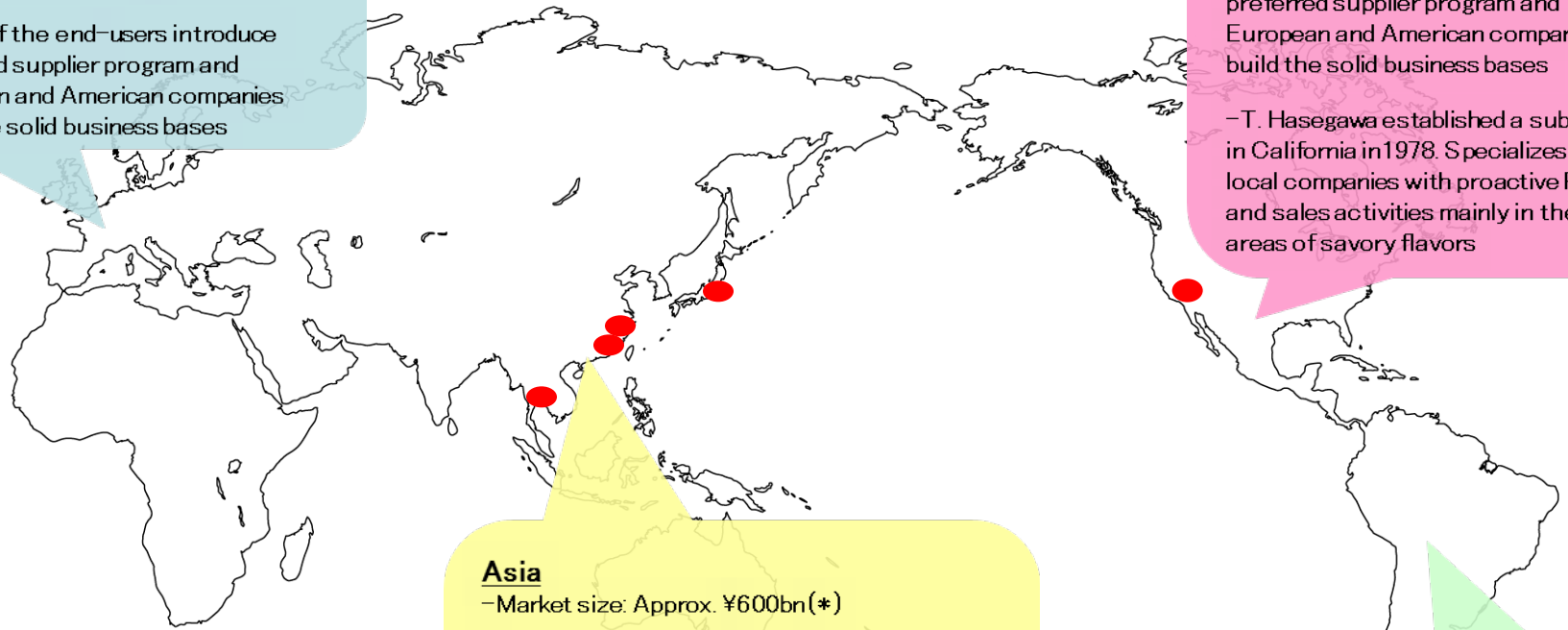
-T. Hasegawa established a subsidiary in Shanghai in 2000, in Suzhou in 2006, in Bangkok in 2003

South America

-Market size: Approx. ¥150bn(*)

-The majority of flavors and fragrances are imported.

-Competition in Brazilian market is becoming severe along with the economic growth



(*) = T. Hasegawa estimates

● = T. Hasegawa's offices and plants

Top 10 Flavor & Fragrance Companies

- Top 10 companies account for approx. 75% of the global market

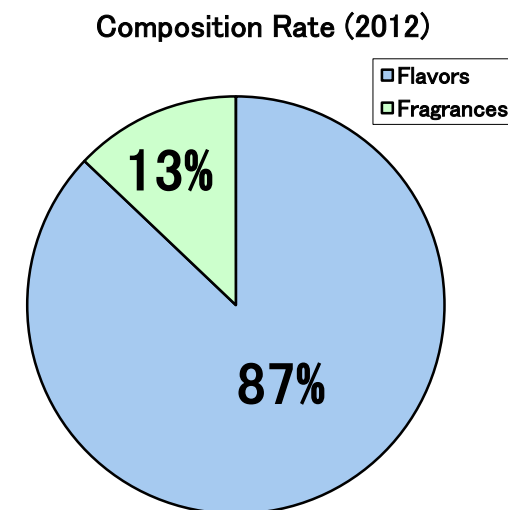
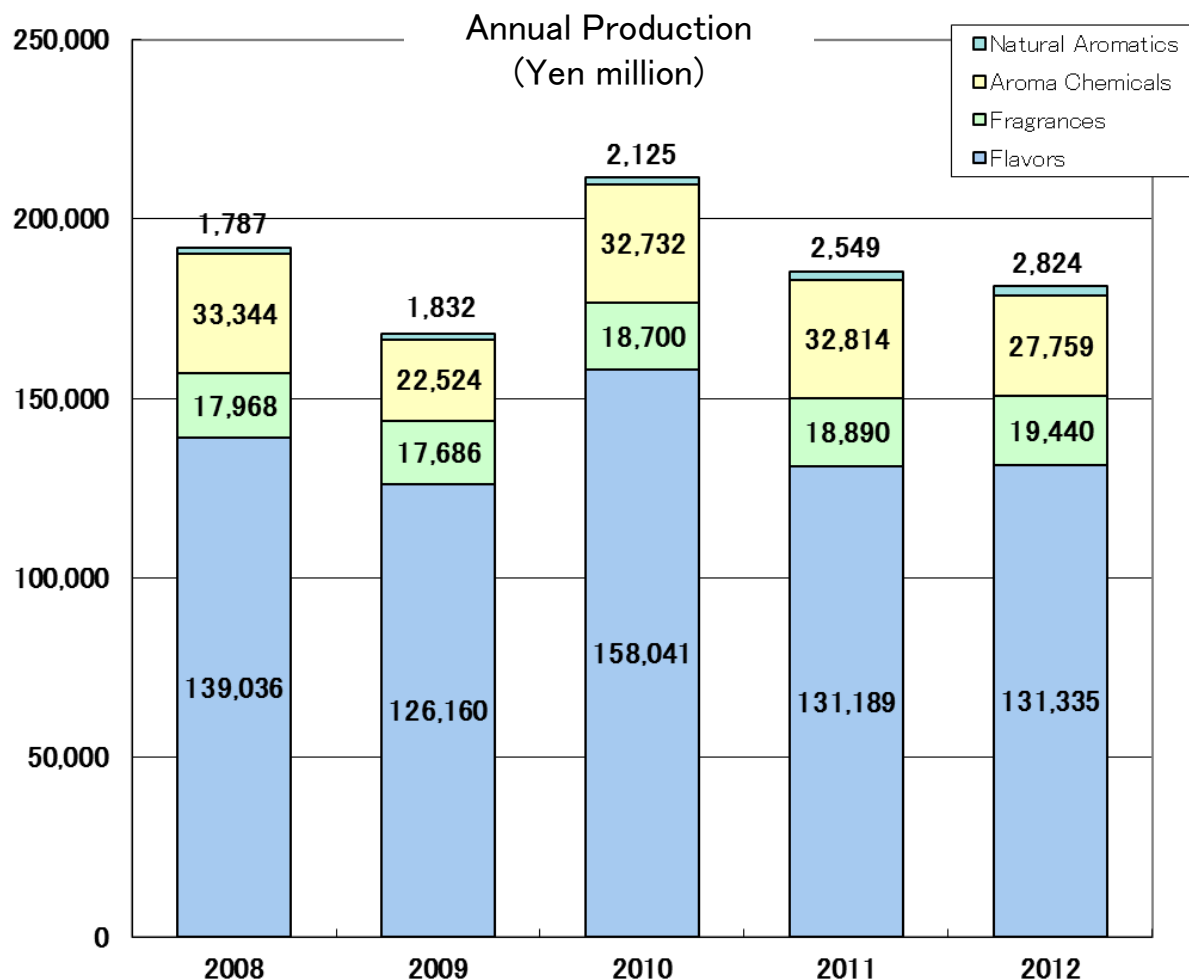
				US \$million
	Company	Country	Sales (2012)	Market Share
1	Givaudan	Switzerland	4,649	20.3%
2	Firmenich	Switzerland	3,025	13.2%
3	IFF	USA	2,821	12.3%
4	Symrise	Germany	2,287	10.0%
5	Takasago	Japan	1,354	5.9%
6	Mane SA	France	842	3.7%
7	Sensient Flavors	USA	725	3.2%
8	Frutarom	Israel	618	2.7%
9	Robertet SA	France	522	2.3%
10	T. Hasegawa	Japan	513	2.2%
	Subtotal	—	17,356	75.8%
	Others	—	5,544	24.2%
	Total	—	22,900	—

Source : Leffingwell & Associates

http://www.leffingwell.com/top_10.htm

Size of domestic flavors and fragrances market

• Sales composition of the domestic market ⇒ 90% flavors vs. 10% fragrances (50% flavors vs. 50% fragrances worldwide)



Source :

Japan Flavor and Fragrance Materials Association

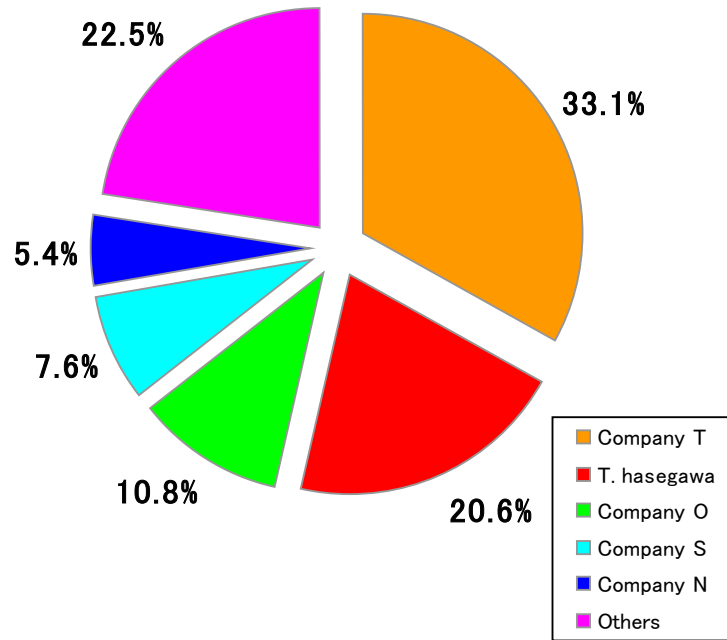
Total	192,135	168,202	211,598	185,442	181,358
y/y rate	-4.8%	-12.5%	25.8%	-12.4%	-2.2%

**Business Outline
of
T. Hasegawa Co., Ltd**

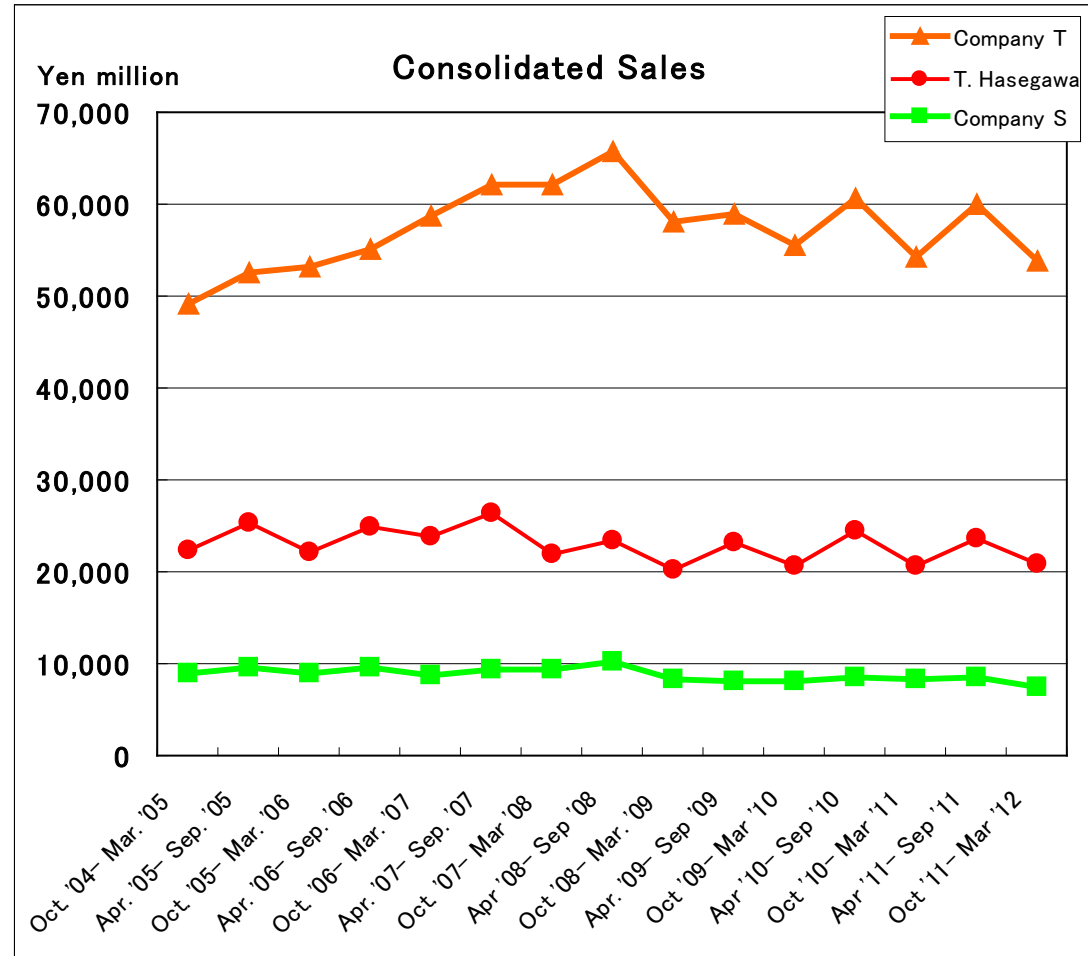
Sales of Domestic Flavor & Fragrance Companies

- Top 5 companies account for approx. 80% of the market

Market Share
(As of Mar. 2012)



- Intensified competition within the maturing domestic market



*Based on a survey conducted by a private market research firm, T. Hasegawa accounts for 21.3% of the total sales of the top 10 companies in Japan.

*Fiscal year of Company T, O, S, and N: Apr. - Mar.

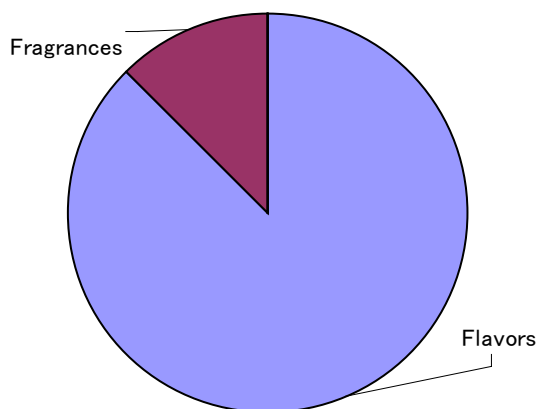
*Since fiscal year of T. Hasegawa is Oct. - Sep., numbers indicated in the above pie chart has been adjusted to correspond to the Apr. -Mar. fiscal year

Sales Proportion of Flavors by Industry (Non-Consolidated)

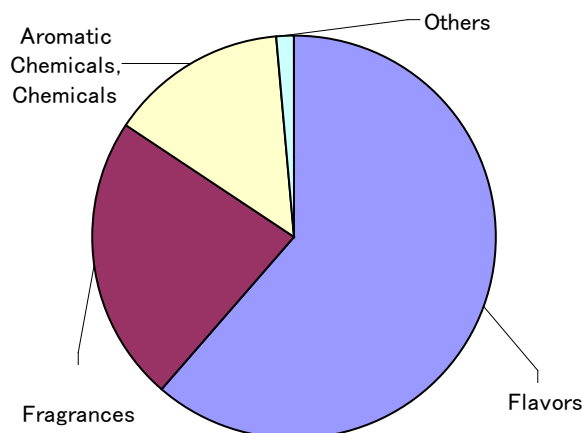
- T. Hasegawa integrates business resources into flavors and fragrances
- High-mix low-volume production ⇒ T. Hasegawa sells approx. 14,000 products per annum

	T. Hasegawa (non-consolidated)		Company A (non-consolidated)		Company B (non-consolidated)	
	FY ended in Sep. 2012		FY ended in Mar. 2012		FY ended in Mar. 2012	
	Sales	Share	Sales	Share	Sales	Share
Flavors	38,797	87.4%	69,846	61.4%	7,873	49.6%
Fragrances	5,589	12.6%	26,007	22.9%	5,186	32.7%
Aromatic Chemicals, Chemicals	0	0.0%	16,334	14.4%	1,518	9.6%
Others	0	0.0%	1,487	1.3%	1,290	8.1%
Total	44,386	100.0%	113,676	100.0%	15,867	100.0%
Sales Cost Ratio	34.1%		29.4%		32.5%	

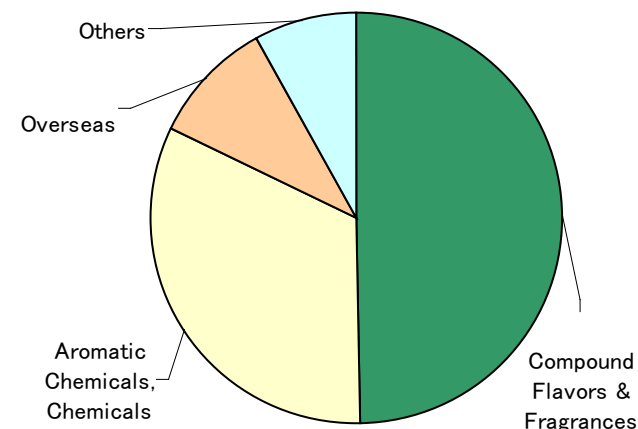
T. Hasegawa



Company A



Company B



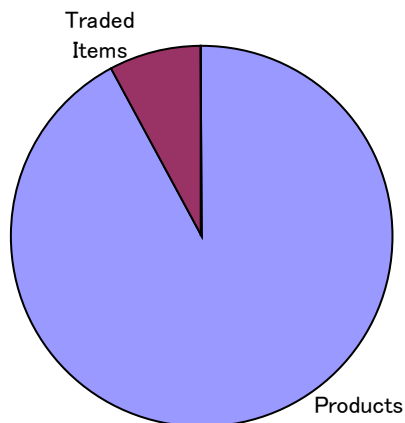
Sales Breakdown –Products & Traded Items–

- High proportion of production items (vs. traded items) for T. Hasegawa

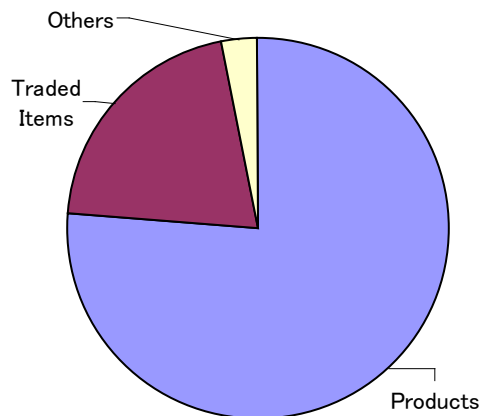
Yen million

	T. Hasegawa (non-consolidated)		Company A (non-consolidated)		Company B (non-consolidated)	
	FY ended in Sep. 2012		FY ended in Mar. 2012		FY ended in Mar. 2012	
	Sales	Share	Sales	Share	Sales	Share
Products	36,094	92.1%	47,694	76.1%	11,503	80.1%
Traded Items	3,082	7.9%	13,085	20.9%	2,860	19.9%
Others	0	0.0%	1,894	3.0%	0	0.0%
Total	39,176	100.0%	62,674	100.0%	14,364	100.0%
Sales Cost Ratio	32.9%		28.7%		31.4%	

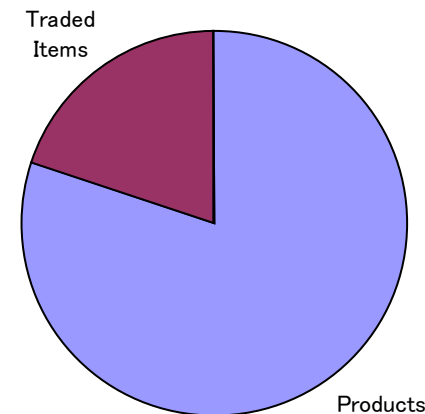
T. Hasegawa



Company A

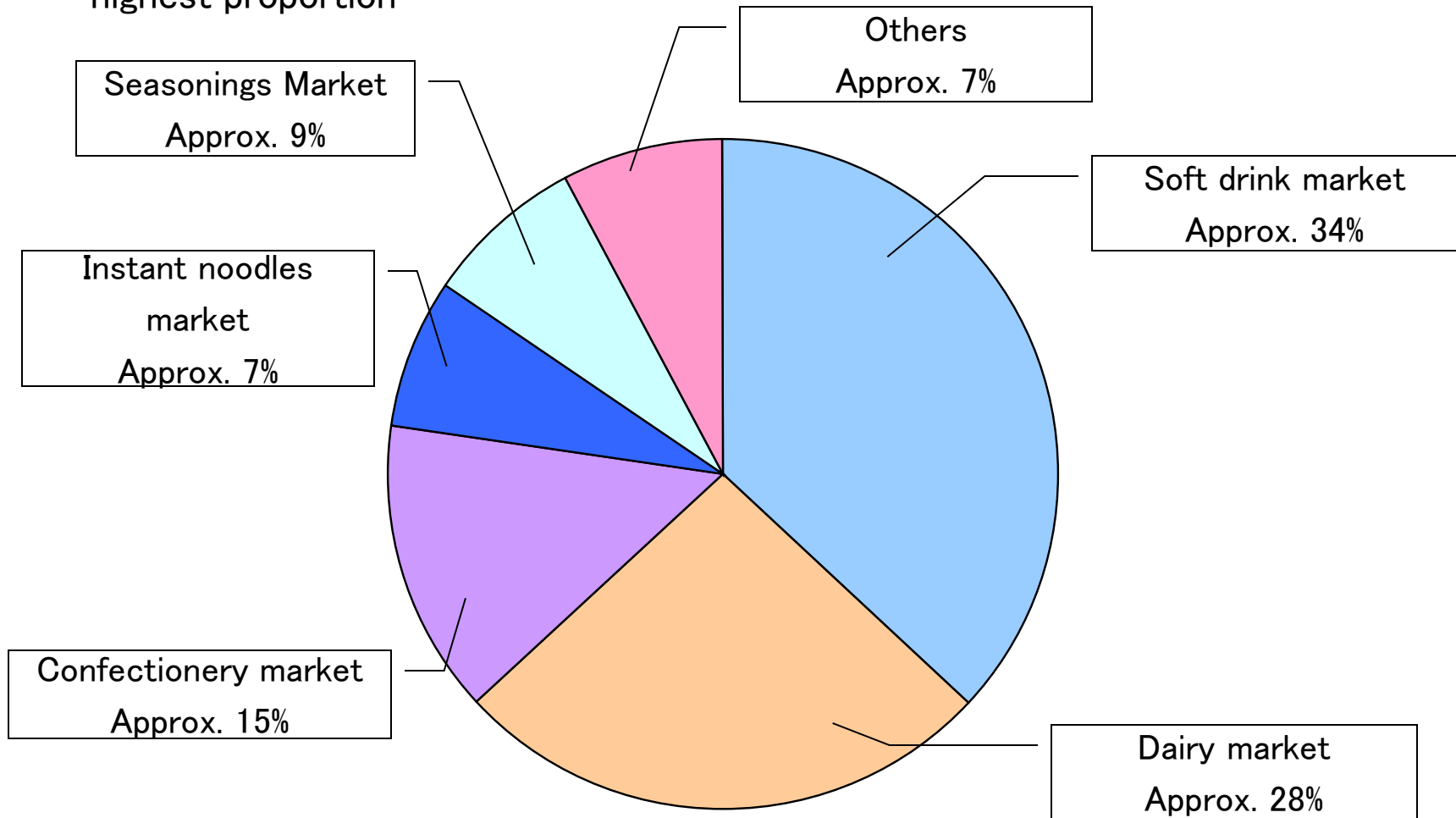


Company B



Sales Proportion of Flavors by Industry (Non-Consolidated)

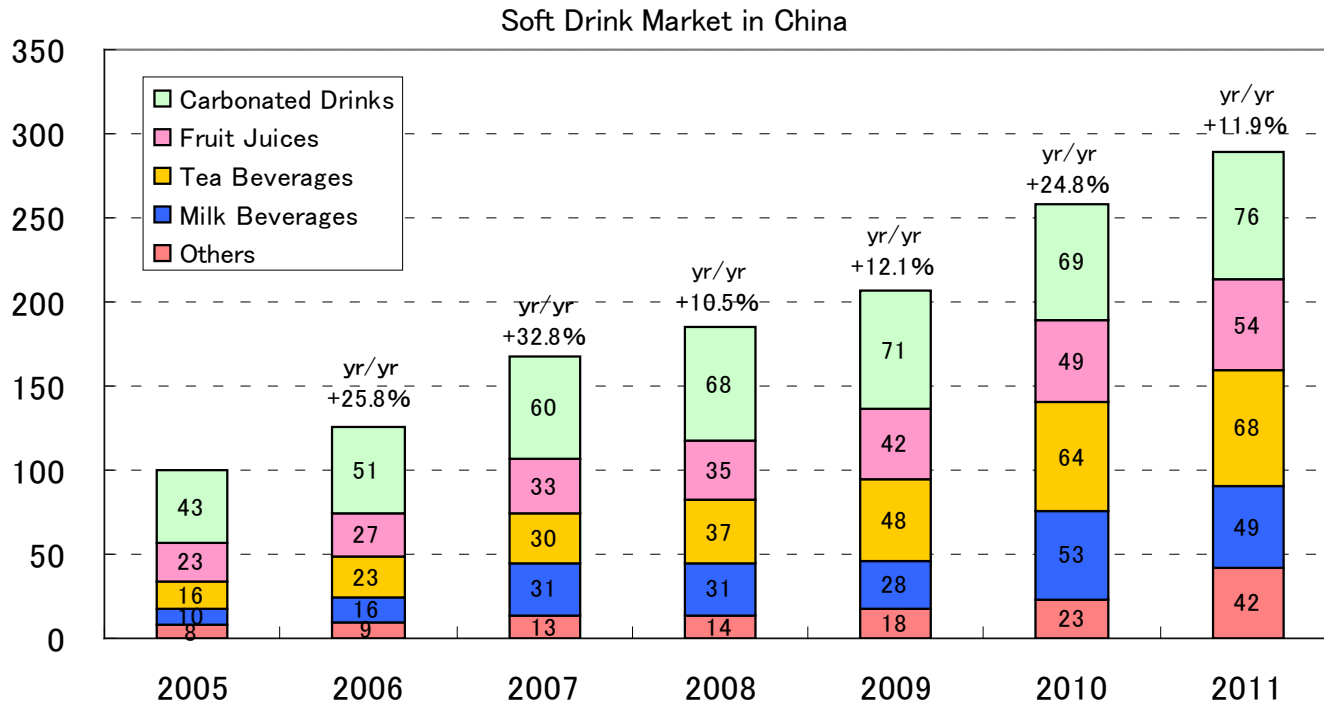
- Seasonal changes in sales exist since sales for the soft drink market account for the highest proportion



Note: This data was calculated by assuming the total sales of customers with identifiable business segments as 100

Operations in the Overseas Market –Soft Drink Market in China–

- Flavors and Fragrance consumption reveals a country's level of affluence —
- Soft drink market in China maintains its growth but the growth pace is slowing down



Note: This data was calculated by assuming the 2005 production volume of soft drink market in China as 100

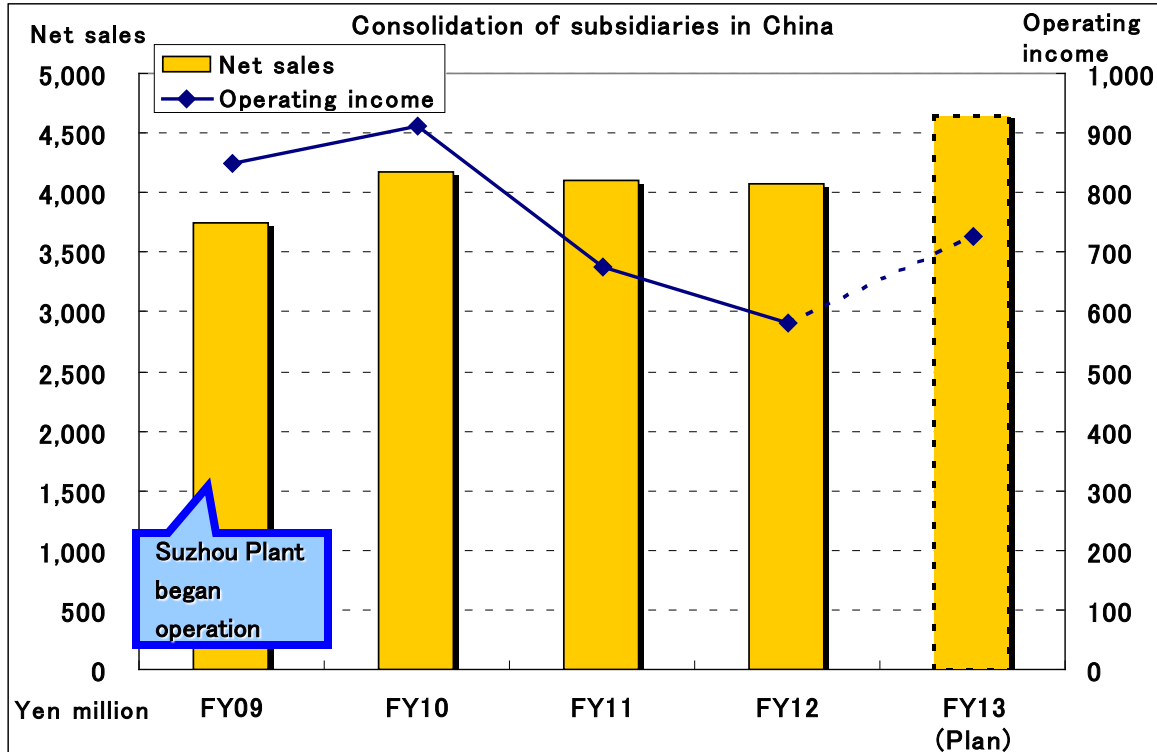
【Share】

	2005	2006	2007	2008	2009	2010	2011
Carbonated Drinks	43%	41%	36%	36%	34%	27%	26%
Fruit Juices	23%	21%	20%	19%	20%	19%	19%
Tea Beverages	16%	18%	18%	20%	23%	25%	23%
Milk Beverages	10%	13%	19%	17%	14%	20%	17%
Others	8%	7%	7%	8%	9%	9%	15%
Total	100%	100%	100%	100%	100%	100%	100%

Business Operations in China

Yen million

	FY09		FY10		FY11		FY12		FY13 (Plan)	
	Value	yr/yr	Value	yr/yr	Value	yr/yr	Value	yr/yr	Value	yr/yr
Net sales	3,740	8.2%	4,177	11.7%	4,099	-1.9%	4,070	-0.7%	4,647	14.2%
Operating income	849	41.8%	913	7.5%	674	-26.1%	580	-14.0%	727	25.4%
Operating income to sales (%)	22.7%	-	21.9%	-	16.5%	-	14.3%	-	15.7%	-
Exchange rate	¥13.83/RMB		¥13.11/RMB		¥12.40/RMB		¥12.47/RMB		¥12.30/RMB	



※ Consolidated sales and operating income of T. Hasegawa's two subsidiaries in China

i.e., T. HASEGAWA FLAVOURS & FRAGRANCES (SHANGHAI) CO., LTD. and T. HASEGAWA FLAVOURS & FRAGRANCES (SHANGHAI) CO., LTD.

FY13 2Q Financial Statements

Balance Sheets

Yen million

	FY12 2Q	FY13 2Q	Change	Remark
Current asset	42,416	45,378	2,961	Increase in cash and deposits: ¥2,204m Increase in marketable securities: ¥1,000m Decrease in inventory: △¥441m
Fixed asset	36,400	37,800	1,399	Increase in investment securities: ¥1,914m Decrease in deferred taxes: △ ¥686m
Total asset	78,817	83,179	4,361	
Current liabilities	10,504	9,825	△ 679	Decrease in trade payables: △¥445m
Long-term liabilities	7,162	7,048	△ 114	Decrease in long-term loans payable: △¥152m
Shareholders' equity	61,150	66,305	5,155	Increase in retained earnings: ¥2,395m Decrease in treasury stock: ¥200m Increase in foreign currency translation adjustments: ¥1,320m Increase in unrealized gains on available-for-sale securities: ¥1,239m
Total liabilities and shareholders' equity	78,817	83,179	4,361	

Statement of Cash Flow

Yen million

	FY12 2Q	FY13 2Q	Change	Remark
Cash flows from operating activities	1,860	3,644	1,783	Income before taxes: ¥2,826m Depreciation & Amortization: ¥1,335m Decrease in trade receivables: ¥1,725m Decrease in trade payables: △¥668m Income taxes paid: △¥804m
Cash flows from investing activities	288	△ 2,155	△ 2,444	Purchase of marketable securities: △¥5,998m Redemption of marketable securities: ¥5,500m Acquisition of tagible fixed assets: △¥1,584m
Cash flows from financing activities	△ 631	△ 630	1	Cash Dividends: △¥622m
Effect of currency change on cash and cash equivalents	158	569	410	—
Net Change in cash and cash equivalents	1,676	1,427	△ 248	—
Cash and Cash equivalents at beginning of period	14,706	15,159	453	—
Cash and cash equivalents at end of period	16,382	16,587	205	—

Capital Investment, Depreciation & Amortization, R&D Expenses

Yen million

		FY13 Plan	FY13 YTD (Actual)	Progress (%)
Capital Investment	Consolidated	2,555	724	28.3%
	Non-consolidated	2,415	612	25.3%
Depreciation & Amortization	Consolidated	2,761	1,335	48.4%
	Non-consolidated	2,411	1,143	47.4%
R&D Expenses	Consolidated	3,827	1,847	48.3%
	Non-consolidated	3,267	1,560	47.8%

T. HASEGAWA CO., LTD (Non-consolidated)

Yen million

	FY12 2Q YTD Actual		FY13 2Q YTD Plan		FY13 2Q YTD Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	18,307	100.0%	18,440	100.0%	17,918	100.0%	-388	-2.1%	-521	-2.8%
Cost of sales	12,323	67.3%	12,160	65.9%	11,720	65.4%	-603	-4.9%	-439	-3.6%
Gross profit	5,983	32.7%	6,280	34.1%	6,197	34.6%	214	3.6%	-82	-1.3%
SGA expenses	4,540	24.8%	4,620	25.1%	4,455	24.9%	-84	-1.9%	-164	-3.6%
Operating income	1,443	7.9%	1,660	9.0%	1,742	9.7%	298	20.7%	82	4.9%
Ordinary income	1,719	9.4%	1,830	9.9%	2,210	12.3%	491	28.6%	380	20.8%
Income before income taxes	1,670	9.1%	1,750	9.5%	2,179	12.2%	509	30.5%	429	24.6%
Net income	806	4.4%	1,170	6.3%	1,447	8.1%	640	79.4%	277	23.7%

T. Hasegawa Shanghai and Suzhou

※ Consolidated profit and loss statements of T.H. Shanghai and T.H. Suzhou.

Yen million

Yen Basis	FY12 2Q YTD		FY13 2Q YTD		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	1,926	100.0%	2,419	100.0%	492	25.6%
Cost of sales	1,227	63.7%	1,412	58.4%	184	15.0%
Gross profit	698	36.3%	1,006	41.6%	307	44.0%
SGA expenses	434	22.6%	558	23.1%	123	28.5%
Operating income	264	13.7%	448	18.5%	183	69.6%
Ordinary income	327	17.0%	623	25.8%	296	90.6%

¥12.39/RMB

¥13.95RMB

RMB thousand

Local Currency Basis	FY12 2Q YTD		FY13 2Q YTD		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	155,494	100.0%	173,410	100.0%	17,915	11.5%
Cost of sales	99,080	63.7%	101,236	58.4%	2,155	2.2%
Gross profit	56,413	36.3%	72,174	41.6%	15,760	27.9%
SGA expenses	35,076	22.6%	40,041	23.1%	4,964	14.2%
Operating income	21,337	13.7%	32,132	18.5%	10,795	50.6%
Ordinary income	26,398	17.0%	44,682	25.8%	18,284	69.3%

- Double-digit growth on both JPY and local currency basis due to the increase of flavor sales.

Yen million

Yen Basis	FY12 2Q YTD		FY13 2Q YTD		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	781	100.0%	899	100.0%	118	15.1%
Cost of sales	477	61.1%	547	60.9%	70	14.7%
Gross profit	304	38.9%	352	39.1%	48	15.8%
SGA expenses	290	37.1%	383	42.6%	92	32.0%
Operating income	13	1.8%	-31	-	-44	-
Ordinary income	15	2.0%	-29	-	-44	-

1 \$ = 78.35円

1 \$ = 86.80円

USD thousand

Local Currency Basis	FY12 2Q YTD		FY13 2Q YTD		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	9,973	100.0%	10,365	100.0%	391	3.9%
Cost of sales	6,092	61.1%	6,307	60.9%	214	3.5%
Gross profit	3,880	38.9%	4,057	39.1%	176	4.5%
SGA expenses	3,704	37.1%	4,414	42.6%	709	19.2%
Operating income	176	1.8%	-357	-	-533	-
Ordinary income	197	2.0%	-335	-	-532	-

- New items contributed to the sales increase
- Decrease in profitability due to the increase in SGA expenses as a result of enhancement of R&D and sales functions.

Three-year Plan (Consolidated)

Yen million

	12 / 9 Actual			13 / 9 Pan			14 / 9 Plan			15 / 9 Plan		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	44,386	100.0%	0.3%	46,090	100.0%	3.8%	47,470	100.0%	3.0%	49,110	100.0%	3.5%
Cost of sales	29,263	65.9%	1.3%	29,960	65.0%	2.4%	30,670	64.6%	2.4%	31,880	64.9%	3.9%
Gross profit	15,122	34.1%	-1.6%	16,130	35.0%	6.7%	16,800	35.4%	4.2%	17,230	35.1%	2.6%
SGA expenses	10,796	24.3%	0.1%	11,230	24.4%	4.0%	11,390	24.0%	1.4%	11,410	23.2%	0.2%
Operating income	4,326	9.7%	-5.5%	4,900	10.6%	13.3%	5,410	11.4%	10.4%	5,820	11.9%	7.6%
Ordinary income	4,704	10.6%	-2.0%	5,180	11.2%	10.1%	5,680	12.0%	9.7%	6,100	12.4%	7.4%
Income before income taxes	4,532	10.2%	-4.3%	5,030	10.9%	11.0%	5,530	11.6%	9.9%	5,950	12.1%	7.6%
Net income	2,586	5.8%	-17.0%	3,400	7.4%	31.5%	3,740	7.9%	10.0%	4,030	8.2%	7.8%

Caution with Respect to Forward-Looking Statements:

This material contains forward-looking statements about the future performance of T. Hasegawa, which are based on management's assumptions and beliefs in the light of information currently available to it. Therefore, please understand that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and that you should not place undue reliance on them. Please also note that we will assume no responsibility for any omission or error in the statements and data in this material.