

110th  
ANNIVERSARY



想像力のない  
香りなんて。

香料には見えない技術が凝縮されています。

香りは人の感性に影響を与えるものです。その可能性は無限です。長谷川香料は長年の経験や実績で培われた調香の技術で高い評価をいただきました。それでも、そこで蓄積された技術力だけに満足してはいません。総合香料メーカーとして、常に新しい香りの研究開発と製造技術の向上に力を注いでいます。基礎研究、フレグランス、フレーバーの3つの研究所が一体となった総合研究所も理想の創造環境にあります。技術が香り立つ、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**

<http://www.t-hasegawa.co.jp/>  
Los Angeles・Chicago・Princeton・上海・広州・北京・韓国・Bangkok

## Financial Results

For the year ended September 30, 2013

**T. HASEGAWA CO., LTD.**

Nov 13, 2013

<u>I . Summary of the Consolidated Financial Statements</u>	... P 2-P 7
— Market Environment	
— Consolidated Results	
— Net sales by Segments, by Region	
— Operating Income by Region	
<u>II . Global Strategies</u>	... P 8-P15
— Domestic Strategies	
— Global Strategies	
<u>III . Three-year-Plan</u>	... P16-P18
— Consolidated profit and loss statements	
— Capital Investment, Depreciation & Amortization, R&D Expenses	
<u>IV . Management Strategies</u>	... P19-P20
<u>V . Appendix</u>	... P21-P42

# I . Summary of the Consolidated Financial Statements

## Domestic Market

- Domestic flavors and fragrances market stayed almost flat in 2012
- Beverage market slightly expanded. Non-flavored mineral water and carbonated drinks contributed to the market growth
- In summer 2013, many parts in Japan experienced very high temperatures, people refrained from going out to avoid heat stroke. Hot summer had only a limited impact to the market growth due to the above mentioned

## 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

- Year-on-year: Net income increased owing to the increase of net sales and the decrease of cost of sales
- vs. Plan : Net sales fell short of plan due to net sales of T. HASEGAWA (non-consolidated)  
did not achieve the original plan  
Operating income exceeded the plan due to lowering sales cost ratio  
Ordinary income and net income exceeded the plan due to the foreign exchange gain

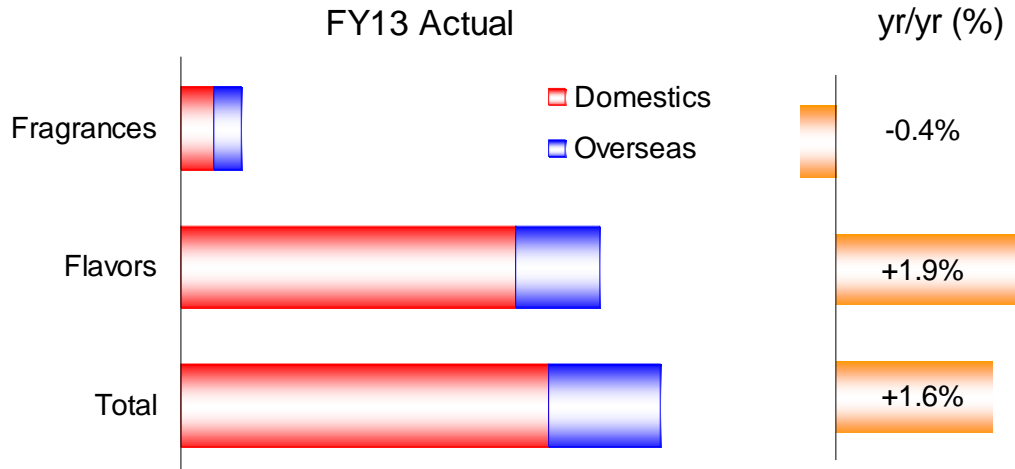
Yen million

	FY12 Actual		FY12 Plan (Nov 9th, 2012)		FY13 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs. Plan	
							Value	%	Value	%
Net sales	44,386	100.0%	46,090	100.0%	45,104	100.0%	718	1.6%	-985	-2.1%
Cost of sales	29,263	65.9%	29,960	65.0%	28,345	62.8%	-917	-3.1%	-1,614	-5.4%
Gross profit	15,122	34.1%	16,130	35.0%	16,758	37.2%	1,636	10.8%	628	3.9%
SGA expenses	10,796	24.3%	11,230	24.4%	11,320	25.1%	524	4.9%	90	0.8%
Operating income	4,326	9.7%	4,900	10.6%	5,438	12.1%	1,112	25.7%	538	11.0%
Ordinary income	4,704	10.6%	5,180	11.2%	6,367	14.1%	1,663	35.4%	1,187	22.9%
Income before income taxes	4,532	10.2%	5,030	10.9%	5,708	12.7%	1,176	25.9%	678	13.5%
Net income	2,586	5.8%	3,400	7.4%	3,518	7.8%	932	36.1%	118	3.5%

- Net sales increased owing to the increase of flavor sales of subsidiary in Shanghai

Yen million

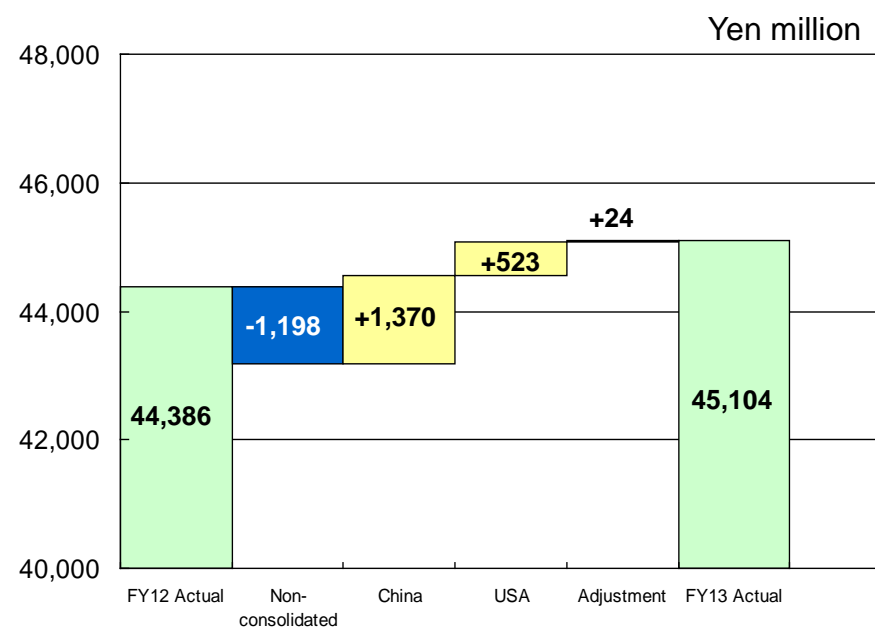
	FY12 Actual	FY13 Actual	yr/yr		Remark
			Value	%	
Fragrances	5,589	5,567	-21	-0.4%	Sales for toiletry products decreased
Flavors	38,797	39,536	739	1.9%	Sales of the subsidiary in Shanghai increased
Total	44,386	45,104	718	1.6%	—



## 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 Actual	FY13 Actual	yr/yr	%
Non-consolidated	39,176	37,977	-1,198	-3.1%
China	4,070	5,440	1,370	33.7%
USA	1,625	2,148	523	32.2%
Adjustment	-486	-462	24	-
Consolidated	44,386	45,104	718	1.6%



- Non-consolidated: Fragrance sales to overseas customers decreased

Flavor sales decreased in tea beverages

⇒ Decrease of net sales

- China: Flavor sales increased

⇒ Increase of net sales

- U.S.: Contribution of the new products

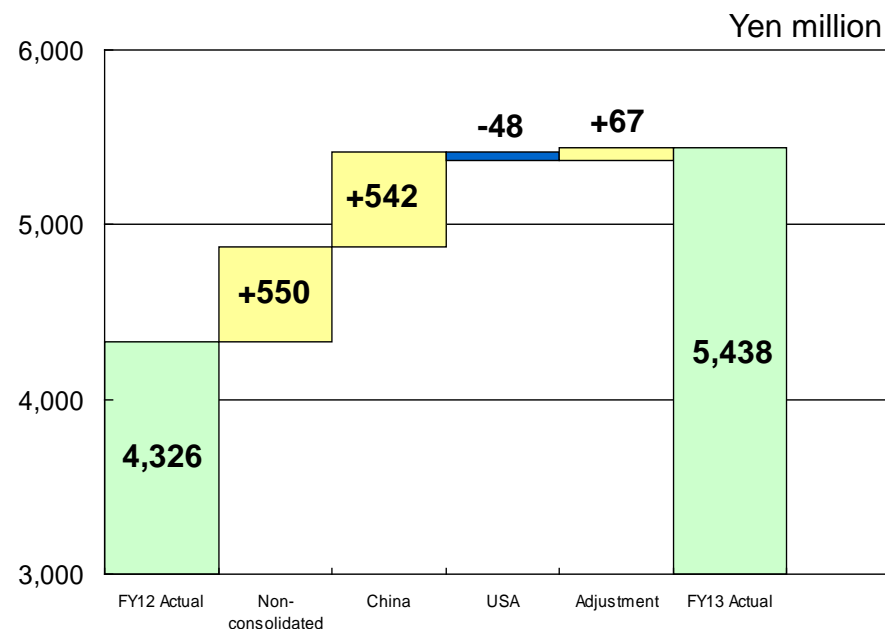
⇒ Increase of net sales

## Operating income

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

Yen million

	FY12 Actual	FY13 Actual	yr/yr	%
Non-consolidated	3,607	4,158	550	15.3%
China	580	1,122	542	93.5%
USA	65	17	-48	-74.0%
Adjustment	72	140	67	-
Consolidated	4,326	5,438	1,112	25.7%



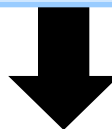
- Non-consolidated: Decrease of sales cost ⇒ Increase of operating income
- China: Increase of net sales and lowering the sales cost ratio ⇒ Increase of operating income
- U.S.: Increase of SGA due to an enhancement of R&D and Sales force ⇒ Decrease of operating income



## Ⅱ . Global Strategies

Market Environment

Maturing 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-alcoholic beer and cocktail, alcoholic drinks, health food, food for medical use
- Develop flavors that can replace food materials such as milk, vegetables, fruit juice and meat

### Cost-cutting measures and profit management utilizing ERP(\*)

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

(\*)ERP: Enterprise Resource Planning

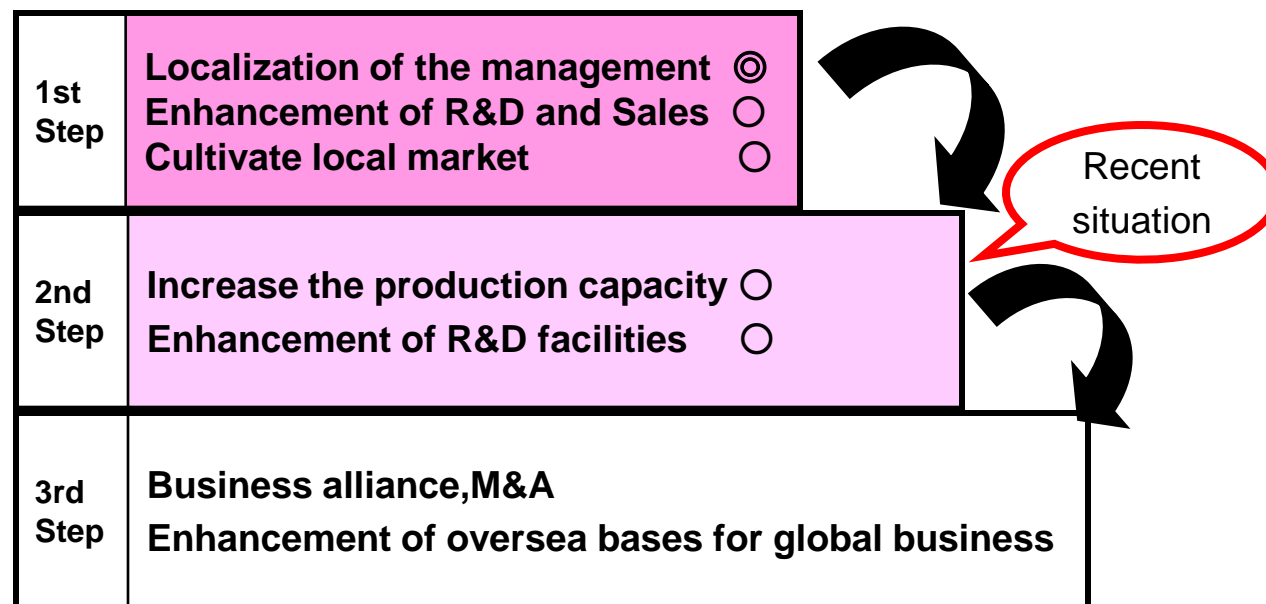
## Policy

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

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

◎ : Completion

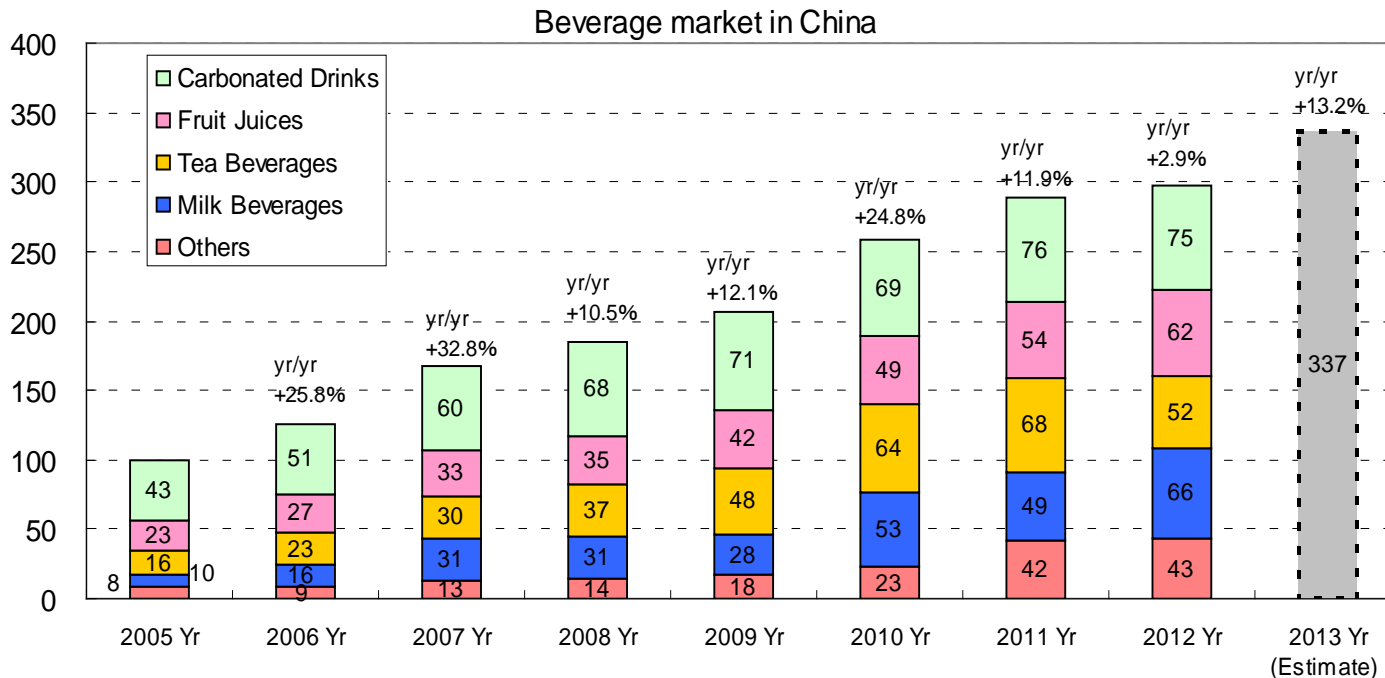
○ : On-going

**2nd Phase: Increase business opportunities with global companies**

		China	U.S.	Southeast Asia
<b>Targets</b>		FY2013 Net sales <u>5.4 bln Yen</u> Operating income <u>1.1 bln Yen</u> ↓ FY2018 Net sales <u>10.0 bln Yen</u> Operating income <u>2.0 bln Yen</u>	FY2013 Net sales <u>2.1 bln Yen</u> Operating income <u>0.0 bln Yen</u> ↓ FY2018 Net sales <u>4.5 bln Yen</u> Operating income <u>0.5 bln Yen</u>	FY2013 Net sales <u>0.9 bln Yen</u> Operating income <u>0.0 bln Yen</u> ↓ FY2018 Net sales <u>2.0 bln Yen</u> Operating income <u>0.2 bln Yen</u>
<b>Recent situation</b>	<b>1st Step</b>	<ul style="list-style-type: none"> <li>• Strengthen business relationship with current customers and cultivate new customers</li> <li>• Realign new management structure</li> </ul>	<ul style="list-style-type: none"> <li>• Realign new management structure</li> <li>• Penetrate into beverage market</li> </ul>	<ul style="list-style-type: none"> <li>• Improve profitability</li> <li>• Determine high-priority-countries</li> </ul>
	<b>2nd Step</b>	<ul style="list-style-type: none"> <li>• Increase the production capacity</li> <li>• Enhancement of R&amp;D facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement of R&amp;D facilities</li> <li>• Enhancement of bases for global business</li> </ul>	<ul style="list-style-type: none"> <li>• Technical support visits to customers with Sales force</li> <li>• Cultivate new local customers</li> <li>• Acquisition of local production site</li> </ul>

## - Beverage market scale in China- (T. Hasegawa estimates)

- Beverage market in China maintains its growth, In 2012 the growth pace decelerated
- In 2013, estimate the growth rate return a double digit



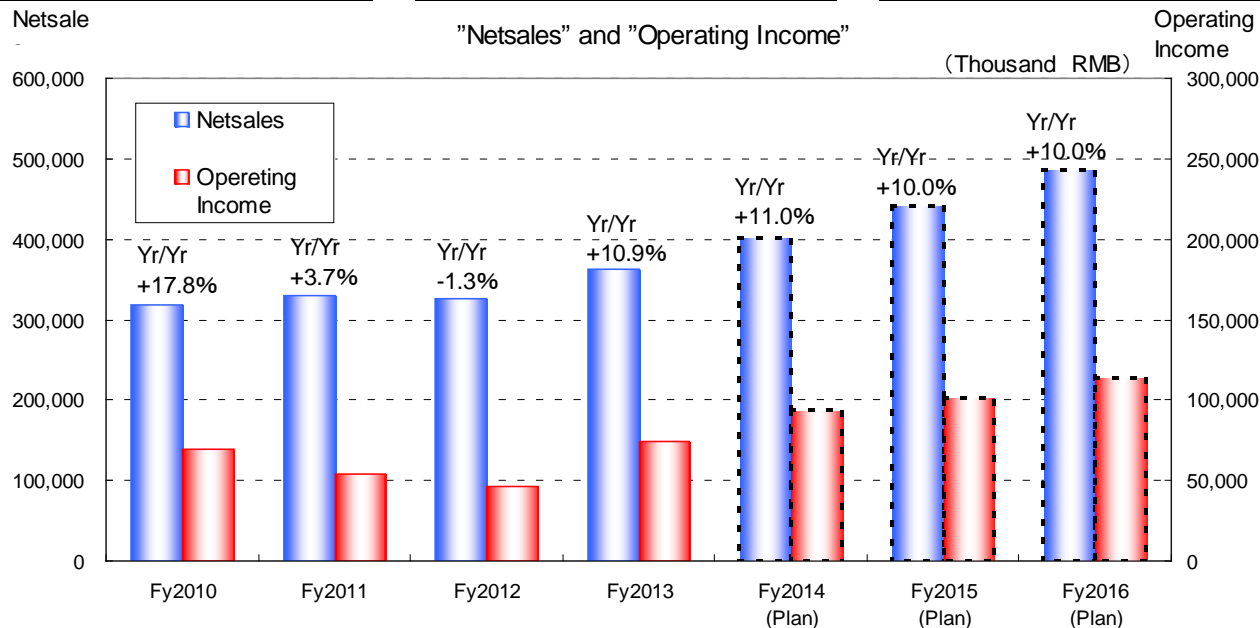
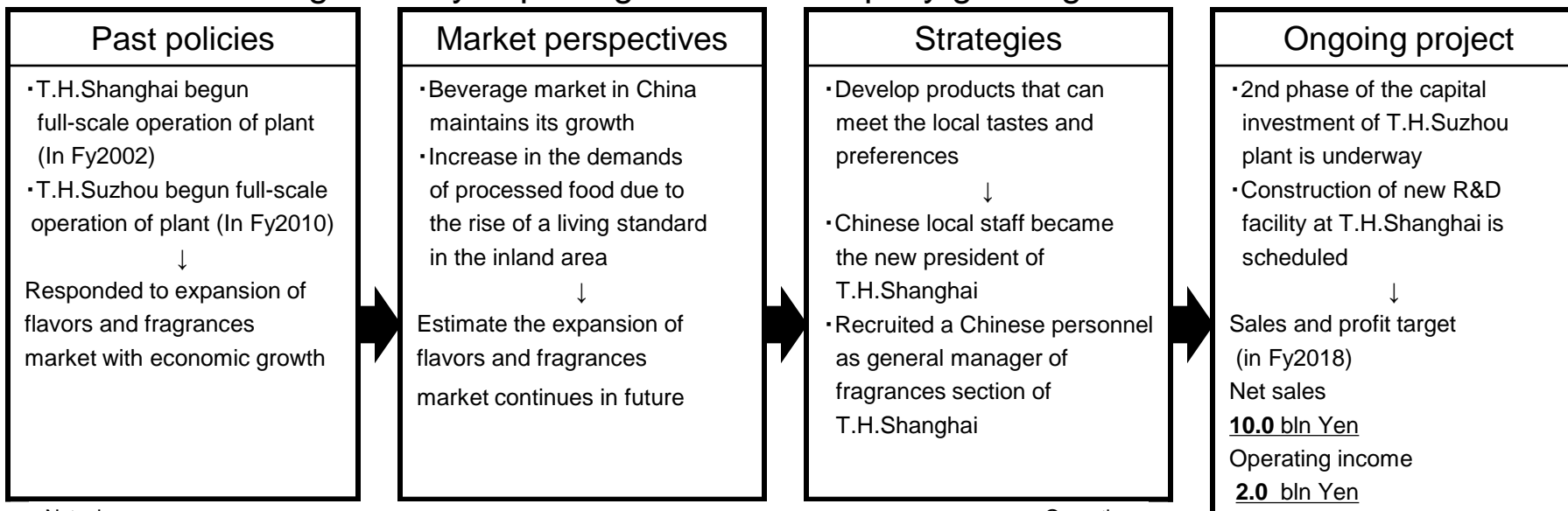
Note: This data was calculated by assuming the 2005 production volume of beverage market in China as 100

The figure of 2013Yr was the average growth rate of the last three years (2010Yr to 2012Yr)

### 【Share】

	2005 Yr	2006 Yr	2007 Yr	2008 Yr	2009 Yr	2010 Yr	2011 Yr	2012 Yr	2013 Yr (Estimate)
Carbonated Drinks	43%	41%	36%	36%	34%	27%	26%	25%	-
Fruit Juices	23%	21%	20%	19%	20%	19%	19%	21%	-
Tea Beverages	16%	18%	18%	20%	23%	25%	23%	17%	-
Milk Beverages	10%	13%	19%	17%	14%	20%	17%	22%	-
Others	8%	7%	7%	8%	9%	9%	15%	15%	-
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Aim at the further growth by capturing demand of rapidly growing Chinese market

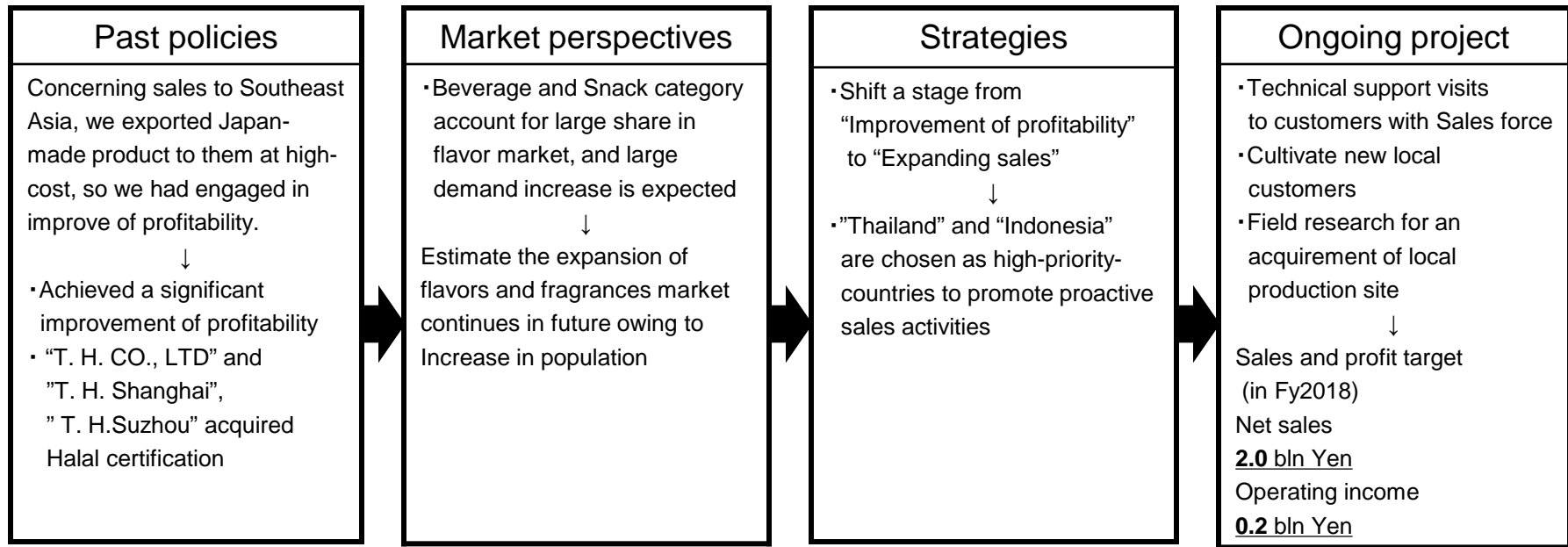


※Consolidated Net sales and operating income of T. Hasegawa's two subsidiaries in China

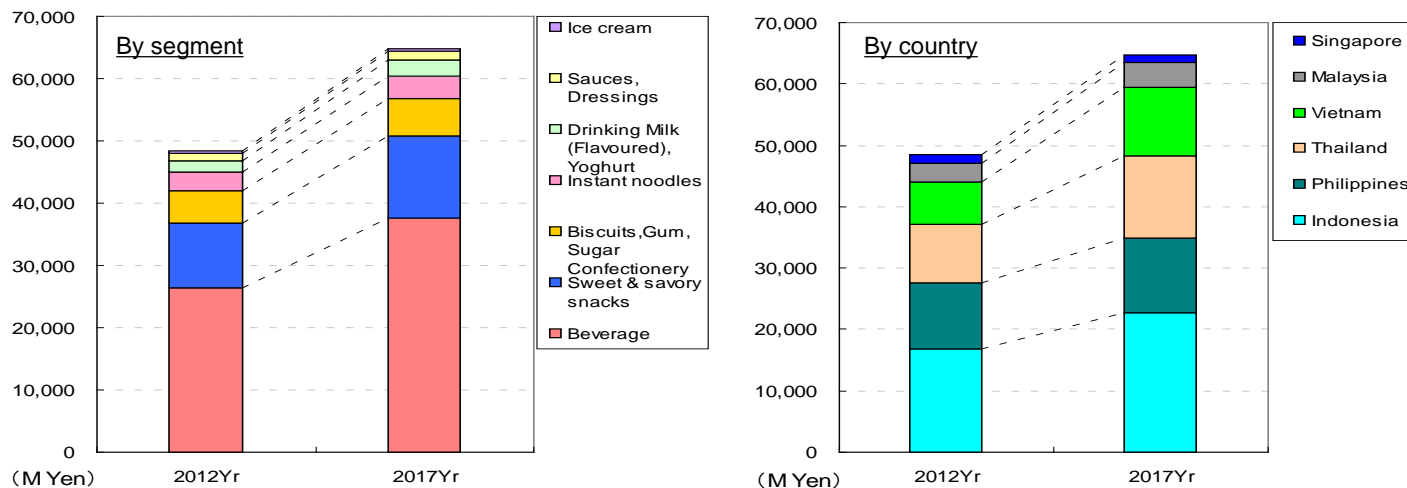
Past policies	Market perspectives	Short term strategies	Medium and long-term policies
Expanded sales mainly in the niche market such as savory flavors	<p>Decided to penetrate into beverage market which has the biggest demand in U.S.flavors market (In Fy2012)</p> <p>↓</p> <ul style="list-style-type: none"> <li>•Recruited an American personnel as CEO, who formerly worked for major beverage company</li> <li>•Organize new management structure</li> <li>•Increase local sales and R&amp;D personnel</li> </ul>	<ul style="list-style-type: none"> <li>•Increase sales of beverage flavors</li> <li>•Further increase in sales of savory flavors</li> </ul> <p>↓</p> <ul style="list-style-type: none"> <li>•Build a new office in Mexico to penetrate Mexican market (Oct,2013)</li> <li>•Increase the production capacity</li> <li>•Rebuild R&amp;D facilities</li> </ul>	<ul style="list-style-type: none"> <li>•Increase business opportunities with global companies</li> <li>•Expand business in North and South America market</li> </ul> <p>↓</p> <p>Sales and profit target (in Fy2018)</p> <p>Net sales <b><u>4.5 bln Yen</u></b></p> <p>Operating income <b><u>0.5 bln Yen</u></b></p>



## Transitional stage from “Improvement of profitability” to “Expanding sales”



Flavor market in Southeast Asia (T. Hasegawa estimates)





## III. Three-year-Plan

Yen million

	Fy2013 (Actual)	Fy2014 (Plan)	Fy2015 (Plan)	Fy2016 (Plan)
Net sales	45,104	46,910	48,390	50,000
Cost of sales	28,345	29,420	30,390	31,220
Operating income	5,438	5,570	5,980	6,470
Ordinary income	6,367	5,790	6,190	6,680
Net income	3,518	3,850	3,840	4,270
Sales growth ratio	1.6%	4.0%	3.2%	3.3%
Sales cost ratio	62.8%	62.7%	62.8%	62.4%
Operating income ratio	12.1%	11.9%	12.4%	12.9%
Ordinary income ratio	14.1%	12.3%	12.8%	13.4%
Net income ratio	7.8%	8.2%	7.9%	8.5%
Overseas net sales ratio	23.1%	25.2%	26.8%	28.4%

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

※Please refer to page 41 for details

- Rebuilding of T.H.CO's headquarters is planned (Total construction cost : 1.9bln Yen)  
Completion of new headquarters is scheduled in FY2015
- The second phase of the capital investment of Suzhou plant is planned  
Operation of the new facility is scheduled in FY2015
- R&D expenses is planned to be kept at around 8% of net sales

Yen million

		Fy13 (Actual)	Fy14 (Plan)	Fy15 (Plan)	Fy16 (Plan)
Capital Investment	Consolidated	2,700	6,798	3,589	2,765
	Non-consolidated	1,835	4,890	2,891	2,390
Depreciation & Amortization	Consolidated	2,767	3,056	3,020	3,076
	Non-consolidated	2,342	2,525	2,385	2,351
R&D Expenses	Consolidated	3,867	4,033	4,089	4,130
	Non-consolidated	3,231	3,301	3,288	3,263

## IV. Management Strategies

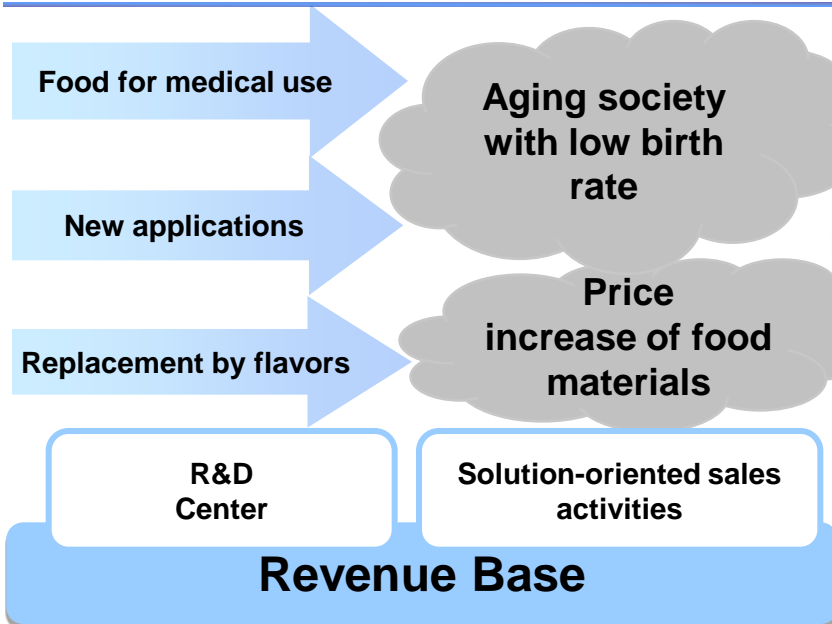
## Basic Strategies

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

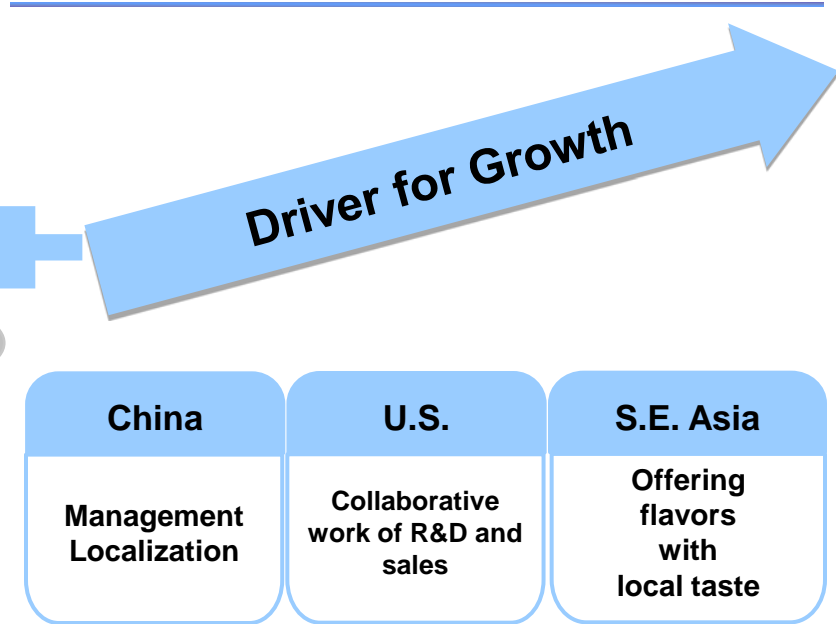
**Make steady revenues in the domestic market**

**Aim for growth in the overseas market**

### • Domestic Market

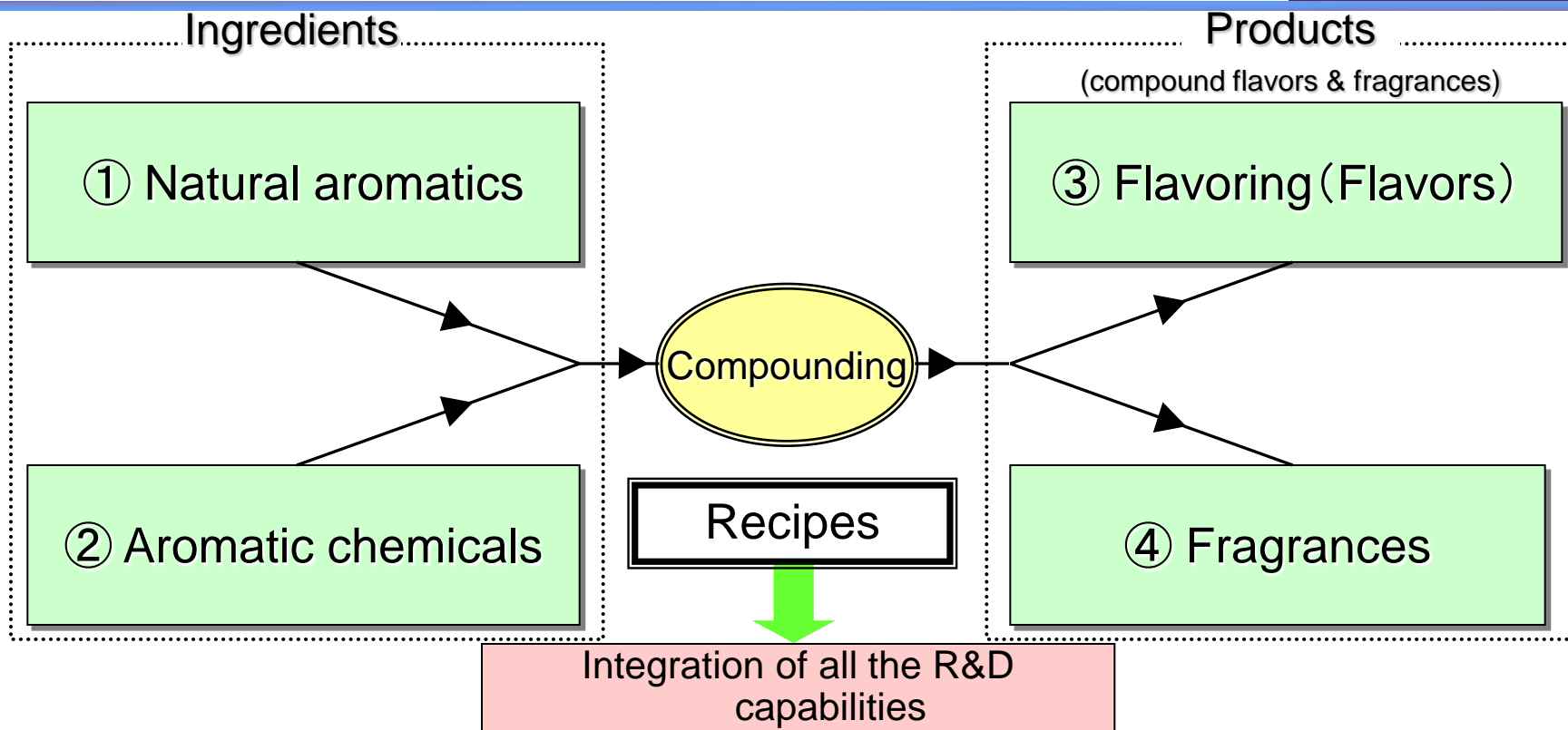


### • Overseas Market



# V . Appendix

# Outlines of 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 tailor-made in accordance to 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

- Estimated sales volume of global market: Approx. 2,000bln Yen (Approx. 23bln USD)

## Europe, the Middle East and Africa

-Market size: Approx. 700bln Yen(\*)

-Many of the end-users introduce "Preferred supplier program" and European and American companies have built the solid business bases

## North America

-Market size: Approx. 550bln Yen (\*)

-Many of the end-users introduce "Preferred supplier program" and European and American companies have built 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. Penetrating into the beverage market under the new management setup is underway

## Asia

-Market size: Approx. 600bln Yen (\*)

-Market is growing due to the economic growth of developing countries including China

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

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

## South America

-Market size: Approx. 150bln Yen (\*)

-The majority of flavors and fragrances are imported.

-Competition in Brazilian market is becoming severe due to the economic growth

(\*) = T. Hasegawa estimates

● = T. Hasegawa's offices and plants

- Top11 companies account for approx. 80% of the global market

USD million

	Company name	Country	Sales(2012Yr)	Market Share
1	Givaudan	Switzerland	4,649	20.3%
2	Firmenich	Switzerland	3,156	13.8%
3	IFF	USA	2,821	12.3%
4	Symrise	Germany	2,287	10.0%
5	Takasago	Japan	1,374	6.0%
6	Wild Flavors	Germany	1,105	4.8%
7	Mane SA	France	842	3.7%
8	Sensient Flavors	USA	725	3.2%
9	Frutarom	Israel	618	2.7%
10	Robertet SA	France	522	2.3%
11	T.Hasegawa	Japan	513	2.2%
	Subtotal	—	18,612	81.3%
	Others	—	4,288	18.7%
	Total	—	22,900	—

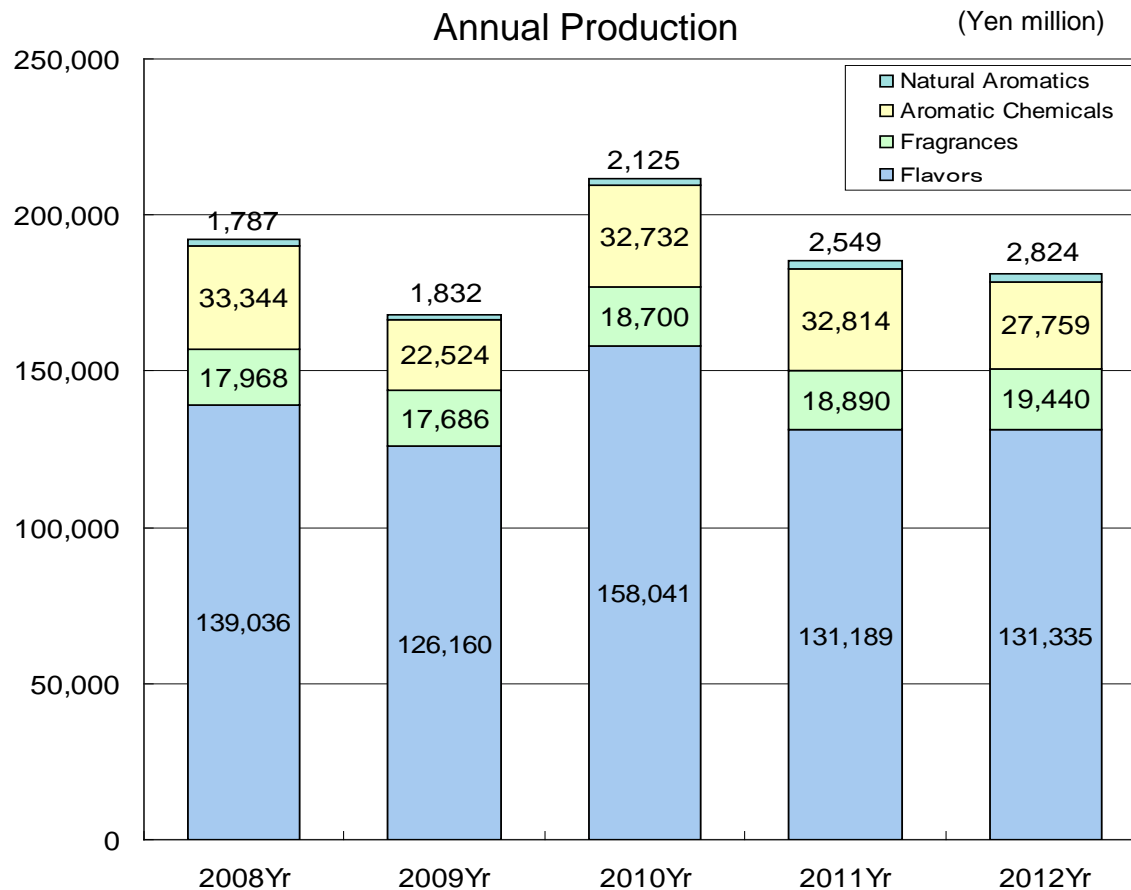
\* US \$1 ≡ 86.6Yen

Source : Leffingwell & Associates  
[http://www.leffingwell.com/top\\_10.htm](http://www.leffingwell.com/top_10.htm)

# Domestic market scale of flavors and fragrances

V. Appendix

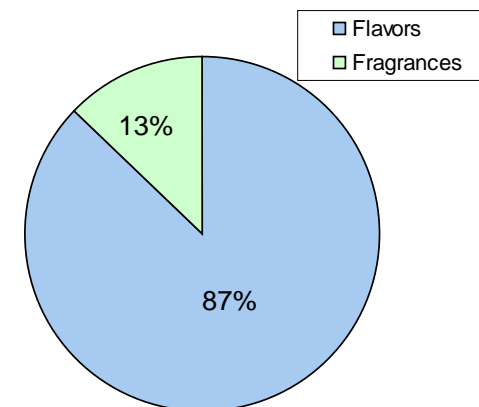
• Sales composition of domestic market ⇒ 90% flavors vs. 10% fragrances (50% flavors vs. 50% fragrances worldwide)



(Yen million)

Total	192,135	168,202	211,598	185,442	181,358
Year-on-year	-4.8%	-12.5%	25.8%	-12.4%	-2.2%

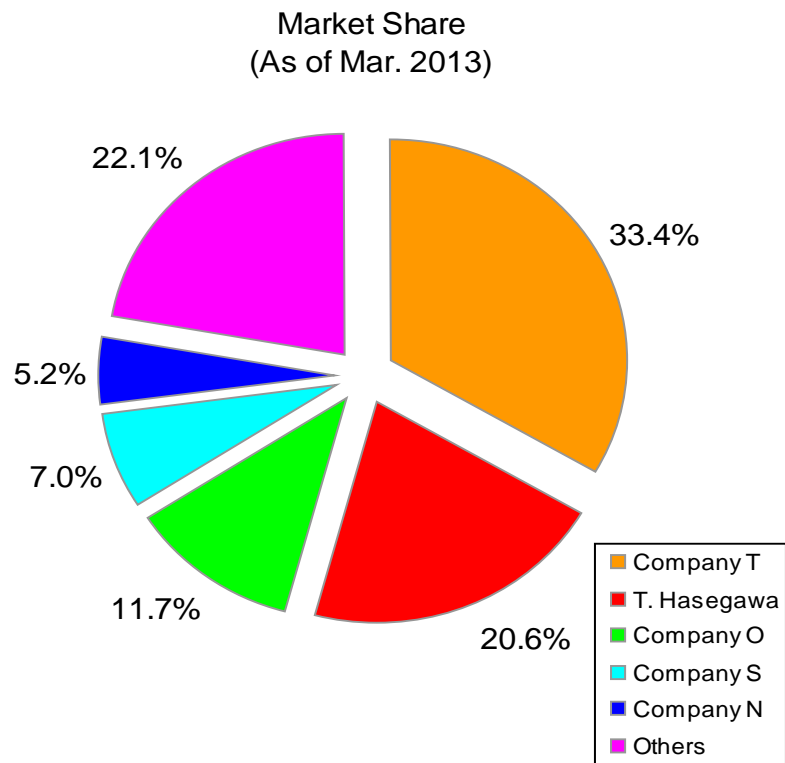
**Composition Rate (2012Yr)**



Source:  
Japan Flavor and Fragrance  
Materials Association

# Business Outline of T. Hasegawa Co., Ltd

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

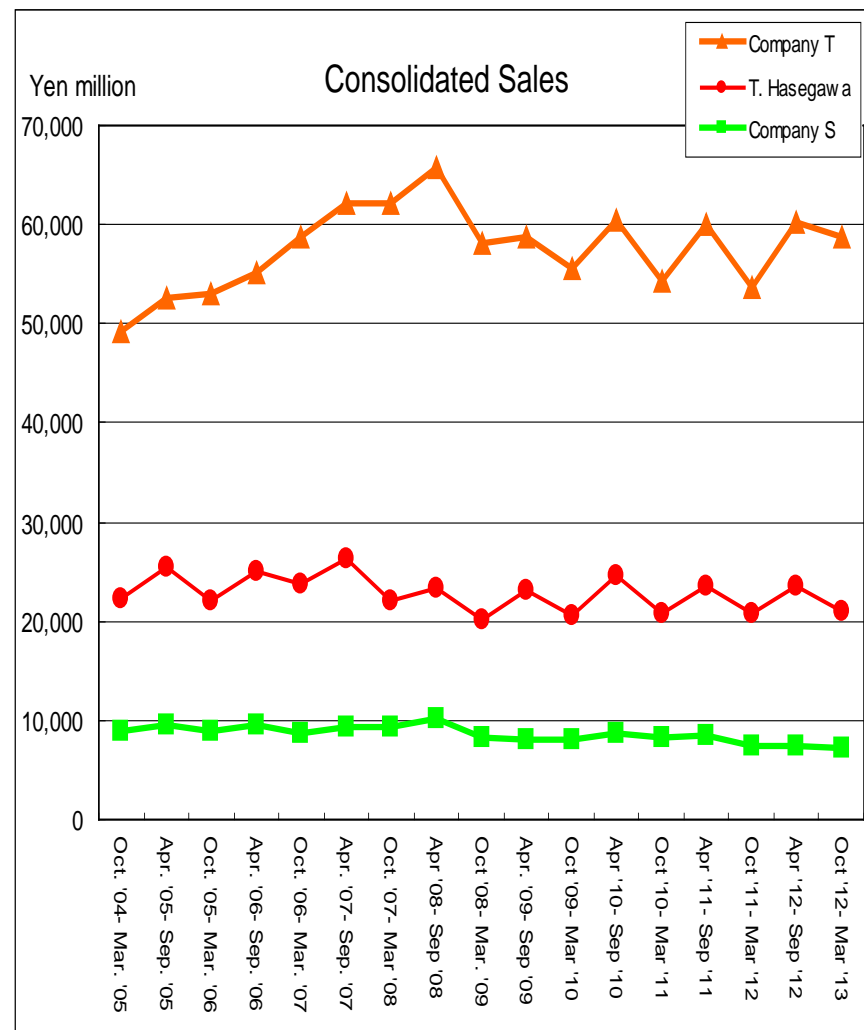


\*Based on a survey conducted by a private market research firm, this data was calculated by assuming the total of "non-consolidated sales" of the top 10 companies in domestic market

\*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 have been adjusted to correspond to the Apr. –Mar. fiscal year

- Intensified competition within the maturing domestic market

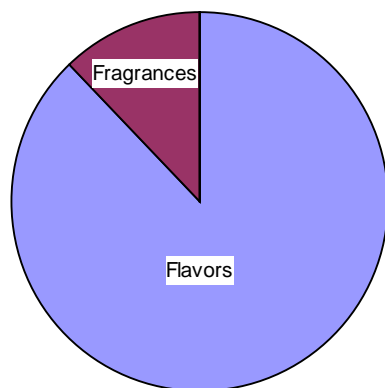


# Sales Breakdown - Segments - (Consolidated)

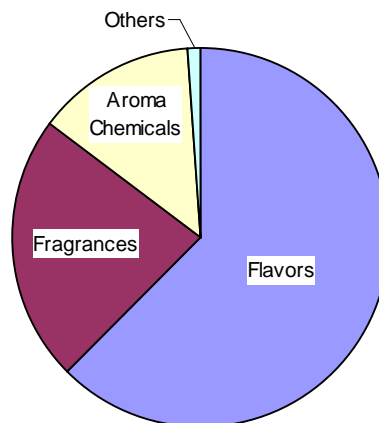
- T. Hasegawa integrates business resources into flavors and fragrances
- High-mix low-volume production ⇒ T. Hasegawa sells approx. 14,000 products per year

Yen million					Yen million		
	T. Hasegawa (Consolidated)		Company A (Consolidated)			Company B (Consolidated)	
	FY ended in Sep. 2013		FY ended in Mar. 2013			FY ended in Mar. 2013	
	Sales	Share	Sales	Share		Sales	Share
Flavors	39,536	87.7%	74,233	62.4%	Compound flavors & Fragrances	7,714	53.1%
Fragrances	5,567	12.3%	27,063	22.7%	Aroma Chemicals	4,201	28.9%
Aroma Chemicals	0	0.0%	16,288	13.7%	Overseas	1,386	9.5%
Others	0	0.0%	1,387	1.2%	Others	1,233	8.5%
Total	45,104	100.0%	118,973	100.0%	Subtotal	14,534	100.0%
Ratio of gross profits to sales	37.2%		30.5%		Ratio of gross profits to sales	33.0%	

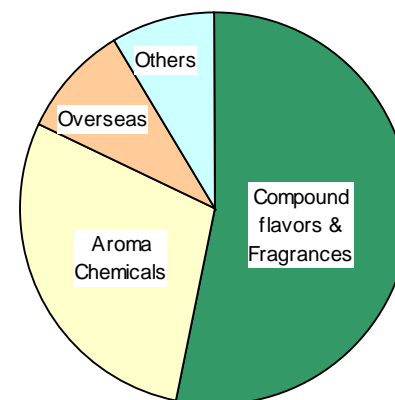
T. Hasegawa (Consolidated)



Company A (Consolidated)



Company B (Consolidated)



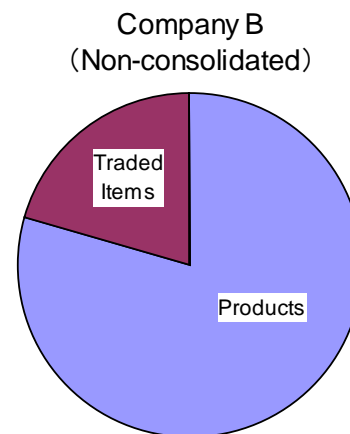
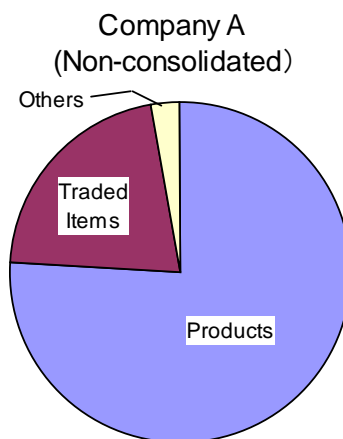
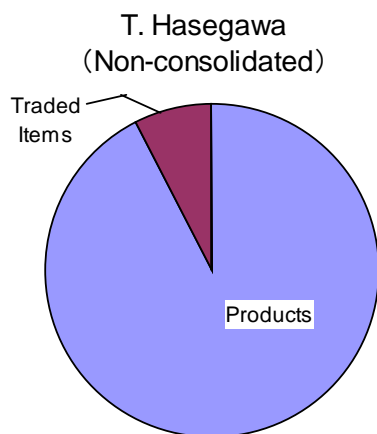
# Sales Breakdown - Products & Traded Items - (Non-consolidated)

V. Appendix

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

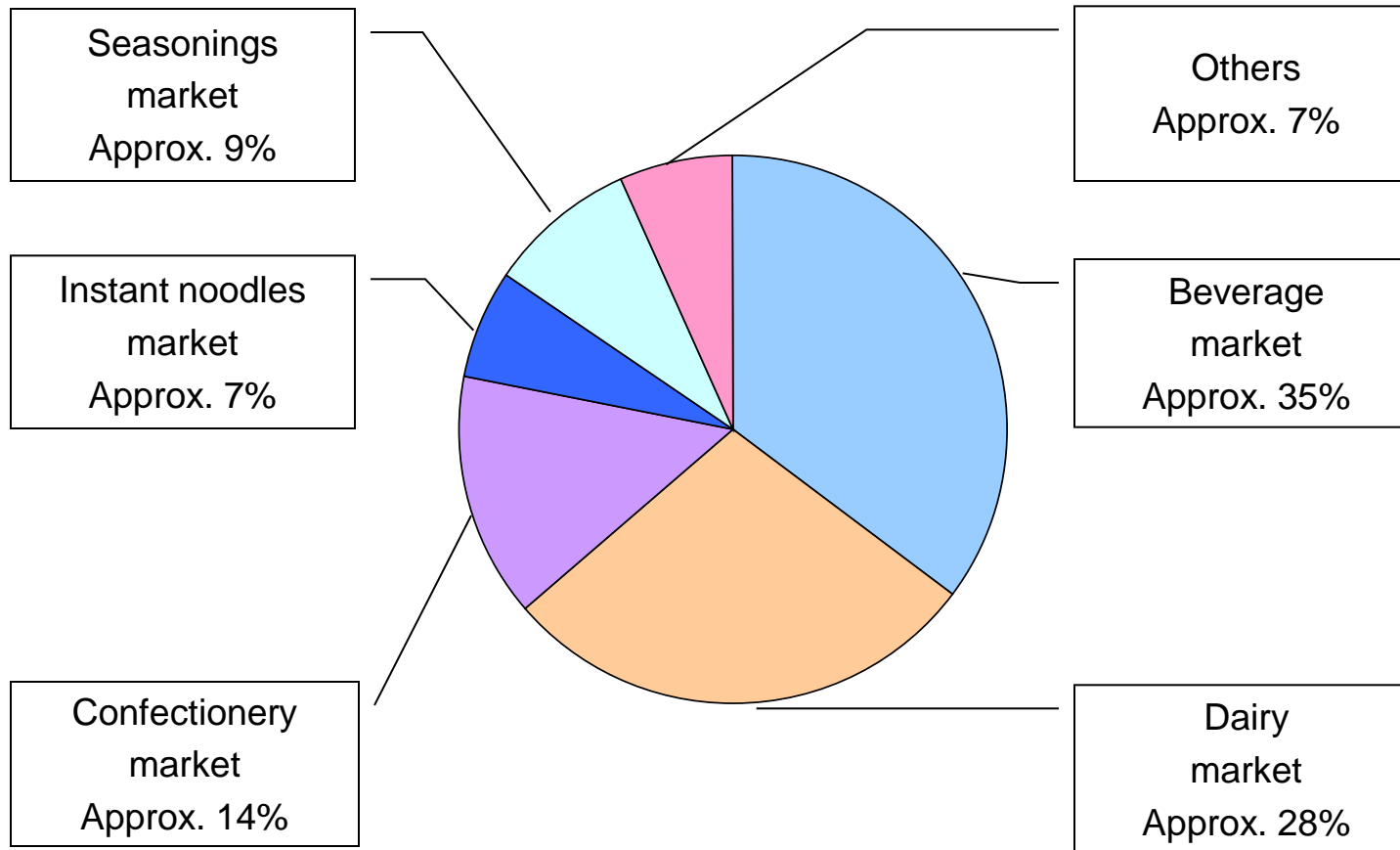
Yen million

	T. Hasegawa (Non-consolidated)		Company A (Non-consolidated)		Company B (Non-consolidated)	
	FY ended in Sep. 2013		FY ended in Mar. 2013		FY ended in Mar. 2013	
	Sales	Share	Sales	Share	Sales	Share
Products	35,077	92.1%	47,531	76.1%	10,392	80.1%
Traded Items	2,900	7.9%	13,452	20.9%	2,687	19.9%
Others	0	0.0%	1,772	3.0%	0	0.0%
Total	37,977	100.0%	62,757	100.0%	13,080	100.0%
Ratio of gross profits to sales	35.3%		30.7%		31.7%	





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



Note: This data was calculated by assuming T. Hasegawa's sales with identifiable business segments as 100

# Financial Information

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

Yen million

	FY12 Actual		FY13 Actual		yr/yr		Remark
					Value	%	
Net sales	44,386	100.0%	45,104	100.0%	718	1.6%	
Cost of sales	29,263	65.9%	28,345	62.8%	-917	-3.1%	<ul style="list-style-type: none"> <li>Sales cost ratio improved on non-consolidated basis due to the decrease of the production expenses</li> <li>Sales cost ratio of overseas subsidiaries improved due to the decrease in the loss on valuation of inventory</li> </ul>
Gross profit	15,122	34.1%	16,758	37.2%	1,636	10.8%	
SGA expenses	10,796	24.3%	11,320	25.1%	524	4.9%	Non-consolidated SGA expenses slightly decreased while that of overseas subsidiaries increased due to sales increase
Operating income	4,326	9.7%	5,438	12.1%	1,112	25.7%	
Ordinary income	4,704	10.6%	6,367	14.1%	1,663	35.4%	(FY12) non-operating income increased due to foreign exchange gain of 35m Yen (FY13) non-operating income increased due to foreign exchange gain of 480m Yen
Income before income taxes	4,532	10.2%	5,708	12.7%	1,176	25.9%	<ul style="list-style-type: none"> <li>Impairment loss and removing cost due to transfer of T.H.CO's headquarters of 299mYen,77mYen</li> <li>Impairment loss and removing cost concerning warehouse in Fukaya factory of 137mYen,78mYen</li> </ul>
Net income	2,586	5.8%	3,518	7.8%	932	36.1%	

Yen million

	September 30 2012	September 30 2013	Increase or Decrease	Remark
Current assets	44,906	48,825	3,919	<ul style="list-style-type: none"> <li>•Increase in cash and deposits: 1,934m Yen</li> <li>•Increase in marketable securities: 3,000m Yen</li> <li>•Decrease in account receivable-trade: -1,067m Yen</li> </ul>
Fixed assets	35,966	38,622	2,656	<ul style="list-style-type: none"> <li>•Increase in investment securities: 2,751m Yen</li> </ul>
Total assets	80,872	87,448	6,575	
Current liabilities	11,912	11,722	-189	
Long-term liabilities	7,171	7,226	54	
Total net assets	61,789	68,499	6,710	<ul style="list-style-type: none"> <li>•Increase in retained earnings: 2,480m Yen</li> <li>•Decrease in treasury stock: 167m Yen</li> <li>•Increase in foreign currency translation adjustments: 2,284m Yen</li> <li>•Increase in unrealized gains on available-for-sale securities: 1,778m Yen</li> </ul>
Total liabilities and net assets	80,872	87,448	6,575	

# Comparative Statement of Cash Flows (Consolidated)

V. Appendix

Yen million

	FY2012	FY2013	Increase or Decrease	Remark
Cash flows from operating activities	4,837	8,493	3,655	<ul style="list-style-type: none"> <li>•Income before taxes: 5,708m Yen</li> <li>•Depreciation &amp; Amortization: 2,767m Yen</li> <li>•Decrease in trade receivables: 1,461m Yen</li> <li>•Decrease in trade payables: -580m Yen</li> <li>•Income taxes paid: -1,611m Yen</li> </ul>
Cash flows from investing activities	-3,363	-4,709	-1,345	<ul style="list-style-type: none"> <li>•Purchase of marketable securities:-9,997m Yen</li> <li>•Redemption of marketable securities: 8,500m Yen</li> <li>•Acquisition of tangible fixed assets: -2,935m Yen</li> </ul>
Cash flows from financing activities	-1,053	-1,051	2	•Cash Dividends paid: -1,038m Yen
Effect of currency change on cash and cash equivalents	33	702	669	—
Net Change in cash and cash equivalents	453	3,435	2,981	—
Cash and Cash equivalents at beginning of period	14,706	15,159	453	—
Cash and cash equivalents at end of period	15,159	18,595	3,435	—

Yen million

		FY13 Plan	FY13 Actual	Progress (%)
Capital Investment	Consolidated	2,555	2,700	105.7%
	Non-consolidated	2,415	1,835	76.0%
Depreciation & Amortization	Consolidated	2,761	2,767	100.2%
	Non-consolidated	2,411	2,348	97.4%
R&D Expenses	Consolidated	3,827	3,867	101.0%
	Non-consolidated	3,267	3,231	98.9%

Yen million

	FY12 Actual		FY12 Plan (Nov 9th, 2012)		FY13 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	39,176	100.0%	39,900	100.0%	37,977	100.0%	-1,198	-3.1%	-1,922	-4.8%
Cost of sales	26,274	67.1%	26,360	66.1%	24,576	64.7%	-1,698	-6.5%	-1,783	-6.8%
Gross profit	12,901	32.9%	13,540	33.9%	13,401	35.3%	499	3.9%	-138	-1.0%
SGA expenses	9,294	23.7%	9,490	23.8%	9,242	24.3%	-51	-0.6%	-247	-2.6%
Operating income	3,607	9.2%	4,050	10.2%	4,158	10.9%	550	15.3%	108	2.7%
Ordinary income	4,011	10.2%	4,400	11.0%	5,689	15.0%	1,677	41.8%	1,289	29.3%
Income before income taxes	3,846	9.8%	4,250	10.7%	5,031	13.2%	1,184	30.8%	781	18.4%
Net income	2,040	5.2%	2,840	7.1%	3,364	8.9%	1,323	64.8%	524	18.5%

Note: Consolidated profit and loss statements of T.H. Shanghai and T.H. Suzhou.

Yen million

Yen Basis	FY12		FY13		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	4,070	100.0%	5,440	100.0%	1,370	33.7%
Cost of sales	2,507	61.6%	3,016	55.4%	508	20.3%
Gross profit	1,562	38.4%	2,424	44.6%	861	55.1%
SGA expenses	982	24.1%	1,301	23.9%	319	32.5%
Operating income	580	14.3%	1,122	20.6%	542	93.5%
Ordinary income	584	14.4%	1,392	25.6%	807	138.2%

Yen12.47/RMB

Yen15.03/RMB

RMB thousand

Local Currency Basis	FY12		FY13		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	326,419	100.0%	361,983	100.0%	35,564	10.9%
Cost of sales	201,100	61.6%	200,670	55.4%	-430	-0.2%
Gross profit	125,318	38.4%	161,313	44.6%	35,994	28.7%
SGA expenses	78,777	24.1%	86,608	23.9%	7,831	9.9%
Operating income	46,541	14.3%	74,705	20.6%	28,163	60.5%
Ordinary income	46,871	14.4%	92,633	25.6%	45,761	97.6%

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



Yen million

Yen Basis	FY12		FY13		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	1,625	100.0%	2,148	100.0%	523	32.2%
Cost of sales	1,002	61.6%	1,301	60.6%	299	29.9%
Gross profit	623	38.4%	847	39.4%	223	35.9%
SGA expenses	557	34.3%	830	38.6%	272	48.8%
Operating income	65	4.0%	17	0.8%	-48	-74.0%
Ordinary income	72	4.4%	23	1.1%	-48	-67.0%

Yen78.88/USD

Yen92.83/USD

USD thousand

Local Currency Basis	FY12		FY13		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	20,610	100.0%	23,149	100.0%	2,538	12.3%
Cost of sales	12,704	61.6%	14,019	60.6%	1,315	10.4%
Gross profit	7,905	38.4%	9,129	39.4%	1,223	15.5%
SGA expenses	7,073	34.3%	8,945	38.6%	1,872	26.5%
Operating income	832	4.0%	183	0.8%	-648	-77.9%
Ordinary income	915	4.4%	256	1.1%	-658	-72.0%

- 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

Yen million

	FY2013 (Actual)			FY2014 (Plan)			FY2015 (Plan)			FY2016 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	45,104	100.0%	1.6%	46,910	100.0%	4.0%	48,390	100.0%	3.2%	50,000	100.0%	3.3%
Cost of sales	28,345	62.8%	-3.1%	29,420	62.7%	3.8%	30,390	62.8%	3.3%	31,220	62.4%	2.7%
Gross profit	16,758	37.2%	10.8%	17,490	37.3%	4.4%	18,000	37.2%	2.9%	18,780	37.6%	4.3%
SGA expenses	11,320	25.1%	4.9%	11,920	25.4%	5.3%	12,020	24.8%	0.8%	12,310	24.6%	2.4%
Operating income	5,438	12.1%	25.7%	5,570	11.9%	2.4%	5,980	12.4%	7.4%	6,470	12.9%	8.2%
Ordinary income	6,367	14.1%	35.4%	5,790	12.3%	-9.1%	6,190	12.8%	6.9%	6,680	13.4%	7.9%
Income before income taxes	5,708	12.7%	25.9%	5,670	12.1%	-0.7%	6,040	12.5%	6.5%	6,530	13.1%	8.1%
Net income	3,518	7.8%	36.1%	3,850	8.2%	9.4%	3,840	7.9%	-0.3%	4,270	8.5%	11.2%

## 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.