




香りがつなぐ。  
安心と安全。

そこに香りがあれば、傍にいただけでもっと分かりあえるはずです。  
コミュニケーションが多様になるとともに香りも進化が求められています。  
安心から生まれる信頼関係を未来につなぐために、  
私たち長谷川香料は常に安全を管理し、内外に保証してきました。  
原料や製品の品質管理、製造過程の衛生管理だけでなく、  
工場や研究所周辺の環境対策などの  
安全性を安心のレベルにまで高めています。  
廃棄物の有効利用や緑化など環境づくりにも配慮しています。  
人と地球と未来へ、香料で豊かな社会を。  
ここには持続可能な社会へ向けての強い意識があります。

香りに未来を描く。  
香りに感動を込める。  
 長谷川香料株式会社

# Financial Results for the Year Ended September 30, 2020



T. HASEGAWA CO., LTD.

November 25, 2020

- I . Overview of Consolidated Financial Statement
- II . Impact of COVID-19
- III . Management Policy
- IV . Global Strategies
- V . Three-Year-Plan
- VI . Capital Policy
- VII . Appendix

# I . Overview of Consolidated Financial Statement

## Domestic Market

### • 2020 Market Trends by Product Category

Category	Trend		
Beverages	2020 Jan to Sept.	Decreased	<ul style="list-style-type: none"> <li>• Low consumer spending affected by declaration of state of emergency and avoidance of outing from April to May 2020 associated with expansion of COVID-19 infection</li> <li>• Beverages for restaurants were sluggish associated with avoidance of eating-out, and vending machine beverages were also sluggish associated with avoidance of eating-out</li> <li>• Similarly as in the previous year, rainy season lasted long and demands did not come back at summertime, the period of the highest demands</li> </ul>
Snacks	2020 Jan to Sept.	Increased	<ul style="list-style-type: none"> <li>• Among potato snacks, potato chips were strong</li> <li>• Corn snacks had hard time, and flour-based snacks were flat</li> </ul>
Chocolate	2020 Jan to Sept.	Decreased	<ul style="list-style-type: none"> <li>• Chocolate with high cacao contents had hard time due to rebound decrease from large increase in the previous year, chocolate bar sales recovered</li> <li>• Chocolate confections, mainly multi pack products, were strong</li> <li>• Although the entire market performed steadily from Jan. to June 2020, experienced significant decrease affected by extreme heat from Aug. to Sept. 2020</li> </ul>
Frozen Dessert	2020 Jan to Sept.	Increased	<ul style="list-style-type: none"> <li>• Rebound increase from decrease associated with price raise in March 2019</li> <li>• From heightened trend of eating at home, demand for packages of treat size products increased, professional-use products for restaurants decreased</li> </ul>
Instant Noodles	2020 Jan to Sept.	Increased	<ul style="list-style-type: none"> <li>• Package-type instant noodles performed well from heightened trend of eating at home</li> <li>• Demand increase for stockpiling in April 2020 contributed to performance of bowl-type instant noodles</li> </ul>

Data Source: The Beverage & Food Daily News

# Performance Overview

- Compared to Previous Year

Income decreased mainly due to sales decrease at Parent company(Flavors, Fragrances)

Operating income increased mainly from improvement of Cost of Sales ratio, SG&A expense decrease

Net income increased mainly because impairment loss reported at the previous Fiscal Year for goodwill related to the U.S. subsidiary was eliminated

- Compared to Plan

Unable to achieve projected sales mainly because performance of Parent company was below projection due to COVID-19 infection

Achieved projected operating income mainly because Cost of Sales and SG&A expenses were less than projection

(Million Yen)

	FY19 Actual	FY20 Plan (Revised in May 8,2020)	FY20 Actual	Achievement			
				yr/yr		vs. Plan	
				Value	%	Value	%
Net sales	50,493	50,500	50,192	-301	-0.6%	-307	-0.6%
Cost of sales	31,373	31,300	30,783	-589	-1.9%	-516	-1.6%
Gross profit	19,120	19,200	19,408	288	1.5%	208	1.1%
SG&A expenses	14,441	14,320	14,052	-388	-2.7%	-267	-1.9%
Operating income	4,678	4,880	5,356	677	14.5%	476	9.8%
Ordinary income	5,175	5,320	5,861	685	13.2%	541	10.2%
Income before income taxes	5,464	6,460	7,028	1,564	28.6%	568	8.8%
Net income	4,121	4,640	5,090	969	23.5%	450	9.7%
EBITDA (※)	8,053	8,116	8,360	307	3.8%	244	2.9%

※ EBITDA = Operating income + Depreciation and Amortization + Amortization of goodwill

# Net Sales by Product Segments

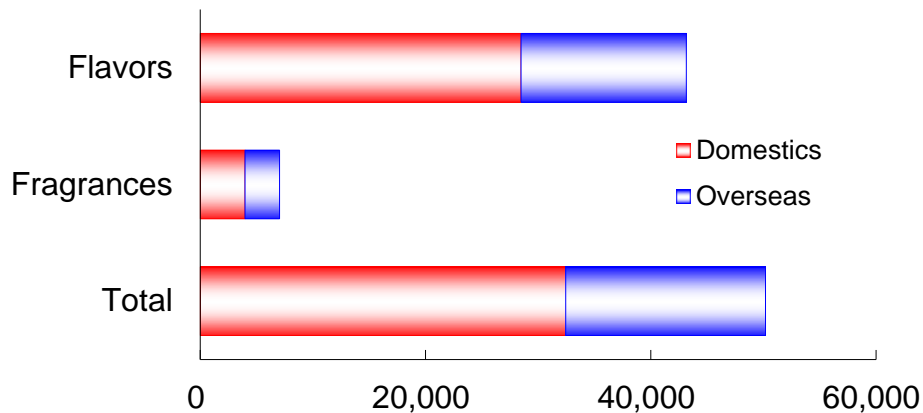
- Contributing Factor for Decrease  
Decrease at Parent company (Flavors , Fragrances)

(Million Yen)

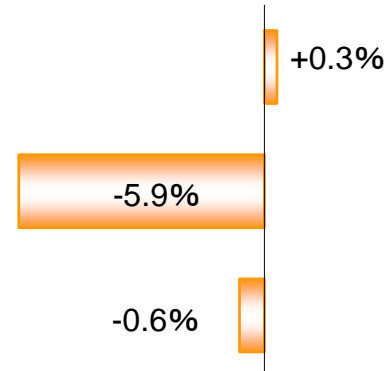
Category	FY2019 Actual	FY2020 Actual	yr/yr		Remark
			Value	%	
Flavors	43,018	43,159	141	0.3%	Sales increase at U.S. subsidiary and Chinese subsidiary covered sales decrease at parent company
Fragrances	7,474	7,032	-442	-5.9%	Sales decreased at parent company, Chinese subsidiary and Indonesian subsidiary
Total	50,493	50,192	-301	-0.6%	—

(Million Yen)

FY20 Actual



yr/yr (%)



\*FY20 Overseas sales ratio 35.4%

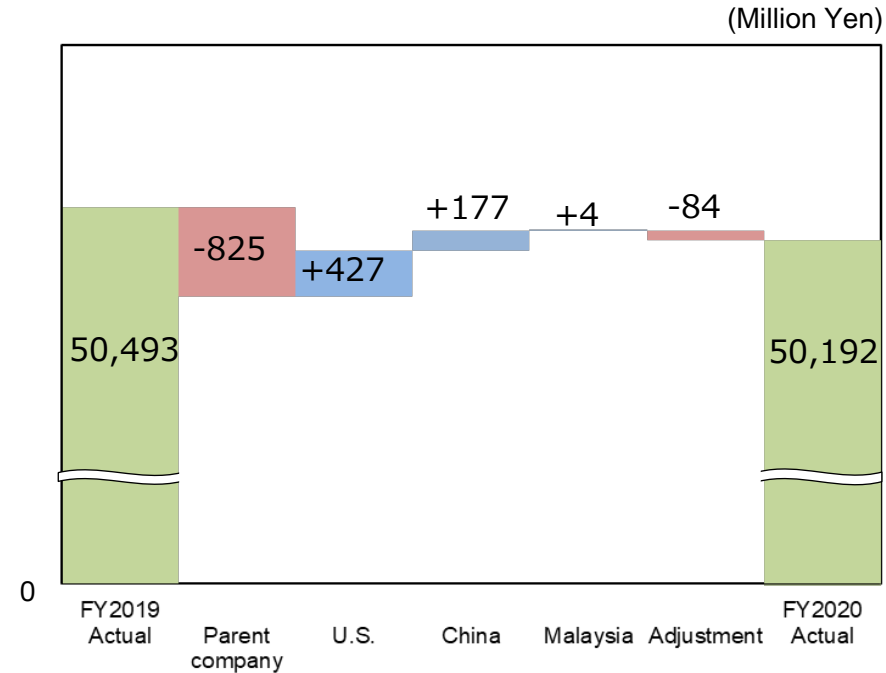
# Net sales by Group Company

- Contributing Factor for Decline  
Decrease at Parent company

Currency	FY2019	FY2020	Yr/Yr
1US\$	¥110.09	¥107.88	2.0% higher
1RMB	¥16.00	¥15.39	3.8% higher
1MYR	¥26.58	¥25.61	3.6% higher

(Million Yen)

	FY19 Actual	FY20 Actual	yr/yr	%
Parent company	37,646	36,821	-825	-2.2%
U.S.	5,719	6,146	427	7.5%
China	6,693	6,870	177	2.6%
Malaysia	898	902	4	0.5%
Adjustment	-463	-547	-84	-
Consolidated	50,493	50,192	-301	-0.6%



Parent company	<ul style="list-style-type: none"> <li>Sales of flavors for beverages decreased</li> <li>Sales of products for toiletry products at fragrance division decreased</li> </ul>	Decreased
U.S.	Newly introduced products for restaurants contributed, sales of products for instant noodles increased	Increased
China	Sales of flavors for beverages and products for instant noodles increased	Increased
Malaysia	Sales of seasoning powder, products for beverages increased	Increased

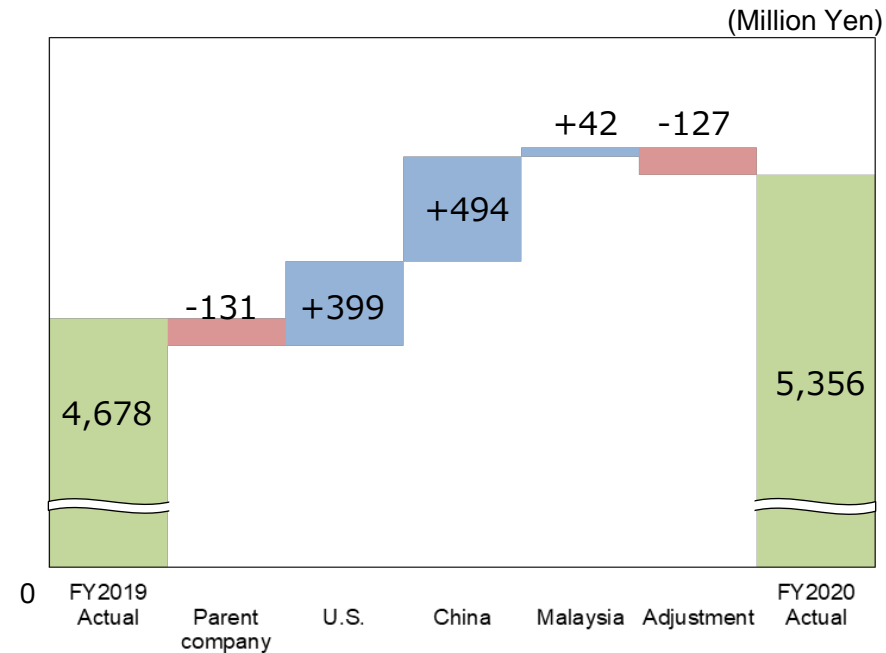
# Operating Income by Group Company

- Contributing Factor for Operating income Increase  
Increase at subsidiary in the U.S. and China

Currency	FY2019	FY2020	Yr/Yr
1US\$	¥110.09	¥107.88	2.0% higher
1RMB	¥16.00	¥15.39	3.8% higher
1MYR	¥26.58	¥25.61	3.6% higher

(Million Yen)

	FY19 Actual	FY20 Actual	yr/yr	%
Parent company	3,835	3,704	-131	-3.4%
U.S.	149	549	399	266.8%
China	590	1,084	494	83.7%
Malaysia	49	92	42	85.2%
Adjustment	53	-74	-127	-
Consolidated	4,678	5,356	677	14.5%



Parent company	Sales decreased	Decreased
U.S.	Cost of Sales ratio improved SG&A expense decreased associated with reduction in goodwill amortization costs	Increased
China	Cost of Sales ratio improved, SG&A expense decreased	Increased
Malaysia	Cost of Sales ratio improved	Increased



## Ⅱ . Impact of COVID-19

# Impact of COVID-19

- Impact of COVID-19 has been recognized in all regions T. Hasegawa Group companies operate
- Impact on annual sales for Fiscal Year ended September 2020 was approx. 980mil yen decrease

Region	Impact on Business	FY ending Sept. 2020 Impact on Sales (Actual)		
		1st Half	2nd Half	Annual
Japan	<ul style="list-style-type: none"> <li>• Low consumer spending in beverages associated with business closure request to restaurants and avoidance of outing, as well as penetration of work at home (stagnation of beverages and foods for professional use for restaurants associated with voluntary restraint of eating-out as well as beverages for vending machines also associated with voluntary restraint of eating-out)</li> <li>• Demand increase in products related to hand-wash and sterilization, and Instant noodles</li> <li>• There were impact of postponement/cancellation of clients' new product launch</li> </ul>	None	Approx. 870mil yen Decrease	Approx. 870mil yen Decrease
U.S.	<ul style="list-style-type: none"> <li>• Exempted from curfews as Essential Business</li> <li>• No big impact on manufacturing capability, procurement and logistics</li> <li>• Impact level differs by client and industry, need to watch closely</li> </ul>	None	None	None
China	<ul style="list-style-type: none"> <li>• Chinese economy recovered from temporary stagnation</li> <li>• Our Chinese subsidiary also experienced sales decrease temporarily, but there after recovered</li> <li>• Manufacturing and logistics capability are normal, no problem in procurement</li> <li>• Demand increase for products for instant noodles</li> </ul>	Approx. 170mil yen Decrease	Approx. 290mil yen Increase	Approx. 120mil yen Increase
South-east Asia	<ul style="list-style-type: none"> <li>• Although Malaysian subsidiary obtained authorization to operate as indispensable business, limitation of number of employees to come to workplace to 50% continued for 1.5 months</li> <li>• For Malaysia, domestic demands were low, there was impact on export due to lockdown at neighboring countries</li> <li>• For Thailand and Indonesia, clients postponed new products launch due to economic recession, and voluntary restrictions of promotional activities had an impact on existing products</li> </ul>	Approx. 20mil yen Decrease	Approx. 210mil yen Decrease	Approx. 230mil yen Decrease
Total		Approx. 190mil yen Decrease	Approx. 790mil yen Decrease	Approx. 980mil yen Decrease

# III. Management Policy

## Focus Areas

**Become an  
Organization that  
Takes on Challenges**

Strengthen Proposal  
Capabilities

Promote Reform

Concentration and Selection

Enhance Human Resources  
(Develop Human Resources, Hire Experienced Personnel)

Accelerate Expansion in Overseas Market

## Basic Strategy

Expand  
Compounded  
Flavors and  
Fragrances  
Sales

Secure Profits  
in Domestic  
Market

Growth in  
Overseas  
Market

# IV. Global Strategies

# Domestic Strategy

Basic Strategy: Expand market share by anticipating new market demands stemming from aging society and heightening of health consciousness

Ongoing Project and Progress

Organizational  
Change

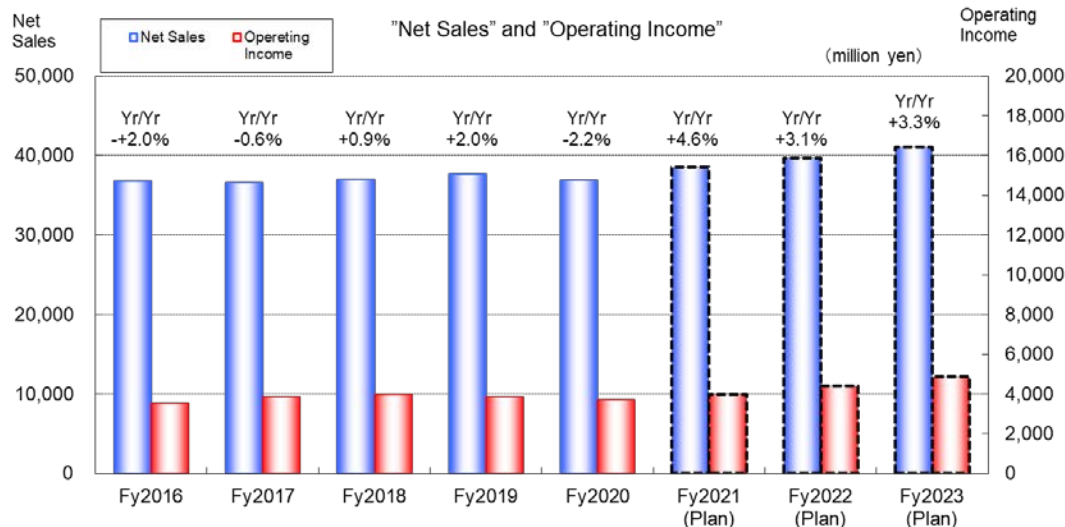
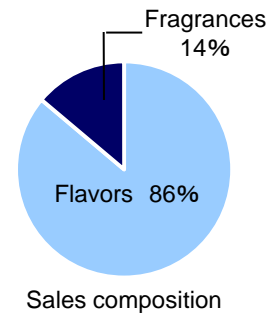
- Reinforced cooperation among Sales, R&D, Marketing Divisions  
⇒ Established Business Solution Division

Promote Solution-  
Oriented Sales  
Activity

- Sales activity quality and efficiency enhancement  
⇒ Introduced Free Address system, that is to work at free desk without assigning fixed desk to individual personnel  
Built remote access environment allowing connection to corporate PC & network from remote place, promoted paperless operations  
⇒ Draw-up measures for sales expansion at the Project Team, progress management
- Marketing Division takes initiative in marketing strategy development and solution-oriented sales project increased
- Grasp customers' "Wants" through utilization of market survey results, analysis

Expand Range of  
New Applications

- Develop substitute flavors for food materials  
⇒ Focus on milk products, vegetables, fruit juice, meat substitutes (such as soy meat etc.)
- Focus on new areas, such as healthy foods, medical foods, and demands for masking living odor, etc.  
⇒ Propose new materials, materials that brings good taste to health-oriented foods



## FY2020 Sales Performance

**Net Sales: 36,821 mil. yen**  
(Decreased 2.2% YoY)

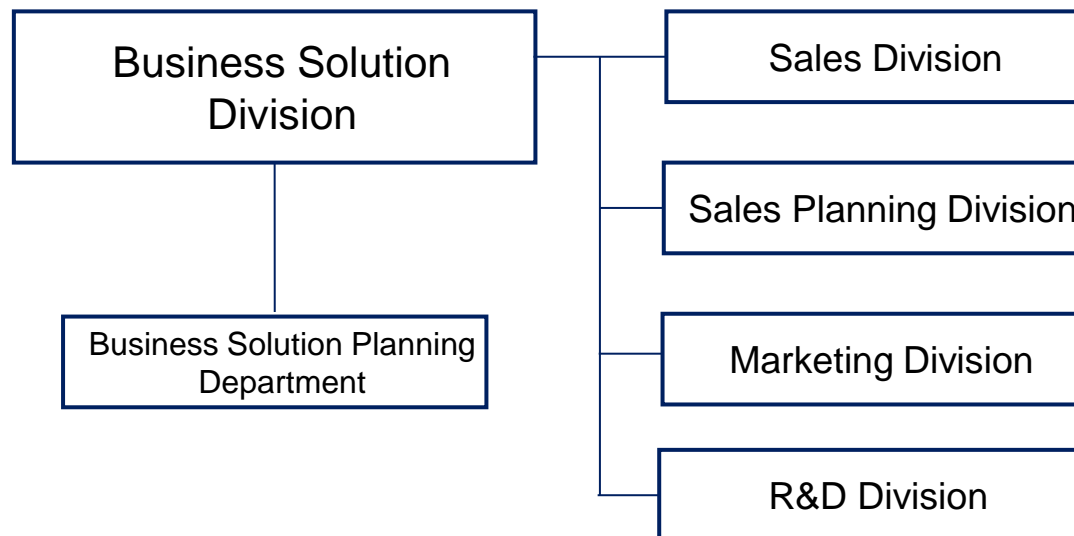
**Operating Income: 3,704 mil. yen**  
(Decreased 3.4% YoY)

## Purpose

- Promote reform based on below policies:
  - ① Build organization willing changes, ② Speed-up operations, ③ Information sharing across divisions
- Integrate Sales, R&D and Marketing through organizational reform

## Organizational Structure

- Reinforce cooperation among Sales, R&D and Marketing Divisions  
⇒ Align directions throughout the organization to proceed towards the same goal
- Business Solution Division to develop and promote business strategies, and to clarify main focus at R&D Division
- Promptly respond to diversified and sophisticated client requests



Basic Strategy: Expand sales of savory flavors, flavors for health & wellness products and flavors for beverages

Ongoing Project and Progress

Set up New  
Production System

- **Promote U.S. 2<sup>nd</sup> Factory construction plan to set up a new production system**

⇒ **Purchased land and building in California**

Reinforce Sales  
Activities

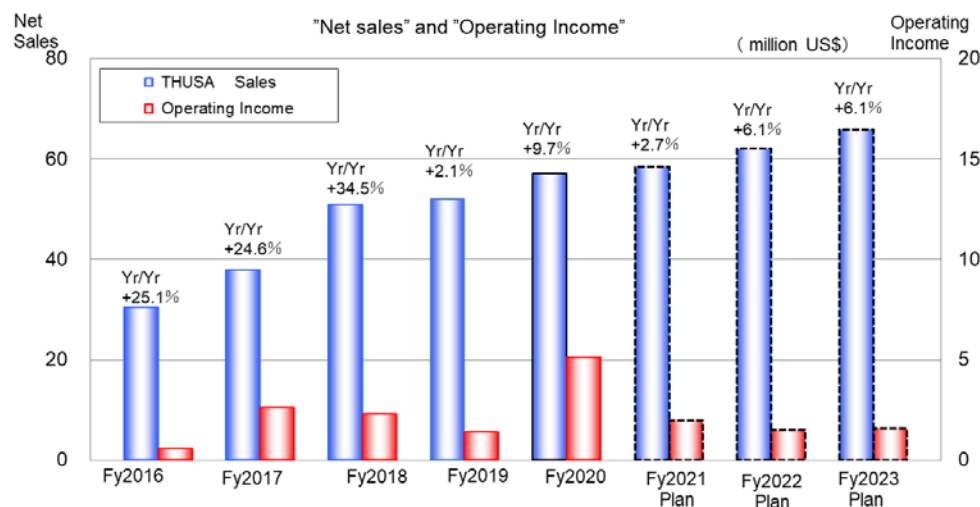
- Reinforce marketing structure, thorough pipeline management  
⇒ Draw-up long-term growth strategy by area and strategy by client through market trend analysis  
⇒ Aim at sales expansion at 3 areas: namely, savory flavor, health care products and Flavors for beverages

Utilize/Deploy  
Japanese  
Technology

- Bridge to Tokyo Project:  
Send project team to Japan to utilize and deploy Japanese technology in U.S.
- **Completed localization of some technologies in U.S., started sample proposals to clients**

Flavors 100%

Sales composition



## FY2020 Sales Performance

**Net Sales : 56.9 mil. USD**  
(Increased 9.7% YoY)  
**(6,146 mil. yen)**

**Operating income : 5.0 mil. USD**  
(Increased 274.4% YoY)  
**(549 mil. yen)**

※Savory flavors : salty flavor for snacks, dressing for salad, and seasoning etc.



# Overseas Strategy – China –

Basic Strategy: Expand performance through various measures under reinforced organizational base

## Ongoing Project and Progress

### Reinforce Sales Structure

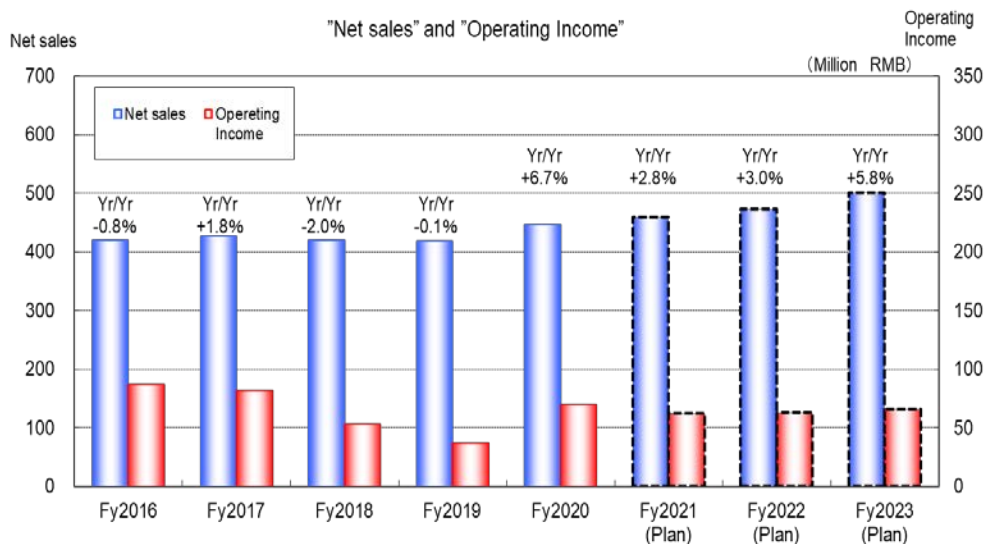
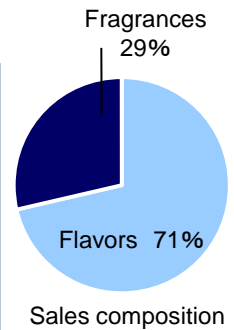
- Utilize Marketing Function  
⇒ Deploy strategic approach to clients, develop new market and potential demands  
Focus on local large enterprises and South China area
- **Deepen Sales/R&D/Marketing Co-work**
- **Thoroughly enforce pipeline, sales activity management**  
⇒ **Start consideration of IT tool introduction**

### Enhance Profitability

- Promoting Manufacturing Cost Compression Project  
⇒ **Had accomplishment in manufacturing cost reduction and establishment of employee's cost consciousness, etc.**

### Reinforce R&D Structure

- New laboratory building construction project is underway  
⇒ Aiming at reinforcement of R&D function, streamlining operations



## FY2020 Sales Performance

**Net Sales: 446.4mil. RMB**  
(Increased 6.7% YoY)  
(6,870 mil. yen)

**Operating Income: 70.4 mil. RMB**  
(Increased 91.0% YoY)  
(1,084 mil. yen)

From Fiscal Year 2019, the Company started to apply IFRS 15 "Revenue from Contracts with Customers" for overseas consolidated subsidiaries excluding subsidiary in the U.S. For ease of comparison, the same standards applied to the calculation of the sales in the same period of the FY2018.

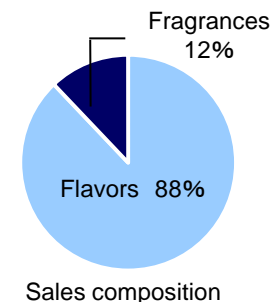
# Overseas Strategy – Southeast Asia –

Basic Strategy: Expand sales through cooperation of sales base in Thailand, Indonesia and production base in Malaysia

## Ongoing Project and Progress

### Reinforce Sales Structure

- Hire sales personnel/reinforce organization for new clients development
- Assign General Manager covering entire Southeast Asia region  
⇒ Coordinate organic cooperation among offices in Southeast Asia region
- **Thoroughly enforce pipeline, sales activity management**  
⇒ **Start consideration of IT tool introduction**

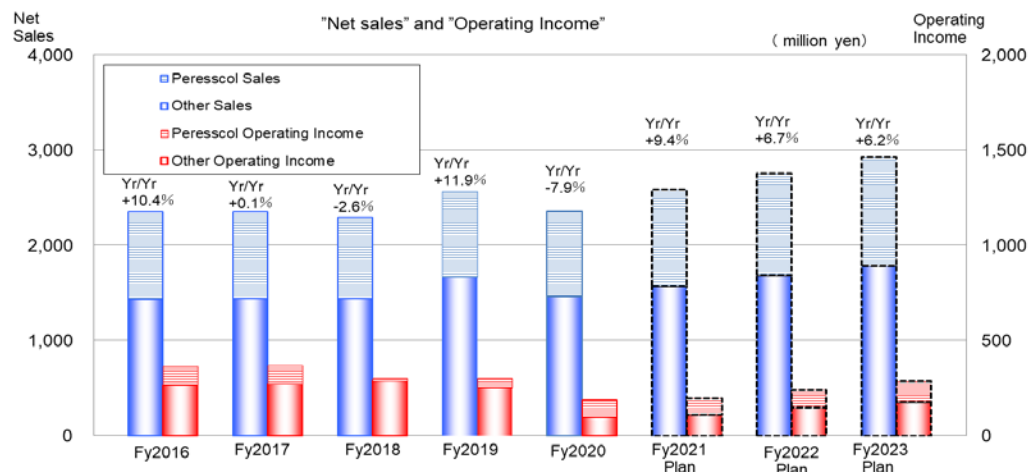


### Speed-Up Client Care

- Promote utilization of Application Laboratories
- While office and application laboratory were apart in Indonesia, relocated office and integrated office and Application Laboratory  
⇒ **Enable faster sales activities**

### Develop Strategy in Southeast Asia by using THKL as Hub

- Utilize THKL (Halal-certified) as a hub in Southeast Asia
- Support research and production by dispatching specialists from Japan to train local staffs
- **Promote efficient R&D activities**  
⇒ **Increased specialists seconded from Japan, clarified division of roles between R&D and management/strategy planning**
- New manufacturing facility construction plan in Malaysia: watch status of progress in light of political and economic trend



### FY2020 Sales Performance

**Net Sales: 2,366 mil. yen**

(Decreased 7.9% YoY)

**Operating Income: 188 mil. yen**

(Decreased 37.8% YoY)

# V. Three-Year-Plan

# Preconditions for Drawing up Mid-term 3-year Plan

## • COVID-19 Impact

Anticipate that it will continue up to 2<sup>nd</sup> Quarter of Fiscal Year ending Sept. 2021, but will have no impact from 3<sup>rd</sup> Quarter

⇒ Estimated impact on sales for full Fiscal Year ending Sept. 2021 is approx. 1.02bil yen decrease

Region	Impact on Business (Projected)	FY Ending Sept. 2021 Impact on Sales (Estimate)		
		1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Annual
Japan	<ul style="list-style-type: none"> <li>• Low consumer spending in beverages, etc. associated with avoidance of outing and work at home will continue (products for vending machines, professional use products used at restaurants, etc.)</li> <li>• Demand increase for products related to hand-wash and sterilization and products for instant noodles will continue</li> </ul>	Approx. 330mil yen Decrease	None	Approx. 330mil yen Decrease
U.S.	<ul style="list-style-type: none"> <li>• Sales decrease of products for restaurant business associated with avoidance of outing is projected</li> </ul>	Approx. 550mil yen Decrease	None	Approx. 550mil yen Decrease
China	<ul style="list-style-type: none"> <li>• Chinese economy had recovered from temporary stagnation.</li> </ul>	None	None	None
South-east Asia	<ul style="list-style-type: none"> <li>• Weak domestic demands will continue in Malaysia</li> <li>• Impact of recession will continue in Thailand and Indonesia</li> </ul>	Approx. 140mil yen Decrease	None	Approx. 140mil yen Decrease
Total		Approx. 1.02bil yen Decrease	None	Approx. 1.02bil yen Decrease

# Three-Year Plan (consolidated)

Parent company	Anticipate sales recovery by promotion of solution-oriented sales activities through reinforcement of cooperation among Sales, R&D and Marketing divisions, focus on expansion of fragrance use, and promotion of various measures aiming at sales expansion
U.S.	Anticipate sales expansion in savory flavor, health products and beverage flavor through reinforcement of marketing structure and thorough enforcement of pipeline management
China	Reinforce sales structure through utilization of marketing function and deepening co-work among Sales, R&D and Marketing, and anticipate sales increase through development of new area and potential demands
Malaysia	Anticipate sales increase through reinforcement of cooperation among locations in Southeast Asia region, and measures, such as reinforcement of sales structure, for development of new clients

(Million Yen)

	FY2020 (Actual)	FY2021 (Plan)	FY2022 (Plan)	FY2023 (Plan)
Net sales	50,192	52,100	54,000	56,200
Cost of sales	30,783	31,980	33,090	34,310
Operating income	5,356	5,160	5,580	6,120
Ordinary income	5,861	5,570	6,000	6,510
Net income	5,090	4,730	4,840	5,050
Exchange rates	¥107.88 per US\$ ¥15.39 per RMB	¥105.00 per US\$ ¥15.00 per RMB	¥105.00 per US\$ ¥15.00 per RMB	¥105.00 per US\$ ¥15.00 per RMB
Sales growth ratio	-0.6%	3.8%	3.6%	4.1%
Sales cost ratio	61.3%	61.4%	61.3%	61.0%
Operating income ratio	10.7%	9.9%	10.3%	10.9%
Ordinary income ratio	11.7%	10.7%	11.1%	11.6%
Net income ratio	10.1%	9.1%	9.0%	9.0%
Overseas sales ratio	35.4%	34.7%	35.1%	35.7%

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

\* Savory flavors : salty flavor for snacks, dressing for salad, and seasoning, etc.

\* Detailed information is described on page 47.

- U.S. 2<sup>nd</sup> Factory Construction Plan: Approx. 2.8bil yen  
(Actual – FY ended Sept. 2020: Approx. 1.1bil yen)  
(Projection – FY ending Sept. 2021: Approx. 1.4bil yen, FY ending Sept. 2022: Approx. 0.1bil yen, FY ending Sept. 2023: Approx. 0.2bil yen)
- China New Laboratory Building Construction Plan: Approx. 1.6bil yen  
(Projection – FY ending Sept. 2022: Approx. 1.6bil yen)
- Malaysia New Manufacturing Facility Construction Plan: Approx. 2bil yen  
(Projection – FY ending Sept. 2022: Approx. 1bil yen, FY ending Sept. 2023: Approx. 1bil yen)
- Maintain R&D expenses at level of 9% of consolidated sales

Million Yen

		FY2020 (Actual)	FY2021 (Plan)	FY2022 (Plan)	FY2023 (Plan)
Capital Investment	Consolidated	3,481	3,605	5,285	3,540
	Non-consolidated	1,507	1,393	1,800	1,800
Depreciation & Amortization	Consolidated	2,869	3,158	3,317	3,338
	Non-consolidated	1,959	2,084	2,134	2,030
R&D Expenses	Consolidated	4,523	4,682	4,836	5,029
	Non-consolidated	3,550	3,631	3,701	3,762

## VI. Capital Policy

## Basic Policy

- For sustained growth of corporate value for future and its maximization, maintain equity capital at a level sufficient for investments for growth and proper countermeasures against risks

## Fund Utilization Policy

- Properly utilize funds by considering maintenance of sound financial strength and enhancement of capital efficiency, etc.
  - **Shareholder Returns**  
Aiming at approx. 35% of consolidated dividend ratio, paid dividends twice a year: interim dividends and year-end dividends
  - **Capital Investment**  
Investment for production increase for growth, update/maintenance of existing facilities
  - **M&A**  
Comprehensively make judgment from viewpoints of market size, business risk, M&A cost, etc.  
Realize M&A by which synergy effect on customer base, technology, personnel, etc. can be expected

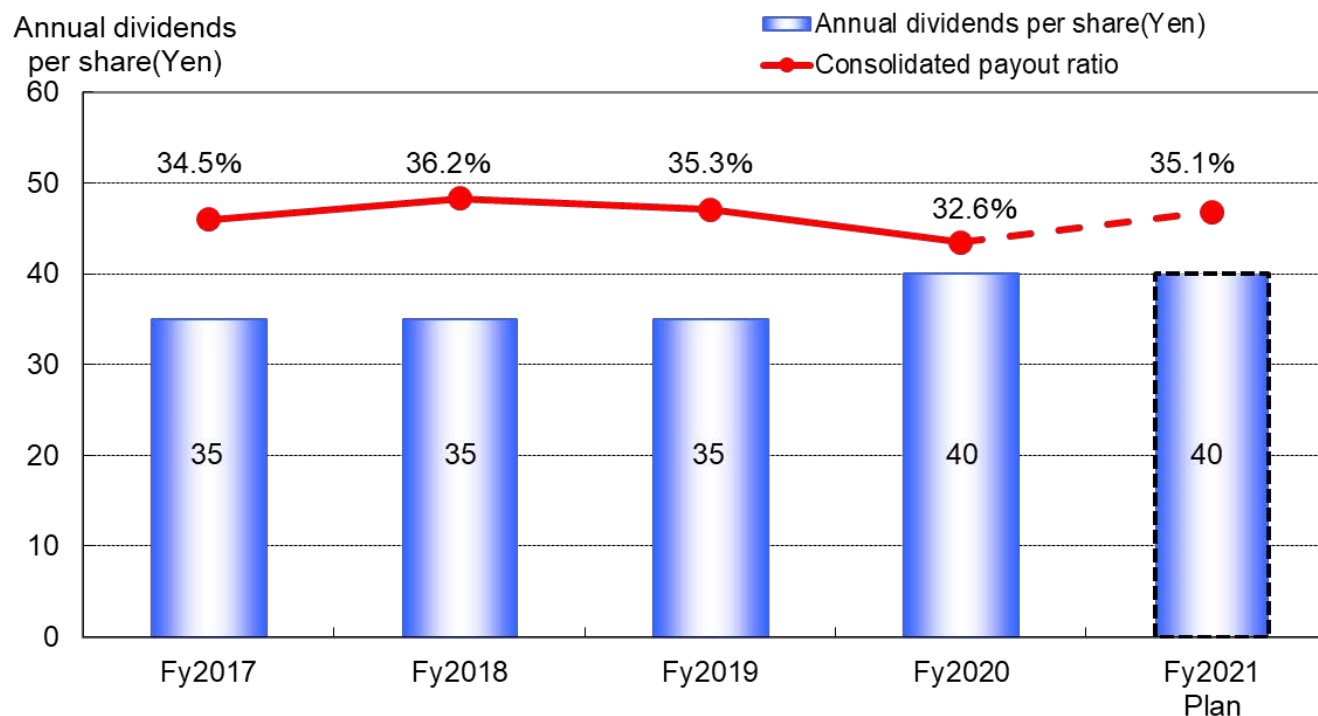
## Shares Held for Facilitation of Business Relationships

- Reduce total number of shares held for this purpose from viewpoint of enhancement of capital efficiency, etc. (had already sold some, will continue consideration of sale)
- At every annual board meeting, whether or not it is appropriate to hold those shares is validated from mid to long-term viewpoint based on purpose of holding those shares and economic reasonableness, etc.



## Shareholder Redemption

- While securing required reserves for further reinforcement of group management base and future business development, seek to provide profit returns to shareholders according to business performance
- Aiming at approx. 35% of consolidated dividend ratio, paid dividends twice a year: interim dividends and year-end dividends
- Shareholder special benefit program was introduced in Fiscal Year ended Sept. 2015 for medium to long term holding of the shares of our company
- For FY 2020, increased year-end dividends per share by 5 yen from annual dividends in FY ended Sept. 2019 of 35 yen by comprehensively considering consolidated performance, etc. (annual dividends: 40 yen)



## Sale of Shares Held for Facilitation of Business Relationships (Completed)

- March 27, 2020, “Notification of Expected Reporting of Extraordinary Profit Associated with Sale of Investment Securities” announced

- April 2020, completed the sale of the said investment securities

【Reason】 Revision of policy of holding shares for facilitation of business relationships

【Shares Sold】 1 Issue of Listed Securities the Company Owned

【Gain on Sales】 867mil yen\* Reported as extraordinary profit at 3<sup>rd</sup> quarter of consolidated Fiscal Year ended Sept.2020

## Sale of Shares Held for Facilitation of Business Relationships (Plan)

- Sept. 18, 2020, “Notification of Expected Reporting of Extraordinary Profit Associated with Sale of Investment Securities” announced

【Reason】 Revision of policy of holding shares for facilitation of business relationships

【Shares Sold】 1 Issue of Listed Securities the Company Owned

【Scheduled Selling Period】 From Oct. 1, 2020 to Dec. 30, 2020

【Gain on Sales】 1,200mil yen (projection)

## Result of Acquisition of Treasury Stocks

- March 27, 2020, “Notification concerning Decision Made on Matters concerning Acquisition of Treasury Stocks” announced

【Purpose】

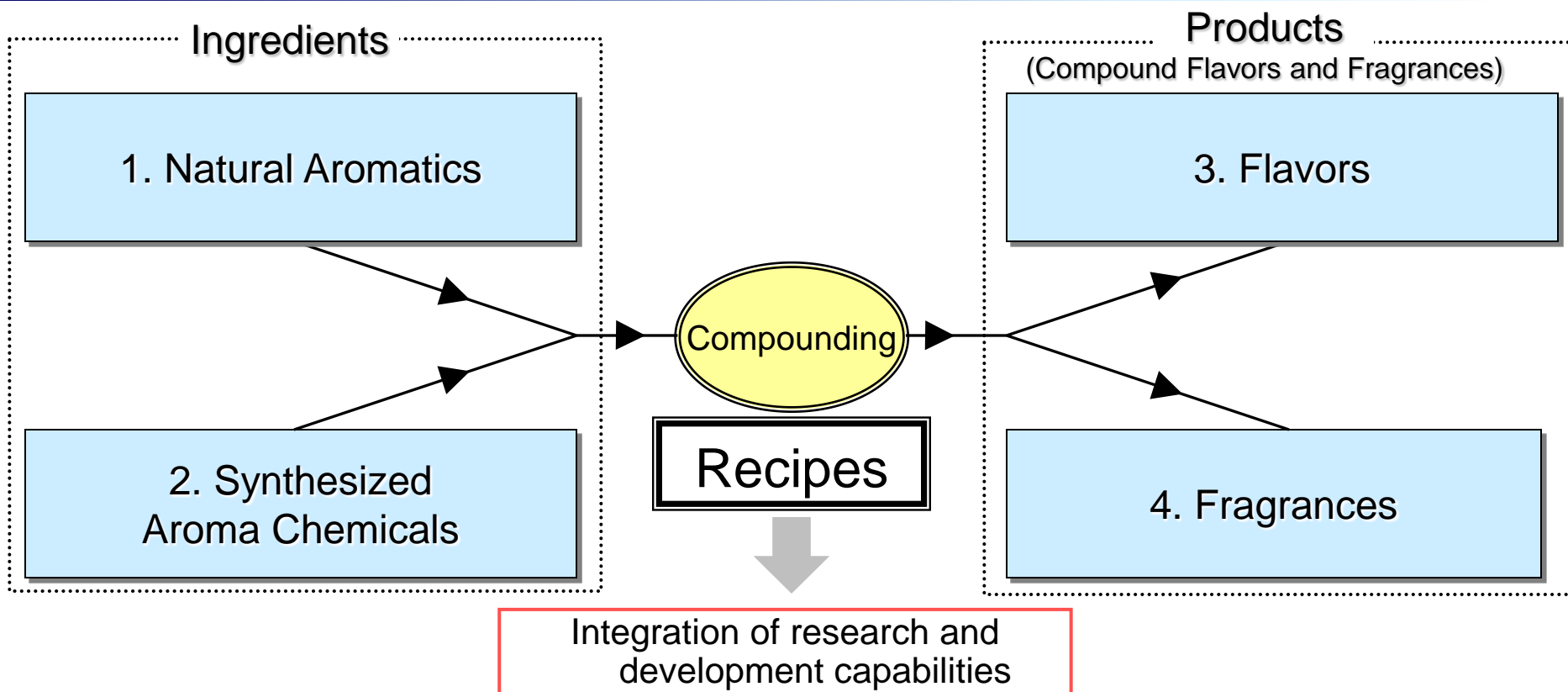
Implementation of proactive capital policy to address changes in management environment, enhancement of capital efficiency and enhancement of shareholder benefits

【Acquisition Result】 0 share

Was unable to purchase treasury stocks during the acquisition period decided through the board resolution because there was a gap between the market price after the board resolution on March 27, 2020 and buying conditions (market price) at the acquisition period set at the time of the resolution.

# VII. Appendix

# Outline of Flavors and Fragrance Business



Flavorists : Experts who formulate flavors

Perfumers : Experts who formulate fragrances

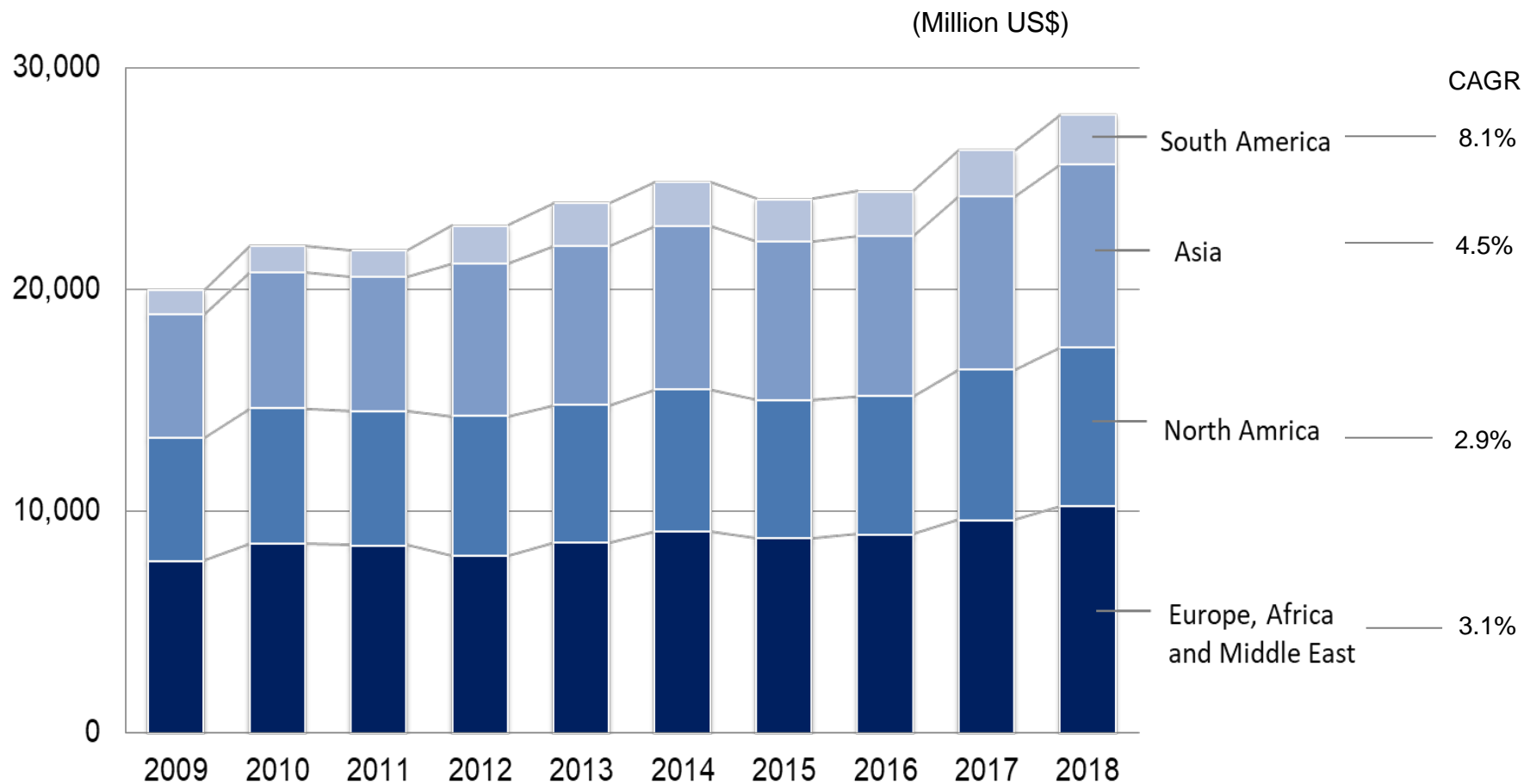
Flavors and fragrances are tailor-made in accordance with customer requests

⇒ Formulas created by flavorists and perfumers based on experience are invaluable assets for flavor and fragrance companies.

# Market Size of Flavor and Fragrance Industry

## Overseas Market

Transition of world market size for Fragrances and Flavors grew 6% YOY basis.



\*Figures are estimated by T. Hasegawa

Estimated sales volume in global market: 3,000 billion yen ( 27.9 billion USD)

## Europe, Africa and Middle East

- Market Size : Approx. 1,100 bil.yen
- As many of manufacturing companies using flavor and fragrance products adopt 'preferred supplier system', major European and American companies have built the solid business bases

## North America

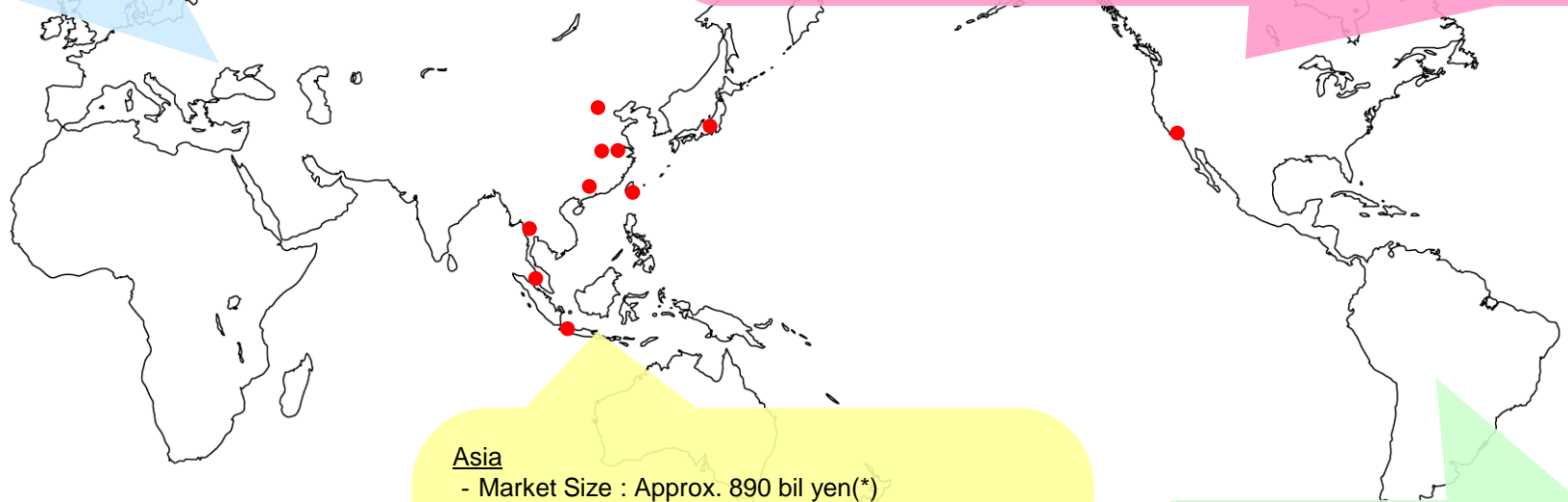
- Market Size : Approx. 770 bil. yen
- As many of manufacturing companies using flavor and fragrance products adopt 'preferred supplier system', major European and American companies have built the solid business bases
- T.Hasegawa's subsidiary established in California in 1978
- Acquired FLAVOR INGREDIENT HOLDINGS, LLC (Affinity Flavors) in 2017

## Asia

- Market Size : Approx. 890 bil yen(\*)
- Market is growing reflected to economic growth in developing countries. Main growing country is China.
- Major flavor and fragrance companies have developed business in China.
- T.Hasegawa established subsidiaries in Shanghai(2000), Suzhou(2006), Bangkok(2003) and Indonesia(2014).
- T.Hasegawa acquired Peresscol Sdn.Bhd. in Kuala Lumpur, Malaysia in 2014 due to establishment of production base in Asia area.

## South America

- Market size : Approx. 240 bil.yen \*
- Most of flavors and fragrances are imported from North America and Mexico
- Competition in Brazil is becoming severe due to economic growth.



\*Figures are estimated by T.Hasegawa

\*Exchange Rate : 1USD=109.4JPY  
Reference : Report from Leffingwell & Associates

● : Office, R&D center and production base T.Hasegawa owns

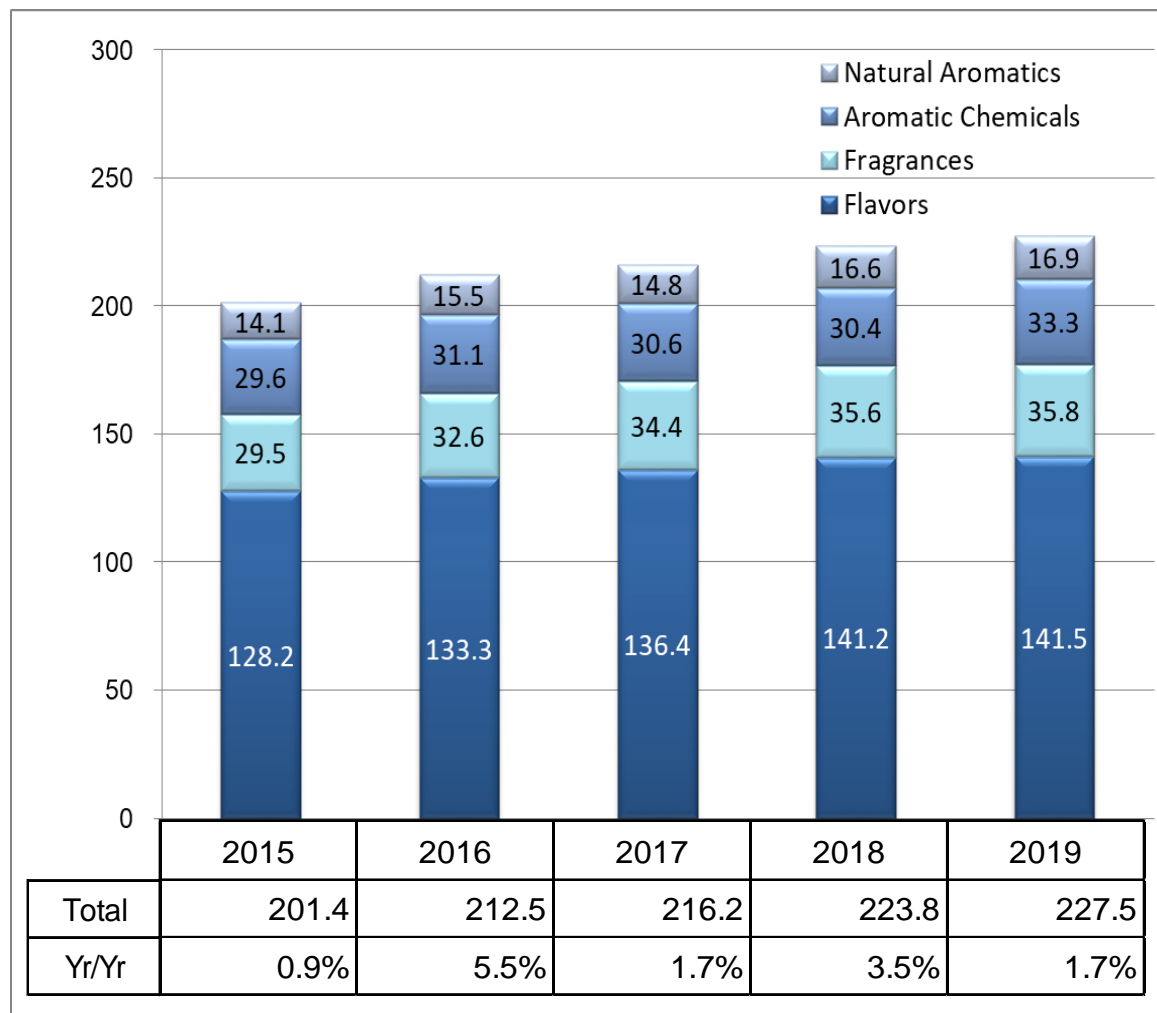


Million USD				
	Company name	Country	Sales(2017Yr)	Market Share
1	Givaudan	Switzerland	6,156	24.1%
2	IFF	USA	5,140	20.1%
3	Firmenich	Switzerland	3,872	15.1%
4	Symrise	Germany	3,054	11.9%
5	ADM/Wild Flavors	Germany	2,745	10.7%
6	Mane SA	France	1,553	6.1%
7	Takasago	Japan	1,393	5.4%
8	Sensient Flavors	USA	700	2.7%
9	Robertet SA	France	524	2.1%
10	T.Hasegawa	Japan	467	1.8%
	Subtotal	—	25,604	100.0%

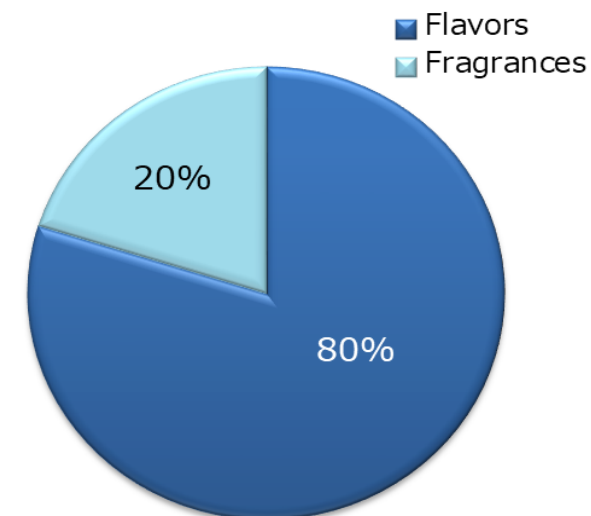
\*Prepared by T. Hasegawa based on materials disclosed by each company

Flavor market accounts for 80% of Flavors and fragrance total market share in domestic.  
(Flavors market covers 50% of flavor and fragrance market in world wide)

Transition of sales in domestic market (Billion yen)

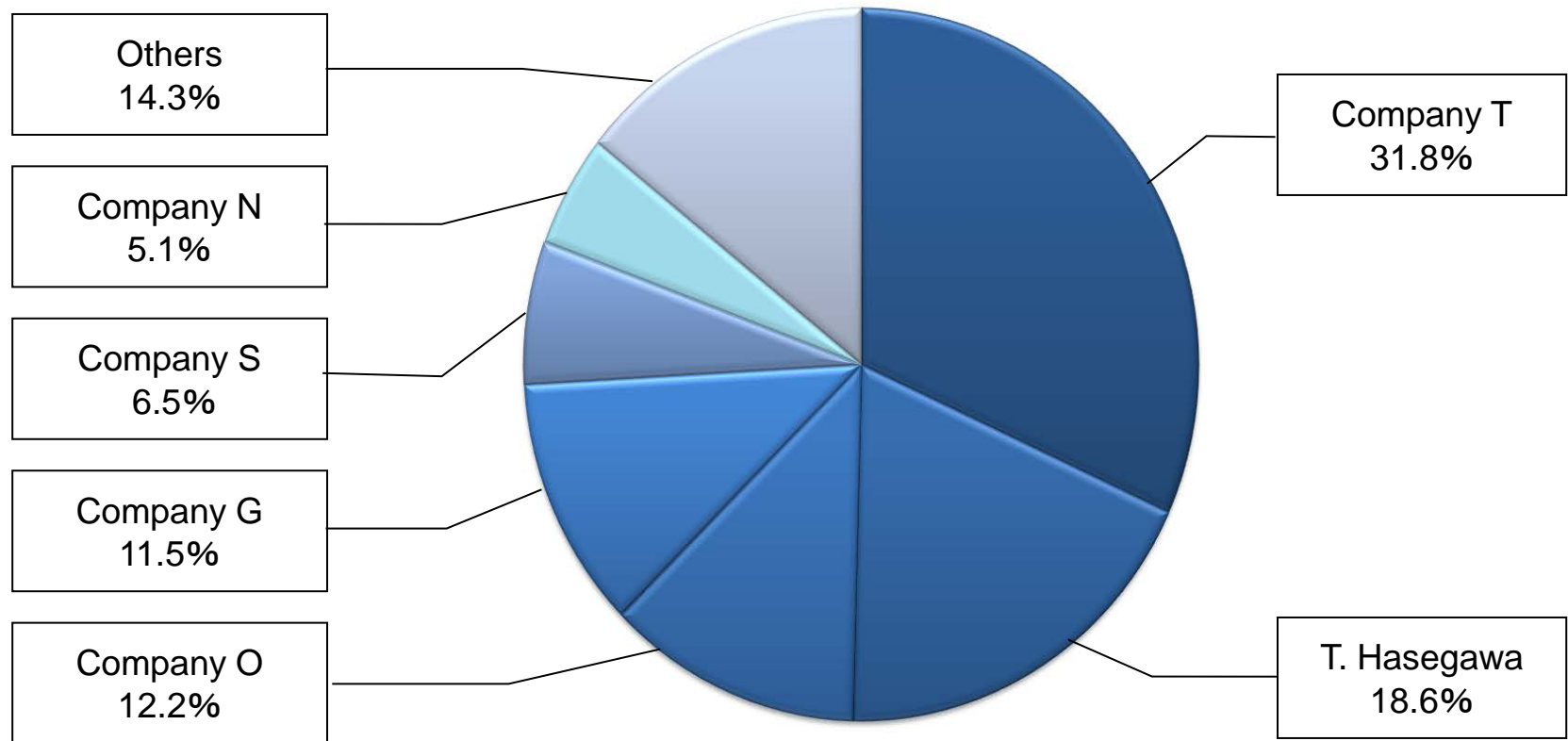


Composition Rate (2019 Yr)



Source of reference : Japan Flavor&Fragrance Materials Association Newsletter

# Outline of Current Status of parent company



(As of Mar. 2020)

\*Data is based on non-consolidated sales breakdown of top 10 companies in domestic market, calculated by private market research firm. Sales amount of 100% in above graph is the total sales of top 10 companies in domestic flavor and fragrance company.

\*Fiscal year period of Company T, S, and N is from April to March, and fiscal year period of Company O and G is from Jan. to Dec.

\*T. Hasegawa's figures indicated above have been calculated for the period from Apr. 2019 to Mar. 2020.

## < Policy in T. Hasegawa >

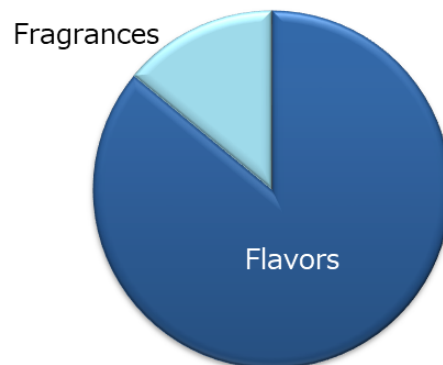
- Focus on sales of compound flavors and fragrances with high added value.
- Sells a kind of approximately 12,000 products of fragrance and flavor per year.

(Million Yen)

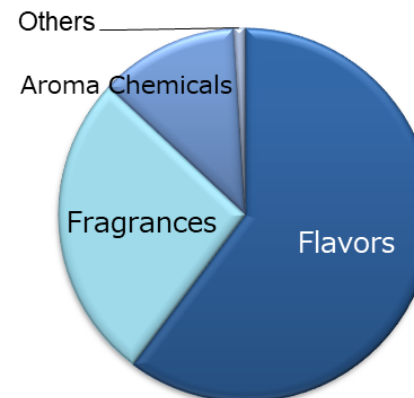
	T. Hasegawa (Consolidated)		Company T (Consolidated)	
	FY ended in Sep. 2020		FY ended in Mar. 2020	
	Sales	Share	Sales	Share
Flavors	43,159	86.0%	91,850	60.3%
Fragrances	7,032	14.0%	40,740	26.7%
Aroma Chemicals	0	0.0%	18,419	12.1%
Others	0	0.0%	1,444	0.9%
Total	50,192	100.0%	152,455	100.0%
Ratio of gross profits to sales	38.7%		28.0%	
Ratio of operating income to sales	10.7%		1.7%	

\* Sales amount indicated as synthetic and Aroma chemicals in Company T is composed of Aroma ingredients division and fine chemical division.

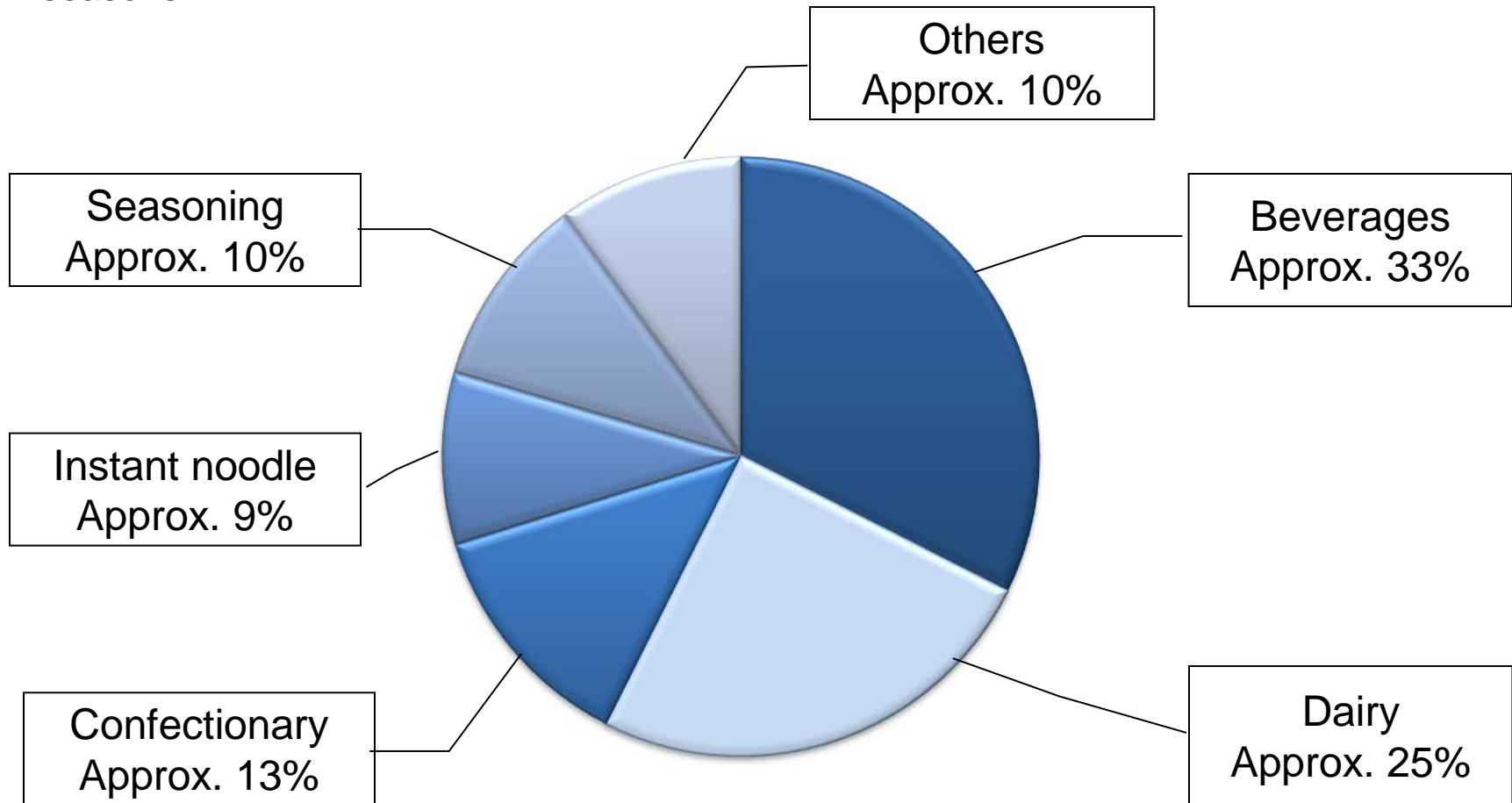
T. Hasegawa  
(Consolidated)



Company T  
(Consolidated)



Sales share for beverages is high and the sales for beverages has fluctuation in line with seasons.



\*The share indicated above is calculate as 100% for total non-consolidated sales of FY2020 regarding the companies which are possible to separate sales by industry.

# Additional Financial Information

# Consolidated Income Statement Highlights

## Operating income increased due to decrease of cost of sales ratio and SG&A expenses

(Million Yen)

	FY2019 Actual		FY2020 Actual		yr/yr		Remarks
					Value	%	
Net sales	50,493	100.0%	50,192	100.0%	-301	-0.6%	<ul style="list-style-type: none"> <li>• Sales decreased at parent company</li> <li>• Sales increased at U.S. subsidiary and Chinese subsidiary</li> </ul>
Cost of sales	31,373	62.1%	30,783	61.3%	-589	-1.9%	<ul style="list-style-type: none"> <li>• Cost of Sales ratio improved from sales increase at overseas subsidiaries and change of sales structure</li> </ul>
Gross profit	19,120	37.9%	19,408	38.7%	288	1.5%	
SG&A expenses	14,441	28.6%	14,052	28.0%	-388	-2.7%	<ul style="list-style-type: none"> <li>• Travel expenses/entertainment expenses decreased from impact of restrictions on socializing associated with expansion of COVID-19 infection</li> <li>• As impairment loss from goodwill in U.S. was reported in previous Fiscal Year, no reporting of goodwill amortization expense for U.S. subsidiary.</li> </ul>
Operating income	4,678	9.3%	5,356	10.7%	677	14.5%	
Ordinary income	5,175	10.3%	5,861	11.7%	685	13.2%	
Profit before income taxes	5,464	10.8%	7,028	14.0%	1,564	28.6%	(Extraordinary income) parent company Gain on sales of fixed assets 320 million yen was calculated Gain on sales of investment securities 867 million yen was calculated Chinese subsidiary Gain on sales of land 40 million yen was calculated
Net income	4,121	8.2%	5,090	10.1%	969	23.5%	



# Consolidated Balance Sheet Highlights

(Million Yen)

	September 30 2019	September 30 2020	Increase or Decrease	Remarks
Current assets	56,620	59,013	2,393	<ul style="list-style-type: none"> <li>• Increase in Cash and Cash equivalents: 854 million Yen</li> <li>• Increase in Securities: 4,000 million Yen</li> <li>• Decrease in Account Receivable: -320 million Yen</li> <li>• Decrease in inventories: -429 million Yen</li> <li>• Decrease in Receivables from the sale of investment securities in the previous year: -1,686 million Yen</li> </ul>
Fixed assets	57,243	54,431	-2,812	<ul style="list-style-type: none"> <li>• Increase in Construction in progress: 1,205mil Yen</li> <li>• Decreased due to sale/depreciation of fixed assets: -1,044mil Yen</li> <li>• Decreased due to sale/market price decline of investment securities: -2,842million Yen</li> </ul>
Total assets	113,863	113,445	-418	
Current liabilities	11,709	10,261	-1,448	<ul style="list-style-type: none"> <li>• Decrease in notes and account payable: -520 million Yen</li> <li>• Decrease in Income tax payable: -1,017 million Yen</li> </ul>
Long-term liabilities	11,809	10,965	-844	<ul style="list-style-type: none"> <li>• Decrease in Deferred tax liabilities: -794mil Yen (associated with sale/market price decline of investment securities)</li> </ul>
Total liabilities	23,519	21,226	-2,292	
Total net assets	90,344	92,218	1,874	<ul style="list-style-type: none"> <li>• Net income: 5,090 million Yen</li> <li>• Dividends of surplus: -1,492 million Yen</li> <li>• Valuation difference on available-for-sale securities: -1,989 million Yen</li> </ul>
Total liabilities and net assets	113,863	113,445	-418	

# Consolidated Statement of Cash Flows Highlights

(Million Yen)

	FY2019 Actual	FY2020 Actual	Increase or Decrease	Remarks
Cash flows from operating activities	9,230	6,387	-2,843	<ul style="list-style-type: none"> <li>• Profit before income taxes: 7,028 million Yen</li> <li>• Depreciation &amp; Amortization: 2,868 million Yen</li> <li>• Income taxes paid: -2,712 million Yen</li> </ul>
Cash flows from investing activities	-2,275	-431	1,843	<ul style="list-style-type: none"> <li>• Payments into time deposits: -2,952 million Yen</li> <li>• Proceeds from withdrawal of time deposits: 2,636 million Yen</li> <li>• Purchase of Property, plant and equipment: -3,150 million Yen</li> <li>• Proceeds from sales of Property, plant and equipment: 590 million Yen</li> <li>• Credit of sale price of investment securities (previous FY): 2,578 million Yen</li> </ul>
Cash flows from financing activities	-3,035	-1,511	1,524	<ul style="list-style-type: none"> <li>• Cash dividends paid: -1,491 million Yen</li> </ul>
Effect of currency change on cash and cash equivalents	-242	17	259	—
Net Change in cash and cash equivalents	3,677	4,461	784	—
Cash and Cash equivalents at beginning of period	17,221	20,898	3,677	—
Cash and cash equivalents at end of period	20,898	25,360	4,461	—

(Million Yen)

		FY2020 Plan	FY2020 Actual	Progress (%)
Capital Investment	Consolidated	2,563	3,481	135.8%
	Non-consolidated	1,815	1,507	83.0%
Depreciation & Amortization	Consolidated	2,953	2,869	97.2%
	Non-consolidated	2,007	1,959	97.6%
R&D Expenses	Consolidated	4,654	4,523	97.2%
	Non-consolidated	3,680	3,550	96.5%

(Million Yen)

	FY2019 Actual		FY2020 Plan (Revised in 8 May,2020)		FY2020 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	37,646	100.0%	37,650	100.0%	36,821	100.0%	-825	-2.2%	-828	-2.2%
Cost of sales	23,425	62.2%	23,430	62.2%	22,914	62.2%	-511	-2.2%	-515	-2.2%
Gross profit	14,220	37.8%	14,220	37.8%	13,907	37.8%	-313	-2.2%	-312	-2.2%
SG&A expenses	10,385	27.6%	10,450	27.8%	10,202	27.7%	-182	-1.8%	-247	-2.4%
Operating income	3,835	10.2%	3,770	10.0%	3,704	10.1%	-131	-3.4%	-65	-1.7%
Ordinary income	4,319	11.5%	5,230	13.9%	5,168	14.0%	848	19.6%	-61	-1.2%
Profit before income taxes	6,899	18.3%	6,330	16.8%	6,302	17.1%	-596	-8.6%	-27	-0.4%
Net income	5,054	13.4%	4,740	12.6%	4,821	13.1%	-232	-4.6%	81	1.7%

- Sales declined mainly due to sales decrease in flavors for beverages and toiletry products at fragrance division.
- Operating income declined mainly due to sales decrease.
- Ordinary income increased mainly from reporting of dividends received from Chinese subsidiary as non-operating profit.
- Net income declined mainly due to decrease of gain on sale of shares held for facilitation of business relationships.

# U.S. Subsidiaries (consolidated base) (Actual)

Yen Basis	FY2019		FY2020		(Million Yen) yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	5,719	100.0%	6,146	100.0%	427	7.5%
Cost of sales	3,526	61.7%	3,642	59.3%	116	3.3%
Gross profit	2,192	38.3%	2,503	40.7%	310	14.2%
SG&A expenses	2,042	35.7%	1,953	31.8%	-88	-4.4%
Operating income	149	2.6%	549	8.9%	399	266.8%
Ordinary income	149	2.6%	560	9.1%	410	274.5%
Net income	-1,479	-	436	7.1%	1,915	-
Yen 110.09/USD		Yen 107.88/USD		2.0% higher		

(Thousand US\$)

Local Currency Basis	FY2019		FY2020		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	51,948	100.0%	56,972	100.0%	5,023	9.7%
Cost of sales	32,031	61.7%	33,768	59.3%	1,737	5.4%
Gross profit	19,917	38.3%	23,203	40.7%	3,286	16.5%
SG&A expenses	18,557	35.7%	18,112	31.8%	-444	-2.4%
Operating income	1,360	2.6%	5,091	8.9%	3,731	274.4%
Ordinary income	1,359	2.6%	5,195	9.1%	3,835	282.1%
Net income	-13,436	-	4,042	7.1%	17,478	-

- Sales increased mainly from contribution of newly introduced products for restaurants and sales increase in products for instant noodles
- Operating income increased from improvement of Cost of Sales ratio and decrease in SG&A expense associated with decrease of goodwill amortization costs.
- Impairment loss related to goodwill was reported as extraordinary loss in previous Fiscal Year.

# Chinese Subsidiaries (consolidated base) (Actual)

- Consolidated Profit and Loss Statement of two of our Chinese Consolidated Subsidiaries

(Million Yen)

Yen Basis	FY2019		FY2020		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	6,693	100.0%	6,870	100.0%	177	2.6%
Cost of sales	4,558	68.1%	4,382	63.8%	-176	-3.9%
Gross profit	2,134	31.9%	2,488	36.2%	353	16.5%
SG&A expenses	1,544	23.1%	1,403	20.4%	-141	-9.1%
Operating income	590	8.8%	1,084	15.8%	494	83.7%
Ordinary income	667	10.0%	1,173	17.1%	505	75.6%
Net income	563	8.4%	939	13.7%	376	66.8%

Yen16.00/RMB

Yen15.39/RMB

3.8% higher

(Thousand RMB)

Local Currency Basis	FY2019		FY2020		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	418,341	100.0%	446,435	100.0%	28,094	6.7%
Cost of sales	284,917	68.1%	284,772	63.8%	-144	-0.1%
Gross profit	133,423	31.9%	161,663	36.2%	28,239	21.2%
SG&A expenses	96,513	23.1%	91,174	20.4%	-5,338	-5.5%
Operating income	36,910	8.8%	70,489	15.8%	33,578	91.0%
Ordinary income	41,745	10.0%	76,219	17.1%	34,473	82.6%
Net income	35,202	8.4%	61,039	13.7%	25,836	73.4%

- Sales increased mainly from sales increase in Flavors for beverages and products for instant noodles.
- Operating income increased from improvement of Cost of Sales ratio and SG&A expense decrease.

# Malaysian Subsidiary (Actual)

\* Profit and Loss Statement of T HASEGAWA FLAVOURS (KUALA LUMPUR) SDN. BHD.

(Million Yen)

Yen Basis	FY2019		FY2020		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	898	100.0%	902	100.0%	4	0.5%
Cost of sales	535	59.6%	504	55.9%	-31	-5.8%
Gross profit	362	40.4%	398	44.1%	35	9.8%
SG&A expenses	313	34.9%	306	33.9%	-6	-2.2%
Operating income	49	5.5%	92	10.2%	42	85.2%
Ordinary income	67	7.5%	104	11.6%	37	54.9%
Net income	46	5.2%	68	7.6%	22	47.8%

Yen 26.58/MYR

Yen 25.61/MYR

3.6% higher

(Thousand Malaysian Ringgit)

Local Currency Basis	FY2019		FY2020		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	33,789	100.0%	35,236	100.0%	1,447	4.3%
Cost of sales	20,136	59.6%	19,683	55.9%	-453	-2.3%
Gross profit	13,652	40.4%	15,553	44.1%	1,900	13.9%
SG&A expenses	11,780	34.9%	11,955	33.9%	174	1.5%
Operating income	1,871	5.5%	3,598	10.2%	1,726	92.2%
Ordinary income	2,543	7.5%	4,089	11.6%	1,546	60.8%
Net income	1,744	5.2%	2,675	7.6%	931	53.4%

- Sales increased mainly from sales increase in seasoning powder and products for beverages.
- Operating income increased from improvement of Cost of Sales ratio.

# Three-Year-Plan (Consolidated Income Statement)

(Million yen)

	FY2020 (Actual)			FY2021 (Plan)			FY2022 (Plan)			FY2023 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	50,192	100.0%	-0.6%	52,100	100.0%	3.8%	54,000	100.0%	3.6%	56,200	100.0%	4.1%
Cost of sales	30,783	61.3%	-1.9%	31,980	61.4%	3.9%	33,090	61.3%	3.5%	34,310	61.0%	3.7%
Gross profit	19,408	38.7%	1.5%	20,120	38.6%	3.7%	20,910	38.7%	3.9%	21,890	39.0%	4.7%
SG&A expenses	14,052	28.0%	-2.7%	14,960	28.7%	6.5%	15,330	28.4%	2.5%	15,770	28.1%	2.9%
Operating income	5,356	10.7%	14.5%	5,160	9.9%	-3.7%	5,580	10.3%	8.1%	6,120	10.9%	9.7%
Ordinary income	5,861	11.7%	13.2%	5,570	10.7%	-5.0%	6,000	11.1%	7.7%	6,510	11.6%	8.5%
Profit before income taxes	7,028	14.0%	28.6%	6,590	12.6%	-6.2%	6,700	12.4%	1.7%	6,980	12.4%	4.2%
Net income	5,090	10.1%	23.5%	4,730	9.1%	-7.1%	4,840	9.0%	2.3%	5,050	9.0%	4.3%



### **Caution with Respect to Forward-Looking Statements:**

This material is composed based on data as of Nov. 6<sup>th</sup> 2020 and the purpose to publish this material is to offer information of management plan and consolidated financial statement.

This material contains forward-looking statements about the future performance of T. Hasegawa, which are based on our management's assumptions and beliefs taking into account all information currently available to it. Therefore, please be advised that and uncertainties could cause actual results to differ materially from those discussed in our forward-looking statements, and in addition, forward looking statements could be changed without notice. Please also note that we will assume no responsibility for any omission or error in the statements and data in this material.

Please also note that we will assume no responsibility for any omission or error in the statements and data in this material. This material is published by T. Hasegawa and all contents belong to the company. The content is not to be copied or distributed without permission.