



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卓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

Financial Results for the Year  
Ended September 30, 2015

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

November 13, 2015

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Note1 : T. HASEGAWA's date for settlement of accounts is September 30.

Note2 : Unless otherwise noted, the indication of the fiscal year are as follows.

•FY14      (From October 2013 to September 2014)

•FY15      (From October 2014 to September 2015)

# I . Summary of the Consolidated Financial Statements

## Domestic Market

- Domestic flavors and fragrances market in 2014 (January-December) shrank by approximately 5% due to the impact of the consumption tax increase.
- Beverage market slightly grew in 2015 (January-September).
- The market in summer season (June-August) has marked higher levels compared to the same period of the previous year as a result of a short rainy season and hot weather in early August.

## Overseas Market

- Global flavors and fragrances market in 2014 grew by approximately 4%.
- Beverage market in China has expanded due to the growing demand for carbonated drinks and tea beverages.
- Beverage market in USA expanded slightly.
- In Southeast Asia, beverage, dairy product, instant noodle, snack and confectionery market expanded, with remarkable growth in tea beverage category.

Year-on-Year: Net sales increased due to the sales growth of overseas subsidiaries in China, USA and Malaysia.  
Operating income slightly decreased due to the increase in SG&A expenses.

Vs. Plan : Net sales of the parent company was lower than planned which is largely due to the decrease in sales of “Fruit processing products.” Net sales was also impacted by economic slowdown derived from the consumption tax increase, which lasted longer than expected.

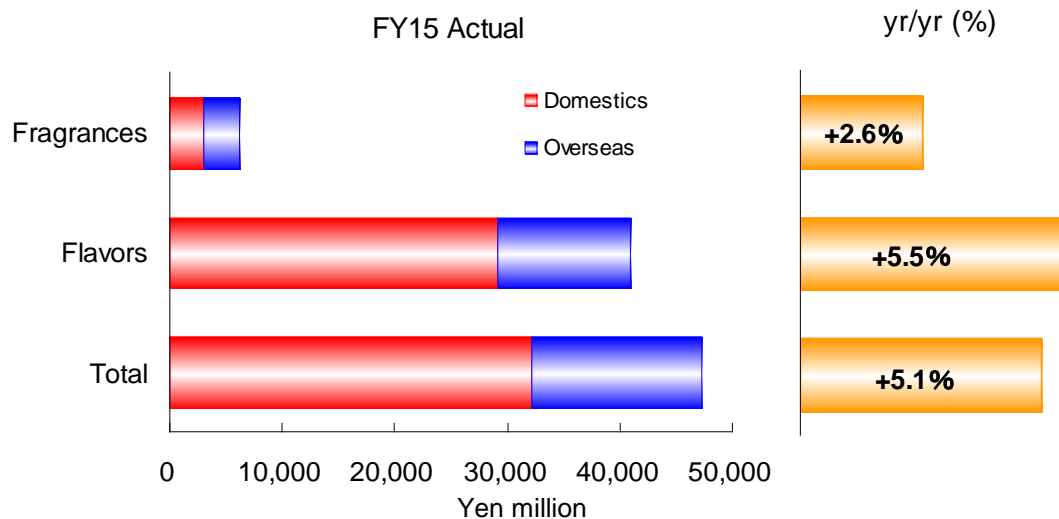
Yen million

	FY14 Actual	FY15 Plan	FY15 Actual	Achievement			
				yr/yr		vs. Plan	
				Value	%	Value	%
Net sales	44,917	47,350	47,228	2,310	5.1%	-121	-0.3%
Cost of sales	28,558	29,770	29,949	1,391	4.9%	179	0.6%
Gross profit	16,359	17,580	17,278	919	5.6%	-301	-1.7%
SGA expenses	11,977	12,550	12,925	947	7.9%	375	3.0%
Operating income	4,381	5,030	4,352	-28	-0.7%	-677	-13.5%
Ordinary income	4,939	5,250	4,852	-87	-1.8%	-397	-7.6%
Income before income taxes	4,832	5,100	4,613	-219	-4.5%	-486	-9.5%
Net income	3,239	3,510	3,043	-195	-6.0%	-466	-13.3%

Overall sales increased due to the sales growth of Chinese subsidiaries in both flavor and fragrance segments, as well as the acquisition of Malaysian subsidiary.

Yen million

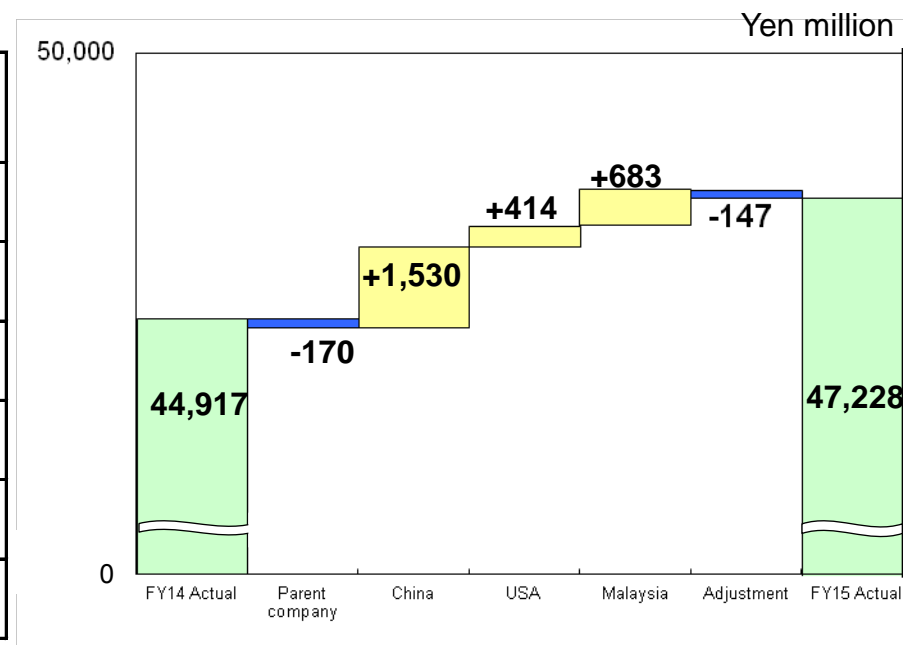
	FY14 Actual	FY15 Actual	yr/yr		Remark
			Value	%	
Fragrances	6,062	6,219	157	2.6%	Sales of the subsidiary in China increased
Flavors	38,855	41,008	2,153	5.5%	Sales of the subsidiary in China increased Increase in sales related to acquisition
Total	44,917	47,228	2,310	5.1%	—



\* FY2015 overseas sales ratio 31.8%

Consolidated sales increased due to the sales growth of overseas subsidiaries despite the decrease in sales of the parent company.

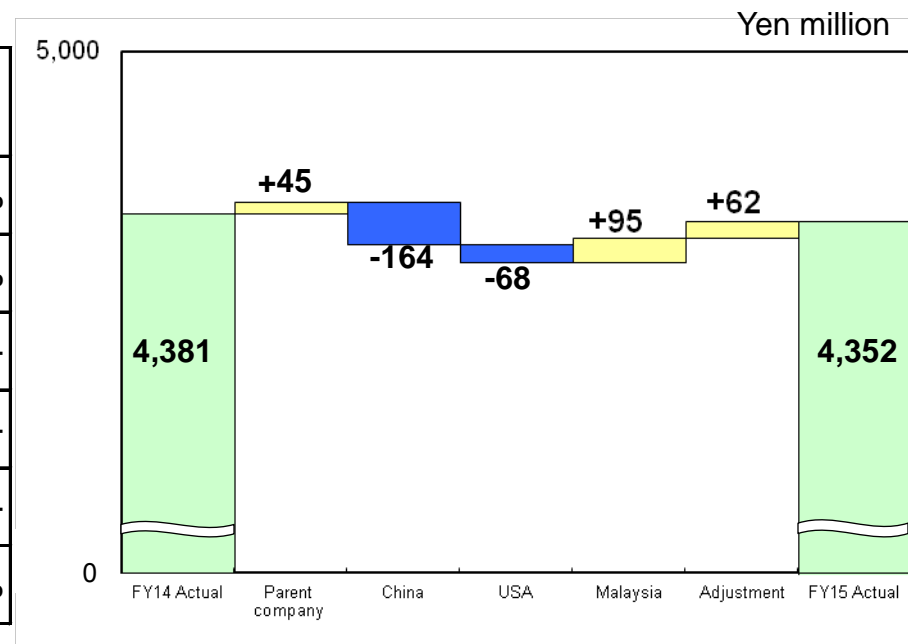
Yen million				
	FY14 Actual	FY15 Actual	yr/yr	%
Parent company	36,251	36,081	-170	-0.5%
China	6,700	8,230	1,530	22.8%
USA	2,481	2,895	414	16.7%
Malaysia	-	683	683	-
Adjustment	-515	-662	-147	-
Consolidated	44,917	47,228	2,310	5.1%



- Parent company : Sales decreased in “Fruit processing products” and household products  
⇒ Decrease in net sales
- China : Sales increased in both flavor and fragrance segments  
⇒ Increase in net sales
- USA : Sales increased owing to the depreciation of JPY while dollar-based sales remained flat  
⇒ Increase in net sales
- Malaysia : Sales have been added to consolidated sales since January

Consolidated operating income decreased due to the decline in profit of subsidiaries in China and USA.

Yen million				
	FY14 Actual	FY15 Actual	yr/yr	%
Parent company	2,790	2,836	45	1.6%
China	1,564	1,400	-164	-10.5%
USA	18	-50	-68	-
Malaysia	-	95	95	-
Adjustment	7	70	62	-
Consolidated	4,381	4,352	-28	-0.7%



- Parent company : Cost of sales ratio decreased ⇒ Increase in operating income
- China : Cost of sales ratio increased due to the expansion of Suzhou plant ⇒ Decrease in operating income
- USA : SG&A expense increased ⇒ Decrease in operating income
- Malaysia : Recorded favorable sales and maintained operating income



## II . Global Strategies

Basic Strategy	Expand market shares by anticipating new markets stemming from aging society and healthy trends
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## Ongoing Projects and Progress

### Promotion of Solution-Oriented Sales Activities

- Launch project team aimed to strengthen marketing in order to increase sales
- Proposition of new materials with high durability of aromas and sweet taste, and functional materials
- Proposition of materials which add delicious flavors to low-sugar, low-salt and low-fat diet

### Enhancing Capability to Provide Flavors and Fragrances for New Applications

- Focusing on new categories such as non-alcoholic beers, alcoholic beverages, health foods, and foods for medical uses
- Developing flavors which can replace food materials (milk, vegetables, fruit juice, meat etc.)

## Mid-to-Long Term Project

- Research and development of fermentation-derived natural flavors through business alliance with Ajinomoto Co., Inc.
- Pilot project with Universal Leaf Tobacco Company, Inc. to grow and harvest vanilla beans to diversify supply sources

## FY2015 Performance

### Net Sales

36,081million yen  
(-0.5% Yr/Yr)

### Operating Income

2,836 million yen  
(+1.6% Yr/Yr)

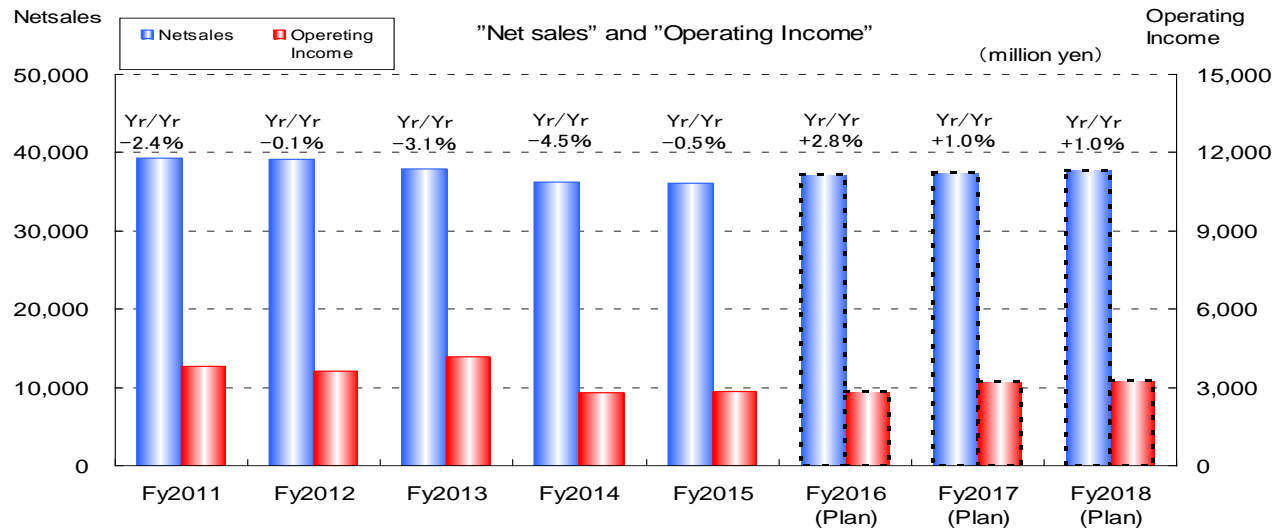
## Sales & Profit Target (FY2020)

### Net sales

39,400 million yen

### Operating income

4,600 million yen



## Business Alliance with Ajinomoto Co., Inc.

### Background

- Dramatically growing market for natural flavors backed by emerging demands for natural beverages & foods
- Increasing demand for natural flavors in Europe and USA
- Major food companies announced the removal of all synthetic flavors derived from chemical raw materials, from their confectionery products



Necessity to reinforce the supply of natural flavors

### Reason

- Natural flavor is defined by European and American regulations as a natural extract or a fermentation product.
  - ⇒ Fermentation products have become a hot topic, as extract products face problems with costs and securing raw materials.
- Ajinomoto Co., Inc. has its original leading technology in the fields of biotechnology and fermentation technology, cultivated through their research and development of amino acids.



The collaboration of TH and Ajinomoto's technology will enable the research, development and commercialization of fermentation-derived natural flavors

### Prospect

Aim to commercialize fermentation-derived natural flavors in a few years and expand the business overseas

## Business Alliance with Universal Leaf Tobacco Company, Inc.

### Background

Pre-existing concerns about the necessity to diversify and to reinforce supply sources of natural ingredients

### Reason

- Universal has an advantage in plant cultivation such as tobacco leaf, dried vegetable and fruits
- The alliance will ensure the access to steady supply sources of natural raw materials.

### Plan

- Plan to collaborate in a pilot project for growing vanilla beans in Brazil
- Decisions on the commercialization of the vanilla beans will be made according to trial outcomes

### Current Situation

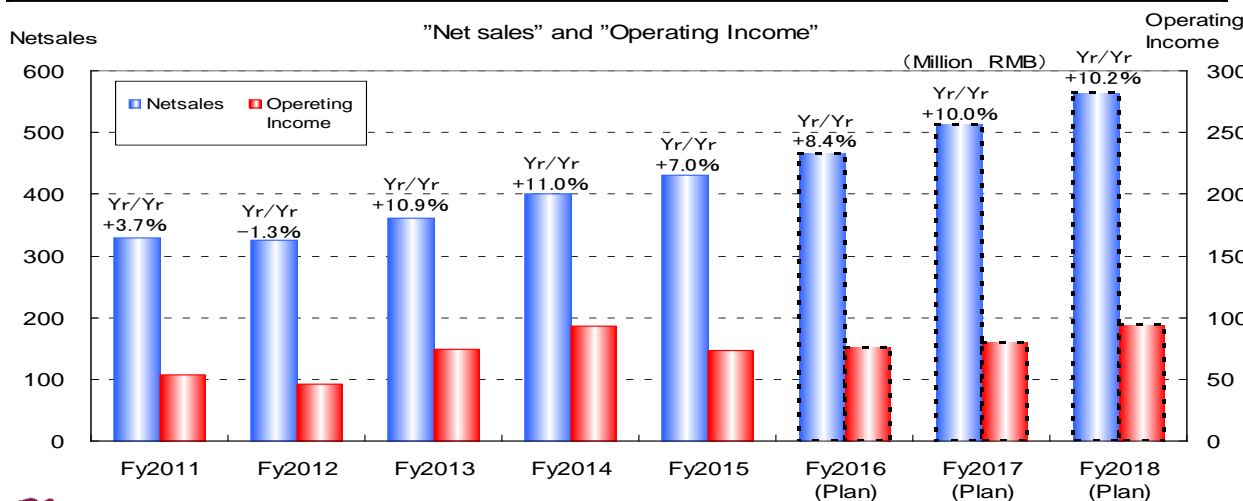
- Details of the project are currently under discussion
- Plan to run growing trial by January 2016

<b>Basic Strategy</b>	Reinforce revenue base for further sales expansion in the Chinese market by active investments
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Ongoing Projects and Progress
<p><b>Enhancement of Production Capacity in Suzhou</b></p> <ul style="list-style-type: none"> <li>The total investment to Suzhou plant was approx. 2 billion yen</li> <li>This project is expected to increase the productive capacity in China by approx. 30%</li> <li>The operation started in June 2015, and approx. 70% capacity utilization is expected throughout Suzhou plant</li> </ul>
<p><b>Enhancement of R&amp;D Facilities in Shanghai</b></p> <ul style="list-style-type: none"> <li>New R&amp;D facility in Shanghai has been designed aimed to start operation in the first half of 2017</li> <li>The total investment is expected to be approx. 1.5 billion yen, with a total floor area of approx. 5,000 square meters</li> </ul>
<p><b>Localize and Strengthen Management Structure to Acquire New Customers, Further Cooperate with Existing Customers, and to Increase Sales</b></p> <ul style="list-style-type: none"> <li>Classification of customers: International Companies 60%, Local Companies 30%, Japanese Companies 10%</li> <li>Aim to increase business opportunities with both International and local companies</li> </ul>

FY2015 Performance
<p><b>Net Sales</b> RMB 430million (8,230million yen) (+7.0% Yr/Yr)</p> <p><b>Operating Income</b> RMB 73 million (1,400 million yen) (-22.0% Yr/Yr)</p>

Sales & Profit Target (FY2020)
<p><b>Net sales</b> RMB 680 million (13,000 million yen)</p> <p><b>Operating income</b> RMB 130 million (2,500 million yen)</p>

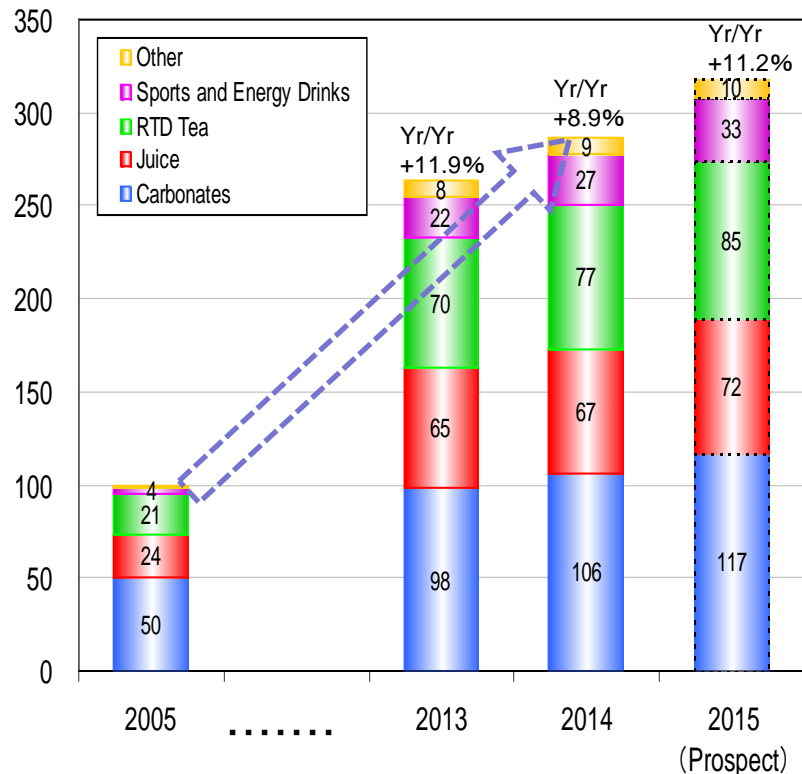


※Consolidated Net sales and operating income of T. Hasegawa's two subsidiaries in China

## Beverage and Food Market in China

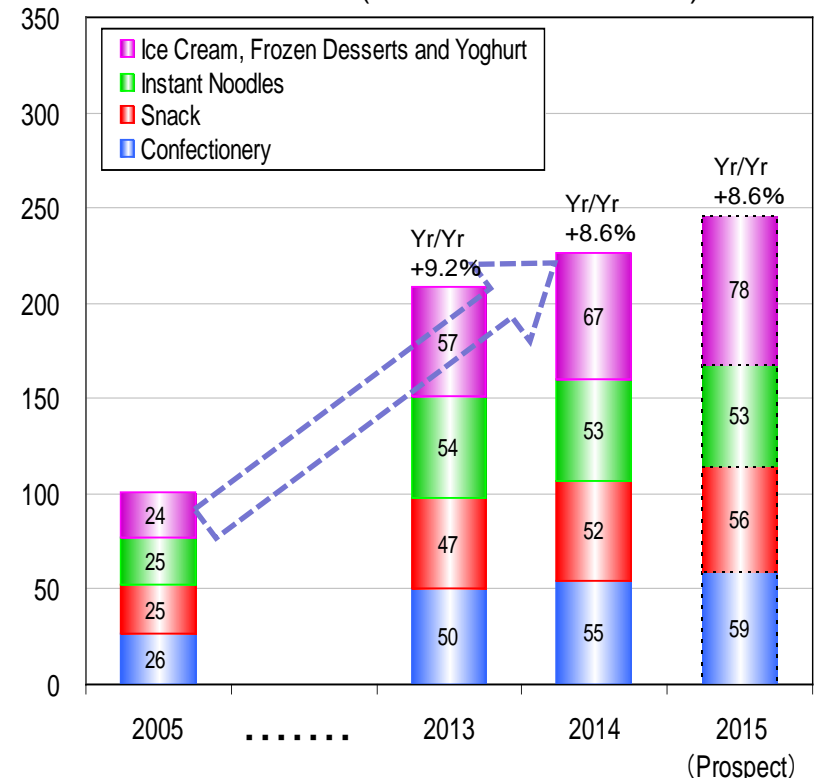
Although economic growth is slowing down, steady sales growth is expected in beverage and food market.

### Transition of Beverage Market in China



Beverage market in China has tripled in the last ten years. The market is expected to mark a double-digit growth rate in 2015 with notable growth in carbonated drink and tea beverage.

### Transition of Food Market in China (Foods contains flavors)

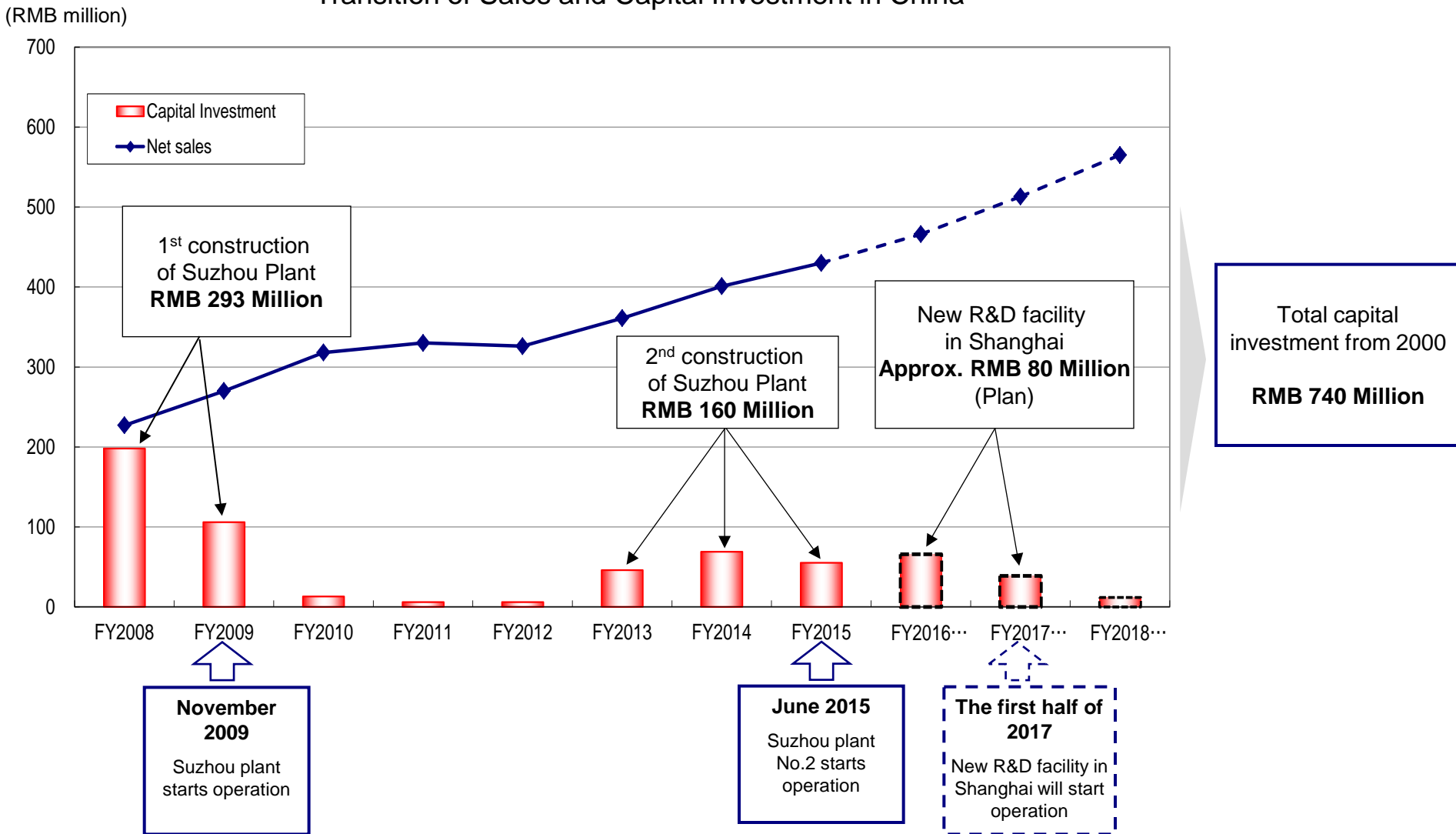


Each category has more than doubled. It is assumed to expand at the same rate in 2015.

\* Reference: Euromonitor International

\* Calculated compared with the market size of 2005 as 100%

## Transition of Sales and Capital Investment in China



\*TH Shanghai established in 2000. Shanghai plant started operation in 2001 with capital investment approx. RMB 73 Million.

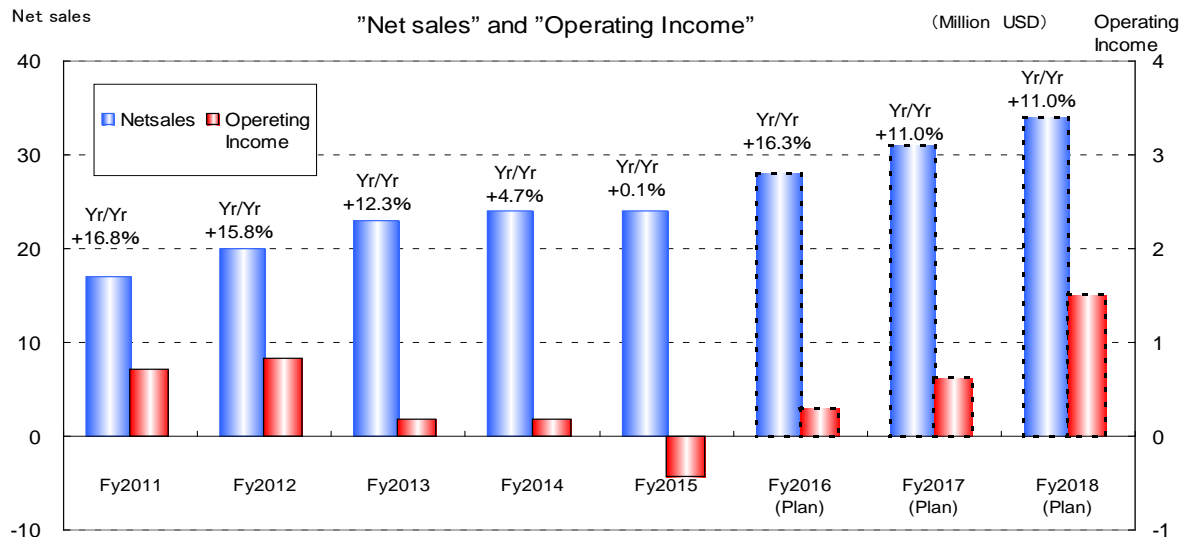
\*TH Suzhou established in 2006.

<b>Basic Strategy</b>	Aim to expand sales of savory and beverage flavors
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Ongoing Projects and Progress	
<b>Realignment of New Management Structure</b>	
<ul style="list-style-type: none"> <li>Recruitment of staff experienced in beverage industry, in order to grow sales in beverage category</li> <li>Aim at sales growth in local beverage market in USA                             <ul style="list-style-type: none"> <li>⇒ Beverage market can be divided into two categories: beverages for the global market, and beverages for the local market that capture the preferences of the region</li> <li>⇒ There seem to be more chances to become a big player in the local market</li> </ul> </li> </ul>	
<b>Enhancement of R&amp;D Facilities and Approach to Customers</b>	
<ul style="list-style-type: none"> <li>Renovated R&amp;D and administration building which enhance communication between R&amp;D staff and customers</li> <li>Strengthening R&amp;D support by maintaining close exchanges of information between Japan and USA                             <ul style="list-style-type: none"> <li>⇒ Making use of Japanese technology which has an advantage in tea and coffee beverage</li> </ul> </li> </ul>	

FY2015 Performance
<b>Net Sales</b>
24 million US\$ (2,895 million yen) (+0.1% Yr/Yr)
<b>Operating Income/Loss</b>
-0.42 million US\$ (-50million yen) (FY2014 Operating Income 1.8 million US\$)

Sales & Profit Target (FY2020)
<b>Net sales</b>
40 million US\$ (4,800 million yen)
<b>Operating income</b>
3.3 million US\$ (400 million yen)





Basic Strategy	Expand sales through cooperation of sales base in Thailand, Indonesia and production base in Malaysia
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## Ongoing Projects and Progress

### Visit Customers with Sales and R&D Staff

- This effort brought good results for “Strengthening business relationship with major local customers located in “High-priority-countries”

### Acquisition of Local Production Base in Malaysia

- Acquired “Peresscol Sdn. Bhd.”, a Halal-certified flavors sales and production company which has its strengths in areas such as seasoning powder and liquid flavors  
 ⇒ Advantage: Reduced shipping time/ Capturing the preferences of the region/ Price advantage derived from low manufacturing cost/ Halal-certification
- Developing flavors which capture the preferences of the region, under the leadership of R&D staff and production staff from Japan

### Reinforce Sales Activities in Southeast Asia

- Assignment of local staff members in Vietnam & Philippines in addition to the current sales bases
- Strengthening sales activities in Southeast Asia through collaboration of each main bases

## FY2015 Performance

### Net Sales

2,133 million yen (+23.5% Yr/Yr)

### Operating Income

402 million yen (+40.3% Yr/Yr)

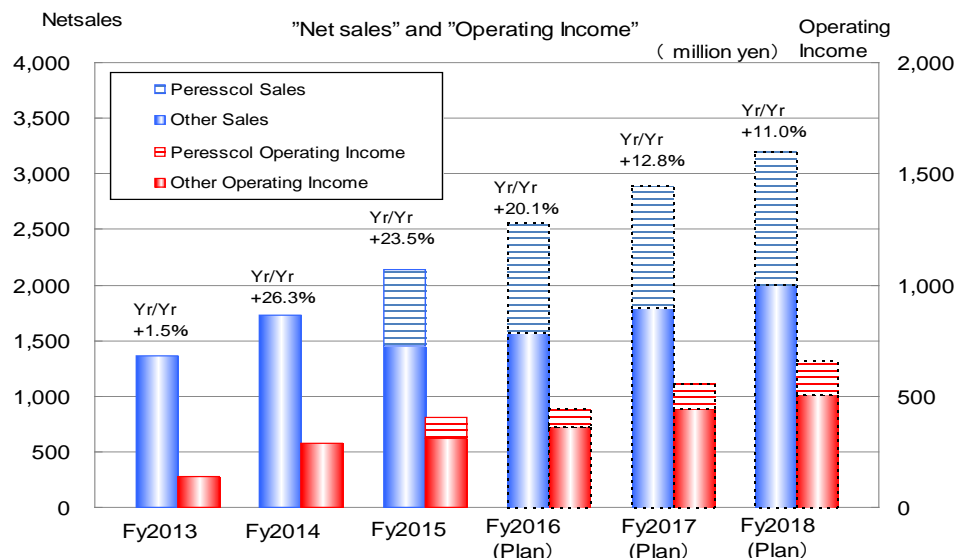
## Sales & Profit Target (FY2020)

### Net sales

3,800million yen

### Operating income

800 million yen



## Ⅲ. Three-Year-Plan

Non-consolidated: The declined sales of “Extract product for tea beverages“ is assumed to bottom out, and contributions from new products are expected.

China : Although economic growth is slowing down, steady sales growth is expected due to further expansion of beverage market.

USA : Steady growth of savory products and contribution of flavors for beverage products are expected.

Southeast Asia : Aim at further sales growth by acquisition of local production base

Yen million

	FY2015 (Actual)	FY2016 (Plan)	FY2017 (Plan)	FY2018 (Plan)
Net sales	47,228	49,430	51,100	53,000
Cost of sales	29,949	31,730	32,460	33,550
Operating income	4,352	4,380	4,870	5,340
Ordinary income	4,852	4,640	5,090	5,570
Net income	3,043	3,070	3,450	3,780
Exchange rates	¥119.31 per U.S.\$ ¥19.14 per RMB	¥120.00 per U.S.\$ ¥19.00 per RMB	¥120.00 per U.S.\$ ¥19.00 per RMB	¥120.00 per U.S.\$ ¥19.00 per RMB
Sales growth ratio	5.1%	4.7%	3.4%	3.7%
Sales cost ratio	63.4%	64.2%	63.5%	63.3%
Operating income ratio	9.2%	8.9%	9.5%	10.1%
Ordinary income ratio	10.3%	9.4%	10.0%	10.5%
Net income ratio	6.4%	6.2%	6.8%	7.1%
Overseas net sales ratio	31.8%	33.9%	36.1%	38.2%

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

- Capital investment increased due to rebuilding of Head Office scheduled to be completed in March 2016.  
(FY2015 ¥0.6bn, FY2016 ¥1.4bn )
- The second expansion phase of Suzhou plant finished. Operation of the new plant is scheduled to start from June 2015.  
(FY2015 ¥0.7bn)
- Construction of new R&D facility in Shanghai is planned to start its operation in first half of 2017.  
(FY2016 ¥0.8bn, FY2017 ¥0.6bn )
- R&D expenses is planned to be kept at around 9% of consolidated sales.

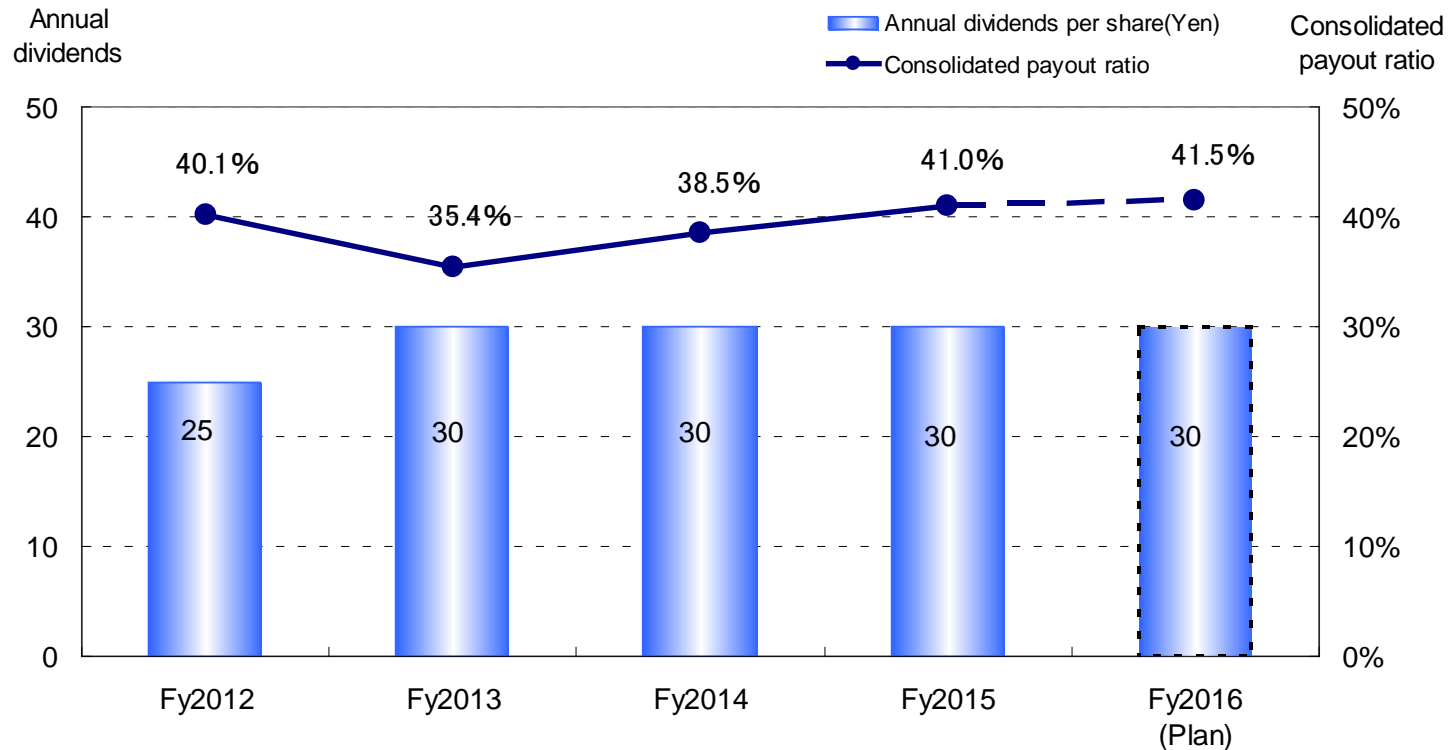
Yen million

		Fy2015 (Actual)	Fy2016 (Plan)	Fy2017 (Plan)	Fy2018 (Plan)
Capital Investment	Consolidated	4,075	4,324	2,427	1,907
	Non-consolidated	2,780	2,795	1,376	1,476
Depreciation & Amortization	Consolidated	3,017	3,111	2,941	2,923
	Non-consolidated	2,336	2,216	1,972	1,883
R&D Expenses	Consolidated	4,238	4,449	4,653	4,834
	Non-consolidated	3,301	3,376	3,348	3,338

## IV. Shareholder Redemption

## Basic Policy

- Strengthening operating foundations and retaining undistributed profits in order to reinvest in future development, while also meeting shareholders' expectations by paying dividends which correspond to our business performance
- Targeting approximately 35% of consolidated dividend payout ratio for interim and year-end dividends
- Launched a shareholders' courtesy program starting September 2015 to encourage investors to hold stocks in the mid-to-long term



# V . Management Strategies

## Basic Strategies

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

Achieve steady revenues in domestic market

Aim for growth in overseas market

- ◆ Create a well organized team to make solution-oriented suggestions which capture potential demands of customers
- ◆ Enhancing capability to provide flavors and fragrances for new applications
- ◆ Shift sales policies from "Current: 1.Safe, 2.Secure, 3.Inexpensive" to "Taking this one step further: 1.Trust, 2.New proposals, 3.Familiarity"

China

- ◆ Enhancement of production/R&D structure
- ◆ Acquire new customers, further cooperation with existing customers

USA

- ◆ Strengthen the efficiency of sales functions to expand beverage market shares
- ◆ Further increase sales of savory flavors

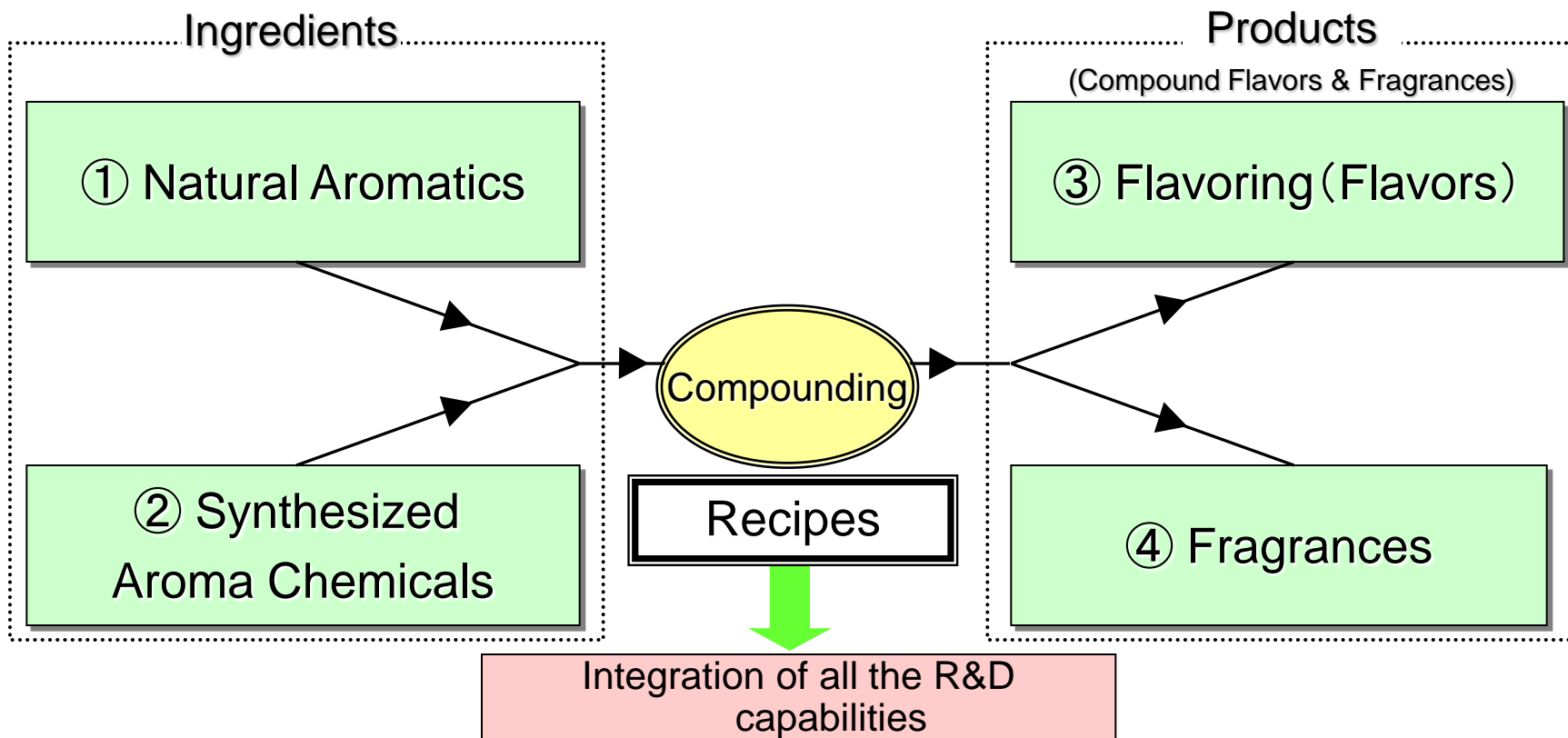
South-east Asia

- ◆ Strengthen regional ties through collaboration with oversea bases
- ◆ Strengthen business relationship with major local customers



# V . Appendix

# Outline of Flavor and Fragrance Business



Experts who formulate flavors are known as “flavorists”

Experts who formulate fragrances are known as “perfumers”

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

⇒ Formulas created by knowledge and experience of flavorists and perfumers are invaluable assets to flavor and fragrance companies

# Market Size of Flavor & Fragrance Industry

• Estimated sales volume of global market: 2.6 trillion yen (25 billion US\$)

## Europe, Africa, Middle East

- Market size: Approx. 950 billion yen(\*)

- As many of the end-users adopt a “preferred supplier” system, major European and American companies have built the solid business bases

## North America

- Market size: Approx. 670 billion yen (\*)

- As many of the end-users adopt a “preferred supplier” system, major European and American companies have built the solid business bases

- T. Hasegawa’s subsidiary in California, established in 1978, has sales branches in Atlanta, Chicago, Mexico, and a laboratory in Princeton

## Asia

- Market size: Approx. 770 billion yen (\*)

- Market is growing due to the economic growth of developing countries including China  
- Most major flavor and fragrance companies have expanded operation branches in China  
- T. Hasegawa established subsidiaries in Shanghai (2000), Suzhou (2006), Bangkok (2003), and Indonesia (Jakarta) (2014)  
- T. Hasegawa acquired Peresscol Sdn. Bhd. in Kuala Lumpur, Malaysia in 2014 as a production base

## South America

- Market size: Approx. 210 billion yen (\*)

- Majority of flavors and fragrances are imported from North America and Mexico

- Competition in Brazilian market becoming severe due to economic growth

(\*) = T. Hasegawa estimates

● = T. Hasegawa’s offices and plants

- Top 12 companies account for approx. 80% of the global market share

USD million

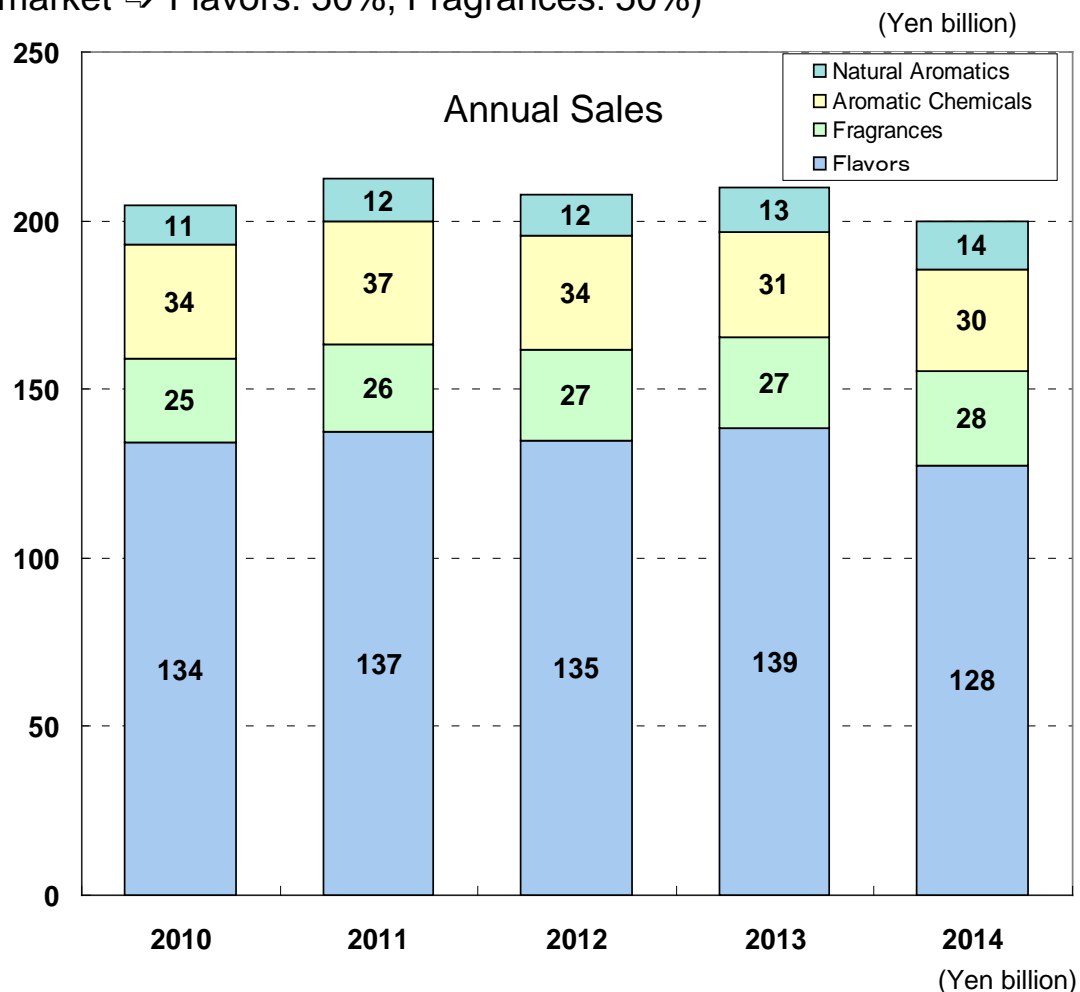
	Company name	Country	Sales(2014Yr)	Market Share
1	Givaudan	Switzerland	4,819	19.4%
2	Firmenich	Switzerland	3,291	13.2%
3	IFF	USA	3,089	12.4%
4	Symrise	Germany	2,818	11.3%
5	Takasago	Japan	1,247	5.0%
6	Wild Flavors	Germany	1,241	5.0%
7	Mane SA	France	1,022	4.1%
8	Frutarom	Israel	820	3.3%
9	Sensient Flavors	USA	725	2.9%
10	Robertet SA	France	518	2.1%
11	Huabao Intl.	Hong Kong	436	1.8%
12	T.Hasegawa	Japan	426	1.7%
	Subtotal	—	20,451	82.2%
	Others	—	4,439	17.8%
	Total	—	24,890	—

\* US \$1 ≙ 105.6Yen

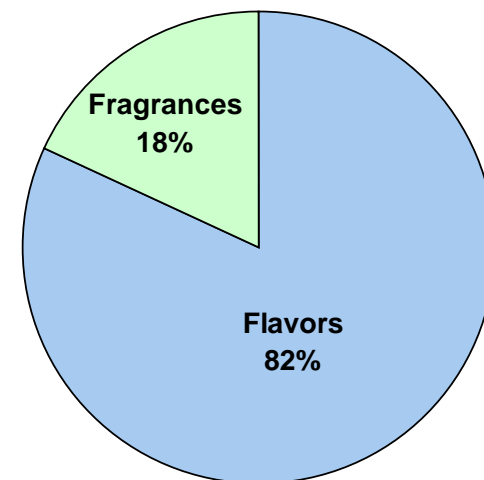
Source : Leffingwell & Associates  
[http://www.leffingwell.com/top\\_10.htm](http://www.leffingwell.com/top_10.htm)

# Size of Domestic Flavor and Fragrance Market

•Sales composition of domestic market ⇨ Flavors: 82%, Fragrances: 18%  
 (Global market ⇨ Flavors: 50%, Fragrances: 50%)



Composition Rate (2014Yr)



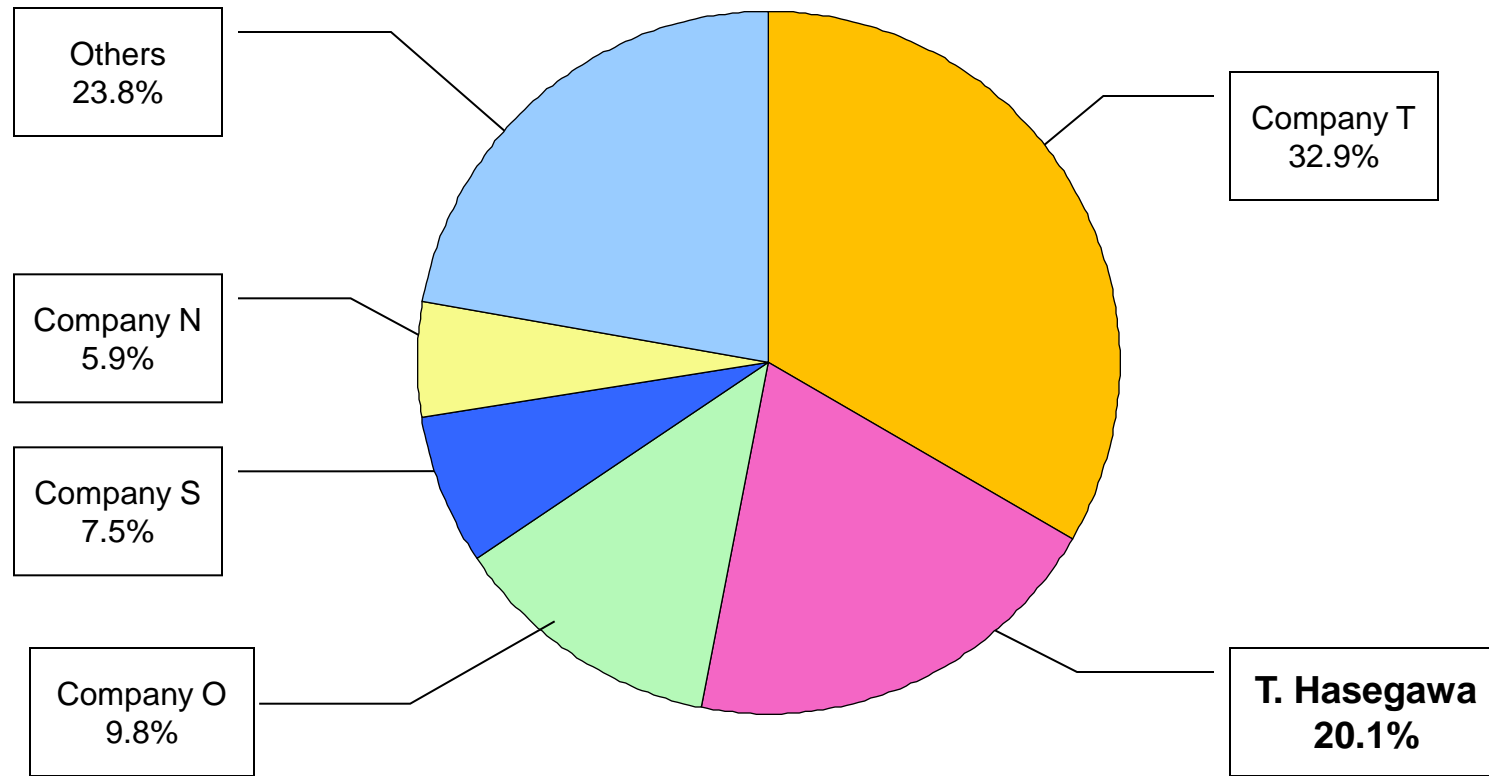
Total	204	212	208	210	200
Year-on-year	7.9%	3.9%	-2.2%	1.0%	-4.8%

Source:  
 Japan Flavor and Fragrance  
 Materials Association

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



▪ Top 5 companies account for approx. 80% of market share (as of March, 2015)



\*Data is based on non-consolidated sales breakdown of top 10 companies in domestic market, calculated by private market research firm

\*Fiscal year of Company T, O, S, and N is from April to March

\* As T. Hasegawa's fiscal year is from October - September, figure indicated above have been adjusted to correspond to reports of other companies

# Sales Breakdown - Segments - (Consolidated)

- Specialize in compound flavors and fragrances with high added value
- Capable of catering to a wide range of products in various quantities ⇒ Approx. 14,000 products per year

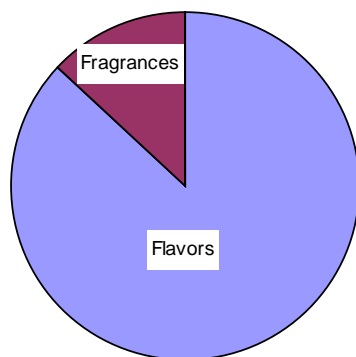
Yen million

	T. Hasegawa (Consolidated)		Company T (Consolidated)	
	FY ended in Sep. 2015		FY ended in Mar. 2015	
	Sales	Share	Sales	Share
Flavors	41,008	86.8%	78,355	59.5%
Fragrances	6,219	13.2%	36,553	27.8%
Aroma Chemicals	0	0.0%	15,367	11.7%
Others	0	0.0%	1,376	1.0%
Total	47,228	100.0%	131,653	100.0%
Ratio of gross profits to sales	36.6%		30.9%	

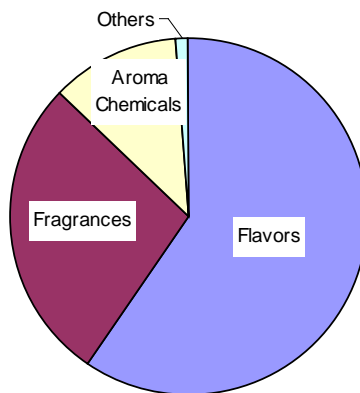
Yen million

	Company S (Consolidated)	
	FY ended in Mar. 2015	
	Sales	Share
Compound flavors & Fragrances	7,482	45.7%
Aroma Chemicals	4,541	27.7%
Overseas	3,101	19.0%
Others	1,246	7.6%
Subtotal	16,370	100.0%
Ratio of gross profits to sales	35.0%	

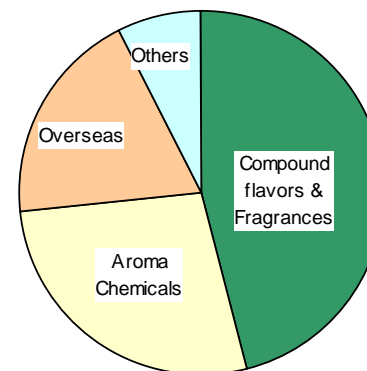
T. Hasegawa (Consolidated)



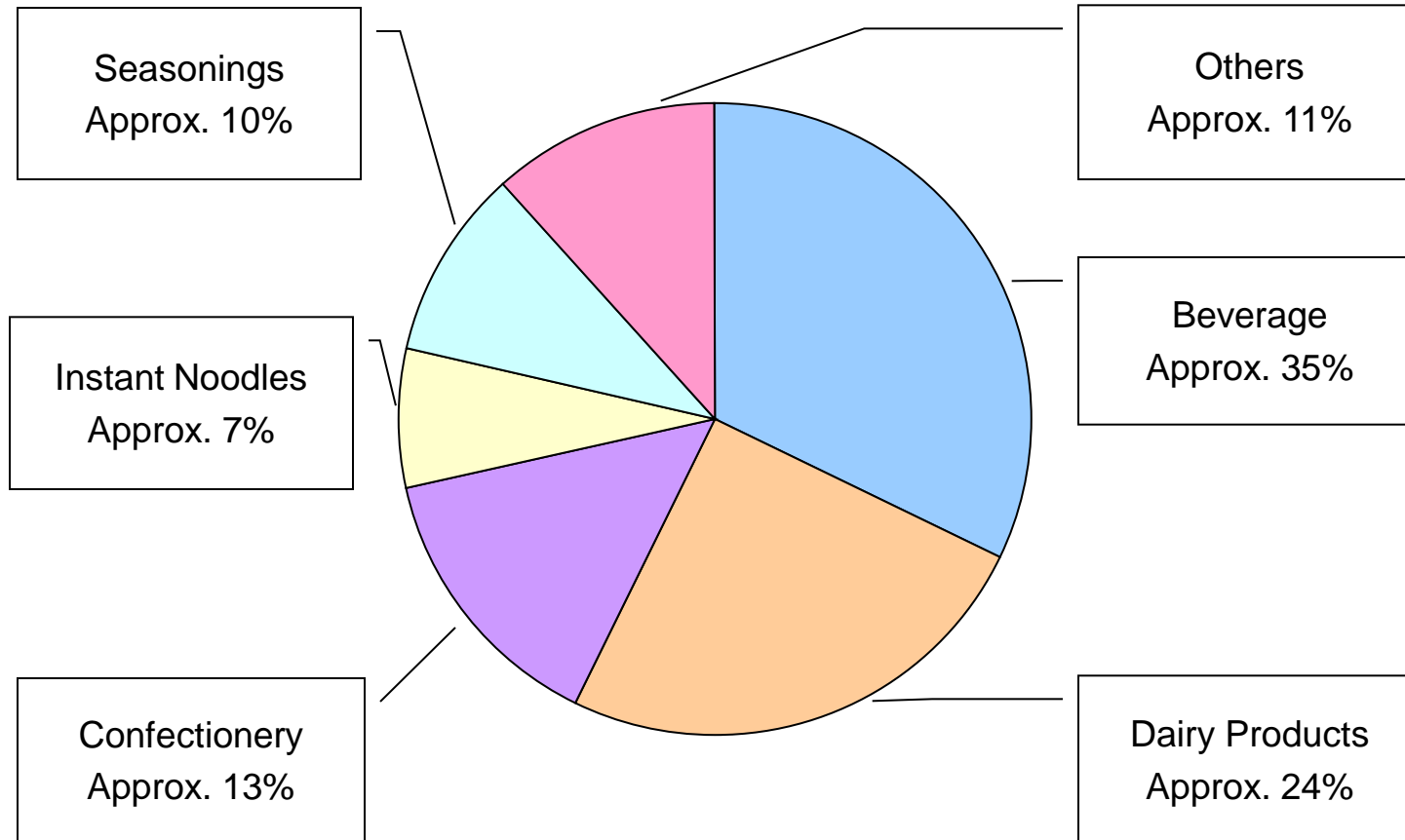
Company T (Consolidated)



Company S (Consolidated)



- Large part of total sales accounted by beverages, whose sales are affected by seasonal factors



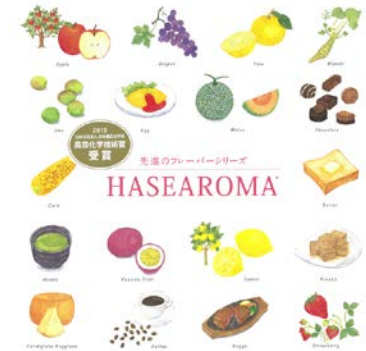
Note: Data calculated based on T. Hasegawa FY15 sales with identifiable industry segments

HASEAROMA® won the “2015 Japan Bioscience, Biotechnology and Agro chemistry Society Award for Achievement in Technological Research“. This is the first time that the technical development for flavors won this award.

What is the “Japan Bioscience, Biotechnology and Agro chemistry Society Award for Achievement in Technological Research“?

Awarded to members with technical achievements of practical use in the fields of bioscience, biotechnology, and agro chemistry by The Japan Bioscience, Biotechnology and Agro chemistry Society.

It awards companies that record significant achievement in the field of bioscience, biotechnology, and agro chemistry.



Brochures of HASEAROMA®

What is HASEAROMA® ?

Processed foods are often demanded to equip the same deliciousness as natural foods and meals served at restaurants.




In many cases, the taste of processed foods depend largely on Flavors. Therefore Flavors need to have elements that add natural and delicious flavors.



HASEAROMA® is a flavor series developed through the discovery of new compounds or functions, as a result of close cooperation with core technology of R&D of flavors (analysis, synthesis and flavor creation)

An example of HASEAROMA® Flavor series

Fruit Flavor	Orange, Lemon, Grapefruit, Apple Strawberry, Mango, Guava, etc.	
Savory Flavor	Wagyu beef, Pork, Chicken soup Dried bonito, Cod roes, Sauce, Corn, Egg	
Beverage Flavor	Coffee, Black tea Ume liqueur	
Dairy & Other Sweet Flavor	Melted butter, Milk, Ricotta cheese Parmigiano reggiano, etc.	
Japanese Flavor	Yuzu, Mandarin orange (Unshu Mikan) Brown sugar, Wasabi, Powdered green tea (Matcha/ Maccha) Soybean flour (Kinako)	

# Financial Information

# Comparative Income Statements (Consolidated)

- Gross profit increased due to increase in net sales and decrease in cost of sales ratio. However, operating income decreased due to increase in SG&A expenses

Yen million

	FY2014 Actual		FY2015 Actual		yr/yr		Remark
	Value	%	Value	%	Value	%	
Net sales	44,917	100.0%	47,228	100.0%	2,310	5.1%	
Cost of sales	28,558	63.6%	29,949	63.4%	1,391	4.9%	Improvement on sales cost ratio due to slash on manufacturing expenses
Gross profit	16,359	36.4%	17,278	36.6%	919	5.6%	
SGA expenses	11,977	26.7%	12,925	27.4%	947	7.9%	SGA expenses increased in personnel expenses and goodwill amortization
Operating income	4,381	9.8%	4,352	9.2%	-28	-0.7%	
Ordinary income	4,939	11.0%	4,852	10.3%	-87	-1.8%	(FY2014) Foreign exchange gain of 198m was calculated as Non-operating income (FY2015) Foreign exchange gain of 160m was calculated as Non-operating income
Income before income taxes	4,832	10.8%	4,613	9.8%	-219	-4.5%	
Net income	3,239	7.2%	3,043	6.4%	-195	-6.0%	Increase in tax expenses due to a partial reversal of deferred income taxes in accordance with the resulting reduction in the effective corporation tax rate from next fiscal year (-246m)

# Comparative Balance Sheets (Consolidated)

Yen million

	September 30 2014	September 30 2015	Increase or Decrease	Remark
Current assets	47,909	49,744	1,835	<ul style="list-style-type: none"> <li>•Decrease in cash and deposits: -737m Yen</li> <li>•Increase in marketable securities: 499m Yen</li> <li>•Increase in Inventries: 715m Yen</li> <li>•Increase in account receivable-trade: 1,471m Yen</li> </ul>
Fixed assets	44,036	51,860	7,823	<ul style="list-style-type: none"> <li>•Increase in goodwill: 1,319m Yen</li> <li>•Increase in leasehold: 728m Yen</li> <li>•Increase in property, plant and equipment : 1,858m Yen</li> <li>•Increase in investment securities: 3,675m Yen</li> </ul>
Total assets	91,946	101,604	9,658	
Current liabilities	10,370	12,107	1,736	<ul style="list-style-type: none"> <li>•Increase in account payable-other: 570m Yen</li> <li>•Increase in income taxes payable: 500m Yen</li> <li>•Increase in accrued consumption taxes: 391m Yen</li> </ul>
Long-term liabilities	8,778	10,061	1,283	<ul style="list-style-type: none"> <li>•Increase in deferred tax liabilities: 1,200m Yen</li> </ul>
Total net assets	72,796	79,436	6,639	<ul style="list-style-type: none"> <li>•Increase in retained earnings: 3,043m Yen</li> <li>•Cash dividends paid: -1,245m Yen</li> <li>•Sales of treasury stock: 1,159m Yen</li> <li>•Disposal of treasury stock: 591m Yen</li> <li>•Foreign currency translation adjustment: 356m Yen</li> <li>•Valuation difference on available-for-sale securities: 2,773m Yen</li> </ul>
Total liabilities and net assets	91,946	101,604	9,658	



# Comparative Statement of Cash Flows (Consolidated)

Yen million

	FY2014 Actual	FY2015 Actual	Increase or Decrease	Remark
Cash flows from operating activities	5,019	5,969	949	<ul style="list-style-type: none"> <li>• Income before taxes: 4,613m Yen</li> <li>• Depreciation &amp; Amortization: 3,017m Yen</li> <li>• Increase in notes and accounts receivable-trade: -1,138m Yen</li> </ul>
Cash flows from investing activities	-1,518	-6,769	-5,251	<ul style="list-style-type: none"> <li>• Acquisition of stock in subsidiary: -3,026m Yen</li> <li>• Acquisition of tangible fixed assets: -3,293m Yen</li> </ul>
Cash flows from financing activities	-1,460	337	1,798	<ul style="list-style-type: none"> <li>• Cash dividends paid: -1,246m Yen</li> <li>• Proceeds from disposal of treasury shares: 1,621m Yen</li> </ul>
Effect of currency change on cash and cash equivalents	262	165	-97	—
Net Change in cash and cash equivalents	2,303	-297	-2,601	—
Cash and Cash equivalents at beginning of period	18,595	20,898	2,303	—
Cash and cash equivalents at end of period	20,898	20,601	-297	—

Yen million

		FY2015 Plan	FY2015 Actual	Progress (%)
Capital Investment	Consolidated	3,732	4,075	109.2%
	Non-consolidated	2,599	2,780	107.0%
Depreciation & Amortization	Consolidated	3,118	3,017	96.8%
	Non-consolidated	2,465	2,336	94.8%
R&D Expenses	Consolidated	4,257	4,238	99.6%
	Non-consolidated	3,424	3,301	96.4%

Yen million

	FY2014 Actual		FY2015 Plan		FY2015 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	36,251	100.0%	37,720	100.0%	36,081	100.0%	-170	-0.5%	-1,638	-4.3%
Cost of sales	24,001	66.2%	24,690	65.5%	23,684	65.6%	-317	-1.3%	-1,005	-4.1%
Gross profit	12,249	33.8%	13,030	34.5%	12,396	34.4%	146	1.2%	-633	-4.9%
SGA expenses	9,458	26.1%	9,530	25.3%	9,560	26.5%	101	1.1%	30	0.3%
Operating income	2,790	7.7%	3,500	9.3%	2,836	7.9%	45	1.6%	-663	-19.0%
Ordinary income	3,356	9.3%	3,810	10.1%	3,405	9.4%	48	1.5%	-404	-10.6%
Income before income taxes	3,261	9.0%	3,660	9.7%	3,172	8.8%	-89	-2.8%	-487	-13.3%
Net income	2,177	6.0%	2,590	6.9%	2,068	5.7%	-109	-5.0%	-521	-20.1%

## Consolidated profit and loss statements of TH Shanghai and TH Suzhou

Yen million

Yen Basis	FY2014		FY2015		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	6,700	100.0%	8,230	100.0%	1,530	22.8%
Cost of sales	3,512	52.4%	4,758	57.8%	1,246	35.5%
Gross profit	3,187	47.6%	3,472	42.2%	284	8.9%
SGA expenses	1,622	24.2%	2,071	25.2%	448	27.7%
Operating income	1,564	23.4%	1,400	17.0%	-164	-10.5%
Ordinary income	1,644	24.5%	1,414	17.2%	-230	-14.0%

Yen16.67/RMB

Yen19.14/RMB

14.8% lower

RMB thousand

Local Currency Basis	FY2014		FY2015		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	401,928	100.0%	430,035	100.0%	28,107	7.0%
Cost of sales	210,703	52.4%	248,615	57.8%	37,912	18.0%
Gross profit	191,225	47.6%	181,420	42.2%	-9,804	-5.1%
SGA expenses	97,345	24.2%	108,237	25.2%	10,891	11.2%
Operating income	93,879	23.4%	73,183	17.0%	-20,696	-22.0%
Ordinary income	98,668	24.5%	73,890	17.2%	-24,778	-25.1%

- Sales increased on both local currency basis and Japanese yen basis
- Operating income decreased due to increase in cost of sales from
  1. changes in product mix (sales composition by product)
  2. increase in depreciation and amortization, labor expenses from operation of new Suzhou plant

Yen million

Yen Basis	FY2014		FY2015		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	2,481	100.0%	2,895	100.0%	414	16.7%
Cost of sales	1,498	60.4%	1,776	61.4%	278	18.5%
Gross profit	982	39.6%	1,119	38.6%	136	13.9%
SGA expenses	963	38.8%	1,169	40.4%	205	21.3%
Operating income	18	-	-50	-	-68	-
Ordinary income	23	-	-57	-	-80	-

Yen102.33/USD

Yen119.31/USD

16.6% lower

USD thousand

Local Currency Basis	FY2014		FY2015		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	24,246	100.0%	24,272	100.0%	25	0.1%
Cost of sales	14,647	60.4%	14,893	61.4%	245	1.7%
Gross profit	9,599	39.6%	9,379	38.6%	-219	-2.3%
SGA expenses	9,419	38.8%	9,803	40.4%	383	4.1%
Operating income	179	0.7%	-423	-	-603	-
Ordinary income	226	0.9%	-484	-	-710	-

- Net sales increased on JPY basis owing to JPY depreciation, while USD (local currency) based sales remained flat
- Operating income turned from surplus to deficit due to increase in SG&A expenses

# Three-Year Plan (Consolidated Income statements)

Yen million

	FY2015 (Actual)			FY2016 (Plan)			FY2017 (Plan)			FY2018 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	47,228	100.0%	5.1%	49,430	100.0%	4.7%	51,100	100.0%	3.4%	53,000	100.0%	3.7%
Cost of sales	29,949	63.4%	4.9%	31,730	64.2%	5.9%	32,460	63.5%	2.3%	33,550	63.3%	3.4%
Gross profit	17,278	36.6%	5.6%	17,700	35.8%	2.4%	18,640	36.5%	5.3%	19,450	36.7%	4.3%
SGA expenses	12,925	27.4%	7.9%	13,320	26.9%	3.1%	13,770	26.9%	3.4%	14,110	26.6%	2.5%
Operating income	4,352	9.2%	-0.7%	4,380	8.9%	0.6%	4,870	9.5%	11.2%	5,340	10.1%	9.7%
Ordinary income	4,852	10.3%	-1.8%	4,640	9.4%	-4.4%	5,090	10.0%	9.7%	5,570	10.5%	9.4%
Income before income taxes	4,613	9.8%	-4.5%	4,520	9.1%	-2.0%	4,970	9.7%	10.0%	5,450	10.3%	9.7%
Net income	3,043	6.4%	-6.0%	3,070	6.2%	0.9%	3,450	6.8%	12.4%	3,780	7.1%	9.6%

## Caution with Respect to Forward-Looking Statements:

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 understand that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in our 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.

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