



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、そこで審議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

Financial Results for the 2<sup>nd</sup> Quarter  
Ended March 31, 2016

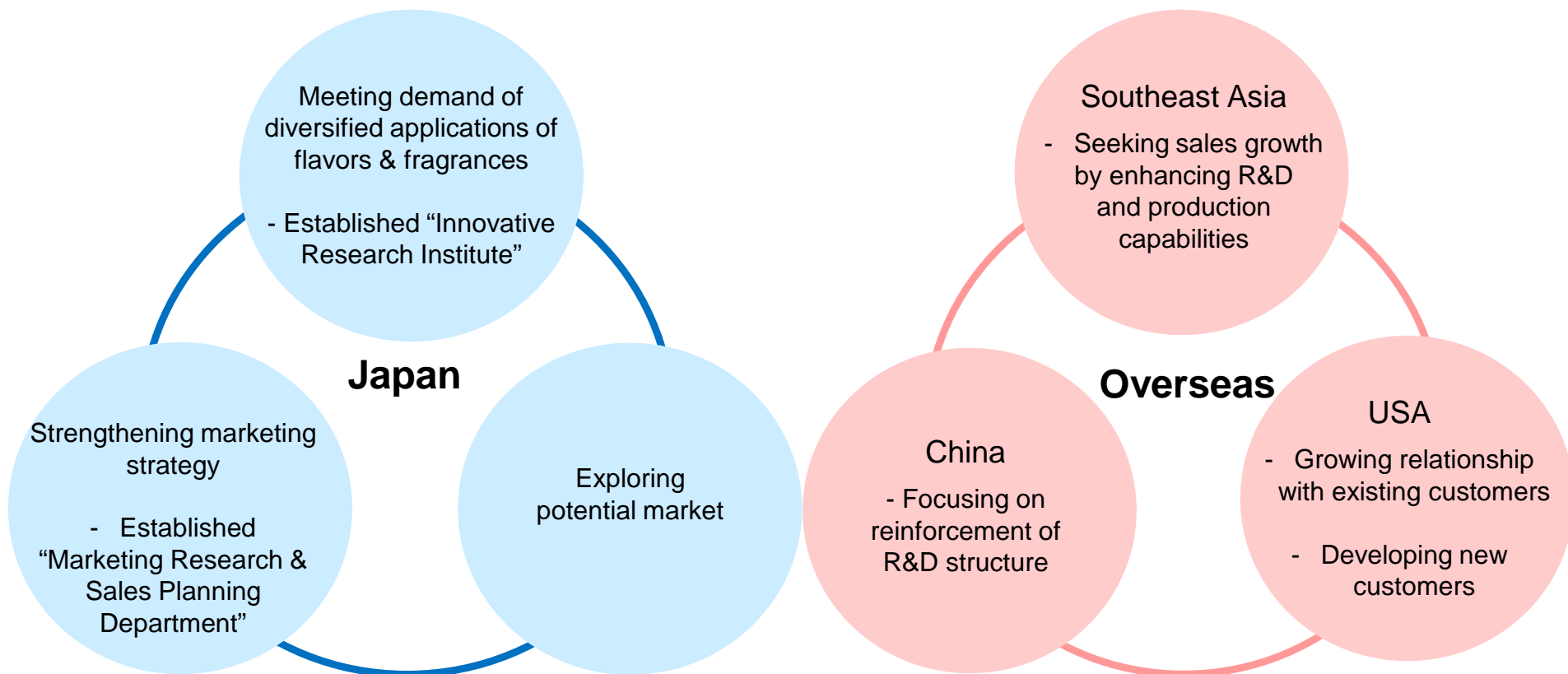
**T. HASEGAWA CO., LTD.**

May 20, 2016

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# I . Message from President & COO

For stable earnings in domestic market & further growth in global market



## Ⅱ . Summary of the Consolidated Financial Statements

## Domestic Market

- Domestic flavors and fragrances market in 2015 grew by approximately 1% compared to the previous year.
- Beverage market slightly grew in 2015. Bottled water and tea beverages achieved steady growth. A lot of new items came out in categories such as flavored water, carbonated water and canned RTD coffee, which had a positive effect on growth of beverage market. Beverage market in 2016 (January-March) has been performed better than the previous year.

## Overseas Market in 2015

- Overseas flavors and fragrances market grew on a local currency basis of each company, however, the market shrank by approximately 3% on USD basis due to change in an exchange rate.
- Beverage market in China has been expanding due to the growing demand for functional beverages and tea beverages.
- Beverage market in USA grew slightly.
- In Southeast Asia, dairy products, beverage, instant noodle, snacks, and confectionery market are growing with remarkable growth in tea beverage category.

Year-on-Year: Net sales increased due to the sales growth of parent company and subsidiary in USA, as well as the cumulative result of subsidiary in Malaysia. (Six-months sales was added to consolidated results compared to three-months sales in the same period of previous year)

Operating income increased due to the sales growth and the increase in gross profit, attributable to the improvement in cost of sales ratio.

Vs. Planned : Consolidated sales marked lower than planned due to the failure to achieve the target in China segment. Consolidated profit achieved better result than planned, largely due to the lower cost of sales ratio resulting from decrease in production expense of parent company.

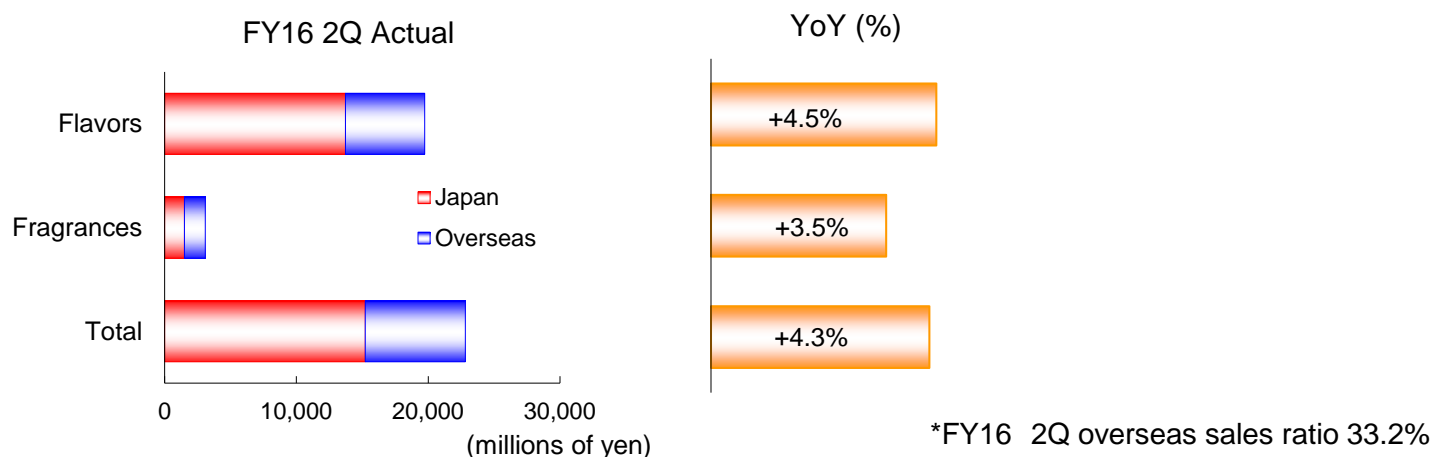
(millions of yen)

	FY15 2Q Actual	FY16 2Q Planned (As of Nov. 2015)	FY16 2Q Actual	Achievement			
	Value	Value	Value	YoY		vs.Planned	
				Value	%	Value	%
Net sales	21,879	23,200	22,825	946	4.3%	-374	-1.6%
Cost of sales	13,875	15,000	14,328	452	3.3%	-671	-4.5%
Gross profit	8,004	8,200	8,497	493	6.2%	297	3.6%
SGA expenses	6,246	6,510	6,233	-13	-0.2%	-276	-4.2%
Operating income	1,757	1,690	2,263	506	28.8%	573	34.0%
Ordinary income	2,128	1,810	2,243	115	5.4%	433	24.0%
Income before income taxes	2,046	1,750	2,373	326	15.9%	623	35.6%
Net income	1,177	1,190	1,543	365	31.0%	353	29.7%

Consolidated sales increased due to the sales growth of parent company (both flavors and fragrances) and subsidiary in USA. The full-term sales of subsidiary in Malaysia also contributed to the sales increase, which was included in the consolidation for entire six months compared to three months in the same period of previous year.

(millions of yen)

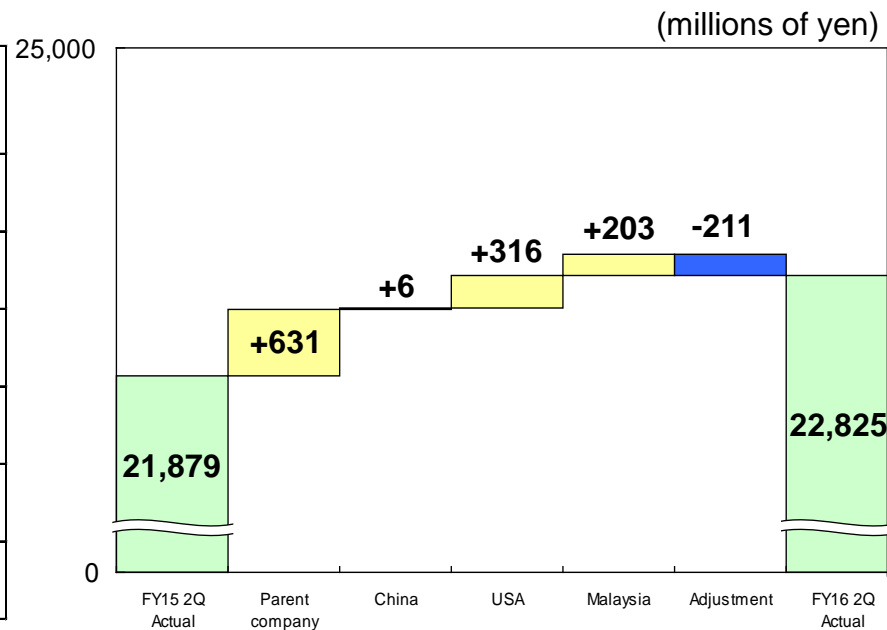
	FY15 2Q Actual	FY16 2Q Actual	YoY		Remarks
			Value	%	
Flavors	18,828	19,668	840	4.5%	<ul style="list-style-type: none"> <li>• Sales of parent company and the subsidiary in USA increased</li> <li>• Full-term contribution of sales of the subsidiary in Malaysia</li> </ul>
Fragrances	3,051	3,156	105	3.5%	Sales of parent company for toiletry products increased
Total	21,879	22,825	946	4.3%	—





Consolidated sales increased due to the sales growth of parent company & subsidiary in USA and full-term sales of subsidiary in Malaysia.

(millions of yen)				
	FY15 2Q Actual	FY16 2Q Actual	YoY	%
Parent Company	16,724	17,355	631	3.8%
China	3,857	3,863	6	0.2%
USA	1,339	1,655	316	23.6%
Malaysia	250	453	203	81.4%
Adjustment	-292	-503	-211	-
Consolidated	21,879	22,825	946	4.3%

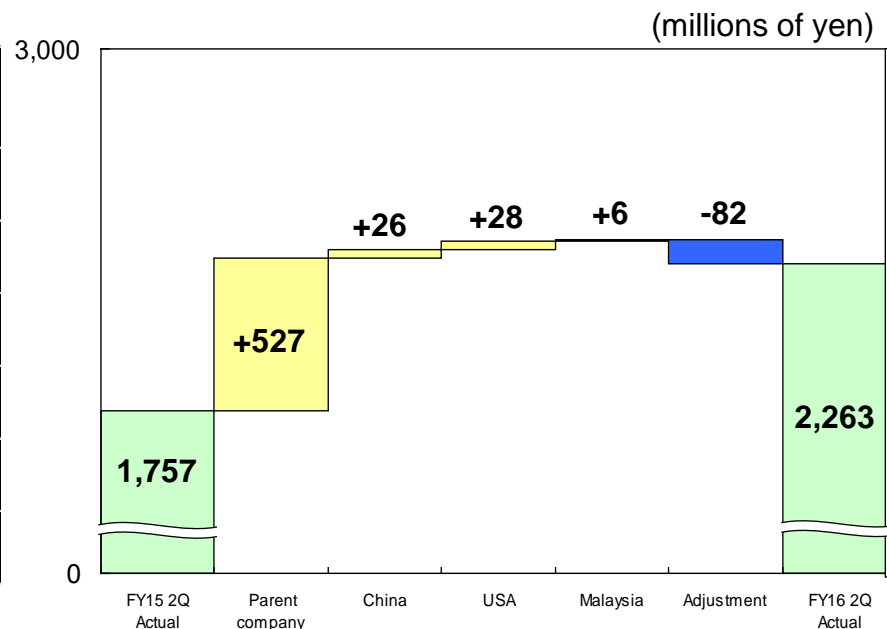


- Parent Company : Sales increased in flavor for beverages and fragrance for toiletry products  
⇒ Increase in net sales
- China : Sales was at the same level as the previous year on JPY basis though sales increased on a local currency basis  
⇒ Remained flat
- USA : Sales increased in savory flavors\* for the existing customers  
⇒ Increase in net sales
- Malaysia : Sales increased in seasoning flavors for snacks  
Six-month sales is included in consolidated results compared to three-months sales in the previous year  
⇒ Increase in net sales

Consolidated operating income increased due to increase in profit of parent company

(millions of yen)

	FY15 2Q Actual	FY16 2Q Actual	YoY	%
Parent Company	981	1,508	527	53.8%
China	706	732	26	3.7%
USA	-33	-4	28	-
Malaysia	43	49	6	15.3%
Adjustment	59	-23	-82	-
Consolidated	1,757	2,263	506	28.8%



- Parent Company : Increase in net sales + Improvement in cost of sales ratio due to decrease in production expense  
⇒ Increase in operating income
- China : Decrease in SG&A  
⇒ Increase in operating income
- USA : Improvement in SG&A ratio due to the sales growth  
⇒ Reduction in the deficit
- Malaysia : Increase in net sales  
⇒ Increase in operating income

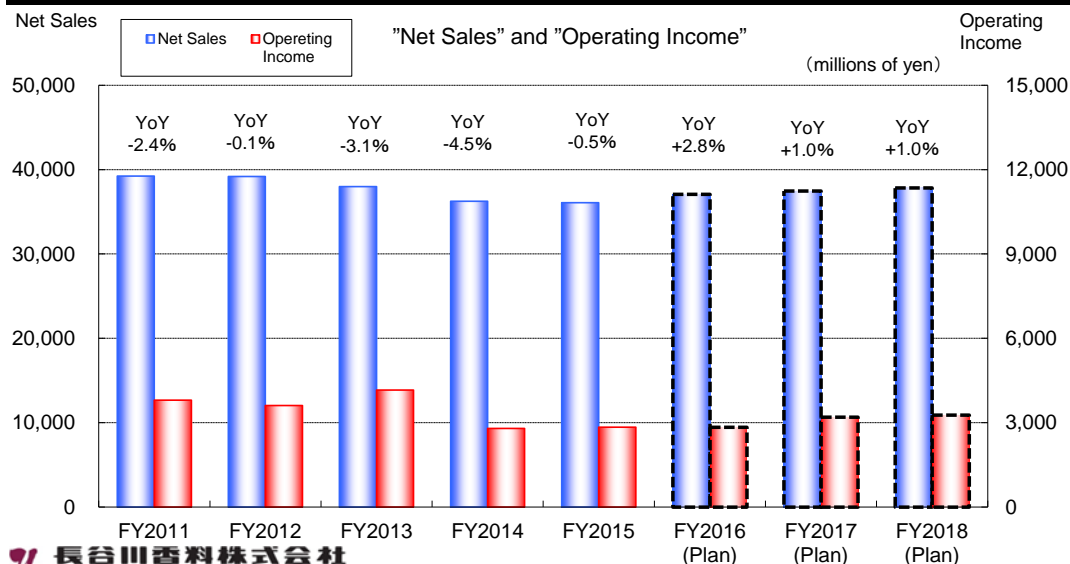
## III. Global Strategies

Basic Strategy	<i>Expand market shares by capturing the needs of aging population and health-conscious trends</i>
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Ongoing Projects and Progress
<p><b>Promotion of Solution-Oriented Sales Activities</b></p> <ul style="list-style-type: none"> <li>Launched project team and established “Marketing Research &amp; Sales Planning Department” aiming to strengthen marketing strategy in order to increase sales</li> <li>Proposition of new materials such as functional ingredients</li> <li>Proposition of materials which add delicious flavors to low-sugar, low-salt and low-fat foods</li> </ul>
<p><b>Enhancing Capability to Provide Flavors and Fragrances for New Applications</b></p> <ul style="list-style-type: none"> <li>Focusing on new categories such as non-alcoholic beers/ beverages, alcoholic beverages, health foods, and foods for medical uses</li> <li>Developing flavors which can replace food materials (milk, vegetables, fruit juice, meat etc.)</li> </ul>
<p><b>“Innovative Research Institute” in R&amp;D Section</b></p> <ul style="list-style-type: none"> <li>Integration of fundamental research of technical research, flavor and fragrance institutes</li> <li>Conducting creative research for the future</li> </ul>

FY2016 2nd Quarter
<p>Net Sales: <b>¥ 17,355 million</b> <b>(+3.8% YoY)</b></p> <p>Operating Income: <b>¥ 1,508 million</b> <b>(+53.8% YoY)</b></p>

FY2020 Target
<p>Net sales: <b>¥ 39,400 million</b></p> <p>Operating income: <b>¥ 4,600 million</b></p>



## Purpose

- Conducting creative research for the future by the integration of fundamental research of technical research, flavor and fragrance institutes
- Taking innovate approaches to develop flavor and fragrance products, that can differentiate from competitors'

## Plan

- Seeking efficiency of creation process, and generating added value by the integration of synthetic chemistry, analysis and formulation development
- Aiming to improve evaluation and presentation skills through strong collaboration of research on physiological response and sensory evaluation

### Analysis



### Physiological Response



### Formulation Development



### Sensory Evaluation



Business Alliance with Ajinomoto Co., Inc.

Background

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

Current Situation & Prospect

- Achieving progress
- Aim to commercialize fermentation-derived natural flavors in a year 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

- Growing trial was launched in January 2016 as planned
- Achieving progress

## Construction of new Head Office building

### Purpose

- Strengthen BCP\* by constructing earthquake-resistant Head Office building

### Detail

- Head Office was relocated to a temporary office in Hatchobori, Tokyo in November 2013
- Started operation in Nihonbashi, Tokyo since May 2016 as the completion of new Head Office building
- Expense regarding the construction is factored in business forecast

\*BCP: Business Continuity Plan



Location: 4-4-14, Nihonbashi-honcho, Chuo-ku, Tokyo

Size: 8 stories above ground & 1 underground

Total floor area: Approx. 4,044m<sup>2</sup>

Investment: Approx. ¥ 2.8 billion

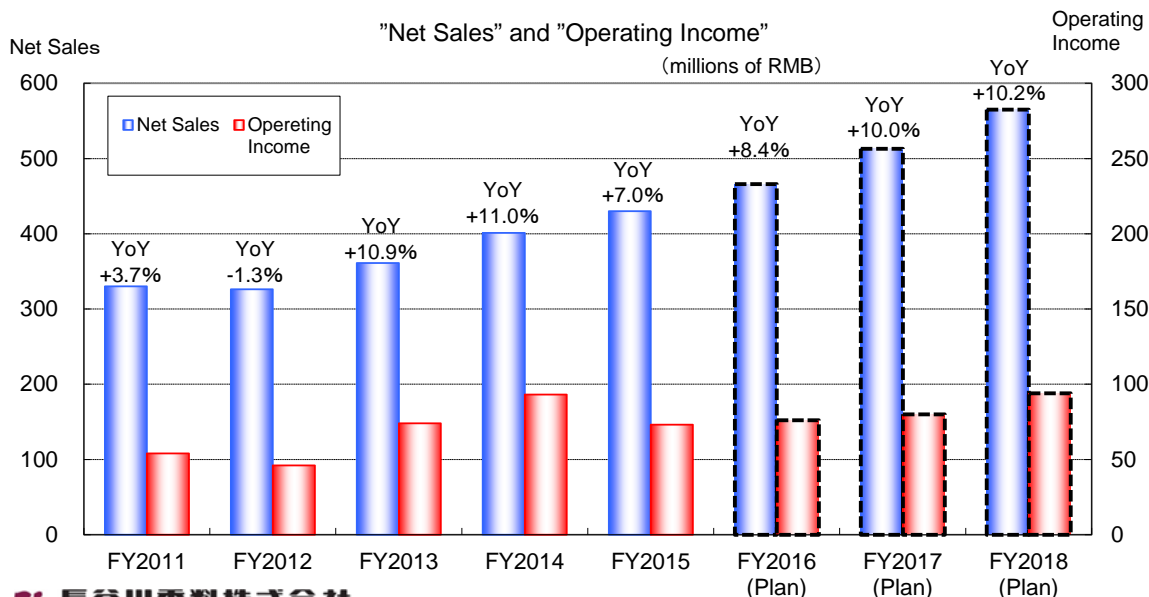


Basic Strategy	Strengthen the fundamental by investment in order to achieve further growth in Chinese market
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Ongoing Projects and Progress	
<p><b>Enhancement of Production Capacity in Suzhou</b></p> <ul style="list-style-type: none"> <li>The total investment to new Suzhou plant was approx. ¥2 billion</li> <li>The project increased the productive capacity by approx. 30% that enables to meet the growing demand in Chinese market</li> </ul>	
<p><b>Strengthen Management Systems and Streamline Organization/ Aim to Acquire New Customers, Further Cooperate with Existing Customers</b></p> <ul style="list-style-type: none"> <li>Classification of customers: International Companies 60%, Local Companies 30%, Japanese Companies 10%</li> <li>Promoting sales activities by local sales staff who have a good insight into regional preferences, aiming to increase business opportunities with both international and local companies</li> </ul>	

FY2016 2nd Quarter
<p>Net Sales: <b>RMB 211 million (¥ 3,863 million)</b> (+3.3% YoY)</p> <p>Operating Income: <b>RMB 40 million (¥ 732 million)</b> (+7.0% YoY)</p>

FY2020 Target
<p>Net Sales: <b>RMB 680 million (¥ 13,000 million)</b></p> <p>Operating Income: <b>RMB 130 million (¥ 2,500 million)</b></p>



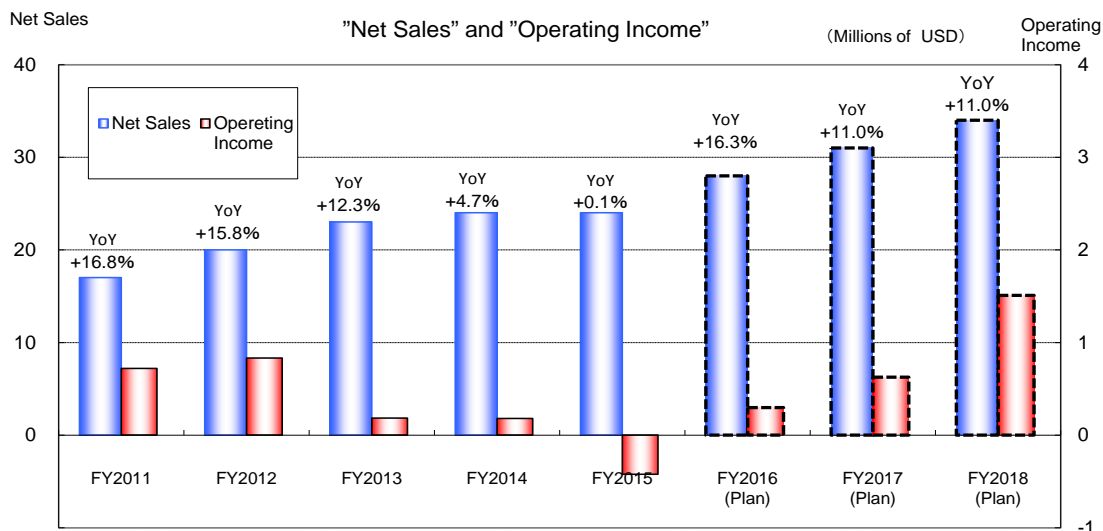
※Consolidated Net sales and operating income of T. Hasegawa's two subsidiaries in China

Basic Strategy	Increase sales of savory flavors* and flavors for beverages
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Ongoing Projects and Progress
<p><b>Realignment of Management Structure for Sales Increase of Beverage Flavors</b></p> <ul style="list-style-type: none"> <li>Recruitment of staff experienced in beverage industry, in order to promote sales activities</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 types: beverages for the global market, and beverages for the local market that capture the preference of the region</li> <li>⇒ There seem to be more chances to become a big player in the local market</li> </ul> </li> </ul>
<p><b>Enhancement of R&amp;D Facilities and Growing Relationship with Customers</b></p> <ul style="list-style-type: none"> <li>Renovated R&amp;D and administration building which encourages close communication between R&amp;D staff and customers</li> <li>Technical support from Japan and close exchanges of information between two countries                     <ul style="list-style-type: none"> <li>⇒ Making use of Japan's technology which has advantages in tea and coffee market</li> </ul> </li> <li>Expanding sales of savory flavors for existing customers</li> </ul>

FY2016 2nd Quarter
<p>Net Sales:  <b>USD 13 million (¥ 1,655 million)</b>  <b>(+21.9% YoY)</b></p> <p>Operating Income:  <b>Around break-even</b></p>

FY2020 Target
<p>Net Sales:  <b>USD 40 million (¥ 4,800 million)</b></p> <p>Operating Income:  <b>USD 3.3 million (¥ 400 million)</b></p>



\*Savory flavor: Salty flavor for snacks, dressings, and seasonings etc.

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

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

- Strengthening business relationship with major local customers in “High-priority-countries”

### Acquisition of Local Production Base in Malaysia

- “Peresscol Sdn. Bhd.,” manufactures and sells seasoning powder and liquid flavors
- Benefits of acquisition: Reduced shipping time, Capturing the local preferences, Price advantage derived from low manufacturing cost, Halal-certification
- Developing flavors which capture the preference of the region, backed by the support from Japan
- Renovating production facility for liquid flavors & fragrances, scheduled for completion in July
- Acquired 50,000m<sup>2</sup> land for a factory in HALAL industrial park in Malaysia

### Enhancing Structure and Sales Activities in Southeast Asia

- Strengthening sales activities in Southeast Asian countries through collaboration of each main base including sales staffs assigned in Vietnam and Philippines

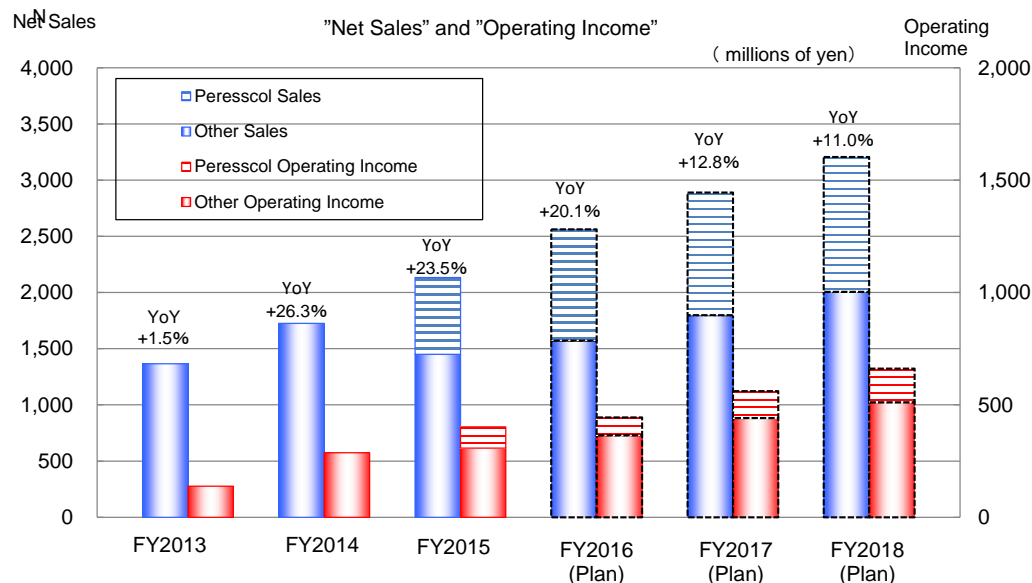
### FY2016 2nd Quarter

Net Sales: **¥ 1,172 million**  
**(+12.4% YoY)**

Operating Income:  
**¥ 208 million**  
**(+21.9% YoY)**

### FY2020 Target

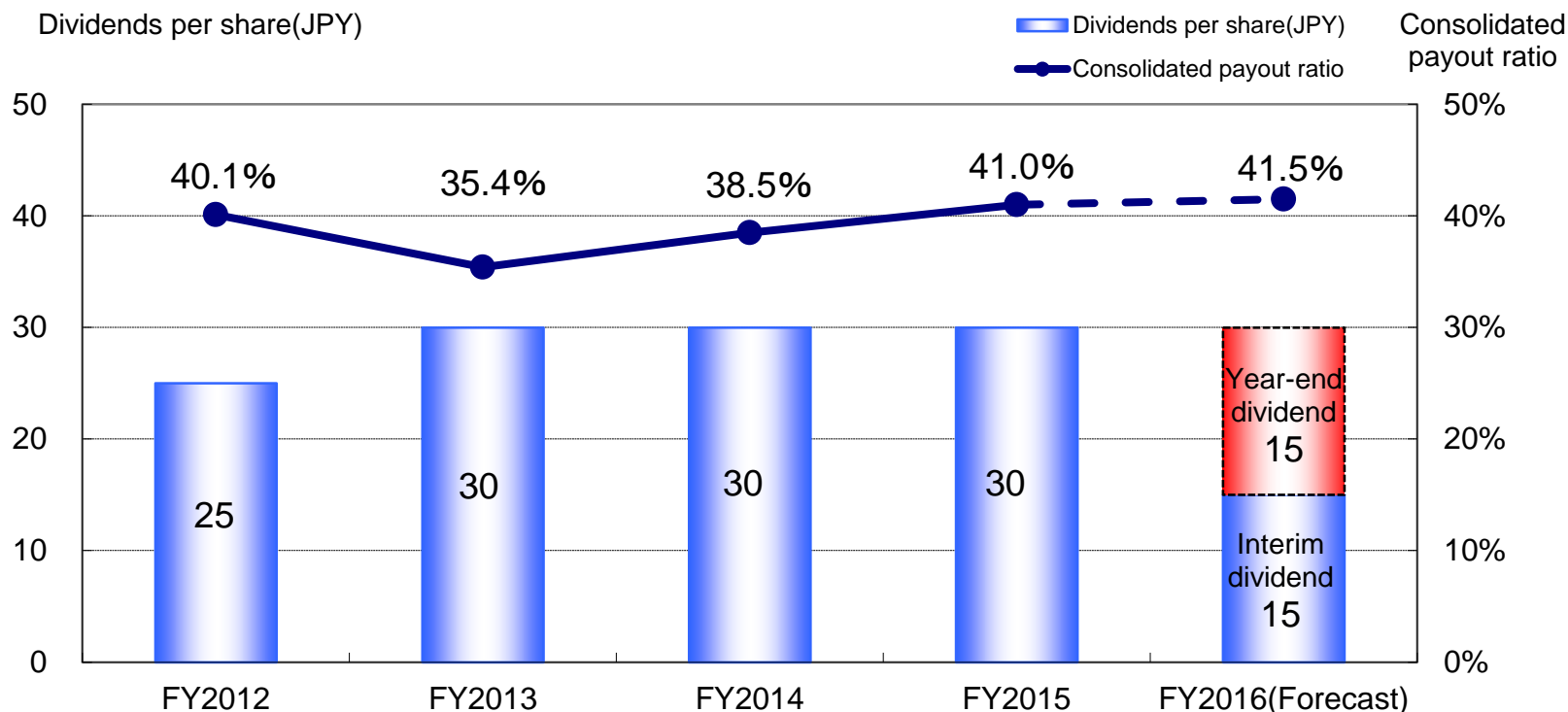
Net Sales: **¥ 3,800 million**  
Operating Income:  
**¥ 800 million**



## IV. Shareholder Return

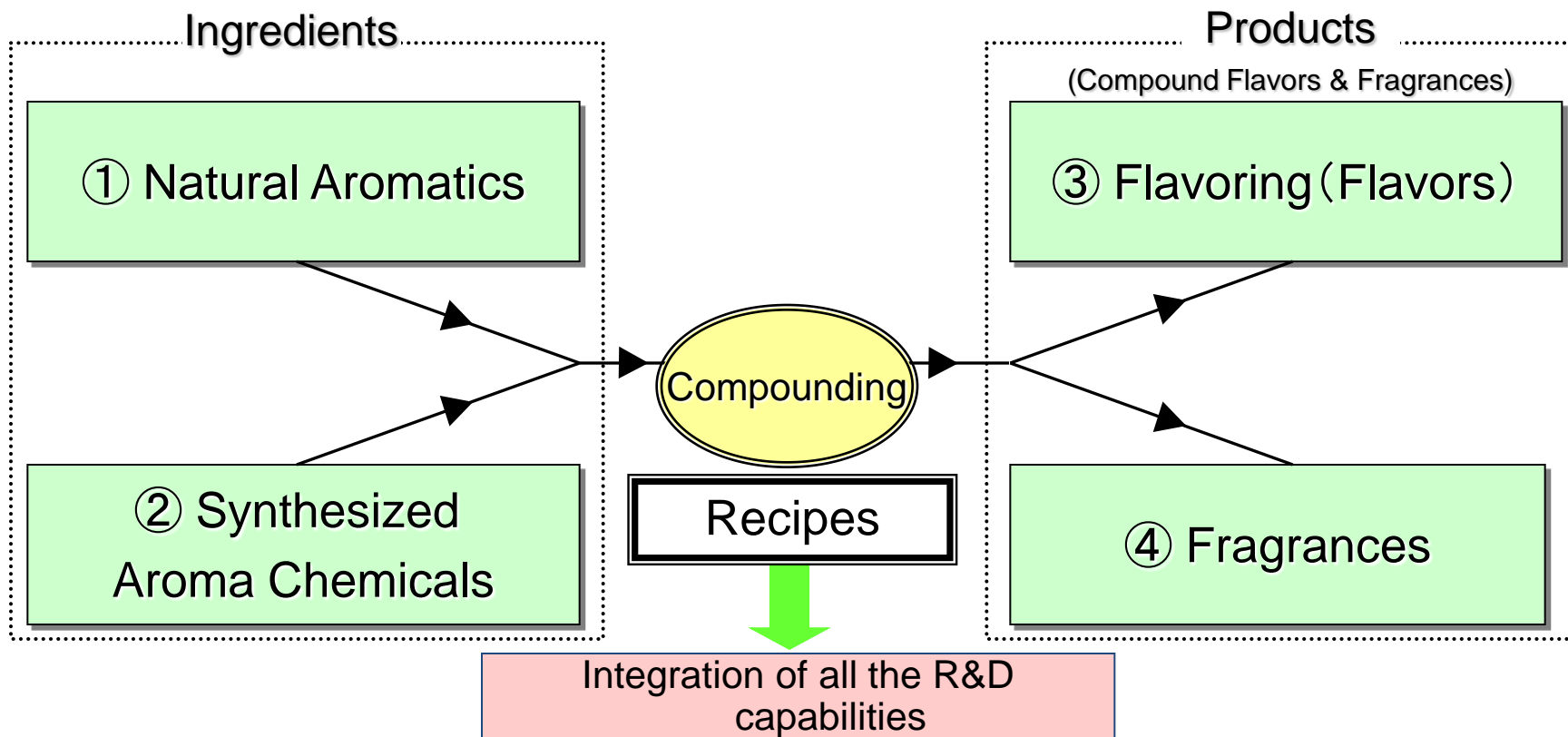
## Basic Policy

- Providing shareholder returns in accordance with business performance, as well as securing necessary internal reserves in order to reinforce operating foundations and to invest in future development
- Dividends of surplus are paid twice a year, an interim dividend and a year-end dividend, targeting approximately 35% of consolidated dividend payout ratio
- Shareholder special benefit system launched in FY2015 to encourage investors to hold stocks in the mid-to-long term



# 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: ¥ 2.9 trillion (USD 24 billion)

## Europe, Africa, Middle East

- Market size: Approx. ¥ 1060 billion\*

- 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. ¥ 750 billion\*

- 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, and Mexico.

## Asia

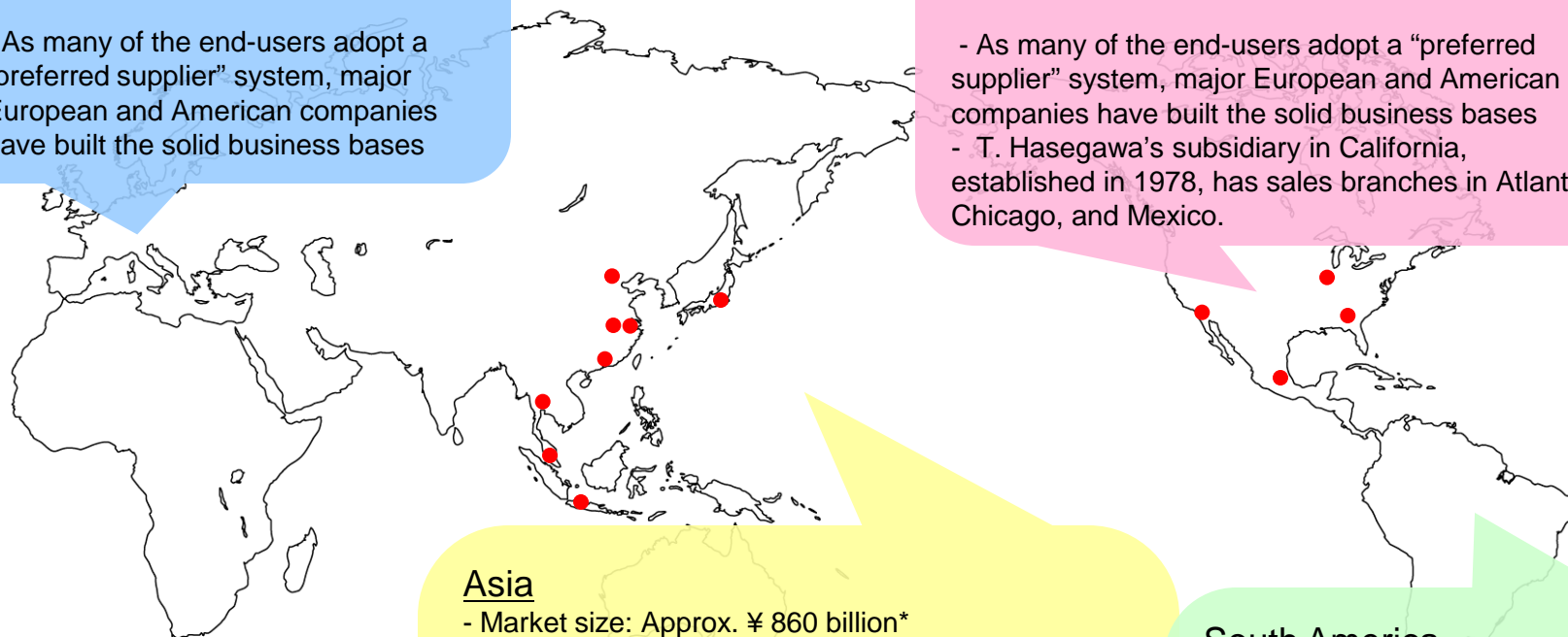
- Market size: Approx. ¥ 860 billion\*

- 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. ¥ 230 billion\*

- 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

\* Currency rate: 1 USD = 121.2 JPY

Cf. Report from Leffingwell & Associates

● = T. Hasegawa’s offices and plants

Top 11 companies account for approx. 80% of the global market share

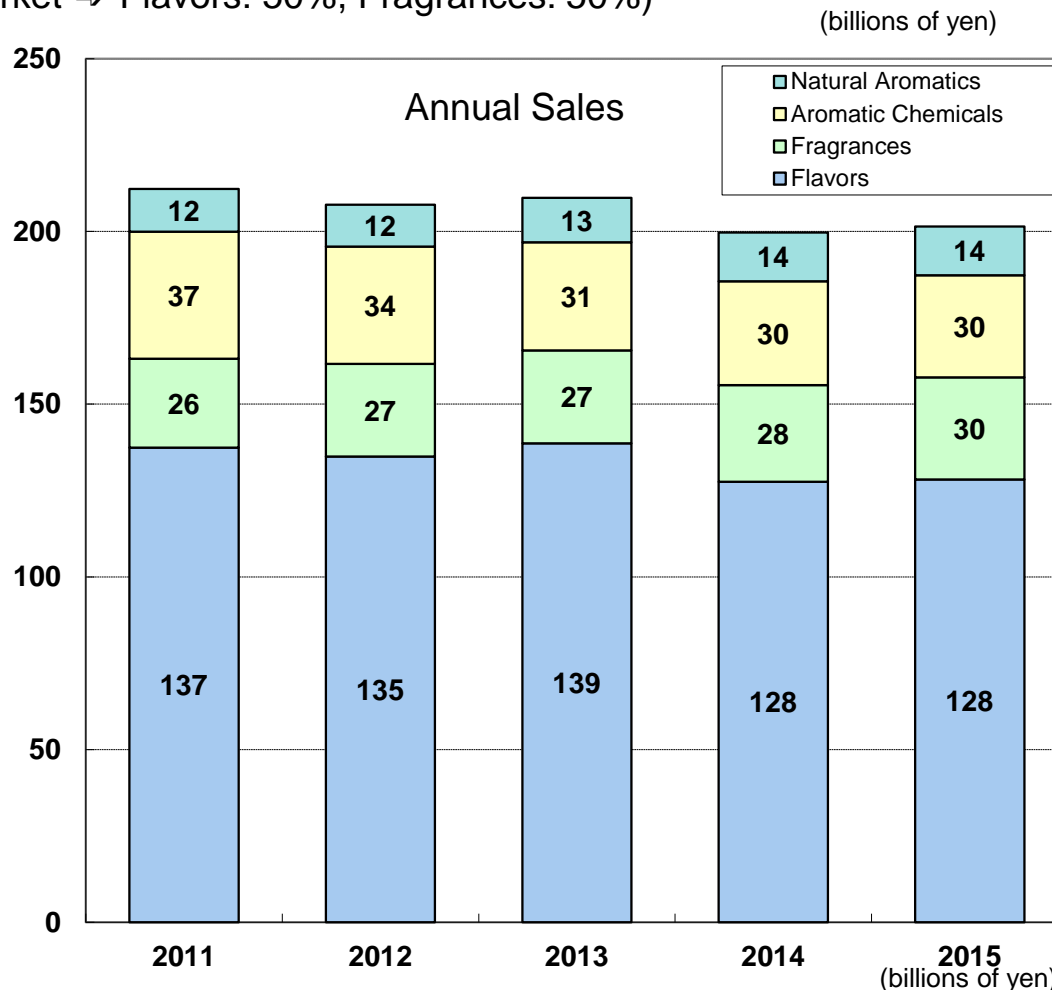
(millions of USD)

	Company name	Country	Sales(2015Yr)	Market Share
1	Givaudan	Switzerland	4,576	19.0%
2	Firmenich	Switzerland	3,143	13.0%
3	IFF	USA	3,023	12.5%
4	Symrise	Germany	2,887	12.0%
5	Takasago	Japan	1,183	4.9%
6	Mane SA	France	1,052	4.4%
7	Frutarom	Israel	873	3.6%
8	Sensient Flavors	USA	668	2.8%
9	Robertet SA	France	483	2.0%
10	Huabao International	Hong Kong	397	1.6%
11	T.Hasegawa	Japan	390	1.6%
	Subtotal	—	18,675	77.5%
	Others	—	5,425	22.5%
	Total	—	24,100	100.0%

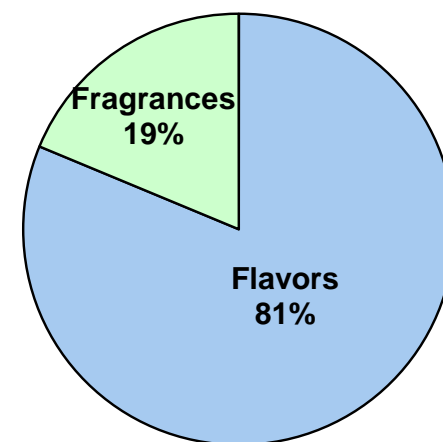
\*1 USD ≒ 121.2 JPY

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

Flavors account for 81% of market share in Japan  
 (Global market ⇨ Flavors: 50%, Fragrances: 50%)



**Composition Rate (2015Yr)**

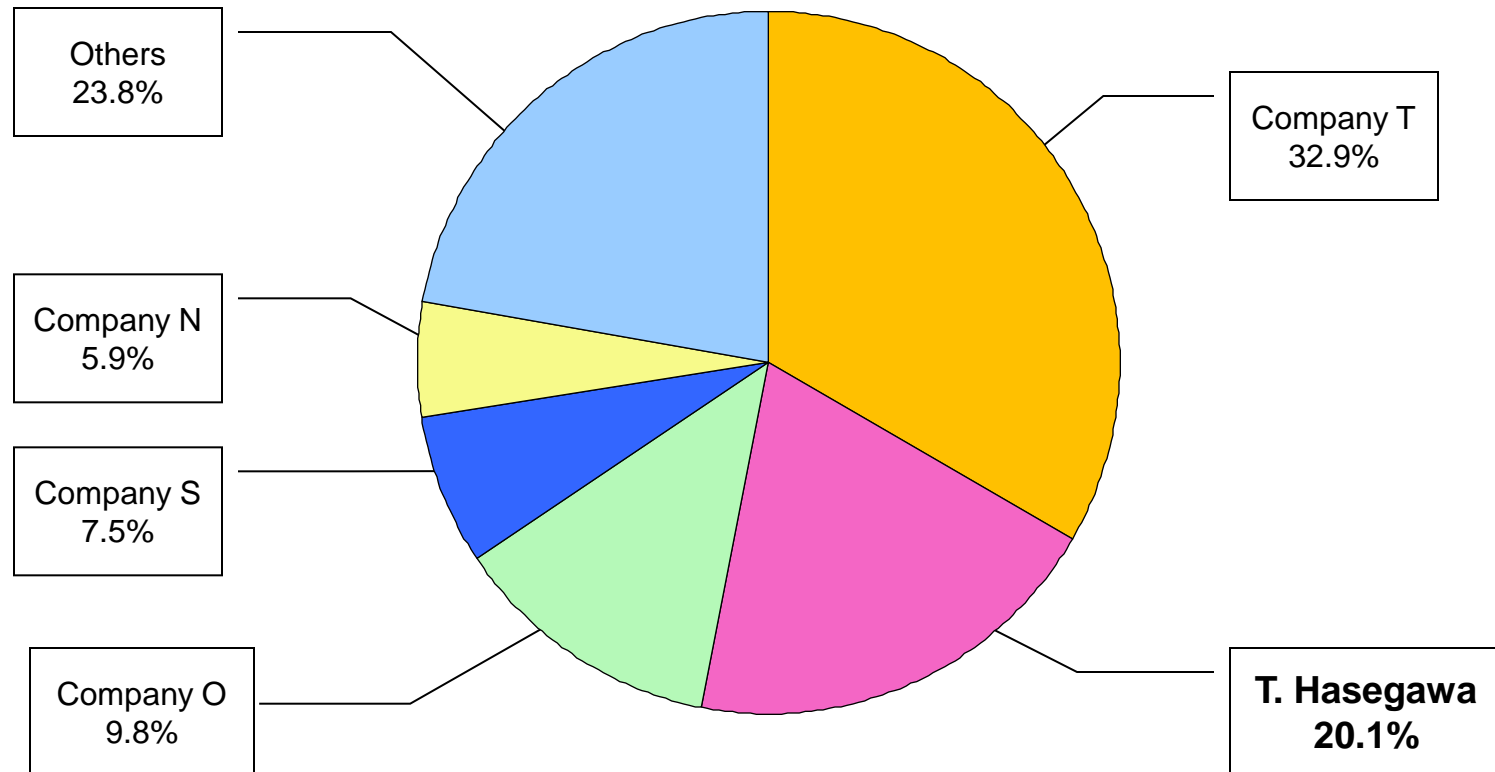


	2011	2012	2013	2014	2015
Total	212	208	210	200	201
Year-on-year	3.9%	-2.2%	1.0%	-4.8%	0.9%

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 Japanese 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 to September, figure indicated above have been adjusted to correspond to reports of other companies

T. Hasegawa specializes in compound flavors and fragrances with high added value, and provide a wide range of products in various quantities ⇒ Approx. 14,000 products per year

(millions of yen)

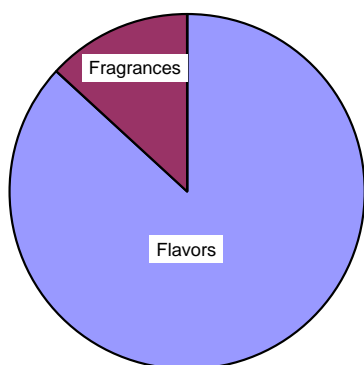
	T. Hasegawa (Consolidated)		Company T (Consolidated)	
	FY ended in Sep. 2015		FY ended in Mar. 2016	
	Sales	Share	Sales	Share
Flavors	41,008	86.8%	84,051	59.3%
Fragrances	6,219	13.2%	38,747	27.4%
Aroma Chemicals	0	0.0%	17,469	12.3%
Others	0	0.0%	1,390	1.0%
Total	47,228	100.0%	141,660	100.0%
Ratio of gross profits to sales	36.6%		32.0%	
Ratio of operating income to sales	9.2%		4.7%	

(millions of yen)

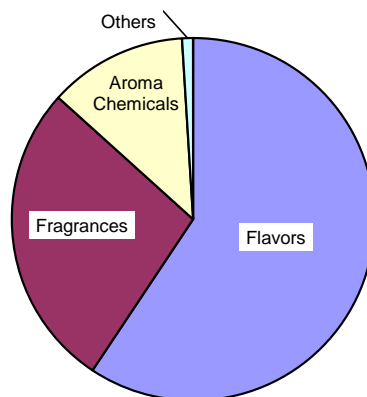
	Company S (Consolidated)	
	FY ended in Mar. 2016	
	Sales	Share
Compound flavors & Fragrances	7,784	48.4%
Aroma Chemicals	3,536	22.0%
Overseas	3,399	21.1%
Domestic subsidiaries	1,375	8.5%
Subtotal	16,096	100.0%
Ratio of gross profits to sales	31.1%	
Ratio of operating income to sales	3.9%	

\*'Aroma Chemicals' of Company T consists of Aroma Ingredients Division & Fine Chemicals Division

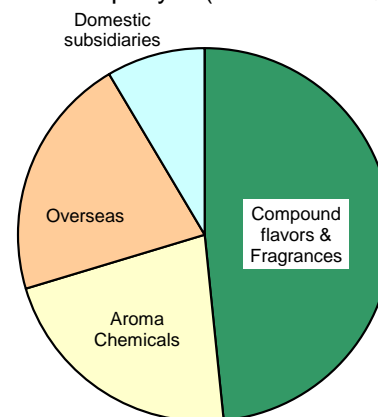
T. Hasegawa (Consolidated)



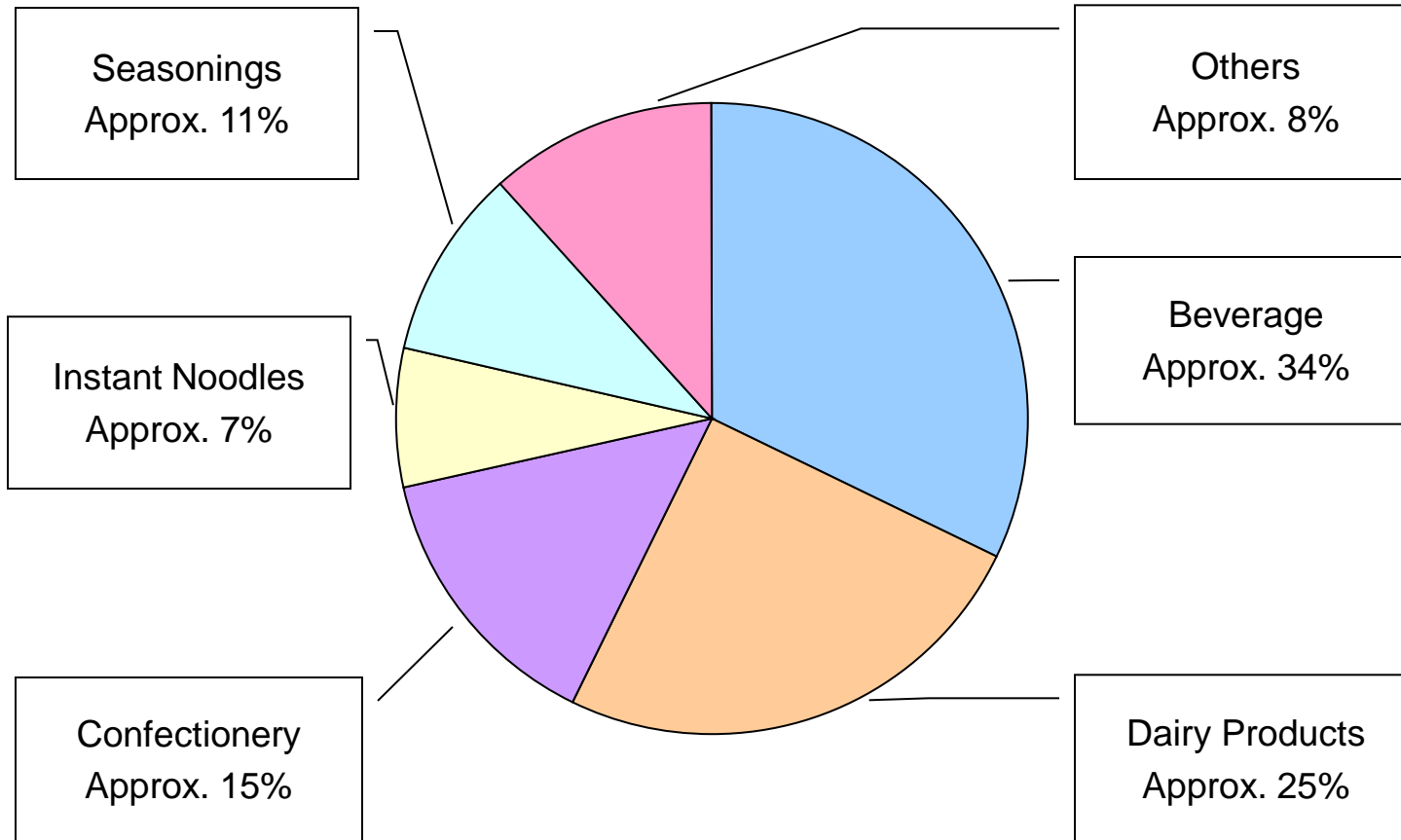
Company T (Consolidated)



Company S (Consolidated)



- Large part of domestic sales accounted by flavors for beverages
- Sales volume tends to be affected by seasonal factors



Note: Data is originally calculated based on non-consolidated sales of the 2<sup>nd</sup> quarter of FY2016 with identifiable market segments



# Financial Information

Gross profit increased due to the sales growth and the improvement in cost of sales ratio

(millions of yen)

	FY15 2Q Actual		FY16 2Q Actual		YoY		Remarks
	Value	%	Value	%	Value	%	
Net sales	21,879	100.0%	22,825	100.0%	946	4.3%	<ul style="list-style-type: none"> <li>• Sales of parent company and the subsidiary in USA increased</li> <li>• Full-term contribution of sales of the subsidiary in Malaysia</li> </ul>
Cost of sales	13,875	63.4%	14,328	62.8%	452	3.3%	An improvement in the cost of sales ratio of parent company, with an increase in sales and further cost reduction
Gross profit	8,004	36.6%	8,497	37.2%	493	6.2%	
SGA expenses	6,246	28.6%	6,233	27.3%	-13	-0.2%	SGA expenses of the subsidiary in China decreased
Operating income	1,757	8.0%	2,263	9.9%	506	28.8%	
Ordinary income	2,128	9.7%	2,243	9.8%	115	5.4%	(FY15 2Q) Foreign exchange <u>gain</u> of 191m yen was calculated as Non-operating income (FY16 2Q) Foreign exchange <u>loss</u> of 119m yen was calculated as Non-operating loss
Income before income taxes	2,046	9.4%	2,373	10.4%	326	15.9%	
Net income	1,177	5.4%	1,543	6.8%	365	31.0%	

(millions of yen)

	As of September 30,2015	As of March 31,2016	Increase or Decrease	Remarks
Current assets	49,744	48,294	-1,450	<ul style="list-style-type: none"> <li>• Increase in cash and deposits: 1,339m Yen</li> <li>• Decrease in account receivable-trade: -2,229m Yen</li> <li>• Decrease in marketable securities: -999m Yen</li> <li>• Increase in Inventories: 662m Yen</li> </ul>
Fixed assets	51,860	52,202	342	<ul style="list-style-type: none"> <li>• Decrease in property, plant and equipment : -686m Yen</li> <li>• Increase in investment securities: 1,047m Yen</li> </ul>
Total assets	101,604	100,497	-1,107	—
Current liabilities	12,107	9,964	-2,142	<ul style="list-style-type: none"> <li>• Decrease in accounts payable for construction of facilities : -1,103m Yen</li> <li>• Decrease in account payable-other: -446m Yen</li> <li>• Decrease in provision for bonuses: -317m Yen</li> </ul>
Long-term liabilities	10,061	10,221	159	—
Total net assets	79,436	80,311	875	<ul style="list-style-type: none"> <li>• Increase in retained earnings: 1,543m Yen</li> <li>• Cash dividends paid: -636m Yen</li> <li>• Increase in unrealized gains on available-for-sale securities: 967m Yen</li> <li>• Decrease in foreign currency translation adjustments: -1,024m Yen</li> </ul>
Total liabilities and net assets	101,604	100,497	-1,107	—

(millions of yen)

	FY15 2Q	FY16 2Q	Increase or Decrease	Remarks
Cash flows from operating activities	3,515	3,572	56	<ul style="list-style-type: none"> <li>• Income before taxes: 2,373m Yen</li> <li>• Depreciation &amp; Amortization: 1,437m Yen</li> <li>• Decrease in accounts receivable - trade: 1,990m Yen</li> <li>• Increase in inventories: -828m Yen</li> <li>• Income taxes paid: -750m Yen</li> </ul>
Cash flows from investing activities	-5,249	-2,373	2,875	• Acquisition of tangible fixed assets: -2,488m Yen
Cash flows from financing activities	-639	-647	-8	• Cash dividends paid: -636m Yen
Effect of currency change on cash and cash equivalents	244	-190	-434	—
Net change in cash and cash equivalents	-2,129	359	2,488	—
Cash and cash equivalents at beginning of period	20,898	20,601	-297	—
Cash and cash equivalents at end of period	18,769	20,960	2,191	—

(millions of yen)

		FY16 Plan	FY16 2Q Actual	Progress (%)
Capital Investment	Consolidated	4,198	1,496	35.6%
	Non-consolidated	2,795	1,121	40.1%
Depreciation & Amortization	Consolidated	3,111	1,437	46.2%
	Non-consolidated	2,216	1,033	46.6%
R&D Expenses	Consolidated	4,449	2,115	47.5%
	Non-consolidated	3,376	1,648	48.8%

(millions of yen)

	FY15 2Q Actual		FY16 2Q Planned (As of Nov. 2015)		FY16 2Q Actual		Achievement			
	Value	Share	Value	Share	Value	Share	YoY		vs Planned	
							Value	%	Value	%
Net sales	16,724	100.0%	17,230	100.0%	17,355	100.0%	631	3.8%	125	0.7%
Cost of sales	11,052	66.1%	11,510	66.8%	11,194	64.5%	141	1.3%	-315	-2.7%
Gross profit	5,671	33.9%	5,720	33.2%	6,161	35.5%	489	8.6%	441	7.7%
SGA expenses	4,690	28.0%	4,670	27.1%	4,652	26.8%	-38	-0.8%	-17	-0.4%
Operating income	981	5.9%	1,050	6.1%	1,508	8.7%	527	53.8%	458	43.7%
Ordinary income	1,338	8.0%	1,210	7.0%	1,585	9.1%	246	18.4%	375	31.1%
Income before income taxes	1,258	7.5%	1,150	6.7%	1,720	9.9%	461	36.7%	570	49.6%
Net income	658	3.9%	800	4.6%	1,125	6.5%	467	71.1%	325	40.7%

## Consolidated income statements of TH Shanghai and TH Suzhou

(millions of yen)

Yen Basis	FY15 2Q		FY16 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	3,857	100.0%	3,863	100.0%	6	0.2%
Cost of sales	2,164	56.1%	2,243	58.1%	79	3.7%
Gross profit	1,693	43.9%	1,620	41.9%	-73	-4.3%
SGA expenses	987	25.6%	887	23.0%	-99	-10.1%
Operating income	706	18.3%	732	19.0%	26	3.7%
Ordinary income	775	20.1%	683	17.7%	-92	-11.9%

Yen18.85/RMB

Yen18.27/RMB

3.1% higher

(thousands of RMB)

Local Currency Basis	FY15 2Q		FY16 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	204,658	100.0%	211,487	100.0%	6,829	3.3%
Cost of sales	114,804	56.1%	122,780	58.1%	7,975	6.9%
Gross profit	89,853	43.9%	88,707	41.9%	-1,146	-1.3%
SGA expenses	52,377	25.6%	48,594	23.0%	-3,782	-7.2%
Operating income	37,476	18.3%	40,112	19.0%	2,636	7.0%
Ordinary income	41,164	20.1%	37,405	17.7%	-3,758	-9.1%

- Net sales increased on local currency basis, despite JPY basis sales remained flat
- Operating income increased due to the decrease in SG&A
- Ordinary income decreased due to the foreign exchange transaction loss

(millions of yen)

Yen Basis	FY15 2Q		FY16 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	1,339	100.0%	1,655	100.0%	316	23.6%
Cost of sales	814	60.8%	1,056	63.8%	242	29.7%
Gross profit	525	39.2%	599	36.2%	74	14.1%
SGA expenses	558	41.7%	603	36.5%	45	8.1%
Operating income	-33	-	-4	-	28	-
Ordinary income	-39	-	-11	-	28	-

Yen116.82/USD

Yen118.49/USD

1.4% lower

(thousands of USD)

Local Currency Basis	FY15 2Q		FY16 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	11,464	100.0%	13,973	100.0%	2,508	21.9%
Cost of sales	6,968	60.8%	8,913	63.8%	1,945	27.9%
Gross profit	4,496	39.2%	5,059	36.2%	563	12.5%
SGA expenses	4,779	41.7%	5,094	36.5%	315	6.6%
Operating income	-283	-	-34	-	248	-
Ordinary income	-335	-	-93	-	242	-

- Net sales marked double-digit growth on both local currency basis and JPY basis largely due to the increase in sales of savory flavors\* for existing customers
- Deficit decreased due to the improvement of SG&A resulting from sales growth



FY2015 2Q: Three-month period from January 2015 to March 2015

FY2016 2Q: Six-month period from October 2015 to March 2016

(millions of yen)

Yen Basis	FY15 2Q		FY16 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	250	100.0%	453	100.0%	203	81.4%
Cost of sales	144	58.0%	265	58.5%	120	83.0%
Gross profit	105	42.0%	188	41.5%	83	79.1%
SGA expenses	61	24.8%	138	30.5%	76	123.5%
Operating income	43	17.3%	49	11.0%	6	15.3%
Ordinary income	43	17.5%	44	9.9%	1	2.7%

Yen32.91/MYR

Yen27.93/MYR

15.1% higher

(thousands of MYR)

Local Currency Basis	FY15 2Q		FY16 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	7,598	100.0%	16,239	100.0%	8,641	113.7%
Cost of sales	4,404	58.0%	9,498	58.5%	5,094	115.7%
Gross profit	3,194	42.0%	6,740	41.5%	3,546	111.0%
SGA expenses	1,883	24.8%	4,959	30.5%	3,075	163.3%
Operating income	1,311	17.3%	1,781	11.0%	470	35.9%
Ordinary income	1,330	17.5%	1,609	9.9%	279	21.0%

- Full-term sales of Peresscol Sdn. Bhd. contributed to the sales increase
- Sales grew significantly due to the increase in sales of flavors for snacks
- Operating income increased due to the sales growth

# Three-Year Plan (Consolidated Income Statement)

(millions of yen)

	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

\*Please refer to page 42 for details

# Three-Year Plan (Consolidated Income Statement)

(millions of yen)

	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%

- The amount of capital investment increased due to renovation of Head Office in Japan which completed in May 2016 (¥ 600 million in FY2015 ⇨ ¥ 1,400 million in FY2016)
- The expansion of Suzhou plant completed, and started operation in June 2015 (¥ 700 million in FY2015)
- R&D expenses are planned to be kept at around 9% of consolidated sales

(millions of yen)

		FY2015 (Actual)	FY2016 (Plan)	FY2017 (Plan)	FY2018 (Plan)
Capital Investment	Consolidated	4,075	4,198	2,576	2,527
	Non-consolidated	2,780	2,795	1,376	1,476
Depreciation & Amortization	Consolidated	3,017	3,111	2,891	2,856
	Non-consolidated	2,336	2,216	1,972	1,883
R&D Expenses	Consolidated	4,238	4,449	4,505	4,741
	Non-consolidated	3,301	3,376	3,348	3,338

## 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.

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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