



安全でない
香りなんて。

人にやさしい香りは環境にもやさしい。
香りが人の生活とともにある限り、香料メーカーにとって“安全”は最優先
です。長谷川香料では、原料や製品の厳重な品質管理だけでなく、製造過程の
衛生管理などにも細心の注意を払っています。製品の安全性にも万全を期し
ています。省エネルギーや廃棄物リサイクル、さらには工場や研究所周辺の
臭気対策など、環境への配慮も怠りません。安全への思いは社員一人ひとりの
意識にも浸透しています。安全が安心をつくる、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**

<http://www.t-hasegawa.co.jp/>
Los Angeles・Chicago・Tulsa・London・Lima・北京・香港・Bangkok

Financial Results for the Year Ended September 30, 2017



T. HASEGAWA CO., LTD.

November 22, 2017

- I . Overview of Consolidated Financial Statement
- II . Management Policy
- III . Global Strategies
- IV . Three-Year-Plan
- V . Shareholder Redemption
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I . Overview of Consolidated Financial Statement

Market Environment

Domestic market

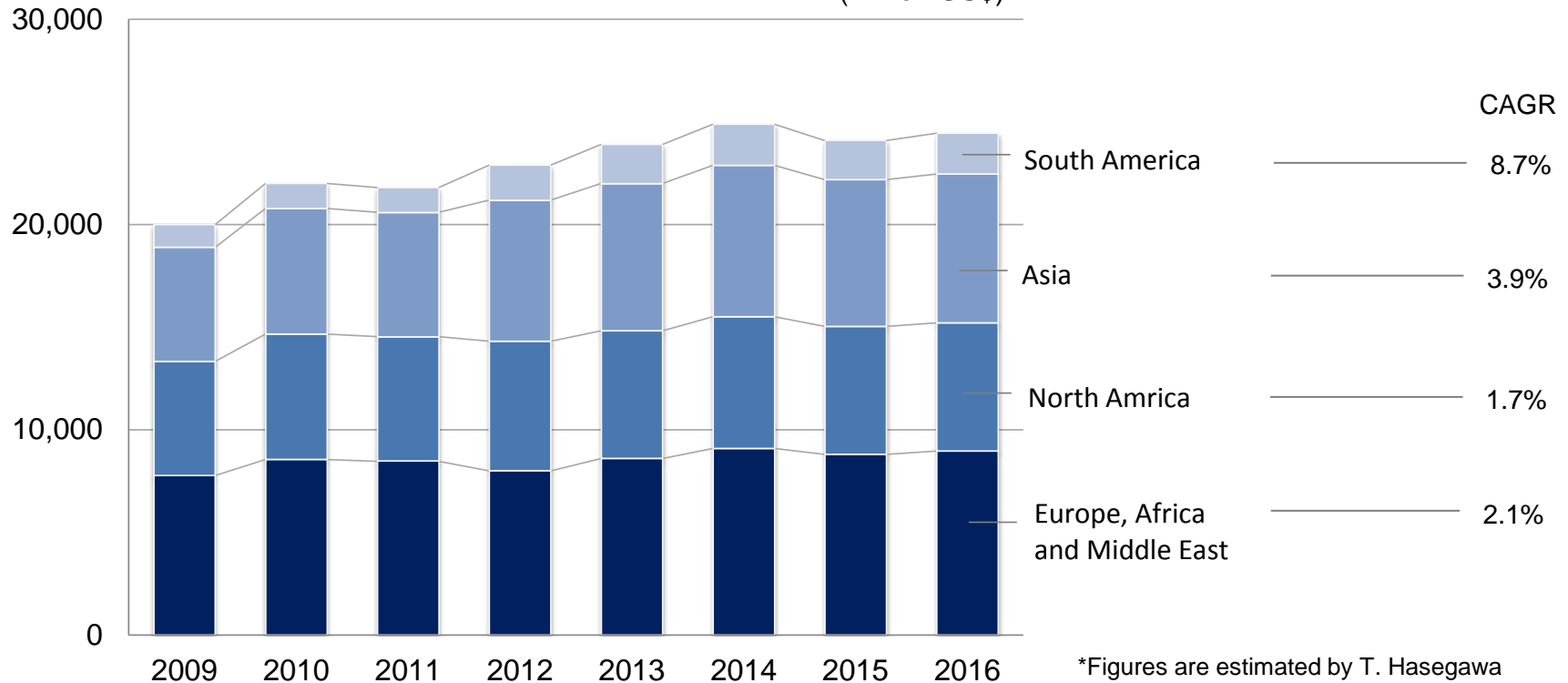
- Flavors and fragrances market in 2016 (from January to December) expanded approximately 5% compared to the previous year.
- In summer from Jun. to Aug. in 2017, average temperature has been kept higher than regular , and it was unseasonable weather in Aug.
- Beverage market grew about 3% in 2016 compared to the previous year. In 2017 from Jan. to Sep., the sales of tea beverage and flavored water sold well, on the other hand, sports drinks and carbonated drinks didn't sell well.
- In the confectionary market, chocolate products sold well, however, sales of snacks including potato chips mainly declined due to the damage caused by typhoon in 2016.
- Frozen desserts increased 6% higher than last year and recorded the best sales.
The sales of 2017 increased compared to the sales in last year.

Market Environment

Overseas market (2016)

- The total market of flavor and fragrance in worldwide grew 5% YOY basis.
- In USA, beverages market increased 1%. Processed foods market expanded 1%.
- In China, beverages market increased slightly. Processed food market expanded 4% bigger than last year.
- In Southeast Asia, beverages market expanded 7%, and processed foods market increased 8% compared to last year.

Transition of world market size for Fragrance and Flavor (Million US\$)



Overview of consolidated statement

(YoY)

Net sales increased due to both fragrance sales growth of parent company and sales growth of subsidiaries in USA, and due to acquisition of new subsidiary in USA .

Operating income increased due to gross profit increase caused from both of sales increase and cost of sales decrease.

(Vs. Plan)

Net sales achieved the target because exchange rate was lower than planned and sales increase caused by subsidiary purchase in spite of the decrease of the sales for parent company.

Operating income achieved higher than planned due to decrease in cost of sales from a change in product mix.

(Million Yen)

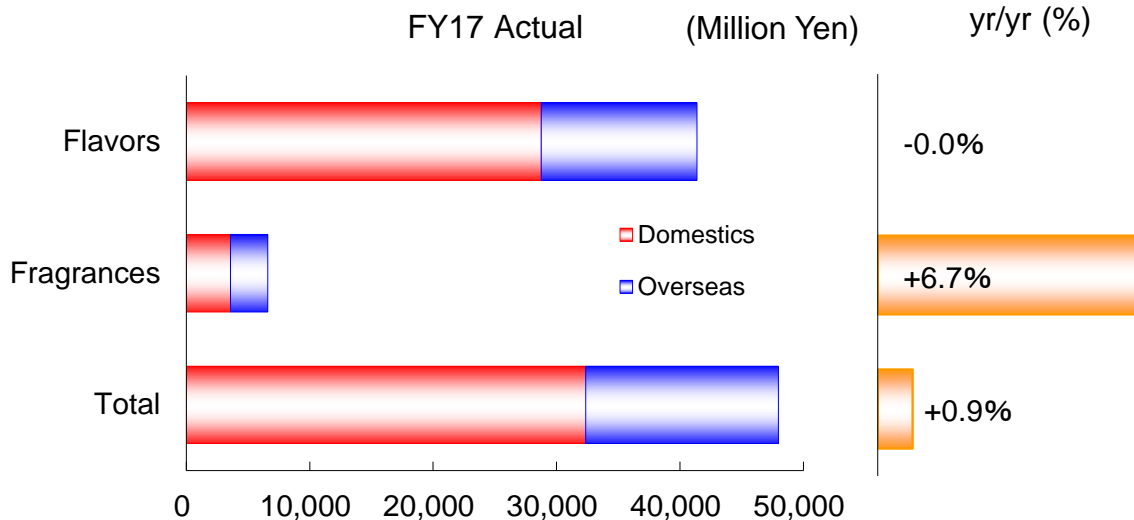
	FY16 Actual	FY17 Plan	FY17 Actual	Achievement			
				yr/yr		vs. Plan	
				Value	%	Value	%
Net sales	47,591	48,000	48,001	410	0.9%	1	0.0%
Cost of sales	29,836	29,750	29,245	-591	-2.0%	-504	-1.7%
Gross profit	17,754	18,250	18,756	1,001	5.6%	506	2.8%
SG&A expenses	12,594	12,640	13,149	555	4.4%	509	4.0%
Operating income	5,160	5,610	5,606	446	8.6%	-3	-0.1%
Ordinary income	5,164	5,830	6,101	936	18.1%	271	4.7%
Income before income taxes	5,179	5,770	6,137	957	18.5%	367	6.4%
Net income	3,637	4,070	4,299	662	18.2%	229	5.6%

Net Sales by Product Segments

Total net sales expanded due to the increase of sales in parent company for fragrance products and sales growth of existing subsidiary in USA, and due to acquisition of new subsidiary in USA .

(Million yen)

Category	FY2016 Actual	FY2017 Actual	yr/yr		Remark
			Value	%	
Flavors	41,300	41,288	-12	-0.0%	Parent company's sales for tea products decreased, the existing subsidiary in USA expanded sales, and new subsidiary in USA contributed to sales
Fragrances	6,290	6,713	422	6.7%	Parent company's sales for toiletry products increased
Total	47,591	48,001	410	0.9%	—



*FY17 Overseas sales ratio 32.6%

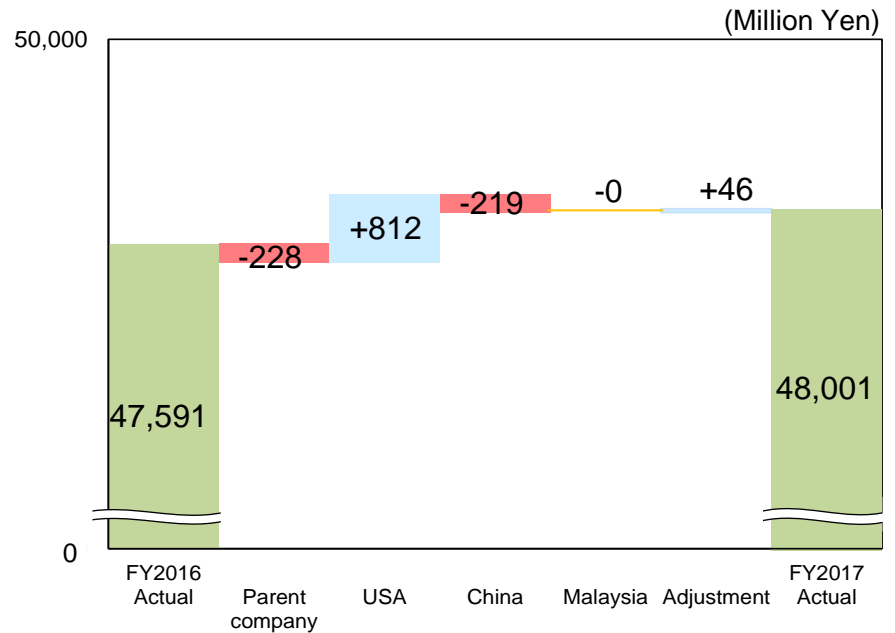
Net Sales by Region

Net sales increased due to sales increase of existing subsidiary in USA and acquisition of new subsidiary in USA.

(Million Yen)

	FY16 Actual	FY17 Actual	yr/yr	%
Parent company	36,801	36,572	-228	-0.6%
USA	3,396	4,209	812	23.9%
China	7,396	7,177	-219	-3.0%
Malaysia	917	917	-0	-0.0%
Adjustment	-921	-874	46	-
Consolidated	47,591	48,001	410	0.9%

Currency	Fy2016	Fy2017	Yr/Yr
1US\$	¥111.89	¥111.27	0.6% higher
1RMB	¥17.10	¥16.35	4.4% higher
1MYR	¥27.05	¥25.65	5.2% higher



- Parent company : Sales of flavor for tea products decreased.
- USA : Sales increased due to expansion of sales of flavor for savory and beverage, and acquisition of new subsidiary.
- China : Yen based-sales decreased due to a rise in exchange rate of the yen despite the increase of local currency-based sales for fragrances.
- Malaysia : Yen based-sales decreased due to a rise in exchange rate of the yen despite the increase of local currency-based sales caused from sales increase for snacks.

Decrease

Increase

Decrease

No change

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

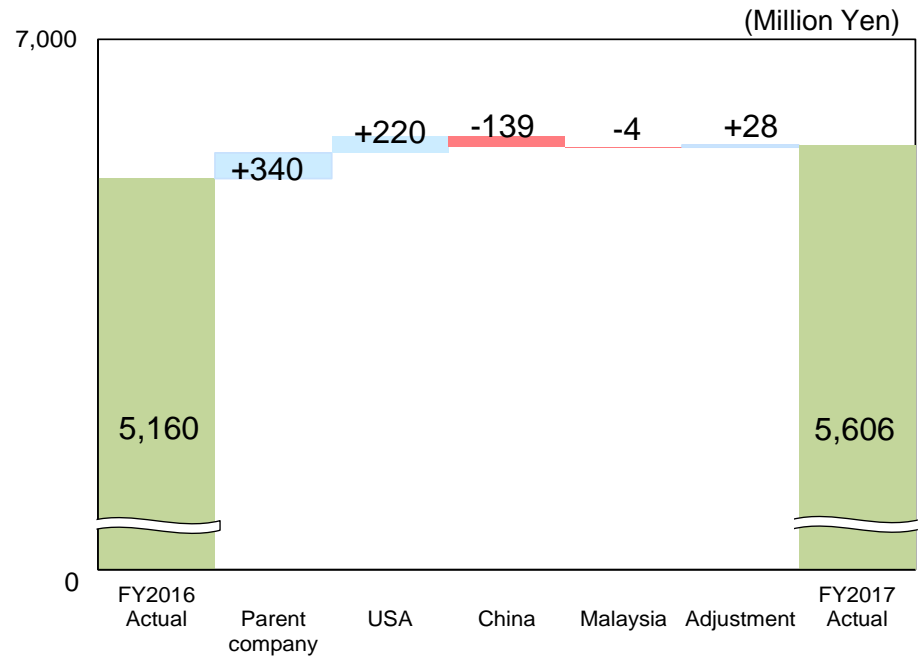
Operating Income by Region

Operating Income increased due to the sales increase by parent company and subsidiary in USA.

(Million Yen)

	FY16 Actual	FY17 Actual	yr/yr	%
Parent company	3,528	3,868	340	9.6%
USA	63	283	220	349.5%
China	1,487	1,348	-139	-9.4%
Malaysia	99	95	-4	-4.5%
Adjustment	-18	10	28	-
Consolidated	5,160	5,606	446	8.6%

Currency	Fy2016	Fy2017	Yr/Yr
1US\$	¥111.89	¥111.27	0.6% higher
1RMB	¥17.10	¥16.35	4.4% higher
1MYR	¥27.05	¥25.65	5.2% higher



- Parent company : Increased due to improvement of cost of sales ratio from a change in product mix.
- USA : Increased due to sales increase and improvement of cost of sales ratio.
- China : Decreased due to deterioration of cost of sales.
- Malaysia : Yen based operating income decreased due to the impact of strong yen in spite of slight increase of local currency based operating income.

Increase

Increase

Decrease

Decrease

II . Management Policy

Basic strategy

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

Make steady revenues in the domestic market

Aim for growth in the overseas market



Innovation

Human
resources
development

Accelerated
growth in
overseas

III. Global Strategies

Domestic Strategy

Basic Strategy: Expanding market shares by anticipating new markets stemming from aging society and

healthy trends

Ongoing Project and Progress

Promoting Solution-Oriented Sales Activity

- Launched project team aimed to strengthen marketing function in order to increase sales ⇒ Re-organized flavor sales division to enhance marketing ability.
- Proposition of new functional materials which add delicious flavors to health-conscious foods having function of low-sugar, low-salt and low-fat

Expanding the range of New Applications

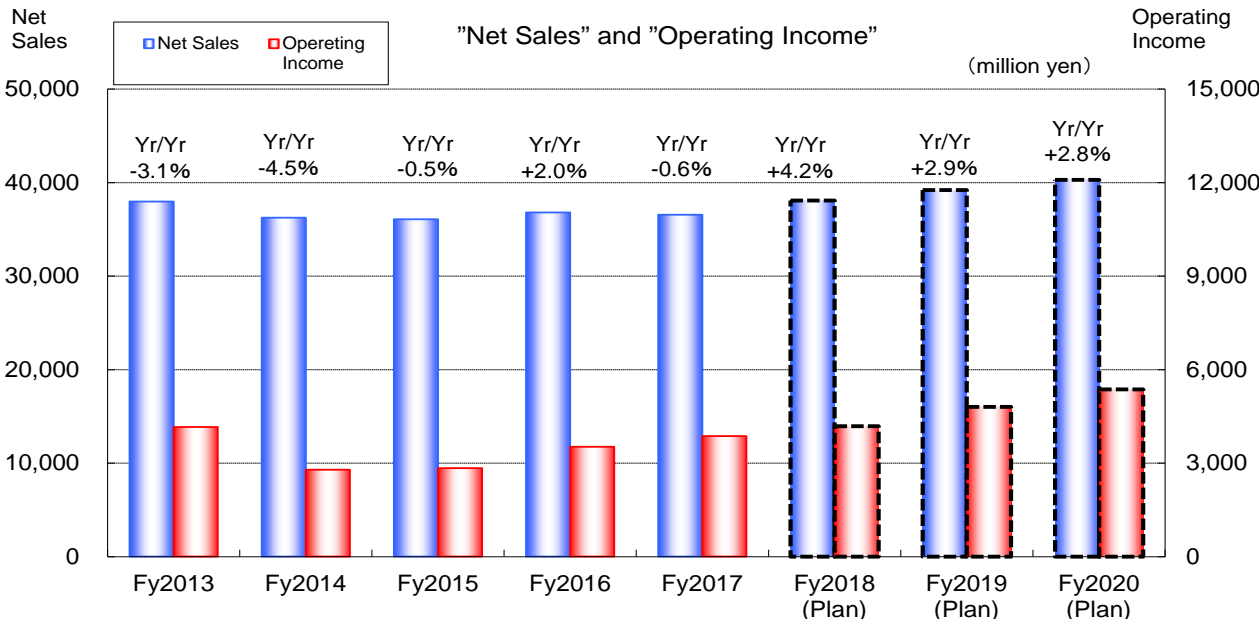
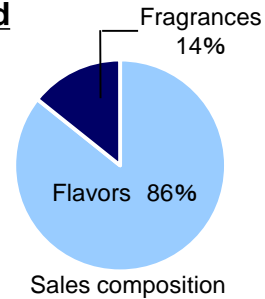
- Focusing on new categories such as healthy foods, medical foods, and some products to mask life odor, and so on.
- Developing flavors which can replace food materials (milk, vegetables, fruit juice, meat etc.)

Strategic R&D promotion

- Priority areas development
- Implementation of R&D based on connection between each research center
- Promotion of innovation

Focusing on Human resource development

- Focusing on human resource development
- To foster a corporate culture to exert individual ability



FY2017 Sales Performance

Net Sales : 36,572mil. yen
(Decreased 0.6% YOY)

Operating Income : 3,868mil. yen
(Increased 9.6% YoY)

Sales Profit Target (FY2020)

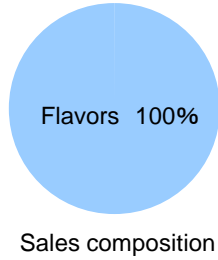
Net Sales : 40,300 mil. yen

Operating Income : 5,370 mil. yen

Overseas Strategy – USA –

Basic Policy: Increase sales of savory flavors* and flavors for beverages and exert the acquisition effect

Ongoing projects and progress



Exert the acquisition effect

- Acquisition , FLAVOR INGREDIENT HOLDINGS, LLC (Affinity Flavors) in June, 2017
- Implemented PMI under new organization including management operation and production efficiency

Application for natural flavor

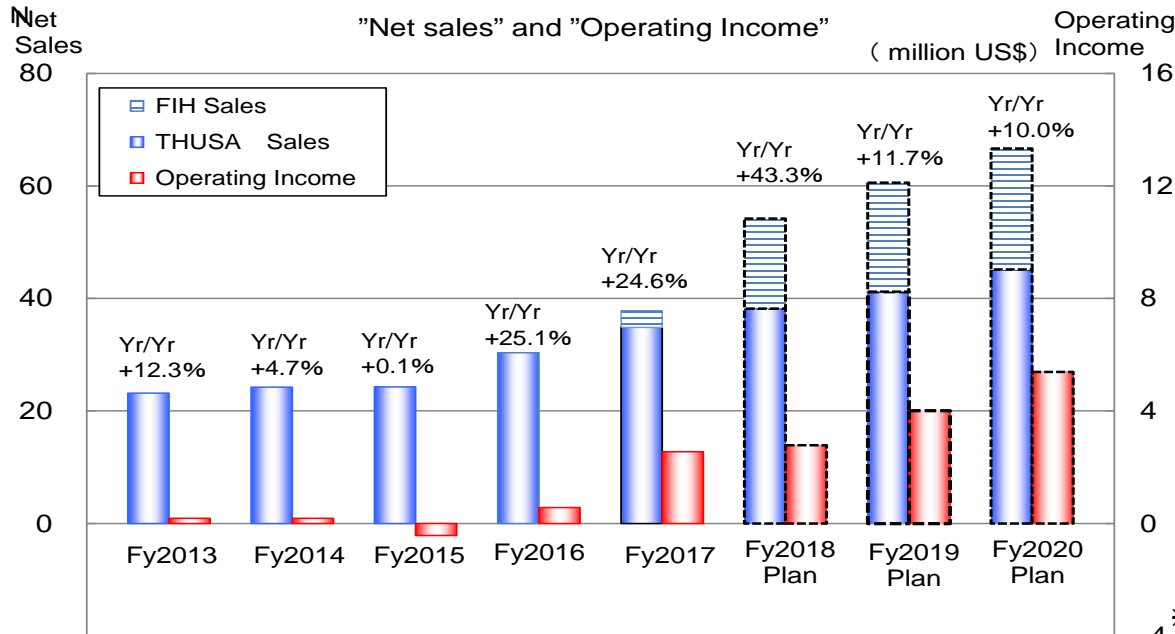
- Apply to the demands for natural flavor shifting from synthetic ingredients to natural ingredients

Sales expansion in beverages category

- Reinforcement of sales activity in beverage industry, in order to grow sales in beverage category
- Aim at sales growth in local beverage market in USA

Production Efficiency

- Enhance of production efficiency elevating production technique by staff training and re-organization of supply chain management from stock planning, production planning, and shipment management



FY2017 Sales Performance
Net Sales : 37.8 mil. USD
 (Increased 24.6% YoY)
(4,209 mil. yen)
Operating Income : 2.6 mil. USD
 (Increased 352.0% YoY)
(283 mil. yen)

Sales and Profit Target (FY2020)
Net Sales : 66.6 mil. USD
(7,330 mil. yen)
Operating Income : 5.4 mil. USD
(590 mil. yen)

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

Purpose of acquisition for FLAVOR INGREDIENT HOLDINGS, LLC

Background

- Basic policy to invest resources effectively in order to ensure sales development in global market
⇒ Focusing on USA, China, and Asia.
- In USA, population is increasing, in addition, politics and law are stable.



USA is attractive market.
Judged to make the policy to develop market in USA in order to promote company's growth.

Reason to choose this company

- This company grew rapidly focusing on flavor production for health foods and beverages which is seemed to high growth.
- High profitability based on promoting production efficiency and cost management.
- Excellent management team

Advantage

- High mutual complementarity with T. HASEGAWA U.S.A., INC.
- Expecting to cause synergy effects for sales and production

Current status

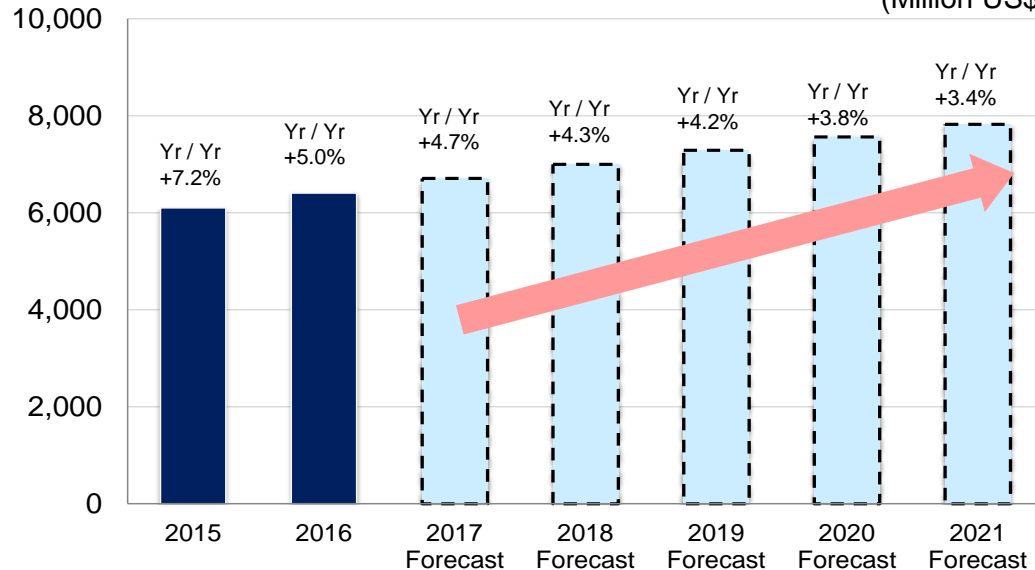
- Implemented PMI based on corporate management with new organization and production efficiency
- Aiming to cause synergy effect early by acquisition

Contribution to sales

- Actual result as of Sep. 2017 (Actual) sales : 2.9 million USD
(Increasing three months sales from Jul. to Sep. in 2017)
- Plan as of Sep. 2018 Sales 16.0 million USD

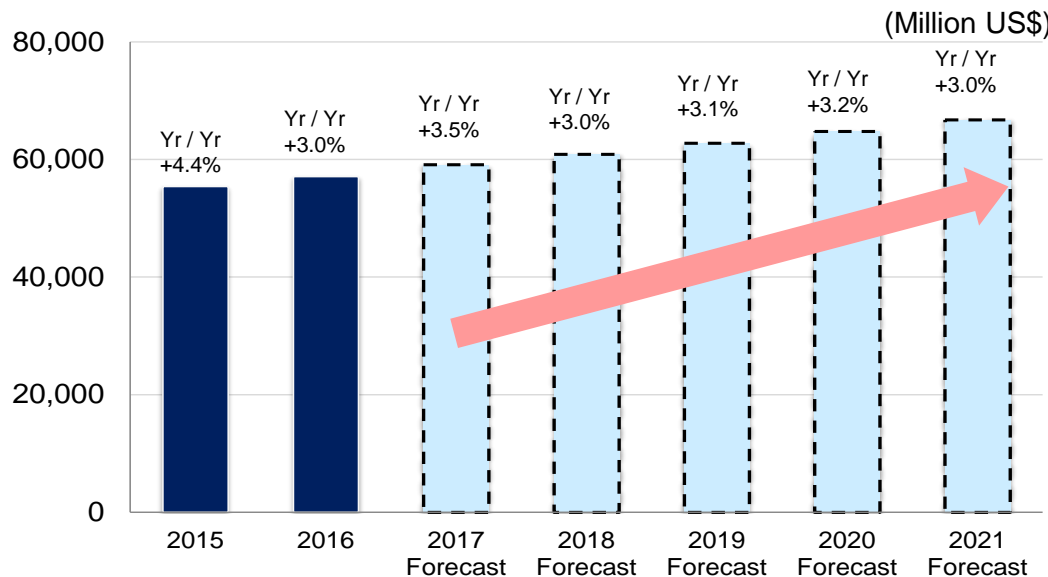
Purpose of acquisition for FLAVOR INGREDIENT HOLDINGS, LLC

Transition of market size for Wellness snack bar in USA (Million US\$)



- Increased 5% compared to the market in 2016.
- Consumption for wellness snack bar is expanding due to the increase of young consumer who are busy and have strong interest to substitute each meal including snacks.
- Expecting to grow market about 4% after 2017.

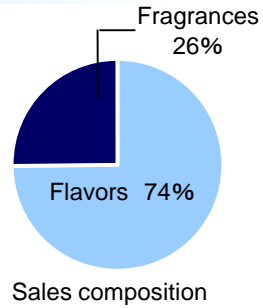
Transition of beverages market for health and wellness in USA (Million US\$)



- Expanded about 3% in 2016.
- Target consumer is young people who are busy and health-conscious.
- Increased demands for beverage as supplementary foods to support nutrition and function for keeping health.
- Expecting market growth of about 3% after 2017.

Overseas Strategy – China –

Basic Policy: Strengthening organization base to expand sales in China



Ongoing Projects and Progress

Reinforcing Organization Structure

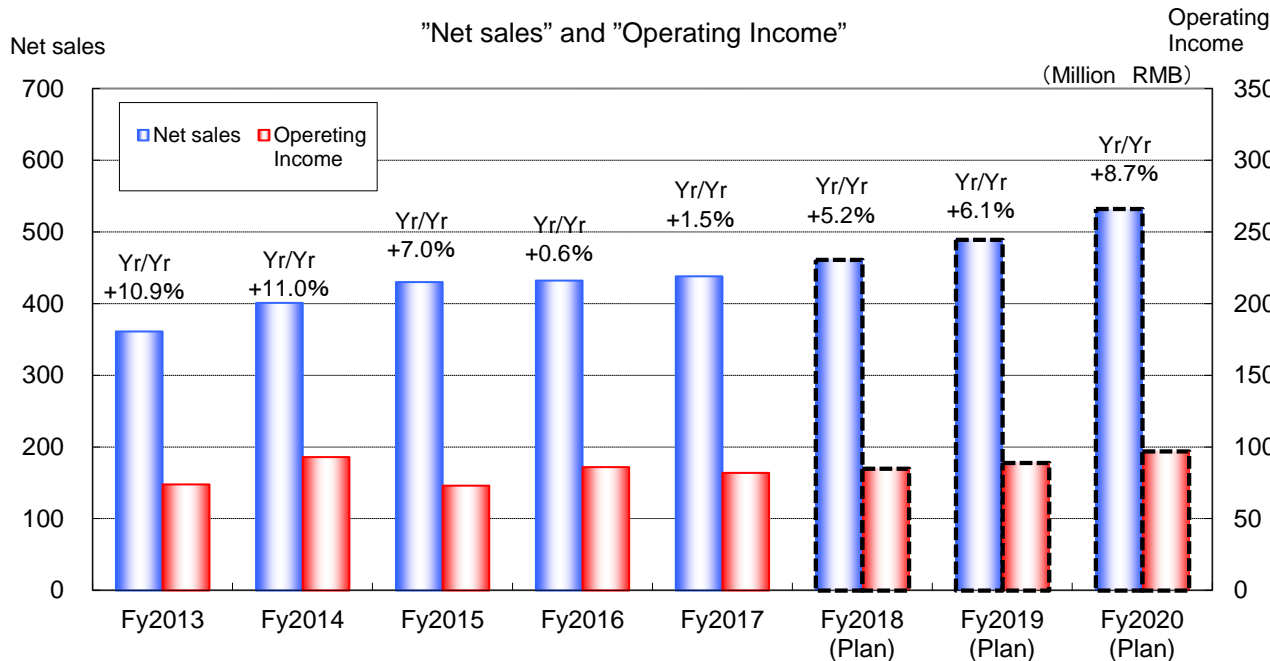
- Implementation of complete risk management and observance of compliance
- Personnel system installed based on grade, remuneration, evaluation

Strengthening Sales Activities

- Classification of customers: International Companies 50%, Local Companies 40%, Japanese Companies 10%
- Aim to increase business opportunities with international companies and local companies
- Developing new customers, and make relationship stronger with existing customer.

Reinforcing R&D organization

- Reorganization and enhancement for R&D facility.
- Enhancing facility for sensory evaluation
- Enhancement of competitiveness based on maintenance of research organization



FY2017 Sales Performance
Net Sales: 438.9 mil. RMB
 (Increased 1.5% YoY)
(7,177 mil. yen)
Operating Income: 82.4 mil. RMB
 (Decreased 5.2% YoY)
(1,348 mil. yen)

Sales and Profit Target (FY2020)
Net Sales: 532.8 mil. RMB
(8,520 mil. yen)
Operating Income: 97.3 mil. RMB
(1,560 mil. yen)

Overseas Strategy – South East Asia –

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

Ongoing Projects and Progress

Management organization change in Southeast Asia

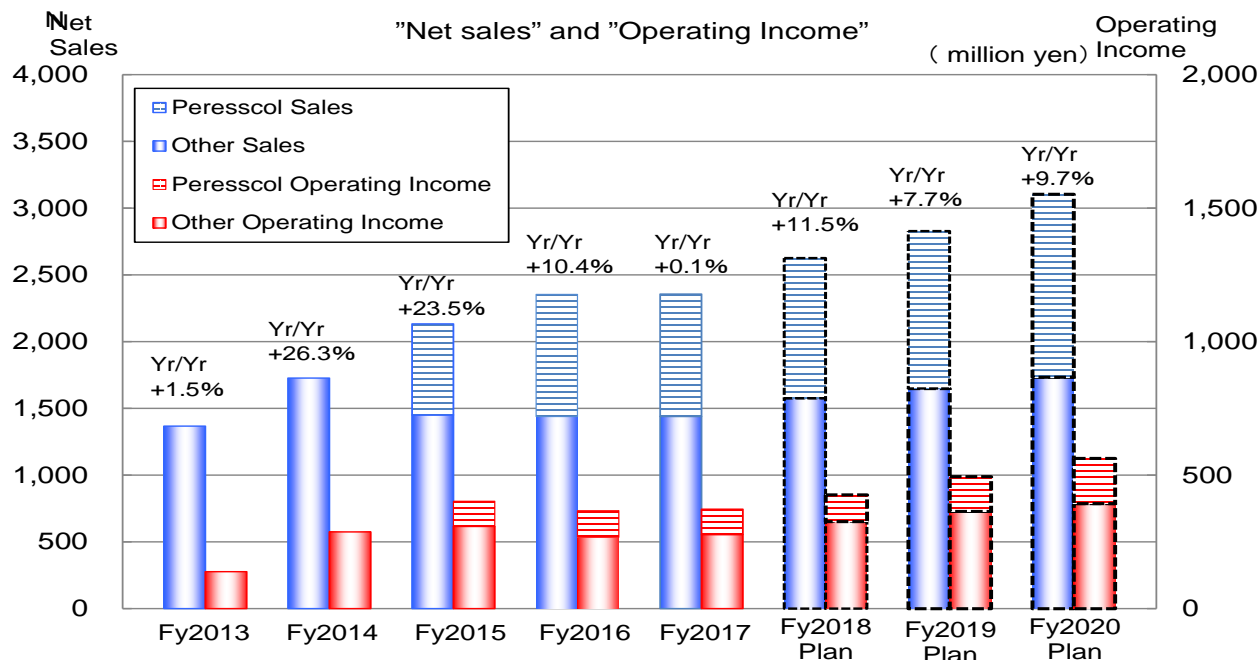
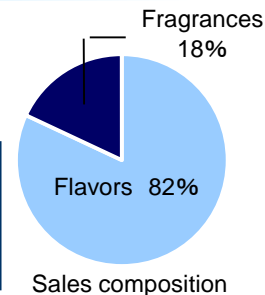
- Arranged General Manager for overall South East Asia.
- Making the strategy and promoting sales strategy.
- Establishment of effective and cooperative relationship between each base.

Development of strategy in Southeast Asia based on Peresscol Sdn. Bhd

- Retaining production facility in Southeast Asia by acquisition of “Peresscol Sdn. Bhd.,” a Halal-certified flavors sales and production company
- Supporting research and production dispatching flavorist and manufacturing specialist from parent company to train local staffs and promote localized production development
- Purchased land for production site of 50,000m² in Halal Food Industrial Estate
- Promoting to construct new manufacturing facility

Reinforce Sales Activities in Southeast Asia

- Staffed local members in Vietnam and Philippines
- Opening satellite laboratory in Thailand, Indonesia.



FY2017 Sales Performance
Net Sales : 2,350 mil. yen
 (Increased 0.1% YoY)
Operating Income : 370 mil. yen
 (Increased 1.4% YoY)

Sales and Profit Target (FY2020)
Net Sales : 3,100mil.yen
Operating Income : 500mil.yen

IV. Three-Year-Plan

Three-Year-Plan (Consolidated)

- Parent company : Expecting to expand sales by taking in advantage of potential demands and proposing new products to customers based on solution-oriented sales.
- USA : Expecting sales expansion based on savory and beverages, and health foods and beverages which acquired company focuses mainly.
- China : Expecting sales growth in line with demand increase for flavor and fragrance based on diversification of foods, enhancement of health-conscious and strengthening needs for high value added fragrance.
- Southeast Asia : Expecting to expand sales by utilizing of local production base and relationship between each base.

(Million Yen)

	Fy2017 (Actual)	Fy2018 (Plan)	Fy2019 (Plan)	Fy2020 (Plan)
Net sales	48,001	51,600	54,100	56,700
Cost of sales	29,245	31,640	32,850	34,130
Operating income	5,606	5,880	6,770	7,710
Ordinary income	6,101	6,210	7,110	8,060
Net income	4,299	4,320	4,880	5,580
Exchange rates	¥111.27 per U.S.\$ ¥16.35 per RMB	¥110.00 per U.S.\$ ¥16.00 per RMB	¥110.00 per U.S.\$ ¥16.00 per RMB	¥110.00 per U.S.\$ ¥16.00 per RMB
Sales growth ratio	0.9%	7.5%	4.8%	4.8%
Sales cost ratio	60.9%	61.3%	60.7%	60.2%
Operating income ratio	11.7%	11.4%	12.5%	13.6%
Ordinary income ratio	12.7%	12.0%	13.1%	14.2%
Net income ratio	9.0%	8.4%	9.0%	9.8%
Overseas sales ratio	32.6%	33.9%	34.8%	36.1%

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

※ Detailed information is described on page 43.

Capital Investment, Depreciation & Amortization, R&D Expenses

- Under promotion of new manufacturing facility construction plan in Malaysia
Actual Result in 2017: approximately 500 mil. yen
Plan in 2018: approximately 700 mil. yen, in 2019: approximately 800 mil. yen,
in 2020: approximately 1,600 mil. yen
- R&D expenses is planned to be kept at around 9% of consolidated sales.

Million Yen

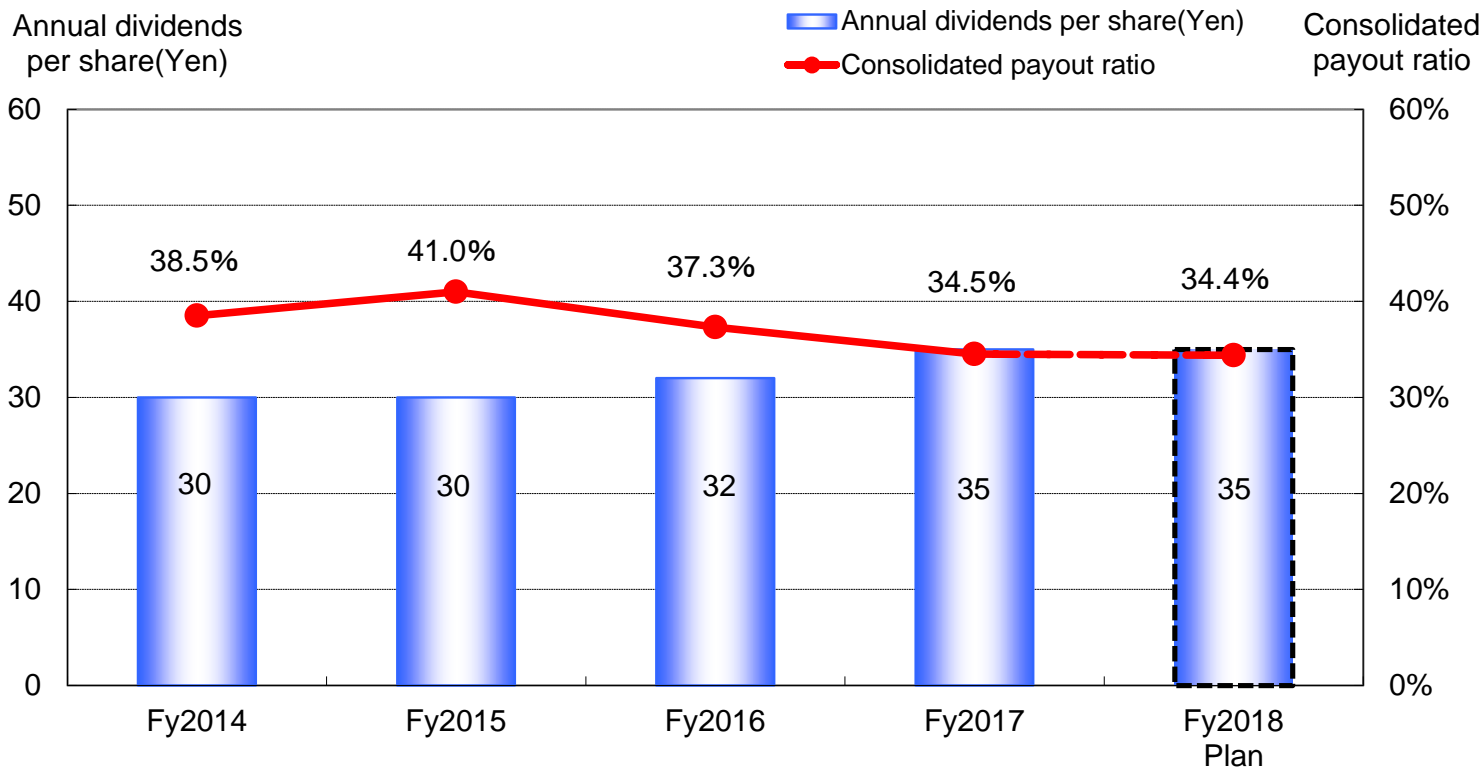
		Fy2017 (Actual)	Fy2018 (Plan)	Fy2019 (Plan)	Fy2020 (Plan)
Capital Investment	Consolidated	2,765	3,355	2,963	3,697
	Non-consolidated	1,440	1,835	1,500	1,500
Depreciation & Amortization	Consolidated	2,842	2,863	2,905	2,893
	Non-consolidated	2,040	2,061	2,079	2,035
R&D Expenses	Consolidated	4,340	4,609	4,717	4,836
	Non-consolidated	3,457	3,597	3,606	3,640

V. Shareholder Redemption

Shareholder Redemption

<Basic Policy>

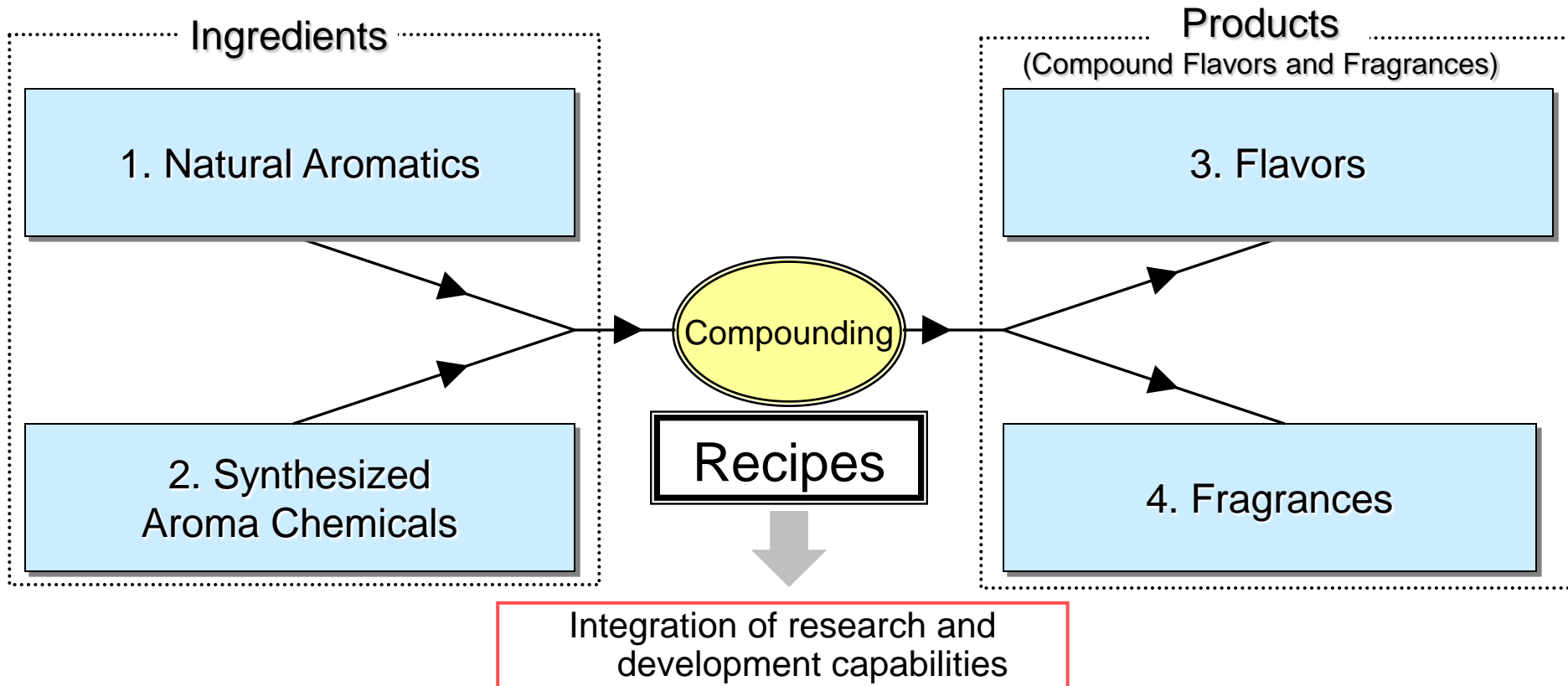
- Strengthening operating foundations and retaining undistributed profits in order to reinvest in future development, while also meeting shareholders' expectations by paying dividends which correspond to our business performance
- Targeting approximately 35% of consolidated dividend payout ratio for 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
- Increased dividend per share by 3 yen from our most recent dividend forecast, to 35 yen, given comprehensive consideration of our recent business performance, the latest business environment.



VI. Appendix

Outline of Flavor and Fragrance Business

Flavor 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

Global Market Size of Flavor and Fragrance Industry

Estimated sales volume in global market: 2,700 billion yen (24.5 billion USD)

Europe, Africa and Middle East

- Market Size : Approx. 990 bil.yen
- As many of manufacturing companies using flavor and fragrances products adopt 'preferred supplier system', major European and American companies have built the solid business bases

North America

- Market Size : Approx. 690 bil. yen
- As many of manufacturing companies using flavor and fragrances 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. 800 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. 220 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=108.5JPY
Reference : Report from Leffingwell & Associates

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

Sales Ranking of Flavor and Fragrance companies in worldwide

Top 11 companies account for approximately 80% in global flavor and fragrance market

Million USD

	Company name	Country	Sales(2016Yr)	Market Share
1	Givaudan	Switzerland	4,734	19.4%
2	Firmenich	Switzerland	3,391	13.9%
3	IFF	USA	3,116	12.7%
4	Symrise	Germany	2,312	9.5%
5	Takasago	Japan	1,261	5.2%
6	Mane SA	France	1,171	4.8%
7	Frutarom	Israel	1,068	4.4%
8	Sensient Flavors	USA	654	2.7%
9	Robertet SA	France	518	2.1%
10	T.Hasegawa	Japan	439	1.8%
11	Huabao Intl.	Hong Kong	377	1.5%
	Subtotal	—	19,040	77.9%
	Others	—	5,410	22.1%
	Total	—	24,450	—

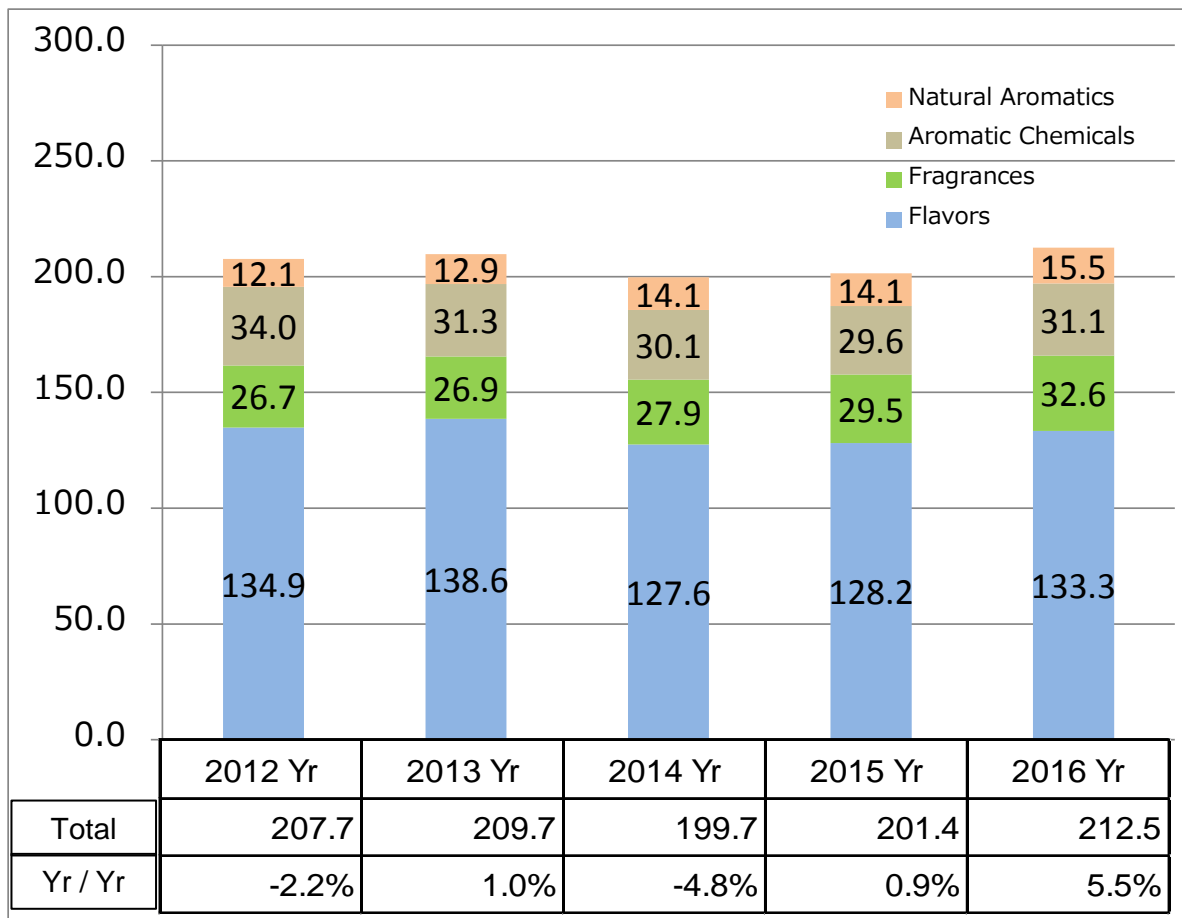
* US \$1 ≙ 108.5Yen

Source of Reference: Leffingwell & Associates
http://www.leffingwell.com/top_10.htm

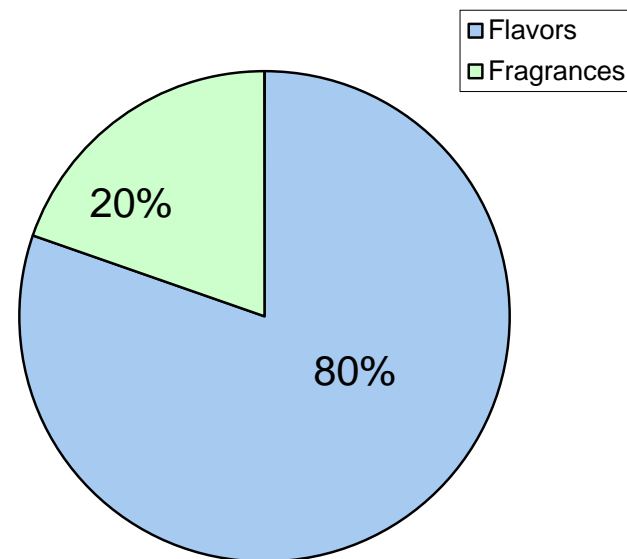
Market Size in Domestic

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

Transition of sales in domestic market (Billion yen)



Composition of Flavor and fragrance (2016)

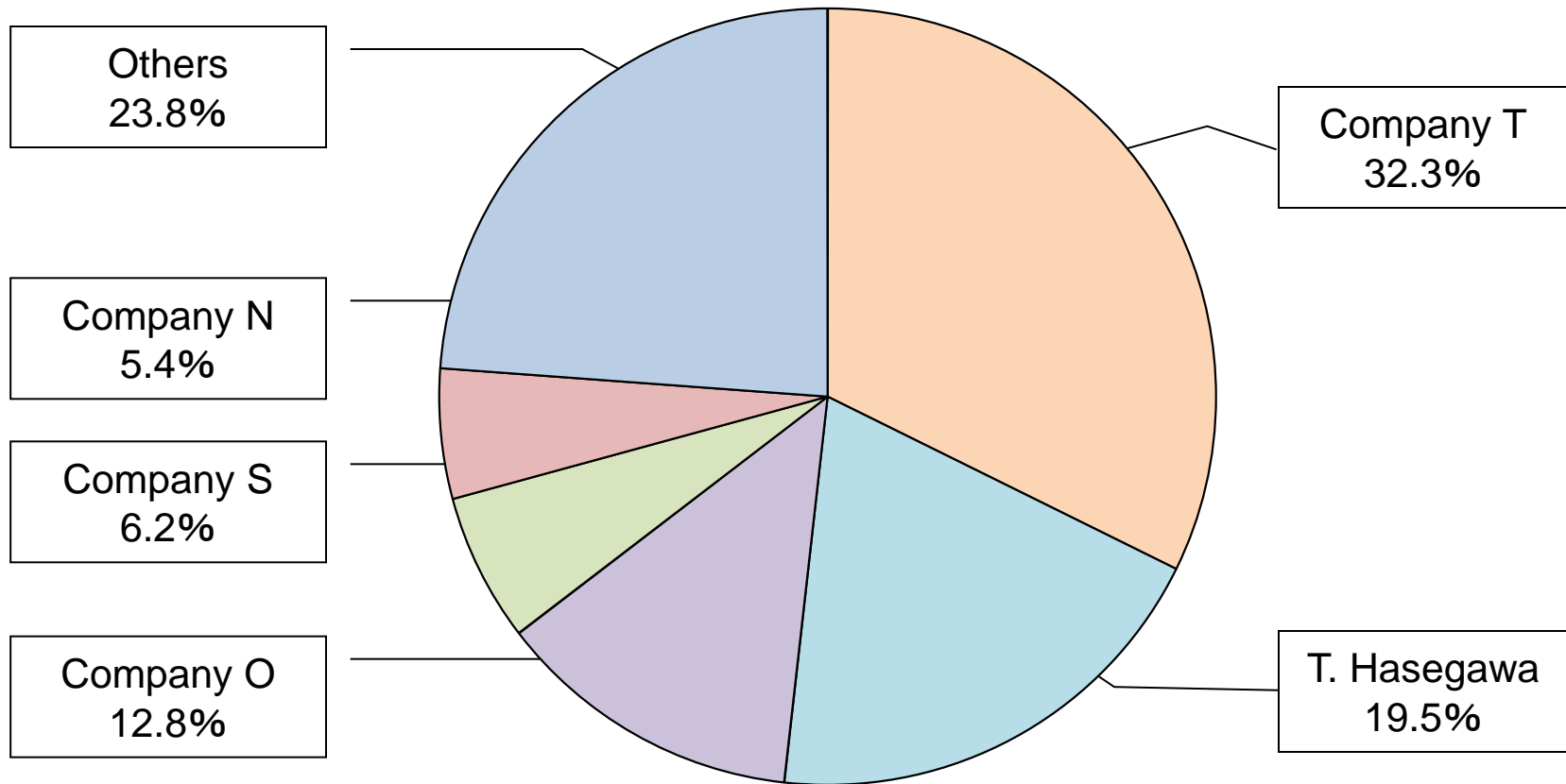


Source of reference : Japan Flavor&Fragrance Materials Association Magazine

Outline of Current Status of T . Hasegawa

Market Share in Domestic Flavor and Fragrance Market

Top 5 companies cover approximately 80% of market share in domestic market. (As of Mar.2017)



*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 Jan. to Dec. in Company O.

*T. Hasegawa's figures indicated above have been calculated for the period from Apr.2016 to Mar.2017.

Sales Composition Comparison

< Policy in T. Hasegawa >

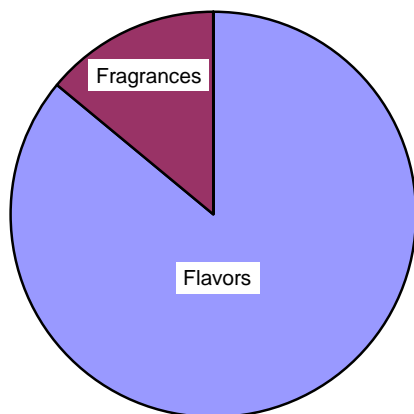
- Focus on sales of compound flavors and fragrances with high added value.
- Sells a kind of approximately 11,000 products of fragrance and flavor per year.

(Million yen)

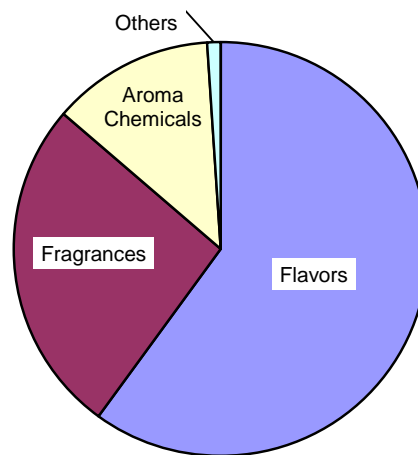
	T. Hasegawa (Consolidated)		Company T (Consolidated)			Company S (Consolidated)	
	FY ended in Sep. 2017		FY ended in Mar. 2017			FY ended in Mar. 2017	
	Sales	Share	Sales	Share		Sales	Share
Flavors	41,288	86.0%	82,100	60.0%	Compound flavors & Fragrances	7,074	46.4%
Fragrances	6,713	14.0%	35,928	26.3%	Aroma Chemicals	3,212	21.1%
Aroma Chemicals	0	0.0%	17,309	12.7%	Overseas	3,616	23.7%
Others	0	0.0%	1,425	1.0%	Domestic subsidiaries	1,346	8.8%
Total	48,001	100.0%	136,764	100.0%	Subtotal	15,250	100.0%
Ratio of gross profit to sales	39.1%		32.3%		Ratio of gross profit to sales	31.8%	
Ratio of operating income to sales	11.7%		5.2%		Ratio of operating income to sales	3.4%	

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

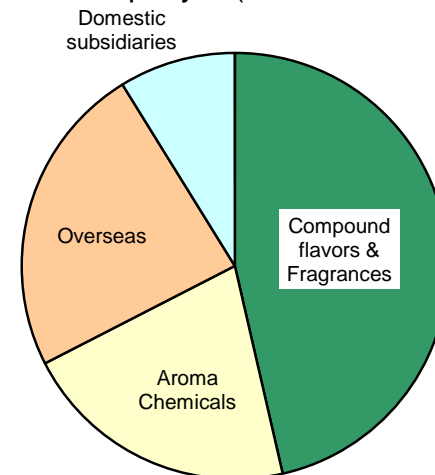
T. Hasegawa (Consolidated)



Company T (Consolidated)

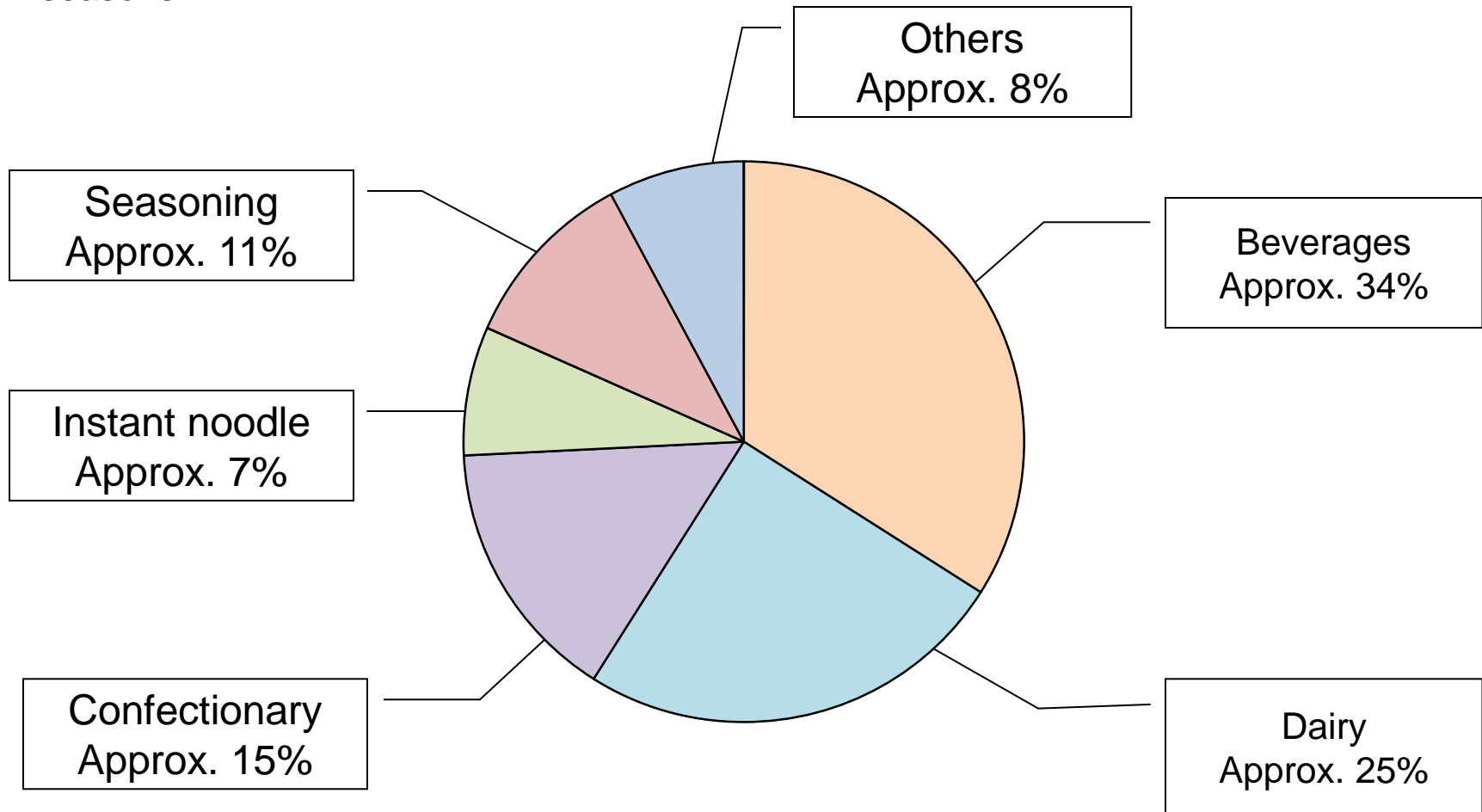


Company S (Consolidated)



Flavor Sales Share by market

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 FY2017 regarding the companies which are possible to separate sales by industry.

Additional Financial Information

Consolidated Income Statement Highlights

Operating income increased due to sales growth and decrease in cost of sales

	(Million yen)						Remarks
	FY2016 Actual		FY2017 Actual		yr/yr		
	Value	%	Value	%	Value	%	
Net sales	47,591	100.0%	48,001	100.0%	410	0.9%	<ul style="list-style-type: none"> • Sales of parent company and the subsidiary in China slightly decreased • Existing subsidiary in USA expanded sales, and new subsidiary in USA contributed to sales
Cost of sales	29,836	62.7%	29,245	60.9%	-591	-2.0%	Improvement in the cost of sales ratio of parent company due to the change in the product mix.
Gross profit	17,754	37.3%	18,756	39.1%	1,001	5.6%	
SG&A expenses	12,594	26.5%	13,149	27.4%	555	4.4%	Acquisition expenses related new subsidiary in USA increased
Operating income	5,160	10.8%	5,606	11.7%	446	8.6%	
Ordinary income	5,164	10.9%	6,101	12.7%	936	18.1%	(FY2016) Foreign exchange losses of 338 million Yen was calculated as Non-operating income (FY2017) Foreign exchange gains of 173 million Yen was calculated as Non-operating income
Profit before income taxes	5,179	10.9%	6,137	12.8%	957	18.5%	
Net income	3,637	7.6%	4,299	9.0%	662	18.2%	

Consolidated Balance Sheet Highlights

(Million yen)

	September 30 2016	September 30 2017	Increase or Decrease	Remarks
Current assets	50,333	48,694	-1,638	<ul style="list-style-type: none"> • Decrease in Securities: -4,999m Yen • Increase in Account receivable - trade: 1,580m Yen • Increase in inventories: 1,248m Yen
Fixed assets	50,520	61,141	10,620	<ul style="list-style-type: none"> • Increase in Goodwill, Customer relationship: 5,852m Yen • Increase in Investment securities: 3,931m Yen • Increase in Property, plant and equipment: 934m Yen
Total assets	100,853	109,836	8,982	
Current liabilities	10,455	10,534	79	
Long-term liabilities	10,458	11,772	1,313	<ul style="list-style-type: none"> • Increase in Deferred tax liabilities: 1,403m Yen
Total liabilities	20,914	22,307	1,393	
Total net assets	79,939	87,528	7,589	<ul style="list-style-type: none"> • Profit attributable to owners of parent: 4,299m Yen • Dividends of surplus: -1,400m Yen • Foreign currency translation adjustment: 1,835m Yen • Valuation difference on available-for-sale securities: 2,740m Yen
Total liabilities and net assets	100,853	109,836	8,982	

Consolidated Statement of Cash Flows

(Million Yen)

	FY2016 Actual	FY2017 Actual	Increase or Decrease	Remarks
Cash flows from operating activities	6,666	4,860	-1,806	<ul style="list-style-type: none"> • Profit before income taxes: 6,137m Yen • Depreciation & Amortization: 2,842m Yen • Income taxes paid: -1,642m Yen • Increase in accounts receivable - trade: -1,114m Yen
Cash flows from investing activities	-3,131	-9,456	-6,324	<ul style="list-style-type: none"> • Purchase of shares of subsidiaries: -6,160m Yen • Acquisition of tangible fixed assets: -3,156m Yen
Cash flows from financing activities	-1,295	-1,519	-224	<ul style="list-style-type: none"> • Cash dividends paid: -1,399m Yen
Effect of currency change on cash and cash equivalents	-527	314	841	—
Net Change in cash and cash equivalents	1,712	-5,802	-7,514	—
Cash and Cash equivalents at beginning of period	20,601	22,313	1,712	—
Cash and cash equivalents at end of period	22,313	16,511	-5,802	—

Capital Investment, Depreciation & Amortization, R&D Expenses (Actual)

(Million Yen)

		FY2017 Plan	FY2017 Actual	Progress (%)
Capital Investment	Consolidated	2,712	2,765	102.0%
	Non-consolidated	1,648	1,440	87.4%
Depreciation & Amortization	Consolidated	2,761	2,842	102.9%
	Non-consolidated	2,029	2,040	100.5%
R&D Expenses	Consolidated	4,361	4,340	99.5%
	Non-consolidated	3,500	3,457	98.8%

Income Statement Highlights - Non-consolidated (Actual)

(Million yen)

	FY2016 Actual		FY2017 Plan		FY2017 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	36,801	100.0%	37,200	100.0%	36,572	100.0%	-228	-0.6%	-627	-1.7%
Cost of sales	23,677	64.3%	23,460	63.1%	22,710	62.1%	-966	-4.1%	-749	-3.2%
Gross profit	13,123	35.7%	13,740	36.9%	13,862	37.9%	738	5.6%	122	0.9%
SG&A expenses	9,595	26.1%	9,710	26.1%	9,993	27.3%	398	4.1%	283	2.9%
Operating income	3,528	9.6%	4,030	10.8%	3,868	10.6%	340	9.6%	-161	-4.0%
Ordinary income	3,677	10.0%	4,320	11.6%	4,363	11.9%	685	18.6%	43	1.0%
Profit before income taxes	3,700	10.1%	4,220	11.3%	4,375	12.0%	674	18.2%	155	3.7%
Net income	2,643	7.2%	3,070	8.3%	3,225	8.8%	582	22.0%	155	5.1%

Income Statements - USA (Actual)

Consolidated income statements for USA including THUSA and FLAVOR INGREDIENT HOLDINGS, LLC.
Earnings and expenses of FLAVOR INGREDIENT HOLDINGS, LLC. are consolidated.

(Total 3 months period from Jul. to Sep. 2017)

(Million Yen)

Yen Basis	FY2016		FY2017		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	3,396	100.0%	4,209	100.0%	812	23.9%
Cost of sales	2,184	64.3%	2,532	60.2%	347	15.9%
Gross profit	1,212	35.7%	1,677	39.8%	464	38.3%
SG&A expenses	1,149	33.8%	1,393	33.1%	243	21.2%
Operating income	63	1.9%	283	6.7%	220	349.5%
Ordinary income	99	2.9%	278	6.6%	179	180.8%

Yen111.89/USD

Yen111.27/USD

0.6% higher

(Thousand US\$)

Local Currency Basis	FY2016		FY2017		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	30,356	100.0%	37,828	100.0%	7,471	24.6%
Cost of sales	19,519	64.3%	22,755	60.2%	3,235	16.6%
Gross profit	10,837	35.7%	15,073	39.8%	4,235	39.1%
SG&A expenses	10,272	33.8%	12,521	33.1%	2,248	21.9%
Operating income	564	1.9%	2,551	6.7%	1,987	352.0%
Ordinary income	885	2.9%	2,500	6.6%	1,614	182.3%

- Net sales marked double-digit growth on both local currency basis and Yen basis largely. Sales increased due to expansion of sales of flavor for savory and beverage, and acquisition of new subsidiary.
- Operating income increased due to sales increase and improvement in cost of sales ratio.

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

Income Statements - China (Actual)

Consolidated income statements for China including TH Shanghai and TH Suzhou.

(Million Yen)

Yen Basis	FY2016		FY2017		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	7,396	100.0%	7,177	100.0%	-219	-3.0%
Cost of sales	4,220	57.1%	4,240	59.1%	19	0.5%
Gross profit	3,175	42.9%	2,936	40.9%	-239	-7.5%
SG&A expenses	1,688	22.8%	1,588	22.1%	-100	-5.9%
Operating income	1,487	20.1%	1,348	18.8%	-139	-9.4%
Ordinary income	1,359	18.4%	1,412	19.7%	52	3.9%

Yen17.10/RMB

Yen16.35/RMB

4.4% higher

(Thousand RMB)

Local Currency Basis	FY2016		FY2017		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	432,550	100.0%	438,971	100.0%	6,420	1.5%
Cost of sales	246,822	57.1%	259,364	59.1%	12,541	5.1%
Gross profit	185,728	42.9%	179,606	40.9%	-6,121	-3.3%
SG&A expenses	98,742	22.8%	97,139	22.1%	-1,602	-1.6%
Operating income	86,985	20.1%	82,467	18.8%	-4,518	-5.2%
Ordinary income	79,525	18.4%	86,386	19.7%	6,860	8.6%

- Net sales increased on local currency basis, despite the decrease in sales on yen basis.
- Operating income decreased due to deterioration of cost of sales.
- Ordinary income increased due to exchange gain.

Income Statements - Peresscol Sdn. Bhd. (Actual)

(Million Yen)

Yen Basis	FY2016		FY2017		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	917	100.0%	917	100.0%	-0	-0.02%
Cost of sales	548	59.8%	547	59.7%	-1	-0.2%
Gross profit	368	40.2%	369	40.3%	0	0.3%
SG&A expenses	269	29.3%	274	29.9%	5	2.0%
Operating income	99	10.8%	95	10.4%	-4	-4.5%
Ordinary income	102	11.2%	98	10.7%	-4	-4.2%

Yen32.11/MYR

Yen27.05/MYR

15.8% higher

(Thousand Malaysian Ringgit)

Local Currency Basis	FY2016		FY2017		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	33,924	100.0%	35,768	100.0%	1,844	5.4%
Cost of sales	20,293	59.8%	21,356	59.7%	1,062	5.2%
Gross profit	13,631	40.2%	14,412	40.3%	781	5.7%
SG&A expenses	9,951	29.3%	10,707	29.9%	756	7.6%
Operating income	3,680	10.8%	3,704	10.4%	24	0.7%
Ordinary income	3,794	11.2%	3,834	10.7%	40	1.1%

- Net sales on local basis increased due to sales increase of snacks despite yen basis sales is almost the same as last year.
- Operating income on local currency basis increased slightly despite the decrease on local currency basis due to strong yen.

Three-Year-Plan (Consolidated Income Statement)

(Million yen)

	FY2017 (Actual)			FY2018 (Plan)			FY2019 (Plan)			FY2020 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	48,001	100.0%	0.9%	51,600	100.0%	7.5%	54,100	100.0%	4.8%	56,700	100.0%	4.8%
Cost of sales	29,245	60.9%	-2.0%	31,640	61.3%	8.2%	32,850	60.7%	3.8%	34,130	60.2%	3.9%
Gross profit	18,756	39.1%	5.6%	19,960	38.7%	6.4%	21,250	39.3%	6.5%	22,570	39.8%	6.2%
SG&A expenses	13,149	27.4%	4.4%	14,080	27.3%	7.1%	14,480	26.8%	2.8%	14,860	26.2%	2.6%
Operating income	5,606	11.7%	8.6%	5,880	11.4%	4.9%	6,770	12.5%	15.1%	7,710	13.6%	13.9%
Ordinary income	6,101	12.7%	18.1%	6,210	12.0%	1.8%	7,110	13.1%	14.5%	8,060	14.2%	13.4%
Profit before income taxes	6,137	12.8%	18.5%	6,170	12.0%	0.5%	6,960	12.9%	12.8%	7,910	14.0%	13.6%
Net income	4,299	9.0%	18.2%	4,320	8.4%	0.5%	4,880	9.0%	13.0%	5,580	9.8%	14.3%

Caution with Respect to Forward-Looking Statements:

This material is composed based on data as of Nov.10th 2017 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 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.

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