

115th
ANNIVERSARY



香りが結ぶ。
それが未来になる。

香りがつくりだす濃密な時間にさまざまな情報が行き交います。

そこに求められるのは新たな可能性の追求と生活文化への価値ある貢献です。

いまコミュニケーションの多様化とともに香りも進化が求められています。

総合香料メーカーとして業界を牽引してきた

私たち長谷川香料はそれを大きな使命として、

次の時代に向けて強い意欲をもって取り組んでいきます。

高いプロ意識のもとで培った技術力と研究開発から

製造に至るまでの正確なプロセス。

そこから世界に誇る唯一無二の香りをつくりだします。

ここには未来を設計する確かなプランがあります。

香りに未来を描く。
香りに感動を込める。

 **長谷川香料株式会社**
<http://www.t-hasegawa.co.jp>

Financial Results for the 2nd Quarter Ended March 31, 2018

T. HASEGAWA CO., LTD.

May 24, 2018

- I . Overview of Consolidated Statement
- II . Management Policy
- III . Global Strategies
- IV . Shareholder Redemption
- V . Appendix

I . Overview of Consolidated Statement

Domestic Market

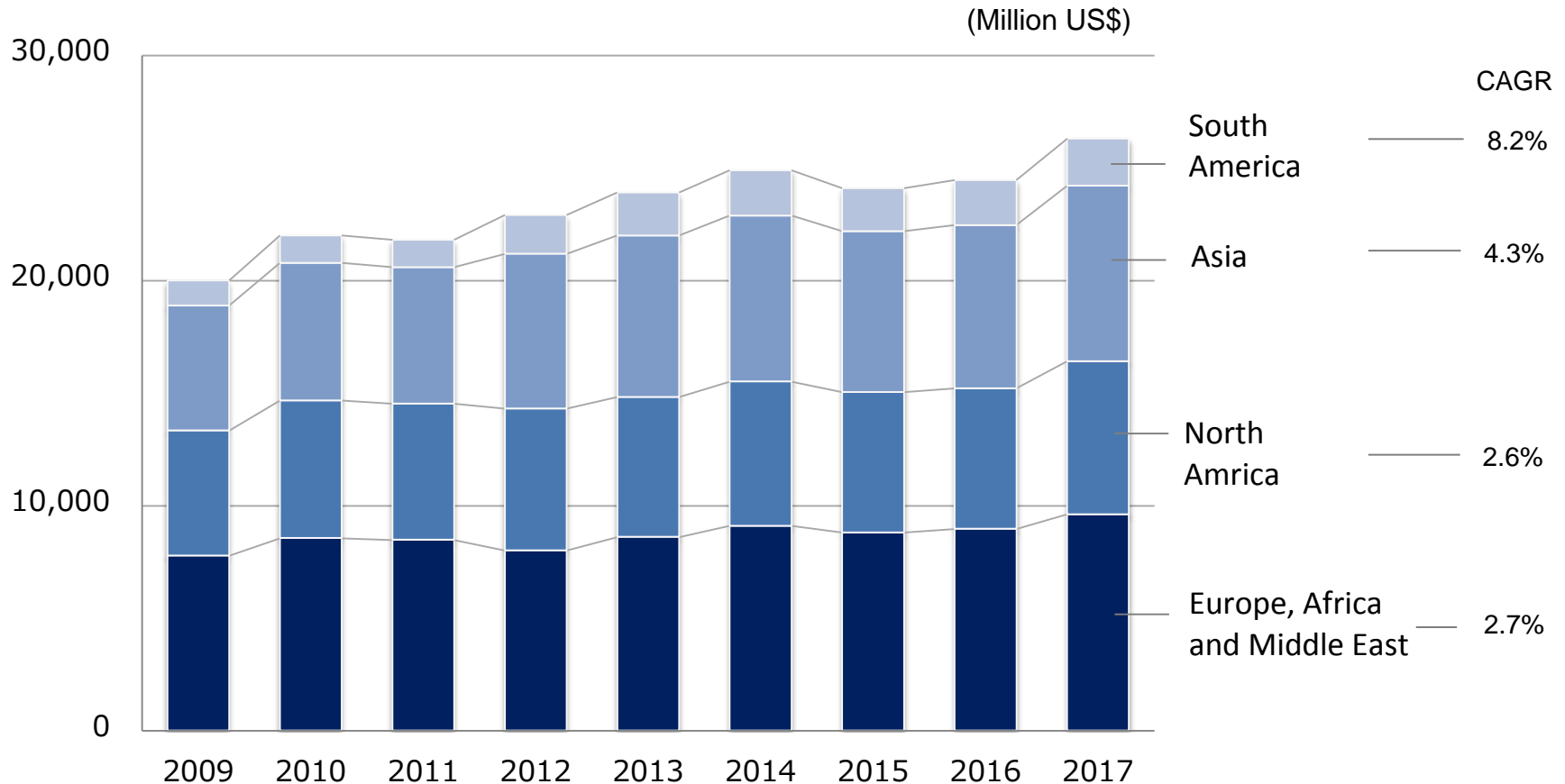
- Flavors and fragrances market in 2017 (from January to December) expanded approximately 2% compared to the previous year.

<Market trends by product category>

Product category	Market trend		
Beverages	2017	Flat	<ul style="list-style-type: none"> • In the first half of 2017, new products contributed. In July 2017, due to extreme heat, Beverages performed well overall. • After August, due to unstable weather conditions, sports drinks did not perform well. • “Sugar-free tea beverages” and carbonated drinks performed well, and vegetable drinks were strong with the increase in health-consciousness.
	2018 Jan. to Mar.	Increased	<ul style="list-style-type: none"> • In late March, because of unusually high average temperature, sports drinks were strong • New products contributed.
Snacks	2017	Flat	<ul style="list-style-type: none"> • Because of poor harvest of potato due to typhoons in the previous year, potato chips performed weakly. • Supply of potato gradually improved toward the end of the year. • Processed potato snacks, corn snacks and wheat snacks were strong.
	2018 Jan. to Mar.	Increased	<ul style="list-style-type: none"> • Potato chips sales increased as a rebound against the sharp decrease caused by the previous year’s potato shortage.
Chocolate	2017	Increased	<ul style="list-style-type: none"> • “Bean to bar” and “Functional “ chocolate led the market.
	2018 Jan. to Mar.	Slightly decreased	<ul style="list-style-type: none"> • “Bean to bar” and “Functional” chocolate sales declined as a rebound against the demand increase boomed by multiple media reporting of health benefits of these items of the previous year .
Frozen dessert	2017	Flat	<ul style="list-style-type: none"> • Demand was positive until July. After August, demand rapidly declined due to unstable weather conditions. • Demand was flat for the full year from demand increase in winter, when demand has been low in the past.
	2018 Jan. to Mar.	Increased	<ul style="list-style-type: none"> • In February, average temperature was lower than usual, and demand was weak. • In late March, because average temperature was higher than usual, demand was strong.

Overseas Market

Transition of world market size for Fragrance and Flavor grew 7% YOY basis.



*Figures are estimated by T. Hasegawa

Performance Overview (consolidated base)

- Sales increased
Representing progress of 46.3% towards the full-year revised plan.
The percentage of the first half year to full-year is 47% (The average of the last ten years)
- Operating income decreased
Representing progress of 40.8% towards the full-year revised plan.
The percentage of the first half year to full-year is 41% (The average of the last ten years)

Million Yen

	FY17 2Q Actual	FY18 2Q Actual	YoY		Progress (v s. Revised plan ※1)
			Value	%	
Net sales	22,991	23,462	470	2.0%	46.3%
Cost of sales	13,798	14,544	746	5.4%	46.5%
Gross profit	9,193	8,917	-275	-3.0%	46.0%
SGA expenses	6,115	6,770	654	10.7%	47.9%
Operating income	3,077	2,147	-930	-30.2%	40.8%
Ordinary income	3,363	2,310	-1,053	-31.3%	41.8%
Income before income taxes	3,348	2,274	-1,074	-32.1%	41.1%
Net income	2,351	1,617	-734	-31.2%	41.4%
EBITDA (※2)	4,495	3,804	-691	-15.4%	43.7%

※1 Progress against the Revised plan published on May 11, 2018

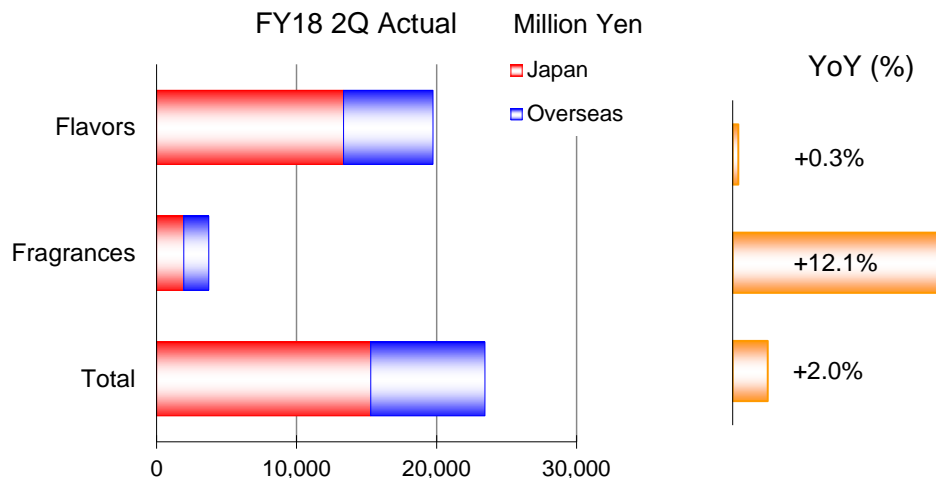
※2 EBITDA = Operating income + Depreciation and Amortization + Amortization of goodwill

Net Sales by Product Segments

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

Million Yen

Segment	FY17 2Q Actual	FY18 2Q Actual	YoY		Remarks
			Value	%	
Flavors	19,651	19,716	65	0.3%	<ul style="list-style-type: none"> Sales of the existing subsidiary in USA increased New subsidiary in USA contributed to sales
Fragrances	3,339	3,745	405	12.1%	<ul style="list-style-type: none"> Sales of the subsidiary in China increased
Total	22,991	23,462	470	2.0%	—



*FY18 2Q Overseas sales ratio 34.8%

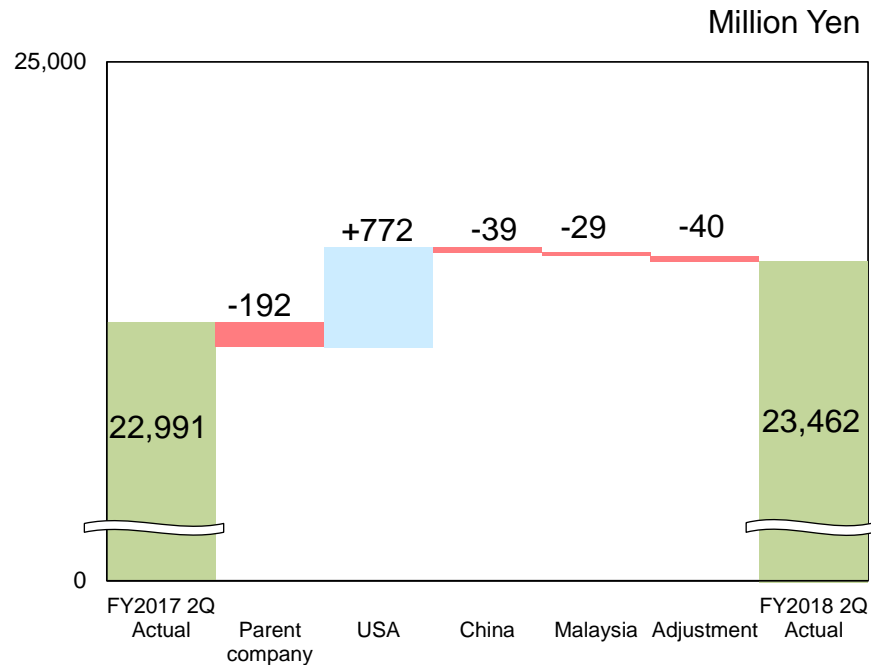
Net Sales by Region

Net sales increased due to sales expansion in subsidiary in USA, and contribution of new subsidiary in USA.

Currency	FY17 2Q Actual	FY18 2Q Actual	YoY
1US\$	¥111.47	¥110.64	0.7% Higher
1RMB	¥16.27	¥17.07	4.9% Lower
1MYR	¥25.44	¥27.42	7.8% Lower

Million Yen

	FY17 2Q Actual	FY18 2Q Actual	YoY	%
Parent Company	17,572	17,380	-192	-1.1%
USA	1,801	2,574	772	42.9%
China	3,579	3,540	-39	-1.1%
Malaysia	472	443	-29	-6.2%
Adjustment	-435	-475	-40	-
Consolidated	22,991	23,462	470	2.0%



•Parent company : Flavor sales for beverages products decreased.

•USA : Sales of savory and beverages increased.
Sales contribution of new subsidiary.

•China : Flavor sales decreased.

•Malaysia : Sales of snacks decreased.

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

Decrease in net sales

Increase in net sales

Decrease in net sales

Decrease in net sales

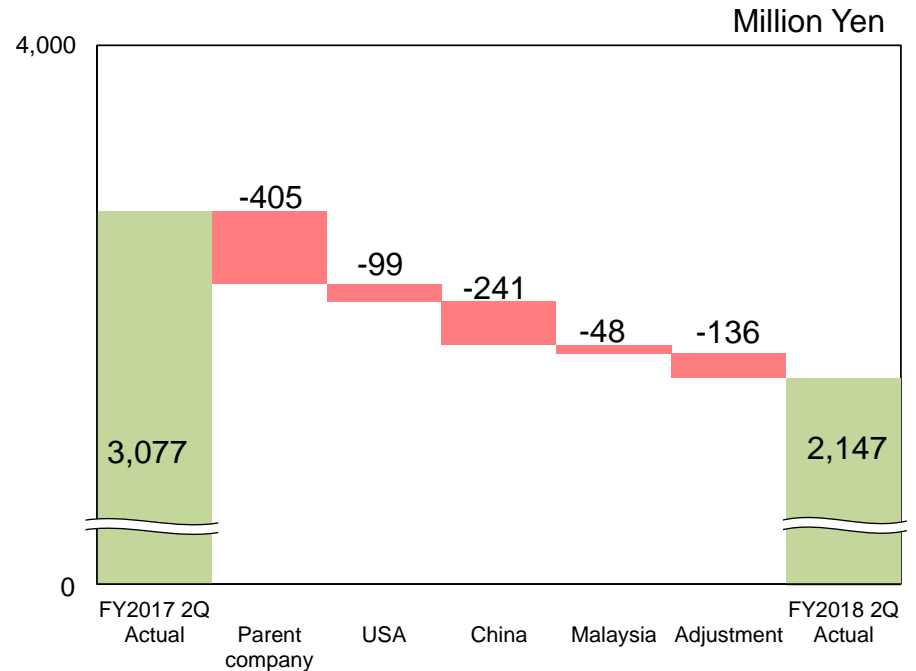
Operating Income by Region

Operating income decreased in parent company and subsidiary in China

Currency	FY17 2Q Actual	FY18 2Q Actual	YoY
1US\$	¥111.47	¥110.64	0.7% Higher
1RMB	¥16.27	¥17.07	4.9% Lower
1MYR	¥25.44	¥27.42	7.8% Lower

Million Yen

	FY17 2Q Actual	FY18 2Q Actual	YoY	%
Parent Company	2,150	1,745	-405	-18.9%
USA	131	31	-99	-75.6%
China	694	453	-241	-34.7%
Malaysia	59	10	-48	-82.5%
Adjustment	42	-93	-136	-
Consolidated	3,077	2,147	-930	-30.2%



- Parent company : Operating income decreased due to sales decrease and increase of SGA expenses.
- USA : Operating income decreased due to increase of SGA expenses.
- China : Operating income decreased due to deterioration of cost of sales.
- Malaysia : Operating income decreased due to sales decrease.

Decrease in operating income

Decrease in operating income

Decrease in operating income

Decrease in operating income

Revision of Earnings Forecast for the Fiscal Year Ending Sep. 2018

- T. Hasegawa revised its consolidated forecasts for the fiscal year ending Sep. 30, 2018 on May 11, 2018. (previous forecasts announced on Nov. 10, 2017)

Million Yen

	FY17 Actual		Previous plan (November, 2017)		Revised plan (May, 2018)					
	Value	%	Value	%	Value	%	v s. FY17 Actual		v s. Previous plan	
							Value	%	Value	%
Net sales	48,001	100.0%	51,600	100.0%	50,700	100.0%	2,698	5.6%	-900	-1.7%
Cost of sales	29,245	60.9%	31,640	61.3%	31,300	61.7%	2,054	7.0%	-340	-1.1%
Gross profit	18,756	39.1%	19,960	38.7%	19,400	38.3%	643	3.4%	-560	-2.8%
SGA expenses	13,149	27.4%	14,080	27.3%	14,140	27.9%	990	7.5%	60	0.4%
Operating income	5,606	11.7%	5,880	11.4%	5,260	10.4%	-346	-6.2%	-620	-10.5%
Ordinary income	6,101	12.7%	6,210	12.0%	5,530	10.9%	-571	-9.4%	-680	-11.0%
Income before income taxes	6,137	12.8%	6,170	12.0%	5,530	10.9%	-607	-9.9%	-640	-10.4%
Net income	4,299	9.0%	4,320	8.4%	3,910	7.7%	-389	-9.1%	-410	-9.5%

【Reason of Revision】

Sales

- T. Hasegawa revised previously announced sales forecast downwards, mainly due to parent company's sales decline in the second quarter.

Profit

- Reflecting this sales decline, T. Hasegawa revised forecasted operating income, ordinary income and Net income downwards, respectively.

(Reference)

Exchange rate used for Revised plan

1US\$	¥110.00
1RMB	¥17.00
1MYR	¥27.00

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



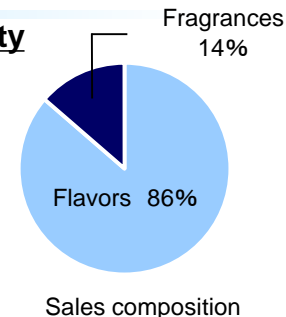
Innovation

Human
resources
development

Accelerated
growth in
overseas

III. Global Strategies

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



Ongoing Project and Progress

Promoting Solution-Oriented Sales Activity

- **Marketing department (Flavor, Fragrance) was newly established**
- **Hired-experienced personnel**
- Understand potential “Wants”→ Solution-oriented sales activities increased
- Propose new functional materials, materials adding delicious flavors to health-conscious foods, and the like

Expanding the range of New Applications

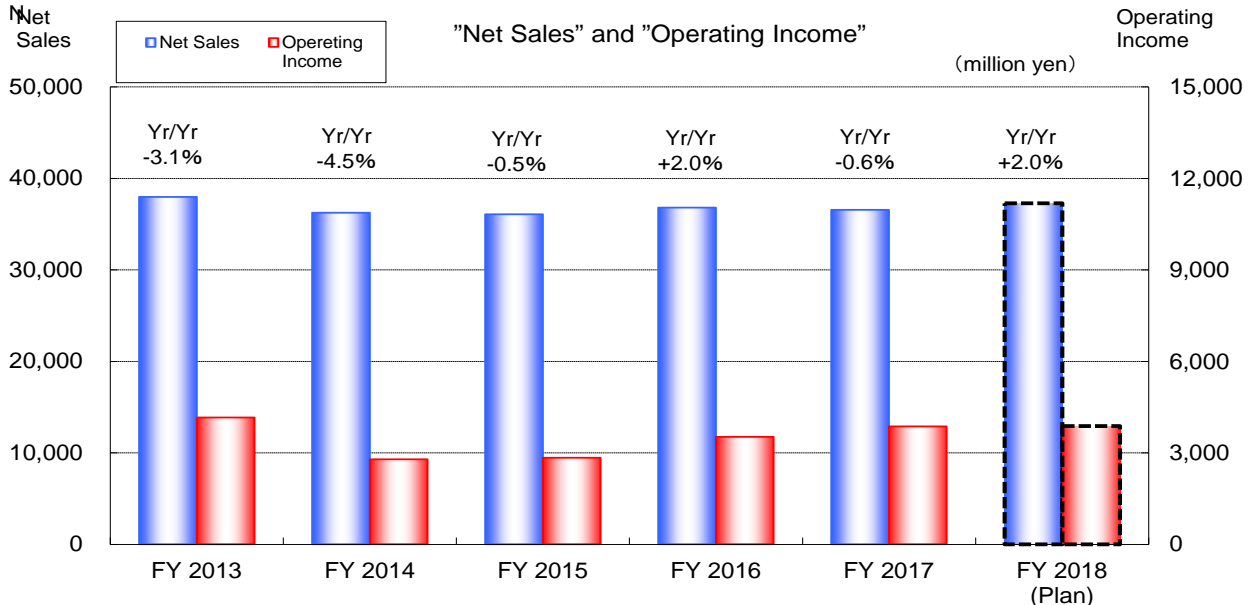
- Focus on new areas, such as healthy foods, medical foods, and **demands for masking living odor**, and so on
- Develop substitute flavors for food materials (milk products, vegetables, fruit juice, meat etc.)

Strategic R&D promotion

- Priority area development
- Promote R&D based on connection among research centers
- Create innovation, **promote open innovation**

Focusing on Human resource development

- Focus on human resource development and skill development
- Foster a corporate culture that enables all the employees to exert individual ability



FY2018 2Q Sales Performance

Net Sales : 17,380mil. yen
(Decreased 1.1% YOY)

Operating Income : 1,745mil. yen
(Decreased 18.9% YoY)

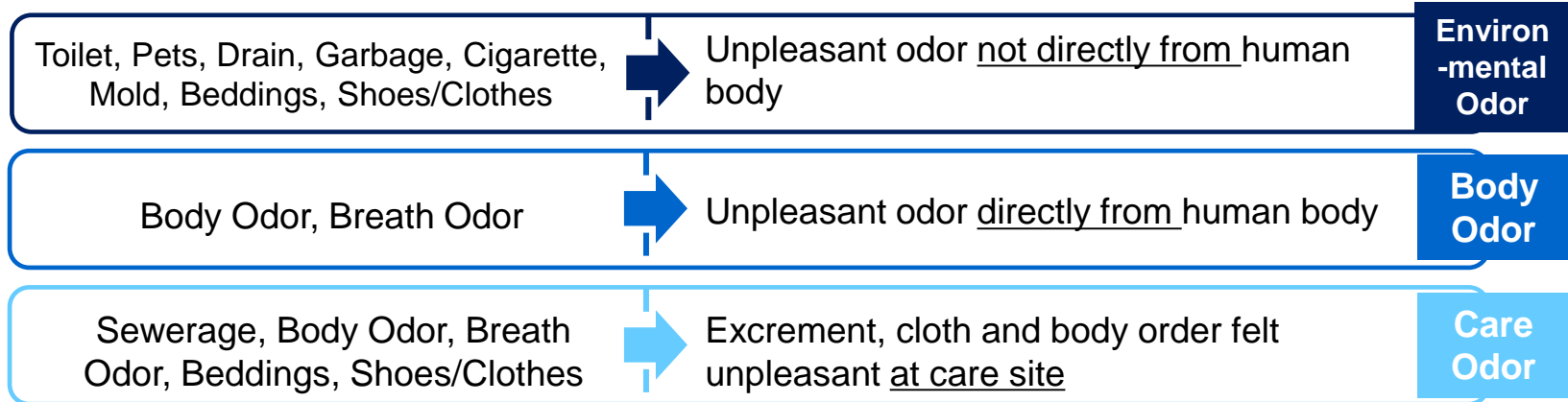
Sales and Profit Target (FY2020)

Net Sales : 40,300 mil. yen
Operating Income : 5,370 mil. yen

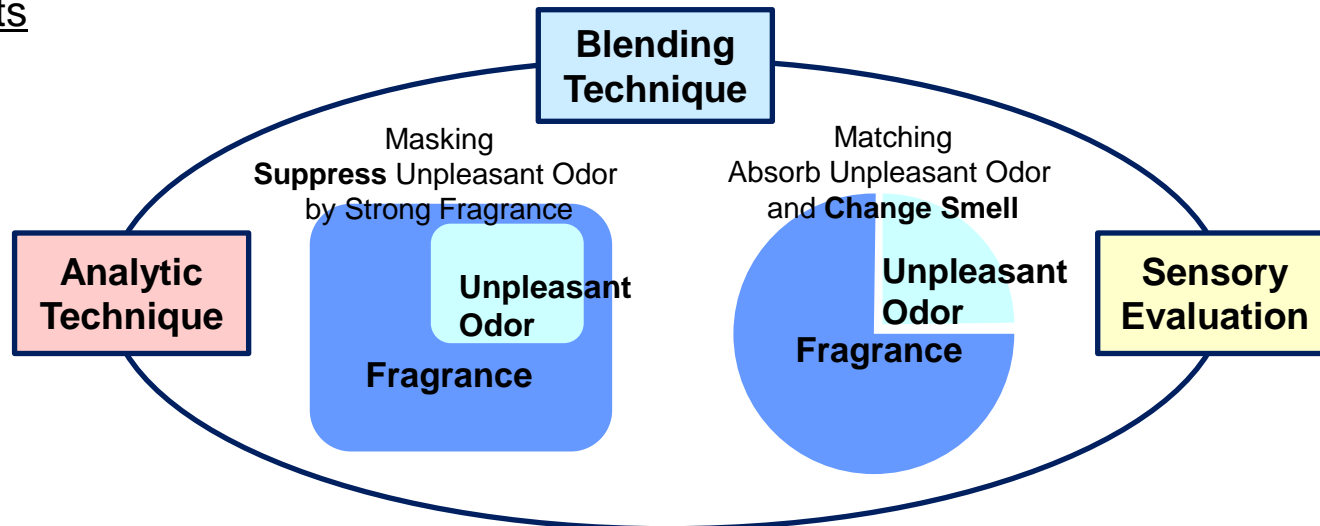
Market Trend

- Rising trend in 2017 is continuing for fragrance and refresher market
- Sales of deodorizing concept items show upward trend

Example and Classification of Unpleasant Odor



Our Efforts



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

Ongoing projects and progress

Exert the acquisition effect

- Acquired FLAVOR INGREDIENT HOLDINGS, LLC (Affinity Flavors) in June, 2017
- **PMI proceeded as scheduled, and was completed successfully in April 2018**
- **Change the organizational structure**
- **Focus on expanding sales not only mainstay products for Savory and Beverage but also health-related products**
- ⇒ Requests for health-related products increased

Flavors 100%

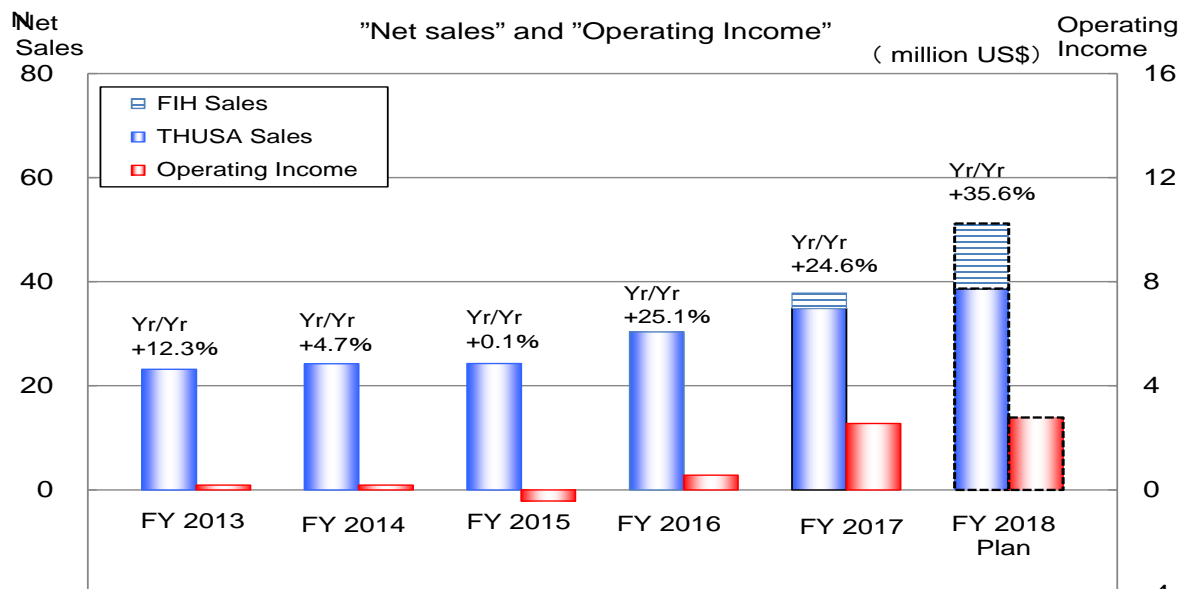
Sales composition

Application for natural flavor

- Shift from synthetic ingredients to natural ingredients
- ⇒ Respond to the demands for natural flavor

Production Efficiency

- Enhance production efficiency by production technique enhancement through staff OJT
- Re-organize supply chain management



FY2018 2Q Sales Performance

Net Sales: 23.2mil. USD
(Increased 44.0% YoY)
(2,574 mil. yen)

Operating Income: 0.2mil. USD
(Decreased 75.5% YoY)
(31 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.

June 2017 Acquisition of FLAVOR INGREDIENT HOLDINGS, LLC (Affinity Flavors)

Publicly announced in November 2017

Attractive Flavor Market in US.
Decision to Launch New Project for Further Growth in US.

Deciding Factors

- Demonstrating Rapid Growth in Expanding Markets in Food, Beverage, Health and Wellness categories.
- Achieved high margin business by production efficiency and thorough cost controls etc.,
- Well experienced senior management

Benefit of the Acquisition

- Complementary effect with THUSA.
- Synergies achievable in both sales and manufacturing.

Current Status of PMI

- Key employees from all sections form sectional committees.
- HQ and Global Division actively monitor PMI progress. ⇒Completed in April 2018

System

- Integration of IT systems completed.

HR& Organization

- All employees of FLAVOR INGREDIENT HOLDINGS, LLC (Affinity Flavors) transferred to THUSA
- R&D are merged to THUSA
- Continue to run two manufacturing plants

Sales

- All products branded as "T. HASEGAWA" products
- Cross sales of broaden product lines to clients of THUSA and ex-Affinity

Manufacturing

- Integrated purchasing department functions
- Two manufacturing facilities are run under the same ERP

FY2015 Memorandum of Understanding signed with Universal Leaf Tobacco Company, Inc.

IR report in November 2016

T. Hasegawa and Universal co-work on vanilla growing trial project in Brazil. Trial period is three years.
Based on an outcome of the trial, commercialization program could be discussed with Universal.

Since start of growing trial in January 2016, growing progress has been monitored

Current Status and Schedule

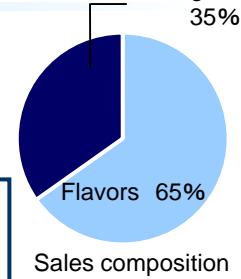
- On Schedule
- Harvest of the first sample beans in July or August
- Evaluation of cured beans in September or October
- Discussion of commercial growing project



Vanilla bean vein (April 2018)

Overseas Strategy – China –

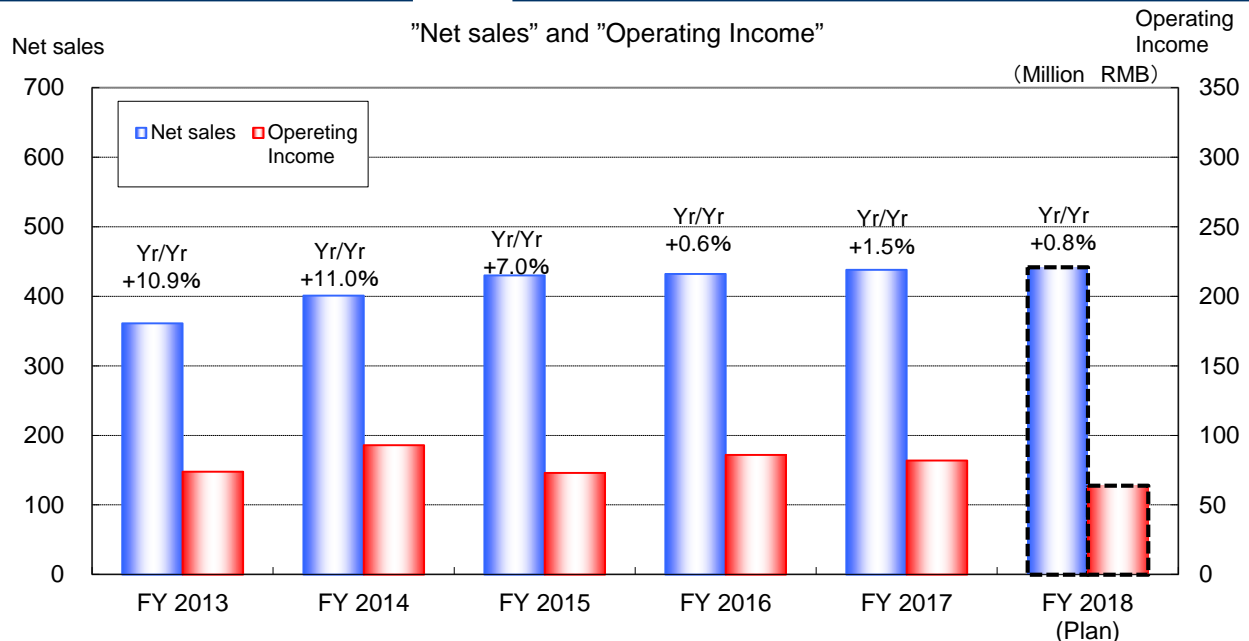
Basic Strategy: Further strengthen organization base to expand sales in Chinese Market



Ongoing Projects and Progress

- Reinforcing Organization Structure**
- Strengthening Sales Activities**
- Reinforcing R&D organization**

- Robust risk management and compliance
- Clarified criteria for grade, remuneration, evaluation through introduction of new HR framework
- **Customer Attributes: Local Companies 50%, International Companies 40%, Japanese Companies 10%**
- **To respond to customer's technical matters, assist with sales initiatives by Japanese researcher**
- **Actively hire local employees as sales person and recruit skilled personnel**
⇒ Develop new customers, and make relationship stronger with existing customers.
- Aim to increase business opportunities with international companies and local companies
- Reorganize and enhance R&D facility
- Enhance facility for sensory evaluation
- Enhance competitiveness through improvement of research organization



FY2018 2Q Sales Performance

Net Sales: 207.3mil. RMB
(Decreased 5.7% YoY)
(3,540 mil. yen)

Operating Income: 26.5mil. RMB
(Decreased 37.8% YoY)
(453 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 – Southeast Asia –

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

Ongoing Projects and Progress

Management Structure change in Southeast Asia

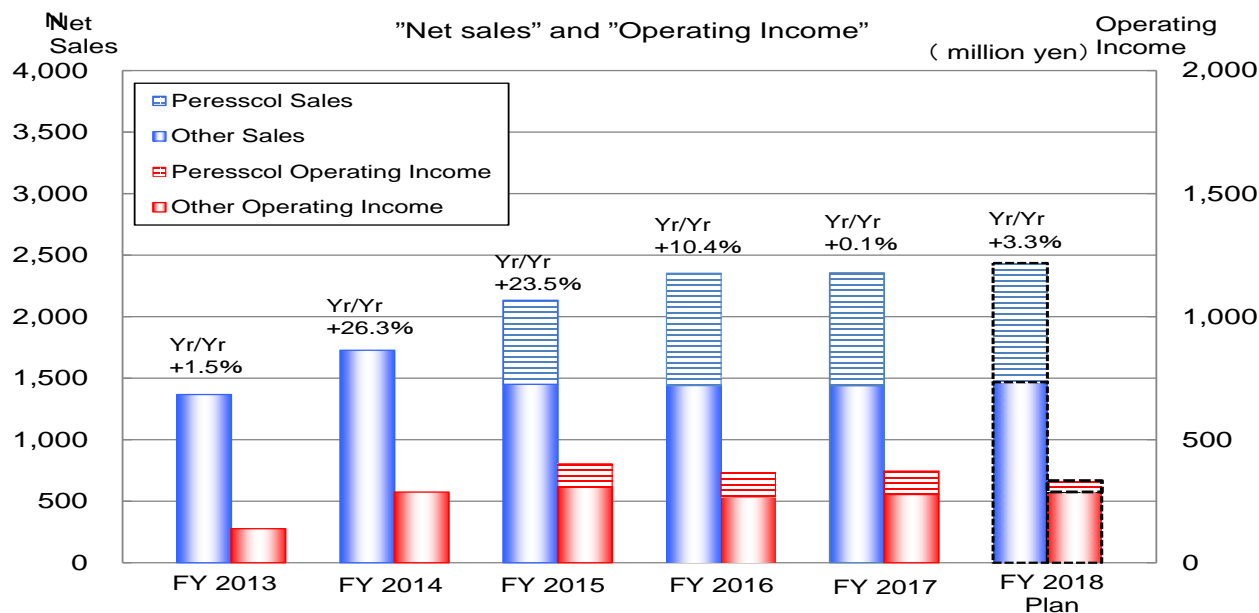
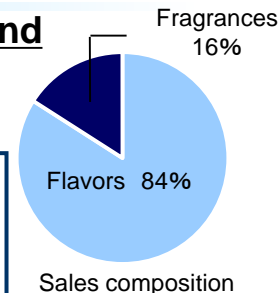
- Assigned General Manager covering entire Southeast Asia region
- Draw up and implement sales strategy for Southeast Asia
- Establish effective and cooperative relationship between each base.

Development of strategy in Southeast Asia using Peresscol Sdn. Bhd. as Hub

- Retain production facility in Southeast Asia by acquisition of “Peresscol Sdn. Bhd.” a Halal-certified flavors sales and production company
- Support research and production by dispatching specialists from parent company to train local staffs
- Purchased land for production site of 50,000m² in Halal Food Industrial Estate, Malaysia
- Promote construction of new manufacturing facility in Malaysia

Reinforce Sales Activities and R&D Structure in Southeast Asia

- **Established a subsidiary in Taiwan, and started operation**
- Staffed local members in Vietnam and Philippines
- **Satellite laboratory in Indonesia started its operation, and the facility in Thailand is in preparation**



FY2018 2Q Sales Performance
Net Sales: 1,148 mil. yen
 (Decreased 8.5% YoY)
Operating Income: 145 mil. yen
 (Decreased 36.6% YoY)

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

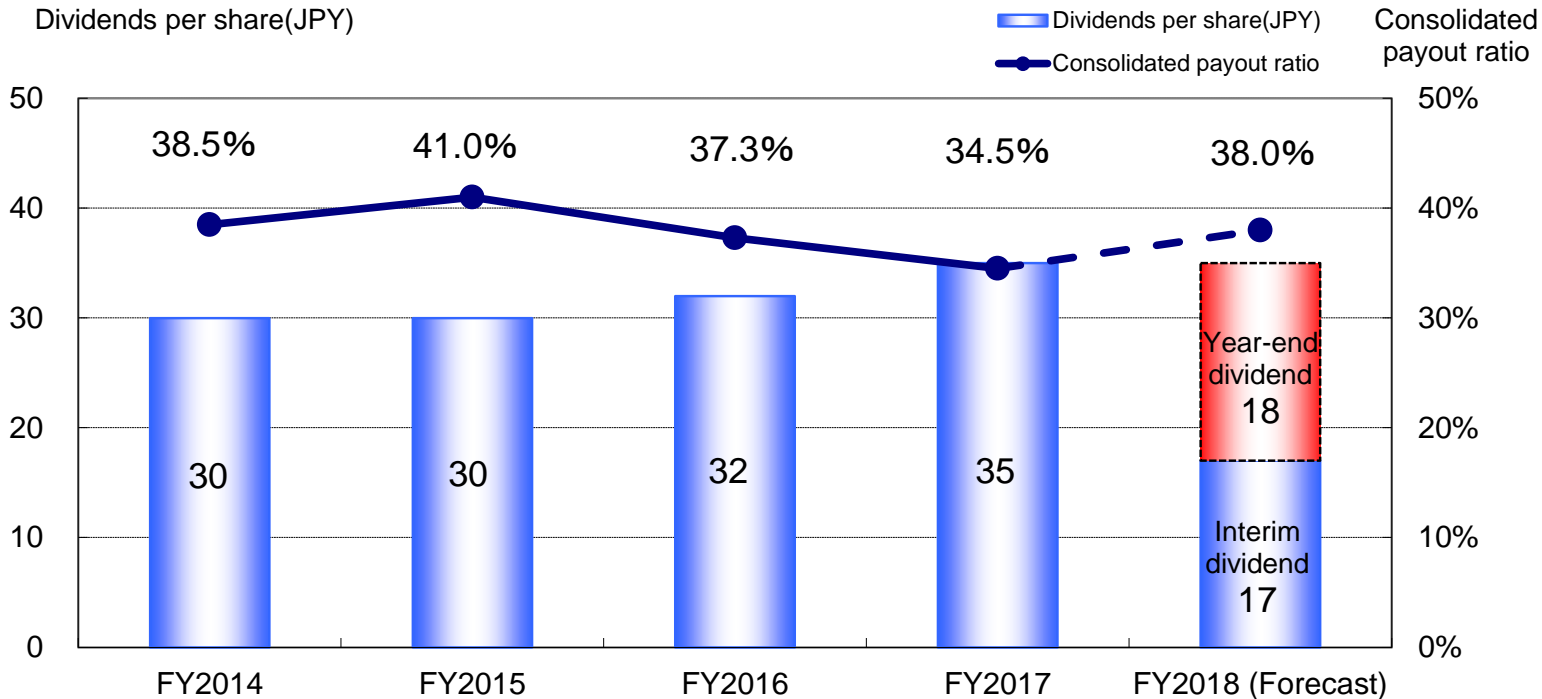
IV. Shareholder Redemption

<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

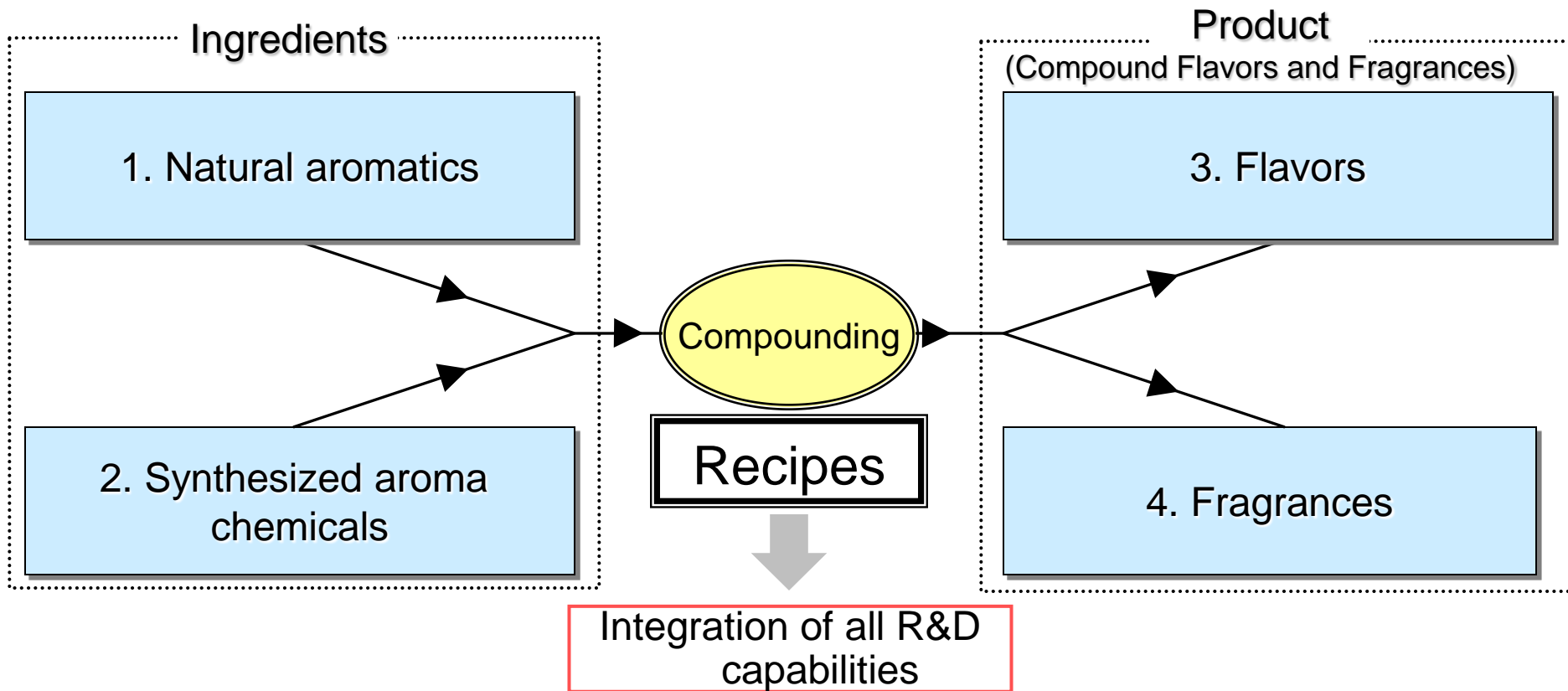
<Performance>

- 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 . Appendix

Outline of Flavor and Fragrance Business



Flavorists : Experts who formulate flavors

Perfumers : Experts who formulate fragrances

Flavors and fragrances are tailor-made products compounded in line with the requests from customers.

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

Market Size of Flavor and Fragrance Industry

Estimated sales volume of global market : 2.9 trillion yen (USD 26.3 billion)

Europe, Africa, Middle East

- Market Size : Approx. 1,060 billion 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. 750 billion 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.
- T. Hasegawa acquired FLAVOR INGREDIENT HOLDINGS, LLC in California in 2017. (Flavor production and sales company which excels in the field of health foods)

Asia

- Market Size : Approx. 860 billion yen*
- Market has grown in line with economic growth in developing countries, which is mainly in China.
- T.Hasegawa established subsidiaries in Shanghai as of 2000, Suzhou as of 2006, Bangkok as of 2003, Indonesia as of 2014 and Taiwan as of 2017.
- T.Hasegawa acquired Peresscol Sdn. Bhd. in Malaysia as of 2014 and gained production base in Asia area.

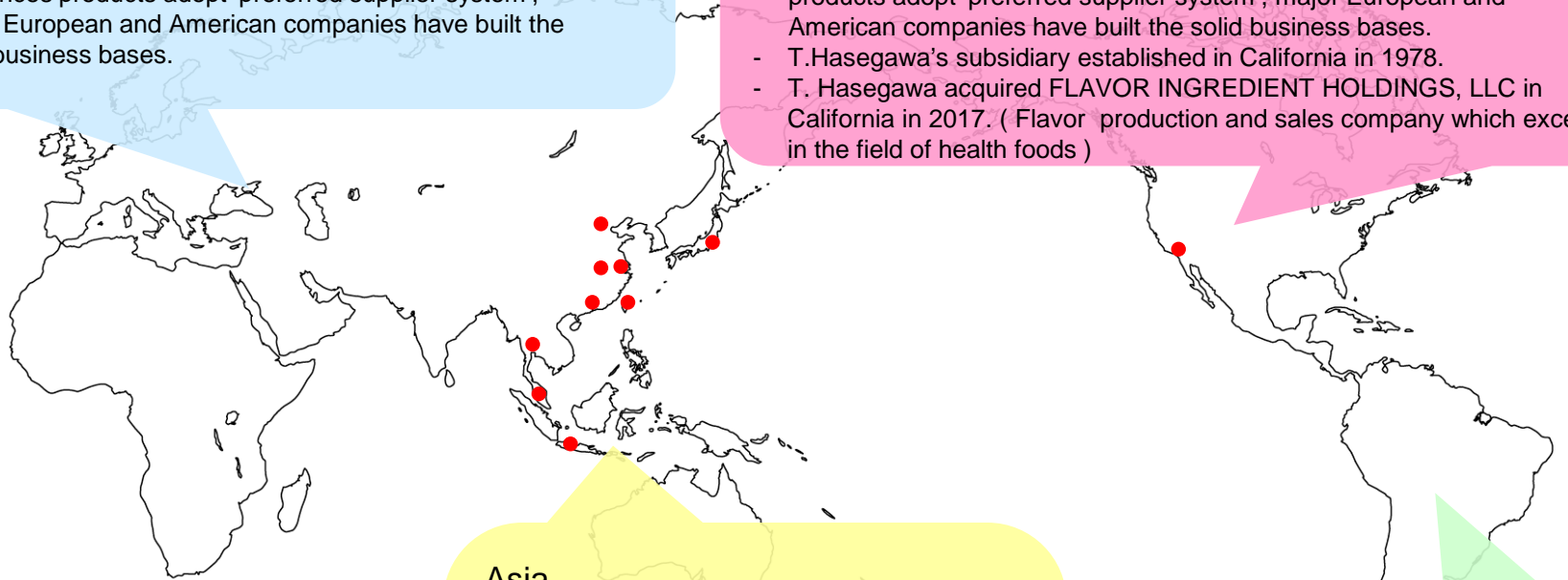
South America

- Market size : Approx. 230 billion 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= 112.1 JPY
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

(millions of USD)

	Company name	Country	Sales (2017Yr)	Market Share
1	Givaudan	Switzerland	5,133	19.5%
2	Firmenich	Switzerland	3,668	13.9%
3	IFF	USA	3,399	12.9%
4	Symrise	Germany	2,673	10.2%
5	Mane SA	France	1,306	5.0%
6	Frutarom	Israel	1,271	4.8%
7	Takasago	Japan	1,226	4.7%
8	Sensient Flavors	USA	619	2.4%
9	Robertet SA	France	570	2.2%
10	T. Hasegawa	Japan	428	1.6%
11	Huabao International	Hong Kong	414	1.6%
	Subtotal	—	20,707	78.7%
	Others	—	5,593	21.3%
	Total	—	26,300	—

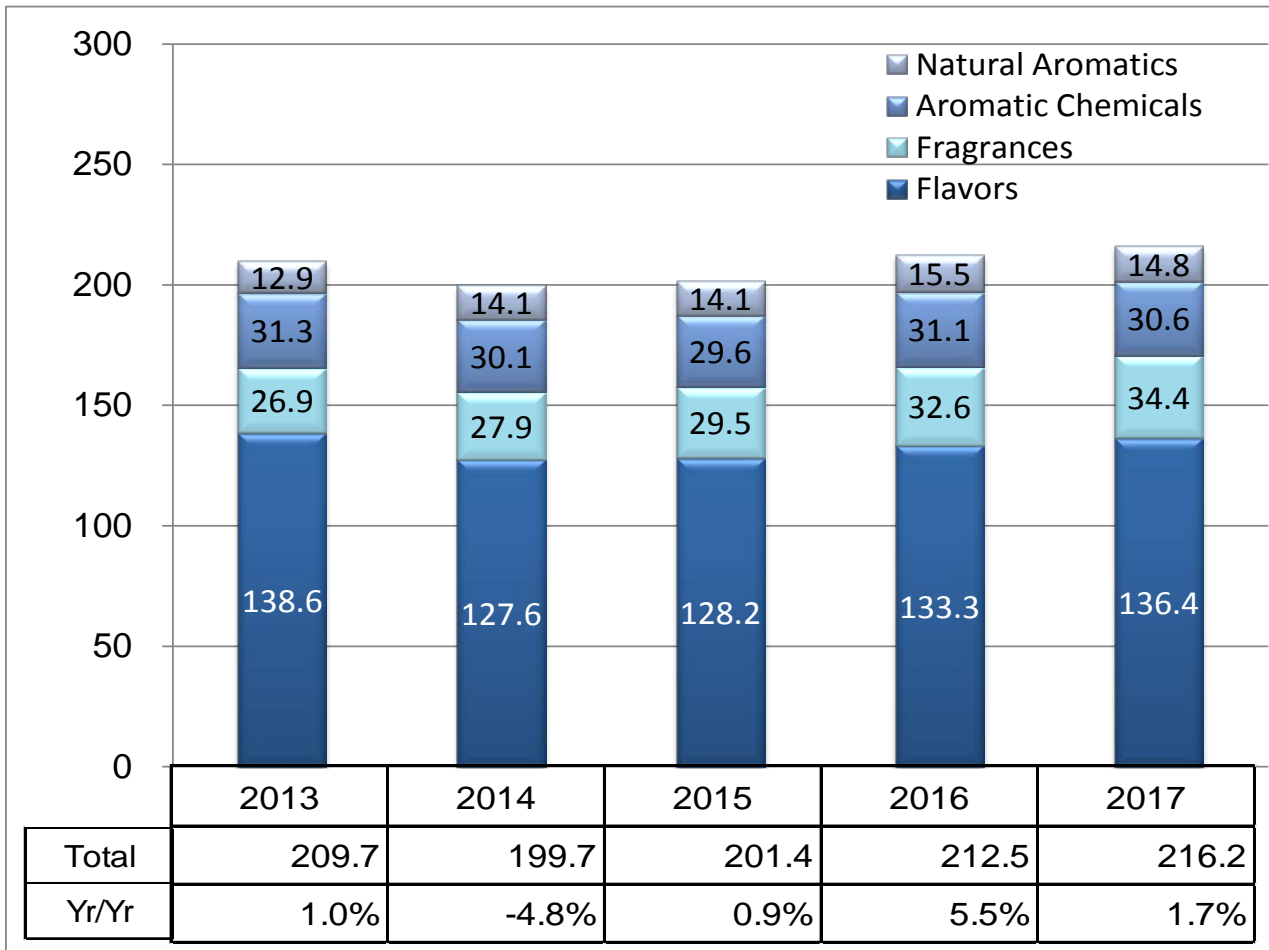
* US \$1 ≙ 112.1Yen

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

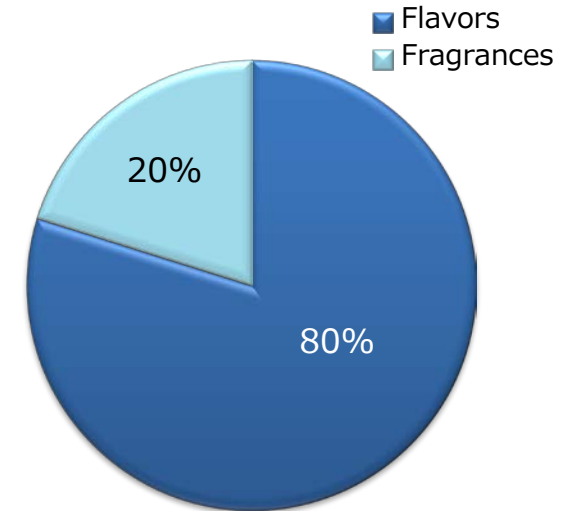
Flavor market accounts for 80% of flavor and fragrance total market share in domestic.
(Flavor market covers 50% of flavor and fragrance market in world wide)

Transition of sales in domestic market

(Billion yen)



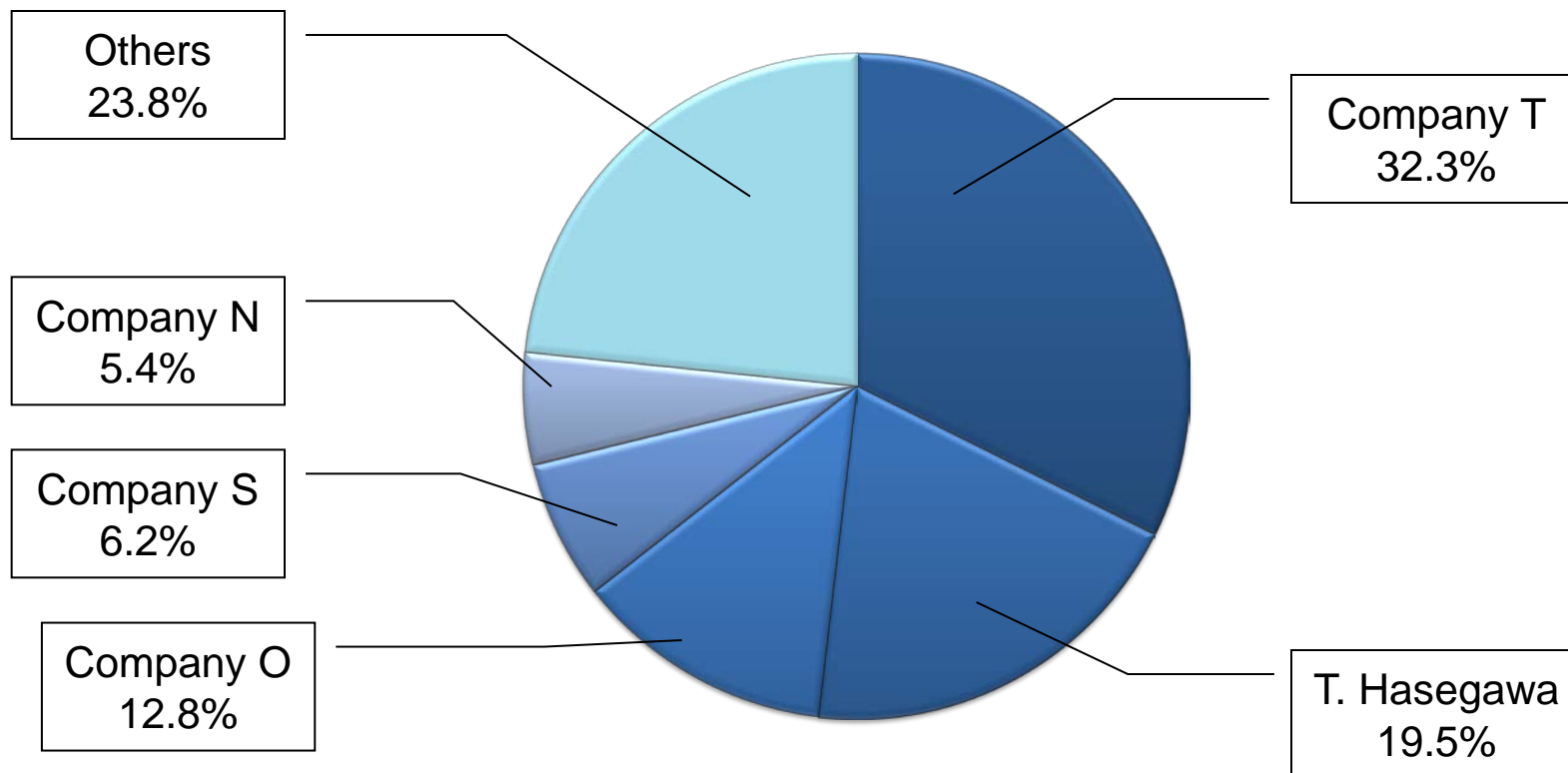
Composition Rate (2017 Yr)



Source of reference : Japan Flavor & Fragrance Materials Association Magazine

Outline of Current Status of T. Hasegawa

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 are from Apr. to Mar. 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 >

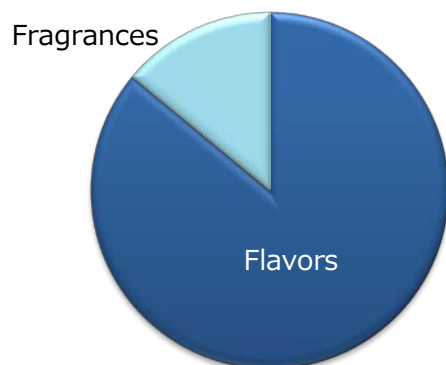
- Focus on sales of compound flavors and fragrances with high added value.
- Sells a kind of approximately 11,000 products per year due to the company policy to provide wide range of products by various quantities in order to meet customer requests.

(Million yen)

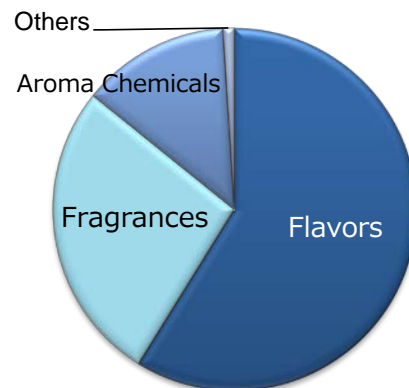
	T. Hasegawa (Consolidated)		Company T (Consolidated)	
	FY ended in Sep. 2017		FY ended in Mar. 2018	
	Sales	Share	Sales	Share
Flavors	41,288	86.0%	83,312	58.8%
Fragrances	6,713	14.0%	38,183	27.0%
Aroma Chemicals	0	0.0%	18,655	13.2%
Others	0	0.0%	1,441	1.0%
Total	48,001	100.0%	141,592	100.0%
Ratio of gross profits to sales	39.1%		31.7%	
Ratio of operating income to sales	11.7%		4.5%	

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

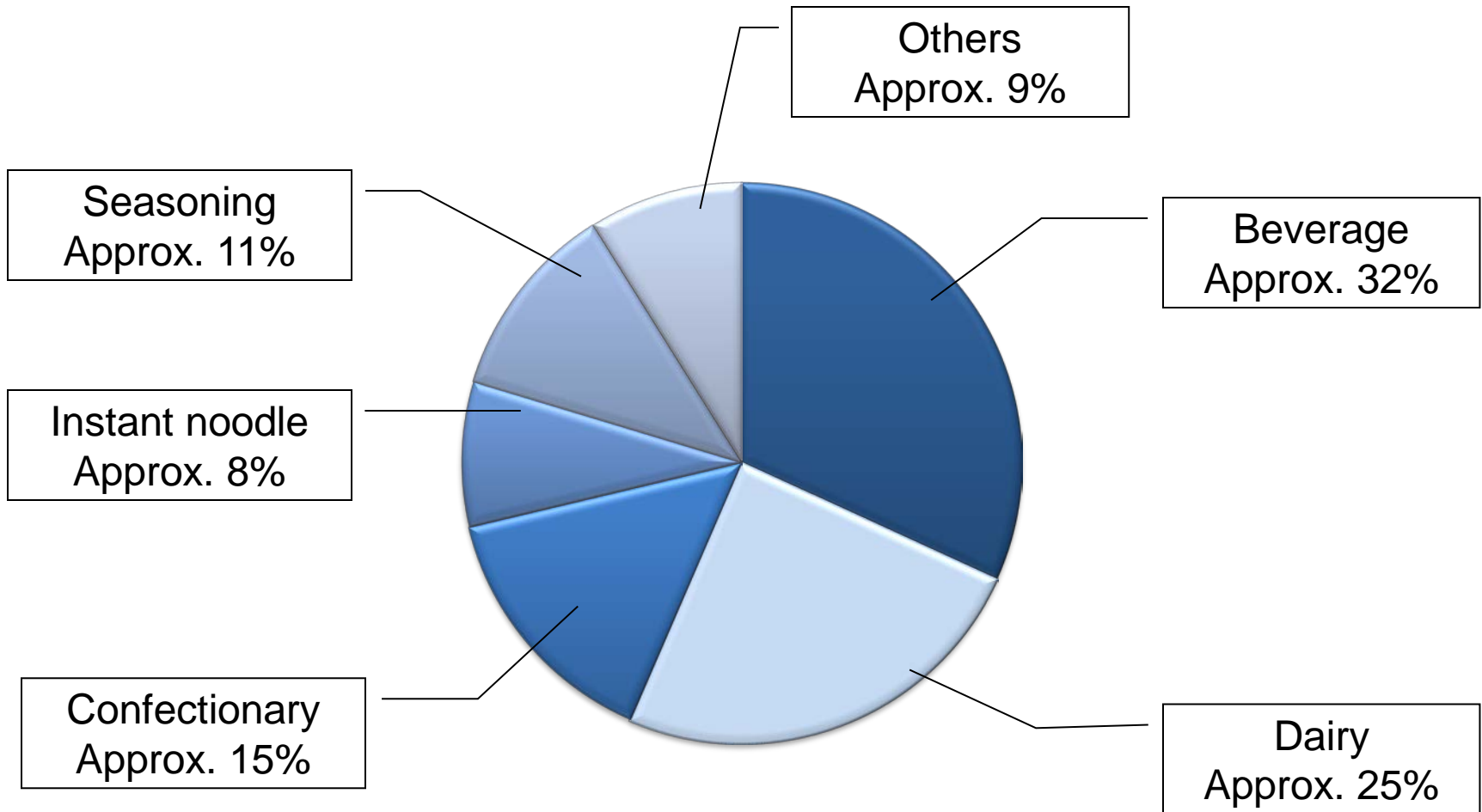
T. Hasegawa
(Consolidated)



Company T
(Consolidated)



Sales share for beverage is the highest and sales trend of beverages has fluctuation in line with seasons.



*The share indicated above is calculate as 100% for total non-consolidated sales of 2nd quarter in FY2018 regarding the companies which are possible to separate sales by industry.

Additional Financial Information

Consolidated Income Statement Highlights

Operating income decreased due to decrease in gross profit caused from deterioration in the cost of sales ratio, and increase of SGA expenses.

(Million yen)

	FY17 2Q Actual		FY18 2Q Actual		YoY		Remarks
					Value	%	
Net sales	22,991	100.0%	23,462	100.0%	470	2.0%	• Sales growth of existing subsidiary in USA and contribution of new subsidiary in USA
Cost of sales	13,798	60.0%	14,544	62.0%	746	5.4%	• Cost of sales ratio increased due to decrease of operating rate in production site at parent company and subsidiary in China
Gross profit	9,193	40.0%	8,917	38.0%	-275	-3.0%	—
SGA expenses	6,115	26.6%	6,770	28.9%	654	10.7%	• Amortization of goodwill and increase of SGA expenses of new subsidiary in USA both relating to the acquisition of last year • Increase of SGA expenses at parent company
Operating income	3,077	13.4%	2,147	9.2%	-930	-30.2%	—
Ordinary income	3,363	14.6%	2,310	9.8%	-1,053	-31.3%	(FY17 2Q) Foreign exchange gain of 136m yen was calculated (FY18 2Q) Foreign exchange loss of 61m yen was calculated
Income before income taxes	3,348	14.6%	2,274	9.7%	-1,074	-32.1%	—
Net income	2,351	10.2%	1,617	6.9%	-734	-31.2%	—

Consolidated Balance Sheet Highlights

(Million yen)

	As of September 30,2017	As of March 31,2018	Increase or Decrease	Remarks
Current assets	48,694	49,300	605	<ul style="list-style-type: none"> • Increase in cash and deposits: 1,243m Yen • Increase in inventories: 1,449m Yen • Decrease in account receivable-trade: -1,581m Yen
Fixed assets	61,141	63,732	2,590	<ul style="list-style-type: none"> • Increase in investment securities: 3,632m Yen • Decrease in property, plant and equipment : -424m Yen • Decrease in intangible assets : -596m Yen
Total assets	109,836	113,032	3,195	—
Current liabilities	10,534	9,804	-730	<ul style="list-style-type: none"> • Decrease in income taxes payable: -246m Yen • Decrease in provision for bonuses: -501m Yen
Long-term liabilities	11,772	12,866	1,093	<ul style="list-style-type: none"> • Increase in deferred tax liabilities: 1,147m Yen
Total liabilities	22,307	22,671	363	—
Total net assets	87,528	90,361	2,832	<ul style="list-style-type: none"> • Increase in retained earnings: 1,617m Yen • Cash dividends paid: -806m Yen • Decrease in foreign currency translation adjustments: -450m Yen • Increase in unrealized gains on available-for-sale securities: 2,514m Yen
Total liabilities and net assets	109,836	113,032	3,195	—

Consolidated Statement of Cash Flows

(Million yen)

	FY17 2Q	FY18 2Q	Increase or Decrease	Remarks
Cash flows from operating activities	3,645	3,107	-538	<ul style="list-style-type: none"> • Income before taxes: 2,274m Yen • Depreciation & Amortization: 1,441m Yen • Decrease in notes and accounts receivable - trade: 1,551m Yen • Increase in inventories: -1,437m Yen • Income taxes paid: -830m Yen
Cash flows from investing activities	-1,521	-2,388	-867	<ul style="list-style-type: none"> • Payments into time deposits: -1,504m Yen • Purchase of property, plant and equipment: -913m Yen
Cash flows from financing activities	-832	-812	20	<ul style="list-style-type: none"> • Cash dividends paid: -805m Yen
Effect of currency change on cash and cash equivalents	193	-14	-208	—
Net change in cash and cash equivalents	1,485	-108	-1,594	—
Cash and cash equivalents at beginning of period	22,313	16,511	-5,802	—
Cash and cash equivalents at end of period	23,799	16,428	-7,370	—

(Million yen)

		FY18 Plan	FY18 2Q Actual	Progress (%)
Capital Investment	Consolidated	3,355	1,077	32.1%
	Non-consolidated	1,835	649	35.4%
Depreciation & Amortization	Consolidated	2,863	1,441	50.3%
	Non-consolidated	2,061	954	46.3%
R&D Expenses	Consolidated	4,609	2,172	47.1%
	Non-consolidated	3,597	1,720	47.8%

Income Statement Highlights - Non-consolidated (Actual)

(Million yen)

	FY17 2Q Actual		FY18 2Q Actual		YoY		Progress (v s. Revised plan ※1)
	Value	Share	Value	Share	Value	%	
Net sales	17,572	100.0%	17,380	100.0%	-192	-1.1%	46.6%
Cost of sales	10,725	61.0%	10,786	62.1%	60	0.6%	46.4%
Gross profit	6,846	39.0%	6,594	37.9%	-252	-3.7%	47.0%
SGA expenses	4,696	26.7%	4,849	27.9%	152	3.3%	47.7%
Operating income	2,150	12.2%	1,745	10.0%	-405	-18.9%	45.0%
Ordinary income	2,432	13.8%	1,928	11.1%	-504	-20.7%	45.7%
Income before income taxes	2,465	14.0%	1,917	11.0%	-548	-22.3%	45.1%
Net income	1,827	10.4%	1,413	8.1%	-414	-22.7%	45.4%

※1 Revised plan, disclosed on May 11, 2018

- Consolidated income statements for USA including THUSA and FLAVOR INGREDIENT HOLDINGS, LLC.
- For the first half of the previous year, FLAVOR INGREDIENT HOLDINGS, LLC which acquired in July 2017 was non-consolidated.
- For the first half of the current year, this subsidiary was consolidated. (Total 6 months period from Oct. 2017 to Mar. 2018)

(Million yen)

Yen Basis	FY17 2Q		FY18 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	1,801	100.0%	2,574	100.0%	772	42.9%
Cost of sales	1,112	61.7%	1,565	60.8%	453	40.7%
Gross profit	689	38.3%	1,008	39.2%	319	46.4%
SGA expenses	558	31.0%	976	37.9%	418	75.1%
Operating income	131	7.3%	31	1.2%	-99	-75.6%
Ordinary income	125	6.9%	26	1.0%	-99	-79.2%

Yen111.47/USD

Yen110.64/USD

0.7% Higher against USD

(Thousand US\$)

Local Currency Basis	FY17 2Q		FY18 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	16,161	100.0%	23,267	100.0%	7,106	44.0%
Cost of sales	9,978	61.7%	14,148	60.8%	4,170	41.8%
Gross profit	6,182	38.3%	9,118	39.2%	2,936	47.5%
SGA expenses	5,005	31.0%	8,830	37.9%	3,824	76.4%
Operating income	1,176	7.3%	288	1.2%	-887	-75.5%
Ordinary income	1,122	6.9%	235	1.0%	-887	-79.0%

- Sales increased due to both sales growth of existing subsidiary for savory and for beverage, and contribution of new subsidiary.
- Both yen and local currency basis sales achieved double-digit growth.
- Operation income decreased due to increase in SGA expenses.

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

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

(Million yen)

Yen Basis	FY17 2Q		FY18 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	3,579	100.0%	3,540	100.0%	-39	-1.1%
Cost of sales	2,121	59.3%	2,266	64.0%	144	6.8%
Gross profit	1,458	40.7%	1,274	36.0%	-184	-12.6%
SGA expenses	763	21.3%	820	23.2%	57	7.5%
Operating income	694	19.4%	453	12.8%	-241	-34.7%
Ordinary income	734	20.5%	481	13.6%	-253	-34.5%

Yen16.27 / RMB

Yen17.07 / RMB

4.9% lower against RMB

(Thousand RMB)

Local Currency Basis	FY17 2Q		FY18 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	220,008	100.0%	207,391	100.0%	-12,616	-5.7%
Cost of sales	130,384	59.3%	132,748	64.0%	2,363	1.8%
Gross profit	89,623	40.7%	74,643	36.0%	-14,980	-16.7%
SGA expenses	46,938	21.3%	48,090	23.2%	1,151	2.5%
Operating income	42,684	19.4%	26,552	12.8%	-16,132	-37.8%
Ordinary income	45,170	20.5%	28,189	13.6%	-16,980	-37.6%

- Sales decreased due to decrease in sales for flavor.
- Operating income decreased due to deterioration in the cost of sales ratio.

(Million yen)

Yen Basis	FY17 2Q		FY18 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	472	100.0%	443	100.0%	-29	-6.2%
Cost of sales	270	57.2%	291	65.8%	21	7.9%
Gross profit	202	42.8%	151	34.2%	-50	-25.1%
SGA expenses	143	30.3%	141	31.8%	-2	-1.4%
Operating income	59	12.5%	10	2.3%	-48	-82.5%
Ordinary income	65	13.8%	18	4.2%	-46	-71.3%

Yen25.44 / MYR

Yen27.42 / MYR

7.8% lower against MYR

(Thousand Malaysian Ringgit)

Local Currency Basis	FY17 2Q		FY18 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	18,576	100.0%	16,164	100.0%	-2,411	-13.0%
Cost of sales	10,628	57.2%	10,642	65.8%	13	0.1%
Gross profit	7,947	42.8%	5,522	34.2%	-2,424	-30.5%
SGA expenses	5,627	30.3%	5,145	31.8%	-481	-8.6%
Operating income	2,320	12.5%	376	2.3%	-1,943	-83.8%
Ordinary income	2,555	13.8%	681	4.2%	-1,873	-73.3%

- Sales decreased due to decrease in sales for snacks.
- Operating income decreased due to decrease in gross profit due to lower sales.

Caution with Respect to Forward-Looking Statements:

This material is composed based on data as of May 11, 2018 and the purpose to publish this material is to offer information of management plan and consolidated financial statement in 2nd quarter FY2018.

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 which differs 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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