



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・Pittsford・上海・北京・香港・Bangkok

Financial Results for the 2nd Quarter
Ended March 31, 2014

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

May 14, 2014

| | | |
|---|-----|---------|
| <u>I . Summary of the Consolidated Financial Statements</u> | ... | P 2-P 9 |
| – Market Environment | | |
| – Consolidated Results | | |
| – Net sales by Segments, by Region | | |
| – Operating Income by Region | | |
| – FY14 Annual Plan | | |
| <u>II . Global Strategies</u> | ... | P10-P15 |
| – Domestic Strategies | | |
| – Overseas Strategies | | |
| <u>III . Management Strategies</u> | ... | P16-P17 |
| <u>IV . Appendix</u> | ... | P18-P40 |

I . Summary of the Consolidated Financial Statements

Domestic Market

- Domestic flavors and fragrances market slightly increased in 2013
- Beverage market expanded because people were stocking up on things before the consumption tax increase in April.
- “Non-flavored mineral water” and “Carbonated drinks” contributed to the market growth
- Yogurt & Yogurt Drinks market expanded due to the higher growth of the functional items (In particular, functional yogurt drinks)
However, other standard yogurt segment stayed almost flat in 2013, and there are fierce competitions among dairy products makers

Overseas Market

- Overseas flavors and fragrances market expanded by approximately 4% due to the growing demand in emerging markets especially in Asia and Latin America
- Beverage market in China (Including mineral water) expanded at double-digit growth rate in 2013, although its growth rate slowed down in 2012

- Year-on-year: Net sales increased due to the increase of net sales of subsidiary in China, USA
Operating income decreased due to increase of SGA expenses
- vs. Plan : Net sales fell short of plan due to net sales of Non-consolidated did not achieve the original plan

Yen million

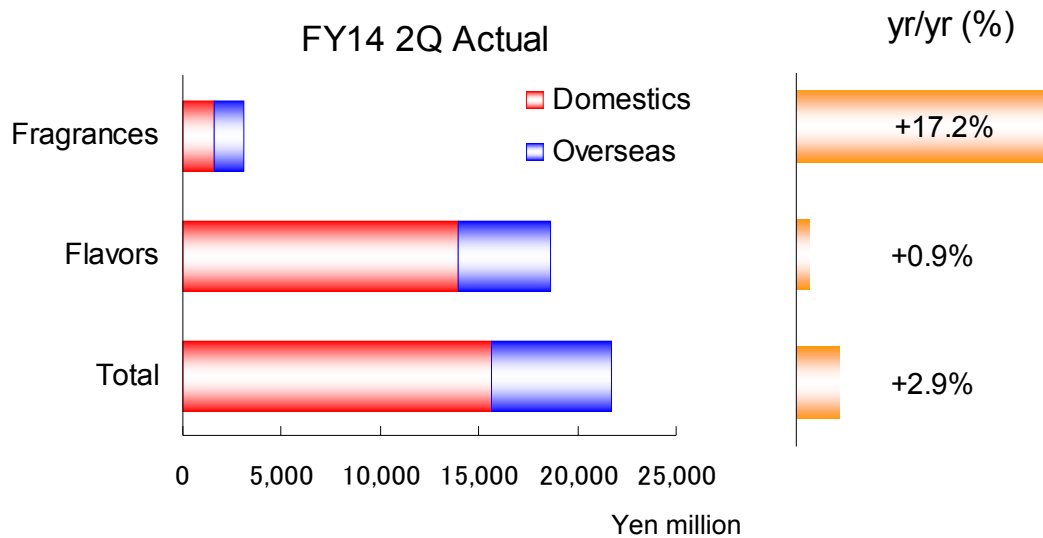
| | FY13 2Q Actual | FY14 2Q Plan | FY14 2Q Actual | Achievement | | | |
|----------------------------|----------------|--------------|----------------|-------------|--------|---------|-------|
| | Value | Value | Value | Yr/Yr | | vs.Plan | |
| | | | | Value | % | Value | % |
| Net sales | 21,079 | 21,920 | 21,696 | 617 | 2.9% | -223 | -1.0% |
| Cost of sales | 13,471 | 13,840 | 13,629 | 157 | 1.2% | -210 | -1.5% |
| Gross profit | 7,607 | 8,080 | 8,067 | 459 | 6.0% | -12 | -0.2% |
| SGA expenses | 5,372 | 5,770 | 5,855 | 483 | 9.0% | 85 | 1.5% |
| Operating income | 2,235 | 2,310 | 2,211 | -23 | -1.0% | -98 | -4.3% |
| Ordinary income | 2,857 | 2,410 | 2,440 | -416 | -14.6% | 30 | 1.3% |
| Income before income taxes | 2,826 | 2,350 | 2,414 | -412 | -14.6% | 64 | 2.7% |
| Net income | 1,951 | 1,600 | 1,573 | -378 | -19.4% | -26 | -1.7% |

Net sales by Segments

• Net sales increased due to the increase in fragrances sales of Non-consolidated, and the increase in both segment of subsidiary in China

Yen million

| | FY13 2Q Actual | FY14 2Q Actual | Yr/Yr | | Remark |
|------------|-------------------|-------------------|-------|-------|---|
| | | | Value | % | |
| Fragrances | 2,628 | 3,081 | 453 | 17.2% | Sales for toiletry products increased Sales of the subsidiary in China increased |
| Flavors | 18,450 | 18,614 | 164 | 0.9% | Sales of the subsidiary in China increased |
| Total | 21,079 | 21,696 | 617 | 2.9% | — |



Comparative Income statements (Consolidated)

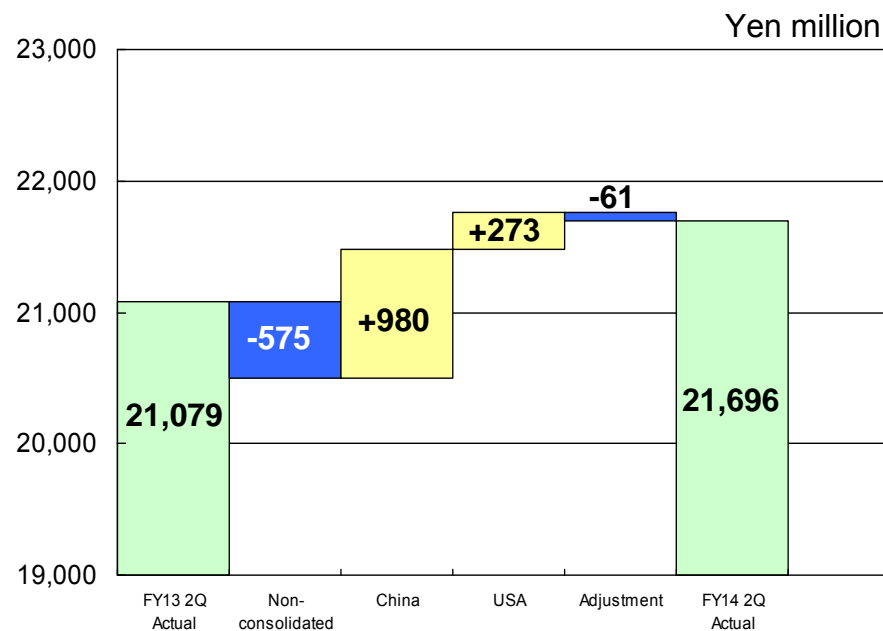
- Gross profit increased due to the increase in net sales and the decrease in cost of sales
- Operating income decreased due to increase in SGA expenses

Yen million

| | FY2013 2Q Actual | | FY2014 2Q Actual | | yr/yr | | Remark |
|----------------------------|---------------------|--------|---------------------|--------|-------|--------|--|
| | | | | | Value | % | |
| Net sales | 21,079 | 100.0% | 21,696 | 100.0% | 617 | 2.9% | |
| Cost of sales | 13,471 | 63.9% | 13,629 | 62.8% | 157 | 1.2% | <ul style="list-style-type: none"> • Sales cost ratio of non-consolidated basis increased due to the decrease of production • Sales cost ratio of overseas subsidiaries improved due to the increase of production |
| Gross profit | 7,607 | 36.1% | 8,067 | 37.2% | 459 | 6.0% | |
| SGA expenses | 5,372 | 25.5% | 5,855 | 27.0% | 483 | 9.0% | (Non-consolidated) SGA expenses increased in Head office relocation expenses (Overseas subsidiaries) SGA expenses increased in the expansion of company performance |
| Operating income | 2,235 | 10.6% | 2,211 | 10.2% | -23 | -1.0% | |
| Ordinary income | 2,857 | 13.6% | 2,440 | 11.2% | -416 | -14.6% | (FY13 2Q) Foreign exchange gain of 376m was calculated as Non-operating income (FY14 2Q) Foreign exchange gain of 51m was calculated as Non-operating income |
| Income before income taxes | 2,826 | 13.4% | 2,414 | 11.1% | -412 | -14.6% | |
| Net income | 1,951 | 9.3% | 1,573 | 7.3% | -378 | -19.4% | |

- Consolidated sales increased due to the increase in sales of the overseas subsidiaries making up for the decrease in Non-consolidated sales

| Yen million | | | | |
|------------------|----------------|----------------|-------|-------|
| | FY13 2Q Actual | FY14 2Q Actual | yr/yr | % |
| Non-consolidated | 17,918 | 17,343 | -575 | -3.2% |
| China | 2,419 | 3,399 | 980 | 40.5% |
| USA | 899 | 1,173 | 273 | 30.4% |
| Adjustment | -157 | -219 | -61 | - |
| Consolidated | 21,079 | 21,696 | 617 | 2.9% |

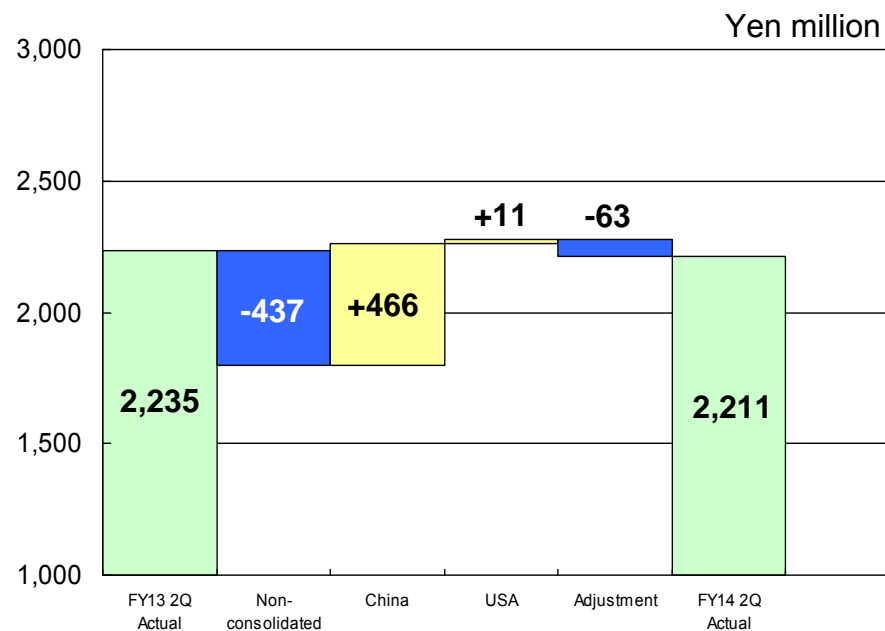


- Non-consolidated: Flavor sales decreased in “Extract product used for tea beverages” and “Fruit processing product” ⇒ Decrease in net sales
- China: Flavor and Fragrance sales increased ⇒ Increase in net sales
- U.S.: Expansion of existing business contributed to the growth ⇒ Increase in net sales

- Operating income of the subsidiaries in China increased

Yen million

| | FY13 2Q Actual | FY14 2Q Actual | yr/yr | % |
|------------------|----------------|----------------|-------|--------|
| Non-consolidated | 1,742 | 1,304 | -437 | -25.1% |
| China | 448 | 915 | 466 | 104.1% |
| USA | -31 | -19 | 11 | - |
| Adjustment | 75 | 11 | -63 | - |
| Consolidated | 2,235 | 2,211 | -23 | -1.0% |



- Non-consolidated: Decreased in Net sales and Increased in Head office relocation expenses

⇒ Decrease in operating income

- China: Increase in net sales and lowering the sales cost ratio

⇒ Increase in operating income

- U.S.: Increase in net sales and lowering the SGA expense-sales ratio

⇒ the margin of deficit decreased

- Although the first half results were below plan (Please refer to Page 4), achievement of annual plan is expected
- Sales for beverage market which account for approximately 30% of total sales peak in spring and summer (the second half of the fiscal year)
 - The percentage of the first half year's Net sales to the whole year's is 47% (Average values for the last ten years)
 - The percentage of the first half year's Operating Income to the whole year's is 40% (Average values for the last ten years)
 - The business results of the subsidiary in China were brisk, net sales of subsidiary in USA increased

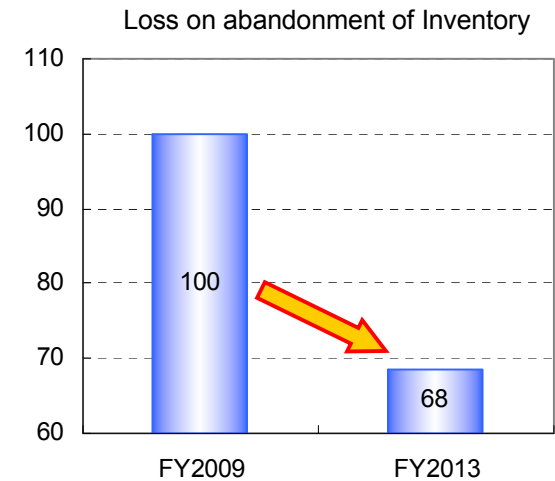
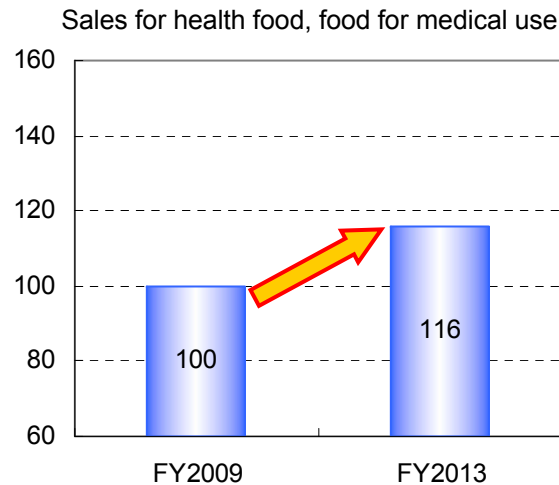
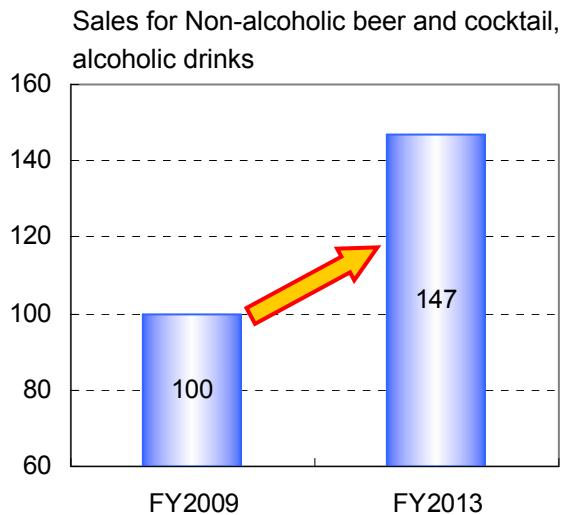
⇒ No change in FY14 Annual Plan announced on November 8, 2013

Yen million

| | FY13 Actual | | FY14 Plan | | | FY13 2Q YTD Achievement | | |
|----------------------------|-------------|--------|-----------|--------|-------|-------------------------|--------|----------|
| | Value | Share | Value | Share | yr/yr | Value | Share | Progress |
| Net sales | 45,104 | 100.0% | 46,910 | 100.0% | 4.0% | 21,696 | 100.0% | 46.3% |
| Cost of sales | 28,345 | 62.8% | 29,420 | 62.7% | 3.8% | 13,629 | 62.8% | 46.3% |
| Gross profit | 16,758 | 37.2% | 17,490 | 37.3% | 4.4% | 8,067 | 37.2% | 46.1% |
| SGA expenses | 11,320 | 25.1% | 11,920 | 25.4% | 5.3% | 5,855 | 27.0% | 49.1% |
| Operating income | 5,438 | 12.1% | 5,570 | 11.9% | 2.4% | 2,211 | 10.2% | 39.7% |
| Ordinary income | 6,367 | 14.1% | 5,790 | 12.3% | -9.1% | 2,440 | 11.2% | 42.2% |
| Income before income taxes | 5,708 | 12.7% | 5,670 | 12.1% | -0.7% | 2,414 | 11.1% | 42.6% |
| Net income | 3,518 | 7.8% | 3,850 | 8.2% | 9.4% | 1,573 | 7.3% | 40.9% |

II . Global Strategies

| Policies | Ongoing projects and those current progress |
|--|---|
| <p>Maturing in domestic market under the aging society, Ensure the profitability by expanding the market share</p> | <ol style="list-style-type: none"> 1. Promotion of the solution-oriented sales activities <ul style="list-style-type: none"> • Collaborative work between R&D and Sales to provide solutions to customers 2. Enhance the capability to provide flavors and fragrances for new applications <ul style="list-style-type: none"> • Focus on new areas such as non-alcoholic beer and cocktail, alcoholic drinks, health food, food for medical use • Develop flavors that can replace food materials such as milk, vegetables, fruit juice and meat 3. Cost-cutting measures and profit management utilizing ERP <ul style="list-style-type: none"> • Continue to promote cost-cutting efforts through improvement of production efficiency, reducing inventory losses and overall streamlining measures |



Note: This data was calculated by assuming FY2009's figure as 100

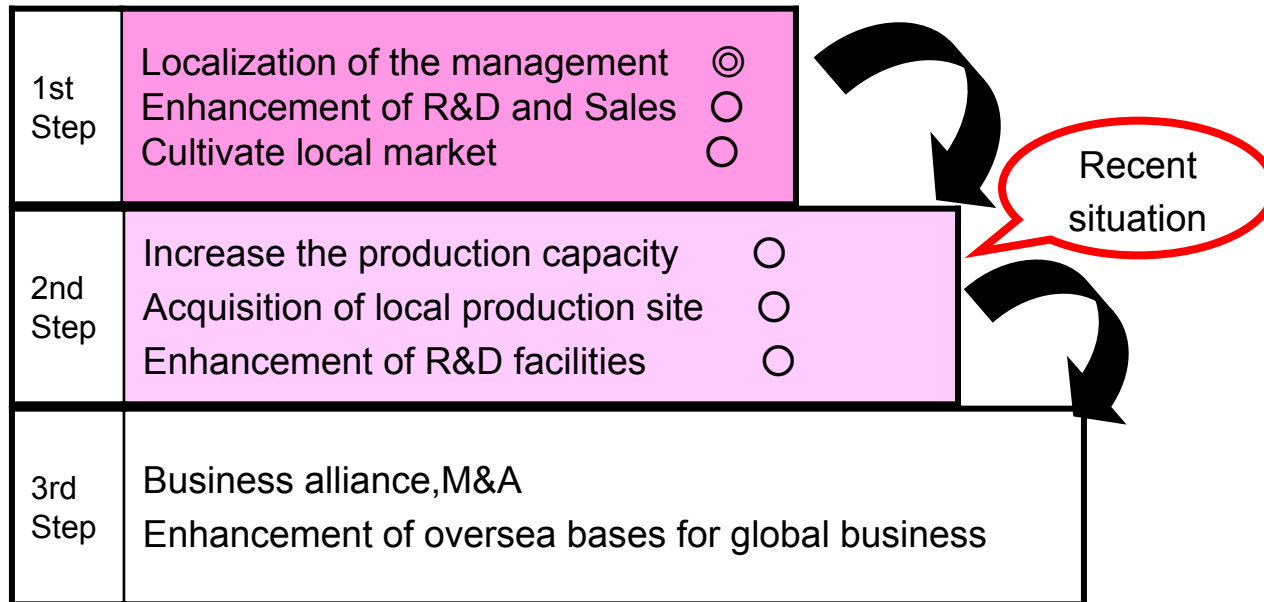
Policy

Promote step-by-step globalization with effective use of human resources and funds allocation

1st Phase : Cultivate local markets in China, U.S. and Southeast Asia

◎ : Completion

○ : On-going



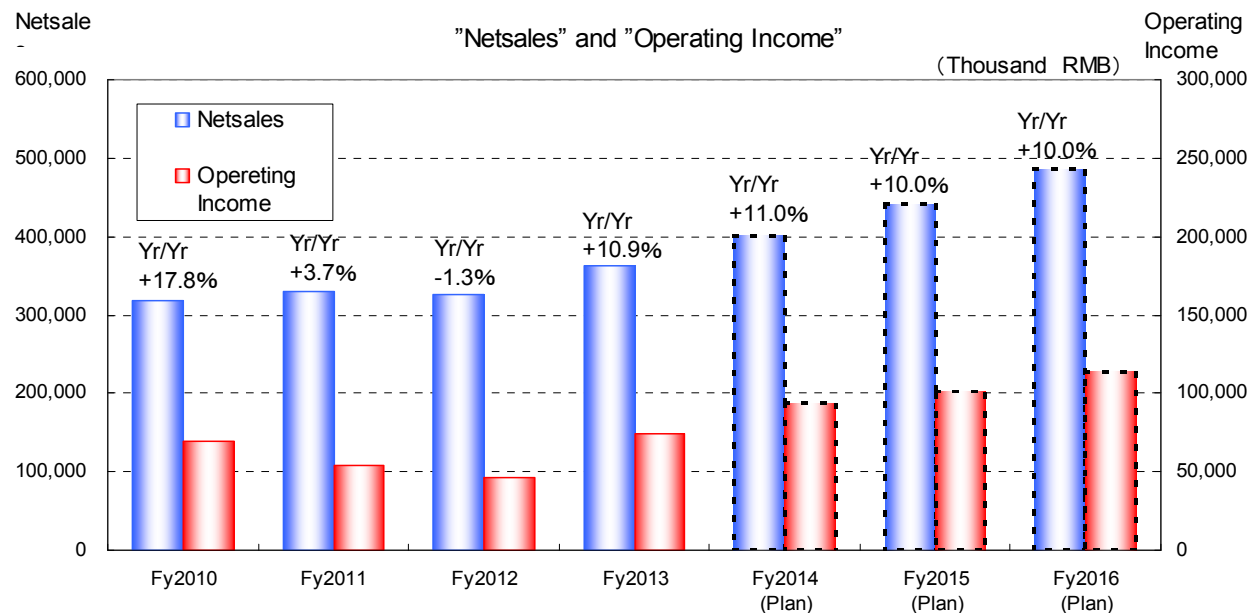
2nd Phase : Increase business opportunities with global companies

Aim at the further growth by capturing demand of rapidly growing Chinese market

| Policies |
|---|
| Develop products that can meet the local tastes and preferences |

| Ongoing projects and those current progress |
|--|
| 1. Increase the production capacity • 2nd phase of the capital investment of T.H.Suzhou plant is underway, and it will start operation in June 2015 • The total investment of this project is expected to be approximately 2.0 billion Yen • This project will increase our productive capacity in China by approximately 30% |
| 2. Enhancement of R&D facilities • Construction of new R&D facility at T.H.Shanghai is scheduled • The project team started investigating the specifications of Building and Equipment. • This facilities will start operation in FY 2016. |
| 3. Realign new management structure • This project brought a good result for “Strengthen business relationship with current customers” and “Cultivating new customers”, as a result, Net sales increased |

| FY2014 2Q Performance |
|--|
| Net Sales 203 million RMB (+17.3% Yr/Yr) |
| Operating Income 55 million RMB (+70.4% Yr/Yr) |



| Sales and profit target (in FY2018) |
|--|
| Net sales 10.0 bln Yen |
| Operating income 2.0 bln Yen |

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

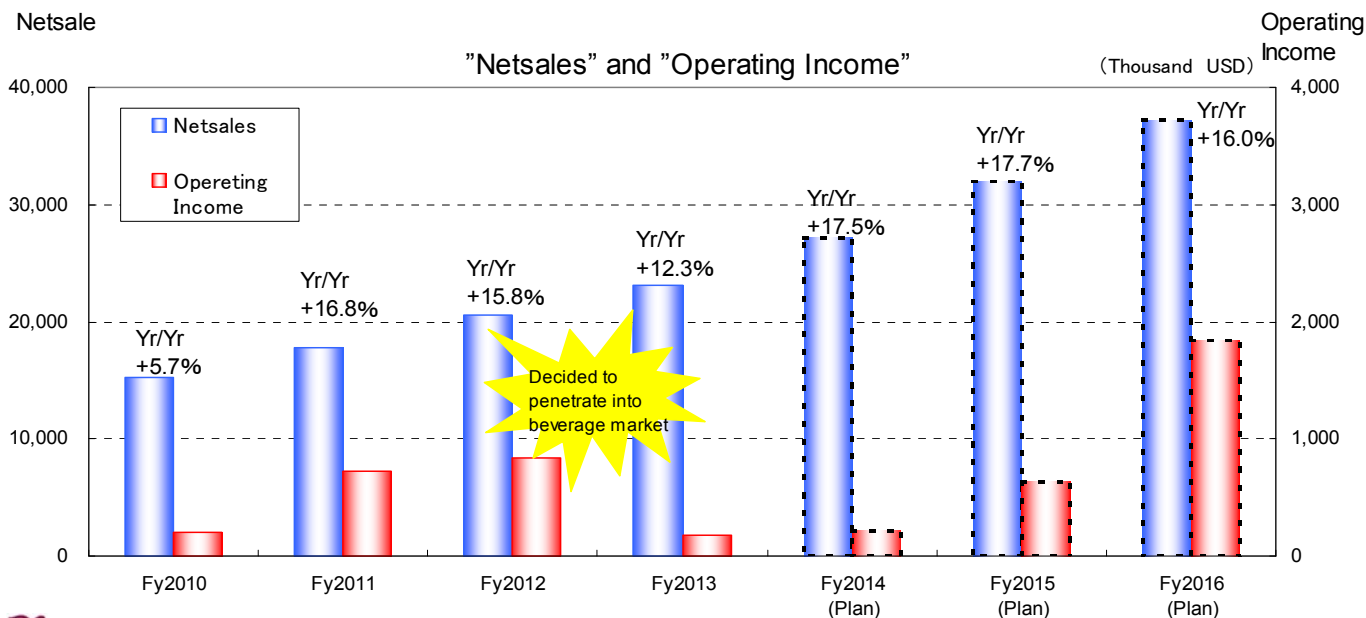
Shifting a gear from “Steady growth” to “Aggressive growth strategy”

| Policies |
|---|
| (Short-term Policies) |
| • Increase in sales for beverage market |
| • Further increase in sales of savory flavors |
| (Medium and Long-term Policies) |
| • Increase business opportunities with global companies |
| • Expand business in North and South American market |



| Ongoing projects and those current progress |
|---|
| 1.Realign new management structure |
| • Recruited CEO, Director of Laboratories and Sales department who are well acquainted with beverage market. |
| • Recruited an sales staff who formerly worked as a product developer in beverage market, Strengthening the efficiency of sales functions to expand beverage market |
| 2.Enhancement of R&D facilities |
| • Expansion of R&D and Administration building is near completion, and it will start operation in May 2014 |
| • The total investment is expected to be approximately 0.5 billion Yen |
| • Strengthening of support from Japan, and maintain close exchanges of information between Japan and U.S. |
| 3.Enhancement of bases for global business |
| • Built a new office in Mexico to penetrate North American market in Oct,2013 |

| FY2014 2Q Performance |
|-----------------------------------|
| Net Sales |
| 11,548 thousand dollars |
| (+11.4% Yr/Yr) |
| Operating Loss |
| 190 thousand dollars |
| (The margin of deficit decreased) |

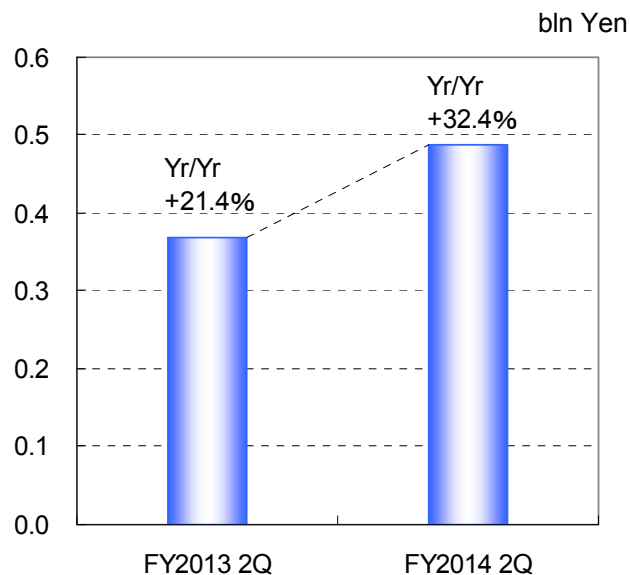


| Sales and profit target (in FY2018) |
|-------------------------------------|
| Net sales |
| 4.5 bln Yen |
| Operating income |
| 0.5 bln Yen |

Transitional stage from “Improvement of profitability” to “Expanding sales”



Export sales to Southeast Asian region



| Sales and profit target (in FY2018) |
|--|
| <p>Net sales 2.0 bln Yen</p> <p>Operating income 0.2 bln Yen</p> |

III. Management Strategies

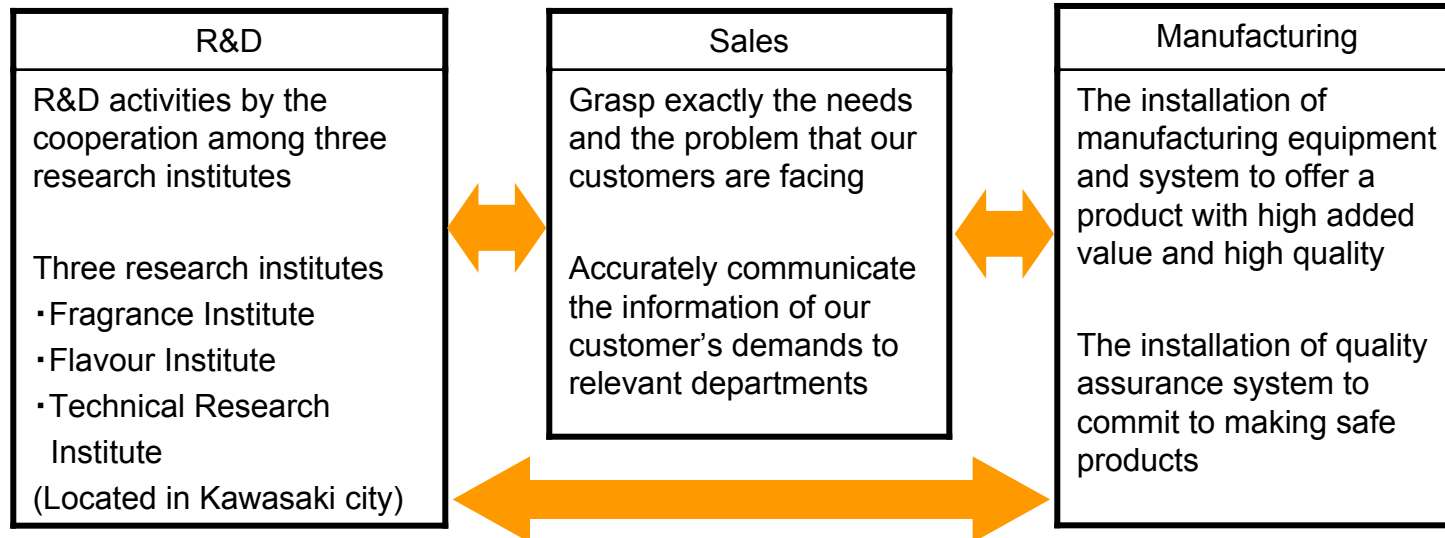
Basic Strategies

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

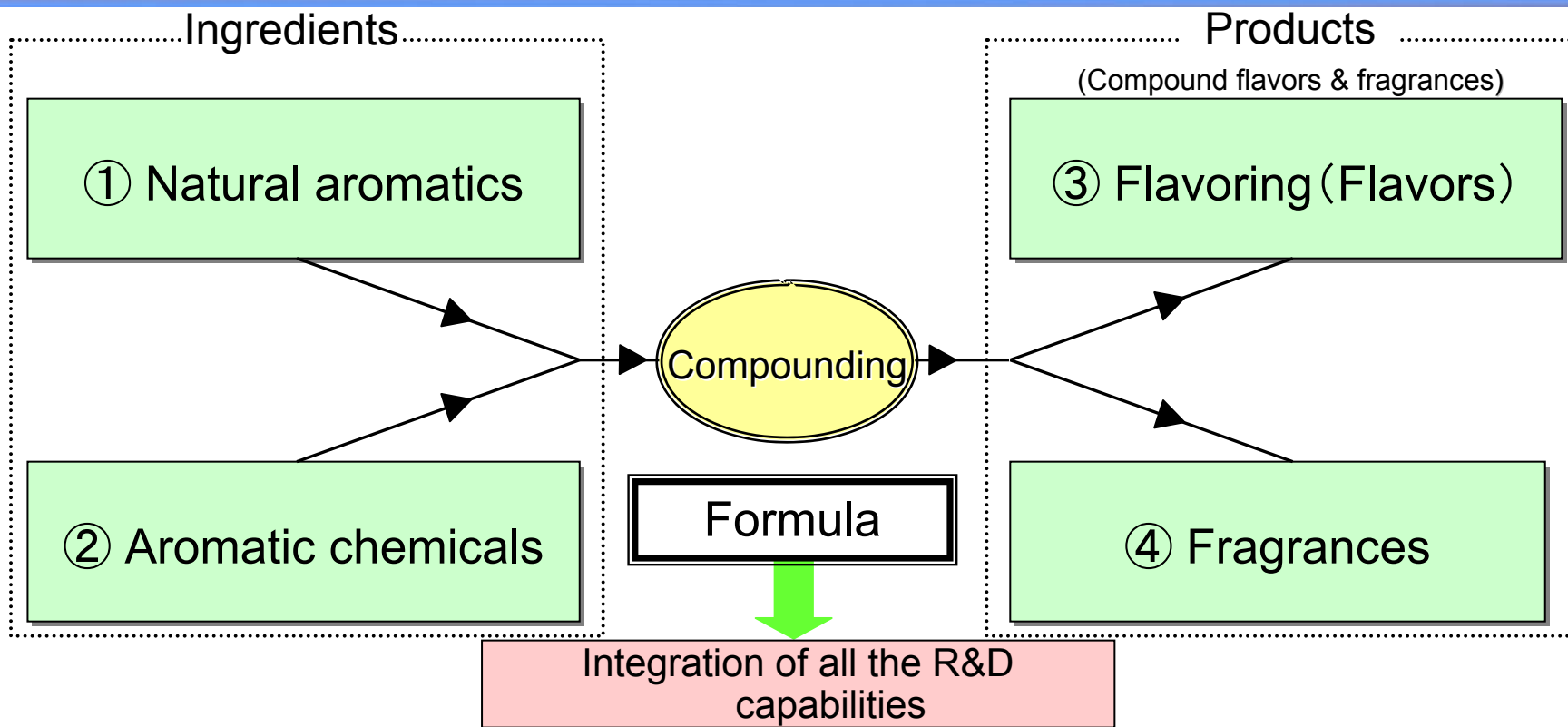
Collaboration among R&D, Sales, Manufacturing



Offer the best solution for customers

IV. Appendix

Outlines of Flavors & Fragrances Business



The experts who formulate fragrances are known as “perfumers”
 The experts who formulate flavors are known as “flavorists”
 Fragrances and Flavors are tailor-made based on our customers’ requests
 ⇒ Library of formulas created by perfumers and flavorists is core value of flavors & fragrances company

Market Size of Flavors & Fragrances Industry

• Estimated sales volume of global market: Approx. 2,500bn Yen (Approx. 24bn USD)

Europe, the Middle East and Africa

-Market size: Approx. 900bn Yen(*)

-Many of the end-users introduce "Preferred supplier program" and European and American companies have established the solid business bases

North America

-Market size: Approx. 650bn Yen (*)

-Many of the end-users introduce "Preferred supplier program" and European and American companies have established the solid business bases

-T. Hasegawa established a subsidiary in California in 1978. Specializes in local companies with proactive R&D and sales activities mainly in the areas of savory flavors. Penetrating into the beverage market under the new management setup is underway

Asia

-Market size: Approx. 750bn Yen (*)

-Market is growing due to the economic growth of developing countries including China

-Most of the major flavors and fragrances companies are operating in China

-T. Hasegawa established a subsidiary in Shanghai in 2000, in Suzhou in 2006, in Bangkok in 2003

South America

-Market size: Approx. 200bn Yen (*)

-The majority of flavors and fragrances are imported.

-Competition in Brazilian market is becoming severe due to the economic growth

(*) = T. Hasegawa estimates

● = T. Hasegawa's offices and plants

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

USD million

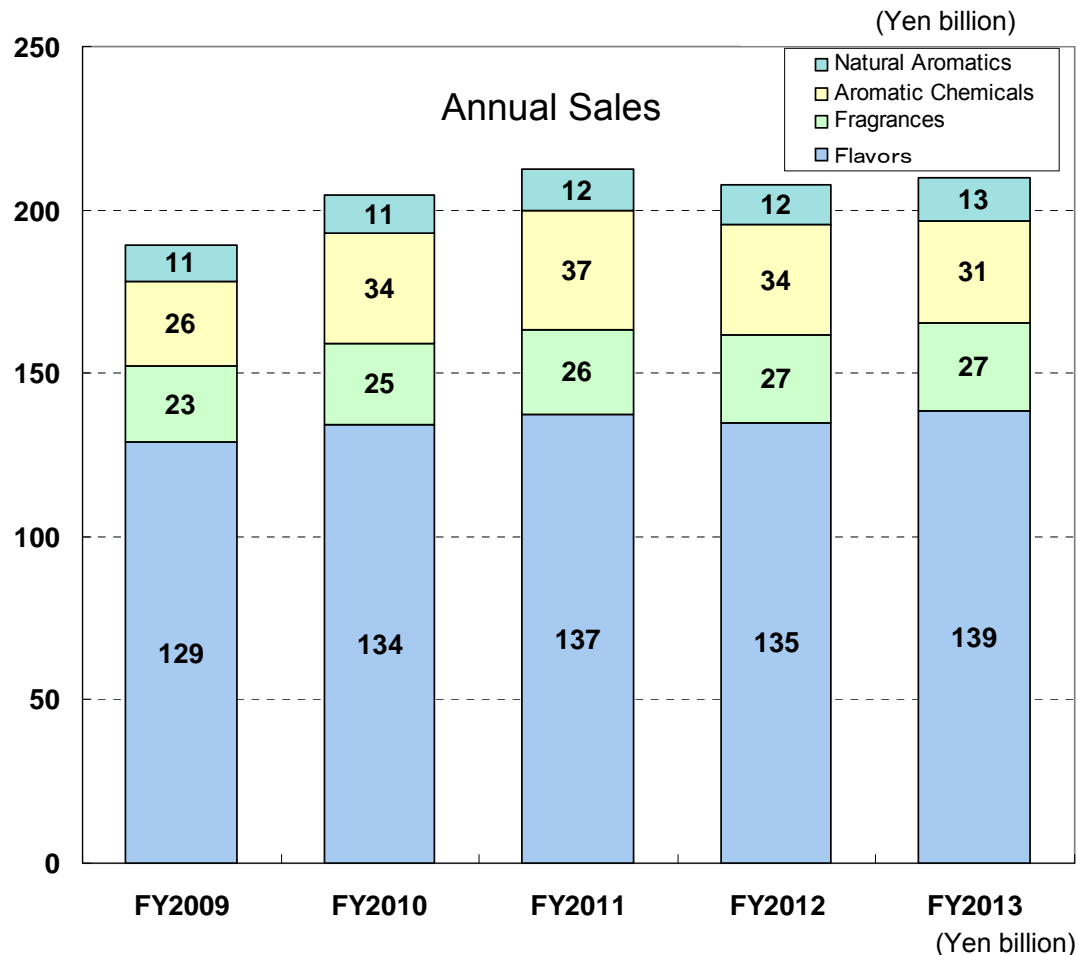
| | Company name | Country | Sales(2013Yr) | Market Share |
|----|------------------|-------------|---------------|--------------|
| 1 | Givaudan | Switzerland | 4,905 | 20.5% |
| 2 | Firmenich | Switzerland | 3,374 | 14.1% |
| 3 | IFF | USA | 2,953 | 12.4% |
| 4 | Symrise | Germany | 2,522 | 10.5% |
| 5 | Wild Flavors | Germany | 1,233 | 5.2% |
| 5 | Takasago | Japan | 1,232 | 5.2% |
| 7 | Mane SA | France | 996 | 4.2% |
| 8 | Frutarom | Israel | 674 | 2.8% |
| 9 | Sensient Flavors | USA | 643 | 2.7% |
| 10 | Robertet SA | France | 537 | 2.2% |
| 11 | T.Hasegawa | Japan | 428 | 1.8% |
| | Subtotal | — | 19,497 | 81.6% |
| | Others | — | 4,410 | 18.4% |
| | Total | — | 23,908 | — |

* US \$1 ≙ 105.3Yen

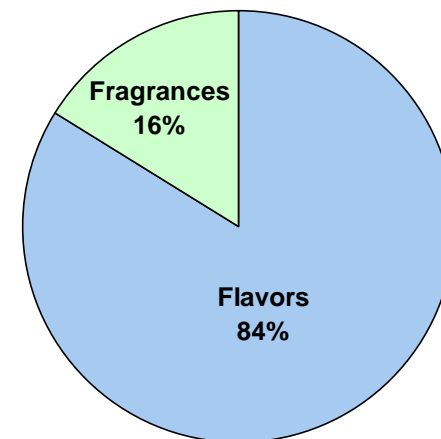
Source : Leffingwell & Associates

http://www.leffingwell.com/top_10.htm

•Sales composition of domestic market ⇒ 84% flavors vs. 16% fragrances (50% flavors vs. 50% fragrances worldwide)



Composition Rate (2013Yr)



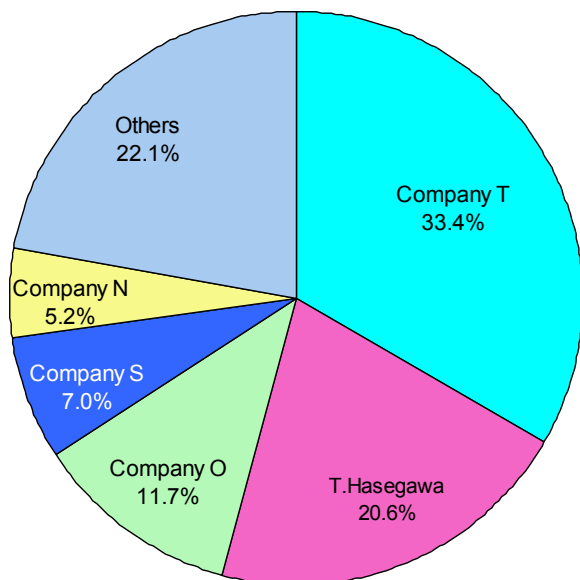
| | | | | | |
|--------------|-------|------|------|-------|------|
| Total | 189 | 204 | 212 | 208 | 210 |
| Year-on-year | -7.4% | 7.9% | 3.9% | -2.2% | 1.0% |

Source :
Japan Flavor and Fragrance
Materials Association

Business Outline of T. Hasegawa Co., Ltd

- Top 5 companies account for approx. 80% of the market

Market share
(As of Mar 2013)

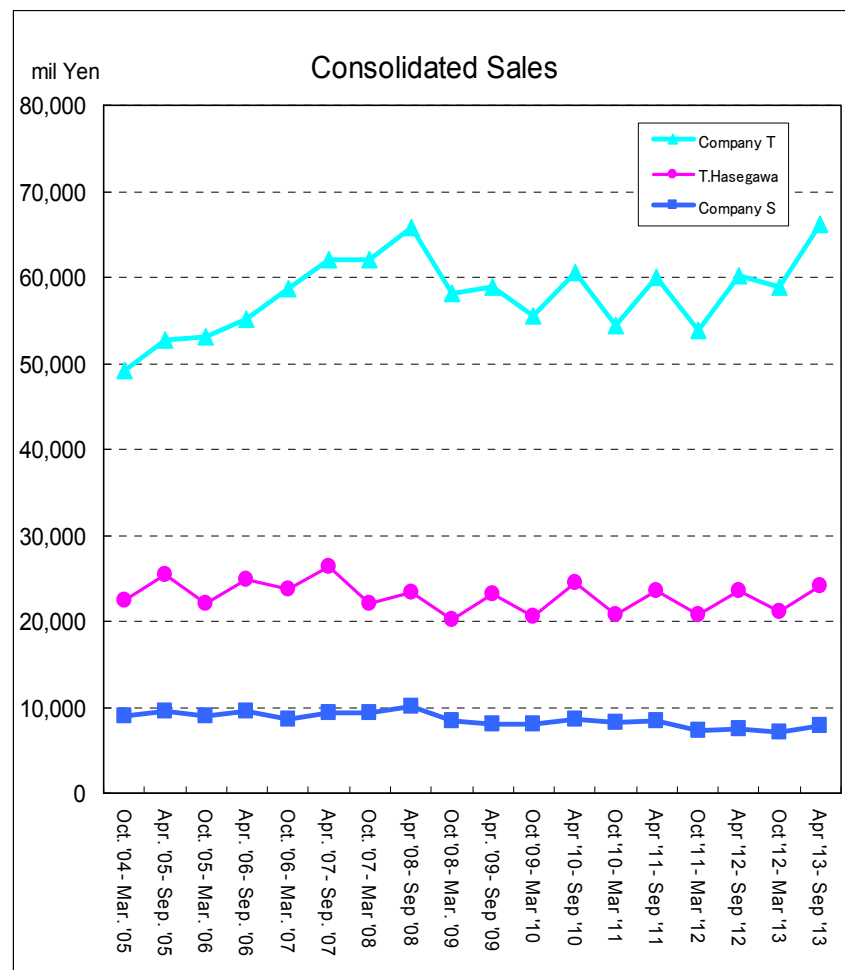


*Based on a survey conducted by a private market research firm, this data was calculated by assuming the total of "non-consolidated sales" of the top 10 companies in domestic market

*Fiscal year of Company T, O, S, and N: Apr. – Mar.

*Since fiscal year of T. Hasegawa is Oct. - Sep., numbers indicated in the above pie chart have been adjusted to correspond to the Apr. –Mar. fiscal year

- Intensified competition within the maturing domestic market

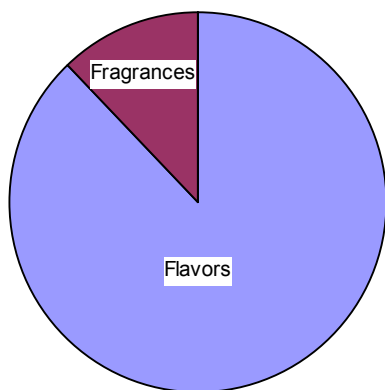


Segment information: Sales by category (Consolidated)

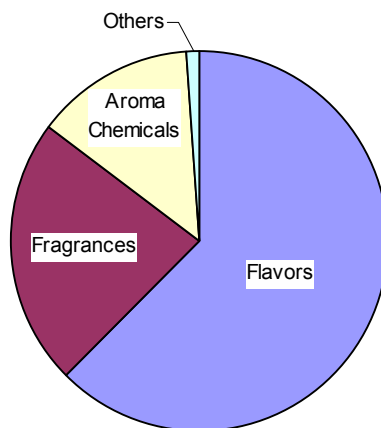
- T. Hasegawa integrates business resources into flavors and fragrances
- High-mix low-volume production ⇒ T. Hasegawa sells approx. 14,000 products per year

| | Yen million | | | | Yen million | | |
|---------------------------------|----------------------------|--------|--------------------------|--------|---------------------------------|--------|--------|
| | T. Hasegawa (Consolidated) | | Company A (Consolidated) | | Company B (Consolidated) | | |
| | FY ended in Sep. 2013 | | FY ended in Mar. 2013 | | FY ended in Mar. 2013 | | |
| | Sales | Share | Sales | Share | Sales | Share | |
| Flavors | 39,536 | 87.7% | 74,233 | 62.4% | Compound flavors & Fragrances | 7,714 | 53.1% |
| Fragrances | 5,567 | 12.3% | 27,063 | 22.7% | Aroma Chemicals | 4,201 | 28.9% |
| Aroma Chemicals | 0 | 0.0% | 16,288 | 13.7% | Overseas | 1,386 | 9.5% |
| Others | 0 | 0.0% | 1,387 | 1.2% | Others | 1,233 | 8.5% |
| Total | 45,104 | 100.0% | 118,973 | 100.0% | Subtotal | 14,534 | 100.0% |
| Ratio of gross profits to sales | 37.2% | | 30.5% | | Ratio of gross profits to sales | 33.0% | |

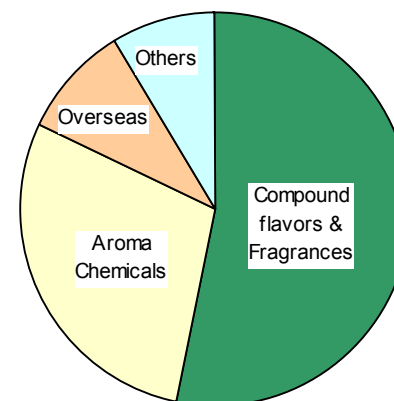
T. Hasegawa (Consolidated)



Company A (Consolidated)



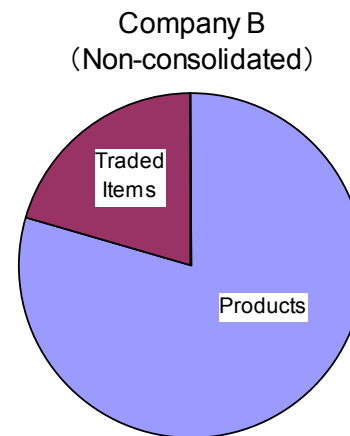
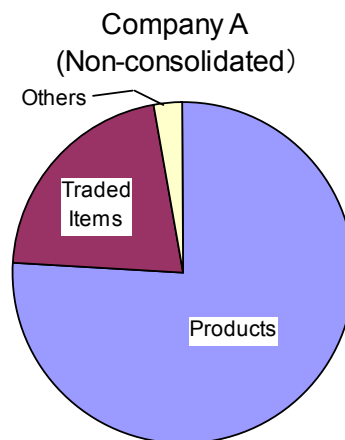
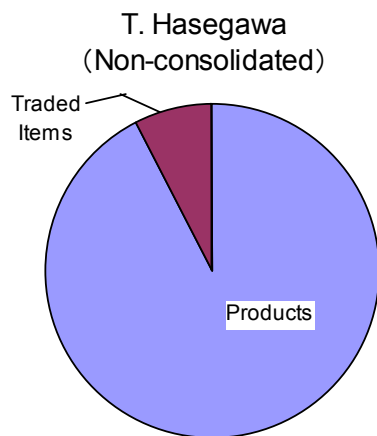
Company B (Consolidated)



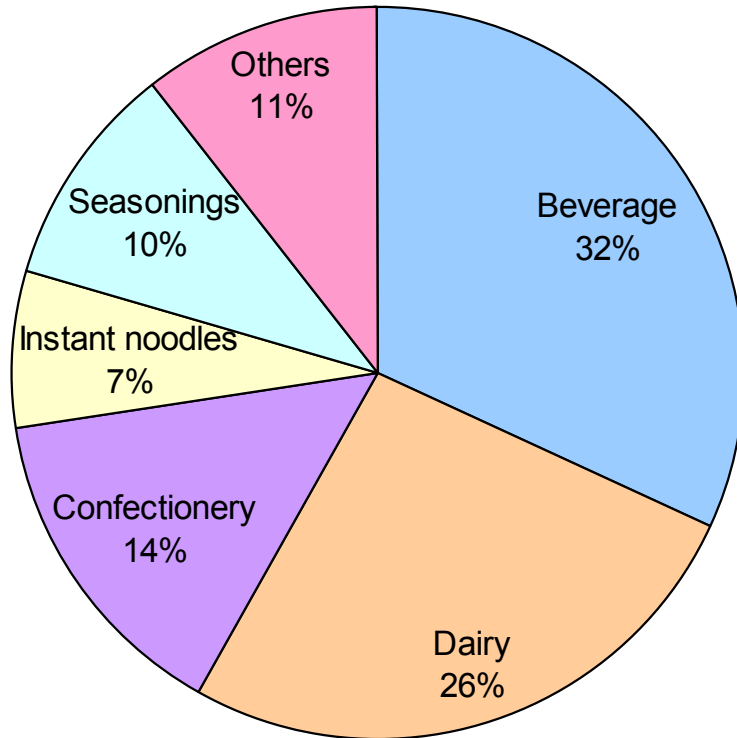
• High proportion of production items (vs. traded items) for T. Hasegawa

Yen million

| | T. Hasegawa (Non-consolidated) | | Company A (Non-consolidated) | | Company B (Non-consolidated) | |
|---------------------------------|-----------------------------------|--------|---------------------------------|--------|---------------------------------|--------|
| | FY ended in Sep. 2013 | | FY ended in Mar. 2013 | | FY ended in Mar. 2013 | |
| | Sales | Share | Sales | Share | Sales | Share |
| Products | 35,077 | 92.4% | 47,531 | 75.7% | 10,392 | 79.4% |
| Traded Items | 2,900 | 7.6% | 13,452 | 21.4% | 2,687 | 20.5% |
| Others | 0 | 0.0% | 1,772 | 2.8% | 0 | 0.0% |
| Total | 37,977 | 100.0% | 62,757 | 100.0% | 13,080 | 100.0% |
| Ratio of gross profits to sales | 35.3% | | 30.7% | | 31.7% | |



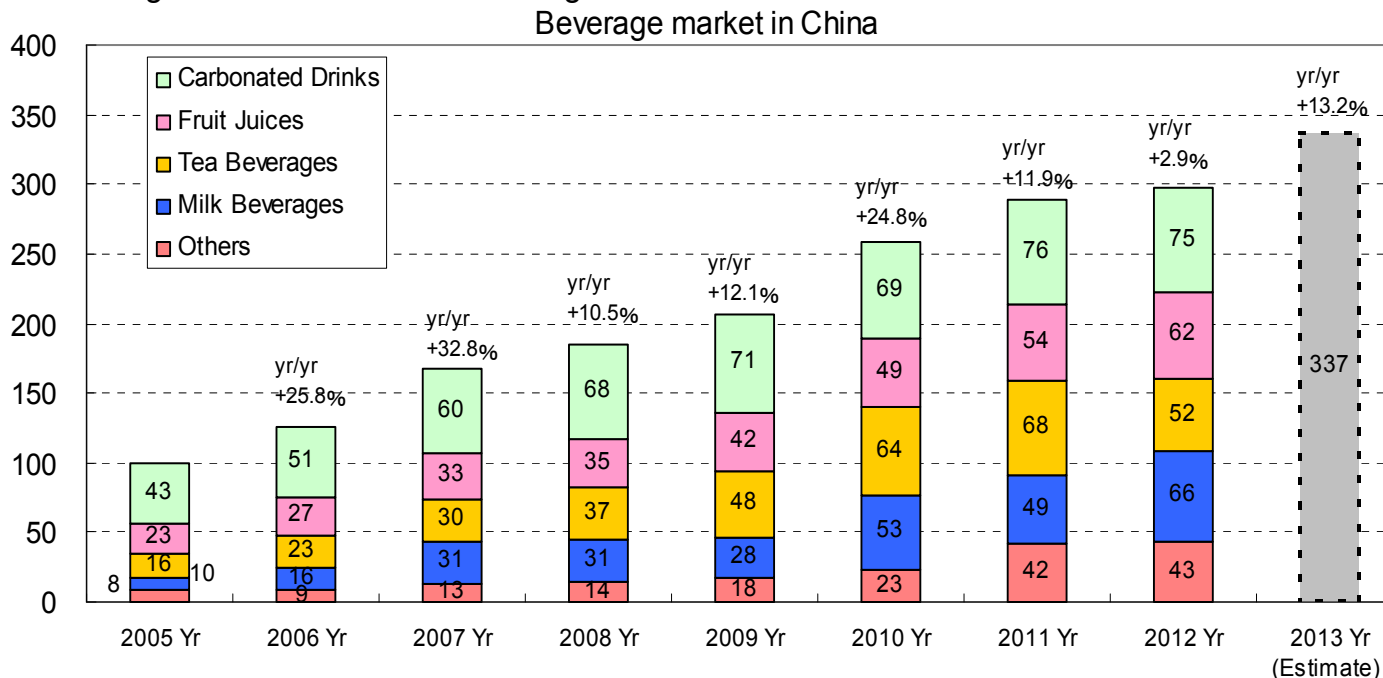
- Seasonal changes in sales exist since sales for Beverage market account for the highest proportion



Note: This data was calculated by assuming T. Hasegawa's 2014FY 2Q sales with identifiable business segments as 100

| | | China | U.S. | Southeast Asia |
|-------------------------|-----------------|---|---|---|
| Targets | | FY2013 Net sales <u>5.4 bln Yen</u> Operating income <u>1.1 bln Yen</u> | FY2013 Net sales <u>2.1 bln Yen</u> Operating income <u>0.0 bln Yen</u> | FY2013 Net sales <u>0.9 bln Yen</u> Operating income <u>0.0 bln Yen</u> |
| | | FY2014 second quarter Net sales <u>3.4 bln Yen</u> Operating income <u>0.9 bln Yen</u> ↓ | FY2014 second quarter Net sales <u>1.2 bln Yen</u> Operating loss <u>0.0 bln Yen</u> ↓ | FY2014 second quarter Net sales <u>0.5 bln Yen</u> ↓ |
| | | FY2018 Net sales <u>10.0 bln Yen</u> Operating income <u>2.0 bln Yen</u> | FY2018 Net sales <u>4.5 bln Yen</u> Operating income <u>0.5 bln Yen</u> | FY2018 Net sales <u>2.0 bln Yen</u> Operating income <u>0.2 bln Yen</u> |
| Recent situation | 1st Step | <ul style="list-style-type: none"> Strengthen business relationship with current customers and cultivate new customers Realign new management structure | <ul style="list-style-type: none"> Realign new management structure Penetrate into beverage market | <ul style="list-style-type: none"> Improve profitability Determine high-priority-countries |
| | 2nd Step | <ul style="list-style-type: none"> Increase the production capacity Enhancement of R&D facilities | <ul style="list-style-type: none"> Enhancement of R&D facilities Enhancement of bases for global business | <ul style="list-style-type: none"> Technical support visits to customers with Sales force Cultivate new local customers Acquisition of local production site Applying for establishment of local subsidiary |

- Beverage market size in China- (T. Hasegawa estimates,not included Mineral water)
- Beverage market in China maintains its growth, In 2012 the growth pace decelerated
- In 2013, estimate the growth rate return a double-digit



Note: This data was calculated by assuming the 2005 production volume of beverage market in China as 100

The figure of 2013Yr was the average growth rate of the last three years (2010Yr to 2012Yr)

【Share】

| | 2005 Yr | 2006 Yr | 2007 Yr | 2008 Yr | 2009 Yr | 2010 Yr | 2011 Yr | 2012 Yr | 2013 Yr (Estimate) |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|
| Carbonated Drinks | 43% | 41% | 36% | 36% | 34% | 27% | 26% | 25% | - |
| Fruit Juices | 23% | 21% | 20% | 19% | 20% | 19% | 19% | 21% | - |
| Tea Beverages | 16% | 18% | 18% | 20% | 23% | 25% | 23% | 17% | - |
| Milk Beverages | 10% | 13% | 19% | 17% | 14% | 20% | 17% | 22% | - |
| Others | 8% | 7% | 7% | 8% | 9% | 9% | 15% | 15% | - |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Financial Information

Yen million

| | September 30 2013 | March 31 2014 | Increase or Decrease | Remark |
|-------------------------------------|----------------------|------------------|-------------------------|---|
| Current assets | 48,825 | 47,794 | -1,031 | <ul style="list-style-type: none"> • Increase in cash and deposits: 924m Yen • Decrease in marketable securities: -999m Yen • Decrease in account receivable-trade: -1,588m Yen • Increase in Inventories: 663m Yen |
| Fixed assets | 38,622 | 41,604 | 2,982 | <ul style="list-style-type: none"> • Increase in Property, Plant and Equipment: 2,088m Yen • Increase in investment securities: 1,003m Yen |
| Total assets | 87,448 | 89,399 | 1,950 | |
| Current liabilities | 11,722 | 11,279 | -443 | <ul style="list-style-type: none"> • Decrease in Income Taxes Payable: -643m Yen |
| Long-term liabilities | 7,226 | 7,713 | 487 | |
| Total net assets | 68,499 | 70,405 | 1,905 | <ul style="list-style-type: none"> • Increase in retained earnings: 742m Yen • Decrease in treasury stock: 77m Yen • Increase in foreign currency translation adjustments: 415m Yen • Increase in unrealized gains on available-for-sale securities: 670m Yen |
| Total liabilities and net assets | 87,448 | 89,399 | 1,950 | |

Yen million

| | FY2013 2Q | FY2014 2Q | Increase or Decrease | Remark |
|--|-----------|-----------|----------------------|---|
| Cash flows from operating activities | 3,644 | 2,695 | -948 | <ul style="list-style-type: none"> • Income before taxes: 2,414m Yen • Depreciation & Amortization: 1,328m Yen • Decrease in trade receivables: 1,668m Yen • Increase in inventories: -599m Yen • Income taxes paid: -1,372m Yen |
| Cash flows from investing activities | -2,155 | -1,027 | 1,127 | <ul style="list-style-type: none"> • Purchase of marketable securities: -2,999m Yen • Redemption of marketable securities: 4,000m Yen • Acquisition of tangible fixed assets: -2,007m Yen |
| Cash flows from financing activities | -630 | -835 | -205 | <ul style="list-style-type: none"> • Cash dividends paid: -830m Yen |
| Effect of currency change on cash and cash equivalents | 569 | 92 | -476 | — |
| Net Change in cash and cash equivalents | 1,427 | 925 | -502 | — |
| Cash and Cash equivalents at beginning of period | 15,159 | 18,595 | 3,435 | — |
| Cash and cash equivalents at end of period | 16,587 | 19,520 | 2,932 | — |

Yen million

| | | FY14 Plan | FY14 2Q Actual | Progress (%) |
|-----------------------------------|------------------|--------------|-------------------|-----------------|
| Capital Investment | Consolidated | 6,798 | 3,173 | 46.7% |
| | Non-consolidated | 4,890 | 2,576 | 52.7% |
| Depreciation & Amortization | Consolidated | 3,056 | 1,328 | 43.5% |
| | Non-consolidated | 2,525 | 1,080 | 42.8% |
| R&D Expenses | Consolidated | 4,033 | 1,933 | 47.9% |
| | Non-consolidated | 3,301 | 1,581 | 47.9% |

Yen million

| | FY13 2Q Actual | | FY14 2Q Plan | | FY14 2Q Actual | | Achievement | | | |
|----------------------------|----------------|--------|--------------|--------|----------------|--------|-------------|--------|---------|--------|
| | Value | Share | Value | Share | Value | Share | yr/yr | | vs Plan | |
| | | | | | | | Value | % | Value | % |
| Net sales | 17,918 | 100.0% | 17,930 | 100.0% | 17,343 | 100.0% | -575 | -3.2% | -586 | -3.3% |
| Cost of sales | 11,720 | 65.4% | 11,620 | 64.8% | 11,391 | 65.7% | -328 | -2.8% | -228 | -2.0% |
| Gross profit | 6,197 | 34.6% | 6,310 | 35.2% | 5,951 | 34.3% | -246 | -4.0% | -358 | -5.7% |
| SGA expenses | 4,455 | 24.9% | 4,620 | 25.8% | 4,647 | 26.8% | 191 | 4.3% | 27 | 0.6% |
| Operating income | 1,742 | 9.7% | 1,690 | 9.4% | 1,304 | 7.5% | -437 | -25.1% | -385 | -22.8% |
| Ordinary income | 2,210 | 12.3% | 1,850 | 10.3% | 1,546 | 8.9% | -663 | -30.0% | -303 | -16.4% |
| Income before income taxes | 2,179 | 12.2% | 1,790 | 10.0% | 1,531 | 8.8% | -648 | -29.7% | -258 | -14.4% |
| Net income | 1,447 | 8.1% | 1,220 | 6.8% | 963 | 5.6% | -484 | -33.4% | -256 | -21.0% |

Note: Consolidated profit and loss statements of T.H. Shanghai and T.H. Suzhou.

Yen million

| Yen Basis | FY13 2Q | | FY14 2Q | | yr/yr | |
|------------------|---------|--------|---------|--------|-------|--------|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 2,419 | 100.0% | 3,399 | 100.0% | 980 | 40.5% |
| Cost of sales | 1,412 | 58.4% | 1,724 | 50.7% | 312 | 22.1% |
| Gross profit | 1,006 | 41.6% | 1,674 | 49.3% | 667 | 66.3% |
| SGA expenses | 558 | 23.1% | 759 | 22.3% | 200 | 35.9% |
| Operating income | 448 | 18.5% | 915 | 26.9% | 466 | 104.1% |
| Ordinary income | 623 | 25.8% | 946 | 27.8% | 323 | 51.9% |

Yen13.95/RMB

Yen16.71/RMB

RMB thousand

| Local Currency Basis | FY13 2Q | | FY14 2Q | | yr/yr | |
|----------------------|---------|--------|---------|--------|--------|-------|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 173,410 | 100.0% | 203,417 | 100.0% | 30,007 | 17.3% |
| Cost of sales | 101,236 | 58.4% | 103,218 | 50.7% | 1,982 | 2.0% |
| Gross profit | 72,174 | 41.6% | 100,198 | 49.3% | 28,024 | 38.8% |
| SGA expenses | 40,041 | 23.1% | 45,437 | 22.3% | 5,396 | 13.5% |
| Operating income | 32,132 | 18.5% | 54,761 | 26.9% | 22,628 | 70.4% |
| Ordinary income | 44,682 | 25.8% | 56,647 | 27.8% | 11,964 | 26.8% |

• Double-digit growth on both Yen and local currency basis due to the increase of flavor and fragrances sales.

Yen million

| Yen Basis | FY13 2Q | | FY14 2Q | | yr/yr | |
|------------------|---------|--------|---------|--------|-------|-------|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 899 | 100.0% | 1,173 | 100.0% | 273 | 30.4% |
| Cost of sales | 547 | 60.9% | 713 | 60.8% | 165 | 30.3% |
| Gross profit | 352 | 39.1% | 460 | 39.2% | 108 | 30.7% |
| SGA expenses | 383 | 42.6% | 479 | 40.9% | 96 | 25.2% |
| Operating income | -31 | - | -19 | - | 11 | - |
| Ordinary income | -29 | - | -14 | - | 14 | - |

Yen86.80/USD

Yen101.62/USD

USD thousand

| Local Currency Basis | FY13 2Q | | FY14 2Q | | yr/yr | |
|----------------------|---------|--------|---------|--------|-------|-------|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 10,365 | 100.0% | 11,548 | 100.0% | 1,183 | 11.4% |
| Cost of sales | 6,307 | 60.9% | 7,019 | 60.8% | 711 | 11.3% |
| Gross profit | 4,057 | 39.1% | 4,529 | 39.2% | 471 | 11.6% |
| SGA expenses | 4,414 | 42.6% | 4,719 | 40.9% | 304 | 6.9% |
| Operating income | -357 | - | -190 | - | 166 | - |
| Ordinary income | -335 | - | -142 | - | 192 | - |

- New items contributed to the sales increase
- Increase in net sales and lowering the SGA expense-sales ratio, the margin of deficit decreased

Yen million

| | Fy2013 (Actual) | | | Fy2014 (Plan) | | | Fy2015 (Plan) | | | Fy2016 (Plan) | | |
|-------------------------------|--------------------|--------|-------|------------------|--------|-------|------------------|--------|-------|------------------|--------|-------|
| | Value | Share | yr/yr | Value | Share | yr/yr | Value | Share | yr/yr | Value | Share | yr/yr |
| Net sales | 45,104 | 100.0% | 1.6% | 46,910 | 100.0% | 4.0% | 48,390 | 100.0% | 3.2% | 50,000 | 100.0% | 3.3% |
| Cost of sales | 28,345 | 62.8% | -3.1% | 29,420 | 62.7% | 3.8% | 30,390 | 62.8% | 3.3% | 31,220 | 62.4% | 2.7% |
| Gross profit | 16,758 | 37.2% | 10.8% | 17,490 | 37.3% | 4.4% | 18,000 | 37.2% | 2.9% | 18,780 | 37.6% | 4.3% |
| SGA expenses | 11,320 | 25.1% | 4.9% | 11,920 | 25.4% | 5.3% | 12,020 | 24.8% | 0.8% | 12,310 | 24.6% | 2.4% |
| Operating income | 5,438 | 12.1% | 25.7% | 5,570 | 11.9% | 2.4% | 5,980 | 12.4% | 7.4% | 6,470 | 12.9% | 8.2% |
| Ordinary income | 6,367 | 14.1% | 35.4% | 5,790 | 12.3% | -9.1% | 6,190 | 12.8% | 6.9% | 6,680 | 13.4% | 7.9% |
| Income before income taxes | 5,708 | 12.7% | 25.9% | 5,670 | 12.1% | -0.7% | 6,040 | 12.5% | 6.5% | 6,530 | 13.1% | 8.1% |
| Net income | 3,518 | 7.8% | 36.1% | 3,850 | 8.2% | 9.4% | 3,840 | 7.9% | -0.3% | 4,270 | 8.5% | 11.2% |

- Rebuilding of T.H.CO's headquarters is planned (Total construction cost :1.9bln Yen)
Completion of new headquarters is scheduled in FY2015
- The second phase of the capital investment of Suzhou plant is planned
Operation of the new facility is scheduled in FY2015
- R&D expenses is planned to be kept at around 8% of net sales

Yen million

| | | Fy13 (Actual) | Fy14 (Plan) | Fy15 (Plan) | Fy16 (Plan) |
|-----------------------------|------------------|------------------|----------------|----------------|----------------|
| Capital Investment | Consolidated | 2,700 | 6,798 | 3,589 | 2,765 |
| | Non-consolidated | 1,835 | 4,890 | 2,891 | 2,390 |
| Depreciation & Amortization | Consolidated | 2,767 | 3,056 | 3,020 | 3,076 |
| | Non-consolidated | 2,342 | 2,525 | 2,385 | 2,351 |
| R&D Expenses | Consolidated | 3,867 | 4,033 | 4,089 | 4,130 |
| | Non-consolidated | 3,231 | 3,301 | 3,288 | 3,263 |

Caution with Respect to Forward-Looking Statements:

This material contains forward-looking statements about the future performance of T.Hasegawa, which are based on management's assumptions and beliefs in the light of information currently available to it. Therefore, please understand that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the 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.