

FY12 Financial Results

T. HASEGAWA CO., LTD.

<u>I . Summary of the Consolidated Financial Settlement</u>	...	P2 – P6
· Highlights of the Consolidated Results		
· Consolidated Results		
· Sales and Operating Income by Group		
<u>II . Global Strategies</u>	...	P7 – P14
· Basic Policy for Globalization		
· Sales by Region		
· Domestic Market		
· Chinese Market		
· The U.S. Market		
· Southeast Asian Market		
<u>III . Three-year Strategies</u>	...	P15 – P18
· Three-year Strategies (Consolidated)		
· Capital Investment, Depreciation & Amortization, R&D Expenses		
<u>IV . Management Strategies</u>	...	P19 – P21
<u>V . Appendix</u>	...	P22 – P45
· Outlines of Flavors & Fragrances Business		
· Market Size of Flavors & Fragrances Industry		
· Business Outline of T. Hasegawa Co., Ltd		
· FY12 Financial Settlement		

I . Summary of the Consolidated Financial Settlement

Highlights of the Consolidated Results

Circumstances surrounding T. Hasegawa

Domestic market

- Summer climate: Bad weather in early July, extreme heat in August, bad weather after mid-September
- Overall beverage market was favorable. Non-flavored mineral water category led the market growth for the first half, and newly-developed products such as carbonated drinks contributed to the market growth for the second half. Summer heat had only a limited impact to the market growth due to the above mentioned bad weather.
- Yogurt market showed a substantial increase due to reactionary increase from declined production volume after the earthquake in FY 2011 and the effects of yogurt featured on TV programs frequently in early 2012

Overseas market

- Although the growth of Chinese beverage and instant noodles markets continued over FY12, the growth pace slowed down.
- Anti-Japanese movement had no effect on T. Hasegawa's business.

Financial results

- Year-on-year: Net sales slightly increased, profitability decreased
- vs. Plan: Both sales and profit fell short of plan

Consolidated Results

- Year-on-year: Operating income decreased due to the increase of cost of sales
Net income decreased due to the change of the corporate tax rate

- vs. Plan: Fell short of plan due to net sales of the subsidiary in China did not achieve the original plan

Yen million

	FY11 Actual		FY12 Plan (May 11)		FY12 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	44,246	100.0%	45,330	100.0%	44,386	100.0%	139	0.3%	-943	-2.1%
Cost of sales	28,884	65.3%	29,530	65.1%	29,263	65.9%	379	1.3%	-266	-0.9%
Gross profit	15,362	34.7%	15,800	34.9%	15,122	34.1%	-240	-1.6%	-677	-4.3%
SGA expenses	10,782	24.4%	11,100	24.5%	10,796	24.3%	13	0.1%	-303	-2.7%
Operating income	4,580	10.4%	4,700	10.4%	4,326	9.7%	-253	-5.5%	-373	-8.0%
Ordinary income	4,802	10.9%	4,960	10.9%	4,704	10.6%	-97	-2.0%	-255	-5.2%
Income before income taxes	4,737	10.7%	4,880	10.8%	4,532	10.2%	-205	-4.3%	-347	-7.1%
Net income	3,115	7.0%	2,985	6.6%	2,586	5.8%	-529	-17.0%	-398	-13.4%

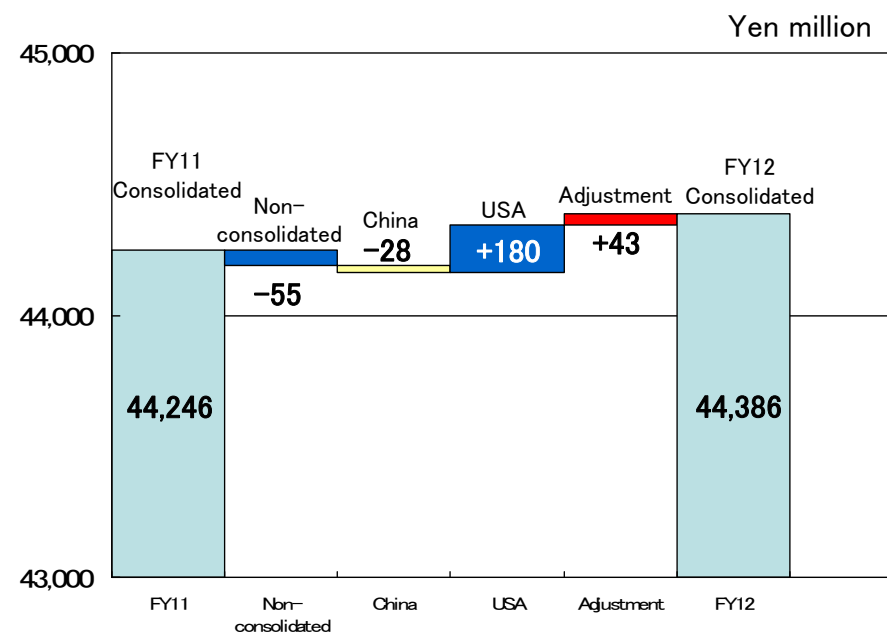
Sales by Group

Net Sales

Increased sales of the subsidiary in the U.S. made up for the decrease of T. Hasegawa (non-consolidated) and the subsidiaries in China ⇒ almost unchanged from the prior year on consolidated basis

(Yen million)

	FY11	FY12	yr/yr	%
T. Hasegawa Non-consolidated	39,232	39,176	-55	-0.1%
China	4,099	4,070	-28	-0.7%
USA	1,444	1,625	180	12.5%
Adjustment	-530	-486	43	-
Consolidated	44,246	44,386	139	0.3%



T. Hasegawa (non-consolidated): Slightly decreased from the prior year
 Flavors business slightly increased. Increase in fruit compounds and decrease in tea beverages.
 Fragrances business decreased due to the decrease in sales for household products.

Subsidiaries in China: Slightly decreased due to the sales decline of flavor business

Subsidiary in the U.S.: Increased due to the contribution of new products

* See P37 for breakdown of net sales by segment

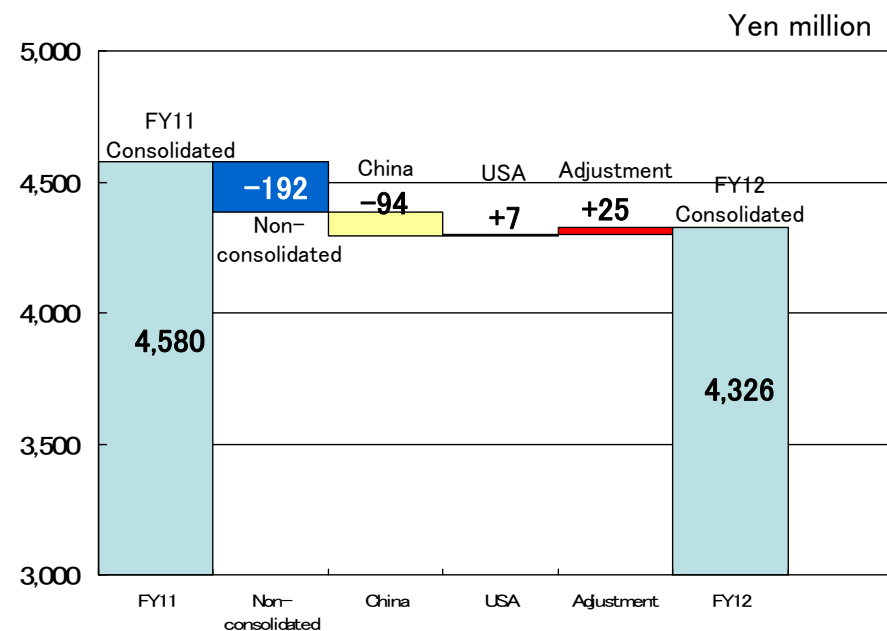
Operating Income by Group

Operating Income

T. Hasegawa (non-consolidated) and subsidiaries in China decreased.
Limited increase for subsidiary in the U.S.

(Yen million)

	FY11	FY12	yr/yr	%
T. Hasegawa Non-consolidated	3,800	3,607	-192	-5.1%
China	674	580	-94	-14.0%
USA	58	65	7	12.6%
Adjustment	47	72	25	-
Consolidated	4,580	4,326	-253	-5.5%



T. Hasegawa (non-consolidated): Operating income decreased due to the increase of cost of sales

Subsidiaries in China: Decreased due to the increase of SGA expenses such as increases in payroll, social insurance for expatriates, and the expenses for strengthening the support system from Japan

Subsidiary in the U.S.: Limited increase due to the expenses related to the change of the top management

* See P38 detailed profit and loss statements

II . Global Strategies

Promote step-by-step globalization with human resources and funds effectively allocated

First Step: Cultivate the local markets of the U.S., China and Southeast Asia

- Capture the features of the diversified local tastes and preferences to offer tailor-made products
- Penetrate into locally operating local companies, global companies, and Japanese companies
- Pursue localization of the overseas subsidiaries' operations through recruiting and cultivating the local management position

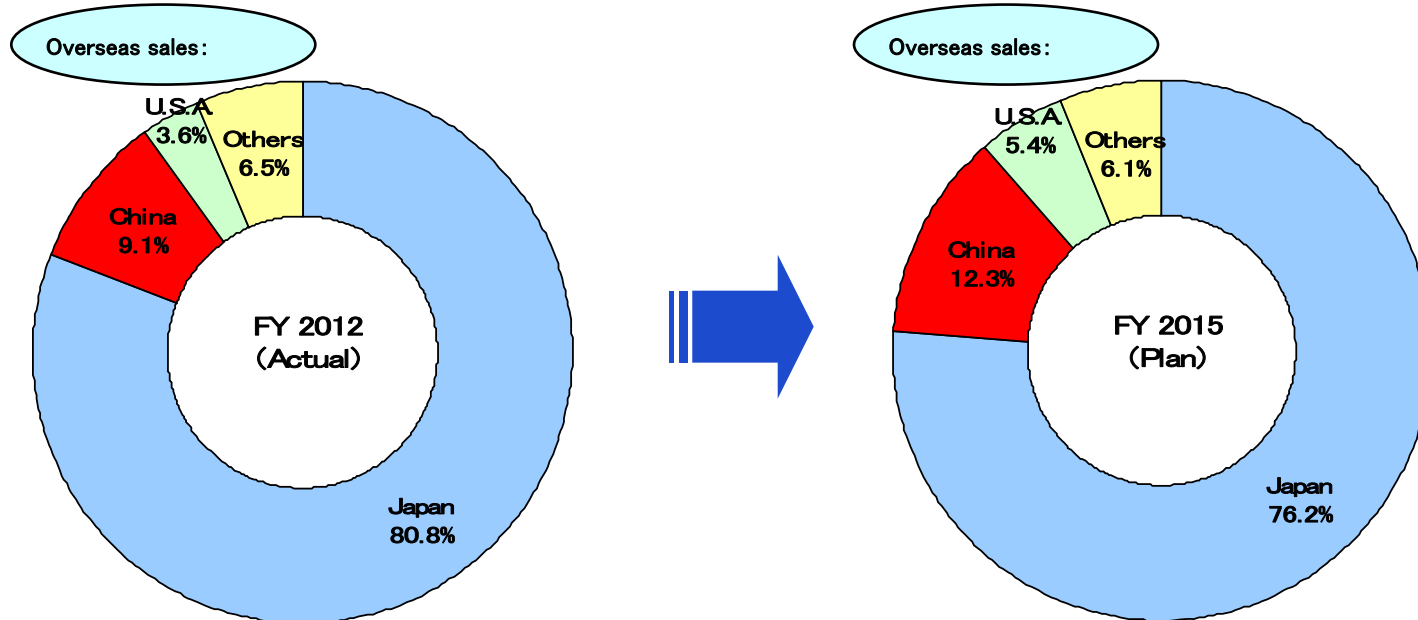
Second Step: Expanding the market

- Expand the business network through enhancing growth opportunities with multinational companies

Sales by Region

(Yen million)

	FY12 (Actual)	FY15 (Plan)	Growth Rate
Japan	36,272	37,679	3.9%
China	4,070	6,084	49.5%
U.S.A.	1,625	2,636	62.2%
Others (S.E. Asia etc.)	2,903	3,030	4.4%
Consolidated Sales	44,386	49,110	10.6%



Domestic Market

● Market Environment

- Maturity advancing as a result of the aging population
- New applications for flavors (non-alcoholic beer and cocktail, alcoholic drinks, health food, and food for medical use)

● Measures and Policies

- Make steady revenues along with increase of market share
 - ⇒ Promotion of solution-based sales operation
 - ⇒ Make efforts to reduce overall expenses, utilize ERP system for profit management

Short-term Strategy

	Progress	
	FY11	FY12
Provide solutions to our customers' challenges by collaborative efforts between R&D and sales divisions	A	A
Penetrate into the new fields such as alcoholic drinks, health food, foods for medical use etc	B	A
Develop flavors which can replace food ingredients such as dairy products, vegetables, fruit juices, and animal products	B	A
Cost-cuts through improvement of production efficiency, reducing inventory losses, and overall streamlining efforts	A	A

- A. Implemented (Ongoing)
- B. Partially implemented (Expansion of the scope in the future)
- C. Future tasks (Mid- and long-term tasks)

Mid- and Long-term Strategy

	Progress	
	FY11	FY12
Improve production efficiency (relocations of facilities of Fukaya and Itakura Plant)	B	B
Utilize new technologies for product development (collaborations between basic and applied researches)	B	A
Make continuous investments in basic researches (application of microbial organisms, development of antioxidative substances and other functional ingredients, development of aroma evaluation method)	B	B

* Progress of the Management Strategies Announced on the FY10 Analyst Briefing

* =Changes from FY11

Chinese Market

● Market Environment

- Although the growth of Chinese beverage and instant noodles markets continued over FY12, the growth pace slowed down
- All the major flavor and fragrance companies in the world have operations in China

● Measures and Policies

- Develop products that can meet the local tastes and preferences
- Strengthen business relationship with current customers and cultivate new customers
- Local procurement of raw materials
- Locally recruit and cultivate the management position
- Enhance production capacity (the second phase of the capital investment of Suzhou plant)

Short-term Strategy

	Progress	
	FY11	FY12
Cultivate new local customers , enhance the R&D ability	B	B

Mid- and Long-term Strategy

	Progress	
	FY11	FY12
Increase local sales and R&D personnel	B	B
Enhance production capabilities	C	B

* Progress of the Management Strategies Announced on the FY10 Analyst Briefing

* =Changes from FY11

A. Implemented
(Ongoing)

B. Partially implemented
(Expansion of the scope
in the future)

C. Future tasks
(Mid- and long-term
tasks)

- Effects on the business regarding the territorial issue of Senkaku Islands
 - Products are tailor-made with differentiated technology
 - No exposure to consumers (business-to-business transactions only)
 - 55% of sales in China are for the international companies



No direct effect on T. Hasegawa's business

The U.S. Market

● Market Environment

- Large market of beverages
- Most of major global flavor and fragrance companies are placing high priority on the U.S. market

● Measures and Policies

- Make revenue from savory flavors (for condiment, seasonings etc.) which is the area T. Hasegawa has been focusing on
- Penetrate into beverage market
- Apply the technology accumulated in Japan over the decades to the U.S. market through collaboration between the R&D divisions in Japan and the U.S.
- Construct the new organization structure aimed at enhancing growth opportunities with multinational companies

Short-term Strategy

	Progress	
	FY11	FY12
Construct new management structure	-	A
Increase local sales and R&D personnel	-	A

Mid- and Long-term Strategy

	Progress	
	前回	今回
Enhance sales and R&D capability through cultivation of human resources	C	B
Enhance growth opportunities with multinational companies under the new management setup	-	C

* Progress of the Management Strategies Announced on the FY10 Analyst Briefing

* = Changes from FY11

A. Implemented
(Ongoing)

B. Partially implemented
(Expansion of the scope
in the future)

C. Future tasks
(Mid- and long-term
tasks)

Southeast Asian Market

● Market Environment

- Large potential market with sizable population
- Halal food rules are applied at many countries in the region
- Requirement for low-price products

● Measures and Policies

- Promote proactive sales activities with high-priority-countries determined
- Technical service visits to local customers to introduce our technical capabilities
- Increase sales for Japanese customers operating in the region through collaboration with domestic sales department
- Acquisition of local production site is under consideration

Short-term Strategy

	Progress	
	FY11	FY12
Cultivate Southeast Asian market by enhancing functions of the sales office in Thailand	A	A
Introduce our technical capabilities to local customers	-	A

Mid- and Long-term Strategy

	Progress	
	FY11	FY12
Acquire the local production site	-	C
Develop products that can meet the local tastes and preferences	-	B

* Progress of the Management Strategies Announced on the FY10 Analyst Briefing

* = Changes from FY11

A. Implemented
(Ongoing)

B. Partially implemented
(Expansion of the scope
in the future)

C. Future tasks
(Mid- and long-term
tasks)

III. Three-year Strategies

Three-year Strategies (Consolidated)

- Aiming to keep Sales Growth Rate higher than 3%, and Operating Income to Net Sales higher than 10%
- Operating Income to Net Sales for FY15 is projected to go up to 12.4%

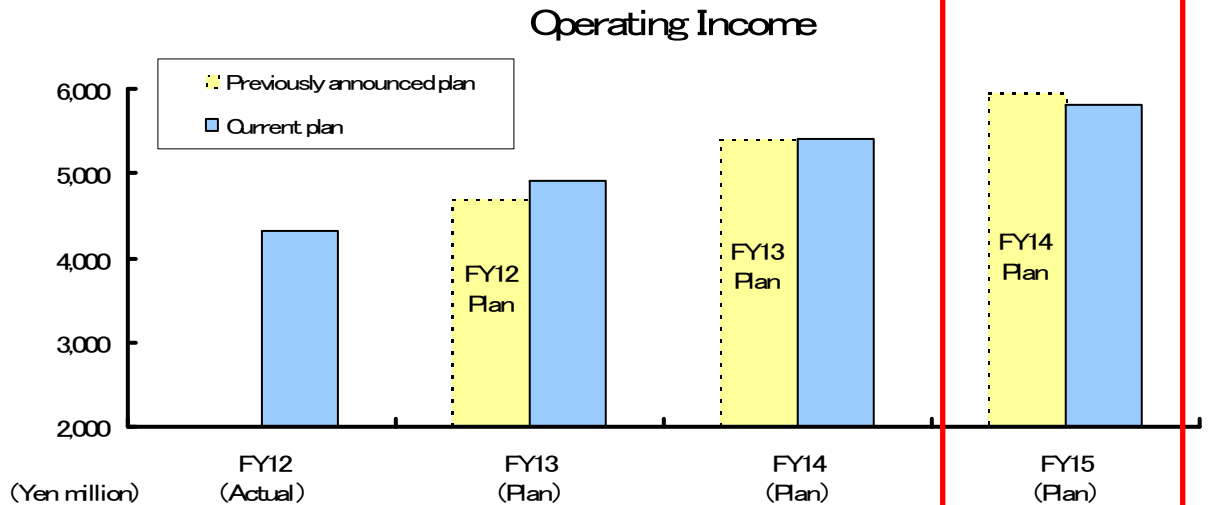
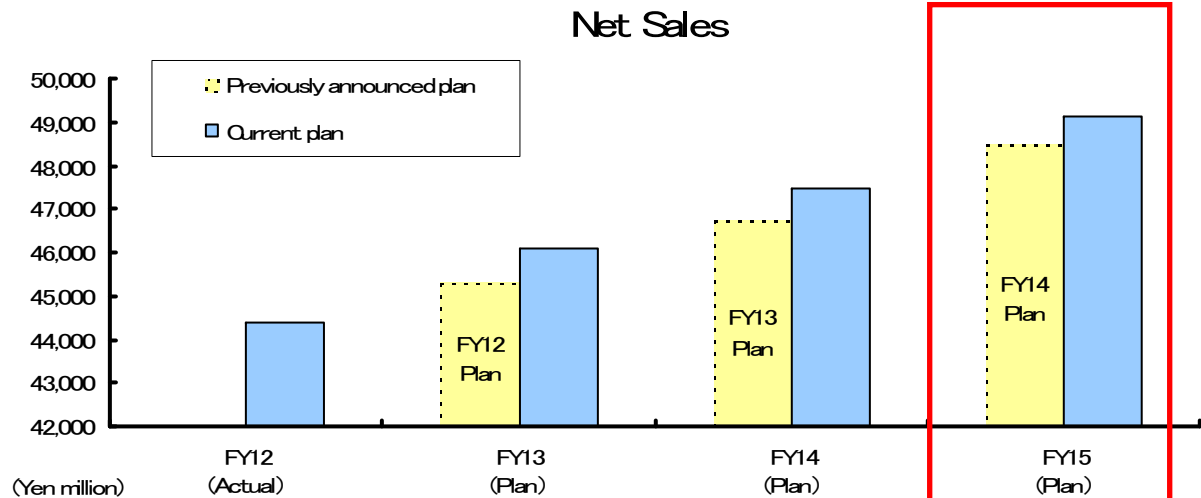
(Yen million)

	FY12 (Actual)	FY13 (Plan)	FY14 (Plan)	FY15 (Plan)
Net Sales	44,386	46,090	47,470	49,110
Cost of Sales	29,263	29,960	30,670	31,880
Operating Income	4,326	4,900	5,410	5,820
Ordinary Income	4,704	5,180	5,680	6,100
Net Income	2,586	3,400	3,740	4,030
Sales Growth Rate	0.3%	3.8%	3.0%	3.5%
Sales Cost Ratio	65.9%	65.0%	64.6%	64.9%
Operating Income to Net Sales	9.7%	10.6%	11.4%	11.9%
Ordinary Income to Net Sales	10.6%	11.2%	12.0%	12.4%
Net Income to Net Sales	5.8%	7.4%	7.9%	8.2%
Ratio of Overseas Sales to Net Sales	19.2%	20.4%	22.0%	23.8%
Exchange rate	¥78.88/ \$ ¥12.47/RMB	¥79.00/ \$ ¥12.30/RMB	¥79.00/ \$ ¥12.30/RMB	¥79.00/ \$ ¥12.30/RMB

* See P45 detailed profit and loss statements

Three-year Strategies (Consolidated)

- Sales of the subsidiaries in China and T. Hasegawa (non-consolidated) fell short of plan in FY12
- ⇒ One-year delay in Three-year Strategies previously announced in November 2011



Previously announced FY14 Plan is projected to be almost achieved in FY15

* The figures on the three-year strategies are revised every year

Capital Investment, Depreciation & Amortization, R&D Expenses

- The second phase of the capital investment of Suzhou plant is planned
The facility is projected to start operations in FY15
- Level of R&D expenses is planned to be kept at around 8% of net sales

Yen million

		FY12 (Actual)	FY13 (Plan)	FY14 (Plan)	FY15 (Plan)
Capital Investment	Consolidated	2,752	2,555	3,310	2,092
	Non-consolidated	2,606	2,415	2,248	1,002
Depreciation & Amortization	Consolidated	3,099	2,761	2,711	2,850
	Non-consolidated	2,753	2,411	2,347	2,351
R&D Expenses	Consolidated	3,741	3,827	3,798	3,790
	Non-consolidated	3,269	3,267	3,196	3,145

IV. Management Strategies

Management Strategies

Basic Strategies :

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

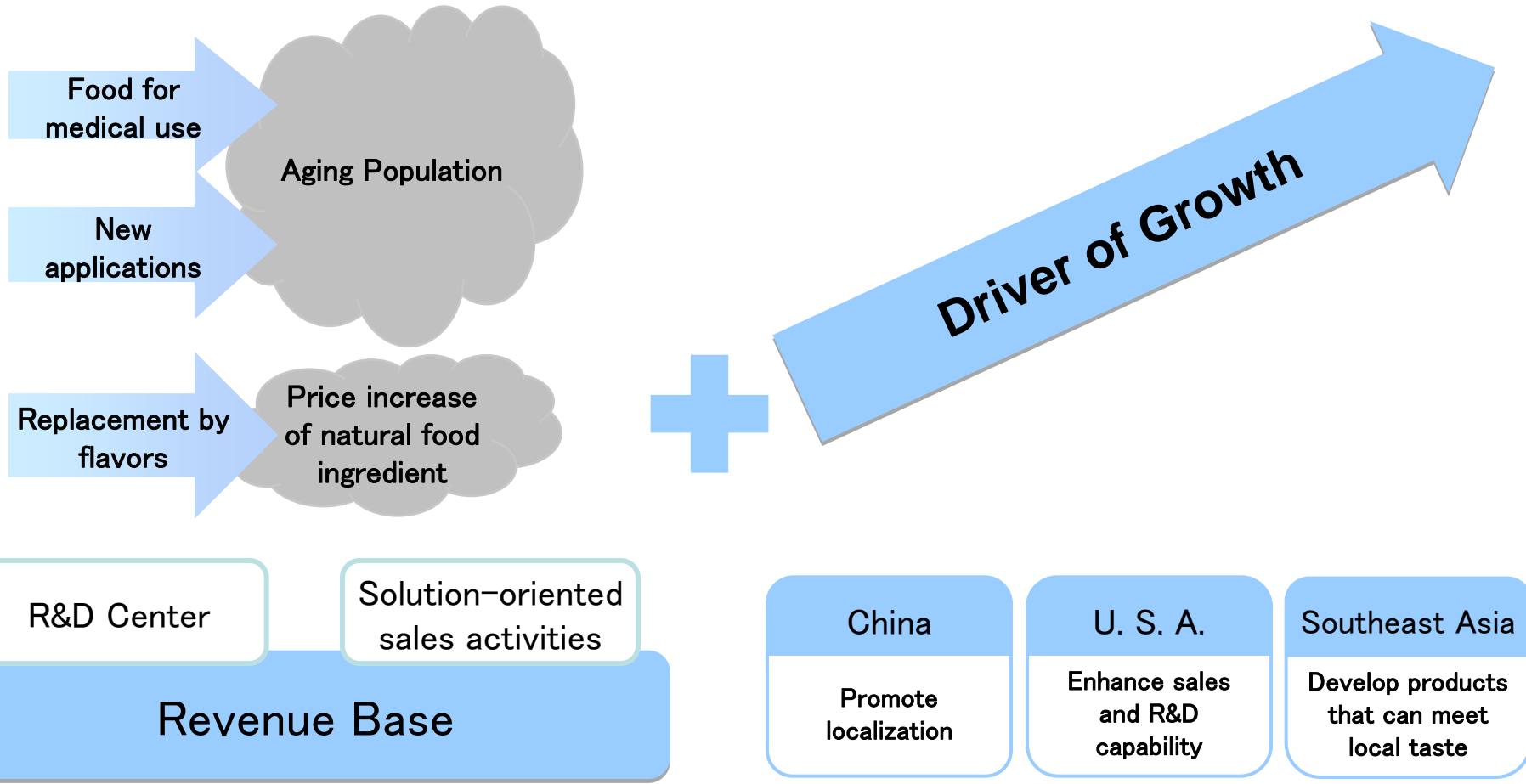
Make steady revenues
in the Japanese
domestic market

Aim for growth in the
overseas market

Management Strategies

Domestic Market

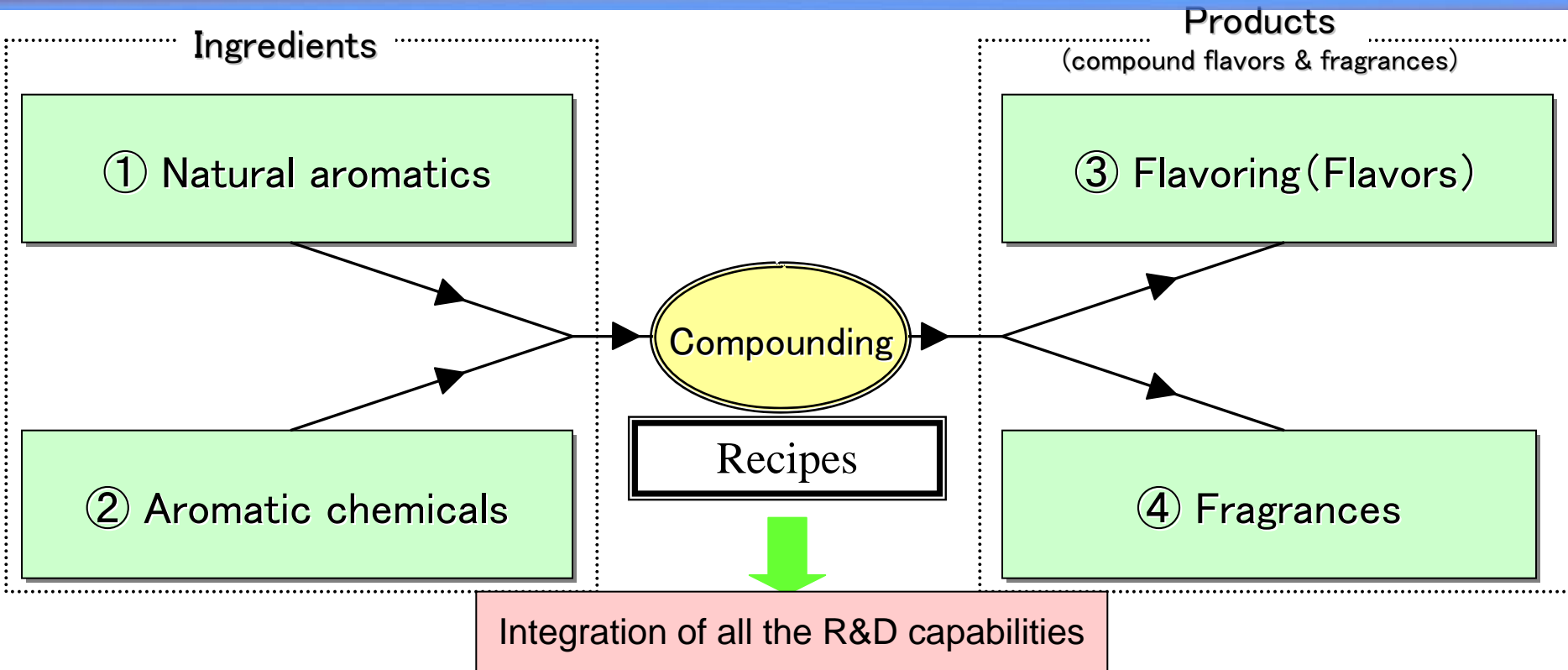
Overseas Market



V . Appendix

Outlines of Flavors & Fragrances Business

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 in accordance with our customers’ requests

⇒ Recipes formulated by perfumers and flavorists are the integration of all the R&D capabilities of flavors & fragrances companies

Market Size of Flavors & Fragrances Industry

Total World Market of Flavors & Fragrances Industry (T.H. Estimates)

Estimated sales volume of global market: Approx. ¥1,800bn (Approx. \$22bn)

Europe, Middle East

-Market size: Approx. ¥700bn (*)

-Many of the end-users introduce preferred supplier program and European and American companies build the solid business bases

North America

-Market size: Approx. ¥500bn (*)

-Many of the end-users introduce preferred supplier program and European and American companies build 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. ¥500bn (*)

-Market is growing along with the economic growth of developing countries including China.

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

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

South America

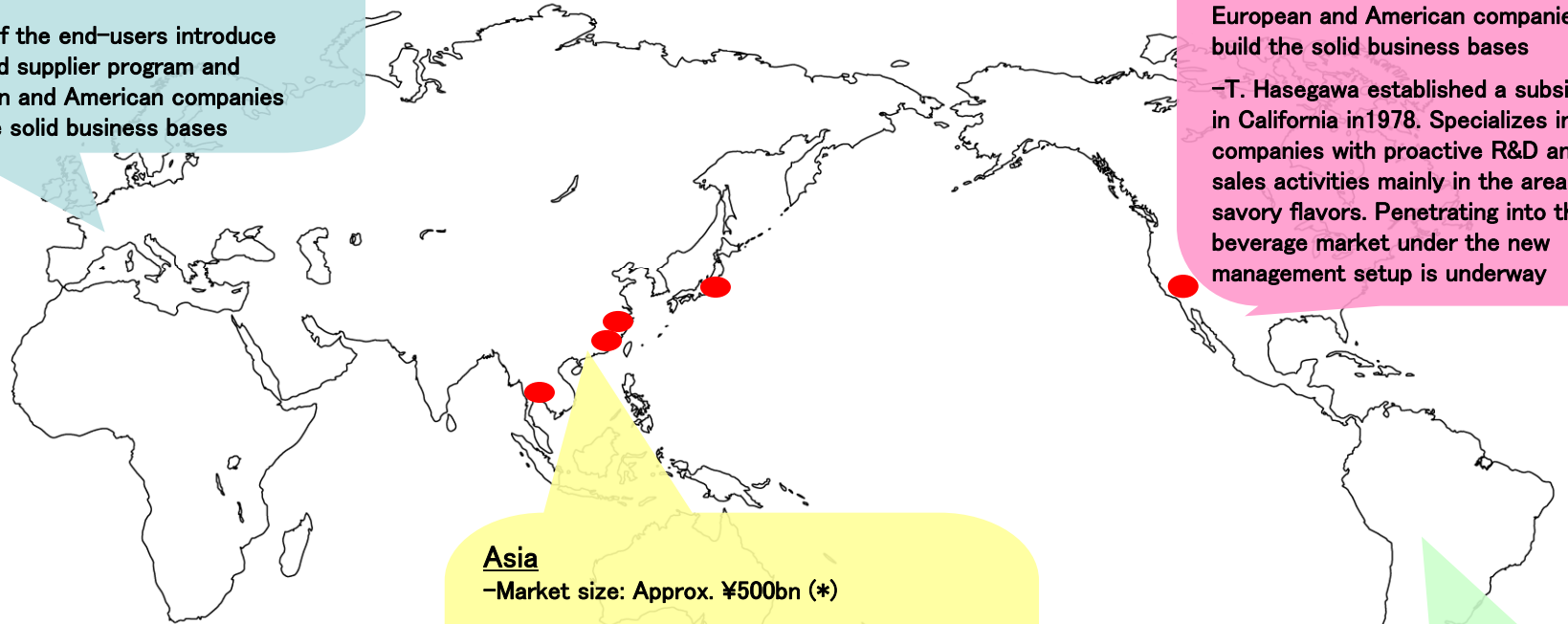
-Market size: Approx. ¥100bn (*)

-The majority of flavors and fragrances are imported.

-Competition in Brazilian market is becoming severe along with the economic growth

(*) = T. Hasegawa estimates

● = T. Hasegawa's offices and plants



Top 10 Flavor & Fragrance Companies

- Top 10 companies account for approx. 75% of the global market

US\$ million

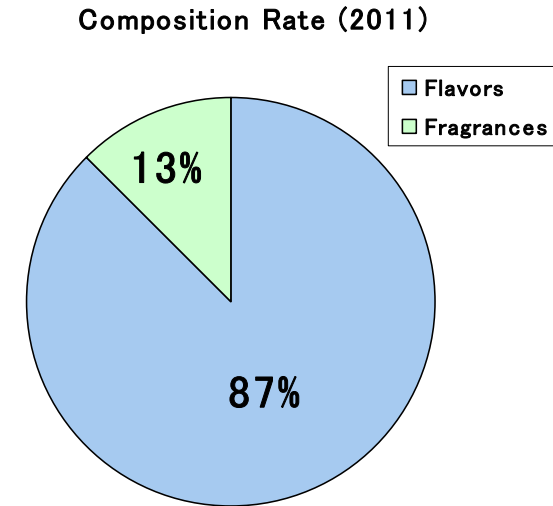
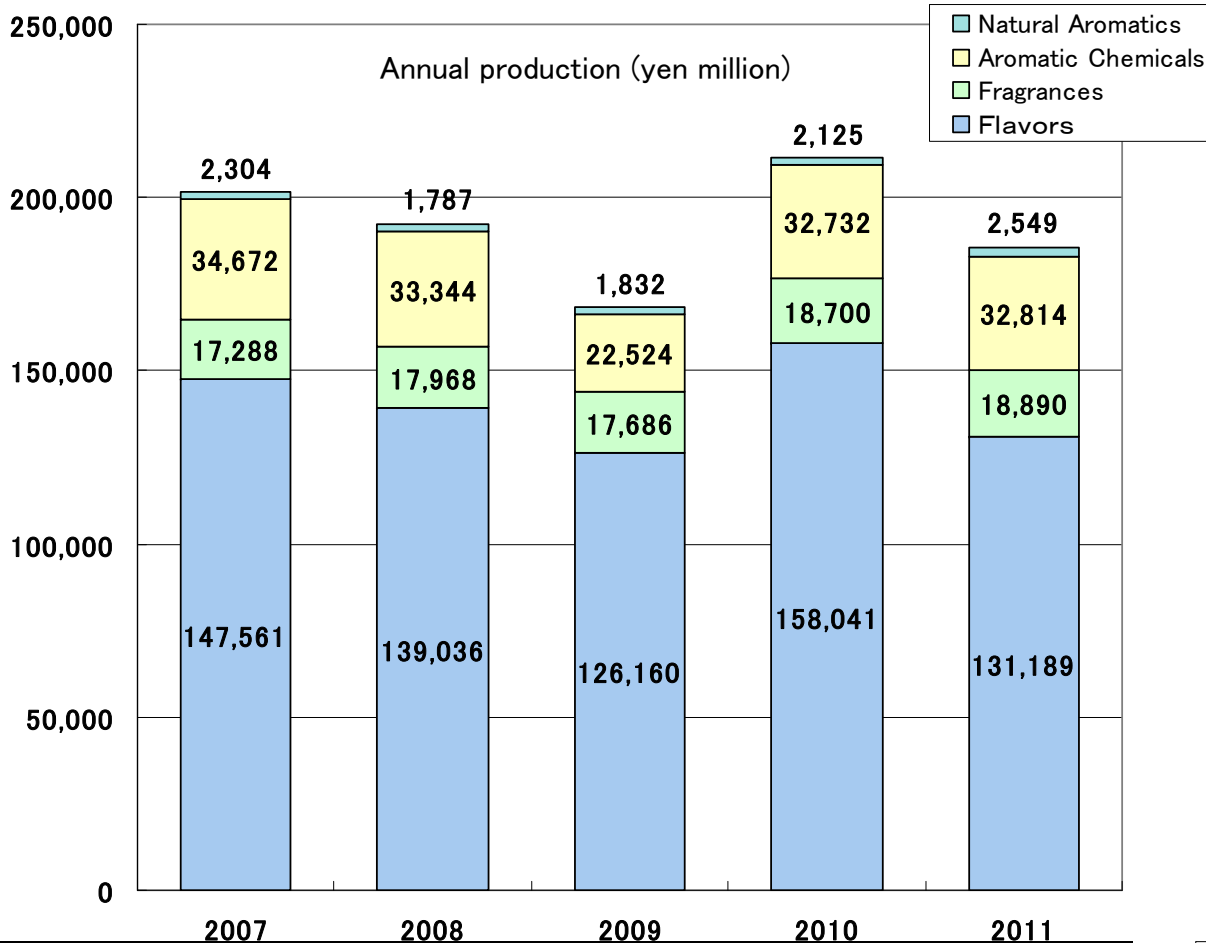
	Company	Country	Sales (2011)	Market Share
1	Givaudan	Switzerland	4,171	19.1%
2	Firmenich	Switzerland	2,809	12.9%
3	IFF	USA	2,788	12.8%
4	Symrise	Germany	2,052	9.4%
5	Takasago	Japan	1,474	6.8%
6	Mane SA	France	738	3.4%
7	Sensient Flavors	USA	620	2.8%
8	T. Hasegawa	Japan	574	2.6%
9	Robertet SA	France	518	2.4%
10	Frutarom	Israel	484	2.2%
	Subtotal	—	16,228	74.4%
	Others	—	5,572	25.6%
	Total	—	21,800	—

*US \$1 ÷ ¥77.1

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

Trends in the Domestic Flavors & Fragrances Market

- Production for 2011 decreased ⇒ the effect of the earthquake and the reactionary fall of increased demand from exceptionally hot summer in 2010
- Sales composition of the domestic market ⇒ flavors : fragrances = 9 : 1
- Sales composition of the global market ⇒ flavors : fragrances = 5 : 5



	2007	2008	2009	2010	2011
Total	201,825	192,135	168,202	211,598	185,442
Year-on-year	0.3%	-4.8%	-12.5%	25.8%	-12.4%

Source :
Japan Flavor & Fragrance Materials Association

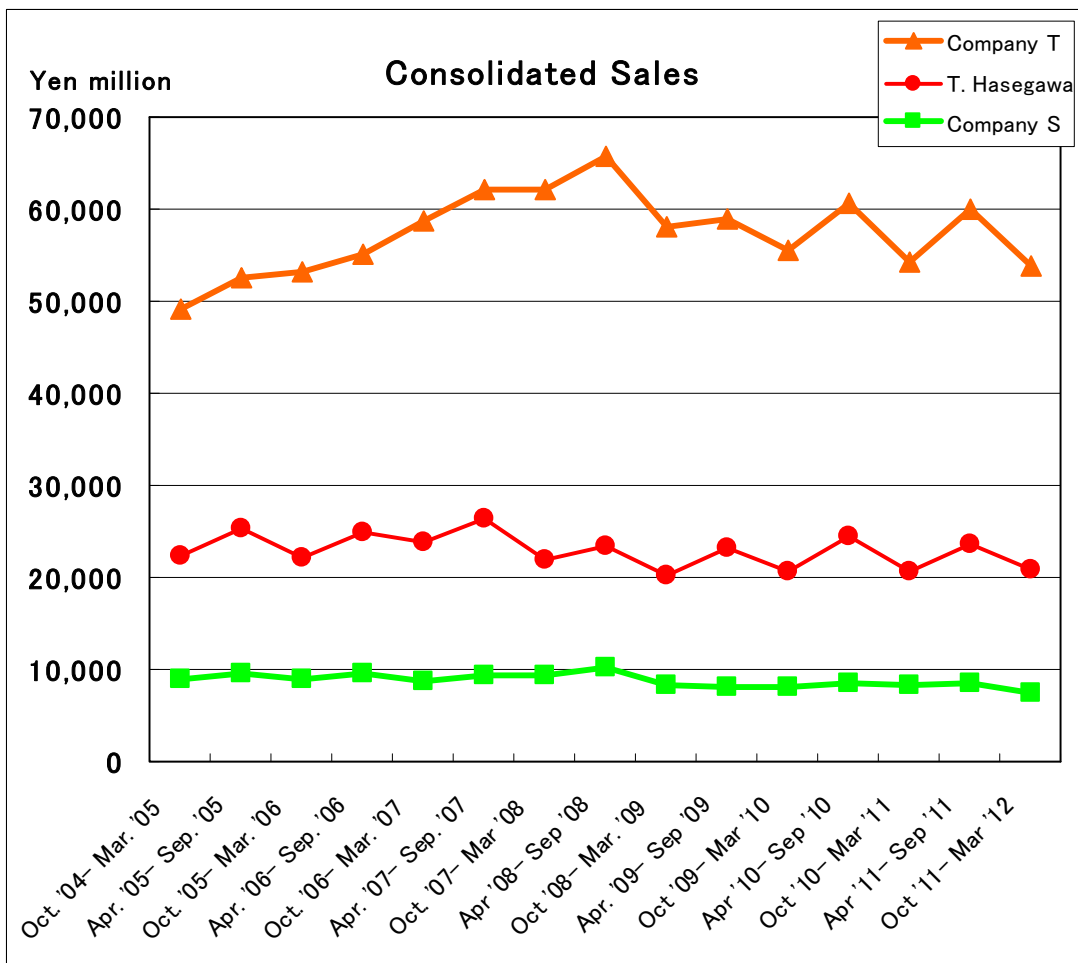
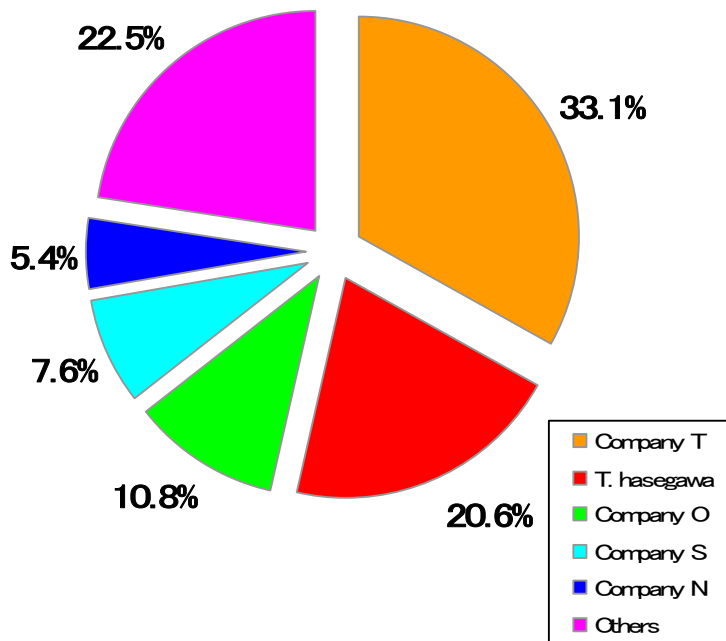
Business Outline of T. Hasegawa Co., Ltd

Sales of Domestic Flavor & Fragrance Companies

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

• Intensified competition within the maturing domestic market

Market Share
(As of Mar. 2012)



*Based on a survey conducted by a private market research firm, T. Hasegawa accounts for 21.3% of the total sales of the top 10 companies in Japan.

*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 has been adjusted to correspond to the Apr. -Mar. fiscal year

Sales Proportion of Flavors by Industry (Non-Consolidated)

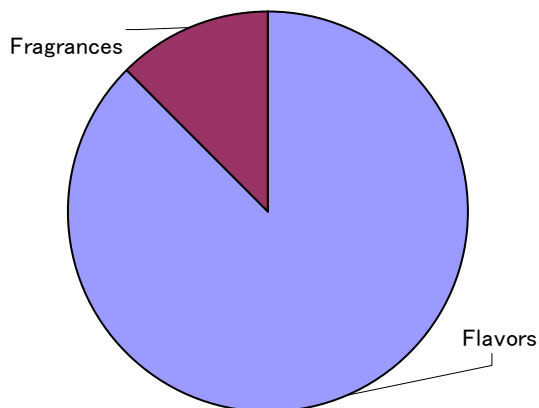
- T. Hasegawa integrates business resources into flavors and fragrances
- High-mix low-volume production ⇒ T. Hasegawa sells approx. 14,000 products per annum

Yen million

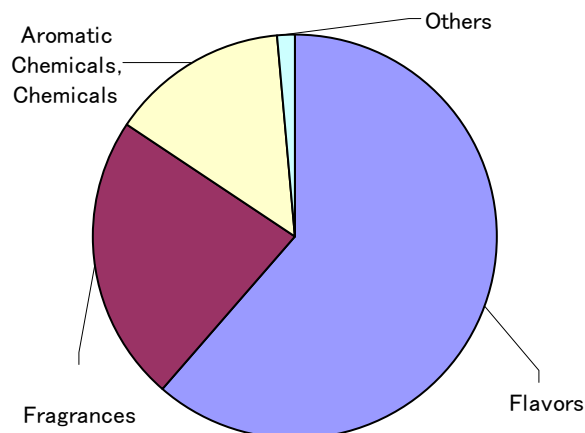
	T. Hasegawa (non-consolidated)		Company A (non-consolidated)	
	FY ended in Sep. 2012		FY ended in Mar. 2012	
	Sales	Share	Sales	Share
Flavors	38,797	87.4%	69,846	61.4%
Fragrances	5,589	12.6%	26,007	22.9%
Aromatic Chemicals, Chemicals	0	0.0%	16,334	14.4%
Others	0	0.0%	1,487	1.3%
Total	44,386	100.0%	113,676	100.0%
Sales Cost Ratio	34.1%		29.4%	

	Company B (non-consolidated)	
	FY ended in Mar. 2012	
	Sales	Share
Compound Flavors & Fragrances	7,873	49.6%
Aromatic Chemicals, Chemicals	5,186	32.7%
Overseas	1,518	9.6%
Others	1,290	8.1%
Total	15,867	100.0%
Sales Cost Ratio	32.5%	

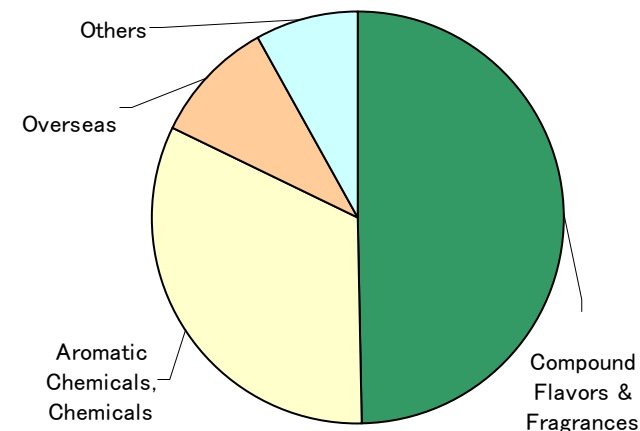
T. Hasegawa



Company A



Company B



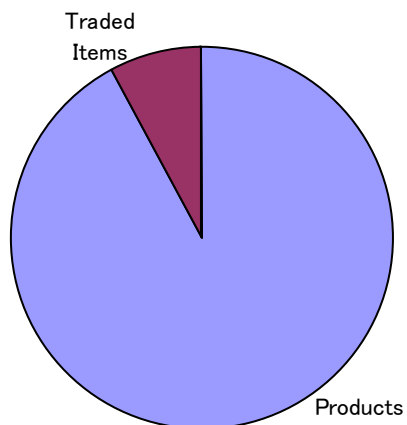
Sales Breakdown –Products & Traded Items–

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

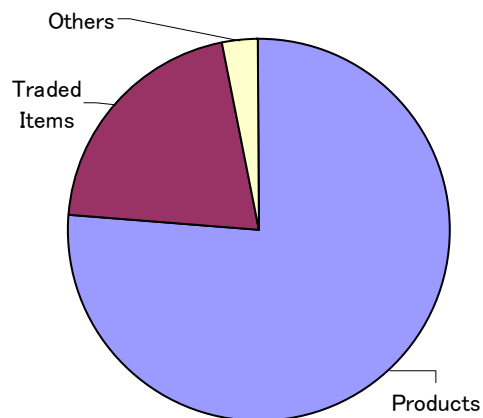
Yen million

	T. Hasegawa (non-consolidated)		Company A (non-consolidated)		Company B (non-consolidated)	
	FY ended in Sep. 2012		FY ended in Mar. 2012		FY ended in Mar. 2012	
	Sales	Share	Sales	Share	Sales	Share
Products	36,094	92.1%	47,694	76.1%	11,503	80.1%
Traded Items	3,082	7.9%	13,085	20.9%	2,860	19.9%
Others	0	0.0%	1,894	3.0%	0	0.0%
Total	39,176	100.0%	62,674	100.0%	14,364	100.0%
Sales Cost Ratio	32.9%		28.7%		31.4%	

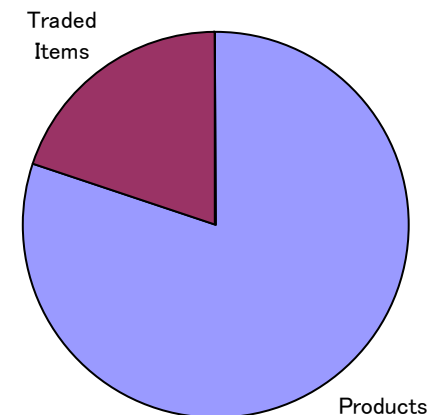
T. Hasegawa



Company A

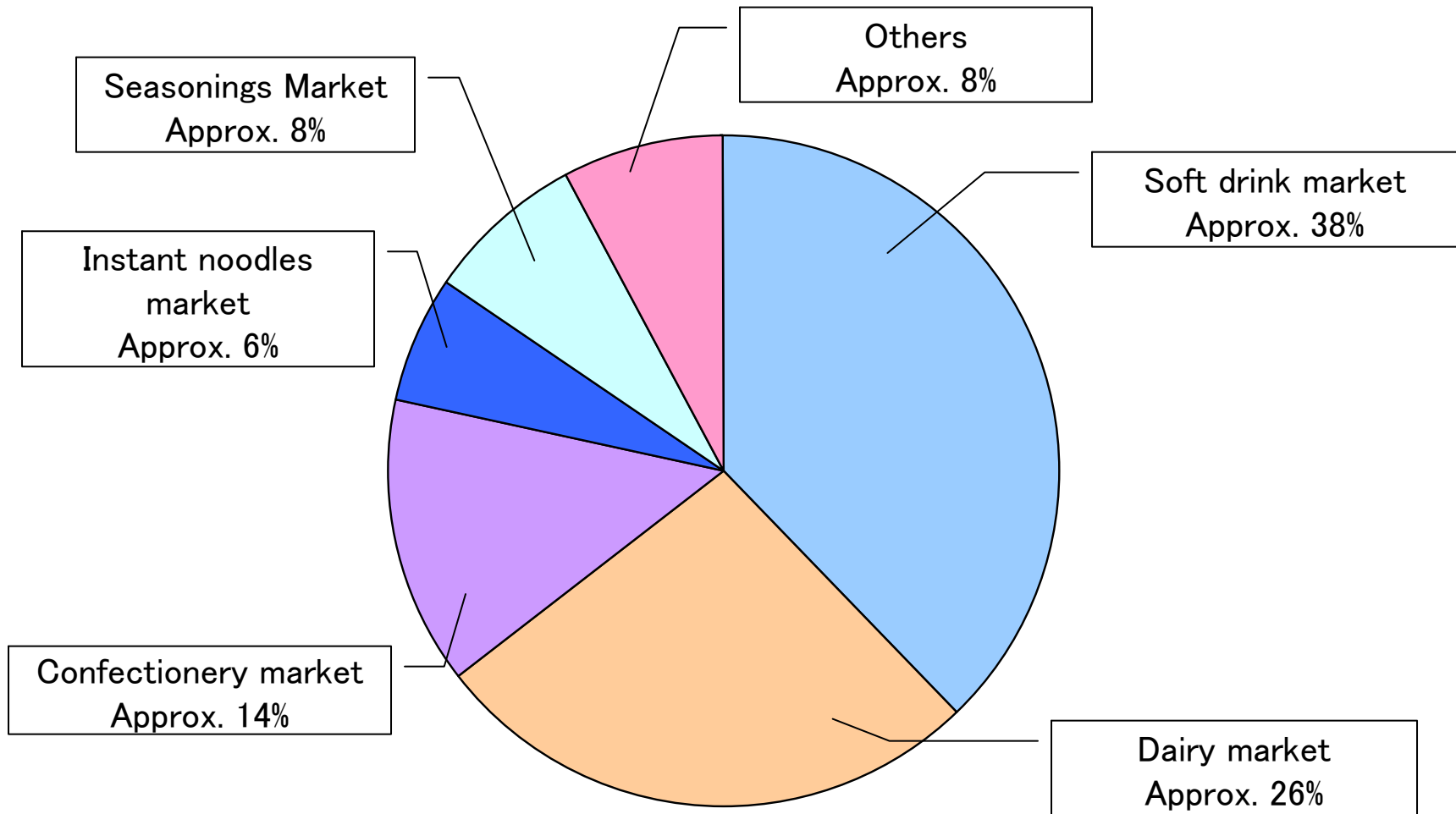


Company B



Sales Proportion of Flavors by Industry (Non-Consolidated)

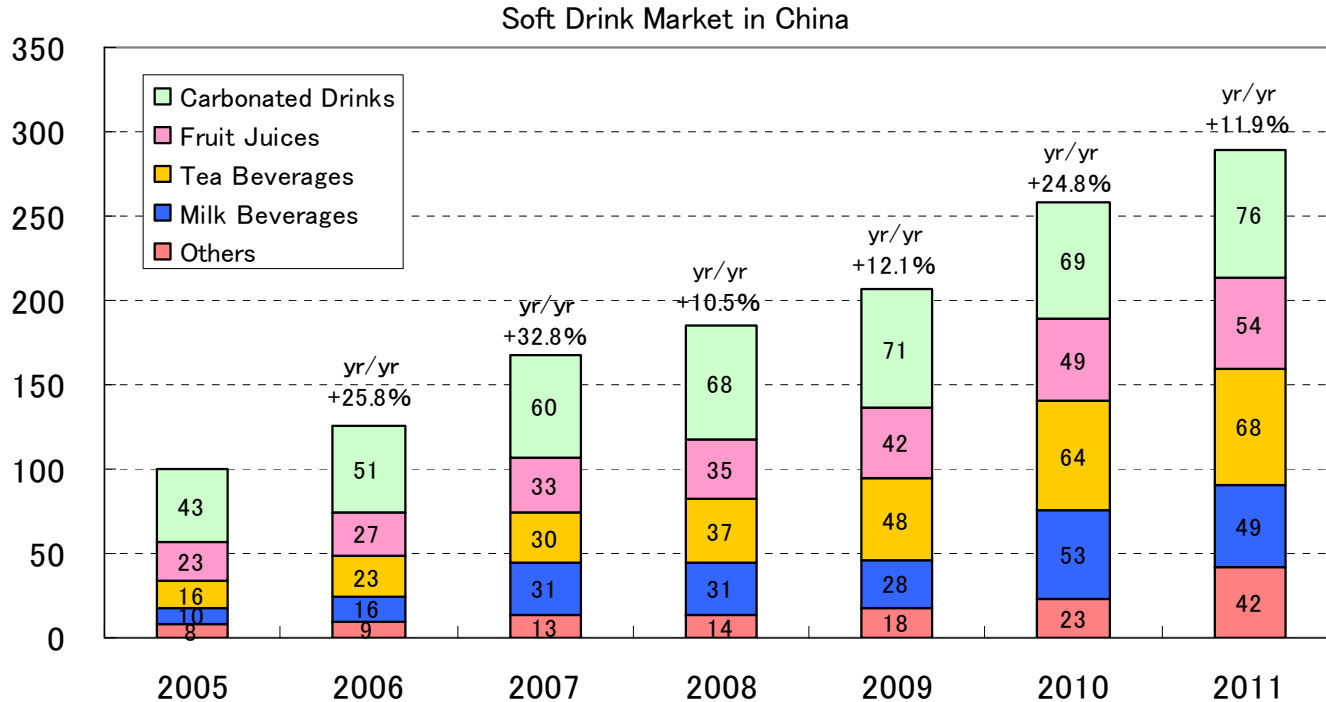
- Seasonal changes in sales exist since sales for the soft drink market account for the highest proportion



Note: This data was calculated by assuming the total sales of customers with identifiable business segments as 100

Operations in the Overseas Market –Soft Drink Market in China–

- Flavors and Fragrance consumption reveals a country's level of affluence —
- Soft drink market in China maintains its growth but the growth pace is slowing down



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

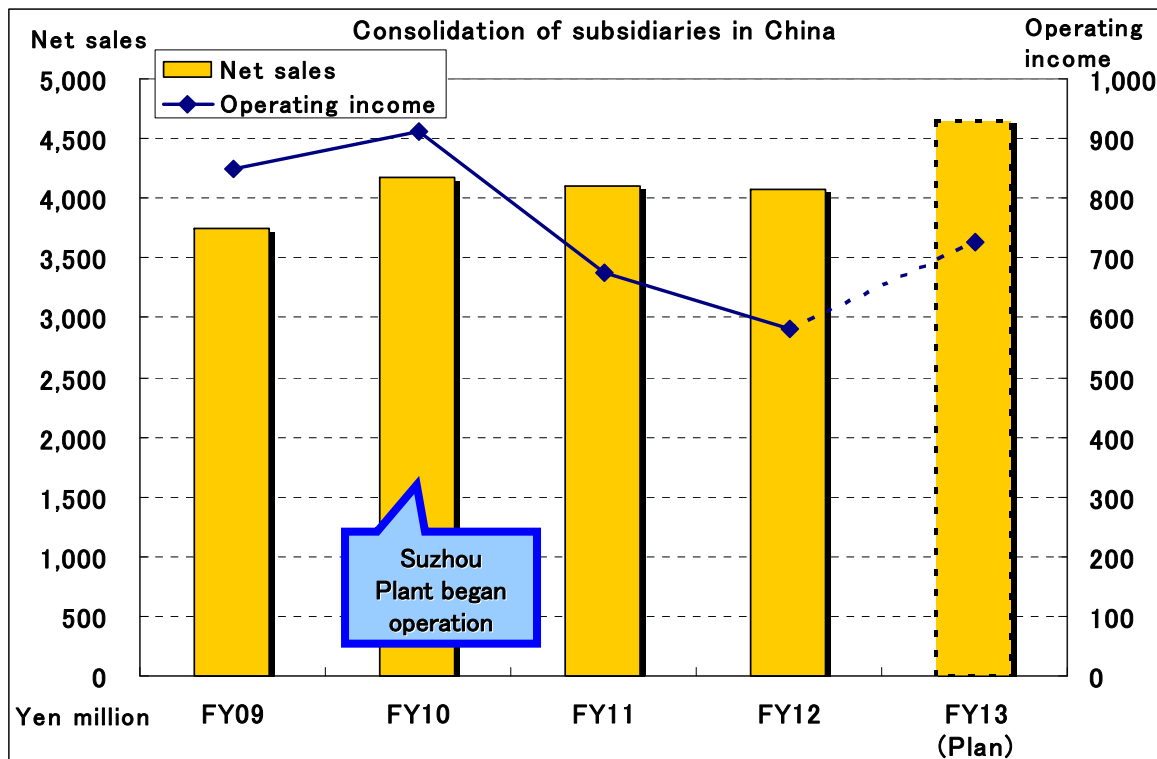
【Share】

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

Business Operations in China

Yen million

	FY09		FY10		FY11		FY12		FY13 (Plan)	
	Value	yr/yr	Value	yr/yr	Value	yr/yr	Value	yr/yr	Value	yr/yr
Net sales	3,740	8.2%	4,177	11.7%	4,099	-1.9%	4,070	-0.7%	4,647	14.2%
Operating income	849	41.8%	913	7.5%	674	-26.1%	580	-14.0%	727	25.4%
Operating income to sales (%)	22.7%	-	21.9%	-	16.5%	-	14.3%	-	15.7%	-
Exchange rate	¥13.83/RMB		¥13.11/RMB		¥12.40/RMB		¥12.47/RMB		¥12.30/RMB	



FY12 (Actual)

Net sales:

Slightly decreased due to the sales decrease of flavors segment

Operating income:

Decreased due to the increase of SGA expenses

FY13 (Plan)

Aiming for sales growth through sales increase for existing major customers and orders from new customers

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

i.e. T. HASEGAWA FLAVOURS & FRAGRANCES (SHANGHAI) CO., LTD. and T. HASEGAWA FLAVOURS & FRAGRANCES (SHANGHAI) CO., LTD.

FY12 Financial Settlement

Sales by Segments

- Slight decrease of fragrances and slight increase of flavors
⇒ Net sales almost unchanged from prior year
- Sales of fruit preparations (products and traded items) increased by approx. ¥700m

Yen million

Segment		FY11 Actual	FY12 Actual	yr/yr		Reamrk
				Value	%	
Fragrances	Products	5,115	5,079	-36	-0.7%	Sales for household products decreased
	Traded items	527	509	-17	-3.3%	Sales for household products decreased
Sub total		5,642	5,589	-53	-1.0%	—
Flavors	Products	36,441	36,227	-214	-0.6%	Sales for tea products decreased
	Traded items	2,161	2,569	407	18.8%	Sales of fruit preparation increased
Sub total		38,603	38,797	193	0.5%	—
Total		44,246	44,386	139	0.3%	—

Profit and Loss Statements (Year-on-Year Analysis)

- Operating income decreased due to the increase of cost of sales

Yen million

	FY11 Actual		FY12 Actual		yr/yr		Remark
	Value	%	Value	%	Value	%	
Net sales	44,246	100.0%	44,386	100.0%	139	0.3%	
Cost of sales	28,884	65.3%	29,263	65.9%	379	1.3%	<ul style="list-style-type: none"> Sales cost ratio was up on non-consolidated basis due to the decrease of the production volume and the increase of the production expenses Sales cost ratio of the overseas subsidiaries slightly improved
Gross profit	15,362	34.7%	15,122	34.1%	-240	-1.6%	
SGA expenses	10,782	24.4%	10,796	24.3%	13	0.1%	SGA expenses of the overseas subsidiaries increased while non-consolidated SGA expenses decreased
Operating income	4,580	10.4%	4,326	9.7%	-253	-5.5%	
Ordinary income	4,802	10.9%	4,704	10.6%	-97	-2.0%	<ul style="list-style-type: none"> (FY11) Foreign exchange loss of ¥75m (FY12) Foreign exchange gain of ¥35m
Income before income taxes	4,737	10.7%	4,532	10.2%	-205	-4.3%	<ul style="list-style-type: none"> (FY11) Extra ordinary income of ¥334m due to the gain on abolishment of retirement benefit plan (FY11) Extra ordinary losses of ¥398m due to loss on disposal of fixed assets, impairment losses, asset retirement obligations, and loss on valuation of investment securities (FY12) Extra ordinary losses of ¥173m due to loss on disposal of fixed assets and impairment losses
Net income	3,115	7.0%	2,586	5.8%	-529	-17.0%	Income taxes-deferred of ¥340m due to the decrease of the future corporate tax rate

Balance Sheets

Yen million

	FY11	FY12	Change	Remark
Current assets	42,008	44,906	2,898	Decrease in cash and time deposits: Δ ¥1,545m Increase in marketable securities: ¥2,999m Increase in accounts receivable, trade: ¥1,662m Decrease in inventories: Δ ¥175m
Fixed assets	36,434	35,966	Δ 468	Decrease in tangible assets: Δ ¥112m Decrease in intangible assets: Δ ¥226m
Total assets	78,443	80,872	2,429	
Current liabilities	11,391	11,912	520	Increase in accounts payable, other: ¥543m
Long-term liabilities	7,285	7,171	Δ 113	Decrease in long-term loans payable: Δ ¥152m
Shareholders' equity	59,766	61,789	2,022	Increase in retained earnings: ¥1,548m Decrease in treasury stock: ¥199m Increase in foreign currency translation adjustments: ¥142m Increase in unrealized gains on available-for-sale securities: ¥132m
Total liabilities and shareholders' equity	78,443	80,872	2,429	

Statements of Cash Flow

Yen million

	FY11	FY12	Change	Remark
Cash flows from operating activities	6,175	4,837	△ 1,338	Income before income taxes: ¥4,532 Depreciation & Amortization: ¥3,099m Increase in accounts receivable, trade: △ ¥1,632m Income taxes paid: △ ¥1,486m
Cash flows from investing activities	△ 3,438	△ 3,363	74	Increase in marketable securities: △ ¥1,499m Acquisition of tangible fixed assets: △ ¥2,154m
Cash flows from financing activities	△ 1,060	△ 1,053	6	Cash Dividends: △ ¥1,038m
Effect of currency change on cash and cash equivalents	△ 68	33	102	—
Net change in cash and cash equivalents	1,608	453	△ 1,155	—
Cash and cash equivalents at beginning of period	13,097	14,706	1,608	—
Cash and cash equivalents at end of period	14,706	15,159	453	—

Capital Investment, Depreciation & Amortization, R&D Expenses

Yen million

		FY12 Plan	FY12 Actual	Progress (%)
Capital Investment	Consolidated	2,971	2,752	92.6%
	Non-consolidated	2,871	2,606	90.8%
Depreciation & Amortization	Consolidated	3,072	3,099	100.9%
	Non-consolidated	2,739	2,753	100.5%
R&D Expenses	Consolidated	3,882	3,741	96.4%
	Non-consolidated	3,404	3,269	96.0%

T. HASEGAWA CO., LTD. (Non-consolidated)

Yen million

	FY11 Actual		FY12 Plan (May 11)		FY12 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	39,232	100.0%	39,410	100.0%	39,176	100.0%	-55	-0.1%	-233	-0.6%
Cost of sales	25,950	66.1%	26,090	66.2%	26,274	67.1%	324	1.3%	184	0.7%
Gross profit	13,282	33.9%	13,320	33.8%	12,901	32.9%	-380	-2.9%	-418	-3.1%
SGA expenses	9,482	24.2%	9,680	24.6%	9,294	23.7%	-188	-2.0%	-385	-4.0%
Operating income	3,800	9.7%	3,640	9.2%	3,607	9.2%	-192	-5.1%	-32	-0.9%
Ordinary income	4,682	11.9%	3,960	10.0%	4,011	10.2%	-670	-14.3%	51	1.3%
Income before income taxes	4,625	11.8%	3,880	9.8%	3,846	9.8%	-778	-16.8%	-33	-0.9%
Net income	3,156	8.0%	2,215	5.6%	2,040	5.2%	-1,115	-35.3%	-174	-7.9%

Subsidiaries in China

✕ Consolidated profit and loss statement of T. Hasegawa's two subsidiaries in China
 i.e. T. HASEGAWA FLAVOURS & FRAGRANCES (SHANGHAI) CO., LTD.
 T. HASEGAWA FLAVOURS (SUZHOU) CO., LTD.

Yen million

Yen Basis	FY11		FY12		yr/yr	
	Value	Share	Value	Share	Value	%
Net sales	4,099	100.0%	4,070	100.0%	-28	-0.7%
Cost of sales	2,554	62.3%	2,507	61.6%	-46	-1.8%
Gross profit	1,544	37.7%	1,562	38.4%	17	1.2%
SGA expenses	870	21.2%	982	24.1%	112	12.9%
Operating income	674	16.5%	580	14.3%	-94	-14.0%
Ordinary income	681	16.6%	584	14.4%	-97	-14.3%

¥12.40/RMB

¥12.47/RMB

RMB thousand

Local Currency Basis	FY11		FY12		yr/yr	
	Value	Share	Value	Share	Value	%
Net sales	330,594	100.0%	326,419	100.0%	-4,174	-1.3%
Cost of sales	206,014	62.3%	201,100	61.6%	-4,913	-2.4%
Gross profit	124,580	37.7%	125,318	38.4%	738	0.6%
SGA expenses	70,177	21.2%	78,777	24.1%	8,599	12.3%
Operating income	54,402	16.5%	46,541	14.3%	-7,860	-14.4%
Ordinary income	54,972	16.6%	46,871	14.4%	-8,101	-14.7%

- Decreased both in sales and profit
- Net sales slightly decreased due to sales decrease of flavor segment

Yen million

Yen Basis	FY11		FY12		yr/yr	
	Value	Share	Value	Share	Value	%
Net sales	1,444	100.0%	1,625	100.0%	180	12.5%
Cost of sales	915	63.3%	1,002	61.6%	87	9.5%
Gross profit	529	36.7%	623	38.4%	93	17.7%
SGA expenses	471	32.6%	557	34.3%	86	18.4%
Operating income	58	4.0%	65	4.0%	7	12.6%
Ordinary income	65	4.5%	72	4.4%	7	10.7%
	¥81.15/\$		¥78.88/\$			

\$ thousand

Local Currency Basis	FY11		FY12		yr/yr	
	Value	Share	Value	Share	Value	%
Net sales	17,804	100.0%	20,610	100.0%	2,805	15.8%
Cost of sales	11,277	63.3%	12,704	61.6%	1,427	12.7%
Gross profit	6,527	36.7%	7,905	38.4%	1,378	21.1%
SGA expenses	5,809	32.6%	7,073	34.3%	1,264	21.8%
Operating income	718	4.0%	832	4.0%	114	15.9%
Ordinary income	803	4.5%	915	4.4%	111	13.9%

- New items contributed to the sales increase
- Limited increase in profits due to the increase in SGA expenses caused by the payment of one time expenses

Three-year Strategies (Consolidated)

Yen million

	FY12 (Actual)			FY13 (Plan)			FY14 (Plan)			FY15 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	44,386	100.0%	0.3%	46,090	100.0%	3.8%	47,470	100.0%	3.0%	49,110	100.0%	3.5%
Cost of sales	29,263	65.9%	1.3%	29,960	65.0%	2.4%	30,670	64.6%	2.4%	31,880	64.9%	3.9%
Gross profit	15,122	34.1%	-1.6%	16,130	35.0%	6.7%	16,800	35.4%	4.2%	17,230	35.1%	2.6%
SGA expenses	10,796	24.3%	0.1%	11,230	24.4%	4.0%	11,390	24.0%	1.4%	11,410	23.2%	0.2%
Operating income	4,326	9.7%	-5.5%	4,900	10.6%	13.3%	5,410	11.4%	10.4%	5,820	11.9%	7.6%
Ordinary income	4,704	10.6%	-2.0%	5,180	11.2%	10.1%	5,680	12.0%	9.7%	6,100	12.4%	7.4%
Income before income taxes	4,532	10.2%	-4.3%	5,030	10.9%	11.0%	5,530	11.6%	9.9%	5,950	12.1%	7.6%
Net income	2,586	5.8%	-17.0%	3,400	7.4%	31.5%	3,740	7.9%	10.0%	4,030	8.2%	7.8%

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.