

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2017 (Based on Japanese GAAP)

November 10, 2017

Company name: T. HASEGAWA CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 4958 URL <http://www.t-hasegawa.co.jp/>
 Representative: President & COO Takao Umino
 Executive Vice President, Corporate
 Inquiries: Planning Division General Manager Minoru Nakamura TEL 03-3241-1151
 Scheduled date of ordinary general meeting of shareholders: December 21, 2017
 Scheduled date to file Securities Report: December 22, 2017
 Scheduled date to commence dividend payments: December 6, 2017
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2017 (from October 1, 2016 to September 30, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended September 30, 2017	48,001	0.9	5,606	8.6	6,101	18.1	4,299	18.2
Year ended September 30, 2016	47,591	0.8	5,160	18.6	5,164	6.4	3,637	19.5

Note: Comprehensive income Year ended September 30, 2017 ¥8,937 million [413.9%]
 Year ended September 30, 2016 ¥1,739 million [(71.9)%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended September 30, 2017	101.35	101.19	5.1	5.8	11.7
Year ended September 30, 2016	85.74	85.67	4.6	5.1	10.8

Reference: Investment profit (loss) on equity method Year ended September 30, 2017 ¥- million
 Year ended September 30, 2016 ¥- million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2017	109,836	87,528	79.6	2,060.94
As of September 30, 2016	100,853	79,939	79.2	1,883.29

Reference: Equity As of September 30, 2017 ¥87,438 million
 As of September 30, 2016 ¥79,902 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended September 30, 2017	4,860	(9,456)	(1,519)	16,511
Year ended September 30, 2016	6,666	(3,131)	(1,295)	22,313

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended September 30, 2016	–	15.00	–	17.00	32.00	1,357	37.3	1.7
Year ended September 30, 2017	–	16.00	–	19.00	35.00	1,484	34.5	1.8
Year ending September 30, 2018 (Forecast)	–	17.00	–	18.00	35.00		34.4	

3. Forecast of consolidated financial results for the year ending September 30, 2018 (from October 1, 2017 to September 30, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	51,600	7.5	5,880	4.9	6,210	1.8	4,320	0.5	101.82

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

No

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2017	42,708,154 shares	As of September 30, 2016	42,708,154 shares
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Number of treasury shares at the end of the period

As of September 30, 2017	281,719 shares	As of September 30, 2016	281,269 shares
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Average number of shares during the period

Year ended September 30, 2017	42,426,645 shares	Year ended September 30, 2016	42,427,005 shares
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Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended September 30, 2017 (from October 1, 2016 to September 30, 2017)

(1) Non-consolidated financial results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended September 30, 2017	36,572	(0.6)	3,868	9.6	4,363	18.6	3,225	22.0
Year ended September 30, 2016	36,801	2.0	3,528	24.4	3,677	8.0	2,643	27.8

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended September 30, 2017	76.03	75.91
Year ended September 30, 2016	62.30	62.25

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2017	99,553	79,636	79.9	1,874.91
As of September 30, 2016	93,870	75,018	79.9	1,767.30

Reference: Equity As of September 30, 2017 ¥79,545 million

As of September 30, 2016 ¥74,980 million

2. Forecast of non-consolidated financial results for the year ending September 30, 2018 (from October 1, 2017 to September 30, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	38,100	4.2	4,190	8.3	4,570	4.7	3,310	2.6	78.02

* Financial results reports are not required to be audited.

* Proper use of forecasts of financial results, and other special matters

The forward-looking statements, including the earnings forecasts, shown in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual results may differ substantially due to various factors.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of September 30, 2016	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	11,336	10,802
Notes and accounts receivable - trade	15,312	16,893
Securities	10,999	5,999
Merchandise and finished goods	6,190	6,530
Work in process	103	160
Raw materials and supplies	5,152	6,004
Deferred tax assets	622	632
Other	619	1,681
Allowance for doubtful accounts	(4)	(8)
Total current assets	50,333	48,694
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,278	38,159
Accumulated depreciation	(19,097)	(20,205)
Buildings and structures, net	17,180	17,953
Machinery, equipment and vehicles	34,582	34,453
Accumulated depreciation	(29,949)	(29,715)
Machinery, equipment and vehicles, net	4,633	4,737
Tools, furniture and fixtures	6,035	6,561
Accumulated depreciation	(4,928)	(5,329)
Tools, furniture and fixtures, net	1,106	1,232
Land	6,477	6,492
Construction in progress	913	828
Total property, plant and equipment	30,311	31,245
Intangible assets		
Goodwill	1,066	3,885
Customer relationship	–	3,033
Other	1,079	890
Total intangible assets	2,145	7,809
Investments and other assets		
Investment securities	17,270	21,202
Deferred tax assets	25	24
Net defined benefit asset	2	18
Other	821	897
Allowance for doubtful accounts	(56)	(57)
Total investments and other assets	18,063	22,086
Total non-current assets	50,520	61,141
Total assets	100,853	109,836

(Millions of yen)

	As of September 30, 2016	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,661	5,540
Current portion of long-term loans payable	5	4
Income taxes payable	737	839
Provision for bonuses	1,116	1,264
Provision for directors' bonuses	58	67
Other	2,876	2,818
Total current liabilities	10,455	10,534
Non-current liabilities		
Long-term loans payable	116	4
Deferred tax liabilities	2,608	4,012
Net defined benefit liability	6,590	6,631
Asset retirement obligations	70	70
Long-term accounts payable - other	1,027	997
Other	46	56
Total non-current liabilities	10,458	11,772
Total liabilities	20,914	22,307
Net assets		
Shareholders' equity		
Capital stock	5,364	5,364
Capital surplus	7,292	7,292
Retained earnings	59,538	62,438
Treasury shares	(322)	(323)
Total shareholders' equity	71,873	74,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,695	12,435
Foreign currency translation adjustment	(1,367)	468
Remeasurements of defined benefit plans	(299)	(237)
Total accumulated other comprehensive income	8,028	12,665
Subscription rights to shares	37	90
Total net assets	79,939	87,528
Total liabilities and net assets	100,853	109,836

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017
Net sales	47,591	48,001
Cost of sales	29,836	29,245
Gross profit	17,754	18,756
Selling, general and administrative expenses		
Packing and transportation expenses	801	810
Salaries and allowances	5,203	5,338
Provision for bonuses	727	838
Provision for directors' bonuses	58	67
Retirement benefit expenses	543	481
Provision for directors' retirement benefits	16	–
Welfare expenses	1,046	1,182
Depreciation	761	840
Amortization of goodwill	143	208
Other	3,290	3,381
Total selling, general and administrative expenses	12,594	13,149
Operating profit	5,160	5,606
Non-operating income		
Interest income	31	33
Dividend income	232	260
Foreign exchange gains	–	173
Other	151	88
Total non-operating income	415	556
Non-operating expenses		
Interest expenses	10	3
Foreign exchange losses	338	–
Rent expenses on facilities	49	43
Other	13	14
Total non-operating expenses	411	62
Ordinary profit	5,164	6,101
Extraordinary income		
Gain on sales of non-current assets	–	75
Gain on sales of investment securities	142	55
Total extraordinary income	142	131
Extraordinary losses		
Impairment loss	39	–
Loss on abandonment of non-current assets	87	95
Total extraordinary losses	127	95
Profit before income taxes	5,179	6,137
Income taxes - current	1,449	1,613
Income taxes - deferred	92	224
Total income taxes	1,542	1,837
Profit	3,637	4,299
Profit attributable to owners of parent	3,637	4,299

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017
Profit	3,637	4,299
Other comprehensive income		
Valuation difference on available-for-sale securities	1,290	2,740
Foreign currency translation adjustment	(3,184)	1,835
Remeasurements of defined benefit plans, net of tax	(4)	61
Total other comprehensive income	(1,898)	4,637
Comprehensive income	1,739	8,937
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,739	8,937
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended September 30, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,364	7,292	57,173	(321)	69,509
Changes of items during period					
Dividends of surplus			(1,272)		(1,272)
Profit attributable to owners of parent			3,637		3,637
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,364	(0)	2,364
Balance at end of current period	5,364	7,292	59,538	(322)	71,873

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	8,404	1,817	(295)	9,926	-	79,436
Changes of items during period						
Dividends of surplus						(1,272)
Profit attributable to owners of parent						3,637
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	1,290	(3,184)	(4)	(1,898)	37	(1,860)
Total changes of items during period	1,290	(3,184)	(4)	(1,898)	37	503
Balance at end of current period	9,695	(1,367)	(299)	8,028	37	79,939

Fiscal year ended September 30, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,364	7,292	59,538	(322)	71,873
Changes of items during period					
Dividends of surplus			(1,400)		(1,400)
Profit attributable to owners of parent			4,299		4,299
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,899	(0)	2,898
Balance at end of current period	5,364	7,292	62,438	(323)	74,772

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	9,695	(1,367)	(299)	8,028	37	79,939
Changes of items during period						
Dividends of surplus						(1,400)
Profit attributable to owners of parent						4,299
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	2,740	1,835	61	4,637	52	4,690
Total changes of items during period	2,740	1,835	61	4,637	52	7,589
Balance at end of current period	12,435	468	(237)	12,665	90	87,528

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	5,179	6,137
Depreciation	2,937	2,842
Impairment loss	39	–
Amortization of goodwill	143	208
Increase (decrease) in provision for directors' retirement benefits	(1,066)	–
Increase (decrease) in long-term accounts payable - other	1,027	(29)
Share-based compensation expenses	37	52
Increase (decrease) in provision for bonuses	95	125
Increase (decrease) in provision for directors' bonuses	21	8
Increase (decrease) in allowance for doubtful accounts	(4)	4
Increase (decrease) in net defined benefit liability	103	130
Decrease (increase) in net defined benefit asset	3	(15)
Interest and dividend income	(263)	(294)
Interest expenses	10	3
Foreign exchange losses (gains)	235	(80)
Loss on abandonment of non-current assets	87	95
Loss (gain) on sales of intangible assets	–	(75)
Loss (gain) on sales and valuation of investment securities	(142)	(56)
Decrease (increase) in notes and accounts receivable - trade	433	(1,114)
Decrease (increase) in inventories	(512)	(948)
Increase (decrease) in notes and accounts payable - trade	(40)	(270)
Increase (decrease) in accrued consumption taxes	(333)	112
Other, net	13	(620)
Subtotal	8,006	6,213
Interest and dividend income received	263	292
Interest expenses paid	(10)	(4)
Income taxes paid	(1,593)	(1,642)
Net cash provided by (used in) operating activities	6,666	4,860
Cash flows from investing activities		
Payments into time deposits	(20)	(289)
Proceeds from withdrawal of time deposits	69	33
Purchase of property, plant and equipment	(3,318)	(3,156)
Proceeds from sales of property, plant and equipment	89	4
Payments for retirement of property, plant and equipment	(59)	(130)
Purchase of intangible assets	(142)	(64)
Proceeds from sales of intangible assets	–	284
Purchase of investment securities	(33)	(30)
Proceeds from sales of investment securities	224	78
Payments of short-term loans receivable	–	(25)
Purchase of shares of subsidiaries	–	(6,160)
Proceeds from collection of guarantee deposits	135	–
Payments for asset retirement obligations	(75)	–
Other, net	0	–
Net cash provided by (used in) investing activities	(3,131)	(9,456)

(Millions of yen)

	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017
Cash flows from financing activities		
Repayments of long-term loans payable	(22)	(118)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,272)	(1,399)
Net cash provided by (used in) financing activities	(1,295)	(1,519)
Effect of exchange rate change on cash and cash equivalents	(527)	314
Net increase (decrease) in cash and cash equivalents	1,712	(5,802)
Cash and cash equivalents at beginning of period	20,601	22,313
Cash and cash equivalents at end of period	22,313	16,511

Segment Information

1. Outline of reportable segments

The T.Hasegawa group's reportable segments are components of the group for which separate financial information is available. These segments are periodically evaluated by the Board of Directors when deciding how to allocate management resources and when assessing performance.

The T.Hasegawa group primarily engages in the manufacture and sales of fragrance and flavor products. Japan is in charge of the area including domestic market and overseas countries except for China, Malaysia, and the U.S., and there are each subsidiary in China, Malaysia and the U.S. The subsidiaries have self-management system in each country and these subsidiaries develop comprehensive strategy based on global strategy made by the company, and engage in business activities on a regional basis.

Thus, the T.Hasegawa group is composed of segments separated by the location of group companies, whose location is determined by the production and sales structure, and defines the three segments of "Japan," "Asia," and "USA," as reportable segments. In addition, in the current consolidated fiscal year, FLAVOR INGREDIENT HOLDINGS, LLC (Main Office: California, the US) has become a wholly owned subsidiary by acquisition of all the outstanding shares, which is included in the scope of consolidation in USA segment.

2. Calculation method of net sales, profit or loss, assets, and other items in reportable segments

The accounting method used for reportable segments is the same as the method stated in "Significant Basic Items for Preparation of Consolidated Financial Statements." Segment profits of reportable segments are provided on an ordinary income basis. Inter-segment sales or transfers are based on current market prices.

3. Information of net sales, profit or loss, assets, and other items for each reportable segment

(1) Fiscal year ended September 30, 2016

(From October 1, 2015 to September 30, 2016)

(Millions of yen)

	Reportable segment				Adjustment (Note 1,2)	Consolidated (Note 3)
	Japan	Asia	USA	Total		
Net sales						
Sales to external customers	36,321	7,900	3,369	47,591	—	47,591
Inter-segment sales or transfers	479	413	354	1,248	(1,248)	—
Total	36,801	8,314	3,723	48,839	(1,248)	47,591
Segment profit	3,761	1,318	99	5,179	(14)	5,164
Segment assets	94,162	14,321	3,197	111,681	(10,827)	100,853
Other items						
Depreciation	2,183	524	229	2,937	—	2,937
Amortization of Goodwill	—	143	—	—	—	143
Interest income	43	27	0	70	(39)	31
Interest expenses	0	36	14	51	(41)	10
Impairment loss (Note 4)	39	—	—	—	—	39
Increase in property, plant and equipment and intangible assets	2,170	473	89	2,733	—	2,733
Term-end balance of Goodwill	—	1,066	—	—	—	1,066

1. The adjustments on segment profit of negative 14 million yen include negative 5 million yen of foreign currency translation related to eliminating inter-segment assets and liabilities by offsetting, negative 8 million yen of adjustments for inventories related to inter-segment transactions, and negative 0 million yen for others.

2. The adjustments for segment assets of negative 10,827 million yen include adjustments for negative 10,731 million yen of inter-segment transaction and corporate assets, and negative 96 million yen of inventories related to inter-segment transactions, and 0 million yen for others.

3. Segment profit is adjusted to ordinary profit of consolidated statements of income.

4. Impairment loss of 39 million yen includes idle assets which are expected to be disused.

(2) Fiscal year ended September 30, 2017
(From October 1, 2016 to September 30, 2017)

(Millions of yen)

	Reportable segment				Adjustment (Note 1,2)	Consolidated (Note 3)
	Japan	Asia	USA	Total		
Net sales						
Sales to external customers	36,077	7,737	4,186	48,001	—	48,001
Inter-segment sales or transfers	506	356	423	1,286	(1,286)	—
Total	36,583	8,094	4,609	49,288	(1,286)	48,001
Segment profit	4,430	1,367	278	6,076	24	6,101
Segment assets	99,882	17,185	10,144	127,211	(17,375)	109,836
Other items						
Depreciation	2,040	519	282	2,842	—	2,842
Amortization of Goodwill	—	135	72	—	—	208
Interest income	21	32	0	53	(19)	33
Interest expenses	0	8	14	23	(19)	3
Increase in property, plant and equipment and intangible assets	1,440	986	339	2,766	—	2,766
Term-end balance of Goodwill	—	1,023	2,862	—	—	3,885

Notes

1. The adjustments on segment profit of 24 million yen include negative 1 million yen of inter-segment transactions, 25 million yen of adjustments for inventories related to inter-segment transactions, and 0 million yen for others.
2. The adjustments for segment assets of negative 17,375 million yen include adjustments for negative 17,303 million yen of inter-segment transaction and corporate assets, and negative 72 million yen of inventories related to inter-segment transactions, and 0 million yen for others.
3. Segment profit is adjusted to ordinary profit of consolidated statements of income.