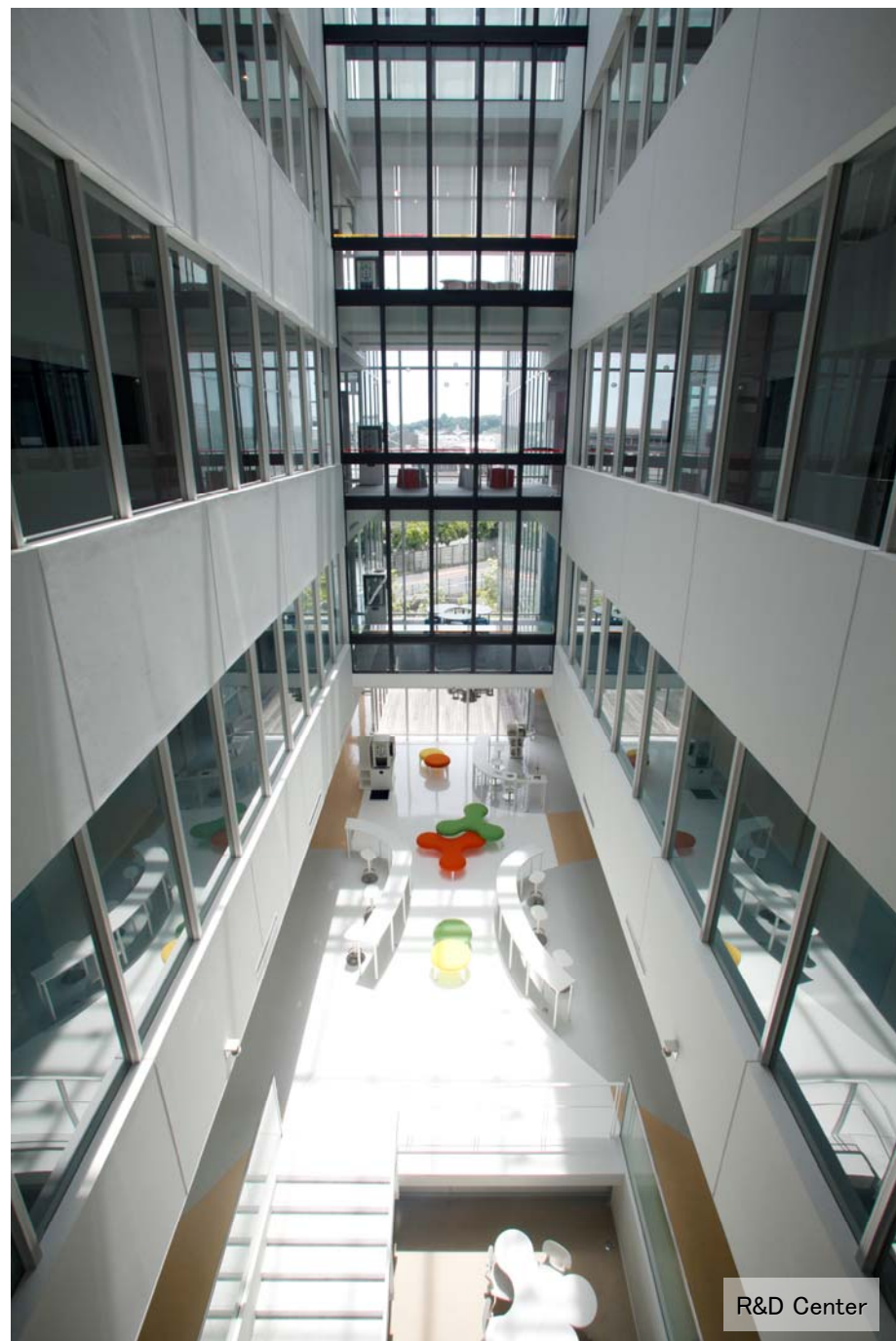


# FY11 Financial Results

T. HASEGAWA CO., LTD.



R&D Center

## 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.

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<u>II . Three-year Strategies</u>	...	P11-P16
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– Market Size of Flavors & Fragrances Industry		
– Business Outline of T. Hasegawa Co., Ltd		

# I . Summary of the Consolidated Financial Settlement

# Changes in Circumstances Surrounding T. Hasegawa in FY11

## 1. Effects of the Great East Japan Earthquake

Domestic market

Effects on T. Hasegawa, and the measures taken	•All employees were safe, and there were no severe damages to our buildings and production facilities
	•Production schedules were moved up to spring time in response to the possibility of electricity shortage during summer
	•Rotation of holidays between manufacturing divisions at production sites
	•Installation of in-house electric generators

	Customers		T. Hasegawa
Effects of the customers' response	Streamlining of production lines, temporary decrease in production volume → Damages on customers' production facilities, shortage of materials, scheduled power blackout	⇒	•Increase in production volume of certain major products, whereas production volume decreased for some other products
	•Production schedules were moved up to spring time in response to the possibility of electricity shortage during summer	⇒	•Unusual order pattern (customer orders increased before summer and decreased during summer)
	•Postponement or cancellation of new product launches	⇒	•Decrease in customer orders

Overseas market

	Customers,, governments in other countries		T. Hasegawa
Response to radiation issue	•Import restrictions on Japanese-made ingredients by certain customers	⇒	•Increased local procurement by overseas subsidiaries
	•Import restrictions on Japanese products by foreign governments, required to attach inspection certificate to the Japanese-made products		•Shifting of production to overseas subsidiaries partially implemented •Issued inspection certificates in accordance with the requests by foreign governments

## 2. Exchange Rate (average number in FY10 and FY11)

	FY10	FY11
¥/\$	¥89.58/\$	¥81.15/\$
¥/RMB	¥13.11/RMB	¥12.40/RMB

※limited impact on T. Hasegawa's income

## 3. Climate

Japan: Extremely hot summer in FY10, bad weather including several typhoons after August in FY11

China: Extremely cold winter, low rainfall in southeastern region (April), intense rainfall in southern region (June)

## 4. DEHP Issue

DEHP was detected from some beverages and food products sold in Taiwan in late May, and affected the Chinese market since some of those products were exported to mainland China

⇒ T. Hasegawa's production activities in China were temporarily affected by the strict safety standards enforced (resolved)

# Consolidated Results

- Year-on-Year: Net sales decreased, profitability improved
- vs Plan: FY11 results were below the plan due to the sales decline

Yen million

	FY10 Actual		FY11 Plan (Aug. 5)		FY11 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	45,167	100.0%	44,650	100.0%	44,246	100.0%	-920	-2.0%	-403	-0.9%
Cost of sales	29,738	65.8%	28,960	64.9%	28,884	65.3%	-854	-2.9%	-75	-0.3%
Gross profit	15,429	34.2%	15,690	35.1%	15,362	34.7%	-66	-0.4%	-327	-2.1%
SGA expenses	11,008	24.4%	10,700	24.0%	10,782	24.4%	-226	-2.1%	82	0.8%
Operating income	4,420	9.8%	4,990	11.2%	4,580	10.4%	159	3.6%	-409	-8.2%
Ordinary income	4,544	10.1%	5,160	11.6%	4,802	10.9%	257	5.7%	-357	-6.9%
Income before income taxes	3,996	8.8%	5,200	11.6%	4,737	10.7%	741	18.6%	-462	-8.9%
Net income	2,840	6.3%	3,420	7.7%	3,115	7.0%	275	9.7%	-304	-8.9%

# Sales by Segments

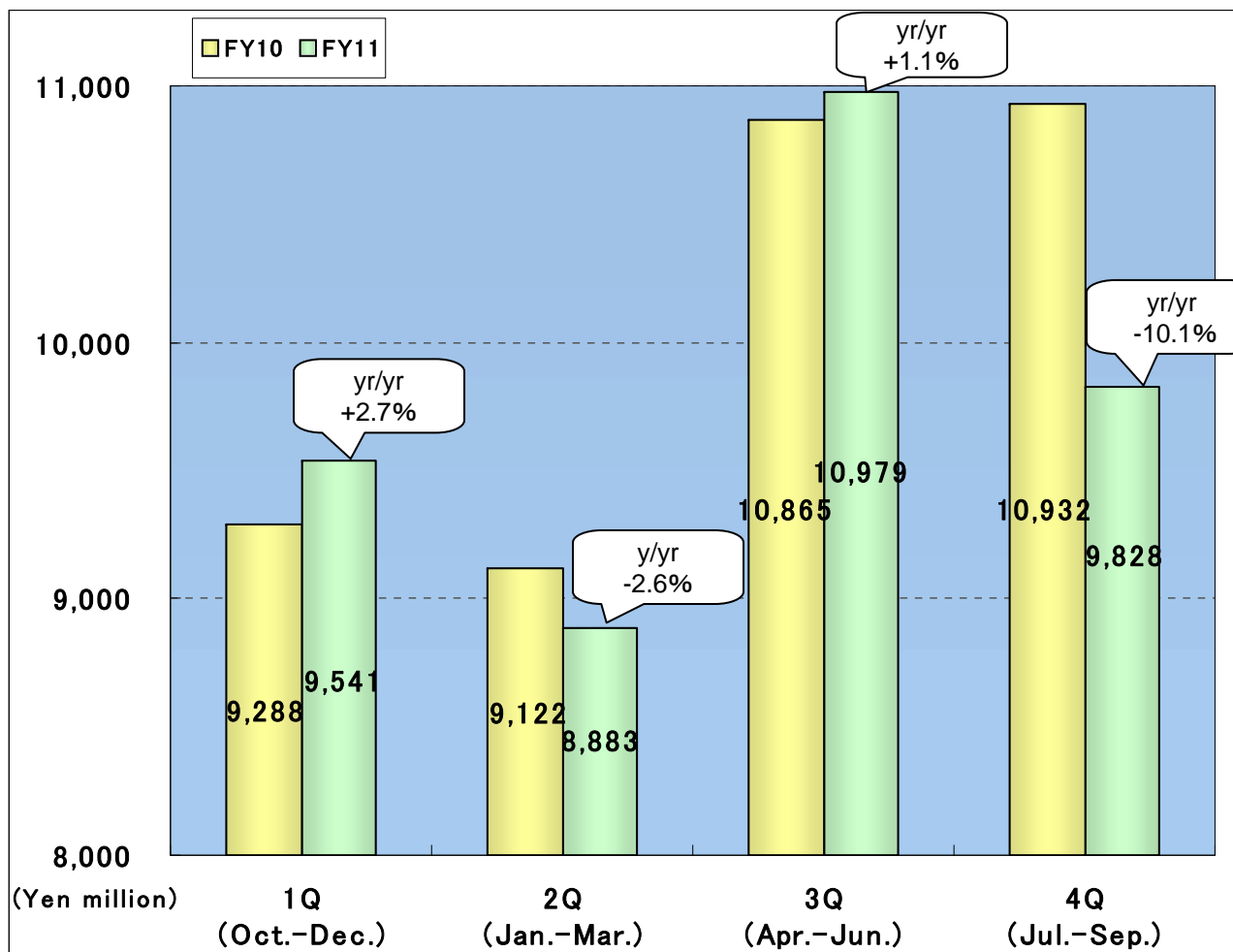
- Net sales decreased due to the sales decrease of flavors
- Sales of fruit preparations (products and traded items) decreased by approx. ¥600mn

Yen million

Segment		FY10 Actual	FY11 Actual	yr/yr		Reamrk
				Value	%	
Fragrances	Products	5,060	5,115	55	1.1%	Sales for toiletry products increased
	Traded items	590	527	-63	-10.8%	Sales for cosmetics decreased
Sub total		5,651	5,642	-8	-0.1%	—
Flavors	Products	36,867	36,441	-425	-1.2%	Sales of fruit preparation and sales for beverages decreased
	Traded items	2,648	2,161	-486	-18.4%	Sales of fruit preparation decreased
Sub total		39,516	38,603	-912	-2.3%	—
Total		45,167	44,246	-920	-2.0%	—

# Non-consolidated sales – Effects of the Earthquake, Reactionary Fall from Summer of FY10 -

- Non-consolidated sales for FY11 decreased by ¥976mn (2.4%) to ¥39,232mn
  - ⇒ Impact of the earthquake on non-consolidated sales: approx. ¥700mn
  - ⇒ Shift from the extremely hot summer in 2010 to the summer with bad weather including several typhoons in 2011: approx. ¥700
- FY11 2Q (January – March): Sales increased on year-on-year basis until the earthquake in March, significant sales decline after the earthquake
- FY11 3Q (April – June): Customer orders increased due to production schedules having been moved up to spring time in response to the possibility of electricity shortage during summer
- FY11 4Q (July – September): Reactionary fall of increased demand by exceptionally hot summer of FY10 and the increased customer order of FY11 3Q





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

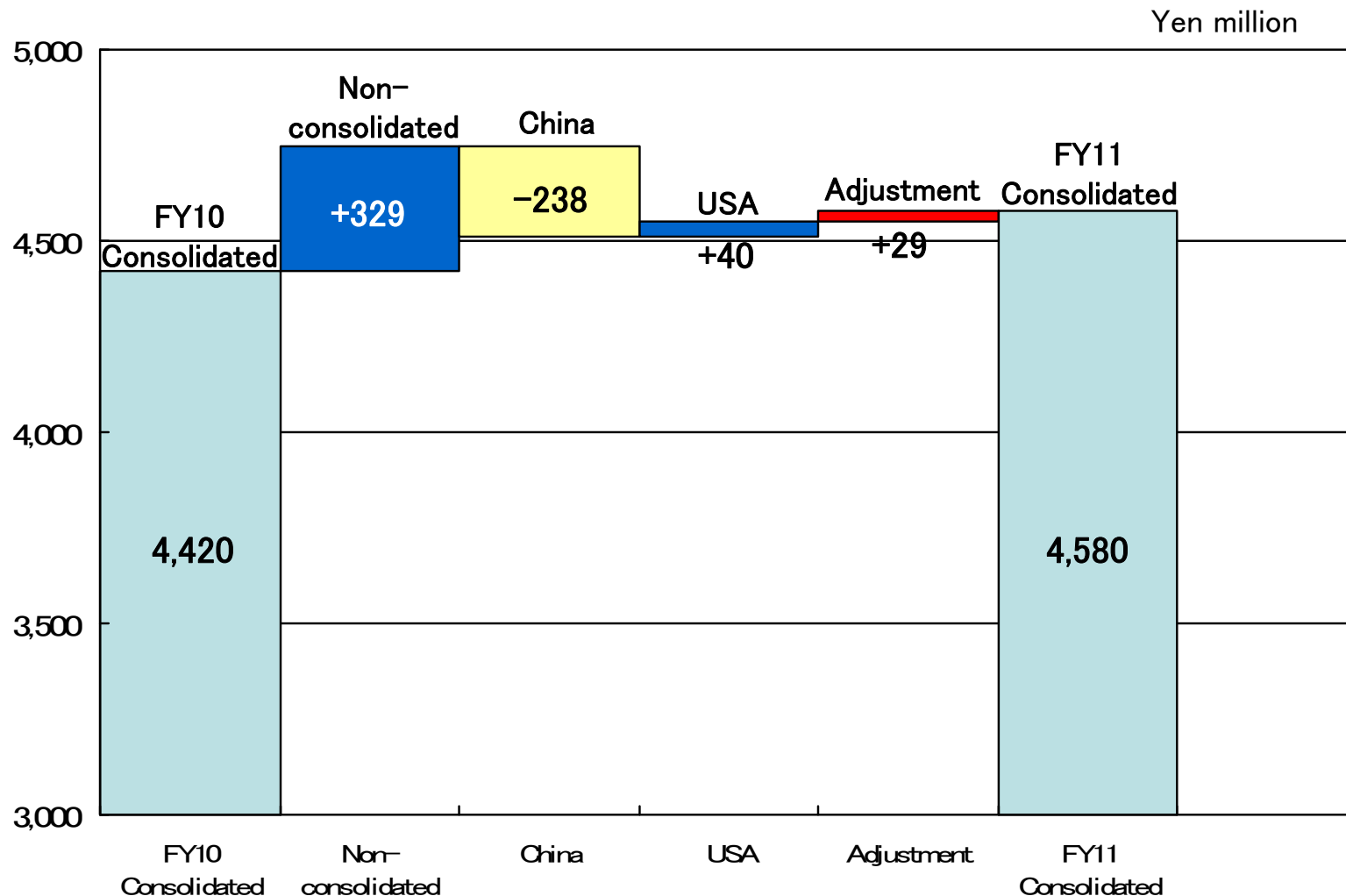
- Profitability improved due to the improvement of sales cost ratio and the decrease of SGA expenses

Yen million

	FY10 Actual		FY11 Actual		yr/yr		Remark
	Value	%	Value	%	Value	%	
Net sales	45,167	100.0%	44,246	100.0%	-920	-2.0%	
Cost of sales	29,738	65.8%	28,884	65.3%	-854	-2.9%	Sales cost ratio improved by 0.9 percentage points from 67.0% to 66.1% on non-consolidated basis mainly due to the change of sales mix and the decrease in depreciation&amortization by ¥273mn
Gross profit	15,429	34.2%	15,362	34.7%	-66	-0.4%	
SGA expenses	11,008	24.4%	10,782	24.4%	-226	-2.1%	Non-consolidated SGA expense decreased due to the decrease in expenses related to the building of the new R&D center by ¥164mn, real estate acquisition tax by ¥53mn and rent expenses by ¥58mn
Operating income	4,420	9.8%	4,580	10.4%	159	3.6%	
Ordinary income	4,544	10.1%	4,802	10.9%	257	5.7%	
Income before income taxes	3,996	8.8%	4,737	10.7%	741	18.6%	Extra ordinary income: Gain on abolishment of retirement benefit plan of ¥333mn Extra ordinary losses: Loss on disposal of fixed assets of ¥573mn in FY10, Loss on disposal of fixed assets of ¥147mn, impairment loss of ¥121mn and asset retirement obligations of ¥79mn in FY11
Net income	2,840	6.3%	3,115	7.0%	275	9.7%	

# Breakdown of Operating Income by Subsidiaries

- Operating income of T. Hasegawa (non-consolidated) and the subsidiary in USA increased
- Operating income of the subsidiaries in China decreased

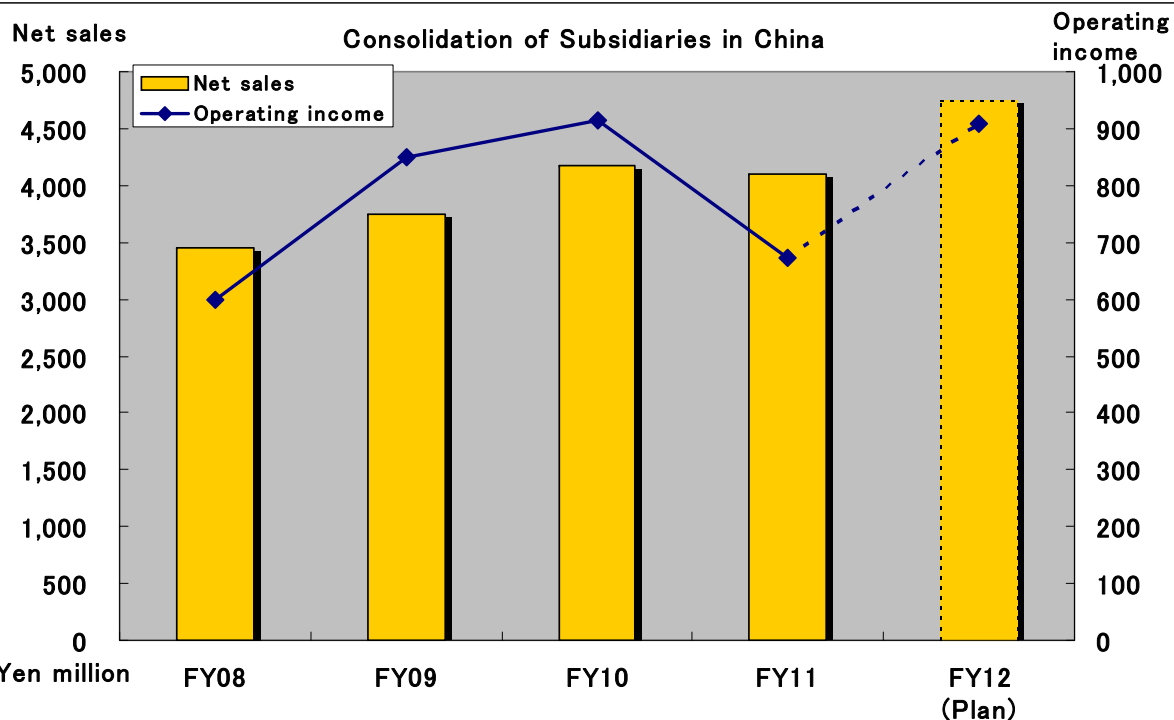


# Business Operations in China

• Although sales growth rate for FY11 slowed down, recovery to the double-digit growth is expected for FY12

Yen million

	FY08		FY09		FY10		FY11		FY12 (Plan)	
	Value	yr/yr	Value	yr/yr	Value	yr/yr	Value	yr/yr	Value	yr/yr
Net sales	3,457	7.0%	3,740	8.2%	4,177	11.7%	4,099	-1.9%	4,754	16.0%
Operating income	599	25.3%	849	41.8%	913	7.5%	674	-26.1%	909	34.8%
Operating income to sales (%)	17.3%	-	22.7%	-	21.9%	-	16.5%	-	19.1%	-
Exchange rate	¥15.17/¥RMB		¥13.83/RMB		¥13.11/RMB		¥12.40/RMB		¥12.00/RMB	



## FY2011 (Actual)

(Sales)

- Net sales increased on the local currency basis, decreased on the yen basis.
- Sales growth rate slowed down due to bad weather, radiation issues and sluggish sales of certain major items.

(Operating income)

- Operating income decreased due to the rise of sales cost derived from the change of sales mix and the increased SGA expenses

## FY12 (Plan)

- Expected to return to the growth track from FY12 onward by winning certain major customers' projects and cultivating new local 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.,

## II . Three-year Strategies

# Measures and Policies

Basic Strategy⇒ Concentrate management resources on core business of the high value added compound flavors and fragrances (ref P33)

## Measures and Policies

### Sales and Marketing

- Provide solutions to our customers' challenges
- Promotion of global sales activities through collaboration with overseas subsidiaries
- Increase the percentage of compound flavors and fragrances sales

### R&D

- Strengthen the network of business basis in Japan, the U.S. and China
- Collaboration of Flavor Institute, Fragrance Institute, and Technical Research Center
- Promote presentations to customers
- Develop products which suit the preferences of the local consumers for overseas market

### Production

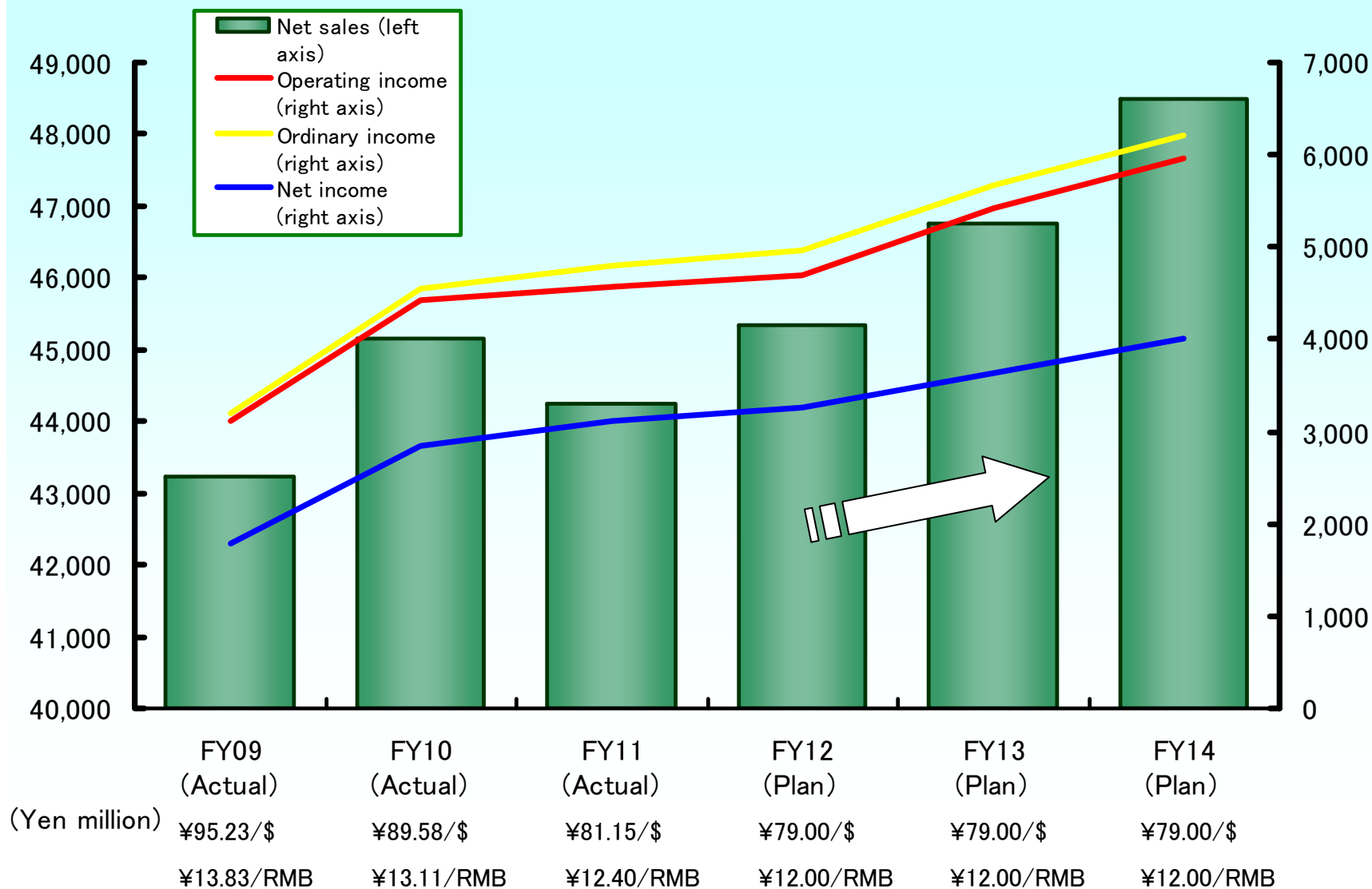
- Improve production efficiency
  - Promotion of 'Zoning Plan' (relocations of facilities of Fukaya and Itakura Plant)
  - Apply efficient production system, reform recipes
  - Cut down production lead time
- Reduce inventory losses
- Streamline the distribution system

### General

- Reduce expenses through overall streamlining efforts

# Three-year Strategies (Consolidated)

Make efforts to return to the growth track



# Three-year Strategies (Consolidated)

- Aiming to keep Operating Income to Net Sales higher than 10%
- Operating Income to Net Sales for FY14 is projected to go up to 12.3%

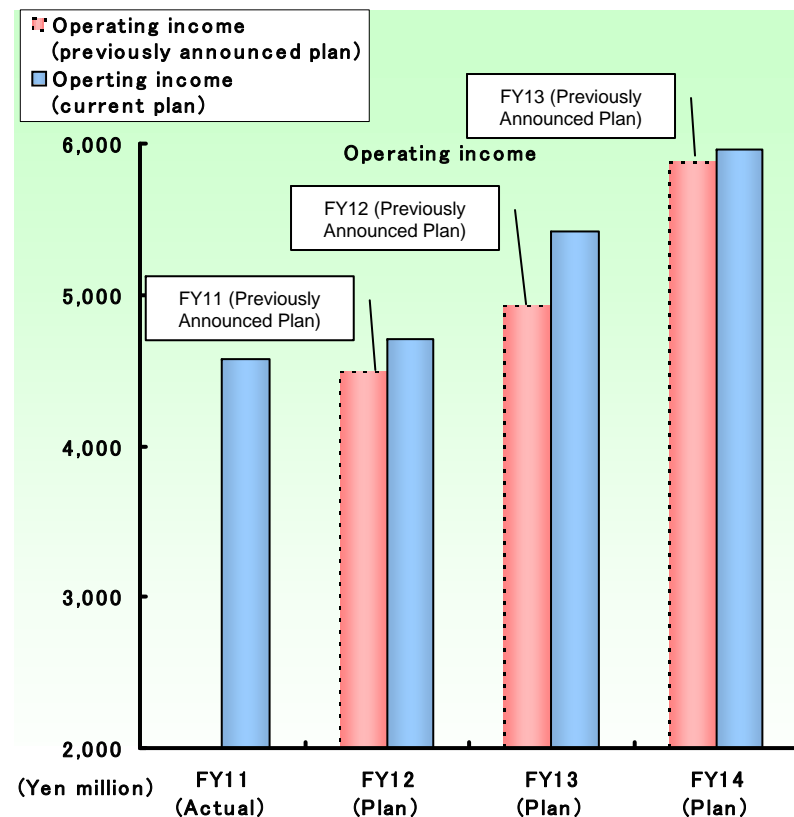
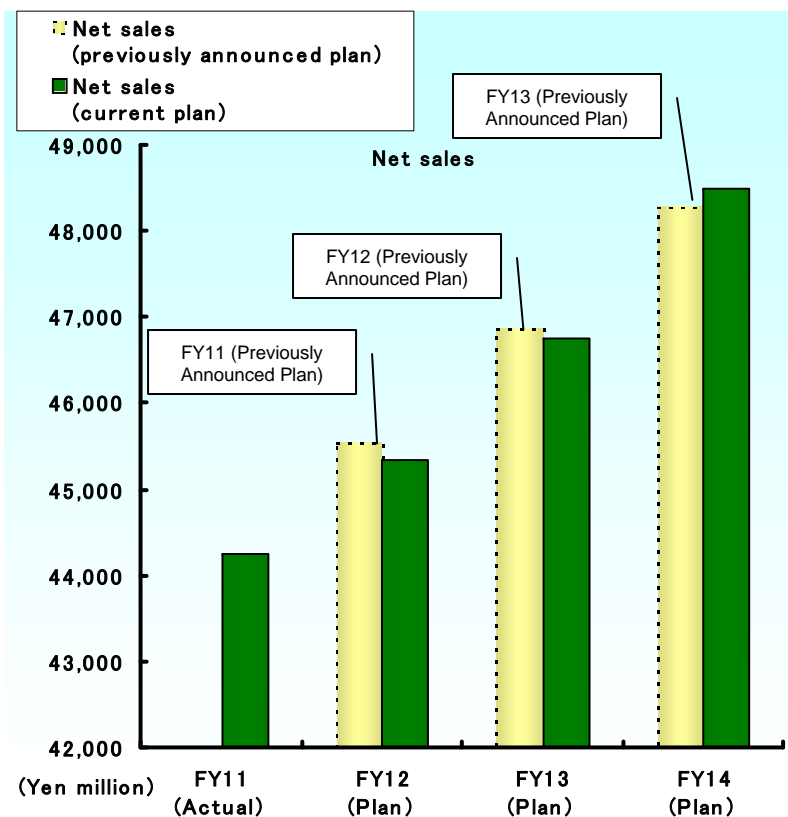
(Yen million)

	FY11 (Actual)	FY12 (Plan)	FY13 (Plan)	FY14 (Plan)
Net Sales	44,246	45,330	46,750	48,490
Cost of Sales	28,884	29,530	30,210	31,240
Operating Income	4,580	4,700	5,420	5,960
Ordinary Income	4,802	4,960	5,680	6,220
Net Income	3,115	3,260	3,640	4,010
Sales Growth Rate	-2.0%	2.4%	3.1%	3.7%
Sales Cost Ratio	65.3%	65.1%	64.6%	64.4%
Operating Income to Net Sales	10.4%	10.4%	11.6%	12.3%
Ordinary Income to Net Sales	10.9%	10.9%	12.1%	12.8%
Net Income to Net Sales	7.0%	7.2%	7.8%	8.3%
Ratio of Overseas Sales to Net Sales	20.1%	21.7%	22.9%	24.2%
Exchange rate	¥81.15/\$ ¥12.40/RMB	¥79.00/\$ ¥12.00/RMB	¥79.00/\$ ¥12.00/RMB	¥79.00/\$ ¥12.00/RMB

\* See P41 for detailed profit and loss statements

# Three-year Strategies (Consolidated)

- Sales decrease in FY11 mainly due to the effects of the Great East Japan Earthquake caused a one-year delay in Three-year Strategies previously announced in November 2010



- ※The figures on the three-year strategies are revised every year
- ※The previous three-year strategies were announced in November, 2010



## Three-year Strategies (Capital Investment, Depreciation & Amortization, R&D Expenses)

- After the completion of major investment projects, capital investments will mostly be for the renewal of existing facilities

Yen million

		FY11 (Actual)	FY12 (Plan)	FY13 (Plan)	FY14 (Plan)
Capital Investment	Consolidated	1,995	2,971	2,067	2,167
	Non-consolidated	1,787	2,871	1,951	2,075
Depreciation & Amortization	Consolidated	3,260	3,072	2,637	2,881
	Non-consolidated	2,915	2,739	2,303	2,545
R&D Expenses	Consolidated	3,738	3,882	3,853	3,865
	Non-consolidated	3,298	3,404	3,332	3,289

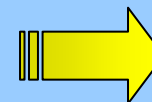
# III. Management Strategies

- 1. Concentrate management resources on core business of compound flavors and fragrances**
- 2. Make steady revenues in the Japanese domestic market since it is the main revenue base of T. Hasegawa**
- 3. Aim for growth in the overseas market**

# Operations in the Domestic Market

## Revenue Base of the Domestic Market

- Concentrate management resources on core business of high-value added compounding flavors and fragrances and on other areas derived from it
  - Established R&D system that enables to respond to diversified requests from customers
- Maintain business relationship with most of the leading companies
  - T. Hasegawa's domestic market share for flavors is estimated to be the largest
- Establish integrated and concentrated quality control system under the direct control of CEO
  - 10% of all the employees are engaged in quality assurance related work



Make steady revenues in the domestic market

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

### • Short-term Strategy

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

### • Mid- and Long-term Strategy

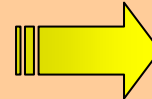
	Progress
Improve production efficiency (relocations of facilities of Fukaya and Itakura Plant)	B
Utilize new technologies for product development (collaborations between basic and applied researches)	B
Make continuous investments in basic researches (application of microbial organisms, development of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

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

# Operations in the Overseas Market

## Revenue Base of the Overseas Market

- Global expansion to take place where market for compound flavors and fragrances exist
  - Subsidiary companies in the US, China and Thailand
- Maintain business relationship with major companies (global, local and Japanese companies) operating in China
- Specialize in local companies with proactive R&D and sales activities mainly in the areas of savory flavors in the US market



Aim for growth in the overseas market as well as making steady revenues in the domestic market

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

### • Short-term Strategy

	Progress
Enhance collaboration between laboratories of Japan, the U.S., and China	A
Cultivate new local customers, enhance the R&D ability in China	B
Cultivate Southeast Asian market by enhancing functions of the sales office in Thailand	A

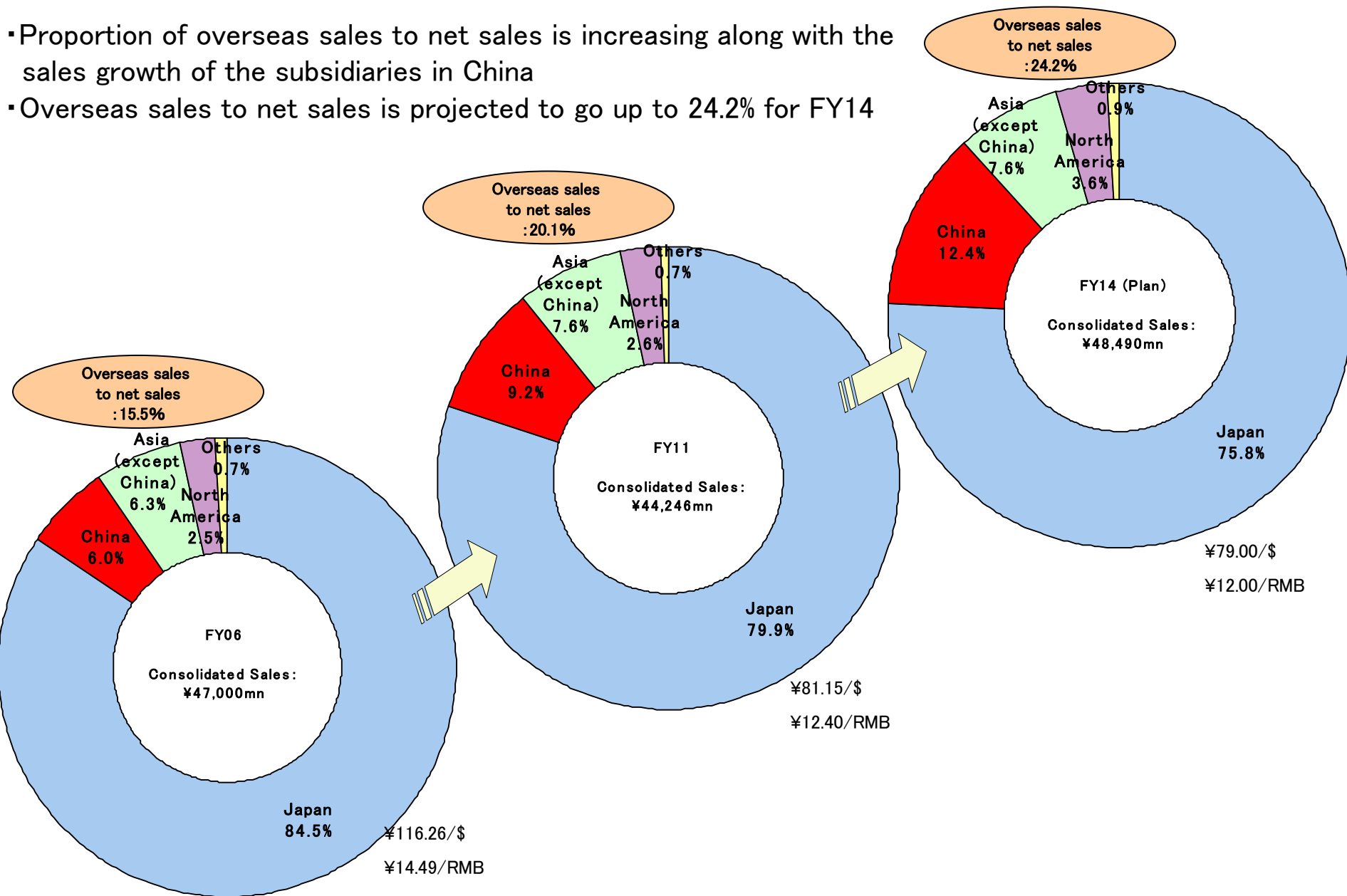
### • Mid- and Long-term Strategy

	Progress
Increase the local sales and R&D personnel in China	B
Enhance production capabilities of the subsidiaries in China	C
Establish efficient supply chain system for Southeast Asian market	B
Enhance sales and R&D capability through cultivation of human resources in the U.S.	C

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

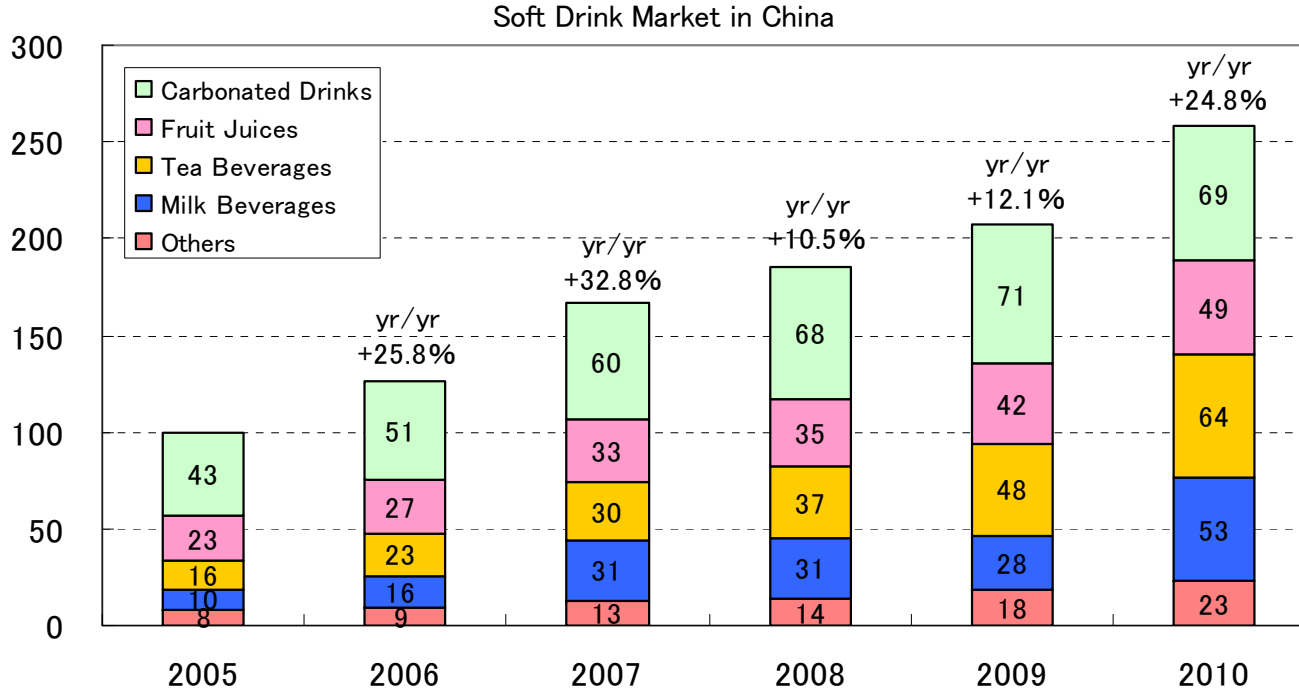
# Operations in the Overseas Market

- Proportion of overseas sales to net sales is increasing along with the sales growth of the subsidiaries in China
- Overseas sales to net sales is projected to go up to 24.2% for FY14



# 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 high-growth rate and becomes increasingly diverse
- ⇒ Expand in applications of flavors & fragrances



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
Carbonated Drinks	43%	41%	36%	36%	34%	27%
Fruit Juices	23%	21%	20%	19%	20%	19%
Tea Beverages	16%	18%	18%	20%	23%	25%
Milk Beverages	10%	13%	19%	17%	14%	20%
Others	8%	7%	7%	8%	9%	9%
Total	100%	100%	100%	100%	100%	100%

- |                                  |                   |
|----------------------------------|-------------------|
| 1. Sales Growth Rate             | higher than 3.0%  |
| 2. Operating Income to Net Sales | higher than 14.0% |
| 3. Ordinary Income to Net Sales  | higher than 13.0% |
| 4. ROE                           | higher than 8.0%  |

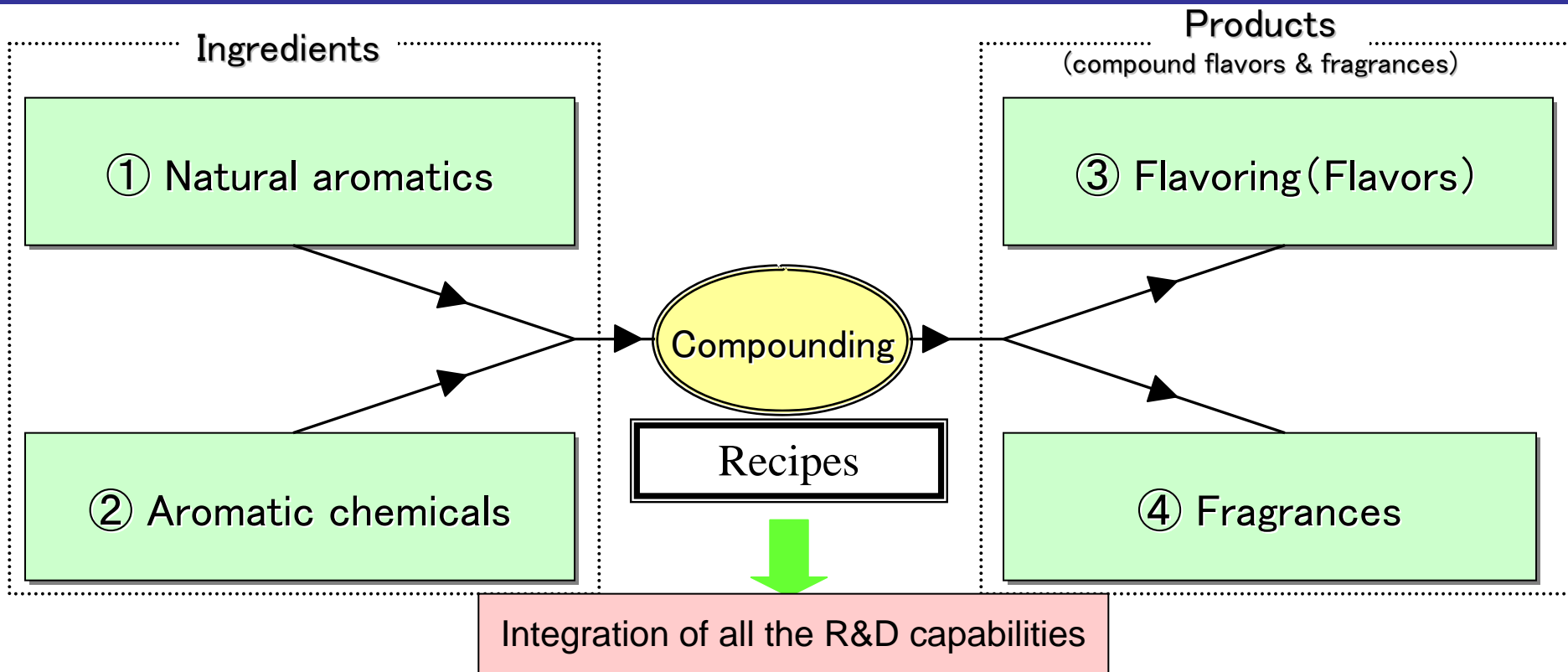
The management indices are determined, incorporating necessary and attainable goals for T. Hasegawa Group to achieve stable and sustainable growth.



# IV. 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 custom-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

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

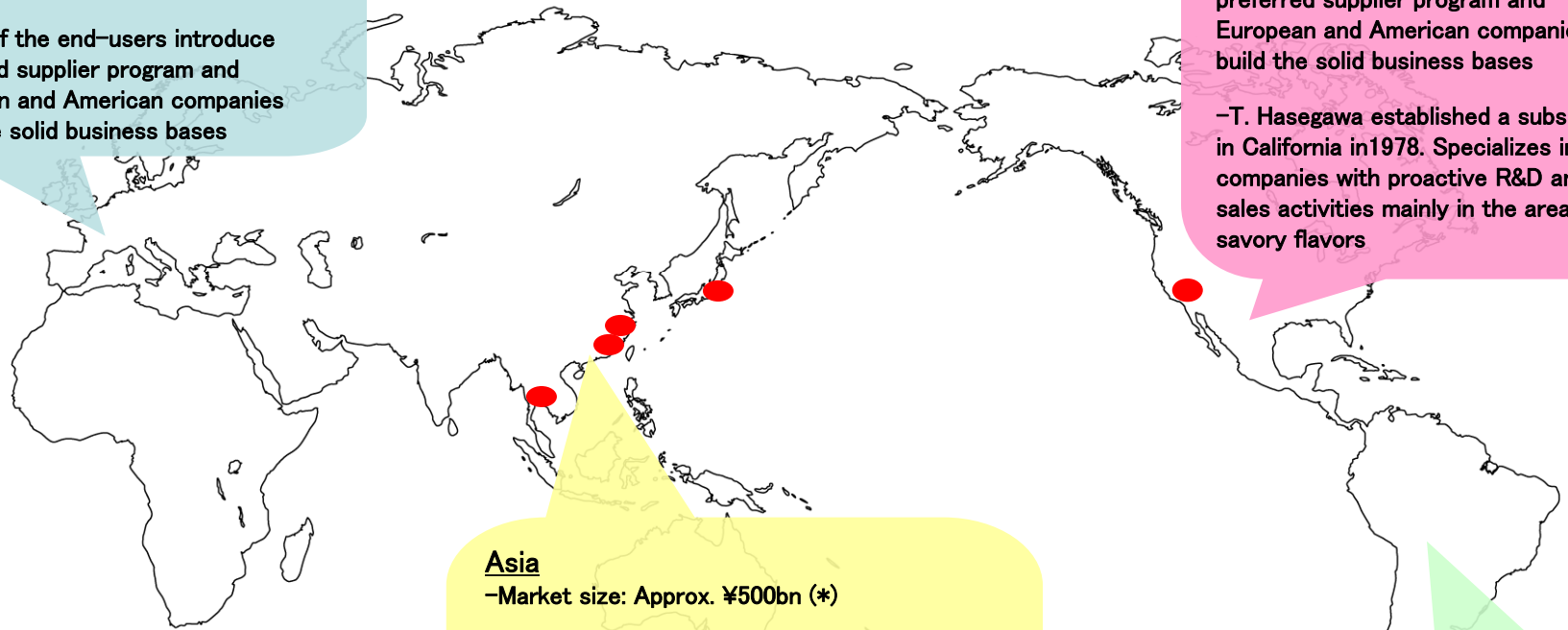
Estimated sales volume of global market: Approx. ¥1,800bn (Approx. \$22bn)

**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

**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

## 2. Top 10 Flavor & Fragrance Companies

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

US \$ million

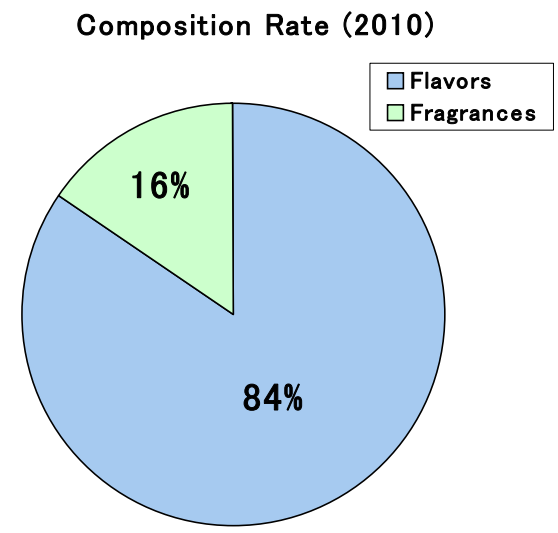
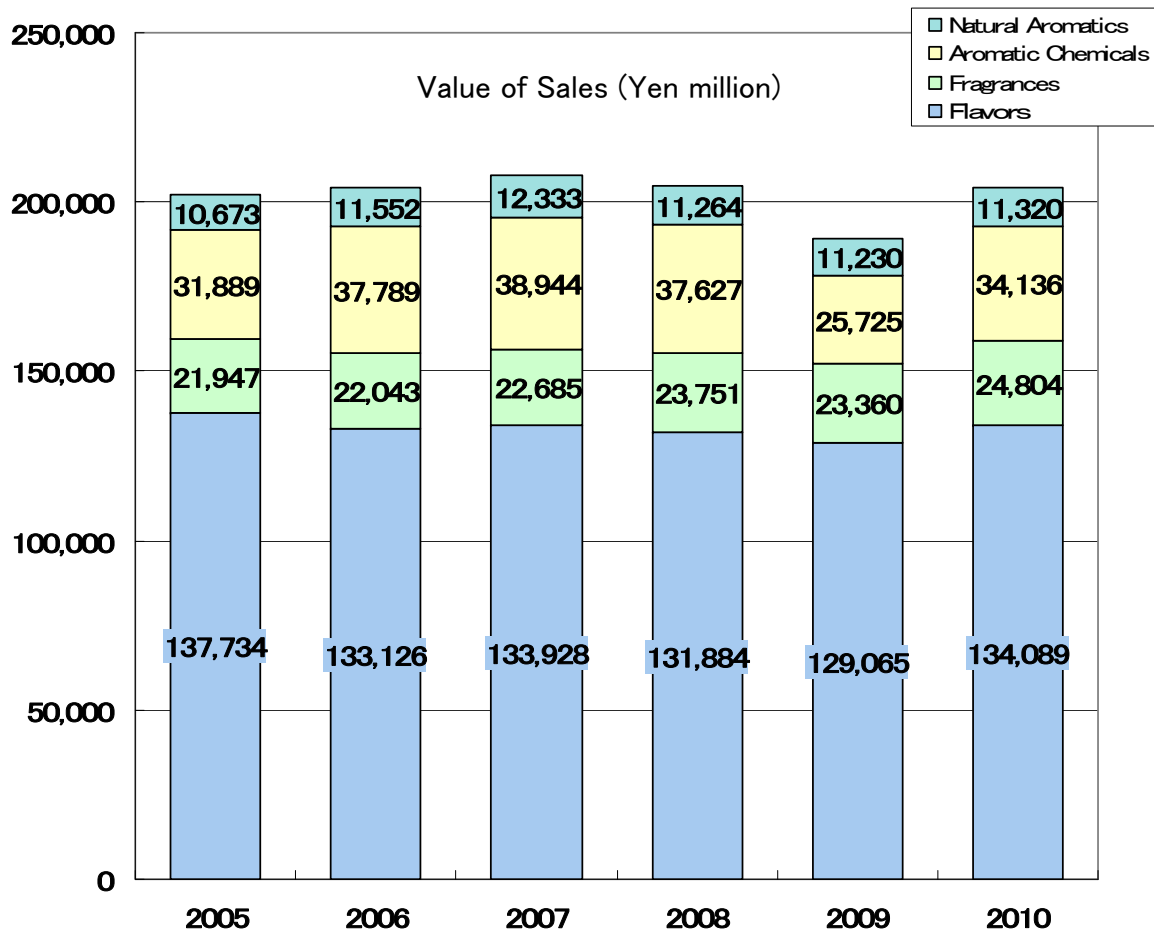
	Company	Country	Sales (2010)	Market Share
1	Givaudan	Switzerland	4,538	20.6%
2	Firmenich	Switzerland	2,978	13.5%
3	IFF	USA	2,623	11.9%
4	Symrise	Germany	2,107	9.6%
5	Takasago	Japan	1,416	6.4%
6	Mane SA	France	643	2.9%
7	Sensient Flavors	USA	583	2.6%
8	T. Hasegawa	Japan	557	2.5%
9	Robertet SA	France	485	2.2%
10	Frutarom	Israel	451	2.1%
	Subtotal	—	16,382	74.5%
	Others	—	5,618	25.5%
	Total	—	22,000	—

\* 1US\$ ≙ ¥81.1

Source : Leffingwell & Associates  
[http://www.leffingwell.com/top\\_10.htm](http://www.leffingwell.com/top_10.htm)

# 3. Trends in the Domestic Flavors & Fragrances Market

- Extremely hot summer contributed to sales increase in 2010  
 ⇒ The domestic market recovered to the pre-financial crisis (2008) level
- Sales composition of the domestic market ⇒ flavors : fragrances = 8 : 2  
 Sales composition of the global market ⇒ flavors : fragrances = 5 : 5



	2005	2006	2007	2008	2009	2010
Total	202,243	204,510	207,890	204,526	189,380	204,349
Year-on-year	0.5%	1.1%	1.7%	-1.6%	-7.4%	7.9%

Source :  
 Japan Flavor & Fragrance Materials Association

# Business Outline of T. Hasegawa Co., Ltd

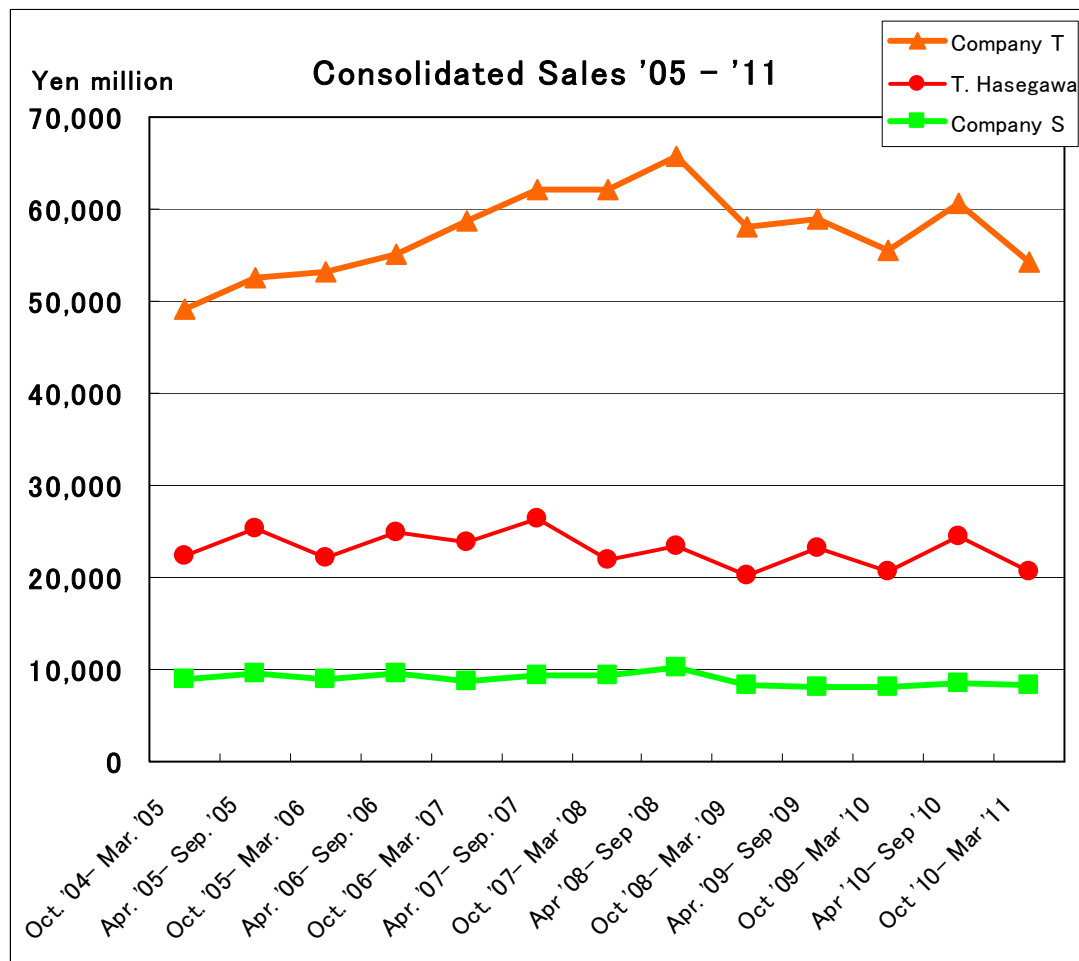
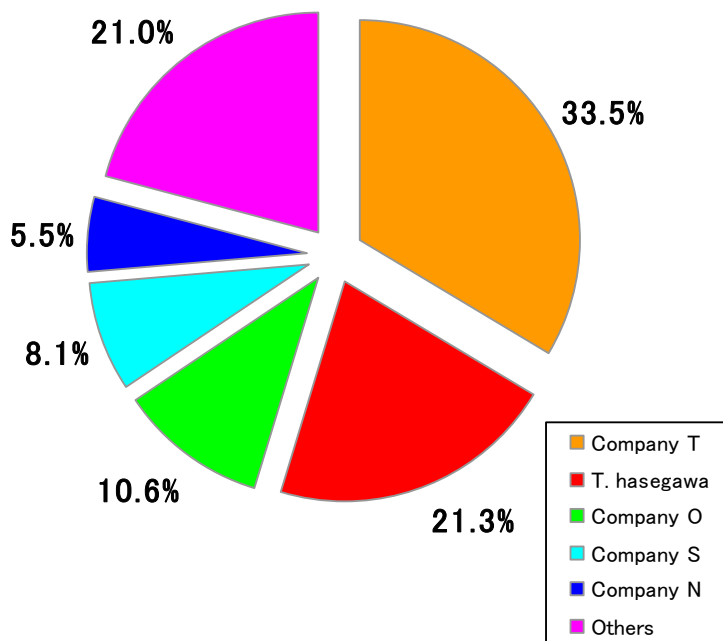


# Sales of Domestic Flavor & Fragrance Companies

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

• Intensified competition within the maturing domestic market

Market Share  
(As of Mar. 2011)



\*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

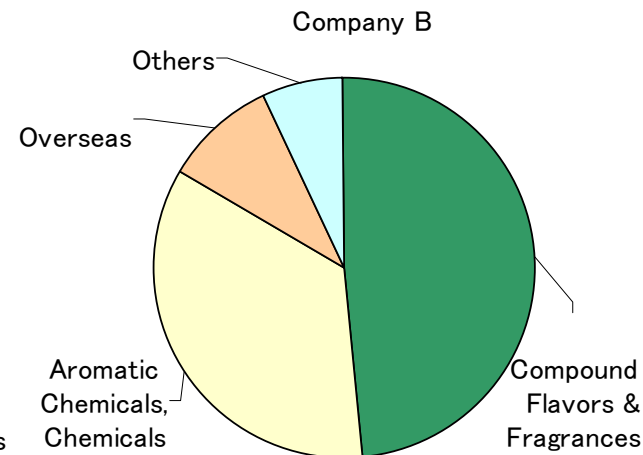
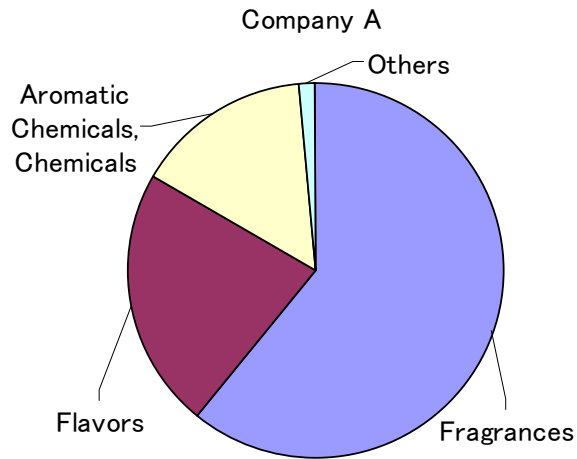
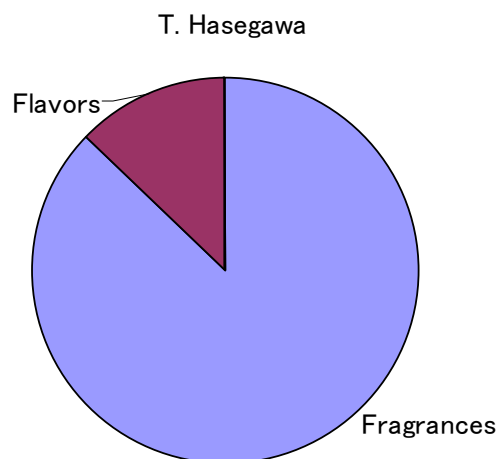
# Sales Breakdown –Flavors, Fragrances, Aromatic Chemicals/Chemicals–

- 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 (consolidated)		Company A (consolidated)	
	FY ended in Sep. 2011		FY ended in Mar. 2011	
	Sales	Share	Sales	Share
Fragrances	38,602	87.2%	69,957	60.9%
Flavors	5,642	12.8%	25,608	22.3%
Aromatic Chemicals, Chemicals	0	0.0%	17,792	15.5%
Others	0	0.0%	1,502	1.3%
<b>Total</b>	<b>44,246</b>	<b>100.0%</b>	<b>114,861</b>	<b>100.0%</b>
<b>Sales Cost Ratio</b>	<b>34.7%</b>		<b>30.5%</b>	

	Company B (consolidated)	
	FY ended in Mar. 2011	
	Sales	Share
Compound Flavors & Fragrances	8,159	48.5%
Aromatic Chemicals, Chemicals	5,865	34.8%
Overseas	1,639	9.7%
Others	1,170	7.0%
<b>Total</b>	<b>16,833</b>	<b>100.0%</b>
<b>Sales Cost Ratio</b>	<b>32.0%</b>	



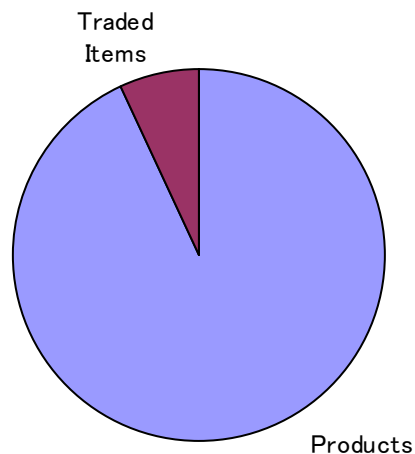
# Sales Breakdown –Products & Traded Items–

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

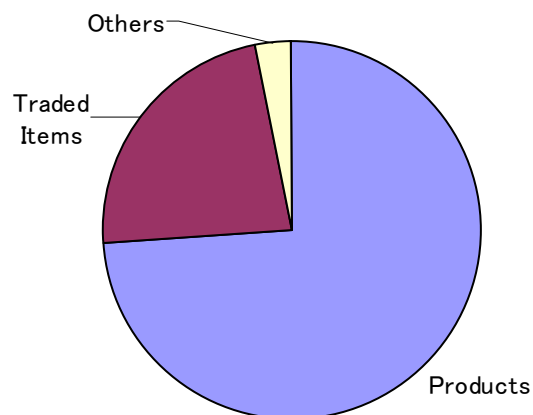
Yen million

	T. Hasegawa (non-consolidated)		Company A (non-consolidated)		Company B (non-consolidated)	
	FY ended in Sep. 2011		FY ended in Mar. 2011		FY ended in Mar. 2011	
	Sales	Share	Sales	Share	Sales	Share
Products	36,542	93.1%	46,683	73.9%	12,112	79.0%
Traded Items	2,689	6.9%	14,569	23.1%	3,209	20.9%
Others	0	0.0%	1,940	3.1%	0	0.0%
<b>Total</b>	<b>39,232</b>	<b>100.0%</b>	<b>63,194</b>	<b>100.0%</b>	<b>15,322</b>	<b>100.0%</b>
<b>Sales Cost Ratio</b>	<b>33.9%</b>		<b>28.8%</b>		<b>30.7%</b>	

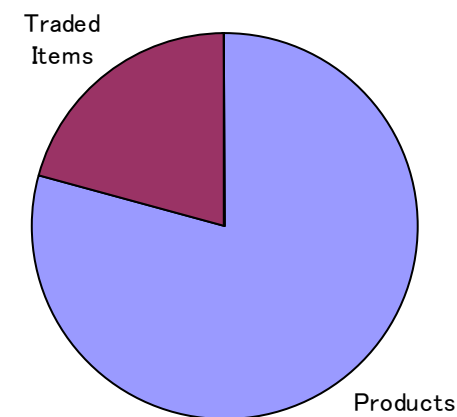
T. Hasegawa



Company A

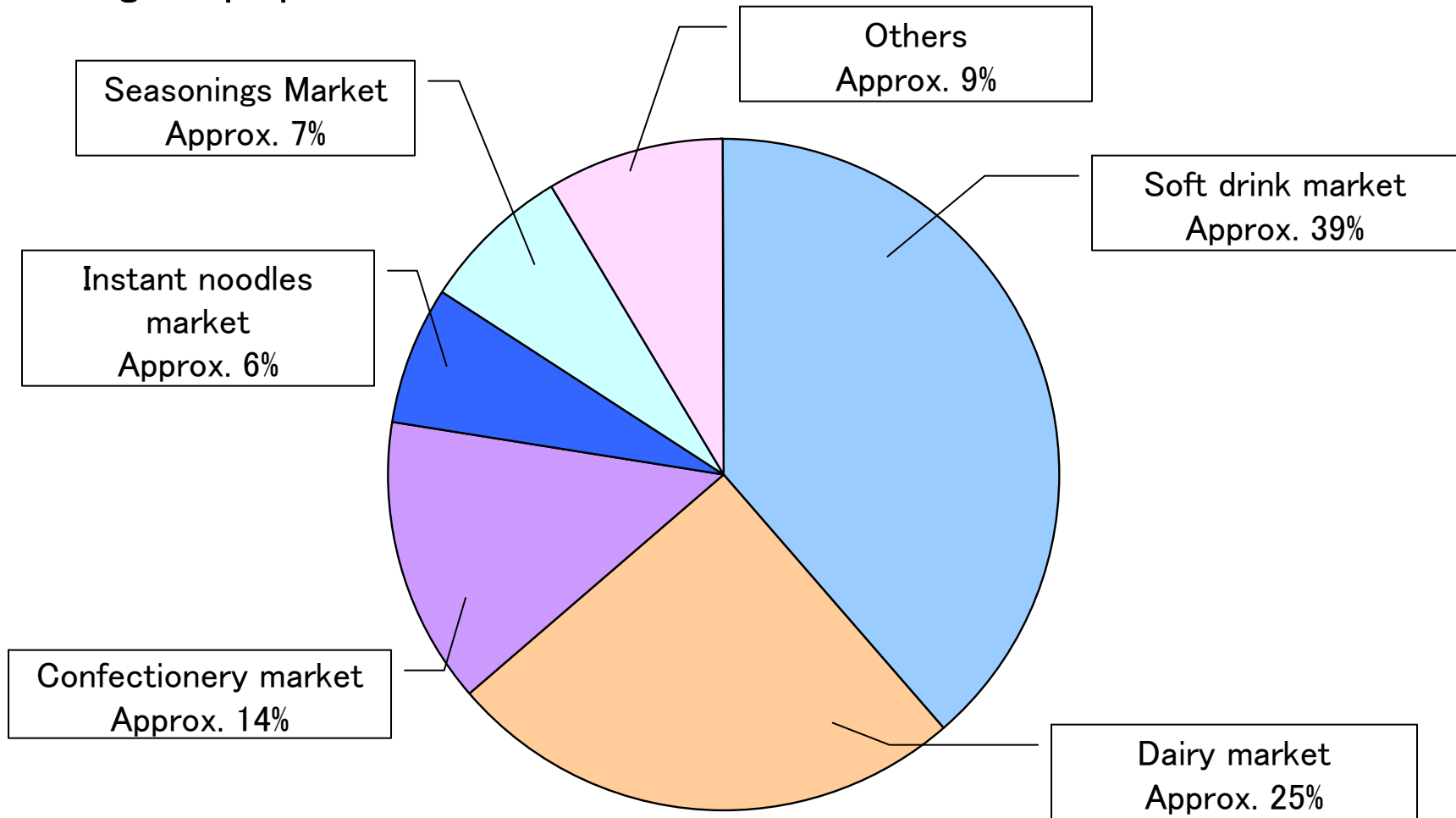


Company B



# 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

# Balance Sheets

Yen million

	FY10	FY11	Change	Remark
Current assets	39,329	42,008	2,678	Increase in marketable securities: ¥4,999mn Increase in inventories: ¥950mn Decrease in cash and time deposits: △¥1,890mn Decrease in accounts receivable, trade: △¥1,036mn
Fixed assets	38,275	36,434	△ 1,840	Decrease in tangible assets derived from depreciation & amortization, disposal of facilities: △¥1,360mn Amortization of computer software: △¥405mn
Total assets	77,605	78,443	837	
Current liabilities	11,972	11,391	△ 581	Decrease in notes payable, trade and accounts receivable, trade: △¥588mn
Long-term liabilities	7,733	7,285	△ 448	Decrease in employees' retirement benefits: △¥506mn Decrease in long-term loans payable △¥170mn Increase in long-term accounts payable (introduction of the incentive scheme for employees' stock ownership): ¥139mn Asset retirement obligation: ¥96mn
Shareholders' equity	57,899	59,766	1,867	Increase in retained earnings: ¥2,077mn Decrease in treasury stock: ¥175mn Decrease in foreign currency translation adjustments: △¥331mn Decrease in unrealized gains on available-for-sale securities: △¥53mn
Total liabilities and shareholders' equity	77,605	78,443	837	

# Statements of Cash Flow

Yen million

	FY10	FY11	Change	Remark
Cash flows from operating activities	8,060	6,175	△ 1,884	Income before income taxes: ¥4,737mn Depreciation & Amortization: ¥3,260mn Decrease in trade receivable: ¥1,129mn Income taxes paid: △¥1,847mn Increase in inventories △¥1,000mn
Cash flows from investing activities	△ 2,591	△ 3,438	△ 846	Acquisition of tangible fixed assets: △¥1,800mn Acquisition of marketable securities: △¥1,499mn
Cash flows from financing activities	△ 2,030	△ 1,060	969	Cash Dividends: △¥1,038mn
Effect of currency change on cash and cash equivalents	△ 88	△ 68	19	—
Net change in cash and cash equivalents	3,350	1,608	△ 1,741	—
Cash and cash equivalents at beginning of period	9,746	13,097	3,350	—
Cash and cash equivalents at end of period	13,097	14,706	1,608	—

# Capital Investment, Depreciation & Amortization, R&D Expenses

Yen million

		FY11 Plan	FY11 Actual	Progress (%)
Capital Investment	Consolidated	2,089	1,995	95.5%
	Non-consolidated	1,804	1,787	99.1%
Depreciation & Amortization	Consolidated	3,354	3,260	97.2%
	Non-consolidated	2,987	2,915	97.6%
R&D Expenses	Consolidated	3,767	3,738	99.2%
	Non-consolidated	3,332	3,298	99.0%

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

Yen million

	FY10 Actual		FY11 Plan (Aug. 5)		FY11 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	40,208	100.0%	39,670	100.0%	39,232	100.0%	-976	-2.4%	-437	-1.1%
Cost of sales	26,921	67.0%	26,020	65.6%	25,950	66.1%	-971	-3.6%	-69	-0.3%
Gross profit	13,287	33.0%	13,650	34.4%	13,282	33.9%	-4	0.0%	-367	-2.7%
SGA expenses	9,816	24.4%	9,460	23.8%	9,482	24.2%	-334	-3.4%	22	0.2%
Operating income	3,470	8.6%	4,190	10.6%	3,800	9.7%	329	9.5%	-389	-9.3%
Ordinary income	3,682	9.2%	5,110	12.9%	4,682	11.9%	999	27.1%	-427	-8.4%
Income before income taxes	3,151	7.8%	5,150	13.0%	4,625	11.8%	1,473	46.7%	-524	-10.2%
Net income	2,109	5.2%	3,520	8.9%	3,156	8.0%	1,046	49.6%	-363	-10.3%



## Subsidiaries in China

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

- Net sales increased on the local currency basis, decreased on the yen basis
- Profitability decreased due to the increase of sales cost ratio derived from the change of sales mix and the increase of SGA expenses

## T. HASEGAWA U.S.A., INC.

- Recovery trend from sales decline after the downturn of the U.S. economy
- Sales of new products contributed to the increase of net sales
- Sales composition → flavors and food colors

# Three-year Strategies (Consolidated)

Yen million

	FY11 (Actual)			FY12 (Plan)			FY13 (Plan)			FY14 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	44,246	100.0%	-2.0%	45,330	100.0%	2.4%	46,750	100.0%	3.1%	48,490	100.0%	3.7%
Cost of sales	28,884	65.3%	-2.9%	29,530	65.1%	2.2%	30,210	64.6%	2.3%	31,240	64.4%	3.4%
Gross profit	15,362	34.7%	-0.4%	15,800	34.9%	2.8%	16,540	35.4%	4.7%	17,250	35.6%	4.3%
SGA expenses	10,782	24.4%	-2.1%	11,100	24.5%	2.9%	11,120	23.8%	0.2%	11,290	23.3%	1.5%
Operating income	4,580	10.4%	3.6%	4,700	10.4%	2.6%	5,420	11.6%	15.3%	5,960	12.3%	10.0%
Ordinary income	4,802	10.9%	5.7%	4,960	10.9%	3.3%	5,680	12.1%	14.5%	6,220	12.8%	9.5%
Income before income taxes	4,737	10.7%	18.6%	4,880	10.8%	3.0%	5,520	11.8%	13.1%	6,060	12.5%	9.8%
Net income	3,115	7.0%	9.7%	3,260	7.2%	4.6%	3,640	7.8%	11.7%	4,010	8.3%	10.2%