

# FY11 2nd Quarter Financial Results

T. HASEGAWA CO., LTD.

## 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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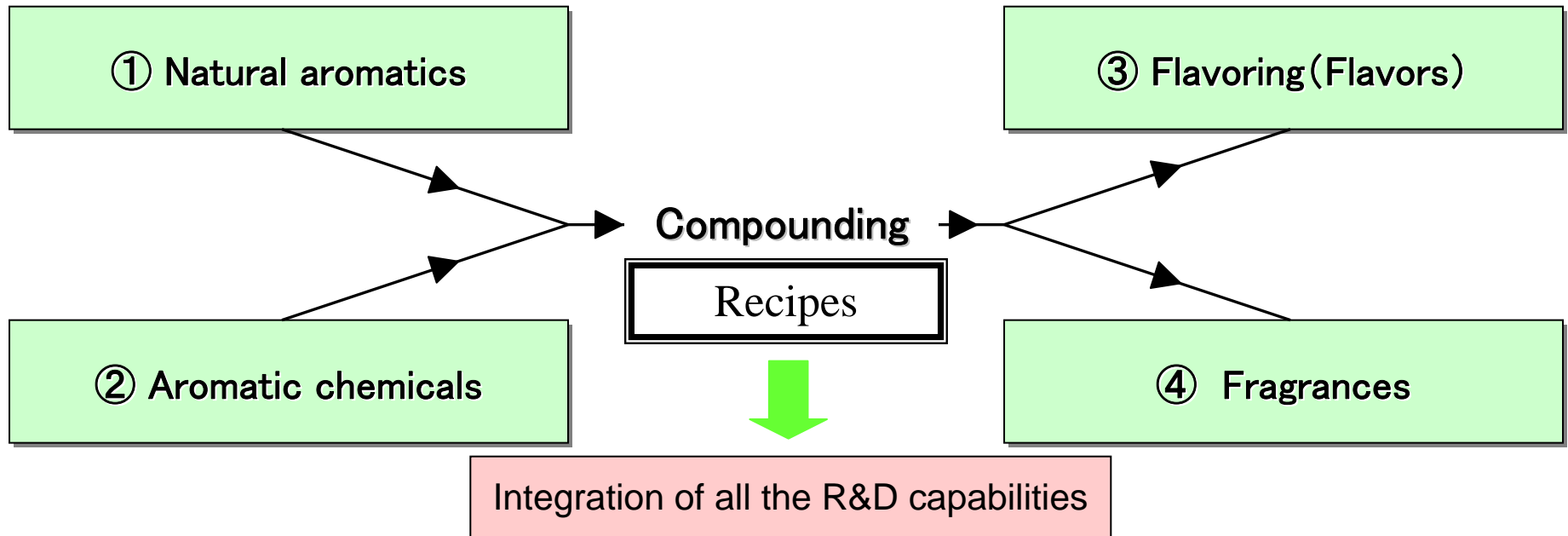
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# I. Business Outline

# Outlines of Flavors & Fragrances Business

# Main Products of Flavor & Fragrance Companies



The experts who formulate fragrances are known as “perfumers”

The experts who formulate flavors are known as “flavorists”

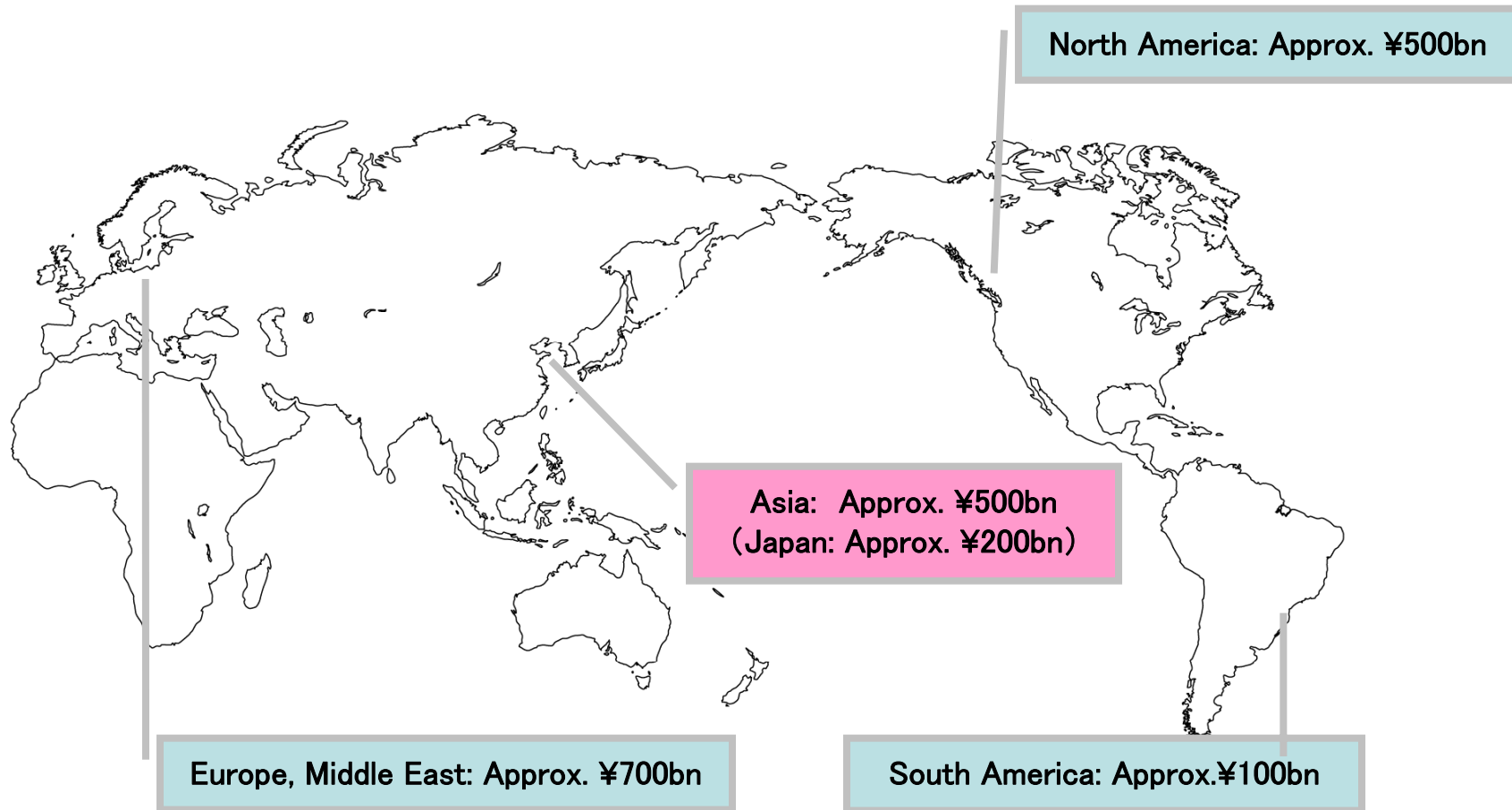
Fragrances and Flavors are custom-made in accordance with our customers’ requests

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)



## 2. Top 10 Flavor & Fragrance Companies

US \$ million

|    | Company          | Country     | Sales (2010) | Market Share |
|----|------------------|-------------|--------------|--------------|
| 1  | Givaudan         | Switzerland | 4,538        | 20.6%        |
| 2  | Firmenich        | Switzerland | 3,318        | 15.1%        |
| 3  | IFF              | USA         | 2,622        | 11.9%        |
| 4  | Symrise          | Germany     | 2,106        | 9.6%         |
| 5  | Takasago         | Japan       | 1,452        | 6.6%         |
| 6  | Mane SA          | France      | 643          | 2.9%         |
| 7  | Sensient Flavors | USA         | 582          | 2.6%         |
| 8  | T. Hasegawa      | Japan       | 556          | 2.5%         |
| 9  | Robertet SA      | France      | 484          | 2.2%         |
| 10 | Frutarom         | Israel      | 451          | 2.1%         |

1. Total world market estimated at US \$ 22.0 billion.

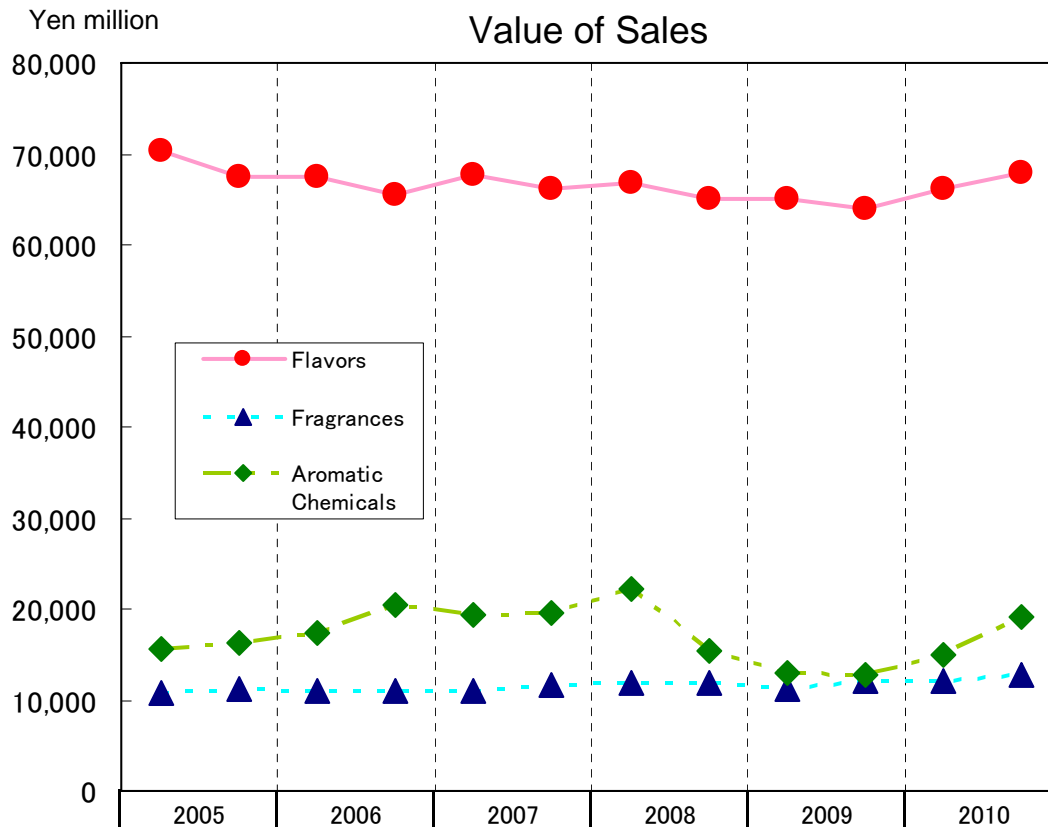
2. US \$ 1 ≙ ¥81.1

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

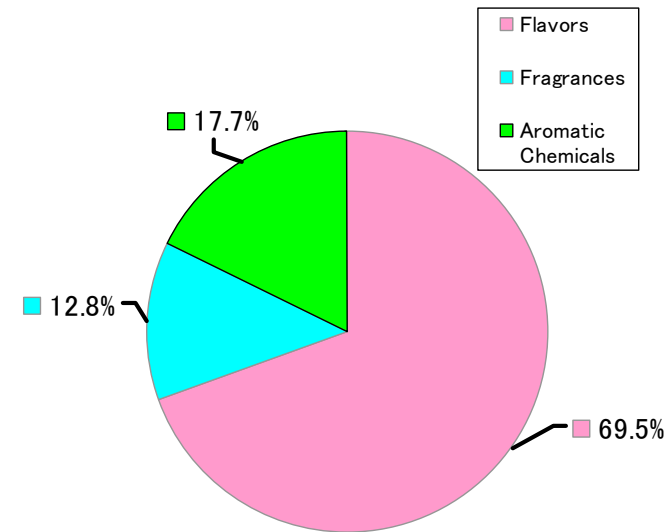
# 3. Trends in the Domestic Flavors & Fragrances Market

▪ Flavors account for about 70% of the market

▪ Extremely hot summer contributed to sales increase in 2010



Composition Rate of 2010



|                    |         |         |         |         |         |         |
|--------------------|---------|---------|---------|---------|---------|---------|
| Flavors            | 137,734 | 133,126 | 133,928 | 131,884 | 129,065 | 134,089 |
| Fragrances         | 21,947  | 22,043  | 22,685  | 23,751  | 23,360  | 24,804  |
| Aromatic Chemicals | 31,889  | 37,789  | 38,944  | 37,627  | 25,725  | 34,136  |
| Total              | 191,570 | 192,958 | 195,557 | 193,262 | 178,150 | 193,029 |
| Year-on-year       | 0.9%    | 0.7%    | 1.3%    | △1.2%   | △7.8%   | 8.4%    |

\*Line graphs show the semiannual values of sales

Source : Japan Flavor & Fragrance Materials Association

# Business Outline of T. Hasegawa Co., Ltd

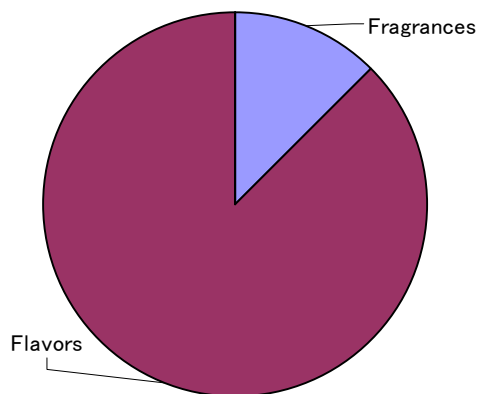
# Sales Breakdown –Flavors, Fragrances, Aromatic Chemicals/Chemicals–

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

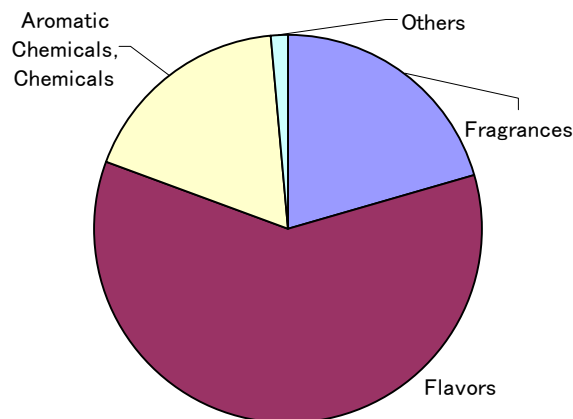
Yen million

|                                  | T. Hasegawa<br>(non-consolidated) |               | Company A<br>(non-consolidated) |               | Company B<br>(non-consolidated) |               |
|----------------------------------|-----------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|
|                                  | FY ended in Sep. 2010             |               | FY ended in Mar. 2010           |               | FY ended in Mar. 2010           |               |
|                                  | Sales                             | Share         | Sales                           | Share         | Sales                           | Share         |
| Fragrances                       | 5,651                             | 12.5%         | 23,525                          | 20.6%         | 1,703                           | 10.6%         |
| Flavors                          | 39,516                            | 87.5%         | 68,710                          | 60.1%         | 8,178                           | 50.7%         |
| Aromatic Chemicals,<br>Chemicals | 0                                 | 0.0%          | 20,598                          | 18.0%         | 6,233                           | 38.7%         |
| Others                           | 0                                 | 0.0%          | 1,512                           | 1.3%          | 0                               | 0.0%          |
| <b>Total</b>                     | <b>45,167</b>                     | <b>100.0%</b> | <b>114,347</b>                  | <b>100.0%</b> | <b>16,117</b>                   | <b>100.0%</b> |
| <b>Sales Cost Ratio</b>          | <b>34.2%</b>                      |               | <b>29.4%</b>                    |               | <b>30.3%</b>                    |               |

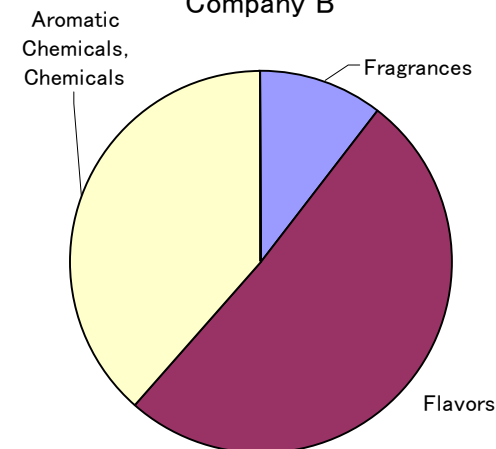
T. Hasegawa



Company A



Company B



# Global Business Operations

- **Concentrate on core business of compound flavors and fragrances as well as derivative areas (such as extracts and fruit preparations)**  
 ⇒ **Global expansion to take place where market for compound flavors and fragrances exist (Triangular network of Japan, the United States, and China)**
- **Proportion of overseas sales to net sales is increasing along with the sales growth of the subsidiaries in China**

(Yen million)

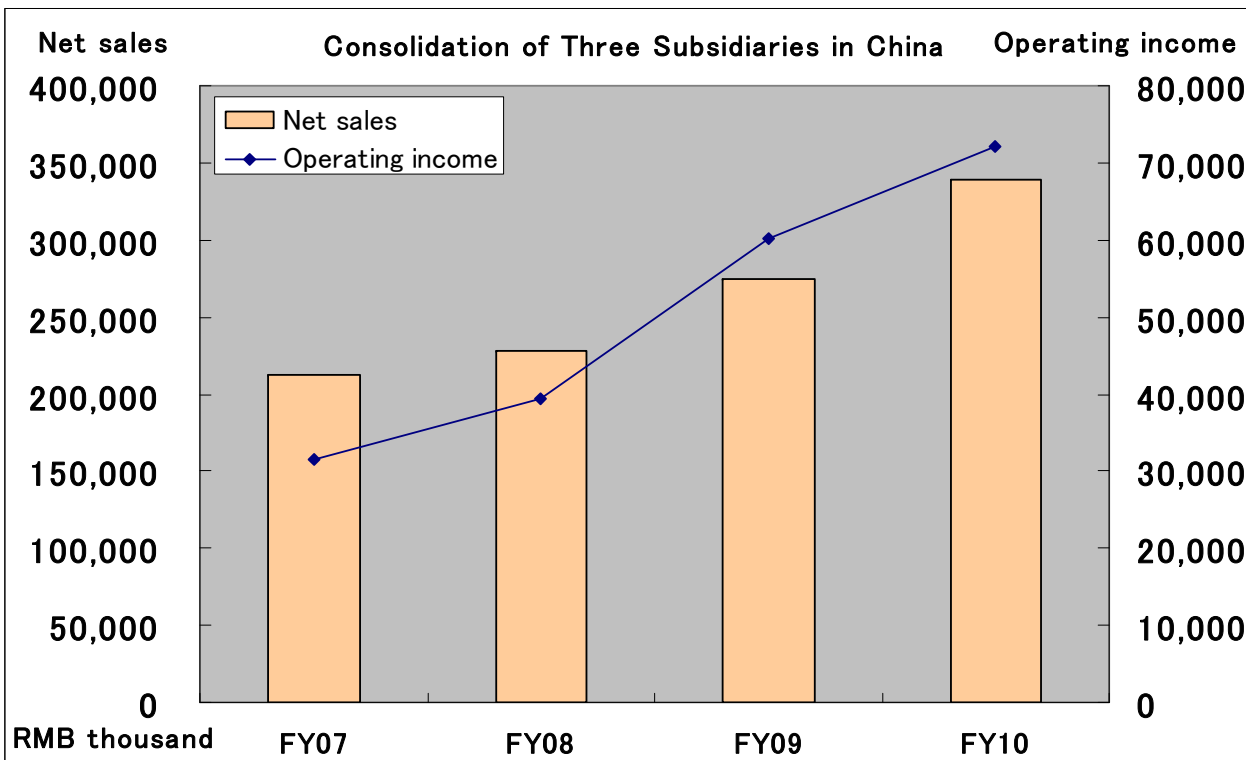
|   | FY06   | FY07   | FY08   | FY09   | FY10   |
|---|--------|--------|--------|--------|--------|
| Net Sales<br>(Consolidated)                                     | 47,000 | 50,066 | 45,421 | 43,244 | 45,167 |
| Overseas Sales  | 7,279  | 8,279  | 8,208  | 8,030  | 8,937  |
| Sales in Asian Market within<br>Overseas Sales                  | 5,774  | 6,445  | 6,513  | 6,635  | 7,457  |
| Sales of Subsidiary in Shanghai<br>within Sales in Asian Market | 2,841  | 3,289  | 3,457  | 3,740  | 4,177  |
| Ratio of Overseas Sales to Net<br>Sales                         | 15.5%  | 16.5%  | 18.1%  | 18.6%  | 19.8%  |
| Ratio of Sales in Asian Market<br>to Net Sales                  | 12.3%  | 12.9%  | 14.3%  | 15.3%  | 16.5%  |
| Ratio of Sales of Subsidiary in<br>Shanghai to Net Sales        | 6.0%   | 6.6%   | 7.6%   | 8.6%   | 9.2%   |

# Global Business Operations –Business Operations in China–

- Operations in China are favorable with expectation for further growth

RMB thousand

|                               | FY07    |       | FY08    |       | FY09    |       | FY10    |       |
|-------------------------------|---------|-------|---------|-------|---------|-------|---------|-------|
|                               | Value   | yr/yr | Value   | yr/yr | Value   | yr/yr | Value   | yr/yr |
| Net Sales                     | 213,061 | 8.7%  | 227,921 | 7.0%  | 274,607 | 20.5% | 338,527 | 23.3% |
| Operating income              | 31,507  | 35.2% | 39,490  | 25.3% | 60,150  | 52.3% | 72,173  | 20.0% |
| Operating income to sales (%) | 14.8%   | –     | 17.3%   | –     | 21.9%   | –     | 21.3%   | –     |



## Sales are mostly for Chinese local market

- Breakdown of sales by products:  
Flavors: approx. 80%  
Fragrances: approx. 20%
- Breakdown of sales by customers:  
Local companies: approx. 20%  
International companies: approx. 70%  
Japanese companies: approx. 10%
- Exports to Southeast Asian countries are under consideration

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

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

# Effects of the Recent Earthquake

## 1. Effects on T. Hasegawa

- All employees were safe, and there were no severe damages to our buildings and production facilities
- Production volume temporarily decreased due to scheduled power blackout and fuel shortage
- Production divisions operated on irregular work hours to mitigate the effects of scheduled power blackout

## 2. Circumstances of Domestic Market

- Decrease in production volume due to the damages on customers' production facilities and the scheduled power blackout
- Shortage of materials due to the damages incurred on the production facilities of packaging materials

|             | Before   | After  |
|-------------|--|--|
| Customers   | Diversification of products                              | Streamlining of production lines<br>Postponement or cancellation of new product launches |
| T. Hasegawa | Production of wide variety of products in small quantity | Increase in production volume of main products<br>Decrease in number of items produced   |

## 3. Circumstances of Overseas Market

- Import restrictions on Japanese products by foreign governments

|             | Before   | After   |
|-------------|--|---|
| T. Hasegawa | Exports of raw materials and intermediate materials to the overseas subsidiaries | Increase local procurement by overseas subsidiaries<br>Shifting of production to overseas subsidiaries is under consideration (partially implemented) |

## 4. Measures to save electricity for the coming summer

- Installation of in-house electric generators
- Rotation of holidays between manufacturing divisions at production sites
- Introduction of daylight saving time (summertime) under consideration

## **II. Summary of the Consolidated Financial Settlement**

# Consolidated Results

- Year-on-Year: Although net sales almost unchanged from prior year, profitability improved
- vs Plan: Although net sales were favorable until February, sales decline in March due to the earthquake and tsunami disaster pushed the 2Q YTD net sales downward

Yen million

|                            | FY10 2Q YTD Actual |        | FY11 2Q YTD Plan |        | FY11 2Q YTD Actual |        | Achievement |       |         |       |
|----------------------------|--------------------|--------|------------------|--------|--------------------|--------|-------------|-------|---------|-------|
|                            | Value              | Share  | Value            | Share  | Value              | Share  | yr/yr       |       | vs Plan |       |
|                            |                    |        |                  |        |                    |        | Value       | %     | Value   | %     |
| Net sales                  | 20,649             | 100.0% | 21,230           | 100.0% | 20,734             | 100.0% | 85          | 0.4%  | -495    | -2.3% |
| Cost of sales              | 13,916             | 67.4%  | 14,190           | 66.8%  | 13,722             | 66.2%  | -194        | -1.4% | -467    | -3.3% |
| Gross profit               | 6,732              | 32.6%  | 7,040            | 33.2%  | 7,011              | 33.8%  | 279         | 4.2%  | -28     | -0.4% |
| SGA expenses               | 5,419              | 26.2%  | 5,430            | 25.6%  | 5,205              | 25.1%  | -214        | -4.0% | -224    | -4.1% |
| Operating income           | 1,312              | 6.4%   | 1,610            | 7.6%   | 1,806              | 8.7%   | 493         | 37.6% | 196     | 12.2% |
| Ordinary income            | 1,493              | 7.2%   | 1,700            | 8.0%   | 1,974              | 9.5%   | 481         | 32.2% | 274     | 16.2% |
| Income before income taxes | 1,225              | 5.9%   | 1,820            | 8.6%   | 2,091              | 10.1%  | 866         | 70.7% | 271     | 14.9% |
| Net income                 | 830                | 4.0%   | 1,200            | 5.7%   | 1,333              | 6.4%   | 502         | 60.5% | 133     | 11.1% |

# Sales by Segments

- Sales of flavors slightly increased, sales of fragrances almost unchanged from prior year

Yen million

| Segment         |            | FY10<br>2Q YTD | FY11<br>2Q YTD | yr/yr |        | Remark                               |
|-----------------|------------|----------------|----------------|-------|--------|--------------------------------------|
|                 |            |                |                | Value | %      |                                      |
| Products        | Fragrances | 2,536          | 2,529          | -6    | -0.3%  | Almost unchanged from prior year     |
|                 | Flavors    | 16,587         | 16,911         | 323   | 1.9%   | Sales for tea beverages increased    |
| Sub total       |            | 19,124         | 19,441         | 316   | 1.7%   | —                                    |
| Traded<br>items | Fragrances | 272            | 230            | -41   | -15.3% | Sales for cosmetics decreased        |
|                 | Flavors    | 1,252          | 1,062          | -189  | -15.1% | Sales of fruit preparation decreased |
| Sub total       |            | 1,524          | 1,293          | -231  | -15.2% | —                                    |
| Total           |            | 20,649         | 20,734         | 85    | 0.4%   | —                                    |

- Sales for tea beverages increased by approx. ¥200mn
- Sales of fruit preparations decreased by approx. ¥300mn

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

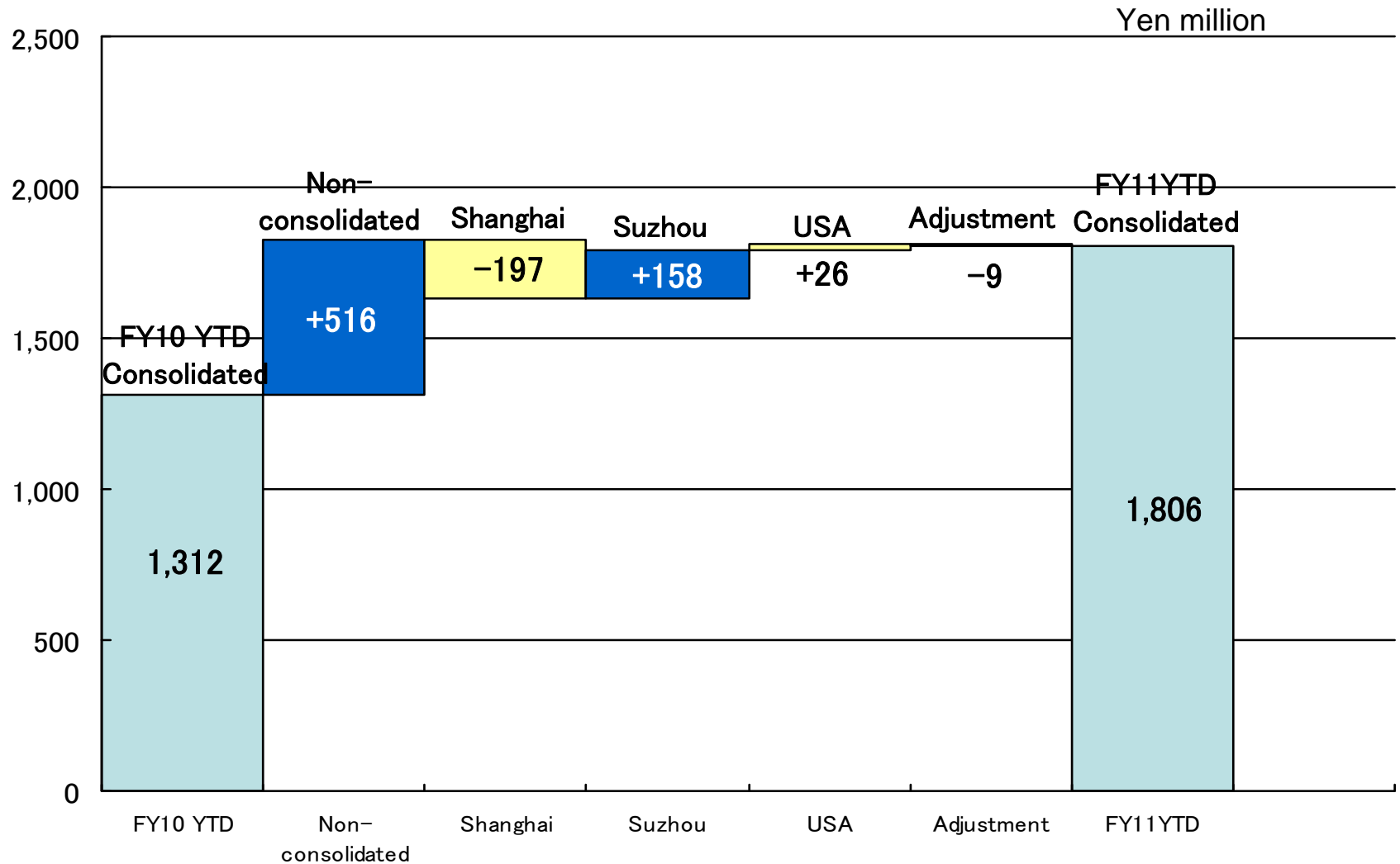
- Profitability increased due to the improvement of sales cost ratio and the decrease of SGA expenses

Yen million

|                            | FY10 2Q YTD<br>Actual |        | FY11 2Q YTD<br>Actual |        | yr/yr |       | Remark   |
|----------------------------|-----------------------|--------|-----------------------|--------|-------|-------|--|
|                            |                       |        |                       |        | Value | %     |  |
| Net sales                  | 20,649                | 100.0% | 20,734                | 100.0% | 85    | 0.4%  |  |
| Cost of sales              | 13,916                | 67.4%  | 13,722                | 66.2%  | -194  | -1.4% | Sales cost ratio improved by 1.6 percentage points from 68.4% to 66.8% on non-consolidated basis mainly due to decrease in depreciation&amortization by ¥154mn   |
| Gross profit               | 6,732                 | 32.6%  | 7,011                 | 33.8%  | 279   | 4.2%  |  |
| SGA expenses               | 5,419                 | 26.2%  | 5,205                 | 25.1%  | -214  | -4.0% | Expenses related to the building of new R&D center of ¥164mn and real estate acquisition tax of ¥53mn were posted in FY10  |
| Operating income           | 1,312                 | 6.4%   | 1,806                 | 8.7%   | 493   | 37.6% |  |
| Ordinary income            | 1,493                 | 7.2%   | 1,974                 | 9.5%   | 481   | 32.2% |  |
| Income before income taxes | 1,225                 | 5.9%   | 2,091                 | 10.1%  | 866   | 70.7% | Extra ordinary income: Gain on abolishment of retirement benefit plan of ¥333mn<br>Extra ordinary losses: Loss on disposal of fixed assets of ¥257mn in FY10, loss on revaluation of investments in securities of ¥84mn, asset retirement obligations of ¥79mn in FY11 |
| Net income                 | 830                   | 4.0%   | 1,333                 | 6.4%   | 502   | 60.5% |  |

# Breakdown of Operating Income by Subsidiaries

- Non-consolidated operating income increased
- Operating income of the subsidiary in Shanghai decreased mainly due to the payment for toll manufacturing at T. Hasegawa Flavours (Suzhou) Co. Ltd.



# **III. Revision of the FY11 Plan**

# Revision of the FY11 Plan on a Consolidated Basis

Yen million

|                  | FY10 Actual |        | FY11 Initial Plan<br>(Nov. 12) |        | FY11 Revised Plan |        | Achievement |        |                 |        |
|------------------|-------------|--------|--------------------------------|--------|-------------------|--------|-------------|--------|-----------------|--------|
|                  | Value       | Share  | Value                          | Share  | Value             | Share  | yr/yr       |        | vs Initial Plan |        |
|                  |             |        |                                |        |                   |        | Value       | %      | Value           | %      |
| Net sales        | 45,167      | 100.0% | 45,550                         | 100.0% | 43,620            | 100.0% | -1,547      | -3.4%  | -1,930          | -4.2%  |
| Cost of sales    | 29,738      | 65.8%  | 30,040                         | 65.9%  | 28,850            | 66.1%  | -888        | -3.0%  | -1,190          | -4.0%  |
| Gross profit     | 15,429      | 34.2%  | 15,510                         | 34.1%  | 14,770            | 33.9%  | -659        | -4.3%  | -740            | -4.8%  |
| SGA expenses     | 11,008      | 24.4%  | 11,010                         | 24.2%  | 11,010            | 25.2%  | 1           | 0.0%   | 0               | 0.0%   |
| Operating income | 4,420       | 9.8%   | 4,500                          | 9.9%   | 3,760             | 8.6%   | -660        | -14.9% | -740            | -16.4% |
| Ordinary income  | 4,544       | 10.1%  | 4,670                          | 10.3%  | 3,940             | 9.0%   | -604        | -13.3% | -730            | -15.6% |
| Net income       | 2,840       | 6.3%   | 3,070                          | 6.7%   | 2,650             | 6.1%   | -190        | -6.7%  | -420            | -13.7% |

## Factors of the revision

### Net sales :

Although great uncertainty remains, FY11 plan is revised reflecting the effects of the recent earthquake and tsunami

- Customers' streamlining of product lines, postponement or cancellation of new product launches
- Concerns for reduction of production volume in the subsidiaries in China due to the import restriction on raw materials from Japan (radiation problem)

### Profits :

Downward revision for operating income, ordinary income and net income mainly due to the decline of net sales

# IV. 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 overseas market**

# Strategies Under the Current Circumstances of the Domestic Market

## Shorter product life cycles

- ⇒ Maintain optimum inventory levels and reduce inventory losses by utilizing the enterprise resource management system (ERP)

## Thorough cost-consciousness of customers

- ⇒ Cut production cost (streamline recipes, improve production efficiency)
- ⇒ Contribute to our customers' cost-cutting efforts by replacing the raw materials such as dairy products, vegetables, fruit juice, and animal products with our flavors

## Sales orders with shorter lead time

- ⇒ Improve production efficiency, automation of the production procedures, thorough inventory control

## Rising demand for quality assurances

- ⇒ Comprehensive quality assurance system through Quality Assurance Division under the direct control of CEO
- ⇒ Ensure product traceability for customers

## Maturity of market

- ⇒ Improve winning percentages of customer projects
- ⇒ Penetrate into the new fields such as alcoholic drinks, health food, foods for medical use etc
- ⇒ Penetrate into the areas where T. Hasegawa's market share is relatively small
- ⇒ Promote globalization

# Globalization Strategies

## Basic Strategies for Global Business

- **Concentrate on core business of compound flavors and fragrances as well as derivative areas (such as extracts and fruit preparations)**
  - ⇒ **Global expansion to take place where market for compound flavors and fragrances exist (Triangular network of Japan, the United States, and China)**
    - Achieve sustainable growth by capturing demand of rapidly growing Asian market including China
- **Strengthen information sharing between business bases**
  - Utilize the developed-in-Japan technologies in overseas market

### **Chinese Market**

- Enhance the R&D and sales ability of the subsidiary in China
- Cultivate new local customers
- Make a timely capital investment based on market demand

### **The US Market**

- Enhance sales and R&D capability through cultivation of human resources
- Increase sales by utilizing the equipment for powdered flavors

### **Southeast Asian Market**

- Currently under survey to establish a solid foundation for sales growth
  - Enhance functions of the sales office in Thailand
  - Establish an efficient supply chain system covering the market

# Enhancement of Collaborations

## Management Resources

Solid Foundation of Technology

Human Resources

Sales Network

Accumulation  
of  
Know-how

Reorganization

Establishment of  
R&D Center  
October, 2009

- Enhance collaboration between three research institutes in Japan (Flavor Institute, Fragrance Institute, Technical Research Center)
- Promote solution-oriented sales activities by collaborative efforts between the R&D and the sales divisions

Establishment of Global  
Business Division  
December, 2010

- Enhance collaboration between R&D functions of Japan, USA, and China
- Strengthen the network of business basis in Japan, USA, and China

Improve winning percentages of  
customer projects

Penetrate into the new fields such  
as alcoholic drinks, health food,  
foods for medical use etc

Penetrate into the areas where T.  
Hasegawa's market share is  
relatively small

Promote globalization

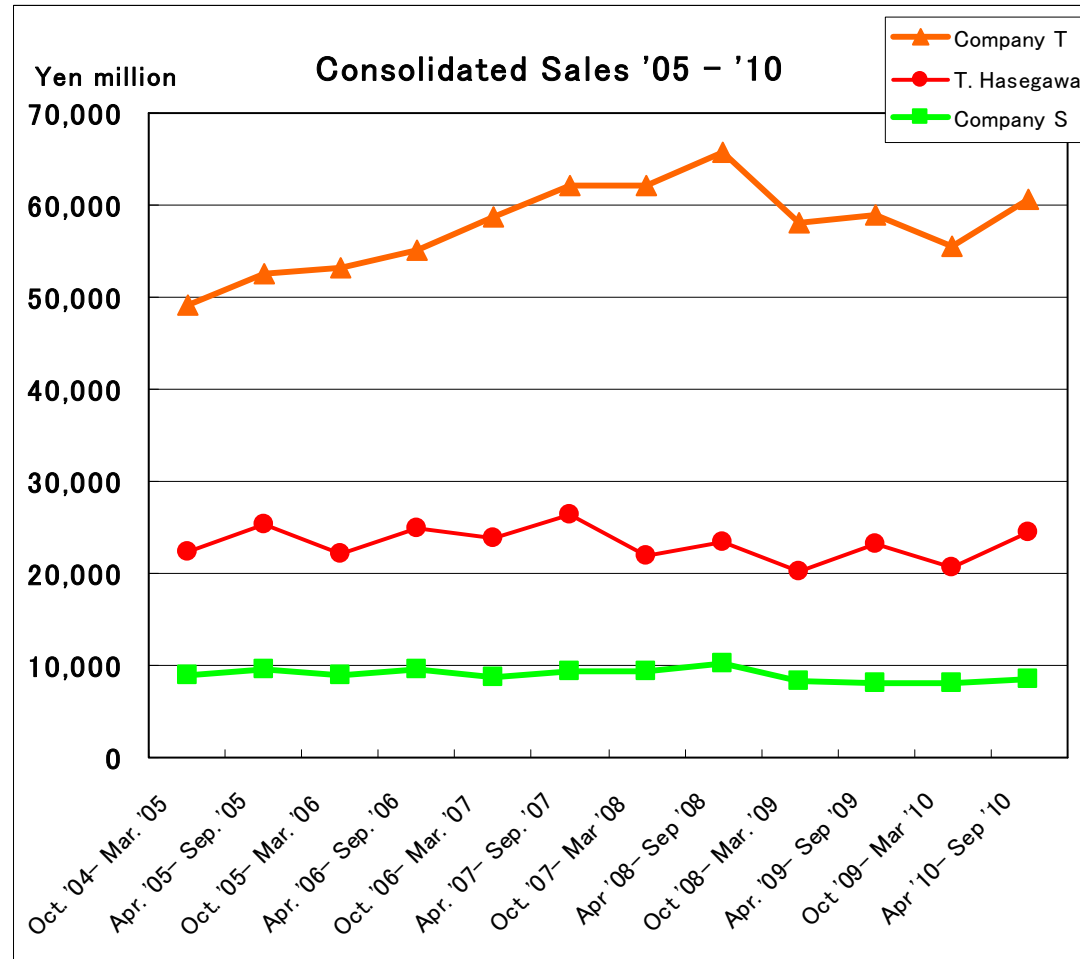
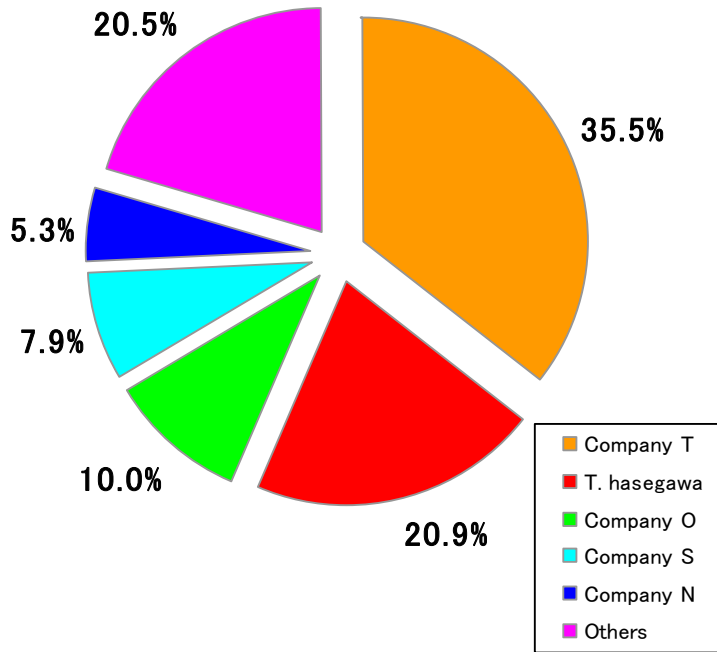
# Appendix Tables

# 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. 2010)



\*Based on a survey conducted by a private market research firm, T. Hasegawa accounts for 20.1% 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

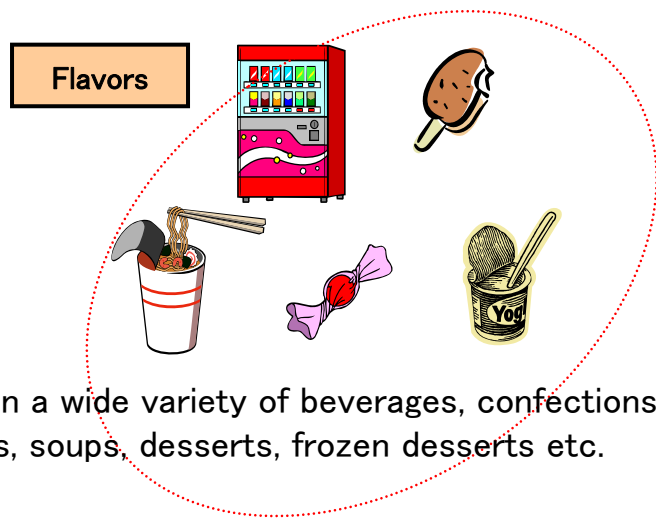
# Sales Breakdown

- Flavors account for about 90% of our sales

Yen million

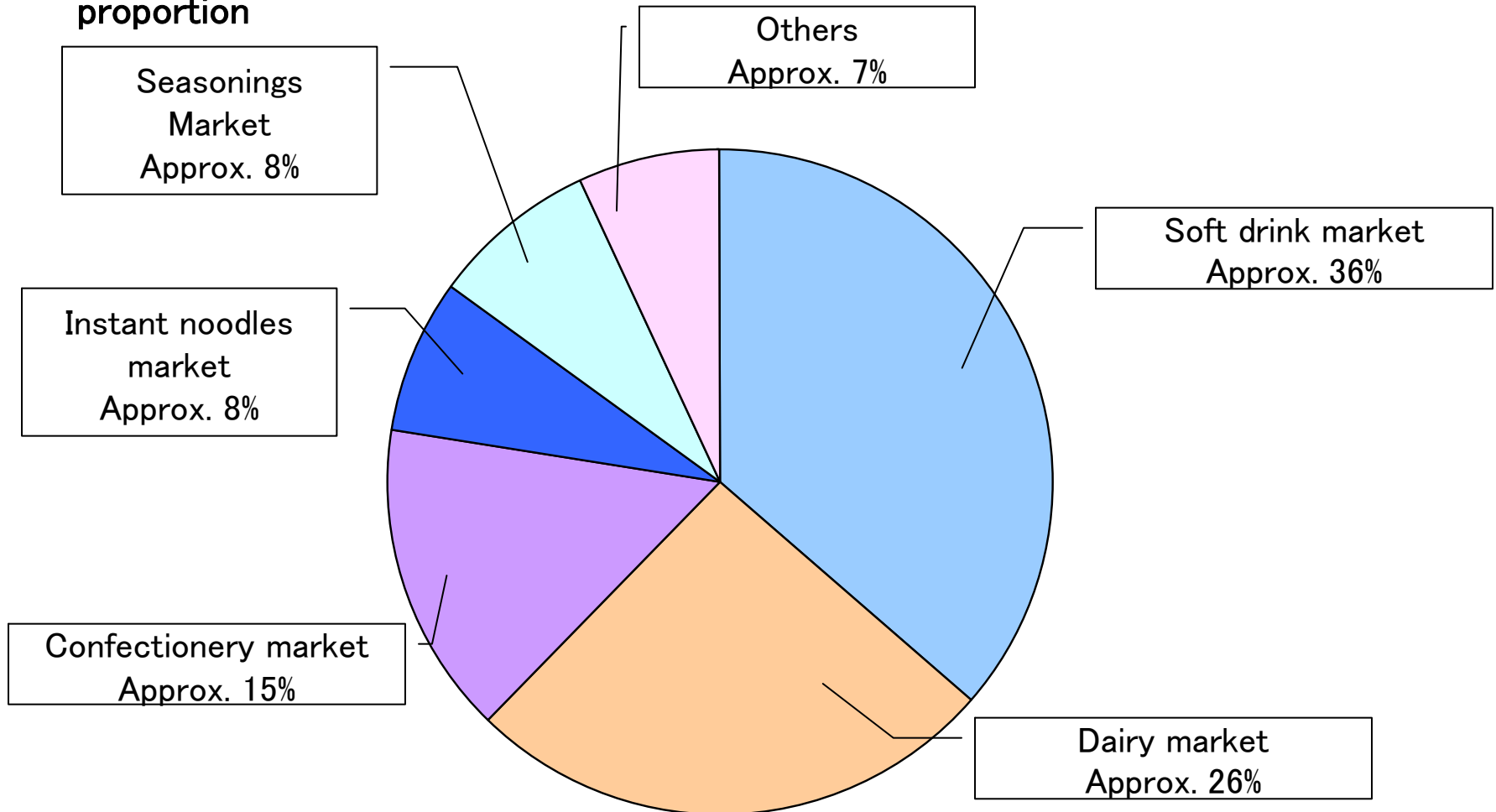
| Flavors |       | Fragrances |       | Net Sales (FY11 2Q YTD) |        |
|---------|-------|------------|-------|-------------------------|--------|
| Value   | %     | Value      | %     | Value                   | %      |
| 17,973  | 86.7% | 2,760      | 13.3% | 20,734                  | 100.0% |

\*Sales of Fruit Preparations: ¥2,375mn



# Sales Proportion of Flavors by Industry (Non-Consolidated)

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



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

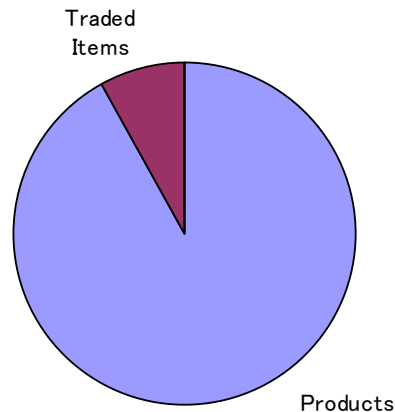
# Sales Breakdown –Products & Traded Items–

- High proportion of production sales for T. Hasegawa

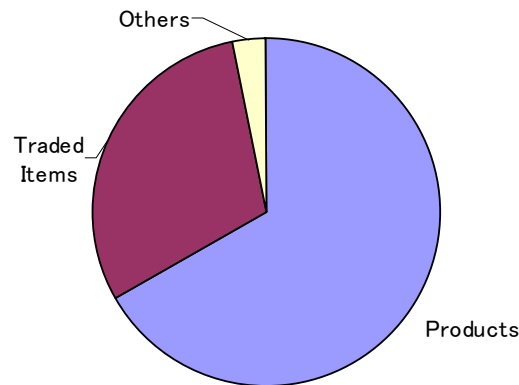
Yen million

|                  | T. Hasegawa<br>(non-consolidated) |        | Company A<br>(non-consolidated) |        | Company B<br>(non-consolidated) |        |
|------------------|-----------------------------------|--------|---------------------------------|--------|---------------------------------|--------|
|                  | FY ended in Sep. 2010             |        | FY ended in Mar. 2010           |        | FY ended in Mar. 2010           |        |
|                  | Sales                             | Share  | Sales                           | Share  | Sales                           | Share  |
| Products         | 37,004                            | 92.0%  | 44,181                          | 66.6%  | 11,447                          | 77.6%  |
| Traded Items     | 3,204                             | 8.0%   | 20,185                          | 30.4%  | 3,309                           | 22.4%  |
| Others           | 0                                 | 0.0%   | 1,999                           | 3.0%   | 0                               | 0.0%   |
| Total            | 40,208                            | 100.0% | 66,366                          | 100.0% | 14,756                          | 100.0% |
| Sales Cost Ratio | 33.0%                             |        | 28.4%                           |        | 28.6%                           |        |

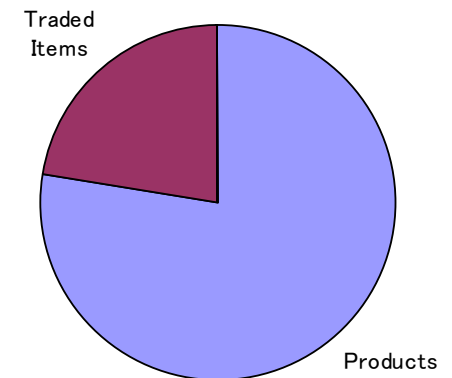
T. Hasegawa



Company A



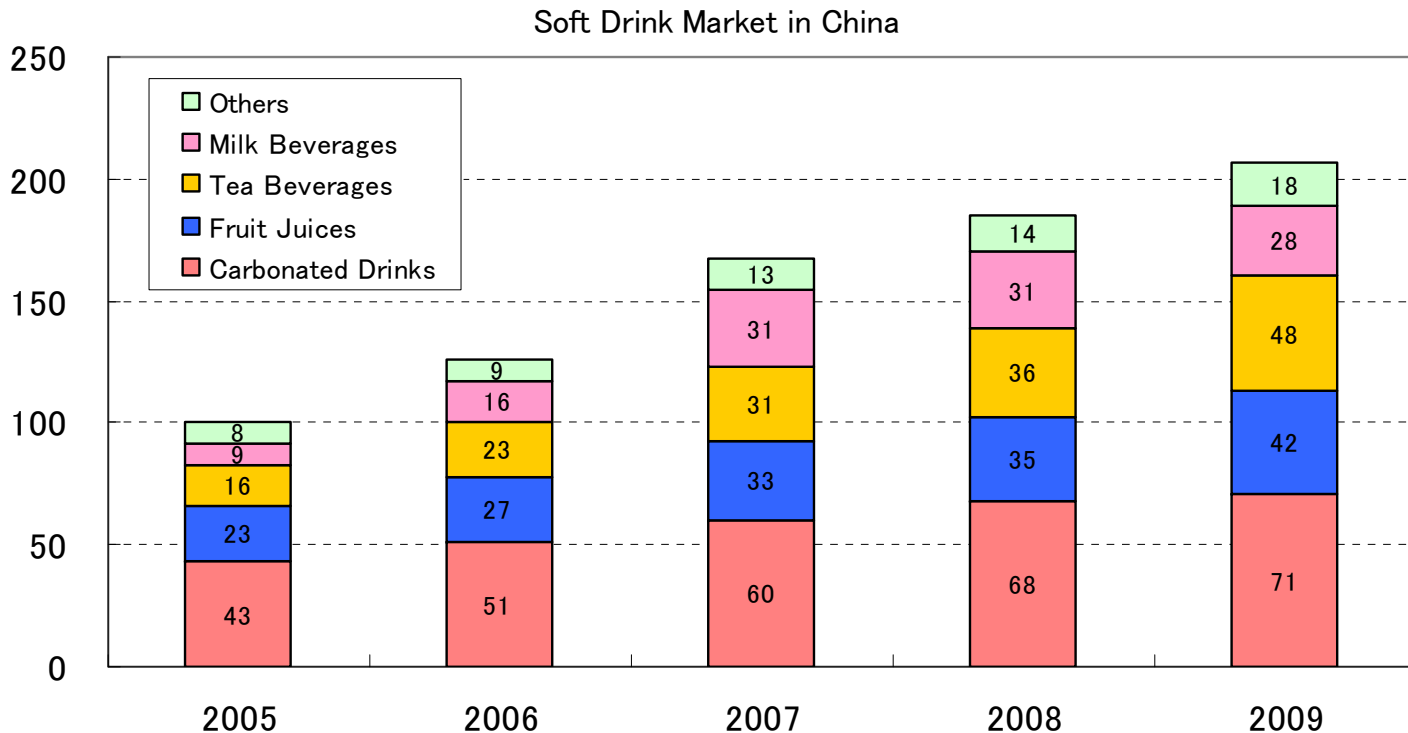
Company B



# Global Business Operations –Soft Drink Market in China–

- Chinese soft drink market increased by 207% from 2005

|                   | 2005       | 2006       | 2007       | 2008       | 2009       | 2009/2005   |
|-------------------|------------|------------|------------|------------|------------|-------------|
| Carbonated Drinks | 43         | 51         | 60         | 68         | 71         | 164%        |
| Fruit Juices      | 23         | 27         | 33         | 35         | 42         | 183%        |
| Tea Beverages     | 16         | 23         | 31         | 36         | 48         | 296%        |
| Milk Beverages    | 9          | 16         | 31         | 31         | 28         | 294%        |
| Others            | 8          | 9          | 13         | 14         | 18         | 228%        |
| <b>Total</b>      | <b>100</b> | <b>126</b> | <b>167</b> | <b>185</b> | <b>207</b> | <b>207%</b> |



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

# Balance Sheets

Yen million

|  | FY10 2Q | FY11 2Q | Change         | Remark   |
|--|---------|---------|----------------|--|
| Current assets                             | 33,433  | 38,714  | 5,280          | Decrease in cash and time deposits: $\Delta$ ¥689mn<br>Increase in marketable securities: ¥5,999mn   |
| Fixed assets                               | 40,173  | 37,241  | $\Delta$ 2,931 | Decrease in tangible fixed assets: $\Delta$ ¥1,980mn<br>Decrease in investments in securities: $\Delta$ ¥1,254mn   |
| Total assets                               | 73,607  | 75,956  | 2,348          |  |
| Current liabilities                        | 9,226   | 10,200  | 974            | Increase in accrued income taxes: ¥320mn<br>Increase in notes payable, trade and accounts payable, trade: ¥222mn<br>Increase in current portion of long-term loans payable: ¥171mn                 |
| Long-term liabilities                      | 6,880   | 7,228   | 348            | Increase in long-term loans payable (introduction of the incentive scheme for employees' stock ownership): ¥554mn<br>Increase in long-term accounts payable, other (defined contribution): ¥147mn  |
| Shareholders' equity                       | 57,501  | 58,527  | 1,026          | Increase in retained earnings: ¥2,310mn<br>Decrease in unrealized gains on available-for-sale securities: $\Delta$ ¥729mn<br>Decrease in foreign currency translation adjustments: $\Delta$ ¥649mn |
| Total liabilities and shareholders' equity | 73,607  | 75,956  | 2,348          |  |

# Statements of Cash Flow

Yen million

|  | FY10 2Q | FY11 2Q | Change | Remark   |
|--|---------|---------|--------|--|
| Cash flows from operating activities                   | 3,970   | 3,478   | △ 492  | Income before income taxes: ¥2,091mn<br>Depreciation & Amortization: ¥1,577mn<br>Decrease in trade receivable: ¥2,676mn<br>Income taxes paid: △¥1,092mn<br>Decrease in trade payables: △¥777mn |
| Cash flows from investing activities                   | △ 2,531 | △ 951   | 1,580  | Acquisition of tangible fixed assets: △¥934mn  |
| Cash flows from financing activities                   | △ 2,445 | △ 637   | 1,807  | Cash Dividends: △¥622mn  |
| Effect of currency change on cash and cash equivalents | 58      | 21      | △ 37   | —  |
| Net change in cash and cash equivalents                | △ 948   | 1,910   | 2,858  | —  |
| Cash and cash equivalents at beginning of period       | 9,746   | 13,097  | 3,350  | —  |
| Cash and cash equivalents at end of period             | 8,798   | 15,007  | 6,209  | —  |

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

(Yen million)

|                                   |                  | FY11<br>Plan | FY11 2Q YTD<br>(Actual) | Progress<br>(%) |
|-----------------------------------|------------------|--------------|-------------------------|-----------------|
| Capital<br>Investment             | Consolidated     | 2,089        | 735                     | 35.2%           |
|                                   | Non-consolidated | 1,804        | 686                     | 38.0%           |
| Depreciation<br>&<br>Amortization | Consolidated     | 3,354        | 1,577                   | 47.0%           |
|                                   | Non-consolidated | 2,987        | 1,404                   | 47.0%           |
| R&D<br>Expenses                   | Consolidated     | 3,767        | 1,823                   | 48.4%           |
|                                   | Non-consolidated | 3,332        | 1,617                   | 48.5%           |

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

Yen million

|                               | FY10 2Q YTD<br>Actual |        | FY11 2Q YTD<br>Revised Plan<br>(Mar. 25) |        | FY11 2Q YTD<br>Actual |        | Achievement |        |         |       |
|-------------------------------|-----------------------|--------|--|--------|-----------------------|--------|-------------|--------|---------|-------|
|                               | Value                 | Share  | Value                                    | Share  | Value                 | Share  | yr/yr       |        | vs Plan |       |
|                               |                       |        |  |        |                       |        | Value       | %      | Value   | %     |
| Net sales                     | 18,411                | 100.0% | 18,740                                   | 100.0% | 18,424                | 100.0% | 13          | 0.1%   | -315    | -1.7% |
| Cost of sales                 | 12,586                | 68.4%  | 12,730                                   | 67.9%  | 12,302                | 66.8%  | -284        | -2.3%  | -427    | -3.4% |
| Gross profit                  | 5,824                 | 31.6%  | 6,010                                    | 32.1%  | 6,122                 | 33.2%  | 298         | 5.1%   | 112     | 1.9%  |
| SGA expenses                  | 4,813                 | 26.1%  | 4,820                                    | 25.7%  | 4,594                 | 24.9%  | -218        | -4.5%  | -225    | -4.7% |
| Operating income              | 1,010                 | 5.5%   | 1,190                                    | 6.4%   | 1,527                 | 8.3%   | 516         | 51.1%  | 337     | 28.4% |
| Ordinary income               | 1,199                 | 6.5%   | 1,960                                    | 10.5%  | 2,314                 | 12.6%  | 1,114       | 92.9%  | 354     | 18.1% |
| Income before<br>income taxes | 946                   | 5.1%   | 2,080                                    | 11.1%  | 2,432                 | 13.2%  | 1,485       | 156.9% | 352     | 16.9% |
| Net income                    | 566                   | 3.1%   | 1,450                                    | 7.7%   | 1,731                 | 9.4%   | 1,165       | 205.7% | 281     | 19.4% |

## T. HASEGAWA FLAVOURS & FRAGRANCES (SHANGHAI) CO., LTD.

- Net sales increased on the local currency basis, decreased on the yen basis
- Sales cost ratio was higher than the same period last year mainly due to the payment of the transfer expenses to T. Hasegawa Flavours (Suzhou) Co. Ltd.

## 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

# Management Indices

- |                                  |                   |
|----------------------------------|-------------------|
| 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.