

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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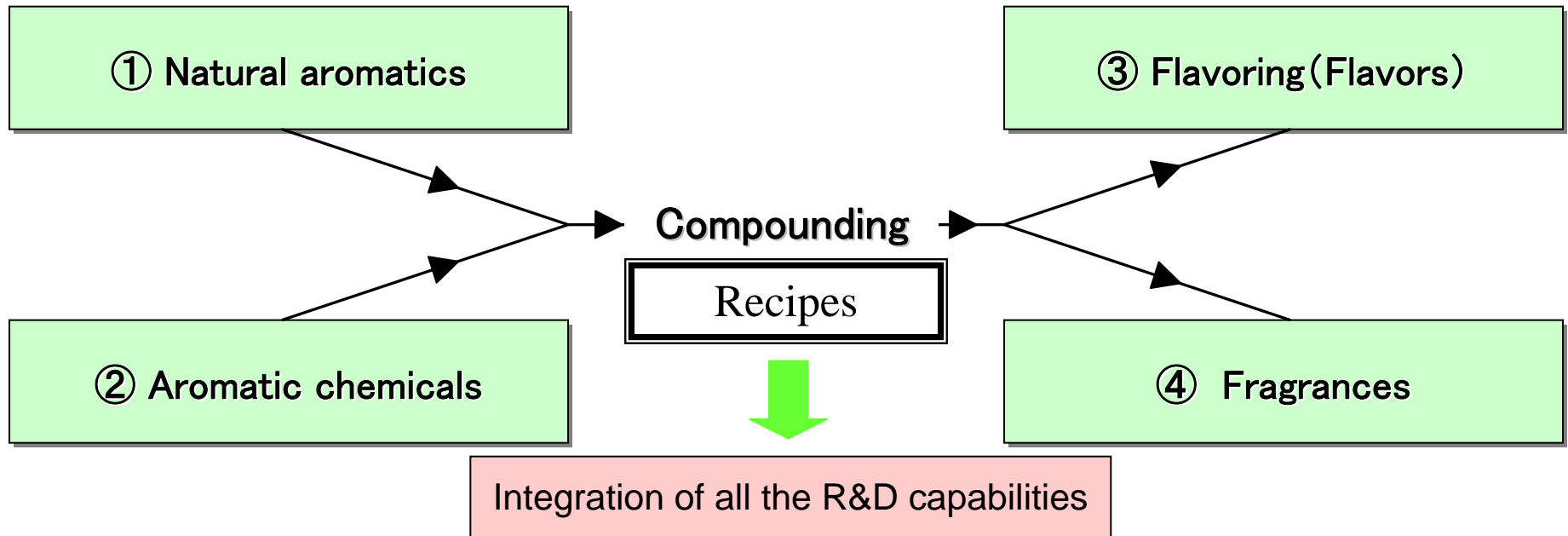
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I. Business Outline

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”

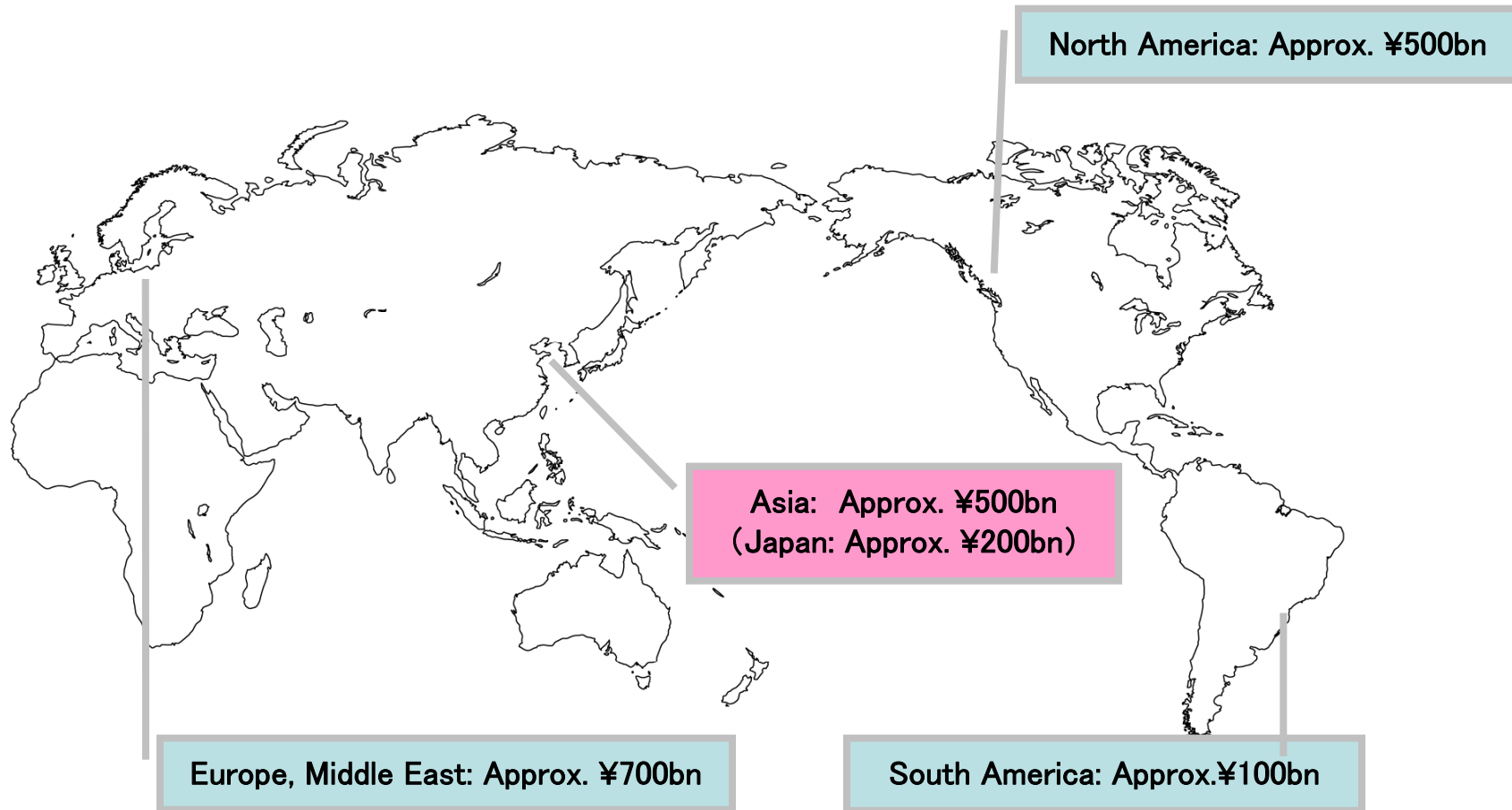
Fragrances and Flavors are custom-made in accordance with our customers’ requests

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.

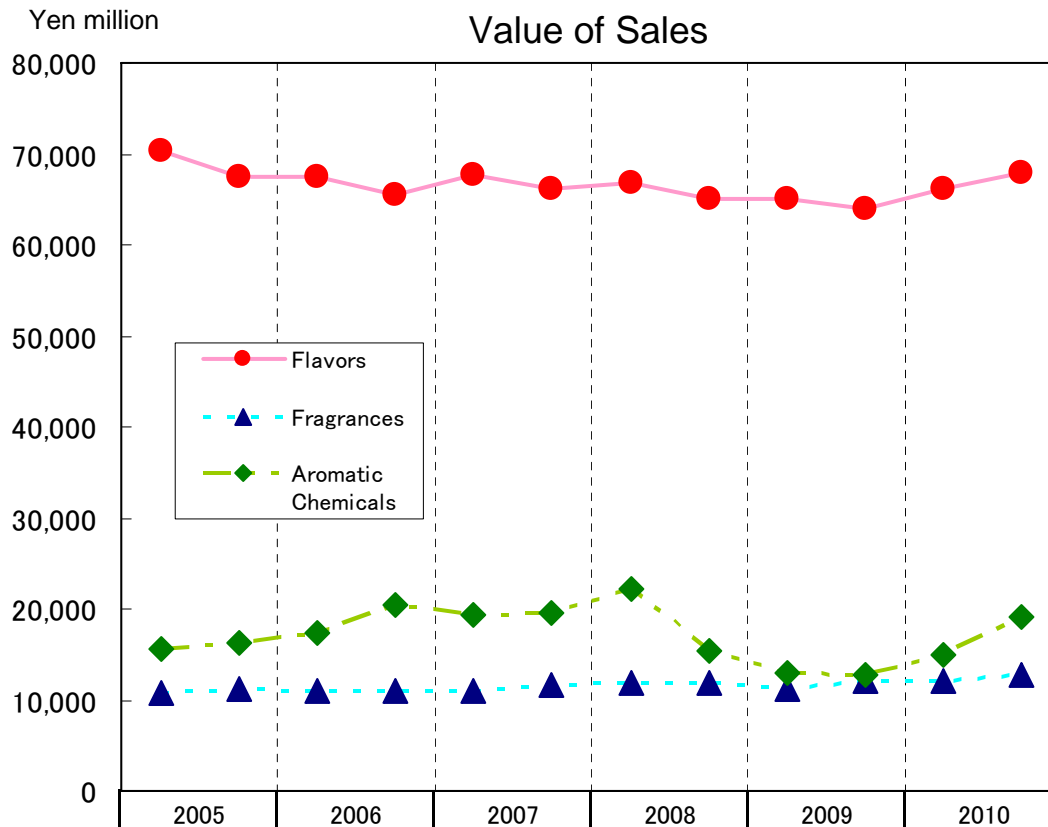
2. US \$ 1 ≙ ¥81.1

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

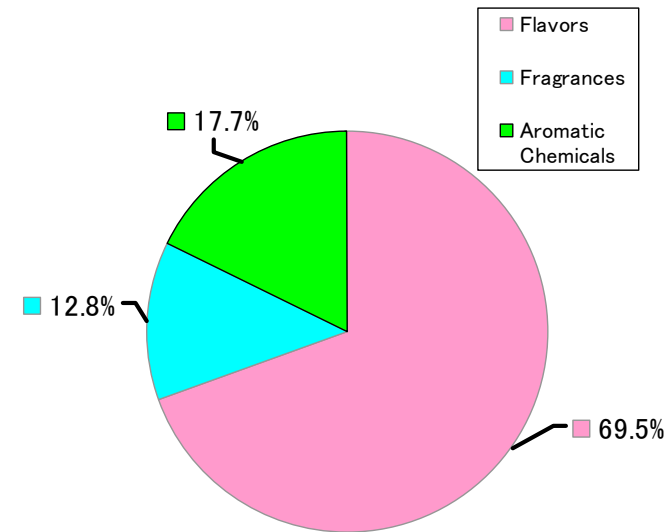
3. Trends in the Domestic Flavors & Fragrances Market

▪ 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

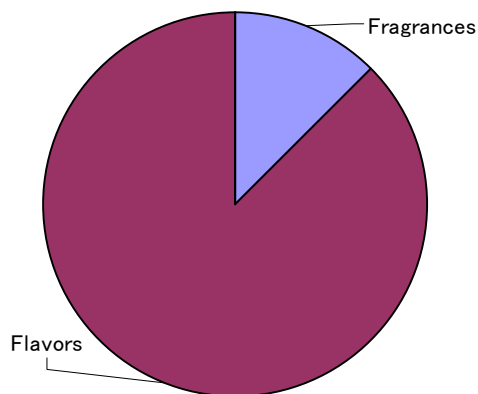
Sales Breakdown –Flavors, Fragrances, Aromatic Chemicals/Chemicals–

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

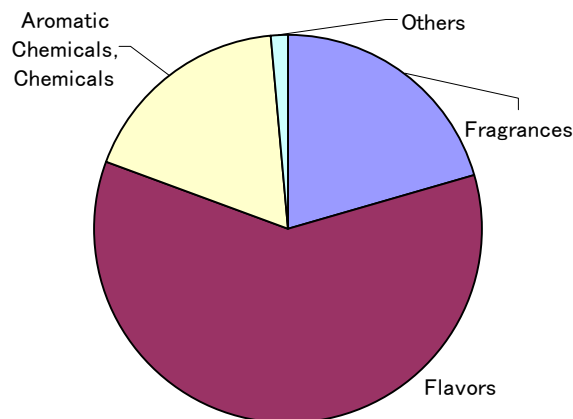
Yen million

	T. Hasegawa (non-consolidated)		Company A (non-consolidated)		Company B (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, Chemicals	0	0.0%	20,598	18.0%	6,233	38.7%
Others	0	0.0%	1,512	1.3%	0	0.0%
Total	45,167	100.0%	114,347	100.0%	16,117	100.0%
Sales Cost Ratio	34.2%		29.4%		30.3%	

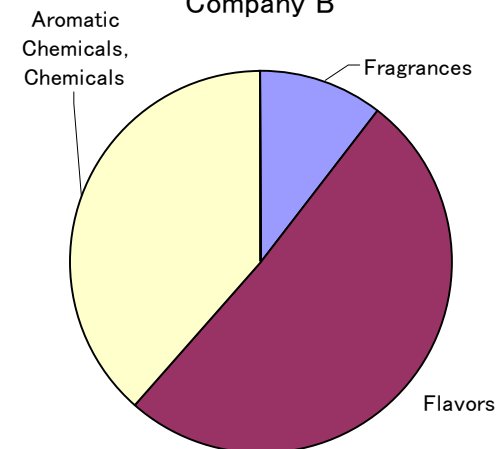
T. Hasegawa



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)

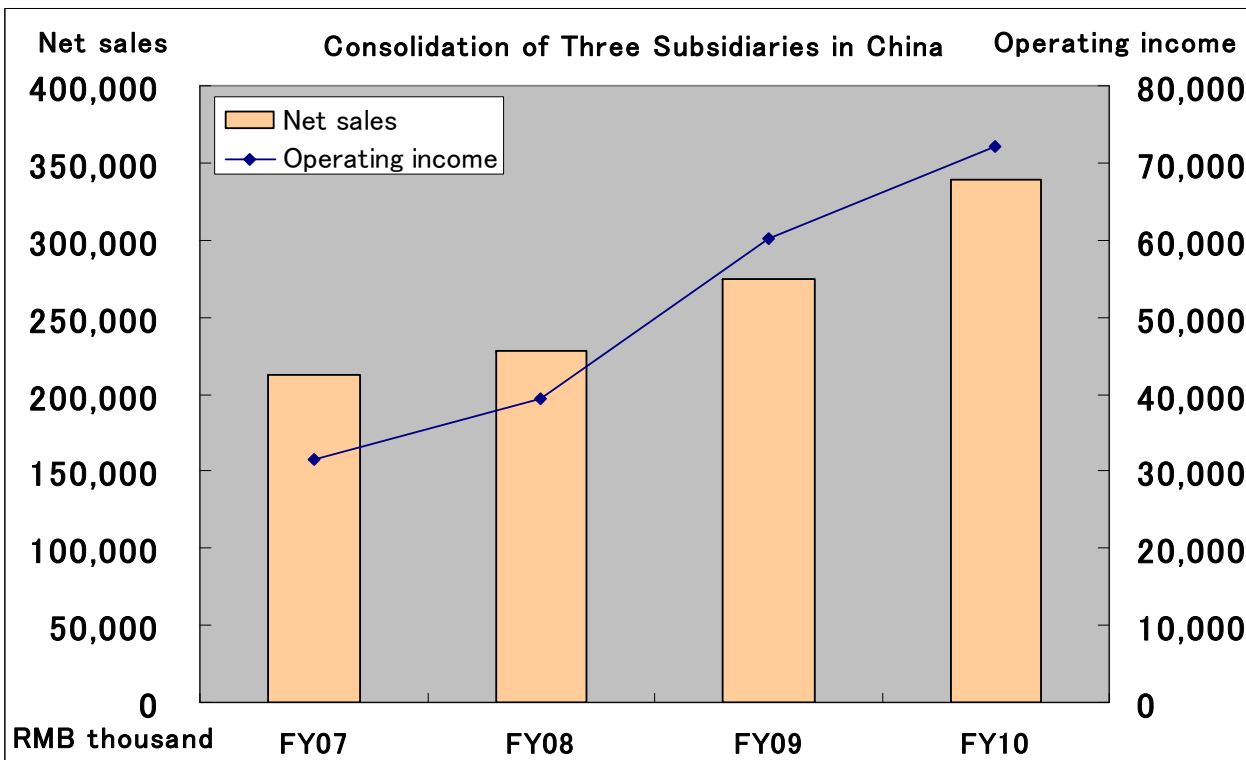
	FY06	FY07	FY08	FY09	FY10
Net Sales (Consolidated)	47,000	50,066	45,421	43,244	45,167
Overseas Sales	7,279	8,279	8,208	8,030	8,937
Sales in Asian Market within Overseas Sales	5,774	6,445	6,513	6,635	7,457
Sales of Subsidiary in Shanghai within Sales in Asian Market	2,841	3,289	3,457	3,740	4,177
Ratio of Overseas Sales to Net Sales	15.5%	16.5%	18.1%	18.6%	19.8%
Ratio of Sales in Asian Market to Net Sales	12.3%	12.9%	14.3%	15.3%	16.5%
Ratio of Sales of Subsidiary in 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 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 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 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 2Q YTD	FY11 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 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)

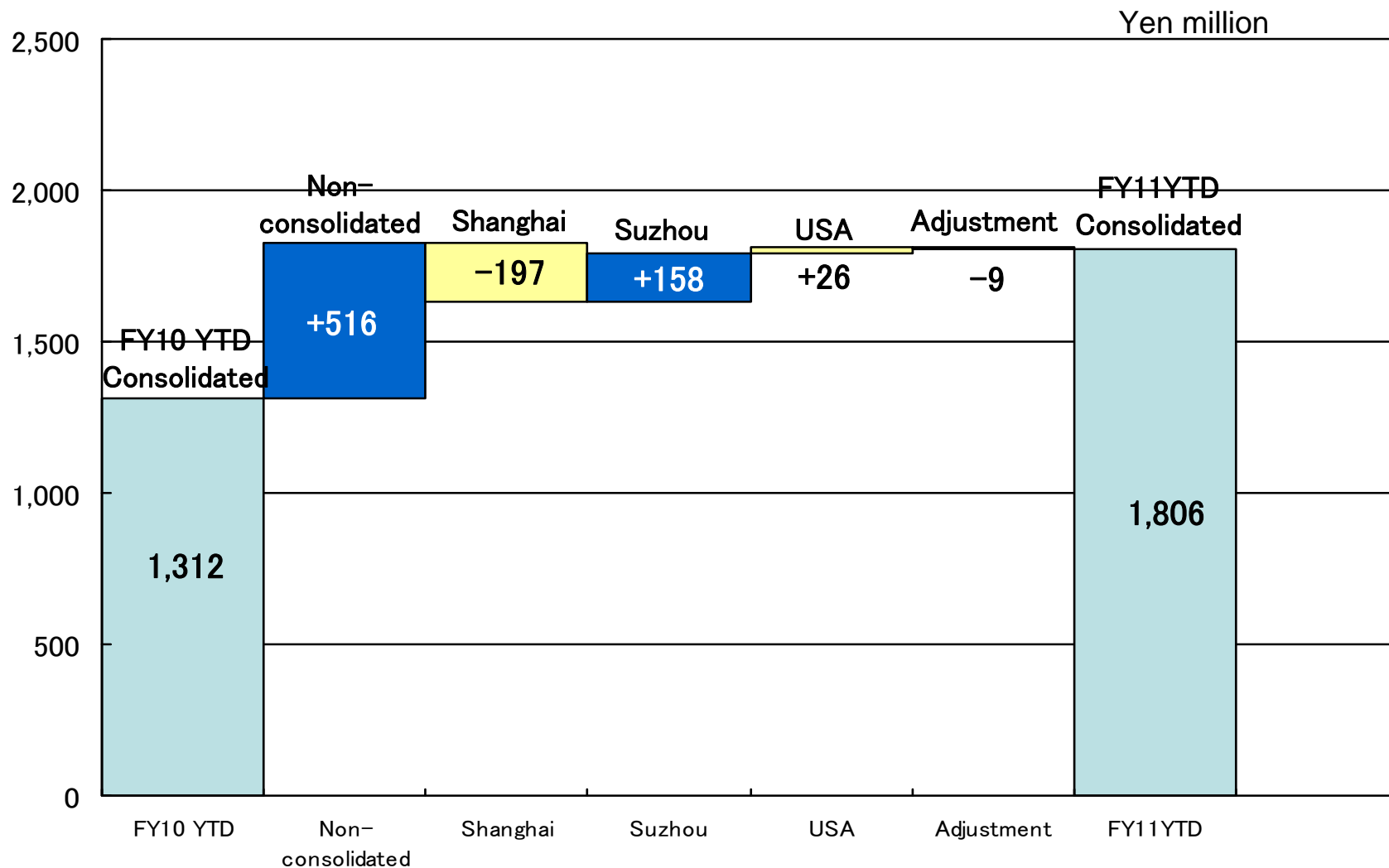
- Profitability increased due to the improvement of sales cost ratio and the decrease of SGA expenses

Yen million

	FY10 2Q YTD Actual		FY11 2Q YTD 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 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 (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

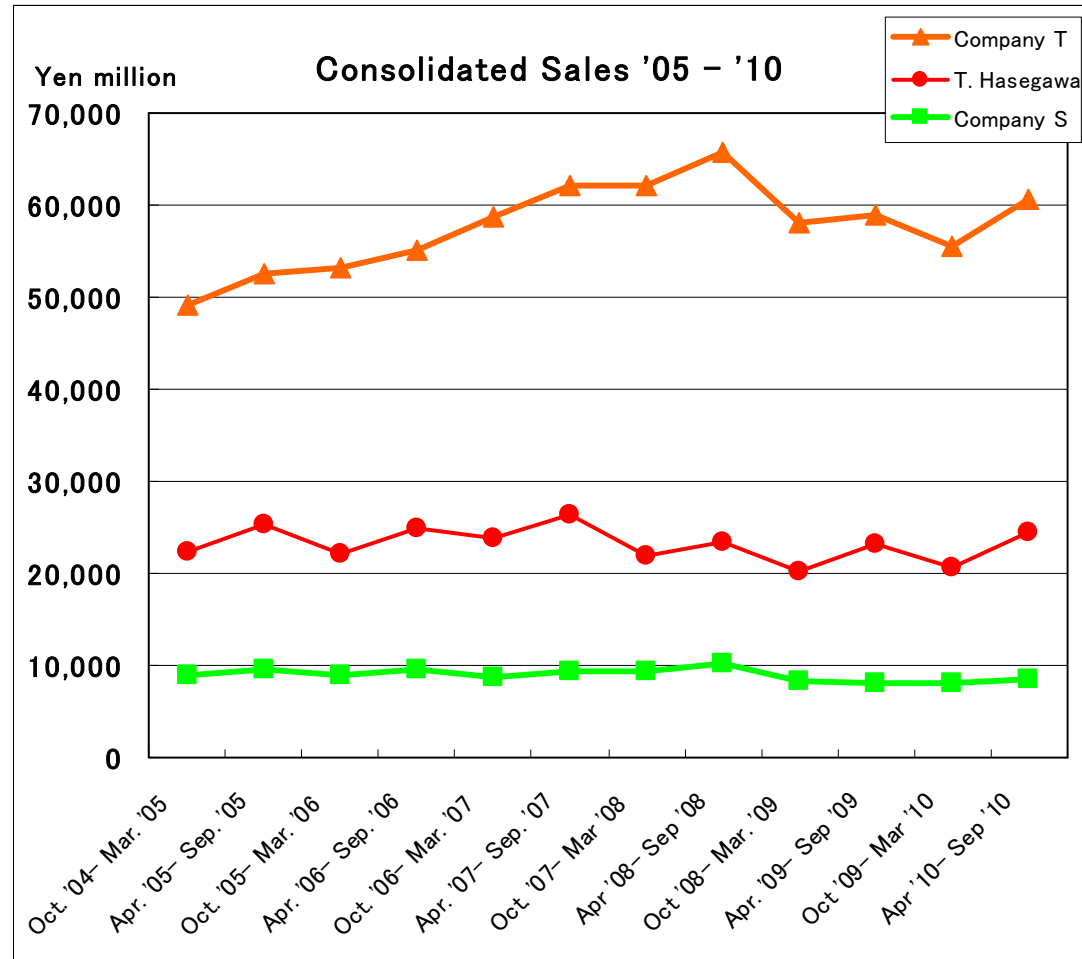
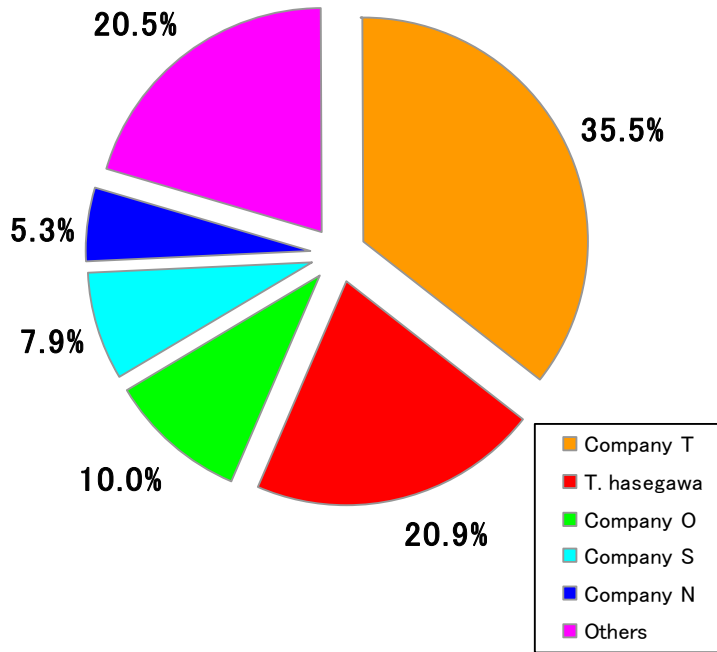
Appendix Tables

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

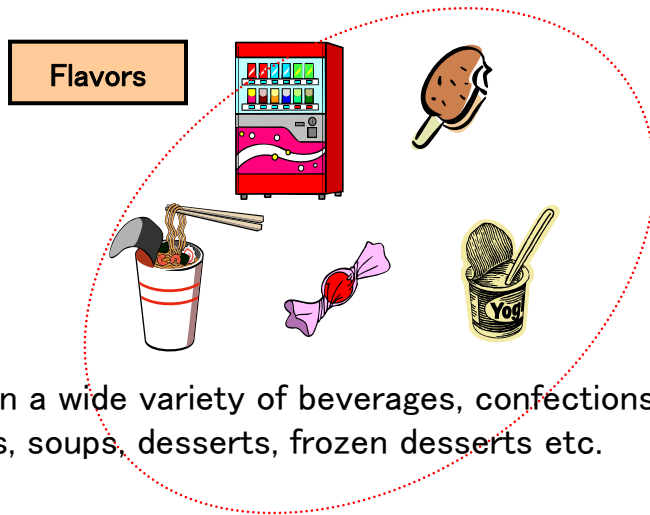
Sales Breakdown

• Flavors account for about 90% of our sales

Yen million

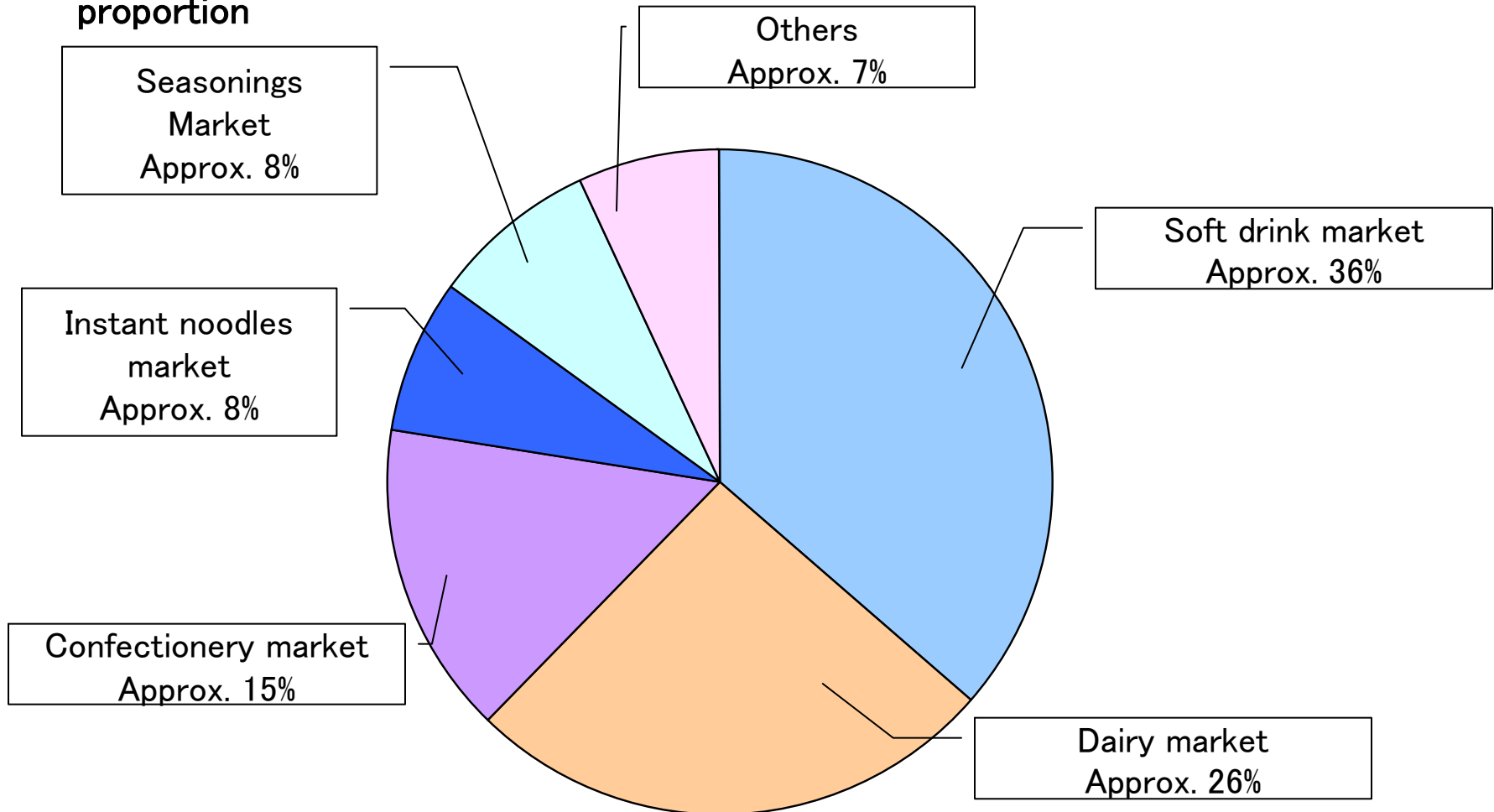
Flavors		Fragrances		Net Sales (FY11 2Q YTD)	
Value	%	Value	%	Value	%
17,973	86.7%	2,760	13.3%	20,734	100.0%

*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

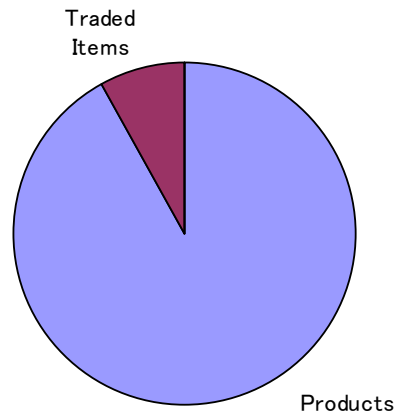
Sales Breakdown –Products & Traded Items–

- High proportion of production sales for T. Hasegawa

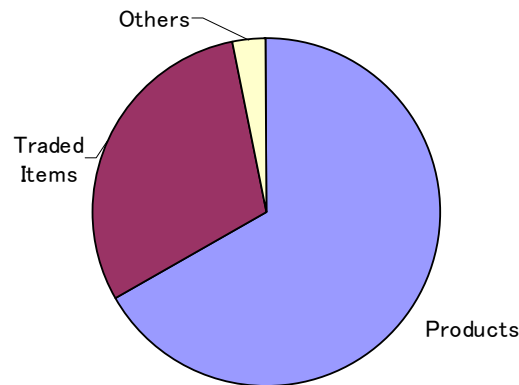
Yen million

	T. Hasegawa (non-consolidated)		Company A (non-consolidated)		Company B (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%	

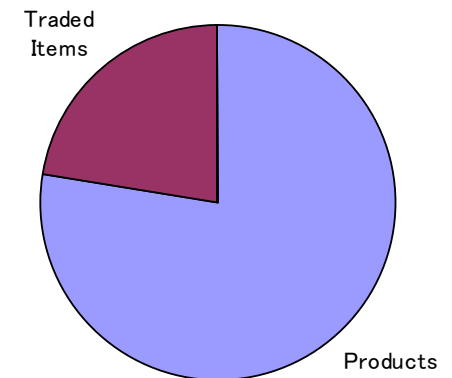
T. Hasegawa



Company A



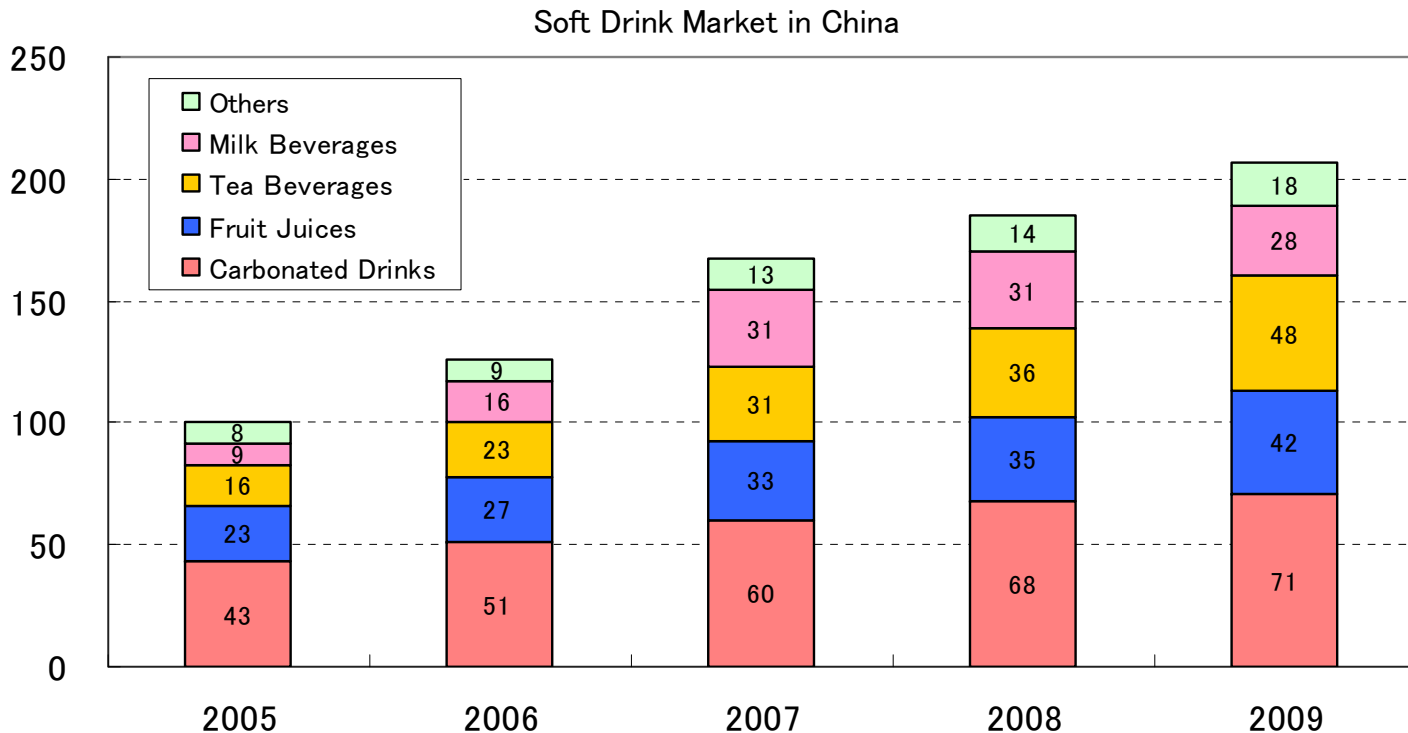
Company B



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%
Total	100	126	167	185	207	207%



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: Δ ¥689mn Increase in marketable securities: ¥5,999mn
Fixed assets	40,173	37,241	Δ 2,931	Decrease in tangible fixed assets: Δ ¥1,980mn Decrease in investments in securities: Δ ¥1,254mn
Total assets	73,607	75,956	2,348	
Current liabilities	9,226	10,200	974	Increase in accrued income taxes: ¥320mn Increase in notes payable, trade and accounts payable, trade: ¥222mn 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 Increase in long-term accounts payable, other (defined contribution): ¥147mn
Shareholders' equity	57,501	58,527	1,026	Increase in retained earnings: ¥2,310mn Decrease in unrealized gains on available-for-sale securities: Δ ¥729mn Decrease in foreign currency translation adjustments: Δ ¥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 Depreciation & Amortization: ¥1,577mn Decrease in trade receivable: ¥2,676mn Income taxes paid: △¥1,092mn 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 Plan	FY11 2Q YTD (Actual)	Progress (%)
Capital Investment	Consolidated	2,089	735	35.2%
	Non-consolidated	1,804	686	38.0%
Depreciation & Amortization	Consolidated	3,354	1,577	47.0%
	Non-consolidated	2,987	1,404	47.0%
R&D 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 Actual		FY11 2Q YTD Revised Plan (Mar. 25)		FY11 2Q YTD 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 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.