



**FY12 2nd Quarter Financial Results**  
**T. HASEGAWA CO., LTD.**

|   |     |         |
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# I . Summary of the Consolidated Financial Settlement

# Highlight of the Consolidated Results

## Circumstances surrounding T. Hasegawa

- Domestic beverage market appears robust, but non-flavored mineral water category is leading the market growth after the earthquake in 2011. Sales for carbonated drinks and green tea drinks are favorable while sports drinks sales remain stagnant.
- Chinese food and beverage market continues to grow.
- Radiation issue such as import restriction on Japanese-made ingredients after the earthquake remains, but T. Hasegawa completed to take necessary measures for the issue.

## Year-on-year basis: Net sales slightly increased, profitability decreased

- Net sales: Almost unchanged from the previous year. Favorable sales for tea products and fruit compound.
- Operating income: The increase in SGA expenses due to the payment of one-time expenses caused the decrease.
- Ordinary income: Increased due to the increase of the non-operating income.
- Net income: Decreased due to the decrease of extra ordinary income and the increase of tax expenses due to the change of the corporate tax rate.

## vs. 2Q YTD Plan: FY12 2nd quarter results were below plan

- Net sales: T. Hasegawa (non-consolidated) and the subsidiary in Shanghai were below plan.
- Operating income, ordinary income: Below plan due to net sales falling short of the plan.
- Net income: Tax expenses increased due to the change of the corporate tax rate.

# Consolidated Results

- Year-on-year: Net sales almost unchanged from the previous year while net income decreased due to the change of the corporate tax rate
- vs. Plan: Below YTD plan due to the sales decline of customers' certain major product

Yen million

|                            | FY11 2Q YTD Actual |        | FY12 2Q YTD Plan |        | FY12 2Q YTD Actual |        | Achievement |        |         |        |
|----------------------------|--------------------|--------|------------------|--------|--------------------|--------|-------------|--------|---------|--------|
|                            | Value              | Share  | Value            | Share  | Value              | Share  | yr/yr       |        | vs Plan |        |
|                            |                    |        |                  |        |                    |        | Value       | %      | Value   | %      |
| Net sales                  | 20,734             | 100.0% | 21,300           | 100.0% | 20,747             | 100.0% | 13          | 0.1%   | -552    | -2.6%  |
| Cost of sales              | 13,722             | 66.2%  | 13,860           | 65.1%  | 13,748             | 66.3%  | 25          | 0.2%   | -111    | -0.8%  |
| Gross profit               | 7,011              | 33.8%  | 7,440            | 34.9%  | 6,999              | 33.7%  | -12         | -0.2%  | -440    | -5.9%  |
| SGA expenses               | 5,205              | 25.1%  | 5,380            | 25.3%  | 5,244              | 25.3%  | 39          | 0.8%   | -135    | -2.5%  |
| Operating income           | 1,806              | 8.7%   | 2,060            | 9.7%   | 1,754              | 8.5%   | -51         | -2.9%  | -305    | -14.8% |
| Ordinary income            | 1,974              | 9.5%   | 2,180            | 10.2%  | 2,072              | 10.0%  | 97          | 5.0%   | -107    | -4.9%  |
| Income before income taxes | 2,091              | 10.1%  | 2,150            | 10.1%  | 2,019              | 9.7%   | -71         | -3.4%  | -130    | -6.1%  |
| Net income                 | 1,333              | 6.4%   | 1,440            | 6.8%   | 1,104              | 5.3%   | -228        | -17.2% | -335    | -23.3% |

# Sales by Segments

- Net sales almost unchanged from prior year  
⇒ slight decrease of flavors and slight increase of fragrances
- Sales of fruit preparations (products and traded items) increased by approx. ¥300m

Yen million

| Segment    |              | FY11<br>2Q YTD | FY12<br>2Q YTD | yr/yr |       | Remark   |
|------------|--------------|----------------|----------------|-------|-------|--|
|            |              |                |                | Value | %     |  |
| Fragrances | Products     | 2,529          | 2,601          | 71    | 2.8%  | Sales of the subsidiary in Shanghai increased    |
|            | Traded items | 230            | 240            | 9     | 4.1%  | Sales for cosmetics increased                    |
| Sub total  |              | 2,760          | 2,841          | 81    | 2.9%  | —  |
| Flavors    | Products     | 16,911         | 16,651         | -259  | -1.5% | Sales for certain health food products decreased |
|            | Traded items | 1,062          | 1,254          | 192   | 18.1% | Sales of fruit preparation increased             |
| Sub total  |              | 17,973         | 17,906         | -67   | -0.4% | —  |
| Total      |              | 20,734         | 20,747         | 13    | 0.1%  | —  |

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

- Operating income decreased due to the increase of SGA expenses

|                            | FY11 2Q YTD |        | FY12 2Q YTD |        | Yen million |        | Remark   |
|----------------------------|-------------|--------|-------------|--------|-------------|--------|--|
|                            | Actual      |        | Actual      |        | yr/yr       |        |  |
|                            | Value       | %      | Value       | %      | Value       | %      |  |
| Net sales                  | 20,734      | 100.0% | 20,747      | 100.0% | 13          | 0.1%   |  |
| Cost of sales              | 13,722      | 66.2%  | 13,748      | 66.3%  | 25          | 0.2%   | Sales cost ratio was up on non-consolidated basis due to the decrease of the production volume and the increase of the production expenses<br>Sales cost ratio of the overseas subsidiaries improved due to the increase of the production volume                  |
| Gross profit               | 7,011       | 33.8%  | 6,999       | 33.7%  | -12         | -0.2%  |  |
| SGA expenses               | 5,205       | 25.1%  | 5,244       | 25.3%  | 39          | 0.8%   | SGA expenses of the overseas subsidiaries increased while non-consolidated SGA expenses decreased  |
| Operating income           | 1,806       | 8.7%   | 1,754       | 8.5%   | -51         | -2.9%  |  |
| Ordinary income            | 1,974       | 9.5%   | 2,072       | 10.0%  | 97          | 5.0%   | Non-operating income increased due to foreign exchange gain of ¥150m   |
| Income before income taxes | 2,091       | 10.1%  | 2,019       | 9.7%   | -71         | -3.4%  | Extra ordinary income: (FY11) Gain on abolishment of retirement benefit plan of ¥333m<br>Extra ordinary losses: (FY11) Loss on valuation of investment securities of ¥84m, asset retirement obligations of ¥79m<br>(FY12) Loss on disposal of fixed assets of ¥50m |
| Net income                 | 1,333       | 6.4%   | 1,104       | 5.3%   | -228        | -17.2% |  |

# Breakdown of Operating Income by Subsidiaries

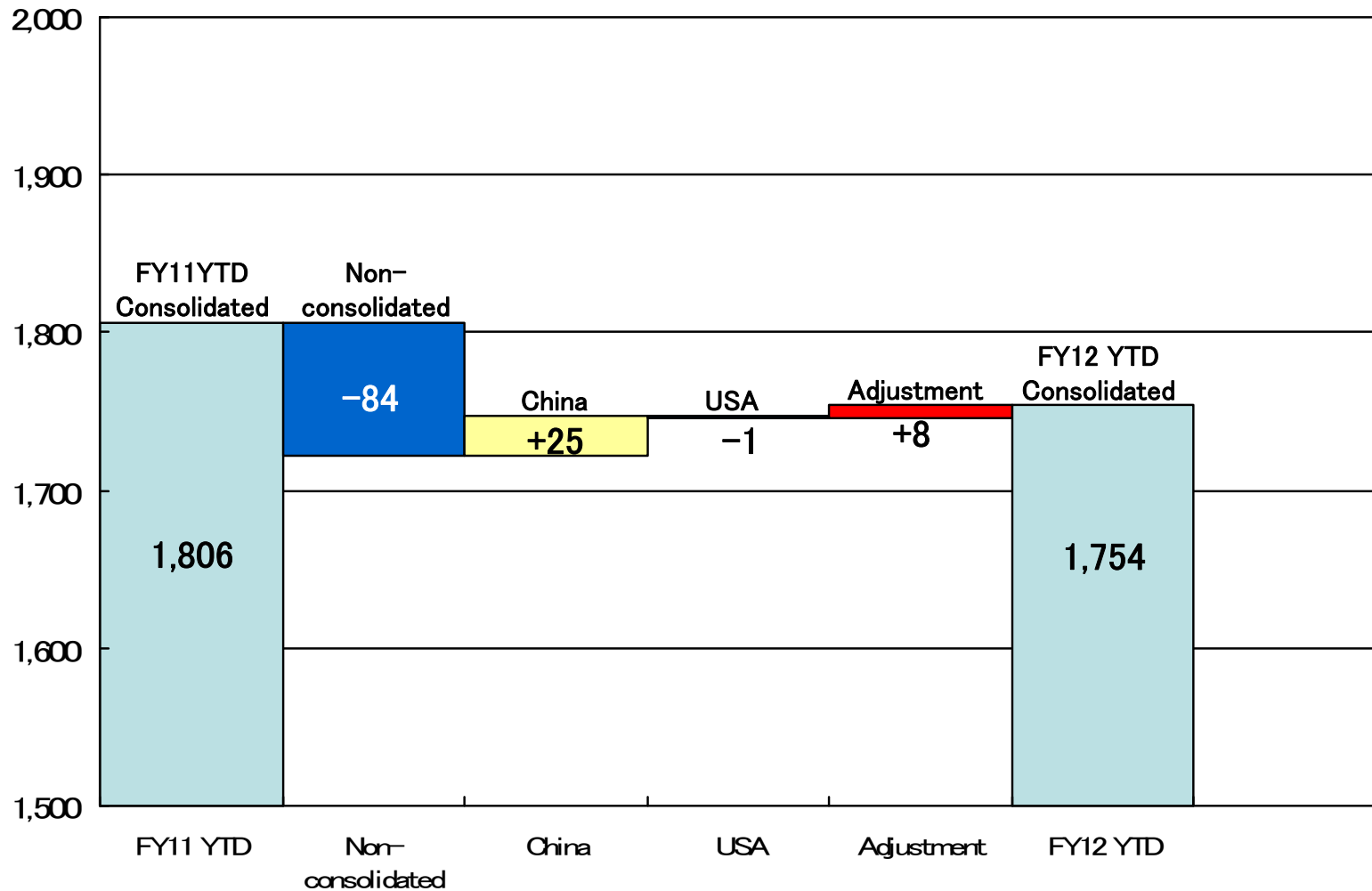
- Operating income (comparison with the FY11 YTD)

Non-consolidated basis: decreased

Subsidiaries in China: increased

Subsidiary in the US: almost unchanged

Yen million





# Consolidation of the Subsidiaries in China

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

Yen million

| Yen Basis        | FY11 2Q YTD |        | FY12 2Q YTD |        | yr/yr  |       |
|------------------|-------------|--------|-------------|--------|--------|-------|
|                  | Value       | Share  | Value       | Share  | Change | %     |
| Net sales        | 1,875       | 100.0% | 1,926       | 100.0% | 51     | 2.7%  |
| Cost of sales    | 1,236       | 65.9%  | 1,227       | 63.7%  | -8     | -0.7% |
| Gross profit     | 639         | 34.1%  | 698         | 36.3%  | 59     | 9.3%  |
| SGA expenses     | 400         | 21.4%  | 434         | 22.6%  | 33     | 8.4%  |
| Operating income | 238         | 12.7%  | 264         | 13.7%  | 25     | 10.9% |
| Ordinary income  | 265         | 14.1%  | 327         | 17.0%  | 62     | 23.4% |

¥12.43/RMB

¥12.39RMB

RMB thousand

| Local Currency Basis | FY11 2Q YTD |        | FY12 2Q YTD |        | yr/yr  |       |
|----------------------|-------------|--------|-------------|--------|--------|-------|
|                      | Value       | Share  | Value       | Share  | Change | %     |
| Net sales            | 150,875     | 100.0% | 155,494     | 100.0% | 4,618  | 3.1%  |
| Cost of sales        | 99,439      | 65.9%  | 99,080      | 63.7%  | -358   | -0.4% |
| Gross profit         | 51,436      | 34.1%  | 56,413      | 36.3%  | 4,977  | 9.7%  |
| SGA expenses         | 32,255      | 21.4%  | 35,076      | 22.6%  | 2,821  | 8.7%  |
| Operating income     | 19,180      | 12.7%  | 21,337      | 13.7%  | 2,156  | 11.2% |
| Ordinary income      | 21,324      | 14.1%  | 26,398      | 17.0%  | 5,074  | 23.8% |

- Marked increases both in sales and profit
- YTD sales growth rate remains low at 2.7%, but for the second half of FY12, sales increase of existing items and orders from new customers are expected  
 ⇒ Aiming for the double-digit growth at the end of FY12

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

Yen million

| Yen Basis        | FY11 2Q YTD |        | FY12 2Q YTD |        | yr/yr  |        |
|------------------|-------------|--------|-------------|--------|--------|--------|
|                  | Value       | Share  | Value       | Share  | Change | %      |
| Net sales        | 690         | 100.0% | 781         | 100.0% | 90     | 13.1%  |
| Cost of sales    | 446         | 64.6%  | 477         | 61.1%  | 30     | 6.9%   |
| Gross profit     | 244         | 35.4%  | 304         | 38.9%  | 59     | 24.5%  |
| SGA expenses     | 228         | 33.1%  | 290         | 37.1%  | 61     | 27.0%  |
| Operating income | 15          | 2.3%   | 13          | 1.8%   | -1     | -12.1% |
| Ordinary income  | 17          | 2.6%   | 15          | 2.0%   | -2     | -12.4% |
|                  | ¥82.49/\$   |        | ¥78.35/\$   |        |        |        |

\$ thousand

| Local Currency Basis | FY11 2Q YTD |        | FY12 2Q YTD |        | yr/yr  |       |
|----------------------|-------------|--------|-------------|--------|--------|-------|
|                      | Value       | Share  | Value       | Share  | Change | %     |
| Net sales            | 8,373       | 100.0% | 9,973       | 100.0% | 1,600  | 19.1% |
| Cost of sales        | 5,413       | 64.6%  | 6,092       | 61.1%  | 679    | 12.6% |
| Gross profit         | 2,960       | 35.4%  | 3,880       | 38.9%  | 920    | 31.1% |
| SGA expenses         | 2,769       | 33.1%  | 3,704       | 37.1%  | 934    | 33.8% |
| Operating income     | 190         | 2.3%   | 176         | 1.8%   | -14    | -7.5% |
| Ordinary income      | 213         | 2.6%   | 197         | 2.0%   | -16    | -7.8% |

- New items contributed to the sales increase
- The increase in SGA expenses due to the payment of one-time expenses lead to the decrease in operating income and ordinary income

# FY12 Consolidated Plan

- Although the first half results were below the plan, recovery in the second half is expected
  - Sales for beverages which account for 40% of total sales peak in spring and summer (the second half of the fiscal year)
  - New items are expected to contribute to sales in Japan and China for the second half
- Downward revision for FY12 net income plan
  - Plan for net income is revised by ¥275m since the increase of tax expenses is expected due to the change of the corporate tax rate  
Net Income: (Initial Plan)¥3,260m ⇒ (Revised Plan)¥2,985m
  - Plan for other items is unchanged from the initial plan

|                               | FY11<br>(Actual)       |        | FY12<br>(Revised Plan) * |        |       | FY12 YTD<br>(Actual)   |        |                             |
|-------------------------------|------------------------|--------|--------------------------|--------|-------|------------------------|--------|-----------------------------|
|                               | Value<br>(Yen million) | Share  | Value<br>(Yen million)   | Share  | yr/yr | Value<br>(Yen million) | Share  | YTD<br>Results/<br>FY12Plan |
| Net sales                     | 44,246                 | 100.0% | 45,330                   | 100.0% | 2.4%  | 20,747                 | 100.0% | 45.8%                       |
| Cost of sales                 | 28,884                 | 65.3%  | 29,530                   | 65.1%  | 2.2%  | 13,748                 | 66.3%  | 46.6%                       |
| Gross profit                  | 15,362                 | 34.7%  | 15,800                   | 34.9%  | 2.8%  | 6,999                  | 33.7%  | 44.3%                       |
| SGA expenses                  | 10,782                 | 24.4%  | 11,100                   | 24.5%  | 2.9%  | 5,244                  | 25.3%  | 47.2%                       |
| Operating income              | 4,580                  | 10.4%  | 4,700                    | 10.4%  | 2.6%  | 1,754                  | 8.5%   | 37.3%                       |
| Ordinary income               | 4,802                  | 10.9%  | 4,960                    | 10.9%  | 3.3%  | 2,072                  | 10.0%  | 41.8%                       |
| Income before<br>income taxes | 4,737                  | 10.7%  | 4,880                    | 10.8%  | 3.0%  | 2,019                  | 9.7%   | 41.4%                       |
| Net income                    | 3,115                  | 7.0%   | 2,985                    | 6.6%   | -4.2% | 1,104                  | 5.3%   | 37.0%                       |

\* Revised on May 11, 2012

Make steady revenues in the Japanese domestic market where it is maturing as a result of the aging population

## Measures and Policies

Promotion of the solution-oriented sales activities

### Development of high-value added products

- Development and promotion activities through collaborative work between three research institutes (Flavor, Fragrance, Technical Research Institute) and sales division  
⇒ Provide aroma products with extra value
  - Enhance richness in taste by Taste Booster®
  - Provide functional flavor products to improve taste and aroma

### Cultivate the new applications of flavors and fragrances

- Focus on the new areas such as non-alcoholic drinks (non-alcoholic beer and cocktail), alcoholic drinks, health food, food for medical use
- Offer flavors which can replace the natural food ingredients

Cost-cutting Measures

- Improve production efficiency, streamline the distribution system
- Maintain optimum inventory levels and reduce inventory losses by utilizing the enterprise resource management system (ERP)
- Make efforts to reduce overall expenses (overtime work, utility costs etc.)

Aim for growth in the overseas market by cultivating the new market of flavors and fragrances

## Measures and Policies

**Asian Market** – Capture the growing demand driven by economic growth –

### Chinese Market

- Enhance sales and marketing ability to strengthen business relationship with current customers and to cultivate new customers
- Enhance R&D capability
- Increase production capacity through capital investment

### Southeast Asian Market

- Establish an efficient supply chain system (acquisition of HALAL certification by subsidiaries in China)
- Improve profitability

**The U.S. Market** – Aim at enhancing growth opportunities with the multinational customers –

- Subsidiary in the U.S. began the strategic planning process for future growth under the new management setup
- Enhance R&D capability

## Construction of the new organization structure through recruitment of external staff

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

- Locally recruited the new CEO Americas in April. The new CEO has served executive duties at a multinational beverage company
- T. HASEGAWA U.S.A. INC. has been achieving some positive results in the U.S. market focusing on a niche market of savory flavors (for condiments, seasonings etc.).
- Penetrate into the U.S. beverage market by utilizing the developed-in-Japan technologies
- Many of the multinational food and beverages companies in the U.S. market introduce preferred supplier program  
⇒ Construct the new organization structure aimed at enhancing growth opportunities with these multinational companies

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

- Locally recruited the new vice-president in charge of fragrances business in May  
The new vice-president formerly worked for a multinational flavors and fragrances company
- Develop products that can meet the local tastes and preferences

# II . Management Strategies

## Basic Strategies

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

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graph TD; A[Concentrate management resources on high-value added and profitable compound flavors and fragrances] --> B[Make steady revenues in the Japanese domestic market]; A --> C[Aim for growth in the overseas market];
```

**Make steady revenues in the Japanese domestic market**

**Aim for growth in the overseas market**



# Management Strategies

## Domestic Market

### Basic Strategies

- Concentrate management resources on high-value added and profitable compound flavors and fragrances
- Focus on the development of unique products with a declared commitment to building on our solid foundation of technology

## Overseas Market

### Asian Market

- Capture the growing demand driven by economic growth
- Develop and promote flavors which can replace natural food ingredients

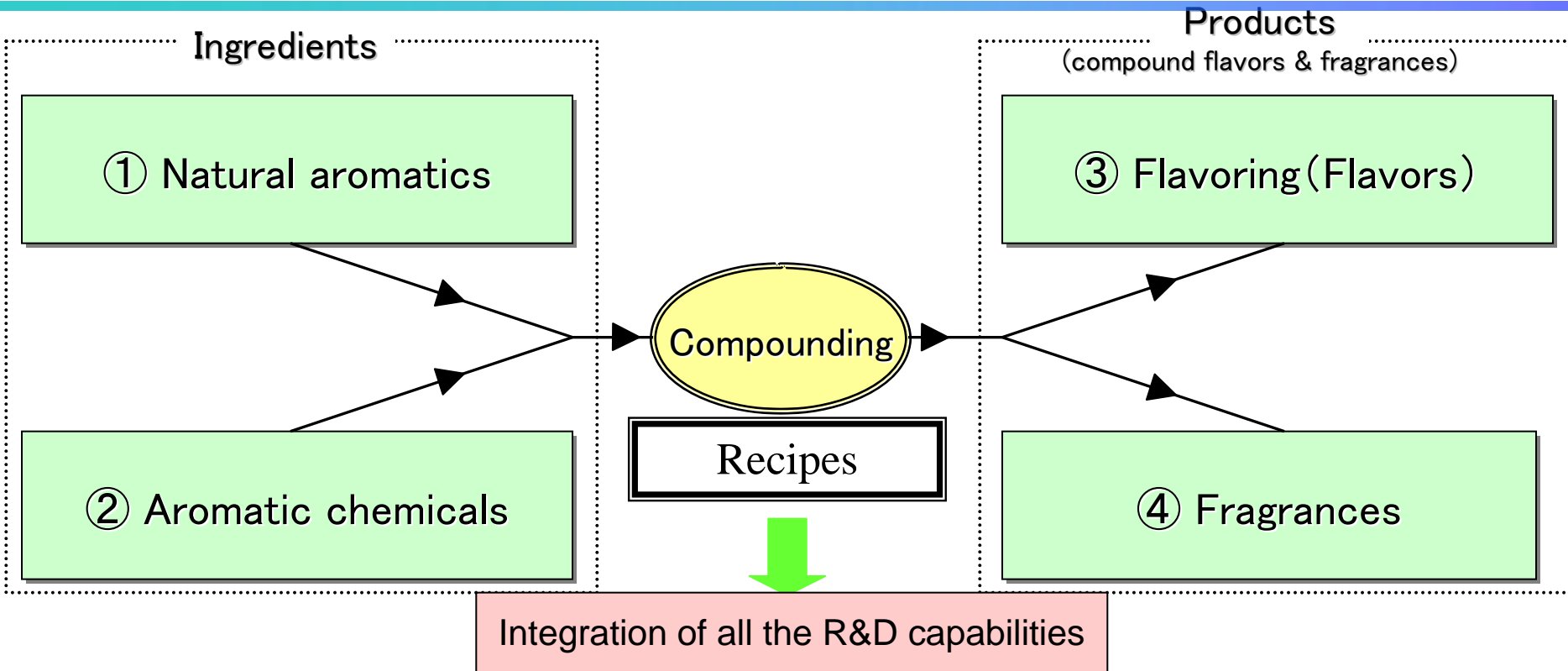
### The U.S. Market

- Aim at enhancing growth opportunities with the multinational customers
- Utilize the functions of the subsidiary in the U.S.

# III. 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

# 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

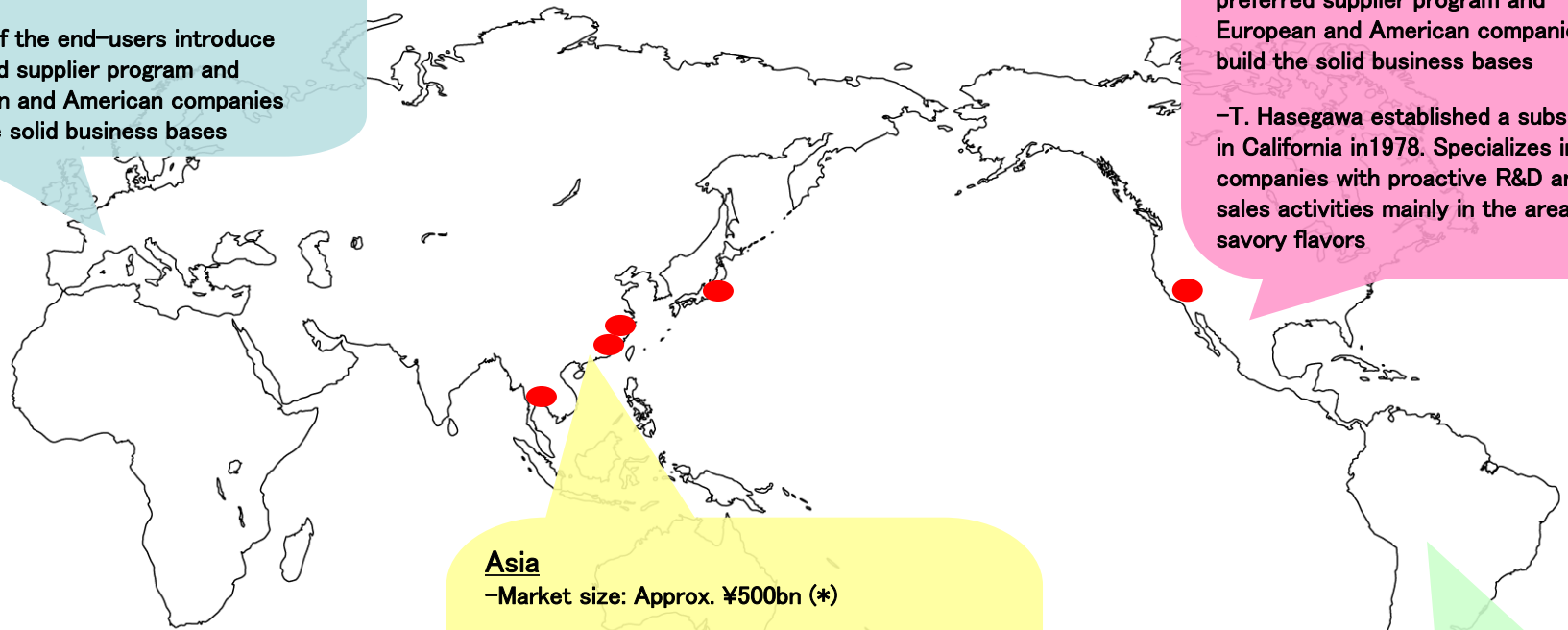
-T. Hasegawa established a subsidiary in Shanghai in 2000, in Suzhou in 2006, in Bangkok in 2003

## 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

# Top 10 Flavor & Fragrance Companies

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

US \$ million

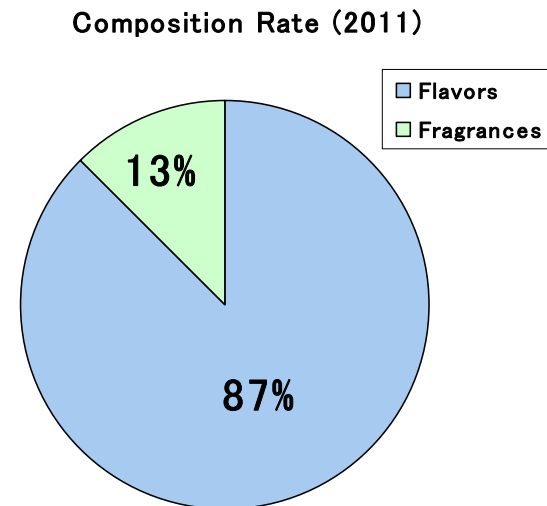
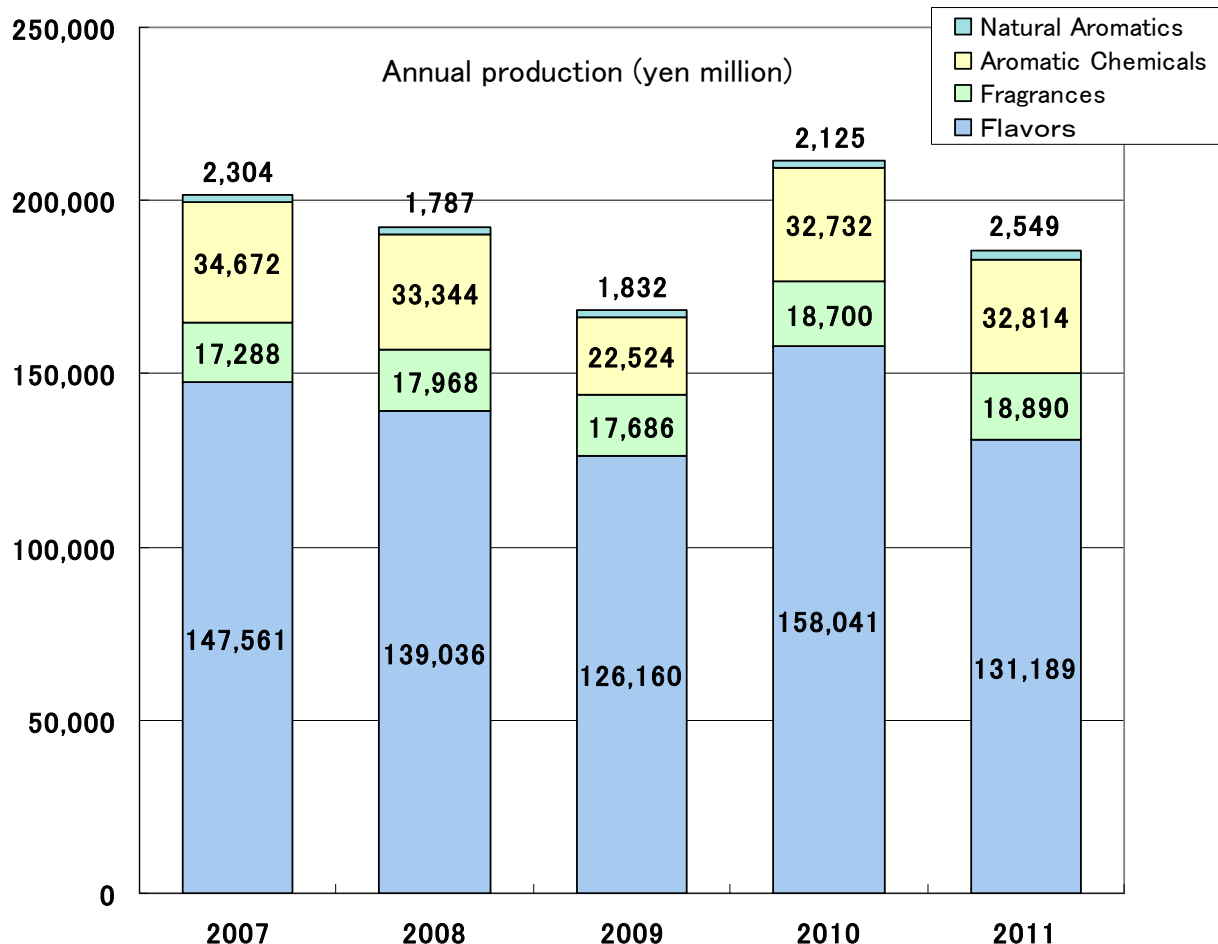
|    | Company          | Country     | Sales (2011) | Market Share |
|----|------------------|-------------|--------------|--------------|
| 1  | Givaudan         | Switzerland | 4,171        | 19.1%        |
| 2  | Firmenich        | Switzerland | 2,957        | 13.6%        |
| 3  | IFF              | USA         | 2,788        | 12.8%        |
| 4  | Symrise          | Germany     | 2,052        | 9.4%         |
| 5  | Takasago         | Japan       | 1,473        | 6.8%         |
| 6  | Mane SA          | France      | 738          | 3.4%         |
| 7  | Sensient Flavors | USA         | 620          | 2.8%         |
| 8  | T. Hasegawa      | Japan       | 574          | 2.6%         |
| 9  | Robertet SA      | France      | 518          | 2.4%         |
| 10 | Frutarom         | Israel      | 484          | 2.2%         |
|    | Subtotal         | —           | 16,375       | 75.1%        |
|    | Others           | —           | 5,425        | 24.9%        |
|    | Total            | —           | 21,800       | —            |

\* US \$1 ≙ ¥77.1

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

# Trends in the Domestic Flavors & Fragrances Market

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



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

Source :  
Japan Flavor & Fragrance Materials Association



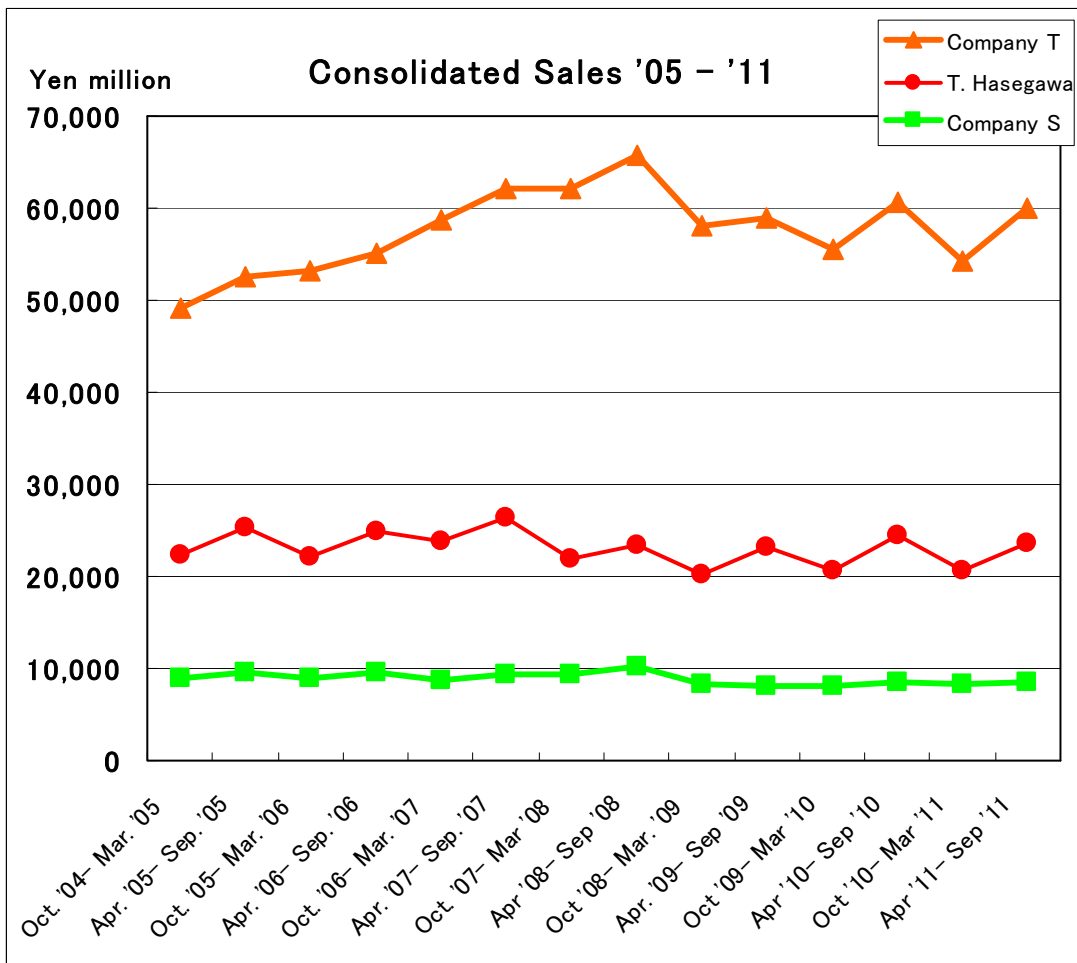
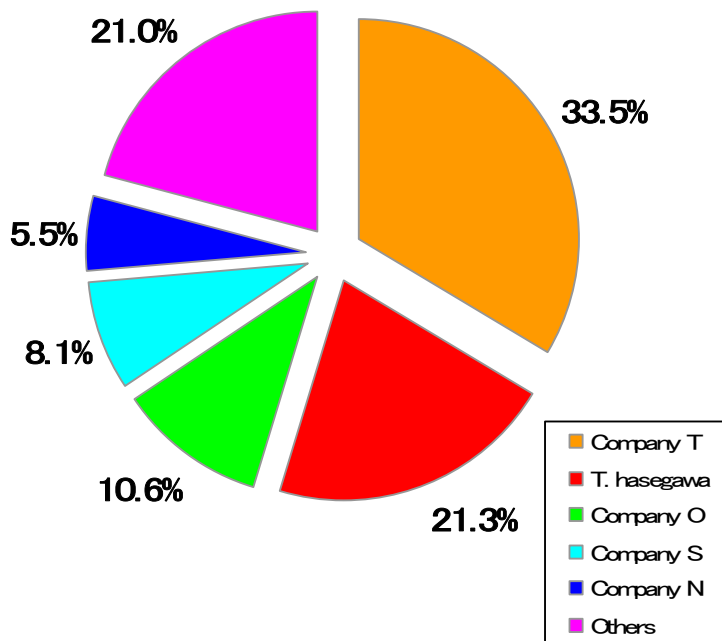
# Business Outline of T. Hasegawa Co., Ltd

# Sales of Domestic Flavor & Fragrance Companies

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

• Intensified competition within the maturing domestic market

Market Share  
(As of Mar. 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

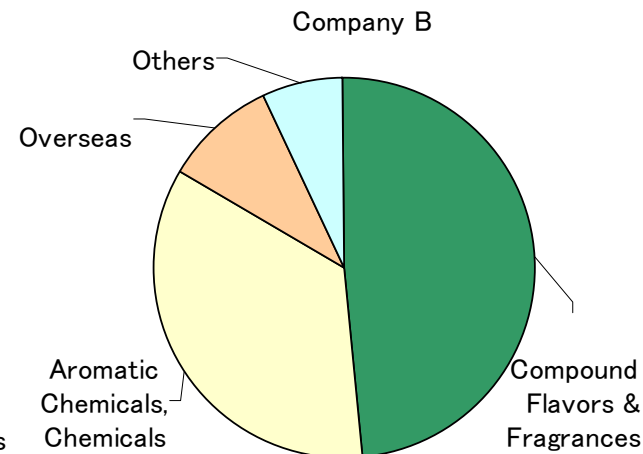
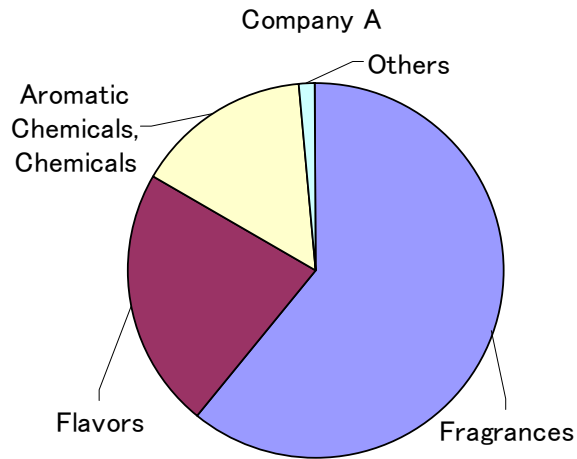
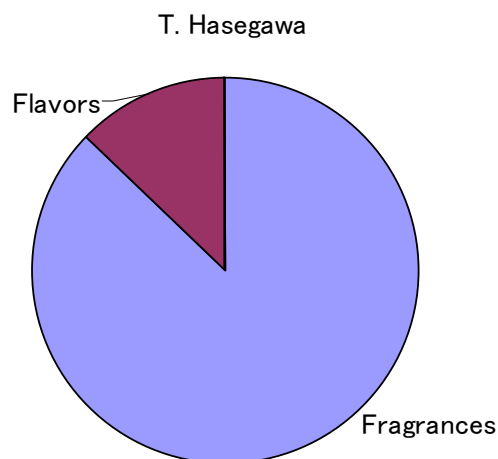
# Sales Breakdown –Flavors, Fragrances, Aromatic Chemicals/Chemicals–

- 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<br>(consolidated) |               | Company A<br>(consolidated) |               |
|----------------------------------|-------------------------------|---------------|-----------------------------|---------------|
|                                  | FY ended in Sep. 2011         |               | FY ended in Mar. 2011       |               |
|                                  | Sales                         | Share         | Sales                       | Share         |
| Flavors                          | 38,602                        | 87.2%         | 69,957                      | 60.9%         |
| Fragrances                       | 5,642                         | 12.8%         | 25,608                      | 22.3%         |
| Aromatic Chemicals,<br>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<br>(consolidated) |               |
|----------------------------------|-----------------------------|---------------|
|                                  | FY ended in Mar. 2011       |               |
|                                  | Sales                       | Share         |
| Compound<br>Flavors & Fragrances | 8,159                       | 48.5%         |
| Aromatic Chemicals,<br>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>                |               |



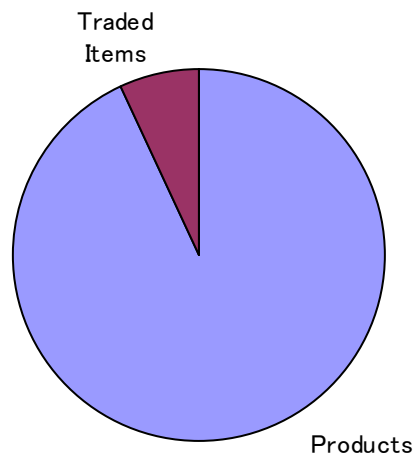
# Sales Breakdown –Products & Traded Items–

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

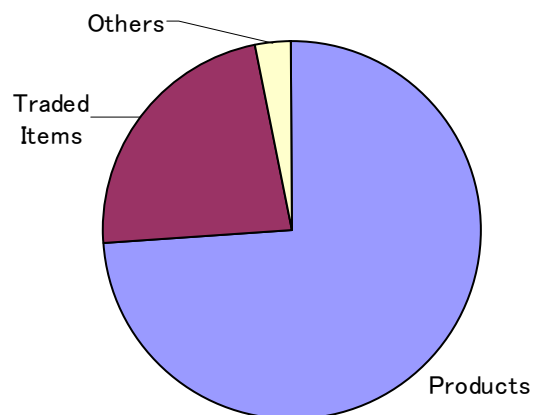
Yen million

|                  | T. Hasegawa<br>(non-consolidated) |        | Company A<br>(non-consolidated) |        | Company B<br>(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%   |
| Total            | 39,232                            | 100.0% | 63,194                          | 100.0% | 15,322                          | 100.0% |
| Sales Cost Ratio | 33.9%                             |        | 28.8%                           |        | 30.7%                           |        |

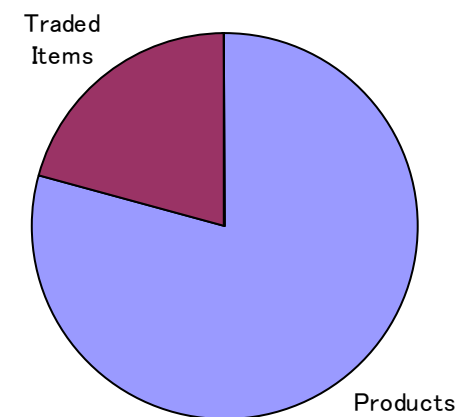
T. Hasegawa



Company A

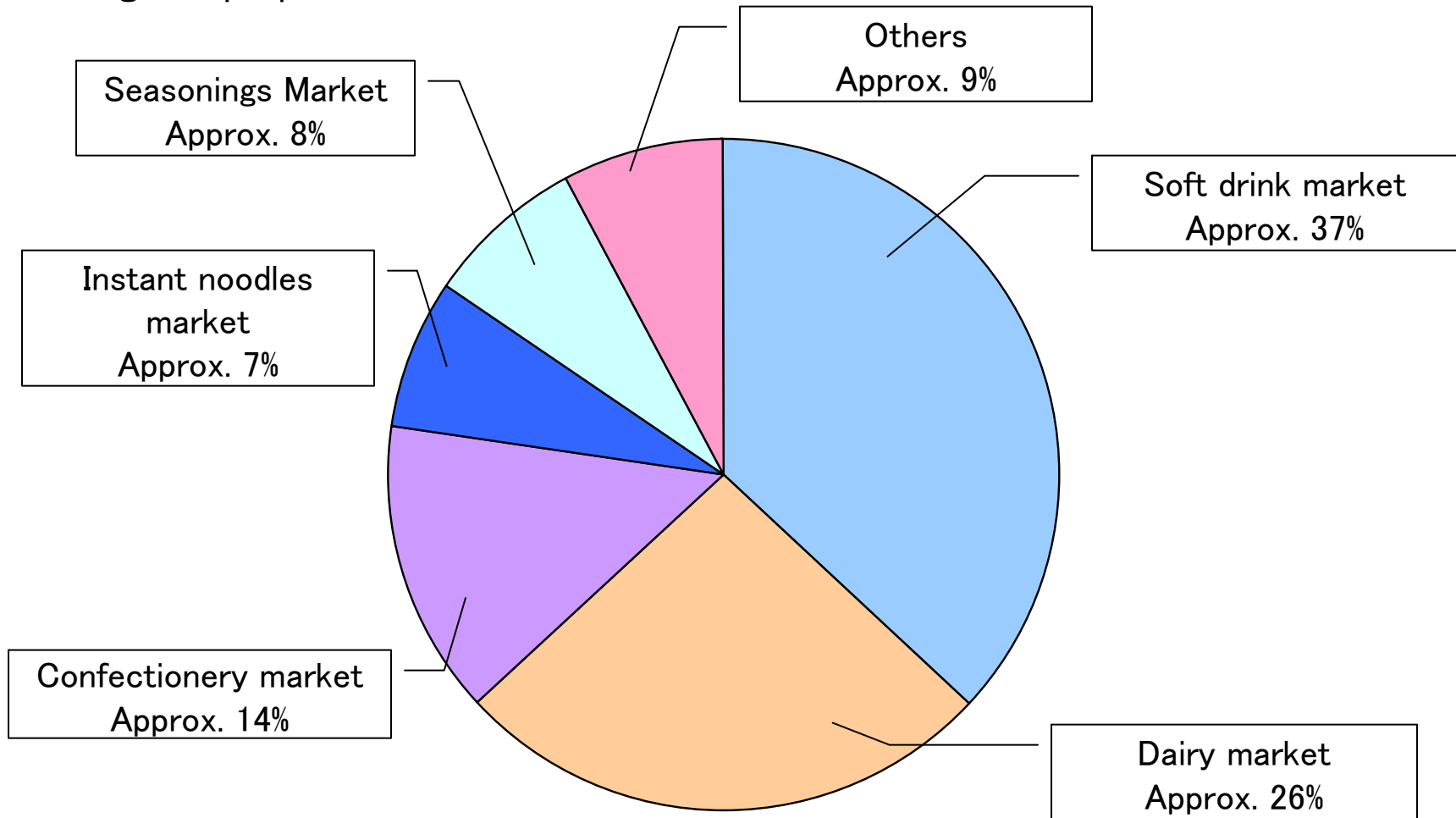


Company B



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

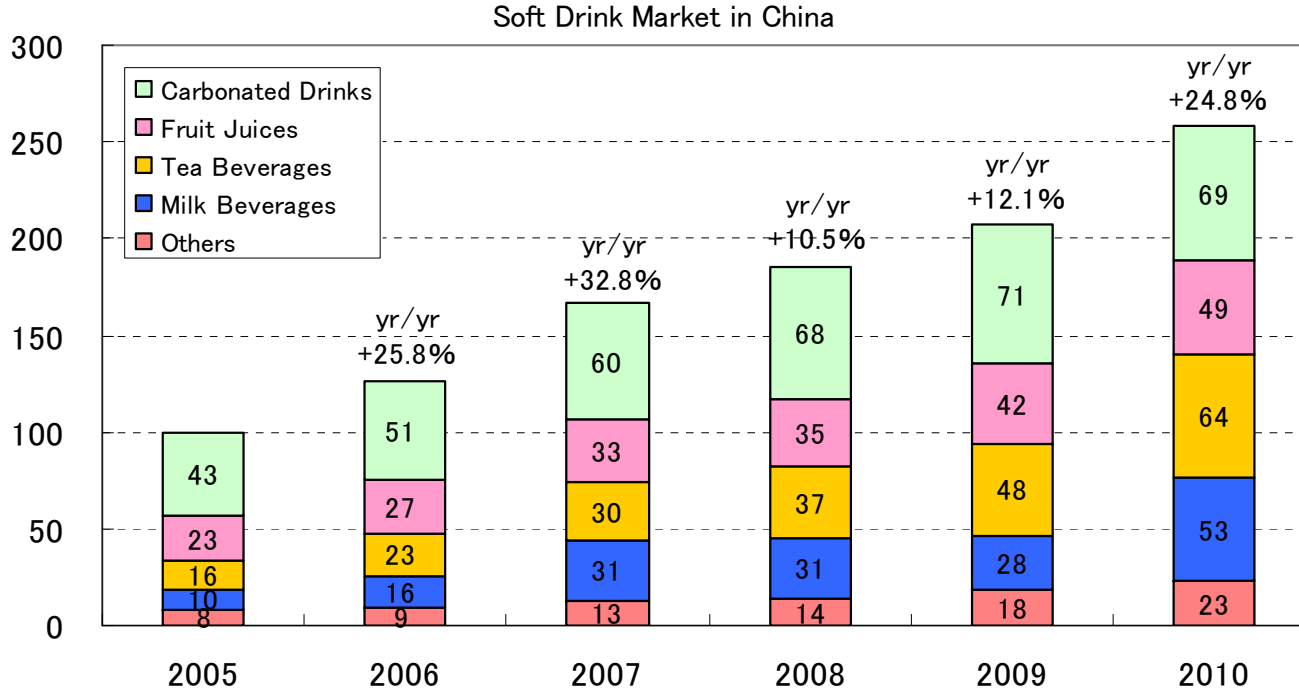
- Seasonal changes in sales exist since sales for the soft drink market account for the highest proportion



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

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

- Flavors and Fragrance consumption reveals a country's level of affluence –
- Soft drink market in China maintains 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】

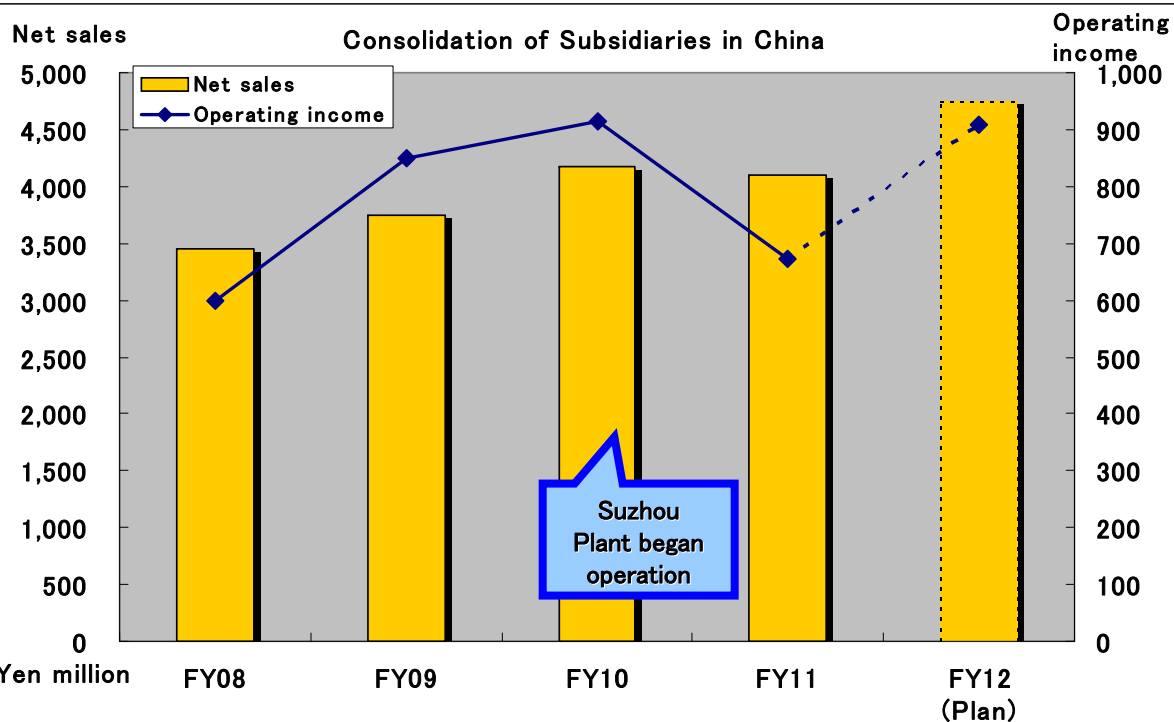
|                   | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------|------|------|------|------|------|------|
| Carbonated Drinks | 43%  | 41%  | 36%  | 36%  | 34%  | 27%  |
| Fruit Juices      | 23%  | 21%  | 20%  | 19%  | 20%  | 19%  |
| Tea Beverages     | 16%  | 18%  | 18%  | 20%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

# 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  |       |



## FY12 (Initial Plan)

Expected to return to the growth track by winning certain major customers' projects and cultivating new local customers

## FY12 1st Half (Actual)

Sales growth rate remains low at 2.7%

## FY12 2nd Half (Forecast)

Sales increase for current customers and orders from new customers are expected

→ Aim at the double-digit growth for FY12

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

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

# FY12 2Q Financial Settlement



# Balance Sheets

Yen million

|  | FY11 2Q | FY12 2Q | Change | Remark   |
|--|---------|---------|--------|--|
| Current assets                             | 38,714  | 42,416  | 3,702  | Increase in marketable securities: ¥3,498m<br>Decrease in cash and time deposits: △¥2,124m<br>Increase in accounts receivable, trade: ¥1,496m<br>Increase in inventories: ¥809m                                    |
| Fixed assets                               | 37,241  | 36,400  | △ 841  | Decrease in tangible assets derived from depreciation & amortization, disposal of facilities: △¥606m<br>Amortization of computer software: △¥329m  |
| Total assets                               | 75,956  | 78,817  | 2,861  |  |
| Current liabilities                        | 10,200  | 10,504  | 304    | Increase in accounts payable, other: ¥400m   |
| Long-term liabilities                      | 7,228   | 7,162   | △ 66   | Decrease in long-term loans payable: △¥160m<br>Increase in employees' retirement benefits: ¥151m   |
| Shareholders' equity                       | 58,527  | 61,150  | 2,622  | Increase in retained earnings: ¥1,848m<br>Decrease in treasury stock: ¥183m<br>Increase in foreign currency translation adjustments: ¥188m<br>Increase in unrealized gains on available-for-sale securities: ¥401m |
| Total liabilities and shareholders' equity | 75,956  | 78,817  | 2,861  |  |

# Statements of Cash Flow

Yen million

|  | FY11 2Q | FY12 2Q | Change  | Remark  |
|--|---------|---------|---------|---|
| Cash flows from operating activities                   | 3,478   | 1,860   | △ 1,617 | Income before income taxes: ¥2,019m<br>Depreciation & Amortization: ¥1,519m<br>Income taxes paid: △¥710m<br>Decrease in trade payables: △¥340m<br>Decrease in provision for bonuses: △¥332m |
| Cash flows from investing activities                   | △ 951   | 288     | 1,239   | Redemption of marketable securities: ¥1,500m<br>Acquisition of tangible fixed assets: △¥1,088m  |
| Cash flows from financing activities                   | △ 637   | △ 631   | 5       | Cash Dividends: △¥622m  |
| Effect of currency change on cash and cash equivalents | 21      | 158     | 137     | —   |
| Net change in cash and cash equivalents                | 1,910   | 1,676   | △ 234   | —   |
| Cash and cash equivalents at beginning of period       | 13,097  | 14,706  | 1,608   | —   |
| Cash and cash equivalents at end of period             | 15,007  | 16,382  | 1,374   | —   |

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

(Yen million)

|                                   |                  | FY12<br>Plan | FY12 2Q YTD<br>(Actual) | Progress<br>(%) |
|-----------------------------------|------------------|--------------|-------------------------|-----------------|
| Capital<br>Investment             | Consolidated     | 2,971        | 1,074                   | 36.1%           |
|                                   | Non-consolidated | 2,871        | 993                     | 34.6%           |
| Depreciation<br>&<br>Amortization | Consolidated     | 3,072        | 1,519                   | 49.4%           |
|                                   | Non-consolidated | 2,739        | 1,348                   | 49.2%           |
| R&D<br>Expenses                   | Consolidated     | 3,882        | 1,814                   | 46.7%           |
|                                   | Non-consolidated | 3,404        | 1,600                   | 47.0%           |

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

Yen million

|                               | FY11 2Q YTD<br>Actual |        | FY12 2Q YTD<br>Plan |        | FY12 2Q YTD<br>Actual |        | Achievement |        |         |        |
|-------------------------------|-----------------------|--------|---------------------|--------|-----------------------|--------|-------------|--------|---------|--------|
|                               | Value                 | Share  | Value               | Share  | Value                 | Share  | yr/yr       |        | vs Plan |        |
|                               |                       |        |                     |        |                       |        | Value       | %      | Value   | %      |
| Net sales                     | 18,424                | 100.0% | 18,590              | 100.0% | 18,307                | 100.0% | -117        | -0.6%  | -282    | -1.5%  |
| Cost of sales                 | 12,302                | 66.8%  | 12,270              | 66.0%  | 12,323                | 67.3%  | 21          | 0.2%   | 53      | 0.4%   |
| Gross profit                  | 6,122                 | 33.2%  | 6,320               | 34.0%  | 5,983                 | 32.7%  | -138        | -2.3%  | -336    | -5.3%  |
| SGA expenses                  | 4,594                 | 24.9%  | 4,710               | 25.3%  | 4,540                 | 24.8%  | -54         | -1.2%  | -169    | -3.6%  |
| Operating income              | 1,527                 | 8.3%   | 1,610               | 8.7%   | 1,443                 | 7.9%   | -84         | -5.5%  | -166    | -10.3% |
| Ordinary income               | 2,314                 | 12.6%  | 1,760               | 9.5%   | 1,719                 | 9.4%   | -595        | -25.7% | -40     | -2.3%  |
| Income before<br>income taxes | 2,432                 | 13.2%  | 1,730               | 9.3%   | 1,670                 | 9.1%   | -762        | -31.3% | -59     | -3.5%  |
| Net income                    | 1,731                 | 9.4%   | 1,100               | 5.9%   | 806                   | 4.4%   | -924        | -53.4% | -293    | -26.6% |

## 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.