



安全でない
香りなんて。

人にやさしい香りは環境にもやさしい。
香りが人の生活とともにある限り、香料メーカーにとって“安全”は最優先
です。長谷川香料では、原料や製品の厳重な品質管理だけでなく、製造過程の
衛生管理などにも細心の注意を払っています。製品の安全性にも万全を期し
ています。省エネルギーや廃棄物リサイクル、さらには工場や研究所周辺の
臭気対策など、環境への配慮も怠りません。安全への思いは社員一人ひとりの
意識にも浸透しています。安全が安心をつくる、それが私たちの香りです。

香りには人を幸せにする仕事がある。
 **長谷川香料株式会社**

<http://www.t-hasegawa.co.jp/>
Los Angeles - Chicago - Fukuoka - LA - NY - OSAKA - SINGAPORE - Bangkok

Financial Results for the 2nd Quarter Ended March 31, 2017

T. HASEGAWA CO., LTD.

May 24, 2017

I . Message from President & COO

II . Overview of Consolidated Statement

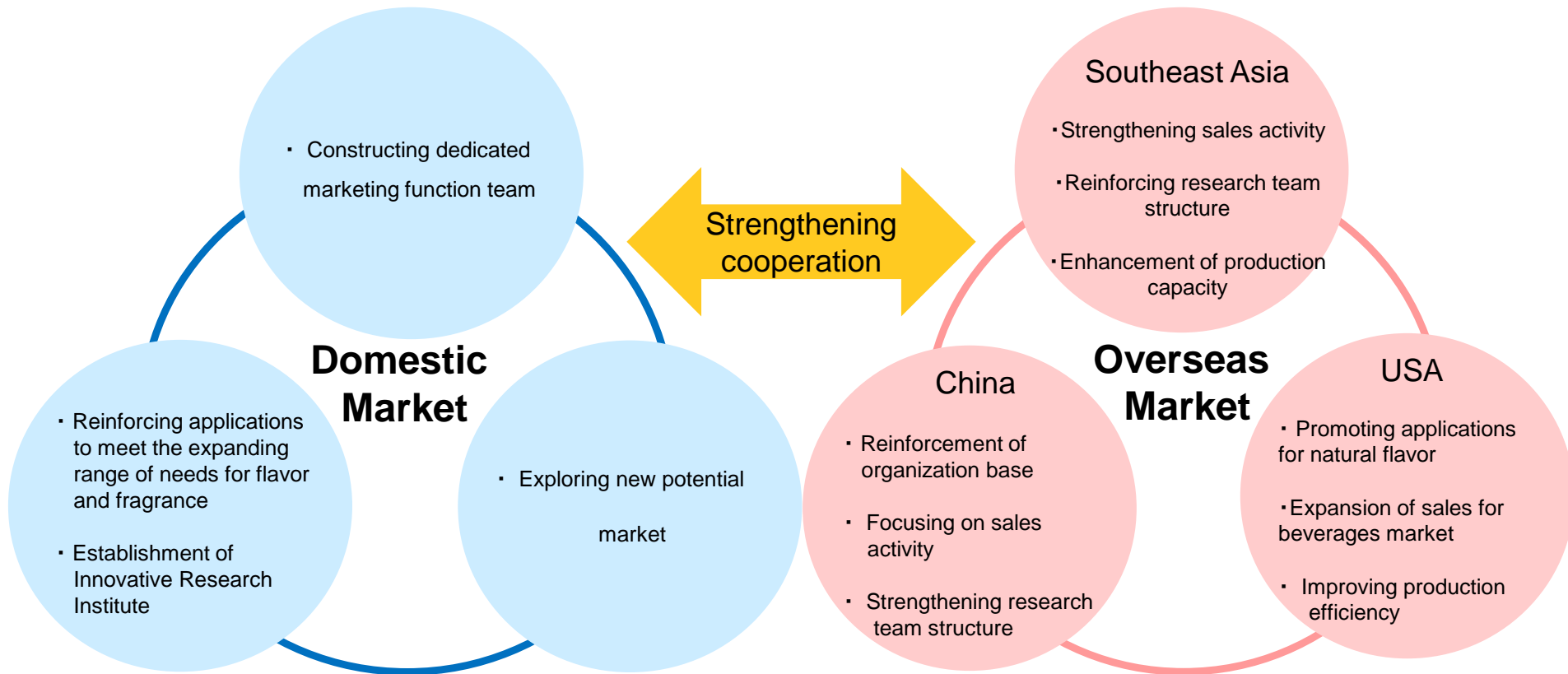
III . Global Strategies

IV . Shareholder Redemption

V . Appendix

I . Message from President & COO

For stable earnings in domestic market and further growth in overseas market



Ⅱ . Overview of Consolidated Statement

Domestic market

- Flavors and fragrances market in 2016 (from January to December) expanded approximately 5% compared to the previous year.
- Beverage market increased 3% YOY basis due to the sales increase on the products of mineral water and flavored water, improvement of main brand products and expanding the number of kinds of packages.
In 2017(from January to March), the sales increased almost as the same level as last year. Tea beverages sales kept stable growth.

Overseas market (2016)

- The total market of flavor and fragrance in worldwide grew 5% YOY basis.
- Beverage market in China grew slightly. Products of coffee and functional beverages increased well.
- Beverage market in USA increased 1%. Coffee and functional beverages grew.
- Beverage market in Southeast Asia increased 7%. Processed food grew 8%.
In beverage market, Tea beverages and powdered coffee grew well.
In processed food market, category of snacks, dairy products, and confectionary increased sales well.

Overview of consolidated statement

(YOY)

Net sales increased due to the sales growth of parent company and overseas subsidiaries in USA.

Operating income increased due to gross profit increase and net sales increase based on decrease of cost of sales and decrease of SG&A expense.

(Vs. Plan)

Sales grew in line with plan and achieved the target.

Operating income achieved to excess the plan because of decreasing cost of sales caused from product mix change.

Million Yen

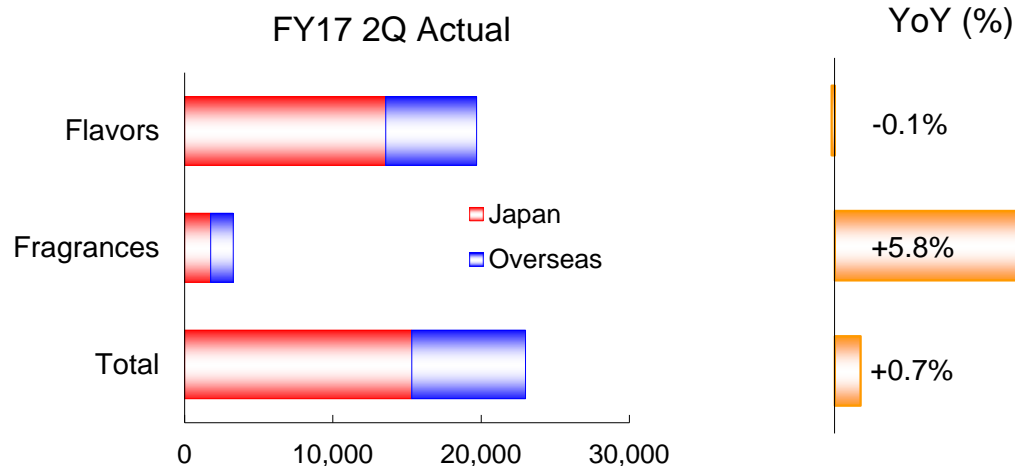
	FY16 2Q Actual	FY17 2Q Planned (As of Nov. 2016)	FY17 2Q Actual	Achievement			
				YoY		vs.Planned	
				Value	%	Value	%
Net sales	22,825	22,840	22,991	166	0.7%	151	0.7%
Cost of sales	14,328	14,160	13,798	-529	-3.7%	-361	-2.6%
Gross profit	8,497	8,680	9,193	696	8.2%	513	5.9%
SGA expenses	6,233	6,270	6,115	-117	-1.9%	-154	-2.5%
Operating income	2,263	2,410	3,077	813	35.9%	667	27.7%
Ordinary income	2,243	2,520	3,363	1,119	49.9%	843	33.5%
Income before income taxes	2,373	2,510	3,348	975	41.1%	838	33.4%
Net income	1,543	1,780	2,351	808	52.4%	571	32.1%

Net Sales by Product Segments

Net sales increased due to sales expansion on fragrance products in parent company and the subsidiary in USA.

Million Yen

	FY16 2Q Actual	FY17 2Q Actual	YoY		Remarks
			Value	%	
Flavors	19,668	19,651	-17	-0.1%	<ul style="list-style-type: none"> • Sales of the subsidiary in China decreased, due to yen appreciation • Sales of the subsidiary in USA increased
Fragrances	3,156	3,339	183	5.8%	Sales of parent company for toiletry products increased
Total	22,825	22,991	166	0.7%	—



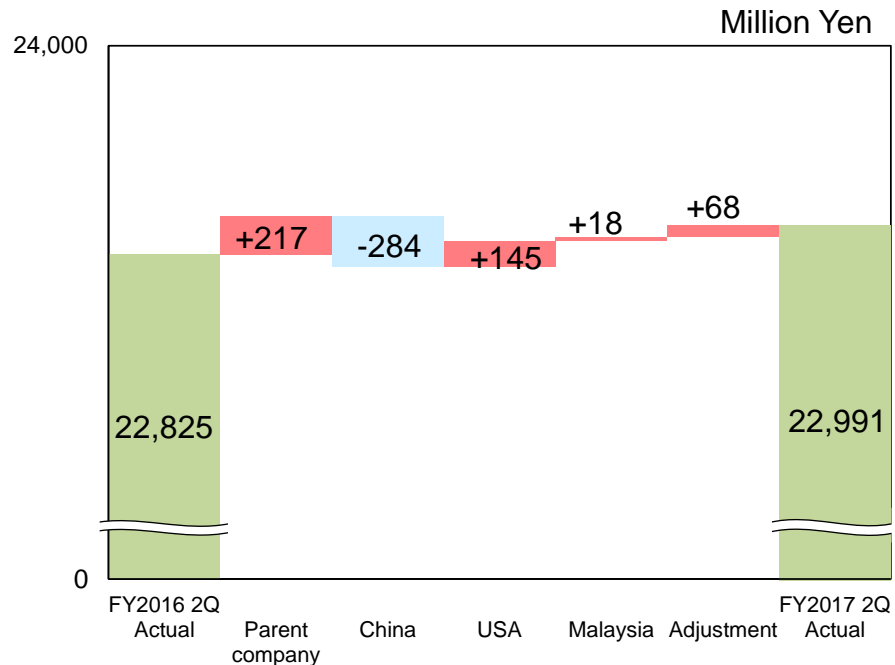
*FY17 2Q Overseas sales ratio 33.3%

Net Sales by Region

Net sales increased due to sales expansion in parent company and subsidiary in USA

Currency	FY16 2Q Actual	FY17 2Q Actual	YoY
1RMB	¥18.27	¥16.27	10.9% Higher
1US\$	¥118.49	¥111.47	5.9% Higher
1MYR	¥27.93	¥25.44	8.9% Higher

	Million Yen			
	FY16 2Q Actual	FY17 2Q Actual	YoY	%
Parent Company	17,355	17,572	217	1.3%
China	3,863	3,579	-284	-7.4%
USA	1,655	1,801	145	8.8%
Malaysia	453	472	18	4.2%
Adjustment	-503	-435	68	-
Consolidated	22,825	22,991	166	0.7%



- Parent company : Fragrances sales for toiletry products increased.
- China : Sales based on yen decreased due to appreciation of yen while sales based on local currency increased.
- USA : Sales of savory and beverages increased
- Malaysia : Sales of snacks increased

※Savory flavor : salty flavor for snacks, dressing for salad, and seasoning etc.

Increase in net sales

Decrease in net sales

Increase in net sales

Increase in net sales

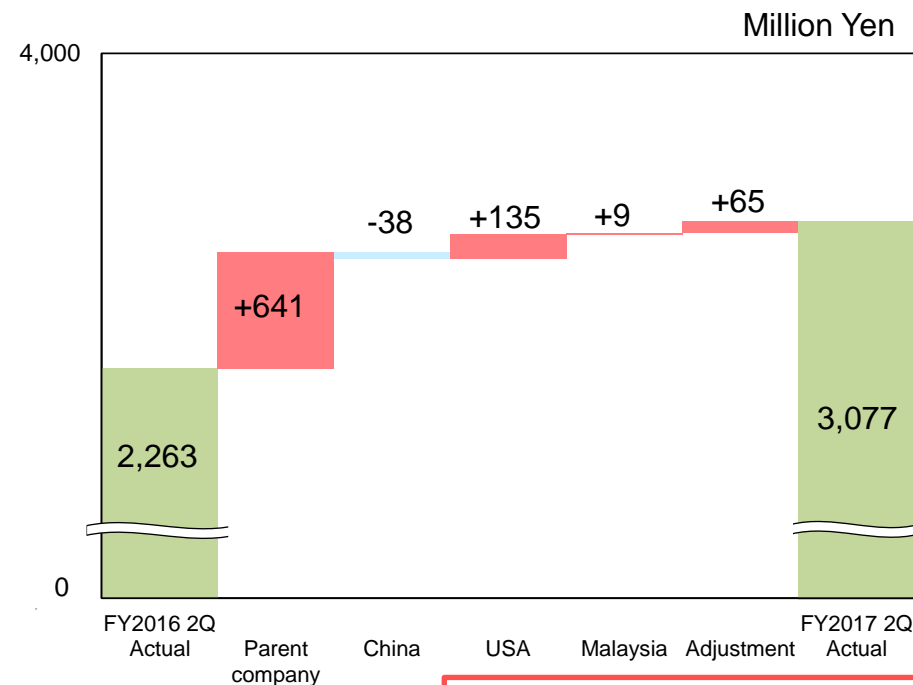
Operating Income by Region

Operating income increased due to reduction of cost of sales caused from sales mix change in parent company

Currency	FY16 2Q Actual	FY17 2Q Actual	YoY
1RMB	¥18.27	¥16.27	10.9% Higher
1US\$	¥118.49	¥111.47	5.9% Higher
1MYR	¥27.93	¥25.44	8.9% Higher

Million Yen

	FY16 2Q Actual	FY17 2Q Actual	YoY	%
Parent Company	1,508	2,150	641	42.5%
China	732	694	-38	-5.2%
USA	-4	131	135	-
Malaysia	49	59	9	18.6%
Adjustment	-23	42	65	-
Consolidated	2,263	3,077	813	35.9%



- Parent company : Operating income increased due to expansion of net sales and reduction of cost of sales caused from sales mix change.
- China : Operating income based on yen declined due to appreciation of yen while operating income based on local currency increased.
- USA : Operating income increased due to the net sales increase and the improvement of SG&A expense ratio.
- Malaysia : Operating income increased due to the net sales increase and improvement of cost of sales ratio.

Increase in operating income

Decrease in operating income

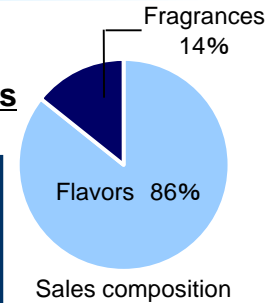
Returning to profit

Increase in operating income

III. Global Strategies

Basic Strategy: Expanding market shares by anticipating new markets stemming from aging society

and healthy trends



Ongoing Project and Progress

Promoting Solution-Oriented Sales Activity

- Launched project team aiming to strengthen marketing function
- Constituting dedicated marketing team has contributed to increasing the number of proposal based-sales.
- Proposition of new functional materials and new materials which add delicious flavors

Expanding the range of New Applications

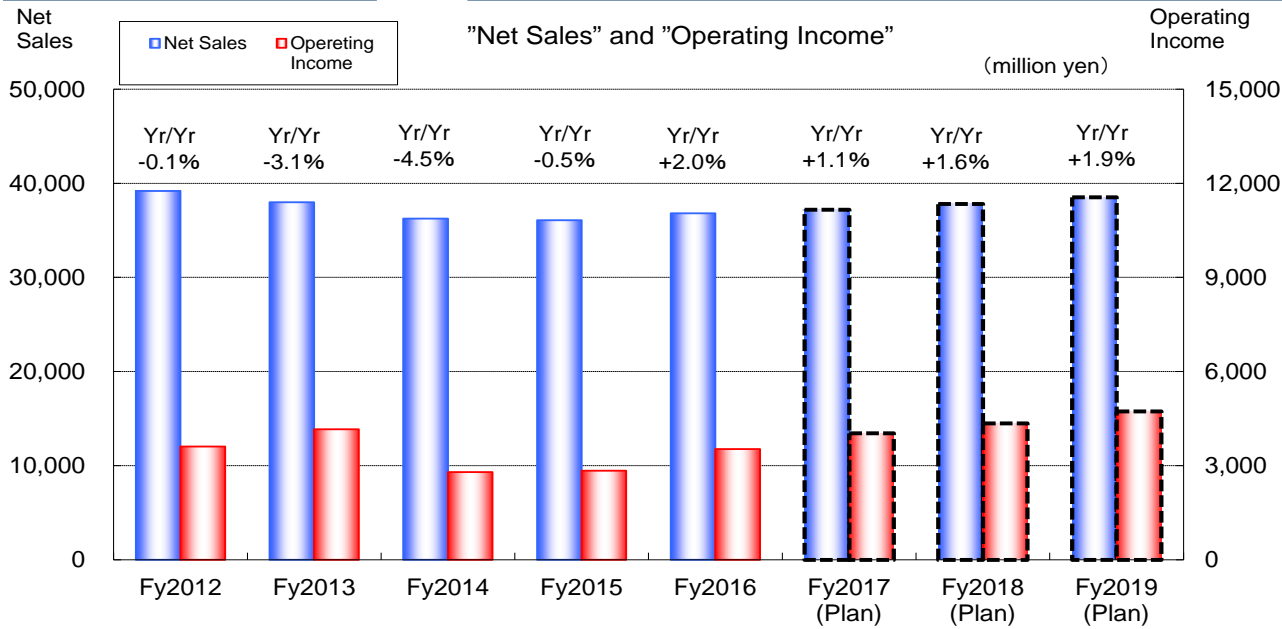
- Strengthening to apply to new category of healthy foods and medical related-foods
- Developing flavors to replace natural food materials (milk, vegetables, fruit juice, meat etc.)

Establishment of Innovative Research Institute Gathering fundamental research function

- Integration of function research from each research of analysis, synthesis, and composition to innovative fundamental research.
- Aiming to enhance creation speed and procurement of evaluation of flavors and fragrances and ability of proposition to customers.
- Accelerating the speed of development of HASEAROMA® products and research about function which flavors and fragrances ingredients have originally.

Collaboration with business partners

- Ajinomoto project: On going to industrialize fermentation of natural flavor (Vanillin)
- Universal company project: Under development of vanilla beans cultivation in line with the plan.



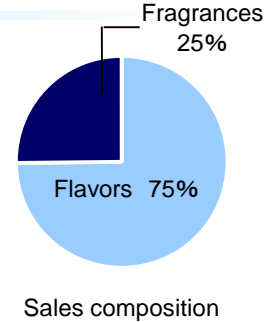
FY2017 2nd Quarter Sales Performance

Sales : 17,572million yen (+1.3% YOY)
Operating Income : 2,150million yen (+42.5% YOY)

FY2021 Target
Sales : 39,700million yen
Operating Income : 5,200million yen

Basic Strategy: Strengthening organization base to expand sales in China

Ongoing Project and Progress



Reinforcement of organization base

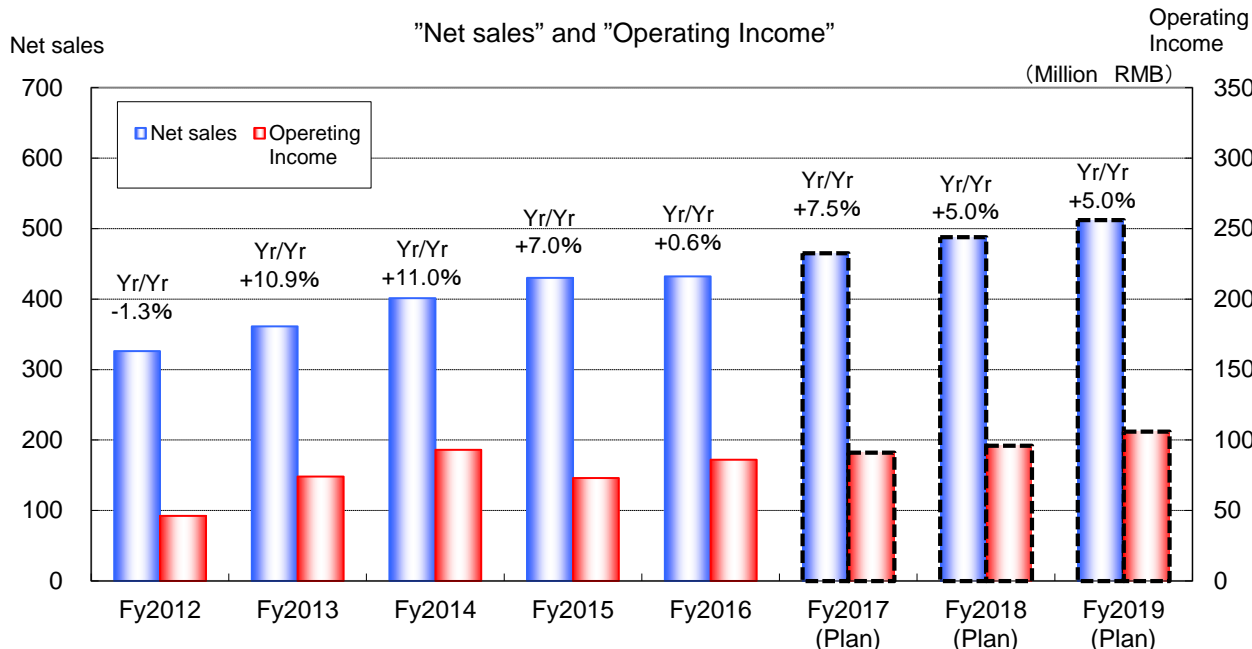
- Strengthening organization structure base
- Completeness of risk management and compliance

Focusing on sales activity

- Customer attribute is composed of 60% of international company, 30% of local company, and 10% of Japanese company.
- Development of partnership with new customers, and strengthening trusted tie with current customer
- Expanding partnership with international company and local company especially.

Strengthening research team structure

- Improvement of research facility
- Enhancing sensory evaluation by improving research facility
- Strengthening business ability due to reorganization of research base



FY2017 2nd Quarter Sales Performance

Net Sales : 220million RMB (+4.0% YoY)
(3,579million Yen)

Operating Income : 42million RMB (+6.4%YoY)
(694million yen)

FY2021 Target

Net Sales : 570million RMB
(8,800million yen)

Operating Income : 130million RMB
(2,000million yen)

Basic Strategy : Increase sales of savory flavors and flavors for beverages

Ongoing Project and Progress

Application for natural flavor

- Applying to change from synthetic ingredients to natural ingredients to meet the demand for natural materials

Sales expansion in beverage category

- Reinforcement of business activity in beverage market recruiting new staff experienced in beverage category
- Aim at sales growth in local beverage market in USA

Strengthening partnership with headquarter in Japan

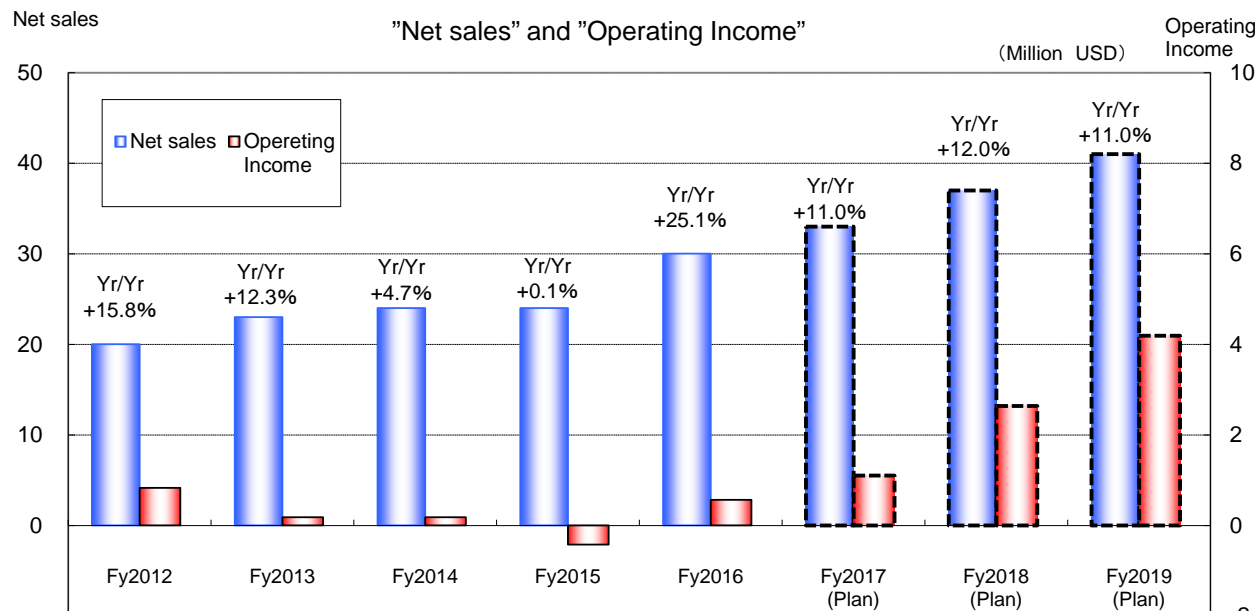
- Strengthening R&D support by Japan headquarter
⇒ Applying ability which head office in Japan has and increasing sales.

Improving production efficiency

- Improvement of production technique based on On-the job training for staffs.
- Structuring supply chain management system.

Flavors 100%

Sales composition



FY2017 2nd Quarter Sales Performance

Net Sales : 16.1million USD (+15.7%YoY)
(1,801 million yen)
Operating Income : 1.1million USD (Returned to profit)
(131million yen)

FY2021 Target

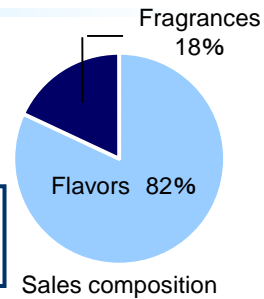
Net Sales : 50million USD
(5,000million yen)
Operating Income : 8million USD
(800 million yen)

※Savory flavor : salty flavor for snacks, dressing for salad, and seasoning etc.

Overseas Strategy -Southeast Asia-

Basic Policy: Expand sales through the cooperation sales base in Thailand, Indonesia with

production base in Malaysia.



Ongoing Projects and Progress

Visit Customers with Sales and R&D Staff

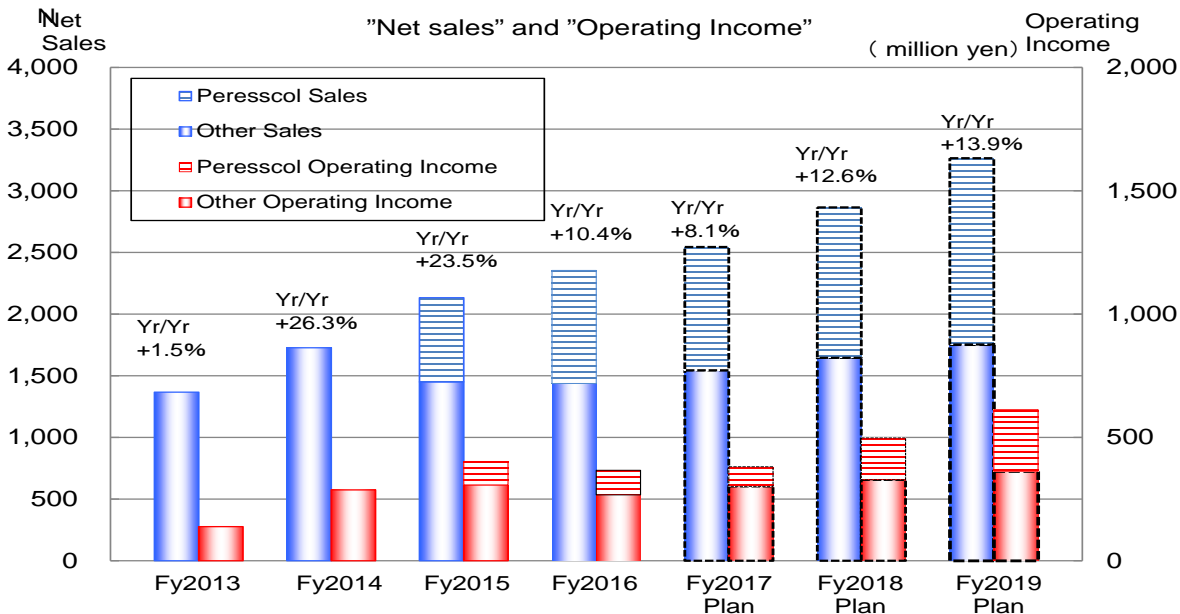
- Achieved Successful results caused from strengthening business relationship with major local customers located in highest-priority-countries

Development of strategy in Southeast Asia based on Peresscol Sdn. Bhd.

- Retained production facility in Southeast Asia due to acquisition of "Peresscol Sdn. Bhd.," a Halal-certified flavors sales and production company
- Implementation of training local staff on R&D and production by dispatched specialists from Japan
- Acquired 50,000m² land for a factory in HALAL industrial park in Malaysia
- On going to construct new manufacturing facility

Reinforce Sales Activities and research organization in Southeast Asia

- Assignment of local staff members in Vietnam & Philippines in addition to the current sales bases
- On plan to establish satellite laboratory in Thailand and Indonesia
- Strengthening sales activities in Southeast Asia



FY2017 2nd Quarter Sales Performance

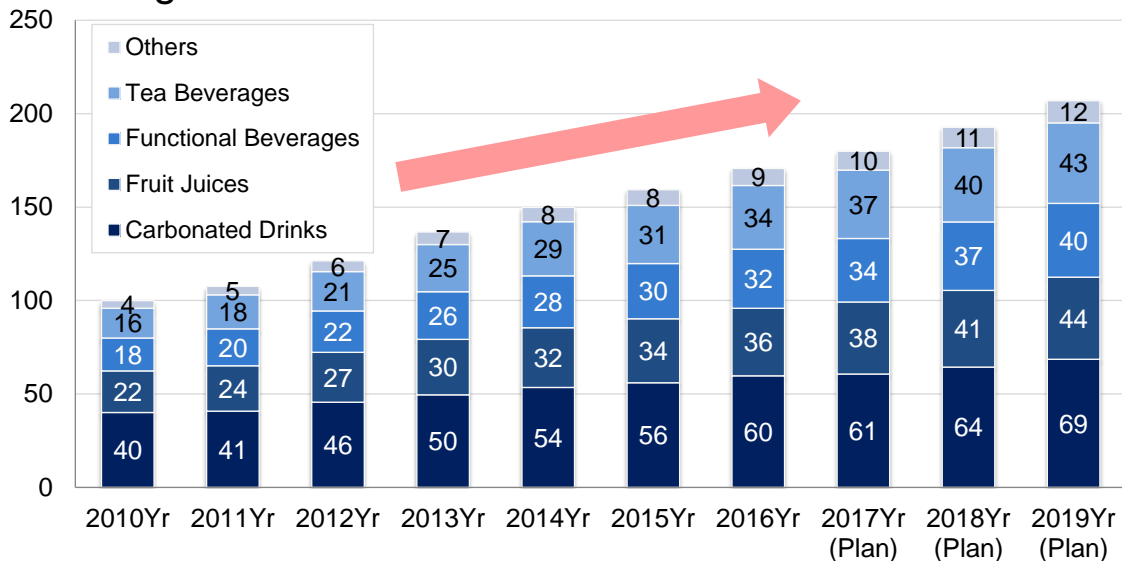
Sales : 1,255million yen (+7.1% YoY)
Operating Income : 228million yen (+9.5% YoY)

FY2021 Target

Sales : 4,300million yen
Operating Income : 900million yen

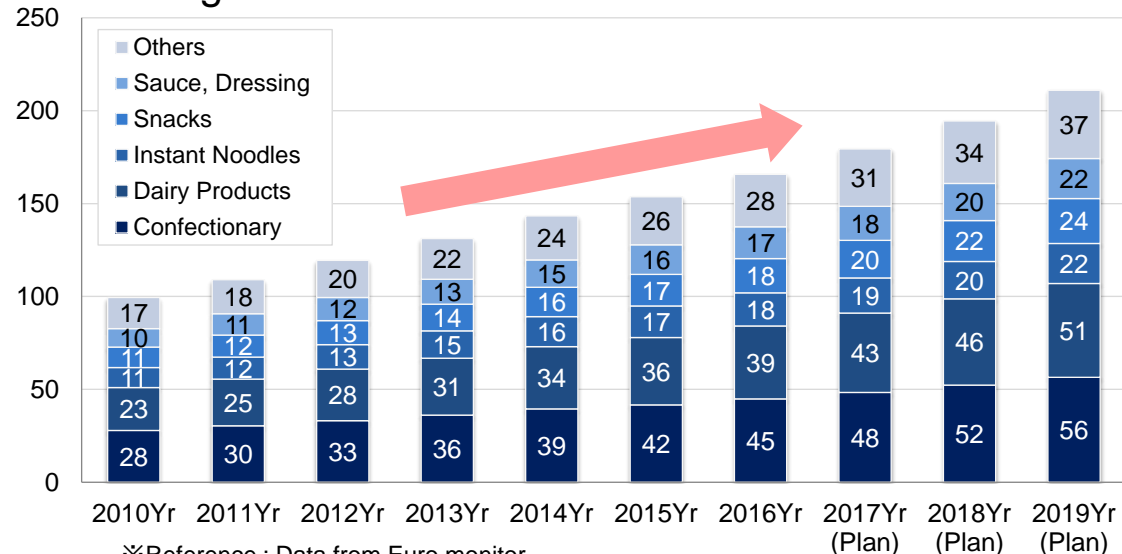
Market Size History in Southeast Asia

Beverage Market in Southeast Asia



- Beverages Market size in 2016 is 1.7 times larger than the market in 2010.
- Currently, tea beverage and category of others including powdered coffee beverage have expanded the most.
- The market is expected to expand to 7% bigger than the market of this year.

Processing food market in Southeast Asia



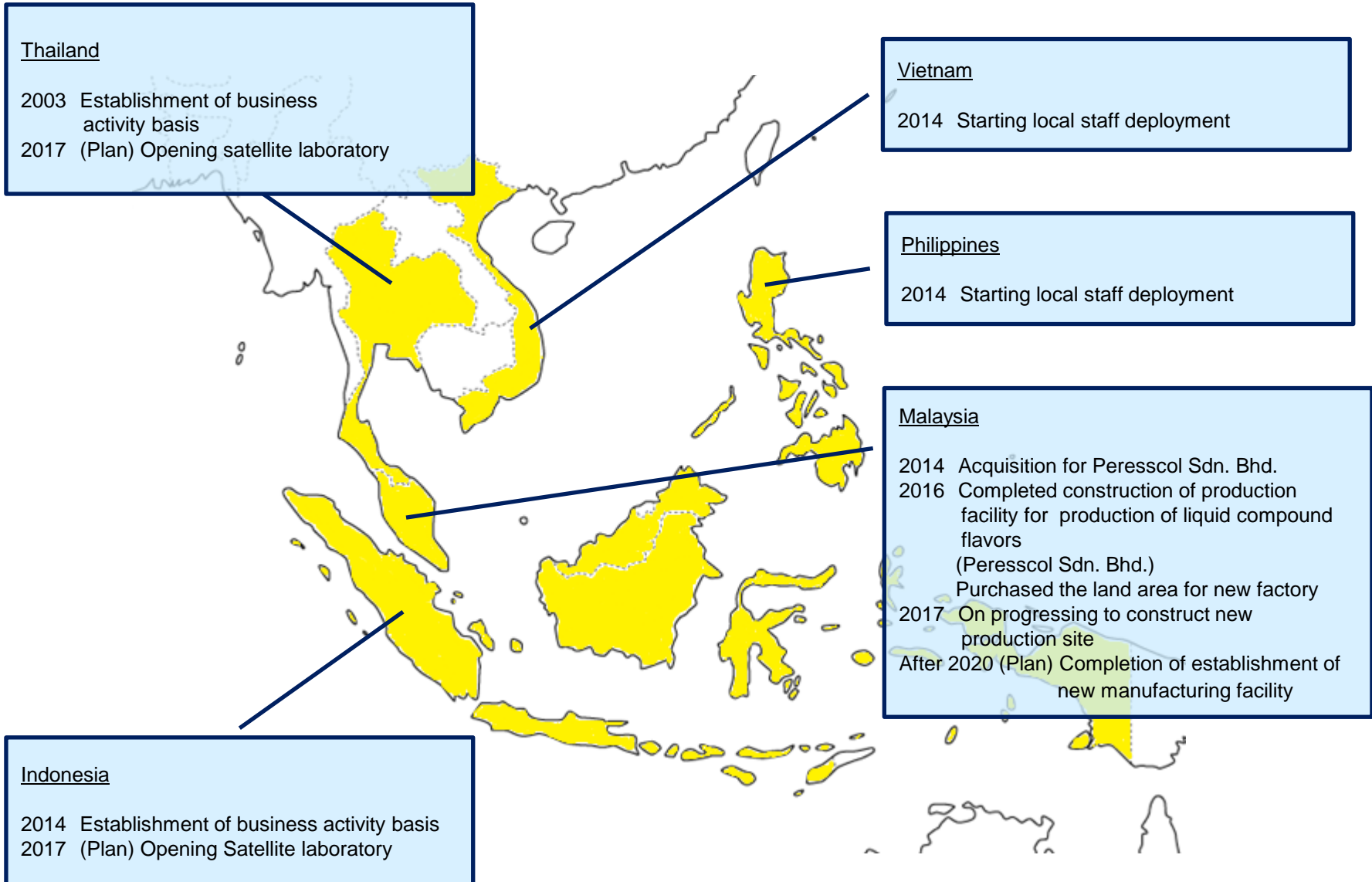
High expectation to grow these two markets due to the increase of the demand for flavor and existing high population in Southeast area.

- Processing food market in 2016 expanded 1.7 times bigger than the market in 2010.
- Currently, snacks and dairy products have grown.
- The market is expected to grow approximately 8% bigger than this year.

※Reference : Data from Euro monitor.

Above each data is calculated based on comparison with total sales of 2010 in Malaysia, Indonesia, Philippines, Thailand, Vietnam.

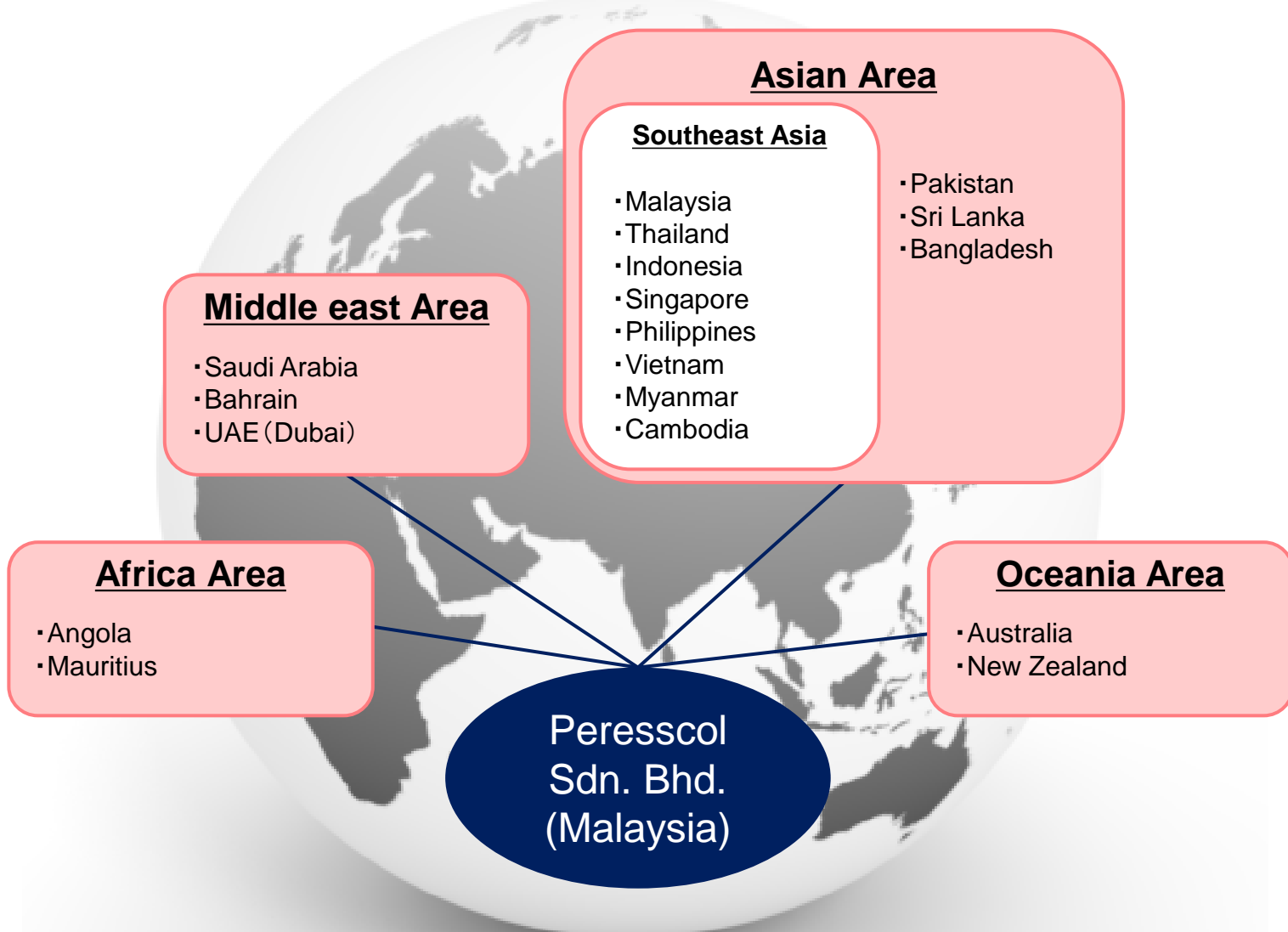
History and progressing business activities in Southeast Asia market



Market trend in Southeast Asia and on going activity

On developing our products to worldwide market based on Peresscol Sdn. Bhd.

Transporting to the countries in Southeast Asia, Middle east, Africa, and Oceania based on Peresscol Sdn. Bhd.
Covering the sales area in countries except for Japan, China and USA.



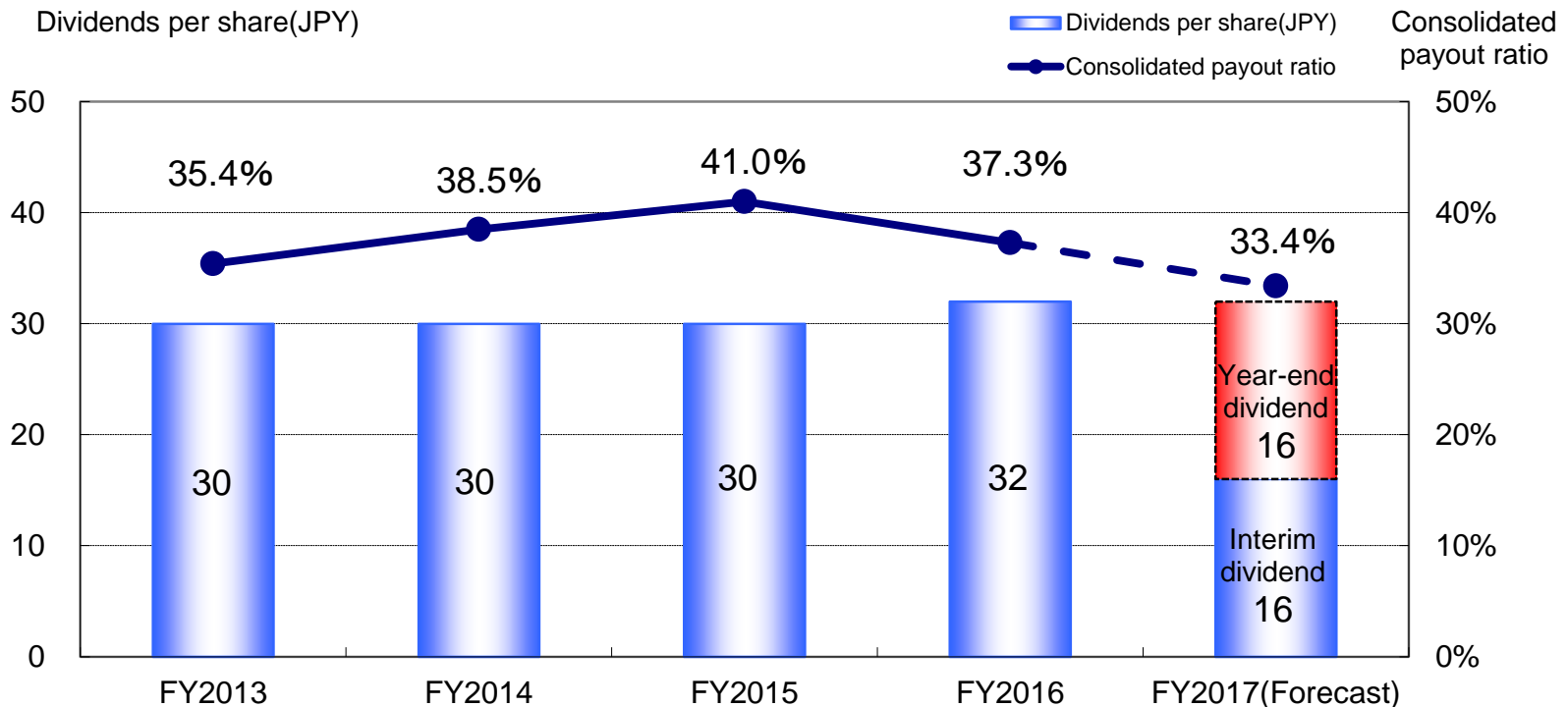
IV. Shareholder Redemption

<Basic Policy>

- Strengthening operating foundations and retaining undistributed profits in order to reinvest in future development, while also meeting shareholders' expectations by paying dividends which correspond to our business

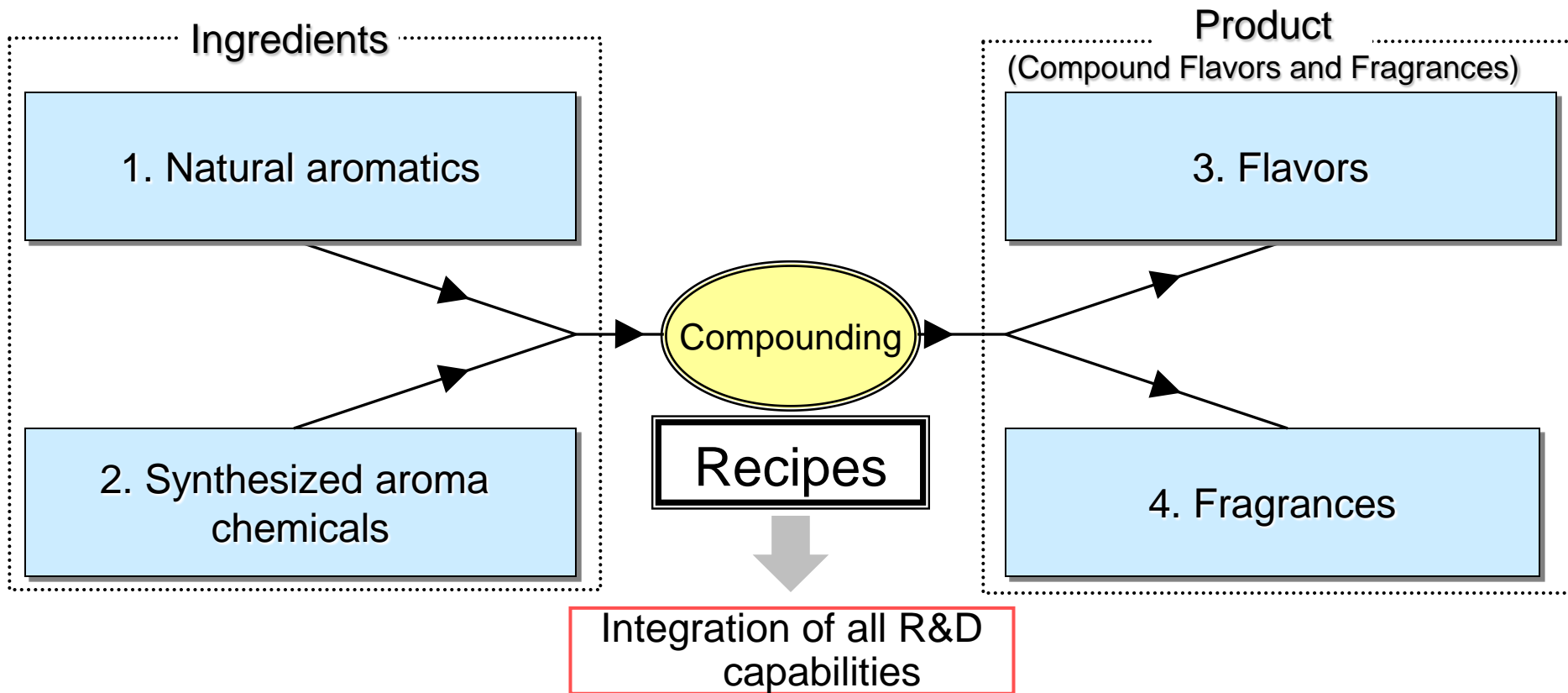
<Performance>

- Targeting approximately 35% of consolidated dividend payout ratio for interim and year-end dividends
- Launched a shareholders' courtesy program starting September 2015 to encourage investors to hold stocks in the mid-to-long term



V . Appendix

Outline of Flavor and Fragrance Business



Flavorists : Experts who formulate flavors

Perfumers : Experts who formulate fragrances

Flavors and fragrances are tailor-made products compounded in line with the requests from customers.

⇒ Formulas created by flavorists and perfumers based on experience are invaluable assets for flavor and fragrance companies.

Market Size of Flavor and Fragrance Industry

Estimated sales volume of global market : 2.7 trillion yen (USD 25 billion)

Europe, Africa, Middle East

- Market Size : Approx. 990billion yen*
- As many of manufacturing companies using flavor and fragrances products adopt 'preferred supplier system', major European and American companies have built the solid business bases.

North America

- Market Size : Approx. 690billion yen*
- As many of manufacturing companies using flavor and fragrances products adopt 'preferred supplier system', major European and American companies have built the solid business bases.
- T.Hasegawa's subsidiary established in California in 1978 has sales offices in Atlanta, Chicago, Princeton and Mexico.

Asia

- Market Size : Approx. 800billion yen*
- Market has grown in line with economic growth in developing countries, which is mainly in China.
- T.Hasegawa established subsidiaries in Shanghai as of 2000, Suzhou as of 2006, Bangkok as of 2003 and Indonesia as of 2014.
- T.Hasegawa acquired Peresscol Sdn.Bhd. in Malaysia as of 2014 and gained production base in Asia area.

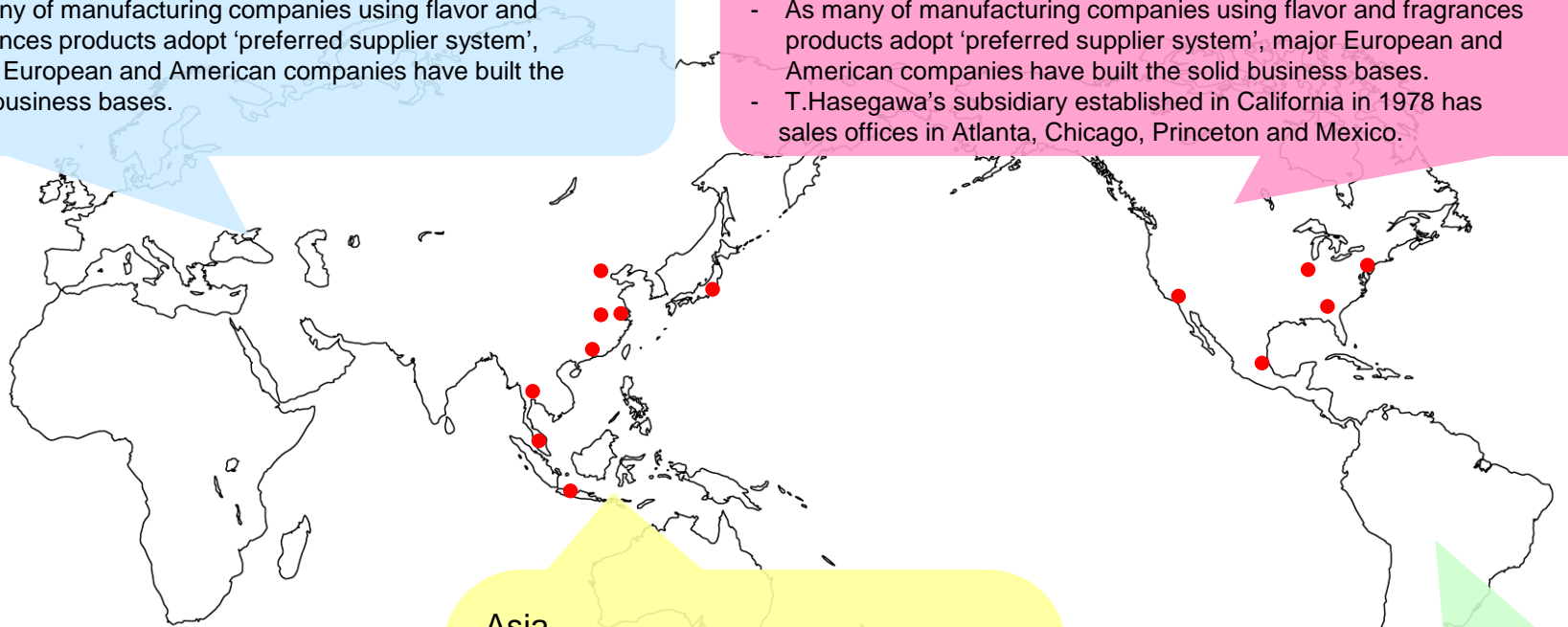
South America

- Market size : Approx. 220billion yen*
- Most of flavors and fragrances are imported from North America and Mexico.
- Competition in Brazil is becoming severe due to economic growth.

*Figures are estimated by T.Hasegawa

*Exchange Rate 1USD= 108.5JPY
Reference : Report from Leffingwell & Associates

● : Office, R&D center and production base T.Hasegawa owns



Sales Ranking of Flavor and Fragrance Companies in Worldwide

Top 11 companies account for approximately 80% in global flavor and fragrance market

(millions of USD)

	Company name	Country	Sales(2016Yr)	Market Share
1	Givaudan	Switzerland	4,734	18.7%
2	Firmenich	Switzerland	3,411	13.5%
3	IFF	USA	3,116	12.3%
4	Symrise	Germany	2,312	9.2%
5	Takasago	Japan	1,281	5.1%
6	Mane SA	France	1,171	4.6%
7	Frutarom	Israel	1,068	4.2%
8	Sensient Flavors	USA	654	2.6%
9	Robertet SA	France	518	2.1%
10	T.Hasegawa	Japan	439	1.7%
11	Huabao International	Hong Kong	382	1.5%
	Subtotal	—	19,092	75.6%
	Others	—	6,158	24.4%
	Total	—	25,250	—

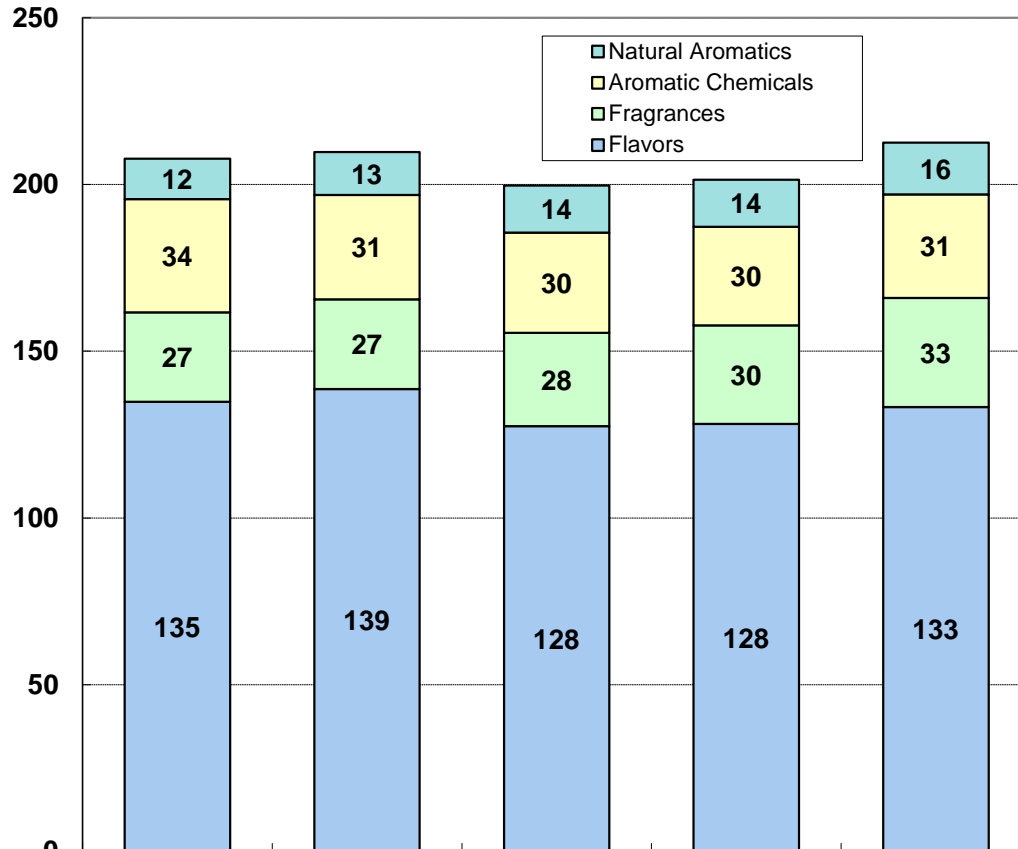
* US \$1 ≙ 108.5Yen

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

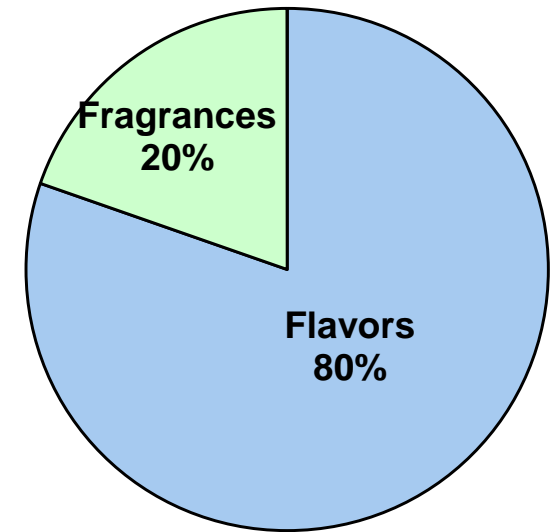
Flavor market accounts for 80% of flavor and fragrance total market share in domestic.
 (Flavor market covers 50% of flavor and fragrance market in world wide)

Transition of sales in domestic market

(Billion yen)



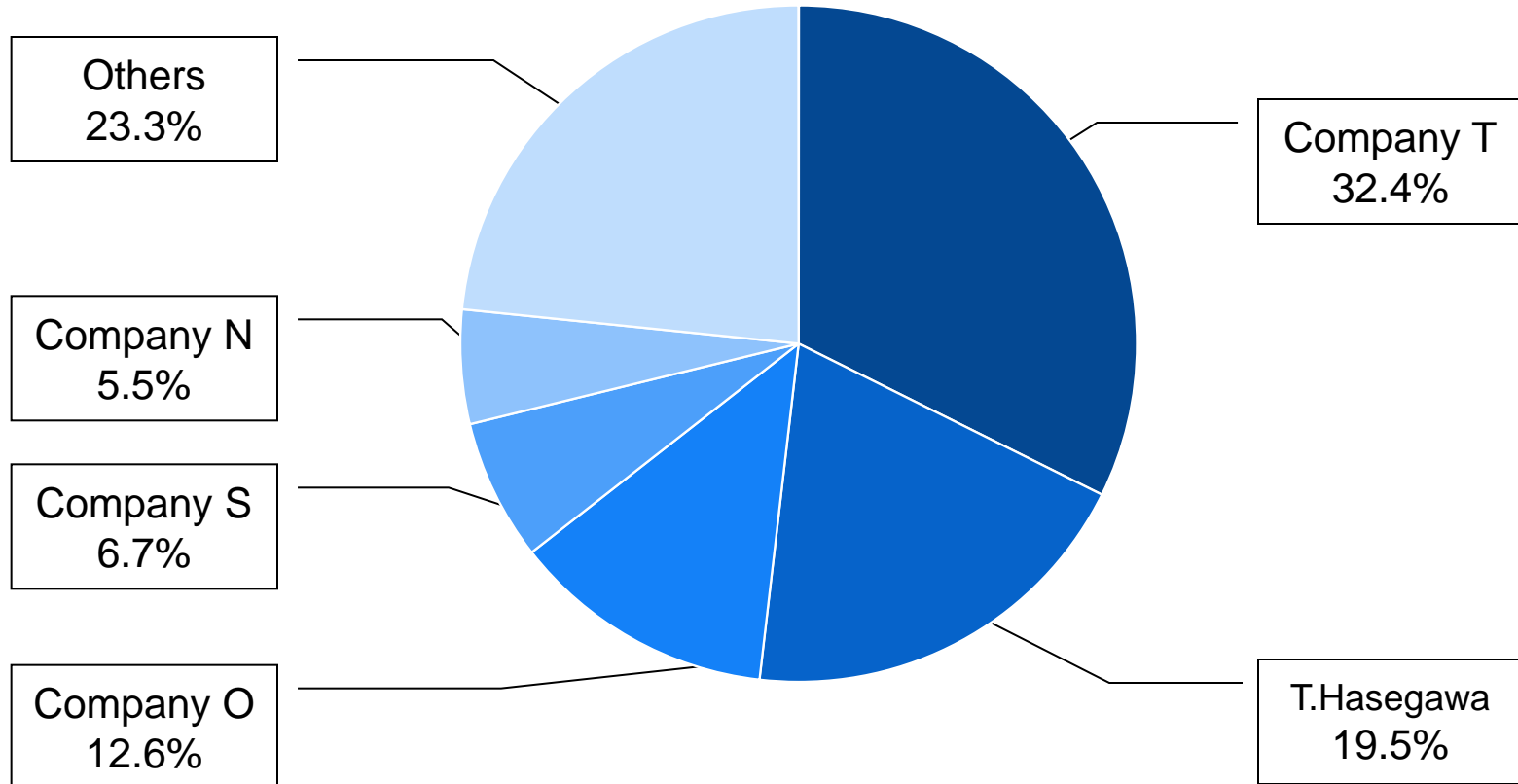
Composition Rate (2016Yr)



Source of reference : Japan Flavor & Fragrance Materials Association Magazine

Outline of Current Status of T . Hasegawa

Top 5 companies cover approximately 80% of market share in domestic market. (As of Mar.2016)



*Data is based on non-consolidated sales breakdown of top 10 companies in domestic market, calculated by private market research firm. Sales amount of 100% in above graph is the total sales of top 10 companies in domestic flavor and fragrance company.

*Fiscal year period of Company T, S, and N is from April to March, and Jan. to Dec. in Company O.

*T. Hasegawa's figures indicated above have been calculated for the period from Apr.2015 to Mar.2016.

Sales Composition Comparison

< Policy in T. Hasegawa >

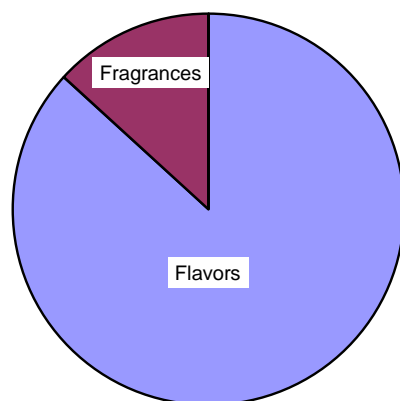
- Focus on sales of compound flavors and fragrances with high added value.
- Sells a kind of approximately 14,000 products per year due to the company policy to provide wide range of products by various quantities in order to meet customer requests.

(Million yen)

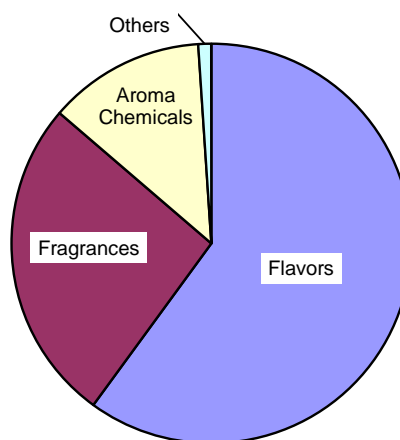
	T. Hasegawa (Consolidated)		Company T (Consolidated)			Company S (Consolidated)	
	FY ended in Sep. 2016		FY ended in Mar. 2017			FY ended in Mar. 2017	
	Sales	Share	Sales	Share		Sales	Share
Flavors	41,300	86.8%	82,100	60.0%	Compound flavors & Fragrances	7,074	46.4%
Fragrances	6,290	13.2%	35,928	26.3%	Aroma Chemicals	3,212	21.1%
Aroma Chemicals	0	0.0%	17,309	12.7%	Overseas	3,616	23.7%
Others	0	0.0%	1,425	1.0%	Domestic subsidiaries	1,346	8.8%
Total	47,591	100.0%	136,764	100.0%	Subtotal	15,250	100.0%
Ratio of gross profits to sales	37.3%		32.3%		Ratio of gross profits to sales	31.8%	
Ratio of operating income to sales	10.8%		5.2%		Ratio of operating income to sales	3.4%	

* Sales amount indicated as synthetic and Aroma chemicals in Company T is composed of Aroma ingredients division and fine chemical division.

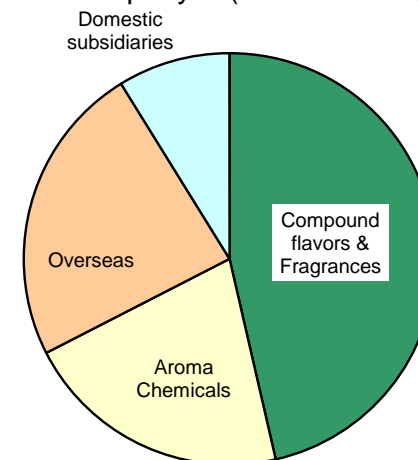
T. Hasegawa (Consolidated)



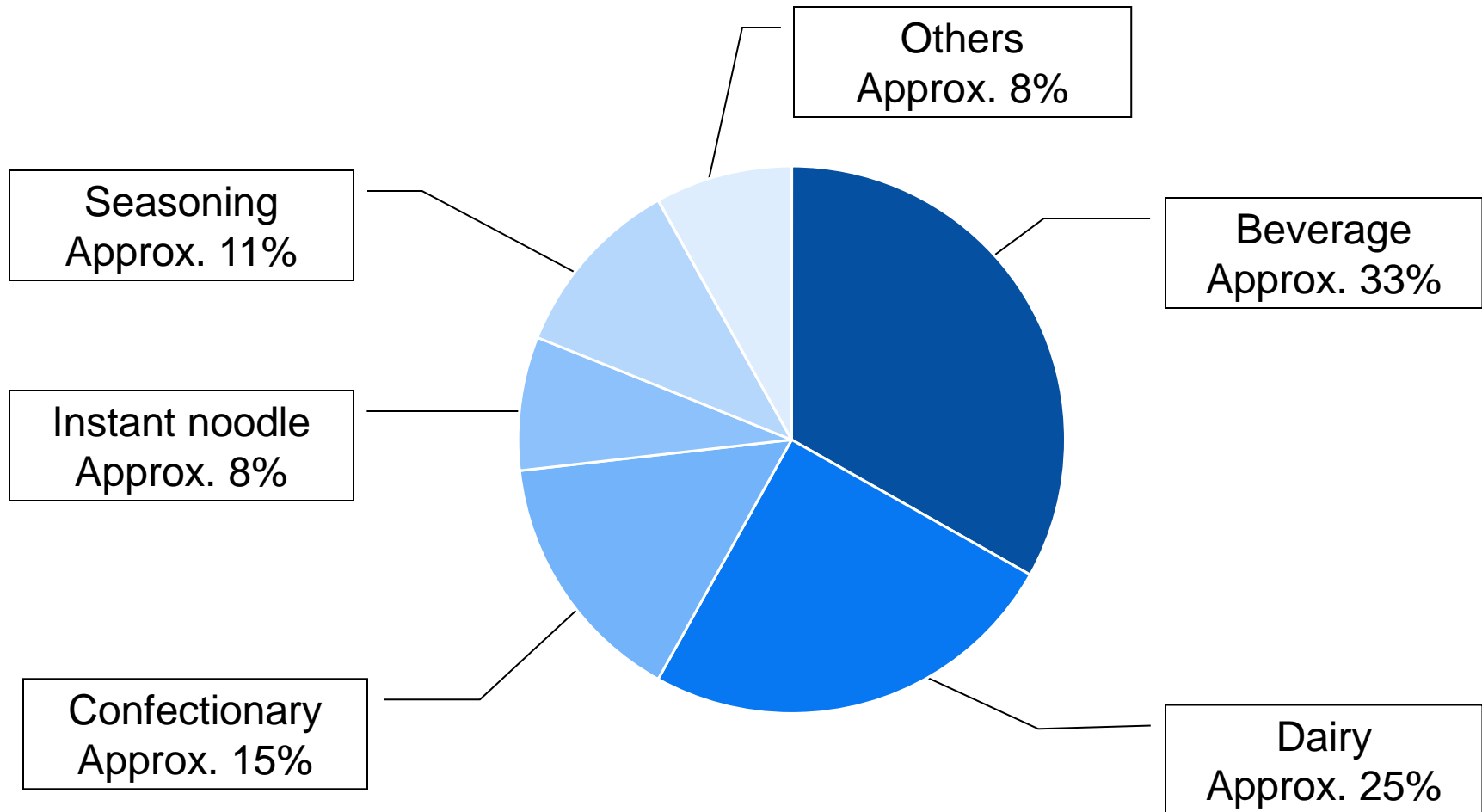
Company T (Consolidated)



Company S (Consolidated)



Sales share for beverage is the highest and sales trend of beverages has fluctuation in line with seasons.



*The share indicated above is calculate as 100% for total non-consolidated sales of 2nd quarter in FY2017 regarding the companies which are possible to separate sales by industry.

Additional Financial Information

Consolidated Income Statement Highlights

Operating income increased due to net sales increase caused from sales growth and the decrease of cost of sales and SG&A expenses.

(Million yen)

	FY16 2Q Actual		FY17 2Q Actual		YoY		Remarks
	Value	%	Value	%	Value	%	
Net sales	22,825	100.0%	22,991	100.0%	166	0.7%	・Sales in each subsidiary and parent company increased ・Total sales led to be a slight increase due to impact of yen appreciation despite sales increase in each subsidiary
Cost of sales	14,328	62.8%	13,798	60.0%	-529	-3.7%	・Cost of sales ratio increased due to product mix change in parent company and increase of operating rate in production site
Gross profit	8,497	37.2%	9,193	40.0%	696	8.2%	
SGA expenses	6,233	27.3%	6,115	26.6%	-117	-1.9%	・Total SGA expenses improved due to the impact of yen appreciation
Operating income	2,263	9.9%	3,077	13.4%	813	35.9%	
Ordinary income	2,243	9.8%	3,363	14.6%	1,119	49.9%	(FY15 2Q) Foreign exchange <u>gain</u> of 136m yen was calculated as Non-operating income (FY16 2Q) Foreign exchange <u>loss</u> of 137m yen was calculated as Non-operating loss
Income before income taxes	2,373	10.4%	3,348	14.6%	975	41.1%	
Net income	1,543	6.8%	2,351	10.2%	808	52.4%	

Consolidated Balance Sheet Highlights

(Million yen)

	As of September 30,2016	As of March 31,2017	Increase or Decrease	Remarks
Current assets	50,333	51,341	1,008	<ul style="list-style-type: none"> • Increase in cash and deposits: 1,472m Yen • Increase in Inventries: 677m Yen • Decrease in account receivable-trade: -1,047m Yen
Fixed assets	50,520	52,924	2,403	<ul style="list-style-type: none"> • Increase in investment securities: 1,395m Yen • Increase in property, plant and equipment : 992m Yen
Total assets	100,853	104,266	3,412	—
Current liabilities	10,455	9,705	-749	<ul style="list-style-type: none"> • Decrease in account payable-trade: -555m Yen
Long-term liabilities	10,458	10,828	370	—
Total net assets	79,939	83,731	3,792	<ul style="list-style-type: none"> • Increase in retained earnings: 2,351m Yen • Cash dividends paid: -721m Yen • Increase in foreign currency translation adjustments: 1,133m Yen • Increase in unrealized gains on available-for-sale securities: 984m Yen
Total liabilities and net assets	100,853	104,266	3,412	—

Consolidated Statement of Cash Flows

(Million yen)

	FY16 2Q	FY17 2Q	Increase or Decrease	Remarks
Cash flows from operating activities	3,572	3,645	73	<ul style="list-style-type: none"> • Income before taxes: 3,348m Yen • Depreciation & Amortization: 1,350m Yen • Income taxes paid: -756m Yen
Cash flows from investing activities	-2,373	-1,521	852	<ul style="list-style-type: none"> • Acquisition of tangible fixed assets: -1,550m Yen
Cash flows from financing activities	-647	-832	-184	<ul style="list-style-type: none"> • Cash dividends paid: -721m Yen
Effect of currency change on cash and cash equivalents	-190	193	384	—
Net change in cash and cash equivalents	359	1,485	1,125	—
Cash and cash equivalents at beginning of period	20,601	22,313	1,712	—
Cash and cash equivalents at end of period	20,960	23,799	2,838	—

(Million yen)

		FY17 Plan	FY17 2Q Actual	Progress (%)
Capital Investment	Consolidated	2,712	1,690	62.3%
	Non-consolidated	1,648	738	44.8%
Depreciation & Amortization	Consolidated	2,761	1,350	48.9%
	Non-consolidated	2,029	971	47.9%
R&D Expenses	Consolidated	4,361	2,109	48.4%
	Non-consolidated	3,500	1,689	48.3%

Income Statement Highlights - Non-consolidated (Actual)

(Million yen)

	FY16 2Q Actual		FY17 2Q Planned (As of Nov. 2016)		FY17 2Q Actual		Achievement			
	Value	Share	Value	Share	Value	Share	YoY		vs Planned	
							Value	%	Value	%
Net sales	17,355	100.0%	17,670	100.0%	17,572	100.0%	217	1.3%	-97	-0.5%
Cost of sales	11,194	64.5%	11,150	63.1%	10,725	61.0%	-468	-4.2%	-424	-3.8%
Gross profit	6,161	35.5%	6,520	36.9%	6,846	39.0%	685	11.1%	326	5.0%
SGA expenses	4,652	26.8%	4,820	27.3%	4,696	26.7%	43	0.9%	-123	-2.6%
Operating income	1,508	8.7%	1,700	9.6%	2,150	12.2%	641	42.5%	450	26.5%
Ordinary income	1,585	9.1%	1,840	10.4%	2,432	13.8%	846	53.4%	592	32.2%
Income before income taxes	1,720	9.9%	1,790	10.1%	2,465	14.0%	745	43.3%	675	37.8%
Net income	1,125	6.5%	1,300	7.4%	1,827	10.4%	701	62.3%	527	40.6%

Consolidated income statements for China including TH Shanghai and TH Suzhou.

(Million yen)

Yen Basis	FY16 2Q		FY17 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	3,863	100.0%	3,579	100.0%	-284	-7.4%
Cost of sales	2,243	58.1%	2,121	59.3%	-121	-5.4%
Gross profit	1,620	41.9%	1,458	40.7%	-162	-10.0%
SGA expenses	887	23.0%	763	21.3%	-124	-14.0%
Operating income	732	19.0%	694	19.4%	-38	-5.2%
Ordinary income	683	17.7%	734	20.5%	51	7.5%

Yen18.27/RMB

Yen16.27/RMB

10.9% higher

(Thousand RMB)

Local Currency Basis	FY16 2Q		FY17 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	211,487	100.0%	220,008	100.0%	8,520	4.0%
Cost of sales	122,780	58.1%	130,384	59.3%	7,604	6.2%
Gross profit	88,707	41.9%	89,623	40.7%	916	1.0%
SGA expenses	48,594	23.0%	46,938	21.3%	-1,655	-3.4%
Operating income	40,112	19.0%	42,684	19.4%	2,572	6.4%
Ordinary income	37,405	17.7%	45,170	20.5%	7,764	20.8%

- Sales based on yen decreased due to appreciation of yen while sales based on local currency increased.
- Operating income based on yen declined due to appreciation of yen while operating income based on local currency increased due to the improvement of SG&A expenses ratio.
- Ordinary profit increased due to foreign exchange gain.

(Million yen)

Yen Basis	FY16 2Q		FY17 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	1,655	100.0%	1,801	100.0%	145	8.8%
Cost of sales	1,056	63.8%	1,112	61.7%	56	5.3%
Gross profit	599	36.2%	689	38.3%	89	15.0%
SGA expenses	603	36.5%	558	31.0%	-45	-7.6%
Operating income	-4	-	131	-	135	-
Ordinary income	-11	-	125	-	136	-

Yen118.49/USD

Yen111.47/USD

5.9% Higher

(Thousand US\$)

Local Currency Basis	FY16 2Q		FY17 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	13,973	100.0%	16,161	100.0%	2,187	15.7%
Cost of sales	8,913	63.8%	9,978	61.7%	1,064	11.9%
Gross profit	5,059	36.2%	6,182	38.3%	1,122	22.2%
SGA expenses	5,094	36.5%	5,005	31.0%	-88	-1.7%
Operating income	-34	-	1,176	7.3%	1,211	-
Ordinary income	-93	-	1,122	6.9%	1,216	-

- Sales increased based on sales expansion of products for savory and beverage.
- Local currency basis sales achieved double-digit growth.
- Operation income turned to profit due to sales increase and improvement of SG&A expenses ratio.

*Savory flavor : salty flavor for snacks, dressing for salad, and seasoning etc.

(Million yen)

Yen Basis	FY16 2Q		FY17 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	453	100.0%	472	100.0%	18	4.2%
Cost of sales	265	58.5%	270	57.2%	5	1.9%
Gross profit	188	41.5%	202	42.8%	13	7.4%
SGA expenses	138	30.5%	143	30.3%	4	3.4%
Operating income	49	11.0%	59	12.5%	9	18.6%
Ordinary income	44	9.9%	65	13.8%	20	44.6%

Yen27.93/MYR

Yen25.44/MYR

8.9% higher

(Thousand Malaysian Ringgit)

Local Currency Basis	FY16 2Q		FY17 2Q		YoY	
	Value	Share	Value	Share	Value	%
Net Sales	16,239	100.0%	18,576	100.0%	2,336	14.4%
Cost of sales	9,498	58.5%	10,628	57.2%	1,129	11.9%
Gross profit	6,740	41.5%	7,947	42.8%	1,206	17.9%
SGA expenses	4,959	30.5%	5,627	30.3%	668	13.5%
Operating income	1,781	11.0%	2,320	12.5%	538	30.2%
Ordinary income	1,609	9.9%	2,555	13.8%	945	58.7%

- Sales increased due to sales expansion of products for snacks.
- Operating income increased due to net sales increase cost of sales ratio improved.

Three-Year Plan (Consolidated Income Statement)

- Parent Company : Expecting that solution-oriented sales activity based on predicting latent needs contributes to expanding sales.
- China : Expecting that beverage market keeps to grow and fragrance has new products to contributes sales expansion despite shrinking of sales growth rate in China.
- USA : Expecting that savory products will grow continuously and products for beverage will contribute to sales growth.
- Southeast Asia : Strengthening cooperation between R&D base in Peresscol Sdn. Bhd. and sales base in each country contributes to increase sales for snacks which is main products in the area.

Yen million

	Fy2016 (Actual)	Fy2017 (Plan)	Fy2018 (Plan)	Fy2019 (Plan)
Net sales	47,591	48,000	49,600	51,500
Cost of sales	29,836	29,750	30,620	31,660
Operating income	5,160	5,610	6,230	7,000
Ordinary income	5,164	5,830	6,480	7,250
Net income	3,637	4,070	4,480	5,040
Exchange rates	¥111.89 per U.S.\$ ¥17.10 per RMB	¥100.00 per U.S.\$ ¥15.5per RMB	¥100.00 per U.S.\$ ¥15.5per RMB	¥100.00 per U.S.\$ ¥15.5per RMB
Sales growth ratio	0.8%	0.9%	3.3%	3.8%
Sales cost ratio	62.7%	62.0%	61.7%	61.5%
Operating income ratio	10.8%	11.7%	12.6%	13.6%
Ordinary income ratio	10.9%	12.1%	13.1%	14.1%
Net income ratio	7.6%	8.5%	9.0%	9.8%
Overseas net sales ratio	31.4%	31.2%	32.5%	33.7%

*Three-year plan is changed every year.

*Detail information is explained in page 41.

*Savory flavor : salty flavor for snacks, dressing for salad, and seasoning etc.

Three-Year Plan (Consolidated Income Statement)

(Million yen)

	Fy2016 (Actual)			Fy2017 (Plan)			Fy2018 (Plan)			Fy2019 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	47,591	100.0%	0.8%	48,000	100.0%	0.9%	49,600	100.0%	3.3%	51,500	100.0%	3.8%
Cost of sales	29,836	62.7%	-0.4%	29,750	62.0%	-0.3%	30,620	61.7%	2.9%	31,660	61.5%	3.4%
Gross profit	17,754	37.3%	2.8%	18,250	38.0%	2.8%	18,980	38.3%	4.0%	19,840	38.5%	4.5%
SGA expenses	12,594	26.5%	-2.6%	12,640	26.3%	0.4%	12,750	25.7%	0.9%	12,840	24.9%	0.7%
Operating income	5,160	10.8%	18.6%	5,610	11.7%	8.7%	6,230	12.6%	11.1%	7,000	13.6%	12.4%
Ordinary income	5,164	10.9%	6.4%	5,830	12.1%	12.9%	6,480	13.1%	11.1%	7,250	14.1%	11.9%
Income before income taxes	5,179	10.9%	12.3%	5,770	12.0%	11.4%	6,380	12.9%	10.6%	7,150	13.9%	12.1%
Net income	3,637	7.6%	19.5%	4,070	8.5%	11.9%	4,480	9.0%	10.1%	5,040	9.8%	12.5%

- The amount of capital investment increased due to renovation of Head Office in Japan which completed construction in May 2016 (Approx.800 million yen in FY2016)
- Under construction of new factory in Peresscol Sdn. Bhd.
(Budget: 500 million yen in FY2017, 1,000million yen in FY2018, 1,000million yen in FY2019)
- R&D expenditure keeps about 9% of consolidated sales.

Million Yen

		Fy2016 (Actual)	Fy2017 (Plan)	Fy2018 (Plan)	Fy2019 (Plan)
Capital Investment	Consolidated	2,733	2,712	2,970	2,664
	Non-consolidated	2,171	1,648	1,230	1,080
Depreciation & Amortization	Consolidated	2,937	2,761	2,674	2,628
	Non-consolidated	2,181	2,029	1,898	1,823
R&D Expenses	Consolidated	4,230	4,361	4,377	4,442
	Non-consolidated	3,355	3,500	3,435	3,443

Caution with Respect to Forward-Looking Statements:

This material is composed based on data as of May.12th 2017 and the purpose to publish this material is to offer information of management plan and consolidated financial statement in 2nd quarter FY2017.

This material contains forward-looking statements about the future performance of T. Hasegawa, which are based on our management's assumptions and beliefs taking into account all information currently available to it. Therefore, please be advised that uncertainties could cause actual results which differs materially from those discussed in our forward-looking statements, and in addition, forward looking statements could be changed without notice. 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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