

香りが結ぶ。
それが未来になる。

香りがつくりだす濃密な時間にさまざまな情報が行き交います。

そこに求められるのは新たな可能性の追求と生活文化への価値ある貢献です。

いまコミュニケーションの多様化とともに香りも進化が求められています。

総合香料メーカーとして業界を牽引してきた

私たち長谷川香料はそれを大きな使命として、

次の時代に向けて強い意欲をもって取り組んでいきます。

高いプロ意識のもとで培った技術力と研究開発から

製造に至るまでの正確なプロセス。

そこから世界に誇る唯一無二の香りをつくりだします。

ここには未来を設計する確かなプランがあります。

香りに未来を描く。
香りに感動を込める。

 長谷川香料株式会社
<http://www.t-hasegawa.co.jp>

Financial Results for the Year Ended September 30, 2018



T. HASEGAWA CO., LTD.

November 19, 2018

- I . Overview of Consolidated Financial Statement
- II . Management Policy
- III . Global Strategies
- IV . Three-Year-Plan
- V . Shareholder Redemption
- VI . Appendix

I . Overview of Consolidated Financial Statement

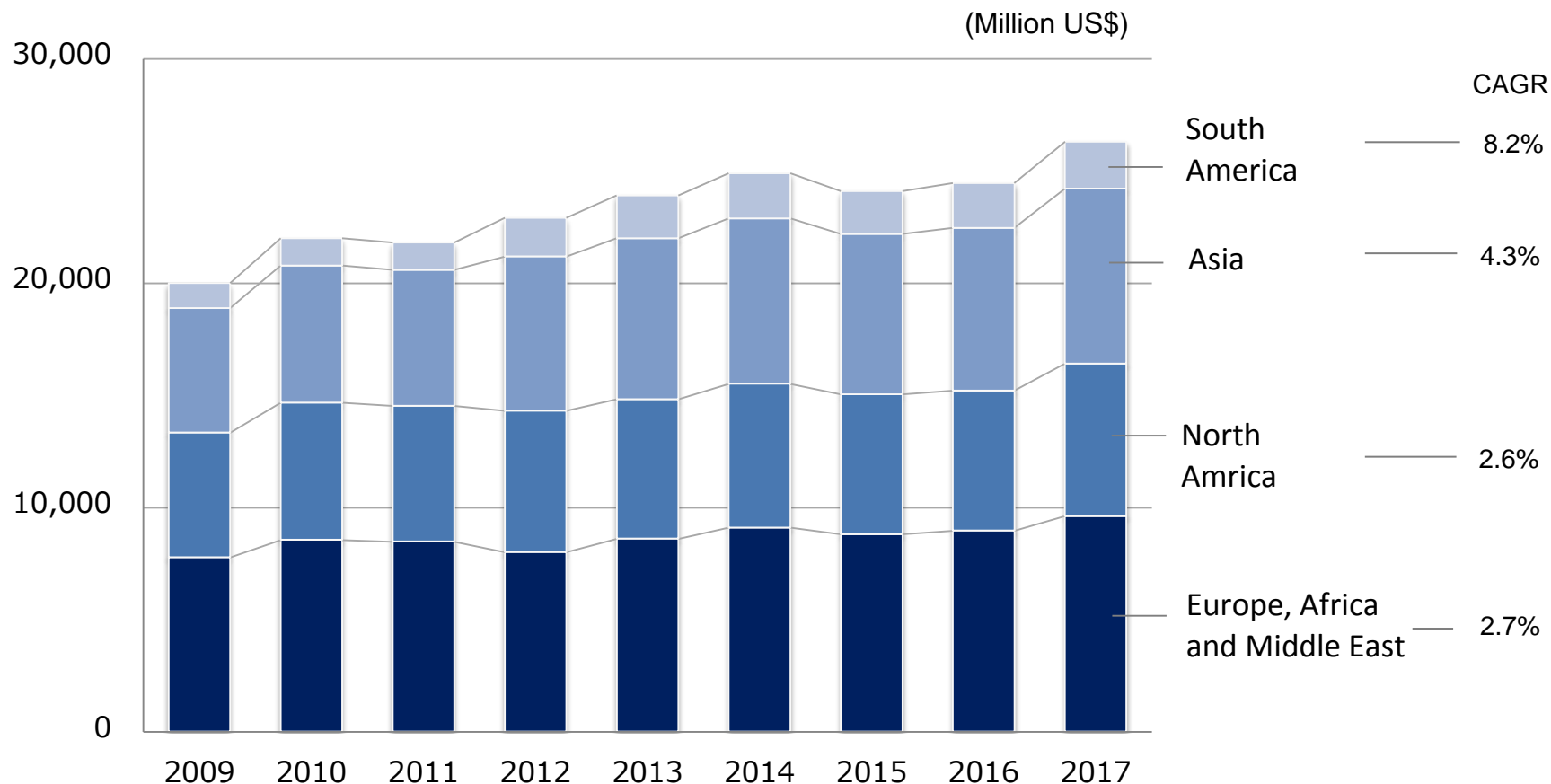
Domestic Market

- Flavors and fragrances market in 2017 expanded approximately 2% compared to the previous year.
- Market Trends by Product Category

Category	Trend		
Beverages	2017	Flat	<ul style="list-style-type: none"> • In the first half, new products contributed. In July 2017, due to extreme heat, Beverages performed well overall • After August, due to unstable weather conditions, sports drinks did not perform well • “Sugar-free drinks” and carbonated drinks performed well, and vegetable drinks were strong with the increase in health-consciousness
	2018 Jan – Sept.	Increased	<ul style="list-style-type: none"> • In the first half, carbonated beverages performed well through contribution of new products, etc. • Sports drinks performed well with the earliest rainy season end on record in Kanto-Koshinetsu area and record breaking extreme heat from July to Aug.
Snacks	2017	Flat	<ul style="list-style-type: none"> • Because of poor harvest of potato due to typhoons in the previous year, potato chips performed weakly • Supply of potato improved gradually towards the end of the year • Processed potato snacks, corn snacks and wheat snacks were strong
	2018 Jan – Sept.	Decreased	<ul style="list-style-type: none"> • Rebound increase associated with previous year’s weak performance of potato chips due to raw material shortage calmed down
Chocolate	2017	Increased	<ul style="list-style-type: none"> • “Bean to bar” and “functional” chocolate led the market
	2018 Jan – Sept.	Decreased	<ul style="list-style-type: none"> • “Bean to bar” and “functional” chocolate sales declined as a rebound against the demand increase boomed by multiple media reporting of health benefits of these items of the previous year .
Frozen Dessert	2017	Flat	<ul style="list-style-type: none"> • Demand was positive until July. After August, demand rapidly declined due to unstable weather conditions. • Demand was flat for the full year from demand increase in winter, when demand has been low in the past.
	2018 Jan – Sept.	Increased	<ul style="list-style-type: none"> • Lact-ice and frozen dessert performed well from the earliest rainy season end on record in Kanto-Koshinetsu area and record breaking extreme heat from July to Aug.

Overseas Market

Transition of world market size for Fragrance and Flavor grew 7% YOY basis.



*Figures are estimated by T. Hasegawa

Performance Overview (consolidated base)

- vs Previous Year

Revenue increased mainly from sales increase at parent company (fragrance division), USA subsidiaries and Chinese subsidiaries (fragrance division), and contribution of USA merged subsidiary
Profit decreased mainly due to increase of SGA expenses

- vs Plan

Did not reach projected sales mainly because performance at parent company and Chinese subsidiaries was below expectation
Did not reach projected operating income due to sales decline

(Million US\$)

	FY17 Actual	FY18 Revised plan (May, 2018)	FY18 Actual	Achievement			
				yr/yr		vs. Plan	
				Value	%	Value	%
Net sales	48,001	50,700	49,751	1,749	3.6%	-948	-1.9%
Cost of sales	29,245	31,300	30,619	1,373	4.7%	-680	-2.2%
Gross profit	18,756	19,400	19,132	375	2.0%	-267	-1.4%
SG&A expenses	13,149	14,140	14,073	923	7.0%	-66	-0.5%
Operating income	5,606	5,260	5,058	-547	-9.8%	-201	-3.8%
Ordinary income	6,101	5,530	5,512	-588	-9.6%	-17	-0.3%
Income before income taxes	6,137	5,530	5,521	-616	-10.0%	-8	-0.2%
Net income	4,299	3,910	4,100	-199	-4.6%	190	4.9%

EBITDA (※)	8,656	8,700	8,476	-180	-2.1%	-223	-2.6%
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※ EBITDA = Operating income + Depreciation and Amortization + Amortization of goodwill

Net Sales by Product Segments

Total net sales expanded due to the increase of sales for fragrance products in parent company and subsidiary in China, and sales growth of existing subsidiary in USA, and due to acquisition of new subsidiary in USA .

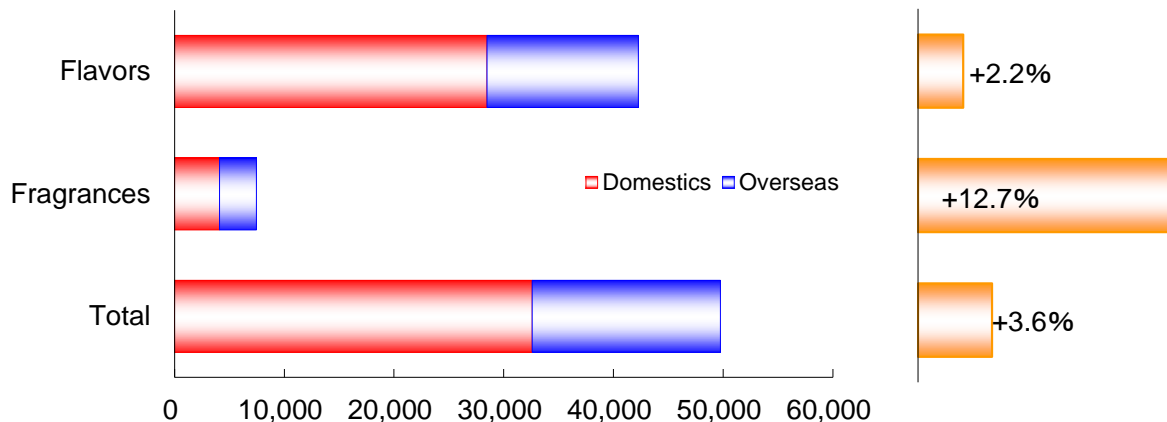
(Million yen)

Category	FY2017 Actual	FY2018 Actual	yr/yr		Remark
			Value	%	
Flavors	41,288	42,186	897	2.2%	<ul style="list-style-type: none"> • Sales of the existing subsidiary in USA increased • New subsidiary in USA contributed to sales
Fragrances	6,713	7,565	852	12.7%	• Sales of parent company and the subsidiary in China increased
Total	48,001	49,751	1,749	3.6%	—

(Million Yen)

FY18 Actual

yr/yr (%)



*FY18 Overseas sales ratio 34.5%

Sales by Region

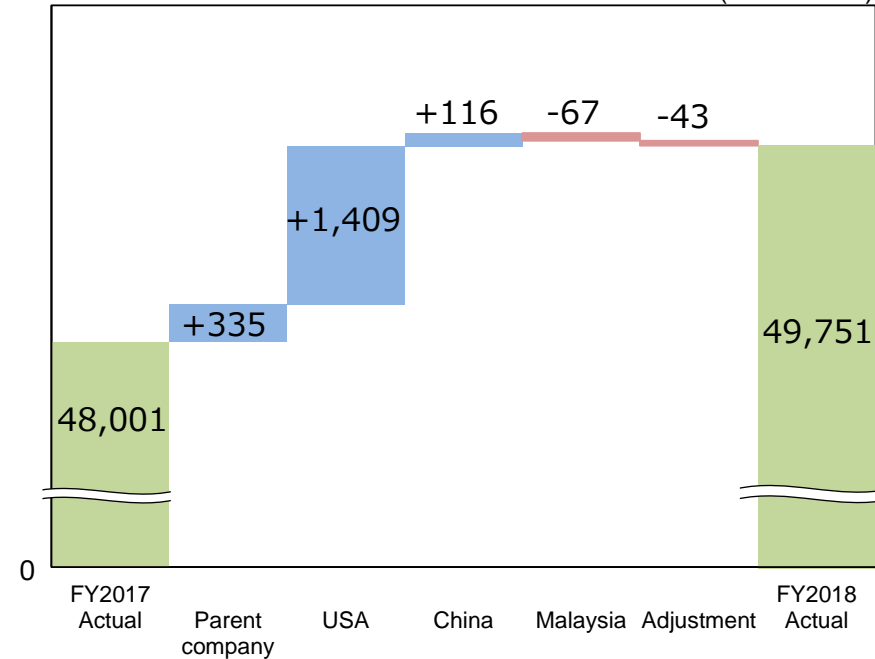
- Sales Increase Factor
Increased in USA subsidiaries,
USA merged company contributed

(Million Yen)

	FY17 Actual	FY18 Actual	yr/yr	%
Parent company	36,572	36,907	335	0.9%
USA	4,209	5,618	1,409	33.5%
China	7,177	7,293	116	1.6%
Malaysia	917	850	-67	-7.3%
Adjustment	-874	-918	-43	-
Consolidated	48,001	49,751	1,749	3.6%

Currency	Fy2017	Fy2018	Yr/Yr
1US\$	¥111.27	¥110.45	0.7% higher
1RMB	¥16.35	¥16.91	3.4% lower
1MYR	¥25.65	¥27.43	6.9% lower

(Million Yen)



Parent company	Sales of toiletry products at fragrance division increased	Increased
USA	Sales at area of savory flavors and flavors for beverages increased Sales of merged subsidiary contributed	Increased
China	Although sales declined on local currency basis due to decline at flavor division, sales increased on Japanese yen basis from impact of depreciation of yen	Increased
Malaysia	Sales of products for snacks decreased	Decreased

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

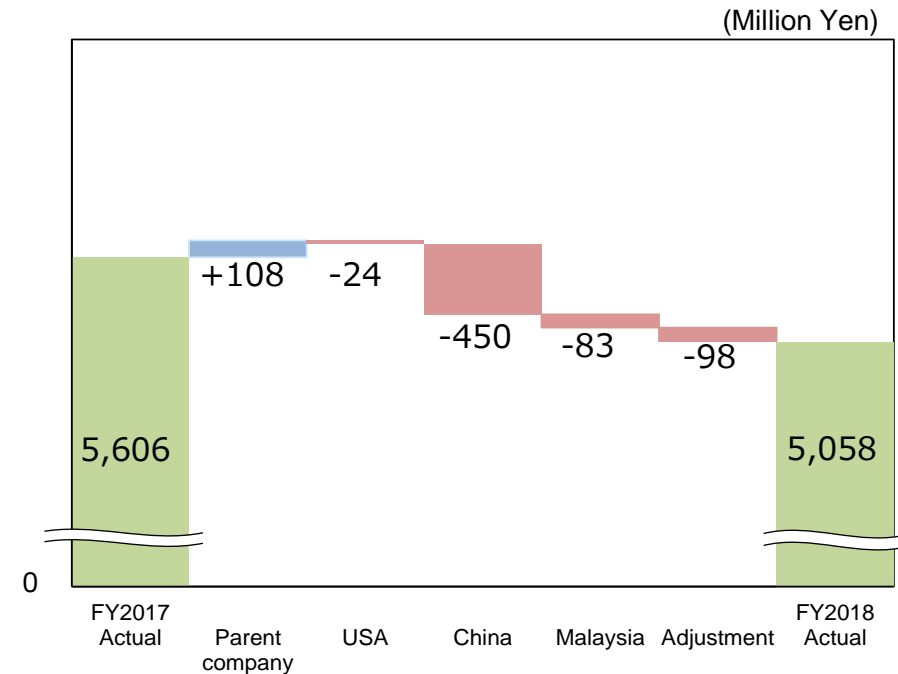
Operating Income by Region

- Profit Decrease Factor
Decrease in Chinese subsidiaries

(Million Yen)

	FY17 Actual	FY18 Actual	yr/yr	%
Parent company	3,868	3,977	108	2.8%
USA	283	259	-24	-8.7%
China	1,348	898	-450	-33.4%
Malaysia	95	11	-83	-87.8%
Adjustment	10	-88	-98	-
Consolidated	5,606	5,058	-547	-9.8%




Currency	Fy2017	Fy2018	Yr/Yr
1US\$	¥111.27	¥110.45	0.7% higher
1RMB	¥16.35	¥16.91	3.4% lower
1MYR	¥25.65	¥27.43	6.9% lower






Parent company	Sales cost ratio improved from sales increase and sales product mix change	Increased
USA	SGA expense increase	Decreased
China	Deterioration of sales cost ratio due to sales product mix change, SGA expense increase	Decreased
Malaysia	Sales decrease	Decreased

Ⅱ . Management Policy

Basic Strategy

-  Focus on Expansion of High-Value-Added and Profitable Blended Flavor Sales
-  Definitively Secure Profit in Domestic Market
-  Seek Growth in Overseas Market

Priority Issues

-  Promote Reform
-  Foster Human Resources
-  Accelerate Penetration in Overseas Market



**Become an
Organization
that Takes on
Challenge**

III. Global Strategies

Domestic Strategy

Basic Strategy: Expand market share by anticipating new market demands stemming from aging society and heighten of health consciousness

Ongoing Project and Progress

Reinforce Sales Structure
Promoting Solution-Oriented Sales Activity

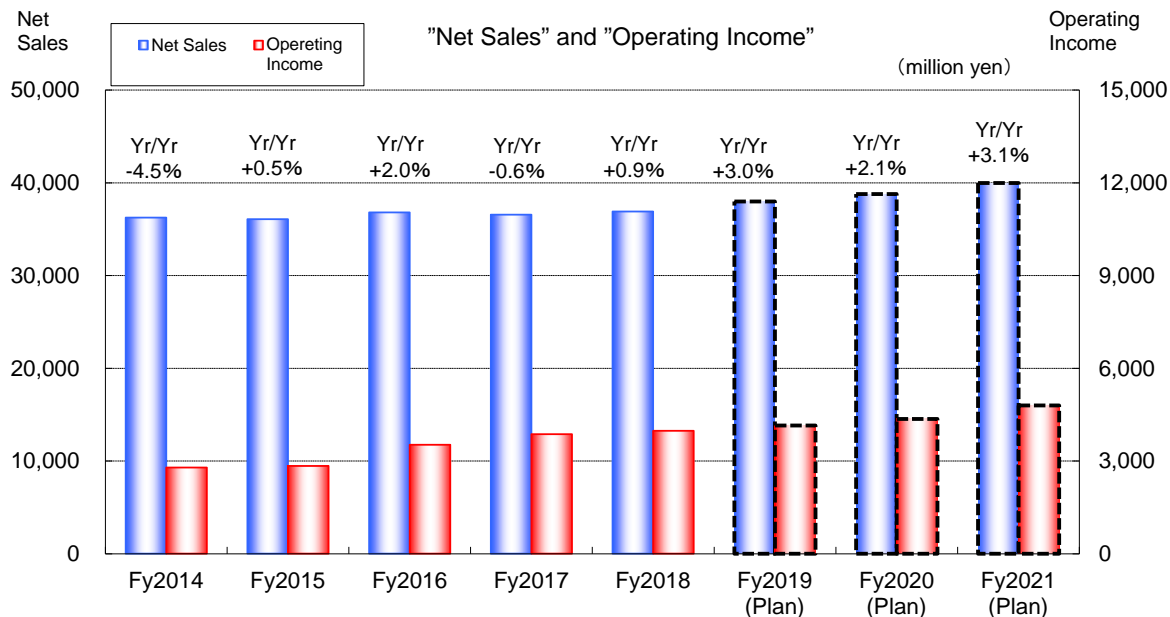
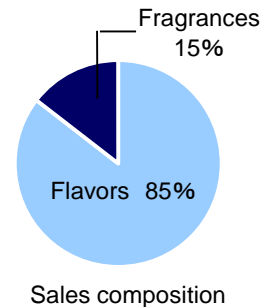
- **Marketing Division takes initiative in marketing strategy development**
- Grasp “Wants” through utilization of **market survey results, analysis**
⇒ Solution-oriented sales project increased
- **Reviewed sales expansion measures at the Project Team**
- **Established organization for development of new customers**

Expanding the range of New Applications

- Focus on new areas, such as healthy foods, medical foods, and demands for masking living odor, etc.
⇒ Propose new materials, materials that brings good taste to health-oriented foods
- Develop substitute flavors for food materials (milk products, vegetables, fruit juice, meat etc.)

Strategic R&D promotion

- Priority area development
- Promote R&D based on connection among research centers
- Create innovation, promote open innovation



FY2018 Sales Performance

Net Sales: 36,907mil. yen
(Increased 0.9% YOY)

Operating Income: 3,977mil. yen
(Increased 2.8% YoY)

Sales Profit Target (FY2021)

Net Sales: 40,000 mil. yen
Operating Income: 4,800 mil. yen

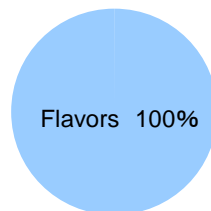
Overseas Strategy –USA–

Basic Strategy: Increase sales of savory flavors and flavors for beverages and further exert the acquisition effect

Ongoing projects and progress

Exert the acquisition effect

- Acquired FLAVOR INGREDIENT HOLDINGS, LLC in June, 2017
- Completed PMI (Post Merger Integration) in April 2018
- Focus on expanding sales not only mainstay products for Savory and Beverage but also health-related products
- ⇒ **Exert acquisition effect, including introduction of enriched product lines to both companies' clients, raw material purchase integration, order increase for health-related products**



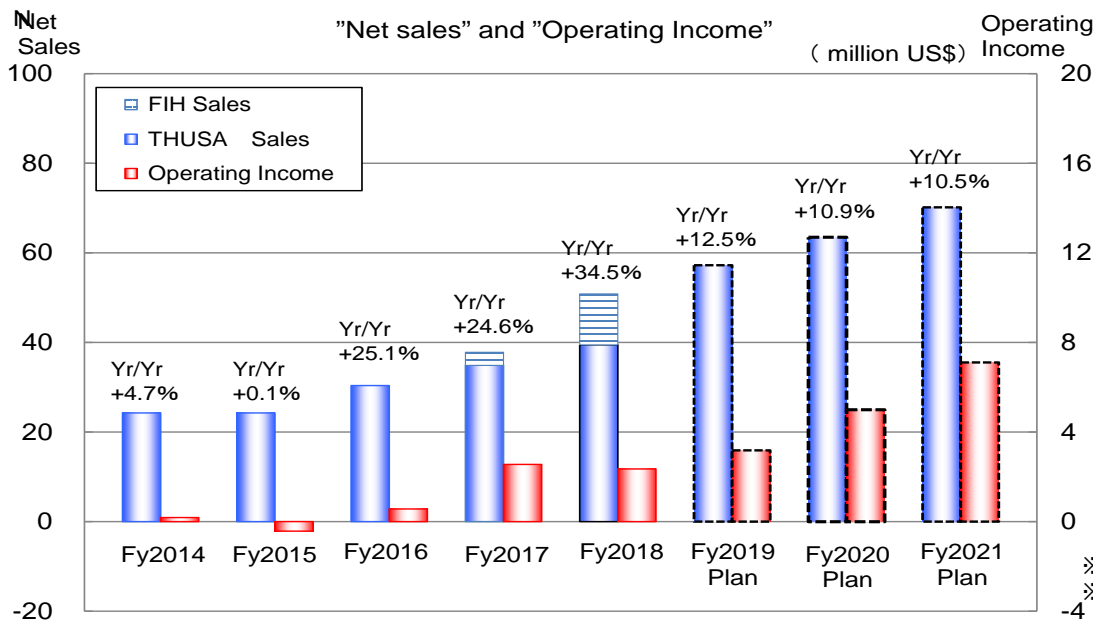
Sales composition

Application for natural flavor

- Shift from synthetic ingredients to natural ingredients
- ⇒ Respond to the demands for natural flavor

Develop marketing strategy
Reinforce sales activities

- Develop long-term growth strategy by sector and strategy by client through market trend analysis, etc.
- Reinforce sales activities aiming at sales expansion
- ⇒ **Effectively allocate limited resources**



FY2018 Sales Performance

Net Sales: 50.8 mil. USD
(Increased 34.5% YoY)
(5,618 mil. yen)

Operating Income: 2.3 mil. USD
(Decreased 8.0% YoY)
(259 mil. yen)

Sales and Profit Target (FY2021)

Net Sales: 70.1 mil. USD
(7,370 mil. yen)
Operating Income: 7.0 mil. USD
(750 mil. yen)

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

※The sales plans for FY2019 to FY2021 are indicated by consolidated figures of THUSA and FIH.

Overseas Strategy – China –

Basic Strategy: Further strengthen organization base to expand sales in Chinese Market

Ongoing Projects and Progress

Measures for business recovery

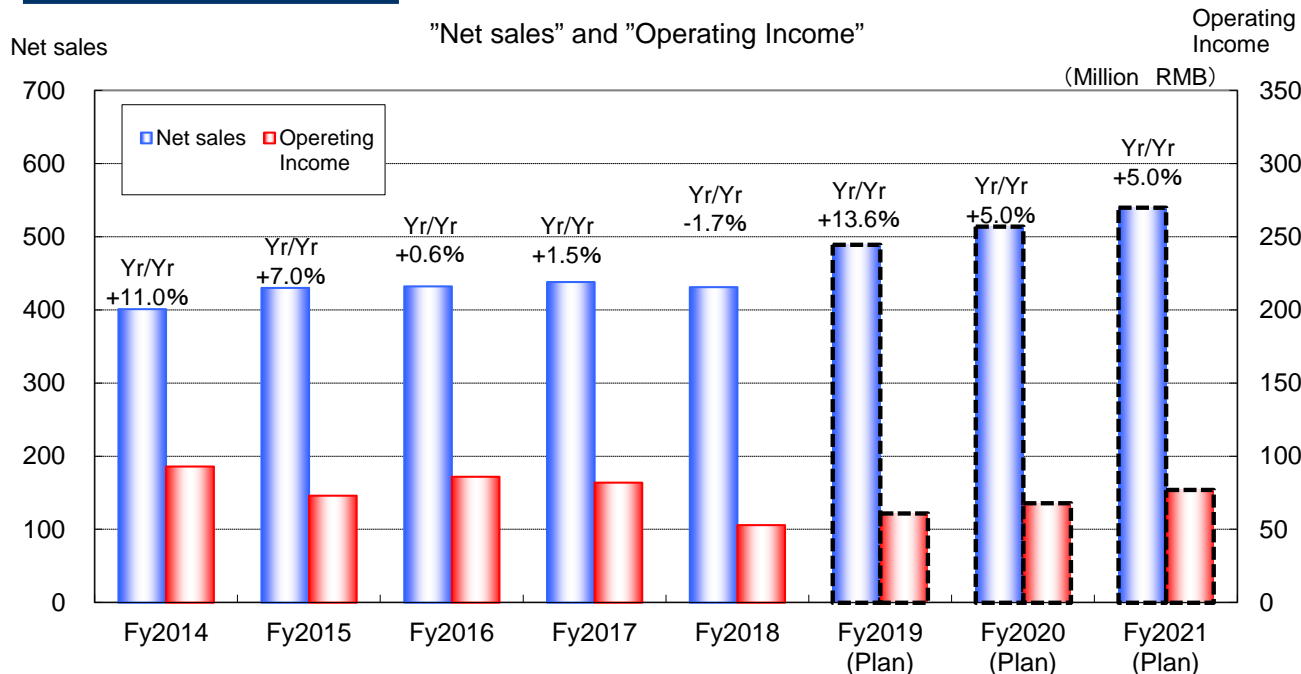
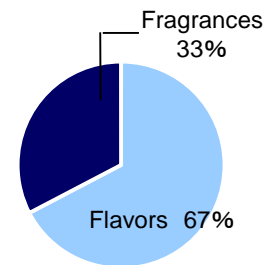
- Reinforce sales activities by hiring senior personnel having overall control over sales division
- Reinforce flavor business organization aiming at development of new sectors and potential demands
- Regular technological exchange with Japan
⇒ Develop new customers, deepen relationship with existing customers, expand business with international and local firms

Reinforcing R&D organization

- Reorganize and enhance R&D facility.
- Open fragrance creation center
⇒ Enable product development reflecting customer requests more quickly and accurately through refinement of fragrance evaluation organization

Reinforcing Organization Structure

- Robust risk management and compliance
- Clarified criteria for grade, remuneration, evaluation through introduction of new HR framework.



FY2018 Sales Performance

Net Sales: 431.3 mil. RMB
(Decreased 1.7% YoY)
(7,293 mil. yen)

Operating Income: 53.1 mil. RMB
(Decreased 35.6% YoY)
(898 mil. yen)

Sales and Profit Target (FY2021)

Net Sales: 540.1 mil. RMB
(8,640 mil. yen)
Operating Income: 77.3 mil. RMB
(1,230 mil. yen)

Overseas Strategy – Southeast Asia –

Basic Strategy: Expand sales through cooperation of sales base in Thailand, Indonesia and production base in Malaysia

Ongoing Projects and Progress

Measures for business recovery

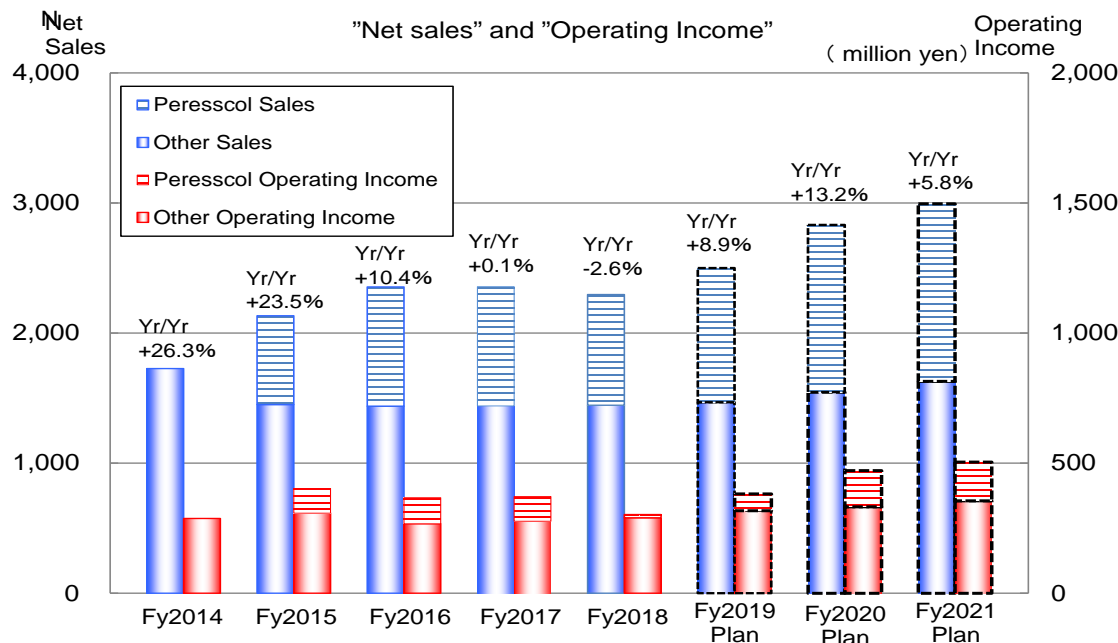
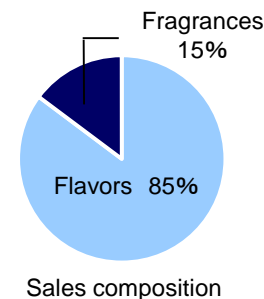
- **Assigned General Manager covering entire Southeast Asia region**
⇒ **Coordinate organic cooperation among office in Southeast Asia region**
- **Increase sales force in Thailand and Indonesia**
- **Assign sales force to surrounding areas (Vietnam, Philippines, Myanmar)**
⇒ **Reinforce sales deployment at areas where sales activities were not sufficiently active**

Development of strategy in Southeast Asia using Peresscol Sdn. Bhd as Hub

- **Retain production facility in Southeast Asia by acquisition of "Peresscol Sdn. Bhd.,"** a Halal-certified flavors sales and production company
- **Support research and production by dispatching specialists from parent company to train local staffs**
- **New manufacturing facility construction plan: watch status of progress in light of political and economic trends**

Improve offices and functions

- **Incorporated local entity in Taipei, started sales activities**
- **Establish Application Laboratories (Thailand, Indonesia, Taipei)**



FY2018 Sales Performance

Net Sales: 2,290 mil. yen

(Decreased 2.6% YoY)

Operating Income: 300 mil. yen

(Decreased 18.6% YoY)

Sales and Profit Target (FY2021)

Net Sales: 3,000 mil. yen

Operating Income: 500 mil. yen

Establish Application Laboratories in Thailand, Indonesia and Taipei

Background

- Sales offices were established in Thailand (2003), Indonesia (2014) and Taipei (2017)
- As sales activities become active at each office, closer communication with customers has become necessary

Purpose

- Environmental improvement to realize close communication with customers
- Establishment of structure capable of promptly responding to customers' requests



Close Communication

Establish Application Laboratories

Function

- Secure physical space for flavors and fragrance presentation to customers
- On-site blending function for minor adjustment of samples
- Kitchen function for making samples adding developed flavors
- Secure dedicated space for sample tasting, etc.



Minor Adjustment / Production of Samples



Evaluation

**Effort to Improve
Customer Satisfaction**

Vanilla Project

Business Tie-up with Universal Leaf Tobacco Company, Inc. in 2015

- Working together on pilot project for vanilla beans cultivation in Brazil
- After 3 years of trial cultivation, reviewed possible commercial development based on the results
- Jan. 2016, started trial cultivation and checking status



Status Quo and Prospect

- Growing well
- First sample was picked and evaluated in Summer 2018
- With good evaluation results, continuing trial cultivation with a view to commercialize

Fermented Natural Flavor Project

Business Tie-up with Ajinomoto Co., Inc. in 2015

- Combined our flavor development technology with fermenting technology of Ajinomoto, and promoted research/development and commercialization of fermented natural flavor
- Made success in development of fermented natural flavor (Vanillin) at labo scale in 2016



Status Quo and Prospect

- In light of current market environment, re-considering commercialization of fermented natural flavor (Vanillin) at this stage
- Commercialization decision to be made going forward taking into account market environment, etc.

IV. Three-Year-Plan

Three Year Plan (Consolidated)

Parent company	Expect sales expansion through Market survey/analysis, solution proposal anticipating potential “Wants,” reinforcement of sales activities for new customer development, etc.
USA	Expect sales expansion in savory flavors, beverages, health-related products through marketing strategy development, reinforcement of sales activities
China	Expect sales recovery through business recovery efforts, such as reinforcement of sales activities, organizational reinforcement for development of new sectors and potential needs
Malaysia	Expect sales recovery through business recovery efforts, such as strengthening of cooperation among offices in Southeast Asia region, sales deployment to surrounding areas

(Million Yen)

	Fy2018 (Actual)	Fy2019 (Plan)	Fy2020 (Plan)	Fy2021 (Plan)
Net sales	49,751	52,200	54,300	56,700
Cost of sales	30,619	31,830	32,810	33,950
Operating income	5,058	5,500	6,160	6,910
Ordinary income	5,512	5,900	6,570	7,320
Net income	4,100	4,300	4,650	5,230
Exchange rates	¥110.45 per U.S.\$ ¥16.91 per RMB	¥105.00 per U.S.\$ ¥16.00 per RMB	¥105.00 per U.S.\$ ¥16.00 per RMB	¥105.00 per U.S.\$ ¥16.00 per RMB
Sales growth ratio	3.6%	4.9%	4.0%	4.4%
Sales cost ratio	61.5%	61.0%	60.4%	59.9%
Operating income ratio	10.2%	10.5%	11.3%	12.2%
Ordinary income ratio	11.1%	11.3%	12.1%	12.9%
Net income ratio	8.2%	8.2%	8.6%	9.2%
Overseas sales ratio	34.5%	35.3%	36.7%	37.7%

※ Three-Year-Plan of T. Hasegawa group is revised every year

※ Detailed information is described on page 43.

- The new R&D facility construction project in China (Approximately 1,000 million yen)
- The new Manufacturing facility construction project in Malaysia (Approximately 2,000 million yen)
- R&D expenses is planned to be kept at around 9% of consolidated sales.

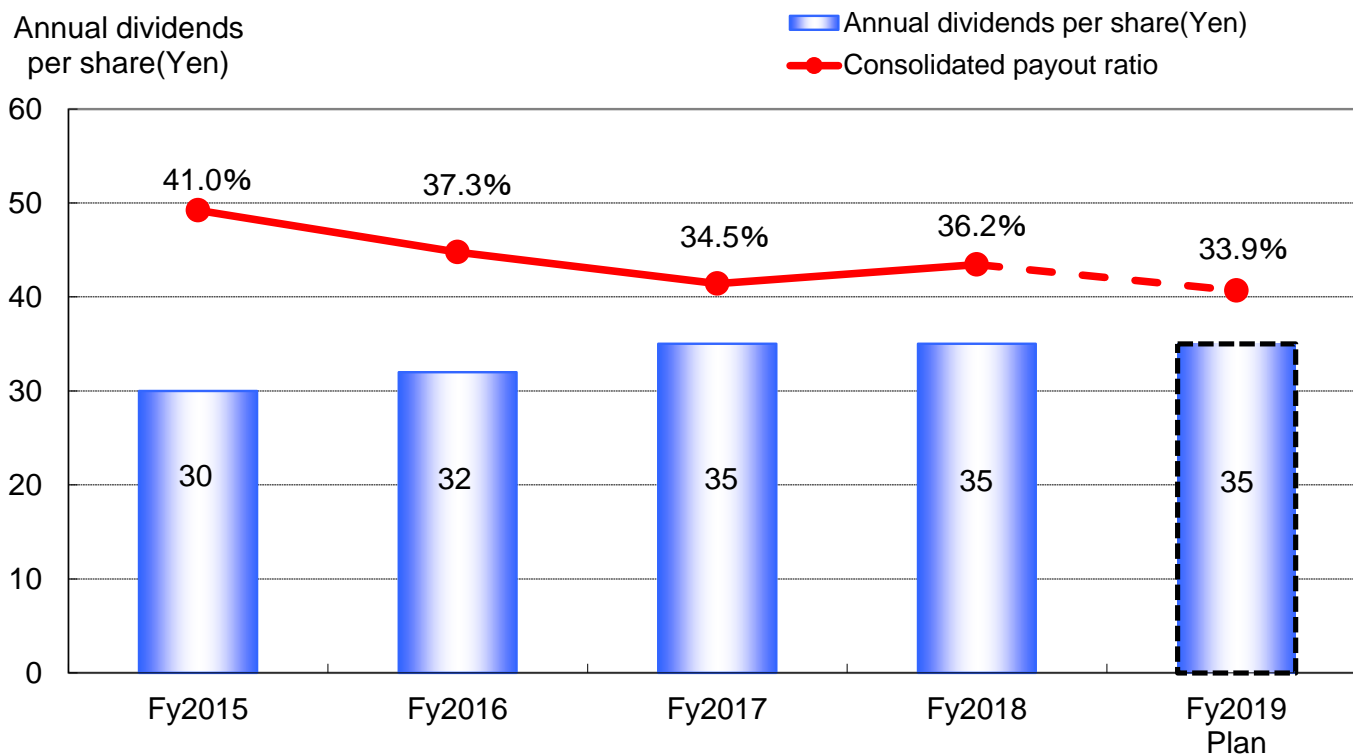
Million Yen

		Fy2018 (Actual)	Fy2019 (Plan)	Fy2020 (Plan)	Fy2021 (Plan)
Capital Investment	Consolidated	2,400	2,710	3,440	3,540
	Non-consolidated	1,693	1,675	1,500	1,500
Depreciation & Amortization	Consolidated	2,986	3,099	3,141	3,202
	Non-consolidated	2,008	2,102	2,111	2,152
R&D Expenses	Consolidated	4,507	4,688	4,856	5,031
	Non-consolidated	3,567	3,662	3,751	3,843

V. Shareholder Redemption

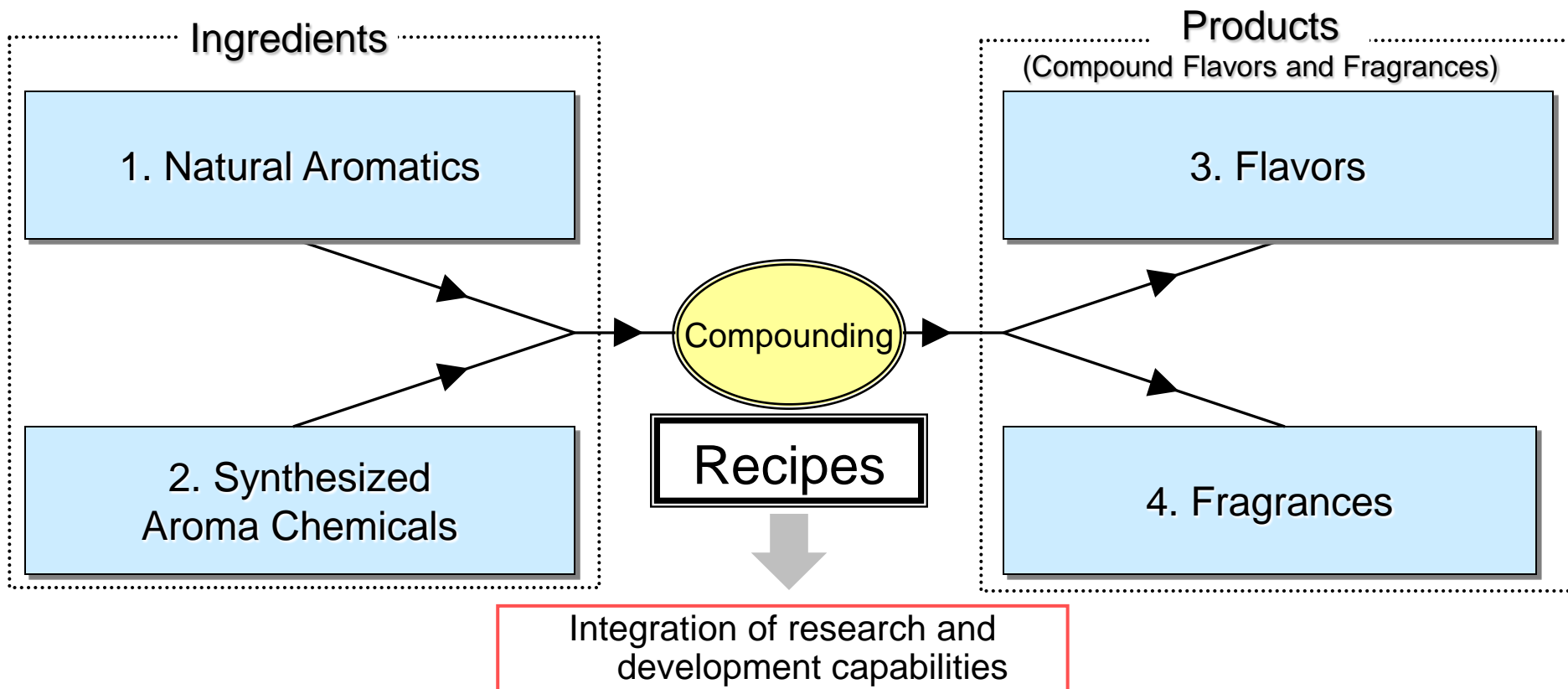
<Basic Policy>

- 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



VI. Appendix

Outline of Flavor and Fragrance Business



Flavorists : Experts who formulate flavors

Perfumers : Experts who formulate fragrances

Flavors and fragrances are tailor-made in accordance with customer requests

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

Market Size of Flavor and Fragrance Industry

Global Market Size of Flavor and Fragrance Industry

Estimated sales volume in global market: 2,900 billion yen (26.3 billion USD)

Europe, Africa and Middle East

- Market Size : Approx. 1,060 bil.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. 750 bil. 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
- Acquired FLAVOR INGREDIENT HOLDINGS, LLC (Affinity Flavors) in 2017

Asia

- Market Size : Approx. 860 bil yen(*)
- Market is growing reflected to economic growth in developing countries. Main growing country is China.
- Major flavor and fragrance companies have developed business in China.
- T.Hasegawa established subsidiaries in Shanghai(2000), Suzhou(2006), Bangkok(2003) and Indonesia(2014).
- T.Hasegawa acquired Peresscol Sdn.Bhd. in Kuala Lumpur, Malaysia in 2014 due to establishment of production base in Asia area.

South America

- Market size : Approx. 230 bil.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=112.1JPY
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

Million USD				
	Company name	Country	Sales(2017Yr)	Market Share
1	Givaudan	Switzerland	5,133	19.5%
2	Firmenich	Switzerland	3,668	13.9%
3	IFF	USA	3,399	12.9%
4	Symrise	Germany	2,673	10.2%
5	Mane SA	France	1,306	5.0%
6	Frutarom	Israel	1,271	4.8%
7	Takasago	Japan	1,185	4.5%
8	Sensient Flavors	USA	619	2.4%
9	Robertet SA	France	570	2.2%
10	T.Hasegawa	Japan	428	1.6%
11	Huabao Intl.	Hong Kong	416	1.6%
	Subtotal	—	20,669	78.6%
	Others	—	5,632	21.4%
	Total	—	26,300	—

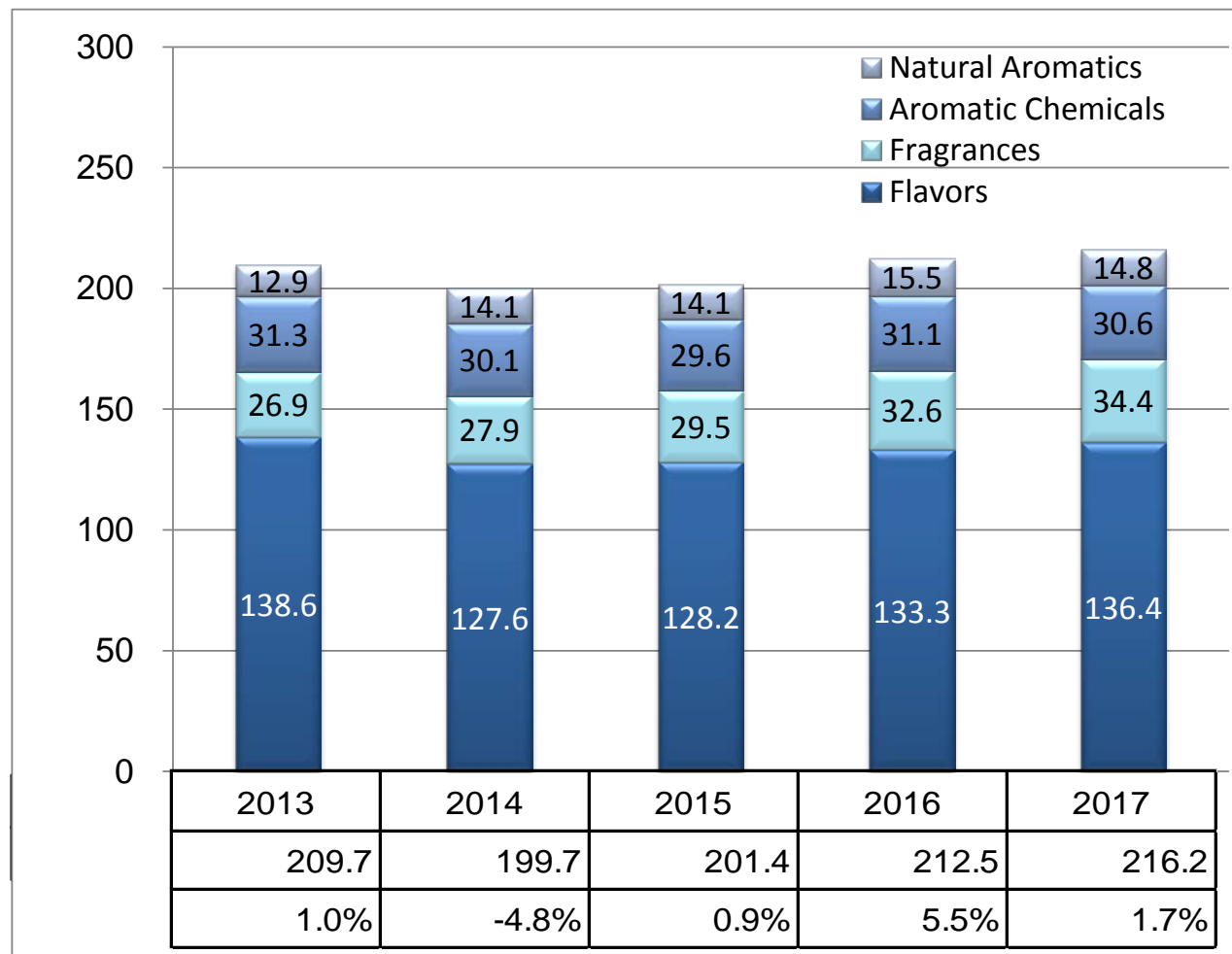
* US \$1 ≒ 112.1Yen

* On May 7, 2018, the press release was published that both companies agreed that IFF will acquire Frutarom.

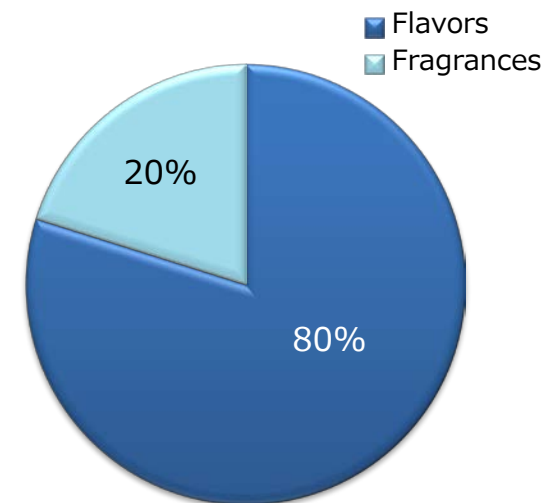
Source of Reference: Leffingwell & Associates
http://www.leffingwell.com/top_10.htm

Flavors 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)



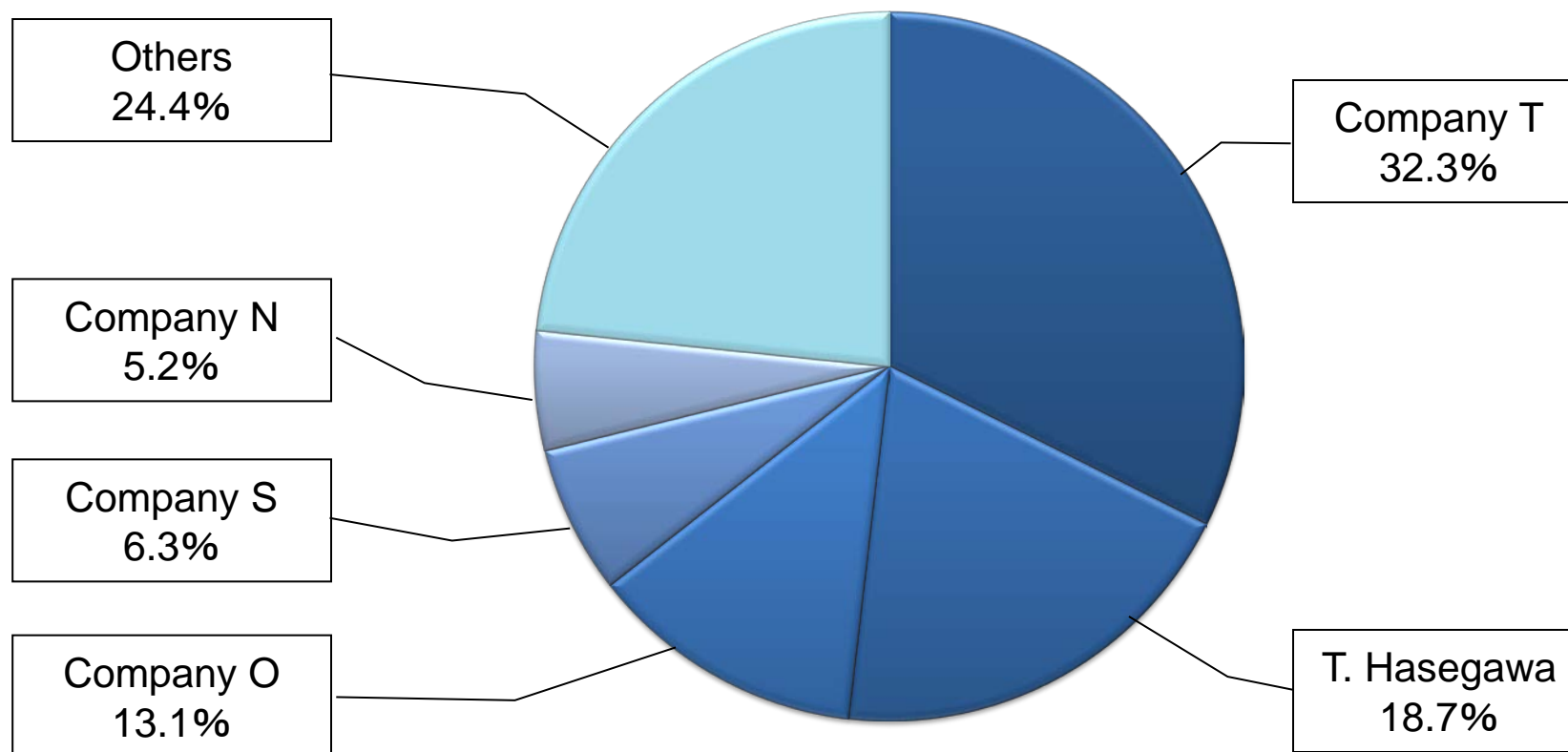
Composition Rate (2017 Yr)



Source of reference : Japan Flavor&Fragrance Materials Association Magazine

Outline of Current Status of T . Hasegawa

Top 5 companies cover approximately 75% of market share in domestic market. (As of Mar. 2018)



*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.2017 to Mar.2018.

Sales Composition Comparison

< Policy in T. Hasegawa >

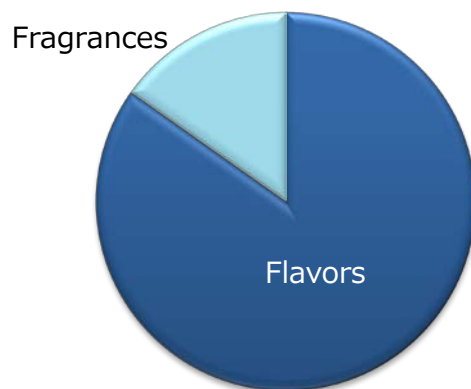
- Focus on sales of compound flavors and fragrances with high added value.
- Sells a kind of approximately 11,000 products of fragrance and flavor per year.

(Million yen)

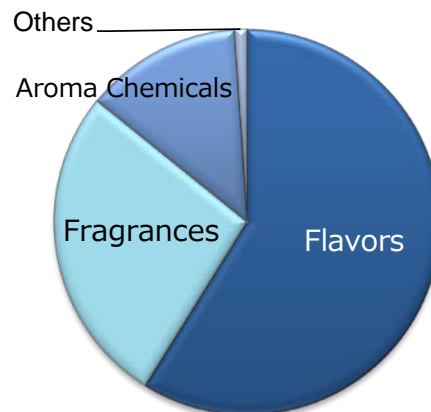
	T. Hasegawa (Consolidated)		Company T (Consolidated)	
	FY ended in Sep. 2018		FY ended in Mar. 2018	
	Sales	Share	Sales	Share
Flavors	42,186	84.8%	83,312	58.8%
Fragrances	7,565	15.2%	38,183	27.0%
Aroma Chemicals	0	0.0%	18,655	13.2%
Others	0	0.0%	1,441	1.0%
Total	49,751	100.0%	141,592	100.0%
Ratio of gross profits to sales	38.5%		31.7%	
Ratio of operating income to sales	10.2%		4.5%	

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

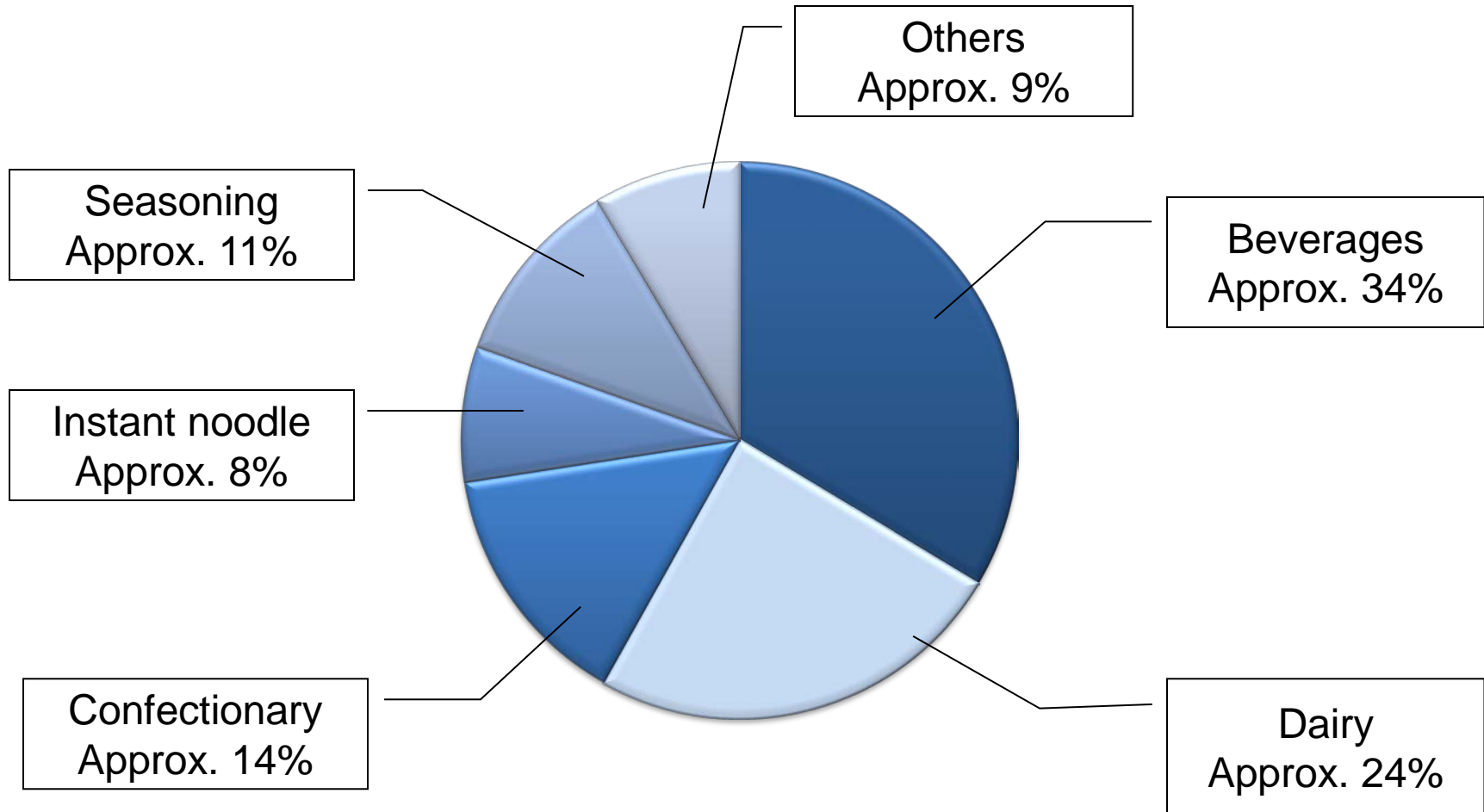
T. Hasegawa
(Consolidated)



Company T
(Consolidated)



Sales share for beverages is high and the sales for beverages has fluctuation in line with seasons.



*The share indicated above is calculate as 100% for total non-consolidated sales of FY2018 regarding the companies which are possible to separate sales by industry.

Additional Financial Information

Consolidated Income Statement Highlights

Operating income decreased due to increase of SG&A expenses

	FY2017 Actual		FY2018 Actual		(Million yen) yr/yr		Remarks
					Value	%	
Net sales	48,001	100.0%	49,751	100.0%	1,749	3.6%	• Sales growth of existing subsidiary in USA and contribution of new subsidiary in USA
Cost of sales	29,245	60.9%	30,619	61.5%	1,373	4.7%	• Cost of sales ratio increased due to decrease of operating rate in production site at subsidiary in China and sales product mix change at Parent company
Gross profit	18,756	39.1%	19,132	38.5%	375	2.0%	
SG&A expenses	13,149	27.4%	14,073	28.3%	923	7.0%	• Amortization of goodwill and increase of SGA expenses of new subsidiary in USA both relating to the acquisition of last year • Increase of SGA expenses at parent company
Operating income	5,606	11.7%	5,058	10.2%	-547	-9.8%	
Ordinary income	6,101	12.7%	5,512	11.1%	-588	-9.6%	(FY2018) Foreign exchange losses of 15 million Yen was calculated as Non-operating income (FY2017) Foreign exchange gains of 173 million Yen was calculated as Non-operating income
Profit before income taxes	6,137	12.8%	5,521	11.1%	-616	-10.0%	
Net income	4,299	9.0%	4,100	8.2%	-199	-4.6%	

Consolidated Balance Sheet Highlights

(Million yen)

	September 30 2017	September 30 2018	Increase or Decrease	Remarks
Current assets	48,694	52,366	3,671	<ul style="list-style-type: none"> • Increase in Cash and Cash equivalents: 2,319m Yen • Increase in Inventories: 1,807m Yen
Fixed assets	61,141	66,868	5,727	<ul style="list-style-type: none"> • Increase in Investment securities: 6,938m Yen • Decrease in Property, plant and equipment: -631m Yen • Decrease in Intangible fixed assets: -526m Yen
Total assets	109,836	119,235	9,398	
Current liabilities	10,534	10,664	129	<ul style="list-style-type: none"> • Increase in Accrued expenses: 591m Yen • Decrease in Accounts payable-trade: -260m Yen • Decrease in Income tax payable and Accrued consumption taxes: -228m Yen
Long-term liabilities	11,772	13,988	2,215	<ul style="list-style-type: none"> • Increase in Deferred tax liabilities: 2,085m Yen
Total liabilities	22,307	24,652	2,345	
Total net assets	87,528	94,582	7,053	<ul style="list-style-type: none"> • Profit attributable to owners of parent: 4,100m Yen • Dividends of surplus: -1,527m Yen • Foreign currency translation adjustment: -206m Yen • Valuation difference on available-for-sale securities: 4,817m Yen
Total liabilities and net assets	109,836	119,235	9,398	

Consolidated Statement of Cash Flows

(Million Yen)

	FY2017 Actual	FY2018 Actual	Increase or Decrease	Remarks
Cash flows from operating activities	4,860	5,894	1,034	<ul style="list-style-type: none"> • Profit before income taxes: 5,521m Yen • Depreciation & Amortization: 2,986m Yen • Increase in Notes and Accounts payable - trade: 548m Yen • Increase in Inventories: -1,783m Yen • Income taxes paid: -1,569m Yen
Cash flows from investing activities	-9,456	-3,624	5,832	<ul style="list-style-type: none"> • Purchase of Property, plant and equipment: -1,816m Yen • Payments into time deposits: -2,088m Yen • Proceeds from withdrawal of time deposits: 445m Yen
Cash flows from financing activities	-1,519	-1,534	-14	• Cash dividends paid: -1,526m Yen
Effect of currency change on cash and cash equivalents	314	-51	-366	—
Net Change in cash and cash equivalents	-5,802	683	6,485	—
Cash and Cash equivalents at beginning of period	22,313	16,511	-5,802	—
Cash and cash equivalents at end of period	16,511	17,221	709	—

(Million Yen)

		FY2018 Plan	FY2018 Actual	Progress (%)
Capital Investment	Consolidated	3,355	2,400	71.5%
	Non-consolidated	1,835	1,693	92.3%
Depreciation & Amortization	Consolidated	2,863	2,986	104.3%
	Non-consolidated	2,061	2,008	97.4%
R&D Expenses	Consolidated	4,609	4,507	97.8%
	Non-consolidated	3,597	3,567	99.2%

Income Statement Highlights - Non-consolidated (Actual)

(Million yen)

	FY2017 Actual		FY2018 Revised plan (May, 2018)		FY2018 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	36,572	100.0%	37,300	100.0%	36,907	100.0%	335	0.9%	-392	-1.1%
Cost of sales	22,710	62.1%	23,260	62.4%	22,798	61.8%	88	0.4%	-461	-2.0%
Gross profit	13,862	37.9%	14,040	37.6%	14,109	38.2%	247	1.8%	69	0.5%
SG&A expenses	9,993	27.3%	10,160	27.2%	10,131	27.5%	138	1.4%	-28	-0.3%
Operating income	3,868	10.6%	3,880	10.4%	3,977	10.8%	108	2.8%	97	2.5%
Ordinary income	4,363	11.9%	4,220	11.3%	4,470	12.1%	106	2.4%	250	5.9%
Profit before income taxes	4,375	12.0%	4,250	11.4%	4,397	11.9%	22	0.5%	147	3.5%
Net income	3,225	8.8%	3,110	8.3%	3,247	8.8%	22	0.7%	137	4.4%

- Sales of toiletry products at fragrance division increased
- Operating income declined due to sales cost ratio improved from sales increase and sales product mix change

USA Subsidiaries (consolidated base) (Actual)

*Consolidated profit and loss statement of 2 USA consolidated subsidiaries (T. HASEGAWA U.S.A., INC. and FLAVOR INGREDIENT HOLDINGS, LLC)

*Because FLAVOR INGREDIENT HOLDINGS, LLC was merged in June 2017, the previous year's data is 3 month performance from July to Sept. 2017, and current year's data is 12 month performance from Oct. 2017 to Sept. 2018

(Million Yen)

Yen Basis	FY2017		FY2018		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	4,209	100.0%	5,618	100.0%	1,409	33.5%
Cost of sales	2,532	60.2%	3,343	59.5%	810	32.0%
Gross profit	1,677	39.8%	2,275	40.5%	598	35.7%
SG&A expenses	1,393	33.1%	2,016	35.9%	622	44.7%
Operating income	283	6.7%	259	4.6%	-24	-8.7%
Ordinary income	278	6.6%	255	4.5%	-23	-8.3%

Yen111.27/USD

Yen110.45/USD

0.7% higher

(Thousand US\$)

Local Currency Basis	FY2017		FY2018		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	37,828	100.0%	50,869	100.0%	13,040	34.5%
Cost of sales	22,755	60.2%	30,267	59.5%	7,511	33.0%
Gross profit	15,073	39.8%	20,602	40.5%	5,529	36.7%
SG&A expenses	12,521	33.1%	18,253	35.9%	5,732	45.8%
Operating income	2,551	6.7%	2,348	4.6%	-203	-8.0%
Ordinary income	2,500	6.6%	2,309	4.5%	-191	-7.7%

- Sales increased mainly from increase in savory flavor and beverage flavor, and sales contribution of merged subsidiary. Achieved double digit sales growth rate on both yen basis and local currency basis.
- Operating income decreased mainly due to increase of SGA expenses.

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

Chinese Subsidiaries (consolidated base) (Actual)

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

(Million Yen)

Yen Basis	FY2017		FY2018		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	7,177	100.0%	7,293	100.0%	116	1.6%
Cost of sales	4,240	59.1%	4,683	64.2%	442	10.4%
Gross profit	2,936	40.9%	2,610	35.8%	-326	-11.1%
SG&A expenses	1,588	22.1%	1,712	23.5%	123	7.8%
Operating income	1,348	18.8%	898	12.3%	-450	-33.4%
Ordinary income	1,412	19.7%	951	13.0%	-461	-32.7%

Yen16.35/RMB

Yen16.91/RMB

3.4% lower

(Thousand RMB)

Local Currency Basis	FY2017		FY2018		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	438,971	100.0%	431,324	100.0%	-7,646	-1.7%
Cost of sales	259,364	59.1%	276,960	64.2%	17,596	6.8%
Gross profit	179,606	40.9%	154,364	35.8%	-25,242	-14.1%
SG&A expenses	97,139	22.1%	101,253	23.5%	4,114	4.2%
Operating income	82,467	18.8%	53,110	12.3%	-29,356	-35.6%
Ordinary income	86,386	19.7%	56,241	13.0%	-30,144	-34.9%

- Although sales decreased on local currency basis due to decrease in flavor division, increased on yen basis from impact of depreciation of yen.
- Operating income decreased due to deterioration of sales cost ratio from sales product mix change and SGA expense increase.

(Million Yen)

Yen Basis	FY2017		FY2018		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	917	100.0%	850	100.0%	-67	-7.3%
Cost of sales	547	59.7%	550	64.8%	3	0.6%
Gross profit	369	40.3%	299	35.2%	-70	-19.1%
SG&A expenses	274	29.9%	287	33.8%	12	4.7%
Operating income	95	10.4%	11	1.4%	-83	-87.8%
Ordinary income	98	10.7%	27	3.3%	-70	-71.6%

Yen25.65MYR

Yen27.43/MYR

6.9% lower

(Thousand Malaysian Ringgit)

Local Currency Basis	FY2017		FY2018		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	35,768	100.0%	30,991	100.0%	-4,777	-13.4%
Cost of sales	21,356	59.7%	20,084	64.8%	-1,272	-6.0%
Gross profit	14,412	40.3%	10,907	35.2%	-3,505	-24.3%
SG&A expenses	10,707	29.9%	10,484	33.8%	-223	-2.1%
Operating income	3,704	10.4%	422	1.4%	-3,282	-88.6%
Ordinary income	3,834	10.7%	1,019	3.3%	-2,815	-73.4%

- Sales declined due to decrease for products for snacks.
- Operating income declined due to decrease of gross profit associated with sales decrease.

Three-Year-Plan (Consolidated Income Statement)

(Million yen)

	FY2018 (Actual)			FY2019 (Plan)			FY2020 (Plan)			FY2021 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	49,751	100.0%	3.6%	52,200	100.0%	4.9%	54,300	100.0%	4.0%	56,700	100.0%	4.4%
Cost of sales	30,619	61.5%	4.7%	31,830	61.0%	4.0%	32,810	60.4%	3.1%	33,950	59.9%	3.5%
Gross profit	19,132	38.5%	2.0%	20,370	39.0%	6.5%	21,490	39.6%	5.5%	22,750	40.1%	5.9%
SG&A expenses	14,073	28.3%	7.0%	14,870	28.5%	5.7%	15,330	28.2%	3.1%	15,840	27.9%	3.3%
Operating income	5,058	10.2%	-9.8%	5,500	10.5%	8.7%	6,160	11.3%	12.0%	6,910	12.2%	12.2%
Ordinary income	5,512	11.1%	-9.6%	5,900	11.3%	7.0%	6,570	12.1%	11.4%	7,320	12.9%	11.4%
Profit before income taxes	5,521	11.1%	-10.0%	5,850	11.2%	6.0%	6,460	11.9%	10.4%	7,210	12.7%	11.6%
Net income	4,100	8.2%	-4.6%	4,300	8.2%	4.9%	4,650	8.6%	8.1%	5,230	9.2%	12.5%

Caution with Respect to Forward-Looking Statements:

This material is composed based on data as of Nov. 9th 2018 and the purpose to publish this material is to offer information of management plan and consolidated financial statement.

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 and uncertainties could cause actual results to differ 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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