


# Financial Results for the Year Ended September 30, 2016

**T. HASEGAWA CO., LTD.**

November 25, 2016

# Agenda

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Ⅰ. Message from President & COO

Ⅱ. Overview of Consolidated Financial Statement

Ⅲ. Global Strategies

Ⅳ. Three-Year-Plan

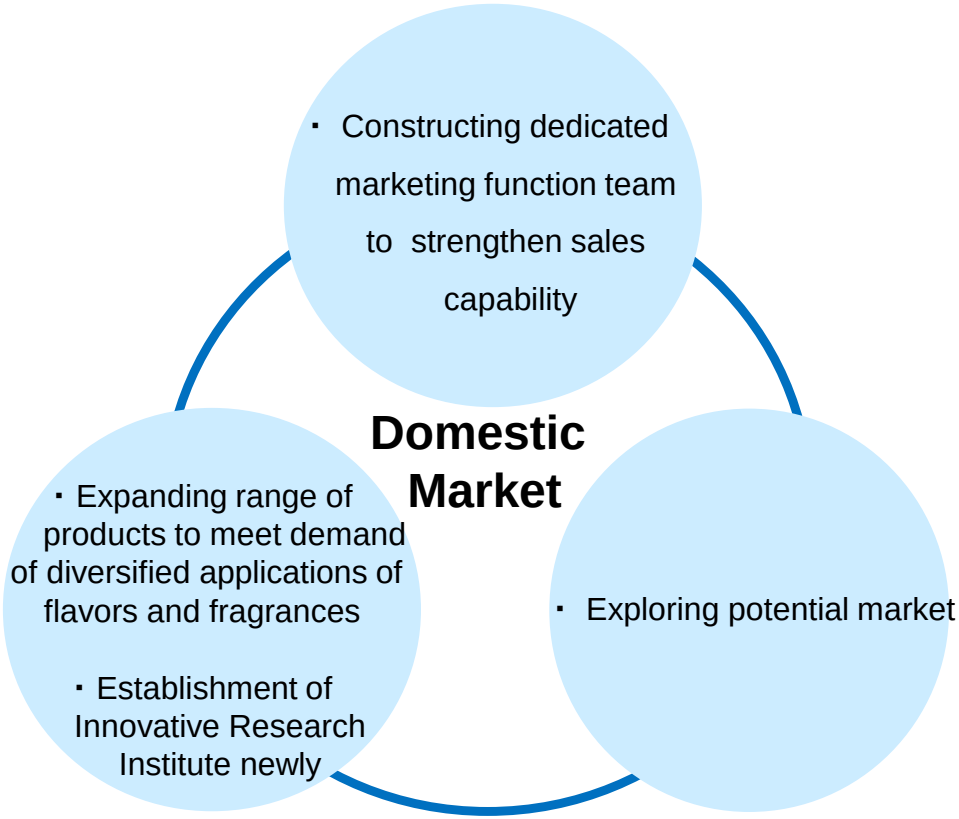
Ⅴ. Shareholder Redemption

Ⅵ. Appendix

# Ⅰ. Message from President & COO

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## For stable earnings in domestic market & further growth in overseas market






# Ⅱ. Overview of Consolidated Statement

# Market Environment

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Domestic market

- Flavors and fragrances market in 2015 (from January to December)expanded approximately 1% compared to the previous year.
- In summer from June to Aug in 2015, average temperature has been kept higher than usual regardless being delay of rainy season end in East area.
- Beverage market grew slightly in 2015 compared to the previous year. In 2016 from Jan. to Sep., the sales has been kept higher level than last year. After earthquake in Kumamoto Prefecture, the demand of bottled water used for living and saving increased, and sales of tea beverages increased stably.
- New products of flavored water, carbonated drink, canned coffee contributed to sales increase.

Overseas Market (in 2015)

- Flavors and fragrances market in worldwide has been kept increasing on a local currency basis, on the other hand, the market shrank approximately 3% on dollar currency basis due to change in an exchange rate.
- In China, sales of lactic acid beverages, protein beverages and functional beverages increased in line with the trend enhancing consciousness of health and safety
- In the US., beverages market has been increased slightly.
- In Southeast Asia, the sales of the products of beverages, snacks, and confectioneries are growing. In the market of beverages, the growth of teas beverages and powdered coffee beverages has expanded especially.

# Overview of consolidated statement

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(YoY)

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

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

(Vs. Plan)

Net sales marked lower than planned due to the decrease of sales in overseas subsidiary in China.

Operating income achieved better than planned due to shrinking cost of sales resulting from sales mix change and the decrease of production cost

Million Yen

| | FY15 Actual | FY16 Plan | FY16 Actual | Achievement | | | |
|---|---|---|---|---|---|---|---|
| | | | | yr/yr | | vs. Plan | |
| | | | | Value | % | Value | % |
| Net sales | 47,228 | 49,430 | 47,591 | 363 | 0.8% | -1,838 | -3.7% |
| Cost of sales | 29,949 | 31,730 | 29,836 | -113 | -0.4% | -1,893 | -6.0% |
| Gross profit | 17,278 | 17,700 | 17,754 | 476 | 2.8% | 54 | 0.3% |
| SGA expenses | 12,925 | 13,320 | 12,594 | -331 | -2.6% | -725 | -5.5% |
| Operating income | 4,352 | 4,380 | 5,160 | 807 | 18.6% | 780 | 17.8% |
| Ordinary income | 4,852 | 4,640 | 5,164 | 312 | 6.4% | 524 | 11.3% |
| Income before income taxes | 4,613 | 4,520 | 5,179 | 566 | 12.3% | 659 | 14.6% |
| Net income | 3,043 | 3,070 | 3,637 | 594 | 19.5% | 567 | 18.5% |

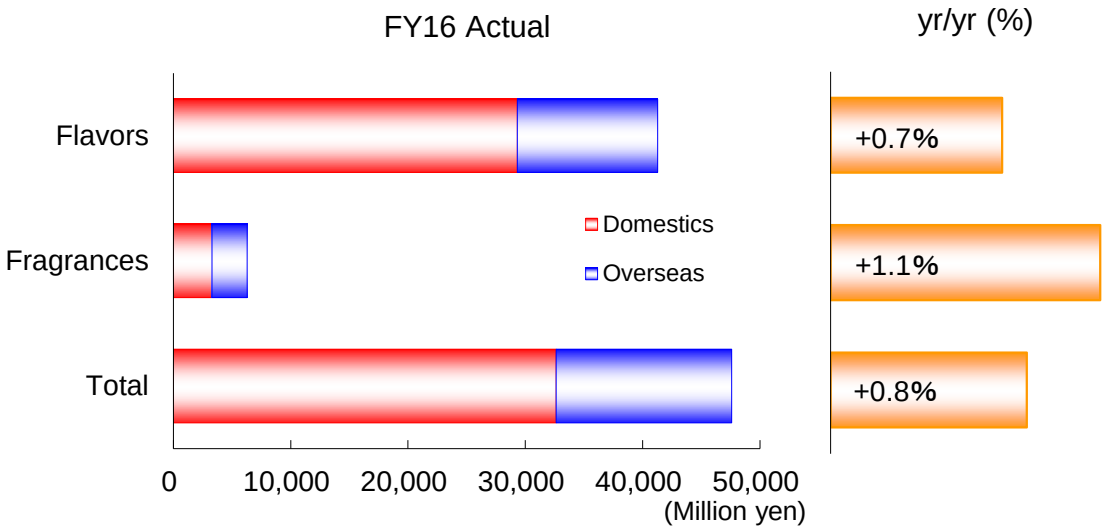
# Net Sales by Product Segments

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Total net sales expanded due to the increase of sales in parent company for both of flavor and fragrance products, and in the subsidiaries in U.S.A and in Malaysia

（Million yen）

| Category | FY15 Actual | FY16 Actual | yr/yr | | Remark |
|---|---|---|---|---|---|
| | | | Value | % | |
| Flavors | 41,008 | 41,300 | 291 | 0.7% | Parent company and subsidiary in USA expanded sales, and subsidiary in Malaysia contributed to full-term sales |
| Fragrances | 6,219 | 6,290 | 71 | 1.1% | Parent company's sales for toiletry products increased |
| Total | 47,228 | 47,591 | 363 | 0.8% | — |




*FY16 Overseas sales ratio 31.4%

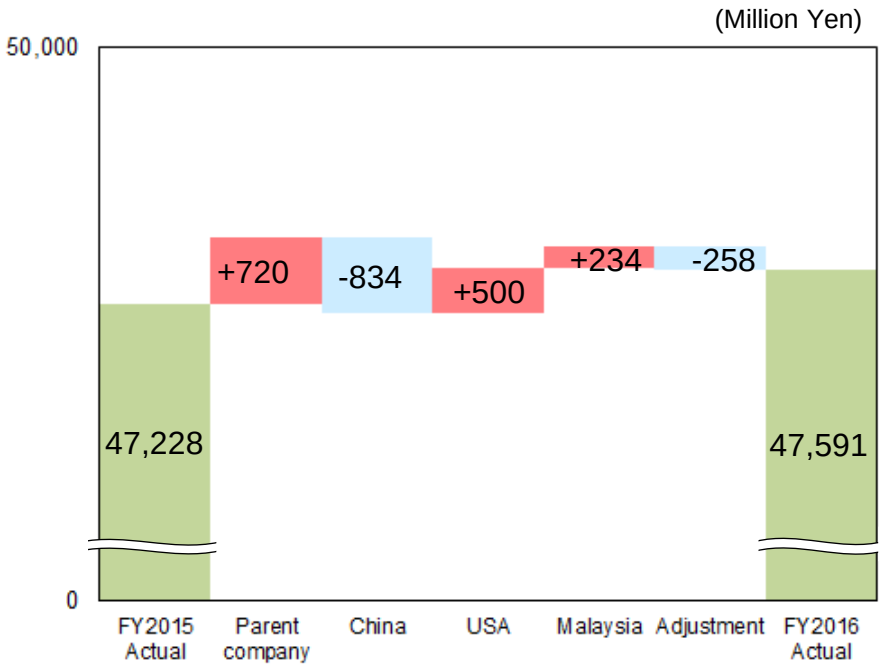
# Net Sales by Region

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Parent company and subsidiary in USA expanded sales, and subsidiary in Malaysia contributed to full-term sales which was included in the consolidation for entire 12 months despite the sales for 9months in the same period of previous year.

（Million Yen）

| | FY15 Actual | FY16 Actual | yr/yr | % |
|---|---|---|---|---|
| Parent company | 36,081 | 36,801 | 720 | 2.0% |
| China | 8,230 | 7,396 | -834 | -10.1% |
| USA | 2,895 | 3,396 | 500 | 17.3% |
| Malaysia | 683 | 917 | 234 | 34.3% |
| Adjustment | -662 | -921 | -258 | - |
| Consolidated | 47,228 | 47,591 | 363 | 0.8% |




・Parent company : Sales of flavors for beverages and fragrances for toiletry products increased. — Increase in net sales

・China : Yen based-sales decreased due to a rise in exchange rate of the yen despite the increase of local currency-based sales. — Decrease in net sales

・USA : Sales for existing customer in savory flavor category increased. — Increase in net sales

・Malaysia : Sales throughout the year is included in consolidated results compared to the sales for 9months in the previous year.
Sales of flavor products for snacks increased. — Increase in net sales

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

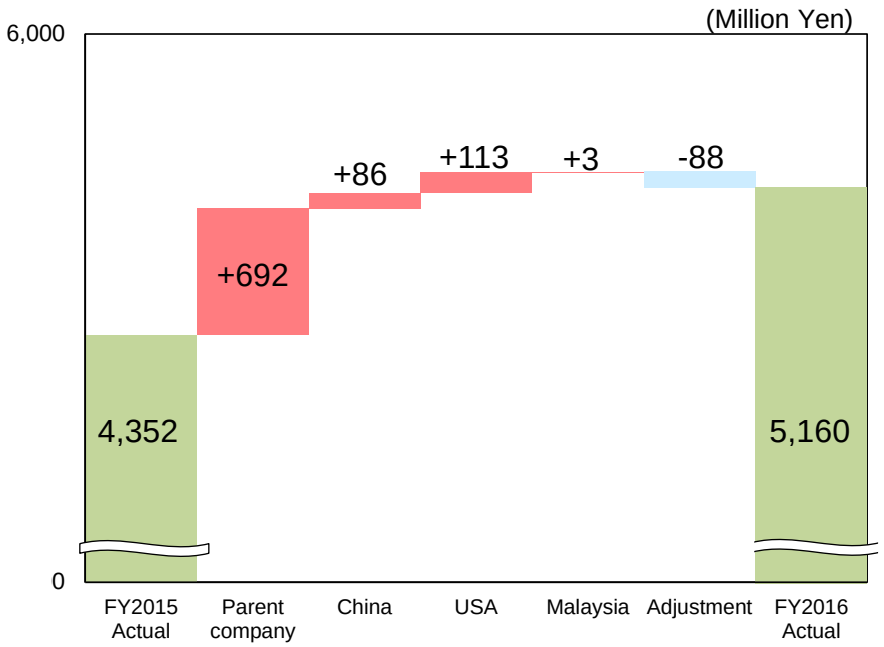
# Operating Income by Region

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・Factor of operating income increase
Parent company contributed to margin increase

（Million Yen）

| | FY15 Actual | FY16 Actual | yr/yr | % |
|---|---|---|---|---|
| Parent company | 2,836 | 3,528 | 692 | 24.4% |
| China | 1,400 | 1,487 | 86 | 6.2% |
| USA | -50 | 63 | 113 | - |
| Malaysia | 95 | 99 | 3 | 3.9% |
| Adjustment | 70 | -18 | -88 | - |
| Consolidated | 4,352 | 5,160 | 807 | 18.6% |




・Parent company : Sales increased and cost of sales decreased due to change of product mix and decrease of production cost.

・China : Decreased in SG&A expenses.

・USA : Sales increased and the SG&A expenses ratio improved.

・Malaysia : Sales slightly increased due to a rise in exchange rate of the yen.

Increase in operating income

Increase in operating income

Returning to profit

Increase in operating income

# Ⅲ. Global Strategies

# Domestic Strategy

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**Basic Strategy：Expanding market shares by anticipating new markets stemming from aging society and healthy trends**

## Ongoing Project and Progress

**Solution-Oriented Sales Activity**

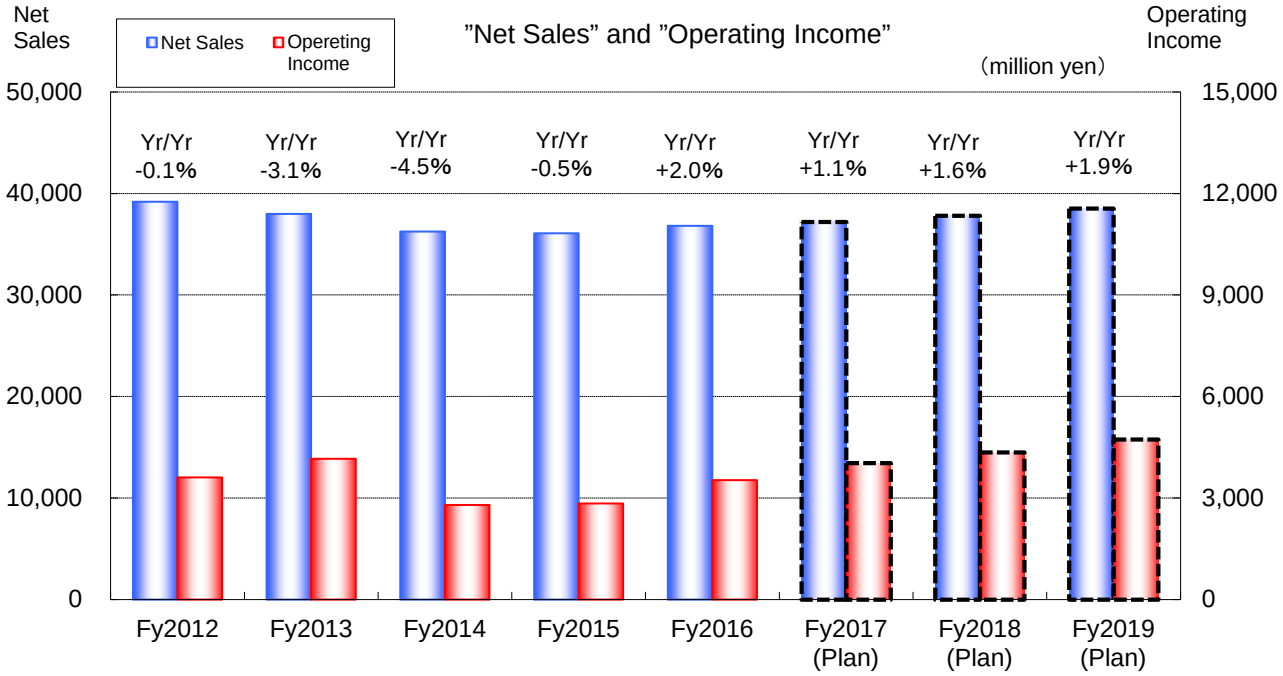
- Launched project team aimed to strengthen marketing function in order to increase sales ⇒ Re-organized flavor sales division to enhance marketing ability.
- Proposition of new functional materials which add delicious flavors to diet foods having function of low-sugar, low-salt and low-fat

**Enhancing Capabilities to Provide Flavors and Fragrances for New Applications**

- Focusing on new categories such as non-alcoholic beers, alcoholic beverages, health foods, and foods for medical uses
- Developing flavors which can replace food materials (milk, vegetables, fruit juice, meat etc.)

**Establishment of Innovative Research Center Newly**

- Integration from each research center of basic technique, flavor, and fragrance
- Implementation of innovative research for expecting market




## FY2016 Sales Performance

**Net Sales：36,801mil.yen**
(Increased 2.0% YoY)

**Operating Income：3,528mil.yen**
(Increased 24.4% YoY)

## Sales and Profit Target (FY2021)

**Net Sales：39,700mil.yen**

**Operating Income：5,200mil.yen**

# Innovative Research Institute

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| | |
|---|---|
| Purpose | • Conducting creative research for the future by the integration of fundamental research of technical research, flavor and fragrance institutes<br>• Taking innovate approaches to develop flavor and fragrance products, that can differentiate from competitors' |
| Concept | • Seeking efficiency of creation process, and generating added value by the integration of synthetic chemistry, analysis and formulation development<br>• Aiming to improve evaluation and presentation skills through strong collaboration of research on physiological response and sensory evaluation |

## Analysis



## Physiological Response



## Formulation Development



## Sensory Evaluation



# Mid-to-Long Term Project

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## Business Alliance with Ajinomoto Co., Inc.

Announced in Nov.2015

**Back ground**

- Significantly growing market for natural flavors backed by emerging demand for natural beverages and foods
- Increasing demands for natural flavors in Europe and USA
- Major food companies announced the removal of all synthetic flavors derived from chemical raw materials to their confectionery products

**Reason**

- Natural flavor is defined by European and American regulations as a natural extract or a fermentation product
  ⇨ Fermentation products have become a hot topic, as extract products face problems with costs and securing raw materials
- Ajinomoto Co., Inc. has its original leading technology in the fields of biotechnology and fermentation technology, cultivated through their research and development of amino acids

The collaboration of TH and Ajinomoto's technology will enable the research, development and commercialization of fermentation-derived natural flavors

**Current status and Prospect**

・The price of vanilla beans in 2017 is expected to be 10 times expensive more than the price in 2010.
→Stock volume of vanilla beans decreased in worldwide due to change of the target which farmers produce from vanilla to other farm products in Indonesia and India until 2010 in line with the low price of vanilla and unseasonable weather.

・The lab-scale production of fermentation-derived natural flavor (vanillin) has been succeeded, and we collaborate on next step to industrialization.
→Target is to propose sample of fermentation-derived natural flavor to customer next year
・Under expectation of contributing it to net sales after FY 2018.

# Mid-to-Long Term Project

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## Business Alliance with Universal Leaf Tobacco Company, Inc.

Announced in Nov.2015

| | |
|---|---|
| Back ground | • Pre-existing concerns about the necessity to diversify and to reinforce supply sources of natural ingredients |
| Reason | • Universal Leaf Tobacco has an advantage in plant cultivation such as Tobacco leaf, dried vegetable and fruits<br>• The alliance will ensure the access to steady supply sources of natural raw materials |

- Plan to collaborate in a pilot project for growing vanilla beans in Brazil
- After trial cultivation for three years, decisions on the commercialization of the vanilla beans will be made according to trial outcomes

| | |
|---|---|
| Current progress | • Growing trial was launched in January 2016 on plan<br>• On going without problem |








Current status on Sep.2016

# Overseas Strategies －China－

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**Basic Strategy: Strengthen the fundamental by investment in order to achieve further growth in Chinese market**

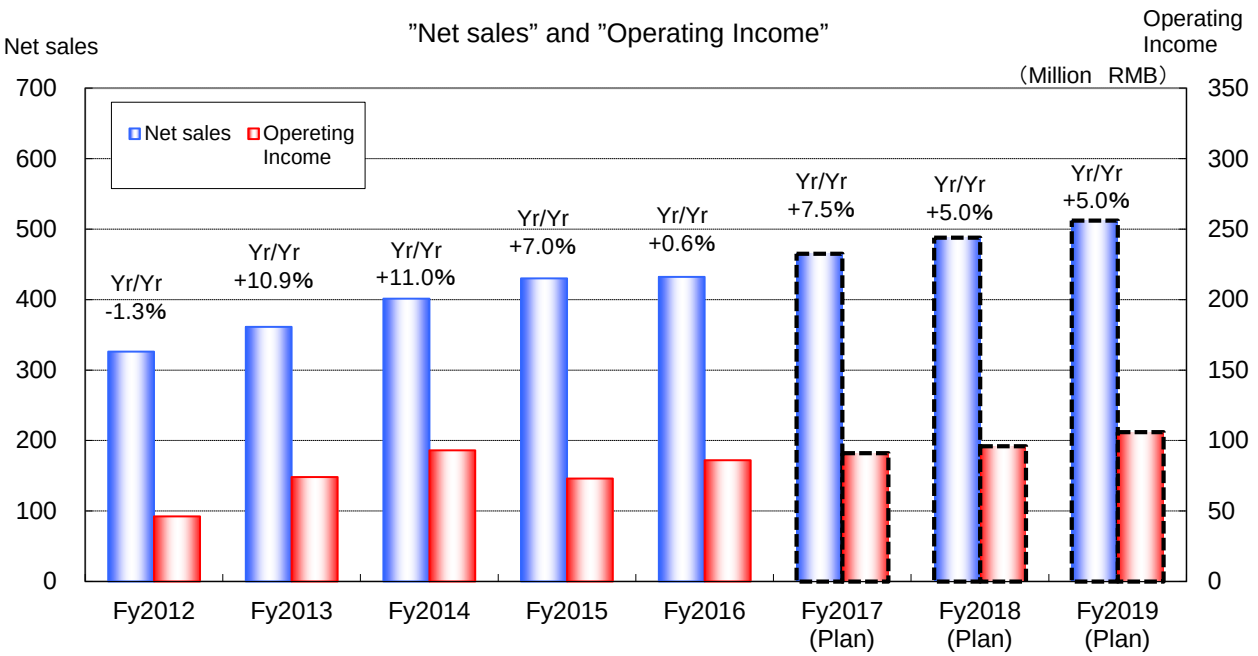
## Ongoing Projects and Progress

**Reinforcing Organization Structure**

- Focus on strengthening organization foundation including reorganization of administrative division.
- Implementation of complete risk management and observance of compliance

**Strengthening Sales Activities**

- Classification of customers: International Companies 60%, Local Companies 30%, Japanese Companies 10%
- Aim to increase business opportunities with international companies and local companies




FY2016 Sales Performance

**Net Sales：432mil. RMB**
(Increased 0.6% YoY)
**(7,396mil.yen)**
**Operating Income：86mil. RMB**
(Increased 18.9% YoY)
**(1,487mil.yen)**

Sales and Profit Target (FY2021)

**Net Sales：570mil.RMB**
**(8,800mil.yen)**
**Operating Income：130mil.RMB**
**(2,000mil.yen)**

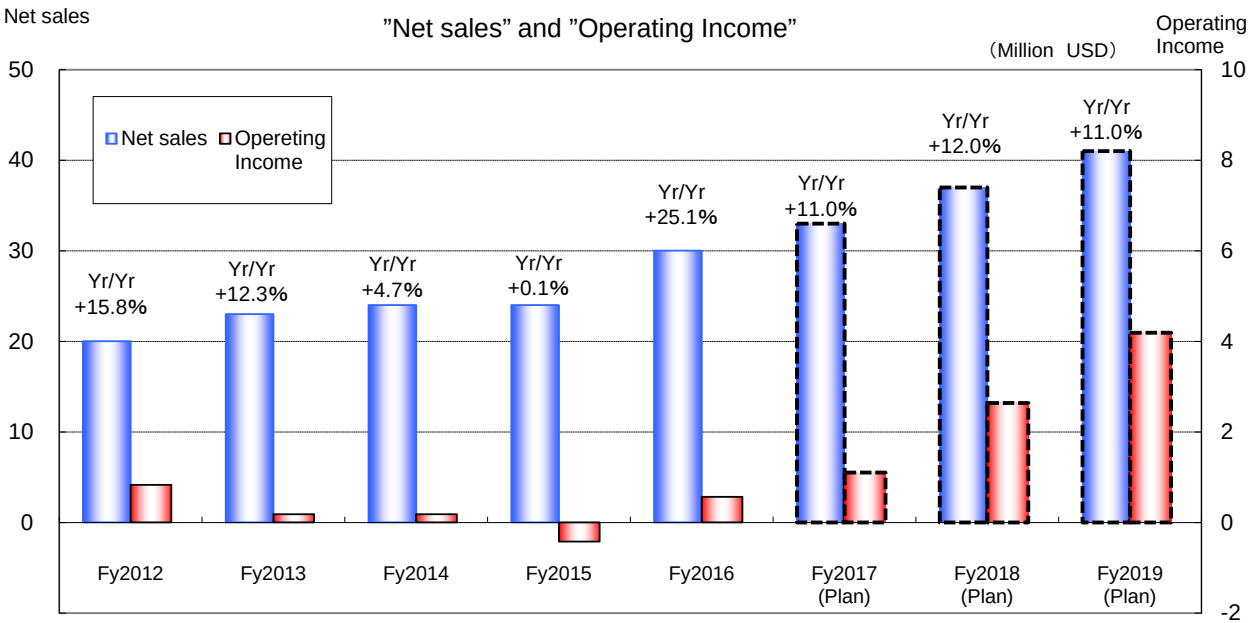
# Overseas Strategy －USA－

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## Basic Policy：Increase sales of savory flavors* and flavors for beverages

Ongoing projects and progress

| | |
|---|---|
| Application for natural flavor | ・Apply to the demands for natural flavor shifting from synthetic ingredients to natural ingredients |
| Sales expansion in beverages category | ・ Recruitment of staff experienced in beverage industry, in order to grow sales in beverage category<br>・ Aim at sales growth in local beverage market in USA |
| Strengthening partnership with Japan | ・Strengthening R&D support by maintaining close exchanges of information between Japan and USA⇨ Making use of Japanese technology which has an advantage |
| Production Efficiency | ・Enhance of production efficiency elevating production technique by staff training and re-organization of supply chain management from stock planning, production planning, and shipment management |




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

FY2016 Sales Performance

**Net Sales：30mil.USD**

(Increased 25.1% YoY)

**(3,396mil.yen)**

**Operating Income：0.5mil.USD**

(Returning to profit)

**(63mil.yen)**

Sales and Profit Target (FY2021)

**Net Sales：50mil. USD**

**(5,000mil. yen)**

**Operating Income：8mil. USD**

**(800mil. yen)**

# Overseas Strategy －Southeast Asia－

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

Ongoing Projects and Progress

**Visit Customers with Sales and R&D Staff**

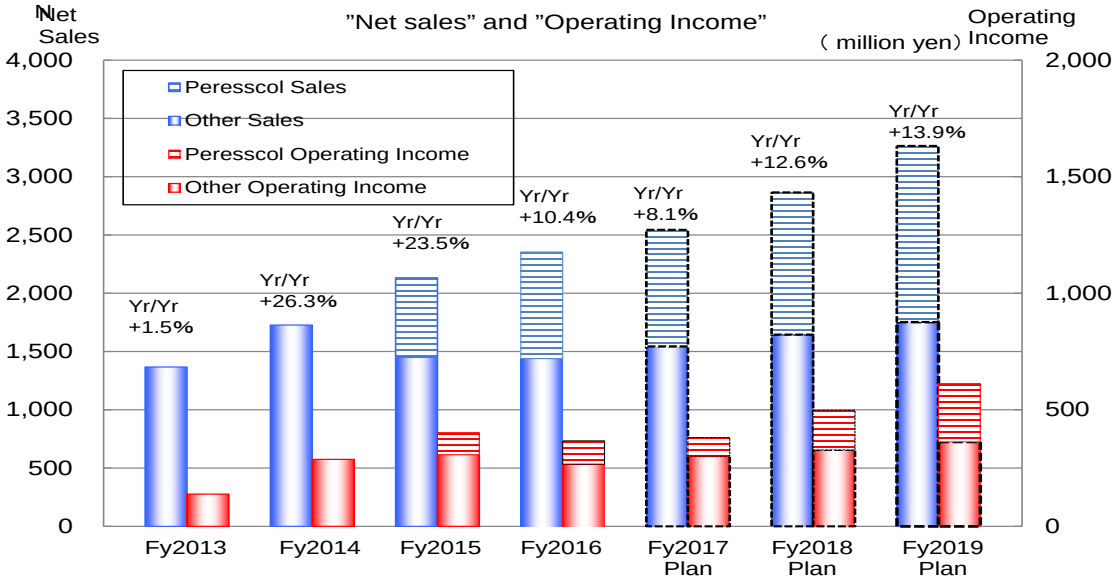
- Successful results for “Strengthening business relationship with major local customers located in “High-priority-countries”

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

- Retaining production facility in Southeast Asia by acquisition of “Peresscol Sdn. Bhd.,” a Halal-certified flavors sales and production company
- Developing flavors which capture the preference of the region, backed by the support from Japan
- Renovating production facility for liquid flavors & fragrances, scheduled for completion in July
- Supporting research and production dispatching flavorist and manufacturing specialist from parent company to train local staffs and promote localized production development
- Promoting to construct new manufacturing facility

**Reinforce Sales Activities in Southeast Asia**

- Assignment of local staff members in Vietnam & Philippines in addition to the current sales bases
- Strengthening sales activities in Southeast Asia through collaboration of each main bases




FY2016 Sales Performance

**Net Sales：2,350mil.yen**

(Increased 8.1% YoY)

**Operating Income：370mil.yen**

(Decreased 8.9% YoY)

Sales and Profit Target (FY2021)

**Net Sales：4,300mil.yen**

**Operating Income：900mil.yen**

# Ⅳ. Three-Year Plan

# Three-Year-Plan(Consolidated)

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・Parent company： Expectation of expanding sales by taking in advantage of potential demands and propose new products to customers promoting solution-oriented sales.

・China：Although economic growth is slowing down, sales recovery is expected due to further expansion of beverage market in flavor market and new products in fragrance market

・The U.S.：Steady growth of savory products focusing on development and sales and contribution of flavors for beverages

・Southeast Asia： Aim at further sales growth by acquisition of local production base and relationship between each office.

Million Yen

| | 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 |
| Gross profit | 5,160 | 5,610 | 6,230 | 7,000 |
| Operating 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.$<br>¥17.10 per RMB | ¥100.00 per U.S.$<br>¥15.50 per RMB | ¥100.00 per U.S.$<br>¥15.50 per RMB | ¥100.00 per U.S.$<br>¥15.50 per 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 profit ratio | 10.9% | 12.1% | 13.1% | 14.1% |
| Net profit ratio | 7.6% | 8.5% | 9.0% | 9.8% |
| Overseas net sales ratio | 31.4% | 31.2% | 32.5% | 33.7% |

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

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

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- Capital investment increased due to rebuilding of Head Office, which opened on May 2016.
  (FY2016 approximately 800mil.yen )
- Under construction of new manufacturing base in Malaysia(Peresscol Sdn. Bhd)
  (FY2017 approximately 500mil.yen, FY2018 approximately 1,000mil.yen, FY2019 approximately 1,000mil.yen)
- R&D expenses is planned to be kept at around 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 |

# Ⅴ. Shareholder Redemption

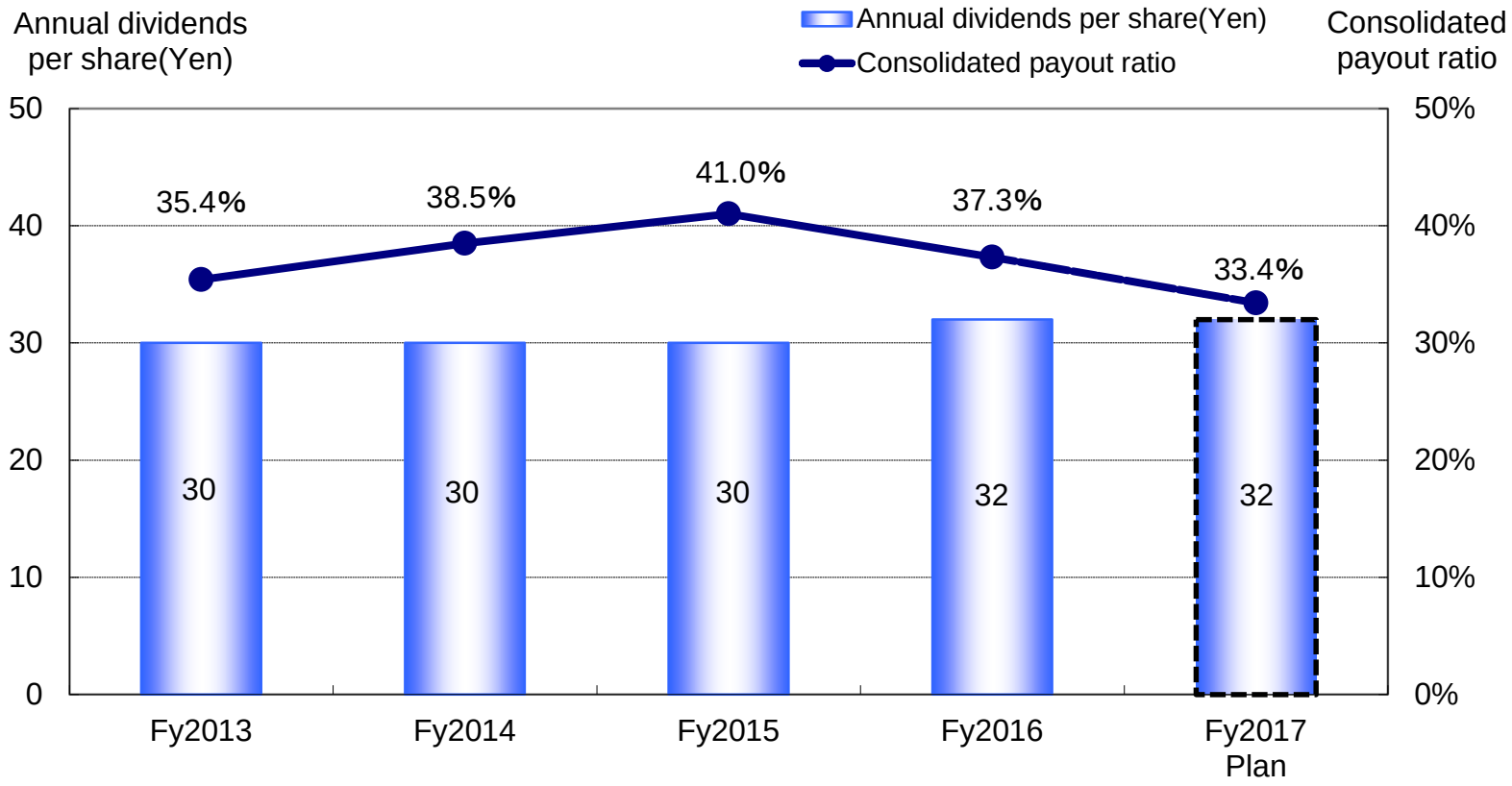
# Shareholder Redemption

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<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

・Increased the dividend per share by 2 yen from originally anticipated dividend based on consolidated results and others totally



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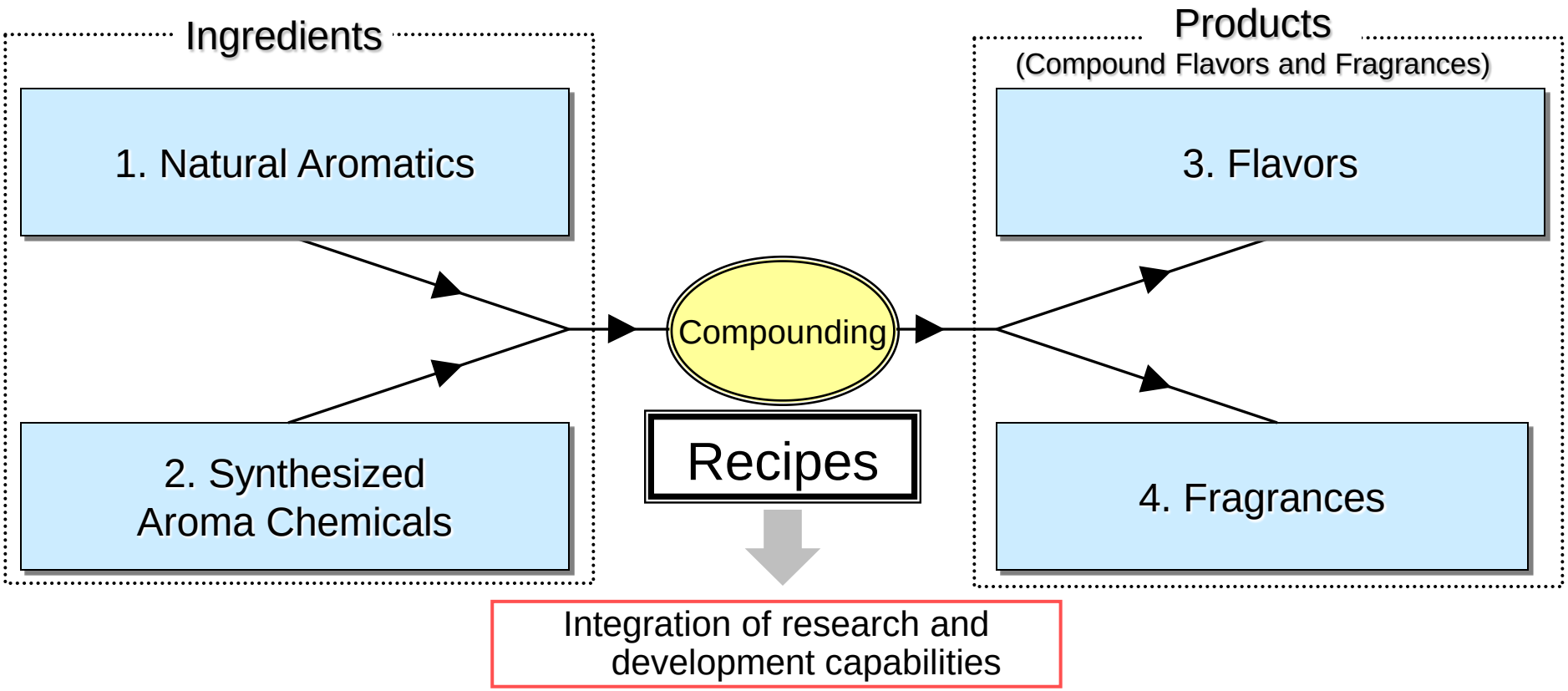
# Ⅵ. Appendix

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# Outline of Flavor and Fragrance Business

# Flavor and Fragrance Business

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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.

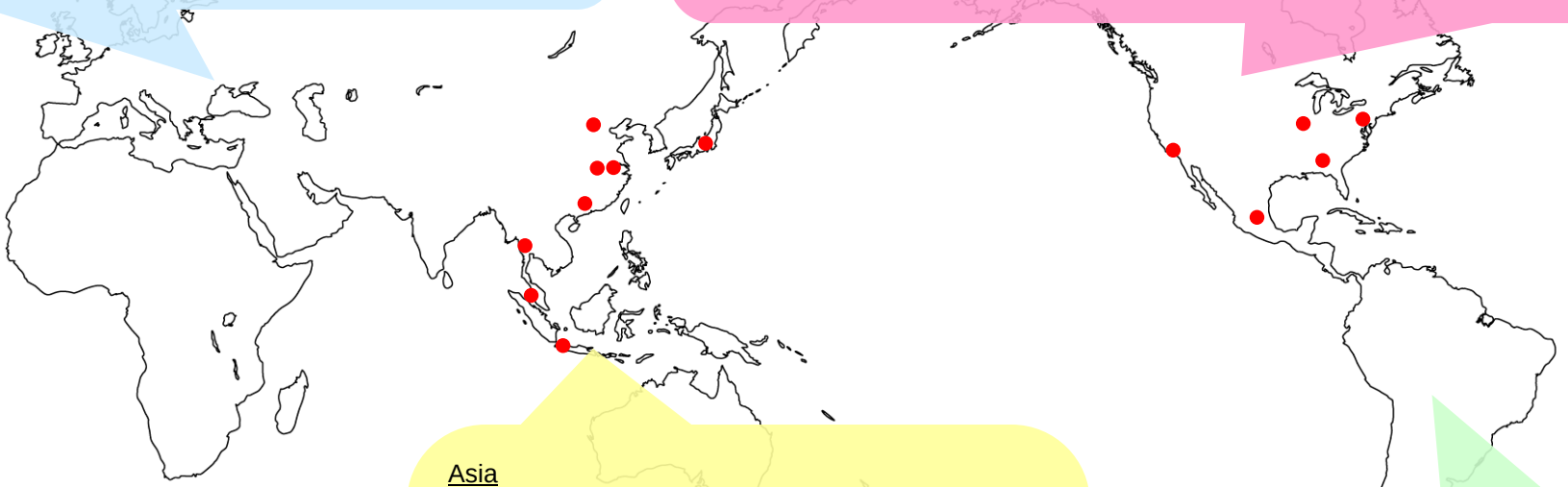
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# Market Size of Flavor and Fragrance Industry

# Global Market Size of Flavor and Fragrance Industry

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Estimated sales volume in global market: 2,900billion yen( 24billion USD)



Europe, Africa and Middle East
- Market Size : Approx.1,060bil.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 Amrica
- Market Size : Approx. 750bil. 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, Mexico, and a laboratory in Princeton.

Asia
- Market Size : Approx.860bil 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. 230bil.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＝121.2JPY
Reference : Report from Leffingwell & Associates

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

# Sales Ranking of Flavor and Fragrance companies in worldwide

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

Million USD

| | Company name | Country | Sales(2015Yr) | Market Share |
|---|---|---|---|---|
| 1 | Givaudan | Switzerland | 4,576 | 19.0% |
| 2 | Firmenich | Switzerland | 3,331 | 13.8% |
| 3 | IFF | USA | 3,023 | 12.5% |
| 4 | Symrise | Germany | 2,887 | 12.0% |
| 5 | Takasago | Japan | 1,171 | 4.9% |
| 6 | Mane SA | France | 1,052 | 4.4% |
| 7 | Frutarom | Israel | 873 | 3.6% |
| 8 | Sensient Flavors | USA | 668 | 2.8% |
| 9 | Robertet SA | France | 483 | 2.0% |
| 10 | Huabao Intl. | Hong Kong | 407 | 1.7% |
| 11 | T.Hasegawa | Japan | 390 | 1.6% |
| | Subtotal | — | 18,860 | 78.3% |
| | Others | — | 5,240 | 21.7% |
| | Total | — | 24,100 | — |

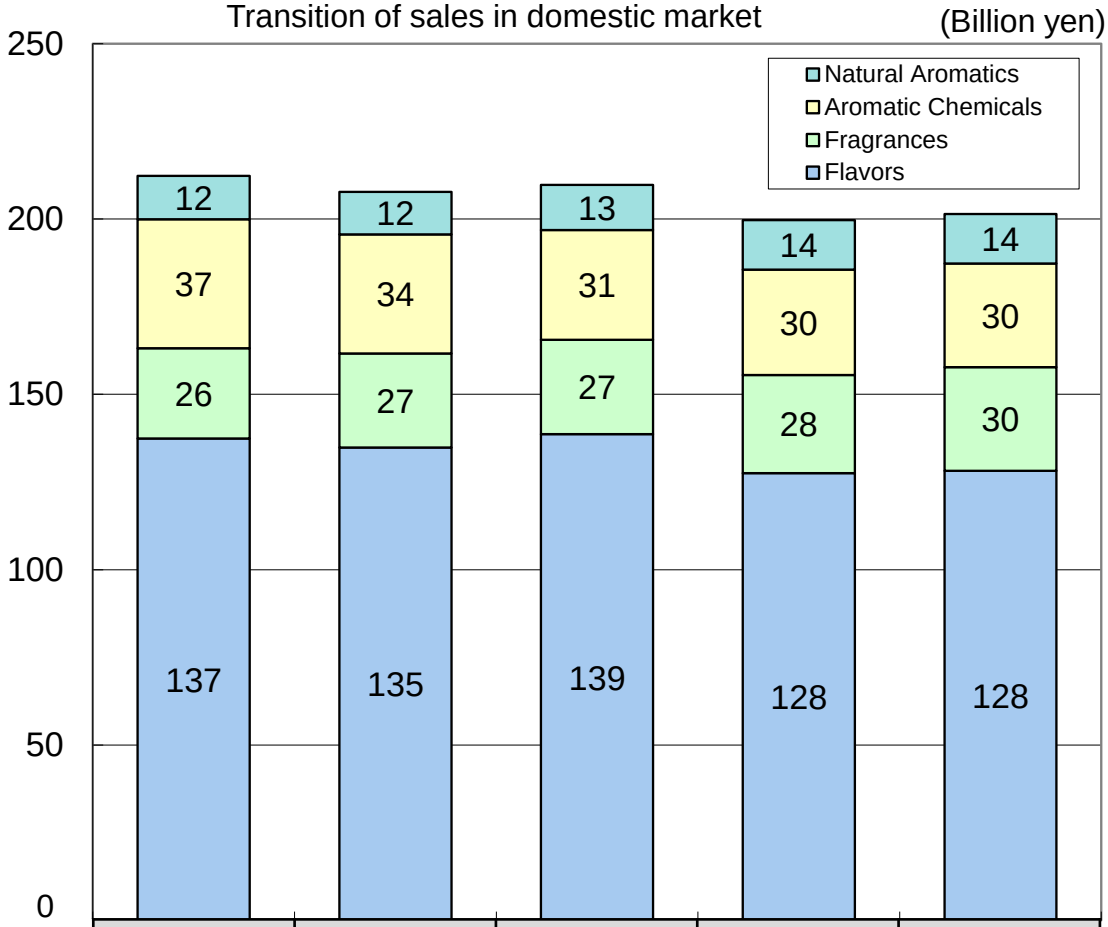
* US $1≒ 121.2Yen

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

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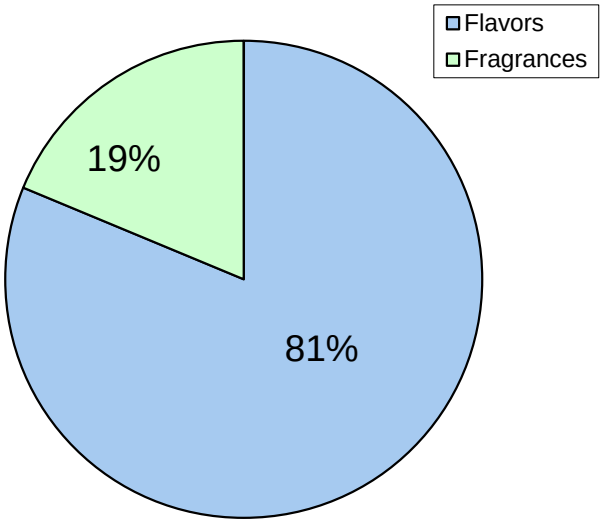
Flavors market accounts for 81% of flavor and fragrance total market share in domestic.
(Flavor market covers 50% of flavor and fragrance market in world wide)

Transition of sales in domestic market




| | 2011Yr | 2012Yr | 2013Yr | 2014Yr | 2015Yr |
|---|---|---|---|---|---|
| Total | 212 | 208 | 210 | 200 | 201 |
| Yr/Yr | 3.9% | -2.2% | 1.0% | -4.8% | 0.9% |

Composition of Flavor and fragrance (2015)



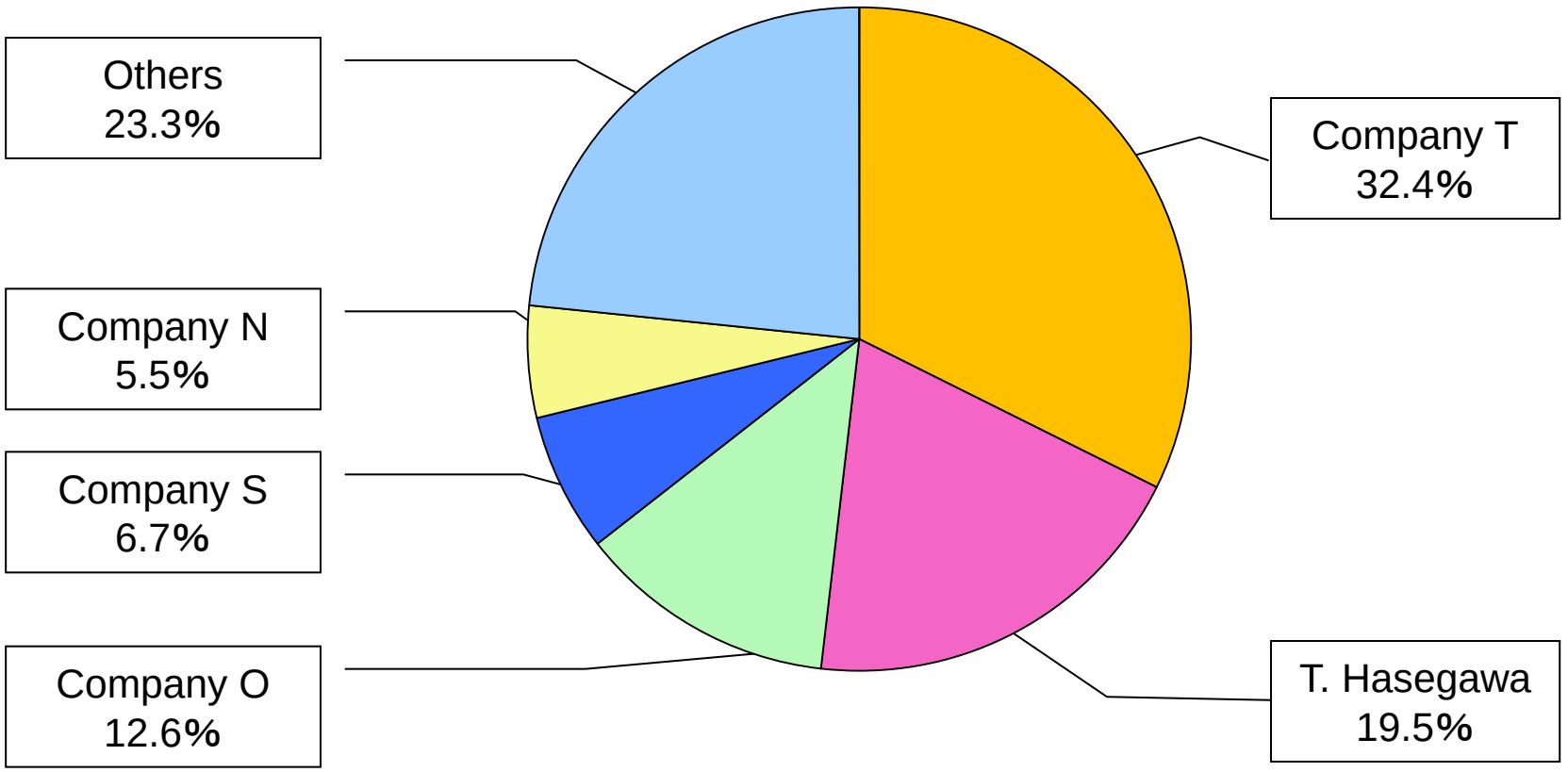

Source of reference : Japan Flavor&Fragrance Materials Association Magazine

# Outline of Current Status of T . Hasegawa

# Market Share in Domestic Flavor and Fragrance Market

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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

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< 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.

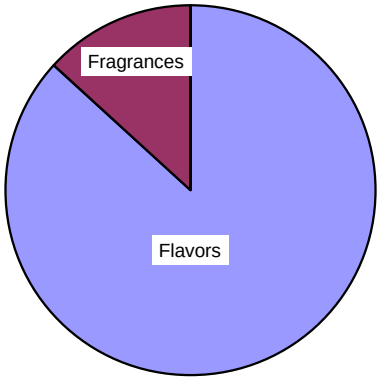
(Million yen)

| | T. Hasegawa (Consolidated) | | Company T (Consolidated) | |
|---|---|---|---|---|
| | FY ended in Sep. 2016 | | FY ended in Mar. 2016 | |
| | Sales | Share | Sales | Share |
| Flavors | 41,300 | 86.8% | 84,051 | 59.3% |
| Fragrances | 6,290 | 13.2% | 38,747 | 27.4% |
| Aroma Chemicals | 0 | 0.0% | 17,469 | 12.3% |
| Others | 0 | 0.0% | 1,390 | 1.0% |
| Total | 47,591 | 100.0% | 141,660 | 100.0% |
| Ratio of gross profit to sales | 37.3% | | 32.0% | |
| Ratio of operating income to sales | 10.8% | | 4.7% | |

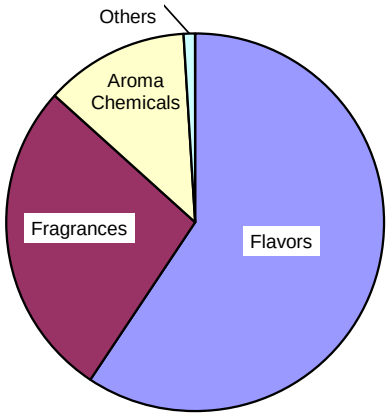
| | Company S (Consolidated) | |
|---|---|---|
| | FY ended in Mar. 2016 | |
| | Sales | Share |
| Compound flavors & Fragrances | 7,784 | 48.4% |
| Aroma Chemicals | 3,536 | 22.0% |
| Overseas | 3,399 | 21.1% |
| Domestic subsidiaries | 1,375 | 8.5% |
| Subtotal | 16,096 | 100.0% |
| Ratio of gross profit to sales | 31.1% | |
| Ratio of operating income to sales | 3.9% | |

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

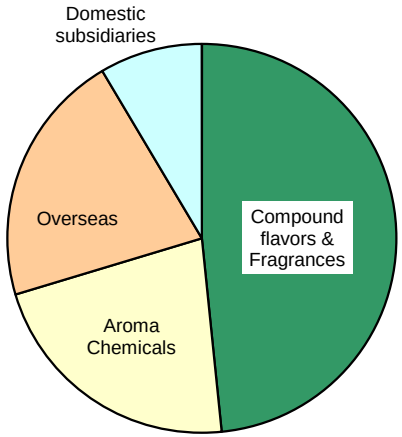
T. Hasegawa（Consolidated）




Company T（Consolidated）



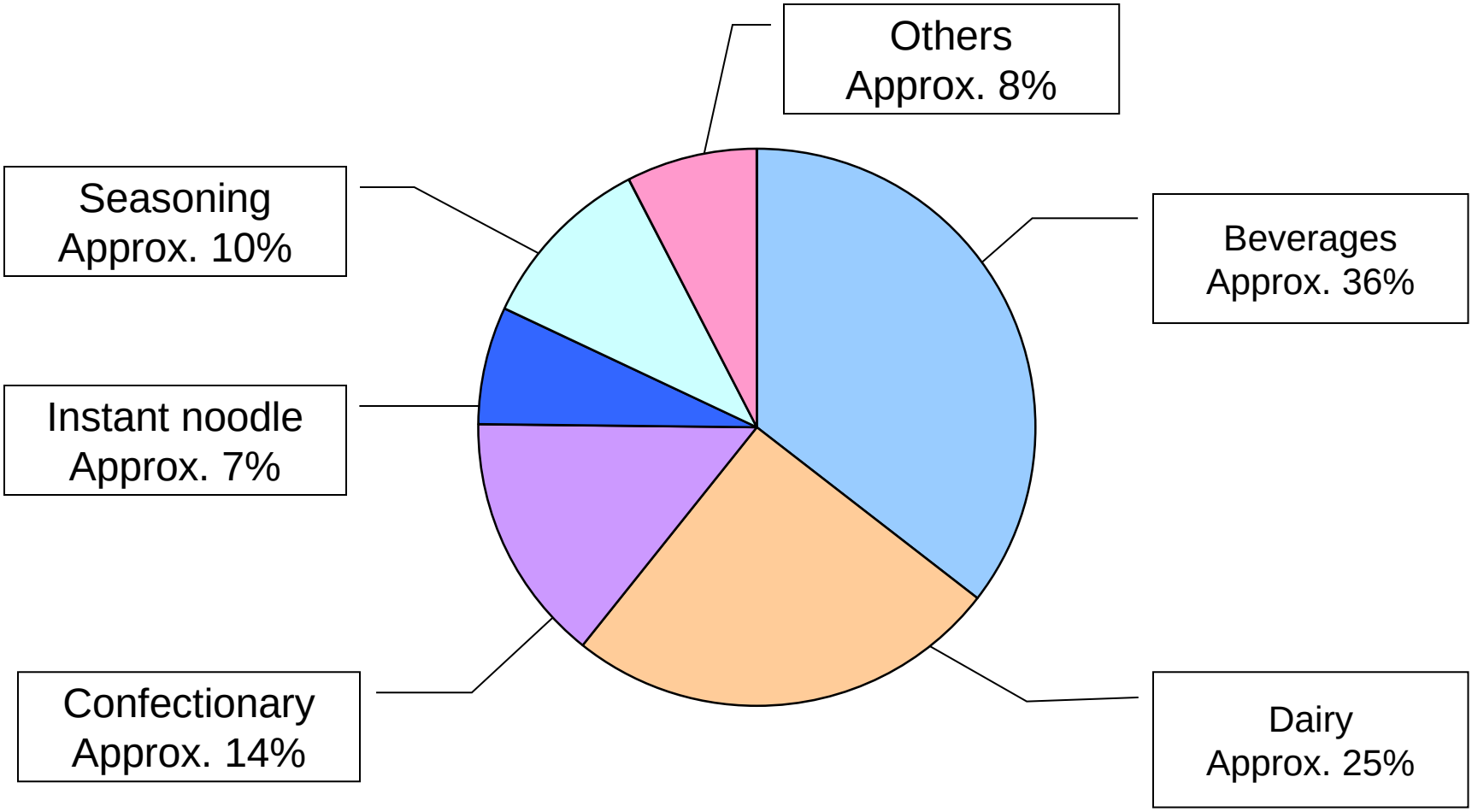

Company S (Consolidated）



# Sales Share by market

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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 FY2016 regarding the companies which are possible to separate sales by industry.

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# Additional Financial Information

# Consolidated Income Statement Highlights

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## Operating income increased due to sales growth and decrease in cost of sales and SG&A expenses.

(Million yen)

| | FY2015 Actual | | FY2016 Actual | | yr/yr | | Remarks |
|---|---|---|---|---|---|---|---|
| | | | | | Value | % | |
| Net sales | 47,228 | 100.0% | 47,591 | 100.0% | 363 | 0.8% | ・Sales of parent company and the subsidiary in USA increased<br>・Contributed by Full-term sales of the subsidiary in Malaysia |
| Cost of sales | 29,949 | 63.4% | 29,836 | 62.7% | -113 | -0.4% | Improvement in the cost of sales ratio of parent company, with an increase in sales and further cost reduction |
| Gross profit | 17,278 | 36.6% | 17,754 | 37.3% | 476 | 2.8% | |
| SG&A expenses | 12,925 | 27.4% | 12,594 | 26.5% | -331 | -2.6% | SG&A expenses of the subsidiary in China decreased |
| Operating income | 4,352 | 9.2% | 5,160 | 10.8% | 807 | 18.6% | |
| Ordinary income | 4,852 | 10.3% | 5,164 | 10.9% | 312 | 6.4% | (FY2015)<br>Foreign exchange gain of 160million Yen was calculated as Non-operating income<br>(FY2016)<br>Foreign exchange losses of 297million Yen was calculated as Non-operating income |
| Profit before income taxes | 4,613 | 9.8% | 5,179 | 10.9% | 566 | 12.3% | |
| Net income | 3,043 | 6.4% | 3,637 | 7.6% | 594 | 19.5% | |

# Consolidated Balance Sheet Highlights



(Million yen)

| | September 30 2015 | September 30 2016 | Increase or Decrease | Remarks |
|---|---|---|---|---|
| Current assets | 49,744 | 50,333 | 588 | ・Increase in Cash and deposits: 1,662m Yen<br>・Decrease in Account receivable-trade: -1,076m Yen |
| Fixed assets | 51,860 | 50,520 | -1,339 | ・Increase in Investment securities: 1,527m Yen<br>・Decrease in Property, plant and equipment : -2,303m Yen<br>・Decrease in Intangible assets : -394m Yen |
| Total assets | 101,604 | 100,853 | -751 | |
| Current liabilities | 12,107 | 10,455 | -1,651 | ・Decrease in Accounts payable for construction of facilities: -728m Yen<br>・Decrease in Income taxes payable: -473m Yen<br>・Decrease in Accounts payable-trade: -464m Yen |
| Long-term liabilities | 10,061 | 10,458 | 396 | |
| Total net assets | 79,436 | 79,939 | 503 | ・Increase in retained earnings: 3,637m Yen<br>・Cash dividends paid: -1,272m Yen<br>・Foreign currency translation adjustment: -3,184m Yen<br>・Valuation difference on available-for-sale securities: 1,290m Yen |
| Total liabilities and net assets | 101,604 | 100,853 | -751 | |

# Consolidated Statement of Cash Flows

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(Million Yen)

| | FY2015 Actual | FY2016 Actual | Increase or Decrease | Remarks |
|---|---|---|---|---|
| Cash flows from operating activities | 5,969 | 6,666 | 697 | ・Profit before income taxes: 5,179m Yen<br>・Depreciation & Amortization: 2,937m Yen<br>・Decrease in accounts receivable - trade: 433m Yen<br>・Increase in inventories: -512m Yen<br>・Income taxes paid: -1,593m Yen |
| Cash flows from investing activities | -6,769 | -3,131 | 3,637 | ・Acquisition of tangible fixed assets: -3,318m Yen |
| Cash flows from financing activities | 337 | -1,295 | -1,632 | ・Cash dividends paid: -1,272m Yen |
| Effect of currency change on cash and cash equivalents | 165 | -527 | -692 | – |
| Net Change in cash and cash equivalents | -297 | 1,712 | 2,010 | – |
| Cash and Cash equivalents at beginning of period | 20,898 | 20,601 | -297 | – |
| Cash and cash equivalents at end of period | 20,601 | 22,313 | 1,712 | – |

# Capital Investment, Depreciation & Amortization, R&D Expenses (Actual)

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(Million Yen)

| | | FY2016 Plan | FY2016 Actual | Progress (%) |
|---|---|---|---|---|
| Capital Investment | Consolidated | 4,198 | 2,733 | 65.1% |
| | Non-consolidated | 2,795 | 2,171 | 77.7% |
| Depreciation & Amortization | Consolidated | 3,111 | 2,937 | 94.4% |
| | Non-consolidated | 2,216 | 2,181 | 98.4% |
| R&D Expenses | Consolidated | 4,449 | 4,230 | 95.1% |
| | Non-consolidated | 3,376 | 3,355 | 99.4% |

# Income Statement Highlights - Non-consolidated (Actual)

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(Million yen)

| | FY2015 Actual | | FY2016 Plan | | FY2016 Actual | | Achievement | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | yr/yr | | vs Plan | |
| | Value | Share | Value | Share | Value | Share | Value | % | Value | % |
| Net sales | 36,081 | 100.0% | 37,080 | 100.0% | 36,801 | 100.0% | 720 | 2.0% | -278 | -0.8% |
| Cost of sales | 23,684 | 65.6% | 24,650 | 66.5% | 23,677 | 64.3% | -7 | 0.0% | -972 | -3.9% |
| Gross profit | 12,396 | 34.4% | 12,430 | 33.5% | 13,123 | 35.7% | 727 | 5.9% | 693 | 5.6% |
| SG&A expenses | 9,560 | 26.5% | 9,590 | 25.9% | 9,595 | 26.1% | 35 | 0.4% | 5 | 0.1% |
| Operating income | 2,836 | 7.9% | 2,840 | 7.7% | 3,528 | 9.6% | 692 | 24.4% | 688 | 24.2% |
| Ordinary income | 3,405 | 9.4% | 3,190 | 8.6% | 3,677 | 10.0% | 272 | 8.0% | 487 | 15.3% |
| Profit before income taxes | 3,172 | 8.8% | 3,070 | 8.3% | 3,700 | 10.1% | 528 | 16.7% | 630 | 20.5% |
| Net income | 2,068 | 5.7% | 2,140 | 5.8% | 2,643 | 7.2% | 574 | 27.8% | 503 | 23.5% |

# Income Statements - China (Actual)

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

(Million Yen)

| Yen Basis | FY2015 | | FY2016 | | yr/yr | |
|---|---|---|---|---|---|---|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 8,230 | 100.0% | 7,396 | 100.0% | -834 | -10.1% |
| Cost of sales | 4,758 | 57.8% | 4,220 | 57.1% | -537 | -11.3% |
| Gross profit | 3,472 | 42.2% | 3,175 | 42.9% | -296 | -8.5% |
| SG&A expenses | 2,071 | 25.2% | 1,688 | 22.8% | -383 | -18.5% |
| Operating income | 1,400 | 17.0% | 1,487 | 20.1% | 86 | 6.2% |
| Ordinary income | 1,414 | 17.2% | 1,359 | 18.4% | -54 | -3.8% |
| | Yen19.14/RMB | | Yen17.10/RMB | | 10.7% higher | |

(Thousand RMB)

| Local Currency Basis | FY2015 | | FY2016 | | yr/yr | |
|---|---|---|---|---|---|---|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 430,035 | 100.0% | 432,550 | 100.0% | 2,514 | 0.6% |
| Cost of sales | 248,615 | 57.8% | 246,822 | 57.1% | -1,792 | -0.7% |
| Gross profit | 181,420 | 42.2% | 185,728 | 42.9% | 4,307 | 2.4% |
| SG&A expenses | 108,237 | 25.2% | 98,742 | 22.8% | -9,494 | -8.8% |
| Operating income | 73,183 | 17.0% | 86,985 | 20.1% | 13,802 | 18.9% |
| Ordinary income | 73,890 | 17.2% | 79,525 | 18.4% | 5,635 | 7.6% |

Net sales increased on local currency basis, despite decrease in sales on Yen basis.
Operating income increased due to decrease in SG&A expenses.

# Income Statements - T. HASEGAWA U.S.A., INC. (Actual)

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(Million Yen)

| Yen Basis | FY2015 | | FY2016 | | yr/yr | |
|---|---|---|---|---|---|---|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 2,895 | 100.0% | 3,396 | 100.0% | 500 | 17.3% |
| Cost of sales | 1,776 | 61.4% | 2,184 | 64.3% | 407 | 22.9% |
| Gross profit | 1,119 | 38.6% | 1,212 | 35.7% | 93 | 8.4% |
| SG&A expenses | 1,169 | 40.4% | 1,149 | 33.8% | -20 | -1.7% |
| Operating income | -50 | - | 63 | 1.9% | 113 | - |
| Ordinary income | -57 | - | 99 | 2.9% | 156 | - |
| | Yen119.31/USD | | Yen111.89/USD | | 6.2% higher | |

(Thousand US$)

| Local Currency Basis | FY2015 | | FY2016 | | yr/yr | |
|---|---|---|---|---|---|---|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 24,272 | 100.0% | 30,356 | 100.0% | 6,084 | 25.1% |
| Cost of sales | 14,893 | 61.4% | 19,519 | 64.3% | 4,626 | 31.1% |
| Gross profit | 9,379 | 38.6% | 10,837 | 35.7% | 1,457 | 15.5% |
| SG&A expenses | 9,803 | 40.4% | 10,272 | 33.8% | 469 | 4.8% |
| Operating income | -423 | - | 564 | 1.9% | 988 | - |
| Ordinary income | -484 | - | 885 | 2.9% | 1,369 | - |

Net sales marked double-digit growth on both local currency basis and Yen basis largely due to increase in sales of savory flavors* for existing customers.

Operating income returned to profit due to sales increase and improvement in SG&A expenses.

*Savory flavor: Salty flavor for snacks, dressings, and seasonings etc.

# Income Statements - Peresscol Sdn. Bhd. (Actual)

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FY2015 includes total 9 months period from Jan. 2015 to Sep. 2015
FY2016 includes total 12 months period from Oct. 2015 to Sep. 2016

(Million Yen)

| Yen Basis | FY2015 | | FY2016 | | yr/yr | |
|---|---|---|---|---|---|---|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 683 | 100.0% | 917 | 100.0% | 234 | 34.3% |
| Cost of sales | 389 | 57.1% | 548 | 59.8% | 158 | 40.8% |
| Gross profit | 293 | 42.9% | 368 | 40.2% | 75 | 25.8% |
| SG&A expenses | 197 | 28.9% | 269 | 29.3% | 71 | 36.4% |
| Operating income | 95 | 14.0% | 99 | 10.8% | 3 | 3.9% |
| Ordinary income | 94 | 13.8% | 102 | 11.2% | 8 | 8.9% |
| | Yen32.11/MYR | | Yen27.05/MYR | | 15.8% higher | |

(Thousand Malaysian Ringgit)

| Local Currency Basis | FY2015 | | FY2016 | | yr/yr | |
|---|---|---|---|---|---|---|
| | Value | Share | Value | Share | Value | % |
| Net Sales | 21,274 | 100.0% | 33,924 | 100.0% | 12,650 | 59.5% |
| Cost of sales | 12,143 | 57.1% | 20,293 | 59.8% | 8,149 | 67.1% |
| Gross profit | 9,130 | 42.9% | 13,631 | 40.2% | 4,500 | 49.3% |
| SG&A expenses | 6,145 | 28.9% | 9,951 | 29.3% | 3,805 | 61.9% |
| Operating income | 2,985 | 14.0% | 3,680 | 10.8% | 695 | 23.3% |
| Ordinary income | 2,934 | 13.8% | 3,794 | 11.2% | 859 | 29.3% |

Full-term sales and sales growth of snacks contributed to sales increase.
(Sales was calculated for 9 months last year.)
Operating income increased due to sales growth.
Sales on Yen basis increased slightly due to the impact of strong yen.

# 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% |
| SG&A 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% |
| Profit 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% |

**Caution with Respect to Forward-Looking Statements:**

This material is composed based on data as of Nov.11th 2016 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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