

Financial Results for the 2nd Quarter Ended March 31, 2020

T. HASEGAWA CO., LTD.

May 29, 2020

Agenda

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Ⅰ. Overview of Consolidated Financial Statement

Ⅱ. Measures against Novel Coronavirus and Impact

Ⅲ. Management Policy

Ⅳ. Global Strategies

Ⅴ. Capital Policy

Ⅵ. Appendix

© T.HASEGAWA CO., LTD.

Ⅰ. Overview of Consolidated Financial Statement

Market Environment

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Domestic Market

- Flavors and fragrances market in 2019 expanded approximately 2% compared to the previous year
- Market Trends by Product Category

Category	Trend		
Beverages	2019	Decreased	・Due to prolonged rainy season, significantly decreased in summer, the highest demand season ・Teas performed well from new products launch and other factors, but it was not sufficient to cover decrease in summer
	2020 Jan to March	Decreased	・Low consumption from outing restrictions associated with expansion of novel coronavirus infection ・Sales of new products were stagnant due to voluntary restraint of promotional activities ・Vending machine sales were sluggish due to factors, such as promotion of telework and closure of commercial facilities ・Large size (1.5 to 2 litter) bottled products performed well for stockpiling
Snacks	2019	Slightly Increased	・Rebound decrease in potato chips from significant increase in the previous year. Despite partial decrease due to price raise, overall potato snacks outperformed previous year by bounce back of processed potato snacks ・Corn-based snacks market vitalized by new product launch
	2020 Jan to March	Increased	・Significant increase in potato chips after school temporary closure request ・Corn-based and flour-based snacks had substitute demand from supply shortage of potato chips
Chocolate	2019	Increased	・High cacao chocolate boom led the market and expanded
	2020 Jan to March	Decreased	・Rebound decrease in high cacao chocolate from previous year's significant increase ・Demand increase in multi pack chocolate snack products from school temporary closure request and avoidance of outing was not sufficient to cover decrease
Frozen Dessert	2019	Slightly Decreased	・Significantly decreased in summer, the highest demand season, due to prolonged rainy season ・Weather condition had been good since fall and market vitalized by new product launch and other factors
	2020 Jan to March	Increased	・Rebound increase from decrease associated with price raise in March 2019 ・Demand for packages of treat size products increased from school closure request and avoidance of outing

Data Source: *The Beverage & Food Daily News*

Performance Overview (Consolidated base)

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Sales

Flat comparing to pervious year

Progress ratio against annual plan was 48.4% (average progress ratio: 47%)

Operating Income

11.2% increase comparing to pervious year

Progress ratio against annual plan was 50.6% (average progress ratio: 43%)

(Million Yen)

	FY19 2Q Actual	FY20 2Q Actual	yr/yr		Progress vs. Annual plan (※1)
			Value	%	
Net sales	24,468	24,462	-5	-0.0%	48.4%
Cost of sales	15,202	15,114	-88	-0.6%	48.3%
Gross profit	9,265	9,348	82	0.9%	48.7%
SG&A expenses	7,044	6,878	-165	-2.4%	48.0%
Operating income	2,221	2,469	248	11.2%	50.6%
Ordinary income	2,436	2,688	251	10.3%	50.5%
Income before income taxes	2,422	3,008	586	24.2%	46.6%
Net income	1,761	2,092	330	18.8%	45.1%
EBITDA (※2)	3,917	3,951	34	0.9%	48.7%

※1 Progress rate against revised plan announced on May 8, 2020

※2 EBITDA = Operating income + Depreciation and Amortization + Amortization of goodwill

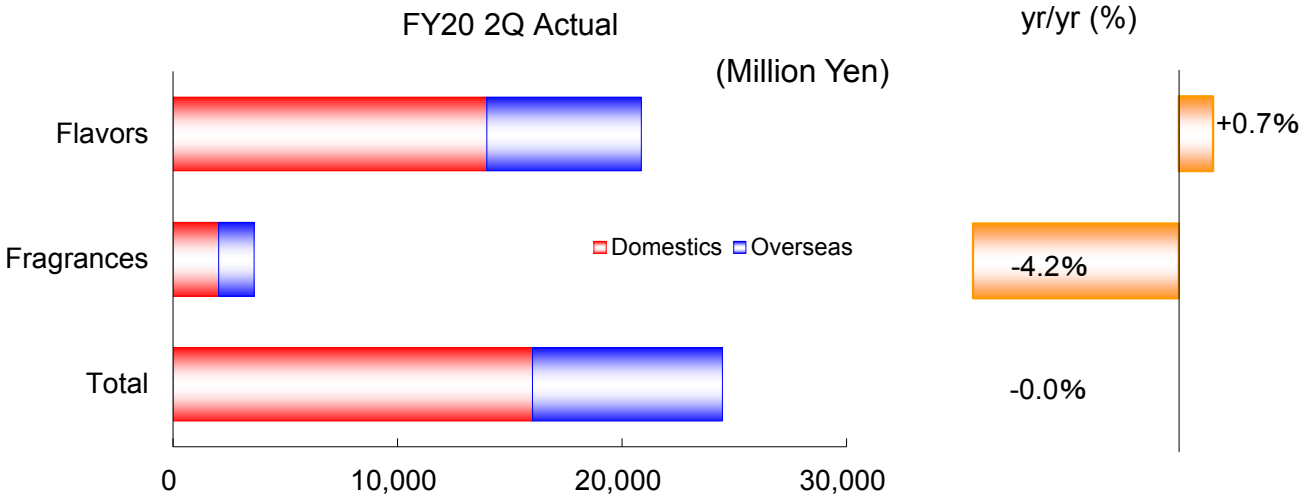
Net Sales by Product Segments

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Total net sales was flat due to the increase of Flavors and the decrease of Fragrances

（Million yen）

Category	FY19 2Q Actual	FY20 2Q Actual	yr/yr		Remark
			Value	%	
Flavors	20,699	20,853	154	0.7%	Sales of parent company and the subsidiary in U.S. increased
Fragrances	3,768	3,608	-159	-4.2%	Sales of parent company and the subsidiary in Indonesia decreased
Total	24,468	24,462	-5	-0.0%	—



*FY20 2Q Overseas sales ratio 34.6%

Sales by Group Company

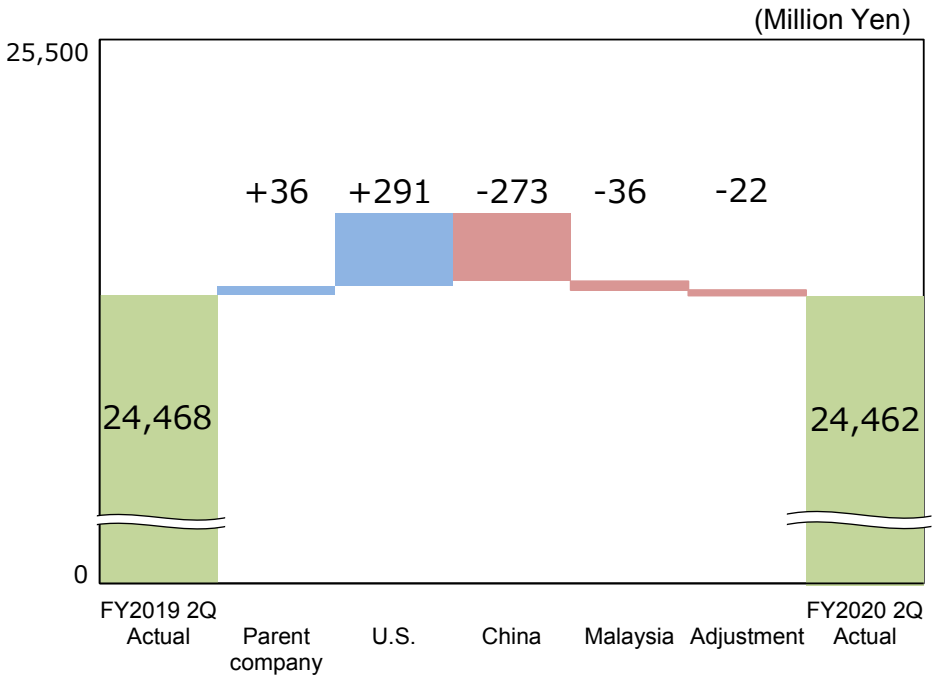
長谷川香料株式会社
© T.HASEGAWA CO., LTD.

- Flat
  Increased in U.S. subsidiaries and decrease in China subsidiaries

Currency	Fy2019 2Q	Fy2020 2Q	Yr/Yr
1US$	¥111.55	¥108.84	2.4% higher
1RMB	¥16.33	¥15.52	5.0% higher
1MYR	¥27.01	¥26.13	3.3% higher

（Million Yen）

	FY19 2Q Actual	FY20 2Q Actual	yr/yr	%
Parent company	18,110	18,147	36	0.2%
U.S.	2,784	3,075	291	10.5%
China	3,341	3,067	-273	-8.2%
Malaysia	468	431	-36	-7.8%
Adjustment	-236	-259	-22	-
Consolidated	24,468	24,462	-5	-0.0%



Parent company	Sales of products for beverages at flavor division increased Sales of products for toiletry products at flagrance division decreased	Flat
U.S.	Sales in food services and beverage areas increased	Increased
China	Sales at flavor division declined from impact of novel coronavirus	Declined
Malaysia	Export declined from impact of lockdown and entry restrictions at neighboring countries	Declined

Operating Income by Group Company

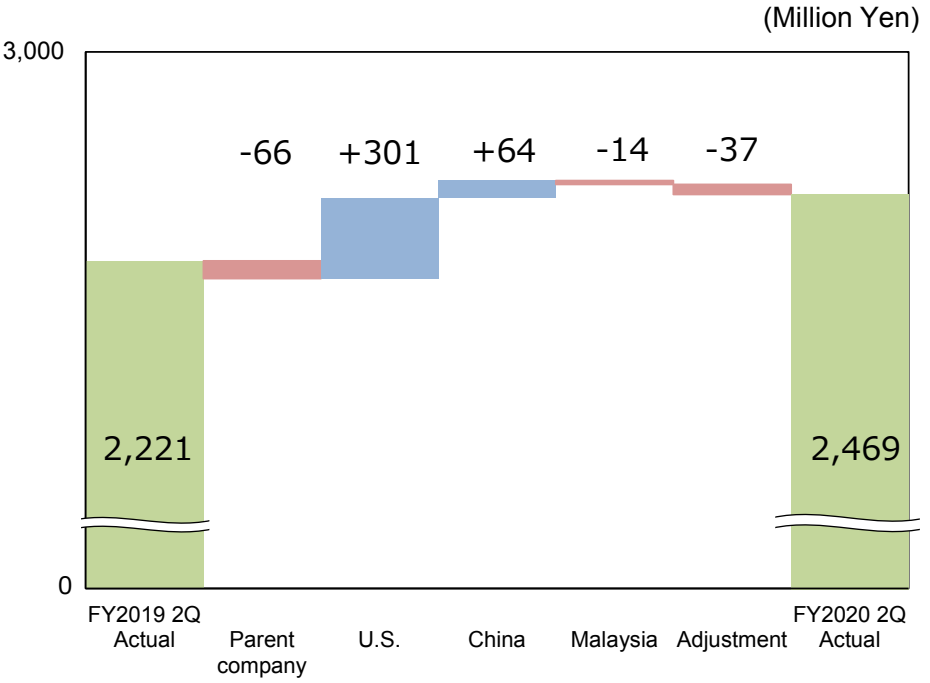
長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Currency	Fy2019 2Q	Fy2020 2Q	Yr/Yr
1US$	¥111.55	¥108.84	2.4% higher
1RMB	¥16.33	¥15.52	5.0% higher
1MYR	¥27.01	¥26.13	3.3% higher

・Profit increase Factor
Increased in U.S. subsidiaries

（Million Yen）

	FY19 2Q Actual	FY20 2Q Actual	yr/yr	%
Parent company	1,946	1,880	-66	-3.4%
U.S.	-18	283	301	-
China	255	320	64	25.4%
Malaysia	35	21	-14	-41.1%
Adjustment	1	-36	-37	-
Consolidated	2,221	2,469	248	11.2%



Parent company	Deterioration of sales cost ratio	Declined
U.S.	Improvement of sales cost ratio, SGA expense decrease associated with reduction in goodwill amortization costs	Increased
China	Improvement of sales cost ratio, SGA expense decrease	Increased
Malaysia	Sales decrease, SGA expense increase	Declined

Revision of Annual Plan for FY Ending Sep. 2020 (Consolidated)

長谷川香料株式会社 © T.HASEGAWA CO., LTD.

・Annual plan announced on Nov. 8, 2019 was revised on May 8, 2020

(Million Yen)

	FY19 Actual		Original Plan (Nov. 8, 2019)		Revised Plan (May 8, 2020)					
	Value	Share	Value	Share	Value	Share	vs. FY 19 Actual		vs. Original Plan	
							value	%	value	%
Net sales	50,493	100.0%	51,600	100.0%	50,500	100.0%	6	0.0%	-1,100	-2.1%
Cost of sales	31,373	62.1%	31,770	61.6%	31,300	62.0%	-73	-0.2%	-470	-1.5%
Gross profit	19,120	37.9%	19,830	38.4%	19,200	38.0%	79	0.4%	-630	-3.2%
SG&A expenses	14,441	28.6%	14,730	28.5%	14,320	28.4%	-121	-0.8%	-410	-2.8%
Operating income	4,678	9.3%	5,100	9.9%	4,880	9.7%	201	4.3%	-220	-4.3%
Ordinary income	5,175	10.3%	5,550	10.8%	5,320	10.5%	144	2.8%	-230	-4.1%
Income before income taxes	5,464	10.8%	5,790	11.2%	6,460	12.8%	995	18.2%	670	11.6%
Net income	4,121	8.2%	4,250	8.2%	4,640	9.2%	518	12.6%	390	9.2%

【Reason for Annual Plan Revision】

Sales

・Made downward revision to annual plan in light of impact of expansion of novel coronavirus infection and cumulative second quarter result for Fiscal Year ending in September 2020

・For 2020 total, predicted sales decrease from novel coronavirus impact is approx. 1,150 million yen

Profit

・In association with downward revision of sales in annual plan, made downward revision to both operating income and ordinary income

・Made upward revision to current net profit in association with the sale of a part of investment securities in April 2020 and reporting of the gain on sale of investment securities of 867 million yen as extraordinary profit.

The exchange rates of Revised Plan

1US$	¥108.84
1RMB	¥15.52
1MYR	¥26.13

© T.HASEGAWA CO., LTD.

Ⅱ. Measures against Novel Coronavirus and Impact

Measures against Novel Coronavirus and Impact

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Impact of Novel Coronavirus has been recognized in all regions T. Hasegawa Group companies operate

Impact on annual sales for the Fiscal Year ending in September 2020 is predicted as approx. 1,150 million yen

Region	FY ending Sept. 2020 Impact on Sales (Estimate)		
	First Half (Actual) (Oct. 2019 to March 2020)	Second Half (Estimate) (April to Sep. 2020)	Annual (Estimate)
Japan	None	Approx. 550mil yen Decrease	Approx. 550mil yen Decrease
U.S.	None	None	None
China	Approx. 170mil yen Decrease	Approx. 200mil yen Decrease	Approx. 370mil yen Decrease
Southeast Asia	Approx. 20mil yen Decrease	Approx. 210mil yen Decrease	Approx. 230mil yen Decrease
Total	Approx. 190mil yen Decrease	Approx. 960mil yen Decrease	Approx. 1,150mil yen Decrease

Measures against Novel Coronavirus and Impact (Japan)

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Measures against Novel Coronavirus

Established Companywide Emergency Headquarters to Deal with Novel Coronavirus	Thoroughly Implemented Washing Hands/Gargling, Sterilization, Wearing Masks and Cough Etiquette
Introduced Stagger Office Hours to All Employees	Avoid Domestic/ Overseas Business Trips
Restricted Internal Meeting with Large Number of Attendees and Lasting Long Hours	Utilize Teleconference/Video Conference Internally and with Clients/Trade Partners

- Headquarters/Laboratories/Branch Offices:
  Implemented teleworking in rotation, further expansion of telework
  ⇒ Put in place framework that enables business continuity
- Factories: Implemented measures, such as facility zoning, securing working traffic line, worker grouping, shift-work
  ⇒ Implemented measures for reduction/avoidance of infection risks

Impact on Business	FY ending Sep. 2020 Impact on Sales (Estimate)		
	1st Half (Actual)	2nd Half (Estimate)	Annual (Estimate)
・Demand decrease in products for professional use due to business closure request to restaurants and avoidance of outing ・Demand increase in products related to hand-wash and sterilization, and instant noodles ・Expecting possible postponement/cancellation of clients' new product launch	None	Approx. 550mil yen Decrease	Approx. 550mil yen Decrease

Measures against Novel Coronavirus and Impact (U.S.)

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Measures against Novel Coronavirus

Temperature Check at Entrance, Mask-Wearing Requirement, Sterilization

Ban on Business Trips, Stopped Accepting Visitors

- Administrative Division: Telework, in principle
  (Work at office is limited to required minimum)
- Manufacturing Division: Shift-work, arranged seating, use telework
  ⇒ Continue Manufacturing Activities

Impact on Business	FY ending Sep. 2020 Impact on Sales (Estimate)		
	1st Half (Actual)	2nd Half (Estimate)	Annual (Estimate)
・Exempted from curfews as Essential Business ・No big impact on manufacturing capability ・No impact on procurement and logistics	None	None	None

Measures against Novel Coronavirus and Impact (China)

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Measures against Novel Coronavirus

Temperature Check at Entrance, Mask-Wearing Requirement
Thorough Implementation of Ventilation when Working in Office (open doors and windows, etc.)

Revised Production Plan associated with Decrease in Attendance Rate of Manufacturing Personnel
⇒ Came back to ordinary manufacturing capability at mid Feb. in Shanghai and early March in Suzhou

Considered Product Delivery Method associated with Disruption in Logistics
⇒ Shipment of inventory of which shipping was stopped due to logistics disruption was performed from early to mid March except for some regions

- Shanghai: Telework lifted in March, almost 100% come to work
- Suzhou: Telework not implemented

Impact on Business	FY ending Sep. 2020 Impact on Sales (Estimate)		
	1st Half (Actual)	2nd Half (Estimate)	Annual (Estimate)
・Decrease in working days associated with extension of Chinese New Year Holiday ・Temporary decrease in manufacturing capability due to decrease in attendance rate of manufacturing personnel ・Affected by logistics disruption ⇒Now, logistics came back to the level of not causing problem in delivery ・As we took action in securing raw materials, no impact on procurement ・Significant decrease in sales of Jan. to March 2020 ・Continued impact from economic stagnation in entire China	Approx. 170mil yen Decrease	Approx. 200mil yen Decrease	Approx. 370mil yen Decrease

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Measures against Novel Coronavirus

Temperature Check at Entrance, Mask-Wearing Requirement, Sterilization

Ban on Business Trips, Stopped Accepting Visitors

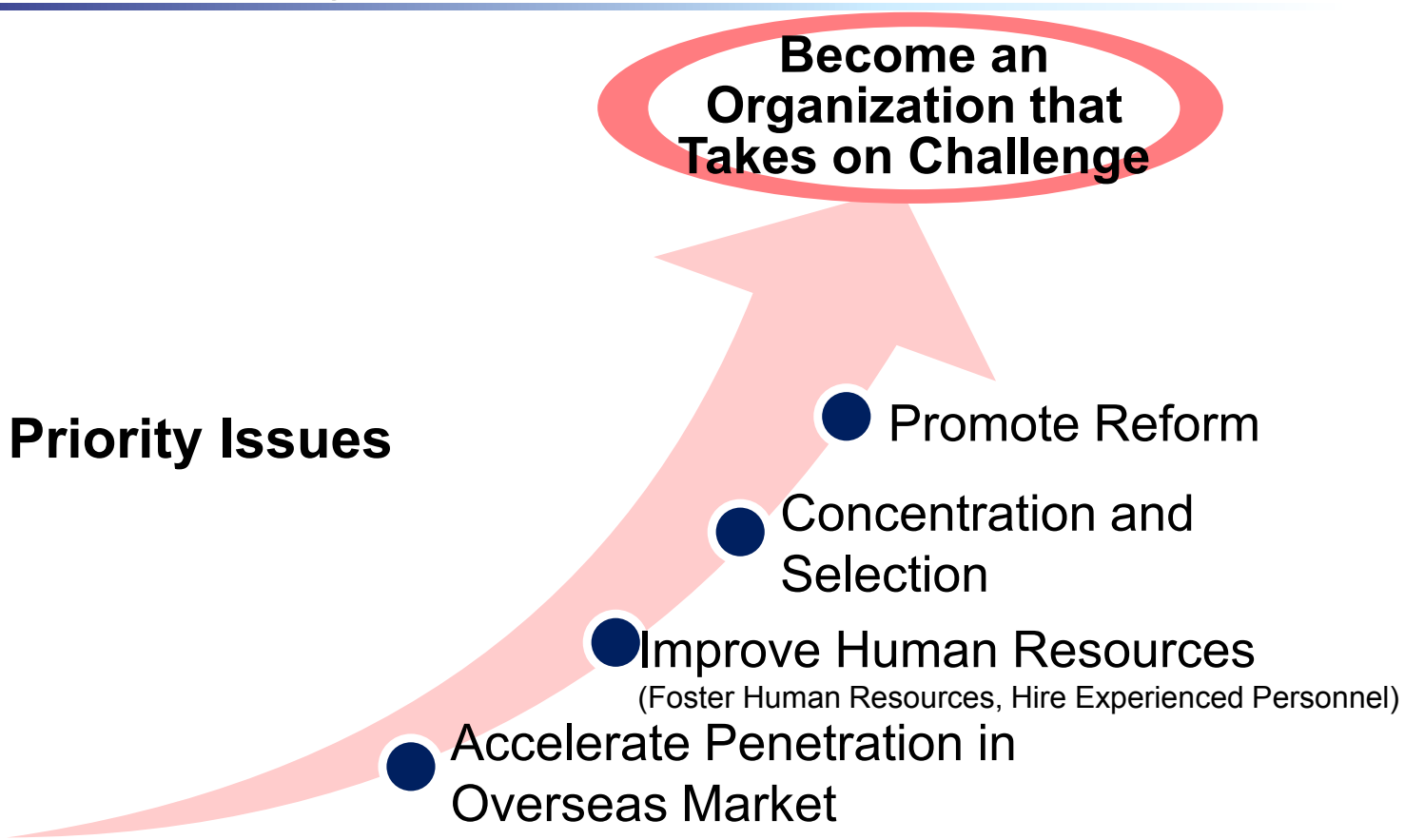
- Malaysia: Government initiative to prioritize workers coming to work, implementation of shift-work, Other employees worked at home
  ⇒ Now, almost all employees come to work except for some working at home
- Thai: Implemented shift-work
- Indonesia：The country is currently under large scale social restrictions, and all employees are working at home in principle
  Only short hours of working at the office is allowed with an approval of authorities as necessary

Impact on Business	FY ending Sep. 2020 Impact on Sales (Estimate)		
	1st Half (Actual)	2nd Half (Estimate)	Annual (Estimate)
・Malaysian subsidiary obtained authorization from competent authorities as indispensable business ・For Malaysia, export is affected by lockdown and entry restrictions of neighboring countries ・For Indonesia, delay in carriage occurred due to significant reduction in flight from Japan and Malaysia ・For Thai and Indonesia, there is an impact on sales of existing products due to postponement of launch/development of new products, as well as economic recession and voluntary restrictions of clients' promotional activities	Approx. 20mil yen Decrease	Approx. 210mil yen Decrease	Approx. 230mil yen Decrease

Ⅲ. Management Policy

Management Policy

長谷川香料株式会社
© T.HASEGAWA CO., LTD.



Basic Strategy

- Expand Compound Flavors and Fragrances Sales
- Secure Profit in Domestic Market
- Growth in Overseas Market

Ⅳ. Global Strategies

Domestic Strategy

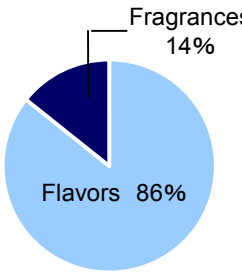
長谷川香料株式会社
© T.HASEGAWA CO., LTD.

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

Ongoing Project and Progress

Reinforce Sales Structure
Promote Solution-Oriented Sales Activity

- **Sales Activity Quality Enhancement**
  ⇒ Started to consider possible introduction of Free-Address Workspace, that is to work at free desk without assigning fixed desk to individual personnel
  ⇒Draw-up sales expansion measures at the Project Team, progress management
  ⇒Enhance Support Functions
- Marketing Division takes initiative in marketing strategy development and solution-oriented sales project increased
- Grasp “Wants” through utilization of market survey results, analysis



Sales composition

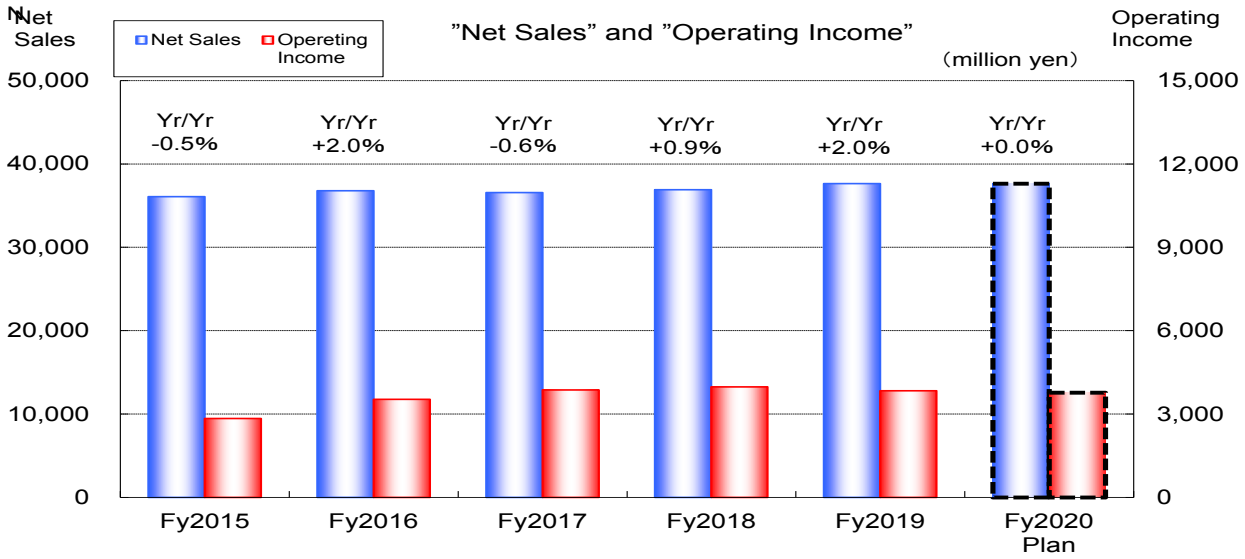
Expand Range of New Applications

- Develop substitute flavors for food materials
  ⇒ Focus on milk products, vegetables, fruit juice, meat substitutes (such as soy meat etc.)
- 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

Speed-Up R&D Activities

- Promote R&D that make use of cooperation among laboratories



FY2020 2Q Sales Performance

Net Sales：18,147 mil. yen
（Increased 0.2% YOY）
Operating Income：1,880 mil. yen
(Decreased 3.4% YoY)

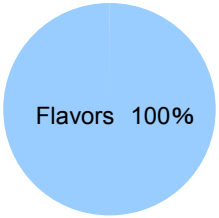
Overseas Strategy (U.S.)

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

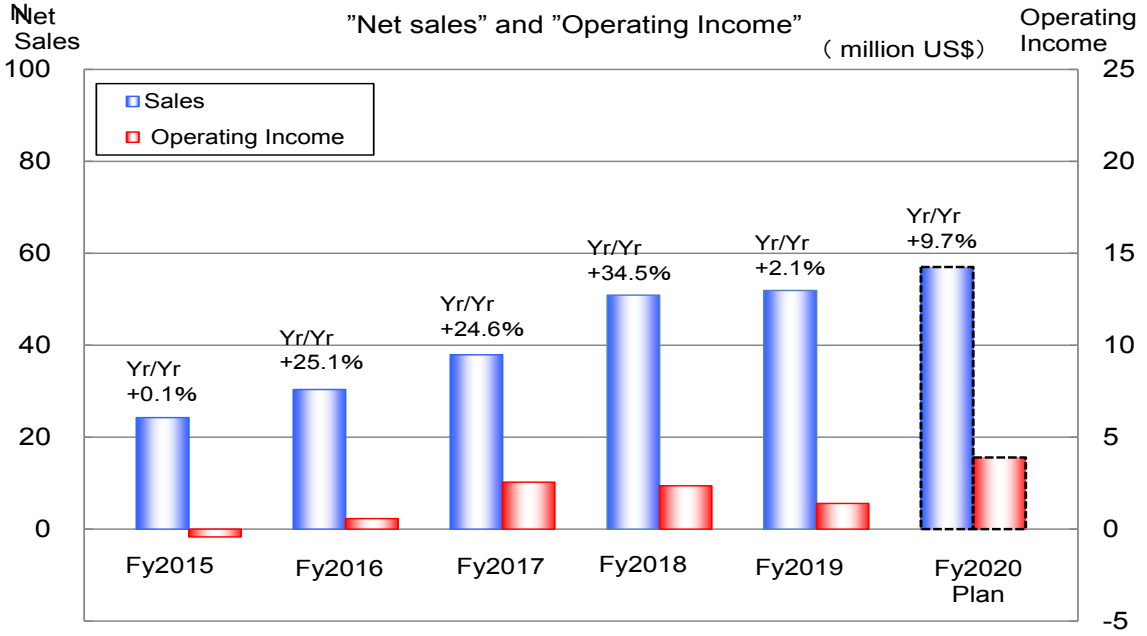
Basic Strategy：Expand sales of savory flavors, health care products and flavors for beverages

Ongoing projects and progress

Reinforce Management	・Reinforce organizational power by hiring competent management resource and key officers ・Management Team restructuring
Reinforce Sales Activities	・Thorough Pipeline Management ⇒Aim at sales expansion at 3 areas: namely, savory flavor, flavor for health & wellness products and flavor for beverages ・Reinforce marketing structure ⇒Draw-up long-term growth strategy by area and strategy by client through market trend analysis
Utilize/Deploy Japanese Technology	・Bridge to Tokyo Project: Send project team to Japan to utilize and deploy Japanese technology in U.S. ・Facilitating bilateral information sharing between Japan and U.S.



Sales composition



FY2020 2Q Sales Performance

Net Sales：28.2 mil. USD
(Increased 13.2% YoY)
(3,075 mil. yen)
Operating income：2.6 mil. USD
(Returned to profitability)

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

Overseas Strategy (China)

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Basic Strategy: Under reinforced organization base, recover performance in both sales and profit through various measures

Ongoing projects and progress

Reinforce Sales Structure

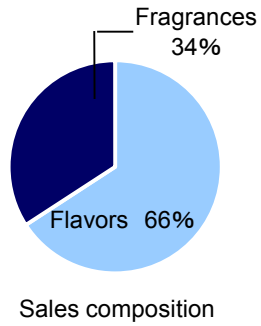
- Utilize Marketing Function
  ⇒Deploy strategic approach to clients, develop new market and potential demands
- Deepen Sales/R&D Co-work
- Reinforce sales structure by hiring local sales general manager and increasing number of sales force
  ⇒Focus on local large enterprises and South China area

Enhance Profitability

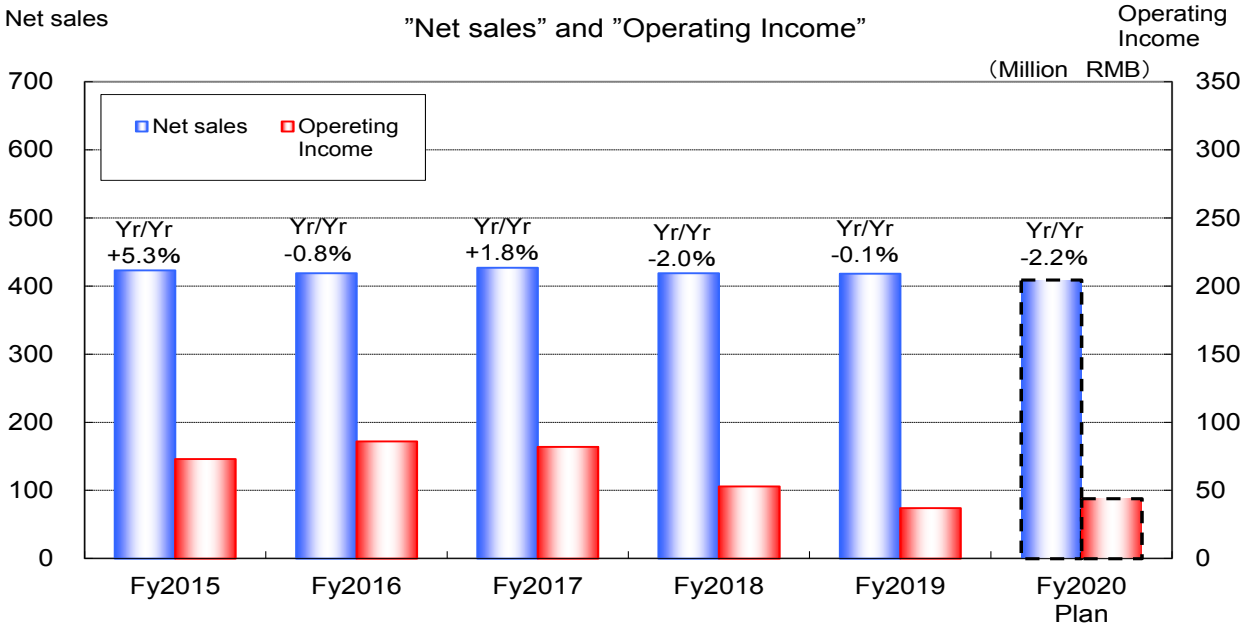
- Promoting Manufacturing Cost Compression Project

Reinforce R&D Structure

- **New laboratory building construction project is underway**
  ⇒ Aiming at reinforcement of R&D function, streamlining operations



Sales composition



FY2020 2Q Sales Performance

Net Sales: 197.6 mil. RMB
(Decreased 3.4% YoY)
(3,067 mil. yen)

Operating Income: 20.6 mil. RMB
(Increased 32.0% YoY)
(320mil. yen)

From this Fiscal Year, the Company started to apply IFRS 15 "Revenue from Contracts with Customers" for overseas consolidated subsidiaries excluding subsidiary in the U.S. For ease of comparison, the same standards applied to the calculation of the sales in the same period of the previous year

Overseas Strategy (Southeast Asia)

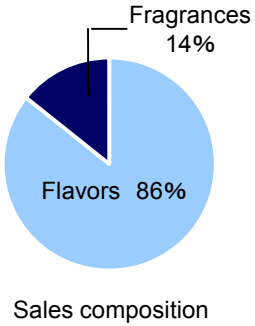
長谷川香料株式会社
© T.HASEGAWA CO., LTD.

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

Ongoing Projects and Progress

Reinforce Sales Structure

- Hire Sales Personnel/Reinforce Organization to Develop New Clients
  ⇒Increase number of sales force in Malaysia, Thai and Indonesia
  Assign sales force to surrounding areas (Vietnam, Philippines, Myanmar)
- Assign General Manager covering entire Southeast Asia region
  ⇒Coordinate organic cooperation among offices in Southeast Asia region



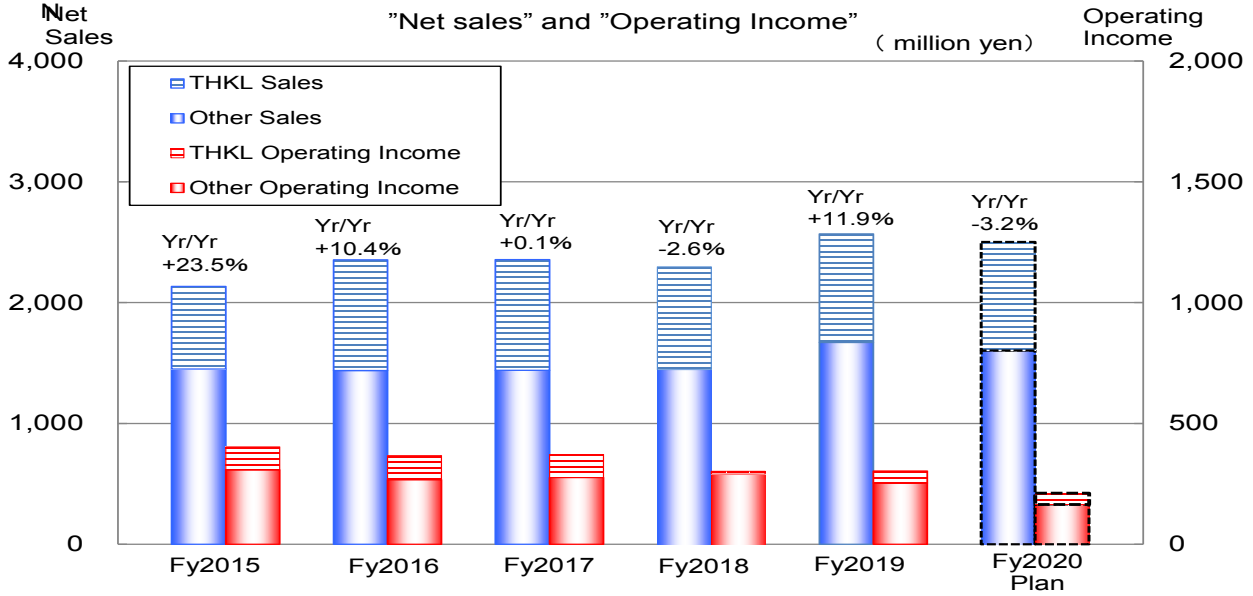
Sales composition

Speed-Up Client Care

- **Relocated Indonesia Office to integrate office and application laboratory**
  ⇒ Enable faster sales activities
- Promote utilization of Application Laboratories (Thai, Indonesia, Taipei)

Develop Strategy in Southeast Asia by using THKL as Hub

- Utilize THKL, a Halal-certified flavors sales and production company, as a hub in Southeast Asia
- Support research and production by dispatching specialists from parent company to train local staffs
- New manufacturing facility construction plan in Malaysia: watch status of progress in light of political and economic trend



FY2020 2Q Sales Performance

Net Sales：1,216mil. yen

(Decreased 7.4% YoY)

Operating Income：88 mil. yen

(Decreased 45.7% YoY)

Ⅴ. Capital Policy

Capital Policy

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Basic Policy

Aiming at continued growth and maximization of corporate value in the future, maintain level of stockholders' equity sufficient to appropriately deal with investment and risks.

Fund Utilization Policy

Properly use funds considering maintenance of sound financial strength and improvement of capital efficiency, etc.

- **Shareholder Returns**
  Paid mid-term dividends and year-end dividends aiming at consolidated dividend payout ratio of approx. 35%
- **Capital Investment**
  Investment for production increase for growth, update/maintenance of existing facilities
- **M&A**
  Comprehensive judgment from various viewpoints, such as market size, business risk, acquisition price
  Realize M&A with an expectation of acquisition effect in terms of customer base, technology aspects and personnel aspects

Cross-Shareholdings

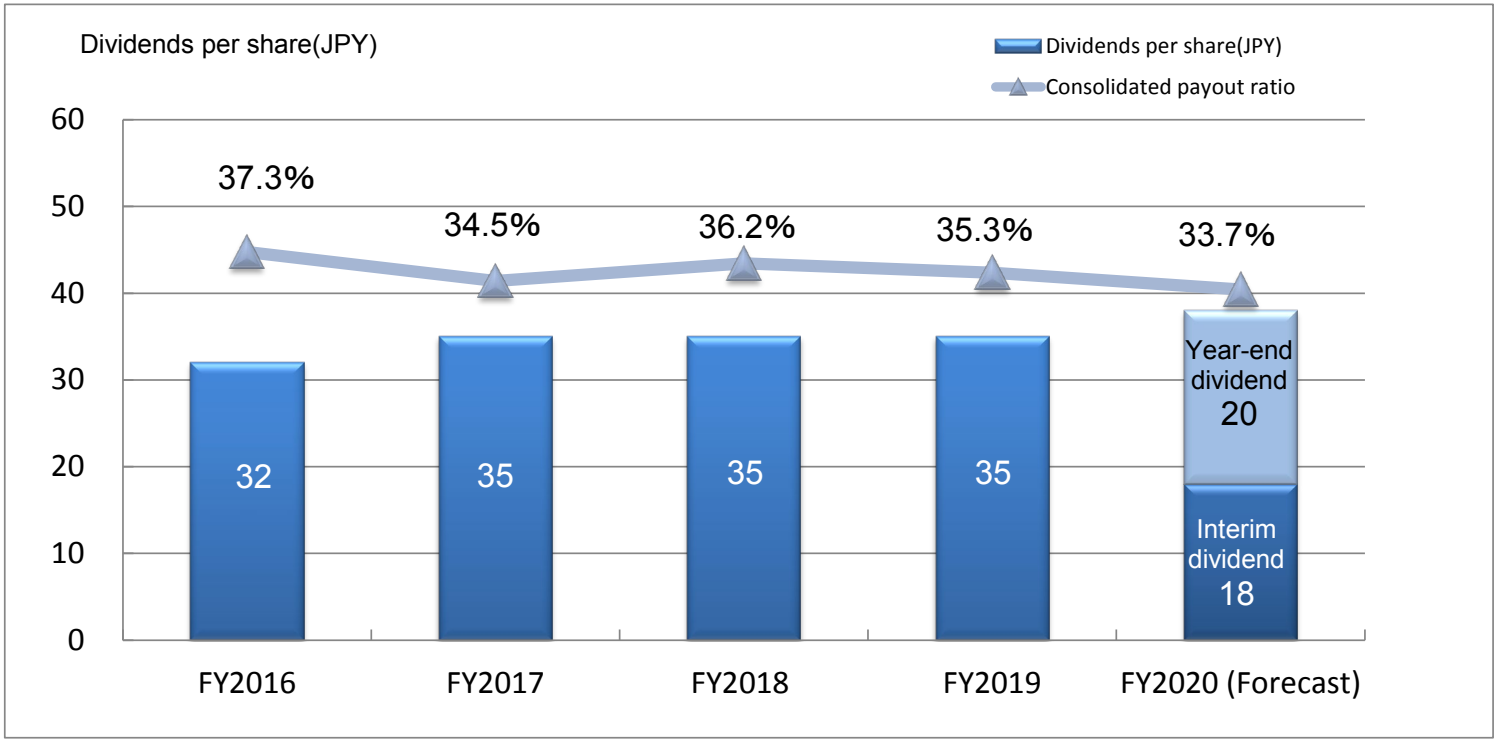
Cut down on aggregate number of shares held from viewpoint of enhancement of capital efficiency, etc. (sale completed for certain portion, and continue to sell during this Fiscal Year).
Validate appropriateness of cross-shareholding from mid to long term viewpoints of purpose and economic reasonableness at the Board of Directors' meeting every year.

Capital Policy

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Shareholder Returns

- While securing required reserves for further reinforcement of group management base and future business development, seek to provide profit returns to shareholders according to business performance
- Aiming at approx. 35% of consolidated dividend ratio, paid dividends twice a year: interim dividends and year-end dividends
- Shareholder special benefit program was introduced in Fiscal Year ending in Sep. 2015 for medium to long term holding of the shares of our company
- In light of revision of annual performance estimate, increased expected year-end dividends per share by 2 yen to 20 yen



Capital Policy

Sale of Shares Held for Facilitation of Business Relationships (Completed)

・March 27, 2020, “Notification of Expected Reporting of Extraordinary income Associated with Sale of Investment Securities” announced

・April 2020, completed the sale of the said investment securities

【Reason】 Revision of policy of holding shares for facilitation of business relationships

【Shares Sold】1 Issue of Listed Securities the Company Owned

【Gain on Sales】867 mil yen

* To be reported as extraordinary income at 3rd quarter of Fiscal Year ending in Sep. 2020

Decision Made on Matters concerning Acquisition of Treasury Stocks

・March 27, 2020, “Notification concerning Decision Made on Matters concerning Acquisition of Treasury Stocks” announced

【Purpose】

Implementation of proactive capital policy to address changes in management environment, enhancement of capital efficiency and enhancement of shareholder benefits

【Aggregate Number of Shares that can be Acquired】

1,000,000 shares (Maximum) (Proportion to aggregate number of issued and outstanding shares [excluding treasury stocks]: 2.4%)

【Total Amount of Acquisition Costs】

2,000 mil yen (Maximum)

【Acquisition Period】

From March 30, 2020 to September 30, 2020

© T.HASEGAWA CO., LTD.

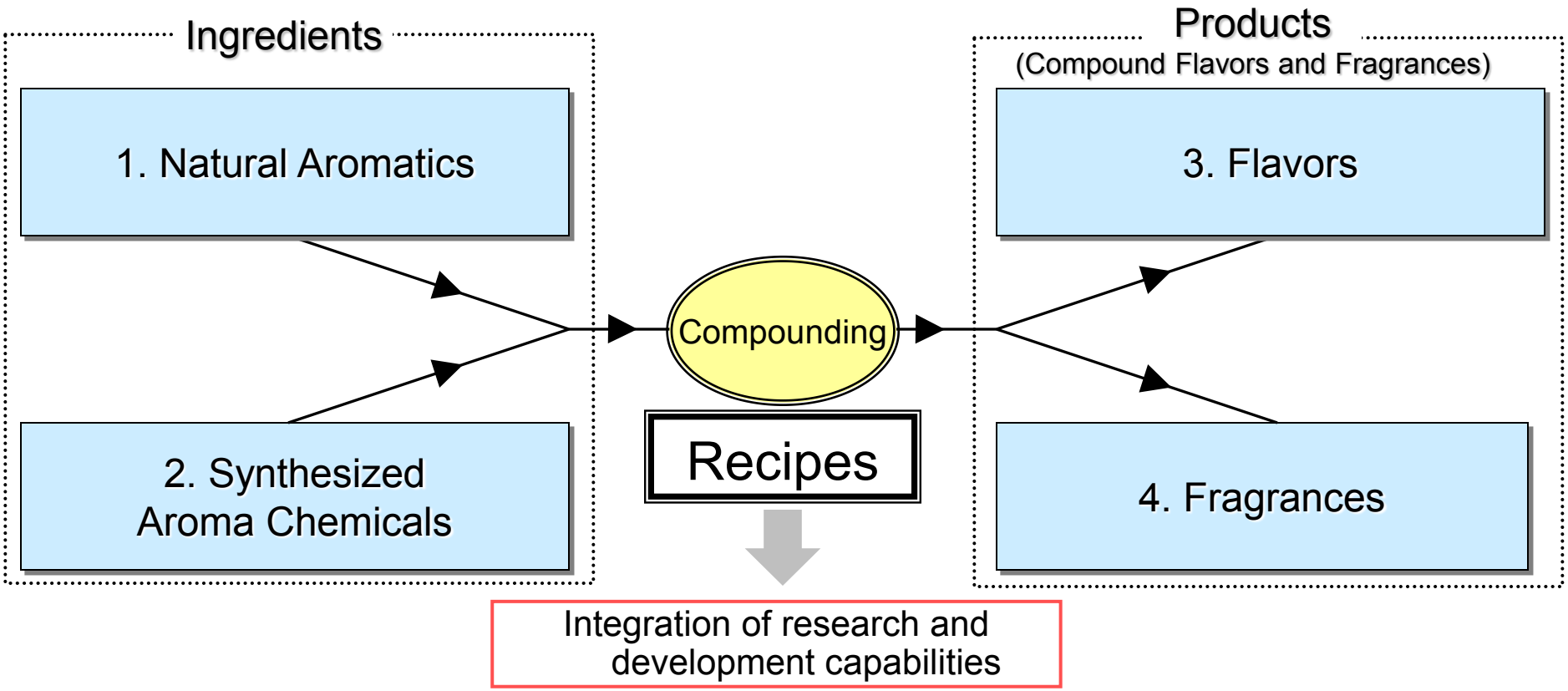
Ⅵ. Appendix

© T.HASEGAWA CO., LTD.

Outline of Flavor and Fragrance Business

Flavor and Fragrance Business

長谷川香料株式会社
© T.HASEGAWA CO., LTD.



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.

© T.HASEGAWA CO., LTD.

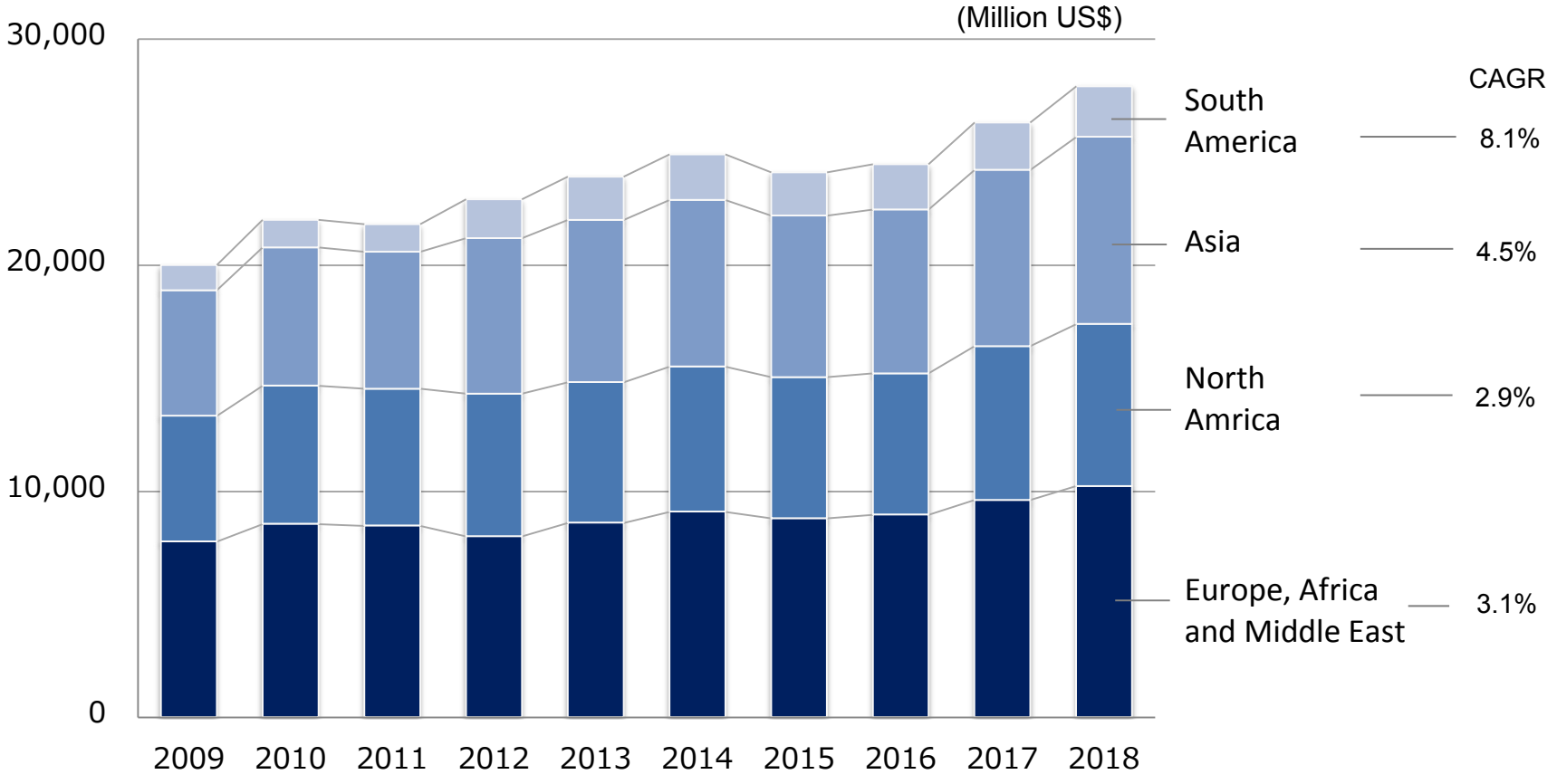
Market Size of Flavor and Fragrance Industry

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Overseas Market

World market size for Fragrance and Flavor was an approximately 6% growth compared to the previous year

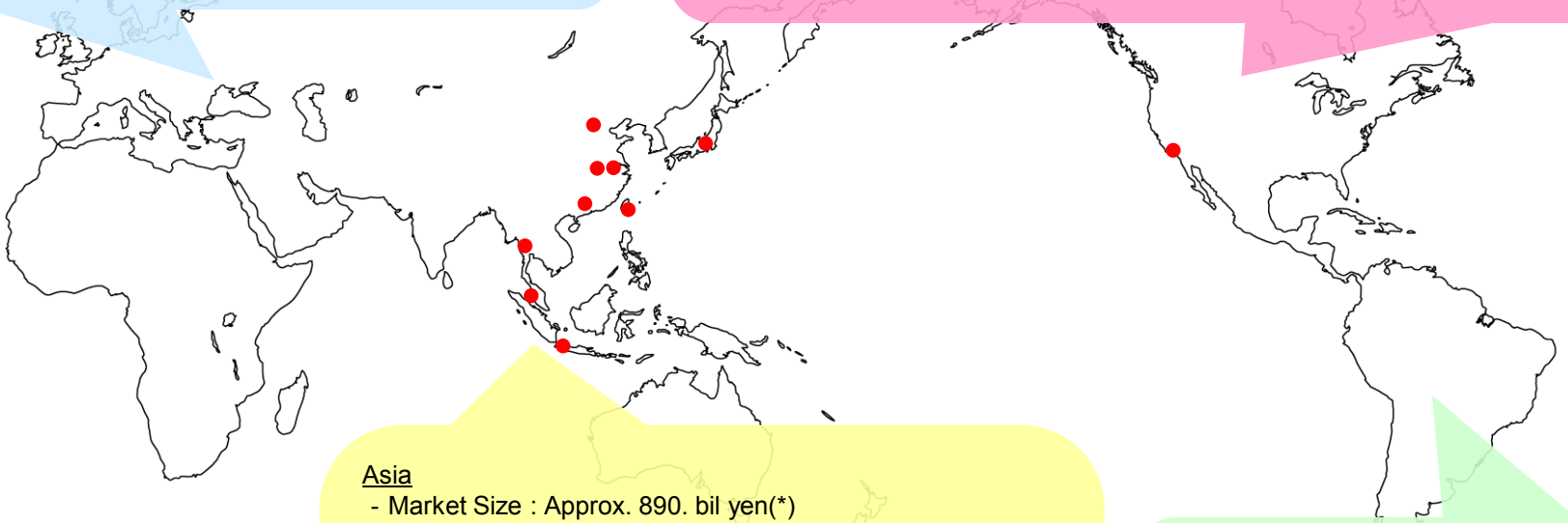
Transition of world market size for Fragrance and Flavor (Estimated by T. Hasegawa)



Global Market Size of Flavor and Fragrance Industry

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Estimated sales volume in global market: 3,000 billion yen (27.9 billion USD)



Europe, Africa and Middle East
- Market Size : Approx. 1,100 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 Amrica
- Market Size : Approx. 770 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. 890. 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) , Indonesia (2014) and Taipei (2017)
- T.Hasegawa acquired Peresscol Sdn. Bhd. [renamed T HASEGAWA FLAVOURS (KUALA LUMPUR) SDN. BHD. in Apr. 2019] in Kuala Lumpur, Malaysia in 2014 due to establishment of production base in Asia area.

South America
- Market size : Approx. 240 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＝109.4JPY

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

Market share of the top 10 companies in global flavor and fragrance market

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Million USD

	Company name	Country	Sales(2019Yr)	Market Share
1	Givaudan	Switzerland	6,156	24.1%
2	IFF	U.S.	5,140	20.1%
3	Firmenich	Switzerland	3,872	15.2%
4	Symrise	Germany	3,054	12.0%
5	Wild Flavors	Germany	2,745	10.7%
6	Mane SA	France	1,479	5.8%
7	Takasago	Japan	1,393	5.5%
8	Sensient Flavors	U.S.	700	2.7%
9	Robertet SA	France	524	2.1%
10	T. Hasegawa	Japan	467	1.8%
	Total	—	25,531	100.0%

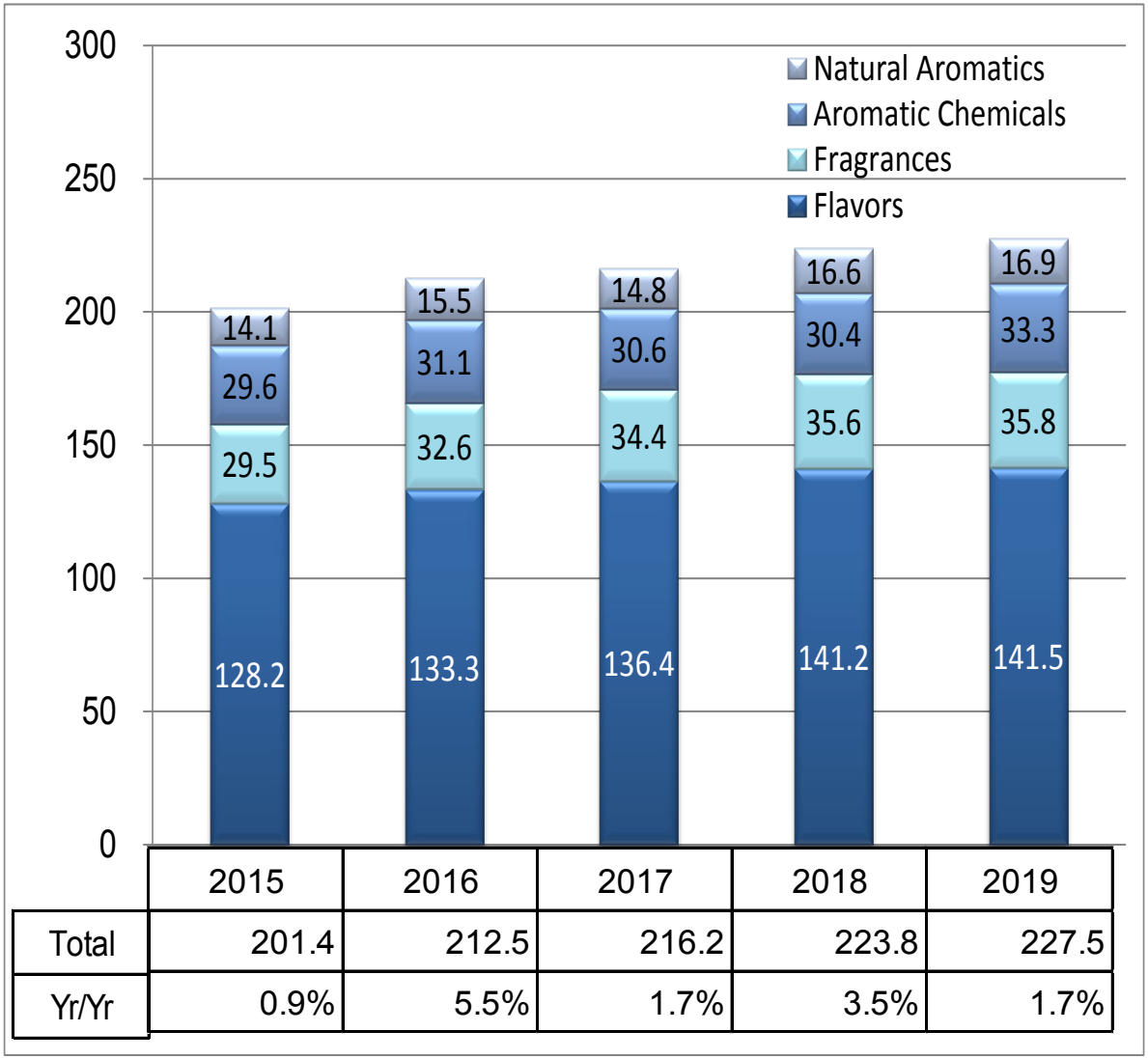
※ Estimated by T. Hasegawa based on the disclosure materials of each company
※ Sales of Mane SA is 2018Yr sales

Market Size in Domestic

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

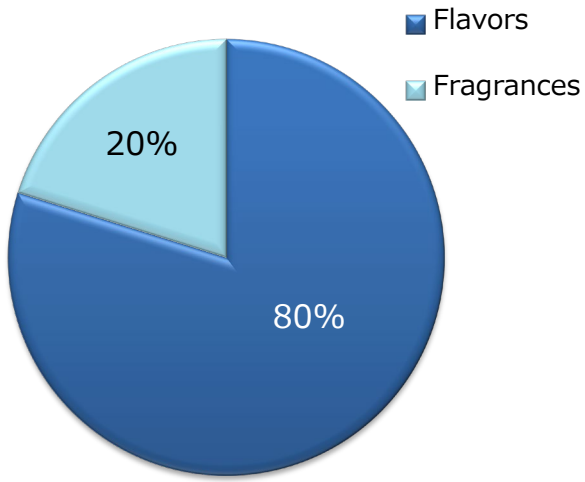
Flavors market accounts for 80% of flavor and fragrance total market share in domestic.
(Flavor market covers 50% of flavor and fragrance market in world wide)

Transition of sales in domestic market (Billion yen)



	2015	2016	2017	2018	2019
Total	201.4	212.5	216.2	223.8	227.5
Yr/Yr	0.9%	5.5%	1.7%	3.5%	1.7%

Composition Rate (2019Yr)



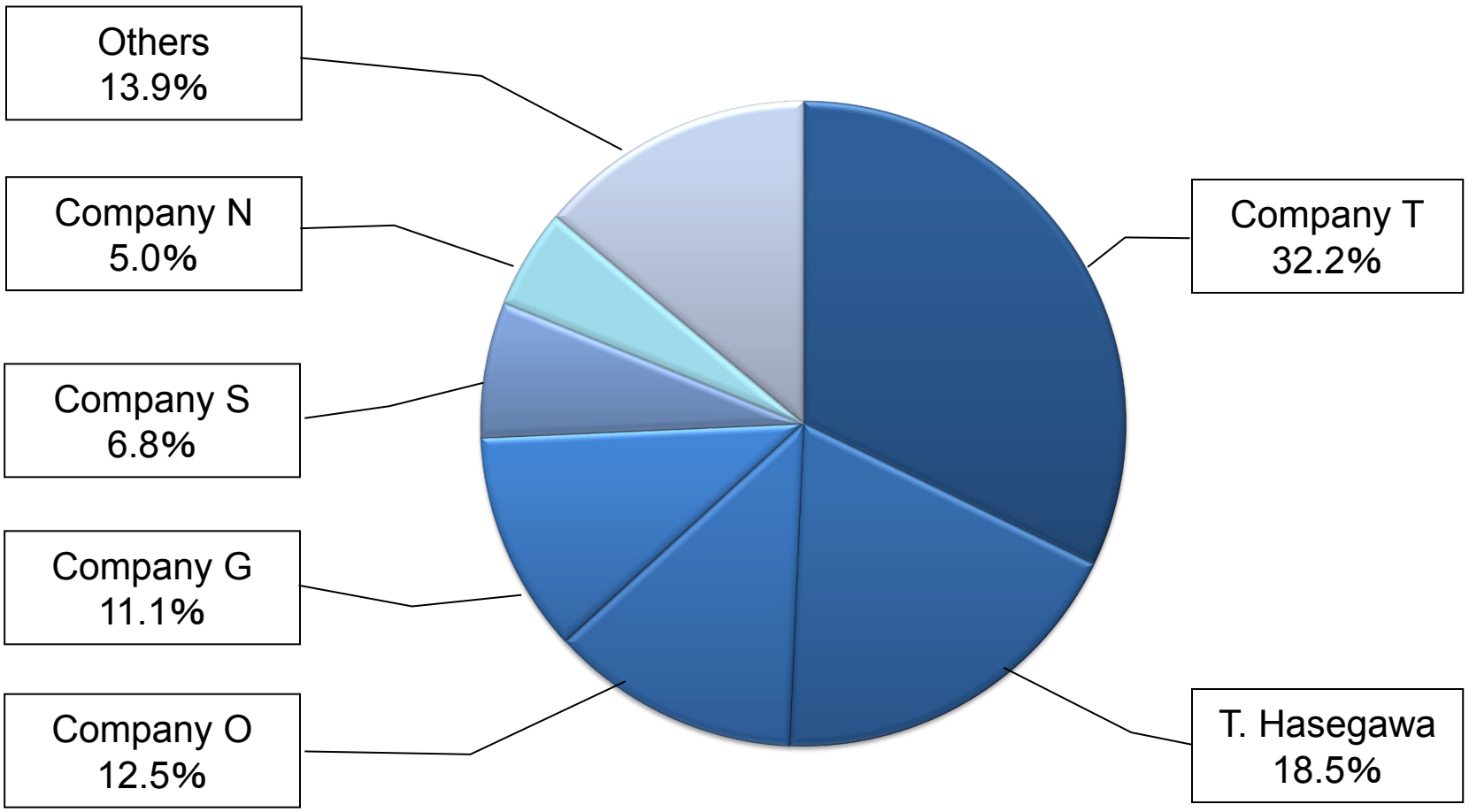
Source of reference :
Japan Flavor & Fragrance Materials Association Magazine

© T.HASEGAWA CO., LTD.

Outline of Current Status of T. Hasegawa

Market share of the top 10 companies in domestic flavor and fragrance market

長谷川香料株式会社
© T.HASEGAWA CO., LTD.



(As of Mar. 2019)

*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 G and O.

*T. Hasegawa's figures indicated above have been calculated for the period from Apr. 2018 to Mar. 2019.

Sales Composition Comparison

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

< Policy in T. Hasegawa>

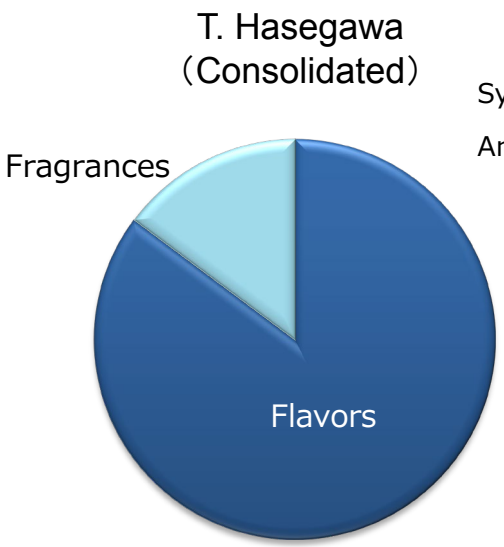
Focus on sales of compound flavors and fragrances with high added value.

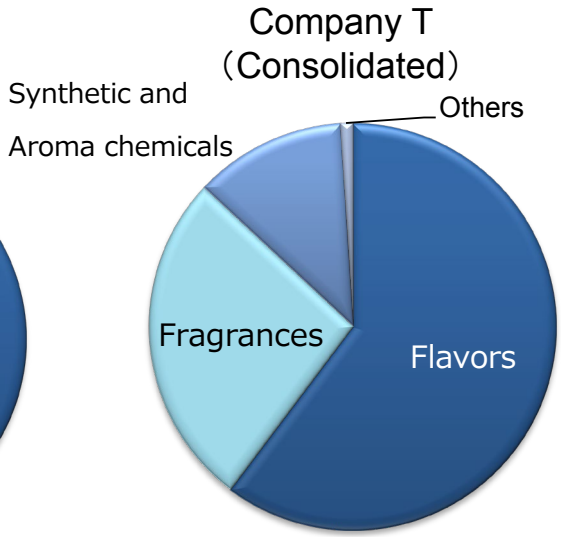
Sells a kind of approximately 12,000 products of fragrance and flavor per year.

(Million yen)

	T. Hasegawa (Consolidated)		Company T (Consolidated)	
	FY ended in Sep. 2019		FY ended in Mar. 2020	
	Sales	Share	Sales	Share
Flavors	43,018	85.2%	91,850	60.2%
Fragrances	7,474	14.8%	40,740	26.7%
Aroma Chemicals	0	0.0%	18,419	12.1%
Others	0	0.0%	1,444	0.9%
Total	50,493	100.0%	152,455	100.0%
Ratio of gross profits to sales	37.9%		28.0%	
Ratio of operating income to sales	9.3%		1.7%	

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

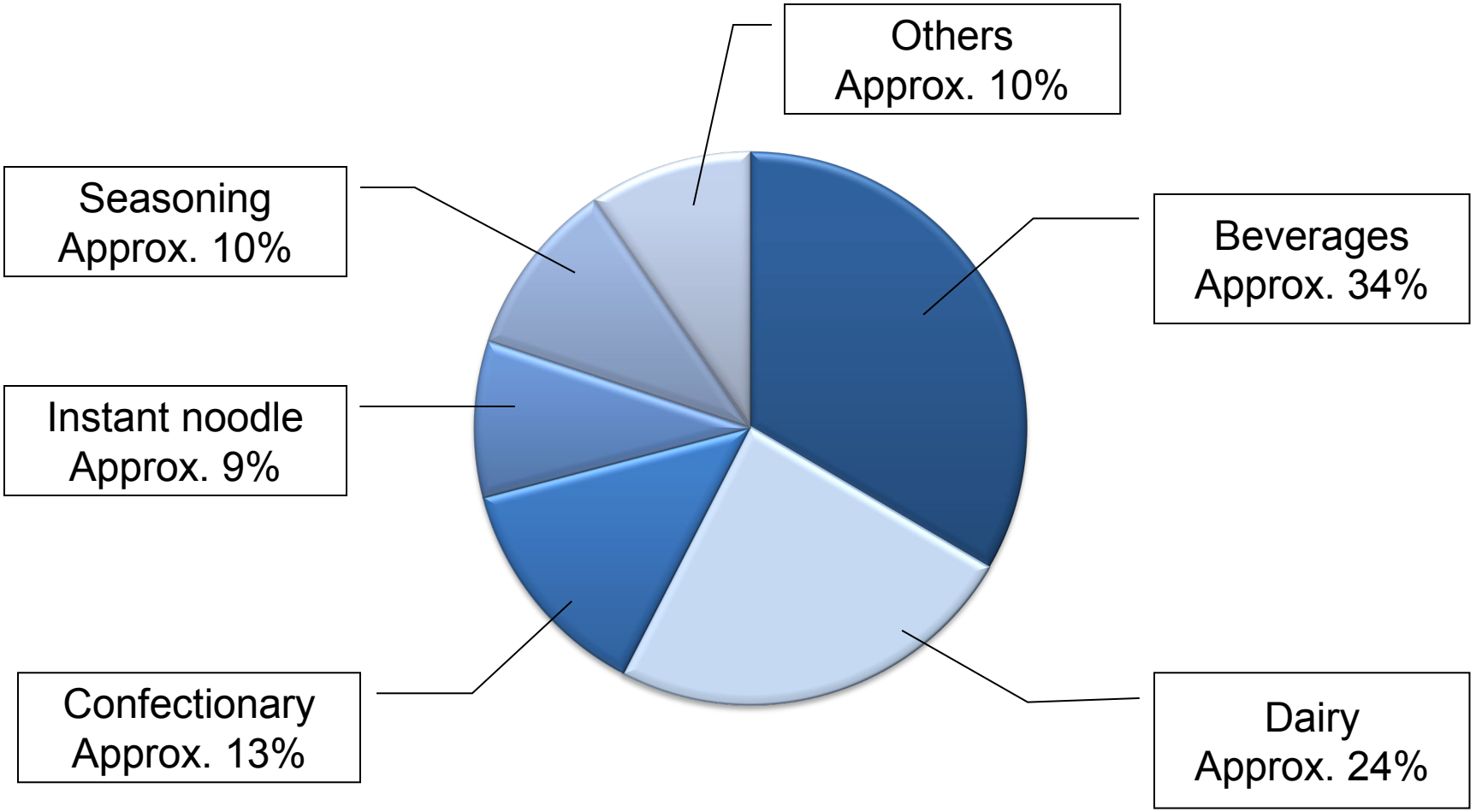




Flavor Sales Share by market

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

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 FY2020 2Q regarding the companies which are possible to separate sales by industry.

© T.HASEGAWA CO., LTD.

Additional Financial Information

Consolidated Income Statement Highlights

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Operating income increased due to an improvement of Cost of sales ratio and decrease of SG&A expenses

(Million yen)

	FY2019 2Q Actual		FY2020 2Q Actual		yr/yr		Remarks
					Value	%	
Net sales	24,468	100.0%	24,462	100.0%	-5	-0.0%	Sales growth of subsidiary in the U.S. Sales decrease of subsidiary in China, Malaysia, Indonesia
Cost of sales	15,202	62.1%	15,114	61.8%	-88	-0.6%	At subsidiaries, cost of sales ratio decreased due to sales product mix change
Gross profit	9,265	37.9%	9,348	38.2%	82	0.9%	
SG&A expenses	7,044	28.8%	6,878	28.1%	-165	-2.4%	No goodwill amortization of subsidiary in U.S. due to recording of impairement loss in previous fiscal year.(FY2019 2Q:146 m. Yen)
Operating income	2,221	9.1%	2,469	10.1%	248	11.2%	
Ordinary income	2,436	10.0%	2,688	11.0%	251	10.3%	
Profit before income taxes	2,422	9.9%	3,008	12.3%	586	24.2%	At parent company, sale of fixed assets of 320 m. Yen was calculated as extraordinary income
Net income	1,761	7.2%	2,092	8.6%	330	18.8%	

Consolidated Balance Sheet Highlights

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

(Million yen)

	September 30, 2019	March 31, 2020	Increase or Decrease	Remarks
Current assets	56,620	56,268	-351	Increase in Cash and deposits 2,684 m. Yen Decrease in Notes and accounts receivable - trade -1,220 m. Yen Decrease in Accounts receivable - other -1,686 m. Yen
Fixed assets	57,243	55,046	-2,196	Decrease in Property, plant and equipment -949 m. Yen Decrease in Investment securities -1,224 m. Yen
Total assets	113,863	111,315	-2,548	
Current liabilities	11,709	9,039	-2,669	Decrease in Notes and accounts payable - trade -1,142 m. Yen Decrease in Income tax payable -791 m. Yen
Long-term liabilities	11,809	11,251	-558	Decrease in Deferred tax liabilities as Investment securities decreased with declining market values -440 m. Yen
Total liabilities	23,519	20,290	-3,228	
Total net assets	90,344	91,024	680	Profit attributable to owners of parent 2,092 m. Yen Dividends of surplus -746 m. Yen Valuation difference on available-for-sale securities as Investment securities decreased with declining market values -869 m. Yen
Total liabilities and net assets	113,863	111,315	-2,548	

Consolidated Statement of Cash Flows

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

(Million Yen)

	FY2019 2Q Actual	FY2020 2Q Actual	Increase or Decrease	Remarks
Cash flows from operating activities	3,979	2,179	-1,800	Profit before income taxes 3,008 m. Yen Depreciation 1,413 m. Yen Income taxes paid -1,753 m. Yen
Cash flows from investing activities	-2,023	1,163	3,186	Payments into time deposits -1,614 m. Yen Proceeds from withdrawal of time deposits 1,562 m. Yen Purchase of Property, plant and equipment -987 m. Yen Proceeds from sales of property, plant and equipment 588 m. Yen Proceeds from sales of investment securities 1,686 m. Yen
Cash flows from financing activities	-2,329	-753	1,576	Cash dividends paid -744 m. Yen
Effect of currency change on cash and cash equivalents	-19	16	36	–
Net Change in cash and cash equivalents	-392	2,606	2,999	–
Cash and Cash equivalents at beginning of period	17,221	20,898	3,677	–
Cash and cash equivalents at end of period	16,828	23,505	6,676	–

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

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

(Million Yen)

		FY2020 Full-year plan	FY2020 2Q Actual	Progress (%)
Capital Investment	Consolidated	2,563	757	29.5%
	Non-consolidated	1,815	388	21.4%
Depreciation & Amortization	Consolidated	2,953	1,413	47.8%
	Non-consolidated	2,007	956	47.6%
R&D Expenses	Consolidated	4,654	2,200	47.3%
	Non-consolidated	3,680	1,713	46.5%

T. Hasegawa Non-consolidated (Actual)

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

(Million Yen)

	FY19 2Q Actual		FY20 2Q Actual		yr/yr		Progress vs. Annual plan
	Value	Share	Value	Share	Value	%	
Net sales	18,110	100.0%	18,147	100.0%	36	0.2%	48.2%
Cost of sales	11,198	61.8%	11,314	62.4%	116	1.0%	48.3%
Gross profit	6,912	38.2%	6,832	37.6%	-79	-1.2%	48.0%
SG&A expenses	4,965	27.4%	4,951	27.3%	-13	-0.3%	47.4%
Operating income	1,946	10.8%	1,880	10.4%	-66	-3.4%	49.9%
Ordinary income	2,169	12.0%	3,100	17.1%	931	42.9%	59.3%
Income before income taxes	2,156	11.9%	3,414	18.8%	1,258	58.3%	53.9%
Net income	1,604	8.9%	2,590	14.3%	985	61.4%	54.6%

- Despite sales decline in toiletry products at fragrance division, flavors for beverages increased at flavor division, and total sales was flat.
- Operating income declined due to deterioration of sales cost ratio.
- Operating income increased mainly from reporting of dividends received from Chinese subsidiary as non-operating profit.

* Progression rate to revised plan announced on May 8, 2020

T. HASEGAWA U.S.A., INC. (Actual)

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

(Million Yen)

Yen Basis	FY2019 2Q		FY2020 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	2,784	100.0%	3,075	100.0%	291	10.5%
Cost of sales	1,730	62.1%	1,827	59.4%	97	5.6%
Gross profit	1,054	37.9%	1,248	40.6%	193	18.4%
SG&A expenses	1,072	38.5%	964	31.4%	-107	-10.0%
Operating income	-18	-	283	9.2%	301	-
Ordinary income	-21	-	283	9.2%	305	-
Net income	-16	-	226	7.4%	243	-
	Yen 111.55 / USD		Yen 108.84 / USD		2.4% higher	

(Thousand US$)

Local Currency Basis	FY2019 2Q		FY2020 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	24,963	100.0%	28,258	100.0%	3,295	13.2%
Cost of sales	15,513	62.1%	16,792	59.4%	1,278	8.2%
Gross profit	9,449	37.9%	11,466	40.6%	2,016	21.3%
SG&A expenses	9,613	38.5%	8,864	31.4%	-749	-7.8%
Operating income	-164	-	2,602	9.2%	2,766	-
Ordinary income	-193	-	2,604	9.2%	2,798	-
Net income	-152	-	2,077	7.4%	2,229	-

- Sales increased mainly from increase in supply for restaurants and beverages.
  Achieved double-digit sales growth rate on both yen basis and local currency basis.
- Operating income increased from improvement of sales cost ratio and decrease in SGA expense associated with decrease of goodwill amortization costs.

China subsidiaries (Consolidated base) (Actual)

長谷川香料株式会社
© T.HASEGAWA CO., LTD.

Consolidated profit and loss statement for China including T.H. Shanghai and T.H. Suzhou.

(Million Yen)

Yen Basis	FY2019 2Q		FY2020 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	3,341	100.0%	3,067	100.0%	-273	-8.2%
Cost of sales	2,310	69.1%	2,038	66.4%	-271	-11.8%
Gross profit	1,031	30.9%	1,029	33.6%	-2	-0.2%
SG&A expenses	775	23.2%	708	23.1%	-66	-8.6%
Operating income	255	7.6%	320	10.4%	64	25.4%
Ordinary income	290	8.7%	366	12.0%	75	26.0%
Net income	214	6.4%	273	8.9%	58	27.4%
	Yen 16.33 / RMB		Yen 15.52 / RMB		5.0% higher	

(Thousand RMB)

Local Currency Basis	FY2019 2Q		FY2020 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	204,611	100.0%	197,647	100.0%	-6,964	-3.4%
Cost of sales	141,459	69.1%	131,329	66.4%	-10,129	-7.2%
Gross profit	63,152	30.9%	66,317	33.6%	3,165	5.0%
SG&A expenses	47,512	23.2%	45,680	23.1%	-1,832	-3.9%
Operating income	15,640	7.6%	20,637	10.4%	4,997	32.0%
Ordinary income	17,818	8.7%	23,618	12.0%	5,800	32.6%
Net income	13,165	6.4%	17,650	8.9%	4,485	34.1%

- Sales declined mainly due to sales decline at flavor division from impact of novel coronavirus.
- Operating income increased from improvement of sales cost ratio and SG&A expense decrease.

T HASEGAWA FLAVOURS (KUALA LUMPUR) SDN. BHD. (Actual)

長谷川香料株式会社 © T.HASEGAWA CO., LTD.

(Million Yen)

Yen Basis	FY2019 2Q		FY2020 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	468	100.0%	431	100.0%	-36	-7.8%
Cost of sales	277	59.3%	249	57.8%	-28	-10.2%
Gross profit	190	40.7%	182	42.2%	-8	-4.3%
SG&A expenses	154	33.0%	161	37.4%	6	4.2%
Operating income	35	7.6%	21	4.9%	-14	-41.1%
Ordinary income	43	9.2%	27	6.3%	-15	-37.0%
Net income	31	6.7%	18	4.3%	-12	-40.9%
	Yen 27.01 / MYR		Yen 26.13 / MYR		3.3% higher	

(Thousand Malaysian Ringgit)

Local Currency Basis	FY2019 2Q		FY2020 2Q		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	17,333	100.0%	16,520	100.0%	-813	-4.7%
Cost of sales	10,283	59.3%	9,544	57.8%	-738	-7.2%
Gross profit	7,049	40.7%	6,975	42.2%	-74	-1.1%
SG&A expenses	5,728	33.0%	6,170	37.4%	442	7.7%
Operating income	1,321	7.6%	805	4.9%	-516	-39.1%
Ordinary income	1,600	9.2%	1,042	6.3%	-558	-34.9%
Net income	1,160	6.7%	709	4.3%	-450	-38.9%

- Sales declined mainly due to decrease of export resulting from factors, such as impact of lockdown and entry restrictions at neighboring countries.
- Operating income declined due to sales decline and SGA increase.

Caution with Respect to Forward-Looking Statements:

This material is composed based on data as of . May 8th 2020and 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.

Please also note that we will assume no responsibility for any omission or error in the statements and data in this material. This material is published by T. Hasegawa and all contents belong to the company. The content is not to be copied or distributed without permission.

長谷川香料株式会社

© T.HASEGAWA CO., LTD.