



## 香りを言葉にする。 科学と感性。

香りは時として雄弁になり、数多くの情報を発信します。

コミュニケーションが多様になることにも

香りも進化が求められています。

香料の可能性は無限です。そして、大きな期待がかけられています。

科学と感性が融合した高品位な技術力。

私たち長谷川香料は高レベルでの研究開発と製造技術を追求してきました。

分析、合成、調香など、長年積み重ねてきた

さまざまな分野の技術力を結集し、

多角的な視点で香りをカタチにしています。

ここには伝統の技術力と未来を見据えた先端技術があります。

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

# Financial Results for the Year Ended September 30, 2019



T. HASEGAWA CO., LTD.

November 20, 2019

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# I . Overview of Consolidated Financial Statement

## Domestic Market

- Flavors and fragrances market in 2018 expanded approximately 4% compared to the previous year

### Market Trends by Product Category

Category	Trend		
Beverages	2018	Increased	<ul style="list-style-type: none"> <li>• Record high sales quantity due to record breaking extreme heat in the summer</li> <li>• Sugar-free tea drinks, carbonated drinks, mineral water, etc. were strong</li> </ul>
	2019 Jan. to Sept.	Decreased	<ul style="list-style-type: none"> <li>• Due to nationwide low temperature and continual rain trend from prolonged rainy season, underperformed comparing to the previous year</li> <li>• Due to extreme heat after the end of the rainy season, sports drinks and carbonated drinks were strong</li> </ul>
Snacks	2018	Increased	<ul style="list-style-type: none"> <li>• Potato chips sales, which had been weak due to raw material shortage in the previous year, recovered</li> <li>• Market stimulated by introduction of wide variety of new products</li> </ul>
	2019 Jan. to Sept.	Flat	<ul style="list-style-type: none"> <li>• For potato-related snacks, bagged potato chips increased slightly</li> <li>• Corn-based snacks and flour-based snacks underperformed comparing to the previous year</li> </ul>
Chocolate	2018	Decreased	<ul style="list-style-type: none"> <li>• High cacao chocolate boom which led the market calmed down</li> </ul>
	2019 Jan. to Sept.	Slightly Decreased	<ul style="list-style-type: none"> <li>• Healthy/health-promoting chocolates, such as high cacao chocolate, were strong</li> <li>• Chocolate bars were sluggish</li> </ul>
Frozen Dessert	2018	Increased	<ul style="list-style-type: none"> <li>• Very strong in July and Aug. due to record breaking extreme heat in the summer</li> </ul>
	2019 Jan. to Sept.	Decreased	<ul style="list-style-type: none"> <li>• Significantly decreased in July, the period of the highest demand, because the end of rainy season delayed significantly</li> <li>• For other months, sales were also affected by weather conditions, such as continued cloudy or rainy days</li> </ul>

# Performance Overview

- Compared to Previous Year

Net sales increased mainly from sales increase at parent company and subsidiary in the U.S.

Operating income decreased mainly from deterioration of sales cost ratio and SG&A expense increase

While reporting impairment loss concerning goodwill related to subsidiary in the U.S. as extraordinary loss, gain on sale of investment securities were reported as extraordinary income, and net income for this fiscal year increased

- Compared to Plan

Net sales could not achieve target mainly due to underperformance of subsidiary in China

Operating income could not achieve target in association with sales decrease

(Million Yen)

	FY18 Actual	FY19 Plan	FY19 Actual	Achievement			
				yr/yr		vs. Plan	
				Value	%	Value	%
Net sales	49,751	52,200	50,493	742	1.5%	-1,706	-3.3%
Cost of sales	30,619	31,830	31,373	754	2.5%	-456	-1.4%
Gross profit	19,132	20,370	19,120	-12	-0.1%	-1,249	-6.1%
SG&A expenses	14,073	14,870	14,441	367	2.6%	-428	-2.9%
Operating income	5,058	5,500	4,678	-379	-7.5%	-821	-14.9%
Ordinary income	5,512	5,900	5,175	-337	-6.1%	-724	-12.3%
Income before income taxes	5,521	5,850	5,464	-56	-1.0%	-385	-6.6%
Net income	4,100	4,300	4,121	20	0.5%	-178	-4.1%
EBITDA (※)	8,476	9,014	8,053	-422	-5.0%	-960	-11.9%

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

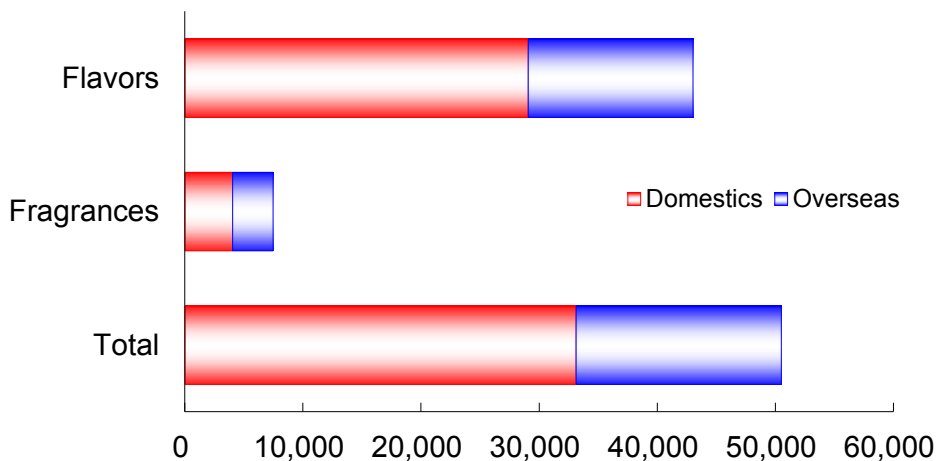
# Net Sales by Product Segments

Total net sales expanded due to the increase of sales for flavors in parent company and subsidiary in the U.S.

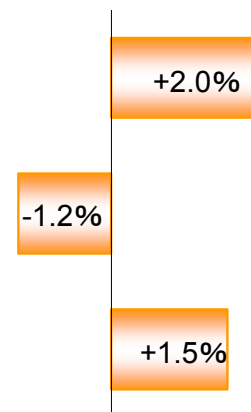
(Million Yen)

Category	FY2018 Actual	FY2019 Actual	yr/yr		Remark
			Value	%	
Flavors	42,186	43,018	832	2.0%	• Sales of parent company and the subsidiary in the U.S. increased
Fragrances	7,565	7,474	-90	-1.2%	• Sales of the subsidiary in China decreased
Total	49,751	50,493	742	1.5%	—

FY19 Actual (Million Yen)



yr/yr (%)



\*FY19 Overseas sales ratio 34.4%

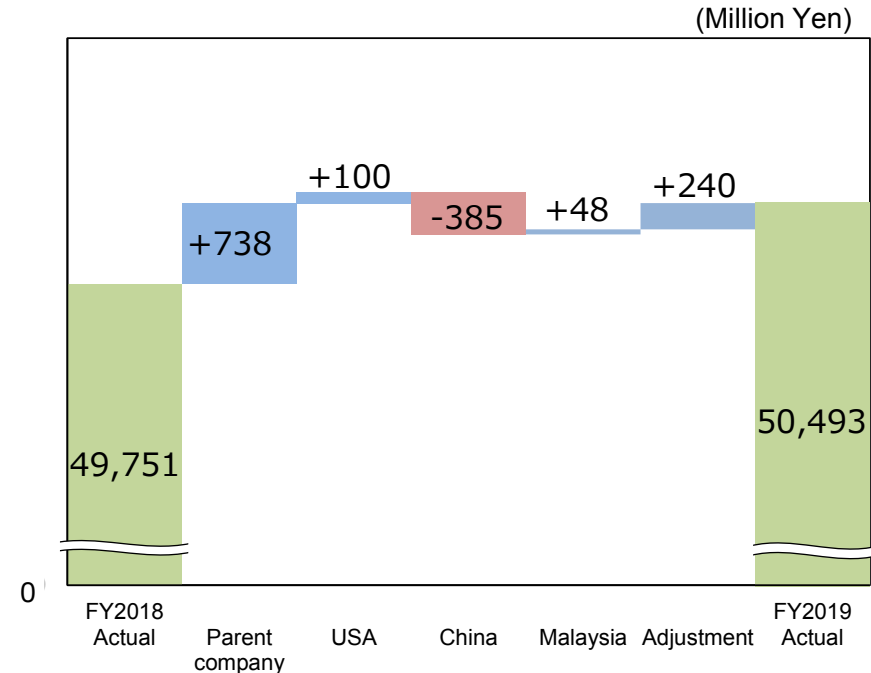
# Net sales by Group Company

- Contributing Factor for Sales Increase  
Increase at parent company and subsidiary in the U.S.

Currency	FY2018	FY2019	Yr/Yr
1US\$	¥110.45	¥110.09	0.3% higher
1RMB	¥16.91	¥16.00	5.4% higher
1MYR	¥27.43	¥26.58	3.1% higher

(Million Yen)

	FY18 Actual	FY19 Actual	yr/yr	%
Parent company	36,907	37,646	738	2.0%
USA	5,618	5,719	100	1.8%
China	7,078	6,693	-385	-5.4%
Malaysia	850	898	48	5.6%
Adjustment	-703	-463	240	-
Consolidated	49,751	50,493	742	1.5%



Parent company	Sales of products for beverages at flavor division increased	Increased
USA	Sales increased at areas of savory flavors and flavors for health & wellness products	Increased
China	Flat on local currency basis from sales increase at flavor division, but decreased on yen basis from impact of high appreciation of yen	Declined
Malaysia	Sales of seasoning powder and flavors for beverages increased	Increased

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

\* 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

# Operating Income by Group Company

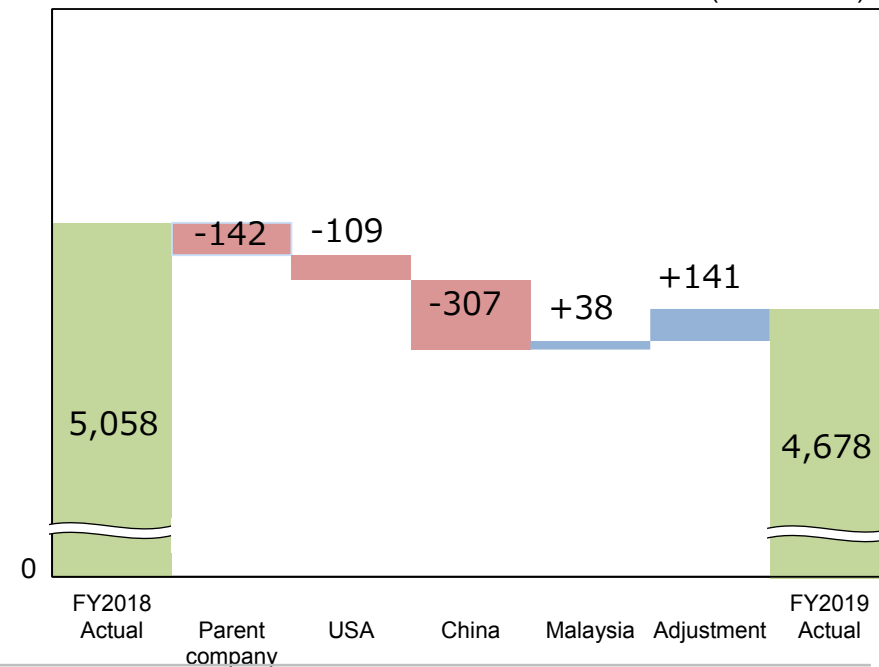
- Contributing Factor for Decline  
Decrease at parent company, subsidiary in the U.S. and China

Currency	FY2018	FY2019	Yr/Yr
1US\$	¥110.45	¥110.09	0.3% higher
1RMB	¥16.91	¥16.00	5.4% higher
1MYR	¥27.43	¥26.58	3.1% higher

(Million Yen)

	FY18 Actual	FY19 Actual	yr/yr	%
Parent company	3,977	3,835	-142	-3.6%
USA	259	149	-109	-42.3%
China	898	590	-307	-34.2%
Malaysia	11	49	38	329.2%
Adjustment	-88	53	141	-
Consolidated	5,058	4,678	-379	-7.5%

(Million Yen)



Parent company	Deterioration of sales cost ratio, SG&A expense increased	Declined
USA	Deterioration of sales cost ratio, SG&A expense increased	Declined
China	Yen-base sales decreased from impact of high appreciation of yen, Deterioration of sales cost ratio, SG&A expense increased	Declined
Malaysia	Sales increased, sales cost ratio improved	Increased



# Reported Extraordinary Loss related to Goodwill Impairment Loss

Company name / Segment	FLAVOR INGREDIENT HOLDINGS, LLC / The U.S.
Acquisition Timing	June 2017
Goodwill Acquisition Cost	\$25,900 thousand
Goodwill Impairment Loss Amount	\$20,720 thousand ( ¥ 2,281 million) * Initial plan was to amortize in 10 years from July 2017, but we reported loss in the entire amount in the Fiscal Year ending Sept. 2019
Goodwill Book Value	Zero (as of Sept. 2019)
Reason of Impairment Loss	Despite steady growth, we reported impairment loss according to the accounting standards in light of the delay in progress vis-à-vis the plan drawn at the time of the acquisition
Future Goodwill Amortization	There will be no goodwill amortization for fiscal year ending Sept. 2020 onwards
Future Policy	Continue to make efforts in business expansion aiming at further growth

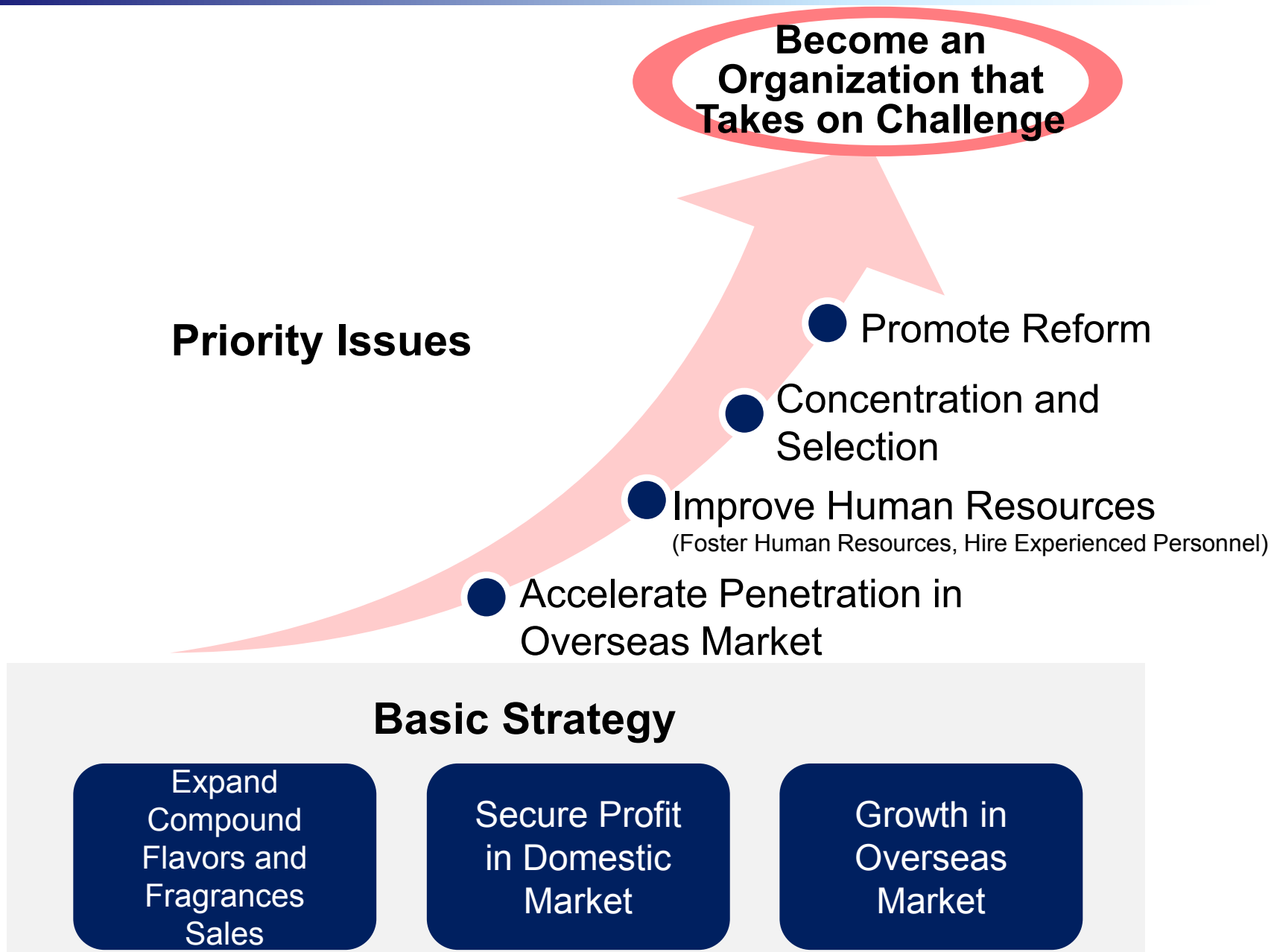
(Note) As to Customer relationship (Intangible assets), \$24,184 thousand are scheduled to be amortized in approx. 18 years

## Goodwill Amortization Plan and Actual

Thousand dollars

	Plan	Actual	
2017/9	647	647	
2018/9	2,590	2,590	
2019/9	2,590	Amortized Amount: 1,943	Impairment Loss: 20,720
2020/9 to 2026/9	2,590 each year	—	
2027/9	1,943	—	
Total	25,900	25,900	

# II . Management Policy



# III. Global Strategies

# Domestic Strategy

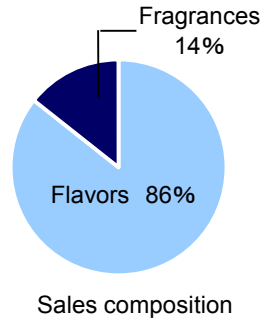
Basic Strategy: Expand market share by anticipating new market demands stemming from aging society and heightening of health consciousness

Ongoing Project and Progress

Reinforce Sales Structure

Promote Solution-Oriented Sales Activity

- **Sales Activity Quality Enhancement**  
⇒ 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 and analysis

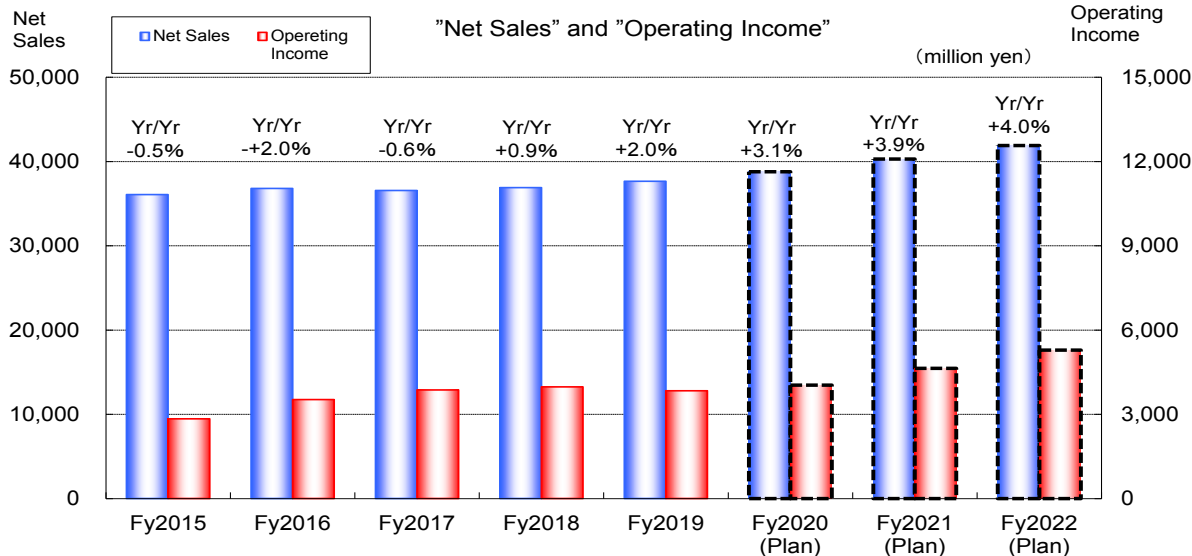


Expand the range of New Applications

- 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 and materials that brings good taste to health-oriented foods

Speed-Up R&D Activities

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



## FY2019 Sales Performance

**Net Sales : 37,646 mil. yen**  
(Increased 2.0% YoY)

**Operating Income : 3,835 mil. yen**  
(Decreased 3.6% YoY)

## Sales and Profit Target (FY2022)

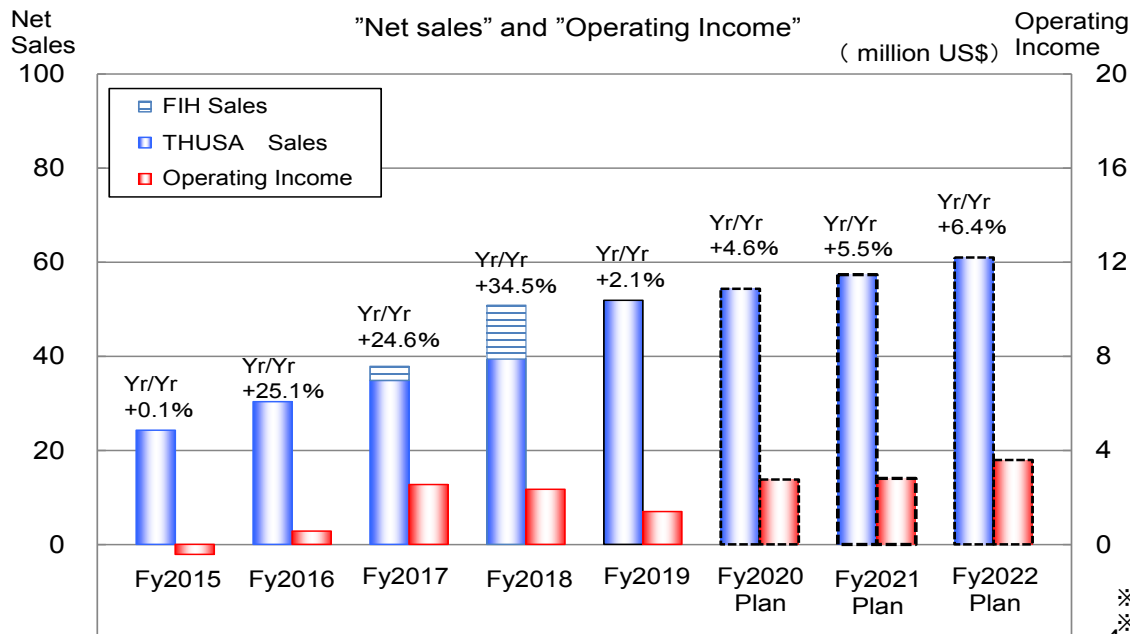
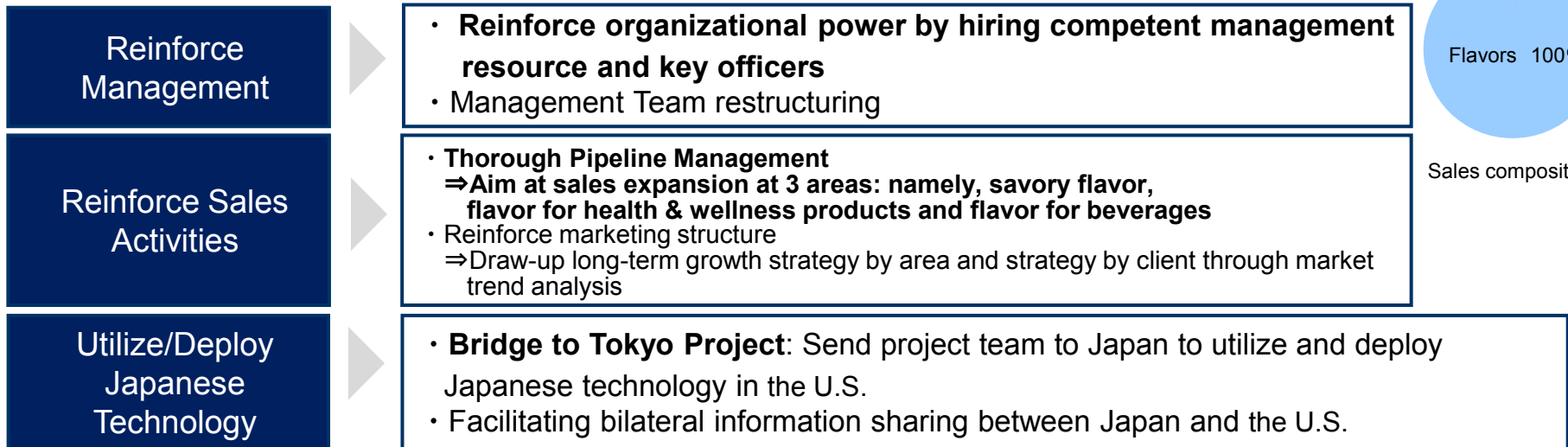
**Net Sales : 41,900 mil. yen**

**Operating Income : 5,290 mil. yen**

# Overseas Strategy – The U.S. –

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

Ongoing projects and progress



**FY2019 Sales Performance**  
**Net Sales: 51.9 mil. USD**  
 (Increased 2.1% YoY)  
**(5,719 mil. yen)**  
**Operating income: 1.3 mil. USD**  
 (Decreased 42.1% YoY)  
**(149 mil. yen)**  
Sales and Profit Target (FY2022)  
**Net Sales: 61.0 mil. USD**  
**(6,405 mil. yen)**  
**Operating Income: 3.5 mil. USD**  
**(376 mil. yen)**

※Savory flavors : salty flavor for snacks, dressing for salad, and seasoning etc.  
 ※The sales plans for FY2019 to FY2022 are indicated by consolidated figures of T.H.USA and FIH.

# Overseas Strategy – China –

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

## Ongoing projects and progress

Reinforce Sales Organization

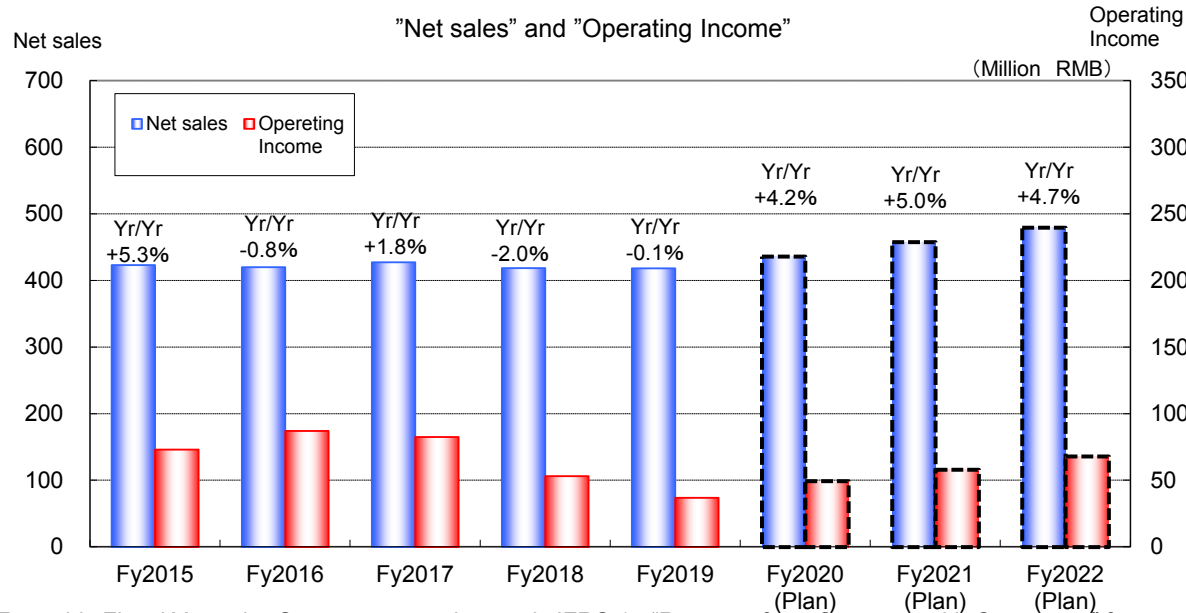
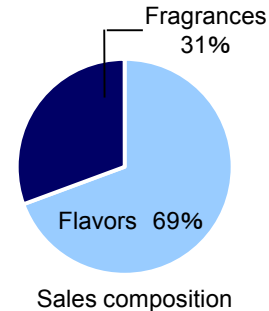
- Utilize Marketing Function  
⇒ Deploy strategic approach to clients, develop new market and potential demands
- Deepen Sales/R&D Co-work
- Reinforce sales structure by hiring local sales general manager and increasing number of sales force  
⇒ Focus on local large enterprises and South China area

Enhance Profitability

- Promoting Manufacturing Cost Compression Project

Reinforce Organizational Power

- Focus on Training of Local Core Personnel
- Continued Implementation of Internal Control, such as Risk Management and Compliance



**FY2019 Sales Performance**  
**Net Sales : 418.3 mil. RMB**  
 (Almost equal to the prior-year level)  
**(6,693 mil. yen)**  
**Operating Income : 36.9 mil. RMB**  
 (Decreased 30.5% YoY)  
**(590 mil. yen)**

**Sales and Profit Target (FY2022)**  
**Net Sales : 479.2 mil. RMB**  
**(7,180 mil. yen)**  
**Operating Income : 68.0 mil. RMB**  
**(1,019 mil. 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

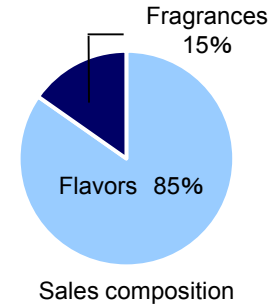
# Overseas Strategy – Southeast Asia –

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, Thailand 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

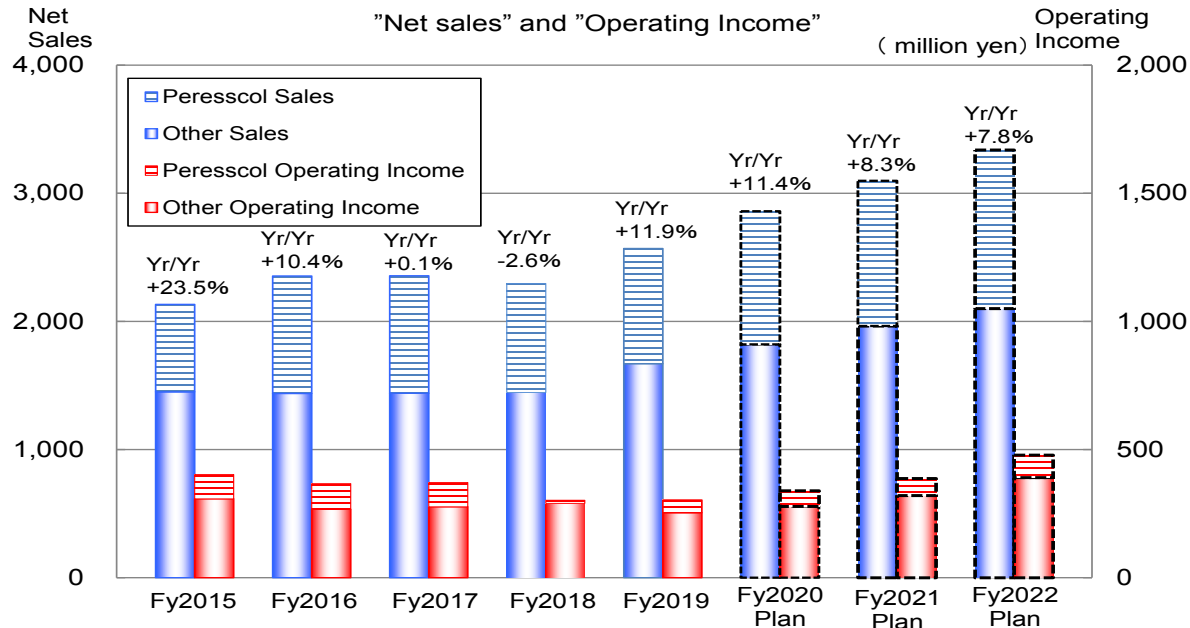


Speed-Up Client Care

- Promote utilization of Application Laboratories (Thailand, 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 staff
- New manufacturing facility construction plan in Malaysia: watch status of progress in light of political and economic trends



### FY2019 Sales Performance

**Net Sales: 2,568 mil. yen**

(Increased 11.9% YoY)

**Operating Income: 303 mil. yen**

(Increased 0.3% YoY)

### Sales and Profit Target (FY2022)

**Net Sales: 3,330 mil. yen**

**Operating Income: 470 mil. yen**



## Enhance human resources with human resource development positioned as a priority item of the management policy

### Initiatives

- Implement training programs that are tailored to each level of the company (senior management, executive officers, managers)
- Implement planned job rotation
- Establish Junior Board consists of junior/mid-career staff members
  - Draw corporate vision of the company over 10 to 20 years ahead
  - Foster sense of participation in management among junior/mid-career staff members

### Shared Values

Executive Officers

- Recognize responsibilities as Senior Management
- Learn fundamental management skills

General Managers

- Run organization based on medium- to long-term vision

Managers

- Implement management style that promotes spirit of staff members' self-sufficiency

Staff Members

(Mid-career / Junior / New employees)

- Act with ownership
- Bring results by engaging others

**Raise Level of Entire Organization**

# IV. Three-Year-Plan

# Three-Year Plan (consolidated)

Parent company	Deploy solution-oriented sales activities by use of market survey results, analysis, etc. Expect sales increase by focusing on reaction to expanding range of new applications and through promotion of various measures targeting sales expansion
The U.S.	Expect sales expansion in areas of savory flavor, flavor for beverages and flavor for health & wellness products through reinforcement of marketing structure and thorough pipeline management
China	Expect performance recovery through various efforts, such as reinforcement of sales structure through utilization of marketing function and sales force increase, and promotion of manufacturing cost compression project
Malaysia	Expect sales increase through various efforts, such as reinforcement of cooperation among offices in South-east Asia, reinforcement of sales structure for development of new clients

(Million Yen)

	FY2019 (Actual)	FY2020 (Plan)	FY2021 (Plan)	FY2022 (Plan)
Net sales	50,493	51,600	53,900	56,300
Cost of sales	31,373	31,770	32,910	34,120
Operating income	4,678	5,100	5,870	6,740
Ordinary income	5,175	5,550	6,320	7,190
Net income	4,121	4,250	4,490	5,120
Exchange rates	¥110.09 per US\$ ¥16.00 per RMB	¥105.00 per US\$ ¥15.00 per RMB	¥105.00 per US\$ ¥15.00 per RMB	¥105.00 per US\$ ¥15.00 per RMB
Sales growth ratio	1.5%	2.2%	4.5%	4.5%
Sales cost ratio	62.1%	61.6%	61.1%	60.6%
Operating income ratio	9.3%	9.9%	10.9%	12.0%
Ordinary income ratio	10.3%	10.8%	11.7%	12.8%
Net income ratio	8.2%	8.2%	8.3%	9.1%
Overseas sales ratio	34.4%	34.2%	34.6%	35.1%

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

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

\* Detailed information is described on page 44.

- 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

		FY2019 (Actual)	FY2020 (Plan)	FY2021 (Plan)	FY2022 (Plan)
Capital Investment	Consolidated	1,804	2,563	4,274	3,292
	Non-consolidated	1,390	1,815	1,800	1,800
Depreciation & Amortization	Consolidated	3,019	2,953	3,059	3,035
	Non-consolidated	2,076	2,007	2,043	1,972
R&D Expenses	Consolidated	4,565	4,654	4,779	4,910
	Non-consolidated	3,578	3,680	3,740	3,816

# V . Capital Policy

## 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 Redemption**

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

## Strategic Shareholding Policy

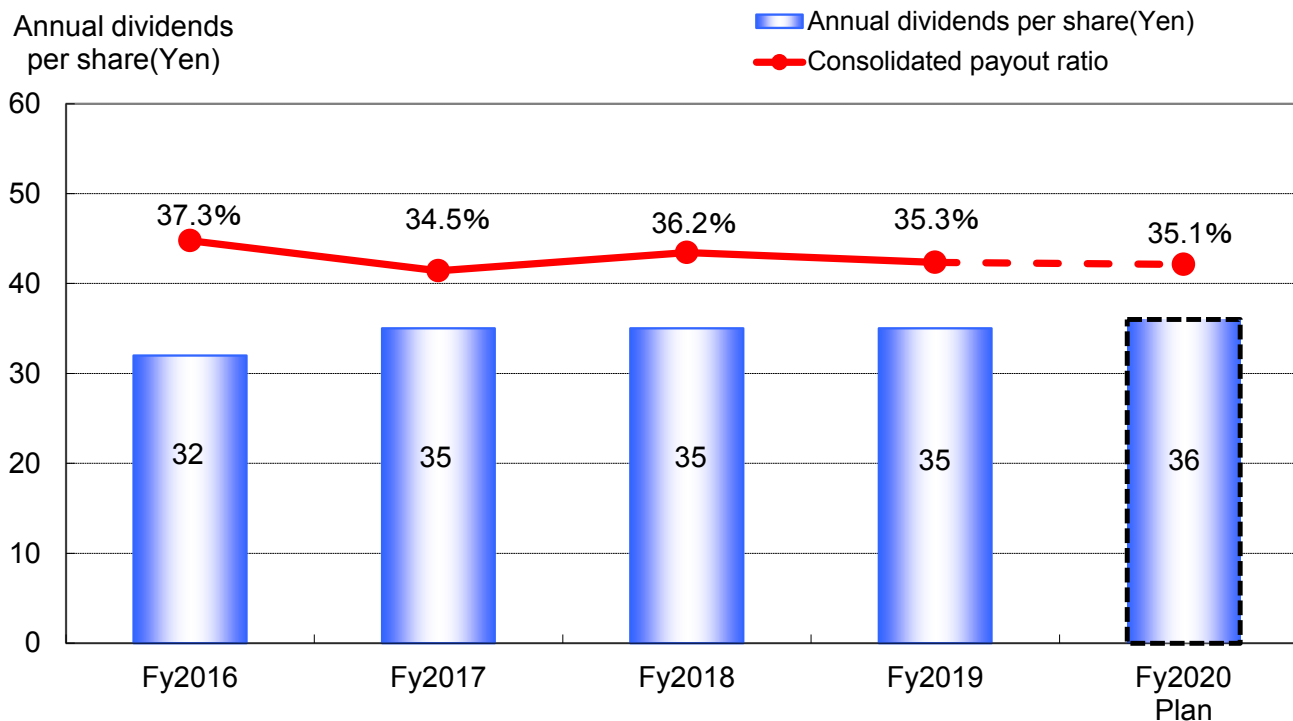
Cut down on aggregate number of shares held from viewpoint of enhancement of capital efficiency, etc. (sale completed for certain portion)

Validate appropriateness of shareholding from mid to long term viewpoints of purpose and economic reasonableness at the Board of Directors' meeting every year

## Shareholder Redemption

### Basic Policy

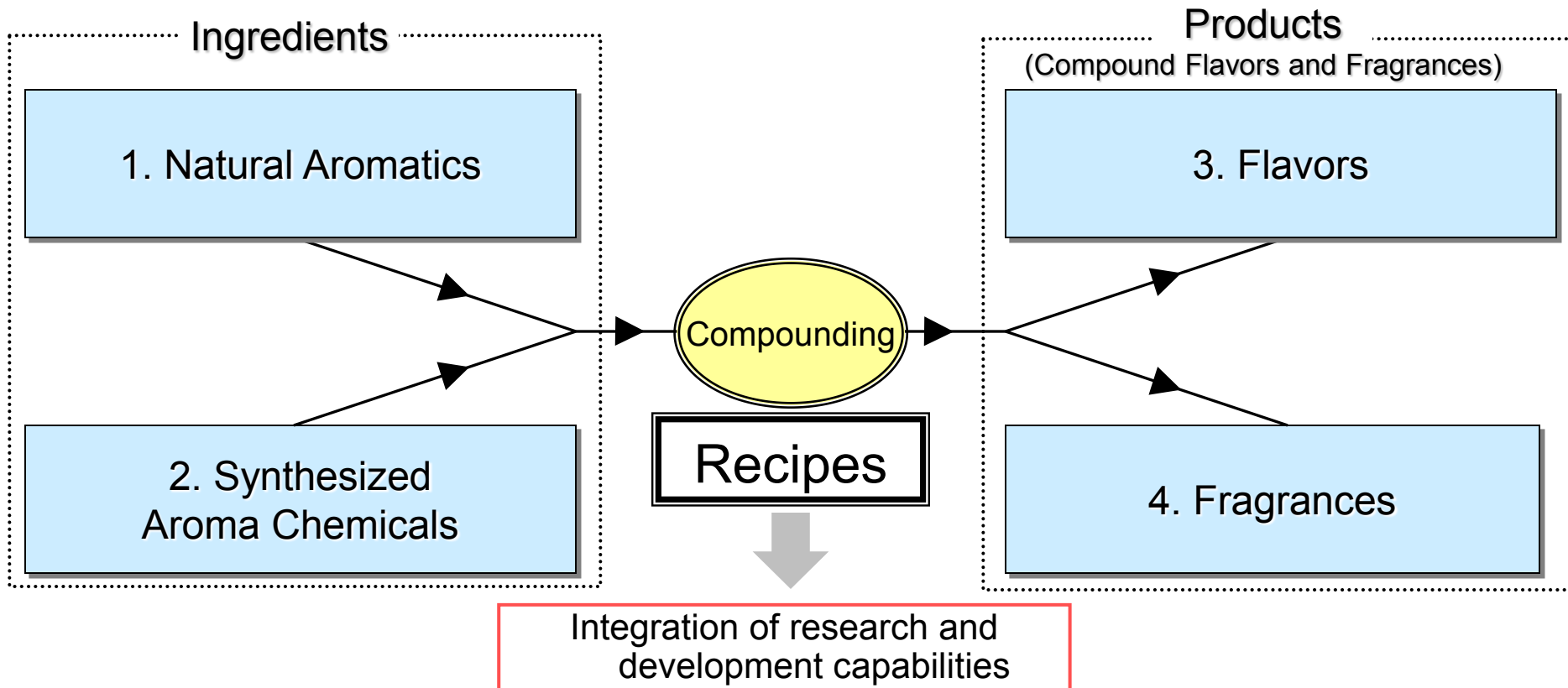
- Strengthening operating foundations and retaining undistributed profits in order to reinvest in future development, while also meeting shareholders' expectations by paying dividends which correspond to our business performance
- Targeting approximately 35% of consolidated dividend payout ratio for 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

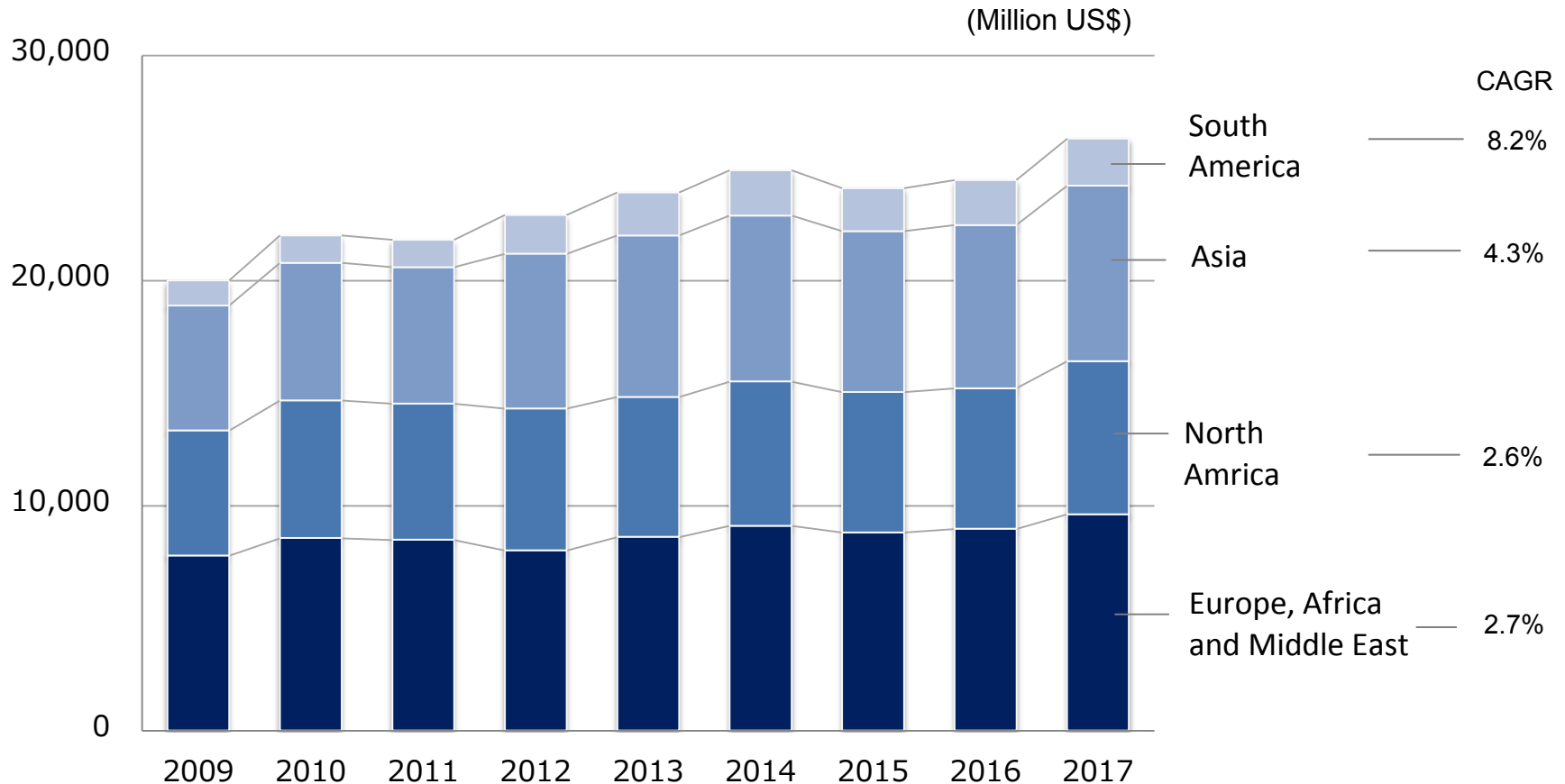
Flavors and fragrances are tailor-made in accordance with customer requests

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

# Market Size of Flavor and Fragrance Industry

## Overseas Market

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



\*Figures are estimated by T. Hasegawa

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

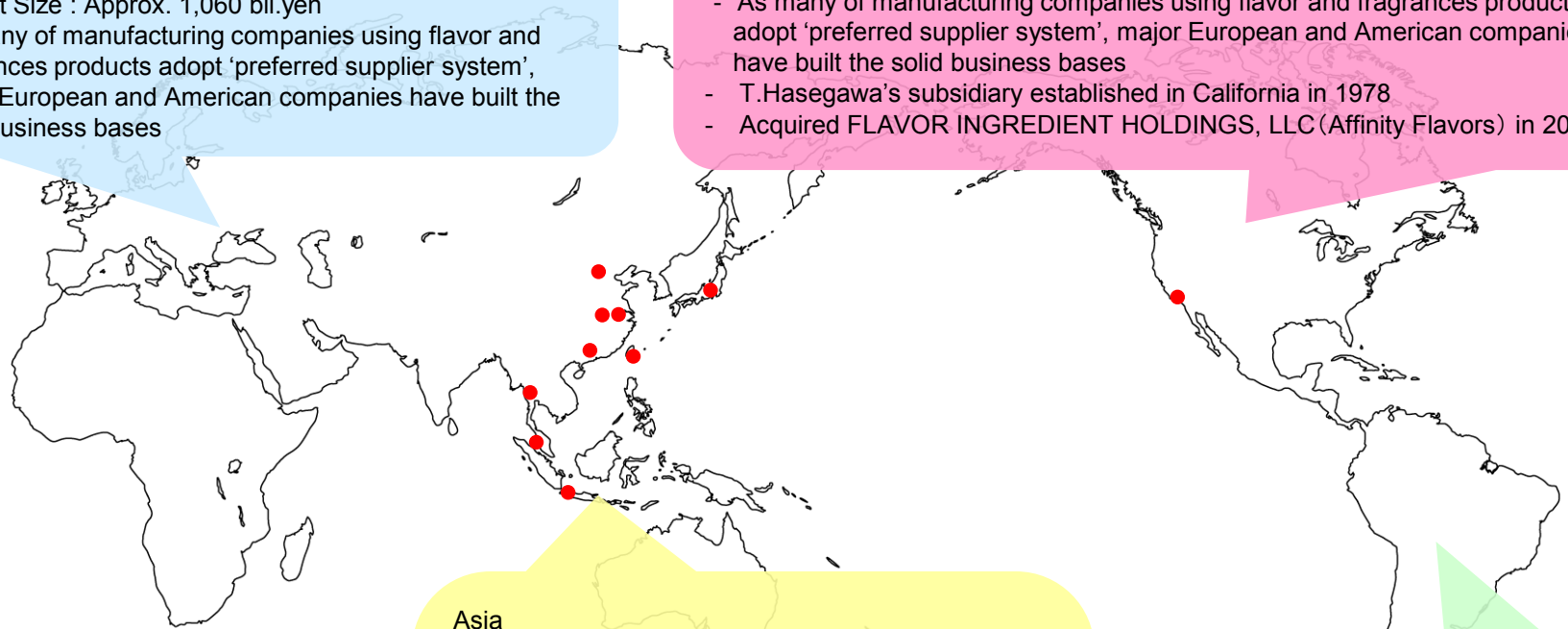
- Market Size : Approx. 750 bil. yen
- As many of manufacturing companies using flavor and fragrances products adopt 'preferred supplier system', major European and American companies have built the solid business bases
- T.Hasegawa's subsidiary established in California in 1978
- Acquired FLAVOR INGREDIENT 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	—

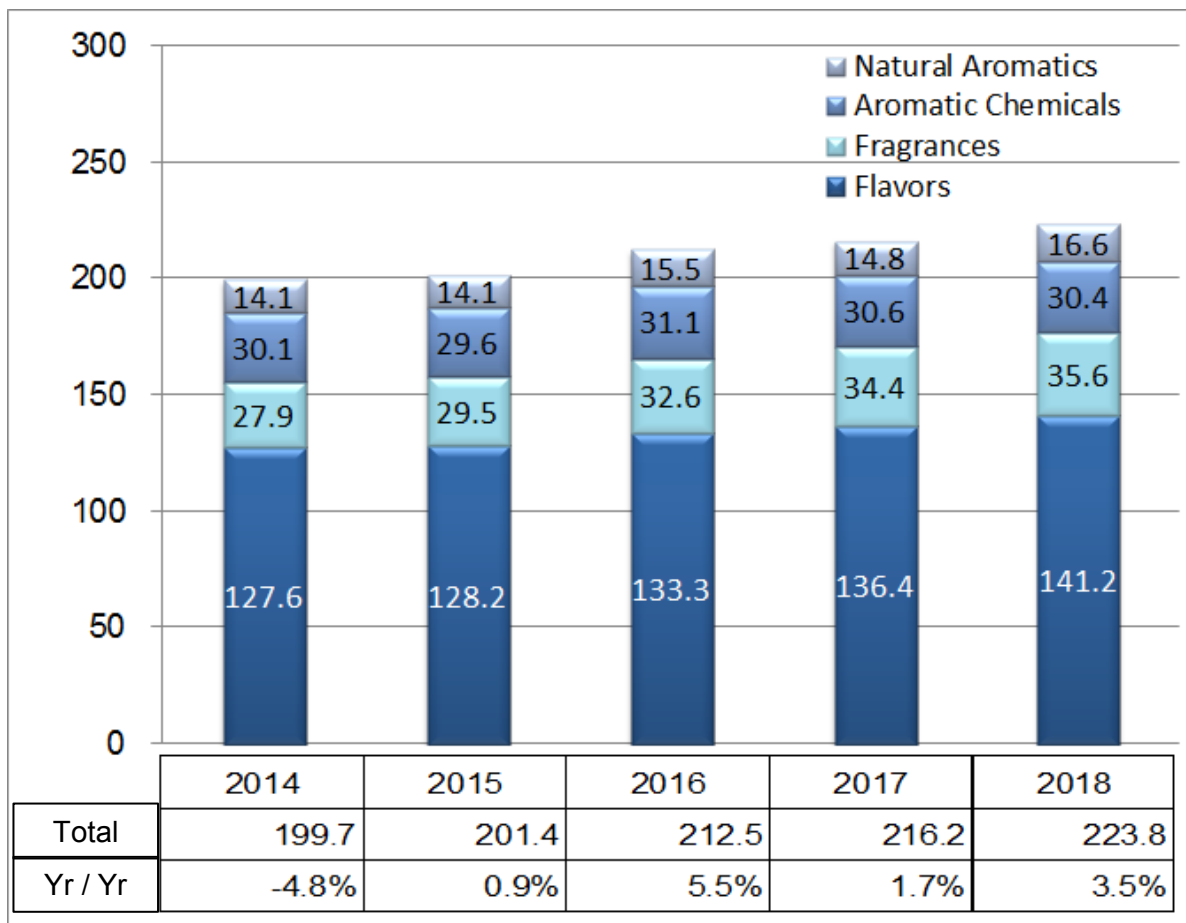
\* US \$1 ≒ 112.1Yen

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

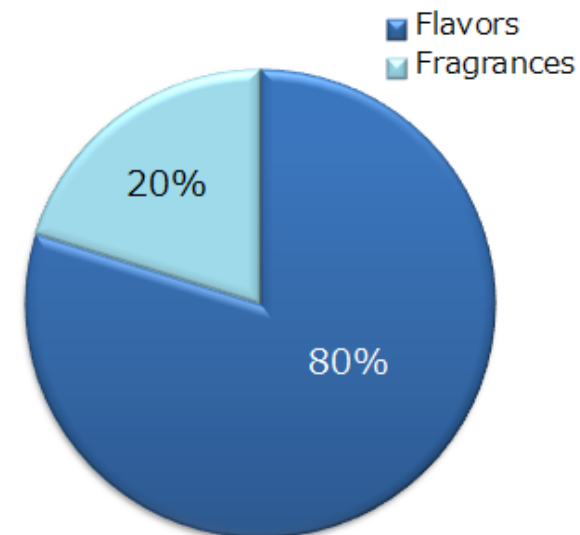
Source of Reference: Leffingwell & Associates  
[http://www.leffingwell.com/top\\_10.htm](http://www.leffingwell.com/top_10.htm)

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)



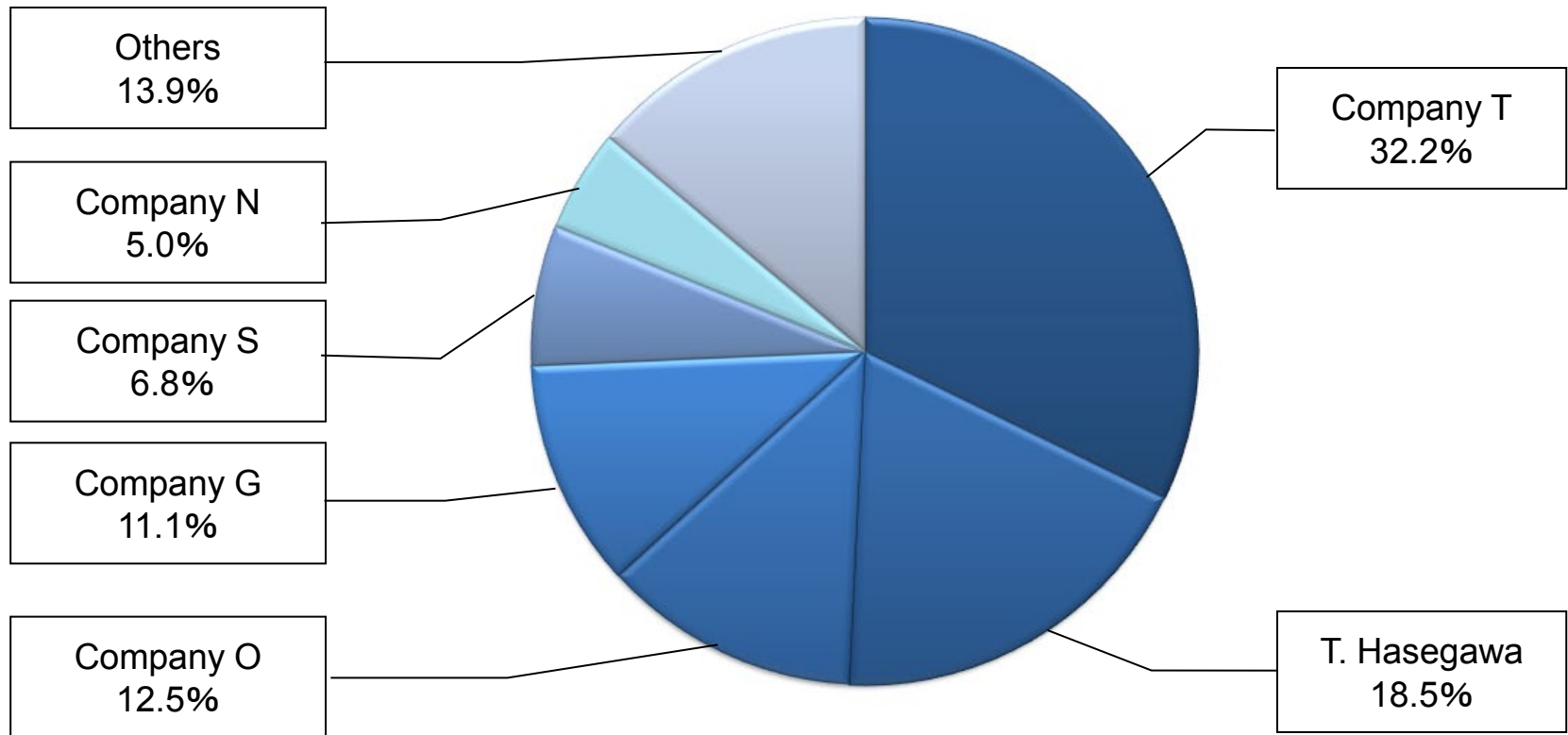
Composition Rate (2018 Yr)



Source of reference : Japan Flavor&Fragrance Materials Association Magazine

# Outline of Current Status of T. Hasegawa





(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 fiscal year period of Company O and G is from Jan. to Dec.

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

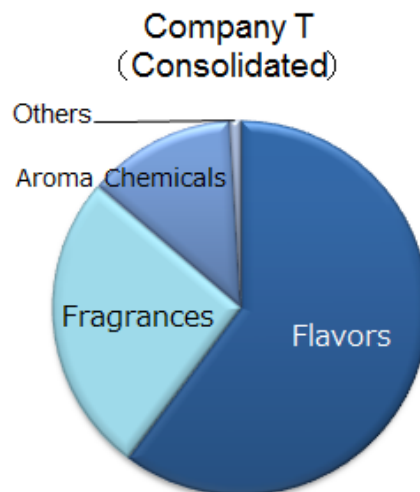
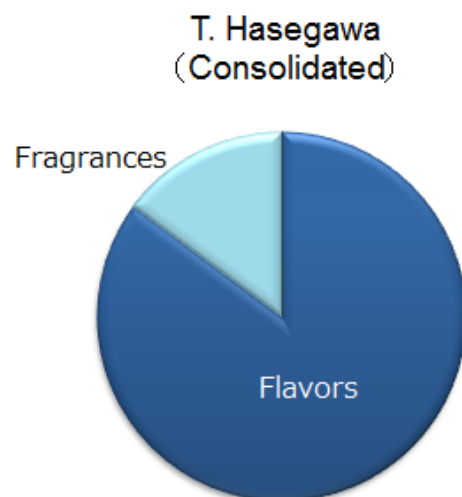
## < Policy in T. Hasegawa >

- 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.

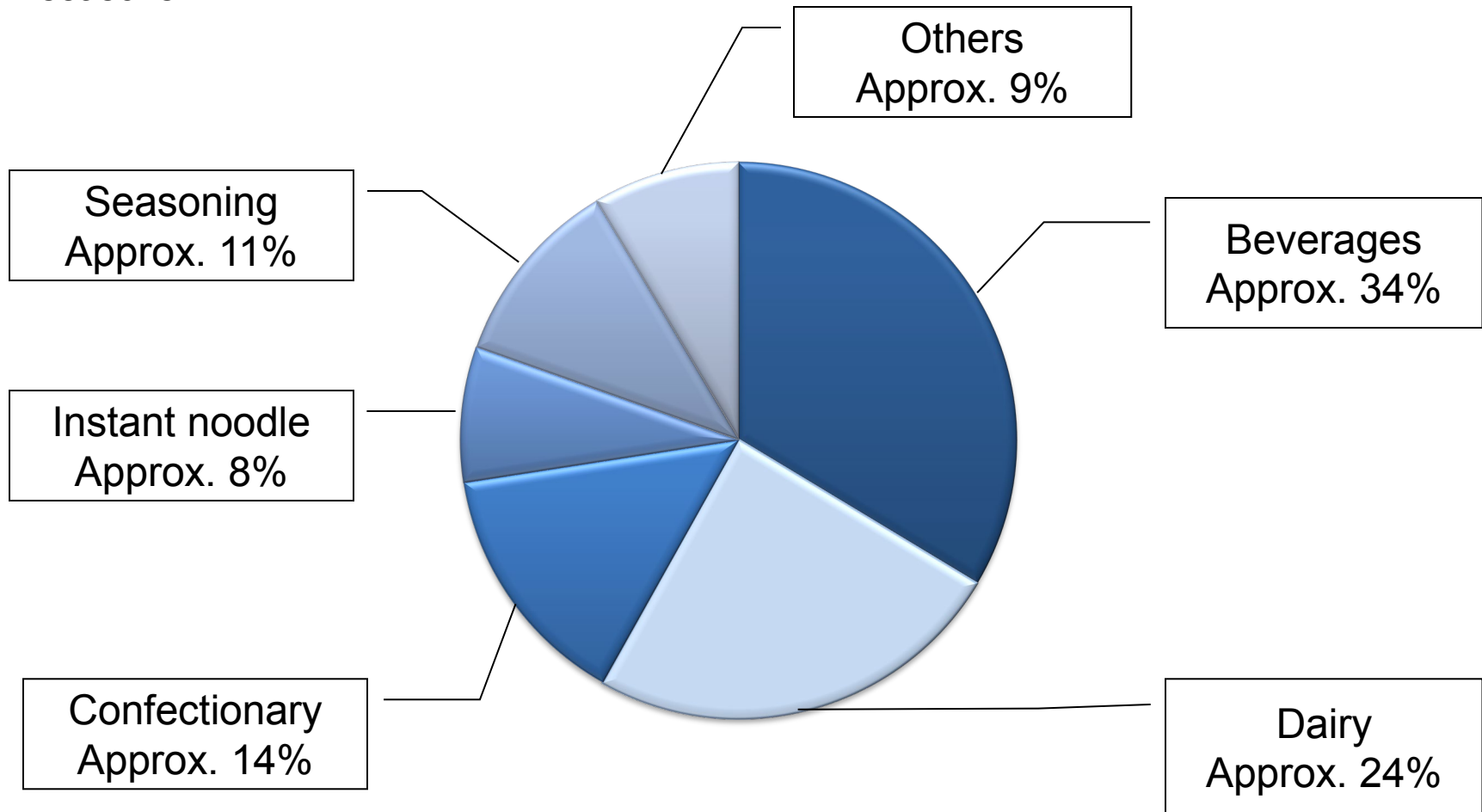
(Million Yen)

	T. Hasegawa (Consolidated)		Company T (Consolidated)	
	FY ended in Sep. 2019		FY ended in Mar. 2019	
	Sales	Share	Sales	Share
Flavors	43,018	85.2%	90,656	60.2%
Fragrances	7,474	14.8%	39,149	26.0%
Aroma Chemicals	0	0.0%	19,268	12.8%
Others	0	0.0%	1,442	1.0%
Total	50,493	100.0%	150,516	100.0%
Ratio of gross profits to sales	37.9%		30.4%	
Ratio of operating income to sales	9.3%		3.9%	

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



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 FY2019 regarding the companies which are possible to separate sales by industry.

# Additional Financial Information

## Operating income decreased due to increase of cost of sales ratio and SG&A expenses

(Million Yen)

	FY2018 Actual		FY2019 Actual		yr/yr		Remarks
	Value	%	Value	%	Value	%	
Net sales	49,751	100.0%	50,493	100.0%	742	1.5%	Sales growth of parent company and subsidiary in the U.S.
Cost of sales	30,619	61.5%	31,373	62.1%	754	2.5%	At parent company, subsidiary in China and the U.S., cost of sales ratio increased due to an increase in raw material costs and sales product mix change
Gross profit	19,132	38.5%	19,120	37.9%	-12	-0.1%	
SG&A expenses	14,073	28.3%	14,441	28.6%	367	2.6%	Increase in the personnel cost
Operating income	5,058	10.2%	4,678	9.3%	-379	-7.5%	
Ordinary income	5,512	11.1%	5,175	10.3%	-337	-6.1%	( Non-operating income ) 64 million Yen increase in Interest income and Dividend income ( Non-operating expenses ) 13 million Yen increase in Foreign exchange loss
Profit before income taxes	5,521	11.1%	5,464	10.8%	-56	-1.0%	( Extraordinary income ) Gain on sales of investment securities of 2,665 million Yen was calculated ( Extraordinary losses ) Impairment loss of 2,281 million Yen was calculated
Net income	4,100	8.2%	4,121	8.2%	20	0.5%	

# Consolidated Balance Sheet Highlights

(Million Yen)

	September 30 2018	September 30 2019	Increase or Decrease	Remarks
Current assets	51,740	56,620	4,879	<ul style="list-style-type: none"> <li>• Increase in Cash and Cash equivalents: 3,608 million Yen</li> <li>• Increase in Securities: 999 million Yen</li> </ul>
Fixed assets	66,950	57,243	-9,706	<ul style="list-style-type: none"> <li>• Decrease in Investment securities: -5,391 million Yen</li> <li>• Decrease in Goodwill: -2,281 million Yen</li> </ul>
Total assets	118,690	113,863	-4,826	
Current liabilities	10,664	11,709	1,045	<ul style="list-style-type: none"> <li>• Increase in Income tax payable: 984 million Yen</li> </ul>
Long-term liabilities	13,443	11,809	-1,634	<ul style="list-style-type: none"> <li>• Decrease in Deferred tax liabilities: -1,765 million Yen</li> </ul>
Total liabilities	24,108	23,519	-589	
Total net assets	94,582	90,344	-4,237	<ul style="list-style-type: none"> <li>• Net income: 4,121 million Yen</li> <li>• Dividends of surplus: -1,468 million Yen</li> <li>• Valuation difference on available-for-sale securities: -3,712 million Yen</li> <li>• Foreign currency translation adjustment: -1,721 million Yen</li> <li>• Purchase of treasury shares: -1,546 million Yen</li> </ul>
Total liabilities and net assets	118,690	113,863	-4,826	

The figures of Sep. 30 2018 were recalculated retroactively because of the changes of revised standards for tax benefit accounting from this fiscal year. 37

# Consolidated Statement of Cash Flows Highlights

(Million Yen)

	FY2018 Actual	FY2019 Actual	Increase or Decrease	Remarks
Cash flows from operating activities	5,894	9,230	3,336	<ul style="list-style-type: none"> <li>• Profit before income taxes: 5,464 million Yen</li> <li>• Depreciation &amp; Amortization: 3,019 million Yen</li> <li>• Impairment loss: 2,317 million Yen</li> <li>• Decrease in Notes and Accounts payable - trade: 1,118 million Yen</li> <li>• Increase in Inventories: -322 million Yen</li> <li>• Income taxes paid: -1,203 million Yen</li> </ul>
Cash flows from investing activities	-3,624	-2,275	1,348	<ul style="list-style-type: none"> <li>• Payments into time deposits: -3,234 million Yen</li> <li>• Proceeds from withdrawal of time deposits: 2,091 million Yen</li> <li>• Purchase of Property, plant and equipment: -2,056 million Yen</li> <li>• Proceeds from sales of investment securities: 1,069 million Yen</li> </ul>
Cash flows from financing activities	-1,534	-3,035	-1,500	<ul style="list-style-type: none"> <li>• Purchase of treasury shares: -1,565 million Yen</li> <li>• Cash dividends paid: -1,468 million Yen</li> </ul>
Effect of currency change on cash and cash equivalents	-51	-242	-190	—
Net Change in cash and cash equivalents	683	3,677	2,993	—
Cash and Cash equivalents at beginning of period	16,511	17,221	709	—
Cash and cash equivalents at end of period	17,221	20,898	3,677	—

(Million Yen)

		FY2019 Plan	FY2019 Actual	Progress (%)
Capital Investment	Consolidated	2,710	1,804	66.6%
	Non-consolidated	1,675	1,390	83.0%
Depreciation & Amortization	Consolidated	3,099	3,019	97.4%
	Non-consolidated	2,102	2,076	98.8%
R&D Expenses	Consolidated	4,688	4,565	97.4%
	Non-consolidated	3,662	3,578	97.7%



(Million Yen)

	FY2018 Actual		FY2019 Plan (Nov. 2018)		FY2019 Actual		Achievement			
	Value	Share	Value	Share	Value	Share	yr/yr		vs Plan	
							Value	%	Value	%
Net sales	36,907	100.0%	38,000	100.0%	37,646	100.0%	738	2.0%	-353	-0.9%
Cost of sales	22,798	61.8%	23,340	61.4%	23,425	62.2%	627	2.8%	85	0.4%
Gross profit	14,109	38.2%	14,660	38.6%	14,220	37.8%	111	0.8%	-439	-3.0%
SG&A expenses	10,131	27.5%	10,510	27.7%	10,385	27.6%	253	2.5%	-124	-1.2%
Operating income	3,977	10.8%	4,150	10.9%	3,835	10.2%	-142	-3.6%	-314	-7.6%
Ordinary income	4,470	12.1%	4,580	12.1%	4,319	11.5%	-150	-3.4%	-260	-5.7%
Profit before income taxes	4,397	11.9%	4,530	11.9%	6,899	18.3%	2,501	56.9%	2,369	52.3%
Net income	3,247	8.8%	3,310	8.7%	5,054	13.4%	1,806	55.6%	1,744	52.7%

- Net sales increased from increase in flavors for beverages.
- Operating income declined due to deterioration of sales cost ratio and SG&A expense increase.
- Net income increased because of reporting of gain on sale of investment securities as extraordinary income.

# The U.S. Subsidiaries (consolidated base) (Actual)

Consolidated Profit and Loss Statement of two of our the U.S. Consolidated Subsidiaries  
 (T. HASEGAWA U.S.A., INC. , FLAVOR INGREDIENT HOLDINGS, LLC)

(Million Yen)

Yen Basis	FY2018		FY2019		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	5,618	100.0%	5,719	100.0%	100	1.8%
Cost of sales	3,343	59.5%	3,526	61.7%	183	5.5%
Gross profit	2,275	40.5%	2,192	38.3%	-82	-3.6%
SG&A expenses	2,016	35.9%	2,042	35.7%	26	1.3%
Operating income	259	4.6%	149	2.6%	-109	-42.3%
Ordinary income	255	4.5%	149	2.6%	-105	-41.3%
Net income	279	5.0%	-1,479	-	-1,758	-

Yen 110.45/USD

Yen 110.09/USD

0.3% higher

(Thousand US\$)

Local Currency Basis	FY2018		FY2019		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	50,869	100.0%	51,948	100.0%	1,079	2.1%
Cost of sales	30,267	59.5%	32,031	61.7%	1,764	5.8%
Gross profit	20,602	40.5%	19,917	38.3%	-684	-3.3%
SG&A expenses	18,253	35.9%	18,557	35.7%	303	1.7%
Operating income	2,348	4.6%	1,360	2.6%	-988	-42.1%
Ordinary income	2,309	4.5%	1,359	2.6%	-949	-41.1%
Net income	2,526	5.0%	-13,436	-	-15,962	-

- Net sales increased mainly from increase in savory flavors and flavors for health & wellness products .
- Operating income declined mainly due to deterioration of sales cost ratio, SG&A expense increase.
- Net income ended in deficit because of reporting of impairment loss related to goodwill of FIH as extraordinary loss.

# Chinese Subsidiaries (consolidated base) (Actual)

- Consolidated Profit and Loss Statement of two of our Chinese Consolidated Subsidiaries

(Million Yen)

Yen Basis	FY2018		FY2019		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	7,078	100.0%	6,693	100.0%	-385	-5.4%
Cost of sales	4,683	66.2%	4,558	68.1%	-124	-2.7%
Gross profit	2,395	33.8%	2,134	31.9%	-260	-10.9%
SG&A expenses	1,497	21.2%	1,544	23.1%	46	3.1%
Operating income	898	12.7%	590	8.8%	-307	-34.2%
Ordinary income	951	13.4%	667	10.0%	-283	-29.8%
Net income	681	9.6%	563	8.4%	-118	-17.3%

Yen16.91/RMB

Yen16.00/RMB

5.4% higher

(Thousand RMB)

Local Currency Basis	FY2018		FY2019		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	418,620	100.0%	418,341	100.0%	-279	-0.1%
Cost of sales	276,960	66.2%	284,917	68.1%	7,957	2.9%
Gross profit	141,660	33.8%	133,423	31.9%	-8,236	-5.8%
SG&A expenses	88,549	21.2%	96,513	23.1%	7,963	9.0%
Operating income	53,110	12.7%	36,910	8.8%	-16,200	-30.5%
Ordinary income	56,241	13.4%	41,745	10.0%	-14,495	-25.8%
Net income	40,291	9.6%	35,202	8.4%	-5,088	-12.6%

- Although net sales were flat on local currency basis due to increase in flavor division, declined on yen basis from impact of high appreciation of yen.
- Operating income declined due to deterioration of sales cost ratio and SG&A expense increase.

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

# Malaysian Subsidiary (Actual)

\* Profit and Loss Statement of T HASEGAWA FLAVOURS (KUALA LUMPUR) SDN. BHD.

(Million Yen)

Yen Basis	FY2018		FY2019		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	850	100.0%	898	100.0%	48	5.6%
Cost of sales	550	64.8%	535	59.6%	-15	-2.8%
Gross profit	299	35.2%	362	40.4%	63	21.3%
SG&A expenses	287	33.8%	313	34.9%	25	8.9%
Operating income	11	1.4%	49	5.5%	38	329.2%
Ordinary income	27	3.3%	67	7.5%	39	141.8%
Net income	26	3.1%	46	5.2%	19	74.1%

Yen 27.43/MYR

Yen 26.58/MYR

3.1% higher

(Thousand Malaysian Ringgit)

Local Currency Basis	FY2018		FY2019		yr/yr	
	Value	Share	Value	Share	Value	%
Net Sales	30,991	100.0%	33,789	100.0%	2,797	9.0%
Cost of sales	20,084	64.8%	20,136	59.6%	52	0.3%
Gross profit	10,907	35.2%	13,652	40.4%	2,744	25.2%
SG&A expenses	10,484	33.8%	11,780	34.9%	1,295	12.4%
Operating income	422	1.4%	1,871	5.5%	1,449	342.9%
Ordinary income	1,019	3.3%	2,543	7.5%	1,523	149.5%
Net income	970	3.1%	1,744	5.2%	773	79.7%

- Net sales increased from increase of flavors for seasoning powder and beverages.
- Operating income increased due to sales increase and increase of gross operating income associated with improvement of sales cost ratio.

# Three-Year-Plan (Consolidated Income Statement)

(Million yen)

	FY2019 (Actual)			FY2020 (Plan)			FY2021 (Plan)			FY2022 (Plan)		
	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr	Value	Share	yr/yr
Net sales	50,493	100.0%	1.5%	51,600	100.0%	2.2%	53,900	100.0%	4.5%	56,300	100.0%	4.5%
Cost of sales	31,373	62.1%	2.5%	31,770	61.6%	1.3%	32,910	61.1%	3.6%	34,120	60.6%	3.7%
Gross profit	19,120	37.9%	-0.1%	19,830	38.4%	3.7%	20,990	38.9%	5.8%	22,180	39.4%	5.7%
SG&A expenses	14,441	28.6%	2.6%	14,730	28.5%	2.0%	15,120	28.1%	2.6%	15,440	27.4%	2.1%
Operating income	4,678	9.3%	-7.5%	5,100	9.9%	9.0%	5,870	10.9%	15.1%	6,740	12.0%	14.8%
Ordinary income	5,175	10.3%	-6.1%	5,550	10.8%	7.2%	6,320	11.7%	13.9%	7,190	12.8%	13.8%
Profit before income taxes	5,464	10.8%	-1.0%	5,790	11.2%	6.0%	6,230	11.6%	7.6%	7,100	12.6%	14.0%
Net income	4,121	8.2%	0.5%	4,250	8.2%	3.1%	4,490	8.3%	5.6%	5,120	9.1%	14.0%

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

This material is composed based on data as of Nov. 8<sup>th</sup> 2019 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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