

# **Quarterly consolidated Financial Statements**

**Second Quarter of Fiscal Year 2014**  
**(From April 1, 2013 to September 30, 2013)**

**Takasago International Corporation**

### Changes in Major Financial Data

Period	87 <sup>th</sup> Year (2013) 1 <sup>st</sup> Half Consolidated Cumulative Period	88 <sup>th</sup> Year (2014) 1 <sup>st</sup> Half Consolidated Cumulative Period	87 <sup>th</sup> Year (2013)
Accounting Period	From April 1, 2012 to September 30, 2012	From April 1, 2013 to September 30, 2013	From April 1, 2012 to March 31, 2013
Net Sales (million yen)	60,152	66,234	118,973
Ordinary Income (million yen)	3,837	4,604	7,475
Quarterly (current quarter) Net Income (million yen)	2,641	2,178	4,673
Quarterly Comprehensive Income (million yen) or Comprehensive Income	2,601	6,617	9,783
Net Assets (million yen)	55,029	67,396	61,296
Total Assets (million yen)	123,883	145,663	131,754
Quarterly (current quarter) Net Income per Share (yen)	26.61	21.95	47.08
Diluted Net Income per Share (current quarter) (yen)	–	–	–
Equity Ratio (%)	43.4	45.4	45.7
Cash flows from operating activities (million yen)	1,117	1,535	5,724
Cash flows from investing activities (million yen)	(2,538)	(4,006)	(5,363)
Cash flows from financing activities (million yen)	759	2,057	1,372
Cash and cash equivalents at end of period (million yen)	10,571	13,640	13,336

Period	87 <sup>th</sup> Year (2013) Consolidated 2 <sup>nd</sup> Quarter	88 <sup>th</sup> Year (2014) Consolidated 2 <sup>nd</sup> Quarter
Accounting Period	From July 1, 2012 to September 30, 2012	From July 1, 2013 to September 30, 2013
Quarterly Net Income per Share (yen)	10.95	6.64

(Notes) 1. As the Company prepares quarterly consolidated financial statements, changes in major financial data, etc. of the submitting company are not stated.

2. Net sales do not include consumption taxes.

3. Fully diluted net income per share is not stated as no potentially dilutive shares exist.

## Business Results

During the first half under review, the world economy continued to experience a weak recovery. While the economies of Europe and the United States showed some signs of improving, the pace of economic growth remained slow in the Asian region.

In the Japanese economy, the yen weakened and share prices recovered as expectations mounted for the economic policies that followed the change of government, suggesting an improvement in employment conditions and growth in personal consumption. Nonetheless, there were concerns about downside risks associated with slower growth in overseas economies.

In the flavor and fragrance industry, the environment remained extremely competitive in Japan and overseas, including severe competition for market share among leading flavor and fragrance companies in overseas markets that featured an oligopolistic trend and challenges developing business in a mature domestic market. However, demand remained steady in China, Southeast Asia and other emerging markets. On April 10, 2013, a fire occurred in the flavor manufacturing building at the Company's Hiratsuka Factory. With respect to the supply of products, the Company transferred the flavor manufacturing to its other factories, other Group companies and contractors after the fire accident, and at the Company's Hiratsuka Factory and Kashima Factory, implemented equipment repair and improvement work that included safety measures learning from the accident. The Company has shifted to a more stable safety regime since October 2013.

In this environment, the Group has begun executing its medium-term management plan "New Takasago Global Plan (GP-2)" (fiscal 2012 to fiscal 2014) under its basic management policy of "aiming to become a leading flavors and fragrances company in the global market by consistently supplying dependable products." It promoted its business based on solid global consolidated management in 27 countries and regions around the world. Net sales in the first half under review amounted to ¥66,234 million (an increase of 10.1% year on year). Looking at net sales by business segment, the Flavors segment recorded net sales of ¥41,428 million (up 10.4% year on year), mainly reflecting growth in sales at subsidiaries in the United States. In the Fragrances segment, net sales came to ¥16,179 million (up 19.0% year on year), as sales remained strong at subsidiaries in Asia. In the Aroma Chemicals segment, net sales were ¥5,405 million (up 17.1% year on year) mainly attributable to the positive effect of foreign exchange. In the Fine Chemicals segment, net sales were ¥2,550 million (down 31.1% year on year) due to the dismal performance of pharmaceutical intermediates. In the Real Estate segment, net sales were ¥670 million (down 6.5% year on year).

In terms of profits, operating income was ¥4,388 million (up 15.2% year on year), and ordinary income was ¥4,604 million (up 20.0% year on year). Net income came to ¥2,178 million (down 17.5% year on year) as a result of posting a ¥1,338 million loss for the fire accident at Hiratsuka Factory.

By geographical segment, Japan posted net sales of ¥35,478 million (down 1.0% year on year) and operating income of ¥3,036 million (up 7.6% year on year) as the Aroma Chemicals segment of the Company remained especially strong. In the Americas, net sales were ¥13,195 million (up 33.4% year on year) due to higher sales at subsidiaries in the United States, but the operating loss was ¥134 million (compared with operating income of ¥9 million in the same period of the previous fiscal year). In Europe, as sales remained firm at the subsidiary in Germany, net sales were ¥8,622 million (up 28.6% year on year), and operating income was ¥121 million (compared with an operating loss of ¥68 million a year ago). In Asia, net sales were ¥8,937 million (up 16.0% year on year), and the operating income was ¥1,445 million (up 43.8% year on year) as subsidiaries in Singapore, etc. showed a strong performance.

## Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	FY 2013 (As of March 31, 2013)	First Half of FY 2014 (As of September 30, 2013)
Assets		
Current assets		
Cash and deposits	13,336	13,640
Notes and accounts receivable–trade	26,857	30,094
Merchandise and finished goods	18,364	20,750
Work in progress	249	318
Raw materials and supplies	12,710	14,232
Others	3,237	3,804
Allowance for doubtful accounts	(433)	(489)
Total current assets	74,322	82,351
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	20,189	20,564
Others (net)	17,312	21,534
Total tangible fixed assets	37,501	42,099
Intangible fixed assets	2,435	2,422
Investments and other assets		
Investment securities	15,891	17,111
Others	1,715	1,790
Allowance for doubtful accounts	(111)	(111)
Total investments and other assets	17,495	18,790
Total fixed assets	57,431	63,311
Total assets	131,754	145,663

(Million yen)

	FY 2013 (As of March 31, 2013)	First Half of FY 2014 (As of September 30, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable–trade	12,013	14,323
Short-term loans payable	20,053	23,473
Current portion of long-term loans payable	4,990	4,618
Current portion of bonds	220	220
Accrued income taxes	1,456	1,097
Provision for bonuses	1,609	1,628
Provision for directors' bonuses	12	14
Others	6,289	8,287
<b>Total current liabilities</b>	<b>46,644</b>	<b>53,663</b>
<b>Long-term liabilities</b>		
Bonds payable	220	110
Long-term loans payable	13,868	14,503
Accrued employees' retirement benefits	7,532	7,272
Provision for directors' retirement benefits	17	9
Others	2,175	2,706
<b>Total long-term liabilities</b>	<b>23,812</b>	<b>24,603</b>
<b>Total liabilities</b>	<b>70,457</b>	<b>78,266</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	9,248	9,248
Capital surplus	8,357	8,357
Retained earnings	43,545	45,326
Treasury stock	(597)	(599)
<b>Total shareholders' equity</b>	<b>60,554</b>	<b>62,333</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	6,314	6,998
Deferred gain or loss on hedges	–	(4)
Foreign currency translation adjustment	(6,664)	(3,207)
<b>Total accumulated other comprehensive income</b>	<b>(350)</b>	<b>3,786</b>
<b>Minority interests</b>	<b>1,092</b>	<b>1,276</b>
<b>Total net assets</b>	<b>61,296</b>	<b>67,396</b>
<b>Total liabilities and net assets</b>	<b>131,754</b>	<b>145,663</b>

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Comprehensive Income  
[Quarterly Consolidated Statements of Income]  
[Consolidated first half of FY2014]

(Million yen)

	First Half of FY 2013 (From April 1, 2012 to September 30, 2012)	First Half of FY 2014 (From April 1, 2013 to September 30, 2013)
Net sales	60,152	66,234
Cost of sales	41,485	45,280
Gross profit on sales	18,667	20,953
Selling, administrative, research and development expenses	14,856	16,564
Operating income (loss)	3,810	4,388
Non-operating income		
Interest income	16	20
Dividends income	195	177
Equity in earnings of affiliates	61	–
Foreign exchange gains	–	134
Others	208	199
Total non-operating income	482	531
Non-operating expenses		
Interest expenses	227	218
Equity in losses of affiliates	–	39
Foreign exchange losses	155	–
Others	72	58
Total non-operating expenses	455	315
Ordinary income (loss)	3,837	4,604
Extraordinary income		
Gain on sale of fixed assets	2	0
Gain on step acquisitions	99	–
Others	10	–
Total extraordinary income	112	0
Extraordinary losses		
Loss on sale or disposition of fixed assets	7	9
Loss on valuation of investments in securities	–	3
Loss incurred by the fire accident	–	1,338
Total extraordinary losses	7	1,351
Net income (loss) before income taxes and minority interests	3,942	3,252
Income taxes–current	1,053	1,111
Income taxes–deferred	145	(182)
Total income taxes	1,199	929
Income (loss) before minority interests	2,742	2,323
Minority interests in income	101	145
Net income (loss)	2,641	2,178

[Quarterly Consolidated Comprehensive Income]  
[Consolidated first half of FY2014]

(Million yen)

	First Half of FY 2013 (From April 1, 2012 to September 30, 2012)	First Half of FY 2014 (From April 1, 2013 to September 30, 2013)
Income before minority interests	2,742	2,323
Other comprehensive income		
Unrealized gain on available-for-sale securities	(201)	683
Deferred gain or loss on hedges	(1)	(4)
Foreign currency translation adjustment	77	3,489
Share of other comprehensive income of associates accounted for using equity method	(16)	124
Total other comprehensive income	(141)	4,293
Quarterly comprehensive income	2,601	6,617
(break down)		
Comprehensive income attributable to owners of the parent	2,480	6,315
Comprehensive income attributable to minority interests	121	301

## (3) Consolidated Statements of Cash Flows

(Million yen)

	First Half of FY 2013 (From April 1, 2012 to September 30, 2012)	First Half of FY 2014 (From April 1, 2013 to September 30, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes	3,942	3,252
Depreciation and amortization	2,223	2,242
Increase (decrease) in allowance for doubtful accounts	111	0
Interest and dividends income	(211)	(197)
Interest expenses	227	218
Loss (gain) on sales and retirement of property, plant and equipment	5	9
Decrease (increase) in notes and accounts receivable–trade	(3,541)	(1,697)
Decrease (increase) in inventories	(953)	(2,665)
Increase (decrease) in notes and accounts payable–trade	1,159	1,440
Loss (gain) on step acquisitions	(99)	–
Other	(559)	130
Subtotal	2,304	2,733
Interest and dividends income received	281	321
Interest income payment	(235)	(207)
Income taxes (paid) refund	(1,232)	(1,311)
Net cash provided by (used in) operating activities	1,117	1,535
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,100)	(3,517)
Proceeds from sales of property, plant and equipment	4	0
Purchase of investment securities	(11)	(11)
Collection of loans receivable	0	9
Payments for increase in capital of subsidiaries	(235)	(98)
Purchase of investments in capital of subsidiaries	(158)	–
Purchase of investments in subsidiaries	–	(15)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	6	–
Other	(44)	(373)
Net cash provided by (used in) investing activities	(2,538)	(4,006)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,224	3,028
Proceeds from long-term loans payable	1,668	2,200
Repayment of long-term loans payable	(2,384)	(2,531)
Redemption of bonds	(230)	(110)
Cash dividends paid	(396)	(396)
Cash dividends paid to minority shareholders	(98)	(119)
Other	(22)	(13)
Net cash provided by (used in) financing activities	759	2,057
Effect of exchange rate change on cash and cash equivalents	27	717
Net increase (decrease) in cash and cash equivalents	(633)	304
Cash and cash equivalents at beginning of period	11,205	13,336
Cash and cash equivalents at end of period	10,571	13,640



(Segment Information, Etc.)

[Segment Information]

I. First Half of FY 2013 (April 1, 2012 – September 30, 2012)

1. Information Concerning Sales and Income or Loss Amount by Reporting Segment

(Million yen)

	Japan	Americas	Europe	Asia	Total	Adjustment Amount (Note 1)	Consolidated Quarterly Income Statement Amount (Note 2)
Net sales							
External sales	35,846	9,891	6,706	7,707	60,152	–	60,152
Inter-segment sales and transfers	3,574	463	522	209	4,769	(4,769)	–
Total	39,420	10,355	7,228	7,916	64,921	(4,769)	60,152
Segment income (loss)	2,822	9	(68)	1,005	3,768	41	3,810

(Notes) 1. The segment income (loss) adjustments amount, 41 million yen, includes 81 million yen in adjustments for intersegment revenue related to intersegment transactions, -36 million yen in adjustments for inventories related to intersegment transactions and -3 million yen in others.

2. Segment income (loss) is adjusted with operating income, as recorded in quarterly consolidated statements of income.

II. First Half of FY 2014 (April 1, 2013 – September 30, 2013)

1. Information Concerning Sales and Income or Loss Amount by Reporting Segment

(Million yen)

	Japan	Americas	Europe	Asia	Total	Adjustment Amount (Note 1)	Consolidated Quarterly Income Statement Amount (Note 2)
Net sales							
External sales	35,478	13,195	8,622	8,937	66,234	–	66,234
Inter-segment sales and transfers	4,040	560	827	278	5,707	(5,707)	–
Total	39,519	13,756	9,449	9,215	71,941	(5,707)	66,234
Segment income (loss)	3,036	(134)	121	1,445	4,469	(80)	4,388

(Notes) 1. The segment income (loss) adjustments amount, -80 million yen, includes 242 million yen in adjustments for intersegment revenue related to intersegment transactions, -321 million yen in adjustments for inventories related to intersegment transactions and -1 million yen in others.

2. Segment income (loss) is adjusted with operating income, as recorded in quarterly consolidated statements of income.