

Consolidated Financial Statements

Fiscal Year 2013

(March 31, 2013 and 2012)

Takasago International Corporation

Regarding the fire accident at Hiratsuka Factory

A fire accident occurred at Hiratsuka Factory of our company at 11:04 am on Wednesday, April 10, 2013.

This accident did not cause any human damage, but we deeply apologize for causing inconvenience and anxiety to many people, including neighbors, nearby firms, shareholders, the officials of related authorities, and customers.

For this accident, we will make efforts to identify the cause of the accident while receiving advices from related authorities, establish Accident Recurrence Prevention Committee, and make every possible effort to prevent the recurrence of such accidents.

Our corporate group has prioritized safety and security under the vision of “aim to conduct sustainable management based on customer trust.” However, this accident occurred, and we are deeply sorry for this, understand the seriousness of this accident, and will deal with it properly and restore your trust.

We would appreciate your continued guidance and encouragement.

Ritaro Igaki
President and Chief Executive Officer

[Overview of Business Results]

In this consolidated fiscal year, the world economy saw an overall weak recovery, with a sense of stagnation due to financial instability in European countries and less economic expansion in Asian regions. In the Japanese economy, although a slight economic recovery could be perceived, deflation continues and there is still a fair amount of uncertainty due to stagnation in foreign economies and employment and income situations.

In the flavor industry, although demand continued to grow in the Chinese and Southeast Asian markets, the overall situation of demand remained severe. Also, competition intensified both in Japan and worldwide with increased oligopoly by worldwide leading groups, including ourselves, and with a maturing domestic market. Under these circumstances, the Group followed the business policy of “By consistently supplying dependable products, to become a leading Flavors and Fragrances company in the global market” and started the medium term business plan “New Takasago Global Plan (GP-2)” (2012-2014), proceeding with business in 25 countries and regions throughout the world with solid global consolidated management

For this consolidated fiscal year, sales were 118,973 million yen (an increase of 4.7% compared to the previous year), due to the strong performance of our company and our Asian subsidiaries. Net sales for each business were as follows. The flavor business saw favorable performance of products with net sales of ¥74,233 million (an increase of 6.3% compared to the previous year). The fragrance business had favorable growth of American and Asian subsidiaries, etc. and net sales were ¥27,063 million (an increase of 4.1% compared to the previous year). The aroma chemical business had price revisions to our menthol products, and net sales were ¥8,956 million (an increase of 0.5% compared to the previous year). The fine chemical business showed weaker performance in medicinal intermediates, and net sales were ¥7,332 million (a decrease of 1.2% compared to the previous year). Miscellaneous and real estate business had sales of ¥1,387 million (a decrease of 6.7% compared to the previous year).

Turning to profits, operating income was 6,285 million yen (an increase of 58.3% compared to the previous year) and ordinary income was 7,475 million yen (an increase of 74.0% compared to the previous year). Net income was 4,673 million yen (an increase of 163.4% compared to the previous year).

Information for each segment is as follows. In Japan, sales were 69,903 million yen (an increase of 1.9% compared to the previous year) and operating income was 5,072 million yen (an increase of 29.2% compared to the previous year) due to favorable performance of the flavor business products. In the Americas, sales were 20,930 million yen (an increase of 10.8% compared to the previous year) and there was an operating loss of 349 million yen (operating loss of the previous year was 613 million yen) because there was a rise in cost of materials, although there was also sales growth in US subsidiaries. In Europe, sales were 13,247 million yen (a decrease of 2.0% compared to the previous year) and there was an operating loss of 251 million yen (operating loss of the previous year was 491 million yen) due to slow performance in the Spain subsidiary. In Asia, segment sales were 14,891 million yen (an increase of 17.5% compared to the previous year) and operating income was 1,670 million yen (an increase of 82.6% compared to the previous year) due to favorable growth of subsidiaries in Singapore and China.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2012 (As of March 31, 2012)	FY 2013 (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	11,205	13,336
Notes and accounts receivable	24,036	26,857
Securities	100	—
Merchandise and finished goods	17,230	18,364
Work in progress	351	249
Raw materials and supplies	10,943	12,710
Deferred tax assets	1,129	1,143
Others	1,229	2,094
Allowance for doubtful accounts	(347)	(433)
Total current assets	65,878	74,322
Fixed assets		
Property, plant and equipment		
Buildings and structures	47,623	50,799
Accumulated depreciation	(27,869)	(30,609)
Buildings and structures (net)	19,754	20,189
Machinery, equipment and vehicles	49,026	50,828
Accumulated depreciation	(42,322)	(44,577)
Machinery, equipment and vehicles (net)	6,703	6,250
Tools, furniture and fixtures	8,641	9,462
Accumulated depreciation	(7,014)	(7,803)
Tools, furniture and fixtures (net)	1,626	1,659
Land	5,801	6,259
Construction in progress	1,106	3,142
Total property, plant and equipment	34,993	37,501
Intangible fixed assets	2,926	2,435
Investments and other assets		
Investment securities	12,323	15,891
Investments in capital	110	239
Long-term loans receivable	5	1
Deferred tax assets	336	260
Others	1,286	1,214
Allowance for doubtful accounts	(114)	(111)
Total investments and other assets	13,946	17,495
Total fixed assets	51,866	57,431
Total assets	117,745	131,754

(Millions of yen)

	FY 2012 (As of March 31, 2012)	FY 2013 (As of March 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable	11,503	12,013
Short-term loans payable	18,656	20,053
Current portion of long-term loans payable	4,708	4,990
Current portion of bonds	460	220
Accrued income taxes	1,114	1,456
Provision for bonuses	1,576	1,609
Provision for directors' bonuses	40	12
Others	5,712	6,289
Total current liabilities	43,772	46,644
Long-term liabilities		
Bonds payable	440	220
Long-term loans payable	12,087	13,868
Deferred tax liabilities	92	1,419
Accrued employees' retirement benefits	7,757	7,532
Provision for directors' retirement benefits	9	17
Others	746	755
Total long-term liabilities	21,134	23,812
Total liabilities	64,906	70,457
Net assets		
Shareholders' equity		
Capital stock	9,248	9,248
Capital surplus	8,357	8,357
Retained earnings	39,666	43,545
Treasury stock	(585)	(597)
Total shareholders' equity	56,686	60,554
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,470	6,314
Cumulative translation adjustments	(9,500)	(6,664)
Total accumulated other comprehensive income	(5,030)	(350)
Minority interests	1,181	1,092
Total net assets	52,838	61,296
Total liabilities and net assets	117,745	131,754

(2) Consolidated Statements of Income and Consolidated Comprehensive Income

[Consolidated statements of income]

(Millions of yen)

	FY 2012 (From April 1, 2011 to March 31, 2012)	FY 2013 (From April 1, 2012 to March 31, 2013)
Net sales	113,676	118,973
Cost of sales	80,289	82,677
Gross profit on sales	33,386	36,295
Selling, administrative, research and development expenses	29,415	30,009
Operating income (loss)	3,971	6,285
Non-operating income		
Interest income	21	25
Dividends income	316	369
Investment gain on equity method	90	46
Foreign exchange gains	30	659
Others	580	668
Total non-operating income	1,039	1,769
Non-operating expenses		
Interest expenses	470	441
Others	242	138
Total non-operating expenses	713	580
Ordinary income (loss)	4,297	7,475
Extraordinary income		
Gain on sale of fixed assets	5	8
Gain on step acquisitions	—	99
Gain on sales of subsidiaries and affiliates' stocks	—	524
Others	—	10
Total extraordinary income	5	643
Extraordinary losses		
Loss on sale or disposition of fixed assets	60	23
Impairment loss	34	761
Loss on valuation of golf club membership	28	—
Total extraordinary losses	123	784
Net income (loss) before income taxes and minority interests	4,178	7,333
Income taxes—current	1,783	2,319
Income taxes—deferred	452	152
Total income taxes	2,236	2,472
Income (loss) before minority interests	1,942	4,861
Minority interests in income	168	188
Net income (loss)	1,774	4,673

[Consolidated comprehensive income]

(Millions of yen)

	FY 2012 (From April 1, 2011 to March 31, 2012)	FY 2013 (From April 1, 2012 to March 31, 2013)
Income before minority interests	1,942	4,861
Other comprehensive income		
Unrealized gain on available-for-sale securities	774	1,844
Cumulative translation adjustments	(1,247)	3,001
Share of other comprehensive income of associates accounted for using equity method	(17)	76
Total other comprehensive income	(490)	4,921
Comprehensive income	1,452	9,783
(break down)		
Comprehensive income attributable to owners of the parent	1,312	9,353
Comprehensive income attributable to minority interests	139	430

(3) Statements of Changes in Net Assets

(Millions of yen)

	FY 2012 (From April 1, 2011 to March 31, 2012)	FY 2013 (From April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	9,248	9,248
Changes of items during the period		
Changes of items during the period	—	—
Balance at the end of current period	9,248	9,248
Capital surplus		
Balance at the beginning of current period	8,358	8,357
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	8,357	8,357
Retained earnings		
Balance at the beginning of current period	38,694	39,666
Changes of items during the period		
Dividends from surplus	(802)	(794)
Net income	1,774	4,673
Total changes of items during the period	971	3,879
Balance at the end of current period	39,666	43,545
Treasury stock		
Balance at the beginning of current period	(185)	(585)
Changes of items during the period		
Purchase of treasury stock	(404)	(11)
Disposal of treasury stock	4	0
Total changes of items during the period	(399)	(11)
Balance at the end of current period	(585)	(597)
Total shareholders' equity		
Balance at the beginning of current period	56,115	56,686
Changes of items during the period		
Dividends from surplus	(802)	(794)
Net income	1,774	4,673
Purchase of treasury stock	(404)	(11)
Disposal of treasury stock	4	0
Total changes of items during the period	571	3,867
Balance at the end of current period	56,686	60,554

(Millions of yen)

	FY 2012 (From April 1, 2011 to March 31, 2012)	FY 2013 (From April 1, 2012 to March 31, 2013)
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	3,697	4,470
Changes of items during the period		
Net changes of items other than shareholders' equity	772	1,843
Total changes of items during the period	772	1,843
Balance at the end of current period	4,470	6,314
Foreign currency translation adjustment		
Balance at the beginning of current period	(8,266)	(9,500)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,234)	2,835
Total changes of items during the period	(1,234)	2,835
Balance at the end of current period	(9,500)	(6,664)
Accumulated other comprehensive income		
Balance at the beginning of current period	(4,568)	(5,030)
Balance at the end of current period		
Net changes of items other than shareholders' equity	(461)	4,679
Total changes of items during the period	(461)	4,679
Balance at the end of current period	(5,030)	(350)
Minority interests		
Balance at the beginning of current period	1,090	1,181
Changes of items during the period		
Net changes of items other than shareholders' equity	91	(89)
Total changes of items during the period	91	(89)
Balance at the end of current period	1,181	1,092
Total net assets		
Balance at the beginning of current period	52,637	52,838
Changes of items during the period		
Dividends from surplus	(802)	(794)
Net income	1,774	4,673
Purchase of treasury stock	(404)	(11)
Disposal of treasury stock	4	0
Net changes of items other than shareholders' equity	(370)	4,590
Total changes of items during the period	201	8,457
Balance at the end of current period	52,838	61,296

4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2012 (From April 1, 2011 to March 31, 2012)	FY 2013 (From April 1, 2012 to March 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes	4,178	7,333
Depreciation and amortization	4,895	4,619
Impairment loss	34	761
Increase (decrease) in allowance for doubtful accounts	121	30
Increase (decrease) in provision for retirement benefits	(113)	(390)
Interest and dividends income	(337)	(395)
Interest expenses	470	441
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(524)
Loss (gain) on step acquisitions	—	(99)
Loss (gain) on sales and retirement of property, plant and equipment	55	15
Decrease (increase) in notes and accounts receivable-trade	(2,555)	(1,886)
Decrease (increase) in inventories	195	(1,745)
Increase (decrease) in notes and accounts payable-trade	183	5
Other	880	(414)
Subtotal	8,009	7,750
Interest and dividends income received	389	559
Interest income payment	(473)	(453)
Income taxes (paid) refund	(1,033)	(2,131)
Net cash provided by (used in) operating activities	6,890	5,724
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,645)	(5,910)
Proceeds from sales of property, plant and equipment	6	15
Purchase of intangible assets	(109)	(154)
Purchase of investment securities	(128)	(22)
Collection of loans receivable	33	1
Payments for increase in capital of subsidiaries	—	(386)
Purchase of investments in capital of subsidiaries	—	(161)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	6
Proceeds from sales of stocks of subsidiaries and affiliates resulting in change in scope of consolidation	—	1,159
Other	(111)	88
Net cash provided by (used in) investing activities	(3,955)	(5,363)

	FY 2012 (From April 1, 2011 to March 31, 2012)	FY 2013 (From April 1, 2012 to March 31, 2013)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,136)	989
Proceeds from long-term loans payable	4,137	6,644
Repayment of long-term loans payable	(5,005)	(4,853)
Redemption of bonds	(460)	(460)
Purchase of treasury stock	(404)	(4)
Cash dividends paid	(803)	(793)
Cash dividends paid to minority shareholders	(48)	(99)
Other	(23)	(49)
Net cash provided by (used in) financing activities	(3,743)	1,372
Effect of exchange rate change on cash and cash equivalents	(123)	398
Net increase (decrease) in cash and cash equivalents	(931)	2,131
Cash and cash equivalents at beginning of period	12,136	11,205
Cash and cash equivalents at end of period	11,205	13,336

Information Concerning Sales, Income (Loss), and Assets Amount by Reporting Segment

FY 2012 (April 1, 2011 – March 31, 2012)

(Millions of yen)

	Japan	Americas	Europe	Asia	Total	Adjustment Amount *1	Consolidated Income Statement Amount *2
Net sales							
External sales	68,597	18,881	13,520	12,675	113,676	—	113,676
Inter-segment sales and transfers	7,530	716	1,077	228	9,552	(9,552)	—
Total	76,128	19,598	14,597	12,904	123,229	(9,552)	113,676
Segment income (loss)	3,927	(613)	(491)	914	3,736	234	3,971
Segment assets	87,682	12,372	10,504	12,066	122,625	(4,879)	117,745
Other item							
Depreciation expense	3,474	521	467	431	4,895	—	4,895
Increase in property, plant and equipment and intangible fixed assets	2,157	867	508	465	3,999	—	3,999

Notes: 1. Adjustment amounts are as follows.

- (1) 234 million yen of the segment income (loss) adjustments amount includes 218 million yen in adjustments for internal gains and losses related to intersegment transaction, 24 million yen in adjustments for inventories related to intersegment transaction, and -8 million yen in others.
 - (2) -4,879 million yen of the segment assets adjustments amount includes -4,736 million yen in adjustments for internal transaction related to intersegment transaction, -219 million yen in adjustments for inventories related to intersegment transaction, and 76 million yen in others.
2. Segment income (loss) is adjusted with operating income, as recorded in consolidated statements of income.

FY 2013 (April 1, 2012 – March 31, 2013)

(Millions of yen)

	Japan	Americas	Europe	Asia	Total	Adjustment Amount *1	Consolidated Income Statement Amount *2
Net sales							
External sales	69,903	20,930	13,247	14,891	118,973	—	118,973
Inter-segment sales and transfers	7,089	817	1,108	404	9,419	(9,419)	—
Total	76,993	21,747	14,355	15,296	128,393	(9,419)	118,973
Segment income (loss)	5,072	(349)	(251)	1,670	6,141	144	6,285
Segment assets	95,373	16,429	12,416	14,655	138,875	(7,121)	131,754
Other item							
Depreciation expense	3,219	494	450	454	4,619	—	4,619
Increase in property, plant and equipment and intangible fixed assets	2,497	667	640	2,208	6,013	—	6,013

Notes: 1. Adjustment amounts are as follows.

- (1) 144 million yen of the segment income (loss) adjustments amount includes 278 million yen in adjustments for internal gains and losses related to intersegment transaction, -128 million yen in adjustments for inventories related to intersegment transaction, and -5 million yen in others.
 - (2) -7,121 million yen of the segment assets adjustments amount includes -6,902 million yen in adjustments for internal transaction related to intersegment transaction, -346 million yen in adjustments for inventories related to intersegment transaction, and 127 million yen in others.
2. Segment income (loss) is adjusted with operating income, as recorded in consolidated statements of income.