Ajinomoto Co., Inc.

Consolidated Results

[IFRS]

Interim Period Ended September 30, 2017

AJINOMOTO®

SUMMARY OF FINANCIAL STATEMENTS [IFRS] (Consolidated)

For the interim period ended September 30, 2017

Ajinomoto Co., Inc. **November 7, 2017**

Stock Code:	2802	Stock exchange listing:	Tokyo Stock Exchange
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Scheduled dates

Filing of statutory quarterly financial report:	November 14, 2017
Dividend payout:	December 5, 2017
Supplementary materials to quarterly financial report available:	Yes
Quarterly results briefing held:	Yes (For analysts)

1. Consolidated Financial Results for the Interim Period Ended September 30, 2017

(1) Consolidated Operating Results

Millions of yen, rounded down

	Interim period ended September 30, 2017		Interim period ended September 30, 2016	
		Change %		Change %
Sales	546,770	4.7	522,454	-
Business profit	48,395	5.0	46,103	-
Profit before income taxes	49,866	13.3	44,027	-
Profit	36,268	13.6	31,928	-
Profit attributable to owners of the parent company	31,296	15.8	27,032	-
Basic earnings per share (yen)	¥55.02	-	¥47.09	-
Diluted earnings per share (yen)	-	-	-	-

"Change %" indicates the percentage change compared to the same period of the previous fiscal year.

Share of profit of associates and joint ventures:

Interim period ended September 30, 2017: ¥2,583 million (86.4%)

Interim period ended September 30, 2016: ¥1,385 million (- %)

Note 1: The Ajinomoto Group applied IFRS for its consolidated financial statements from the fiscal year ended March 31, 2017. Accordingly, year-on-year changes from the interim period of the previous year are not shown.

Note 2. Upon the adoption of IFRS, the Ajinomoto Group has introduced "business profit" as a new profit level that will better enable investors, the Board of Directors, and the Management Committee to grasp the core business results and future outlook of each business while also facilitating continuous evaluation of the Group's business portfolio by the Board of Directors and the Management Committee. "Business profit" is defined as sales minus the cost of sales, selling expenses, research and development expenses, and general and administrative expenses, to which is then added share of profit of associates and joint ventures. Business profit does not include other operating income or other operating expenses.

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2017	As of March 31, 2017
Total assets	1,387,015	1,350,105
Total equity	738,050	690,673
Equity attributable to owners of the parent company	661,696	616,315
Ownership ratio attributable to owners of the parent company (%)	47.7%	45.6%

2. Dividends

	Fiscal year ended March 31, 2017	Fiscal year ending March 31, 2018	Fiscal year ending March 31, 2018 (forecast)
Dividend per share			
Interim (yen)	¥15.00	¥15.00	
Year-end (yen)	¥15.00		¥15.00
Annual (yen)	¥30.00		¥30.00

Note: Revisions to dividend forecasts in the period under review: None

3. Forecast for the Fiscal Year Ending March 31, 2018

Millions of yen, rounded down

	Fiscal year ending March 31, 2018	
		Change %
Sales	1,187,000	8.8
Business profit	102,000	5.3
Profit attributable to owners of the parent company	57,000	7.4
Basic earnings per share (yen)	¥100.00	-

"Change %" indicates the percentage change compared to the previous fiscal year.

Note: Revisions to consolidated earnings forecasts in the period under review: None

Notes:

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in the change in consolidation scope): None

(2) Changes in accounting policies and accounting estimates

1) Changes in accounting policies as required by IFRS: None
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None

(3) Number of shares outstanding (ordinary shares)

Shares

	As of September 30, 2017	As of March 31, 2017
Number of shares outstanding at end of period (including treasury shares):	571,863,354	571,863,354
Number of treasury shares at end of period	3,703,634	2,729,750
	April 1, 2017 to September 30, 2017	April 1, 2016 to September 30, 2016
Average number of shares during period	568,854,795	574,045,921

Note: The number of treasury shares at end of period includes the Company's shares held by "Director's remuneration BIP Trust" (As of the interim period ended September 30, 2017: 971,000 shares. As of the interim period ended September 30, 2016: - shares), which has been adopted along with the introduction of Stock-based Remuneration of Executive Officers Based on the Company's Medium-term Earnings Performance for the Directors and others. In addition, these Company's shares are included in the treasury shares which are deducted from the number of shares outstanding at the end of period when calculating the average number of shares during the period.

* This summary of consolidated financial statements is exempted from quarterly review.

* Appropriate use of forecasts and other notes

[Disclaimer regarding forward-looking statements and other information]

Forward-looking statements, such as business forecasts, included in this document are based on management's estimates, assumptions, and projections at the time of publication. These statements do not represent a promise or commitment by the Company to achieve these forecasts. Actual operating results may differ significantly due to various factors. For more information regarding our earnings forecasts, see, page 8, "1. Qualitative Information on Interim Period Consolidated Results (3) Explanation of consolidated earnings forecasts."

[Method of obtaining supplementary results materials]

Supplementary results materials will be published on the Company's website on Tuesday, November 7, 2017.

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1. QUALITATIVE INFORMATION ON INTERIM PERIOD CONSOLIDATED RESULTS

Upon the adoption of IFRS, the Ajinomoto Group has introduced“business profit” as a new profit level that will better enable investors, the Board of Directors, and the Management Committee to grasp the core business results and future outlook of each business while also facilitating continuous evaluation of the Group’s business portfolio by the Board of Directors and the Management Committee. “Business profit” is defined as sales minus the cost of sales, selling expenses, research and development expenses, and general and administrative expenses, to which is then added share of profit of associates and joint ventures. Business profit does not include other operating income or other operating expenses.

(1) Overview of operating results

During the interim period ended September 30, 2017 (April 1 to September 30, 2017), the Ajinomoto Group’s consolidated sales increased by 4.7% year on year, or ¥24.3 billion, to ¥546.7 billion, supported by strong sales on a local-currency basis of our seasonings and processed foods (international) and a positive forex impact. Business profit expanded by 5.0%, or ¥2.2 billion, to ¥48.3 billion, with support from positive forex trends.

Profit attributable to owners of the parent company increased by 15.8%, or ¥4.2 billion, to ¥31.2 billion.

Consolidated operating results by segment

Results for individual business segments are summarized below.

Billions of yen, rounded down

	Sales	YoY change - amount	YoY change - percent	Business profit	YoY change -amount	YoY change -percent
Japan Food Products	184.6	(4.2)	(2.3)%	18.2	1.1	6.5%
International Food Products	221.8	19.0	9.4%	22.3	0.2	1.3%
Life Support	63.6	3.7	6.2%	3.6	1.5	73.4%
Healthcare	45.6	3.4	8.2%	2.2	(2.0)	(48.0)%
Other	31.0	2.3	8.1%	1.9	1.4	246.8%
Total	546.7	24.3	4.7%	48.3	2.2	5.0%

Note: Domestic and overseas sales of *ACTIVA*® products to food processing companies, and savory seasonings are included in the Japan Food Products segment. Domestic and overseas sales of umami seasoning *AJINO-MOTO*® for the food processing industry and nucleotides and sweeteners are included in the International Food Products segment.

1) Japan Food Products Segment

Japan Food Products segment sales decreased by 2.3% year on year, or ¥4.2 billion, to ¥184.6 billion, in the first six months of the fiscal year, owing to a lower contribution from sales of seasonings and processed foods in Japan following the sale of a consolidated subsidiary and other factors and to lower sales of coffee products, which were adversely affected by the contraction of the home-use market and the consequent intensification of competition. Segment business profit, however, increased by 6.5%, or ¥1.1 billion, to ¥18.2 billion, on higher profits on our domestic seasonings and processed foods, frozen foods, and coffee products.

Seasonings and processed foods: Sales of our home-use products increased year on year, led by increased sales of *Knorr® Cup Soup* products, *Cook Do*® Chinese menu seasonings and other products.

Sales of restaurant and industrial–use seasonings and processed foods declined year on year, primarily owing to the impact of the sale of subsidiaries, which offset increased sales of our food enzyme *ACTIVA*® in Japan and overseas.

Overall, sales of seasonings and processed foods in the Japan Food Products segment were lower than in the first half of the previous fiscal year.

Frozen foods: Sales of home-use frozen foods expanded, led by year-on-year sales gains for our *THE★CHA-HAN* fried rice product as well as strong sales of *THE★SHUMAI,* a new Chinese dumpling product.

Sales targeted at the restaurant and industrial–use market were largely flat year on year, as increased sales of *Gyoza* and dessert products were offset by weaker sales of frozen rice products.

Overall, sales of our frozen foods in Japan were higher than in the first half of the previous year.

Coffee products: Sales of home-use coffee products fell year on year owing to weaker sales of instant and bottled coffee products as contraction in the home-use market led to a more competitive market environment. On the positive side, sales of our 3-in-1 stick products continued to expand steadily and rose above the previous year's level.

Sales of restaurant and industrial–use coffee products increased as efforts to expand sales of industrial-use materials and products for use in restaurants and offices offset a decline in sales to major customers.

Overall, the Japan Food Products segment's sales of coffee products were lower than in the interim period of the previous fiscal year.

2) International Food Products Segment

International Food Products segment sales increased by 9.4%, or ¥19.0 billion, to ¥221.8 billion, driven by stronger sales of seasonings and processed foods and frozen foods. The sales gain was also supported by positive forex trends. Segment business profit increased by 1.3%, or ¥0.2 billion, to ¥22.3 billion, as the positive forex trends boosted profits on overseas sales of seasonings and processed foods, offsetting a decline in profits on frozen food sales.

Seasonings and processed foods: In Asia, year-on-year sales gains were achieved by some products, including the umami seasoning *AJI-NO-MOTO*® in Vietnam and Indonesia, and the *Masako*® flavor seasonings in Indonesia.

In the Americas, region-wide sales increased sharply, led by stronger sales in Brazil of the flavor seasoning *Sazón*®.

Sales in Europe and Africa were also up sharply, thanks to a big increase in sales of *AJI-NO-MOTO*® in Africa.

As a result of the above factors, overall sales of our seasonings and processed foods in overseas markets were above the previous year's interim result.

Frozen foods: Sales at Ajinomoto Windsor, Inc. were flat year on year on a local-currency basis, but a favorable forex trend contributed to an overall increase in the segment's sales of frozen foods.

Umami seasonings for processed food manufacturers and sweeteners: Sales of *AJI-NO-MOTO*® to the food processing industry declined year on year. Overseas sales volumes of *AJI-NO-MOTO*® increased but sales prices on a local-currency basis declined and sales in Japan also fell year on year.

Sales of nucleotides increased on higher sales volumes in Japan and overseas.

Sales of sweeteners were in line with the previous year's level, as increases in local-currency sales prices offset lower sales volumes of aspartame for the food processing industry.

Overall, the International Food Products segment's sales of Umami seasonings for processed food manufacturers and sweeteners were largely in line with the previous year's interim result.

3) Life Support Segment

Life Support segment sales expanded by 6.2%, or ¥3.7 billion, to ¥63.6 billion, with higher sales of animal nutrition products and specialty chemicals supplemented by a positive impact from forex fluctuations. Segment business profit expanded by 73.4%, or ¥1.5 billion, to ¥3.6 billion, thanks mainly to a big increase in the profitability of our sales of specialty chemicals.

Animal nutrition: Sales of lysine and threonine sales declined on a drop in sales volume. Tryptophan sales, however, increased substantially, supported by sharply higher volumes and sales prices. Sales of specialty products, such as Valine, also increased substantially.

As a result, overall sales of animal nutrition products were above the previous year's interim result.

Specialty chemicals: Sales of specialty chemicals increased year on year, as stronger sales of insulation film for build-up printed wiring board used in semiconductor packaging offset lower sales of cosmetics ingredients.

4) Healthcare Segment

Healthcare segment sales increased by 8.2%, or ¥3.4 billion, to ¥45.6 billion, as stronger sales of pharmaceutical custom manufacturing services offset lower sales of amino acids for pharmaceuticals and foods. However, segment business profit decreased by 48.0% year on year, or ¥2.0 billion, to ¥2.2 billion, on large drops in the margins on amino acids for pharmaceuticals and foods as well as on pharmaceutical custom manufacturing service.

Amino acids: Sales of amino acids for pharmaceuticals and foods declined year on year, as a sharp drop in sales in Japan outweighed an increase in overseas sales, due in part to a positive impact from forex trends. Revenues from our pharmaceutical custom manufacturing service were up year on year, as gains in Europe offset a sharp drop in sales in North America.

Overall, sales of amino acids were lower than a year earlier.

5) Other

In the Other segment, sales increased by 8.1%, or ¥2.3 billion, to ¥31.0 billion, and business profit increased by ¥1.4 billion to ¥1.9 billion, for a 246.8% year-on-year improvement.

(2) Overview of Financial Position

As of September 30, 2017, total assets amounted to ¥1,387.0 billion, a ¥36.9 billion increase from ¥1,350.1 billion at the end of the previous fiscal year. The increase mainly reflects an increase in the value of assets on the statements of financial position of overseas subsidiaries when converted into Japanese yen.

Total liabilities amounted to ¥648.9 billion, ¥10.4 billion less than the ¥659.4 billion at the end of the previous fiscal year. Interest-bearing debt amounted to ¥333.4 billion, a reduction of ¥2.5 billion from the end of the previous fiscal year.

Total equity as of September 30, 2017, was ¥47.3 billion higher than at the end of the previous fiscal year, reflecting an increase in retained earnings and the effect of changes in exchange differences on translation of foreign operations and other factors. Equity attributable to owners of the parent company, which is total equity minus non-controlling interests, totaled to ¥661.6 billion, and the ownership ratio attributable to owners of the parent company was 47.7%.

(3) Overview of Consolidated Earnings Forecasts

No changes have been made to the full-year forecasts that the Company announced on May 15, 2017.

2. Condensed Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statements of Financial Position

Millions of yen

	As of end of Interim period (September 30, 2017)	As of end of previous fiscal year (March 31, 2017)
Assets		
Current assets		
Cash and cash equivalents	160,376	186,003
Trade and other receivables	191,392	186,503
Other financial assets	13,766	11,047
Inventories	193,192	168,755
Income taxes receivable	4,651	7,423
Others	14,403	13,711
Total current assets	577,783	573,445
Non-current assets		
Property, plant and equipment	411,196	393,441
Intangible assets	61,656	60,422
Goodwill	106,754	96,606
Investments in associates and joint ventures	134,124	130,634
Long-term financial assets	68,203	62,923
Deferred tax assets	5,428	8,249
Others	21,866	24,382
Total non-current assets	809,232	776,660
Total assets	1,387,015	1,350,105

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	As of end of Interim period (September 30, 2017)	As of end of previous fiscal year (March 31, 2017)
		Millions of yen
Liabilities		
Current liabilities		
Trade and other payables	162,320	160,840
Short-term borrowings	10,865	11,153
Current portion of long-term borrowings	24,510	23,929
Other financial liabilities	2,851	5,049
Short-term employee benefits	35,733	35,501
Provisions	2,082	4,579
Income taxes payable	9,999	9,995
Others	8,950	9,744
Total current liabilities	257,313	260,794
Non-current liabilities		
Corporate bonds	169,380	169,347
Long-term borrowings	126,825	129,617
Other financial liabilities	17,930	18,452
Long-term employee benefits	51,690	57,592
Provisions	10,943	11,261
Deferred tax liabilities	14,015	12,163
Others	865	202
Total non-current liabilities	391,651	398,637
Total liabilities	648,965	659,431
Equity		
Common stock	79,863	79,863
Capital surplus	3,991	3,797
Treasury stock	(9,071)	(6,895)
Retained earnings	608,150	584,849
Other components of equity	(21,236)	(45,299)
Equity attributable to owners of the parent company	661,696	616,315
Non-controlling interests	76,354	74,358
Total equity	738,050	690,673
Total liabilities and equity	1,387,015	1,350,105

(2) Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Comprehensive Income

Condensed Consolidated Statements of Income

Millions of yen

	Interim period (April 1, 2017 to September 30, 2017)	Interim period (April 1, 2016 to September 30, 2016)
Sales	546,770	522,454
Cost of sales	(355,381)	(337,405)
Gross profit	191,389	185,049
Share of profit of associates and joint ventures	2,583	1,385
Selling expenses	(83,580)	(79,807)
Research and development expenses	(13,593)	(13,334)
General and administrative expenses	(48,402)	(47,189)
Business profit	48,395	46,103
Other operating income	3,909	1,999
Other operating expenses	(3,706)	(5,187)
Operating profit	48,598	42,916
Financial income	3,409	6,604
Financial expenses	(2,141)	(5,493)
Profit before income taxes	49,866	44,027
Income taxes	(13,597)	(12,099)
Profit	36,268	31,928
Attributable to:		
Owners of the parent company	31,296	27,032
Non-controlling interests	4,972	4,896
Earnings per share (yen):		
Basic	55.02	47.09
Diluted	-	-

Condensed Consolidated Statements of Comprehensive Income

Millions of yen

	Interim period (April 1, 2017 to September 30, 2017)	Interim period (April 1, 2016 to September 30, 2016)
Profit	36,268	31,928
Other comprehensive income (Net of related tax effects)		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	3,727	(74)
Remeasurements of defined benefit pension plans	3,010	782
Share of other comprehensive income (loss) of associates and joint ventures	272	258
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	(216)	(598)
Change in fair value of forward elements of forward contracts	208	-
Exchange differences on translation of foreign operations	19,772	(51,264)
Share of other comprehensive income (loss) of associates and joint ventures	(130)	(34)
Other comprehensive income (Net of related tax effects)	26,644	(50,929)
Comprehensive income	62,913	(19,001)
Comprehensive income attributable to:		
Owners of the parent company	55,806	(17,706)
Non-controlling interests	7,107	(1,294)

(3) Notes to Condensed Consolidated Financial Statements

(Going Concern Assumption)

No applicable items

(Significant Accounting Policies)

With the exception of the items explained below, the significant accounting policies used to prepare these condensed consolidated financial statements for the interim period are unchanged from the policies applied to the consolidated financial statements in the previous fiscal year.

Income taxes for the interim consolidated accounting period are calculated based on an estimation of the effective tax rate for the fiscal year.

(New Accounting Policy)

Stock–based remuneration

The Company has introduced a Stock-based Remuneration of Executive Officers Based on the Company's Medium-term Earnings Performance from the first quarter of the fiscal year ending March 31, 2018.

In this System, consideration for service received is measured based on the fair value of the Company's shares on the grant date or is measured at the fair value of any liabilities generated. The consideration amount is recognized as an expense over the applicable period. An equivalent amount is recognized as an increase in equity or liabilities.

(Segment Information)

(1) Overview of reportable segments

The Group’s reportable segments are categorized primarily by product lines, with the food business further separated into domestic and overseas. Therefore, the Company has four reportable segments: “Japan Food Products,” “International Food Products,” “Life Support,” and “Healthcare.”

Each reportable segment is a component of the Group for which separate financial information is available and evaluated regularly by the Management Committee in determining the allocation of management resources and in assessing performance.

(2) Information by reportable segment

The Group’s sales and earnings by reportable segments are as follows.

Inter-segment sales and transfers are primarily based on transaction prices between third-parties.

Interim period ended September 30, 2017 (April 1, 2017 to September 30, 2017)

Millions of yen

	Reportable segment				Other *	Total	Adjustments	As included in condensed consolidated financial statements
	Japan Food Products	International Food Products	Life Support	Healthcare				
Sales								
Sales to third parties	184,640	221,825	63,660	45,622	31,021	546,770	-	546,770
Inter-segment sales and transfers	1,803	2,318	1,216	1,148	27,143	33,629	(33,629)	-
Total sales	186,444	224,143	64,876	46,771	58,164	580,400	(33,629)	546,770
Share of profit of associates and joint ventures	191	763	88	-	1,539	2,583	-	2,583
Segment profit or loss (Business profit or loss)	18,239	22,325	3,649	2,213	1,968	48,395	-	48,395
					Other operating income			3,909
					Other operating expenses			(3,706)
					Operating profit			48,598
					Financial income			3,409
					Financial expenses			(2,141)
					Profit before income taxes			49,866

* Other includes the tie-up, packaging, logistics, and other service-related businesses.

Interim period ended September 30, 2016 (April 1, 2016 to September 30, 2016)

Millions of yen

	Reportable segment				Other *	Total	Adjustments	As included in condensed consolidated financial statements
	Japan Food Products	International Food Products	Life Support	Healthcare				
Sales								
Sales to third parties	188,904	202,762	59,920	42,164	28,703	522,454	-	522,454
Inter-segment sales and transfers	1,885	2,933	1,248	1,131	27,467	34,665	(34,665)	-
Total sales	190,789	205,695	61,168	43,295	56,170	557,120	(34,665)	522,454
Share of profit of associates and joint ventures	546	-	113	-	726	1,385	-	1,385
Segment profit or loss (Business profit or loss)	17,131	22,043	2,104	4,256	567	46,103	-	46,103
					Other operating income			1,999
					Other operating expenses			(5,187)
					Operating profit			42,916
					Financial income			6,604
					Financial expenses			(5,493)
					Profit before income taxes			44,027

* Other includes the tie-up, packaging, logistics, and other service-related businesses.

(Business Combinations)

Interim period ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(Business combination in Turkey)

On April 3, 2017, the Company acquired all the equity shares of Örgen Gıda Sanayi ve Ticaret A.Ş. (“Örgen”), a food company based in Turkey, and the trademark for its powdered seasoning brand, *Bizim Mutfak*, which is widely sold in Turkey, and made Örgen a wholly owned subsidiary. On August 17, 2017, the Company acquired the remaining 50% of the outstanding shares of Kükre A.Ş. (“Kükre”), another Turkish food company. Combined with the Company’s previous 50% equity investment in Kükre, the acquisition made Kükre a wholly owned subsidiary.

Since acquiring its initial 50% interest in Kükre in December 2013, Ajinomoto has supported the Turkish food makers’ efforts to steadily expand sales of its vinegars and fruit sauces as well as its initiatives for growing small-outlet retail chains. As a result, Kükre’s sales have expanded rapidly, with 2016 net sales up about 200% from the level recorded in 2014. Making Örgen and Kükre wholly owned subsidiaries enables the Ajinomoto Group to approach the Turkish market as a comprehensive food manufacturer offering both Örgen’s *Bizim Mutfak* brand seasonings for bouillon, powdered soups and other products and Kükre’s *KEMAL KÜKRER* brand liquid seasonings. The Ajinomoto Group plans to strengthen cooperation between Ajinomoto Istanbul Food Sales Ltd., established in July 2011, Örgen, and Kükre with a view toward their eventual integration and achieving combined sales of more than ¥10 billion in the near future by further expanding the Group’s business in Turkey.

Ajinomoto’s FY2017-2019 (for FY2020) Medium-Term Management Plan has established the strengthening of the Group's regional portfolio as a key strategy for securing the steady growth of its food products business. Accordingly, Ajinomoto is expanding and strengthening its business in Turkey and the Middle East, which are positioned as “Rising Stars” under the plan.

1. Acquisition of Örgen

(1) Effect on the Group’s performance

The condensed consolidated financial statements for the interim period include Örgen sales of 55 million Turkish lira (¥1,746 million) and a net loss of 0 million Turkish lira (¥8 million).

(2) Fair value of consideration transferred on acquisition date

	Amount
Cash	183 million Turkish lira (TRY) [¥5,676 million]

Note 1. As per the share purchase agreement, a price adjustment totaling 13 million Turkish lira (¥432 million) has been reflected.

Note 2. The amount includes the acquisition costs of trademark of Orgen’s brand *Bizim Mutfak*.

Note 3. Acquisition-related costs pertaining to the business combination through cash transaction totaling ¥818 million were recorded as a general and administrative expense.

Note 4. Turkish lira (TRY) 1 = JPY 31.01 (at the time of the share acquisition)

(3) Cash outflows related to acquisition of subsidiary

	Amount
Cash expenditure for acquisition	196 millionTurkish lira (TRY) [¥6,108 million]
Cash and cash equivalents of acquired subsidiary	(5) millionTurkish lira (TRY) [¥(183) million]
Cash outflows related to acquisition of subsidiary	191 millionTurkish lira (TRY) [¥5,924 million]

Note. Ajinomoto separately received a price adjustment totaling 13 million Turkish lira (¥432 million) on October 13, 2017, as per the share purchase agreement.

(4) Fair value of assets acquired and liabilities assumed and goodwill

Millions of yen

	Amount
Current assets	2,574
Trade and other receivables	1,507
Inventories	657
Others	408
Non-current assets	2,810
Property, plant and equipment	1,614
Intangible assets	1,178
Others	17
Total assets	5,384
Current liabilities	1,990
Trade and other payables	896
Others	1,093
Non-current liabilities	328
Others	328
Total liabilities	2,318
Total equity (A)	3,066
Fair value of consideration transferred on acquisition date (B)	5,676
Goodwill (C)=(B)-(A)	2,609

Concerning the assets acquired and liabilities assumed, allocation of the acquisition cost had not been completed as of the end of the interim consolidated accounting period. Consequently, the figures above are provisional calculations based on the information available at the time of this document's preparation.

Goodwill primarily represents the expected synergies with existing businesses and the excess earning power expected to arise from the acquisition.

(5) Fair value, contractual amounts and estimated uncollectible amounts of receivables acquired

Trade and other receivables acquired primarily included trade receivables with a fair value of 48 million Turkish lira (¥1,507 million). The total contractual amount was 48 million Turkish lira (¥1,507 million), and there was no uncollectible amount.

2. Acquisition of Kükre

(1) Effect on the Group's performance

The condensed consolidated financial statements for the interim period include sales and quarterly profits generated by Kükre, which have no significant impact. Assuming the business combination was completed at the start of the interim period, Kükre's sales and quarterly profits are estimated to be 26 million Turkish lira (¥825 million) and 5 million Turkish lira (¥187 million), respectively.

(2) Fair value of consideration transferred on acquisition date

	Amount
Cash expenditure for acquisition	181 millionTurkish lira (TRY) [¥5,672 million]
Derivative liabilities	(63) millionTurkish lira (TRY) [¥(1,987) million]
Total	117 millionTurkish lira (TRY) [¥3,684 million]

Note 1. Acquisition-related costs pertaining to the business combination through cash transaction totaling ¥76 million were recorded as a general and administrative expense.

Note 2. Turkish lira (TRY) 1 = JPY 31.31 (at the time of the share acquisition)

Note 3. The derivative liabilities are Stock Purchase Agreement measured at fair value which was stipulated on a shareholders agreement signed in December 2013.

(3) Cash outflows related to acquisition of subsidiary

	Amount
Cash expenditure for acquisition	181 millionTurkish lira (TRY) [¥5,682 million]
Cash and cash equivalents of acquired subsidiary	(0) millionTurkish lira (TRY) [¥(10) million]
Cash outflows related to acquisition of subsidiary	180 millionTurkish lira (TRY) [¥5,662 million]

(4) Fair value of assets acquired and liabilities assumed and goodwill

Millions of yen

	Amount
Current assets	1,343
Trade and other receivables	884
Inventories	357
Others	102
Non-current assets	247
Property, plant and equipment	233
Others	13
Total assets	1,591
Current liabilities	438
Trade and other payables	225
Others	212
Non-current liabilities	44
Others	44
Total liabilities	482
Total equity (A)	1,108
Fair value of consideration transferred on acquisition date (B)	3,684
Fair value of existing equity interests (C)	3,684
Goodwill (D)=[(B)+(C)]-(A)	6,261

A gain on business combination achieved in stages of ¥110 million was recognized as a result of remeasuring the fair value of the interest in the acquiree held before the business combination and was recorded in Other operating income in the condensed consolidated statement of income.

Concerning the assets acquired and liabilities assumed, allocation of the acquisition cost had not been completed as of the end of the interim consolidated accounting period. Consequently, the figures above are provisional calculations based on the information available at the time of this document's preparation.

Goodwill primarily represents the expected synergies with existing businesses and the excess earning power expected to arise from the acquisition.

(5) Fair value, contractual amounts and estimated uncollectible amounts of receivables acquired

Trade and other receivables acquired primarily included trade receivables with a fair value of 28 million Turkish lira (¥884 million). The total contractual amount was 29 million Turkish lira (¥910 million), and estimated uncollectible accounts are 0 million Turkish lira (¥26 million).