

Ajinomoto Co., Inc.

Consolidated Results

[IFRS]

Third Quarter Ended December 31, 2017

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and judgements made by management in light of information currently available. Actual financial results may differ depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

SUMMARY OF FINANCIAL STATEMENTS [IFRS] (Consolidated)

For the third quarter ended December 31, 2017

Ajinomoto Co., Inc.

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January 31, 2018

Stock exchange listing: Tokyo Stock Exchange

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Scheduled dates

Filing of statutory quarterly financial report: February 13, 2018

Dividend payout: -

Supplementary materials to quarterly financial report available: Yes

Quarterly results briefing held: None

1. Consolidated Financial Results for the Nine-month Period Ended December 31, 2017

(1) Consolidated Operating Results

Millions of yen, rounded down

	Nine-month period ended December 31, 2017		Nine-month period ended December 31, 2016	
	Change %	Change %	Change %	Change %
Sales	859,804	5.9	811,613	-
Business profit	82,861	4.3	79,438	-
Profit before income taxes	82,257	6.0	77,636	-
Profit	62,535	10.9	56,376	-
Profit attributable to owners of the parent company	55,071	12.8	48,828	-
Basic earnings per share (yen)	¥96.85	-	¥85.28	-
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:

Nine-month period ended December 31, 2017:
 ¥3,286 million (27.4%)

Nine-month period ended December 31, 2016:
 ¥2,578 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 nine-month 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 December 31, 2017	As of March 31, 2017
Total assets	1,448,607	1,350,105
Total equity	763,842	690,673
Equity attributable to owners of the parent company	683,206	616,315
Ownership ratio attributable to owners of the parent company (%)	47.2%	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

	<i>Millions of yen, rounded down</i>	
	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 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)

	<i>Shares</i>	
	As of December 31, 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	3,705,437	2,729,750
	April 1, 2017 to December 31, 2017	April 1, 2016 to December 31, 2016
Average number of shares during period	568,645,911	572,572,823

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 nine-month period ended December 31, 2017: 971,000 shares. As of the nine-month period ended December 31, 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 Nine-month Period Consolidated Results (3) Overview of consolidated earnings forecasts."

[Method of obtaining supplementary results materials]

Supplementary results materials will be published on the Company's website on Wednesday, January 31, 2018.

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1. QUALITATIVE INFORMATION ON NINE-MONTH 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 nine-month period ended December 31, 2017 (April 1 to December 31, 2017), the Ajinomoto Group’s consolidated sales increased by 5.9% year on year, or ¥48.1 billion, to ¥859.8 billion, as strong sales on a local-currency basis of our seasonings and processed foods (international) and a positive forex impact offset weak sales of coffee products. Business profit expanded 4.3%, or ¥3.4 billion, to ¥82.8 billion, with support from positive forex trends.

Profit attributable to owners of the parent company increased by 12.8%, or ¥6.2 billion, to ¥55.0 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	292.6	(5.5)	(1.9)%	34.0	(0.1)	(0.5)%
International Food Products	348.3	32.6	10.3%	34.3	(0.3)	(0.9)%
Life Support	99.5	7.5	8.2%	7.6	3.7	95.2%
Healthcare	72.0	10.3	16.7%	4.6	(0.6)	(13.0)%
Other	47.2	3.2	7.5%	2.2	0.8	68.6%
Total	859.8	48.1	5.9%	82.8	3.4	4.3%

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 fell 1.9% year on year, or ¥5.5 billion, to ¥292.6 billion, in the first nine months of the fiscal year. Sales of coffee products were also lower than a year earlier, reflecting contraction of the home-use market and the consequent intensification of competition. Sales of seasonings and processed foods in Japan also fell, mainly owing to the sale of a consolidated subsidiary. Segment business profit, at ¥34.0 billion (–0.5%) was largely in line with the previous year’s result, as stable profits on our domestic seasonings and processed foods mitigated the impact of lower profits on 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 stronger sales of our food enzyme *ACTIVA*® in Japan and overseas.

Overall, sales of seasonings and processed foods were lower than in the same period of the previous year.

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

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

Overall, sales of frozen foods in Japan were higher than a year earlier.

Coffee products: Sales of home-use coffee products fell year on year owing to weak 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.

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 a year earlier.

2) International Food Products Segment

International Food Products segment sales increased by 10.3%, or ¥32.6 billion, to ¥348.3 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, at ¥34.3 billion (-0.9%), was largely in line with the previous year's result, as positive forex trends boosted profits on overseas sales of seasonings and processed foods, offsetting a large decline in profits on frozen food sales.

Seasonings and processed foods: Sales in Asia rose during the first nine months of the year, driven by year-on-year sales gains for a number of 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 higher than in the same period of the previous year.

Frozen foods: Sales at Ajinomoto Windsor, Inc. were flat year on year on a local-currency basis, but a favorable forex trend and the addition of a new consolidated subsidiary 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 were largely the same as a year ago. Overseas, an increase in sales volumes was offset by lower sales prices on a local-currency basis. Sales in Japan were also down year on year.

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

Sales of sweeteners were up year on year, as the positive impact of forex conversions on stable 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 higher than in line with the result in the first nine months of the previous year.

3) Life Support Segment

Life Support segment sales expanded by 8.2%, or ¥7.5 billion, to ¥99.5 billion, on strong gains in sales of animal nutrition products and specialty chemicals. Segment business profit expanded by 95.2%, or ¥3.7 billion, to ¥7.6 billion, thanks mainly to a big increase in the profitability of our sales of animal nutrition products as well as higher profits on sales of specialty chemicals.

Animal nutrition: Sales of lysine and threonine sales were in line with the previous year as a positive forex impact offset a lower sales volumes. Tryptophan sales, however, increased substantially, supported by sharply higher volumes and sales prices. Sales of specialty products, such as *AjiPro*®-L, also increased substantially.

As a result, overall sales of animal nutrition products were above the results for the nine-month period of the previous fiscal year.

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 16.7%, or ¥10.3 billion, to ¥72.0 billion, mainly on a large increase in sales of pharmaceutical custom manufacturing services. Sales of amino acids for pharmaceuticals and foods were about the same

as a year earlier. Segment business profit declined 13.0% year on year, or ¥0.6 billion, to ¥4.6 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 were largely the same as in the first nine months of the previous year, as a lower sales in Japan offset an increase in overseas sales, due in part to a positive impact from forex trends. Revenues from our pharmaceutical custom manufacturing service increased sharply up year on year, as strong sales gains in Japan and Europe offset lower sales in North America.

Overall, sales of amino acids were increased year on year.

5) Other

In the Other segment, sales increased 7.5%, or ¥3.2 billion, to ¥47.2 billion, and business profit increased 68.6%, or ¥0.8 billion to ¥2.2 billion.

(2) Overview of Financial Position

As of December 31, 2017, total assets amounted to ¥1,448.6 billion, a ¥98.5 billion increase from ¥1,350.1 billion at the end of the previous fiscal year. The increase mainly reflects the impact from the inclusion of a new consolidated subsidiary and 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 ¥684.7 billion, ¥25.3 billion more than the ¥659.4 billion at the end of the previous fiscal year. Interest-bearing debt amounted to ¥361.9 billion, an increase of ¥25.9 billion from the end of the previous fiscal year.

Total equity as of December 31, 2017, was ¥73.1 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 ¥683.2 billion, and the ownership ratio attributable to owners of the parent company was 47.2%.

(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

	<i>Millions of yen</i>	
	As of end of third quarter (December 31, 2017)	As of end of previous fiscal year (March 31, 2017)
Assets		
Current assets		
Cash and cash equivalents	177,808	186,003
Trade and other receivables	212,991	186,503
Other financial assets	16,410	11,047
Inventories	191,343	168,755
Income taxes receivable	5,937	7,423
Others	15,621	13,711
Total current assets	620,114	573,445
Non-current assets		
Property, plant and equipment	414,762	393,441
Intangible assets	62,347	60,422
Goodwill	115,815	96,606
Investments in associates and joint ventures	134,424	130,634
Long-term financial assets	72,903	62,923
Deferred tax assets	6,222	8,249
Others	22,017	24,382
Total non-current assets	828,493	776,660
Total assets	1,448,607	1,350,105

Millions of yen

	As of end of third quarter (December 31, 2017)	As of end of previous fiscal year (March 31, 2017)
Liabilities		
Current liabilities		
Trade and other payables	170,763	160,840
Short-term borrowings	25,691	11,153
Current portion of long-term borrowings	25,056	23,929
Other financial liabilities	2,437	5,049
Short-term employee benefits	32,733	35,501
Provisions	2,252	4,579
Income taxes payable	10,151	9,995
Others	11,392	9,744
Total current liabilities	280,479	260,794
Non-current liabilities		
Corporate bonds	169,397	169,347
Long-term borrowings	139,967	129,617
Other financial liabilities	21,150	18,452
Long-term employee benefits	47,622	57,592
Provisions	10,838	11,261
Deferred tax liabilities	14,516	12,163
Others	791	202
Total non-current liabilities	404,285	398,637
Total liabilities	684,764	659,431
Equity		
Common stock	79,863	79,863
Capital surplus	959	3,797
Treasury stock	(9,075)	(6,895)
Retained earnings	623,516	584,849
Other components of equity	(12,056)	(45,299)
Equity attributable to owners of the parent company	683,206	616,315
Non-controlling interests	80,636	74,358
Total equity	763,842	690,673
Total liabilities and equity	1,448,607	1,350,105

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

Millions of yen

	Nine-month period (April 1, 2017 to December 31, 2017)	Nine-month period (April 1, 2016 to December 31, 2016)
Sales	859,804	811,613
Cost of sales	(557,032)	(520,312)
Gross profit	302,771	291,301
Share of profit of associates and joint ventures	3,286	2,578
Selling expenses	(130,567)	(125,047)
Research and development expenses	(19,848)	(19,835)
General and administrative expenses	(72,779)	(69,557)
Business profit	82,861	79,438
Other operating income	5,338	3,418
Other operating expenses	(7,351)	(7,647)
Operating profit	80,848	75,209
Financial income	4,932	8,010
Financial expenses	(3,523)	(5,583)
Profit before income taxes	82,257	77,636
Income taxes	(19,721)	(21,259)
Profit	62,535	56,376
Attributable to:		
Owners of the parent company	55,071	48,828
Non-controlling interests	7,463	7,547
Earnings per share (yen):		
Basic	96.85	85.28
Diluted	-	-

Condensed Consolidated Statements of Comprehensive Income
Millions of yen

	Nine-month period (April 1, 2017 to December 31, 2017)	Nine-month period (April 1, 2016 to December 31, 2016)
Profit	62,535	56,376
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	6,616	4,858
Remeasurements of defined benefit pension plans	5,414	1,984
Share of other comprehensive income (loss) of associates and joint ventures	505	553
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	(133)	81
Change in fair value of forward elements of forward contracts	250	-
Exchange differences on translation of foreign operations	24,607	11,798
Share of other comprehensive income (loss) of associates and joint ventures	446	123
Other comprehensive income (Net of related tax effects)	37,705	19,400
Comprehensive income	100,241	75,776
Comprehensive income attributable to:		
Owners of the parent company	88,957	67,479
Non-controlling interests	11,284	8,297

(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 nine-month period are unchanged from the policies applied to the consolidated financial statements in the previous fiscal year.

Income taxes for the nine-month 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.

Nine-month period ended December 31, 2017 (April 1, 2017 to December 31, 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	292,629	348,358	99,504	72,043	47,267	859,804	-	859,804
Inter-segment sales and transfers	2,895	3,539	1,997	1,864	39,325	49,623	(49,623)	-
Total sales	295,525	351,898	101,502	73,907	86,593	909,427	(49,623)	859,804
Share of profit of associates and joint ventures	256	1,291	150	-	1,587	3,286	-	3,286
Segment profit or loss (Business profit or loss)	34,030	34,312	7,630	4,680	2,207	82,861	-	82,861
	Other operating income							5,338
	Other operating expenses							(7,351)
	Operating profit							80,848
	Financial income							4,932
	Financial expenses							(3,523)
	Profit before income taxes							82,257

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

Nine-month period ended December 31, 2016 (April 1, 2016 to December 31, 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	298,209	315,702	92,000	61,724	43,977	811,613	-	811,613	
Inter-segment sales and transfers	2,986	4,437	2,106	1,789	40,890	52,210	(52,210)	-	
Total sales	301,196	320,140	94,106	63,513	84,868	863,824	(52,210)	811,613	
Share of profit of associates and joint ventures	627	-	104	-	1,847	2,578	-	2,578	
Segment profit or loss (Business profit or loss)	34,196	34,642	3,909	5,379	1,309	79,438	-	79,438	
								Other operating income	3,418
								Other operating expenses	(7,647)
								Operating profit	75,209
								Financial income	8,010
								Financial expenses	(5,583)
								Profit before income taxes	77,636

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