Eat Well, Live Well.
AJINOMOTO

- Valine
- Leucine
- Isoleucine
- Alanine
- Arginine
- Glutamine
- Lysine
- Aspartic acid
- Glutamate
- Proline
- Cysteine
- Threonine
- Methionine
- Histidine
- Phenylalanine
- Tyrosine
- Tryptophan
- Asparagine
- Glycine
- Serine

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Eat Well, Live Well.
AJINOMOTO

Ajinomoto Group
Integrated Report 2016

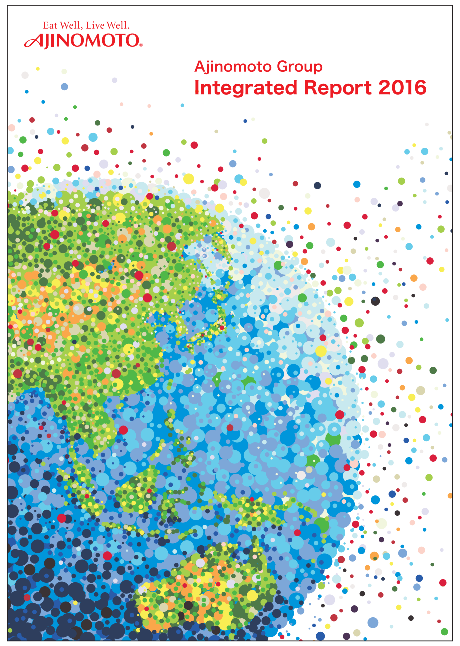
Our mission is to contribute to the world's food and wellness, and to better lives for the future

Publication of "Ajinomoto Group Integrated Report 2016"

From 2016 onwards, the Ajinomoto Group will publish an integrated report, which combines its financial report and sustainability report together.

In this integrated report, we have set out to discuss the initiatives of the Ajinomoto Group taking in ASV (The Ajinomoto Group Creating Shared Value)—which is the creation of economic value through the creation of social value—for realizing our goal of becoming a "Genuine Global Specialty Company."

We hope that this report describes the state of the Ajinomoto Group toward its sustainable growth enough for all of our stakeholders, including shareholders and other investors, to comprehend in a good manner.



Front Cover

The history of life on earth began with the birth of amino acids, while the Ajinomoto Group has been developing its business based on amino acids since its founding. The front cover of this report expresses the connection between the Ajinomoto Group and life on earth through an image of 20 kinds of amino acids that are essential to the human body forming the shape of the earth.

Organizational Scope

This report covers the activities of the Ajinomoto Group, comprising, unless otherwise noted, Ajinomoto Co., Inc. ("the Company") and its Group companies (as of March 31, 2016), including consolidated subsidiaries and other Group companies subject to reporting under the equity method. Where sufficient information for the entire Ajinomoto Group ("the Group") was unavailable, the limitation in scope is explicitly defined.

Period Covered by this Report

Fiscal 2015 (April 1, 2015–March 31, 2016)
When appropriate, however, exceptions to this general rule are made, as when citing past circumstances and data or using recent examples for illustration purposes.

Precautions Related to Forward-Looking Statements

Forward-looking statements, such as business performance forecasts, made in these materials are based on management's estimates, assumptions and projections at the time of publication and do not represent a commitment from Ajinomoto Co., Inc. that they will be achieved. A number of factors could cause actual results to differ materially from expectations.

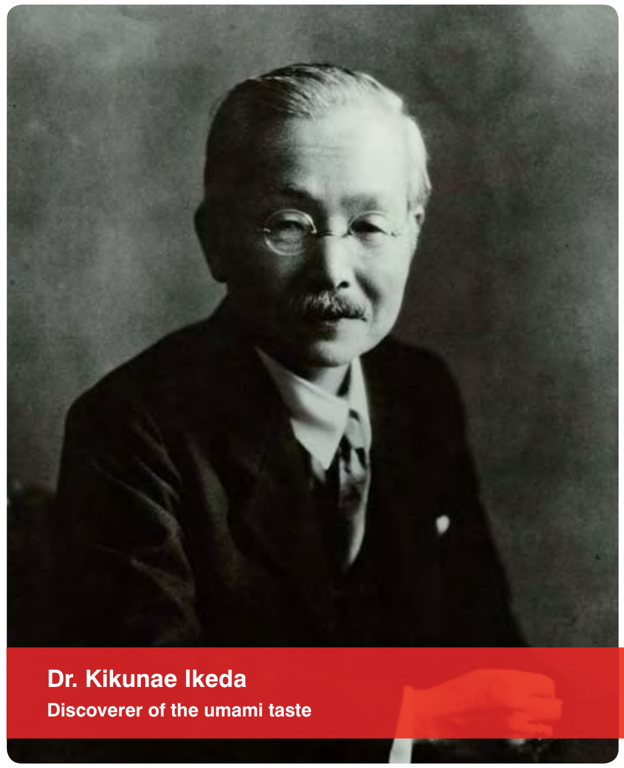
CONTENTS

The Aspiration of the Ajinomoto Group

Professor Kikunae Ikeda and businessman Saburosuke Suzuki II were two men with a vision to help improve the nutrition of Japanese people. The history of the Ajinomoto Group began when Mr. Suzuki started marketing umami, which was discovered by Professor Ikeda, as a product called *AJI-NO-MOTO*®. Inheriting the founding spirit of "Eat Well, Live Well.", which has been passed on for more than 100 years, the Group is continuing to grow as an enterprise that contributes to the healthy lifestyles of communities around the world.

Eat Well, Live Well.

This is the thinking that inspired the umami seasoning
AJI-NO-MOTO® more than 100 years ago.
In keeping with this original ideal,
we continue to create products of scientifically proven benefit
in the interest of people's health.



Dr. Kikunae Ikeda
Discoverer of the umami taste

Saburosuke Suzuki II
Founder of the Ajinomoto Group

Dr. Kikunae Ikeda Discovers Umami in 1908

The discovery began with boiled bean curd with dashi (broth) made from kombu, a kind of kelp. While dining on kombu dashi, Dr. Ikeda became convinced that there was another basic taste altogether different from sweet, salty, sour, and bitter, and he began researching the composition of kombu dashi.

Around the same time, Hiizu Miyake, Japan's first doctor of medicine, hypothesized that "good taste stimulates digestion." Dr. Ikeda was encouraged by this idea, and ultimately discovered that glutamic acid, a kind of amino acids, was what gave kombu the distinctive taste he had been searching for. He named the taste "umami," and proceeded to invent a method for producing seasoning with glutamate as a key component.

The glutamic acid extracted from kombu by Dr. Kikunae Ikeda (1908)

"To create good, affordable seasonings and turn simple but nutritious fare into delicacies."

Dr. Kikunae Ikeda, "My Motivation for Inventing AJI-NO-MOTO" (Courtesy of Aozora Bunko)

Improve the Nutrition of the Japanese People

When Dr. Ikeda went to study in Germany in 1899, he was surprised by German people's physiques and general healthiness, which fostered in him the strong desire to "improve the nutrition of the Japanese people." Another individual who shared in his dream was Saburosuke Suzuki II, who launched a business venture to begin selling *AJI-NO-MOTO*®, the world's first umami seasoning in 1909. The origins of the Ajinomoto Group lie in this ideal: "Eat Well, Live Well."

The original *AJI-NO-MOTO*® (1909)

Eat Well, Live Well.

In 2000, researchers at the University of Miami reported the presence of umami receptors on the tongue, and in 2006 Ajinomoto Co., Inc.'s Institute of Life Sciences discovered that such receptors were also present in the stomach. The importance of glutamate—not only to our sense of taste but also in the nutritional and physiological sense—is being demonstrated more and more through our recent research. Our "Eat Well, Live Well." is actually an ideal that has been scientifically proven.

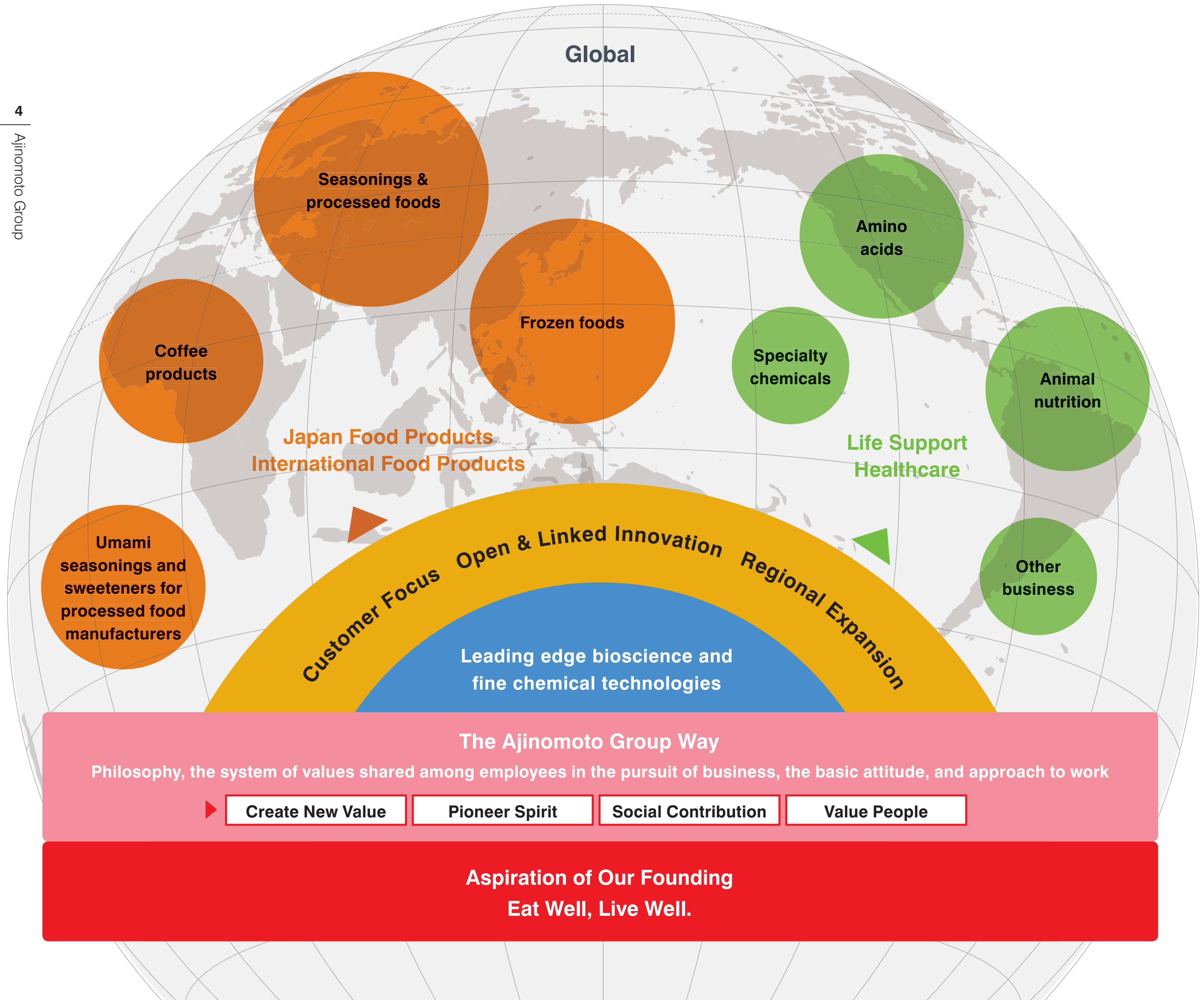
Today, the Ajinomoto Group continues to share this aspiration. We aim to contribute to society in the fields of Food and AminoScience by further pursuing the potential of amino acids that was found with the discovery of umami.

Dr. Ikeda's research notes (Owned by the University of Tokyo's School of Science)

Carrying on the "Aspiration of Our Founding" through "The Ajinomoto Group Way" to Diversify Our Business and Realize Globalization

The Ajinomoto Group is a food company group that got its start with the production of amino acids. Since its founding, the Group has been scientifically exploring what deliciousness is and what makes things delicious as it developed businesses that combined taste and science. The Ajinomoto Group is also a global amino acid manufacturer that uses leading edge bioscience and fine chemical technologies to develop businesses in fields other than food, guided by a customer-focused approach that provides customers and society as a whole with the things they need and desire. With the pioneer spirit carried on since its founding, the Group has actively expanded its business overseas and created new value through open & linked innovation. In addition, the "Aspiration of Our Founding" is firmly rooted in "The Ajinomoto Group Way," providing the starting point for all of the Group's business activities.

The Ajinomoto Group's Business Expansion



Sources of Growth for the Ajinomoto Group

Technology

Realizing business diversification and globalization through the development of core technologies

Starting with the discovery and commercialization of umami, the Ajinomoto Group is using its leading edge bioscience and fine chemical technologies cultivated through its research on umami and amino acids to realize business diversification and globalization. Through constant science-based approaches such as multi-dimensional analysis of deliciousness or the evidence regarding the safety of its products, the Group is providing the value of amino acids in a variety of ways.

Customer Focus

Pursuing thorough, customer-focused innovations

The Ajinomoto Group is developing its business based on a thorough, customer-focused approach that fully comprehends the changes in customers' life stages and lifestyles as well as the characteristics and needs of each region of operation. In recent years, the Group has been working to create new value that better answers the growing needs of health and nutrition.

Open & Linked Innovation

Creating new value through open & linked innovation

Since its founding, the Ajinomoto Group has not only been engaging in sole efforts to develop its business but also has collaborated with external organizations through open & linked innovation. In doing so, the Group continues to diversify its business and achieve results in a number of research fields.

Regional Expansion

Providing value around the world through globalization

In 1910, the following year after its founding, the Ajinomoto Group began exporting umami seasoning *AJI-NO-MOTO*® to Taiwan. In 1917, the Group opened a purchasing and sales office in New York. Since then, the Group has been actively developing its business overseas and is currently selling its products in over 130 countries and regions.

The Path for Growth: Expanding Our Business While Offering Value to Society

While promoting the diversification of its business centered on technology, a customer-focused approach, and open & linked innovation, the Ajinomoto Group has advanced globalization through regional expansion. By contributing to the resolution of social issues around the world through food and wellness, the Group continuously makes efforts to improve corporate value.

Overview of the Ajinomoto Group (As of March 31, 2016)

Business sites	Areas where products are sold	Number of production plants
27 countries and regions	Over 130 countries and regions	119
Net sales	**Number of employees**	**Number of R&D personnel**
1,185.9 billion yen	33,295	Over 1,700

The Ajinomoto Group's Path for Growth

Technology

1909 Commercialization of monosodium glutamate (MSG) (Extraction)

1958 Description of MSG as a representative GRAS substance in the U.S. CFR

1960 Production of MSG (Fermentation)

1965 Production of lysine (Fermentation method)

1970 Continuous granulation technology

1978 Retort pouch, bacteria control

1980 Safety of MSG re-verified by the U.S. FDA

1982 Manufacturing method for aspartame peptide

1987 MSG finally categorized as the safest food ingredient by the JECFA

2011 Examining risk of disease

2014 Developing cell culture medium used in clinical research for regenerative medicine

Customer Focus

1909 Launched umami seasoning *AJI-NO-MOTO®* in Japan

1963 Launched *Kellogg's®* (Corn Flakes)

1964 Launched *Knorr® Soup*

1965 Launched feed-use lysine

1970 Launched *Ajinomoto KK's HON-DASHI*

1972 Launched *Ajinomoto KK's Frozen Foods*

1978 Launched menu-specific seasonings *Cook Do®*

1984 Launched *Pal Sweet® 1/60* (Sweetener)

2011 Commenced the *AminoIndex®* business

2012 Launched *Nabe Cube*

Open & Linked Innovation

1909 Industry-academia collaboration between Professor Kikunae Ikeda and Saburosuke Suzuki II

1962 Collaboration with Kellogg Company (Corn Flakes)

1963 Collaboration with CPC International Inc. (Soup)

1970 Collaboration with ITOCHU Corporation (Frozen foods)

1973 Collaboration with General Foods Corporation (Coffee)

1980 Collaboration with Cie Gervais Danone (Dairy products)

2013 Collaboration with Toyo Suisan Kaisha, Ltd. (Instant noodles)

2014 Collaborative development with Center for iPS Cell Research and Application, Kyoto University (Cell culture medium for regenerative medicine)

2015 Collaboration with T. Hasegawa Co., Ltd. (Fermented natural flavors)

Regional Expansion

1910 Adopted sales agent in Taiwan

1917 Opened New York purchasing and sales office

1918 Opened Shanghai sales office

1927 Opened Singapore sales office

1956 Established Ajinomoto do Brasil Industria e Comercio (the present Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda.)

1958 Established Union Chemicals Inc. (the present AJINOMOTO PHILIPPINES CORPORATION)

1960 Established Ajinomoto Co., (Thailand) Ltd.

1969 Established PT Ajinomoto Indonesia

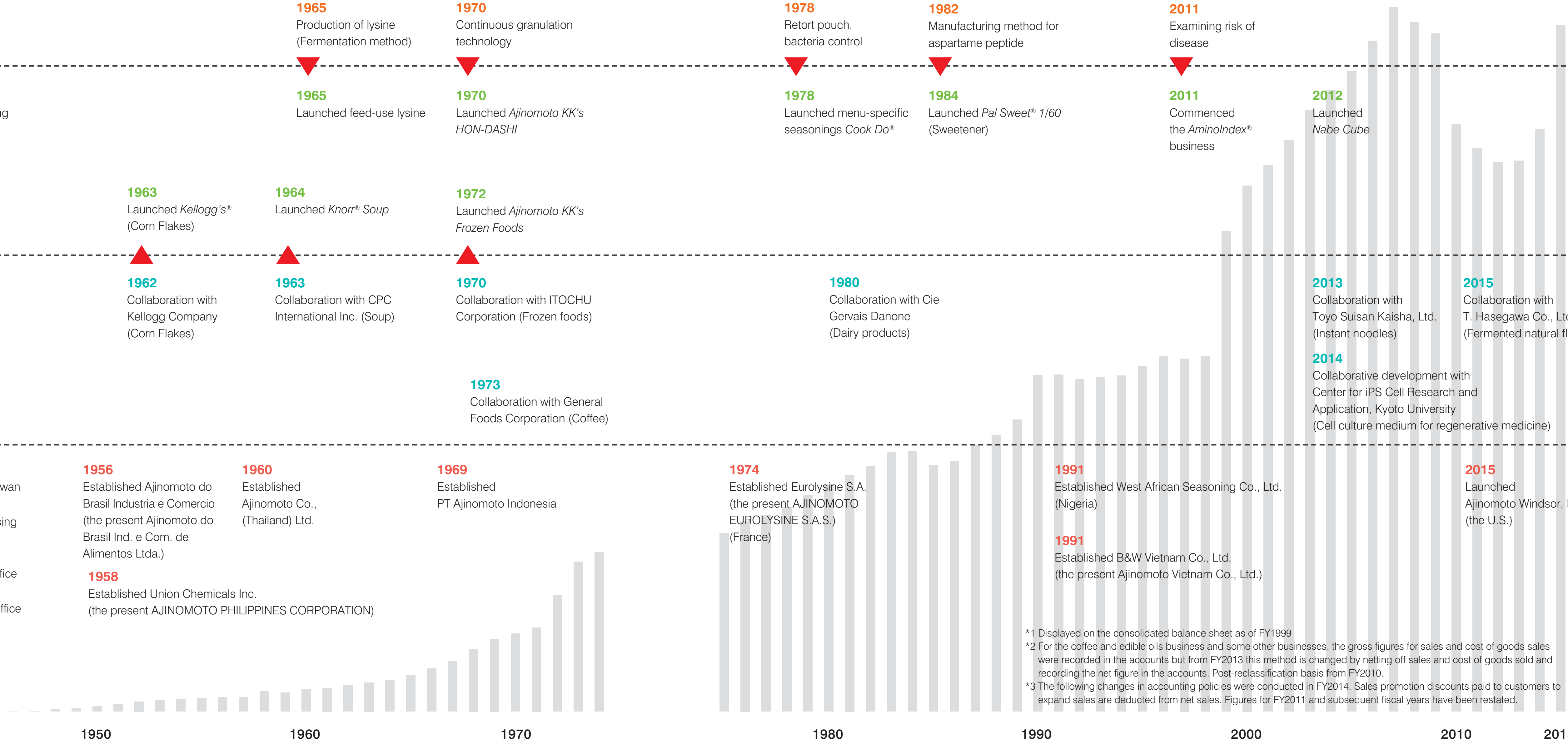
1974 Established Eurolysine S.A. (the present AJINOMOTO EUROLYSINE S.A.S.) (France)

1991 Established West African Seasoning Co., Ltd. (Nigeria)

1991 Established B&W Vietnam Co., Ltd. (the present Ajinomoto Vietnam Co., Ltd.)

2015 Launched Ajinomoto Windsor, Inc. (the U.S.)

Sales Performance



*1 Displayed on the consolidated balance sheet as of FY1999

*2 For the coffee and edible oils business and some other businesses, the gross figures for sales and cost of goods sales were recorded in the accounts but from FY2013 this method is changed by netting off sales and cost of goods sold and recording the net figure in the accounts. Post-reclassification basis from FY2010.

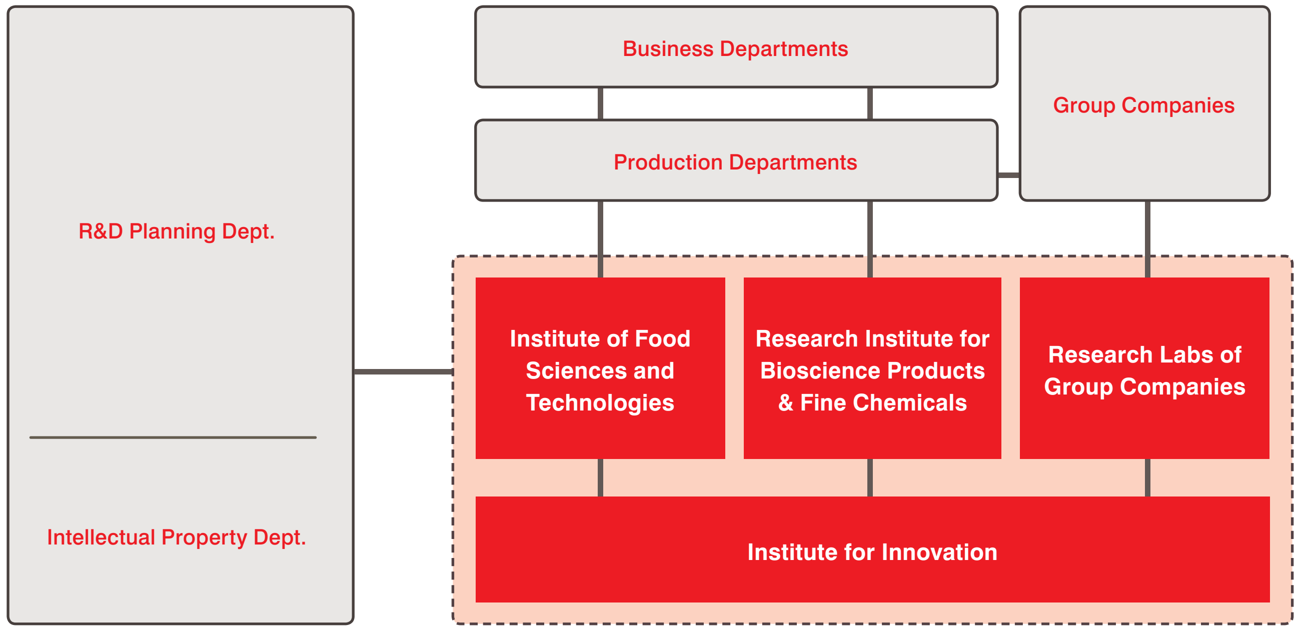
*3 The following changes in accounting policies were conducted in FY2014. Sales promotion discounts paid to customers to expand sales are deducted from net sales. Figures for FY2011 and subsequent fiscal years have been restated.

Realizing "Specialty" through the Pursuit of Amino Acid-Oriented R&D

Throughout its history, the Ajinomoto Group has continued to provide a wide variety of solutions related to food and wellness on a global scale. At the same time, the Group has made efforts in amino acid-oriented R&D as glutamic acid, which represents umami itself, is one of amino acids. Through these initiatives, the Group has been pursuing unique, leading edge bioscience and fine chemical technologies. With these technologies as its core, the Group has expanded its business domains and developed its original "AminoScience," which has been leveraged to provide high value-added materials and new business models.

Establishing Research Systems that Support Uniqueness

The Ajinomoto Group is processing R&D activities with the Group-wide spread view, from the fundamental technology development for the next generation to product development for the best solution for the local needs, while three R&D bases: the Institute for Innovation, the Institute of Food Sciences and Technologies, and the Research Institute for Bioscience Products & Fine Chemicals—all locate in Japan and belong to Ajinomoto Co., Inc.—take initiatives in cooperation with the Research Laboratories of each Group company in Japan and overseas. In accordance with each business fluctuation, this R&D organization consistently make efforts on creating new value with the Group's customers through "Open & Linked Innovation."



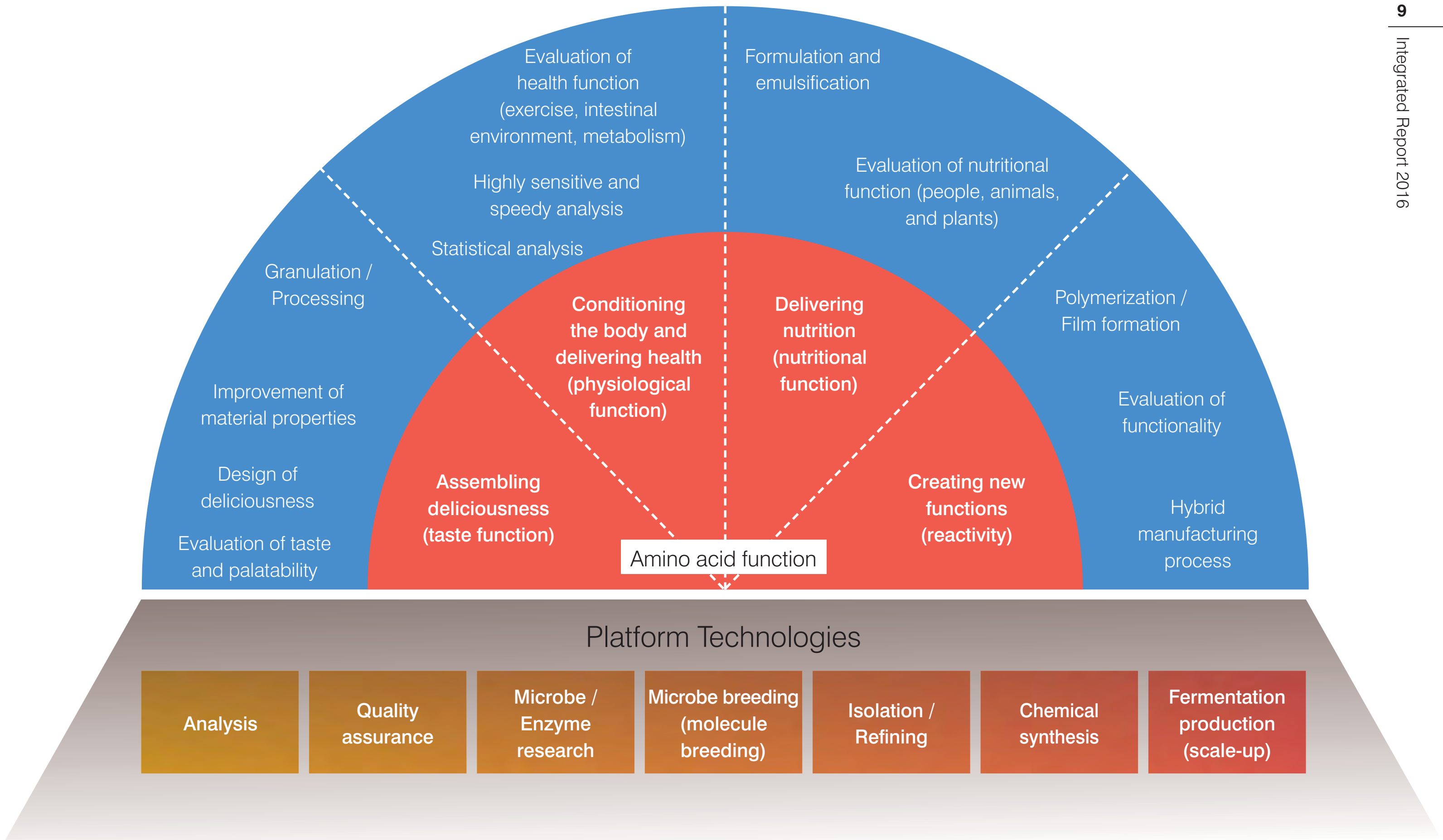
Institute for Innovation

Institute of Food Sciences and Technologies

Research Institute for Bioscience Products & Fine Chemicals

Enhancing Technological Competitiveness with the Ajinomoto Group's Leading Edge Bioscience and Fine Chemical Technologies

Technologies that leverage the various functions of amino acids to bring about innovation represent one of the Ajinomoto Group's strengths. Supported by organizational functions such as quality assurance with world-leading analysis techniques, these technologies give the Group a competitive edge as it expands its business.



Aiming for Further Expansion Centered on the Inherited ASV Initiatives

The Ajinomoto Group has been engaging in initiatives to resolve social issues through its business. By improving economic value through the creation of shared value with local communities and society as a whole, these initiatives have contributed to the Group's growth. These kinds of initiatives have been named ASV (The Ajinomoto Group Creating Shared Value). By further advancing these ASV initiatives, the Group believes it can realize its goal of becoming a "Genuine Global Specialty Company."

What the Ajinomoto Group Aims for

The Ajinomoto Group has clearly identified the relationship ASV with its mission and vision in terms of what the Group aims to be. As ASV represents the essence of the Group's business activities, the Group will develop businesses centered on ASV going forward. In doing so, the Group will realize its mission and vision.

Our Philosophy

Corporate Message

Eat Well, Live Well.

Ajinomoto Group Mission (Mission)
Our mission is to contribute to the world's food and wellness, and to better lives for the future

Ajinomoto Group Vision (Vision)
Our vision is to become the genuine global food company group with specialties guided by our leading edge bioscience and fine chemical technologies

ASV (Value)
ASV represents our unchanging commitment:
With our stakeholders and businesses, we help solve society's issues, leading to the creation of economic value

The Ajinomoto Group Way
• Create New Value • Pioneer Spirit • Social Contribution • Value People

Ajinomoto Group Principles

ASV (The Ajinomoto Group Creating Shared Value)

Aspiration of Our Founding (1909)

Make a simple diet more delicious and improve the nutrition of the Japanese people with umami

Dr. Kikunae Ikeda
Discoverer of the umami taste

Saburosuke Suzuki II
Founder of the Ajinomoto Group

Help Resolve Global Issues

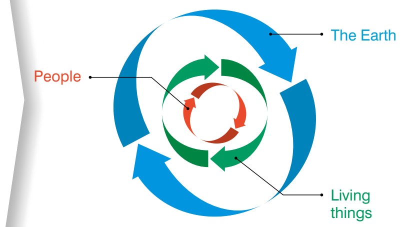
Contribute to a healthy society in every region worldwide with delicious nutrition

"Eat Well, Live Well."

Sustainability of people, living things and the Earth

Create Economic Value

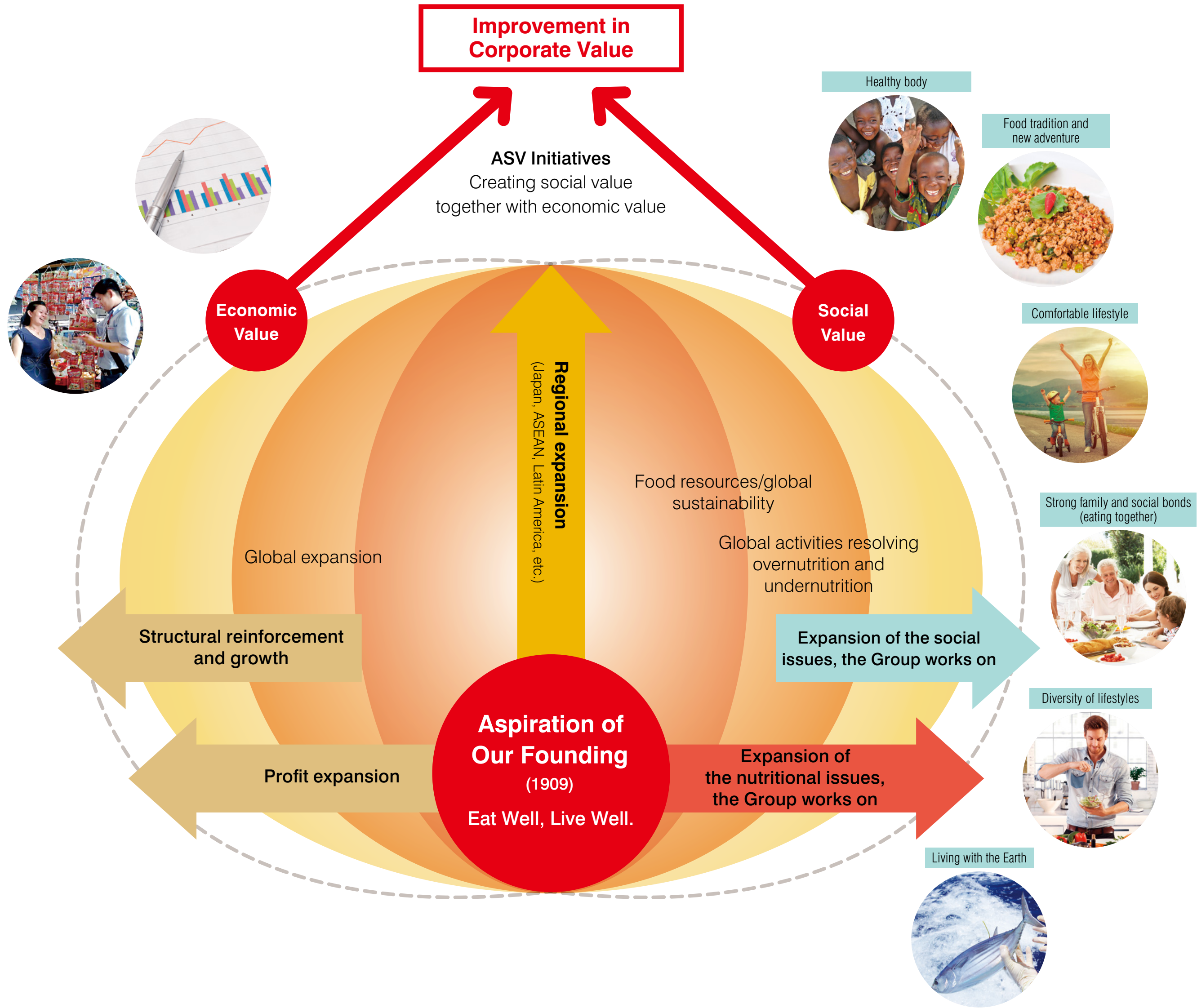
Achieving social value is creating economic value (profit)



Living with the Earth, even a century from now

ASV Value Creation Model

Since its founding, the Ajinomoto Group has been working to resolve issues related to nutrition. Going forward, the Group will expand the scope of these initiatives to tackle the increasing amount of social issues, and the Group will work to improve its economic value by contributing to resolve social issues, which in turn will lead to the improvement of corporate value.



Takaaki Nishii
Representative Director, President & Chief Executive Officer

We will complete the FY2014–2016 Medium-Term Management Plan and achieve profit growth to become a "Genuine Global Specialty Company."

Carrying on the "Aspiration of Our Founding" to Contribute to the Healthy Future of the Humanity and the Earth

It has been 107 years since businessman Saburosuke Suzuki II founded Ajinomoto Co., Inc., a year after Professor Kikunae Ikeda discovered the fifth basic taste, umami. The aspiration of these two men to promote the health of Japanese people by improving nutrition with umami has extended across the globe. Furthermore, the Ajinomoto Group has engaged in research and development throughout the years centered on glutamic acid, whose taste was identified by Professor Ikeda as umami, and pursued original leading edge bioscience and fine chemical technologies as well as world-leading seasoning technologies. With these technologies acting as our core, we have evolved into a unique food company group, diversifying our business to span a wide range of fields, from food to healthcare and life support.

In the 21st century, various issues have emerged resulting from the cumulative activities of humankind. Among such issues there certainly are the issues the Ajinomoto Group can resolve by creating value through its business activities. While engaging in business around the world, we have come to realize this fact and have felt the gravity of the responsibilities and the expectations we must fulfill. In addition, we have clarified the issues for which we should prioritize our initiatives by engaging in dialogue with a number of stakeholders. These priority issues are global sustainability, food resources, and healthy living, which represent the issues facing the 21st century human society.

These three issues intertwine and relate in a complex manner. As an enterprise centered on food, the Ajinomoto Group has a responsibility to help provide sustainable food and nutrition. Keeping the aspiration of our founding in our hearts, we will continue to contribute to a healthy future for the humanity and the earth through products and services supported by science and technology through our overall business activities. In doing so, we will realize sustainable growth for the Group going forward.

Promoting Business Strategies Through the Pursuit of "Specialty"

As the Ajinomoto Group's "Specialty" adopted under the FY2014–2016 Medium-Term Management Plan, we are sharpening technologies unique to the Group and pursuing value creation that responds to a diverse range of issues and customer needs. We will realize our goal of becoming a food company with specialties through two elements: our leading edge bioscience and fine chemical technologies that other companies cannot imitate and our ability to create customer value, which allows us to comprehensively understand our customers and identify customer needs better than anyone else.

Specifically, in the food products business, our basic strategy is global rollout of our world-leading seasoning technologies. The product development, which makes the most of local dishes in deliciousness, leads well-being as well as nutritional improvement, so that we realize "Eat Well, Live Well." and expand our businesses in Japan and emerging countries. In developed countries, we are working to offer frozen foods to present well-balanced nutrition of Japanese food and food culture. In North America, we are going to accelerate the development of Japanese food products by leveraging the business foundation of Ajinomoto Windsor, Inc., which was launched in 2014 after the acquisition of Windsor Quality Holdings, LP. Furthermore, in Europe, we are also working to create a foundation for the frozen food business. On the other hand, in the industrial-use seasonings, guided by the concept of "delicious solutions" that draw on our unique ingredients and technologies, we are focusing our efforts on businesses that enhance the ability to resolve the food-related issues of each country and region collaborating with processed food manufacturers, as well as our clients in the food service industry.

In the AminoScience business, for the field of healthcare, as the No. 1 amino acid manufacturer, we aim to produce all of our amino acids through fermentation without using materials derived from animals. By doing so, we are enhancing our ability to resolve issues and realizing business growth in the healthcare market, starting with the area of biopharmaceuticals, where a safe and secure raw material supply with a high level of traceability is required. In addition, iPS cell culture medium, which we have successfully developed through industry-academia collaboration and are currently working to commercialize, and the antibody drug contract development and manufacturing business of Ajinomoto Althea, Inc. in the United States are proving the technologies and expertise we have long cultivated to show new potential in the field of healthcare. As such, we anticipate that the healthcare field will act as a core business for us in the future.

For the field of life support in the AminoScience business, we are working to improve the nutritional status of livestock with amino acid materials. At the moment, the creation of specialty markets, including *AjiPro®-L*, which was launched as a feed additive for dairy cows, is our most important business theme. At the same time, by utilizing technology for fermentation using fewer resources, which allows for the production of amino acids using only a small amount of raw materials, we are vigorously promoting both reductions in our environmental burden and increases in production of animal husbandry, which in turn is helping to reduce costs. Furthermore, sales of our insulation film for personal computers, which we developed based on the technologies cultivated in amino acid manufacturing, have grown to the extent that we now boast a global market share. Going forward, we anticipate its expansive application into smartphones and tablets.

Dealing with the Issues Facing Our Management

Amid our global expansion, we are constantly facing fluctuation risks in exchange rates and prices of raw materials and fuel. To respond to these kinds of risks, we will work to strengthen our business structure through the promotion of "Specialty" and revise our business portfolio. In addition, by striving to maintain a healthy balance in the ratio of our businesses in Japan, the United States, and European countries, to those in emerging countries, including the "Five Stars," we aim to create a situation where we can benefit from the effects of natural hedging. Furthermore, while prioritizing the safety of our employees above all else, we will need to continue promoting our businesses in a steadfast manner in emerging countries that face potential geopolitical risks in order to have these businesses act as the engine for future growth.

In addition to economic and geopolitical risks, the environment in which the Ajinomoto Group operates faces global environmental issues that are becoming more and more severe as well as increasingly more intense demands from consumers for safe and trustworthy products. As such, the level of customer needs is becoming higher and more diverse from the perspective of co-existence and co-prosperity between society and the earth. In light of this situation, we will enhance our ability to respond to the individual issues in our six areas of operation, which are Japan, ASEAN, China, Europe & Africa, North America, and South America, in accordance with our business strategy of pursuing "Specialty." At the same time, prompt management with effective governance by establishing consistent Group-wide standards for business conduct and policies for business execution is necessary.

Pursuing ASV, the Very Essence of the Ajinomoto Group's Business Activities

The Ajinomoto Group has adopted the target of becoming a global top 10 class food company around 2020. As the key to achieving this target, we are making efforts to advance ASV (The Ajinomoto Group Creating Shared Value). ASV is a highly strategic initiative to accelerate business growth while creating both social and economic value. This value creation is achieved by contributing to the resolutions of issues facing the 21st century human society through our "Specialty" products and services, which are supported by the Group's unique technologies and expertise related to food and amino acids. ASV represents the chain of events that will allow us to realize our goal of becoming a "Genuine Global Specialty Company" and continue to grow in a sustainable manner.

We have identified several materiality items based on the level of importance to the Group's business and society as a whole. We have also established global sustainability, food resources, and healthy living as three issues facing the 21st century for which we should work to resolve through our business. We aim to create social value by specifically incorporating measures to resolve these three issues in our medium-term management plan. As there is high social need for resolving issues related to people's health and nutrition, the most significant challenge for us as a company that centers its business on food and healthcare is meeting the expectations that society has of us. Also, in regard to environmental issues such as global sustainability and food resources, we will proactively participate in the United Nation's Sustainable Development Goals and The Consumer Goods Forum.

Going forward, we will advance our ASV initiatives in each country and region of operations. To further enhance the value that exists in these countries and regions, sharing information on the evolution of ASV with our stakeholders is absolutely essential. As such, we will proactively inform our stakeholders on the kind of social value we aim to create as well as the initiatives we will take to create that value. At the same time, we will convey to stakeholders the efforts that each Group company is making toward our mission of resolving such issues as global sustainability, food resources, and healthy living, as well as the progress of those efforts, which in turn will further clarify the Group's path toward growth. In these ways, we will realize a situation where we can continue to advance our ASV initiatives in a transparent manner. In order to make our ASV initiatives even more effective, in April 2016, we established Global Communications Department with the purpose of enhancing our ability to communicate globally, and Global Human Resources Department with the purpose of promoting diversity and encouraging the utilization of global human resources.

The Ajinomoto Group positions ASV as a valuable initiative to promote in each country and region. As such, all Group companies in Japan and overseas, in addition to Ajinomoto Co., Inc., will make dedicated efforts to evolve ASV going forward.

Formulating Integrated Targets of Financial and Non-Financial Targets to Evolve ASV, and Becoming a "Genuine Global Specialty Company"

With the slogan of becoming a "Genuine Global Specialty Company," this integrated report indicates the direction and vision that the entire Group aims to achieve. Specifically, this report declares our strong ambition to demonstrate our value to the global society and realize an indispensable existence to that society through unique initiatives that leverage our strength of "Specialty," allowing us to continue to perform the tasks that other companies cannot. At the same time, the report comprehensively introduces the initiatives we are undertaking in each country and region of operation to resolve the issues facing the 21st century human society, as well as our approach to realizing sustainable growth. Now, we are working to set our FY2017–2019 Medium-Term Management Plan. As a part of the plan, we are working to further clarify our corporate vision that setting 2020 as our milestone year, we can gain the trust of all our stakeholders and raise their expectations of us as a "Genuine Global Specialty Company." To this end, we are currently formulating "Integrated ASV Targets," which combine financial and non-financial targets. In order to continue to coexist in harmony with society going forward, we plan to comprehensively convey our path for the future, including how we will contribute to improving people's nutrition, how we will respond to environmental and social issues amid rising international demands and expectations for sustainable development targets, and how we will connect these kinds of non-financial initiatives to financial growth.

As for governance, which is something a "Genuine Global Specialty Company" should have firmly in place, we are working to improve the quality of our management in accordance with the various regulations of Japan's Corporate Governance Code. At the same time, in regard to our system for business execution, we have created the concept of "Governing HQ" and "Delegated Front" in order to accelerate the pace of growth, especially overseas. While working to delegate authority to "Delegated Front," we have established the Global Governance Policy (GGP), which stipulates policies for proposing plans, completing transactions, and making reports. In these ways, we are making concerted efforts to strengthen our management foundation. Moreover, we are actively promoting interaction with global human resources with the aim of assembling a group of high-quality right personnel to be assigned for the job.

Strengthening our management foundation in this manner is essential to realizing our goal of becoming a "Genuine Global Specialty Company." We will continue these efforts going forward based on dialogue with our stakeholders.

To Our Shareholders and Investors

The Group aims to realize ¥150.0 billion in operating income around 2020. In fiscal 2016, the last year of the FY2014–2016 Medium-Term Management Plan, we set a target for operating income of ¥91.0 billion. In fiscal 2015, as a result of the efforts we have made in structural reforms during the first two years of the plan, we were able to achieve that figure one year ahead of schedule. While we anticipate that fluctuating exchange rates and prices of raw materials and fuel will have a negative impact on our performance in fiscal 2016, we will maintain our dedication to achieving all of our targets for the final year of the FY2014–2016 Medium-Term Management Plan.

In fiscal 2015, we were able to display a sign of confidence in our sound management to our shareholders and investors by announcing dividend increases and share repurchase of ¥30.0 billion. In addition, we adopted the policy of having total shareholder returns of minimum 50% over the three-year period of the FY2014–2016 Medium-Term Management Plan. Based on forecasts for our business performance as of May 2016, we are now anticipating total shareholder returns of 68%. In order to further improve our corporate value going forward, we will accelerate the pace for growth through the evolution of ASV while working to enhance shareholder returns. In these ways, we will fully prepare ourselves to live up to the expectations of our stakeholders.

July 2016

Representative Director,
President & Chief Executive Officer


Growth Strategies of the Ajinomoto Group

This section provides the growth strategies of the Ajinomoto Group that aim to realize the Group's goal of becoming a "Genuine Global Specialty Company."

CONTENTS

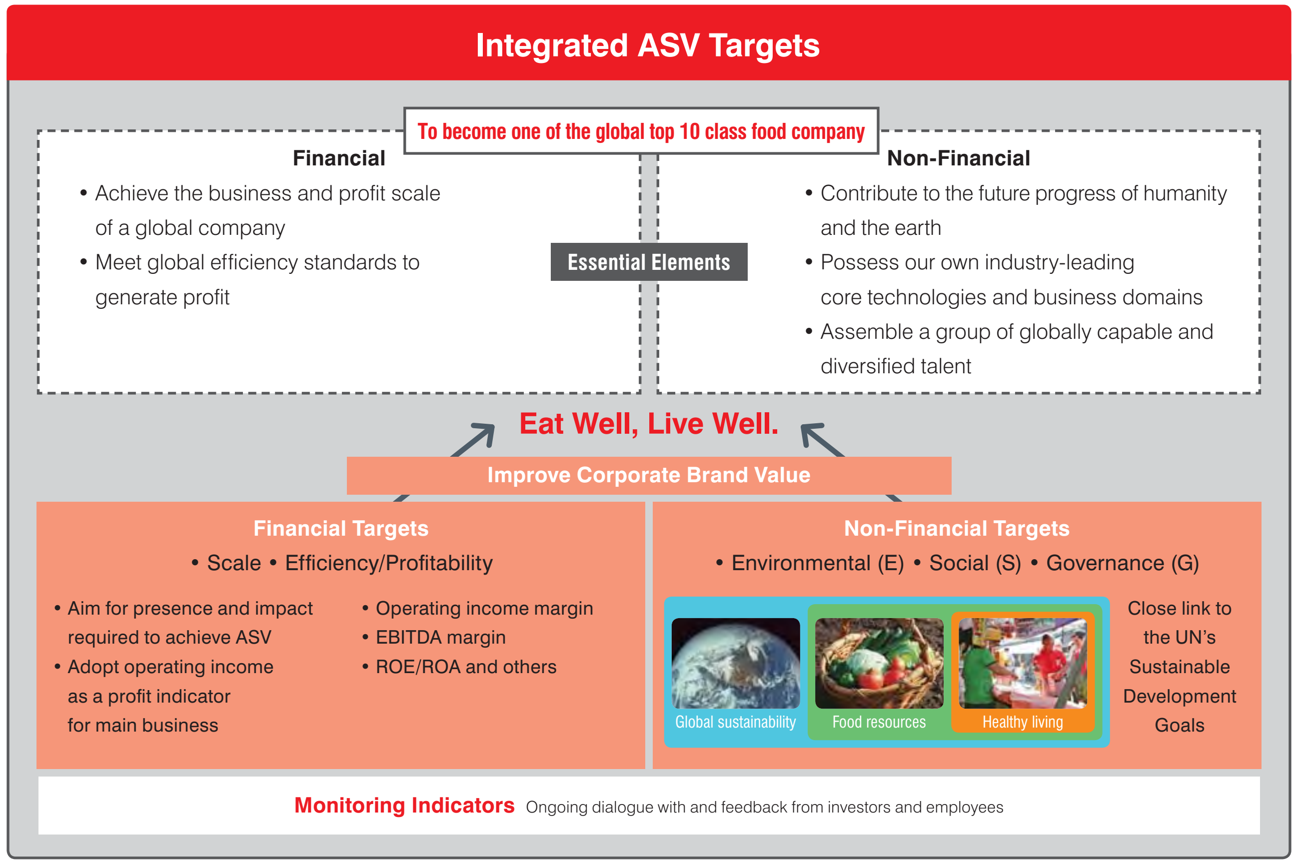
Aiming to Become a "Genuine Global Specialty Company"

The Ajinomoto Group is accelerating its efforts toward becoming a "Genuine Global Specialty Company" even stronger through implementing reforms of its business structure and accelerating its growth momentum with setting its target of becoming a global top 10 class food company around 2020. In order to realize the target, the Group is promoting the formulation of "Integrated ASV Targets" to foster ASV—which is the creation of social and economic value in harmony—as a core driving force behind the Group's growth.

Steps toward Formulating "Integrated ASV Targets"

Becoming a global top 10 class food company means that the Ajinomoto Group will become an enterprise that demonstrates its presence in the global society and will continuously receive high praise from the society. Specifically, the Group aims to be an enterprise that can achieve the financial targets of a global company's scale of business and profit together with global efficiency standards, in addition to achieving the non-financial (ESG) targets of contributing to the future progress of humanity and the earth through industry-leading core technologies and a globally diverse group of talent. Accordingly, the Group plans to indicate the specifics of its "Integrated ASV Targets" in the FY2017–2019 Medium-Term Management Plan.

Resolving social issues and generating significant social value with the unique approach of the Ajinomoto Group
Generating the formulation of "Integrated ASV Targets" to foster ASV as the driving force behind the Group's growth



Growth Strategies of the Ajinomoto Group

Basic Thinking behind “Integrated ASV Targets”

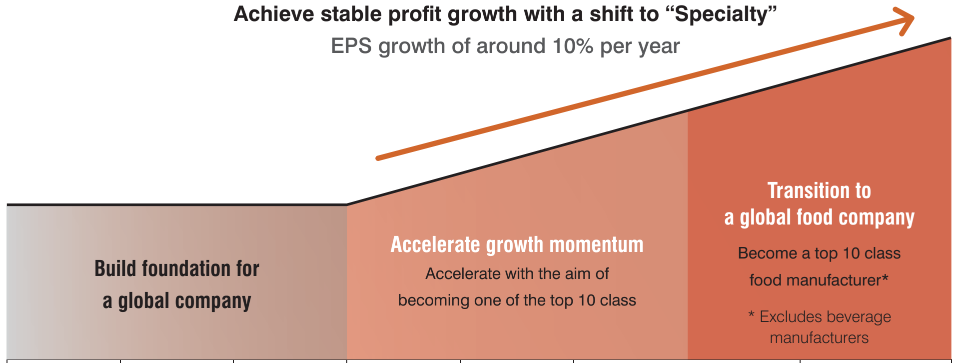
Improve Corporate Value

Improve Corporate Brand Value

Financial Targets

To become a global top 10 class food company around 2020, the Ajinomoto Group is working to realize high-quality profit growth while pursuing its “Specialty.” Based on the following roadmap, the Group is steadily making efforts to realize its targets for fiscal 2016 and beyond, to fiscal 2020 onward.

Roadmap to Fiscal 2020



	FY2011 (Results)	FY2012 (Results)	FY2013 (Results)	FY2014 (Results)	FY2015 (Results)	FY2016 (Forecast)	FY2016 (Target)	FY2020～ (Vision)
Operating income (¥ Bil.)	72.6	71.2	61.8	74.5	91.0	91.0	91.0	150.0
Operating income margin	7.5%	7.5%	6.5%	7.4%	7.7%	7.7%	8%	10%
ROE	6.9%	7.8%	7.1%	7.4%	9.8%	8.1%	9%	10%～
EPS (¥)	61.3	74.4	68.7	78.5	108.1	89.0	100.0	150
Operating income excl. goodwill*1 (¥ Bil.)/ Operating income margin (%)				75.3 (7.5)	98.1 (8.3)	97.8 (8.3)		
ROE excl. goodwill*1				7.4%	10.7%	9.0%		
EPS excl. goodwill*1 (¥)				79.4	117.8	98.7		
Bulk business profit ratio*2	23%	19%	—	15%	16%	15%	Around 10%	10%

*1 Reference data excluding amortization of goodwill
*2 Bulk businesses: Umami seasonings for processed food manufacturers, animal nutrition, sweeteners

Reaching Financial Targets by Creating Social Value through Our Business

Examples of the Ajinomoto Group’s Social Value Creation

Our *Cook Do*® and *Masako*® seasonings help resolve issues related to nutrition by getting people to eat well-balanced portions of meat and vegetables.

Our *Nabe Cube* hot pot seasoning makes it possible to enjoy healthy and delicious hot pot dishes, even for one person.
▶▶ Please refer to page 59 for details.

Our *Amino Aile*® containing “a blend of essential amino acids with 40% leucine” contributes to support muscle building for people in their 60s and over.

Our *KOKO Plus* nutritional supplement, which is added to the traditional Ghanaian baby food “koko,” helps improve the nutrition of children in Ghana.
▶▶ Please refer to page 61 for details.

Our resource-saving fermentation technology contributes to the efficient use of food resources and energy.
▶▶ Please refer to page 34 for details.

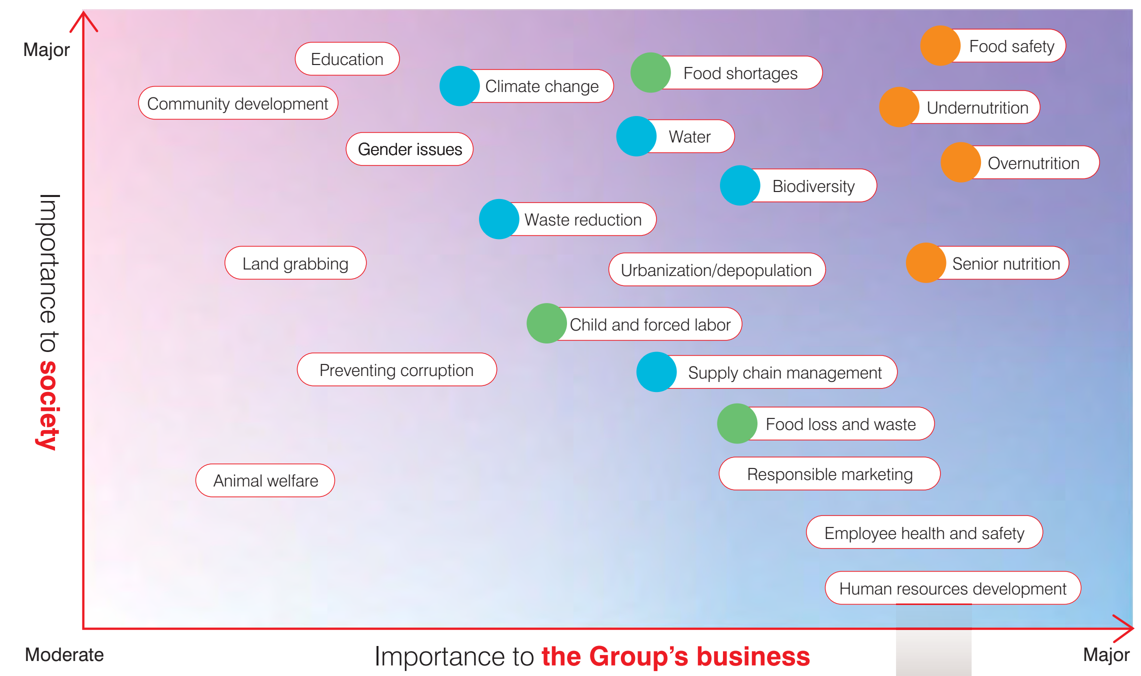
Our *AjiPro*®*-L* helps improve the nutrition of dairy cows and enhance milk production.
▶▶ Please refer to page 65 for details.

Our efforts in promoting resource recycling through the creation of bio-cycles help lower environmental impact.
▶▶ Please refer to page 64 for details.

Non-Financial Targets

Through dialogues with external experts, the Ajinomoto Group has identified several materiality items in non-financial areas by evaluating their level of importance to the Group’s business and society as a whole. The Group has also determined “global sustainability,” “food resources,” and “healthy living” as three issues facing the 21st century human society, which should be solved through its business activities and is now engaging in initiatives to do so. For making our contributions toward the solution of social issues more transparent, we are now on our way to identifying what social values we generate and setting numerical targets of those values. We are planning to indicate non-financial targets more specifically in the FY2017–2019 Medium-Term Management Plan.

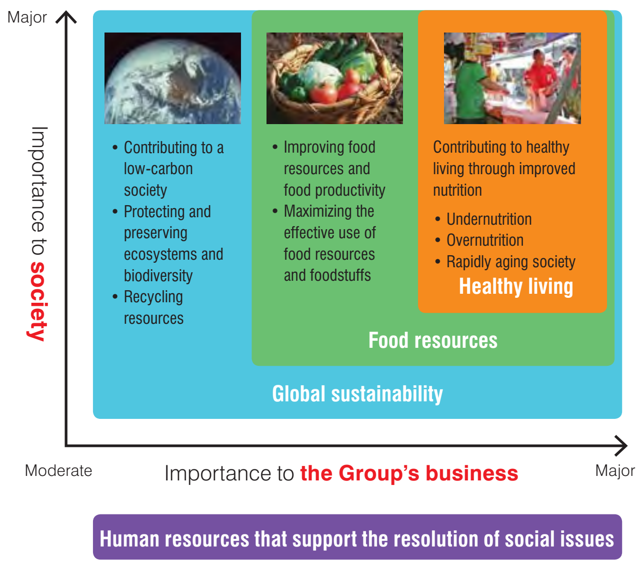
Materiality Matrix of the Ajinomoto Group



Approach to Resolving Social Issues

By utilizing our leading edge bioscience and fine chemical technologies and deliciousness technologies, and by delivering good and healthy food, we contribute to the development of a healthy body	Healthy body Food tradition and new adventure Comfortable lifestyle
We contribute to the development of a society that enables strong family/social bonds and diverse lifestyles through eating well	Strong family and social bonds (eating together) Diversity of lifestyles
We contribute to the sustainability of the Earth, with our customers and society, across the value chain of production to consumption	Living with the Earth
We create value through the perspectives of the customers, with our global, top-class and diverse human resources	

Social Issues the Ajinomoto Group Should Work to Resolve through its Business Activities (Summary)



FY2014–2016 Medium-Term Management Plan

Basic Policy

With the aim of becoming a "Genuine Global Specialty Company," the Ajinomoto Group adopted the basic policy of "FIT & GROW with Specialty" under its FY2014–2016 Medium-Term Management Plan, with "GROW" referring to growth driver advancement and "FIT" referring to the further reinforcement of business structure. The Group has also been engaging in efforts toward the evolution of its management foundation (management innovation), which supports as its basis.

Pursuit of Specialty ***Specialty***

Become a food company group with specialties driven by leading edge bioscience and fine chemical technologies

Growth Driver Advancement **GROW**

Global growth

Be each country's No. 1 in deliciousness through assimilation with customers/countries (regions)

– Japan Food Products for ONE: Create value for increasingly personalized/diverse customers
– International Food Products for ALL: Rapid growth centered on the "Five Stars"

R&D leadership

– World No. 1 in seasonings:
  • Deepen our ability to define and design deliciousness in three dimensions
  • Expand into adjacent product categories
– Original leading edge biotechnology platform:
  • New business model in the specialty materials and healthcare fields

Further Reinforcement of Business Structure **FIT**

Structural reform centered on a shift from commodities to specialty

– Shift from bulk to specialty businesses based on our strengths in materials and technologies and our ability to identify customer needs and create customer value
– Strengthen cost competitiveness centered on fermentation using fewer resources
– Further structural reform of Pharmaceuticals, including collaboration, alliances, etc.

Enhance capital efficiency to boost shareholder value and ROE

– Focus on a value-added value chain
– Cash management (improve efficiency of working capital, etc.)
– Optimize business portfolio and functional value chains (production/distribution/shared functions)

Evolution of the Management Foundation (Management Innovation)

Corporate governance:
"Governing HQ" and "Delegated Front"
Increase flexibility by expanding delegation of authority to ASEAN and Latin America

Solid and large class of global human resources:
Diversify internally and externally with 200 next-stage global management personnel and local specialist resources

Open New Sky:
Daily efforts to flexibly use external capabilities and expand into adjacent domains with a wider approach

Progress Made in Fiscal 2015

Net sales in fiscal 2015 amounted to ¥1,185.9 billion, and operating income stood at ¥91.0 billion. Not only did the Company get a record-high level of operating income, but also it achieved its target for operating income in the last year of the Medium-Term Management Plan, one year ahead of schedule. In addition, ordinary income totaled ¥94.3 billion, and profit attributable to owners of parent was ¥63.5 billion, both representing record-high levels.

In fiscal 2016, foreign exchange rate translations are likely to have a negative impact due to yen appreciation; furthermore, the prices of fermentation raw materials and fuel are expected to rise, along with the prices of food product raw materials. However, we will promote initiatives to further improve profitability as we aim to achieve our targets of FY2014–2016 Medium-Term Management Plan.

Progress of Strategic Targets for Becoming a "Genuine Global Specialty Company"

		KPI	FY2014 (Results)	FY2015 (Results)	FY2016 (Forecast)	FY2016 (Target)	FY2020～ (Vision)
Business KPI		Operating income	¥74.5 billion	¥91.0 billion	¥91.0 billion	¥91.0 billion	¥150.0 billion
		Operating income margin	7.4%	7.7%	7.7%	8%	10%
		EBITDA	12.3%	13.8%	11.7%	12.5%	—
Strategic KPI	Growth Driver Advancement	Company-wide overseas profit ratio	60%	57%	—	60%	—
		Five Stars sales ratio*1 (vs. FY2012)	53%	59%	—	70%	—
		Ratio of R&D investment in Company-wide strategic themes for future growth	—	—	—	50% or more	—
	Further Reinforcement of Business Structure	Retail MSG ratio	70%	70%	71%	74%	85%
		Retail sweeteners ratio	49%	49%	—*2	57%	—
		Specialty ratio of animal nutrition	32%	35%	50%	40%	60%
	Evolution of the Management Foundation	Candidates for future management from introduction of global HR system	—	—	—	200 employees	—
		Ratio of locally hired overseas executives	40%	41%	—	50%	—
		Ratio of female managers	15%	16%	—	20%	—
Environmental KPI		Water use per unit of production (vs. FY2005)	73% reduction	75% reduction*3	—	70% or more reduction	Reduce by at least 70%
		Discharged water per unit of production (vs. FY2005)	75% reduction	79% reduction*3	—	70% or more reduction	Reduce by at least 70%
		CO_2 emissions per unit of production (vs. FY2005)	28% reduction	33% reduction*3	—	35% or more reduction	—
		Renewable energy use ratio	15%	18%*3	—	15% or more	—
		Resource recovery ratio (waste + by-products)	99.4%	99.6%*3	—	99% or more	99% or more
Shareholder Return KPI		ROE	7.4%	9.8%	8.1%	9%	10%～
		EPS growth rate	14% (vs. FY2013)	37% (vs. FY2014)	(17%) (vs. FY2015)	Around 10% (3-year average)	—
		Total shareholders' return	36.0%	73.0%	Cumulative (3 years): 68%	50% or more	—
		Payout ratio	30.6%	25.9%	33.7%	30%	—

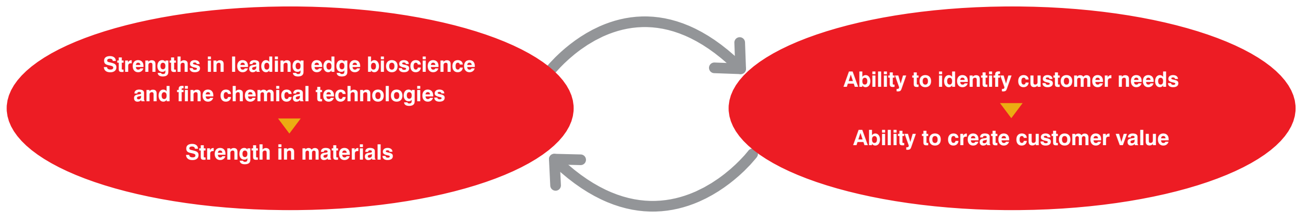
● Financial (growth) ● Financial (scale) ● Financial (efficiency) ● Healthy living ● Food resources ● Global sustainability ● Human resources

*1 Listed as the total amount of net sales (external + consolidated)
*2 As of fiscal 2016, accelerate international household business expansion with a portfolio shift in international processed foods (powdered beverages). As revisions have been made to numerical assumptions in accordance with this change, the forecast for fiscal 2016 does not include numerical figures.
*3 Does not include the business performance of Ajinomoto Windsor, Inc.

Pursuit of Specialty

The "Specialty" that the Ajinomoto Group pursues is the source of the Group's strengths. The term refers to the high added value created from combining tangible strengths, such as the Group's material capabilities grounded in leading edge bioscience and fine chemical technologies, with intangible strengths, such as identifying customer needs and creating customer value. "Specialty" also refers to the way the Group delivers added value by transforming technology and materials into retail products using its specialty materials, which leverage the Group's leading edge bioscience and fine chemical technologies, and its in-depth understanding of consumers.

Sources of the Ajinomoto Group's Specialty



Specialty materials

Create competitive materials that use the Ajinomoto Group's unique leading edge bioscience and fine chemical technologies

– New taste substances
– Highly functional lifestyle-related materials/ new biomaterials
– Highly functional feed-use amino acids, etc.

Shift to retail

Assimilate with diverse customers and regions to provide value tailored to users with leading edge technologies

– Create value for increasingly personalized/ diverse consumers (*Nabe Cube*, etc.)
– Help resolve over/undernutrition
– Expand retail versions of bulk materials

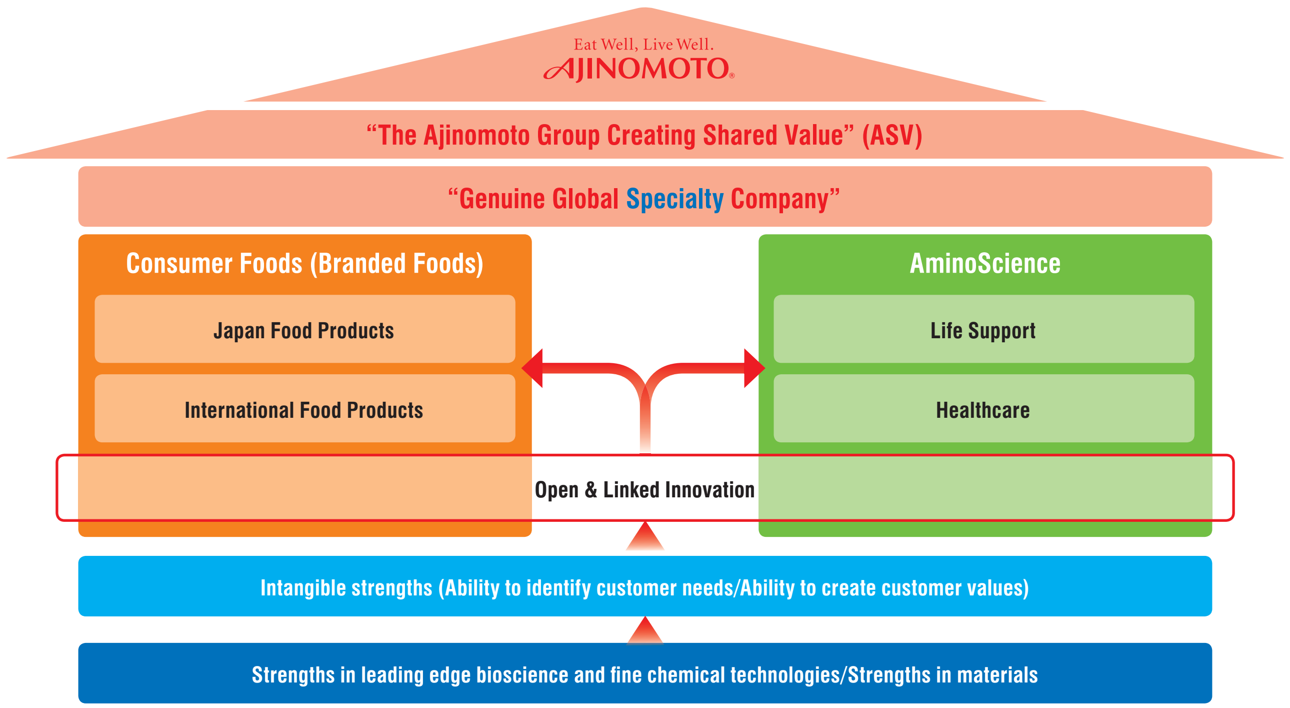
Solutions

Create a business model originating from our changing customers using our original materials and technologies (services/applications/information)

– "AminoIndex technology," support service for advanced medicine, etc.

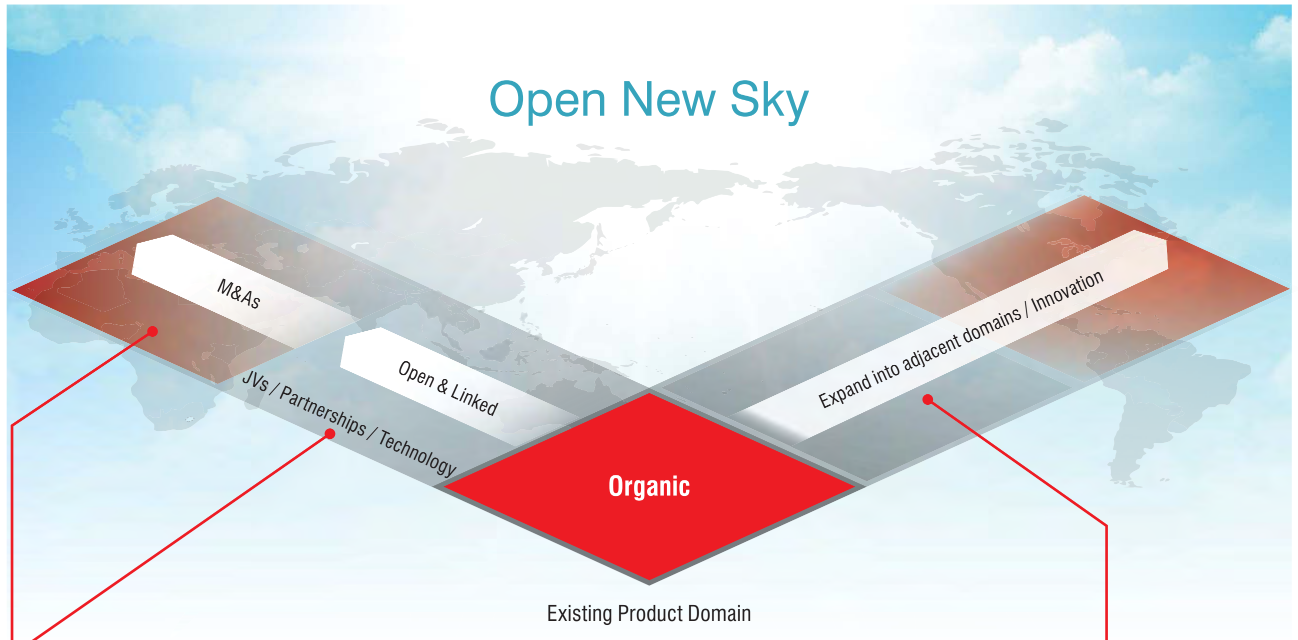
The Direction We Aim for with Our Business

Based on its essential strength "Specialty," and through flexible cooperation with external resources, the Ajinomoto Group aims to become a food company group with specialties that is driven by leading edge bioscience and fine chemical technologies with "Consumer Foods" and "AminoScience" as the two pillars of its business.



The Idea behind "Open New Sky" (Business Domain Expansion)

Guided by the concept of "Open New Sky" (Business Domain Expansion), the Ajinomoto Group is promoting the flexible use of external resources and a broader approach for expanding into adjacent domains, which leads its rapid growth going forward.



Examples of using external resources (M&A)

- Ajinomoto General Foods, Inc.
  Expanded coffee business and created synergies
- Windsor Quality Holdings, LP
  Acquired distribution networks and production bases in North America

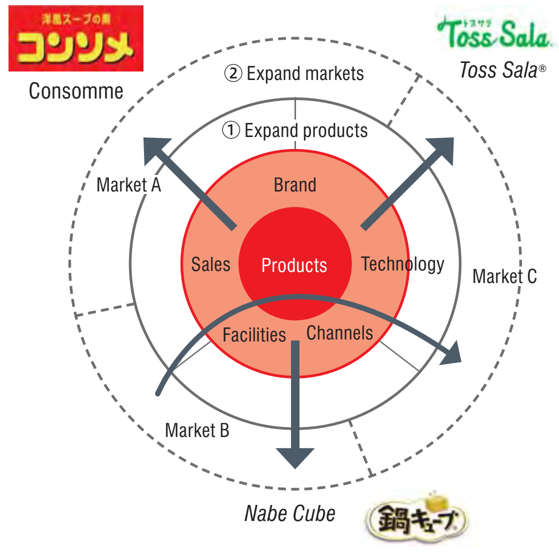
Examples of using external resources (Open & Linked)

- Toyo Suisan Kaisha, Ltd.
  Expanded sales in the overseas frozen noodle business

- Genexine Co., Ltd.
  Leveraged development network and promoted commercialization of biopharmaceuticals

Approach to expanding into adjacent domains

- Focus on the resources of existing products to uncover opportunities in domains adjacent to the existing domain
- Use external resources in the market to expand into other markets



Examples of expanding into adjacent domains

- *Nabe Cube/Cook Do® Kyo-no Ohzara*
  – Use technologies/brands of existing products to expand into adjacent markets
- *AjiPro®-L* (Lysine for dairy cows)
  – Add to technology of an existing product to create a different target market

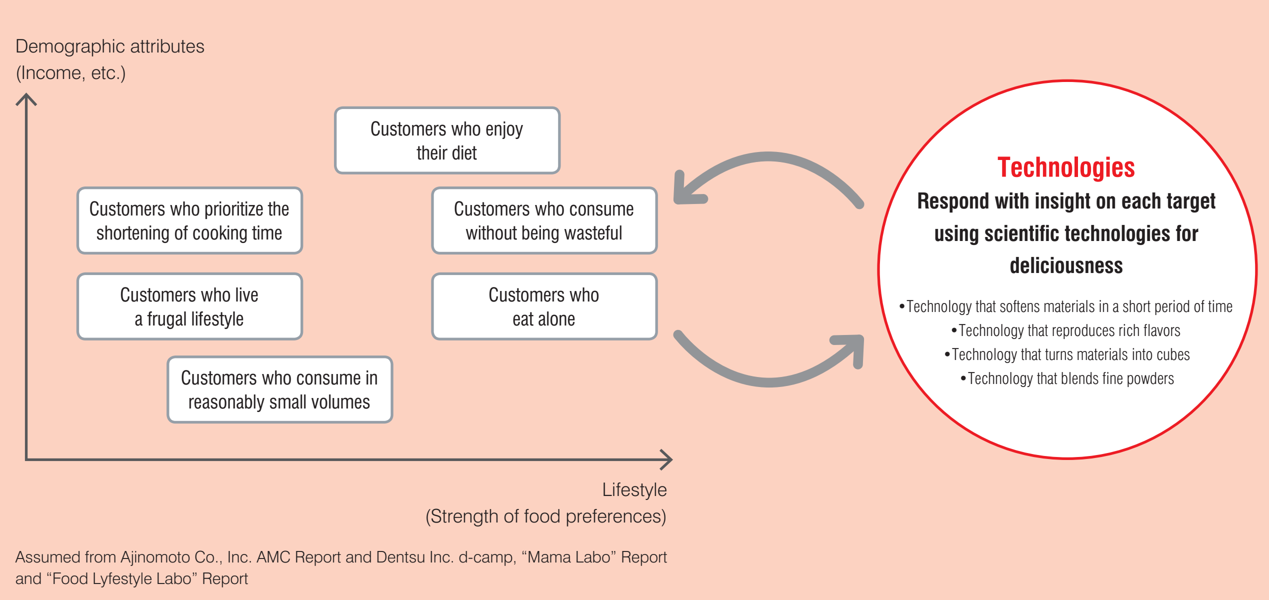
Growth Driver Advancement "GROW"

Global Growth

1. Japan Food Products for ONE: Realizing stable growth by continuing to create value for our increasingly personalized and diverse customer base

In the Japanese market, our home and largest business foundation, we will focus on creating new categories and realize stable growth by continuing to promote specialties through our unique materials and technologies together with monitoring the consumption trends of our customer base, which are becoming increasingly personalized and diverse.

Target Image* and Value Offered (Examples)



Assumed from Ajinomoto Co., Inc. AMC Report and Dentsu Inc. d-camp, "Mama Labo" Report and "Food Lyfestyle Labo" Report

Nabe Cube

Our cube technology compresses deliciousness into tiny cubes, allowing for meals with smaller portions. By adjusting the number of cubes used, this technology makes it possible for customers to enjoy hot pot dishes alone or with a large group of people.

Oniku-Yawaraka-No-Moto

Our original materials use the power of enzymes to soften meat and enhance its juiciness. These materials meet the needs of families who eat at separate times, allowing them to enjoy meals and boxed lunches with delicious and tender meat even after a fair amount of time has passed since preparation.

Toss Sala®

Our fine-powder blending technology disperses ingredients in a uniform manner, realizing rich tastes and flavors. This technology allows customers to prepare an attractive dinner table even when they have little spare time.

Cook Do® Kyo-no Ohzara

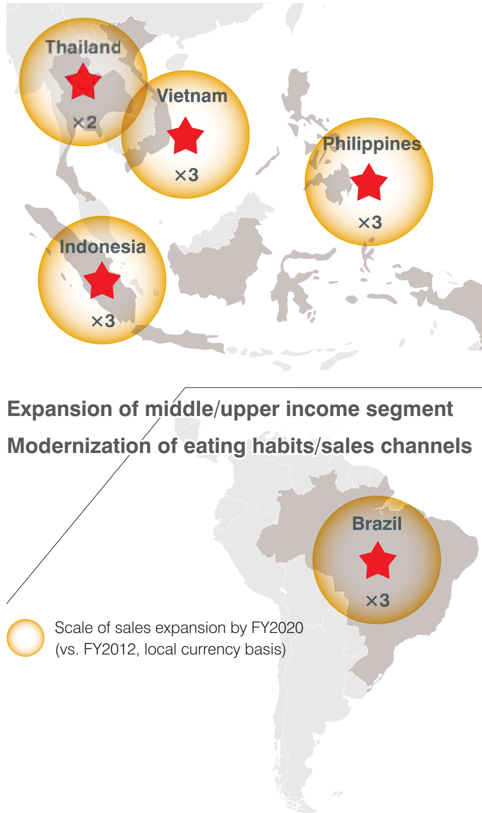
Our original materials from our unique technology reduce boiling time significantly. These materials allow customers to make delicious boiled meat and vegetable dishes without taking up their time.

▶▶ Special Feature:
"Answering the Needs of Diverse Lifestyles with *Nabe Cube*" (Please refer to page 59.)

2. International Food Products for ALL: Rapid growth centered on the "Five Stars" and acceleration of rolling out to adjacent countries

We have given the name "Five Stars" to Thailand, Brazil, Indonesia, Vietnam, and the Philippines, which represent the core countries where we engage in business in the regions of ASEAN and Latin America. We are working to grow sales by becoming No. 1 in deliciousness in each local market. In addition, we will promote the establishment of a business foundation that allows us to realize rapid growth in the "Rising Stars," which represents major regions including Africa, Europe, and North America.

Core Strategies for Doubling/Tripling Growth in the "Five Stars"



Expansion of middle/upper income segment
Modernization of eating habits/sales channels

Scale of sales expansion by FY2020 (vs. FY2012, local currency basis)

Existing core fields
Strengthen and newly expand core seasoning fields

Next-generation core fields
Introduce local core products in each country, including horizontal product rollouts

Channel expansion
Expand business foundation from solid traditional channels to restaurant channels and modern channels

Rollouts to adjacent countries
Expand business out from the "Five Stars" into adjacent countries

Inorganic growth
Strengthen functions to handle inorganic growth at regional headquarters in ASEAN and Latin America

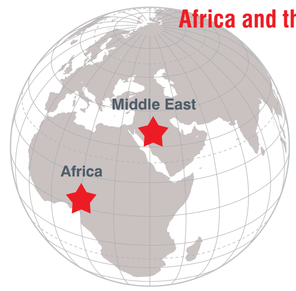
▶▶ Special Feature: "Developing Flavor Seasonings Tailored to Each Country" (Please refer to page 60.)

[Indonesia]
Established a frozen bread company in July 2015, with sales to begin in August 2016

[Pakistan]
Established a joint venture with leading local conglomerate the Lakson Group in July 2016 that will import and sell halal-certified seasonings from Indonesia

Core Strategies in the "Rising Stars"

Africa and the Middle East



Accelerate rollouts to adjacent countries centered on umami seasoning *AJI-NO-MOTO®*

[Turkey]
Accelerate business expansion by combining the brand power and distribution capabilities of Kükre A.Ş., in which Ajinomoto Co., Inc. acquired a 50% stake in 2013 with the Ajinomoto Group's product development and production technology capabilities

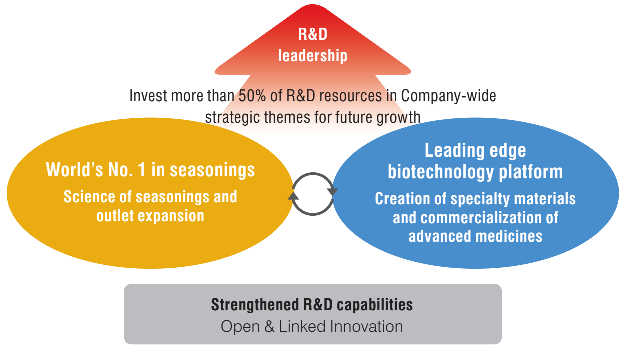
Europe and North America

Strengthen products and establish a sales foundation in the frozen foods, instant noodles, and restaurant channels

▶▶ Case Study:
"Reinforcing the Frozen Foods Business in North America through M&A"
(Please refer to page 30.)

R&D Leadership

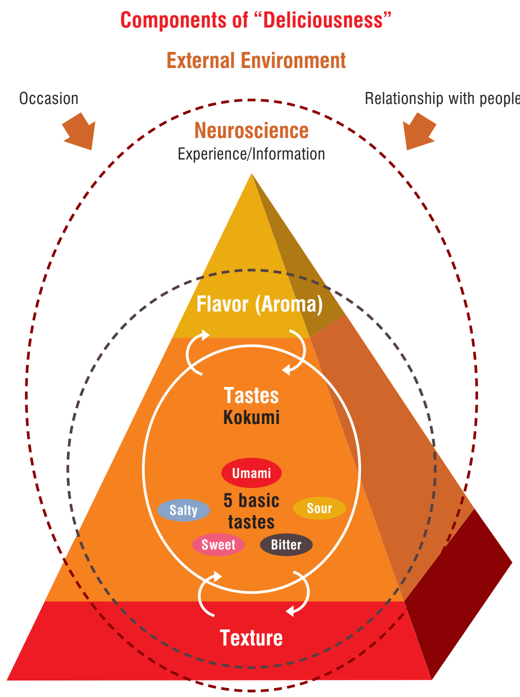
Supported by its world No. 1 seasonings and leading edge biotechnologies, the Ajinomoto Group is strengthening its capabilities in R&D, including the utilization of external resources in a flexible manner, in order to contribute to resolving the issues facing the 21st century human society.



1. Further deepening our technologies for deliciousness and promoting expansion of outlets for seasonings, including external applications

Through the analysis of mechanisms that create deliciousness and the establishment of substantive technologies to freely design and reproduce deliciousness, the Ajinomoto Group will maximize the potential of its existing products. In addition, the Group will expand into new regions and work to meet the cooking and dining needs of communities in these regions.

Deepen Our Ability to Define and Design Deliciousness in Three Dimensions



Analyze the mechanisms that create deliciousness

- Investigate the interplay among tastes, aroma, and texture using receptor response technology
- Design a model for measuring oral senses

+

Create technologies to freely control deliciousness

- Acquire key ingredients in flavor and texture
  – In-house development plus partnership/M&A
- Create formulation/application technologies
- Shift to in-house production of main raw materials

Expand Outlets

Maximize strength of existing products

+

Expand regions (Rising Stars)

- Non-umami-using cultures, etc. (South Asia, etc.)
- Next emerging nations (Africa, the Middle East, etc.)

+

Address changing preparation/menu needs through technology

- Simplify cooking of traditional dishes
- Overnutrition/undernutrition
- Deal with single servings

▶▶ Case Study:
"Commercialization of the Ajinomoto Group's Proprietary Glutamyl-valyl-glycine" (Please refer to page 31.)

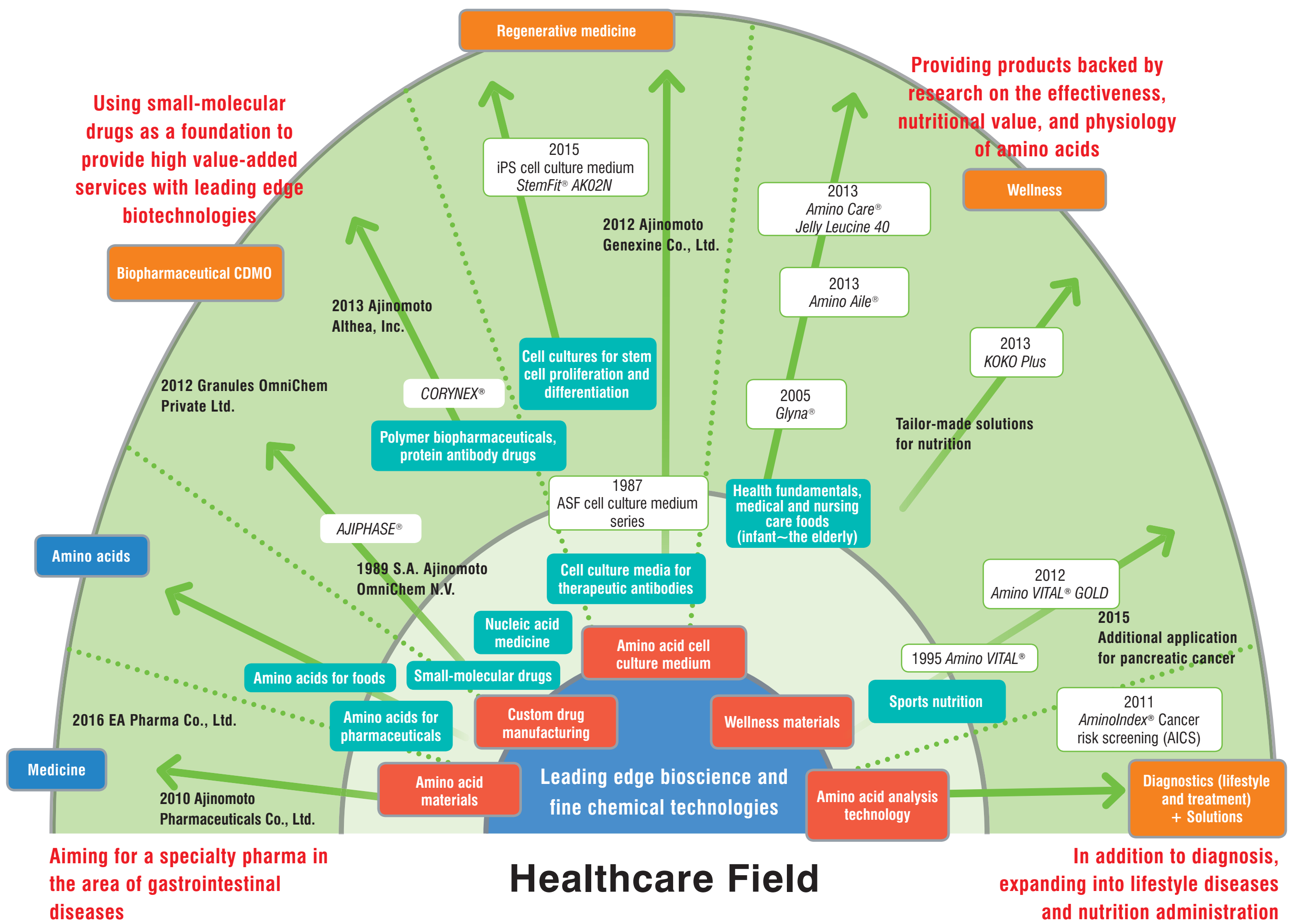
Formed a business alliance with T. Hasegawa Co., Ltd. in August 2015 to engage in the research, development, and commercialization of natural flavors using biotechnologies and fermentation technologies

2. Creating new business models by leveraging the Ajinomoto Group's comprehensive capabilities using external resources

In the healthcare field, the Ajinomoto Group is leveraging the comprehensive strengths of the Group, starting with the Group's proprietary, leading edge bioscience and fine chemical technologies as well as external resources to create new business models in areas such as regenerative medicine and biopharmaceuticals. The Group will support the nutritional health of not only adults and the elderly but also infants and athletes going forward.

Healthcare Field

▶▶ Special Feature:
"Developing Cell Culture Medium for Regenerative Medicine with World-Class Performance"
(Please refer to page 62.)



A conference presentation on using "Amino Index Technology" to identify high-risk groups for lifestyle diseases in collaboration with Mitsui Memorial Hospital

Case Studies of Growth Driver Advancement “GROW”

Reinforcing the Frozen Foods Business in North America through M&A

In November 2014, the Ajinomoto Group acquired Windsor Quality Holdings, LP, the top manufacturer of frozen Asian foods in the United States, for approximately ¥84.0 billion. The Group subsequently launched Ajinomoto Windsor, Inc. in April 2015 in order to integrate a North American consumer food business into the Group. With Ajinomoto Windsor, Inc.’s launch, we are accelerating growth in the region by offering a high-quality and delicious lineup of healthy foods from Japan, which is underpinned by the Group’s strong technological capabilities together with the acquisition of former Windsor Quality Holdings, LP’s marketing techniques (based on thorough knowledge of the U.S. consumers), nationwide sales capabilities, and production bases covering all nations of the U.S.

Expanding sales and strengthening structure of earnings

Expanding sales through leveraging an enhanced customer base

Significantly increasing sales of noodles, cooked rice, and gyoza through leveraging former Windsor Quality Holdings, LP’s customer base

Solid sales of *Yakisoba* and *Yakitori Chicken Fried Rice*

Selling the former Ajinomoto Frozen Foods Co., Inc.’s gyoza through the channels of former Windsor Quality Holdings, LP at 206 outlets

Strengthening structure of earnings with the Ajinomoto Group’s production and development technologies

Progressing structural reinforcements smoothly by conducting Group technological training (IE training,*1 TPM training*2) and continuing improvement activities after the training

*1 IE training: Industrial Engineering (improvement)
*2 TPM training: Total Productive Maintenance (facility maintenance)

Reinforcing the development and production bases for frozen noodles and frozen rice

Established Ajinomoto Toyo Frozen Noodles Inc. through a joint venture with Toyo Suisan Kaisha, Ltd.

- April 2015

Built a frozen noodle plant

- June 2015: Start of construction
- March 2016: Completion of construction

Reinforcing the production base for frozen rice

New production line at Oakland Plant

Expanding production capacity and building an efficient supply system

- September 2015: Start of construction
- August 2016: Completion of construction (scheduled)

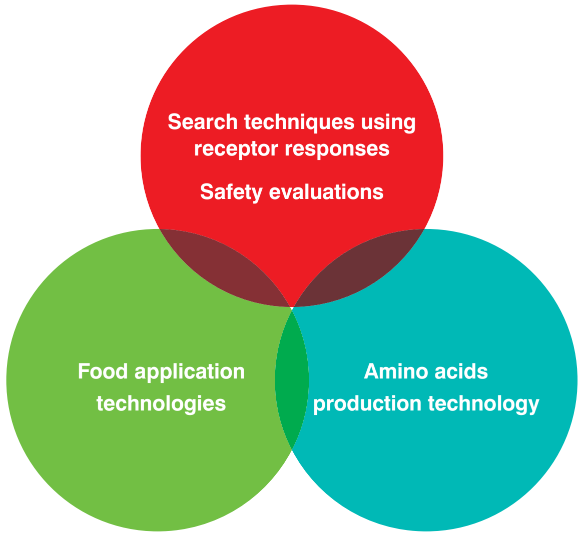
Ajinomoto Toyo Frozen Noodles Inc.

Oakland Plant

Reinforcing the development and production bases for frozen noodles and cooked rice

Commercialization of the Ajinomoto Group’s Proprietary Glutamyl-valyl-glycine

Through years of research on taste and amino acids, the Ajinomoto Group has successfully commercialized kokumi substance glutamyl-valyl-glycine. Glutamyl-valyl-glycine enhances the five basic tastes that exist in the natural world, which are sweetness, bitterness, sourness, saltiness, and umami. In addition, glutamyl-valyl-glycine increases the depth and breadth of flavor, thereby improving palatability. By incorporating this kokumi substance into consumer products, the Group is working to further improve its product value.



Adding more fatty texture and juiciness, balancing umami taste together with improving deliciousness of products/realizing cost reductions

As kokumi substance is able to enhance tastes while reducing the amount of fat, it allows for customers to enjoy delicious meals that are also low in fat. As such, this kokumi substance helps provide healthy foods to customers.

What is glutamyl-valyl-glycine?

Glutamic acid + Valine + Glycine

- Glutamyl-valyl-glycine is a tripeptide combining three amino acids that exist naturally in scallops, authentically brewed soy sauce, fish sauce, and other foods.
- Glutamyl-valyl-glycine enhances basic tastes.
- Glutamyl-valyl-glycine increases the depth and breadth of flavor, and improves palatability.

Having confirmed the enhancement/improvement of flavor and taste of extracts, milk, fats and oils, spices, etc.

Product development (examples)

Safety of Glutamyl-valyl-glycine

Glutamyl-valyl-glycine received approval as a food additive from the Ministry of Health, Labour and Welfare of Japan in August 2014. In addition, glutamyl-valyl-glycine obtained FEMA-GRAS*1 approval in the United States in February 2010 and received a “no safety concern” evaluation from JECFA*2 in June 2012. Furthermore, in Europe EFSA*3 concluded that it is safe to use glutamyl-valyl-glycine as a flavoring, in April 2014.

*1 Generally Recognized As Safe by the Flavor and Extract Manufacturers Association of the U.S.
*2 JECFA: FAO/WHO Joint Expert Committee on Food Additives
(FAO: Food and Agriculture Organization of the United Nations; WHO: World Health Organization)
*3 The European Food Safety Authority is an institution that performs risk evaluations through specialists regarding the various factors that affect food safety within the European Union. The institution also provides scientific information regarding food safety.

Further Reinforcement of Business Structure "FIT"

Structural Reform Centered on a Shift from Commodities to "Specialty"

Through the shift to "Specialty" in our bulk and pharmaceutical businesses, the Ajinomoto Group is working to enhance the added value of its business while making internal improvements by bolstering cost competitiveness. We are also promoting cost reductions by improving the performance of resource-saving fermentation.

	Bulk Businesses: Animal nutrition	Bulk Businesses: Umami seasonings for processed food manufacturers/Sweeteners	Pharmaceuticals
Shift to specialty businesses	• Increase in weight for "specialty" materials such as *AjiPro®-L* rumen-protected lysine for dairy cows (ruminant animals, marine products, etc.) – Prioritize investment of management resources such as R&D in "Specialty" and growth businesses • Capture customers by establishing new integrated service solution models with further nutritional improvement and physiology functions	• Create new specialty materials such as new taste substances, ultra-sweeteners, etc. • Expand retail product applications, mainly overseas • Offer custom-order plans tailored to customers	• Strengthen the pipeline with proactive licensing-in, collaboration, etc. – Field of digestive disorders, etc.
Strengthen cost competitive-ness	• Lower costs with fermentation using fewer resources by leading edge biotechnologies – E.g., Fermentation processes, development of bacteria • Curtail fixed costs by increasing production with low investment • Optimize production value chain (outsource production, etc.)		• Cut fixed costs in line with business scale – Build a new structure by reorganizing the functions for continuous growth and rightsizing the organization and personnel

Case Study:
"Cost Reductions through Resource-Saving Fermentation Technology"
(Please refer to page 34.)

EAPharma

Launched the gastrointestinal specialty pharma EA Pharma Co., Ltd., which possesses a full value chain, in April 2016, through integration with the gastrointestinal disease treatment business of Eisai Co., Ltd.

Enhance Capital Efficiency to Boost Shareholder Value and ROE

To improve shareholder value and ROE, the Company enhances capital efficiency across all of its businesses through focusing its efforts on a value-added value chain for each business. We are also working to rationalize and improve the efficiency of our business infrastructure, such as production and distribution.

Focus on a value-added value chain/Cash management

Focus on a value-added value chain

Internalize core value chain and flexibly outsource production

Example of value chain management by business

Strengthen
(Food products/MSG)
• Strengthen retail product value chain from development to production in each region

Balance
(Animal nutrition)
• Deal flexibly with materials production, including outsourcing in line with strategy

Optimize
(Sweeteners)
• Optimize scale of production of aspartame

Optimize SKUs

• Reduce inventory
• Cut back on low-profit SKUs

Optimize business portfolio and functional value chain

Production

• Build an optimized global production system
• Reorganize functions and redeploy personnel at domestic factories

Distribution

• Promote greater efficiency and environmental protection by looking for coordination of distribution in the industry
– Toward distribution system that is No. 1 in reliability in the food products industry

Business support functions

• Strengthen functions and increase efficiency of shared services and indirect operations to achieve a robust HQ
– Strengthen functions of the Group management foundation by giving HQ functions a global reach
– Concentrate shared services in Japan and improve efficiency, etc.

In order to secure more efficient and stable distribution capabilities and pursue social and economic rationality throughout the distribution infrastructure of the entire food industry, six food manufacturers* in Japan have agreed on the establishment of "F-LINE," a food company distribution platform. As of April 2016, collaborative shipping has commenced in Hokkaido, helping to improve transportation efficiency and reduce CO_2 emissions.

* Ajinomoto Co., Inc., Kagome Co., Ltd., The Nisshin OilliO Group, Ltd., Nisshin Foods Inc., House Foods Group Inc., Mizkan Co., Ltd.

Initiatives to improve capital efficiency using business-specific ROA

From fiscal 2015, the Ajinomoto Group has been setting ROA targets for each business. Through Group-wide management of financial leverage, the Group is promoting initiatives to improve capital efficiency throughout the entire organization. In addition, the Group has established a system that can track the ROA results of each business on a monthly basis. In these ways, the Group is working to bolster its financial management.

Case Studies of Further Reinforcement of Business Structure "FIT"

Cost Reductions through Resource-Saving Fermentation Technology

By promoting improvements in the performance of resource-saving fermentation, the Ajinomoto Group realized ¥3.0 billion in cost reductions for fiscal 2015. The Group plans to further reduce costs by ¥1.0 billion in fiscal 2016.

Specific Measures		FY2011–2013	FY2014	FY2015	FY2016
Technologies to reduce main raw materials	MSG	Introduced in Brazil (FY13/Q1)		High performance (Higher reduction rate)	
	MSG			Rollout to other regions (FY15/Q4–)	High performance
	Nucleotides		Introduced in Thailand (FY14/Q1)		High performance
	Feed-use amino acids	Introduced in Brazil (FY13/Q2)		High performance	
Technologies to reduce sub-raw materials and energy	MSG	Introduced in the U.S. (FY12/Q2)			High performance
	MSG	Introduced in Thailand (FY13/Q4)			High performance
	MSG				Rollout to other regions
	Feed-use amino acids	Introduced in Brazil (FY11/Q1)	Establishment/maturity of technology		
	Feed-use amino acids	Introduced in the U.S./Europe (FY13/Q3) (FY13/Q4)			High performance
	Feed-use amino acids	Introduced in Europe (FY12/Q2)			High performance
Use of non-edible materials	Feed-use amino acids	Introduced in Brazil (FY11/Q4)			Increase use rate
Partial self-production of main raw materials and energy	MSG	Introduced in Brazil/Vietnam (FY12/Q1) (FY13/Q4)		Expand self-production rate in Brazil (FY15/Q1)	Introduced in Thailand (FY16/Q1)
Cost reduction effect (Single-year forecast vs. FY2013) Exchange rate in FY2014–2016 Medium-Term Management Plan: JPY 100/USD		¥5.0 billion (FY2011–2013 total)	Actual: ¥4.0 billion	Plan: ¥5.5 billion Actual: ¥7.0 billion (YoY: ¥3.0 billion)	Plan: ¥8.0 billion (YoY: ¥1.0 billion)

Renewable Energy Generates a New "Bio-cycle"

Since 2012, Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda. has been formulating a new bio-cycle at its Laranjal Paulista Plant, which uses the dry pulpy sugarcane residue (bagasse) generated from the in-house production of fermentation ingredients as fuel for biomass boilers and those fuel ashes are utilized as co-products. Since June 2015, the plant has doubled the capacity of its production facilities and has increased its in-house production ratio. In addition, in April 2016, Ajinomoto Co., (Thailand) Ltd. commenced operations of a new biomass cogeneration system* at the Ayutthaya Factory that uses rice husks as fuel.

Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda., Laranjal Paulista Plant

Ajinomoto Co. (Thailand) Ayutthaya Factory

* A system that generates and supplies both electricity and heat (steam) from a heat source

Evolution of Management Foundation (Management Innovation)

Reinforcing a Corporate Governance System Befitting of a "Genuine Global Specialty Company"

Amid its pursuit of becoming a "Genuine Global Specialty Company," the Ajinomoto Group is making efforts to strengthen its corporate governance system befitting of a global top class company. In April 2016, the Group introduced the Global Governance Policy (GGP). Guided by the concept of "Governing HQ" and "Delegated Front," the GGP works to strengthen Group governance, enhance worksite mobility and efficiency, and realize rapid growth overseas.

Global Governance Policy

Improve local decision-making speed to achieve rapid growth overseas

Shift to management that aims for flexibility and efficiency

Management/Corporate (Governing HQ)

Regional HQs/Businesses/Companies (Delegated Front)

- **Expand delegation of authority**
  – Target: Regional HQs in ASEAN and Latin America, etc.
  – Authority: New products, acquisition of fixed assets, etc.
- **Introduce a reporting system to let local operations run themselves**

As a platform for the creation of "Governing HQ," Ajinomoto Co., Inc. reorganized the global functions of its headquarters and established a "Global Corporate" in April 2016 with the aim of clarifying the role of headquarters from the perspective of Group global management (the second phase of revisions is scheduled in April 2017).

At the "Global Management Meeting," Group companies, both Japan and overseas, convened to discuss management strategy.

Masatoshi Ito

Representative Director,
Chairman of the Board

By reinforcing and enhancing corporate governance, the Ajinomoto Group aims to realize sustainable growth, improve medium- to long-term corporate value, and become a "Genuine Global Specialty Company."

Review of the Ajinomoto Group's Governance

Under the FY2014–2016 Medium-Term Management Plan, we have adopted the goal of becoming a "Genuine Global Specialty Company." To realize this goal, we are working to reinforce our corporate governance from a global perspective. In April 2016, we introduced the Global Governance Policy (GGP), which regulates our global business activities. By clearly positioning our headquarters as "Governing HQ" and the worksite level as "Delegated Front," the GGP works to realize more sophisticated decision making and improve the speed and mobility of that decision making.

Through the introduction of the GGP, we are advancing the delegation of authority in each region of our global operations. By establishing a structure where decisions can be made at the worksite level, not only will the role of our headquarters as "Governing HQ" becomes clearer, the role of the Board of Directors, a core function of our headquarters, will significantly change. In regard to the Board of Directors' meetings, we will revise the proceedings of the meeting, the content of the reports, and our time allocation methods, which will enable us to place more emphasis on discussing management-related challenges, such as important business strategies. In these ways, we will deepen the Board of Directors' deliberations on management going forward.

The Board of Directors currently comprises inside directors, who possess a wide range of expertise in areas related to our business, from food products to amino acids, and outside directors, who possess unique expertise in external fields. Our outside directors, in particular, offer us their unrestricted opinions on a wide range of subjects, including medium- to long-term growth strategies and the utilization of global human resources, drawing on their wealth of experience and know-how. I would like the outside directors to continue to work as representatives of our stakeholders, demonstrating their sound judgment from an external position based on a variety of perspectives such as sociality and morality. This, in turn, will lead to the reinforcement of our management oversight functions. As the Board's chairman, I will focus my attention on ensuring that these oversight functions are being exercised appropriately. At the same time, I will work to realize an energetic Board of Directors that operates in a fair and transparent manner in such ways as encouraging active discussion and interaction among directors, including the outside directors. Furthermore, I will continue to examine the Board's design, giving consideration to an appropriate Board size for the Ajinomoto Group, the balance of inside and outside directors, and directors' areas of expertise.

Aiming to be a Company that Further Earns the Trust of its Stakeholders

We make determined efforts to share business information with all of our stakeholders, including shareholders and other investors, business partners, and employees. We will continue to provide careful explanations of business strategies, from the strategy's aim to the background of its formulation, in an explicit and detailed way. We will also disclose information on personnel and labor-related initiatives, such as the reform of working practices we are currently promoting. In these ways, we will actively share company aims and information with our stakeholders to deepen their understanding of our business. Furthermore, we will demonstrate our impact on the world by clearly conveying to society the fact that we are a food company driven by leading edge technologies and built on "Specialty," unique value that other companies cannot offer, as well as the fact that we proudly take the initiative to resolve social issues through ASV (The Ajinomoto Group Creating Shared Value). In doing so, we aim to be a company that further earns the trust of its stakeholders.

I would like to ask our shareholders and other investors for their continued support going forward.

July 2016

Masatoshi Ito
Representative Director,
Chairman of the Board

Basic Philosophy concerning Corporate Governance

The Ajinomoto Group has passed down the spirit of continually improving people's nutrition through umami seasonings since its founding. We are committed to help in the resolution of the issues that are faced by the 21st century human society, most notably global sustainability, food resources, and healthy living. Our initiatives to create value for society and local communities and in turn transform this value into economic value are collectively referred to as ASV (The Ajinomoto Group Creating Shared Value).

Ajinomoto Co., Inc. recognizes that corporate governance represents one of the most important aspects of its management foundation for accelerating its ASV efforts and achieving its vision of becoming a "Genuine Global Specialty Company." To this end, the entire Ajinomoto Group works as one under the Ajinomoto Group Standards of Business Conduct to reinforce and enhance corporate governance through engagement and collaboration with stakeholders and through continual efforts in developing and properly implementing its internal control system.

(For more details, please refer to the Corporate Governance Policies posted on the Company's website.)

Reference Corporate Governance Policies
http://www.ajinomoto.com/en/ir/pdf/Governance_E.pdf

Initiatives to Reinforce Governance

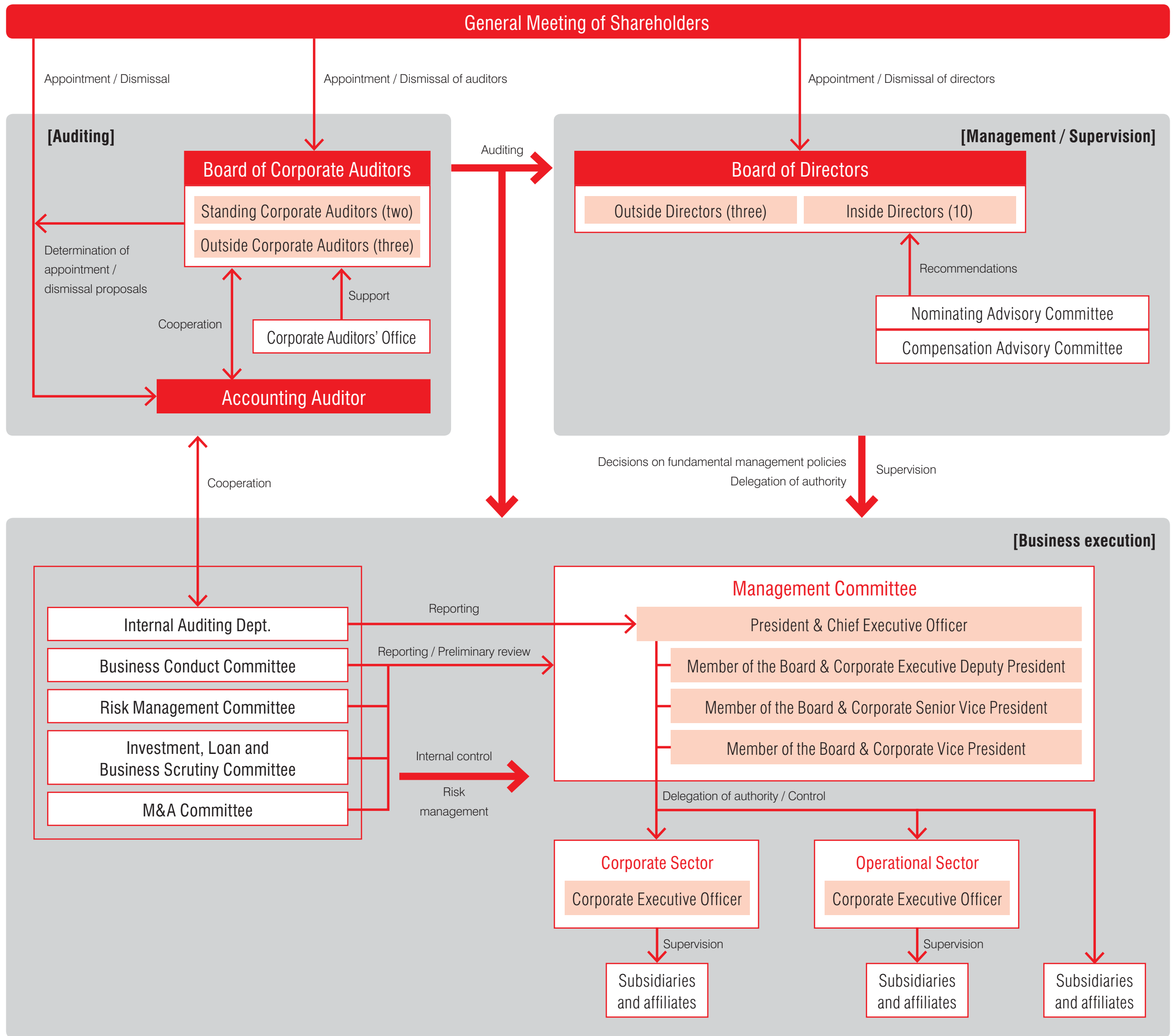
2003	Introduction of executive officer system Decrease in the number of directors (from 30 to 12) Appointment of an outside director (one director out of 12 directors)
2004	Appointment of outside corporate auditors (three)
2005	Establishment of Nominating Advisory Committee and Compensation Advisory Committee
2009	Increase in the number of outside directors (two out of 15 directors)
2011	Appointment of female outside director (one out of 15 directors)
2015	Increase in the number of outside directors (three out of 14 directors)
2016	Introduction of evaluation of the Board of Directors' effectiveness Introduction of the Global Governance Policy (GGP)

Analysis and Evaluation of Board of Directors' Effectiveness

Ajinomoto Co., Inc. engages in a wide range of business operations around the world, including foods and amino acids, and one goal of the Company is to have a Board of Directors that can execute appropriate and agile decision making, as well as carry out its role of supervising the execution of duties befitting of a "Genuine Global Specialty Company."

As part of these efforts, directors and corporate auditors were asked to take self-evaluation surveys, while analysis by outside lawyers was also conducted, with the results being examined at the Board of Directors meeting held in May 2016. It was pointed out that improvements need to be made in communication between inside directors and outside directors, internal information collection of outside directors, and the efficiency of deliberations by the Board of Directors. Based on these results, the Company continues to examine the best possible approaches for the Board of Directors.

Corporate Governance Framework



Board of Corporate Auditors

The Board of Corporate Auditors consists of five corporate auditors, three of whom are outside corporate auditors. Ensuring independence from the executive officers, the corporate auditors work together with the accounting auditor and Internal Auditing Department to conduct audits on the execution of duties by directors.

Board of Directors

The Board of Directors consists of 13 directors, three of whom are outside directors. The Board makes decisions on important business matters and supervises the execution of duties by directors and corporate executive officers.

Management Committee

The Management Committee consists of nine directors who serve concurrently as corporate executive officers. The Committee deliberates on basic company management policies and makes important decisions concerning business execution.

Nominating Advisory Committee

The Nominating Advisory Committee consists of four directors, including three outside directors. The Committee receives recommendations from the Board of Directors and deliberates on such matters as director nominees and proposals for the election of corporate executive officers. The results of these deliberations are reported to the Board of Directors.

Compensation Advisory Committee

The Compensation Advisory Committee consists of five directors, including three outside directors. The Committee receives recommendations from the Board of Directors and deliberates on proposals for director and corporate executive officer compensation. The results of these deliberations are reported to the Board of Directors.

Outside Directors and Outside Corporate Auditors

Ajinomoto Co., Inc.'s outside directors and outside corporate auditors have been registered as independent directors/auditors with the Tokyo Stock Exchange. For details on standards related to the independence of the Company's outside directors/auditors, please refer to the Corporate Governance Policies posted on the Company's website.

	Name	Independent Officer	Reasons for Appointment	Attendance at Meetings of the Board of Directors or Board of Corporate Auditors
Outside Directors	Sakie T. Fukushima	○	To capitalize on her in-depth knowledge and experience concerning international corporate management and advanced understanding of human resources with a global mindset, and her experience as an outside director at other prominent listed companies. She will be able to provide various forms of guidance related to the management of Ajinomoto Co., Inc. based on her objective perspective, and there is no concern a conflict of interest will arise between her and general shareholders.	20 out of 21 times
	Yasuo Saito	○	To capitalize on his in-depth knowledge and experience internationally as a diplomat for the management of Ajinomoto Co., Inc. and there is no concern a conflict of interest will arise between him and general shareholders.	21 out of 21 times
	Takashi Nawa	○	To capitalize on his advanced understanding of international business management developed from his wealth of real-world experience in consulting for non-Japanese companies, etc., and in-depth knowledge as a professor with the Graduate School of International Corporate Strategy at Hitotsubashi University. This will enable him to fulfill an appropriate role in the supervision of the execution of business operations of Ajinomoto Co., Inc. from an independent and fair position. Furthermore, there is no concern a conflict of interest will arise between him and general shareholders.	12 out of 15 times
Outside Corporate Auditors	Masami Hashimoto	○	To capitalize on his professional knowledge and wealth of experience as a certified public accountant both in Japan and internationally, and his expertise in finance and accounting in the execution of his duties as an outside corporate auditor. There is also no concern a conflict of interest will arise between him and general shareholders.	—
	Atsushi Toki	○	To capitalize on his professional knowledge and wealth of experience as an attorney, and his particularly in-depth knowledge of the Companies Act, which can be utilized in the execution of his duties as an outside corporate auditor. There is also no concern a conflict of interest will arise between him and general shareholders.	—
	Hiroshi Murakami	○	To capitalize on his extensive experience in corporate management both in Japan and internationally, and his knowledge as the head of a legal department, both of which can be utilized in the execution of his duties as an outside corporate auditor. There is also no concern a conflict of interest will arise between him and general shareholders.	—

Internal Control Systems

The Ajinomoto Group views the establishment and enhancement of internal control systems as an important management issue. As a means to verify the operating conditions and effectiveness of its "Basic Policy on the setting up of systems ensuring appropriate business operations," the Group evaluates the operations and activities of the Business Conduct Committee, Ajinomoto Co., Inc.'s Internal Auditing Department, policies and other regulations related to global governance, and the Risk Management Committee. The Group deals with issues or matters of concern in an appropriate manner and confirms whether or not steps are continuously being taken to make improvements. The results of these evaluations are reported to the Board of Directors.

Risk Management

The Ajinomoto Group established the Risk Management Committee in 2002. Guided by the Ajinomoto Group's Risk Management Basic Policy, "By promoting strategic risk management, we make the Ajinomoto Group resilient to risks, and increase the Group's value," the Group is working to strengthen its capacity to deal with crises, such as accidents or incidents, in the rare event one should occur, while maintaining the proactive prevention of risks as a basic policy. Furthermore, the Group has established the Subcommittee for Management Risks that functions under the jurisdiction of the Risk Management Committee. In these ways, the Group is engaging in initiatives to respond to changes in the macro environment that affect its business as well as to tackle governance-related issues.

Global Policy Matrix

In order to strengthen its global governance, the Group has created a global policy matrix and put into place important policies and procedures (P&P), which are managed under the GGP.

Business Code of Conduct	Legal	Fiscal, Trade & Purchasing	General & Administration	Accounting & Treasury	HR & Others
Compliance with Antitrust and Other Laws	Prevention of Insider Trading	Global Tax Policy and Procedure	Risk Management	Accounting Policy	Information Management
Prevention of Bribes and Other Improper Payments	Trade Secret Management	Basic Purchasing Policy	Business Continuity	Financing Policy	Environment
	Group Intellectual Property Exploitation Policy			Foreign Exchange Risk Management Policy	Quality Assurance
	Corporate Brand Logotype			Basic Policy on Fund Procurement	Disaster Prevention, Occupational Health, and Safety
					Internal Audit
					Investment Profitability Assessment Criteria

Global Tax Policy

The Ajinomoto Group commits to comply with tax laws and conducts its business activities in accordance with tax guidelines published by international organizations such as the OECD. In order to maximize shareholder value, the Group works to minimize tax risk. Also, with the aim of maximizing its consolidated free cash flow, the Group has established the Global Tax Policy. Furthermore, the Group does not use contrived or abnormal tax structures that are intended for tax avoidance. In accordance with the spirit of local and international laws, the Group does not make use of so-called "tax havens" or any other means to avoid being taxed.

1. Compliance with Tax Law
2. Minimization of Tax Risk
3. Maximization of Consolidated Free Cash Flow
4. Part of Business Activities
5. Accountability to Shareholders

Reinforcing Human Resources Befitting of a "Genuine Global Specialty Company"

The Ajinomoto Group has introduced the Global Human Resources Management System to grant opportunities for career development of over 30,000 employees working worldwide regardless of race, nationality, or gender. Enhancing its diversity, the Group accelerates its efforts to build the "Solid Talent Pool" (solid base of global human resources), which includes developing "next-stage management personnel," appointing locally hired overseas executives, and women to management positions.

Building "Solid Talent Pool"

The Ajinomoto Group has formed a group of 200 "next-stage management personnel" (FY2016) to pursue world-class talent diversity and profit-generating efficiency.

- Establish the diversity management systems through hiring and training global management and local specialist talents
  - – Ratio of locally hired overseas executives: 50%
  - – Ratio of female managers: 20%
- Improve diversity and work-life balance

The Ajinomoto Group carries out the "Ajinomoto Global & Group Leader Seminar" (GGLS) targeting deputy general managers of head office business divisions as well as executives and deputy general managers of affiliated companies worldwide. The seminar aims to develop global human resources through action learning about global business issues.

To become a company where diverse talents leverage their capabilities and potentials, Ajinomoto Co., Inc. is striving toward establishing a global working standards assuring seven-hour workday, as a part of zero-based "work style innovation."

Roadmap (Ajinomoto Co., Inc.)

	FY2014 (Actual)	FY2015 (Actual)	20-minute reduction	FY2017 (Target)	15-minute reduction	FY2020 (Vision)
Regular working hours (daily)	7 hrs. 35 min.	7 hrs. 35 min.	→	7 hrs. 15 min.	→	7 hours
Average working hours (yearly)	1,974 hrs.	1,947 hrs.		1,850 hrs.		Under 1,800 hours

Message from an Outside Director

Aiming for management that strikes a balance between inside and outside perspectives while constantly conducting oversight from an external viewpoint

Sakie T. Fukushima
Outside Director
President and Representative Director of G&S Global Advisors Inc.

Increasing Opportunities for Communication and Strengthening Supervisory Functions

Ajinomoto Co., Inc. has adopted the Auditor System, and I believe that the system is functioning effectively. The corporate auditors strictly evaluate the business execution of directors through audits and share their observations with the outside directors. The outside directors then make strategic decisions taking the observations of the corporate auditors into consideration. In this way, the Company's governance is able to cover both "defensive" and "offensive" roles. In addition, the Board meetings have an atmosphere that allows outside directors to express our opinions freely. I feel that the Company is receptive to incorporating our opinions, and a PDCA cycle of proper corporate governance is in place.

However, while this is an issue common among Japanese companies, inside directors have a tendency not to express their views sufficiently. The opinions of those responsible for business execution are extremely valuable information for us in making decisions. Therefore, I would like to better supervise the Company by further increasing opportunities to exchange opinions with inside directors.

Introducing Outside Benchmarks

In the past several years, the governance of Japanese companies has changed significantly. While institutional design and the appropriate implementation of that design are both critical for effective governance, as of May 2015, a company can choose from three different institutional designs, one of which is the Auditor System.* Furthermore, with the introduction of Japan's Corporate Governance Code, Japanese companies as a whole have been making serious efforts to strengthen the implementation of governance as well. One of the purposes of these changes is to establish governance that overseas investors can clearly understand. The role of outside directors has also changed significantly as a result of these institutional design changes. What I place particular importance on as an outside director is to introduce outside benchmarks to avoid the situation where what internal management considers common sense defies common sense when seen from outside the company. I have provided consulting services to a wide range of companies for over 30 years and have worked as an outside director at nine different Japanese companies. Through my experiences, I have come to realize that, because there are very few CEOs of Japanese companies who have worked in other companies, it is important for outside directors to introduce benchmarks from other companies. For my role as an outside director, I recognize the importance of conducting oversight from the perspective of shareholders, who are investors in the company, in order to maximize corporate value.

Valuing the Importance of Motivated Human Capital in Governance

Ajinomoto Co., Inc. aspires to become a "Genuine Global Specialty Company" and is working to improve its corporate value centered on ASV. To achieve such aspirations, it is important to formulate a strategy and to have a system and organization in place that can realize that strategy. In particular I emphasize the importance of human capital. Ajinomoto Co., Inc. is a company that values its employees, and I have the impression that its employees enjoy working for the Company. With further globalization, diversity management, which establishes a structure where human capital of various nationalities and backgrounds can leverage their individual strengths and produce results, is becoming increasingly valuable. A person's gender and nationality represent only a part of that person's individuality, not its entirety. Instead of making judgments based on categories such as women, I believe that it is necessary for the entire Ajinomoto Group to accurately assess the aptitude of each of its employees and foster and deploy them in a way in which their abilities can be optimally utilized. At the same time, I feel there is a need for the Company to establish a global system for employee evaluation and remuneration.

* Japanese companies now have the option of choosing one of three corporate governance systems: Committee System, Audit Committee System, and Auditor System. The Auditor System has corporate auditors who audit the performance of the Board of Directors.

Directors, Corporate Auditors, and Corporate Executive Officers

Directors

Masatoshi Ito
Representative Director,
Chairman of the Board

Takaaki Nishii
Representative Director,
President & Chief Executive Officer

Tamotsu Iwamoto
Representative Director, Member of the Board & Corporate Executive Deputy President
Internal Auditing; Secretarial Office; General Affairs & Risk Management; Legal; Public Communications; Global Communications; Global Human Resources Management; Human Resources

Koji Igarashi
Member of the Board & Corporate Senior Vice President
Management of Technology & Production; Information System Planning

Etsuhiro Takato
Member of the Board & Corporate Senior Vice President
General Manager, Food Products Division; Logistics Planning; Advertising

Hiroshi Fukushi
Member of the Board & Corporate Senior Vice President
General Manager, AminoScience Division

Hiromichi Ono
Member of the Board & Corporate Vice President
Finance & Accounting; Group Procurement Center

Takeshi Kimura
Member of the Board & Corporate Vice President
Management of R&D; Intellectual Property; Institute for Innovation; Quality Assurance & External Scientific Affairs

Masaya Tochio
Member of the Board & Corporate Vice President
Corporate Planning; CSR

Makoto Murabayashi
Member of the Board & Corporate Vice President
Business Strategy and Development

Sakie T. Fukushima
Outside Director

Yasuo Saito
Outside Director

Takashi Nawa
Outside Director

Standing Corporate Auditors

Yoichiro Togashi

Shizuo Tanaka

Outside Corporate Auditors

Masami Hashimoto (Certified Public Accountant)

Atsushi Toki (Attorney-at-law)

Hiroshi Murakami

Corporate Vice Presidents

Toshihisa Kato (General Manager, Institute for Innovation)

Kazuya Onomichi (General Manager, R&D Planning Dept.)

Shunichi Komatsu (General Manager, Europe & Africa Division)

Chiaki Nosaka (General Manager, Institute of Food Sciences and Technologies)

Haruo Kurata (General Manager, North America Division)

Hiroyuki Kojima (General Manager, Research Institute for Bioscience Products & Fine Chemicals)

Hideki Takeuchi (Deputy General Manager, Food Products Division)

Kaoru Kurashima (General Manager, ASEAN Division)

Corporate Executive Officers

Alain Vrillon
(President, AJINOMOTO FOODS EUROPE S.A.S.)

Masaya Sugimori
(General Manager, China Division)

Yoshimasa Yoshimiya
(General Manager, Human Resources Dept.)

Eiji Majima
(Deputy President, AJINOMOTO EUROPE S.A.S.)

Hiroshi Motoyama
(General Manager, Food Ingredients Dept.)

Masahiro Tani
(General Manager, Food Production & Technology Administration Center)

Taro Fujie
(General Manager, Latin America Division)

Daniel Bercovici
(President, AJINOMOTO EUROLYSINE S.A.S.)

George Gwinnett Bompas
(General Manager, Pharmaceutical Custom Manufacturing Dept.)

Masayoshi Kurosaki
(Deputy General Manager, Food Products Division)

Jiro Sakamoto
(General Manager, Technology Development Center, Institute of Food Sciences and Technologies)

Chika Morishima
(General Manager, Consumer Foods & Seasonings Dept.)

Koji Tamura
(General Manager, Production & Technology Administration Center)

Takayuki Koda
(General Manager, Production Management Dept.)

Narutoshi Fukase
(General Manager, Tokyo Branch)

Overview by Segment

The Ajinomoto Group develops its business in four segments: Japan Food Products, International Food Products, Life Support, and Healthcare. This section provides the conditions of each segment in fiscal 2015.

CONTENTS

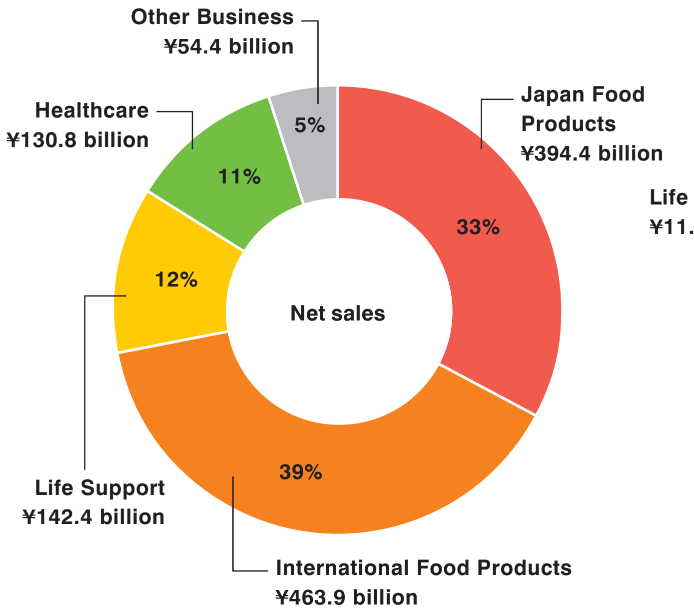
Net Sales

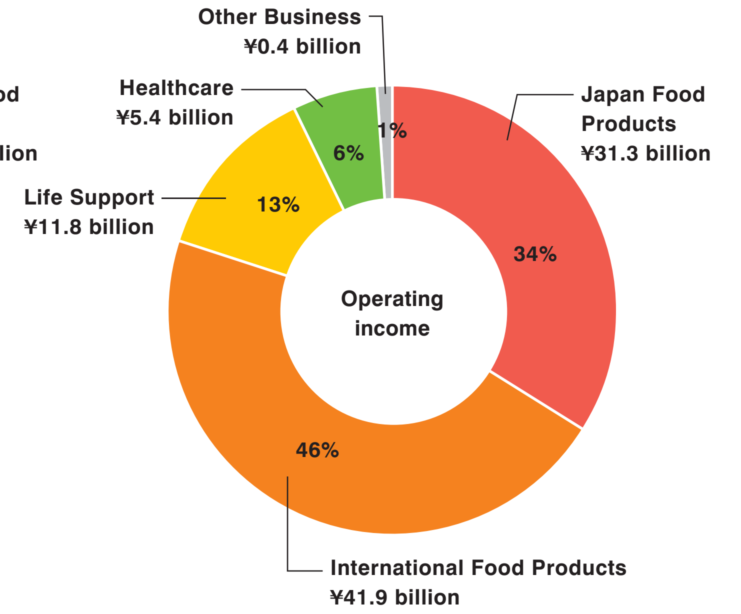
¥1,185.9 billion

Operating Income

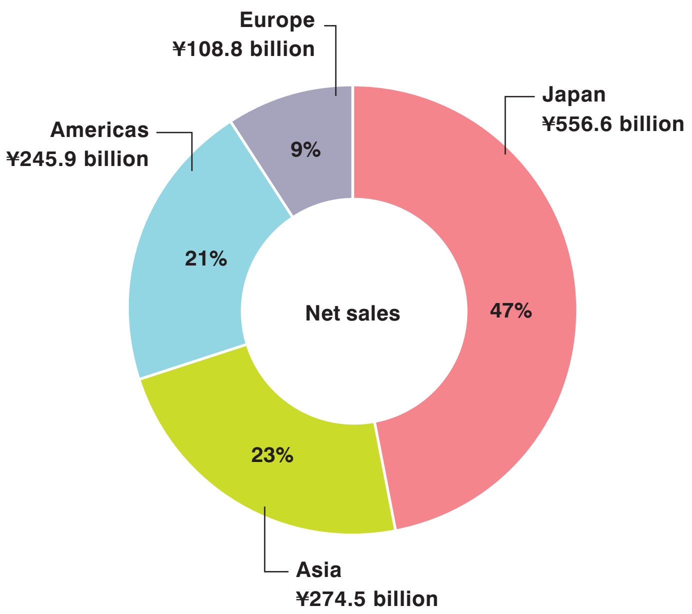
¥91.0 billion

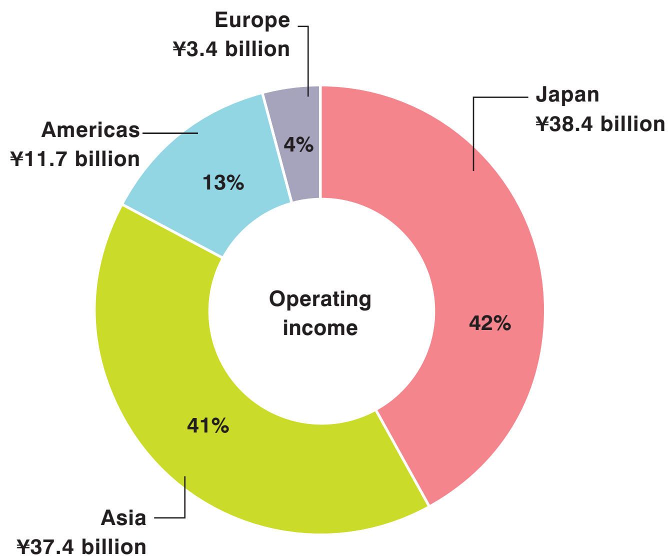
By Segment





By Geographical Area





Japan Food Products

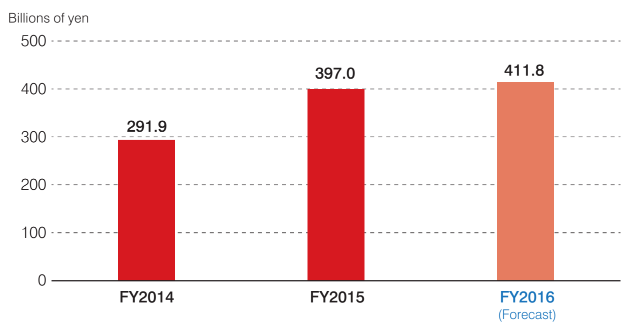
Business Strengths

- Brand power backed by over 100 years of history
- Product development and marketing capabilities

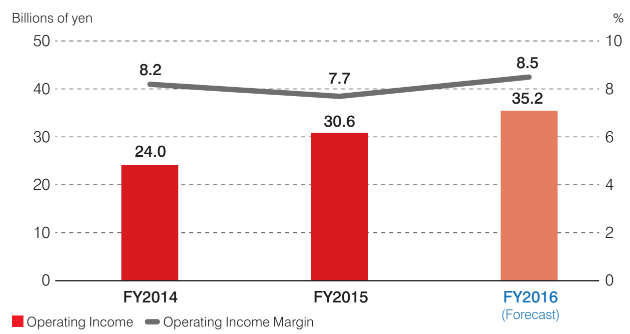
Net Sales and Operating Income / Operating Income Margin Trends

(Based on business segments applied from FY2016)

Net Sales



Operating Income / Operating Income Margin



Seasonings and processed foods

Sales rose for household seasonings and processed foods, reflecting increased sales of *Knorr® Cup Soup* due mainly to a sales strategy that worked to stimulate demand throughout the fiscal year.

Sales increased for restaurant and institutional use, as a result of efforts to strengthen proposals for solutions that leverage functional food products, which enhance the texture and quality of rice and meat while maintaining their deliciousness.

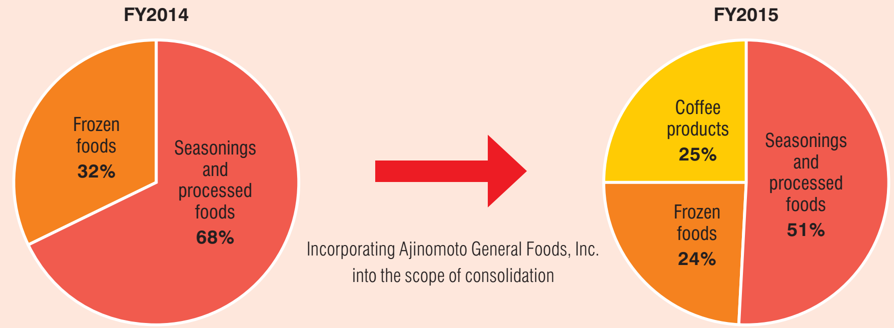
Frozen foods

By pursuing the value that consumers desire in fried rice dishes, *THE CHA-HAN*, which draws on the deliciousness of fat and the Ajinomoto Group's proprietary kokumi substances, became a major hit.

Coffee products

Ajinomoto General Foods, Inc. was incorporated into the scope of consolidation. In addition, the Ajinomoto Group accelerated the pace for synergy generation, including the fusions of technologies in the Company's R&D activities as well as marketing collaborations and joint purchasing in Japan.

Sales Ratio by Business



Overview by Segment

International Food Products

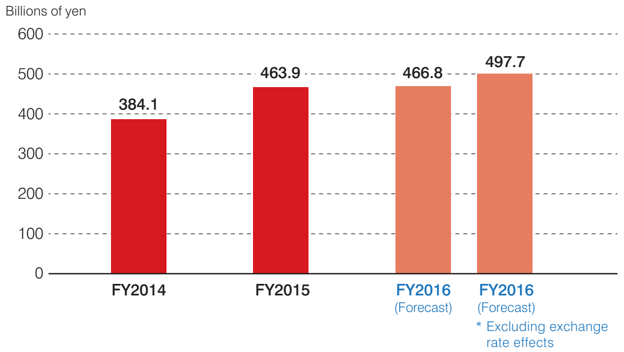
Business Strengths

- Well-established global systems for development, production, and sales
- Product development and marketing capabilities
- Overseas business infrastructure

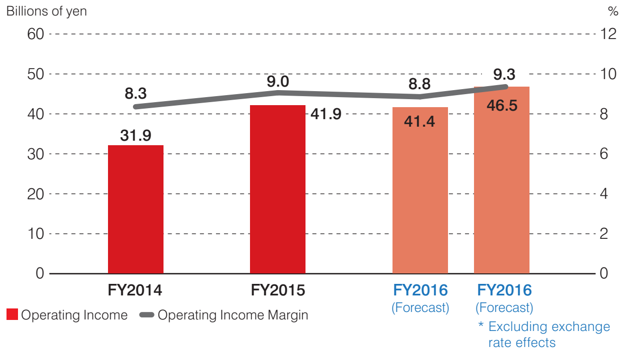
Net Sales and Operating Income / Operating Income Margin Trends

(Based on business segments applied from FY2016)

Net Sales



Operating Income / Operating Income Margin



Seasonings and processed foods

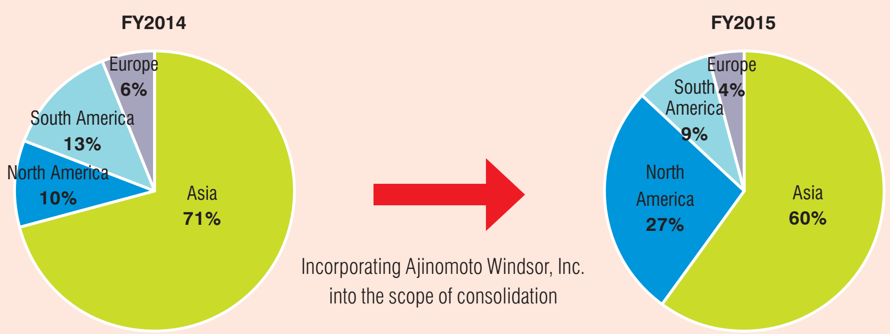
Supported by strong sales of umami seasoning *AJI-NO-MOTO*® as well as double-digit sales of flavor seasonings and menu-specific seasonings based in local currencies, sales of seasonings and processed foods increased, primarily in the "Five Stars."

With the establishment of Myanmar Ajinomoto Foods Co., Ltd. in February 2016, the Company moved forward with preparations to restart its business in Myanmar, where business activities have been suspended since April 2000.

Frozen foods

In addition to incorporating Ajinomoto Windsor, Inc. into the scope of consolidation, the Company worked to enhance its portfolio of Asian/Ethnic food products and reinforce its earnings structure by leveraging the customer base of Ajinomoto Windsor, Inc. and improving productivity in collaboration with the Ajinomoto Group.

Sales Ratio by Geographical Area (International Seasonings / Processed Foods and International Frozen Foods)



Note: The former Windsor Quality Holdings, LP was within the scope of consolidation for only two months.

Life Support

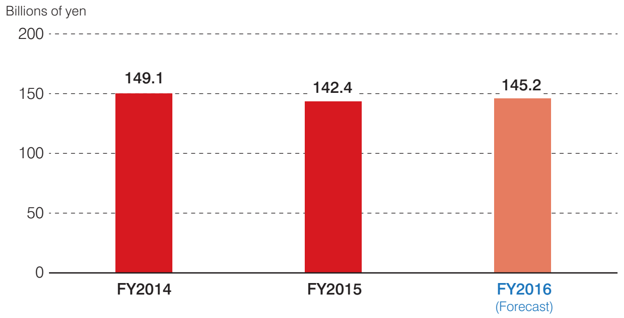
Business Strengths

- World-class fermentation technologies
- World's largest global network for animal nutrition
- Extremely safe material development capabilities and compound evaluation technologies

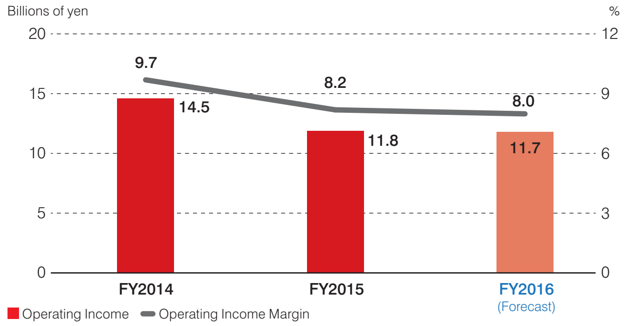
Net Sales and Operating Income / Operating Income Margin Trends

(Based on business segments applied from FY2016)

Net Sales



Operating Income / Operating Income Margin



Animal nutrition

Despite increased sales for specialty products, sales prices were significantly lower compared to the previous fiscal year, and overall sales declined due to poor market conditions for Lysine, Threonine, and Tryptophan.

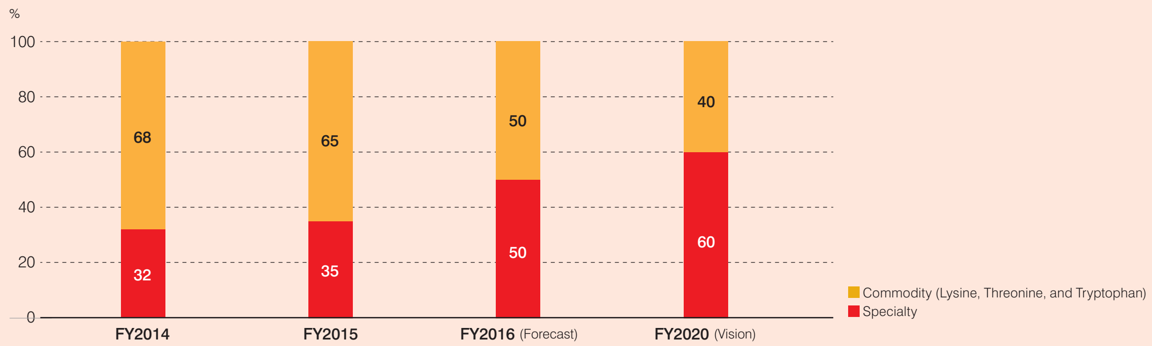
Specialty chemicals

Despite a strong performance of electronic materials for servers and special-purpose ICs, sales of build-up film for CPUs of computers were down due to a sluggish computer market. As a result, overall sales declined.

Sales of the personal care products, *JINO*® increased as the Company acquired new customers through a renewal of the trial set and concentrated investments in advertising.

Sales of cosmetic ingredients were in good shape, primarily in Japan, Europe, and East Asia.

Trend of "Specialty" Ratio of Animal Nutrition (Operating Income Margin Base)



Overview by Segment

Healthcare

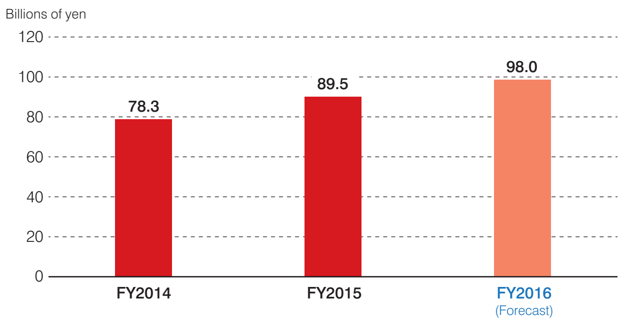
Business Strengths

- Stable supply capacity as the world's largest manufacturer of amino acids
- World-class fermentation technologies
- Abundant amount of knowledge and research technology related to amino acid function

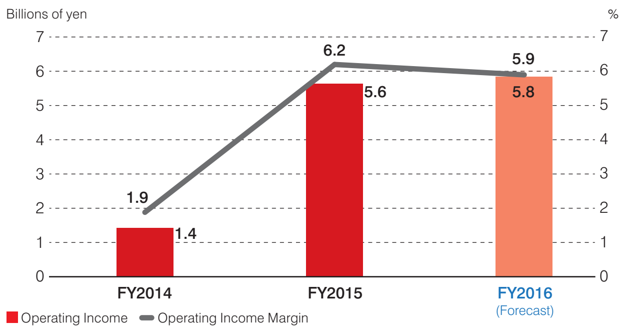
Net Sales and Operating Income / Operating Income Margin Trends

(Based on business segments applied from FY2016)

Net Sales



Operating Income / Operating Income Margin



Amino acids

Sales of amino acids for pharmaceuticals and foods increased mainly due to the positive impact of exchange rates for overseas sales although the domestic sales decreased. The Pharmaceutical Custom Manufacturing business recorded a significant increase in sales, derived from solid sales in Europe, North America, and Japan.

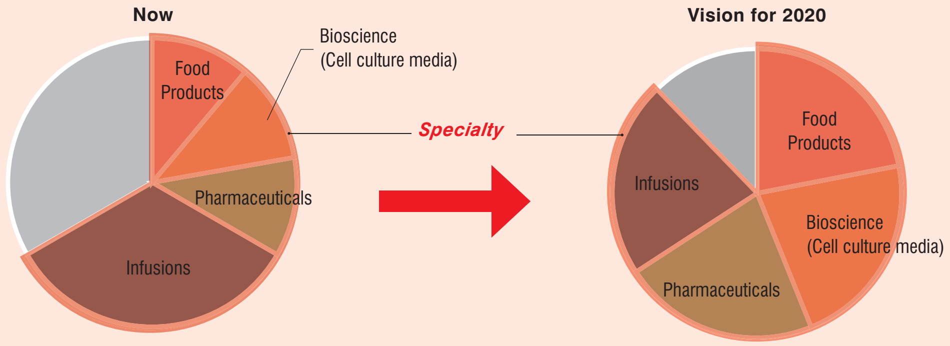
Pharmaceuticals

While there was fierce competition from generics and other competing products, sales of self-distributed products were almost at the level of the previous fiscal year, and sales of products sold through business tie-ups increased. However, overall sales declined due to such factors as decreased royalty income.

Others

Ajinomoto Co., Ltd. launched *Glyna*®, the first "Foods with Functional Claims" product in the domain of sleep supplements, and *Amino Aile*®, the first "Foods with Functional Claims" product in the domain of supplements to support muscle preservation, in August 2015 and April 2016, respectively. Through aggressive marketing activities that leveraged a new food labeling system that indicates functional claims, overall sales in other business rose significantly.

Changes in the "Specialty" Domain of the Healthcare Segment (Image of Sales Composition)



Financial Section

This section provides financial information for the fiscal year ended March 31, 2016.

CONTENTS

Hiromichi Ono
Member of the Board & Corporate Vice President

The Ajinomoto Group is steadily working toward its targets for fiscal 2016, ending March 31, 2017, based on the roadmap for becoming a "Genuine Global Specialty Company" laid out in its FY2014–2016 Medium-Term Management Plan.

Business Performance in Fiscal 2015 and Forecast for Fiscal 2016

Looking back on the business environment in fiscal 2015, ended March 31, 2016, there was a gradual recovery in the overall global economy, although signs of an economic slowdown appeared in China and other emerging countries. In the Japanese economy, despite signs of weakness in exports and production, the employment environment continued to improve and capital investment began to pick up.

Under this environment, net sales increased 17% year on year, to ¥1,185.9 billion, and operating income rose 22%, to ¥91.0 billion. Such results proved noteworthy, as we achieved record-high operating income, in addition to reaching our targets for operating income in the final year of the FY2014–2016 Medium-Term Management Plan (hereafter, the "Medium-Term Plan") a year ahead of schedule. While stable raw material prices and favorable exchange rates helped to boost profits, the strong performance of the food business, including seasonings and processed foods, in Japan and overseas, the inclusion of Ajinomoto General Foods, Inc. (hereafter, "AGF") into the scope of consolidation, and the contributions from Windsor Quality Holdings, LP (hereafter, "Windsor") throughout the year supported our solid business performance as well.

In fiscal 2016, the last year of the Medium-Term Plan, we forecast net sales of ¥1,186.0 billion and operating income of ¥91.0 billion, both at the same level as fiscal 2015, as we maintain a focus on achieving the numerical targets of the Medium-Term Plan. We are also anticipating a stronger yen against foreign currencies compared to the previous fiscal year as well as an increase in both fermentation raw materials and fuel and food product raw materials. However, our Japan food products, including those of AGF, will provide a driving force for growth, and we will work to negate the negative impact of a stronger yen and higher raw material prices in our overseas business. With "Specialty" as our weapon, we will endeavor to reach the numerical targets of the Medium-Term Plan as scheduled.

Response to Exchange Rate Risks

The Ajinomoto Group's overseas business accounts for more than 50% of net sales and nearly 60% of operating income. While we cannot ignore country risk due to the fact that a large percentage of our business is in emerging countries, we have to continue to be extremely cautious about the risk of fluctuations in exchange rates and prices of raw materials and fuel.

To respond to these risks, the Company has adopted four measures: implementing local production for local consumption, utilizing resource-saving fermentation technologies, conducting Group-wide risk management, and maintaining a balanced possession of different kinds of currency, in addition to various other measures. In our local production for local consumption policy, we have established production bases in high-demand countries and use local materials, thereby hedging the risk of exchange rate fluctuations. For example, in Brazil, one of the "Five Stars" countries, while we leverage the country's cheap currency, as well as procure raw materials there at a low cost to supply seasonings and amino acids to regions such as North America and Japan, we are working to minimize the risk of exchange rate fluctuations by strategically cultivating a wealth of domestic demand and increasing the percentage of local production for local consumption. As for resource-saving technologies, we are reaping the benefits of lower costs offered by these technologies through reduced fuel consumption and an improvement in production efficiency. At the same time, these technologies help to reduce risk simply by lowering the volume of raw materials we deal with. For Group-wide risk management, we have established the "Basic Policy on Risk Related to Foreign Exchange Rates" and the "Basic Policy on Risk Management for Price Fluctuations in Raw Material Procurement" and are ensuring the strict enforcement of these policies in such ways as introducing them at subsidiaries.

The risk of exchange rate fluctuations cannot be completely eliminated by calculating its impact only based on Japanese yen. Accordingly, we analyze and make reports on our businesses in each country and region based on the local currency. In this way, we are making efforts to have our shareholders and other investors understand the way in which we realize organic growth.

Approach to Growth Investments for 2020

The Ajinomoto Group adopts a policy of enhancing its ability to generate cash and preferentially setting aside cash for growth investments. For example, as a basic policy, we discover projects that could lead to future profit growth on our own and examine the various possibilities they offer. A prime example of this policy was the inclusion of AGF and Windsor in the scope of consolidation. In addition to devoting a good deal of time to negotiations and thoroughly examining the content of the project, we also clearly identified issues to be overcome after carrying out the investment, thereby allowing us to promptly implement strategies after the business integration.

In order to realize these kinds of constructive M&A, the effective and stable procurement of the necessary investment funds for global growth is absolutely essential. As such, we place emphasis on maintaining a sound financial structure and work to preserve a high credit rating. By controlling interest-bearing debt with a focus on the D/E ratio, we aim to raise funds in a flexible manner. In addition, we are taking initiatives to downsize the balance sheet, including inventories, as well as improve asset efficiency.

Going forward, we will accelerate the pace for further growth geared toward 2020 by prioritizing investments into growth fields, including capital investments, to develop specialty products and improve productivity.

Transition to IFRS

From the fiscal 2016 year-end, the Ajinomoto Group aims to adopt the International Financial Reporting Standards (IFRS) in replacement of Japanese GAAP. As we aspire to become a global top 10 class food company, the IFRS will help facilitate international comparison of financial information, which in turn will encourage communication with our stakeholders.

Regarding changes that will accompany this transition, we are anticipating an increase in operating income due to the discontinuing of amortization of goodwill and other factors. In addition, many items recorded as non-operating revenue and non-operating expenses under Japanese GAAP will be included in or subtracted from operating income, which represents an important KPI under the IFRS. As such, we forecast significant fluctuations in operating income.

At the moment, we are steadily moving forward with preparations for the transition to the IFRS. At the same time, we are examining our management approach toward operating income from a wide range of perspectives and giving consideration to the kind of communication we should be engaging in with shareholders and other investors.

Ten-Year Summary of Selected Financial Data

Ajinomoto Co., Inc. and Consolidated Subsidiaries for the Years Ended March 31

(Millions of yen)

	FY2015	FY2014	FY2013	FY2012	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006
For the year:										
Net sales[*1]	**¥1,185,980**	¥1,006,630	¥ 951,359	¥ 948,705	¥ 972,648	¥1,015,215	¥1,170,876	¥1,190,371	¥1,216,572	¥1,158,510
Cost of sales	**768,865**	659,509	635,594	600,630	603,420	612,237	785,578	833,123	856,974	828,050
Gross profit	**417,115**	347,121	315,765	348,076	369,228	402,978	385,298	357,247	359,597	330,459
Selling, general and administrative expenses	**326,069**	272,601	253,957	276,844	296,644	333,604	321,264	316,420	299,074	266,658
Operating income	**91,045**	74,519	61,807	71,232	72,584	69,374	64,034	40,827	60,523	63,800
Non-operating income (expenses), Extraordinary gains (losses)	**9,272**	4,529	10,754	29,595	(493)	(20,929)	(19,242)	(37,570)	(11,216)	(15,804)
Income before income taxes and minority interests	**100,318**	79,049	72,561	100,828	72,091	48,444	44,791	3,256	51,849	55,721
Profit attributable to owners of parent (loss)	**63,592**	46,495	42,159	48,373	41,754	30,400	16,646	(10,227)	28,229	30,229
Capital expenditures	**58,466**	50,927	50,602	61,590	56,778	45,772	44,117	58,293	62,780	76,386
Depreciation and amortization	**50,920**	43,376	45,746	42,463	43,717	49,825	55,382	55,192	55,189	45,138
At year-end:										
Shareholders' equity[*2]	**¥ 624,245**	¥ 669,576	¥ 594,950	¥ 635,287	¥ 605,349	¥ 608,191	¥ 602,769	¥ 585,234	¥ 628,325	¥ 563,446
Total assets	**1,263,264**	1,255,090	1,093,165	1,091,741	1,097,057	1,077,418	1,082,238	1,057,786	1,100,709	1,061,688
Interest-bearing debt (net)	**43,462**	43,299	10,538	(67,187)	(19,873)	(8,410)	50,035	79,832	63,513	69,265
Per share (yen):										
Net income (loss)	**¥ 108.1**	¥ 78.5	¥ 68.7	¥ 74.4	¥ 61.3	¥ 43.6	¥ 23.9	¥ (14.6)	¥ 41.9	¥ 46.7
Net assets[*2]	**1,074.4**	1,131.4	1,002.3	1,004.4	894.6	871.6	863.7	838.5	899.4	870.0
Cash dividends	**28.0**	24.0	20.0	18.0	16.0	16.0	16.0	16.0	16.0	15.0
Value indicators:										
Liquidity ratios:										
Debt/equity ratio (%)[*3]	**15.8**	12.8	7.3	(3.2)	2.9	4.4	12.4	16.6	13.3	15.9
Interest coverage ratio (times)[*4]	**57.1**	50.4	31.0	45.0	42.7	44.8	28.6	10.5	11.2	19.4
Investment indicators:										
Price/earnings ratio (times)[*5]	**23.5**	33.5	21.2	19.0	16.9	19.9	38.8	–	24.1	29.0
Price/book value (times)[*6]	**2.4**	2.3	1.5	1.4	1.2	1.0	1.1	0.8	1.1	1.6
Return indicators:										
Return on assets (%)[*7]	**5.1**	4.0	3.9	4.4	3.8	2.8	1.6	(0.9)	2.6	2.9
Return on equity (%)[*8]	**9.8**	7.4	7.1	7.8	6.9	5.0	2.8	(1.7)	4.7	5.5
Number of employees	**33,295**	31,312	27,579	27,518	28,245	28,084	27,215	26,869	25,893	24,733

*1. For the coffee and edible oils business and some other businesses, the gross figures for sales and cost of goods sales were recorded in the accounts but from FY2013 this method changed to netting off sales and cost of goods sold and recording the net figure in the accounts. Post-reclassification basis from the year ended March 31, 2011. The following changes in accounting policies are conducted in FY2014. Sales promotion discounts paid to customers to expand sales are deducted from net sales. Figures for FY2011 and subsequent fiscal years have been restated.
*2. Net assets' equity for the years ended March 31, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015 = Net assets - Minority interests
*3. Debt = Net debt/equity ratio = Interest-bearing debt/Shareholders' equity (Net debt is interest-bearing debt - Cash on hand and in banks x 75%)
*4. Interest coverage ratio = Net cash provided by operating activities/Interest paid
*5. PER = Year-end share price/Net income per share
*6. PBR = Year-end share price/Shareholders' equity per share
*7. ROA = Net income (or loss)/Average total assets
*8. ROE = Net income (or loss)/Average total shareholders' equity

Special Feature

The Ajinomoto Group is working to improve its economic value through the creation of social value. This section introduces the initiatives the Group is taking through its business.

CONTENTS

01

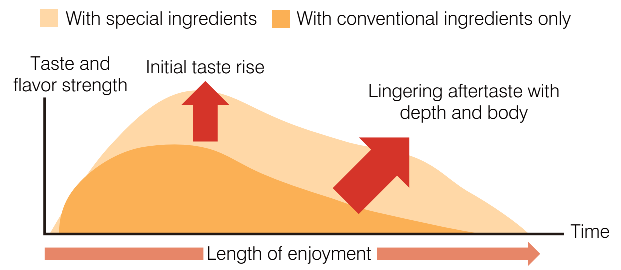
Answering the Needs of Diverse Lifestyles with *Nabe Cube*

The Ajinomoto Group is developing products to meet the needs of diverse lifestyles. Conventional seasonings for hot pot dishes consist primarily of liquid soup seasonings and bottled concentrates for three to four servings. These seasonings need to be used all at once and are difficult to carry around due to their weight. For *Nabe Cube*, however, the same amount of delicious taste in an approximately 180-gram single serving of the liquid soup seasoning is condensed into one roughly 7.3-gram single-serving cube (e.g. chicken broth and umami-salt flavoring).

Concentrating Technologies to Realize One Delicious and Easy-to-Prepare Cube

A taste and flavor that expand in the mouth and provide lingering aftertaste

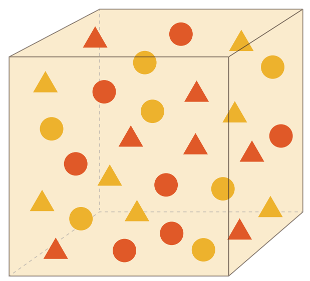
With the use of a new soup stock that strongly enhances flavor even when added in small quantities, in combination with ingredients that provided a deep body and rich flavor complex, we have realized a new body and depth in a sensation that began the instant the broth entered the mouth, grew rapidly due to the complex and exquisite taste of the selected extracts, then developed and lingered until the broth was swallowed.



Time and taste perception
The left end of the horizontal axis represents the moment of food entering in the mouth. The right end of the horizontal axis represents the time until taste is no longer felt, including aftertaste.

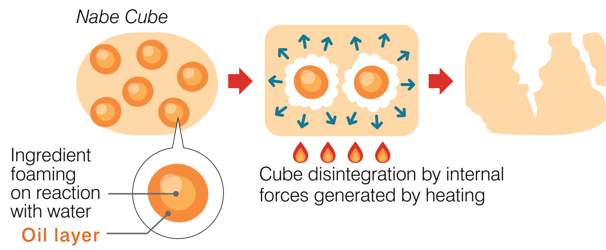
Soft before cubing, strong after cubing

To attain uniform dispersion of the various ingredients in the cube, each ingredient had to exhibit a degree of fluidity as a powder. Following solidification in the form of a cube, the cube had to retain its shape and resist crumbling throughout the entire cycle of handling and distribution. Therefore, the development team established a process control technology that resolved these mutually conflicting requirements and achieved the necessary balance in every cube during production.



A cube that quickly melts when broken up

Strong, stable cube solidification leads directly to the problem of slow dissolution. To resolve this problem, the team developed a new technology so that the cube would disintegrate from the inside by a foaming reaction with water penetrating the cube when the cube is placed in hot water. This end result is the rapidly initiated, uniform dissolution of the *Nabe Cube*.



02

Developing Flavor Seasonings Tailored to Each Country

The Ajinomoto Group has developed its operations based on local dietary cultures by thoroughly tailoring its products to match the tastes and preferences of each country for becoming No. 1 in deliciousness. For flavor seasonings in emerging countries, we have pursued deliciousness by leveraging our abilities to develop technologies such as meat extracts and have set up a robust distribution structure that centers on direct cash sales of products by local staff.

Deep understanding of local dietary culture

Research on local eating habits through surveys of families and consumers by local employees

Survey of household cooking methods

Survey of the preferences of housewives

Consumer surveys (interviews, etc.)

Technological development capabilities

Product development that caters to local tastes

Thailand *Ros Dee*®	Brazil *Sazón*®	Indonesia *Masako*®	Vietnam *Aji-ngon*®	The Philippines *Ginisa*
				
With its blend of meat extracts and spices, *Ros Dee*® brand all-purpose flavor seasoning strikes the perfect balance between aroma and taste, which is an important aspect of Thai cuisine.	*Sazón*® brand flavor seasoning is a mixed powder that blends natural spices and various kinds of seasonings in an ideal fashion.	*Masako*® brand flavor seasoning offers a well-balanced blend of meat extracts and spices, adding a delicious touch to a wide range of dishes, from soups to stir-fries.	*Aji-ngon*® brand flavor seasoning extracts the essence of pork thighbone and the meat itself.	*Ginisa* brand flavor seasoning is a well-balanced blend of garlic and onion used in the stir-fry dishes of Philippine cuisine.

In-house production of materials

Pursuit of further food safety by in-house production of meat extracts as primary materials

Indonesia

Vietnam

03

Promoting the “Ghana Nutrition Improvement Project”

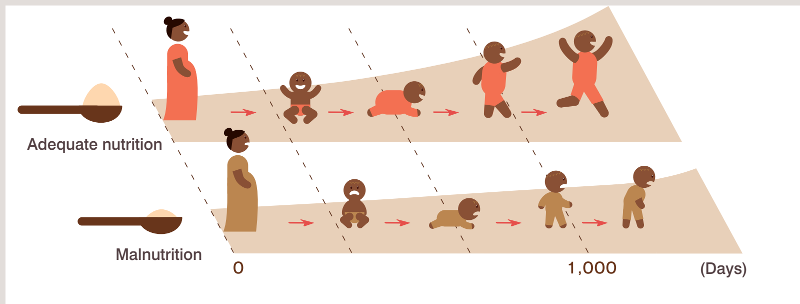
The Ajinomoto Group launched the “Ghana Nutrition Improvement Project” in 2009 as an initiative to resolve nutrition-related issues, which are spreading across the globe. In Africa, infant malnutrition is a serious problem that has yet to be resolved. In Ghana, specifically, delayed growth in children is becoming a major issue due to the lack of nutrition among infants weaned between six months and two years old.

Under the “Ghana Nutrition Improvement Project,” we have developed the amino acid supplement *KOKO Plus*, which is added to the traditional Ghanaian baby food “koko,” a corn porridge, to enhance its nutritional balance. In addition to manufacturing *KOKO Plus* at local food companies in Ghana, we are working together with the Japan International Cooperation Agency, Ghana’s Ministry of Health, the University of Ghana, and international NGOs to promote the further development, spread, and sale of the supplement. For sales, we are collaborating with an international NGO that has implemented a program for the support of the self-independence of Ghanaian women, establishing a sales structure in which an all-female sales staff visits villages throughout the country to sell *KOKO Plus*.

Distribution model pilot test in Northern Ghana’s rural district. *KOKO Plus* is distributed to mothers and children by regional saleswomen in 13 communities.

Nutrition in the first 1,000 days determines a child’s growth

Approximately one-third of infant mortality cases globally are said to be caused by malnutrition. Malnutrition and stunted growth during the first 1,000 days—from conception until the child’s second birthday—increases the risk of mortality before the age of five, and impairs intellectual development.



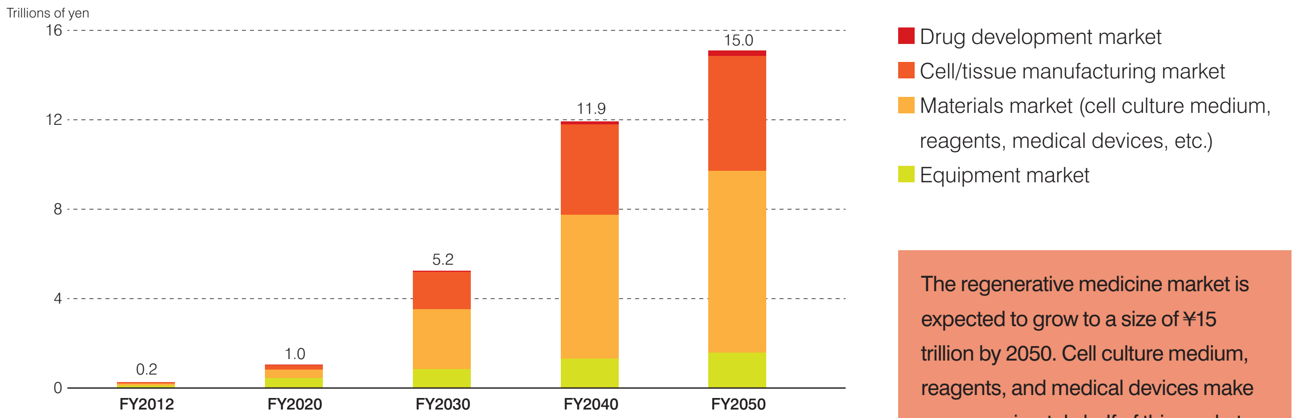
In Ghana, 30%–40% of children aged two years display stunted height, mainly from malnutrition during weaning from age six months and beyond.

04 Developing Cell Culture Medium for Regenerative Medicine with World-Class Performance

Collaborating with Kyoto University's Center for iPS Cell Research and Application, Ajinomoto Co., Inc. has successfully developed *StemFit® AK03* in 2014, an iPS and ES cell culture medium with a higher level of safety, free of animal- and human-derived components, which are typically used in regenerative medicine. Ajinomoto Co., Inc. offers *StemFit® AK03* to laboratories and other facilities in Japan and the U.S. to be used as a cell culture medium for clinical research on regenerative medicine.

In 2015, we successfully developed *StemFit® AK02N*, a cell culture medium used for basic research with the same composition and performance as *StemFit® AK03*. *StemFit® AK02N* offers world-class performance as a cell culture medium for iPS and ES cell proliferation and realizes higher cost performance than the products of other companies in terms of replacement frequency, proliferation rate, and stability.

The Growing Regenerative Medicine Market



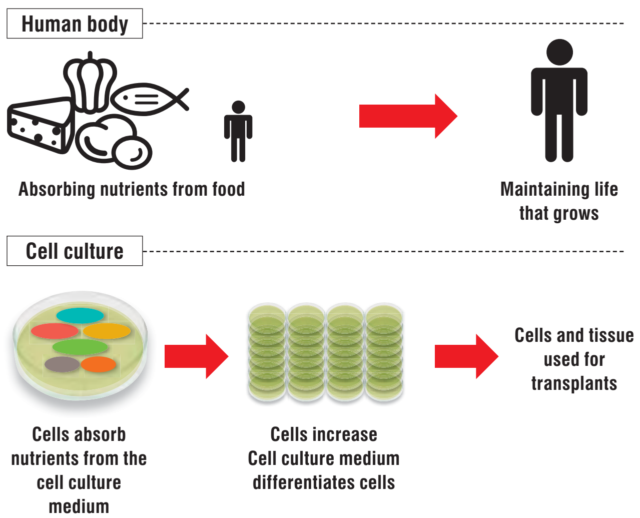
The market size for cell culture medium and reagents used in regenerative medicine is expected to grow to ¥1 trillion by 2030, ¥2.7 trillion by 2040, and ¥3.5 trillion by 2050.

The regenerative medicine market is expected to grow to a size of ¥15 trillion by 2050. Cell culture medium, reagents, and medical devices make up approximately half of this market.

(Survey by Seed Planning, Inc.)

Cell Culture Medium for Regenerative Research

Cell culture medium is a nutritional liquid that contains a healthy balance of the amino acids, sugars, carbohydrates, vitamins, and minerals necessary for cells to grow. Cell culture medium increases the amount of stem cells, such as iPS cells, and is used to differentiate transplanted cells and tissue.

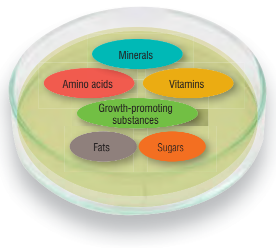


Requirements for Cell Culture Medium Used in Regenerative Medicine

Issues in the development of cell culture medium for regenerative medicine that uses iPS cells

Issue 1: Developing and providing high-performance cultures that can be used in regenerative medicine

Issue 2: Developing and providing safe cell culture medium that can be used in clinical research and medical treatment



Areas in which the Company can leverage its research on amino acid nutrition and its experience in developing biotechnologies, cell culture medium, and enteral nutrients.

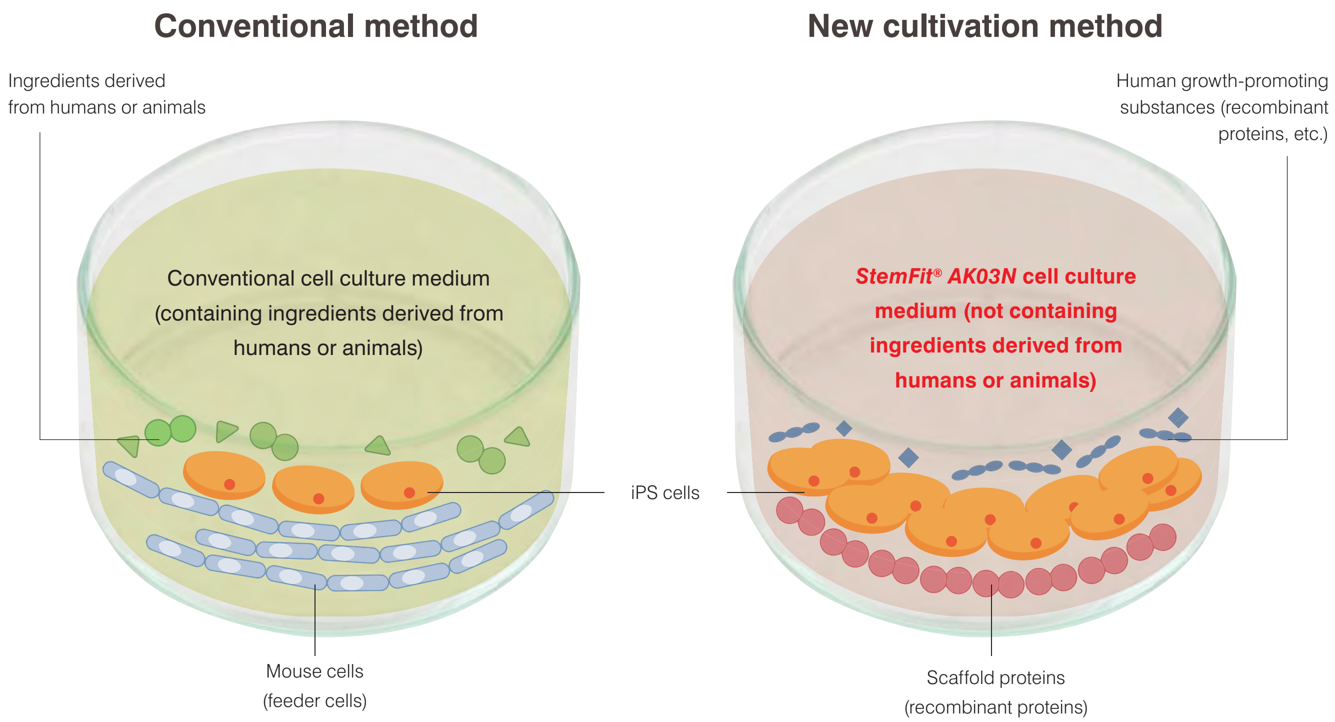
By pursuing the nutrient compositions and growth-promoting substances needed to breed iPS cells, as well as producing optimal cell compositions using safe and inexpensive materials, Ajinomoto Co., Inc. is developing cell culture medium for iPS cell cultures that are used in regenerative medicine.

Making Long-Term Cultivation Possible with the Extra-Safe *StemFit® AK03N*

Combining Ajinomoto Co., Inc.'s research and compounding technologies with the expertise and research milestones of Kyoto University's Center for iPS Cell Research and Application, the Company has developed *StemFit® AK03N* (a new version of *StemFit® AK03*, a cell culture medium that allows for the stable, long-term proliferation of iPS and ES cells). The superior proliferation performance is made possible by compounding the optimal ratio of necessary growth-promoting substances within the cell culture medium.

As *StemFit® AK03N* is expected to be used in regenerative medicine, it uses recombinant proteins made with biotechnology to consist solely of refined substances that are completely free of animal- and human-derived components.

Methods for Cultivating iPS Cells Suitable for Transplants



Combining the Technologies of Ajinomoto Co., Inc. and Kyoto University's Center for iPS Cell Research and Application

Development of the *StemFit®* series of AK iPS/ES cell culture medium

Ajinomoto Co., Inc.

- **Research on amino acid nutrition and metabolism**
- **Analysis technologies**
  Amino acid analysis technology: *AminoIndex®*
- **Compounding technologies, nutrient development, and manufacturing technologies**
  Enteral nutrient *ELENTAL®*, a serum-free cell culture medium
- **Biomass technologies**
  Growth-promoting substance (proteins) production technology *CORYNEX®*

×

Swiftly discovering an optimal organization

Kyoto University's Center for iPS Cell Research and Application (CiRA)

- **Leading edge research related to iPS cells**

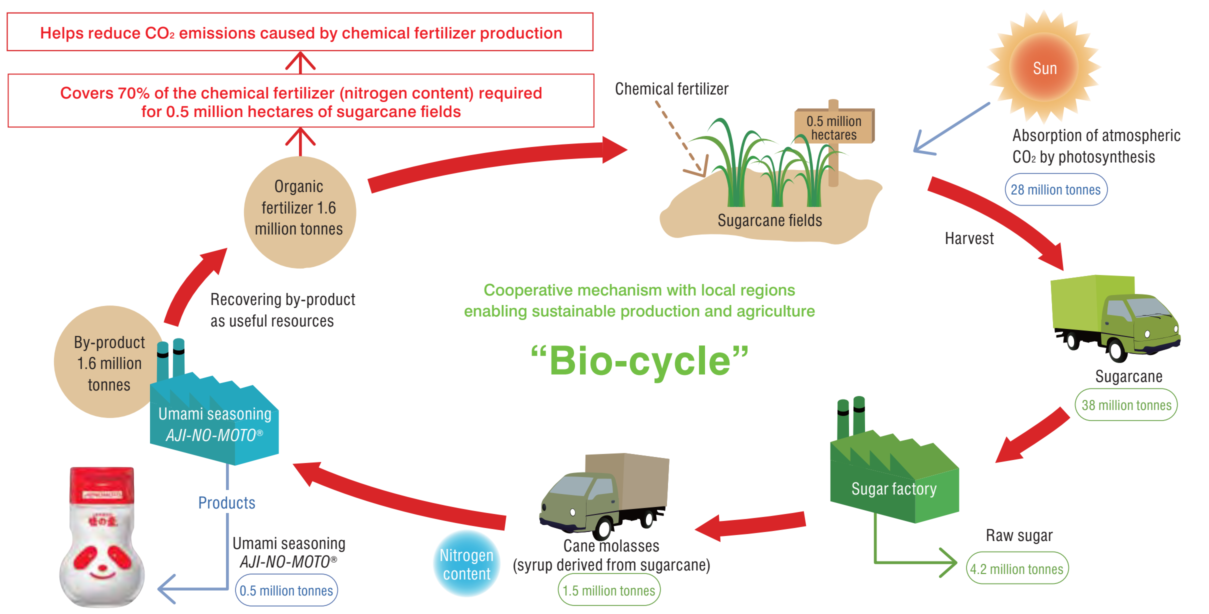
Technological development related to iPS cell creation, proliferation, undifferentiated potency preservation, storage, and differentiation; evaluation techniques and analytical research mechanisms

05

Making Amino Acid Manufacturing Sustainable with “Bio-cycle”

Amino acids used in the Ajinomoto Group’s products such as umami seasoning *AJI-NO-MOTO*® are manufactured at the Group’s 18 amino acid manufacturing bases located in nine countries throughout Asia, Europe, and the Americas. These amino acids are manufactured through fermentation using the agricultural materials that are readily available in each particular region, such as sugarcane, cassava, corn, sugar beets, and wheat. During the manufacturing process, nutritionally rich by-products (co-products) are left behind after the amino acids are extracted from the fermented raw materials. Nearly 100% of these co-products are used as fertilizers for crops and feed for livestock and marine life in local communities.

Through these means, we are contributing to the productivity of local agriculture while realizing the sustainable procurement of agricultural raw materials. At the Ajinomoto Group, we call this process a “bio-cycle,” and for over 30 years we have been making efforts to introduce bio-cycles at all of our fermentation plants across the globe.



The chart assumes worldwide annual production of approximately 0.5 million tonnes of the umami seasoning *AJI-NO-MOTO*® by the Ajinomoto Group using only sugarcane.

The values of sugarcane grown and sugar production are commonly used global figures, and the values of resources used for producing *AJI-NO-MOTO*® and of by-products are based on actual statistics from the Ajinomoto Group.

Important agricultural raw materials in amino acid manufacturing: sugarcane, corn, and cassava

Using a co-product to cultivate rice

06

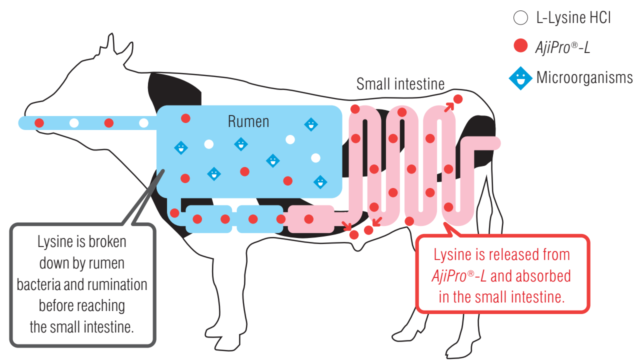
Providing the Foundation for Shifting from Commodities to Specialty Businesses with *AjiPro®-L*

Amid rising demand for meat products around the world, producing high-quality meat in a more efficient manner is an issue facing the livestock industry. With over 50 years of experience in the amino acid business for animal feed, the Ajinomoto Group has led the way in markets around the world through marketing activities backed by scientific evidence and innovative amino acid production technologies. Currently, the Group is expanding its business into the field of animal nutrition.

AjiPro®*-L* pellets

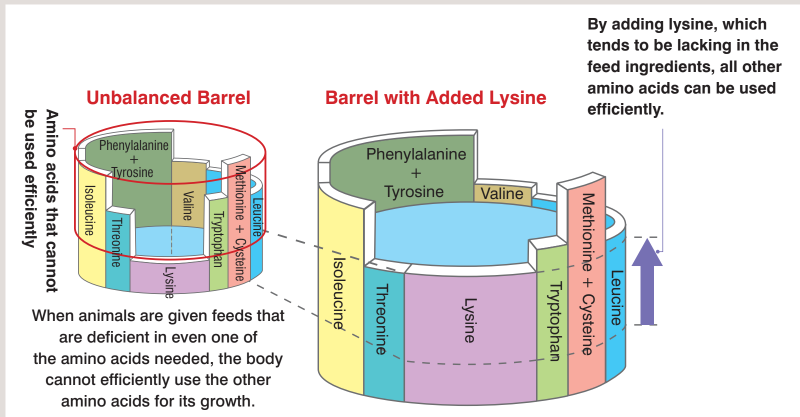
Dairy cow feed fortified with *AjiPro*®*-L*

Since 2011, we have been selling *AjiPro*®*-L* rumen-protected lysine for dairy cows in North America. Cows are ruminant mammals that have four stomachs. With *AjiPro*®*-L*, we have turned our original amino acid processing technology into a product. This technology allows *AjiPro*®*-L* to reach the cow’s intestine without being digested in the rumen (cow’s first stomach). *AjiPro*®*-L* has received a high level of praise, making it the top brand of lysine for dairy cows in North America. Currently, we are engaging in initiatives geared toward launching *AjiPro*®*-L* in Asia, the Middle East, and Oceania. In April 2015, we commenced sales of *AjiPro*®*-L* in Japan.



Feed-Use Amino Acids

It is common for animal feed to lack essential amino acids such as lysine, threonine, and tryptophan. With the addition of feed-use amino acids, the other amino acids found in the feed can be used more effectively, which thereby promotes growth in livestock.



Major Subsidiaries and Affiliates

(As of March 31, 2016)

■ Consolidated subsidiary ● Affiliated company accounted for by the equity method

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
Japan						
■	Ajinomoto Frozen Foods Co., Inc. (Special subsidiary company)	Japan	JPY	9,537,650	100.0	Frozen Foods
■	Ajinomoto Pharmaceuticals Co., Ltd. (Special subsidiary company)	Japan	JPY	9,145,000	100.0	Pharmaceuticals
■	Knorr Foods Co., Ltd.	Japan	JPY	4,000,000	100.0	Seasonings and Processed Foods
■	Ajinomoto General Foods, Inc. (Special subsidiary company)	Japan	JPY	3,862,000	100.0 (5.0)	Coffee Products
■	GABAN Co., Ltd.	Japan	JPY	2,827,200	55.4	Seasonings and Processed Foods
■	AJINOMOTO LOGISTICS CORPORATION	Japan	JPY	1,930,000	89.4 (0.9)	Logistics
■	Ajinomoto Animal Nutrition Group, Inc.	Japan	JPY	500,000	100.0	Animal Nutrition
■	AJINOMOTO TREASURY MANAGEMENT, INC.	Japan	JPY	500,000	100.0	Service, etc.
●	J-OIL MILLS, INC.	Japan	JPY	10,000,000	27.3	Edible Oils
Asia						
■	Ajinomoto (Malaysia) Berhad	Malaysia	MYR	60,798	50.1	Seasonings and Processed Foods
■	GABAN SPICE MANUFACTURING (Malaysia) SDN. BHD.	Malaysia	MYR	38,100	100.0 (100.0)	Seasonings and Processed Foods
■	SI AYUTTHAYA REALESTATE CO., LTD.	Thailand	THB	924,000	100.0 (100.0)	Service, etc.
■	Ajinomoto Co., (Thailand) Ltd.	Thailand	THB	796,362	78.7 (4.5)	Seasonings and Processed Foods
■	Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd.	Thailand	THB	764,000	50.0 (50.0)	Frozen Foods
■	Ajinomoto SEA Regional Headquarters Co., Ltd.	Thailand	THB	715,000	100.0	Service, etc.
■	Fuji Ace Co., Ltd.	Thailand	THB	500,000	51.0 (51.0)	Packaging
■	Ajinomoto Betagro Specialty Foods (Thailand) Co., Ltd.	Thailand	THB	390,000	51.0 (51.0)	Frozen Foods
■	Ace Pack (Thailand) Co., Ltd.	Thailand	THB	277,500	100.0 (94.6)	Packaging
■	Ajinomoto Frozen Foods (Thailand) Co., Ltd.	Thailand	THB	105,000	100.0 (100.0)	Frozen Foods
■	PT Ajinex International	Indonesia	USD	44,000	95.0	Umami Seasonings for Processed Food Mfrs. and Sweeteners
■	PT Ajinomoto Indonesia	Indonesia	USD	8,000	51.0	Seasonings and Processed Foods
■	Ajinomoto Vietnam Co., Ltd.	Vietnam	USD	50,255	100.0	Seasonings and Processed Foods
■	AJINOMOTO PHILIPPINES CORPORATION	Philippines	PHP	665,444	95.0	Seasonings and Processed Foods

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
■	Ajinomoto (China) Co., Ltd. (Special subsidiary company)	China	USD	104,108	100.0	Seasonings and Processed Foods
■	Shanghai Ajinomoto Seasoning Co., Ltd.	China	USD	27,827	100.0 (99.0)	Seasonings and Processed Foods
■	Shanghai Ajinomoto Amino Acid Co., Ltd.	China	USD	12,000	61.0 (59.0)	Amino Acids
■	Xiamen Ajinomoto Life Ideal Foods Co., Ltd.	China	USD	7,000	51.0 (51.0)	Frozen Foods
■	HENAN AJINOMOTO AMINO ACID CO., LTD.	China	USD	6,000	100.0 (100.0)	Amino Acids
■	Lianyungang Ajinomoto Frozen Foods Co., Ltd.	China	USD	5,800	100.0 (100.0)	Frozen Foods
■	Lianyungang Ajinomoto Ruyi Foods Co., Ltd.	China	USD	5,500	90.0 (90.0)	Frozen Foods
■	Amoy Food Ltd.	Hong Kong	HKD	148,000	100.0 (30.0)	Seasonings and Processed Foods
■	Ajinomoto Genexine Co., Ltd.	Korea	WON	35,700,000	75.0 (75.0)	Amino Acids
The Americas						
■	Ajinomoto Althea, Inc.	United States	USD	0	100.0	Amino Acids
■	Ajinomoto Windsor, Inc.	United States	USD	15,030	100.0 (100.0)	Frozen Foods
■	Ajinomoto Heartland, Inc.	United States	USD	750	100.0 (100.0)	Animal Nutrition
■	Ajinomoto del Perú S.A.	Peru	PEN	45,282	99.6	Seasonings and Processed Foods
■	Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda. (Special subsidiary company)	Brazil	BRL	913,298	100.0	Seasonings and Processed Foods, Umami Seasonings for Processed Food Mfrs. and Sweeteners, Animal Nutrition, Amino Acids
Europe						
■	S.A. Ajinomoto OmniChem N.V.	Belgium	EUR	21,320	100.0 (0.0)	Amino Acids
■	ZAO AJINOMOTO-GENETIKA Research Institute	Russia	RBL	468,152	100.0	Service, etc.
■	AJINOMOTO FOODS EUROPE S.A.S. (Special subsidiary company)	France	EUR	82,609	100.0 (0.0)	Umami Seasonings for Processed Food Mfrs. and Sweeteners
■	AJINOMOTO EUROLYSINE S.A.S. (Special subsidiary company)*2	France	EUR	26,865	100.0 (100.0)	Animal Nutrition
■	Ajinomoto Poland Sp. z o.o.	Poland	PLN	39,510	100.0 (100.0)	Seasonings and Processed Foods
■	West African Seasoning Co., Ltd.	Nigeria	NGN	2,623,714	100.0	Seasonings and Processed Foods

*1 Numbers in parentheses indicate indirect equity ownership.
*2 AJINOMOTO EUROPE S.A.S. owns one share in the company.

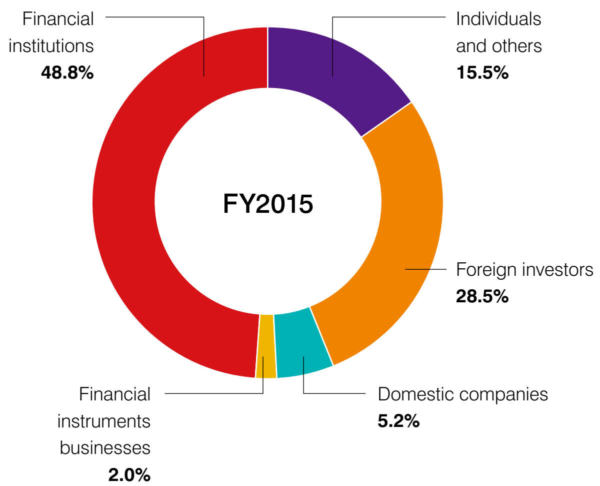
Corporate Data / Stock Information

As of March 31, 2016

Company Name:	Ajinomoto Co., Inc.
Founding:	May 20, 1909
Paid-in Capital:	¥79,863 million (as of March 31, 2016)
Number of Employees:	33,295 (Consolidated), 3,477 (Unit)
Fiscal Year-end:	March 31 (General meeting of shareholders: June)
Head Office:	15-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-8315, Japan Tel: +81-3-5250-8111 http://www.ajinomoto.com/en/

Common Stock Authorized:	1,000,000,000 shares
Issued:	583,762,654 shares
Number of Shareholders:	49,925
Listing:	Tokyo Stock Exchange (Ticker Code: 2802)
Shareholder Registrar:	Mitsubishi UFJ Trust and Banking Corporation
Independent Auditor:	Ernst & Young ShinNihon

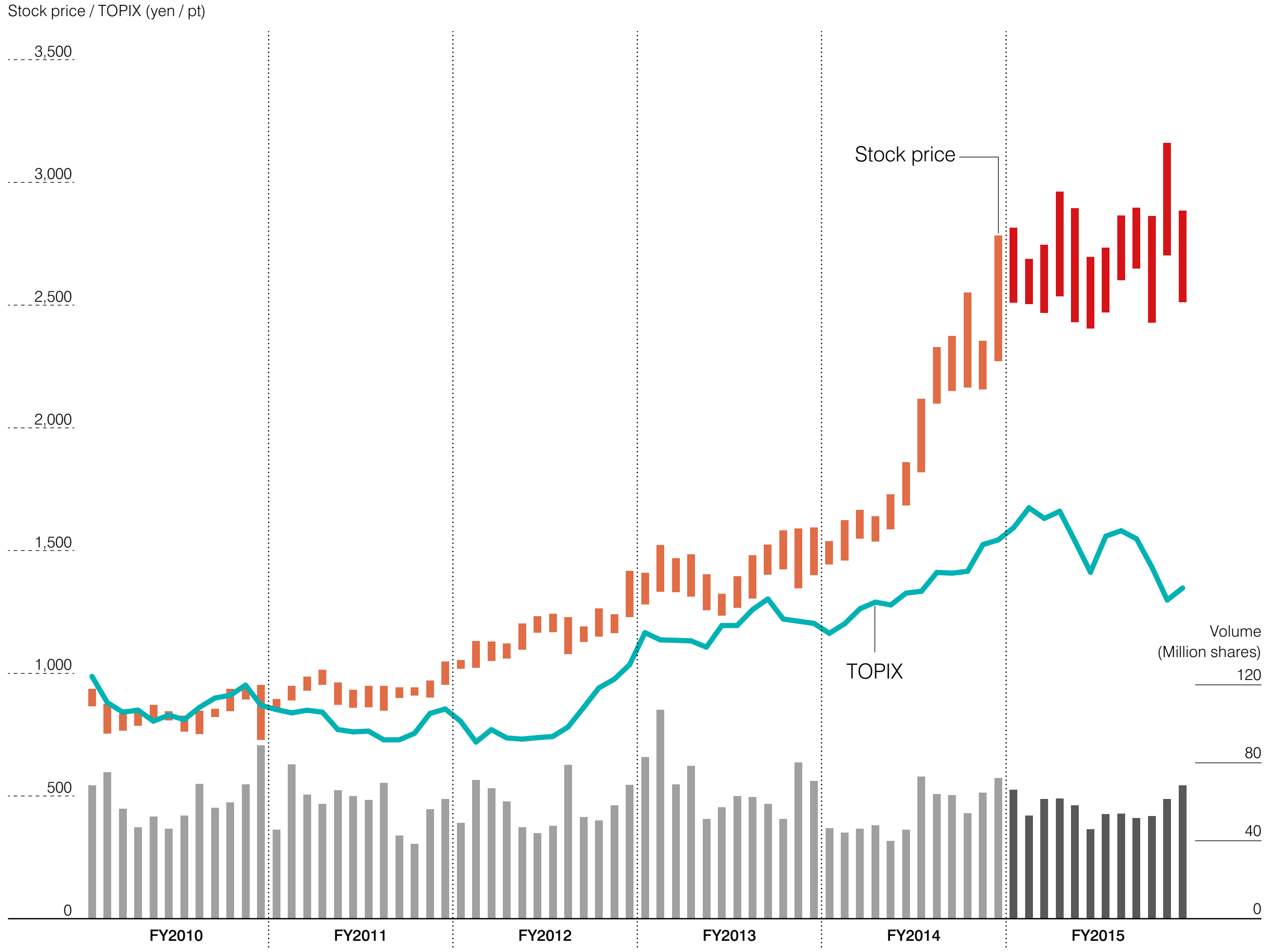
Distribution of Shareholders (By number of shares)



Major Shareholders

Name of Shareholders	Number of Shares (Thousands)	Equity Position (%)
The Master Trust Bank of Japan, Ltd. (trust account)	50,554	8.66
Japan Trustee Services Bank, Ltd. (trust account)	34,585	5.92
The Dai-ichi Life Insurance Company, Limited	26,199	4.49
NIPPON LIFE INSURANCE COMPANY	25,706	4.40
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,149	3.45
Sompo Japan Nipponkoa Insurance Inc.	13,239	2.27
Meiji Yasuda Life Insurance Company	12,624	2.16
Mitsubishi UFJ Trust and Banking Corporation	11,548	1.98
Mizuho Bank, Ltd.	10,045	1.72
STATE STREET BANK WEST CLIENT - TREATY 505234	9,133	1.56

Monthly Stock Price Range and Monthly Trading Volume



Outside Evaluation

Inclusion in the SRI Index

- **Dow Jones Sustainability World Index**
  Since 2014, the Company has been selected for two consecutive years.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

- **FTSE4Good Global Index**
  Since 2004, the Company has been selected for 13 consecutive years.

FTSE4Good

Highly Regarded Activities

Fiscal 2015	
IR Grand Prix Award at the 20th IR Awards	
Minister of the Environment Grand Prize for Sustainable Reporting at the 19th Environmental Communication Awards	Sustainability Report 2015
Top Prize in the Nikkei Social Initiative Awards by newspaper publisher Nihon Keizai Shimbun (Nikkei)	Ghana Nutrition Improvement Project
Fiscal 2014	
Superior Corporate IR Award at the 19th IR Awards	
Grand Prize for Sustainability Reports (Ministry of the Environment), 18th Environmental Communication Awards	Sustainability Report 2014
Minister's Prize (Ministry of the Environment), Eco-Products Category, 11th Eco-Products Awards	*HON-DASHI* packaging
2014 Environment Minister's Award for Global Warming Prevention Activity Implementation of Countermeasures	*Kyushu Rikisaku Yasai* and *Kyushu Rikisaku Kudamono* project consortium

Website Information

Detailed information (business activities, financial and non-financial data, governance, etc.) is available on the Company's website.

Sustainability
http://www.ajinomoto.com/en/activity/

Investor Relations
http://www.ajinomoto.com/en/ir

Medium-Term Management Plan
http://www.ajinomoto.com/en/ir/ir_library/fin_quart.html

Corporate Governance Policies
http://www.ajinomoto.com/en/ir/pdf/Governance_E.pdf

Eat Well, Live Well.
AJINOMOTO

Eat Well, Live Well.
AJINOMOTO

Ajinomoto Group

Appendix: Financial Data 2016

Inquiries regarding IR:
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Management's Discussion and Analysis

Ajinomoto Co., Inc. and Consolidated Subsidiaries for fiscal 2015, ended March 31, 2016

Review of Operations

Operating Environment

In fiscal 2015, ended March 31, 2016, the global economy as a whole achieved a moderate recovery due to continued economic improvement in the United States and Europe, despite moderate slowdowns in the economies of China and other emerging countries.

While there were signs of weakness in exports and production activity, the Japanese economy remained on a course for gradual recovery, supported by improvement in the employment environment and a rebound in capital investments.

Business Overview

In such an operating environment, Ajinomoto is implementing its 2014–2016 Medium-Term Management Plan with the aim of becoming a "Genuine Global Specialty Company." Under this plan, the Company is striving to "Advance Growth Drivers" and "Reinforce the Business Structure" by pursuing specialty businesses, while also endeavoring to "Build a Stronger Management Foundation," which will help guide the Company in achieving its goals.

Consolidated net sales for the fiscal year, increased 17.8%, or ¥179.3 billion, year-on-year, to ¥1,185.9 billion. The gain primarily reflects growth in overseas sales of seasonings and processed foods and the inclusion of two additional companies in the scope of consolidation: Windsor Quality Holdings, LP (now Ajinomoto Windsor, Inc.; hereafter, "Windsor"), a U.S. frozen foods manufacturer and distributor that was acquired on November 5, 2014, through the acquisition of all outstanding shares; and Ajinomoto General Foods, Inc. (hereafter, "AGF"), whose shares were acquired on April 23, 2015.

Operating income rose 22.2%, or ¥16.5 billion, year on year, to ¥91.0 billion, due to such factors as the contributions from umami seasonings for processed food manufacturers, the consolidation of AGF, and an increase in sales of seasonings and processed foods in Japan. Ordinary income rose 13.9%, or ¥11.5 billion, to ¥94.3 billion.

Profit attributable to owners of parent was up 36.8%, or ¥17.0 billion, year on year, to ¥63.5 billion. The increase includes an extraordinary gain of ¥24.8 billion resulting from the sale of the Company's entire equity stake in Nissin-Ajinomoto Alimentos Ltda., an affiliated instant noodle company in Brazil, as well as an extraordinary gain of ¥18.0 billion realized as a valuation gain (gain on step acquisitions) resulting from a revision of the equity interest in AGF held prior to the acquisition of additional shares in April 2015 versus its market value at the time of the additional acquisition. These extraordinary gains offset extraordinary losses related to business restructuring, including ¥16.6 billion expense incurred for structural reform of the pharmaceutical business and a ¥6.9 billion loss on liquidation of subsidiaries related to the sale of shares of a French subsidiary, which deals with the production and sale of sweeteners.

Financial Review

Net Sales

Net sales saw a year-on-year increase of 17.8%, or ¥179.3 billion, to ¥1,185.9 billion. By region, sales in Japan grew 20.9%, or ¥96.2 billion, to ¥556.6 billion, as the consolidation of AGF contributed to a substantial gain in sales of coffee products. Overseas sales rose significantly, up 15.2%, or ¥83.1 billion, to ¥629.3 billion. This rise was attributed primarily to increased sales of frozen foods, which included net sales at Windsor, seasonings and processed foods, and amino acids. By specific geographical region overseas, sales increased 5.4%, to ¥274.5 billion, in Asia, and 40.3%, to ¥245.9 billion, in the Americas, while sales fell 1.4%, to ¥108.8 billion, in Europe. In addition, the foreign sales ratio was 53.1%, compared to 54.3% in the previous fiscal year.

Cost of Sales/Selling, General and Administrative Expenses

Cost of sales stood at ¥768.8 billion, a year-on-year increase of 16.6%, or ¥109.3 billion, reflecting the growth in net sales. The ratio of the cost of sales to net sales edged up 0.7 percentage point, to 64.8%, mainly due to the consolidation of AGF. Selling, general and administrative expenses increased 19.6%, or ¥53.4 billion, to ¥326.0 billion, as continued efforts to reduce sales promotion expenses were offset by the impact of an increase in expenses associated with consolidated subsidiaries.

Operating Income

Operating income increased 22.2%, or ¥16.5 billion, to a record-high ¥91.0 billion. By region, operating income in Japan rose 29.6%, to ¥38.4 billion, while operating income from overseas operations increased 17.3%, to ¥52.6 billion. Overall operating income from operations in Japan rose significantly due to the contributions from coffee products as well as seasonings and processed foods, which offset a substantial decrease in income from pharmaceuticals. Overseas profits saw a substantial increase overall, thanks to the contributions from seasonings and processed foods in addition to frozen foods, which combined offset a sharp decline in profits in the animal nutrition business. By specific geographical region overseas, operating income increased 22.9%, to ¥37.4 billion, in Asia; 0.7%, to ¥11.7 billion, in the Americas; and 24.6%, to ¥3.4 billion, in Europe. Furthermore, the overseas operating income ratio was 57.8%, compared to 60.2% in the previous fiscal year.

Non-Operating Income (Expenses)

The difference between non-operating income and non-operating expenses was net income of ¥3.2 billion, a decrease of ¥5.0 billion from net income of ¥8.2 billion in the previous fiscal year. The main factors in this decrease were a decline in earnings of non-consolidated subsidiaries and affiliates and a reduction in gains from foreign exchange rates.

Ordinary Income

Ordinary income increased 13.9%, or ¥11.5 billion, to a record-high ¥94.3 billion.

Extraordinary Gains

Extraordinary gains in the fiscal year under review totaled ¥45.3 billion, compared with ¥12.8 billion in the previous fiscal year. These extraordinary gains consisted primarily of a ¥24.8 billion gain on the sale of the Company's entire equity holdings in Nissin-Ajinomoto Alimentos Ltda. and an ¥18.0 billion gain on step acquisitions of additional shares of AGF.

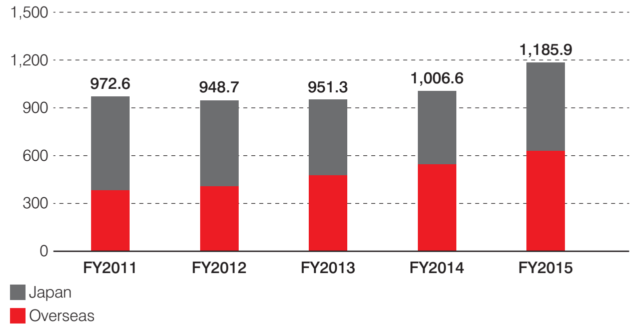
Extraordinary Losses

Extraordinary losses in the fiscal year under review came to ¥39.3 billion, up from ¥16.6 billion in the previous fiscal year. The main losses were a ¥16.6 billion loss incurred from restructuring expenses in the pharmaceutical business, a ¥6.9 billion loss on liquidation of subsidiaries related to the sale of shares of a French subsidiary engaged in the production and sale of sweeteners, and a ¥7.4 billion impairment loss (¥10.4 billion in the previous fiscal year) primarily on the manufacturing facilities of overseas subsidiaries. The main impairment items in the fiscal year under review were ¥3.3 billion for manufacturing facilities for the animal nutrition business in Thailand and ¥2.0 billion for seasoning manufacturing facilities in China.

Profit Attributable to Owners of the Parent

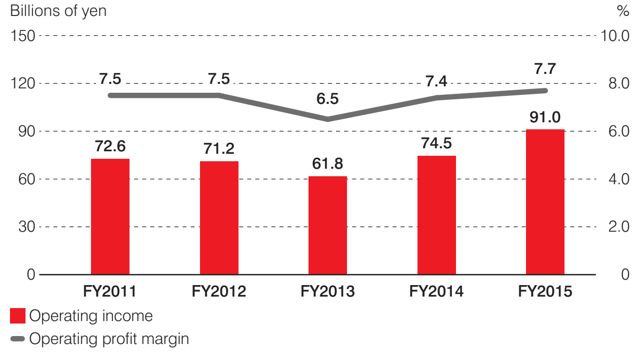
Profit attributable to owners of the parent for the fiscal year under review rose 36.8%, or ¥17.0 billion, to ¥63.5 billion. Earnings per share for the fiscal year were ¥108.14, up from ¥78.54 for the previous fiscal year.

Domestic and Overseas Sales

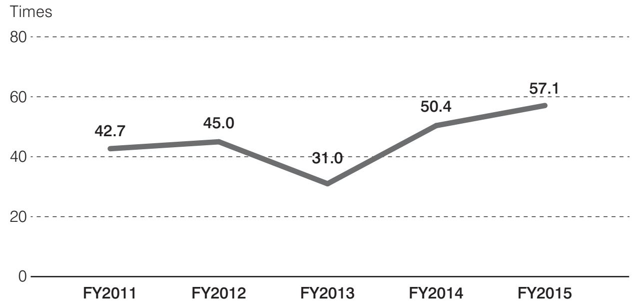


Note: Excludes interarea sales and transfers

Operating Income & Operating Profit Margin



Interest Coverage Ratio



Costs, Expenses and Income as Percentages of Net Sales

Years ended March 31	FY2015		FY2014		FY2013	
	Percentage	Change	Percentage	Change	Percentage	Change
Cost of sales	**64.8%**	**(0.7)**	65.5%	(1.3)	66.8%	3.5
Gross profit	**35.1**	**0.7**	34.4	1.3	33.1	(3.5)
SG&A expenses	**27.4**	**0.4**	27.0	0.4	26.6	(2.5)
Operating income	**7.7**	**0.3**	7.4	0.9	6.5	(1.0)
Income before income taxes & minority interests	**8.4**	**0.6**	7.8	0.2	7.6	(3.0)
Net income	**5.4**	**0.8**	4.6	0.2	4.4	(0.7)

Note: Change represents change in percentage points from the previous year.

Ajinomoto Co., Inc. and Consolidated Subsidiaries for fiscal 2015, ended March 31, 2016

Segment Information

Japan Food Products Segment

Sales in the Japan Food Products segment increased 36.4%, or ¥105.3 billion, to ¥394.4 billion, due to the growth in sales of seasonings and processed foods as well as the inclusion of AGF into the scope of consolidation. Segment operating income increased 26.6%, or ¥6.5 billion, to ¥31.3 billion, owing primarily to the same two factors that supported the growth in segment sales.

Seasonings and Processed Foods

While sales of *HONDASHI*® declined, overall sales of home-use seasonings and processed foods increased, thanks to successful efforts to expand demand throughout the year for the *Knorr*® *Cup Soup* lineup by creating demand through the promotion of the "Made with cold milk" series in the summer and the "hot breakfast" campaign in the cooler seasons. In addition, the *Knorr*® *Cup Soup DELI* lineup and the *Nabe Cube*® lineup, which consists of cube-shaped seasonings for meals cooked in a hot pot, both realized higher year-on-year sales.

Overall sales of commercial-use seasonings and processed foods also increased. This increase was attributable to the growth in sales of seasoning products for restaurant use, which was driven by increased sales of functional food products that enhance the texture and quality of rice and meat while drawing out their flavors. Sales of *ACTIVA*®, a food enzyme (transglutaminase), and savory seasonings also rose, reflecting strong sales in Japan and overseas.

As a result, overall sales of seasonings and processed foods increased year on year.

Frozen Foods

Sales of home-use frozen foods were on par with sales in the previous fiscal year. In addition to solid sales of *Gyoza* and *Yawaraka Wakadori Kara-Age*, the new product *THE CHA-HAN* (fried rice) also performed favorably. Strong sales of these products offset lower sales of frozen foods used in box lunches, such as *Ebi Yose Fry* (shrimp fry).

Sales of frozen foods geared toward the commercial market increased year on year, thanks to the strong sales of chicken, dessert, and gyoza product offerings.

As a result of the above, overall sales of frozen foods were in line with the previous fiscal year.

Coffee Products

As a result of the consolidation of AGF in the first quarter of the fiscal year under review, sales of AGF coffee products are now included in the Japan Food Products segment. Home-use coffee products performed solidly across the board, with stick-type instant coffee products, regular coffee products, and instant coffee products all recording increased sales. Gift-package products also performed well.

Sales of commercial-use products were solid, supported by an increase in sales to major customers.

International Food Products Segment

Sales in the International Food Products segment were up 20.8%, or ¥79.8 billion, to ¥463.9 billion, owing to the inclusion of Windsor into the scope of consolidation and the growth in sales of overseas seasonings and processed foods. Operating income increased 31.2%, or ¥9.9 billion, to ¥41.9 billion, as the positive impact of exchange rate fluctuations and other factors increased profits from overseas sales of umami seasonings for processed food manufacturers. Strong sales of frozen foods as well as seasonings and processed foods also contributed to the growth in operating income for the segment.

Seasonings and Processed Foods

Regarding Asia, umami seasoning *AJI-NO-MOTO*® enjoyed a strong year-on-year sales increase in Vietnam, the Philippines, Indonesia, and Thailand. In addition, sales of *RosDee*® flavor seasonings and instant noodles in Thailand were up, and sales of *Masako*® flavor seasonings in Indonesia rose significantly year on year. Sales of these products as well as the positive impact of exchange rate fluctuations supported the overall sales growth for seasonings and processed foods in the Asian region.

As for the Americas, region-wide sales fell due to the negative effect of exchange rate fluctuations, which offset the growth in sales of products on a local currency basis, such as the flavor seasoning *Sazón*® in Brazil.

Overall sales in Europe and Africa declined, reflecting a year-on-year decrease in sales of *AJI-NO-MOTO*® in Africa.

As a result of the above, the Company achieved higher sales for its seasonings and processed foods compared to the previous fiscal year.

Market Share in Main Product Areas (Household Market in Japan) FY2015

Product Area	Brand	Market Size (Billions of yen)	Ajinomoto Group Share (Position)
Umami seasonings	*AJI-NO-MOTO*®, *Hi-Me*®	6.2	89% (1)
Japanese flavor seasonings	*HONDASHI*®	39.3	57% (1)
Consommé	*Ajinomoto KK Consomme*	12.1	65% (1)
Soup	*Knorr*®	89.2	37% (1)
Mayonnaise and mayonnaise-type dressings	*Pure Select*®	45.2	23% (2)
Menu seasonings	*Cook Do*®, *Cook Do*® *Kyo-no Ohzara*	78.9	28% (1)

Note: Market size is based on consumer purchase prices.

Frozen Foods

Sales of frozen foods increased substantially as strong growth in sales of rice products and noodle products, such as yakisoba, in North America were complemented by the inclusion of Windsor into the scope of consolidation.

Umami Seasonings and Sweeteners for Processed Food Manufacturers

While overseas sales were on par with the previous fiscal year's results, sales of *AJI-NO-MOTO*® to the food processing industry increased, driven by expanding sales volumes and higher unit prices in Japan.

Sales of nucleotides decreased as a result of the substantial decline in overseas sales volumes, which offset increased sales volume in Japan.

Sales of sweeteners declined in the fiscal year under review due to the fact that the solid growth in sales volumes of aspartame to processed food manufacturers was offset by a significant drop in sales of the powdered juice *RefrescoMID*® in South America, which was caused by the negative impact of exchange rate fluctuations.

Overall, overseas sales of umami seasonings and sweeteners to processed food manufacturers fell below the previous fiscal year's level.

Life Support Segment

Sales in the Life Support segment fell 4.5%, or ¥6.7 billion, to ¥142.4 billion, as lower sales of animal nutrition products offset higher sales of specialty chemicals. Operating income was down 17.7%, or ¥2.5 billion, to ¥11.8 billion, with profits from specialty chemicals remaining at the same level as the previous fiscal year while profits from animal nutrition products were substantially less than in the previous fiscal year.

Animal Nutrition

Sales of lysine and threonine declined due to lower shipment volumes and unit prices. Tryptophan sales fell sharply as a large decrease in unit price offset an increase in sales volume. Sales of specialty products, such as Valine, were up year on year.

Overall, sales of animal nutrition products were lower than in the previous fiscal year.

Specialty Chemicals

While sales of insulation film for build-up printed wiring board used in computers decreased, sales of cosmetics ingredients increased in Japan and overseas.

Overall, specialty chemical sales rose year on year.

Healthcare Segment

Sales in the Healthcare segment totaled ¥130.8 billion, an increase of 8.2%, or ¥9.9 billion. This was attributable to a significant sales increase in pharmaceutical custom manufacturing services and higher sales of amino acids for pharmaceuticals and foods, which offset a decline in sales of pharmaceutical products. Operating income grew 73.4%, or ¥2.2 billion, to ¥5.4 billion. Profits from pharmaceutical custom manufacturing services increased substantially while profits from sales of amino acids for pharmaceuticals and foods were also higher than in the previous fiscal year. Profits from pharmaceutical sales, however, fell sharply.

Amino Acids

Sales of amino acids for pharmaceuticals and foods increased overall as lower sales in Japan were offset by higher sales overseas, partially owing to the favorable exchange rate translation. Meanwhile, pharmaceutical custom manufacturing services achieved strong sales growth, thanks to solid sales in North America, Europe, and Japan.

Overall, sales of amino acids exceeded those of the previous fiscal year.

Pharmaceuticals

Sales of self-distributed products were, overall, on par with the previous fiscal year as the solid sales of *MOVIPREP*®, an orally ingested intestinal cleansing solution, outweighed the decline in sales of the branched-chain amino acid formula *LIVACT*®, which felt the adverse effects of fierce competition from generic drugs and other rival products.

Sales of products sold through business tie-ups increased as a result of the strong sales of risedronate, including the osteoporosis treatment *ACTONEL*®, offsetting the sharp decline in sales of the antihypertensive calcium channel blocker *ATELEC*®, which was

Market Size of Feed-Use Amino Acids and the Ajinomoto Group's Shares

(Thousands of metric tons)

Years ended March 31	FY2015	FY2014	FY2013	FY2012	FY2011
Lysine	2,200 (approx.)	2,300	2,100	1,950	1,700
The Ajinomoto Group's share	15% (approx.)	15% (approx.)	15-20%	20% (approx.)	20% (approx.)
Threonine	480 (approx.)	445 (approx.)	400	330	270
The Ajinomoto Group's share	25% (approx.)	25% (approx.)	30% (approx.)	30% (approx.)	30% (approx.)
Tryptophan	28 (approx.)	23	14	9	6
The Ajinomoto Group's share	15% (approx.)	20%	35% (approx.)	45% (approx.)	40% (approx.)

(Ajinomoto Group estimate)

Net Sales by Business and Region

(Figures in parenthesis represent YoY change)
(Billions of yen)

Years ended March 31		Japan	Asia	Americas	Europe	Total
Japan Food Products	FY2015	386.1 (104.2)	4.1 (0.8)	2.2 (0.2)	1.9 (-0.0)	394.4 (105.3)
	FY2014	281.8	3.2	1.9	2.0	289.0
International Food Products	FY2015	16.4 (-0.4)	241.4 (12.5)	170.7 (68.5)	35.2 (-0.7)	463.9 (79.8)
	FY2014	16.9	228.9	102.2	35.9	384.1
Life Support	FY2015	41.3 (0.8)	15.6 (-0.8)	49.9 (-2.5)	35.5 (-4.2)	142.4 (-6.7)
	FY2014	40.4	16.4	52.4	39.7	149.1
Healthcare	FY2015	68.8 (1.7)	2.7 (0.4)	22.9 (4.3)	36.2 (3.4)	130.8 (9.9)
	FY2014	67.1	2.3	18.6	32.7	120.9
Other Business	FY2015	43.8 (-10.1)	10.6 (1.1)	–	–	54.4 (-8.9)
	FY2014	53.9	9.4	–	–	63.3
Total	FY2015	556.6 (96.2)	274.5 (14.1)	245.9 (70.5)	108.8 (-1.5)	1,185.9 (179.3)
	FY2014	460.4	260.4	175.3	110.4	1,006.6

Note: Unaudited figures; for reference only.

impacted negatively by the severe competition from generic drugs and other rival products.

Royalty income was lower than in the previous fiscal year.

Overall, sales of pharmaceuticals fell short compared to the previous fiscal year.

Other Business Segment

Sales in the Other Business segment declined 14.2%, or ¥8.9 billion, to ¥54.4 billion, while segment operating income increased 80.0%, or ¥0.2 billion, to ¥0.4 billion.

Liquidity and Financial Condition

Assets

Total assets as of March 31, 2016, stood at ¥1,263.2 billion, ¥8.1 billion more than the ¥1,255.0 billion recorded one year earlier. Although there was a decrease in yen values of the balance sheets of overseas subsidiaries after translation, assets increased due to the Company’s additional acquisition of shares of Ajinomoto General Foods, Inc. (hereafter, “AGF”) and AGF’s inclusion in the scope of consolidation from the first quarter.

Liabilities

Total liabilities were ¥566.9 billion, ¥55.3 billion more than the ¥511.6 billion recorded on March 31, 2015. Total interest-bearing debt increased ¥53.1 billion from the end of the previous fiscal year, to ¥264.7 billion.

Net Assets

Net assets decreased ¥47.1 billion compared to the end of the previous fiscal year. Although there was an increase in retained earnings, net assets decreased mainly due to the purchase of treasury stock and declines in adjustments for foreign currency translations. Shareholders’ equity, which is net assets minus non-controlling interests, was ¥624.2 billion, and the shareholders’ equity ratio was 49.4%.

Cash Flows

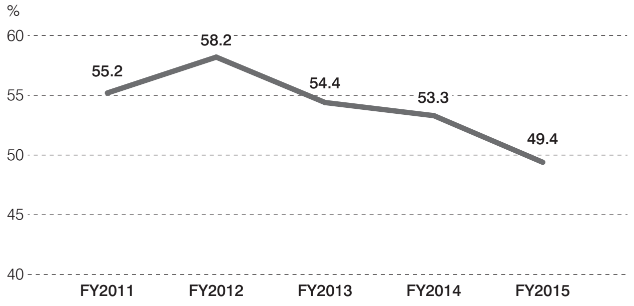
Net cash provided by operating activities was ¥125.2 billion, compared to ¥109.2 billion in the previous fiscal year. This was mainly attributable to ¥100.3 billion in income before income taxes, ¥24.2 billion in gain on sale of shares in affiliated companies, including shares in Nissin-Ajinomoto Alimentos Ltda., and an ¥18.0 billion gain on step acquisitions, which was not related to the movement of funds.

Net cash used in investing activities was ¥53.8 billion, compared to ¥140.3 billion in the previous fiscal year. This was the result of such factors as the use of cash in the acquisition of tangible fixed assets and the additional acquisition of shares of AGF, which outweighed inflows from the sales of shares in Nissin-Ajinomoto Alimentos Ltda.

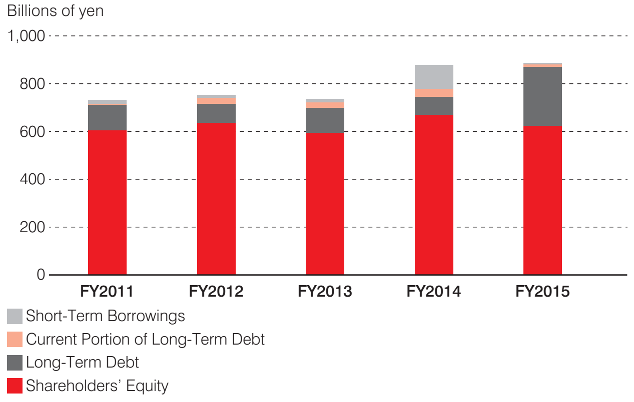
Net cash used in financing activities was ¥3.2 billion, compared to ¥52.8 billion provided by financing activities in the previous fiscal year. Although there was an inflow from the issuance of corporate bonds, the net outflow was mainly attributable to acquisition of treasury stock.

As a result of the above, cash and cash equivalents as of March 31, 2016, totaled ¥217.7 billion, an increase of ¥52.6 billion compared to March 31, 2015.

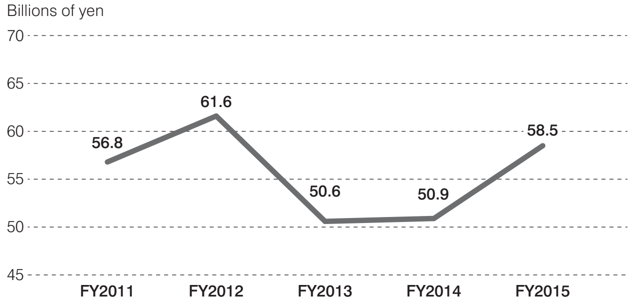
Shareholders’ Equity Ratio



Total Capital



Capital Expenditures



Balance Sheets (Excerpts)

(Millions of yen)
(Ratio to total assets)

As of March 31	FY2015		FY2014	
Total assets	1,263,264	(100%)	1,255,090	(100%)
Notes and accounts receivable	181,860	(14.4)	202,980	(16.2)
Cash and cash equivalents	217,791	(17.2)	165,160	(13.2)
Inventories	180,248	(14.3)	183,661	(14.6)
Investments and loans	110,801	(8.8)	139,258	(11.1)
Property, plant and equipment	386,201	(30.6)	383,269	(30.5)
Total liabilities	566,961	(44.9)	511,600	(40.8)
Notes and accounts payable	91,311	(7.2)	115,066	(9.2)
Short-term borrowings	6,456	(0.5)	102,191	(8.1)
Current portion of long-term debt	11,189	(0.9)	33,677	(2.7)
Accrued income taxes	10,288	(0.8)	7,725	(0.6)
Long-term debt	245,207	(19.4)	74,147	(5.9)
Shareholders' equity	624,245	(49.4)	669,576	(53.3)

Note: Shareholders' equity = Net assets - Minority interests

Cash Flow Highlights

(Millions of yen)

Years ended March 31	FY2015	FY2014	FY2013	FY2012
Net cash provided by operating activities	125,219	109,259	63,017	88,501
Net cash provided by (used in) investing activities	(53,824)	(140,391)	(63,497)	15,201
Net cash used in financing activities	(3,288)	52,822	(55,248)	(74,419)
Cash and cash equivalents at end of year	217,791	165,160	130,028	184,770

Shareholder Returns

The Company adopts the basic principle of ensuring continuous and stable dividends from a medium- to long-term management perspective, with a target payout ratio of 30% for the 2014–2016 Medium-Term Management Plan.

For fiscal 2015, the Company paid a dividend of ¥28 per share (with an interim dividend of ¥13 per share), an increase of ¥4 per share. For fiscal 2016, ending March 31, 2017, the Company is planning for an annual dividend of ¥30 per share (with an interim dividend payment of ¥15), representing a further increase of ¥2 per share.

In addition, as a measure to improve the level of returns to shareholders, the Company will examine the flexible purchase of treasury stock going forward.

Credit Rating

The Ajinomoto Group emphasizes maintaining a sound financial condition for the efficient and stable procurement of the investment capital required for growth on a global scale. For this purpose, we control interest-bearing debt with a focus on the D/E ratio, and, as a result, we maintain high credit ratings.

Credit Ratings

Credit Rating Agencies	Ratings for the Long-term Debt of Ajinomoto Co., Inc.
Standard & Poor's	A+
Rating and Investment Information, Inc.	AA

Outlook for Fiscal 2016

Operating Environment

Although the U.S. economy continues on a course for gradual recovery and signs of a turnaround in the economies of Europe are emerging, the outlook for the global economy remains unclear due to the impact of slowing economic growth in emerging economies. Accordingly, the Company's operating environment is expected to remain challenging as it faces volatile foreign exchange markets and intensifying competition in its bulk and other businesses.

Strategy

Under the anticipated severe operating conditions in fiscal 2016, the final year of the Group's 2014–2016 Medium-Term Management Plan, the Company will strive toward realization of its long-term goal of becoming a "Genuine Global Specialty Company." The Company will also work to "Advance Growth Drivers" and "Reinforce the Business Structure" by pursuing specialty businesses, while also endeavoring to "Build a Stronger Management Foundation," which will help the Company reach its goals.

Forecast of Business Results

While pursuing these initiatives, we expect consolidated net sales in fiscal 2016 of ¥1,186 billion, on par with the previous fiscal year; operating income of ¥91.0 billion, on par with the previous fiscal year; and ordinary income of ¥91.6 billion, a decrease of 2.9% year on year. We expect to record of ¥51.0 billion in profit attributable to owners of the parent, which will represent a year-on-year decrease of 19.8%.

These forecasts are based on an assumed exchange rate of ¥110.0 to the U.S. dollar.

IFRS

The Group is currently examining the adoption of the International Financial Reporting Standards (IFRS) for fiscal 2016, ending March 31, 2017, with the aim of enabling international comparison of financial information both inside and outside the Group and improving communication with shareholders.

Operational Risk

Operational risks faced by the Ajinomoto Group that could affect its performance and financial position are outlined as follows. However, this is not an all-inclusive list of risks, and risks that cannot be foreseen or are not viewed as material at present may have an impact in the future. The Group has developed various responses and mechanisms to minimize such management and operational risks. Future risks outlined in this document are as judged by the Group as of March 31, 2016.

(1) Risks Related to the Operating Environment

Impact of Exchange Rate Fluctuations

The Ajinomoto Group is working to establish and strengthen its global manufacturing and supply structure. The Group operates in 27 countries and regions including Japan, with manufacturing plants at 119 sites in 22 of these countries and regions. The relative importance of overseas operations is therefore very high.

In fiscal 2014 and fiscal 2015, sales to outside customers in regions other than Japan (i.e., Asia, and the Americas and Europe) were ¥546.2 billion and ¥629.3 billion, respectively, comprising 54.3% and 53.1% of consolidated sales. Operating income derived from these regions in the same periods was ¥44.8 billion and ¥52.6 billion, comprising 60.2% and 57.8% of consolidated operating income, respectively. Because the local currency-denominated financial statements of overseas Group companies are converted into yen, the consolidated financial statements are impacted by fluctuations in exchange rates. The Group hedges these associated exchange risks with forward exchange contracts and other mechanisms for receivables and payables denominated in foreign currencies, but exchange rate fluctuations could have an impact on the Group's business results.

Impact of Natural Disasters, etc.

In addition to conducting business in Japan, the Ajinomoto Group proactively develops markets overseas. Some of the risks accompanying this development of business operations are as follows. These events could have an adverse impact on the Group's business results if they occur.

- A decrease in production output or other effect resulting from a lack of water resources associated with climate change or other cause
- The occurrence of a natural disaster such as an earthquake, typhoon, hurricane, cyclone or flood
- Interruption of service due to a large-scale power outage or other cause
- Social disruption brought about by an epidemic or other event

Occurrence of Unforeseen Adverse Economic or Political Factors

The Ajinomoto Group conducts business globally, and various potential economic, political and legal impediments overseas such as political instability due to terrorism, conflict or other reasons, uncertainty in economic trends, difficulties related to religious or cultural differences or business practices, changes in regulations for investment, overseas remittances, import and export, foreign exchange or other areas, and confiscation of property could have an adverse impact on the Group's business results.

Impact of Price Fluctuations for Raw Materials and Fuel

The prices of certain raw materials and energy resources including crude oil used by the Ajinomoto Group are liable to fluctuate according to market conditions. The number of factors influencing fluctuations in raw material and fuel prices is increasing, including poor crop harvests due to inclement weather resulting from global warming and higher prices of grain caused by rising demand for ethanol, as well as these commodities becoming subject to speculative trading. Cases where higher manufacturing costs resulting from significant raw material and fuel price increases cannot be absorbed through cost reductions from introduction of new technologies or other measures, or situations where higher costs cannot be reflected in unit prices could have an adverse impact on the Group's business results.

(2) Risks Related to Business Activities

Impact of Changes in Market Conditions

In the bioscience products and fine chemicals business, the Ajinomoto Group handles feed-use amino acids. Unit prices for products in this market tend to be affected by changes in the grain market and by supply and demand trends for feed-use amino acids. The Group seeks to reduce and diversify such risks by handling a variety of amino acids (Lysine, Threonine and Tryptophan, etc.), while also promoting specialty with high-value-added materials such as AjiPro®-L rumen protected Lysine for dairy cows and working to stabilize and improve profitability by reducing costs related to fermentation technologies. However, the effects of fluctuations in the grain market and supply and demand trends for feed-use amino acids could have an impact on the Group's business results.

Matters Affecting Food Safety

The Ajinomoto Group makes extensive efforts to maintain the reliability and safety on which its business foundations are built. These efforts include further strengthening its original, strict quality control system and focusing on conducting Group-wide product quality audits and building a product traceability system that tracks product information at each stage from production and processing to logistics.

In particular, in response to food safety-related incidents that have recently occurred in Japan, the Group is working to minimize risk throughout the entire supply chain and further strengthen its own food safety structure by reviewing and reinforcing tangible items such as manufacturing facilities and intangible items such as product quality standards and guidelines with a positive organizational environment, including labor and human rights issues, as its priority.

The possibility remains, however, that new universal issues affecting product quality throughout the Group may arise, or that problems may arise outside those areas controlled by the processes outlined above, and such events could have an adverse impact on the Group's business results.

Impact of Information Leaks, etc.

The Ajinomoto Group obtains a substantial quantity of customer information through mail-order services, marketing campaigns and other activities. To prevent the leakage or other misuse of personal data and other such information, the Group has formulated the Ajinomoto Group Information Security Policy, and through measures such as distributing an internal Information Handling Guidebook and training programs is implementing appropriate measures to maintain information security, including the security of IT systems. However, risks such as those from hacking, unauthorized access or other information leakage or manipulation remain. Furthermore, computer viruses and so forth could temporarily damage the Group's computer systems. The occurrence of such events could create an obstacle to business activities, and have an adverse impact on the Group's business results.

Capital Procurement

Disorder or suspension of capital markets, lowering of the Company's ratings by credit rating organizations, or changes in financial judgement or policy of financial institutions or other bodies could have an impact on the Ajinomoto Group's capital procurement and worsen liquidity by increasing the cost of capital it procures; i.e., the Group may be unable to procure the required amount of capital when necessary.

Bankruptcy of Customers

The Ajinomoto Group focuses on credit preservation, including through information gathering and credit management, in order to prevent the occurrence of uncollectible receivables. The possibility remains, however, that unforeseen bankruptcies of customers, including overseas customers, may arise, and such events could have an adverse impact on the Group's financial position and business results.

Acquisition and Continued Employment of Personnel with a High Level of Expertise

The business operations of the Ajinomoto Group are handled by personnel with a high level of expertise in each country and occupational category, and the acquisition and training of such personnel are indispensable for achieving growth in the future. The Group is developing a solid and large class of human resources by setting up a system to accelerate the development of its next generation of management personnel and increasing diversity through measures including appointing locally hired employees as officers of overseas subsidiaries and appointing women as managers. However, as competition for acquisition of personnel intensifies, the Group could become unable to acquire and keep personnel with a high level of expertise.

(3) Laws and Regulations, Litigation, etc.

Impact of Laws, Regulations and Other Rules

As it conducts business on a global basis, the Ajinomoto Group endeavors to comply with all laws, regulations and other rules within Japan and overseas relating to food sanitation, pharmaceuticals, intellectual property, the environment and recycling, permission to operate or invest, import and export, foreign exchange and foreign trade control, and various tax-related laws. In these areas, the Group also makes every possible effort to secure its rights through legal means. The possibility exists, however, that legal changes may be introduced that cannot currently be foreseen, and that risks may arise due to the diversity of interpretations of laws. Complying with any such changes may restrict the Group's operations and could have an impact on the Group's business results.

Impact of Litigation, etc.

The Ajinomoto Group is involved in lawsuits and other civil litigation in and outside of Japan. In addition, the Group conducts a wide range of business in a larger number of countries and thus there is a possibility that the Group will be involved in unexpected new lawsuits, claims and other litigation. The institution of a major lawsuit could have a negative impact on the Group's business results and reputation.

Impact Related to the Tax System

The introduction of a new tax system or the abolition of an existing tax system could have an impact on the Ajinomoto Group's performance and financial position. Based on the Ajinomoto Group Standards of Business Conduct and the Ajinomoto Global Tax Policy, the Group conducts its business activities in strict compliance with the applicable tax laws of each country worldwide. However, particularly outside Japan, frequent revisions of tax systems, changes in the tax administration or differences in opinion with tax authorities regarding tax filings could lead to a tax burden for the Group beyond its expectations.

Environmental Laws, Regulations and Other Rules

Various environmental laws, regulations and other rules related to air pollution, water pollution associated with wastewater and other factors, noise, harmful substances such as asbestos, wastes, pollution of soil and groundwater and other matters are applicable to the Ajinomoto Group. Such environmental laws, regulations and other rules may be applicable not only to the current business activities of the Group, but also to its past business activities and the past activities of a business it has taken over from another company through a corporate acquisition or other means. There is also a risk in the Group's business of violations of the law in the supply chain. For this purpose, the Group has formulated CSR procurement guidelines and is practicing procurement in consideration of the environment and human rights throughout its supply chain. The Group applies an environmental management system that conforms to ISO 14001 at each Group site inside and outside Japan to deal with environmental laws, regulations and other rules according to the country or region, prevent environmental issues and promote measures for environmental improvement. Based on this management system, the Group closely follows trends in revision of laws and is strengthening its structure for observing without fail laws, regulations and other rules throughout the Group and the entire supply chain. However, the burden of environment-related expenses due to observance of environmental laws, regulations and other rules in the future, strengthening of measures for environmental improvement or other factors could have an adverse impact on the Group's business results.

(4) Other Risks

Impact from Application of Impairment Accounting

The Ajinomoto Group owns various tangible and intangible fixed assets such as facilities and real estate used in the business and goodwill acquired through a corporate acquisition or other means. If it is estimated that the investment amount can no longer be recovered due to a decline in profitability such as a decline in market value or when cash flow can no longer be generated as expected, impairment accounting may have to be applied to these assets, and impairment losses may occur, which could have an adverse impact on the Group's financial position and business results.

Deferred Tax Assets, etc.

The Ajinomoto Group records deferred tax assets, etc. after careful consideration of their realizability based on projections and assumptions of future taxable income and others. The possibility remains, however, that as a result of future business trends and so forth, situations may arise in which the realizability of all or part of the deferred tax assets, etc. is deemed unlikely and their amount therefore needs to be revised, which could have an impact on the Group's financial position and business results.

Consolidated Balance Sheets

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

March 31,	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	¥ 217,791	¥ 165,160
Time deposits and short-term investments	3,450	3,742
Notes and accounts receivable	181,860	202,980
Goods and products	116,303	117,297
Goods in process	8,270	8,871
Raw materials and supplies	55,674	57,493
Deferred tax assets (Note 7)	9,711	8,706
Other	33,448	44,959
Allowance for doubtful accounts	(1,191)	(1,291)
Total current assets	625,319	607,919
Fixed assets:		
Buildings and structures	362,650	377,948
Accumulated depreciation and accumulated impairment losses	(218,576)	(229,556)
Net buildings and structures	144,074	148,391
Machinery and vehicles	588,820	609,015
Accumulated depreciation and accumulated impairment losses	(438,207)	(456,824)
Net machinery and vehicles	150,613	152,191
Tools, furniture and fixtures	70,145	71,812
Accumulated depreciation and accumulated impairment losses	(56,383)	(58,259)
Net tools, furniture and fixtures	13,762	13,553
Land	53,772	47,583
Leased assets	3,579	4,865
Accumulated depreciation and accumulated impairment losses	(1,861)	(3,135)
Net leased assets	1,718	1,729
Construction in progress	22,260	19,819
Goodwill	89,450	71,396
Investments in securities (Note 22)	96,133	125,440
Long-term loans receivable	1,084	2,820
Deferred tax assets (Note 7)	4,930	3,986
Net defined benefit assets	964	698
Allowance for doubtful accounts	(320)	(299)
Allowance for investment losses	(297)	(186)
Other	59,798	60,043
Total fixed assets	637,944	647,170
Total assets	¥1,263,264	¥1,255,090

(Millions of yen)

March 31,	2016	2015
Liabilities and net assets		
Current liabilities:		
Notes and accounts payable	¥ 90,459	¥ 114,488
Short-term borrowings (Note 6)	6,456	87,191
Commercial paper (Note 6)	–	15,000
Current portion of corporate bonds (Note 6)	–	15,000
Current portion of long-term borrowings (Note 6)	11,189	18,677
Accrued income taxes	10,288	7,725
Provision for bonuses	9,863	7,601
Provision for bonuses of directors and corporate auditors	427	420
Provision for shareholder special benefit program	160	200
Asset retirement obligations	27	–
Other	103,962	92,288
Total current liabilities	232,834	358,594
Long-term liabilities:		
Corporate bonds (Note 6)	89,995	19,994
Long-term borrowings (Note 6)	155,211	54,152
Deferred tax liabilities (Note 7)	13,892	13,028
Accrued retirement benefits for directors and others	435	427
Provision for loss on guarantees	681	564
Allowance for environmental measures	585	648
Liabilities for retirement benefits (Note 8)	52,325	43,631
Asset retirement obligations	594	509
Other	20,405	20,048
Total long-term liabilities	334,127	153,006
Net assets:		
Shareholders' equity (Notes 9 and 10):		
Common stock:		
Authorized: 2016 and 2015 – 1,000,000,000 shares		
Issued: 2016 – 583,762,654 shares	79,863	–
2015 – 594,470,654 shares	–	79,863
Capital surplus	26,031	53,725
Retained earnings	582,824	536,170
Treasury stock at cost:		
2,724,205 shares in 2016 and 2,663,656 shares in 2015	(6,944)	(4,070)
Total shareholders' equity	681,775	665,689
Accumulated other comprehensive income:		
Unrealized holding gain (loss) on securities	17,804	22,783
Unrealized gain (loss) from hedging instruments	(1,578)	223
Translation adjustments	(47,746)	(4,655)
Adjustments for retirement benefits	(26,008)	(14,465)
Total accumulated other comprehensive income	(57,529)	3,886
Non-controlling interests	72,056	73,913
Total net assets	696,302	743,489
Contingent liabilities (Note 19)		
Total liabilities and net assets	¥1,263,264	¥1,255,090

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

Year ended March 31,	2016	2015
Net sales	¥1,185,980	¥1,006,630
Cost of sales (Note 11)	768,865	659,509
Gross profit	417,115	347,121
Selling, general and administrative expenses (Note 12)	326,069	272,601
Operating income	91,045	74,519
Other income (expenses)		
Interest income	2,847	2,873
Dividend income	1,317	1,147
Equity in earnings of non-consolidated subsidiaries and affiliates	1,558	5,177
Foreign exchange gain	583	1,675
Interest expense	(2,269)	(2,140)
Commission fee	(72)	(675)
Gain on sales of shares of affiliates (Note 13)	24,872	–
Gain on step acquisitions	18,027	–
Gain on abolishment of retirement benefit plan	–	9,290
Loss on liquidation of subsidiaries (Note 14)	(6,937)	–
Loss on disposal of fixed assets	(2,799)	(1,757)
Pharmaceutical business restructuring charges (Note 15)	(16,623)	–
Impairment losses (Note 16)	(7,467)	(10,486)
Other, net	(3,765)	(574)
	9,272	4,529
Income before income taxes and non-controlling interests	100,318	79,049
Income taxes (Note 7):		
Current	24,907	18,932
Deferred	2,140	4,741
	27,047	23,673
Profit	73,270	55,375
Profit attributable to non-controlling interests	(9,678)	(8,880)
Profit attributable to owners of parent (Note 20)	¥ 63,592	¥ 46,495

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Aiinomoto Co.. Inc. and Consolidated Subsidiaries

(Millions of yen)

Year ended March 31,	2016	2015
Profit	¥ 73,270	¥ 55,375
Other comprehensive income		
Unrealized holding gain (loss) on securities	(4,688)	8,929
Unrealized gain (loss) from hedging instruments	(1,509)	143
Translation adjustments	(57,756)	34,129
Adjustments for retirement benefits	(11,159)	6,110
Share of other comprehensive income of equity-method affiliates	2,387	1,459
Total other comprehensive income (loss)	(72,724)	50,771
Comprehensive income (Note 17)	¥ 545	¥106,147
(Breakdown)		
Comprehensive income (loss) attributable to owners of parent	¥ (426)	¥ 89,900
Comprehensive income attributable to non-controlling interests	¥ 972	¥ 16,247

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Adjustments for retirement benefits	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥79,863	¥ 83,443	¥501,945	¥ (31,085)	¥13,043	¥ (26)	¥(31,668)	¥(20,567)	¥60,557	¥655,507
Changes for the year ended March 31, 2015										
Cash dividends paid			(11,854)							(11,854)
Profit attributable to owners of parent			46,495							46,495
Change in scope of consolidation			(310)					(300)		(611)
Change in scope of equity method			(57)							(57)
Change in retained earnings at subsidiaries resulting from change in fiscal year end			(47)							(47)
Purchases of treasury stock				(2,706)						(2,706)
Disposal of treasury stock		(29,718)		29,721						2
Net changes in items other than those in shareholders' equity					9,739	249	27,013	6,402	13,355	56,760
Total changes for the year ended March 31, 2015	–	(29,718)	34,224	27,014	9,739	249	27,013	6,102	13,355	87,981
Balance at March 31, 2015	¥79,863	¥ 53,725	¥536,170	¥ (4,070)	¥22,783	¥ 223	¥ (4,655)	¥(14,465)	¥73,913	¥743,489
Balance at April 1, 2015	¥79,863	¥ 53,725	¥536,170	¥ (4,070)	¥22,783	¥ 223	¥ (4,655)	¥(14,465)	¥73,913	¥743,489
Changes for the year ended March 31, 2016										
Cash dividends paid			(15,978)							(15,978)
Profit attributable to owners of parent			63,592							63,592
Change in scope of consolidation			(266)							(266)
Change in scope of equity method										
Change in retained earnings at subsidiaries resulting from change in fiscal year end			(693)							(693)
Purchases of treasury stock				(30,167)						(30,167)
Disposal of treasury stock		(27,292)		27,293						1
Changes in parent's ownership interest due to transactions with non-controlling interests		(402)								(402)
Net changes in items other than those in shareholders' equity					(4,979)	(1,802)	(43,090)	(11,543)	(1,856)	(63,273)
Total changes for the year ended March 31, 2016	–	(27,694)	46,653	(2,873)	(4,979)	(1,802)	(43,090)	(11,543)	(1,856)	(47,187)
Balance at March 31, 2016	¥79,863	¥ 26,031	¥582,824	¥ (6,944)	¥17,804	¥(1,578)	¥(47,746)	¥(26,008)	¥72,056	¥696,302

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

Year ended March 31,	2016	2015
I. Cash flows from operating activities		
Income before income taxes and minority interests	¥100,318	¥ 79,049
Depreciation and amortization	50,920	43,376
Impairment losses	7,467	10,486
Amortization of goodwill and negative goodwill	7,093	2,201
Increase (decrease) in allowance for doubtful accounts	40	(56)
Increase (decrease) in provision for bonuses	1,639	1,461
Increase (decrease) in provision for bonuses of directors and corporate auditors	7	97
Increase (decrease) in liabilities for retirement benefits	(5,526)	(1,957)
Increase (decrease) in accrued retirement benefits for directors and others	(280)	12
Increase (decrease) in allowance for environmental measures	(62)	306
Increase (decrease) in allowance for investment losses	217	90
Increase (decrease) in provision for loss on guarantees	116	564
Interest and dividend income	(4,164)	(4,020)
Interest expense	2,269	2,140
Equity in earnings of non-consolidated subsidiaries and affiliates	(1,558)	(5,177)
Loss (gain) on sales and disposal of tangible fixed assets	2,074	598
Loss (gain) on sales in affiliates	(24,298)	–
Loss (gain) on liquidation of subsidiaries	6,937	–
Pharmaceutical business restructuring charges	16,623	–
Loss (gain) on step acquisitions	(18,027)	–
Gain on abolishment of retirement benefit plan	–	(9,290)
Decrease (increase) in notes and accounts receivable	12,494	92
Increase (decrease) in notes and accounts payable	(2,039)	2,605
Decrease (increase) in inventories	2,907	(4,768)
Increase (decrease) in accrued consumption tax	(727)	3,258
Decrease (increase) in other current assets	2,653	(9,232)
Increase (decrease) in other current liabilities	1,408	1,642
Other	(11,569)	3,789
Subtotal	146,935	117,270
Insurance fees received	356	100
Interest and dividends received	5,901	5,370
Cancellation of contracts paid	(3,835)	–
Interest paid	(2,191)	(2,166)
Income taxes paid	(21,947)	(11,344)
Refund of income taxes for prior periods	–	28
Net cash provided by operating activities	125,219	109,259

(Millions of yen)

Year ended March 31,	2016	2015
II. Cash flows from investing activities		
Acquisition of tangible fixed assets	(51,396)	(45,056)
Proceeds from sales of tangible fixed assets	1,263	1,819
Acquisition of intangible assets	(4,430)	(3,875)
Acquisition of investment securities	(2,369)	(129)
Proceeds from sales of investment securities	13	15
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	–	(91,461)
Acquisition of stocks in subsidiaries resulting in change in scope of consolidation	(26,553)	–
Proceeds from sales of stocks in subsidiaries resulting in change in scope of consolidation	4,133	–
Acquisition of shares of affiliates	(6,616)	(2,456)
Proceeds from sales of shares of affiliates	32,500	–
Decrease (increase) in term deposits	(201)	(572)
Other	(166)	1,325
Net cash used in investing activities	(53,824)	(140,391)
III. Cash flows from financing activities		
Net change in short-term borrowings	(86,107)	72,939
Decrease (increase) in commercial paper	(15,000)	15,000
Proceeds from long-term debt	116,011	3,022
Repayment of long-term debt	(22,381)	(7,025)
Proceeds from issuance of bonds	70,000	–
Redemption of bonds	(15,000)	(15,000)
Cash dividends paid	(15,982)	(11,855)
Distribution of dividends to non-controlling shareholders	(3,693)	(2,794)
Decrease (increase) in money held in trusts for repurchase of treasury stock	–	2,520
Acquisition of treasury stock	(30,187)	(2,707)
Sales of treasury stock	1	2
Acquisition of investments in subsidiaries not resulting in change in scope of consolidation	(644)	–
Other	(304)	(1,279)
Net cash provided by (used in) financing activities	(3,288)	52,822
IV. Effect of exchange rate changes on cash and cash equivalents	(14,180)	12,071
V. Increase in cash and cash equivalents	53,925	33,762
VI. Cash and cash equivalents at the beginning of the year	165,160	130,028
Increase in cash and cash equivalents on merger of nonconsolidated subsidiaries	278	1,356
Decrease in cash and cash equivalents on exclusion from consolidation	(460)	–
(Decrease) increase in cash and cash equivalents resulting from change in fiscal year end of consolidated subsidiaries	(1,112)	13
VII. Cash and cash equivalents at the end of the year	¥217,791	¥ 165,160

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2016

1. Notes regarding Significant Items for the Preparation of Consolidated Financial Statements

a. Basis of presentation

The accompanying consolidated financial statements of Ajinomoto Co., Inc. (the "Company") and its consolidated subsidiaries are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

b. Scope of consolidation

(1) Number of consolidated subsidiaries
96 companies

(2) Names of main non-consolidated subsidiaries
Ajinomoto Toyo Frozen Noodles, Inc.
(Reasons for exclusion from scope of consolidation)
Subsidiaries classified as non-consolidated are all small, and none has total assets, sales, current year net income (corresponding to the percentage of shares held), retained earnings (corresponding to the percentage of shares held), etc. that materially impact the consolidated financial statements.

(3) Ajinomoto General Foods, Inc. (AGF), and its two subsidiaries became consolidated subsidiaries through an additional share acquisition by the Company. In addition, Ajinomoto SEA Regional Headquarters Co. Ltd.; Ajinomoto Genexine Co., Ltd.; Gaban Spice Manufacturing (M) SDN. BHD.; Si Ayutthaya Realestate Co., Ltd.; Erawan Industrial Development Co., Ltd.; and Bangkok Animal Research Center Co., Ltd., were included in the scope of consolidated subsidiaries as they have become more material members of the Ajinomoto Group.

On the other hand, certain companies were removed from the scope of consolidation including STAR AND SUN PTE. LTD., which was removed following the transfer of the shares, Ajinomoto Sweeteners Europe S.A.S., which was removed following the Company's relinquishing of a substantial controlling interest based on the contents of a share-transfer agreement, and Shenzhen Amoy Foods Ltd., which was liquidated.

In addition, Windsor Quality Holdings, LP, its eight subsidiaries, and Amoy North America, Inc., were excluded from the scope of consolidation following their integration with Ajinomoto Frozen Foods U.S.A., Inc. (AFU), as part of the restructuring of the Company's organization in North America. Following the absorption-type merger, AFU changed its name to Ajinomoto Windsor, Inc., which is the surviving company.

c. Scope of application of the equity method

(1) Number of affiliated companies accounted for by the equity method: 4 companies
Names of main companies:
J-OIL MILLS, INC.

(2) Major non-consolidated affiliated company not accounted for by the equity method; Küкre A.S.
The company is immaterial to the consolidated results (net income and retained earnings) and therefore it has immaterial impact as a whole, as a result if not included in the scope of the equity method.

(3) NISSIN-AJINOMOTO ALIMENTOS LTDA. was removed from the scope of equity-method accounting following the transfer of the Company's entire equity stake, and AY PHARMACEUTICALS Co., Ltd. was also removed following the transfer of its shares. In addition, AGF was removed from the scope of equity-method accounting when it became a consolidated subsidiary through an additional share acquisition by the Company, and Si Ayutthaya Real Estate, Erawan Industrial Development, and Bangkok Animal Research Center were also removed from the scope of equity-method accounting when they became consolidated subsidiaries as they have become more material members of the Ajinomoto Group.

d. Fiscal year, etc. of consolidated subsidiaries and affiliated companies accounted for by the equity method

The fiscal year-end of Ajinomoto del Peru S.A., and 14 other consolidated subsidiaries is December 31, but all 15 prepare financial statements as of March 31 for consolidation purposes.

Ajinomoto Windsor, the surviving company following an absorption-type merger, changed its fiscal year-end from the December 31, the year-end used by the former Windsor Quality Holdings, LP, to March 31. In accordance with this change, a loss for the period from January 1, 2015 to March 31, 2015 has been included as an adjustment of retained earnings, and a decrease in cash and equivalents resulting from a change in the fiscal year end of consolidated subsidiaries was recognized in the consolidated statement of cash flows for the year ended March 31,2016.

e. Accounting policies

(1) Valuation standards and methods for significant assets
1) Marketable securities
Other securities:
Other securities for which market value is available are stated at market value at the fiscal year end and the changes in market value, net of applicable income taxes, are directly charged or credited to net assets. The cost of such securities sold is mainly determined by the moving-average method.

Other securities for which a price is not available are stated at cost, mainly determined by the moving average method.

2) Derivatives
Derivatives are accounted for at fair value.

However, with respect to interest rate swaps for which criteria for special treatment are met, special treatment is, in principle, applied. Total treatment is applied with respect to interest rate and currency swaps, in cases where criteria for total treatment (special treatment, appropriated treatment) are met.

3) Inventories
Inventories of the Company and its domestic consolidated subsidiaries are mainly stated at cost determined by the average method (in cases where the profitability has declined, the book value is reduced accordingly). Inventories of overseas consolidated subsidiaries are mainly stated at the lower of cost or market, cost being determined by the average method.

(2) Depreciation and amortization of significant depreciable assets
1) Tangible fixed assets (excluding leased assets)
The Company and its consolidated subsidiaries recognize their depreciation expense mainly by using the straight-line method. The range of useful life is from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery and vehicles.

2) Intangible fixed assets (excluding leased assets)
Amortization of intangible fixed assets also is calculated mainly using the straight-line method. Computer software held by the Company and its domestic consolidated subsidiaries for internal use is amortized by the straight-line method over the estimated useful life (5 years). Customer-related assets also are amortized using the straight-line method over the period of future expected earnings generation (6–15 years).

3) Leased assets
The straight-line method is applied with the useful life of the asset being the lease term and the residual value being zero. Finance lease transactions that do not transfer ownership, for which the starting date of the lease was March 31, 2008 or earlier, are accounted for as operating leases.

(3) Accounting for significant reserves
1) Allowance for doubtful accounts
An allowance for doubtful accounts is provided for possible bad debts at the amount estimated based on historical bad debt experience for normal receivables and by reference to the individual collectability of specific doubtful receivables.

2) Provision for bonuses
At certain consolidated subsidiaries, a bonus reserve for employees has been provided based on the estimated amount to be paid to employees.

3) Accrued retirement benefits for directors and others
At the Company and certain domestic consolidated subsidiaries, accrued retirement benefits for directors and others are provided at the amount required to be paid in accordance with internal rules in order to provide for payment of severance benefits to those directors and others.

The Company abolished the system of payment of severance benefits to directors in June 2007, and has decided to pay severance benefits at the time of retirement with respect to the period in which the system was applied.

4) Provision for loss on guarantees
In preparation for payment relating to loss on guarantees, an allowance has been recorded for the estimated amount of loss to be incurred in consideration of the financial position of the guaranteed parties and other factors.

5) Provision for bonuses of directors and corporate auditors
In preparation for the payment of bonuses to directors and others, a bonus reserve for directors and others has been provided for the amount of payment expected for the fiscal year ended March 31, 2016.

6) Allowance for environmental measures
In preparation for payment relating to disposal of polychlorinated biphenyl (PCB) and other wastes, an allowance for environmental measures has been provided for the amount of costs expected to be incurred.

7) Provision for shareholder benefit program
In preparation for payment relating to the shareholder benefit program, a provision for shareholder benefit program has been provided for the amount of payment expected, based on past results, for the fiscal year ending March 31, 2017.

(4) Accounting for retirement benefits for employees
1) Method of attributing expected benefit to periods
In calculating retirement benefit obligations, the method for attributing expected benefits to the fiscal year is based on the benefit formula.

2) Method for processing actuarial gains and losses and prior service cost
Prior service cost is amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of recognition. Actuarial gain and loss is amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

(5) Translation of significant assets and liabilities denominated in foreign currencies into yen
Monetary assets and liabilities denominated in foreign currencies have been translated into yen at the rates of exchange in effect at the fiscal year end. The resulting exchange gain or loss is charged or credited to income. Assets and liabilities of overseas subsidiaries have been translated into yen at the

exchange rates in effect as of the fiscal year-end, and revenues and expenses of overseas subsidiaries have been translated into yen at the average rates prevailing during the fiscal year. The resulting translation differences are included in non-controlling interests and translation adjustments in net assets.

(6) Hedge accounting

1) Hedge accounting method

The Company and its consolidated subsidiaries adopt deferred hedge accounting. Special treatment is, in principle, applied with respect to interest rate swaps, in cases where criteria for special treatment are met. Total treatment is applied with respect to interest rate and currency swaps, in cases where criteria for total treatment (special treatment, appropriated treatment) are met.

2) Hedged items and hedging instruments

Foreign exchange forward contracts	Forecast transactions and sales transactions pertaining to the acquisition of stock of or investments in affiliated companies denominated in foreign currencies, and forecast transactions pertaining to purchase denominated in foreign currencies
Interest rate swaps	Interest paid on bond issues and other borrowings
Interest rate and currency swaps	Interest paid on borrowings, foreign currency borrowings

3) Hedging policy

The Company and some of its consolidated subsidiaries hedge foreign exchange rate risk and interest rate risk for certain transactions, mainly those that are financially significant and that can be recognized individually, based on internal rules for derivative transactions.

4) Methods for evaluating the effectiveness of hedges

Assessment of hedge effectiveness is not undertaken for forward exchange contracts, as the material conditions pertaining to the hedging instrument and the hedged item are identical. For interest rate swaps and interest rate and currency swaps for which special treatment is applied, evaluation of effectiveness is not conducted.

(7) Amortization of goodwill

As a general rule, goodwill is amortized on a straight-line basis over its estimated useful life. However, immaterial goodwill is charged or credited to expense or income at the time of acquisition.

(8) Scope of "Cash and cash equivalents" in the consolidated statements of cash flows

The category 'Cash and cash equivalents' covers cash on hand, deposits with immediate liquidity, and easily convertible short-term investments with low risk of price fluctuation that mature within three months of acquisition.

(9) Other significant items for the preparation of consolidated financial statements

1) Accounting for consumption taxes

Transactions of the Company and domestic consolidated subsidiaries subject to consumption tax and/or regional consumption tax are recorded at amounts exclusive of the consumption tax. Unearned consumption tax is included in 'Current assets – Other', while unpaid consumption tax is included in 'Current liabilities – Other.'

2) Adoption of consolidated tax accounting system

The Company and some of its consolidated subsidiaries adopt the consolidated taxation system, with Ajinomoto Co., Inc. as the consolidated taxable parent company.

3) Recognition of revenue from finance lease transactions

Revenue from finance lease transactions is not recorded in sales, but instead recorded by allocating the corresponding amount of interest to each period.

2. Changes in Accounting Policies

The following changes to accounting policies were applied from the fiscal year ended March 31, 2016: Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21 revised on September 13, 2013); Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 revised on September 13, 2013); and Accounting Standard for Business Divestitures (ASBJ Statement No. 7 revised on September 13, 2013). Accordingly, in cases where the parent company continues to have control, differences arising from changes in holdings of subsidiaries are now recorded in capital surplus, and acquisition-related expenses are now treated as expenses in the consolidated financial statements for the year in which they arise. For business combinations which occur from April, 2015, any change in the allocation of the acquisition cost arising from the confirmation of the provisional accounting treatment must now be reflected in the consolidated financial statements for the year in which the business combination occurs. In addition, some changes were made to the presentation of net income and 'minority interests' has been changed to 'non-controlling interests.' The consolidated financial statements for the fiscal year ended March 31, 2015, have been restated in order to reflect this change in presentation.

In the consolidated statement of cash flows for the fiscal year ended March 31, 2016, cash flows stemming from the acquisition or sale of shares of a subsidiary that does not result in a change in the scope of consolidation are included in 'cash flows from financing activities' while cash flows stemming from expenditures related to the acquisition of shares of a subsidiary that results in a change in the scope of consolidation and cash flows stemming from expenditures related to the acquisition or sale of shares of a subsidiary that does not result in a change in the scope of consolidation are included in 'cash flows from operating activities.'

The application of the newly adopted accounting standards noted at the outset of this section has been implemented from the start of the fiscal year ended March 31, 2016, in accordance with the transitional provisions in Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures.

As a result of these changes in accounting policy, operating income for the fiscal year ended March 31, 2016 increased by ¥132 million, and ordinary income and income before income taxes and non-controlling interests each increased by ¥122 million compared to the results that would have been obtained using the previous standards. In addition, the capital surplus as of the end of the fiscal year ended March 31, 2016 decreased by ¥402 million compared to the result that would have obtained using the previous standards.

Details regarding the impact of these changes on per share information are stated in "Note 19. Amounts Per Share:"

3. Standards Issued but Not Yet Effective

- Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016)

(1) Outline

The practical guidance on accounting standards and auditing standards (where it is related to the accounting treatment) for tax effect accounting, issued by the Japanese Institute of Certified Public Accountants (JICPA), is to be transferred to the competence of the ASBJ.

For the sake of the said transfer, "Implementation Guidance on Recoverability of Deferred Tax Assets" (Implementation Guidance) has been issued by the ASBJ, based, in principle, on the framework used in the "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Report No. 66, the audit committee of the JICPA), where the recoverability is assessed in accordance with the five categories applicable to corporate entities. The Implementation Guidance made certain necessary changes in the criteria for these categories and also in the treatment of the amount of deferred tax assets.

The Implementation Guidance thereby provides the guidelines in applying the "Accounting Standards for Tax Effect Accounting," by the Business Accounting Council, in view of recoverability of deferred tax assets.

(The requirements of classification and the changes in the treatment of the amount of deferred tax assets)

- Treatment of companies that do not fall into any of the five corporate categories
- Criteria for inclusion in categories 2 and 3
- Treatment of deductible temporary differences that cannot be scheduled for category 2 entities
- Determination of the reasonable period of time for estimating future changes in amounts of taxable income before adding or deducting temporary differences for category 3 entities
- Treatment of category 4 entities that also meet the criteria for inclusion in categories 2 and 3

(2) Scheduled date of adoption

This guidance will be applied from the start of the fiscal year beginning on April 1, 2016.

(3) Impact of adoption of the guidance

The impact on the Company's consolidated financial statements from the adoption of "Implementation Guidance on Recoverability of Deferred Tax Assets" is under evaluation at the time of the preparation of these consolidated financial statements.

4. Changes in Presentation

Consolidated Statement of Cash Flows

(1) "Insurance income," "Loss (gain) on sale of investment securities," and "Loss (gain) on revaluation of investment securities," all three of which were separate items in "Cash flows from operating activities" in the consolidated statement of cash flows for the year ended March 31, 2015, have been included in "Other" in the statement for the fiscal year ended March 31, 2016, as their individual amounts have become insignificant. The consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, "Insurance income" (¥(330) million) , "Loss on sale of investment securities" (¥(12) million), and a cash inflow entered under "Loss on revaluation of investment securities" (¥3 million) in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 have been included in "Other" in the statement for the fiscal year ended March 31, 2016.

(2) "Payments for long-term loan receivables," which was included as a separate item under "Cash flows from investing activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 has been included in "Other" in the statement for the fiscal year ended March 31, 2016, as the related amount has become insignificant. The consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, the ¥150 million cash outflow related to "Payments for long-term loans receivable" in the statement for the fiscal year ended March 31, 2015 has been included in "Other" in the statement for the fiscal year ended March 31,2016.

5. Supplementary Cash Flow Information

The following is a summary of the assets acquired and liabilities assumed of Ajinomoto General Foods, Inc. as of the acquisition date, which were included in consolidation upon the acquisition of all outstanding shares of Ajinomoto General Foods, Inc. during the year ended March 31, 2016.

(Millions of yen)

	2016
Current assets	¥32,851
Fixed assets	26,014
Total assets	¥58,865
Current liabilities	¥32,313
Long-term liabilities	2,813
Total liabilities	¥35,126

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2016 and 2015 consisted of the following:

(Millions of yen)

	2016	2015
Short-term borrowings	¥6,456	¥87,191
Commercial paper	–	15,000
	¥6,456	¥102,191

The average annual interest rate applicable to the short-term borrowings at March 31, 2016 was 2.88 %.

Long-term debt at March 31, 2016 and 2015 consisted of the following:

(Millions of yen)

	2016	2015
Bonds without collateral:		
0.71% bonds due 2015	–	¥ 15,000
1.89% bonds due 2020	¥ 19,995	19,994
0.2% bonds due 2023	20,000	–
0.305% bonds due 2026	25,000	–
0.939% bonds due 2036	25,000	–
Loans from banks, insurance companies and government-sponsored agencies:		
With collateral	–	–
Without collateral	166,401	72,830
	256,396	107,824
Current portion	(11,189)	(33,677)
	¥245,207	¥ 74,147

The annual maturities of long-term debt subsequent to March 31, 2016 are summarized as follows:

(Millions of yen)

Year ending March 31,	
2017	¥11,189
2018	24,006
2019	11,006
2020	12,399
2021 and thereafter	197,796
	¥256,396

Other interest-bearing debt at March 31, 2016 and 2015 was as follows:

(Millions of yen)

	2016	2015
Lease obligations (current)	¥ 623	¥ 585
Lease obligations (non-current)	1,257	1,014
	¥1,881	¥1,599

The annual maturities of lease obligations subsequent to March 31, 2016 are summarized as follows:

(Millions of yen)

Year ending March 31,	
2017	¥ 623
2018	466
2019	356
2020	222
2021 and thereafter	210
	¥1,881

7. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in statutory tax rates of 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income and comprehensive income for the years ended March 31, 2016 and 2015 differ from the statutory tax rates for the following reasons:

	2016	2015
Statutory tax rates	33.1%	35.6%
Effect of:		
Amortization of goodwill	1.1	1.0
Equity in earnings of affiliates	(0.5)	(2.3)
Special deduction of income taxes	(1.9)	(0.8)
Different tax rates applied to income of foreign consolidated subsidiaries	(4.6)	(8.4)
Impairment loss	–	1.3
Changes in tax rate for income and other taxes	0.0	0.3
Gain on step acquisitions	(5.9)	–
Gain or loss on sale of shares in affiliated companies	2.5	–
Other, net	3.2	3.3
Effective tax rates	27.0%	29.9%

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

(Millions of yen)

	2016	2015
Deferred tax assets:		
Liability for retirement benefits, etc.	¥ 14,473	¥ 12,340
Loss carried forward	10,380	12,271
Period expenses	5,041	3,113
Loss on impairment of fixed assets	4,955	5,801
Consolidated eliminations	4,817	4,723
Accrued bonuses for employees, etc.	4,432	4,161
Depreciable assets, etc.	2,554	2,416
Loss on devaluation of securities	1,805	1,916
Other	9,642	8,016
Gross deferred tax assets	58,101	54,761
Valuation allowance	(22,283)	(20,815)
Total deferred tax assets	35,817	33,946
Deferred tax liabilities:		
Reserves under Special Taxation Measures Law	(16,037)	(14,628)
Unrealized holding gain (loss) on securities	(5,903)	(5,863)
Reserve for advanced depreciation of fixed assets	(4,616)	(4,824)
Gain (loss) on land under consolidation	(2,326)	(2,398)
Other	(6,224)	(7,788)
Total deferred tax liabilities	(35,108)	(35,504)
Net deferred tax assets	¥ 709	¥ (1,558)

Adjustment of amounts of deferred tax assets and deferred tax liabilities due to changes in tax rate for income taxes

In line with the enactment in the Japanese Diet session on March 29, 2016 of the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15) and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13), the corporate tax rate imposed on the Company and its domestic consolidated subsidiaries shall be amended from the year beginning April 1, 2016. As a result, the normal effective statutory tax rate, which is used in the calculation of deferred tax assets and deferred tax liabilities, has changed from 32.3% to 30.9% for temporary differences expected to be realized during the years ended March 31, 2017 and 2018, and 30.6% thereafter.

The effect of this change was to reduce deferred tax liabilities (net of deferred tax assets) and "Unrealized gain (loss) from hedging instruments" by ¥537 million and ¥16 million, respectively, while increasing "Adjustments for retirement benefits," "Income taxes-deferred," and "Unrealized holding gain on securities" by ¥216 million, ¥38 million and ¥375 million, respectively, as of and for the year ended March 31, 2016.

8. Retirement Benefit Plans

1. Outline of adopted retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., corporate pension fund plans, welfare pension fund plans and lump-sum payment plans. Some consolidated subsidiaries use the simplified method for the calculation of liabilities for retirement benefits and retirement benefit cost. The Company and certain consolidated subsidiaries have defined contribution plans in addition to defined benefit plans.

2. Defined benefit plans

(1) Changes of beginning and ending balances of retirement benefit obligation

(Millions of yen)

	2016	2015
Beginning balance of retirement benefit obligation	¥226,696	¥242,729
Service cost	7,273	6,845
Interest cost	2,430	2,806
Actuarial gain or loss	12,642	7,102
Payment of retirement benefits	(12,392)	(12,067)
Decrease due to abolishment of retirement benefit plan	–	(23,652)
Change in scope of consolidation	17,519	1,457
Other	308	1,475
Ending balance of retirement benefit obligation	¥254,478	¥226,696

(2) Changes of beginning and ending balances of plan assets

(Millions of yen)

	2016	2015
Beginning balance of pension assets	¥183,763	¥181,223
Expected return on plan assets	4,975	4,442
Actuarial gain or loss	(5,554)	9,744
Contributions by the Company	13,112	12,102
Payment of retirement benefits	(11,672)	(11,373)
Decrease due to abolishment of retirement benefit plan	–	(13,064)
Change in scope of consolidation	18,390	–
Other	102	689
Ending balance of pension assets	¥203,117	¥183,763

(3) Reconciliation of the ending balance of retirement benefit obligation and pension assets, and the book value of liabilities and assets for retirement benefits

(Millions of yen)

	2016	2015
Funded retirement benefit obligation	¥ 245,405	¥ 216,861
Pension assets	(203,117)	(183,763)
	42,288	33,097
Unfunded retirement benefit obligation	9,072	9,835
Net amount of liabilities and assets in consolidated balance sheet	51,360	42,932
Liabilities for retirement benefits	52,325	43,631
Net defined benefit assets	(964)	(698)
Net amount of liabilities and assets in consolidated balance sheet	¥ 51,360	¥ 42,932

(4) Retirement benefit costs and other details

(Millions of yen)

	2016	2015
Service cost	¥ 7,273	¥ 6,845
Interest cost	2,430	2,806
Expected return on plan assets	(4,975)	(4,442)
Amortization of prior service cost	94	31
Amortization of actuarial gain or loss	3,698	5,071
Other	(6)	286
Retirement benefit costs for defined benefit plans	¥ 8,514	¥10,599

Notes: Retirement benefit costs at consolidated subsidiaries using the simplified method are recorded in "Service cost."

(5) Adjustments for retirement benefits included in other comprehensive income

The amounts before tax effect consisted of the following:

(Millions of yen)

	2016	2015
Prior service cost	¥ 94	¥ 31
Actuarial gain or loss	(15,130)	8,685
Other	59	(27)
Total	¥(14,977)	¥8,689

(6) Adjustments for retirement benefits included in accumulated other comprehensive income

The amounts before tax effect consisted of the following:

(Millions of yen)

	2016	2015
Unrecognized prior service cost	¥ (587)	¥ (681)
Unrecognized actuarial gain or loss	(32,276)	(18,127)
Total	¥(32,863)	¥(18,808)

(7) Pension assets

1) Details of main pension assets

The breakdown of plan assets for each major classification

(%)

	2016	2015
Fixed income securities	56	54
Equity securities	23	25
Insurance company general accounts	18	19
Cash and deposits	1	1
Other	2	1
Total	100	100

2) Long-term expected rate of return on plan assets

Long-term expected rate of return on plan assets is determined considering the pension asset allocation and long-term expected return on plan assets composed of various kinds of assets, at the present and in the future.

(8) Basis of actuarial calculation

	As of March 31, 2016
Discount rate	Mainly 0.5%
Long-term expected return on plan assets	Mainly 2.5%

3. Defined contribution plans

The Company and its consolidated subsidiaries were obligated to contribute ¥1,155 million and ¥944 million to the plans for the years ended March 31, 2016 and 2015, respectively.

9. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

10. Dividends

Dividends paid for the years ended March 31, 2016 and 2015 are outlined as follows:

Year ended March 31, 2016

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 26, 2015	Common stock	¥8,285	¥14	March 31, 2015	June 29, 2015
Meeting of the Board of Directors on November 5, 2015	Common stock	¥7,693	¥13	September 30, 2015	December 3, 2015

Year ended March 31, 2015

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 27, 2014	Common stock	¥5,935	¥10	March 31, 2014	June 30, 2014
Meeting of the Board of Directors on November 6, 2014	Common stock	¥5,918	¥10	September 30, 2014	December 3, 2014

The following dividends have a record date during the year ended March 31, 2016 but an effective date during the year ending March 31, 2017:

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 29, 2016	Common stock	¥8,715	¥15	March 31, 2016	June 30, 2016

11. Cost of Sales

Inventories as of March 31, 2016 were written down due to lower profitability and unrealized loss on inventories included in cost of sales was ¥497 million. There was a reversal of write-down as of March 31, 2015 and unrealized gain on inventories included in cost of sales was ¥1,716 million.

12. Selling, General and Administrative Expenses

"Selling, general and administrative expenses" consisted of the following:

(Millions of yen)

	2016	2015
Logistics expenses	¥ 47,508	¥ 37,315
Advertising expenses	31,757	25,278
Sales promotion expenses	28,412	23,859
Sales commissions	3,253	1,871
Salaries	54,659	46,955
Provision for accrued bonuses	21,700	18,039
Retirement benefit expenses	6,205	7,333
Depreciation and amortization	12,301	9,528
Research and development expenses	32,594	32,228
Amortization of goodwill	7,093	2,201
Other	80,583	67,989
Total	¥326,069	¥272,601

Research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were ¥32,594 million and ¥32,228 million, respectively.

13. Gain on Sale of Shares of Affiliates

Year ended March 31, 2016

A ¥24,872 million gain on the sale of shares in affiliates was recorded on the sale and transfer of the Company's entire equity stake in Nissin-Ajinomoto Alimentos Ltda. to a subsidiary of Nissin Foods Holdings Co., Ltd., in the third quarter of the fiscal year.

14. Loss on Liquidation of Subsidiaries

Year ended March 31, 2016

A ¥6,937 million loss on the liquidation of subsidiaries was recorded in relation to the sale and removal from the scope of consolidation of Ajinomoto Sweeteners Europe S.A.S. (ASE) in the second quarter of the fiscal year. The recorded loss reflects the difference between the value received for the transfer of ASE shares and the Company's investment in ASE and subsequent expenditures to sustain ASE's business.

15. Extraordinary Loss Related to Expenses Incurred for Structural Reform of Pharmaceutical Business

Year ended March 31, 2016

The Company posted a total extraordinary loss of ¥16,623 million in the fiscal year owing to the establishment of EA Pharma Co., Ltd. (formerly Ajinomoto Pharmaceuticals Co., Ltd.) as a specialty pharmaceutical company in the gastrointestinal field to begin operations from April 1, 2016. The loss includes (a) an impairment loss of ¥4,839 million on the Company's fixed assets for pharmaceutical manufacturing and intellectual property rights, (b) a ¥4,945 million loss on the sale of shares of affiliates related to the transfer of the Company's equity holdings in an equity-method affiliate engaged in the infusion and dialysis business, and (c) ¥6,839 million in penalties incurred on the cancellation of contracts with multiple companies.

The assets against which impairment losses were recorded as a pharmaceutical business restructuring expenses are as follows:

Location	Use	Classification
Kawasaki City, Kanagawa Prefecture and Yokkaichi City, Mie Prefecture	Manufacturing equipment	Buildings, structures, machinery and vehicles, etc.
Chuo Ward, Tokyo	Intellectual property rights	Patent rights

The Ajinomoto Group mainly groups assets in accordance with management accounting business categories. Furthermore, important idle assets and assets leased to others are grouped according to each individual asset.

The manufacturing equipment in Kawasaki and Yokkaichi have aged, and the asset book value therefore was written down to the amount deemed to be recoverable in the future, resulting in an impairment loss of ¥2,269 million. The above includes ¥1,522 million for buildings and structures, ¥638 million for machinery and vehicles, and ¥108 million for others. The recoverable amount, based on utility value, was determined to be zero owing to the expectation of negative future cash flows. The charge for the write-off of intellectual property rights was based on a third-party calculation of the fair value. The write-off totaled ¥2,569 million.

16. Impairment Loss

Year ended March 31, 2016

The main assets with respect to which impairment losses were recorded in the fiscal year are as follows. In addition to the losses detailed below, the Company recorded other impairment losses totaling ¥2,079 million.

Location	Use	Classification
Thailand	Manufacturing facilities	Buildings, structures, machinery and vehicles, etc.
China	Manufacturing facilities	Buildings, structures, machinery and vehicles, etc.

The Ajinomoto Group mainly groups assets in accordance with management accounting business categories. Furthermore, important idle assets and assets leased to others are grouped according to each individual asset.

The Company recorded an impairment loss on manufacturing facilities at its animal nutrition business in Thailand, as falling unit sales prices caused by an oversupply of feed-use lysine in the Asian market and intense competition from rival companies have led to consecutive losses and diminished the business' future prospects. The Company has therefore reduced the book value of the animal nutrition business in Thailand to the level deemed to be recoverable in the future and accordingly booked an impairment loss of ¥3,316 million as an extraordinary loss. This impairment loss includes writedowns of ¥844 million on buildings and structures, ¥2,204 million on machinery and vehicles, and ¥268 million on other assets. The recoverable amount was based on net sale value.

The impairment loss on seasoning manufacturing equipment in China reflects management's judgement that lower profit levels and other factors make recovery of the Company's investment unlikely. The asset book value therefore was written down to the amount deemed to be recoverable in the future, resulting in an impairment loss of ¥2,070 million taken as an extraordinary loss. The above includes ¥972 million for buildings and structures, ¥458 million for machinery and vehicles, and ¥640 million for others. The recoverable amount, based on utility value, was determined to be zero owing to the expectation of negative future cash flows.

17. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects relating to other comprehensive income for the years ended March 31, 2016 and 2015 are as follows.

(Millions of yen)

	2016	2015
Unrealized holding gain (loss) on securities:		
Amount arising during the year	¥ (5,042)	¥11,567
Reclassification adjustments	22	(44)
Before tax effect	(5,020)	11,522
Tax effect	331	(2,593)
Unrealized holding gain (loss) on securities	(4,688)	8,929
Unrealized gain (loss) from hedging instruments:		
Amount arising during the year	(2,048)	137
Reclassification adjustments	6	–
Asset acquisition cost adjustments	(54)	–
Before tax effect	(2,097)	137
Tax effect	588	6
Unrealized gain (loss) from hedging instruments	(1,509)	143
Translation adjustments:		
Amount arising during the year	(57,319)	34,129
Reclassification adjustments	(436)	–
Before tax effect	(57,756)	34,129
Tax effect	–	–
Translation adjustments	(57,756)	34,129
Adjustments for retirement benefits:		
Amount arising during the year	(18,652)	3,312
Reclassification adjustments	3,675	5,376
Before tax effect	(14,977)	8,689
Tax effect	3,818	(2,578)
Adjustments for retirement benefits:	(11,159)	6,110
Share of other comprehensive income of equity-method affiliates:		
Amount arising during the year	(1,829)	1,539
Reclassification adjustments	4,217	(80)
Share of other comprehensive income of equity-method affiliates	2,387	1,459
Total other comprehensive income (loss)	¥(72,724)	¥50,771

18. Lease Transactions

a. Lessees' Accounting

Acquisition costs, accumlated depreciation and net book value of the leased assets at March 31, 2015 and 2014, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases;

Taking their materiality into consideration, the disclosure is omitted.

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements;

Taking their materiality into consideration, the disclosure is omitted.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2016 for finance leases accounted for as operating leases;

Taking their materiality into consideration, the disclosure is omitted.

Future minimum lease payments subsequent to March 31, 2016 for operating leases are summarized as follows:

(Millions of yen)

Year ending March 31,	
2017	¥ 3,565
2018 and thereafter	17,201
Total	¥20,767

b. Lessors' Accounting

Future minimum lease income subsequent to March 31, 2016 for operating leases is summarized as follows:

(Millions of yen)

Year ending March 31,	
2017	¥106
2018 and thereafter	145
Total	¥252

19. Contingent Liabilities

At March 31, 2016 and 2015, the Company and its consolidated subsidiaries had the following contingent liabilities. Guarantees are for loans from financial institutions undertaken by unconsolidated subsidiaries or employees.

(Millions of yen)

	2016	2015
As guarantor of indebtedness of unconsolidated subsidiaries, affiliates and employees:		
Granules OmniChem Private Ltd.	¥2,298	¥2,345
KUKRE GIDA	252	340
New Season Foods	–	240
Ajinomoto de Mexico S. de R.L.. de C.V.	–	7
Kenny & Ross Ltd.	43	–
HYET Sweet S.A.S.	31	–
Employees	3	6
Total	¥2,630	¥2,939

20. Amounts Per Share

Amounts per share as of and for the years ended March 31, 2016 and 2015 were as follows:

(Yen)

	2016	2015
Net income	¥ 108.14	¥ 78.54
Net assets	1,074.36	1,131.41

Net income per share are computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and amounts per share of net assets are computed based on the net assets excluding non-controlling interests and the number of shares of common stock outstanding at the year end.

Note: As outlined in Notes to the Consolidated Financial Statements, 2.Changes in Accounting Policies effective the fiscal year ended March 31 2016; the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 revised on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 revised on September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 revised on September 13, 2013). As a result of this change, for the fiscal year ended March 31, 2016, "Profit attributable to owners of parent" and "Profit attributable to common stock owners of parent" increased by ¥122 million, and "Earnings per share" increased by ¥0.21, and "net assets per share" decreased by ¥0.48.

21. Related Party Transactions

For the year ended March 31, 2016

No applicable items.

For the year ended March 31, 2015

Attribute	Name	Domicile	Capitalization (Millions of yen)	Nature of operation	Equity ownership by the Company	Relationship: Operational relationship	Nature of transaction	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Affiliate	Ajinomoto General Foods, Inc.	Shinjuku-ku, Tokyo	¥3,862	Beverages	50.0% Direct	Purchase of goods and resale Interlocking and secondment of directors	Purchase of goods, etc.	¥128,697	Notes and accounts payable	¥23,472

Terms and policies of transaction, etc.

The Company is the sole agent and the price is determined by reference to contract, with the final selling price serving as the basis. These sole agent sales are recorded in the accounts using a method of netting off sales and cost of goods sold and are disclosed on a net basis. However, in the "Notes regarding Related Party Transactions" they are disclosed on a gross basis.

As the Company adopts the tax exclusion method, the transaction price excludes consumption tax, etc., although the debt and credit balances are included.

22. Financial Instruments

a. Status of financial instruments

(1) Policy for financial instruments

The Company and its consolidated subsidiaries undertake fund procurement using commercial paper, bond issuances, borrowings from financial institutions and other methods, aiming to balance direct and indirect financing with long-term and short-term financing needs while considering procurement costs and risk diversification. With respect to cash management, funds are allocated only to saving and other financial instruments with low risk. Derivative transactions are undertaken only for the purposes of hedging risks outlined below, and as a matter of policy, are not undertaken for speculative purposes.

(2) Characteristics and risks of financial instruments

Trade notes and accounts receivable form part of the customer credit risk faced by the Company. Foreign currency-denominated notes and accounts receivable are also subject to risk from foreign exchange rate fluctuations, but this risk is mainly hedged through the adoption of forward foreign exchange contracts. Investment securities primarily comprise stock in transaction partner companies, and are subject to the risk of changes in stock market prices.

Trade notes and accounts payable are mainly settled within one year. Foreign currency-denominated trade notes and accounts payable are subject to risk from foreign exchange rate fluctuations, but this risk is mainly hedged through the adoption of forward foreign exchange contracts. A certain amount of borrowings is undertaken using floating interest rates and is therefore subject to risk from movements in interest rates, but this is hedged through the adoption of interest-rate swaps.

Derivative transactions undertaken include forward foreign exchange contracts and currency swaps to hedge the risk associated with foreign currency-denominated payables and receivables, and interest rate swaps are undertaken to hedge interest rate risk associated with borrowings, bonds, lending to Group companies and other such activities.

Hedge accounting details with regard to hedging instruments, hedged transactions, hedging policy and assessment of hedge effectiveness are outlined in "Hedge accounting" in the previous section, "1. Notes regarding Significant Items for the Preparation of Consolidated Financial Statements."

(3) System for financial instruments risk management

1) Credit risk management (risks of transaction partners failing to honor contracts, etc.)

Each business and sales management division within the Company conducts periodic monitoring of key transaction partners to assess risks associated with notes and accounts receivable. In addition to monitoring due dates and amounts outstanding, the Company assesses the financial status of transaction partners with the aim of identifying and minimizing any heightened risks. The same system of risk management is used at consolidated subsidiaries.

In managing the risks of derivative positions, counterparty risk is minimized by entering into transactions only with financial institutions with high credit ratings.

The Company's maximum potential exposure to credit risk is shown in the balance sheet as of March 31, 2016.

2) Market risk management (risk of changes in exchange rates, interest rates, etc.)

In managing foreign currency denominated accounts payable and receivable, the Company and certain consolidated subsidiaries assess exchange rate movement risk by currency on a monthly basis, and hedge such risks through forward foreign exchange contracts and currency swaps. Given the nature of the foreign exchange market, forward foreign exchange contracts are in principle limited to a six-month period, applicable to foreign currency denominated assets or liabilities for which planned transactions are deemed certain to take place. The Company and certain consolidated subsidiaries also undertake interest-rate swaps for the purpose of controlling risk associated with movements in interest rates on borrowings.

Investment securities are periodically assessed with respect to market value and the financial status of the issuing entity (transaction partner), and the merits or otherwise of holding such securities are continually reviewed, taking into account the Company's relationship with respective transaction partners.

Derivative transactions are undertaken by the finance division, based on a system that places limits on transaction authorizations and amounts. The performance of transactions is periodically reported to directors responsible for the finance division and to the management committee. Transaction management at consolidated subsidiaries is undertaken in the same manner.

3) Funding procurement liquidity risk management (risk of being unable to meet due dates)

The Company and main domestic consolidated subsidiaries have adopted a cash management system for the purposes of reducing consolidated interest-bearing debt and reducing liquidity risk. The system is managed in such a way as to ensure that available liquidity, including the unused portion of commitment lines established by the Company, is maintained at a certain level. Main overseas consolidated subsidiaries maintain a similar level of liquidity on a company-by-company basis.

(4) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is based on market price for items having a market price. For items not having a market price, the fair value is calculated based on reasonable estimates. As a number of variables are incorporated in such estimates, the fair values are subject to change as a result of the use of different assumptions in the calculations. Furthermore, with respect to the contract prices of derivative transactions in "Note 21. Derivative Transactions," the amounts do not indicate the market risk relating to the derivative transactions.

b. Fair value of financial instruments

The book values, fair values and any differences as of March 31, 2016 were as follows:

(Millions of yen)

	Book value in consolidated financial statements	Estimated fair value	Difference
(1) Cash and cash equivalents	¥221,242	¥221,242	–
(2) Notes and accounts receivable	181,860	181,860	–
(3) Marketable securities and investment securities			
Investments in stock of subsidiaries and affiliates	21,736	15,572	¥(6,163)
Other marketable securities	45,802	45,802	–
Total assets	¥470,640	¥464,477	¥(6,163)
(1) Notes and accounts payable	¥ 90,459	¥ 90,459	–
(2) Short-term borrowings	6,456	6,456	–
(3) Commercial paper	–	–	–
(4) Current portion of corporate bonds	–	–	–
(5) Current portion of long-term debt	11,189	11,189	–
(6) Corporate bonds	89,995	92,603	¥ 2,608
(7) Long-term debt	155,211	158,069	2,857
Total liabilities	353,313	358,778	¥ 5,465
Derivative transactions*	¥ (1,050)	¥ (1,050)	–

*The assets or liabilities arising from derivative transactions are shown as a net amount.

The book values, fair values and any differences as of March 31, 2015 were as follows:

(Millions of yen)

	Book value in consolidated financial statements	Estimated fair value	Difference
(1) Cash and cash equivalents	¥168,294	¥168,294	–
(2) Notes and accounts receivable	202,980	202,980	–
(3) Marketable securities and investment securities			
Investments in stock of subsidiaries and affiliates	21,708	18,922	¥(2,786)
Other marketable securities	48,139	48,139	–
Total assets	¥441,123	¥438,337	¥(2,786)
(1) Notes and accounts payable	¥114,488	¥114,488	–
(2) Short-term borrowings	87,191	87,191	–
(3) Commercial paper	15,000	15,000	
(4) Current portion of corporate bonds	15,000	15,000	–
(5) Current portion of long-term debt	18,677	18,677	–
(6) Corporate bonds	19,994	21,754	¥ 1,759
(7) Long-term debt	54,152	55,241	1,088
Total liabilities	324,505	327,354	¥ 2,848
Derivative transactions*	¥ 6,778	¥ 6,778	–

*The assets or liabilities arising from derivative transactions are shown as a net amount.
Note 1: Method of calculating fair value of financial instruments, and notes relating to investment securities and derivative transactions.

Assets

(1) Cash and cash equivalents, and (2) Notes and accounts receivable

These items are recorded at book value, as the short settlement period means that fair value and book value are effectively the same.

(3) Marketable securities and investment securities

The fair value of equities is based on prices at listing exchanges. The fair value of bonds is based on prices at listing exchanges or transaction prices disclosed by financial institutions. For notes relating to marketable securities according to holding purpose of such securities, please refer to "Note 20. Securities."

Liabilities

(1) Notes and accounts payable, (2) Short-term borrowings, (3) Commercial paper, (4) Current portion of corporate bonds and (5) Current portion of long-term debt

These items are recorded at book value, as the short settlement period means that fair value and book value are effectively the same.

(6) Corporate bonds

The fair value of bonds issued by the Company is based on market price for those items having a market price. The fair value of items without a market price is calculated based on the current total amount of principal and interest, discounted for the remaining period of each bond and adjusted for credit risk.

(7) Long-term debt

The fair value of long-term debt with fixed interest rates is calculated based on the current total amount of principal and interest, discounted by the expected interest rate if the debt were refinanced at current rates. The book value is used for the fair value of long-term debt with floating interest rates, as the fair value of such debt is almost identical to its book value, because it reflects market rates over the short term.

Derivative transactions

Interest-rate swaps for which the exceptional treatment is applied are accounted for together with the fair value of the underlying long-term debt, and the fair value is included in the fair value of the long-term debt, as such swaps are treated as a single item incorporating the hedged long-term debt. For information relating to derivative transactions, please refer to "Note 21. Derivative Transactions."

Note 2: Financial instruments as of March 31, 2016 for which the appraisal of fair value is recognized as being extremely difficult.

(Millions of yen)

	Amount recorded on consolidated balance sheet
Investments in stock of subsidiaries and affiliates	
Unlisted shares	
Other securities	¥26,040
Unlisted shares	
Unlisted domestic bonds	2,488
Investment Partnership, etc.	0
	66
Total	¥28,595

These are items that do not have a market value and for which estimating future cash flows would incur excessive costs. Accordingly, appraising the fair value of such items is recognized as being extremely difficult, and they are excluded from "Assets (3) Marketable securities and investment securities."

Note 3: Planned redemptions subsequent to March 31, 2016 for monetary claims and marketable securities with maturities

(Millions of yen)

	2017	2018 and thereafter
Cash and cash equivalents	¥221,242	–
Notes and accounts receivable	181,860	–
Investment securities		
"Other marketable securities" with maturities	–	–

Note 4: Planned repayments subsequent to March 31, 2016 for corporate bonds and long-term debt

(Millions of yen)

	Corporate bonds	Long-term debt
Year ending		
2017	–	¥11,189
2018	–	24,006
2019	–	11,006
2020	–	12,399
2021	¥20,000	12,399
2022 and thereafter	70,000	95,398

23. Securities

a. Information regarding marketable securities classified as other securities with fair value at March 31, 2016 and 2015 was as follows:

(Millions of yen)

	March 31, 2016		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥43,093	¥20,415	¥22,678
Bonds			
Government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other bonds	–	–	–
Other	–	–	–
Subtotal	43,093	20,415	22,678
Securities whose acquisition cost exceeds their carrying value:			
Stocks	2,708	2,850	(141)
Bonds			
Government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other bonds	–	–	–
Other	–	–	–
Subtotal	2,708	2,850	(141)
Total	¥45,802	¥23,266	¥22,536

(Millions of yen)

	March 31, 2015		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥48,118	¥21,276	¥26,842
Bonds			
Government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other bonds	–	–	–
Other	–	–	–
Subtotal	48,118	21,276	26,842
Securities whose acquisition cost exceeds their carrying value:			
Stocks	21	28	(7)
Bonds			
Government bonds, etc.	–	–	–
Corporate bonds	–	–	–
Other bonds	–	–	–
Other	–	–	–
Subtotal	21	28	(7)
Total	¥48,139	¥21,305	¥26,834

b. Sales of securities classified as other securities

Taking their materiality into consideration, the disclosure is omitted.

c. Securities recognized as impaired

Taking their materiality into consideration, the disclosure is omitted.

24. Derivative Transactions

a. Summarized below are the notional amounts and the estimated fair value of the derivatives positions, for which hedge accounting is not applied, outstanding at March 31, 2016 and 2015:

1) Currency-related transactions

(Millions of yen)

	March 31, 2016		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
USD	¥ 15,472	¥ 355	¥ 355
EUR	7,542	37	37
PEN	1,069	(10)	(10)
HKD	718	(296)	(296)
PLN	674	39	39
JPY	521	3	3
BRL	412	(4)	(4)
SGD	40	0	0
Buy:			
USD	1,830	(35)	(35)
JPY	1,488	(5)	(5)
PEN	436	(27)	(27)
EUR	259	0	0
THB	224	(0)	(0)
SGD	11	(0)	(0)
GBP	4	0	0
HKD	2	0	0
Currency swaps			
Receive/THB and pay/JPY	69,550	(608)	(608)
Receive/THB and pay/USD	526	(32)	(32)
Total	¥100,786	¥(585)	¥(585)

Note: The fair values are calculated based on prices quoted by counterparty financial institutions.

(Millions of yen)

	March 31, 2015		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
USD	¥ 17,359	¥ (360)	¥ (360)
EUR	13,331	876	876
JPY	2,239	14	14
HKD	968	(412)	(412)
PLN	685	11	11
PEN	644	(138)	(138)
BRL	477	(2)	(2)
THB	57	(3)	(3)
SGD	47	(0)	(0)
Buy:			
USD	4,395	54	54
JPY	1,274	(16)	(16)
PEN	541	28	28
EUR	251	(1)	(1)
THB	207	0	0
SGD	202	(1)	(1)
HKD	21	(0)	(0)
Currency swaps			
Receive/THB and pay/JPY	48,284	6,724	6,724
Receive/THB and pay/USD	598	4	4
Total	¥91,590	¥6,778	¥6,778

Note: The fair values are calculated based on prices quoted by counterparty financial institutions.

b. Summarized below are the notional amounts and the estimated fair value of the derivatives positions for which hedge accounting is applied outstanding at March 31, 2016 and 2015:

1) Interest-related transactions

(Millions of yen)

	March 31, 2016	
	Notional amount	Fair value
Special treatment is applied with respect to interest-rate swaps for long-term debt:		
Pay/fixed and receive/floating		
Receive/fixed and pay/floating	¥47,800	¥(3,024)
Total	¥47,800	¥(3,024)

Note: The fair values are calculated based on prices quoted by counterparty financial institutions.

(Millions of yen)

	March 31, 2015	
	Notional amount	Fair value
Special treatment is applied with respect to interest-rate swaps for long-term debt:		
Pay/fixed and receive/floating		
Receive/fixed and pay/floating	¥25,400	¥(935)
Total	¥25,400	¥(935)

Note: The fair values are calculated based on prices quoted by counterparty financial institutions.

2) Currency-related transactions

Hedge exchange rate risk on foreign currency transaction (Accounts Payable)

(Millions of yen)

	March 31, 2016	
	Notional amount	Fair value
Account Payable/USD	¥7,365	¥(464)
Total	¥7,365	¥(464)

Note: The fair values are calculated based on prices quoted by counterparty financial institutions.

Fiscal year ended March 31, 2015

No applicable item

Interest rate and currency swaps for foreign currency denominated borrowings:

(Millions of yen)

	March 31, 2016	
	Notional amount	Fair value
Pay/fixed and receive/floating		
Receive/USD and pay/JPY	¥42,179	¥(3,096)
Total	¥42,179	¥(3,096)

Note: The fair values are calculated based on prices quoted by counterparty financial institutions.

(Millions of yen)

	March 31, 2015	
	Notional amount	Fair value
Pay/fixed and receive/floating		
Receive/USD and pay/JPY	¥44,399	¥(364)
Total	¥44,399	¥(364)

Note: The fair values are calculated based on prices quoted by counterparty financial institutions.

25. Business Combination

1. Business combination through acquisition

(1) Outline of business combination

1) Name of acquired company and outline of business

Name of acquired company

Ajinomoto General Foods, Inc. (AGF)

Outline of business

Manufacture and sale of foods and beverages

2) Reason for business combination

AGF was established in 1973 as a joint venture between the company and the U.S. company General Foods Corporation, currently Mondelēz International, Inc. (hereafter, Mondelēz). Since AGF's founding, its Japan coffee business has developed new product markets, including the market for 3-in-1 coffee sticks, and continually created new value that meets consumer needs. Leveraging its marketing and technological capabilities, AGF has achieved a large share in Japan's home-use coffee products market (excluding canned coffee) and is also expanding its sales in the commercial-use segment. AGF markets a wide range of high-quality, delicious beverage products in addition to coffee, including tea and cocoa. Ajinomoto and Mondelēz were engaged in continuing discussions about AGF's operating format. In the end, Mondelēz's decision to reorganize its global coffee business paved the way for the agreement that led to AGF becoming a wholly owned consolidated subsidiary of the Company, which had been contemplating that move for some time.

Aiming to be "a genuine global specialty company," the Company is strengthening its business structure and expanding into adjacent domains (products adjacent to existing product domains and adjacent markets) as it prepares for a new stage of rapid growth. Since making AGF a consolidated subsidiary, Ajinomoto has been working with AGF's management and employees on plans to expand AGF's business. The parent and its subsidiary seek to realize synergies in their coffee and powdered drink businesses in ASEAN countries and other markets. The two companies will strengthen their business structures by promoting cooperative efforts in all divisions, while also leveraging their common core of powdered and processed products to create synergies in product development and production.

3) Date of business combination

April 23, 2015

4) Legal form of business combination

Share acquisition via cash transaction

5) Post-business combination company name

Ajinomoto General Foods Inc.

6) Percentage of voting shares acquired

Percent of voting shares owned prior to integration: 50.0%

Percent of voting shares acquired on date of integration: 50.0%

Voting share ownership ratio after integration: 100.0%

7) Main basis for determining acquired company

The Company acquired shares through a cash transaction.

8) Matters related to other transactions

After acquiring the 50.0% of voting shares in AGF not already owned, the Company sold a 5.0% share to another consolidated subsidiary, Ajinomoto Co. (Thailand) Ltd., to facilitate the early and certain creation of synergies in the coffee and powdered drinks business in the ASEAN region. Even after this sale, the Ajinomoto Group retains 100% ownership of voting shares.

(2) Period that AGF is included in consolidated financial results for the fiscal year ended March 31, 2016

April 1, 2015 to March 31, 2016

(3) Cost of acquisition and cost breakdown

Market value of AGF shares owned immediately before the integration:	¥27,000 million
Cash payment for additional shares:	¥27,000 million
Acquisition cost:	¥54,000 million

(4) Main acquisition-related expense

Advisory and other fees: ¥246 million

(5) Difference between acquired company's acquisition cost and the sum of acquisition costs of each transaction

Gain on step acquisitions: ¥18,027 million

(6) Amount of goodwill, reason for its occurrence, and amortization method and period

1) Amount of goodwill:

¥30,261 million

When preparing consolidated financial statements for the first quarter of the fiscal year ended March 31, 2016, the allocation for the AGF acquisition cost was based on a provisional calculation made on the basis of reasonable information available at the time. The confirmed final cost was allocated during the fourth quarter of the fiscal year ended March 31, 2016.

2) Reason for its occurrence

Principal reason for the occurrence of goodwill related to the acquisition of AGF is the expected excess earnings potential stemming from the company's strong brands and customer base.

3) Amortization method and period

Straight-line amortization over a period of 15 years

(7) Amount of assets acquired and liabilities assumed on the day of business combination and main components

Current assets:	¥32,851 million
Fixed assets:	¥26,014 million
Total assets:	¥58,865 million
Current liabilities:	¥32,313 million
Long-term liabilities:	¥2,813 million
Total liabilities:	¥35,126 million

(8) Amount allocated as intangible assets other than goodwill, main components by category, and weighted average amortization period

1) Amount allocated to intangible assets: ¥5,704 million

2) Main component, amount, and amortization period

Customer-related assets: ¥5,704 million

Amortization period: 6 years

2. Transactions under common control

(1) Outline of transaction

1) Names of subsidiaries and outline of their business

Names of subsidiaries: Ajinomoto North America, Inc., Ajinomoto Frozen Foods USA, Inc., Ajinomoto North America NJ, Inc., Windsor Quality Holdings, LP; Amoy North America, Inc.

Outline of business of subsidiaries: Manufacture and sales of amino acids, umami seasonings for processed foods and frozen foods

2) Date of merger

April 1, 2015

3) Legal configuration of company merger

Ajinomoto North America, Inc.* transferred its amino acid and bulk food products businesses to Ajinomoto North America NJ, Inc., and its consumer foods business to Ajinomoto Windsor, Inc. (formerly Ajinomoto Frozen Foods U.S.A.) by contribution in kind, and changed its name to Ajinomoto North America Holdings, Inc.

Additionally, an absorption-type merger was conducted, in which Ajinomoto Windsor, Inc.* was the surviving company in a merger with Windsor Quality Holdings, LP*, and Amoy North America, Inc.* (a subsidiary of Amoy Food Limited.) Amoy Food Limited received shares in Ajinomoto North America Holdings as compensation for this absorption-type merger, but sold those shares to the Company.

*A consolidated subsidiary of the Company.

4) Names of surviving companies

Ajinomoto North America Holdings, Inc. (formerly Ajinomoto North America Inc)*

Ajinomoto Windsor, Inc. (formerly Ajinomoto Frozen Foods)*

Ajinomoto North America, Inc. (formerly Ajinomoto North America NJ, Inc.)*

*A consolidated subsidiary of the Company.

5) Other items regarding outline of business

With the acquisition of Windsor Quality Holdings, LP last year, the Company has decided to restructure its organization in North America in line with its business model, to accelerate growth in the consumer foods business. The Company will make further advancements in the marketing and sales capabilities of each business and accelerate business development by dividing its operations into the consumer foods business – consolidated under Ajinomoto Windsor, Inc., and the amino acids/foods for processed food manufacturers business – consolidated under Ajinomoto North America.

(2) Outline of accounting treatment conducted

This restructure was treated as a transaction under common control, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No.21) revised on September 13, 2013, and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10) revised on September 13, 2013.

26. Segment Information

a. Segment information

Year ended March 31, 2016

1. Overview of reporting segments

The Company's reporting segments in the fiscal year ended March 31, 2015 consisted of domestic food products, overseas food products, bioscience products and fine chemicals, and pharmaceuticals. From the fiscal year ended March 31, 2016 these reporting segments have been changed to Japan food products, international food products, life support, and healthcare.

This change was made in accordance with the new structure outlined in the 2014-2016 Medium-Term Management Plan.

The main changes are as follows: the bioscience products and fine chemicals segment was separated into the life support and healthcare segments; the pharmaceuticals segment was merged into the new healthcare segment; frozen foods, previously included in the domestic food products segment, has been split between the Japan food products and international food products segments; sweeteners, previously included in the bioscience products and fine chemicals segment, have been moved to the international food products segment; and the wellness business is now included in the healthcare segment.

The segment results for the fiscal year ended March 31, 2015 have been retrospectively restated to reflect changes in the classification of business segments (see 3. Information on sales, income or loss, assets and other items by reporting segment).

Among the Group's units, separate financial information is also obtainable for each reporting segment, and the Board of Directors and the Management Committee regularly consider these segments in order to decide on allocation of business resources and evaluate business performance.

The product categories and products belonging to each reporting segment are as follows.

Business Segments	Details	Main Products
Japan Food Products	Seasonings and Processed Foods	Umami seasoning *AJI-NO-MOTO*®, *HON-DASHI*®, *Cook Do*®, *Knorr*® *Cup Soup*, *Ajinomoto KK Consommé*, *Pure Select*® *Mayonnaise*, Various gift sets,Seasonings and processed foods for restaurant use Seasonings for processed food manufacturers (savory seasonings, enzyme *ACTIVA*®), Lunchboxes and delicatessen products, Bakery products
	Frozen Foods	*Gyoza* (Chinese dumplings), *Yawaraka Wakadori Kara-Age* (fried chicken), *Puripuri-no-Ebi Shumai* (shrimp dumpling), *EbiYose Fry* (shrimp fry), *Ebi Pilaf* (shrimp pilaf), *Yoshokutei Hamburg* (hamburg steak)
	Coffee Products	*Blendy*® (Stick coffee, *Teaheart*® series, etc.) *MAXIM*® (*Chyotto Zeitakuna Kohiten*®, *TRIPLESSO*®, etc.), *Sen*, Various gift sets, Office drink (Cup Vending Machine, Tea Dispenser), Food Service, Industrial Use Material

Business Segments	Details	Main Products
International Food Products	Seasonings and Processed Foods	Umami seasoning *AJI-NO-MOTO*® (outside Japan), *Ros Dee*® (flavor seasoning/Thailand), *Masako*® (flavor seasoning/Indonesia), *Aji-ngon*® (flavor seasoning/Vietnam), *Sazón*® (flavor seasoning/Brazil), *AMOY*® (Chinese ethnic sauce/Hong Kong), *YumYum*® (instant noodles/Thailand), *Birdy*® (coffee beverage/Thailand), *Birdy*® 3in1 (powdered drink/Thailand), *SAJIKU*® (menu-specific seasonings/Indonesia), *CRISPY FRY*® (menu-specific seasonings/Philippines)
	Frozen Foods	Gyoza (POT STICKERS), Cooked rice (CHICKEN FRIED RICE, YAKITORI CHICKEN FRIED RICE etc.), Noodles (YAKISOBA, RAMEN etc.)
	Umami Seasonings for Processed Food Manufacturers and Sweeteners	Umami Seasoning *AJI-NO-MOTO*® for the food processing industry, Nucleotides, Aspartame, Advantame, *PAL SWEET*®, *MID*® (powdered drink/Brazil)
Life Support	Animal Nutrition	Lysine, Threonine, Tryptophan, Valine, *AjiPro*®*-L*
	Specialty Chemicals	*Amisoft*®, *Amilite*® (mild surfactant), *Ajidew*® (humectant), *JINO*®, ABF (insulation film for build-up printed wiring board)
Healthcare	Amino Acids	Amino acids (for intravenous drip etc.), Natural extracts
	Pharmaceuticals	Gastrointestinal disease treatment (*LIVACT*®, *ELENTAL*®, *MOVIPREP*®) Metabolic diseases, etc. (*ATELEC*®, *FASTIC*®, *ACTONEL*®, *ATEDIO*®)
	Others	Fundamental Foods (*Glyna*®, *Capsiate Natura*®) Functional foods (*amino VITAL*®)

2. Methods of calculating amounts for net sales, income or loss, assets and other items by reporting segment

The accounting treatment methods for each reporting business segment are broadly similar to those outlined in "Significant items for the preparation of consolidated financial statements."

Reporting segment income figures are on an operating income basis.

Internal sales between segments are mainly based on prices for third-party transactions.

3. Information on sales, income or loss, assets and other items by reporting segment

(Millions of yen)

Fiscal year ended March 31, 2016

	Reporting segment				Other Business*1	Adjustment amount*2	Consolidated
	Japan Food Products	International Food Products	Life Support	Healthcare			
Sales							
(1) Sales to third parties	¥394,408	¥463,905	¥142,415	¥130,844	¥ 54,406	-	¥1,185,980
(2) Intra-group sales and transfers	3,000	5,734	3,412	2,163	56,560	¥ (70,870)	-
Total sales	397,408	469,639	145,827	133,008	110,967	(70,870)	1,185,980
Segment income (loss) (Operating income (loss))	31,390	41,969	11,810	5,415	460	-	91,045
Segment assets	278,596	336,583	113,532	147,182	94,746	292,622	1,263,264
Other							
Depreciation and amortization	10,544	17,808	7,453	7,271	2,174	5,667	50,920
Increase in tangible and intangible fixed assets	17,349	19,818	7,701	8,165	1,805	4,026	58,867

Note 1. Other business includes the business tie-ups, the packaging business, the logistics business and other service businesses.

Note 2. Adjustments are as follows:

(1) Adjustments of ¥292,622 million for segment assets mainly includes, 'Corporate' assets of ¥339,734 million and intersegment offsetting of receivables against payables of ¥(44,991) million. 'Corporate' assets primarily consist of the Group's cash and equivalents, long-term investments, land not used in operations, and certain assets associated with administrative divisions and research facilities.

(2) Adjustments of ¥5,667 million for 'Depreciation and amortization' is depreciation related to 'Corporate' assets.

(3) Adjustments of ¥4,026 million for 'Increase in tangible and intangible fixed assets' is the acquisition cost of tangible and intangible fixed assets related to 'Corporate' assets.

(Millions of yen)

Fiscal year ended March 31, 2015

	Reporting segment				Other Business*1	Adjustment amount*2	Consolidated
	Japan Food Products	International Food Products	Life Support	Healthcare			
Sales							
(1) Sales to third parties	¥289,084	¥384,102	¥149,129	¥120,924	¥ 63,390	-	¥1,006,630
(2) Intra-group sales and transfers	1,633	26,025	3,438	6,776	46,606	¥ (84,479)	-
Total sales	290,718	410,127	152,567	127,700	109,996	(84,479)	1,006,630
Segment income (loss) (Operating income (loss))	24,799	31,984	14,356	3,123	255	-	74,519
Segment assets	201,375	382,862	128,610	159,450	121,891	260,899	1,255,090
Other							
Depreciation	7,428	14,160	6,794	7,924	2,066	5,001	43,376
Increase in tangible and intangible fixed assets	11,846	16,993	7,094	8,210	1,925	4,858	50,930

Note 1. Other business includes business tie-ups, the packaging business, the logistics business and other service businesses.
Note 2. Adjustments are as follows:
(1) Adjustments of ¥260,899 million for segment assets mainly includes, 'Corporate' assets of ¥307,002 million and intersegment offsetting of receivables against payables of ¥(45,696) million. 'Corporate' assets primarily consist of the Group's cash and equivalents, long-term investments, land not used in operations, and certain assets associated with administrative divisions and research facilities.
(2) Adjustments of ¥5,001 million for 'Depreciation' is depreciation related to 'Corporate' assets.
(3) Adjustments of ¥4,858 million for 'Increase in tangible and intangible fixed assets' is the acquisition cost of tangible and intangible fixed assets related to 'Corporate' assets.

b. Related information

Information by geographical area

As of and for the year ended March 31, 2016

(1) Sales

(Millions of yen)

	Japan	Asia	Americas	Europe	Total
Sales	¥556,099	¥282,268	¥240,436	¥107,176	¥1,185,980
Percentage of total consolidated sales	46.9%	23.8%	20.3%	9.0%	100.0%

Note: Sales are based on the location of customers, and are classified by country or region.

(2) Tangible fixed assets

(Millions of yen)

	Japan	Asia	Americas	Europe	Total
Tangible fixed assets	¥170,178	¥100,311	¥68,194	¥47,517	¥386,201

As of and for the year ended March 31, 2015

(1) Sales

(Millions of yen)

	Japan	Asia	Americas	Europe	Total
Sales	¥438,263	¥276,864	¥182,008	¥109,494	¥1,006,630
Percentage of total consolidated sales	43.5%	27.5%	18.1%	10.9%	100.0%

Note: Sales are based on the location of customers, and are classified by country or region.

(2) Tangible fixed assets

(Millions of yen)

	Japan	Asia	Americas	Europe	Total
Tangible fixed assets	¥150,221	¥110,956	¥72,990	¥49,101	¥383,269

c. Impairment losses on fixed assets by reporting segment

As of and for the year ended March 31, 2016

(Millions of yen)

	Reporting segment				Other Business	Adjustment amount	Total
	Japan Food Products	International Food Products	Life Support	Healthcare			
Impairment losses	¥602	¥2,446	¥3,325	¥5,338	¥593	-	¥12,306

Note: Impairment losses posted by the Healthcare segment include ¥4,839 million as an extraordinary loss related to pharmaceutical business restructuring charges.

As of and for the year ended March 31, 2015

(Millions of yen)

	Reporting segment				Other Business	Adjustment amount	Total
	Japan Food Products	International Food Products	Life Support	Healthcare			
Impairment losses	¥174	¥8,916	-	¥1,394	-	-	¥10,486

d. Amortization of goodwill and outstanding balance by reporting segment

As of and for the year ended March 31, 2016

(Millions of yen)

	Reporting segment				Other Business	Adjustment amount	Total
	Japan Food Products	International Food Products	Life Support	Healthcare			
Amortization	¥ 2,280	¥ 3,636	-	¥ 1,176	-	-	¥ 7,093
Remaining amounts	28,779	46,327	-	14,344	-	-	89,450

As of and for the year ended March 31, 2015

(Millions of yen)

	Reporting segment				Other Business	Adjustment amount	Total
	Japan Food Products	International Food Products	Life Support	Healthcare			
Amortization	¥262	¥ 864	-	¥ 1,074	-	-	¥ 2,201
Remaining amounts	798	54,124	-	16,474	-	-	71,396

e. Gains on negative goodwill by reporting segment

Year ended March 31, 2016

No applicable items.

Year ended March 31, 2015

No applicable items.

27. Subsequent Events

1. Business combination through acquisition

Corporate integration by subsidiary

The Company's wholly owned subsidiary, AJINOMOTO PHARMACEUTICALS CO., LTD. (hereafter, AJINOMOTO PHARMACEUTICALS), succeeded to a portion of Eisai's gastrointestinal disease treatment business via an absorption-type split on April 1, 2016. As consideration for the absorption-type company split, shares of AJINOMOTO PHARMACEUTICALS were allotted to Eisai on that date.

As a result, as of April 1, 2016, Ajinomoto's equity interest in AJINOMOTO PHARMACEUTICALS was reduced to 40%, making the company an equity-method affiliate of the Company.

(1) Outline of corporate integration

1) Name and business content of parties to the integration, and name of the company after integration

Name of integrating company: AJINOMOTO PHARMACEUTICALS CO., LTD.

Business description: Research and development, manufacturing, and marketing of pharmaceuticals

Name of splitting company: Eisai Co., Ltd.

Business description: Research and development and marketing (domestic) of pharmaceuticals in the field of gastrointestinal diseases

Name of the company after integration: EA Pharma Co. Ltd.

2) Purpose of establishing the integrated company
Eisai has a long history of drug discovery and information provision activities in the field of gastrointestinal diseases spanning more than 60 years, over which it has accumulated a wealth of experience, knowledge and networks that have enabled it to create a robust development pipeline that has generated numerous superior pharmaceutical products.

AJINOMOTO PHARMACEUTICALS, as a member of the Ajinomoto Group which endeavors to contribute to human health globally based on amino acid technology founded upon the discovery of umami, possesses a unique pipeline and products unmatched by other companies, especially in the field of gastrointestinal diseases. The integration of Eisai's gastrointestinal disease business and AJINOMOTO PHARMACEUTICALS' business will result in the establishment of EA Pharma Co. Ltd., one of Japan's largest gastrointestinal specialty pharmaceutical companies.

While population aging has been accompanied by an increase in the incidence of gastrointestinal diseases, lifestyle changes and increasing social stress have caused a sharp increase in the incidence of intractable autoimmune diseases, such as Crohn's disease and ulcerative colitis, among younger people. The combined result has been an expansion in unmet medical needs in the field of gastrointestinal disease. By combining the products of its forming entities, the new integrated company will have a broad product lineup that will cover the upper and lower digestive tract as well as the liver and pancreas, enabling it to provide a wider range of solutions and specialized information for healthcare professionals in the field of gastrointestinal disease. In addition, the formation of the integrated company will bring together researchers with extensive expertise and know-how on gastrointestinal diseases and result in an even more robust product development pipeline capable of launching a steady stream of new treatments that will help fulfill the aforementioned unmet medical needs in the field of gastrointestinal disease. Furthermore, the future marketing of newly developed products through Eisai's global business network will provide greater access to markets and patients, thereby maximizing the benefit of the company's efforts for patients around the globe.

In addition to marketing synergies made possible by integration, the new company will endeavor to increase profitability through the pursuit of greater efficiency by, for example, eliminating redundant functions. It also will endeavor to secure the resources required to achieve development of new drugs and realize sustained growth. As one of Japan's largest gastrointestinal specialty pharmaceutical companies, the new integrated company will have a firm grasp of the needs of gastrointestinal disease patients, which it will use to address those needs and provide more qualitative benefits for patients and their families as well as healthcare professionals.

3) Date of establishment of integrated company
April 1, 2016

4) Overview of transaction, including legal form
Eisai is the splitting company and AJINOMOTO PHARMACEUTICALS the succeeding company in an absorption-type company split.

(2) Accounting treatment of the integration
Accounting treatment of the corporate integration will be in accordance with "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

(3) Reporting business segment affected by the integration
Healthcare segment

2. Share repurchase under the provisions of the Company's Articles of Incorporation pursuant to Article 165, Paragraph (2) of the Companies Act

The Company authorized, at the Board of Directors' Meeting of May 10, 2016, the following repurchase of its own shares pursuant to the provisions of Article 156 of the Companies Act, as applied pursuant to the provisions of Paragraph 3, Article 165 of the Companies Act:

(1) Purpose of the share repurchase:
To enhance the level of shareholders' return and to improve capital efficiency

(2) Details of the share repurchase
1) Class of shares to be repurchased: Common stock
2) Total number of shares to be repurchased: 15 million shares (maximum)
(Note: This number represents 2.58% of the total number of shares issued, excluding treasury stock)
3) Total repurchase amount: ¥30,000 million (maximum)
4) Repurchase period: From May 11, 2016 till July 29, 2016
5) Repurchase method: Open market purchase through a trust bank
6) Others: Treasury stock thus repurchased shall all be cancelled in accordance with the resolution of the Company's Board of Directors' Meeting, pursuant to the provisions of Article 178 of the Companies Act.

Note: Total number of shares outstanding as at March 31, 2016 (excluding treasury stock): 581,038,449 shares
Number of treasury shares as at March 31, 2016: 2,724,205 shares

EY
Building a better working world

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Independent Auditor's Report

The Board of Directors and Shareholders
Ajinomoto Co., Inc.

We have audited the accompanying consolidated financial statements of Ajinomoto Co., Inc. (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As described in Note 27, on April 1, 2016, AJINOMOTO PHARMACEUTICALS CO., LTD., which was a 100% consolidated subsidiary of the Company, succeeded a portion of Eisai's gastrointestinal disease treatment business via an absorption-type split, and allotted shares to Eisai as compensation.
2. As described in Note 27, the Company made a resolution at a Board of Directors Meeting held on May 10, 2016 regarding the acquisition of treasury stock.

Our opinion is not qualified in respect of these matters.

Ernst & Young ShinNihon LLC

June 29, 2016