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Ajinomoto Co., Inc. (2802) Financial Results for Q3 of FY2020 (Ending March 31, 2021) and Revised Forecast

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I-1. FY2020: Cumulative Summary, April–December

FY2020 Q3 Cumulative (April–December) Results Summary (YoY)

Sales: ¥794.9 billion (down approx. 3.3%, excluding currency translation: down 0.9%)

Business profit: ¥99.9 billion (up approx. 19.9%, excluding currency translation: up 26.2%)

1. Sales: **Decreased YoY**

- Sales decreased due to effects of the COVID-19 pandemic in nearly all businesses (except Specialty Chemicals).

2. Business profit: **Significant increase YoY**

- Profit decreased in Solution and Ingredients and in Amino Acids but increased in Sauce and Seasonings, animal nutrition, Specialty Chemicals, Quick Nourishment, Frozen Foods, etc. This, plus the rebound from the previous year's recording of an impairment loss on trademark rights of Promasidor Holdings Limited (PH) (-¥3.8 billion), led to a significant increase in profit.

3. Profit attributable to owners of the parent company: **Significant increase YoY**

- In addition to an increase in business profit, rebounding from the previous year's recording of an impairment loss, other operating expenses declined.

(¥ billion)	Q3-FY2020 Actual (A)	Q3-FY2019 Actual (B)	Difference (A)-(B)	YoY
Sales	794.9	822.4	-27.4	-3.3%
Business profit	99.9	83.3	16.6	+19.9%
Profit attributable to owners of the parent company	62.6	23.1	39.5	+171.1%



I-2. FY2020: Q3 Results Summary

FY2020 Q3 (October–December) Results Summary (YoY)

Sales: ¥283.5 billion (down 2.3%, excluding currency translation: up 0.5%)

Business profit: ¥38.0 billion (up 6.5%, excluding currency translation: up 11.1%)

1. Sales: **Decreased**

- Sales increased in Healthcare and Others but decreased in Seasonings and Foods, Frozen Foods, etc., decreasing overall.

2. Business profit: **Increased (Profit increase: ¥2.3 billion)**

- Profits increased due to improved product mix, decreased costs, decreased logistics costs, etc.

(YoY Business Profit Impacts – Summary)

Item	Impact on business profit (¥ billion)			Details of impacts in Q3
	Q1	Q2	Q3	
Decreased GP due to decreased sales	-6.0	-2.0	-2.5	—
Increased GP due to improved GP ratio	7.0	2.0	3.0	Improvement in GP ratio due to improved product mix, cost reductions in umami seasonings for processed food manufacturers, etc.
Decreased SGA expenses	5.0	4.0	2.0	Mainly decreased logistics costs
Share of profit of associates and joint ventures	0.0	4.0	0.0	—

I-3. FY2020: The Impacts of COVID-19 on Our Business

Red text indicates revisions

Impact on FY2020 Business Results (summary)

At the present stage, it cannot be predicted when the COVID-19 outbreak will come to an end, so the economic outlook is uncertain. In these circumstances, the Company has **revised** the business results forecast based on the following assumptions

1. **The state of emergency declarations, lockdowns, and other measures were lifted by the second quarter** in each of the countries where the Ajinomoto Group operates its business, **but economic activity during this period was still significantly impacted.**
2. **The pandemic will probably not have subsided in North and South America, Europe, Japan, and some countries in Southeast Asia by the end of FY2020,** and economic activity will continue to be impacted.

I-4. FY2020: Impacts of COVID-19 Reflected in the Forecast

Impact of COVID-19 on FY2020 Business Results (revised) (YoY)

Sales: down approx. ¥66.0 billion (down approx. 6%)

Reference: Revised in November: down approx. ¥67.5 billion (down approx. 6%)

Business profit: down approx. ¥1.1 billion (down approx. 1%)

Reference: Revised in November: down approx. ¥6.5 billion (down approx. 7%)

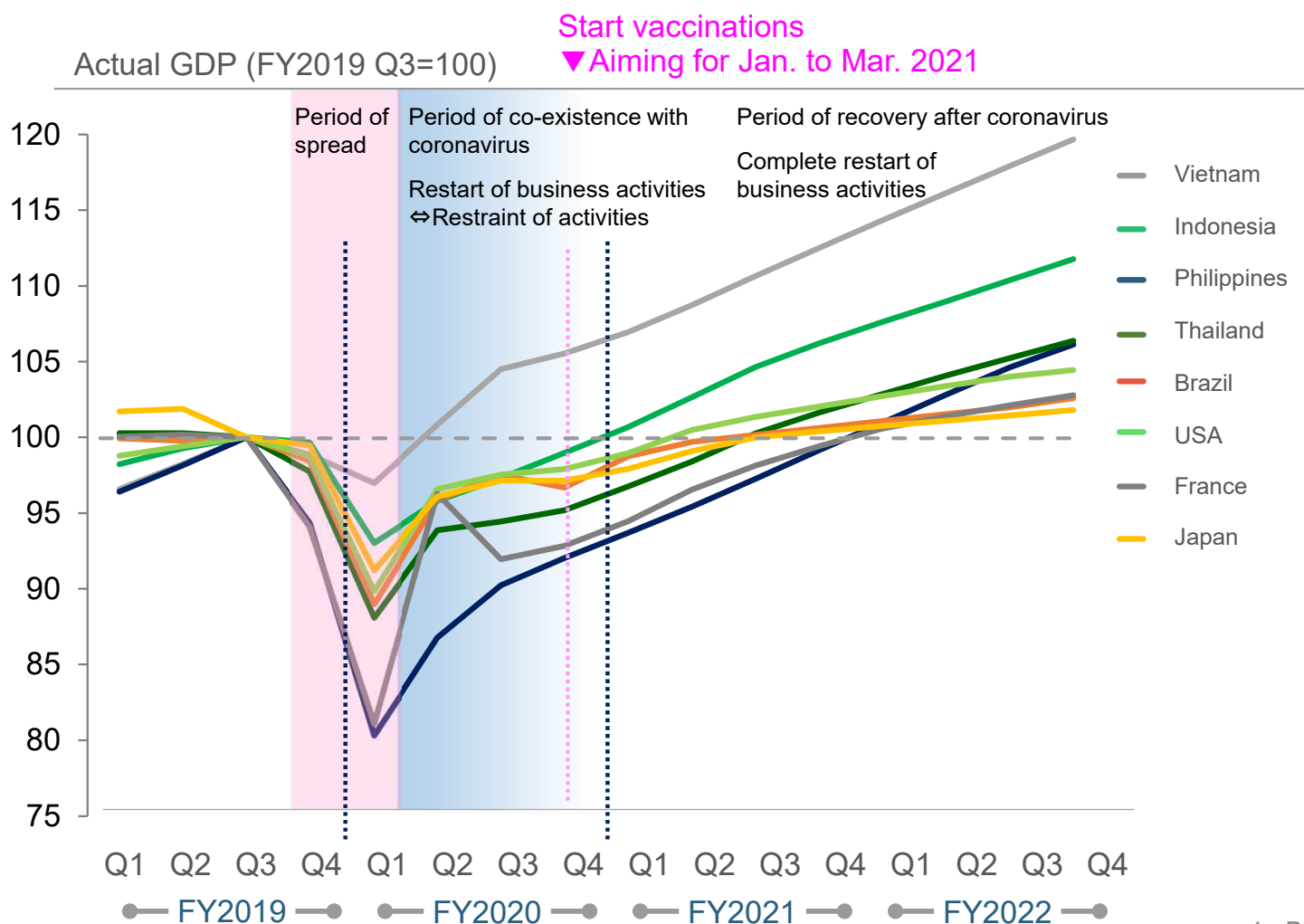
Factors reflected in the forecast for FY2020 (updated) Note: uncertain factors have not been included in the forecast.

- | | | | |
|------------------------------|--|-----------------------|--------------------------------|
| | Impacts expected from January onward | (New): new factors | (On-going): continuing from Q3 |
| (Business related) | | (○): Positive factors | (▲): Negative factors |
| | (On-going) 1. With no signs of COVID-19 subsiding, demand is increasing for home-use products (Seasonings and Foods, Frozen Foods) and demand for foodservice products is decreasing due to restrictions on going out. In-store sales promotion activities, etc. remain restricted. (○▲) | | |
| | (On-going) 2. In amino acids for pharmaceuticals, demand for infusions remains strong (○) | | |
| | (On-going) 3. In Bio-Pharma Services, delays in customers' development plans (▲) | | |
| | (On-going) 4. Impact of contraction of the market accompanying the reduction and cancellation of sports events and medical checkups (▲) | | |
| | (On-going) 5. Decrease in demand from tourists due to travel restrictions between countries and regions (▲) | | |
| (Strengthening of structure) | (On-going) 6. At present, the impact of U.S.-China trade friction on the electronic materials business is limited (▲) | | |
| | (On-going) 1. The reduction and sell-off of overseas operations has been restarted and is underway (○) | | |
| (Uncertain factors) | (New) 1. Possibility of increases in home-use (retail) products due to the state of COVID-19 infection (○) | | |
| | (New) 2. Depending on the state of our inventory, expenses might not be incurred (○▲) | | |
| | (New) 3. Risk, both for procuring raw materials due to chaos in the supply chain, and of delays in shipping products (▲) | | |



I-5. FY2020: Forecast of the Impact of COVID-19 on Each Country's Economy

Forecasts of actual GDP in our major countries of business (updated)

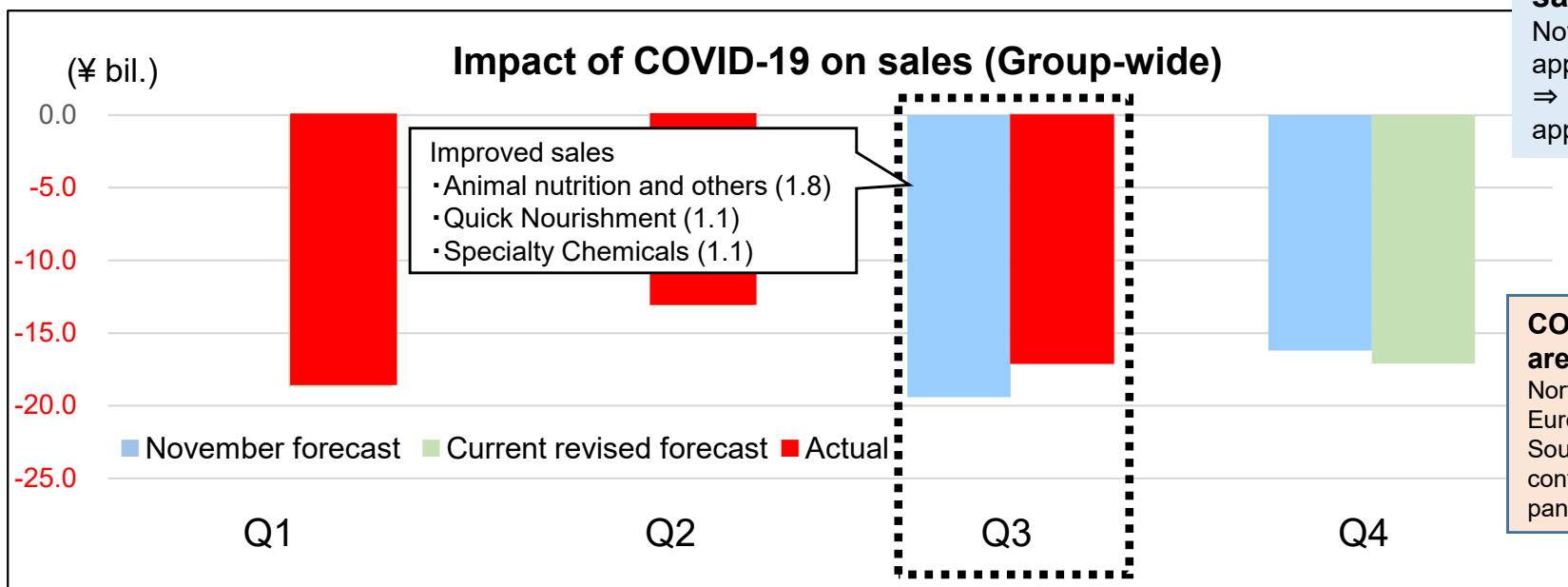


	Estimated FY2020 GDP growth rates ¹		
	As of November ²	Latest	Difference
Japan	-5.9%	-5.3%	+0.6
USA	-3.8%	-3.8%	±0.0
Thailand	-6.8%	-6.7%	+0.1
Indonesia	-3.6%	-3.0%	+0.6
Philippines	-8.6%	-10.2%	-1.6
Vietnam	3.3%	3.6%	+0.3
Brazil	-4.3%	-4.8%	-0.5
France	-7.2%	-8.2%	-1.0

Note: with the exception of Vietnam, figures have been calculated with seasonal corrections
 Source: Oxford Economics

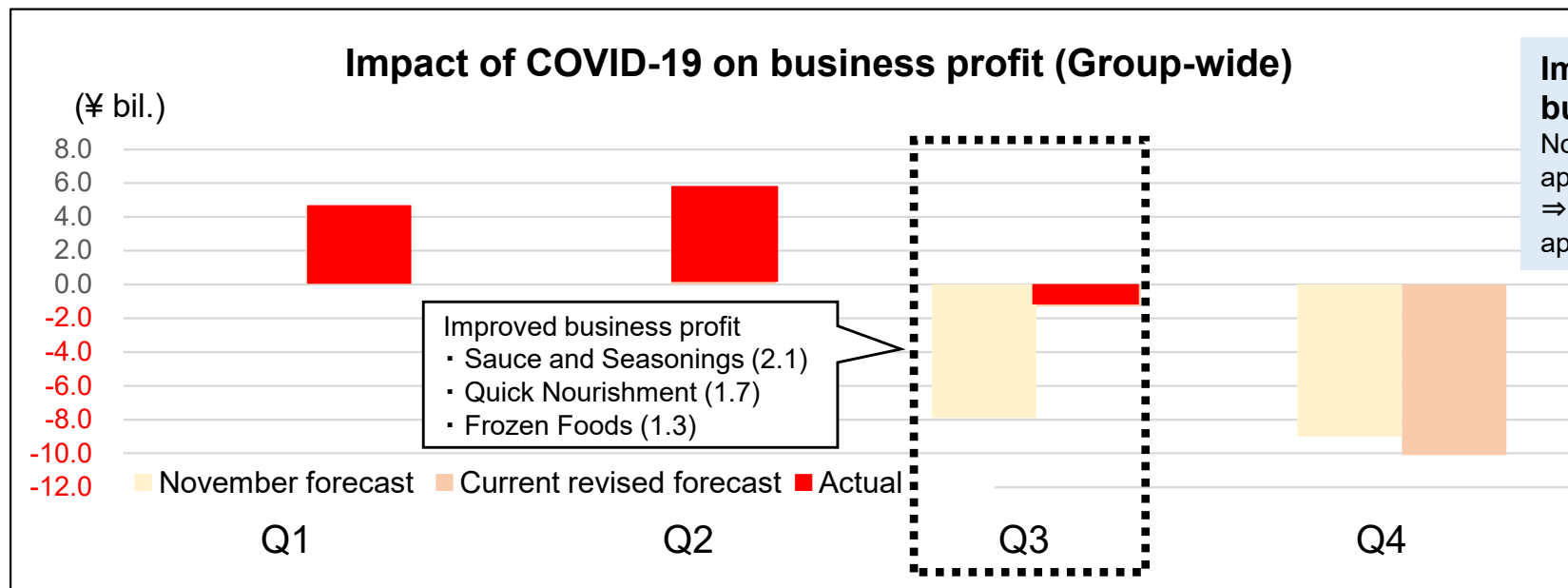
1. Based on quarterly estimated GDP, an annual from April to March is calculated, and the difference with FY2019 is calculated
 2. Growth rate based on the estimated GDP for each country in the November 6 Analysts' Meeting materials

I-6. FY2020: The Impact of COVID-19 on the Forecast



Impact on annual sales
 November forecast approx. -¥ 67.5 billion
 ⇒ Revised to approx. -¥66.0 billion

COVID-19 and its impacts are predicted to continue
 North and South America, Europe, Japan, and parts of Southeast Asia will undergo continuing impacts as the pandemic fails to subside.



Impact on annual business profit
 November forecast approx. -¥ 6.5 billion
 ⇒ Revised to approx. -¥1.1 billion



I-7. FY2020: Forecast (revised)

1. Sales: **Decrease YoY (Upward revision** to reflect conditions in some businesses, in addition to the difference due to COVID-19 through Q3)
 - Despite increased sales in the Healthcare and Others segment, sales will decrease in the Seasonings and Foods segment and Frozen Foods segment due to the COVID-19 pandemic, resulting in a sales decline overall.
 - The Company will flexibly add sales promotion measures in line with the pandemic situation in specific countries, to minimize sales declines.
2. Business profit: **Increase YoY (Upward revision** to reflect conditions in some businesses, in addition to the difference due to COVID-19 through Q3)
 - Despite effects from the COVID-19 pandemic, profit will increase in Specialty Chemicals, animal nutrition, Quick Nourishment, Frozen Foods, etc., leading to an increase in profits overall.
 - The Company will continue appropriate marketing investments and efforts to reduce company-wide costs, and will aim to achieve its forecast (revised).
3. Profit attributable to owners of the parent company: **Increase YoY**
 - Other operating expenses will decrease.

(¥ billion)	FY2020 Jan. revised forecast (A)	FY2020 Nov. revised forecast (B)	Difference (A)-(B)	FY2019 Actual (C)	Difference (A)-(C)	YoY		FY2020 Jan. revised forecast	FY2020 Nov. revised forecast	FY2019 Actual
Sales	1,075.0	1,066.0	9.0	1,100.0	-25.0	-2.3%	Business profit margin	10.2%	9.4%	9.0%
Business profit	110.0	100.0	10.0	99.2	10.7	+10.8%	ROE	7.8%	6.6%	3.3%
Profit attributable to owners of the parent company	43.0	36.0	7.0	18.8	24.1	+128.3%	ROIC	5.3%	4.6%	3.0%
							ROA (BP basis)	8.2%	7.5%	7.2%
							EPS	¥78.42	¥65.65	¥34.37



I-8. FY2020: Forecast (revised)

Revised Forecast (YoY)

FY2020 sales: ¥1,075.0 billion
 (down 2.3%, down ¥25.0 billion, excluding currency translation: level with FY2019)
 FY2020 business profit: ¥110.0 billion
 (up 10.8%, up ¥10.7 billion, excluding currency translation: up 16.9%)

(Ref.) Q4 sales: ¥280.0 billion
 (up 0.9%, up ¥2.4 billion, excluding currency translation: up 2.7%)
 Q4 business profit: ¥10.0 billion
 (down 36.8%, down ¥5.8 billion, excluding currency translation: down 32.3%)

(YoY Business Profit Impacts – Summary)

(¥ billion)

	Q1-FY20	Q2-FY20	Q3-FY20	Q4-FY20	FY20	(Ref.) Details of impacts in Q4-FY20
Decreased GP due to decreased sales	-6.0	-2.0	-2.5	1.0	-9.5	
Change in GP due to change in GP ratio	7.0	2.0	3.0	-0.5	11.5	
Decreased SGA expenses	5.0	4.0	2.0	-9.0	2.0	Increases in new product development costs, marketing expenses, etc. are assumed, primarily in the foods business.
Share of profit of associates and joint ventures	0.0	4.0	0.0	3.0	7.0	Effects of rebound from worsening of profit/loss at equity method affiliates in Q4 of the previous year.
Total	6.0	8.0	2.5	-5.5	11.0	Assumed currency translation impact on business profit: -¥0.7.



I-9. FY2020: Profit at Specific Stages (revised)

Despite the COVID-19 pandemic, improvement from the November forecast and increased business profits are forecast. Expect to incur structural reform expenses ahead of schedule. An increase in profit for the term is forecast.

(¥ Billion) -: losses	FY20 Revised forecast (A)	FY19 Actual (B)	Difference (A)-(B)	Comments
Sales	1,075.0	1,100.0	-25.0	
Business profit	110.0	99.2	10.7	
Other operating income & expenses	-29.4	-50.4	21.0	
Impairment losses		-34.9	34.9	
Other	-29.4	-15.5	-13.9	Structural reform expenses: approx. -23.0
Operating profit	80.5	48.7	31.8	
Financial income & expenses	-1.1	0.0	-1.1	
Profit before income taxes	79.4	48.7	30.6	
Income taxes	-29.3	-20.3	-8.9	Tax rate: FY20 revised forecast 37%
Profit (includes discontinued operations)	50.0	28.9	21.0	
Profit attributable to owners of the parent company	43.0	18.8	24.1	
Profit attributable to non-controlling interests	7.0	10.1	-3.0	

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Reference Material

Appendixes: Consolidated Results Third Quarter Ended December 31, 2020
FY2020 Revised Forecast by Segment

Note: Business profit (consolidated) in this material:

Sales - Cost of sales - Selling expenses, Research & development expenses and General & administrative expenses + Share of profit of associates and joint ventures

FY2020 Assumed Exchange Rate and Exchange Rate Sensitivity

Assumed exchange rate (vs. JPY)

	FY20 Forecast (revised)	FY20 Actual				FY20-25 MTP
		Q4	Q3	Q2	Q1	
USD	105.00		104.49	106.23	107.63	107.00
EUR	125.00		124.61	124.08	118.59	123.00
THB	3.39		3.41	3.39	3.37	3.42
BRL	20.19		19.39	19.74	20.06	28.16

Exchange Rate Sensitivity

Foreign exchange rates (vs JPY)

	FY20 forecast	Sensitivity of translation effects to full year B.P.
USD	105.00	±¥1 → approx. ¥100 million
EUR	125.00	±¥1 → approx. ¥50 million
THB	3.39	±¥0.01 → approx. ¥100 million
BRL	20.19	±¥1 → approx. ¥300 million

Impact of exchange rate for trade

(Sensitivity of translation effects to full year B.P.)

- 1 JPY	vs	USD	→	approx. ¥100 million
- 0.1 EUR	vs	USD	→	approx. + ¥0 million
- 1 THB	vs	USD	→	approx. + ¥400 million
- 0.1 BRL	vs	USD	→	approx. + ¥300 million



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- **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. A number of factors could cause actual results to differ materially from expectations.**
- **This material includes summary figures that have not been audited so the numbers may change.**
- **Amounts presented in these materials are rounded down.**