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# **Ajinomoto Co., Inc. (2802) Financial Results for Q1 of FY2021 (Ending March 31, 2022)**

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Executive Officer & Vice President**

**July 30, 2021**

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

# I-1. Q1 Results Summary

## FY2021 Q1 Results Summary

Sales: ¥276.3 billion (111.5% of FY2020 results; 104.8% of FY2019 results)

Business profit: ¥38.9 billion (115.1% of FY2020 results; 141.0% of FY2019 results)

### 1. Sales: **Increased (in local currencies: increased)**

- Sales increased in key segments: Seasonings and Foods, Frozen Foods, and Healthcare and Others.

### 2. Business profit: **Increased (¥5.1 billion)**

- Business profit increased with the increase in gross profit (GP) due to increased sales, despite increase in SGA expenses due to strategic use of marketing expenses targeting organic growth.

#### (YoY Business Profit Details – Summary)

Item	Impact on business profit (¥ billion)	Details of impacts in Q1	(Reference)
	vs. Q1-FY20		Impact on business profit (¥ billion) vs. Q1-FY19
Change in GP due to change in sales	11.0	Effect of increased revenue in Seasonings and Foods overseas, Functional Materials, Frozen Foods overseas, Bio-Pharma Services, etc.	4.5
Change in GP due to change in GP margin (includes effect of some price reductions)	-0.5	Despite improvement in GP margin in Bio-Pharma Services, GP margin declined overall due to decline in GP margin in Frozen Foods overseas and umami seasonings for processed food manufacturers.	7.0
Change in SGA expenses	-6.5	SGA expenses increased due to strategic use of marketing expenses targeting organic growth.	-0.5
Share of profit of associates and joint ventures	1.0		0.5

## I-2. Sales and Business Profit by Segment

**Sales increased** overall due to increases in key segments.

**Business profit increased significantly** overall due to increased revenue in Bio-Pharma Services & Ingredients and in Functional Materials in Healthcare and Others, despite a decrease in profits in Frozen Foods due to increased expenses.

(¥ billion)	Q1-FY21 Actual (A)	Q1-FY20 Actual (B)	vs Prev. year (A)/(B)	Summary	vs. Prev. year (in local currency)
Sales	276.3	247.9	111%	<ul style="list-style-type: none"> <li>Seasonings and Foods: Revenue increased overall, mainly through growth in Seasonings and Foods overseas.</li> <li>Frozen Foods: Revenue increased due to growth in sales for foodservice in North America.</li> <li>Healthcare and Others: Revenue increased significantly, mainly due to growth in Bio-Pharma Services &amp; Ingredients and Functional Materials.</li> </ul>	109%
Seasonings and Foods	157.5	142.3	110%		108%
Frozen Foods	52.4	48.2	108%		107%
Healthcare and Others	63.5	54.0	117%		113%
Other	2.7	3.3	82%		82%
Business Profit	38.9	33.8	115%	<ul style="list-style-type: none"> <li>Seasonings and Foods: Despite increase in SGA expenses and decline in GP margin in umami seasonings for processed food manufacturers, profit increased mainly due to increased revenue in Seasonings and Foods overseas and effect of currency translation.</li> <li>Frozen Foods: Profit declined due to increased expenses (particularly for personnel, raw materials, and logistics in North America).</li> <li>Healthcare and Others: Profit increased significantly due to factors including increased revenue in Bio-Pharma Services &amp; Ingredients and Functional Materials.</li> </ul>	111%
Seasonings and Foods	24.2	23.8	101%		98%
Frozen Foods	0.9	1.8	51%		49%
Healthcare and Others	12.7	7.4	170%		164%
Other	0.9	0.5	165%		165%

## I-3. Sales and Business Profit by Region (in yen)

**Sales: increased in all regions.** Sales of Seasonings and Foods increased in all regions, primarily due to recovering sales in foodservice markets. Frozen Foods increased due to restaurant-use products recovering in North America, despite a revenue decline in Japan where SKUs were reduced. Healthcare and Others increased due to strength in electronic materials in Japan and in Bio-Pharma Services in Japan, North America, and Europe, despite revenue in Europe and Asia decreasing due to structural reform in animal nutrition.

**Business profit: increased in all regions** driven by Seasonings and Foods in Asia and Healthcare and Others, despite decreased profit due to increases in expenses in Seasonings and Foods in Japan and Frozen Foods in Japan and North America.

	Japan		Asia		Americas		EMEA		Other		Total	
	Q1-FY21 Actual	vs. Q1-FY20	Q1-FY21 Actual	vs. Q1-FY20	Q1-FY21 Actual	vs. Q1-FY20	Q1-FY21 Actual	vs. Q1-FY20	Q1-FY21 Actual	vs. Q1-FY20	Q1-FY21 Actual	vs. Q1-FY20
<b>Sales</b>	114.7	5.2	68.2	7.9	62.6	9.6	30.7	5.6	-	-	276.3	28.4
Seasonings and Foods	63.6	1.0	65.3	8.8	19.4	3.4	9.0	1.8	-	-	157.5	15.1
Frozen Foods	22.3	-0.2	0.8	-0.0	26.5	3.2	2.7	1.2	-	-	52.4	4.2
Healthcare and Others	26.0	5.1	1.9	-0.9	16.6	2.9	18.9	2.4	-	-	63.5	9.5
Other	2.6	-0.6	0.0	0.0	-	-	0.0	0.0	-	-	2.7	-0.5
<b>Business Profit</b>	15.3	1.2	14.8	2.1	5.5	0.0	3.0	1.6	-	-	38.9	5.1
Seasonings and Foods	8.7	-1.0	15.9	1.7	3.0	-0.2	0.8	0.3	-4.2	-0.3	24.2	0.4
Frozen Foods	1.4	-0.3	0.3	-0.0	0.3	-0.9	0.0	0.3	-1.2	0.0	0.9	-0.9
Healthcare and Others	6.7	2.2	0.6	0.3	3.7	1.2	2.7	1.0	-1.1	0.2	12.7	5.2
Other	1.2	0.4	-0.0	-0.0	-	-	0.0	-0.0	-0.3	-0.0	0.9	0.3
Shared companywide expenses	-2.7	0.0	-2.0	0.0	-1.5	-0.0	-0.6	-0.0	7.0	-0.0	-	-

## I-4. Each Level of Profit (vs. prev. year)

The first quarter of FY2021 ended with increased sales and profit.

The ratio of SGA expenses to sales was kept to a certain level and expenses are in control, despite an increase in SGA expenses due to strategic use of marketing expenses targeting organic growth.

(SGA expenses were at a level of -0.9% even vs. FY2019)

(¥ Billion); -: losses	Q1-FY21 Actual (A)	Q1-FY20 Actual (B)	Difference (A) - (B)	vs. Prev. year (A)/(B)	vs. Prev. year (excluding currency translation) (A)/(B)
Sales	276.3	247.9	28.4	111%	109%
Gross profit	108.7	98.1	10.5	110%	
(Gross profit margin)	39.3%	39.6%			
SGA expenses	-71.8	-65.4	-6.4	109%	
(Ratio of SGA expenses to sales)	25.9%	26.3%			
Business profit	38.9	33.8	5.1	115%	111%
Other operating income & expenses	-2.5	1.6	-4.2	-	
Impairment losses	0.0	0.0	0.0	-	
Operating profit	36.3	35.4	0.8	102%	
Financial income & expenses	-1.4	-0.7	-0.6	196%	
Profit before income taxes	34.9	34.7	0.1	100%	
Income taxes (Tax rate: FY21 forecast 33.4%)	-11.0	-9.8	-1.1	111%	
Profit (includes discontinued operations)	23.9	24.9	-0.9	96%	
Profit attributable to owners of the parent company	22.0	22.3	-0.2	98%	
Profit attributable to non-controlling interests	1.8	2.5	-0.6	72%	

## I-5. Items that Impact Business Results (Updated)

### Impacts on FY2021 business results (macro scenario)

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

(⇒Text in red is for basic measures)

1. In the countries where our Group has business, **at least 6 months to a year** will be necessary to complete vaccinating the populations and the impact will continue. Economic activity is gradually returning to normal **in countries where vaccinations are proceeding**.  
The US and Europe are heading toward a return to normal. In particular, the US economy is expected to recover quickly. In Japan and Brazil, the situation continues to get better and get worse. **In the major countries of ASEAN, where vaccinations are delayed, the end to COVID-19 infections will take longer than expected.** Restrictions on peoples' activities will continue even after the populations of each country have been vaccinated.  
⇒We will aim for organic growth, based on the assumption that at-home dining will become the norm in each country.
2. We expect cost increases for raw materials, primarily for fermentation raw materials and fuel.  
⇒We will respond with broad and firm cost reductions and timely price changes.
3. Currency depreciation will continue primarily in the emerging countries and we expect effects from currency translation and trade.  
⇒We will carefully monitor the situation.

## I-6. Each Level of Profit (progress)

Sales were in line with standard progress (25%).

Business profit and profit attributable to owners of the parent company are on a pace to exceed standard progress. With skyrocketing prices for raw materials and the effect of COVID-19 in the major ASEAN countries, there is still no telling what will happen, but each country is taking action flexibly and we will aim to achieve the initial forecast.

(¥ Billion); -: losses	Q1-FY21 Actual (A)	FY21 Forecast (B)	vs. Forecast (A)/(B)
Sales	276.3	1,113.0	24%
Gross profit	108.7	429.6	25%
(Gross profit margin)	39.3%	38.6%	
Business profit	38.9	115.0	33%
Other operating income & expenses	-2.5	-13.9	18%
Impairment losses	0	-	-
Other (FY21 Structural reform expenses: approx. -10.0)	-2.5	-13.9	18%
Operating profit	36.3	101.0	36%
Financial income & expenses	-1.4	-3.4	40%
Profit before income taxes	34.9	97.5	35%
Income taxes (Tax rate: FY21 forecast 33.4%)	-11.0	-32.6	33%
Profit (includes discontinued operations)	23.9	64.8	36%
Profit attributable to owners of the parent company	22.0	60.0	36%
Profit attributable to non-controlling interests	1.8	4.8	37%

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## Reference Material

Appendix: Consolidated Results First Quarter Ended June 30, 2021

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



## Sales and Business Profit by Region (in local currency)

### FY2021 Q1 Sales and Business Profit by Region vs. Prev. Year (in local currency)

	Japan	Asia	Americas	EMEA	Other	Total
<b>Sales</b>	104%	108%	116%	111%	-	109%
Seasonings and Foods	101%	111%	120%	119%	-	108%
Frozen Foods	99%	88%	111%	169%	-	107%
Healthcare and Others	124%	63%	119%	103%	-	113%
Other	81%	8026%	-	-	-	82%
<b>Business Profit</b>	110%	111%	99%	173%	-	111%
Seasonings and Foods	89%	108%	90%	107%	103%	98%
Frozen Foods	79%	78%	25%	-	94%	49%
Healthcare and Others	148%	223%	146%	150%	80%	164%
Other	158%	818%	-	58%	101%	165%
Shared companywide expenses	94%	97%	100%	100%	97%	-

# Sales and Business Profit (vs. FY2019)

(¥ billion)	Q1-FY21 Actual (A)	Q1-FY19 Actual (B)	vs. FY19 (A)/(B)	vs. FY19 (in local currency)
<b>Sales</b>	276.3	263.7	104%	105%
Seasonings and Foods	157.5	152.0	103%	105%
Sauce & Seasonings	75.8	69.6	108%	
Quick Nourishment	44.5	43.9	101%	
Solution & Ingredients (S&I)	37.1	38.3	96%	
Frozen Foods	52.4	51.3	102%	102%
Frozen Foods	52.4	51.3	102%	
Healthcare and Others	63.5	57.5	110%	109%
Bio-Pharma Services & Ingredients	25.8	21.4	120%	
Functional Materials	13.4	8.5	156%	
Others	24.2	27.4	88%	
Other	2.7	2.8	94%	94%
<b>Business Profit</b>	38.9	27.6	141%	143%
Seasonings and Foods	24.2	22.0	110%	112%
Sauce & Seasonings	18.1	15.1	120%	
Quick Nourishment	5.4	5.0	106%	
Solution & Ingredients (S&I)	5.1	6.8	74%	
Shared companywide expenses	-4.3	-5.0	86%	
Frozen Foods	0.9	0.7	128%	127%
Frozen Foods	2.3	2.3	98%	
Shared companywide expenses	-1.3	-1.6	84%	
Healthcare and Others	12.7	4.0	312%	317%
Bio-Pharma Services & Ingredients	5.3	2.5	212%	
Functional Materials	6.0	3.0	196%	
Others	3.0	0.4	705%	
Shared companywide expenses	-1.6	-1.9	87%	
Other	0.9	0.7	133%	134%
Shared companywide expenses	-0.3	-0.5	63%	

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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.**