Eat Well, Live Well.
AJINOMOTO

Ajinomoto Group

Appendix: Financial Data 2016

Eat Well, Live Well.
AJINOMOTO

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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.

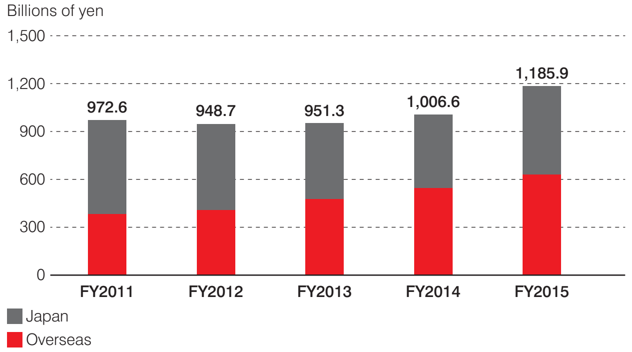
Extraordinary Losses

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

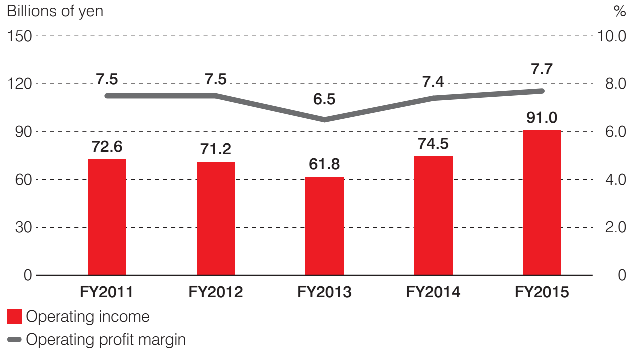
Profit attributable to owners of the parent for the fiscal year under review rose 36.8%, or ¥17.0 billion, to ¥63.5 billion. Earnings per share for the fiscal year were ¥108.14, up from ¥78.54 for the previous fiscal year.

Domestic and Overseas Sales

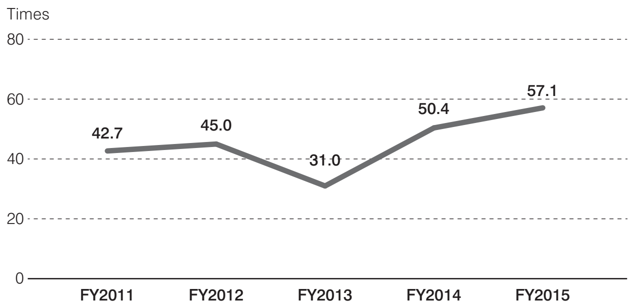


Note: Excludes interarea sales and transfers

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.

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)

Management's Discussion and Analysis

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

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

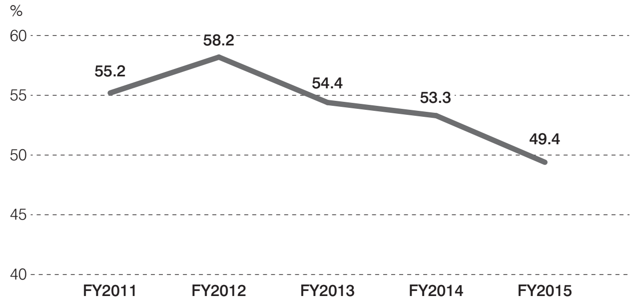
Net cash provided by operating activities was ¥125.2 billion, compared to ¥109.2 billion in the previous fiscal year. This was mainly attributable to ¥100.3 billion in income before income taxes, ¥24.2 billion in gain on sale of shares in affiliated companies, including shares in Nissin-Ajinomoto Alimentos 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.

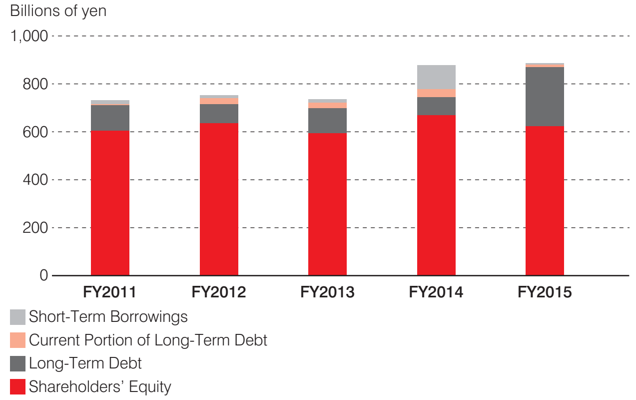
Net cash used in financing activities was ¥3.2 billion, compared to ¥52.8 billion provided by financing activities in the previous fiscal year. Although there was an inflow from the issuance of corporate bonds, the net outflow was mainly attributable to acquisition of treasury stock.

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.

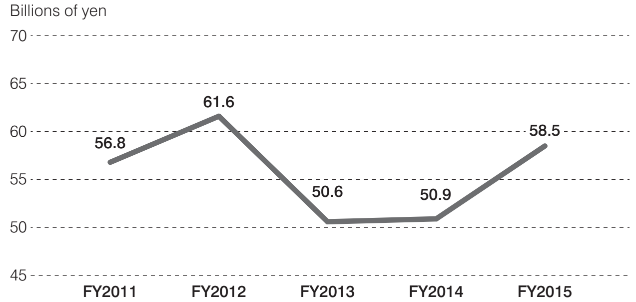
Shareholders' Equity Ratio



Total Capital



Capital Expenditures



Management's Discussion and Analysis

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

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

Ajinomoto 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; Kükre 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:

	Book value in consolidated financial statements	Estimated fair value	Difference (Millions of yen)
(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.

	Amount recorded on consolidated balance sheet (Millions of yen)
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

	2017	2018 and thereafter (Millions of yen)
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

	Corporate bonds	Long-term debt (Millions of yen)
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:

	March 31, 2016		(Millions of yen)
	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: Japan Food Products	International Food Products	Life Support	Healthcare	Other Business[*1]	Adjustment amount[*2]	Consolidated
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: Japan Food Products	International Food Products	Life Support	Healthcare	Other Business	Adjustment amount	Total
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: Japan Food Products	International Food Products	Life Support	Healthcare	Other Business	Adjustment amount	Total
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: Japan Food Products	International Food Products	Life Support	Healthcare	Other Business	Adjustment amount	Total
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: Japan Food Products	International Food Products	Life Support	Healthcare	Other Business	Adjustment amount	Total
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, life-style 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