

Eat Well, Live Well.



# ASV<sup>1</sup> management of the Ajinomoto Group

Vision for 2030 and  
Medium-Term Management Plan(MTP) for 2020-2025

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President & Chief Executive Officer

February 19, 2020

Revised



**Vision for 2030**

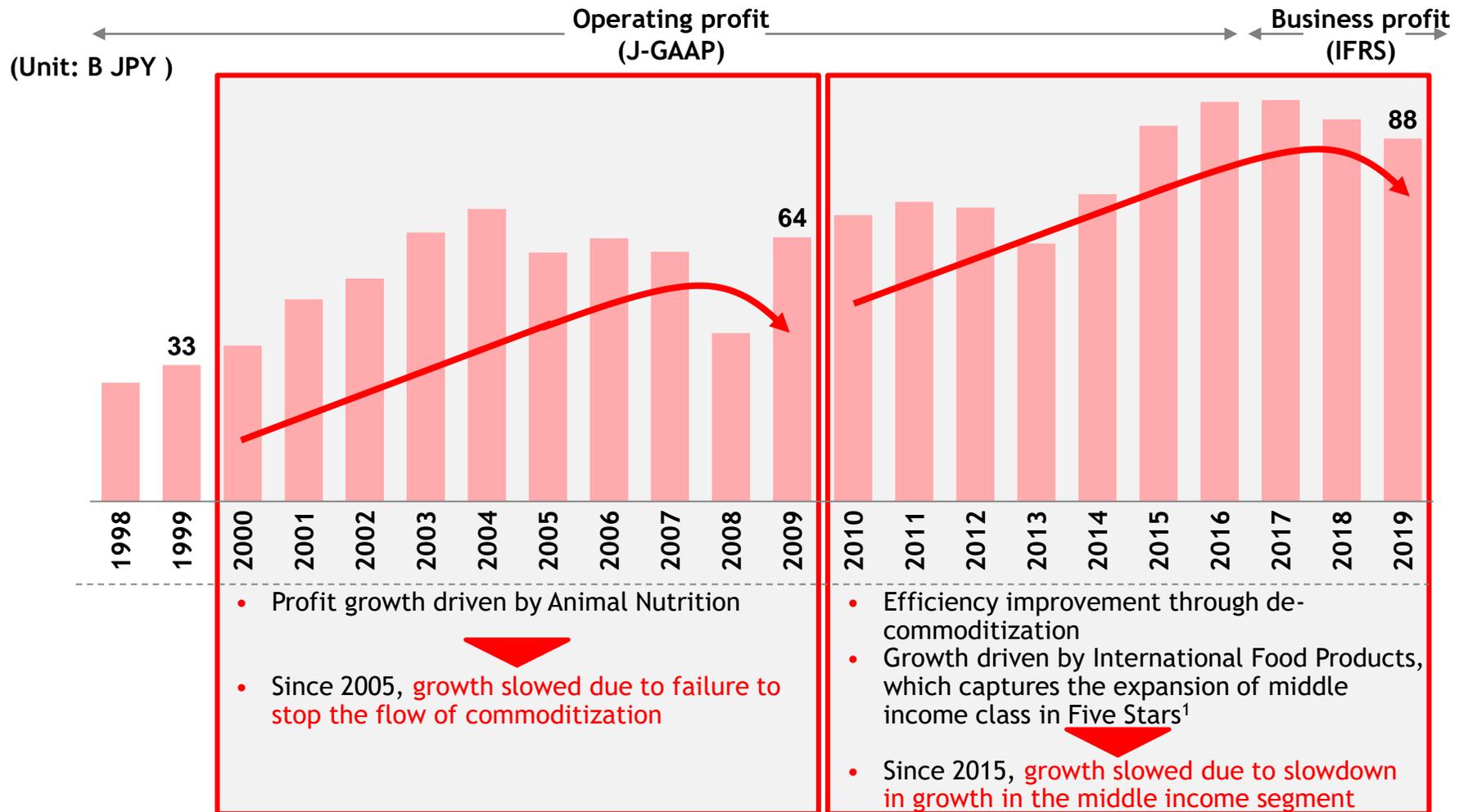


**Key Strategies of the MTP for 2020-2025**



# Review of the past 20 years

Has grown while transforming the business structure, but the next challenge is to respond quickly to environment changes every decade

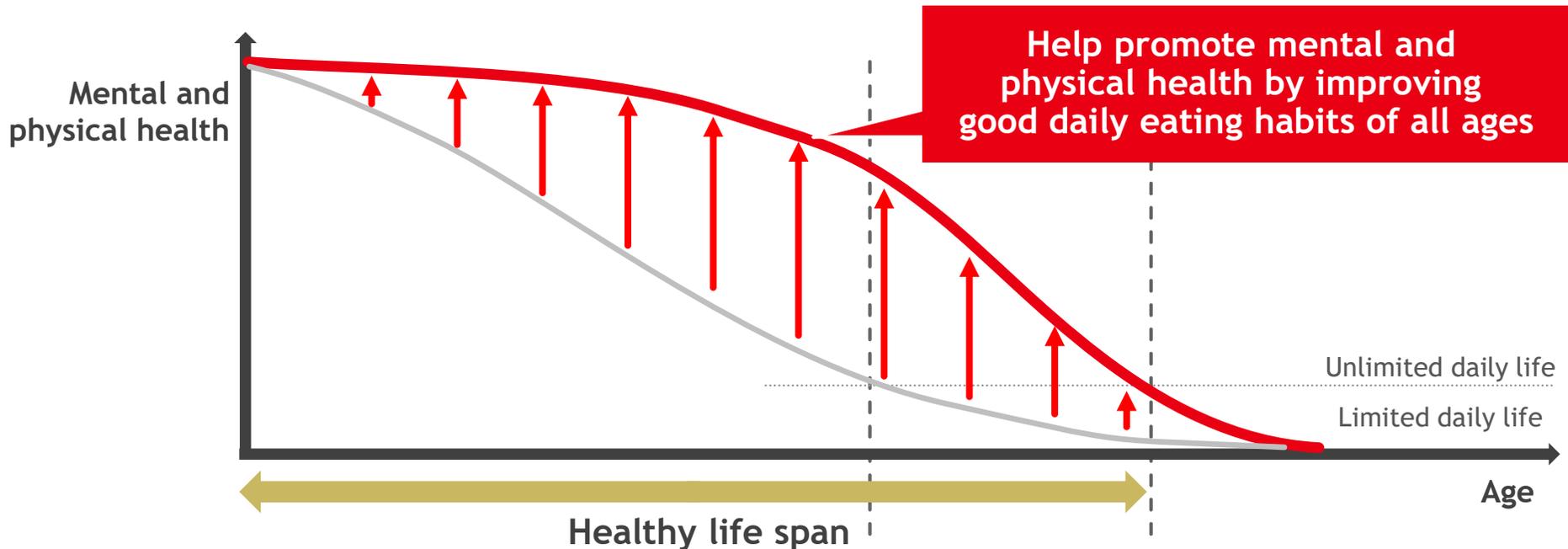


1 : Thailand, Brazil, Indonesia, the Philippines, Vietnam

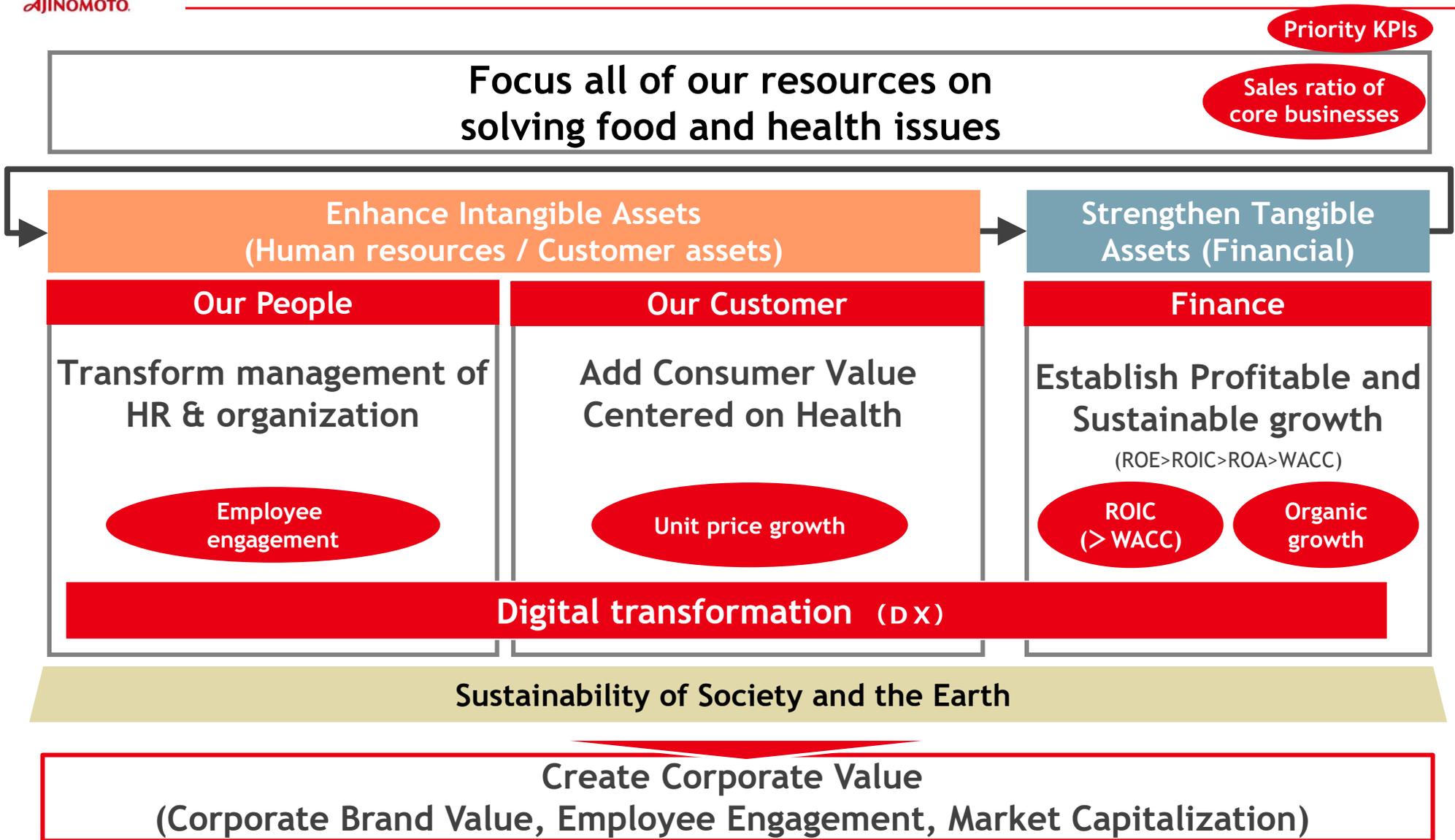
## Our key message towards 2030

# Help people worldwide enhance healthier life by unlocking power of amino acids

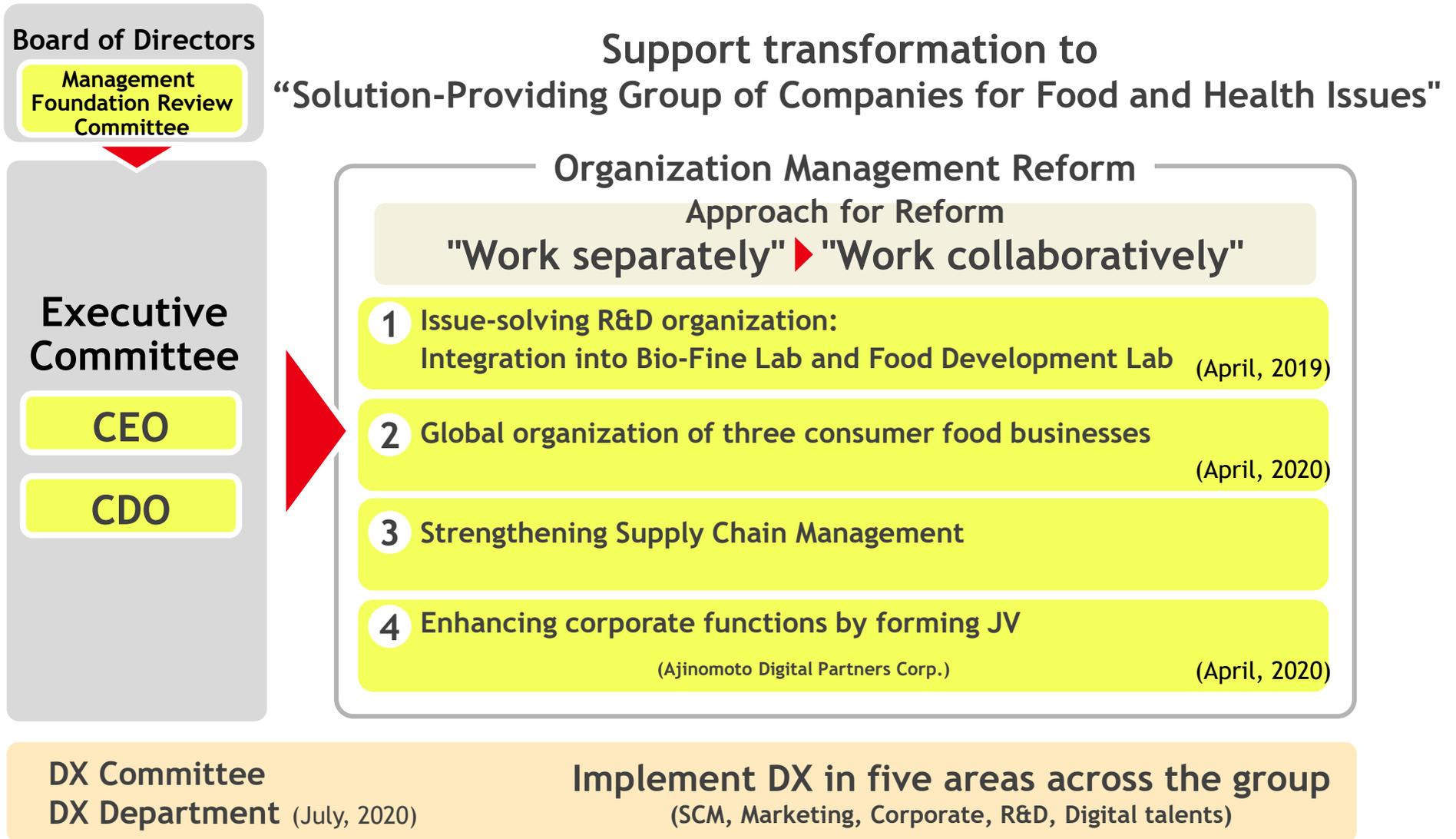
- Helping **a billion people** enhance healthier life
- Reducing our environmental footprint by **50%** while growing our businesses



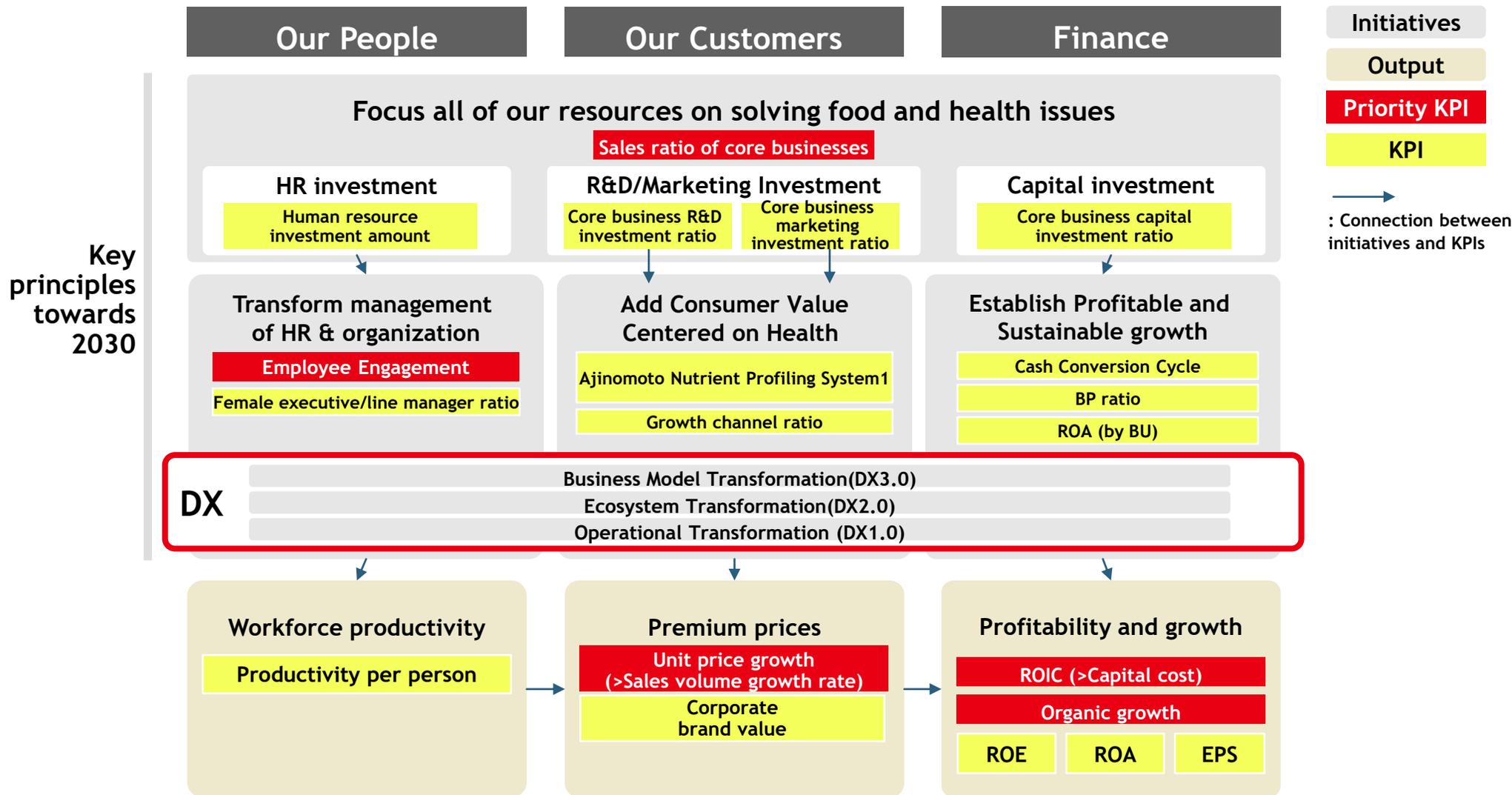
# Key principles towards 2030



# Organizational management reform to achieve the target of MTP



# Overview of transformation and KPIs



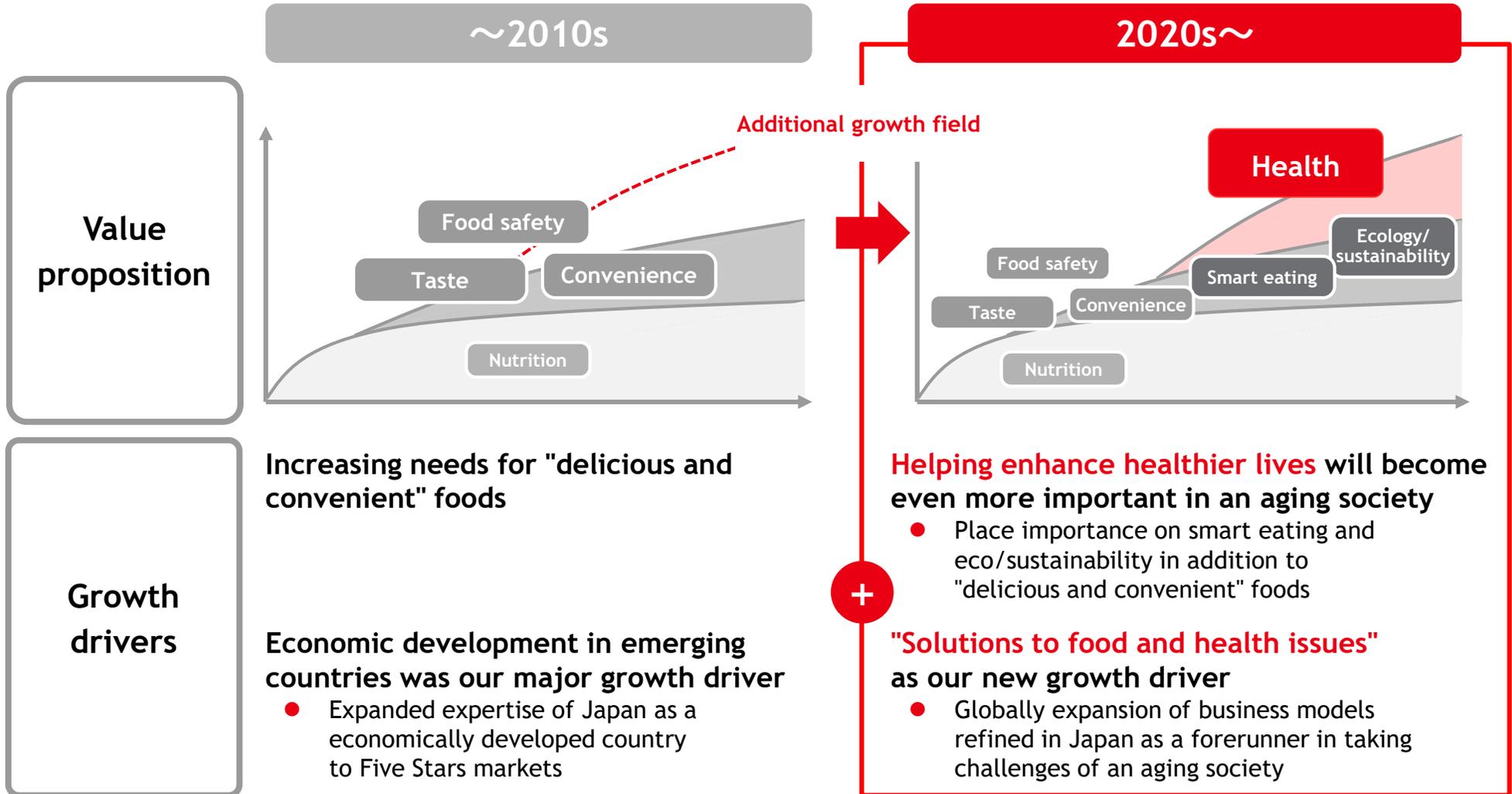
1. Ajinomoto's original system to quantify the amount of nutrients in a product as "nutrition score"

# Structural targets for 2030

		20-22 Phase 1		23-25 Phase 2	2030 Goal
		FY19 (Forecast)	Structural reform FY22 (Target)	Regrowth FY25 (Target)	
<b>Efficiency</b>	ROIC (>Capital cost)	3%	8%	10-11%	13%
	<b>Growth</b>	Organic sales growth (YoY)	2%	4%	5%
<b>Priority KPIs</b>	Sales ratio of core businesses	65%	70%	80%	80%~
	Employee engagement ("ASV as own initiative" <sup>1</sup> )	55%	70%	80%	85%~
	Unit price growth (YoY) (International consumer products)		2.5%	3%	3%

1 : "ASV as own initiative" = Status whereby each and every employee is able to autonomously work towards achievement of ASV **Note:** Organic sales growth and unit price growth are target growth rates for FY21-22 and FY24-25, respectively **Organic sales growth:** Refers to sales growth excluding the effects of discontinuous growth such as exchange rates, changes in accounting practices and M&A/business sell-off **Unit price growth rate:** Refers to the unit price growth rate of the international consumer products from the base year for each country and category as a weighted average in proportion to sales

# Drive growth by adding "Solutions for Food and Health Issues" as a new driver



## Health issues becoming globally serious

### Excessive salt intake



- Excessive salt intake is prevalent in **95%** of countries  
Many countries where we operate take **more than double** the amount of salt intake standard
- Salt reduction is one of the most essential issues in mitigating the risk of chronic diseases like hypertension  
Hypertension contributes to **7.5 million deaths** annually (**approximately 13%** of all death causes)

### Age-related functional decline



- Unhealthy lifestyle and poor nutritional balance cause serious health problems in a rapidly aging world  
**Approximately 20%** of seniors in the world tend to be short of essential nutrition incl. protein  
This is one cause of decline of muscle and cognitive function
- Healthier eating from an early age is key to mitigating future health risks

Food is expected to contribute more to the solving of global health issues

# Ajinomoto is well positioned to solve "food and health issues" with the power of amino acids

## Excessive salt intake

Delicious salt reduction with umami (Taste function)

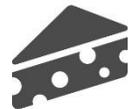
Salt reduction effect with umami<sup>1</sup>

Soup



40%

Cheese



50%

Sausage



75%

## Age-related functional decline

Maintain / improve body functions with amino acids (Nutritional / physiological function)



Build muscle  
Branched-chain amino-acids (BCAA) such as leucine



Support body function  
BCAA + arginine, glutamine, alanine, etc.



Related to cognitive function as a source of Neurotransmitter essential amino acids.

1 : Ratio of salt reducible without impairing taste assuming the amount of salt before adding any "Umami" as 100%  
Source: J. Food Sci. 49 (1), 82-85 (1984) J. Dairy Sci. 97 (8), 4733-4744 (2014). Meat Sci. 96 (1), 509-513 (2014).

## Consumer perception of MSG has been improving

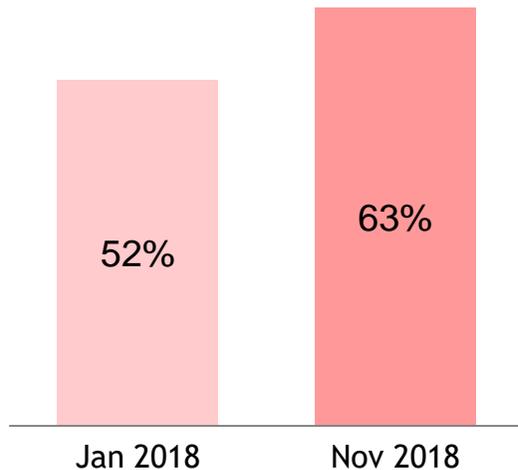


### Continuous fostering of an accurate understanding of MSG

- World Umami Forum in New York in Sep 2018

#### Image of MSG is improving among dietitians

Ratio of nutritionists who responded that they have a positive image toward MSG<sup>1</sup>



#### Revival of MSG is a future trend

Global leading research company  
Mintel report "MSG Revival" (Sep 2019)<sup>2</sup>



MINTEL

(Excerpt)

"It's not until recent years that celebrity chefs and food scientists alike have begun to speak out and discredit this notion of MSG being harmful, stating instead that the poor perception stemmed from racism against Chinese Americans"

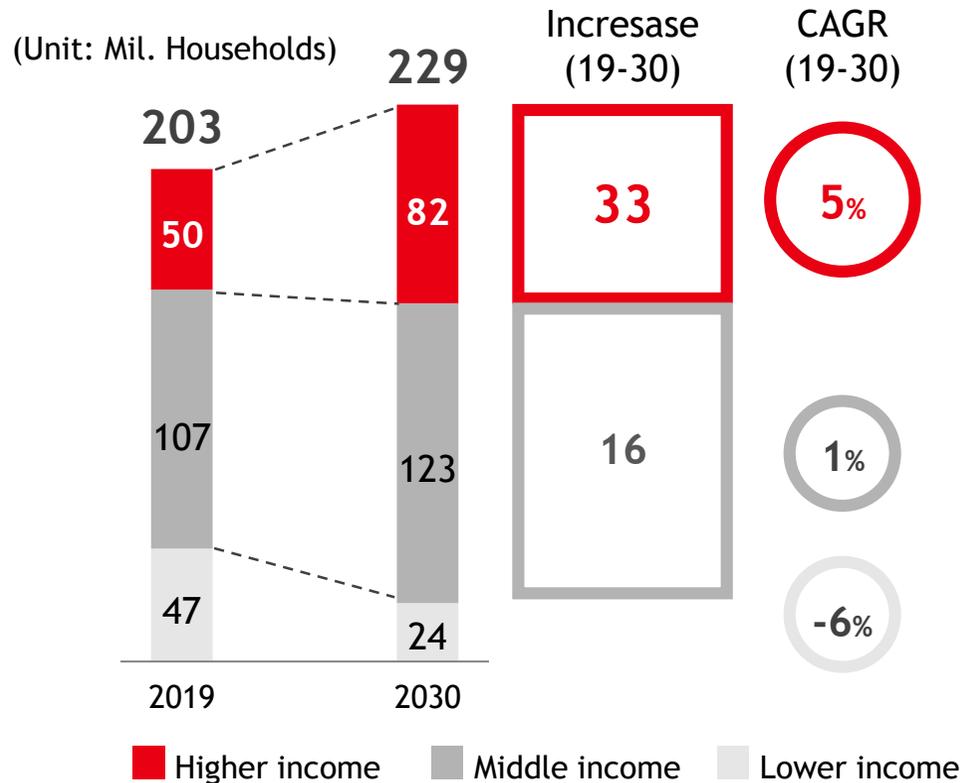
"But this trend may soon change in food products and restaurants alike as more consumers understand that **MSG is not only safe, but a wonderful source of umami.**"

Application of MSG in meat alternatives and major restaurant menus is becoming more common

# Rapidly increasing higher income households spend more on health

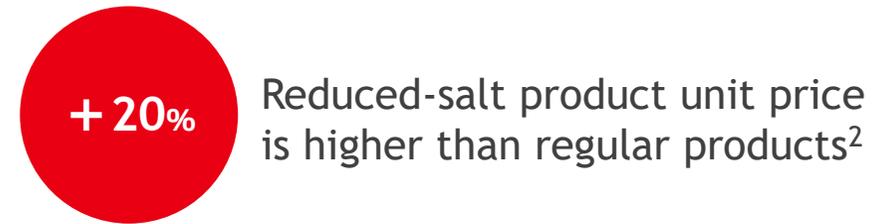
## Higher income HH is rapidly growing even in developing countries

No. of households by income class in major emerging countries where Ajinomoto operates<sup>1</sup>

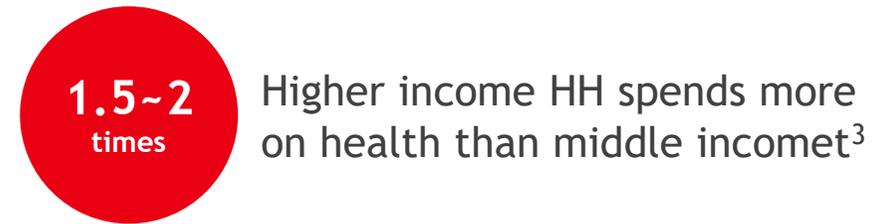


## As income grows, health expenditure increases

Unit price



Expenditure



1 : Target countries are Thailand, Brazil, Indonesia, the Philippines and Vietnam. Annual household income of USD5,000-15,000 is defined as middle income segment, and USD15,000- is defined as High - upper-middle income segment; 2 : Ajinomoto initiative results, 3. Health and medical expenditure includes pharmaceuticals, supplements, medical-related equipment, and cost of hospital visits  
 Source: Economist Intelligence Unit, Euromonitor, Ajinomoto analysis

# Sustainability of Society and the Earth: Reduce GHG by 50% by 2030 and mitigate economical risks

ESG issues		Our solutions	Targets	Risk
Climate change	Greenhouse effect gas	<ul style="list-style-type: none"> <li>Participate in international initiatives</li> <li>Use energy-saving, renewable energy</li> <li>Contribute to the society with new technologies</li> </ul>	Greenhouse effect gas reduction rate FY25: Reduce by 30% FY30: Reduce by 50% (vs. FY18)	Risks equivalent to JPY 8-10B  Implement measures to reduce risks
	Water risk	<ul style="list-style-type: none"> <li>Reduce water use in the manufacturing process</li> <li>Conserve forest as source of water</li> </ul>	Water use reduction rate1 FY30: Reduce by 80% (vs. FY05) Recharge rate of drinking water into forest FY25:100%	
Resource circulating society building	Plastic waste	<ul style="list-style-type: none"> <li>Reduce: compact packaging</li> <li>Recycle: Convert to mono-materials</li> <li>Share industrial-government collaborative technologies</li> </ul>	Plastic waste FY30: Achieve "Zero"	
	Food loss	<ul style="list-style-type: none"> <li>Improve manufacturing process yield</li> <li>Expand destinations for effective use</li> </ul>	Food loss reduction rate2 FY25: Reduce by 50% (vs FY18)	
Sustainable procurement	Food loss	<ul style="list-style-type: none"> <li>Procure sustainable coffee beans, palm oil, paper, soy beans, beef</li> <li>Make procurement along the "group shared policy on better mutual relationship with animals"</li> </ul>	Sustainable procurement ratio FY30: 100% of issue materials	

1 : vs. Production primary unit reduction rate 2 : From acceptance of raw materials to delivery to customer (Scope 1)

(Ref.)

# Focus on health and the environment among SDGs themes

## SUSTAINABLE DEVELOPMENT GOALS



World Health Organization

### Health



- Increase in non-communicable diseases

Voluntary global targets for 2025 by WHO(Excerpt)

- At least 10% relative reduction in the harmful use of alcohol, as appropriate, within the national context
- A 10% relative reduction in prevalence of insufficient physical activity
- A 30% relative reduction in mean population intake of salt/sodium
- A 30% relative reduction in prevalence of current tobacco use in persons aged 15+ years
- A 25% relative reduction in the prevalence of raised blood pressure or contain the prevalence of raised blood pressure, according to national circumstances
- Halt the rise in diabetes and obesity



- Age-related health issues

### Environmental



- Greenhouse gas emissions



- Sustainable procurement
- Food-loss



- Plastic waste

Eat Well, Live Well.



1

Vision for 2030

2

Key Strategies of the MTP for 2020-2025



# FY2020-2025 Roadmap: Two-phase transformation to a sustainable growth

2020-2022 : Phase 1

2023-2025 : Phase 2

## Structural reform

## Regrowth

Establish Profitable and Sustainable Growth

### Reshape portfolio for higher efficiency & stronger growth

- Restructure non-core businesses and assess other businesses for restructuring in next phase
- Focus investments on core businesses
- Restructure other businesses assessed during Phase 1

Add Consumer Value Centered on Health

### Unit price growth through ecosystems of food and health

- Delicious low-salt foods through use of umami, etc.

### Unit price growth through capturing lifestyle changes

- Expand adjacencies to capture lifestyle changes
- Strengthen products and brands

### Develop new growth models

- Build businesses to provide personalized health solutions

Transform HR & Org Management

### Invest in our people, enhance issue-solving capabilities

- Invest in our people for higher workforce productivity
- Increase engagement, diversity and new way of working to enhance issue-solving capabilities

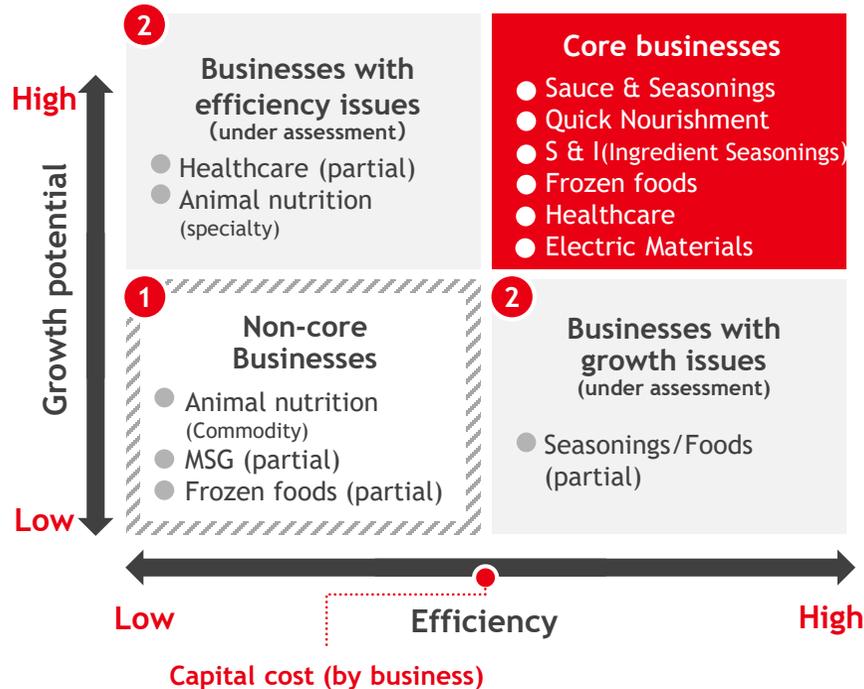
### DX (Digital Transformation)

Organic growth: 2%(FY19) → 4%(FY22) → 5%(FY25)

ROIC: 3%(FY19) → 8%(FY22) → 10-11%(FY25)

# Reshape portfolio to achieve efficiency that exceeds capital cost in each segment

## Focus Portfolio on Core Businesses



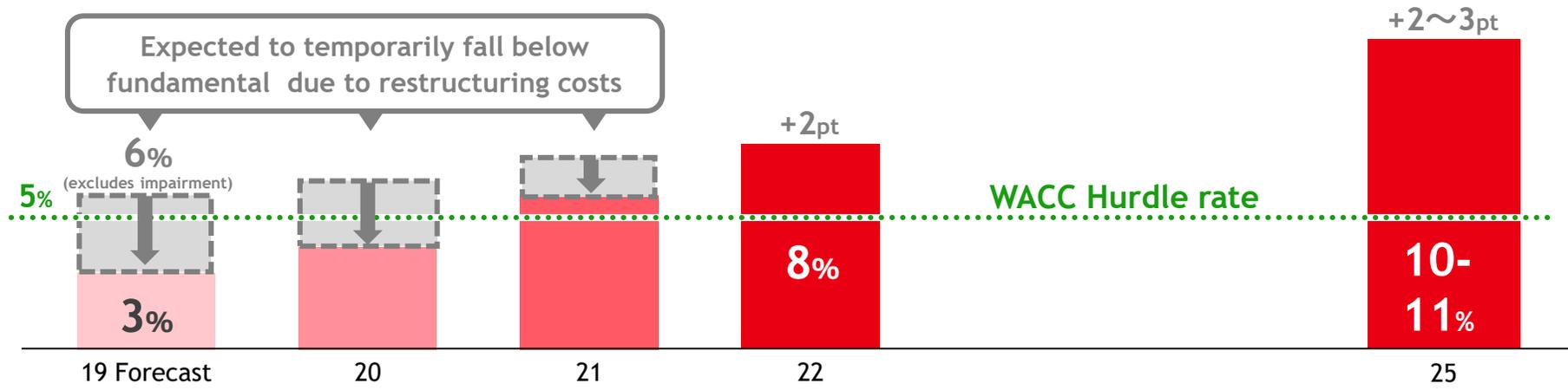
- ① Restructure non-core businesses by FY22
- ② Assess businesses with growth or efficiency issues by FY22, and restructure by FY25

## Increase ROIC of each segment to exceeds capital cost(Published Segment Base)

	ROIC			WACC <sup>1</sup>
	FY19	FY22	FY25	
Seasonings/ Foods	9%~	12%~	17%~	↔ 6%
Frozen Foods	-0%~	1%~	5%~	↔ 5%
Healthcare and others	-0%~	10%~	12%~	↔ 8%

# Drive ROIC improvement

ROIC



Implemented

FY20-22

FY23-25

Profit Improvement

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Profit improvement by **JPY 30B scale** (+2pt)  
(DX, company-wide cost structure/ corporate operation transformation, etc.)

Next rounds of profit improvement (+1~2pt)  
(Unit price growth through health value, etc.)

Asset reduction

Front loading from initial plan of JPY 100B

Approx. **JPY50B**

Restructure non-core businesses (+1pt)

**JPY 100B scale**

Restructure businesses identified by FY22, build ecosystem and control overall asset size (+0.5pt)

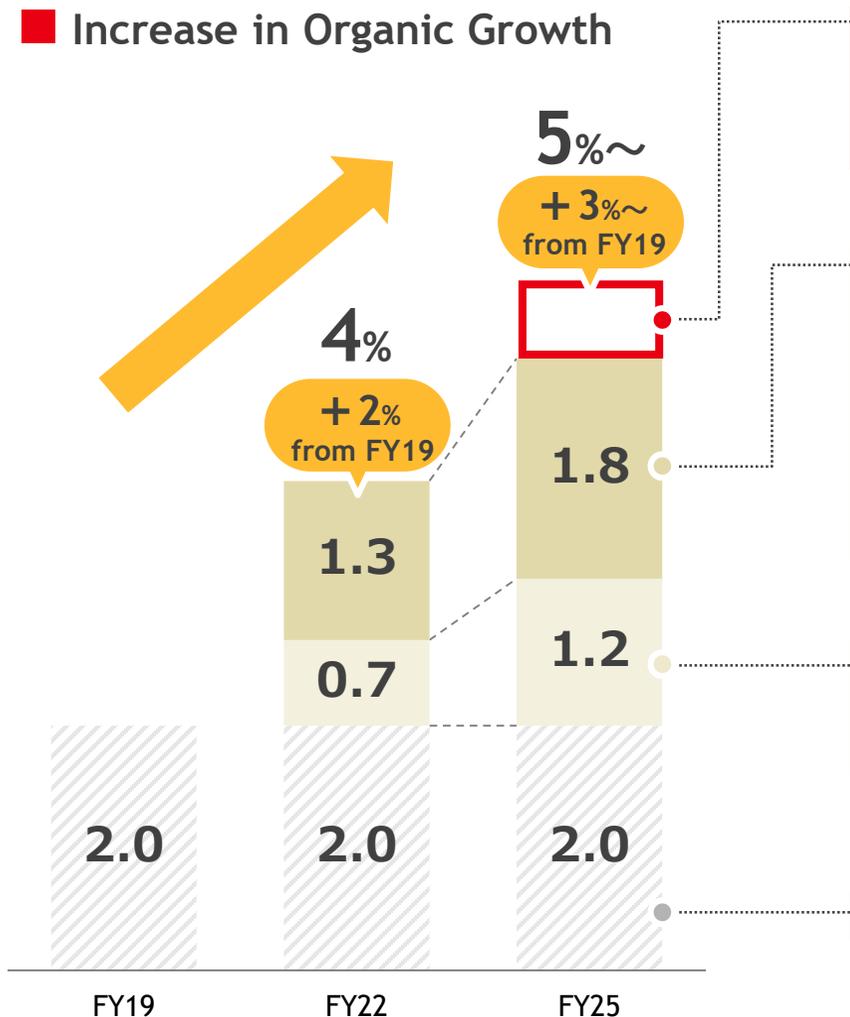
**JPY 50B scale**

Increase from the initial plan and reduce assets by a total JPY 200B

+Xpt ROIC increase (illustrative, from FY19)

# Accelerate growth beyond 5%

## ■ Increase in Organic Growth



### Develop New Growth Models

Build businesses that connects directly with consumers, and solves in their individual health issues (Personal nutrition for cognitive function, etc.)

### Unit Price Growth through Ecosystems of Food and Health

Delicious low-salt foods through use of umami, etc.

### Unit Price Growth by Capturing Lifestyle Changes

- Expand adjacencies to capture lifestyle changes
- Strengthen products and brands

### Portfolio Shift to Core Businesses

- Core businesses growing 4% CAGR (in FY15-18)
- Increase core business ratio to 70% in FY22 and 80% in FY25

### Market growth driven by emerging countries

# Stable growth by delivering new value in growing channels

### Lifestyle Changes

**Premium Market Expansion<sup>1</sup>**

**+ 120M people<sup>1</sup>** (FY15-30) Increase in urban population

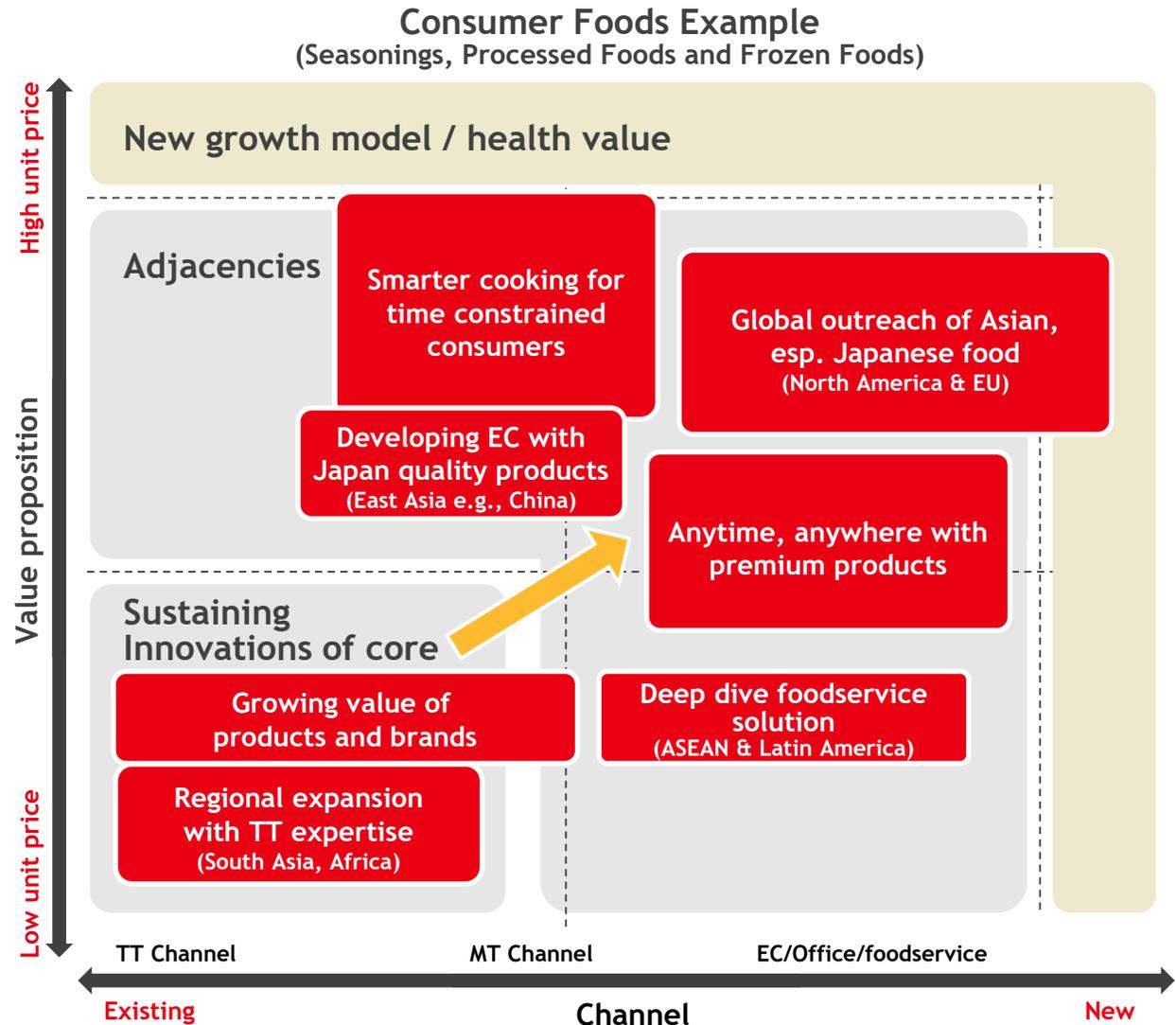
- Increase higher income HH in cities
- Open space for Ajinomoto to expand from affordable products in non-urban areas

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**Evolving Channel Landscape**

**8B\$ (FY17)** → **55-65B\$ (FY22)** EC market size in Indonesia

- Open space for Ajinomoto to expand from TT channels



1 : Thailand, Brazil, Indonesia, the Philippines and Vietnam  
 Source: United Nations, Euromonitor

# Expand issue-solving ecosystems globally and realize higher unit prices

## Established Ecosystems Together with Local Communities

"Iwate Prefecture Model" on low salt/recommended salt intake

Social Value	Financial Value
Iwate Prefecture's salt intake improved from <b>highest in Japan</b> to about <b>20th place (out of 47)</b>	Price premium of Low-salt products <b>+20%</b> Sales growth of Low-salt products (FY2014-2017) <b>CAGR 10%</b>



- Ajinomoto**
  - Low-salt menus that use local ingredients
  - Workshops with nutritionists/retailers
- Government**
  - Awareness-raising campaigns
  - "Iwate Low/Recommended Salt Intake Day"
- Retailers**
  - Promotions for low-salt diet (In-store events/flyers etc.)
- Media**
  - Raising of awareness of low-salt diet, introduction of campaigns/low-salt menus

## Expand the Models Globally

**Japan**   
 Expanding cooperation to **39 prefectures** by developing "Iwate Prefecture Model," etc.<sup>2</sup>

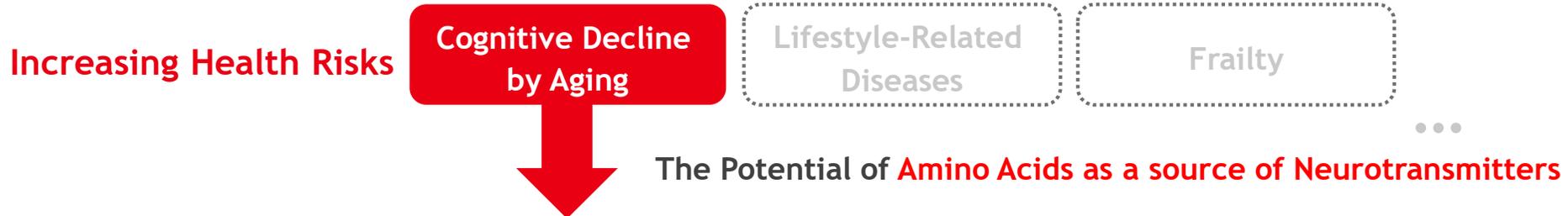
**World**   
 Expanding Japan Model Worldwide

- School meal project in Vietnam
- Victory Project® (Brazil, South East Asia) etc.

1 : Male 12.9g (highest in Japan)/Female 11.1g (highest in Japan) in 2012 → Male 10/7g (21st highest) · Female 9.3g (18th highest) in 2016 2. As of 2019

# New growth models

## Build a platform for personalized nutrition in brain and beyond



### Risk screening

Analyze future risk of cognitive decline of individuals

- Expand Amino Index® application to cognitive function
  - Visualize intake of amino acids effective for maintaining cognitive function
  - Utilize diet history and results cognitive function tests of individuals
- Establish "Meal Diagnosis Algorithm"



### Solutions

Provide personalized supports for well-balanced amino-acid intake

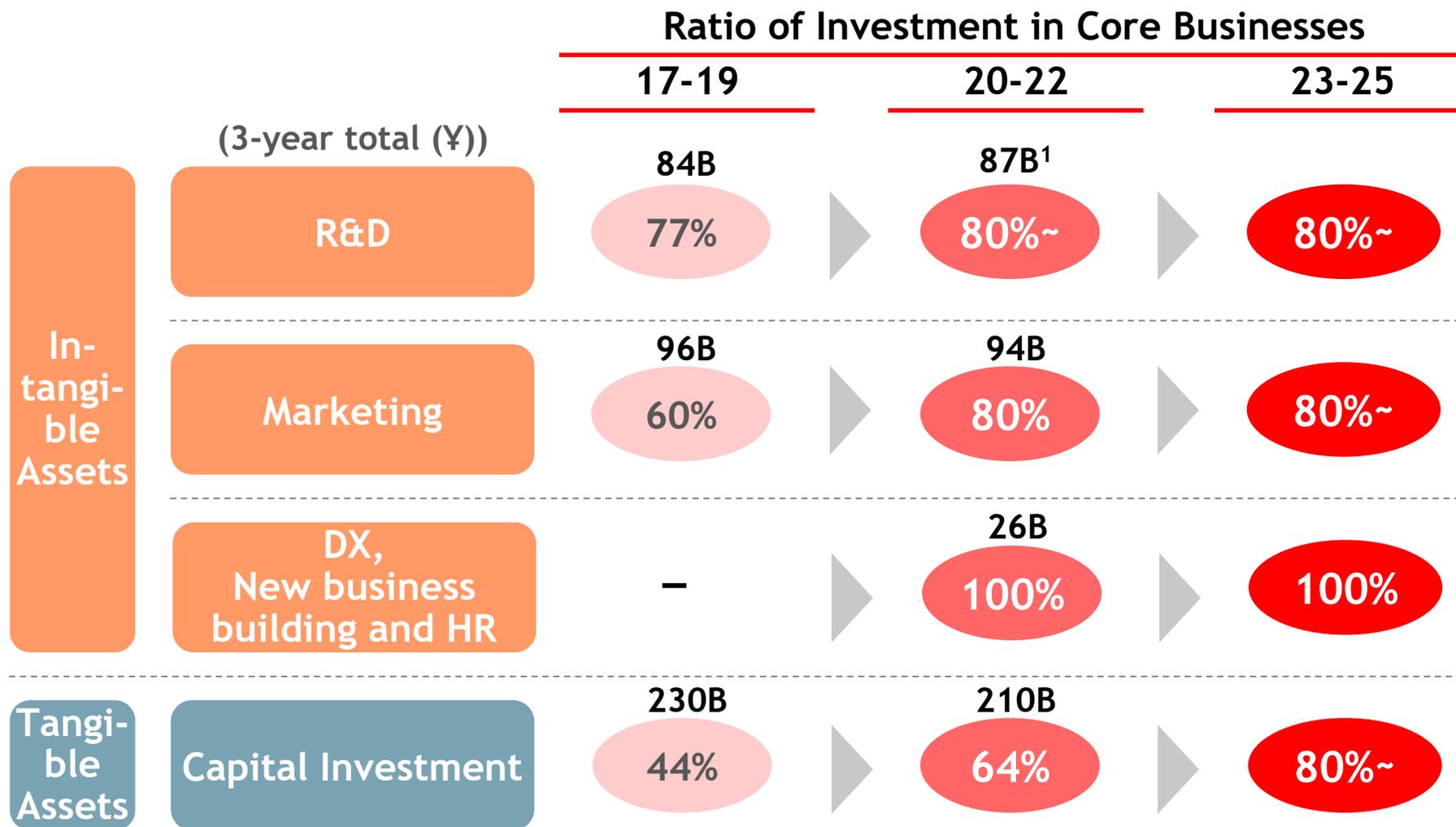
- Solutions for improving amino-acid intake
  - Food or supplement recommendations
  - Recipe recommendations
- Supporting consumers to improve their living habits with D2C services by utilizing EC etc.



**Establish evidence about the relationship between diets and cognitive function**

Establish evidence about the relationship between diets and cognitive function

## Focus investment on core businesses



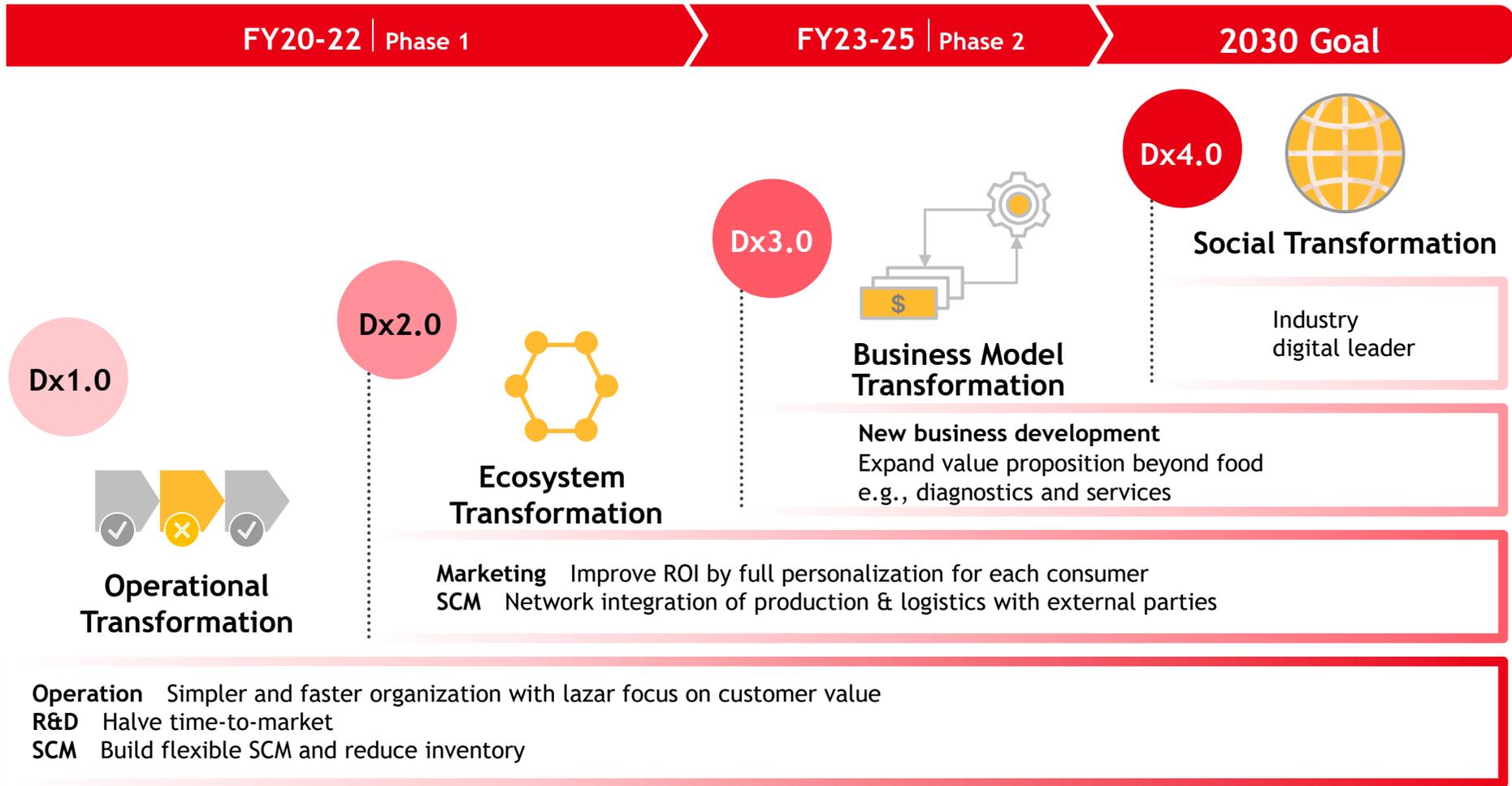
1: Projected based on the FY20 annual budget

# Invest more in our people to build organization of solving social issues, and to enhance productivity



1: Investment is calculated for Ajinomoto Co., Inc. 2: Ratio of Ajinomoto Co., Inc.

# Hardwire DX for transformation



## Corporate Financial strategy for FY25

### Cash Flow

- Increase operating cash flow from FY17-19 by structural reform
- Reduce assets and secure sufficient cash for growth investment

### Growth Investment

- Shift investment from tangible assets to **intangible assets**, from non-core to **core business**
- On the other hand, minimize asset increase by building ecosystem with external parties

### Fund Raising

- Target Net D<sup>1</sup>/E ratio at 50% level, and manage **capital structure with capital cost of 5-6%**

### Shareholder Return

- Target shareholder return (payout + buy back ratio) is **50% or higher**
- **Maintain or increase dividends**, targeting **payout ratio around 40%**, also in FY20-22 when structural reforms will be implemented
- Reflect TSR (Total Shareholder Return) in executive compensation

# Balance sheet and cash flow in 20-22

## Balance Sheet

FY19 (Forecast)		FY22 (Plan)	
Total Assets: Approx. JPY 1.36T		Total Assets: Approx. JPY 1.41T	
Inventory		Inventory	
	Interest-bearing debt		Interest-bearing debt
Core business assets		Core business assets	
Other business assets		Other business assets	

- Reduce tangible fixed assets while increasing portion of core business assets
- Improving CCC by approx. 10 days. With these initiatives, control increase in total assets
- ROE>ROIC>ROA>WACC

## Cash Flow

In	Out
Operating CF/ asset reduction, etc. JPY 400B~	Investments JPY 290B
	Shareholder return JPY 100B~

Intangible Assets: Approx. 210 B¥
R&D: Approx. JPY 87B
Marketing: Approx. JPY 94B
DX: Approx. JPY 26B

Tangible Assets: Approx. 210 B¥
Capital investment: Approx. JPY 210B

**Eat Well, Live Well.**



Thank you.

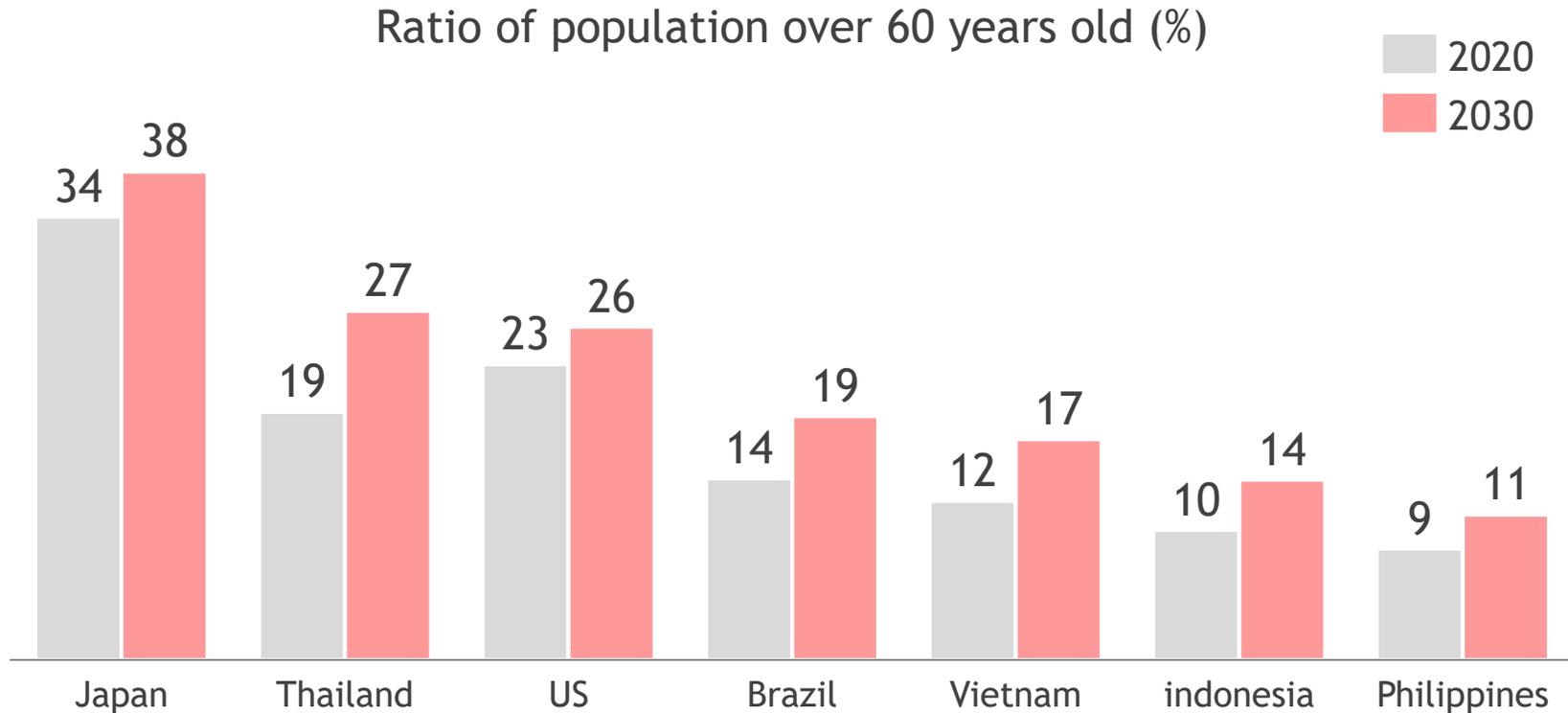
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## Reference Materials

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## Aging is increasing not only in developed countries but also in emerging countries



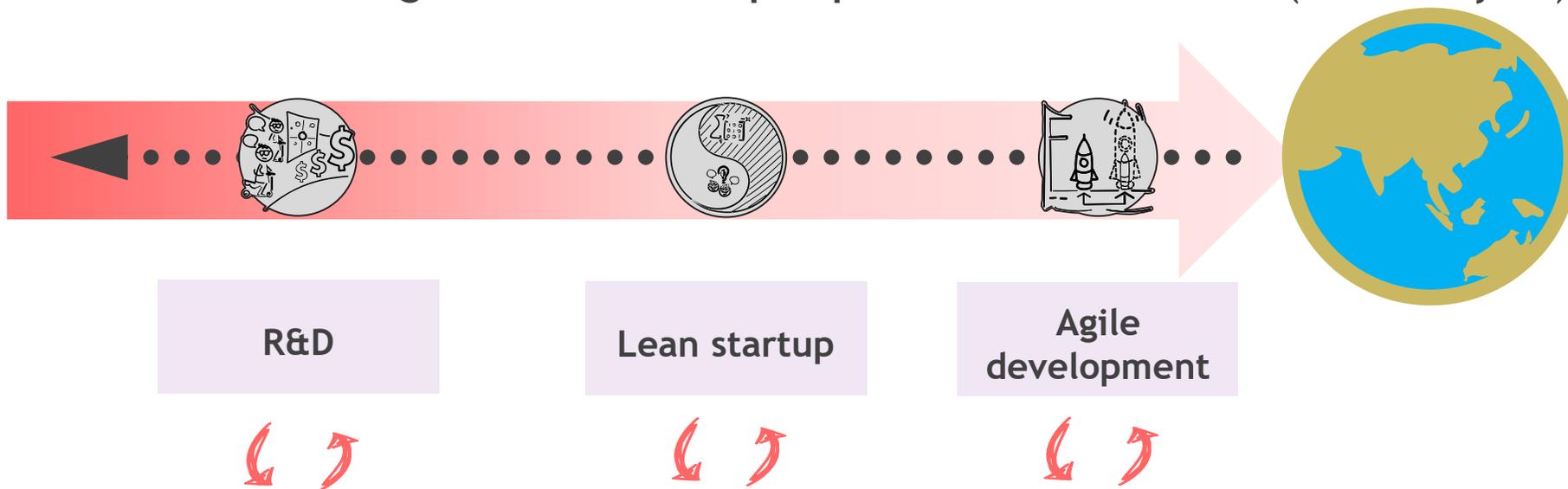
- Even in major emerging countries where Ajinomoto operates, the population aged 60 and over will reach **130 million** in 2030, exceeding the total population of Japan
- Decline in body function due to aging is an issue not only in developed countries but all over the world



# Rebuild innovation model to accelerate growth

## Business development Backcasting from the future perspective

Future of  
"Food and Health"  
(next 10-20 years)



### Open & Link Innovation (Ecosystem of innovation)

#### Ajinomoto Group Accelerator

- Alliance with ventures
- Nurture internal entrepreneurs

#### Expand global R&D network

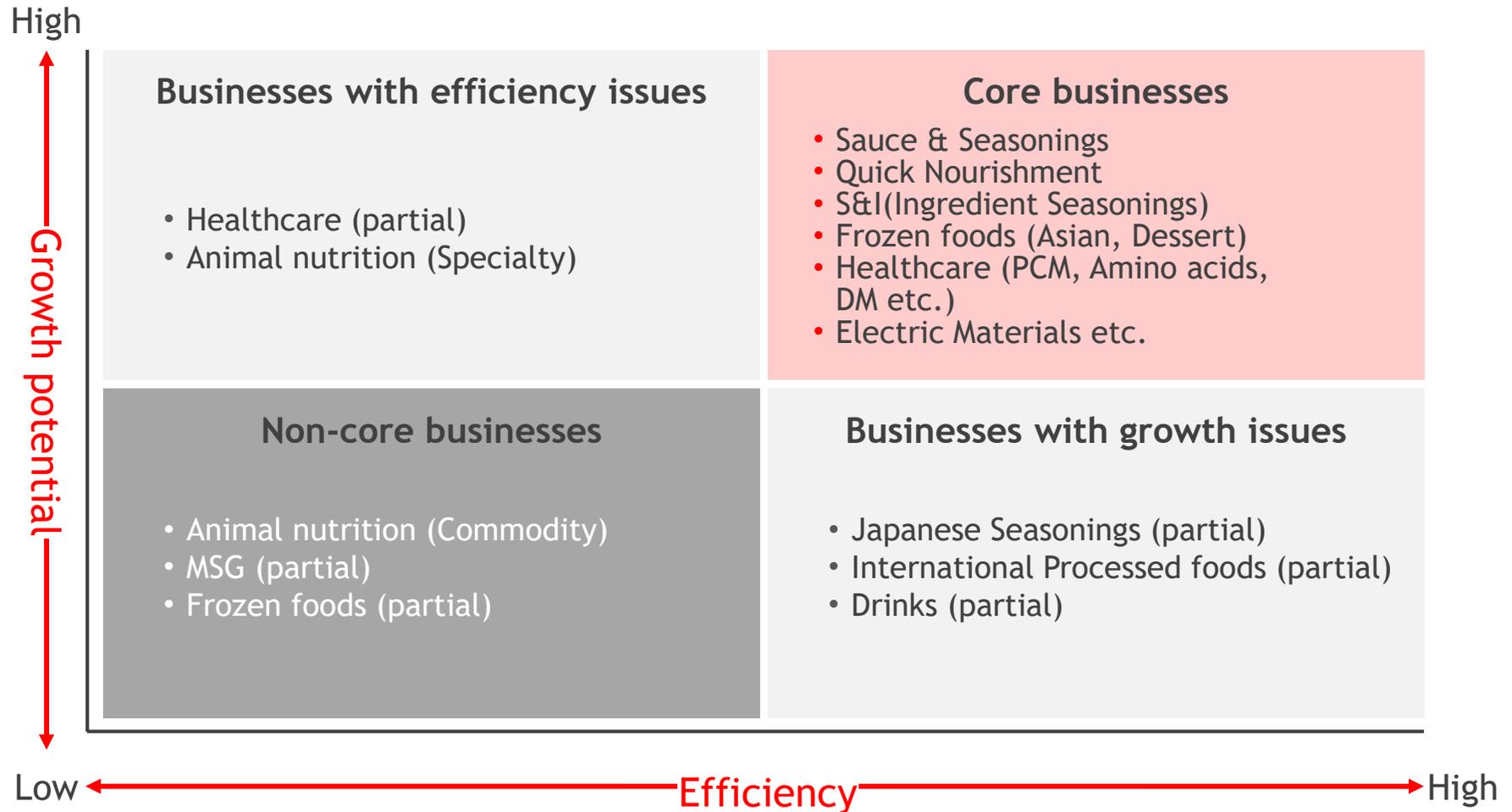


#### Deepen collaboration relationship with customers

- Customer Innovation Center



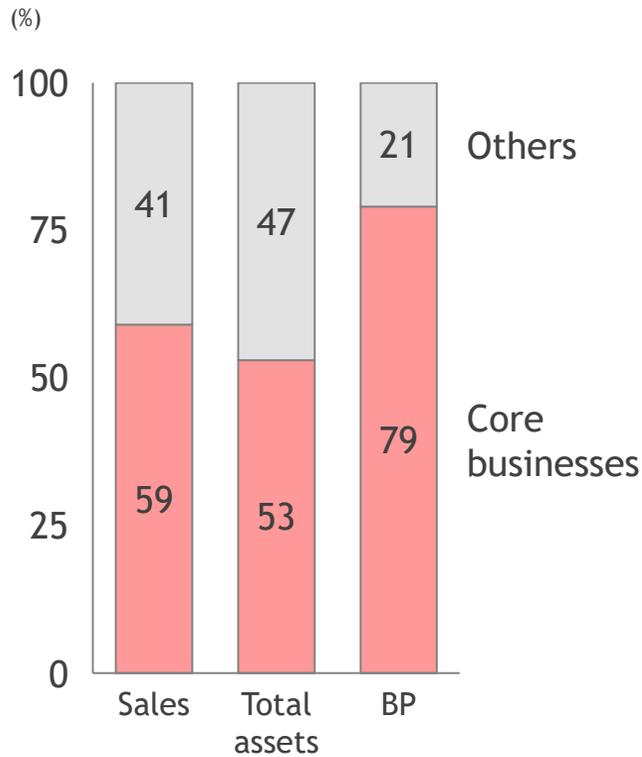
# Business portfolio overview



# Comparison between core businesses and others

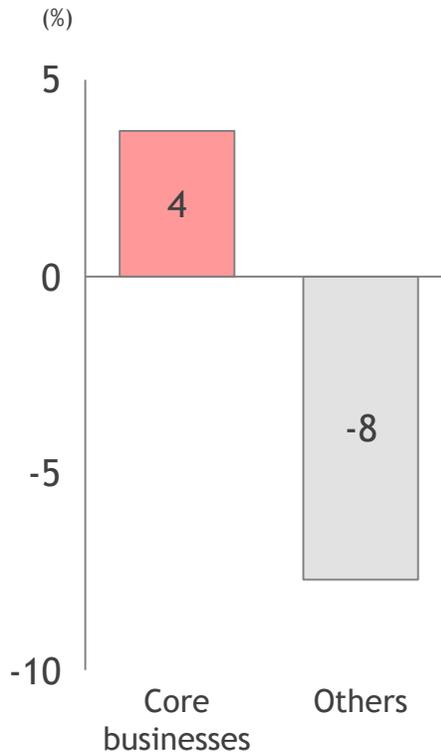
## Business composition

(FY18 result)



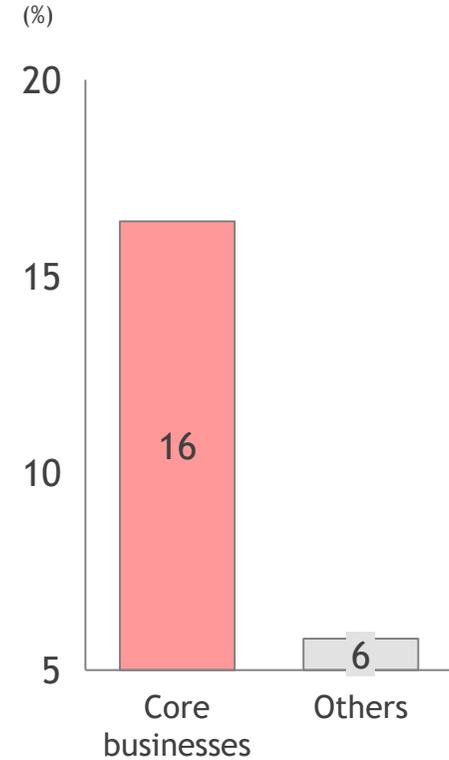
## Growth

Sales growth rate  
(FY15-FY18 CAGR)



## Efficiency

BP ratio  
(FY17-18 average)



# Segment changes

	~FY19	FY20~	FY19 (Forecast)	
			Sales (Billion¥)	BP ratio (%)
Food	<b>Japanese Food Products</b> Seasonings & Processed Foods Coffee Products Frozen foods	<b>Seasonings &amp; foods</b>	654.5	11.3
	<b>International Food Products</b> Seasonings & Processed Foods Umami Seasonings for Processed Food Manufacturers and Sweeteners Frozen Foods			
Amino Science	<b>Health-care</b> Amino Acids Others	<b>Healthcare, etc.</b>	244.9	6.3
	<b>Life Support</b> Animal Nutrition Specialty Chemicals Others			
			<b>Total:</b> 1,138.5	<b>7.7</b>

# Strategies by business segments: Seasonings and Foods

	FY19 (Forecast)	FY22 (Plan)
Sales (B¥)	654.5	-
Organic Sales Growth	1%	5%
BP ratio	11%	12%

## Enhance health value and product portfolio

## Respond to lifestyle evolution

### Sauce & Seasonings

- Enrich health value and expand product lineups
  - Grow the existing core products and new low-salt products by "delicious salt reduction with umami"
  - Boost growth of products that promote uptake of protein-rich products such as meat and tofu

- Expand into adjacencies to enable smart cooking
  - Respond to key changes in cooking styles, such as menu seasonings for microwave cooking
  - Modernize our portfolio to meet the needs of shorter cooking time in urban life, mainly in ASEAN and Latin America

### Quick Nourishment

- Evolve portfolio of convenient AND nutritious products, which will help consumer solve health issues
  - New fields that can provide nutritions and reduce risk of mental fatigue and reduces cognitive decline
  - Global expansion of convenient foods that supplement proteins

- Grow products that meet specific deep needs of each consumer, and offer comfort and nutrition
  - Global expansion of new business areas such as soups and beverages with enhanced health value
  - Strengthen E-commerce and other new channels that deliver health and nutrition products personalized to each consumer

### S&I (Ingredient Seasonings)

- Fortify solution capabilities to realize health value such as salt reduction with maintaining deliciousness
  - Evolve integrated solutions of taste, texture and umami
  - Deepen relationships with global key accounts
- Build AI menu systems for nursing care and hospital meal services

- Expand solutions to support our customers to meet changing global consumer preferences, such as clean labels and vegans
  - Alternatives of meat and dairy products
  - Expand our solution capability to overseas food services
- Approach to the high-end restaurant market through MTG in North America

## Strategies by businesses segments: Frozen Foods

	FY19 (Forecast)	FY22 (Plan)
Sales (B¥)	210.7	-
Organic Sales Growth	2%	3%
BP ratio	-0.3%	3%

### Enhance health value and product portfolio

### Respond to lifestyle evolution

#### Frozen foods

- Expand and develop frozen foods business to meet healthcare needs
  - Increase delicious and less-salt products
  - Develop Asian Frozen Foods with plant protein to promote protein intake
  - Low GI/allergen-free high value-added products
  - Expand nutrition care food to help solving health issues for the elderly
- Develop new frozen foods domains that meet diverse consumer needs, such as fun and sustainability
  - Japan-style Gyoza expansion abroad
  - Vegetarian products
- Accelerate growth of products that solve operational issues and labor shortage of foodservice
  - Frozen desserts of patisserie quality



# Strategies by business segments: Healthcare, etc.

	FY19 (Forecast)	FY22 (Plan)
Sales (B¥)	244.9	-
Organic Sales Growth	3%	4%
BP ratio	6%	12%

## Enhance health value and product portfolio

## Respond to lifestyle evolution

### Healthcare

- Expand business of Ajinomoto BioPharma Service
  - Strengthen business base through growth areas of antibody drugs, nucleic acid drugs, etc. based on good relationships with major pharmaceutical companies
- Develop culture medium for regenerative medicine and medical food by utilizing amino acids
- Expand Amino Index testing service and build ecosystem for customer solution and partnerships

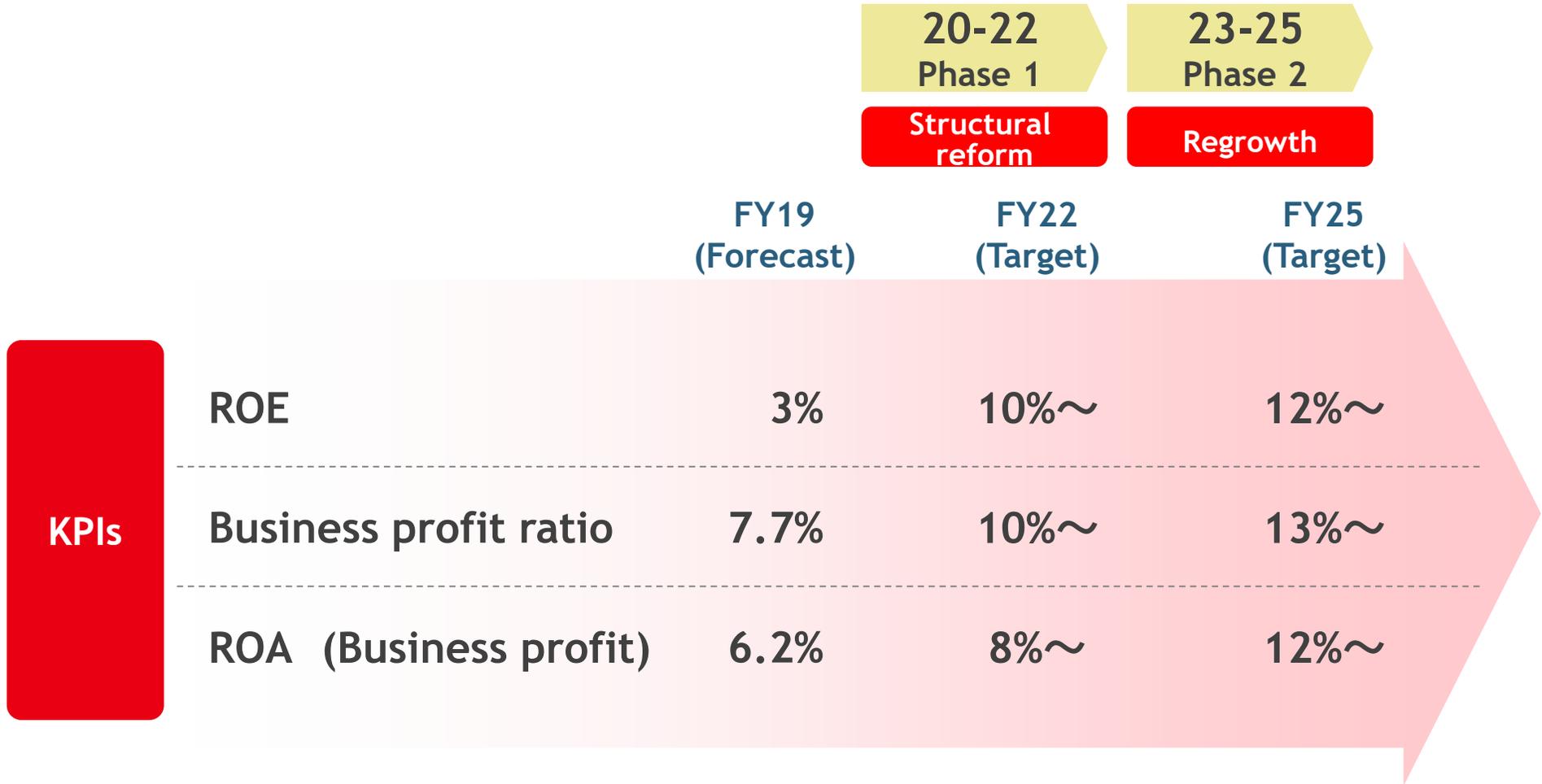
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### Electric Materials

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- Business growth that captures the tailwind of the rapidly growing global market
  - Expand business for cloud server by 5G
  - Expand business for new network services generated by high-speed communications

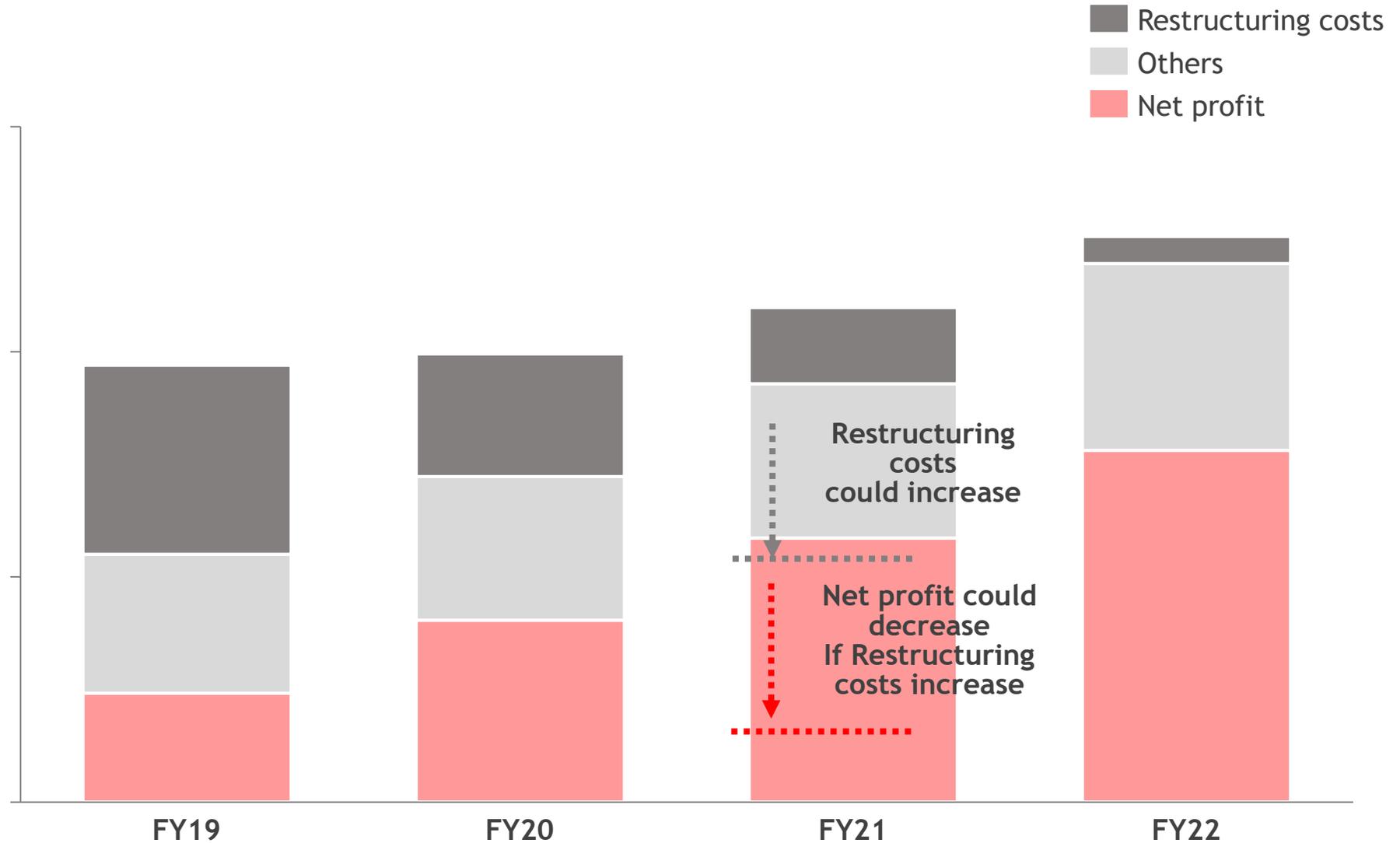
## Other structural targets





# Illustrative profit trend in FY19-22

## Implement structural reforms in early phase of transformation



## Sales growth rate/BP margin by region toward FY22

	<u>Sales growth (FY19-22 CAGR)</u>	<u>BP ratio (FY22 plan)</u>
Japan	2%	9%
Asia	4%	15%
Americas	5%	8%
Europe, Middle East & Africa	-5%	9%

## Precondition of FY20-25 Mid-term plan (Currency rate)

	Currency rate	Sensitivity to BP (Conversion)		Sensitivity to BP (Trade)
USD	107.00	±1JPY→Approx. 100M JPY	1JPY lower vs USD	Approx. 0M JPY
EUR	123.00	±1JPY →Approx. 50M JPY	0.1EUR lower vs USD	Approx. 0M JPY
THB	3.42	±0.01JPY →Approx. 100M JPY	1THB lower vs USD	Approx.+500M JPY
BRL	28.16	±1JPY →Approx. 300M JPY	0.1BRL lower vs USD	Approx.+300M JPY



## Impacts of coronavirus (COVID-19, For 3 months)

### Negative impacts

#### Fixed cost impact of stopping facilities

**At most JPY 0.6 billion**

Shanghai Ajinomoto Amino Acid Co., Ltd.: JPY 0.08billion/month  
Shanghai Ajinomoto Seasoning Co., Ltd.: JPY 0.12 billion/month

Economic Impact in Japan and Major Countries  
(Inbound, Restaurant, Conference, etc.)

### Positive impacts

#### Cost down of energy etc.

**At most JPY 0.25 billion**

Because of the price down of crude oil and tapioca;  
Japan: JPY 20 million  
International: JPY 230 million

#### Substituting raw materials from China

**At most JPY 0.3 billion**

Cost impact of substituting the raw materials imported from China and used in major facilities in Japan and Asia

Impact on MSG and other materials markets  
(Under checking)

**Eat Well, Live Well.**



- **Forward-looking statements, such as business performance forecasts, made in these materials are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.**
- **This material includes summary figures that have not been audited so the numbers may change.**