

Ajinomoto Co., Inc.

FY2011 - 2013

Medium-Term Management Plan

***Growth and Structural Reinforcement
-Towards a Genuine Global Company-***

February 25, 2011

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President & CEO

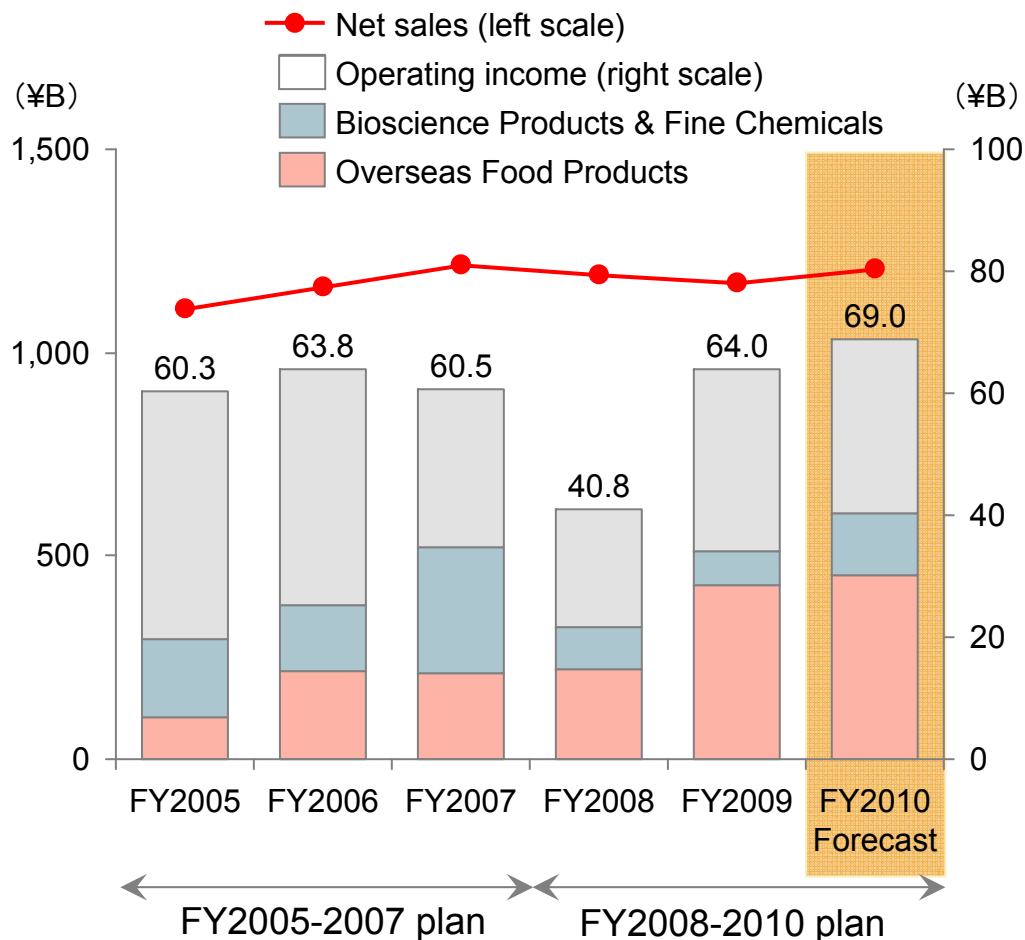
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**I . Group vision & positioning
of the medium-term management plan**

**II . Medium-term management plan:
key principles & group strategy**

III . Corporate financial strategy

Review of the FY2008-2010 medium-term management plan



FY2008-2010 plan net sales and operating income targets not met

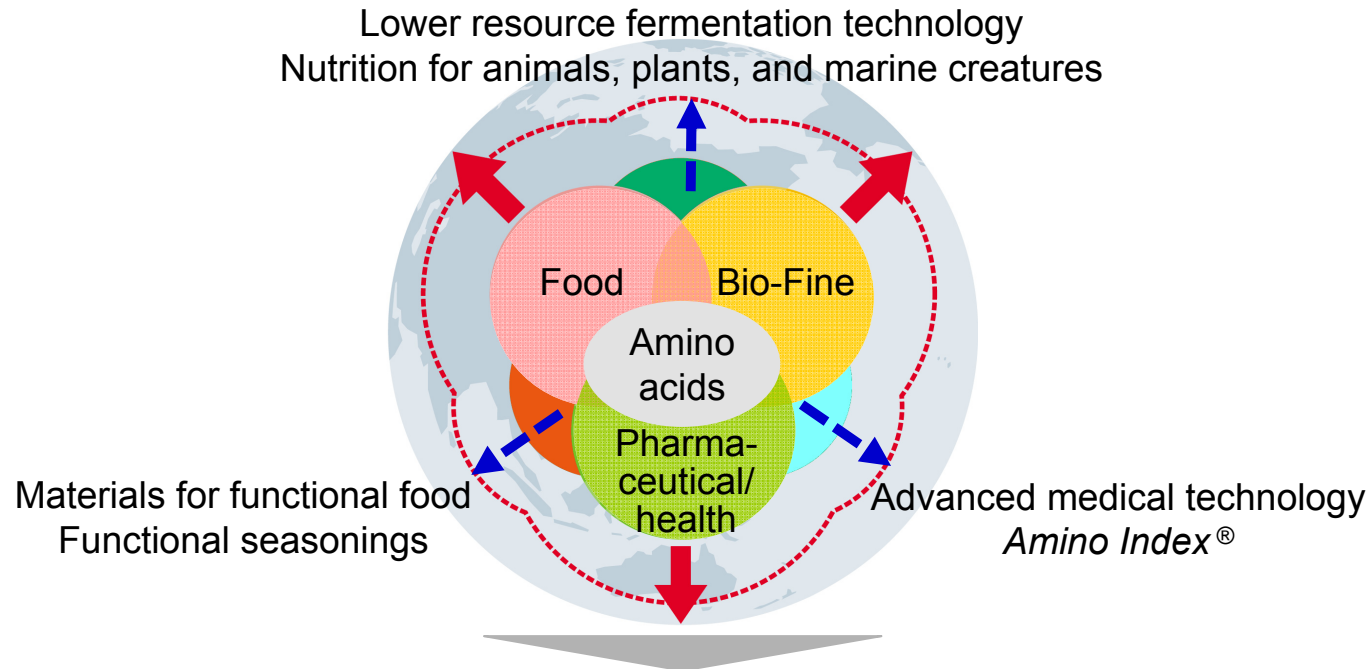
	Plan	Forecast
• Net sales:	¥1,350B ⇒	¥1,207B
• Operating income:	¥80B ⇒	¥69B
• OP margin:	5.9% ⇒	5.7%

Key challenges: responding to fluctuations in raw material prices and managing the variability of the bulk business

- Implemented fundamental structural reforms since 2009

Focus on "growth" drivers and "structural reinforcement" to deliver stable profit growth

The Ajinomoto Group Vision: Group of companies that contributes to human health globally



Resolve issues for 21st century human society



Global sustainability

Optimize environment and natural resources



Food resources

Utilize non-edible materials



Healthy living

Address under and over nutrition
Adopt to aging society trends

The Ajinomoto goal: to become a "Genuine Global Company"

A "Genuine Global Company"
with world-wide growth

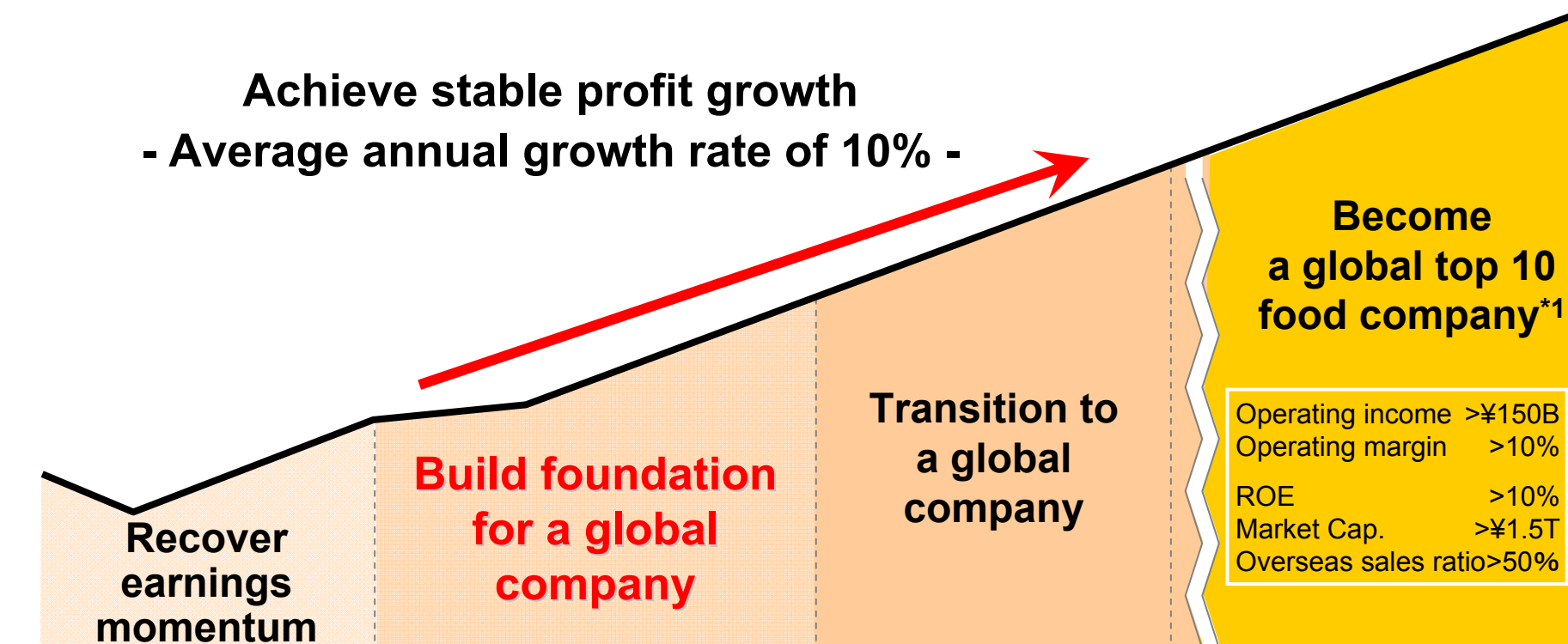
Eat Well, Live Well.

AJINOMOTO®

1. Contribute to the **future progress** of humanity
2. Possess our own **industry leading technologies**
3. Assemble a group globally capable & **diversified talent**
4. Achieve the business and **profit scale** of a global company
5. Meet global **efficiency** standards to generate profit

Roadmap to a "Genuine Global Company"

Achieve stable profit growth
- Average annual growth rate of 10% -



FY2010
forecast

FY2013
plan

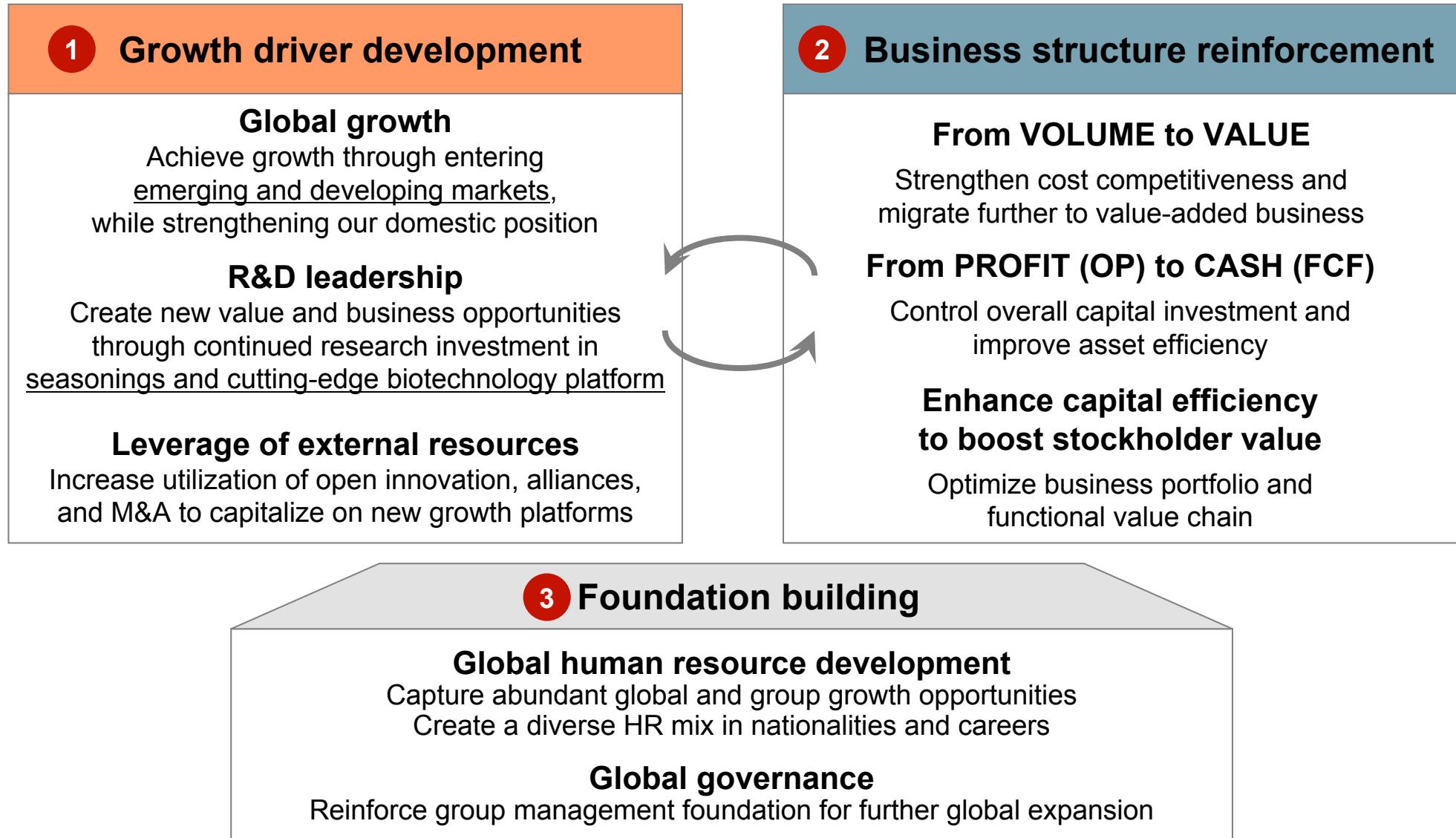
FY2016

ROE	4.5%	8%	10%
OP margin	5.7%	~7%	8%
Operating income	¥69B	¥87B	¥100B + α
Overseas profit ratio	59%	62%	~75%

*1 Excludes beverage manufacturers

Principles of the medium-term management plan to create a "Genuine Global Company"

Growth drivers and structural reinforcement as parallel pillars



KPIs will track progress to a "Genuine Global Company"

		KPI	FY2010 forecast	FY2013 plan
1	Growth driver development	Global growth	Overseas sales ratio Overseas profit ratio	31% 59% → 35% 62%
		R&D leadership	Ratio of R&D investment in future domains within total R&D investment	- → 40%
2	Business structure reinforcement	From VOLUME to VALUE	Sales ratio of value-added business Operating margin	70% → >80% 5.7% → ~7%
		From PROFIT to CASH	Free cash flow	¥10B/year (FY2005-2010 average) → ¥40B/year
		Enhance capital efficiency to boost stockholder value	ROE	4.5% → 8%
3	Foundation building	Global human resource development	Local executive ratio in foreign enterprises	34% → 50%

1 Growth drivers: global growth(1) key principle

Grow overseas consumer foods by developing new markets and increasing presence in existing markets

(Approx. sales: ¥B)	FY2010 forecast	FY2013 plan	FY2016	FY2010-2013	
				Increase	CAGR
Existing markets	160	210	250	50	+10%
New markets	15	30	50	15	+26%
Total	175	240	300	65	+11%

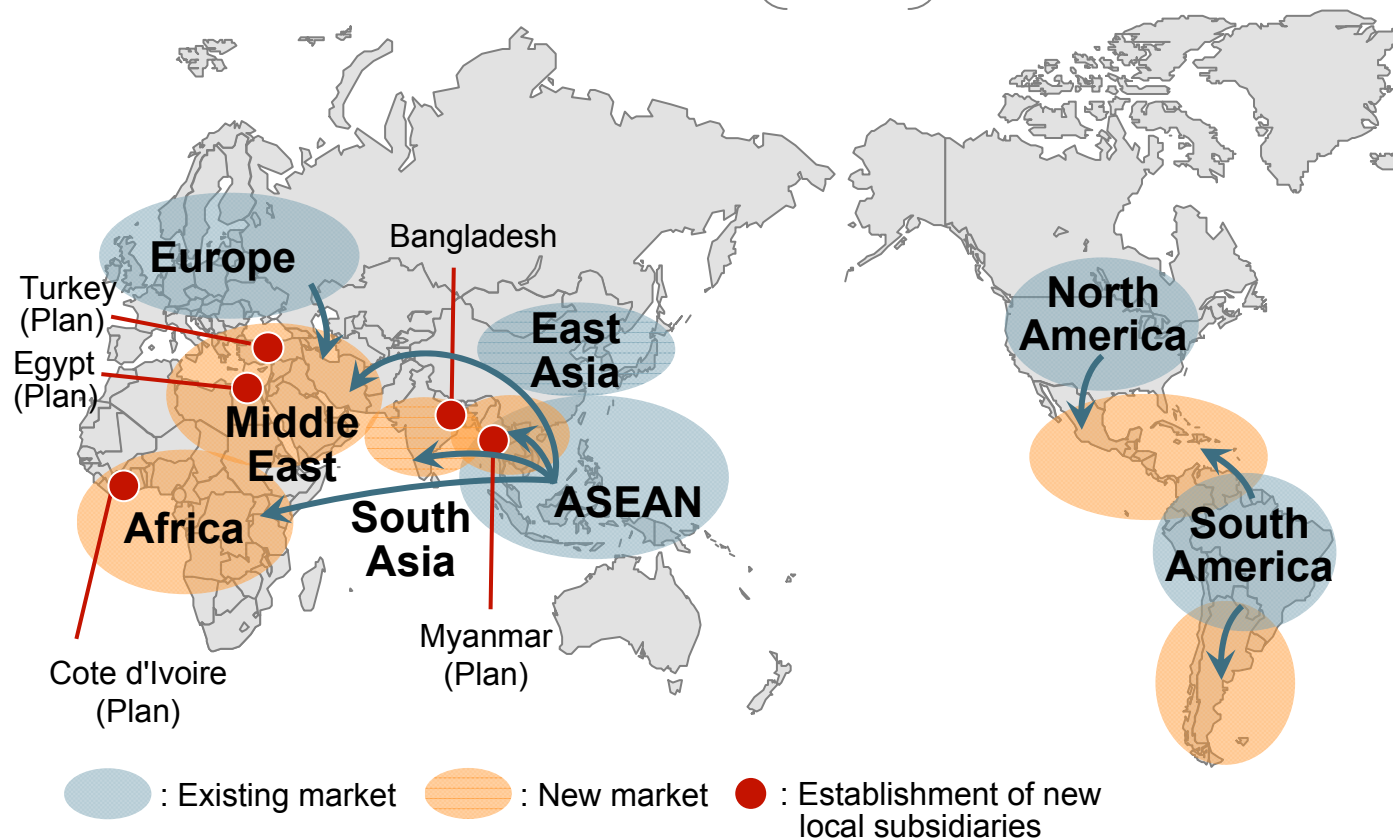
Growth acceleration point

Increase presence in existing markets

- Expand main product share and improve profitability
- Develop next-generation core products and brands
 - Lower priced/affordable powder menu-specific seasonings
 - Functional seasonings

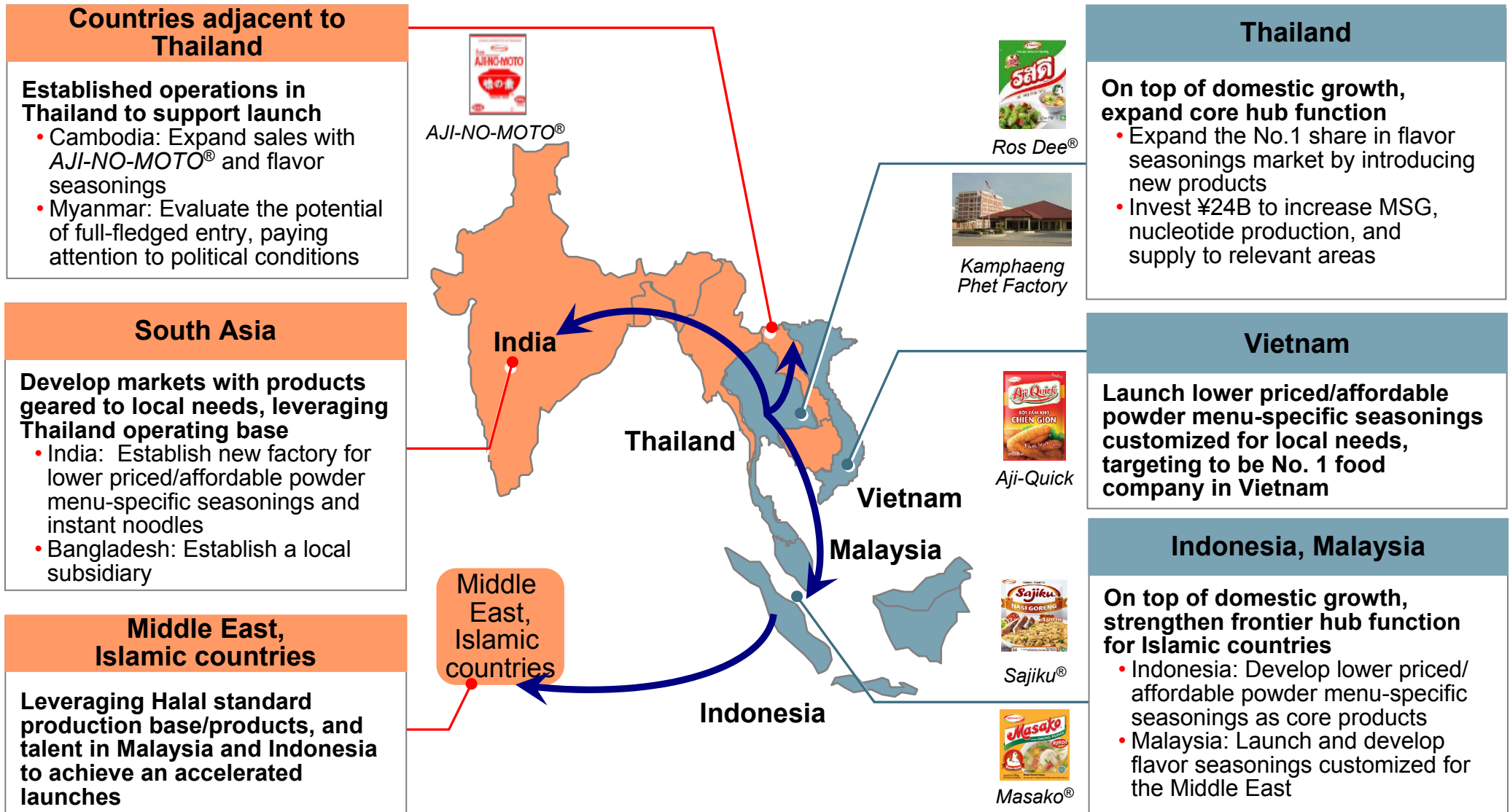
Develop new markets

- Achieve accelerated launch in adjacent countries by leveraging core regional hubs
- Introduce new products beyond umami seasoning AJI-NO-MOTO® to enter new markets
- Deploy structurally-similar business models in neighbor countries



1 Growth drivers: global growth(2) ASEAN example

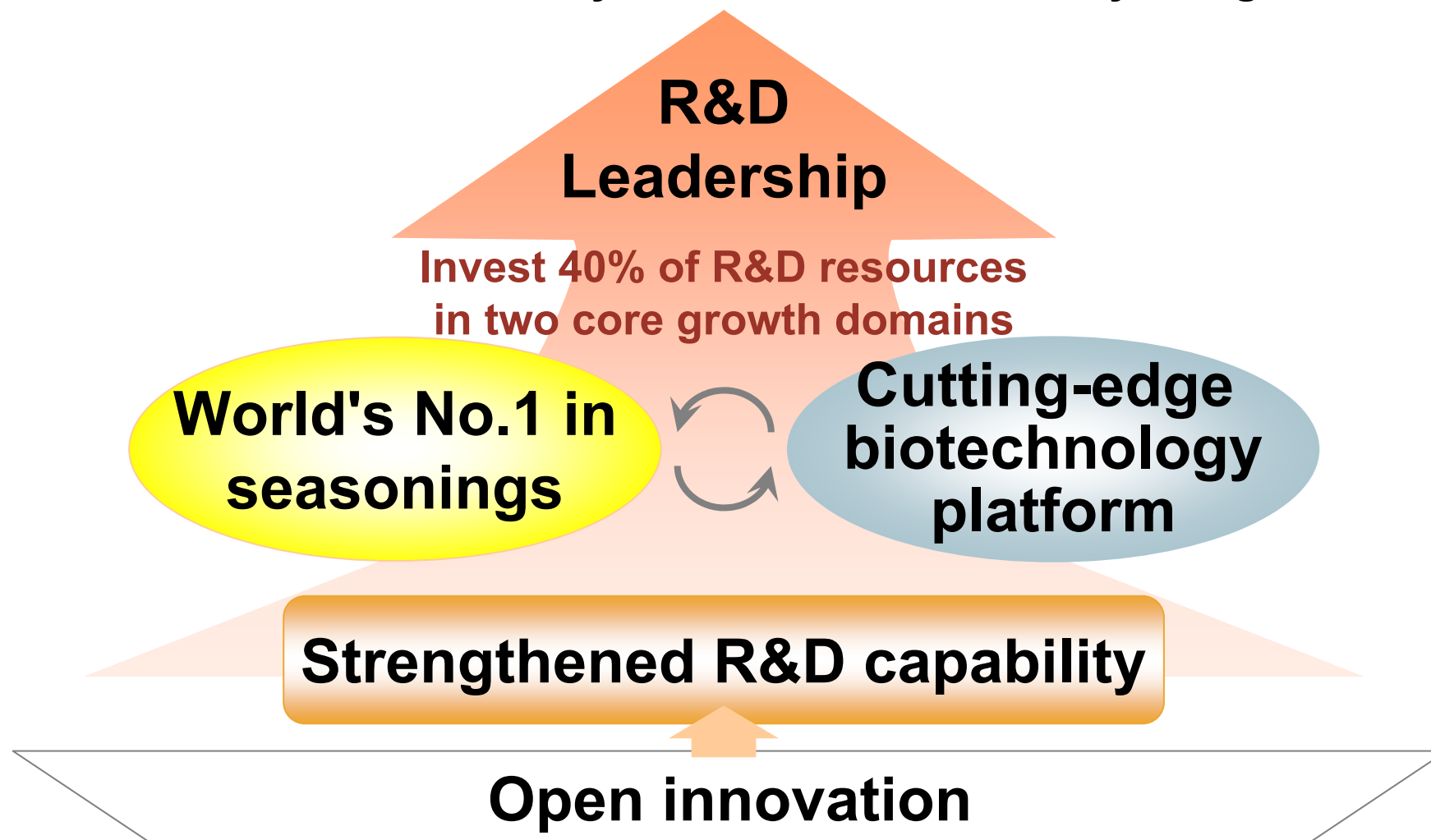
Develop new markets leveraging the area and product strategy; simultaneously increasing presence in existing markets



1 Growth drivers: R&D leadership(1) key principles

Accelerate growth through focus on "world's No.1 in seasonings" & "cutting-edge biotechnology platforms" and by strengthening R&D capability

Contribute to resolving issues for 21st century human society
- Global sustainability, food resources, healthy living -

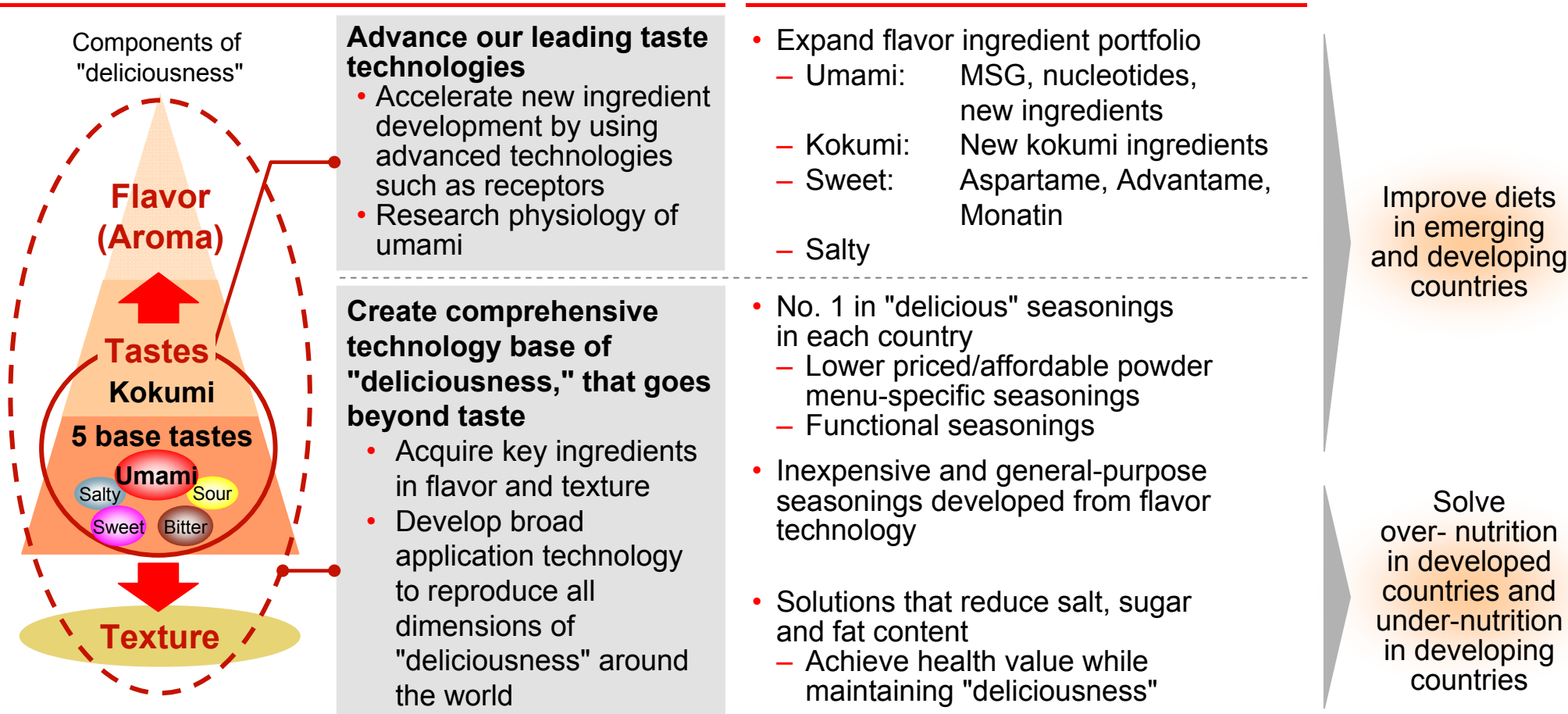


1 Growth drivers: R&D leadership(2) world's #1 in seasonings

Combine the capabilities of a leading "deliciousness + health" seasonings company with overall "deliciousness" technology to become the #1 company in dry seasonings

Technology base and its extensions

Businesses and products created (e.g.)



1 Growth drivers: R&D leadership(3) cutting-edge biotechnology platform

Leverage our proprietary technologies to become a global leader in "environment and resource contributions," "animal and plant nutrition" and "advanced medical care and nutrition"

	Technology platforms to be built	Businesses and products created (e.g.)	
Environment and resource contributions	<p>Fermentation technology based on non-food raw materials</p> <ul style="list-style-type: none"> • Non-edible materials • Carbon dioxide 	<p>Shift to production by fermentation production with fewer resources</p> <ul style="list-style-type: none"> • More efficient use of existing raw materials • Non-edible materials, low energy fermentation <p>New bio-based ingredients to save and/or generate energy</p> <ul style="list-style-type: none"> • High value-added products such as enzyme 	Global sustainability
Animal and plant nutrition	<p>Technology to improve the productivity and quality of animals and plants</p> <ul style="list-style-type: none"> • Proprietary amino acid nutrient technology and fermentation technology 	<p>Nutrients for plants, fisheries, and livestock that make use of nutritional functions of amino acids</p> <ul style="list-style-type: none"> • Commercialization of foliar fertilizer and liquid feeds • From powdered fish nutrients to amino acid nutrients • Environmentally-active cement 	Food resources
Advanced medical care and nutrition	<p>Technology to support next-generation pharmaceuticals, medical care, and nutritional enhancements</p> <ul style="list-style-type: none"> • Advanced biological and fine chemical technology 	<p>Solutions for bio pharmaceuticals and regenerative medical care</p> <ul style="list-style-type: none"> • Provision of materials, technology, and cell cultivation cultures for advanced medical services • Extension of applications for the use of blood amino acid in health diagnostics "Amino index" 	Healthy living

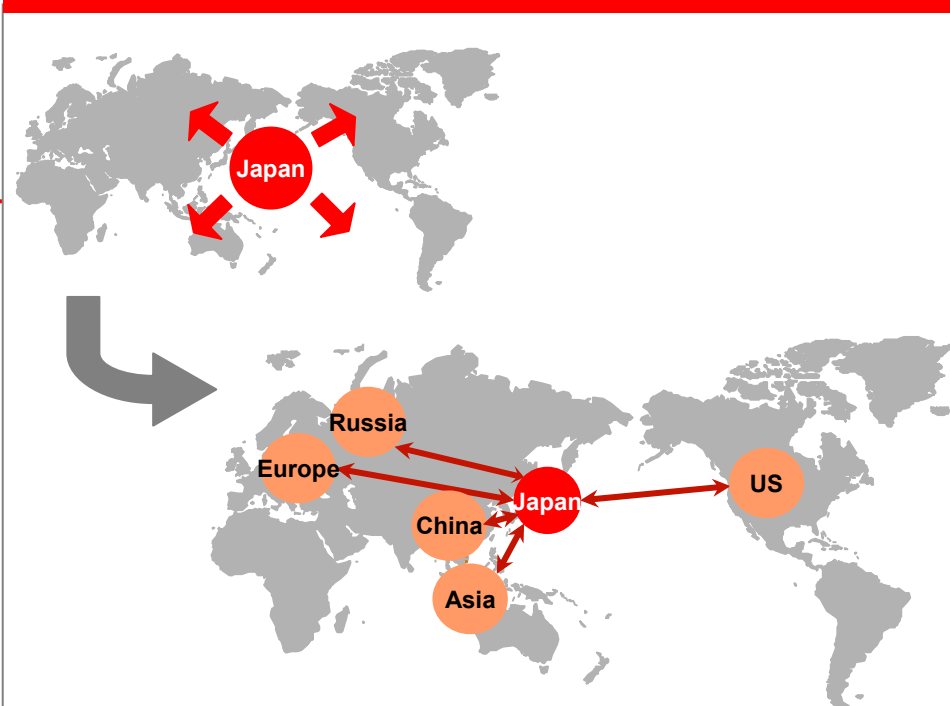
1 Growth drivers: R&D leadership

(4) strengthen R&D capability

Strengthen R&D capability by reorganizing R&D structure and promoting open innovation

1. **Reorganized domestic R&D structure and determined priority domains (implemented in Oct. 2010)**
 - Consolidated nine R&D laboratories into three
2. **Establishing global R&D network**
 - Have five R&D hubs including centers in Asia, US, and Europe
 - Increase overseas R&D headcount ratio to more than 30%
 - Enhance global HR exchanges
3. **Promoting open & linked innovation**
 - Develop new ingredients or functions with research institutes or ventures
 - Develop applications or solutions with companies that are familiar with customer needs e.g., fishery, foods, beverages, and cosmetics
4. **Building and strengthening R&D management system**
 - Maintain R&D expenditure at ¥37B/year level until FY2013

From Japan-driven to five global hubs



- Accelerate open innovation
- Enhance product development based on local cuisine and cultures

1 Growth drivers: leverage of external resources

Achieve growth through dynamic use of open innovation, alliances, and M&A

Direction

Make dynamic use of external resources to accelerate the impact of growth drivers

- Global growth: Establish brands and channels, etc. in the overseas food products business
- R&D leadership: Acquire technology and operating bases in priority domains (seasonings, cutting-edge biotechnology platform)

Scale

Anticipate a sizable investment to drive total company growth (without a pre-determined target amount)

Organization to drive

Concentrate and enhance the capital/operational alliances, strategy and business development functions

- Create a team which reports directly to the CEO, including experienced talent from outside the organization
- The team will verify the feasibility of commercialization and promote business development, coordinating with the business units

2 Business structure reinforcement: a company-wide initiative

In addition to business unit-level initiatives, cross-business structures will be re-evaluated

	Domestic Food Products			Overseas Food Products	Bioscience Products & Fine Chemicals	Pharmaceuticals	Businesses tie-ups	Others (Including functional subsidiaries)	Total
	Seasonings & processed foods	Frozen foods	Beverages						
OP margin (FY2010 forecast, %)	6.6			13.0	5.3	10.3	1.1	-0.3	5.7

From VOLUME to VALUE

Improve cost efficiency by controlling overall spending levels

- R&D expenditure: Maintain at **¥37B/year*1** level until FY2013
- Marketing expenses: Keep **below the gross profit growth rate**
- Group headcount: **Establish headcount ceiling** for Ajinomoto Co., Inc. and domestic subsidiaries

Fundamental review of business model and cost structures

- From the "feed-use amino acids business" to the "animal nutrition business"
- From the "aspartame-only business" to the "compound sweeteners business," etc.
- Reduce variable costs by introducing lower resource fermentation technology in Food products and Bioscience Products & Fine Chemical businesses
→ **¥7B** operating income increase in FY2013 vs. FY2010, **¥8B** in FY2014

From PROFIT to CASH

Control capital expenditure to **a total of ¥180B over 3 years** (with consistent annual spend)

Enhance capital efficiency

Optimize business portfolio and functional value chain

- Evaluate on the basis of profitability, such as OP margin and asset efficiency (ROA)

*1 Total ceiling excluding license-in expenses for pharmaceuticals business

2 Business structure reinforcement: unit-level initiatives

(1) feed-use amino acids (animal nutrition)

Enhance cost competitiveness and shift to high-value-added model, while strengthening business operating platforms

Point	Specific programs		FY2011	FY2012	FY2013
Increase cost competitiveness	Shift from Brazil-based to regional supply base of four centers	North America: Enhance regional supply power by introducing new technology	Complete program (Q2)		
	Achieve fundamental improvements in production process via lower resource fermentation technology	Reduce volume of sub raw materials used (Introduced in Brazil in 2010)		USA	France
		Diversify main raw materials (Started in France in 2010)		Brazil, Thailand	
Increase value added products	Develop new value added feed additives	Valine	Expand market	→	
		Isoleucine (Registered in Europe in 2010)	Introduce the product (Q2~)	→	
	Develop new applications for feed-use amino acids	Lysine for dairy cow	Test market (Q1~)	→	
		Amino acids for fishery, etc.		Assess market entry	→
Strengthen business operating platforms	Investigate the possibility of establishment of 100% owned subsidiary for animal nutrition including feed-use amino acids		Reach decision within FY2011		
	Partially outsource production		Threonine (Fufeng Group)	Explore additional alliances	→

2 Business structure reinforcement: unit-level initiatives (2) sweetener

Introduce new production methods to improve the cost competitiveness of mainline aspartame business while shifting to the compound sweetener business

Point	Specific programs		FY2011	FY2012	FY2013
Increase cost competitiveness	Introduce new production methods to aspartame production plants	Establish the new method [Capex decision to be made in March 2011]	Switchover production line	Commence production (July)	Launch study in Europe
Increase value added products	Launch next generation of in-house developed sweeteners	Advantame	USA (Q1~)	Brazil Philippines, India, Taiwan, etc.	Japan Europe China, etc
		Monatin			
	Build global supply base for sweetener formulation		Japan USA China		Brazil Indonesia
Strengthen business operating platforms	Strengthen retail business • Low calorie sweeteners • Inexpensive sugar replacement • Powdered juice, etc.	Increase presence in existing countries	Japan, Brazil Philippines, Malaysia, Thailand →		
		Expand to new countries		China	Indonesia Peru Vietnam

Target 50% sales ratio for retail business by FY2016

[Example initiative: inexpensive sugar replacement]

- Use aspartame as inexpensive sweeteners
- Can use like sugar because of sweetness design technology
- Set developing markets as main target and commercialize
- Utilize existing business base (e.g., ASEAN)

2 Business structure reinforcement: unit-level initiatives

(3) Domestic Food Products (seasonings & processed foods)

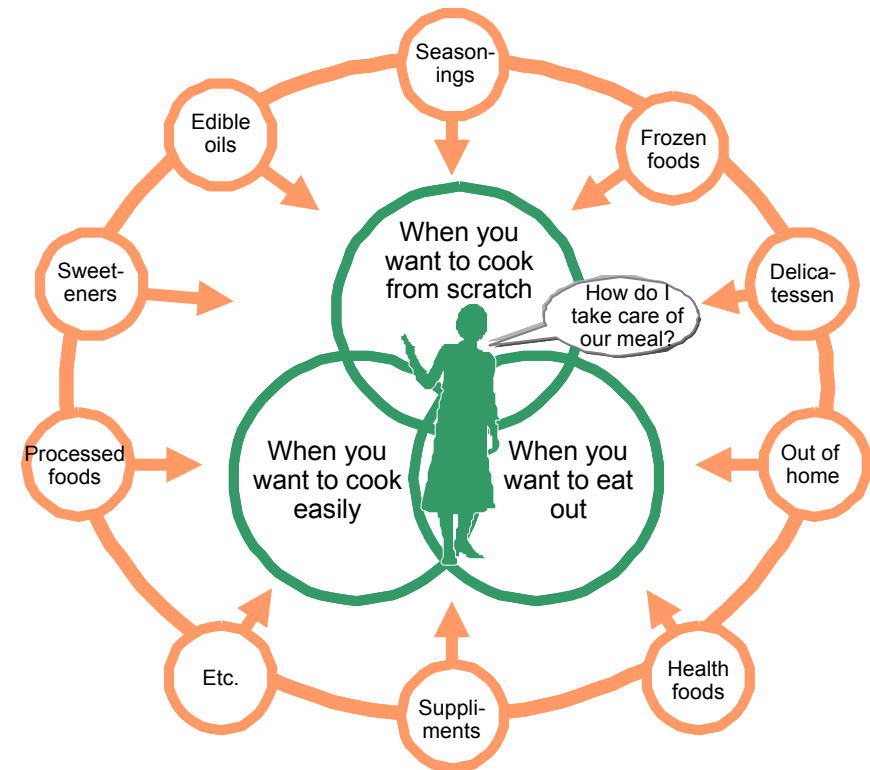
Capture greater share of customer's wallet through launch of high value-added products and enhanced marketing methodology to establish stable profit base

Point	Specific programs
Increase cost competitiveness	Establish robust business system with a strong value chain <ul style="list-style-type: none"> • Strengthen raw material development and procurement power • Prioritize and streamline R&D investment • Reduce inventory by new SCM • Overhaul G&A expense • Promote environmental solution (start ecological initiatives, secure resources)
Increase value added products	<u>Improve accessibility to various needs and occasions</u>
	Revive existing business <ul style="list-style-type: none"> • Redesign product value • Enhance communication strategy, etc. Develop and reorganize adjacent domains <ul style="list-style-type: none"> • Introduce new products to white space • Find unmet needs and propose value • Form a global deployment base plan
Strengthen business operating platforms	Strengthen marketing methodology <ul style="list-style-type: none"> • Aim to create demand even in mature markets

Example initiative:
 New marketing for creating **AJINOMOTO**. fans

As is: Individual brand directed value propositions

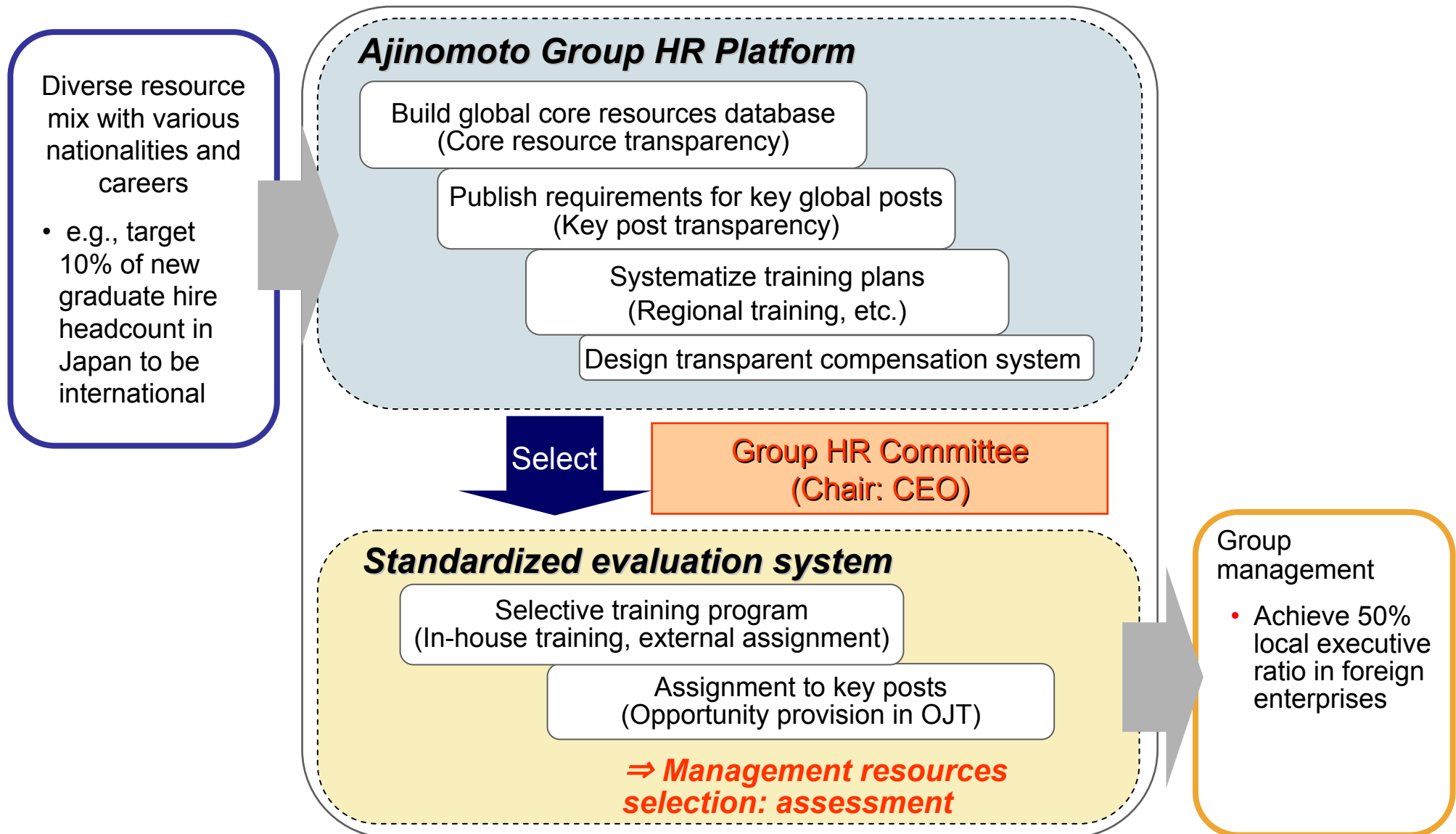
To be: Deepened relationship between overall **AJINOMOTO**. brand and consumers



Leverage **AJINOMOTO**. total power

3 Foundation Building: global human resource development

Hire, develop, and promote diverse talent with various nationalities and careers to create an global management executive pool

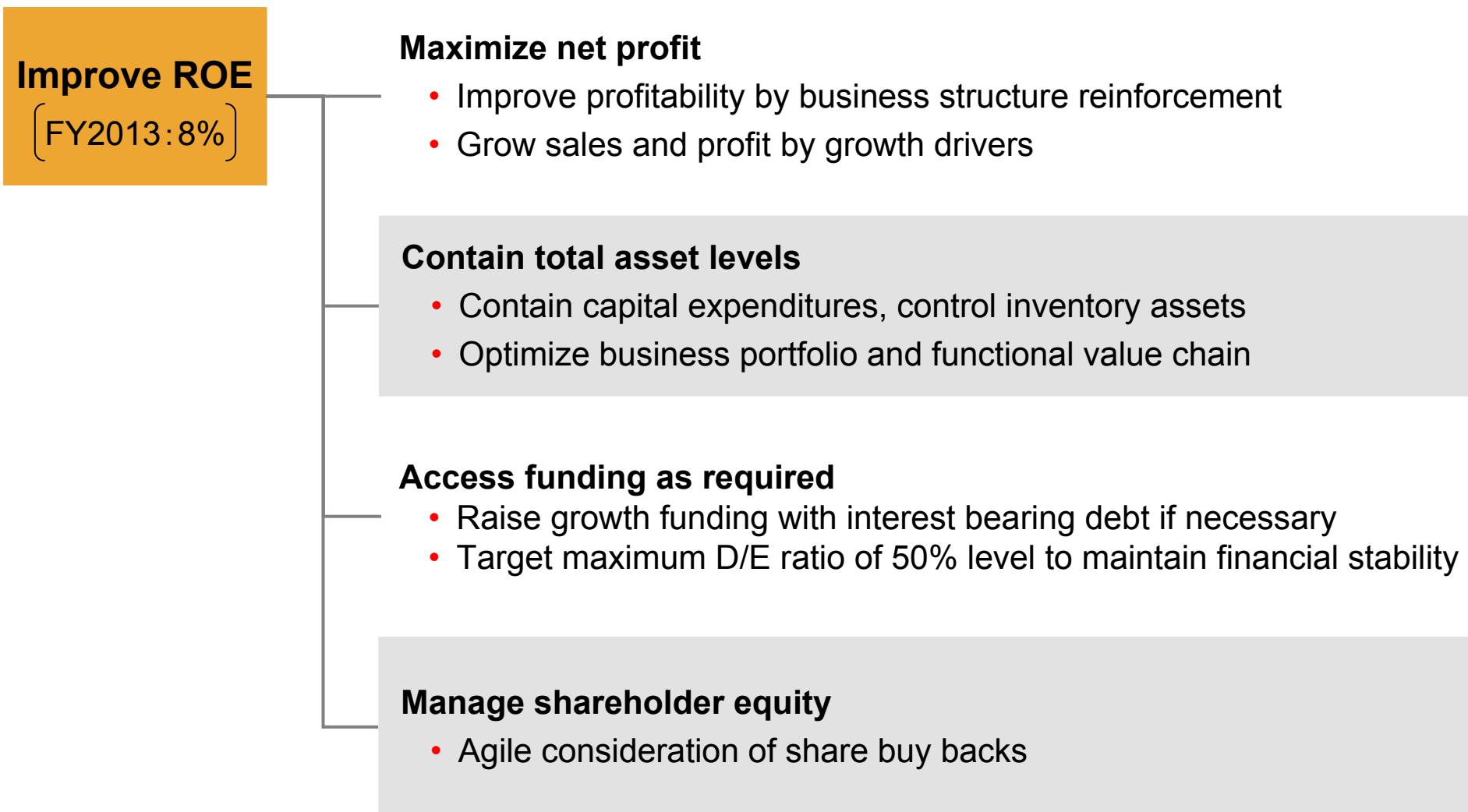


Corporate financial strategy: approach to growth investment, fund-raising, shareholder returns

Cash flow	<ul style="list-style-type: none">• Improve profitability by business structure reinforcement and growth driver development• Create operating cash flow at ¥300B level in three years
Growth investment	<ul style="list-style-type: none">• Prioritize capital expenditure allocation to emerging economies with a three year maximum of ¥180B• Invest in mid to long term growth driver development
Fund raising	<ul style="list-style-type: none">• Target D/E ratio at 30% level, interest bearing debt below ¥200B• When growth funding is required, interest bearing debt will be prioritized with a target D/E ratio at 50% level
Shareholder returns	<ul style="list-style-type: none">• Ensure continuous and stable dividend, considering consolidated earnings• Agile consideration of share buy backs
Return of substitutional part of Employee's Pension Fund	<ul style="list-style-type: none">• April-May 2012 approval anticipated

Finance strategy: key levers for ROE improvement

Achieve ROE of 8% in FY2013, target 10%+ by FY2016



Targets by business: sales, operating income

	FY2010 forecast			FY2013 plan			Increase
	Net Sales (¥B)	Operating income (¥B)	OP margin (%)	Net Sales (¥B)	Operating income (¥B)	OP margin (%)	Operating income (¥B)
Overseas Food Products	232.0	30.2	13.0	306.1	34.4	11.2	4.2
Domestic Food Products	450.0	29.7	6.6	459.2	33.7	7.3	4.0
Bioscience Products & Fine Chemicals	193.0	10.2	5.3	230.9	16.8	7.3	6.6
(Feed-Use Amino Acids)	77.2	8.0	10.4	81.6	9.0	11.0	1.0
Pharmaceuticals	82.7	8.5	10.3	87.4	8.8	10.1	0.3
Business tie-ups	183.6	2.1	1.1	203.3	2.1	1.0	0
Others	65.7	-0.2	-0.3	79.1	2.7	3.4	2.9
Adjustments	-	-11.5	-	-	-11.5	-	0
Group total	1,207.0	69.0	5.7	1,366.0	87.0	6.4 (~7)	18.0

Contribution to society: Cycle of Life

Position CSR initiatives as a business to ensure impact on sustainability + lives around the world



Advancing nutrition improvement in Ghana

- Co-develop nutritional supplements for baby food with DSM



Umami diffusion initiatives

- Hold taste education classes in Japan, symposiums, etc. in foreign countries



The Cassava Project

- Diffuse cassava cultivation methodology in Indonesia



The AIN program

- Support international cooperation to improve nutrition in developing countries



Greenhouse gas reduction

- Reduce the amount of nitrogen contained in livestock manure by 20-30% by feed-use amino acids



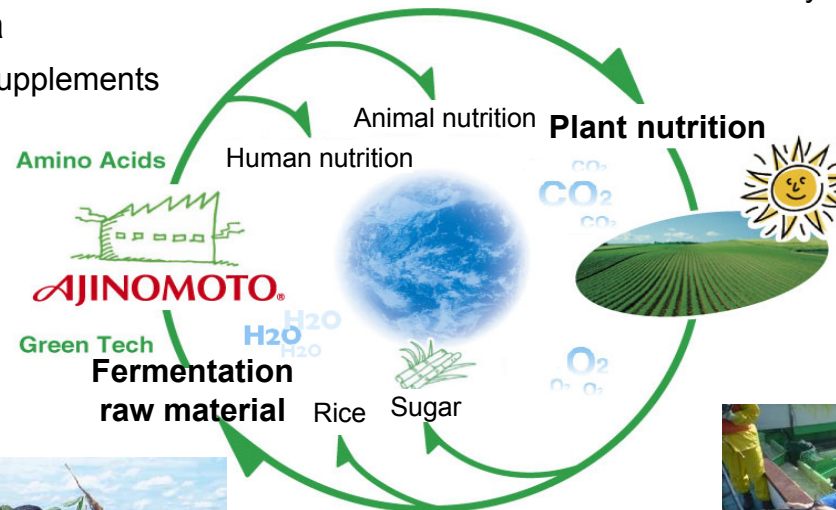
Biocycle

- Realize natural resource circulation by utilizing co-product as fertilizer



Bonito ecology survey

- Initiate joint survey of bonito off the Pacific Coast of Japan, with National Research Institute of Far Seas Fisheries, Fisheries Research Agency



Reference

Strategies by Business: (1) Overseas Food Products

(Unit: ¥B)	FY2010 forecast	FY2013 plan	Increase	CAGR
Net Sales	232.0	306.1	74.1	9.7%
Operating income	30.2	34.4	4.2	4.4%

Consumer foods

Promote No.1 seasonings strategy

- Accelerate growth by deepening presence in both existing and new markets
- Create a lower priced/affordable menu-specific seasonings domain by thorough optimization to local needs, commercializing flavor seasonings and productizing towards killer menu
- Develop and establish eat-out channel as second business pillar
- Narrow down sauce business to soy sauce and oil based, and strengthen as global sauce business

Develop and enhance processed food domain

- Utilize instant noodles as door opener at market entry
- Enhance profit structure and quality advantage by completely in-sourcing *Birdy*®, developing proprietary technology, and establish overwhelming No. 1 share

Umami seasonings for processed foods mfrs.

Continue pricing strategy and provide stable supply, assuming consistent and adequate profit levels

- Promote flexible pricing strategy by continuing short-term contract and increasing the ratio of local major players or middle class players toward external environment change, and secure adequate profit
- Realize stable supply to group companies by establishing new MSG factory/increasing nucleotide production, and continue cost reduction initiatives

Strategies by Business: (2) Domestic Food Products

(Unit: ¥B)	FY2010 forecast	FY2013 plan	Increase	CAGR
Net Sales	450.0	459.2	9.2	0.7%
Operating income	29.7	33.7	4.0	4.3%

Seasonings & processed foods

Create liver value by understanding customer deeply

- Cultivation and expanding -

- Direct marketing to create AJINOMOTO® fans
- Develop new core business for next generation, both applicable for in home and out of home use

Enhance profit structure

- Improve gross margin by reducing fixed cost ratio, etc.
- Contain SG&A cost by efficiently investing marketing expenses, etc.

Frozen foods

Simultaneously achieve stable domestic growth and foreign expansion

- Enhance core products sales and expand sales in North America, Europe, and Southeast Asia

Overhaul and restructure production base

- Reinforce company production base structure and restructure global SCM

Beverages

Expand domestic stability and accelerate growth of foreign beverage and microorganism business

- Strengthen the Calpis brand
- Establish a model of success in foreign countries - deploy both the model in early stages, and new value proposition

Reduce cost thoroughly in overall value chain

- Promote SCM improvement, production renewal, etc.

Strategies by Business:

(3) Bioscience Products & Fine Chemicals

(Unit: ¥B)	FY2010 forecast	FY2013 plan	Increase	CAGR
Net Sales	193.0	230.9	37.9	6.2%
(Feed-use amino acids)	77.2	81.6	4.4	1.9%
Operating income	10.2	16.8	6.6	18.1%
(Feed-use amino acids)	8.0	9.0	1.0	4.0%

Feed-Use amino acids

Enhance cost competitiveness and shift to high-value-added model, while strengthening business operating platforms

Amino acids

- Sweeteners:** Introduce new production methods to improve the cost competitiveness of mainline aspartame business while shifting to the compound sweetener business
- Amino acids for pharmaceutical and foods:** Achieve cost reduction by completing production structure reform program
Develop mediums for bio pharmaceuticals as the second main business, on top of existing bulk amino acids business
- Pharmaceuticals fine chemicals:** Enhance development pipeline and business portfolio to commercialize pharmaceutical ingredient solution business

Specialty chemicals

- Electronic materials:** Expand *ABF* application and develop new business
- Cosmetics:** Enlarge business scale by supporting major brands (retail business) and expanding sales in new economies (cosmetics ingredients business)

Strategies by Business: (4) Pharmaceuticals

(Unit: ¥B)	FY2010 forecast	FY2013 plan	Increase	CAGR
Net Sales	82.7	87.4	4.7	1.9%
Operating income	8.5	8.8	0.3	1.2%

Pharmaceuticals

Secure new drug launch and maximize product value

- Launch two drugs for inflammatory bowel disease (two product) and the others after FY2012, and promote LCM of core products

Develop growth drivers

- Start alliances in FY2012 in Southeast Asia, envisioning direct sales approach in the future
- Prioritize R&D investment to digestive organ domain and strengthen pipeline in early stage

Reinforce business structure

- Reduce cost by technology innovation, production reform, and optimized procurement scheme
- Expand direct sales products by improving salesforce quality and productivity
- Enhance cost reduction initiatives for infusion business

Build foundation

- Plan and promote company-wide HR development strategy

Strategies by Business: (5) Business tie-ups and others

(Unit: ¥B)	FY2010 forecast	FY2013 plan	Increase	CAGR
Net Sales	183.6	203.3	19.7	3.5%
Operating income	2.1	2.1	0.0	0.0%

Business tie-ups

Edible oils

- Optimize pricing
- Develop and expand high added-value products

Coffee products

- Create added-value product in growing market (stick, liquid beverage)

(Unit: ¥B)	FY2010 forecast	FY2013 plan	Increase	CAGR
Net Sales	65.7	79.1	13.4	6.4%
Operating income	-0.2	2.7	2.9	-

Others

Wellness business:

Sports nutrition

- Strengthen marketing capability to expand target segment (to target health conscious, active segment)
- Promote sports nutrition research in coordination with external institutes, and leverage the research result for product development

Direct marketing

- Move towards profitability swiftly into the black early by promoting core products *Glyna*® and *Capsiate Natura*®

Nutrition for elderly people

- Overhaul business structure by focusing on medical and food domains

New product development, commercialization

- Start cancer screening business by *Amino Index*® from April 2011

Assumptions for this medium-term management plan

1. Exchange rate

	JPY	vs USD
USD	85.00	-
EUR	110.00	1.30
BRL	50.00	1.70
THB	2.80	30.0
100IDR	0.94	90.0

<Sensitivity> Impact on annual operating income
(Exchange rate for trade of main overseas subsidiaries)

1 Yen higher vs USD → - ¥ 0.2B (approx.)

0.1EUR higher vs USD → - ¥ 0.4B (approx.)

0.1BRL higher vs USD → - ¥ 1.2B (approx.)

2. Crude oil price

80USD/BBL, FOB Dubai

<Sensitivity> Impact on annual operating income
+1USD/BBL → - ¥ 20M (approx.)

Eat Well, Live Well.

AJINOMOTO®

- **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.**
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