

Eat Well, Live Well.



## **Ajinomoto Co., Inc. (2802)**

# **Forecast for FY2023 (Ending March 31, 2024) and Initiatives for Enhancing Corporate Value**

**Taro Fujie**

**Director, Representative Executive Officer,  
President & Chief Executive Officer**

**November 6, 2023**





## **I. Summary Results for the First Half Ended September 30, 2023 and FY2023 Forecast**

## **II. Initiatives for Enhancing Corporate Value**

Reference Materials

Appendixes: Consolidated Results First Half Ended September 30, 2023  
FY2023 Revised Forecast by Segment

Note: Business profit (consolidated) in this material:

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



# Message from the CEO

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- **FY23 first half sales and business profit both set new records; FY23 revised forecasts for sales and business profit are maintained from the initial forecast, while profit attributable to owners of the parent company is revised upward to 100 billion yen.**
- **Profit margin has recovered significantly in Seasonings and Foods overseas, and the results of structural reform have become apparent in Frozen Foods in North America. This is mainly due to our quick actions (price changes) in FY2022 being successful.**
- **We raised unit prices and wanted to bring the quantities of Seasonings and Foods in Japan back to what they had been, but we weren't able to due to consumers' reactions to protect their lifestyles against increased costs.**

**We established Marketing Design Center and the ground to stand ready at bat (to launch new products) is just about done. We will take short-term and medium- to long-term actions solidly in place.**

- **A slower-than-expected recovery in the semiconductor market and inventory adjustments by clients that were greater than expected affected the performance of Healthcare and Others. However, the market is growing, and we are confident of a return to growth.**
- **The company is promoting the 2030 Roadmap working to enhance its corporate value by and continuing to refine it.**
- **Short-term measures are necessary for FY2024. By also promoting initiatives to lower the break-even point (concentration and reduction of SKUs, etc.), the company will steadily achieve FY2023 targets and double-digit growth in business profit for FY2024 in line with the roadmap.**

A background image showing three hikers on a rocky mountain peak at sunrise or sunset. The hikers are silhouetted against a bright, hazy sky. One hiker on the right has their arms raised in a celebratory gesture. The foreground is dominated by dark, jagged rocks.

**I. Summary Results for the First Half Ended September 30, 2023 and FY2023 Forecast**

**II. Initiatives for Enhancing Corporate Value**

# I-1. Digest of First-Half Results

**Sales: Increased**  
(New first-half record)

**¥688.0 billion**

104.3% of FY2022

Excluding currency translation: 100.8%

**Business profit: Increased**  
(New first-half record)

**¥76.5 billion**

103.0% of FY2022

Excluding currency translation: 98.8%

**Profit attributable to owners of the parent company**

**¥46.4 billion**

98.7% of FY2022

**up ¥28.1 billion**

The increase in Seasonings and Foods, and Frozen Foods covered the decrease in Healthcare and Others.

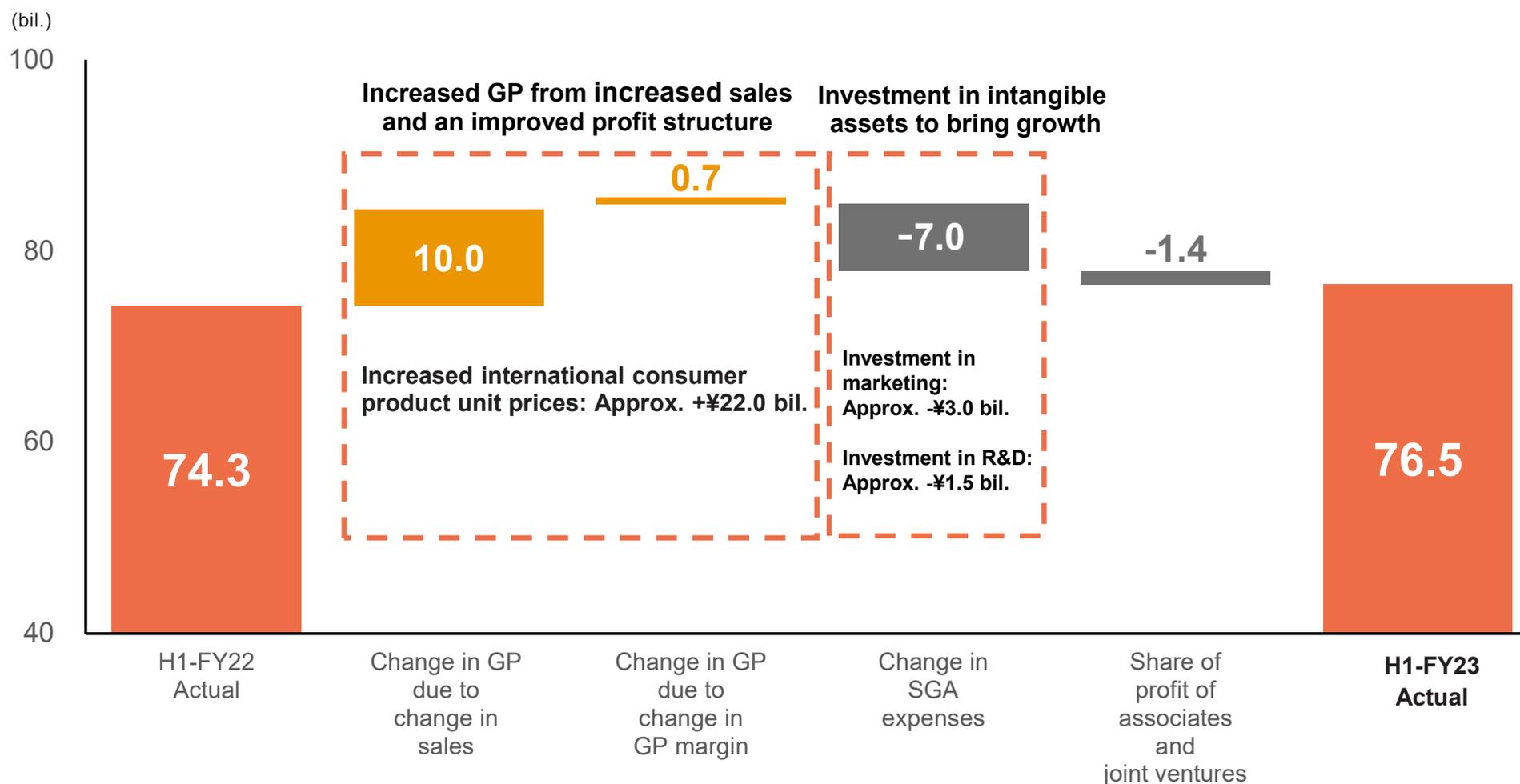
**up ¥2.2 billion**

Profit increased primarily in Seasonings and Foods, and Frozen Foods, both overseas, with currency translation also contributing, offsetting the decrease in Healthcare and Others.

## YoY Business Profit Details – Summary

(¥ Billion)	vs Q1-FY22	vs Q2-FY22	vs H1-FY22	Details of impacts in H1-FY23
Change in GP due to change in sales	6.5	3.5	10.0	The increase in revenue in overseas Seasonings and Foods and overseas Frozen Foods exceeded the decrease in revenue in Healthcare and Others
Change in GP due to change in GP margin	0.0	0.7	0.7	Improvement of the GP margin in overseas Seasonings and Foods and overseas Frozen Foods offset the GP margin decline in Healthcare and Others
Change in SGA expenses	-2.7	-4.2	-7.0	SGA expenses increased due to advertising and R&D investments in line with strategy
Share of profit of associates and joint ventures	-1.4	0.0	-1.4	
<b>Total</b>	<b>2.3</b>	<b>- 0.0</b>	<b>2.2</b>	

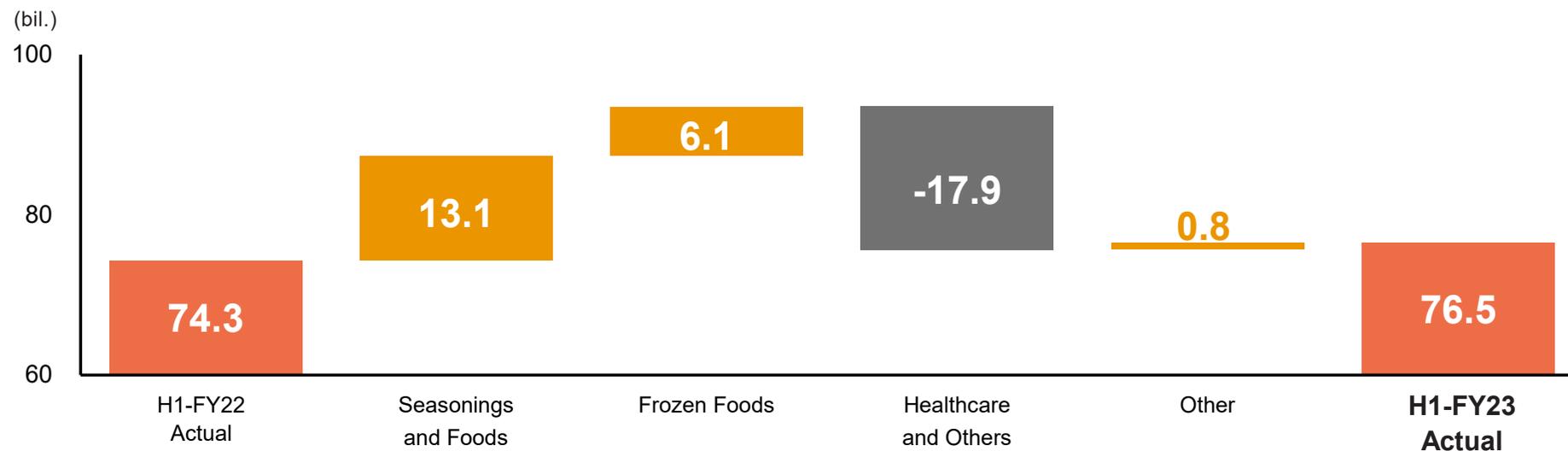
## I-2. Changes in Business Profit (First-Half Results by P&L Factor)



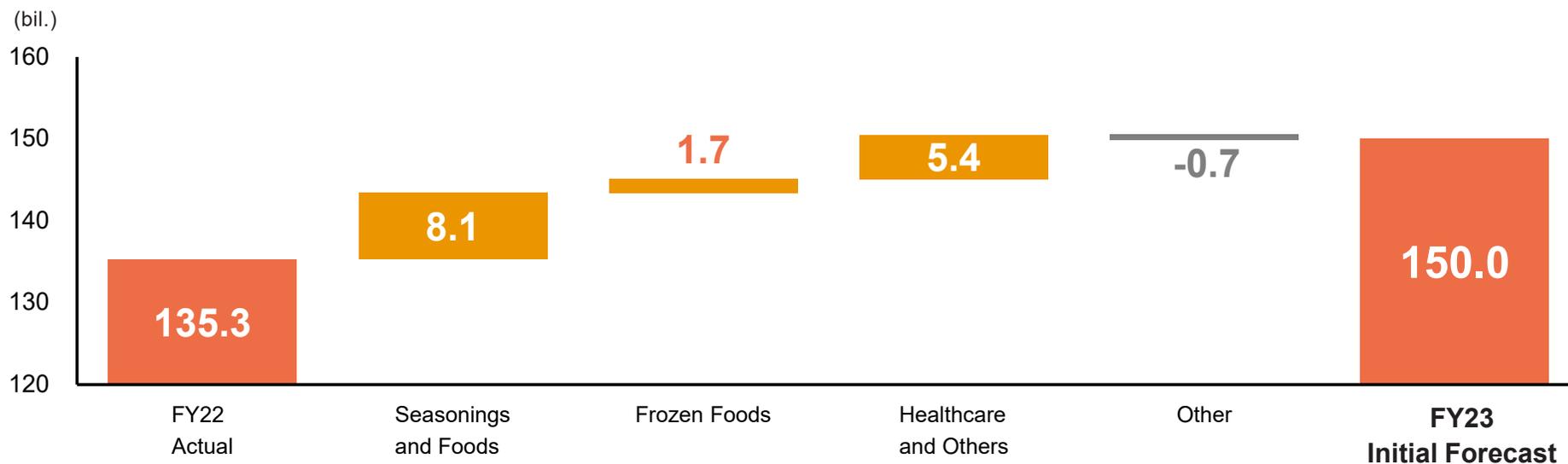
Ref.:

Impact of currency translation: approximately +¥3.1 billion

## I-2. Changes in Business Profit (First-Half Results by Disclosed Segment)



### (Ref.) FY2023 Initial Forecast vs. FY2022 Actual

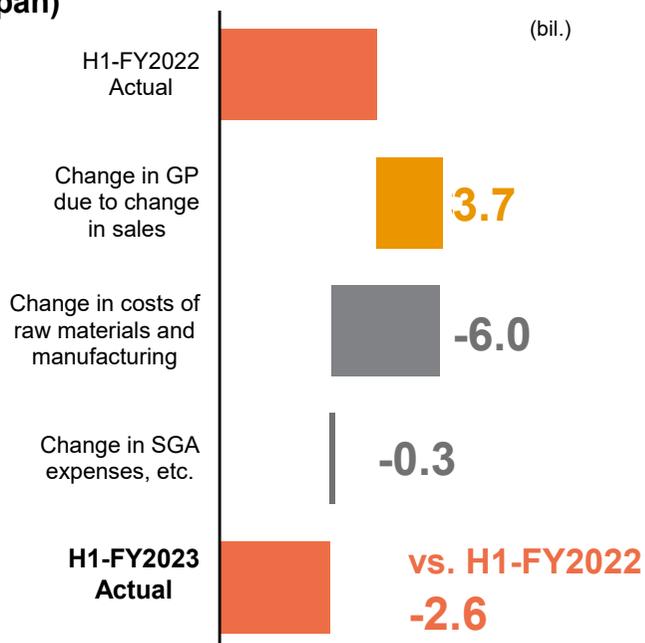


# I-3. Sauce and Seasonings, and Quick Nourishment: Breakdown of Sales, and Factors behind Changes in Business Profit

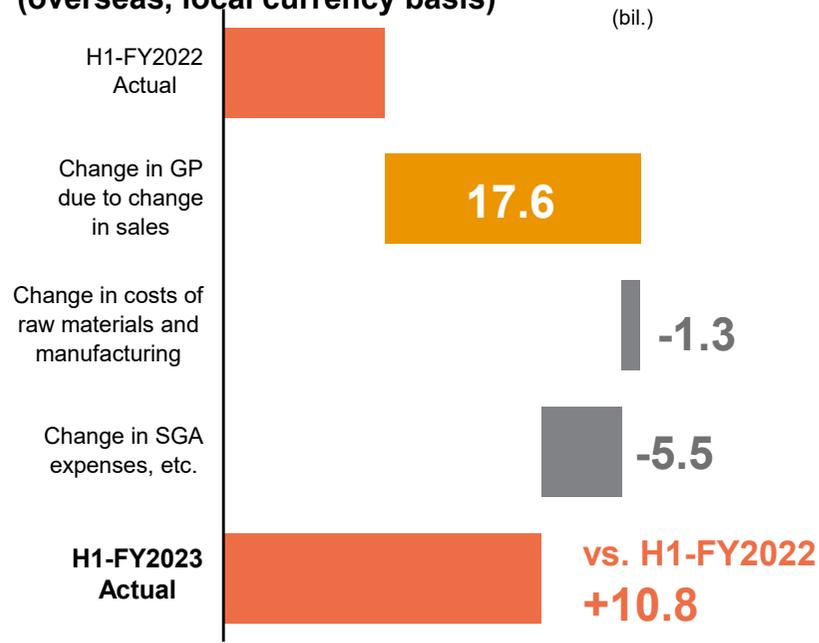
Breakdown of the FY2023 H1 sales and factors behind changes in business profit, in Japan and overseas (vs. the previous year)



Factors behind changes in business profit (Japan)



Factors behind changes in business profit (overseas, local currency basis)



## I-4. Forecast for FY2023

After the full-year forecast for FY2023 was reviewed the Group-wide sales and profit were not changed (but were revised by segment).

Seasonings and Foods and Frozen Foods will make-up for Healthcare and Others. We will make the first step toward achieving the ASV indicators.

Also, **upwardly revised operating profit and below**, mainly reflecting expectations for other operating income (please see the appendix).

### Sales

**¥1,465.0 billion**

107.8% of FY2022

Excluding currency translation: 104.1%

### Business profit

**¥150.0 billion**

110.8% of FY2022

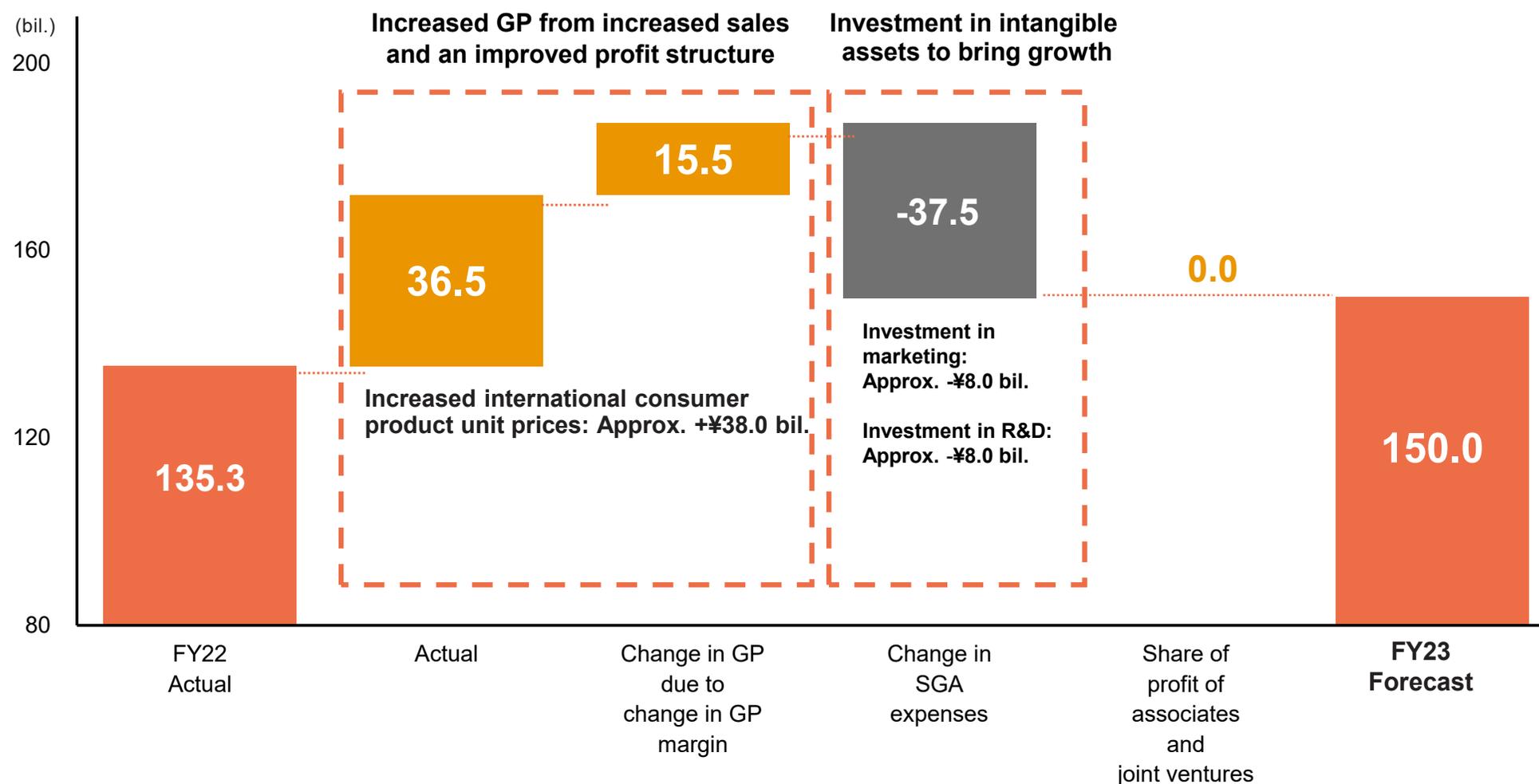
Excluding currency translation: 106.4%

(¥ Billion)	FY23 Revised forecast	FY22 Actual	vs. Prev. year	FY23 Initial forecast	vs. Initial forecast
<b>Sales</b>	<b>1,465.0</b>	<b>1,359.1</b>	<b>107%</b>	<b>1,465.0</b>	<b>0.0</b>
Seasonings and Foods	852.8	775.0	110%	823.8	29.0
Frozen Foods	291.4	267.2	109%	292.3	-0.9
Healthcare and Others	302.2	299.6	100%	330.1	-27.9
Other	18.5	17.1	107%	18.6	-0.0
<b>Business Profit</b>	<b>150.0</b>	<b>135.3</b>	<b>110%</b>	<b>150.0</b>	<b>0.0</b>
Seasonings and Foods	105.7	84.8	124%	92.9	12.7
Frozen Foods	10.0	2.0	500%	3.7	6.2
Healthcare and Others	35.0	48.6	72%	54.1	-19.0
Other	-0.8	-0.1	-	-0.8	-0.0

Starting in FY2023, the method for allocating shared expenses, such as R&D expenses, was changed to better evaluate the business performance of each reportable segment. The above figures, including results for FY2022, reflect this change.

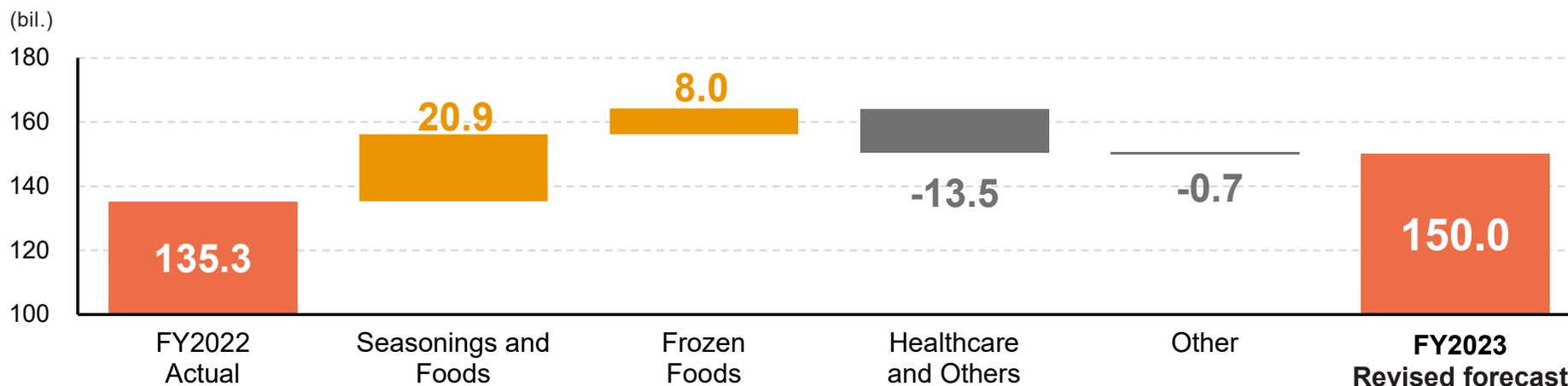
## I-5. Changes in Business Profit (FY2023 Revised Forecast by P&L Factor)

Gross profit growth due to higher unit prices for Seasonings and Foods, and Frozen Foods will offset the decline in GP due to lower sales in Healthcare and Others, and although we will make investments in intangible assets as planned, we expect ¥150 billion in business profit.

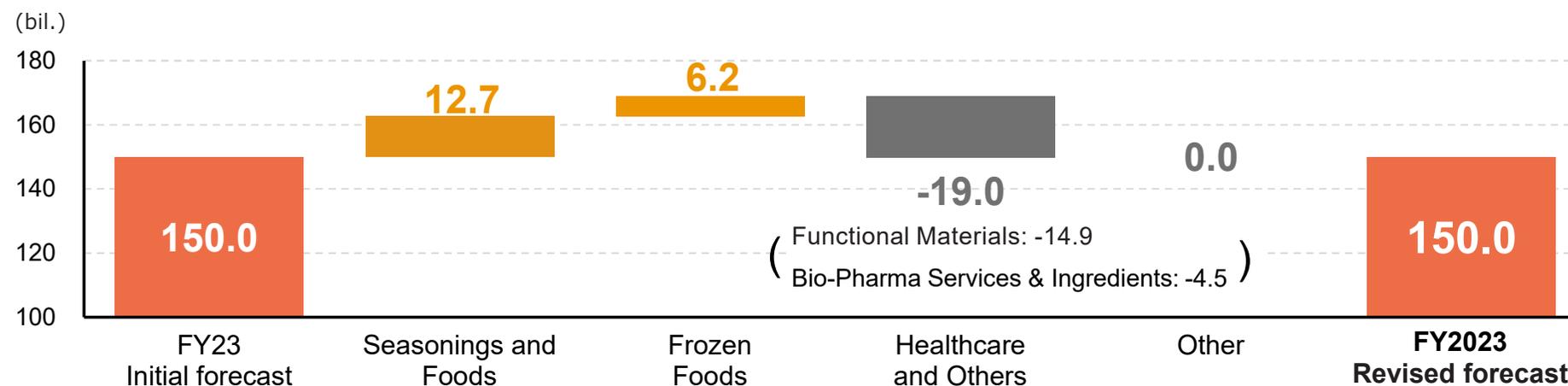


# I-5. Changes in Business Profit (Revised Forecast by Disclosed Segment)

## FY2023 Revised Forecast vs. FY2022 Actual



## FY2023 Revised Forecast vs. FY2023 Initial Forecast



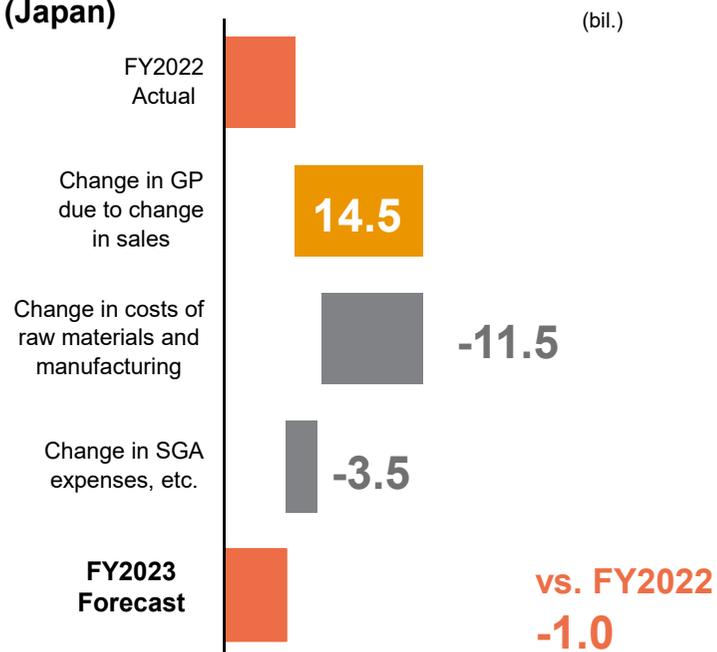
# I-6. Sauce and Seasonings, and Quick Nourishment: Breakdown of Sales, and Factors behind Changes in Business Profit



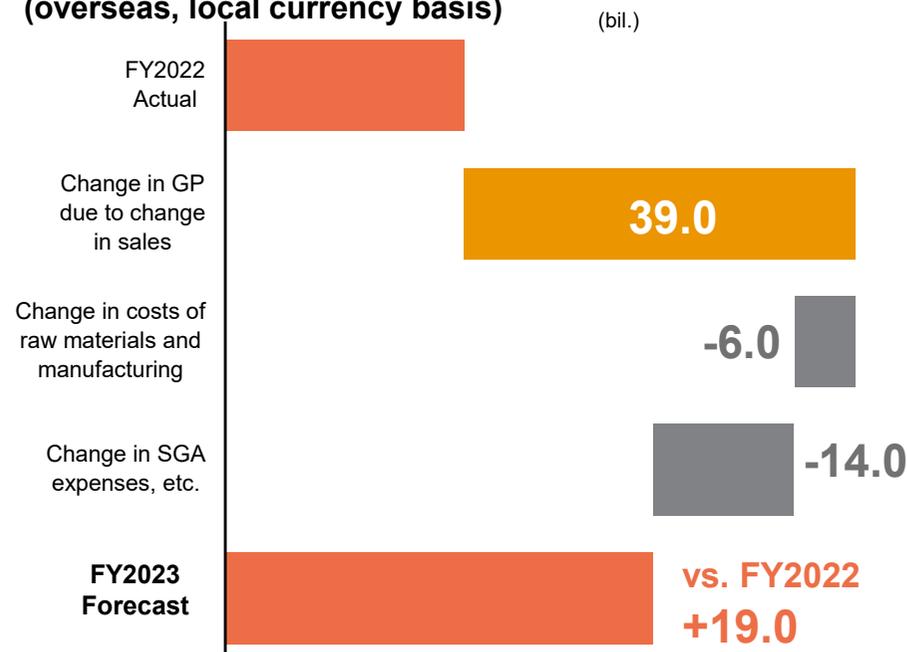
Breakdown of the FY2023 sales revised forecast and factors behind changes in the business profit forecast, in Japan and overseas (vs. the previous year)



Factors behind changes in business profit (Japan)



Factors behind changes in business profit (overseas, local currency basis)



Japan: Expect volume recovery in Sauce and Seasonings, although price hikes will run their course. Planning for profit growth in the second half with soup price hikes expected to contribute.

Overseas: Unit price growth is expected to be slightly slower than in the first half, but planning for faster volume growth in the second half.

# I-7. Frozen Foods: Improvement in the North American Business

By FY2025, we will solidify the foundation by strengthening on-site capabilities and structural reform and aim for dramatic growth heading into FY2030.

## 1 Achieve Operational Excellence (OE)

### ➔ On-site strengthening by creating early success and ongoing initiatives

- Reduce total delivered cost (TDC) and improve TDC margin
- Enhance value chain management
- Simplify operation (reduce SKU, etc.)

## 2 Evolve business management

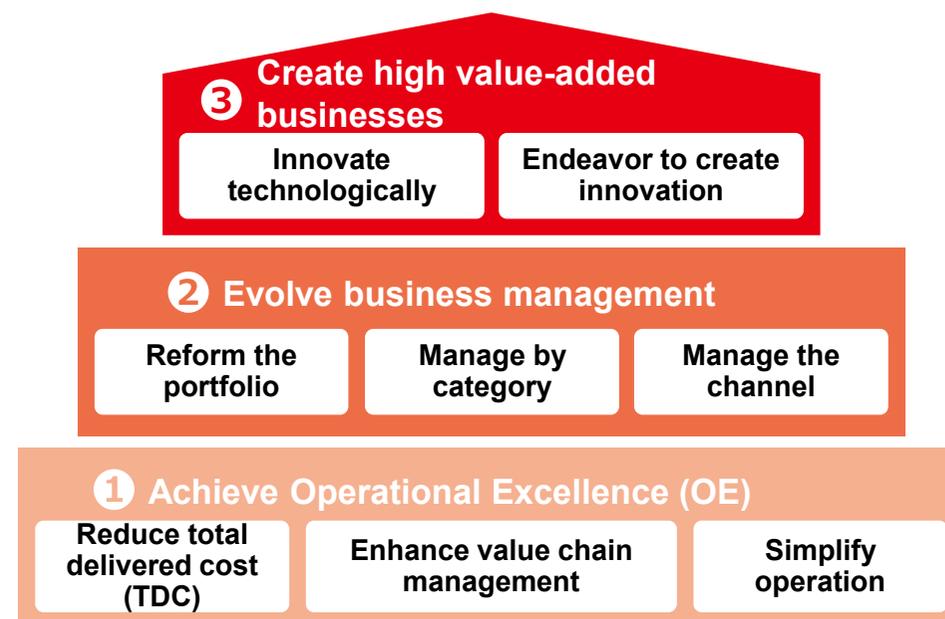
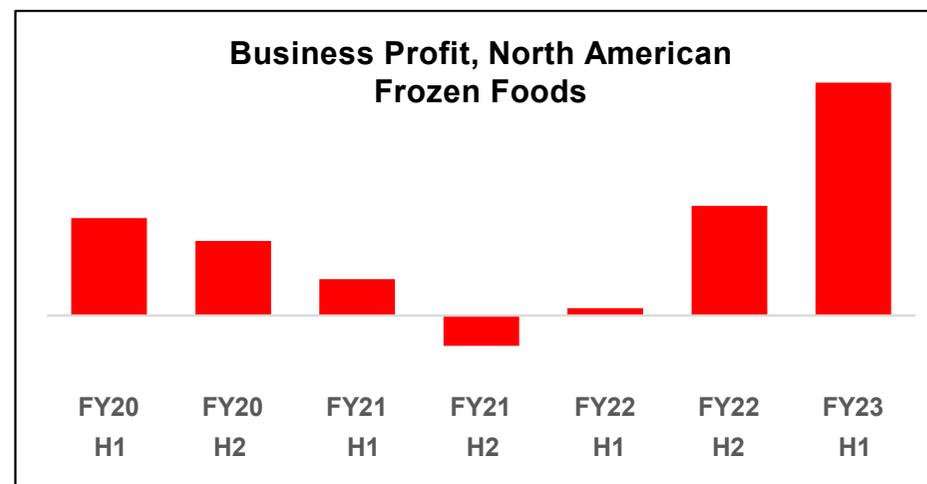
### ➔ Creation of results through structural reform

- Reform the portfolio
- Manage by category (shift from managing by brand)
- Manage by channel

## 3 Create high value-added businesses

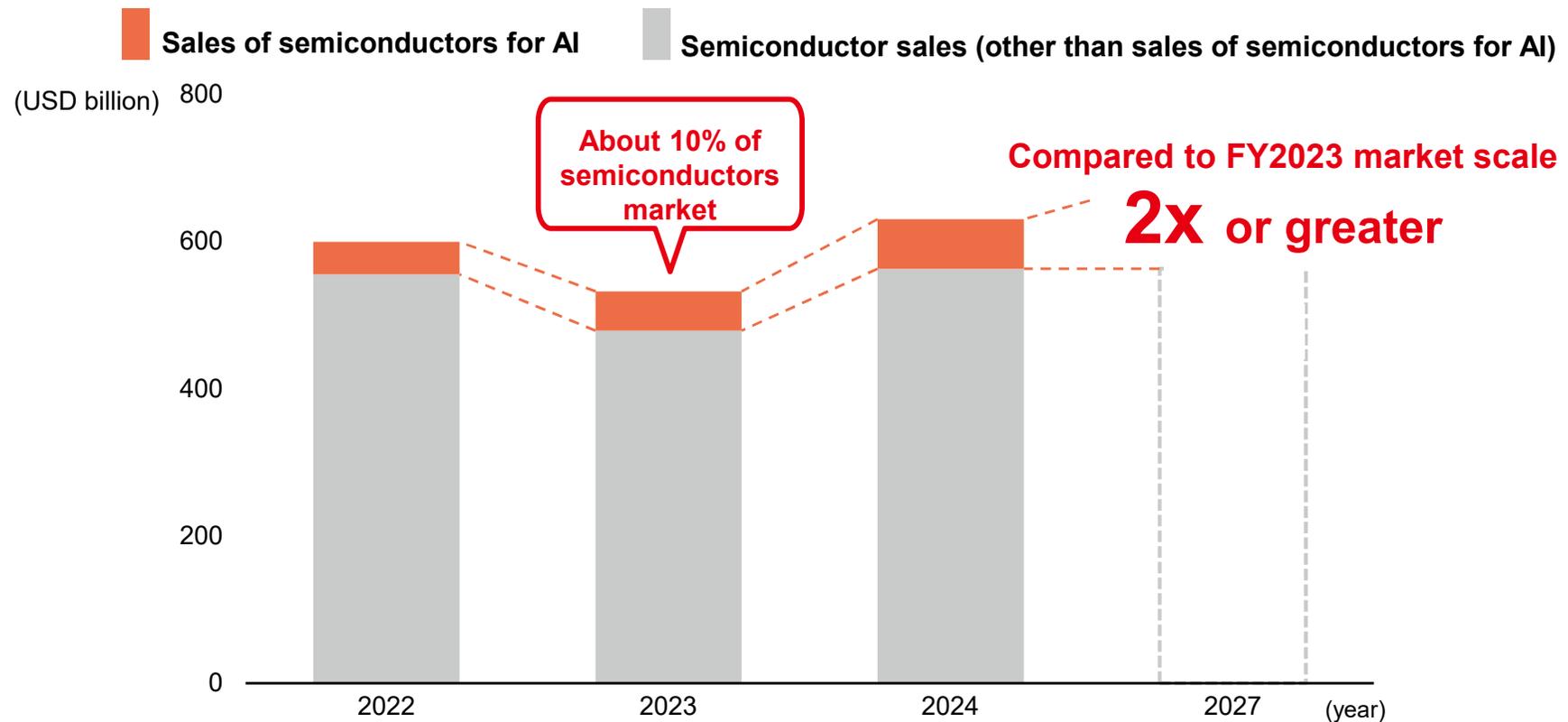
### ➔ Collaboration with Japan to achieve dramatic growth

- Innovate technologically
- Endeavor to create innovation



## I-8. Functional Materials (Electronic Materials and Others)

Semiconductors for natural language AI are seeing strong demand. They do not yet command a major percentage of the semiconductor market but are expected to ramp up in the future.



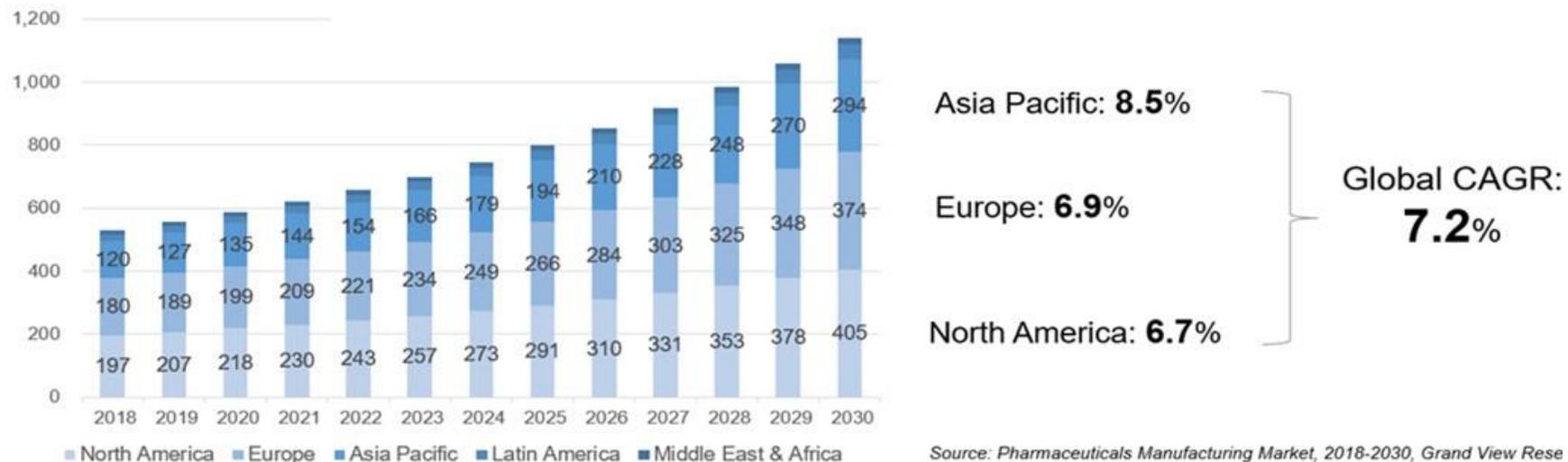
Semiconductor substrates for AI semiconductors use a greater amount of ABF\* than do semiconductor substrates for standard PCs in terms of area and number of layers. Future expansion of natural language AI will also contribute to ABF growth.

\* Ajinomoto Buildup Film® interlayer insulating material

## I-9. Bio-Pharma Services & Ingredients: Amino Acids for Pharmaceuticals and Foods

Greater-than-expected inventory adjustment by customers had an impact in the first half of FY2023, but we expect recovery from the second half as the adjustment runs its course.

### ■ Market growth forecast (USD billion) for biopharmaceuticals (including biosimilars)

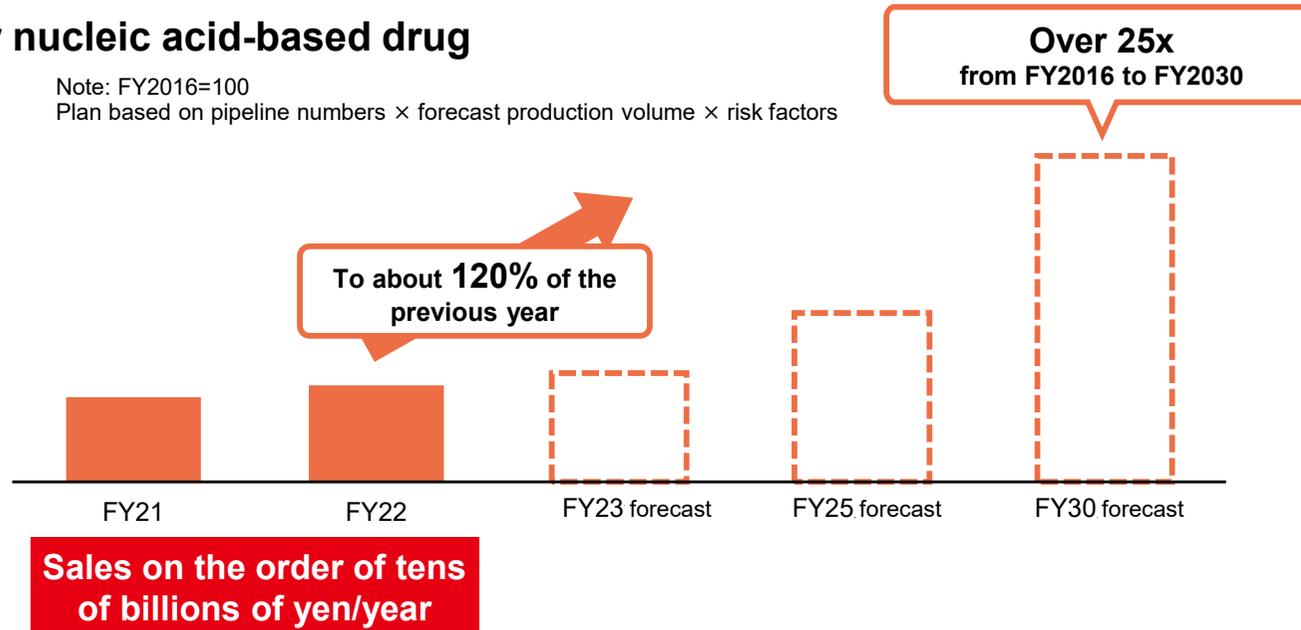


Shipments of amino acids for biopharmaceuticals, the driver of the amino acid business, have stagnated. However, we expect the market to grow steadily with a return to growth after the inventory adjustment runs its course.

# I-10. Bio-Pharma Services & Ingredients: Bio-Pharma Services (CDMO services)

## Sales estimate for nucleic acid-based drug CDMO services

Note: FY2016=100  
Plan based on pipeline numbers × forecast production volume × risk factors



## Nucleic acid-based drug CDMO, centered on *AJIPHASE*® as its growth driver, is steadily expanding

- We have many inquiries and continue to expand the pipeline
- In addition to single-strand (antisense), we are expanding the target to double-strand (siRNA)
- By changing the use of existing equipment (small investment), expansion of production is possible (implementation in FY2023 in Belgium)

Since current *AJIPHASE*® production sites are mainly in Japan, this will contribute to (1) improvement of support for customers around the world, and (2) strengthening of our business continuity plan

# I-11. 2030 ASV Indicators

Aim to steadily reach our FY2023 forecast to reach our 2030 ASV indicators.

		FY22	H1-FY23	FY23 revised forecast (initial forecast)	FY25 (plan)	FY30 (plan)	Ref.: Aim for approx. <b>3X EPS</b> (vs. FY2022)	
ASV Indicators	<b>Economic value indicators</b>							
	ROE	12.9%		12.5% (12.4%)	18%	Approx. 20%	ASV will grow dramatically and continually, and we will continue to be an attractive group for stakeholders and society	
	ROIC (>Capital Cost)	9.9%		10.0% (9.5%)	13%	Approx. 17%		
	Organic sales growth	9.5%	0.8%	4.1% (8.8%)	5% (FY22-25)	5% or more (FY25-30)		
EBITDA margin	15.2%	16.6%	15.4% (15.4%, no change)	17%	19%			
				<b>Challenging targets from management</b>				
	<b>Social value indicators</b>							
	Initiatives to Reduce Environmental Impact	-		-	-	Reduce our environmental impact by 50% (outcome)		
	Nutrition commitment	880 mil. people		-	-	Help extend the healthy life expectancy of 1 bl people (outcome)		
		We plan to consider KPIs for other contributions than nutrition as well.						
	<b>Strengthening intangible assets</b>							
	Employee engagement score*	62% (75%**)	76% (Preliminary results)		80%	85% or more		
	Brand Value (mUSD)	1,391		-	Compared with FY19, CAGR 7% or more			
		(Interbrand research) (result, +15% vs. prev. year)						

\* From FY2023, the measurement method was changed from a single question about ASV as one's own initiative to an average value from nine questions about the ASV achievement process to better grasp the actual situation

\*\* FY2022 score for ASV realization process

# I-11. Reference: Growth Paths by Segment (please see the Appendix for the initial forecasts)

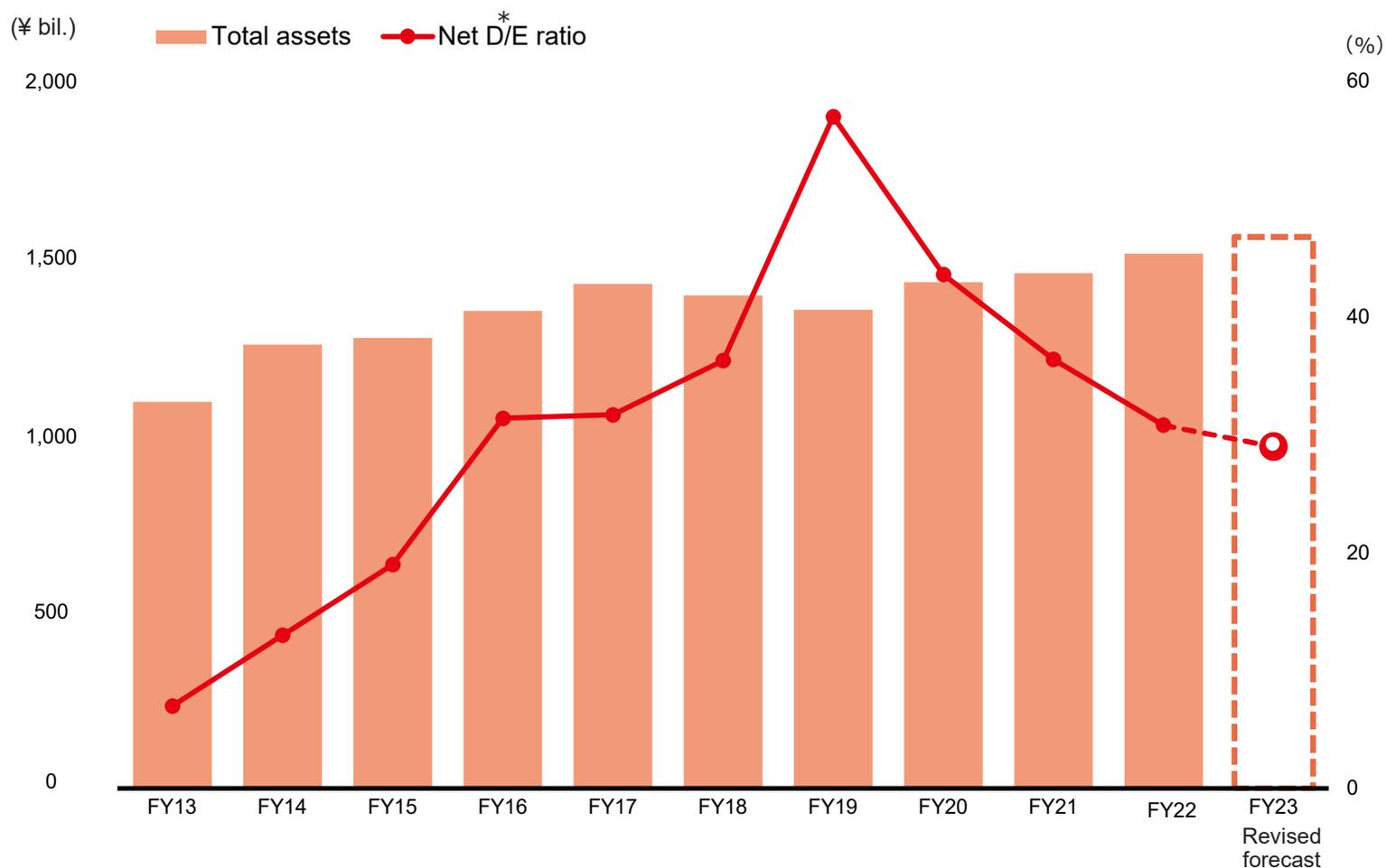
Segment	Organic growth				Business profit				ROIC			EBITDA margin				
		Vs. prev. year	CAGR				Vs. prev. year	CAGR								
Seasonings and Foods	Sauce & Seasonings Quick Nourishment Solution & Ingredients	FY22 actual (sales)	H1-FY23	FY23 (revised forecast)	FY25 (FY22-25)	FY22 actual (BP)	H1-FY23	FY23 (revised forecast)	FY25 (FY22-25)	FY22 actual	FY23 (revised forecast)	FY25 (FY22-25)	FY22 actual	H1-FY23	FY23 (revised forecast)	FY25 (FY22-25)
		¥775.0 billion 5.3% 6.8% 5% ¥84.8 billion 29.8% 24.7% 12% 15.9% Approx. 19% *11.8% Approx. *17% <b>WACC 7%</b> 14.9% 18.2% Approx. 16% 16%														
Frozen Foods	Frozen Foods	¥267.2 billion	2.3%	4.8%	3%	¥2.0 billion	¥6.6 billion	¥10.0 billion	¥10.0 billion or more	-3.3%	Approx. 4%	5%	5.5%	9.6%	Approx. 8%	8%
										*0.6%						
Healthcare and Others	Bio-Pharma Services & Ingredients Functional Materials (electronic materials and others) Others	¥299.6 billion	-11.9%	-3.4%	8%	¥48.6 billion	-62%	-27%	13%	12.2%	Approx. 8%	18%	21.8%	14.5%	Approx. 18%	27%
Total		¥1,359.1 billion	0.8%	4.1%	5%	¥135.3 billion	3.0%	10.8%	15% or more	9.9%	10.0%	13%	15.2%	16.6%	15.4%	17%

\*ROIC excluding the profit from sales of fixed assets and impairment losses

Starting in FY2023, the method for allocating shared expenses such as R&D expenses, was changed to better evaluate the business performance of each reportable segment. The above figures, including results for FY2022, reflect this change.

# I-12. Assets and Liabilities

Within total assets, we expect an increase in inventories, etc. from the fiscal year initial forecast due to currency translation.



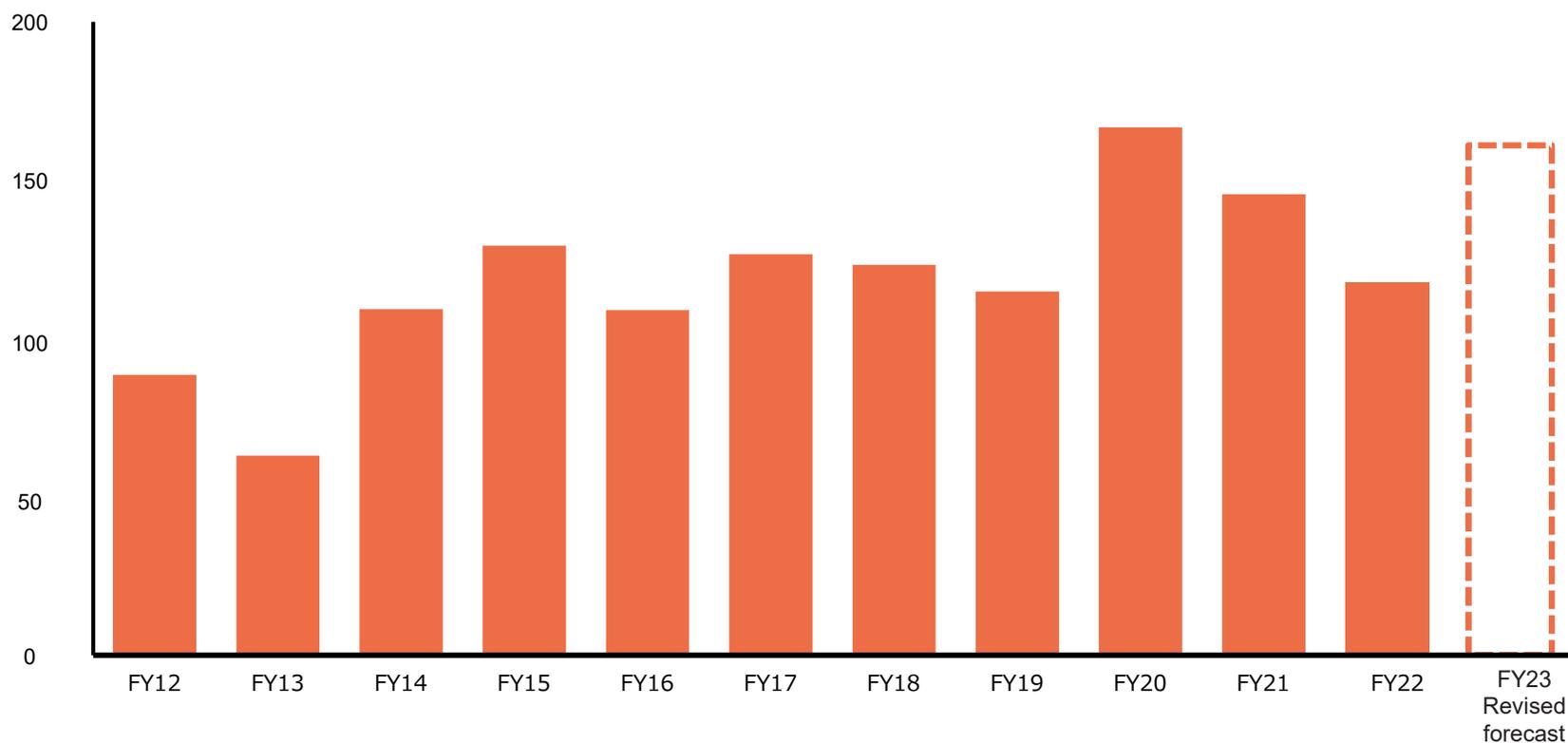
\*Net D: Interest-bearing debt - Cash on hand and in banks x 75%

# I-13. Cash Generation

In the first half of FY2023 accounts receivable, inventories, and other working capital in particular were affected by currency translation. The revised forecast for FY2023 foresees the restoration of cash generation capability to the FY2020 level, despite the impact of currency translation.

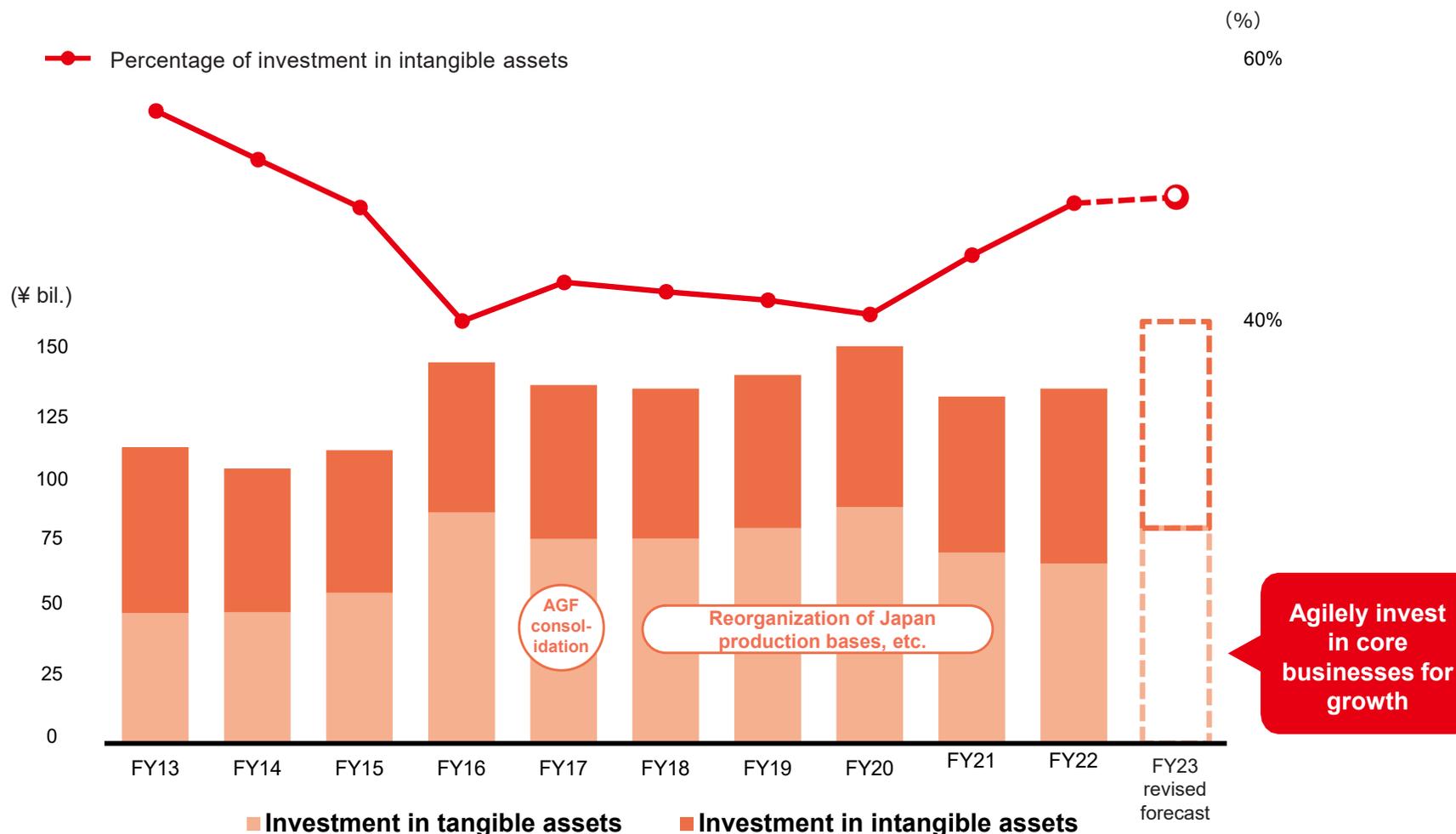
## Operating Cash Flow

(¥ bil.)



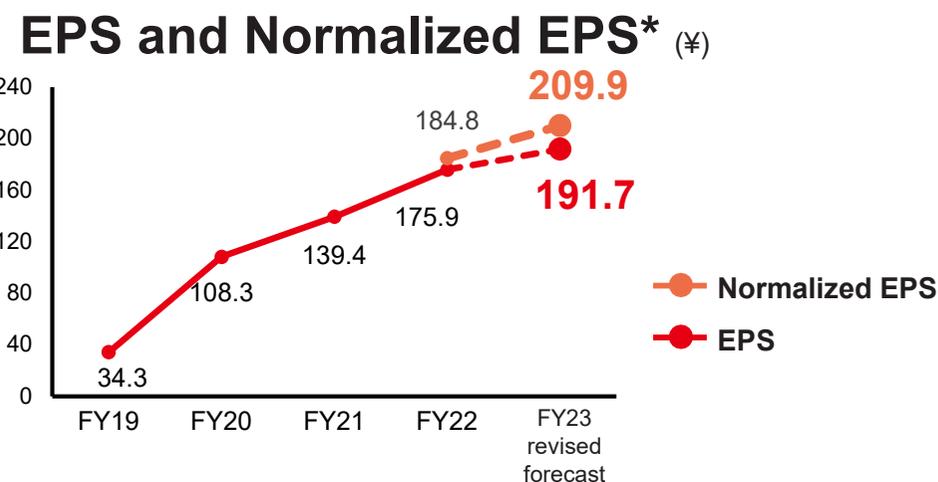
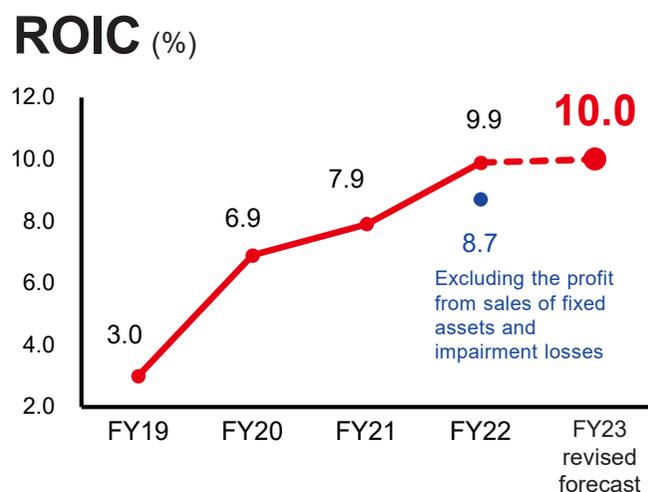
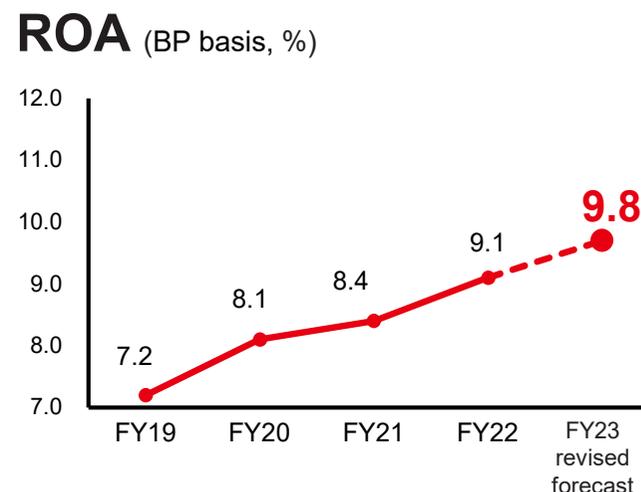
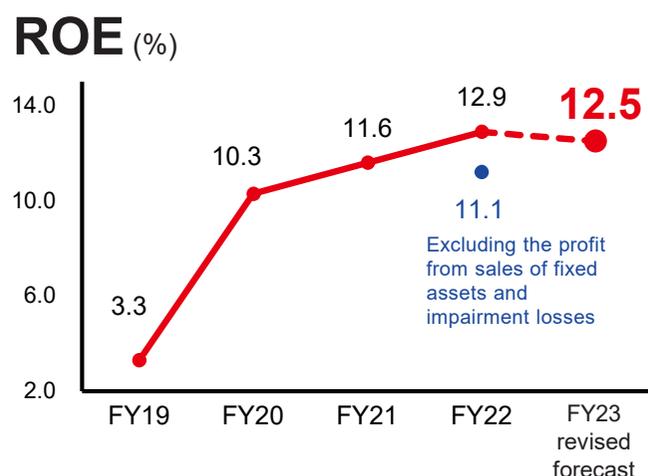
# I-14. Strategic Investments

In FY2023, we will make the capital investments necessary to shift from structural reform to growth. Also, by aggressively investing in intangible assets, we expect approximately 50% of investments to be in intangible assets.



# I-15. Important Management Indicators

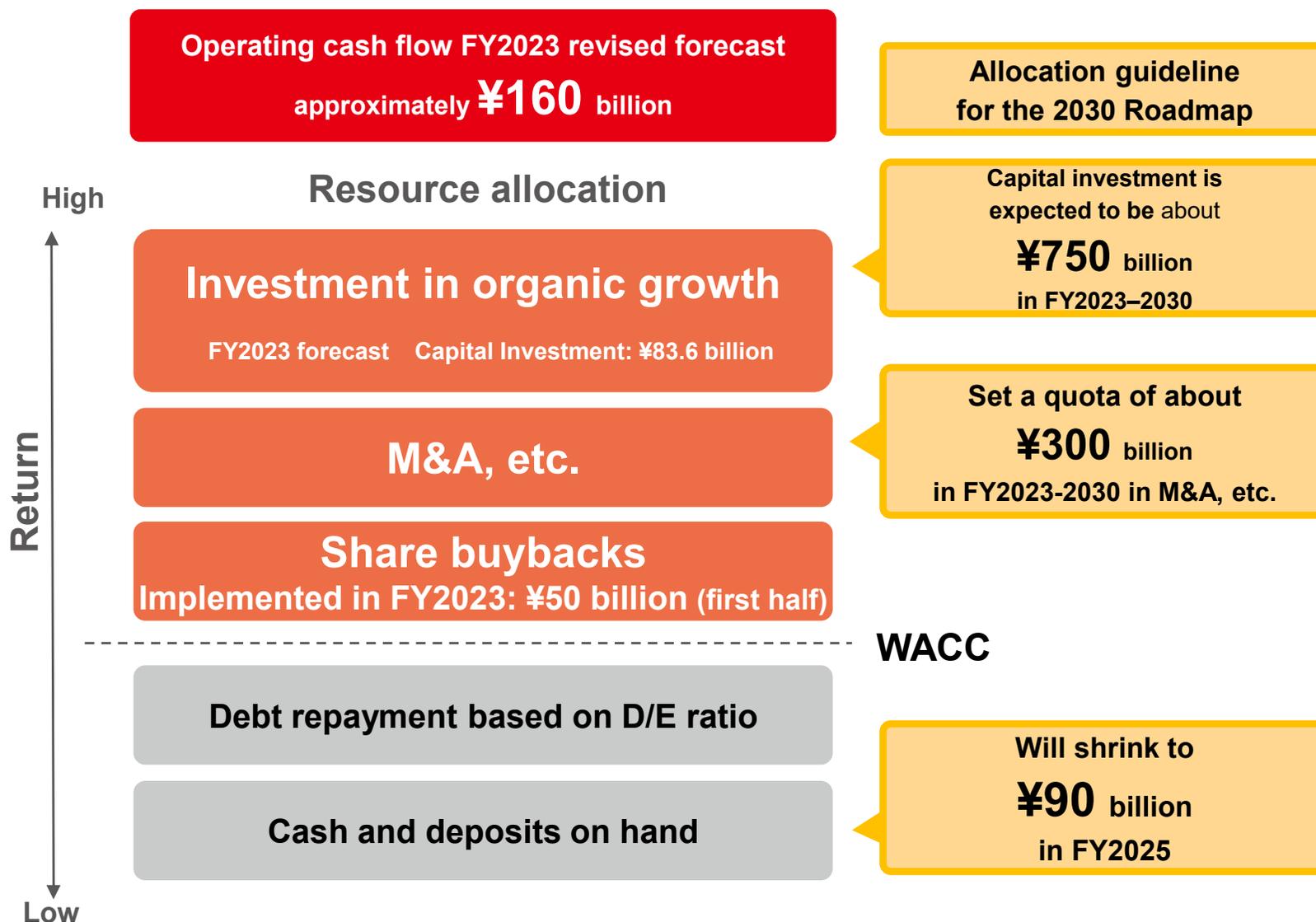
Important management indicators in the FY2023 forecast were revised upward in line with the revisions to operating profit and other items.



\* (Business profit x (1 - FY2023 Ajinomoto Group standard tax rate: 27%)) / Outstanding shares x Return coefficient: 35%

# I-16. Shareholder Returns and Investment for Growth (Our Thinking under the Medium-Term ASV Initiative)

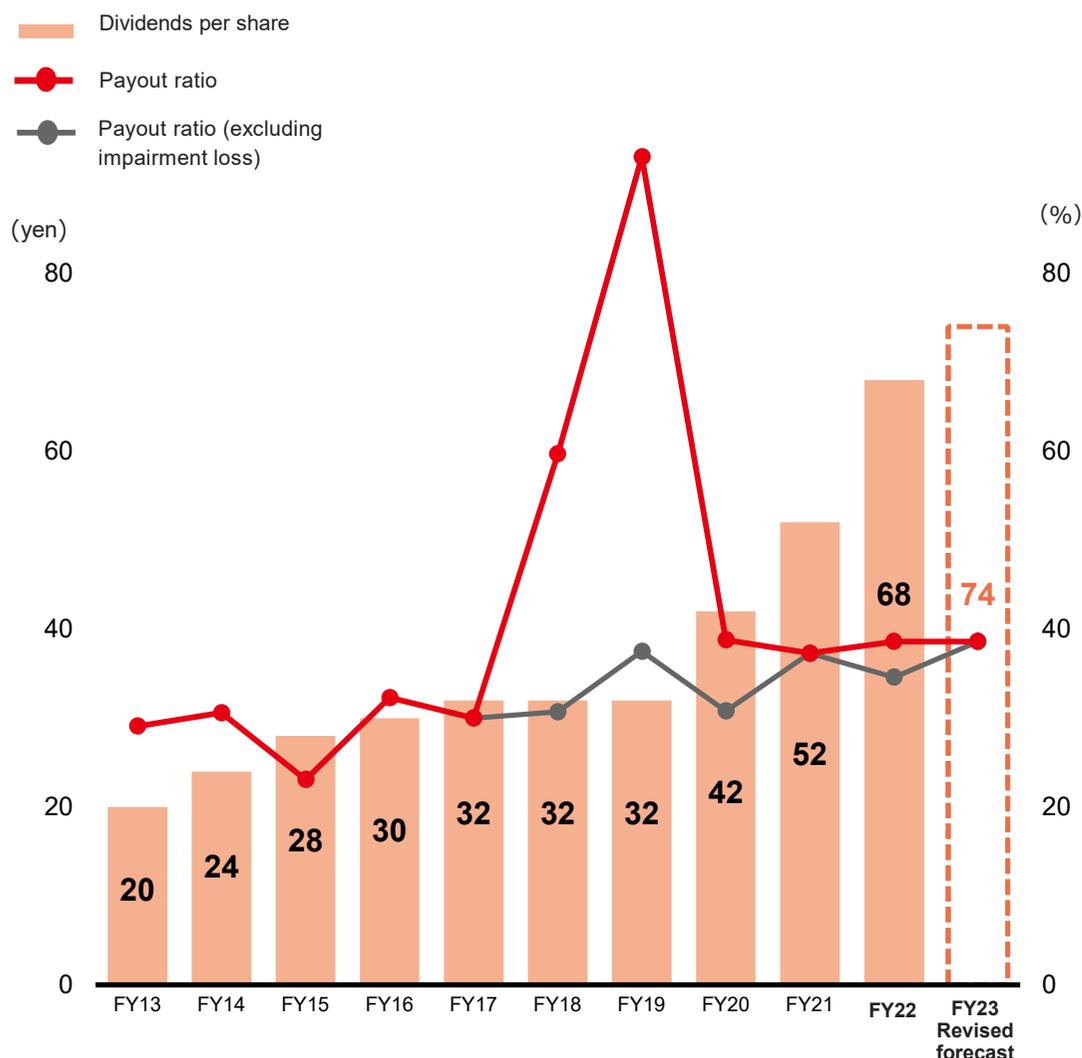
While generating record-high operating cash flow and making necessary investments for the future, we will aggressively buy back shares as a second tier of investments above WACC.



# I-16. Shareholder Returns and Investment for Growth

A dividend increase based on a progressive dividend policy is scheduled for FY2023. We buy back shares and work to further enhance shareholder return.

## Dividends (FY2013-2023 forecast)



## Shareholder Returns (our thinking under the medium-term ASV initiative)

Introduction of a progressive dividend policy. Dividends based on normalized EPS.\* Three-year total return: target of 50% or more.

**FY2023**

**¥74/year** (plan to increase dividend)  
Vs. FY2022: **+¥6**

**Bought back approx. 9.6 million shares, ¥50 billion (first half)**

Percentage of outstanding shares (excluding treasury shares) **1.82%**

\* (Business profit x (1 - FY2023 Ajinomoto Group standard tax rate: 27%)) / Outstanding shares x Return coefficient: 35%

A background image showing three hikers on a rocky mountain peak at sunset. The hikers are silhouetted against the bright, hazy sky. One hiker in the foreground has their arms raised in a celebratory gesture. The terrain is rugged and rocky, with a valley visible in the distance under a cloudy sky.

I. Summary Results for the First Half Ended September 30, 2023 and FY2023 Forecast

**II. Initiatives for Enhancing Corporate Value**

## II-1. Evolution of Management

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**Contributing to the well-being of all human beings, our society, and our planet with “AminoScience”**

**Management reform aimed at realizing our evolved Purpose**

- **Start Roadmap follow-up. Work toward evolving the Roadmap.**
- **Have management visit sites frequently, including overseas. Have dialogue.**
- **Accelerate improvement by advancing visualization, making results visible through numbers.**
- **The status quo is the same as retreating. Always sow seeds for the future.**
- **Enhance investment in intangible assets, which are the wellspring for the creation of innovation.**

## II-1. Evolution of Management

- Started Roadmap follow-up. Working toward evolving the Roadmap.



# II-1. Evolution of Management

Text in red indicates today's presentation materials

## What we have done and what we are steadily moving forward

- 1 Initiatives aimed at further evolving the Purpose-Driven Management by Medium-Term ASV Initiatives 2030 Roadmap
- 2 **Capabilities to address businesses with declining performance (Vietnam, North American Frozen Foods, etc.)**
- 3 **Recovery in Sauce and Seasonings overseas through quick price increases using rolling forecasts**
- 4 Evolution of material issues with a view toward 2050 through dialogue within the Sustainability Advisory Council

## What needs to be improved and evolved through further strengthening of initiatives

- 1 Linkage with client SCM in Functional Materials and amino acids for pharmaceuticals and foods
- 2 Return to growth in Seasonings and Foods B-to-C business in Japan
- 3 **Improvement of the cash conversion cycle (CCC), particularly the days inventory outstanding**
- 4 **An environment for growth and career development for young employees**

- Consider and understand the value chain overall; engage in appropriate top-down and bottom-up communication
- Advance visualization and capture signs of changes
- Continue sowing seeds so that even steady businesses do not stop growing
- Constructively tackle improvement, with issues as elements of future growth

## II-2. Initiatives for Recovery of Performance at Ajinomoto Vietnam Co., Ltd.

### A path toward recovery of performance

**AVN-R Project launch**

Launch of revival plan (R=Revival) together with regional headquarters and affiliate, with the Head Office participating; manage progress of execution

**Restructure the management team**  
Reform of organizational culture by new top management<sup>1</sup>

- The company will act as one and transform organizational culture to solve issues
- Enhance decision-making speed (3 First management<sup>2</sup>)
- Thorough KPI management (Unit selling price, cost, share, distribution inventory, etc.)

<sup>1</sup> Appointment of a new president and local employees as directors  
<sup>2</sup> Safety First, Bad News First, Executive First

**Sweeping rebuilding of main business**

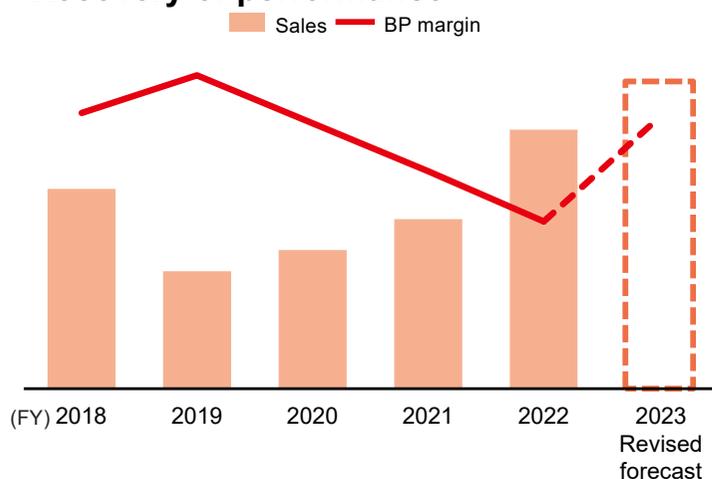
Increase unit selling prices with appropriate price increases

Increase brand value by increasing advertising investment

For example	<i>AJI-NO-MOTO®</i>	<i>Aji-ngon®</i> (flavor seasoning)
FY2021 → FY2023		
Share in first half	+2.2%	+2.4%

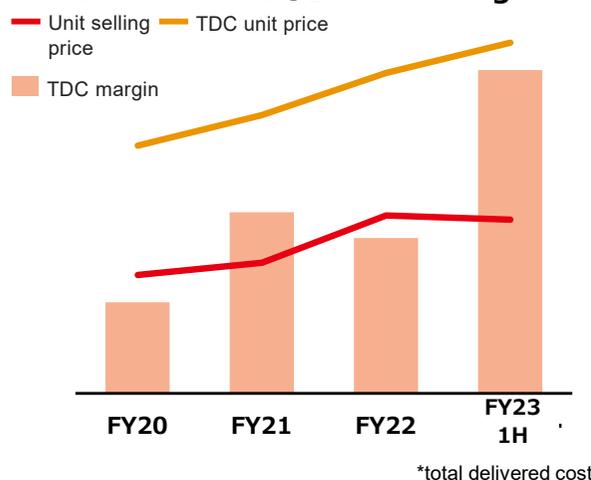
Use an area marketing strategy  
(Full use of all 66 sales offices across the country)

### Recovery of performance



FY2022 record sales (new record expected in FY2023).  
BP margin is expected to recover to the FY2018 level in FY2023.

### 「AJI-NO-MOTO®」 TDC\* margin



\*total delivered cost



**Aji-ngon® sales campaign**  
Members of the united sales team

## II-2. Frozen Foods: Improvement in the North American Business

By FY2025, we will solidify the foundation by strengthening on-site capabilities and structural reform and aim for dramatic growth heading into FY2030.

### 1 Achieve Operational Excellence (OE)

#### ➔ On-site strengthening by creating early success and ongoing initiatives

- Reduce total delivered cost (TDC) and improve TDC margin
- Enhance value chain management
- Simplify operation (reduce SKU, etc.)

### 2 Evolve business management

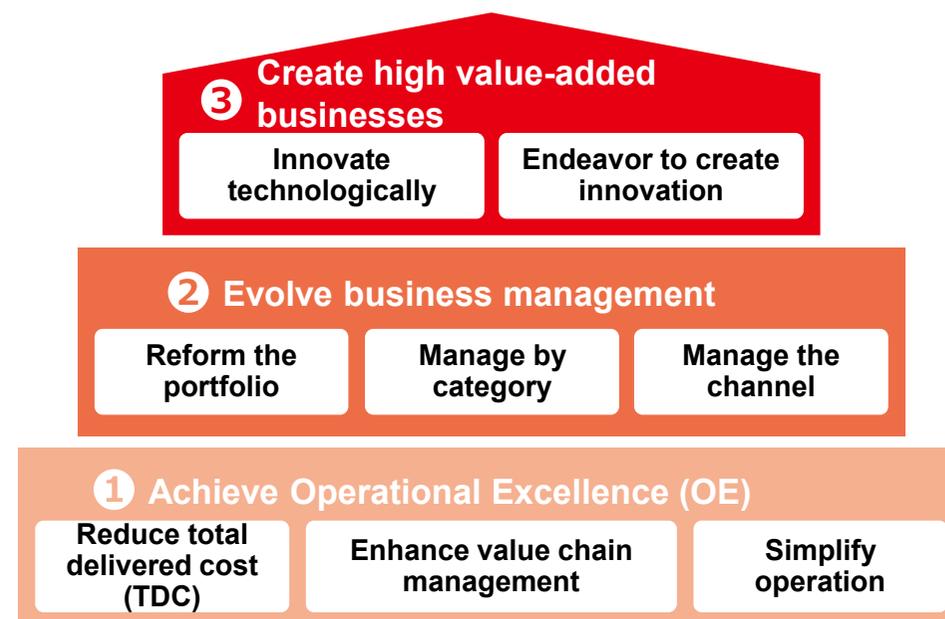
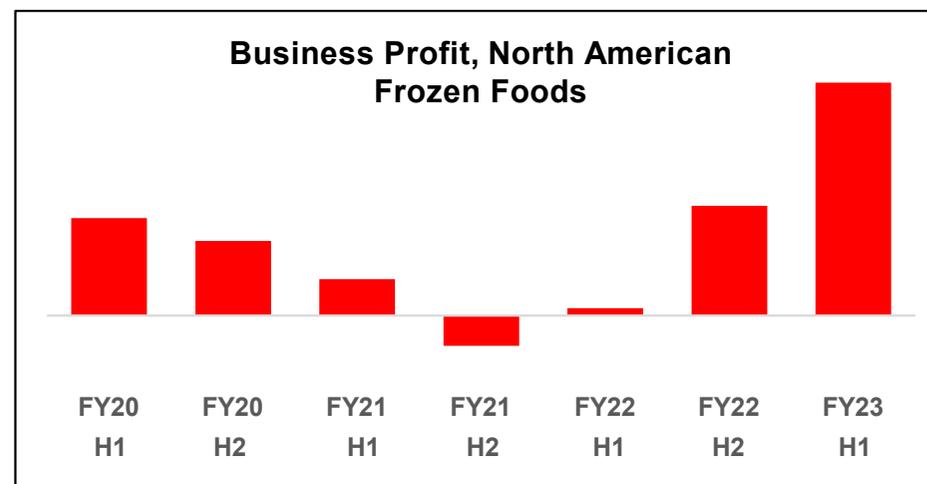
#### ➔ Creation of results through structural reform

- Reform the portfolio
- Manage by category (shift from managing by brand)
- Manage by channel

### 3 Create high value-added businesses

#### ➔ Collaboration with Japan to achieve dramatic growth

- Innovate technologically
- Endeavor to create innovation



## II-3. Initiatives in Overseas Seasonings and Foods (ASEAN)

In July 2021, we launched a quarterly rolling forecast initiative at eight companies in the ASEAN region. We have accumulated instances of evolution such as improvements to monthly operation and introduction of raw material price forecasts, and began global operation in April 2023.



PL summary	MTD			YTD (Std. 50.0%)			Rest			Full year				
	Act	vs LY	vs LMF	Act	vs LY	Progress	Forecast	vs LY	vs Bud	Forecast	vs LY	vs LMF	Budget	Gap (LC)
Net Sales	<b>Monthly basis</b>			<b>Cumulative</b>			<b>Remaining months of the FY</b>			<b>Full-year</b>				
Variable Cost	<b>Expected difference from previous month</b>			<b>Progress toward plan</b>			<b>Difference from previous year</b>			<b>Difference from plan, expected difference from previous month</b>				
MP margin	<b>(Verification of forecast accuracy)</b>			<b>(Assessment of confirmed performance)</b>			<b>(Verification of the forecast level)</b>			<b>(Assessment of FY forecast)</b>				
Fixed Cost														
GP margin														
SGA														
BP margin														

Raw material prices	Material	Unit	Budget	Unit price (LC)				Usage Budget	Impact amount by unit price gap				
				Forecast					Budget	LC		mJPY	
				Q1	Q2	Q3	Q4			vs Bud	vs LMF	vs Bud	vs LMF
	<b>Raw materials (20 main items)</b>			<b>Changes in purchasing unit price</b>					<b>Cost impact</b>				

Also, confirm CCC and other KPIs on a monthly basis

## II-3. Initiatives in Overseas Seasonings and Foods (ASEAN)

Value of the rolling forecast (collaborate within the value chain, enhance management quality)



**Enhance management quality**  
 (Strengthen inter-organizational collaboration  
 Build awareness of company-wide shared targets)



### Main effects

- Speed-up of price increase decisions and cost reduction measures by enhancing the accuracy of whole-year crude oil price forecasts
- Enabling of timely marketing investment decisions through monthly sales forecasts and sales projections
- Optimization of inventory levels by improving demand plans, and contributing to greater performance by enhancing the cash conversion cycle (CCC)

## II-3. Initiatives in Overseas Seasonings and Foods (ASEAN)

Initiatives by the ASEAN Division to achieve the 2030 Roadmap, grounded in enhancement of ability to read the market and management capabilities

### What we have already done

#### Example 1

Reviewed product prices to appropriately and promptly reflect impacts of external factors such as raw materials and fuel prices

#### Example 2

Launched and horizontally rolled-out products that embody the Ajinomoto Group's Purpose

Umami seasonings in paper packaging



Reduced-salt flavor seasonings



#### Example 3

Started review of a human resources system suited to the acquisition of human resources that give rise to innovation for the co-creation of our Purpose

## II-3. Initiatives in Overseas Seasonings and Foods (ASEAN)

Initiatives by the ASEAN Division to achieve the 2030 Roadmap, grounded in enhancement of the ability to read the market and management capabilities

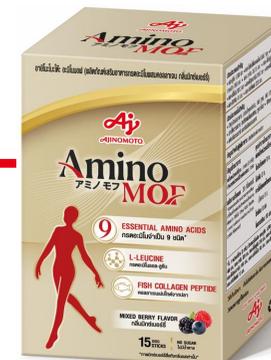
### Matters to be implemented and rolled out horizontally

#### Example 1

**Further solving of health issues by leveraging both foods and “AminoScience”**

Roll-out of amino acid supplements  
(Implement initiatives in Thailand first)

Collaboration with government to improve maternal and child nutrition  
(rolling out in Vietnam)



Thailand amino acid supplement  
**Amino MOF®**

#### Example 2

**Strengthening of marketing capabilities in EC channels through external cooperation**

Drafting of EC strategy

Operation of EC marketplace;  
study of in-house EC  
(Implement initiatives in Thailand first)

Data utilization strategy

#### Example 3

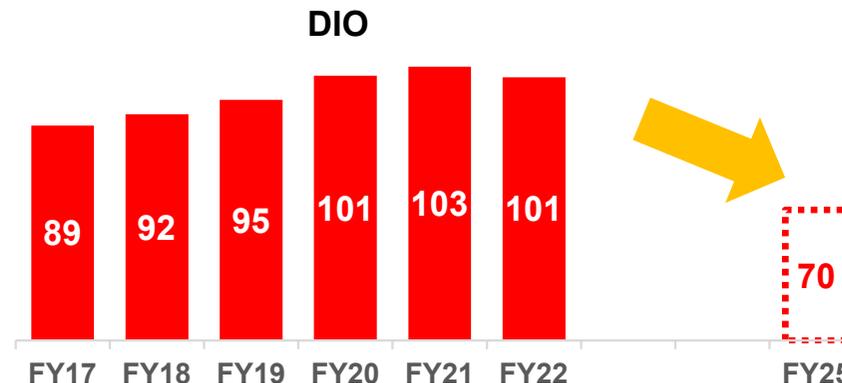
**Building of an organization capable of studying future businesses leading to new value creation** (Implement initiatives in Thailand first)

## II-4. Initiatives for Optimization of Number of Days' Sales in Inventory (DIO)

Supply chains were disrupted by COVID-19 and the Ukraine situation, and product and raw material inventories were widely increased as a policy measure. At the same time, amid turmoil in the supply chain, we advanced development of our SCM foundation.

### Implemented matters

- Developed a Group-wide integrated database
  - Set changes in inventory as shared indicator, with performance in the base year as a benchmark
  - Are visualizing changes in inventory at all affiliates on a monthly basis, and clarifying issues at each affiliate
- ➔ **Are regularly confirming the situation in the Executive Committee** and promoting reduction initiatives



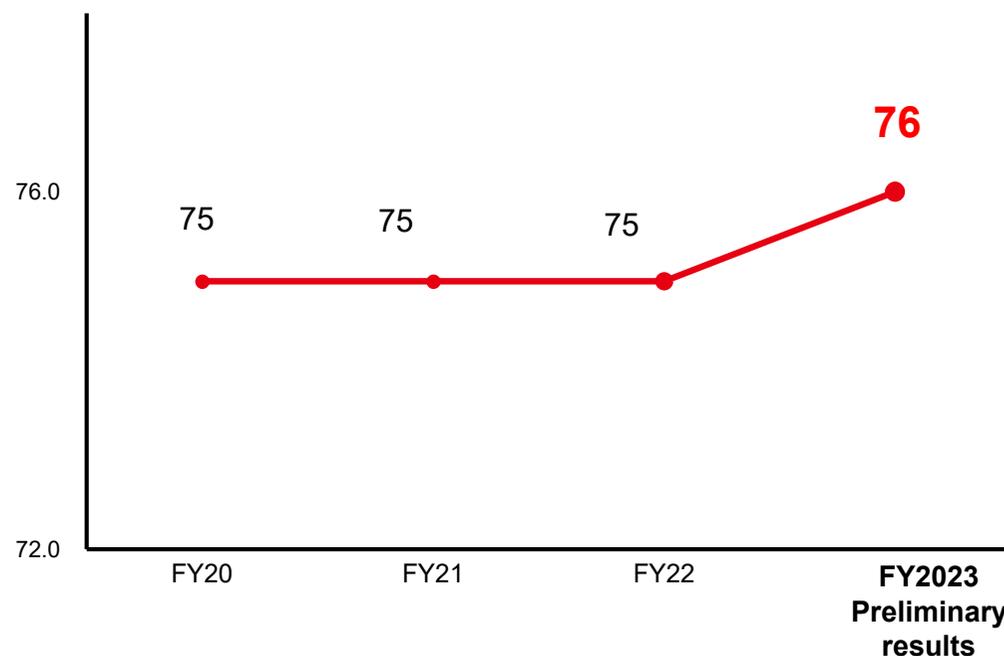
### Future initiatives

- **Concentrate and reduce SKUs (initiatives to lower the break-even point)**
- Establish a smart production supply structure that controls production volume from a business optimization perspective, with the entire supply chain connected by data and factories looking not only at production costs (for FY2030)

## II-5. Human Asset Initiatives (Engagement Survey, Preliminary Results)

Favorable response to the "ASV realization process" introduced in the previous fiscal year is 76 (FY2023 preliminary results). We will analyze the details of the various scores and accelerate initiatives to achieve the medium-term ASV initiatives.

	FY2023 preliminary results	Dif. with prev. year
<b>ASV realization process</b>	<b>76</b>	<b>+1</b>
Empathy for our Purpose	93	0
Customer focus	91	+1
ASV as one's own initiative	76	+5
Encouragement for new opportunities	81	0
Co-creation through inclusion	78	0
Enhancement of productivity	28	+6
Innovation creation	85	-1
Creation of social and economic value	78	-2



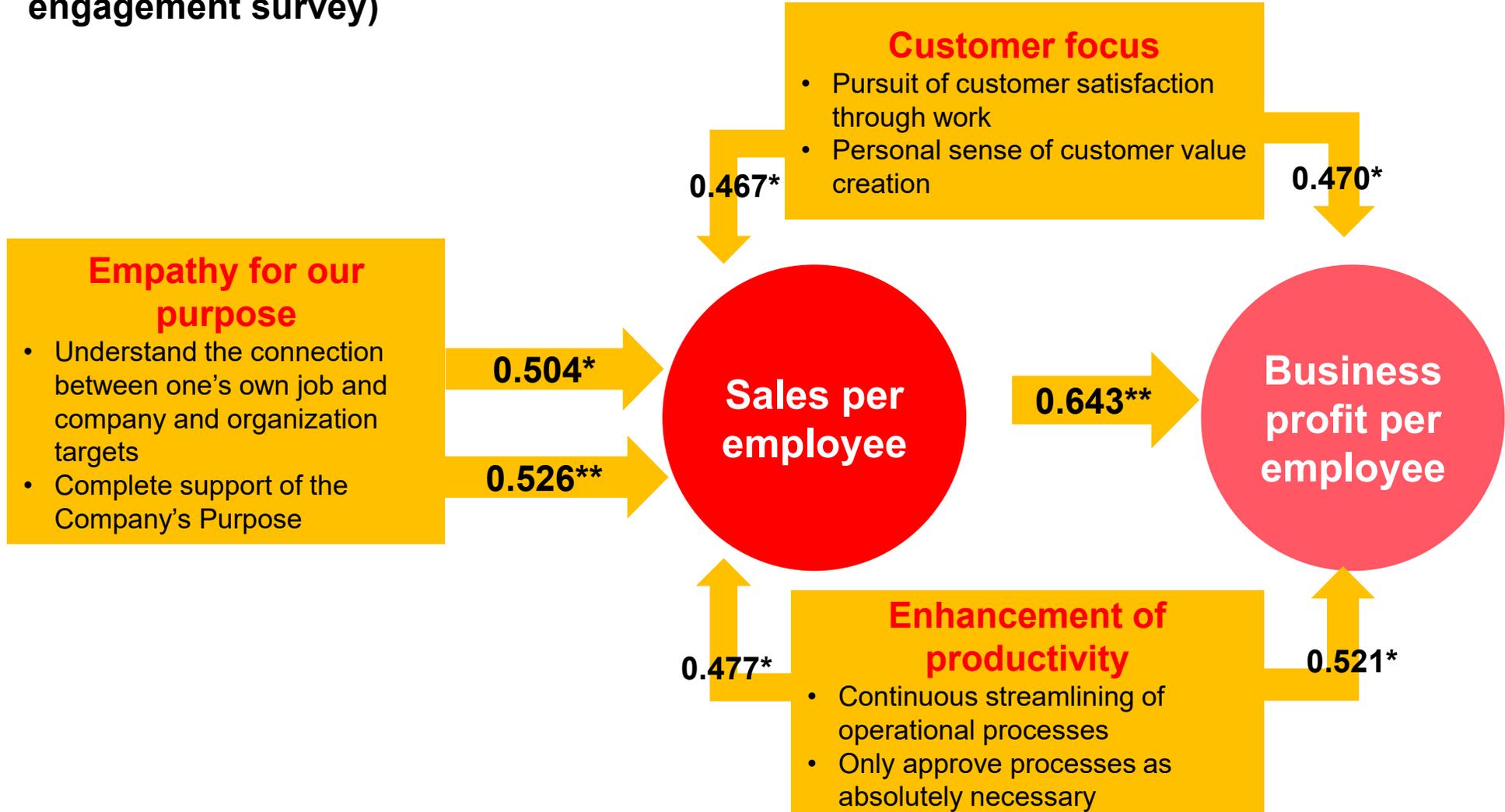
The low score for "Enhancement of productivity" is mainly due to the high number of internal approval procedures. We will aim to improve scores by promoting a change in mindset from a culture of behind-the-scenes consensus.



# II-5. Human Asset Initiatives

(Analysis of the relationship between engagement and business performance)

We will continue to analyze the correlation between the results of the annual engagement survey and business performance. (Figures in the chart below are through the FY2022 engagement survey)



\* Statistically significant correlation at 95%

\*\* Significant at 99%

## II-6. Human Asset Initiatives (Engagement with Employees in Their 20s)

There also remains room for improvement in the environment for growth and career development for employees in their 20s. By further accelerating initiatives, we will steadily improve these to make the company even more attractive.

### Our engagement survey

#### Human resources- and career-related scores

Changes in scores for employees in their 20s (between 2 and less than 5 years of service)

	FY2020		FY2022		FY2023 (preliminary results)
Opportunities for growth are present	73	↗	76	↗	82
Provision of career information	62	↗	72	↗	73
Able to envision a career	47	↗	50	↗	52

There is a trend toward improvement, but further improvement is necessary

### Company evaluation scores by an outside organization

(OpenWork, as of October)

Overall evaluation and 2 excerpted items out of 8\*

	Overall evaluation	Environment for growth for employees in their 20s
Top 50 companies Motivating Companies 2023	4.3	4.3
Our company Overall: Top 1% Number of posts: 243	4.0	2.9
Foods, beverages industry average	3.0	2.8

Overall evaluation is high, but the environment for growth for employees in their 20s requires improvement

#### Envisioned issues

- The environment allows growth in the medium to long term, but opportunities for active work and growth in one's 20s are few.
- Expansion of career information is progressing, but unable to envision a career and have concerns.

⇒ Recognized that it's a good company that enables growth, but don't know how to lessen the gap between the current self and envisioned self.

\*8 items for evaluation: Satisfaction with salary and benefits; employee's motivation; openness; teamwork; chance to grow for young employees (20s); long-term development of employees; compliance; employee evaluation system.

The overall evaluation is calculated from OpenWork's proprietary algorithm based on an evaluation of 8 items.

## II-6. Human Asset Initiatives (Initiatives for Young Employees)

As a foundation for accelerating the growth and success of young employees, we promote human resource recruitment and new business creation programs. In addition, we are conducting training in coaching for superiors to support the growth of young employees. We view active participation by young employees as driving forces for growth of the company, and will pursue the realization of ASV together with all employees.



## Message from the CEO (Reposted)

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- **FY23 first half sales and business profit both set new records; FY23 revised forecasts for sales and business profit are maintained from the initial forecast, while profit attributable to owners of the parent company is revised upward to 100 billion yen.**
- **Profit margin has recovered significantly in Seasonings and Foods overseas, and the results of structural reform have become apparent in Frozen Foods in North America. This is mainly due to our quick actions (price changes) in FY2022 being successful.**
- **We raised unit prices and wanted to bring the quantities of Seasonings and Foods in Japan back to what they had been, but we weren't able to due to consumers' reactions to protect their lifestyles against increased costs.**

**We established Marketing Design Center and the ground to stand ready at bat (to launch new products) is just about done. We will take short-term and medium- to long-term actions solidly in place.**

- **A slower-than-expected recovery in the semiconductor market and inventory adjustments by clients that were greater than expected affected the performance of Healthcare and Others. However, the market is growing, and we are confident of a return to growth.**
- **The company is promoting the 2030 Roadmap working to enhance its corporate value by and continuing to refine it.**
- **Short-term measures are necessary for FY2024. By also promoting initiatives to lower the break-even point (concentration and reduction of SKUs, etc.), the company will steadily achieve FY2023 targets and double-digit growth in business profit in line with the roadmap for FY2024.**

**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.**
- **Amounts presented in these materials are rounded down.**
- **“AminoScience” is a registered trademark of Ajinomoto Co., Inc.**

# Summary of the Second Quarter (July-September)

**Sales: Increased**

**¥348.4 billion**

103.0% of FY2022

Excluding currency translation: 99.4%

Increased overall, led by Seasonings and Foods and Frozen Foods.

**Business profit: Decreased**

**¥33.7 billion**

99.7% of FY2022

Excluding currency translation: 94.9%

Although profit increased mainly in Seasonings and Foods, and Frozen Foods, both overseas, it could not cover for the decrease in profit in Healthcare and Others.

**Profit attributable to owners of the parent company**

**¥19.2 billion**

99.7% of FY2022

## YoY Business Profit Details

(¥ Billion)	vs Q2-FY22	Details of impacts in Q2
Change in GP due to change in sales	3.5	The increase in revenue in overseas Seasonings and Foods and overseas Frozen Foods exceeded the decrease in revenue in Healthcare and Others
Change in GP due to change in GP margin	0.7	The improvement in GP margin in overseas Seasonings and Foods and overseas Frozen Foods offset the decline in GP margin in Healthcare and Others
Change in SGA expenses	-4.2	SGA expenses increased due to advertising and R&D investments in line with strategy
Share of profit of associates and joint ventures	-0.0	-

## Forecast (Consolidated Statements of Income)

(¥ Billion)	FY23 revised forecast (A)	FY23 initial forecast (B)	Difference (A)-(B)	FY22 actual (C)	Difference vs. prev. year (A)-(C)
<b>Sales</b>	1,465.0	1,465.0	0.0	1,359.1	105.8
<b>Business profit</b>	150.0	150.0	0.0	135.3	14.6
<b>Other operating income &amp; expenses</b>	3.0	-6.0	9.0	13.6	-10.5
<b>Operating profit</b>	153.0	144.0	9.0	148.9	4.0
<b>Financial income &amp; expenses</b>	-2.0	-5.0	3.0	-8.9	6.8
<b>Profit before income taxes</b>	151.0	139.0	12.0	140.0	10.9
<b>Income taxes (Tax rate: FY23 revised forecast 25.8%)</b>	-39.0	-37.8	-1.2	-39.8	0.8
<b>Profit (includes discontinued operations)</b>	112.0	101.2	10.8	100.1	11.8
<b>Profit attributable to owners of the parent company</b>	100.0	95.0	5.0	94.0	5.9
<b>Profit attributable to non-controlling interests</b>	12.0	6.2	5.8	6.1	5.8

# FY2023 Assumed Exchange Rates and Exchange Rate Sensitivity

## Assumed exchange rates (vs. JPY)

	FY23 revised forecast	FY23 actual				FY23 initial forecast
		Q4	Q3	Q2	Q1	
USD	143.00			144.63	137.49	135.00
EUR	156.00			157.32	149.58	135.00
THB	4.07			4.11	3.99	3.75
BRL	28.85			29.59	27.81	25.96

## Exchange Rate Sensitivity

### Foreign exchange rates (vs. JPY)

	FY23 revised forecast	Sensitivity of translation effects on full year business profit
USD	143.00	±¥1 → approx. ¥100 million
EUR	156.00	±¥1 → approx. ¥50 million
THB	4.07	±¥0.01 → approx. ¥100 million
BRL	28.85	±¥1 → approx. ¥300 million

# Reference: Growth Paths by Segment (FY23 initial forecast)

Segment	Organic growth			Business profit			ROIC			EBITDA margin			
	Vs. prev. year	CAGR		Vs. prev. year	CAGR		FY22 actual	FY23 initial forecast	FY25 plan	FY22 actual	FY23 initial Forecast	FY25 plan	
Seasonings and Foods	Sauce & Seasonings	FY22 actual (Sales)	FY23 initial forecast	FY25 plan (FY22-25)	FY22 actual (BP)	FY23 initial forecast	FY25 plan (FY22-25)	FY22 actual	FY23 initial forecast	FY25 plan	FY22 actual	FY23 initial Forecast	FY25 plan
	Quick Nourishment	¥775.0 billion	7.4%	5%	¥84.8 billion	9.6%	12%	15.9% *11.8%	Approx. 14%	16%	14.9%	Approx. 15%	16%
	Solution & Ingredients							WACC 7%					
Frozen Foods	Frozen Foods	¥267.2 billion	10.0%	3%	¥2.0 billion	¥3.7 billion	¥10.0 billion or more	-3.3% *0.6%	Approx. 1%	5%	5.5%	Approx. 6%	8%
								WACC 5%					
Healthcare and Others	Bio-Pharma Services & Ingredients												
	Functional Materials (electronic materials and others)	¥299.6 billion	11.4%	8%	¥48.6 billion	11.3%	13%	12.2%	Approx. 13%	18%	21.8%	Approx. 22%	27%
	Others							WACC 7%					
Total		¥1,359.1 billion	8.8%	5%	¥135.3 billion	10.8%	15% or more	9.9%	9.5%	13%	15.2%	15.4%	17%
								WACC 6%					

\*ROIC excluding the profit from sales of fixed assets and impairment losses

Starting in FY2023, the method for allocating shared expenses such as R&D expenses was changed in order to better evaluate the business performance of each reportable segment. The above figures, including results for FY2022, reflect this change.

# Human Resource Initiatives (Receipt of the HR Award 2023)

In recognition of our comprehensive initiatives centered on measures to encourage autonomous changes in behavior by young employees, we received the Award for Excellence in the Corporate HR category at HR Awards 2023 of the Nihon no Jinjibu (sponsored by the HR Award Steering Committee, supported by the Ministry of Health, Labour and Welfare).

## Reasons for receipt of the award

Our "Toward enhanced well-being for all employees who achieve aspirations. Comprehensive initiatives to strengthen human resources" was highly rated by many top managers and human resource professionals as an initiative to reassess ways of valuing people in light of the times and to enhance the well-being of every individual.

### Examples of measures

- First "Career-Fes" to introduce various careers
- Timely appointments to managerial positions that encourage trying new things and growth
- Challenge Target Scoring System under Management by Objectives (MBO)
- Revision of the childcare leave system for men
- Introduction of a Career Anywhere system for fully remote work in Japan and overseas
- Special incentives for members of the employee stock ownership association to improve financial well-being



Naoko Yamamoto, Corporate Executive General Manager, Human Resources Dept., receives a certificate of commendation from selection committee member Mariko Bando (left)

### Outcomes

About 30% of employees participated in Career-Fes. In-house human resource recruitment received applications primarily from young employees, with the number of agreements seven times that of the previous year. Autonomous changes in behavior can be seen especially in young employees, with the percentage of men taking childcare leave increasing sharply to 91% and membership in the employee stock ownership association exceeding 70%.

# Glossary①

Term	Meaning and details	Page
"AminoScience"	A collective term for the materials, features, technologies, and services obtained from research processes and implementation processes dedicated to the functions of amino acids. "AminoScience" is also the Ajinomoto Group's unique scientific approach that connects those obtained qualities to solving social issues and contributing to well-being.	26・41
Nucleic acid-based drugs	Drugs composed of a basic structure of nucleotides, the constituent components of the deoxyribonucleic acid (DNA) and ribonucleic acid (RNA) that are responsible for the genetic information in organisms. Nucleic acid-based drugs are considered a third type of drug after small-molecule drugs and therapeutic antibodies, and may hold cures for diseases that resist treatment with conventional drugs.	16
Category management Brand management	Category management covers actions including the planning of strategies and management of profitability by product category. Brand management covers actions including the planning of strategies and management of profitability by brand. As an example, in North American Frozen Foods, "gyoza" is a category and "TaiPei" and "LingLing" are brands. More than brand management, category management enables strategic planning and profitability management that are optimal overall.	13・30
Channel management	The planning of strategies and management of profitability by form of distribution, such as supermarkets, drug stores, and e-commerce.	13・31
Biosimilars	Drugs with the same efficacy and safety as preceding biopharmaceuticals from other pharmaceutical companies, produced following expiration of the patents of the latter.	15
Value chain	The flow of steps by which value is added in raw material procurement, manufacturing, shipping and transport, marketing, sales to customers (consumers), after-sales service, etc., until products and services reach customers.	13・28・30・32
Material issues	Matters that are important to the Ajinomoto Group.	28
Rolling forecast	A forecasting method by which future performance forecasts are continuously updated based on recent results, the external environment, and business plans. It is used to quickly and accurately draft and execute action plans for achieving short-term targets (performance forecasts) and medium- to long-term targets (ASV indicators).	28・31・32

# Glossary②

Term	Meaning and details	Page
Number of days' sales in inventory (days inventory outstanding, DIO)	A value that expresses the number of days required for turnover of the inventory in question, i.e., the time taken to sell a product after stocking it. It is calculated as ((value of inventory at the beginning of the period + value of inventory at the end of the period) ÷ 2) ÷ cost of sales (annual) × 365 (number of days). Shortening of DIO relates directly to shortening of CCC and increases ability to generate cash.	32・35
Progressive dividend policy	A policy of increasing or maintaining dividends without reduction.	24
Single strand (antisense)	A single strand of DNA or RNA that inhibits or controls the functioning of its target by binding to the target's nucleic acid. Unlike DNA, RNA mostly exists as single strands. (As the main role of RNA is to copy the DNA blueprint temporarily, DNA-like double strands are thought to be unnecessary.) This is also the original target area of our original <i>AJIPHASE</i> ® technology.	16
Double strand (siRNA)	Short (about 20 bases in length), two-stranded RNA. siRNA is an abbreviation for short interfering RNA. siRNA works with proteins to regulate gene expression. It has been added to the target area of our original <i>AJIPHASE</i> ® technology through evolution of the technology.	16
AI and natural language AI	An abbreviation for artificial intelligence, AI technology allows computers to engage in reasoning, recognizing and understanding human speech, and other intellectual behaviors. Natural language AI refers to AI on a computer that processes everyday written and spoken languages such as Japanese or English, as opposed to artificial languages such as programming languages.	14
<i>AJIPHASE</i> ®	Our company's original technology for oligonucleotide and peptide synthesis using liquid-phase synthesis. (Reference site)	16
B-to-C	An abbreviation for business-to-consumer, this refers to business for the home market, aimed at general consumers.	28
CAGR	An abbreviation for compound annual growth rate.	17・18・45

# Glossary③

Term	Meaning and details	Page
CCC	<p>An abbreviation for cash conversion cycle, a financial indicator that expresses the number of days required to recover trade receivables after payment of trade payables.</p> <p>It is calculated as the number of days for turnover of trade receivables + number of days' sales in inventories - number of days for turnover of trade payables.</p> <p>Shortening CCC enhances the ability to generate cash, which can be directed toward future investments and shareholder returns.</p>	28・31・32
CDMO	<p>An abbreviation for contract development and manufacturing organization, a party that develops and manufactures drugs under contract. A CDMO provides comprehensive services for manufacturing and development, such as contract drug manufacturing for pharmaceutical companies and optimization of manufacturing conditions during the development stage.</p> <p>A CDMO's scope of business is broader than that of a drug contract manufacturing organization (CMO) in that it can also take part in the development of investigational new drugs, such as the formulation process.</p>	16
GP	Gross profit, calculated as sales - cost of sales.	5・6・10・ 31・42
OE	An abbreviation for operational excellence, a state by which business operational advantages are maintained through efforts to enhance the efficiency of operations.	13・30
SKU	<p>An abbreviation for stock keeping unit, the minimum unit of inventory management.</p> <p>As an example, under the same brand and same variety, "Cook Do® Twice-Cooked Pork" and "Cook Do® Twice-Cooked Pork, 2 Servings" make up two SKUs.</p>	3・13・35・40
TDC	An abbreviation for total delivered cost, the total cost of delivering products to their destination, calculated as the sum of costs of sales and logistics costs.	13・29・30
WACC	<p>An abbreviation for weighted average cost of capital.</p> <p>Return on invested capital (ROIC), which expresses the earning power of a company, in excess of WACC leads to growth in corporate value.</p>	18・23・45
Well-being	The state of being healthy and happy.	26・46

# Reference Links

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## **Ajinomoto Group IR Information**

<https://www.ajinomoto.co.jp/company/en/ir/>

## **Ajinomoto Group ASV Report (Integrated Report) 2023**

<https://www.ajinomoto.co.jp/company/en/ir/library/annual.html>

## **Ajinomoto Group Medium-Term ASV Initiatives**

[https://www.ajinomoto.co.jp/company/en/ir/event/medium\\_term.html](https://www.ajinomoto.co.jp/company/en/ir/event/medium_term.html)

## **Ajinomoto Group Business Briefing / IR Day**

[https://www.ajinomoto.co.jp/company/en/ir/event/business\\_briefing.html](https://www.ajinomoto.co.jp/company/en/ir/event/business_briefing.html)

## **Ajinomoto Group Stories**

<https://www.ajinomoto.com/stories>