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## **Ajinomoto Co., Inc.**

Briefing for the Fiscal Year Ended March 31, 2022

Q&A Transcript

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**Speakers:**

- Taro Fujie, Representative Executive Officer, President & CEO
- Hiroshi Shiragami, Representative Executive Officer, Executive Vice President, CIO & Supervision of Research and Development
- Tatsuya Sasaki, Executive Officer, Senior Vice President & General Manager of Global Corporate Division and Corporate Service Division
- Sumio Maeda, Executive Officer & Vice President, General Manager of AminoScience Division
- Tatsuya Okamoto, Executive Officer & Vice President, Deputy General Manager of Food Products Division
- Hideaki Kawana, Executive Officer & Vice President, Supervision of Frozen Foods
- Tetsuya Nakano, Executive Officer & Vice President, in charge of Finance and Investor Relations
- Eiichi Mizutani, Executive Director General Manager, Global Finance Department, Global Corporate Division

\*This transcript is based on the content of the simultaneous interpretation at the briefing, and this English version is for reference only. The Japanese version is the valid record:

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## Question & Answer Session ([Q]: Questioner, [A]: Answerer)

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**Operator:** Thank you very much, Mr. Fujie. We would like to move on to the Q&A session. The first question from Nomura Securities, Fujiwara-san, please.

**Fujiwara [Q]:** This is Fujiwara from Nomura Securities. Good morning. That was a very strong and passionate presentation. Thank you.

As for the management, I have a question about Scale Up. Slide number 40, from here. This, of course, your existing business will grow and will have business model transformation, DX usage and integration of food and AminoScience. We can imagine a bit, but we want to be more concrete and specific image for your company, business transformation. How are we going to do it? What would be the result for this BMX that you're referring to? So, this is my question. Thank you.

**Fujie [A]:** First, I will discuss about the whole image and the CIO, Mr. Shiragami, will also supplement afterwards. Fujiwara-san, thank you very much for your question. In Ajinomoto Group, one of the challenges that we face is the growth capability. That's what I feel. As a fact, we have a three-layer model here. For the definite growth, steady growth, we have unit price increase and volume growth. For unit price hike, we want to do the price hike steadily. We want to shift to the products that have higher value. Those are the two measures.

The second, BMX business model transformation. In Ajinomoto Group, we have very excellent success stories. To be specific, in the AminoScience, we have been doing this BMX, and as a result, for FY2021, our AminoScience business, the business profit is JPY43.3 billion, and CAGR for the past 5 years, 26% growth. Bio-Pharma Services and Electronic Materials were the growth drivers. I think there is a good format or standardization of BMX 0 to 1, 1 to 10, 10 to 100. So, we have this type of capability, and we want to strengthen this capability. We're trying to adapt this BMX to other areas as well.

In that sense, not just AminoScience, but for the Food business, this BMX can be done, and we're doing it, especially Food and AminoScience integration. Mr. Masai, who is good at food became the Head of the Food business. Mr. Maeda, who is good at food became the Head of the AminoScience business, and Mr. Kojima, who is good at food became the Head of the Institute of Food Sciences and Technologies. Trans-functional things have been done.

Mr. Shiragami would like to explain and supplement my comment.

**Shiragami [A]:** Thank you very much for the question. Let me expound on the matter. Regarding the four innovation areas, those are identified as next-generation businesses. Let me expound on this matter.

One is food and wellness innovation. Delicious and health and your own lifestyle, that is where food and AminoScience, as well as digitalization can contribute to in order to personalize nutrition as well as health and well-being value for 1 billion people. This is a new business model, and we'd like to accelerate the shift from the current business model to the next-generation business model in this particular area. One is the dining-cooking routine, which is enabled by digital technologies to prevent the diseases and provide well-being lifestyles, not only Ajinomoto but also through external corporations, collaborations. To realize this future, we are creating this ecosystem to realize this new business innovation.

Another example is green innovation. This is to contribute to the environment. Also, a food system needs to address 10 billion people, and green innovation, amino acid synthesis and carbon neutral cycle, as well as eco-friendly supply chain and local consumption, co-creation value with consumers. Those are what we'd like to

innovate in this field. Our time is limited during this Q&A, but we hope to provide better picture of that later. Thank you.

**Fujiwara [Q]:** So, in the past few years, or in three years from now, regarding this BMX, will the new business seed be visible? In what particular area? Is there anything on the horizon?

**Fujie [A]:** Thank you very much for the additional question for Fujiwara-san. Bio-Pharma Services is one. Through BMX, this Bio-Pharma Services, Oligonucleotide business is emerging. We have already completed the Cycle of 0 to 1 and 1 to 10. Now we are entering the Phase of 10 to 100. That is a BMX for this Oligonucleotide arena. So, we'd like to drive this in, to grow this into a next-generation pillar following the Electronic Materials, and we hope to provide a better image of that on the IR on a separate occasion through IR activities.

**Fujiwara [Q]:** Thank you very much. I have high expectations.

**Fujie [A]:** Thank you. Fujiwara-san, for your question.

**Operator:** The next question, from Goldman Sachs, Yamaguchi-san, please.

**Yamaguchi [Q]:** My name is Yamaguchi from Goldman Sachs. Good morning. I have two questions.

As for Food, centering on that, you have a cost issue. As for this term, gross cost increase is going to be approx. JPY40 billion from previous year's JPY27 billion. Counteract effect is going to be approx. JPY30 billion from previous year's approx. JPY17 billion. This is the presumption. As for this approx. JPY40 billion, what are the largest source and factors here? That's one question. And how much is it hedged for this term? This is the important point. This is the risk factor for this year. This JPY30 billion, vis-a-vis the previous year, you have the counteract. How certain is this counteract effect?

Of course, you have detailed calculations, I believe, but is this the accumulation of all the figures like every country, or what months? Can you be more specific about the details of those figures? My question is a simple question is, can you really achieve this? Can you elaborate on this point?

**Fujie [A]:** Thank you, Yamaguchi-san. As for raw material price hike, yes, very detailed, we've been analyzing the major raw material and the secondary raw materials. What we have been seen for major raw materials, this is sugar and tapioca.

As for crude sugar, we expect a small increase, rather, because Brazil, India, Thailand are the major sources. And the weather was very good, favorable last year. So, there is no risk from the bad weather. As for tapioca, the corn price had the tapioca chips for ethanol were higher, but the demand here is leveled at high level. So, for major raw material from FY2021 to FY2022, there will be no large price hike.

But the large price increase is seen in ammonium. This one is very, very high now and this is a major part included in our calculation. But looking at the current situation, now ammonium is leveled at high level, and there is a little bit of trend of going down. But as you're all aware, we are very conservative and we are assuming that it may increase. This portion is included in the forecast. And for domestic raw material, et cetera, for FY2021 to FY2022, there will be no big impact, but the prices are being kept at high level.

Under such circumstances, last year, we had increase of cost of JPY27 billion and counteract approx. JPY17 billion and this year we will have an increase of cost of approx. JPY40 billion and counteract approx. JPY30 billion. So, how are we going to be certain with this counteraction?

We have this raw material high, and we are now clear with them. We want to first reduce our costs and expenditure. And also, we want to carry out price hike for each country, for each product, the timing, the raw

materials related to it, the price hike gap, the rounding situation and environment surrounding that. We have this Excel sheet, all calculated 10 pages or so, very detailed calculation by country, by product, and we have been analyzing more in detail. Every month, we will review, and we will be seeing whether we are coping with the situation. At the management level, once a month, we have this concentrated information, looking at it, whether we are good at addressing the situation or not. So, the management level is well aware of the fact.

As for counteractions that you are concerned about, what the management can say is that we are fully aware, and we can counteract. One thing is about the Frozen Foods in North America. Price hike is scheduled, and we have already been told the customer, and they have accepted it. Approx. JPY30 billion out of approx. JPY40 billion could be counteract, but more could be realized, I believe.

**Yamaguchi [Q]:** The first quarter of December announcement of various companies, I think they have been having higher raw material cost than planned. But so, for you, it means that all the 70% to 80% of raw materials have been hedged or already surely estimated. Is my understanding correct?

**Fujie [A]:** Yes.

**Yamaguchi [Q]:** Thank you. The second is about ABF. This time, the CAGR, FY2020-24 was raised from 15% to 18%. Why is it? Can you tell us about this background? And you mentioned that this term, sales of Functional Materials is 14% increase. The term ended was initially forecasted 8% increase, but it ended 30%. So, you have a big difference here. Maybe you are too conservative. So, can you tell us about your assumption? And I would like to know the reason why you have differences with the previous year.

**Fujie [A]:** Yes, from 15% to 18%, CAGR has been revised upward. The reason for this is that the personal computers and the game markets, we had the continued adoption of this product in those areas. And in the data centers and servers, we have more and more demand. Because of those reasons and because of that outlook, we thought that we can grow more in this field. The business department as well as the management have confirmed this. We have made the announcement of CAGR of 18%. So, with this is backed by a very robust demand.

As for upward revision, in that sense, we would have to have a capability to look at the future and analyze it well. But at the same time, there are different shipment timings and as you're all aware, recently, we have confusion in the marine transportation area.

We've been very conservative up until now for making the forecast. But amongst ourselves, the management team have been discussing that the capability of the rolling forecast. By doing so, quarterly, we want to have more clear vision so that through IR, we can provide more detailed figures close to the real and without a volatility on the announced figures. So, with your expectation, we would like to have further encouragement.

**Yamaguchi [Q]:** CAGR15%, 18% is about a volume, I guess. So, you have robust demand. At the same time, I think the difference between forecast and results of the ended year is volume and, I think, unit price, right?

**Fujie [A]:** Yes, we had more added value products.

**Yamaguchi [Q]:** And which is the more difficult to make outlook?

**Fujie [A]:** It is difficult to make the outlook. We would have to nurture this capability to see the future, I think. Thank you.

**Yamaguchi [Q]:** Thank you very much, indeed.

**Operator:** Yamaguchi-san, thank you for the questions. The next question is Saji-san from Mizuho Securities.

**Saji [Q]:** Thank you very much. This is your first day, and the stock price went down. However, we'd like you to recover the stock price.

On page 17, regarding the price increase as well as volume growth that I'd like to delve into. Last year, , for overseas consumer products, the price increase was 3.5% for Seasonings and Foods, and organic growth was 4.9%. So, there is a gap of 1.4%. So, the volume was solid in a sense. And then, Frozen Foods was up 2%.

Regarding this year's projection, the gap will be 3% for Seasonings and Foods or even negative, minus 1% for Frozen Foods. So, regarding Seasonings and Foods volume-wise, you mentioned that the price is going to increase, but the volume will be up to. But what is the background of your projection? That is my first question.

Second, price is solid, including the price hike. Last year and this year, in Seasonings and Foods, presumably, both for home channel as well as the industrial channel, the channel is being diversified or changed, I believe. What is the impact on the price increase? Those are the two questions I'd like to ask you.

**Fujie [A]:** Thank you very much, Saji-san. Regarding the stock price, well, it's the assessment of the top management. I'd like to make sure that with strong determination, I'd like to fully work towards better stock price.

And regarding the volume growth, previously we've shown the evolution since FY2007. And despite the price increase, the volume remained growing. That was the result of the survey we conducted. And also, that is the background for our assumption or forecast.

In addition, for this year FY22, sales and marketing expenses earmarked quite more than the previous ones. So, we allocate more on the sales and marketing side to realize volume growth. Having said that, though, as you are aware, depending on the country, some countries are more amenable to price hike and others aren't. Especially in Japan, it is difficult for us to conduct price hike.

However, on the premise of a solid company-wide effort, as the fuel and raw materials rise, we would like to pass that cost increase to the price. And in a positive way, we'd like to create a favorable cycle to reward workforce through better wage. That is the favorable cycle we'd like to create in Japan.

That is my view. In that sense, as a food company, we will do all we can, by ourselves. Also, regarding the channel mix, in FY22, for the industrial channel will recover. That is our assumption. However, this does not have a negative impact on the growth because the home products tend to be higher than the industrial food products, unit price-wise. However, overall, this doesn't impact on the unit price growth. That is our assumption. Did I answer your question? Thank you.

**Saji [Q]:** I would like to ask a follow-up question. On page 11, five major countries, four Southeast Asia, as well as Brazil. You are conducting price hikes in each of these markets. But volume-wise, will there be a concern this year?

Especially, this week, we saw a consumer report, and Brazil has severe inflation. There is a concern that violence might break out because of the inflation. If you keep hiking the price, how does that affect volume-wise outside Japan? Do you have any concerns associated with the possible or another round of price hikes?

**Fujie [A]:** Relatively speaking, for major Seasonings products, we don't have any concerns. I understand that the economy may suffer, but overseas Seasonings in these difficult times, people start to tend to cook more at home and consume cheaper vegetables to bring down the cost per meal. That is the consumer general tenancy. So, even in bad economies, the volume is likely to grow for Seasonings.

In 2015, when I was assigned to work in Brazil, the country was in a serious economic situation. And then, 9% price increase was demanded by the Company. And I was told to sign a 9% price hike for flavor seasonings. I

wondered whether that makes sense. But there were certain reasons and good arguments, and the local entity said, "Well give it one try, and if it doesn't work out, we will lower the price right away" and I signed that document and approved. And then, gradually, the volume grew even despite the price increase, especially for basic seasonings, that is the generic trend we see in other countries as well. Looking back at our long history, therefore, we are confident that the volume can grow despite price increase.

**Operator:** Thank you very much, Saji-san. Next, Morita-san from Daiwa Securities, please.

**Morita [Q]:** Morita, speaking from Daiwa Securities. The first question is related to Saji-san's question. If the economic situation deteriorates, if you have the stagnation, how much do we have to think about the downward effect? That means from page 11, you have the menu-specific seasonings, flavor seasonings, and Umami seasonings. Is there any chance of seeing this growth reversed? I think you mentioned that you would like to do well with the added value products. I can understand that. But is this premiumization in this inflation, a good way to solve the issue? That's one question.

**Fujie [A]:** Thank you very much, Mr. Morita. Yes. As for Food, there are some evolving stages, as is written here. For example, we have this umami seasonings at the base, then goes to the flavor seasonings. And then, you go to the menu-specific seasonings like "Cook Do®", and then we have the processed food, for example, frozen food and so forth, or chilled foods.

So, we have this evolution for the Food business. Out of that, as for menu-specific seasonings is value added. We have high end things but in menu-specific seasonings, we have low end as well, so that the general consumer can use. For example, in Japan, if you have a downtrend economic situation, then the menu unit price per food is going to be lower. For example, *hoikoro* (a name of Chinese menu), you use cabbage. When cabbages are cheap, people can use the cabbage and pork and use these seasonings, and unit price per menu is going to be lower.

From a consumer viewpoint, how are they going to lower the unit price per menu and endure this economic difficulty? I think that's the way a consumer would think. For the menu-specific seasonings, of course, here, there may be some wind gains, but this is not going to be a downtrend. That is not the case because the menu is evolving, and this is irreversible. There is not such a big trend as such occurring. Thank you.

**Morita [Q]:** Second question is that under your explanation, I think there is a time lag to pass on the raw material price hike to your price hikes. When you do not have any time lags, how much business profit would be able to be achieved? What is the discussion amongst management? And if you think about the real capabilities, are you able to achieve that level in the next fiscal year? Or if not, what are the risks of such factors? Can you talk about this?

**Fujie [A]:** Yes, thank you. In that sense, FY2021, JPY27 billion and approx. JPY17 billion, and the gap was approx. JPY10 billion. In FY2022, too, we have a gap between approx. JPY40 billion and approx. JPY30 billion, meaning approx. JPY10 billion. FY2021 budget from the beginning of the year, we have formulated with various calculations. But at that time, we were not expecting the figure rising up to JPY40 billion. But from JPY27 billion, it jumped to approx. JPY40 billion. And with that, we have reviewed and remade this forecast.

So, the counteractions, we have been making it. And we are definite that we can counteract approx. JPY30 billion. Reflecting this counteract, the forecast of business profit is JPY124 billion. We, of course, have our challenging internal goals and looking forward to meeting the expectations of you all.

We have, in this 100-day plan under the management leadership, we are thinking thoroughly, and we want to exercise all the plans.

**Morita [Q]:** We want to have more colors. I think this is focused on the Seasonings and Foods, but according to last year, BP was 12%, but this year's guidance is 10%. I think two years ago, it was 14%. So, when you're able to transfer the price hike, what is the BP rate as your actual capability?

**Fujie [A]:** Yes, we want to return to the before COVID-19 rate and grow from that. That means that not just Seasonings and Foods, but for Frozen Foods, we want to do various countermeasures.

You are concerned about probably the North Americas overseas. For North America, we have done the structural reform. Also, we were able to make the price hike and penetrated. For FY2022 forecast, we are definite that we can achieve that target. In addition, we have a steady structural reform plan in place to reach 5% ROIC in FY25, and I have a goal to make sure that we are able to complete that plan and aim for further evolution beyond that.

**Morita [Q]:** This year, yes, I can understand that you will exert efforts. Our worries are from the next year. Going back, can you really go back to the previous BP margin? Maybe 12.9% or 12.7%? Are you assuming that? Are you definite? And within this BP margin level, I think the absolute value will be close to JPY90 billion this year. Is that in your mind, if there is any risk, what are the risks that you can assume? This is going to be for the future. Can you comment on that as well?

**Fujie [A]:** When you turn to page 12, I think it's easier to understand for you, especially the countermeasures to address the cost issue. For the first half of FY2022 to FY2023, the pink portion is the counteract, and the gray portion is cost increase. For the first half of FY2022, we cannot actually offset. But from the second half, we are able to offset. And in the second half of FY2023, we are definitely able to counteract. I think we're not going to disclose the exact number, but internally, through those counteracts and by definitely exercising them, I think we can promise to achieve that figure.

**Morita [Q]:** Thank you very much indeed for that.

**Operator:** Morita-san, thank you for the questions. The next question is from Takagi-san, SMBC Securities.

**Takagi [Q]:** This is Takagi speaking. Your stock price went down, but this shows the rather high level of expectations. Under this predicament, you've made a solid performance. However, the investors are not satisfied. Fujie-san can produce more. The performance is not increasing profit. Therefore, the expectation, your bar is very high, Fujie-san. That is a level of expectation from investors. That prompts my question.

Regarding Bio-Pharma Services & Ingredients, the topline is strong. That is likely to continue this year, but the profit is going down. Therefore, going forward, in a mid-term perspective, profit growth must catch up or even exceed the revenue increase. This business is to be served as a growth driver, but this is failing to achieve that target this year. That is my first question.

**Fujie [A]:** Thank you very much for the question. We'd like to make sure that we can meet your expectation. Regarding Bio-Pharma Services & Ingredients, which is positioned as the next-generation growth driver within Ajinomoto Group. In FY2022, the forecast has it that, as you rightly pointed out, the fuel and raw material rising costs, as well as sea transportation costs are rising as well. Therefore, currently, solid measures, countermeasures are yet to be implemented fully. Amid that situation, that is why we've formulated the guidance for Bio-Pharma Services & Ingredients, but we will accelerate the initiatives to counter the situation to be in line with your expectation at the end of this fiscal year.

**Takagi [Q]:** So, that's for this year, right?

**Fujie [A]:** Yes.

**Takagi [Q]:** Excluding the cost increase, the product mix is good. So, including the cost increase, you can accumulate your profit to a much higher level. Is my understanding correct? And then, from next year and onwards, could you please comment?

**Fujie [A]:** Regarding this year, yes, as you rightly pointed out, we could have accumulated more profit. And then, starting from next year, there is an internal solid plan to ensure business growth with Bio-Pharma Services & Ingredients. And on the right occasion, we'd like to provide a better image of that, regarding their actual situation of Bio-Pharma Services & Ingredients and our clear road map towards further business growth on a separate occasion going forward.

**Takagi [Q]:** Thank you very much. And Amino acids for pharmaceuticals and foods as well as CDMO, could you please expound? Could you please add some color to this?

**Fujie [A]:** Regarding Amino acids for pharmaceuticals and foods, sea transportation, marine transportation, as well as the fermentation resource, cost increase caused the cost increase. Regarding CDMO, marine transportation is a significant portion for the cost increase. And then, regarding Amino acids for pharmaceuticals and foods, I'd like to add that in the last 10-year business model transformation, about 10 years ago, we were barely unprofitable, but now the business has grown significantly over the last decade. I spoke about the business model transformation earlier. Amino acids for pharmaceuticals and foods has grown so significantly, and we created a good success example of best practice that can be deployed elsewhere within Ajinomoto Group.

Regarding CDMO, in Belgium, S.A. Ajinomoto Omnicem N.V. is growing far faster. And for our concern in North America, structural reform is underway steadily. Therefore, the recovery in the US business will start to emerge or take effect after the second half of this year. And there is a General Manager for AminoScience, Maeda-san, attending here. If he has any additional comments, I'd like to ask.

**Maeda [A]:** Thank you very much, Takagi-san, for your question. In answer to your question regarding Amino acids for pharmaceuticals and foods and CDMO Bio-Pharma Services. Starting from Amino acids for pharmaceuticals and foods, raw materials are sold so the products are very close to food materials, therefore, it is highly impacted by the rising raw materials. Likewise, we are negotiating with our customer for the possible price hike, but there is a time lag and will affect this year.

Regarding CDMO, which is described on pages 24 and 25, these are new businesses and on a trial basis. The blue portion is being accelerated or brought forward than the plan. The yellow portion will come from the solid growth of S.A. Ajinomoto Omnicem N.V. We don't have any concerns with this yellow portion. Therefore, Amino acids for pharmaceuticals and foods will be the concern for this year because of the rising raw material, and there will be a time lag in order to catch up with the price increase.

**Takagi [Q]:** So, the blue portion of CDMO this year and last year, oligonucleotide medicine is the driver. Is that right?

**Maeda [A]:** Yes. For the last year and this year. Yes, oligonucleic acids, which is followed by antibody-like proteins as well as antibodies.

**Takagi [Q]:** Another question, if I may. Last night, Nakano-san talked about a cost increase that you need to shift to a business structure that can withstand the cost increase. What was the intention? Or what measures you are taking? Could you clarify? Fujie-san, could you please comment? For example, annual price hike negotiation, here has to be a time lag, and there is a significant portion that you cannot offset with the price hikes it being transformed?



**Fujie [A]:** First, to reduce the cycle of annual price hike negotiation has already started. Also, to date, business structure centered around commodity is now shifted to specialty-centered, and the measures are already taken. We can have a business structure that can better withstand the price increase because commodity is more volatile and vulnerable to the price increase. By adding value or shifting the focus to a high-end product, we can withstand a cost increase, possible increase going forward. In that sense, price hike or price growth is a very important indicator. If we can hike the price smoothly, that means we are adding value.

So, to what extent we can achieve this, that is a very important indicator for us to measure our success. And in addition, each business in each country has its own best practice or success model. That needs to be visualized and transformed into a template which can be shared across the Company.

**Takagi [Q]:** Thank you very much. This is my last question. Regarding Food, to add value on Food, Ajinomoto Group has yet to produce results. You are up-trading of your existing products, but you're not adding value to food products. Under your new leadership, Fujie-san, how would you change? Thank you very much for the comment.

**Fujie [A]:** I used to be the leader of Food Division last year. Including my own responsibility, there are certain challenges in the growth capability of Food business. I exchanged views with members of Food business that we should make the most of the good that has been accumulated in the existing property. But we need to start collaborating with external experts as well.

Regarding the added value, Value Creation Advisory Board establishment will include marketing and branding experts. We are hiring those external professionals on this matter. For the first time this time, Okamoto-san was appointed to the position of Managing Executive Officer in charge of Marketing. Marketing supervision used to be divided in silo for each business unit, such as Sauce & Seasonings Department, Quick Nourishment Department. But with Okamoto-san in charge of marketing, we will utilize the advantages of the vertical axis while also linking it to efforts to evolve marketing throughout the company. We'd like to start generating results in Japan for Food. Okamoto-san, would you like to comment?

**Okamoto [A]:** This is Okamoto speaking. Thank you very much for the question, Takagi-san. As you rightly said, and as Fujie-san mentioned, the growth potential with Japan food, I share the view. In order for us to keep generating new products, Ajinomoto Group once excelled at this capability, but we need to actually regain that capability. We are to create a template source for us to start creating new products. And we started to create a template, and the communication channel needs to be cultivated anew so that we can approach the consumers in Japan.

As to how to communicate this, how to deliver our products, EC is rarely used for food products. But now the situation is changing, and double-digit growth is being felt not just in Japan, but also elsewhere as well. We are trying to create a new business model, especially with Food in Japan.

**Operator:** Thank you very much, Takagi-san. Next question. Miura-san from Citigroup Securities.

**Miura [Q]:** First question is about the teamwork. In the past three years, the profit has been increasing and I think you have a better management capability.

For the coming years, Mr. Fujie, in order to accelerate the growth, how are you going to transform your organization teamwork? You have elaborated on this in your explanation. But what is the direction? What are your thoughts about your transforming the teamwork? That's number one.

Second is dream. This is a word that I like. This is the source and essence of happiness. When you look at the portfolio of the Company, Seasonings & Foods is 60-70% of sales. in the coming 10 years, 5 years, what is going to be the proportion?

**Fujie [A]:** Yes. Thank you very much, Miura-san. As for the management capabilities in Mr. Nishii's administration, we have enhanced. We want to succeed and improve that. For the teamwork, the important point here is that the appropriate management leadership. In Ajinomoto Group, we have very serious employees with the passion dealing with their works. To resolve the food and health issues by the power of amino acids, the management needs to form the direction under the appropriate leadership. That is important.

Under such an environment, I have formulated 100-day plan. We want to shift the gears and exercise various plans. In the Executive Committee, we want to seriously pursue ASV thoroughly, and to be serious in doing the discussion. So compared to the previous system, we want to be more serious in those areas.

And the second point, 5 years after, 10 years after, how should we be? Yes, to all the consumers, we want to provide essence of happiness. That's the most important thing. In that sense, the Food and AminoScience, we have two different segments, but from the consumer or from the employee perspective, we want to have a reputation that we are a group of companies who solve the food and health by the power of amino acids.

Food and AminoScience integration is very important and will be the source of growth of our business. That is going to be happening in the years in 2025 or 2030. So, from FY2023 to FY2025, we have mid-term indicators, and doing discussions amongst our management how we want to be in 2030. We would have to have more discussion internally, including the structure that we want to have, and we want to also communicate that to you as well. Thank you very much for your input.

**Miura [Q]:** Thank you very much. This is a beautiful story, but the business is quite tough. To pursue the happiness and your dream. I think that posture, the 100-day plan that you have shown, you're going to execute that. But to your employees under you, how are you going to communicate and penetrate your message? How is that mechanism in your company?

**Fujie [A]:** Yes. As you say, it's beautiful. But we need to communicate that, and we need to show the result. That is very severe. So, in that sense, with full determination, the management team needs to exercise and implement it, but to communicate our will and desire. The mechanism I value is discussion and dialogue. Of course, from Mr. Nishii's system, we have had that dialogue, CEO dialogue, maybe 50 times a year, at minimum, with the people in the field. I want to have dialogue.

Sasaki-san, Masai-san, Maeda-san, these three executives have already started dialogue, and all the heads of the businesses had started their dialogue with our employees. Through those dialogues, we want to communicate our way of thinking to the employees up to the very end and penetration. In that sense, I reflect a bit in the past that as management, I think that sometimes I have already communicated, but not the full message has been communicated up to the very end. Today, as well, I have a strong will to communicate, but I don't know how much of my will has been communicated to you, maybe not enough.

The word that I want to value that I heard from others is "When it is fully understood, that's when it is communicated." I would like to value these words and communication. To those stakeholders who share the purposes, including investors, I want to also have more dialogue and communication.

**Miura [Q]:** Thank you very much. Lastly, about the performance. Globally, in the consumer table, downtrend is happening, US and Asia as well. Is this a following win for you? The volume might increase by 4% this year which is positive. And next year, you might have more. For next fiscal year, volume is going to grow. You are going to have price hikes as well. So, I think your future is quite bright. How do you think about this?

**Fujie [A]:** Yes, I think our future is bright. I myself think so. The word that I value is "Chance is a pinch, pinch is an opportunity." Of course, if you have a target, but if you have the risk, you have to think about how to solve it, and that is going to turn into a chance or opportunity. From the second half of FY2022 to FY2023, we want to improve and grow and enhance our corporate value under my leadership. And together with all the

members, we want to form one team and exercise all the plan. One team's the word, "one" is very important towards the same purpose with passion. All individuals should upgrade their capabilities. That's a very important thing. So, Speed Up, Scale Up is also important. Thank you very much.

**Miura [Q]:** Thank you very much.

**Operator:** Thank you very much for the questions. There are remaining a few questions, but unfortunately, time has come to conclude this event. Therefore, we'd like to invite one more question before concluding this. Yoshida-san from JP Morgan.

**Yoshida [Q]:** This is Yoshida from JP Morgan speaking. We passed time but let me ask a brief question.

In the short term, Frozen Foods business, as was pointed out last night, I wonder whether you can certainly achieve the business profit target. By doing so, ROIC 5% will have better prospects. So, what will drive the profit growth this year for Frozen Foods? Is that price increase? And if you have a smooth price increase, then are you likely to achieve the profit target for Frozen Foods? And regarding the labor force shortages, how are you going to secure the labor or workforce? And what are the risks on the horizon with Frozen Foods?

**Fujie [A]:** Thank you very much for the questions. I'd like to provide an overview and will be expounded by the Kawana-san later. For FY2022, the figures we presented earlier were very conservative. North American price hike is already being finalized with the consumers in terms of the negotiations. And that's factored in already. And pertaining to Japan, structural reform is making progress as planned. That is the assumption for the forecast.

Speaking of risks, any huge headwind worldwide is a risk. This year, the figures we have shown so far, are what we are certain to achieve, and this is a commitment level at the minimum. But even more, we have set an internal target to surpass these minimum targets. And if there is a strong headwind, the risk scenario is already formulated. Kawana-san you like to add some colors to this?

**Kawana [A]:** Thank you very much for asking a question regarding Frozen Foods. As Fujie-san mentioned, this is not a challenging budget or a high tool for us. We are certain to achieve the profit in FY22, which was scheduled to be generated in FY21. And regarding the negative forces in FY21, the surge of inflation after COVID-19 and Omicron variant caused labor shortages, and we failed to address those issues flexibly. However, we already implemented price hike, as we announced earlier. For restaurant use products, in April, and for home products, in May.

Regarding the labor shortages, there is only one factory that is suffering labor shortages. And to address this matter, low-profit product lines are being shut down temporarily to deal with the labor shortages so that the required headcount will be reduced. Once we go through this pandemic, we can provide sufficient technical support from Japan to save labor going forward as well. We'd like to hit this minimum target at Frozen Foods.

**Yoshida [Q]:** This is my last question. Is there any headwind perspective? What is your assumed tailwind going forward?

**Kawana [A]:** Well, Ukraine is the biggest concern. We are dealing with food, and raw materials are agricultural produce. The feed and food price, once they go up, they can increase our raw material prices. We already factored that in into our forecast, but it could even surpass the level of our expectation.

**Yoshida [Q]:** I understand. Thank you very much for the clarification.

**Operator:** Yoshida-san, thank you very much for your question.

[End]