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Ajinomoto Co., Inc.

Briefing for the Second Quarter Ended September 30, 2022

Q&A Transcript

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Speakers:

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- 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
- Yoshiteru Masai, Executive Officer & Senior Vice President, General Manager of Food Products Division
- Sumio Maeda, Executive Officer & Vice President, General Manager of AminoScience Division
- Hideaki Kawana, Executive Officer & Vice President, Supervision of Frozen Foods
- Tetsuya Nakano, Executive Officer & Vice President, in charge of Finance and Investor Relations
- Chika Morishima, Executive Officer, In-charge of Sustainability and Communications
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- Michael Lish, Corporate Executive, General Manager of Amino Acids Department
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*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:

https://www.ajinomoto.co.jp/company/jp/ir/event/presentation/main/0111116/teaserItems1/00/linkList/06/link/FY22Q2_QA_J.pdf

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

Operator: We would like to move on to the Q&A session. First, we'd like to take questions from Saji-san, Mizuho Securities.

Saji [Q]: Thank you very much. This is Saji speaking. I'd like to raise one question. In Japan, the weaker yen is worsening foreign workers' work. So, hotels and food factories suffer from labor shortages because the income level is very low in Japan because of the weaker yen. That is the current situation. There are two aspects of this. There are issues Ajinomoto is facing, but on the other hand there are more opportunities for Ajinomoto to offer value to users of Solution & Ingredients (S&I). In terms of labor shortages, how does that impact the manufacturing industry, especially consumables? What is your perception about this? And are there any opportunities and risks associated with this? Thank you very much.

Fujie [A]: Saji-san, thank you for your question. I'd like to invite Masai-san to address this question.

Masai [A]: Saji-san, thank you for your question. This is Masai speaking. To that question, I'd like to answer. First of all, in terms of labor shortages, yes, that is happening. At Ajinomoto, Ajinomoto Food Manufacturing Co., Ltd. is integrating the production, and we are promoting automation at the factory floor. In that sense, we can withstand the labor shortage issues. Your point is taken, but we'd like to keep monitoring the situation closely. Also, the situation is highly fluid.

You mentioned S&I. On our part, by promoting this area, we are collaborating with start-up firms. In terms of partnership and collaboration, we are pursuing that opportunity. By doing so, we can see new businesses or new solution models emerging out of this external partnership. So, we can work on the next phase of the road map. Thank you very much for the question.

Fujie [A]: Thank you. Also, I'd like to expand on that. Especially for food services, labor-saving menu, and long-lasting seasonings, those are the ones that receive many inquiries. So, by capturing this as an opportunity, we'd like to ensure increasing our business or expanding our business. Thank you very much for the question, and that's it from me. Thank you.

Operator: Thank you very much, Saji-san. Next question, SMBC Nikko Securities, Takagi-san, please.

Takagi [Q]: Hello, this is Takagi. My first question is to Mr. Fujie. Ajinomoto's weakness, what is your take on that? A few years ago, the weakness of Ajinomoto was the responsiveness of the macro environment. That was the weakness, but you have been very resilient. Actually, maybe that's the strength right now. From your point of view, what is the current weakness of Ajinomoto? How are you going to improve on that? And how are you going to reform that? What type of preparations do you have? That's my first question.

Fujie [A]: This is Fujie speaking. Thank you very much for your question. I've been debating with the current management and the former CEO Nishii. I think the biggest challenge is to scale up. We have to have the capability to scale up our business. In terms of the AminoScience business, the format of scaling up the business, we have been able to have a definite way in terms of scaling-up for the Functional Materials and Bio-Pharma Services. Mike has talked about amino acid-related business in the presentation. These have been driving the Ajinomoto Group's business.

In that sense, in terms of scaling up Seasonings and Foods, excluding the overseas market, and scaling up the Ajinomoto Group overall, we have to come up with a format and evolve the initiatives and speed up our

initiatives. I think one representative initiative will be the BMX, the business model transformation. We have four growth domains, which I have talked about already. In terms of the specific example, we are planning very thoroughly. We are planting seeds to be able to achieve that. By the end of February to the beginning of March, I think I will be able to show you more specific examples. But even before than that, a lot of initiatives are progressing. Shiragami-san, do you have any follow-up?

Shiragami [A]: Hello. Thank you very much for your question. As Fujie-san has said, from our point of view, leveraging our strength and by doing so, overcoming our weakness, and then changing that weakness into strength. So, through BMX, that is what we are doing. For the AminoScience, healthcare, and electronic materials business, I think we have been quite successful. We have this type of format and we're quite confident of future growth. By utilizing this format in the food business, in the Food & Wellness and Green, these will be the growth domains that we are focusing on for the ASV indicators for the next mid-term plan. Towards February to March, I think we'll be ready to talk more specifically about that. Thank you.

Takagi [Q]: For the food business, coming up with that kind of a format, I think it's very, very challenging. What is a challenging point within your company? Or conversely, what are the opportunities? Can you speak more on those points?

Fujie [A]: Masai-san, can you respond to that?

Masai [A]: Thank you. I would say this might be linked to the weakness, but going forward, we should focus on the younger generation who is going to support this country in the future, and I think that is very important. The Food & Wellness domain, new momentum should be created. I think that will be the key. We have young, excellent, talented human resources. How are we going to reflect the opinions of these younger generations? How are we going to ride the wave of change? That will be the focus, or this will be reflected in our next road map.

Takagi [Q]: Understood. Thank you very much. My second question is that I looked at the presentation materials, slide number 50. The performance outlook image, next fiscal year, the profit is going to go up. Then next going forward, it will just grow strongly. Can you comment on the way this graph looks?

Fujie [A]: This slide, page 50?

Takagi [Q]: Yes, referring to the slide, this blue line.

Fujie [A]: This is just the image. Maybe this has been a bit misleading. I apologize. This is the image. Rather than focusing on the single year performance outlook, the higher challenging 2023 ASV indicators are there. So, I was just showing you the contrast. Sometimes the performance will be close to the ASV indicator, sometimes it's not. If there is a gap, we will pursue ASV early and try to become closer to the ASV indicators. So, just it's an image. Sorry if I misled you.

Takagi [Q]: The blue line, the trajectory, is that the profit level that you want to pursue? Or is it different? Is that what you're saying?

Fujie [A]: In terms of the blue line, externally, we are saying we think it's a responsibility to disclose our forecast, so for single fiscal years, we will be giving forecasts. That will be basically these blue lines. But if you just focus on that, we will not be able to plant challenging seeds or show challenging path towards 2030. We will always have a challenging initiative and at the same time, we have to consider how we are going to achieve these challenging initiatives. That is what this graph means.

Takagi [Q]: Understood. We'll take that as a reference then. But if you look at next fiscal year, this year you have taken some counter-initiatives. For FY2023, in terms of the profit growth for your company... I think you

are expecting a single digit or maybe more than that towards 2030. So is that the type of guideline that I should expect?

Fujie [A]: First, for the FY2023 outlook. The raw material cost situation, I think it is still going to be tough. Some will stay at a higher level. Some may go down. But in terms of the price increases, we were accelerating our responses on that. In terms of the structural reform, I think that will be more and more necessary, so we will focus on structural reform and improve our efficiency. By doing so, including the contribution coming from growth domains, we will increase our profits in FY2023. We want to maintain this momentum until 2030. The ASV indicators for 2030, we want to come close to those indicators as much as possible. Thank you very much.

Operator: Thank you very much. We'd like to take the next question. Fujiwara-san from Nomura Securities.

Fujiwara [Q]: Thank you very much. This is Fujiwara speaking, from Nomura Securities. Nice to speak to you all. Regarding structural reform, I'd like to raise several questions. First, in terms of financial results, it was very solid. But what was shocking was the US Frozen Foods. In 2014, since the acquisition, eight years has passed, and we are yet to achieve to lower the breakeven point. In order to achieve ROIC 5% or even more, what structural reform will be taking place? How is it going to be different from the past eight years? That is my first question.

Next, regarding Seasonings and Foods. Seasonings, the brand equity as well as share is very robust. It is very resistant to inflation. But this segment not only includes seasonings; powdered beverage, as well as instant noodles are included. And powdered beverage struggled this quarter. In Seasonings and Foods, will you accelerate selection and concentration down the road? Those are my two questions. Thank you.

Fujie [A]: Thank you very much for your questions, Fujiwara-san. I'd like to appoint Kawana-san to address the first question. And for the second one, Mori-san and myself will deal with the question.

Kawana [A]: This is Kawana speaking, responsible for frozen food. Nice to speak to you all. Regarding US frozen food. Currently, eight years have passed and what we have been doing, that was your question. In the first five years since the acquisition, we were unable to perfectly fit the business. The former company, Windsor's low profitability businesses were not flexibly or swiftly terminated. Afterwards, non-profitable businesses underwent structural reform to shift towards more profitable and growing businesses. And we are still in the process of doing that but then inflation kicked in. Structural reform is underway in scaling down the low profit Italian or appetizer, and the extra space is to be utilized for Asian products. We are still in process of doing that.

However, inevitably, low profit businesses can generate marginal profit. That means fixed costs were able to be absorbed. If we are to terminate these low-profit businesses and increase production capacity of Asian products, then marginal profit will go down, and then investments had to be made. So, there's a time lag for us to generate positive impacts.

In terms of the business profit, there is a death valley curve that we had to face. Ideally, this was scheduled to bottom out in H1 of 2021, but the death valley curve even deepened because of the inflation. And consumption was down, so Asian foods are yet to offset the negative impact. So, in terms of overcoming the death valley curve, the timing is delayed and the valley got even deeper. If you could look at page 20 of the material. In H2 2021, the valley bottomed out and in H1 2022, we are in the recovery phase. That is the real situation. Going forward, we project a recovery trend.

We are formulating our Roadmap towards 2030 and plan B and plan C are being formulated as well. We are setting a certain hurdle, and if the structural reform didn't proceed well or further recession happened, then we have to execute plan B or C. Thank you very much.

Fujie [A]: Let me expound on that. For the Ajinomoto Group, we are conducting businesses worldwide. It is inevitable that there are regions and areas or businesses that sometimes struggle. To address that, we think it's important to further our ability to address those situations. And that is what management is discussing.

The situation is very grave for some parts of the world, but we deployed a bad-news-first approach to detect early signs of bad things. At the management committee, there are 10 priority items. Of those 10 items, bad-news-first is something we make sure at every committee meeting. Then once we early detect those bad news items, then the local subsidiary takes responsibility for addressing that matter. If it is above their capability, then the regional headquarters will come in to take charge or take the initiative to deal with the situation, supported by global divisions. If not, then it is escalated to the management level. From a management perspective, we grasp the situation to make sure we take the necessary measures, or we may add further resources to deal with the situation.

Those are the three-tier measures to address those struggles or difficulties to support local entities that face hardships. That is how we ensure the healthy expansion of our businesses around the world. I hope that answers your first question.

Fujiwara [M]: Yes. Thank you very much.

Fujie [A]: Then we'd like to move on to the second question. As you rightly pointed out, seasonings business became a highly resistant business. But apart from that, we'd like to further enhance our resilience in other parts of our businesses as well. At the management level, we are discussing how to reform core businesses. During the executive seminar this year, we visualized this. The current level of the growth potential, as well as the efficiency, we plotted on a map what social values each business bring. If there is any category that struggles, then we can accelerate the speed of reducing more or stopping more or undergo structural reform to transform the business. We'd like to accelerate the speed of transformation. I'd like to ask Mori-san to share specific examples.

Mori [A]: This is Mori speaking. Regarding powdered beverage. In AGF, coffee raw materials, green bean price is the big fluctuating factor. But we have a large share in stick coffee and the usage of green beans is relatively low. Therefore, it can withstand the rising raw material costs. Product portfolio needs to be strengthened in order to address the rising price of green beans. That is how we'd like to shift our business structure in terms of powdered beverage. I hope that answers your second question. Thank you.

Operator: Thank you very much for your question. Next is from Daiwa Securities, Morita-san, please.

Morita [Q]: This is Morita from Daiwa Securities. Thank you for taking my questions. I have two questions.

One is that the external environment has changed dramatically recently. For next year onwards, Fujie-san, what is the change of the external environment that you are concerned about? What do you think the management should respond to? I'm specifically talking about the Seasonings and Foods business.

Second, for the Seasonings and Foods, compared to the past, I think in terms of the potential, I think it has been enhanced. But I think it has not been realized and that has been the trend in the past couple of years. Of course, the raw material costs go up and the COVID-19 situation, maybe that was kind of a bottleneck for you. But you have talked about forming a format, so from next fiscal year, is it really the timing for the sustainable growth for Seasonings and Foods? Or next fiscal year, will you continue to be responding to inflation or the raw material cost increase? What is the stage that the Seasoning and Foods business is at?

Fujie [A]: I will respond to your first point. For the second point, I and Masai will respond. In terms of the change of the external environment, what we know is that we don't know what's going to happen. I think that's the VUCA situation that we are talking about. So, we should be capable to respond to that uncertainty.

Against that backdrop, what is more or less visible in terms of the threat is the reduction or the decline of consumption. How long would this continue? It depends on the business or the market. But in the US, B2C market consumption decline for the non-seasonings area has already started. For a certain period of time, there is a possibility that this will continue. On the other hand, in terms of seasonings, even under a recession we'll be able to exert strength. So, for this business, I think we'll be able to steadily grow the business.

Against this backdrop, how can we stimulate consumption, including the marketing investment that we must conduct? This is what we have to consider. In the short-term, I think this type of initiative will be necessary. Some level of marketing investment budget will be allocated, and we will use this budget appropriately. On this point, in any case, from FY2023 onwards, this will be related to your second question, from H2 of FY2022, the price increases will start to contribute. We have been saying that from before and the direction is just as we have explained, that is our understanding. Going to FY2023, we're still trying to analyze if we'll be able to go back to the pre-COVID-19 situation. But I think it's safe to say that profitability will return, and the momentum has started to recover. Actually, we feel that way in our day-to-day business. We want to put in our efforts every day so that this can be solidified.

As to your second point, you have understood the potential. But in terms of the format, how will this actually be effective? In the short term, as I said, with the overseas seasonings business for H2 of 2022 to FY2023, we think there will be a large recovery. As long as there are no further cost increases, we are quite confident about the turnaround. In the mid-term, basically, it's very important for us to plant seeds, conduct the BMX, and focus on that. Masai-san will discuss some points as well.

Masai [A]: This is Masai speaking. Let me touch upon your point. I, myself, maybe you have heard about this already, but I have been climbing my career ladder basically in AminoScience. I have been the GM of Amino Acid Dept., GM of Specialty Chemicals Dept., and I'm now in charge of the food business. So from my position, I think the integration of AminoScience and food will be my very important mission that I have to achieve. T When I consider that perspective, actually, in the seasonings business, the transformation is difficult to see.

One reason behind this is that our products have already a listed product lineup which utilizes a lot of amino acid technology. That is Deliciousness technologies® Ajinomoto has. Whether it be smell, taste, texture, AminoScience is leverage, but it's just taken for granted. Even the product development staff do not understand this leverage. So, we want to visualize this. With this, we want to conduct one transformation.

Another point I want to make is that I may not be the right person to say this, but before the integration of food and AminoScience, within the food business, there are five businesses in that. I want to combine this in a cross-functional matter. I was, for a time, in charge of Amino Acid and Speciality Chemicals, and the business size is quite different from food business. Food business is quite large in terms of scale and within these subsets, I think there are some silos that must be overcome. How are we going to collaborate within the food business or the various countries? I think there has to be some cross-functional initiatives so that will be reflected. I would like to reflect this in the 2030 Roadmap as well. Thank you.

Morita [Q]: Thank you. It was very interesting. But the integration with AminoScience or the cross-functional integration within the food business, what are you going to start with? From externally, in terms of the first step, where would be the trigger of the first step?

Masai [A]: In terms of Deliciousness technologies®, amino acid's primary function was focused on nutrition. But amino acids are very useful in designing deliciousness as well. This was taken for granted within us, but we have not been able to communicate that externally. What we are very proud of, this design of deliciousness, this utilizes the amino acid technology. We are discussing within the members how we can communicate that Deliciousness technologies® utilizes the amino acid technology. It's a bit vague, but it's not only about nutrition, but deliciousness, that's the perspective we want to communicate.

Morita [M]: So, it starts from marketing or product development?

Masai [A]: Yes, another point is that in terms of the product development, the marketing division has indeed a great influence but R&D, marketing, and manufacturing, or the salespeople who have direct contact with the customers, they all should be contributing to the product development. Not necessarily marketing-oriented specifically, but this integration to be conducted from the other areas as well. Thank you.

Morita [M]: We have been talking about price increases a lot lately, which is also important, but I think, we are going to go to a different stage. I am very interested as to when this stage is going to happen so I will be looking forward to the feedback.

Masai [A]: Yes, we are going to start now. Thank you very much for your expectations.

Operator: Morita-san, thank you. We'd like to take questions from Yamaguchi-san, Goldman Sachs.

Yamaguchi [Q]: Good morning. This is Yamaguchi speaking. My first question pertains to the progress of structural reform. Today, we talked about this, especially on frozen foods and coffee, those are the low profit margin, very low compared to the overall profit margin. ROIC level is going up, so the work needs to be raised, and we need to do something about these low-profit businesses. What are the concrete measures that are already taking place? Next February, you are to announce your MTP but this list on page 16 needs to grow. Can you comment on the structural reform progress?

My second question pertains to JPY 40 billion last year and JPY 30 billion this year in terms of the share buyback. What was the calculation behind it this year?

Fujie [A]: Thank you very much for the question, Yamaguchi-san. Regarding structural reform, I'm sorry for causing the concerns. Structural reform is underway for the businesses that face challenges. As for frozen foods, Kawana-san mentioned earlier, the structural reform is underway, considering plan B or even plan C for a worse situation.

In terms of the coffee business, especially with the AGF profitability that is struggling, we have been discussing this matter within our executive seminar. As Mori-san pointed out earlier, the business highly fluctuates by the price of green beans and it will be difficult for us to further increase the profitability. So, stick coffee etc. needs to be expanded.

We are visualizing the current situation to make sure that the structural reform is generating positive impacts. Not only plan A but also plan B are being formulated, and we are closely monitoring the situation. In addition, regarding the cash conversion cycle, especially the inventory, which is yet to hover high. When the pandemic started, we had to make sure that we supply goods to consumers, so inventory was increased. That was how we dealt with the situation at the start of the pandemic. But now the global economy may start to shrink or go into a recession, then the inventory level is a big risk for us. Therefore, we are announcing to all departments to make sure that the inventory level will be minimized, to be reduced to the appropriate level as soon as possible. That is a company-wide effort to cut down on inventories.

Those are part of the discussions at the executive seminar and going towards the future Medium-Term ASV Initiative. Within the Executive Committee or BOD, we are discussing internally which business we should focus on, stop, or reduce. That is the current situation.

To address the second question, JPY 40 billion last year and JPY 30 billion this year in terms of share buyback. Considering the cash flow situation, inventory has increased, and the current cash flow stands at JPY 112 billion, so we decided to go ahead with the JPY 30 billion share buyback. If you could follow up, Nakano-san? Could you please comment?

Nakano [A]: This is Nakano speaking. If you could refer to page 30. In terms of the cash flow forecast, our cash-in operating cash flow is the one we prioritized. How much cash will be coming in? And how much of that can be used to invest for growth? And if there is any excess, then we would like to return the remaining to shareholders. There needs to be this delicate balance to prioritize these two. With that in mind, we decided to cap the amount of share buyback at JPY 30 billion.

Yamaguchi [Q]: Thank you very much. Regarding the first question, in terms of structural reform, cost inflation may have been prioritized, this year. But based on the competition as well as the demand, what is the specific decision or KPIs that we can evaluate? When you announce the MTP next February or March, please show those thresholds.

Then in terms of shareholder return, there is an incoming cash flow regarding the sale of the land of Kawasaki. Did you actually factor that in? Or was it something else?

Fujie [A]: I'd like to address the first point. We'd like to show what can be disclosed to seek your maximum understanding. We have been discussing internally the current status of business and especially the social value we are to create in the future. By ascertaining that, we continue the business if we achieved by when, by what level, or otherwise, we would make a bold decision to terminate that business. If there is anything we can disclose at the time of announcement, then we will. To address the second question, Nakano-san, could you please comment?

Nakano [A]: Yes. We are yet to complete the sale of the land in Kawasaki. The timing is yet to be decided. Considering that we are forecasting this future cash flow, and based on that, we decided to make the share buyback this time. Thank you very much.

Operator: Yamaguchi-san, thank you very much for the questions. Next question, JPMorgan Securities, Yoshida-san, please.

Yoshida [Q]: This is Yoshida from JPMorgan Securities. Thank you very much for taking my questions. I have two questions related to healthcare.

One is about the Functional Materials business. Yesterday at the teleconference, you have mentioned the growth momentum might slow down temporarily to H2 FY2022. Going to, I think, at the end of August, at the business briefing, not only ABF, but for instance, the encapsulating materials or the magnetic materials start contributing. What's the application for these? Are these the same type of ABF? What's the % per application? In the same way as ABF, is the ratio of PC applications about 30%? What's the current status?

The second point is about the Bio-Pharma Services & Ingredients. In H2, I think in the presentation, through the mix improvement, we'll be able to improve the profit. But in today's presentation, culture media was the main explanation. Is culture media business going to expand in H2, is that incorporated into your outlook? Is the same situation going to continue towards next fiscal year? Would you give me some explanation about that?

Fujie [A]: Yoshida-san, thank you very much. Maeda-san, first, would you start off the answer?

Maeda [A]: Yoshida-san, thank you very much for your question. I was looking forward to your question actually. For Functional Materials, and industry wise, we are thinking that we're going through the adjustment stage. But as Fujie-san has said in the explanation for 2025, CAGR 18% growth is going to be expected. If you look at the fact that bigger data, wider network, higher speed are going to be required, within a certain period of time, the CAGR 18% is quite solid. But currently, I think there is a possibility that we will enter an adjustment phase at some point.

Talking about the feature, basically these are the films for the substrate for semiconductors. Those films are heat-resistant or does not conduct electricity. It's easy to explain but very difficult to copy. That's the reason why we are appreciated. For the magnetic materials, I think that's what's going to grow, going forward. Higher speed or higher capacity is going to be asked for and when you use a lot of electricity, you'll be heating up energy, consumption-wise, is not good And PCs and servers will be heated up. So we're focusing on developing magnetic materials with the customers, which can offer the same level of functionality with less electricity. Not only the semiconductors for PCs, but functional materials for smartphones and a lot of interesting materials are included in this segment. That's all from me about that the first point.

In terms of the culture media. For the pharmaceutical development phase, it's a kind of a supporting actor. For the development of pharmaceuticals to go well, it's kind of nutrition, like by combining amino acid and other nutrients, this will support the research and development. Nowadays, cutting-edge medical care in particular is advanced, and the culture medium itself has been around for a long time, but more difficult and advanced culture media are required. More and more difficult demands in terms of functions, speed, and value are coming from the customers. We have to differentiate from others and make new things that will not be commodities add value. Basically, looking at the progress of the pharmaceutical or the medical business, I think the important thing is that how continually we can propose culture media and how much of the pipeline we can have.

Yoshida [Q]: First of all, in terms of Functional Materials, in H2 FY2022, FY2023, FY2024, this is a very short-term outlook, but how much of the growth rate are you anticipating? I think CAGR 18% won't change but in terms of the bottom of the range of the growth rate, what is your forecast? And so Bio-Pharma Services & Ingredients, growth in culture media is going to be the driver in H2? Is that the assumption?

Maeda [A]: Functional Materials, we cannot disclose the details but compared to H1, maybe H2 will see an adjustment. The growth rate, H1 will be higher. In terms of the full-year growth, this year's growth rate will be higher than CAGR 18%. But H2 at some stage, for a couple of months or maybe for the six months, maybe compared to H1, the momentum will decelerate. But that said, the higher growth rate than 18% for this year can be achieved.

In terms of culture media. This is different from food and other businesses. If there's a clinical trial that the customers must do or when a production happens, then there's a huge bulk of orders. How the shipment works is kind of lumpy. H1, there were some orders that we had expected but not gotten or on the other hand, there were some orders that we hadn't expected to come in H1. In H2, we think the orders will be flowing in steadily but we look at the demand supply situation carefully whether the development stage of the clients will be on time or whether they'll be able to get the approval or not. Thank you.

Yoshida [Q]: Understood. Thank you.

Operator: Yoshida-san, thank you. We'd like to take one more question before we close the Q&A. Miura-san from Citigroup.

Miura [Q]: This is Miura speaking from Citigroup. Nice to speak to you all. My first question. In Japan and Southeast Asia and the United States, Ajinomoto is well-known. You have this strong brand equity. However, even with that company, the profit is eroding. Nestlé is in the same situation and I'm not blaming you or anything. Having said that though, even for a Japanese company, depending on each region, even with the price hike, the profit does increase. So there are positive companies and negative companies in the food industry. Even with the brand equity of Ajinomoto, your profit was down. What is the background? Especially in Asia, usually you enjoy strong sales and market share, and your profit could have grown. However, your profit was down quite significantly. What is the underlying basis for you to explain the situation? That is my first question.

My second question. We've already completed the financial results for H1, so what are the business profit drivers for the next year? I'd like to address this question to Fujie-san.

Fujie [A]: Miura-san, thank you very much for the questions. Regarding the first question, the management is highly aware of the financial situation of the global companies, and we are closely analyzing the situation. According to our analysis, we have been increasing the prices, but we needed to do more. Price hike was not enough. That was our reflection.

But on our part, short-term profit is also important, but mid-term scale is important for us to keep generating profit. Therefore, we did not want to lose our share because of an extreme price hike. Depending on the situation in each country, we carefully assess the rate of price hike. The time lag caused by this has been reduced compared to before, but the level of price increase was not enough compared to global industry leaders. We see that as an issue, and we need to carefully monitor the situation.

But how much further price increases can be implemented? And how can we address the lower consumption by marketing and so on? Those are the biggest struggles or obstacles that we have to face. There were certain positive impacts that we were able to generate, but we do have issues, we are cognizant of that. We would like to further our ability to address those remaining issues.

Regarding the second question, going forward, the growth drivers for the next year and onwards. As we've announced earlier, in overseas seasonings, profits will reverse from a decline to an increase in profit. That is our forecast. We will be able to reach the pre-COVID-19 level of profit margin. The top line is already growing significantly, which could address the entire group business.

Also, for Electronics Materials, as Maida-san mentioned earlier, CAGR 18% will be achievable mid-term. Bio-Pharma Services is also another driver to make progress as planned just like we mentioned in the business briefing in August. And as Mike-san presented today, the culture media. Also Amino Acid Dept., which he oversees as a whole, has been steadily increasing both the top line and profits over the past 10 years. Especially, the quality and the trust level for our supply chain is increasing. We don't actually call it or single it out as a growth driver, the amino acid itself, but those will address our entire businesses. That is how we foresee the future.

There are headwinds that we have to face, but there are growing areas, which will make contribution to the profit increase in the future as expected by the investors and shareholders. With a firm determination to steadily increase profits as expected, we are now working on this in management. I believe that this will lead to ASV in earnest.

Miura [Q]: Thank you very much Fujie-san. I'd like to confirm a few points. At the end of the day, as you know, the seasonings of Ajinomoto are quite familiar to our daily lives, so we must also consider consumption as a whole, the public, and so on. Against this background, is it correct to understand that there is inevitably a time lag and that it is difficult to take advantage of profits?

Fujie [A]: Yes, your point is taken. For instance, in Thailand, the prices of umami seasonings are tightly controlled by the government. Only by our business decision alone cannot increase the price for those seasonings. Also, we must take into consideration the household budget of the consumers and we'd like to provide solutions to solve food and health issues.

Miura [Q]: It is already November 8 today, but considering price increase in Thailand, food business will enjoy a positive increase in profit in H2 FY2022? The visibility of your plan is quite high?

Fujie [A]: Yes, it's highly visible. In that sense, we are implementing measures for us to attain what's in the plan. Thank you very much.

Operator: Thank you very much. This ends the Q&A session.

[END]