

Eat Well, Live Well.



Ajinomoto Co., Inc.

Medium-Term ASV Initiatives 2030 Roadmap Briefing
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
- 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
- Chika Morishima, Executive Officer, in charge of Sustainability and Communications
- 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:

https://www.ajinomoto.co.jp/company/jp/ir/event/medium_term/main/012/teaserItems1/0/linkList/02/link/2030roadmap_QA_J.pdf

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

Operator: We would like to move on to the Q&A session. From Mitsubishi UFJ Morgan Stanley, Tsunoyama-san, please.

Tsunoyama [Q]: Thank you very much for your wonderful presentation. This is Tsunoyama, Mitsubishi UFJ Securities. I have two questions to raise. This was a very ambitious and challenging presentation, midterm ASV initiatives, that was announced. According to the plan, what is the level of your commitment and confidence level, from your point of view, especially with the business profit CAGR of 15%-plus or ROE to 18% towards FY25? In terms of the level of confidence, could you please outline?

Fujie [A]: Yes. Thank you very much. Regarding CAGR, a 15% growth by FY25, when we formulated a 2030 roadmap, the management level discussed this matter. Each region also discussed this internally in terms of what is an attainable goal. We thoroughly debated this internally and carefully considered this figure. By FY25, we are already making preparations. To what extent are they bearing fruit? That is one part of the calculation we made. Of course, there are some invisibilities still. However, in terms of rolling forecast that is performed on a monthly basis, we are taking flexible measures. That is the key.

Anyway, we have a clear path towards these goals and we're also making sure that the progress is being made along the path. We are more capable of doing so nowadays, including the management level. In terms of meeting these goals, we are quite confident. Having said that though, there are many uncertainties that could possibly happen in the future, and we need to make sure that we can resist those unexpected changes down the road.

Tsunoyama [Q]: I'd like to ask you a follow-up question. In terms of profitability, compared to the original plan, top line growth remains unchanged, but ROIC and EBITDA increase. Profitability, compared to three years ago, has changed to reflect your higher confidence. What is the background of this?

Fujie [A]: Yes. Thank you. In terms of the breakeven point, it needs to be lowered. That is the requirement from the management point of view. When I came on board, I told you about initiatives like passion, purpose, and OE. We need the OE process to buttress our business foundation and increase efficiency. By doing so, we can buttress and make the business structure leaner.

By introducing PI, we can actually create more profitability. That data needs to be visualized to identify where we are succeeding and where we are not. Where we are failing, we should identify measures to address those inadequacies. In terms of the execution level, we are more capable nowadays. That is one background.

Having said that though, our efforts need to be accelerated in a much larger scale, especially towards 2030. To what extent can we achieve growth in those four business BMX areas to attain JPY300 billion, how can we make sure that we attain these goals, we are trying to visualize measures.

Tsunoyama [Q]: Another follow-up question regarding business ABF (Ajinomoto Build-up Film®), electronics materials business, what are the reasons you raised the CAPEX plan this time? In addition, the BCP measure you added anew, what are the challenges that you are currently facing? And what concrete measures are you going to take? Could you please expand on this matter?

Fujie [A]: Let me first provide the outline and then Maeda-san can provide more details.

Well, regarding the market of ABF, that will grow rapidly. That is our expectation. Of course, as we communicated earlier, for PC applications, inventory adjustments will take place, but in terms of PC exposure,

the composition ratio of PC is actually lower than 30% as we announced earlier. ABF for servers or data centers are on the rise. Of those, ABF is evolving to become a high-performance and high-function item. That is increasing in terms of volume.

When the customers place orders, we need to be able to meet those customer needs and the investment must be made to meet those customer needs. We are not significantly increasing the level of investment, but we are trying to focus our investment into necessary items.

Regarding BCP measures, Gunma prefecture and Kawasaki prefecture are the central areas. It can be better balanced. Another remote area might also be utilized. The details can be provided from Maeda-san.

Maeda [A]: Thank you very much. This is Maeda speaking. I'd like to expand on the matter.

As Fujie-san said earlier, high-performance computing, described on page 27, is becoming or advancing on a further accelerated level compared to what we expected a few years ago. 3G, 4G, 5G, 6G, as the rapid advances are made more and more, the requirements for ABF become higher and higher.

With the advancement in the required level of specs in terms of insular property and heat-resistant property, the number of servers is also increasing as well. That means volume as well as unit price will be greatly increased. The speed of transformation is faster than expected, and this is also reflected in the recent plan. The investment level is rising due to the recent inflation as well, that is why we calculated JPY25 billion, in order to meet the demand from the market, and that shows a level of commitment.

Regarding the second question pertaining to BCP, as you are aware, we have been de facto standard, and we have a very high share. If Ajinomoto Group fails to provide ABF, then it's going to create a very difficult situation. Therefore, we need to withstand any possible natural disasters at factory level, and that is the BCP taking place. We are already doing enough. However, we'd like to do more for the foreseeable risks to alleviate market concerns. That is why we are focusing on BCP and elevate each year.

Tsunoyama [A]: Thank you very much.

Operator: Tsunoyama-san, thank you very much. Next, Saji-san from Mizuho Securities, the microphone is yours.

Saji [Q]: Thank you. I have two questions. First, as a management, in ASV indicators, you had incorporated the challenges. I want to clarify what part is challenging, what are the high-priority areas. Taking those risks, the plan is to make the return at such a level, but I need to know the risks as well. What could be the risks, and what kind of return is designed in these indicators.

Fujie [A]: Yes. First, challenging ASV indicators, why have we formulated this? One thing is that we want to pursue ASV with determination and ambition. We would like to improve operational efficiency, and we want to do our best effort. I think if you have a challenging target, that will lead to your growth. That means that in Ajinomoto Group, we had some organization that was able to do, but not all. That's a reflection.

Especially, domestic food business in the past five years, sales and profit have not been able to grow. They were able to protect their market share, but I think by changing that culture and way of thinking into a challenger, I think then it could become a driving force for the growth. From yourselves, you have to challenge. Now, we see a lot of seeds being planted. We have Okamoto-san as Marketing Executive Director. He is leading that. Masai-san is going to add some comments for this.

The risks here, the future, we cannot actually make forecasts. In our management, we want to grasp risks of such kind, as a management risk, and we would like to have a committee and launch a committee that could address that. Up until now, we've written underneath the risks, war risks or conflict risks, but to that, we did

not have enough BCPs. I think we could assume such risk will happen in the future. These unforeseeable risks, we need to write down what could they be. That could become a bigger risk in the future. Masai-san, could you tell us more about it?

Masai [A]: Yes. This is Masai speaking. I'd like to supplement.

For Japan, as was mentioned by Fujie-san, earlier in the past few years, we were not able to grow the business as it should have. Ajinomoto Group, what is the strength? First, we have the food and AminoScience®. We have B2C and B2B business, and we have domestic and big overseas business. In that matrix, the B2C Japan food is not growing well, but in another perspective, we can say that there is still room for growth here.

As earlier mentioned, we want to enhance and improve the marketing. We have Okamoto-san and he is going to head the Marketing Design Center. As was mentioned in the presentation earlier, we have a globalized business now. We thought the center was Japan, but East Asia and China are rising, and they are directly controlled from Japan headquarters. We have a keyword here. Exporting from Japan to China, and we have seen them accelerating.

I think enhancing marketing and having a bird's-eye view of East Asia, not just Japan. And as of the risks, because of Ukraine war, we have the raw material energy prices surge, and we are trying to cope with that situation. For example, competitors' analysis and so forth, we have been seeing various risks. Together with the corporate, we are looking at them. Continuously, we want to keep an eye on them.

Saji [Q]: Thank you. Another thing is a very simple question. I'd like a hint from you. I believe that until now in Japan, there has been created a traditional, issue-laden consumer goods company. In the future, in order to increase your presence as a consumer goods company in the world, including your corporate brand value, how do you want to establish a unique position for Ajinomoto Group by making it appealing from the outside? What is the positioning of Ajinomoto? In the relative value comparison with others, what would be the differentiating factor for your company?

Fujie [A]: Yes, I'm thinking about how we can differentiate. Yes, especially the Value Creation Advisory Board, we launched them in last April and we have some experts in that committee. The management meeting also evolved. We are discussing in that committee that *Interbrand* Namiki-san is also involved. How are we going to enhance corporate brand of Ajinomoto Group from various aspects? He's given some ideas.

Now, it is rather multinational corporate brand, but how are we going to bundle that globally? That's very important, so we've started this initiative already. We make various contents, and we need to utilize them globally. Eat Well, Live Well, towards that AminoScience® company, I think we need to have that recognition globally, and we are thinking about what we can do for that.

Through those initiatives, I think in each of the countries, not just the members in the communication and PRs, I think various members and employees, engagement and passion would be increasing, through those efforts. For example, in Indonesia, we have health provider initiatives. Not just people, but we're thinking about the planet's health, we have some products with paper package instead of other packages, and they're selling well. We have the video made in Indonesia that is shown around. The other region members are also seeing that video and the Philippines and in other countries, they want to make the same video as such. Towards Eat Well and Live Well, how can we fully utilize AminoScience® and contribute to the well-being of the human beings and the planet? I think that could be a trigger and the roadmap towards our goal. We have that plan.

Today, we have Morishima-san in charge of communications. In that aspect, she's also in charge of sustainability, sustainability and communication and corporate brand. I think she is heading that department and doing some various initiatives, so she could explain to us some of the initiatives.

Morishima [A]: Thank you for your question. This is Morishima. I would like to complement Fujie-san's comments.

Yes, as was mentioned, with AminoScience®, we want to contribute to the well-being of the human beings and the planet. That is our target, and we want to have a shared view by our stakeholders as well. As for the corporate brand, so far, we are still having a discussion based on B2C, but AminoScience® B2B is also important, and we want to communicate that to our stakeholders through our corporate brand.

As was mentioned earlier, sustainability in various divisions, corporate, we are thinking about how we can be friendly to the Earth and the health, for example, to the consumers and seikatsusha (consumers). Ajinomoto Group is a company providing a traditional seasoning with safety, but we are more than that. Through communication, we would like to strengthen that sustainability. Doing is very important, but at the same time, communicating that to the stakeholder and making them understand and having their support is also important, I think. I would like to do our best in that aspect.

Saji [Q]: Yes, I'm looking forward to seeing that. Thank you.

Operator: Thank you very much, Saji-san. Next is Yoshida-san, JPMorgan Securities.

Yoshida [Q]: This is Yoshida speaking from JPMorgan Securities. Thank you very much. I'd like to ask two questions of you. First, pertaining to the four BMX, regarding Healthcare, when you mentioned that the strategic core businesses will be driven to propel growth, you earlier mentioned this as well, but to what extent are you going to accelerate the growth under these strategic businesses? Could you be more specific under Healthcare? Also, during your presentation, you mentioned medical food and cell culture media. You're planting seeds, I understand, but in terms of the entire Healthcare business, how is the growth being accelerated and contribute to the overall growth expansion? That is my first question.

Fujie [A]: Thank you very much for the question. Now I'd like to address that question, and then details will be provided from Shiragami-san later.

Regarding Healthcare, we have high hopes for the business. As we have announced earlier, many seeds were planted. In terms of oligonucleotide acids, customers are placing orders and the pipeline is growing. Regarding the regenerative medicine, cell culture media, we are already planting seeds and bearing fruits. Those will be the areas that are driving future growth, and we need to also accelerate those initiatives down the road. Considering all these, our growth can be certainly achieved. Details will be reported from Shiragami-san.

Shiragami [A]: Thank you very much for the question. This is Shiragami speaking. I'd like to provide some more details.

Regarding the AJIPHASE® acceleration, as we have communicated this before, in the Healthcare, AJIPHASE® is now becoming a robust driver and CAGR 20% growth will come from AJIPHASE®. That is the bold target that we have set. To achieve that goal, first, we need to enhance our capacity. Small-molecule capacity or facility can be shifted to AJIPHASE®. Part of Belgium, S.A. Ajinomoto Omnicem N.V. plant and Tokai plant will shift from small-molecule CDMO business to higher-margin AJIPHASE® business. Those initiatives are underway, and we need to accelerate that.

Number two is the expansion of portfolio, oligonucleotide medicine consists of multiple compounds, and those will be further expanded to enhance our pipeline. Currently, we have a highly promising compound. On top of that, we have another group, consisting of siRNA, for instance. By expanding the scope to those areas, we can project a further revision.

And then number three, AJICAP® was added anew. Unlike AJIPHASE®, a process for Oligonucleotide, this is a new technology that is emerging. Like AJIPHASE®, this is a new-type healthcare business that we'll be able to engender, utilizing this AJICAP® technology.

Regarding the second question, cell culture media as well as medical food, starting with the cell culture media, regenerative medicine cell culture. Stem feed has become a de facto standard within Japan and also overseas as the sales is increasing. Regenerative medicine launch, Dr. Yamanaka won the Nobel Prize, but it's taking time for the market to mature. Products are being launched in an increasing number in recent years, and it is being commercialized. There is a much clearer visibility with this regenerative medicine. The cell culture media for regenerative medicine purposes will expand.

Regarding the medical food in the United States as well as Ireland, we acquired companies in these two regions, and we are growing. This is a therapeutic food for intractable diseases, and the services can be reimbursed. Even in a country where these services are not reimbursable, we can actually expand this business. Therefore, medical food will be globally expanded towards the 2030 roadmap.

I hope that answers your question.

Yoshida [Q]: Thank you very much. Pertaining to the CAGR growth of 20% you'd like to attain with AJIPHASE® on a sales space, is that right? Toward 2030, that is an ambitious goal.

Shiragami [A]: Yes, that's right. As we've communicated earlier, the previously introduced growth trajectory has been announced, yes.

Yoshida [Q]: On the previous IR Day, the graph showed that by 2025, CAGR target for Healthcare was +JPY30 billion for sales and + JPY12 billion for business profit. I assumed you can surpass the targets a bit more, but are you further raising the bar, or rather, are you focusing on the previous projection?

Shiragami [A]: I'm focusing on the previous projection, and then there will be a small incremental increase than that.

Yoshida [Q]: I understand. Rather than previous announcement, the growth is accelerating. Is that right?

Shiragami [A]: In terms of the growth rate down the road, it's higher than expected, yes.

Yoshida [Q]: Yes, that's right. The current road map shows a higher growth proportion. In terms of AJIPHASE®, the pipeline is increasing. Are you expanding the share of CDMO oligonucleotide?

Shiragami [A]: Yes. As I mentioned earlier, to cover multiple disease areas, multiple oligonucleotides are within our pipeline. And AJIPHASE® is expanding the adaptation of the technology. Therefore, our penetration will further rise as the adaptation goes up.

Yoshida [Q]: Thank you very much. I have another question. Regarding frozen foods in the United States, JPY10 billion business profit is the target. I have concerns, but the recent months in December and January, things are improving. What is the change? What's driving the change or improvement in frozen foods in North America?

Fujie [A]: Yes. I'd like to address the outline, and then Kawana-san can provide some more details.

As we mentioned earlier, TDC margin, total delivery cost margin, is visualized and carefully monitored and also, the top line unit price hike has been monitored. Price increase as well as TDC margin, those are the key indicators that we are closely monitoring and both two are improving. To do so, we need to make sure that

through price increase, we need to grow the revenue, and the cost of goods sold at the plant level must also be reduced. Also, we are dispatching experts from Japan. Details can be provided from Kawana-san.

Kawana [A]: This is Kawana speaking in charge of frozen foods. Thank you very much for the question.

Regarding our North American business, broadly speaking, there are two areas. One is the high-margin, high-growth Asian products. The other is low-margin, Italian products and others. Those are the two different categories that we need to consider. Structural reform is underway, and we are carefully considering how to reduce the low-margin products, but Asian products are increasing. Therefore, asset divergence is being promoted in these two segments.

This is kind of a death valley where we are facing. We need to reduce certain level of sales because of the structural reform, yet we need to actually spend more for the asset diversion. There, the lack of labor as well as the inflation came in because of COVID-19. We had to face multiple crisis, but it has been alleviated after a certain period of time, and the increased capacity is actually operated to increase sales. Now, structural reform is underway to start generating profit, and we are ready to start generating profit. That is the recent situation.

Regarding the pandemic, the support provided from Japan has been stalled, but as we go enter the post-pandemic era, we resumed the support and we'll be able to meet your expectations and rectify the situation.

Yoshida [Q]: Thank you very much. Going forward, including the price revision, the unit price increase to raise your sales to secure a certain level of profit, that's the plan and you are entering a recovery phase. Is that right?

Kawana [A]: Yes. Within frozen foods, there are different categories, so portfolio needs to be shifted towards the high-margin ones. That shift is underway, and we see a clear path. Then in the United States and Europe, gyoza and other Asian products are growing steadily. Therefore, as well as in Japan, things are improving. The performance overall is improving as a result.

Yoshida [Q]: Thank you for outlining the situation.

Operator: Thank you very much, Yoshida-san. Another question from the webinar, Takagi-san from SMBC Nikko Securities.

Takagi [Q]: This is Takagi of SMBC Nikko. Hello. I have two questions.

Fujie-san, you mentioned we are now fully strengthened that we can go to the roadmap towards the growth. In the full field, you're going to increase the sales of JPY300 billion in four growth areas, and business profit is 40% of the total growth. That means that the profit of JPY50-60 billion is going to be raised from here. Can you be more specific for the growth area? I'd like to know. You mentioned that you have the growth trajectory, but which part is going to grow? What are you expecting most?

Fujie [A]: Yes, I'd like to talk about the overview and then Shiragami-san and Masai-san would like to supplement.

One, in the area of Healthcare, as was mentioned earlier, we have already seeded, and the market is going to grow. That is sure. Another one is Green, especially green food. I think, including start-ups, various companies have entered into this market, as you know. Our company, we have AminoScience® and we can utilize this. From the customers, we have a lot of inquiries. In North America, we have a customer innovation center, and there, the customer can actually visit and taste plant-based food. We are now improving the product. People say that Ajinomoto Group is different. We have an ecosystem together with our customers, and we have so

many customers involved now. With this expertise in US, in Japan, in Europe, and in ASEAN, we want to make this. That is our roadmap, and that is visible now.

Shiragami [A]: Yes, this is Shiragami, and I'd like to comment about the JPY300 billion of sales. With the existing core business and the growth of BMX, we have divided them and calculated differently. As of this JPY300 billion, it is a portion of BMX growth. Amongst the BMX, we have four areas. In that, Healthcare and ICT, we have made various explanation towards FY25 to FY30 growth plan. Yes, so once again, for instance, we have reviewed AJIPHASE® in this roadmap. We may be able to see incremental growth of AJIPHASE®. That forecast is included here.

On the other hand, Food & Wellness and Green, for those two, this is also included in the JPY300 billion. Those are the new additions. As for Green, in last year's IR Day, we've already presented you about green food: plant-based protein, cultivated meats, and also fermentation technology. While protein crisis or so many technologies coming out, we have the fermentation technology and Deliciousness technologies® and have opportunity to grow B2C and B2B globally in this Green business. We have written and we have made this a new pillar for the growth strategy.

For Food & Wellness, as was mentioned earlier by Fujie-san, one is data is going to be involved. Also, Masai-san mentioned about the strengthening marketing. We will have more of the product, and we will have challenging initiatives. In addition to that, through usage of digital technologies, we will be able to acquire personal data in the coming years. I think DX in food business is also going to start. Towards that, we want to be advance. For data-personal solutions, we will also expand our business in the area of Food & Wellness. In Food & Wellness and Green, the target is tens of billions of JPY, moreover, JPY100 billion. JPY100 billion is not fully included, but we want to achieve this towards 2030. Towards next year, in IR day, we want to present specific figures.

Takagi [Q]: Can you break down this JPY300 billion? This JPY300 billion incremental sales, can you break them down by Healthcare, ICT, Food & Wellness, and Green?

Shiragami [A]: At this point of time today, we're not able to make any disclosure for the breakdown.

Takagi [Q]: Of course, overwhelmingly, Healthcare and ICT, you mean, right?

Shiragami [A]: Well, I think when you look and recall last year's IR Day, Healthcare and ICT are not the most out of JPY300 billion, and you can identify that. Green, Food & Wellness, we have new size of business which could become our new pillar, and that is going to be launched.

Takagi [Q]: Another question is, within the coming three years, I was surprised that Seasoning & Foods, this CAGR of business profit is 12% towards FY25. I think this is an accelerated figure from what you showed in the past. Before COVID-19 and now, I think profit-wise, you have not grown this business. The level is JPY80 billion level, but in the coming three years, you want to exceed that with JPY100 billion. How can you do that?

Fujie [A]: Yes, the first and foremost factor here is that, during the COVID situation, we have raised prices, and we had lowered the breakeven point. Based on that calculation, we came up with that figure.

Takagi [Q]: Yes. However, I think, of course, there should be some responses, but when you look at the three-year acceleration and looking at the past, I think it's unlikely to have that kind of acceleration.

Fujie [A]: Not just price increase. We have new products contributing to the sales. By combining AminoScience® and food, we have a lot of inquiries from our customers. For example, until now, food product sales representatives have visited food product manufacturers to propose improvements in seasonings and textures, but now members of the Japanese food product sales team are studying about amino acids quite

intensively. We have begun to propose the functions of these amino acids, such as immunity, to our customers and have them incorporate them into their products. This is a business that offers considerable profit margins.

Masai-san and Maeda-san are always having communication, so maybe can you comment on that more in detail?

Masai [A]: Yes. This is Masai speaking. As first mentioned by Fujie-san earlier, especially in the area of B2B, we call them customer assets. Customers were divided into AminoScience® and food. Not now, we've started to combine this. We have found that we can integrate AminoScience® and food quite well and provide value to our customers. We have a lot of inquiries from our customers. The sales team of both AminoScience® and food getting together and formulating various plans to gain more sales.

In addition, it was written in the Food & Wellness part of the slides, we have regional strategies, and we want to enhance this and strengthen this. This is very important. Of course, in the past, we had regional headquarters, but we want to have a global bird's-eye viewpoint. For example, we think that ASEAN will grow in the coming years. Seasonings was the driver, but along with the economic development and growth, the quality of the people's living will shift, and we expect the expansion of sales of frozen foods and processed foods.

For example, the instant noodles and beverages, we're successful in Thailand, and we will have more of new products and we are also considering expanding our product axis and countries of operation. Region-wise, we do have frontiers. For example, in ASEAN nations, Cambodia, Laos, Myanmar, not ASEAN but Bangladesh, I think we have new markets to grow. For example, in Malaysia, through our new plant, we will be distributing halal-approved food, and that could be exported to other countries, Islamic countries. We can expand more in the region, and through the marketing design center, we can enhance our marketing. The keyword can be like D2C. We are looking to grow our D2C business which will lead to an increase in healthy life expectancy.

Fujie [A]: One more thing is about lowering breakeven point. There is still room to become leaner, and I think this means a lot. In 2011, I went to the Philippines, the sales were about JPY10 billion. We didn't really make any profit, but we said that we should make this sales triple and more than 10% of the profit towards 2020. We made various initiatives there. Of course, the top line will grow from after but first, we wanted to make the Company lean, the management lean. By making this organization leaner, we can improve the top line. Within our organization, this is proven. The members of the Management Executive Committee have experienced that in the past. Of course, this is not only by their enthusiasm. It is by improving the Operational Excellence as well. We should visualize data and make various initiatives, and then I think we can reduce the level of breakeven point and that is going to be an important factor. Thank you.

Takagi [Q]: Yes, I understood now. Thank you very much indeed.

Operator: Thank you very much for the questions, Takagi-san. Now, we'd like to take questions from Fujiwara-san, Nomura Securities.

Fujiwara [Q]: Thank you very much. This is Fujiwara speaking from Nomura Securities. This is a very exciting target and presentation, and it's full of dreams, ambitious goals, for employees as well. Starting with the foods, especially frozen foods, in the United States, you mentioned that the structural reform is underway and bearing fruit, but Windsor was acquired in 2014, and in the last few years, you faced cost inflation. Why, to begin with, the first process took so long? I'm just wondering. Could you please mention or answer my question?

Fujie [A]: Thank you very much for the question. When I came on board, I told you we needed to increase speed as well as scale. And we are still working on it. As Fujiwara-san pointed out, this has been a challenge, and we are still addressing the issue. The mechanics needs to be in place. Globally, we are operating multiple

businesses, and there will be one or two suffering businesses we have to face, or it may be regions we have difficulty with.

In the past, each local entity, had the responsibility to rectify the situation. That has been the traditional style because it was their local responsibility to address the situation. That was good to some extent, however, there is some uncontrollable items or crisis developing or escalating into a further difficult level. There is a certain level of problems that can be addressed locally, but regional headquarters must engage to rectify at another level, and then the Executive Committee must monitor a higher escalated crisis. We have now classified the crisis into three tiers like this.

Also, with the frozen food in the North American region, the Executive Committee is supervising the entire initiative. What's taking so long in the North America frozen food? That is the reflection point. Therefore, the executive team is considering what measures need to be taken. Finally, in the latest figures in this December and January, we are starting to see signs of improvements.

Fujiwara [Q]: Speaking of the frozen food in the United States, amounting to JPY10 billion of business profit, but the margin is still at the 4% level. It's so low, but for example, growing this into 10%, what is going to take that to grow from 4% to 10%, what needs to take? What is your roadmap towards reaching 10% profit margin in frozen foods in the North American region?

Fujie [A]: I'd like to focus on gyoza and Asian frozen food items. We are about to enter that top line growth phase to top by 2030. Of course, we want to make more profit than 10 billion yen, but appropriate marketing investments must come to exert effective marketing procedures. By using existing facilities without any major additional CAPEX spend, we need to actually concur the market better. Of course, our passion may differ from the level of investors or shareholders. But on a mid- to long term, this corporate value generating a certain volume growth and this volume incremental increase can be better addressed through the current management method. That is carefully planned, and that is the conclusion we derived. That's why we set the target.

Fujiwara [Q]: I understand. Thank you very much. I have high hopes. Thank you.

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

Morita [Q]: This is Morita from Daiwa Securities. Thank you. I have one question because of the time limit. Portfolio management, you mentioned that you want to improve that. Well, I think you have been working on some various things to stop doing, but now you want to focus on collect and change. that. I think there should be different difficulty arising. In order to review portfolio management, in thoroughly doing that, what would be the important factor?

I know there will be Healthcare transitions, as you said. But how about Food & Wellness? It is possible to speed up and change? I do not see a sure aspect. If you are thinking in this area, M&A is going to be an important tool. Earlier, Fujie-san, you mentioned that until 2030, the budget of M&A is JPY300 billion from the global point. It is a little bit disappointing that the global company will only have 300 billion yen by 2030. Can you tell us about how you think about M&As as well?

Fujie [A]: Yes. First, as for JPY300 billion, this is just a number, but in the BOD and in the Executive Committee, we are discussing and if there is a necessity, we can increase that. That is not totally denied, if we need to do so.

As for the transition of the portfolio management, Morita-san has asked question before about the Sustainability Advisory Committee. We have materiality arising from there. We are having a discussion, that we will generate corporate value from our unique AminoScience®. We need to go through that discussion.

And another thing. Relatively speaking, up until now, we have had the various initiatives starting from bottom up, and compared to other competitors around the world, I think we had the capability at the site. What I reflect is that as a top management, are we fast enough? Are we quick enough? And are we really exercising what we need to do? I have various communication with other CEOs and sometimes I feel that that we are still lagging behind.

If we are to transform big portfolio changes or management, bottom-up is important but I think appropriate top-down decision is also important. I think I would like to have that in my mind in BOD and Executive Committee meetings. As the top leader of this company, I would like to make decisions in case of need. That's how I think about portfolio management especially.

As for sustainability promotion in the coming years, how are we going to implement that in the mid-term ASV initiatives? For example, our purpose. We were given the word, AminoScience® from the Sustainability Advisory Committee, the hint was given to “contribute to the well-being of all human-beings, society and our planet.” Having that in mind, we need to evolve our portfolio. At the right time, we would like to report to you. Hence, we would like to have your appropriate advice.

Thank you for your question.

Morita [Q]: One more. In sustainability, you mentioned that we will have KPI for each individual materiality. As for KPI management and this portfolio management, is it going to be connected and linked?

Fujie [A]: Yes, that is going to be linked. First, the materiality, we have 28 challenges and expectations. For that, how are we going to address that? We have a big Excel chart-like thing. How are we going to specifically deal with that? What can we generate as a social value? And what will be the economic value that could be generated from that? We will have that impact path or roadmap. We have visualized that. Of course, we want to show it in figures, but we are showing what is actually visualized now. Those initiatives as a whole would lead to enhanced corporate value. We would like to bring the portfolio into a form where it will shift appropriately and in a good way under the four growth areas that we have presented.

Morita [Q]: Thank you very much indeed.

Operator: Morita-san, thank you very much. That concludes the Q&A session.