

Eat Well, Live Well.



**Ajinomoto Co., Inc. (2802)
Forecast for FY2021 (Ending March 31, 2022)
and Initiatives for the Structural Reform
Phase of the Medium-Term Management Plan**

**Takaaki Nishii
Member of the Board,
Representative Executive Officer,
President & Chief Executive Officer**

November 4, 2021

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- I. Summary Results for the First Half Ended September 30, 2021 and FY2021 Forecast
- II. The Corporate Value Enhancement Cycle and Engagement
- III. Progress on Medium-Term Management Plan (MTP) Priority Themes

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Appendixes: Consolidated Results First Half Ended September 30, 2021
FY2021 Revised Forecast by Segment

Note: Business profit (consolidated) in this material:

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

Our Message Today

- The full-year FY2021 forecast is for increased sales and profit (upward revision).
- In Healthcare and Others, the electronic materials and amino acids businesses and Bio-Pharma Services business were strong, driving Group-wide performance. Sustained growth is expected from the next fiscal year onward, too.
- In Seasonings and Foods, sales have grown organically with strategic use of the marketing budget and the effect of increased prices. However, due to increases in the cost of raw materials, fuel, and logistics, profit is expected to decline this year. By steadily enacting countermeasures, we are strengthening profitability for the next fiscal year and beyond.
- In Frozen Foods, profit is expected to be level with the previous year due to cost increases being absorbed by price increases, etc.

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I-1. FY2021 Results Digest

- In first-half results, sales increased by ¥38.8 billion and profit increased by ¥7.3 billion.
- The full-year forecast is for increased sales and profit. Increased sales are expected in all segments due to strategic use of the marketing budget, etc.
- Business profit has been revised upward from the initial forecast of ¥115.0 billion to ¥120.0 billion, with Healthcare and Others driving the Company.
- Expect ROIC of 7.6%, progressing steadily toward the MTP target for FY2022.
- Operating cash flow is expected to be approximately ¥163.0 billion, the same level as in the previous year.
It is on pace to exceed ¥400.0 billion over the planned three years of FY2020-2022.
- For shareholder returns, we are further increasing dividends (initial forecast: ¥44 yen -> revised forecast: ¥48) and are repurchasing shares as planned. EPS is expected to grow again in FY2021.

I-2. FY2021: First-Half Summary

First-Half Results Summary

Sales: ¥550.2 billion (107.6% of FY2020 results; excluding currency translation: 105.6%)
 Business profit: ¥69.3 billion (111.9% of FY2020 results; excluding currency translation: 109.3%)

1. Sales: **Increased (¥38.8 billion)**

- Overall revenue increased, mainly driven by Sauce & Seasonings and Frozen Foods, both from overseas, and Bio-Pharma Services & Ingredients, and Functional Materials.

2. Business profit: **Increased (¥7.3 billion)**

- Overall profit increased due to profit growth in Healthcare & Others despite decline in profit of Seasonings and Foods and Frozen Foods.

(YoY Business Profit Details – Summary)

	(¥ billion)		
	vs Q1-FY20	vs Q2-FY20	vs H1-FY20
Change in GP due to change in sales	11.0	4.0	15.0
Change in GP due to change in GP margin	-0.5	1.0	0.5
Change in SGA expenses	-6.5	-2.5	-9.0
Share of profit of associates and joint ventures	1.0	0.0	1.0
Total	5.0	2.5	7.5

(Reference)

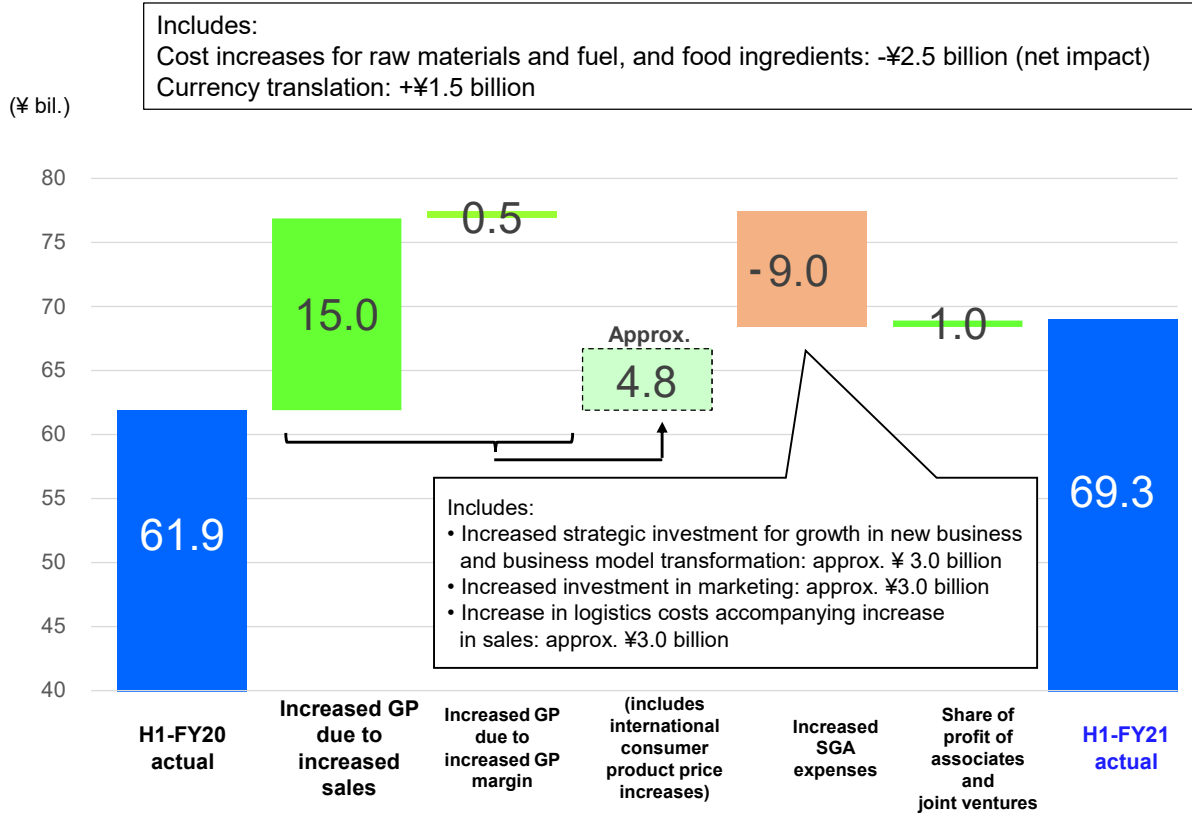
	vs Q1-FY19	vs Q2-FY19	vs H1-FY19
	4.5	2.0	6.5
	7.0	3.5	10.5
	-0.5	1.0	0.5
	0.5	3.5	4.0
Total	11.5	10.0	21.5

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Despite larger-than-expected increases of raw materials and fuel prices, and despite later-than-predicted recovery from COVID-19 in the foodservice business, core businesses including overseas Seasonings & Foods, overseas Frozen Foods, Functional Materials, and Bio-Pharma Services & Ingredients saw organic growth and increased profit overall. As can be seen from the comparison with pre-pandemic FY2019, SG&A is well under control.

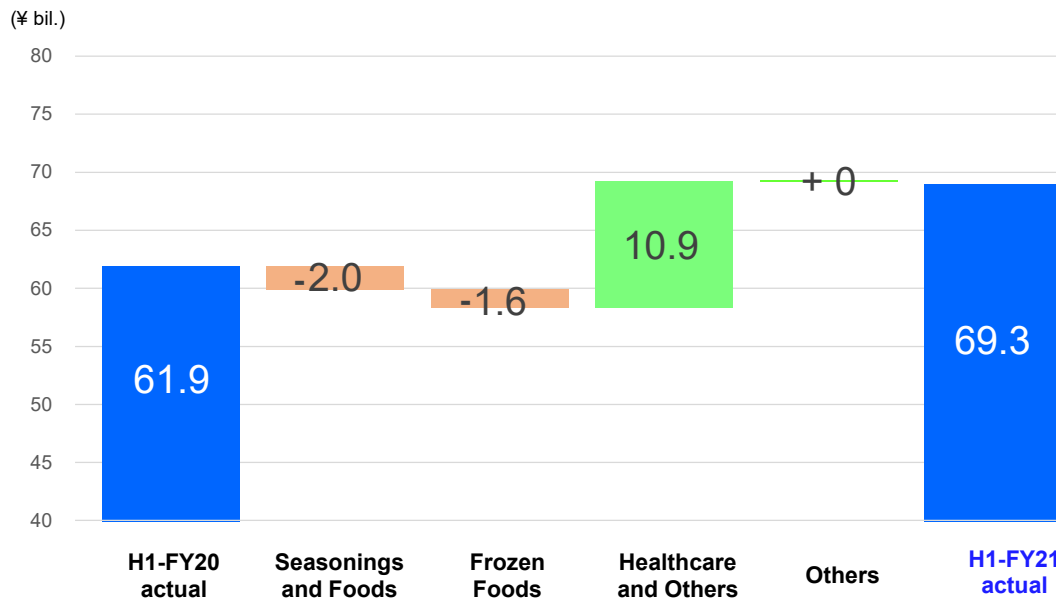
I-3. Changes in Business Profit (First-Half Results by P&L Factor)



By achieving solid organic growth that includes unit price improvement, we were able to increase GP and absorb the impact of net rising raw materials and fuel costs (-¥2.5 billion) and the impact of increased logistics costs, yielding a profit increase.



I-3. Changes in Business Profit (First-Half Results by Disclosed Segment)



By segment, Seasonings & Foods and Frozen Foods are still in the process of counteracting price increases, and profits declined. However, profit increased overall due to growth in Healthcare and Others.

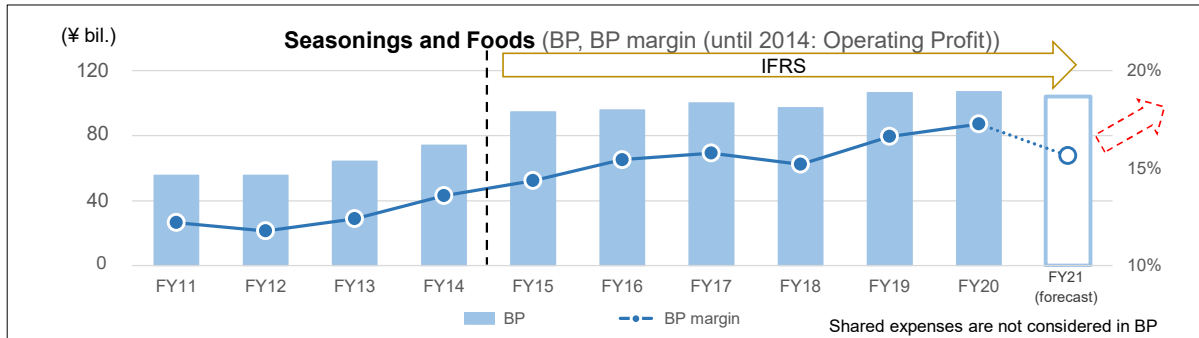
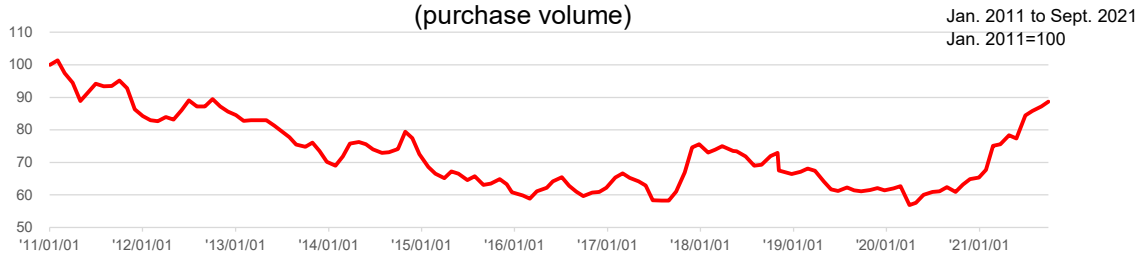
Recent prices for fermentation raw materials and fuel are close to the levels of 2011, which were the highest in the past 10 years. → We will overcome these with various measures.

Circumstances that are expected to continue into FY2022

1. The cost of raw materials for fermentation and food products will stay at a high level
The cost of raw materials will continue at a high level due to demand from the recovery from COVID-19, in addition to reduced production accompanying abnormal weather.
 2. Another rise in energy costs and logistics costs staying at a high level
By shifting to renewable energy, energy costs will stay at a high level. This will effect manufacturing and packaging material costs.
Logistics costs arising from a shortage of containers will also remain at a high level.
- ⇒ We will steadily reduce costs by using reduced-material fermentation and innovating with raw material mixes. Also, we will proceed with further structural reform toward a profit structure unaffected by commodity prices, and quickly change prices.

Commodity prices impact Seasonings and Foods. Proceed with structural reform to achieve a business structure that is not affected by raw material prices.

The weighted average of main and sub fermentation raw material prices (purchase volume)



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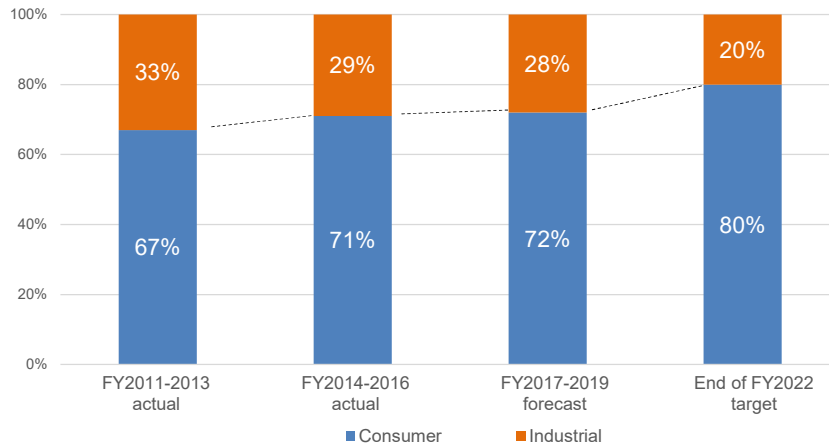
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The weighted average of main and sub fermentation raw materials prices is shown in the upper graph, and business profit and business profit margin for the Seasonings & Foods segment are shown in the lower graph. As is clear from the graph, the price increases are the largest in the last 10 years. Business profit margin for Seasonings & Foods will temporarily decline, but absolute profit is expected to maintain a certain level. As we will continue to enact countermeasures, we believe that we can achieve recovery and an increase in the medium term, as in the past.

Asset reduction measures: umami seasonings for processed food manufacturers business

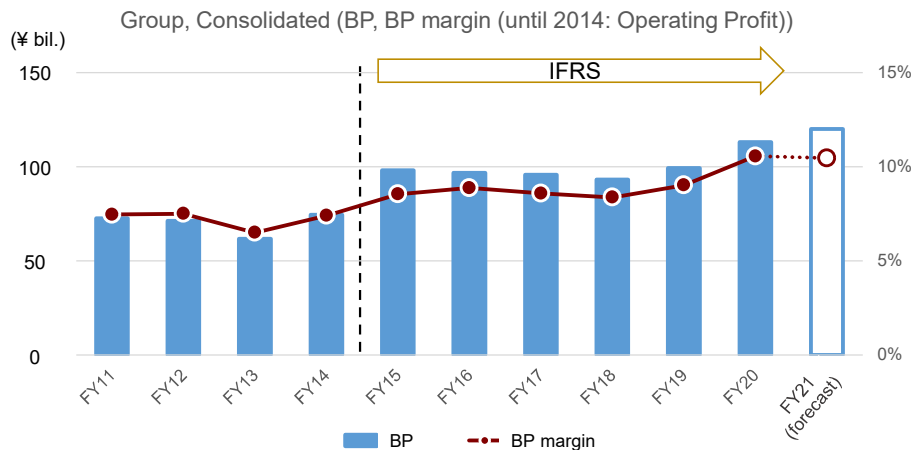
1. Achieve consumer ratio of 80% during the current Medium-Term Management Plan: change the sales ratio by increasing sales to consumers and reducing industrial (outside) sales.
2. Gradually introduce resource-saving fermentation technology. Streamline business assets, improve costs and increase per plant productivity.

Consumer/industrial ratio of umami seasonings (by sales volume)



By reducing the outside sales portion of umami seasonings for processed food manufacturers, an item also noted under the structural reform theme in the FY2020-2022 MTP, we will create a structure that is able to respond to inflation with greater agility.

I-5. Group, Consolidated (Business Profit, Business Profit Margin)



- From FY2015 to FY2018, business profit growth stopped temporarily in line with commoditization of the bulk business, primarily feed-use amino acids and slowing economic growth, etc. in major countries of business.
- Profit structure strengthened as a result of pulling in the MTP from FY2019 and proceeding with structural reform.
- In FY2021, profit in Healthcare and Others will increase significantly, leading the Group as a whole.
- We will achieve organic growth through appropriate measures and use of the budget to address COVID-19 and rising raw material prices, and will connect this to sustainable growth with profit growth from the next fiscal year onward.

This page indicates profit increases over time as a key point in improving ROIC from a long-term perspective.

We have moved forward with structural reform across the consolidated group, and volatility affecting bulk business profit has significantly declined. We believe that the structure has become one in which we can achieve organic growth and a sustainable increase in profitability.



I-6. FY2021: Forecast (Revised)

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The full-year forecast for FY2021 **anticipates revenue and profit growth (upward revision)**. While the environment in the second half will also be difficult, we will achieve organic growth through appropriate measures and use of the budget, and will connect this organic growth to sustainable growth from the next fiscal year onward.

Sales (forecast): ¥1,148.0 billion (107.1% of FY2020 results; excluding currency translation: 105.1%)

Business profit (forecast): ¥120.0 billion (106.1% of FY2020 results; excluding currency translation: 103.7%)

(YoY Business Profit Details – Summary)

(¥ billion)

	vs H1-FY20	vs H2-FY20	vs FY20
Change in GP due to change in sales	15.0	14.0	29.0
Change in GP due to change in GP margin	0.5	1.0	1.5
Change in SGA expenses	-9.0	-16.5	-25.5
Share of profit of associates and joint ventures	1.0	1.0	2.0
Total	7.5	-0.5	7.0

(Reference)

vs H1-FY19	vs H2-FY19	vs FY19
6.5	11.0	17.5
10.5	4.5	15.0
0.5	-18.0	-17.5
4.0	1.5	5.5
21.5	-1.0	20.5

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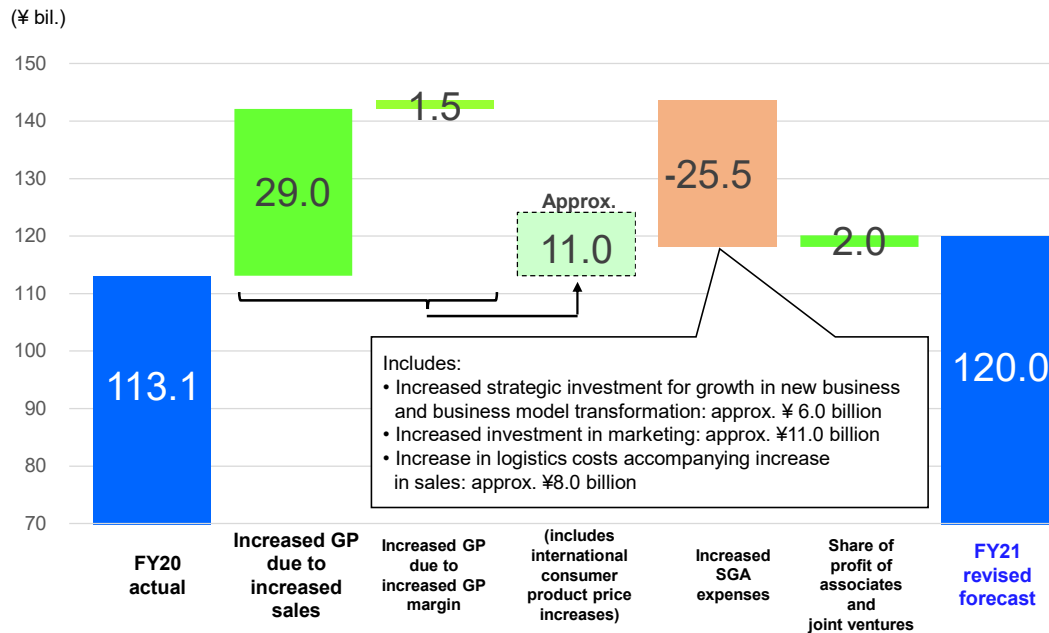
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Although the environment in the second half is challenging, mainly due to high raw materials and fuel prices, we will continue to counteract this through prices and will implement sales measures to achieve organic growth, which we will connect to growth from the next fiscal year onward.



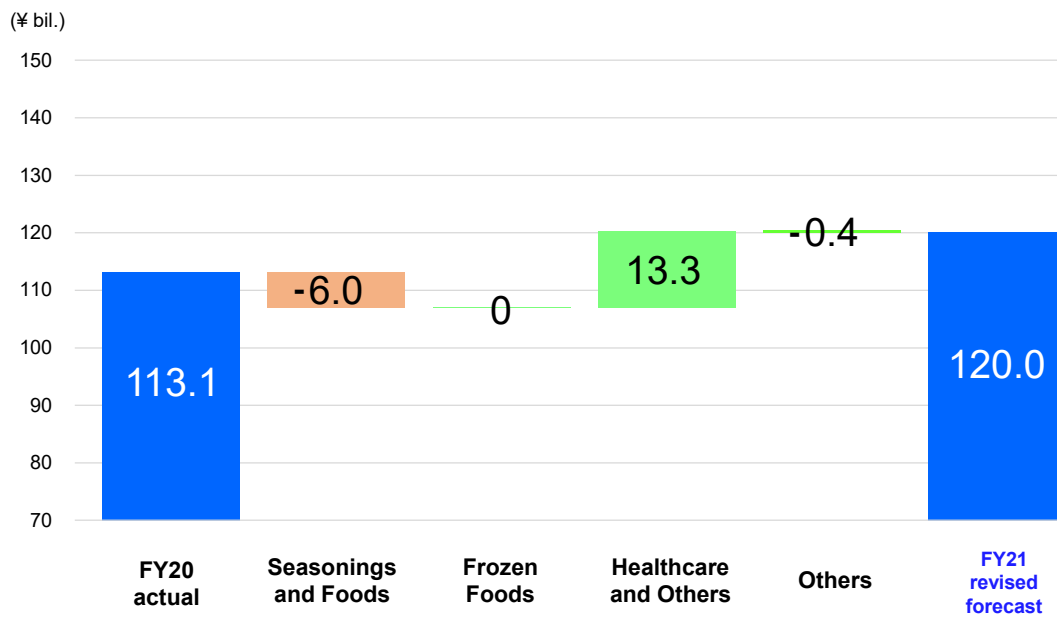
I-7. Changes in Business Profit (Results Forecast by P&L Factor)

Includes:
 Cost increases for raw materials and fuel, and food ingredients: -¥5.5 billion (net impact)
 Currency translation: +¥2.6 billion



At the beginning of the term, the forecast for net impact from raw materials and fuel costs and from food ingredient costs was -¥1.8 billion, while logistics costs were forecast to increase by ¥3.0 billion. These increased to -¥5.5 billion and to ¥8.0 billion, respectively, as factors decreasing profit. However, we can achieve increased profit through increased GP from increased sales, including price increases.

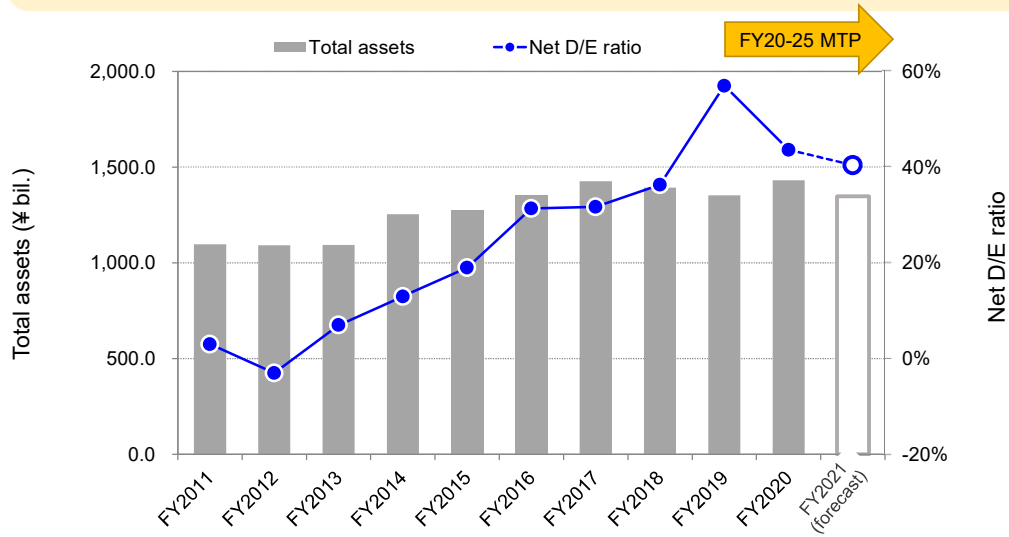
I-7. Changes in Business Profit (Results Forecast by Disclosed Segment)



The negative impact of soaring raw materials and fuel costs will remain in Seasonings & Foods, primarily in S&I. However, we are planning negotiations with restaurant and industrial customers for next fiscal year's prices, price increases for overseas seasonings in major countries of business, and price increases for core Frozen Foods products in Japan, which we believe we can connect to growth in FY2022.

I-8. Assets and Liabilities

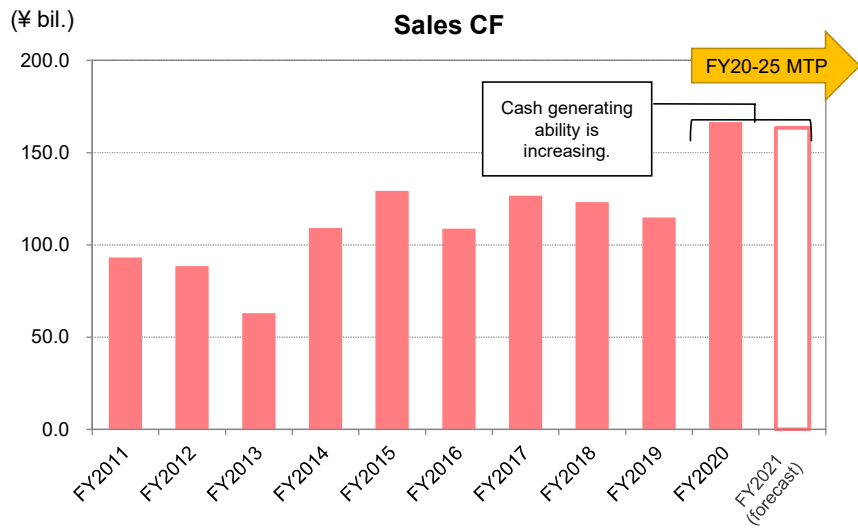
In FY2019, net D/E ratio* temporarily increased due to the acquisition of shares from overseas minority shareholders. Since FY2020, however, we have managed this to within the 50% set as a guideline in the MTP.



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

Until recently, total assets had been increasing, but we are making steady progress in the efficiency of our assets through the sale of businesses assets via structural reform and through resource allocation.

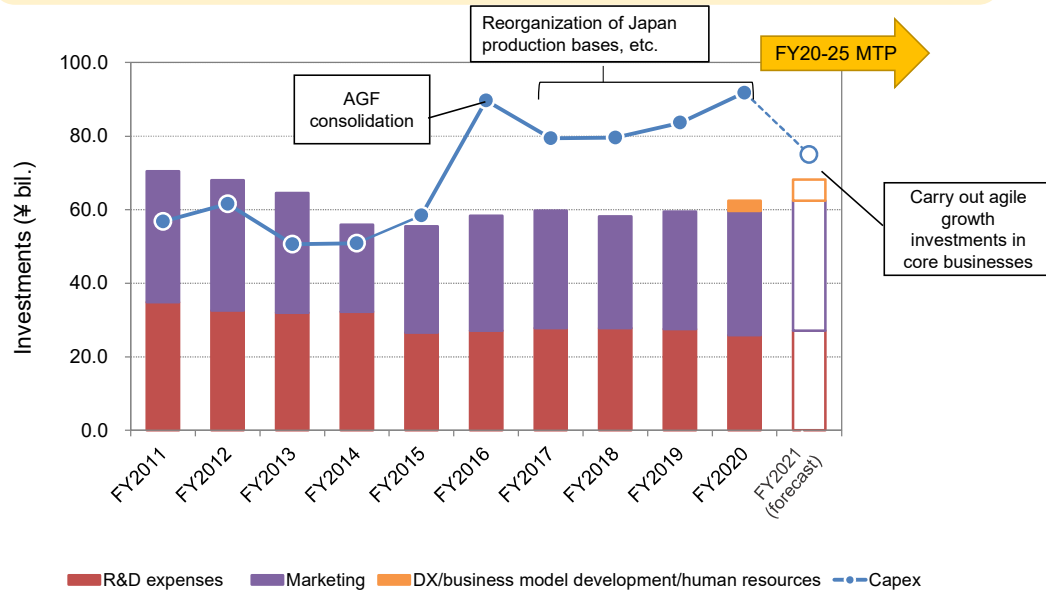
FY2021 forecast: Approximately ¥163.0 billion. Since FY2020, cash generation ability has been increasing in line with the increase in business profit, against a backdrop of business growth.



While operating cash flow fluctuates yearly, we are steadily increasing our cash flow generation capability. We expect an increase in FY2021 from the initial forecast of about ¥150.0 billion to about ¥163.0 billion, on par with the previous year.

I-10. Strategic Investments

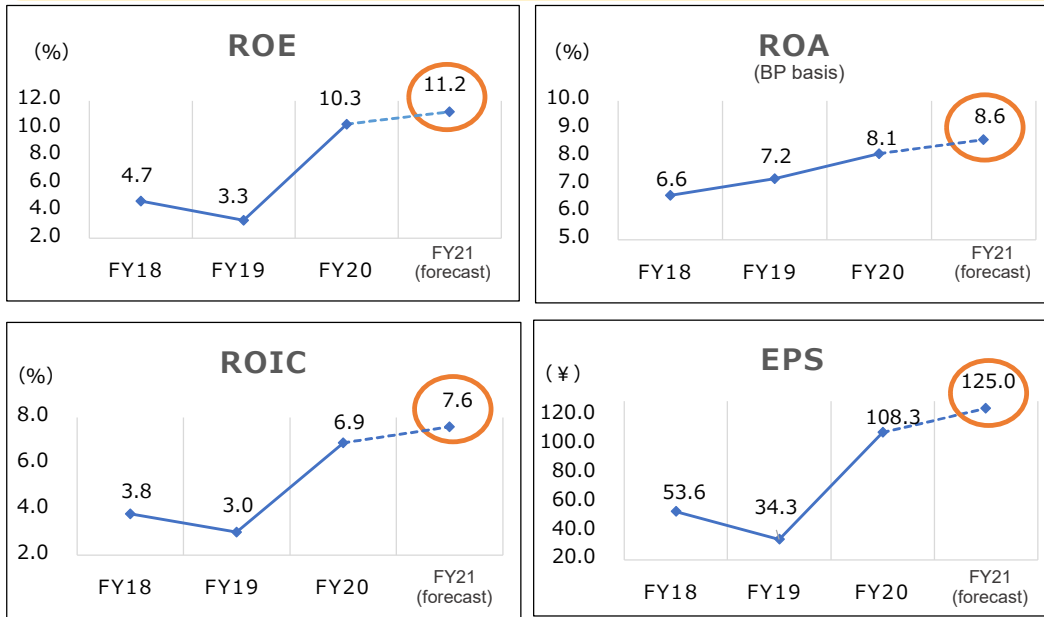
Shift investments from tangible assets to intangible assets, including R&D, brands, DX, business model development, and human resources. Capex will decrease from FY2021, but we will carry out agile growth investments in core businesses such as electronic materials.



We are concentrating investments in core businesses and are shifting investments from tangible to intangible assets.

I-11. Profit Growth and Capital Productivity

Important management indicators are all expected to improve due to asset reduction and steady growth in business profit. **Capital productivity is increasing.**

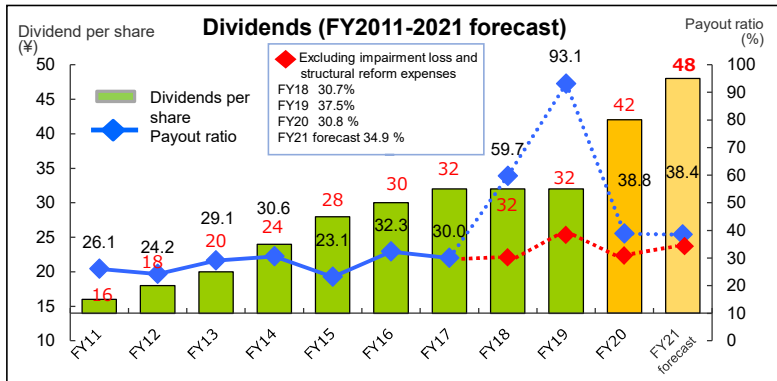
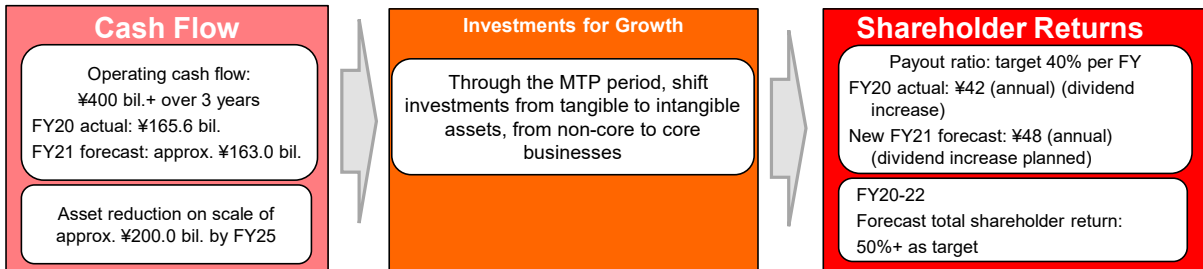


We expect improvement in key management metrics. ROIC is 7.6%. Excluding structural reform expenses, we expect it will exceed the FY2022 target of 8%.



I-12. Shareholder Returns

Operating cash flow is expected to be about the same level as last year, approximately ¥163.0 billion. **Plan to further increase the dividend (initial: ¥44, current: ¥48).** EPS is expected to grow again in FY2021.



Repurchase of shares

Repurchase of shares with a limit of 25 million shares, ¥40 billion, which equals 4.55% of the total number of shares outstanding (excluding treasury shares)

(Period: May 11, 2021–January 31, 2022)

Repurchase of shares is underway as planned.

We initially planned a dividend of ¥44 per share, an increase of ¥2 from the previous fiscal year. But based on business profit, cash flow, and the outlook for the next fiscal year and beyond, the dividend will be increased by ¥6 yen to ¥48 per share.

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Priority KPIs (Company-wide Forecast)

Steady progress toward achieving the structural targets of the MTP. To ensure the achievement of FY2022 and FY2025 targets, we are moving to steadily execute the MTP priority themes.

		20-22 Phase 1		23-25 Phase 2		2030 Goal			
		Structural reform		Regrowth					
		FY19 (Actual)	FY20 (Actual)	H1-FY21 (Actual)	FY21 (Forecast)	FY22 (MTP Target)	FY25 (MTP Target)		
Financial indicators	Efficiency	ROIC (>Capital cost) (): Excluding expenses for structural reform	3.0% (Approx. 6%)	6.9% (Approx. 8%)	5.7% (5.7%)	7.6% (8.3%)	8%	10-11%	13%
	Growth	Organic sales growth (YoY)	0.3%	-0.6%	7.1%	7.5%	4%	5%	5%
	Priority KPIs	Percentage of sales from core businesses	66.5%	66.6%	67.7%	Approx. 70%	70%	80%	80% or more
		Unit price growth (YoY) (International consumer products)	Approx. 5%	2.8%	3.1%	3% or more	2.5%	3%	3%
Non-financial indicators	Strength-ening brand	Employee engagement ("ASV as one's own initiative")	55%	64%	61% (Nov. preliminary figure)	70%	80%	85% or more	
		Brand value (mUSD) (Interbrand research)	780	926	Target 7% CAGR for brand value				
	Brand strength score	56	58	Increase in score for each of 12 major countries of business					

ROIC, organic growth rate, and international consumer products unit price growth rate all exceeded initial forecasts and are progressing strongly toward MTP targets.

The preliminary figure for employee engagement score, considered a non-financial indicator, is slightly down from the previous year. Survey results regarding brand value are expected to come out in February of next year.

II-1. Priority KPIs (Forecast by Segment)

Segments		FY2020 Actual and FY2021 Revised Forecast									
		Organic growth (%)			Unit price growth (International consumer products) (%)			ROIC (%)			
Seasonings and Foods	Sauce & Seasonings	FY20 actual	FY21-H1 actual	FY21 forecast	FY20 actual	FY21-H1 actual	FY21 forecast	FY20 * actual	FY21 * forecast	MTP Targets FY22 FY25	
		Quick Nourishment	-0.3%	5.4%	5.6%	2.8%	2.3%	3% or more	12.4%	Approx. 12%	12% or more
	Solution & Ingredients									WACC 6%	
Frozen Foods	Frozen Foods	-5.0%	5.7%	7.5%	2.8%	4.7%	5% or more	0.6%	Approx. 1%	1% or more	5%
										WACC 5%	
Healthcare and Others	Bio-Pharma Services & Ingredients										
	Functional Materials	3.5%	14.7%	11.0%	-	-	-	1.2%	Approx. 10%	10% or more	12% or more
	Others									WACC 8%	

* Excluding structural reform expenses

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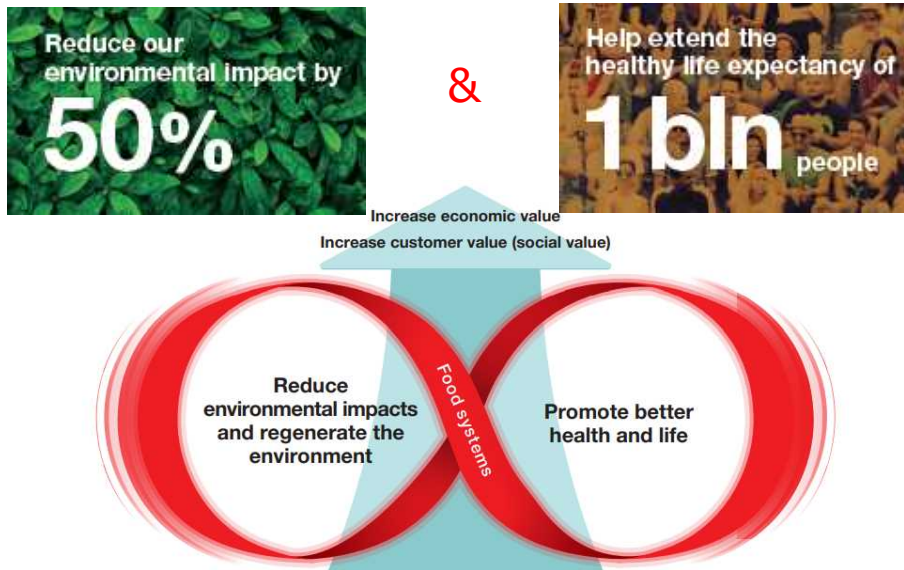
- Organic growth of 5.6% is expected in Seasonings and Foods. Of this, unit price growth in international consumer products is expected to be over 3%, exceeding the initial forecast. ROIC is expected to be about 12%, falling below the initial forecast due to profit decline but remaining in line with the MTP target.
- Organic growth of 7.5% is expected in Frozen Foods. Of this, unit price growth in international consumer products is expected to be over 5%, exceeding the initial forecast. ROIC is expected to be about 1%, remaining in line with the MTP target and the initial forecast.
- Organic growth of 11.0% is expected in Healthcare and Others. Functional Materials and Bio-Pharma Services & Ingredients is performing well, and will exceed the initial forecast. ROIC is expected to be about 10%, exceeding the initial forecast and achieving the MTP target a year ahead of schedule.



II-2. ASV Management: Management Vision 2030 and Strategy

Ajinomoto Group Vision

Contribute to greater wellness for people worldwide, unlocking the power of amino acids to resolve the food and health issues associated with dietary habits and aging.



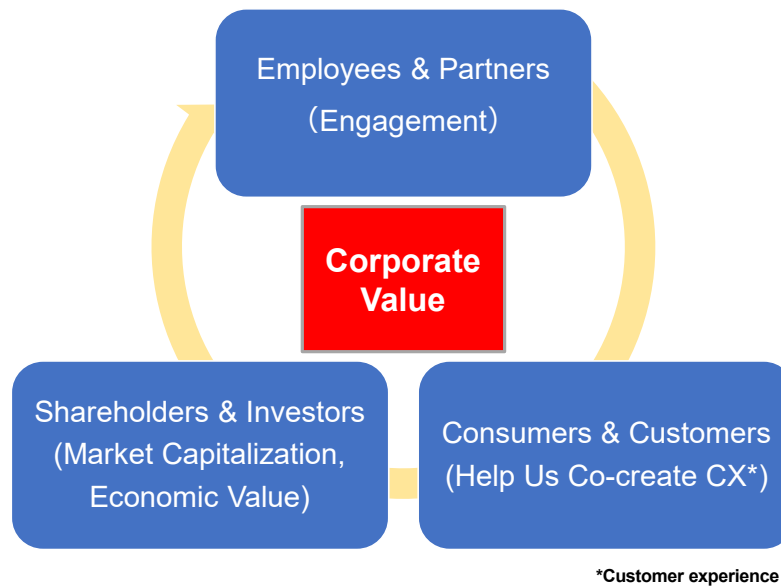
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Under ASV Management, with “contribute to greater wellness for people worldwide, unlocking the power of amino acids to resolve the food and health issues associated with dietary habits and aging” as our vision for 2030, we are working to improve our social value and economic value by helping to extend the healthy life expectancy of 1 billion people and by reducing our environmental impact by 50%.

II-3. ASV Management: Corporate Value Enhancement Cycle

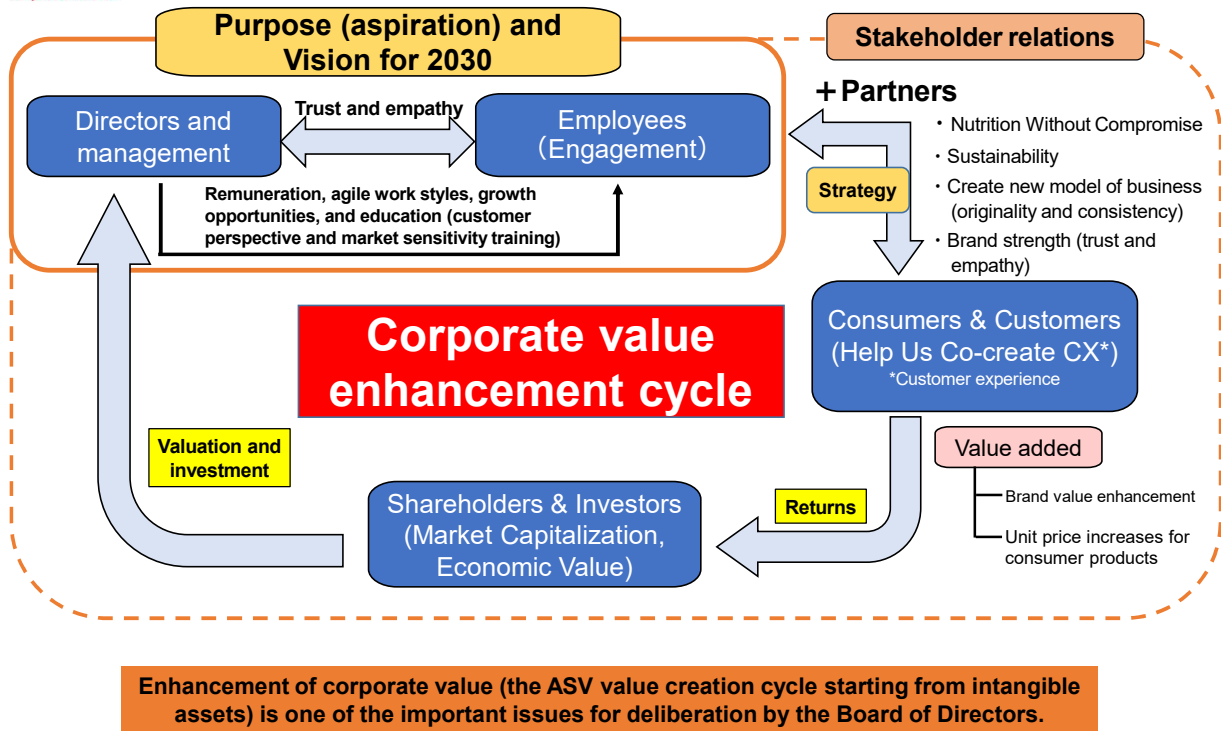
Synchronize the enhancement of value for all stakeholders



Here I will discuss our corporate value enhancement cycle.

Employee engagement leads toward the co-creation of customer experience (CX) and to the enhancement of economic value. It also returns economic value and boosts support from shareholders and investors. In turn, positive evaluation by shareholders and investors further enhances employee engagement. Enhancement of our corporate value is created through the positive action of this cycle.

II-4. Purpose (Aspiration) “Solving Food and Health Issues,” and Corporate Value



Here I will discuss our corporate value enhancement cycle and priority KPIs.

The Board of Directors and the management team, who lead the corporate value enhancement cycle, provide employees with incentives (total rewards that include remuneration, growth opportunities, and education) to achieve our purpose and vision, with both sides connected by a relationship of trust and empathy.

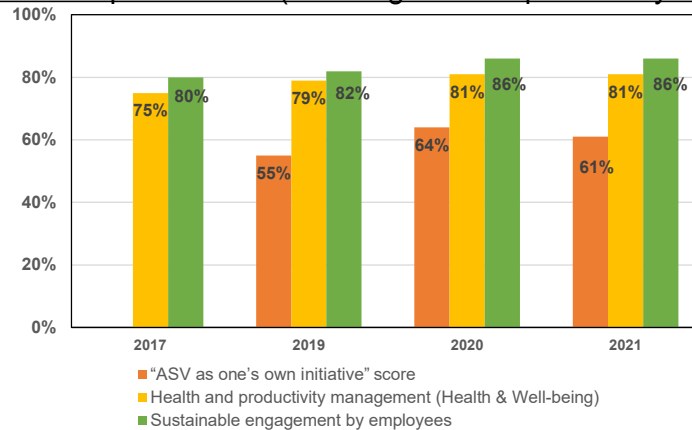
Employees carry out strategies to co-create CX with suppliers and other partners. The value added for customers at this time creates economic value in the form of enhanced brand value and increased consumer product unit prices, and is returned to shareholders and investors in line with a clear policy on return. Valuation and investment by shareholders and investors become incentives for the management team, which carries out measures that lead to total rewards for employees.

Corporate value enhancement that stems from such intangible assets has become an important agenda item at Board of Directors meetings.

II-5. Employee Engagement

- In order to improve customer value, promote initiatives to enhance employee engagement.
- ASV as one's own initiative dropped somewhat. Figure out why, including the impact of the pandemic, and move forward on improvement measures.

Favorable response score (including FY2021 preliminary results)



In FY2021, again, the engagement score reached the level of global excellent companies.

We are above a healthy level in all categories and maintaining high scores.

Here I will talk about the status of employee engagement. These are preliminary results, so detailed analysis is still forthcoming.

Sustainable employee engagement was 86% in FY2021, maintaining a high level among global high-performing companies in all industries for the second consecutive year.

However, the percentage of employees who are actively involved in the “ASV as one’s own initiative” that we uniquely emphasize – that is, employees who autonomously work toward achievement of our vision – was 61%, a slight decline from the previous year. Lifestyle restrictions under the prolonged COVID-19 pandemic may be exerting an effect here. We hope to analyze issues behind the decline and enact prompt measures.

Degree of trust in health and productivity management, the foundation of employee engagement, was 81%, continuing the high level of the previous year.

II-6. Development of DX Human Resources to Co-create CX with Consumers and Customers

Started training of Business DX Employees, System Developers, and Data Scientists in FY2020. Also reinforced through appointment from outside. Group companies in Japan and overseas are also preparing and launching training curriculum.

	FY2020				FY2021		FY2020-2021 Total	
	No. of Trainees	Percent of employees	No. Qualified	Percent of employees	No. of Trainees	Percent of employees	No. of Trainees	Percent of employees
Beginner	801	25.2%	743	23.3%	950	29.8%	1,751	55.0%
Intermediate	173	5.4%	51	1.6%	317	10.0%	490	15.4%
Advance	29	0.9%	9	0.3%	59	1.9%	88	2.8%

In FY2020-2021 more than half of Ajinomoto Co., Inc. employees took courses.

Here I will discuss DX human resource development, the centerpiece of human resource investment in the MTP.

The number of DX training participants in FY2021 exceeded 1,300. Combined with last year's number, participants now exceed half the number of employees. This year, the number of employees aiming for advanced certification increased to 59. This is driving our promotion of DX.

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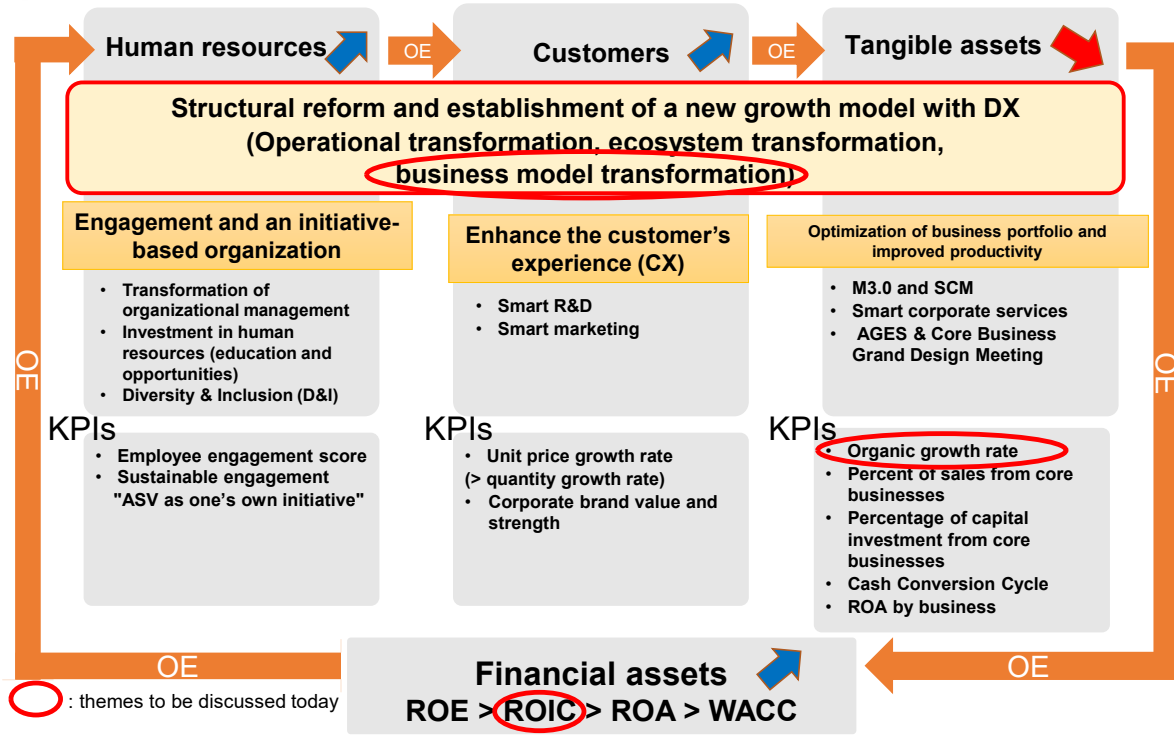
Sales - Cost of sales - Selling expenses, Research & development expenses and General & administrative expenses + Share of profit of associates and joint ventures

III. List of MTP Priority Themes

1. Status of Progress on Structural Reform
2. Organic Growth Rate
3. Business Model Transformation
4. Promotion of Sustainability (Health and Environment)

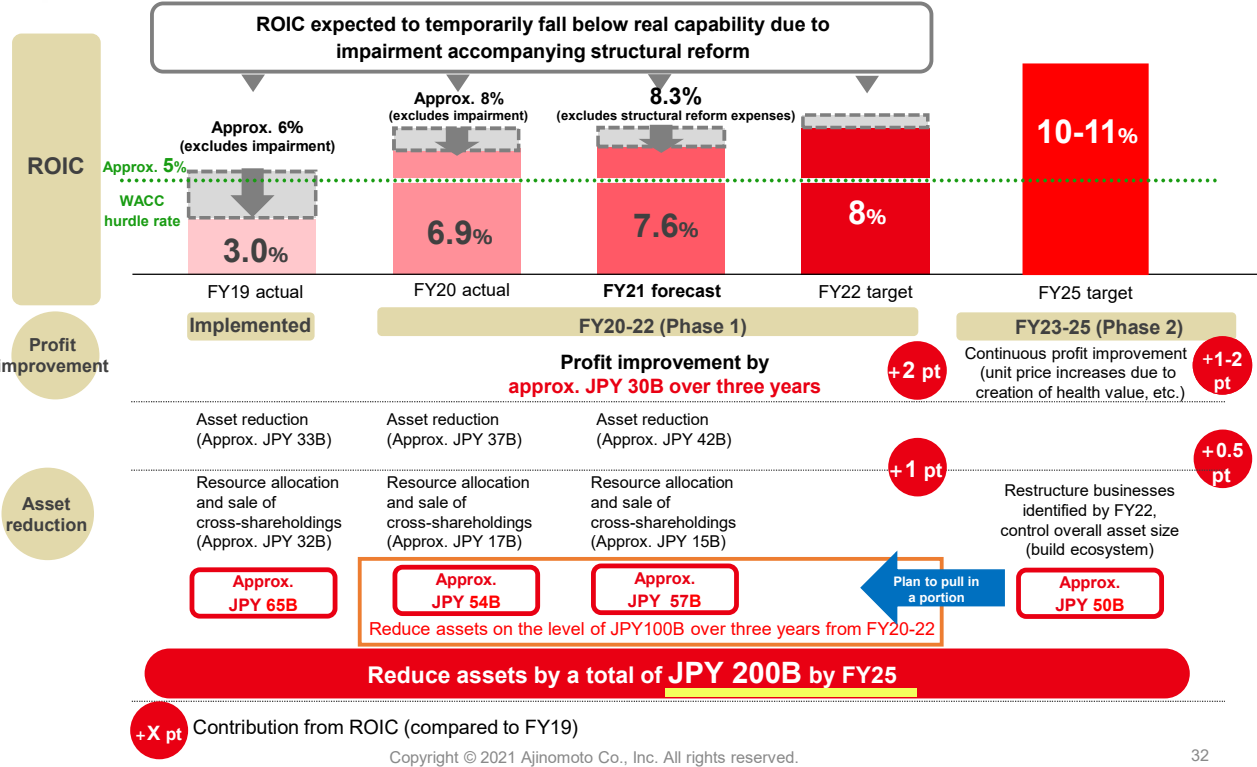
Plan to report on enhancement of brand value in the May financial results

III-1. MTP Priority Themes and Mechanisms for Corporate Value Enhancement





III-2. Progress of Structural Reform (MTP Priority Theme: 1. ROIC)



Here I will discuss our progress on structural reform and asset reduction.

In FY2021, we will expand our asset reduction by ¥5 billion from ¥37 billion to ¥42 billion, and will increase resource allocation, etc. by ¥2 billion from ¥13 billion to ¥15 billion.

We expect to complete this asset reduction of ¥7 billion overall ahead of schedule.

Structural reform in non-core businesses

Financial impact

1. Animal Nutrition Business (commodities)

Completed sale of company in Europe in April.
Shift to customer solution-providing business.

Amount of asset
reduction:
Approx. ¥15.5
billion (FY2021)

2. Part of MSG Business

Promote structural reform aimed at reducing industrial business (outside sales). Aim to streamline business assets, improve costs, and improve productivity per factory.

Project to
increase
GP margin is
underway

3. Part of Frozen Foods Business

Steadily increase production in growth areas such as in Asian category and reduce assets globally while also reducing SKUs.

Amount of asset
reduction:
¥1.3 billion
(FY2021)

4. Part of Coffee Business in Japan

Withdraw from PET bottle liquid coffee business. Production and sales to be transferred to major beverage manufacturer(s) under a trademark licensing agreement.

Amount of asset
reduction:
¥1.0 billion
(FY2021)

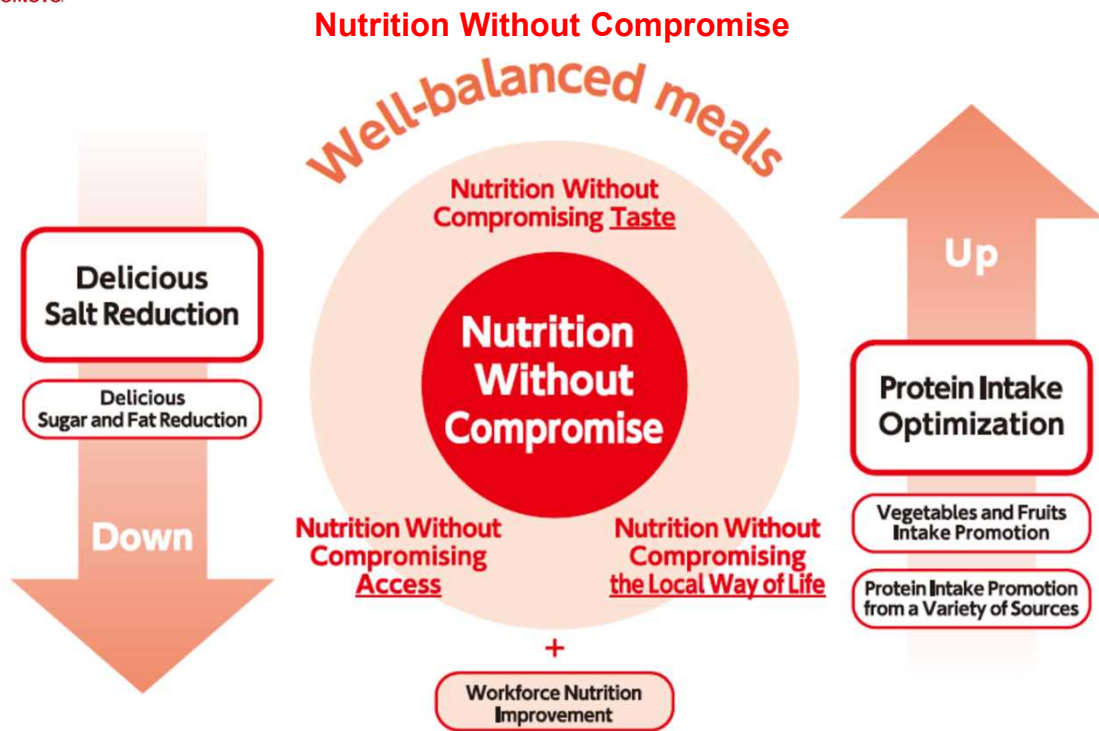
Key details of our reduction of business assets are as follows.

1. In the animal nutrition business, in addition to shrinking the North American business, we completed structural reform with the sale of the European business in April. The business is now changing to a solution services business that provides customers with products such as *AjiPro*[®]-L. Its scale is small, but it is transforming into a business with high ROIC.

2. Reduction of outside sales in the MSG business is underway.

3. In the frozen foods business, we implemented the production shift to the Asian category in North America according to plan, and reduced a portion of assets. In Japan, we are reducing sales of unprofitable restaurant-use products, which we will connect to asset reduction from the next fiscal year.

4. In the coffee business in Japan, we announced that we will withdraw from the unprofitable liquid coffee business and will change to a licensing business for major beverage manufacturer(s). Together with this, we will reduce inventories.



Here I will discuss “Nutrition Without Compromise,” by which we will boost organic growth in the food products business.

We began this initiative in FY2020 as an integrated marketing strategy to create synergies between the corporate brand and core product brands, under the concept of “Nutrition Without Compromise.”

This concept means engaging in health and nutrition strategies without compromising deliciousness, regional characteristics such as food culture, or access to food.

We are incorporating it into our products, marketing, and communication strategies worldwide.

Many consumers are already reducing their salt intake. We will seize potential opportunities and provide our unique solutions to consumers.

Online survey of understanding, awareness and uptake of salt reduction in major countries of business (September 2021)

Survey Item	Assessment (=> Opportunities and strategies)	Data
Understanding, awareness, uptake	Many people are reducing their salt intake in each of the countries surveyed. Many people have a high level of awareness and are already reducing their salt intake. =>Motivation to reduce salt	Percentage of people reducing their salt intake
		4 ASEAN countries 69%
		2 South American countries 77% (Reference) Japan 44%
Uptake method	The two main methods adopted by many people are: reducing the amount of salt or seasonings they use and reducing their consumption of processed foods (that seem to have a high salt content). Uptake method is limited to reducing amount of salt used. =>Promote cooking	Percentage of people who responded they are reducing salt with the 2 main methods (see left)
		4 ASEAN countries 65%
		2 South American countries 76% (Reference) Japan 68%
Limiting factors	Main limiting factors to uptake of salt reduction are: "not delicious," "lack of recipes," "don't know salt content," "finding reduced salt products is difficult." 4 main limiting factors to uptake of salt reduction. => Experience deliciousness	Percentage of people who responded with one of the four main limiting factors (see left) (No data from Japan)
		4 ASEAN countries 83%
		2 South American countries 75%

Target countries Thailand, Indonesia, Vietnam, Philippines, Brazil, Peru
 Survey target People in their 20s, 30s, and 40s (n=300 for each), four levels of household income (A, B, C, D), responsible for cooking, seasoning decision maker
 Japan survey method: Online, in Dec. 2020, women are between the ages of 20 and 79 (inclusive) and cook at home at least 3 times a week (n=maximum of 8,000)

This shows the results of a survey indicating the potential of “delicious salt reduction” measures to make inroads in major countries of business.

The first surprising finding is that 70% to 80% of consumers in ASEAN countries and South America are already tackling salt reduction, a much higher level than expected.

Next, the methods that consumers are putting into use are limited to reducing amounts of salt and seasonings and refraining from packaged food products that appear to contain a lot of salt.

Among consumers’ reasons for not reducing salt, about 80% can be summarized as “not delicious,” “lack of recipes,” “don’t know salt content,” and “finding reduced salt products is difficult.”

These results are similar to the results of surveys in Japan. This suggests that the “delicious salt reduction” strategy that yielded results in Iwate Prefecture and elsewhere in Japan could also succeed in major countries of business overseas.

“Smart Salt” Project

Delicious salt reduction using umami and dashi broth!

Advertising

Stream videos for a wide range of ages

Motivation for salt reduction

Owned media

Provide delicious salt reduction recipes

Encourage cooking practice

Products

High quality based on Ajinomoto proprietary technologies

Experience the deliciousness

Global Rollout

Plan to put on sale
reduced salt products
for 15 brands in 7 countries in
FY2020–FY2021

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In seven major countries from July 2020, we have been rolling out Smart Salt, a marketing project that encourages delicious salt reduction using umami and dashi broth.

At present, we are undertaking marketing measures that include advertising to motivate people to reduce salt, using owned media to encourage cooking opportunities, and letting people experience deliciousness. Our reduced-salt product launches are increasing and will soon reach 15 brands.

With prevention of hypertension as our starting point, we intend to further boost organic growth in Seasonings and Foods.



III-4. Business Model Transformation (Electronic Materials Business) (MTP Priority Theme: 3. Business Model Transformation)

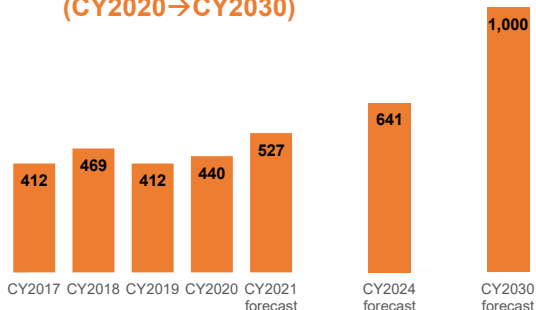
- ◆ Continued adoption in PC and game markets
- ◆ Growth in data center servers and communication applications
- ◆ Expansion of magnetic material (AFTINNOVA®) in existing applications



Accelerating growth in electronic materials business continues

Global semiconductor market (\$ billion)

**CAGR about 9%
(CY2020→CY2030)**

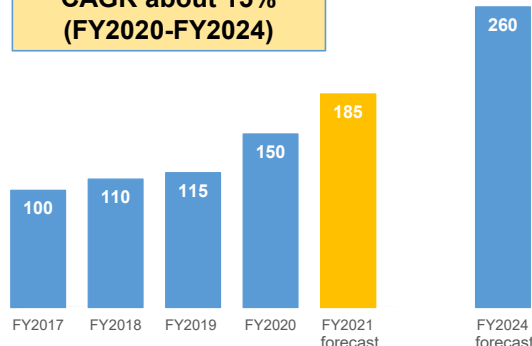


2017-2021: World Semiconductor Trade Statistics (WSTS), Spring 2021
2030: IBS Semiconductor Market Analysis, Jan. 2021

ABF Shipment Volume

**CAGR about 15%
(FY2020-FY2024)**

Estimated, with FY2017 shipment volume set to 100



To be sure to respond to customers' demands, pull the plan in and expect to proceed with investments for increased production of about ¥1 bil. FY2022 and about ¥17.0 bil. from FY2023

We revised the CAGR growth rate upward to about 15% by FY2024, reflecting customers' plans.

In accordance with this, we decided to move up our capital investment plan of an estimated ¥18 billion. In FY2022, we intend to expand our stockyards to accommodate increased production using existing equipment.

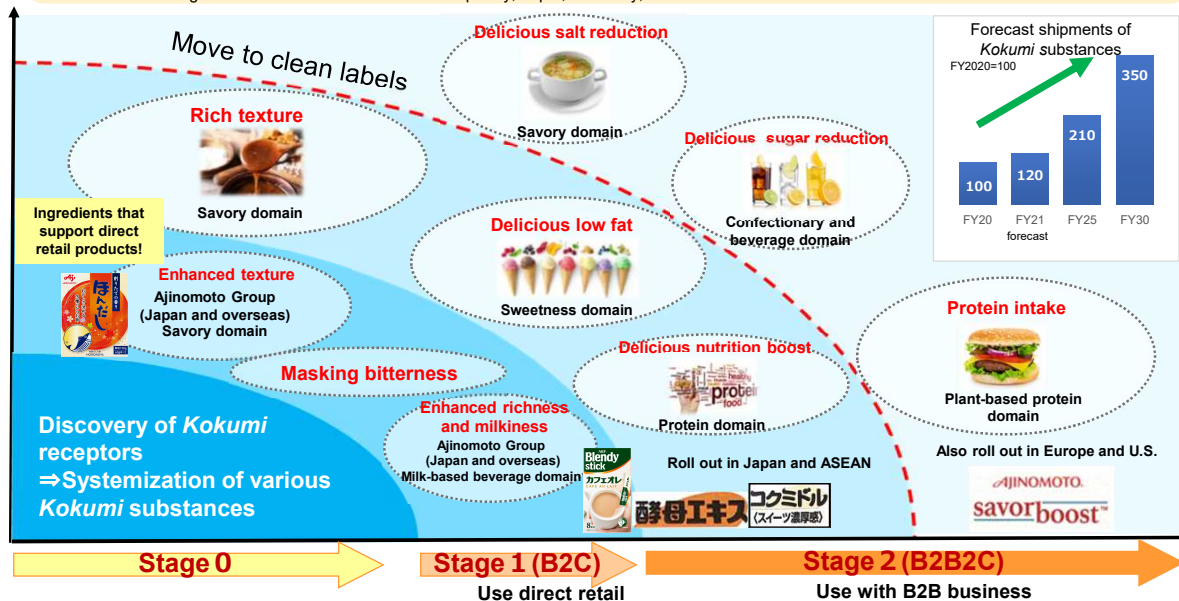
We also began detailed examination of capital investment for increasing production from FY2023 onward.



III-4. Business Model Transformation (S&I Business)

(MTP Priority Theme: 3. Business Model Transformation)

- ◆ *Kokumi* substances* based on amino acids contribute to delicious salt reduction, delicious sugar reduction, and protein intake for consumers.
 - ◆ Contact points with customers are expected to expand from Japan to Europe, the U.S. and other overseas regions due to clean labels.
 - ◆ Contribute to solving the problems of B2B customers as a business model for high-speed development of products and solutions
- * Substances that give food a richness that includes complexity, depth, continuity, and breadth.



In food markets, there is a significant movement toward reduced salt, reduced sugar, and the use of meat-alternative proteins.

We will develop a lineup of kokumi substances applicable to the clean labels that we have been developing in response to strong demands by our processing and manufacturing customers, and will offer applications for these.

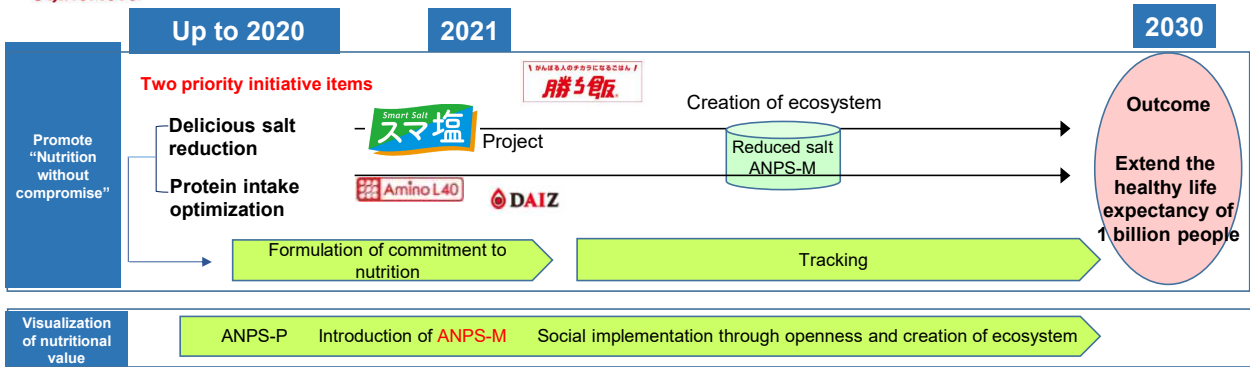
As these applications make practical use of the “Deliciousness Technology” that has made major contributions to enhancing deliciousness and reducing costs in our Group products, we intend to tackle development of not only major customers but also startups and other customers, to turn these applications into a pillar of the S&I business.

Customers in Europe and the U.S. in particular have a keen interest in deliciousness enhancement and cost reduction, and demand for clean labels is strong.



III-5. Promotion of Sustainability

(MTP Priority Theme: 4. Extend the Healthy Life Expectancy of 1 Billion People)



Strengthen engagement globally

- Contribute to international conferences (appeal)
 - Food Systems Summit (Sep. 2021)
 - Tokyo Nutrition for Growth Summit (Dec. 2021)
- Construct strategic relationships; partnerships
 - ACCESS TO NUTRITION INITIATIVE
 - gain (Global Account for Improved Nutrition)
 - FORUM (The American Dietetic Association)

Strengthen base to extend healthy life expectancy

- Construct hypothesis of meals leading to physical and mental health
 - HIROSAKI COI (center of innovation) Joint research with Hirosaki COI
 - Analysis of varied and diverse big data ⇒ Solve issues through products and services (utilize the field)
 - aminoindex (アミノインデックス)
- Promote improved nutrition in the workplace
 - Affiliation with Workforce Nutrition Alliance

Visualize and quantify healthy life expectancy (KPIs)

- Utilize DALYs (disability-adjusted life years)
 - Joint research with academia (e.g., The University of Tokyo)
- Visualize well-being (subjective indicators)
 - GDW (GDPとは違う新しい世界の尺度、はじまる。)
 - Participate in Well-being Initiative

III-5. Promotion of Sustainability

(MTP Priority Theme: 4. Extend the Healthy Life Expectancy of 1 Billion People)

➤ Leadership at international conferences

- UN Food Systems Summit

- ✓ Actively participated in CEO consultation meetings¹
- ✓ Endorsed Business Declaration for Food Systems Transformation²
- ✓ As the representative of private companies at the pre-summit in July, announced contribution to achieve zero hunger in terms of agricultural support and reduction of malnutrition



Pre-summit speech (online)

- Tokyo Nutrition for Growth Summit 2021

- ✓ Actively contribute to the success of the summit through discussions on nutrition improvement with domestic and overseas stakeholders



➤ Contribute to active dialogue and rule-setting with evaluation body

- ATNI (Access to Nutrition Initiative)

- ✓ Participate in event related to results of evaluation of Japanese companies in 2021
- ✓ Recommended reworking of evaluation method from uniform method to one reflecting local food culture and dietary habits (Evaluation for diet overall, not only packaged foods. Activities aimed at improving consumers' nutritional knowledge)



1. CEO consultation for Food Systems Summit: Participation by approximately 60 CEOs from around the world, at request of UN Special Envoy Dr. Agnes Kalibata. Held 5 times.

2. <https://foodsystems.community/business-declaration-for-food-systems-transformation/>

Recently, we publicly announced our efforts to “extend the healthy life expectancy of 1 billion people” as our commitment to nutrition.

As we did in the private-sector session of the UN Food Systems Summit held in September of this year, we will collaborate with outside organizations such as gain and Consumer Goods Forum at the Tokyo Nutrition for Growth Summit 2021 scheduled for December, and will issue a statement on our engagement based on “Nutrition Without Compromise.”

WHO also has a strong interest in “Nutrition Without Compromise,” and “delicious salt reduction using umami” has come to be seen as a very important measure for the prevention of hypertension in particular. “Delicious salt reduction using umami” is scheduled to be taken up as a key proposal at the Tokyo Nutrition for Growth Summit 2021.

Taking that event as an opportunity, we are working with the evaluation organization ATNI to consider the creation of rules that reflect local food culture.

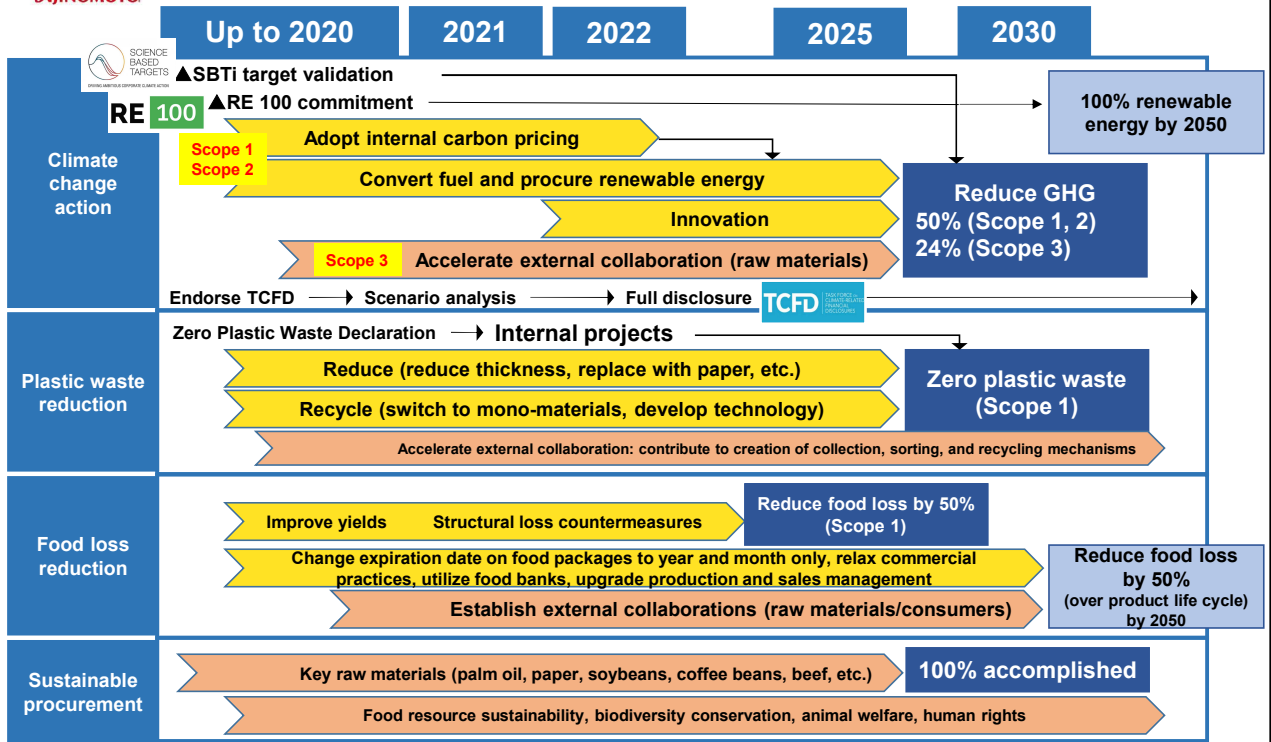
We have carried out this engagement at many international conferences so far. I feel that the results of this have been made manifest as broader collaboration with outside parties.

Through the marketing activities of “Nutrition Without Compromise” and “delicious salt reduction using umami” becoming widespread as new CX (customer experience), we will enhance our brand value and connect this to business growth.



III-5. Promotion of Sustainability

(MTP Priority Theme: 4. Reduce Environmental Impact by 50%)



Message from the CEO

We are capturing the "new normal" of COVID-19 and, with our engagement in health and the environment, the growth potential of our core businesses is increasing.

We are progressing with development of frameworks to unleash the potential of talent through DX toward our aim of becoming a solution-providing group of companies for food and health issues by turning issues such as increasing resource prices and the impact of sustainability costs into opportunities.

We will continue advancing our ASV management through rapid transformation.

Eat Well, Live Well.



- **Forward-looking statements, such as business performance forecasts, made in these materials are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.**
- **This material includes summary figures that have not been audited so the numbers may change.**
- **Amounts presented in these materials are rounded down.**

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FY2021: Q2 Results Summary

FY2021 Q2 Results Summary

Sales: ¥273.8 billion (104.0% of FY2020 results; excluding currency translation: 102.4%)
 Business profit: ¥30.3 billion (108.0% of FY2020 results; excluding currency translation: 106.5%)

1. Sales: **Increased (¥10.4 billion)**

- Overall revenue increased driven by overseas Sauce & Seasonings, umami seasonings for processed food manufacturers, overseas Frozen Foods, Bio-Pharma Services & Ingredients, Functional Materials, etc.

2. Business profit: **Increased (¥2.2 billion)**

- Overall profit increased due to large profit growth in Healthcare & Others despite decline in profit of Seasonings and Foods and Frozen Foods.

(YoY Business Profit Details – Summary)

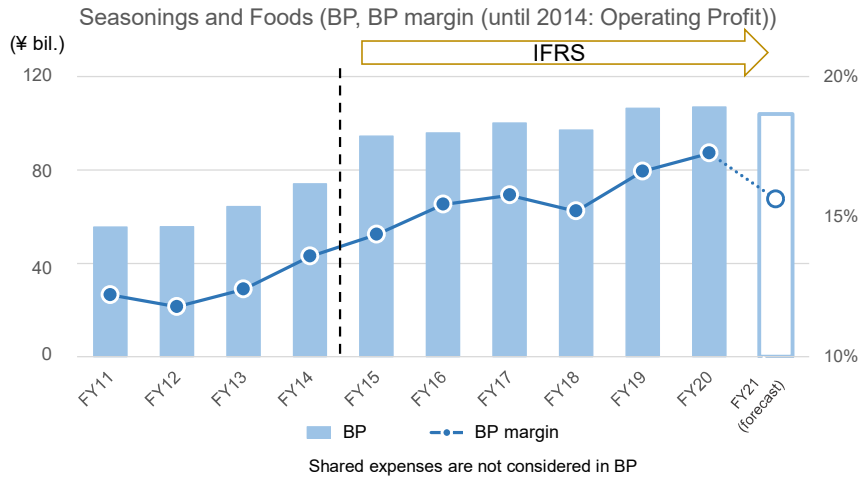
(¥ billion)

	vs Q1-FY20	vs Q2-FY20
Change in GP due to change in sales	11.0	4.0
Change in GP due to change in GP margin	-0.5	1.0
Change in SGA expenses	-6.5	-2.5
Share of profit of associates and joint ventures	1.0	0.0
Total	5.0	2.5

(Reference)

	vs Q1-FY19	vs Q2-FY19
	4.5	2.0
	7.0	3.5
	-0.5	1.0
	0.5	3.5
Total	11.5	10.0

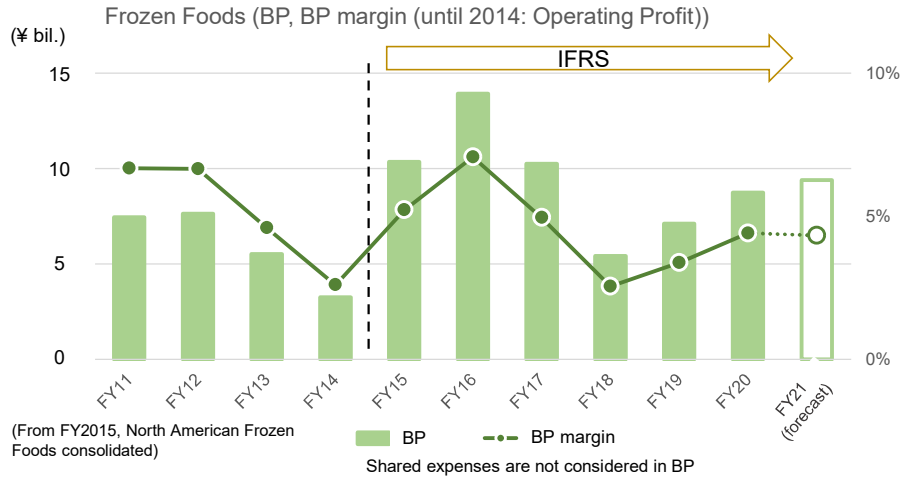
Seasonings and Foods Segment (Business Profit, Business Profit Margin)



- Profitability has improved steadily since FY2015.
- In FY2021, business profit is expected to decline despite sales growth, due to rising raw material and fuel costs, rising expenses, etc.
- In the second half, we will steadily carry out price increases and other countermeasures to achieve organic growth, connecting this to sustainable growth accompanied by profit growth from the next fiscal year onward.



Frozen Foods Segment (Business Profit, Business Profit Margin)

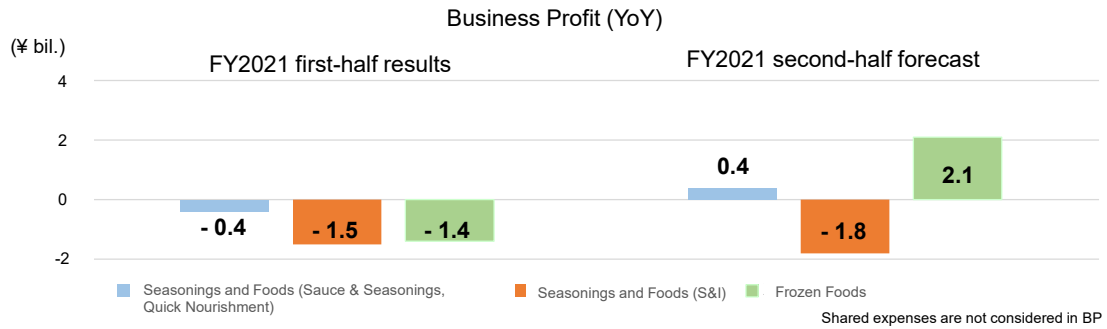


- After the acquisition of Windsor in FY2014, the new factory launch did not progress as planned, and business profit struggled to grow. The current MTP was pulled in to start from FY2019. Structural reform is proceeding steadily.
- In FY2021, although costs for raw materials and logistics will rise, sales will grow and increased prices will make up for the increased costs. Excluding shared expenses, expect to secure increased profit.
- In the second-half, we will work on structural reform, including raising prices and cutting unprofitable items, in order to connect this to sustainable growth accompanied by profit growth from the next fiscal year onward.



Business Profit in the Food Products Business

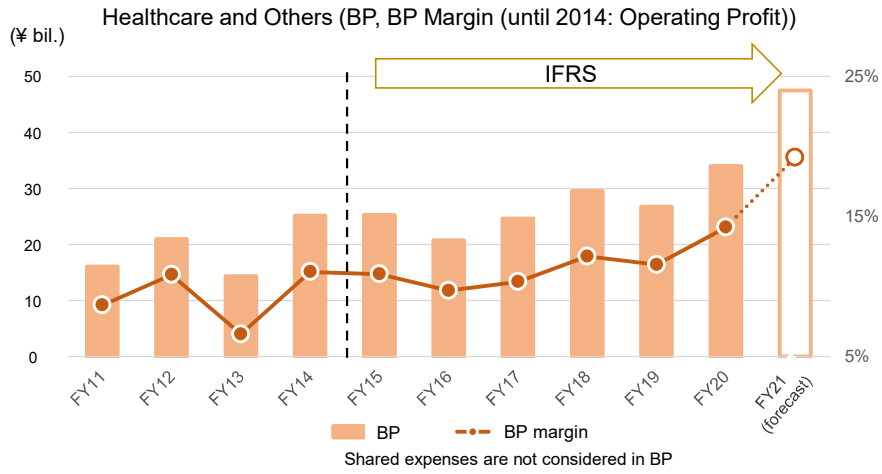
Will plan to steadily come back in Seasonings and Foods and Frozen Foods from the second half. Impacts will remain throughout the fiscal year in the Solution & Ingredients business but we will implement additional measures for the next fiscal year.



(Price increases in major countries of business; only those implemented or announced)

	H1-FY2021	H2-FY2021
Sauce & Seasonings, Quick Nourishment	<ul style="list-style-type: none"> • Brazil (flavor seasonings, July) • Japan (mayonnaise, July) • Indonesia (umami seasonings, June and September) • Philippines (umami seasonings, September) 	<ul style="list-style-type: none"> • Brazil (flavor seasonings, July and October) • Philippines (flavor seasonings, menu-specific seasonings, October) • Japan (home-use coffee products, October) Additional measures being planned in each country from 3Q onward
S&I	<ul style="list-style-type: none"> • Increased prices at distributors overseas 	<ul style="list-style-type: none"> • Japan (all customers, January) Additional measures being planned for overseas, too
Frozen Foods	<ul style="list-style-type: none"> • North America (foodservice, April and September) 	<ul style="list-style-type: none"> • North America (for consumers and food service, October) • Japan (for consumers and food service, February) Additional measures being planned in each country from Q3 onward

Healthcare and Others Segment (Business Profit, Business Profit Margin)



- In Healthcare and Others, structural reform of feed-use amino acids has been completed, and the shift to core businesses is progressing.
- In FY2021, the Bio-Pharma Services business and electronic materials business, which leverage our unique technologies, are strong.
- The Functional Materials and Bio-Pharma Services & Ingredients businesses are expected to grow sustainably, as we make capital investments of appropriate scale from the next fiscal year onward.

First-Half Results (Consolidated Statements of Income)

(¥ Billion); -: losses	H1-FY21 Actual (A)	H1-FY20 Actual (B)	Difference (A) - (B)	vs. Prev. year (A)/(B)	vs. Prev. year (excluding currency translation) (A)/(B)
Sales	550.2	511.3	38.8	107%	105%
Gross profit	211.7	196.1	15.5	107%	
(Gross profit margin)	38.4%	38.3%			
Business profit	69.3	61.9	7.3	111%	109%
Other operating income & expenses	12.4	-0.6	13.0	-	
Impairment losses	-0.3	-0.3	0.0	99%	
Others	12.4	-0.2	13.0	-	
Operating profit	81.7	61.3	20.4	133%	
Financial income & expenses	-2.0	-1.3	-0.6	150%	
Profit before income taxes	79.6	59.9	19.7	132%	
Income taxes (Tax rate: FY21 forecast 27.6%)	-21.9	-18.8	-3.1	116%	
Profit (includes discontinued operations)	57.7	41.1	16.6	140%	
Profit attributable to owners of the parent company	54.1	36.6	17.4	147%	
Profit attributable to non-controlling interests	3.5	4.4	-0.8	80%	

First-Half Results (Sales and Business Profit by Segment)

(¥ Billion); -: losses	H1-FY21 Actual (A)	H1-FY20 Actual (B)	vs Prev. year (A)/(B)	H1-FY19 Actual (C)	vs FY19 (A)/(C)
Sales	550.2	511.3	107%	532.2	103%
Seasonings and Foods	316.0	295.3	107%	308.3	102%
Frozen Foods	106.3	98.8	107%	103.2	103%
Healthcare and Others	121.9	110.6	110%	113.5	107%
Other	5.9	6.5	90%	7.0	83%
Business Profit	69.3	61.9	111%	47.6	145%
Seasonings and Foods	45.0	47.0	95%	38.6	116%
Frozen Foods	1.0	2.6	39%	1.3	77%
Healthcare and Others	22.8	11.9	191%	7.1	319%
Other	0.3	0.2	137%	0.4	72%

First-Half Results (Sales and Business Profit by Region; Change from Prev. Year)

(¥ Billion); -: losses	Japan		Asia		Americas		EMEA		Other		Total	
	H1-FY21 Actual	Difference	H1-FY21 Actual	Difference	H1-FY21 Actual	Difference	H1-FY21 Actual	Difference	H1-FY21 Actual	Difference	H1-FY21 Actual	Difference
Sales	234.3	9.4	136.7	9.7	125.2	16.1	53.9	3.5	-	-	550.2	38.8
Seasonings and Foods	127.3	-0.4	131.1	11.3	39.6	6.0	17.8	3.6	-	-	316.0	20.6
Frozen Foods	44.9	-1.5	1.4	-0.0	54.3	7.1	5.6	2.0	-	-	106.3	7.5
Healthcare and Others	56.1	12.1	4.1	-1.5	31.1	2.8	30.4	-2.1	-	-	121.9	11.3
Other	5.8	-0.6	0.0	0.0	-	-	0.0	0.0	-	-	5.9	-0.6
Business Profit	28.6	3.7	27.9	2.6	8.1	-1.6	4.5	2.6	-	-	69.3	7.3
Seasonings and Foods	16.3	-2.5	29.9	1.2	5.0	-2.0	2.0	0.4	-8.3	0.8	45.0	-2.0
Frozen Foods	2.6	-0.6	0.5	-0.3	0.3	-1.1	0.1	0.4	-2.7	0.0	1.0	-1.6
Healthcare and Others	14.5	5.7	1.8	1.1	6.0	1.2	3.5	1.5	-3.1	1.2	22.8	10.9
Other	0.9	0.2	-0.0	-0.0	-	-	0.1	-0.0	-0.7	-0.0	0.3	0.0
Shared companywide expenses	-5.9	0.9	-4.3	0.6	-3.2	0.3	-1.2	0.2	14.9	-2.1	-	-

Forecast (Consolidated Statements of Income)

(¥ Billion); -: losses	FY21 Forecast (A)	FY20 Actual (B)	Difference (A)-(B)	vs. Prev. year (A)/(B)	vs. Prev. year (excluding currency translation) (A)/(B)
Sales	1,148.0	1,071.4	76.5	107%	105%
Gross profit	436.5	406.2	30.3	107%	
(Gross profit margin)	38.0%	37.9%			
Business profit	120.0	113.1	6.8	106%	103%
Other operating income & expenses	-5.7	-12.0	6.3	47%	
(FY21 Structural reform expenses: approx. -10.0)					
Impairment losses	-	-18.5	-	-	
Other	-	6.5	-	-	
Operating profit	114.3	101.1	13.1	113%	
Financial income & expenses	-4.3	-2.8	-1.5	155%	
Profit before income taxes	109.9	98.3	11.6	111%	
Income taxes (Tax rate: FY21 forecast 33.7%)	-37.0	-32.0	-5.0	115%	
Profit (includes discontinued operations)	72.8	66.2	6.6	109%	
Profit attributable to owners of the parent company	68.0	59.4	8.5	114%	
Profit attributable to non-controlling interests	4.8	6.8	-1.9	71%	

Forecast (Sales and Business Profit by Segment)

(¥ Billion); -: losses	FY21 Forecast (A)	FY20 Actual (B)	vs. Prev. year (A)/(B)	FY19 Actual (C)	vs. FY19 (A)/(C)
Sales	1,148.0	1,071.4	107%	1,100.0	104%
Seasonings and Foods	665.1	620.5	107%	641.7	103%
Frozen Foods	217.0	198.2	109%	211.2	102%
Healthcare and Others	247.7	239.5	103%	231.6	106%
Other	18.1	13.1	137%	15.3	118%
Business Profit	120.0	113.1	106%	99.2	120%
Seasonings and Foods	80.7	86.7	93%	81.6	98%
Frozen Foods	2.3	2.3	101%	0.0	2604%
Healthcare and Others	39.6	26.2	150%	19.5	202%
Other	-2.6	-2.2	119%	-1.9	134%

Forecast (Sales by Region; Change from Prev. Year)

(¥ Billion); -: losses	Japan		Asia		Americas		EMEA		Total	
	FY21 forecast	Differ- rence	FY21 forecast	Differ- rence	FY21 forecast	Differ- rence	FY21 forecast	Differ- rence	FY21 forecast	Differ- rence
Sales	493.7	22.8	287.0	23.2	256.8	37.7	110.3	-7.3	1,148.0	76.5
Seasonings and Foods	277.8	5.3	272.8	23.1	78.5	9.9	35.8	6.0	665.1	44.6
Frozen Foods	89.4	-2.3	4.3	1.6	111.4	18.0	11.8	1.4	217.0	18.7
Healthcare and Others	108.7	15.1	9.3	-1.8 *	66.9	9.8	62.7	-14.8 *	247.7	8.1
Other	17.5	4.4	0.4	0.3	-	-	0.0	0.0	18.1	4.9

* FY2020 results for the animal nutrition business include ¥5.4 billion in Asia and ¥27.0 billion in EMEA.



Reference Links

Ajinomoto Group IR

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

Ajinomoto Group Integrated Report 2021

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

Ajinomoto Group Medium-Term Management Plan

https://www.ajinomoto.co.jp/company/en/ir/event/medium_term.html

Ajinomoto Group IR Day

https://www.ajinomoto.co.jp/company/en/ir/event/ir_day.html

Ajinomoto Group Business Briefing

https://www.ajinomoto.co.jp/company/en/ir/event/business_briefing.html