

Eat Well, Live Well.



# **Ajinomoto Co., Inc. (2802) Forecast for FY2021 (Ending March 31, 2022) and Initiatives to Enhance Corporate Value**

**Takaaki Nishii  
President & CEO**

**May 10, 2021**

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- I. FY2020 Summary Results and FY2021 Forecast
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- III. Initiatives to Grow Our Businesses

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Appendixes: Consolidated Results FY2020 (Ended March 31, 2021)

FY2021 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

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# I-1. FY2020: Summary Results

**Sales decreased** due to Seasonings and Foods, and Frozen Foods which were impacted by the COVID-19 pandemic.

**Business profit increased**, due to effects of increased revenue in Specialty Chemicals and increased revenue from home-use products in Seasonings and Foods and in Frozen Foods, and increased profit due to improvement of the product mix, etc.

With the addition of improvements in other operating expenses, **profit for the term increased significantly.**  
(¥ billion)

(¥ Billion); -: losses	FY20 Actual (A)	FY19 Actual (B)	Difference (A) - (B)	vs. Prev. year (A)/(B)	vs. Prev. year (excluding currency translation) (A)/(B)
Sales	✓ 1,071.4	1,100.0	-28.5	✓ 97%	99%
Gross profit	406.2	403.8	2.3	100%	-
(Gross profit margin)	37.9%	36.7%			
Business profit	113.1	99.2	13.8	114%	119%
Other operating income & expenses	-12.0	-50.4	38.4	23%	-
Impairment losses	-18.5	-34.9	16.4	53%	
Other	6.5	-15.5	22.0	-	
Operating profit	101.1	48.7	52.3	207%	-
Financial income & expenses	-2.8	0.0	-2.7	-	-
Profit before income taxes	98.3	48.7	49.5	201%	-
Income taxes (Tax rate: FY20 actual 32%)	-32.0	-20.3	-11.6	157%	
Profit (includes discontinued operations)	66.2	28.9	37.3	228%	-
Profit attributable to owners of the parent company	59.4	18.8	40.5	315%	-
Profit attributable to non-controlling interests	6.8	10.1	-3.2	67%	-

## I-2. FY2020: Q4 Results Summary

### FY2020 Q4 (January–March) Results Summary (YoY)

Sales: ¥276.5 billion (down 0.4%, excluding currency translation: up 0.4%)

Business profit: ¥13.1 billion (down 17.1%, excluding currency translation: down 15.2%)

#### 1. Sales: **Decreased (in local currencies: increased)**

- Revenue decreased due to decreases in revenue in Seasonings and Foods, and Frozen Foods, despite increased revenue in Healthcare and Others.

#### 2. Business profit: **Decreased (¥2.7 billion)**

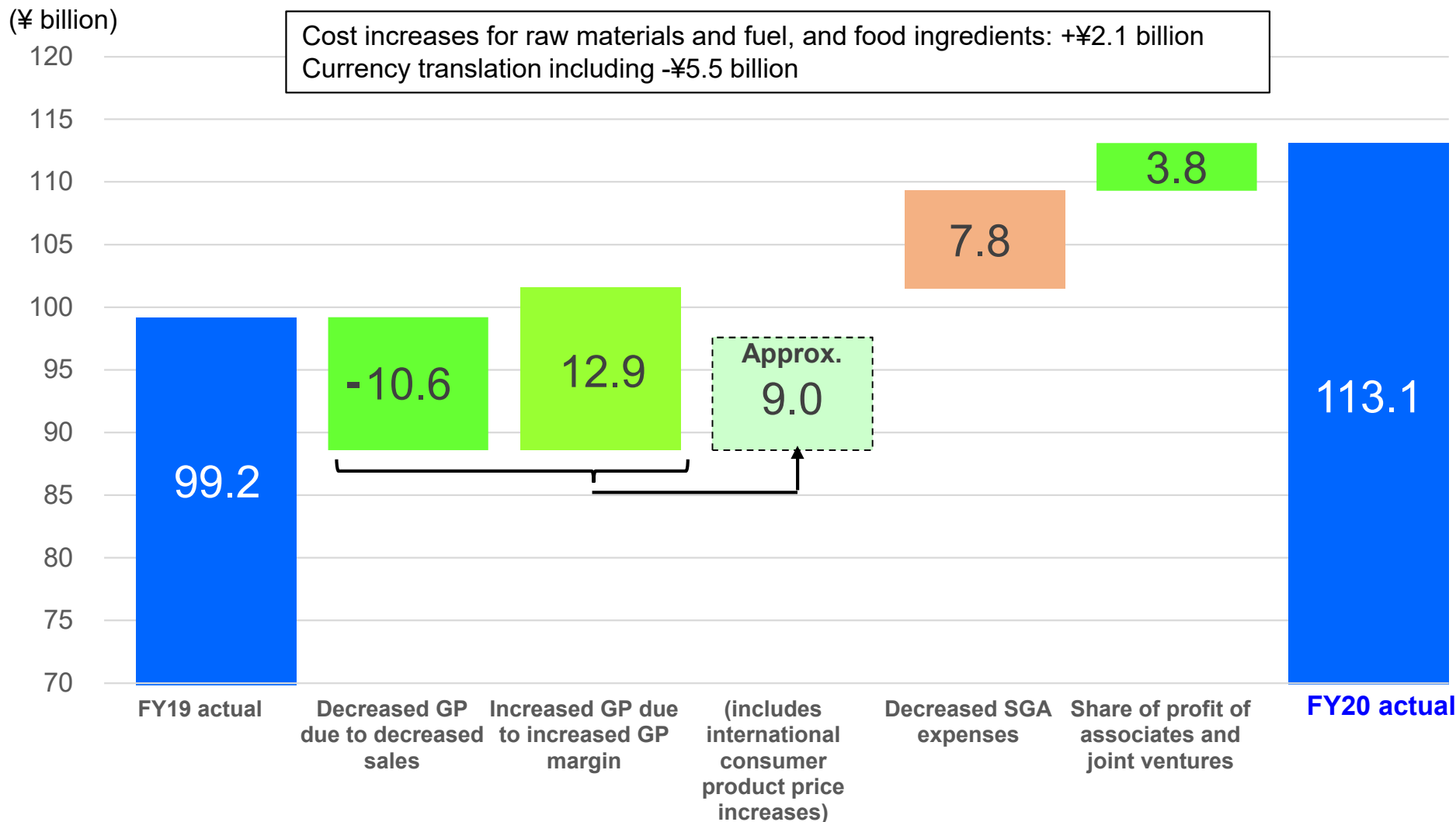
- Profit decreased primarily due to increased ad and marketing expenses.

#### (YoY Business Profit Details – Summary)

Item	Impact on business profit (¥ billion)				Details of impacts in Q4
	Q1	Q2	Q3	Q4	
Decreased GP due to decreased sales	-6.0	-2.0	-2.5	-0.0	—
Change in GP due to change in GP margin (includes effect of some price reductions)	7.0	2.0	3.0	1.0	GP margin increased due to effect of improved product mix.
Decreased SGA expenses	5.0	4.0	2.0	-3.0	Primarily increased ad and marketing expenses.
Share of profit of associates and joint ventures	0.0	4.0	0.0	-0.5	—

# I-3. FY2020: Changes in Business Profit (YoY)

FY2020 ended with a **¥13.8 billion increase in profit** due to, **increasing the GP margin and GP along with growth of sales of home-use products** and **decreases in SGA expenses**, such as marketing, logistics, travel and transportation, despite a decrease in GP primarily from restaurant and industrial-use products.



## I-4. FY2020: Sales and Business Profit by Segment

Sales of Seasonings and Foods, and Frozen Foods decreased over the year under the impact of the COVID-19 pandemic.

**Sales of Healthcare and Others increased**, led by Specialty Chemicals and Amino Acids, even under the pandemic.

**Business profit increased in all segments, with the exception of the Others segment.**

(¥ billion)

	FY20 Actual (A)	FY19 Actual (B)	vs Prev. year (A)/(B)	FY20 Forecast Q3 revised (C)	vs. Forecast (A)/(C)
Sales	1,071.4	1,100.0	97%	1,075.0	99%
Seasonings and Foods	620.5	641.7	✓ 96%	624.4	99%
Frozen Foods	198.2	211.2	✓ 93%	200.7	98%
Healthcare and Others	239.5	231.6	103%	233.8	102%
Others	13.1	15.3	85%	16.0	82%
Business Profit	113.1	99.2	114%	110.0	102%
Seasonings and Foods	86.7	81.6	106%	82.4	105%
Frozen Foods	2.3	0.0	2570%	2.1	107%
Healthcare and Others	26.2	19.5	134%	24.6	106%
Others	-2.2	-1.9	-	0.7	-

## I-5. FY2020: Sales and Business Profit by Region

Sales decreased in Seasonings and Foods in all regions under the impact of the COVID-19 pandemic.

Sales increased in Healthcare and Others in all regions, except Bio-Pharma Services in the Americas, which were impacted by COVID-19. **Business profit increased in all regions.**

(¥ billion)

	Japan		Asia		Americas		EMEA		Other		Total	
	FY20 Actual	Difference	FY20 Actual	Difference	FY20 Actual	Difference	FY20 Actual	Difference	FY20 Actual	Difference	FY20 Actual	Difference
<b>Sales</b>	470.8	-13.8	263.7	-2.0	219.0	-16.2	117.7	3.5	-	-	1,071.4	-28.5
Seasonings and Foods	272.4	✓-9.1	249.7	✓-1.7	68.5	✓-6.6	29.7	✓-3.6	-	-	620.5	-21.2
Frozen Foods	91.7	-5.8	2.6	-0.7	93.4	-6.5	10.3	0.1	-	-	198.2	-12.9
Healthcare and Others	93.6	3.5	11.2	0.3	57.0	-3.0	77.5	7.0	-	-	239.5	7.8
Others	13.0	-2.3	0.1	0.1	-	-	0.0	0.0	-	-	13.1	-2.2
<b>Business Profit</b>	48.4	○2.4	45.3	○3.1	13.9	○1.2	5.3	○7.0	-	-	113.1	13.8
Seasonings and Foods	39.4	-0.9	51.5	0.5	11.1	-0.5	3.0	3.6	-18.3	2.4	86.7	5.1
Frozen Foods	4.5	0.6	1.5	-0.0	2.4	0.7	-0.4	0.2	-5.8	0.6	2.3	2.2
Healthcare and Others	19.8	2.3	2.0	1.8	7.3	0.2	5.8	2.7	-8.8	-0.5	26.2	6.7
Others	-0.8	-1.1	0.0	0.1	-	-	0.0	0.0	-1.5	0.6	-2.2	-0.2
Shared companywide expenses	-14.4	1.5	-9.9	0.5	-7.0	0.8	-3.1	0.2	34.5	-3.1	-	-



## I-6. FY2021: Items that Impact Business Results

### Impacts on FY2021 business results (macro scenario)

At the present, it cannot be predicted when the COVID-19 outbreak will come to an end, so the economic outlook continues to be uncertain. In these circumstances, the Company has prepared the business results forecast based on the following assumptions.

(⇒Text in red is for basic measures)

1. In the countries where our Group has business, a minimum of about 6 months will be necessary to complete vaccinating the populations and the impact will continue. Economic activity will gradually return to normal in the second half.

The US and Europe are heading toward a return to normal. In particular, the US economy is expected to recover quickly. In Japan, the major countries of ASEAN (excluding Vietnam), and Brazil, the situation continues to get better and get worse.

Restrictions on peoples' activities will continue even after the populations of each country have been vaccinated.

⇒We will aim for organic growth, based on the assumption that at-home dining will become the norm in each country.

2. We expect cost increases for raw materials, primarily for fermentation raw materials and fuel.

⇒We will respond with broad and firm cost reductions and timely price changes.

3. Currency depreciation will continue primarily in the emerging countries and we expect effects from currency translation and trade.

⇒We will carefully monitor the situation.

## I-7. FY2021: Forecast

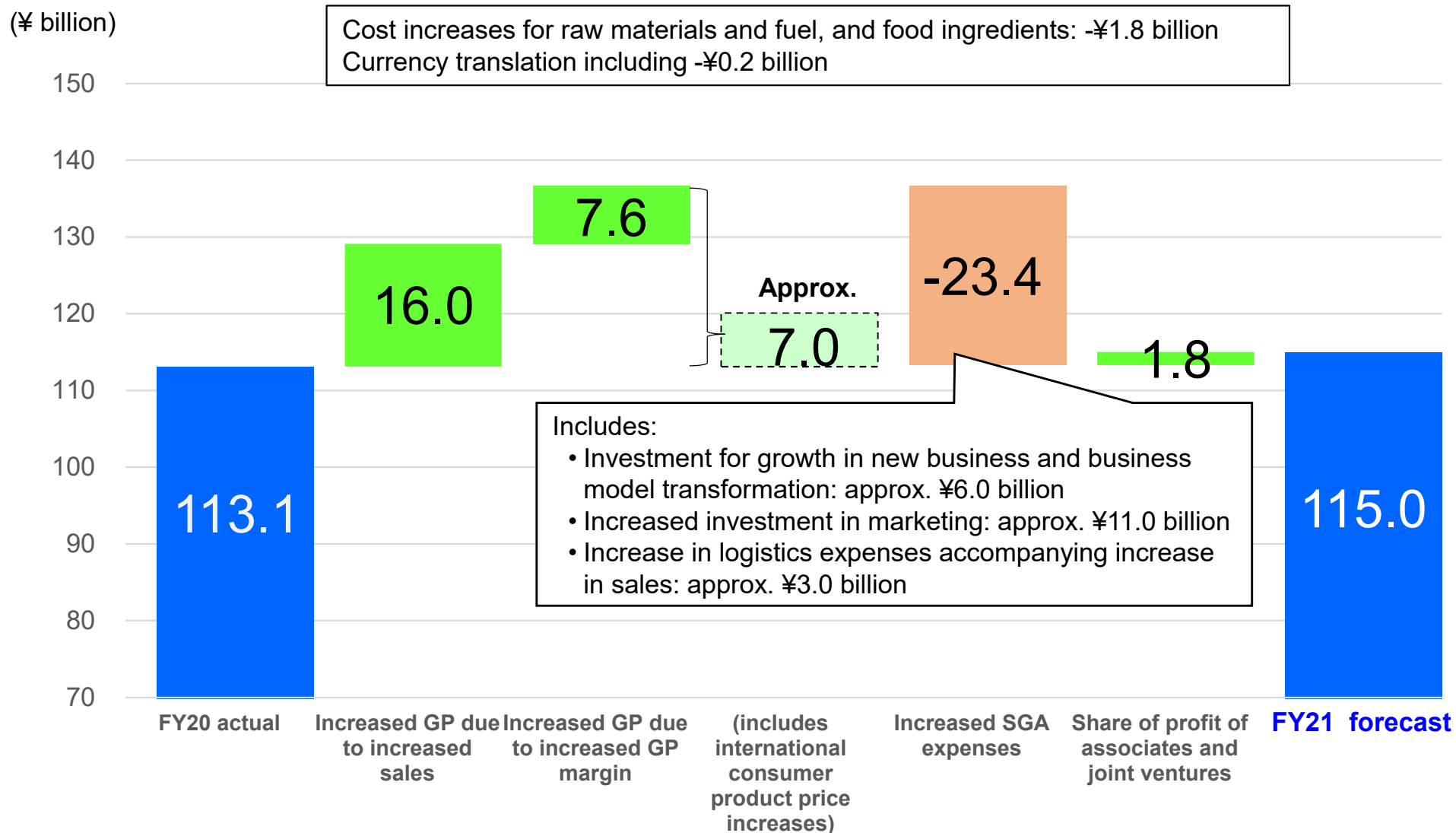
**Sales will increase** due to increases in Seasonings and Foods, and Frozen Foods, despite a decrease in Healthcare and Others.

**Business profit will increase** due to the effect of increased revenue in Frozen Foods and core business of Healthcare and Others.

Structural reform expenses for FY2021 are expected to be approx. ¥10 billion, but **profit attributable to owners of the parent company is expected to increase.**

(¥ 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	1,113.0	1,071.4	41.5	103%	103%
Gross profit	429.6	406.2	23.4	105%	
(Gross profit margin)	38.6%	37.9%			
Business profit	115.0	113.1	1.8	101%	100%
Other operating income & expenses	-13.9	-12.0	-1.9	116%	
Impairment losses	-	-18.5	18.5	-	
Other (FY21 Structural reform expenses: approx. -10.0)	-13.9	6.5	-20.4	-	
Operating profit	101.0	101.1	-0.1	99%	
Financial income & expenses	-3.4	-2.8	-0.6	122%	
Profit before income taxes	97.5	98.3	-0.7	99%	
Income taxes (Tax rate: FY21 forecast 33.4%)	-32.6	-32.0	-0.6	101%	
Profit (includes discontinued operations)	64.8	66.2	-1.3	97%	
Profit attributable to owners of the parent company	60.0	59.4	0.5	100%	
Profit attributable to non-controlling interests	4.8	6.8	-1.9	71%	

# I-8. FY2021: Changes in Business Profit (YoY)



## I-9. FY2021: Sales and Business Profit by Segment

**Sales will increase** due to increased revenue primarily from overseas products in Seasonings and Foods, and Frozen Foods, despite decreased revenue in Healthcare and Others due to progress in structural reform of the animal nutrition business. Business profit will increase due to increased revenue from Bio-Pharma Services & Ingredients and Functional Materials in Healthcare and Others, and Frozen Foods, despite the sharply rising costs for raw materials and fuel in Seasonings and Foods, and decreased profit from the effect of starting up a new factory in Japan for soup.

(¥ billion)

	FY21 forecast	FY20 actual	vs. Prev. year	Summary
<b>Sales</b>	1,113.0	1,071.4	103%	<ul style="list-style-type: none"> <li>Increased revenue in Seasonings and Foods primarily from overseas seasonings, overseas packaged foods, and soups in Japan.</li> <li>Increased revenue in Frozen Foods due to the effect of increased production of the Asian category in North America and recovery of the foodservice market.</li> <li>Decreased revenue overall in Healthcare and Others due to progress in structural reform of the animal nutrition business (FY2020 Europe results: ¥27.0 billion), but increased revenue in core businesses.</li> </ul>
Seasonings and Foods	654.7	620.5	105%	
Frozen Foods	208.2	198.2	105%	
Healthcare and Others	231.3	239.5	✓ 96%	
Others	18.6	13.1	141%	
<b>Business Profit</b>	115.0	113.1	101%	<ul style="list-style-type: none"> <li>Decreased profit in Seasonings and Foods due to the effect of sharply rising raw material and fuel costs and the start up of a factory in Japan, despite the effect of increased revenue from overseas products.</li> <li>Increased profit in Frozen Foods due to increased revenue.</li> <li>Increased profit in Healthcare and Others due to increased revenue from Bio-Pharma Services &amp; Ingredients and Functional Materials, despite decreased revenue.</li> </ul>
Seasonings and Foods	85.8	86.7	✓ 99%	
Frozen Foods	2.4	2.3	105%	
Healthcare and Others	29.2	26.2	111%	
Others	-2.6	-2.2	-	

## I-10. FY2021: Sales by Region

**Increased revenue** in all regions for **Seasonings and Foods**.

**Increased revenue** in all regions for **Frozen Foods**, except Japan, where unprofitable items will be eliminated.

**Decreased revenue** overall for **Healthcare and Others**, due to decreased revenue in EMEA and Asia with the progress of structural reform in animal nutrition.

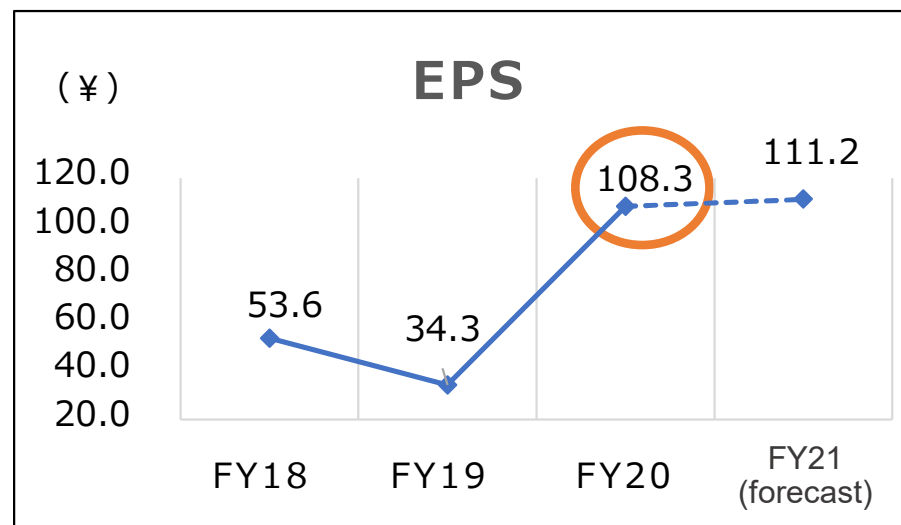
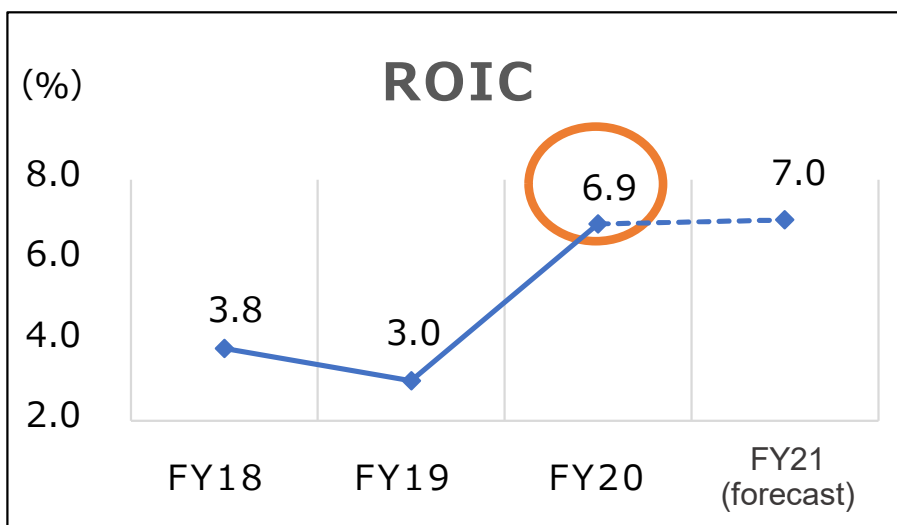
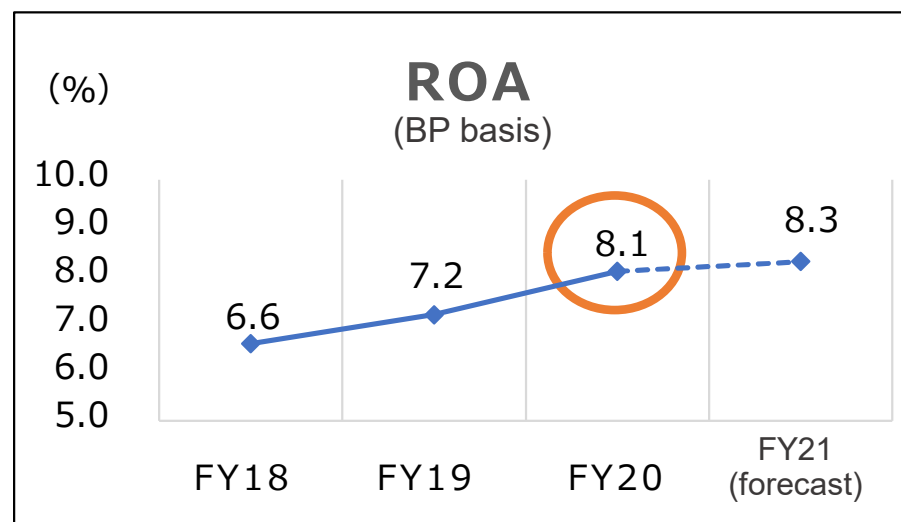
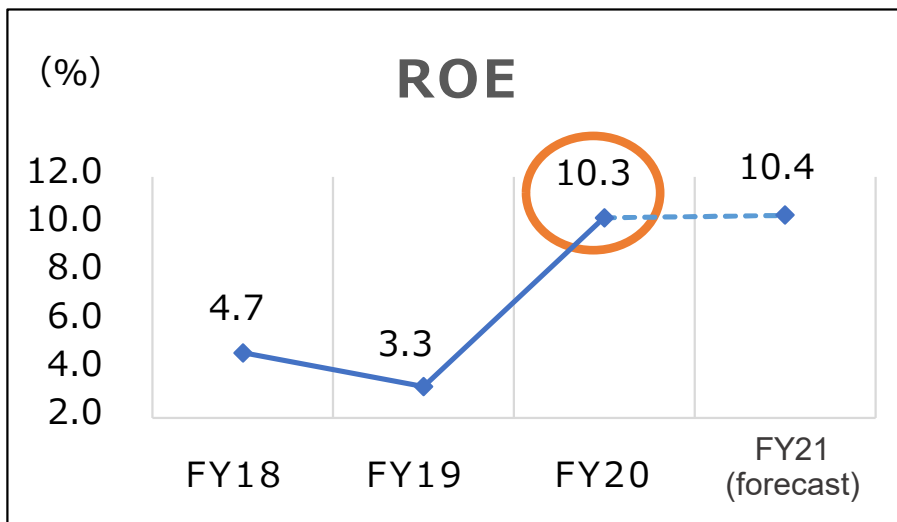
(¥ billion)

	Japan		Asia		Americas		EMEA		Total	
	FY21 Forecast	Difference	FY21 Forecast	Difference	FY21 Forecast	Difference	FY21 Forecast	Difference	FY21 Forecast	Difference
Sales	489.1	18.2	279.9	16.1	242.8	23.7	101.0	-16.6	1,113.0	41.5
Seasonings and Foods	280.1	7.7	268.5	18.8	73.7	5.1	32.2	2.5	654.7	34.2
Frozen Foods	89.3	✓ -2.3	3.5	0.8	104.1	10.7	11.1	0.7	208.2	9.9
Healthcare and Others	101.4	7.8	7.3	✓ -3.8*	64.9	7.8	57.6	✓ -19.9*	231.3	-8.1
Others	17.9	4.9	0.4	0.3	-	-	0.0	0.0	18.6	5.4

\*For animal nutrition, FY2020 results include ¥5.4 billion in Asia and ¥27.0 billion in EMEA.

## I-11. FY2021: Important Management Indicators

In FY2020, both business profit and operating profit increased so the important management indicators improved significantly. They are expected to improve even more in FY2021.

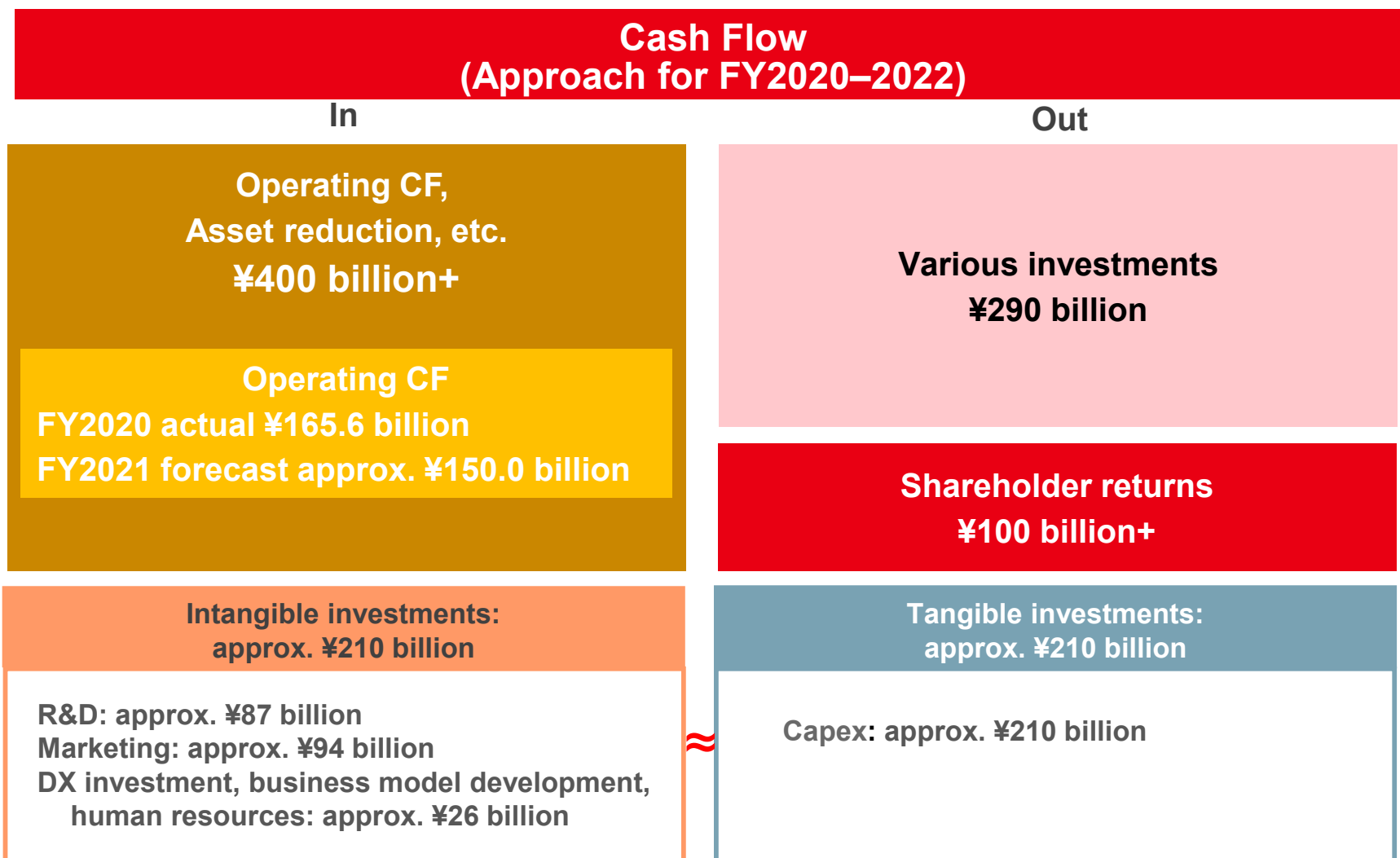


I-12. FY2021: Investment for Growth and Shareholder Returns (Approach for FY2020–2022)

**Throughout the Medium-Term Management Plan (MTP) shift investment from tangible to intangible assets, from non-core to core businesses.**

**FY2020-2021 operating cash flow is expected to be more than ¥300 billion.**

**Ability to create cash flow is increasing.**



## I-12. FY2021: Investment for Growth and Shareholder Returns (FY2021 forecast)

**Prioritize investment in intangibles and core businesses in FY2021, too.**  
**Enhance shareholder returns.**

### Intangible investments:

R&D: approx. ¥27.0 billion

Marketing: approx. ¥35.0 billion

DX investment, business model development, human resources: approx. ¥6.0 billion

### Tangible investments:

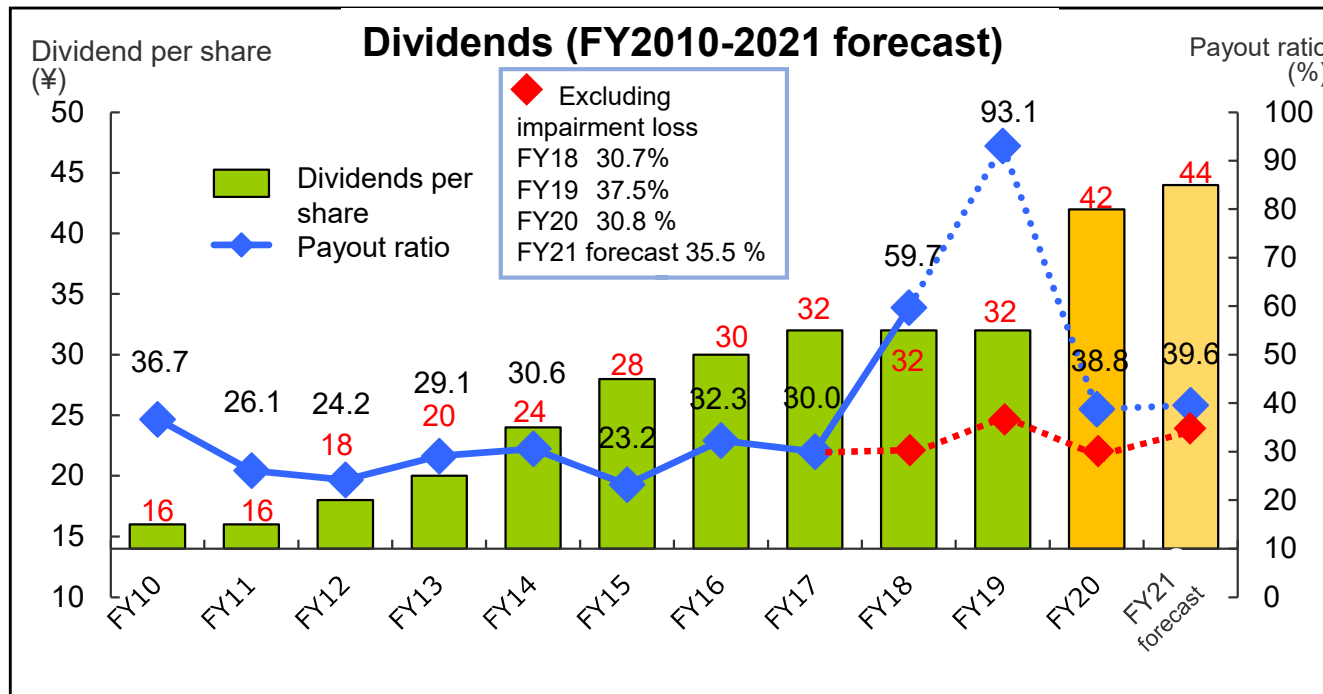
Capex: approx. ¥75.0 billion

Core business percentage: approx. 66%

(Plus: M&A and purchase of non-controlling interests)

(aim for D/E ratio of 50%; March 31, 2021 actual: 43.6%)

Net debt is interest-bearing debt - Cash on hand and in banks x 75%



### Shareholder Returns

(Approach for FY2020–2022)

Forecast total shareholder return for the 3 year period: target 50%+  
 Single FY payout ratio: target 40%

FY2020 actual: ¥42 (annual) (dividend increase)

**(+¥10 from FY2019)**

FY2021 forecast: ¥44 (annual) (dividend increase scheduled)

**(+¥12 from FY2019)**

**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)**



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FY2021 Forecast by Segment

Note: Business profit (consolidated) in this material:

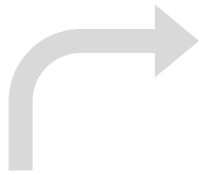
Sales - Cost of sales - Selling expenses, Research & development expenses and General & administrative expenses + Share of profit of associates and joint ventures

# II-1. ASV Management (Repeat of IR DAY slide)

## ASV Management

Pursuit of intrinsic social and corporate value

**... unlocking the power of amino acids to resolve food and health issues ...**



"Global Top 10 Class Company"




Unearthing of intangible assets x Ecosystem  
(Human resources, brands, trust, intellectual property, value network)

Do all of the above by Digital Transformation (DX)

## II-1. FY2020-2025 MTP: Five Transformations (Revision of IR Day slide)

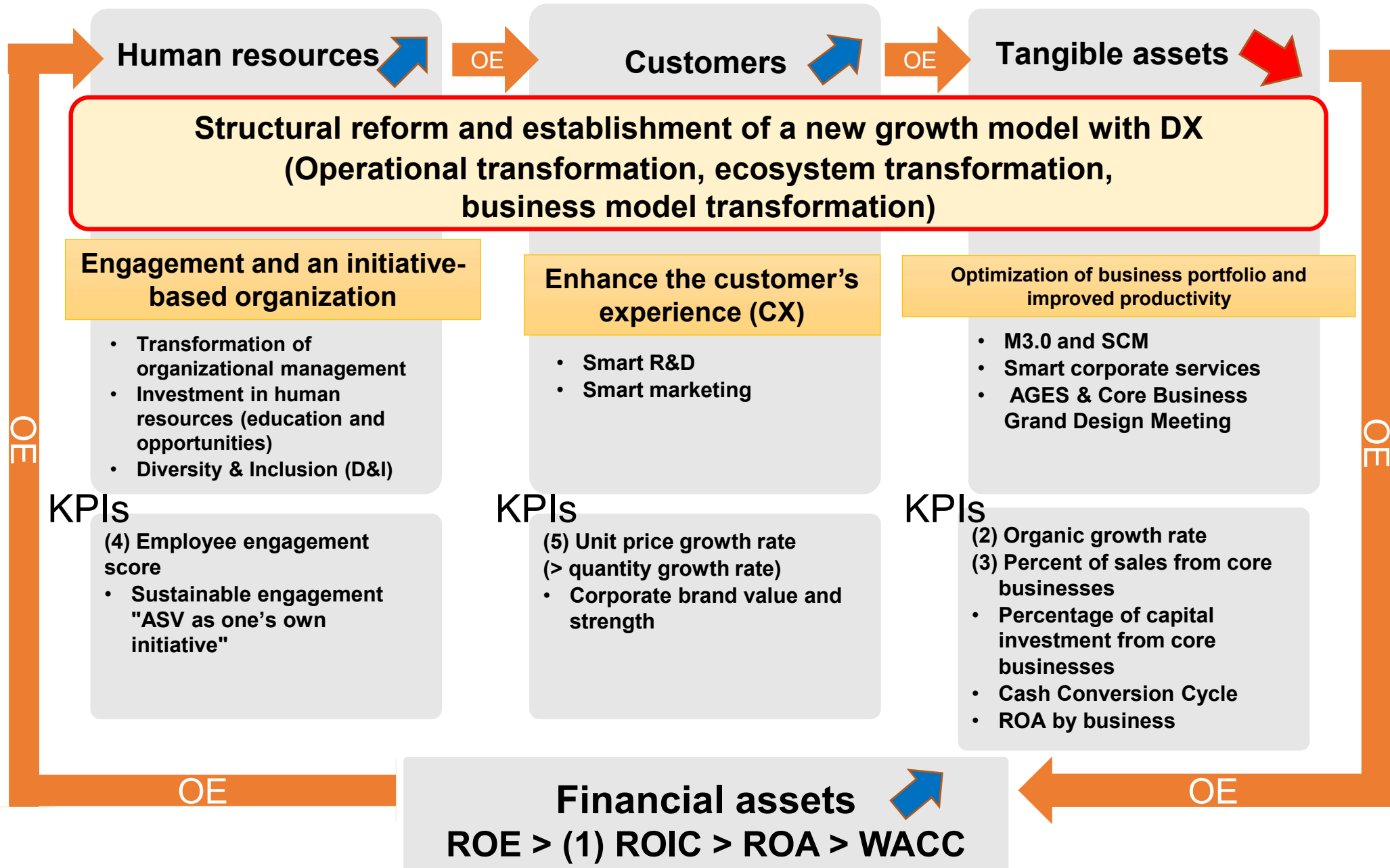
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1. Renew our corporate vision: Contribute to greater wellness for people worldwide, unlocking the power of amino acids to resolve the food and health issues associated with dietary habits and aging
2. Enhancement of corporate value cycle
 

The diagram shows a cycle of three components: 'Employee engagement', 'Strengthen brand and CS', and 'Market capitalization'. Blue arrows connect them in a clockwise direction: Employee engagement → Strengthen brand and CS → Market capitalization → Employee engagement. A larger blue arrow points from the 'Market capitalization' box back to the 'Enhancement of corporate value cycle' text.
3. Revenue Management Policy: switch to prioritize organic growth and the efficiency of invested capital
4. HR Development and Organizational Management: invest in developing ability that leads to ASV as one's own initiative  
Have OE\* that makes enhancement of customer value a motivation for work as the norm
5. Renew decision-making process for executing strategy and risk management

\* OE: Operational Excellence

# II-1. The Mechanism of Enhancing Corporate Value (Revision of IR-DAY slide)



## II-1. FY2020 Risk Management (Acceleration of ASV Management)

**Flexibly renew the FY2020-2025 MTP in light of COVID-19 impact and DX Progress**

**Backcasting from 2030 Vision and structural targets**



**COVID-19 impact on business results borne horizontally,  
made rolling forecast, advanced DX and open innovation**

Newly established: Risk Scenario Meeting (Head office, Regional Headquarters, major affiliates).  
Revise the executive seminar (Ajinomoto Group Executive Seminar: AGES).

**Improvement of decision-making process for executing strategy  
aimed at 2030 targets (ROIC 13%, organic growth 5%)**

1. Core Business Grand Design Meeting → dig deeply to find business portfolio issues
2. Business Model Transformation Taskforce (BMX) → create new business model
3. Continuously share accelerating innovation and sustainability in the COVID-19 pandemic



## II-1. FY2020 Ajinomoto Group Executive Seminar

### Toward the goal of solving food and health issues

- The CEO made a declaration about psychological safety
- Each person reflected deeply on the past 10 years (not achieving MTPs)
- Executive directors + executive employees who have responsibility for 2030 were newly added
- Core businesses, business operation reform, and the creation of a new business model were seriously discussed over 5 months, an understanding was reached on the 5 transformations, and this was made the FY2021 strategy.

#### Participating specialists, advisors

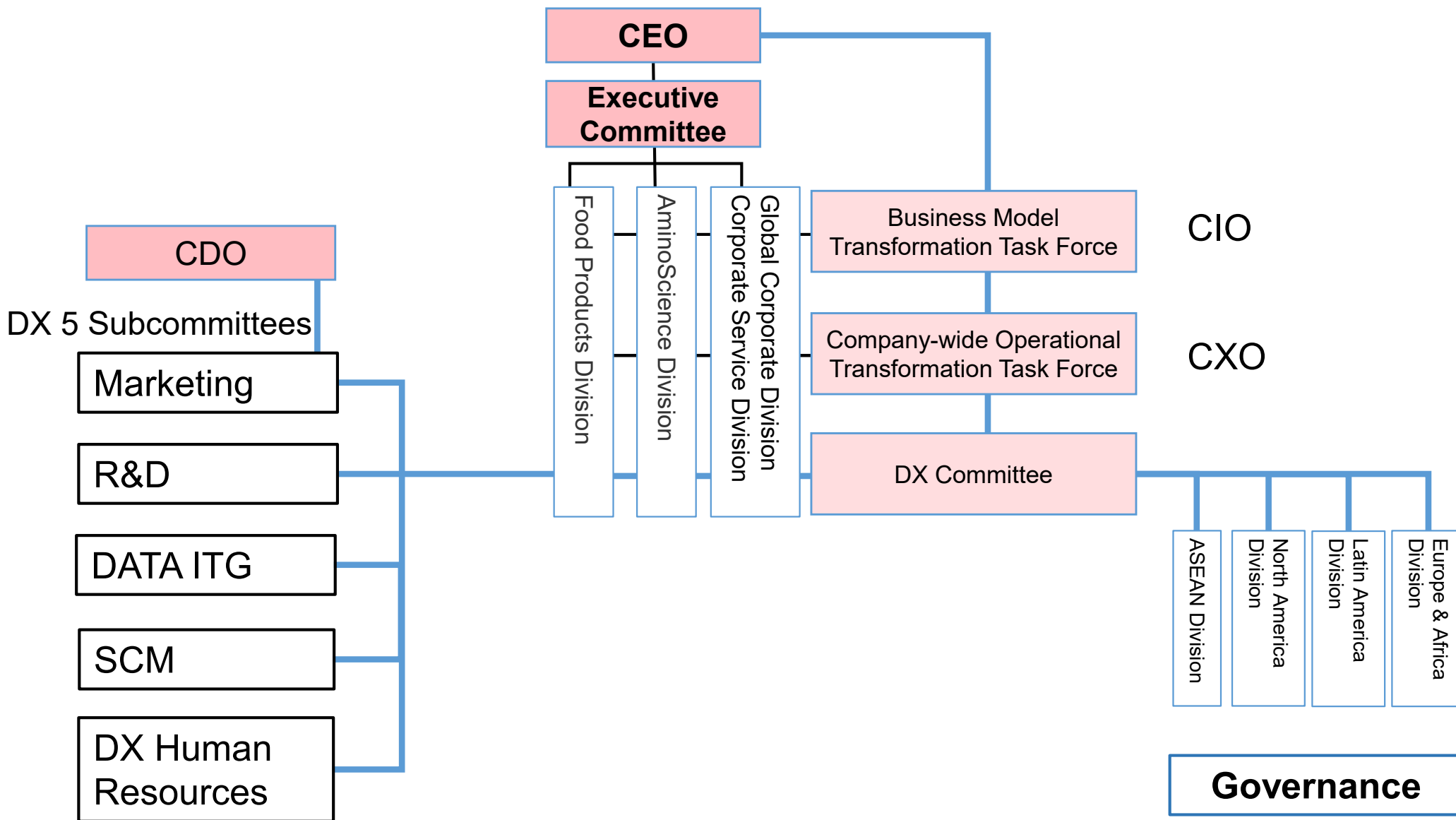
- Mr. Takashi Nawa (Hitotsubashi University Business School, Outside Director of the Company): *Myth and Truth of Management Innovation*
- Mr. Akira Sato (Value Create Inc., General Manager, Research Dept. of the Company): invisible assets, creating corporate value
- Mr. Yasunori Nakagami (Misaki Capital Inc.): Misaki's Axiom
- Mr. Hirotaka Tanaka (SIGMAXYZ Inc.): *Foodtech Innovation*
- Mr. Yoshiki Ishikawa (Well-being for Planet Earth): Subjective well-being

FY2021 topics to be dealt with: Instilling the ideas of purpose-driven management and integrated management by managers, employees, and shareholders\*  
Create a new business model on the scale of ¥100 billion, and Ajinomoto-like sustainability

\* We recently appointed Mr. Takeshi Saito, of Misaki Capital Inc. as an advisor

# II-1. Drive Framework (Revision of IR-DAY slide)

Transform corporate culture as one team, with the CEO at the center



## II-2. FY2020 Management Review (Acceleration of ASV Management)

		20-22 Phase 1		23-25 Phase 2	2030 Goal	
		Structural reform		Regrowth		
		FY19 (Actual)	FY20 (Actual)	FY22 (Target)	FY25 (Target)	
<b>Efficiency</b>	ROIC (>Capital cost) ( ): Excluding expenses for structural reform	3.0% (Approx. 6%)	6.9% (Approx. 8%)	8%	10-11%	13%
	<b>Growth</b>	Organic sales growth (YoY)	0.3%	✓ -0.6%	4%	5%
<b>Priority KPIs</b>	Percentage of sales from core businesses	66.5%	66.6%	70%	80%	80% or more
	Employee engagement ("ASV as one's own initiative" <sup>1</sup> )	55%	64%	70%	80%	85% or more
	Unit price growth (YoY) (International consumer products)	Approx. 5%	2.8%	2.5%	3%	3%

1: "ASV as one's own initiative" = Status whereby each and every employee is able to autonomously work toward achievement of ASV. **Note:** Organic sales growth and unit price growth are target growth rates for FY21-22 and FY24-25, respectively. **Organic sales growth:** Refers to sales growth excluding the effects of discontinuous growth such as exchange rates, changes in accounting practices and M&A/business sell-off. **Unit price growth rate:** Refers to the unit price growth rate of the international consumer products from the base year for each country and category as a weighted average in proportion to sales.



## II-2. FY2020 Management Review (Acceleration of ASV Management)

### ROIC (>Capital cost)

Steady progress toward FY2022 targets despite impairment due to structural reform.

### Organic sales growth

Over the year, negative growth in restaurant and industrial-use products of Seasonings and Frozen Foods, and Bio-Pharma Services, which were impacted by COVID-19. Positive overall growth not achieved despite growth of home-use products and specialty chemicals.

### Percentage of sales from core businesses

Progress in structural reform of animal nutrition business. Steady advances toward improving FY2021 percentage.

### Employee engagement

Progress in efforts aimed at ASV as one's own initiative, primarily the CEO dialogue. Score improved 9-points over last year. Room for further efforts to improve awareness of independent contribution to the realization of the vision.

### Unit price growth (International consumer products)

Contribution from price increases and launch of reduced salt products in main countries of business overseas as well as improvement in product mix due to impact of COVID-19.

### Strengthening the corporate brand

Up 19% YoY, V-shaped recovery. FY2017-2020 CAGR +7%. Internal indicator score is high, but external indicator score is near average of competitors.

## II-3. Progress in Structural Reform

### Structural reform in non-core businesses

### Financial impact

#### 1. Animal Nutrition Business (commodities)

Complete structural reform. Shift to customer solution-providing business.

Amount of asset  
reduction:  
¥15.6 billion (FY2020)

#### 2. Part of MSG

Promoting 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

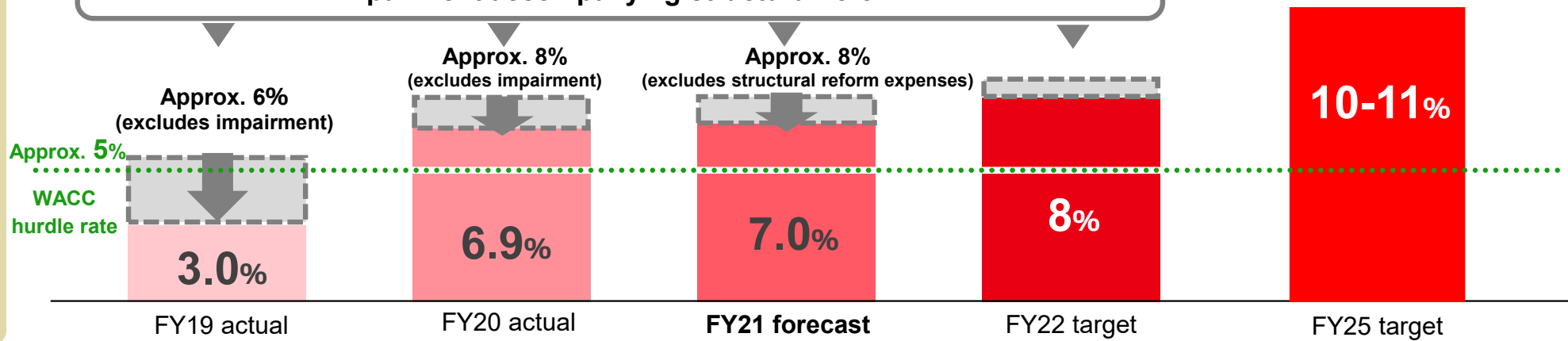
Reduce unprofitable items among Japan restaurant and industrial-use products. In North America, the shift to the high-profit Asian category is progressing.

GP margin 1.4%  
improvement  
Completion of  
increased production  
in Asian category  
products in North  
America (FY2020)

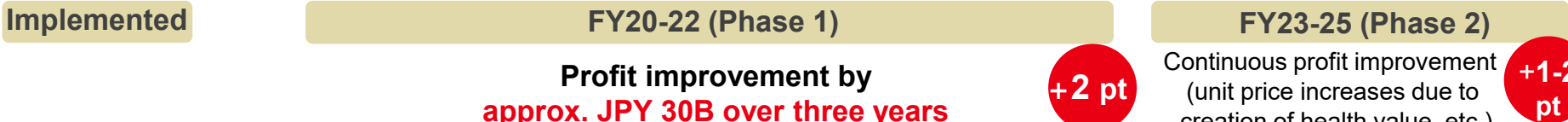
# II-3. Progress in Structural Reform

ROIC expected to temporarily fall below real capability due to impairment accompanying structural reform

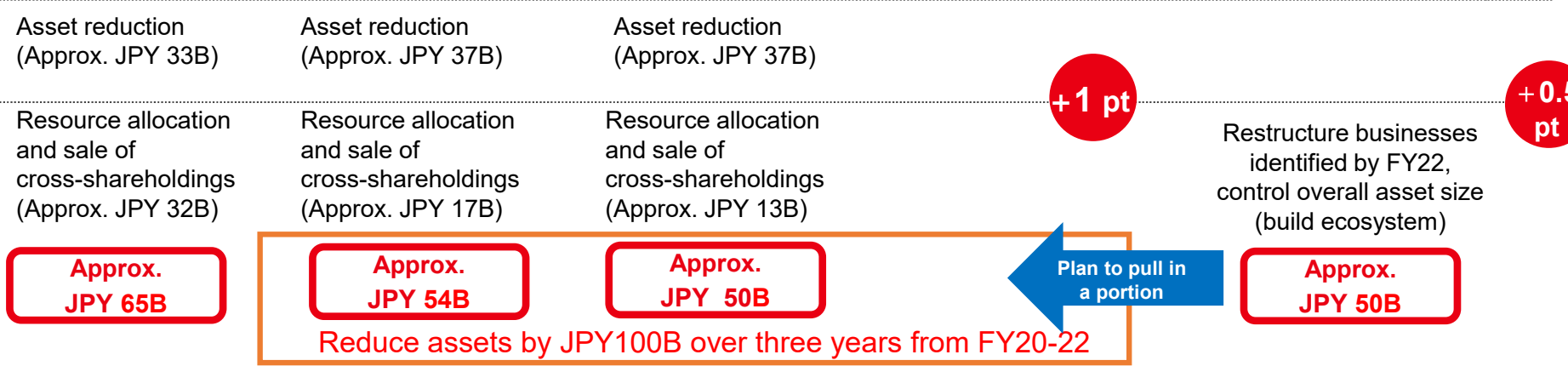
ROIC



Profit improvement



Asset reduction



+X pt Contribution from ROIC (compared to FY19)

## II-4. Initiatives for Organic Growth

**Increase touchpoints\* to extend healthy life expectancy to 1 billion people.**  
 FY20 results up 4.1% (Image for 10-year CAGR: +3.8%)

Sauce & Seasonings

Quick Nourishment

Frozen Foods

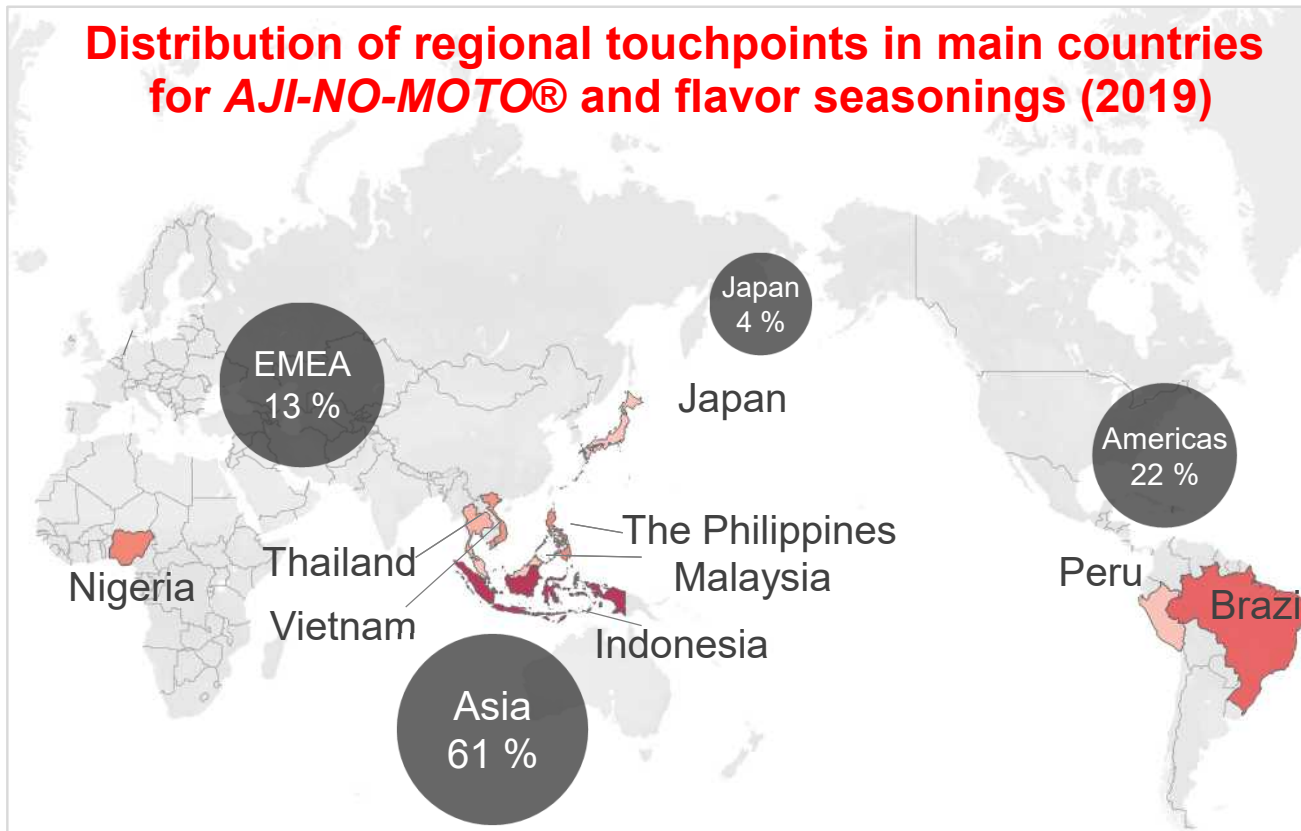
Solution & Ingredients

Healthcare

Electronic Materials

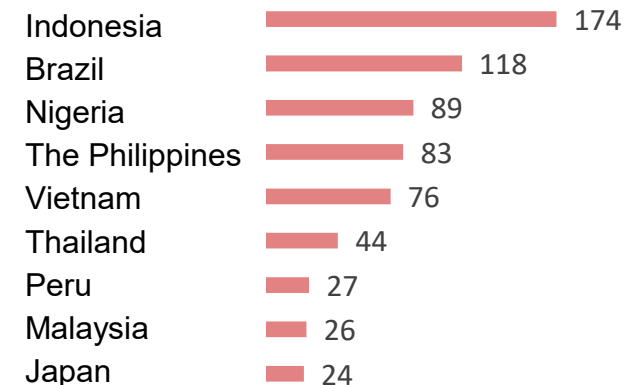
The number of consumers we reach with touchpoints in the main countries where we sell *AJI-NO-MOTO*® and flavor seasonings has reached 700 million people, and we aim to increase this to 1 billion people by 2030.

### Distribution of regional touchpoints in main countries for *AJI-NO-MOTO*® and flavor seasonings (2019)



Number of consumers reached  
**700 million**

No. of purchasers of *AJI-NO-MOTO*® and flavor seasonings in our 9 main countries



Unit: millions of people

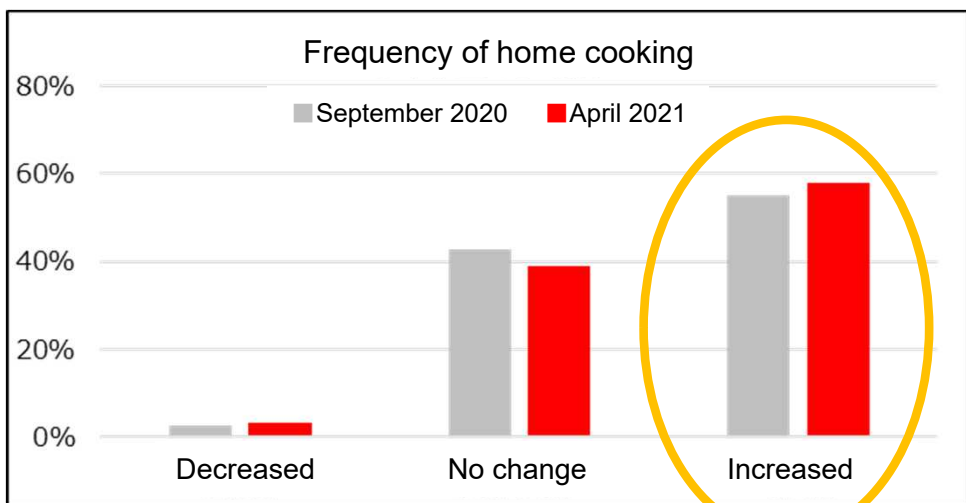
Source: Ajinomoto Group, Penetration estimates for *AJI-NO-MOTO*® and flavor seasonings

\*Touchpoint: number of purchasers = percentage of households that purchase x average number of people per household x population of each country

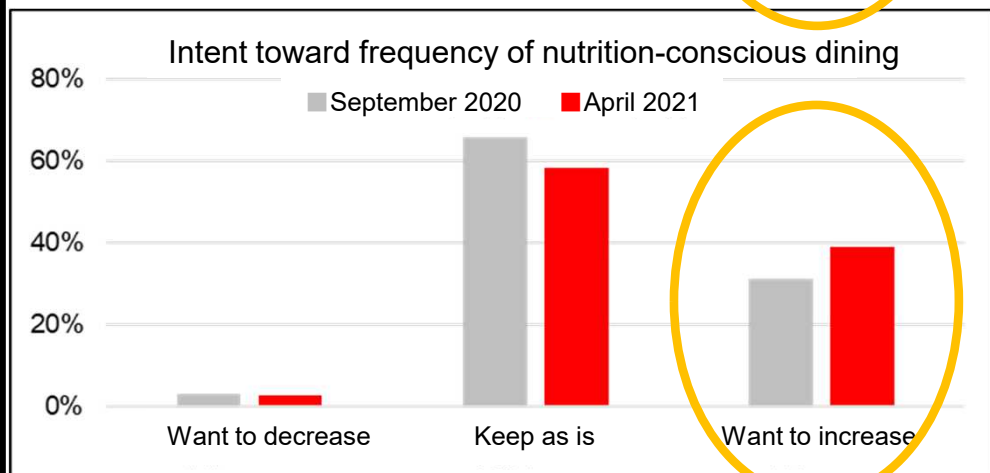
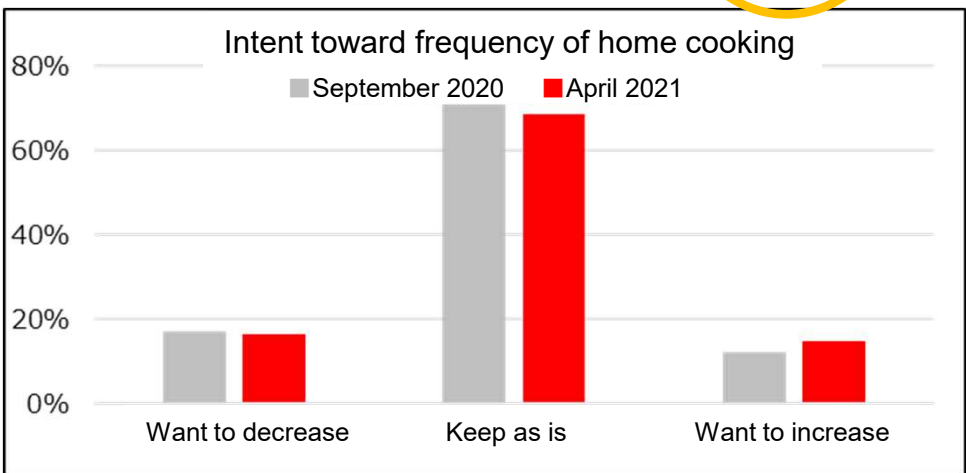
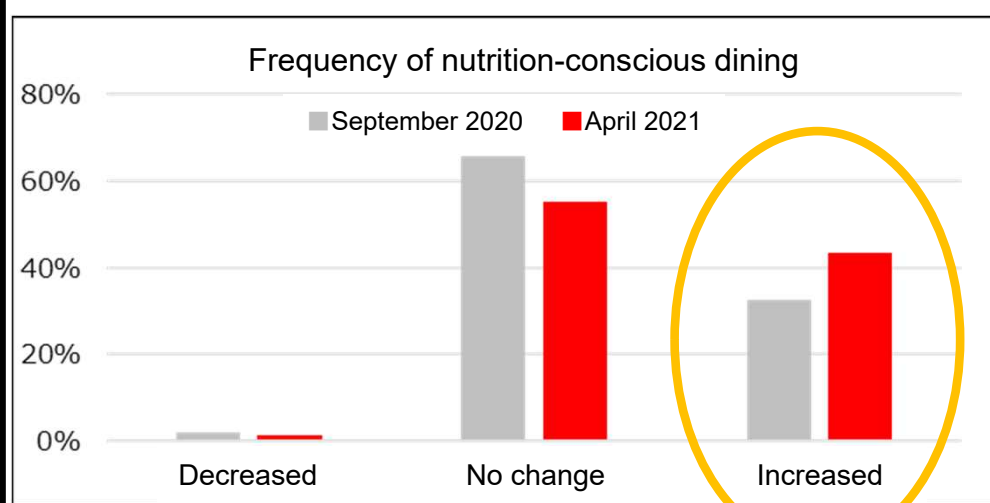
(Ref.) Entrenchment of home cooking and increase in health consciousness among consumers (Japan)

**The frequencies of home cooking and of nutrition-conscious dining continue to increase. The number of people who want to increase their frequency of nutrition-conscious dining continues to increase.**

Home cooking frequency and intent



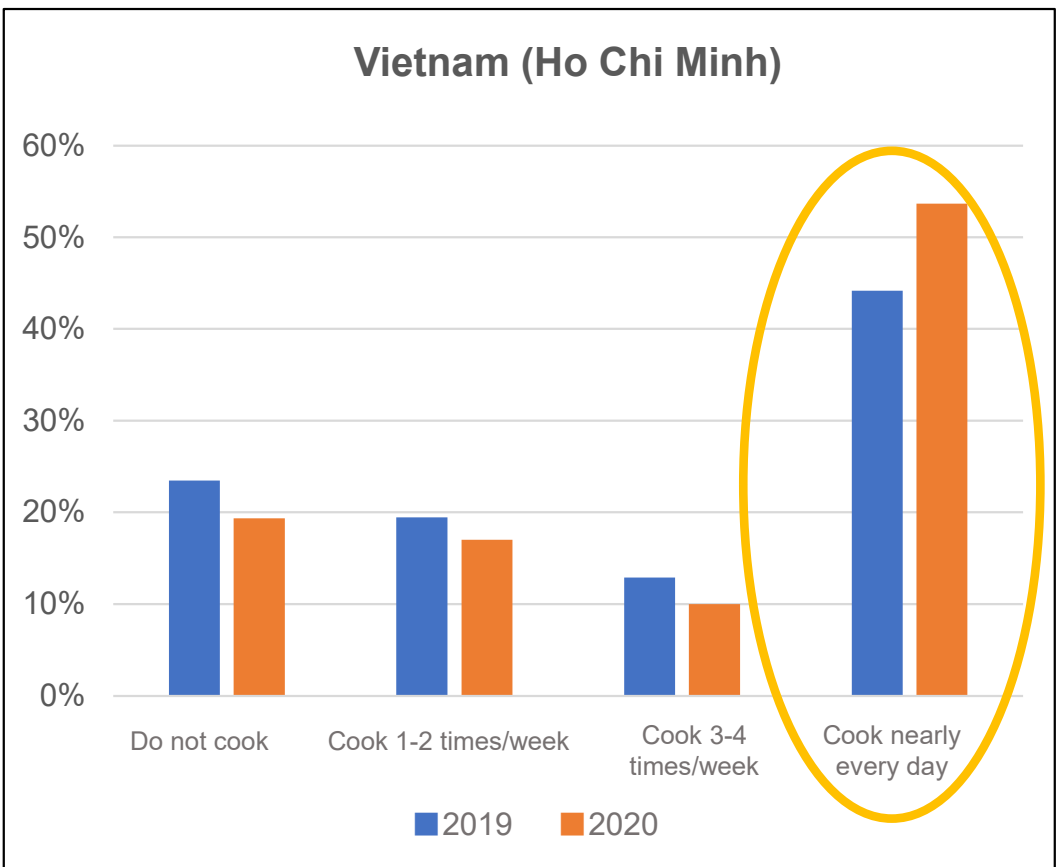
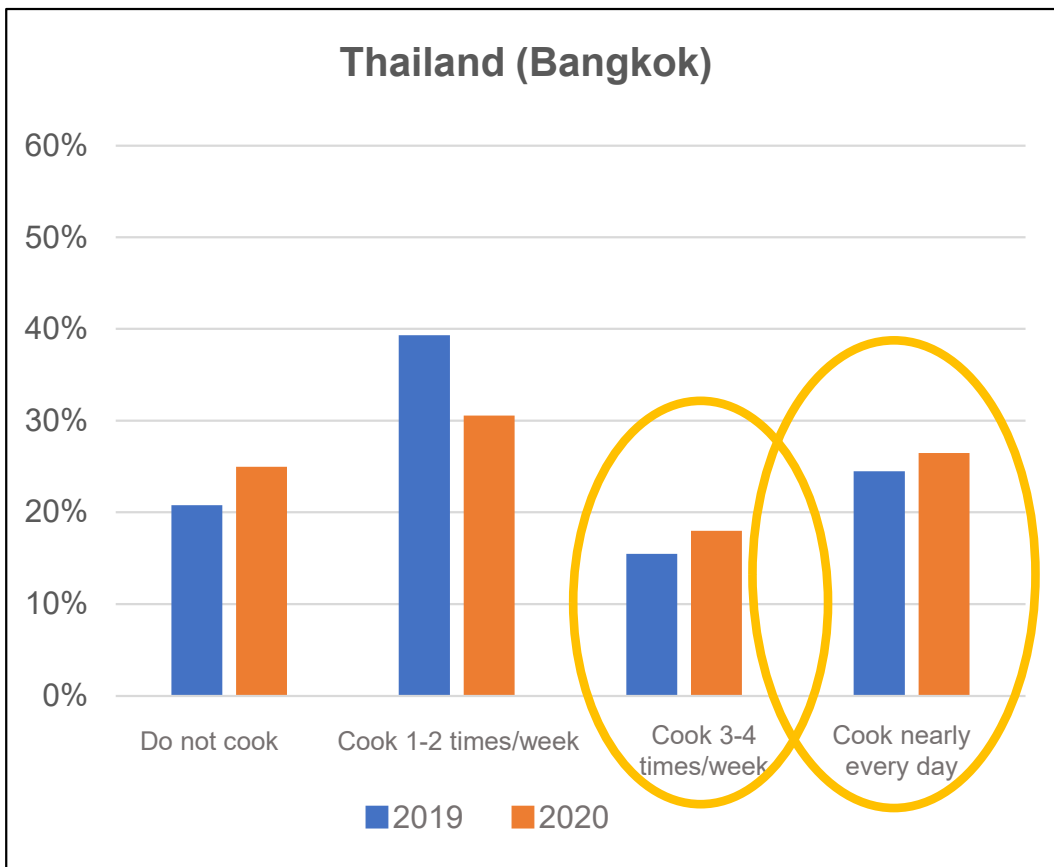
Frequency and intent of nutrition-conscious dining



Source: Vuzz Inc. SnapDish Survey target: SnapDish users Survey period: September 2020 (n=424); April 2021 (n=421)

(Ref.) Entrenchment of home cooking among consumers in major countries, too (Overseas)

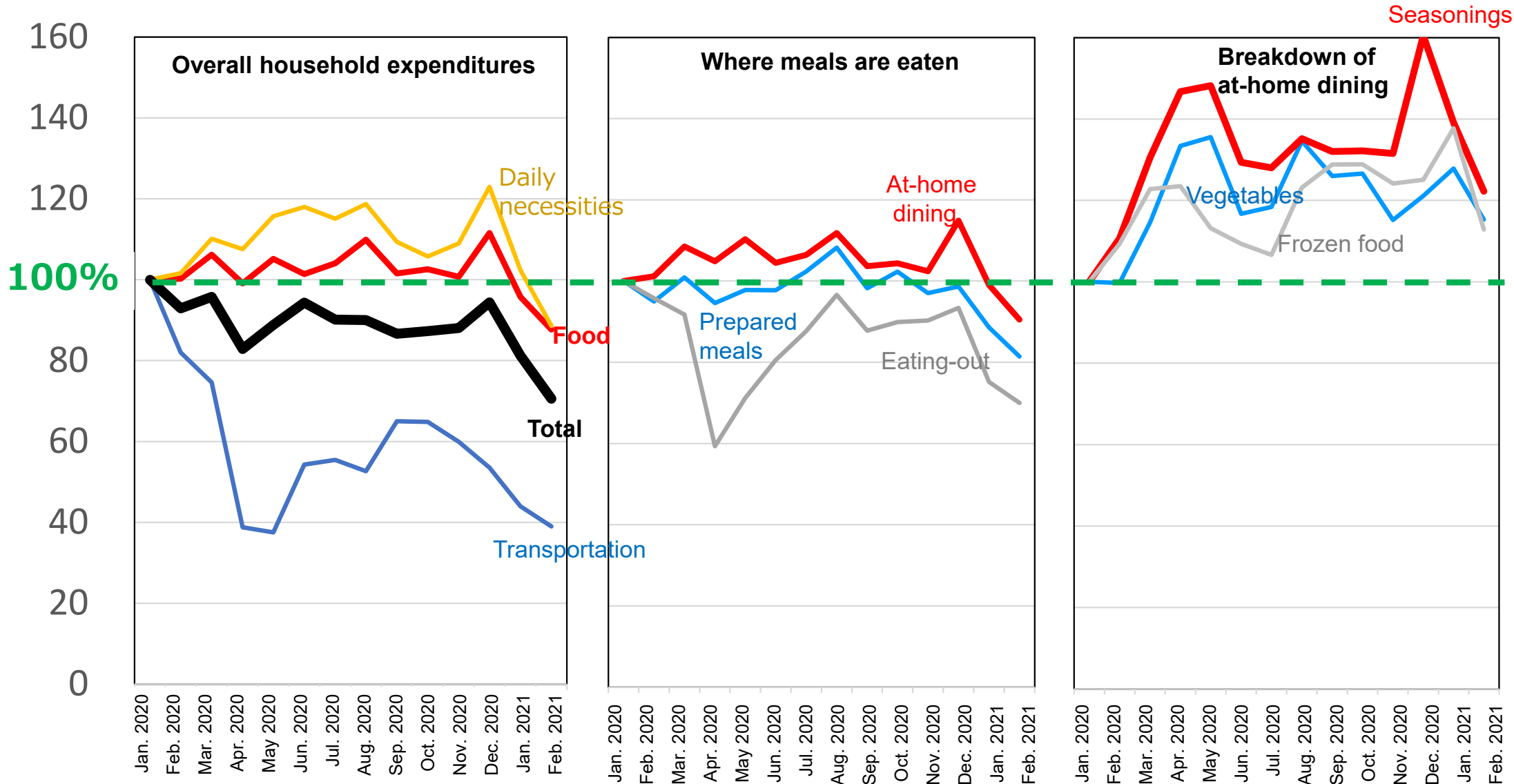
**Opportunities for home cooking are increasing in Thailand and Vietnam, countries considered to have a relatively high ratio of eating out.**



Ajinomoto GRASP survey Survey period: April 2019 (n=900); June 2020 (n=900)  
 Asking about the frequency of making breakfast, lunch, and dinner

(Ref.) Entrenchment of home cooking despite drop in recent household expenses as a reaction to the previous year (Japan)

Overall Household Expenditure in Japan\* (Through Feb. 2021, with Jan. 2020 as 100)



\*Created based on Zaim online household budget service



## II-4. Initiatives for Organic Growth

### Basic strategies aimed at realizing organic growth

Capture increases in healthy diet and at-home dining, and the digital channel

- ✓ Priority investment in core brands
- ✓ Revise products with focus on health (Ajinomoto Group Nutrient Profiling System, or “ANPS”) and strengthen products that match food culture in each country
- ✓ Increase unit prices (revise product mix and prices)
- ✓ Improve DX and nutritional literacy of all employees

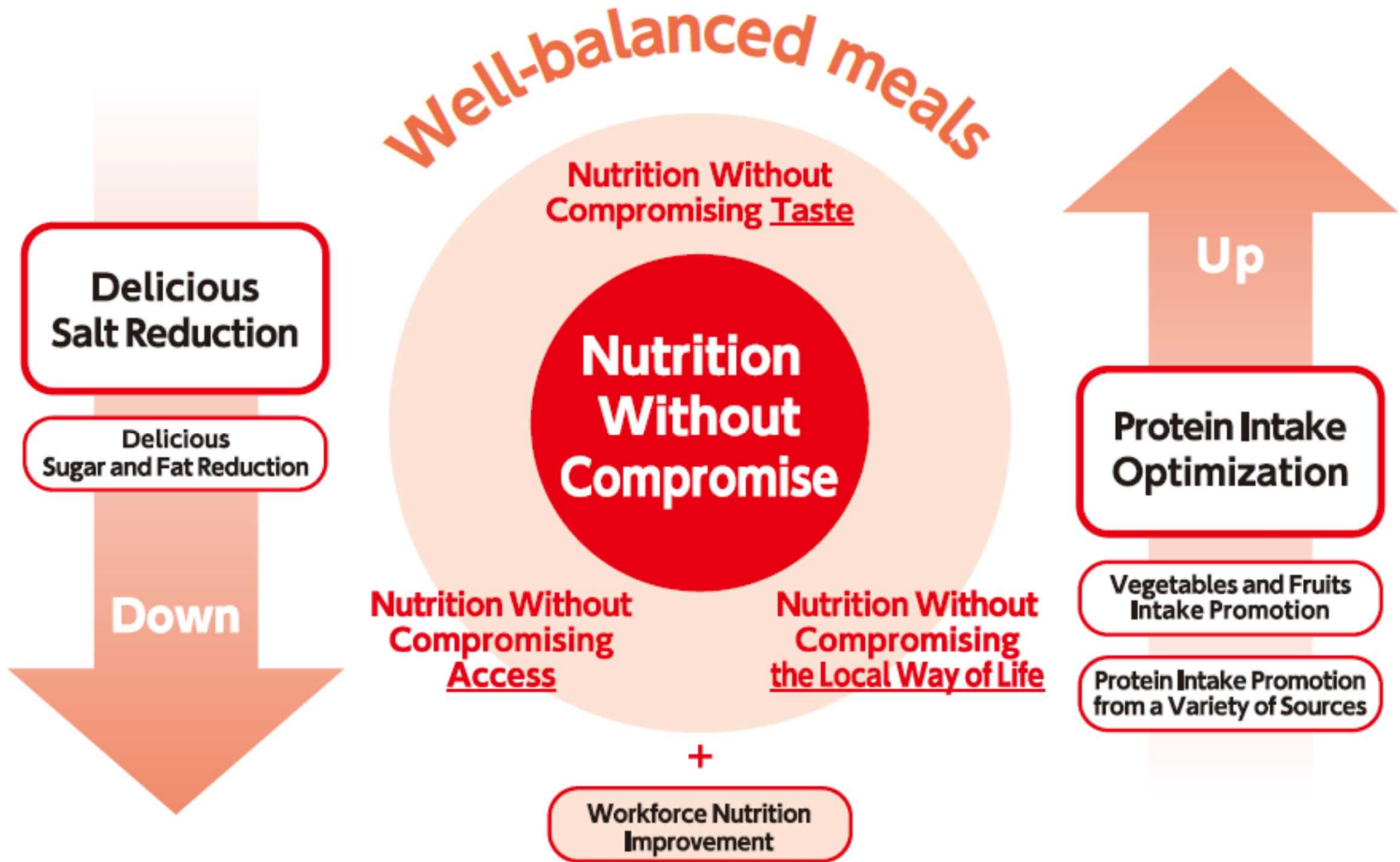
e.g.) Adding value in Seasonings and Foods business (FY2021 organic growth rate: approx. 6%)







# II-5. Enhancing Brand Value Centered on Nutrition Value



## II-5. Enhancing Brand Value Centered on Nutrition Value

### Promote “Smart Salt”



Contribute to people's salt reduction through global “Smart Salt” marketing

#### Japan



★ Continue to accumulate case studies and knowledge of the “Japanese model.”

- ✓ Expand population reducing salt
- ✓ Promote habituation

#### Global



★ Expand horizontally

- ✓ **Accelerate launch of reduced salt products**  
(12 brands in 7 countries, FY2020-2021)
  - Reduce salt content in existing products
  - Launch new reduced salt products
- ✓ **Promote salt reduction through owned media**
  - Provide low-salt recipes on the websites of each affiliate and hold cooking classes

### Expand the health and nutrition ecosystem

Establish ecosystem with partners like Hirosaki University COI

Build Hirosaki University COI collaboration model  
→ Expand by developing app + collaborating in other regions  
April 2020: Established Digital Nutrition and Health Sciences Course

### Promote ANPS (Ajinomoto Nutrient Profiling System)

#### (1) Apply ANPS-P (Products)

Promote product revisions from a nutritional perspective (especially salt)

#### (2) Preparation for introduction of ANPS-M (Menus)

In order to provide healthy food to consumers, we will promote the development of technology that makes the nutritional value of menu visual.

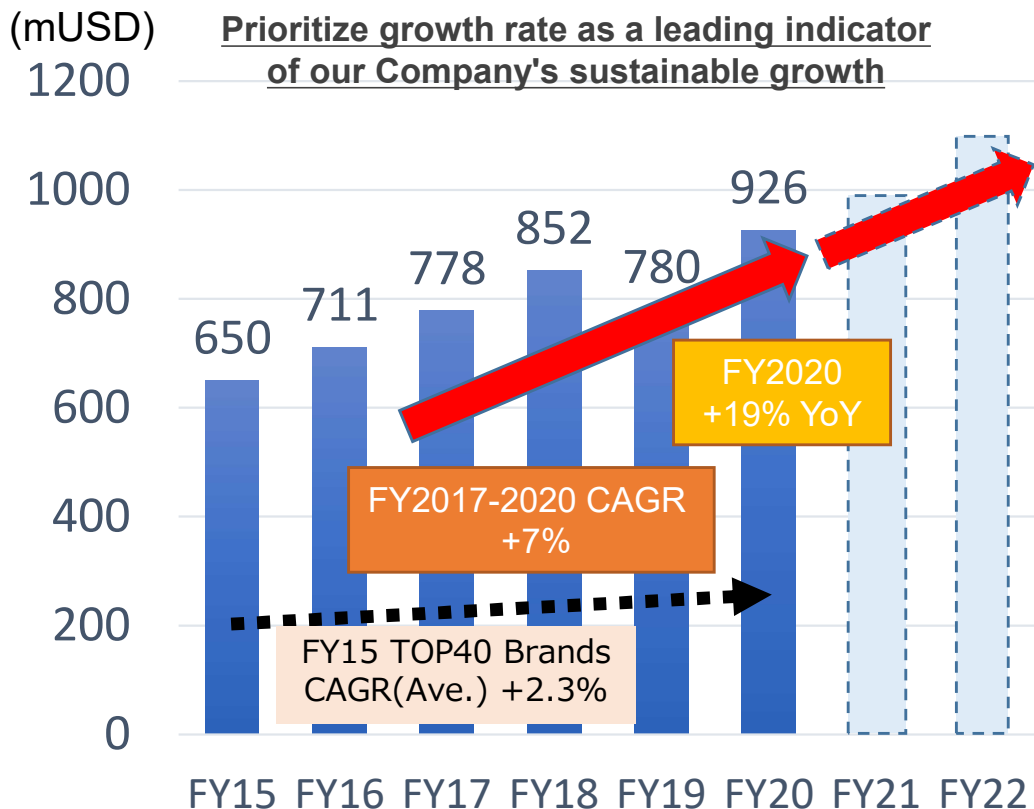
## II-5. Enhancing Corporate Brand (Approximately equal to enhancement of customer value)

**V-shaped recovery of brand value in recognition of new ASV management strategy and strengthening of user experience (UX) initiatives**

Internal indicator score is high, but external indicator score is near average of competitors. We will strengthen synergies between the corporate brand strategy and business brand strategies.

### Ajinomoto Brand Value

(Interbrand Best Japan Brands 2021)



### Brand Strength Score (BSS)

2019 2020

		2019	2020
Internal	Clarity 概念明瞭度	7.0	7.2
	Commitment 関与浸透度	6.2	6.5
	Governance 統治管理度	6.1	6.2
	Responsiveness 変化対応度	6.7	7.0
External	Authenticity 信頼確実度	5.3	5.3
	Relevance 要求充足度	4.9	5.2
	Differentiation 差別特有度	4.9	5.2
	Consistency 体験一貫度	4.5	5.2
	Presence 存在影響度	5.1	5.1
	Engagement 共感共創度	5.3	5.2
	<b>ブランド強度スコア (BSS) 計100点満点</b>		<b>56</b>

Calculated based on Ajinomoto Co. estimation

## II-6. Employee Engagement

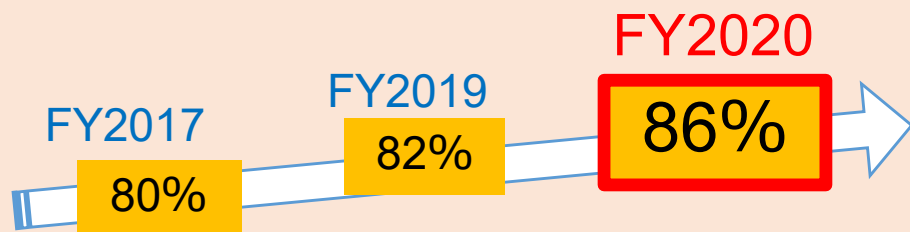
**Improvement in ASV as one's own initiative to enhance customer value. Response to health and productivity management more favorable in COVID-19 pandemic.**

In FY2020, the engagement score reached the level of global excellent companies.

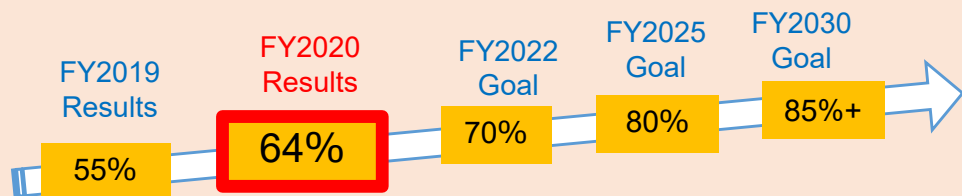
**Next Challenge: Make ASV as one's own initiative ≈ Awareness of independent contribution to the realization of the vision**

### Rise in favorable response score (FY2020 results)

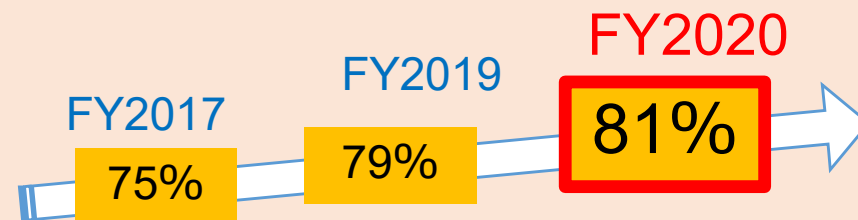
#### Sustainable engagement by employees



#### "ASV as one's own initiative" Score



#### Health and productivity management (Health & Well-being)



Conducted since 2017 for all employees (domestic and overseas) of the Ajinomoto Group.  
 FY2020: About 32,000 respondents from 108 companies (response rate: 90%)

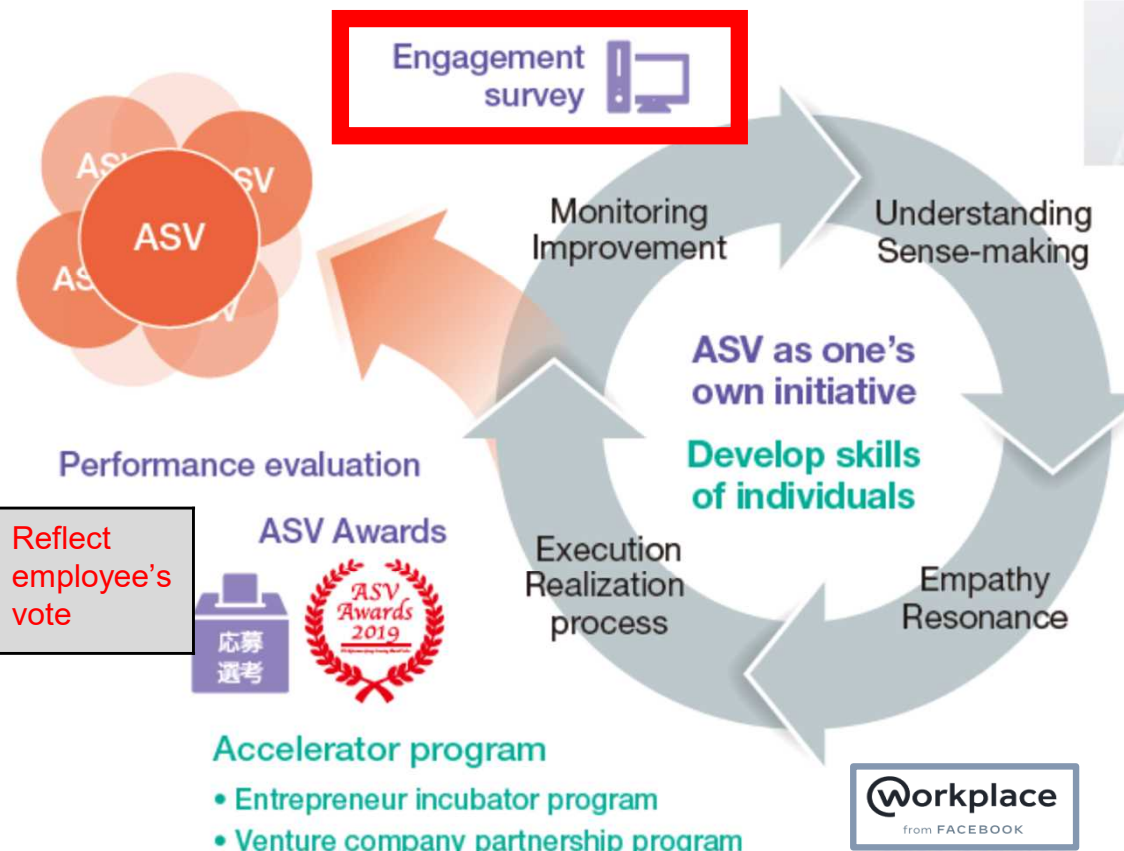


# II-6. Employee Engagement

Management Cycle to Enhance “ASV as one’s own initiative” and Personal Capability Development

## Dialogue with CEO

FY2020	FY2021
Ajinomoto Co., Inc.	Expand to domestic and overseas group companies



Dialogue with CEO about management plan



Dialogue with General Managers of each division

Setting goals for organizations/individuals



Personal goal presentation



Increase literacy of nutrition/environment/digital



Participatory training events

4th Awards held; 10 awards	Reflect employee's vote
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Accelerator program

- Entrepreneur incubator program
- Venture company partnership program

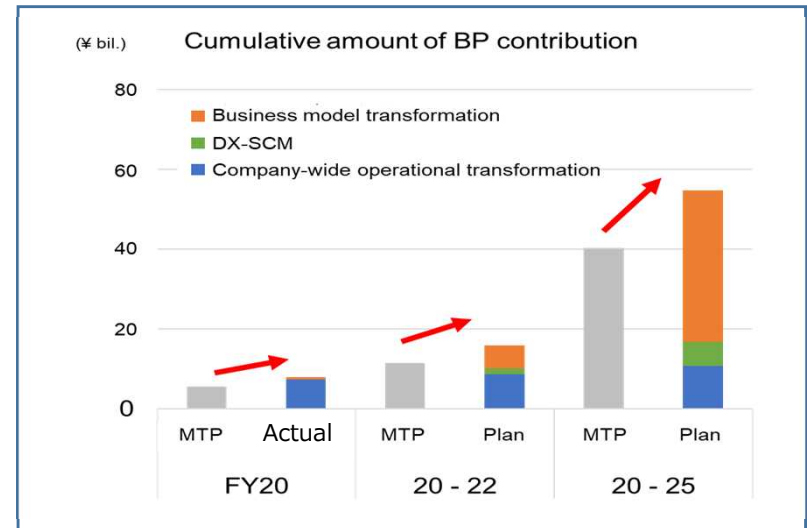
Entrepreneur incubator A-STARTERS: 133 applicants	Start commercialization studies for 4 projects
---	--

Share on in-house SNS	
223 #ASV posts by employees, Sep-Dec	Expand sharing of good practices

all 42 Ajinomoto Co., Inc. organizations	Expand to domestic and overseas group companies
--	---

## II-7. Accelerate the DX n.0 Transformation Step (Toward Phase 2)

**We will accelerate transformation toward Phase 2 (regrowth) by upgrading and streamlining operations through DX.**



Cost reduction and asset reduction	<p><b>Company-wide operational transformation</b></p> <p>DX1.0</p>	<ul style="list-style-type: none"> <li>Adopt operational excellence (OE) and management indicators that enhance management capabilities.</li> <li>Foster ASV engagement and a corporate culture of individual initiative.</li> <li>Create results by streamlining and upgrading indirect operations through promotion of the “smart corporate” concept. (Approximate cost reduction targets, cumulative: ¥8.5 bil. for FY2020-2022 and ¥11.0 bil. for FY2020-2025)</li> </ul>
	<p><b>SCM transformation</b></p> <p>DX 2.0</p>	<ul style="list-style-type: none"> <li>Inventory and SKUs are factors in low ROA, an important managerial indicator.</li> <li>Improve Days Inventory Outstanding (DIO), and reduce SKUs by visualizing costs. (Approximate cost reduction targets, cumulative: ¥1.5 bil. for FY2020-2022 and ¥6.0 bil. for FY2020-2025) (DIO targets: 86.5 days for FY2022 (equivalent to ¥15.0 bil.) and 70 days for FY2025 (equivalent to ¥50.0 bil.))</li> </ul>
Acceleration of growth	<p><b>Business model transformation</b></p> <p>DX 3.0</p>	<ul style="list-style-type: none"> <li>Promote business model transformation through “Smart R&amp;B.”</li> <li>Contribute to advanced medical care modalities and provide personal solutions.</li> <li>Establish a business model that leads to “personal” through ecosystem construction. (Approximate business profit targets, cumulative: ¥6.0 bil. for FY2020-2022 and ¥38.0 bil. for FY2020-2025)</li> </ul>

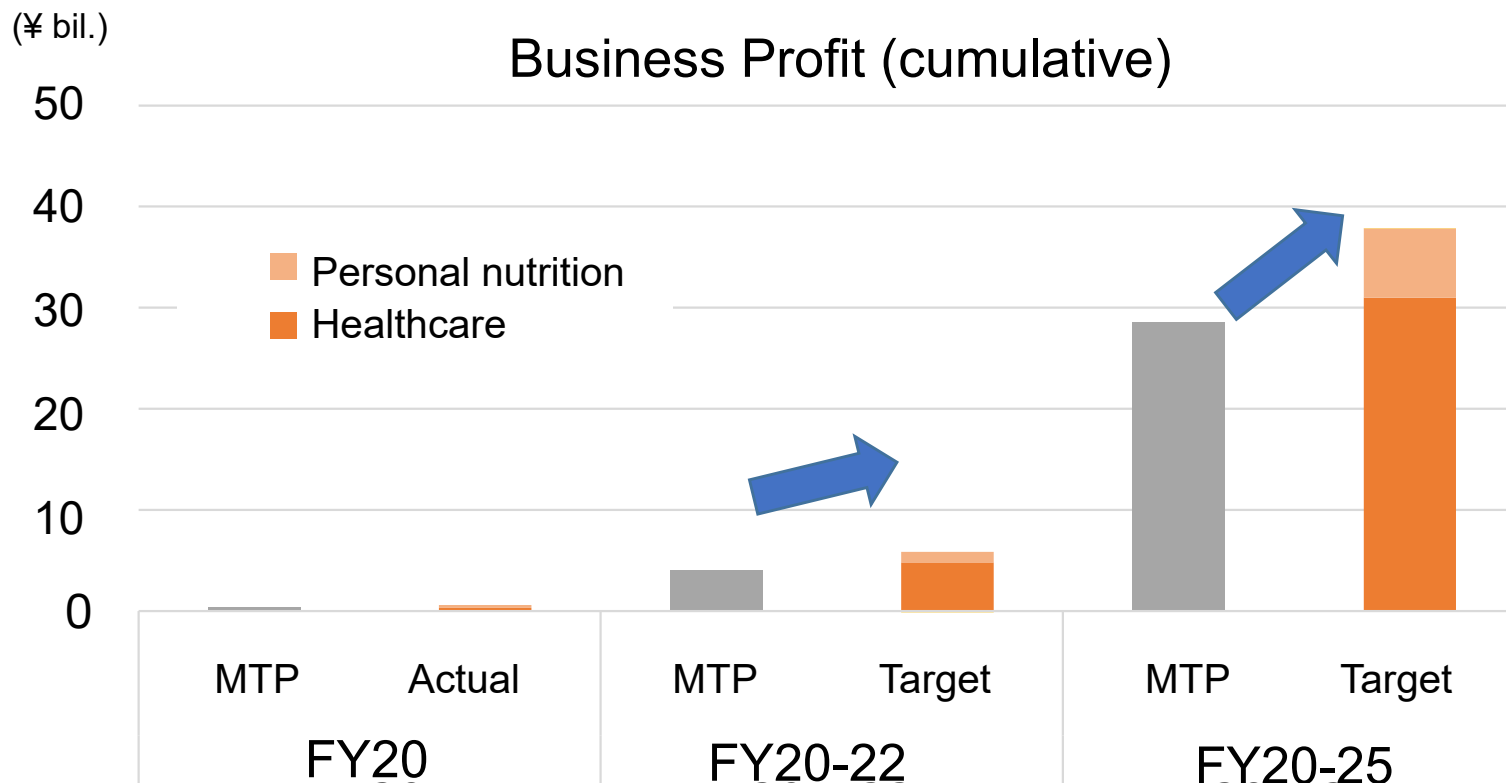
## II-7. Accelerate DX3.0 Business Model Transformation (Toward Phase 2)

### Create new business model of solving food and health issues

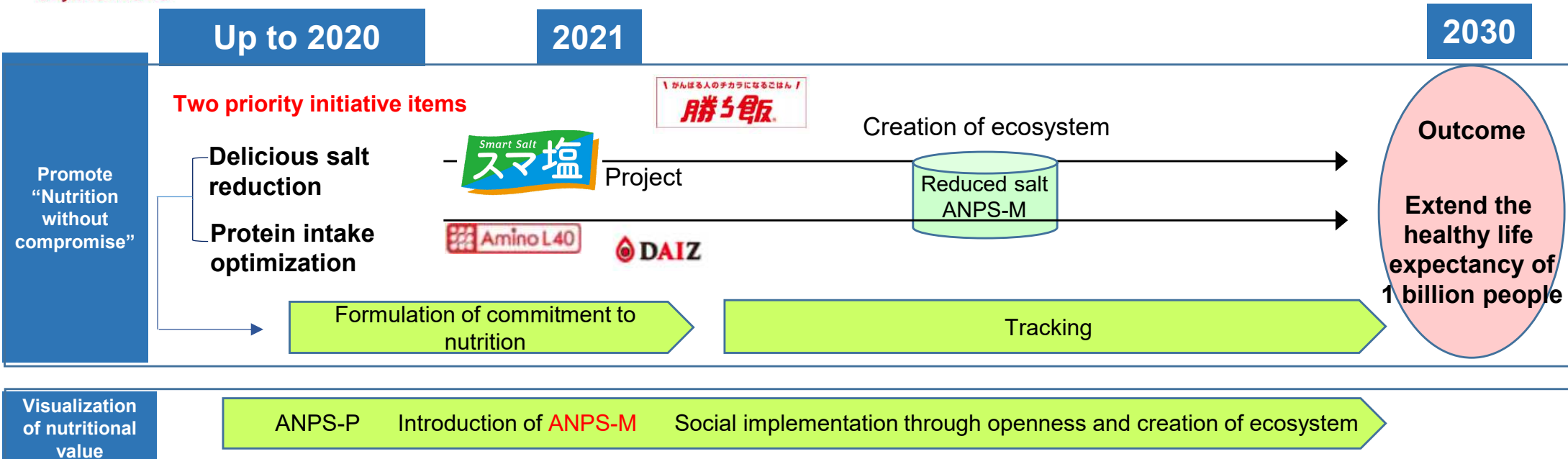
We are unearthing our intangible assets,\* building an ecosystem, and advancing a business model transformation that directly contributes to enhancing CX value.

\*Human and intellectual resources, brands, reputation, network

Create cumulative business profit of ¥6.0 billion by FY2022 and about ¥38.0 billion by FY2025 through business model transformation, greatly exceeding the Medium-Term Management Plan



## II-8. The Journey to Sustainability: Extend Healthy Lifespan



### Strengthen engagement globally

- Contribute to international conferences (appeal)
  - Food System Summit (Sep. 2021)
  - Tokyo Nutrition for Growth Summit (Dec. 2021)
- Construct strategic relationships; partnerships
  - 
  - 
  -

### Strengthen base to extend healthy life expectancy

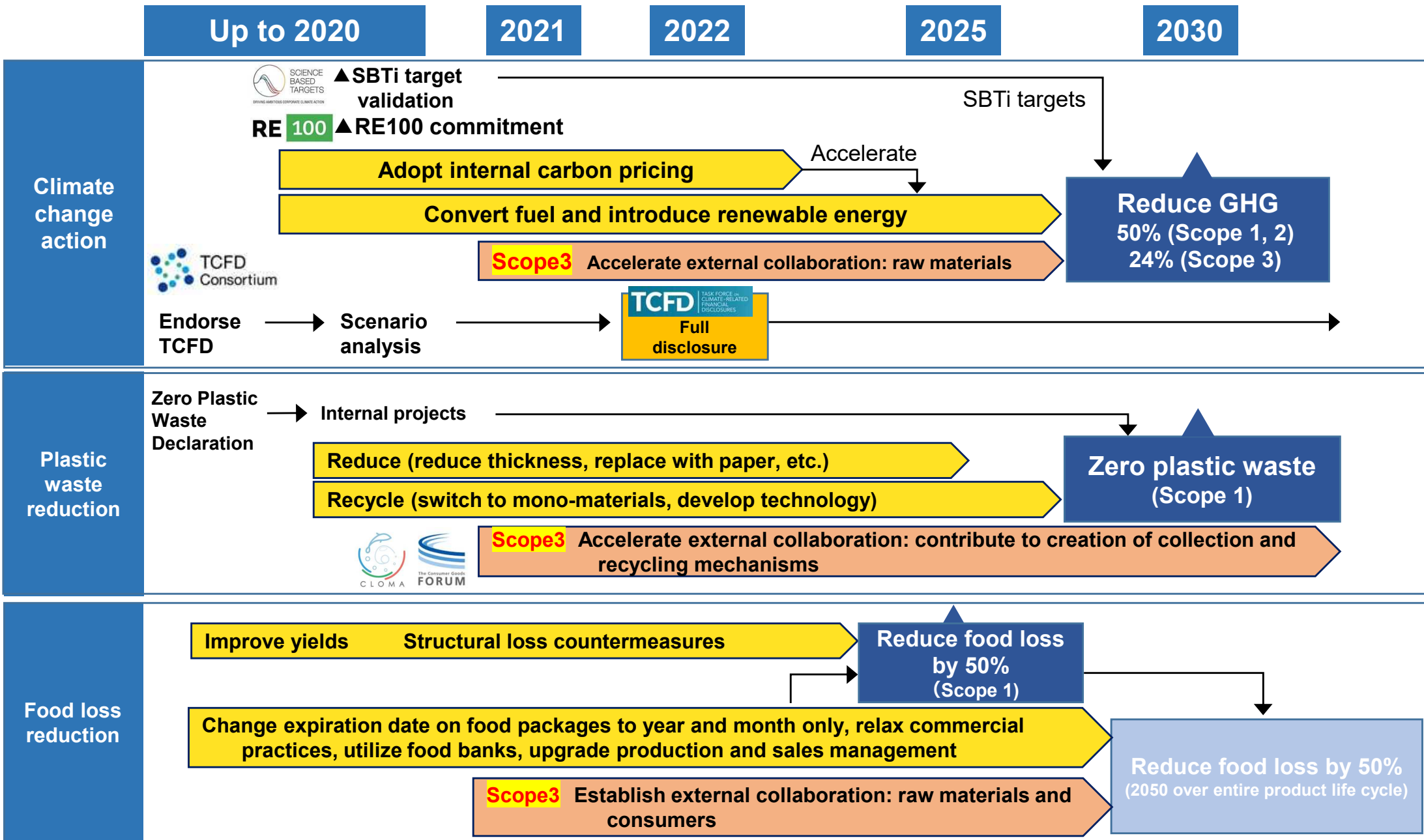
- Construct hypothesis of meals leading to physical and mental health
  - HIROSAKI COI center of innovation
  - Joint research with Hirosaki COI
  - Analysis of varied and diverse big data ⇒ Solve issues through products and services (utilize the field)
- Promote improved nutrition in the workplace
  - 
  - gain Global Alliance for Improved Nutrition
  - 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 (Global Developmental Well-being)   
 それは、GDPとは違う新しい世界の尺度。   
 はじまる。   
 Participate in Well-being Initiative



# II-8. The Journey to Sustainability: Reduce Environmental Impact by 50%

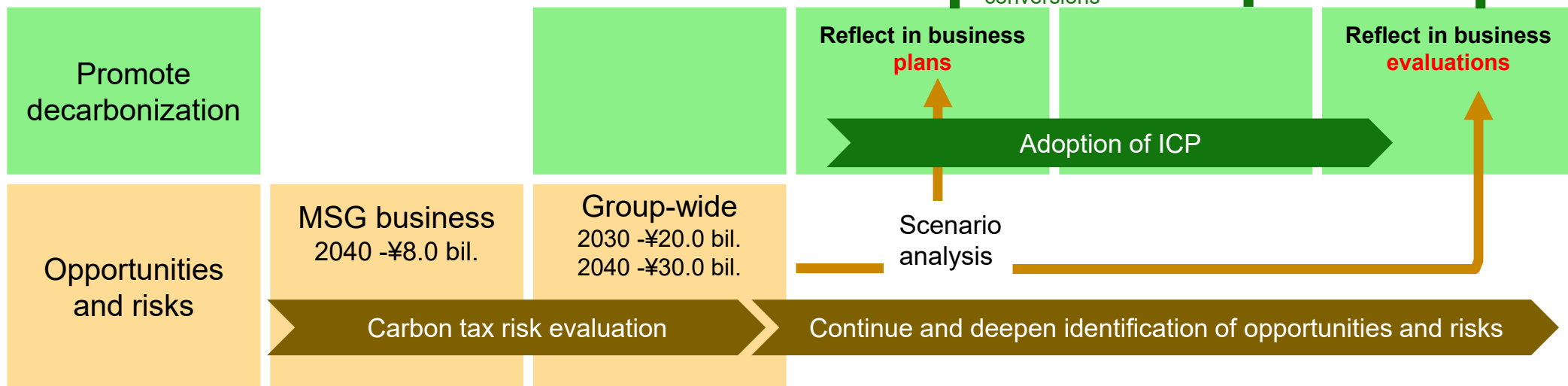


## II-8. (Ref.) Accelerate GHG Reduction Measures through Use of Internal Carbon Pricing

To achieve SBT GHG reduction targets of 30% in 2025 and 50% in 2030 (vs. FY2018), we will use Internal Carbon Pricing (ICP), introduce the energy saving process, and accelerate boiler fuel conversions.



Energy saving process  
Boiler fuel conversions



## II-9. FY2021: Priority KPIs (Company-wide forecast)

		20–22 Phase 1			23–25 Phase 2	2030 Goal	
		Structural reform			Regrowth		
		FY19 (Actual)	FY20 (Actual)	FY21 (Target)	FY22 (MTP Target)	FY25 (MTP Target)	
Efficiency	ROIC (>Capital cost) ( ): Excluding expenses for structural reform	3.0% (Approx. 6%)	6.9% (Approx. 8%)	7.0% (Approx. 8%)	8%	10–11%	13%
	Growth	Organic sales growth (YoY)	0.3%	-0.6%	Approx. 6%	4%	5%
Priority KPIs	Percentage of sales from core businesses	66.5%	66.6%	70%	70%	80%	80% or more
	Employee engagement (“ASV as one’s own initiative” <sup>1</sup> )	55%	64%	—	70%	80%	85% or more
	Unit price growth (YoY) (International consumer products)	Approx. 5%	2.8%	Approx. 2%	2.5%	3%	3%

1: “ASV as one’s own initiative” = Status whereby each and every employee is able to autonomously work toward achievement of ASV. **Note:** Organic sales growth and unit price growth are target growth rates for FY21-22 and FY24-25, respectively. **Organic sales growth:** Refers to sales growth excluding the effects of discontinuous growth such as exchange rates, changes in accounting practices and M&A/business sell-off. **Unit price growth rate:** Refers to the unit price growth rate of the international consumer products from the base year for each country and category as a weighted average in proportion to sales.



## II-9. FY2021: Priority KPIs (Forecast by segment)

### Segments

### FY2020 Actual and FY2021 Forecast

Segments	Organic growth (%)		Unit price growth (%)		ROIC (%)				
	FY20	FY21	FY20	FY21	FY20 <sup>*</sup>	FY21 <sup>*</sup>	MTP Targets FY22 FY25		
Food	Seasonings and Foods		-0.3%	Approx. 6%	2.8%	Approx. 12.4%	Approx. 13%	12% or more	17% or more
	Frozen Foods		-5.0%	Approx. 6%	2.8%	0.6%	Approx. 1%	1% or more	5%
Amino Science	Healthcare and Others		3.5%	Approx. 7%	-	1.2%	Approx. 7%	10% or more	12% or more

\* Excluding structural reform expenses

Eat Well, Live Well.



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- I. FY2020 Summary Results and FY2021 Forecast
- II. FY2021 Initiatives to Enhance Corporate Value
- III. Initiatives to Grow Our Businesses**

Reference Material

Appendixes: Consolidated Results FY2020 (Ended March 31, 2021)

FY2021 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

## III-1. Seasonings and Foods (Organic growth supporting the entire company)

**Focus on core products and give top priority to supplying stably.  
Strengthen business structure and promote initiatives capturing consumer changes.**

### ■ Changes in the environment in FY2020

1. **Consumers:** Expansion of demand for at-home dining, increase in health, increase in frequency of digital contact, etc.
2. **Logistics:** Multiplication and diversification of purchasing locations

### ■ Major initiatives in FY2020

#### 1. Sales and marketing

- (1) **Respond to increase in demand for at-home dining:** Supply stably, focus on core products
- (2) **Change sales activities:** Online business negotiations, thorough measures to prevent infection
- (3) **Respond to changes in channels:** EC channel, meet demand for delivery
- (4) **Strengthen communication with consumers:** Promote use of digital

#### 2. Production and logistics

- (1) **Reconstruct (consolidate) production system**
- (2) **Produce and supply stably**

#### 3. Product development

- (1) **Reconstruct R&D system**
- (2) **Aggressively launch products with nutritional value: reduced salt, reduced sugar**



**⇒ Strengthened business structure and improved profitability through the above  
(BP margin up 1.2 p.p. YoY)**

## III-1. Seasonings and Foods (Organic growth supporting the entire company)

Further strengthen business structure to achieve FY2025 ROIC targets of 10-11%.  
Advance sustainable organic growth and greater capital efficiency.

### ■ Key strategies for FY2021 in Seasonings and Foods

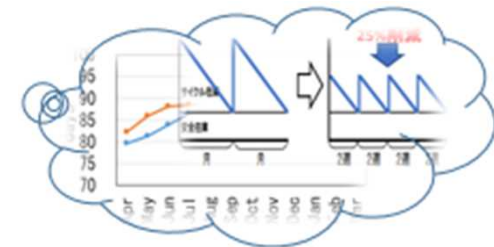
#### 1. Sustainable organic growth (up about 6 percentage points (p.p.) YoY) and improve profitability

- (1) Further focus on core businesses and growth
- (2) Promote DX and transform business model: sophistication of marketing and strengthening/expansion of consumer touchpoints
- (3) Strengthen nutritional value (Smart Salt, etc.) and increase growth rate of unit prices (international consumer products, up about 2 p.p.)
- (4) Cooperate in regions, accelerate building of ecosystem (Japan, 41 areas and also aggressively rollout in our major countries of business)
- (5) Make ASV engagement and an organizational atmosphere where taking on challenges is a good thing

#### 2. Accelerate the increase in the efficiency of capital (build a profit structure able to grow with high profitability)

- (1) Visualize data, increase efficiency and sophistication of work through OE and DX
- (2) Increase sophistication of SCM: Reduce inventory and number of SKUs
- (3) Reduce assets and execute strategic investment plans
- (4) Improve management of the budget, forecasts, and results
- (5) ROIC targets: approx. 13%

◆ Expected effect of the reorganization of food production in Japan with Kawasaki soup factory: even with FY2021 amortization expense of more than ¥1.0 billion, growth potential (production capability) up about 20% and improved GP margin (excluding amortization expense).





## III-2. Frozen Foods (Initiatives for ROIC of 5% in FY2025)

In FY2020, we moved forward with priority **to strengthen business structure** (increased profitability and asset efficiency) according to plans, even amid the pandemic.

### ■ Changes in the environment in FY2020

Due to COVID-19: change in at-home dining needs and shift from eating out to prepared meals  
→ increase in need for frozen food and acceleration in move to digitalization

### Major initiatives in FY2020

#### 1. Improved profitability

(1) Expanded core domains (Percentage of sales: FY2019: 58% → FY2020: 63%) and increased product unit prices by strengthening high-added-value products

Unit prices YoY North America: +2.8%

Japan retail: +1.5% (foodservice: -2.9%)

(2) Reduced unprofitable products by reducing the number of SKUs

North America: -132 (-13%)

Japan\*: -116 (-18%)

\*Japan is foodservice only

(3) Improved GP margin: +1.4 p.p. YoY

#### 2. Improved asset efficiency (promoted reduction of assets)

(1) North America: closed Fort Worth Factory (global: 19 factories → 18 factories)

(2) Japan: retired and divested idle assets



## III-2. Frozen Foods (Initiatives for ROIC of 5% in FY2025)

Full-scale **business structure strengthening in FY2021**, and from FY2023, connect this to real business growth and **achieve ROIC of 5% in FY2025**.

### ■ Initiatives for FY2021 business structure strengthening in Frozen Foods

#### 1. Improve profitability

(1) Further expand core domain and continue initiatives to increase product prices by strengthening high value-added products

Continue initiatives to increase product prices

1) Percent of sales from core domains: FY2020: 63% → FY2021: 65%

North America: accelerate expansion of retail of Asian category by completing expansion of production (+15% YoY)

Japan: Expand core domains (+6% YoY) by shifting business portfolio

2) Product unit prices (YoY): North America: +2.0%, Japan: +2.0%

(2) Continue reducing unprofitable products by reducing the number of SKUs

(3) Improve GP margin: +1.1 p.p. YoY

#### 2. Accelerate improvement of asset efficiency

(1) Globally: Steadily promote the asset light plan (18 factories → future 15 factories)

(2) Japan: Shift production strategy (utilize manufacturing contractors as strategic partners)

### III-3. Healthcare and Others (ROIC improvement and business model transformation)

**Improve greater capital efficiency through expansion of core businesses and structural reform of the animal nutrition business.**

#### ■ Changes in the environment in FY2020

1. Acceleration of expansion of demand for electronic materials (organic growth, increased demand from staying at home)
2. Expansion of demand related to development of infusions, antiseptics, and vaccines
3. Shrinkage of sports and cosmetics markets
4. Difficulty of securing human resources in some countries such as the US

#### ■ Initiatives undertaken in FY2020 on the basis of environmental changes

1. Sales expansion and increase in sales unit prices in core businesses
  - Electronic materials, amino acids for pharmaceuticals, culture media, surfactants
2. Structural reform of the animal nutrition business
  - Integration of AHN and AANA (North America), divestment of AANE (Europe)
3. Strengthening of business foundation for future growth
  - CDMO business, *AminoIndex*®, M&A in the medical food domain (Nualtra)



### III-3. Healthcare and Others (ROIC improvement and business model transformation)

Further advance **sustainable organic growth** and **greater capital efficiency** to achieve ROIC target (FY2022: 10% or more).

#### ■ Key strategies for FY2021 in Healthcare and Others

##### 1. Accelerate growth in core businesses

- **High growth in the electronic materials business** against a background of robust demand in the semiconductor industry
- **Grow with the amino acids for pharmaceuticals and foods business**, which has a quality advantage, in stable growth markets
- **Grow in the Bio-Pharma Services business** based on our fundamental technologies such as oligonucleotides

Cover the decline in sales associated with promoting structural reform in the animal nutrition business by expanding sales in core businesses

##### 2. Complete reorganization of the animal nutrition business

- **Complete reorganization of the animal nutrition business**, including in North America

##### 3. Transform the business model with DX

- **Construct a new business model through collaboration between DX-using Healthcare businesses** (medical food, Bio-Pharma Service, *AminoIndex*®, etc.)

##### 4. Foster human resources to promote ASV

- **Develop solutions for customers, focus on a workplace where all employees can thrive and human resource education, and drive ASV**

# Message from the CEO

---

- FY2021 is the crucial point of the MTP structural reform, Phase 1. Focus on the implementation of the remaining structural reform and measures for a return to growth, Phase 2!
- In this COVID-19 pandemic, I have become convinced that continuing business by focusing on employee health and engagement is a strength for our company. We have been improving our GP margin by focusing on core businesses and creating capital, and by increasing the share of our core brands, which has been an issue since FY2020, and by investing in the creation of a new business model, we will increase our return to shareholders.
- With the risk associated with the lengthening of the impact of the COVID-19 pandemic, we will continue efforts to further raise our ability to create cash by accelerating DX.
- The transformation of our aim to a solution-providing group of companies for food and health issues is conditional upon diversity and inclusion and our improving engagement of the next generation. Our management and executives will work as one team and make the optimum opportunity.

Eat Well, Live Well.



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# FY2021 Assumed Exchange Rate and Exchange Rate Sensitivity

Assumed exchange rate (vs. JPY)

	FY21 Forecast	FY20 Actual				FY20-25 MTP
		Q4	Q3	Q2	Q1	
USD	105.00	106.09	104.49	106.23	107.63	107.00
EUR	125.00	127.81	124.61	124.08	118.59	123.00
THB	3.39	3.50	3.41	3.39	3.37	3.42
BRL	20.59	19.36	19.39	19.74	20.06	28.16

## Exchange Rate Sensitivity

Foreign exchange rates (vs JPY)

	FY21 forecast	Sensitivity of translation effects to full year B.P.
USD	105.00	±¥1 → approx. ¥100 million
EUR	125.00	±¥1 → approx. ¥50 million
THB	3.39	±¥0.01 → approx. ¥100 million
BRL	20.59	±¥1 → approx. ¥400 million

Impact of exchange rate for trade

(Sensitivity of translation effects to full year B.P.)

- 1 JPY vs USD → approx. ¥200 million

- 0.1 EUR vs USD → approx. + ¥100 millior

- 1 THB vs USD → approx. + ¥400 millior

- 0.1 BRL vs USD → approx. + ¥300 millior

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- **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.**