

Eat Well, Live Well.



Ajinomoto Co., Inc. (2802) Forecast for FY2018 (Ending March 31, 2019) with Outlook

**Takaaki Nishii
President & CEO**

November 7, 2018

Eat Well, Live Well.



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- I. Progress on the FY2017–2019 (for 2020) Medium-Term Management Plan
- II. Growth Strategy
- III. FY2018 Financial Strategy
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Appendix: Consolidated Results Interim period ended September 30, 2018

FY2018 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. Financial Statements for the Interim Period Ended September 30, 2018

Profit decreased due to a slump in Japan Food Products and increased costs in International Frozen Foods, despite sales increasing in 1H.

Year-on-Year (% increase/decrease)	Sales	Business profit
1Q-FY18	+5%	-7%
2Q-FY18	+1%	-3%
1H-FY18	+3%	-5%
Excluding currency translations and exchange rates in trade	(+4%)	(-4%)

- Effect of exchange rates in translation and trade in 1H: Sales - ¥3.8 bil., BP- ¥0.6 bil.

Revised the initial FY2018 forecast. Sales and profit will increase in 2H due to countermeasures to issues, but full year business profit will stop at the level of the previous year.

	Sales	Business profit
FY2018 Revised forecast	¥1,155.2 bil.	¥95.7 bil.
(Versus initial forecast)	-2%	-7%
(Versus previous year)	+3%	+0%

★For details, refer to handout material: Consolidated Results Interim Period Ended September 30, 2018



I-2. FY2018 Countermeasures to Issues and Expected Risks

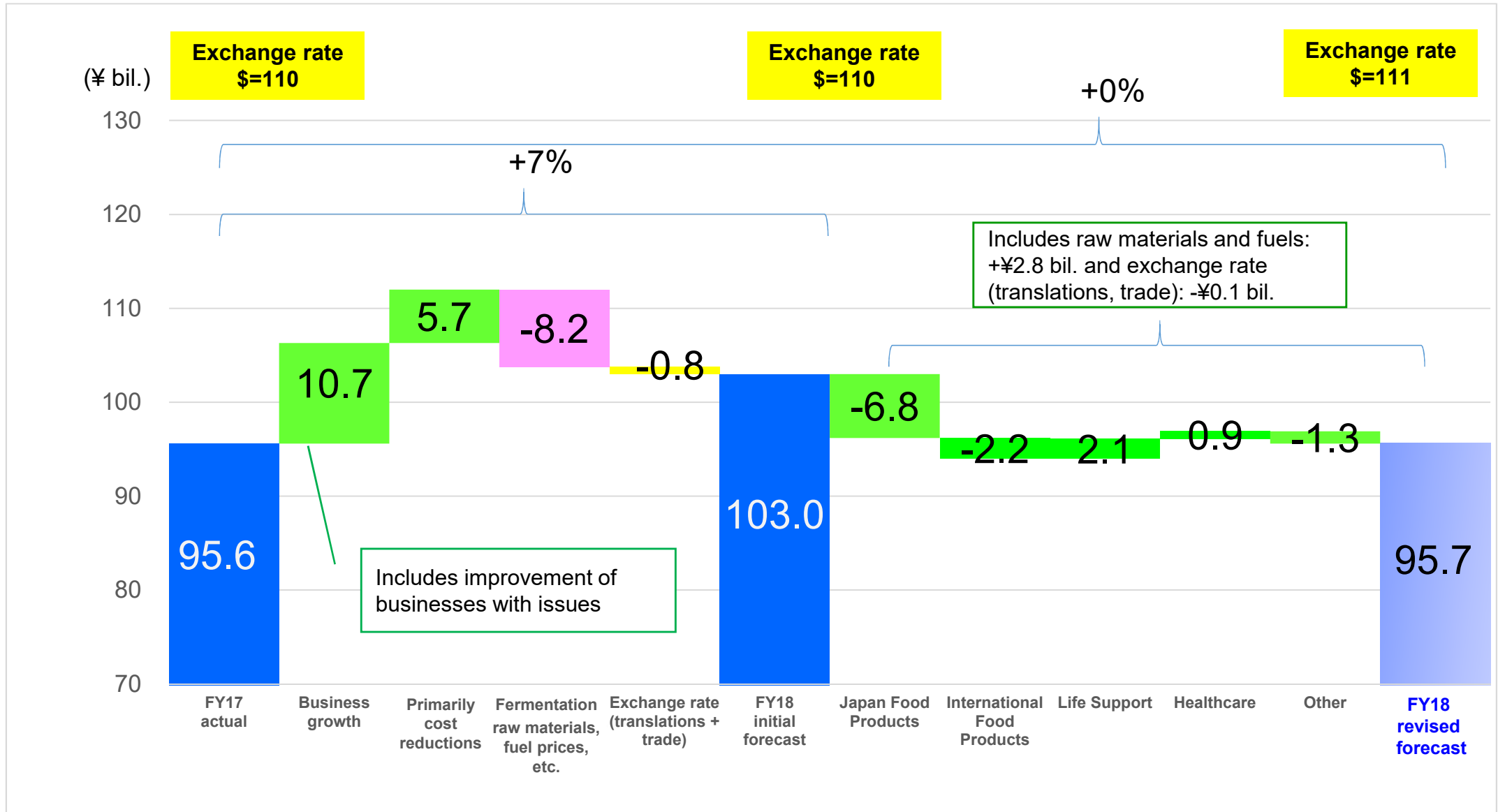
1. State of initiatives in the businesses with issues

- 1) Canned coffee *Birdy*® in Thailand: New price accepted by the market. Continuing to strengthen sales. On track.
- 2) Coffee products in Japan: Short-term measures and medium-term initiatives required for challenging competitive and market environment.
- 3) Frozen foods in North America: Despite bottoming out after completing transfer to new factory and raising prices to counter logistics costs, production and logistics measures still expected to require time.
- 4) Frozen foods in Japan: Sales level with the previous year, due to home-use falling back from the previous year's growth and stiffening competition in major categories. Reconsider strategy by category.

2. Expected risks

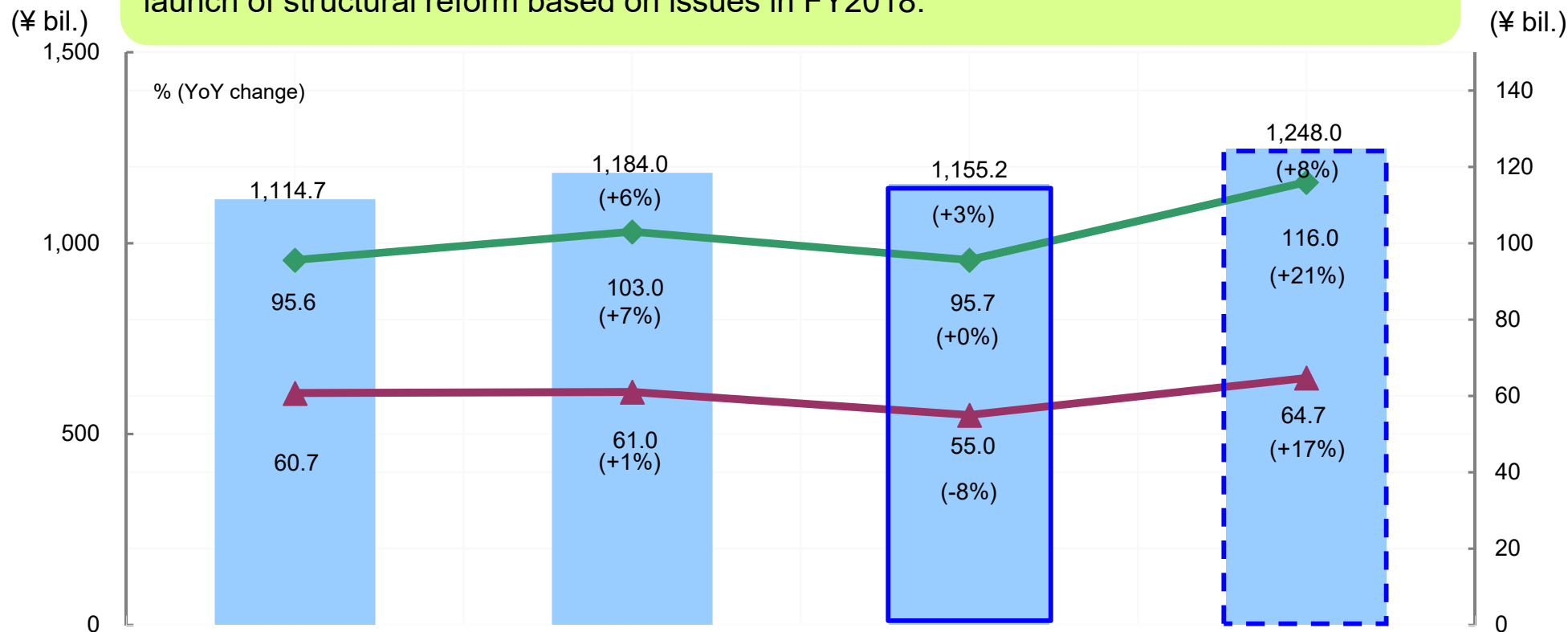
Africa and Turkey: Depreciation of currencies accompanying financial losses and insecurity regarding politics, decrease in consumption and changes in political policies.

I-3. Factors Influencing FY2018 Business Profit (vs. initial forecast)



I-4. Progress on the FY2017–2019 (for 2020) Medium-Term Management Plan

Downward revision for FY2018; even though recovery is expected in 2H, it will not make up for late start to 1H. Further revision of projections for FY2019 after bringing forward launch of structural reform based on issues in FY2018.



	FY17 Actual	FY18 Initial forecast	FY18 Revised forecast	FY19 Projected (As of May 2018)
ROE	9.6%	9.5%	8.6%	9.8%
EPS	¥105.76	¥110.09	¥99.26	¥118.09

■ Sales (left scale)
 ◆ Business profit (right scale)
 ▲ Profit attributable to owners of the parent company (right scale)

I-5. Profit for FY2018

Profit for FY2018 revised in conjunction with downward revision of sales and business profit.

(¥ Billion) -: losses	FY18 Initial forecast	FY18 Revised forecast	FY17 Actual	Difference	
Sales	1,184.0	1,155.2	1,114.7	40.4	
Business profit	103.0	95.7	95.6	0.0	FY17 actual: Share of profit of associates and joint ventures 3.9
Other operating income & expenses (-: losses)	-5.7	-5.7	-16.9	11.2	
Impairment losses	-	-	-11.6	11.6	FY17 actual: Animal nutrition 7.4, Thailand MSG 2.6
Other	-5.7	-5.7	-5.3	-0.4	FY17 actual: Animal nutrition structural reform expense 0.7
Operating profit	97.3	90.0	78.7	11.3	
Financial income & expenses (-: losses)	-0.7	-0.7	2.1	-2.8	
Profit before income taxes	96.6	89.3	80.8	8.5	
Income taxes	25.5	24.7	15.3	-9.4	Tax rate: FY17 actual 19%, FY18 revised forecast 27%
Profit (includes discontinued operations)	72.2	65.6	68.1	-2.5	
Profit attributable to owners of the parent company	61.0	55.0	60.1	-5.1	
Profit attributable to non-controlling interests	11.2	10.6	8.0	2.6	

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II-1. Growth Strategy International Food Products: Seasonings

- ◆ Steady growth in dry savories (umami seasonings + flavor seasonings) category, and high growth in menu-specific seasonings

1H-FY2018: local currency-based sales YoY

Changes in Ajinomoto Group market share for dry savories

1) Umami seasonings: 101%
Growth of *AJI-NO-MOTO® PLUS* (113%)

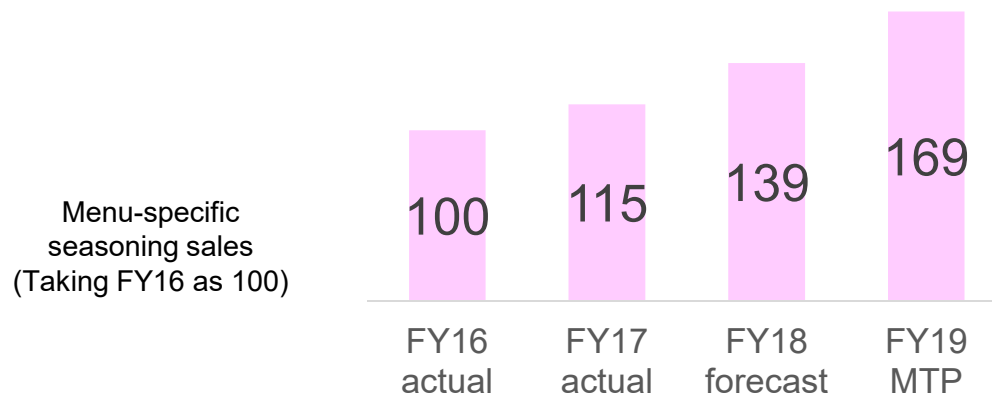
CY15	CY16	CY17	CY19 target
21%	22%	23%	24%

2) Flavor seasonings: 104%
Sales growth in leading countries

3) High growth of menu-specific seasonings (powder and liquid): 113%
Rapid expansion in share of growing market in ASEAN countries



AJI-NO-MOTO® PLUS (Thailand)





II-2. Growth Strategy Japan Food Products: Processed Foods

- ◆ Home use: Steady growth in existing brands
 - Market environment: Basic seasonings market shrinking in conjunction with population decline, changes in consumer lifestyles, and other factors, but processed foods and menu-specific seasonings remains robust.
 - Business strategy: Aim for steady growth with value-added proposals that capture consumer needs.

Processed foods: *Knorr®* brand

- Home-use soup market: CAGR +2% (FY15-18 forecast)
- Ajinomoto Co. sales growth rate: CAGR +6% (FY15-18 projected)
- Meal type: personal

Main points of strategy

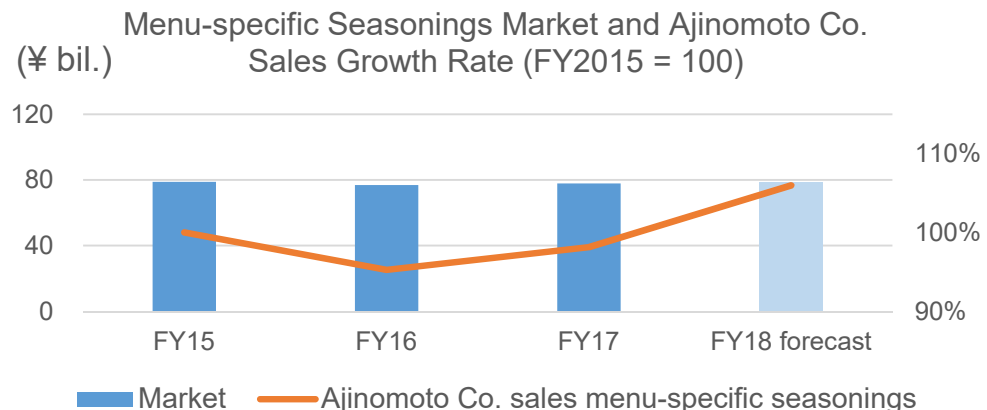
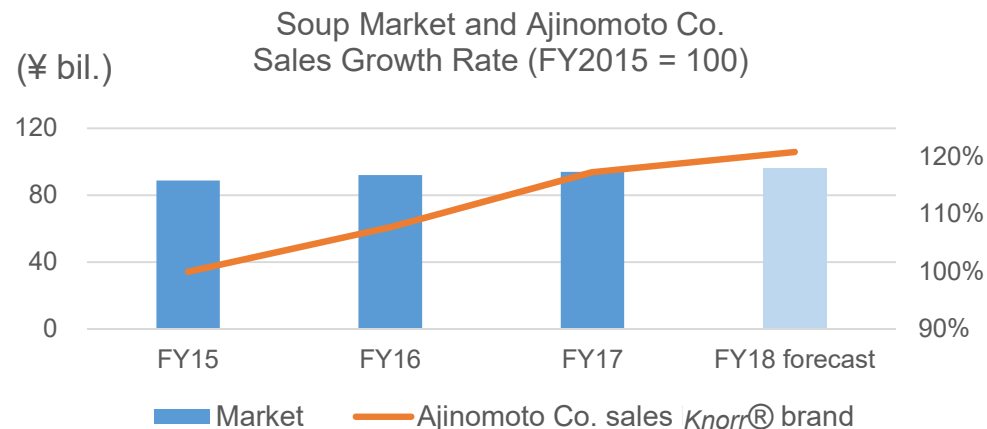
Easy preparation, +breakfast, +anytime and anywhere, +pasta (light meals), +vegetables

Menu-specific seasonings: mainly *Cook Do®* brand

- Menu-specific seasonings market: CAGR +0.9% (FY15-18 forecast)
- Ajinomoto Co. sales growth rate: CAGR +2% (FY15-18 projected)
- Meal type: family

Main points of strategy

Authentic Chinese, +full variety, +family meals, +familiar side dishes



Source: Market figures are Ajinomoto Co. estimates

II-3. Growth Strategy Japan Food Products: Frozen Foods

1. Market environment: Market in Japan expanding

Home-use market projected to grow steadily in FY2018 and beyond, at an expected annual rate of 2%.

Market has sufficient further growth potential due to creation of high value-added products and development of new fields.

Home-use and restaurant and industrial-use market trends (YoY %)					
	FY15	FY16	FY17	FY18 1H	FY18 projected
Home-use	100	103	104	102	102
Industrial-use	104	102	104	102	103

Source: Ajinomoto Co. research, figures for home-use are for cooked frozen foods

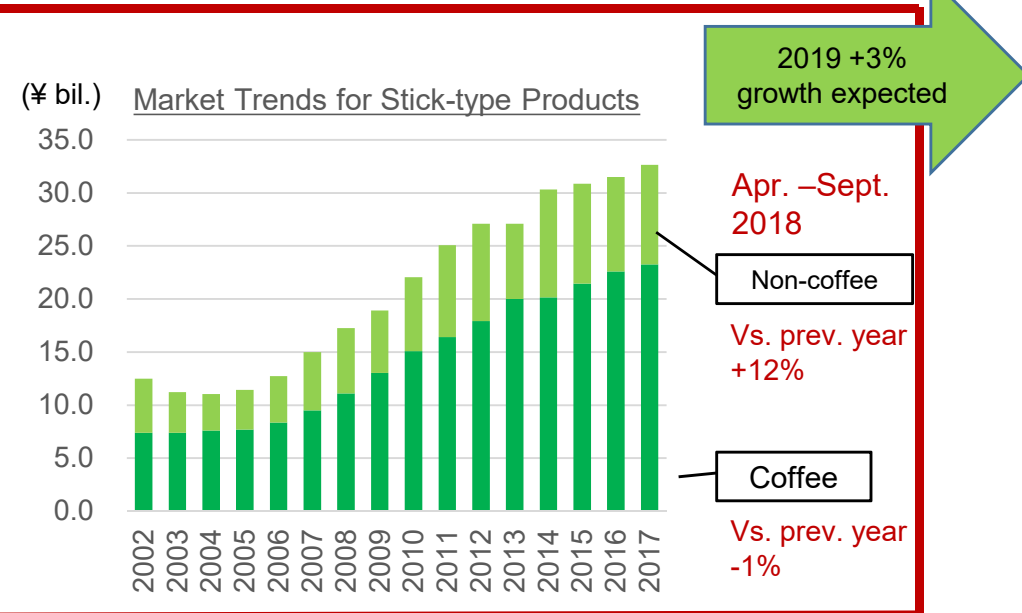
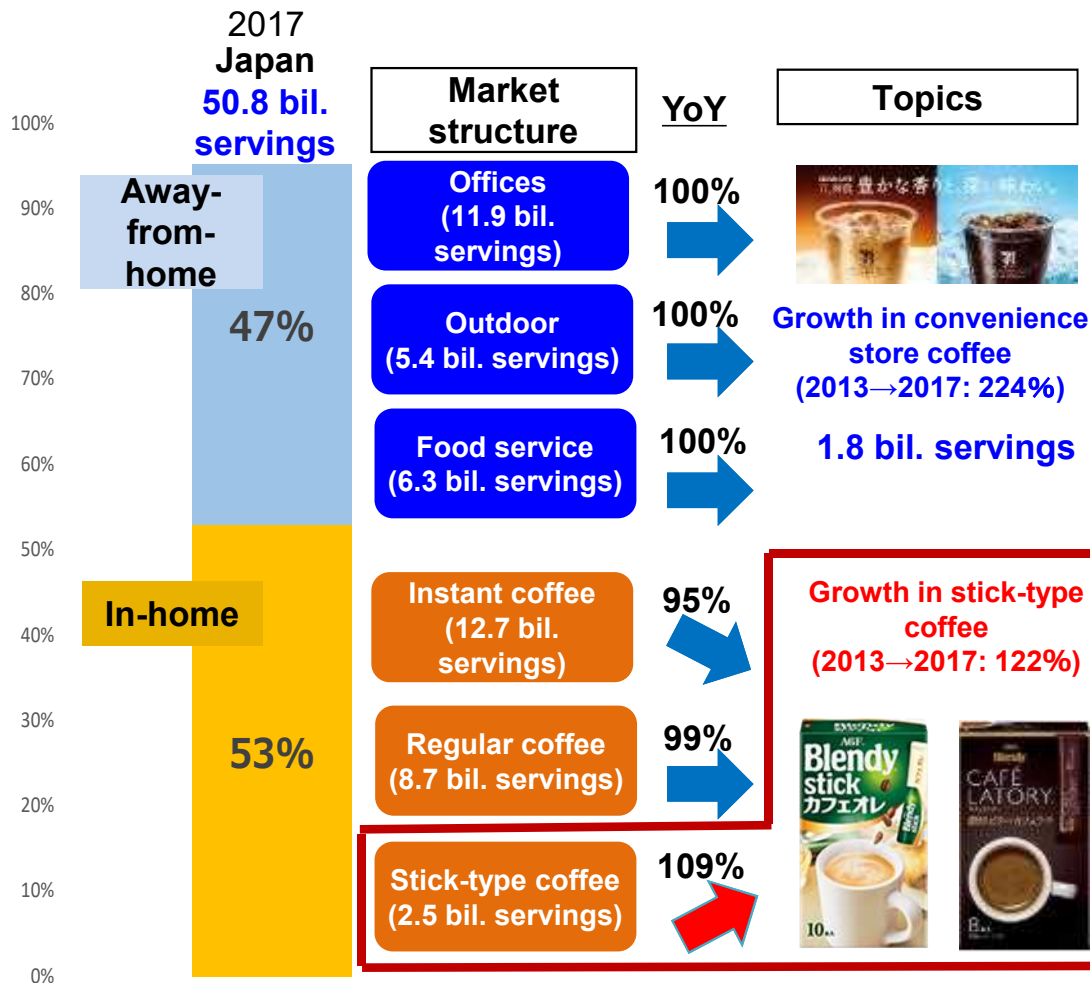
2. Business strategy: Working on business profit in a market with intensified competition in some categories

- In 1H, sales and profit fell mainly due to struggling mainstay products, such as karaage and fried rice, and increased sales expenses for products in new fields, and also, but less, due to falling back from the previous year.
- In 2H, planning for steady expansion with introduction of TV commercials and development of activities linked to measures, centered on expansion of Gyoza lineup.
- For full year, projecting sales in line with previous year but decline in profit.



II-4. Growth Strategy Japan Food Products: Coffee Products

- ◆ Coffee market structure: Growth in away-from-home. Growth of stick-type in in-home market, including non-coffee types.
- ◆ Business strategy: Focus on stick-type for home-use market. Differentiate by improving quality. Create new demand by creating a variety of products and a new ad strategy. Aim to expand outlets over the medium term in restaurant and industrial-use markets.



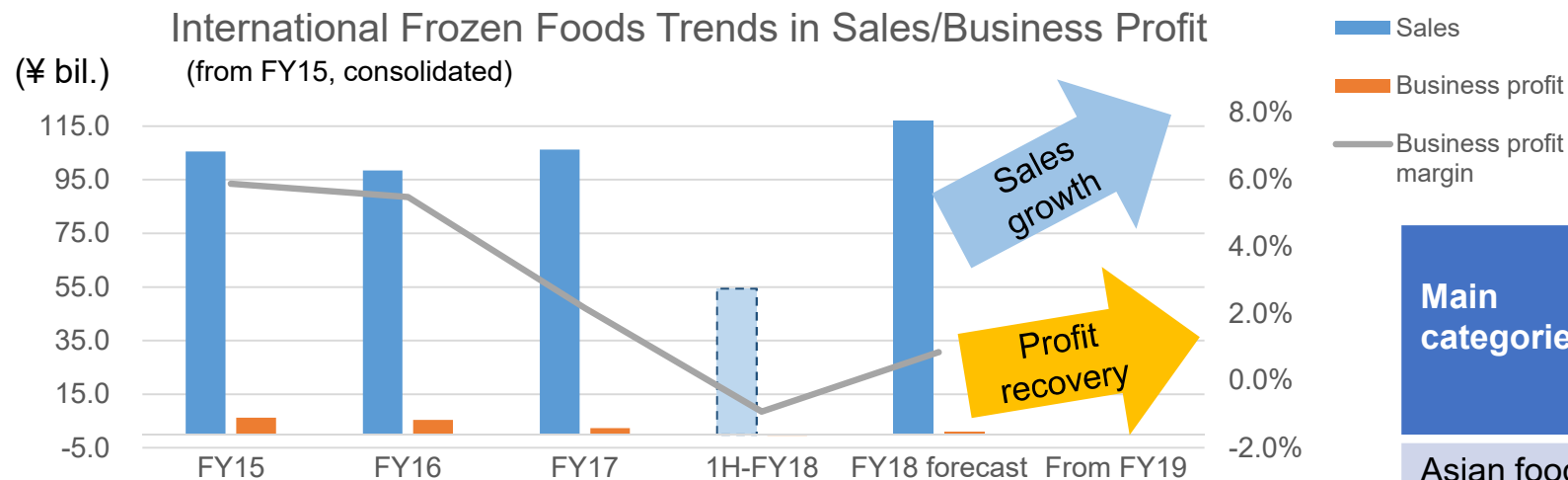
Source: Estimated by Ajinomoto Co. based on data from SRI and All Japan Coffee Association



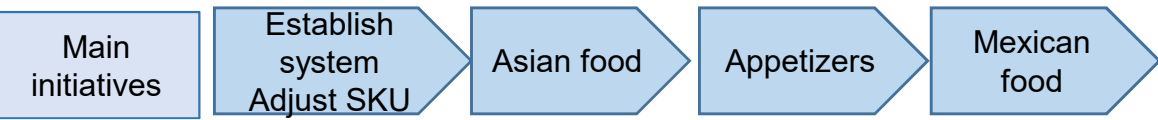
II-5. Growth Strategy

International Food Products: Frozen Foods (North America)

- ◆ Double-digit growth in sales, primarily for Asian food products. Have been working on improving productivity to increase profitability and are starting to get results (Hayward factory). There are issues in increasing efficiency of logistics.



Main categories	FY15–FY18 (forecast) Sales CAGR (local currency base)
Asian food	8.1%
Mexican food	1.0%
Appetizers	5.0%



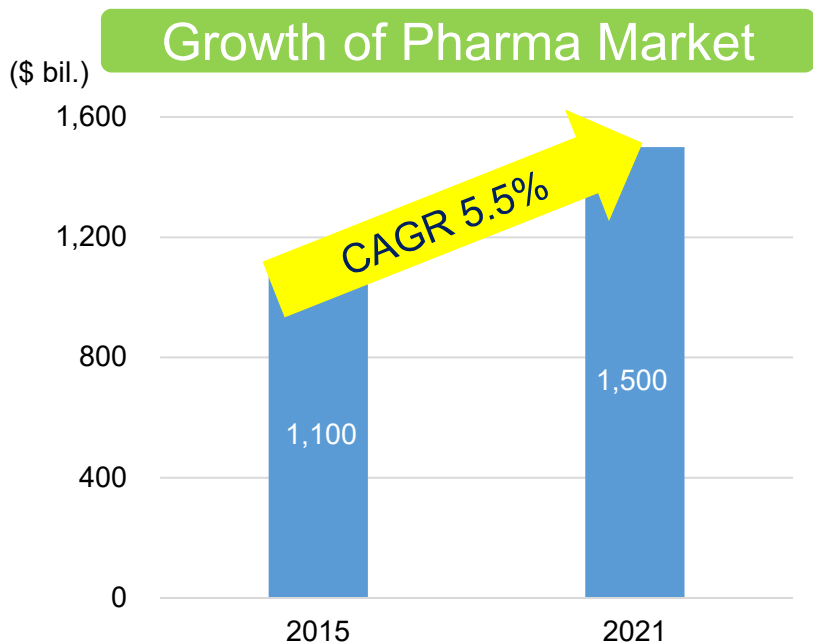
- 1) Top line expansion for main categories
Asian food: Increase handling of *Ling Ling*®, *TAI PEI*®, and *TOKYO STYLE SHOYU RAMEN*
- 2) Impact on earnings due to hike in logistics expenses and rising manufacturing costs, and countermeasures
 - Hike in logistics expenses since December 2017 due to rising fuel prices and restrictions on driver mileage, etc.
→ Minimize impact by increasing product prices
 - Acquired San Diego factory (May 2018), increase operation rate by increasing production
 - Commenced operation on all lines at Joplin factory (June 2018), without achievement of stable production, manufacturing costs rose
→ Launch of production improvement project, with aim to steadily improve costs from 3Q onward

II-6. Growth Strategy

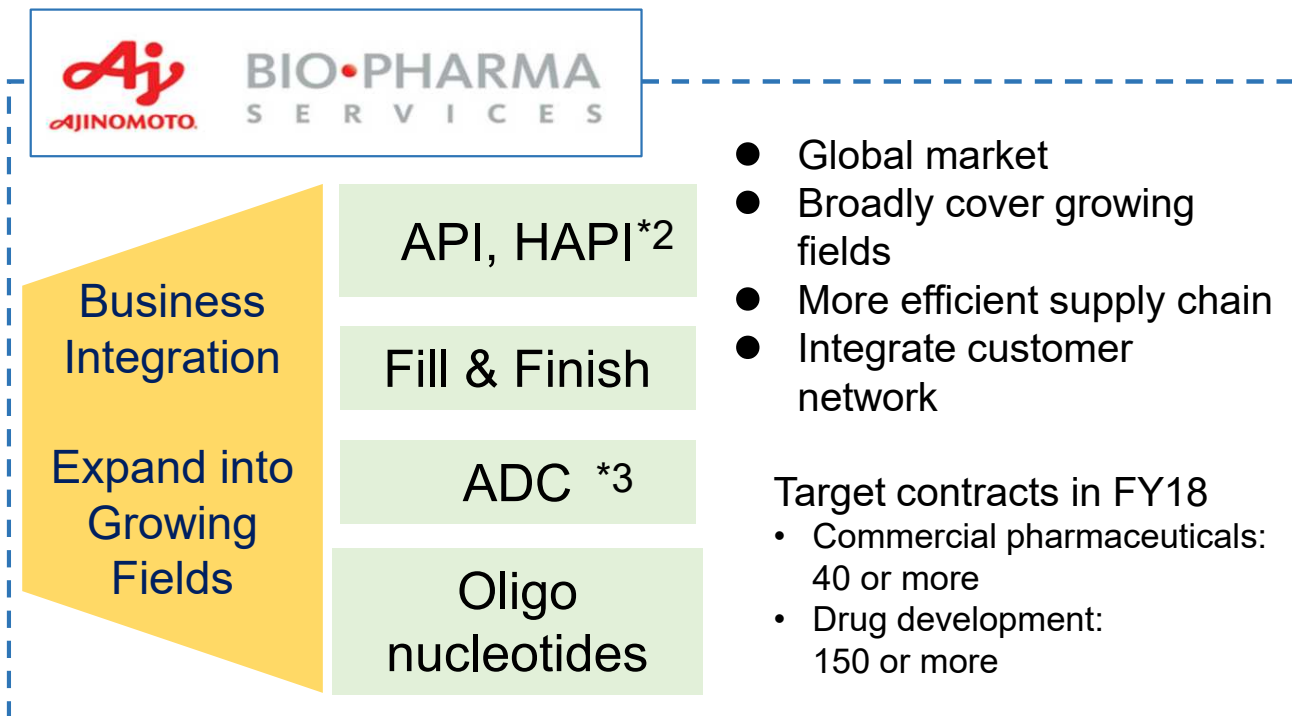
Healthcare: Pharmaceutical custom manufacturing

◆ Build global service-providing scheme as “AJI BIO-PHARMA SERVICES”

Integrated U.S. and EU CDMO*1 businesses. Scheduled to integrate Japan CDMO business including GeneDesign, Inc. in FY2019. Aim for continuous high growth with broad range of service offerings, mainly highly potent and high value-added products including new fields from small molecules to large molecules, HAPI, Oligonucleotides, ADC, and so on.



Source: Estimated by Ajinomoto Co. based on data from Results healthcare



*1 CDMO: Contract Development & Manufacturing Organization

*2 HAPI: Highly Potent Active Ingredients – e.g. anti-cancer drugs. Containment technology required for manufacturing.

*3 ADC: Antibody-drug conjugate

II-7. Non-Financial Initiatives (1)

*ASV: The Ajinomoto Group Creating Shared Value

ASV* Value Creation Stories

Highlights

Social

S

1

We contribute to health and well-being by utilizing our leading-edge bioscience and fine chemical technologies which also leads to deliciousness technologies, and by delivering good and healthy food

2

We contribute to the development of a society that enables strong family/social bonds and diverse lifestyles through eating well

• Promote nutrition improvement initiatives

Further popularize Umami and dispel negative image of MSG
 WORLD UMAMI FORUM: held in New York, U.S., September 20–21, 2018
 Participants: Approx. 210 people from 15 countries (nutritionists, chefs, food writers, media, investors, etc.)

• Steadily increase smart cooking

- Popularization of smart cooking using simple to prepare foods such as frozen foods and soups
- Growth via expansion of menu-specific seasonings
- Growth via business expansion of Integrated Food Solutions for food services in Japan

Environmental

E

3

We contribute to the sustainability of society and the earth, with our customers and local communities, across the value chain from production to consumption

• Promote various initiatives in line with environmental targets

Address waste plastic problem
 Aim to reduce the Group's plastic waste to zero by 2030

Governance

G

4

We co-create value with each region through the perspectives of the customers, with our global, top-class and diverse talents

• Attain innovation by improving engagement (productivity)

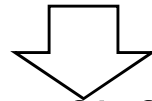
- Promote Ajinomoto Group-wide efforts to enhance workstyle (productivity)
 Held an Ajinomoto Group Work-Style Innovation Promotion Conference, participated in Japan's Telework Days: July 23–27
- Promote a non-territorial office design at the Kyobashi head office through paperless operations



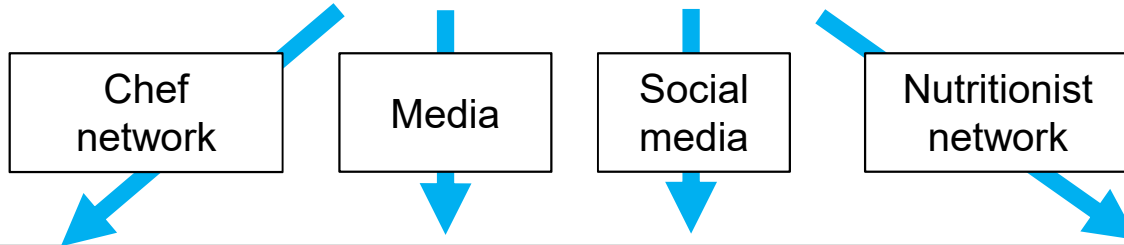
AJINOMOTO.

II-7. Non-Financial Initiatives (2): Umami and MSG

◆ Future communication strategy



Organization of influencers
(Chefs, nutritionists, food writers)



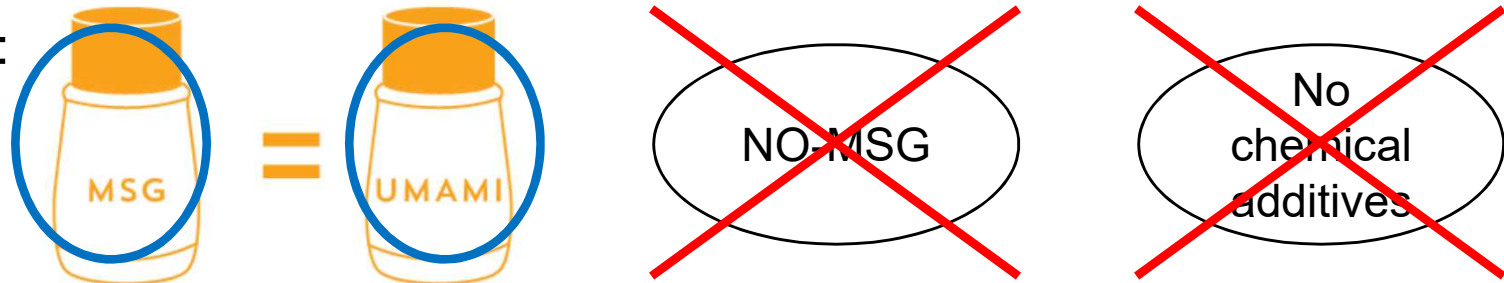
Japan, North America, South America, Asia, Africa

U.S. Food Forward* image	Now	2020 target
Positive image of UMAMI	66%	90%
Negative image of MSG	39%	20%

*Estimated to be approximately 10 mil. people in the US.

- Key message: “Delicious low-salt food using umami seasonings (MSG and others)”
“MSG is the purest form of umami”

- Target position:



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III. FY2018 Financial Strategy

Based on the policies of the FY2017–2019 MTP, generate cash flow, invest for growth and provide stable shareholder returns to realize business strategy.

Cash Flow

- Operating cash flow: approx. ¥350 bil. (3 yrs.)
- EBITDA to sales ratio: upper half of 13% level

Investments for Growth

Engage in integrated management of CapEx, R&D, M&A

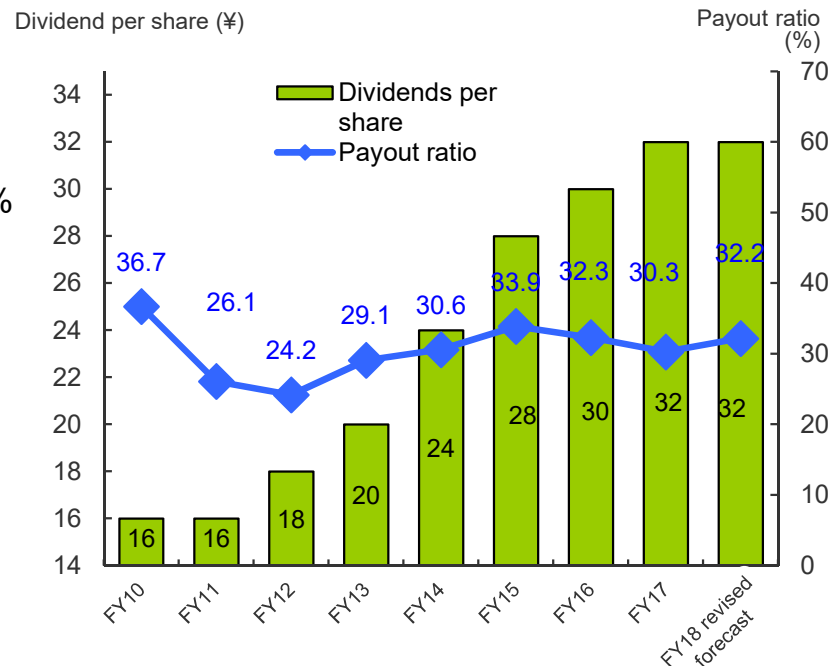
- R&D: approx. ¥29.0 bil. per FY
- CapEx: FY18 forecast, approx. ¥94.5 bil.

Shareholder Returns

- Payout ratio: target 30% per FY
FY17 actual: ¥32 (annual)
FY18 forecast: ¥32 (annual)
- Total shareholder return: aim for 50%+
Flexibly consider share repurchases

(¥ bil.)	FY17 actual	FY18 plan
Operating cash flow	126.6	120.3
CapEx	79.4	94.5
Free cash flow	27.5	25.8
Return to shareholders (dividend)	17.0	18.4
Return to shareholders (share repurchases)	-	40.0
Cash and deposits	187.8	154.1

- M&A: finance by using interest-bearing debt (aim for D/E ratio of 50%)
September 30, 2018 actual: 39.9%
 - Aim to repurchase non-controlling interests by FY2019
 - Share repurchase: retired (October 10, 2018)
- Net debt is interest-bearing debt - Cash on hand and in banks x 75%



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IV. Toward the Next Medium-Term Management Plan

The company to be realized through the FY2020–2022 Medium-Term Management Plan

Global Top 10 Class Food Company with Sustainable Growth



Current Issues

- Slowing growth of the consumer foods business
Slowing of the growth engine due to dispersion of assets and business areas
- Grow the healthcare business in leading edge areas such as pharmaceutical custom manufacturing and cell culture medium
- Efficiency of the Group corporate sector

Framework of Change—Start This Fiscal Year

Quickly bring about a management structure that realizes a business profit margin of 10% and ROE of 10%, even with sales CAGR of 5%

- Switch to an asset-light business model, strategically consolidate business areas in the consumer foods business (Savory, Asian cuisine frozen foods, Foods with Functional Claims and drinks, etc.)
- Start new task forces directly under the control of the President
Ex.: Consolidate the Frozen Foods assets, get both improved growth and ROA
Consolidate common corporate functions, etc.

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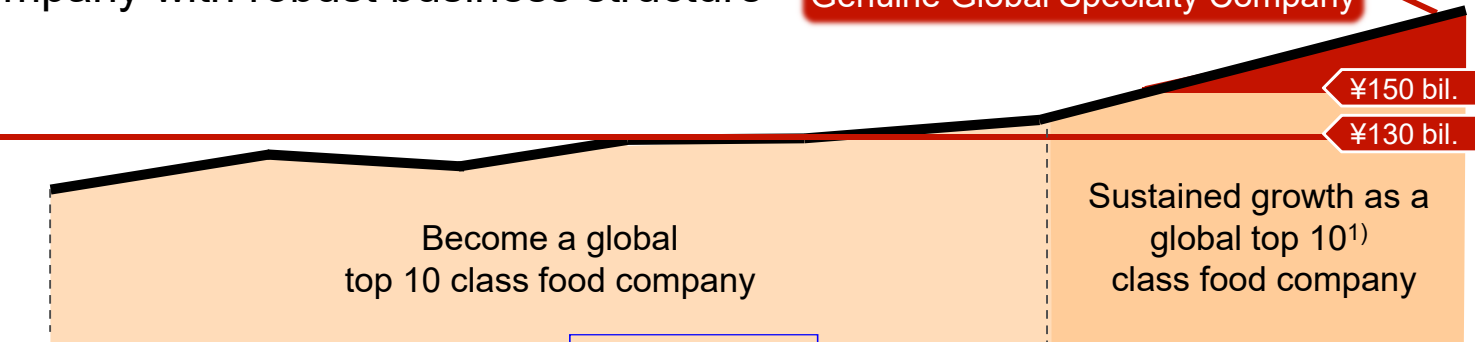


Roadmap to a "Genuine Global Specialty Company"

Become a global top 10 class company with robust business structure

Sustainable value creation as a Genuine Global Specialty Company

Global top 10 class food company level¹⁾



Become a global top 10 class food company

	FY17 Actual	FY18 Initial forecast	FY18 Revised forecast	FY19 Expected	FY20 Target (Organic growth)
Financial	Business profit	¥956 bil.	¥103.0 bil.	¥95.7 bil.	¥116.0 bil. ¥137.0 bil.–
	Business profit margin	8.5%	8.7%	8.3%	9.3% 10%
	ROE	9.6%	9.5%	8.6%	9.8% 10% or higher
	EPS growth rate	13%	4%	-6%	18% Double-digit annual growth
	Intl. sales growth rate ²⁾	5% ⁴⁾	7%	7%	Previous year growth rate + α Double-digit annual growth
Non-financial³⁾	Meats and vegetables consumption	Meats: 7.2 mil. tons; 17.0% (8.3 kg/person/yr) Veg.: 4.4 mil. tons; 7.4% (5.1 kg/person/yr)	To be reported in the Integrated Report and Sustainability Data Book	-	Meats: 8.6 mil. tons; 19% (9.7 kg/person/yr) Veg.: 5.5 mil. tons; 8% (6.2 kg/person/yr)
	Contribution to eating together	60 occasions / household / yr		-	70 occasions / household / yr
	Spare time created	37 mil. hrs / yr (5 hrs / household)		-	38 mil. hrs / yr (6 hrs / household)
	Comfortable lifestyles (AminoScience)	19.80 mil. people		-	22 mil. people
	Resolution of environmental issues	Reported in materials such as the Integrated Report		-	-
	Employees with high engagement	79%		-	80%
Inte-grated	Brand value ⁵⁾	778USD mil.	-	-	1,500 mil. USD or more

1. Global top 10 class status defined as business profit of ¥130.0 billion or higher with IFRS accounting standards.; 2. Consumer foods, local currency basis
3. Refer to FY2017-2019 MTP (Feb. 17, 2017); 4. Includes Frozen foods; 5. Measured by Interbrand

FY2018 Assumed Exchange Rate and Exchange Rate Sensitivity

Assumed exchange rate (vs. JPY)

* Average rate during the period

	FY18 Initial forecast	FY18 Revised forecast	FY18 Actual		FY17 Actual*	FY17-19 MTP
			2Q	1Q		
USD	110.00	111.00	111.43	109.10	110.85	100.0
EUR	130.00	129.00	129.55	130.03	129.66	110.0
THB	3.28	3.38	3.38	3.42	3.36	2.80
BRL	33.85	29.90	28.24	30.27	34.45	30.3

Exchange Rate Sensitivity

Foreign exchange rates (vs JPY)

	Avg. rate	Sensitivity of translation effects to full year B.P.
USD	111.00	±¥1 → approx. ¥100 million
EUR	129.00	±¥1 → approx. ¥50 million
THB	3.38	±¥0.01 → approx. ¥100 million
BRL	29.90	±¥1 → approx. ¥200 million

Impact of exchange rate for trade

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

- 1 JPY	vs USD	→	approx. ¥0 million
- 0.1 EUR	vs USD	→	approx. - ¥100 million
- 1 THB	vs USD	→	approx. + ¥500 millior
- 0.1 BRL	vs USD	→	approx. + ¥400 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.**