

Eat Well, Live Well.



**Ajinomoto Co., Inc. (2802)  
Forecast for FY2020 (Ending March 31, 2021)  
and Initiatives for Structural Reform**

**Takaaki Nishii  
President & CEO**

**May 25, 2020**

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- I. FY2019 Summary Results and FY2020 Forecast
- II. Impacts of COVID-19 and Progress on Structural Reform

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FY2020 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. FY2019: Summary Results

### 1. Sales: **Decreased**

- Increase in sales from pharmaceutical custom manufacturing and amino acids for pharmaceuticals and foods.
- Large decrease in sales in the animal nutrition business.

### 2. Business profit: **Increased (highest on record)**

- Large decrease in profit in animal nutrition business.
- Recorded impairment loss of ¥3.8 billion related to trademark rights of Promasidor Holdings Limited (PH).
- Large increase in profit in umami seasonings for processed food manufacturers, seasonings & processed foods (overseas), frozen foods (Japan), specialty chemicals, and coffee products.

### 3. Profit attributable to owners of the parent company: **Decreased**

- Recorded impairment loss of ¥31.8 billion related to production facilities of the European animal nutrition business, PH, production facilities of the bakery business, seasonings production facilities in Europe, and goodwill and trademark rights of AIS.

(¥ billion)	FY2019 Actual	FY2018 Actual	Difference	YoY		FY2019 Actual	FY2018 Actual
Sales	1,100.0	1,114.3	-14.2	-1%	Business profit margin	9.0%	8.4%
Business profit	99.2	93.2	5.9	6%	ROE	3.3%	4.7%
Profit attributable to owners of the parent company	18.8	29.6	-10.8	-36%	ROIC	3.0%	3.8%
					ROA (BP basis)	7.2%	6.6%
					EPS	¥34.37	¥53.62

First, Corporate Vice President Tetsuya Nakano will speak about our summary results and forecast.

Looking at summary results, sales declined.

Business profit increased, and growth in core businesses was about 3%.

In FY2019, the impact of COVID-19 was minor overall.

In seasonings and foods, sales fell for foodservice-use products, and large-volume umami seasonings and flavor seasonings products due to closures of restaurants in various countries.

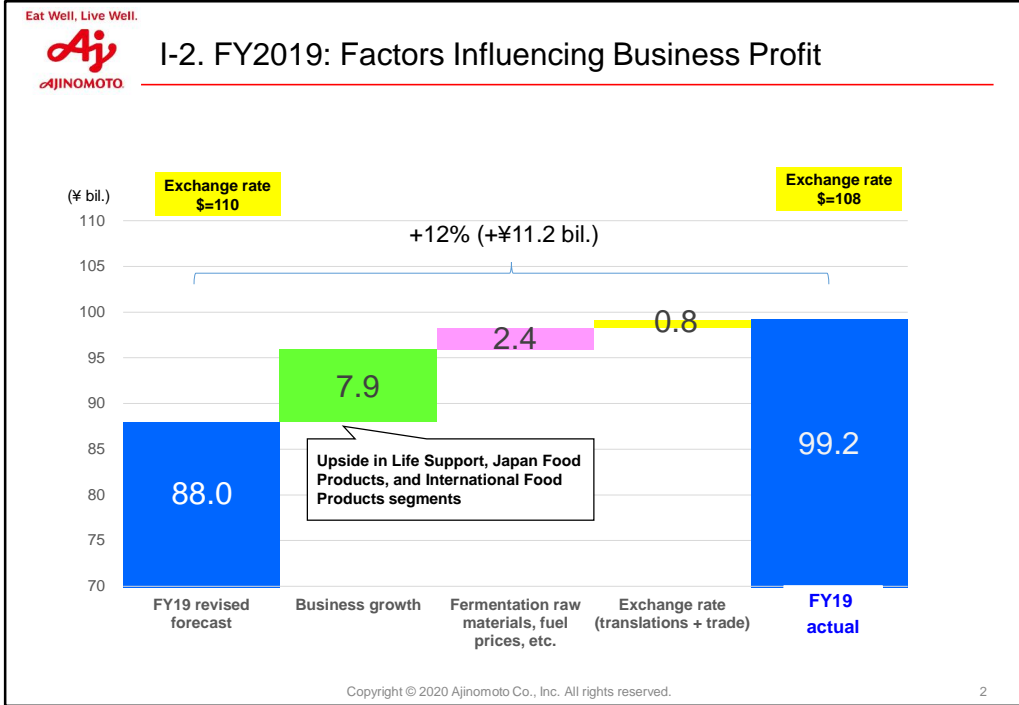
Conversely, at-home dining demand has increased, including for stockpiling at home.

In some countries, sales activities have come under restrictions.

In domestic and overseas frozen foods, home-use sales increased, while foodservice and desserts decreased significantly.

In amino acids, sales of amino acids for pharmaceuticals increased for infusions and other applications.

Profit attributable to owners of the parent company was ¥18.8 billion primarily due to recording of impairment losses, including reduction in assets ahead of schedule. Although the three-year target was not met, business profit margin was 9% and ROE was 3.3%, primarily due to the recording of impairment losses.



We conducted a comparison with the second quarter revised business profit forecast.

The results were primarily due to an upswing from increased sales of electronic materials, cost improvements in frozen foods, coffees, international seasonings, and processed foods, and, in particular, the effects of resource-saving fermentation technologies, and due to an unexpected stop in the decline of unit prices for some animal nutrition products.

## I-3. FY2019: Recording of Impairment Loss

Recorded impairment loss and impairment loss on investment accounted for using the equity method.

(Unit: ¥billion)

	When recorded	Business Profit	Operating profit (Qtr. profit before income taxes)	Profit attributable to owners of the parent company	Comments
(1) Animal nutrition business	2Q-FY19	-	14.9	11.7	Life Support: animal nutrition Production equipment
(2) Promasidor Holdings Limited	2Q-FY19	-	4.2	4.2	Impairment loss on investment (goodwill)
	2Q-FY19	3.8	3.8	3.8	International Food Products: seasonings & processed foods Trademark rights
(3) Bakery business	2Q-FY19	-	3.8	2.9	Japan Food Products: seasonings & processed foods Production equipment
(4) MSG business in Europe	3Q-FY19	-	6.8	6.8	International Food Products: seasonings & processed foods Production equipment
(5) Seasonings business in Turkey	4Q-FY19	-	2.2	2.1	International Food Products: seasonings & processed foods Goodwill and trademark rights
Total		3.8	36.0	31.8	

In addition to items recorded through the third quarter, as a result of reviewing plans for FY2020 onward to take the impacts of COVID-19 into account, the Company recorded an impairment loss of ¥2.2 billion in the seasonings business in Turkey in the fourth quarter.

## I-4. FY2019: Profit

Despite highest business profit ever, annual profit decreased due to incurred impairment loss and costs for structural reform

(¥ Billion) - : losses	FY19 Actual (A)	FY18 Actual (B)	Difference (A)-(B)	Comments
Sales	1,100.0	1,114.3	-14.2	
Business profit	99.2	93.2	5.9	FY19 actual: Share of profit of associates and joint ventures -2.4 (-3.8 is impairment loss for trademark rights)
Other operating income & expenses	-50.4	-39.5	-10.8	
Impairment losses	-34.9	-32.4	-2.4	FY19 actual -34.9 (Europe, USA, Japan, Turkey, etc.)
Other	-15.5	-7.1	-8.3	FY19 actual -15.5 (Special Second Career Program for Managers)
Operating profit	48.7	53.6	-4.8	
Financial income & expenses	0.0	1.0	1.0	
Profit before income taxes	48.7	54.6	-5.9	
Income taxes	-20.3	-17.6	-2.6	Tax rate: FY18 actual 32%, FY19 actual 41%
Profit (includes discontinued operations)	28.9	39.0	-10.0	
Profit attributable to owners of the parent company	18.8	29.6	-10.8	
Profit attributable to non-controlling interests	10.1	9.3	0.8	

In addition to the impairment losses, expenses of ¥6.5 billion for the Special Second Career Program for Managers were recorded within the ¥15.5 billion noted for "Other."

**Impact on FY20 Business Results (summary)**

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

1. **The state of emergency declarations, lockdowns, and other measures will be lifted by the second quarter** in each of the countries where the Ajinomoto Group operates its business, **but economic activity during this period will be significantly impacted.**
2. Although economic and other activity will recover gradually **from the third quarter**, it will continue to be impacted **by the onslaught of a second wave of COVID-19 in some regions such as North and South America.**

Regarding the forecast for FY2020, we calculated the impacts of COVID-19 based on scenarios 1 and 2 shown here, taking into account our current status as of April, and incorporating declines in the countries' GDPs.



## I-6. FY2020: Impacts of COVID-19 Reflected in the Forecast

### Impact of COVID-19 on FY20 Business Results

Sales: approx. -¥76.0 billion (down approx. 7% vs. FY19 actual )  
Business profit: approx. -¥23.0 billion (down approx. 23% vs. FY19 actual)

### Factors reflected in the forecast for FY2020

Meaning of symbols: x: long-term    Δ: gradual recovery    ○: temporary

#### Impacts appearing from March to May

- 1. Reduction of overseas operations, 6 month freezing of the sell off process
- 2. Drop in demand after the build-up of inventories in amino acid for pharmaceuticals
- 3. Increase in sales prices of feed-use amino acids (1Q-2Q)
- Δ 4. Impact of increase in demand for home-use products (frozen foods, seasonings and foods) and large drop in demand for eating out
- Δ 5. Delays in customers' development plans in pharmaceutical custom manufacturing
- Δ 6. Impact of contraction of the market accompanying the reduction and cancellation of sports events and medical checkups
- Δ 7. Increase in costs and delays in international procurement of raw materials and increase in logistics costs
- x 8. Decrease in demand from tourists due to travel restrictions between countries and regions

#### Impacts expected going forward...expected in 2Q or 3Q

Explosion of second wave of infections in the U.S. and Brazil, and restrictions on going outside

#### Unclear impacts that are not reflected in the forecast

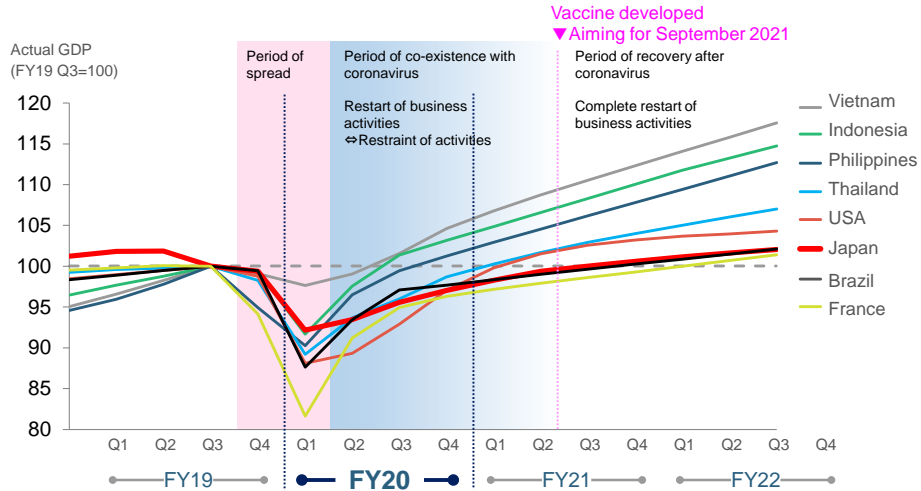
Increase of unemployed people and pressure of deflation from reduced income vs. insufficient global supply and inflation

As a result of estimating the impacts of COVID-19 under these assumptions, we included approximately -¥76.0 billion in sales and -¥23.0 billion in business profit in the forecast.

The specific items included in the forecast are shown. Many countermeasures that we will take are not yet included in the forecast.

### I-7. FY2020: Forecast of the Impact of COVID-19 on Each Country's Economy

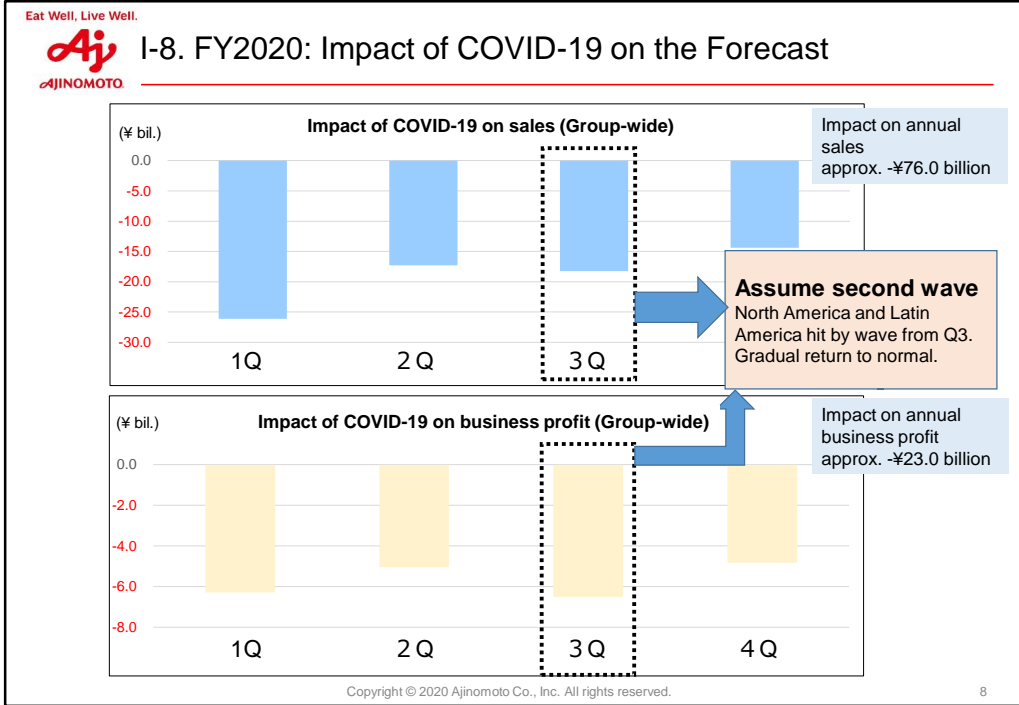
#### Forecasts of actual GDP in our major countries of business



Note: with the exception of Vietnam, figures have been calculated with seasonal corrections  
Source: Oxford Economics

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The reason that the impacts have become large is that, as shown in this graph, we assume that economic recovery in the major countries where the Company does business will take place in FY2021 or later.



We estimated the impact on sales and business profit for every quarter. We anticipate major impacts on Seasonings and Foods (Asia, South America) and Frozen Foods (North America, Europe).

There will also be an impact from delays in customers' development plans in pharmaceutical custom manufacturing. We estimated impacts by area for each quarter, but at present countermeasures have not been worked into some parts. The forecast can be seen as reflecting maximal negative impacts for the envisioned scenarios.

However, as conditions are changing moment by moment in every country, and assumptions are changing as well, we believe it will be necessary to update the differences between assumptions and reality every quarter.

## I-9. FY2020: Forecast

1. Sales: **Decrease**

- Overseas seasonings and processed foods, and frozen foods will decrease due to impact of COVID-19.

2. Business profit: **Decrease**

- Overseas seasonings and processed foods, and frozen foods will decrease due to impact of COVID-19.
- Amino Acids business will decrease due to impact of COVID-19.

3. Profit attributable to owners of the parent company: **Increase**

- Other business expenses will decrease.

(¥ billion)	FY2020 Forecast	FY2019 Actual	Difference	YoY		FY2020 Forecast	FY2019 Actual
Sales	1,048.0	1,100.0	-43.5	-4%	Business profit margin	7.4%	9.0%
Business profit	78.0	99.2	-21.2	-21%	ROE	4.1%	3.3%
Profit attributable to owners of the parent company	22.5	18.8	3.6	19%	ROIC	3.0%	3.0%
					ROA (BP basis)	5.8%	7.2%
					EPS	¥41.02	¥34.37

The result is that current forecast shows a decrease in sales and profit.

Exchange rate impacts compared to the previous year are approximately -¥40.0 billion in sales and approximately -¥3.0 billion in business profit (translations + trade).

Profit attributable to owners of the parent company is ¥22.5 billion; ROIC is 3.0%.

## I-10. FY2020: Profit

Business profit will decrease due to impact of COVID-19. Although some structural reform costs are expected, annual profit is forecast to increase.

(¥ Billion) - : losses	FY20 Forecast (A)	FY19 Actual (B)	Difference (A)-(B)	Comments
Sales	1,048.0	1,100.0	-52.0	
Business profit	78.0	99.2	-21.2	
Other operating income & expenses	-29.2	-50.4	21.2	
Impairment losses	-	-34.9	34.9	
Other	-29.2	-15.5	-13.7	Structural reform costs: approx. -16.0
Operating profit	48.7	48.7	0.0	
Financial income & expenses	-1.4	0.0	-1.4	
Profit before income taxes	47.3	48.7	-1.4	
Income taxes	-19.6	-20.3	0.6	Tax rate: FY20 forecast 41%
Profit (includes discontinued operations)	27.6	28.9	-1.3	
Profit attributable to owners of the parent company	22.5	18.8	3.6	
Profit attributable to non-controlling interests	5.1	10.1	-5.0	

"Other" under Other operating income & expenses of -¥29.2 billion in FY2020 includes -¥16.0 billion in costs for structural reform in FY2020. We are not yet able to disclose the details, but these costs involve non-core businesses.

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## I-11. FY2020: Priority KPIs (Group-wide)

		20-22 Phase 1		23-25 Phase 2		2030 Goal
		Structural reform		Renewed growth		
		FY19 (Actual)	FY20 (Forecast)	FY22 (Target)	FY25 (Target)	
<b>Efficiency</b>	ROIC (>Capital cost)	3.0%	3.0%	8%	10-11%	13%
<b>Growth</b>	Organic sales growth (YoY)	0.3%	-0.5%	4%	5%	5%
<b>Priority KPIs</b>	Percentage of sales from core businesses	66.5%	66.9%	70%	80%	80% or more
	Employee engagement ("ASV as own initiative" <sup>1</sup> )	55%	-	70%	80%	85% or more
	Unit price growth (YoY) (International consumer products)	Approx. 5%	-	2.5%	3%	3%

1: "ASV as own initiative" = Status whereby each and every employee is able to autonomously work towards 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.

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Regarding the FY2020 forecast for the structure aimed for by the Medium-Term Management Plan, growth is not meeting expectations due to COVID-19.

Excluding the impact from COVID-19 and exchange rates, ROIC was about 4.7% and the organic growth rate was 5% .

There is no change in the policy for raising the unit price growth rate; with contributions to unit price through product mix and the market launch of low-salt and other premium products continuing in line with plans. However, due to the impact of COVID-19, unit sales price increases will be delayed and sales will decline, and these have not been quantified.

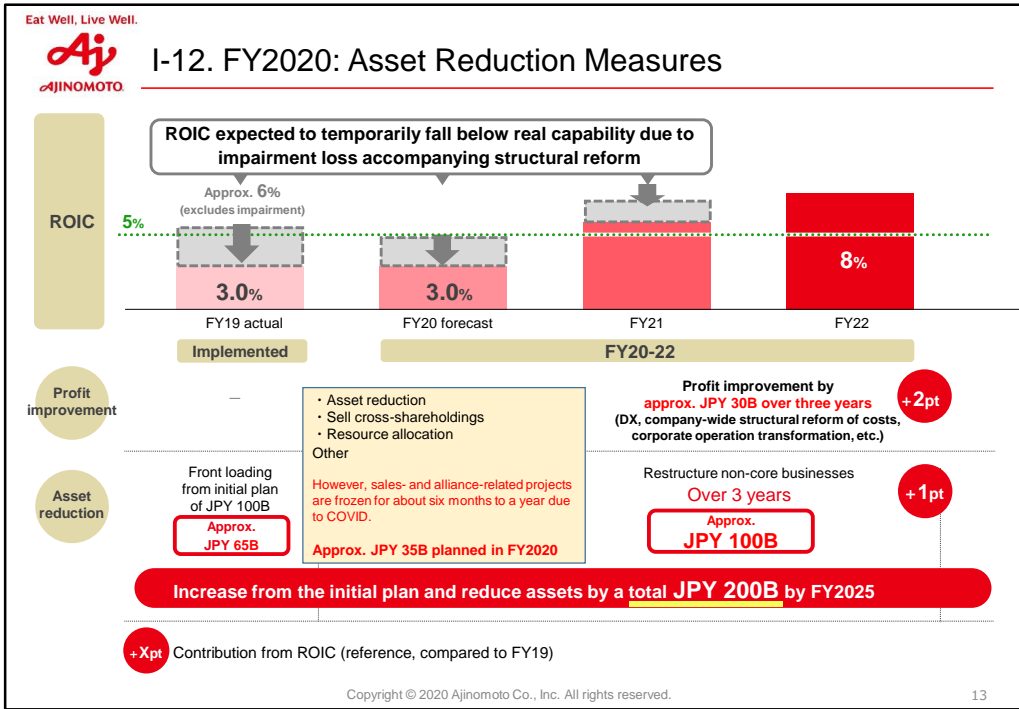
## I-11. FY2020: Priority KPIs (by new segment)

New Segments		FY19 Actual and FY20 Forecast			
		ROIC (%)	Organic growth (%)	Unit price growth (%)	
Food	Seasonings and Foods Sauces & Seasonings Quick Nourishment Solutions & Ingredients	FY20	8.0% <sup>1</sup>	0.9%	—
		FY19	8.7%	0.8%	6.7%
Amino Science	Frozen Foods Frozen Foods	FY20	-1.9% <sup>1</sup>	-9.2%	—
		FY19	-0.3%	1.1%	2.2%
Amino Science	Healthcare and Others Specialty Chemicals Amino Acids Others	FY20	2.7% <sup>1</sup>	3.0%	—
		FY19	0.8%	-2.2%	—

1: Excluding structural reform expenses

This table concerns priority KPIs by segment.

As noted earlier, organic growth with the impact from exchange rates and COVID-19 excluded is 6% in Seasonings and Foods and, due to structural reforms and other factors, 0% in Frozen Foods and 10% in Healthcare and Others.



These are items that we are addressing in FY2020 through our asset reduction plans under the MTP.

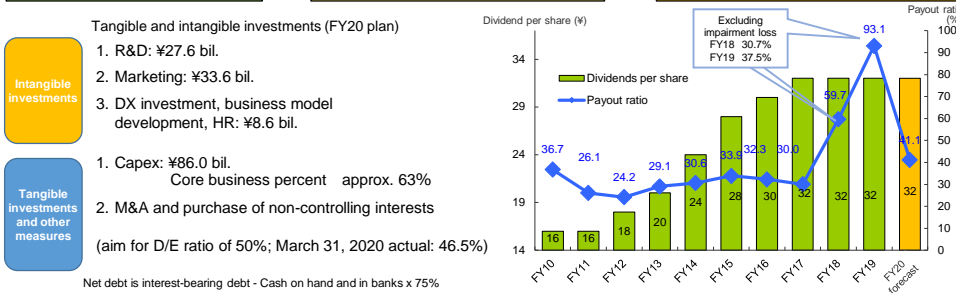
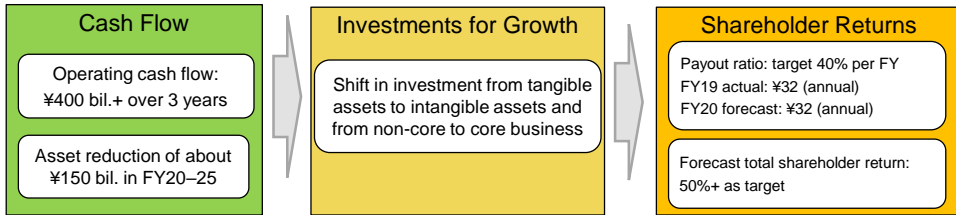
Negotiations regarding asset sales and alliance-related projects have been temporarily stopped or postponed, but we intend to execute what we can and move ahead with an amount of about ¥35.0 billion.

Sales of cross-shareholdings, which were carried out far ahead of schedule in FY2019, totaled ¥9.4 billion. Because of this, sales may decline slightly in FY2020.



## I-13. FY2020: Financial Strategy

Based on the policies of the FY2020–2025 MTP, we will strengthen our investments for growth and ability to create cash flow, to achieve stable shareholder returns.



This is the FY2020 portion of our financial strategies under the MTP. We set the dividend payout ratio for the fiscal year to 40% based on profit level during the term, and foresee a dividend of ¥32.

We are also making purchases of non-controlling interests as one of our financial strategies, and increased our interest in AJINOMOTO CO. (THAILAND) LTD. from 82.5% at the end of FY2018 to 94.5% at the end of FY2019.

ESG Issues		Targets	FY2020 Core Measures	Progress
Climate change	Greenhouse gases	Percent reduction of greenhouse gases (vs. FY18) FY25: 25% FY30: 50%	<ul style="list-style-type: none"> <li>Develop TCFD scenario analyses for each business area</li> <li>Get SBT validation, commit to RE100</li> <li>Start financial risk mitigation study (e.g.: internal carbon pricing)</li> </ul>	SBT: have submitted targets for validation. Validation received in April, 2020
	Water risk	Percent reduction of water use <sup>1</sup> FY30: 80% (vs. FY05) Percent of recharge of drinking water into forests FY25: 100% or more	<ul style="list-style-type: none"> <li>Reduce water use per unit of production through plant process optimization by 78%</li> <li>Continue forest recharge activities</li> </ul>	
Building a circular economy	Plastic waste	FY30: Achieve "Zero"	<ul style="list-style-type: none"> <li>Execute measures centered on reducing               <ul style="list-style-type: none"> <li>Study use of recyclable packaging materials</li> </ul> </li> <li>Continue participation in industry-government partnerships</li> </ul>	Have launched business-based projects to promote measures for execution
	Food loss	Percent reduction of food loss (vs. FY18) <sup>2</sup> FY25: 50%	<ul style="list-style-type: none"> <li>Reduce food loss between acceptance of raw materials and delivery to customers by 20%</li> </ul>	
Sustainable procurement	Destruction of forests Biodiversity Human rights Co-existence with animals	Percentage of sustainable procurement FY30: 100% of issue materials	<ul style="list-style-type: none"> <li>Achieve 100% procurement of sustainable paper and palm oil</li> <li>Promote dialog with society through roundtables on animal welfare</li> </ul>	Traceability on paper: 99% (domestic); palm oil: 70% Have formulated a Group policy on co-existence with animals and our thinking on animal protection and management.

1: Vs. primary unit of production. 2: From acceptance of raw materials to delivery to customer (Scope 1)

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With regard to greenhouse gases, we acquired SBT validation in April 2020.

**Building a system that has independence and diversity, and bringing about a remuneration system that is highly transparent**

1. New Audit & Supervisory Board member  
Candidate for Audit & Supervisory Board member: Mami Indo  
(Has been a member of the Securities and Exchange Surveillance Commission)  
Independent directors account for 42% of the Board of Directors and Audit & Supervisory Board, and women account for 21%.
2. Revision of the officer remuneration system  
As evaluation indices for medium-term company performance-linked compensation, use ESG targets, relative TSR\* and the priority KPIs from the Medium-Term Management Plan: ROIC, percentage of sales from core businesses, and employee engagement.
3. Change the accounting auditor  
Select KPMG AZSA LLC as the Company's accounting auditor candidate.

\*Relative TSR:

TSR is the abbreviation for Total Shareholder Return. It is a number that is the total of the profit from an increased share price and dividends.

Relative TSR is a number that compares TSR to a previously determined benchmark group.

There are three measures related to corporate governance.

We made Ms. Mami Indo a candidate for Audit & Supervisory Board member.

In addition to ROIC, etc., we use TSR as indices for medium-term company performance-linked compensation for officers.

Considering the number of years we have used our current accounting auditor, we intend to change to KPMG AZSA LLC, as noted in our timely disclosure on May 25.

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Due to COVID-19, our earnings report was delayed. We apologize.

Thanks to the efforts of healthcare practitioners supporting the last line of defense against societal collapse, we are able to continue our business. On behalf of the Ajinomoto Group, I offer my deepest gratitude.

President & CEO Takaaki Nishii will discuss how we view the fight so far against the novel coronavirus, how we will mitigate the impact on business performance, and our progress toward our MTP.

## The Fight with COVID-19 (CEO Message)

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**The Ajinomoto Group is deeply grateful for being able to continue its business and it will do its utmost as one team to bring about the wellness of the people fighting COVID-19.**

**While the effect on FY2020 results will be large, the Group will catch the swell of demand by people for a healthy new lifestyle, and will implement the transformation of the FY2020-2025 Medium-Term Management Plan to reduce the negative impacts and head for a V-shaped recovery in FY2021.**

Regarding the fight with the novel coronavirus, this expresses the feelings of our Company.

As we made a full-scale start of our MTP, we were affected by COVID-19. For the two months from late March in particular, we have fought an all-out defensive war in the field to protect employees from contagion and keep production activities running. From the perspective of business performance, overall, at-home dining is fine but we are experiencing negative performance in foodservice.

In Japan, at-home demand is covering for this to a large degree, but we are not seeing that happen overseas.

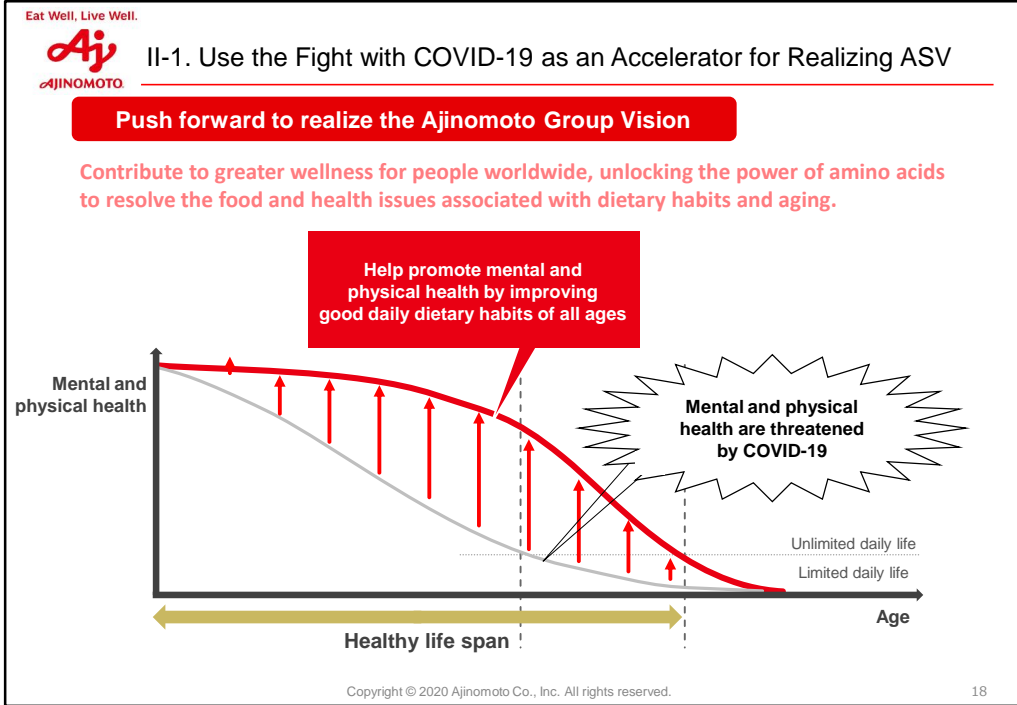
The situation is particularly severe in frozen foods, for which foodservice makes up a relatively high percentage.

In terms of region, the spread of contagion retains strong momentum in the US and South America, with a high possibility of a major second wave. Accordingly, our view from the front line is that the impact of COVID-19 will be protracted.

However, Japan and major ASEAN nations have finally reached the stage of restarting social and economic activity while co-existing with the virus.

We have by no means reconciled ourselves to the forecast numbers, and will enact measures to boost the numbers.

We will not stop the structural reforms set forth in our MTP. We believe that we can contribute to the protracted fight with the virus through our Healthcare Business and the improvement of dietary habits, areas in which our Company is strong.



I view the fight with the novel coronavirus as a time to accelerate our MTP strategies to achieve our vision in the long term.

This fight is posing a threat to people's mental and physical health.

On television the other day, Professor Shinya Yamanaka of Kyoto University had this to say. "Looking at the condition of patients who have been infected by this virus and become seriously ill, it appears that diseases stemming from metabolic syndrome progress in an extremely short period of time, adversely affecting multiple organs."

Our Company is now strengthening its business under the important themes of reduced salt and improving dietary habits to prevent poor nutrition disorders in elderly people.

In Japan, where people have a high level of knowledge about the relationship between dietary habits and lifestyle-related disease, sales of low-salt products are growing sharply.

We want to contribute to the health of consumers around the world by strengthening our business activities.

I would like to explain how we will battle COVID-19, drawing on examples.



I'll touch on some examples from our battle so far.

In order to continue business activities while making the health of our employees, their families, and our partners our utmost priority, our upper management is emboldening employees, sending repeated messages of gratitude to healthcare practitioners and suppliers, and strengthening our mutual resolve to fight as one team, as expressed in these photographs.

Our employees feel pride that they are contributing to society as an essential business. Our sense of unity in fighting together as a team is becoming extremely strong.

At our head office and main Group companies in Japan, about 90% of employees, other than those in the production divisions, have moved to working remotely from home.

Our various initiatives for work-style innovation have yielded fruit, and our response to the emergency situation, our measures for battling COVID-19, and our sharing and execution of transformation work under the MTP are proceeding efficiently. We hope to use this opportunity to move even further ahead.

**At our factories around the world, employees and partners are continuing to work as hard as possible to protect the production of products essential for medical service and daily life.**

1. Activities to protect employees and partners (Japan and overseas)
  - Be thorough about health management of employees and those who enter the factories
  - Secure social distance in the factory. Promote reduced use of public transportation
2. Status of Japanese business sites
  - Production of home-use seasonings and foods, and frozen foods is tight.
3. Status of overseas business sites
  - Ensuring thorough sanitary measures, including the taking of self-run tests, preventing the spread of infection.
  - Although some infected employees have been found in North America, South America, and Europe, where infection is spreading, production is stopped and restarted each time, to continue production.  
(Process: Infection in the factory ⇒ stop the line ⇒ take necessary measures such as disinfecting everything ⇒ re-start production)



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Not surprisingly, our production divisions and sales divisions are struggling. However, we are continuing production activities at all of our factories around the world.

Serious outbreaks of contagion continue to spread in North America and South America, where infection has occurred even within our Company's production staff. Each time this occurs, we stop the production lines and take necessary measures, such as complete disinfection, before restarting production.

Factories in the US and Europe that primarily produce frozen foods for foodservice have had to adjust production for certain periods as demand has plummeted.

In Europe, the Philippines, and Malaysia, where urban lockdowns have been strict, we have had to reduce operations.

By contrast, in home-use foods in Japan and other businesses experiencing sudden increases in demand, a situation continues in which production is unable to keep up and logistics are jammed. We have requested that retailers halt bargain sales and suspend sales of some products in favor of mainstay products, as we work to get through the difficulties by invoking BCP plans prepared after the Great East Japan Earthquake.

Impacts ahead of us include delays in capital expenditures and in development of new products scheduled for this autumn and later. These are issues that we must address during the fiscal year.

As of May 25, there have been 96 cases of infection among Group employees. Most of these are in Peru, the US, and Brazil.



## II-3. The Fight with COVID-19 (Initiatives to continue business)

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### 1. Measures to maintain the supply chain

- Give top priority to continuing the production and supply of major products, such as home-use and amino acids for pharmaceuticals
- Shift production personnel from foodservice-use, which is decreasing, to home-use, and do everything possible to secure employment
- Strengthen and support relationships with suppliers, and maintain sustainable procurement

### 2. Measures for funding

- Maintain sufficient liquidity on hand for the time being (more than 1 month)
- Secure safety of funding with the commitment lines we already have with our main banks
- Unify management of funds at headquarters and support Group companies

### 3. Have the Japan Regional Task Force liaise with regional headquarters for risk management

- Measures to prevent infection in each country, impact on the business, and measures to respond
- Forecast the business environment in the eight major countries in scenario planning meetings

In addition to initiatives to continue production, we are strengthening relations with suppliers to maintain procurement. We are providing business support to some companies that are in need.

We are safe in terms of funding, as we have maintained sufficient liquidity and have secured the safety of funding through commitment lines with our main banks.

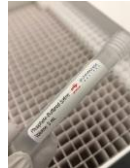
Moreover, for risk management and as a measure to deal with a prolonged fight, in addition to measures taken every day in business lines, we are updating our COVID-19 impact forecasts and current status across regions, and are conducting scenario planning meetings globally to examine additional measures for the period of co-existence with the virus as well as strategies for the period of recovery.

## II-4. The Fight with COVID-19

(Initiatives and thanks for healthcare practitioners and consumers)

Examples of regional and social initiatives (for healthcare practitioners and those fighting COVID-19)

1. Open access of intellectual property  
**Participation in the IP Open Access Declaration Against COVID-19 as a founding signatory.**
2. Sales of vials for COVID-19 tests  
**Conclusion of agreement with the U.S. Federal Emergency Management Agency.** Provision of vials for COVID-19 specimens. We will provide 2.5 million vials by the end of September.
3. Provision of products to healthcare practitioners free of charge  
**We are providing relief supplies (products) to healthcare practitioners** through the food relief platform WeSupport, and Japan Platform.



As social support activities, we implemented measures to express gratitude to healthcare practitioners and to support consumers.

1. We are participating in the IP Open Access Declaration Against COVID-19.
2. Through Ajinomoto Bio-Pharma Services in the US, we concluded an agreement with the US Federal Emergency Management Agency to sell vials for virus specimens used in PCR testing. We will deliver 2.5 million vials by the end of September.
3. We began providing products to healthcare practitioners in Japan. We are providing *Teiko Katsuryoku cystine and theanine* to hospitals that are implementing measures in Tokyo and Sendai. We also supplied processed foods and coffee products to medical institutions in partnership with the food relief platform WeSupport and the non-profit organization Japan Platform.

We are currently exploring support for supply chain partners and restaurants, partnerships with companies' health insurance unions, and other ideas. We will offer all the societal support we can as a "solution-providing group of companies for food and health issues."



Here, I would like to report on our fight during the period of co-existence with the virus, or our "comeback measures."

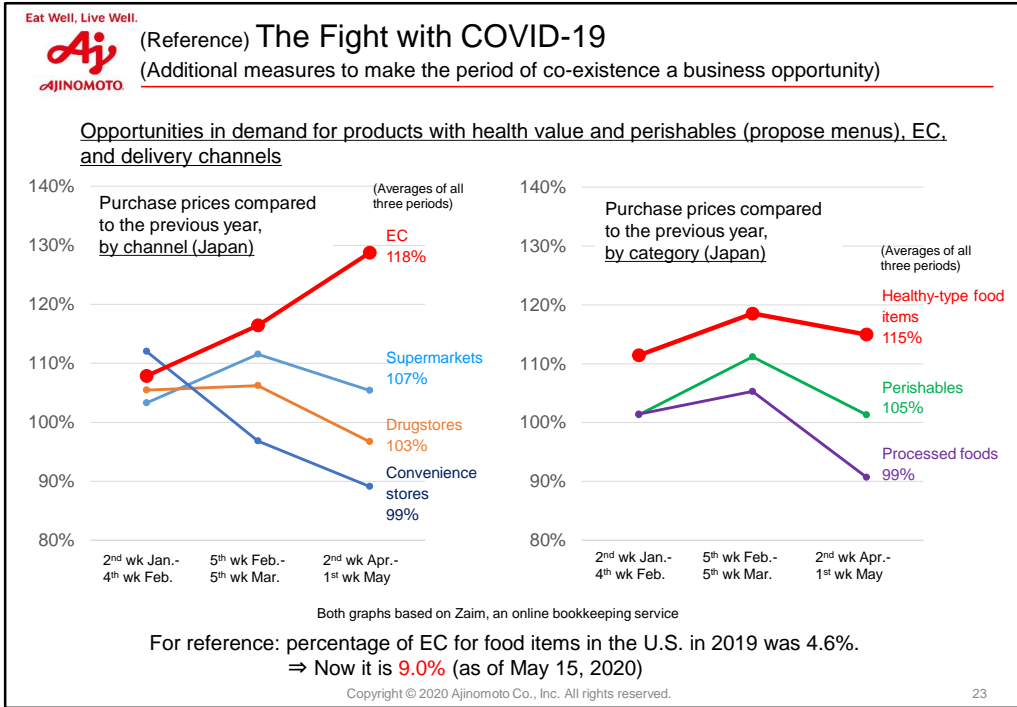
First, in early May we revised our global communications.

We began broadly communicating a message supporting the improvement of dietary habits to people worldwide.

— What the Ajinomoto Group Cares About Most—

To our customers: We want to support nutritionally balanced meals and daily health "Eat Well, Live Well."

We propose foods, sleep, and exercise that keep up immunity, and issued a declaration of gratitude to healthcare practitioners and introduced support activities. In cooperation with supply chain partners, we are currently preparing measures to continue supplying daily necessities, and will continue communicating new concrete measures as messages of support.



Amid the fight with COVID-19, some markets are growing in terms of consumer activity. We consider this a finding that will reduce the negative impacts of FY2020 and ensure growth in FY2021 and onward. (The graph shows data from a Japanese online household bookkeeping service with 1.3 million annual active users.)

The graph at left shows the amount of money spent on EC and door-to door delivery sharply rising to 130% in the period from April through Golden Week. We have received similar reports from the US, Thailand, and elsewhere, and expect that the percent of food purchased through EC, which had not been high until now, will rise sharply.

The second item is growth in healthy-type food items. In Japan, demand for supplements is very weak overall due to increased at-home dining. Growth is particularly noteworthy in low-salt, carbohydrate-restricting, and protein intake-related items.

The health focus is similar in the US as well.

## II-6. The Fight with COVID-19

(Additional measures to make the period of co-existence a business opportunity)

### Additional measures for a new healthy lifestyle

#### **Strengthen core strategies in the Medium-Term Management Plan**

1. Additional measures for recovery of FY20 results...bring in the health orientation and at-home aspects of the new lifestyle
  - 1) Restart marketing strategies and product development for reduced salt and solving the issue of elderly people's low nutrition
  - 2) Add products and promotions for EC (domestic and international), internet supermarkets, and delivery
  - 3) With regard to amino acid supplements, in addition to our mail order system, they will be sold in EC, and sales to pharmacies will be expanded
2. Build new business models, start up the Operation Transformation Task Force
  - 1) Promote the data management platform for personalized nutrition and meals, increase in-house ventures  
Appoint a CIO. Preparing a Research Department (new): Research & Business Planning Department (R&B Planning, re-organized R&D Planning Department), and corporate venture capital (CVC)
  - 2) Promote new KPIs with DX for employee engagement and organizational management, ROIC tree and managerial accounting. Appoint CXO. Unify individual themes and a system for cooperative tasks

Additional measures that we will enact as comeback measures in the period of co-existence are shown in 1. Unfortunately, these are not reflected in the forecasts today.

As stay-home restrictions are loosened, we will connect the measures to raising performance.

Key points include the following:

- 1) We will strengthen and restart marketing strategies and product development for low-salt products and solving the issue of poor nutrition in elderly people.
- 2) We will strengthen EC (domestically in each country and Japan-China cross-border) and promotions for online supermarkets in Japan and the US.
- 3) Amino acid supplements: We will expand sales channels from our own mail order to sales on EC stores and sales to pharmacies.

Item 2., above, is a message of "we will not stop transformation."

Regarding the two transformation task forces directly under the CEO (reported on IR-DAY on March 25), we have been steadily advancing these even during the period of expansion of COVID-19.

- 1) We newly appointed the Chief Innovation Officer (CIO) to the Business Model Transformation TF.  
Primarily through this person, we are developing an internal task force operation framework and accelerating alliances with foodtech-related companies outside the Group.  
We believe that this area calls for capital collaboration with venture firms, and have decided to bring in outside experts and establish a Research Department.  
Currently, we are also considering the establishment of corporate venture capital.
- 2) We newly appointed the Chief Transformation Officer (CXO) to the Operation Transformation TF.  
The task force is primarily undertaking three themes.
  - (1) We will fuse the systemization of management accounting and the formulation of KPIs for each stage, with ROIC as a management metric.
  - (2) We will improve SCM and reduce the cost of direct and indirect materials.
  - (3) We are integrating organizational management measures to enhance employee engagement and are creating a promotional framework.

For both, we will complete the promotional framework on July 1 following organizational changes, and, to connect this to recovery from FY2021 on, will generate results as one team led by the CEO.

The two TFs will move forward with DX measures.

The three slides below detail our added measures in this fiscal year related to the impact of COVID-19, and the framework for the two TFs directly under the CEO.

## II-7. FY2020: Additional Measures by Segment

Not yet reflected in the forecast. Come up with additional measures for further improvement.

All foods	<ul style="list-style-type: none"><li>Strengthen marketing and sales promotions for lifestyles with new values</li><li>Communication: - Strengthen support for at-home dining and promote nutrition and eating together<ul style="list-style-type: none"><li>Promote the safety and security of national brands</li></ul></li><li>Products: restart development of products that are low salt and products that solve issues of low nutrition</li><li>Channels: strengthen EC and promotion of delivery from supermarkets, etc.</li></ul>
Sauces and Seasonings	<ul style="list-style-type: none"><li>Communication: digital (use to solve issues in eating together, nutrition, and cooking)</li><li>Products: expand own EC product line</li><li>Channels: meal kits in collaboration with other companies, cooperate on delivery of meals</li></ul>
Quick Nourishment	<ul style="list-style-type: none"><li>System to provide soups and coffee for the peak demand period</li><li>Communication, promotion: roll out measures to support at-home dining and provide refreshment</li></ul>
Frozen Foods	<ul style="list-style-type: none"><li>Strengthen response to demand for takeout and EC channels (North America)</li><li>Respond to demand for delivery (Japan)</li></ul>

This is a list of the additional measures just mentioned for FY2020, for each subsegment of Sauces and Seasonings, Quick Nourishment, and Frozen Foods. I will omit an explanation.

## II-7. FY2020: Additional Measures by Segment

Not yet reflected in the forecast. Come up with additional measures for further improvement.

### Solutions & Ingredients

- Strengthen solutions for processed foods manufacturers (Japanese demand)
- Cooperate with startup businesses responding to changes in consumer preferences
- Increase online business negotiations and proposals to customers
- Develop meat-free recipes, which are increasing due to their perceived reduced risk of causing infection

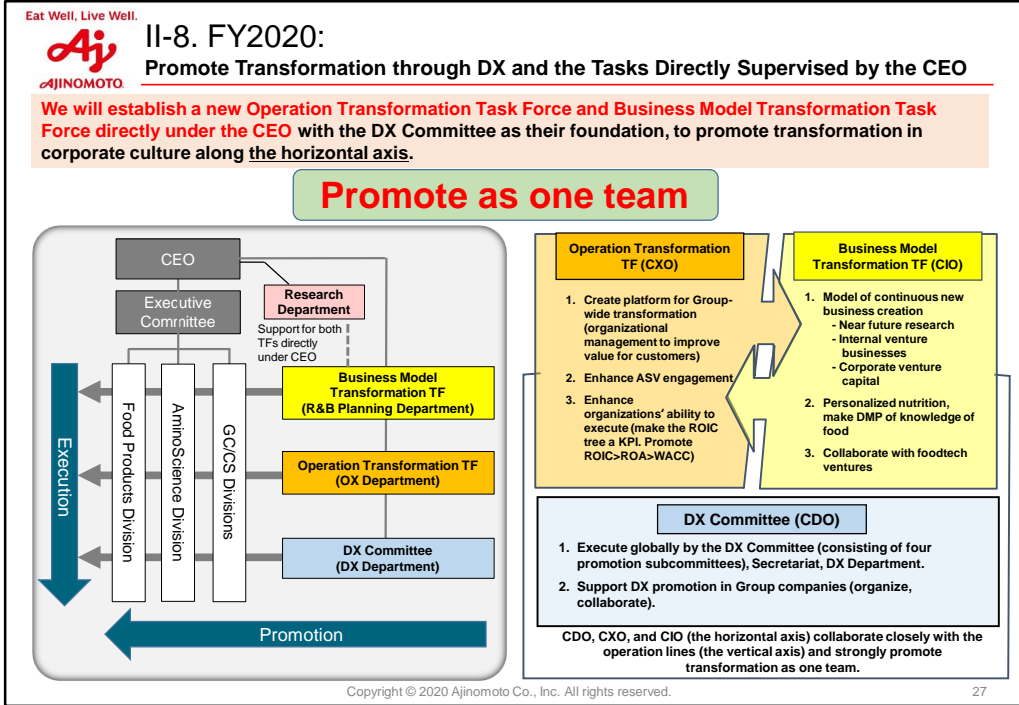
### Specialty Chemicals (electronic materials)

- Secure supply volumes to meet needs of global markets
- Prepare for construction of supply systems for 2025

### Amino Acids

- Expand sales of amino acids for pharmaceuticals in infusion and culture medium markets for which global demand is expected to grow
- Optimize global supply (CDMO, amino acids)
- Promote development of new markets in North America and China (collaborate with Food segment)

Similarly, this is a list of upcoming additional measures for Solutions & Ingredients (umami seasonings for processed food manufacturers, etc.), Specialty Chemicals (electronic materials), and Amino Acids. I will omit an explanation.



We've updated the diagram showing the framework for the two task forces directly under the CEO, and the promotion of DX.

We readied and started the following mechanisms to eliminate lack of clarity in decision-making on issues in the matrix structure.

Points of note

We will promote transformation as one team with the CEO as leader.

Clarification of rules: The horizontal axis will be responsible for "guidance" and the vertical axis will be responsible for decision-making/execution.

To enhance guidance capabilities, we will collaborate with outside experts as best partners.

The Company has hired some of these human resources.



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**Aj** II-9. FY2020: Transformation to heighten ASV engagement  
AJINOMOTO

**Run and evolve the management cycle using OE<sup>1</sup> techniques**  
(For jobs within the Group and within the Company, the next sectors in the value chain are customers.)

1: Operational Excellence

Initiative (ASV as own initiative)	Current progress
Dialogue with CEO/Division Managers	<ul style="list-style-type: none"> <li>Completed first batch of 37 of 55 organizations. Conducted with small number of people or online even with COVID (total: 38 times)</li> <li>Delivered message of encouragement to all employees (about 34,000)</li> </ul>
Personal goal presentations	<ul style="list-style-type: none"> <li>Set organizational goals and personal goals (by May)</li> <li>Personal goal presentations at all Ajinomoto organizations (by July)</li> </ul>
Sharing ASV stories Share best practices (communication within the Company)	<ul style="list-style-type: none"> <li>Preparing for communication of ASV and business activities at workplaces concerning ASV and COVID-19, aimed at adoption of "Workplace" in July</li> </ul>
ASV Awards	<ul style="list-style-type: none"> <li>Planning for first-ever employee online voting</li> <li>Include external judges and hold awards ceremony for best practices of FY19 (September or later)</li> </ul>
Engagement survey	<ul style="list-style-type: none"> <li>Change from biennial to annual from FY2020</li> </ul>

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Finally, I would like to report on our activities to communicate management's strong intent to change our corporate culture, announced in the MTP in February, across all organizations. We will undertake these activities within the yearly organizational management cycle, beginning this year.

#### Explanation of the steps

1. Video stream of the CEO's online briefing to the entire Group. (April 10)
2. "Online Dialogue with the CEO" held with individual organizations in Ajinomoto Co., Inc. We covered nearly all organizations, except for the production divisions and sales divisions, which are busy supplying products.

(As of May 26, dialogues have been completed at Ajinomoto AGF Inc., at three of Ajinomoto Bio-Pharma Services' companies, and at 37 of 55 workplaces covering 58% of personnel within Ajinomoto Co., Inc.)

3. Start of dialogues led by the three Division Managers. Video messages have been streamed, including to affiliated companies. We will hold the dialogues in physical venues after the stay-home restrictions are lifted.

4. Personal goal presentations: Scheduled for May to June at individual workplaces (will aim for 100% of workplaces in Ajinomoto Co., Inc.)

5. ASV Awards: Commendations for Group best practices, postponed to September or later.

6. Identification of issues through engagement survey, in August and September.

⇒ Operate a cycle that reflects this in FY2021 business plans.

Through direct dialogues, I myself feel that employees' acceptance of and support for the new MTP is extremely high. Despite a constraining work environment under COVID-19, our employees' solidarity is actually increasing.

Unfortunately, we have had to set forth a harsh performance outlook for FY2020.

However, by taking this environment as an opportunity to accelerate toward becoming a "solution-providing group of companies for food and health issues," we will be assured of executing a V-shaped recovery in FY2021 and achieve our MTP targets.

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## Contents

- I. FY2019 Summary Results and FY2020 Forecast
- II. Impacts of COVID-19 and Progress on Structural Reform

### Reference Material

Appendixes: Consolidated Results FY2019 (Ended March 31, 2020)  
FY2020 Forecast by Segment

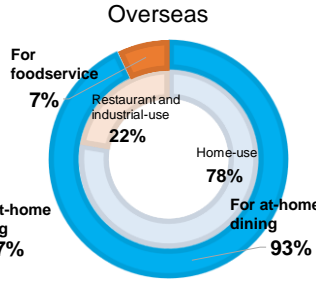
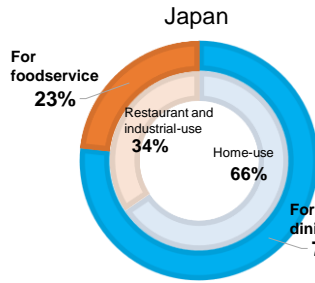
Note: Business profit (consolidated) in this material:

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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### FY2019: Percentage of Sales from Seasonings & Foods and Frozen Foods

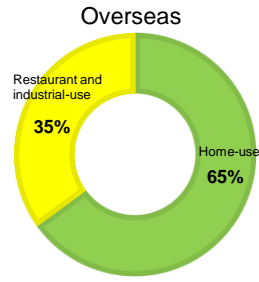
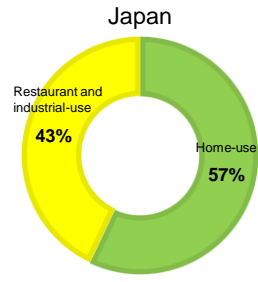


**Home-use**  
= home-use seasonings  
+ processed foods

**Restaurant and industrial-use**  
= for foodservice seasonings  
+ for manufacturers seasonings

**For at-home dining**  
= home-use seasonings  
+ processed foods  
+ for manufacturers seasonings

**For foodservice**  
= for foodservice seasonings



**Home-use**  
= home-use frozen foods

**Restaurant and industrial-use**  
= for foodservice frozen foods

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Reference 1

## FY2020 Assumed Exchange Rate and Exchange Rate Sensitivity

Assumed exchange rate (vs. JPY)

	FY20 Forecast	FY19 Actual				FY20-25 MTP
		4Q	3Q	2Q	1Q	
USD	105.00	108.84	108.76	107.36	109.90	107.00
EUR	116.55	120.05	120.32	119.41	123.50	123.00
THB	3.21	3.48	3.59	3.49	3.48	3.42
BRL	19.09	24.57	26.41	27.05	28.02	28.16

Exchange Rate Sensitivity

Foreign exchange rates (vs JPY)

	FY20 forecast	Sensitivity of translation effects to full year B.P.
USD	105.00	±¥1 → approx. ¥100 million
EUR	116.55	±¥1 → approx. ¥50 million
THB	3.21	±¥0.01 → approx. ¥100 million
BRL	19.09	±¥1 → approx. ¥300 million

Impact of exchange rate for trade

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

- 1 JPY	vs	USD	→	approx. ¥100 million
- 0.1 EUR	vs	USD	→	approx. + ¥0 million
- 1 THB	vs	USD	→	approx. + ¥400 million
- 0.1 BRL	vs	USD	→	approx. + ¥300 million

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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.**

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