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# **Ajinomoto Co., Inc. (2802) Forecast for FY2019 (Ending March 31, 2020) and Toward the Next Medium-Term Management Plan**

Takaaki Nishii  
President & CEO

**May 10, 2019**

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- I. FY2018 Summary Results
- II. FY2019 Forecast, Managerial Policies, and Plan
- III. Toward the Next Medium-Term Management Plan

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Appendixes: Consolidated Results FY2018 (Ended March 31, 2019)

FY2019 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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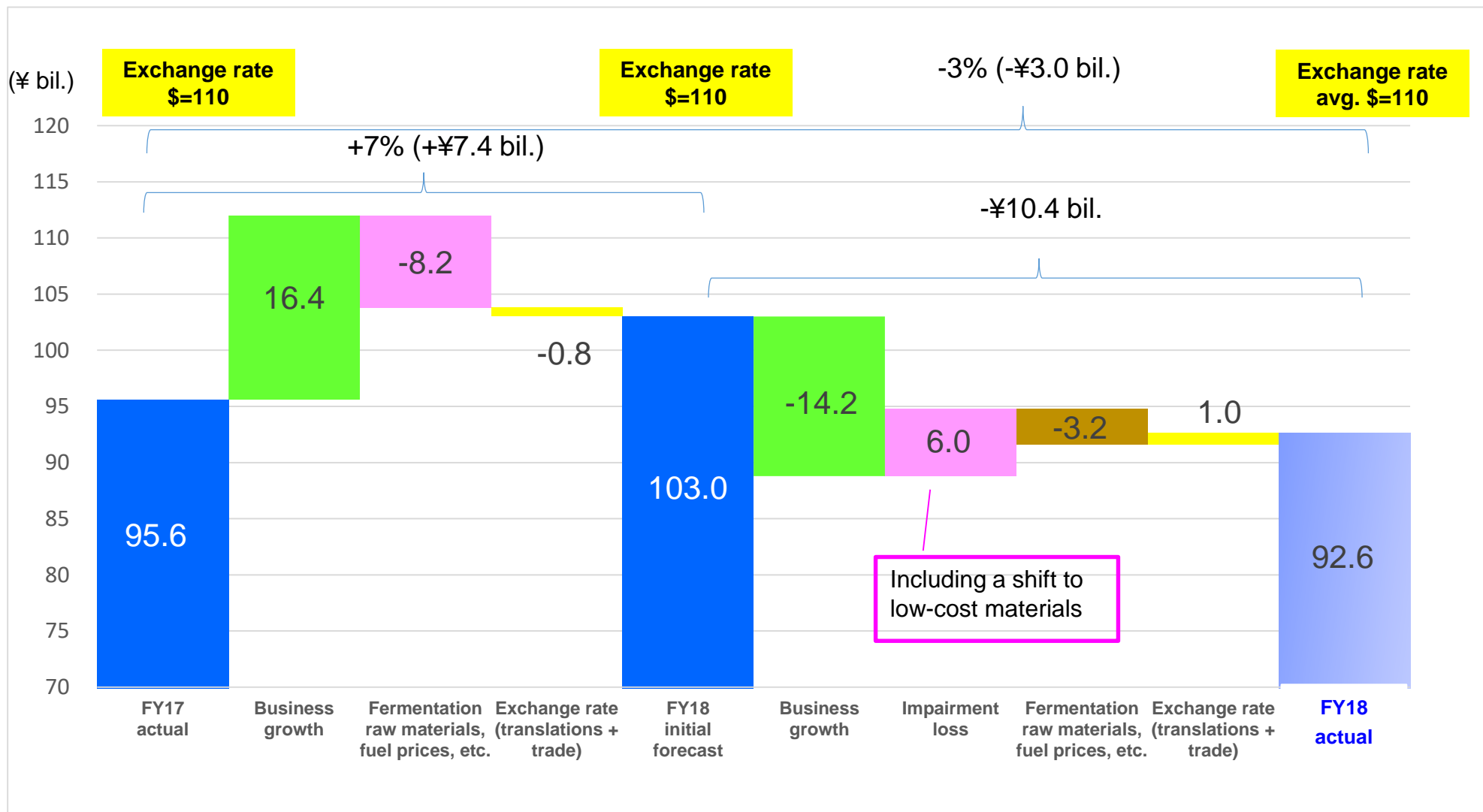
# I-1. FY2018 Summary Results

- Sales: Increased
  - Large increase in sales in the Healthcare business (Pharmaceutical custom manufacturing, amino acids for pharmaceuticals and foods).
  - Increase in sales of the International Food Products business (Seasonings & processed foods, frozen foods).
- Business profit: Decreased
  - Large decrease in profit for Japan Food Products (Frozen foods, coffee products) due to shrinking sales accompanying stiffening competition.
  - Decrease in profit for international frozen foods due to increased costs.
  - Impairment loss of ¥3.2 bil. related to Promasidor Holdings Ltd. (PH) trademarks.
- Profit attributable to owners of the parent company: Decreased
  - Impairment loss of ¥31.2 bil. at Ajinomoto Foods North America, Inc., PH, and AJINOMOTO ISTANBUL FOOD INDUSTRY AND TRADE LIMITED COMPANY.

(¥ billion)	FY2018 Actual	FY2017 Actual	Difference	YoY
Sales	1,127.4	1,114.7	12.6	101%
Business profit	92.6	95.6	-3.0	96%
Profit attributable to owners of the parent company	29.6	60.1	-30.4	49%



# I-2. Factors Influencing FY2018 Business Profit (vs. initial forecast)



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## II-1. FY2019 Forecast, Managerial Policies, and Plan

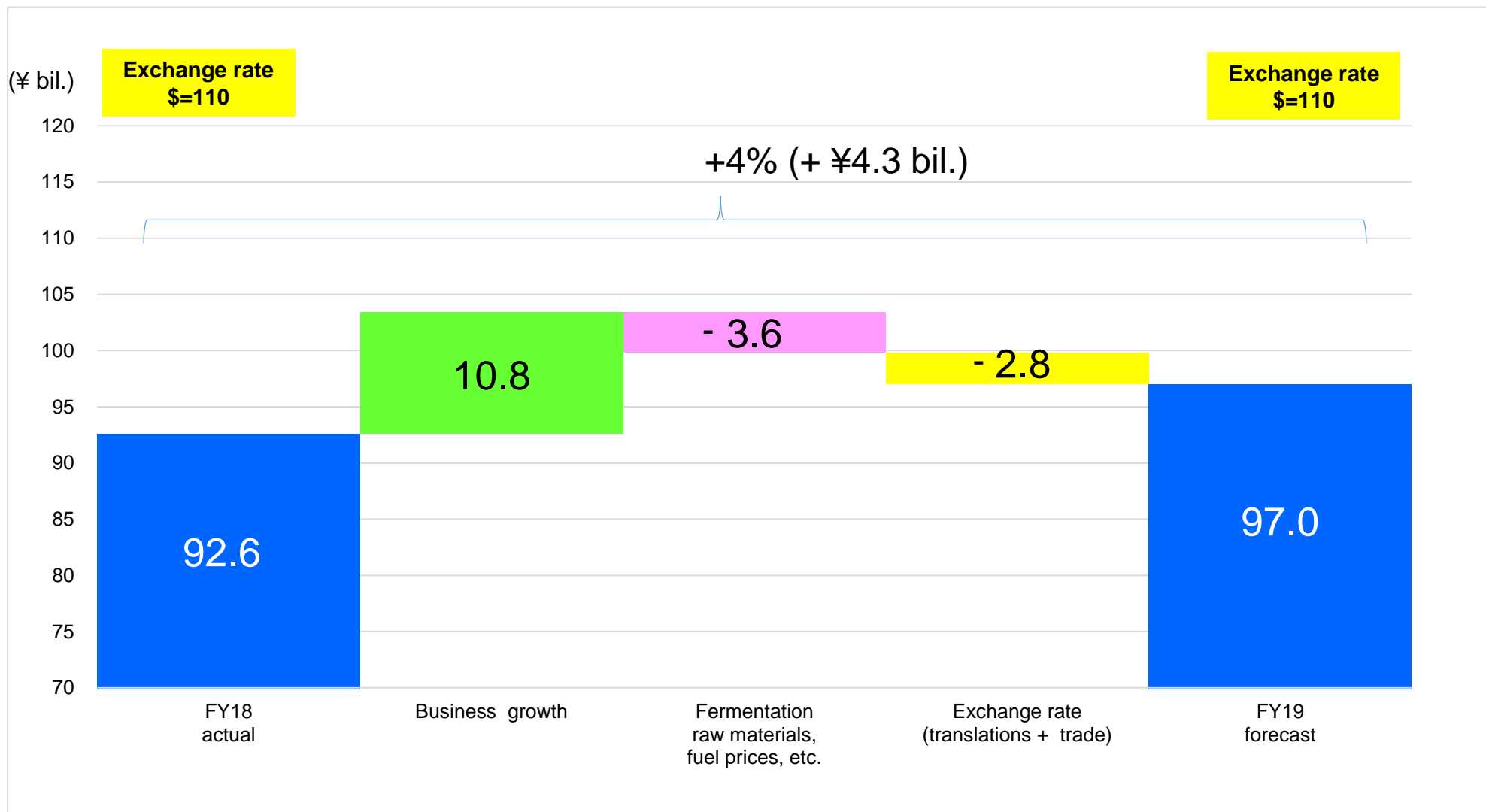
Aiming to achieve the FY2017–2019 MTP structural targets for FY2020 (business profit margin = 10%, ROE > 10%) with the next MTP, we will promote asset light (concentration and focusing to create innovation) and Digital Transformation (DX) that includes the use of IoT, AI, etc.

- 1) Business divisions
  - ✓ Accelerate growth by focusing resources on categories where we can be in the global top 3
  - ✓ Start asset light as soon as possible as a foundation of FY2020–2022 MTP
- 2) Corporate functions
  - ✓ Execute company-wide initiatives such as increasing corporate brand value and promoting an advanced style of work
  - ✓ Rationalize corporate expenses by the following six approaches
    1. Sophistication, 2. Consolidation, 3. Centralization, 4. Standardization, 5. Automation, 6. Reorganization (Target: 2.5% vs. sales in FY2020)

(¥ billion)	FY2019 Forecast	FY2018 Actual	Difference	YoY
Sales	1,171.0	1,127.4	43.5	103%
Business profit	97.0	92.6	4.3	104%
Profit attributable to owners of the parent company	50.0	29.6	20.3	168%



## II-2. Factors Influencing FY2019 Business Profit (YoY)







## II-3. FY2019 Management Plan: GROW 1

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### 1) Japan Food Products

#### (1) Seasonings & processed foods (home-use)

- Reinforcement of strong (and No. 1) brands (soups, Chinese, menu-specific seasonings)
- Strengthen data-driven marketing

#### (2) Frozen Foods: Focus on *Gyoza*, and expansion and strengthening of rice products

#### (3) Coffee Products

- Create demand with stick-type drinks having new value, enhance the premium segment.

#### (4) Accelerate the EC business

- Strengthen initiatives in mall-type EC. Also promote cross-border EC

### 2) International Food Products

#### (1) Seasonings: ▪ Strengthen products by improving the quality of flavor seasonings

- Strengthen menu-specific seasonings

(deep-fried foods and liquid menu-specific seasonings)

#### (2) Processed Foods: ▪ Cultivate premium segments in ASEAN

- Healthy, nutritious powdered drinks

#### (3) Frozen Foods: Establishment of Global Frozen Foods Strategy Dept.

→ Focus on Asian foods and desserts, and establish a production and distribution system

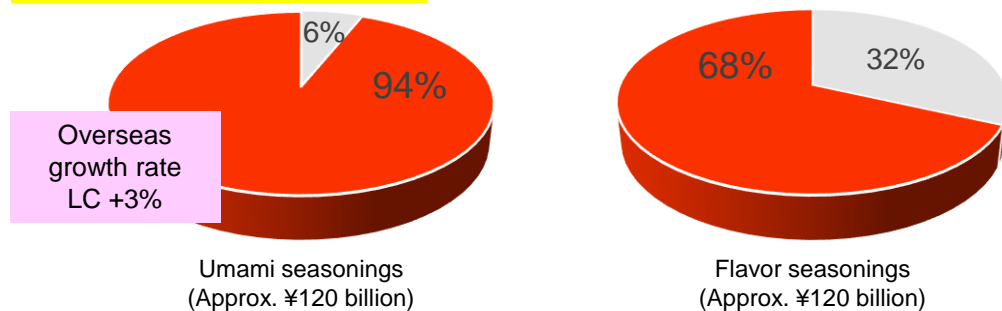
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## II-3. FY2019 Management Plan: GROW 2 (International Seasonings)

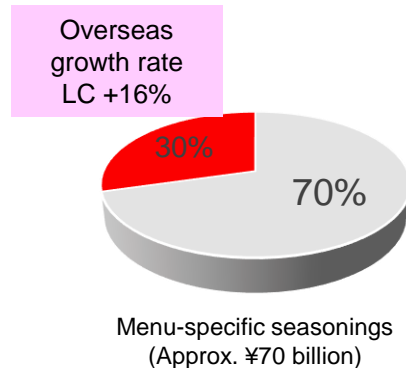
Increase regions where umami seasonings are sold, stably expand flavor seasonings through improved quality, dramatically grow menu-specific seasonings.

### 1. International seasonings growth (FY2018 actual)

#### Stable expansion







#### Dramatic growth



International Food Products	Japan Food Products
Developed markets, Japan: Menu-specific seasonings > Umami seasonings + Flavor seasonings	
Rapid economic growth of emerging countries: Plan for significant growth of menu-specific seasonings (total of domestic and overseas: over ¥100 bil.)	

### 2. FY2019 international seasonings initiatives

- Umami seasonings  
Expand sales of *AJI-NO-MOTO® PLUS* via key menu proposals.

Thailand	Indonesia	China	Vietnam
			
Som tum	Sambal	Hot pot	Canh

- Flavor seasonings  
Continually improve quality utilizing advanced technology and use meat extract produced in-house.



- Menu-specific seasonings  
Strengthen deep-fried foods and liquid menu-specific seasonings with better local adaptation.





## II-3. FY2019 Management Plan: GROW 3 (Pharmaceutical custom manufacturing)

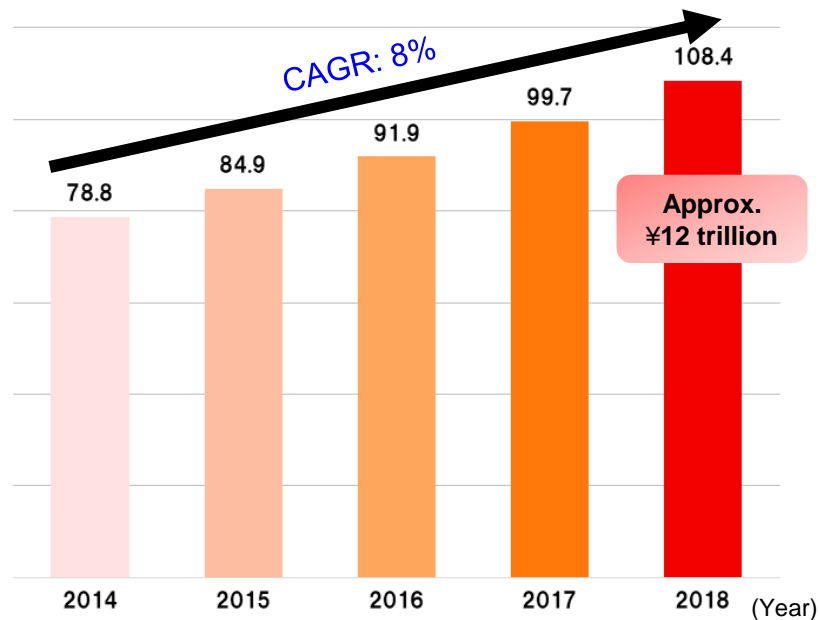
3) Health Care: Start ADC business. Further reinforcement of oligonucleotides business through cooperation with GeneDesign, Inc.

Aim for double-digit growth, keeping good business relations with major pharmaceutical companies, and having synthesis and fermentation technologies, unique peptide and protein manufacturing technologies, and our manufacturing and development services as our strengths.

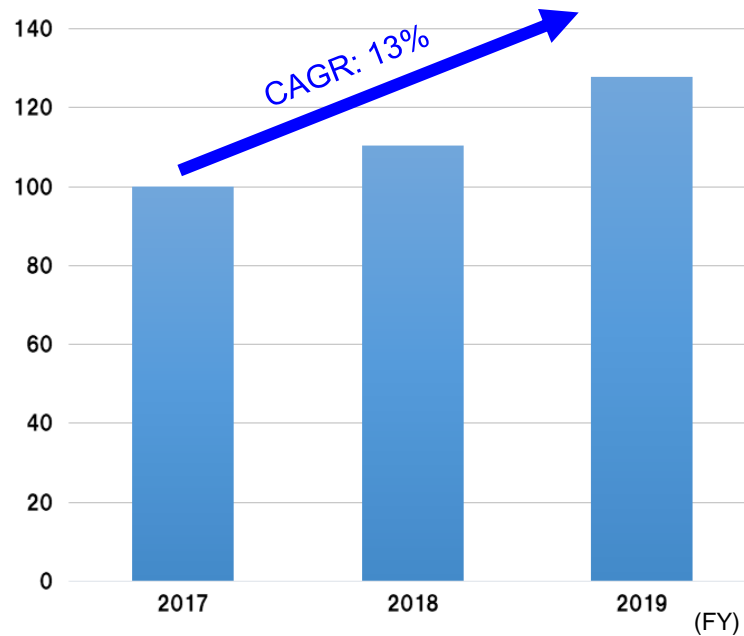
Target contracts in FY2019      Commercial pharmaceuticals: 55 or more  
 Drug development: 152 or more

Global CDMO\* market growth

(1 billion USD)



Pharmaceutical custom manufacturing sales



\* CDMO: Contract Development & Manufacturing Organization



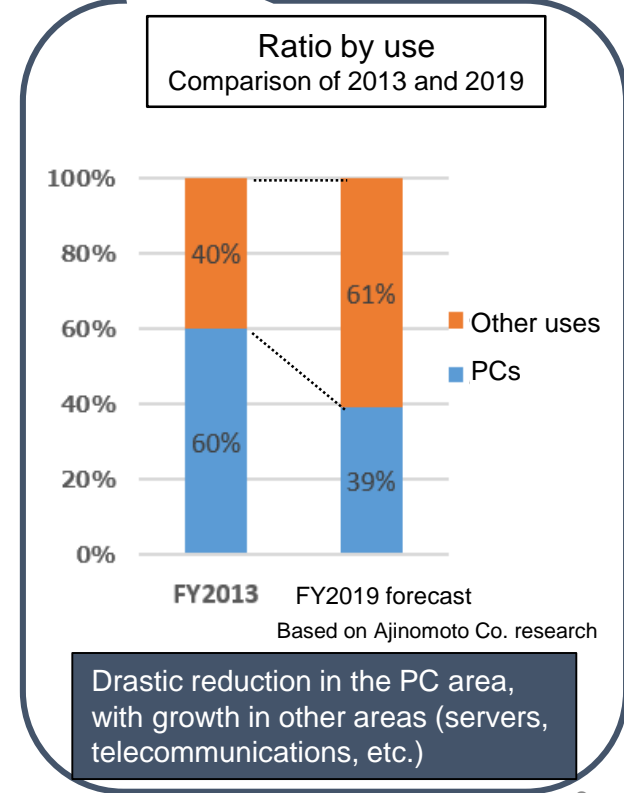
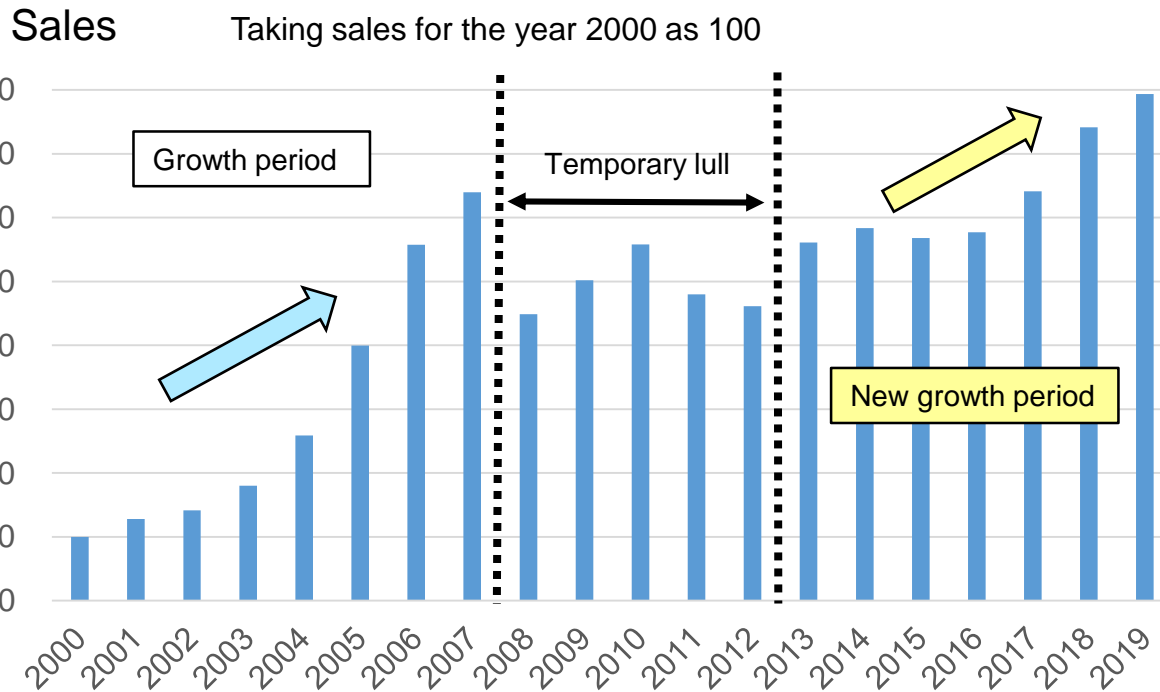
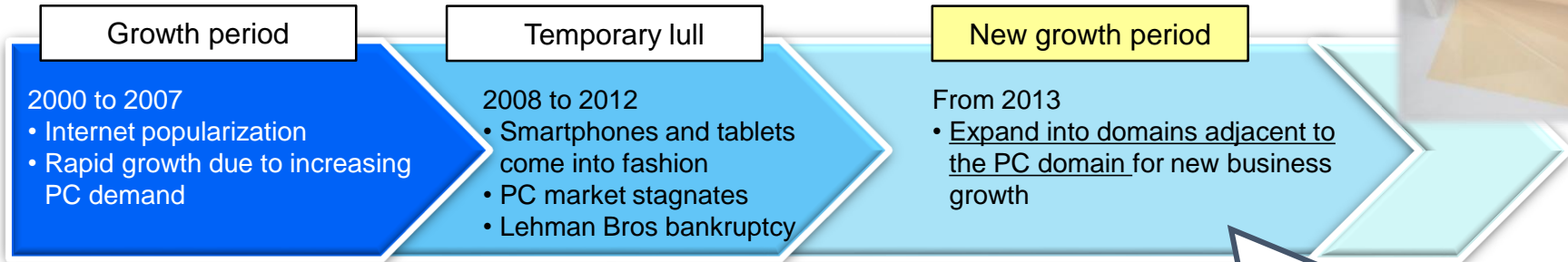
AJINOMOTO

## II-3. FY2019 Management Plan: GROW 4 (Electronic materials business)

### 4) Life Support: Growth from area enlarging now (servers, etc.)



1999  
Birth of  
Ajinomoto  
Build-up  
Film





## II-4. FY2019 Management Plan: Further Structural Reform “FIT”→ Specialty

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### (1) Improve SCM efficiency

- Rebuild production system for domestic seasonings & processed foods ➡Next slide

### (2) Reduce costs

- Umami bulk: Introduce new technology for MSG and oligonucleotides (Thailand and USA)
- Amino acids: Establish a system to produce amino acids with quality optimized for each application

### (3) Reform global frozen foods

- Establish Global Frozen Foods Strategy Dept.
- Integrate the global production system
- Build North American and European supply chains

### (4) Rationalize Group shared costs

- Merge research on corporate-wide themes into the Research Institute for Bioscience Products & Fine Chemicals and Institute of Food Sciences and Technologies. Build an agile R&D structure.
- Improve efficiency of corporate service functions by promoting shared services centers (SSC)

## II-4. FY2019 Management Plan:

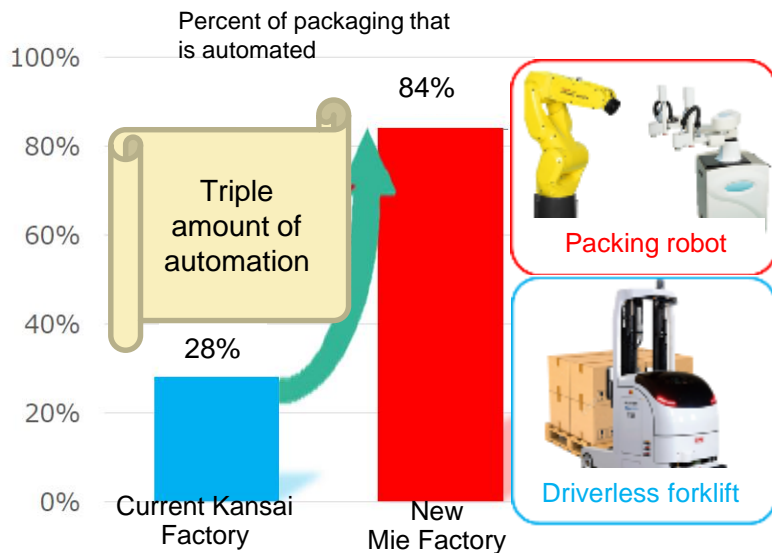
Rebuild production system for domestic seasonings & processed foods

(1) Achieve production that responds flexibly and speedily to demand by consolidating and realigning the Japanese food production structure

- New Mie Factory (flavor seasonings and others) planned startup: FY2019/Q4
- New Kawasaki Factory (soups and others) planned startup: FY2021/Q2



(2) Achieve high productivity with ICT and automation technology

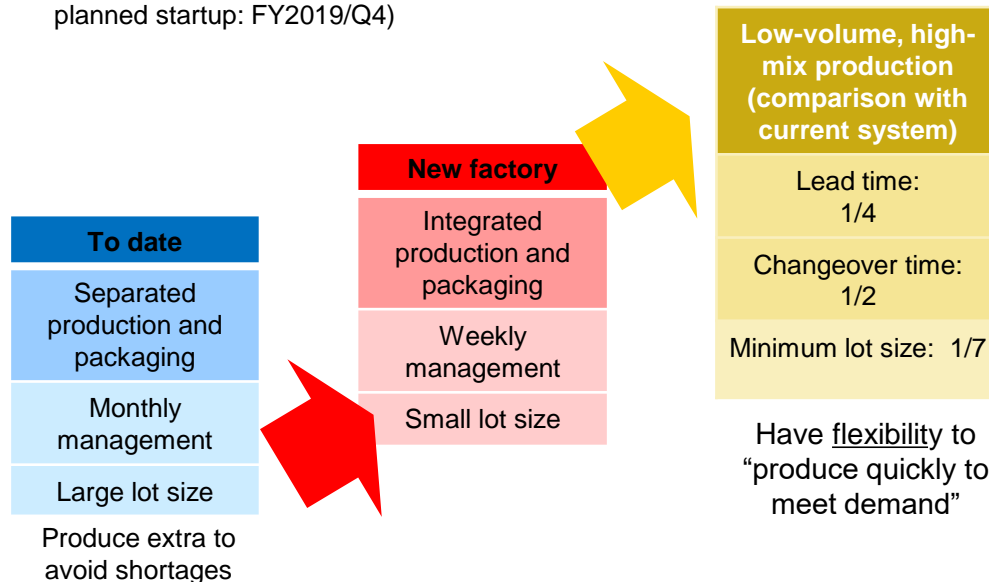


**Improve productivity by about 2x with the latest technology**

(3) Low-volume, high-mix production for flexibility to handle small-mass\* production

(At new Mie Factory, planned startup: FY2019/Q4)

\* Small mass: individualized



## II-5. Profit for FY2019

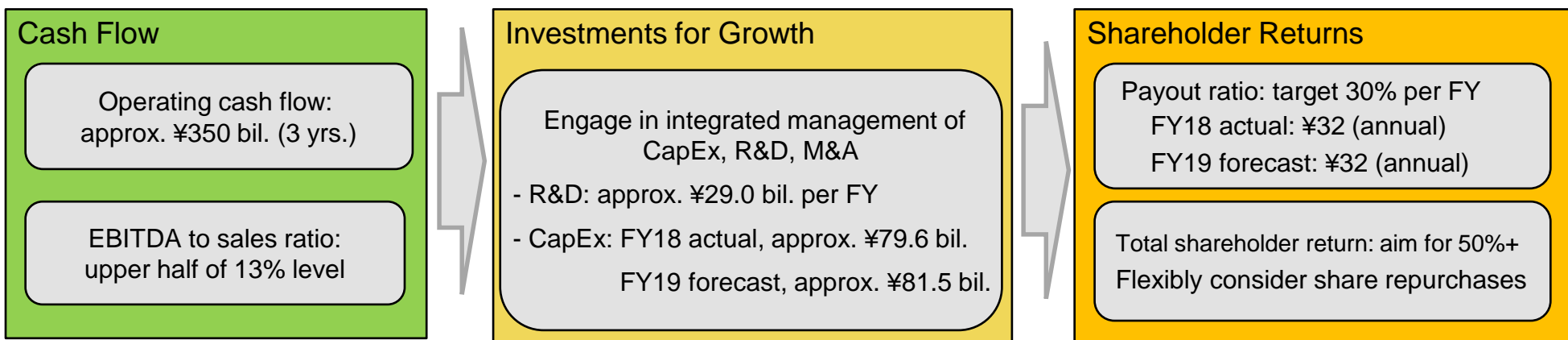
Even taking into account some effect from asset light, expect increased profit.

(¥ Billion) -: losses	FY19 Forecast	FY18 Actual	Difference	
Sales	1,171.0	1,127.4	43.5	
Business profit	97.0	92.6	4.3	FY18 actual: Share of profit of associates and joint ventures -0.5 (-3.2 is impairment loss for trademark rights)
Other operating income & expenses	-14.3	-39.4	25.1	
Impairment losses	-	-34.6	34.6	FY18 actual: -34.6 (N.A., Africa, Turkey)
Other	-14.3	-4.7	-9.5	
Operating profit	82.6	53.1	29.5	
Financial income & expenses	0.3	1.0	-0.7	
Profit before income taxes	83.0	54.2	28.7	
Income taxes	-23.8	-17.7	-6.0	Tax rate: FY18 actual 32%, FY19 forecast 28%
Profit (includes discontinued operations)	59.2	39.0	20.1	
Profit attributable to owners of the parent company	50.0	29.6	20.3	
Profit attributable to non-controlling interests	9.2	9.3	-0.1	



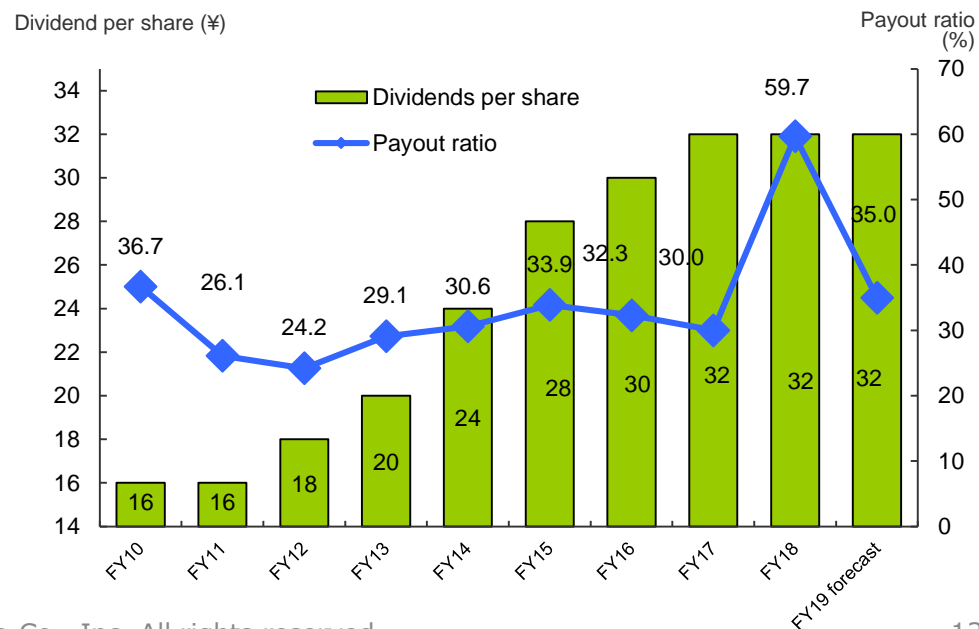
## II-6. FY2019 Financial Strategy

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



- R&D: FY18 ¥27.8 bil.
- Capex:  
FY18 strategic investment 53%, maintenance investment 47%  
FY19 strategic investment 59%, maintenance investment 41%  
(FY17-19 plan: ¥230.0 bil. FY17-19 projected: ¥240.5 bil.)
- M&A: finance by using interest-bearing debt  
(aim for D/E ratio of 50%; March 31, 2019 actual: 36.3%)
- Aim to repurchase non-controlling interests by FY19

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

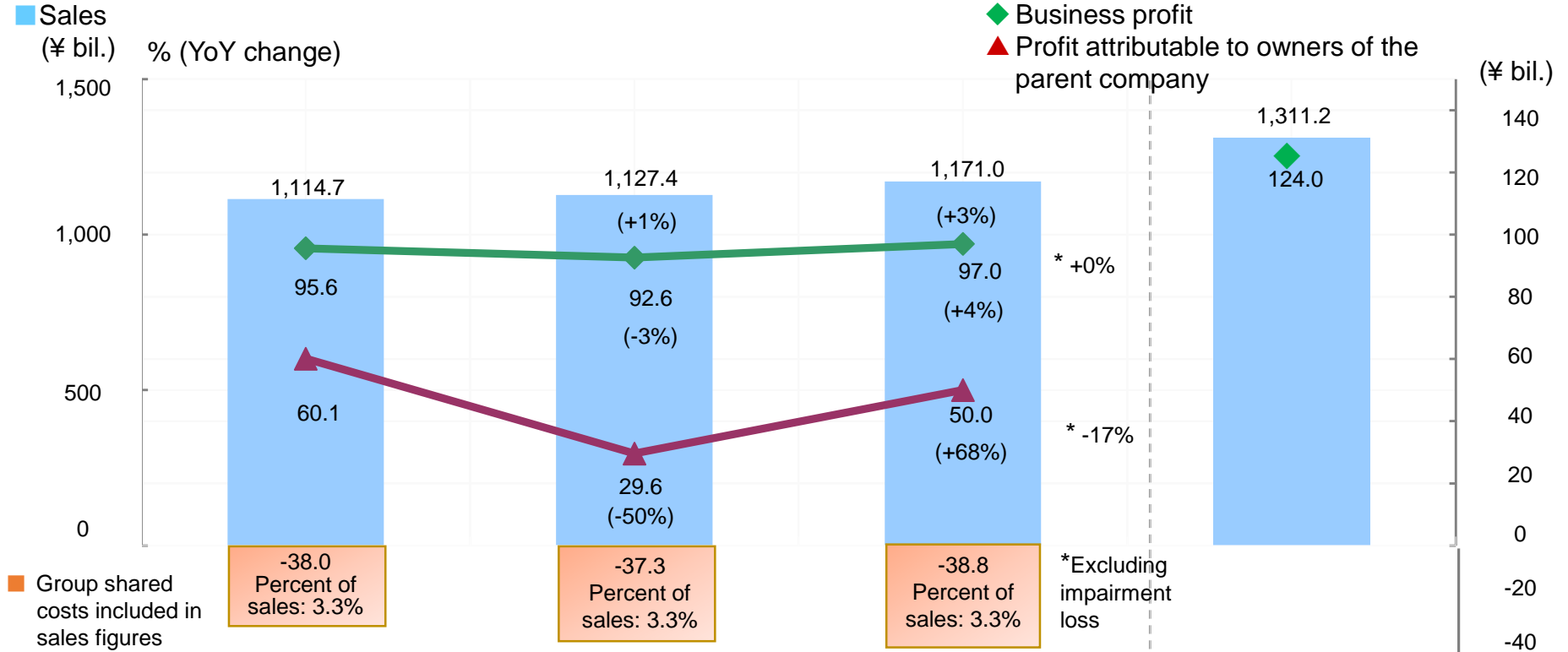






# II-7. Progress on the FY2017–2019 (for FY2020) Medium-Term Management Plan

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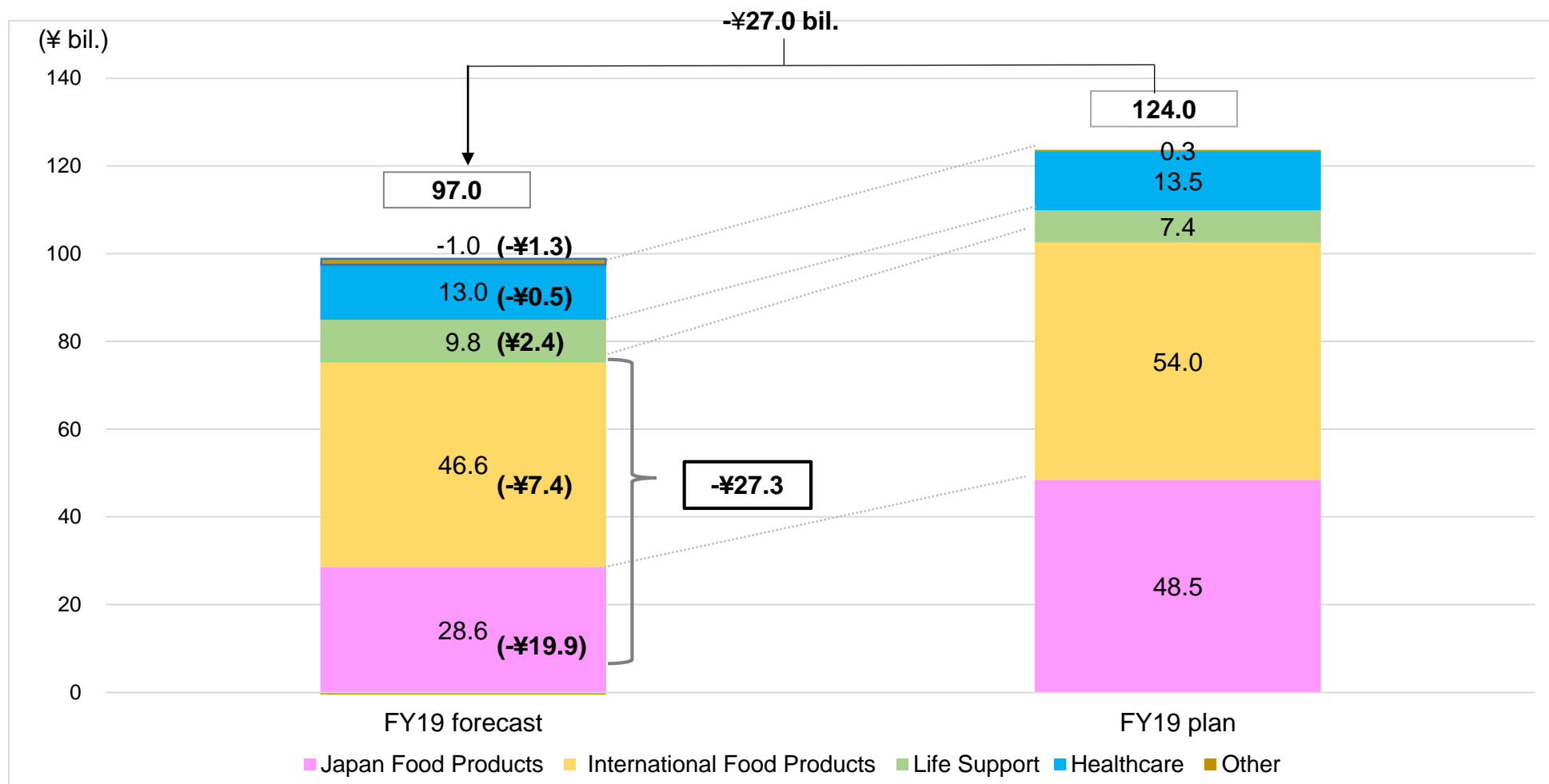


	FY17 Actual	FY18 Actual	FY19 Forecast	FY19 Plan
Business profit margin	8.6%	8.2%	8.3%	9.4%
ROE	9.6%	4.7%	8.0%	9.8%
ROA	6.9%	6.6%	6.5%	8.8%
EPS	¥105.76	¥53.62	¥91.3	Double-digit annual growth



## II-8. FY19 Forecast: Performance Gap vs. MTP (Business Profit)

Factor influencing approx. -¥27.0 bil. gap in business profit (vs. MTP):  
Slowing growth in the Food Products Business



## II-9. Non-Financial Initiatives

\*ASV: The Ajinomoto Group Creating Shared Value

### ASV\* Value Creation Stories

### Major Initiatives

Progress toward FY2020 target: Exceeded ◎; In-line ○; Below △

#### Social

Ⓢ

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 initiatives to improve nutrition ◎

- Increased activities based on our Nutrition Policy in each region in FY2018
- Planning to establish key initiatives that leverage our Specialty in the next MTP as we work toward further strengthening (Tentative) Delicious low-salt food based on umami technology. Promotion of consumption of protein

#### • Steadily increase smart cooking ○

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

#### Environmental

ⓔ

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 ○

- Contribute to achieving a recycling-oriented society  
Aim to reduce the amount of plastic waste to zero
- Initiatives to deal with climate change  
Cooperation with international frameworks (TCFD recommendations) and proper disclosure of information

#### Governance

ⓖ

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) ◎

- FY2018: Change work style: be able to work anywhere  
1,820 total actual working hours, accelerate telecommuting including manufacture department
- FY2019: Engage in improving work style quality through digital transformation

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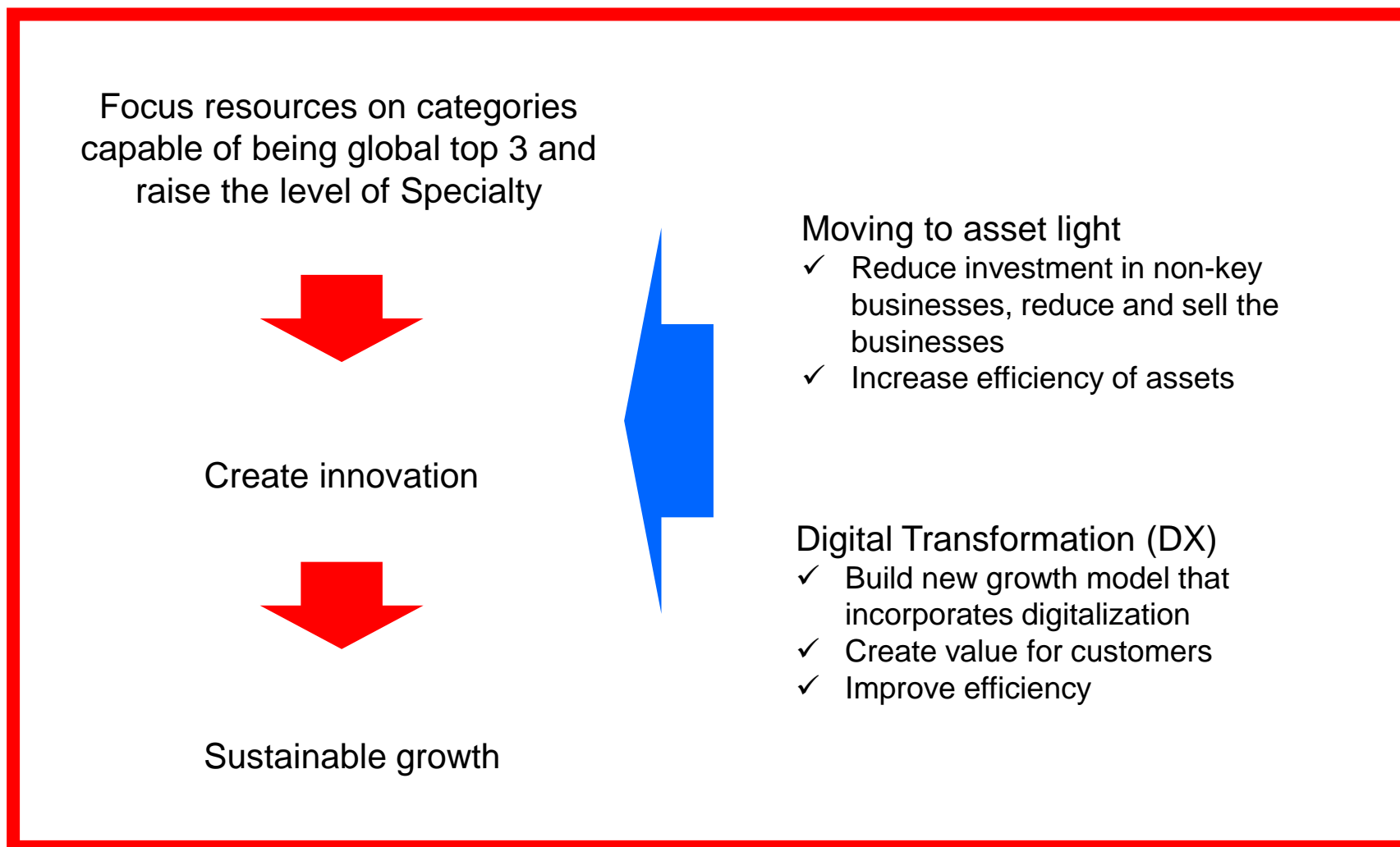
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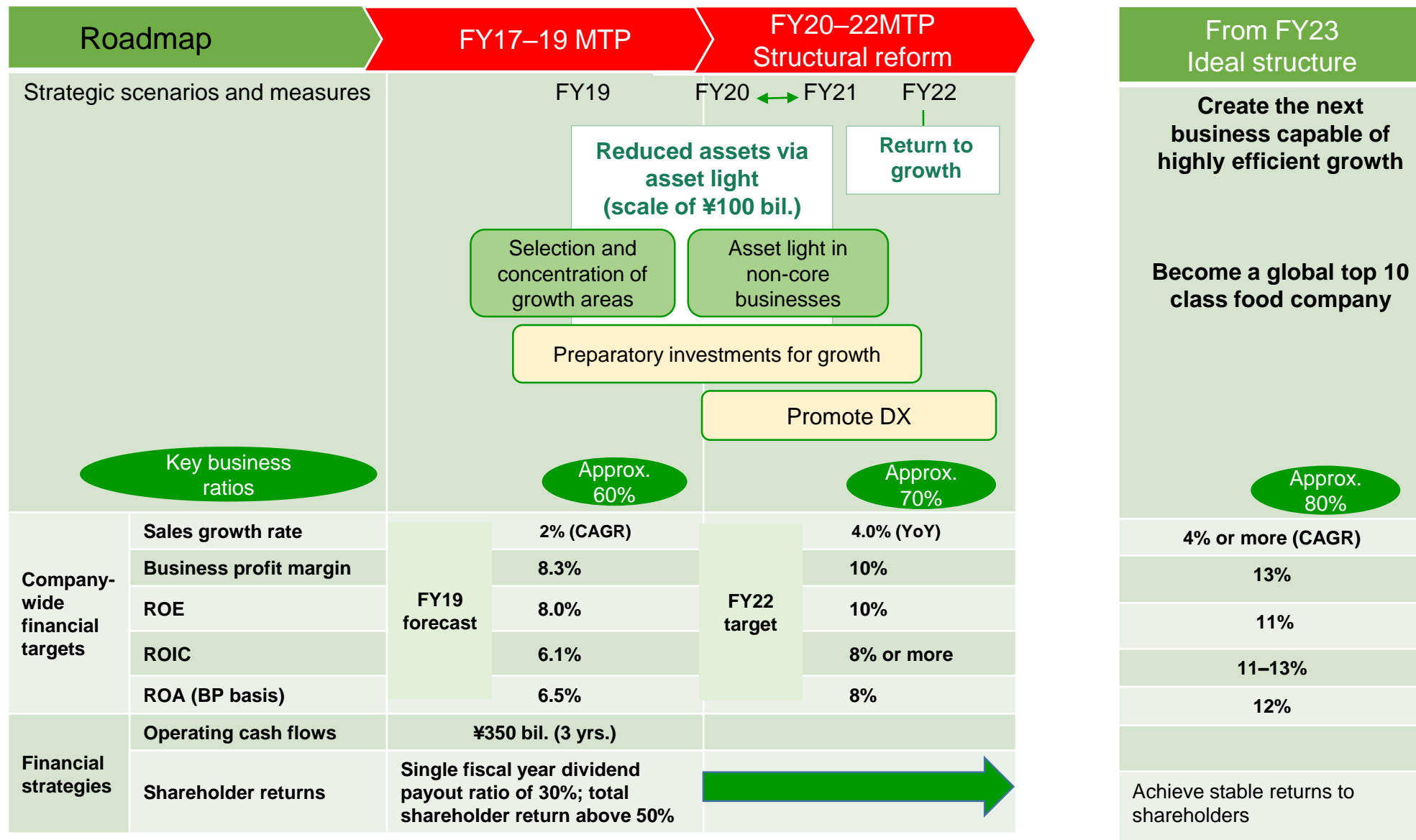
## III-1. Toward the Next Medium-Term Management Plan

For sustainable growth, strengthen competitiveness through DX and moving to asset light.





# III-2. Toward the Next Medium-Term Management Plan



## III-3. Toward the Next Medium-Term Management Plan

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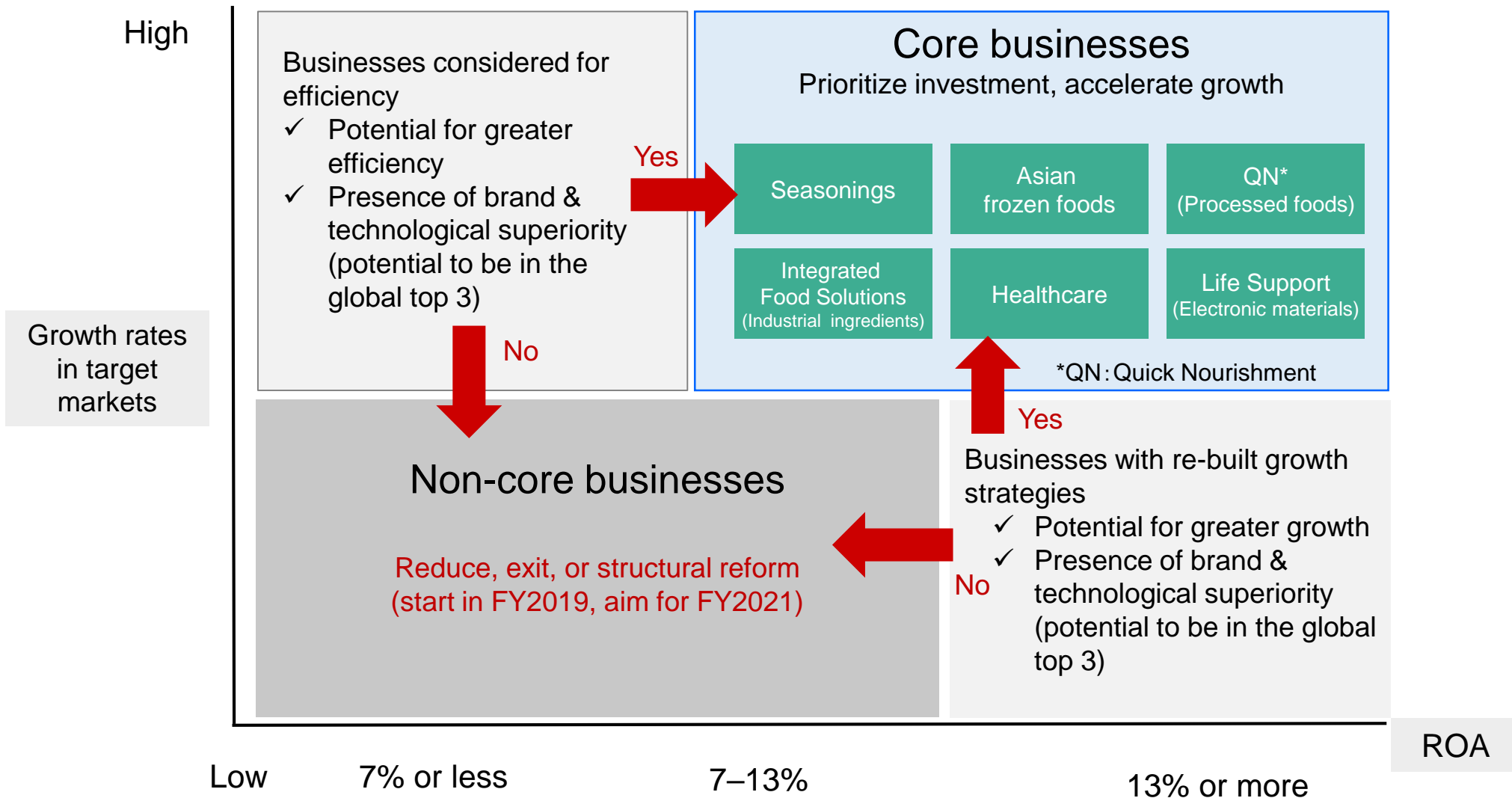
### Asset Light Measures

- Resource allocation
  - ✓ Repayment of loans through reflux of the Group's cash and deposits
  - ✓ Sale of policy shareholdings
  - ✓ Reorganization of functional subsidiaries
  - ✓ Reconsideration of JVs
- Reduction of business assets
  - ✓ Reorganization of global frozen foods

Other concrete measures will be explained when the FY2020–2022 Medium-Term Management Plan is announced. (planned for February 2020)

# III-4. Toward the Next Medium-Term Management Plan

## Focus on core businesses





# III-5. Toward the Next Medium-Term Management Plan

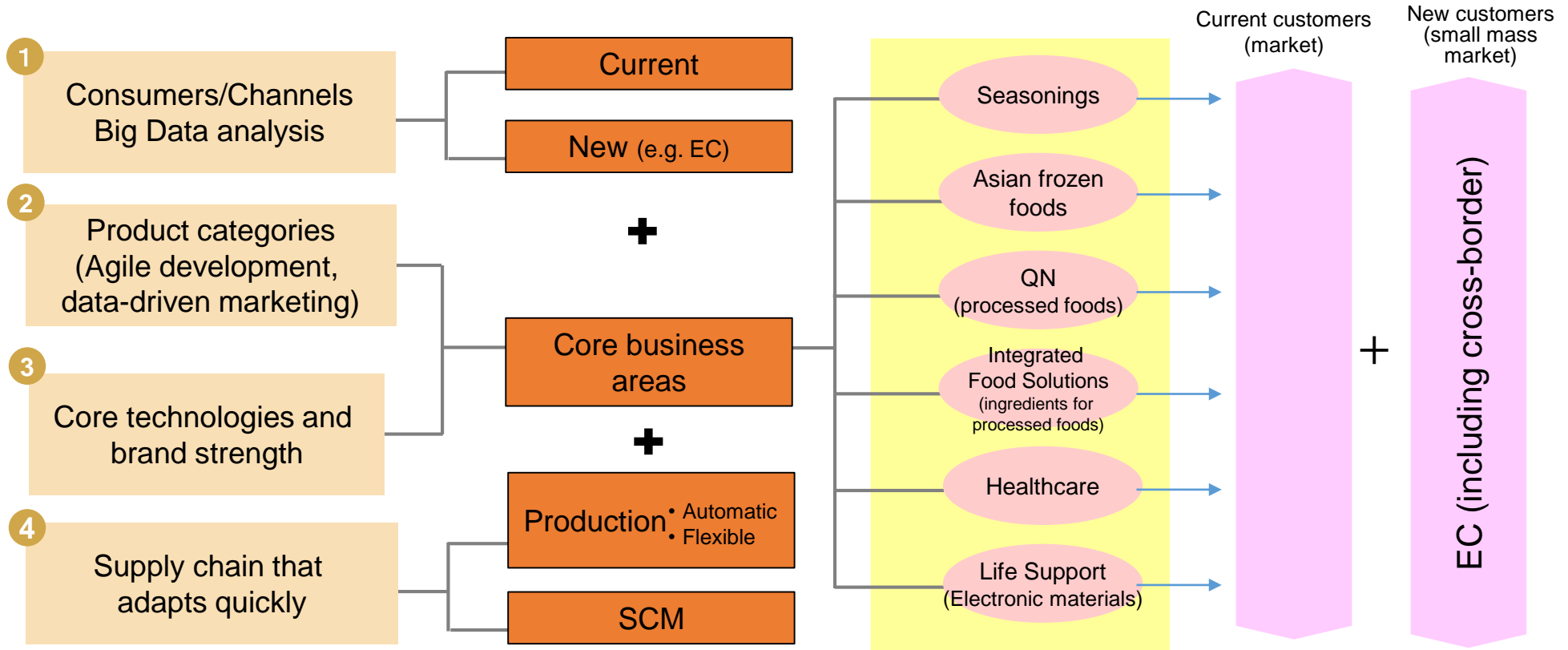
## Policies responding to environmental changes to accelerate growth

- Rebuild the focus point growth strategy based on the four points below and proceed with DX to respond to the accelerating pace of changes in consumers, distribution, and competition.
- Maximize the Group's synergies based on strong brands, strong technology, and a strong customer network.

Concept  
Reduce the distance between the Ajinomoto Group and the customer

DX initiatives

- Create customers and develop new business models
- Visualization of SCM, forecasting of demand (use of AI)
- Flexible production

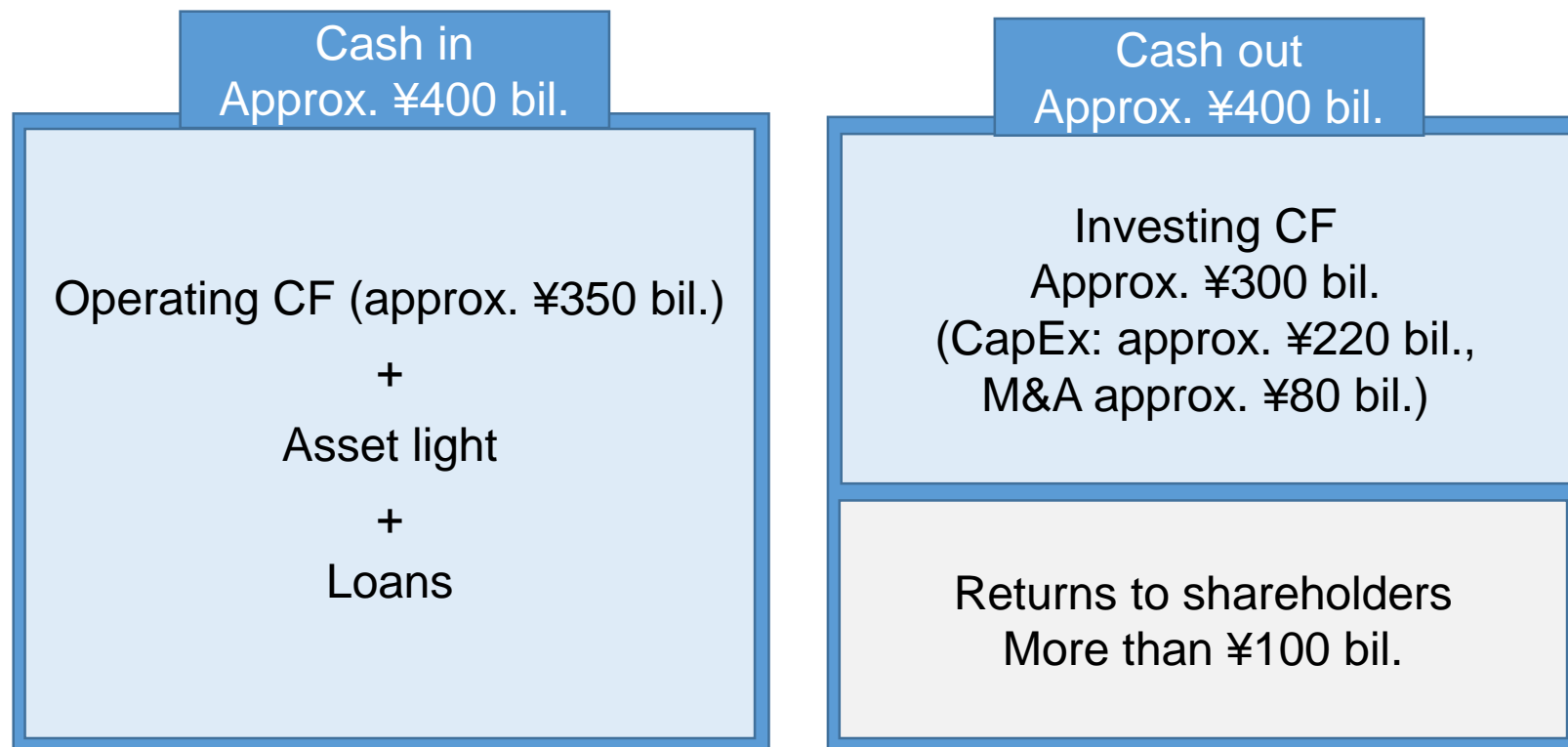


## III-6. Toward the Next Medium-Term Management Plan

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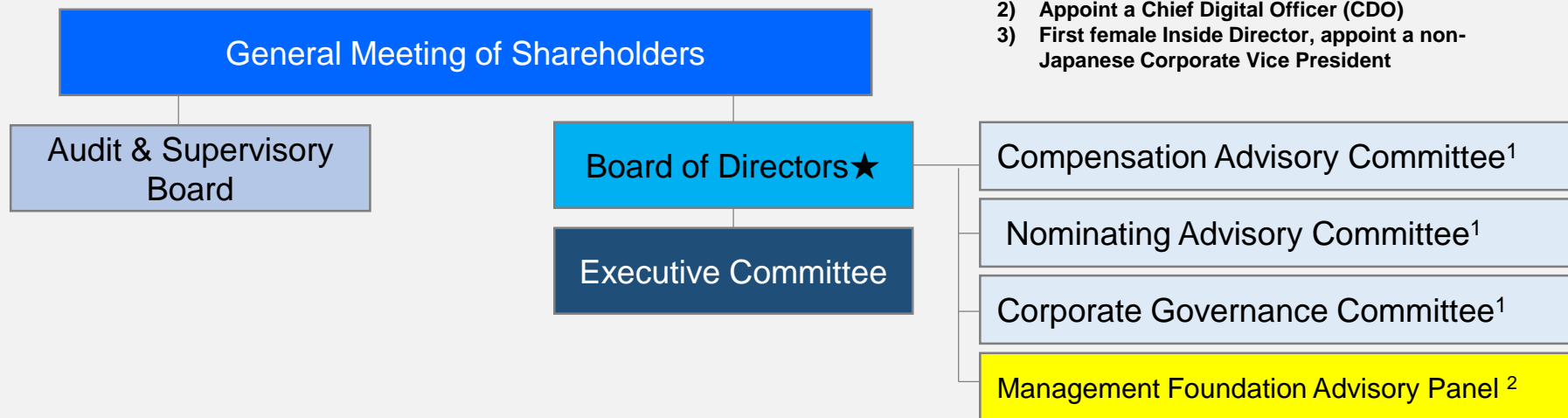
### Basic ideas: three years of investment and returns to investors

- Strengthen organic growth of core businesses with priority investments and bring about stable returns to shareholders.
- At the same time, aim for the global level of asset efficiency and work on structural reform by moving to asset light.



## III-7. Toward the Next Medium-Term Management Plan

### New Corporate Governance Structure



- 1) Strengthen oversight function by increasing the number of non-executive Directors
- 2) Appoint a Chief Digital Officer (CDO)
- 3) First female Inside Director, appoint a non-Japanese Corporate Vice President

1: Three committees chaired by Outside Directors

2: A subordinate organ of the Board of Directors, chaired by the Chief Executive Officer, formed to reinforce the management function (foundation) across the Group.

Current Board of Directors		➔	★Next Board of Directors		➔
Executive Inside Directors	5 people		Executive Inside Directors	4 people	
Non-executive Inside Director	1 person		Non-executive Inside Directors	2 people	
Outside Directors	3 people		Outside Directors	3 people	
Non-executive Directors: 4 people				Non-executive Directors: 5 people	

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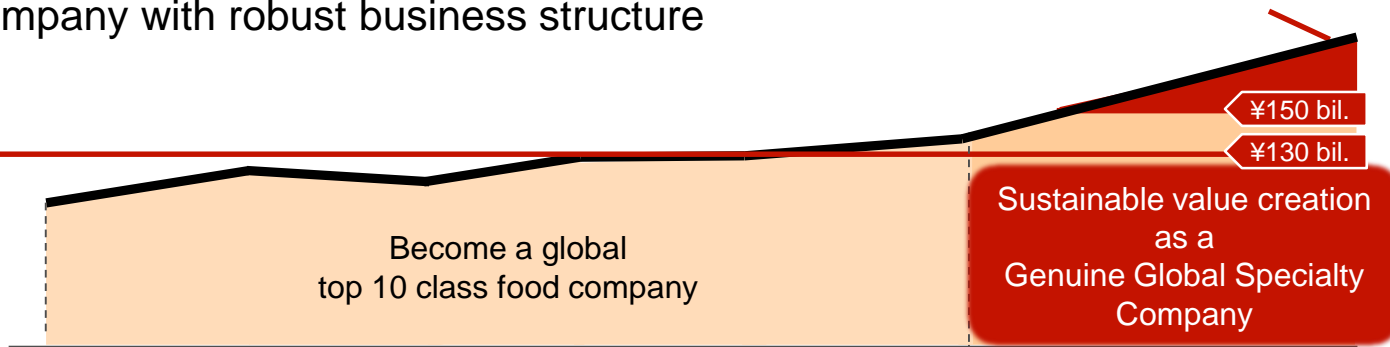
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# Roadmap to a "Genuine Global Specialty Company"

Become a global top 10 class company with robust business structure

Global top 10 class food company level<sup>1)</sup>



		FY17 Actual	FY18 Actual	FY19 Forecast	FY20 Target (Organic growth)
<b>Financial</b>	Business profit	¥95.6 bil.	¥92.6 bil.	¥ 97.0 bil.	¥137.0 bil.–
	Business profit margin	8.6%	8.2%	8.3%	
	ROE	9.6%	4.7%	8.0%	
	EPS growth rate	13%	-49%	70%	
	Intl. sales growth rate <sup>2)</sup>	5% <sup>4)</sup>	6%	4%	
<b>Non-financial<sup>3)</sup></b>	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)	7.2 mil. tons; 17.0% (8.3 kg/person/yr) 4.4 mil. tons; 7.4% (5.1 kg/person/yr)	-	
	Contribution to eating together	60 occasions / household / yr	60 occasions / household / yr		
	Spare time created	37 mil. hrs / yr (5 hrs / household)	37 mil. hrs / yr (5 hrs / household)	-	38 mil. hrs / yr (6 hrs / household)
	Comfortable lifestyles (AminoScience)	19.80 mil. people	19.90 mil. people	-	22 mil. people
	Resolution of environmental issues	See the page after next (Non-Financial Initiatives (Environment): Progress)			
	Employees with high engagement	79%	No survey taken	-	80%
<b>Inte-grated</b>	Brand value <sup>5)</sup>	778 mil. USD	852 mil. USD	-	1,500 mil. USD or more

Rebuilding the growth strategy →

In concert with the next MTP

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

# FY2019 Assumed Exchange Rate and Exchange Rate Sensitivity

Assumed exchange rate (vs. JPY)

\* Average rate during the period

	FY19 Forecast	FY18 Actual				FY17-19 MTP
		4Q	3Q	2Q	1Q	
USD	110.00	110.22	112.91	111.43	109.10	100.0
EUR	129.00	125.16	128.82	129.55	130.03	110.0
THB	3.36	3.49	3.44	3.38	3.42	2.80
BRL	29.73	29.29	29.63	28.24	30.27	30.3

## Exchange Rate Sensitivity

Foreign exchange rates (vs JPY)

	FY19 forecast	Sensitivity of translation effects to full year B.P.
USD	111.00	±¥1 → approx. ¥100 million
EUR	129.00	±¥1 → approx. ¥50 million
THB	3.36	±¥0.01 → approx. ¥100 million
BRL	29.73	±¥1 → approx. ¥300 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 million
- 0.1 BRL vs USD → approx. + ¥200 million



# Non-Financial Initiatives (Environment): Progress

\*   : FY2018 Actual & Targets

Initiatives	Indicators	FY2017 Actual	FY2018 Actual	FY2018 Target	FY2019 Target	FY2020 Target	FY2025 Target	FY2030 Target
1 Reduce greenhouse gases	Reduction rate of greenhouse gas emission volume vs. emission intensity (vs. FY2005)	35%	33%	36%	37%	38%		50%
	Renewable energy use ratio	23%	24%	24%	26%	28%		50%
	Chlorofluorocarbon (CFC) elimination						CFC elimination at new facilities 100%	Extremely small volume of HFCs
2 Reduce food loss	Reduction rate of food loss from receipt of ingredients through to customer delivery (vs. FY2016)	-4%	-28%	10%	15%	20%	50%	
3 Secure food resources and protect natural environment, including ecosystems and biodiversity	Sustainable procurement	Palm oil 14% Paper 95% (JPN)	Palm oil 25% Paper 95% (JPN)			Palm oil 100% Paper 100%		The material at issue 100%
	Introduction rate of factories that reduce natural raw materials used via resource-saving fermentation technologies, by-products and alternative material technologies	79%	79%				100%	
4 Conservation of water resources	Reduction rate of water usage vs. production volume unit (vs. FY2005)	77%	78%	78%	78%	78%		80%
5 3Rs for waste material (Reduce, Reuse, Recycle)	Reduction of waste generated via business activities/recycle ratio	99.3%	99.2%	Maintain 99% or higher	Maintain 99% or higher	Maintain 99% or higher	Maintain 99% or higher	Maintain 99% or higher

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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.**