

# **Management Strategies**

## **New Benchmarks for Growth**

**Ajinomoto Co., Inc.**  
**Kunio Egashira, President**  
**November 19, 2002**



- I. Ajinomoto Group Corporate Philosophy**
- II. Key Points of 3-year Management Plan  
(FY 2002-2004)**
- III. Expanding Business in Growth Sectors**
- IV. Shifting toward a High-Earnings Structure**
- V. Strengthening Corporate Governance**
- VI. Nurturing Personnel Capable of  
Working in the Global Arena**
- VII. Operating in Harmony with Society  
as a Good Corporate Citizen**
- VIII. Becoming a Truly Global Company**



**AJINOMOTO** I. Ajinomoto Group Corporate Philosophy

**Our philosophy is to contribute to significant advances in food and health on a global basis and ultimately to create a better life for all.**



**From its beginnings in Japan, Ajinomoto aims to be a global corporation in food and amino acid products.**

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**AJINOMOTO** II-1. Key Points of 3-year Management Plan (FY 2002-2004)

**Management Strategies**

1. Expanding Business in Growth Sectors
2. Shifting toward a High-Earnings Structure
3. Strengthening Corporate Governance
4. Nurturing Personnel Capable of Working in the Global Arena
5. Operating in Harmony with Society as a Good Corporate Citizen

**Targets**

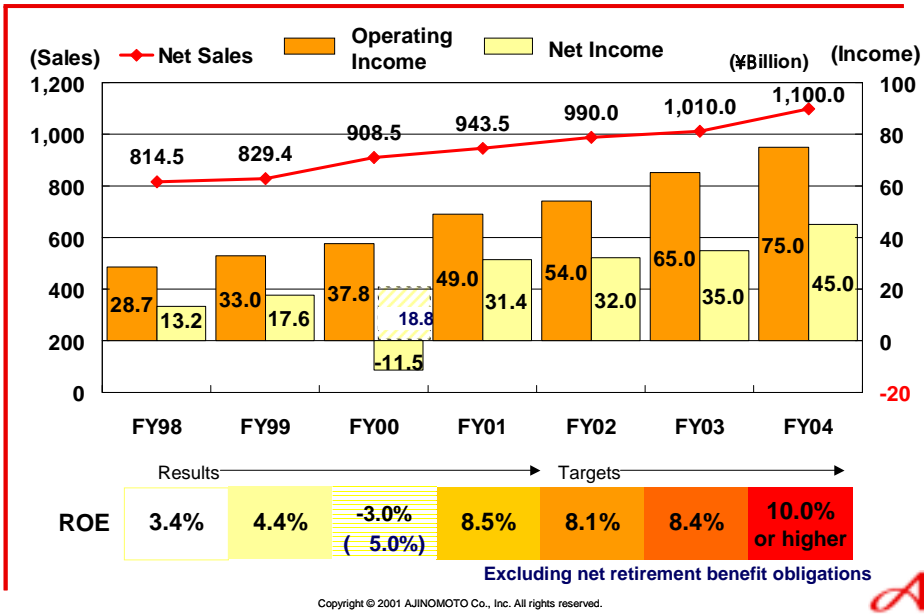
(Targets for Fiscal 2004)

Sales: ¥1.1 trillion  
Operating Income: ¥75 billion  
Net Income: ¥45 billion  
ROE: 10% or higher

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## AJINOMOTO II-2. Sales and Income (Results and Targets)



## AJINOMOTO III-1. Expanding Business in Growth Sectors

### (1) Expansion in nutritional health market

➡ Steady efforts by Health Services Development Dept. and Research Institute for Health Fundamentals

### (2) Expansion of overseas retail business

➡ Southeast Asia, Central and South America, China, etc.

### (3) Faster growth in global bulk ingredients

➡ Invest resources in "Strong No. 1" businesses

### (4) Emphasis on pharmaceuticals business

➡ Toward No. 2 position in infusion, clinical nutrition markets

### (5) Promotion of M&As and alliances

➡ Edible Oils, Pharmaceuticals and Frozen Foods businesses

## AJINOMOTO III-2. Expansion in Nutritional Health Market

### Further efforts in nutritional health market

#### **Amino Vital**

(Amino acid-based sports supplement)

Fiscal 2002 Sales Target: 15 billion yen

On pace to exceed target



#### **Kenko Sarara**

(Edible oil that reduces cholesterol deposits)

Fiscal 2002 Sales Targets:

Household sales 2.5 billion yen

Gift sales 5.0 billion yen

Steadily moving toward these targets



The Health Services Development Dept. and Research Institute for Health Fundamentals, part of the Corporate Div., are working with Group companies to build business in this market.

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## AJINOMOTO III-3. Expansion of Overseas Retail Business

### Diversifying and Opening New Markets in Growth Areas

**Southeast Asia** Expand business in each country, with a focus on seasoning mixes, menu-specific seasonings, etc., as well as *AJI-NO-MOTO*.

**Central/South America** Promote further growth and diversification in seasonings, processed foods and sweeteners, particularly in Brazil and Peru

**China** Create flexible supply network and strengthen sales infrastructure to expand *AJI-NO-MOTO* sales and diversify into other seasonings, retort food products, etc.

**Others** Expand business in other regions, including East and West Asia, North America, Europe, Russia and Africa.

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## AJINOMOTO III-4. Faster Growth in Global Bulk Ingredients (1)

### Reinforcement of Overseas Production Bases

#### 1. Feed-Use Amino Acids

			<u>Completion Date</u>
U.S.	Threonine	New production facility	June 2002
U.S.	Lysine	Plant expansion	July 2002
Europe	Threonine	Plant expansion	Nov. 2002
Europe	Lysine	Plant expansion	Jan. 2003
Thailand	Lysine	Plant expansion	Early 2003
Brazil	Lysine	Plant expansion	Sept. 2003

#### 2. Umami Seasonings

Thailand	Nucleotides	New plant Capacity 3,000 tons	Mid-2003
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## AJINOMOTO III-4. Faster Growth in Global Bulk Ingredients (2)

### Invest Resources in “Strong No. 1” Businesses

Feed-Use Amino Acids Maintain/expand top global share  
Lysine -- 300,000t in 2005 (Maintain 35% share)  
Threonine -- 50,000t in 2005 (60% share 70% target)  
Tryptophan -- 2,000t in 2005 (60% share 70% target)

Umami Seasonings Maintain/expand top global share  
AJI-NO-MOTO (MSG) -- 30% share (About 48% excl. China)  
Nucleotides -- 40% share: New Thai plant in 2003

Pharmaceutical-use Amino Acids -- 60% share (Market size 15,000t)

Amino Acid-based Sweetener -- 40% share  
Aspartame (Market size 13,000-14,000t)

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**AJINOMOTO III-5. Promotion of M&As and Alliances (1)**

**Edible Oils**

**HONEN AJINOMOTO OIL MILLS, INC. established**

Management integration with Yoshihara Oil Mill, Ltd. (April 2003)

**Overseas Foods**

**SHANGHAI HOUSE AJINOMOTO FOODS CO., LTD.**

Start of production and sales (Oct. 2002)

**Pharmaceuticals**

**Acquisition of Shimizu Pharmaceutical/Shimizu Medical  
(Dec. 2002)**

Toward no. 2 share in infusion, clinical nutrition markets

**Frozen Foods**

**Business integration with Frec Corp. (April 2003)**

Boost sales capabilities, expand business in commercial market

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**AJINOMOTO III-5. Promotion of M&As and Alliances (2)**

**SHANGHAI HOUSE AJINOMOTO FOODS CO., LTD.**

**Oct. 2001**

Established joint venture  
**SHANGHAI HOUSE AJINOMOTO FOODS CO., LTD.**  
(Capital US\$9.7 mil., about 100 employees)

**Oct. 2002**

New product launched **Beef curry**  
(3 varieties: mild/medium/hot)

Due to rapid economic development, food culture in China is quickly becoming more diverse and sophisticated, especially in major cities. Besides delicious taste, more consumers look for convenience and quality, fueling fast growth in demand for processed foods.

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**AJINOMOTO III-5. Promotion of M&As and Alliances (3)**

**Acquisition of  
Shimizu Pharmaceutical Co., Ltd/  
Shimizu Medical Co., Ltd.  
(Dec. 2002)  
Providing even stronger support for  
“Total Nutrition Care”**

Ajinomoto Pharma Co., Ltd., established in Dec. 1999, has steadily expanded business in strong niche markets, increasing market share of high-calorie infusions (*PNTWIN*, etc.) in its main business of infusions.

**Further expand business for infusions  
and clinical nutrition products**

Ajinomoto Pharma gains access to electrolyte solutions, dialysing drugs, etc., for stronger support for “Total Nutrition Care,” which is increasingly important at medical facilities.



**AJINOMOTO III-5. Promotion of M&As and Alliances (4)**

**Strengthening Frozen Foods  
Business**

-Sales targets for year ending March 2004-

**Ajinomoto Frozen  
Foods Co., Inc.**

Household ratio 60%  
About 56 billion yen

Commercial ratio 40%  
About 39 billion yen

About 95 billion yen  
Mainly from  
household market

**Frec Corp.**

Household ratio 25%  
About 6 billion yen

Commercial ratio 75%  
About 14 billion yen

About 20 billion yen  
Mainly from  
commercial market

Combine strengths in household,  
commercial segments to aim for  
No. 2 in sales

**After integration**

Household ratio 55%  
About 62 billion yen  
No. 1 in prepared frozen  
foods

Commercial ratio 45%  
About 53 billion yen  
No. 2 in prepared frozen  
foods (including frozen  
vegetables)

About 115 billion yen



**AJINOMOTO** IV. Shifting toward a High-Earnings Structure

**Selection and Concentration**

**1. Strengthen Domestic Food Business**

- Reduce costs even further
- Invest management resources in strong brands
- Expand business (Launch of Ajinomoto *kk* Asian-style Noodle, etc.)
- Strengthen edible oils and frozen foods businesses

No. 1

*Hon-Dashi, AJI-NO-MOTO, Aji-Shio,  
Cook Do, Knorr, Ajinomoto *kk* Consomme,  
Ajinomoto *kk* Olive Oil*

No. 2

*Pure Select mayonnaise  
Prepared frozen foods*

**2. Restructure Corporate Division**

Further promote small, select group at head office

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**AJINOMOTO** V. Strengthening Corporate Governance

**Introduction of external directors and corporate executive officer system**

**Strengthening corporate auditor system**

**Introduction of Internal Company System (April 2002)**

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## VI. Nurturing Personnel Capable of Working in the Global Arena

### Globalization of Corporate Strategies

#### 1. Establishment of training center to support human resource development

- Global human resource development
- Develop human resources from a group perspective

#### 2. Introduction of multi-track personnel system

#### 3. Performance-based system

#### 4. Diversify management personnel (incl. nationalities)



## VII. Operating in Harmony with Society as a Good Corporate Citizen

### Pursuit of security and safety

#### 1. Promote further communication with society

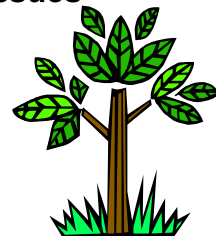
- Communicate corporate position and philosophy
- Social responsibility activities

#### 2. Proactive response to environmental issues

- Global environmental policy for entire Group
- Work toward ISO 14001 certification

#### 3. Further strengthen quality assurance

- Execute Groupwide quality audits




### Profit Distribution in Proportion to Consolidated Results

- First-half cash dividend is 5 yen per share, same as in first half of previous year.
- Year-end dividend will be increased 1 yen per share; total dividends for full fiscal year will be 11 yen per share (planned).



### A Unique and Distinctive Company Trusted by People Around the World

1. Products loved by people worldwide
2.  brand that assures reliability and safety
3. Creative and individual personnel
4. Innovative technologies

