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Food Business

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The Outlines of Food Business

Ten years in the food products industry and business

In 2009, the global economy was suffering a recession following the 2008 financial crisis (the Lehman Shock), but from that point onward, it recovered rather smoothly due to the rise of China and other emerging countries. During this period, informatization and globalization advanced and there was a huge movement towards consideration of issues such as the environment and human rights, as represented by the SDGs. Within this circumstance, Japan was facing the unprecedented situation of population decline and the aging of society. In addition to this, factors the 2011 Great East Japan Earthquake had an impact and deflation continued for a time. From 2013, the economy began to improve, driven by Abenomics (a set of economic and monetary policies implemented by the Prime Minister Shinzo Abe), but sluggish personal consumption continued, meaning that the Japan food products market remained roughly level. Beside a succession of headwinds, the food products industry saw a rise in raw material prices, an increase in one and two-person households, shifts towards individualized diets and easy-to-cook meals, and stronger health-consciousness. In response to these trends, there was movement towards the creation of added value and overseas expansion.

Under the leadership of President & CEO Masatoshi Ito (2009-2015), the Ajinomoto Group's food products business adopted key principles such as "Specialty" (providing value that is not found in other companies' products), "Open & Link" (actively using external resources through M&A, alliances, etc.), and "expansion into adjacent domains" (leveraging brands and technology to develop in adjacent business areas), with the aim of digging deeper into domestic markets and achievement of rapid overseas business growth.

As a result, from FY2009 to FY2019, sales and profits changed as shown in Table I-1 below.

Sales in the Japan food products business decreased by a little over 10% due to factors that include the sale of Calpis Co., Ltd. in October 2012 and changes in accounting standards after the adoption of International Financial Reporting Standards (IFRS) in FY2016. However, profit grew by over 20%, showing a significant increase in profitability driven by measures such as the progress of structural reform and sales expansion through products in new business areas. Also, in the overseas food products business, although there was also a change in accounting standards, sales surpassed domestic sales in FY2013, and profit surpassed domestic profit in FY2014. As a result, we have been able to expand overall food products sales by over 200 billion yen and profit by over 30 billion yen.

Table I-1: Food products business results
(FY2009/FY2019)

(Billions of yen)

	FY2009		FY2019	
	Sales	Operating profit	Sales	Business profit
Japan	436	24.3	375.3	32.8
International Food Products	214.6	25.4	477.6	48.8
Total	650.6	49.7	852.9	81.7

Sources: IR Data Book 2020, INVESTOR'S GUIDE 2017

Japan consumer food products business

Our food products business in Japan consists of products including umami seasonings such as *AJI-NO-MOTO*®, Japanese flavor seasonings such as *HON-DASHI*®, *Cook Do*® and other menu-specific, mayonnaise, cup soups developed under the Knorr brand, coffee products by Ajinomoto AGF, Inc., and various frozen foods by Ajinomoto Frozen Foods Co., Inc., etc.

For basic seasonings products such as *AJI-NO-MOTO*®, *HON-DASHI*®, *Ajinomoto KK Consommé*, *Marudori Gara Soup*, and *Pure Select*®, we maintained firm sales by constantly improving the products, as well as implementing measures that include proposals for new uses and healthy recipes through TV commercials and informative websites, and launching new

products with reduced salt or reduced calories. Furthermore, in FY2012, we launched *Cook Do*® *Koumi Paste*® and *Cook Do*® *Kyo-no Ohzara*®, which added original new materials and technologies to our popular *Cook Do*® Chinese menu-specific seasoning brand. These products are good examples of expansion into adjacent domains in Chinese general seasonings and Japanese food seasonings and they made large contributions in terms of sales. In the same year, we launched *Nabe Cube*® which applied consommé technology for maintaining cube shapes and dissolving in liquid to Nabe (Japanese hotpot) seasonings.

For soups, we grew sales by developing new products and lifestyle proposals, such as the “made with cold milk” series that has stimulated in demand during summer since 2010, *Knorr*® *Soup DELI*® soups with plenty of ingredients launched in 2011, and the Warm Breakfast series campaign started in 2016. For our *Cook Do*® menu-specific seasonings, we also managed to win the support of consumers by appealing to their lifestyle and food needs, such as eating together with family and getting a balanced intake of protein and vegetables. This greatly grew sales and we maintained a leading market share and drove market expansion for both menu-specific seasonings and cup soups.

In the sweeteners business, we are centered on the high intensity sweetener aspartame. During this period, in order to reinforce the structure of the business, we sold Ajinomoto Sweeteners Europe S.A.S. and introduced new manufacturing methods. We also grew the consumer business which boasts the *PAL SWEET*® brand.

In April 2015, we made Ajinomoto General Foods, Inc., which was responsible for our coffee business, into a fully owned subsidiary and in July 2017, the company was reborn under the name of Ajinomoto AGF, Inc. We achieved growth through the stick type coffee business, which cultivated new markets through instant coffee developed with technology, and convenience store counter coffee business. However, the liquid coffee business, which had been supporting by consumers for many years, began to face severe competition. In order to respond to the diversification of consumer preferences, we have actively been launching new products such as individual portion and premium products.

In frozen foods, we continued to grow steadily with *Gyoza* (Japanese-style dumplings), originally launched in 1972, maintaining its leading share of the gyoza market through ongoing improvements (enabling preparation without water or oil, etc.). Similarly, in the Okazu field (side dishes that are usually served alongside rice), while there was an increase in competition for one of our major products, volume packs of *Yawaraka Wakadori Karaage* (fried chicken), we saw steady demand for natural thawing products such as lunch box series, including *Ebi Yose Fry* (shrimp fry), which led to firm growth. The rice products field was another major focus and it saw good sales of *The ★*® *CHA-HAN*, which attracted male consumers, *Gudakusan Ebi Pilaf* (shrimp pilaf), and *Gomoku Chahan*, which had been discontinued for a while but was brought back due to customer demand.

New products in each of these fields incorporated “deliciousness technologies” including ingredients that enhance *kokumi* and flavor, and ingredients that quickly tenderize raw materials.

J-OIL MILLS, INC. advanced activities with the aim of being an “Oishisa Design Company” that creates deliciousness which can move people with a focused pursuit of the



Blendy® Stick
Ice Café au Lait
Pack of seven



Blendy® Roasters &
Stick Colombian Blend
Pack of seven



Gyoza (Japanese-style dumplings)



Karaage no hi no abura
(oil for fried chicken)

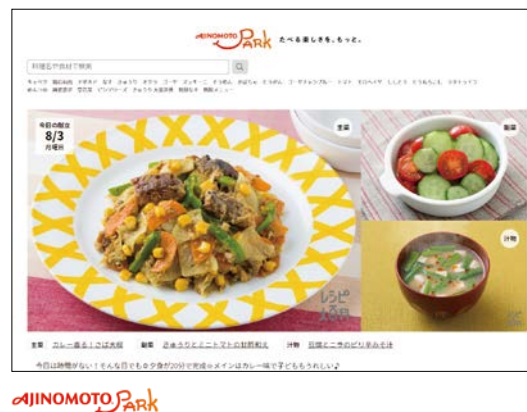


Olive Oil Extra Virgin

various values possessed by edible oils (value for cooking, value for health, value for flavoring) and expansion of the possibilities of how edible oils can be used. It has maintained a top market share for olive oil, and it has stimulated the market even more by seeking health value through the sale of perilla and linseed oils. Also, in July 2018, it opened the “Oishisa Design Studio,” a multifunction presentation facility that will communicate new “Oishisa” (deliciousness) concepts to people inside and outside the company.

In regard to marketing, due to an emphasis on consumer’s viewpoint and advanced use of the internet, we got closer to consumers by adding digital communication to traditional mass advertising efforts, which included using social media and websites such as **Ajinomoto Park**, providing communications that focus on different life stages, implementing small-size marketing, promoting *Kachimeshi*® which provides athlete support foods to consumers, supporting dietary education that contributes to health promotion, and cooperating with government initiatives. We also unified advertising and PR messaging to further spread the AGB brand.

Also, on the R&D and production side, we began to concentrate together research and production locations that were scattered across Japan. The four companies responsible for our Japan food products business – Ajinomoto Co., Inc., Ajinomoto Frozen Foods Co., Inc., Knorr Foods Co., Ltd., and Ajinomoto AGF, Inc. – will concentrate their R&D functions in Kawasaki in 2020. Also, in regard to food product production, in 2019 we integrated our food product manufacturing departments at the Kawasaki and Tokai plants with Knorr Foods Co., Ltd. and Ajinomoto Packaging Inc. to form Ajinomoto Food Manufacturing Co., Ltd., and by 2021 the manufacturing and packaging of seasonings and packaged foods in Japan will be concentrated into three locations – Kawasaki City in Kanagawa Prefecture, Shimada City in Shizuoka Prefecture, and Yokkaichi City in Mie Prefecture. Initiatives are underway to produce even greater efficiency and synergies than ever before.



Overseas food products business

The overseas food products business was positioned as a growth driver in the FY2011-2013 and FY2014-2016 Medium-Term Management Plans. In addition to previous efforts focused on cash sales in traditional markets, we strengthened initiatives to engage modern trade markets and markets for eating out, while also building firm sales foundations through flavor seasonings and menu-specific seasonings tailored to local food preferences, particularly in the Five Stars (Thailand, the Philippines, Indonesia, Vietnam, and Brazil). In the Rising Stars (Africa, Turkey and the Middle East, Pakistan, Myanmar, India, etc.), where future growth was expected, we strived to achieve rapid market cultivation with a focus on the acquisition of or alliances with major local food companies. We also launched consumer foods businesses centered on frozen foods in North America and Europe.

In the Five Stars, our basic strategy was to expand seasonings businesses rooted in each region and develop new categories adapted to changes in eating habits and society due to urbanization. To expand seasonings businesses, we focused on sales growth for menu-specific seasonings and liquid seasonings as new mainstay products to follow umami seasonings and flavor seasonings. We increased sales of *Ros Dee*® Menu in Thailand; *CRISPY FRY*® and *Sarsaya*® in the Philippines; *Sajiku*®, *SAORI*®, and *Mayumi*® in Indonesia; *Aji-Quick*® in Vietnam; and *Satis!*® in Brazil. We also advanced the cultivation of markets that included powdered beverages (through products such as *Birdy*® 3in1 and *Birdy Maccha*® in Thailand and Vietnam, and *MID*® and *FIT*® in Brazil), and markets targeting food service and food manufacturing businesses.

We also responded to urbanization by striving to establish new categories and realize new sales channels and sales opportunities. We launched frozen food products that catered to demand for easy-to-prepare foods (Gyoza, frozen bread, etc.), developed and introduced products for food service and convenience stores, and expanded region of sales of instant noodles (*Yum Yum*®, etc.). Through these initiatives, we continuously achieved annual sales growth of around 10% in

the Five Stars, driving the growth of the Group.

Furthermore, we realized the growth of consumer businesses in the advanced regions North America and Europe through methods such as M&A. In the U.S., in 2014 we acquired Windsor Quality Holdings, LP (headquarters: Houston, Texas) for around 84 billion yen. In Europe, in 2013 we established a new plant in Poland through a joint venture with Jawo sp. z o.o., and in 2017 we acquired France-based Labeyrie Traiteur Surgelés S.A.S. (LTS, headquarters: Le Neubourg) for around 3.6 billion yen. Windsor Quality Holdings, LP boasted a top share of the market for frozen Asian foods in the U.S., while LTS focused on products such as desserts and aperitifs. By using both companies' sales networks to sell our frozen food products, which include *Gyoza* and fried rice, we tried to accelerate business growth.

We also put an emphasis on speed for the cultivation of the Rising Stars. In Africa, we worked to accelerate growth centered around WEST AFRICAN SEASONING COMPANY LIMITED (WASCO), which had been established in Nigeria in 1991, by establishing Ajinomoto Foods Egypt S.A.E. in 2011 and AJINOMOTO AFRIQUE DE L'OUEST S.A. in Cote d'Ivoire in 2013. Following this in 2016, we acquired a 33.33% share in Promasidor Holdings Limited, a major packaged food products manufacturer that had developed businesses in 36 African countries, and advanced a strategy by leveraging Promasidor's sales network. In Turkey, we established Ajinomoto Istanbul Food Sale Ltd. in 2011 and in 2013, we acquired a 50% share in Kükre A.Ş., a local manufacturer of premium brand food products, and made it into a subsidiary. From 2016 to 2017, we continued to steadily build a business foundation by acquiring Örgen Gıda Sanayi ve Ticaret A.Ş., thereby acquiring its bouillon, dry soup, menu-specific seasonings, and powdered dessert businesses and brands, and we made Kükre A.Ş. into a fully owned subsidiary. In 2018, Kükre A.Ş., Örgen Gıda Sanayi ve Ticaret A.Ş., and Ajinomoto Istanbul Food Sales Ltd. were amalgamated to form Ajinomoto Istanbul Food Industry and Trade Limited Company (headquarters: Istanbul) in order to expand business within Turkey and realize exports to the Middle East to expand the scale of business to a sales of around 10 billion yen as early as possible. During this period, in 2016 we also established a joint venture company with the Lakson Group in Pakistan and reopened a local subsidiary in Myanmar, creating a foundation for long-term, sustainable growth in both countries.



Ros Dee® Menu



CRISPY FRY®



Sajiku®



Aji-Quick®



Birdy® 3in1

Strengthening BtoBtoC business targeting food service chains and packaged food product manufacturers in Japan and overseas

With regard to the development of our food products business over these 10 years, we also strengthened our commercial use business (BtoBtoC) targeting food service chains and packaged food product manufacturers, representing a significant deviation from our history, which focused on consumer markets. In addition to changes in eating habits in Japan and overseas, the Specialty policy led by President & CEO Masatoshi Ito (2009-2015) also effectively differentiated our products in the commercial market, where evaluations are made by discerning professionals.

In the market for the food service industry in Japan, sluggish consumption had resulted in a fairly consistent downward trend from its peak in 1997 to 2011, but from 2012 onward, it finally began to expand again due to a recovery in economic conditions and an increase in inbound demand. On the other hand, the markets for ready-made meals (premade side dishes, lunch boxes, bread products, etc.) and packaged food products (frozen and chilled precooked food products, processed livestock vegetable and marine products, desserts and sweets, noodles, beverages, etc.) had been expanding fairly consistently. The business environment continued to be generally

favorable in overseas markets as well. This was boosted by further depth and cultivation in our overseas food businesses in the Five Stars and Rising Stars and the establishment of foundations in North American and Europe through M&A focused on frozen food business.

Within this, products that include *Tencho* (savory seasonings) for industrial use and enzyme preparations that enhance texture and physical properties such as *ACTIVA*® were affected by food service trends in Japan to a certain extent, so we enhanced our product lineup and strengthened our relationships with major customers, and we increased overseas sales as well as in Japan. The market for ready-made meals in particular was growing, so we deepened our engagement with major convenience store chains and realized many applications for our products including *Tencho* (savory seasonings), enzymes, and mayonnaise in mainstay convenience store products, such as oden broth and rice balls.

Based on these developments, in April 2018, we amalgamated our business that ready-made meal and food service and our *Tencho* (savory seasonings), enzymes, MSG, and nucleic acids business targeted packaged food product manufacturers to establish the Solution & Ingredients (S&I) Department. This department utilizes “deliciousness technologies” to actively grow our “integrated food solutions business” for packaged food manufacturers, food service and ready-made meal customers.

Using digital technology to create new businesses and making existing businesses more advanced

The advancement of digital technology has made it possible to obtain and utilize huge volumes of digital data related to consumer awareness and behavior. In light of this, we established the Consumer Data Analysis & Business Creation Department under the Food Products Division in April 2018. This department gathers and analyzes data related to every aspect of consumer awareness and behavior and increases resolution by getting closer to consumers. Using these data, the department promotes cross-sectional initiatives such as “creating new products, services, and businesses that go beyond the scope of existing businesses,” and “making existing businesses more advanced and efficient by promoting digitalization” on a Group-wide basis, and its initiatives are making a major contribution to strengthening the growth potential of the entire Group.



Okome Fukkura
Choriryo



Cook Do®
Shirunashi Tantanmen

savorboost™
savorboost™

コクミドル®
〈スイーツ濃厚感〉

Kokumidoru®
(for richer sweets)

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The Consumer Food Business in Japan

(1) The business environment and market trends

The global and Japanese economies

In the decade after 2009, emerging countries and others played a leading role in the global economy's recovery during the global recession that followed the 2008 financial crisis (the Lehman Shock, Autumn 2008), and it remained mostly stable as a result. During this period, globalization and information technology advanced further, the presence of emerging countries such as China grew more significant, and the influence of internet-related companies such as Google, Amazon, Facebook, and Apple (GAFA) grew stronger as well. Moreover, as symbolized by the United Nations SDGs, consideration of the environment and human rights became a prerequisite for corporate activities.

The Japanese economy was forced to retract due to the 2011 Great East Japan Earthquake, the floods in Thailand, and the European financial crisis, and it suffered from long-term stagnation that has been termed the "Lost 20 years." The second Cabinet of Shinzo Abe, formed in December 2012, rolled out bold economic policies (*Abenomics*) such as monetary easing to break through the stagnation. This resulted in a rise in stock prices and improved corporate performance, but on the other hand, real wage growth slowed due to an increase in non-regular workers. In addition, Japan's population began to decline in 2008, and the consumption tax increase (from 5% to 8%) in April 2014 along with the aging of the population led to a diminished appetite for consumption.

Japanese companies decided to concentrate on the cultivation of emerging markets and the provision of new value in their products and services, which included measures to address the shrinking market in Japan, while complying with global management standards (ESG, the emphasis on shareholders, utilization of human resources, etc.).

Changes in food and the food products industry

In the food industry, which had thus far been resistant to the impact of economic fluctuations, it became even more important to create products and services in anticipation of changes in both lifestyles and distribution as the market in Japan continued to shrink.

In terms of eating habit trends, the proportion of single-person and two-person households increased against the backdrop of the declining birthrate and aging population, and there was a shift towards individualized diets and easy-to-cook meals. In addition, food-related needs became more diversified, as seen in the co-existence of two mindsets: a money-saving mindset characterized by a desire for low prices influenced by the long recession along with a return to eating at home, which includes ready-made meals; and a mindset characterized by a willingness to splurge on products whose value is apparent, as reflected in the desire for healthy, safe, and authentic products as well as the popularity of "small luxury" products. There was also growth in private brands (PBs) and online sales, and the influence of social networking services expanded, which required companies to constantly re-invent their marketing.

Furthermore, as seen in the enactment of the Basic Act on Shokuiku (Food and Nutrition Education) in June 2005, it became increasingly important to convey accurate knowledge about ingredients and foods to children to deal with irregular eating habits and preserve Japanese food culture. Expectations also rose for initiatives by food companies that contribute to resolving food-related social issues, such as addressing food loss and waste, which resulted from large

amounts of food being discarded due to unsold food, leftovers, expired food, and so on.

(2) New product development and marketing activities for the consumer food business

To “walk in our customers’ shoes”

As of 2009, sales in the Japan consumer food business remained sluggish due to the 2008 financial crisis (the Lehman Shock) and other factors. An increase in operating profit was secured through the reduction of costs and improvements in the GP (gross profit) rate due to improved factory productivity.

In the FY2011-2013 Medium-Term Management Plan, the basic policy was “to create businesses that generate unique ‘consumer value’ from the same perspective as consumers around the world.” In other words, the basis of our business strategy was to resolve the issues in Japanese eating habits indicated in “Changes in food and the food products industry” (see p.7).

This is reflected in our mission, which includes:

“products and services with original value,”

“the joy of handmade meals,”

“a new type of deliciousness,”

“the enjoyment of food and healthy menu items,”

and “families smiling as they spend time together.”

This policy continues today.

Moreover, as the core business of the Ajinomoto Group, we aimed to steadily expand profits even amid the contraction of the consumer food products market due to the declining birthrate. To make this mission and profit plan a reality, we aimed to create fans through product awareness and increase contact points with customers throughout the Group, followed by the attainment of a mind share¹ of 50% and the creation of strong relationships with consumers (generating fans) to become the No. 1 must-have food brand, all while strengthening our defensive measures through cost reductions and improved efficiency in our organization and supply chain management (SCM).

Shift to consumer-oriented and change-prediction research

In the consumer food business, in order to achieve the consumer-oriented approach that was consistently advocated from 2009 to 2019, consumer (market) research changed as well.

At the end of the 2000s, the food products market in Japan began to change significantly due to the aging population, the increase in single-person households, and the polarization of consumption (widening income disparities, daily savings, high consumption on anniversaries, etc.). Purchase locations became more diverse, and they encompassed not only general merchandise stores, but also convenience stores (CVS), drug stores, and online, and environmental friendliness, safety, and security became important factors for product selection. Social issues such as food loss and waste, elderly and middle-aged health issues, and irregular eating habits by young people became more serious.

In response to these changes, demographic analysis (demographic attributes included gender, age, area of residence, income, occupation, educational background, etc.) revealed the following:

- As the number of brands purchased per company increases, the number of purchases per brand also increases
- Brand loyalty is strengthened through continuous use of seasonings, and usage tends to expand

As the changes became more complex, the market could no longer be predicted only by these demographic analyses and reviews of historical data. In addition to research that delves into the lifestyles, behaviors, and mindsets of consumers and refinement of small-size marketing² and target setting (wealthy housewives with children, housewives raising children in double-income households, etc.), it became essential to use backcasting methods to predict signs of change based on facts, envision the future, and work backwards to formulate a strategy.

1. This is indicated by the name recognition share, which includes foremost name recognition rate and pure recall rate (the order and ratio of company names given as answers to the question “when someone asks you to name a food company, what comes to mind?”), and the purchase intention rate and image score share.

2. Marketing that targets a group of a certain scale (small-size) that is centered on fans and others who form a community and actively communicate.

The evolution of communication with consumers

When it comes to adopting a consumer-oriented perspective and creating fans, fine-tuning communication with consumers is also important. We worked hard to make new attempts at this given the increased presence of the web and social media during this time due to the establishment of the internet (which had a penetration rate of 93% in FY2016).

The community site **AJINOMOTO Park**, which launched in July 2012, aimed to build a customer base (platform) of 5 million people as a central location for direct communication with consumers based on a cross-brand concept. The recipe site “*Recipe Daihyakka*,” which serves as the core, is equipped with a recipe recommendation function based on registered members’ search histories, the first of its kind in Japan, in addition to the ability to search by cooking method or situation. We also added content such as “sharing meals,” “employee tweet relay,” and “campaigns,” which expanded points of contact and communication channels with consumers. It has become a place where we put platform-based marketing into practice through proposals for our products aimed at consumers for various situations and concerns, as well as a place for co-creation that gets consumers involved in the development of products and recipes.

With regard to fan creations, we also focused on Integrated Marketing Communication (IMC) to improve the image of the Group by making our message on the website, in television commercials, and other outlets as unified and consistent as possible.

In addition, we have actively pursued new initiatives that are centered on lifestyle changes such as living alone, marriage, or childbirth, as demonstrated by the sale of 1.5 million starter kits (*Gyoza* and drinks), recipe books and mobile websites that support young moms, and so on.



AJINOMOTO Park “PARK MAGAZINE”

Expanded utilization of IT

Utilization of IT is indispensable for performing detailed surveys, information analysis, and communication in regard to the diversification of consumers and eating habits.

In terms of communication, the aforementioned **AJINOMOTO Park** was the biggest starting point, but the site’s communication functions gradually shifted to social media afterwards, which turned it into an optimal source of information for consumers. Besides working hard to develop our own online shopping service, we have also made active use of consumer-oriented and business-oriented online shopping, such as Amazon and LOHACO, as a new sales channel.

Meanwhile, social media has been positioned as a source of information, and we have set up official accounts on Twitter, Facebook, Instagram, Pinterest, LINE, and YouTube and make active use of them.

For information collection and analysis, in addition to POS and demographic data analysis, we have established a system for the integration and central management of internal Group data, which was previously kept separately, and made it into a Digital Marketing Platform (DMP). We utilized this to launch small-size marketing and maximize the number of customers multiplied by Lifetime Value (LTV), the value provided to customers over the course of a lifetime. Moreover, sales forecasts for demand and new products and measurements of advertising effectiveness became more precise, including the introduction of the new SCM system, which helped reduce waste loss and improve the efficiency of advertising investments.

In April 2018, the Consumer Data Analysis & Business Creation Department was newly established to utilize the big data that we accumulated through these various utilizations of IT, and further evolution in marketing is expected (see p.49).

Existing products and expansion into adjacent domains

The product strategy for consumer foods rested upon the following two pillars:

- A) Rebuilding existing products
- B) Launching new products through expansion into adjacent domains

Our effort to rebuild existing products referred to in A) took into account the improvement of loyalty towards seasonings (use of one’s favorite seasonings for various purposes; see p.8), intensifying competition with competing products and PB products, and changes in the market,

and we re-designed and strengthened the value of our long-selling consumer food products.

With regard to *AJI-NO-MOTO*®, *HON-DASHI*®, and *Ajinomoto KK Consommé*, we advertised their value as means to support consumption of delicious vegetables for health-related reasons, and we strengthened our recommendations of recipes such as *Dashi-ni* (boiled vegetables in broth) and soup vegetables. In addition, through an improved product lineup for small households and elderly people as well as improved resistance to humidity, we provided value that is compatible with the values of consumers. In particular, for *Knorr*® *Cup Soup*, its value as a breakfast option was conveyed through descriptions such as a *Soup “Tsuke Pan/Pita Pan”* (dipping bread in soup), *Onchosyoku*® (warm breakfast), and so on. Proposals for new eating methods and product value that fit various life situations expanded the market and contributed to improved profits for the Japan consumer food business.

With a focus on major brands such as *HON-DASHI*®, *Knorr*®, *Pure Select*® (mayonnaise) and *Cook Do*®, we have concentrated on expansion of the value provided, and we have also striven to expand profits through reorganization of value chains, such as with the MORE Project (see “History” p.60).

With regard to the new product development referred to in B), in addition to the creation of the world’s best seasoning technology through R&D, the concept of expansion into adjacent domains was set forth in the FY2014-2016 Medium-Term Management Plan. We launched products that offer new value based on the viewpoint of consumers as a way to expand into surrounding areas through a utilization of existing resources (brands, etc.).

Cook Do® *Kyo-no Ohzara*® (launched in advance in the Tokyo metropolitan area in August 2012; launched nationwide in February 2013), which was developed to expand the “*Cook Do*®” Chinese menu-specific seasoning brand beyond Chinese dishes, succeeded in developing a new market by responding to the need for menu-specific seasonings similar to *Cook Do*® for Japanese and Western-style dishes. Given the increase in the number of busy housewives in double-income households, the desire to save money, and the increase in the number of elderly and single-person households, this product responded to changes in dining situations, which included meals that consist of rice, soup, and main dish, as well as an increase in “single plate” meals (main dishes, side dishes, and staples all on a single plate).



Gu-tappuri Miso Soup Nasu (eggplant)



Knorr® *Cup Soup Potage*



Knorr® *Cup Soup Tomato Potage*



Cook Do® *Kyo-no Ohzara*® *Buta Bara Nasu* (pork back rib and eggplant)



Cook Do® *Kyo-no Ohzara*® *Niku Miso Kyabetsu* (cabbage with minced meat and miso paste)



Steam Me Buta Chashu (barbecued pork)

Furthermore, according to in-depth surveys that delved into consumer insights with regard to eating at home:

- ・ Quantitative changes: Decrease in meal amounts per household/meal, decrease in opportunities to eat at home (shift to ready-made meals, food service, and frozen foods), increase in demand for snacks/light meals/between-meal snacks
- ・ Qualitative changes: Increased prevalence of menu-specific seasonings, shift from family meals to “For me, for two.” (meals for just oneself and one’s partner), fewer items per meal, shift from miso soup to soup and tea-type beverages

The survey revealed that the aforementioned changes were occurring and that there was a deep-

seated anxiety about a lack of vegetables. In the FY2014-2016 Medium-Term Management Plan, we sought to cultivate the market through new products and strengthened product lineups for existing series that meet these needs.

In the FY2017-2019 Medium-Term Management Plan, our solution-providing approach, which takes health consciousness and nutritional balance into account, assisted significantly in the development of peripheral markets.

Responding to changes in food and foodstuff purchasing situations

General merchandise stores (GMS) had been the main locations for food and foodstuff purchases ever since Japan's period of rapid economic growth after World War II, but mass purchasing and mass sales were the norm, and in some ways they were unable to respond to the diversification in consumer needs. Food-specific supermarkets, CVS, and drug stores gained momentum in their place. In addition, online shopping has grown in popularity against the backdrop of an increase in double-income and single-person households and the expansion of the health food market. Online shopping aimed at offices also turned into a new sales channel for beverages and sweets. The spread of online sales has also promoted the creation of omni-channel retailing, which links and integrates sales and management between the internet and physical stores.

Naturally, in product development and marketing for the consumer food business, soups and *Dashi* (Japanese soup stocks) for CVS (exclusive) and online order (with high-grade feel and health-consciousness as selling points) were developed in response to these new channels.

In terms of sales promotion activities, new initiatives began in cooperation with the government's efforts towards health maintenance and promotion of health, which included sales of products with functions that addressed lack of vegetables, metabolic syndrome, and reduced salt content.

(3) New product development for seasonings and packaged foods

Seasoning lineups that helped to address health issues

The biggest social issue that we aim to help solve through The Ajinomoto Group Creating Shared Value (ASV; see "History" p.39, p.63) is the health problems faced by people around the world. There are 800 million people throughout the world who are hungry or chronically under-nourished, while 2.2 billion are over-nourished (as of 2015). In Japan, the increase in the population of those aged 65 and over is accelerating, and the extension of healthy life expectancy is a major issue.

In response to these trends, we positioned various seasonings as solutions to these issues, increased the value that our products offer, and reorganized our businesses through proposals for new uses and updates based on the trends and preferences of the times.

Our basic policy was to make the basic seasoning products *AJI-NO-MOTO*®, *Seto no Honjio*®, and *Aji-Shio*®, and the flavor seasonings *HON-DASHI*®, *Ajinomoto KK Consommé*, *Ajinomoto KK Marudori Gara Soup*, and others more useful for creating menus and cooking and contribute to the improvement of people's health.

AJI-NO-MOTO® used *AjiPanda*®, which appeared in 2005 on the occasion of our 100th anniversary, as a PR character while proposing new uses and emphasizing safety. In terms of applications, we proposed ways to use the seasonings outside of Japanese dishes, such as in fried rice, peperoncino, and various stir-fried foods. In terms of security, factory tours and videos on the website convey our manufacturing methods and consideration of environmental preservation.

Seto no Honjio®, launched in 1988, conveyed the appeal of using salted pickles for cooking, and it emphasized that it used Japanese coarse salt made exclusively from seawater in Okayama, Japan.

Through the use of *Aji-Shio*® for rice balls, fried foods, and salads, we emphasized the merits of combining salt and umami ingredients, and in February 2017, we made a large-sized 650g product available for heavy users.

Reducing the sodium content in flavor seasonings

The flavor seasonings *HON-DASHI*®, *Ajinomoto KK Consommé*, and *Ajinomoto KK Marudori Gara Soup* addressed the increasingly serious problem of excess salt intake. The average daily salt intake among Japanese people was 12g for men and 10g for women as of 2006, which greatly exceeded the target values (10g for men and 8g for women)³ set by the Ministry of Health, Labour and Welfare. In addition, seasonings that include soy sauce, miso, and salt accounted for about 60% of salt intake.

In response to this situation, in August 2009, we launched three reduced-salt varieties. The manufacturing made use of our original technology⁴ to create the healthy salt *YASASHIO*®. *YASASHIO*® subsequently improved the quality of its taste in February 2018, and *HON-DASHI*® reduced its salt content twice after 2015, achieving a salt formulation of zero in February 2018. *Marudori Gara Soup* reduced its salt content in August 2018, and *Ajinomoto KK Consommé* did the same in February 2019.

Moreover, *HON-DASHI*® expanded its lineup through the launch of higher-grade products such as *Yakiago-dashi* (August 2016) and *Dashi* pack *Noko-dashi* (February 2019). With regard to proposals for usage, we began the *HON-DASHI*® utilization technique campaign in February 2009 and the “*Uchi no Miso Soup Support Project*” in May 2018 to promote demand for miso soup and increase opportunities for its consumption.

3. Afterwards, salt intake gradually decreased, but the daily intake recommended by the World Health Organization (WHO) is 5g per day, while the target intake recommended by the Ministry of Health, Labour and Welfare was reduced to 8g for men and 7g for women in 2015 (revised to 7.5g for men and 6.5g for women in 2020).
4. Amino acid technology is employed, with the amount of sodium chloride halved and potassium salt added instead, and γ-PGA (polyglutamic acid) used to suppress the bitterness of the latter.



Ajinomoto KK Marudori Gara Soup 40% less salt



HON-DASHI® 60% less salt



Ajinomoto KK Consommé 40% less salt

Updating seasoning packages to be more eco-friendly

We constantly improved the packaging of seasoning products as a concrete measure aimed at business management in pursuit of sustainable production and consumption, remaining mindful of the impact of our business activities on the global environment.

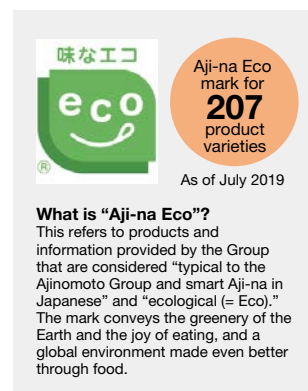
For *AJI-NO-MOTO*®, in February 2013, we introduced caps and shrink films for bottled products that use plant-derived materials. As a result, we attained our goal of “All Eco,” which aims to reduce the environmental burden of all of our packaging materials along with glass, which has a high recycling rate.

For *HON-DASHI*®, in response to the change in volume from January 2014, we reduced the amount of packaging materials used, reduced the number of inner bags, and changed the cap material for bottled products, and we improved the expiration date display afterwards. The packaging for *Ajinomoto KK Consommé* was updated in August 2016, and the packaging for large-volume varieties was simplified. For *Pure Select*®, in addition to the quality improvement in February 2018, bottles made from plant-derived materials started to be used, and they were made 5% lighter (60tons less plastic per year).

Cook Do® *Kyo-no Ohzara*® for Japanese and Western-style dishes

Changes in social conditions, which included an increase in the number of elderly/single-person households and an increase in double-income households, had a great impact on dining within families, and demands related to daily meals have diversified. In double-income households, recipes that can be made quickly and easily have become more useful, and a preference for single-plate rice dishes arose. This was true for single-person households as well. In addition, households with elderly residents needed meals that could provide sufficient nutrition from a

Figure I-1: Aji-na Eco



What is “Aji-na Eco”?

This refers to products and information provided by the Group that are considered “typical to the Ajinomoto Group and smart Aji-na in Japanese” and “ecological (= Eco).” The mark conveys the greenery of the Earth and the joy of eating, and a global environment made even better through food.

small number of items.

We expanded the categories available within the “Cook Do®” brand, which was established in 1978 as a combined seasoning for Chinese cuisine. *Cook Do® Kyo-no Ohzara®*, which allows Japanese and Western-style meat and vegetable dishes to be prepared with just a little effort, was given an advance launch in the Tokyo metropolitan area in August 2012 before its nationwide launch in February 2013.

During development of this product, we were particularly mindful about major lifestyle changes for housewives. In response to the expectations housewives have for menu-specific seasonings, which are “providing a taste that you cannot provide yourself,” “serving as a side dish for rice,” and “serving as a main dish” (according to a 2011 Ajinomoto Co., Inc. survey), we decided to offer proposals for Japanese and Western-style dishes that use menu-specific seasonings.

The lineup began with four varieties that can be made in 10 minutes: the boiled dishes *Buta Bara Daikon* (pork back rib and radish) and *Shiodori Jaga* (salt-base chicken and potato), and the stir-fried dishes *Garibata Chicken* (chicken with garlic and butter) and *Gyu Eringi* (beef and elingi mushroom), which can be made in a single frying pan. Along with these new releases, we invested in a large number of TV commercials in the second half of FY2012, and we strove to have the advertisements be expressed in a way that would make people want to try these dishes. Since then, the *Cook Do® Kyo-no Ohzara®* series has expanded to include *Buta Bara Hakusai*, *Ajishimi Niku Tofu*, *Toriniku to Tamanegi no Amazuan*, *Niku Miso Daikon*, *Toriniku to Nasu no Amazuitame*, *Toro Tamago Buta Cabbage*, *Buta Bara Piman*, *Toriteba Jaga*, and *Niku Soboro Tofu*.

Cook Do® Kyo-no Ohzara® became a representative example of our strategy of expansion into adjacent domains (see p.10 and “History” p.17).

***Nabe Cube®*, expanding consommé technology to Japanese food**

Nabe Cube® is another example of our success at expansion into adjacent domains in that the consommé technology we have cultivated was applied to *Nabe* (Japanese hotpot) dishes.

Nabe (Japanese hotpot) dishes were highly popular due to their fulfillment of the two ideals for daily meals, namely, meals that allow one to eat a lot of vegetables in light of the increase in health consciousness, and meals that require less effort to cook given lifestyle changes and an increase in double-income families. Because of the increase in the number of meals in which family members eat separately in accordance with their daily schedule, hotpot dishes were highly regarded even among households who consciously tried to create situations where the whole family gathered around the table. Originally, hotpot dishes were more common in the autumn and winter seasons in many households.

While the hotpot seasonings contained in retort pouches and bottles that had been released thus far were widely used, there were issues with these products in that they were expensive, made it difficult to adjust measurements, and were difficult to carry. Based on this feedback from consumers, we released *Nabe Cube®*, which condenses the taste of hotpot soup into a cube shape,



Cook Do® Kyo-no Ohzara®
Niku Soboro Tofu
(soybean curd with minced meat)



Cook Do® Kyo-no Ohzara®
Buta Bara Piman
(pork back rib and pimento)



Nabe Cube®
Yosenabe Shoyu



Nabe Cube®
Tai to Hotate no
Kiwami-dashi Nabe



Nabe Cube®
Yasai-dashi Nabe



Nabe Cube®
Umakara Kimchi

in August 2012. The lineup included *Tori-dashi Uma-shio*, which is a well-balanced combination of flavorful chicken broth and rich chicken oil; *Pirikara Kimchi*, which has a chicken broth base accented by the richness of kimchi and red miso; and *Yose Nabe Shoyu*, which contains a double-stock-type soup stock with chicken broth and scallops.

Toss Sala®: A different cooking style and result than usual

We have responded to the diversification of women's lifestyles and the accompanying changes in household needs with a variety of products. One of these is *Toss Sala*®, a seasoning for salads with toppings. Ever since the ratio of full-time housewives to double-income households in Japan reversed in 1997, the number of double-income households has continued to increase. Compared to full-time housewives, more housewives in double-income households wanted to provide their families with attractive-looking meals, even though they did not have much time to cook (according to a 2012 Ajinomoto Co., Inc. survey). In addition, double-income families tend to feel that they lack vegetables in their daily diet, and in response to these survey results, we worked to develop seasonings that allows a variety of vegetables to be prepared easily and in an attractive fashion. Thus, *Toss Sala*® was launched in August 2014 (an advance release in the Tokyo metropolitan area in February of that year). Ajinomoto Inc. cooperated with a series of surveys on the mindsets of working women that led to the development of this product.

Toss Sala® is a powder-type dressing that can be mixed with uncooked vegetables to make a flavorful and textured salad, and one of its features is that it makes salads look attractive. The three varieties available were *Italian/Basil*, *Maroyaka na Kyofu Yuzu*, and *Surigoma Garlic*, and a tetra-type package design was adopted. The product design, including the name, was created with the desire to enjoy different types of cooking ("Toss" refers to mixing) with a different kind of atmosphere.

Mayonnaise, cup soups, porridge: healthier and more versatile

Knorr® Cup Soup, *Pure Select*® (mayonnaise), and *Okayu* (porridge) series, which can be considered basic products in the packaged foods domain, address the desire to provide delicious foods without much time and effort, and we have expanded the lineup by adding new flavors and product types.

For *Pure Select*®, *Pure Select*® Koku Uma® Calorie 65% Cut was released in August 2012, which further reduced calories from the conventional 55% type. In addition, we made efforts to enhance the brand, such as via a collaboration with the world-famous character *Hello Kitty* (August 2010) and packaging improvements to address environmental issues (June 2011).

In 2018, in commemoration of the 50th anniversary of the release of *Ajinomoto KK Mayonnaise* (1968), we updated the packaging for all of the products in the series. We also improved the taste and flavor of both *Pure Select*® and *Pure Select*® Koku Uma® Calorie 65% Cut.

With regard to the *Knorr*® Cup Soup series, we expanded the options for sub-brands, adding varieties that included *Zeitaku Vegetables* (2010), *Premium* (2016), and *Veggie Recipe* (2018), and we augmented the lineup each year. Among these, the "made with cold milk" series, which was launched in 2014 and can be enjoyed during the hot summer season, received a lot of attention.

In the *Okayu* series, two varieties of *Ajinomoto KK Hiyashi-dashi-gayu* (a bonito and kelp-based soup stock, and a chicken and dried scallop-based soup stock) were launched in February 2011, which added spring- and summer-exclusive products to the lineup. Survey results revealed that consumers wished to cook without using the stove during hot seasons, so these products were developed based on the increased popularity of dishes such as chilled soup and chilled *Chazuke* (tea on rice). At the same time, given that the *Okayu* series is widely used in atypical situations such as during travel, leisure, illness, and disasters, we took steps to emphasize that the entire lineup of products can be eaten without being heated.



Pure Select® (left),
Pure Select® Koku Uma® Calorie 65% Cut (right)



Knorr® Cup Soup
Premium Clam Chowder



Knorr® Cup Soup made with cold milk
Corn Potage

When the Kumamoto earthquake occurred in April 2016, 54,000 servings of *Shirogayu* and *Umegayu* were provided as emergency relief supplies.



Ajinomoto KK Okayu
Shirogayu



Ajinomoto KK Okayu
Umegayu



Ajinomoto KK Okayu
Tamagogayu

Cook Do® Koumi Paste®: Achieving authentic Chinese cuisine

As part of the enhancement of the “Cook Do®” brand, we enriched our lineup of packaged foods that allow main dishes to be prepared with ease, and we also introduced new seasonings that provide authentic tastes and support a wide range of dishes. The Chinese seasoning *Cook Do® Koumi Paste®* (launched in August 2011) is a soft paste made by combining chicken/porch extract and seasoning oils such as green onion oil.

Cook Do® Koumi Paste® can be used for all kinds of Chinese dishes, which includes soups, stir-fried meat and vegetable dishes, and fried rice. This product could also be used as a secret ingredient for non-Chinese dishes and various other ways. To make it more convenient for consumers, we used tube-type packaging.

The lineup began with *Cook Do® Koumi Paste®* and *Cook Do® Koumi Paste® (Spicy)*, and in July 2014, we added *Cook Do® Koumi Paste® (Shoyu)*, which can be used for soy sauce-base soup and thick starchy sauce. In addition to general usage, we also made efforts to provide plenty of “secret recipes” that were useful for both Japanese and Western-style dishes on the *Recipe Daihyakka®* site on the **AJINOMOTO PARK** site. For non-Chinese recipes, we proposed authentic recipes both for Japanese-style dishes, such as *Oden*, *Ajitsuke Tamago*, and *Kakuni*, and Western-style dishes, such as *acqua pazza* and *ajillo*.

In February 2018, we released packages of *Cook Do® Koumi Paste®* that contain two 10g bags that can be purchased and used in small quantities with ease.



Cook Do® Koumi Paste® (left)
Cook Do® Koumi Paste® (Spicy) (right)

Knorr® Soup DELI®: Expanding the possibilities of soup

Launched in 2001 as part of the “Knorr®” brand lineup, *Knorr® Soup Pasta* was the pioneer for snack soups containing staple ingredients such as pasta and vermicelli. The snack soup market later grew to occupy a quarter of the soup market. About 70% of the market was comprised of women’s consumption, and it was consumed in particular for lunch either at work or while doing housework. Consumers desired that lunch soups make filling additions to meals compared to those that are eaten with bread during breakfast.

Based on these facts, we changed the brand to *Knorr® Soup DELI®* with plenty of ingredients series in August 2011, and we made efforts to specialize in Western-style varieties in 2013. From the beginning, there was a rich lineup of nine varieties available, which allowed consumers to have fun with their selections, much like a delicatessen (Western-style store that offers household dishes exclusively for takeout). In addition to containers that allow the food to be eaten as-is, some varieties were also launched in bags convenient for home storage.

Cook Do® Okazu Gohan: Attaining meals consisting of soup, rice, and three dishes with ease

Although the number of households whose daily meals consist of soup, rice, and three dishes—regarded as the ideal nutritional balance—has decreased, it is important for people of all ages to have a balanced intake of carbohydrates, proteins, fats, vitamins, minerals, and dietary fiber, and this is fundamental to meals. To achieve this fundamental need as the demand for simpler



Knorr® Soup DELI®
Porcini Kaoru Kinoko no
Cream Soup Pasta (in container)



Knorr® Soup DELI®
Marugoto Ikkobun
Kanjuku Tomato Soup
(in container)

cooking continued to grow, we developed *Cook Do® Okazu Gohan*, a combined seasoning for rice that uses the staple food rice as the main dish. The biggest selling point was that the main dish and rice could be cooked together simply by cooking the rice and ingredients together in a rice cooker, and the side dishes could be prepared while the rice was being cooked.

In August 2015, the *Asian Keihan* (chicken rice), *Buta Okowameshi* (pork sticky rice), and *Tori (Chicken) Curry Pilaf* varieties were given an advance release in the Tokyo metropolitan area. When they were released nationwide in February of the following year, the *Tori (Chicken) Paella* and *Hong Kong-fu Tori no Mazemeshi* (Hong Kong-style chicken rice) varieties were added, and in August of that year, *Kankoku-fu Bibimba* (Korean-style bibimbap) and *Butter Tori Pilaf* were added, which enhanced the lineup.

For each product, our original technology was used to enrich the flavor, and steps were also taken to make the cooked rice blend well with each flavor.

Supporting protein intake and contributing to zero food loss and waste

While meat consumption in Japan has always increased slowly before temporarily leveling off, it began to increase again starting in 2010, and it surpassed fish consumption in 2018. In recent years, the booms in dry-aging meat and wild game have boosted consumers' interest in meat, and the popularity of chicken, which is low in calories and high in protein, has established itself as well due to the impact of the rise in health-consciousness. Moreover, various money-saving recipes have made an appearance due to the long-lasting recession, and many techniques have been invented in particular for inexpensive chicken breasts, which tend to dry out, and make them delicious to eat. As meals that incorporate meat became central to home cooking, some began to request solutions to issues that arose depending on the cooking method, such as the meat growing hard or drying out.

In response to this situation, we developed the meat seasoning *Oniku Yawaraka-no-Moto* in February 2016. Sprinkling the product on any type of meat and letting it sit for five minutes before cooking will soften the meat with the power of enzymes through a unique formulation technology that combines enzymes and starch, etc. The starch preserves the juiciness by trapping the meat juices, and our original ingredient glutamyl-valyl-glycine (see "History" p.54) has the ability to enhance the deliciousness of the ingredients. In addition to responding to the desire to save money, there was also a desire to reduce food loss and waste as much as possible by providing a way to enjoy eating various types of meat in a time when depletion of food resources has become a serious social problem.

The technology for trapping the meat juices also addressed changes in the food situation in households. In many households, families are increasingly eating meals at different times, and cold dishes are often reheated multiple times. Another major feature of this product is that it makes meat dishes delicious even if they are cooled or reheated.

Also, in September 2017, we released *Konya wa Tezukuri Kibun®*, which allows consumers to easily cook a single dish simply by mixing it with protein (tofu, chicken, eggs) that can be purchased at CVS.



Oniku Yawaraka-no-Moto



Konya wa Tezukuri Kibun®
Mala Mabo Tofu

(4) Development of nutrition business for the elderly utilizing original technology and know-how

Development of nutrition business for the elderly

Our nutrition business for the elderly began in 1969, when we launched products for protein-energy malnutrition via our medical route. AJINOMOTO NUTRITION FOODS Co., Ltd. (promotion of medical foods) was established as a subsidiary of Ajinomoto Pharma Co., Ltd. (see p.96) in April 2008 after the total nutrition care movement established by the Pharmaceutical Company, and our nutritional care business began in May 2009. We launched three varieties for hospitals and nursing facilities exclusively in the Kanto and Koshinetsu areas, Japan, and we provided the nutrition needed by the elderly with the same delicious taste as ordinary food. We expanded the launch to the Tokai, Kinki, Chugoku, Shikoku, and Kyushu areas in Japan starting that August, and it was launched nationwide in November. At the outset of the nationwide rollout, we marketed nutritional care products as products with nutritional compositions suitable for the

elderly that could provide “Joy of Eating” due to their delicious taste, which would improve the amount and frequency of their consumption by elderly individuals requiring long-term care. We also said that they would improve Quality of Life (QOL) for the elderly and provide a high amount of nutrition and deliciousness in a small quantity, and we added three varieties.

With the establishment of the Wellness Business Division in July 2009, the Medical & Nutrition Food Business Department within the division was mainly responsible for elderly nutrition-related matters, and in April 2010, the medical food business for AJINOMOTO PHARMACEUTICALS CO., LTD. was integrated, which formed the Nutrition Care Department. After the dissolution of the Wellness Business Division in April 2015, it was turned into the Nutrition Care Group in the Wellness Business Department under the AminoScience Division.

During this period, the product lineup was enhanced as well, but in April 2016, the diets for protein-energy malnutrition (enteral nutrition) business was transferred to Nestlé Japan Limited, and the Nutrition Care Group became a part of the Consumer Foods & Seasonings Department in the Food Products Division. It specialized in nutritional care foods sold through the household-use channel and in-house online order sales (medical channel sales were outsourced to Nestlé Japan Limited, and in-house online order nutritional care foods are in sales as nutritional care foods). As a result, AJINOMOTO NUTRITION FOODS Co., Ltd., which had been in charge of sales through the medical channel, was dissolved in November 2016.

Nutritional care foods differentiated by the amino acids they contain

When the nutritional care food business started in May 2009, the sales area was limited to the Kanto and Koshinetsu areas, but in August the sales channels were expanded to the Tokai, Kinki, Chugoku, Shikoku, and Kyushu areas. *MediMill® Soup (Corn)* and *AminoCare® Jelly (Apple and Muscat)* were the products initially released. Both were based on the idea that even elderly people with low food consumption can be provided with delicious nutritional supplementation without strain. In November 2009, sales were expanded nationwide.



MediMill® Strawberry Milk



MediMill® Coffee Milk



MediMill® Banana Milk



MediMill® Vanilla

MediMill® Soup (Corn) is a powdered soup with a well-balanced nutritional composition that complies with Japanese dietary intake standards (a blend that contains 5.3g of protein, 1.8g of branched-chain amino acids (BCAA), and vitamins and minerals, and that is enhanced with iron, zinc, and dietary fiber, which the elderly tend to lack). For the corn, we used highly sweet varieties grown through managed cultivation, and we focused on “deliciousness” in particular. Since then, we have launched the following *MediMill®* products.

- | | |
|----------------|--|
| November 2009: | <i>MediMill® Soup Potato Potage</i> launched |
| April 2010: | Brick pack-type <i>MediMill®</i> flavored beverage (<i>Strawberry milk</i> , <i>Coffee milk</i>) launched |
| February 2015: | Launched the industry’s smallest-volume (100ml) and highly nutritious (200kcal) beverage, <i>MediMill® Petit Leucine Plus</i> in four flavors (<i>Banana milk</i> , <i>Coffee milk</i> , <i>Strawberry milk</i> , <i>Vanilla</i> , updated products currently available). |
| 2015: | <i>MediMill® Soup Wafu Miso Tonyu Shitate</i> launched |



Knorr® Soup series
Rich in Protein Cream Corn



Knorr® Soup series
Rich in Protein Potage

In August 2017, *MediMill® Soup* was re-launched from the “*Knorr®*” brand as a “*soup series rich in protein*” (*Corn cream, Potage*).

AminoCare® Jelly contains a 1,000mg blend of BCAA and arginine, which the elderly need, and we made sure that the 100g amount is easy to consume in an easy-to-grip container shape, and that it has properties that make it easy to eat tastily. In addition, the apple flavor contains 100kcal and the muscat flavor contains 15kcal (low-calorie type), which allows the lineup to be used appropriately according to one’s nutritional status.

In March 2014, *AminoCare® Jelly Leucine 40 (Apple)* was added, and it contributes to the promotion of exercise, such as during rehabilitation. It contains a blend that includes 3,000mg of *Amino L40®*, an essential amino acid mixture with high leucine content that received excellent evaluations from Japan and overseas academic societies; vitamin D800IU (20μg); and B vitamins (B1, B6, B12), which allows the product to contribute to increased healthy life expectancy. The product became part of a Food with Functional Claims (FFC) category, and in August 2017, it was switched to the “*Amino Aile®*” brand, and sales of *AminoCare® Jelly* ended.

In addition, the oral rehydration solution *AquaSolita®* was developed as a product for our elderly nutrition business. We have expanded our product lineup as shown below by promoting properties that include fast absorption and few calories while using our unique formulation technology to mask the bitterness of the electrolytes.



Amino Aile® Leucine 40

March 2006:	125ml carton can launched
November 2009:	Two varieties of <i>AquaCare® Jelly</i> launched for nationwide expansion of nutritional food business
August 2010:	Launched sets of five 22g powder-containing bags (for 1 liter) (rapid increase in number of heat stroke patients due to record heat)
May 2014:	Added 500ml bottled drinks

This product played a major role as part of our relief supplies in the event of natural disasters, such as the Kumamoto earthquake (2016) and the heavy rainfall in western Japan (2018).

(5) Reform of sales activities in Japan

Sales innovation and introduction of ASMA

Due to the soaring price of grain and crude oil from 2007 to 2008, raw material costs and energy costs also increased for our products, and although efforts were made to reduce these costs, we were forced to raise the price for some products. The addition of low growth made the business environment more difficult, and it became essential to respond to changes in the market structure, which included the reorganization of Japan and overseas food manufacturers.

In January 2006, we began sales innovation, which consisted of “mission innovation,” “activity innovation,” and “human resources innovation,” in order to respond to these changes in terms of sales activities in the food products business in Japan.

Through “mission innovation,” we aimed to create new added value by integrating raw material procurement, manufacturing, marketing, logistics, and sales.

Through “activity innovation,” our main goal was to respond to changes and strengthen competitiveness through improved sales activities, the prioritization of customers and operations, closer ties with local customers, and streamlined personnel and organizations. Among these efforts, improvement in sales activities means to secure advantages through proposals based on in-depth data analysis and other methods as retailers and packaged food product manufacturers work to digitize their ordering systems with a focus on POS. Specific measures have been developed separately for products aimed at consumer use, food services, and food manufacturers, and in the consumer use domain, we introduced the Advanced Store-based Marketing of Ajinomoto Co., Inc. (ASMA) system. In this system, we use IT tools in our sales activities to ascertain consumption trends at retail stores on a daily basis and thus conduct proposal-based sales of consumer products. We established a mass retailer store monitoring system, a POS

analysis system, and more.

In addition, we introduced a sales support system called the Ajinomoto Lifestyle & Food Market Data Analyzing System (ALFA), the goal of which is to recognize consumer trends characterized by diversifying values and upgrade from “sales directed at wholesalers and mass retailers” to “sales directed at consumers.” We promoted area/consumer-based marketing that utilizes local market information, business region status for each customer, consumer spending habits, and in-store purchase trends, etc.

Strengthening sales cooperation with local governments and customers

Moreover, starting in FY2016, cooperation with local governments and customers became more involved in resolving the increased burden of overnutrition (sugar, etc.) and undernutrition (calcium, protein, etc.). One example is the salt reduction initiative in the Tohoku area, where salt intake has traditionally been high and is an indirect cause of stroke. First, we collaborated with Iwate, Japan, which has the highest salt intake, to promote reduced-salt products and develop low-sodium recipes, and the prefecture established a “Low and Proper Salt Intake Day” to strongly promote low-sodium diets. As a result, both men and women succeeded in reducing their salt intake by about 2g a day, which put them below the national average. In addition to this salt reduction initiative, initiatives to create economic value through resolutions to social issues (ASV), which include eating less vegetables and skipping breakfast, spread to 39 prefectures in FY2019.

In addition, besides targeting the general public for promotion of the nutrition program *Kachimeshi*® cultivated as part of the *VICTORY PROJECT*® for top athletes, the evolution of this effort into a proposal for menus that use local ingredients assisted in the resolution of health and nutrition issues faced by local governments (see “History” p.69-70). As a result, the number of stores that deployed such ASV initiatives in FY2019 expanded significantly to a total of 60,000.

Thus, results have been produced through promotion of sales activities with a focus on consumers and the cooperation of local governments and retailers.



Kachimeshi® promotions in stores (the two items on top)



Kachimeshi® Special Talk Show in Mie (Mr. Eikei Suzuki, Governor of Mie is in center)



Kachimeshi® promotions in stores in Mie

3

The International Seasoning and Packaged Food Product Business

(1) Basic strategy for international food product business

Strengthening our regional portfolios

The Ajinomoto Group's overseas expansion experienced a turning point in February 2003, when a joint venture in six Asian countries and regions that involved the seven subsidiaries of Unilever N.V. was terminated. As time went by, the joint corporation that was established in 1987 had become a burden in terms of launch of new products, etc. The termination of the joint venture accelerated the expansion of our international food product business. In particular, development and sales of flavor seasonings were accelerated in all countries and regions where we operated businesses.

On the occasion of the 100th anniversary of our founding in 2009, Masatoshi Ito, who became President & CEO in June of that year, declared "acceleration of overseas growth" as one aspect of our basic strategy to achieve our Vision. In the FY2011-2013 Medium-Term Management Plan that followed, we established "global growth" as a growth driver and adopted a policy of increasing our presence in existing markets and developing markets in emerging regions (South Asia, the Middle East, Africa, Central and South America). Increasing our presence in existing markets entailed the enhancement of the flavor seasonings business domain (improving the market share and profitability of major products) and cultivating next-generation core products (powder-based menu-specific seasonings/functional seasonings). In terms of the development of emerging markets, the focus was on speed and utilized an approach that differed from our conventional methods for expansion into overseas markets. This included the use of core regional bases (Thailand in the case of Asia) as hubs to enable a vertical launch from the start for businesses in surrounding countries, launch of products from the start other than *AJI-NO-MOTO*®, and M&A and alliances with major local food companies.

This policy was continued in the FY2014-2016 Medium-Term Management Plan, and five main markets in Southeast Asia and South America (Thailand, Brazil, Indonesia, Vietnam, and the Philippines) that were drivers of growth were designated the "Five Stars." The goal was to earn two to three times the sales compared to FY2012 by FY2020. Further, high-population regions were targeted, such as Bangladesh, Pakistan, Turkey, Egypt, and Sub-Saharan nations (south of the Sahara Desert in Africa) as "Rising Stars." Meanwhile, in Europe and the U.S., where market development focused primarily on the bulk product businesses (feed-use amino acids, MSG for food manufactures, sweeteners) until then, plans were made to expand the frozen food product business as part of a shift towards retail.

The international food products business played the role of growth driver through a combination of this regional portfolio strategy and the provision of social value through resolutions to the challenges facing the world, such as over-nutrition in developed countries and malnutrition in developing countries.

Meanwhile, in the international food products business, "The AJINOMOTO GLOBAL FOOD COMMUNICATION SYMBOL (ACOS)" was developed as a general brand that integrated individual product brands in the consumer foods business, and it was introduced in FY2009. This demonstrates our commitment to the realization of "Eat Well, Live Well." (the unification of deliciousness and health) around the world through contributions to global sustainability, food resources, and healthy living. The consolidation of the value of our product brands in ACOS had the strategic advantage of increasing the presence of consumer products in

stores and improving the efficiency of communication compared to competitors. This initiative has been inherited by the AGB (see “History” p.81) and made further progress towards the accumulation of value in the Ajinomoto Group Brand.

Establishing Ajinomoto SEA Regional Headquarters Co., Ltd.

In the FY2014-2016 Medium-Term Management Plan, we declared our intention to become a Genuine Global Specialty Company (GGSC) to further the advancement of specialty throughout our businesses. In the international food products business, our strategy’s top priority was the achievement of dramatic growth within “Five Stars” through the introduction of local core food products in each country, expansion to food service channels and modern channels (supermarkets, convenience stores, etc.), and expansion of our businesses to surrounding regions with “Five Stars” as a launch point. To establish a management base that will carry out these measures, governance reforms were promoted to provide it with the mobility and efficiency appropriate for GGSC. Also, starting in FY2015, we clarified and transferred authority and strengthened the proposal system (fully introduced as GGP at the beginning of FY2016 (see “History” p.79-80) based on the system of “the governing headquarters and the delegated front that can run on their own,” with the goal of accelerating on-site decision-making.

We began with reforms in Southeast Asia, where four of our “Five Stars” countries exist, and in January 2015, we established Ajinomoto SEA Regional Headquarters Co., Ltd. (ARH), a fully owned subsidiary of Ajinomoto Co., Inc., in Bangkok, Thailand. The company started with paid-in capital of 715 million baht (approx. 2 billion yen) and 25 employees. It integrated our businesses and the Group companies related to consumer foods throughout Southeast Asia and South Asia. Specifically, these efforts began with the formulation of regional part of the Group-wide strategy, which entailed the aggregation and management of business plans and results; consideration of new businesses and M&A; brand management; consideration of new technologies and materials and their uses; tasks related to personnel, legal affairs, auditing, and information systems planning; corporate management; management of quality assurance, safety, and environmental policy; support for development and sales marketing; support for business infrastructure development; development of advertisements and packaging; and product evaluation, etc.

With the establishment of a joint venture with the Pakistan-based Lakson Group in August 2016, ARH served as our investment company and played a leading role.

(2) Expansion in Southeast Asia and China

Expansion in the major markets of four of our “Five Stars” countries

We designated four of the aforementioned “Five Stars” countries—Thailand, Vietnam, the Philippines, and Indonesia—as our main markets in Asia, and we expanded the market share of main products, including *AJI-NO-MOTO*®. At the same time, we focused on developing products that could serve as the core of the next generation.

One of these was powder-type menu-specific seasonings for casual purchase. Products such as the following were released in accordance with local tastes to appeal to the trend towards convenience.

Thailand: *Ros Dee*® Menu series

Vietnam: *Aji-Quick*® series

Philippines: *CRISPY FRY*® series

Indonesia: *Sajiku*®, *SAORI*®, and *Delito*

Functional seasonings included liquid seasonings (*Takumi-Aji* in Thailand, *Sarsaya*® in the Philippines), etc. We also pursued business expansion through the introduction of convenient and filling light meals (the pancake mix *Bánh Rán* in Vietnam and increased varieties of *Yum Yum*®¹ instant noodles in Thailand, among others).

1. Launched by WAN THAI FOODS INDUSTRY CO., LTD., in which we acquired a share in 1972. As of 2019, there are 15 varieties of pillow-type noodles, 7 varieties of cup-type noodles, and 3 varieties of snack noodles available.

Expansion in Thailand (1): Reinforcing the system to maintain our largest overseas market

Thailand is the largest overseas market for us and is also an important country for production that contains production sites for MSG, seasonings, coffee, and frozen foods. Although it was hit hard by the 2011 Thailand floods, the impact was minimized through local efforts and accurate announcements for those outside the Group, and AJINOMOTO CO., (THAILAND) LTD.'s sales accounted for 40% of total sales from our overseas businesses in FY2014.

We established a local subsidiary in 1960 to popularize and establish *AJI-NO-MOTO*[®], and as the Thai economy grew, we gradually released the flavor seasoning *Ros Dee*[®], the menu-specific seasoning *Ros Dee*[®] Menu, and the liquid seasoning *Takumi-Aji*. We ultimately attained over a 25% market share in the seasonings, sauces, and dressings category (FY2014). In addition, *Birdy*[®] canned coffee, released in 1993, appealed to customers through the characteristics of waking up and feeling refreshed, and the strategy of developing sales channels primarily through gas stations succeeded. It grew into a top brand that comprises 70% of the market share, and the stick type *Birdy*[®] 3 in 1 also became a major product for AJINOMOTO CO., (THAILAND) LTD. *Yum Yum*[®] instant noodles have become an important product as well.

Based on these achievements, from 2012 to 2013, production capacity was increased for a plant (completed in 2003) that makes nucleotides used in combination with MSG as an ingredient for soups and flavor seasonings, with the goal of enhanced cost competitiveness and response to increased global demand. Subsequently, a new umami seasoning plant (annual production of MSG: 64,000tons) was established in Ayutthaya (total investment: 24 billion yen) in October 2013. We also increased the production capabilities of *Ros Dee*[®] in Saraburi in August 2017. Given the expansion of the middle-income population, the Thai flavor seasonings market is expected to continue its expansion due to the increase in usage per household and an increase in usage opportunities mainly in the food stall-style market. For *Birdy*[®], we opened a second plant (approx. 12.5 million cases; investment amount of 4.5 billion yen) to enable product development to meet changing demand. It began operations in July 2013 and doubled production capacity.

However, due to political turmoil² in Thailand, sales remained flat for several years after FY2013. With about 20 years having elapsed since its launch, the "*Birdy*[®]" brand was unable to demonstrate the ability to stimulate new demand, and its market share declined due to the entry of Nestlé S.A., the largest food company. In addition, for modern trade transactions (supermarkets and convenience stores), which had become more important as new sales channels, negotiating with headquarters was the standard, which put us in a difficult situation. This is because this approach differed from the direct cash sales model (three actuals principle; staff at the actual site selling actual products for actual cash) that used to be effective in the traditional market. However, at present, AJINOMOTO CO., (THAILAND) LTD. has launched new products that include espresso-flavored and tea varieties of *Birdy*[®], strengthened sales of unique *Yum Yum*[®] flavors and food service products, and provided visualization and standardization (through the use of IT) for traditional trade (small-scale retailers) coverage, which has allowed it to overcome these issues and continue to maintain its role as our largest site in Asia.



AJINOMOTO CO., (THAILAND) LTD.
(Headquarters)



On-site observation of Ayutthaya Plant
construction

2. In 2014, the Commander of the Army launched a military coup, suspending the Constitution and Parliament. In July 2019, civil government was restored, but the army has significant influence over the government.



AJINOMOTO CO., (THAILAND) LTD. products

Expansion in Thailand (2): Developing markets in surrounding countries

Utilizing the production sites and sales know-how of AJINOMOTO CO., (THAILAND) LTD., we advanced market development in neighboring countries as well.

In Cambodia, AJINOMOTO (CAMBODIA) CO., LTD. was established in September 2009, and a packaging plant was established in the Phnom Penh Special Economic Zone. Several factors were behind the plant's opening, such as the fact that in the past, Cambodia had imported and sold pre-packaged *AJI-NO-MOTO*® from Thailand, but the impact of TV commercials and so on facilitated market penetration, which resulted in the sales volume nearly doubling in the three years from 2005 to 2008 in Cambodia. There was also the fact that damage occurred due to reshipments during transport.

Moreover, in Myanmar, where business had been suspended in April 2000 due to changes in the business environment while a local subsidiary (Myanmar Ajinomoto Industry Co., Ltd.) was established in 1995, progression in the opening of the economy starting in 2011 led to our re-entry into the market, as described below.

- 2012: *AJI-NO-MOTO*® exported from AJINOMOTO CO., (THAILAND) LTD. was launched in Myanmar
- May 2015: Guidelines for special economic zone went into effect
- February 2016: Myanmar Ajinomoto Foods CO., LTD. established
- August 2017: *AJI-NO-MOTO*® production (packaging) plant began full-scale operations in the Thilawa Special Economic Zone in Yangon
- February 2018: New plant in the Thilawa Special Economic Zone for the instant coffee *Birdy*® 3in1 (stick type) began operations.
A Ros Dee® production line was introduced at the *AJI-NO-MOTO*® plant

Umami seasonings are widely used at home in Myanmar, primarily for curry dishes, and the annual consumption amount for umami seasonings is also one of the highest in Southeast Asia. In addition, the size of the powdered beverage market is said to be about twice that of Thailand (approx. 247,000tons in 2016), and it is expected that sales of *Birdy*® will be expanded through the utilization of the brand power it has in Thailand.

Including the flavor seasoning *Ros Dee*®, given the continued economic growth in Myanmar, we are aiming for annual sales of 3 billion yen in FY2020.

Expansion in Vietnam: Rapid market growth and development of original products

In Vietnam, AJINOMOTO VIETNAM CO., LTD., established in 1991, has handled production and sales for *AJI-NOMOTO*®, flavor seasonings *Aji-ngon*®, and *Aji-Mayo*® mayonnaise, and other products for Vietnam. Since then, the sales volume for *AJI-NO-MOTO*® has increased year by year along with the economic growth of the country, and Vietnam's flavor seasoning market has become the second largest in the world after China (according to a 2014 Ajinomoto Co., Inc. survey). In response, AJINOMOTO VIETNAM CO., LTD. has expanded its production facilities several times.

Furthermore, it was positioned as one of our "Five Stars" in the FY2014-2016 Medium-Term Management Plan, and given its goal of tripling sales by 2020, it has actively conducted marketing activities and striven for constant improvement of various products and packaging, which has enabled it to achieve business expansion. In August 2017, the production capacity of the Bien Hoa Plant in Dong Nai was increased by 1.2 times in anticipation of



Visit to Cambodia retail market



Visit to Myanmar Ajinomoto Foods CO., LTD.



Visit to Vietnam market

market growth, which was expected to be 2-3% per year.

Efforts were also made to develop and launch original products, which include:

The *Aji-Quick*® menu-specific seasoning series

For hotpot	<i>Lâu Thái and Lâu Kim Chi</i>
For stew	<i>cá kho and thịt kho</i>
For noodle soup	<i>Phở Bò and Bún Bò Huế</i>
Fried chicken flour	<i>Bột Tôm Khô Chiên Giòn and Bột Chiên Giòn</i>
Tencho (savory seasoning)	<i>THIT HEO PLUS</i> (for pork dishes)

Additionally, the pancake mix *Bánh Rán* (*Bánh* is a general term for dishes that use flour; *Rán* means “to fry”) was launched in July 2016.



Bánh Rán

Expansion in Indonesia: Increased production of long-selling products

In Indonesia, since the establishment of PT AJINOMOTO INDONESIA in July 1969, the flavor seasoning *Masako*® (launched in 1989) and the menu-specific seasoning *Sajiku*® (launched in 1999) have acquired a market share of 60%. *Masako*® had been produced at Mojokerto Plant in the eastern part of Java Island, but in anticipation of increased demand, a new plant was established in the Karawang International Industrial City in the western part of Java Island in 2012. It became operational in September of the same year and contributed to a 50% increase in production capacity and streamlined logistics. Afterwards, the volume of sales grew rapidly, and in 2017, the two plants were expanded, which raised their combined production capacity by about 30%. For the expansion of Karawang Plant, we created a new visitor passageway that offers a view of all floors and processes. We consciously set out to create a production site that we could show to our business partners and visitors.

In addition, the liquid seasoning *SAORI*® launched in 2005 acquired the No. 1 market share in the home use oyster sauce and teriyaki sauce market, and further growth was expected as a result of an increased need for convenient cooking due to the economic growth of Indonesia. In light of this, in June 2014, we built a new facility in the Karawang Plant. As a result, production capacity doubled, and it became possible to absorb contracted plant production at the plant.



SAORI® Saus Tiram

Expansion in the Philippines: Expansion of categories amid stable growth

In the Philippines, a joint venture Union Chemicals Inc. was established in May 1958 to begin local production and sales of MSG. It penetrated *AJI-NO-MOTO*® in the market primarily through private “Sari-sari stores,” an indispensable part of the lives of those in the Philippines, and of which there are said to be a million nationwide. In 2001, it was turned into an almost fully owned subsidiary and became AJINOMOTO PHILIPPINES CORPORATION. Furthermore, while maintaining this transaction base, we have expanded our business by focusing on modern trade transactions that include supermarkets and convenience stores.

The GDP growth rate for the Philippines has been around 6-7% since 2010, and as in developed countries, the need for convenience in home cooking continued to increase. This led AJINOMOTO PHILIPPINES CORPORATION to promote product diversification.

The menu-specific seasonings for fried chicken *CRISPY FRY*® (launched in 2004) and *Tasty Boy*® (launched in 2007) formed a whole new market in the Philippines, where there were few opportunities to cook fried chicken at home, despite its popularity at fast food restaurants.

In addition, according to a consumer insight survey, it was found that pork broth is the preferred seasoning for home-cooked dishes in the Philippines, and it became clear that there was a high need for an all-in-one type that mixes spices and basic seasonings. Thus, the flavor seasoning *PORKSAVOR*®, which contained pork extract, was developed and launched in June 2014 throughout the Philippines. The product name is a coined word that refers to the rich, delicious taste and flavor of pork, and TV commercials advertised its genuine taste made from pork meat and bones and its low price.

In addition, the oyster sauce *Sarsaya*® was launched in October 2016, and it aimed for growth amid the rapid increase in the types of seasonings used that coincided with economic development.



PORKSAVOR®

Expansion in China

The retail food business in China began in earnest in 1993 with the establishment of a joint venture, Lianhua Ajinomoto Co., Ltd., with the leading company in the local MSG industry. Since then, the two companies tried to expand their businesses in China by combining both brands, but sales continued to be sluggish, and in November 2005, the joint venture was dissolved. Meanwhile, Shanghai Ajinomoto Seasoning Co., Ltd. had been established in August 2002, and it began production and sales of six varieties of the Western-style soup *Yunon*, as well as the flavor seasonings *MOR CHU GAOTANG* and *HON-DASHI Dried Scallop Flavor Seasoning*.

In 2006, Hong Kong-based Amoy Food Group, whose main products are Chinese soy sauce and frozen dim sum, was acquired in an effort to accelerate business in China.

Even after the 2008 financial crisis (the Lehman Shock), China maintained high growth due to massive amounts of fiscal mobilization and other measures. It is said that around 2015, the number of wealthy people grew to 1.1 million households, triple the number in Japan, and the middle-class population exceeded 100 million. In July 2011, AJINOMOTO BAKERY CO., LTD. established Shanghai ABPan Co., Ltd. as a joint venture with Shanghai BreadTalk Co., Ltd. in order to take advantage of the food-related changes that accompanied these shifts. Shanghai BreadTalk Co., Ltd. is a subsidiary of a Singaporean company that operates food courts in 13 countries throughout Asia and the Middle East, and it has developed a bakery chain in China. Afterward, Shanghai ABPan Co., Ltd. went on to manufacture frozen bread dough to be supplied to the Shanghai BreadTalk Co., Ltd.'s bakeries. On a different note, in June 2017, a partnership was formed with Inagora Inc., which provides an e-commerce service for overseas markets, to open a store on that company's Japanese product shopping site, *Wandougongzhu*, which is aimed at Chinese consumers. It began selling 10 products to meet the demand for health and shorter cooking time.

In November 2018, we decided to sell all the shares in the Amoy Food Group to CITIC Capital Asian Foods Holdings Limited, a corporate fund belonging to the China-based CITIC Group, and decided to subscribe a 15% share of the company to start a joint venture.

Instead of pursuing the retail commodity product business, which tends to descend into price competition with local companies, our fundamental mindset is an emphasis on profit, with a focus on business aimed at food services and industrial food manufacturers, which can be developed as "Specialty", and products with added value such as health benefits. In the organizational restructuring in March 2019, the China Division, Beijing office, and Hong Kong office were shut down. Restructuring efforts have focused on the creation of a system that centralizes management of our businesses in China under Ajinomoto (China) Co., Ltd.



MOR CHU GAOTANG

(3) Expansion in Central and South America

Expansion in Brazil (1): *Tempero SAZÓN*®, the flavor seasoning boasting the top market share

Our efforts in the Central and South American market began in 1956. AJINOMOTO DO BRASIL INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA. was established in Brazil, where there were many Japanese immigrants before World War II. *AJI-NO-MOTO*® was imported from Japan and packaged locally, with sales promotions focusing mainly on Japanese food service. In 1974, Ajinomoto Interamericana Indústria e Comércio Ltda. was established as a manufacturing and sales base for seasonings. In 1997, Ajinomoto Co., Inc. acquired a share in Orient Co., Ltd., and in January 1998, it changed its name to Ajinomoto Biolatina Indústria e Comércio Ltda. and began the manufacture and sale of feed-use amino acids and umami seasonings. During this period, in 1994, Ajinomoto Interamericana Indústria e Comércio Ltda. took over AJINOMOTO DO BRASIL INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA. to form a two-company structure with Ajinomoto Biolatina Indústria e Comércio Ltda.

In October 2009, Ajinomoto Biolatina Indústria e Comércio Ltda. was renamed AJINOMOTO DO BRASIL INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA., and in 2010, Ajinomoto Interamericana Indústria e Comércio Ltda. was integrated, which centralized operations in Brazil.

In terms of products, we began to develop flavor seasonings that match the tastes of Brazilians in order to tap into the Brazilian market, where there was rapid population growth. In 1988, we launched *Tempero SAZÓN*®, which means “magic seasoning.” The series grew to nine varieties for different uses, and it established itself as a brand that boasts the top market share. In June 2013, to strengthen and expand *Tempero SAZÓN*®, our core product, we expanded the production facilities at Limeira Plant in São Paulo (annual production increased by 40% (6,700tons)).

Meanwhile, the instant noodle business, which started with MIOJO PRODUTOS ALIMENTICIOS LTDA. (founded in 1965 and later renamed NISSIN-AJINOMOTO ALIMENTOS LTDA.), helped both to establish the market and maintain it in Brazil, and it continued to hold the top market share. In response to additional market growth expected in the future, NISSIN-AJINOMOTO ALIMENTOS LTDA. opened a new plant in northeastern Pernambuco in October 2012. However, in October 2015, we transferred its entire share in NISSIN-AJINOMOTO ALIMENTOS LTDA. (32.5 billion yen) to NISSIN FOODS HOLDINGS CO., LTD. The goal was to concentrate management resources towards the development of our own brand, given that the company’s business had been developed under the “Nissin” brand.

Expansion in Brazil (2): Expanding into neighboring domains via product diversification

Product development in Brazil was actively promoted through the utilization of the brand, technology, and sales channels built by *Tempero SAZÓN*®. In 2000, the powdered juice *MID*®³ was launched, and this was followed by the low-calorie powdered juice *FIT*®⁴ in 2005. The instant soup *VONO*®⁵ was launched in 2005, and the series grew to feature more than 10 varieties as efforts continued towards actively developing a variety of products and encouraging the practice of drinking soup with light meals to take root.

In the FY2011-2013 Medium-Term Management Plan, *MID*® and *VONO*® were positioned as main products along with *Tempero SAZÓN*® and expanded. Another major goal was to expand the food service business and expand businesses to neighboring regions (Argentina, Chile, Colombia, and Central America).

After the country was positioned as one of “Five Stars” in FY2014-2016 Medium-Term Management Plan, a number of initiatives were advanced, such as the introduction of new products that included powder/liquid seasonings, dessert mixes, and oil-based products; the expansion of lines of business through alliances, such as frozen foods; and the promotion of the “Deliciousness in Brazil” project⁶, which aimed to offer deliciousness to Brazilians through the use of onions and garlic as key ingredients.



Tempero SAZÓN®



MID®



FIT®

3. As of 2019, 19 varieties are available, and they include pineapple, vanilla lime, persimmon, guava, sourp, and gooseberry.
4. As of 2019, 10 varieties are available, and they include blackberry, lime, mango, and lime tea.
5. With the termination of the joint venture with Unilever N.V. in Asia in 2003, the “Knorr” brand became usable only in Japan, so this was launched as a new soup brand. Seven creamy products were developed to suit Brazilian tastes, including cheese, tomato, and basil.
6. Brazilian and Japanese developers aligned their evaluations of what constitutes “deliciousness” for local consumers, and they bridged the differences in local and Japanese sensations about the elements that make up the product, which include taste, flavor, appearance, and texture.

Further, in response to the rapid growth of the menu-specific seasoning market in Brazil, the menu-specific seasoning *Satis!*® for milanesa was launched in May 2014. Milanesa is a typical Brazilian home-cooked dish that is made by seasoning meat with spices, sprinkling it with breadcrumbs, and frying it. While it is a popular dish, the difficulty is that it requires a lot of time and effort. So AJINOMOTO DO BRASIL INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA. developed *Satis!*® as a menu-specific seasoning for a variety of dishes that can be prepared without oil in an oven or a microwave, which has become popular in many households. It started with three varieties: plain; cheese, tomato, and basil; and herbal lemon. In September 2016, *amino VITAL*® GOLD was launched on online shopping sites.

In 2018, it integrated the development and business departments and established a system that can manage the entire product development process. In an effort to transform from a seasonings company to a food product company, it worked to make its entry into the frozen food, beverage, enzyme for food service, and other businesses, as well as expand its businesses into neighboring countries and strengthen its value chain.

Expansion in Peru: Active development of the instant noodle market

In Peru, AJINOMOTO DEL PERÚ S.A. was established in 1968 based on the spread of our products among those of Japanese descent, etc. In addition to *AJI-NO-MOTO*®, the flavor seasoning *Doña Gusta*® (for fish, beef, and chicken), *AJI-NOSILLAO*® soy sauce, and other products were manufactured and sold. In October 2002, *Aji-no-men*® instant noodles were launched in anticipation of rising income levels and a growing trend towards convenient foods. The three initial flavors were “chicken,” “beef,” and “oriental,” and besides Peru, they also became available in Bolivia, Chile, and Colombia. In 2016, it grew into a brand with 15 different varieties.

In addition, *Aji-no-mix*® fried chicken flour and other products were also developed to expand the Central and South American market.

Expansion in Mexico

In 1961, we acquired a share in Shin-Nippon Commerce, Inc. (currently Ajinomoto Trading, Inc.) to start full-scale exports of *AJI-NO-MOTO*® in addition to food and miscellaneous goods to Mexico. With the opening of the Mexican branch of Ajinomoto Biolatina Indústria e Comércio Ltda. in November 2004, the feed-use amino acid (animal nutrition) business assumed a leading position. Mexico is a major Central American country with a total population of about 130 million people and a per-capita GDP of about US\$ 10,000 (as of 2019), but the degree of market penetration for *AJI-NO-MOTO*® and *HON-DASHI*® was not as high compared to Brazil and other countries.

Ajinomoto de México, S. de R.L. de C.V. (Headquarters: Mexico City), which is in charge of the consumer food business, was established in January 2009, and in October 2012, *AJI-SAZON*® for food service was launched. Mexico is also an area where Ajinomoto Foods North America, Inc. has worked to expand its frozen foods, and further expansion is expected in the future.



Aji-no-men®

(4) Market development in emerging countries

Establishment of subsidiary in Bangladesh and joint venture in Pakistan

For global growth in the overseas consumer business, which is one of the growth drivers listed in the FY2011-2013 Medium-Term Management Plan, we targeted neighboring countries with regional core bases as hubs to develop new markets. For our targets, we settled on the Central and South American market, which could be approached from North America and Brazil, and the markets of the large, high-population countries of South Asia, the Middle East, and Africa, to which Southeast Asia and Europe served as a bridge.

Possible locations for the establishment of a base included Bangladesh, Myanmar, and Pakistan in South Asia; Turkey and Egypt in the Middle East; and Côte d'Ivoire in Africa.

In Bangladesh, AJINOMOTO (SINGAPORE) PRIVATE LIMITED began to develop the market in FY2003, and sales continued to grow. Bangladesh is an Islamic country with a population of about 160 million people as of 2011, and this is expected to grow to about 210 million people by 2025. Its population density is one of the highest in the world, and daily meals consist of bean soup and vegetable curry along with rice, so demand for *AJI-NO-MOTO*® was expected owing to its ability to enhance umami in these dishes. Thus, in August 2011, we established AJINOMOTO BANGLADESH LIMITED as a sales company that handles seasonings and packaged food products for consumers in the capital city of Dhaka. The company imported *AJI-NO-MOTO*® from PT AJINOMOTO INDONESIA and sold it to accelerate market development. In January 2013, we built a packaging plant for umami seasoning *AJI-NO-MOTO*® for consumer use in an industrial park in Tongi on the outskirts of Dhaka and began repacking bulk *AJI-NO-MOTO*® imported from Thailand.

In addition, Pakistan, which has a population of about 180 million as of 2012 (estimated to grow to 270 million in 2050), has been importing and selling *AJI-NO-MOTO*® since the 1970s, and it has penetrated the market to a degree through its use in stewed dishes provided by catering services as well as *dal* soup (bean soup) and *karaita* (meat and vegetable curry) cooked at home. For this reason, in July 2014, we established a local office and proceeded with preparations in Lahore, the capital of Punjab, the largest province. In August 2016, Ajinomoto SEA Regional Headquarters Co., Ltd. (see p.22), a fully owned subsidiary of Ajinomoto Co., Inc., established AJINOMOTO LAKSON PAKISTAN (PRIVATE) LTD., which imports and sells flavor seasonings and menu-specific seasonings, as a joint venture with the local conglomerate Lakson Group. The Lakson Group has strong distribution capabilities that span 180,000 retail stores nationwide and a strong network of distributors. We utilized these strengths to work on sales and build a business foundation for flavor seasonings that include *Masako*® and *CRISPY FRY*®, which have become standard in places like Indonesia and the Philippines.



Opening ceremony for AJINOMOTO BANGLADESH LIMITED

Developing the market in Turkey: Establishing a foundation through a local subsidiary and M&A

Our biggest target in the Middle Eastern market was Turkey. Although the population was just 76 million people as of 2012, the GDP per capita is over US\$ 10,000, and it is both undergoing Westernization and considered to be friendly towards Japan.

First, in July 2011, we established Ajinomoto Istanbul Food Sales Ltd. as a fully owned subsidiary in the Turkish capital. The company developed its business with a focus on food service seasonings not only in Turkey, but the Middle East and Central Asia as well.

Subsequently, in December 2013, Ajinomoto Co., Inc. acquired a 50% share in Kükre A.Ş., a premium-brand food company in Turkey that manufactures and sells liquid seasonings, pickles, and other products. It became a fully owned subsidiary in August 2017. This led to the acquisition of the “KEMAL KÜKRER” brand liquid seasonings business, which was owned by Kükre A.Ş.

Meanwhile, in April 2017, Ajinomoto Co., Inc. acquired Örgen Gıda Sanayi ve Ticaret A.Ş. as a fully owned subsidiary, which manufactures and sells powdered seasonings such as bouillon and menu-specific seasonings and packaged food products such as powdered soups and

powdered desserts under the “Bizim Mutfak” brand.

Then, in July 2018, to put the finishing touches on these measures, we integrated Ajinomoto Istanbul Food Sales Ltd., Kükre A.Ş., and Örgen Gıda Sanayi ve Ticaret A.Ş. into Ajinomoto Istanbul Food Industry and Trade Limited Company. This integrated and streamlined the corporate functions of the three companies, and the marketing and sales functions were utilized to create a strong business foundation as one of the Turkish leading general food manufacturers. We established a system to accelerate the sale of new products and exports to Middle Eastern countries and other regions through utilization of the unique ingredients and technologies owned by the Group. Eight years after the office was set up, development of the Turkish market was rapidly achieved.



Visit to Istanbul market

Expansion in Africa (1): Creating demand in Egypt

In the 2010s, Africa was the final frontier market that all industries had in their sights. With a population of about 1.2 billion as of 2015, sub-Saharan Africa had an average annual real GDP growth rate of about 5% from 2011 to 2015, and it was expected to form a huge economic zone. Due to the increase in middle-income consumers amid a period of economic growth, the diversification in demand and need for convenience has increased in particular among young people, and the seasoning and packaged food markets are expected to grow significantly.

Umami is a familiar component of the sub-Saharan diet, which uses seasonings traditionally made from fermented nuts. We began exporting products in the early 1980s, and in May 1985, a West Africa office (Lome, Togo) was established. Nigeria was designated as the first country for expansion, and in May 1991, WEST AFRICAN SEASONING COMPANY LIMITED (WASCO), which handled packaging, was established to facilitate a full-scale entry into the continent.



Observation of Egypt retail sales

With these preparations in place, in October 2011, we strengthened the system by reorganizing our European business, which has close ties to the continent geographically (see p.36), and at the same time, we established a local subsidiary, Ajinomoto Foods Egypt S.A.E. in Egypt. The company was responsible for the consumer food business, with a focus on the domestic market and the North African region, and it began with expansion into marketplaces in shopping districts in Cairo known as “souks.” It generated demand by proposing that its products be used in the dishes sold at “souks.” At the same time, it also explored the use of *AJI-NO-MOTO*® in home-cooked meals and raised awareness of its ability to dramatically enhance the flavor of the Egyptian rice dish, “*lodge*” (stir-fried rice that is boiled after adding salt), which led to sales.

Development in Africa (2): Establishment of local subsidiary in Côte d'Ivoire

With regard to market development in West Africa, in January 2012, we established AJINOMOTO AFRIQUE DE L'OUEST S.A., a sales company for seasonings and packaged food products for consumer use, in Côte d'Ivoire, and started importing and selling *AJI-NO-MOTO*® the same month. *AJI-NO-MOTO*® was highly compatible with West African cuisine, in which soup is often eaten as a side dish, and at the start, the new company imported and sold packaged *AJI-NO-MOTO*® from WASCO.

In March 2013, a packaging plant for *AJI-NO-MOTO*® was constructed and entered full-scale operations in an industrial park in Yopougon of Abidjan, the largest city in Côte d'Ivoire. This made it possible to import bulk *AJI-NO-MOTO*® from AJINOMOTO DO BRASIL INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA. and sell them in small packages that meet local needs.

Equity participation in Africa-based Promasidor Holdings Limited

One of the milestones in the development of the African market was the acquisition of shares



AJINOMOTO AFRIQUE DE L'OUEST S.A.
“AJI-NO-MOTO”

(33.33%) in Promasidor Holdings Limited, a major seasonings and packaged foods manufacturer, in November 2016. The acquisition cost was US\$ 532 million (approx. 55.8 billion yen). The company operates in 36 African countries, primarily the five countries of Nigeria, Algeria, Ghana, the Democratic Republic of the Congo, and Angola, and produces and sells powdered milk, powdered beverages, flavor seasonings, cereal, and other products. Its brands have widely penetrated the African market. We will strengthen the business base throughout Africa by combining the Promasidor Holdings Limited's strong sales base in Africa with our own product development and production technology capabilities, and aim to establish the Group as a leading player in the market over the medium to long term.

Establishing an instant noodles business in India through a partnership with Toyo Suisan Kaisha, Ltd.

In April 2014, we signed a joint venture agreement with Toyo Suisan Kaisha, Ltd. with regard to the establishment of companies in the instant noodle business in Nigeria and India as one measure to rapidly advance our business development in emerging countries. The goal was to cultivate emerging markets through the combination of our sales base and marketing capabilities and Toyo Suisan Kaisha, Ltd.'s instant noodle development and production technology capabilities. In both countries, the demand for instant noodles has grown remarkably along with the increase in the purchasing power of the middle class, and both India (a market comprised of 4.4 billion servings with an average growth rate of 22% per year) and Nigeria (a market comprised of 1.9 billion servings, with an average growth rate of 7% per year) looked promising for future growth.

In December 2014, MARUCHAN AJINOMOTO INDIA PRIVATE LIMITED (Headquarters: Kanchipuram, Tamil Nadu), a joint venture, was established in India, and production and sales of instant noodles began in November 2016. However, the joint venture agreement for instant noodles in Nigeria was canceled in October of that year due to a drastic change in the economic situation linked to the fall in crude oil prices.

Expansion of “Blendy” brand powdered drinks in India

In the 2000s, India's economic development attracted attention as one of the BRIC (Brazil, Russia, India, and China) countries, and as of 2018, its population has exceeded 1.33 billion. It is a major South Asian country whose population is expected to overtake that of China in the 2030s to become the largest in the world.

We established AJINOMOTO INDIA PRIVATE LIMITED (Headquarters: Kanchipuram, Tamil Nadu) in October 2003, which has marketed *AJI-NO-MOTO*® and the menu-specific seasoning *Hapima*® (fried rice seasoning/fried chicken flour).

Starting in 2016, *A&M* instant noodles were added through a joint venture with Toyo Suisan Kaisha, Ltd. (see “History” p.49).

Furthermore, in order to enhance its consumer food business in India, in August 2017, we started selling *Blendy*® 3in1 coffee and masala chai in Tamil Nadu, which marked its entry into the powdered beverage market. We aimed to establish the powdered beverage market by selling the products at retail stores called “*Kirana stores*” and supermarkets, which was our first expansion into an overseas market after the acquisition of the *Blendy*® trademark in October 2016 (see “History” p.46). Coffee and black tea are consumed on a daily basis in the province. Coffee drunk at home is in instant powder form, while black tea is brewed with tea leaves, and hot milk and sugar are added to both, so it is expected that demand can be found for the convenience provided by “3in1”.



Promasidor Holdings Limited's representative products



Blendy® 3in1 Coffee



Blendy® 3in1 Masala Chai

4

The Global Frozen Food Business

(1) Full-scale expansion into the overseas frozen food market

Promoting globalization using a business framework fostered in Japan

Ever since the FY2011-2013 Medium-Term Management Plan, frozen foods have also played a vital role in the global expansion of the Ajinomoto Group's consumer foods business, which has consistently been positioned as a growth driver. The reason for this is that in North America and Europe, like Japan, there has been an increase in the diversification of food demand and the lack of workers in the food service market. This has led to the projection that the know-how and technology fostered in Japan can be sufficiently utilized in these two markets and that the frozen food market will expand along with improvements in the standard of living in other regions.

The global frozen food market has shown solid growth with an expansion rate of 3% per year on average since 2010. In April 2019, we established the Global Frozen Foods Strategy Department to promote the expansion of our business on a global scale. The department formulates strategies for our overseas frozen foods business, and it also engages in efforts such as medium- to long-term technological development, the creation of supply strategies, asset management, and personnel development. The department was renamed the Frozen Foods Business Department in April 2020, which integrated the Japan and overseas businesses and formed a framework for the promotion of growth strategies for frozen foods.

A focus on the Asian food and dessert markets

The Asian food and dessert markets are a particular focus of our initiatives.

The Asian frozen food market (*gyoza* (Japanese-style dumplings), cooked rice (fried rice), *shumai* (Chinese-style steamed dumplings, spring rolls, fried chicken, chow mein, ramen, etc.) is worth US\$ 10 billion (approx. 1.1 trillion yen according to Ajinomoto Co., Inc.'s estimate), and it has grown at a rate of about 5% per year. In November 2014, we acquired the U.S. company Windsor Quality Holdings, LP. This enabled a plan for sustainable business expansion in which, in addition to Ajinomoto Frozen Foods Co., Ltd (FFA)'s *Gyoza* and cooked rice products made with superior technology and quality, we also added noodle products that use the technology and know-how we have cultivated in the U.S. to our major products.

The global frozen dessert market is worth US\$ 5 billion (approx. 0.5 trillion yen, Ajinomoto Co., Inc.'s estimate), and further growth is expected in light of the shortage of workers in the global food service industry (hotels and restaurants). We acquired French company LABEYRIE TRAITEUR SURGELÉS S.A.S. (LTS) in November 2017 and planned the global rollout of high-quality French macarons. This plan also aimed to expand business through the introduction of cakes cut into individual slices, which we are developing for food services in Japan, to food service channels in various countries.



LTS "Macaron parisian girl"

(2) Expansion in North America

Plan to further develop markets centered on frozen foods

Our business in North America began with the efforts of Toyonobu Domen (our 4th President;

see “History” p.5) to establish offices in New York in 1917 and in Los Angeles in 1936. After the postwar lull, the Ajinomoto Co. of New York Inc. opened in July 1956, and direct sales of *AJI-NO-MOTO*® resumed. In the years that followed, the consumer food and bulk amino acid businesses developed as shown below.

- 1977: Launched frozen food products
- 1982: Launched aspartame (amino-acid based high-intensity sweetener)
- 1984: Began local production for feed-use amino acids for animal nutrition (Ajinomoto Heartland, Inc.)
- 2000: Acquired local company GranPac Foods, Inc. and established Ajinomoto Frozen Foods U.S.A., Inc.; began local production for frozen foods

In our FY2011-2013 Medium-Term Management Plan, we decided to further develop our operations in the existing market of North America (improving the market share and profits for major products and developing next-generation core products), with frozen foods as the focus.

In April 2013, the development, marketing, and sales departments of Ajinomoto Frozen Foods U.S.A., Inc. were merged with the Consumer Foods Department of Ajinomoto North America, Inc., which marked the start of integrated management for the consumer foods (seasonings, etc.) and frozen foods businesses. In our U.S. frozen foods business, local staff who understood the tastes of the U.S. consumers took the lead in development, which led to the expansion of this method in the consumer foods business.

Acceleration of consumer foods business through acquisition of Windsor Quality Holdings, LP and corporate restructuring

In November 2014, Ajinomoto Co., Inc. acquired the U.S. company Windsor Quality Holdings, LP for about US\$ 800 million (approx. 87 billion yen) through Ajinomoto North America, Inc. Given that the Asian foods category, which included Japanese foods, had become established in the markets of Europe and the U.S., both advanced regions, we were engaged in efforts to expand our business in these areas by integrating the seasoning and frozen foods businesses. However, it had been less than 10 years since full-scale expansion of the frozen foods business, and compared to the roughly US\$ 40 billion value (approx. 4 trillion yen) of the North American frozen food market, sales were about US\$ 130 million (approx. 13.5 billion yen), which indicated a lack of presence. The acquisition of Windsor Quality Holdings, LP was an attempt to rapidly expand the value of our North American frozen foods business to 100 billion yen.

Windsor Quality Holdings, LP had a large distribution network of about 80,000 stores, including major retailers, in addition to strong food service business infrastructure that could reach about 120,000 restaurants. In FY2013, its frozen foods business had sales of US\$ 670 million. It also possessed seven production sites across the U.S. and boasted the top market share in the Asian foods category, along with strong brands and product groups for Mexican, Italian, and snack products. This M&A enabled our strategy of becoming the clear No. 1 company in the Asian frozen foods category through the combination of our *Gyoza* (Japanese-style dumplings), cooked rice, and other core frozen food products with Windsor Quality Holdings, LP’s retail and food service sales networks. In addition, the company’s business experience, which included world’s most advanced business experience in the U.S. food product market and management experience with a lot of individuals who used to work for global corporations, have enhanced the global management of the Ajinomoto Group.

Afterwards in April 2015, we used this M&A as an opportunity to restructure our North American consumer food business organization. Specifically, we took the following measures:

- A) We turned Ajinomoto North America, Inc. into a holding company and changed its name to Ajinomoto North America Holdings, Inc.
- B) We merged the consumer foods businesses of Windsor Quality Holdings, LP and Ajinomoto North America, Inc. with Amoy North America, Inc., leaving Ajinomoto Frozen Foods U.S.A., Inc. as the surviving company, and changed the name to Ajinomoto Windsor, Inc. (this was renamed to Ajinomoto Foods North America, Inc. (AFNA) in April 2018).



Ling Ling® Chahan
(Fried rice)



Ling Ling® Gyoza
(Japanese-style dumplings)

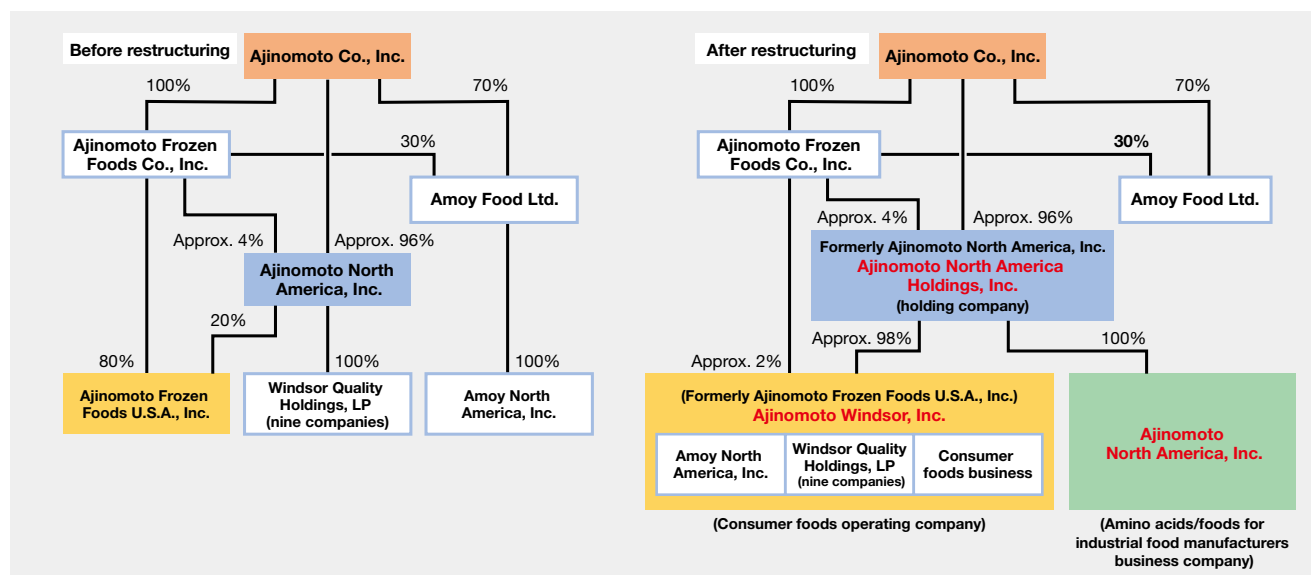


TAI PEI® Beef & Broccoli Han
(Fried rice)

C) We transferred the amino acids and bulk food products businesses of Ajinomoto North America, Inc. to Ajinomoto North America, Inc. that was newly established as a subsidiary of Ajinomoto North America Holdings, Inc (this was renamed Ajinomoto Health & Nutrition North America, Inc. (AHN) in April 2018).

These measures created a system that unified our North American businesses while separating them into the consumer foods business and amino acids/foods for industrial food manufacturers business, as well as allowed us to pursue rapid decision-making, improved efficiency, and synergy in our product development, production, sales channels, and other areas.

Figure I-2: Organizational framework from April 2015 onward



At present, AFNA's product lineup includes *Ling Ling*[®] (*Chahan* (fried rice)), *YAKISOBA* (fried noodles), *Gyoza* (Japanese-style dumplings), *Harumaki* (spring rolls), *TAI PEI*[®] (*Chamen* (fried noodle), *Chicken Harusame* (vermicelli), *Beef & Broccoli Han* (fried rice)), and ramen.

New frozen food factory opened to strengthen food service channels

After the acquisition of Windsor Quality Holdings, LP, we proceeded with updates to the company's aging equipment and made efforts to enhance the production system for frozen appetizer products aimed at food service (fried vegetables, fried cheese, and other fried foods provided as snacks and side dishes). Food service channels comprised about 30% of Ajinomoto Windsor, Inc.'s sales, and frozen appetizers made up 30% of these food service sales. The market was growing dramatically, and it was believed that the two existing factories that handled these products were close to their maximum production capacity.

Thus, in 2017, we invested about US\$ 50.1 million (approx. 5.6 billion yen) into the construction of a new factory in Joplin, Missouri in the U.S. with an annual production capacity of 25,000tons, and it became operational in November of that year. The site of the new factory was about 100,000m², and it had about 12,000m² of total floor space, which secured sufficient space for future increases in production as well. We used the construction of the new factory as an opportunity to introduce technology from Ajinomoto Co., Inc. and Ajinomoto Frozen Foods Co., Inc. to the frozen appetizers domain, and we intend to advance the development and production of specialty frozen appetizer products.

Strengthening the frozen noodles business

Strengthening the frozen noodles business became essential to our expansion of the frozen foods business in North America. The launch of frozen fried noodles in 2007 contributed significantly to the entire business as a growth driver. At the time, there was a Japanese ramen boom in the U.S. and Europe, and because further expansion of the market was expected due to the increase in food services, there grew expectations for the introduction of more technically advanced frozen



AFNA "YAKISOBA"
(Fried noodles)

ramen into the market.

Due to the market situation, we concluded a joint venture agreement with Toyo Suisan Kaisha, Ltd. in 2014 to prepare to establish a frozen noodle production company in North America. Toyo Suisan Kaisha, Ltd.'s participation on the technical side of our North American frozen noodles business led to the creation of Ajinomoto Toyo Frozen Noodles, Inc. (ATFN; the Ajinomoto Group: 80%; Toyo Suisan Kaisha, Ltd.: 20%) in April 2015. A new factory was constructed in July 2016 in Portland, Oregon with an annual production capacity of about 8,600tons. Our goals were to utilize Toyo Suisan Kaisha, Ltd.'s advanced noodle production technology to develop and produce new products, and then use Ajinomoto Windsor, Inc.'s (see p.35) business infrastructure to take the lead in the market.

In October 2016, we launched the frozen noodle product *SHOYU RAMEN WITH CHICKEN* as part of the *AJINOMOTO® TOKYO STYLE* series. In addition to products for supermarkets, we also launched frozen noodle kits for food service at the same time, which aimed to further accelerate the expansion of our business.



ATFN "SHOYU RAMEN WITH CHICKEN"

(3) Expansion in Europe

Restructuring/enhancement of business structure

Our food products business in Europe began with the Paris office that opened in November 1954, after which we relocated our core operations to Western Germany and integrated European sales of *AJI-NO-MOTO®* under Deutche Ajinomoto GmbH (established in October 1961). Expansion continued with a focus on bulk products such as MSG and sweeteners for food manufacturers.

Ajinomoto Poland Sp. z o.o. (APO) was founded in 1999, AJINOMOTO FOODS EUROPE S.A.S. (AFE) in 2002, and AJINOMOTO CONSUMER PRODUCTS EUROPE S.A.S. (ACPE) in 2009. Roles and functions were clarified: AFE handled products for industrial use for all of Europe, while ACPE handled products for consumer use and food service for Western Europe. In the meantime, OOO "AJINOMOTO" was established in Russia in 2004, and while APO merged with a local instant noodles distributor, there was no major change in the business structure.

The structural reform that began after Masatoshi Ito became President & CEO in 2009 entailed a shift towards specialty and the retail business as well as an expansion of the overseas consumer business in terms of growth strategy. This was clarified as the key principle of "Enhancement and expansion of the overseas consumer business" in the FY2011-2013 Medium-Term Management Plan, and Europe was assigned the role of further market penetration and serving as a foothold into the developing markets of Africa and the Middle East, regions that Europe had close ties with historically. To accomplish this, we restructured the system from July to September 2011 to enhance the European consumer foods business.

A) AFE took over ACPE

B) Established AFE London branch

C) APO became a subsidiary of AFE

These three developments comprise the general framework. A) aimed to strengthen the AFE development structure by establishing a product development department within AFE focused on the local market after integrating business management for industrial and consumer use food products¹, thereby further penetrating the market. The goal of B) was to strengthen our sales structure in the U.K., the largest market for ethnic Chinese foods in Europe, and C) was a measure to make APO not only a base for our consumer business in the Eastern European market, but also a supply base for mixed powder seasonings and instant noodles for Western Europe. APO rolled out both the *SAMSMAK®* cup-type noodle series and the *OYAKATA®* and *Yum Yum®* pillow-type noodle series in Europe, a market where the Group's consumer products were scarce.

Further development of markets centered on frozen foods

Just as with North America, frozen foods played a leading role in the further development of the European market. It began in June 2013, when Jawo Sp. z o.o. (headquarters: Czestochowa, Silesia) in Poland began consigned production of frozen *Gyoza* for food service. At the time, the number of Japanese restaurants throughout Europe was on the rise (approx. 8,000 restaurants,

1. The areas under the purview of AFE (including APO) were the U.K., Ireland, France, Spain, Portugal, Denmark, Germany, the Netherlands, Belgium, Luxembourg, Switzerland, Italy, Poland, the Czech Republic, Slovakia, Austria, Hungary, Slovenia, Estonia, Latvia, and Lithuania.

FFA estimate), and *gyoza* continued to spread as a popular menu item. *Gyoza*, fried chicken, and other products from Ajinomoto Frozen Foods (Thailand) Co., Ltd. were exported and sold in the European market starting in 2005, but issues arose, including import restrictions on products that contained pork, customs², and logistics costs. The goal was to quickly begin local production of *Gyoza*, which had the top share in Japan among food products for consumer use, and double sales in the area by FY2016. Jawo Sp. z o.o. was the top manufacturer of frozen pierogi (Polish-style *gyoza*), and both the ingredients and production process for this product were similar to those of *gyoza*, so it was expected that there would be synergy in terms of ingredient procurement, equipment, and so on. However, to supply products with the same quality as those in Japan, FFA lent them a custom line as the primary equipment and provided technical support. Sales were consigned to AFE, which worked to expand sales with a focus on ethnic Asian food service in the U.K., France, and Germany. In October 2014, Ajinomoto Jawo Sp. z o.o. was formed through a merger with Jawo Sp. z o.o. (FFA with a 51% share), which strengthened the organization.

Acceleration of consumer foods business through acquisition of LABEYRIE TRAITEUR SURGELÉS S.A.S.

The European frozen food market expanded to about 41 billion euros (approx. 5.2 trillion yen) in 2015, and the Asian foods category in particular continued double-digit growth. Further, AFE's frozen food business was focused on food service, and the market for consumer use products was virtually unexplored, so it was hoped that this would be sufficient to fuel growth. Thus, starting in April 2016, AFE launched test sales of Ajinomoto Brand frozen food products through major retailers in the Paris area, and in May 2017, it began sales of eight products across France, including *Gyoza* and Japanese cooked rice, through the branch network of major French retailer Carrefour S.A.

In addition, to accelerate the expansion of the frozen foods business, we acquired LABEYRIE TRAITEUR SURGELÉS S.A.S. (LTS) (headquarters: Le Neubourg, France) through AFE in November 2017 for 27 million euros (approx. 3.6 billion yen). LTS was a frozen foods-focused subsidiary of LABEYRIE FINE FOODS S.A.S., a producer and seller of chilled food products that included foie gras and smoked salmon. LTS sold not only high-quality desserts and aperitifs (pie snacks) under the No. 1 French brand "LABEYRIE," but also "Blini" brand products as well as pies, risotto, and other products to major retailers, and it earned annual sales of about 50 million euros (approx. 6.4 billion yen).

Through the acquisition, LTS became the official name, and this enabled A) sales of AFE products through LTS's consumer use sales channels, B) sales of LTS products through AFE's food service sales channels, and C) the expansion of LTS products to regions all across Europe. The synergy between the technological and production foundations of both companies is expected to accelerate growth. LTS changed its company name to Ajinomoto Frozen Foods France S.A.S. (AFF) in April 2018.

2. Dividing the import and circulation of food products in EU into two major categories: animal-based food products and plant-based food products, EU has imposed very strict regulations on food products that contain ingredients derived from animals (conformity with HACCP standards in regard to residue material, manufacturing sites, etc.). Economic Partnership Agreement (EPA) negotiations were underway (formed July 2018, took effect February 2019).



AFF "Gyoza"