



I

**The First 100 Years  
of the Ajinomoto Group**

# 1 A Chronicle of the Ajinomoto Group

May 20, 1909 was the day the umami seasoning *AJI-NO-MOTO*® first went on sale. At that time, Japan was expanding its power as a modern nation. The industrial revolution was underway in the nation, and Japan had prevailed in the Russo-Japanese War (1904-05). Since then, the Ajinomoto Group has grown its business, responding to changing lifestyles while contributing to the enrichment of food and improving quality of life through diversification and technology with a focus on amino acids. Here we provide an overview of the history of Ajinomoto Co., Inc. (the Company), including the events leading up to its launch.

## In the beginning: The iodine business

The Ajinomoto Group's origins lie with Takiya, a grain and alcohol retailer. It was founded by Saburosuke Suzuki in 1866 just before the Meiji Restoration, on the Miura Peninsula in Kanagawa Prefecture. After Saburosuke died suddenly at the end of 1875, his wife Naka took over business operations. The eldest son, Saburosuke II, was an ambitious man. After marrying, he became involved in rice speculation but failed. As the family was having a hard time, they decided to rent two rooms at the back of their house to summer vacationers to help pay for their living expenses. One of their guests was an engineer from a pharmaceutical company. He advised Saburosuke II to produce iodine from seaweed, which inspired his new business. Through the efforts of Naka and Saburosuke II's wife Teru, they successfully produced it in 1888. In the spring of 1893, they built a new plant and established a new company, Suzuki Pharmaceutical Co. In 1895, the company began exporting iodine and, in an effort to utilize its by-products, began manufacturing saltpeter, the raw material for gunpowder, for which demand rose sharply during the Sino-Japanese (1894-95) and Russo-Japanese (1904-05) wars.

Suzuki Pharmaceutical Co. soon became one of the leading chemical companies in the Kanto region. However, the market was in turmoil due to a sharp decline in demand for its products after the war, and in 1907 the company had no choice but to merge with two of its competitors. Saburosuke II took the opportunity to embark on a new challenge, establishing Suzuki Pharmaceutical GSK. as a separate joint stock company with its Hayama and Zushi Plants. The inspiration for this came from a 1908 encounter with Dr. Kikunae Ikeda, a professor at Tokyo Imperial University. Dr. Ikeda had been researching the component in kelp that provides its umami flavor, which he identified as glutamine acid. Compounded with sodium, it became the seasoning Mono Sodium Glutamate (MSG). For searching a company to commercialize his research, Dr. Ikeda turned to Saburosuke II. They held a tasting that confirmed

MSG's promise, and Saburosuke II accepted the offer. One of the motivations for Dr. Ikeda's research was to help improve nutrition among the Japanese public. Combined with the entrepreneurial spirit of Saburosuke II, *AJI-NO-MOTO*® and the Ajinomoto Group were launched, already practicing the founding aspiration of the Ajinomoto Group Creating Shared Value (ASV) and contributing to the resolution of social issues through the Group's business activities.



Dr. Kikunae Ikeda (1900)



Saburosuke Suzuki in his youth

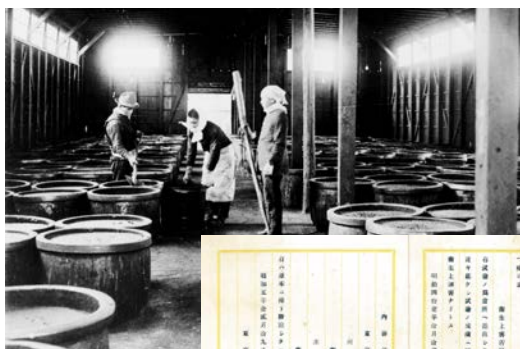
## The launch of *AJI-NO-MOTO*® and struggles during the founding years

Saburosuke II's younger brother, the scholar Chuji Suzuki, was placed in charge of the establishment of a production method for the new seasoning. Saburosuke II's eldest son Saburo, later to become Saburosuke III, was in charge of sales and advertising. Saburosuke II managed the enterprise as a whole.

The name "Ajinomoto" was decided in November 1908, and with a trademark registered they were ready to launch. However, as production involved breaking down wheat with hydrochloric acid, corrosion of the vessels used in the process, became an issue. With no overseas precedents to learn from, the situation was so



A Domyoji pot



Domyoji pots  
(Cooling crystallization of  
hydrochloric acid)



Certificate declaring Ajinomoto "harmless"

dire that at one point Saburosuke II said they had "fallen into a predicament beyond their control that words could barely describe, the situation being almost too much to handle." However, after great toil they discovered that Tokoname-yaki ceramic Domyoji pots could be used, which created a way forward.

*AJI-NO-MOTO*® was launched in May 1909 after the national laboratory confirmed its safety. The company set up an office in Kyobashi (Tokyo City, Tokyo Prefecture, now Chuo-ku, Tokyo). To make a name for itself, they installed a display window and electric lights, which were rare at the time. The company established a sales network by concluding special dealer contracts with major food and liquor wholesalers and establishing distributors in local major cities. However, the new seasoning was expensive; while a cup of soba noodles and broth at the time sold for 3 sen, a small 14-gram bottle of the product sold for 40 sen. As a result, sales were dismal. Saburosuke II sought to advertise in newspapers and market the product to kamaboko fish cake manufacturers while seeking sales channels in Taiwan, Korea, and China during Japan's colonial period. Even so, the company continued to struggle.

In 1912, Suzuki Pharmaceutical GSK. was renamed Suzuki Shoten GSK., and July of that year issued in the Taisho era. Suzuki Shoten GSK.'s iodine and saltpeter businesses were solid. The construction of the Kawasaki Plant took place between 1913 and 1914, made possible in part due to growth during World War I (1914-1918). Industrial development during the war encouraged urbanization and the adoption of electricity, and the economic boom opened the door to a mass consumer society. Against the backdrop of those developing Taisho Modern times, Saburosuke II championed more progressive management. He converted the organization to a corporation in 1917 and set up an office in New York.

Suzuki Shoten GSK. and *AJI-NO-MOTO*® operations were suspended at the Kawasaki Plant in 1920 due to the failure of Saburosuke II's stock investments. Further damages occurred due to rumors surrounding the "Ajinomoto Raw Material Snake Theory" (around 1920), the expiration of the *AJI-NO-MOTO*®

patent, the Great Kanto Earthquake when the head office burned (1923), and a labor dispute at the Kawasaki Plant (1925). During that period only 1920 was in the red, but operating profits remained in the high 4 million yen range from 1926 and grew to about 5.4 million yen in 1931. During this period, Saburosuke II was commended by the Imperial Institute of Invention and Innovation in 1926, along with Sakichi Toyoda (who developed an automated loom), and Kokichi Mikimoto (who succeeded in pearl cultivation). *AJI-NO-MOTO*® became known as one of Japan's "Three Greatest Innovations."

## Business expansion and World War II

In March 1931, Saburosuke Suzuki II died and Chuji Suzuki became the company's second President. The Manchurian Incident occurred the same year. Due to the Finance Minister Takahashi Korekiyo's aggressive fiscal policy, the country experienced a brief period of prosperity until the Second Sino-Japanese War began in 1937. In this context, Chuji, who had mainly been in charge of technology and production since the company started, announced a "complete reform of manufacturing technology and the development of related products" and worked on the creation of acid-resistant technologies and the conversion of raw materials into defatted soybeans. The transition started in 1934. The company also processed and commercialized by-products, with the development and launch of the amino acid solution *AJIEKI* in 1934 and *ESUSAN Fertilizer* in 1936. Sales of *AJI-NO-MOTO*® also increased due to its price cut etc. and use of the product spread from urban to rural areas, eventually even being adopted by low-income consumers. Sales of *AJI-NO-MOTO*® soared, thanks to the organization of the Ajinomoto Association and the introduction of new marketing approaches like special sales with perks, as well as increased exports. In 1937, production peaked at 3,750 tons before the war, and the total profit of Ajinomoto Honpo S. Suzuki & Co., Ltd. (renamed in October 1932) reached 8.85 million yen in 1938. In addition, with a transition in raw materials and an increase in by-products, the company also established subsidiaries and affiliated companies in the fields of sake brewing, pharmaceuticals, the electrical industry, and edible oil manufacturing to ensure a stable supply of defatted soybeans, forming the small conglomerate that could be called a Group. In June 1932, an eight-story head office building was completed in Takara-cho, Kyobashi Ward, Tokyo (present-day Chuo-ku, Tokyo).

With the outbreak of the Second Sino-Japanese War in July 1937 and the National Mobilization Law in 1938, economic control over the country was increasingly tightened. With the formation of the Dai-Nippon Industrial Patriots Society in November 1940, the freedom of corporate activity was nearly brought to a halt. Ajinomoto Honpo S. Suzuki & Co., Ltd. had also been forced to reduce production and sales of *AJI-NO-MOTO*® since the outbreak of World War II in 1941 in favor of producing military supplies, and newspaper advertisements were discontinued. Starting in 1942, *AJI-NO-MOTO*® was produced as a by-product of the

amino acid solution used as a substitute for soy sauce. During this period, Saburosukey Suzuki III was appointed President in August 1940. The company changed its name to Suzuki Shokuryo Kogyo Co. in December 1940 and again to Dai-Nippon Chemical Co. in May 1943. Sales of *AJI-NO-MOTO*® in Asia and the U.S. continued to stagnate or shrink, and by the end of the war the company was mostly producing items used in munitions like electrolysis, linings, alumina, etc.

### First steps toward postwar reconstruction and modernizing management

By the end of the war in August 1945, Japan had lost more than three million lives, major cities had been devastated, and a quarter of national wealth had been lost. The nation then began its journey towards reconstruction.

Dai-Nippon Chemical Co. was renamed Ajinomoto Co., Inc. in April 1946 under the decisive leadership of Saburosukey Suzuki III, and resumed production of *AJI-NO-MOTO*® in May of that year. There was a strong underlying belief that *AJI-NO-MOTO*® had to be provided to the public during that post-war period of poverty. Meanwhile, Saburosukey III had to face the General Headquarter of the Allied Forces' policy of dissolving large industrial groups. In addition to changing the company name, to minimize disruptions the Suzuki family retired from management and released their shares. Suzuki III also resigned as President in May 1947 and the company was



Our fourth President,  
Toyonobu Domen

listed on the stock market in May 1949.

Toyonobu Domen became President of the Company in May 1948. He had moved to the U.S. at a young age, and with his international experience ran the New York office of the Company before the war and dealt with GHQ in English afterwards. The production of the insecticide DDT, which

kept the Company afloat immediately after the war, was also due to Domen's American network. Under Domen, the Company took a series of measures to transform itself into a modern company. These included the introduction of a council system for meetings, open recruitment of employees rather than the network of connections that had prevailed until that point, the institution of overseas inspection tours, and the development of international offices. These consisted of the re-opened Los Angeles Office in 1951 and New York Office in 1953, along with the establishment of new offices in Sao Paulo, Paris, Bangkok, Singapore and Hong Kong in 1954.

During this period, the Company got its system back on track, with efforts such as resuming advertising in newspapers and retail store visits to promote sales and establishing offices in major cities. From August 1950, the Company was once again able to sell freely. In March 1955, the confiscated Ajinomoto Building was returned, marking the end of the Company's

postwar reconstruction.

### Expansion during the high-growth period, part 1: Product development and changes in manufacturing methods

With the special procurement demands of the Korean War (1950-53) as an impetus, the Japanese economy experienced three major periods of economic growth: the Jinmu Boom (31 months), the Iwato Boom (42 months), and the Izanagi Boom (57 months) that followed the 1964 Tokyo Olympics. On the heels of this "miracle" of reconstruction and rapid growth, in 1968 Japan became the second largest capitalist country in the world after the U.S.. During this period, domestic consumption of MSG also continued to grow rapidly, reaching 76,000 tons (calculated as production minus export volume) or 744.5 grams per capita in 1968.

In the midst of this rapid growth period, the Company solved its business challenges while boosting its business through an expansion of the sales volume of *AJI-NO-MOTO*® under Domen's leadership. This was due to a change in manufacturing methods.

The extraction method relies on breaking down agricultural products such as soybeans with strong acids. This method has problems such as the instability of the price and quality of raw materials and the deterioration of equipment due to acids. The need to develop a new manufacturing method was urgent. In 1956, we established the Central Research Laboratory and started to develop two new types of manufacturing methods: a fermentation method that uses microorganisms and a synthetic method that relies on chemical synthesis. The fermentation method was earlier developed by Kyowa Hakko Kogyo Co., Ltd. We developed our own technology and completed the change to the updated manufacturing process at the Kawasaki Plant in 1965. Production with synthesis method began at the Tokai Plant in 1961, and the year after it opened.

Competition intensified at this time when other companies launched compounded seasonings. They added inosinic acid (the umami component of dried bonito flakes) and guanylic acid (the umami component of shiitake mushrooms) to MSG. After falling behind with its mainstay product, the Company attempted to regain its footing in 1962 with the launch of Umami Dashi *Hi-Me*®. By 1966 it had become the leading brand. In 1960 we launched *Aji-Shio*®, refined salt coated with MSG, which was a big hit. Even so, MSG's market share gradually declined. It had been 80% in 1955 for both consumer and commercial use products in domestic and export markets. By 1968, the domestic market share had fallen to 51%, and especially the commercial (industry and food service) market share dropped below 40%.

### Expansion during the high-growth period, part 2: Diversification

Amid intensifying competition for its mainstay products, the Company made the foray into consommé and ramen soup



through its acquisition of Nippon Shokuhin Kogyo Co., Ltd. In light of the popularity of instant products, Knorr Foods Co., Ltd. was established in March 1963 in partnership with the U.S.'s Corn Products International (CPC)<sup>1</sup>. Through the customization and marketing of *Knorr® Soup* in Japan, we were able to introduce modern American marketing methods from CPC. In 1968, the Company launched its mayonnaise and diversified into food products, including edible oils.

Diversification had been driven by technology and sales capabilities, the latter of which was helped by a powerful sales network and branding in addition to advanced approaches to marketing. Domen served as the first Chairman of the Japan Marketing Association and contributed not only to the Company but also helped establish and raise the profile of marketing in Japan.



Knorr® Soup



Ajinomoto KK Mayonnaise

### Expansion during the high-growth period, part 3: Internationalization

Domen's genius was in pursuing international expansion in parallel with diversification.

Domen visited the U.S. three times after the war between 1949 and 1952 and succeeded in selling MSG to major food companies and other parties. His third trip included Europe as well. He also worked on changing the mindset of the entire management team. "Directors in charge of overseas business traveled to Southeast Asia and the U.S. numerous times for inspection tours. Nine trips to overseas markets were made in total in the roughly four years from 1949 to 1952. They were all on Domen's instructions, with an eye towards the Company's internationalization." From "Toyonobu Domen, A Manager Who Challenged the Times: Another Jiro Shirasu (Economics Edition)," by Tomohide Tsuji.

To help develop markets in Southeast Asia, our employees visited markets and small shops in the provinces and gave them free packages of our products to encourage further use. We were also able to build a successful system for delivery and payment collection by local employees. The Company worked to cultivate the European market by setting up a local plant in Italy and strengthening exports from Japan. As a result, sales in FY1969 exceeded 100 billion yen. Domen was invited to participate in the 13<sup>th</sup> World Congress of the Academy of International Business held in New York City in September 1963 (sponsored by the International Council for Scientific Management). He gave a speech on the theme of "Social Responsibility and the Managers of Tomorrow," demonstrating how far his international vision had come.



Saburosuke Suzuki, our third President, and Toyonobu Domen (left)

Domen retired from the Company in November 1965. The Company funeral was held for him when he passed away in March 1981.

"In a special issue of the Company's corporate newsletter entitled 'Honoring the Late Senior Advisor to the Board Domen,' Bunzo Watanabe<sup>2</sup> wrote a piece describing the essence of Domen's management style.

Domen's motto was 'In the spirit of fair play.' Common in the American sports world, including football and Major League baseball, it was known throughout the Company as its most concise catchphrase.

It also summarized Domen's management philosophy as follows:

'We cannot be satisfied with our business simply if the Company prospers, favors its shareholders and treats its employees well. Given the public nature of our business, we need to reach the level of a Public Service. This means contributing to society, not just by streamlining production and providing people with better quality products at lower prices, but by improving society itself through our business activities, even if only a little. I hope we'll always work towards this ideal.'

He's referring to the social responsibility—today known as CSR—that companies are obliged to abide by. Watanabe was surprised yet respectful of the fact that Domen already had this kind of vision in his management philosophy, which was decades ahead of its time, and laid out the full story, in the mid-1950s when the Japanese economy was about to enter a growth period after its postwar recovery.

Toyonobu Domen now rests with his ancestors in Hiroshima, where he was from." (See previous citation)

### Safety measures and full-scale international expansion

The Company developed steadily until October 1969, when it encountered a situation that had the potential to shake the business to its foundations: MSG was suspected of being unsafe.

Dr. Olney of the U.S. conducted experiments in which MSG was administered to newborn mice, which resulted in brain damage. Based on these results, the president's specialist on nutrition and health recommended that MSG not be used in baby food. The Japan Chemical Seasoning Industry Association (now Umami Manufacturers Association of Japan) argued that Olney's experiment relied on usage far removed from the norm. However, there was widespread talk of "Chinese restaurant

1. At the time CPC had soup-maker Knorr in Germany and mayonnaise maker Best Foods in the U.S. under its umbrella.  
2. The President of the Company at the time

syndrome,” an unfounded claim that only resulted from massive overuse. These issues had an enormous effect on the Company. In response, the Company conducted a series of studies to prove the safety of MSG under the leadership of two Presidents, Kyoji Suzuki (1965-73) and Bunzo Watanabe (1973-81). Based on this data, in 1980 the U.S.’s Food and Drug Administration (FDA) concluded that MSG was “Safe at the current levels of use.” In 1987 the Joint FAO/WHO Expert Committee on Food Additives (JECFA) stated that “MSG is not harmful to human health, so there is no need to specify a maximum recommended daily intake.” This put an end to the problem.

In addition to MSG safety issues, the Company was faced with problems related to Japan’s transition to stable growth. With the Nixon Shock of 1971 and the 1973 1st Oil Crisis, the growth due to exports and quantitative expansion reached a turning point. Japanese companies worked to conserve energy and downsize, with the economic growth rate falling to less than half of what it was during the high growth period. Yet the Company grew in the midst of these severe circumstances. It launched the new mainstay flavor seasoning *HON-DASHI*® in 1970, the Chinese-food seasoning *Chuka Aji*® in 1977, and the seasoning for Chinese dishes *Cook Do*® in 1978. The Company launched an instant coffee in partnership with the U.S.’s General Foods Corporation and established Ajinomoto General Foods Co., Ltd. in 1973. Ajinomoto Frozen Foods Co., Ltd. was established in 1970, and full-scale development of our frozen food business began in 1972. A business tie-up commenced with Danone S.A. in France in 1980. A License Agreement with Searle, G.D. Searle & Company was also signed in 1970 for the sweetener aspartame, which was later commercialized.

In overseas business, the Company established a system of direct sales in Asian countries with the launch of flavor seasonings tailored to local cuisine and the manufacturing and sale of ramen noodles in South America in retail businesses.



Ajinomoto KK’s *HON-DASHI*® at the time of its launch



*Cook Do*® Mabo Tofu at the time of its launch



*Maxim*® coffee at the time of its launch



Ajinomoto KK’s frozen foods at the time of its launch

The commercial use business shifted to local production in Peru and Indonesia, and we began a full-scale feed-use Lysine business with the opening of a production base in Europe along with other developments. Sales in FY1979 were about 350 billion yen, more than two and a half times higher than the 135 billion yen in FY1971, the year of the transition to stable growth. It was during this period that environmental conservation efforts at our plants began in earnest against a backdrop of the worsening domestic pollution problems.

## Business expansion and restructuring during the bubble years and after the bubble’s collapse

After the oil crisis, Japanese companies that radically reduced costs and developed cutting-edge technologies became dominant in the 1980s in the automotive, consumer electronics, semiconductor, and other industries. This also caused trade and economic friction, and the Plaza Accord in 1985 led to a recession caused by a strong yen. However, due to various policies like low-interest rates designed to encourage domestic demand, the economy began to recover in 1986, and the money that no longer needed to be raised from banks due to a strengthened corporate structure was invested in land and stocks. A major bubble economy then grew until stock prices plunged in 1990. Following the collapse of the bubble, Japan entered a prolonged recession and continued to stagnate with the rise of emerging economies and the end of the Cold War.

Having reaffirmed the safety of MSG, the Company planned to become a world-class company under the leadership of Presidents Katsuhiko Utada (from 1981) and Tadasu Toba (from 1989). The WE-21 Plan announced in 1989 set a target for sales of 1 trillion yen and 3 billion USD for exports and overseas businesses while promoting diversification of food products, fine chemicals and services, and expansion of our operations overseas. In the food products sector, the Company formed a business partnership with Calpis Food Industry, Co., Ltd., expanded into Vietnam and Nigeria, developed its frozen food business in South Korea and Taiwan, and launched a full-scale sweetener business. In the fine chemicals sector, the Company expanded into electronics. In the service sector, our businesses entered fields as diverse as healthcare, vegetables, seedlings, packaging, restaurants, and golf courses. However, many of these efforts had little synergy with our core business, and coupled with the collapse of the bubble economy, many had to be shuttered or restructured. The following is a list of



The consumer sweetener *PAL SWEET*®



*ELENTAL*®

new businesses and products that bore fruit.

- A sweetener business featuring the low-calorie sweetener aspartame (adopted by Diet Coke in 1983, launched as *PAL SWEET*<sup>®</sup> for Japanese consumers in 1984)
- *ELENTAL*<sup>®</sup>, an elemental diet (1981)
- Our pharmaceutical business was solidified with launches like *LIVACT*<sup>®</sup> (1996), a branched-chain amino acid drug for liver diseases
- A frozen bread dough business established by Ajinomoto Frozen Bakery Co., Ltd. (1993)
- Expansion of our specialty chemicals business into materials for electronic parts and launch of the cosmetic *JINO*<sup>®</sup> (1997)
- *amino VITAL*<sup>®</sup> (1995), an amino acid nutritional food for athletes

In parallel with these expansions, we proceeded with business restructuring, which involved consolidation of production and bolstered manufacture of commercial use products in the seasonings business (which struggled with a shift away from Japanese food and a trend towards eating out), in addition to the edible oils business (which faced the liberalization of imports from overseas in addition to sluggish consumption).

Shunsuke Inamori assumed the post of President in 1995. In light of the bubble's collapse and the failure of many of the diversified businesses, he sought to correct this trajectory by formulating the MSG global strategy and introducing other measures. In March 1997, he was forced to resign due to a scandal that involved illegal payments to corporate racketeers.



*JINO*<sup>®</sup> at the time of its launch



*amino VITAL*<sup>®</sup> PRO at the time of its launch

## From Japan to the world

Kunio Egashira succeeded Inamori as President in 1997. He strengthened corporate governance through measures like the reinforcement of auditing and legal functions and the establishment of the Ajinomoto Co., Inc. Standards of Conduct in April 1997, which were revised as the Ajinomoto Group

Standards of Business Conduct in April 2000 in light of a cartel incident involving U.S. subsidiaries. Advancing from Japan to the global arena as a leader in foods and amino acids, we practiced the “Ajinomoto Way” as a technology-driven company with amino acids at its core. The Company’s basic policies included its “Strong No. 1 Strategy,” which focused on businesses and products with the global No. 1 or 2 market shares and reorganized the others, instituted a fully bottom-up approach, and involved all employees in management. Important challenges to allow us to compete with major global food companies included consolidated management, promotion of brand strategy, strengthening cost competitiveness, streamlining research and development systems, and promotion of corporate citizenship. Specific measures included the sale of defective businesses, the reorganization and integration of subsidiaries, a system of 6 business-specific laboratories (1998), the establishment of the Ajinomoto Group Corporate Citizenship Committee (1999), the introduction of the corporate slogan “A taste of the future” (1999), the Brand Review Committee (2000), Ajinomoto Stadium naming rights acquisition (2002), introduction of a virtual company system (2002), introduction of a Corporate Executive Officer system and a reduction in the number of Board of Directors (2003). We also built a foundation suitable for a global food company, including the acquisition of ISO9000 and ISO14000 series certification, establishment of a CSR Division, and establishment of our CSR Vision (2005).

Our overseas businesses saw a focus on business expansion in China, a joint venture with a Russian research institute, and establishment of a full scale frozen food business by the acquisition of a local company in the U.S. (2000). We developed a variety of other businesses around the world, including retail seasoning, feed-use lysine, sweetener, and frozen food businesses.

Norio Yamaguchi was appointed President in 2005, and he continued this approach. Under the *A*-dvance10 medium- to long-term plan, the Company acquired Hong Kong Amoy Food Group (2006), made GABAN Co., Ltd. a subsidiary (2006), sold Mercian Corporation (2006), entered a capital tie-up with YAMAKI CO., Ltd. (2007), sold Calpis Ajinomoto Danone Co., Ltd. (2007), and made Calpis Co., Ltd. a fully owned subsidiary (2007).

As a result of these efforts, consolidated sales surpassed 1 trillion yen in FY2003 and reached 1.21 trillion yen in FY2007. However, the profit margin on sales did not exceed 5%, and it was left to the next generation to strengthen the Company’s standing as a global company, including in terms of human resources.

A century after its founding, the Ajinomoto Group stood on the threshold of becoming a global food company, responding to the changing times while looking back to its original mission: to contribute to people’s health and improve dietary habits at every turn.

# 2 Our 100th Year: Where We Were, What We Were Doing

## The Ajinomoto Group at 100 years

In 2009, a century after the launch of *AJI-NO-MOTO*<sup>®</sup> in May 1909, the Ajinomoto Group was one of Japan's leading food companies. Sales had exceeded 1 trillion yen for 6 consecutive years from 2003 and surpassed 1.2 trillion yen in FY2007. Net profit had remained in the 30-40 billion-yen range, despite some fluctuation. Further, as indicated by the final chapter's title "From Japan to the World" of our 100-year history, "First 100 years of the Group: New Value Creation and the Pioneer Spirit," we had embarked on full-scale globalization. Although sales from our international food products business were still only about 12% of total sales, with overseas sales of umami seasonings, amino acids, animal nutrition products, and similar items included, the figure was closer to 30%.

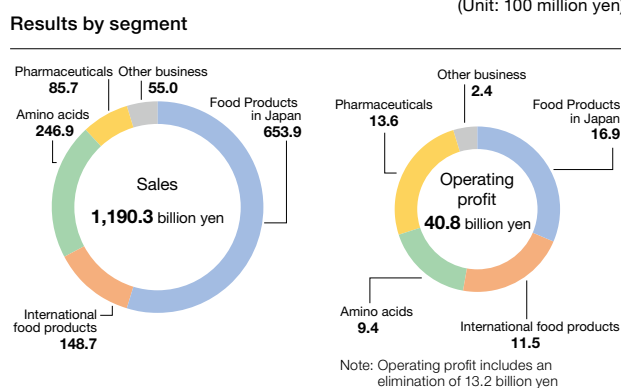
In terms of food products in Japan, consolidated subsidiaries with established brands included Knorr Foods Co., Ltd., Ajinomoto Frozen Foods Co., Inc., Calpis Co., Ltd., and GABAN Co., Ltd., equity-method affiliates such as Ajinomoto

General Foods Co., Ltd., J-OIL MILLS, INC., and YAMAKI CO., Ltd., as well as a number of subsidiaries dealing in amino acids, pharmaceuticals, logistics, and various services were operated. The Overseas business of the Group was at the forefront of the global expansion of Japanese food companies. Entities involved included local subsidiaries doing businesses of Ajinomoto itself, its consolidated subsidiaries and equity method affiliates, as well as the Amoy Food Group, led by Hong Kong Amoy Food, Ltd.

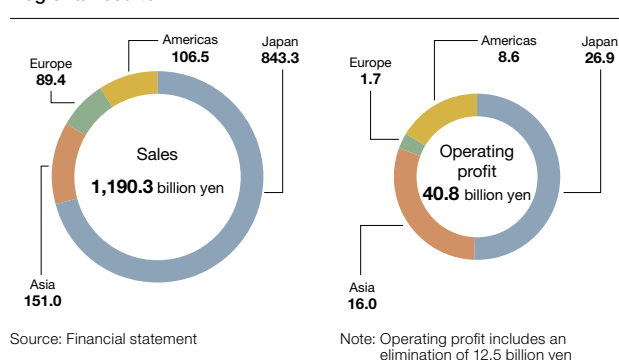
As of the end of FY2008, we had 26,869 employees, including those at our consolidated companies. In Japan, business operated from 3 production bases in Kawasaki (mainly food products), Tokai (mainly sweeteners, food products and pharmaceuticals), and Kyushu (mainly amino acids). We had research laboratories (the main one in Kawasaki), 5 branch offices (Tokyo, Osaka, Kyushu, Nagoya, and Tohoku)<sup>1</sup> and a sales department responsible for nationwide accounts, as manufacturing, development, and sales bases. Overseas, we had a total of 20 offices, including 2 in North America, 2 in Latin

America, 2 in Europe, 9 in Southeast Asia, and 5 in East Asia. We sold *AJI-NO-MOTO*<sup>®</sup> and flavor seasonings tailored to local cuisine in over 100 countries, and we enjoyed a high degree of market penetration in Southeast Asia in particular.

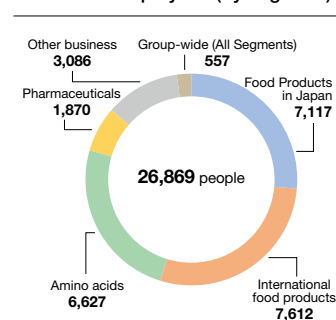
Figure I-1: Our 100th Year (FY2008 consolidated results)  
(Unit: 100 million yen)



### Regional results



### Number of employees (by segment)



### A severe business environment

Nevertheless, as the Group entered its 100th year, the business environment surrounding it was full of challenges.

One aspect was a detour along our move to globalization due to setbacks with our WE-21 long-term plan. WE-21 (WE = World Excellence) aimed to become a 21st century industry leader in light of intensifying global competition and the international mergers and acquisitions that have become a powerful means of competition. We announced the management

1. This includes the Kanto Branch under the Tokyo Branch, the Chugoku and Shikoku branches under the Osaka Branch, and the Hokuriku Branch under the Nagoya Branch.

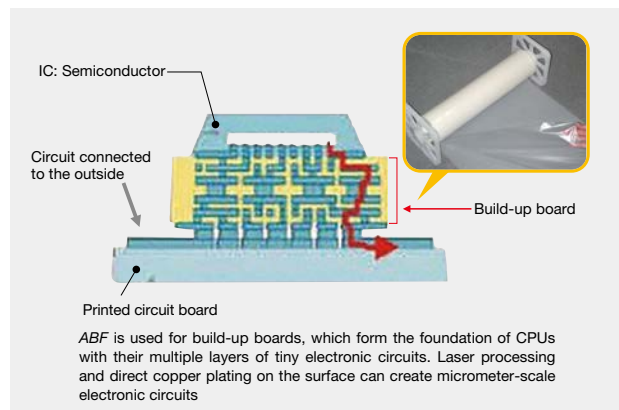


plan in 1988 with the goal of laying the groundwork to allow us to compete with major global food companies, including milestones like achieving sales of 1 trillion yen. This goal itself was timely, given the state of global competition. However, most of these efforts were unsuccessful because the Group sought to diversify domestically to help achieve the goal, straying from its core business with restaurants and other service sector initiatives. Subsequently, we moved in the direction of growing our umami seasonings business in various markets around the world, which led to the creation of a new business model for the Group. The Group's strategy to become a global food group of companies was back on track, but it took more than five years to make the transition.

From then, Ajinomoto Fine-Techno Co., Inc. was launched in 1998. The next year they released *Ajinomoto Build-up Film® (ABF)*, an interlayer insulating material for semiconductor packages, which was adopted by major CPU manufacturers and rapidly became the de facto standard. Subsequently we worked to establish a system that would allow us to compete on the world stage while remembering where we started as a company. The medium to long-term management plan for fiscal years 2005 to 2010 sought to accomplish this through initiatives like *A*-dvance10, revision of the Ajinomoto Group Philosophy, and Ajinomoto Renaissance, which reaffirmed our founding mission to improve nutrition in Japan by recognizing the value of the umami seasoning *AJI-NO-MOTO®* and bringing it to the world. We set "CSR Management" as one of our basic strategies to become a respected Corporate Citizen worldwide and established our CSR Division to focus on activities involving dietary education in addition to our existing initiatives that ensure the safety and security of our products and manufacturing processes and respond to environmental issues. All of this is part of aiming to become a global group of companies that is not solely focused on scale.

However, the overall performance of the Group has been greatly influenced by the feed-use amino acids business, which we focused on as the Group expanded. Moreover,

Figure I-2: *Ajinomoto Build-up Film® (ABF)*, an interlayer insulating material for semiconductor packages



manufacturers in emerging countries such as China were gradually gaining market share in this business, using low costs to their competitive advantage. The expansion of the Group was also having a number of negative effects. For example, there was a desensitization to the fact that the "Ajinomoto Group common sense" was losing touch with the society little by little, as well as distance growing between management and the employees.

## The 2008 financial crisis (the Lehman Shock) and falling into the red

The 2008 financial crisis (the Lehman Shock) occurred in this context in September 2008. Since the previous year, there had been financial instability due to subprime mortgages<sup>2</sup> marketed to low-income families in the U.S.

The global economy was in recession from the once-a-century financial crisis. Though the damage to Japanese financial institutions was not extensive, the export industry was hit hard by recessions in Europe and the U.S. Japan's real economic growth rate shrank in FY2008 and FY2009. Japan's longest post-war growth period (longer than the Izanagi Boom) came to an end.

As a result, while net sales for the Group's FY2008 financial results were only slightly reduced, there was a net deficit of more than 10 billion yen due to factors like large foreign exchange losses of Brazilian subsidiaries. This was the fourth time the Group had fallen into the red. The first and second were during periods of emergency shortly after the founding and immediately following the World War II. The third time was when the Group recorded an extraordinary loss on corporate pensions due to the globalization of accounting standards in FY2000. This fourth instance was the first time loss occurred due to factors that a company could have avoided.

## Structural changes in the world and Japan

In addition to these unexpected events, other changes that had a major impact on the Group's business development were taking place both in Japan and around the world.

In terms of the global economy, the expansion of emerging economies was an important change. The response to the "Lehman Shock" was discussed among developed nations and at the G20 (a summit of leaders of the 20 countries/regions concerning world financial and economic issues). The fact that financial stimulus by China, one of BRICS<sup>3</sup>, played a major role in staving off a major depression was a clear illustration of this.

On the other hand, the Japanese economy had a low growth

2. Against the backdrop of the housing bubble, loans were provided to those who would not usually be able to secure a mortgage. Securitized receivables became financial products which were sold to financial institutions in order to diversify risk. However, when the housing bubble burst leaving many unable to pay their debts, the financial products that incorporated subprime loans collapsed, and the financial institutions that were buying them suffered a great blow. With the collapse of the long-established U.S. securities firm Lehman Brothers, it all came to a head spurring a global financial crisis.

3. BRICS is an acronym for the emerging countries of Brazil, Russia, India, China, and South Africa, which in 2001 the investment bank Goldman Sachs predicted would experience rapid growth.

rate even during the period of long-term growth from 2003 and economic disparity widened. Furthermore, Japan's population has been declining since 2005, and combined with its aging, the market for food products had inevitably shrunk.

### **Issues of corporate governance**

In 1997 the Group faced severe criticism of its corporate governance and its top executive resigned over a scandal involving illegal payments to corporate racketeers. For this reason, with regard to corporate governance, we worked to reinforce our internal auditing and legal functions and made ongoing efforts to unify the Group through the establishment of the Group Standards of Business Conduct and our Quality Policy. The spate of corporate scandals in the early 2000s, when prestigious companies were instantly discredited and even dissolved, also made corporate governance essential.

For the Group, it had become even more important from the perspective of corporate governance to ensure that the Group's philosophy and policies were fully implemented in the context of overseas expansion and continuing mergers and acquisitions. In addition, prompt decision-making with a view to overall optimization of the Group was required, and we reached a turning point of the virtual company system which was ideal for optimizing each individual business.

Furthermore, with the ratification of the Kyoto Protocol in 1997 and the United Nations Millennium Development Goals (MDGs) in 2000, the Group's response to challenges regarding the global environment and human society had become more sophisticated. The time was arriving when Environment, Society, and Governance (ESG) and Sustainable Development Goals (SDGs; established by the United Nations in FY2015) would become an important criterion for investment in companies. The Group was an early endorser and participant in the United Nations Global Compact in 2009, but to achieve CSV (Creating Shared Value) that generates both social and economic values, it was necessary to go deeper and evolve even further.

In the midst of such complicated circumstances, Masatoshi Ito was appointed President & CEO of the Group in June 2009, and was charged with laying the groundwork for the Group's next 100 years of global expansion.