

# Growth Strategies of the Ajinomoto Group

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## Growth Strategies of the Ajinomoto Group

### Review of the FY2014–2016 Medium-Term Management Plan

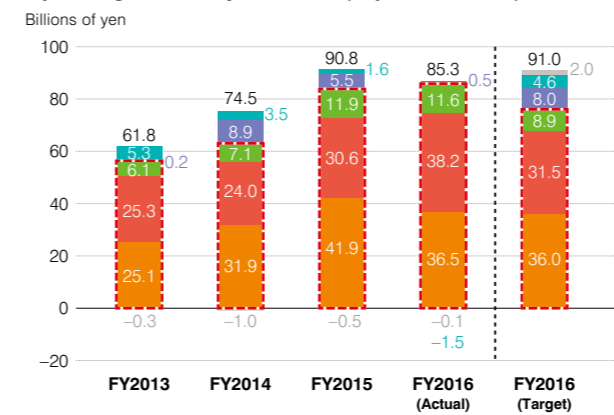
Under the FY2014–2016 Medium-Term Management Plan (hereinafter, the FY14–16 MTP), the Ajinomoto Group promoted the shift to a specialty-oriented business structure based on its "FIT & GROW with Specialty" policy. In fiscal 2016, the Group recorded operating income of ¥85.3 billion. While it was unable to reach the plan's targets due to challenging conditions in the animal nutrition and pharmaceuticals businesses, the Group has been realizing steady profit growth in specialty businesses since fiscal 2013, with profit levels exceeding the targets adopted under the FY14–16 MTP. Under the FY2017–2019 (for FY2020) Medium-Term Management Plan (hereinafter, the FY17–19 MTP), the Group will accelerate initiatives to address the issues that still remain from the previous plan.

#### Achievements and Remaining Issues under the FY14–16 MTP (Japanese GAAP)

	Achievements	Strategic Targets	FY2016 Target	FY2016 Actual	Remaining Issues
<b>FIT</b> Further Reinforcement of Business Structure	<b>Significant progress made but underdelivered vs targets</b> • Launched EA Pharma Co., Ltd. with Eisai Co., Ltd. • Sold Ajinomoto Sweeteners Europe S.A.S. and GABAN Co., Ltd. <b>Steadily expanded specialty businesses</b>	Retail MSG ratio	74%	72%	Needs further transformation of Animal Nutrition
		Retail sweeteners ratio	57%	— <sup>*1</sup>	
		Specialty ratio of animal nutrition	40%	— <sup>*2</sup>	
<b>GROW</b> Growth Driver Advancement	<b>Grew food products business with "Five Stars"<sup>*3</sup> strategies</b> • Made Ajinomoto General Foods, Inc. a consolidated subsidiary and acquired Windsor Quality Holdings, LP <b>Expanded regional portfolio and made progress on building new business pillars</b> • Acquired Örgen Gıda Sanayi ve Ticaret A.Ş. (Turkey) and signed an equity participation agreement with Promasidor Holdings Limited (Africa) • Formed an alliance with T.HASEGAWA CO., LTD. • Undertook investment in advanced biopharmaceutical areas	Company-wide overseas profit ratio	60%	52%	Underdelivered vs targets for "Five Stars" with slow growth in Thailand
		"Five Stars" sales ratio (vs. FY2012)	70%	54%	
		Ratio of R&D investment in Company-wide strategic themes for future growth	50% or more	45%	
<b>Evolution of the Management Foundation</b>	<b>Strengthened and evolved Group management system</b> • Introduced Global Governance Policy • Reformed Global Corporate and evolved organization (the first phase) • Introduced Global Human Resources Management System	Candidates for future management from introduction of global HR system	200 employees	200 employees	Needs more talent diversity
		Ratio of locally hired overseas executives	50%	43%	
		Ratio of female managers	20%	16%	
<b>Financial KPIs</b>	<b>Delivered steady shareholder returns</b>	ROE	9%	8.5%	Underdelivered operating income and ROE targets
		EPS growth rate (3-year average)	Around 10%	8.2%	
		Shareholder return (3-year cumulative)	50% or more	67.8%	
		Payout ratio	30%	32.6%	

\*1 As of fiscal 2016, international household business expansion accelerated with a portfolio shift in international processed foods (powdered beverages). As revisions have been made to numerical assumptions in accordance with this change, the results for fiscal 2016 are not shown.  
 \*2 Results for fiscal 2016 are not shown due to a deficit in the commodities business. \*3 Thailand, Brazil, Indonesia, Vietnam, Philippines

#### Operating Income by Business (Japanese GAAP)

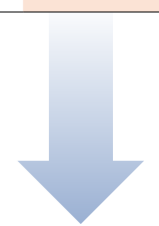


Operating income ratio of bulk business: —, 15%, 16%, 10%, Around 10%

Legend: International Food Products, Japan Food Products, AminoScience (excludes Animal Nutrition and Pharmaceuticals), Animal Nutrition, Pharmaceuticals, Others, Specialties

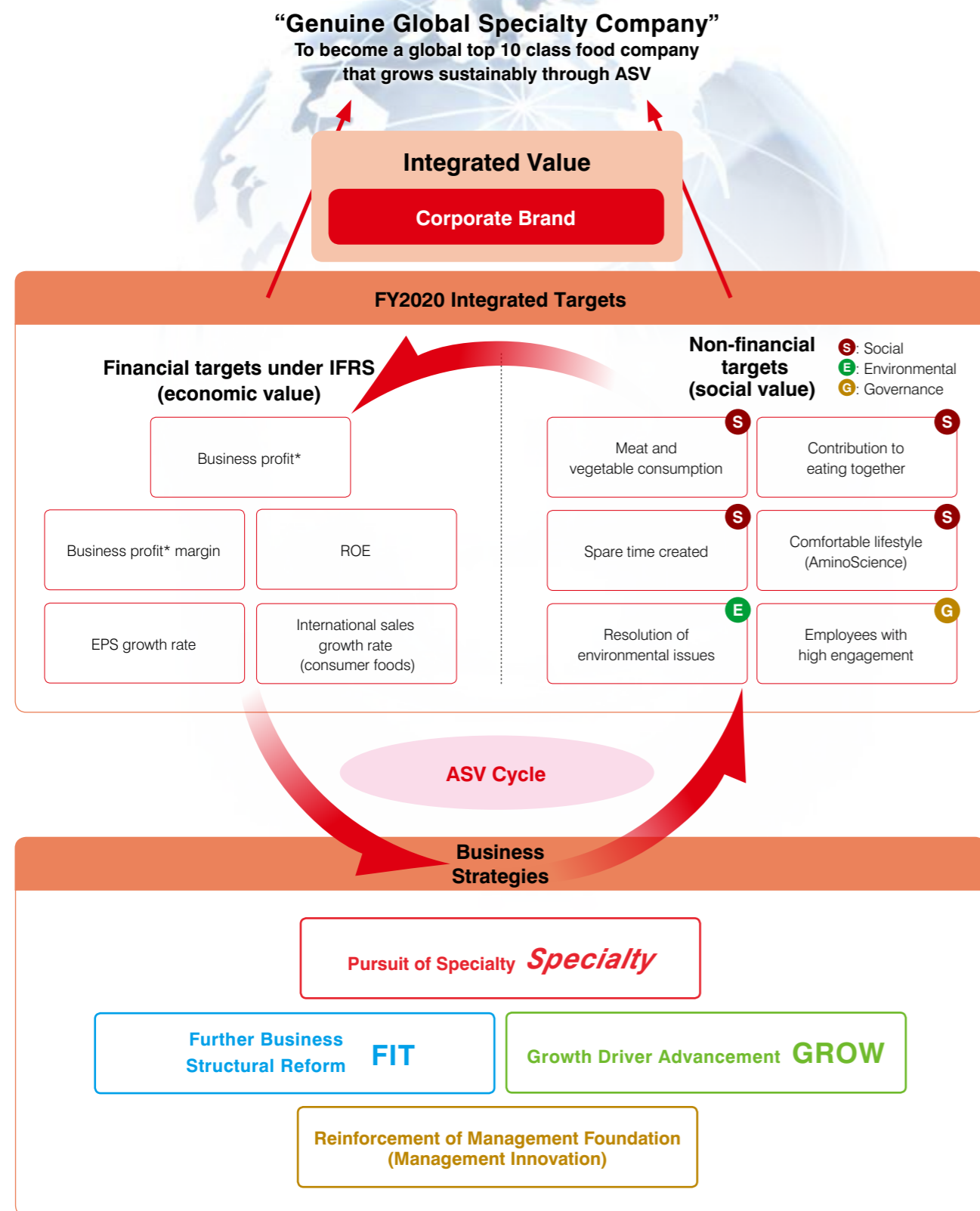
#### Direction of the FY17–19 MTP

- Scale down commodities and expand specialties
- Enhance growth drivers by adapting to changes in lifestyles in "Five Stars"
- Reinforce our organization, talent, and work styles as a global top class company
- Establish business structure with high asset/capital efficiency capable of creating sustained profitability



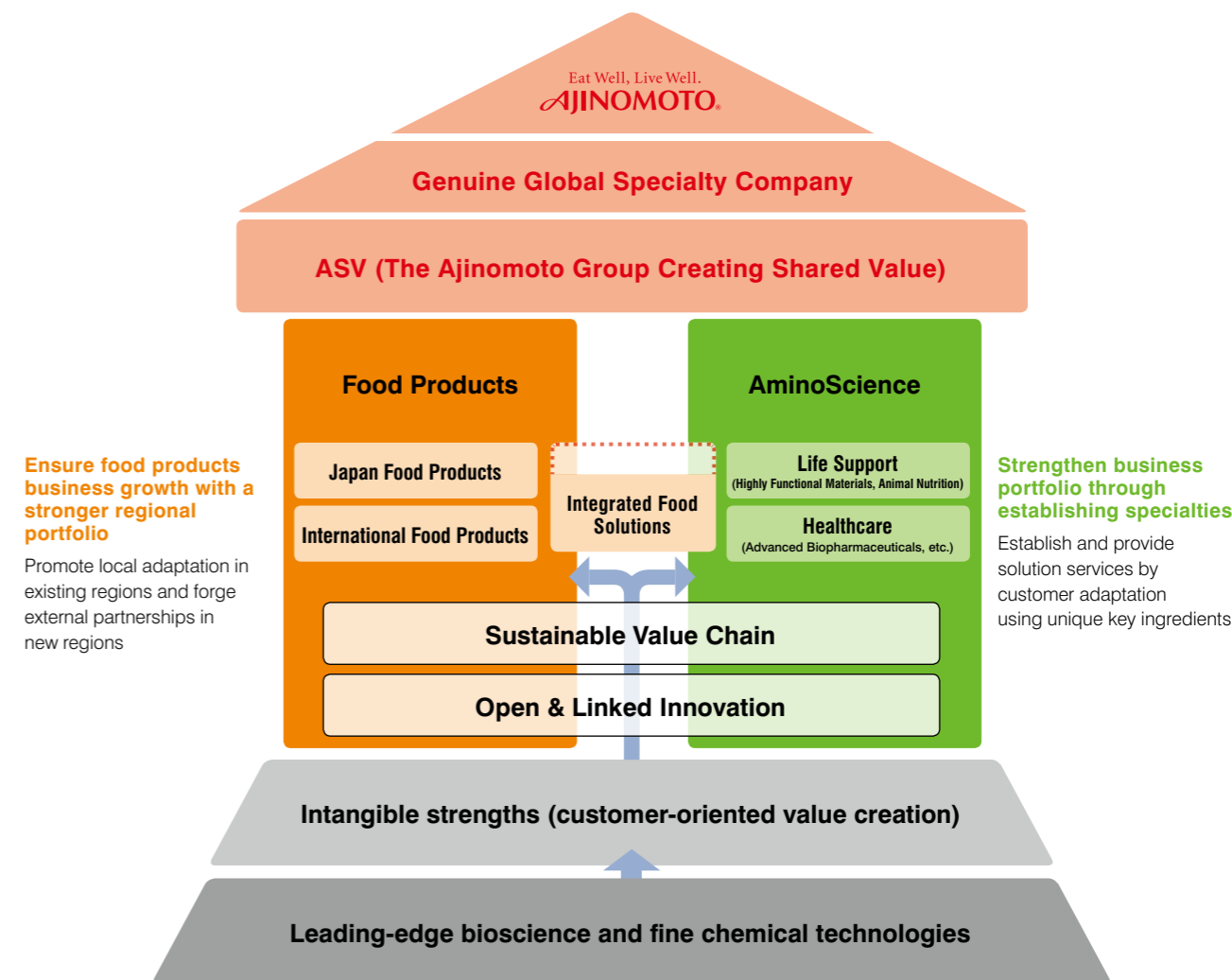
**Overall Outline of Initiatives toward Fiscal 2020**

To realize sustainable growth through ASV, the Group has formulated its first-ever integrated targets. These targets combine non-financial targets, which share value with society and local communities through ASV, and financial targets, which represent the economic value created from the achievement of these non-financial targets. By realizing these integrated targets, the Group will accumulate corporate brand value and create a cycle that allows for further value creation. In doing so, the Group aims to become a "Genuine Global Specialty Company."



**Direction Our Business is Heading under the FY2017–2019 (for FY2020) Medium-Term Management Plan**

Supported by specialties derived from the integration of leading-edge bioscience and fine chemical technologies and our ability to create customer value, the Ajinomoto Group has established "Food Products" and "AminoScience" as its two business pillars. For the direction of strategies for these two pillars, we are working to ensure global business growth in food products by improving the regional portfolio and strengthening the business portfolio of AminoScience through establishing specialties. Furthermore, we have established a new food business model that focuses on integrated food solutions, which integrates food products and AminoScience. For this domain, we will leverage our deliciousness technologies to provide solutions for home meal replacements (HMR), food services, and food processing. In doing so, we will develop integrated food solutions as a new business pillar.



**FY2019 Financial Targets**

Business profit	Business profit margin	ROE
¥124 billion	9.4%	9.8%
EPS growth rate	International sales growth rate (consumer foods)	
Double-digit annual growth	Double-digit annual growth	

**FY2019 Non-Financial Targets**

Promote business activities toward achieving the FY2020 non-financial targets

\* An original profit KPI adopted by the Group following the voluntary application of International Financial Reporting Standards (IFRS) for management purposes. The KPI is defined as follows: Sales – Cost of sales – Selling expenses, Research & development expenses, and General & administrative expenses + Share of profit of associates and joint ventures