

Shift Fundamentally from Commodities to Specialties

In our bulk businesses, we are accelerating the shift from commodities to specialties and enhancing added value. At the same time, we are strengthening cost competitiveness by improving our business structure. In particular, for animal nutrition, we will actively collaborate with external parties to overcome the deficit in commodities and increase profits in specialties. In doing so, we are establishing a foundation for stable profit creation.

▶ Accelerate shift to specialties

Animal Nutrition

Commodities

- Reduce in-house production significantly and convert facilities to specialty products
 - Convert facilities to manufacture valine, low-limiting amino acids,*1 etc., while retaining our own technologies
 - Invest approximately ¥4.0 billion anticipated for the specialties conversion

Specialties

- Shift to domains with high barriers to entry by leveraging our unique technologies and strong customer relationships
 - Next-generation AjiPro®-L products
 - Highly functional premix products (for cattle, swine, poultry, fish, etc.)
 - Diagnosis solutions with ICT (FY2020 or later)

Business Profit

FY2016 Actual	FY2019 Target	FY2020-Target
¥0.6 billion	¥2.0 billion	¥5.0 billion

Active collaboration and alliances

Contribute to sustainability of food resources

Umami Seasonings for Processed Food Manufacturers (MSG)

Expand supply for retail/internal demand, and strengthen cost competitiveness

- Utilize existing production capacities and expand supply for retail/internal demand
- Adjust sales based on market prices and sales capacity
- Reduce production costs with resource-saving fermentation technologies

Retail Sales Ratio (Weight-based)

FY2016 Actual: 72% → FY2019 Target: 77%

Sweeteners

Pursue specialties with retail business, and strengthen cost competitiveness through cost reduction

- Reorganize the brand portfolio to clarify focus of investments, and expand sales to food services (the promotion of low-carb menus, etc.)
- Reduce manufacturing and selling expenses, etc., and expand sales of products with price premium

Retail Sales Ratio

FY2016 Actual: 28% → FY2019 Target: 32%

Pharmaceutical Custom Manufacturing

Shift from small-molecules to medium/large-molecules

- Medium/Large-molecules: Invest in Fill and Finish*2 and launch ADC*3 business
- Small-molecules: Integrate with medium/large-molecules business and build external partnerships for wider range of service offerings

Medium/Large-molecules Business Profit Ratio

FY2016 Actual: 24% → FY2019 Target: 44%

*1 Amino acids that become limiting amino acids after lysine and threonine *2 Sterile filling and formulation of biopharmaceuticals *3 Antibody Drug Conjugate

Construct Sustainable Value Chains across Businesses

We will construct value chains across our businesses that support sustainable growth. In Japan, we will reinforce our business structure by reorganizing the overall value chain for food products together with our affiliated companies. Globally, we will cut costs and contribute to the global environment by reducing the amount of resources used in procurement, production, and consumption processes.

▶ Restructure value chains food products in Japan jointly with affiliated companies

Production

Restructure production of seasonings and processed foods

- Examine the reestablishment of our production structure
- Improve efficiency with automation and ICT

Distribution

Jointly implement distribution reform with other companies

Sales

Develop key account sales teams

- Attain solutions offering capabilities for convenience stores, e-commerce, and major food services

Corporate


Improve efficiency of corporate function in Japan jointly with Ajinomoto AGF, Inc., Ajinomoto Frozen Foods Co., Inc., etc.

- Optimize shared functions

Build social infrastructure

Joint distribution system via F-LINE Co., LTD.

F-LINE Co., LTD. was launched in March 2017 with the purpose of integrating the distribution and planning functions of Ajinomoto Co., Inc. and three other Japanese food manufacturers (Kagome Co., Ltd., Nisshin Foods Inc., and House Foods Group Inc.), and further promoting initiatives that address issues such as rising distribution costs and CO₂ emissions.




▶ Construct sustainable value chains on a global scale

Contribute to a harmonious coexistence with the earth and realize reduced costs by using less resources in all aspects of procurement, production, and consumption

- Lower costs of raw materials, use less energy
- Continuously strengthen resource-saving fermentation technologies
 - Lower costs of MSG, nucleic acids, etc.
- Optimize global fermentation processes
 - Link production facilities on a Group-wide scale with ICT
- Reduce environmental impact at consumption stage
 - Eco-friendly packaging
 - Extension of expiration dates

By fiscal 2016, approximately 80% of the major amino acid-producing factories that have been targeted for the introduction of resource-saving fermentation technologies have introduced technologies that conserve raw materials and energy. We expect to complete the introduction of such technologies at all targeted factories by 2025 and will continue to pursue the development and introduction of even newer technologies.



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