By carrying on the aspiration of our founding through our “Food and AminoScience” businesses, we will become a “Genuine Global Specialty Company” that can grow sustainably and contribute to a healthy future for humanity and the earth.
What We Aim For

It has been 108 years since businessman Saburosuke Suzuki II founded Ajinomoto Co., Inc., a year after Professor Kikunae Ikeda discovered the fifth basic taste, umami. The aspiration of these two men to promote the health of Japanese people by improving nutrition with umami has extended across the globe. Throughout the years, the Ajinomoto Group has engaged in research and development originated from glutamic acid, the taste of which was identified by Professor Ikeda as an umami substance, and has pursued the development of leading-edge bioscience and fine chemical technologies as well as the world’s No. 1 seasoning technologies. With these technologies acting as our core, we have evolved into a unique food company group, diversifying our business to span a wide range of fields, from food to healthcare and life support.

Through this evolution, we believe that our food and AminoScience businesses can contribute significantly to the resolution of issues facing society in the 21st century, including issues related to “health and well-being,” “food resources,” and “global sustainability.” Through dialogue with our stakeholders, we also understand that even larger expectations are being asked of us to resolve such issues.

Currently, we have adopted the term ASV (The Ajinomoto Group Creating Shared Value) to refer to the economic value we have consistently created since our founding by resolving social issues through our business. I feel confident that the evolution we have made with ASV will help us realize sustainable growth that is befitting of a global company. Going forward, we will forge ahead with our FY2017–2019 (for FY2020) Medium-Term Management Plan (hereinafter, the FY17–19 MTP), with ASV evolution underpinning our core.

“Genuine Global Specialty Company”

Why We Aim to be a “Global Top 10 Class Food Company” by Fiscal 2020

Economic and Financial Perspective

Currently, the Ajinomoto Group is expanding two pillars of businesses, the food business and the AminoScience business, the latter of which covers the fields of life support and healthcare. Our fundamental medium- to long-term management policy is to realize sustainable growth within these businesses as a global food company group. Such growth can be achieved by bringing together our core competencies: leading-edge bioscience and fine chemical technologies, which originate from amino acids and also lead to deliciousness technologies, and our thorough marketing approach that adapts to local cultures and customers.

Giving consideration to the necessary growth investments to realize sustainable growth and the required cash balance to carry out shareholder returns, from a management strategy perspective, our business profit*1 scale needs ¥130 billion or more. I believe that such a scale represents a benchmark for entering the top 10 class of global food company groups.*2

After setting other global food company groups as a benchmark for ourselves, we established the following medium-term aims: contribute to the future progress of humanity and the earth; possess our own industry-leading technologies and business domains; assemble a group of diverse, globally capable talent; achieve the business and profit scale of a global company; and meet global efficiency standards to generate profit. While setting numerical targets to the greatest extent possible, we will continue to move forward with efforts to reach these aims.

Social and Non-Financial Perspective

In recent years, an international consensus has been reached in terms of addressing the social issues that have been caused by the activities of the human race, as reflected by the United Nations’ Sustainable Development Goals (SDGs). At the same time, there has been a rising social interest in how corporations will create social value to help address such issues. Within the dialogue we have with our stakeholders, the demand for us to share precise environmental, social, and governance (ESG) policies, in addition to non-financial targets, has been growing stronger by the day. As such, I believe that improving social value related to ESG through our food and AminoScience businesses has become a necessary condition for realizing sustainable growth. Leading global company groups, which represent our competition, have promptly adopted non-financial targets that conform to the international consensus on the resolution of social issues. In addition to plans for achieving these targets. In doing so, these companies are developing their businesses while enhancing their social presence. Under the FY17–19 MTP, we have clarified policies and aims at the level that meets the standards of leading global companies in terms of social value, and we have started to work toward these goals. For the Ajinomoto Group, social value creation represents another reason to strive to become a “global top 10 class food company” by fiscal 2020.

Elements needed to become a “global top 10 class food company”:

What the Ajinomoto Group aims for

Achieve sustainable growth through ASV that creates specialties

Category positioned within top 3 globally

ESG targets that suffice international standards

Global business footprints

Business profit ¥130 billion or more

ROE 10% or higher

Business profit margin 10% or higher
A Solid Track Record and the Next Step Forward
Message from the President & CEO

Awareness of Current Issues

Unlike other leading global food companies, the Ajinomoto Group currently faces the following challenges.

The first challenge we face is related to financial targets, that is to say, our business scale and level of efficiency in generating profits. Under the FY2014–2016 Medium-Term Management Plan (hereinafter, the FY14–16 MTP), we adopted the basic strategy of “FIT & GROW with Specialty” and promoted the further reinforcement of business structure (FIT) and growth driver advancement (GROW). Accordingly, the operating income of specialty businesses within the food business and the AminoScience business grew steadily, exceeding the original plan, but we could not offset the impact of the deteriorating profits of some of the commodity businesses due to intensified global competition. As a result, the Group’s overall operating income, operating income margin, and ROE targets have not been achieved. Therefore, structural reforms to the specialty business through the “FIT & GROW with Specialty” strategy are the most important strategic initiatives under the FY17–19 MTP.

The next challenge we face is the resolution of social issues. Thus far, we have achieved a great deal of noteworthy results when it comes to social and environmental issues. For example, we have led the way in tackling issues related to nutrition in developing countries such as Ghana and have contributed to resolving nutrition-related issues for elderly people in Japan. We have also reduced our greenhouse gas emissions and promoted activities to eliminate waste. However, when we give consideration to global standards, we have yet to sufficiently announce Group-wide policies that fully encompass ESG, and efforts to outline our initiatives toward resolving social issues in local communities are lacking. Based on the input we received from opinion leaders—who represent society and the capital markets—regarding the integrated report we published in 2016, we decided to pursue initiatives to address these concerns under the FY17–19 MTP.

Evolving ASV and Realizing Sustainable Growth

Taking a comprehensive look at the opinions held toward the Group by our stakeholders in society and the capital markets, we understand that we are expected to realize sustainable growth through the enhancement of financial and non-financial indicators. However, the priority given to major indicators and the timeframe in which we are expected to achieve results differ by stakeholder. In some instances, stakeholder expectations conflict with each other. Accordingly, to bridge the gap between differing stakeholder expectations to the greatest extent possible, we have formulated the FY17–19 MTP that centers on ASV value creation stories supported by not only the resolution of social issues but also leading-edge bioscience and fine chemical technologies, which also lead to deliciousness technologies, and a thorough marketing approach that adapts to local cultures and customers, which represent our core competencies.

Social Issues to Resolve and Value to Create as the Ajinomoto Group

In light of the current business environment, the Ajinomoto Group has engaged in dialogue with external experts to identify several materiality items in non-financial areas by evaluating their level of importance to the Group’s business and to society as a whole. The Group has adopted “health and well-being,” “food resources,” and “global sustainability” as three areas in which it should address social issues and has developed a four-part story for value creation that will act as its approach to resolving issues in these areas.

Materiality Matrix of the Ajinomoto Group

Issues in the Macro Environment

- Uncertainty of economic policies
- Deflation
- Population increase
- Changing population demographics
- Food resources (food shortages and food disposal)
- Impact of ICT on eating habits

ASV Value Creation Stories

1. We contribute to health and well-being by utilizing our leading-edge bioscience and fine chemical technologies, which also lead to deliciousness technologies, and by delivering good and healthy food
2. We contribute to the development of a society that enables strong family/social bonds and diverse lifestyles through eating well
3. We contribute to the sustainability of society and the earth with our customers and local communities, across the value chain from production to consumption
4. We co-create value with each region through the perspectives of the customers, with our global, top-class and diverse talent
**Target Management Indicators**

The management indicators adopted under the FY17–19 MTP are as follows. For financial targets, we will continue to realize profit growth throughout the three-year period from fiscal 2017 to fiscal 2019. Such growth will act as a milestone for becoming a “global top 10 class food company” by fiscal 2020. For non-financial targets, we will focus on contributing to healthy living for mankind, as mentioned in the ASV value creation stories. At the same time, we will pursue a policy of proactively engaging ourselves in the United Nations’ Sustainable Development Goals (SDGs) and other efforts related to the international consensus on ESG.

In addition, we have incorporated “improving employee engagement” as a corporate governance item that targets approximately 33,000 Group employees. This reflects the Ajinomoto Group’s belief that employee engagement is the most important foundation for not only improving social value but also enhancing corporate governance as a corporate group originated in Japan.

Furthermore, we have established the enhancement of our corporate brand as an integrated target. To this end, we have set a medium-term target of “Ajinomoto Brand” value, which is evaluated by the brand consulting firm Interbrand. As a result of medium- to long-term benchmarking, corporate brand value is a value crystallization generated by all corporate activities of the Ajinomoto Group that comprehensively collect evaluations from each stakeholder including customers, business partners, and employees. Thus, we have judged that it is a suitable indicator for measuring sustainable growth.

**Roadmap to a “Genuine Global Specialty Company”**

<table>
<thead>
<tr>
<th>FY2016 Actual</th>
<th>FY2017 Forecast</th>
<th>FY2019 Target</th>
<th>FY2020 Target (Organic growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial (IFRS)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business profit</td>
<td>¥56.8 billion</td>
<td>¥102.0 billion</td>
<td>¥127.0 billion or more</td>
</tr>
<tr>
<td>Business profit margin</td>
<td>16%</td>
<td>20%</td>
<td>23%</td>
</tr>
<tr>
<td>ROE</td>
<td>8.9%</td>
<td>10% or higher</td>
<td>10%</td>
</tr>
<tr>
<td>EPS growth rate</td>
<td>8.9%</td>
<td>10% or higher</td>
<td>10%</td>
</tr>
<tr>
<td>International sales growth rate</td>
<td>7.2%</td>
<td>Double-digit annual growth</td>
<td>Double-digit annual growth</td>
</tr>
<tr>
<td>Non-financial*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meat and vegetable consumption*</td>
<td>6.5 million tons; 16.3 kg/person/year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Spent time creation*</td>
<td>18.7 million people</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Integrated Value**

- **Brand value**
  - FY2016 brand value target = US$711 million
  - FY2020 brand value target = US$1,500 million or more

**Integrated Report 2017**

1. Thailand, Brazil, Indonesia, Vietnam, Philippines
2. Counting only products for household consumers in Japan
3. Counting only cup soup products in Japan
4. Comparison between fiscal 2016 and fiscal 2019

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**How Business Activities and Social/Economic Value Connect**

**“Genuine Global Specialty Company”**

To become a global top 10 class food company that grows sustainably through ASV

**Integrated Value**

- **Corporate Brand**
  - Enhance brand value through creating social/economic value, which leads to further value creation
  - FY2020 brand value target = US$1,500 million or more

**Non-financial targets (social value)**

- **Better nutritional balance by eating more**
  - Proteins and vegetables with umami
    - Meat and vegetable consumption through our products (Japan and Five Stars*)
      - FY2015: 5.5 million tons; 8% (6.2 kg/person/year)
      - FY2020 Target: 8% (7 kg/person/year)
    - Vegetable consumption through our products
      - FY2015: 3.4 million tons; 4.1 kg/person/year
      - FY2020 Target: 5.6 kg/person/year

- **More eating together**
  - Contribution to eating together through our products (Japan and Five Stars*)
    - FY2015: 70 times/household/year
    - FY2020 Target: 90 times/household/year

**Financial targets under IFRS (economic value)**

- **Total sales**
  - FY2020: ¥1,360 billion (+¥260 billion)

**Integrated targets**

- **Sustainable value creation as a Genuine Global Specialty Company**
  - Become a global top 10 class food company
  - Sustained growth as a global top 10 class food company

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**Financial targets under IFRS (economic value)**

- **Total sales**
  - FY2020: ¥1,360 billion (+¥260 billion)

**Integrated targets**

- **Sustainable value creation as a Genuine Global Specialty Company**
  - Become a global top 10 class food company
  - Sustained growth as a global top 10 class food company
A Key Strategy of the FY2017–2019 (for 2020)
Medium-Term Management Plan

While the Ajinomoto Group will continue to adopt the “FIT & GROW with Specialty” strategy under the FY17–19 MTP, the Group will fully carry out the aims of the strategy to pursue greater results. For further business structural reform (FIT), we will give the utmost priority to implementing the fundamental shift from commodities to specialties, primarily in the animal nutrition business. Also, we will restructure the value chain for food products in Japan and beef up value chains across various businesses through the promotion of resource conservation within our global business activities.

In regard to growth driver advancement (GROW), we will ensure global business growth in food products with a stronger regional portfolio. Moreover, we will achieve further growth in existing areas of operation by leveraging leading-edge technologies and adapting to the needs of local cultures and customers. We will also accelerate our expansion into new regions.

Additionally, we will further enhance our business portfolio by nurturing the seeds for new businesses that we sowed under the FY14–16 MTP into new business pillars for the FY17–19 MTP. We will also leverage ICT to improve the quality and efficiency of our organization, talent, and work styles, which will act as the management foundation that supports all of our efforts in the “FIT & GROW with Specialty” strategy.

A Message to Our Stakeholders

To realize sustainable growth through ASV and become a company that is even more essential for society, we have established the FY17–19 MTP, which centers on ASV value creation stories. We have also established integrated targets for fiscal 2020 that combine both financial and non-financial targets.

The new plan is a three-year plan aimed at accelerating the pace for becoming a “Genuine Global Specialty Company.” At the same time, we have incorporated investments in new businesses and the management foundation into the plan to act as the groundwork for realizing sustainable growth after fiscal 2020. To fulfill the expectations of our stakeholders and ensure that we reach our integrated targets for fiscal 2020 and improve corporate value, I, as President & CEO, will lead the way as we leverage the comprehensive strengths of the Ajinomoto Group to carry out the initiatives of the plan. Finally, I sincerely hope that this integrated report serves as a means to encourage dialogue with our stakeholders.

July 2017

Takaaki Nishii
Representative Director,
President & Chief Executive Officer