

Message from the President and CEO

As a global leader working to resolve social issues, we will continue to contribute to a healthy future for humanity and the earth through our “Food” and “AminoScience” businesses.

Eat Well, Live Well

Aji
AJINOMOTO

Takaaki Nishii

Representative Director,
President & Chief Executive Officer

Future Image of the Ajinomoto Group (ASV Evolution)

By carrying on the aspiration of our founding through our “Food” and “AminoScience” businesses, we are aiming to become a “Genuine Global Specialty Company” that can grow sustainably and contribute to a healthy future for humanity and the earth. As an important milestone for becoming such a company, we are taking on the challenge of becoming a “Global Top 10 Class Food Company” by FY2020. We recognize the following items as important elements for accomplishing this task.

Elements needed to become a “Global Top 10 Class Food Company”

- Establish business categories that are positioned within the top three globally as core businesses
- Develop businesses on a global scale
- Generate business profit of ¥130.0 billion or more
- Boast a business profit margin of 10% or higher
- Realize ROE of 10% or higher
- Develop initiatives on ESG targets that meet international standards such as the United Nations’ Sustainable Development Goals (SDGs)

The Ajinomoto Group's Core Competencies, Uniqueness, and Driving Force for Growth

Our core competencies for becoming a “Genuine Global Specialty Company” are the following two based on our talented employees, who embody our “creativity” and “pioneering spirit.”

The first is our leading-edge bioscience and fine chemical technologies, which have derived from the research, development, and production of amino acids. The second is our marketing and sales capabilities that have allowed us to advance these technologies as a business in a manner that adapts to our global customers and local communities.

For example, in our pursuit of umami, typified by glutamic acid, or our umami seasoning *AJI-NO-MOTO*[®], we have utilized our technological capabilities to offer products of high quality at reasonable prices across the globe. Furthermore, with the Group's unique deliciousness technologies, we have evolved our operations to offer flavor seasonings and menu-specific seasonings tailored to the food culture of each country and region. Through our “global No. 1 dry savories*” and processed foods businesses, we currently provide food products equivalent to approximately 260 billion nutritionally balanced meals that use meat and vegetables in over 130 countries and regions around the world on an annual basis (in-house calculation based on umami usage amounts; 2 grams of umami per meal).

Also, in addition to the function of enhancing taste, we are promoting research to clarify other functions of amino acids, such as their nutritional value and their ability to assist in improving physical and psychological health. For example, amino acids can help improve nutritional imbalances during the weaning period for children in developing countries. Moreover, through sports supplements, dietary supplements, and “Foods with Functional Claims,” amino acids can help offer greater levels of wellness in a wide variety of lifestyle settings.

* Dry savories: Umami seasoning and flavor seasonings (powdered, cubes, etc.)

Additionally, highly functional cell culture media with original amino acid mixtures are an essential part of research and development on advanced regenerative medicine, such as iPS cell culture media, which are progressing at a rapid pace. As such, we firmly believe that amino acids

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will contribute significantly to the realization of groundbreaking pharmaceutical products and medical treatment in the near future.

In these ways, we will leverage our core competencies, comprising our leading-edge bioscience and fine chemical technologies, which lead to deliciousness technologies, and our thorough marketing approach that adapts to local cultures and customers, to continuously provide solutions to social issues in our global "Food" and "AminoScience" businesses, thereby realizing sustainable growth.

The Social Mission and Initiatives of the Ajinomoto Group

Efforts to Resolve "21st-Century Issues of Human Society"

Our mission is to fulfill our social responsibilities by leveraging the entire value chain—from our activities in development, raw material procurement, production, and sales to the use of our products by consumers and customers. Thus, we actively aim to contribute to the resolution of issues related to "health and well-being," "food resources," and "global sustainability" for all of our customers and suppliers as well as in the social lives of our employees and their families. In regard to specific issues, we have been engaging in repeated dialogues with our stakeholders since 2005 and identified and updated our materiality items in 2017 based on the issues that our stakeholders expect us to address. We have listed the details on these materiality items in our integrated report and sustainability data book. We have been working to align our medium-term management plan with the initiatives adopted under the SDGs and the Paris Agreement. Within these efforts, I paid particularly close attention to ensure that the commitments we laid out in the FY2020 Integrated Targets and the Long-Term Environmental Vision, which were adopted under the FY17-19 MTP, are able to lead to international consent.

Key Initiatives

Above all else, we put complete quality assurance first. Standing by this, we will undertake initiatives through our product development and services in the fields of food, healthcare, and life support to comprehensively provide people around the world with an even greater number of opportunities to experience "Eat Well, Live Well.," which represents the aspiration of our founding and the core of our business.

In the managerial ranks, we will leverage these initiatives as the driver of sustainable growth for the Group by simultaneously enhancing the social value we create as well as economic value. We have named this kind of value creation "ASV (The Ajinomoto Group Creating Shared Value)" and have been striving to foster a Group-wide understanding of ASV as the core of corporate strategies for realizing our vision over the medium to long term. With the formulation of the FY17-19 MTP, we have been pushing forward with efforts aimed at accomplishing this task. Also under the FY17-19 MTP, we are promoting key initiatives aimed at resolving the following four social issues through our business activities.

- 1 Undernutrition and overnutrition caused by nutritional imbalances that stem from insufficiency in nutritional information
- 2 Psychological health issues caused by lifestyle changes such as population centralization in urban areas and the rapidly aging society, which have led to busier lifestyles and an increase in people eating meals alone
- 3 Food resource-related issues, such as the depletion of food resources, and food loss and waste
- 4 Issues for realizing a harmonious coexistence with the earth by the entire lifecycles of our products (through carbon control, reductions of food loss and waste by half, sustainable procurement, sustainable conservation of water resources, and the elimination of waste emissions)

Furthermore, to realize sustainable growth, we are pursuing three key initiatives to strengthen our management foundation and governance.

- 1 Improve our level of "employee engagement" for the approximately 34,000 Group employees and continue to pursue management efforts that focus on enhancing ASV and productivity. Specifically promote:
 - "Health and Productivity Management"
 - Active roles for diverse talent
 - Work-style innovation in Japan
- 2 In light of legal regulations of each country and region and global standards, implement the Ajinomoto Group Policies (AGP), which lay out the fundamental and universal approaches and actions of the Group, including all of its officers and employees, in addition to simple, clear, and transparent corporate governance based on AGP.
- 3 Ensure that all officers and employees carry out the Ajinomoto Group Way, which involves creating new value, pioneering spirit, social contribution, and valuing people. In doing so, realize an organizational culture of mutual encouragement.

Demonstrating Leadership in Society

I am representing the Group as a board member of the Consumer Goods Forum (CGF), an organization that comprises nearly 400 global consumer goods manufacturers and retailers. CGF displays leadership to resolve the globally shared social issues of enriching people's lifestyles and realizing a sustainable global environment. Through this position, I am making proactive efforts to spread awareness of these initiatives. In regard to international targets such as the SDGs, I believe it is extremely important to have a sense of ownership in understanding how global issues affect each country and region and to collaborate with external organizations to form a consensus on issues that need to be addressed and specific initiatives to do so. I will surely demonstrate leadership among Japanese manufacturing, wholesale, and retail organizations and in the major countries where we are operating our businesses, so that initiatives to resolve various issues will spread.

With ASV as the core of our corporate strategies, we will realize sustainable growth for the Ajinomoto Group while working to resolve "21st-century issues of human society."



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Progress and Issues Thus Far

When comparing the Group to "global top 10 class food companies," we face several issues in terms of our financial indicators, meaning the size of our business and our level of efficiency in generating profits. In FY2017, the first year of the FY17-19 MTP, we made solid progress in the growth of our "global No. 1 dry savorys" business and the AminoScience business. We also expanded the scope of our international food businesses through M&A and steadily advanced the downstream strategy in the AminoScience business (brand + inside strategy; see p39).

Meanwhile, several issues arose in the international frozen foods business, international processed foods business, and coffee business in Japan. As a result, business profit remained at nearly the same level as in the previous fiscal year, despite an increase in sales. We achieved cash flows in line with our initial plans through Group-wide efforts to enhance cash management as well as the positive effects of tax reductions in the United States and other countries. As such, for shareholder returns, we were able to adhere to the policies of "paying stable and continuous dividends with a target payout ratio of 30%" and "considering flexible share buybacks with a target shareholder return of 50% or higher (three-year cumulative)."

While we will actively promote efforts in FY2018 to address the business issues that newly materialized, we are currently about a year behind the progress we wish to make under the FY17-19 MTP due to the highly adverse impact of soaring raw material prices and other factors. I will personally focus on addressing structural issues at domestic and overseas Group companies and moving forward with revisions to our growth strategies. By streamlining Japan's production plants, which we will undertake on a full-scale level starting in FY2018, as well as enhancing the efficiency of our corporate divisions, we will aim to restore our progress by FY2020.

As for non-financial targets pertaining to ESG, in FY2017 we established the "Group Shared Policy on Nutrition," followed by formulating environmental targets for each fiscal year. In addition, we documented in writing each of our policies for fulfilling our corporate responsibilities. In these ways, I feel we made steady progress toward becoming a "global top 10 class food company." During the year, we also achieved progress toward non-financial targets that was either in line with or surpassed our initial plans. Within our primary corporate governance initiatives, our progress for improving employee engagement and work-style innovation in Japan exceeded what we anticipated under the FY17-19 MTP.

Furthermore, we established the enhancement of our corporate brand as an integrated target that combines both financial and non-financial aspects. In FY2017, our corporate brand was valued at US\$778 million, an approximately 10% increase from the previous fiscal year (evaluated by brand consulting firm Interbrand). We have now commenced a corporate brand strategy that centers on raising an awareness of the Ajinomoto Group Global Brand Logo, which we revamped in October 2017. Starting from FY2018, we will begin public relations activities to communicate the company message of ASV value creation in Japan and other key countries of operation such as the United States. We will also carry out a broad range of initiatives in accordance with the FY17-19 MTP aimed at reaching a corporate brand value of US\$1,500 million by FY2020.

A Message to Our Stakeholders

The Ajinomoto Group is currently implementing the FY17-19 MTP, which centers on "ASV value creation stories" that aim to realize sustainable growth through ASV and further enhance the importance of the Group's presence in society. I hope our *Integrated Report 2018* and *Sustainability Data Book 2018* will give our stakeholders a clearer picture of the Group's approach. I also sincerely hope that these publications spark new dialogues with our stakeholders that will help the Group achieve sustainable growth from FY2020 on.

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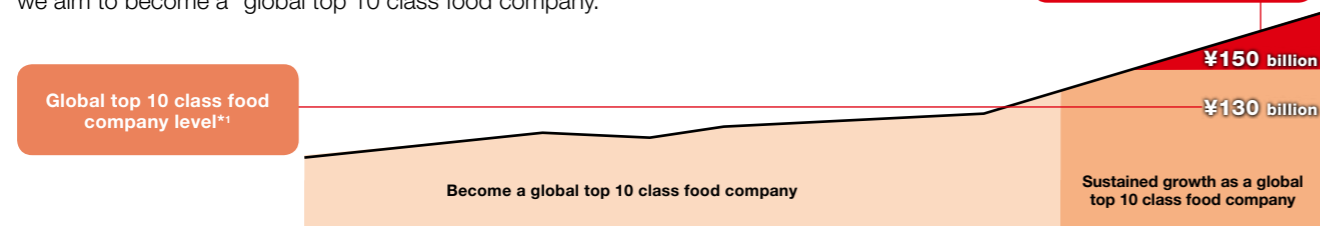


Takaaki Nishii
Representative Director,
President & Chief Executive Officer

Roadmap to a "Genuine Global Specialty Company"

By realizing a transition to a robust business structure that can continue to generate profit, we aim to become a "global top 10 class food company."

Sustainable value creation as a "Genuine Global Specialty Company"



	FY2017 Actual	FY2018 Forecast	FY2019 Expected	FY2019 Plan	FY2020 Target (Organic growth)
Financial					
Business profit	¥97.3 billion	¥103.0 billion	¥116.0 billion	¥124.0 billion	¥137.0 billion or more
Business profit margin	8.5%	8.7%	9.3%	9.4%	10%
ROE	9.7%	9.5%	9.8%	9.8%	10% or higher
EPS growth rate	15%	3%	7%	6%	Double-digit annual growth
International sales growth rate (consumer foods) ²	5%	7%	YoY growth rate + α	Double-digit annual growth	Double-digit annual growth
Non-financial³					
Meat and vegetable consumption ⁴	Meat: 7.2 million tons; 17% (8.3 kg/person/year) Vegetables: 4.4 million tons; 7.4% (5.1 kg/person/year)	Meat: 7.6 million tons; 18% (8.7 kg/person/year) Vegetables: 4.7 million tons; 7.9% (5.4 kg/person/year)	—	—	Meat: 8.6 million tons; 19% (9.7 kg/person/year) Vegetables: 5.5 million tons; 8.0% (6.2 kg/person/year)
Contribution to eating together	60 times/household/year	63 times/household/year	—	—	70 times/household/year
Spare time created	37 million hours/year (5 hours/household)	38 million hours/year (5 hours/household)	—	—	38 million hours/year (6 hours/household)
Contribution to a comfortable lifestyle (AminoScience)	19.8 million people	20.0 million people	—	—	22.0 million people
Resolution of environmental issues	See p26				
Employees with high engagement	79%	—	—	—	80%
Integrated					
Brand value ⁵	USD778 million	—	—	—	USD1,500 million

¹ A "global top 10 class food company" is defined as a company business profit of ¥130 billion or higher based on IFRS. ² Local currency basis ³ Refers to FY2017-2019 (for 2020) Medium-Term Management Plan (as of February 17, 2017) ⁴ Annual total and % of annual consumption per person ⁵ Evaluated by Interbrand, "Japan's Best Global Brands"

