Financial and capital strategy

Financial and capital strategy that supports the evolution of our business portfolio

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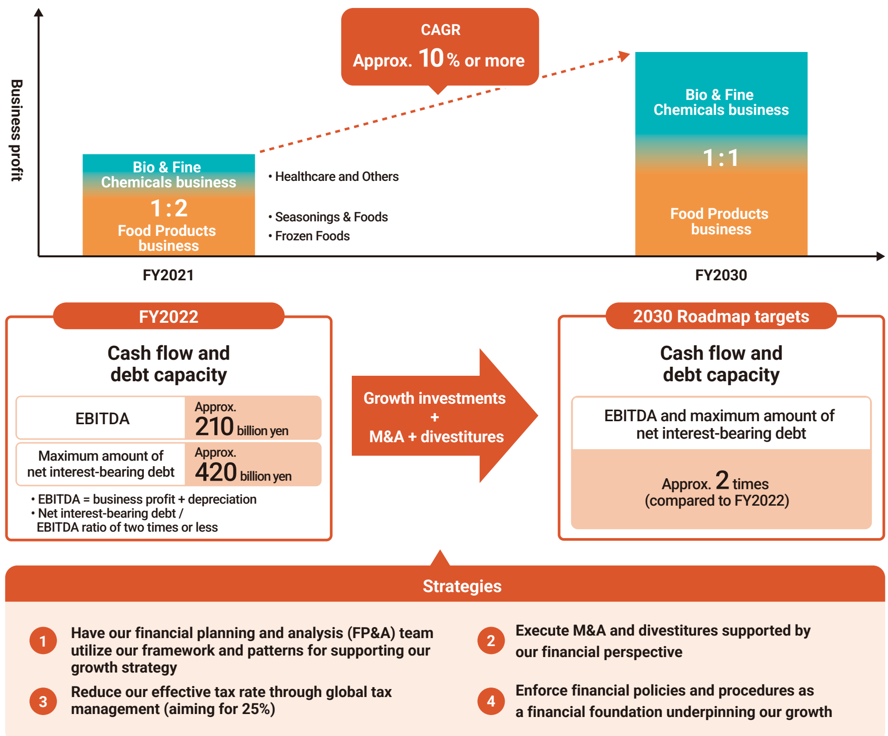
1 Financial and capital strategy that supports the evolution of our business portfolio

To achieve our vision for 2030, we are promoting stable growth using our Food Products business as a foundation, dramatic progress in our Bio & Fine Chemicals business, and new value creation in our Convergence Areas. The core foundations underpinning this growth strategy lie in the enhancement of our capabilities in generating cash flow and maintenance of investment discipline to ensure that this leads to long-term value creation. To enhance our capabilities in generating cash flow, it is necessary for us to invest in fields where more growth is expected, pursue M&A in dramatically growing ones, and divest from others where we do not see a competitive advantage. Along with increasing our EBITDA, if we significantly expand our debt capacity, we can use it as a source for growth investment. Furthermore, to ensure that we maintain investment discipline leading to long-term value creation, it is necessary to enhance our human resources and governance. Our Group has various executive strategies aimed at supporting such growth, and I would like to discuss four of them in particular. First up is our investment in human resources involved in financial planning and analysis, or FP&A, to support our strategies. Investment in human resources is the key to ensuring that our FP&A team, which supports business growth, can acquire and deploy know-how. Our FP&A team utilizes digital transformation (DX) and AI to achieve more sophisticated rolling forecasts, advises our management on future risks and opportunities in a timely manner, and thus contributes to the enhancement of our corporate value. Next, to achieve the growth necessary to realize our vision, it is essential to execute M&A and divestitures supported by our financial perspective. Such M&A and divestitures increase our equity value. In addition, in terms of global tax management, our highly skilled strategy and execution team will participate in large-scale capital investment, M&A, and other projects to establish an optimal tax payment structure and reduce our effective tax rate. Finally, we must implement responsible governance for suitable growth. To support our Group and global management, we will simultaneously suppress growth inhibitors and maximize our value creation by comprehensively implementing and improving 30 policies, procedures, and guidelines related to finance and capital.

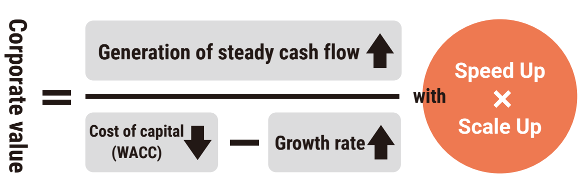
[Our vision for 2030 and examples of strategies to support its achievement]



2 Situation surrounding indicators toward achieving our 2030 Roadmap

Based on our formula for calculating corporate value, we consider maximizing our future cash flow and optimizing our cost of capital to be the keys to enhancing our corporate value. In addition, to enhance our corporate value in the medium to long term, we promote management that emphasizes a balance between profitability, growth potential, capital efficiency, and financial soundness.

[Formula for calculating corporate value]



In fiscal 2025, our sales and business profit once again set record highs just like last fiscal year. Our business profit continued to show double-digit growth, increasing for the seventh fiscal year in a row. In particular, the Healthcare area, centered around Electronic Materials and Bio-Pharma Services, was a growth driver, while our Food Products business, including Seasonings & Foods as well as Frozen Foods, secured increased profit, and our overall earnings steadily increased. In addition, our operating cash flow beat that of last year, reaching a new record high of 239.3 billion yen. We maintained strong cash-generation capabilities supported by earnings growth, and we are working on further enhancing the financial foundation supporting sustainable growth investment and shareholder returns. In terms of our ASV indicators for 2030, we achieved an ROE of 17.7%, ROIC of 11.8%, organic sales growth of 3.7%, and EBITDA margin of 17.1% for fiscal 2025. We made good progress on all of our medium- to long-term targets, and our capital efficiency and profitability in particular have reached levels suggesting that we might be able to achieve our targets ahead of schedule. Regarding the optimization of our cost of capital, our basic policy is to both improve our capital efficiency and maintain our financial soundness while using our net interest-bearing debt / EBITDA ratio as the main financial discipline indicator. In fiscal 2025, we steadily increased our EBITDA, reduced surplus funds, and took other measures to get the ratio to 1.6 times, keeping it within the target range of 2.0 times or less, and implement suitable leverage control. In terms of capital allocation, we are actively pursuing growth investment, including in intangible assets, centered on the enhancement of our cash-generation capabilities driven by business growth. In fiscal 2026, we are planning on capital investment at a scale of around 130 billion yen, and we will accelerate our investment in next-generation growth areas while boosting our cash-generation capabilities even further by improving our working capital. Regarding shareholder returns, under our progressive dividend policy, we are continuing to provide stable dividends to shareholders based on normalized EPS. We also hope to achieve a three-year total payout ratio of at least 50%, including share repurchases. We plan to continue increasing our dividends next fiscal year as well, and we will strive to promote returns with a focus on improving capital efficiency and maximizing shareholder value.

(Note) Dividends based on normalized EPS =
(business profit × (1 – Ajinomoto Group's standard tax rate of 27%))
÷ shares outstanding × return coefficient of 35%

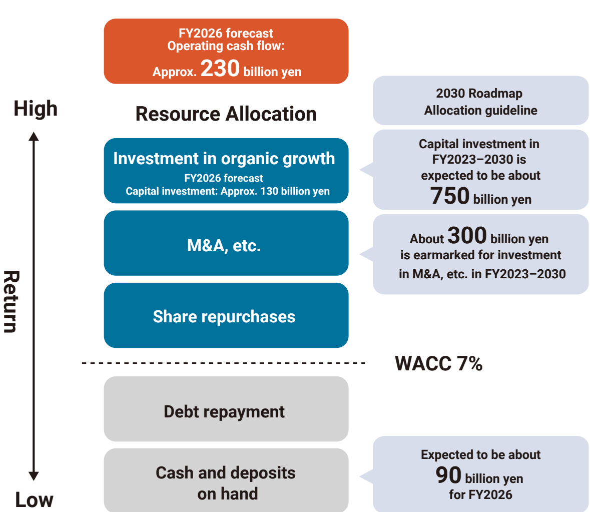
[Targets set under the 2030 Roadmap and their progress]

	Indicator	2030 Roadmap target	FY2025 result	Progress
ASV indicators	ROE	Approx. 20%	17.7%	FY2022 13% → FY2030 Approx. 20%; 67% complete
	ROIC	Approx. 17%	11.8%	FY2022 10% → FY2030 Approx. 17%; 26% complete
	Organic sales growth	5% (FY2022-2025) 5% or more (FY2026-2030)	3.7%	Progressing toward target
	EBITDA margin	19%	17.1%	FY2022 15% → FY2030 19%; 53% complete
Shareholder returns	Dividends	Maintain a progressive dividend policy and dividends based on normalized EPS	124.6 billion yen (total for FY2023–2025)	Total payout ratio of 149% (three-year period from FY2023 to FY2025)
	Share repurchases	Maintain a three-year total payout ratio of at least 50% and achieve steady shareholder returns	310 billion yen (total for FY2023–2025)	
Financial discipline	Net interest-bearing debt / EBITDA ratio	Less than 2.0 times	1.6 times	Maintained within the target range
	Cash and deposits on hand	90 billion yen	106.6 billion yen	At the target level, excluding the impact of exchange rates

3 Capital allocation policy

Our basic capital allocation policy is to generate returns in excess of our WACC.
First, we will focus our capital allocation on investments aimed at sustainable organic growth, M&A aimed at dramatic growth, and similar tasks. After that, our policy will be to distribute any remaining cash as shareholder returns, including in the form of share repurchases.
To achieve sustainable organic growth, we positioned the enhancement of our business foundation and capital investment for amplifying our returns as critical investments, so, in fiscal 2026, we expect to implement capital investment on the scale of approximately 130 billion yen. In addition, we are considering the creation of synergies with existing businesses for Convergence Areas as well as M&A aimed at securing new opportunities for dramatic growth, and our policy is to continue to actively pursue investment in M&A that leads to such growth going forward, an example of which is our acquisition of Forge. We will also divest or otherwise reallocate our strategic resources away from fields where we can no longer expect a competitive advantage. In anticipation of changes in our customers, competitors, and the environment, we will consider the balance between growth potential, profitability, and risk and deliberate on it at our newly established Company-Wide Growth Strategy Committee to further enhance our capital allocation.

[Approach to capital allocation]



4 Measures to generate cash flow

To generate cash flow, it is essential to invest in intangible assets, including human capital. We believe that sharing our various measures to generate cash flow with human resources within the Group and globally will lead to investment in human resources and a good management cycle. Therefore, we hope to utilize our human resources involved in FP&A, who possess global business experience, to further enhance our corporate value. A number of example measures are introduced below.

First, we will review our inventory procedures to improve our EBITDA margin. Implementing physical inventory counts for auditing purposes at our production plants sometimes restricts shipping for a certain period of time. We are therefore replacing such physical inventory counts with cycle counting, which does not stop production, to eliminate shipping restrictions, increase sales, and improve our EBITDA margin.

Next up is our FP&A initiatives in our consumer-oriented businesses in North America. We conduct analyses aimed at maximizing our cash flow based on simulations implemented from multiple perspectives, including by plant, category, channel, and marginal profit, and then provide the results to our management.

Finally, our “stop, reduce, and change” activities make up our basic framework for improving our operations in Japan. We are striving to reduce excess costs, eliminate waste, and allocate the resources freed up to further our growth. With an eye toward stopping, reducing, and changing existing work, we are also utilizing AI to make proactive improvements. Through these initiatives, we are reducing time spent on operations and shifting resources to work that can generate higher value. In fiscal 2025, we engaged in over 600 “stop, reduce, and change” activities.

[Example measures to generate cash flow]

	Example factors to consider	× Common factors	= Improvement examples
Business portfolio	Market share and competitive advantage	• Capital efficiency • Patterns and framework • Short, medium, and long term • Diverse human resources • Speed and timing • DX, AI, and data ⋮	• Strategies and transformation initiatives of ASEAN affiliates
Portfolio by country	Demographic trends and growth rate by region		• Investment decision guidelines in emerging countries
Product category management	Customer needs and differentiation strategy		• DX-driven strategy to optimize earnings at Ajinomoto do Brasil Indústria e Comércio de Alimentos Ltda.
Channel strategy	Organic mindset, race/ethnicity, and personalization strategy		• Analysis of sales deduction items
Production efficiency	Operating costs, production capacity, and facility location		• Review of inventory procedures to improve our EBITDA margin • Initiatives to reduce sole source acquisition
SKU strategy	Data by age group, data by region, regional characteristics, and purchasing behavior		• SKU rationalization
Other	• Significance of and approach to reverse factoring and supplier finance • FP&A initiatives in consumer-oriented businesses in North America • Initiatives for FX forward booking • “Stop, reduce, and change” activities		

5 A message for shareholders and investors

Based on strict capital allocation management, we will promote highly profitable and efficient growth investments as we continue to pursue further efficiency improvements as well as the increased enhancement and evolution of risk management. In addition, CEO Shigeo Nakamura, along with the rest of our management, will strive to achieve sustainable enhancements of our corporate value and long-term returns, with an eye toward tripling our EPS by fiscal 2030 compared to fiscal 2022.