

BUILDING
MOMENTUM FOR
CHANGE



What the Ajinomoto Group Aims for

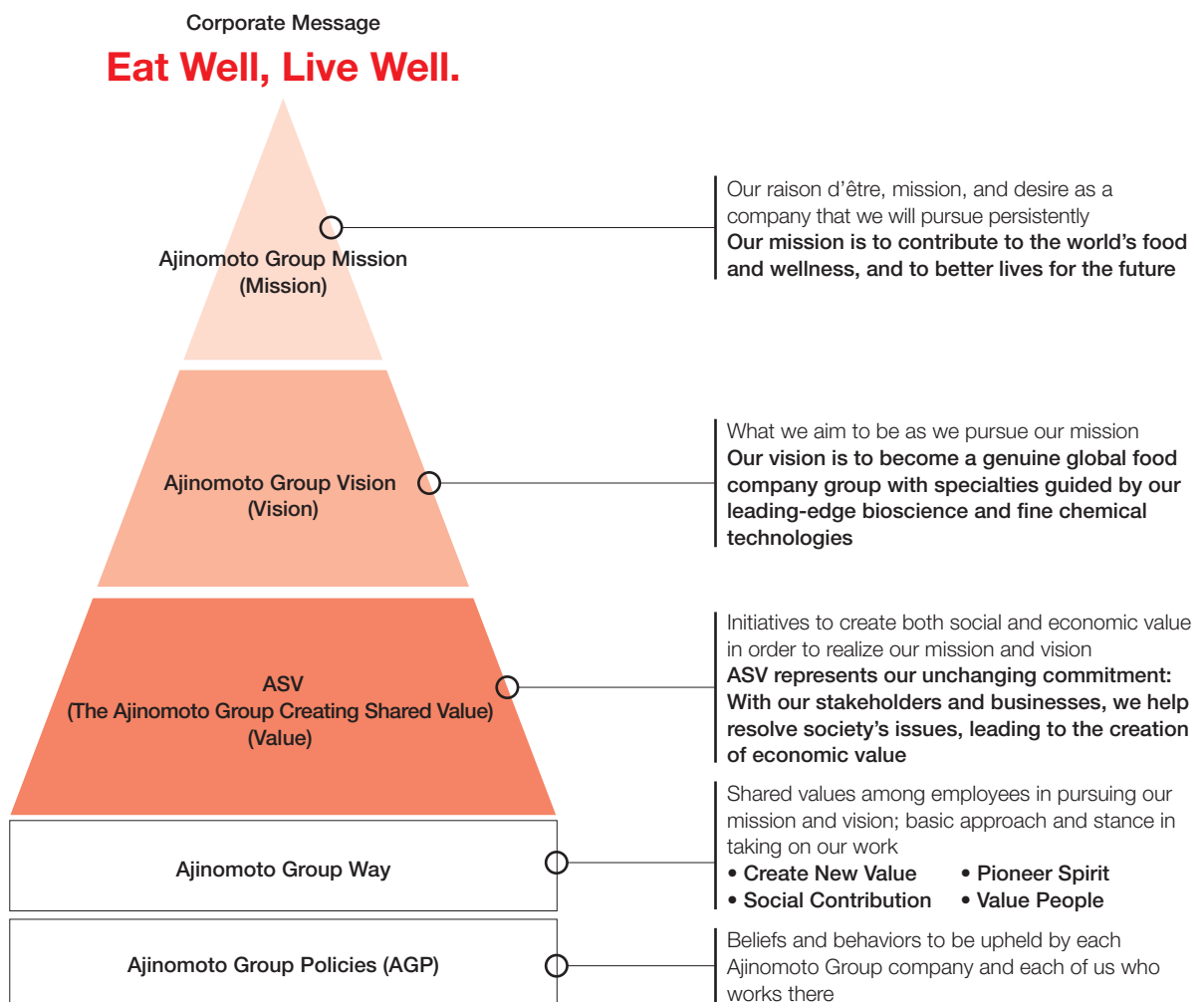


To realize greater wellness for people all around the world through amino science — this is the Ajinomoto Group's promise to our customers.

Amino science is our unique scientific approach, enabling us to pursue the infinite possibilities of amino acids and provide products and services that support the health of the body and mind.

We will continue to take on new challenges to make every day more comfortable and delicious.

Our Philosophy



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Editorial Policy

This integrated report provides a roadmap of the Ajinomoto Group ("the Group") for enhancing corporate value through ASV with the aim of becoming a Genuine Global Specialty Company in an easy-to-read narrative format.

Through this report, the Group hopes to deepen the understanding of all of its stakeholders, starting with shareholders and other investors, regarding its approach to realizing sustainable growth.

In addition, the sustainability data book provides information that complements the integrated report by each materiality item. Also, more detailed information is available on the corporate website.

Overview of Means of Communication

Primary means of communication

•Integrated Report

<https://www.ajinomoto.com/en/activity/>



Secondary means of communication

•Sustainability Data Book

<https://www.ajinomoto.com/en/activity/>
Date of publication: End of August 2019

•IR Data Book

<https://www.ajinomoto.com/en/ir/library/guide.html>
Date of publication: End of June 2019

•Financial Report

<https://www.ajinomoto.com/en/ir/library/report.html>
Date of publication: End of June 2019

•Ajinomoto Principle on Corporate Governance

https://www.ajinomoto.com/en/ir/strategy/corp_gov/main/0/teaserItems1/03/linkList/03/link/principle_E.pdf
Date of publication: End of June 2019

•Corporate Governance Report

https://www.ajinomoto.com/en/ir/strategy/corp_gov/main/0/teaserItems1/03/linkList/04/link/Governance2019_E.pdf
Date of publication: July 2019

•Medium-Term Management Plan

https://www.ajinomoto.com/en/ir/event/medium_term/main/03/teaserItems1/0/linkList/0/link/17-19Presentation-E.pdf
Date of publication: February 17, 2017

Organizational Scope

This report covers the activities of the Group, comprising, unless otherwise noted, Ajinomoto Co., Inc. ("the Company") and its group companies (as of March 31, 2019), including consolidated subsidiaries and other group companies subject to reporting under the equity method. Where sufficient information for the entire Group was unavailable, the limitation in scope is explicitly defined.

Period Covered by This Report

Fiscal 2018 (April 1, 2018 to March 31, 2019)
When appropriate, however, exceptions to this general rule are made, as when citing past circumstances and data or using recent examples for illustration purposes.

Precautions Related to Forward-Looking Statements

Forward-looking statements, such as business performance forecasts, made in this report are based on management's estimates, assumptions and projections at the time of publication and do not represent a commitment from the Company that they will be achieved. A number of factors could cause actual results to differ materially from expectations.

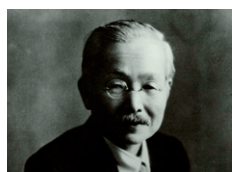
Using amino acids as a source for a wide range of business

The umami taste was discovered in 1908 by Professor Kikunae Ikeda, and the main component of umami was identified as glutamic acid, an amino acid. The Ajinomoto Group's research into amino acids led it to develop the leading-edge bioscience and fine chemical technologies that continue to drive the growth of its business today. The Group's scientific pursuit of the potential of amino acids enables it to play a role realizing greater wellness for people all around the world.

Business segments



Discovery that glutamic acid was the source of the flavor of kelp



Discoverer of the Umami Taste
Kikunae Ikeda, Tokyo Imperial University Professor

Our Founding Aspiration

“Eat Well, Live Well.”



Ajinomoto Group Founder
Saburosuken Suzuki II

Launch of AJI-NO-MOTO®, the world's first umami seasoning based on glutamic acid



The Ajinomoto Group Now

Business Overview

Japan Food Products

The Japan Food Products segment offers a wide variety of foods and services in Japan, including seasonings, processed foods, frozen foods, and coffee products, which generate value creation by meeting diverse consumer needs. While strengthening mainstay products, the Group will continue pursuing deliciousness. The Group will continue striving to provide fine-tuned solutions that address various needs, including health-related needs for reduced salt and sugar content and the need for smart cooking.

Strengths

- Brand power, marketing expertise, sales capabilities, and R&D capacity cultivated over a century of operations

Life Support

The Life Support segment's two main business fields contribute to realizing comfortable and earth-friendly lifestyles. The electronic materials of the specialty chemicals business contribute to the evolution of IoT. The animal nutrition business develops healthy balances of amino acids in feed to reduce the environmental impact on soil and water resources.

Strengths

- World-leading expertise on amino acids
- Highly safe material development capabilities and compound evaluation technologies
- Large global network for animal nutrition

International Food Products

The International Food Products segment offers a diverse variety of seasonings, processed foods, frozen foods, and other foods and services that contribute to delicious tastes tailored to the eating habits of local consumers as well as nutritional improvement in over 130 countries and regions. The Group joins with local consumers and communities to create value in the countries and regions it does business by using local raw materials, expanding employment opportunities, and applying Japanese technologies to help develop local food industries.

Strengths

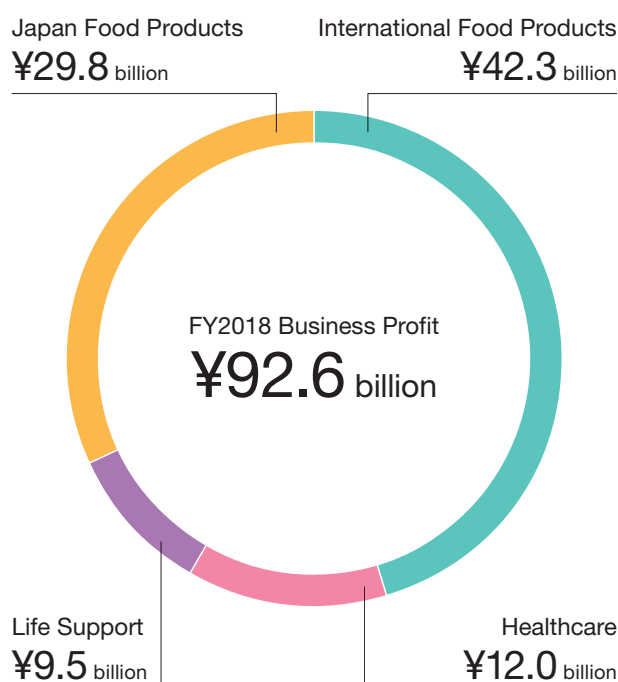
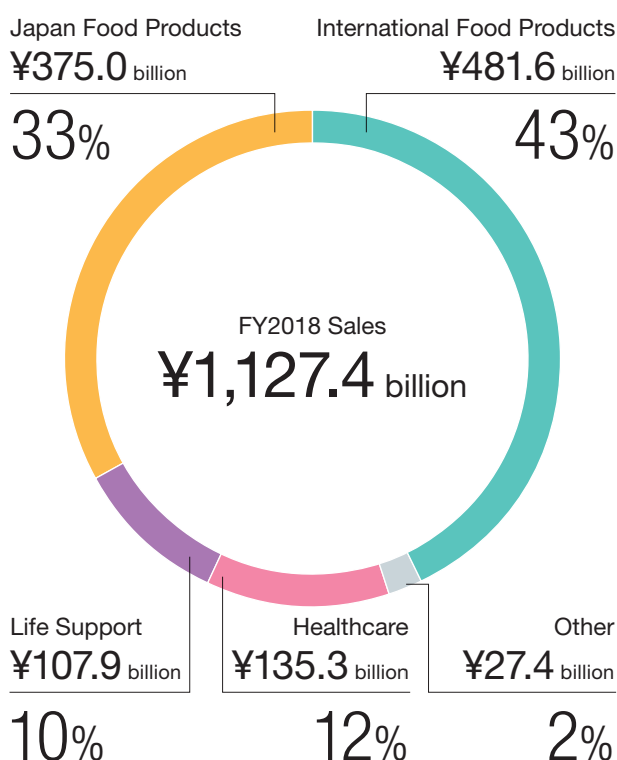
- Worldwide development, manufacturing and marketing structures
- Product development, marketing, and sales capabilities adapted to local conditions

Healthcare

The Healthcare segment offers a diverse range of distinctive materials, pharmaceutical ingredients, and technologies to pharmaceutical, cosmetic and toiletry companies around the world. The Group applies its expertise in the functions and usefulness of amino acids and its discovery capabilities for new uses of amino acids to provide fundamental foods and amino acid-based supplements that help improve the quality of life and support comfortable lifestyles for consumers.

Strengths

- R&D capacity and manufacturing capability related to amino acids
- Complete and prompt regulation compliance
- Comprehensive services



The Ajinomoto Group Story

Dedicated to food and wellness for a century

The story of the Ajinomoto Group began in 1909 when it launched *AJI-NO-MOTO*®, the world's first umami seasoning. After the success of the first product, the Group steadily expanded its business guided by its aspiration to apply its unique strengths to help to resolve social issues by contributing to food and wellness. Through its food (Japan Food Products and International Food Products) and AminoScience (Life Support and Healthcare) businesses, the Group aims to be a Genuine Global Specialty Company achieving sustainable growth by contributing to healthy lives and a healthy planet.

Sales Performance (Sales Ratio)



Evolution of the Ajinomoto Group

1909~

Launch of the world's first umami seasoning and global business expansion

1970~

Business transformation in tune with changing society and diversifying consumer needs

- 1909 *AJI-NO-MOTO*® launched
- 1910 Sole agent established in Taiwan



Sole agent
in Tainan, Taiwan
(as of 1936)

- 1917 Purchasing and sales office opened in New York
- 1950–1960s Subsidiaries established in Asia and South America
- 1956 World's first amino acids for medical infusions released
- 1964 *Knorr*® Soup launched



- 1972 *Ajinomoto KK Gyoza* (frozen) launched



- 1975 *MAXIM*® (coffee) launched
- 1978 *Cook Do*® launched
- 1999 *Ajinomoto Build-up Film*® (ABF) launched

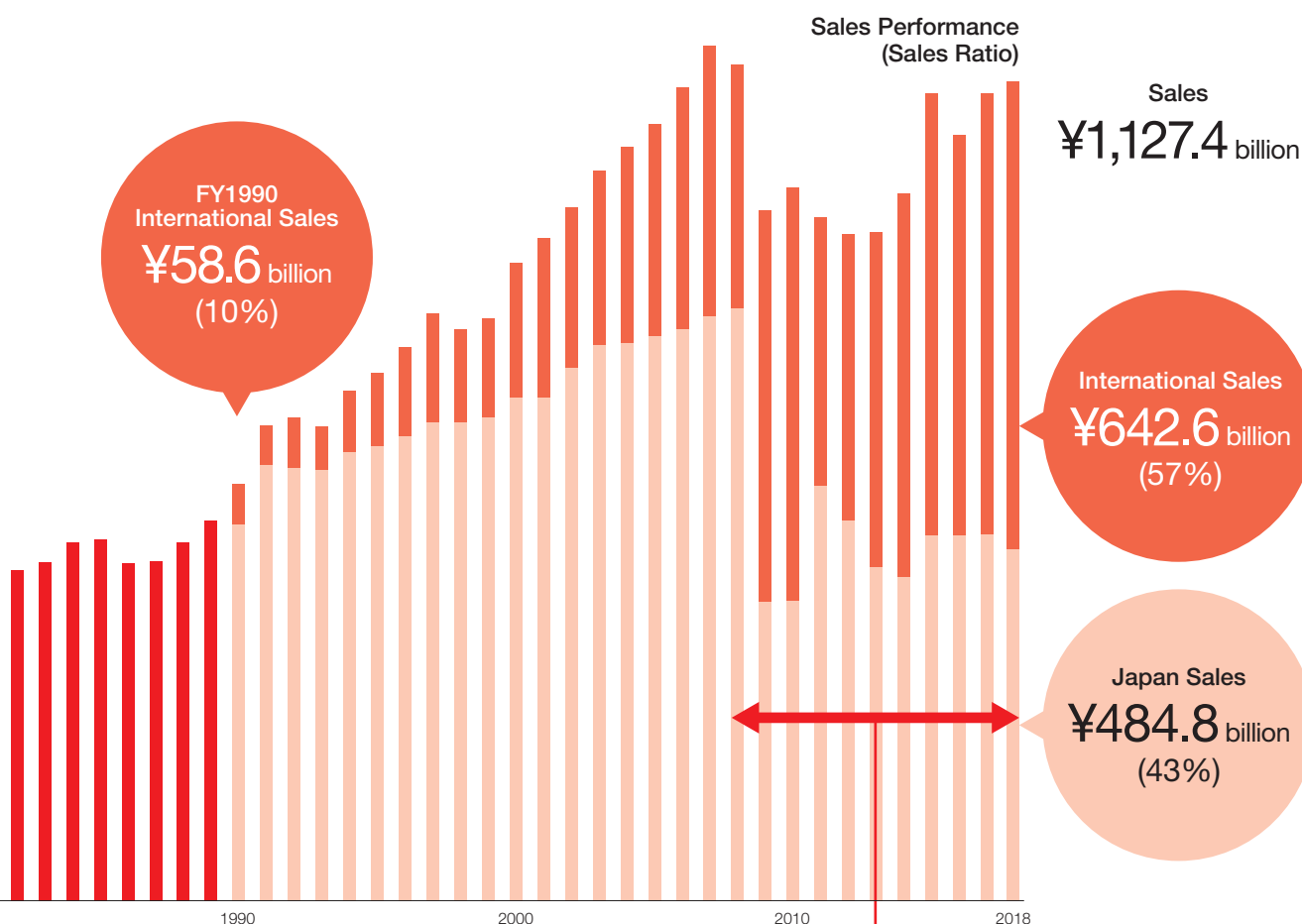


2000–2010s

- Subsidiaries established in South Asia and the Middle East
- 2012 Shareholdings of Calpis Co., Ltd. (beverage) divested
- 2013 U.S. biopharmaceutical CDMO* Althea Technologies, Inc. acquired (currently Ajinomoto Althea, Inc.)
- 2014 U.S. frozen food manufacturer, Windsor Quality Holdings, LP acquired (currently Ajinomoto Foods North America, Inc.)

* Contract Development and Manufacturing Organization

The Ajinomoto Group Story



For the coffee and edible oils business as well as some other businesses, the gross figures for sales and cost of goods sold were recorded in the accounts, but since FY2013 this method has been changed by netting off sales and cost of goods sold and recording the net figure in the accounts. Post-reclassification basis from FY2009.

10 Years of Efforts to Lay the Foundation to be a Genuine Global Specialty Company

FY2008–2010 Medium-Term Management Plan (“MTP”)

Implement structural reform and business foundation fortification to support sustainable growth for the next century.

- International Food Products growth accelerated and Japan Food Products sales stabilized.
- Earnings stability of the bulk and pharmaceuticals businesses became an issue.
- The “Ajinomoto Renaissance” communicated the nutritional and physiological function of the umami substance.
- Instituted the “Ajinomoto Group Way” and new Group Mission and Vision. Identified specific social issues for the Group to resolve.

FY2011–2013 MTP

Cultivate growth drivers and fortify the business structure. Begin shift to specialty business.

- Promoted global expansion to the Middle East and Africa, maintained focus on Southeast Asia and Latin America.
- In Japan, concentrated management resources into seasonings and other areas of strength. Launched new products to drive business growth.
- Invested in pharmaceutical custom manufacturing in the healthcare domain for the future growth.
- Advanced shift to specialty in the bulk and pharmaceuticals businesses, but not enough to solve the structural issue.

FY2014–2016 MTP

While pursuing specialties and maintaining growth, invest in future growth drivers.

- Made aggressive M&A and investment in International Food Products. International food sales surpass Japan sales.
- Accelerated growth in pharmaceutical custom manufacturing in the healthcare domain and contributed to earnings.
- Structural reform advanced in the pharmaceuticals business but remained ongoing in the animal nutrition business.
- Instituted a global governance policy and began formulating a flexible and efficient internal control structure.

FY2017–2019 MTP

Reform to create a robust business structure capable of sustainable value creation.

- Earnings growth slows in categories with weak competitiveness in food business. Slow profit growth causes a substantial drop in asset efficiency.
- Focus on core businesses to resume sustainable growth, and advance asset-light management to improve efficiency and secure growth sources.
- Set integrated targets with quantified social and economic value.

○ Achievements ● Issues ■ Current initiatives

Resolutely restructuring to realize sustainable growth



As the digital revolution accelerates, it is changing the Ajinomoto Group's business environment in significant ways. The sharp increase in data traffic is changing people's values. Consumer purchasing habits are also changing, influenced by e-commerce and the sharing economy. As a result, corporate business models are forced to transform. In B2C commerce, for example, the Group's sales channels are changing greatly due to the reorganization and merging of logistics and retail businesses under the need of digital shift. In Japan and other technologically advanced countries, mass-market brand competition is heating up, as evidenced by declining sales of products having little competitive advantage. The Group faces an unforgiving competitive environment in which survival depends on building high barriers to entry through strong technological advantage and sophisticated branding.

In this context, the Group's vision is to become a Genuine Global Specialty Company growing sustainably through ASV — The Ajinomoto Group Creating Shared Value. On the way to this goal, the Group is pursuing its FY2017-2019 (for FY2020) Medium-Term Management Plan ("FY17-19 MTP") centered on the evolution of ASV, with a target of becoming a Global Top 10 Class Food Company by FY2020. Progress is being made on schedule both in strengthening the business foundation and in achieving non-financial targets associated with core businesses.

Reaching financial targets is, in contrast, difficult. Flagging sales in some weaker food businesses outweighed favorable performance from stronger food brands and the AminoScience business — which is increasingly focused on its core competencies. As a result, the Group is in a difficult situation to achieve its FY2020 integrated target of US\$1,500 million in corporate brand value.

In view of the above, the Group aims to get our business back on a path toward a sustainable growth by resolutely restructuring in accordance with the next MTP to be announced in February 2020. This means we will increase the contribution to sales of the Group's core businesses by focusing growth investment on categories which can aim at the global top three position. Investment in non-core businesses, on the other hand, will be minimized. To bolster support for the Group's growth, corporate functions and Group companies that handle other aspects of the Group's business will increasingly partner with outside enterprises to facilitate their digital transformation. During FY2019 the Group will, therefore, prepare for 2020's launch of full-fledged restructuring while beginning some tasks ahead of schedule.

This integrated report explains the Group's management environment and growth strategy. It covers the issues faced by Group companies and measures to be taken in response. In addition, it also charts the Group's path to sustainable growth through ASV.

Above all, we value your understanding and continued support.

July 2019



Takaaki Nishii
Representative Director,
President & Chief Executive Officer



The Path to **Sustainable Growth** through **ASV**

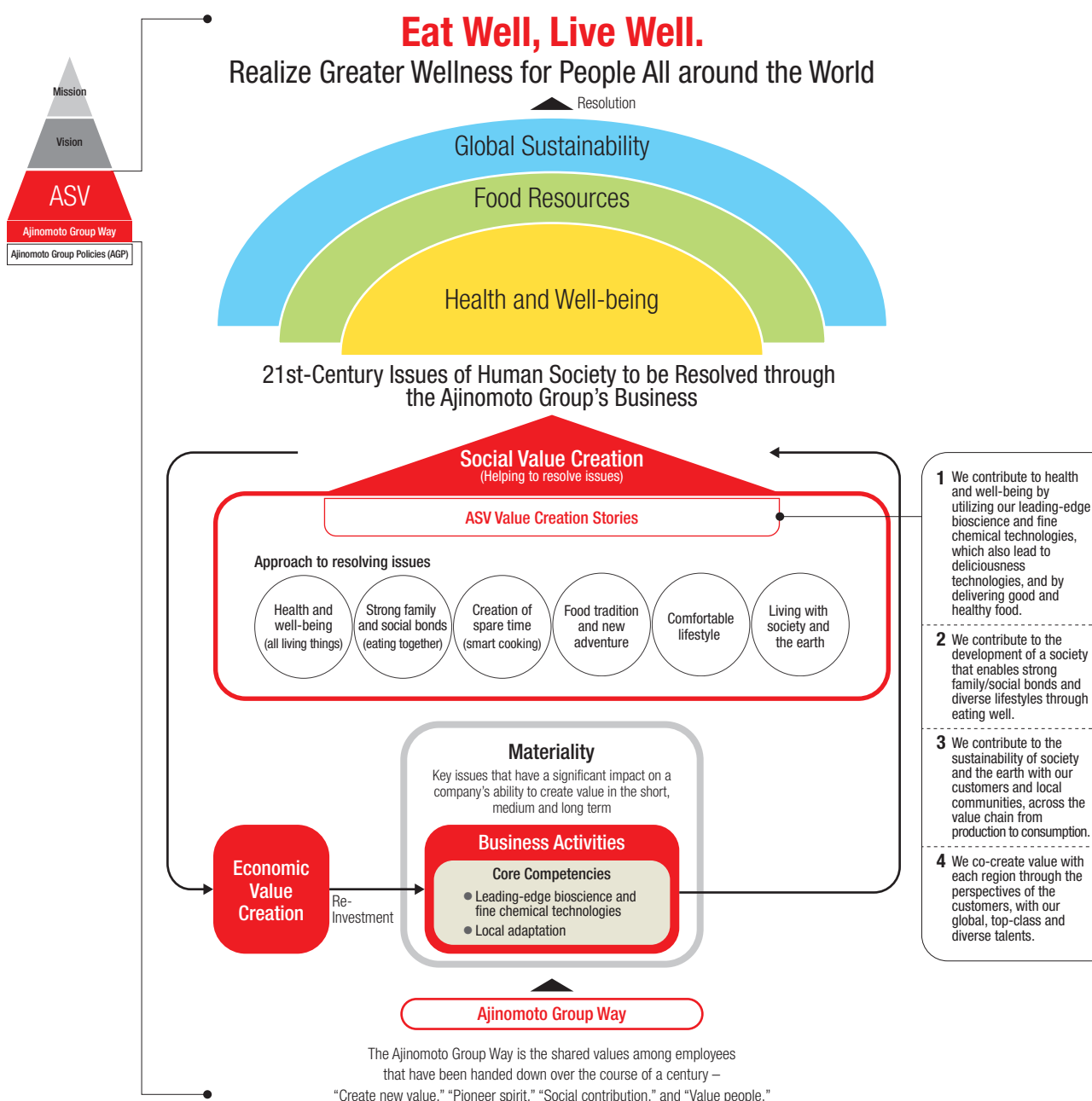
The Ajinomoto Group Creating Shared Value (ASV)

Looking ahead to the future era of society, the Ajinomoto Group is challenging itself to help resolve social issues and create value. The Group's initiatives are introduced along with the materiality items and non-financial/financial integrated targets.



ASV represents an unchanging commitment: With our stakeholders and businesses, we help resolve society's issues, leading to the creation of economic value.

The Group has been consistently engaged in initiatives to resolve social issues through its business, and by creating shared value in society, the Group has improved economic value, thus leading to its growth. To realize greater wellness for people all around the world, the Group has defined three material issues of 21st-century human society to be resolved through its business. The Group identifies materiality, and develops its business activities to co-create social and economic value.



Materiality items have a substantial impact on the Group's ability to create value through ASV.

In 2019, the Board of Directors revised the materiality items based on recent social conditions and the views and expectations of the Ajinomoto Group's stakeholders. The revised materiality items integrate the Group-wide major risks and the existing 30 Priority ESG Items. In addition, the Group aims to create social and economic value by identifying opportunities and risks from the materiality items and developing corresponding initiatives.

Macro environment surrounding the Ajinomoto Group

Growing world population*1

2018 7.6 billion ▶ 2050 9.8 billion
 Food production needed by 2050 compared to 2005–2007 +60%*2
 • Rising demand for food, water, and energy

Global population aging

Population over 65*3
 2015 0.6 billion ▶ 2050 1.5 billion
 • Rising needs for extending healthy life expectancy
 • Rising demand for healthcare

Climate change

Global average temperature by 2100*4 +4.8°C
 • Accelerated decarbonization
 • Physical damage from natural disasters
 • Unstable materials sourcing
 • Breakdown in supply chain
 • Impact on health

Rapid urbanization

Urban population by 2050*5
 2018 55% ▶ 2050 68%
 • New flow of goods
 • Rising middle-income class
 • Intense competition

Digital innovation

- Digital disruption (New business opportunities and competitors)
- Changes of methods to provide information, products, and services
- Accelerated use of AI and IoT

*1 United Nations (UN), 2017

*2 Food and Agriculture Organization of the UN, 2014

*3 UN, 2015

*4 Intergovernmental Panel on Climate Change, 2013

*5 2018 Revision of World Urbanization Prospects, UN

Materiality items

Assurance of product safety

Contribution to health and nutritional issues

Rapid response to consumer lifestyle changes

Sustainable materials sourcing

Reduction of food loss and waste

Climate change adaptation and mitigation

Contribution to a circular economy

Conservation of water resources

Diverse talent

Strong corporate governance

Preparation for intense global competition

▶ For details, please see the Ajinomoto Group Sustainability Data Book 2019.
<https://www.ajinomoto.com/en/activity/>

▶ For details, please see the Ajinomoto Group Materiality.
https://www.ajinomoto.com/en/activity/csr/pdf/2019/materiality_en.pdf

Materiality of the Ajinomoto Group

Materiality items	Related opportunities and risks ○ Opportunity ● Risk	Key initiatives by the Ajinomoto Group	
Assurance of product safety	<ul style="list-style-type: none"> ○ Brand trust gained by increasing customer satisfaction ○ Trust gained through fair disclosure to stakeholders ● Impact on business of growing negative rumors regarding umami and MSG ● Lower customer confidence due to product quality complaints or incidents 	<ul style="list-style-type: none"> ● Properly sharing information on package and website ● Reflecting customer feedback on developing and improving products and services ● Enhancing communication to share the benefits of umami and MSG ▶ p41 ● Thorough quality assurance and human resource training based on the Ajinomoto System of Quality Assurance (ASQA) 	2 ZERO HUNGER
Contribution to health and nutritional issues	<ul style="list-style-type: none"> ○ Rising health awareness and needs of consumers ○ Brand trust ○ Enhancing corporate value 	<ul style="list-style-type: none"> ● Offering tasty food and amino acid products as well as menus that nourish health and well-being ▶ p30, 34, 43 ● Low-salt, low-sugar and low-fat products ● Promoting protein intake ● Contributing to disease prevention with "AminoIndex technology" ▶ p43 ● Developing nutritional standards that Group products should meet ▶ p43 ● Customized programs to each consumer for improving nutrition (personal nutrition) 	3 GOOD HEALTH AND WELL-BEING 17 PARTNERSHIPS FOR THE GOALS
Rapid response to consumer lifestyle changes	<ul style="list-style-type: none"> ○ Enhancing corporate reputation by offering the joy of eating together ○ New value creation using digital technology ● Loss of growth opportunities due to delayed response to consumer lifestyle changes or diversifying values ● Impact on seasonings business due to less cooking time and skills 	<ul style="list-style-type: none"> ● Creating strong communities and social bonds through food ● Advanced marketing efforts by leveraging big data and consumer data ● Building strategies to deal with smaller markets (due to urbanization, etc.) ▶ p30, 32, 34 ● Properly delivering products, services and information to customers ● Expanding products and services to meet the need for convenience, such as smart cooking 	
Sustainable materials sourcing	<ul style="list-style-type: none"> ● Increased risk of raw material procurement failure due to delays in addressing social and environmental issues across the supply chain ● Increased risk of raw material procurement failure due to climate change 	<ul style="list-style-type: none"> ● Management of fair operating practices (traceability, etc.) ● Promoting sustainability to suppliers ● Human rights due diligence ● Identifying important raw materials and engaging in responsible procurement (paper, palm oil, skipjack, etc.) ▶ p57 ● Ensuring fair competition and providing thorough employee training ● Contributing to sustainable agriculture by using co-products 	2 ZERO HUNGER 6 CLEAN WATER AND SANITATION
Reduction of food loss and waste	<ul style="list-style-type: none"> ○ Cost reduction through initiatives to reduce product returns and waste ● Depletion of food resources 	<ul style="list-style-type: none"> ● Using raw materials in manufacturing process without waste ● Upgraded, optimal supply-chain management using digital technology ▶ p45 ● Reducing product returns and waste by extending product best-before dates, etc. ● Reducing food loss and waste during product use by consumers ● Proposing eco-friendly lifestyles for enjoying food without leftovers 	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Climate change adaptation and mitigation	<ul style="list-style-type: none"> ○ Collaboration with outside organizations on decarbonization ● Higher production costs due to delays in initiatives to eliminate carbon emissions or increased carbon tax burden ● Procurement risk of sustainable raw materials ● Damaged corporate value due to delayed response to climate change 	<ul style="list-style-type: none"> ● Long-term effort to turning the overall product lifecycle carbon neutral ● Initiatives to reduce energy use during production and transportation ● Shifting to renewable energy ● Disclosing information in line with the Task Force on Climate-related Financial Disclosures (TCFD) (scenario analysis, etc.) ▶ p58 ● Lowering environmental impact by feed-use amino acids (reduction of soil and water pollution) 	13 CLIMATE ACTION 14 LIFE BELOW WATER
Contribution to a circular economy	<ul style="list-style-type: none"> ○ Development of environmentally-friendly materials ● Damaged corporate value due to delays in waste reduction or recycling efforts 	<ul style="list-style-type: none"> ● Supplying highly biodegradable amino acid-based detergent ● Promoting the 3Rs of containers and packaging (reduction of plastic waste, etc.) ▶ p59 ● Using biodegradable plastic/plant-derived raw materials/certified paper ▶ p57, 59 ● Promoting use of environmentally-friendly product labels 	15 LIFE ON LAND 17 PARTNERSHIPS FOR THE GOALS
Conservation of water resources	<ul style="list-style-type: none"> ● Production stagnation due to droughts, floods or water quality deterioration ● Raw material procurement failure due to water resource depletion 	<ul style="list-style-type: none"> ● Maintaining forests for water sources ● Developing wastewater treatment technology 	
Diverse talent	<ul style="list-style-type: none"> ○ Company growth by improving employee engagement ○ Creation of an innovative environment ● Rising costs due to intense competition for human resources 	<ul style="list-style-type: none"> ● Promoting PDCA cycle using the engagement survey ▶ p54 ● Reforming organizational culture to promote diversity ● Training and promotion of female employees ● Promoting health management ▶ p55 ● Human rights awareness training ● Occupational safety and health management 	
Strong corporate governance	<ul style="list-style-type: none"> ○ Enhancing corporate value ○ Appropriate risk-taking ● Decreased competitiveness due to inability to adapt to digital technology advances ● Decreased competitiveness due to vulnerabilities in IT management structure ● Confusion in organizational management and reduced business profitability due to unstable political, economic, and social conditions such as financial crises, trade issues, etc. ● Impact of intellectual property risks on business ● Impact of sudden foreign exchange and interest rate fluctuations on business ● Higher tax burden due to changes in tax and tax effect 	<ul style="list-style-type: none"> ● Raising awareness of the Ajinomoto Group Policies among all Group employees ● Establishing whistleblower hotline ● Strengthening corporate governance system ▶ p48 ● Selecting Group-wide significant risks and considering appropriate responses ● Managing intellectual property risk ● Strengthening information security through the creation of Information Security Regulations 	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Preparation for intense global competition	<ul style="list-style-type: none"> ○ Business foundation reform through digital disruption ○ Value creation from external collaboration ○ Specialty creation through technological innovation ○ Establishment of competitive advantage by forecasting future changes ● Impact of digital disruption on main businesses ● Emergence of competitors in areas with low entry barriers 	<ul style="list-style-type: none"> ● Value chain restructuring (production system reorganization) ▶ p31 ● Promoting digital transformation ▶ p45 ● Rapidly commercializing research findings (R&D system reorganization) ▶ p44 ● Competitive intelligence (medium- to long-term initiatives) ● Promoting open & linked innovation ▶ https://www.ajinomoto.com/en/rd/open_linked_innovation/ 	

Non-financial / financial integrated targets for FY2020

The Ajinomoto Group's FY17-19 MTP specifies non-financial targets for quantifying the social value created through its business activities and financial targets quantifying the economic value. Corporate brand value has been configured as a shared indicator as the Group seeks to be a Genuine Global Specialty Company. At present, achieving the financial and corporate brand value targets will be difficult. Consequently, the Group will reformulate its growth strategy and clarify the targets in the next medium-term management plan.

Materiality items

Assurance of product safety

Contribution to health and nutritional issues

Rapid response to consumer lifestyle changes

Sustainable materials sourcing

Reduction of food loss and waste

Climate change adaptation and mitigation

Contribution to a circular economy

Conservation of water resources

Diverse talent

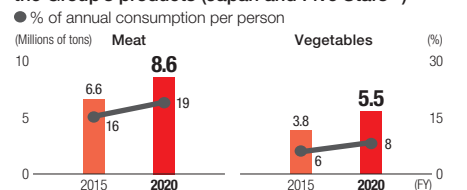
Strong corporate governance

Preparation for intense global competition

Non-financial targets (social value)

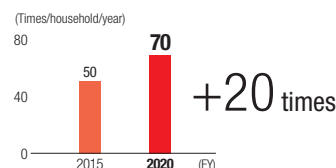
Better nutritional balance by eating more protein and vegetables with umami

Volume of meat and vegetable consumption through the Group's products (Japan and Five Stars*1)



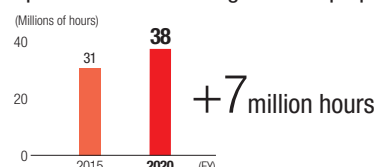
More eating together

Contribution to people eating together through the Group's products (Japan and Five Stars)



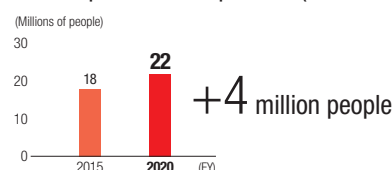
Realizing smart and delicious cooking

Spare time created through the Group's products (Japan)



Realizing comfortable lifestyles for people

Contribution to comfortable lifestyles through the Group's amino acid products (AminoScience)



Reducing the Group's impact on the global environment

▶ See performance data (p61)

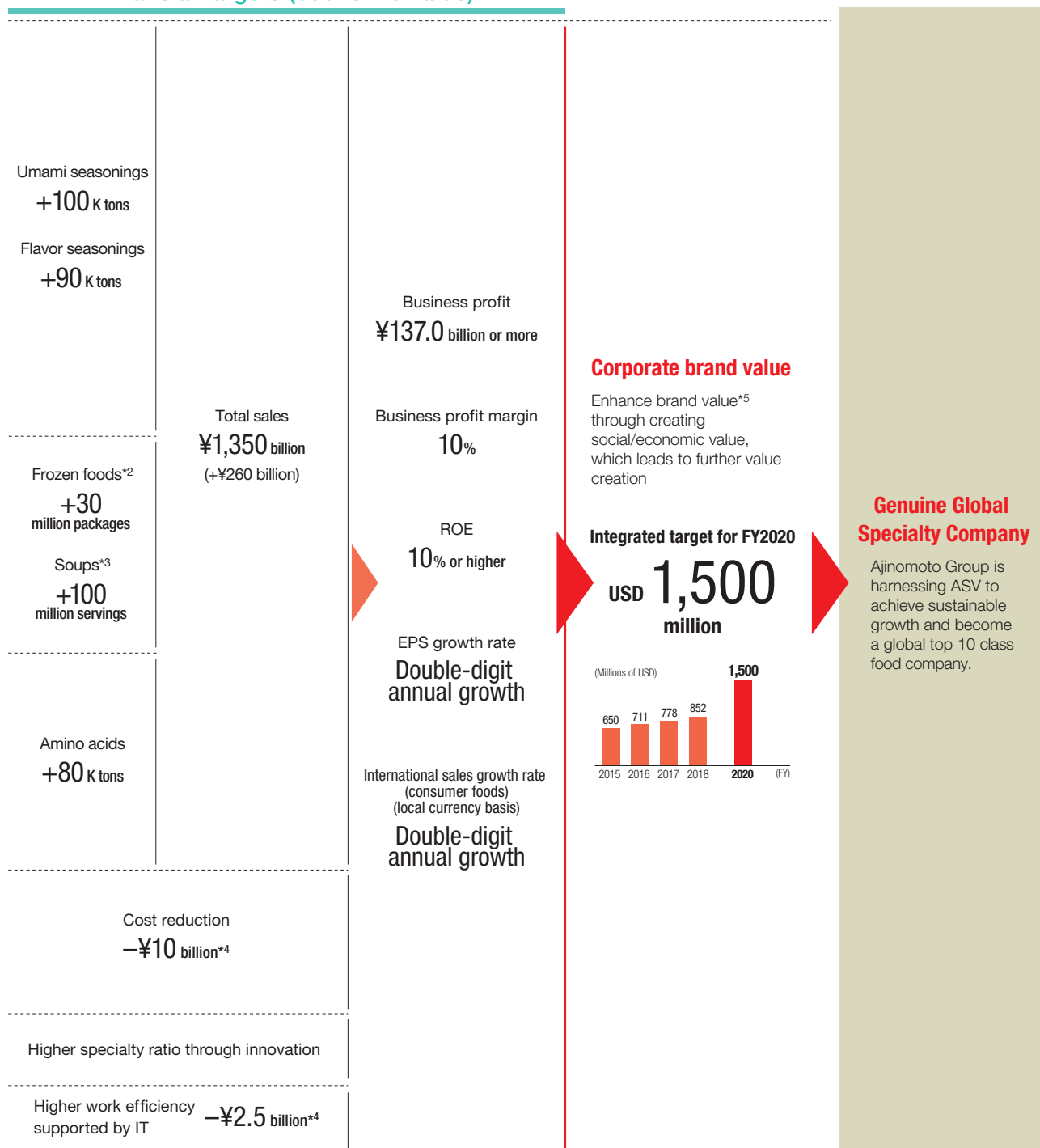
Enhancing employees' engagement

Percentage of employees feeling highly engaged in their work **80%+**

*1 Thailand, Brazil, Indonesia, Vietnam, the Philippines

Integrated Targets for FY2020

Financial targets (economic value)



*2 Counting only products for household consumers in Japan *3 Counting only cup soup products in Japan

*4 Cost reductions of ¥10 billion and ¥2.5 billion are FY2019 targets *5 Evaluated by Interbrand, "Japan's Best Global Brands"

Note: Sales volume increases for umami seasonings, flavor seasonings, frozen foods, soups, and amino acids are comparisons over the period from FY2015 to FY2020. Increases in management indicators are comparisons over the period from FY2016 to FY2020.



To evolve into a global top-tier food company we are becoming more agile and competitive, and will accelerate and evolve value creation through ASV.

Takaaki Nishii

Representative Director,
President & Chief Executive Officer

Q1 How do you rate the progress of the FY17-19 MTP at this point?

Reduced profitability accompanying a slowdown in food business growth has made FY2020 financial targets difficult to achieve.

Toward the Group's goal of becoming a Genuine Global Specialty Company, the FY17-19 MTP set a target of entering the top tier of global food companies within FY2020. This calls for the following:

The FY17-19 MTP has focused on aggressive growth investment and business foundation reinforcement to achieve this goal. However, in FY2018, which is the Plan's second year, significant issues unfortunately remained on

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 billion yen or more
- Achieve 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)

Interview with the President and CEO

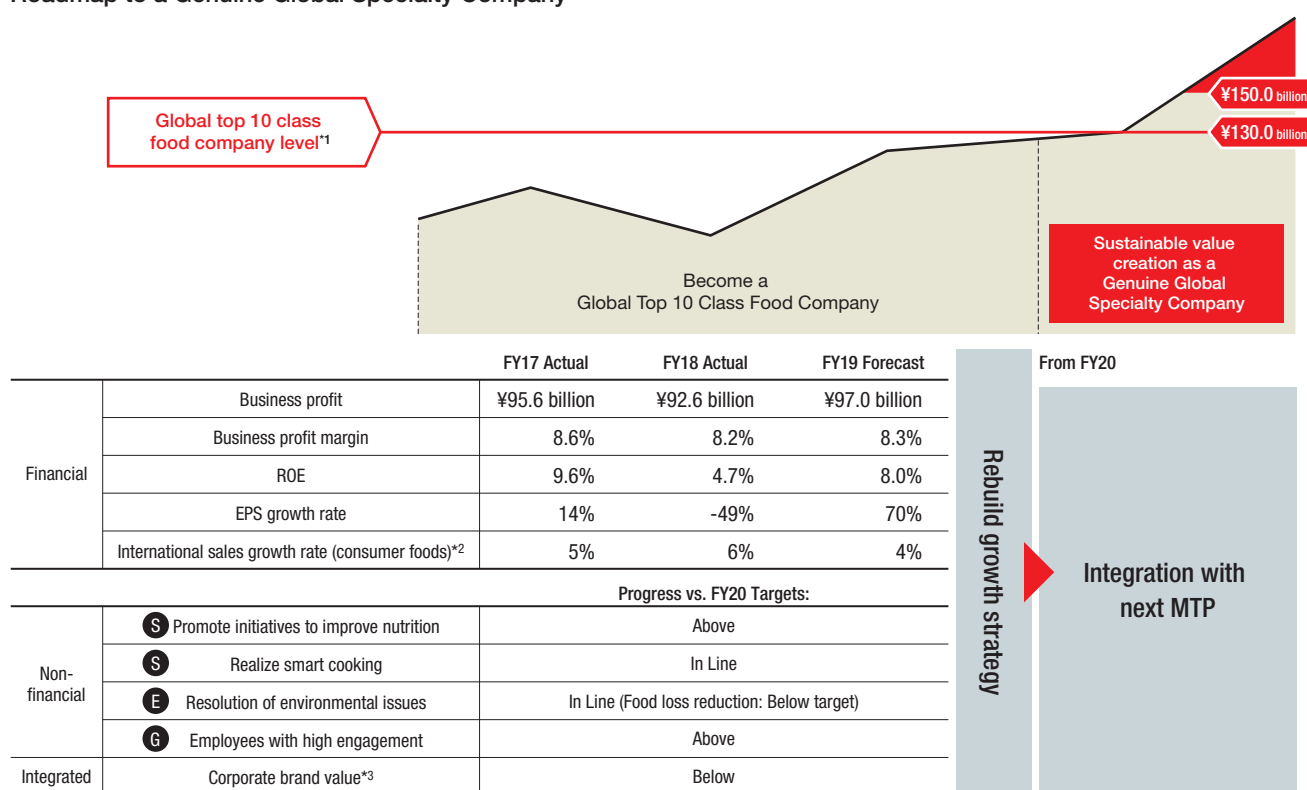
the financial side of the equation. The main reason for this is the sluggishness of the food business. Intensified competition seriously reduced both revenue and profit of Japan Food Products' frozen food business and coffee business. Moreover, business profit of the North American frozen food business declined due to production and distribution cost increases. These factors resulted in a year-on-year consolidated sales increase of 1% and a year-on-year consolidated business profit decrease of 3% for the Group as a whole.

Over the medium term, as the digital revolution advances, there is also the emergence of slowing growth in the food business due to market fragmentation and

intensifying competition, and increased assets due to M&A and other prior investment in recent years. The decline in asset efficiency is one of the financial structural issues. Given that it will take several years to address these issues, it has become difficult to achieve the financial targets and integrated target set forth in the FY17-19 MTP.

For the Group's next MTP which launches in FY2020, we will reformulate our growth strategy in order to assure attainment of financial targets and achieve a return to sustainable growth. Using FY2019 as a preparatory year, we will promote selection of priority businesses in which to concentrate management resources, while also proceeding with establishment of a framework of structural reform.

Roadmap to a Genuine Global Specialty Company



*1 A global top 10 class food company is defined as a company with business profit of ¥130 billion or higher based on IFRS.

*2 Local currency basis, including frozen foods

*3 Evaluated by Interbrand, "Japan's Best Global Brands"

Q2 Please describe the concept behind the next MTP and its main policy points.

The Group is moving to asset-light management and implementing DX* to reformulate its growth strategy.

* Digital transformation

The Group's next MTP calls for further concentration of management resources in selected core businesses. To prioritize selections for growth investment, we reevaluated each business in terms of growth potential, asset efficiency (ROA), brand strength, and technological superiority in the face of changes in the business environment. As a result, we have selected six core businesses comprising seasonings, Asian frozen foods, quick nourishment (processed foods), integrated food solutions (ingredients for food processing), healthcare, and electronic materials, at this point. Concentrating investment in these core businesses is, I believe, the surest strategy for realizing the growth rates and efficiencies expected from stakeholders over the medium to long term.

The above six core businesses currently account for about 60% of consolidated sales. Within the period of the next MTP the Group is seeking to raise this figure to about 70% while building the foundation of a business structure capable of sustaining an overall top-line growth rate of 4% or higher.

In response to accelerating market fragmentation reflecting consumer diversity, the Group must intensify data-driven marketing and speed up the product development cycle to further boost its growth rate and capital efficiency. Therefore, in the next MTP, we will strongly promote DX as the principal way to enhance market competitiveness and efficiency of the Group, focusing on core businesses.

Delivering products and services that customers need in a timely manner begins with market segmentation derived from Big Data analysis using outside alliance. It continues with steps to bring customers closer to Group brands. This calls for digital technologies such as social media and e-commerce sites, extending to cross-border e-commerce. Also essential is a dynamic and speedy development system extending from R&D to finished products or services. This is behind the Group's R&D reorganization in April 2019. Under the new structure, we will flexibly allocate human resources and equipment according to the development theme, and promote commercialization from consumer/customer viewpoints.

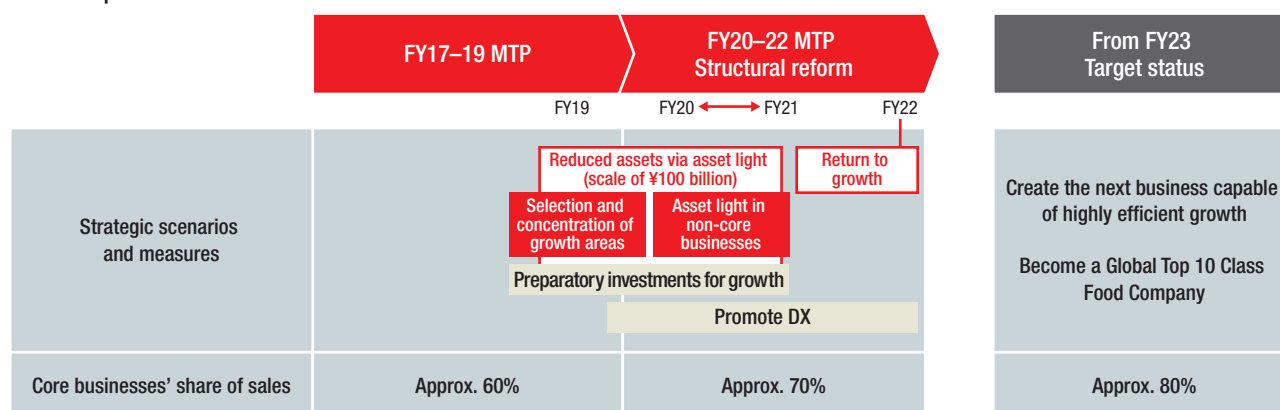


Revamping business processes through DX is one imperative. Others are supply chain reengineering for agility, and small-lot-high-mix product line automation. Through these changes, the Group aims not only to develop a large number of small-sized businesses but also to discover products and services with high growth potential from it and to develop it into a more profitable middle-sized business. This is the new-business creation model that the Group is intent on realizing.

In the next MTP, we will accelerate growth by focusing on core businesses and DX in this way, while limiting investment to the bare minimum for maintaining non-core businesses. Options will include downscaling or outright sale of the non-core assets. In addition, we will promote resource allocation, such as the repatriation of the Group's cash and deposits, and the sale of policy shareholdings. The promotion of these measures for asset-light management is another major pillar of the next MTP. As for asset-light management, we are already examining specific measures. Some of these measures will be taken in FY2019, ahead of plan, and we plan to divest assets by approximately 100 billion yen over the three-year period until FY2021.

Interview with the President and CEO

Roadmap for the next MTP



Q3 How does going asset-light tie into future business growth? Won't this affect shareholder returns?

While proceeding with asset-light management, the Group will prioritize investment in growth. This strategy will foster business growth and bring consistency to shareholder returns.

The Group's promotion of asset-light management does not only mean asset divestiture for improving capital efficiency. The Group's earning power in terms of operating cash flows is expected to be a conservatively estimated 350 billion yen over three years, after implementing asset-light measures. By focusing on capital investment in core businesses, we will control the total amount of capital investment including the new DX investment at approximately 220 billion yen. In regard to

shareholder returns, we aim for a total return ratio of 50% or higher, and single-year dividend payout ratio of over 30%. In line with the policy, we will achieve a 3-year sum-total payout of more than 100 billion yen. Discontinuous growth through M&A is planned with borrowing kept at a net D/E ratio of around 50%. The asset-light management will generate cash to supplement this, giving the Group additional flexibility to maintain a healthy balance sheet.

Q4 What are your views on the macro environment and latent risk?

The Group seeks to minimize risk through quick decision making and execution of contingency plans.

Macro risk triggers are numerous. They include exchange rate or interest rate volatility, revision of the tax system in countries in which we operate, and deterioration of fiscal balances in emerging countries. Short-term assessment of risk rooted in macro environmental changes is not always perfect and risk-triggering events can occur at any time. I see the severity of the risk environment trending upward due to market entry of competitors including cross-sector rivals, as well as rising costs.

In response, we will continue to strengthen monitoring of the macro environment, analyze and respond to various risk factors in a timely manner, and diversify risk appropriately. Measures will also be taken to quicken decision making and contingency plan execution. By focusing on our unique specialties and accelerating productivity improvement incorporating DX, the Group seeks to minimize management and business risks.

Q5 How does the growth strategy mesh with non-financial targets and materiality?

**Financial targets are inseparable from non-financial targets.
The Group pursues ASV, creating shared value to fulfill its social mission.**

The Group's social mission is to contribute to the resolution of three social issues through its business activities: health and well-being, food resources, and global sustainability. Issued every three years, the Group's MTP lays out the path to sustainable growth and increased medium- to long-term corporate value, realized by simultaneously creating social value and economic value, as a corporation, through business activities. We are working to share this value creation initiative named ASV with society as well as within the Group.

We constantly update our non-financial targets pertaining to ESG issues and materiality. Existing ESG targets cover reduction of greenhouse gases and food loss. A newly added target last year is to achieve zero plastic waste by FY2030 through 3Rs (Reduce, Reuse, Recycle) practices.

In addition to incorporating non-financial targets, I believe that it is an important responsibility as a global food company to achieve SDGs and lead the way to a sustainable society. The Consumer Goods Forum, CGF, carries out a variety of activities in the area of sustainability. As a CGF board member representing the Ajinomoto Group, I am involved in the dissemination and development of the initiative.

Social issues require selection and approaches suited to the particular region. Japan, for example, has many social issues, but one of the most critical is the decline in the working population, correlating to the nation's declining birthrate and aging population. Labor shortages have become commonplace in the food and retail



industries, especially in production, distribution, and sales.

In response to these structural changes in society, companies are striving to raise operational efficiency and productivity. The situation also calls for industry-wide initiatives. In April 2019, five of Japan's food companies started joint product delivery. The launch of this joint venture addresses the increasingly serious situation facing the logistics industry, notably the persistent shortage of truck drivers and environmental issues. By restructuring food company logistics for efficiency and sustainability, the new company aims to reduce environmental impact through streamlined delivery and make more effective use of management assets such as human resources and equipment.

Interview with the President and CEO

Q6 What are your thoughts on staffing for growth strategy or enhancing ASV?

We develop management talent that shares the Group's core competencies and values and shows leadership potential.

First, I will talk about managerial talent. The key mission of top management is to meet and exceed the expectations of our stakeholders. To complicate matters, expectations vary with stakeholder class: investors, shareholders, customers, employees, local residents, and so on. Therefore, managerial talent is required to have a sense of the balance and good communication skills to listen to the voices of a wide range of stakeholders and to achieve satisfaction of the greatest common factor for diverse demands.

The important values for all of the Group's human resources, not just managerial, are creativity and pioneering spirit which are also part of the Ajinomoto Group Way.

The Group has two core competencies. One is leading-edge bioscience and fine chemical technologies derived from research, development, and production of amino acids. The other is marketing and sales capabilities to evolve these technologies as a business adapted to customers and local communities worldwide.

Leveraging these two core competencies since its establishment, the Group has created businesses with new social value, such as seasonings and processed

foods that meet the specific food demands of various countries and regions, and functional materials such as amino acid derived high-performance cell culture media essential for R&D of regenerative medicine.

The most important resource of these core competencies is none other than employees who embody creativity and pioneering spirit. The managerial talents of the Group must lead by keeping these Group values and core competencies firmly in mind while tailoring solutions to customers' changing needs and circumstances.

In addition, the Group is actively promoting DX, which calls for talent with higher literacy in AI, IoT, robotics and other leading-edge technologies. This is not the same thing as having specialized technical knowledge and programming skills. What we need are people who can architect how to leverage technology to, for example, improve the Group's productivity and enhance corporate brand value. To supervise such initiatives the Group has newly established the post of the Chief Digital Officer (CDO). Under the leadership of the CDO, the next step is to secure and train sufficient talent to plan strategic courses of action and carry them out.

Q7 What concluding words do you have for stakeholders?

The Group is making thorough preparations for launch of the next MTP, which sets the course for a return to sustainable growth.

The Ajinomoto Group is navigating toward sustainable growth by further accelerating and evolving ASV, the creation of shared value. In this way the Group is maturing into a Genuine Global Specialty Company, a presence indispensable to people everywhere. To pave the way for realization of this vision, the FY20-22 MTP calls for drastic business structural reforms. Toward successful completion of strategic measures and to achieve financial and non-financial targets, FY2019 will be a year of thorough preparation.

Details of the measures are scheduled to be announced in February 2020. This Integrated Report 2019 nevertheless describes the Plan in broad strokes. It is my hope that this report will also convey the resolute spirit driving the Group's efforts to return to growth at the earliest possible date.



Message from the Corporate Vice President in Charge of Finance



Raising the efficiency of
invested capital and ensure the
improvement of shareholder
value through ASV

Tetsuya Nakano
Corporate Vice President

The Ajinomoto Group's FY17-19 MTP sets a FY2020 target to raise the business profit margin to 10% and ROE to 10% or higher; however, circumstances have now made those targets difficult to reach under the current MTP. The Group is therefore trying to focus on growth investment in core businesses as well as taking an asset-light management approach that promotes efficient utilization of cash and deposits within the Group and resource allocation such as the sale of policy shareholdings with the objective of ensuring it attains those targets during the next MTP period. In preparation for the next MTP, in FY2019 the Group will begin implementing as much structural reform as possible aiming to get the Group's business back on a path toward sustainable growth.

FY2018 Performance Summary

- Sales: Increased to ¥1,127.4 billion (+1% year on year)

Sales grew substantially for pharmaceutical custom manufacturing and amino acids for pharmaceuticals and foods, and also rose for international frozen foods, seasonings, and processed foods.

- Business profit: Decreased to ¥92.6 billion (-3% year on year)

Business profit fell sharply for frozen foods and coffee products in Japan and internationally, and the Group recorded an impairment loss of 3.2 billion yen on trademark rights at equity-method subsidiary Promasidor Holdings Limited.

- Profit attributable to owners of the parent company: Decreased to ¥29.6 billion (-51% year on year)

The Group booked impairment losses on goodwill associated with Ajinomoto Foods North America, Inc. and Ajinomoto Istanbul Food Industry and Trade Limited Company as well as an impairment loss of 27.9 billion yen associated with the investment in Promasidor Holdings Limited booked under the equity-method accounts.

- ROE: 4.7% (-4.9 percentage points year on year)
- Dividend: ¥32 (unchanged from the previous fiscal year)

FY2019 Performance Forecast

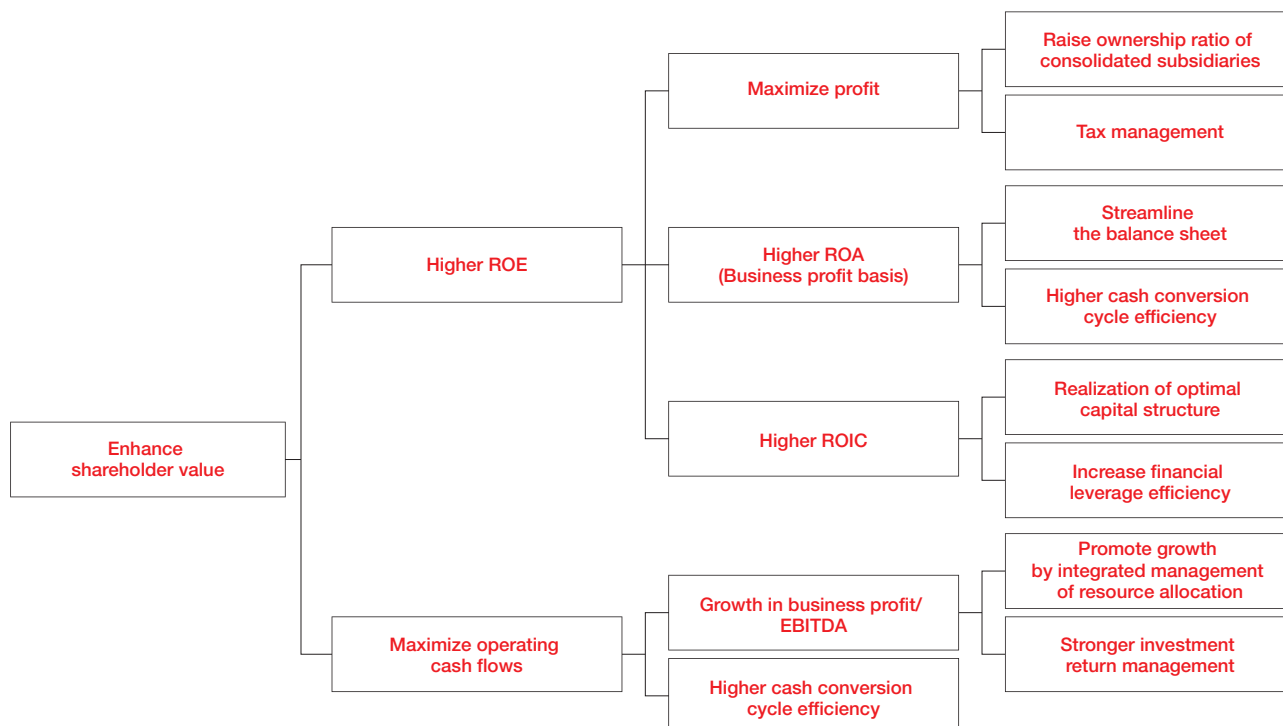
- Sales: ¥1,171.0 billion
- Business profit: ¥97.0 billion
- Profit attributable to owners of the parent company: ¥50.0 billion
- ROE: 8.0%

Message from the Corporate Vice President in Charge of Finance

Raising ROE and Maximizing Operating Cash Flows to Enhance Shareholder Value

The Ajinomoto Group is prioritizing raising ROE and maximizing operating cash flows to enhance shareholder value.

Efforts to enhance shareholder value



Raising ROE and Asset-Light Management

To realize the capital efficiency of a global top 10 class company in the food industry, the Group must control capital costs and raise ROE well above its weighted average cost of capital, which is currently about 5%. To this end, it is essential to raise the asset turnover ratio in order to realize higher corporate value by continuously improving capital efficiency. In short, to raise ROE in the current situation we are in, it is increasingly difficult to maximize profits solely through top-line growth. To raise ROE, the Group is trying to focus its growth investment in core businesses, implementing structural reform to reduce the composition ratio of non-core businesses, and initiating asset-light management for resource allocation to increase the efficiency of invested capital.

Resources will be allocated more efficiently by controlling interest-bearing debt by effectively using cash resources within the Group, reducing policy shareholdings, reorganizing the functional subsidiaries and reviewing joint-venture operations. Cash management at the regional level for Japan, North America, Europe, Thailand, and other areas will also be improved.

To raise asset efficiency in the core businesses, the Group will put stronger focus on ROA in each business. In raising the efficiency of invested capital, the Group has begun using ROIC as a new benchmark of the Group's financial structure so management has the same perspective as the Group's stakeholders.

Message from the Corporate Vice President in Charge of Finance

Maximizing Operating Cash Flows and Investment in Growth

The Ajinomoto Group's management believes strengthening its ability to generate operating cash flows, which is the source of investment funds, is essential for investing in its core businesses and accelerating the Group's business growth. The Group is implementing measures to boost business growth and shorten the cash conversion cycle (CCC). In FY2018, these measures generated 123.2 billion yen in cash flows from operating activities. The CCC was shortened by 1.2 days. The

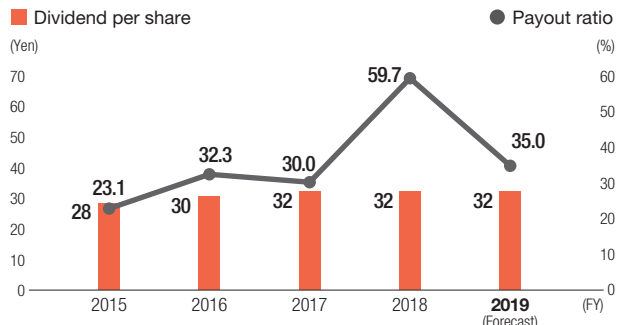
Group anticipates generating approximately the same amount of operating cash flows in FY2019.

The cash that is generated will continue to be allocated to capital expenditures, R&D, and M&A but in FY2019 the main focus will be in areas designed primarily to accelerate growth. Management is planning to increase the allocation of funds to profit growth investment to roughly 60% of its planned 81.5 billion yen in capital expenditures.

Shareholder Return Policy

The FY17-19 MTP outlines a basic policy for shareholder return of a 30% payout ratio each fiscal year and 50% or higher cumulative shareholder return over three years. In FY2018, the Group repurchased 40 billion yen worth of its outstanding shares, which was the upper limit set by the Board of Directors. Management will continue providing stable shareholder return and plans to maintain the annual dividend payment at 32 yen per share in FY2019.

Dividend and payout ratio



Preparing for the Next Medium-Term Management Plan

The Group's next MTP will raise capital efficiency through asset-light management and advancement of digital transformation that will lift the Group's financial structure to the global top 10 class in the food industry.

Roadmap	FY17-19 MTP	FY20-22 MTP Structural Reform	FY23 onward Target Status
	FY19 Forecast	FY22 Target	
ROE	8.0%	10%	11%
ROIC	6.1%	8% or higher	11-13%
ROA (Business profit basis)	6.5%	8%	12%

Message from the Corporate Vice President in Charge of Finance

Summary of the financial strategies in FY2019 and next MTP

	FY17–19 MTP Target	FY17 Actual	FY18 Actual	FY19 Forecast	FY20–22 MTP Target										
<div>Cash flows</div>	<ul style="list-style-type: none">•Operating cash flows: roughly ¥350 billion•EBITDA to sales ratio: above 13.5%	<ul style="list-style-type: none">•Operating cash flows: ¥126.6 billion•EBITDA ratio: 12.8%	<ul style="list-style-type: none">•Operating cash flows: ¥123.2 billion•EBITDA ratio: 12.9%	<ul style="list-style-type: none">•Operating cash flows: roughly the same as in FY2018•EBITDA ratio: 13.1%	<ul style="list-style-type: none">•Operating cash flows: approximately ¥350 billion <div>Operating cash flows*1 (three year total) (Billions of yen) <table><thead><tr><th>Period</th><th>Operating cash flows (Billions of yen)</th></tr></thead><tbody><tr><td>11–13</td><td>244.8</td></tr><tr><td>14–16</td><td>347.4</td></tr><tr><td>17–19 (Forecast)</td><td>350 or higher</td></tr><tr><td>20–22 (Target)</td><td>approx. 350</td></tr></tbody></table></div>	Period	Operating cash flows (Billions of yen)	11–13	244.8	14–16	347.4	17–19 (Forecast)	350 or higher	20–22 (Target)	approx. 350
Period	Operating cash flows (Billions of yen)														
11–13	244.8														
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20–22 (Target)	approx. 350														
<div>Investment for growth</div> <div>+</div>	<div><ul style="list-style-type: none">Engage in integrated management of capital expenditure, R&D, M&A•R&D: approximately ¥29 billion per year•Capital expenditure: approximately ¥230 billion in three years</div>	<div><ul style="list-style-type: none">Total expenditure: ¥129.8 billion•R&D: ¥27.8 billion•Capital expenditure: ¥79.4 billion•M&A: ¥22.6 billion*2</div>	<div><ul style="list-style-type: none">Total expenditure: ¥107.4 billion•R&D: ¥27.8 billion•Capital expenditure: ¥79.6 billion•M&A: ¥0</div>	<div><ul style="list-style-type: none">Total expenditure: ¥110.2 billion plus additional•R&D: ¥28.7 billion•Capital expenditure: ¥81.5 billion•M&A: under review</div>	<div><ul style="list-style-type: none">•Capital expenditure: approximately ¥220 billion•M&A: approximately ¥80 billion</div>										
<div>Shareholder return</div>	<ul style="list-style-type: none">•Payout ratio: target 30%•Total return ratio: target of 50% or higherFlexible share buybacks	<ul style="list-style-type: none">•Payout ratio: 30.0%	<ul style="list-style-type: none">•Payout ratio: 59.7%	<ul style="list-style-type: none">•Payout ratio: 35.0%	<ul style="list-style-type: none">•Shareholder return: greater than ¥100.0 billion (Total return ratio: target of 50% or higher)										
<div>Financing</div>	<ul style="list-style-type: none">•Net debt-equity ratio: target of 50%	<ul style="list-style-type: none">•Net debt-equity ratio: 31.7%	<ul style="list-style-type: none">•Net debt-equity ratio: 36.3%	<ul style="list-style-type: none">•Net debt-equity ratio: target of 50%	<ul style="list-style-type: none">•Net debt-equity ratio: target of 50%										

*1 Adoption of IFRS from FY15

*2 Excludes Agro2Agri, S.L.

Increasing Stakeholder Dialogue

The Group has been expanding its dialogue with stakeholders by increasing its daily communications and holding an annual explanatory briefing on its integrated report. In addition, the Group held an explanatory meeting about its electronic materials business in June 2019 and plans to hold similar meetings about its other businesses.

Management intends to make ongoing dialogue with stakeholders more meaningful by increasing these efforts.