

- Valine
- Leucine
- Isoleucine
- Alanine
- Arginine
- Glutamine
- Lysine
- Aspartic acid
- Glutamate
- Proline
- Cysteine
- Threonine
- Methionine
- Histidine
- Phenylalanine
- Tyrosine
- Tryptophan
- Asparagine
- Glycine
- Serine

**Front Cover**

The history of life on earth began with the birth of amino acids, while the Ajinomoto Group has been developing its business based on amino acids since its founding. The front cover of this report expresses the connection between the Ajinomoto Group and life on earth through an image of 20 kinds of amino acids that are essential to the human body.

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# Ajinomoto Group Integrated Report 2017



### Publication of Ajinomoto Group Integrated Report 2017

Since 2016, the Ajinomoto Group has been publishing an integrated report. In an easy-to-understand manner, the Group's integrated reports set out to discuss and provide examples of the efforts the Group is making to improve corporate value through ASV (The Ajinomoto Group Creating Shared Value) with the aim of becoming a "Genuine Global Specialty Company."

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.

July 2017

#### Organizational Scope

This report covers the activities of the Ajinomoto Group, comprising, unless otherwise noted, Ajinomoto Co., Inc. ("the Company") and its Group companies (as of March 31, 2017), including consolidated subsidiaries and other Group companies subject to reporting under the equity method. Where sufficient information for the entire Ajinomoto Group ("the Group") was unavailable, the limitation in scope is explicitly defined.

#### Period Covered by This Report

Fiscal 2016 (April 1, 2016–March 31, 2017)  
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 these materials are based on management's estimates, assumptions and projections at the time of publication and do not represent a commitment from Ajinomoto Co., Inc. that they will be achieved. A number of factors could cause actual results to differ materially from expectations.

### Overview of Information

The Integrated Report summarizes particularly important financial and non-financial information that directly relates to corporate value improvement. The report has been edited to present content in a story format that is easy for stakeholders to understand. More detailed information is available on our corporate website.

#### Primary means of communication: Booklet, website



Integrated Report

#### Secondary means of communication: Website, etc.

##### Sustainability Data Book

<https://www.ajinomoto.com/en/activity/csr/report/index.html>  
Date of publication: End of July, 2017 (highlights);  
End of August 2017 (full fiscal 2016 report)



##### Investors' Guide

<https://www.ajinomoto.com/en/ir/library/guide.html>  
Date of publication: End of July, 2017



##### Medium-Term Management Plan

[https://www.ajinomoto.com/en/ir/event/medium\\_term/main/03/teaserItems/1/0/linkList/0/link/17-19Presentation-E.pdf](https://www.ajinomoto.com/en/ir/event/medium_term/main/03/teaserItems/1/0/linkList/0/link/17-19Presentation-E.pdf)  
Date of publication: February 17, 2017



##### Corporate Governance Policies

[https://www.ajinomoto.com/en/ir/strategy/corp\\_gov.html](https://www.ajinomoto.com/en/ir/strategy/corp_gov.html)  
Date of publication: End of July, 2017



##### Financial Data

<https://www.ajinomoto.com/en/ir/library/annual.html>  
Date of publication: End of July, 2017



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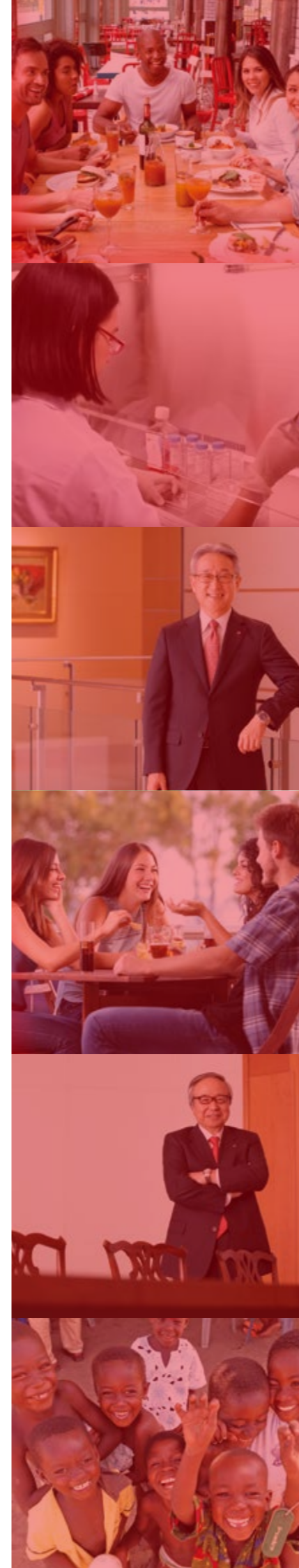
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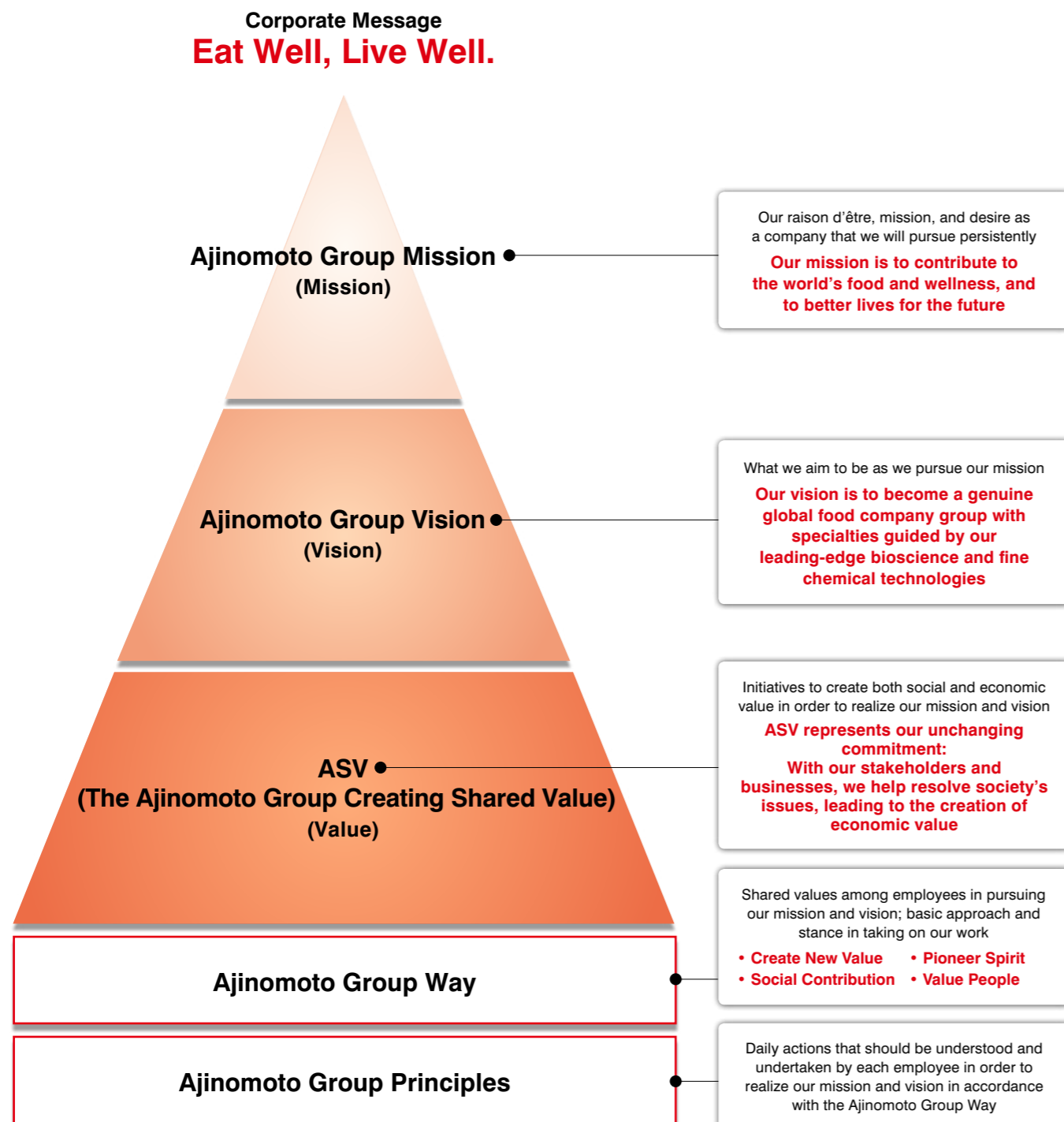


## Who is the Ajinomoto Group?

## What the Ajinomoto Group Aims For

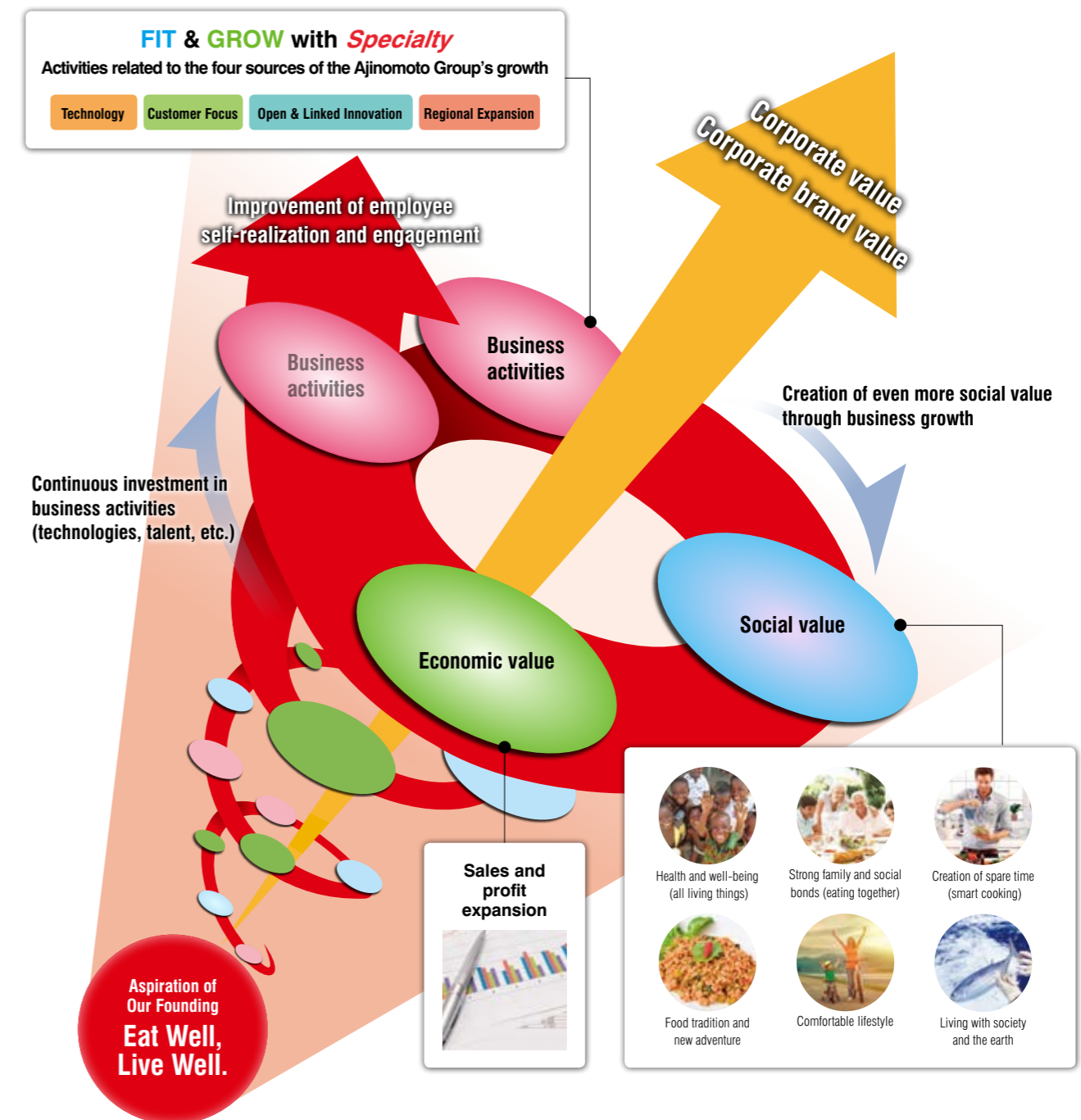
Since its founding, the Ajinomoto Group has been consistently engaging in initiatives to resolve social issues through its business. By improving economic value through the creation of shared value with society and local communities, these initiatives have contributed to the Group's growth. These kinds of initiatives have been named ASV (The Ajinomoto Group Creating Shared Value). We have positioned ASV at the core of the Group's corporate philosophy "Our Philosophy" as we strive to realize our mission and vision adopted under this philosophy.

### Our Philosophy



### ASV Value Creation Model

ASV creates a virtuous cycle (the ASV cycle) that reinvests the economic value created through the resolution of social issues in our business activities (technologies, talent, etc.), which in turn contributes to the further resolution of social issues. In this way, ASV represents a strategic initiative for realizing sustainable growth. Through the ASV cycle, we will improve employee self-realization and engagement while enhancing corporate value by building up the value of our corporate brand.



## Who is the Ajinomoto Group?

# The Ajinomoto Group's Model for Business Expansion and Source for Growth

The history of the Ajinomoto Group began when its founder Saburosuke Suzuki II started marketing umami, which was discovered by Professor Kikunae Ikeda, as an umami seasoning called *AJI-NO-MOTO*®. Since then, the Group has made efforts in amino acid-oriented R&D as glutamic acid, an amino acid, represents the essence of umami. Centered on the unique, leading-edge bioscience and fine chemical technologies cultivated through these efforts, the Group is involved in Food Products and AminoScience businesses.

## The Ajinomoto Group's Business Expansion

\* Figures are sales in FY2016 (IFRS).



## Sources of Growth for the Ajinomoto Group

### Technology

#### Realizing business diversification and globalization through the development of core technologies

Technologies that leverage the various functions of amino acids to bring about innovation represent one of the Ajinomoto Group's strengths. Supported by quality assurance and other platforms based on world-leading analysis technologies, the Group is expanding its business with a high level of technological superiority. Through the constant pursuit of scientifically backed efforts such as the multi-dimensional analysis of deliciousness and enhancements to the safety and security of its products, the Group is providing the value of amino acids in a variety of ways.

#### 2016 Ranking of Capability to Prevent Other Companies from Obtaining Patent Rights in the Food Industry (Japan)

Company Name	Number of Patents Cited
1 Ajinomoto Co., Inc.	353
2 Kirin Holdings Company, Limited	243
3 Meiji Holdings Co., Ltd.	183
4 Japan Tobacco Inc.	178
5 Asahi Group Holdings, Ltd.	152
6 Suntory Holdings Limited	149
7 FUJI OIL CO., LTD.	147
8 MEGMILK SNOW BRAND Co., Ltd.	136
9 Nisshin Seifun Group Inc.	115
10 The Nisshin Oillio Group, Ltd.	114

Source: Patent Result Co., Ltd.  
Company names are based on the announcement by Patent Result Co., Ltd.

### Open & Linked Innovation

#### Creating new value through open & linked innovation

Since its founding, the Ajinomoto Group has not only been engaging in sole efforts to develop its business but also has collaborated with external organizations through open & linked innovation. In doing so, the Group continues to diversify its business and achieve results in a number of research fields.

#### Main Business Partners

Year	Business Partner	Business Domain/Field
1962	Kellogg Company	Corn flakes
1963	CPC International Inc.	Soup
1970	ITOCHU Corporation	Frozen foods
1973	General Foods Corporation	Coffee
1980	Cie Gervais Danone	Dairy products
2013	Toyo Suisan Kaisha, Ltd.	Instant noodles
2014	Kyoto University	Cell culture medium for regenerative medicine
2015	T.HASEGAWA CO., LTD.	Fermented natural flavors

### Customer Focus

#### Pursuing thorough, customer-focused innovations

The Ajinomoto Group is developing its business based on a thorough, customer-focused approach that fully comprehends the changes in customers' life stages and lifestyles as well as the characteristics and needs of each region of operation. In recent years, the Group has been working to create new value that better answers the growing needs of health and nutrition.

#### Examples of Customer Value Creation

 <p><b>Nabe Cube</b> Launched in 2012 Makes it possible for customers to enjoy hot pot dishes alone or with a large group of people</p>	 <p><b>Cook Do® Kyo-no Ohzara</b> Launched in 2013 Original ingredients that make use of unique technology and allow for significant reductions to boiling time</p>
 <p><b>Amino Aile®</b> The "Foods with Functional Claims" product submitted first in the domain of supplements that support muscle protein synthesis</p>	 <p><b>Oniku-Yawaraka-No-Moto</b> Launched in 2016 Allows for delicious and tender meat even after a fair amount of time passes after preparation, such as the case with boxed lunches or meals eaten by families at separate times</p>
 <p><b>ONIGIRIMARU</b> Launched in 2017 Original refrigeration technology that allows for thick and creamy dishes to be used as filling in rice balls</p>	

### Regional Expansion

#### Providing value around the world through globalization

Soon after its founding, the Group began to actively expand its business overseas. In 1910, the year after its founding, the Ajinomoto Group established a sales agent in Taiwan. In 1917, the Group opened a purchasing and sales office in New York. Now, the Group is selling its products in over 130 countries and regions.

#### Establishment of Overseas Locations by Region

Region	Year of Establishment	Location
North America	1917	New York purchasing and sales office
East Asia	1918	Shanghai sales office
Southeast Asia	1927	Singapore sales office
South America	1956	Ajinomoto do Brasil Indústria e Comércio de Alimentos Ltda.
Europe	1974	Eurolysine S.A. (presently AJINOMOTO EUROLYSINE S.A.S.)
Africa	1991	West African Seasoning Co., Ltd.

## Who is the Ajinomoto Group?

# The Path for Growth: Expanding Our Business While Offering Value to Society

While promoting the diversification of its business centered on technology, a customer-focused approach, and open & linked innovation, the Ajinomoto Group has advanced globalization through regional expansion. By contributing to the resolution of social issues around the world through food and wellness, the Group has expanded its business while providing social value.

### 1909

Launches world's first umami seasoning *AJI-NO-MOTO*® with the aspiration of making a simple diet more delicious and improving the nutrition of the Japanese people with umami



Dr. Kikunae Ikeda  
Discoverer of the umami taste

Saburosuke Suzuki II  
Founder of the Ajinomoto Group

### 1920~

Actively promotes business expansion to spread the aspiration of "Eat Well, Live Well." across the world



Establishes Yoshinoya Branch Office in Tainan, Taiwan (1936)

### 1950~

Resumes overseas expansion and establishes local subsidiaries in the United States, Brazil, the Philippines, Thailand, and other countries



A factory at the time of Ajinomoto Co. (Thailand), Ltd.'s founding

### 1960~

Through collaboration with foreign companies, commences the full-scale diversification of food products in Japan in such ways as gradually launching new products in order to respond to the diversifying ways of enjoying food



Product lineup at the time, indicating the start of diversification

#### Sales Performance

\*1 Presented on the consolidated balance sheet as of fiscal 1999  
 \*2 For the coffee and edible oils business as well as some other businesses, the gross figures for sales and cost of goods were recorded in the accounts, but from fiscal 2013 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 fiscal 2010.  
 \*3 The following changes in accounting policies were conducted in fiscal 2014. Sales promotion discounts paid to customers to expand sales were deducted from net sales. Figures for fiscal 2011 and subsequent fiscal years have been restated.

(Fiscal) 1909



1950

1960

1970

### 2016

#### February

Establishes Myanmar Ajinomoto Foods CO., LTD. in the Thilawa Special Economic Zone in the Yangon Region to restart packaging and sales of umami seasoning *AJI-NO-MOTO*®

Regional Expansion



#### June

Enters cup noodle market in Central and South America; builds plant for cup noodle products on site of existing plant in Peru; commences sales of three varieties of cup noodles

Customer Focus



#### July

Makes full-scale entry into the Pakistani market; establishes a joint venture company Ajinomoto Lakson Pakistan (Private) Limited together with the Lakson Group; commences import and sales of seasonings

Customer Focus Regional Expansion



#### August

Commences sales of *StemFit*® AK03N, an iPS/ES cell culture medium for clinical research with world-class performance and safety

Technology Open & Linked Innovation



#### October

Acquires all trademarks licensed to Ajinomoto AGF, Inc., including *Blendy*® and *MAXIM*® (total acquisition price: approximately ¥25.9 billion)

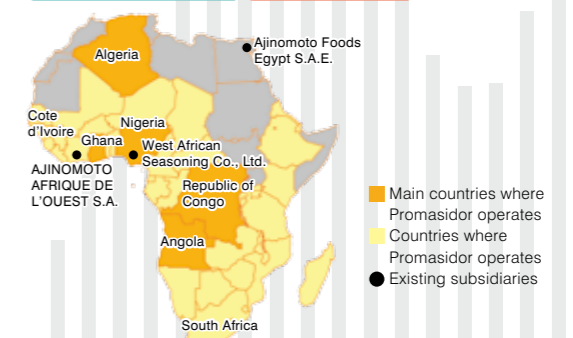
Open & Linked Innovation



#### November

Acquires 33.33% stake in Promasidor Holdings Limited (hereinafter, Promasidor) for approximately ¥55.8 billion

Open & Linked Innovation Regional Expansion



Sales  
 ◀ ¥1 trillion

#### December

Agrees to acquire shares of Örgen Gıda Sanayi ve Ticaret A.Ş., a major food company in Turkey, for approximately ¥7.4 billion; accelerates business expansion in Turkish market

Customer Focus Open & Linked Innovation Regional Expansion



#### December

Reaches an agreement with three other domestic food product manufacturers regarding the launch of a joint venture distribution company; further advances initiatives to resolve issues related to food product distribution in collaboration with food product manufacturers

Customer Focus Open & Linked Innovation

Acquires all shares of GeneDesign, Inc., a nucleic acid drug CDMO; accelerates expansion of contract business for oligonucleotides using its management resources

Technology Open & Linked Innovation

### 2017

#### March

Acquires exclusive sales rights in Japan for *Mankai*, a high-protein plant material with extraordinary nutritional value

Open & Linked Innovation



(Fiscal) 1909



1950

1960

1970

1980

1990

2000

2010

2016

## Who is the Ajinomoto Group?

# Results Achieved over the Years

In the 108 years since its founding in 1909, the Ajinomoto Group has established a superior position in numerous product categories, starting with its mainstay dry savorys. In addition, by leveraging the various functions of amino acids to bring about innovation, the Group has established a position as the world's largest amino acid manufacturer in such ways as being the first company of its kind to enter a wide variety of markets.

### Overview of the Ajinomoto Group (As of March 31, 2017)



### Share of Dry Savories\* Market

With umami seasonings and flavor seasonings tailored to the eating habits of each country, the Ajinomoto Group is expanding its share in each country and establishing a top global position. In addition, the Group will acquire the clear No. 1 share in dry savorys\* by refining the quality and strengthening the production of existing products along with an active creation of new product lines.



(In-house investigation)  
\* Umami seasonings and flavor seasonings (powder, cubes, etc.)

### Share of Frozen Foods Market

In the North American market, we are leveraging the business foundation of Ajinomoto Windsor, Inc. and have acquired the No. 1 share in the Asian foods category. Moreover, in the Japanese market, five of our products have become top-ten best sellers, including Gyoza, which is our clear No. 1 product. In these ways, we are working to expand sales of core products and making efforts to create new categories through the introduction of new products.



(In-house investigation)

### Share of Coffee Market

The stick product category represents a growth field in the home-use coffee products market in Japan. Ajinomoto AGF, Inc. (hereinafter, AGF), which focuses on stick coffee, has grown its business by creating new markets, actively launching new products, and promoting advertising and sales activities. Going forward, AGF will expand into a leading force in the industry by enhancing its response to more personalized needs.



(In-house investigation)

### Amino Acids

With glutamic acid, the essence of umami and an amino acid, the Ajinomoto Group has pursued efforts in amino acid-based research and has been the leader in commercializing a wide variety of amino acid products and starting new businesses. Accordingly, the Group has established a superior position as a global amino acid manufacturer.

Year	Substance/Technology	Business	Year	Substance/Technology	Business
1909	Monosodium glutamate	Umami seasoning <i>AJI-NO-MOTO®</i>	1982	Aspartame	Sweetener business, aspartame, etc.
1956	Various mixtures of amino acids	Intravenous solution <i>MORIAMIN®</i>	1987	Serum-free cell culture medium that does not use materials derived from animals	ASF cell culture medium
1965	Lysine	Feed-use amino acids	1995	Various mixtures of amino acids centered on branched-chain amino acids	Sports supplement <i>amino VITAL®</i>
1972	Amisoft® (an amino acid based surfactant)	Personal care products	2011	An extremely fast and accurate amino acid analysis technology	Cancer risk screening business <i>Amino Index®</i>

**Genuine  
Global  
Specialty  
Company**

## **A Solid Track Record and the Next Step Forward**

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The Ajinomoto Group's Global Expansion of ASV

### **A Solid Track Record and the Next Step Forward Message from the President & CEO**

**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.**



**Takaaki Nishii**

Representative Director,  
President & Chief Executive Officer

## 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.

\*1 An original profit KPI adopted by the Group following the voluntary application of International Financial Reporting Standards for management purposes. The KPI is defined as follows: Sales – Cost of sales – Selling expenses, Research & development expenses, and General & administrative expenses + Share of profit of associates and joint ventures

\*2 Excludes primary processed food companies, including milling, oil extraction, and animal product processing companies (raw materials such as grain, livestock, etc.) as well as alcoholic beverage and soft drink companies and general trading companies

## 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.

## "Genuine Global Specialty Company"

- 1 **Contribute to the future progress of humanity and the earth**
- 2 **Possess our own industry-leading technologies and business domains**
- 3 **Assemble a group of diverse, globally capable talent**
- 4 **Achieve the business and profit scale of a global company**
- 5 **Meet global efficiency standards to generate profit**



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**



## Awareness of Current Issues

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

The first challenge we face relates 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.

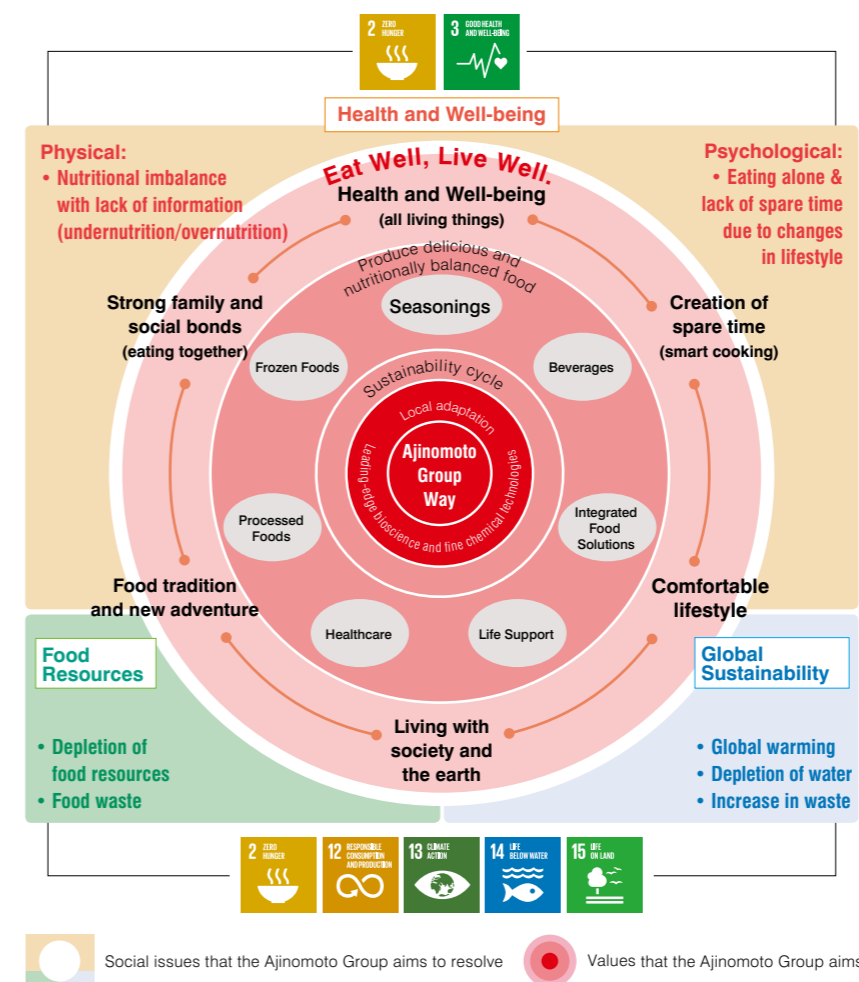
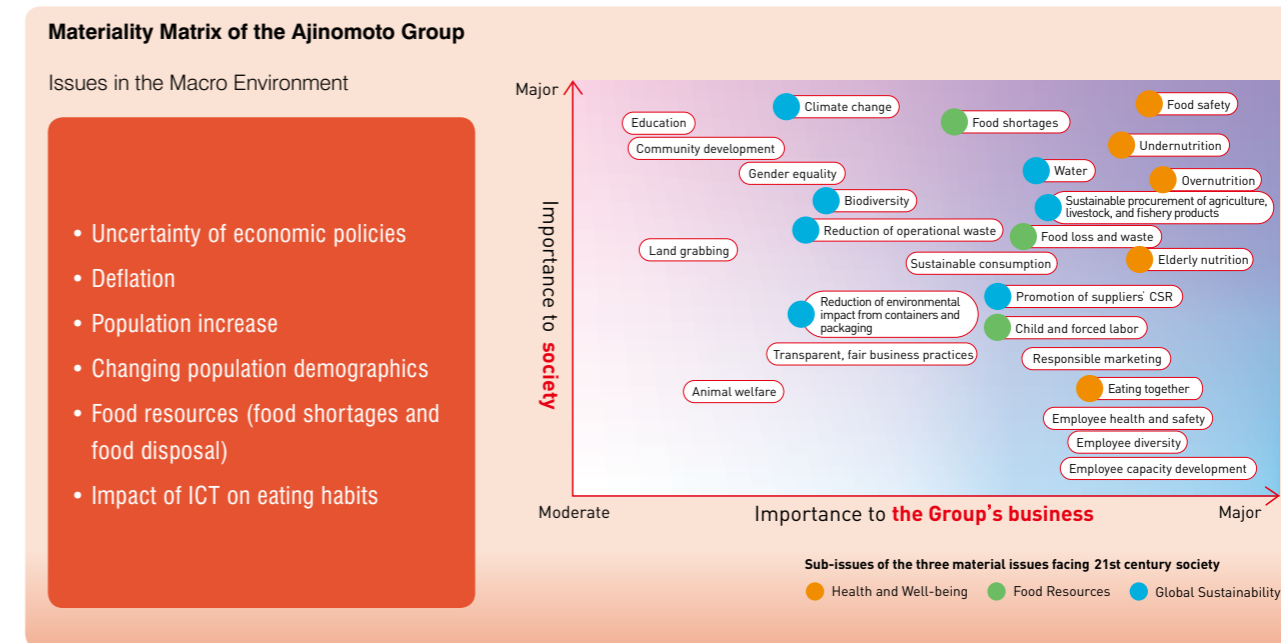
## Evolving ASV and Realizing Sustainable Growth

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.



### 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

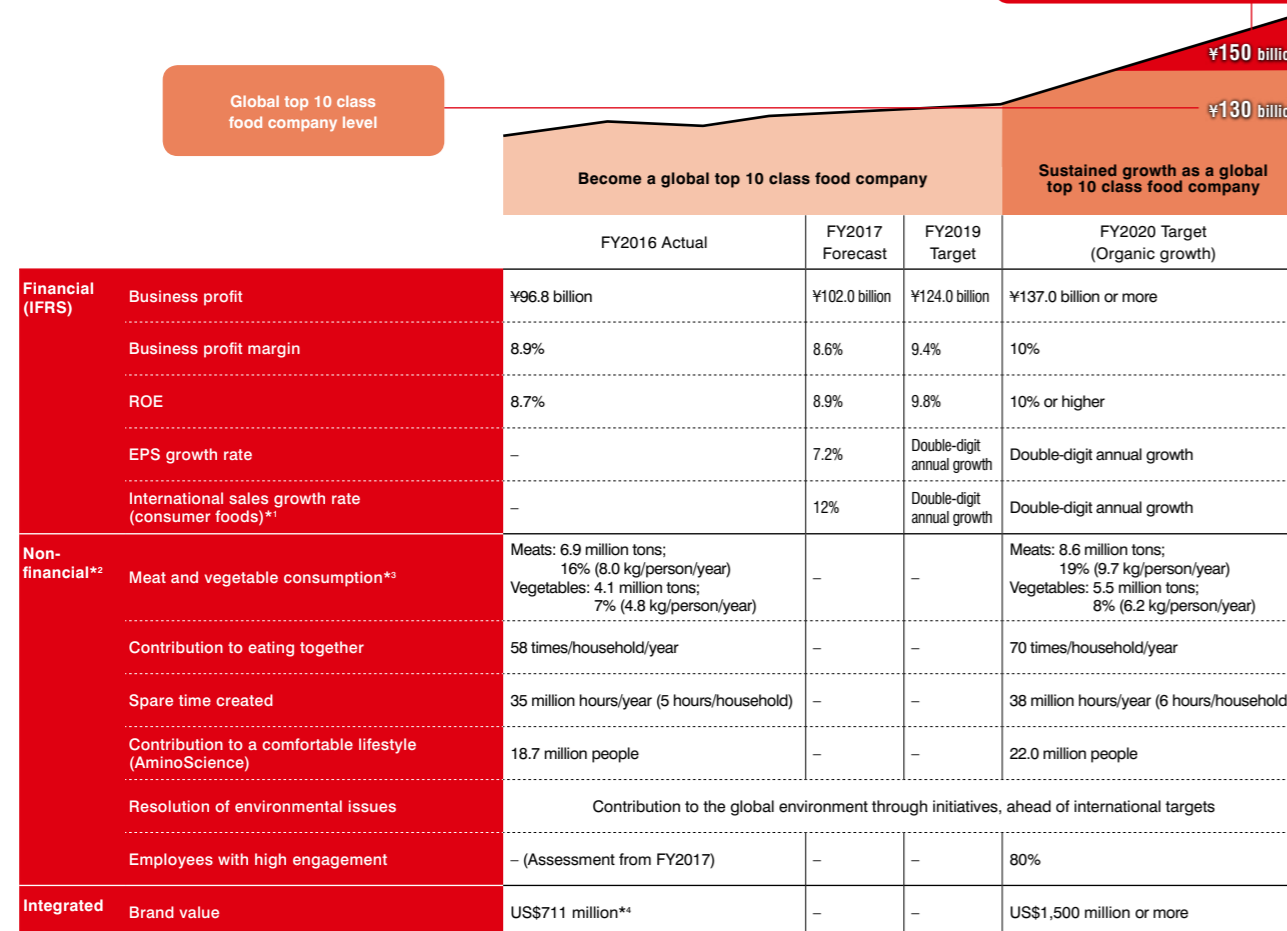
The management indicators adopted under the FY17–19 MTP are as follows. For financial targets, we will continue to realize profit growth throughout the three-year period from fiscal 2017 to fiscal 2019. Such growth will act as a milestone for becoming a “global top 10 class food company” by fiscal 2020. For non-financial targets, we will focus on contributing to healthy living for humankind, 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”

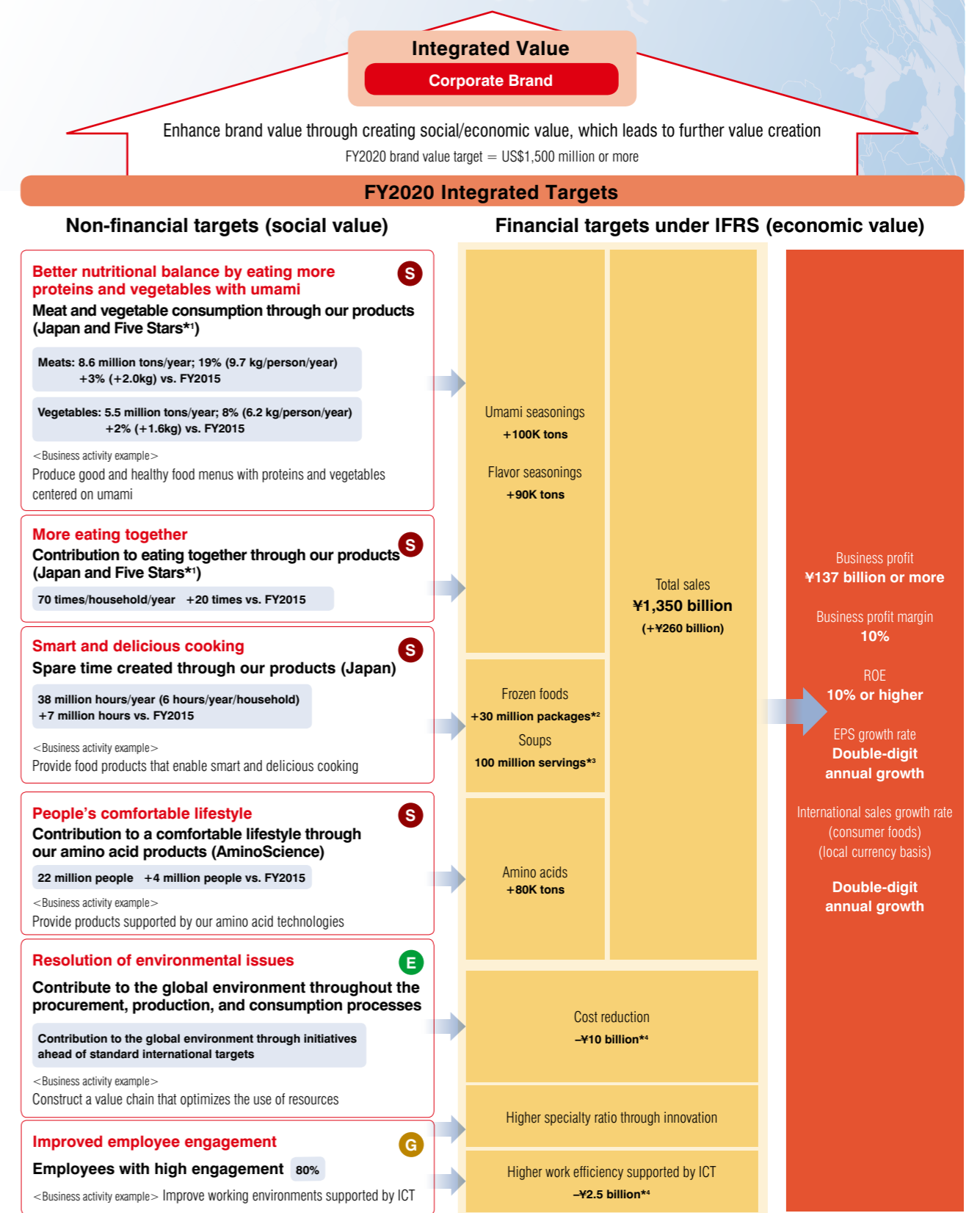
Sustainable value creation as a  
“Genuine Global Specialty Company”



\*1 Local currency basis \*2 Please refer to pages 20, 21, and 49 for details on non-financial targets. \*3 Annual total and % of annual consumption per person \*4 Evaluated by Interbrand, “Japan’s Best Global Brands 2017”

## 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



S: Social E: Environmental G: Governance

\*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

## 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.

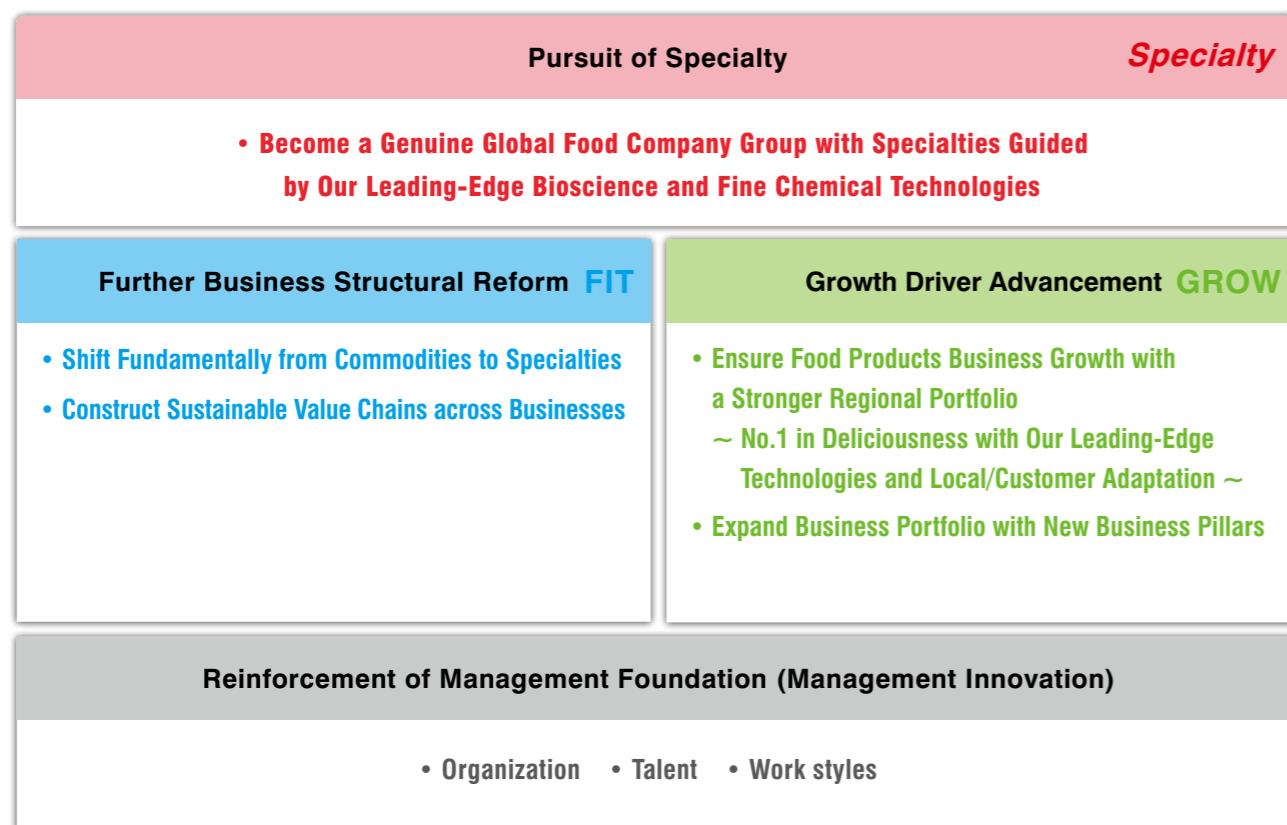
July 2017



Takaaki Nishii  
 Representative Director,  
 President & Chief Executive Officer

#### Overview of Business Strategies

### FIT & GROW with Specialty



## Details of the Ajinomoto Group's Non-Financial Targets

### S Social

#### Nutrition Policy

The Ajinomoto Group has established the Nutrition Policy, which acts as a guide for realizing health and well-being, and the Nutrition Strategy Guideline, which is based on the policy. The Nutrition Policy and the Nutrition Strategy Guideline provide a foundation for the Group's business activities aimed at realizing its integrated targets.

##### Nutrition Policy

- 1 We aspire to focus on the nutritional needs of people of different regions, ages, lifestyles, and health conditions and provide products and information that improve the nutritional balance of daily meals.
- 2 We assist people in enjoying delicious food and contribute to emotional and physical nourishment through smart cooking\*1 and recommendations of delicious menu utilizing Umami.
- 3 We provide reliable solutions based on scientific research that utilize the nutritional and physiological properties of protein and amino acids.
- 4 We assist consumers in the selection of more healthy food products by devising and implementing voluntary labelling and communication strategies while following guidelines of national and public agencies.
- 5 We continue to conduct socially beneficial activities related to nutrition and build ties with diverse stakeholders.

\*1 Enabling consumers to have enjoyable and efficient experiences in preparing meals including shopping, cooking, and cleaning up after meals.

 Nutrition Strategy Guideline  
[https://www.ajinomoto.com/en/activity/policy/nutrition\\_guideline.html](https://www.ajinomoto.com/en/activity/policy/nutrition_guideline.html)

#### ① Meat and Vegetable Consumption (Japan: Five Cook Do® products, Gyoza; Five Stars: Flavor seasonings)

In advanced and developing countries alike, poor nutritional balance has been a major cause of lifestyle diseases. In light of these conditions, the Ajinomoto Group will promote balanced nutrition through using the Group's products of each country. In doing so, the Group will help realize health and well-being for people around the world and enhance the added value of agricultural products.

##### Example of Masako® in Indonesia

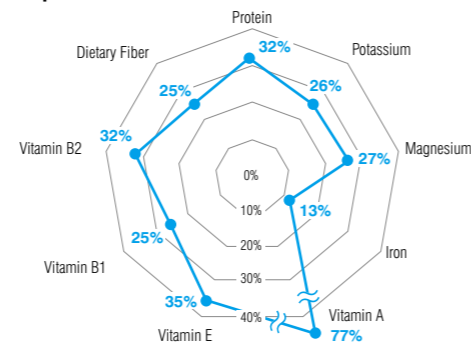


Amount of meats and vegetables that can be consumed through recommended menus using Masako® in Indonesia (three dishes)



Vegetable soup	
Carrots	60g
Cabbage	60g
Masako®	9g

##### Ratio of nutrient consumption amount through recommended menus (total for three dishes) to daily recommended nutrient consumption amount for Indonesian citizens\*2



\*2 According to presentation materials provided by Indonesian health officials, calculated based on the daily recommended consumption amount for women in their 20s

##### Communication Initiatives



Highlight vegetable soup in television commercials



Deploy Dapur Umami recipe information site



Introduce nutritionally balanced menus on the back of packages

#### ② Contribution to Eating Together

(Japan: Five Cook Do® products, Gyoza; Five Stars: Flavor seasonings)

Due to recent changes in lifestyles, family and community bonds have been weakening. Amid this environment, it is estimated that the percentage of times a person eats alone has increased by four points in the past 15 years in Japan, and by two to five points in the past 10 years in the "Five Stars." To address this issue, the Ajinomoto Group will help families and community members share the joy of eating together through meals made using the Group's products.



#### ③ Spare Time Created

(Japan: Gyoza, Yawaraka Wakadori Kara-Age (fried chicken), THE ★CHA-HAN (fried rice), three Knorr® Cup Soup products)

Due to recent changes in lifestyles, people are becoming busier. Under these circumstances, the Ajinomoto Group will contribute to spare time created through smart cooking, enabling delicious meals to be made easily and allowing people with busy lifestyles to enjoy cooking with the Group's products.









#### ④ Contribution to a Comfortable Lifestyle (AminoScience)

(Amino acids for pharmaceuticals and foods: For use in transfusions and medical foods, amino VITAL®, No-Mikata®, Glyna®, etc.)

From healthy people to those suffering from illness, the Ajinomoto Group will provide support for a comfortable lifestyle through various ingredients and products centered on amino acids.

### E Environmental

	Long-Term Vision	Indicators	International Goals
① Reduce greenhouse gases	Overall product lifecycle to become carbon neutral	Greenhouse gas production volume vs. emission intensity <b>FY2020: 5% reduction (vs. FY2015)</b> <b>FY2030: 50% reduction (vs. FY2005)</b> Renewable energy use ratio <b>FY2020: 20% FY2030: 50%</b> CFC*1 elimination <b>FY2025: 100% for new facilities</b> <b>FY2030: Extremely small volume of HFCs*2</b>	<ul style="list-style-type: none"> <li>• Paris Climate Conference</li> <li>• CGF, POPs Convention, Montreal Protocol</li> </ul> 
② Reduce food loss	Cut food loss within lifecycle by half by 2050	Reduce food loss from receipt of ingredients through to customer delivery <b>FY2020: 20% reduction (vs. FY2015)</b> <b>FY2025: 50% reduction (vs. FY2015)</b>	<ul style="list-style-type: none"> <li>• 12 Sustainable Consumption</li> </ul> 
③ Secure food resources and protect natural environment, including ecosystems and biodiversity	Secure food resources for the next generation, contribute to the protection of the natural environment including ecosystems and biodiversity, achieve sustainable procurement	Sustainable procurement <b>FY2020: 100% for palm oil &amp; paper</b> <b>FY2030: 100% for other ingredients</b> Reduce natural raw materials used via resource-saving fermentation technologies, by-product and alternative material technologies <b>FY2025: 100%</b>	<ul style="list-style-type: none"> <li>• CGF, RSPO, FSC, ASC</li> </ul>  
④ Conservation of water resources	Create an environment where water resources are sustained	Production volume vs. water usage at plants <b>FY2020: 5% reduction (vs. FY2015)</b> <b>FY2030: 80% reduction (vs. FY2005)</b>	<ul style="list-style-type: none"> <li>• 6 Sustainable Water</li> </ul> 
⑤ 3R for waste material (Reduce, Reuse, Recycle)	Zero emission of waste materials	Reduce waste generated via business activities/recycle ratio <b>FY2020 and FY2025: Maintain 99% or higher</b>	<ul style="list-style-type: none"> <li>• 12 Sustainable Consumption</li> </ul> 

\*1 Chlorofluorocarbon \*2 Hydrofluorocarbons

### G Governance

#### Employees with High Engagement

The Ajinomoto Group will improve engagement as an organization and enhance its business performance by boosting organizational capabilities. Targeting nearly 33,000 full-time employees, including those at Group companies in Japan and overseas, we will measure the proportion of employees who feel that their respective company is creating value by addressing social issues, and feel that they are contributing to that value creation.

##### Engagement Survey Items

- Understanding of mission, vision, targets, and strategies
- Talent and career development
- Improvement of social value (social responsibility and contributions)
- Diversity, health, and well-being
- Top management's leadership
- Sustainable employee engagement, etc.

Message from the Corporate Senior Vice President in Charge of Finance



To become a “global top 10 class food company,” the Ajinomoto Group will enhance its ability to generate cash flow through comprehensive and strategic financial management. At the same time, the Group will further strengthen growth investments in key domains and realize stable shareholder returns.

Masaya Tochio  
Member of the Board  
& Corporate Senior Vice President

Approach to Financial Strategy Geared toward Fiscal 2020

Under the FY2017–2019 (for FY2020) Medium-Term Management Plan (hereinafter, the FY17–19 MTP), we have declared our intention to become a “global top 10 class food company” by fiscal 2020. To continue to resolve social issues through value created by ASV and realize sustainable growth, it is essential for us to maintain sound financial health. At the same time, we must also transition to a business and financial structure that is befitting of a “global top 10 class food company.” To this end, we will connect social value creation with economic value and use the cash generated from that economic value to reinvest in growth fields. In doing so, we will endeavor to create even more value and realize stable shareholder returns while at the same time working to achieve sustainable growth in profits.

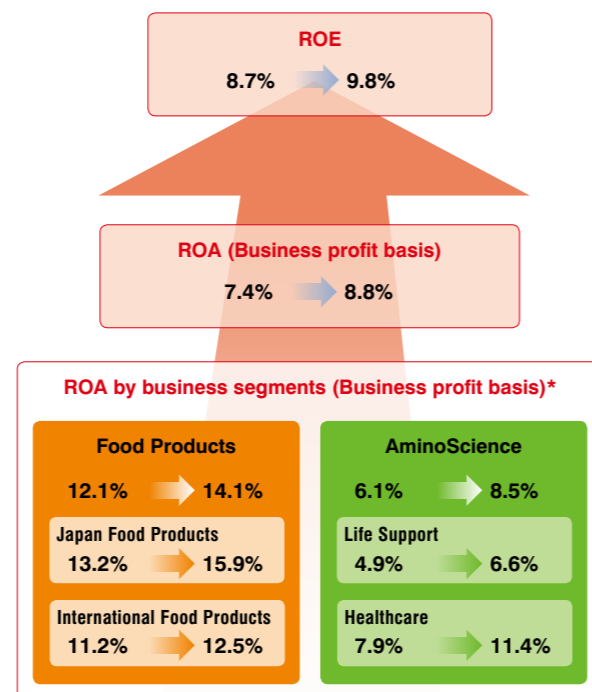
In terms of profits, we pursued significant initiatives in the pharmaceuticals and sweeteners businesses under the FY2014–2016 Medium-Term Management Plan with the aim of raising our specialty ratio. However, as our failure to reach the planned targets in the animal nutrition business indicates, we are still in the process of reforming our business structure. We therefore will accelerate a fundamental shift from commodities. Also, amid our promotion of industry-leading technologies and business domains, which represent one of the elements of a “global top 10 class food company,” we have obtained the top share in the dry savories and have established a superior position as a global amino acid manufacturer. Going forward, we will further enhance the quality of our products and services and increase product categories for which we can obtain a global top three position. In doing so, we will bolster profits by further solidifying our business pillars.

We have established ROE as the most important indicator for capital efficiency. As ROE represents the multiplication of

ROA (the ratio of return on sales × asset turnover ratio) and financial leverage, it is crucial for us to boost ROA. First, we will accelerate the expansion of highly profitable specialties through the fundamental shift from the commodities business, thereby raising the ratio of return on sales. At the same time, we will reduce inventories and accounts

ROE and ROA Targets

(Percentage figures are FY2016 Actual ⇒ FY2019 Target)

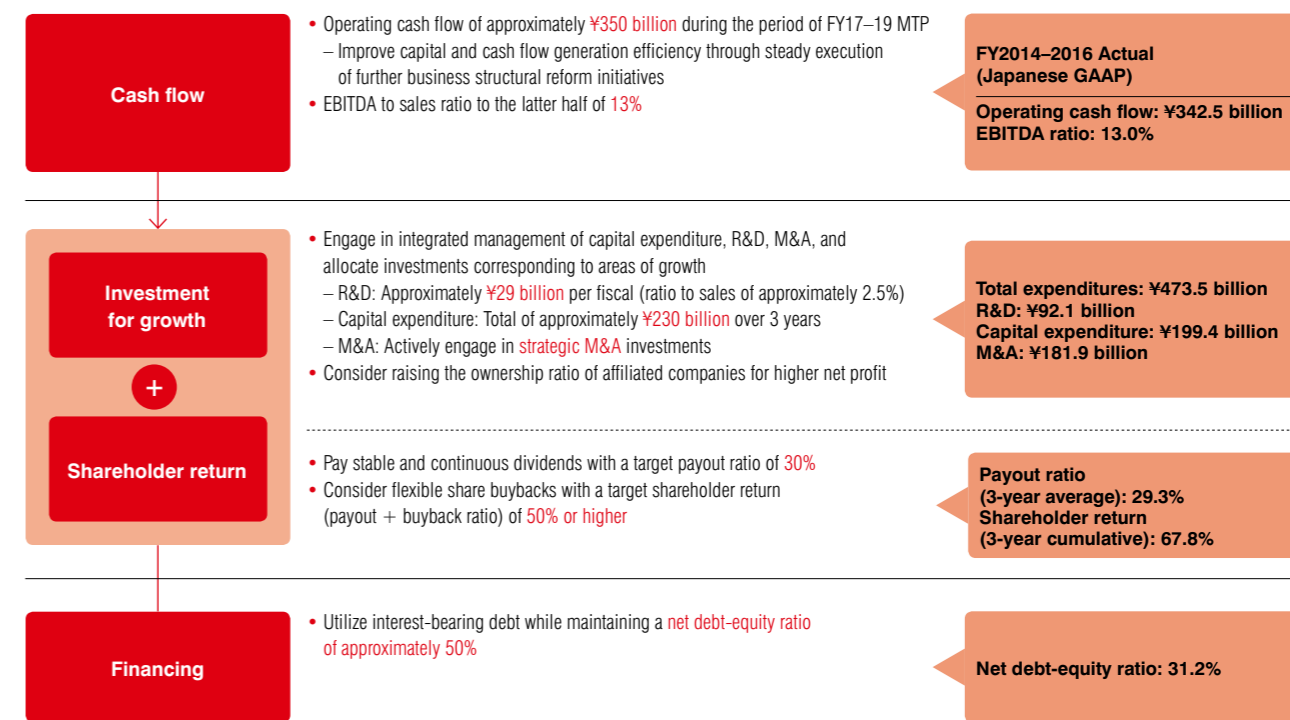


\* Company-wide common expenses are allocated to each business segment; Company-wide common assets (cash and deposits, Ajinomoto Co., Inc.'s head office assets, etc.) are not allocated.

receivable by leveraging ICT to make our entire supply chain more efficient. These efforts will in turn boost our asset turnover ratio through the reduction of our cash conversion cycle. The Ajinomoto Group operates food products and AminoScience businesses, and the characteristics of these businesses differ. As such, we have set ROA targets specific to each business. In this way, we will control our Group-wide financial leverage while reinforcing the management of each individual business, thereby accelerating efforts to enhance capital efficiency.

Through these kinds of initiatives toward profitability and capital efficiency, we plan to raise our EBITDA to sales ratio to the latter half of 13%. We also plan to generate operating cash flow of approximately ¥350 billion during the period of the FY17–19 MTP, which we will allocate to growth investments and shareholder returns. On the topic of shareholder returns, we aim for a payout ratio of 30% per fiscal year under the plan as well as a target shareholder return of 50% or higher, while giving priority to maintaining a sound financial structure and carrying out investments to realize continuous profit growth to secure future resources.

Financial Strategy



The Ajinomoto Group’s Unique Growth Investment Approach and Management Frameworks

To realize further profit growth, we will implement an integrated management approach of capital expenditure, R&D, and M&A so that we are able to flexibly and appropriately allocate resources while ascertaining key domains. We will also heavily concentrate resources in growth domains. Specifically, we will position international food products, integrated food solutions, and advanced biopharmaceuticals as key domains in which we will actively carry out growth investments. During the period of the FY17–19 MTP, we plan to implement capital expenditure totaling approximately ¥230 billion (cumulative three-year total)

and R&D investments totaling approximately ¥29 billion (for each fiscal year). We will also maintain the net debt-equity ratio for M&A at around 50% while strategically utilizing interest-bearing debt. However, we will be open to having the net debt-equity ratio exceed 50% in the event we identify an M&A project that would be important for future growth.

For investment decisions, we have thus far made evaluations based on uniform standards, regardless of whether the investment is in an existing business or a new business. We have, however, established separate standards

**A Solid Track Record and the Next Step Forward**  
**Message from the Corporate Senior Vice President in Charge of Finance**

for investments in new businesses and in emerging countries, thereby changing our evaluation standards from a wide variety of perspectives. Specifically, in addition to making sure an investment meets the minimum standard of securing profitability that exceeds capital cost, we now carry out an analysis of country risks that are difficult to quantify, the future outlook of an emerging country, and the overall size of business opportunities. In doing so, we are able to make comprehensive investment decisions that take into account a wide variety of circumstances.

Additionally, in light of the increased level of uncertainty in the macro economic environment, we have established strategic KPIs that each business division can commit to without being affected by the external environment. Through these KPIs, we are able to monitor various aspects of each business, including the number of stores handling our products as well as store turnover. This in turn helps us establish frameworks that allow for comprehensive management decisions.

**Cultivation of Talent for Finance Positions and the State of Leadership**

The Ajinomoto Group's overseas sales and business profit ratios are over 50%. Accordingly, there is a growing number of projects that require a global response, starting with the Base Erosion and Profit Shifting (BEPS) Project, and the importance of cooperation between our global headquarters and each overseas location has reached an all-time high. There has also been a rise in the number of projects that require a high level of expertise, which means we must secure and cultivate superior finance talent at our global headquarters in order to strategically bring together various functions and exercise and enhance our competitive edge. Rather than simply ensuring a thorough adherence to rules such as international tax obligations, it has become more and more important for a company to boost the profitability of business itself and execute more efficient and effective financial strategies. Going forward, to improve not only business profit but also profit attributable to owners of the parent company, we will manage other income/expenses and strategically raise our ratio of equity in consolidated subsidiaries whose business performance have a significant influence on the Group as a whole. In addition, it is necessary to take initiatives across all corporate divisions to promote such

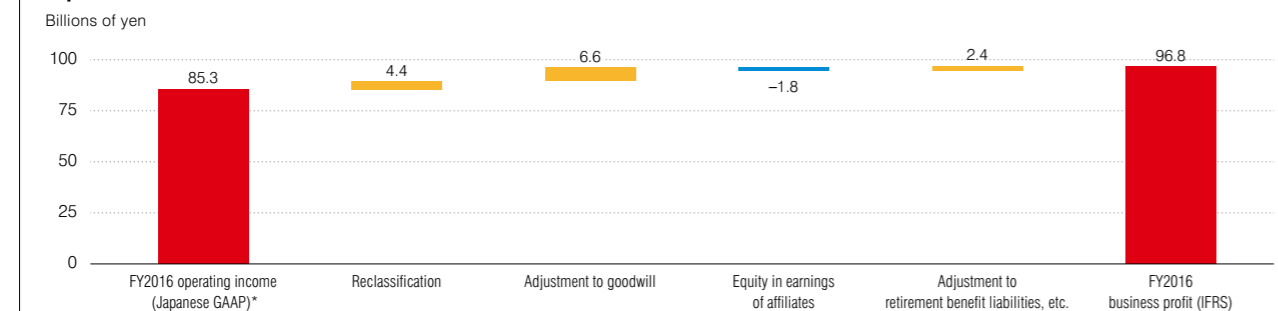
efforts, rather than just in the financial divisions. Accordingly, we are restructuring our global organizational structure for the purpose of making enhancements and improving expertise throughout the corporate divisions as well as boosting the Group-wide efficiency of cross-organizational support functions. In doing so, we aim to lower the ratio of net sales to Group shared expense from 3.2% in fiscal 2016 to 2.5% by fiscal 2020.

The Company has now entered an extremely important period in which it must prove whether or not it can become a "global top 10 class food company" and continue to earn the trust of its stakeholders, starting with its shareholders and other investors, as it attempts to do so. As such, the sense of crisis is high. I entered into the corporate sector after spending time in business division, and I am now in charge of management of corporate departments, including finance. Going forward, corporate departments such as corporate planning, finance & accounting, and legal affairs will demonstrate proactive leadership while enhancing their respective expertise and mutually incorporating new perspectives through strategic integration to strengthen the Group's management foundation.

**Voluntary Adoption of IFRS**

The Ajinomoto Group has adopted the International Financial Reporting Standards (IFRS) in replacement of the Japanese accounting standards beginning with the financial statements for the annual securities report for the fiscal year ended March 31, 2017. The purpose of adopting IFRS is to improve international comparability of financial information in and outside the Group, while enhancing communication with shareholders, investors, and other stakeholders.

**Impact on Business Profit**



\* The figure for fiscal 2016 operating income (Japanese GAAP) is shown for reference and has not been audited.

**Stakeholder Engagement**

The Ajinomoto Group believes it is essential to proactively communicate the intention behind its business strategies and efforts to resolve social issues through ASV to all of its stakeholders. The Group also believes it is important to strengthen mutual understanding through stakeholder dialogue. As such, the Group will enhance its efforts to communicate with stakeholders as it aims to become a corporate group that earns a high level of stakeholder trust.

**ESG Briefing**

Every year, the Ajinomoto Group holds ESG briefing for institutional investors and analysts. The purpose of this meeting is to deepen investors' and analysts' understanding of ESG information and to help encourage dialogue from a medium- to long-term perspective. On March 27, 2017, an ESG briefing was held under the theme of "contributing to healthy living through food and amino acids."



**Educational Programs on Dashi, Umami, and Taste**

Ajinomoto Co., Inc. offers educational programs where children, who will be responsible for carrying on the next generation, can learn about dashi, umami, and taste in a fun and exciting manner. These programs are closely connected with local communities, with local employees serving as lecturers. They are held at approximately 100 schools a year, with nearly 10,000 children participating.



**ASV Sessions**

The Ajinomoto Group's corporate philosophy "Our Philosophy" positions ASV as the core for value creation. To deepen, instill, and encourage an understanding of ASV among its employees, the Group holds ASV sessions for all Group employees.



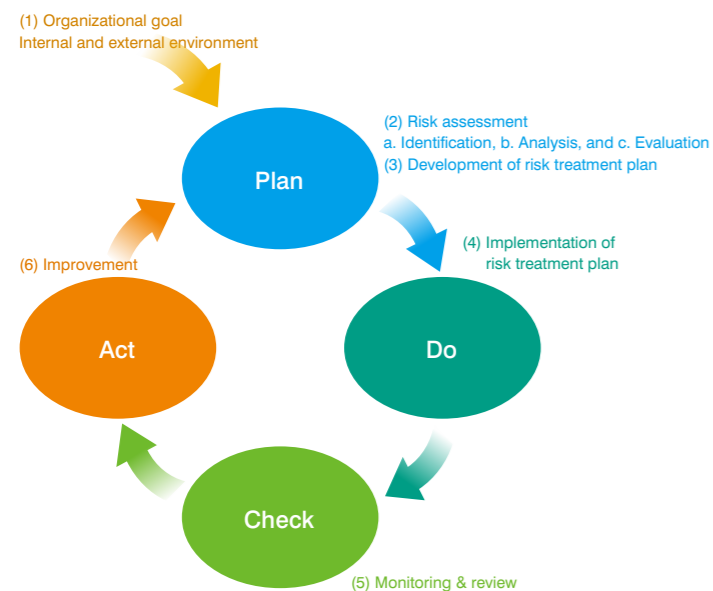
# Risk Management

## Risk Management Basic Policy

<b>Objective</b>	By promoting strategic risk management, we make the Ajinomoto Group resilient to risks, and increase the group values.
<b>Action Guide</b>	<p>We recognize risk management as an important instrument for internal control, which is a part of management responsibilities. In conjunction with group management strategies and individual business strategies, the Ajinomoto Group takes necessary actions:</p> <p>(1) To implement risk process following the self-governing PDCA cycle with close stakeholder communications</p> <p>(2) To enhance response capabilities against significant risks.</p>
<b>Code of Practice</b>	<p>(1) We, even at ordinary times, make every effort to make adequate preparations of both hardware and software in order to obviate crises.</p> <p>(2) Once a crisis happens, we respond to the crisis promptly and take any necessary actions to minimize the damage.</p> <p>(3) In the case of emergency, we prioritize our objectives, 1) human safety comes first, followed by 2) society and 3) business.</p>

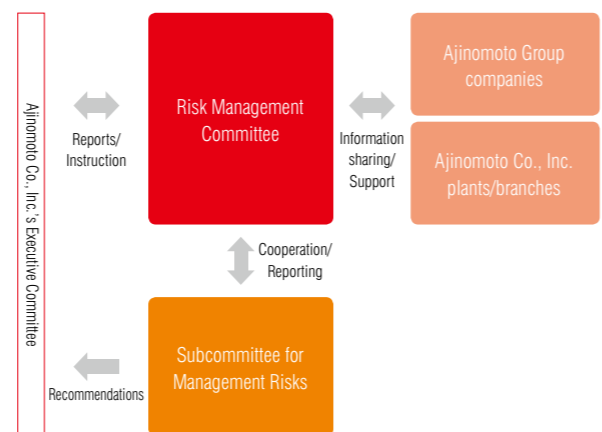
## Risk Management Process

The Ajinomoto Group sets in motion a PDCA cycle to manage risks that occur in the management and business promotion of each organization within the Group.



## Risk Management Structure

The Ajinomoto Group established the Risk Management Committee in 2002. With a basic policy of proactive risk prevention, the Committee is working to strengthen its capacity to deal with crises, such as accidents or incidents, in the rare event one should occur. Furthermore, the Group has established the Subcommittee for Management Risks that functions under the jurisdiction of the Risk Management Committee. In these ways, the Group is engaging in initiatives to respond to changes in the macro environment that affect its business as well as to tackle governance-related issues.



## Response to Major Risks

Taking into account the business environment and political, economic, and social conditions around the globe, the Ajinomoto Group has identified and compiled Group-wide risks that require cross-organizational management. In addition to formulating Group-wide response measures, the Group works to monitor and manage the progress of its response to risk on a regular basis.

	Risk	Details	Response
Global development	<b>Geopolitical macro environment</b> S	Risks due to terrorism and military conflict that impact people's safety as well as risks associated with the rapid changes in the political, economic, and social environment in areas of operation that impact business plans	<ul style="list-style-type: none"> <li>Monitor information on safety in each country on a daily basis</li> <li>Outline the factors that lead to economic crises and visualize risks</li> <li>Send emergency alerts to the Executive Committee</li> </ul>
	<b>Violation of laws and regulations in each country</b> G	Risk of losing social trust due to the unintentional violation of laws or the receipt of orders to suspend operations stemming from a lack of understanding of newly established laws and information on business regulations	<ul style="list-style-type: none"> <li>Establish a legal network in each region of operation</li> </ul>
	<b>Global governance</b> G	Risk of negative impact on business management or confusion within organizational management resulting from a delay in fully disseminating the Global Governance Policy	<ul style="list-style-type: none"> <li>Specify and maintain the necessary policies for a global corporation</li> </ul>
	<b>Global competition</b> S G	Risk of being unable to survive against competition from other companies due to an inability to anticipate trends in the market environment and trends of competitors	<ul style="list-style-type: none"> <li>Enhance analysis of market environment and competitive trends</li> </ul>
Social issues	<b>Global climate change</b> E	Risk of being unable to provide products due to a suspension of production caused by water shortages at plants	<ul style="list-style-type: none"> <li>Conduct R&amp;D on water-conserving technologies</li> <li>Examine methods to monitor water-related risks</li> </ul>
	<b>Human rights</b> S	Risk of being unable to respond to human rights-related issues that impact the Company's business activities	<ul style="list-style-type: none"> <li>Strengthen monitoring functions by establishing a special committee</li> </ul>
	<b>Procurement</b> S E	Risk of being unable to procure raw materials due to the occurrence of an environmental issue within the supply chain, such as climate change, or the destruction of ecosystems	<ul style="list-style-type: none"> <li>Monitor environmental and social issues related to important raw materials and formulate and execute measures to respond to such issues</li> </ul>
Corporate management	<b>Business portfolio management</b> G	Risk of being unable to respond to environmental changes due to insufficient quantification of risk across the Company's entire business portfolio and unsuitable risk assessment methods	<ul style="list-style-type: none"> <li>Implement appropriate risk assessment</li> </ul>
	<b>Product evaluation</b> S	Risk of a negative reputation being spread regarding umami or the umami seasoning AJI-NO-MOTO®	<ul style="list-style-type: none"> <li>Implement awareness-raising activities in cooperation with the NPO Umami Information Center, etc.</li> </ul>
ICT	<b>Technological innovation</b> S G	Risk of being unable to survive against competition from other companies due to the inability to adapt to technological innovation	<ul style="list-style-type: none"> <li>Improve ICT and information literacy</li> <li>Analyze and monitor risks that lead to delayed innovation</li> </ul>
	<b>Information security</b> S G	Risk of confidential information being leaked as a result of a cyberattack or insufficient internal information management, thereby causing damage to customers and lowering our competitiveness; risk of systems freezing and malfunctioning	<ul style="list-style-type: none"> <li>Implement training using targeted e-mails</li> <li>Carry out measures to prevent internal leaks</li> <li>Formulate measures to make the corporate website less vulnerable and strengthen monitoring</li> </ul>
	<b>Infrastructure establishment</b> G	Risk of operational inefficiency caused by a delay in conducting integrated management of ICT infrastructure within the Group	<ul style="list-style-type: none"> <li>Bolster the establishment and management of ICT to function as shared Group infrastructure</li> </ul>

Risk category: S Social E Environmental G Governance

## A Discussion: Connection between the Ajinomoto Group's ASV and Corporate Value Creation



**Takaaki Nishii**

Representative Director,  
President & Chief Executive Officer



**Tetsuo Kitagawa**

Professor, Graduate School of  
International Management,  
Aoyama Gakuin University

**Under the FY2017–2019 (for FY2020) Medium-Term Management Plan (hereinafter, the FY17–19 MTP), the Ajinomoto Group aims to realize sustainable growth through ASV. In this section, Aoyama Gakuin University Professor Tetsuo Kitagawa, who is also chairman of the Working Group on Incorporating Issues Regarding Sustainability into Investment (Ministry of the Environment of Japan), and Ajinomoto Co., Inc. President & CEO Takaaki Nishii sit down for an in-depth discussion on the connection between the Ajinomoto Group's ASV and corporate value creation.**

### The Ajinomoto Group's Approach to ASV and Corporate Value

**Nishii** The Ajinomoto Group began its business by marketing umami seasoning as a product called *AJI-NO-MOTO*<sup>®</sup>. Since then, the Group has grown while carrying on the aspiration of its founder, which is to improve nutrition through delicious meals. In addition to improving nutrition, the use of umami seasoning not only allows for the creation of spare time by shortening the cooking process, it also helps families share the joy of eating together and creates affluent lifestyles by interconnecting different food cultures. Through business development centered on umami seasoning, we have spread the value that food itself possesses around the world. Accordingly, food has become our most significant business domain.

Also, due to the fact that the essence of umami, glutamic acid, is an amino acid, we have promoted research on amino acids to scientifically clarify their functions and efficacies. We have also enhanced technologies for manufacturing high-quality amino acids. We have applied such research and technologies to establish the AminoScience business, which comprises the life support and healthcare fields, and as a result of expanding our business domains guided by the

aspiration of our founder, which is "Eat Well, Live Well.", we have developed into the corporate group that we are today.

Through our business activities, we have created new value through the resolution of issues facing society and have realized growth as a corporation by improving economic value. We have adopted ASV as a term that describes this process, and ASV itself represents the core concept of the Ajinomoto Group that has guided our efforts since our founding.

**Kitagawa** ASV is a concept that summarizes and thoroughly explains the way the Ajinomoto Group has grown by leveraging its long-cultivated expertise and strengths. In recent years, the announcement of Japan's Corporate Governance Code, the Stewardship Code, and the Ito Review\* has had a significant impact on corporate management. The underlying focus of such measures is to ensure the sustainable growth of corporations, and significant attention is now being paid to what a company should do to continue to realize sustainable growth over the long term. The Ajinomoto Group has led the way in responding to this issue

and has disclosed the details of relevant initiatives. The fact that the Ajinomoto Group is able to summarize these initiatives toward sustainable growth in the single concept of ASV reflects a solid, original foundation—and this is something that I am extremely impressed with.

**Nishii** We have been working to thoroughly communicate information on our corporate activities to our various stakeholders, whose interests differ from group to group. We aim to facilitate an understanding that the sustainable growth of the Ajinomoto Group will lead to profits for the stakeholders themselves. I believe such an understanding will help boost our corporate value.

**Kitagawa** In the investing world, public pension funds are placing emphasis on ESG, and various financial institutions are pursuing deep ESG research. Such factors demonstrate the rising interest toward ESG. Overseas investors, especially in Europe, place significant value on ESG initiatives, and there are a great number of financial institutions that evaluate a company from the perspective of sustainability. Considering these trends, I believe that actively conveying the fact that the Ajinomoto Group has been bolstering its ESG initiatives centered on ASV will lead to sophisticated communication with investors. Furthermore, through this kind of communication, the Ajinomoto Group can inspire and further engage investors through its outstanding information disclosure as a global company, and positive investor feedback will likely tie into the further advancement of the Company's business activities. I refer to such process as a "positive spiral," and I believe that the Ajinomoto Group has reached a stage where it can create this spiral.

**Nishii** Taking a look at our sales ratios, the AminoScience business accounts for roughly 20% of our overall sales. There are many areas within this business that require anticipatory investment, and, in some cases, it will likely take 10 to 15 years before we start seeing results. If we do not fulfill our responsibility to raise the level of clarity in our communication and provide thorough explanations regarding businesses that will improve our corporate value over the long term, then we will not be able to gain the understanding of our stakeholders. Therefore, I personally have been actively pursuing dialogue and further engagement with our stakeholders over the past two years.

**Kitagawa** I have many opportunities to talk with investors. I make sure to tell them that before they engage in dialogue with a company, they must first have a sufficient understanding of that company's approach and beliefs. After gaining such an understanding, they should communicate their way of thinking. At the same time, it is extremely important for companies to thoroughly advocate their approach when communicating with investors. Investors, on their part, need to have the ability to ask excellent and high-level questions. In Japan, I feel that both investors and companies still have many areas where they need to improve in terms of communication. I therefore hope that the Ajinomoto Group can lead the way in realizing more fruitful dialogue between investors and companies.

\* The Ito Review refers to the final report of the "Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors" project (Ministry of Economy, Trade and Industry of Japan), which was published in August 2014. This project was chaired by Professor Kunio Ito of the Graduate School of Commerce and Management, Hitotsubashi University.

### The Establishment of Integrated Targets in the FY17–19 MTP

**Nishii** In the FY17–19 MTP, we have set the goal of becoming a "global top 10 class food company" by fiscal 2020 as an important milestone. Speaking in terms of numbers, that means we are aiming for business profits of ¥130 billion. This amount represents the minimum necessary to balance essential strategic investments in the AminoScience business, for which anticipatory investments are crucial, and the food products business with shareholder returns in order to realize our vision. This also represents the minimum amount necessary to enhance our social impact and value and demonstrate our influence to the outside world. This aspiration, however, does not mean that we will be satisfied with becoming the 10th-place company within the global top 10, but rather that business profits of ¥130.0 billion and the 10th-place position just happen to best represent what we are aiming for from a financial and non-financial perspective at this time.

**Kitagawa** After taking a look at the FY17–19 MTP, I got the impression that the plan was constructed in a precise manner and that it thoroughly explains the initiatives the Group will undertake. From the point of view of investors, the contents of the plan allow for a comprehensive understanding of the Group's extremely bold decision making and the direction of its aims. Not only does the plan explain numerical targets in a logical fashion, it also explains the necessary social value the Group needs to generate to reach these targets as well as providing non-financial indicators. In presenting these indicators, the plan elegantly merges such non-financial aspects together with the Group's total plan. Accordingly, if I were looking at the plan as an analyst, I would find that nothing would be more pleasant than reading information in such a neatly integrated fashion.



**Nishii** As an integrated target for the FY17–19 MTP, we adopted corporate brand value as an important management metric for the first time ever. We based this target on the surveys conducted by the brand consulting firm Interbrand. However, if we look at the results of these surveys, we see that there is an extremely small number of Japanese companies whose brands are evaluated on the global market.

**Kitagawa** Japanese companies are not very aware of this, but corporate brand value is a significantly important concept. While there are many ways to measure corporate value, companies should now place considerable emphasis not only on their market capitalization for investors but also on their corporate reputation and corporate brand value. Accordingly, I believe it is necessary for companies to assess the special qualities they possess within the industry, analyze the value they offer in a levelheaded manner, and set targets for enhancing their level of recognition in the global market.

**Nishii** Corporate brand value is evaluated based on the expectations of the brand over the long term and how important the brand is to society. This naturally means that corporate brand value is an important evaluation standard in terms of ESG as well. I therefore believe that corporate brand value represents the most optimal evaluation criteria for the Ajinomoto Group, which aims to realize sustainable growth through ASV.

**Kitagawa** Aside from corporate brand value, I am impressed with the detailed process the Ajinomoto Group took to establish the non-financial targets of the FY17–19 MTP. For example, while most companies would incorporate

employee engagement as an indicator for social (S) initiatives, the Ajinomoto Group has established it as an indicator for governance (G). I feel that this reflects the Group's belief that employee engagement is an important matter that relates to the core of its management. This also indicates the strong desire on the part of management to hold discussion on employee engagement. It is important for a company to have its governance (G) initiatives provide impetus to its social (S) initiatives, and I feel that the Ajinomoto Group's decision to adopt employee engagement as an indicator for governance (G) will invite excellent questions from investors at dialogue sessions.

**Nishii** I believe Mr. Kitagawa makes a great point in terms of employee engagement. When all is said and done, it is our talent that is the driving force behind creating innovative products. Our talent is also a necessary part of strengthening our governance foundation. There are many aspects behind boosting employee engagement. To thoroughly investigate these aspects, we will conduct a survey of all full-time employees, including those at Group companies in Japan and overseas, in October 2017. We will commence initiatives under the theme of enhancing employee engagement.

**Kitagawa** Investigating the details of employee engagement will help improve motivation and encourage more active working habits. This, in turn, connects to the career development of each employee and will ultimately lead to the improvement of the Company's total value. Employee engagement provides the roots for a company's development, and it is therefore essential to pursue efforts to enhance it.

**ASV represents the core concept of the Ajinomoto Group that has guided our efforts since our founding.**



**I would like to see the Group continue to boost its presence as a global leader that actively works to resolve the issues that society faces.**



## The Future of the Ajinomoto Group

**Nishii** Compared with the Millennium Development Goals, the Sustainable Development Goals (SDGs) were created from the perspective of 21st century society. In the past, nutrition-related issues were only prominent in certain regions of Africa and Asia. However, these issues have now spread on a global scale, affecting both developed countries and emerging countries alike. Amid these circumstances, the importance of improving nutrition through food is garnering significant attention in various countries and regions, making the approach of the Ajinomoto Group even easier to understand. To demonstrate our presence on a global stage, we will more actively promote efforts to improve nutrition.

Also, in terms of fairness, there are many aspects we still need to improve from the perspective of sustainable procurement, which includes issues related to the working

environment, forced labor, and child labor. Rather than taking an exhaustive approach, we will adopt important indicators for areas that relate highly to these issues and make concerted efforts toward improvement.

**Kitagawa** To join the “top 10 class,” it is crucial for the Ajinomoto Group to demonstrate leadership in achieving the SDGs. As the Group has incorporated international indicators into its framework and is carrying out its business activities accordingly, I believe it is prepared to demonstrate such leadership. The Group will further enhance the level of trust it receives from ESG investors by ascertaining worldwide trends and working to demonstrate solid leadership. I would like to see the Group continue to boost its presence as a global leader that actively works to resolve the issues that society faces.

# Initiatives to Improve Nutrition in Vietnam

The Ajinomoto Group has established the ASV Award Program, which recognizes initiatives that embody the spirit of ASV. For the First Annual ASV Awards, which took place in fiscal 2016, "Initiatives to Improve Nutrition in Vietnam" was chosen as the grand prize winner.



## Vietnam Nutrition System Establishment Project

Knowledge and awareness of nutrition-related issues among Vietnamese citizens is less than sufficient, and malnutrition and overnutrition have become significant social issues. As a means of resolving this situation, the Ajinomoto Group launched the Vietnam Nutrition System Establishment Project (hereinafter, VINEP) in 2011 with the aim of training and utilizing "messengers" who can deliver accurate nutritional information.

Through VINEP, the Institute for Innovation of Ajinomoto Co., Inc., collaborated with Ajinomoto Vietnam Co., Ltd. (hereinafter, AVN), the National Institute of Nutrition, and other related Vietnamese government institutions, to help support the establishment of education systems in Vietnam for training dieticians (approved by Vietnam's Ministry of Education and Training, in 2012), which did not exist at the time of VINEP's founding, and the passing of a government regulation specifying the status of dieticians (approved by the Ministry of Health and Ministry of Home Affairs in 2015). In addition, together with AVN, we have made efforts to maximize the Ajinomoto Group's full potential, including the creation and provision of a scholarship system, support for creating teaching materials including information on umami and amino acids, and lectures on nutritional physiology. In addition, the Ajinomoto Group, together with AVN, leveraged its comprehensive strengths to provide scholarships, offer support for the creation of educational materials, including materials on umami and amino acids, and conduct lectures on nutrition for professional programs. In this way, through the improvement of infrastructure to convey accurate nutritional information through the enhancement of a nutritional system, the Ajinomoto Group contributed to raising and disseminating accurate nutritional knowledge to the whole country. Through such efforts, dieticians who have acquired proper knowledge of nutrition will help Vietnamese citizens improve their nutrition on their own initiative. At the same time, these efforts will boost the level of trust Vietnamese citizens have in AVN and foster an understanding of the superior quality of the company's products. This, in turn, should lead to increased sales.

Introduction of the Initiatives



The VINEP plate displayed at the National Institute of Nutrition



Students enrolled in the nutritional science course at Hanoi Medical University conducting research at the Institute for Innovation of Ajinomoto Co., Inc.



Workshop for promoting nutrition-related programs

## School Meal Project

In Vietnam, there is no law that requires the provision of school meals. At elementary schools, the preparation of school meals is entrusted to teachers and cooking staff, and there are no guidelines for making nutritionally balanced meals. As such, meals that support the healthy development of children are not necessarily being provided on a consistent basis. In addition, while many children in rural communities suffer from malnutrition, an increasing number of children in urban areas are dealing with obesity and overweight issues. To fundamentally resolve these issues, AVN launched the School Meal Project (hereinafter, SMP) in 2012. Through SMP, AVN has been providing comprehensive support for enhancing the quality of school meals at elementary schools, as well as for improving the health and nutrition of students. As a result, awareness toward the importance of school meals has risen significantly at Vietnam's Ministry of Education and Training and Ministry of Health. Thanks to this heightened awareness, in January 2017 menu-creating software developed by AVN was introduced at 3,880 elementary schools across Vietnam that have food preparation facilities. AVN's products are being used to prepare nutritionally balanced meals at these schools, which is contributing to sales increases. At the same time, various media have covered the efforts of SMP in Vietnam, thereby improving the value of the Ajinomoto Group's corporate brand. On March 21, 2017, the initiatives of SMP were reported to the National Assembly, and, as a result, it was decided to expand SMP to nursery schools. Going forward, we will further enhance initiatives to improve nutrition in Vietnam.

Introduction of the Initiatives



Class on nutrition and dietary manners



Project staff educating students about food



Students at an elementary school in Ho Chi Minh City enjoy a school meal

### What are the ASV Awards?

The Ajinomoto Group is developing businesses with ASV as its core. To advance ASV in each country and region of operation going forward, it is necessary for us to facilitate an understanding of the background and importance of ASV among our employees. As an effort to foster such an organizational culture, we have established the ASV Award Program. This program recognizes initiatives that create both social and economic value through innovative and creative business activities. We will introduce initiatives that were selected to receive the ASV Award Grand Prize through integrated report.



# Advancing ASV through Initiatives Unique to the Ajinomoto Group

The Ajinomoto Group is working to advance ASV in each region and in each business. This section introduces an initiative to reduce our environmental impact in Thailand and an initiative to support athletes through food.



Case 1

## Realizing Eco-Friendly Production through the Introduction of Biomass Cogeneration Systems

Ajinomoto Co., (Thailand) Ltd. aims to reduce CO<sub>2</sub> emissions and reduce costs in Thailand, a country that is expecting further business growth. To this end, the company introduced a biomass cogeneration system\*<sup>1</sup> in April 2016 at the Ayutthaya Factory, which produces the umami seasoning *AJI-NO-MOTO*<sup>®</sup>. This system, which is the first of its kind to be introduced to the Ajinomoto Group, uses the renewable energy source rice husks\*<sup>2</sup> as fuel. Through the introduction of this system, the Ayutthaya Factory was able to completely eliminate the use of fossil fuels—its former fuel source—and realize an annual CO<sub>2</sub> emission reduction of roughly 59,000 tons. In addition, the system is able to convert a certain amount of purchased power into power generated on-site, thereby reducing energy costs and lessening the risk of business opportunity loss during times of power failure. The Ajinomoto Group has a proven track record of using biomass fuel in Thailand, Vietnam, Brazil, and France. With the cogeneration system introduced at the Ayutthaya Factory, the Group is able to control all aspects of production on its own, from rice husk procurement and system operation and maintenance to the effective utilization of incinerated ash, which the system creates as a by-product. Combining this system with the active expansion of its long-cultivated biomass fuel utilization technology, the Group will continue to pursue eco-friendly production going forward.



The Ayutthaya Factory



Rice husk fuel

\*<sup>1</sup> As plants absorb CO<sub>2</sub> during the growth process, biomass fuel (rice husks), which is derived from plant-based materials, does not emit CO<sub>2</sub> even when burned, making it carbon neutral. Energy that is obtained from biomass fuel is considered to be renewable energy.

\*<sup>2</sup> A cogeneration system that uses a heat source to generate electricity and steam. Cogeneration systems are also referred to as combined heat and power systems.

Case 2

## Supporting the Improved Competitiveness of Athletes through Food and Amino Acids with the *Victory Project*<sup>®</sup>

In 2003, Ajinomoto Co., Inc. signed a partnership contract with the Japanese Olympic Committee (JOC) aimed at making comprehensive improvements to the international competitiveness of Japanese athletes. Under this partnership, the Company and JOC have been promoting the *Victory Project*<sup>®</sup>. In addition, leveraging the expertise in food and amino acids that it has cultivated since its founding, Ajinomoto Co., Inc. is conducting support activities for Japan's top athletes, such as daily sports nutrition guidance and amino acid conditioning, to help them boost their degree of success at the international level.

The staff involved in the *Victory Project*<sup>®</sup> accompanies athletes on international competitions and provides food-related support to athletes to prepare for competitions. To properly condition athletes, these staff members bring with them amino acid-based granule products, such as *amino VITAL*<sup>®</sup>, and seasonings and processed food products, such as *HON-DASHI* and *Nabe Cube*. The staff also offers support in other ways, including providing *Kachi-Meshi*<sup>®</sup> and creating meal and nutritional-intake programs for each individual athlete (contract sports organizations). These initiatives have received high praise from athletes and sports organizations alike, thereby helping to improve the Ajinomoto corporate brand.



Athletes eating *Kachi-Meshi*<sup>®</sup> on an international competition



TOPICS

### Looking toward the Tokyo 2020 Games

On March 28, 2016, Ajinomoto Co., Inc. became an official partner\* of the Tokyo 2020 Olympic and Paralympic Games within the scope of its official contract category, "Cooking Condiments, Dehydrated Soup, Amino Acid-Based Granules, and Prepared Frozen Foods."

In 2016, the first year as an official partner of the Tokyo 2020 Olympic and Paralympic Games as well as the JOC and the Japanese Paralympic Committee (JPC), Ajinomoto Co., Inc. provided support for the Japanese national teams at the Rio 2016 Olympic and Paralympic Games, so that they could perform to the peak of their abilities throughout the Games. As part of these efforts, Ajinomoto Co., Inc. supplied 300,000 units of amino acid-based granule products, including *amino VITAL*<sup>®</sup> *Rio 2016 Japanese national teams Special* (not for general sale), thereby supporting the comprehensive conditioning of the athletes.

Building on these efforts, the Company will contribute to the success of the Tokyo 2020 Olympic and Paralympic Games by actively offering support to the Japanese National Team and the Tokyo 2020 Games Committee.

\* Ajinomoto Co., Inc. is an official partner of the JOC and JPC (contract category: Cooking Condiments, Dehydrated Soup, Amino Acid-Based Granules, and Prepared Frozen Foods).



Staff members of Ajinomoto Co., Inc.'s *Victory Project*<sup>®</sup>

## Expanding the Value of Deliciousness and Health in North America by Instilling ASV in Ajinomoto Windsor, Inc.

In North America, the Ajinomoto Group acquired Windsor Quality Holdings, LP (hereinafter, Windsor), a company that possesses strengths in the Asian foods category of the frozen foods market in 2014, and launched Ajinomoto Windsor, Inc. in 2015. By melding the strengths of the Ajinomoto Group with those of Windsor and leveraging superior technologies to offer deliciousness and health as new value to the North American dinner table, we aim to obtain the undisputed No. 1 share in the North American Asian foods market.



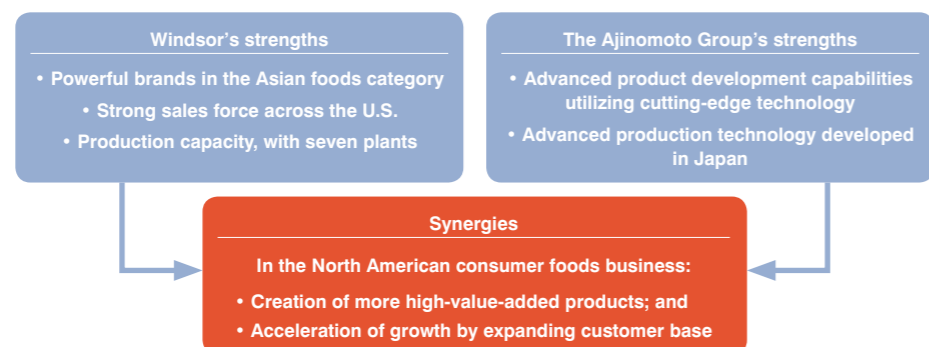
Background to the Acquisition

### Objectives and Outcomes of Acquiring Windsor

In the Overseas Consumer Foods Business, the Ajinomoto Group is promoting global growth with the aim of becoming No. 1 in deliciousness by leveraging our unique technologies and thoroughly pursuing adaptation to customers and countries in business development. In the developed countries of Europe and the Americas, we are expanding businesses specializing in Asian food products in a manner that adapts to local cultures. This expansion centers on unique products from Japan that have high value, with a particular focus on frozen and processed foods. In 2000, the Ajinomoto Group launched a genuine frozen foods business in North America and has been providing high-quality products such as gyoza, noodles, and rice in a way that caters to local tastes.

Under management that is savvy in the frozen foods business, Windsor, had an expansive distribution network in the U.S. frozen foods market, including major distributors, with 80,000 stores handling their products. Windsor also has a strong business foundation in terms of the restaurant industry, as their products are used at approximately 120,000 dining establishments. Through the acquisition of Windsor, we will draw on the company's sales network, centered on the Ajinomoto Group's forte products of gyoza, noodles, and rice, which will allow us to accelerate sales to retail channels throughout the U.S. and establish a strong sales foundation for restaurant channels. We are currently generating various synergies with the new company Ajinomoto Windsor, Inc. and have grown our Overseas Consumer Foods Business to a scale of ¥100.0 billion.

#### Objectives and Outcomes of Acquiring Windsor



Progress after the Merger

### Sharing and Instilling ASV

To promptly maximize synergies through Ajinomoto Windsor, Inc., we have worked to find a harmonious balance between the approach to business strategies and the cultures of the Ajinomoto Group and Windsor. In particular, we had key personnel from Ajinomoto Windsor, Inc. participate in training programs in Japan, allowing us to share our strategies and ASV approach, which represents the core of those strategies, geared toward becoming a "Genuine Global Specialty Company." In addition, members of Ajinomoto Co. Inc.'s managerial ranks, including the president & CEO, visited Ajinomoto Windsor, Inc. to directly explain our growth strategies through ASV to its employees. In these ways, we are communicating the direction that the Ajinomoto Group is heading and forging a mind-set that each employee plays an important role in embodying ASV.

#### Specific Examples of Synergies

##### R&D

To respond to the heightened health consciousness in North America, we are promoting the Low-Sodium Project. By combining the low-sodium ingredients of Ajinomoto Co., Inc. and the low-sodium technologies of Ajinomoto Frozen Foods Co., Inc., we are realizing a balance between low-sodium content and deliciousness. In March 2017, we launched the mainstay brand TAI PEI®, and have been gradually growing its sales since.



##### Production

To boost the level of safety and quality and enhance the facilities and working environment of each factory, employees of Ajinomoto Frozen Foods Co., Inc. have become deeply involved in on-site production through the introduction of *kaizen* (improvement) activities. These activities have brought about very tangible improvements, thereby not only instilling a new *kaizen* culture at each plant and enhancing productivity but also making specific improvements in terms of safety, the environment, and quality.



#### Message from the President



#### The Deep Transformation of Our Business Foundations is Starting to Take Shape and Will Contribute to Revitalizing Growth

##### Bernard Kreilmann

President, Ajinomoto Windsor, Inc.

Our success will depend on the performance of our products, as well as on the engagement of our employees. Our new HR enterprise will support more collaboration and promote the development of our skills and capabilities to become among the best in our industry. We are also very excited about creating economic value with the purpose of generating a positive impact on society. A key part of our ASV priority is to create better meals that combine deliciousness and goodness. We will contribute to improving eating habits in North America and will focus on reducing our impact on the environment. We are looking to the future with optimism and pride to represent the Ajinomoto Group's core values in North America.

# Growth Strategies of the Ajinomoto Group

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## Growth Strategies of the Ajinomoto Group

### Review of the FY2014–2016 Medium-Term Management Plan

Under the FY2014–2016 Medium-Term Management Plan (hereinafter, the FY14–16 MTP), the Ajinomoto Group promoted the shift to a specialty-oriented business structure based on its "FIT & GROW with Specialty" policy. In fiscal 2016, the Group recorded operating income of ¥85.3 billion. While it was unable to reach the plan's targets due to challenging conditions in the animal nutrition and pharmaceuticals businesses, the Group has been realizing steady profit growth in specialty businesses since fiscal 2013, with profit levels exceeding the targets adopted under the FY14–16 MTP. Under the FY2017–2019 (for FY2020) Medium-Term Management Plan (hereinafter, the FY17–19 MTP), the Group will accelerate initiatives to address the issues that still remain from the previous plan.

#### Achievements and Remaining Issues under the FY14–16 MTP (Japanese GAAP)

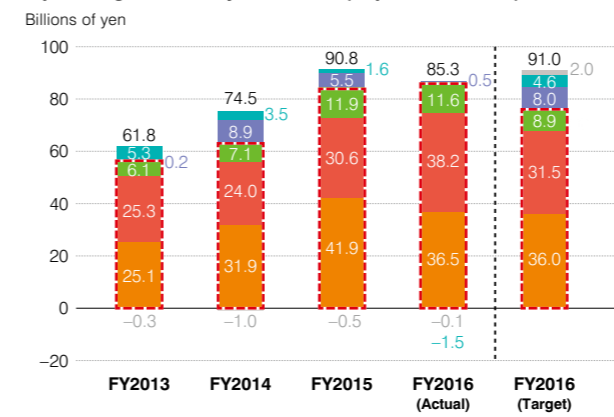
	Achievements	Strategic Targets	FY2016 Target	FY2016 Actual	Remaining Issues
<b>FIT</b> Further Reinforcement of Business Structure	<b>Significant progress made but underdelivered vs targets</b> • Launched EA Pharma Co., Ltd. with Eisai Co., Ltd. • Sold Ajinomoto Sweeteners Europe S.A.S. and GABAN Co., Ltd. <b>Steadily expanded specialty businesses</b>	Retail MSG ratio	74%	72%	<b>Needs further transformation of Animal Nutrition</b>
		Retail sweeteners ratio	57%	— <sup>*1</sup>	
		Specialty ratio of animal nutrition	40%	— <sup>*2</sup>	
<b>GROW</b> Growth Driver Advancement	<b>Grew food products business with "Five Stars"<sup>*3</sup> strategies</b> • Made Ajinomoto General Foods, Inc. a consolidated subsidiary and acquired Windsor Quality Holdings, LP <b>Expanded regional portfolio and made progress on building new business pillars</b> • Acquired Örgen Gıda Sanayi ve Ticaret A.Ş. (Turkey) and signed an equity participation agreement with Promasidor Holdings Limited (Africa) • Formed an alliance with T.HASEGAWA CO., LTD. • Undertook investment in advanced biopharmaceutical areas	Company-wide overseas profit ratio	60%	52%	<b>Underdelivered vs targets for "Five Stars" with slow growth in Thailand</b>
		"Five Stars" sales ratio (vs. FY2012)	70%	54%	
		Ratio of R&D investment in Company-wide strategic themes for future growth	50% or more	45%	
		Candidates for future management from introduction of global HR system	200 employees	200 employees	
<b>Evolution of the Management Foundation</b>	<b>Strengthened and evolved Group management system</b> • Introduced Global Governance Policy • Reformed Global Corporate and evolved organization (the first phase) • Introduced Global Human Resources Management System	Ratio of locally hired overseas executives	50%	43%	<b>Needs more talent diversity</b>
		Ratio of female managers	20%	16%	
		ROE	9%	8.5%	
<b>Financial KPIs</b>	<b>Delivered steady shareholder returns</b>	EPS growth rate (3-year average)	Around 10%	8.2%	<b>Underdelivered operating income and ROE targets</b>
		Shareholder return (3-year cumulative)	50% or more	67.8%	
		Payout ratio	30%	32.6%	

\*1 As of fiscal 2016, international household business expansion accelerated with a portfolio shift in international processed foods (powdered beverages).

As revisions have been made to numerical assumptions in accordance with this change, the results for fiscal 2016 are not shown.

\*2 Results for fiscal 2016 are not shown due to a deficit in the commodities business. \*3 Thailand, Brazil, Indonesia, Vietnam, Philippines

#### Operating Income by Business (Japanese GAAP)



Operating income ratio of bulk business	FY2013	FY2014	FY2015	FY2016 (Actual)	FY2016 (Target)
	—	15%	16%	10%	Around 10%

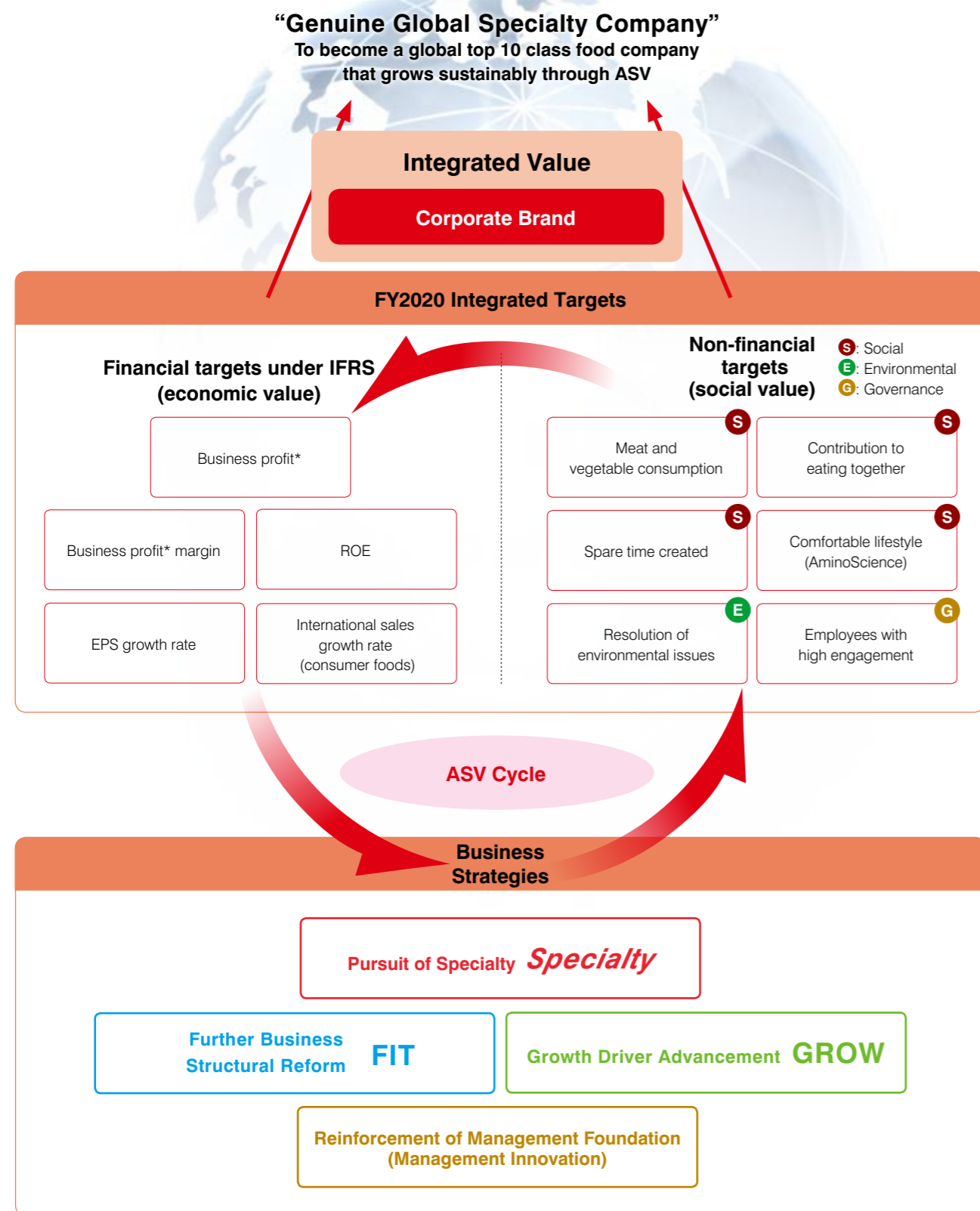
International Food Products Japan Food Products  
 AminoScience (excludes Animal Nutrition and Pharmaceuticals)  
 Animal Nutrition Pharmaceuticals Others Specialties

#### Direction of the FY17–19 MTP

- Scale down commodities and expand specialties
- Enhance growth drivers by adapting to changes in lifestyles in "Five Stars"
- Reinforce our organization, talent, and work styles as a global top class company
- Establish business structure with high asset/capital efficiency capable of creating sustained profitability

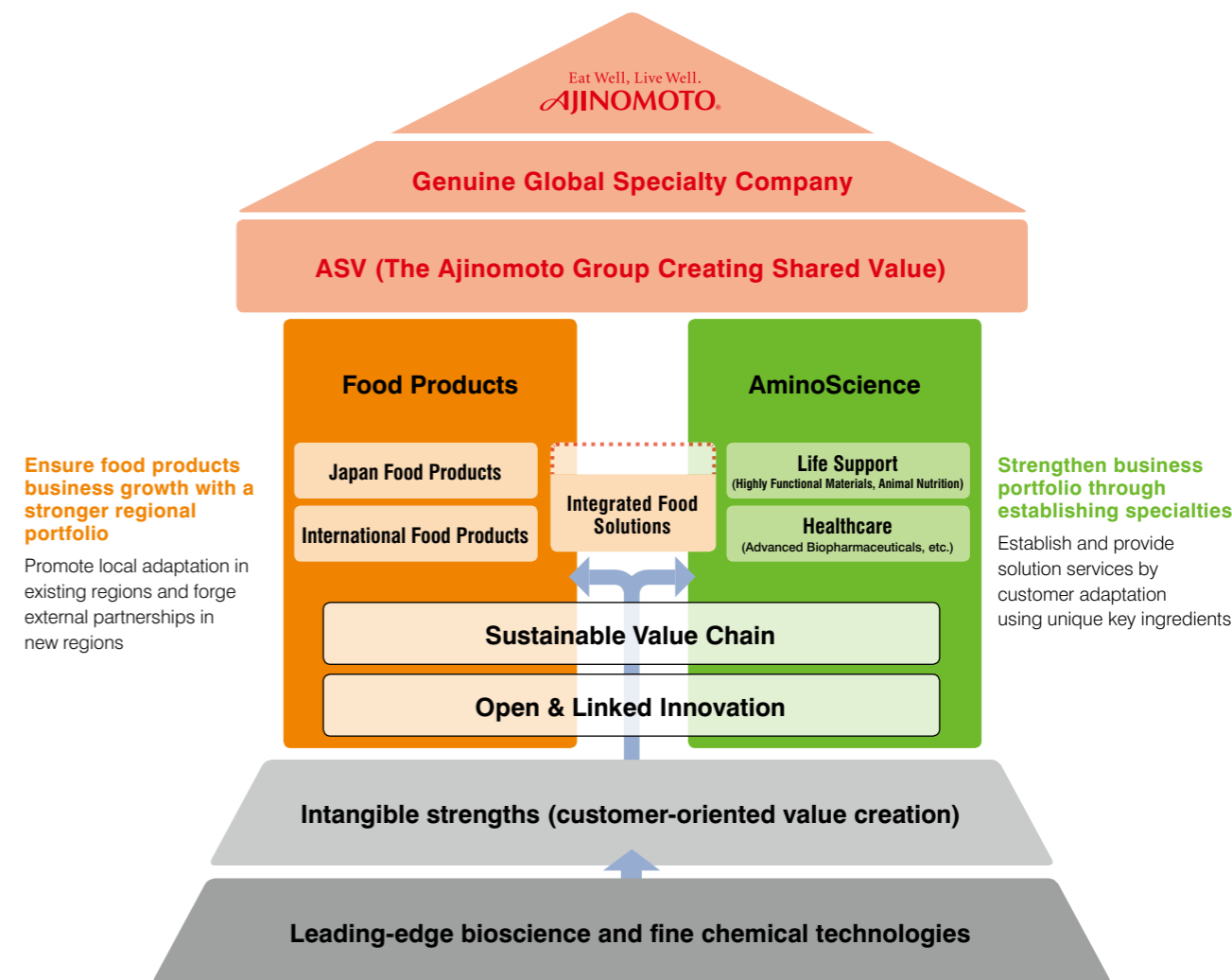
**Overall Outline of Initiatives toward Fiscal 2020**

To realize sustainable growth through ASV, the Group has formulated its first-ever integrated targets. These targets combine non-financial targets, which share value with society and local communities through ASV, and financial targets, which represent the economic value created from the achievement of these non-financial targets. By realizing these integrated targets, the Group will accumulate corporate brand value and create a cycle that allows for further value creation. In doing so, the Group aims to become a "Genuine Global Specialty Company."



**Direction Our Business is Heading under the FY2017–2019 (for FY2020) Medium-Term Management Plan**

Supported by specialties derived from the integration of leading-edge bioscience and fine chemical technologies and our ability to create customer value, the Ajinomoto Group has established "Food Products" and "AminoScience" as its two business pillars. For the direction of strategies for these two pillars, we are working to ensure global business growth in food products by improving the regional portfolio and strengthening the business portfolio of AminoScience through establishing specialties. Furthermore, we have established a new food business model that focuses on integrated food solutions, which integrates food products and AminoScience. For this domain, we will leverage our deliciousness technologies to provide solutions for home meal replacements (HMR), food services, and food processing. In doing so, we will develop integrated food solutions as a new business pillar.



**FY2019 Financial Targets**

Business profit	Business profit margin	ROE
¥124 billion	9.4%	9.8%
EPS growth rate	International sales growth rate (consumer foods)	
Double-digit annual growth	Double-digit annual growth	

**FY2019 Non-Financial Targets**

Promote business activities toward achieving the FY2020 non-financial targets

\* An original profit KPI adopted by the Group following the voluntary application of International Financial Reporting Standards (IFRS) for management purposes. The KPI is defined as follows: Sales – Cost of sales – Selling expenses, Research & development expenses, and General & administrative expenses + Share of profit of associates and joint ventures

**Shift Fundamentally from Commodities to Specialties**

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

**Accelerate shift to specialties**

**Animal Nutrition**

**Commodities**

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

**Specialties**

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

**Business Profit**

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

Active collaboration and alliances

Contribute to sustainability of food resources

**Umami Seasonings for Processed Food Manufacturers (MSG)**

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

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

**Retail Sales Ratio (Weight-based)**

FY2016 Actual: 72% → FY2019 Target: 77%

**Sweeteners**

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

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

**Retail Sales Ratio**

FY2016 Actual: 28% → FY2019 Target: 32%

**Pharmaceutical Custom Manufacturing**

**Shift from small-molecules to medium/large-molecules**

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

**Medium/Large-molecules Business Profit Ratio**

FY2016 Actual: 24% → FY2019 Target: 44%

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

**Construct Sustainable Value Chains across Businesses**

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

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

Production

**Restructure production of seasonings and processed foods**

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

Distribution

**Jointly implement distribution reform with other companies**

Sales

**Develop key account sales teams**

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

Corporate


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

- Optimize shared functions

**Build social infrastructure**

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

F-LINE Co., LTD. was launched in March 2017 with the purpose of integrating the distribution and planning functions of Ajinomoto Co., Inc. and three other Japanese food manufacturers (Kagome Co., Ltd., Nisshin Foods Inc., and House Foods Group Inc.), and further promoting initiatives that address issues such as rising distribution costs and CO<sub>2</sub> emissions.




**Construct sustainable value chains on a global scale**

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

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

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



Ajinomoto do Brasil Indústria e Comércio de Alimentos Ltda. Laranjal Paulista Plant

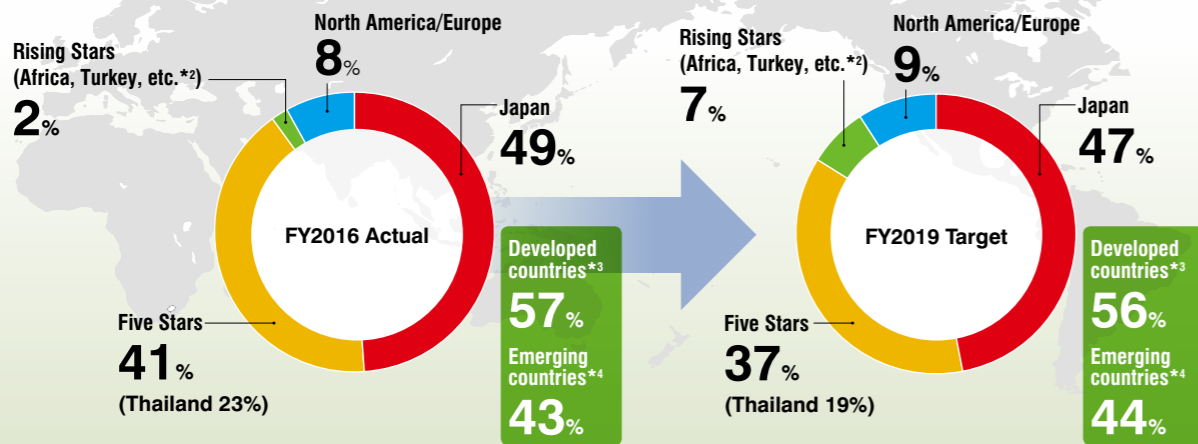
**Growth Strategies of the Ajinomoto Group**  
**Growth Driver Advancement “GROW”**

**Ensure Food Products Business Growth with a Stronger Regional Portfolio**

We have worked continuously to strengthen the regional portfolio of the food products business. Thanks to these efforts, our existing business structure that was heavily dependent on Japan and Thailand is starting to change. Under the FY17-19 MTP, we will establish a solid business foundation that is less affected by market growth and foreign exchange rate fluctuations through the creation of an extremely well-balanced regional portfolio. In doing so, we will realize steady growth. Furthermore, in accordance with regional strategies, we aim to be No. 1 in deliciousness for each category by leveraging our leading-edge technologies and know-how in local and customer adaptation.

**Maintain well-balanced portfolio covering both developed and emerging countries for sustained growth**

Business profit\*1 composition by region (Yen based)



\*1 Before allocation of Company-wide common expenses  
 \*2 Includes Africa, Turkey, Malaysia, Singapore, Cambodia, Peru, China, Taiwan, Korea, Hong Kong  
 \*3 Japan, North America, Europe  
 \*4 Five Stars, Rising Stars

**Japan Food Products**

**Key Product Innovation in Group Technologies**

• Our proprietary deliciousness technologies leveraged to reinforce products, enhance brand equity, and expand into adjacent domains

- Seasoning**: Technology that quickly softens root vegetables and meats
- Soup**: Innovative improvements in convenience and deliciousness
- Frozen Food**: Kokumi substance, technology that draws out flavors and umami from meats
- Beverage**: Applied technologies for milk-based component that enhances mildness and richness

**Customer Application Capabilities Powered by Science and Digital**

• Enrich health & well-being value offerings through co-creation with local communities/customers

Establish world-class quality and productivity with the most advanced facilities

**International Food Products**

**Core Strategies in “Five Stars”**

- Deepen value proposition of seasonings, and develop new categories that adapt to local eating habits and lifestyles
- Capital expenditure of approximately ¥35 billion to be invested

**Refine quality of existing products × More new product lines**

- “No. 1 in deliciousness” with our unique ingredients and technologies
- Menu-specific seasonings: Expand menu and regional coverage as the next pillar after umami seasoning AJI-NO-MOTO® and flavor seasonings
- Powdered beverages: Leverage Ajinomoto AGF, Inc.’s coffee technology to strengthen cost competitiveness and expand into tea domain
- Expand sales to food services and food processing companies

**Launch new categories × Exploit new channels & occasions**

- Product development for frozen foods (Gyoza, frozen bread, frozen cakes, etc.) addressing convenience needs
- Instant noodles with larger regional coverage (YumYum®)
- Light meal (snacks, kids category, etc.) as a new category
- Product development for food services and convenience store channels



**Deepen our deliciousness technologies**

**Deliciousness Technologies**

**Deeper understanding of biological mechanism for deliciousness**

- Mechanism of each taste, flavor, and texture
- Mechanism of interaction among taste, flavor, and texture

**Technologies to control deliciousness freely**

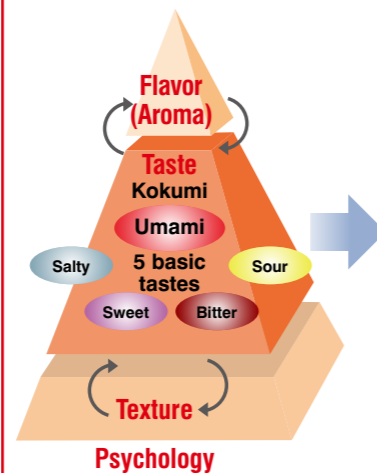
- Simulation and control technology
- Acquisition of key ingredients, and establishment of natural production methods (production using fermentation)

**Technologies to optimize deliciousness for local preferences**

- Analysis of preference in each country (local adaptation)
- Optimal applications adapted to local preferences

**Digital technologies to deliver more deliciousness to individual consumers**

- Consumer behavior: Advanced customer segmentation
- Consumer psychology: Reveal drivers of happiness & deliciousness for better customer experience & offerings



No. 1 in deliciousness with our leading-edge technologies and local/customer adaptation

Global No. 1 in dry savories\*

No. 1 in each category for each country

Launch Integrated Food Solutions business

\* Umami seasonings and flavor seasonings (powdered, cubes, etc.)

**Core Strategies in North America and Europe**

- Expand the frozen foods business by leveraging our industry-leading technologies and know-how as well as the business foundation of Ajinomoto Windsor, Inc.
- Capital expenditure of approximately ¥20 billion to be invested in the renovation and expansion of production platform

**North America**

Become No. 1 in the Asian food category by introducing new lineups and pursuing deliciousness

**Europe**

Build business platform in Europe through M&A

**Core Strategies in “Rising Stars”**

- Accelerate regional expansion through partnerships with local industry leaders

<b>Africa</b>	Leverage the sales network of Promasidor Holdings Limited to expand into African countries (5 keys + 31 others)
<b>Turkey, Middle East</b>	Leverage the business foundations of Ürgen Gıda Sanayi ve Ticaret A.Ş. and Kükre A.Ş. to develop businesses in Turkey and Middle Eastern countries (including Iran)
<b>Pakistan</b>	Leverage the sales network of the Lakson Group to promptly develop a flavor seasonings product category
<b>Myanmar</b>	Draw on business development know-how earned in Thailand to accelerate the establishment of a solid business foundation
<b>India</b>	Expand sales of MARUCHAN AJINOMOTO INDIA PRIVATE LIMITED'S A&M Twisty Noodles

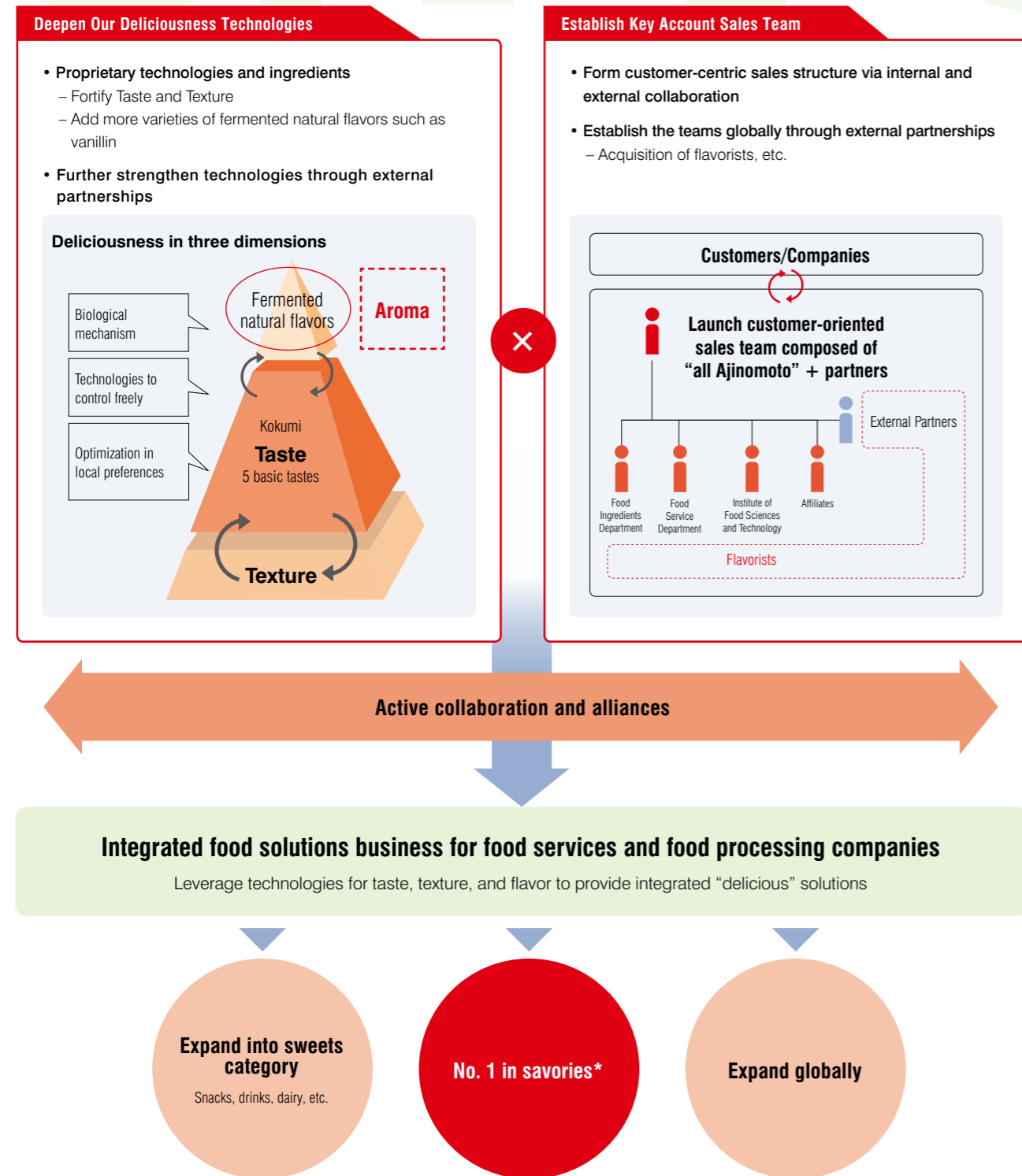


**Growth Strategies of the Ajinomoto Group**  
**Growth Driver Advancement “GROW”**

**Expand Business Portfolio with New Business Pillars**

Under the FY17–19 MTP, we will expand our business portfolio by developing the seeds of new businesses, which we have long cultivated, into full-scale business pillars. To this end, we will promote the global expansion of integrated food solutions under a new food business model. Also, for AminoScience, we will promote a shift to a stronger business structure comprising specialty businesses such as advanced biopharmaceuticals. In doing so, we will reinforce a business portfolio that allows for more stable growth.

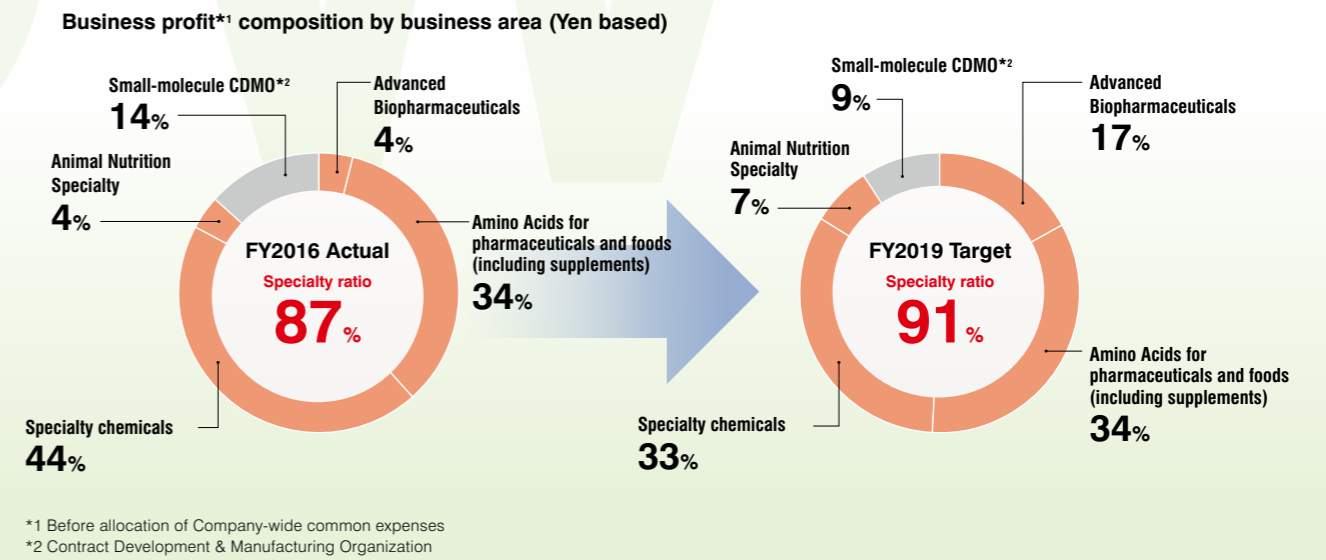
**Launch the Integrated Food Solutions Business**



\* Seasonings for snacks, soups, frozen foods, pouched retort foods, etc.

**Accelerate Growth of the Advanced Biopharmaceuticals Business**

**Strengthen structure of business portfolio, supported by multiple specialty businesses**



\*1 Before allocation of Company-wide common expenses  
 \*2 Contract Development & Manufacturing Organization

Business Category	Initiative	FY2017	FY2018	FY2019
Large-molecule biologics (antibodies, recombinant proteins, *3 ADC)	Fill & Finish business	Steady growth (earnings foundation)		
	ADC business	Early investment		Make contribution to profits
Medium-molecule biologics (morpholino**/ oligonucleotides**)	Enhance pipeline	Make GeneDesign, Inc. a consolidated subsidiary		
	Establish production framework toward becoming No. 2 globally	Establish production framework		
Cell culture medium/ ingredients	Global rollout	Roll out to Europe in addition to the U.S. and Korea	Accelerate overseas rollout (make contribution to profits)	
	Cell culture medium for regenerative medicine	Expand varieties for growth and differentiation		
	Cell culture ingredients (scaffold proteins, growth factors, etc.)	Continue R&D Launch new products in stages from FY2017		

**R&D leadership that supports new businesses**



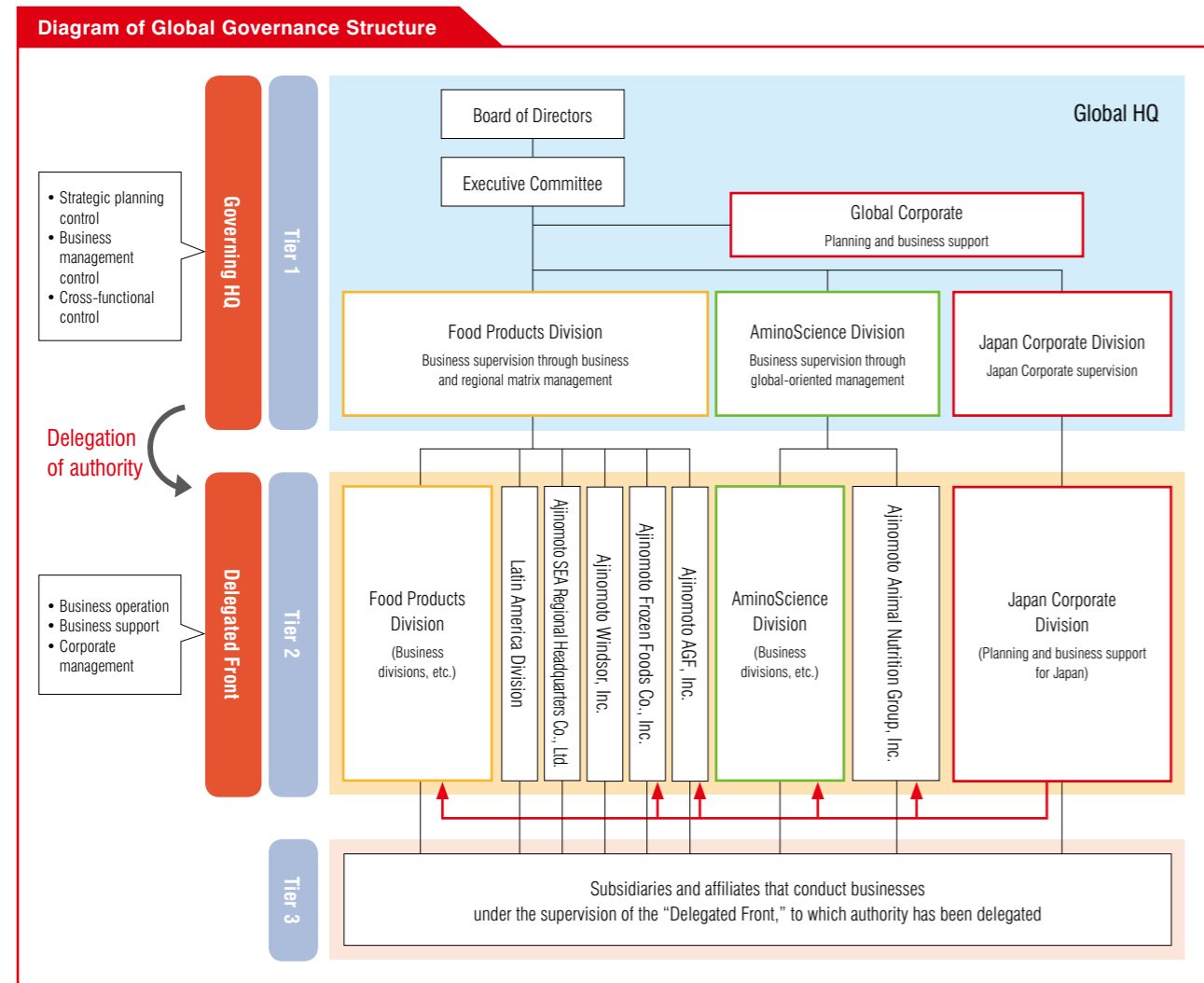
\*3 Proteins in which the sequence of amino acids has been modified \*4 Type of nucleotide that overcomes issues of nucleotide therapy (e.g., stability and toxicity)  
 \*5 Molecule of several to one hundred several tens of the four bases of the nucleic acids \*6 Ingredients that are highly effective in small doses  
 \*7 Mass production technology of peptides and nucleic acids

**Reinforcement of Management Foundation (Management Innovation)**

To establish a management foundation befitting of a “Genuine Global Specialty Company,” the Ajinomoto Group will drive business growth through improvements in quality and efficiency. With the aim of strengthening our Global Corporate, enhancing our expertise, and making our Group-wide support functions more efficient, we will carry out organizational restructuring, secure a solid base of diverse talent, and establish better work styles.

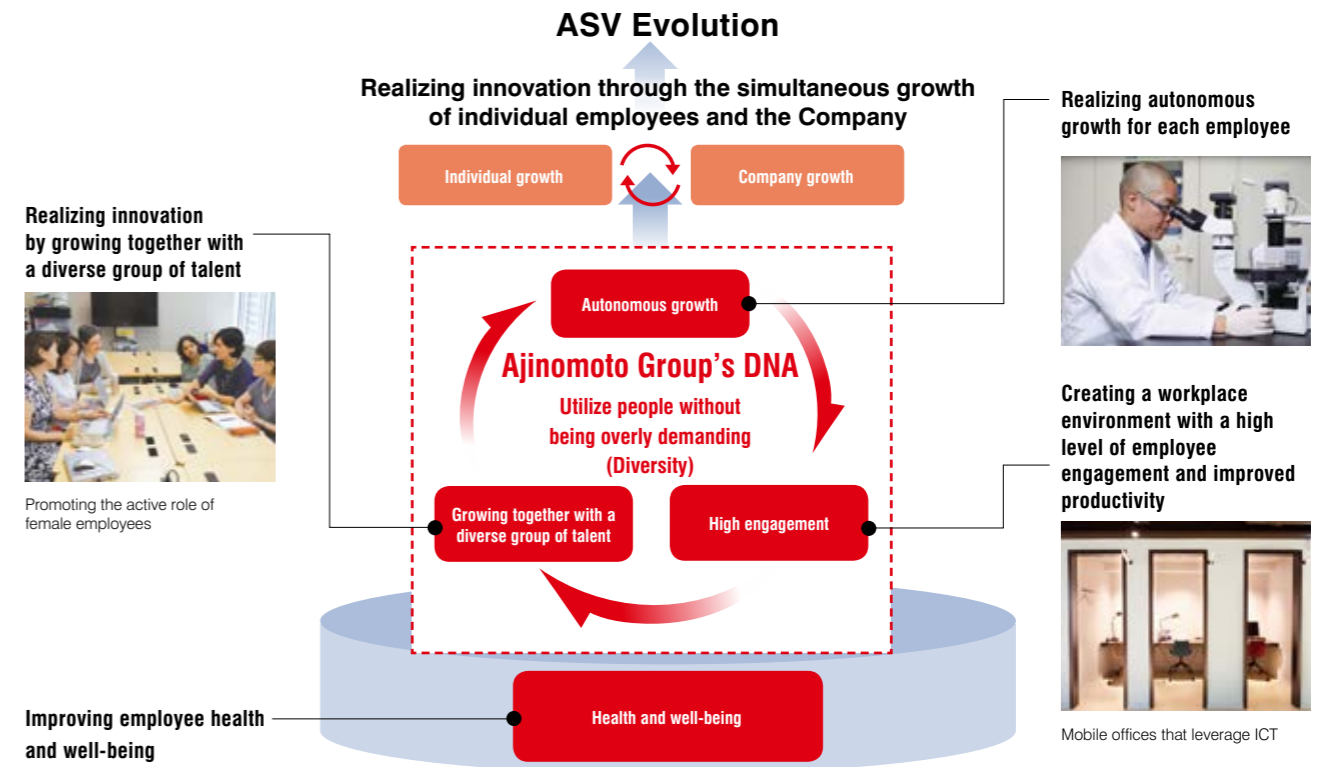
**Organization**

The Ajinomoto Group carried out organizational restructuring in April 2017 in order to advance the “Governing HQ” and the “Delegated Front” established under the Global Governance Policy, which was introduced in April 2016; sharpen strategic corporate organizations that oversee global strategies; and optimize Group-wide support functions. Going forward, the Group will continue to examine the most appropriate organizational structure for further enhancing its expertise and efficiency.



**Talent**

The Ajinomoto Group will further advance the formation of a solid base of diverse talent while working to bring about innovation grounded in customer adaptability.



**Details on Non-Financial Targets (Group-wide Targets): Governance**

Organization		Ratio of net sales to Group shared expenses (steady-state basis)			
		FY2016 Actual		FY2020 Target	
		3.2%		2.5%	
Talent	Diversity	Ratio of female managers		Ratio of locally hired overseas executives	
		FY2016 Actual	FY2020 Target	FY2016 Actual	FY2020 Target
		16%	20%	43%	50%
	Employee engagement	Percentage of employees with high engagement*1, *2			
		FY2020 Target			
		80%			
Work styles	Work style innovation (Japan)	Average annual working hours (Japan)			
		FY2016 Actual (Ajinomoto Co., Inc.)	FY2018 Target (Ajinomoto Co., Inc.)	FY2020 – Expand Group companies	
		1,890 hours	1,800 hours	1,800 hours	
			(Two years ahead of schedule)		
	Employee health and well-being	Percentage of employees who feel that they are in good mental and physical health*2			
		Targets and action plans will be determined based on the results of the upcoming survey.			

\*1 Percentage of employees who feel that their respective company is creating value toward solving social issues, and who feel that they are contributing to that value creation  
 \*2 To be assessed by the Ajinomoto Global Engagement Survey, starting in fiscal 2017. All full-time employees will be surveyed, including those at Group companies in Japan and overseas.

# Corporate Governance

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## Corporate Governance Basic Philosophy

### Basic Philosophy concerning Corporate Governance

Ajinomoto Co., Inc. recognizes that corporate governance represents one of the most important aspects of its management foundation for accelerating its ASV efforts and achieving its vision of becoming a "Genuine Global Specialty Company." To this end, the entire Ajinomoto Group works as one under the Ajinomoto Group Principles to reinforce and enhance corporate governance through engagement and collaboration with stakeholders and through continual efforts in developing and properly implementing its internal control system.



Corporate Governance Policies  
[https://www.ajinomoto.com/en/ir/strategy/corp\\_gov.html](https://www.ajinomoto.com/en/ir/strategy/corp_gov.html)

#### Initiatives to Reinforce Governance

- |  |   |  |
|--|---|--|
| <p><b>2003</b></p> <ul style="list-style-type: none"> <li>• Introduction of executive officer system</li> <li>• Decrease in the number of directors (from 30 to 12)</li> <li>• Appointment of an outside director (one director out of 12 directors)</li> </ul> <p><b>2004</b></p> <ul style="list-style-type: none"> <li>• Appointment of outside corporate auditors (three)</li> </ul> <p><b>2005</b></p> <ul style="list-style-type: none"> <li>• Establishment of Nominating Advisory Committee</li> <li>• Establishment of Compensation Advisory Committee</li> </ul> | <p><b>2009</b></p> <ul style="list-style-type: none"> <li>• Increase in the number of outside directors (two out of 15 directors)</li> </ul> <p><b>2011</b></p> <ul style="list-style-type: none"> <li>• Appointment of female outside director (one out of 15 directors)</li> </ul> <p><b>2015</b></p> <ul style="list-style-type: none"> <li>• Increase in the number of outside directors (three out of 14 directors)</li> </ul> | <p><b>2016</b></p> <ul style="list-style-type: none"> <li>• Introduction of evaluation of the Board of Directors' effectiveness</li> <li>• Introduction of the Global Governance Policy</li> </ul> <p><b>2017</b></p> <ul style="list-style-type: none"> <li>• Decrease in the number of inside directors (from 10 to 6)</li> <li>• Establishment of Corporate Governance Committee</li> <li>• Introduction of a medium-term company performance-linked stock compensation system</li> </ul> |
|--|---|--|

#### Overview of the Corporate Governance Structure

Main Items	Current Status
Type of system	Company with Audit & Supervisory Board
Number of directors (including outside directors)	9 (3)
Number of Audit & Supervisory Board members (including Audit & Supervisory Board members [external])	5 (3)
Number of Board of Directors' meetings held (FY2016) (Average attendance rate of outside directors) (Average attendance rate of Audit & Supervisory Board members [external])	18 (92%) (100%)
Number of Audit & Supervisory Board meetings held (FY2016) (Average attendance rate of Audit & Supervisory Board members [external])	15 (100%)
Directors' term of office	2 years
Adoption of corporate executive officer system	Yes
Voluntary committees of the Board of Directors	Nominating Advisory Committee, Compensation Advisory Committee, Corporate Governance Committee
Compensation systems for officers, etc.	(1) Monthly compensation, (2) Short-term company performance-linked compensation, (3) Medium-term company performance-linked stock compensation (see p. 55)
Accounting auditor	Ernst & Young ShinNihon LLC

**By continuing efforts to strengthen governance and realizing value creation unique to the Ajinomoto Group, we will achieve sustainable growth as a truly global company.**



**Masatoshi Ito**

Representative Director,  
Chairman of the Board

### **Initiatives to Strengthen Governance under the FY2014–2016 Medium-Term Management Plan**

Under the FY2014–2016 Medium-Term Management Plan, we undertook initiatives to strengthen our corporate governance as a foundation for becoming a “Genuine Global Specialty Company.”

To enhance the effectiveness of the Board of Directors, we increased the total number of outside directors to three in 2015. Furthermore, in 2016 we carried out a survey to evaluate the effectiveness of the Board of Directors, which was the first of its kind for the Ajinomoto Group. As a result of this survey, we were able to clarify a certain number of issues, including insufficient discussion on the Company’s medium- to long-term direction, inadequate emphasis put on such discussions, and a lack of opportunities for outside directors to collect internal information. In light of these issues, when formulating the FY2017–2019 (for FY2020) Medium-Term Management Plan, we incorporated opportunities for discussion between a small group of outside and inside directors into the plan-creation process and exchanged opinions regarding the plan’s direction and approach. In doing so, we were able to establish an even more robust plan.

In April 2016, we introduced the Global Governance Policy (GGP), which clarifies the roles and responsibilities of a “Governing HQ” (i.e., our headquarters) and a “Delegated Front” (i.e., the worksite level). The GGP has been effective in enhancing the mobility and efficiency of the “Delegated Front” and improving our decision-making speed. As such, we believe the introduction of the GGP is an example of successful efforts in strengthening governance. Going forward, we will establish a well-balanced structure for governance by creating an environment in which the “Delegated Front” can execute its duties more easily while the “Governing HQ” demonstrates solid leadership.

### **Aiming to Become a “Genuine Global Specialty Company”**

We recognize that the continuous enhancement of Board of Director efficiency is the most important theme for becoming a “Genuine Global Specialty Company.” Accordingly, we reduced the number of inside directors on the Board from ten to six and raised the ratio of outside directors on the Board to one-third. In doing so, we have set up a structure that enables more open discussion and allows us to more easily reflect the opinions of the outside directors, who act as stakeholder representatives. As the

most appropriate structure for the Board of Directors changes with the passage of time, we will continue to examine what kind of structure best suits the Company going forward. Furthermore, to make the Board of Directors even more effective and efficient, we will endeavor to strengthen communication in such ways as creating opportunities for the free exchange of opinions other than at Board meetings and having outside directors attend important internal meetings. I believe that if the outside directors have a better understanding of the executive officers, this knowledge will have a positive effect on the decisions made by the Nominating Advisory Committee as well. In addition to these efforts to further enhance our governance, we have implemented measures such as the enactment of Rules on Board of Directors’ Meetings, the enactment of deliberation guidelines, and the establishment of the Corporate Governance Committee, which will carry out deliberation of basic policies of corporate governance and other important matters related to governance structures and their operation.

To become a truly global company, we not only need to possess specialties that are unlike any other company, we also need to make sure that the global society recognizes these specialties. Although the Ajinomoto Group comprises mainly food companies, we are expanding our business across a wide range

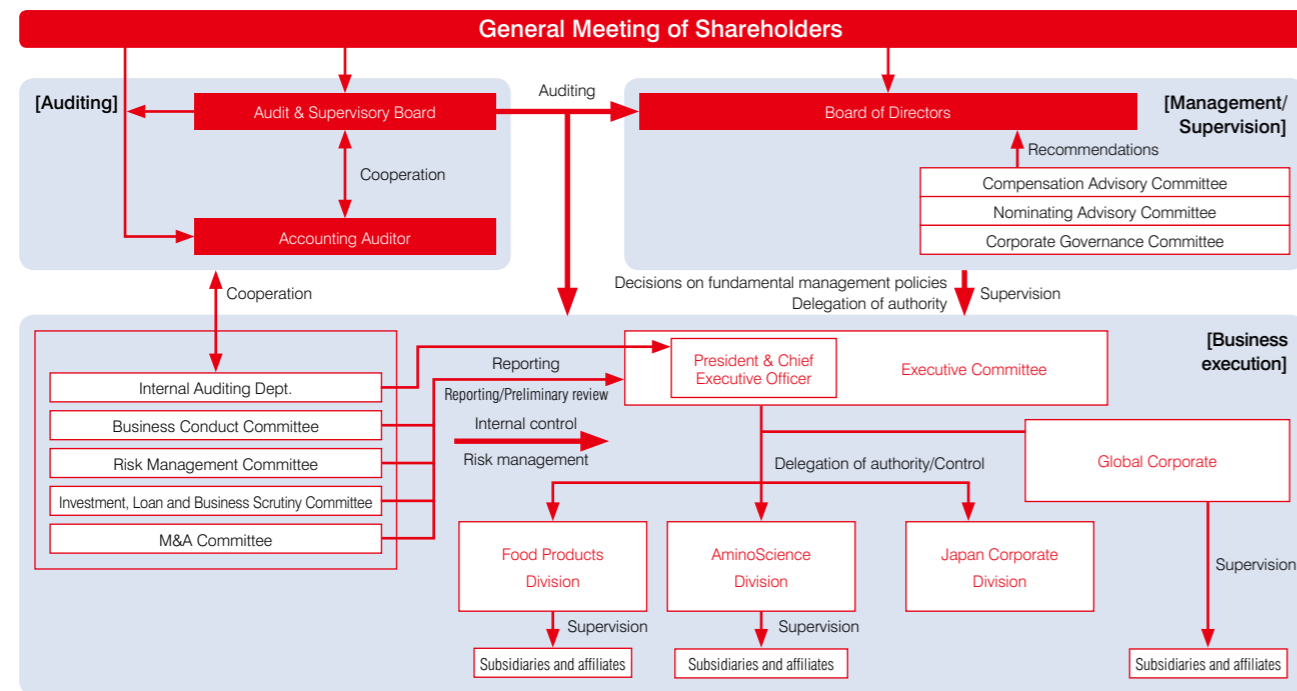
of fields through the pursuit of deliciousness that is underpinned by technologies and science, as well as through the application of such technologies in fields other than food, with a particular focus on amino acids. We also aim to realize sustainable growth by resolving social issues through our business. Guided by this aim, we will become a corporate group that makes concerted efforts to resolve social issues, establishing integrated targets that combine both financial and non-financial perspectives. To continue to create value unique to the Ajinomoto Group, we will maintain our focus on strengthening corporate governance.

Going forward, I would like to ask our shareholders and other investors for their continued support as we pursue these endeavors.

July 2017

Masatoshi Ito  
Representative Director,  
Chairman of the Board

## Corporate Governance Framework



### Audit & Supervisory Board

The Audit & Supervisory Board members work together with the accounting auditor and Internal Auditing Department to conduct audits on the execution of duties by directors.

### Nominating Advisory Committee

The Nominating Advisory Committee consists of four directors, including three outside directors. The Committee receives inquiries from the Board of Directors and deliberates on such matters as director nominees and proposals for the election of directors with titles and representative directors. The results of these deliberations are reported to the Board of Directors.

### Board of Directors

The Board of Directors makes decisions on important business matters and supervises the execution of duties by directors and corporate executive officers.

### Compensation Advisory Committee

The Compensation Advisory Committee consists of four directors, including three outside directors, and one corporate vice president. The Committee receives inquiries from the Board of Directors and deliberates on proposals for director and corporate executive officer, etc. compensation. The results of these deliberations are reported to the Board of Directors.

### Executive Committee

The Executive Committee deliberates on basic company management policies and makes important decisions concerning business execution.

### Corporate Governance Committee

The Corporate Governance Committee consists of five directors, including three outside directors, and one Audit & Supervisory Board member (external). The Committee receives inquiries from the Board of Directors and holds discussions on matters related to governance. The results of these discussions are reported to the Board of Directors.

## Outside Directors and Audit & Supervisory Board Members (External)

Ajinomoto Co., Inc.'s outside directors and Audit & Supervisory Board members (external) have been registered as independent directors/auditors with the Tokyo Stock Exchange.

The standards of independence used by Ajinomoto Co., Inc. for outside officers (listed in the Corporate Governance Policies)  
[https://www.ajinomoto.com/en/ir/strategy/corp\\_gov.html](https://www.ajinomoto.com/en/ir/strategy/corp_gov.html)

	Name	Reasons for Appointment	Attendance	
			Board of Directors	Audit & Supervisory Board
Outside Directors	Sakie T. Fukushima	To capitalize on her in-depth knowledge and experience concerning international corporate management and advanced understanding of human resources with a global mindset, and her experience as an outside director at other prominent listed companies	17 out of 18 times (94%)	—
	Yasuo Saito	To capitalize on his in-depth knowledge and experience internationally as a diplomat for the management of Ajinomoto Co., Inc.	18 out of 18 times (100%)	—
	Takashi Nawa	To capitalize on his advanced understanding of international business management developed from his wealth of real-world experience in consulting for non-Japanese companies, etc., and in-depth knowledge as a professor with the Graduate School of International Corporate Strategy at Hitotsubashi University	15 out of 18 times (83%)	—
Audit & Supervisory Board members (external)	Masami Hashimoto	To capitalize on his professional knowledge and wealth of experience as a certified public accountant both in Japan and internationally, and his expertise in finance and accounting in the execution of his duties	13 out of 13 times (100%)	10 out of 10 times (100%)
	Atsushi Toki	To capitalize on his professional knowledge and wealth of experience as an attorney, and his particularly in-depth knowledge of the Companies Act, which can be utilized in the execution of his duties	13 out of 13 times (100%)	10 out of 10 times (100%)
	Hiroshi Murakami	To capitalize on his extensive experience in corporate management both in Japan and internationally, and his knowledge as the head of a legal department, both of which can be utilized in the execution of his duties	13 out of 13 times (100%)	10 out of 10 times (100%)

## Evaluation of Board of Directors' Effectiveness

The Company aims to have a Board of Directors that can execute appropriate and agile decision making as well as carry out its role of supervising the execution of duties in a way that befits a "Genuine Global Specialty Company." Since fiscal 2015, directors and audit & supervisory board members have been asked to take self-evaluation surveys, while analysis by outside lawyers is also conducted, with the results being examined at a Board of Directors' meeting. In the self-evaluation survey carried out in fiscal 2016, the Board of Directors' effectiveness was evaluated highly overall, and substantial improvement was seen in the following three items.

1. Discussion of the direction of corporate strategy and medium- to long-term policies increased
2. The effectiveness of discussions improved
3. Opportunities for outside directors to obtain Company information increased

On the other hand, the following items were recognized as improvements to be made, and the Company will continue to examine the most appropriate model for the Board of Directors going forward.

1. Sufficient provision of information on deliberations by the advisory committees to the Board of Directors
2. Increase in the number of remarks by directors
3. Further review of matters to be resolved and matters reported
4. Follow-up and feedback on past matters resolved by the Board of Directors
5. Earlier distribution of materials
6. Improvement of the content of materials



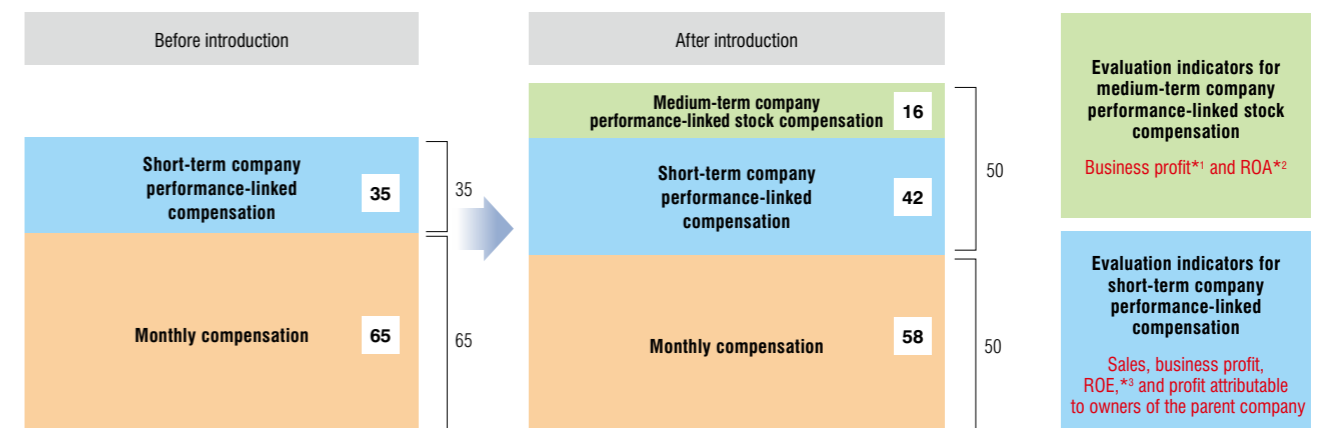
Overview of Evaluation of Effectiveness of the Board of Directors of Ajinomoto Co., Inc.

[https://www.ajinomoto.com/en/ir/strategy/corp\\_gov/main/00/teaserItems1/0/linkList/01/link/2016\\_evaluation\\_E.pdf](https://www.ajinomoto.com/en/ir/strategy/corp_gov/main/00/teaserItems1/0/linkList/01/link/2016_evaluation_E.pdf)

## Compensation Systems for Officers, etc.

For the purpose of boosting officer motivation to contribute toward the fulfillment of the FY2017-2019 (for FY2020) Medium-Term Management Plan (hereinafter, FY17-19 MTP) as well as the improvement of the Ajinomoto Group's medium- to long-term business performance and enhancement of its corporate value, the Company introduced a medium-term company performance-linked stock compensation system targeted at directors (excluding outside directors), corporate executive officers, and corporate fellows (excluding nonresidents of Japan) (hereinafter, the officers, etc.). Going forward, compensation of officers, etc. will comprise (1) monthly compensation, (2) short-term company performance-linked compensation, and (3) medium-term company performance-linked stock compensation. In addition, the annual ratio of company performance-linked compensation, including short-term and medium-term, to overall compensation has been increased from approximately 35% in fiscal 2016 to approximately 50%.

### Ratio of Company Performance-Linked Compensation to Monthly Compensation When Performance Targets Are Reached (Annualized)



\*1 An original profit KPI adopted by the Group following the voluntary application of International Financial Reporting Standards (IFRS) for management purposes. The KPI is defined as follows: Sales - Cost of sales - Selling expenses, Research & development expenses, and General & administrative expenses + Share of profit of associates and joint ventures  
\*2 Business profit basis \*3 Profit attributable to owners of the parent company basis

Also, for the medium-term company performance-linked stock compensation, the Company has created a stock-granting trust (hereinafter, the Trust) with a trust period of roughly three years. The maximum amount the Company can contribute to the Trust is set at ¥2.2 billion. The Trust will use the contributed money to acquire a maximum of 1.1 million Company shares. Upon completion of the FY17-19 MTP, Company shares acquired by the Trust and the amount of cash equivalent to the conversion value of Company shares will be delivered to the officers, etc. in accordance with the amount of business profit in the FY17-19 MTP's final year and their respective job positions.

Global Policy Matrix

To enhance its global governance, the Ajinomoto Group has established the Global Policy Matrix, thereby putting into place important policies and procedures. In July 2017, the Group newly formulated the Nutrition Policy, the Food Safety Policy, and the Package Description Policy.

Business Code of Conduct	Legal	Fiscal, Trade & Purchasing	General & Administration	Accounting & Treasury	Others
Compliance with Antitrust and Other Laws Bribery Prevention Policy	Prevention of Insider Trading	Global Tax Policy	Risk Management Basic Policy	Accounting Policy	Nutrition Policy See P20
	Trade Secret Management				Food Safety Policy See below
	Group Intellectual Property Exploitation Policy	Basic Purchasing Policy	Business Continuity	Financing Policy	Package Description Policy See below
	Corporate Brand Logotype				Security Policy
				Foreign Exchange Risk Management Policy	Environmental Policy
				Basic Policy on Fund Procurement	Quality Policy
					Occupational Safety and Health Policy
					Internal Audit
					Investment Profitability Assessment Criteria

Food Safety Policy

Since the Ajinomoto Group's establishment, while putting our customer first, we have continued our efforts for food safety.

In so doing, we have earned recognition as a conscientious enterprise carrying out thorough initiatives for food safety by our customers, and "Ajinomoto Brand" has gained the faith for safety of the products.

We will continue with our efforts in contributing to the better lives of our customers all over the world.

- 1 We pay full attention to the requests of our customers, and provide safe products and services meeting with their satisfaction.
- 2 We actively provide appropriate information on food safety to our customers and continue to improve our trustworthiness.
- 3 We make no compromise with regard to safety, conducting surveys and research as thoroughly as possible and faithfully complying with applicable laws and regulations.
- 4 We assure food safety through the Ajinomoto System of Quality Assurance (ASQUA), based on the concepts outlined in the international ISO standard.
- 5 Under the leadership of our management, each one of our company's employees makes the greatest effort to provide safe products and services through work at all levels, from research and development to production, distribution, sales and services.

Package Description Policy

The Ajinomoto Group is committed to deliver accurate and responsible information on descriptions in the product package, in order to contribute to the world's food and wellness, and to better lives for the future.

This policy is applied to all product package descriptions which directly and indirectly states, suggests or implies that a product produced and sold by the Ajinomoto Group or sold under the brand names of the Ajinomoto Group has particular characteristics.

To fulfill the above commitment, the Ajinomoto Group ensures that:

- 1 Package descriptions comply with applicable laws and regulations in the countries where the Ajinomoto Group makes the product available for sale.
- 2 Information on the product package is accurate.
- 3 Package descriptions are not misleading, are easily understood, and gives valuable information to consumers.
- 4 We are responsible for package descriptions, and that package descriptions have a sound basis.

Message from an Outside Director

Drawing on my experience as a diplomat, I will contribute to realizing the Ajinomoto Group's aim of becoming a "global top 10 class food company."



Yasuo Saito  
Outside Director

Further Enhancing the Effectiveness of the Board of Directors

I have accumulated a wealth of international experience working as a diplomat for over 40 years. As a member of the Board of Directors, I recognize that the Company expects me to voice opinions and make judgments based on my knowledge and experience. The Company's Board of Directors has an atmosphere that makes it easy to hold discussions thanks to the consideration given by Chairman Ito. Additionally, the Company makes sure to provide the outside directors with explanations on agenda items in advance, which allows us to actively participate in Board meetings. While I do not have experience in corporate management, I provide proposals and opinions from a global perspective based on my experience as a diplomat. In doing so, I am making concerted efforts to oversee the management of the Ajinomoto Group amid its aim to become a global top 10 class food company. Also, significant progress has been made over the past few years in such areas as in-house information gathering by the outside directors. With that said, to further enhance the understanding and decision-making capabilities of the outside directors going forward, I would like to promote initiatives to strengthen the pipeline, such as creating opportunities to candidly exchange opinions with various divisions on a regular basis.

Aiming for an Environment in Which a Diverse Group of Talent Can Play an Active Role

Based on its Global Governance Policy, the Ajinomoto Group has clearly defined the roles of the "Governing HQ" (its headquarters) and the "Delegated Front" (the worksite level), and I believe that the Group's governance is excellent in that regard. However, the issue of cultivating a global, diverse group

of talent to allow the "Governing HQ" to be active on a global scale still remains. While the Company is working to establish an environment in which a diverse group of talent can play an active role globally, there is still a need to secure that kind of talent through such an environment and enhance communication capabilities that transcend age, race, and gender. Communication is a basic part of one's profession, and the importance of communication will not change no matter how far technological innovations progress. I am convinced that it is difficult for a company to grow if it is not leveraging its communication functions effectively.

Promoting ASV by Appropriately Responding to Risks

To realize the goals adopted under the FY2017-2019 Medium-Term Management Plan, it is essential to ascertain where risks lie and to appropriately respond to them should they occur. Through food and health, the Ajinomoto Group is a company that is concerned with the lives of people and the existence of humankind itself. As such a company, we naturally take close precautions even within the minutiae of our day-to-day activities. However, amid international demands for sustainability showcased by the Sustainable Development Goals (SDGs) and other initiatives as well as heightened social expectations for the resolution of nutrition-related issues, the Company will actively take risks while promoting ASV going forward. As such, I believe that the mission of the outside directors is to gather as much relevant information as we can on a routine basis and use such information to minimize risks to the greatest extent possible.



Back row from left

**Hiroshi Murakami**

Audit & Supervisory Board  
 Member (External)

**Masami Hashimoto**

Audit & Supervisory Board  
 Member (External),  
 Certified Public Accountant

**Yoichiro Togashi**

Audit & Supervisory Board  
 Member (Standing)

**Masaya Tochio**

Member of the Board &  
 Corporate Senior Vice President

**Hiroshi Fukushi**

Representative Director,  
 Member of the Board &  
 Corporate Senior Vice President

**Takeshi Kimura**

Member of the Board &  
 Corporate Vice President

**Shizuo Tanaka**

Audit & Supervisory Board  
 Member (Standing)

**Atsushi Toki**

Audit & Supervisory Board  
 Member (External),  
 Attorney-at-law

Front row from left

**Etsuhiro Takato**

Representative Director,  
 Member of the Board &  
 Corporate Senior Vice President

**Yasuo Saito**

Outside Director

**Takaaki Nishii**

Representative Director,  
 President &  
 Chief Executive Officer

**Masatoshi Ito**

Representative Director,  
 Chairman of the Board

**Sakie T. Fukushima**

Outside Director

**Takashi Nawa**

Outside Director

**Directors**



**Masatoshi Ito**

Representative Director, Chairman of the Board

Jun. 2015 Chairman of the Board (to present)  
 Jun. 2009 President & Chief Executive Officer  
 Aug. 2006 President, Food Products Company  
 Jun. 2005 Representative Director (to present)  
 Jun. 2005 Member of the Board & Corporate Senior Vice President  
 Apr. 2005 Vice President, Food Products Company  
 Apr. 2005 Corporate Vice President  
 Jun. 2003 Retired Member of the Board  
 Apr. 2003 Representative Director, President, Ajinomoto Frozen Foods Co., Inc.  
 Jun. 1999 Member of the Board  
 Jul. 1995 General Manager, Food Dept., Food Products Division  
 Apr. 1971 Joined Ajinomoto Co., Inc.



**Takaaki Nishii**

Representative Director, President & Chief Executive Officer

Jun. 2015 President & Chief Executive Officer (to present)  
 Jun. 2015 Representative Director (to present)  
 Aug. 2013 President, Ajinomoto do Brasil Indústria e Comércio de Alimentos Ltda.  
 Jun. 2013 Member of the Board & Corporate Vice President  
 Jun. 2011 Corporate Executive Officer  
 Jul. 2009 General Manager, Personnel Dept.  
 Jun. 2007 Corporate Vice President, Ajinomoto Frozen Foods Co., Inc.  
 Jul. 2004 Member of the Board, Ajinomoto Frozen Foods Co., Inc.  
 Apr. 1982 Joined Ajinomoto Co., Inc.



**Etsuhiro Takato**

Representative Director, Member of the Board & Corporate Senior Vice President  
 General Manager, Food Products Division; Logistics Planning; Advertising; Olympic & Paralympic Promotional

Jun. 2017 Representative Director (to present)  
 Jun. 2016 General Manager, Food Products Division (to present)  
 Jun. 2015 Member of the Board & Corporate Senior Vice President (to present)  
 Jun. 2013 President, Ajinomoto Co., (Thailand) Ltd.  
 Jun. 2013 Member of the Board & Corporate Vice President  
 Jun. 2009 President, Ajinomoto do Brasil Indústria e Comércio de Alimentos Ltda.  
 Jun. 2009 Corporate Executive Officer  
 Jul. 2007 General Manager, Industrial Umami Seasonings Dept., Amino Acids Company  
 Aug. 2002 President, PT. Ajinomoto Indonesia  
 Apr. 1979 Joined Ajinomoto Co., Inc.



**Hiroshi Fukushi**

Representative Director, Member of the Board & Corporate Senior Vice President  
 General Manager, AminoScience Division

Jun. 2017 Representative Director (to present)  
 Jun. 2015 Member of the Board & Corporate Senior Vice President (to present)  
 Jun. 2013 General Manager, Bioscience Products & Fine Chemicals Division (current AminoScience Division) (to present)  
 Jun. 2013 Member of the Board & Corporate Vice President  
 Jun. 2011 Corporate Executive Officer  
 Jul. 2009 General Manager, Amino Acids Dept., Amino Acids Company  
 Apr. 1984 Joined Ajinomoto Co., Inc.



**Masaya Tochio**

Member of the Board & Corporate Senior Vice President  
 Management of Corporate; Legal

Jun. 2017 Member of the Board & Corporate Senior Vice President (to present)  
 Jun. 2013 Member of the Board & Corporate Vice President  
 Jun. 2011 General Manager, Corporate Planning Dept.  
 Jun. 2011 Corporate Executive Officer  
 Jul. 2007 General Manager, Overseas Food & Seasonings Dept., Food Products Company  
 Apr. 1983 Joined Ajinomoto Co., Inc.



**Takeshi Kimura**

Member of the Board & Corporate Vice President  
 Management of R&D; Quality Assurance; Intellectual Property; Nutrition Improvement

Jun. 2013 Member of the Board & Corporate Vice President (to present)  
 Oct. 2010 General Manager, R&D Planning Dept.  
 Jun. 2009 Corporate Executive Officer  
 Jul. 2005 General Manager, Quality Assurance & External Scientific Affairs Dept.  
 Apr. 1989 Joined Ajinomoto Co., Inc.  
 Jul. 1984 Joined the National Institute of Health, USA



**Sakie T. Fukushima**

Outside Director

Jun. 2016 Outside Director, USHIO INC. (to present)  
 Jun. 2013 Outside Director, Mitsubishi Corporation  
 May 2012 Outside Director, J. Front Retailing Co., Ltd. (to present)  
 Jun. 2011 Outside Director, Ajinomoto Co., Inc. (to present)  
 Jul. 2010 President & Representative Director, G&S Global Advisors Inc. (to present)  
 Mar. 2010 Outside Director, Bridgestone Corporation (to present)  
 May 2009 Chairman and Representative Director, Korn/Ferry International-Japan  
 Sep. 2000 Managing Director and President, Korn/Ferry International-Japan  
 May 1995 Member of the Board, Korn/Ferry International U.S. Head Office



**Yasuo Saito**

Outside Director

Jun. 2012 Outside Director, Ajinomoto Co., Inc. (to present)  
 May 2009 Ambassador Extraordinary and Plenipotentiary to France  
 Apr. 2006 Ambassador Extraordinary and Plenipotentiary to Russia  
 May 2003 Ambassador Extraordinary and Plenipotentiary to Saudi Arabia  
 Aug. 2001 Director-General, European Affairs Bureau, Ministry of Foreign Affairs  
 Apr. 2000 Permanent Representative of the Japanese Government at UNESCO  
 Aug. 1997 Consul-General of Japan in Atlanta



**Takashi Nawa**

Outside Director

Jun. 2015 Outside Director, Ajinomoto Co., Inc. (to present)  
 Jun. 2014 Outside Director, DENSO Corporation (to present)  
 Nov. 2012 Outside Director, FAST RETAILING CO., LTD. (to present)  
 Jun. 2011 Outside Director, NEC Capital Solutions Limited (to present)  
 Jun. 2010 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (to present)  
 Apr. 1991 Joined McKinsey & Company, Inc.  
 Apr. 1980 Joined Mitsubishi Corporation

**Audit & Supervisory Board Members (Standing)**

**Yoichiro Togashi**

**Shizuo Tanaka**

**Audit & Supervisory Board Members (External)**

**Masami Hashimoto**

**Atsushi Toki**

**Hiroshi Murakami**

Certified Public Accountant

Attorney-at-law

**Corporate Vice Presidents**

**Makoto Murabayashi**

**Haruo Kurata**

**Kaoru Kurashima**

Business Strategy and Development

General Manager, North America Division

General Manager, ASEAN Division

**Kazuya Onomichi**

**Hiroyuki Kojima**

**Yoshimasa Yoshimiya**

General Manager, Institute for Innovation

Deputy General Manager, AminoScience Division and General Manager, Research Institute for Bioscience Products & Fine Chemicals

Japan Corporate Division; Secretarial; Global Communications

**Shunichi Komatsu**

**Hideki Takeuchi**

**Taro Fujie**

General Manager, Europe & Africa Division

Deputy General Manager, Food Products Division; Food Sales Administration

Information System Planning; Work style Innovation

**Chiaki Nosaka**

**Masayoshi Kurosaki**

General Manager, Institute of Food Sciences and Technologies; Diversity Promotion

General Manager, Latin America Division

**Corporate Executive Officers**

**Masaya Sugimori**

**Koji Tamura**

**Tatsuya Sasaki**

General Manager, China Division

General Manager, Production & Technology Administration Center

General Manager, Corporate Planning Dept.

**Eiji Majima**

**Takayuki Koda**

**Hiroharu Motohashi**

Deputy President, AJINOMOTO EUROPE S.A.S.

General Manager, Production Technology Strategy Dept.

Deputy General Manager, Food Products Division; Overseas Foods & Seasonings; Sweeteners

**Hiroshi Motoyama**

**Narutoshi Fukase**

**Masami Kashiwakura**

General Manager, Food Ingredients Dept.

General Manager, Tokyo Branch

President, Ajinomoto Heartland, Inc.

**Masahiro Tani**

**Tadahiko Yokota**

**Hideaki Kawana**

General Manager, Group Procurement Center

President, Ajinomoto Fine-Techno Co., Inc.

General Manager, Food Production & Technology Administration Center

**Daniel Bercovici**

**Hiroshi Tsujita**

**Takumi Matsuzawa**

President, AJINOMOTO EUROLYSINE S.A.S.

General Manager, Kawasaki Administration & Coordination Office and Kawasaki Plant

General Manager, Global Human Resources Dept.

**Gwinnett Bompas**

**Junichiro Kojima**

**Masaki Kashihara**

Deputy General Manager, Europe & Africa Division and General Manager, Pharmaceutical Custom Manufacturing Dept.

General Manager, R&D Planning Dept.

General Manager, Technology Development Center, Institute of Food Sciences & Technologies

**Jiro Sakamoto**

**Yoshiteru Masai**

**David Enloe**

Director, Promasidor Holdings Limited

General Manager, Specialty Chemicals Dept.

President, Ajinomoto Althea, Inc.

**Chika Morishima**

**Tetsuya Nakano**

**Bernard Kreilmann**

General Manager, Consumer Foods & Seasonings Dept.

General Manager, Finance & Accounting Dept.

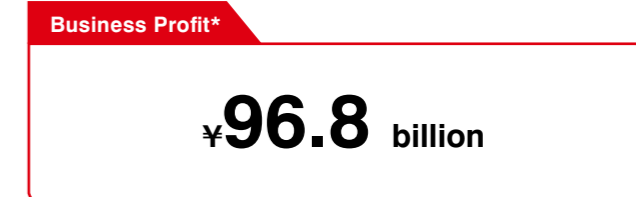
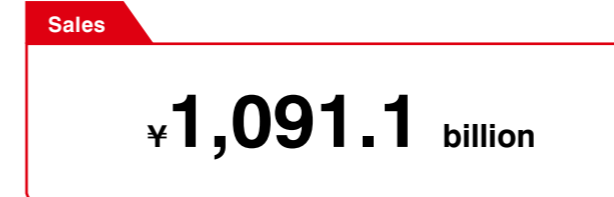
President, Ajinomoto Windsor, Inc.



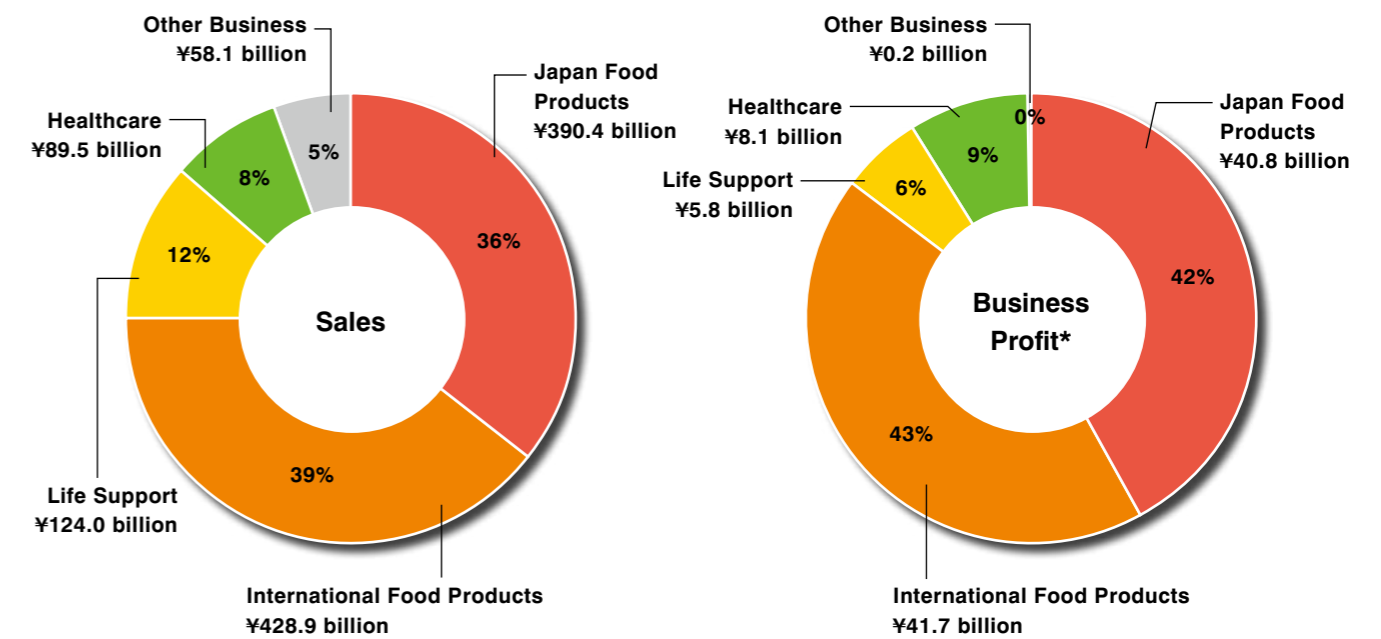
# Performance Data

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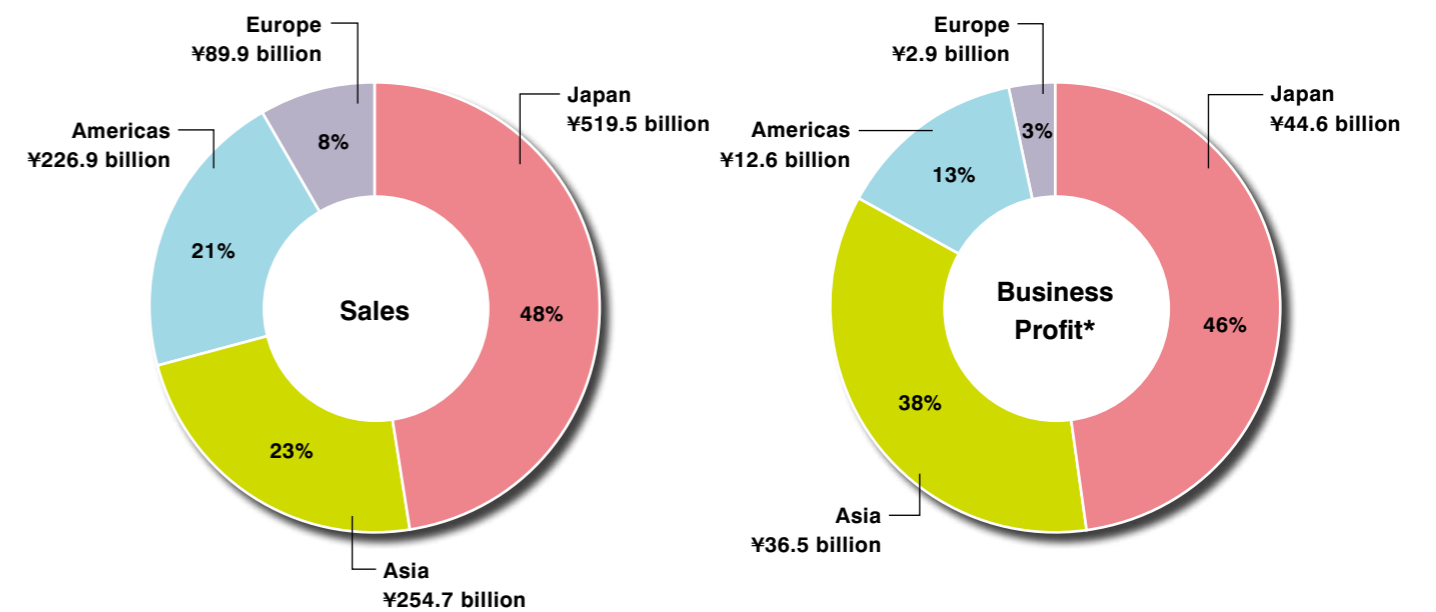
## Performance Data Fiscal 2016 Consolidated Operating Highlights



### By Segment



### By Geographical Area



\* An original profit KPI adopted by the Group following the voluntary application of International Financial Reporting Standards (IFRS) for management purposes. The KPI is defined as follows: Sales – Cost of sales – Selling expenses, Research & development expenses, and General & administrative expenses + Share of profit of associates and joint ventures

## Japan Food Products



<b>Sales</b>	<b>Business profit</b>
¥ <b>390.4</b> billion	¥ <b>40.8</b> billion
(98.3% vs. FY2015)	(128.9% vs. FY2015)

### Business Strengths

- Brand power backed by over 100 years of history
- Product development and marketing capabilities

### Performance Overview for Fiscal 2016

#### Seasonings and processed foods

In home-use products, the Company was able to raise overall demand for *Knorr® Cup Soup* by increasing opportunities for sales promotions and carrying out new forms of advertising that leveraged the Internet and social media. In addition, sales of *Cook Do® Kokumi Paste* gradually increased through successful digital initiatives.

Sales of restaurant and industrial-use products declined overall, despite a year-on-year increase in sales of savory seasonings.

#### Frozen foods

Sales of home-use frozen foods increased year on year, driven by growth in sales of mainstay products such as *Gyoza*, which were boosted by strengthened sales campaigns, *THE★CHA-HAN* (fried rice), and *Yawaraka Wakadori Kara-Age* (fried chicken). The launch of the new product *THE★SHUMAI* (dumpling) also contributed to increased sales.

Sales of restaurant and industrial-use products increased year on year, thanks to strong sales of processed chicken and dessert product offerings as well as sales efforts carried out in collaboration with major customers.

#### Coffee products

In home-use coffee products, sales increased for stick products thanks to such efforts as sales promotions carried out in conjunction with television commercials for *Blendy®*, which encouraged the consumption of these products with breakfast. Sales of instant coffee products were on a par with last year's levels.

Sales of restaurant and industrial-use coffee products declined, owing to lower sales to major customers.

We also communicated information on the culture of coffee in Japan at the G7 2016 ISE-SHIMA Summit, with a particular focus on the "Sen" coffee brand.

## International Food Products



<b>Sales</b>	<b>Business profit</b>
¥ <b>428.9</b> billion	¥ <b>41.7</b> billion
(92.5% vs. FY2015)	(88.2% vs. FY2015)

### Business Strengths

- Well-established global systems for development, production, and sales
- Product development and marketing capabilities
- Overseas business infrastructure

### Performance Overview for Fiscal 2016

#### Seasonings and processed foods

Sales in the overseas seasonings and processed food products business grew steadily on a local-currency basis, allowing the business to realize overall increases in both sales and profits.

By product category, sales of the umami seasoning *AJI-NO-MOTO®* rose steadily in Southeast Asia, in addition to *RosDee®* flavor seasonings in Thailand, *Masako®* flavor seasonings in Indonesia, and the flavor seasoning *Sazon®* in Brazil. Furthermore, sales of menu-specific seasonings increased substantially.

By region, we realized double-digit sales in Indonesia and Brazil, which helped to drive overall growth in the International Food Products segment.

#### Frozen foods

The overseas frozen foods business recorded a solid performance, centered on Ajinomoto Windsor, Inc., thereby achieving increases in both sales and profits on a local-currency basis. In addition, we commenced full-scale operations of Ajinomoto Toyo Frozen Noodles Inc. in North America.

#### Umami seasonings for processed food manufacturers and sweeteners

Sales of MSG to food processing manufacturers declined year on year, as higher average sales prices in Japan were offset by lower domestic and overseas sales volumes and the negative impact of foreign exchange rates on overseas sales expressed in yen.

Sales of nucleotides were around the same level as a year earlier, as strong increases in sales volumes in Japan and overseas were offset by unfavorable foreign exchange rates.

Sales of sweeteners fell year on year, adversely affected by lower sales volumes of aspartame for the processing industry and the negative impact of foreign exchange rates. Sales of aspartame for consumers increased year on year.

## Life Support



<b>Sales</b>	<b>Business profit</b>
¥ <b>124.0</b> billion	¥ <b>5.8</b> billion
(87.1% vs. FY2015)	(48.7% vs. FY2015)

### Business Strengths

- World-class fermentation technologies
- World's largest global network for animal nutrition
- Extremely safe material development capabilities and compound evaluation technologies

### Performance Overview for Fiscal 2016

#### Animal nutrition

Profits from sales of commodity products fell sharply due in part to lower sales volumes and sales prices. Meanwhile, sales of specialty products increased. By leveraging the Ajinomoto Group's expertise and technological capabilities related to amino acids, we will promote the shift to specialties through efforts to develop and launch new products that contribute to the resolution of issues facing customers in each region of operations.

#### Specialty chemicals

Sales in the personal care ingredients business were on a par with the previous fiscal year's level, supported by the growing use of naturally derived materials and the strong performance of the OEM business. In addition, sales increased in the electronic materials business—a business that deals with such products as build-up film for providing electrical insulation of complex circuit substrates for high-performance central processing units (CPUs)—thanks to the shift toward developing products in other fields such as servers and smartphones, which support the evolution of the IoT society and make people's lives more convenient. This shift helped offset the persistent stagnant conditions in the computer market. Also, centered on our North American data center, which recently commenced full-scale operations, we are gathering information on the creation of further value through specialty chemicals.

## Healthcare



<b>Sales</b>	<b>Business profit</b>
¥ <b>89.5</b> billion	¥ <b>8.1</b> billion
(97.8% vs. FY2015)	(114.6% vs. FY2015)

### Business Strengths

- Stable supply capacity as the world's largest manufacturer of amino acids
- Abundant amount of expertise and technology related to the manufacture and function of world-class bio-materials, including amino acids, nucleic acids, peptides, oligonucleotides, and proteins
- Administrative networks that cover medical and food products around the world

### Performance Overview for Fiscal 2016

#### Amino acids

Sales of amino acids for pharmaceuticals and foods declined year on year in both Japan and overseas. Revenues from the pharmaceutical custom manufacturing service also declined as foreign exchange rates negatively affected sales in Europe.

We are working to resolve social issues, including the most prominent social issue—the aging society. With a foundation of long-cultivated expertise related to the various functions of amino acids, we are contributing to the healthy lifestyles of people through the continued provision of a wide variety of products.

Going forward, we will make significant contributions to medical treatment for patients while leveraging our leading-edge bioscience and fine chemical technologies to provide materials for next-generation biopharmaceuticals, oligonucleotides, and regenerative medicine.

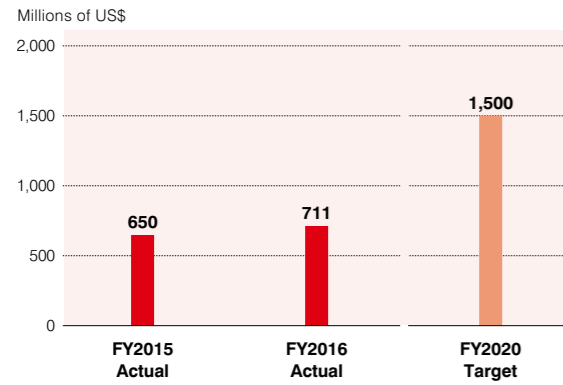
#### Others

Sales of supplements grew significantly as a result of launching *Amino Aile®* as a "Food with Functional Claims" in April 2016, which was preceded by the launch of *Glyna®* in August 2015, as well as proactive marketing activities.

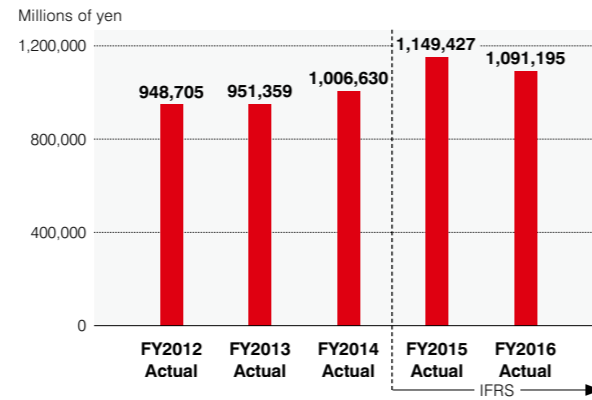
In addition, in January 2017 the Company launched *Mai Asa Histidine*, a "Food with Functional Claims" that leverages the fatigue-reducing effects of the essential amino acid histidine to support mental clarity. These fatigue-reducing effects were verified through the Company's original research.

# Performance Data Integrated Index

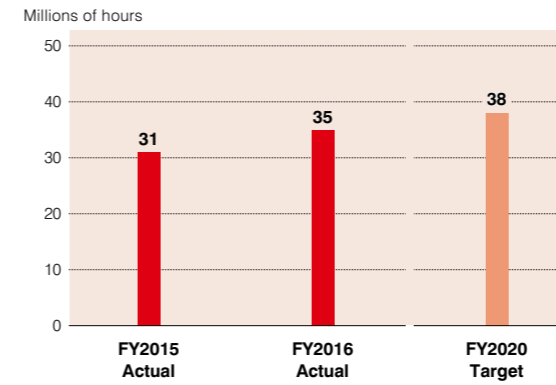
## Corporate Brand Value



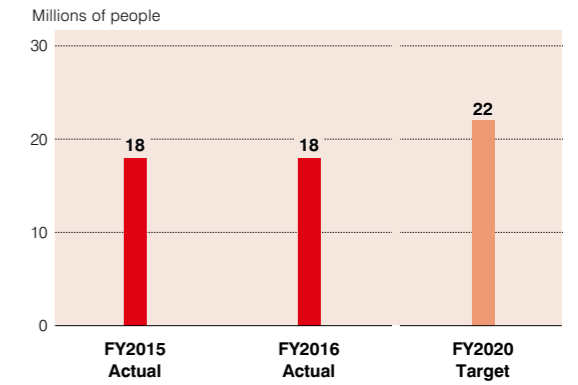
## Sales



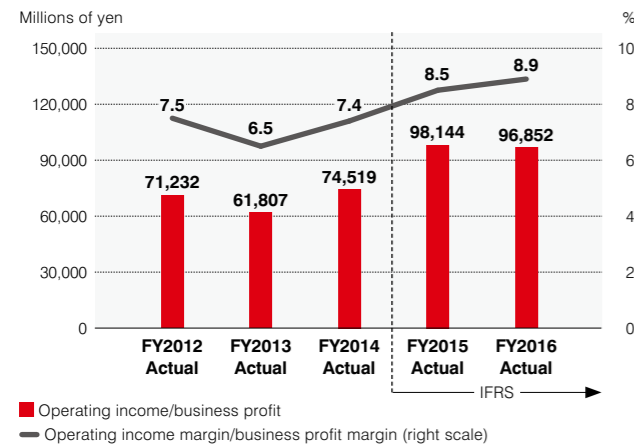
## Spare Time Created through Our Products (Japan)



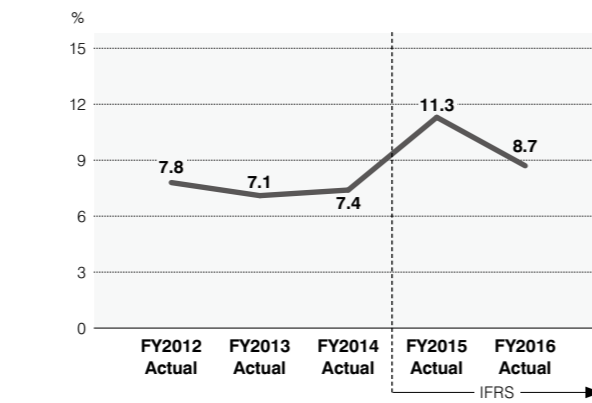
## Contribution to a Comfortable Lifestyle through Our Amino Acid Products



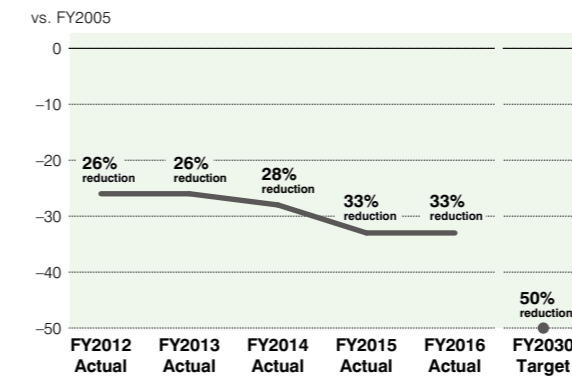
## Operating Income/Business Profit / Operating Income Margin/Business Profit Margin



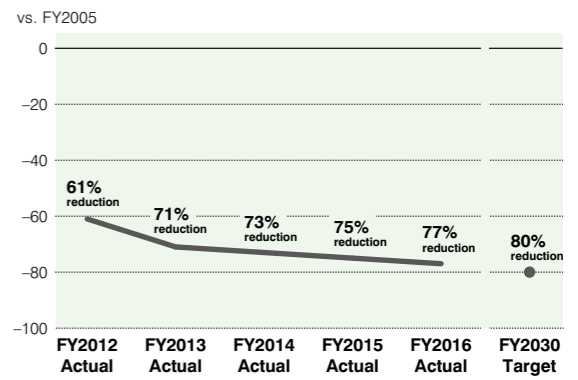
## ROE



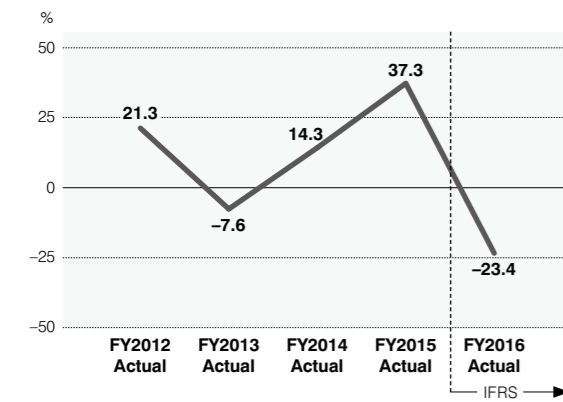
## Greenhouse Gas Production Volume vs. Emission Intensity\*



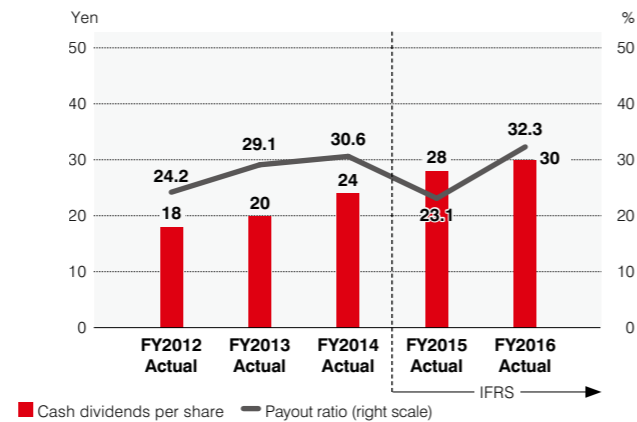
## Production Volume vs. Water Usage at Plants\*



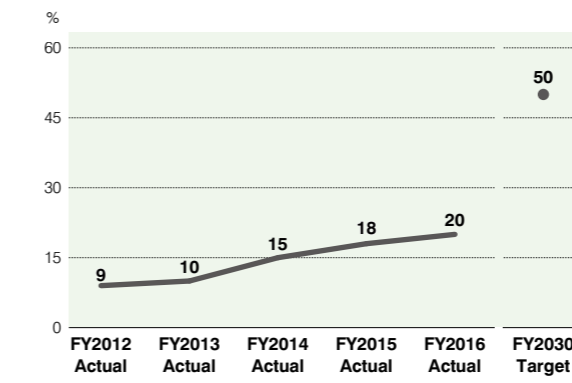
## EPS Growth Rate



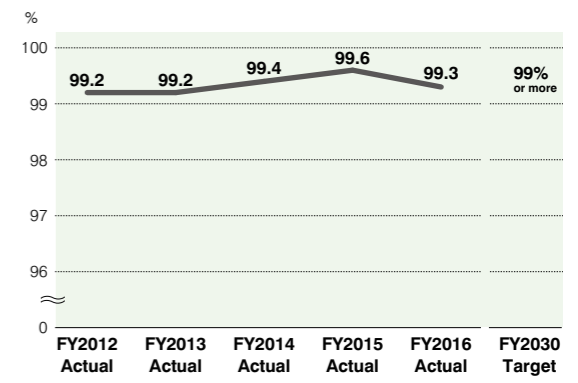
## Cash Dividends per Share / Payout Ratio



## Renewable Energy Use Ratio\*

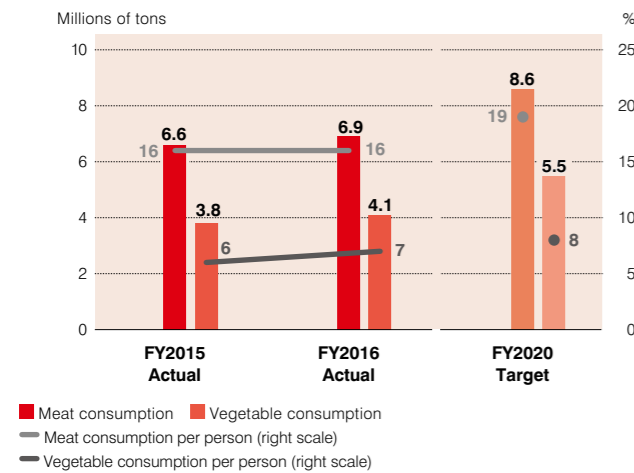


## Recycle Ratio\*

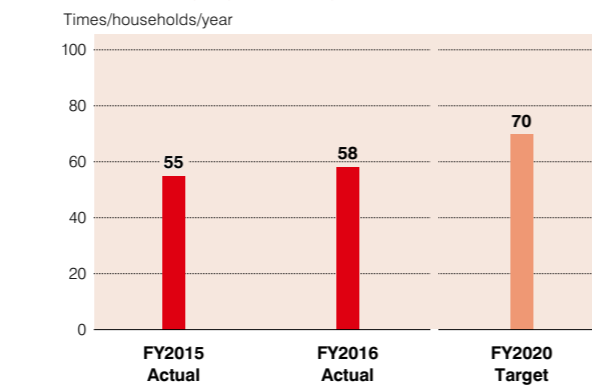


## Meat and Vegetable Consumption through Our Products /

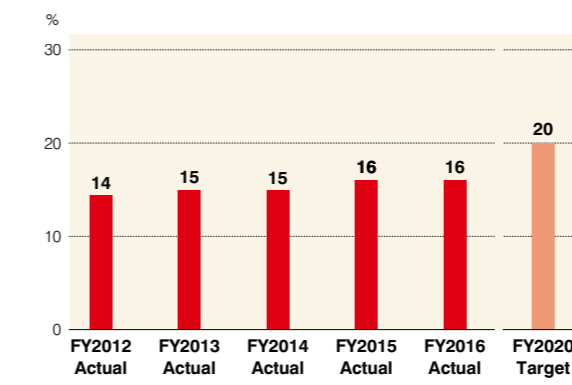
### Meat and Vegetable Consumption per Person (Japan and Five Stars)



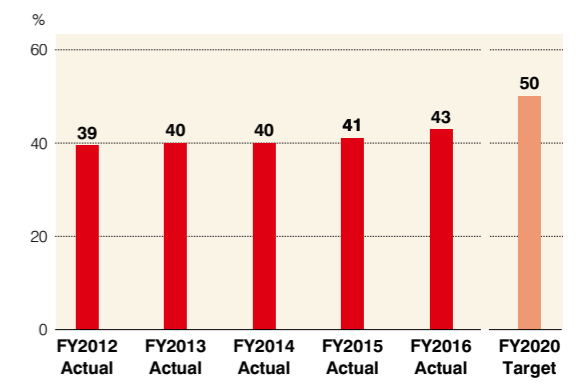
## Contribution to Eating Together through Our Products (Japan and Five Stars)



## Ratio of Female Managers



## Ratio of Locally Hired Overseas Executives



Performance Data

Ten-Year Summary of Selected Financial Data Ajinomoto Co., Inc. and Consolidated Subsidiaries for the Years Ended March 31

(Millions of yen)

Japanese GAAP	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
For the year:										
Net sales*1	¥1,216,572	¥1,190,371	¥1,170,876	¥1,015,215	¥ 972,648	¥ 948,705	¥ 951,359	¥1,006,630	¥1,184,100	¥1,091,414
Cost of sales	856,974	833,123	785,578	612,237	603,420	600,630	635,594	659,509	769,230	704,337
Gross profit	359,597	357,247	385,298	402,978	369,228	348,076	315,765	347,121	414,870	387,076
Selling, general and administrative expenses	299,074	316,420	321,264	333,604	296,644	276,844	253,957	272,601	323,989	301,736
Operating income	60,523	40,827	64,034	69,374	72,584	71,232	61,807	74,519	90,880	85,339
Non-operating income (expenses), Extraordinary gains (losses)	(11,216)	(37,570)	(19,242)	(20,929)	(493)	29,595	10,754	4,529	9,272	(214)
Income before income taxes and minority interests	51,849	3,256	44,791	48,444	72,091	100,828	72,561	79,049	100,153	85,125
Profit attributable to owners of parent (loss)	28,229	(10,227)	16,646	30,400	41,754	48,373	42,159	46,495	63,427	52,595
Capital expenditures	62,780	58,293	44,117	45,772	56,778	61,590	50,602	50,927	58,867	89,692
Depreciation and amortization	55,189	55,192	55,382	49,825	43,717	42,463	45,746	43,376	50,920	46,907
At year-end:										
Shareholders' equity	¥ 628,325	¥ 585,234	¥ 602,769	¥ 608,191	¥ 605,349	¥ 635,287	¥ 594,950	¥ 669,576	¥ 619,872	¥ 623,106
Total assets	1,100,709	1,057,786	1,082,238	1,077,418	1,097,057	1,091,741	1,093,165	1,255,090	1,262,113	1,336,931
Interest-bearing debt (net)	63,513	79,832	50,035	(8,410)	(19,873)	(67,187)	10,538	43,299	43,462	148,340
Per share (yen):										
Net income (loss)	¥ 41.9	¥ (14.6)	¥ 23.9	¥ 43.6	¥ 61.3	¥ 74.4	¥ 68.7	¥ 78.5	¥ 107.9	¥ 92.0
Net assets	899.4	838.5	863.7	871.6	894.6	1,004.4	1,002.3	1,131.4	1,066.8	1,094.8
Cash dividends	16.0	16.0	16.0	16.0	16.0	18.0	20.0	24.0	28.0	30.0
Value indicators:										
Liquidity ratios:										
Debt/equity ratio (%)**2	13.3	16.6	12.4	4.4	2.9	(3.2)	7.3	12.8	15.9	31.2
Interest coverage ratio (times)	11.2	10.5	28.6	44.8	42.7	45.0	31.0	50.4	57.1	44.2
Investment indicators:										
Price/earnings ratio (times)	24.1	—	38.8	19.9	16.9	19.0	21.2	33.5	23.5	23.9
Price/book value (times)	1.1	0.8	1.1	1.0	1.2	1.4	1.5	2.3	2.4	2.0
Return indicators:										
Return on assets (%)**3	2.6	(0.9)	1.6	2.8	3.8	4.4	3.9	4.0	5.0	4.0
Return on equity (%)**4	4.7	(1.7)	2.8	5.0	6.9	7.8	7.1	7.4	9.8	8.5
Number of employees	25,893	26,869	27,215	28,084	28,245	27,518	27,579	31,312	33,295	32,734

\*1 For the coffee and edible oils business and some other businesses, the gross figures for sales and cost of goods sales were recorded in the accounts, but from fiscal 2013 this method changed to netting off sales and cost of goods sold and recording the net figure in the accounts. Post-reclassification basis from the year ended March 31, 2011. The following changes in accounting policies were conducted in fiscal 2014. Sales promotion discounts paid to customers to expand sales were deducted from net sales. Figures for fiscal 2011 and subsequent fiscal years have been restated.

\*2 Debt = Net debt-equity ratio = Interest-bearing debt/Shareholders' equity (Net debt = Interest-bearing debt - Cash on hand and in banks x 75%)

\*3 ROA = Net income (or loss)/Average total assets

\*4 ROE = Net income (or loss)/Average total shareholders' equity

(Millions of yen)

IFRS	FY2015	FY2016
For the year:		
Sales	¥1,149,427	¥1,091,195
Cost of sales	757,135	704,177
Gross profit	392,291	387,018
Selling, R&D, G&A expenses	295,316	292,703
Business profit*1	98,144	96,852
Operating profit	99,678	83,617
Profit before income taxes	98,778	86,684
Profit attributable to owners of the parent company	71,292	53,065
Capital expenditures	89,365	89,677
Depreciation and amortization	49,751	46,273
At year-end:		
Equity attributable to owners of the parent company	¥ 609,486	¥ 616,315
Total assets	1,273,893	1,350,105
Interest-bearing debt (net)	64,089	149,980
Per share (yen):		
Earnings	¥ 121.2	¥ 92.8
Book value	1,048.9	1,082.9
Cash dividends	28.0	30.0
Value indicators:		
Liquidity ratios:		
Net debt/equity attributable to owners of the parent company ratio (%)**2	18.5	31.4
Interest coverage ratio (times)	57.1	44.0
Investment indicators:		
Price/earnings ratio (times)	20.9	23.7
Price/book value (times)	2.4	2.0
Return indicators:		
Ratio of business profit to total assets (%)**3	7.8	7.4
Return on equity (%)**4	11.3	8.7
Number of employees	33,295	32,734

\*1 Business profit = Sales - Cost of sales - Selling expenses, Research & development expenses, and General & administrative expenses + Share of profit of associates and joint ventures

\*2 Net debt-equity attributable to owners of the parent company ratio (%) = Interest-bearing debt/Equity attributable to owners of the parent company (Net debt = Interest-bearing debt - Cash on hand and in banks x 75%)

\*3 ROA = Business profit/Total assets

\*4 ROE = Profit attributable to owners of the parent company/Average equity attributable to owners of the parent company

### 30 Priority ESG Items

ESG items*		Commitment
<b>Social capital</b>	Human rights and community relations	We join the international community in respecting human rights, fulfill our international human rights obligations and comply with related laws in the countries where we operate our business. During FY2017, we will formulate and disclose our Human Rights Policy.
	Product access and affordability	We provide opportunities for people to enjoy food with high nutritional value through products with affordable prices and in appropriate styles to meet customer needs in each country. During FY2017, we will formulate and disclose our Product Accessibility Policy.
	Customer welfare (health and nutrition, etc.)	We contribute to both emotional and physical nourishment by not only optimizing quality and quantity of nutrients, but also by providing consumers with more delicious, various, fun, and smarter experiences to eat and cook (Nutrition Policy: refer to page 20).
	Data security and customer privacy	We work to prevent leaks and inappropriate use of confidential information, handle private information in a highly appropriate manner, and realize the effective utilization of information (Security Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ).
	Fair disclosure and labeling	We deliver accurate and responsible information on descriptions in the product package (Package Description Policy: refer to page 56).
	Fair marketing and advertising	We provide appropriate information regarding our products and services when communicating with customers. We also work rigorously to uphold this responsibility in marketing to children. During FY2017, we will formulate and disclose our Marketing Policy.
<b>Human capital</b>	Labor relations	We respect the basic rights of our employees regarding the freedom of association and collective bargaining (Ajinomoto Group Principles: <a href="https://www.ajinomoto.com/en/aboutus/vision/group/">https://www.ajinomoto.com/en/aboutus/vision/group/</a> ). We continuously hold appropriate and sound labor-related discussions with labor unions or worker representatives at each Group company in Japan.
	Fair labor practices	We will create an environment and establish human resource systems and development programs (talent management, position management systems, the Ajinomoto Group Academy, etc.) in FY2018 in which a diverse group of talent can play an even more active role. During FY2017, we will formulate and disclose our Human Resource Policy.
	Employee health, safety, and well-being	We will establish the Health Management Declaration in FY2018, which creates the position of Chief Health Officer in six areas of the world in which we operate and calls for initiatives to be undertaken toward improving the health of employees as a management strategy. We will commence health management based on global guidelines formulated in accordance with the global health indicators determined by the World Health Organization by FY2020.
	Diversity and inclusion	We aim to establish a vibrant work place in which employees respect each other's humanity without discrimination or harassment through open communication. (FY2020) Ratio of female managers: 20%; Ratio of locally hired overseas executives: 50%
	Compensation and benefits	We work to improve our standards for working conditions on a global level, including compensation, amid our corporate development. As for welfare programs, we are enhancing programs that respond to the issue of the declining birthrate and aging population and are promoting the further standardization of Company-owned housing, allowances, and other programs within the Group companies in Japan.
	Recruitment, development, and retention	We work to secure and develop high potential talent through work style innovation that meets global standards and improved employee engagement through ASV. (FY2020) Percentage of employees with high engagement: 80%; Average annual working hours (Japan): 1,800 hours
<b>Business model and innovation</b>	Lifecycle impacts of products and services	We constantly aim to put the customer first and, through advanced technology and creativity, develop and provide highly safe, high-quality products and services (Quality Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ; Food Safety Policy: refer to page 56).
	Environment, social impacts on assets, and operations	We reflect global climate change as a Group-wide risk and are responding to this issue on a Group-wide level (refer to page 27). Also, we are working to strengthen mutual understanding with each stakeholder through active dialogue and are establishing various means for stakeholder engagement (refer to page 25).
	Product packaging	We minimize the use of packaging and container materials and implement the reduction of our environmental burden (using recycled materials and biomass plastics, etc.) without damaging the quality (Environmental Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ).
	Product quality and safety	We constantly aim to put the customer first and, through advanced technology and creativity, develop and provide highly safe, high-quality products and services (Quality Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ; Food Safety Policy: refer to page 56).

ESG items*		Commitment	
<b>E</b> Environmental	<b>Environment</b>	Greenhouse gas emissions	We contribute to the low-carbon society by reducing the emissions of greenhouse gases generated over the entire lifecycle of our products to a level that the earth can absorb (Environmental Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ). (FY2030) Greenhouse gas production volume vs. emission intensity: 50% reduction (vs. FY2005)
		Energy management	We contribute to the low-carbon society by reducing the emissions of greenhouse gases generated over the entire lifecycle of our products to a level that the earth can absorb (Environmental Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ). (FY2030) Greenhouse gas production volume vs. emission intensity: 50% reduction (vs. FY2005); Renewable energy use ratio: 50%
		Fuel management	We contribute to the low-carbon society by reducing the emissions of greenhouse gases generated over the entire lifecycle of our products to a level that the earth can absorb (Environmental Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ).
		Air quality	We contribute to the low-carbon society by reducing the emissions of greenhouse gases generated over the entire lifecycle of our products to a level that the earth can absorb (Environmental Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ). (FY2025) Chlorofluorocarbon elimination: 100% for new facilities (FY2030) Extremely small volume of hydrofluorocarbons
		Water and wastewater management	We contribute to the security of food resources, the conservation of the natural environment including ecosystems and biodiversity, and the conservation of water resources for future generations (Environmental Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ).
		Biodiversity impacts	We contribute to the security of food resources, the conservation of the natural environment including ecosystems and biodiversity, and the conservation of water resources for future generations (Environmental Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ). (FY2020) Sustainable procurement: 100% for palm oil and paper (FY2025) Introduction of resource-saving fermentation technologies, by-product and alternative material technologies: 100%
<b>G</b> Governance	<b>Leadership and governance</b>	Waste and hazardous materials management	We promote maximum use of resources by practicing the 3R (Reduce, Reuse, and Recycle) of wastes generated over the entire lifecycle of our products in an appropriate manner (Environmental Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ). (FY2020) Waste generated via business activities and recycle ratio: maintain 99% or higher (FY2025) Food loss from receipt of ingredients through to customer delivery: 50% reduction (vs. FY2015) (FY2050) Food loss throughout the enter product lifecycle (from receipt of ingredients through to product use and disposal): 50% reduction
		Systemic risk management	We recognize risk management as an important instrument for internal control, which is a part of management responsibilities. In conjunction with group management strategies and individual business strategies, the Ajinomoto Group takes necessary actions (Risk Management Basic policy: refer to page 26).
		Accident and safety management	We respect each person and place occupational safety and health as one of the most important components of corporate activities (Occupational Safety and Health Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ).
		Business ethics and transparency of payments	We strictly adhere to the Ajinomoto Group Principles, which illustrates daily actions that should be understood and undertaken by each employee. Also, we are dedicated to fairness and transparency in all of our transactions and maintain fair business practices (Ajinomoto Group Principles: <a href="https://www.ajinomoto.com/en/aboutus/vision/group/">https://www.ajinomoto.com/en/aboutus/vision/group/</a> ; Bribery Prevention Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ).
		Competitive behavior	We comply with the tax laws and conduct entire business activities in accordance with taxes guidelines published by international organizations such as the OECD. We also work to minimize tax risk and maximize consolidated free cash flow (Global Tax Policy: <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ).
		Regulatory capture and political influence	We conduct our corporate activities through industrial associations and do not provide gifts, entertainment, money, or other benefits that could be considered bribes to domestic and foreign public or quasi-public officials regardless of the means (Ajinomoto Group Principles: <a href="https://www.ajinomoto.com/en/aboutus/vision/group/">https://www.ajinomoto.com/en/aboutus/vision/group/</a> ).
Materials sourcing	We perform our purchasing operations rationally, in compliance with laws and regulations, and fulfill the agreements in cooperation with suppliers and other business partners in order to ensure fair, open, transparent and simple purchasing. During FY2017, we will formulate and disclose our Supplier Policy.		
Supply chain management	We request our suppliers' cooperation with our Supplier CSR Guidelines ( <a href="https://www.ajinomoto.com/en/activity/policy">https://www.ajinomoto.com/en/activity/policy</a> ) and gradually introduce these guidelines at Group companies in Japan and overseas. During FY2017, we will formulate and disclose our Supplier Policy.		

\* 30 items related to ESG as defined by the Sustainability Accounting Standards Board (SASB)

## Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	(Millions of yen)		
	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
<b>Assets</b>			
Current assets			
Cash and cash equivalents	186,003	204,487	169,413
Trade and other receivables	186,503	177,002	217,922
Other financial assets	11,047	5,483	11,777
Inventories	168,755	175,217	183,517
Income taxes receivable	7,423	1,259	3,671
Others	13,711	15,271	15,673
Subtotal	573,445	578,722	601,975
Assets of disposal groups classified as held for sale	-	51,008	-
Total current assets	573,445	629,731	601,975
Non-current assets			
Property, plant and equipment	393,441	379,410	390,003
Intangible assets	60,422	37,446	46,344
Goodwill	96,606	96,889	70,316
Investments in associates and joint ventures	130,634	37,582	60,962
Long-term financial assets	62,923	62,696	65,690
Deferred tax assets	8,249	10,007	8,353
Others	24,382	20,127	13,614
Total non-current assets	776,660	644,161	655,285
Total assets	1,350,105	1,273,893	1,257,261

	(Millions of yen)		
	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	160,840	158,715	172,690
Short-term borrowings	11,153	12,499	91,513
Commercial paper	-	-	15,000
Current portion of corporate bonds	-	-	15,000
Current portion of long-term borrowings	23,929	11,012	18,676
Other financial liabilities	5,049	2,653	3,283
Short-term employee benefits	35,501	34,646	32,483
Provisions	4,579	4,275	3,311
Income taxes payable	9,995	9,988	7,704
Others	9,744	8,340	10,616
Subtotal	260,794	242,132	370,279
Liabilities of disposal groups classified as held for sale	-	13,470	-
Total current liabilities	260,794	255,602	370,279
Non-current liabilities			
Corporate bonds	169,347	89,656	19,952
Long-term borrowings	129,617	153,570	54,121
Other financial liabilities	18,452	20,030	14,489
Long-term employee benefits	57,592	53,213	45,970
Provisions	11,261	6,704	6,270
Deferred tax liabilities	12,163	13,925	16,310
Others	202	461	4,535
Total non-current liabilities	398,637	337,562	161,650
Total liabilities	659,431	593,165	531,930
Equity			
Common stock	79,863	79,863	79,863
Capital surplus	3,797	26,021	53,725
Treasury stock	(6,895)	(6,944)	(4,070)
Retained earnings	584,849	552,684	497,365
Other components of equity	(45,299)	(41,976)	23,776
Disposal groups classified as held for sale	-	(161)	-
Equity attributable to owners of the parent company	616,315	609,486	650,660
Non-controlling interests	74,358	71,240	74,671
Total equity	690,673	680,727	725,331
Total liabilities and equity	1,350,105	1,273,893	1,257,261

## Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	(Millions of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Continuing operations		
Sales	1,091,195	1,149,427
Cost of sales	(704,177)	(757,135)
Gross profit	387,018	392,291
Share of profit of associates and joint ventures	2,537	1,169
Selling expenses	(169,448)	(174,440)
Research and development expenses	(27,134)	(26,591)
General and administrative expenses	(96,119)	(94,284)
Business profit	96,852	98,144
Other operating income	9,541	23,868
Other operating expenses	(22,776)	(22,335)
Operating profit	83,617	99,678
Financial income	7,283	5,292
Financial expenses	(4,216)	(6,192)
Profit before income taxes	86,684	98,778
Income taxes	(21,717)	(20,635)
Profit from continuing operations	64,966	78,143
Profit from discontinued operations	-	2,788
Profit	64,966	80,931
Attributable to:		
Owners of the parent company	53,065	71,292
Non-controlling interests	11,901	9,639
Profit from continuing operations attributable to owners of the parent company	53,065	68,504
Profit from discontinued operations attributable to owners of the parent company	-	2,788
Profit attributable to owners of the parent company	53,065	71,292
Earnings per share from continuing operations (yen):		
Basic	92.81	116.49
Diluted	-	-
Earnings per share from discontinued operations (yen):		
Basic	-	4.74
Diluted	-	-
Earnings per share (yen):		
Basic	92.81	121.23
Diluted	-	-

## Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	(Millions of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Profit	64,966	80,931
Other comprehensive income (Net of related tax effects)		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	4,696	(1,832)
Remeasurements of defined benefit pension plans	(6,607)	(11,468)
Share of other comprehensive income (loss) of associates and joint ventures	540	(698)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	274	(3,037)
Change in fair value of forward elements of forward contracts	(162)	-
Exchange differences on translation of foreign operations	1,809	(57,708)
Share of other comprehensive income (loss) of associates and joint ventures	67	(300)
Other comprehensive income (Net of related tax effects)	617	(75,044)
Comprehensive income	65,584	5,886
Comprehensive income attributable to:		
Owners of the parent company	53,489	5,420
Non-controlling interests	12,094	465

Performance Data

Consolidated Statements of Changes in Equity Ajinomoto Co., Inc. and Consolidated Subsidiaries

	(Millions of yen)			
	Equity attributable to owners of the parent company			
	Common stock	Capital surplus	Treasury stock	Retained earnings
Balance as of April 1, 2015	79,863	53,725	(4,070)	497,365
Profit				71,292
Other comprehensive income				
Comprehensive income				71,292
Purchase of treasury stock			(30,167)	
Disposal of treasury stock		0	0	
Retirement of treasury stock		(27,292)	27,292	
Dividends				(15,978)
Changes due to business combinations				
Changes in ownership interests in subsidiaries that result in loss of control				
Changes in ownership interests in subsidiaries that do not result in loss of control		(411)		
Transfer from other components of equity to retained earnings				6
Transfer of negative balance of other capital surplus				
Transfer to non-financial assets				
Disposal groups classified as held for sale				
Other				(0)
Total net changes in transactions with owners of the parent company	-	(27,703)	(2,873)	(15,973)
Balance as of March 31, 2016	79,863	26,021	(6,944)	552,684
Profit				53,065
Other comprehensive income				
Comprehensive income				53,065
Purchase of treasury stock			(30,013)	
Disposal of treasury stock		(0)	0	
Retirement of treasury stock		(30,061)	30,061	
Dividends				(17,252)
Changes due to business combinations				
Changes in ownership interests in subsidiaries that result in loss of control				
Changes in ownership interests in subsidiaries that do not result in loss of control		(65)		
Transfer from other components of equity to retained earnings				4,290
Transfer of negative balance of other capital surplus		7,903		(7,903)
Transfer to non-financial assets				
Disposal groups classified as held for sale				
Other				(34)
Total net changes in transactions with owners of the parent company	-	(22,223)	48	(20,900)
Balance as of March 31, 2017	79,863	3,797	(6,895)	584,849

	(Millions of yen)										
	Equity attributable to owners of the parent company										
	Other components of equity							Disposal group classified as held for sale	Total	Non-controlling interests	Total
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit pension plans	Cash flow hedges	Change in fair value of forward elements of forward contracts	Exchange differences on translation of foreign operations	Share of other comprehensive income (loss) of associates and joint ventures	Total					
Balance as of April 1, 2015	24,063	(1,046)	(731)	-	-	1,492	23,776	-	650,660	74,671	725,331
Profit									71,292	9,639	80,931
Other comprehensive income	(1,832)	(11,372)	(3,030)	-	(48,641)	(998)	(65,871)	-	(65,871)	(9,173)	(75,044)
Comprehensive income	(1,832)	(11,372)	(3,030)	-	(48,641)	(998)	(65,871)	-	5,420	465	5,886
Purchase of treasury stock									(30,167)		(30,167)
Disposal of treasury stock									1		1
Retirement of treasury stock									-		-
Dividends									(15,978)	(3,693)	(19,672)
Changes due to business combinations									-		-
Changes in ownership interests in subsidiaries that result in loss of control									-		-
Changes in ownership interests in subsidiaries that do not result in loss of control									(411)	(233)	(644)
Transfer from other components of equity to retained earnings	(6)						(6)		-		-
Transfer of negative balance of other capital surplus									-		-
Transfer to non-financial assets			(37)				(37)		(37)	(0)	(37)
Disposal groups classified as held for sale		161					161	(161)	-		-
Other								(0)	31	31	31
Total net changes in transactions with owners of the parent company	(6)	161	(37)	-	-	0	118	(161)	(46,594)	(3,895)	(50,490)
Balance as of March 31, 2016	22,225	(12,256)	(3,799)	-	(48,641)	495	(41,976)	(161)	609,486	71,240	680,727
Profit									53,065	11,901	64,966
Other comprehensive income	4,695	(6,542)	267	(126)	1,522	607	424		424	193	617
Comprehensive income	4,695	(6,542)	267	(126)	1,522	607	424	-	53,489	12,094	65,584
Purchase of treasury stock									(30,013)		(30,013)
Disposal of treasury stock									0		0
Retirement of treasury stock									-		-
Dividends									(17,252)	(3,927)	(21,180)
Changes due to business combinations									-		-
Changes in ownership interests in subsidiaries that result in loss of control	(6)	36					29	161	191	(4,060)	(3,868)
Changes in ownership interests in subsidiaries that do not result in loss of control									(65)	(951)	(1,017)
Transfer from other components of equity to retained earnings	(4,290)						(4,290)		-		-
Transfer of negative balance of other capital surplus									-		-
Transfer to non-financial assets			513				513		513	5	519
Disposal groups classified as held for sale									-		-
Other	(0)				0		0		(34)	(43)	(77)
Total net changes in transactions with owners of the parent company	(4,297)	36	513	-	0	-	(3,746)	161	(46,660)	(8,977)	(55,638)
Balance as of March 31, 2017	22,624	(18,763)	(3,018)	(126)	(47,118)	1,102	(45,299)	-	616,315	74,358	690,673



## Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	86,684	98,778
Profit before income taxes from discontinued operations	–	11,064
Depreciation and amortization	46,273	50,852
Impairment loss	1,965	15,043
Pharmaceutical business restructuring charges	–	11,784
Increase (decrease) in employee benefits	(2,853)	(3,859)
Increase (decrease) in provisions	5,939	1,507
Interest income	(3,162)	(2,846)
Dividend income	(1,217)	(1,317)
Interest expenses	2,532	2,310
Share of profit of associates and joint ventures	(2,537)	(1,585)
Loss on disposal of property, plant and equipment	3,657	2,926
Gain on sales of property, plant and equipment	(5,312)	(878)
Gain on sales of shares of subsidiaries and associates	(593)	(27,570)
Loss on sales of shares of subsidiaries and associates	626	5,603
Gain on business combination achieved in stages	–	(18,112)
Environmental measures expenses	377	1,013
Decrease (increase) in trade and other receivables	(4,174)	13,800
Increase (decrease) in trade and other payables	(1,478)	(2,687)
Decrease (increase) in inventories	3,216	1,845
Increase (decrease) in consumption taxes payable	570	(716)
Increase (decrease) in other assets and liabilities	1,489	4,445
Others	653	(14,197)
<b>Subtotal</b>	<b>132,655</b>	<b>147,203</b>
Insurance proceeds	1,532	356
Interest received	3,121	3,436
Dividends received	1,738	2,459
Interest paid	(2,474)	(2,197)
Income taxes paid	(27,665)	(21,947)
<b>Net cash provided by operating activities</b>	<b>108,907</b>	<b>129,311</b>

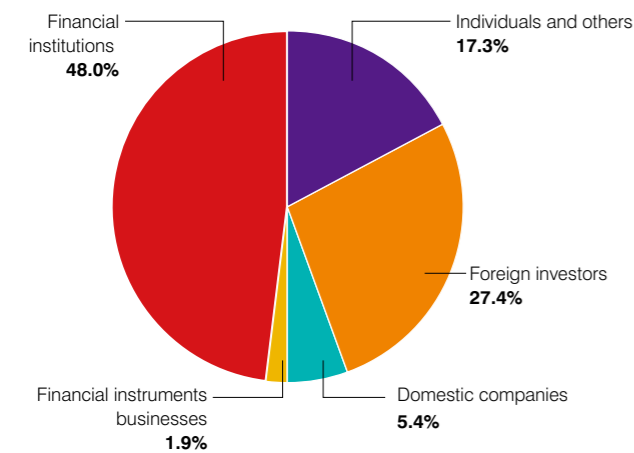
(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(56,055)	(51,415)
Proceeds from sales of property, plant and equipment	6,407	1,270
Purchase of intangible assets	(30,138)	(5,039)
Purchase of financial assets	(7,242)	(2,369)
Proceeds from sales of financial assets	8,664	13
Purchase of shares in subsidiaries resulting in change in scope of consolidation	–	(26,553)
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	2,235	4,133
Purchase of shares in associates and joint ventures	(63,979)	(6,616)
Proceeds from sales of shares in associates and joint ventures	916	32,500
Others	(3,109)	(4,667)
<b>Net cash used in investing activities</b>	<b>(142,299)</b>	<b>(58,745)</b>
<b>Cash flows from financing activities</b>		
Net change in short-term borrowings	(1,112)	(85,172)
Net change in commercial paper	–	(15,000)
Proceeds from long-term borrowings	–	115,856
Repayments of long-term borrowings	(11,058)	(22,381)
Proceeds from issuance of corporate bonds	79,690	69,703
Redemption of corporate bonds	–	(15,000)
Dividends paid	(17,242)	(15,982)
Dividends paid to non-controlling interests	(3,927)	(3,693)
Purchase of treasury stock	(30,034)	(30,187)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(1,017)	(644)
Others	(557)	(318)
<b>Net cash provided by (used in) financing activities</b>	<b>14,738</b>	<b>(2,820)</b>
<b>Effect of currency rate changes on cash and cash equivalents</b>	<b>169</b>	<b>(13,324)</b>
<b>Net change in cash and cash equivalents</b>	<b>(18,484)</b>	<b>54,420</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>204,487</b>	<b>169,413</b>
Cash and cash equivalents included in assets of disposal groups classified as held for sale	–	(19,346)
<b>Cash and cash equivalents at end of the year</b>	<b>186,003</b>	<b>204,487</b>

**Company Name:** Ajinomoto Co., Inc.  
**Founding:** May 20, 1909  
**Paid-in Capital:** ¥79,863 million  
**Number of Employees:** 32,734 (Consolidated),  
 3,459 (Non-consolidated)  
**Fiscal Year-end:** March 31  
 (General meeting of shareholders: June)  
**Head Office:** 15-1, Kyobashi 1-chome, Chuo-ku,  
 Tokyo 104-8315, Japan  
 Tel: +81-3-5250-8111  
<https://www.ajinomoto.com/en/>

**Common Stock Authorized:** 1,000,000,000 shares  
**Issued:** 571,863,354 shares  
**Number of Shareholders:** 83,101  
**Listing:** Tokyo Stock Exchange  
 (Ticker Code: 2802)  
**Shareholder Registrar:** Mitsubishi UFJ Trust and  
 Banking Corporation  
**Independent Auditor:** Ernst & Young ShinNihon LLC

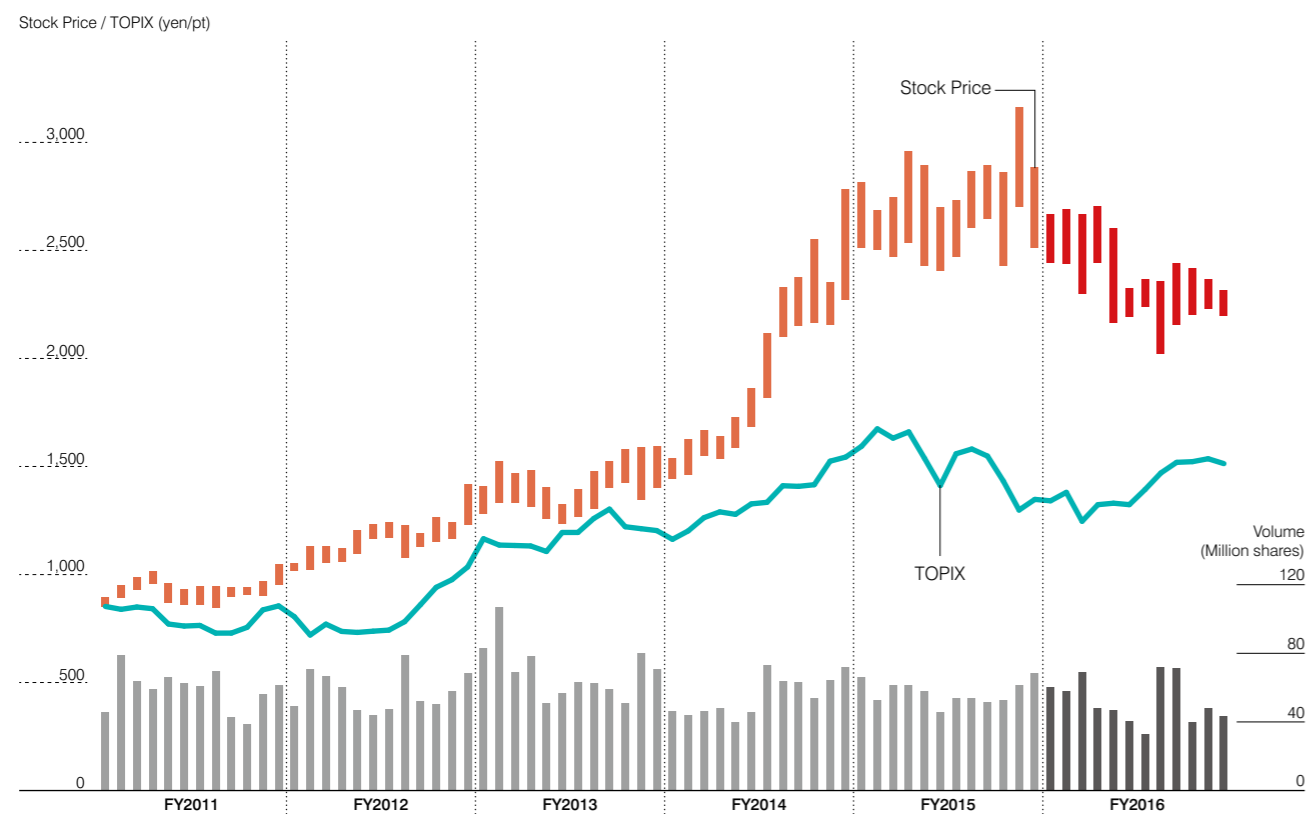
Distribution of Shareholders (By number of shares)



Major Shareholders

Name of Shareholders	Number of Shares (Thousands)	Equity Position (%)
The Master Trust Bank of Japan, Ltd. (trust account)	50,779	8.88
Japan Trustee Services Bank, Ltd. (trust account)	32,930	5.76
The Dai-ichi Life Insurance Company, Limited	26,199	4.58
NIPPON LIFE INSURANCE COMPANY	25,706	4.50
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,149	3.52
Meiji Yasuda Life Insurance Company	12,624	2.21
Mitsubishi UFJ Trust and Banking Corporation	11,548	2.02
Sompo Japan Nipponkoa Insurance Inc.	10,239	1.79
Mizuho Bank, Ltd.	10,045	1.76
STATE STREET BANK WEST CLIENT – TREATY 505234	9,322	1.63

Monthly Stock Price Range and Monthly Trading Volume



Website Information

Detailed information (business activities, financial and non-financial data, governance, etc.) is available on the Company's website.



Investor Relations

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



Sustainability

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

Outside Evaluation

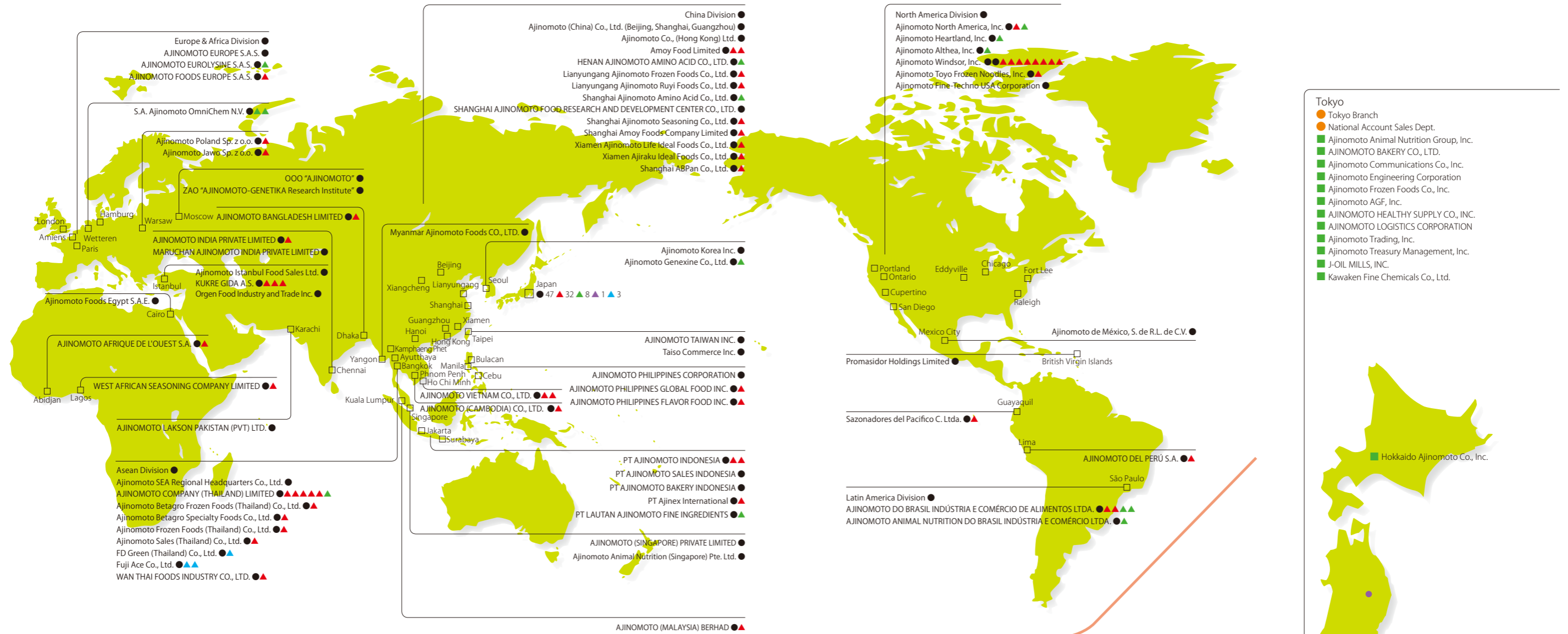
Inclusion in the SRI Index

- Dow Jones Sustainability World Index**  
Three consecutive years since 2014  
MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM
- FTSE4Good Global Index**  
14 consecutive years since 2004  
**FTSE4Good**
- MSCI Global SRI Indexes**  
Six consecutive years since 2011  
2017 Constituent MSCI Global SRI Indexes
- MSCI Global Sustainability Indexes**  
Seven consecutive years since 2010  
2017 Constituent MSCI Global Sustainability Indexes

Highly Regarded Activities in Japan

Fiscal 2016	
2017 Health & Productivity Stock Selection	
22nd Awards for Excellence in Corporate Disclosure First Place, Food Products sector	
NIKKEI Annual Report Awards 2016 Special Award	Ajinomoto Group Integrated Report 2016
20th Environmental Communication Awards Sustainability Report Award of Excellence (Chairman of the Global Environmental Forum Award)	Ajinomoto Group Integrated Report 2016 Ajinomoto Group Sustainability Data Book 2016
13th Eco-Products Awards Ministry of Agriculture, Forestry and Fisheries Minister's Award	Lysine, amino acids for animal feed
Fiscal 2015	
IR Grand Prix Award at the 20th IR Awards	
Minister of the Environment Grand Prize for Sustainable Reporting at the 19th Environmental Communication Awards	Ajinomoto Group Sustainability Report 2015
Top Prize in the Nikkei Social Initiative Awards by newspaper publisher Nihon Keizai Shimbun (Nikkei)	Ghana Nutrition Improvement Project

The Ajinomoto Group is globally expanding in a wide range of business fields, with operations spanning 30 countries and regions.



Global network: 30 countries and regions (including 118 manufacturing and packaging plants in 22 countries and regions) (Japan: 44; Other Countries: 74)

- Subsidiaries, Affiliates, and Offices of the Parent Company
- ▲ Food Plants (86)
- ▲ Amino Acids and Specialty Chemical Plants (24)
- ▲ Pharmaceuticals Plant (1)
- ▲ Other Plants (7)

Divisions are regional headquarters.

Note: 1 Plants include packaging plants.  
2 Not all plants are displayed on the map.

Network in Japan As of July 1, 2017

