

Eat Well, Live Well.



# AJINOMOTO GROUP INTEGRATED REPORT 2018

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### 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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AjiPanda® is  
the character  
of Ajinomoto Co., Inc.



# We have introduced a “Global Brand Logo”

In October 2017, the Ajinomoto Group introduced the Ajinomoto Group Global Brand Logo (“AGB”) for use throughout the Group.

The meaning of “Ajinomoto” is the “Essence of Umami,” which has evolved from its literal meaning, the “Essence of Taste.”

Combining the infinity symbol with the letter “A” incorporates three ambitions: the investigation, mastery and spread of “taste (Aji)”; the evolution and development of the value of “Amino acids” with leading-edge bioscience and fine chemical technologies; and the promotion of global sustainability.

The line flowing from “A” to “j” depicts a person, suggesting people *Join* together and take *Joy* in the cooking, eating and comfortable lifestyles provided by the taste (Aji) and Amino acids.

The line extending from the bottom of “j” upward to the right expresses the growth and development of the Ajinomoto Group into the future.

By aggregating and accruing the value created through ASV (The Ajinomoto Group Creating Shared Value) in AGB, the Group aims to grow into a group with greater trust from consumers around the world.



## Editorial Policy

This Integrated Report provides a roadmap of the Ajinomoto Group (“the Group”) for enhancing corporate value through ASV (The Ajinomoto Group Creating Shared Value) with the aim of becoming a “Genuine Global Specialty Company” in an easy-to-read narrative format.

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

### Organizational Scope

This report covers the activities of the Group, comprising, unless otherwise noted, Ajinomoto Co., Inc. (“the Company”) and its Group companies (as of March 31, 2018), including consolidated subsidiaries and other Group companies subject to reporting under the equity method. Where sufficient information for the entire Group was unavailable, the limitation in scope is explicitly defined.

### Period Covered by This Report

Fiscal 2017 (FY2017: April 1, 2017–March 31, 2018)  
When appropriate, however, exceptions to this general rule are made, as when citing past circumstances and data or using recent examples for illustration purposes.

### Precautions Related to Forward-Looking Statements

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

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# Course of the Ajinomoto Group's Growth

The history of the Ajinomoto Group ("the Group") began in 1909, when its founder Saburosuke Suzuki II started marketing an umami seasoning *AJI-NO-MOTO*®. Umami was discovered a year earlier by Professor Kikunae Ikeda, who was driven by a strong desire to "improve the nutrition of the Japanese people." Carrying on the desire of the founding, the Group has continued to expand its business while contributing to the resolution of social issues through food and wellness. Looking ahead, the Group will strive to become a "Genuine Global Specialty Company ("GGSC")" that can grow sustainably and contribute to a healthy future for humanity and the earth through its "Food" and "AminoScience" businesses.




Overview of the Ajinomoto Group (As of March 31, 2018)		
Sales Areas Over <b>130</b> countries and regions	Business Sites <b>35</b> countries and regions	Number of Factories <b>123</b>
Sales <b>¥1,150.2 billion</b>		Number of Employees <b>34,452</b>

## Sales Performance (Sales Ratio)



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

## Evolution of the Ajinomoto Group

1909	1910~	1950~	1960~	1970~	1990~	2010~
<p><b>Launch of <i>AJI-NO-MOTO</i>®, world's first umami seasoning</b></p> <p>1909 Industry-academia collaboration between Professor Kikunae Ikeda and Saburosuke Suzuki II</p>  <p>Dr. Kikunae Ikeda Discoverer of the umami taste Saburosuke Suzuki II Founder of the Ajinomoto Group</p> <p>Commercialized monosodium glutamate (MSG)</p>  <p>The original <i>AJI-NO-MOTO</i>® (1909)</p>	<p><b>Expansion of <i>AJI-NO-MOTO</i>® production and sales and start of exports</b></p> <p>1910 Established agent in Taiwan</p>  <p>Sole agent in Tainan, Taiwan (as of 1936)</p> <p>1917 Opened New York purchasing and sales office</p> <p>1927 Opened Singapore sales office</p> <p>1930s Expanded sales channels for processed foods in the U.S.</p>	<p><b>Recommencement of overseas expansion</b></p> <p>1950 Commenced exports to European processed food manufacturers</p> <p>1956 Established subsidiary in Brazil</p> <p>Launched amino acids for pharmaceutical use, contributing to world's first amino acid infusion</p> <p>1958 Description of MSG as a representative GRAS<sup>*1</sup> substance in the U.S. CFR<sup>*2</sup></p>	<p><b>Commencement of local production and diversification of businesses</b></p> <p>1960~ Commenced local production of MSG (Thailand, the Philippines, Malaysia, Peru, Indonesia, Brazil)</p> <p>1962 Alliance with U.S. Kellogg Company (Corn Flakes)</p> <p>1963 Alliance with U.S. CPC International Inc. (Soup)</p> <p>1965 Commenced production of feed-use lysine</p> <p>1970 Launched <i>HON-DASHI</i></p>	<p><b>Application of amino acid functions and technologies</b></p> <p>1972 Launched <i>Ajinomoto KK Frozen Foods</i></p> <p>Launched amino acid-based personal care ingredient, <i>Amisoft</i>®</p> <p>1973 Alliance with U.S. General Foods Corporation (Coffee)</p> <p>1982 Launched amino acid sweetener, aspartame</p> <p>1987 MSG categorized as a safe food additive unnecessary to specify Acceptable Daily Intake by JECFA<sup>*3</sup></p>	<p><b>Application of amino acid functions and technologies</b></p> <p>1990 MSG categorized as a safe food additive unnecessary to specify Acceptable Daily Intake by EC/SCF<sup>*4</sup></p> <p>1991 Established subsidiary in Nigeria</p> <p>1995 Launched amino acid sports supplement, <i>amino VITAL</i>®</p> <p>1999 Launched interlayer insulating material for semiconductor packages, <i>Ajinomoto Build-up Film</i>®</p>	<p><b>Quest to become a GGSC through ASV</b></p> <p>2011 Commenced the <i>AminoIndex</i>® illness risk diagnosis business</p> <p>2013 Acquired U.S.-based biopharmaceutical CDMO,<sup>*5</sup> Althea Technologies, Inc. (currently Ajinomoto Althea, Inc.)</p> <p>2014 Joint development of cell culture medium for regenerative medicine with the Center for IPS Cell Research and Application, Kyoto University</p> <p>Acquired U.S.-based frozen food manufacturer, Windsor Quality Holdings, LP (currently Ajinomoto Foods North America, Inc.)</p> <p>2015 Alliance with T. HASEGAWA CO., LTD. (Fermented natural flavors)</p> <p>2018 Established Ajinomoto Kohjin Bio Co., Ltd. (Contract manufacturing of clinical-use cell culture media for regenerative medicine applications)</p>

\*1 Generally Recognized As Safe  
\*2 Code of Federal Regulations

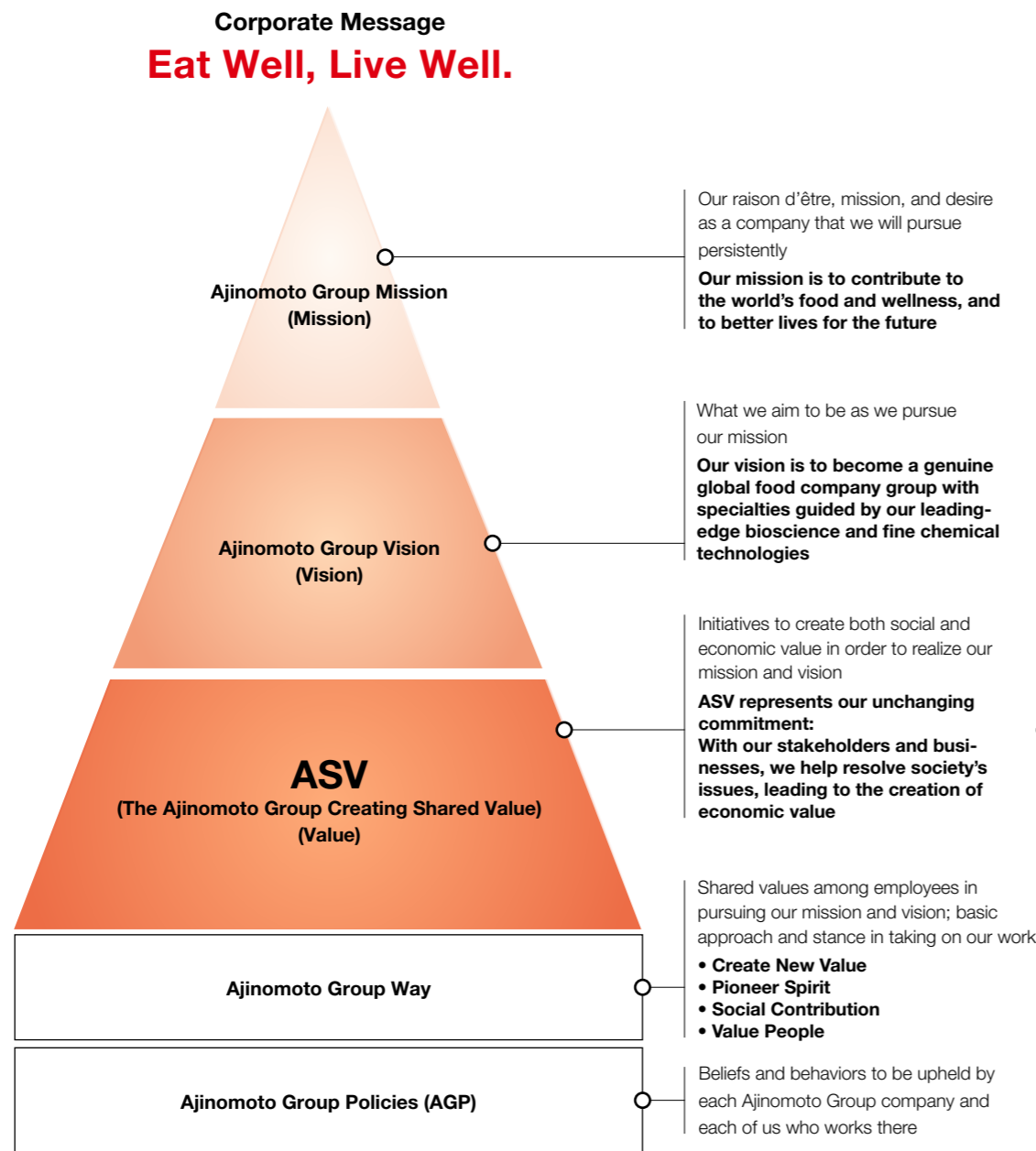
\*3 Joint FAO/WHO Expert Committee on Food Additives  
\*4 European Commission/Scientific Committee on Food

\*5 Contract Development and Manufacturing Organization

# ASV to be Pursued over the Next Century

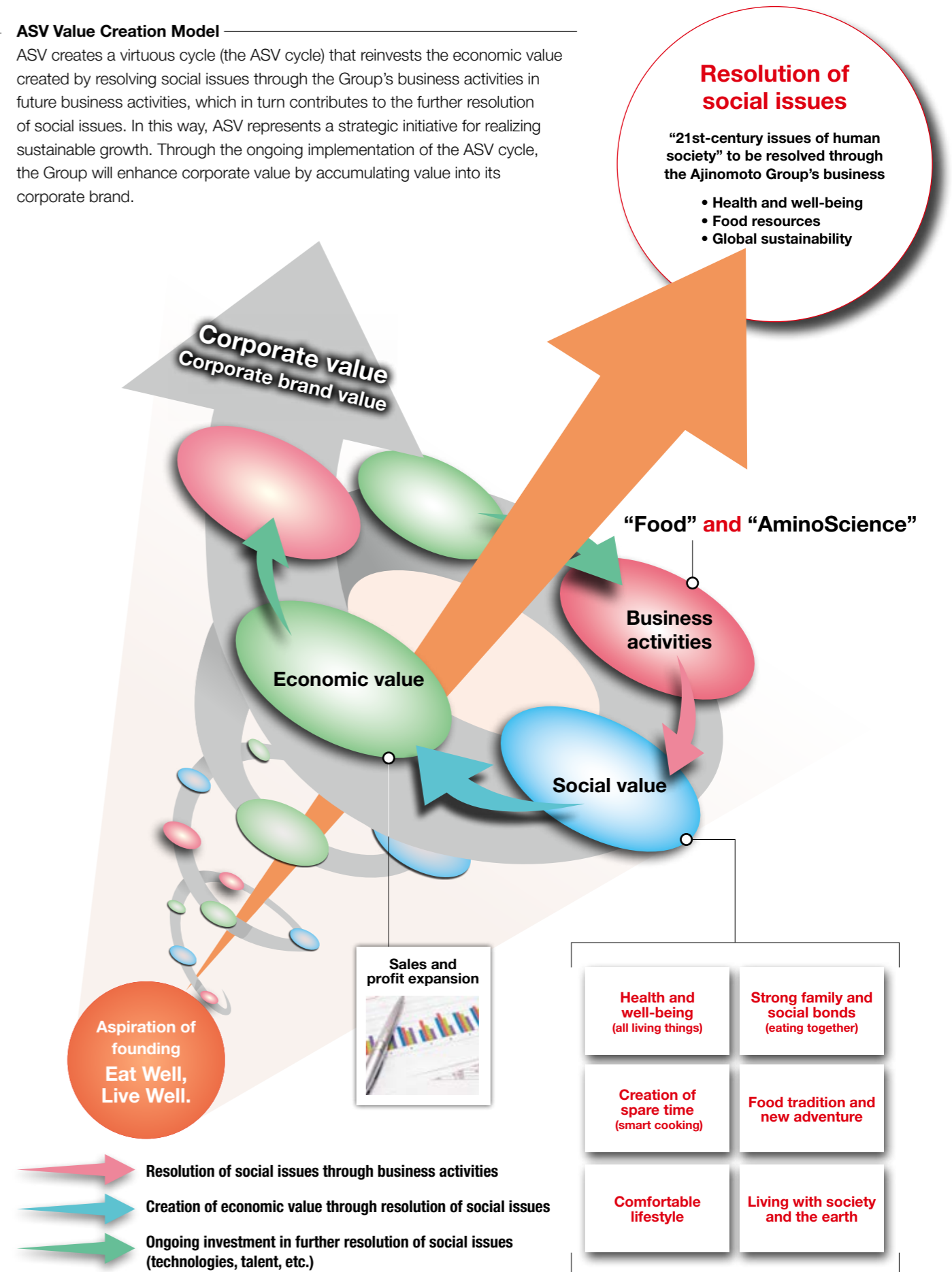
Since its founding, the Ajinomoto Group has been consistently engaging in initiatives to resolve social issues through its business. Through shared value with society and local communities, the Group has improved economic value, thus leading to its growth. These kinds of initiatives have been named ASV (The Ajinomoto Group Creating Shared Value). ASV has been positioned at the core of the Group's corporate philosophy, "Our Philosophy," to realize the 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 by resolving social issues through the Group's business activities in future business activities, 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 ongoing implementation of the ASV cycle, the Group will enhance corporate value by accumulating value into its corporate brand.





# ASV Value Creation Stories

The Ajinomoto Group has defined three material issues of 21st-century human society to be resolved through its business: "health and well-being," "food resources," and "global sustainability." In the FY2017-2019 (for FY2020) Medium-Term Management Plan (hereinafter, "FY17-19 MTP"), ASV value creation stories have been defined based on the Group's core competencies to shape its approach for resolving these issues. The Group is advancing its business activities in accordance with these stories.

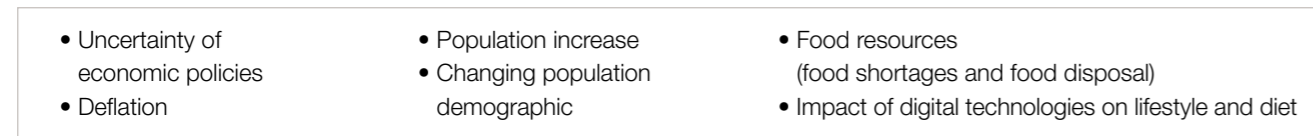
## Materiality Items of the Ajinomoto Group

While carefully assessing the macro environment, the Ajinomoto Group has engaged in dialogue with external experts to identify several materiality items. In 2017, these items were updated to reflect the United Nations' Sustainable Development Goals (SDGs) and incorporated into the FY17-19 MTP with consideration paid to the level of importance to society and the Group's business in non-financial areas.

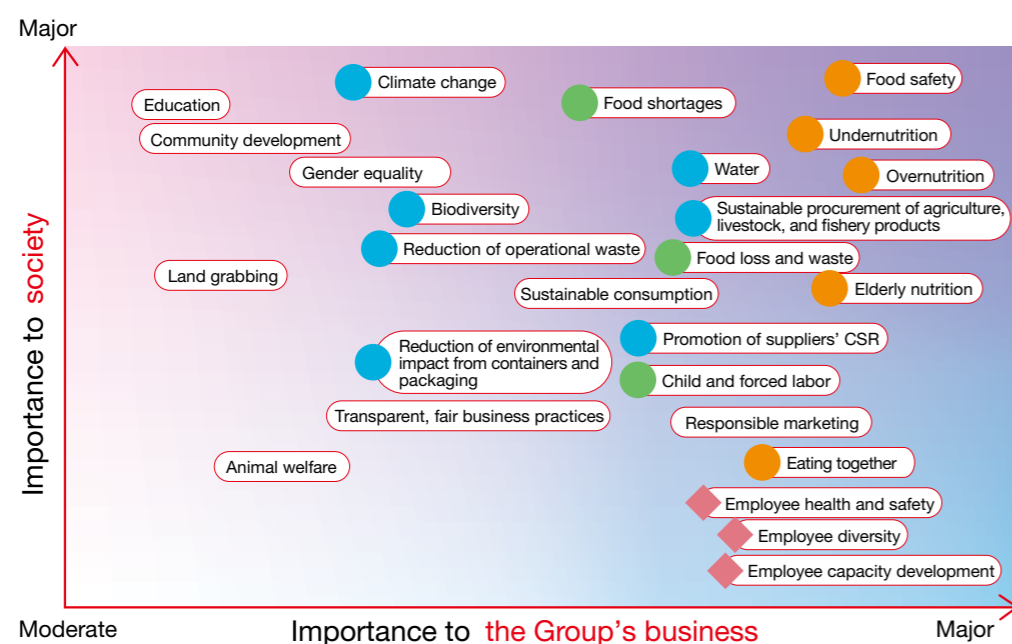
## 21st-Century Issues of Human Society to be Resolved through the Ajinomoto Group's Business



## Issues in the Macro Environment



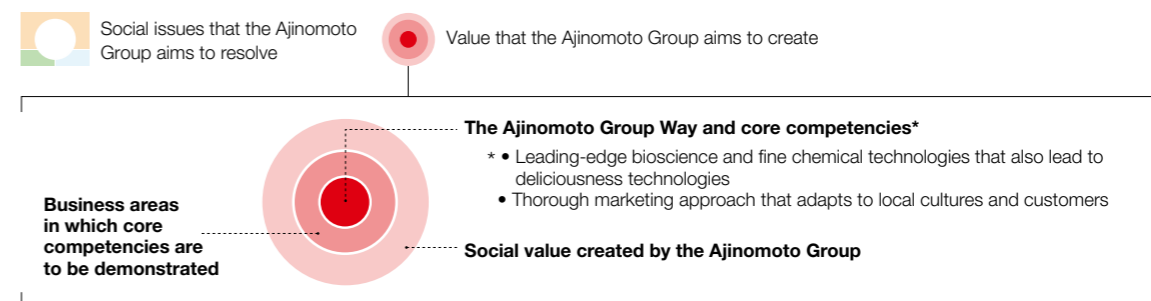
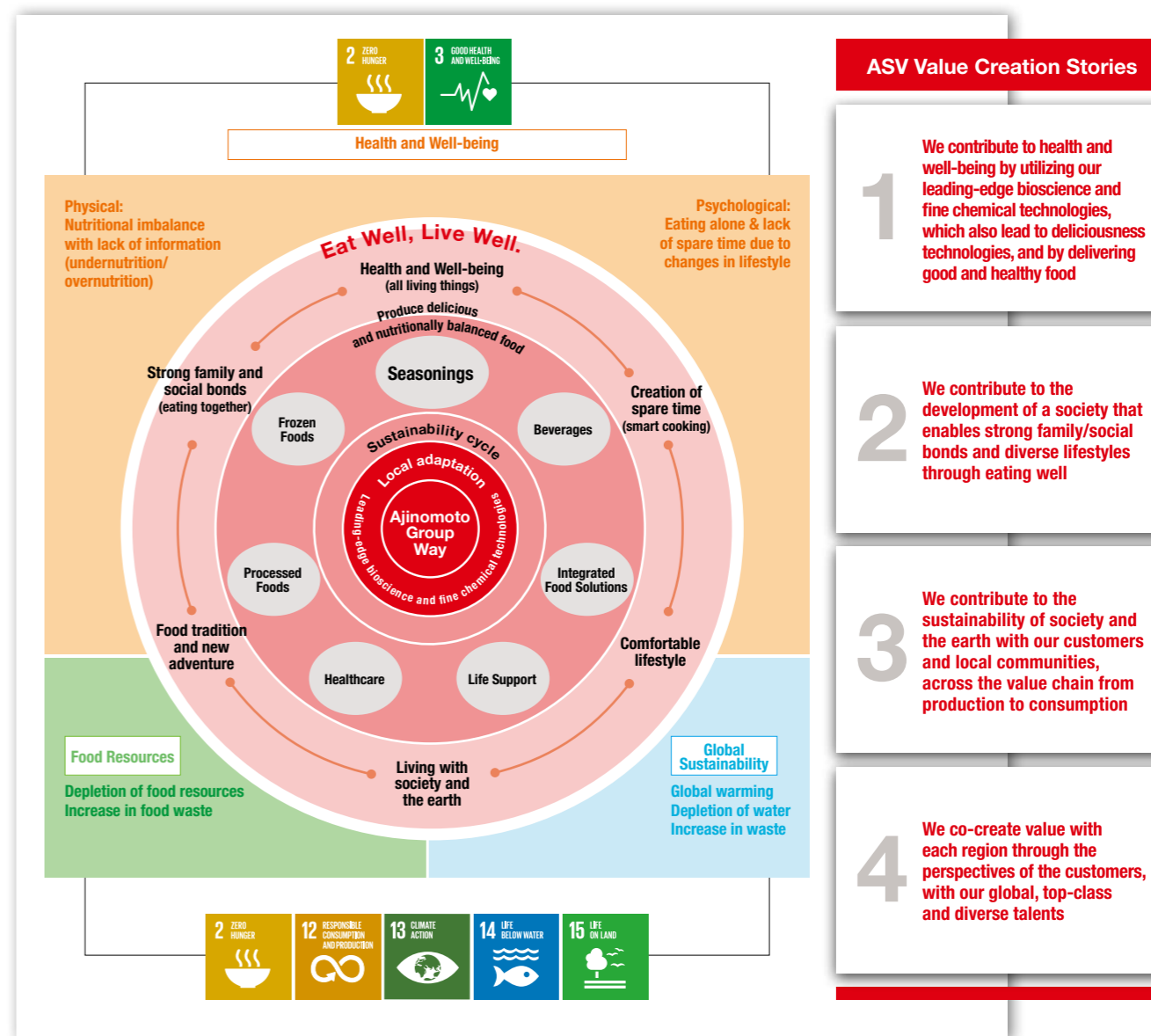
## Materiality Matrix of the Ajinomoto Group



Materiality relevant to "21st-century issues of human society"  
 ● Health and Well-being ● Food Resources ● Global Sustainability ◆ Business Foundation

## Value That the Ajinomoto Group Aims to Create

The diverse human resources of the Ajinomoto Group, who embody the Ajinomoto Group Way, seek to create social value through activities in each business area by leveraging the Group's core competencies, namely leading-edge bioscience and fine chemical technologies that also lead to deliciousness technologies, and a thorough marketing approach that adapts to local cultures and customers. This pursuit has been codified in ASV value creation stories.



# Target Management Indicators

Based on the ASV value creation stories of the FY17-19 MTP, the Ajinomoto Group has established integrated targets for FY2020, which consolidate non-financial targets for quantifying the social value created through our business activities and financial targets quantifying the economic value generated from this social value. Furthermore, given that corporate brand value is a value crystallization generated by all corporate activities of the Group, this brand value has been put forth as a shared indicator that comprehensively reflects evaluations from all stakeholders.

**Corporate Brand Value**

Enhance brand value through creating social/economic value, which leads to further value creation\*2

Millions of USD

2015 2016 2017 2020 (FY)

**Integrated Target for FY2020**

**USD 1,500 million**

**Genuine Global Specialty Company**

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

## Integrated Targets for FY2020

### 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 talents

### Non-Financial Targets (Social Value)

**Better nutritional balance by eating more protein and vegetables with umami**

**Business activity**

Produce good and healthy food menus with protein and vegetables centered on umami

**More eating together**

**Business activity**

Produce menus of delicious foods to be eaten with family or colleagues

**Smart and delicious cooking**

**Business activity**

Provide food products that enable smart and delicious cooking

**People's comfortable lifestyles**

**Business activity**

Provide ingredients and products supported by amino acid technologies

**Resolution of environmental issues**

**Business activity**

Construct a value chain that optimizes the use of resources

Contribute to the global environment throughout the procurement, production, and consumption processes

▶ See p26

**Improved employee engagement**

**Business activity**

Improve working environments supported by IT

Employees with high engagement

80%

FY2020 Target

### Financial Targets under IFRS (Economic Value)

**Umami seasonings +100K tons**

**Flavor seasonings +90K tons**

**Frozen foods +30 million packages\*3**

**Soups 100 million servings\*4**

**Amino acids +80K tons**

**Cost reduction -¥10 billion\*5**

**Higher specialty ratio through innovation**

**Higher work efficiency supported by IT -¥2.5 billion\*5**

**Business profit**

**¥137.0 billion or more**

**Business profit margin**

**10%**

**ROE**

**10% or higher**

**EPS growth rate**

**Double-digit annual growth**

**International sales growth rate (consumer foods) (local currency basis)**

**Double-digit annual growth**

**Total sales**

**¥1,350 billion**

(+¥260 billion)

**Operating Income/Business Profit / Operating Income Margin/Business Profit Margin\*\***

**ROE / EPS Growth Rate\*\***

**Overseas Sales\*\***

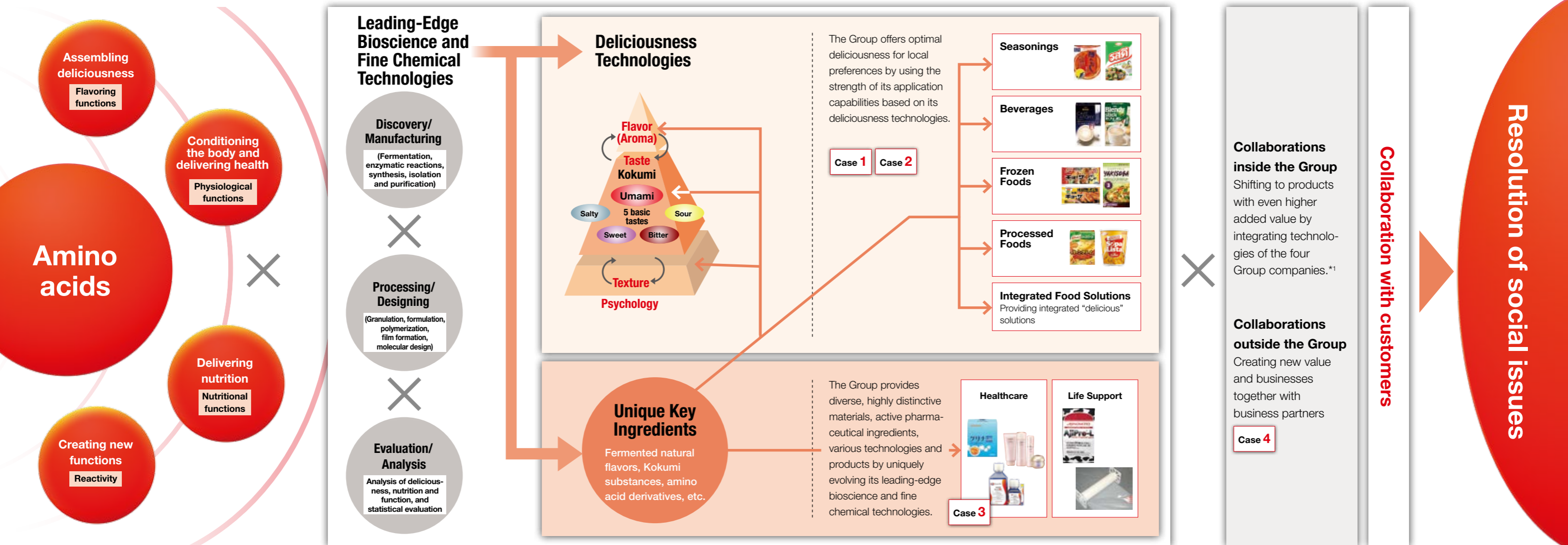
\*1 Thailand, Brazil, Indonesia, Vietnam, the Philippines \*2 Evaluated by Interbrand, "Japan's Best Brand" \*3 Counting only products for household consumers in Japan \*4 Counting only cup soup products in Japan \*5 Comparison between FY2016 and FY2019 \*6 Application of IFRS from FY2015 Note: Increases for umami seasonings, flavor seasonings, frozen foods, soups, and amino acids are comparisons over the period from FY2015 to FY2020. Increases in management indicators are comparisons over the period from FY2016 to FY2020.

# Maximizing the Infinite Potential of Amino Acids through Leading-Edge Bioscience and Fine Chemical Technologies

Amino acids provide the source for life on this earth. Glutamic acid, an amino acid, represents the essence of umami. The Ajinomoto Group has carried out research centered on amino acids, thereby cultivating and enhancing leading-edge bioscience and fine chemical technologies. The Group operates food business, which leverages deliciousness technologies as a major strength, and AminoScience business, which utilizes functions and technologies related to amino acids. Going forward, the Group will continue to contribute to the resolution of social issues as a pioneer in the pursuit of the infinite potential of amino acids.

### What is the Ajinomoto Group's application capabilities?

Capabilities that uniquely and optimally design, formulate, and evaluate according to consumer/business partner needs



## Application Capabilities Based on Deliciousness Technologies

**Case 1 Responding to the need for shortening cooking time**

- Unique formulation of "the root vegetable softener" that makes it easier to break down the cell walls of root vegetables
- The softener sufficiently permeates vegetables' cell walls and ingredients become soft just by boiling for a short period of time (Reduces cooking time by roughly 30 to 40 minutes [in-house survey])

Seasonings

**Case 2 Responding to the need for salt reduction and delivering optimal deliciousness for Americans**

- Integrating the Group's salt reduction technologies
- Analyzing the deliciousness preferred in the United States
- Easy to enjoy healthy and high-quality Asian/ethnic dishes (Approximately 30% salt reduction compared with conventional products)

Frozen Foods

## Leveraging Amino Acid Functions through Leading-Edge Bioscience and Fine Chemical Technologies

**Case 3 Supporting the health of the elderly**

- Uniquely formulating nine essential amino acids\*2 that help to build muscle
- Realizing delicious taste and a melt-in-the-mouth sensation that enables elderly people to take easily
- Supporting muscle protein synthesis by continuing to take on a daily basis

"Foods with Functional Claims"

**Case 4 Establishing the Client Innovation Center**

Established in June 2018 to serve as a base for co-creating new value and businesses with business partners

\*1 Consolidating the food R&D departments of Ajinomoto Co., Inc., Ajinomoto Frozen Foods Co., Inc., Ajinomoto AGF, Inc., and Knorr Foods Co., Ltd. (planned for FY2020)  
\*2 Amino acids that cannot be synthesized by the body



## Message from the President and CEO

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

Eat Well, Live Well

**Aji**  
AJINOMOTO

### Takaaki Nishii

Representative Director,  
President & Chief Executive Officer

### Future Image of the Ajinomoto Group (ASV Evolution)

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

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

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

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

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

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

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

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

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

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



## Message from the President and CEO

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

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

### The Social Mission and Initiatives of the Ajinomoto Group

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

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

#### Key Initiatives

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

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

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

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

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

#### Demonstrating Leadership in Society

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

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



Message from the President and CEO

Progress and Issues Thus Far

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

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

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

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

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

A Message to Our Stakeholders

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

July 2018

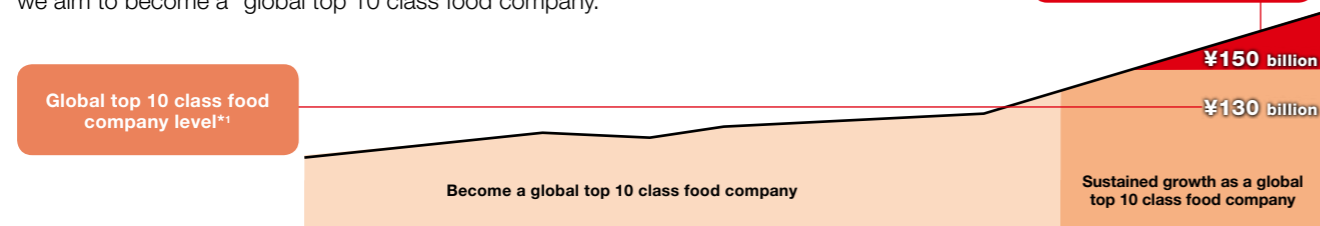


Takaaki Nishii  
Representative Director,  
President & Chief Executive Officer

Roadmap to a "Genuine Global Specialty Company"

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

Sustainable value creation as a "Genuine Global Specialty Company"



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

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





## Message from the Corporate Senior Vice President in Charge of Finance



**The Ajinomoto Group will continue to implement the ASV value creation cycle and enhance shareholder value.**

**Masaya Tochio**  
Member of the Board  
& Corporate Senior Vice President

### Toward Realizing Sustainable Growth through ASV

The Ajinomoto Group has been consistently engaging in ASV initiatives to create value that contributes to resolving social issues. By reinvesting economic value, created through the resolution of social issues, for growth, structural reforms and others, the Group will continue to implement the ASV value creation cycle, thus realizing sustainable earnings growth as well as expansion of shareholder returns.

#### Focus areas of corporate senior vice president in charge of finance for ASV value creation

- 1 Improvement of ROE and maximization of operating cash flows
- 2 Investment for growth and shareholder return
- 3 Financial health
- 4 Dialogue with stakeholders
- 5 Talent development for finance positions

### Summary of FY2017 and What the Ajinomoto Group Aims for in FY2018 and Beyond

In FY2017, the first year of the FY17-19 MTP, growth in profit attributable to owners of the parent company led return on equity (ROE) to climb to 9.7%, practically accomplishing the target of 9.8% set for the final year of the FY17-19 MTP.

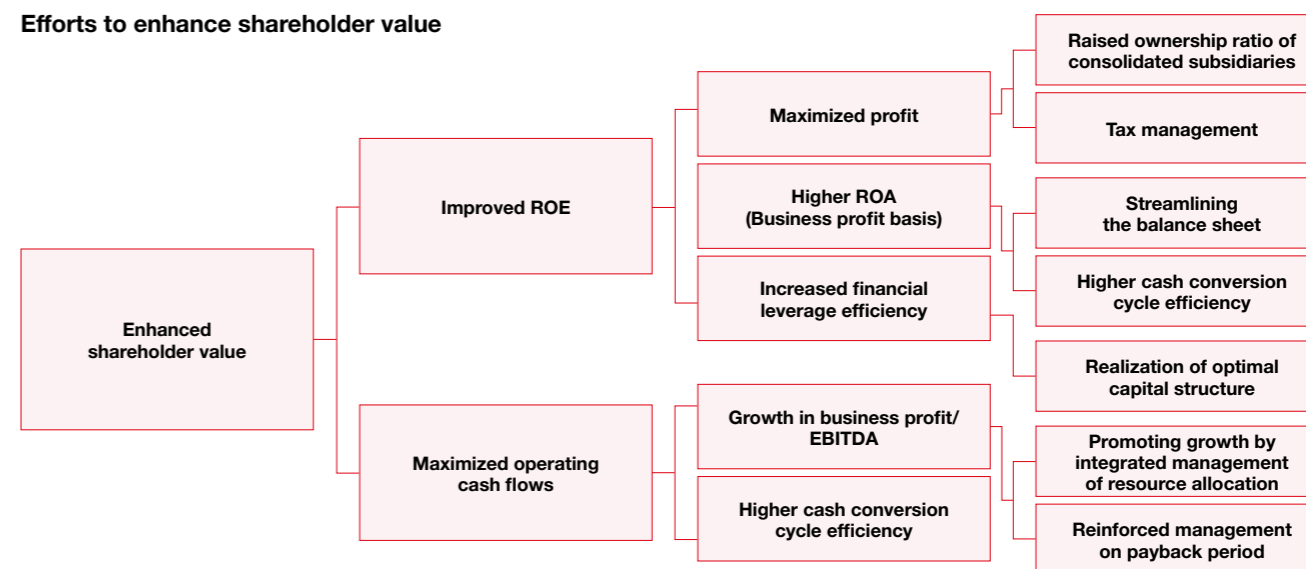
On a business profit basis, return on assets (ROA) was 7.0%, a year-on-year decrease of 0.4 percentage point. Business profit was ¥97.3 billion, which was lower than the FY2017 target of ¥102.0 billion. While seasonings and processed foods, life support, and the CDMO business in healthcare contributed, the issues revolved around businesses of coffee in Japan, canned coffee in Thailand, and frozen foods in the United States. We are currently moving ahead with concrete measures to address these issues and realize improvements over the course of FY2018. We were able to achieve cost savings by approximately ¥4.5 billion year on year through ongoing cost reduction initiatives in procuring raw materials and using resource-saving fermentation technologies. The ratio of Group shared expenses to sales, for which we have set a target of 2.5% for FY2020, was relatively unchanged year on year in FY2017 at 3.2% due to upfront investments in the renewal of core systems and work-style innovation in Japan. Nonetheless, we remain committed to achieving the target through an assortment of drastic measures such as reviewing the business processes and the consolidation of the corporate functions of Group companies.

It currently looks as though the target for business profit in the final year of the FY17-19 MTP will be achieved a year after the period of the plan. In FY2018, we will continue to expand businesses with good performance while concentrating efforts on addressing the issues in struggling businesses, and will also work on strengthening profitability by steadily expanding the specialty ratio, furthering cost reductions, reviewing prices, and others. Through these efforts, we aim to achieve business profit of ¥116.0 billion in FY2019.

### Efforts to Improve ROE and Maximize Operating Cash Flows toward Enhanced Shareholder Value

In order to further enhance shareholder value, the focus areas from a financial viewpoint are improvement of ROE and maximization of operating cash flows.

#### Efforts to enhance shareholder value



#### Improvement of ROE

In order to move toward a level of efficiency befitting of a “global top 10 class food company,” it is important to improve ROE beyond capital cost by improving profitability and increasing financial leverage efficiency. We recognize that the level for weighted average cost of capital (WACC), a basic indicator for the Ajinomoto Group’s capital strategies, is approximately 5%. We will continue to pursue higher levels of ROE going forward with a particular focus on reducing equity cost and increasing profit by raising the ownership ratio of consolidated subsidiaries. Regarding the increase in the ownership ratio of consolidated subsidiaries, we are prudently advancing dialogue with local partners, with the aim to repurchase non-controlling interests step by step.

At the same time, we are pursuing working capital improvements through higher cash conversion cycle (CCC) efficiency while effectively utilizing the cash and deposits held by the Group to streamline our balance sheet.

Furthermore, having instituted the Group Shared Policy on Global Tax, we are moving forward with compatibility with country and regional tax codes while addressing tax risks. We anticipate that these efforts will help us achieve the integrated tax management needed to maximize profit and free cash flows.

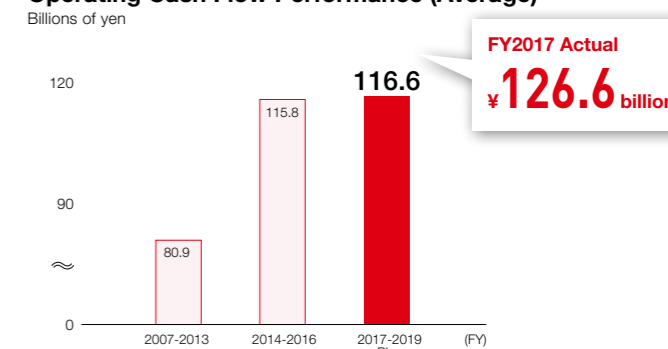
#### Maximization of Operating Cash Flows and Investment for Growth

The Ajinomoto Group is in the process of developing a corporate constitution that will enable it to continually generate annual operating cash flows in excess of ¥100.0 billion. For example, in FY2017 we were able to shorten the CCC by six days by reduction of the turnover period through downsizing inventories. We anticipate that our capability to generate cash will increase further as the benefits of structural reforms begin appearing in the future.

We have been holding business portfolio meetings at the management level since 2016 as a mechanism to formulate optimal resource allocation policy for growth investment. Prior to the establishment of this meeting, we discussed necessary investments by division or business at the Executive Committee. The business portfolio meeting has enabled us to adopt frameworks that are more ideal for setting resource allocation policies. Specifically, we have formulated a vision for our business portfolio 10 years from now and are taking an integrated approach toward determining how to allocate resources to capital expenditures, R&D and M&A in order to realize this vision. A result of this approach was the intent to focus resource allocations on the international food products, integrated food solutions, and advanced biopharmaceuticals detailed in the FY17-19 MTP.

Turning to our progress toward a well-balanced regional portfolio, in the past the sales of international food products showed a particular dependence on Thailand. However, the steady growth of operations in other countries and regions has reduced

Operating Cash Flow Performance (Average)





## Message from the Corporate Senior Vice President in Charge of Finance

this dependence to roughly one-third of its prior level. In Thailand, while the canned coffee business is struggling, the seasonings business is still growing. In this way, in order to further strengthen the operation in “Five Stars” countries, we will appropriately review resource allocations while improving the balance between businesses and regions.

When making investment decisions, one of the key points of consideration is the payback period. As the Ajinomoto Group has businesses involving food products, for which the payback period is relatively short, and AminoScience, which requires more than 10 years, we will consider resource allocations managing ROA and the payback speed.

In FY2017, while keeping total capital expenditures lower than in the previous fiscal year, we focused on allocating expenditures to the steadily growing International Food Products. In addition, investment in R&D in FY2017 was as planned in the FY17-19 MTP. Regarding M&A, we are adhering to a policy of securing the majority of funds through interest-bearing debt and strategically conducting M&A. We are benchmarking our net debt-equity ratio at around 50%, but we are open to having it exceed 50% depending on the situation. In FY2017, M&A was conducted in both the food products and AminoScience businesses, and the total investment was approximately ¥22.6 billion.

### Shareholder Return

Although we have been focusing the allocation of cash flows on growth investments, we have also been taking steps to increase shareholder returns. We aim for a payout ratio of 30% for each fiscal year as well as a total shareholder return (payout + share buyback) ratio of 50% or higher over the three-year period of the FY17-19 MTP in order to secure the funds for future shareholder returns. Specifically, we approved share buybacks with an upper limit of ¥40.0 billion in May 2018.

#### Financial Strategy

		FY2017 Actual	FY2018 Plan
<b>Cash flows</b>	<ul style="list-style-type: none"> <li>Operating cash flows of approximately ¥350 billion during the period of FY17-19 MTP</li> <li>Improve capital and cash flow generation efficiency through steady execution of further business structural reform initiatives</li> <li>EBITDA to sales ratio to the latter half of 13%</li> </ul>	<b>Operating cash flows: ¥126.6 billion</b> EBITDA ratio: 12.6%	<b>Operating cash flows: ¥120.3 billion</b> EBITDA ratio: 13.0%
<b>Investment for growth</b>	<ul style="list-style-type: none"> <li>Engage in integrated management of capital expenditure, R&amp;D, M&amp;A, and allocate investments corresponding to areas of growth</li> <li>R&amp;D: Approximately ¥29 billion per fiscal year (ratio to sales of approximately 2.5%)</li> <li>Capital expenditure: Total of approximately ¥230 billion over 3 years</li> <li>M&amp;A: Actively engage in strategic M&amp;A investments</li> <li>Consider raising the ownership ratio of affiliated companies for higher net profit</li> </ul>	<b>Total expenditures: ¥129.8 billion*</b> R&D: ¥27.8 billion Capital expenditure: ¥79.4 billion M&A: ¥22.6 billion*	<b>Total expenditures: ¥124.1 billion + α</b> R&D: ¥29.6 billion Capital expenditure: ¥94.5 billion M&A: Scheduled to be proactively implemented going forward
<b>Shareholder return</b>	<ul style="list-style-type: none"> <li>Pay stable and continuous dividends with a target payout ratio of 30%</li> <li>Consider flexible share buybacks with a target shareholder return (payout + buyback ratio) of 50% or higher (3-year cumulative)</li> </ul>	<b>Payout ratio: 30.0%</b>	<b>Payout ratio: 30%</b> Share buybacks: ¥40.0 billion (upper limit)
<b>Financing</b>	<ul style="list-style-type: none"> <li>Utilize interest-bearing debt while maintaining a net debt-equity ratio of approximately 50%</li> </ul>	<b>Net debt-equity ratio: 31.7%</b>	<b>Net debt-equity ratio: approximately 50%</b>

\* Excludes Agro2Agri, S.L.

### Toward Further Growth of the Ajinomoto Group and Dialogue with Stakeholders

Going forward, talent development is essential to the growth of the Ajinomoto Group. In regard to financial talent, while overseas business is expanding, more diverse financial skills and experience are required both on the front lines and in management. To meet these needs, we launched a program to support the acquisition of various skills in FY2018 in order to develop talent around the world to form a new wellspring for the future growth of the Group. At the same time, to develop future senior management, we will intentionally place the talent in non-financial areas such as business, production, and sales.

This is the third year that the Group issues an integrated report. As a new stakeholder engagement initiative, we have evolved our prior ESG briefing for investors and analysts to create a new series of briefings on Integrated Report Topics. The first briefing on Integrated Report Topics was held in April 2018, and we plan to continue holding such briefings on a regular basis going forward. In addition, we have taken steps to address the increase in questions pertaining to ESG issues, which are largely coming from overseas, by posting easy-to-understand ESG information on the investor relations page of our corporate website. This information had previously been available only on the sustainability page of the website. Through such initiatives, we hope to engage in more meaningful communication with stakeholders.

## Enhancing Corporate Value through ASV

The path that the Ajinomoto Group takes to enhance corporate value through ASV is introduced.

### 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 **22**
2. We contribute to the development of a society that enables strong family/social bonds and diverse lifestyles through eating well **24**
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 **26**
4. We co-create value with each region through the perspectives of the customers, with our global, top-class and diverse talents **28**

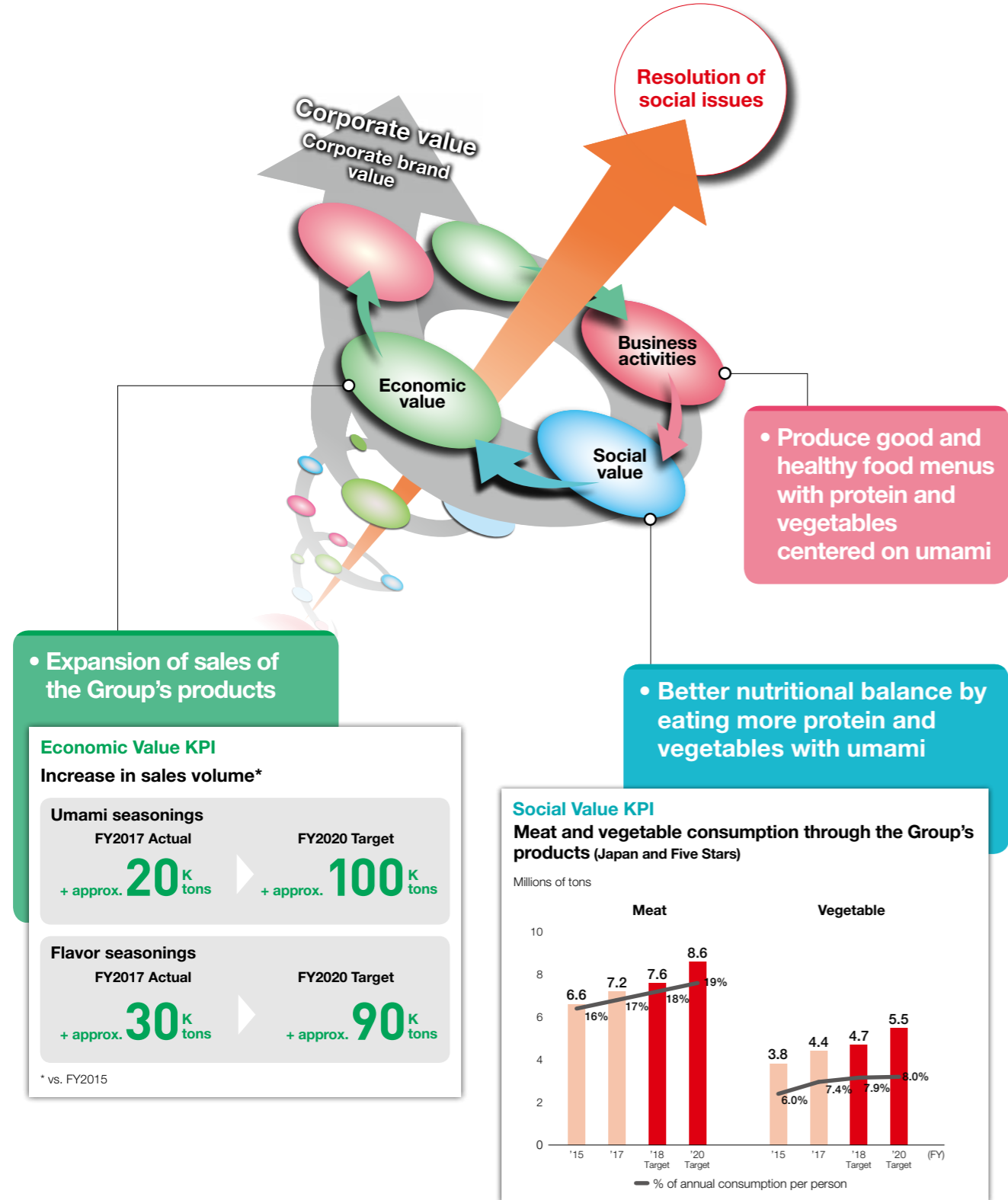
### Overview by Business Segment and Growth Strategies

- Japan Food Products **30**
- International Food Products **32**
- Special Feature** Frozen Foods Business—Expecting Growth Together with Market Expansion **34**
- Life Support **36**
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ASV Value Creation Stories **1** 2 3 4

**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**

The collapse of nutritional balance has been a major cause of lifestyle-related diseases, occurring in both developed and emerging countries. The Ajinomoto Group contributes to the realization of health and well-being by promoting a nutritionally balanced diet using products developed in each country and region.



**Group Shared Policy on Nutrition**

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

**Group Shared Policy on Nutrition**

- 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 labeling 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

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

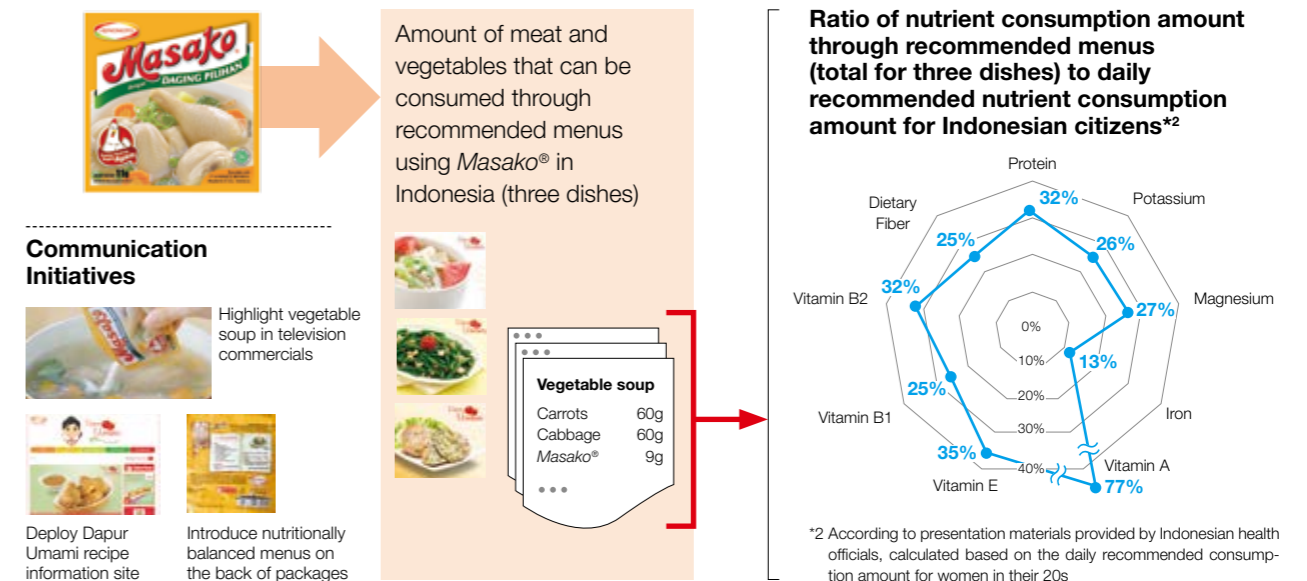
**The Group's Ranking in the 2018 Access to Nutrition Index (ATNI)**



The ATNI is a nutrition access index developed by the Access to Nutrition Foundation (ATNF), an independent non-profit organization based in the Netherlands, to objectively evaluate and improve companies' efforts to address global nutrition issues. Currently, 22 leading global food companies selected by ATNF are included in the index, and the Ajinomoto Group was ranked 14th in the ranking announced in May 2018 (15th in 2016).

**Initiatives for Resolving Nutritional Issues in Indonesia**

PT AJINOMOTO INDONESIA has been contributing to improve eating habits in Indonesia by offering both delicious and nutritionally balanced menus, helping people consume meat and vegetables. These menus use *Masako*®, which holds the top share in the Indonesian flavor seasonings market. To spread healthy eating habits throughout Indonesia, useful information for consumers is delivered through various communication initiatives.

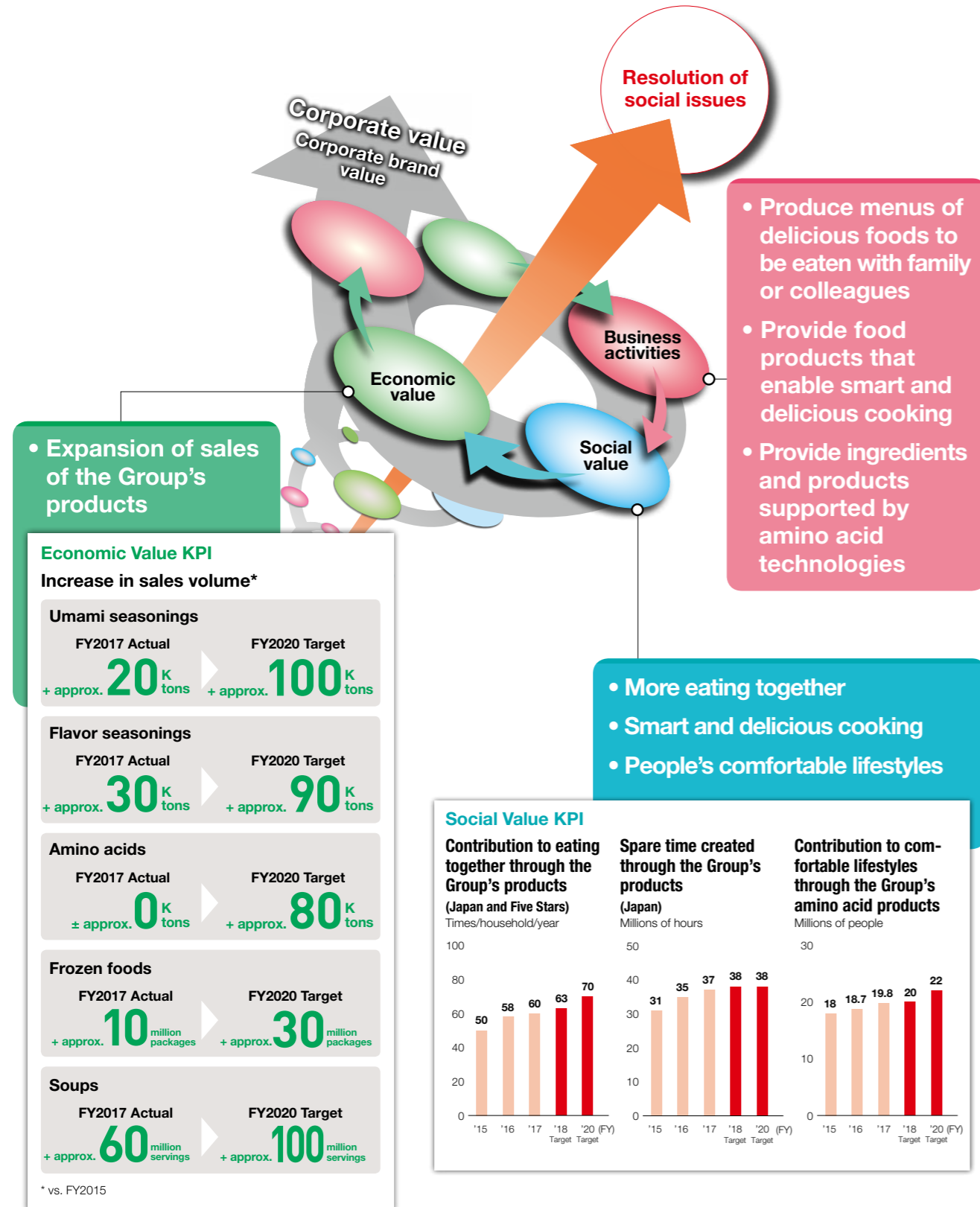




ASV Value Creation Stories 1 **2** 3 4

## We contribute to the development of a society that enables strong family/social bonds and diverse lifestyles through eating well

The recent diversification of lifestyles is driving the diversification of consumer needs. The Ajinomoto Group supports diverse lifestyles by contributing to the joy of eating together, the creation of spare time for people's lives, and more comfortable lifestyles through the products it develops around the world.



### Contribution to Eat Together with Family and Friends

In Brazil, the Ajinomoto Group offers the flavor seasoning Sazón®. By producing delicious menus using Sazón® over 30 years since its launch, the Group has been contributing to the relationships of families and friends, helping them to deepen their bonds as they enjoy eating together.



### Creating Spare Time in Busy Lives through Smart Cooking

In Japan, the Group has been contributing to create spare time in people's lives by allowing for smart cooking with Knorr® Cup Soup, a delicious soup that can be prepared simply by adding hot water or milk.

Using Knorr® Cup Soup	Two minutes / Four bowls
By hand	10 minutes / Four bowls
<b>Time saved</b>	<b>Eight minutes</b>



### Comfortable Lifestyles for Seniors through Amino Acids Supporting Muscle Protein Synthesis

In 2016, Ajinomoto Co., Inc. launched Amino Aile®, the first "Foods with Functional Claims" product that supports muscle protein synthesis in seniors. After the launch of Amino Aile® with functional claims that are backed by scientific evidence, the Company is actively proposing exercise plans that are easy for seniors to follow and menus that facilitate protein intake while implementing other activities that promote nutrition awareness to help seniors live more comfortable lifestyles.



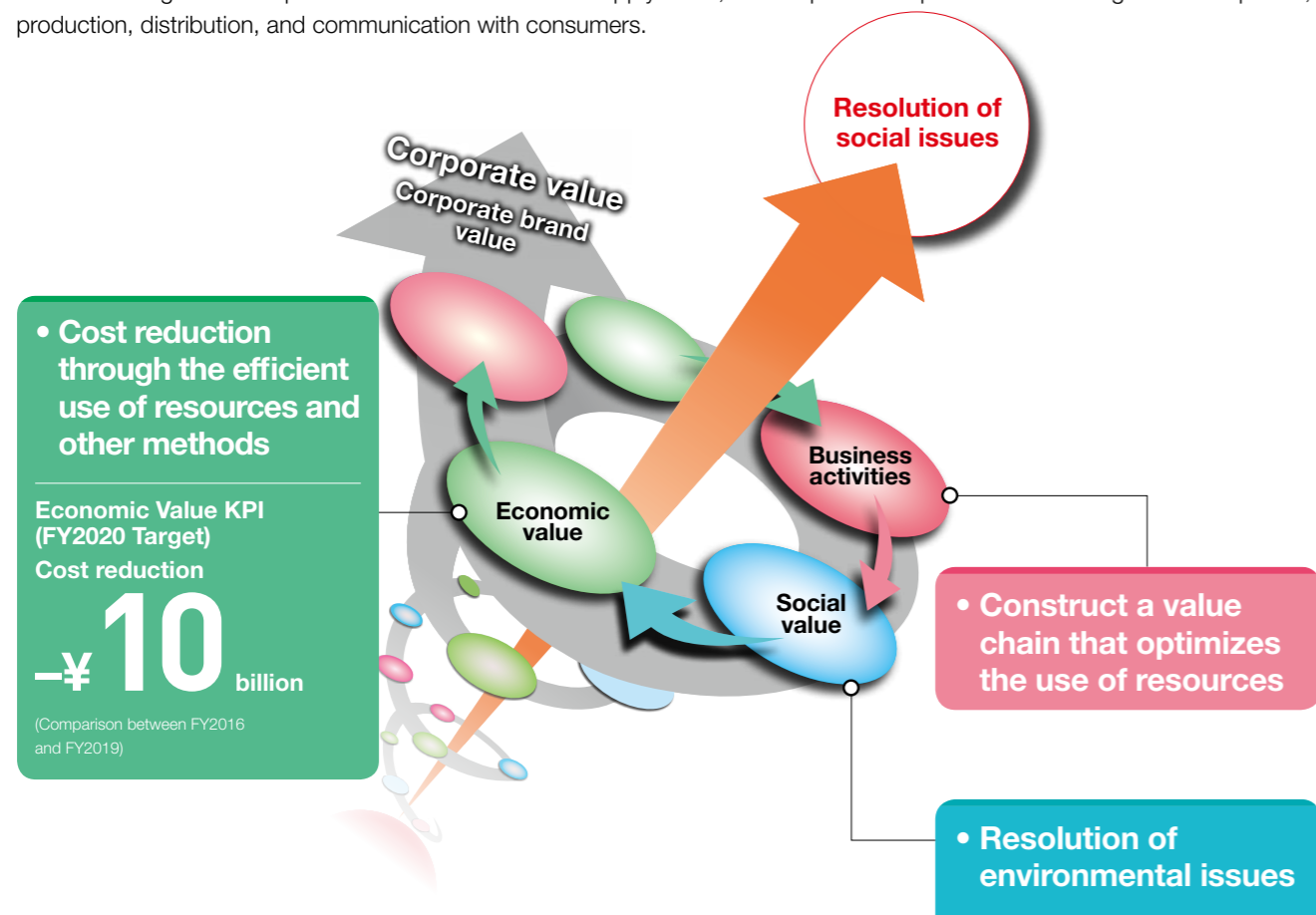
Amino Aile®  
"Foods with Functional Claims"



ASV Value Creation Stories 1 2 **3** 4

## We contribute to the sustainability of society and the earth with our customers and local communities, across the value chain from production to consumption

In order to sustain economic activities and our daily lives while preserving the natural environment, it is crucial to pursue sustainable production and consumption. To this end, the Ajinomoto Group acts in coordination with stakeholders, sharing its values and targets as it implements initiatives across its supply chain, which spans from procurement through to development, production, distribution, and communication with consumers.



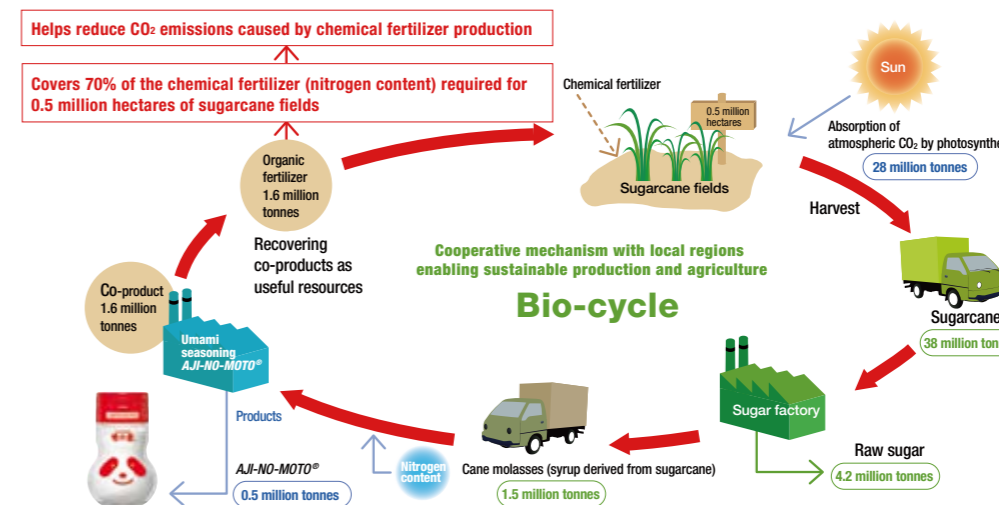
### Social Value KPI

	Indicators	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Target	FY2019 Target	FY2020 Target	FY2025 Target	FY2030 Target	
Reduce greenhouse gases	Reduction rate of greenhouse gas emission volume vs. emission intensity (vs. FY2005)	33%	33%	35%	36%	37%	38%	—	50%	
	Renewable energy use ratio	18%	20%	23%	24%	26%	28%*1	—	50%	
	Chlorofluorocarbon (CFC) elimination	—	—	—	FY2025: CFC elimination at new facilities 100%				Extremely small volume of HFCs*2	
Reduce food loss	Reduction rate of food loss from receipt of ingredients through to customer delivery (vs. FY2016)	—	—	-2%	10%	15%	20%	50%	—	
Secure food resources and protect natural environment, including ecosystems and biodiversity	Sustainable procurement	Palm oil	—	9%	14%	—	—	100%	—	—
		Paper	—	96%	95%	—	—	100%	—	—
Conservation of water resources	Introduction rate of factories that reduce natural raw materials used via resource-saving fermentation technologies, by-products and alternative material technologies	79%	79%	79%	—	—	—	100%	—	
		Reduction rate of water usage vs. production volume unit (vs. FY2005)	75%	77%	77%	78%	78%	78%	—	80%
3Rs for waste material (Reduce, Reuse, Recycle)	Reduction of waste generated via business activities/recycle ratio	99.6%	99.3%	99.3%	Maintain 99% or higher					

\*1 An upward revision was made from the 20% target as progress has already surpassed that level. \*2 Hydrofluorocarbons

## Production from the Region's Boons That Returns the Fruits to the Region

The Ajinomoto Group produces the amino acids used in its products through fermentation processes from crops that are easily available in each region. Nearly 100% of the nutritionally rich by-products (co-products) that remain after extracting amino acids in the fermentation process are then used as fertilizer and feed. The Group considers such recycling-based amino acid fermentation processes that procure sustainable agricultural production while enriching regional agriculture as "bio-cycles." These bio-cycles are a means of simultaneously contributing to reliable supplies of food resources and realizing sustainable agriculture. For this reason, we are introducing these cycles at our fermentation factories worldwide.



The chart assumes worldwide annual production of approximately 0.5 million tonnes of the umami seasoning AJI-NO-MOTO® by the Ajinomoto Group using only sugarcane. The values of sugarcane grown and sugar production are commonly used global figures, and the values of resources used for producing AJI-NO-MOTO® are based on actual statistics from the Group.

Furthermore, the Ajinomoto Group uses biomass resources, such as sugarcane bagasse and rice husks, to fuel its boilers in order to increase the portion of usage of renewable energy and obtain economic benefits (cost reductions). Such biomass is utilized in factories in Brazil and Thailand. And the Group is currently advancing its efforts to further increase usage of such energy sources.



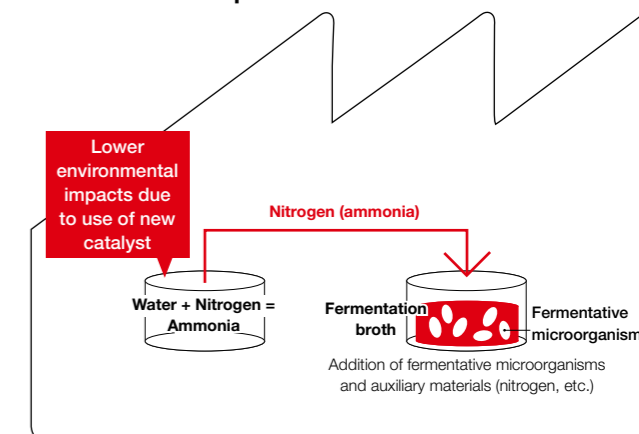
The Limeira Plant (Brazil)

## Initiatives Targeting On-Site Ammonia Production

The Ajinomoto Group purchases ammonia for use in its amino acid fermentation processes. However, as production of ammonia currently requires large-scale plants, thus incurring costs for the transport of this resource from plants, the use of ammonia poses issues from both an environmental impact and a cost perspective. Ajinomoto Co., Inc. established Tsubame BHB Co., Ltd. in 2017 as part of its efforts to address these issues. This company is tasked with pursuing the practical application of new ammonia production technologies together with Professor Hideo Hosono of the Tokyo Institute of Technology and others. By utilizing the new catalyst invented by Professor Hosono's team for ammonia production, the Group is working on building a model that can produce necessary amounts of ammonia in places where it is needed, aiming for commercialization by around 2021. When completed, this model is anticipated to contribute to lower environmental

impacts from the production and transport of ammonia as well as stable procurement and reduced costs for this resource.

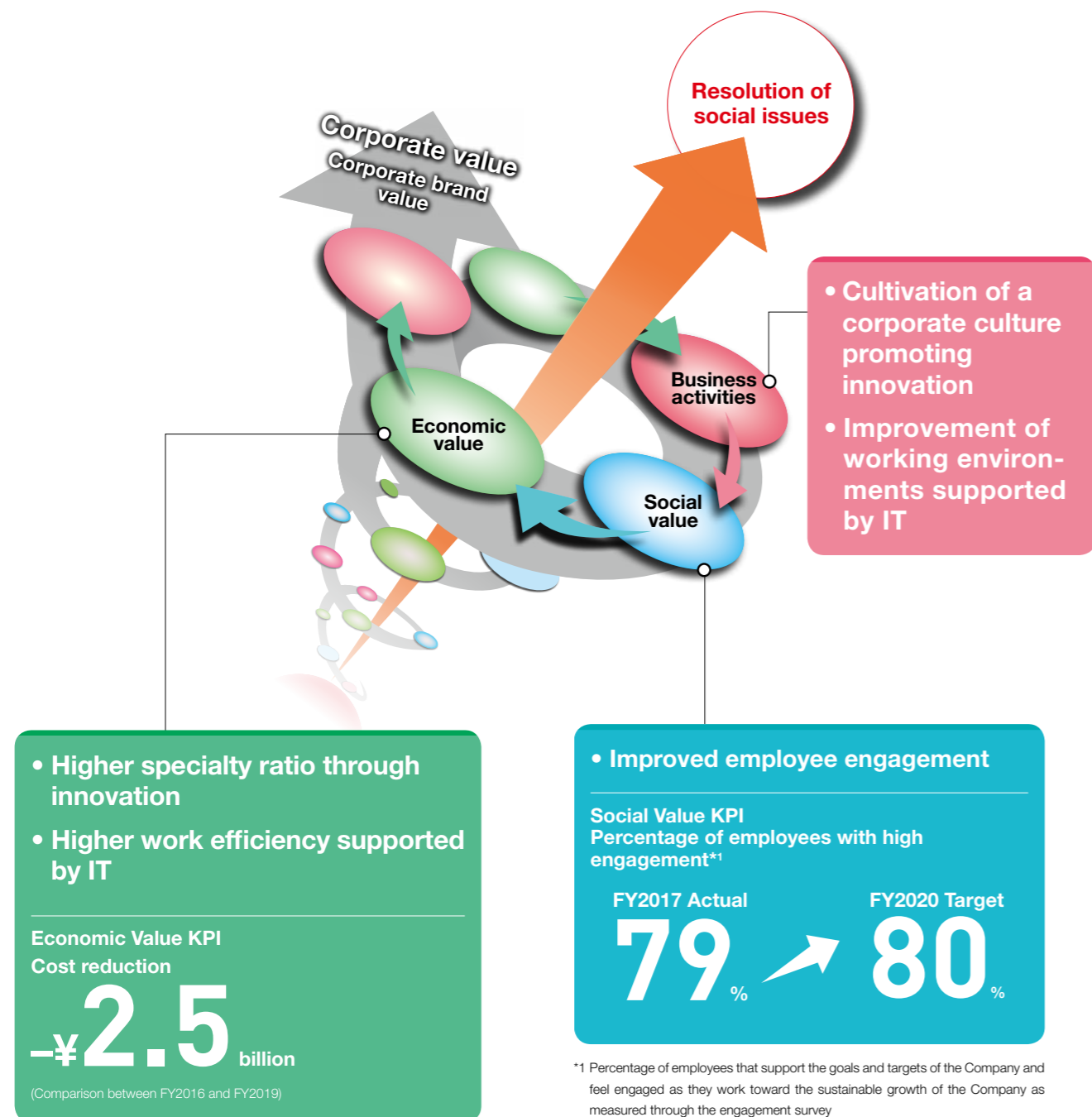
### On-site ammonia production



ASV Value Creation Stories 1 2 3 **4**

## We co-create value with each region through the perspectives of the customers, with our global, top-class and diverse talents

It is human resources that create value through ASV. To create social value and achieve sustainable growth, it is essential that each global, top-class and diverse talent maximize their skills and capabilities to create customer-oriented innovations. The Ajinomoto Group believes that the improvement of employee engagement will lead to the creation of innovation, and the Group is increasing its work quality and efficiency through initiatives for achieving those objectives.



## Renewed Awareness toward "Patient-Oriented" Value and Improved Employee Engagement at Ajinomoto Althea, Inc.

Ajinomoto Althea, Inc. (AAI) is a fully integrated contract development and manufacturing organization providing biopharmaceuticals to pharmaceutical and biotechnology companies. AAI realized that a corporate culture encouraging the co-creation of innovation with customers was crucial to creating patient-oriented value. Based on this realization, in FY2015 AAI created the "Culture Team" composed of leaders from various departments, and introduced a business-to-business-to-patient mindset throughout AAI by means of value-sharing activities. These efforts have produced results in the form of higher employee engagement, improved customer satisfaction, and increased sales stemming from a rise in customer numbers and in the amount of transactions per customer.



### Awareness That Daily Work of All Employees Contributes to Patients

AAI invites customers that interact directly with patients to act as instructors at forums designed to help raise awareness among employees about the fact that, through AAI products, their work contributes to improved quality of life for patients suffering from incurable diseases. By helping employees better understand the purpose of their daily work, AAI aims to increase employee engagement while fostering a patient-oriented mindset.

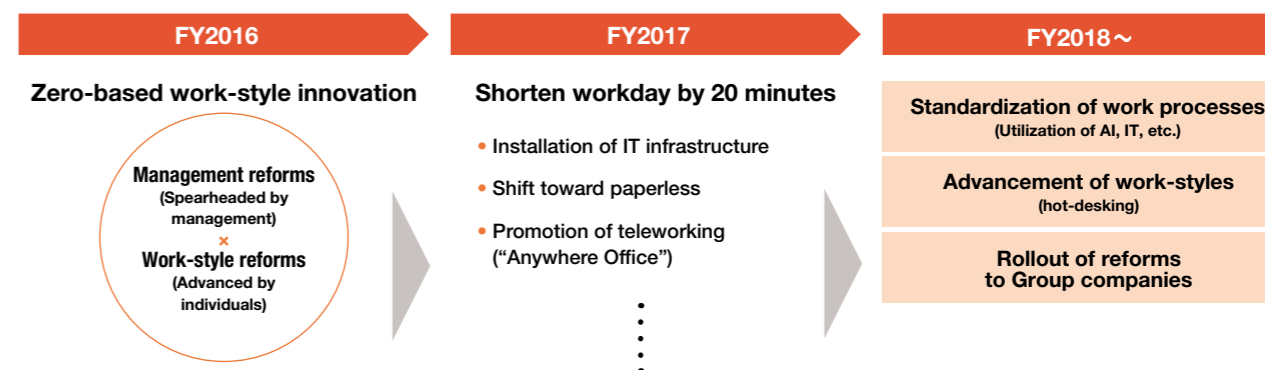


### Value Creation through Strengthened Collaboration with Customers

AAI has established a dedicated team for facilitating strengthened collaboration with customers and is analyzing the detailed feedback received from customers via surveys and face-to-face meetings from a patient-oriented perspective. Through these efforts, AAI hopes to continue to respond to customer expectations by allowing for swift coordination between internal organizations and to thereby increase customer satisfaction.

## Work-Style Innovation to Facilitate Contributions by Diverse Talent in Japan

Ajinomoto Co., Inc. is promoting work-style innovation to increase employee engagement while simultaneously helping employees find more fulfillment in their lives. To this end, the Company is utilizing AI, IT, and other technologies to accelerate the standardization of work processes while developing advanced work-styles in order to allow diverse human resources to create innovation by selecting work-styles that help them realize higher productivity. Going forward, Group companies in Japan will also be implementing work-style innovation.



### Roadmap (Ajinomoto Co., Inc.)

	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Target	FY2020 Target
Minimum daily work hours	7 hours, 35 minutes	7 hours, 35 minutes	7 hours, 15 minutes <span style="color: red;">▶ -20 min.</span>	7 hours, 15 minutes <span style="color: red;">▶ -15 min.</span>	7 hours
Average annual work hours	1,976 hours	1,916 hours	1,842 hours	1,800 hours	1,750 hours
Improvement in productivity*2	—	—	107.5%	115.2%	—

\*2 Ratio of total sales per employee per hour (vs. FY2016)



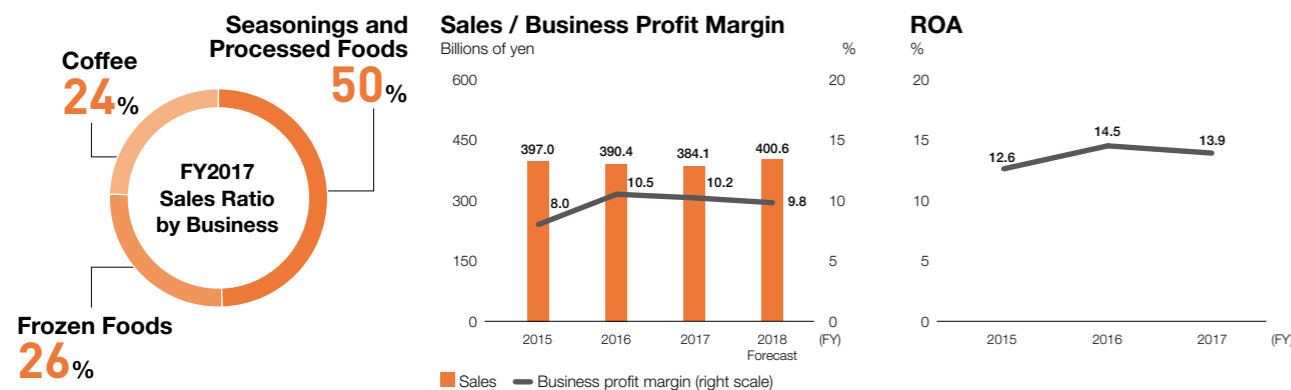
## Overview by Business Segment and Growth Strategies

# Japan Food Products

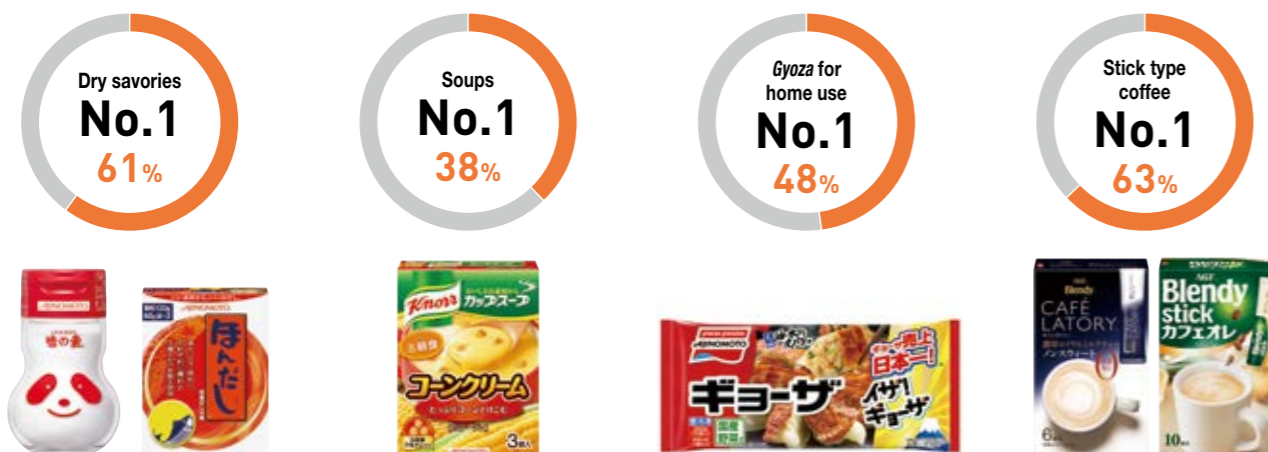


The Ajinomoto Group realizes value creation by leveraging the strengths of brand power, marketing, and R&D capabilities backed by over 100 years of history based on the diversifying needs of consumers.

While strengthening mainstay products, the Group will continue pursuing deliciousness. The Group will maintain its efforts to provide fine-tuned solutions that address various needs, including health-related needs such as salt and sugar reduction and the need for smart cooking.



### Market Share and Ranking of Key Products (FY2017)

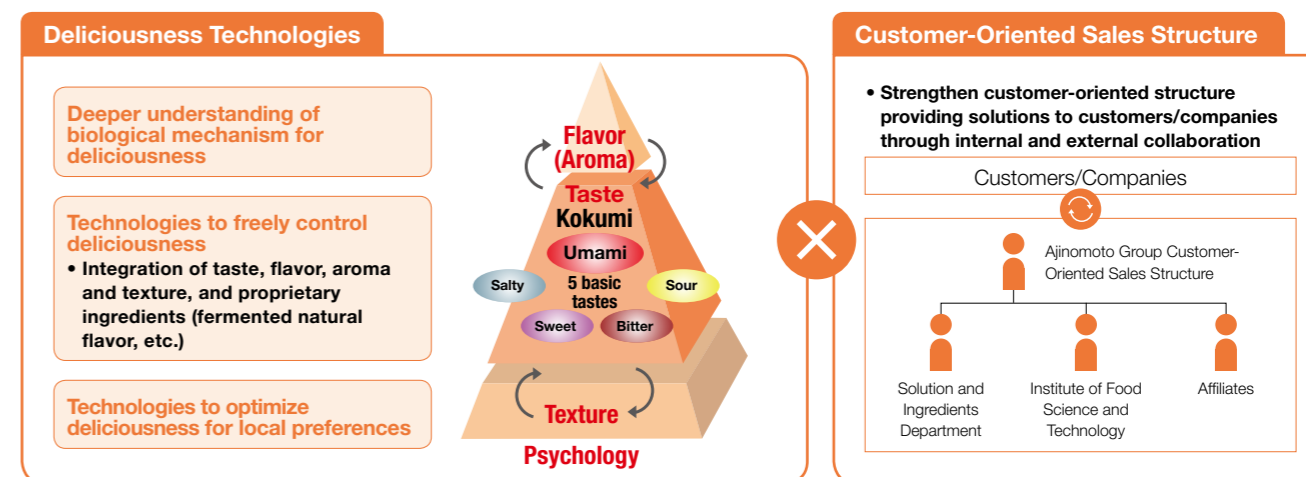


### Growth Strategies

The Ajinomoto Group seeks to continuously reinforce its products through deepening its proprietary deliciousness technologies and expertise in nutrition, as well as evolve its customer application capabilities powered by science and digital technologies. Through these efforts, the Group will realize world-leading levels of quality and productivity along with further social value creation through the provision of solutions.

### Enhancement of Customer Value through Deliciousness Technologies

In April 2018, Ajinomoto Co. Inc., integrated food processing and food services businesses and established the Solution and Ingredients Department. This integration will accelerate the provision of proprietary deliciousness technologies as well as the strengthening of the Group-wide customer-oriented sales structure. The Group will seek to provide high-value-added solutions based on its client and consumer needs.



### Strengthening of Customer Application Capabilities Powered by Science and Digital Technologies

Based on consumer data analyses powered by digital technologies and IT, the Group proposes nutrition solutions (meal programs, menus, and food products) founded on scientific evidence and matched to the dietary habits and nutritional goals of consumers. Through such solutions, the Group will contribute to resolve health issues (locomotive syndrome, metabolic syndrome, etc.) with well-balanced and delicious meals.

### Nutritional Solutions



### Reorganization of Production Structures to Realize World-Leading Productivity

With the goal of strengthening the business structure of Japan Food Products, the Group will reorganize the seasoning and processed food production structures of three Group companies.\* This move will entail consolidating five production bases into three as well as establishing a new company in FY2019. By combining the technologies and knowledge of these companies and utilizing cutting-edge IT, automation, and other technologies, the Group aims to double labor productivity by FY2021 (vs. FY2017), and thereby realize world-leading productivity.



Rendering of new factory in Yokkaichi

\* Ajinomoto Co., Inc., Knorr Foods Co., Ltd., and Ajinomoto Packaging Inc.



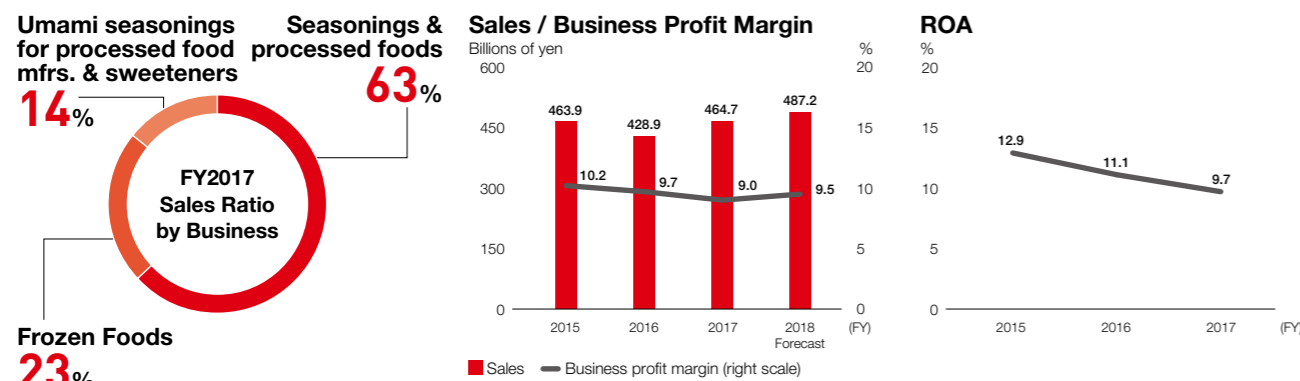
Overview by Business Segment and Growth Strategies

# International Food Products

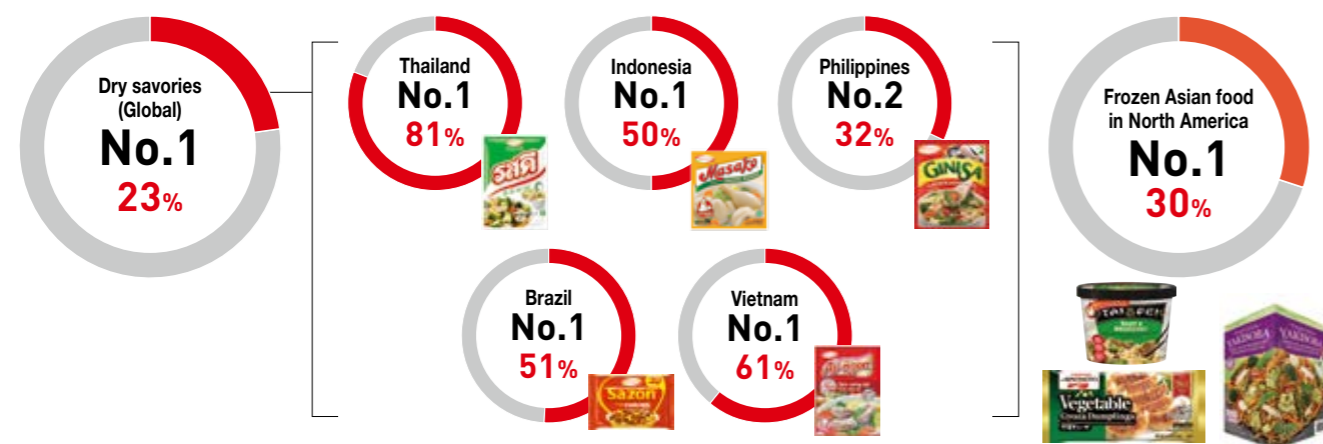


Leveraging the strengths of global product development, production, and sales networks as well as our marketing capabilities and brand power, the Ajinomoto Group offers products and services that contribute to delicious tastes tailored to the eating habits of local consumers, as well as nutritional improvement.

By utilizing local raw materials to create added value, expanding employment opportunities and applying Japanese technologies, the Group will contribute to the evolution of the local food industry. Through these efforts, the Group will continue to realize a harmonious coexistence with local communities and consumers.



## Market Share and Ranking of Key Products (FY2017)



## Growth Strategies

The Ajinomoto Group is working to become No. 1 in deliciousness by leveraging the Group's unique deliciousness technologies and local adaptation. The Group is also developing categories that adapt to the food cultures and lifestyles of each country and region, and expanding business in new regions through partnerships with local industry leaders. In these ways, the Group is striving to ensure growth by bolstering regional portfolios of food products.

Ensure food products business growth with a stronger regional portfolio: No. 1 in deliciousness with leading-edge technologies and local/customer adaptation

Countries and Regions	Japan	Five Stars*1					North America/ Europe	Rising Stars*2
		Thailand	Brazil	Indonesia	Vietnam	Philippines		
Seasonings	Existing	Existing	Existing	Existing	Existing	Existing	Existing	
Frozen Foods	Existing	Next Gen	Next Gen	Next Gen	Next Gen	Existing	Next Gen	
Beverages	Existing	Existing	Existing	Next Gen	Existing	Existing	Next Gen	
Others (Instant noodles, Soups, Frozen bread, etc.)	Existing	Next Gen	Next Gen	Next Gen	Next Gen	Next Gen	Next Gen	

Existing domains that are being strengthened (orange square) Domains for promoting the development of the next generation (blue square)  
 \*1 Major countries of operation for the International Food Products business  
 \*2 Areas where the Group is working to bolster its international business that take priority after the Five Stars

## Establishment of AJINOMOTO ISTANBUL FOOD INDUSTRY AND TRADE through the Integration of Three Existing Subsidiaries to Accelerate Business Expansion in Turkey and the Middle East

Under the FY17-19 MTP, the Group positions Turkey as a "Rising Star" country,\*2 and sees Turkey as a base for business expansion in the Middle East region.

To accelerate business expansion by effectively utilizing the resources of KUKRE GIDA A.S., which specializes in liquid seasonings, and ÖRGEN GIDA., which boasts strengths in powdered seasonings and processed foods, the Group integrated these companies with Ajinomoto Istanbul Food Sales Ltd. to establish AJINOMOTO ISTANBUL FOOD INDUSTRY AND TRADE LIMITED COMPANY.

Through this new company, the Group will make a fresh start as a comprehensive food manufacturer in Turkey to

accelerate the expansion of the food products business in Turkey and the Middle East.



## Pursuit of Becoming No. 1 in Deliciousness for Flavor Seasonings and Promotion of Nutritional Value

The Group is making proactive efforts to identify unique materials, technologies, and meat extracts, which are a key raw material, in the pursuit to become No. 1 in deliciousness. Furthermore, it is promoting the delicious taste, safety, and security of the products through television commercials and is working to propose nutritionally balanced menu ideas on the back of product packaging. The Group will continue the pursuit of becoming No. 1 in deliciousness, which is supported by its specialties, and promote the nutritional value the products offer, thereby driving growth in the International Food Products business.



Shift to the in-house manufacture of meat extracts (Indonesia)

Introducing nutritionally balanced menus on the back of packages

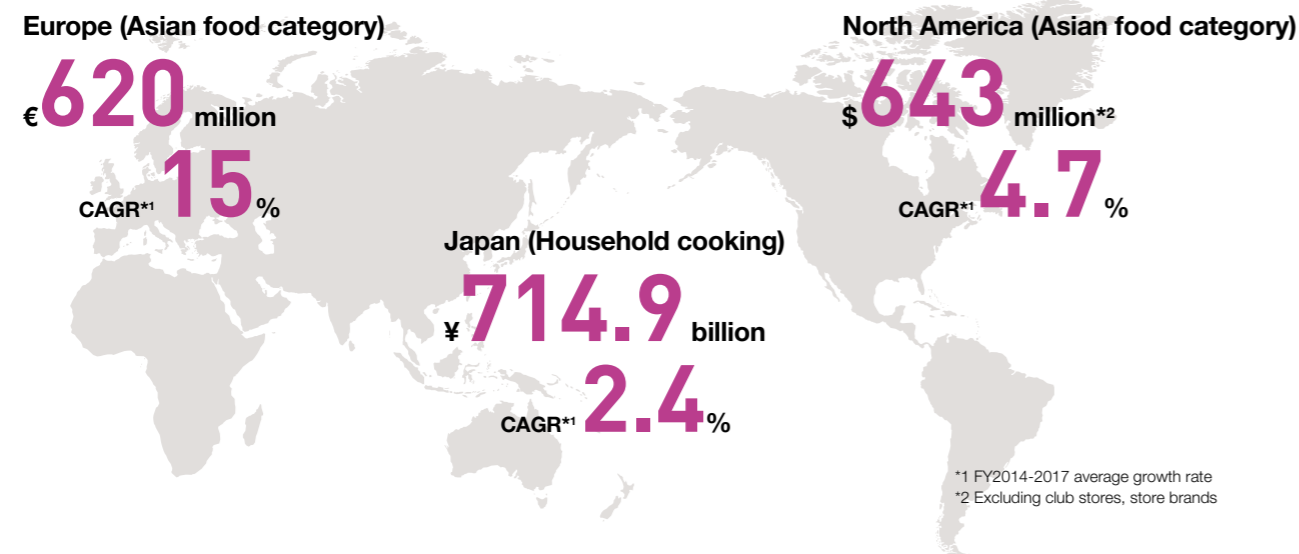


# Special Feature Frozen Foods Business— Expecting Growth Together with Market Expansion

Frozen foods are expected to continue to be a promising market with stable growth centered on developed nations as a solution for eating habits that can be adapted to a variety of lifestyles. In addition, frozen foods are expected to respond to the craving of consumers for “safe, secure, and more delicious food,” as well as to social issues including stable food supplies and environmental conservation. Accordingly, the roles and responsibilities that frozen foods need to fulfill will likely become greater.

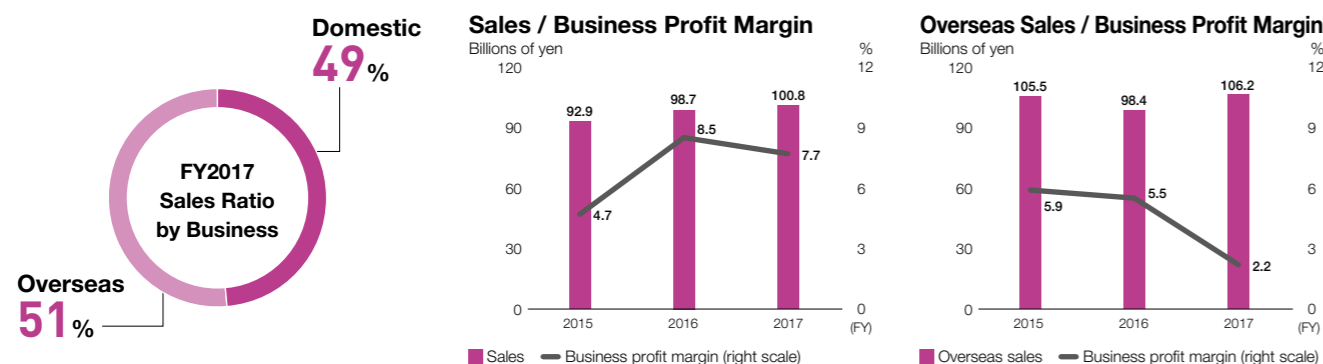
## Frozen Foods Market (FY2017)

Note: Company estimates



### Business Overview

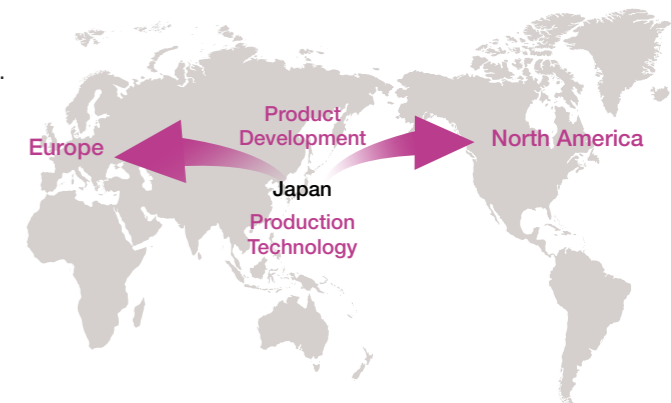
The Ajinomoto Group entered the frozen foods business in 1972. With the strengths of product development and marketing capabilities as well as its production technologies, the Group has continued to promote business that creates both social and economic value by responding to social changes and new demand.



### Growth Strategies

In Japan, the Ajinomoto Group will realize business expansion via continuous revision of current products and the introduction of new products as well as by taking measures to stimulate demand.

Overseas, the Group will advance the expansion centered on Europe and the United States by leveraging the product development capabilities and production technologies cultivated in Japan to produce high-quality products. In the countries of operation, the Group aims to become the undisputed leader in the Asian food category, with gyoza and rice made with Japanese know-how the most prominent products.



### Japan

The Ajinomoto Group will strengthen the core products for home use, such as Gyoza and THE★CHA-HAN (fried rice), as well as the core categories for food service, including gyoza and desserts.

Furthermore, the Group is cultivating new categories such as rice ball fillings and snacks to meet consumer needs.



### North America

Ajinomoto Foods North America, Inc. positions Asian, appetizer, and Mexican food categories as its main categories. By leveraging its product development capabilities and production technologies, the Ajinomoto Group aims to realize business expansion while improving the added value of its products. To this end, the Group will pursue such efforts as market entry for low-sodium products that maintain the same level of deliciousness as conventional products.



### Europe

With the acquisition of LABEYRIE TRAITEUR SURGELÉS S.A.S.\* in November 2017, the Ajinomoto Group has been able to combine its product development capabilities and production technology with the production base and market reach of LABEYRIE TRAITEUR SURGELÉS. In doing so, the Ajinomoto Group will continue to expand the base of its frozen foods business in Europe.



\* Currently, AJINOMOTO FROZEN FOODS FRANCE S.A.S.

"LABEYRIE" brand pies and desserts

### TOPIC

The Group celebrated its 45th anniversary since its launch of Gyoza (Chinese dumplings) in 1972. Now, having spread to 26 countries and regions, the Group has helped people around the world discover a new dining experience and have contributed to the tradition of food culture through gyoza.

**Gyoza sales (FY2017)\*3**  
Japan: 330 million meals/year  
Overseas: 170 million meals/year

\*3 Five gyoza/one meal, investigation by Ajinomoto Frozen Foods Co., Inc.



Vegetable Gyoza (North America)



Cooking demonstration from a food truck and supermarket (Europe)

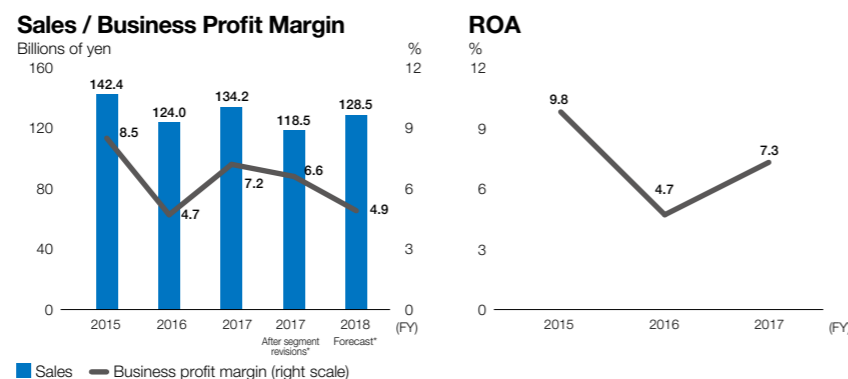
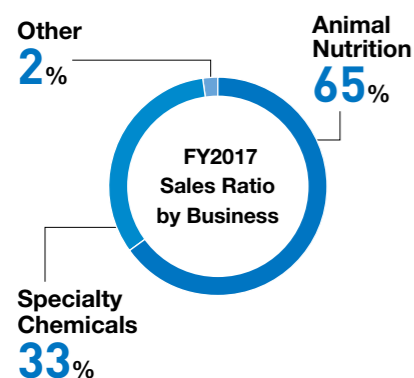


Overview by Business Segment and Growth Strategies

# Life Support



In the Life Support segment, the Ajinomoto Group's strengths include world-leading amino acid expertise, extremely safe material development capabilities, compound evaluation technologies, and the world's largest global network for animal nutrition. The animal nutrition business helps reduce the burden on soil and improve water quality by establishing a healthy balance of amino acids in feed, and the electronic materials business helps improve the performance of PCs, tablets, and other smart devices. Through these businesses, the Group will realize a peaceful coexistence with local communities and the earth itself and offer higher levels of comfort in the lifestyles of consumers.

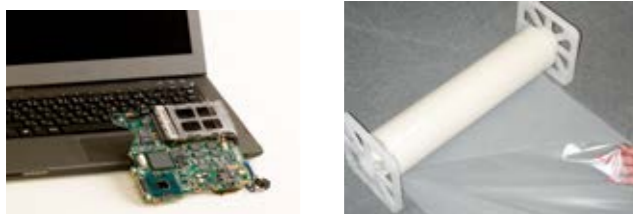


\* In FY2018, the personal care ingredients business, which was included under specialty chemicals in the Life Support segment, was transferred to other business in the Healthcare segment.

## Key Products

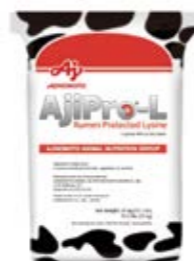
### Ajinomoto Build-up Film®—Interlayer Insulating Material Used in Semiconductor Packages

Using the technologies obtained through the production of monosodium glutamate, *Ajinomoto Build-up Film®* was developed as the world's first product to successfully turn liquid resins into film. This product is primarily used in the semiconductor substrates of PCs.



### AjiPro®-L—Lysine Formulation for Dairy Cows

Cows are ruminant mammals that have four stomachs. By employing amino acid processing technologies, *AjiPro®-L* is able to reach the intestines of a cow without being broken down in the rumen (cow's first stomach).



## Growth Strategies

The Ajinomoto Group is expanding its specialty businesses through a fundamental shift away from commodity products. Going forward, the Group will accelerate business structural reforms while promoting active collaboration with external institutions. In addition, the Group will advance development-oriented businesses that assess consumer trends through cooperative efforts with its customers.

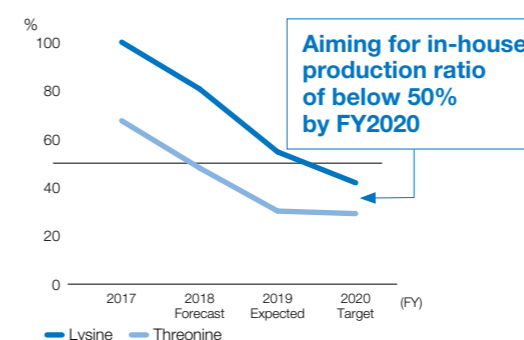
### Promoting Structural Reforms in the Animal Nutrition Business

The Group is gradually reducing the in-house production of commodities such as lysine and threonine, and replacing them with OEM. By doing so, the Group will accelerate the shift to specialties, thus increasing business profit.

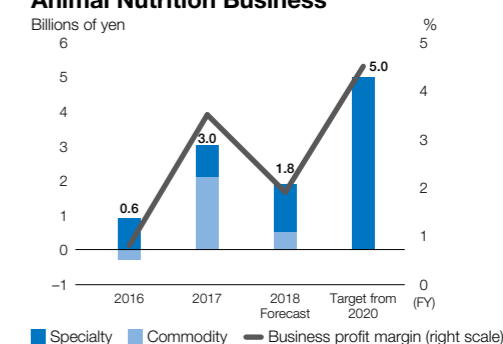
#### Specific Initiatives

- Completely suspend operations of lysine production facilities in Thailand and Brazil and suspend operations of certain facilities in France
- Move forward with the conversion to specialties by promoting flexible production at threonine production facilities

### Ratio of In-House Production



### Trend in Business Profit and Business Profit Margin in the Animal Nutrition Business



### Utilizing the U.S. Base for Strengthening the Specialty Chemicals Business

Interlayer insulating materials used in semiconductor packages—the main product in the specialty chemicals business—are primarily used in CPUs, and the United States is the largest market for these materials. Through the establishment of Ajinomoto Fine-Techno USA Corporation, the Group will enhance its communication initiatives and increase the number of business opportunities in the United States going forward.



Ajinomoto Fine-Techno USA Corporation

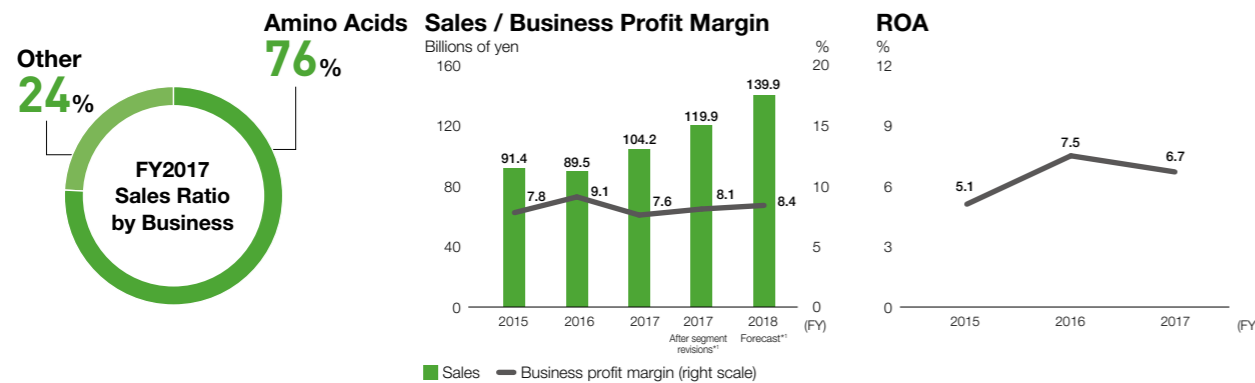
Overview by Business Segment and Growth Strategies

# Healthcare



By leveraging the ability to produce amino acids and other products that draw on its leading-edge bioscience and fine chemical technologies, the ability to promptly respond to regulations, and the ability to provide comprehensive services, the Ajinomoto Group offers a diverse range of distinctive materials, pharmaceutical ingredients, and technologies to pharmaceutical and chemical companies around the world.

Going forward, the Group will improve the quality of life for consumers and offer support for more comfortable lifestyles by applying the expertise in the functions and usefulness of amino acids, as well as the ability to discover new applications for those functions, to develop "Foods with Functional Claims" and amino acid supplements.



\*1 In FY2018, the personal care ingredients business, which was included under specialty chemicals in the Life Support segment, was transferred to other business in the Healthcare segment.

## Key Products and Market Share

### Glyna®

Glyna® is a supplement that supports users by helping them fall into a deep sleep smoothly, sleep well, and wake up feeling refreshed. Glyna® contains glycine.\*2



\*2 Glycine, a main component of Glyna®, is a non-essential amino acid that can be synthesized in the body.  
\*3 Relax Category, Functional Display Foods, H-B Foods Marketing Handbook 2018: Summary Edition, Fuji Keizai Management Co., Ltd.

### StemFit® AK03N

StemFit® AK03N is a cell culture medium approved for use in clinical research that enables a high rate of expansion of iPS cells with a high level of safety and a high proliferation rate. StemFit® AK03N was developed by combining the technological capabilities of Ajinomoto Co., Inc. and the Center for iPS Cell Research and Application at Kyoto University.

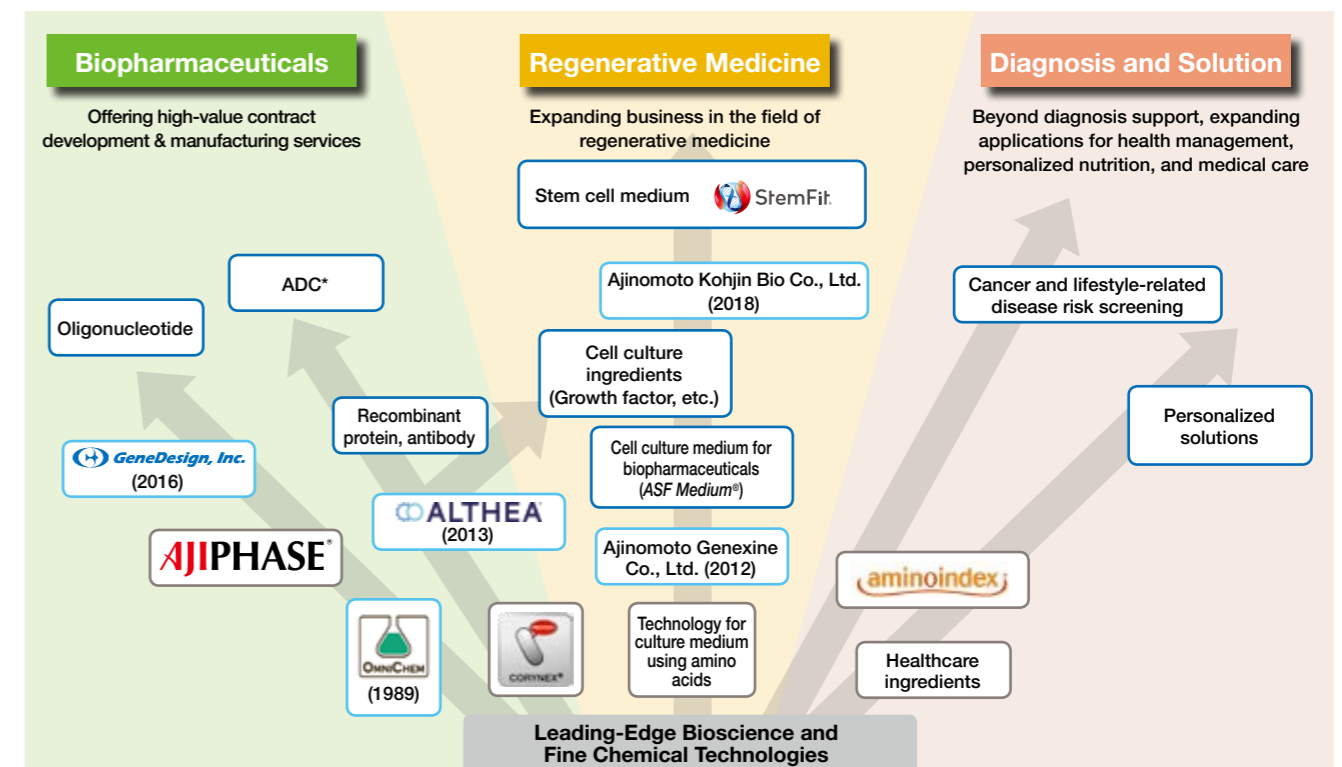


## Growth Strategies

The Ajinomoto Group will establish a structure for global, top-class development and production in the field of advanced biopharmaceuticals. The Group will also accelerate the downstream strategy (brand + inside strategy) of amino acids for pharmaceuticals and foods. Through these means, the Group will strengthen its business portfolio going forward.

### Expanding the Advanced Biopharmaceutical Field

The advanced biopharmaceutical field is supported by three business pillars pertaining to biopharmaceuticals, regenerative medicine, and diagnostic solutions. For biopharmaceuticals, by utilizing GeneDesign, Inc.'s production and development bases for oligonucleotide drug substances and Ajinomoto Althea, Inc.'s newly established production bases for substances related to antibody drugs, the Group is bolstering businesses in the high-value-added CDMO and enhancing the customer service structure. In regard to regenerative medicine, the Group will move forward with the global rollout of StemFit®. At the same time, it will leverage the expertise of Ajinomoto Kohjin Bio Co., Ltd.—a joint venture established in June 2018—to manufacture cell culture media used in regenerative medicine, and further expand sales of this field.

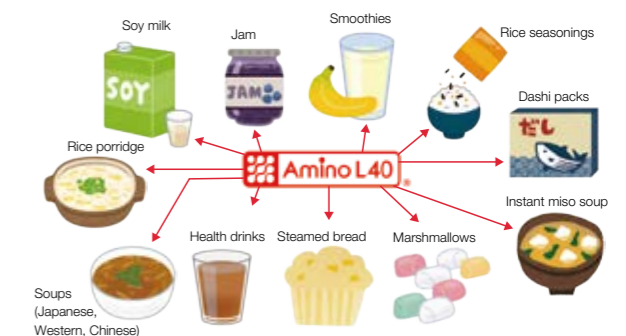


\* Antibody drug conjugate

### Downstream Strategy (Brand + Inside Strategy)

Based on research relating to the nutritional value of amino acids, the Group has been developing health ingredients and "Foods with Functional Claims." Aiming to promote a healthy balance of amino acid intake, the Group has been providing distributors, retailers, and other outlets with ingredients containing amino acids and solutions for product design by leveraging strengths of branded ingredients that the Group has been cultivating. In doing so, the Group is reinforcing the downstream strategy (brand + inside strategy), which works to enhance the value of food products with the various functions of amino acids. By integrating foods and amino acids, the Group will continue to strive to resolve health-related issues among consumers.

### Providing amino acid ingredients and product design solutions to sales companies and retailers





# The Ajinomoto Group's Management Foundation

In the following section, we will introduce the corporate governance, policy, quality assurance, and human resource development initiatives that form the management foundation supporting the sustainable growth of the Ajinomoto Group.

Basic Philosophy concerning Corporate Governance	41
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## 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 the evolution of ASV and achieving its vision of becoming a "Genuine Global Specialty Company." Accordingly, the Company faithfully observes the Ajinomoto Group Policies, a set of policies that define the beliefs and behaviors expected of all Ajinomoto Group companies, officers, and employees. Based on these policies, the Company seeks to reinforce and enhance corporate governance by building upon engagement and collaboration with stakeholders and conducting continual efforts to develop and properly implement internal control systems.

**Corporate Governance Report**  
[https://www.ajinomoto.com/en/ir/strategy/corp\\_gov/main/00/teaserItems1/0/linkList/02/link/Governance2018\\_E.pdf](https://www.ajinomoto.com/en/ir/strategy/corp_gov/main/00/teaserItems1/0/linkList/02/link/Governance2018_E.pdf)

### Initiatives to Reinforce Governance

<b>2003</b> <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 out of 12 directors)</li> </ul>	<b>2009</b> <ul style="list-style-type: none"> <li>Increase in the number of outside directors (two out of 15 directors)</li> </ul>	<b>2016</b> <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>
<b>2004</b> <ul style="list-style-type: none"> <li>Appointment of outside corporate auditors (three)</li> </ul>	<b>2011</b> <ul style="list-style-type: none"> <li>Appointment of a female outside director (one out of 15 directors)</li> </ul>	<b>2017</b> <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>
<b>2005</b> <ul style="list-style-type: none"> <li>Establishment of Nominating Advisory Committee</li> <li>Establishment of Compensation Advisory Committee</li> </ul>	<b>2015</b> <ul style="list-style-type: none"> <li>Increase in the number of outside directors (three out of 14 directors)</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 (FY2017) (Average attendance rate of outside directors) (Average attendance rate of Audit & Supervisory Board members [external])	17 (96%) (98%)
Number of Audit & Supervisory Board meetings held (FY2017) (Average attendance rate of Audit & Supervisory Board members [external])	14 (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 p47)
Accounting auditor	Ernst & Young ShinNihon LLC

\* Outside directors and outside Audit & Supervisory Board members only receive (1).

**Management Team** As of June 26, 2018



Back row from left

**Hideki Amano**

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

**Hiroshi Murakami**

Audit & Supervisory Board Member (External)

**Masaya Tochio**

Member of the Board & Corporate Senior Vice President

**Hiroshi Fukushi**

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

**Etsuhiro Takato**

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

**Takeshi Kimura**

Member of the Board & Corporate Vice President

**Yoichiro Togashi**

Audit & Supervisory Board Member (Standing)

**Shizuo Tanaka**

Audit & Supervisory Board Member (Standing)

Front row from left

**Yasuo Saito**

Outside Director

**Masatoshi Ito**

Representative Director, Chairman of the Board

**Takaaki Nishii**

Representative Director, President & Chief Executive Officer

**Sakie T. Fukushima**

Outside Director

**Takashi Nawa**

Outside Director

**Atsushi Toki**

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



## Message from the Chairman of the Board

**The Ajinomoto Group will strengthen its corporate governance structure to support the continuous creation of distinctive value through ASV toward achieving sustainable growth.**



**Masatoshi Ito**

Representative Director,  
Chairman of the Board

### Steadily Evolving Our Governance Structure

The Ajinomoto Group is accelerating efforts to establish a corporate governance structure that is befitting of a "Genuine Global Specialty Company" and that enables agile decision making and appropriate supervision of business execution. As part of these efforts, we have separated the roles of chairman of the Board and CEO to enhance the Board's overall effectiveness. At the same time, to enable agile decision making, we have clarified the functions and role of each organization based on the Group Shared Policy on Governance and on the concept of the "Governing HQ" and the "Delegated Front." In doing so, we have steadily enhanced the flexibility and efficiency of the "Delegated Front."

In regard to appropriate supervision of business execution, in 2017 we transitioned to a more compact structure for the Board of Directors, consisting of six internal directors and three outside directors in an attempt to boost the effectiveness of the Board's supervision. I believe this transition has helped invigorate overall discussion at Board of Directors' meetings. In addition, we have continued to revise our deliberation guidelines and have reduced the average number of agenda items at Board meetings (excluding extraordinary meetings) from 5.3 items in FY2016 to 3.9 items in FY2017. As a result, we have increased the amount of time we can devote to discussing such matters as the direction of corporate strategies and medium- to long-term issues and policies. Going forward, we will promote these kinds of efforts to an

even greater extent as we work to draw out an even wider array of opinions at Board meetings.

### Aiming for Governance That Leads to Growth

The Ajinomoto Group has achieved growth through a cycle that realizes economic value creation that results from the social value created through its business activities. There are various aspects behind why economic value is created as a result of social value creation. For example, just because amino acids provide health benefits, that does not mean we can boost sales simply by increasing the lineup of amino acid products. Profit from a product is the first type of compensation that is received after that product is deemed useful by people and society as a whole. With that in mind, we make efforts to create and materialize a story within our product lineup that illustrates a product's contribution to improving health and nutrition while also highlighting its usefulness in the daily lives of people. These efforts embody the ASV that the Group aims to realize. Amid the rapid changes that are occurring in society, it will become even more important for us to deepen our understanding of changes in consumer needs and develop our business accordingly. To this end, we must consider how we want people to enjoy our products as well as the kind of approach we should employ to ensure that people accept the proposals that the Group makes.

While there are various aspects that are intricately interwoven into the idea of turning social value into economic value, if the global headquarters and the worksite level come together to address these aspects, then we most certainly will be able to enhance our efficiency, speed, and product strengths. Also, if we at the Board of Directors are able to increase the number of discussions on this issue, not only will we be able to start thinking about management plans in a timely fashion, we will also be able to organize issues and strategies from a medium- to long-term perspective on a daily basis. In that sense, more frequent and meaningful discussions will be a crucial element in optimizing our corporate governance.

### Continuing to Strengthen Governance to Realize Sustainable Growth

To step up the pace for promoting diversity, it is extremely important to reflect a diverse range of value systems and ways of thinking in our global management and business operations. Accordingly, we will further pursue efforts to develop human resources so that we can be more proactive in appointing a diverse range of talent to corporate officer and management positions. We will also make even greater use of external experts.

In addition, we will continuously examine the ideal approach to enhancing diversity at the Board of Director level by working to incorporate a broad range of perspectives. However, we would be misplacing our priorities if we were to

focus too much on formalities and find ourselves losing touch with the worksite level. Personally, I have made it a point to ascertain the current situation on the front lines and maintain a constant awareness of acting in accordance with those conditions. I therefore believe that we, as the Company's management, should continue the practice of personally visiting retail stores and markets in a repeated effort to better understand the worksite level, as this practice represents an outstanding part of the Group's DNA.

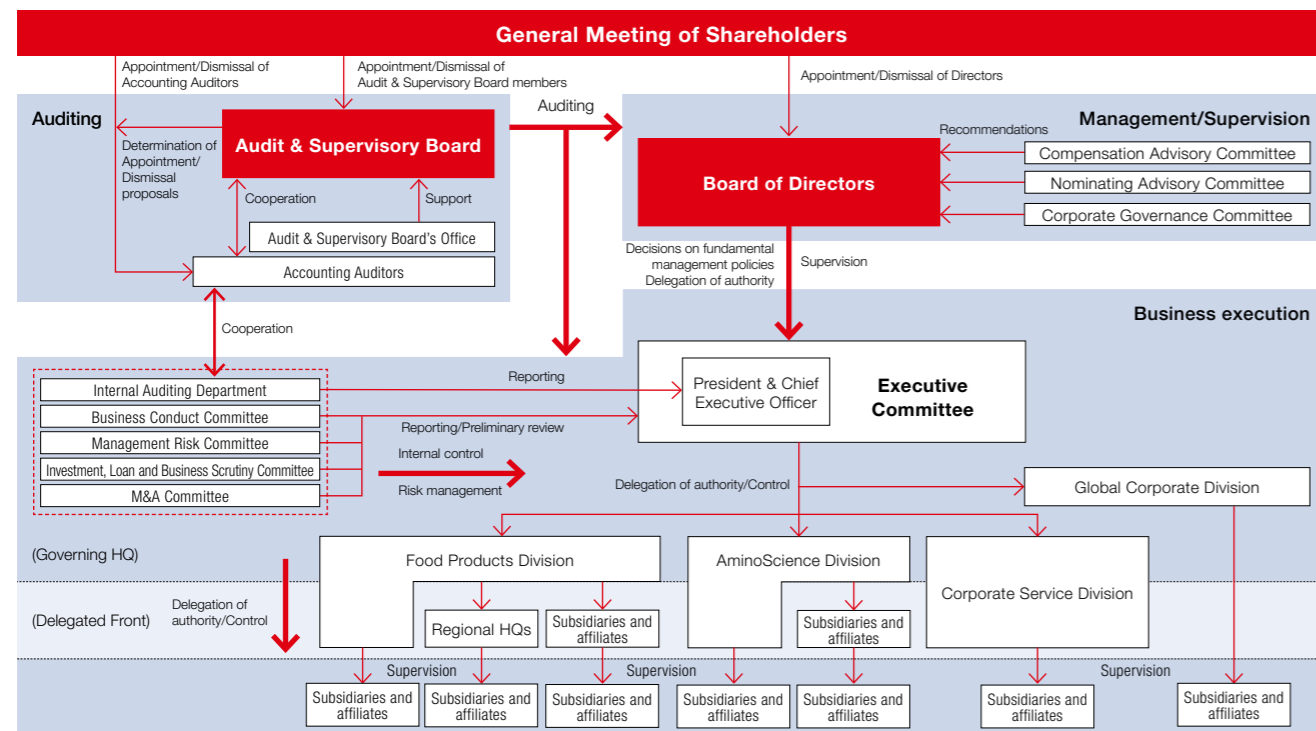
To achieve sustainable growth, the Group needs to continue to work in a manner that allows it to further contribute to the daily lives of people around the world. To do so, we have to establish frameworks that, through our products and services, allow our brands to be highly evaluated in each region of operation. To realize value creation unique to the Group, we will make concerted efforts to strengthen our governance. Going forward, I would like to ask our shareholders and other investors for their continued support as we pursue these endeavors.

July 2018

Masatoshi Ito  
Representative Director,  
Chairman of the Board

## Management Control System and Diversity of Directors

### 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 compensation of director and corporate executive officer, etc. 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)

Applications have been submitted to the Tokyo Stock Exchange to designate all of Ajinomoto Co., Inc.'s outside directors and Audit & Supervisory Board members (external) as independent directors and auditors based on the stipulations of the exchange.

[The standards of independence used by Ajinomoto Co., Inc. for outside officers \(listed in the Corporate Governance Report\)](https://www.ajinomoto.com/en/ir/strategy/corp_gov/main/00/teaserItems1/0/linkList/02/link/Governance2018_E.pdf)

	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	16 out of 17 times (94%)	—
	Yasuo Saito	To capitalize on his in-depth knowledge and experience internationally as a diplomat for the management of Ajinomoto Co., Inc.	17 out of 17 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	16 out of 17 times (94%)	—
Audit & Supervisory Board Members (External)	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	16 out of 17 times (94%)	14 out of 14 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	17 out of 17 times (100%)	14 out of 14 times (100%)
	Hideki Amano	To capitalize on his special knowledge as a certified public accountant and abundant experience in Japan and overseas, and his insight regarding finance and accounting to carry out his duties	—	—

### 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 FY2015, 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 FY2017, the Board of Directors' effectiveness was evaluated highly overall, and in particular, improvement was seen in the following five areas.

1. Standards have been established for the selection of agenda items, which are now discussed appropriately
2. Periodic reporting is now carried out concerning matters resolved at past meetings of the Board of Directors
3. Meeting materials are now distributed sooner
4. Meeting materials have been organized and enhanced
5. The number of directors is now at an appropriate level

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.

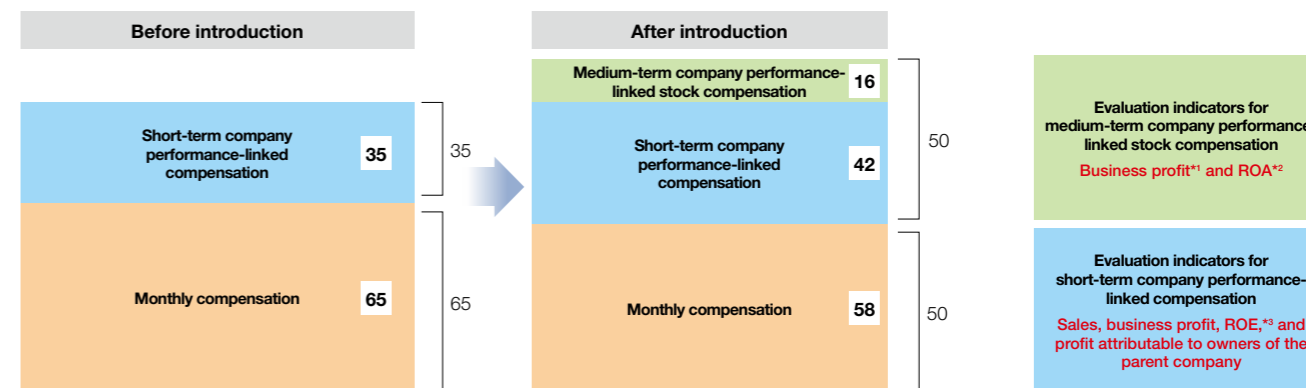
1. Sufficient provision of information to the Board of Directors about deliberations by advisory bodies
2. Enhancement of deliberations on material matters
3. Increase in the number of times that Inside Directors speak
4. Review of principles on the future composition of officers

[Summary of the Evaluation of Effectiveness of the Ajinomoto Co., Inc. Board of Directors](https://www.ajinomoto.com/en/ir/strategy/corp_gov/main/00/teaserItems1/0/linkList/01/link/2017_evaluation_E.pdf)

### Compensation Systems for Officers, etc.

For the purpose of boosting officer motivation to contribute to the fulfillment of the 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, in 2017 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."). Compensation of the officers, etc., now comprises (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 FY2016 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 On a business profit basis  
\*3 On a 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.



## Message from an Outside Director



**I will actively propose new ways of thinking from my outside perspective in order to accelerate the pace of evolution at the Ajinomoto Group.**

**Takashi Nawa**

Outside Director

### Massive Progress in Board of Directors' Reforms

Massive progress has been made in reforming the Board of Directors over the past two years. There have been significant changes to the number of directors, the process for selecting agenda items, and the proceedings at actual meetings. A noteworthy product of these changes is the increased ability to hold discussions from a medium- to long-term perspective. The voluntary committees under the Board of Directors are still in the process of development, however, the Nominating Advisory Committee has begun discussing requirements for director candidates as well as future succession plans. I believe that this is a step in the right direction.

At the same time, the current Board of Directors is not quite there in terms of viewing Japan from a global perspective. As an entity developing business globally, it is imperative for the Ajinomoto Group to have discussions from non-Japanese perspectives. Therefore there is a need to create a more diverse Board of Directors. In terms of close monitoring of execution, the range of opportunities for the Board members to learn about the status of execution is growing year by year. Nonetheless, there is a need to develop a more in-depth understanding of the executive team and the issues faced on the execution side. This could be accomplished, for example, by having members of the executive team participate in discussions on certain themes at Board meetings.

### Corporate Value Created by All Employees through ASV

One major advantage of ASV is that it is positioned as the core of management strategies to realize the Group's mission and vision. ASV also expresses the Group's commitment to its own sense of value and its dedication to communicating it to realize the world it envisions. This is why it is so important for each employee to fully understand the concept of ASV and apply it to his or her own work. If the Group is able to thoroughly entrench ASV initiatives within its operations, communicate this fact inside and outside of the Group, and clarify the changes brought about by ASV, the Group will gain more fans

and its economic and subsequently corporate value will be enhanced. The Group is sincere and dedicated in its ASV initiatives and exhibits a propensity to generate innovation in the regions it serves. I hope to help the Group accelerate these efforts going forward.

### Future Evolution of the Ajinomoto Group

The Ajinomoto Group is currently pursuing increased operational efficiency through the introduction of digital technologies. However, its advancement of the digital transformation has to be accelerated. Specifically, I refer to the development of platforms and business models that expand beyond the scope of the Group's value chain to incorporate collaboration with customers and other external entities. In April 2018, the Group established a new organization with the responsibility of creating businesses using digital technologies for analyzing consumer behavior in a cross-Group fashion. This is a good start, but I think that swifter action is needed on a Group-wide basis. For example, the Group could assemble teams centered on employees in their 20s and 30s and also establish positions such as chief digital officer.

In terms of risks, the Group is effectively addressing human rights, environmental, and other risks. Nevertheless, there is a need to collaborate more openly with external organizations in order to conduct truly innovative initiatives on a global level. Creating a situation in which people anticipate that the Ajinomoto Group could do greater things would no doubt have the effect of reducing risks. Another important measure for reducing risks would be to ensure that all employees are able to conduct themselves appropriately when interacting with society. I hope to make the Group into an organization where people on the front lines are the first to discover risks and are able to pose sometimes startling questions to management.

As an outside director, I too am dedicated to continually bringing difficult-to-discuss topics to the attention of management in order to promote the further evolution of the Ajinomoto Group.

## Directors, Audit & Supervisory Board Members, and Corporate Executive Officers

### Directors

**Masatoshi Ito**  
Representative Director, Chairman of the Board

**Takaaki Nishii**  
Representative Director, President & Chief Executive Officer

**Etsuhiro Takato**  
Representative Director, Member of the Board & Corporate Senior Vice President  
General Manager, Food Products Division; Advertising; Olympic & Paralympic Promotion

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

**Masaya Tochio**  
Member of the Board & Corporate Senior Vice President  
General Manager, Global Corporate Division and General Manager, Corporate Service Division

**Takeshi Kimura**  
Member of the Board & Corporate Vice President  
Management of R&D; Deputy General Manager, Global Corporate Division and Deputy General Manager, Corporate Service Division

### Outside Directors

**Sakie T. Fukushima**

**Yasuo Saito**

**Takashi Nawa**

### Audit & Supervisory Board Members (Standing)

**Yoichiro Togashi**

**Shizuo Tanaka**

### Audit & Supervisory Board Members (External)

**Atsushi Toki**  
Attorney-at-law

**Hiroshi Murakami**

**Hideki Amano**  
Certified Public Accountant

### Corporate Vice Presidents

**Makoto Murabayashi**  
Business Strategy and Development

**Kazuya Onomichi**  
General Manager, Institute for Innovation

**Shunichi Komatsu**  
General Manager, Europe & Africa Division

**Chiaki Nosaka**  
General Manager, Institute of Food Sciences and Technologies, Diversity Promotion

**Haruo Kurata**  
Deputy General Manager, Food Products Division

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

**Hideki Takeuchi**  
Deputy General Manager, Food Products Division

**Kaoru Kurashima**  
General Manager, ASEAN Division

**Yoshimasa Yoshimiya**  
Deputy General Manager, Global Corporate Division and Deputy General Manager, Corporate Service Division

**Taro Fujie**  
Deputy General Manager, Global Corporate Division and Deputy General Manager, Corporate Service Division, Work-Style Innovation

**Masayoshi Kurosaki**  
General Manager, Latin America Division

### Corporate Executive Officers

**Masaya Sugimori**  
General Manager, China Division

**Eiji Majima**  
Deputy President, AJINOMOTO EUROPE S.A.S.

**Hiroshi Motoyama**  
General Manager, Solution & Ingredients Dept. and General Manager, Consumer Data Analysis & Business Creation Dept.

**Masahiro Tani**  
General Manager, Group Procurement Center

**Daniel Bercovici**  
President, AJINOMOTO EUROLYSINE S.A.S.

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

**Jiro Sakamoto**  
Director, Promasidor Holdings Limited

**Chika Morishima**  
General Manager, Consumer Foods & Seasonings Dept.

**Koji Tamura**  
General Manager, Production & Technology Administration Center

**Takayuki Koda**  
General Manager, Manufacturing Strategy Dept., Environment, Safety, and Plant Management Support Dept.

**Narutoshi Fukase**  
General Manager, Tokyo Branch

**Tadahiko Yokota**  
President, Ajinomoto Fine-Techno Co., Inc.

**Hiroshi Tsujita**  
General Manager, Kawasaki Administration & Coordination Office and Kawasaki Plant

**Junichiro Kojima**  
General Manager, R&D Planning Dept.

**Yoshiteru Masai**  
General Manager, Specialty Chemicals Dept.

**Tetsuya Nakano**  
General Manager, Global Finance Dept. and General Manager, Finance & Accounting Dept.

**Tatsuya Sasaki**  
General Manager, Corporate Planning Dept.

**Hiroharu Motohashi**  
Deputy General Manager, Food Products Division

**Masami Kashiwakura**  
President, Ajinomoto Animal Nutrition North America, Inc.

**Hideaki Kawana**  
General Manager, Food Production & Technology Administration Center

**Takumi Matsuzawa**  
General Manager, Human Resources Dept., Global Human Resources

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

**David Enloe**  
President, Ajinomoto Althea, Inc.

**Bernard Kreilmann**  
President, Ajinomoto Foods North America, Inc.

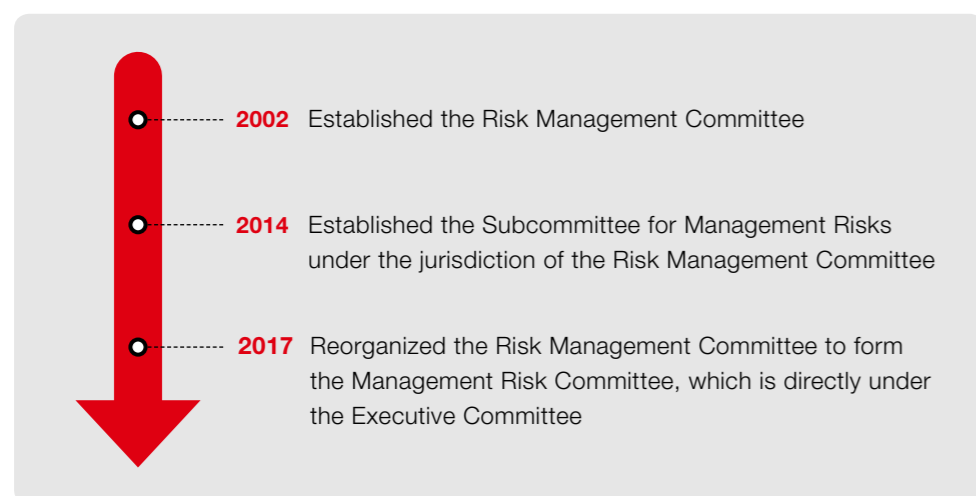
## Risk Management

The Ajinomoto Group is promoting strategic risk management in order to make the Group strongly risk resistant to enhance corporate value. The Group established the "Group Shared Policy on Risk Management," and, under the Management Risk Committee, it is addressing issues related to changes in the macro environment that affect management and governance issues.

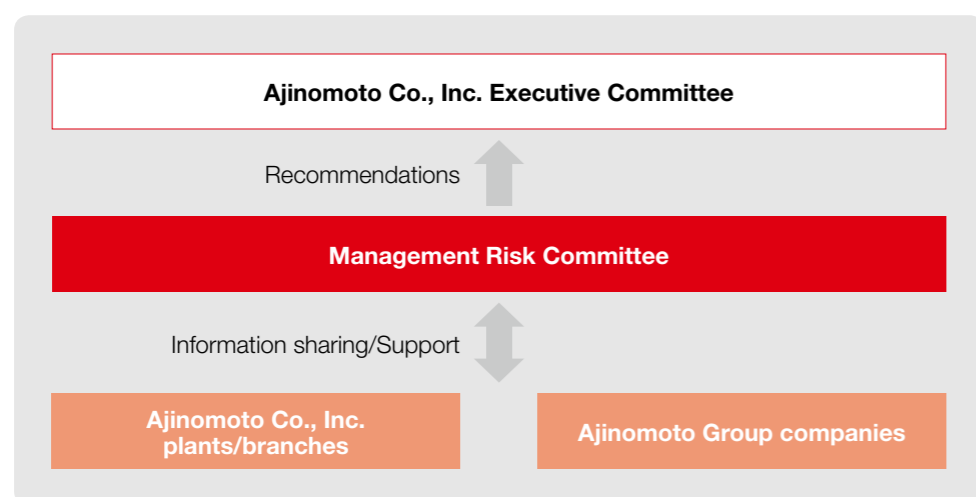
### Risk Management Structure

To more effectively and efficiently respond to corporate management risks and build a corporate structure that is strong against crises, in 2017 the Group reformed the Management Risk Committee directly under the Executive Committee. The Group recognizes that risk management is an important tool for internal control, which is one of management's responsibilities. It will endeavor to evaluate and manage serious risks in a cross-organizational manner based on this recognition, and at the same time, will develop structures that allow for prompt and accurate responses to any risks that should materialize.

### Evolution of Risk Management Structure



### Risk Management Structure



### Response to Major Risks

Taking into account the business environment including political, economic, and social conditions across the globe, the Ajinomoto Group has identified Group-wide risks that require cross-organizational management based on comprehensive consideration of factors including the potential impact, possibility of occurrence, and level of the risks. In addition, the Group is formulating Group-wide response measures and working to monitor and manage the progress of its response to risk on a regular basis.

	Risk	Impact on Business	Response
Global development	<b>Macro-environment risks</b>	Negative impacts on business activities and performance due to financial crises, trade issues, and other developments arising from unstable global political, economic, and social conditions	<ul style="list-style-type: none"> <li>Monitor macro-environmental indicators and public safety information in major countries of operation</li> <li>Construct models for analyzing and measuring the impact of macro-environmental changes on the Ajinomoto Group</li> </ul>
	<b>Corporate governance</b>	Confusion within organizational management and reduced business profitability due to failure to thoroughly implement the "Group Shared Policy on Governance"	<ul style="list-style-type: none"> <li>Establish necessary policies as a global company and thoroughly implement organization and business management based on those policies</li> </ul>
	<b>Global competition</b>	Negative impacts on management decisions and declining competitive advantage due to shortage of external information such as market environment and regulatory systems	<ul style="list-style-type: none"> <li>Enhance analysis of market environment and competitive trends</li> </ul>
Social issues	<b>Global climate change and environmental impact</b>	Production stagnation due to droughts, floods, or water quality deterioration or raw material procurement failure due to resource depletion	<ul style="list-style-type: none"> <li>Conduct R&amp;D on water-conserving technologies</li> <li>Study methods to monitor water-related risks</li> </ul>
		Higher production costs or compliance violations stemming from delay to respond to the regulations of countries of operation	<ul style="list-style-type: none"> <li>Develop legal networks on a country and region basis</li> </ul>
		Higher production costs as a result of delays in initiatives to eliminate carbon emissions or increased carbon tax burden	<ul style="list-style-type: none"> <li>Collect information on climate change projections and monitor potential impacts</li> </ul>
		Damaged corporate value due to delays in waste reduction or recycling initiatives	<ul style="list-style-type: none"> <li>Establish the plastic waste examination team as an organization that serves directly under the Management Risk Committee</li> </ul>
	<b>Procurement risks</b>	Raw material procurement failure due to delays in addressing social and environmental issues across the supply chain	<ul style="list-style-type: none"> <li>Monitor social and environmental issues related to key raw materials and formulate and execute measures to respond to such issues</li> <li>Establish the animal welfare examination team as an organization that serves directly under the Management Risk Committee</li> </ul>
Corporate management	<b>Business risks</b>	<ul style="list-style-type: none"> <li>Negative impacts on sales and marketing activities due to the inability to respond to changes in megatrends or in trends among consumers</li> <li>Negative rumors being spread regarding umami or the umami seasoning <i>AJI-NO-MOTO</i><sup>®</sup></li> </ul>	<ul style="list-style-type: none"> <li>Monitor trends, analyze potential impacts on business, and formulate and execute response plans</li> <li>Implement awareness-raising activities in cooperation with the NPO Umami Information Center, etc.</li> </ul>
Technology	<b>Information security and IT management structure</b>	Decreased competitiveness due to the inability to adapt to the advancement of IT	<ul style="list-style-type: none"> <li>Improve IT and information literacy</li> <li>Analyze and monitor risks caused by delayed innovation</li> </ul>
		Decreased competitiveness resulting from cyber-attacks from outside or vulnerabilities in IT management structure and system malfunction	<ul style="list-style-type: none"> <li>Implement appropriate risk assessments</li> </ul>
	<b>Infrastructure establishment on IT</b>	Loss of opportunities due to inefficient operations resulting from delays in establishing IT infrastructure	<ul style="list-style-type: none"> <li>Bolster the establishment and management of IT to function as shared Group infrastructure</li> </ul>



### 30 Priority ESG Items

As an important element for becoming a global top 10 class food company, the Ajinomoto Group recognizes the importance of undertaking initiatives toward ESG targets and action plans that conform to international standards. In addition to the non-financial targets adopted within its integrated targets, the Group is comprehensively focusing on ESG items that are emphasized by not only the United Nations' SDGs and the CGF\*1 but also the GRI,\*2 SASB,\*3 and various other external institutions (DJSI,\*4 MSCI,\*5 ATNI\*6). In doing so, the Group is stepping up the pace of its ESG-related initiatives.

ESG Items	Progress
<b>Social Capital</b>	
Human rights and community relations	Established the "Group Shared Policy on Human Rights" in March 2018.
Product access and affordability	Established the "Group Shared Policy on Product Accessibility" in March 2018.
Customer welfare (health and nutrition, etc.)	Established the "Group Shared Policy on Nutrition" in July 2017 and, to improve the effectiveness of this policy, commenced examinations on establishing a framework for the Nutrient Profiling System (slated to be introduced in FY2019), which will lay out standards that the Group's products should meet.
Data security and customer privacy	Established the "Group Shared Policy on Privacy" in July 2018.
Fair disclosure and labeling	Established the "Group Shared Policy on Package Description" in July 2017.
Fair marketing and advertising	Established the "Group Shared Policy on Marketing Communications" in March 2018.
<b>Human Capital</b>	
Labor relations	Continuously held appropriate and sound labor-related discussions with labor unions or worker representatives at each Group company in Japan.
Fair labor practices	Established the "Group Shared Policy on Human Resources" in March 2018 and commenced operations of talent management and position management systems.
Employee health, safety, and well-being	Enacted the "Ajinomoto Group Health and Well-Being Initiative" in May 2018 as part of efforts to support the physical and mental health of employees, sequentially appointing health officers at each Group company and carrying out initiatives to promote health in accordance with the conditions at each company in each country.
Diversity and inclusion	Established the Diversity Task Force with the aim of realizing a "company and society in which people with diverse values mutually respect each other and play an active role regardless of gender, generation, nationality, work experience, etc."
Compensation and benefits	Improved programs to respond to the issue of the declining birthrate and aging population; established an allowance to support work-life balance at Ajinomoto Co., Inc. for employees raising children or providing nursing care and working to extend this allowance to Group companies in Japan.
Recruitment, development, and retention	Conducted an engagement survey of all Group employees (see p58) and established the ASV Penetration & Evolution Task Force in order to pursue work-style innovation to meet global standards and to improve employee engagement through ASV.
<b>Business Model and Innovation</b>	
Lifecycle impacts of products and services	Developing and providing high-quality products and services that are safe and secure in accordance with the "Group Shared Policy on Quality"; communicated and raised awareness on the usefulness of umami and the umami seasoning <i>AJI-NO-MOTO</i> ®.
Environment, social impacts on assets, and operations	Held the Briefing on Integrated Report Topics (ESG Briefing), which targeted institutional investors and analysts, in April 2018; established the "Group Shared Policy on Information Sharing with Stakeholders" in July 2018.
Product packaging	Established the plastic waste examination team as an organization that serves directly under the Management Risk Committee.
Product quality and safety	Established the "Group Shared Policy on Food Safety" in July 2017.

ESG Items	Progress		
<b>Environment</b>	Greenhouse gas emissions	Continued to implement activities in accordance with the "Group Shared Policy on the Environment." (See p26 for FY2017 results.)	
	Energy management		
	Fuel management		
	Air quality		
	Water and wastewater management		
	Biodiversity impacts		Established the "Ajinomoto Group Palm Oil Procurement Guidelines," which are linked to the "Group Shared Policy on Procurement" in July 2018. (See p26 for FY2017 results.)
	Waste and hazardous materials management		Established the plastic waste examination team as an organization that serves directly under the Management Risk Committee.
<b>Governance</b>	Systemic risk management	Identified "Important Company-wide Risks" in accordance with the "Group Shared Policy on Risk Management" and under the guidance of the Management Risk Committee, and continuously examined measures for responding to such risks.	
	Accident and safety management	Continuously carried out activities in accordance with the "Group Shared Policy on Occupational Safety and Health."	
	Business ethics and transparency of payments	Established the "Group Shared Policy on Whistle-blowing" and the "Group Shared Policy on Fraud and Defalcation Prevention" in July 2018.	
	Competitive behavior	Thoroughly enforced the "Group Shared Policy on Global Tax" through such means as the Global Finance and Accounting Conference, in which Group companies attended, to enhance the policy's effectiveness.	
	Regulatory capture and political influence	Established the "Group Shared Policy on Political Activities and Political Contributions" in July 2018.	
	Materials sourcing	Established the "Group Shared Policy for Suppliers" while at the same time revised the "Group Shared Policy on Procurement" in March 2018.	
	Supply chain management	Established guidelines for the "Group Shared Policy for Suppliers," which elaborates on the content of the "Group Shared Policy for Suppliers" in July 2018.	

\*1 The Consumer Goods Forum  
 \*2 Global Reporting Initiative  
 \*3 Sustainability Accounting Standards Board  
 \*4 Dow Jones Sustainability World Index  
 \*5 MSCI Global SRI/ESG Leaders Indexes  
 \*6 Access to Nutrition Index

**30 Priority ESG Items (commitments and target details)**  
<https://www.ajinomoto.com/en/ir/esg/initiatives.html>

## Ajinomoto Group Policies

In July 2018, the Ajinomoto Group revised the "Ajinomoto Group Principles" to establish the "Ajinomoto Group Policies." The objective of this revision was to define the policies for setting out the beliefs and behaviors to which all Ajinomoto Group companies and employees should aspire; strengthen legal compliance and corporate governance; promote fair, transparent, and smooth business activities; and enhance the Group's corporate brand value.

At the Ajinomoto Group, our mission is to contribute to the world's food and wellness, and to better lives for the future. That's why we pursue ASV (The Ajinomoto Group Creating Shared Value) initiatives—our unique approach to resolving social issues through our business and improving economic value by creating shared value with society and local communities.

Pursuing ASV requires collaboration with various stakeholders, and this collaboration is only possible if each of us at the Group works hard to earn the trust of society. Recognizing this, we have revised the principles that illustrate the beliefs and behaviors which the companies in the Group and each of us who work there should uphold, naming them the Ajinomoto Group Policies (AGP). The AGP represents our fundamental, globally shared views as well as the code of conduct that governs the Group's business activities as they relate to compliance in each country and region in which we operate, international rules concerning "21st-century issues of human society," and the pursuit of ASV.

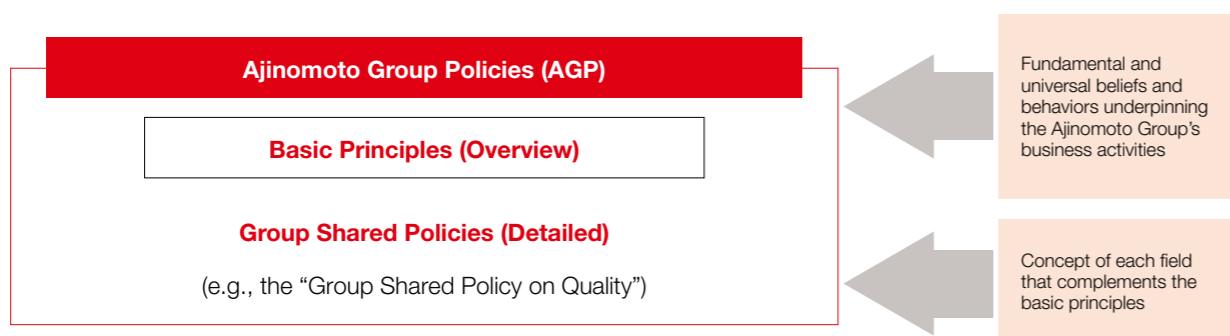
The AGP applies to all of our activities and provides a written commitment to all of our stakeholders that we will uphold them. Our goal is to be a "Genuine Global Specialty Company" that earns trust by upholding the AGP in everything we do.



Takaaki Nishii  
Representative Director,  
President & Chief Executive Officer,  
Ajinomoto Co., Inc.

### Overview of the "Ajinomoto Group Policies"

The "Ajinomoto Group Policies" comprise basic principles and Group Shared Policies. Decisions regarding amendment and abolishment of these policies are to be made by Ajinomoto Co., Inc.'s Executive Committee, and these policies are to be applied to all Ajinomoto Group companies, officers (including those in equivalent positions), and employees (including temporary employees, contract employees, part-time employees, and other employees on fixed-term contracts).



### Group Policy Index

The Group Shared Policies included in the AGP are recognized as important policies for a global company and have been integrated into the Group Policy Index.

[Ajinomoto Group Policies](https://www.ajinomoto.com/en/activity/policy/)  
<https://www.ajinomoto.com/en/activity/policy/>

Basic Principles	Group Shared Policies	Overview
<b>1. Initiatives to Improve Nutrition</b>	Nutrition	Basic policy regarding nutrition for contributing to health and well-being
	Product accessibility	Commitment to supply products in the ideal form at affordable prices
<b>2. Provision of Safe, High-Quality Products and Services</b>	Quality	Essential principle of acting to ensure safe and high-quality products and services
	Food safety	Commitment to food safety and security
	Package description	Commitment to responsible package description providing accurate information with no risk of misunderstanding
	Marketing communications	Commitment to ensuring responsibility and ethics in all information provided in communicating with consumers
<b>3. Contribution to the Global Environment and Sustainability</b>	Environment	Commitment to preservation of the global environment and realization of a sustainable, recycling-oriented society
<b>4. Fair and Transparent Transactions</b>	Procurement	Procurement policy for the Ajinomoto Group to observe its activities across the value chain in order to realize a sustainable cycle
	Suppliers	Items to be requested of the suppliers in the value chain to realize a sustainable cycle
	Bribery prevention	Policy and stance as a company committed to executing under high levels of ethics and responsibility
	Political activities and political contributions	Policy as a company committed to executing political activities and political contributions under high levels of ethics and responsibility
<b>5. Approach to Human Rights</b>	Human rights	Commitment to ensuring that human rights violations do not occur in workplace environments of the Ajinomoto Group and its suppliers
<b>6. Human Resources Training and Ensuring Safety</b>	Human resources	Policy for establishing workplace environments and human resource systems as well as development of programs that facilitate contributions from diverse talent
	Occupational safety and health	Policy for establishing workplace environments and labor conditions where employees can work safely
<b>7. Working with Local Communities</b>	Local community enhancement	Commitment toward acting as a company that coexists with, and grows together with, the communities in which it operates
<b>8. Responsibilities to Stakeholders</b>	Global tax	Policy for minimizing tax risks and maximizing consolidated free cash flow
	Information sharing with stakeholders	Policy on financial and non-financial information sharing not only with shareholders and investors, also with various other stakeholders
<b>9. Protection and Management of Corporate Assets and Information</b>	Information security	Policy for the handling of information collected inside and outside of the organization
	Privacy	Policy for the handling of personal information
	Intellectual property	Policy for the protection and management of intellectual properties
<b>10. Clear Separation of Business and Personal Affairs</b>	—	—
<b>11. Establishment and Implementation of Good Governance</b>	Governance	Policy regarding the corporate governance expected of the "Delegated Front" as a member of the Group, guided by the core functions, authority, and responsibilities required of the "Governing HQ"
	Risk management	Policy for promoting strategic risk management
	Fraud and defalcation prevention	Policy on fraud and defalcation
	Whistle-blowing	Policy regarding whistle-blower systems for promoting reliable compliance management



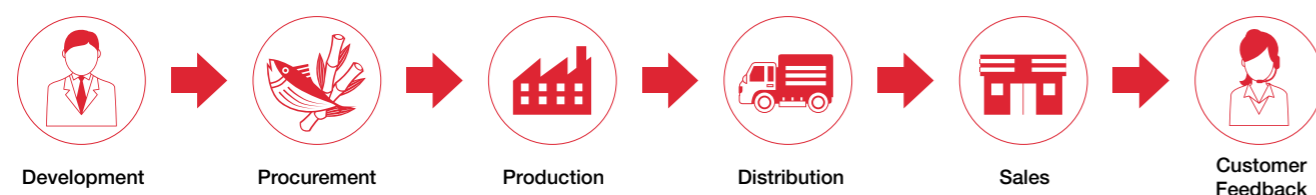
## Quality Assurance System of the Ajinomoto Group

Based on the "Group Shared Policy on Quality" and the "Group Shared Policy on Food Safety," the Ajinomoto Group is striving for strict quality assurance by globally applying the Ajinomoto System of Quality Assurance (ASQUA)—its proprietary quality assurance system—to all processes spanning from product development to customer feedback. In addition, the Group's commitment to safe and high-quality products and services is reflected in actions such as acquiring third-party certification regarding quality and conducting human resource development programs aimed at raising quality levels.

These efforts have enabled the "AJINOMOTO brand" to maintain high trust from customers. The Group will continue working to ensure quality to contribute to better lives for customers all over the world.

### Commitment to Quality

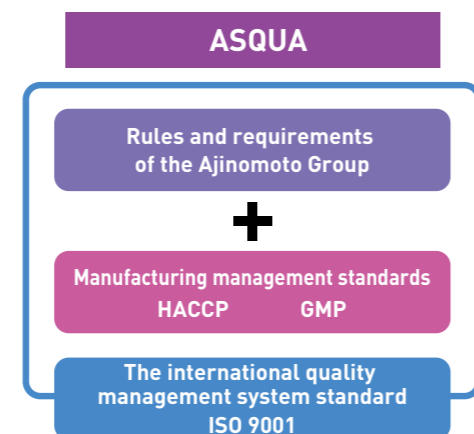
The Ajinomoto Group's commitment to quality permeates all steps leading up to the delivery of products to customers.



### ASQUA

Established in 1997, ASQUA is the Ajinomoto Group's proprietary quality assurance system. This system for managing quality codifies the items necessary to ensure that products maintain the level of quality expected of the "AJINOMOTO brand." ASQUA incorporates items based on ISO 9001, an international quality management system standard, and manufacturing management standards such as Hazard Analysis and Critical Control Points (HACCP),\*1 Good Manufacturing Practices (GMP),\*2 and others, and supplemented by the Group's rules and requirements. Currently, over 100 Ajinomoto Group companies around the world are thoroughly implementing quality assurance activities based on ASQUA.

#### ASQUA Framework



\*1 Management standard for manufacturing foods in a safe and sanitary manner

\*2 Standards relating to product manufacturing management

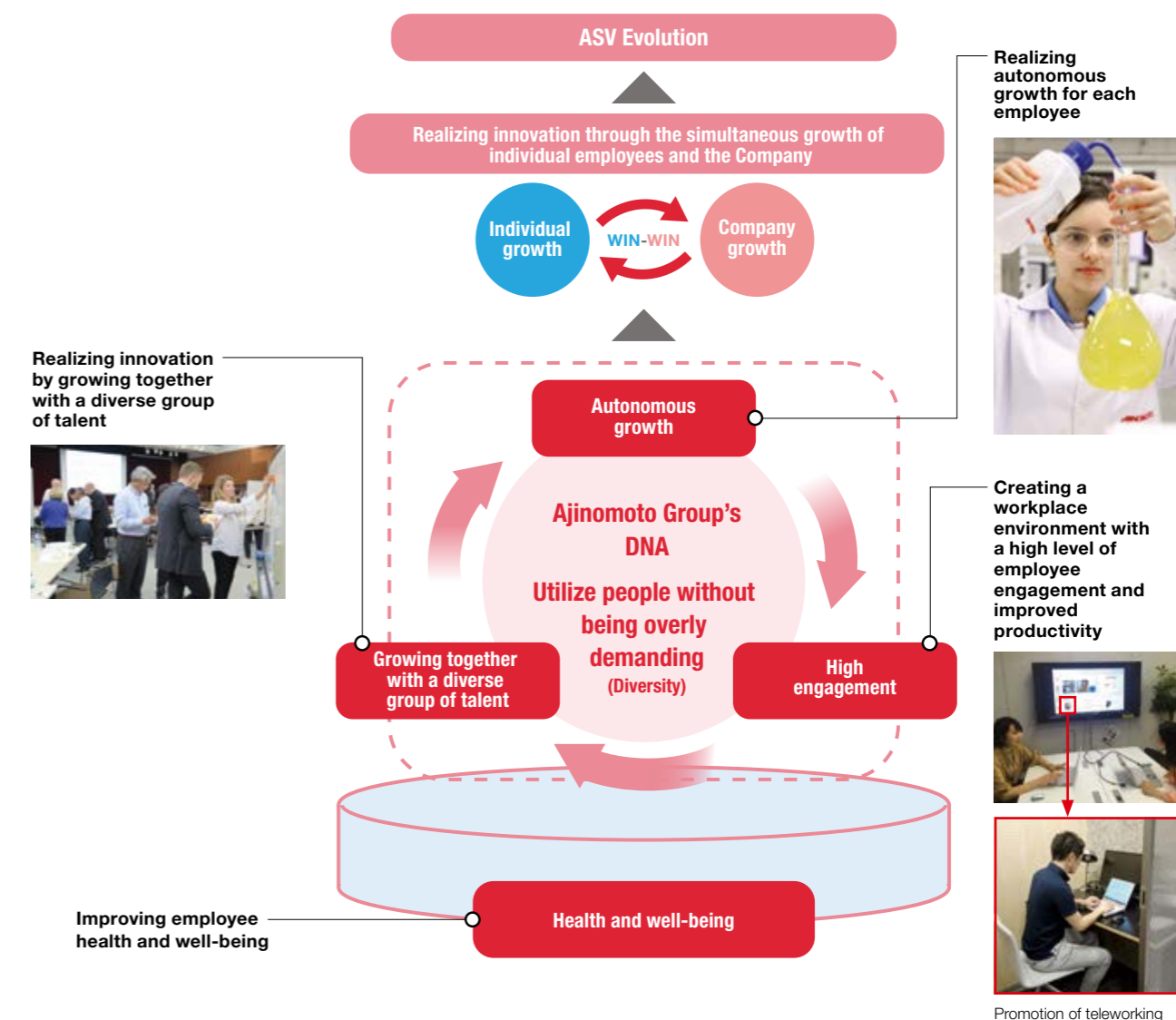
### Initiatives with Raw Material Suppliers

A cooperative relationship with raw material suppliers is vital to ensuring rigorous quality assurance. The Ajinomoto Group therefore applies the quality control standards and quality requirements of ASQUA in dealing with its suppliers. In addition to regular assessments and quality audits, the Group also partners with suppliers to reduce quality risks, improve quality levels at suppliers, and achieve other objectives. Furthermore, the Group requests suppliers to practice legal compliance and promote social responsibility toward such issues as human rights, occupational safety, and the environment, as stated in the "Group Shared Policy for Suppliers" and related guidelines. Going forward, the Group will continue to respond to customer trust through efforts across the supply chain.

## Talent for Realizing ASV

The Ajinomoto Group views its global, top-class, and diverse talent as central to creating value through ASV. The Group established the "Group Shared Policy on Human Resources" with the aim of accelerating growth. The Group believes that it is a source of promoting ASV that all employees, with their diverse strengths, can feel engaged in their work and fully reach their potential, achieving the simultaneous growth of individual employees and the Company.

### Basic Policy on Global Human Resource Management



## Talent for Realizing ASV

### Ajinomoto Group Engagement Survey

In its efforts to stimulate employees' growth, the Ajinomoto Group places particular emphasis on employee engagement. The Group recognizes that, when employees feel strongly engaged and are highly motivated and active in their work while being fulfilled in their private lives, it creates a situation that is beneficial for individual career development, corporate growth and, as a result, improved corporate value. For this reason, the Group conducted the Ajinomoto Group Engagement Survey with all employees in FY2017 in order to measure employee engagement and further reveal any issues to be improved for sustainable growth of the Group. The results of this survey are as follows.

#### Ajinomoto Group Engagement Survey Results

Percentage of employees with high engagement\*1

FY2017 Actual

**79%**

Percentage of employees who feel that they are in good mental and physical health\*2

FY2017 Actual

**76%**

\*1 Percentage of employees that support the goals and targets of the company and feel engaged as they work toward the sustainable growth of the company  
\*2 Percentage of employees that feel the company is considering their health and that are highly motivated to work in the company with a good work-life balance

The survey revealed relatively high score levels for the understanding and appreciation of ASV. These high scores are a result of our ASV sessions for all employees of the Group and establishing an "Our ASV" website, among other initiatives, to help individuals understand ASV and carry it into action. In addition, the Group launched the ASV Awards Program in FY2016 with the aim of acknowledging ASV initiatives that are innovative. The FY2017 ASV Awards Grand Prize was presented to "Support for improved quality of life through *Amino Aile*<sup>®</sup> and the provision of exercise and nutrition information."



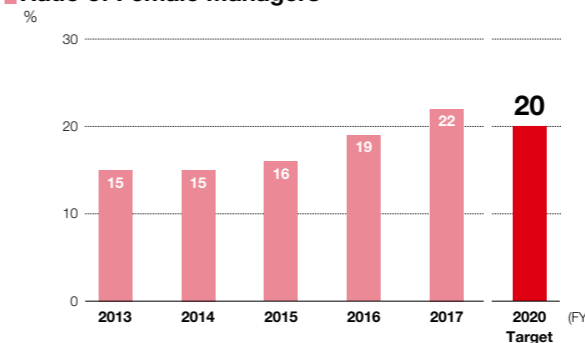
See ASV STORIES

[https://www.ajinomoto.com/en/aboutus/asv\\_stories/](https://www.ajinomoto.com/en/aboutus/asv_stories/)

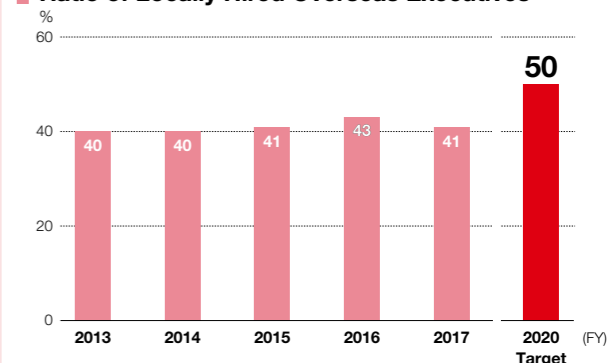


The scores of diversity-related items were relatively low. The Diversity Task Force was initiated in July 2017 and it has been accelerating diversity through concrete action plans based on the survey results. With these efforts, the Group aims for all employees to fully reach their potential with dignity and respect, regardless of their gender, age, nationality, experience, etc.

#### Ratio of Female Managers



#### Ratio of Locally Hired Overseas Executives



### Establishing the Ajinomoto Group Health and Well-Being Initiatives

The Ajinomoto Group values the health and well-being of employees, which has culminated in the establishment of the Ajinomoto Group Health and Well-Being Initiatives in April 2018. This declaration will lead to developing initiatives for employees to promote self-care regarding their health and well-being. For example, Ajinomoto Co., Inc. has launched initiatives for tracking the health and well-being of individual employees, allowing them to receive advice using smartphone applications. The Company is also in the process of appointing a dedicated person at individual Group companies who will start these initiatives based on their individual circumstances.

#### The Ajinomoto Group Health and Well-Being Initiatives

Since the foundation, the Ajinomoto Group explored businesses by sharing the original ideal of "Eat Well, Live Well." For further contribution to the world's food and wellness through our businesses, the Ajinomoto Group will develop work environment in accordance with "Group Shared Policy on Human Resources" to improve employees' health and well-being. By practicing improvement of health and well-being, employees will realize ASV Value Creation Stories.

### Work-Style Innovations in Japan

In FY2016, Ajinomoto Co., Inc. introduced work-style innovations with the aim of heightening employee engagement. The Company believes these innovations can help its diverse talent find suitable work-styles and lifestyles. The Company also tries to make a better work environment that allows employees to work more flexibly in terms of their workplace and work hours so that total productivity will improve.\*3

\*3 IT environments and others

#### Average Annual Working Hours

Ajinomoto Co., Inc.

FY2016 Actual 1,916 hours  
 FY2017 Actual 1,842 hours  
 FY2020 Target 1,750 hours

Group companies in Japan

From FY2020  
 1,800 hours



Talent for Realizing ASV

Message from Corporate Vice President in Charge of Diversity Promotion



**The promotion of diversity is indispensable to the future growth of the Ajinomoto Group. I plan to further reform our corporate culture in my role as a promoter of diversity.**

**Chiaki Nosaka**

Corporate Vice President,  
Diversity Project Leader

The Ajinomoto Group is committed to responding to the ever-changing needs of consumers and the greater society. Accomplishing this goal will require that we refrain from becoming bound by prior perspectives and conventions and that we promote diversity to ensure respect for the various viewpoints and ideas of employees that are born out of differences in their gender, generation, and nationality as well as in their background and values.

This is because it is only when we are able to accept and evaluate the diverse ideas of diverse talent that we can provide products and services boasting new value matched to diverse customer needs. In my view, the ultimate goal of promoting diversity is to create a virtuous cycle in which such diversity fuels the growth of the Group, which in turn creates more opportunities for employees to grow—thereby facilitating the success of all employees. It will therefore be important for employees to shape their own careers and leverage the experience gained through these careers while minimizing the amount of time that they are away from their careers due to life events (for example, maternity leave) in order to ensure access to opportunities for growth.

In March 2018, the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange announced their 2018 Nadeshiko Brand selection, with Ajinomoto Co., Inc. listing in the selection for the first time. This was a result of

the high evaluation of our initiatives to date to become the No. 1 company where women as well as men can achieve their full potential. However, the engagement survey conducted in 2017 with all Group employees indicated relatively low scores with regard to diversity-related items. The gap was particularly large when comparing ourselves to global benchmark companies. Looking at these survey results, it is clear that there is an urgent need to implement awareness reforms targeting all employees and to cultivate our desired corporate culture if we are to accelerate the promotion of diversity. We sought to facilitate efforts to this end by holding unconscious bias workshops for the Executive Committee members. Future initiatives for reforming our corporate culture will include extending this training to all employees, establishing committees for advancing the promotion of female employees, and sharing information on diversity initiatives Group-wide through internal newsletters. We also plan to organize training on LGBT issues as well as work-life balance seminars for encouraging male employees to take part in childrearing. These initiatives will first be introduced at Ajinomoto Co., Inc., and then expanded to other companies. I will exercise leadership in guiding these activities as we seek to establish an environment in which the Group and its employees can grow and succeed together.

# Performance and Information

This section introduces the financial position and basic details of the Ajinomoto Group.

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## Eleven-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)	(8,674)	(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)	63,514	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 (%) <sup>*2</sup>	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 (%) <sup>*3</sup>	2.6	(0.9)	1.6	2.8	3.8	4.4	3.9	4.0	5.0	4.0
Return on equity (%) <sup>*4</sup>	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 FY2013 this method changed to netting off sales and cost of goods sold, 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 FY2014. Sales promotion discounts paid to customers to expand sales were deducted from net sales. Figures for FY2011 and subsequent fiscal years have been restated.

\*2 Debt (Net debt/equity ratio) = Interest-bearing debt/Shareholders' equity (Net debt is interest-bearing debt - Cash and cash equivalents 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	FY2017
For the year:			
Sales	¥1,149,427	¥1,091,195	¥1,150,209
Cost of sales	(757,135)	(704,177)	(752,779)
Gross profit	392,291	387,018	397,430
Selling, R&D, G&A expenses	(295,315)	(292,701)	(304,088)
Business profit*1	98,144	96,852	97,322
Operating profit	99,678	83,617	83,320
Profit before income taxes	98,778	86,684	85,445
Profit attributable to owners of the parent company	71,292	53,065	60,741
Capital expenditures	89,365	89,677	79,417
Depreciation and amortization	49,751	46,273	51,783
At year-end:			
Equity attributable to owners of the parent company	¥ 609,486	¥ 616,315	¥ 641,445
Total assets	1,273,893	1,350,105	1,425,859
Interest-bearing debt (net)	64,089	149,980	156,337
Per share (yen):			
Earnings	¥ 121.23	¥ 92.81	¥ 106.84
Book value	1,048.96	1,082.90	1,129.52
Dividends	28.0	30.0	32.0
Value indicators:			
Liquidity ratios:			
Net debt/equity ratio (%) <sup>*2</sup>	18.5	31.4	31.7
Interest coverage ratio (times)	58.8	44.0	43.3
Investment indicators:			
Price/earnings ratio—PER (times)	20.9	23.7	18.0
Price/book value ratio—PBR (times)	2.4	2.0	1.7
Return indicators:			
Ratio of business profit to total assets (ROA) (%) <sup>*3</sup>	7.8	7.4	7.0
Return on equity (ROE) (%) <sup>*4</sup>	11.3	8.7	9.7
Number of employees	33,295	32,734	34,452

\*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 ratio (%) = Interest-bearing debt/Equity attributable to owners of the parent company (Net debt is interest-bearing debt - Cash and cash equivalents 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



## Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	187,869	186,003
Trade and other receivables	200,270	186,503
Other financial assets	10,615	11,047
Inventories	184,086	168,755
Income taxes receivable	8,374	7,423
Others	12,919	13,711
Subtotal	604,135	573,445
Assets of disposal groups classified as held for sale	-	-
Total current assets	604,135	573,445
Non-current assets		
Property, plant and equipment	412,613	393,441
Intangible assets	63,238	60,422
Goodwill	108,981	96,606
Investments in associates and joint ventures	131,190	130,634
Long-term financial assets	70,042	62,923
Deferred tax assets	13,080	8,249
Others	22,576	24,382
Total non-current assets	821,724	776,660
Total assets	1,425,859	1,350,105

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	185,443	160,840
Short-term borrowings	15,280	11,153
Current portion of long-term borrowings	11,285	23,929
Other financial liabilities	4,025	5,049
Short-term employee benefits	37,811	35,501
Provisions	6,348	4,579
Income taxes payable	10,429	9,995
Others	9,636	9,744
Subtotal	280,261	260,794
Liabilities of disposal groups classified as held for sale	-	-
Total current liabilities	280,261	260,794
Non-current liabilities		
Corporate bonds	169,413	169,347
Long-term borrowings	140,298	129,617
Other financial liabilities	28,428	18,452
Long-term employee benefits	64,807	57,592
Provisions	11,397	11,261
Deferred tax liabilities	9,994	12,163
Others	710	202
Total non-current liabilities	425,051	398,637
Total liabilities	705,312	659,431
<b>Equity</b>		
Common stock	79,863	79,863
Capital surplus	955	3,797
Treasury stock	(9,585)	(6,895)
Retained earnings	629,583	584,849
Other components of equity	(59,371)	(45,299)
Disposal groups classified as held for sale	-	-
Equity attributable to owners of the parent company	641,445	616,315
Non-controlling interests	79,101	74,358
Total equity	720,546	690,673
Total liabilities and equity	1,425,859	1,350,105

## Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Continuing operations		
Sales	1,150,209	1,091,195
Cost of sales	(752,779)	(704,177)
Gross profit	397,430	387,018
Share of profit of associates and joint ventures	3,981	2,537
Selling expenses	(173,855)	(169,448)
Research and development expenses	(27,833)	(27,134)
General and administrative expenses	(102,400)	(96,119)
Business profit	97,322	96,852
Other operating income	9,768	9,541
Other operating expenses	(23,770)	(22,776)
Operating profit	83,320	83,617
Financial income	9,584	7,283
Financial expenses	(7,458)	(4,216)
Profit before income taxes	85,445	86,684
Income taxes	(16,653)	(21,717)
Profit from continuing operations	68,792	64,966
Profit from discontinued operations	-	-
Profit	68,792	64,966
Attributable to:		
Owners of the parent company	60,741	53,065
Non-controlling interests	8,050	11,901
Profit from continuing operations attributable to owners of the parent company	60,741	53,065
Profit from discontinued operations attributable to owners of the parent company	-	-
Profit attributable to owners of the parent company	60,741	53,065
Earnings per share from continuing operations (yen):		
Basic	106.84	92.81
Diluted	-	-
Earnings per share from discontinued operations (yen):		
Basic	-	-
Diluted	-	-
Earnings per share (yen):		
Basic	106.84	92.81
Diluted	-	-

## Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit	68,792	64,966
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	2,282	4,696
Remeasurements of defined benefit pension plans	(9,346)	(6,607)
Share of other comprehensive income (loss) of associates and joint ventures	384	540
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	90	274
Change in fair value of forward elements of forward contracts	(114)	(162)
Exchange differences on translation of foreign operations	(4,670)	1,809
Share of other comprehensive income (loss) of associates and joint ventures	112	67
Other comprehensive income (Net of related tax effects)	(11,262)	617
Comprehensive income	57,529	65,584
Comprehensive income attributable to:		
Owners of the parent company	47,712	53,489
Non-controlling interests	9,816	12,094



## Consolidated Statements of Changes in Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	(Millions of yen)							
	Equity attributable to owners of the parent company					Other components of equity		
	Common stock	Capital surplus	Treasury stock	Retained earnings	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 contracts
Balance as of April 1, 2016	79,863	26,021	(6,944)	552,684	22,225	(12,256)	(3,799)	–
Profit				53,065				
Other comprehensive income				4,695	(6,542)	267		(126)
Comprehensive income	–	–	–	53,065	4,695	(6,542)	267	(126)
Purchase of treasury stock			(30,013)					
Disposal of treasury stock		(0)	0					
Retirement of treasury stock		(30,061)	30,061					
Dividends				(17,252)				
Transactions with non-controlling interests								
Changes due to business combinations								
Changes in ownership interests in subsidiaries that result in loss of control					(6)	36		
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	(4,290)			
Transfer of negative balance of other capital surplus		7,903		(7,903)				
Transfer to non-financial assets						513		
Share-based payment transaction								
Disposal groups classified as held for sale								
Other				(34)	(0)			
Total net changes in transactions with owners of the parent company	–	(22,223)	48	(20,900)	(4,297)	36	513	–
Balance as of March 31, 2017	79,863	3,797	(6,895)	584,849	22,624	(18,763)	(3,018)	(126)
Balance as of April 1, 2017	<b>79,863</b>	<b>3,797</b>	<b>(6,895)</b>	<b>584,849</b>	<b>22,624</b>	<b>(18,763)</b>	<b>(3,018)</b>	<b>(126)</b>
Profit				60,741				
Other comprehensive income				2,285	(9,322)	91		(88)
Comprehensive income	–	–	–	60,741	2,285	(9,322)	91	(88)
Purchase of treasury stock			(2,690)					
Disposal of treasury stock		(0)	0					
Retirement of treasury stock								
Dividends				(17,073)				
Transactions with non-controlling interests		(3,192)						
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		(58)						
Transfer from other components of equity to retained earnings				1,067	(455)			
Transfer of negative balance of other capital surplus		0		(0)				
Transfer to non-financial assets						24		
Share-based payment transaction		407						
Disposal groups classified as held for sale								
Other								
Total net changes in transactions with owners of the parent company	–	(2,842)	(2,690)	(16,007)	(455)	–	24	–
Balance as of March 31, 2018	<b>79,863</b>	<b>955</b>	<b>(9,585)</b>	<b>629,583</b>	<b>24,454</b>	<b>(28,085)</b>	<b>(2,902)</b>	<b>(215)</b>

	(Millions of yen)							
	Equity attributable to owners of the parent company					Other components of equity		
	Exchange differences on translation of foreign operations	Share of other comprehensive income (loss) of associates and joint ventures	Total	Disposal group classified as held for sale	Total	Non-controlling interests	Total	
Balance as of April 1, 2016	(48,641)	495	(41,976)	(161)	609,486	71,240	680,727	
Profit			–		53,065	11,901	64,966	
Other comprehensive income	1,522	607	424		424	193	617	
Comprehensive income	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)	
Transactions with non-controlling interests			–		–		–	
Changes due to business combinations			–		–		–	
Changes in ownership interests in subsidiaries that result in loss of control			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)		–		–	
Transfer of negative balance of other capital surplus			–		–		–	
Transfer to non-financial assets			513		513	5	519	
Share-based payment transaction			–		–		–	
Disposal groups classified as held for sale			–		–		–	
Other	0		0		(34)	(43)	(77)	
Total net changes in transactions with owners of the parent company	0	–	(3,746)	161	(46,660)	(8,977)	(55,638)	
Balance as of March 31, 2017	(47,118)	1,102	(45,299)	–	616,315	74,358	690,673	
Balance as of April 1, 2017	<b>(47,118)</b>	<b>1,102</b>	<b>(45,299)</b>	<b>–</b>	<b>616,315</b>	<b>74,358</b>	<b>690,673</b>	
Profit			–		60,741	8,050	68,792	
Other comprehensive income	(6,490)	496	(13,029)	–	(13,029)	1,766	(11,262)	
Comprehensive income	(6,490)	496	(13,029)	–	47,712	9,816	57,529	
Purchase of treasury stock			–		(2,690)		(2,690)	
Disposal of treasury stock			–		0		0	
Retirement of treasury stock			–		–		–	
Dividends			–		(17,073)	(5,893)	(22,967)	
Transactions with non-controlling interests			–		(3,192)		(3,192)	
Changes due to business combinations			–		–	443	443	
Changes in ownership interests in subsidiaries that result in loss of control			–		–	(18)	(18)	
Changes in ownership interests in subsidiaries that do not result in loss of control			–		(58)	(148)	(206)	
Transfer from other components of equity to retained earnings		(612)	(1,067)		–		–	
Transfer of negative balance of other capital surplus			–		–		–	
Transfer to non-financial assets			24		24	0	24	
Share-based payment transaction			–		407		407	
Disposal groups classified as held for sale			–		–		–	
Other			–		–	543	543	
Total net changes in transactions with owners of the parent company	–	(612)	(1,043)	–	(22,582)	(5,073)	(27,656)	
Balance as of March 31, 2018	<b>(53,609)</b>	<b>987</b>	<b>(59,371)</b>	<b>–</b>	<b>641,445</b>	<b>79,101</b>	<b>720,546</b>	

## Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	85,445	86,684
Profit before income taxes from discontinued operations	-	-
Depreciation and amortization	51,783	46,273
Impairment losses	11,681	1,965
Increase (decrease) in employee benefits	(2,560)	(2,853)
Increase (decrease) in provisions	1,202	5,939
Interest income	(4,405)	(3,162)
Dividend income	(1,341)	(1,217)
Interest expenses	3,042	2,532
Share of profit of associates and joint ventures	(3,981)	(2,537)
Losses on disposal of property, plant and equipment	2,973	3,657
Gain on sales of property, plant and equipment	(2,712)	(5,312)
Gain on sales of shares of subsidiaries	(40)	-
Gain on sales of shares of associates and joint ventures	-	(593)
Loss on sales of shares of subsidiaries	-	626
Environmental measures expenses	859	377
Decrease (increase) in trade and other receivables	(9,329)	(4,174)
Increase (decrease) in trade and other payables	20,720	(1,478)
Decrease (increase) in inventories	(11,287)	3,216
Increase (decrease) in consumption taxes payable	(1,588)	570
Increase (decrease) in other assets and liabilities	4,097	1,489
Others	1,734	2,185
Subtotal	146,295	134,187
Interest received	3,619	3,121
Dividends received	2,976	1,738
Interest paid	(2,922)	(2,474)
Income taxes paid	(23,313)	(27,665)
<b>Net cash provided by operating activities</b>	<b>126,655</b>	<b>108,907</b>

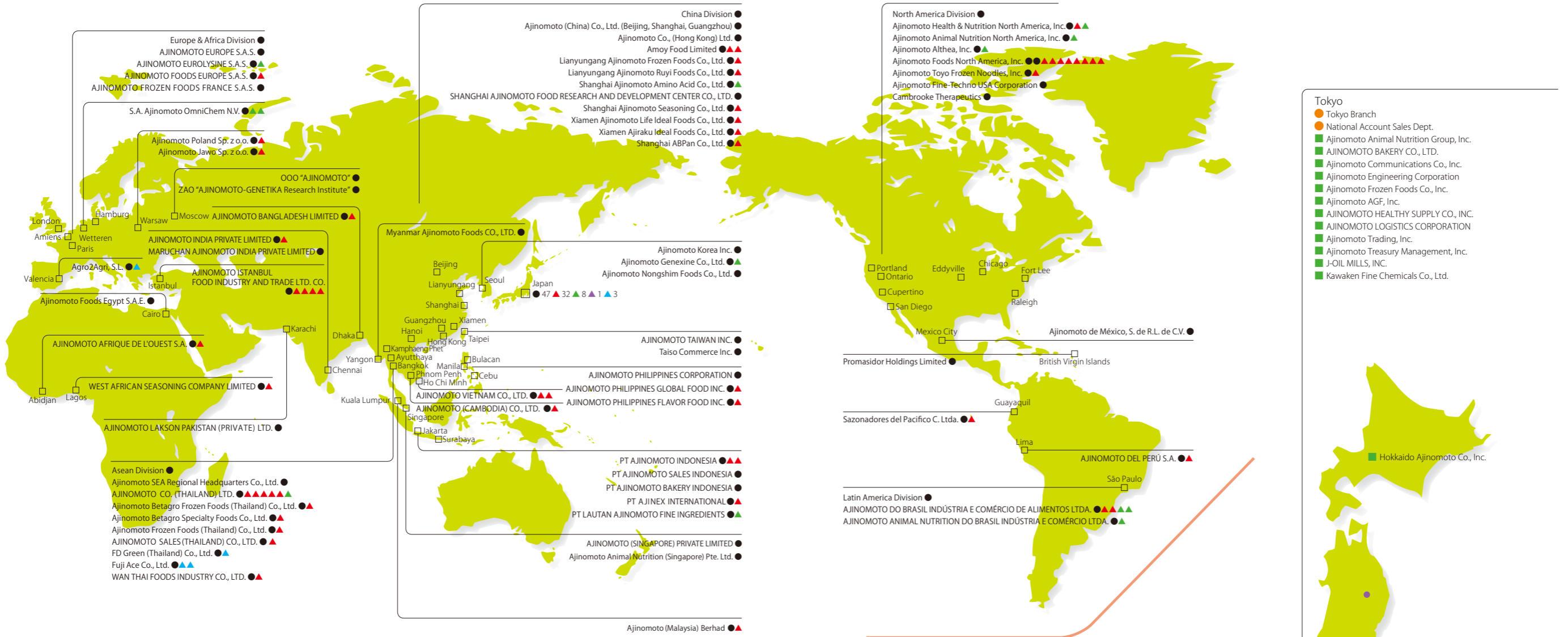
	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(70,727)	(56,055)
Proceeds from sales of property, plant and equipment	3,693	6,407
Purchase of intangible assets	(7,239)	(30,138)
Purchase of financial assets	(1,869)	(7,242)
Proceeds from sales of financial assets	3,082	8,664
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(25,307)	-
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	386	2,235
Purchase of shares in associates and joint ventures	(240)	(63,979)
Proceeds from sales of shares in associates and joint ventures	-	916
Others	(881)	(3,109)
<b>Net cash used in investing activities</b>	<b>(99,104)</b>	<b>(142,299)</b>
<b>Cash flows from financing activities</b>		
Net change in short-term borrowings	3,313	(1,112)
Proceeds from long-term borrowings	23,388	-
Repayments of long-term borrowings	(24,174)	(11,058)
Proceeds from issuance of corporate bonds	-	79,690
Dividends paid	(17,065)	(17,242)
Dividends paid to non-controlling interests	(5,893)	(3,927)
Purchase of treasury stock	(2,690)	(30,034)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(217)	(1,017)
Others	(611)	(557)
<b>Net cash provided by (used in) financing activities</b>	<b>(23,951)</b>	<b>14,738</b>
<b>Effect of currency rate changes on cash and cash equivalents</b>	<b>(1,734)</b>	<b>169</b>
<b>Net change in cash and cash equivalents</b>	<b>1,865</b>	<b>(18,484)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>186,003</b>	<b>204,487</b>
Cash and cash equivalents included in assets of disposal groups classified as held for sale	-	-
<b>Cash and cash equivalents at end of the year</b>	<b>187,869</b>	<b>186,003</b>



# Global Network

As of July 1, 2018

The Ajinomoto Group is globally expanding in a wide range of business fields, with operations spanning 35 countries and regions.



Global network: 35 countries and regions (including 122 manufacturing and packaging plants in 24 countries and regions)\* (Japan: 44; other countries: 78)

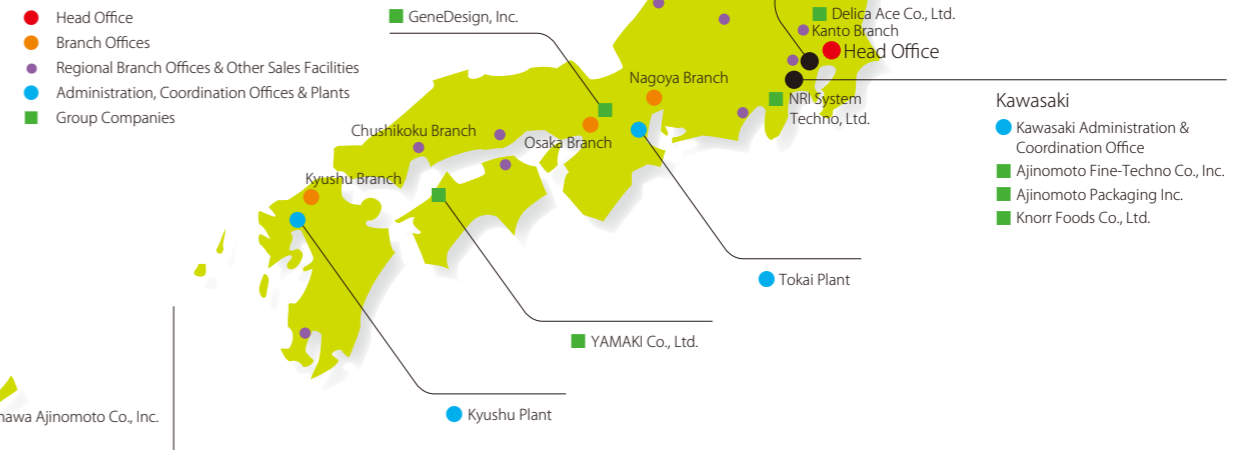
- Subsidiaries, Affiliates, and Offices of Ajinomoto Co., Inc.
- ▲ Food Plants (90)
- ▲ Amino Acid and Specialty Chemical Plants (23)
- ▲ Pharmaceutical Plants (1)
- ▲ Other Plants (8)

Divisions are regional headquarters.

\* Not all plants are displayed on the map.

## Network in Japan

As of July 1, 2018

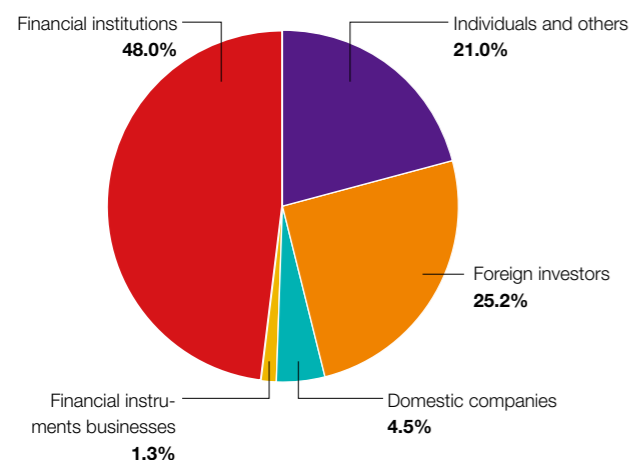


## Corporate Data / Stock Information As of March 31, 2018

**Company Name:** Ajinomoto Co., Inc.  
**Founding:** May 20, 1909  
**Paid-in Capital:** ¥79,863 million  
**Number of Employees:** 34,452 (Consolidated), 3,464 (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:** 134,668 (YoY increase of 51,567)  
**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)

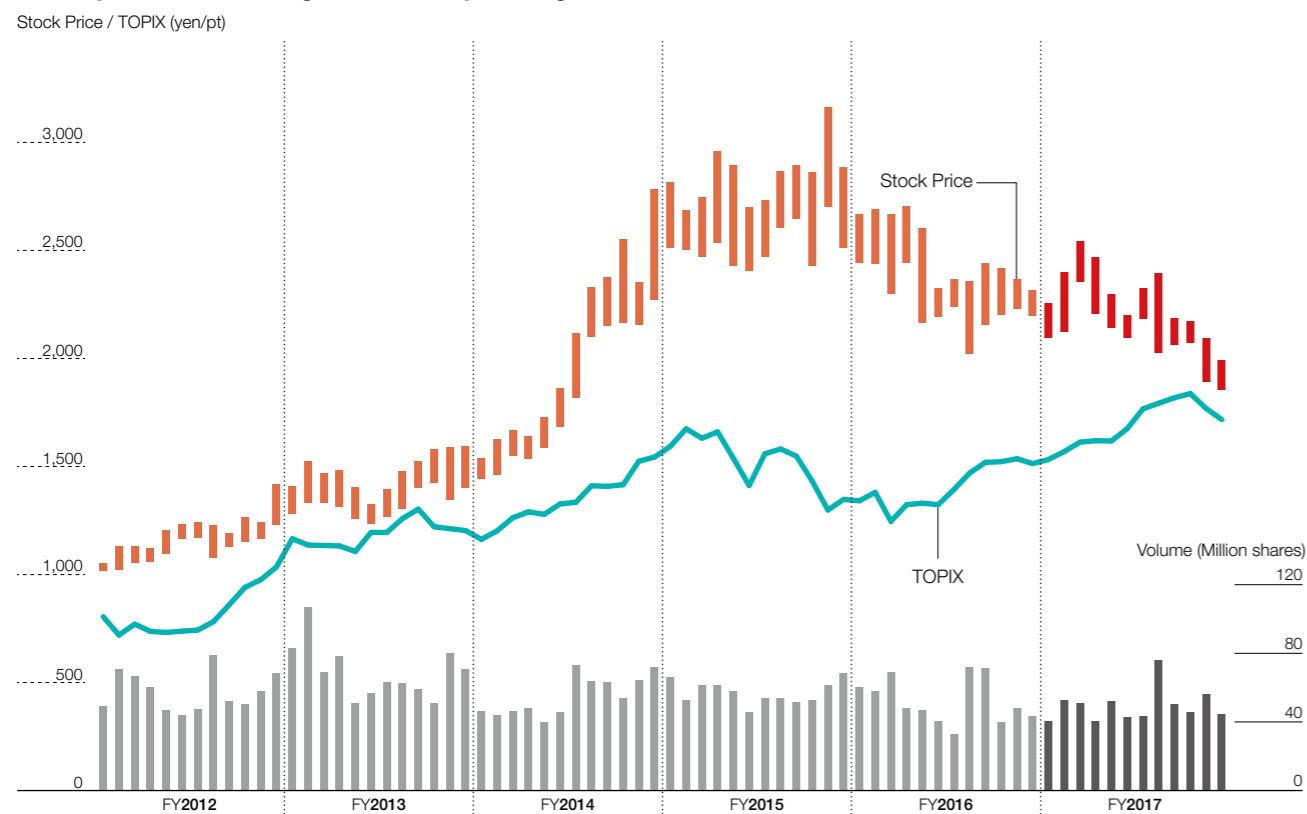


### Major Shareholders

Name of Shareholders	Number of Shares (Thousands)	Equity Position (%)
The Master Trust Bank of Japan, Ltd. (trust account)	52,135	9.16
Japan Trustee Services Bank, Ltd. (trust account)	28,163	4.95
The Dai-ichi Life Insurance Company, Limited	26,199	4.61
NIPPON LIFE INSURANCE COMPANY	25,706	4.52
The Bank of Tokyo-Mitsubishi UFJ, Ltd.*	20,149	3.54
Meiji Yasuda Life Insurance Company	12,624	2.22
Mitsubishi UFJ Trust and Banking Corporation	11,548	2.03
STATE STREET BANK WEST CLIENT - TREATY 505234	11,364	2.00
Mizuho Bank, Ltd.	10,045	1.77
Sompo Japan Nipponkoa Insurance Inc.	9,239	1.62

\* The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name to MUFG Bank, Ltd. on April 1, 2018.

### Monthly Stock Price Range and Monthly Trading Volume



### Overview of Means of Communication

The Integrated Report gathers and presents in an easy-to-read narrative format the Ajinomoto Group's most relevant financial and non-financial information that is linked to the enhancement of the Group's corporate value. The Sustainability Data Book is a supplement to the Integrated Report, which provides detailed information on the Group's sustainability initiatives. In addition, examples of the Group's ASV initiatives can be found in the ASV STORIES.

Also, more detailed information is available on our corporate website.

Primary means of communication	Secondary means of communication	
<p><b>Integrated Report</b></p>	<p><b>ASV STORIES</b>  <a href="https://www.ajinomoto.com/en/aboutus/asv_stories/">https://www.ajinomoto.com/en/aboutus/asv_stories/</a>                      Date of publication: End of July 2018</p>	<p><b>Sustainability Data Book</b>  <a href="https://www.ajinomoto.com/en/activity/">https://www.ajinomoto.com/en/activity/</a>                      Date of publication: End of July 2018 (management approach); End of August 2018 (full report)</p>
	<p><b>IR Data Book</b>  <a href="https://www.ajinomoto.com/en/ir/library/guide.html">https://www.ajinomoto.com/en/ir/library/guide.html</a>                      Date of publication: End of June 2018</p>	<p><b>Medium-Term Management Plan</b>  <a href="https://www.ajinomoto.com/en/ir/event/medium_term/main/03/teaseritems1/0/linkList/0/link/17-19Presentation-E.pdf">https://www.ajinomoto.com/en/ir/event/medium_term/main/03/teaseritems1/0/linkList/0/link/17-19Presentation-E.pdf</a>                      Date of publication: February 17, 2017</p>
	<p><b>Corporate Governance Policies</b>  <a href="https://www.ajinomoto.com/en/ir/strategy/corp_gov/main/00/teaseritems1/0/linkList/02/link/Governance2018_E.pdf">https://www.ajinomoto.com/en/ir/strategy/corp_gov/main/00/teaseritems1/0/linkList/02/link/Governance2018_E.pdf</a>                      Date of publication: End of June 2018</p>	<p><b>Financial Data</b>  <a href="https://www.ajinomoto.com/en/ir/library/annual.html">https://www.ajinomoto.com/en/ir/library/annual.html</a>                      Date of publication: End of July 2018</p>

### Outside Evaluation

#### Inclusion in the SRI Index

- Dow Jones Sustainability World Index**  
Consecutive inclusion since 2014
- MEMBER OF Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM
- FTSE4Good Global Index**  
Consecutive inclusion since 2004
- MSCI Global SRI Indexes**  
Consecutive inclusion since 2011
- MSCI ESG Leaders Indexes**  
Consecutive inclusion since 2010

2018 Constituent MSCI ESG Leaders Indexes

#### Main Evaluations and Awards Relating to Our Business Activities

- Ranked 14th in 2018 Access to Nutrition Index (ATNI)
- "Nadeshiko Brand 2017"
- 18th Annual Teleshopping Promotion Award "Chairman's Award"
- 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)
- 2018 Health & Productivity Stock Selection
- 2017 "New Tohoku" reconstruction efforts (Reconstruction Agency)

#### Main Evaluations of Integrated Report 2017

- Fifth Annual WICI Japan Award for Excellence in Integrated Reporting
- 21st Environmental Communication Awards by the Ministry of the Environment and Global Environmental Forum
- Award of Excellence for Sustainability Reports from Global Environmental Forum President (For Integrated Report 2017 and Sustainability Data Book 2017)
- "Excellent Integrated Reports" as selected by GPIF's asset managers entrusted with domestic equity investment

**Public Awards and Feedback**  
<https://www.ajinomoto.com/en/activity/csr/sri/index.html>