

Ajinomoto Co., Inc.

FY2014-2016

Medium-Term Management Plan

A Second Stage of Structural Reforms, then Onward to Growth

~ Towards a Genuine Global *Specialty* Company ~

February 24, 2014

Masatoshi Ito

President & CEO

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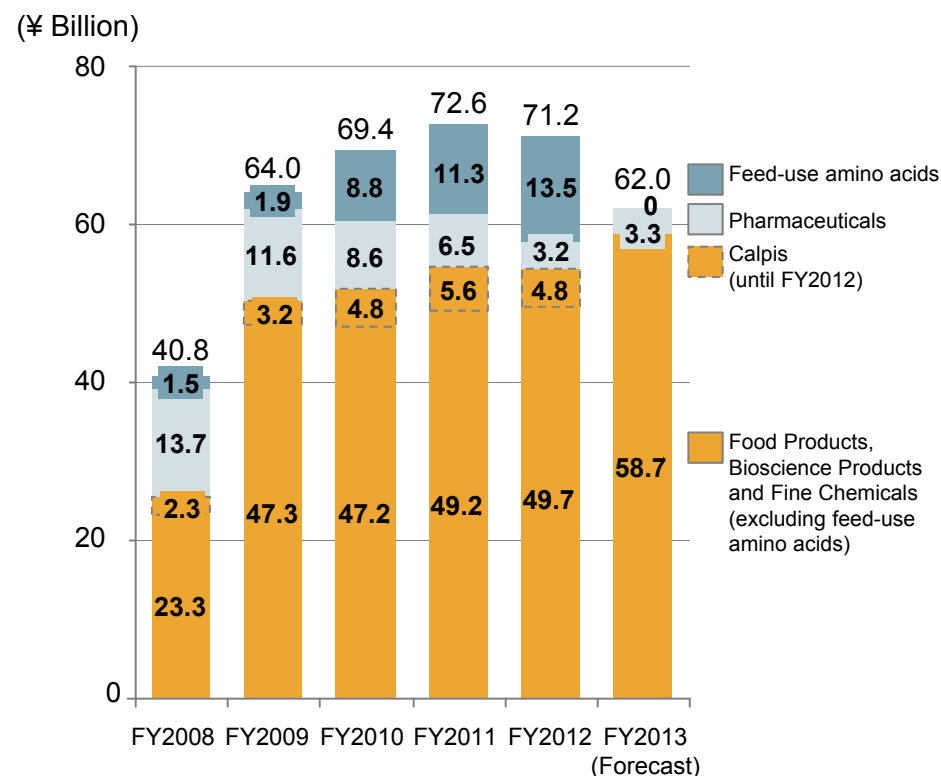
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I. Positioning of the next medium-term management plan

Review of the FY2011-2013 Medium-Term Management Plan:

Issues in feed-use amino acids and other bulk businesses. Growth in Food Products/Bioscience Products and Fine Chemicals (excluding feed-use amino acids).

Operating Income by Fiscal Year/Business



Bulk business profit ratio¹ (%)

16 21 33 23 19 —

1. Bulk Businesses: Umami seasonings for processed food manufacturers, feed-use amino acids, sweeteners
2. Overseas consumer foods operating income for 2013 vs. 2010
3. Net amount of total sales through all channels, including business tie-ups

We steadily carried out the “growth” and “structural reinforcement” measures of the FY2011-2013 Plan. While generating significant results, it became clear that major issues remain.

Structural issues are unresolved in 3 bulk businesses, including feed-use amino acids, and Pharmaceuticals

- Unstable earnings structure due to over-reliance on Lysine
- Intensifying price competition for bulk MSG/sweeteners
- Fragile business structure for Pharmaceuticals

On the other hand, the profit structure of Food Products/Bioscience Products and Fine Chemicals (excluding feed-use amino acids) has been reinforced

- Stable growth of Domestic Consumer Foods (expansion of highly-functional new products (*Nabe Cube*[®], etc.))
- Substantial growth of Overseas Consumer Food (70% growth of operating income²)
- Business structure reinforcement of amino acids for pharmaceuticals/fine chemicals (production system restructuring)
- Sale of Calpis to concentrate management resources on core businesses

Execution of agile financial strategy emphasizing ROE

FY2013 Forecast

	FY2010 Actual	FY2013 Forecast	FY2013 Plan
Operating income	¥69.4B	¥62.0B	¥87.0B
OP margin ³ (Companywide)	6.8%	6.1%	~7%
(excl. bulk businesses)	(5.6%)	(7.5%)	—
ROE	5.0%	7.1%	8%
EPS	¥43.6	¥70.0	—

Issues and business opportunities for the next Medium-Term Management Plan

Issues

- Awareness of changes in markets/competition and depth of response to those changes are both insufficient
Promote further business structure reinforcement in the next plan
 - 3 bulk businesses: Substantial earnings down caused by price down from competitors
 - ⇒ • Control the ratio of bulk businesses
 - Change from commodities to specialty products to shift to a high-value-added business
 - Pharmaceuticals: Decrease in sales from insufficient pipeline and impact of new competitor products
 - ⇒ • Framework for continuously enhancing the pipeline
 - Reforms for a cost structure that matches the scale of the business

Opportunities

- In Food Products/Bioscience Products and Fine Chemicals (excluding bulk businesses), capture growth opportunities for substantial expansion without fail
 - Food Products: Business expansion in tandem with a rising standard of living in ASEAN and Latin America, where the business foundation is strong
Operations in Japan also have opportunities to create new value as consumer preferences become increasingly personalized/diverse
 - ⇒ • Substantial growth by adapting to regions/customers through assimilation and cutting-edge technologies
 - Double/triple sales in core regions (2020)
 - Bioscience Products and Fine Chemicals (excluding bulk businesses): Opportunities to create new markets in fields using Ajinomoto's cutting-edge biotechnologies
 - Healthcare field (biopharmaceutical CDMO*, regenerative medicine, diagnostic support (lifestyle to medical))
 - New high-performance biomaterials field
- ⇒ Selective investment of R&D resources from a company-wide standpoint and efforts with external partners to rapidly build a new business model

Promote further business structural reform and steadily capture opportunities for new growth in the next medium-term plan.
Shift to specialty in each business for firmer profit growth company-wide.

* CDMO: Contract Development and Manufacturing Organization

I. Positioning of the next medium-term management plan

Ajinomoto's targets for the next plan:

Continue pursuit of business structure reinforcement, then steer the company toward growth as the second stage of becoming a genuine global company.

— Further business structure reinforcement and accelerated growth momentum —

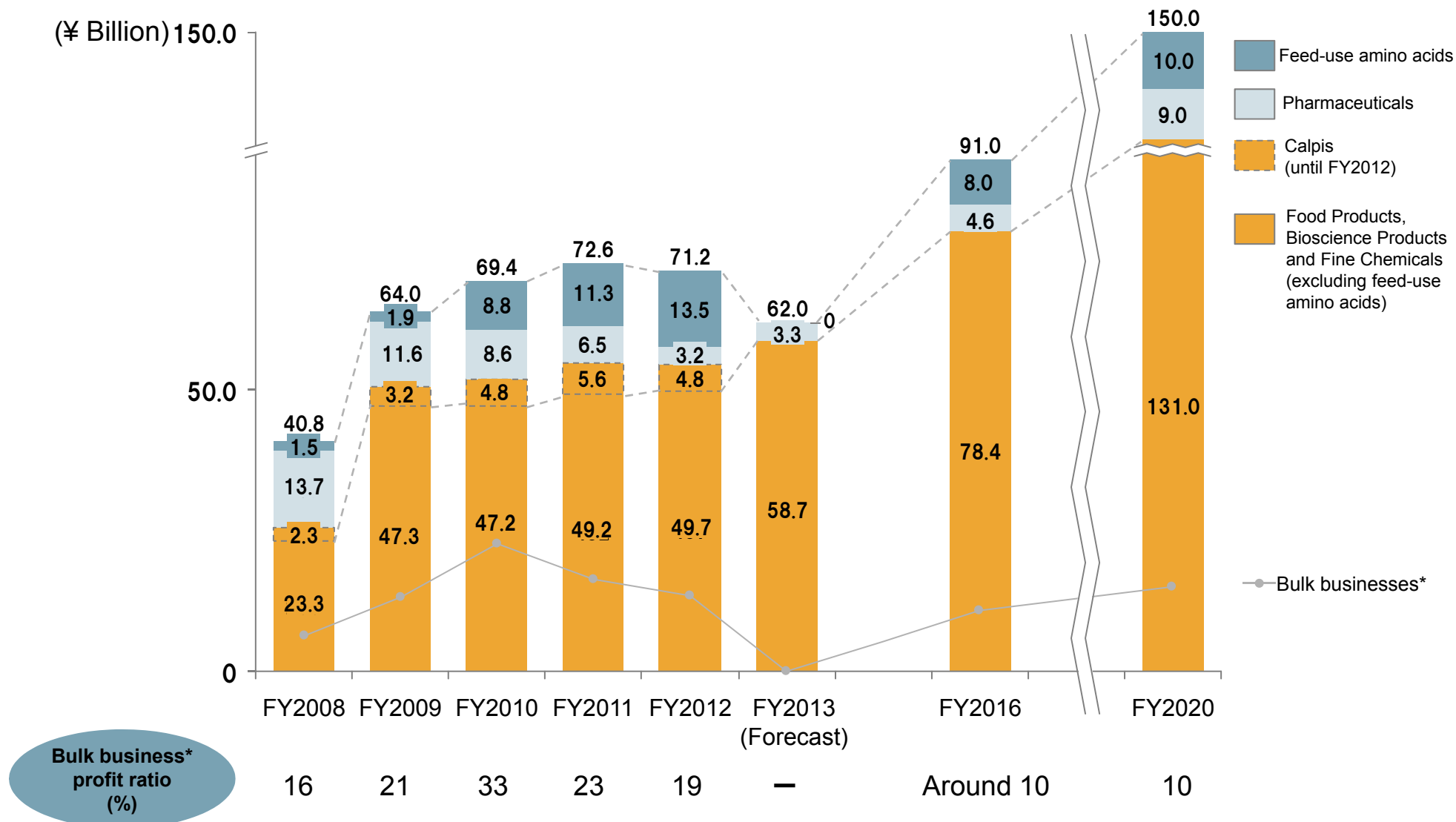


FY2016 Targets			Reference: FY2013 Forecast
Income growth	OP income	¥91.0B	¥62.0B
Lean structure	OP margin	8%	6.1% (6.3%) ²
Create shareholder value	ROE	9%	7.1%
Pursue specialty	Bulk business profit ratio ¹	Approx. 10%	—

Notes: 1. Ratio of bulk businesses (umami seasonings for processed food manufacturers, feed-use amino acids, sweeteners) to total company-wide operating income
 2. An accounting change to deduct a part of sale promotion fee from net sales is scheduled from FY2014. The figure in parentheses is after application of the new standard.

I. Positioning of the next medium-term management plan

Targeted composition of operating income: Raise earnings quality by controlling the ratio of bulk businesses and pursuing specialty company-wide.

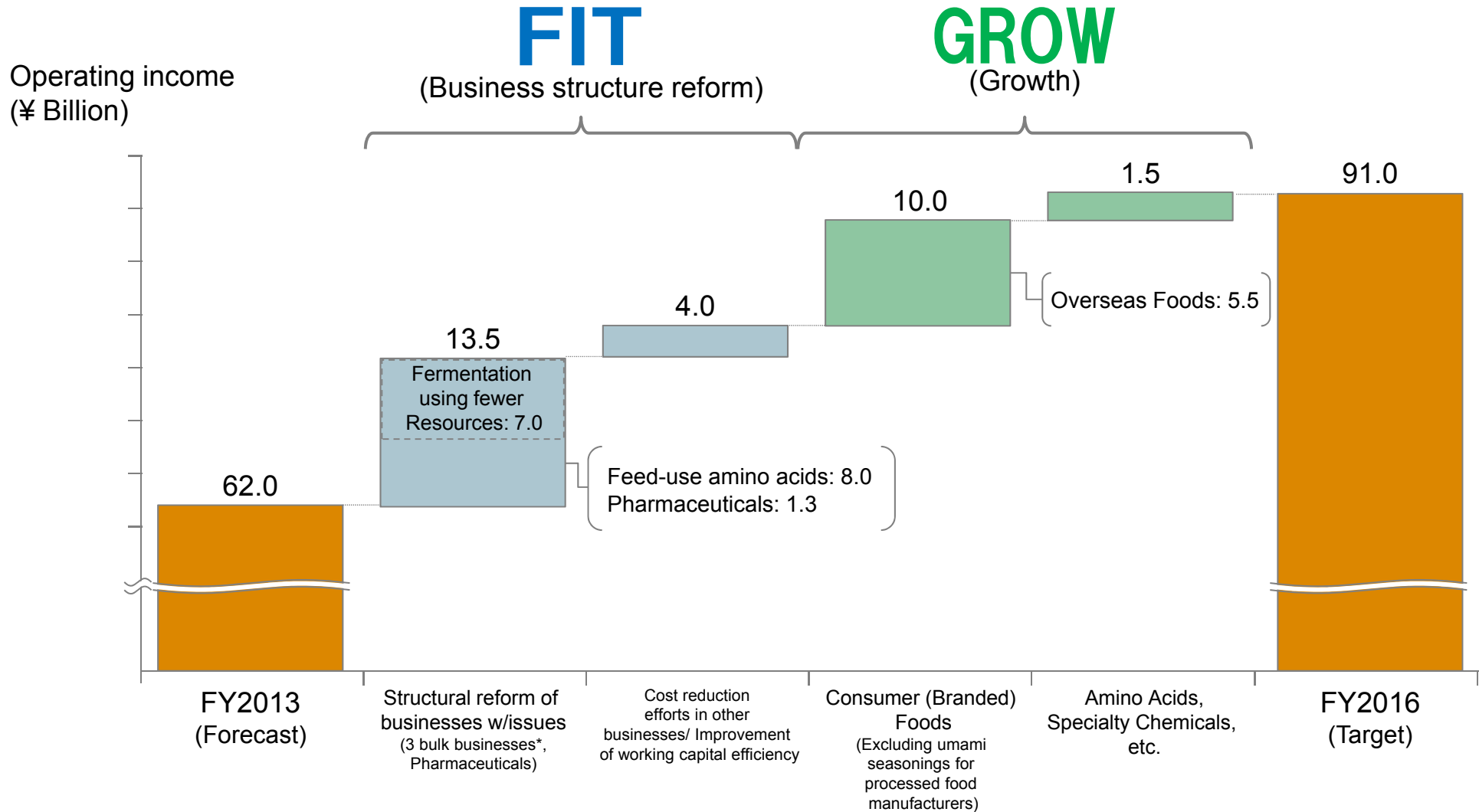


• Bulk businesses: Umami seasonings for processed food manufacturers, feed-use amino acids, sweeteners

I. Positioning of the next medium-term management plan

Breakdown of growth in operating income:

Reach ¥91.0 billion in FY2016 with the two drivers of “Fit” (business structure reform) and “Grow” (growth).

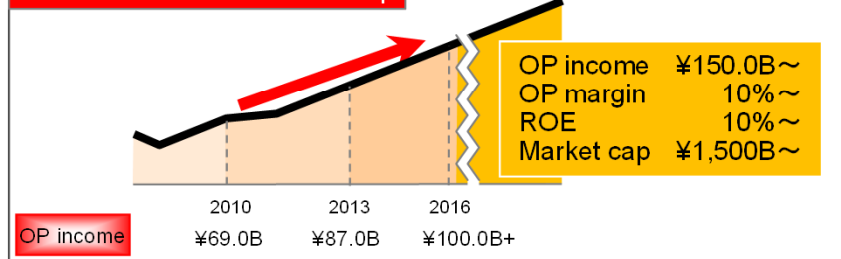


- Bulk businesses: Umami seasonings for processed food manufacturers, feed-use amino acids, sweeteners

Roadmap to a Genuine Global Specialty Company:

Accelerate growth to take aim at becoming one of the global top 10 companies.

FY2011-2013 Plan Roadmap



Achieve stable profit growth
with a shift to specialty

EPS growth of around 10%/year

End in profit
Get out of the red

Recover earnings
momentum

Build foundation for a
global company

Accelerate
growth momentum

Accelerate with the
aim of becoming
one of the top 10

Transition to a
global food
company

Become a top 10
food manufacturer*

* Excludes beverage
manufacturers

	FY2008 Actual	FY2011 Actual	FY2012 Actual	FY2013 Forecast	FY2016 (Targets)	FY2020~ (Vision)
Operating profit (¥ Bil.)	40.8	72.6	71.2	62.0	91.0	150.0
OP margin¹	3.4%	7.2%	7.2%	6.1%	8%	10%
OP margin excl. bulk businesses ²	(3.6%)	(6.7%)	(7.0%)	(7.5%)	(8.4%)	(10.5%)
ROE	-1.7%	6.9%	7.8%	7.1%	9%	10%~
EPS (¥)	-14.6	61.3	74.4	70.0	100	150
Market cap (¥ Bil.)	486.5	704.8	898.5	900.0 ³	1,000.0~	1,500.0~
Bulk business profit ratio ²	16%	23%	19%	—	Around 10%	10%

1. Net amount of total sales through all channels, including business tie-ups 2. Bulk businesses: Umami seasonings for processed food manufacturers, feed-use amino acids, sweeteners
 3. Market cap as of Feb 14, 2014 was ¥908.9B

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Key Principles of the FY2014-2016 Medium-Term Management Plan

Pursuit of Specialty *Specialty*

- Become a food company group with specialties driven by cutting-edge bioscience and fine chemical technologies

1 Growth Driver Advancement **GROW**

• Global growth

Be each country's No.1 in deliciousness thorough assimilation with customers/countries (regions)

- Domestic Food Products for ONE: Create value for increasingly personalized/diverse customers
- Overseas Food Products for ALL: Rapid growth centered on the "Five Stars"

• R&D leadership

- World No. 1 in seasonings:
 - Deepen our ability to define and design deliciousness in three dimensions
 - Expand into adjacent product categories
- Original cutting-edge biotechnology platform: New business model in the specialty materials and healthcare fields

2 Further Reinforcement of Business Structure **FIT**

• Structural reform centered on a shift from commodities to specialty

- Shift from bulk to specialty businesses based on our strengths in materials and technologies and our ability to identify customer needs and create customer value
- Strengthen cost competitiveness centered on fermentation using fewer resources
- Further structural reform of Pharmaceuticals including collaboration, alliance, etc.

• Enhance capital efficiency to boost shareholder value/ROE

- Focus on a value-added value chain
- Cash management (improve efficiency of working capital, etc.)
- Optimize business portfolio and functional value chains (production/distribution/shared functions)

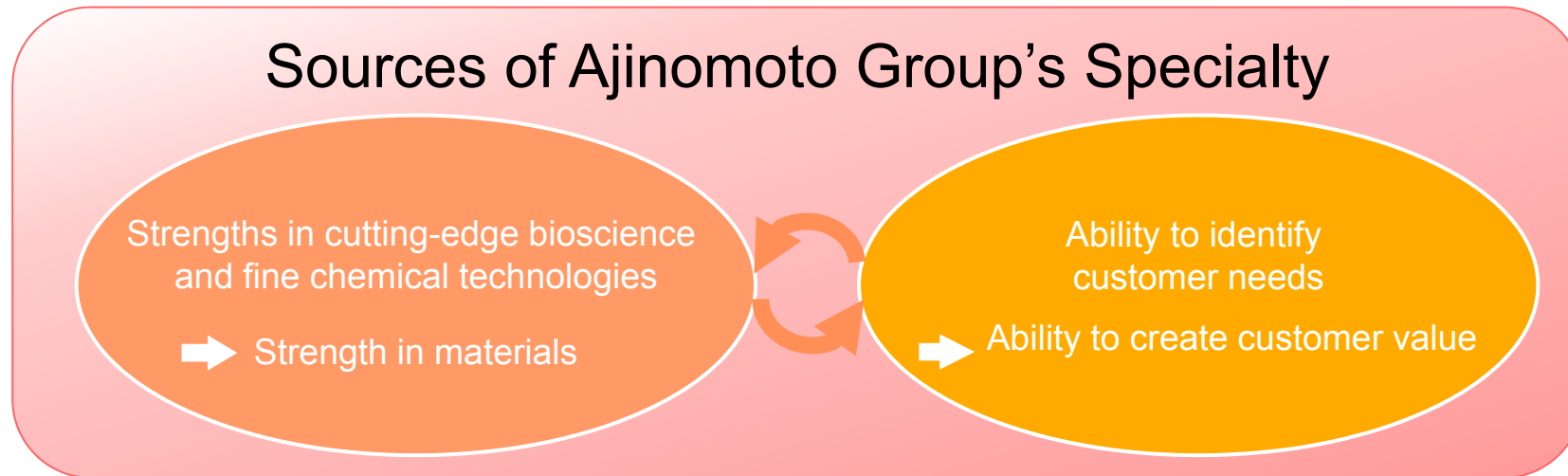
3 Evolution of the Management Foundation (Management Innovation)

- Corporate governance: Increase flexibility by expanding delegation of authority to ASEAN and Latin America for "an HQ that leads" and "local operations that can run on their own"
- Solid and large class of global human resources: Diversify internally and externally with 200 next-stage global management personnel and local specialist resources
- Open New Sky: Daily efforts to flexibly use external capabilities and expand into adjacent domains with a wider approach

II. Medium-term management plan: Key principles

Pursuit of specialty:

Continuously create specialty by crossing our strengths in cutting-edge bioscience and fine chemical technologies and materials with our strengths in intangibles.



Specialty materials

- Create competitive materials that use Ajinomoto Group's unique cutting-edge bioscience and fine chemical technologies
 - New taste substances
 - Highly functional lifestyle-related materials/new biomaterials
 - Highly functional feed-use amino acids etc.

Shift to retail

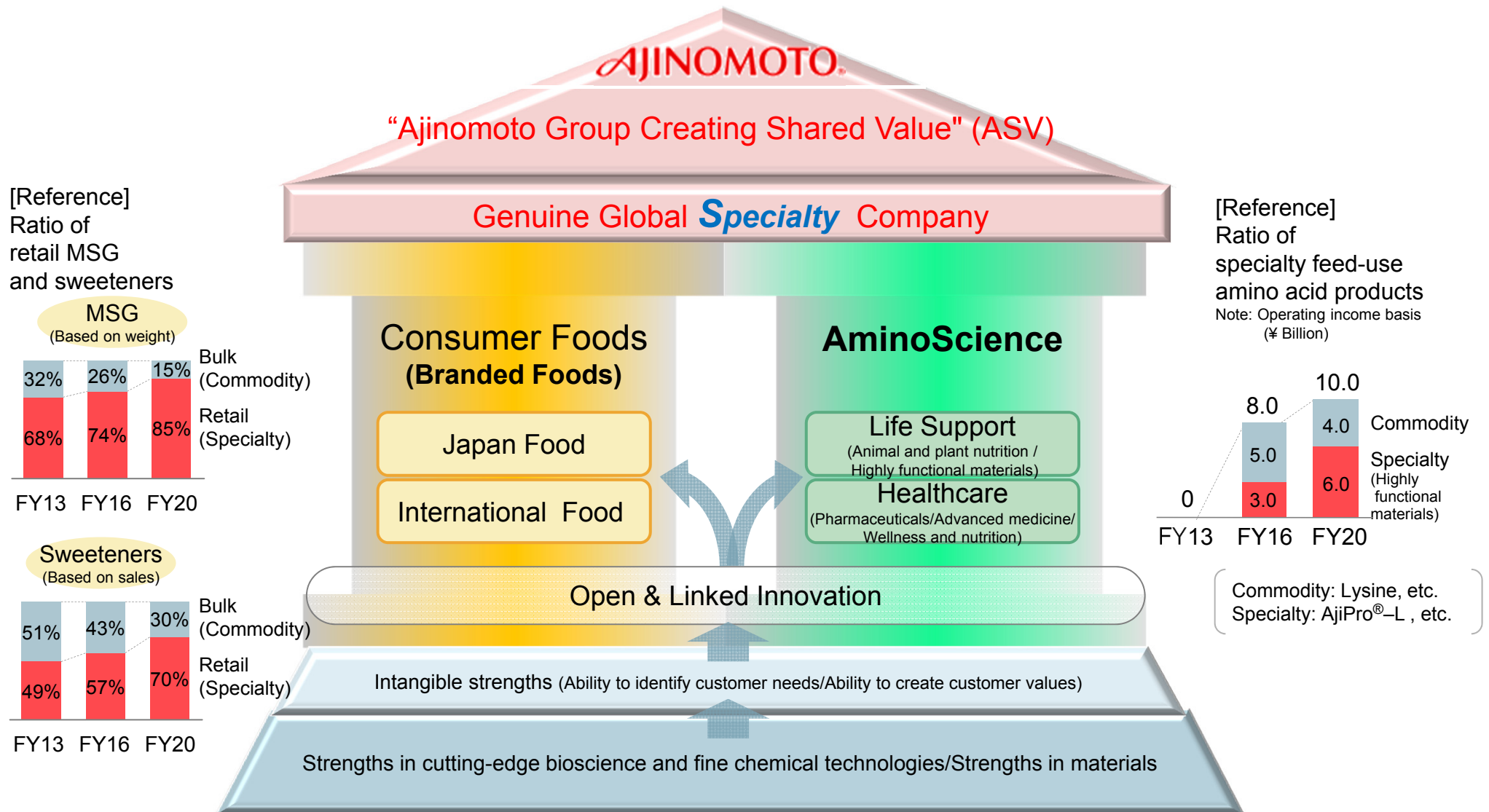
- Assimilate with diverse customers and regions to provide value tailored to users with cutting-edge technologies
 - Create value for increasingly personalized/diverse consumers (*Nabe Cube*[®], etc.)
 - Help resolve over/undernutrition
 - Expand retail versions of bulk materials

Solutions


- Create a business model originating from our changing customers using our original materials and technologies (Services/applications/information)
 - AminoIndex[®] technology, advanced medicine service business etc.

II. Medium-term management plan: Key principles

Our Business Direction : A food company group with specialties driven by cutting-edge bioscience and fine chemical technologies in the two pillars of Consumer (Branded) Foods and AminoScience



[Reference] Business overview and specialties in each business domain

 : Scale of FY2016 operating income

Consumer Foods ¥68.0B

Japan Food

Use cutting-edge technologies to generate new value in many areas including techniques for deliciousness, simplifying food preparation and eliminating over/undernutrition to help resolve issues for each consumer

- Adaptability of basic products to market changes
- New product development/new market creation with functional extensions

International Food

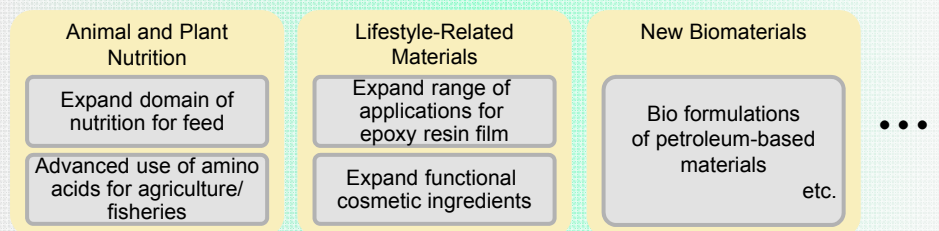
Offer products that will be each country's No.1 in deliciousness and create new value with our cutting-edge technologies and thorough adaptation to each locale

- Local customization of global products/development of original local food products
- Expansion into adjacent domains through partnership, alliance, etc.

AminoScience ¥23.0B

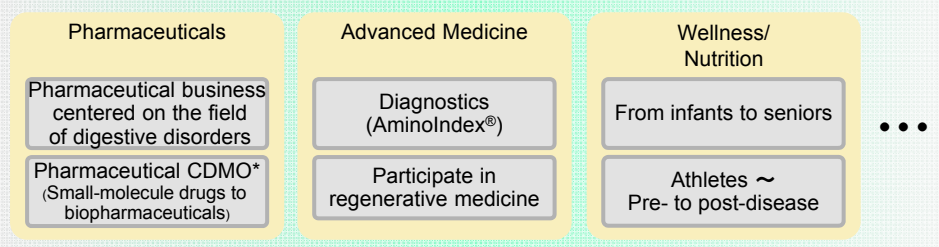
Life Support
(Animal and plant nutrition/Highly functional materials)

Provide abundant food resources and continuously create new functional materials and services that contribute to people's lives



Healthcare
(Pharmaceuticals/Advanced Medicine/Wellness and Nutrition)

Contribute to human health with advanced medicine spanning pre- to post-disease stages by combining the Group's internal value chain with external resources, centered on cutting-edge biotechnologies



* CDMO: Contract Development and Manufacturing Organization

ASV (“The Ajinomoto Group Creating Shared Value”)

Creating economic value by “Contributing to lifestyles, society and the Earth through our business” since our establishment



The collective tireless efforts of each member of the Ajinomoto Group create future lifestyles.



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- **“Open New Sky” concept**
- **Growth drivers**
- **Business structure reinforcement**
- **Management foundation reinforcement (management innovation)**
- **Strategic targets**

IV. Corporate financial strategy

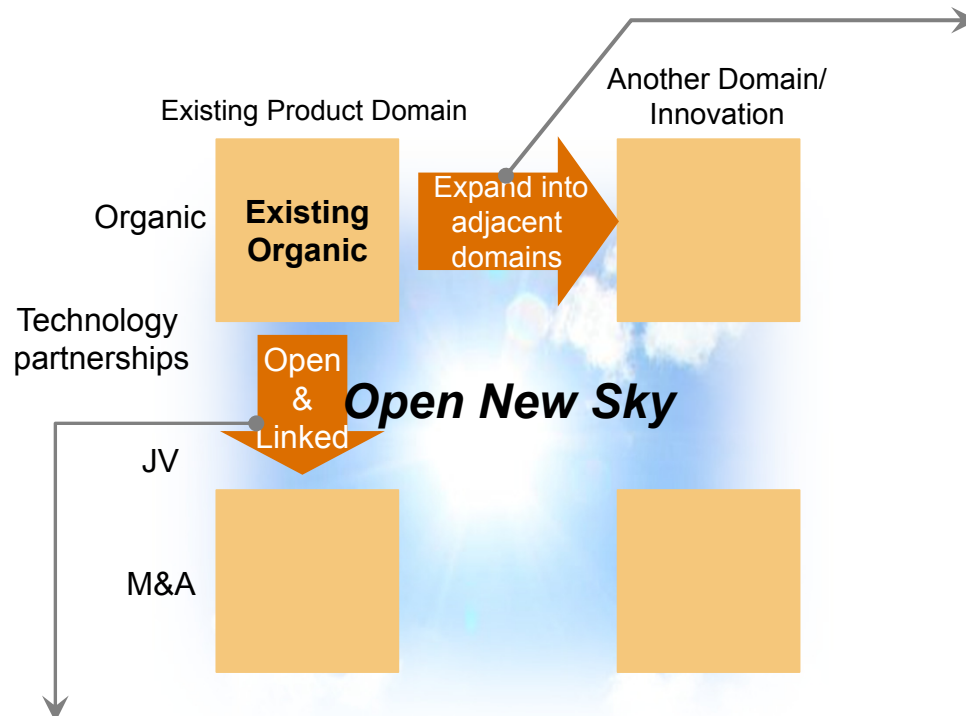
V. Summary

“Open New Sky” concept:

Promote flexible thinking and ways of working company-wide for rapid growth

Idea behind "Open New Sky"

Daily efforts to flexibly use external capabilities (open & linked) and expand into adjacent domains with a wider approach

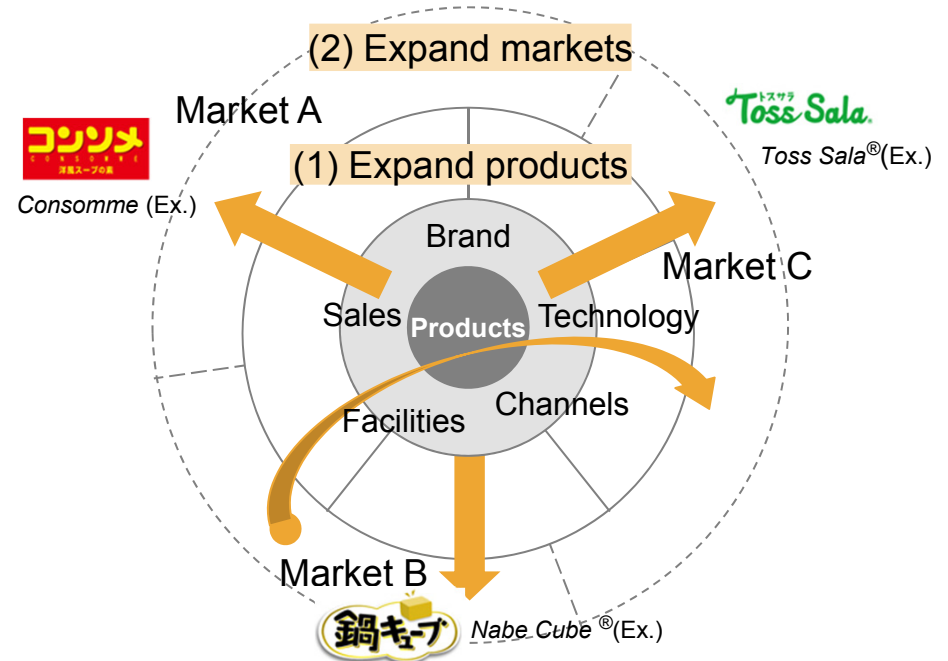


Examples of use of external resources

- Kükre A.Ş. Secure local seasonings/channel in Turkey
- Toyo Suisan: Expand sales in overseas instant noodle business
- Kyoto University: Develop new method of cultivating iPS cells
- Keio University: Develop cell culture medium technology for low-cost production of iPS cells

Approach to expanding into adjacent domains:

- Focus on the resource of existing products to uncover opportunities in domains adjacent to the existing domain
- Use external resources in the market to expand develop into other markets



Examples of expanding into adjacent domains

- Nabe Cube®/Cook Do® Kyo no Oozara
 - Use technologies/brands of existing products to expand into adjacent markets
- AjiPro®-L (Lysine for dairy cattle)
 - Add to technology of an existing product to create a different target market

III. Priority measures

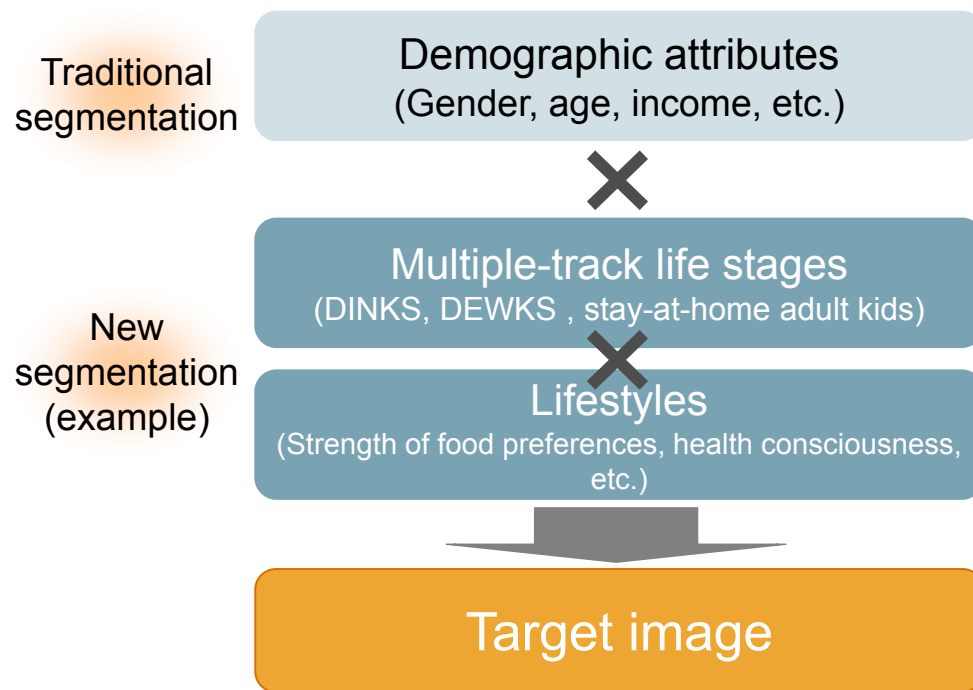
- 1 Growth drivers:** Global growth (1) Domestic Food Products for ONE (Assimilation with customers)
Achieve stable growth by continuing to create value for increasingly personalized/diverse customers

Ability to identify customer needs

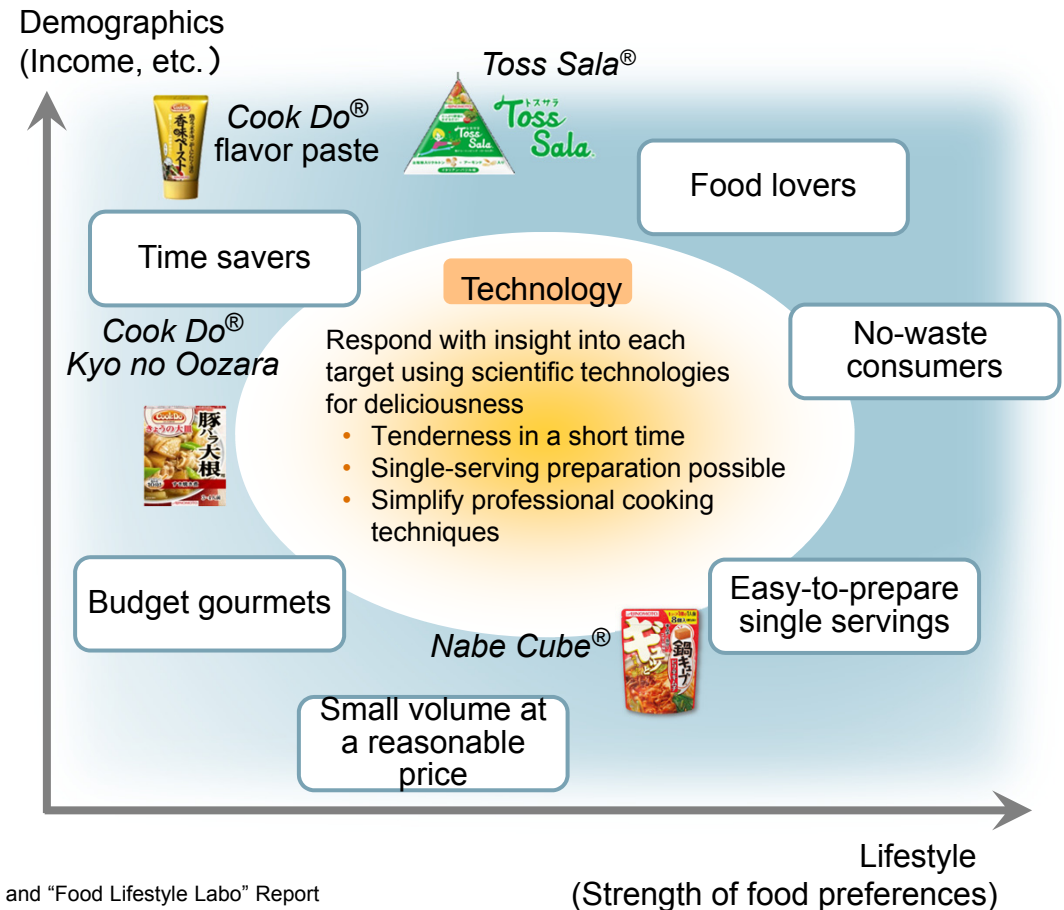
Ability to create customer value

Envisioning a New Target Image

Envision a consumer image that crosses multiple-track life stages and lifestyles with demographic attributes



Target Image* and Value Offered (Examples)



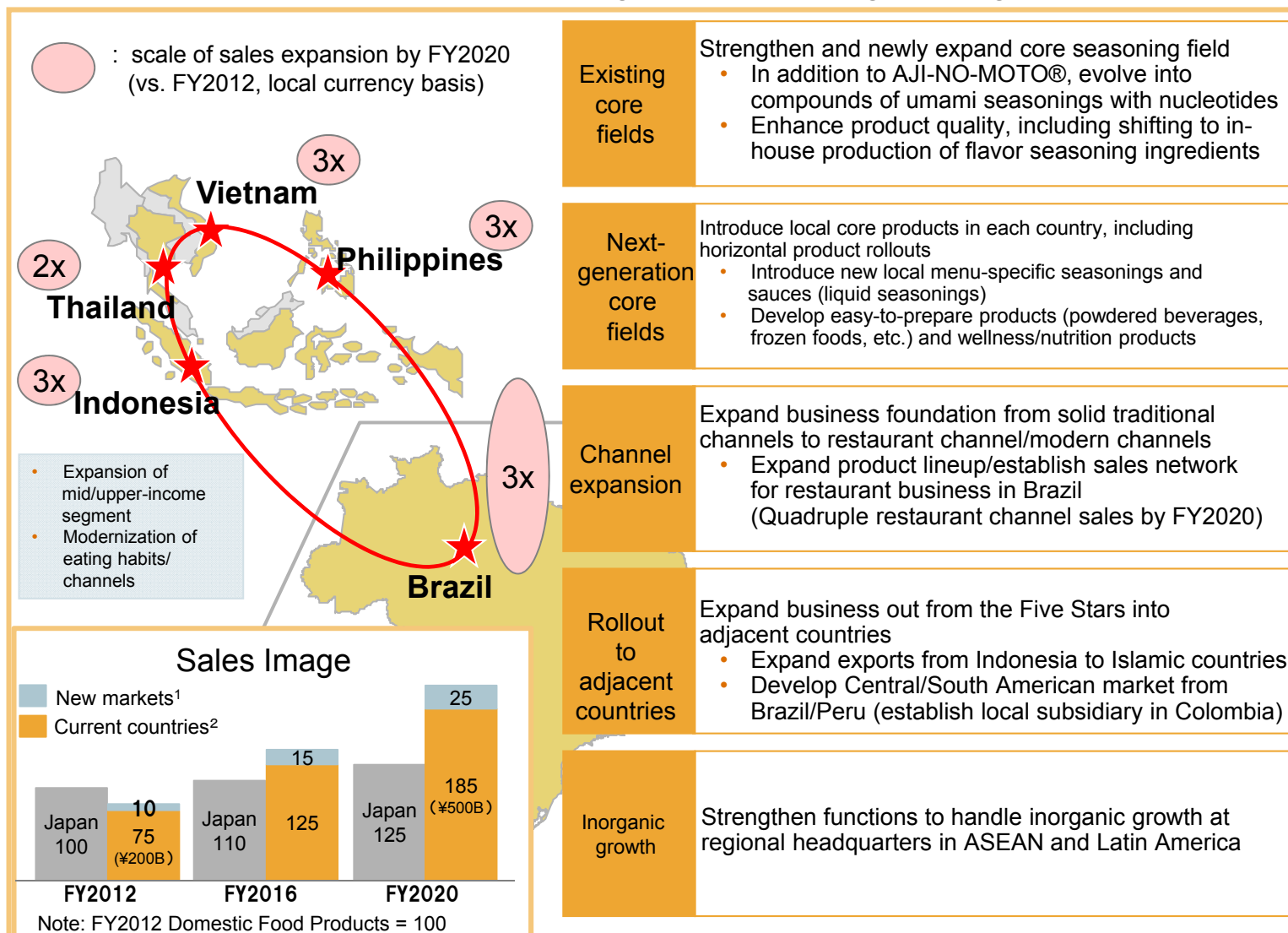
* Assumed from Ajinomoto Co., Inc. AMC Report and Dentsu Inc. d-camp, "Mama Labo" Report and "Food Lifestyle Labo" Report

III. Priority measures

1 Growth drivers: Global growth (2) Overseas Food Products for ALL (regional/country assimilation)

Create country/area pillars to follow Japan with rapid growth originating in the core “Five Stars” countries where Ajinomoto does business outside Japan.

“Five Stars” Core Strategies for Doubling/Tripling Growth



- Existing core fields**
 - Strengthen and newly expand core seasoning field
 - In addition to AJI-NO-MOTO®, evolve into compounds of umami seasonings with nucleotides
 - Enhance product quality, including shifting to in-house production of flavor seasoning ingredients
- Next-generation core fields**
 - Introduce local core products in each country, including horizontal product rollouts
 - Introduce new local menu-specific seasonings and sauces (liquid seasonings)
 - Develop easy-to-prepare products (powdered beverages, frozen foods, etc.) and wellness/nutrition products
- Channel expansion**
 - Expand business foundation from solid traditional channels to restaurant channel/modern channels
 - Expand product lineup/establish sales network for restaurant business in Brazil (Quadruple restaurant channel sales by FY2020)
- Rollout to adjacent countries**
 - Expand business out from the Five Stars into adjacent countries
 - Expand exports from Indonesia to Islamic countries
 - Develop Central/South American market from Brazil/Peru (establish local subsidiary in Colombia)
- Inorganic growth**
 - Strengthen functions to handle inorganic growth at regional headquarters in ASEAN and Latin America

“Rising Stars” Core Strategies

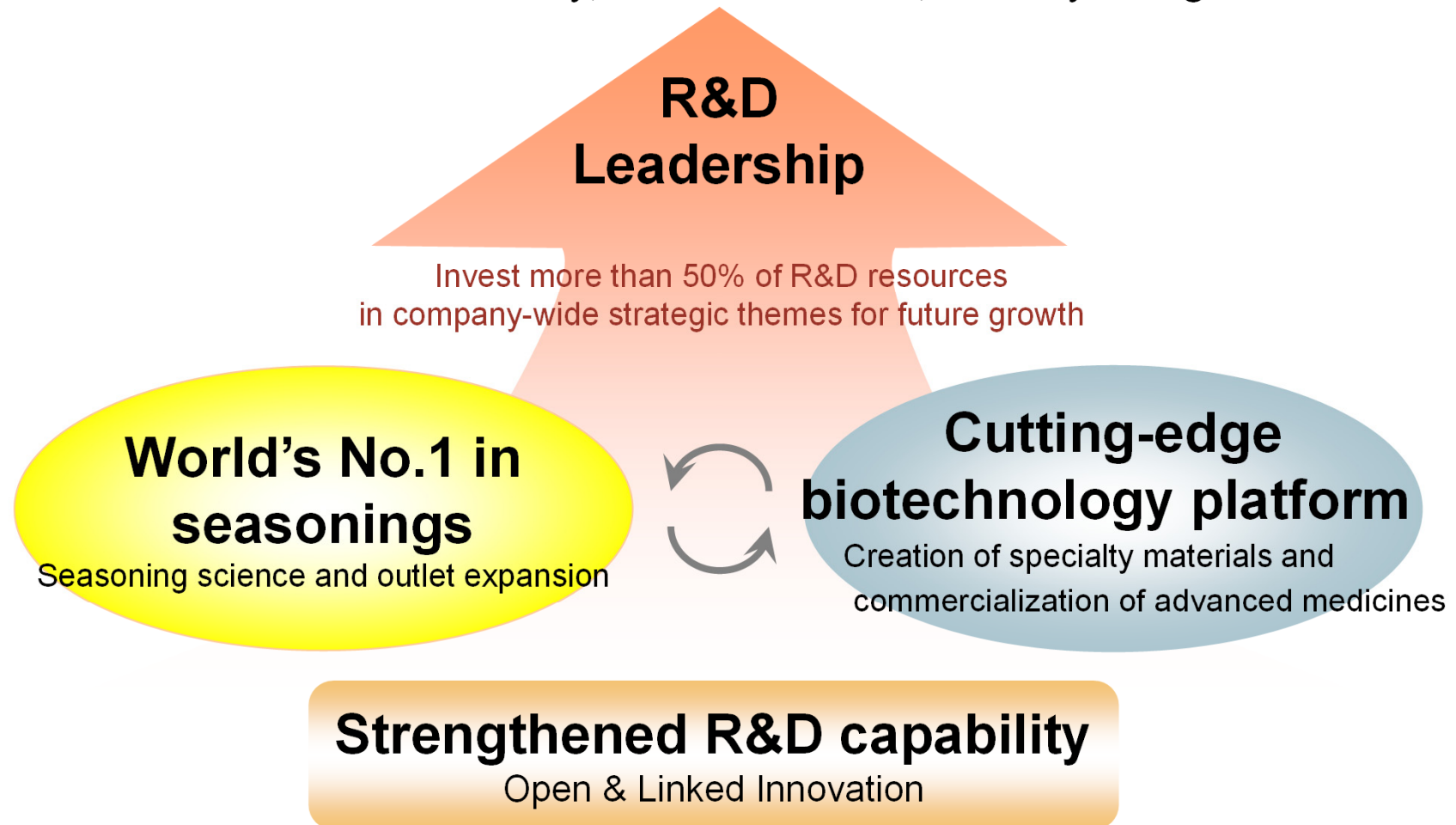


1. Africa, Middle East, etc. 2. Five Stars, ASEAN, Latin America, etc.

1 Growth drivers: R&D leadership (1) key principles

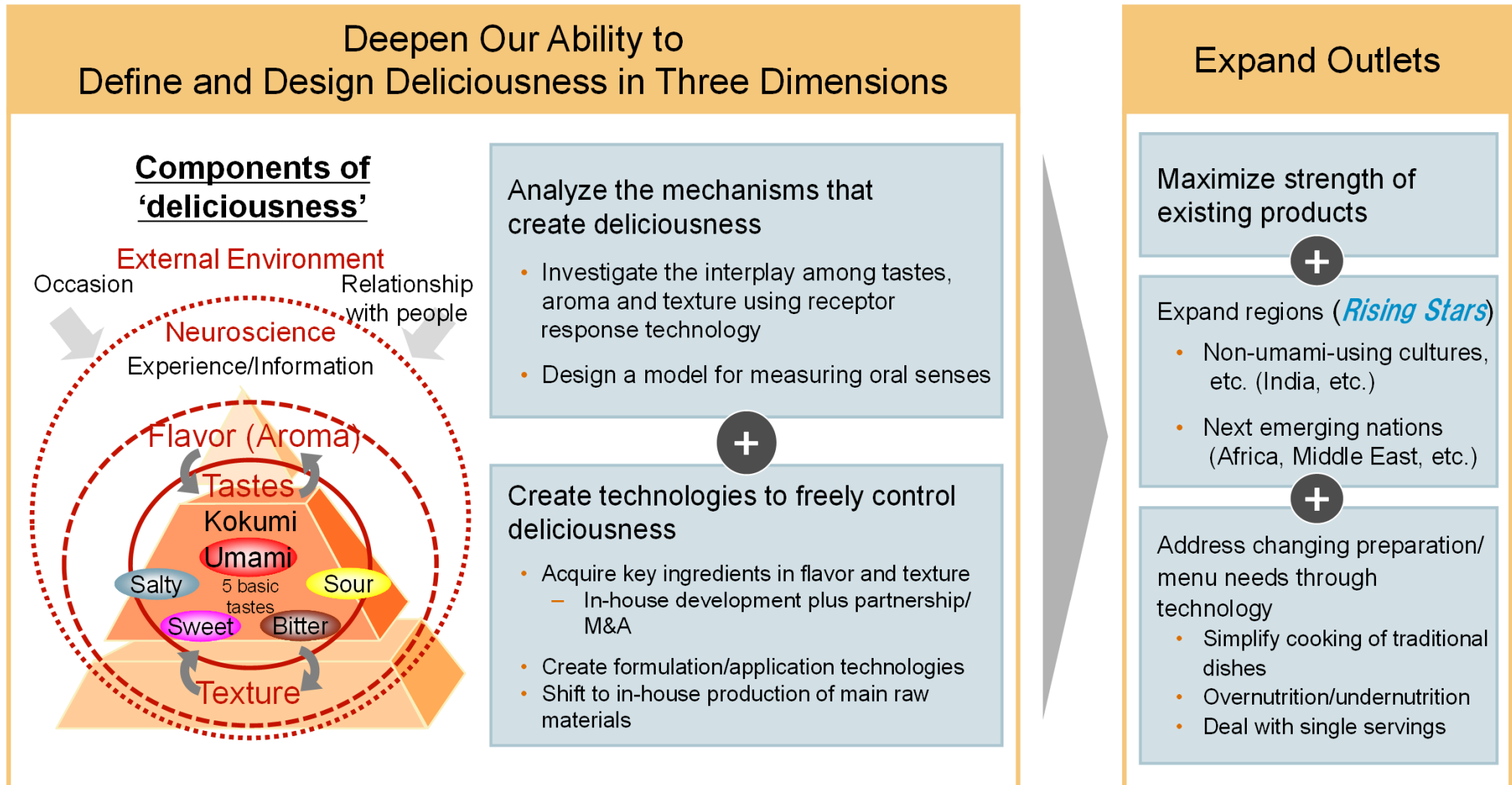
Brush up “World’s No. 1 in seasonings” and “Cutting-edge biotechnology platform” to support growth.

Contribute to resolving issues for 21st century human society
- Global sustainability, food resources, healthy living -



1 Growth drivers: R&D leadership (2) World's No. 1 in seasonings

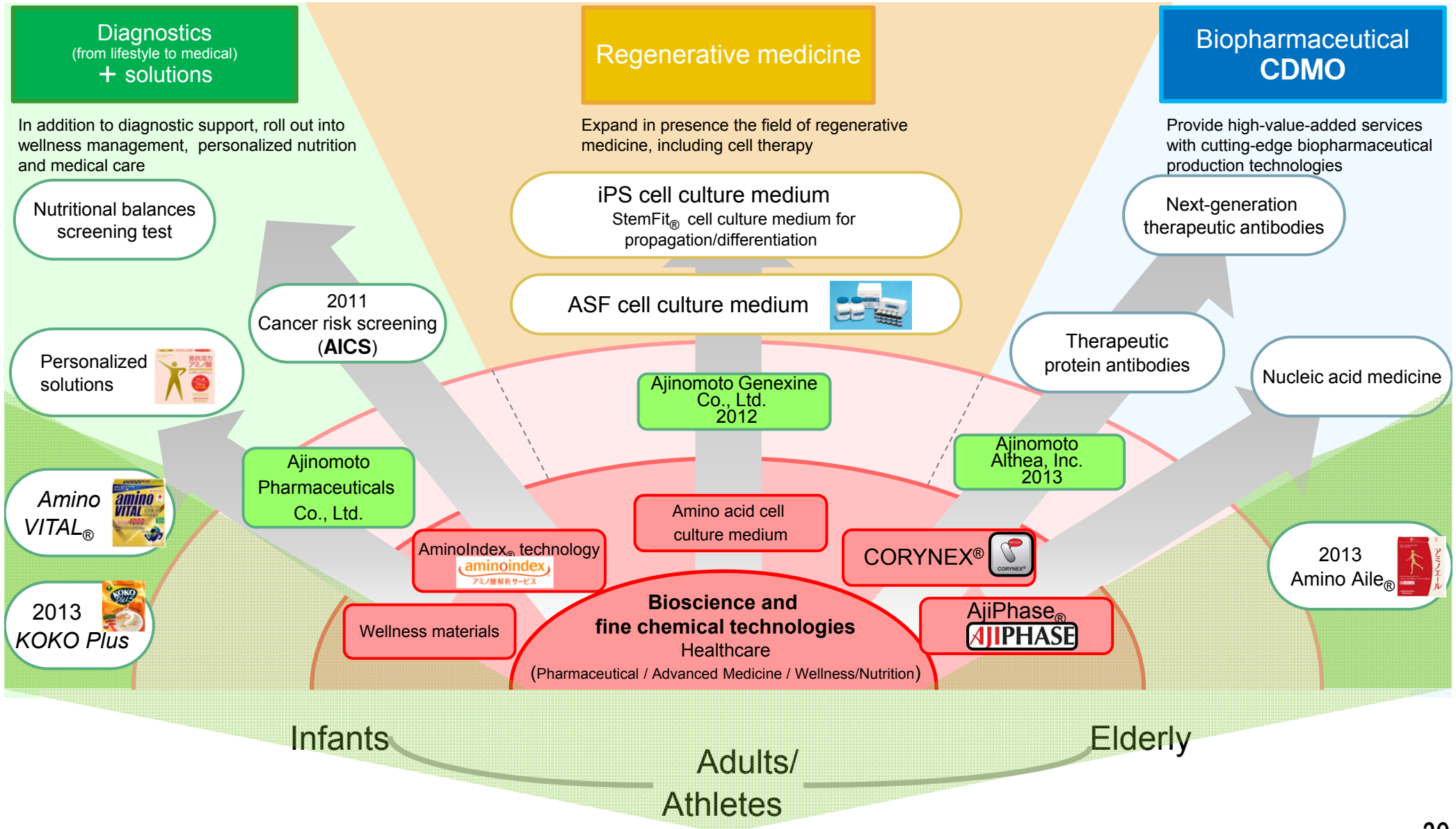
Further deepen our technologies for deliciousness and promote expansion of outlets for seasonings, including external applications.



III. Priority measures

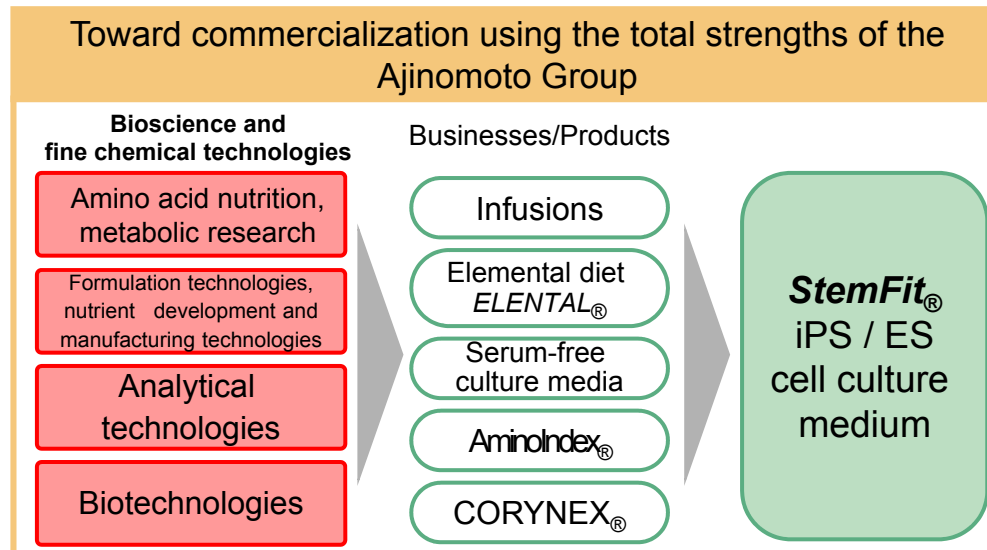
1 Growth drivers: R&D leadership (3) Cutting-edge biotechnology platform

Use the overall capabilities of the Ajinomoto Group plus external capabilities to create new business models (Example of healthcare field).



III. Priority measures

1 Growth drivers: R&D leadership (3) Cutting-edge biotechnology platform Success in industry-academic joint development of *StemFit*[®] culture medium for iPS cells



Results of joint research with Kyoto University and Keio University

Kyoto University

StemFit[®] AK03



- Combines the essential factors for cultivation in the optimal proportion
- A higher level of safety can be expected because it is free of animal- and human-derived components
- A consultation with PMDA² confirmed that it does not contain any raw materials to which the Standards for Biological Ingredients³ are applicable

Keio University

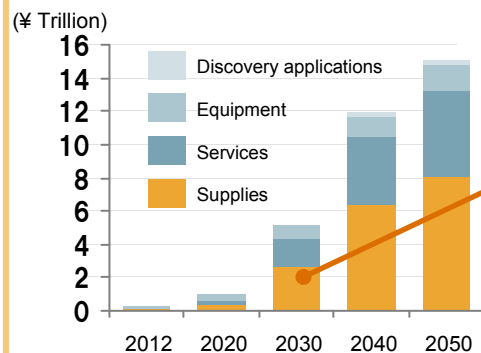
StemFit[®] AS101



- Scientifically determined the culture solution nutrients necessary for human iPS cells
- Replaces expensive substances with lower-cost substances with similar functions for a reduction to 1/3 of the cost
- Puts regenerative medicine for cardiac muscle that require a large volume of cells into practical use

Cell culture media = Mainstay regenerative medicine market

Regenerative Medicine Peripheral Markets Worldwide (Total) ¹



- "Supplies" is the largest peripheral regenerative medicine market
- Within this market, the "cell culture media/serums/reagents" sector is forecast to reach **JPY 1 trillion by 2030** (from Ministry of Economy, Trade and Industry materials)

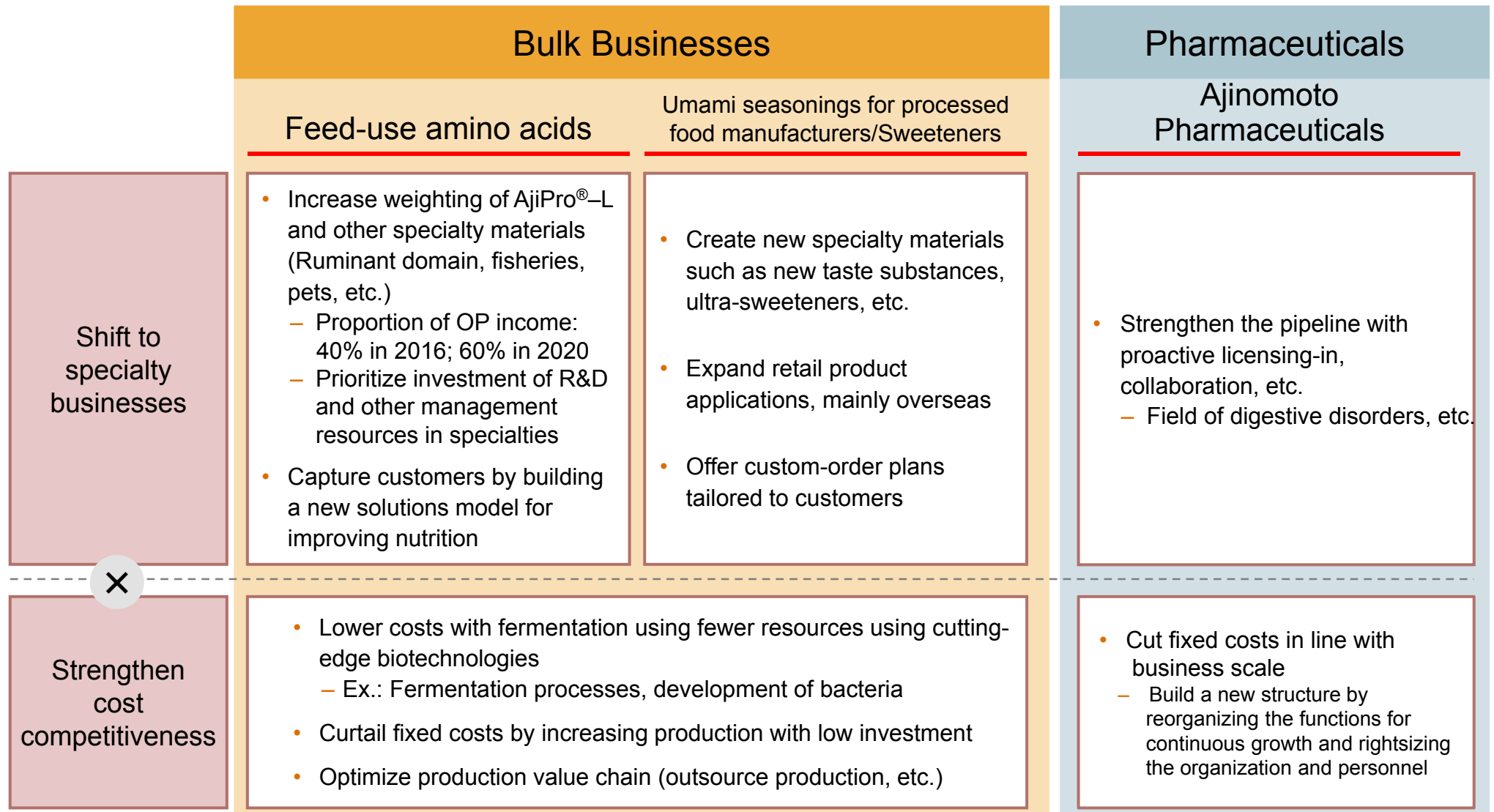
1. From Ministry of Economy, Trade and Industry materials 2. **PMDA**: Pharmaceuticals and Medical Devices Agency, Japan, the pharmaceutical regulatory and review agency of the Ministry of Health, Labour and Welfare 3. **Standards for Biological Ingredients**: Standards for raw materials or ingredients derived from humans or other organisms (with the exception of plants) when used in the production process for medical and pharmaceutical products (Ministry of Health, Labour and Welfare Notification 210 of 2003)

III. Priority measures

2 Business structure reinforcement:

Structural reform centered on a shift from commodities to specialty businesses (1)

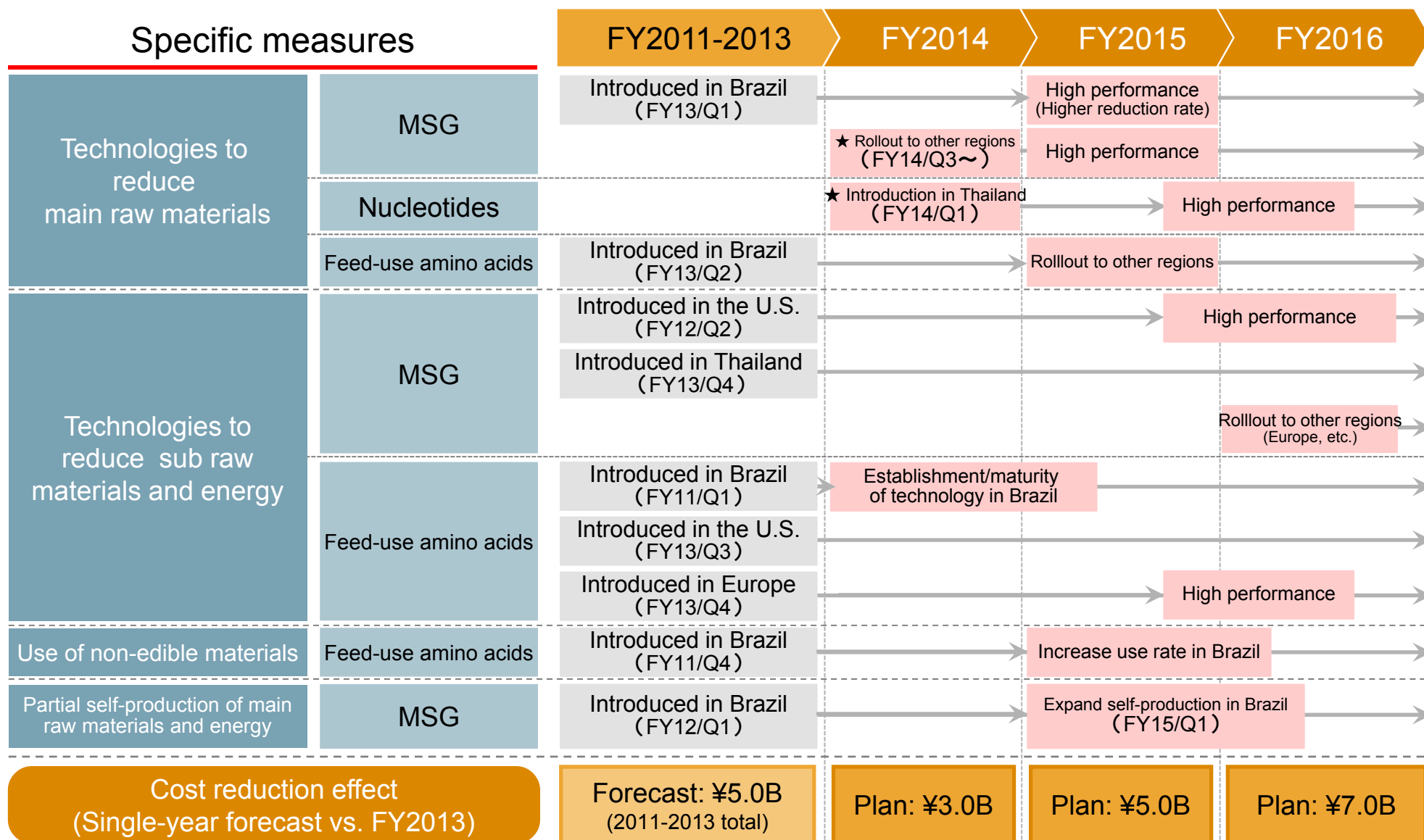
Substantially increase the profitability of bulk businesses and Pharmaceuticals by shifting to specialty businesses and strengthening cost competitiveness.



III. Priority measures

2 Business structure reinforcement: Structural reform centered on a shift from commodities to specialty businesses (2)

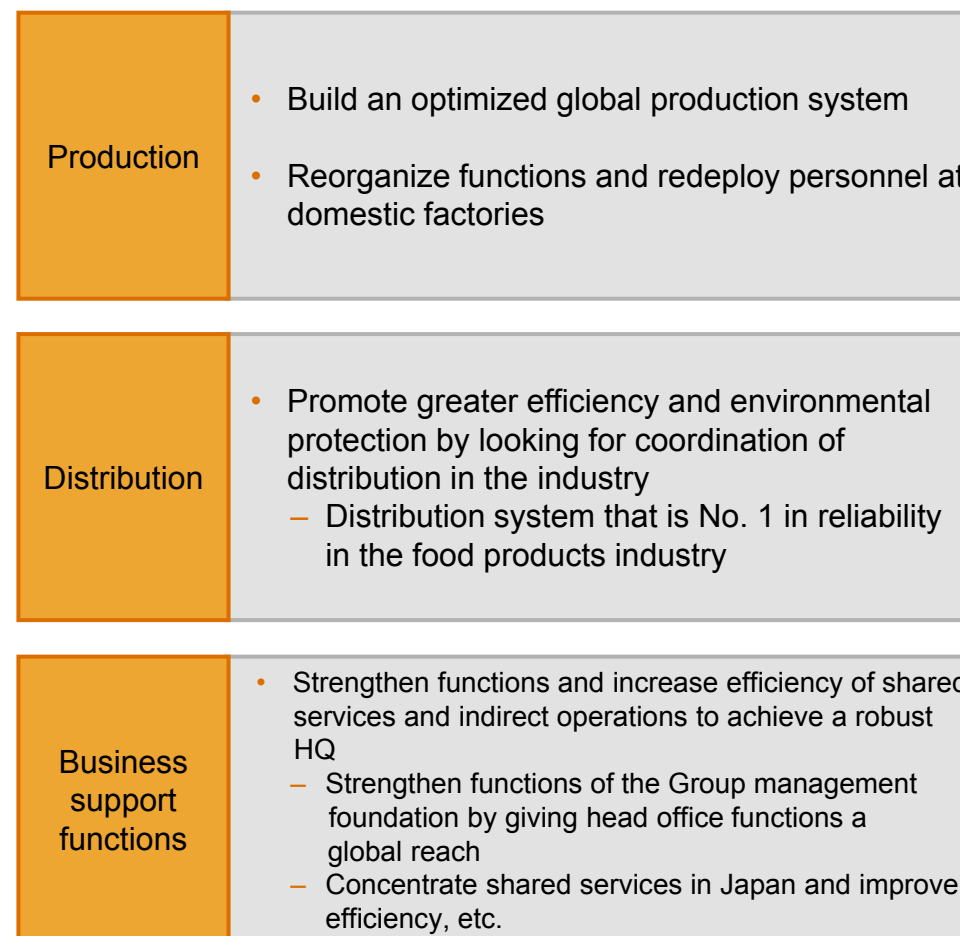
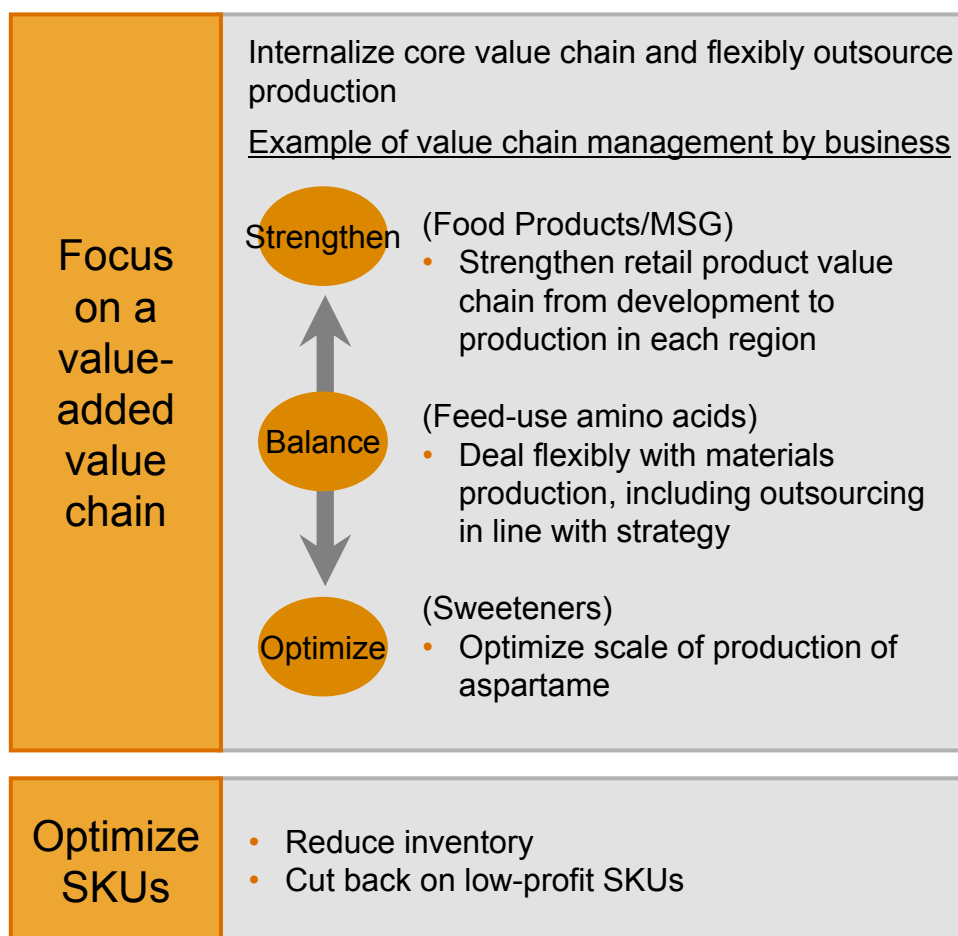
¥7 billion contribution to cost cutting forecast for FY2016 from already introduced technologies and their subsequent development.



2 Business structure reinforcement:
Further raise capital efficiency to boost shareholder value/ROE

Focus on a value-added value chain/
Cash management

Optimize business portfolio and
functional value chain



III. Priority measures

3 Management foundation reinforcement:

Corporate governance/Solid and large class of global human resources

Establish flexible, efficient corporate governance and a solid and large class of global human resources appropriate for a genuine global specialty company.

Global corporate governance

Improve local decision-making speed to achieve rapid growth overseas

- First step: ASEAN, Latin America

Solid and large class of global human resources

Form a group of 200 “next-stage management personnel” (~FY2016)

- Hire and train global management and local specialist resources

Establish the foundation for diversity management foundation through hiring and training (~FY2016)

- Ratio of locally hired overseas executives 50%
- Ratio of female managers 20%

Shift to management that aims for flexibility and efficiency

- Implement from FY2014

Management/
corporate
(An HQ that leads)



Businesses/Companies
Regional HQs
(Local operations that can run on their own)

- Expand delegation of authority
 - Target: Regional HRs in ASEAN and Latin America
 - ⇒ Consider adaptation/expansion
 - Authority: New products, acquisition of fixed assets, etc.
- Introduce a reporting system to let local operations run themselves

Internal training/external recruitment using new “Global HR system”

- Implement from FY2014

“Global HR system”

- New evaluation/compensation system
- Personnel selection and leader training program

Recruit

Select

HR system of
each company

Select

HR system of
Ajinomoto Co., Inc.

External
labor
market

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Financial strategy:

Approaches to investment for growth, financing and shareholder returns

	FY2014-2016	FY2011-2013 Forecast
Cash flow	<ul style="list-style-type: none"> • Increase earnings with business structure reinforcement and growth driver advancement • Operating cash flow: generate ¥300 billion level over 3 years • EBITDA to sales ratio: Raise to 12% level 	<ul style="list-style-type: none"> • Operating cash flow: ¥278.9 billion • EBITDA: 11.0% (FY2013 forecast)
Investment for growth	<ul style="list-style-type: none"> • CapEx: Give extra weight to investment for growth of ¥180 billion over 3 years • Proactive use of M&A/alliance (Specialized units + Deployment of specialists to core strategic regions/fields) 	<ul style="list-style-type: none"> • CapEx: ¥162.1 billion
Financing	<ul style="list-style-type: none"> • Debt-equity ratio: Basically around 30% <ul style="list-style-type: none"> – When financing for growth strategies is necessary, mainly use debt finance and allow a debt-equity ratio of around 50% 	<ul style="list-style-type: none"> • Debt-equity ratio: 22% (FY2013 forecast)
Shareholder returns	<ul style="list-style-type: none"> • Pay stable and continuous dividends (target payout ratio of 30%) • Consider flexible share buy-back with a target total shareholder's return of 50% 	<ul style="list-style-type: none"> • Payout ratio: <ul style="list-style-type: none"> FY2011: 26.3% FY2012: 23.8% FY2013: 29% (forecast) • Share repurchase: ¥130.0 billion

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Strategic targets:

Set targets in line with core strategies to become a genuine global specialty company.

		KPI	FY2013 Forecast	FY2016 Plan	
Business KPI	Profit growth (in scale)	Operating income	¥62.0B	¥91.0B	
	Lean structure	OP margin	6.1% (6.3%)*	8%	
		EBITDA	11.0%	12.5%	
Strategic KPI	1 Deployment of growth drivers	Global growth	Company-wide overseas profit ratio	52%	60%
		R&D leadership	Five Stars sales ratio	—	70% (vs. FY2012)
			Ratio of R&D investment in company-wide strategic themes for future growth	40%	50% or more
	2 Further business structure reinforcement	From commodities to specialty products	Retail MSG ratio	68%	74%
			Retail sweeteners ratio	49%	57%
			Specialty feed-use amino acids ratio	—	40%
	3 Evolution of management foundation	Solid and large class of global human resources	Candidates for future management from introduction of global HR system	—	200 employees
			Ratio of locally hired executives	40%	50%
			Ratio of female managers	14%	20%
Shareholder return KPI	Creating shareholder value	ROE	7.1%	9%	
		EPS growth rate (3-year average)	6.9%	Around 10%	
		Total shareholder's return	150%	50% or more	
		Payout ratio	29%	30%	

* An accounting change to deduct a part of sales promotion fee from net sales is scheduled from FY2014. The figure in parentheses is after application of the new standard.

Targets by business: Sales/Operating income

	FY2013 Forecast			FY2016 Plan			Change
	Net Sales (¥ Billion)	Operating Income (¥ Billion)	OP margin	Net Sales (¥ Billion)	Operating Income (¥ Billion)	OP margin	Operating Income (¥ Billion)
			(%)			(%)	
Domestic Food Products	338.3 (301.3)	26.6	7.9 (8.8)	337.8	31.5	9.3	4.9
Overseas Food Products	316.2	25.3	8.0	379.3	36.0	9.5	10.7
Bioscience Products and Fine Chemicals	235.3	6.4	2.7	279.8	16.9	6.0	10.5
(Feed-use amino acids Incl. in above)	96.7	0	0.0	117.0	8.0	6.8	8.0
Pharmaceuticals	49.0	3.3	6.7	44.6	4.6	10.3	1.3
Others	84.2 (83.2)	0.4	0.5 (0.5)	101.0	2.0	2.0	1.6
Group total	1,023.0 (985.0)	620	6.1 (6.3)	1,142.5	91.0	8.0	29.0

Note: An accounting change to deduct a part of sales promotion fee from net sales is scheduled from FY2014 to more accurately present business management and management results in detail. Figures in parentheses are after application of the new standard.

FY2014-2016 Medium-Term Management Plan

Structural reform of businesses with issues

- ① Feed-use amino acids (Animal and plant nutrition)
- ② Pharmaceuticals (Healthcare)

① Feed-use amino acids

Review of the FY2011-2013 Medium-Term Management Plan and our understanding of issues:

Profitability down due to oversupply from increased production by competitors and price down in a steadily growing market.

Results and forecasts for feed-use amino acids during the period of the FY2011-2013 Plan

(¥ Billion)		FY2011	FY2012	FY2013
Net Sales	Plan	—	—	81.6
	Result/ Forecast	86.9	94.6	96.7
Operating Income	Plan	—	—	10.3
	Result/ Forecast	11.3	13.5	0

Market/ Competitive Environment

- Increased demand for Lysine, Threonine and Tryptophan due to large spread
- On the other hand, increased production and oversupply by competitors weakened prices from 2013
- In addition, prices are falling market-wide due to an aggressive price cutting by the competition

Ajinomoto

- Spun off the feed-use amino acids business in 2011 for speedier decision-making and business operation
- Results were strong in FY2011 and FY2012, but dropped substantially in FY2013. Need to shift further toward a business structure less easily affected by fluctuations in the price of Lysine.

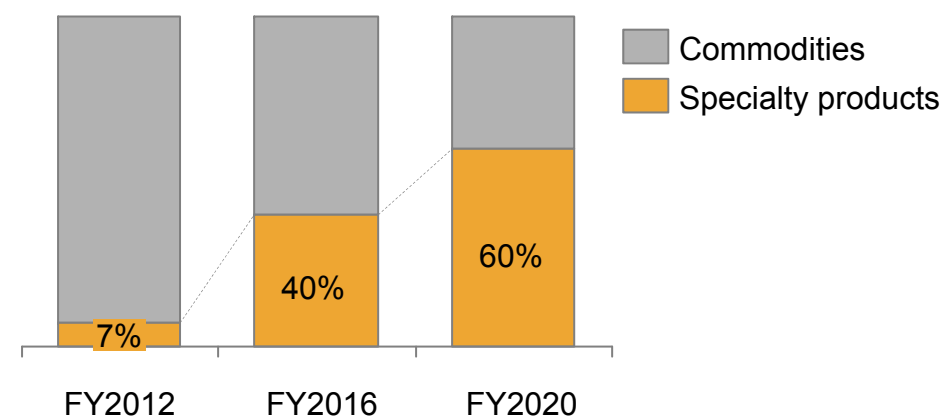
Outline of structural reform strategy (1) Shift to specialty

Reform the earnings structure by expanding the ratio of specialty products

- Proactively expand the business with focused investment of capital, R&D expenditures, personnel and other management resources in specialty products
 - Shift to advance new specialty products business development from develop commodity product technology
 - Strengthen development of production/application technologies in the field of ruminants, centered on AjiPro®-L

Breakdown of operating income

- Raise income from specialty products to 40-60% of the total



Outline of structural reform strategy (2) Open New Sky/Production restructuring

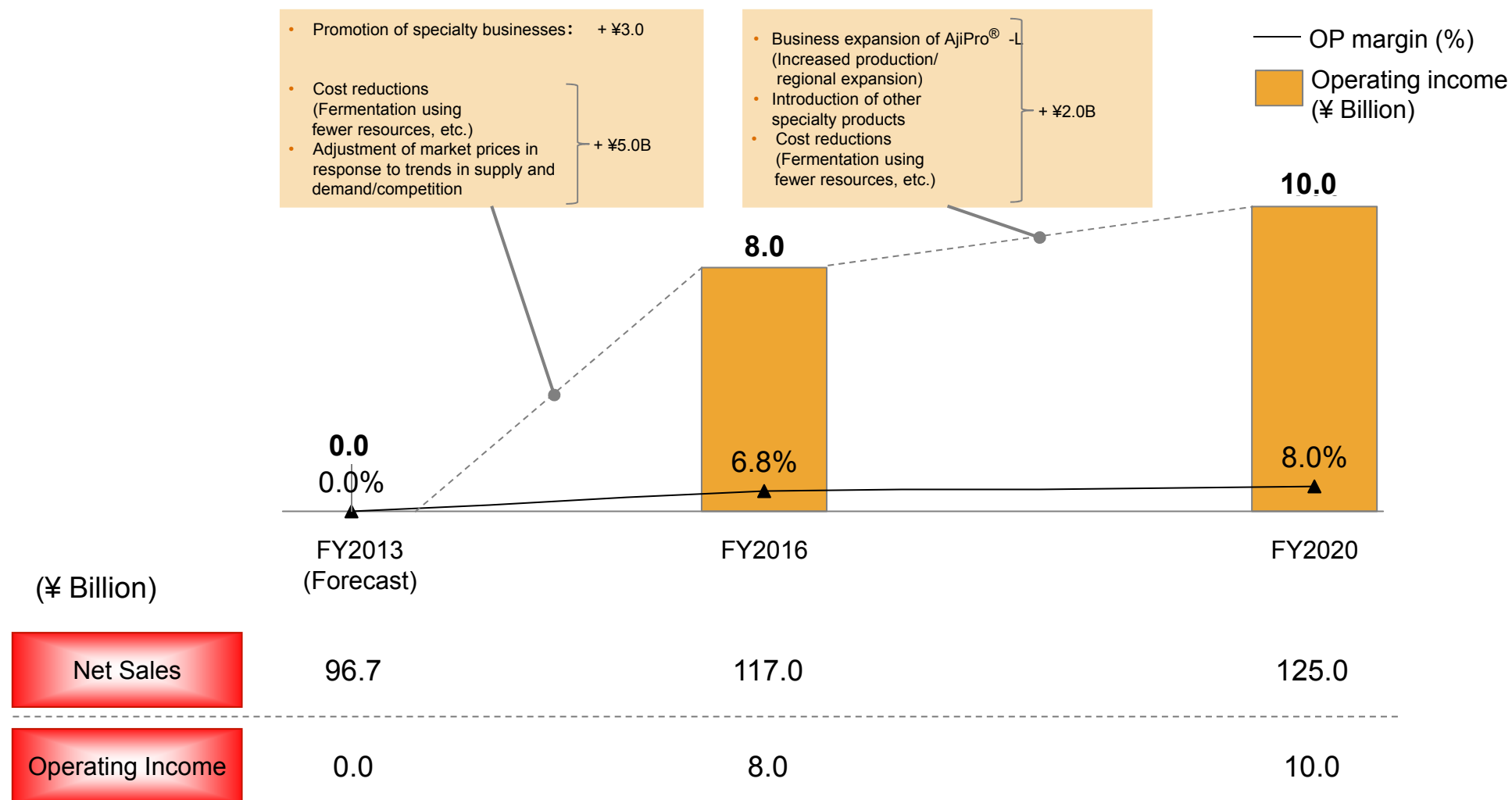
Promote new business development in “Open New Sky” domains

- Business expansion for monogastric animals (poultry, swine) to adjacent domains
 - Ruminant domain centered on AjiPro®-L
 - Leverage superior technologies to enter new adjacent domains (Examples: Fisheries, pets, etc.)
 - Other feed additive areas adjacent to amino acids
- Effective business partnership/alliance

Strengthen competitiveness with production technologies/production restructuring

- Strengthen production efficiency and cost competitiveness by deploying fermentation technologies that use fewer resources and introducing new processes
- Strengthen responsiveness to market changes/strengthen base strategy by proactively promoting the development of factories for flexible production
- Secure a supply structure compatible with increases in customer demand through the abovementioned production restructuring

Targets of Next Medium-Term Management Plan



• Does not take into account increases in earnings from price increase for commodity products except Lysine price, which will be adjusted during 2014 to 2016.

Review of the FY2011-2013 Medium-Term Management Plan and our understanding of issues

Results and forecasts for Ajinomoto Pharmaceuticals during the period of the FY2011-2013 Plan

(¥ Billion)		FY2011	FY2012	FY2013
Net Sales	Plan	—	—	87.4※
	Result/Forecast	78.0	71.5	49.0
Operating Income	Plan	—	—	8.2
	Result/Forecast	6.5	3.2	3.3

* The Medium-Term Plan for FY2013 does not include plans for the spin-off of AY Pharmaceuticals Co., Ltd.

Accomplishments

- Established a joint venture (AY Pharmaceuticals Co., Ltd.) between the infusion and dialysis business units and Yoshindo Inc. (From July 1, 2014)
 - Improved the cost ratio of Ajinomoto Pharmaceuticals from the spin-off of the infusion and dialysis business units
 - Increased Ajinomoto Pharmaceuticals' OP margin substantially from 5.3% in April-June to 13.5% in July-December
- AJM300¹ obtained POC²
 - In the IBD² field, the world's first POC for an oral integrin³ inhibitor

Issues

- Reinforce capability for growth
 - Deal with maturity of existing core products
 - Maximizing the value of the Pharmaceuticals pipeline
 - Strengthen sales of license-in products
- Apply SG&A expenses more effectively in line with business scale
- Accelerate deployment of overseas business strategy

1. An agent that prevents swelling of an inflamed site by preventing lymphocytes from binding to blood vessels. 2. POC: Proof of Concept 3. Inflammatory bowel diseases 4. Cell adhesion molecule

Basic policies

Amid expansion of the Ajinomoto Group's food and health domains, handle specialized functions for business expansion in pharmaceuticals and peripheral domains

Problem-solving measures

- 1 With thorough structural reform, build a profit structure that can consistently and stably secure a 15% OP margin
 - Build a new structure by reorganizing the functions of Ajinomoto Pharmaceuticals for continuous growth and rightsizing the organization and personnel
- 2 Through proactive collaboration/alliance, strengthen products/pipeline centered on the field of digestive disorders
- 3 Accelerate overseas development centered on Asia

1 Measures to resolve issues:

Structural reform of R&D and strengthening the earnings structure

With thorough structural reform, build an earnings structure that can consistently and stably secure a 15% OP margin.

Structural reform of R&D

- Build a new R&D structure for promoting joint development
 - Enhance functions for license-in/co-development (development research and clinical development)
 - Based on open & linked innovation, reorganize Research Institute with a staff of 100 refining in-house research functions
- Prioritize redeployment of R&D staff from a Group-wide standpoint
 - Prioritize redeployment of R&D personnel to Group growth areas centered on the creation of new businesses in the healthcare field

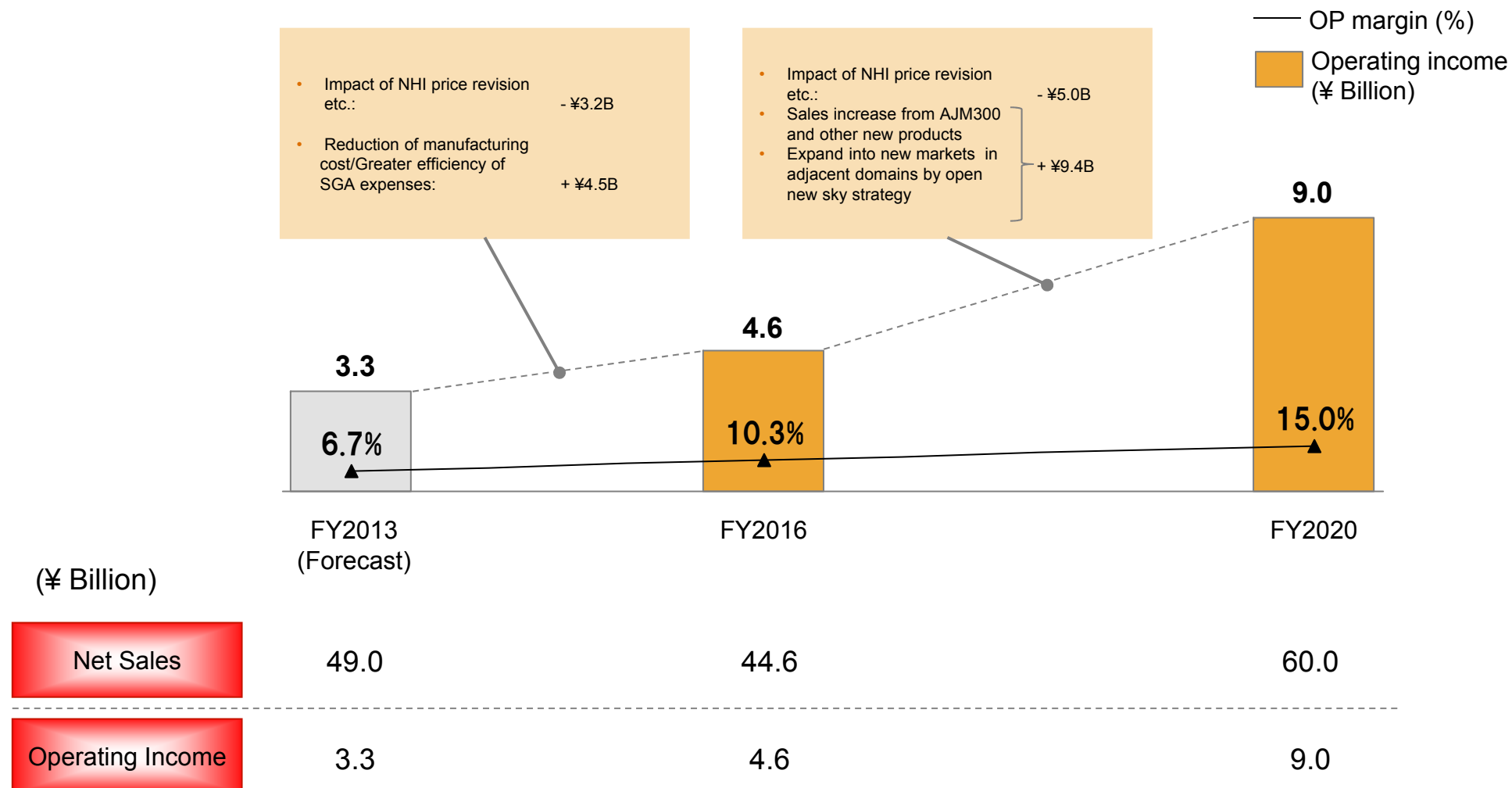
Strengthening the earnings structure by streamlining the organization

(Number of divisions/bases)

	FY2013	FY2016
Sales and marketing	15	12
R&D	3	3
Production	3	2
Corporate	11	7
Rate of reduction of SGA expenses (¥ Billion)	–	–12%
Total employees	1,200	1,050

- Maintain a staff of 350 MRs to strengthen access to medical institutions

Targets of Next Medium-Term Management Plan



Reference Materials

Strategies by Business: (1) Domestic Food Products

(¥ Billion)	FY2013 Forecast	FY2016 Plan	Increase	Avg. Annual Growth
Net sales	301.3	337.8	36.5	3.9%
Operating income	26.6	31.5	4.9	5.8%

Seasonings & processed foods

Create value by resolving issues for each consumer

- Evolve marketing techniques that address multiple-track life stages
- Make basic products long-sellers by following market changes
- Expand into adjacent markets that address "for ONE" wants

Business structure reinforcement

- Avert main raw materials procurement risk and reduce costs
- Reduce linked inventory in tandem with SCM restructuring
- Strengthen the organization/train personnel for more sophisticated marketing

Frozen foods

Accelerate further growth in Japan and substantial growth overseas

- Focus investment to fully strengthen core products including mainstays produced in-house
- Strengthen efforts in adjacent new domains/channels
- Expand products/sales channel in Europe and the Americas (frozen noodles joint venture with Toyo Suisan in N. America)
- Use tie-ups with external partners centered on Ajinomoto's technologies and product quality to expand business in Europe and the Americas and enter new emerging countries

Strengthen the global production system

- Maximize use of/strengthen production bases set up during FY2011-2013
(Ex.: Gyoza production at JAWO Sp.z O.O. in Poland)
- Further optimize production system in Japan and overseas (consolidation/reorganization in Japan; base strengthening/tie-ups with partners overseas)

Strategies by Business: (2) Overseas Food Products

(¥ Billion)	FY2013 Forecast	FY2016 Plan	Increase	Avg. Annual Growth
Net sales	316.2	379.3	63.1	6.3%
Operating income	25.3	36.0	10.7	12.5%

Consumer foods

Rapid growth originating in the “Five Stars”

- Strengthen and newly expand in the core seasonings area
- Introduce local core food products, including horizontal rollouts of products from countries that launched them first
- Roll out business from the Five Stars to surrounding countries
- Expand from solid base in TT channel to restaurant/MT channel
- Strengthen functions to handle inorganic growth in regional HQs in ASEAN/Latin America

Strengthen in current countries/enter new countries

- Expand from West to East Africa centered on umami seasonings
- Enter Islamic countries from Turkey and Egypt
- Build business foundation in western and central Asia

Umami seasonings for processed foods mfrs.

Business structure reinforcement

- Stabilize earnings by expanding ratio of retail products
- Strengthen cost competitiveness by introducing new production technologies
- Raise added value by increasing sales of premix with original ingredients

Accelerate growth

- Expand high-value-added solutions business
- Strengthen products lineup and ability to propose applications, including through M&A and alliance

Strategies by Business:

(3) Bioscience Products and Fine Chemicals

(¥ Billion)	FY2013 Forecast	FY2016 Plan	Increase	Avg. Annual Growth
Net sales	235.3	279.8	44.5	5.9%
Feed-use amino acids in above	96.7	117.0	20.3	6.6%
Operating income	6.4	16.9	10.5	38.2%
Feed-use amino acids in above	0.0	8.0	8.0	—

Feed-use amino acids

Change earnings structure by expanding specialty businesses

- Focus investment of capital, R&D, personnel and other management resources in specialty businesses

Amino acids

Sweeteners:	Strengthen retail products in Japan and overseas: Accelerate product development in new fields (functional sweeteners/sweetened processed food products)
Amino acids for pharmaceuticals and food:	Strengthen customer-driven high-value-added businesses (Focus on specialty amino acid products, expand cell culture media for therapeutic antibodies, commercialize cell culture media for regenerative medicine)
Pharmaceutical custom manufacturing:	Strengthen cost competitiveness of small-molecule business with start-up of India Project Expand biopharmaceuticals business using Ajinomoto Althea

Specialty chemicals

Electronic materials:	Expand applications of Ajinomoto Build-up Film to smartphones, tablets, etc., and establish new lifestyle/environmental materials business
Cosmetics:	Accelerate overseas rollout, mainly in ASEAN and Latin America. Start full-scale production and expand at joint venture in Indonesia

Strategies by Business: (4) Pharmaceuticals

(¥ Billion)	FY2013 Forecast	FY2016 Plan	Increase/Decrease	Avg. Annual Growth
Net sales	49.0	44.6	-4.4	-3.1%
Operating income	3.3	4.6	1.3	11.7%

Pharmaceuticals

With thorough structural reform, build a profit structure that can consistently and stably secure a 15% OP margin

- Build a new structure by reorganizing the functions of Ajinomoto Pharmaceuticals for continuous growth and rightsizing the organization and personnel
- Prioritize redeployment of R&D personnel from a group-wide standpoint

Through proactive collaboration/alliance, strengthen products/pipeline centered on the field of digestive disorders

- Drug discovery collaboration: Use external resources to reduce the risks of increasingly sophisticated drug discovery and speed up development
- Development/marketing collaboration: Build a new business model that controls R&D risks and results in sharing profits

Accelerate overseas development centered in Asia

- Expand business in three priority countries (China, South Korea and Vietnam)
- Start businesses in each country, mainly in Southeast Asia

Strategies by Business: (5) Others

(¥ Billion)	FY2013 Forecast	FY2016 Plan	Increase	Avg. Annual Growth
Net sales	83.2	101.0	17.8	6.7%
Operating income	0.4	2.0	1.6	71.0%

Other businesses (ex. Wellness business)

Reinforce structure of existing businesses

- *Amino VITAL*[®]:
Expand business into new fields centered in specialty products (junior sports market, overseas athlete market, etc.)
- Direct marketing:
Strengthen lineup of core amino acid products
Reposition products to increase repeat purchasing rate and strengthen lineup of products with a high repeat purchasing rate

Create new businesses in the healthcare field

- Diagnostic support using AminoIndex[®] technology
- Personalized nutritional solutions:
Menu proposals, seasonings/food products/supplements and other products businesses

Assumptions for this Medium-Term Management Plan

1. Exchange rate

	JPY	vs USD
USD	100.00	-
EUR	130.00	1.30
BRL	44.00	2.27
THB	3.20	31.3
100IDR	0.90	90.0

2. Foreign exchange sensitivity of FY2016 operating income

(1) Impact of exchange rate for currency translation

USD \pm JPY 1 \rightarrow JPY 0.15B (approx.)

EUR \pm JPY 1 \rightarrow JPY 0.1B (approx.)

BRL \pm JPY 1 \rightarrow JPY 0.3B (approx.)

THB \pm JPY 0.01 \rightarrow JPY 0.1B (approx.)

(2) Impact of exchange rate for trade

JPY 1 increase vs USD \rightarrow - JPY 0.2B (approx.)

EUR 0.1 increase vs USD \rightarrow - JPY 0.4B (approx.)

BRL 0.1 increase vs USD \rightarrow - JPY 1.2B (approx.)

Eat Well, Live Well.

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- **Forward-looking statements, such as business performance forecasts, made in these materials are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.**
- **Unaudited figures are included in these materials for reference.**
- **Amounts presented in these materials are rounded off.**