

**III**

**Corporate Division**

# 1

## Rebuilding of Organization

### **Change to a business headquarters system**

In April 2010, the Ajinomoto Group discontinued its virtual company system (implemented in FY2002) and migrated to a business headquarters system. We addressed the adverse effects of the prior vertically-integrated system and strengthened cooperation among departments as part of "FIT" (structural reform), utilizing amino acid research achievements and other assets in a variety of ways. Specifically, our pharmaceuticals business was split off (see p.96), and the foods and amino acids companies were returned to the business headquarters system. With the goal of achieving organization-wide optimization and improved management efficiency, the resulting business headquarters system consisted of four divisions: the Food Products Division, the Bioscience Products & Fine Chemicals Division, the Wellness Business Division (in business since July 2009), and the existing China Business Strategy & Planning Division.

Accordingly, for the corporate departments, a plan was issued to formulate and support strategies regarding a shared Group-wide platform (the Group corporate), which served not only as Ajinomoto Co., Inc.'s platform, but also consolidated all functions common to Group companies (finance and accounting, HR, procurement, logistics, IT, etc.). It aimed not only to improve efficiency by consolidating practical business affairs common Group-wide, but also to generate new ideas through efforts made among the Group in areas such as human resources and IT. To this end, corporate divisions were migrated to the Corporate Departments and plants in Japan were reorganized into the Production Departments.

### **Inauguration of the Business Strategy and Development Department**

The Business Strategy and Development Department, formed in July 2013, promotes open innovation, forges alliances, and conducts M&A as specific measures aimed at achieving the utilization of external resources set forth in the FY2011-2013 Medium-Term Management Plan. The organization is in charge of conducting due diligence (making preliminary assessments) with respect to M&A and business alliance projects in Japan and overseas, as well as submitting proposals to the Executive Committee Meeting, with a project team comprising members from related business departments and corporate sectors (corporate planning, finance, legal affairs, etc.).

In addition, as well as handling such things as designing business portfolios prior to M&A and alliances, and initial procedures and reviews for Post Merger Integrations (PMI), the department serves as a place for cultivating talent through experiencing the M&A process of evaluating, acquiring, and integrating targeted companies.

### **Establishment of the Global Corporate Division**

In April 2017, the Corporate Departments were split into two divisions: the Global Corporate Division and the Japan Corporate Division. Through the FY2011-2013 and FY2014-2016 Medium-Term Management Plans, we had been placed a greater emphasis on achieving a quicker and more profound expansion of our operations worldwide, including M&A. In line with this, we embodied the direction of corporate division reforms in the areas of Group-wide planning and business support. In April 2018, the roles of the Global Corporate Division and the Corporate Service Division were as follows.

#### **Global Corporate Division**

- Drafting and formulation of global strategies and plans via integrated planning and

supervising functions

- Planning and creating taskforces to address management issues that span multiple functions

Corporate Service Division

- Providing specialized services and operations to businesses, regions, and planning functions through consolidated support functions

Currently, by collaborating and improving integration efficiency with outside organizations, efforts are being made to reduce the ratio of common expenses to sales with regard to the individual functions of the Corporate Service Division.

#### **Establishment of Ajinomoto Digital Business Partners Co., Inc.**

In April 2020, Ajinomoto Co., Inc. established Ajinomoto Digital Business Partners Co., Inc. through a joint venture with general consulting firm Accenture Japan Ltd. (equity share: Ajinomoto Co., Inc. 67%/Accenture Japan Ltd. 33%). Ajinomoto Digital Business Partners Co., Inc. is headquartered in Hatchobori, Chuo-ku, Tokyo, and employs about 300. The establishment of this company was intended as a means to reinforce our management foundations and reform our corporate departments through collaboration with outside organizations.

The main task of Ajinomoto Digital Business Partners Co., Inc. is to consolidate and manage the operations of Ajinomoto Co., Inc.'s corporate organizations (HR, general affairs, public relations, procurement, etc.). For corporate departments as well as business operations, Ajinomoto Digital Business Partners Co., Inc. seeks to improve operational quality and efficiency while establishing a structure for continuously cultivating talent at a high level.

# 2

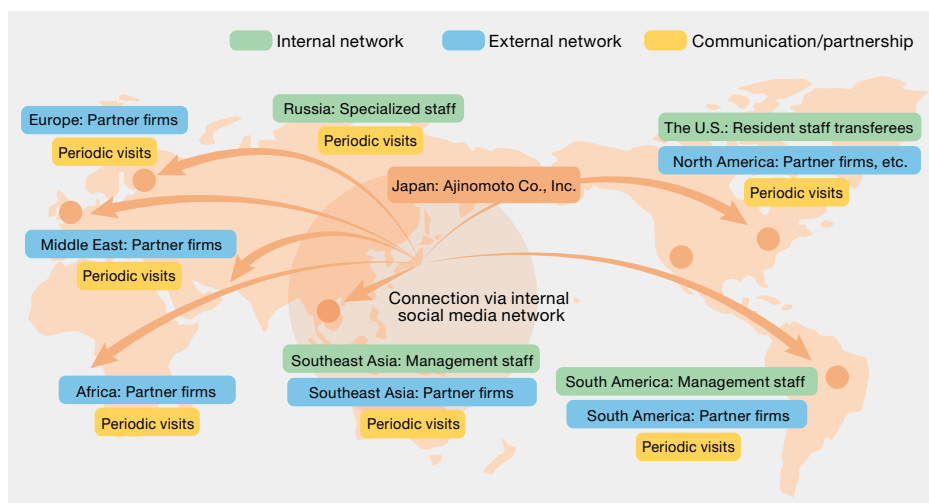
## The Initiatives in Each Corporate Function

### Intellectual property strategies – contributing to business activities in such areas as intellectual property management and joint R&D contracts

Along with managing the Ajinomoto Group’s intellectual property, the Intellectual Property Department acquires and maintains our patents and trademarks. The department works with the R&D and business departments to create intellectual property portfolios directly tied to business profits. Through activities that include drafting, reviewing, and negotiating contracts concerning joint research and development with startups, universities, and companies in other industries, the department supports open & linked innovation and facilitates the acquisition of the technologies and intellectual property that will enable future business and the building of good contractual relationships both inside and outside of the Group.

Organizationally, restructuring efforts were made in FY2016, expanding strategic functions. We outsourced information search and intellectual rights management operations to affiliated company Intellectual Property Expert Co., Ltd. to boost efficiency. We have specialized staff posted in Virginia, the U.S. and Moscow, Russia, and we have also appointed key persons to intellectual property-related posts at the Group companies in Southeast Asia and South America as part of efforts to create a structure for protecting and acquiring intellectual property at a global level.

Figure III-1: Intellectual property management system



As one effort to better utilize information, our intellectual property information system, which is accessible by Ajinomoto Co., Inc. employees and the major Group company employees, was significantly overhauled in January 2019. By ushering in paperless communication with patent offices and storing data in the system, the information flow was strengthened. This system contributes to better decision-making by R&D and business departments, and it will be integrated with these departments’ information systems in the future to further increase information value. The Intellectual Property Department has also launched and is promoting the usage of the *AJIBUN2* system (April 2016), which allows the departments to view one another’s Group company license contracts, and the “Trade Secret Protection Platform” system (September 2018)

to facilitate opportunities to exchange confidential information among the Group companies (consensus building concerning the protection of trade secrets).

Regarding patent acquisition, since FY2010 we have undertaken activities aimed at both contributing to business and carefully selecting countries for patent application. We currently hold close to 4,000 patents<sup>1</sup>, and is ranked number one in Japan for the capability to prevent other food industry companies from obtaining patent rights (according to a 2019 Patent Result Co., Ltd. survey; see “History” p.33). We swiftly acquired patents for electronic materials, *AminoIndex*<sup>®</sup>, cell culture media for regenerative medicine, and *AjiPro*<sup>®-L</sup>, contributing to a shift to specialty-based business.

We also hold approx. 5,000 trademarks, acquired as necessary to provide products and services. When deploying the Ajinomoto Group Global Brand Logo (AGB) in October 2017, we examined each business’s current status and future expansion plans, and applied for AGB-related trademarks in 147 countries. As of the end of 2019, we have registered trademarks in 135 countries, creating an infrastructure for activities to enhance our global brand value.

The Intellectual Property Department also provides robust support for matters related to contracts and intellectual-property registration in areas that include concluding M&A contracts and establishing companies that involve the acquisition or transfer of important intellectual properties (acquiring 100% equity in Ajinomoto General Foods, Inc., and establishing Ajinomoto Istanbul Food Industry and Trade Limited Company and Tsubame BHB Co., Ltd.), transfer of business (Hong Kong Amoy Food Ltd.), the licensing of important technologies (bio-heparin, etc.), and facilitating licensing operations within the Group.

While we have established a reliable information search structure to prevent us from infringing on the intellectual property rights of other companies, we have also taken resolute action against companies failing to respect our intellectual property, which includes the following lawsuits.

- 2009: Won a patent infringement lawsuit concerning transglutaminase against a Chinese product distributor in Germany
- 2013: Filed a patent infringement lawsuit for a lysine manufacturing process against Hong Kong-based GBT Group in the Netherlands (see p.75-76)
- 2016: Filed a patent infringement lawsuit for a tryptophan manufacturing process against South Korea-based CJ Group in the U.S. and Germany (see p.76)  
Filed a patent infringement lawsuit for a monosodium glutamate manufacturing process against South Korea-based CJ Group in Japan and Germany

### Implementing advertising strategies with a view to changing consumer behavior

Regarding advertising media since 2009, TV has remained the top medium in terms of interaction time, but mobile phones and smartphones are now the largest medium among people in their teens and 20s. Web advertising expenditures exceeded that of TV in 2019, and this kind of change has occurred during 2009-2019. Since the time of Saburosuke II and Saburosuke III, who popularized *AJI-NO-MOTO*<sup>®</sup>, we have been conducting advertising tailored to the media consumers interact with<sup>2</sup>. We have developed our corporate communication and brand communication styles in accordance with these changes.

Our corporate communication initiatives have focused on popularizing the “Eat Well, Live Well.” corporate message since the FY2014-2016 Medium-Term Management Plan, with advertising done through a media mix comprising paid media (TV, newspaper, Web, etc. mass advertising involving the payment of leverage), earned media (public communications, publicity activities, and others), shared media (advertising by consumers themselves, such as on blogs and social media), and owned media (the Ajinomoto Group websites and social media, etc.). Some of our newspaper advertisements have won awards, including the “Japanese foods are made of Japanese natural colors” (Dentsu Advertising Award for newspapers) and “*Gochisousama, Heisei*” (JAA<sup>3</sup> Advertising Award for newspapers). During the period of the FY2017-2019 Medium-Term Management Plan, the Advertising Department collaborated with business departments to carry out communications plans based on such concepts as “food and health” and “sports and nutrition” in preparation for the 2020 Tokyo Olympic and Paralympic Games, and we worked

1. This number was 3,624 in 2009 and 3,726 in 2013, after which over 500 patents were transferred to EA Pharma Co., Ltd.

2. We have also demonstrated our connection to advertising through involvement with the “Zenkoren Suzuki Saburosuke Regional Campaign Award” (renamed to the “Zenkoren Suzuki Saburosuke Regional Creative Award” in 2016) since 2007. The program is conducted by the Japan Advertising Federation using donations originally from Saburosuke Suzuki IV, who served as the federation’s third director.

3. Japan Advertisers Association



Japanese foods are made of Japanese natural colors

to boost awareness of *Kachimeshi*<sup>®</sup> and AGB (see “History” p.81), which was announced and launched in October 2017.

In our brand communications, we leverage media according to consumers’ increasingly diverse habits, working to create content, strengthening the ability to respond in an increasingly digital world, and communicate comprehensively through TV and other existing media. A particular focus has been on following marketing strategies to improve planning, and reaching consumers by producing more advertising editorials while coordinating more closely with sales activities. We also expanded its demographic scope and began trying to reach age groups not previously focused on. Ads targeting seniors included commercials on broadcasting satellite TV channels for health-focused products, and advertising to children and teenagers (junior high schoolers to college students) included smartphone ads and Web videos about how to make dishes. The advertisements have used “sizzle words<sup>4</sup>” that convey the “No. 1 in deliciousness” quality of our products, encouraging a purchase. We have also been working to increase our fanbase by incorporating social issues such as eating together, vegetable consumption, and convenience, and presenting them as products that solve these issues.



Gochisousama, Heisei

4. Words that call attention to the succulent and fresh nature of a product (accompanied by images of steam, moisture, cooking, or cross-sections of ingredients) to whet the appetite and encourage purchasing.

### Taking corporate communications to the next level (1) — Taking activities global

In our corporate communication activities, we have focused on A) facilitating faster growth globally, B) efficiently and systematically disseminating corporate information, C) enhancing internal communications, D) promoting awareness of umami, and E) strengthening direct communication.

The following have been some of the issues concerning our communication activities on a global level:

- A relatively smaller corporate presence
- A lack of consistency in communication
- The social value provided in carrying out the Ajinomoto Group Creating Shared Value (ASV) – that is non-financial information – has not been effectively conveyed

The following issues exist regionally:

- |                                   |                                                                                            |
|-----------------------------------|--------------------------------------------------------------------------------------------|
| Japan:                            | Low awareness of the corporate message “Eat Well, Live Well.”                              |
| Southeast Asia and South America: | Low awareness of the corporate image and social value provided                             |
| The U.S. and Europe:              | Either awareness of the corporate brand is low or the brand is not seen as safe and secure |

To address these issues, in 2011 we embarked on efforts to align all of our public communication activities and have convened the Ajinomoto Group Global PR Conferences (AGPC, once a year) organized by the Public Communications Department and attended by representatives from all major Group companies. At AGPC, we shared the Group’s public communications strategy and each Group company’s best practices, while also holding discussions concerning media networking and other topics. AGPC was renamed to the ASV & Brand Communication Conference (ABCC) in 2017, and discussions at these conferences have focused on ways to further improve corporate value.

During this time, in April 2016 the Global Communication (GC) Department was formed to promote a Group-wide integrated communication strategy to enhance corporate brand value. This department took over the relevant functions of the Public Communications Department, the Advertising Department, and the CSR Department.

The GC Department began issuing Integrated Report in 2016 that use a storytelling format to inform our stakeholders about our approach and activities to create value through ASV. Along with this, we had put together the following key communication materials: Integrated Reports are the primary communication materials, and the secondary communication materials complementing the Integrated Reports are the Sustainability Data Book, IR Data Book, Financial Statement, and Corporate Governance Report.

As an essential tool for public communication activities about amino acids and umami,

scientific data is made available on a portal site concerning such topics as the function and usefulness of amino acids, with the Group company personnel able to access the content freely. To raise our profile overseas, we issued newsletters in nine languages to media outlets in 11 countries, providing non-financial information. AGB (see “History” p.81), which was announced and launched in October 2017, serves as a symbol unifying corporate brand value. In 2018, the GC Department released our first global advertisement, entitled “Can I have more?”

Currently, the GC Department’s activities also include building a messaging system to promote corporate brand value (see “History” p.81), formulating a global communications plan, and facilitating the drafting of public communication’s strategies for the Group companies.

The Olympic & Paralympic Promotional Office was established in April 2017, and relevant operations were transferred to it from the GC Department.

### Taking corporate communications to the next level (2)

#### — Disseminating corporate information effectively and systematically

We are making number of efforts to disseminate corporate information. President & CEO Masatoshi Ito, inaugurated in 2009, emphasized sharing information with shareholders and other stakeholders, and as ASV has become a foundation of our management (see “History” p.13-18), this has become more important than ever.

We continue striving towards more deliberate and effective public communications through efforts that include strengthening coordination with and among important spokespeople, groups, and types of media.

Refinements have also been made to how the effectiveness of these efforts is gauged. The Global Corporate Brand Integrated Survey (C-BIS), launched in FY2016, targets the consumers and Group employees in major countries where our retail products have a certain presence. In addition, in FY2017 we introduced the Impact Index Conversion Value (IICV) system for assessing media exposure effectiveness. We have been using the system to help ascertain and improve our activities.

### Taking corporate communications to the next level (3)

#### — Communications within the Ajinomoto Group

Since his inauguration as President and CEO in 2009, current Chairman of the Board Masatoshi Ito has placed an emphasis on sharing information with our employees (see “History” p.13). To strengthen the Group cohesion, we have used the CEO Headline as a vehicle for the CEO to share information about his activities and views within the Group in both Japanese and English. Other efforts made to foster our solidarity have included the formation of the Ajinomoto Group Food Committee PR Subcommittee in 2011, and internal panel surveys (launched in 2012) to assess the degree to which the Group employees understand and trust the Group management and have fostered a sense of unity. Our internal communication platform for the Group employees was upgraded from “A-LIVE,” an intranet site, to “Workplace,” an internal social media site, in July 2020. “Workplace” features “Global CEO News” and “Japan/Global Aji News,” which introduces the activities of the Group employees via “Workplace.” The Group employees can also use the website to search for and use the Group-related articles released by the media.



Ashita no Moto on the Web

### Taking corporate communications to the next level (4)

#### — Umami PR and direct communication

Our public communication activities related to umami further advance “AJI-NO-MOTO®” reevaluation efforts made under the “Ajinomoto Renaissance,” a program organized in 2009 on the occasion of our 100th anniversary.

Since Dr. Olney Shock and Chinese Restaurant Syndrome of the 1960s (see “History” p.5), the negative perception of monosodium glutamate (MSG) has yet to be eliminated from the public mind, despite conclusive evidence of its safety. We worked to change this perception, actively encouraging a focus more on umami than on AJI-NO-MOTO® through collaboration with

the Umami Information Center, a nonprofit organization. Unfortunately, the public developed a confused sense of the relationship between umami and MSG, and the promotion of MSG had to mostly be done indirectly. The negative connotation of *AJI-NO-MOTO*<sup>®</sup>, which was also the company's name, threatened to hamper efforts to improve corporate value. Thus, deciding that it would need to promote the idea of "umami = *AJI-NO-MOTO*<sup>®</sup>" globally and proactively in order to impart the proper perception to a generation that had never heard of MSG safety issues, we dedicated ourselves to effective umami communication. One example of the above-mentioned efforts was calling on television broadcasters and government offices not to release erroneous information.

We also added more spokespeople to talk about the value and importance of umami around the world. To achieve quicker success with these efforts, we held the World Umami Forum in the U.S. in 2018 (see "History" p.80).



The World Umami Forum panel discussion (left), cooking contest (right)

At a time when consumers are being increasingly inundated with social media and other new forms of media, we are also engaging in direct communications with consumers to form direct connections with and create more our fans. Visiting lecture of "The Secrets of Dashi and Umami" started in FY2006, is an example of our emphasis on providing dietary education. As of the end of FY2019, these lectures have taught roughly 120,000 elementary school students about the wonders of *dashi* and umami, the heart of Japanese cuisine. In addition to these lectures, tours provided by our plants and the Ajinomoto Group Umami Science Square (Kawasaki Plant, launched in April 2015) have informed more than 50,000 consumers a year about our social value building activities and products.



Visiting lecture of "The Secrets of Dashi and Umami"



Meanwhile, Ajinomoto Monitoring Consumer Surveys (AMC) have been conducted once every three years since 1978 as a means to keep track of changes concerning consumer eating habits and attitudes. In response to Japan's changing demographic landscape, the survey was expanded in FY2012 to include homemakers in their 70s.



The Ajinomoto Group Umami Science Square



# **The Overview of the Ajinomoto Group**

Fiscal Years 2009 - 2019

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Eat Well, Live Well.



AJINOMOTO.