



Corporate Governance

Corporate governance is the foundation for becoming a group of companies that provides solutions to food and health issues. We are continuously working to build an effective corporate governance system.



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 Director meetings (FY2019)	18 (See p.64)
Number of Audit & Supervisory Board meetings (FY2019)	14 (See p.64)
Number of voluntary committees of the Board of Directors (FY2019)	Nominating Advisory Committee3 Compensation Advisory Committee ...5 Corporate Governance Committee ...6 Management Foundation Review Committee9 (See p.64)
Compensation systems for officers, etc.	See p.65
Directors' term of office	2 years
Adoption of corporate executive officer system	Yes
Accounting auditor	KPMG AZSA LLC*

* Appointed June 24, 2020, replacing Ernst & Young ShinNihon LLC



Message from the Chairman of the Board

Overseeing the path to realizing our vision for sustainable growth objectively

Masatoshi Ito
Chairman of the Board



Active discussions held from an early stage when establishing our new vision and MTP

Recently, we established our vision for 2030. Because we were able to reach an early consensus among the Board of Directors regarding the overarching direction, we went ahead with discussions on the growth strategy and investment plan for this vision. During these discussions, Outside Directors offered objective feedback and advice, which energized discussions at Board meetings and other meeting bodies. I feel this resulted in a vision that is very grounded. Outside Directors were involved from the early stage of the 2020-2025 MTP formulation process, which resulted in a number of useful opinions regarding investment in intangible assets. Going forward, I'm convinced this process has paved the way for more in-depth discussions on matters of importance for management.

Governance system changes and compensation system revision to further enhance objectivity and effectiveness

In June 2019, we made changes to our corporate governance system. First, we established a system where three Outside Directors were appointed to chair the Nominating Advisory Committee, Compensation Advisory Committee, and Corporate Governance Committee, which report directly to the Board of Directors. Outside Directors now lead discussions by these committees; therefore, it has increased the objectivity of the deliberation process and outputs. We also established the Outside Director Communication Committee to facilitate the exchanging of views among Outside Directors.

Next, we increased the number of Non-Executive Internal Directors by one. Utilizing his wealth of knowledge and experience in Group company management inside and outside of Japan, he is supervising operations effectively, including at the Group companies where he

has been appointed Director. This increase in Non-Executive Internal Directors has been highly praised by Outside Directors, too, from the standpoint of increasing the effectiveness of the Board of Directors.

We have partially revised our compensation system which was approved at the shareholders meeting held in June 2020. After determining that enhancing shareholder value should be evaluated based on increased medium-term capital efficiency, we removed ROE, which fluctuates due to short-term financial leverage, as an evaluation indicator for short-term company performance-linked compensation. We revised the key indicators for medium-term company performance-linked stock compensation to return on invested capital achievement rate, core business sales ratio achievement rate, relative total shareholder return, employee engagement and ESG targets.

Separation of business execution and supervision, and the continued pursuit of diversity

The Board of Directors will push ahead with the new vision and the 2020-2025 MTP. At the same time, the Corporate Governance Committee will take the lead in continually reviewing measures and mechanisms for appropriate supervision. Discussion incorporating diverse perspectives is a point of emphasis. We are now focusing on diversity in management, including increasing the number of female directors and appointing foreign nationals to corporate executive officer positions, and we plan to strengthen and expand this diversity.

A handwritten signature in black ink, appearing to read 'M. Ito'.

Masatoshi Ito
Chairman of the Board

Basic approach to corporate governance

The Ajinomoto Group considers corporate governance an important part of the management foundation needed to accelerate its ASV efforts and become a solution-providing group of companies for food and health issues.

While continuously working to establish an effective corporate governance system that balances “supervising appropriate execution to reflect stakeholders’ opinions” and “flexible decision-making and execution,” the Group

sincerely maintains the Ajinomoto Group Policy, which describes the behavior and way of thinking that each Group company, officer, and employee should follow. The Group believes that continuing to work on the establishment of internal control systems and their appropriate operation, and deepening dialogue and collaboration with stakeholders will become the foundation of ASV and continuously enhance corporate value.

▶ For details, please see the Ajinomoto Principle on Corporate Governance and the Corporate Governance Report. https://www.ajinomoto.co.jp/company/en/ir/strategy/corp_gov.html

Initiatives to reinforce governance

2003

- Introduced the corporate executive officer system
- Decreased the number of directors (from 30 to 12)
- Appointed an outside director (one of 12 directors)

2004

- Appointed outside corporate auditors (three)

2005

- Established the Nominating Advisory Committee
- Established the Compensation Advisory Committee

2009

- Increased the number of outside directors (two of 15 directors)

2011

- Appointed a female outside director (one of 15 directors)

2015

- Increased the number of outside directors (three of 14 directors)

2016

- Introduced Board of Directors’ effectiveness assessments

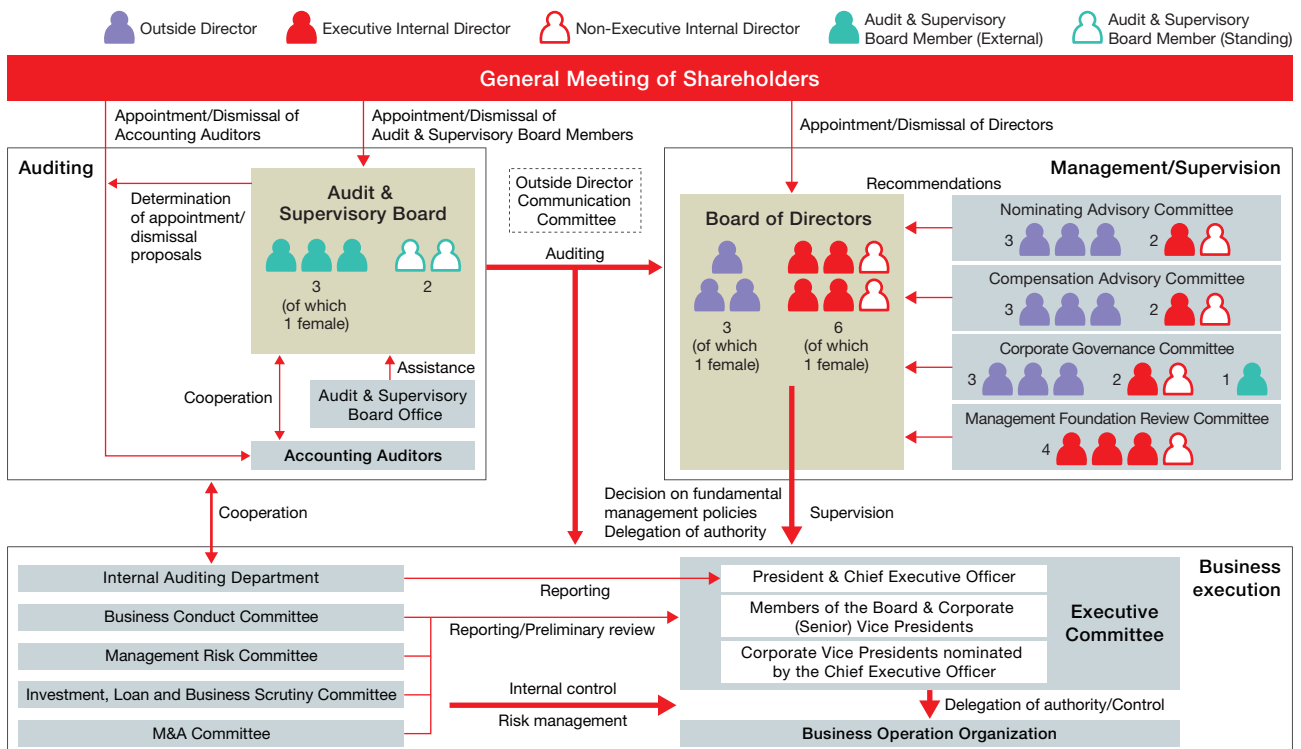
2017

- Decreased the number of internal directors (from 10 to 6)
- Established the Corporate Governance Committee
- Introduced a stock compensation system linked to medium-term company performance

2019

- Published Ajinomoto Principle on Corporate Governance

Corporate governance framework



Audit & Supervisory Board

The Audit & Supervisory Board works with the accounting auditor and the Internal Auditing Department to audit the execution of duties by Directors and Corporate Executive Officers, etc.

Board of Directors

The Board of Directors is management's highest decision-making body for important business execution decisions, and oversees the business execution of Directors and Corporate Executive Officers.

Nominating Advisory Committee

The Nominating Advisory Committee consists of five Directors, including three Outside Directors. The Committee deliberates on such matters as Director nominees and proposals for the election of Directors and a successor plan for the Chief Executive Officer, and reports on these deliberations to the Board of Directors.

Compensation Advisory Committee

The Compensation Advisory Committee consists of five Directors, including three Outside Directors. The Committee deliberates on proposals for compensation of Directors and Corporate Executive Officers, and reports on these deliberations to the Board of Directors.

Corporate Governance Committee

The Corporate Governance Committee consists of five Directors, including three Outside Directors, and one Audit & Supervisory Board Member (External). The Committee holds discussions on matters related to corporate governance, and reports on these discussions to the Board of Directors.

Management Foundation Review Committee

The Management Foundation Review Committee consists of four members: three Representative Directors including the President and one Non-Executive Internal Director. The Committee determines the strategic direction for Group management and strengthens the foundation of the cross-Group management function. It reports on its deliberations to the Board of Directors.

Executive Committee

The Executive Committee deliberates on company management policies and plans, and makes important business execution decisions. The Committee consists of the Chief Executive Officer, one Corporate Executive Deputy President, two Corporate Senior Vice Presidents, and five Corporate Vice Presidents.

Meeting attendance in fiscal 2019

Name Position	Board of Directors	Audit & Supervisory Board	Nominating Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee	Management Foundation Review Committee
Masatoshi Ito Chairman of the Board**	***100%	-	-	-	-	-
Takaaki Nishii President*	100%	-	100%	100%	100%	***100%
Hiroshi Fukushi Director*	100%	-	-	-	-	100%
Masaya Tochio Director*	100%	-	-	-	-	100%
Chiaki Nosaka Director	100%	-	-	-	-	-
Etsuhiro Takato Director**	94%	-	100%	75%	100%	100%
Yasuo Saito Outside Director	100%	-	100%	***100%	100%	-
Takashi Nawa Outside Director	100%	-	100%	80%	***100%	-
Kimie Iwata Outside Director	100%	-	***100%	100%	80%	-
Yoichiro Togashi Audit & Supervisory Board Member (Standing)	100%	***100%	-	-	-	-
Shizuo Tanaka Audit & Supervisory Board Member (Standing)	100%	100%	-	-	-	-
Atsushi Toki Audit & Supervisory Board Member (External)	94%	100%	-	-	100%	-
Hideki Amano Audit & Supervisory Board Member (External)	94%	100%	-	-	-	-
Hiroshi Murakami Audit & Supervisory Board Member (External)	100%	100%	-	-	-	-

* Representative Director ** Non-Executive Internal Director *** Chair

No. of meetings during appointment

Board of Directors: 18 (Nosaka, Iwata: 13) Audit & Supervisory Board: 14 (Indo was appointed on June 24, 2020) Nominating Advisory Committee: 3

Compensation Advisory Committee: 5 (Iwata, Nishii, Takato: 4) Corporate Governance Committee: 6 (Iwata, Takato: 5) Management Foundation Review Committee: 9

Succession plan

A detailed description of the succession plan is available on the corporate website.

▶ For details, please see the Ajinomoto Principle on Corporate Governance.
https://www.ajinomoto.co.jp/company/en/ir/strategy/corp_gov/main/0/teaseritems1/03/linkList/03/link/principle_E.pdf

Officer compensation systems

Compensation for Directors (excluding Outside Directors) comprises monthly compensation, short-term company performance-linked compensation, and medium-term company performance-linked stock compensation, as described below.

■ Monthly compensation

Set with reference to the results of a survey conducted by an external organization.

■ Short-term company performance-linked compensation

Paid based on an assessment of the Company's overall and each division's earnings performance for a fiscal year. Assessment elements during fiscal years 2017-2019 were consolidated sales, business profit, profit attributable to owners of the parent company, and ROE.

■ Medium-term company performance-linked stock compensation

Shares of the Company and an amount of cash equivalent to the conversion value of Company shares are provided based on an assessment of the Company's earnings performance in the final fiscal year of the MTP.

Assessment elements during fiscal 2017-2019 were consolidated business profit and ROA. On a 6-point scale, with the highest performance score a 6, compensation-related performance was assessed as a 2 for the period.

In fiscal 2020, the criteria for short-term company performance-linked compensation and medium-term company performance-linked stock compensation were revised as follows.

■ Short-term company performance-linked compensation

Paid based on an assessment of the Company's overall earnings performance for a fiscal year.

Assessment criteria (consolidated performance)	Assessment weighting
Sales	30%
Business profit	50%
Profit attributable to owners of the parent company	20%

■ Medium-term company performance-linked stock compensation

Paid in the form of shares of the Company and an amount of cash equivalent to the conversion value of Company shares based on an assessment of the Company's earnings performance for the fiscal 2020-2022 period.

Assessment criteria	Performance target	Assessment weighting
ROIC achievement rate*1	8.0%	60%
Core business sales ratio achievement rate*2	70%	20%
Relative total shareholder return*3	1	10%
Employee engagement*4	–	5%
ESG targets*5	–	5%

*1 Weighted average value of target achievement rate for each year in the period (weighted average: 25% in 2020, 25% in 2021, 50% in 2022) ROIC is calculated based on the following formula. All figures are consolidated amounts.

Net operating profit less adjusted taxes for the fiscal year ÷ ((Invested capital for the fiscal year + Invested capital for the previous fiscal year) ÷ 2)

Invested capital = Shareholders' equity attributable to owners of the parent company + Interest-bearing debt

*2 Target achievement rates for fiscal 2022

Core business sales ratio achievement rate is calculated based on the following formula. All figures are consolidated amounts.

Core business sales for fiscal 2022 ÷ Consolidated sales for fiscal 2022

*3 Target achievement rates for fiscal 2022

Relative total shareholder return is calculated based on the following formula.

Total Company shareholder return at the final day of fiscal 2022 ÷ Total TOPIX shareholder return including dividends for the corresponding period used to calculate total Company shareholder return

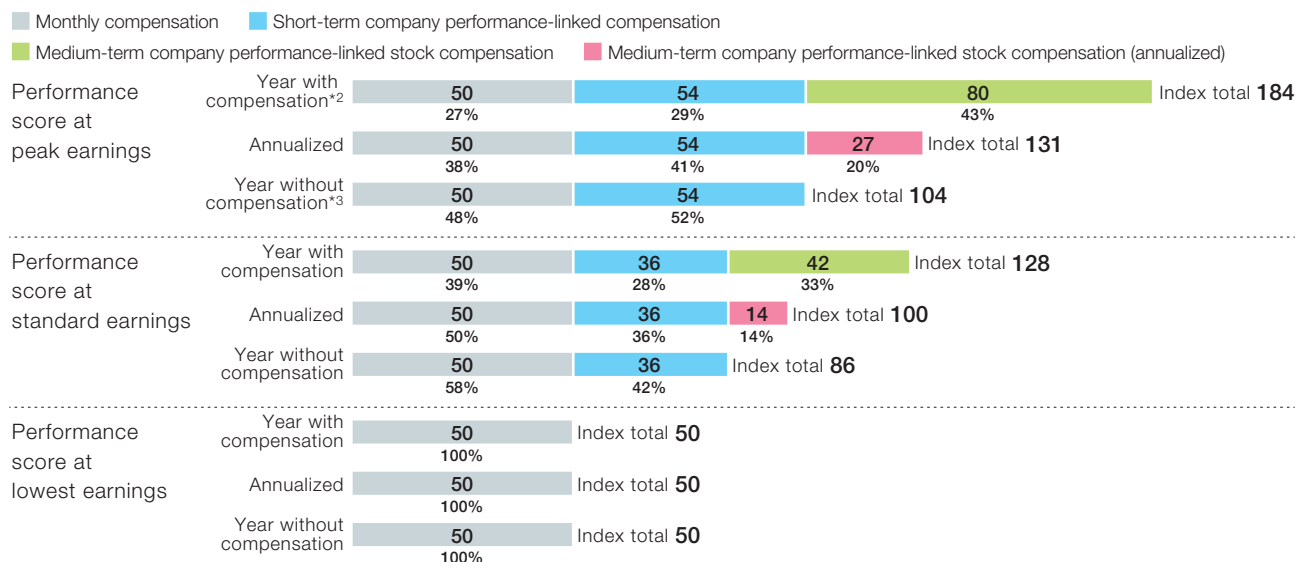
*4 Self-assessment of employee engagement survey results, the initiatives started in the MTP and achievement of these initiatives

*5 Self-assessment of the initiatives and achievement of the ESG targets in the MTP

The (annualized*1) payment ratio of monthly compensation, short-term company performance-linked compensation, and medium-term company performance-linked stock compensation when the performance target criteria have been achieved is approximately 50:36:14. The variation

range for the performance scores was revised in fiscal 2020. When standard performance score for total (annualized) compensation is 100, total compensation and the payment ratios for the highest and lowest performance scores are as follows.

Ratio of compensation



*1 The amount of medium-term company performance-linked stock compensation that would be paid after the three-year MTP period is completed, divided into equal amounts for each year
 *2 The amount paid in a year with medium-term company performance-linked stock compensation
 *3 The amount paid in a year without medium-term company performance-linked stock compensation

Stance on cross-shareholdings

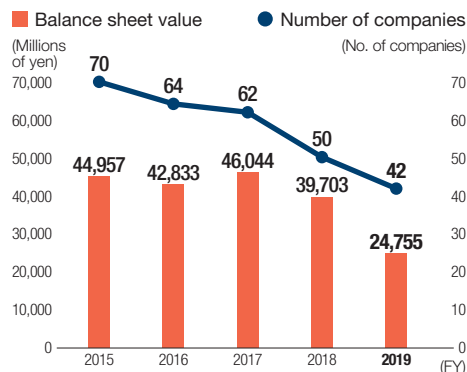
The Company is gradually decreasing the volume of cross-shareholdings to the minimum amount necessary. Shareholdings considered suitable to retain and that are commensurate with the cost of capital in terms of benefits and risk will be retained; shareholdings deemed inappropriate or unsuitable to retain will be sold upon

determining the most appropriate divestment procedure. The Board of Directors annually reviews the suitability of each cross-shareholding and reviews the purpose of holding the shares and whether the associated benefits and risks are commensurate with the cost of capital.

Cross-shareholdings and balance sheet value

	FY2015	FY2016	FY2017	FY2018	FY2019	
Number of companies	Listed	70	64	62	50	42
	Unlisted	70	68	69	67	67
	Total	140	132	131	117	109
Balance sheet value (millions of yen)	Listed	44,957	42,833	46,044	39,703	24,755
	Unlisted	1,748	3,565	2,324	3,355	3,177
	Total	46,706	46,399	48,369	43,059	27,932

Listed stocks



Message from Outside Director

Fostering the flexibility to correctly address disruptive change using a longer term perspective

Takashi Nawa

Outside Director

Praise for the Ajinomoto Group's new MTP established after backcasting from 2030

For some time, I have stated the need to clarify the long-term direction of the Ajinomoto Group. While I highly commend the Group for creating the 2020-2025 Medium-Term Management Plan (MTP) after backcasting from its vision for 2030, I feel like 2030 is too short of a time frame. With an eye toward 2050, the Group needs to refine its insight and approaches based on the scenario of an ever-changing world.

Under the new MTP, asset-light measures and digital transformation (DX) have been cited as new focal points. Once the correlative relationship between these initiatives and ASV as a foundation is made clear, stakeholders should be able to better comprehend the Group and its initiatives.

In terms of asset-light measures, the Group needs to reduce tangible assets while increasing intangible assets. Going forward, the Group will also need to further narrow the scope of investments in intangible assets, such as human resources, brand, knowledge (algorithm: value co-creation equation), and network (ecosystem: relationships of co-existence and co-prosperity with others). I would like the Group to focus particular efforts on reviewing its brand and algorithm. In regard to DX, I feel the Group should actualize and accelerate eco-system transformation (DX 2.0) and business model transformation (DX 3.0), since the first stage of operational excellence (DX 1.0) is progressing nicely.

The success of these transformations under the MTP will be dictated based on whether existing business divisions and the cross-functional transformation teams can collaborate together, and whether the activities of not only Japan but also other regions can be linked together. In other words, the key to success will be whether the Group can become One Team. Such actions to face off against constant change in the world will call into question the Group's scale and speed. The Group needs to become more flexible in working to address environmental



changes, both correctly and tirelessly. I would like the Group to build a system for generating innovation in each region and department and, then, use this system for the growth of the entire Group.

As an ultra-short-term perspective, the Group must address changes occurring in each country and region as a result of the COVID-19 pandemic. In addition to interim countermeasures, I have asked senior management to review agile measures aimed at *protraction with COVID-19* and *after COVID-19*. The newest MTP was created before COVID-19, and I expect the Group to become more adaptable to its environment, where it must be willing to revise the MTP often and without guiding principles.

Execution is most important of all, so I will provide my advice to top management steadily, including in informal settings.

Deepen discussions of governance structure and processes to support the execution side

The Corporate Governance Committee, which I chair, is moving ahead with discussions referencing the best practices of peers in order to make fundamental changes to the Company's governance structure and processes. In hindsight, however, time has been taken up by discussions on the *what*, so I feel more discussions are needed on the *why*. We will also need to discuss the *how* including who specifically will be responsible, while collaboration with the Nominating Advisory Committee will be indispensable.

The Ajinomoto Group's corporate governance challenges can be found in the details and not the system. Normally, the execution side should continually examine the correct risks always ahead of market changes, while maintaining a long-term and broad perspective. The role of governance is to support the execution side so that it can carry out corporate management autonomously. I will continue to play such a role now and in the future.

Directors, Auditors and Corporate Executive Officers



Masatoshi Ito
Chairman of the Board



Takaaki Nishii
Representative Director,
President & Chief Executive
Officer



Hiroshi Fukushi
Representative Director &
Corporate Executive Deputy
President



Masaya Tochio
Representative Director &
Corporate Senior Vice President



Chiaki Nosaka
Member of the Board &
Corporate Vice President



Etsuhiro Takato
Member of the Board



Yasuo Saito
Outside Director
Quick career summary
• Director-General, European Affairs
Bureau, Ministry of Foreign Affairs
• Diplomat



Takashi Nawa
Outside Director
Quick career summary
• McKinsey & Company
• Visiting Professor, Hitotsubashi ICS
(present position)



Kimie Iwata
Outside Director
Quick career summary
• Ministry of Labor (currently, Ministry
of Health, Labour and Welfare)
• Director, Shiseido Co., Ltd.



Yoichiro Togashi
Audit & Supervisory Board
Member (Standing)



Shizuo Tanaka
Audit & Supervisory Board
Member (Standing)



Atsushi Toki
Audit & Supervisory Board
Member (External)
Quick career summary
• Attorney-at-law



Hideki Amano
Audit & Supervisory Board
Member (External)
Quick career summary
• Certified public accountant



Mami Indo
Audit & Supervisory Board
Member (External)
Quick career summary
• Daiwa Securities Co., Ltd.
• Senior Executive Director,
Daiwa Institute of Research Ltd.
• Commissioner, Securities and
Exchange Surveillance Commission

▶ For details, please see Officers on our corporate website.
<https://www.ajinomoto.com/aboutus/group/officers>