

Message from Outside Director

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

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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.