

Preparation for intense global competition

The ability to adapt to changes in the macro environment is critical to achieving sustainable growth. Given this perspective, the Ajinomoto Group strives to transform its business model and operations with digital transformation (DX) as a focal point. We are also reforming the mechanisms behind our innovation, accelerating growth by backcasting from the future we wish to achieve, creating new growth models while collaborating actively with entities outside the Group. Through these initiatives, we will quickly and accurately grasp external conditions and continue to fulfill the expectations of society, even ten years from now.

Specific examples

- Business selection and focusing
- Early creation of innovation
- Open innovation
- Enhancement of basic infrastructure

Related opportunities and risks (○ Opportunity ● Risk)

- Business foundation reform through digital disruption
- Value creation from external collaboration
- Specialty creation through technological innovation
- Establishment of competitive advantage by forecasting future changes
- Opportunity loss and loss of competitive ability due to neglect of IT investment
- Emergence of multiple competitors due to an inability to erect strong barriers to entry

Key initiatives by the Ajinomoto Group

- Stronger collaboration between food and AminoScience divisions
- Evolving supply chain management (digitization, establish ecosystem, etc.)
- Promoting digital transformation
- Establishing solutions-oriented R&D structure
- Executing global strategy in consumer food businesses (seasonings, quick nourishment, frozen foods)
- Competitive intelligence (medium- to long-term initiatives)
- Promoting open & linked innovation
- Reviewing global production system, logistics system, and employment system

Related SDGs



Preparation for Intense Global Competition

Promoting digital transformation

Approach

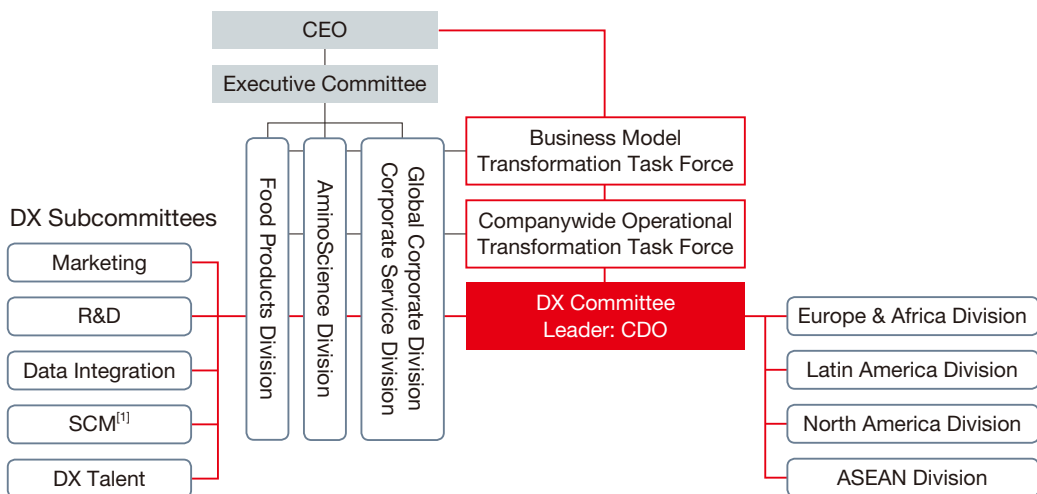
- > Integrated Report 2021 P47-52
- > Digital Transformation at the Ajinomoto Group (Japanese only)

Framework

In order for us to sustainably generate value as a company as market segmentation accelerates with changing customer lifestyles and diversifying values, we must strengthen data-driven marketing, raise the development speed of our products and services, and further increase our growth rates and efficiency. In our 20-25 MTP, we are putting great effort in advancing innovation creation and operational efficiency through DX.

DX promotion framework

In July 2020, the Ajinomoto Group launched the Business Model Transformation Task Force and the Companywide Operational Transformation Task Force, both under direct control of the CEO, strengthening its DX promotion framework. Alongside these task forces, the Chief Digital Officer (CDO)-led DX Committee supports the corporate and business divisions. We also established the DX subcommittees underneath the DX Committee, to operate with flexibility to enable collaboration with internal and external organizations. The DX Committee holds joint promotion meetings twice a year with the four regional divisions, sharing the latest information and best practices about DX promotion. Each regional division also has its own framework for promoting DX and actively exchanges information between each other and with functional divisions within Group companies.



[1] Supply Chain Management

Cultivating talent for promoting DX

In fiscal 2020, the Ajinomoto Group launched education curricula for business DX talents, system developers, and data scientists and established certification systems for each of these, working to improve digital literacy among employees. Our goal is to certify 100 business DX talents, 20 system developers, and 50 data scientists by fiscal 2022, and by using digital to evolve our operations, we aim to lead social transformation. Launching the educational programs at Ajinomoto Co., Inc. in fiscal 2020, we are currently working to build curricula and systems for Group companies in Japan and overseas.

Performance

- > P60

Preparation for Intense Global Competition

Approach

Steps for promoting DX in the Ajinomoto Group

In order to promote DX through Group-shared goals and steps, the Ajinomoto Group is integrating DX over four stages each with a specific overarching objective.

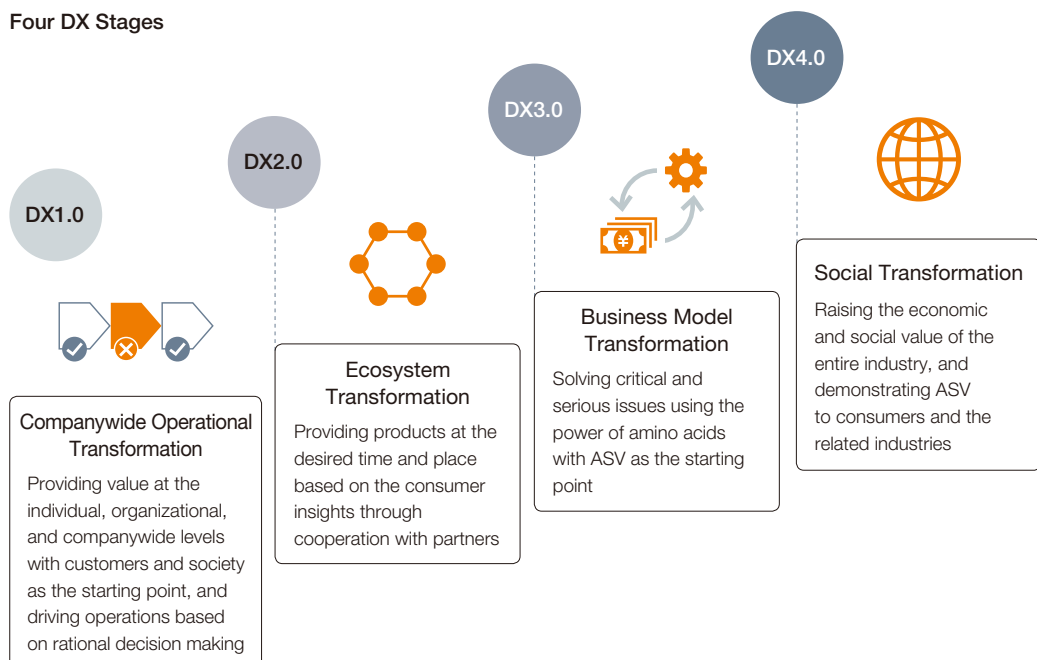
DX1.0 is a state in which we carry out optimal operations from an overall standpoint with the aim of providing value to customers and society on the individual, organizational, and corporate level. We implemented Operational Excellence, a management system for transforming companywide operations from a perspective of total optimization. This data- and fact-based management follows five requirements: rationality, logic, succession, superiority, and integration aiming for state in which these five continuously coexist at a high level.

DX2.0 refers to transformation toward a system of value co-creation (ecosystem) capable of continuously increasing value provided to customers while leveraging smart partnerships with external partners. To achieve this, we are making use of digital tools and implementing various ways to optimize the ecosystem, including joint ventures and outsourcing corporate services as well as spinning off operations as service companies. In addition, we will work with stakeholders to remake ecosystems in our businesses to promote social change.

DX3.0 refers to generating new businesses that fulfill customer needs in critical (hard to replace) and serious (life threatening / legally compliant) areas, and to transform existing businesses into more critical and serious ones. We are working to advance challenging transformation projects that will generate a new business model with revenue in the ten billion yen range by leveraging the characteristics of digital technologies. While transforming our business model, we will also form a wide-ranging network for resolving food and health issues with other companies and organizations, collaborating with a variety of players and enhancing our ability to effectively solve social issues.

DX4.0 broadly refers to the digital transformation of society. The Group's goals are to contribute to the achievement of the SDGs as a good partner to society, and to show leadership in creating mechanisms to maximize the effects of resolving food and health issues.

Four DX Stages



Preparation for Intense Global Competition

Open innovation

Approach

> Innovation

Performance

> Ajinomoto Group Accelerator (Japanese only)

Creating value through open innovation

The Ajinomoto Group is actively promoting open innovation, emphasizing the creation of unprecedented new value through collaboration with domestic and overseas companies and research institutes.

Measures to foster innovation and future outlook

■ Integrated accelerator program

In March 2020, the Ajinomoto Group launched an integrated accelerator program with the aim of fostering a corporate culture for innovation creation and developing the infrastructure needed in-house. This initiative is one project for the Business Model Transformation Task Force.

The integrated accelerator program consists of the following two programs.

■ Ajinomoto Group Accelerator, a venture company partnership program

This program supports venture companies working in its designated topic domains such as *food and health* and *living with the society and the earth*. Ajinomoto Group management resources are provided to venture companies, who in turn bring in novel ideas and the capability to execute them, leading to increased momentum for new business development Group-wide. Catalysts for bridging the Group's management resources to venture companies during the program will be selected within the company, and through support and collaboration, we will develop entrepreneurial human resources. When the program finds a promising venture company, we will make a small investment, and business partnership is encouraged on an ongoing basis even after the program.

In fiscal 2020, 148 companies applied to the program. Applicants came from a variety of growth stages, from seed to early, with broad range of business plans. These included alternative meats, cloud kitchens, insect foods, food loss and waste and the SDGs, personalization and delivery of foods. After the document and interview selection, in our business plan contest in December 2020, we selected six to participate in the program. During the five months of this program, participants were offered support like mentoring and use of management resources, which results were presented in May 2021.

■ A-STARTERS, an internal entrepreneur program

This program holds open recruitment and selection of employees who want to launch new businesses, promoting commercialization of business ideas. The program allows employees to work for the company to promote their entrepreneurial ideas even if they do not possess enough knowledge or experience in commercialization. Employees who pass a screening process are provided support toward commercialization, such as training, education, and mentoring. Even after the program, promising business ideas are given outlets for commercialization, including spin-outs. In fiscal 2020, 133 teams applied to the program. Four projects selected in our December 2020 business contest are to be considered for commercialization in fiscal 2021. We will also continue to promote the creation of new business ideas in fiscal 2021.

Preparation for Intense Global Competition

Picture of the Future (PoF) Project

The PoF Project was launched in May 2020 in order to explore the value creation possible by the Ajinomoto Group, driven by social issues and consumer needs in 2030, and formulate the business themes and processes needed for this. This is one of the most important initiatives under the Business Model Transformation Task Force.

In fiscal 2020, in order to become a solution-providing group of companies for food and health issues, we held a two-day Future Creation Camp (FCC) to extract ideas forming a draft of our PoF, promote understanding of corporate transformation, and practice diversity and inclusion.

A total of 40 employees participated in FCC. Through the two-day discussion, participants extracted present issues and their desired future state, as well as awarenesses and thoughts (*MIRAI VALUES*) based on their own personal experiences, and created new business ideas.

These *MIRAI VALUES* explored at the FCC are to be combined with the *MIRAI VALUES* explored separately in BtoB domains like healthcare, compiled in a companywide PoF and used to explore the realization and commercialization of new business ideas. Then, in collaboration with the New Business Hub^[1], we will superimpose new business ideas that are underway throughout the Group and paint a comprehensive picture of the situation. Through these activities, we will create an environment where we can have a unified overview of the state of new business development throughout the Group, which we will use to refine Group-wide strategies and to search for new knowledge through the fusion of ideas.

[1] A casual information sharing platform for visualizing new business development themes that are underway companywide and promoting mutual cooperation

Corporate venture capital (CVC) initiatives

The Ajinomoto Group is engaged in CVC for exploring innovation, creating and enhancing ecosystems, and driving corporate culture transformation to create a new business model with its aim to become a solution-providing group of companies for food and health issues. The CVC Group established under the Research & Business Planning Dept. of Ajinomoto Co., Inc. in December 2020 will invest in startups and venture capital funds in the four fields of health and well-being, sustainable society and the Earth, the culture of food and dining innovation, and the evolution of cooking.

The first CVC project was an investment in May 2021 into SAKA NO TOCHU Co., Ltd., an e-commerce startup for agricultural goods. Furthermore, we plan to invest (indirect investment) in venture capital funds with the purpose of collecting information and acquiring networks. One example of this indirect investment was in November 2020, before the CVC arm was established. We invested in two funds created by venture capital companies: one formed by U.S.-based AgFunder Inc., and one formed by Japan-based Nippon Venture Capital Co., Ltd.