












Operational Risks

1. Financial risk

Financial risk	Relevant opportunities and risks (○ Opportunity ● Risk)	Key initiatives by the Ajinomoto Group	Related SDGs	Impact on Medium-Term Management Plan strategies	Magnitude of impact	Probability and timing of manifestation	Assessment	YoY comparison
Impairment	● Failure of acquired subsidiaries, etc., to fulfill business plan ● Sharp increase in interest rates	<ul style="list-style-type: none"> Deliberation by M&A Committee, Management Committee, etc., on appropriateness of acquisition price Post-acquisition follow-up to achieve synergies and periodic monitoring of macroeconomic environment 	—	Slowdown in organic growth and postponement of growth investments in new value propositions for consumers due to below-target financial performance or interest rate increases	Moderate	High	Very material	↓
Capital procurement	● Depletion of capital due to financial crisis ● Ratings downgrade ● Additional capital procurement or other risk arising from failure to fulfill plans due to various risk factors, associated worsening of rating	<ul style="list-style-type: none"> Appropriate diversification of capital sources and capital Maintenance and strengthening of financial structure Timely analysis of and response to various risk factors Timely revision of plans based on latest information 	—	Slowdown in organic growth and delays in offering of new value propositions to customers as a result of postponement of growth investments due to funding shortages	Moderate	Moderate	Material	→
Bankruptcy of customers	● Unforeseen bankruptcies of customers including overseas customers	<ul style="list-style-type: none"> Credit preservation, including through information gathering and credit management 	—	—	Small	Moderate	Monitoring	→
Fluctuation in exchange and interest rates	● Slowdown in overseas business activity due to fluctuation in exchange or interest rates ● Impact on yen translation of business results of overseas subsidiaries due to fluctuation in exchange or interest rates	<ul style="list-style-type: none"> Exchange contracts, swaps from variable to fixed interest rates, etc. Capital procurement, including by parent company, in countries with low risk of exchange rate fluctuation 	—	—	Small	High	Monitoring	→
Country risk	● Expropriation risk ● Risk of outbreak of war, conflict, etc.	<ul style="list-style-type: none"> Appropriate diversification of countries of operation 	—	—	Moderate	Low	Monitoring	→
Tax system change	○ Reduction of future tax burden through system reform (e.g. reform of U.S. tax system) ● Increase in business operational costs due to system reform (e.g. value-added tax in Brazil)	For example of tax risk countermeasures, see Group Shared Policy on Global Tax at link below: https://www.ajinomoto.com/sustainability/ajinomoto-group-policies/group-shared-policy-on-global-tax	—	—	Small	High	Monitoring	→
Tax effect change	○ Increase or decrease in tax expenses due to change, etc., in estimates of future taxable income	<ul style="list-style-type: none"> Implementation of countermeasures against changes in tax system and tax administration in each country Formulation and implementation of measures and plans to 	—	—	—	—	—	—

2. Material issues

Material issues	Relevant opportunities and risks (○ Opportunity ● Risk)	Key initiatives by the Ajinomoto Group	Related SDGs	Impact on Medium-Term Management Plan strategies	Magnitude of impact	Probability and timing of manifestation	Assessment	YoY comparison
Contribution to solve food and health issues	○ Rising health awareness and needs of consumers ○ Revised eating habits in response to rising health and nutrition issues ○ Brand trust ○ Enhancing corporate value ○ More restrictive health and nutrition regulations (sugar tax, etc.) ○ Involvement of food and nutrition in predictive prevention ● Rising competition and subordination risk in the health and nutrition field	<ul style="list-style-type: none"> Offering tasty food and amino acid products as well as menus that nourish health and well-being Delicious salt reduction with umami Sugar reduction, fat reduction Promoting protein intake Contributing to disease prevention with "AminoIndex technology" Developing nutritional standards that Group products should meet Customized programs to each consumer for improving nutrition (personal nutrition) 		Decreased ability to offer health-centric value to consumers and decrease in consumer receptiveness due to loss of value-proposition competitiveness	Majour	Moderate	Very material	→
Rapid response to consumer lifestyle changes	○ Enhancing corporate reputation by offering the joy of eating together ○ New value creation using digital media, etc. ● Loss of growth opportunities due to delayed response to consumer lifestyle changes or diversifying values ● Impact of consumer lifestyle changes on existing businesses (less time for cooking, lack of skills, changes in food distribution)	<ul style="list-style-type: none"> Creating strong communities and social bonds through food Advanced marketing efforts by leveraging big data and consumer data Building strategies to deal with smaller markets (due to urbanization, etc.) Properly delivering products, services and information to customers Expanding products and services to meet the need for convenience, such as smart cooking 		—	Moderate	High	Very material	→
Assurance of product safety	○ Brand trust gained by increasing customer satisfaction ○ Trust gained through fair disclosure to stakeholders ● Impact on business of growing negative rumors regarding umami and MSG ● Lower customer confidence due to product quality complaints or incidents	<ul style="list-style-type: none"> Providing proper information via product packaging and online Reflecting customer feedback on developing and improving products and services Enhancing communication to share the benefits of umami and MSG Thorough quality assurance and human resource training based on the Ajinomoto System of Quality Assurance (ASQUA) 		—	Small	High	Monitoring	→
Diverse talent	○ Company growth by improving employee engagement ○ Creation of an innovative environment ● Rising costs due to intense competition for human resources	<ul style="list-style-type: none"> Promoting PDCA cycle using the engagement survey Reforming organizational culture to promote diversity Training and promotion of female employees Promoting health management Human rights awareness training Enhancing employee ASV engagement (ASV as one's own initiative) Fostering a corporate culture of innovation (integrated accelerator program) 		Decreased ability to execute plans and successfully address food and health issues due to inability to deploy diverse talent	Moderate	Moderate	Material	→
Climate change adaption and mitigation	○ Collaboration with outside organizations on decarbonization ● Higher production costs due to delays in initiatives to eliminate carbon emissions or increased carbon tax burden ● Failure to procure raw materials due to climate change ● Damaged corporate value due to delayed	<ul style="list-style-type: none"> Long-term effort to turning the overall product lifecycle carbon neutral Initiatives to reduce energy use during production and transportation Shifting to renewable energy Disclosing information in line with the Task Force on Climate-related Financial Disclosures (TCFD) (scenario analysis, etc.) Lowering environmental impact by feed-use amino acids (reduction of soil and water pollution) 		—	Majour	Moderate	Very material	↑
Contribution to a circular economy	○ Development of environmentally friendly materials ● Damaged corporate value due to delays in waste reduction or recycling efforts	<ul style="list-style-type: none"> Supplying highly biodegradable amino acid-based detergent Promoting the 3Rs of containers and packaging (reduction of plastic waste, etc.) Eco-friendly packaging (single-layer materials, biodegradable plastics, plant-derived materials, certified paper) Promoting use of environmentally friendly product labels Appeals on packaging labels to reduce plastic waste 		Cost increases that delay realization of higher ROIC, a profit structure that is capable of efficiently driving growth through solutions to food and health issues; and reduction, or decreased trust, in value provided due to impairment of brand value as a result of inadequate environmental conscientiousness	Moderate	High	Very material	↑
Reduction of food loss and waste	○ Cost reduction through initiatives to reduce product returns and waste ● Damage to corporate value due to delays in addressing food loss and waste	<ul style="list-style-type: none"> Using raw materials in manufacturing process without waste Upgraded, optimal supply-chain management using digital technology Reducing product returns and waste by extending product best-before dates, etc. Reducing food loss and waste during product use by customers Proposing eco-friendly lifestyles for enjoying food without leftovers 		—	Small	Moderate	Monitoring	→
Sustainable materials sourcing	● Failure to procure raw materials, product returns due to quality issues in the supply chain ● Failure to procure raw materials and damage to corporate value due to delays in addressing social and environmental issues in the supply chain ● Failure to procure raw materials due to food resource depletion	<ul style="list-style-type: none"> Management of fair operating practices (traceability, etc.) Promoting sustainability to suppliers Human rights due diligence Identifying important raw materials and engaging in responsible procurement (paper, palm oil, skipjack, etc.) Ensuring fair competition and providing thorough employee training Contributing to sustainable agriculture by using co-products 		—	Moderate	High	Very material	↑
Conservation of water resources, management of production plants' water usage and wastewater discharge	● Production stagnation due to droughts, floods or water quality deterioration ● Raw material procurement failure due to water resource depletion ● Damage to corporate value due to delays in addressing water resource conservation	<ul style="list-style-type: none"> Maintaining forests for water sources Developing wastewater treatment technology 		—	Moderate	Moderate	Material	↑
Strong corporate governance	○ Enhancing corporate value ○ Appropriate risk-taking ● Business continuity risk or other unexpected losses due to failures in corporate governance or internal controls ● Decreased competitiveness due to vulnerabilities in IT management structure ● Confusion in organizational management and reduced business profitability due to unstable political, economic, and social conditions such as financial crises, trade issues, etc. ● Impact of intellectual property risks on business	<ul style="list-style-type: none"> Raising awareness of the Ajinomoto Group Policies among all Group employees Establishing whistleblower hotline Strengthening corporate governance system Stronger business continuity management (BCM) Occupational safety and health management Selecting Group-wide significant risks and considering appropriate responses Managing intellectual property risk Strengthening information security through the creation of Information Security Regulations 		Decreased organizational function due to delays in implementing management reforms to strengthen governance and decreased ability to execute plans due to dysfunction	Moderate	Moderate	Material	→
	● Delays or interruptions in operations due to natural disasters, diseases, pandemics (COVID-19, African swine fever, avian influenza, etc.)	—	—	Decreased profitability due to manufacturing plant downtime and sharp market contractions	Majour	Moderate	Very material	↑
Preparation for intense global competition	○ Business foundation reform through digital disruption ● Competitive weakness due to delays in responding to digital technology innovation and digital disruption	<ul style="list-style-type: none"> Stronger collaboration between food and AminoScience divisions Evolving supply chain management (digitization, establish ecosystem, etc.) 		—	Moderate	High	Very material	→
	○ Value creation from external collaboration ○ Specialty creation through technological innovation ○ Establishment of competitive advantage by forecasting future changes ● Emergence of multiple competitors due to an inability to erect strong barriers to entry	<ul style="list-style-type: none"> Promoting digital transformation Establishing solutions-oriented R&D structure Executing global strategy in consumer food businesses (seasonings, quick nourishment and processed foods, frozen foods) Competitive intelligence (medium- to long-term initiatives) Promoting open & linked innovation 	—	Delays in offering new added value, decreased efficiency and slower organic growth due to failure to prioritize core businesses fast enough	Small	Moderate	Monitoring	↑