

Ajinomoto Co., Inc. Notice of Partial Revision of a Medium-Term Company Performance-linked Stock Compensation System for Officers, etc.

TOKYO, May 25, 2020 – Ajinomoto Co., Inc. (“Ajinomoto Co.”) (hereinafter referred to as the “Company”) has resolved at a meeting of its Board of Directors meeting held today to submit a proposal at the 142nd Ordinary General Meeting of Shareholders scheduled to be held on June 24, 2020 regarding the partial revision of its medium-term company performance-linked stock compensation system (hereinafter referred to as the “System”), which was introduced as of fiscal 2017 for Directors (excluding Outside Directors) as well as Corporate Executive Officers and Corporate Fellows (excluding non-residents of Japan; hereinafter collectively referred to as “Officers, etc.”), as described below.

1. Details of the System after Revision

(1) Outline of the System

The System is a scheme that uses a stock-granting trust created by the Company as the trustor (hereinafter referred to as the “Trust”) while treating the three fiscal years commencing on April 1, 2017 as the period subject to evaluation (hereinafter referred to as the “Period”), and executes the granting or payment (hereinafter referred to as “Granting, etc.”) of Company shares and cash in the amount equivalent to the conversion value of Company shares (hereinafter referred to as “Company shares, etc.”) to Officers, etc. depending on the extent to which the targets of their respective job positions and the medium-term management plan have been fulfilled. Because the Period of the System has now expired, the Company will continue it by extending the Trust and partially revising the System to make the three fiscal years from April 1, 2020 to March 31, 2023 the new Period of the System.

(2) Details of the Revision of the System

This revision amends the System’s evaluation indicators and variation range of compensation and changes the requirements associated with the continuation of the System with the aim of achieving the targets of the FY2020-2025 Medium-Term Management Plan by further boosting the motivation of Officers, etc. to contribute to the improvement of the Ajinomoto Group’s medium-to-long-term business performance and enhancement of its corporate value.

The main details of the System after the revision are as follows.

| Persons eligible for the System | Persons who are Directors (excluding Outside Directors), Corporate Executive Officers or Corporate Fellows of the Company (excluding those who are non-residents of Japan throughout the Period and those retiring by June 30, 2020) during the Period | | | | | | | | | | | | | | | | | | |
|---|--|----------------------|-----------|-----------|---|------|-----|--|-----|-----|--|---|-----|----------------------------------|---|----|--------------------------|---|----|
| Period | The three-year period from April 1, 2020 to March 31, 2023 | | | | | | | | | | | | | | | | | | |
| Maximum amount of money that can be contributed to the Trust by the Company | ¥2.2 billion per Period | | | | | | | | | | | | | | | | | | |
| | The total amount of Company shares (book value) and cash remaining in the Trust property and the total amount of additional cash contributions on the last day of the Trust period before extension (August 31, 2020) | | | | | | | | | | | | | | | | | | |
| Maximum number of Company shares subject to acquisition and Granting, etc. by the Trust | 1.1 million shares per Period (Approx. 0.20% of the number of shares outstanding) | | | | | | | | | | | | | | | | | | |
| Link to company performance | <p>a. Evaluation indicators</p> <p>The following five evaluation indicators are used. If the return on invested capital (ROIC) achievement rate, the sales ratio of core businesses achievement rate or relative total shareholder return (TSR) is less than 80% of the target, and if employee engagement and ESG targets are found not to have been achieved in a self-assessment, no compensation will be paid for the relevant evaluation indicator.</p> <table border="1"> <thead> <tr> <th>Evaluation Indicator</th> <th>Target</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td>Return on invested capital (ROIC) achievement rate¹</td> <td>8.0%</td> <td>60%</td> </tr> <tr> <td>Sales ratio of core businesses achievement rate²</td> <td>70%</td> <td>20%</td> </tr> <tr> <td>Relative total shareholder return (TSR)³</td> <td>1</td> <td>10%</td> </tr> <tr> <td>Employee engagement⁴</td> <td>—</td> <td>5%</td> </tr> <tr> <td>ESG targets⁵</td> <td>—</td> <td>5%</td> </tr> </tbody> </table> <p>Notes:</p> <p>1. Weighted average value of target achievement rate in each fiscal year of the Period (Weighted average weighting: 25% in fiscal 2020, 25% in fiscal 2021, 50% in fiscal 2022)</p> <p>Return on invested capital (ROIC) is calculated based on the following formula (all figures are on a consolidated basis).</p> <p>∴ ROIC = (Operating profit after tax for the fiscal year) ÷ {(Invested capital for the fiscal year) + (Invested capital for the previous fiscal year) ÷ 2}</p> <p>* Invested capital = Equity attributable to owners of the parent company + Interest-bearing debt</p> <p>2. Target achievement rate for fiscal 2022 Sales ratio of core businesses is calculated based on the following formula (all figures are on a consolidated basis).</p> <p>∴ Sales ratio of core businesses = (Sales of core businesses in fiscal 2022) ÷ (Consolidated sales in fiscal 2022)</p> | Evaluation Indicator | Target | Weighting | Return on invested capital (ROIC) achievement rate ¹ | 8.0% | 60% | Sales ratio of core businesses achievement rate ² | 70% | 20% | Relative total shareholder return (TSR) ³ | 1 | 10% | Employee engagement ⁴ | — | 5% | ESG targets ⁵ | — | 5% |
| | Evaluation Indicator | Target | Weighting | | | | | | | | | | | | | | | | |
| Return on invested capital (ROIC) achievement rate ¹ | 8.0% | 60% | | | | | | | | | | | | | | | | | |
| Sales ratio of core businesses achievement rate ² | 70% | 20% | | | | | | | | | | | | | | | | | |
| Relative total shareholder return (TSR) ³ | 1 | 10% | | | | | | | | | | | | | | | | | |
| Employee engagement ⁴ | — | 5% | | | | | | | | | | | | | | | | | |
| ESG targets ⁵ | — | 5% | | | | | | | | | | | | | | | | | |
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| | <p>3. Target achievement rate for fiscal 2022 Relative TSR is calculated based on the following formula. ∴ Relative TSR = (The Company's total shareholder return at the previous fiscal year end) ÷ (Total shareholder return of TOPIX, including dividends, during the period corresponding to the calculation period of the Company's total shareholder return)</p> <p>4. Results of employee engagement survey and self-evaluation of measures set forth in the new medium-term management plan and their degree of achievement</p> <p>5. Self-evaluation of efforts toward ESG targets set forth in the new medium-term management plan and their degree of achievement</p> <p>b. Variation range of company performance-linked compensation Assuming that the standard level of fulfillment of targets is 100%, compensation varies from 0% to 200%.</p> |
| <p>Number of Company shares, etc. subject to Granting, etc. to Officers, etc.</p> | <p>The number resulting from the total amount obtained by multiplying the evaluation indicators calculated from the target achievement rates and weighting for each evaluation indicator by the predetermined medium-term company performance-linked compensation amount by job position, divided by the closing price of Company shares on March 31, 2020 (¥2,010.5). The number shall be rounded down to the nearest 100 shares.</p> <p>If Company shares belonging to the Trust have increased or decreased during the Trust period due to share split, gratis share allotment, share consolidation, etc., the number of Company shares, etc. subject to Granting, etc. shall be adjusted based on the share split ratio, etc.</p> |

There are no other changes to the details of the System, such as the timing of Granting, etc. of Company shares, etc. to eligible persons, the method of acquisition of Company shares, or extension of the System or the Trust.

For details of the System at the time of its introduction, please refer to the "Notice of Introduction of a Company Performance-Linked Stock Compensation System for Officers, etc.," announced on April 27, 2017.

(3) Comparison of Original and Revised Versions of “Link to Company Performance”

The main item for revision, “Link to company performance,” is revised as follows.

| Before Revision | After Revision |
|--|--|
| <p>a. Evaluation indicator (on a consolidated basis)</p> <p>(i) Amount of business profit in the final fiscal year of the Period (Target for final fiscal year of the initial Period (fiscal 2019): ¥124 billion)</p> <p>(ii) Return on assets on business profit basis (ROA) in the final fiscal year of the Period (Target for final fiscal year of the initial Period (fiscal 2019): 8.8%)</p> <p>b. Variation range of company performance-linked compensation Assuming that the standard level of fulfillment of targets is 100%, compensation varies from 0% to 170% (6 levels).</p> | <p>a. Evaluation indicators (on a consolidated basis)</p> <p>(i) Return on invested capital (ROIC) achievement rate (Weighted average target achievement rate for each fiscal year during the Period: 8%)</p> <p>(ii) Sales ratio of core businesses achievement rate (Target for final fiscal year of the Period (fiscal 2022): 70%)</p> <p>(iii) Relative total shareholder return (TSR) (Target for final fiscal year of the Period (fiscal 2022): 1)</p> <p>(iv) Employee engagement (Results of employee engagement survey and self-evaluation of measures set forth in the new medium-term management plan and their degree of achievement)</p> <p>(v) ESG targets (Self-evaluation of efforts toward ESG targets and their degree of achievement)</p> <p>b. Variation range of company performance-linked compensation Assuming that the standard level of fulfillment of targets is 100%, compensation varies from 0% to 200%.</p> |

Reference

Press release “Notice of Introduction of a Company Performance-linked Stock Compensation System,” dated April 27, 2017

https://www.ajinomoto.co.jp/company/en/presscenter/press/detail/g2017_04_27_03.html

The Ajinomoto Group, using the power of amino acids, aims to provide food and health-related solutions that improve dietary habits and support aging populations, and create greater wellness for people all around the world.

Based on the corporate message “Eat Well, Live Well.”, we have been scientifically pursuing the possibilities of amino acids to aim for future growth by creating new value through sustainable and innovative solutions for communities and society.

The Ajinomoto Group has offices in 35 countries and regions, and sells products in more than 130 countries and regions. In fiscal 2019, sales were 1.1000 trillion yen (10.1 billion U.S. dollars). To learn more, visit www.ajinomoto.com.

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