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## **Notice of Introduction of a Company Performance-linked Stock Compensation System for Officers, etc.**

Ajinomoto Co., Inc. (hereinafter referred to as "Company") passed a resolution at the meeting of the Board of Directors held on April 27, 2017 to introduce a new "company performance-linked stock compensation system" (hereinafter referred to as "System") that utilizes a trust, in addition to the existing cash-based "monthly compensation" and "short-term company performance-linked compensation", targeted at Directors (excluding Outside Directors) as well as Corporate Executive Officers and Corporate Fellows (excluding non-residents of Japan in certain cases; hereinafter collectively referred to as "Officers, etc."), in order to fulfill the "FY2017-2019 (for FY2020) Medium-Term Management Plan".

Please be informed that the Company has thus decided to submit a proposal on the introduction of the System at the 139<sup>th</sup> Ordinary General Meeting of Shareholders scheduled to be convened on June 27, 2017 (hereinafter referred to as "the upcoming General Meeting of Shareholders") as described below.

### **1. Purpose of introducing the System**

- (1) The Company will introduce the System targeted at Officers, etc. for the purpose of boosting their motivation to contribute towards the fulfillment of the "FY2017-2019 (for FY2020) Medium-Term Management Plan" as well as the improvement of the Ajinomoto Group's medium/long-term business performance and enhancement of its corporate value.

As a result of the introduction of the System, the compensation system for Officers, etc. will consist of "monthly compensation", "short-term company performance-linked compensation" and "company performance-linked stock compensation". Compensation for Outside Directors and Audit & Supervisory Board Members—whose positions are independent from the execution of business operations—will be "monthly compensation" only, as has been the case in the past.

- (2) The introduction of the System is conditional upon the adoption of the resolution for approving the proposal on the introduction of the company performance-linked stock compensation system for Officers, etc. at the upcoming General Meeting of Shareholders.

### **2. Description of the System**

#### **(1) Outline of the System**

The System is a scheme in which a stock-granting trust created by the Company as the trustor (hereinafter referred to as "Trust") acquires Company shares by spending the money contributed by the Company while treating the three consecutive fiscal years commencing on April 1, 2017 as the period subject to evaluation (hereinafter referred to as "Period"), and after the end of the Period, 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.

\* As prescribed in (4) below, if the Trust period is extended by amending the Trust agreement and by making additional contributions to the Trust upon the expiry of the initial Trust period, the three consecutive fiscal years commencing at the end of the aforementioned Period will be interpreted as the Period.

Persons entitled to the System (definition of Officers, etc.)	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, 2017) during the Period	
Period	The initial Period shall be the three-year period of the Medium-Term Management Plan, i.e., from April 1, 2017 to March 31, 2020. After said Period, the System may be continued by setting the period of a new Medium-Term Management Plan as the Period. The same shall apply thereafter.	
Link to company performance	a. Evaluation indicator (on a consolidated basis) (i) Amount of business profit in the final fiscal year of the Period (Target for final fiscal year of the initial Period (fiscal year ending March 31, 2020): ¥124 billion) (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 year ending March 31, 2020): 8.8%)	
	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).	
Maximum amount of money that can be contributed to the Trust by the Company	¥2.2 billion yen per Period	
Maximum number of Company shares subject to acquisition and Granting, etc. by the Trust	1.1 million shares per Period (Approx. 0.19% of the number of shares outstanding)	
Method of acquisition of Company shares by the Trust	Acquisition from the stock market	
Timing and description of Granting, etc. of Company shares, etc. to Officers,	a. Timing	A specific date after the end of the three-year Period as a general rule
	b. Description	Granting of Company shares and payment of cash in the amount equivalent to the conversion value of Company shares

etc.		
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## **(2) Procedures for introducing the System**

The Company will have a resolution on the maximum amount that can be contributed to the Trust, the maximum of amount of shares that can be acquired (as prescribed in (7) below) and other such necessary matters adopted at the upcoming General Meeting of Shareholders, and implement the System to the extent approved at the upcoming General Meeting of Shareholders.

If the Trust period is to be extended (as prescribed in (4) below), the Company will make such decision by resolution of the Board of Directors to the extent approved at the upcoming General Meeting of Shareholders.

## **(3) Persons entitled to the System (beneficiary requirements)**

Officers, etc. shall receive, from the Trust, the Granting, etc. of Company shares, etc. in the number corresponding to the medium-term company performance evaluation indicator (as prescribed in (5) below) by job position, provided that the following beneficiary requirements are met at a certain date after the end of the Period:<sup>\*1, \*2, \*3</sup>

- (i) The person is an Officer, etc. during the Period and serves as an Officer, etc. until the close of the first Ordinary General Meeting of Shareholders held after the Period (excluding those retiring by June 30, 2017);
- (ii) The person is a resident of Japan;
- (iii) The person has not resigned due to personal circumstances against the Company's wishes, and the person has neither stepped down nor was dismissed due to certain misconduct or serious violation of work/internal regulations, etc. while holding office; and
- (iv) The person meets other requirements deemed necessary for fulfilling the objectives of the stock compensation system.

\*1 In cases where the person was newly appointed to Officer, etc. during the Period, Granting, etc. of Company shares, etc. shall be executed based on calculation on a monthly pro-rata basis<sup>\*4</sup> according to his/her term of office as an Officer, etc.

\*2 In cases where the person's job position has changed due to promotion, etc. during the Period, Granting, etc. of Company shares, etc. shall be executed by calculating the medium-term company performance evaluation indicator in proportion to his/her respective terms of office in the old and new job positions.

\*3 In the event of the premature resignation of an Officer, etc. (excluding cases in which he/she resigns due to personal circumstances against the Company's wishes), in the event of the death of an Officer, etc. and in the event that an Officer, etc. becomes a non-resident of Japan (such Officer, etc. shall hereinafter be referred to as "resignee, etc."), Granting, etc. of Company shares, etc. shall be

executed based on calculation on a monthly pro-rata basis according to his/her term of office. In the event of the death of an Officer, etc. and in the event that an Officer, etc. becomes a non-resident of Japan, cash in the amount equivalent to the conversion value of Company shares in the number calculated on a monthly pro-rata basis according to his/her term of office shall be paid.

- \*4 The calculation period—i.e., the denominator pertaining to calculation on a monthly pro-rata basis according to the term of office—shall be 36 months, from the month subsequent to the month in which the first Ordinary General Meeting of Shareholders after the commencement of the Period is held, until the month in which the first Ordinary General Meeting of Shareholders after the end of the Period is held.

#### **(4) Trust period**

The Trust period shall be approx. three years from August 2017 (plan) to August 2020 (plan).

The Company may extend the Trust by another three years by amending the Trust agreement and by making additional contributions to the Trust upon the expiry of the Trust period. The Company may make additional contributions to the Trust in the form of cash as the source of financing the compensation to Officers, etc. up to the maximum amount of Trust money approved at the upcoming General Meeting of Shareholders with respect to each extended Trust period, and the Trust shall continue to execute the Granting, etc. of Company shares, etc. to Officers, etc. during the extended Trust period; provided, however, that in cases where such additional contributions are to be made, when residual Company shares and cash (hereinafter referred to as "residual shares, etc.") exist in the Trust property as at the last day of the Trust period before the extension, the sum of the amount of residual shares, etc. and the amount of additional contributions of Trust money shall be no more than the maximum amount of Trust money approved at the upcoming General Meeting of Shareholders.

#### **(5) Number of Company shares, etc. subject to Granting, etc. to Officers, etc.**

The number of Company shares, etc. subject to Granting, etc. to Officers, etc. shall be the number calculated by dividing the amount of medium-term company performance-linked compensation determined based on the medium-term company performance evaluation indicator<sup>\*1</sup> by job position according to the final evaluation rank determined after the end of the Period by the average unit price at which Company shares are acquired by the Trust; provided, however, that the number shall be rounded down to the nearest 100 shares.

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.

- \*1 The medium-term company performance evaluation indicator is set at six levels by job position, according to the combination of the extent to which targets have been achieved with respect to the amount of business profit<sup>\*2</sup> and Return on Assets<sup>\*3</sup> in the final fiscal year of the Period (both on a consolidated basis), which are evaluation indicators. The number of Company shares, etc. subject to Granting, etc. is calculated by job position based on the following formula. The number of Company shares, etc. subject to Granting, etc. with respect to resignees, etc. is calculated using the medium-term company performance evaluation indicator based on the evaluation rank applied to the resignees, etc. calculated on a monthly pro-rata basis according to their respective terms of office.

Number of Company shares, etc. subject to Granting, etc.

$$= (\text{Medium-term company performance evaluation indicator by job position}) \times (\text{¥10,000,000 per indicator } 100) \div (\text{Average unit price at which Company shares in the Trust are acquired}) \text{ (Rounded down to the nearest 100 shares)}$$

- \*2 Business profit (on a consolidated basis)  
= Net sales - Cost of sales - Selling, research and development, general and administrative expenses + Equity earnings/losses of affiliate companies  
= ¥124 billion (Target for the fiscal year ending March 31, 2020 based on Medium-Term Management Plan)
- \*3 Return on Assets (ROA) (on a consolidated basis)  
= Business profit ÷ Total consolidated assets = 8.8% (Target for the fiscal year ending March 31, 2020 based on Medium-Term Management Plan)

#### **(6) Method and timing of Granting, etc. of Company shares, etc. to Officers, etc.**

Granting, etc. of Company shares, etc. will be executed with respect to Officers, etc. who have met the beneficiary requirements based on the medium-term company performance evaluation indicator, etc. by job position in and after July immediately after the end of the final fiscal year of the Medium-Term Management Plan. Pursuant to the provisions of the Trust agreement, Company shares accounting for 50% of the number of Company shares subject to Granting, etc. (of which the portion falling short of 100 shares is subject to conversion into cash) will be granted, and the remaining 50% of Company shares will be converted into cash within the Trust and cash in the amount equivalent to their conversion value will be paid. In the event of the premature resignation of an Officer, etc., in the event of the death of an Officer, etc. and in the event that an Officer, etc. becomes a non-resident of Japan, please refer to (3)\*3 above.

#### **(7) Maximum amount of money that can be contributed to the Trust by the Company and**

**maximum number of Company shares subject to Granting, etc. by the Trust (including the number of shares subject to conversion into cash)**

The maximum total amount of money that can be contributed to the Trust by the Company shall be ¥2.2 billion\*1. The total number of Company shares subject to Granting, etc. with respect to Officers, etc. (including the number of shares subject to conversion into cash) in the Trust in accordance with (6) above shall be capped at 1.1 million shares. Said number of shares is set by using the share price of Company shares at this point of time and other such information as reference, in consideration of the aforementioned maximum amount of money that can be contributed.

\*1 The maximum amount of money that can be contributed to the Trust is calculated by taking into account the number of Officers, etc. after the close of the 139<sup>th</sup> Ordinary General Meeting of Shareholders and the reelection of Officers, etc. in two years' time, and by adding the Trust fees and expenses to the medium-term company performance-linked compensation amount at the highest final evaluation rank (equivalent to 170% assuming that the standard level of fulfillment of targets is 100%).

**(8) Method of acquisition of Company shares by the Trust**

Company shares shall be acquired by the Trust from the stock market, up to the maximum amount of money that can be contributed to the Trust and the maximum number of shares subject to Granting, etc. referred to in (7) above.

**(9) Exercise of voting rights pertaining to Company shares in the Trust**

In regards to Company shares in the Trust, voting rights shall not be exercised by the Trust during the Trust period in order to ensure impartiality with respect to management.

**(10) Treatment of distribution of surplus funds pertaining to Company shares in the Trust**

Distribution of surplus funds pertaining to Company shares in the Trust will be received by the Trust and earmarked for Trust fees and expenses.

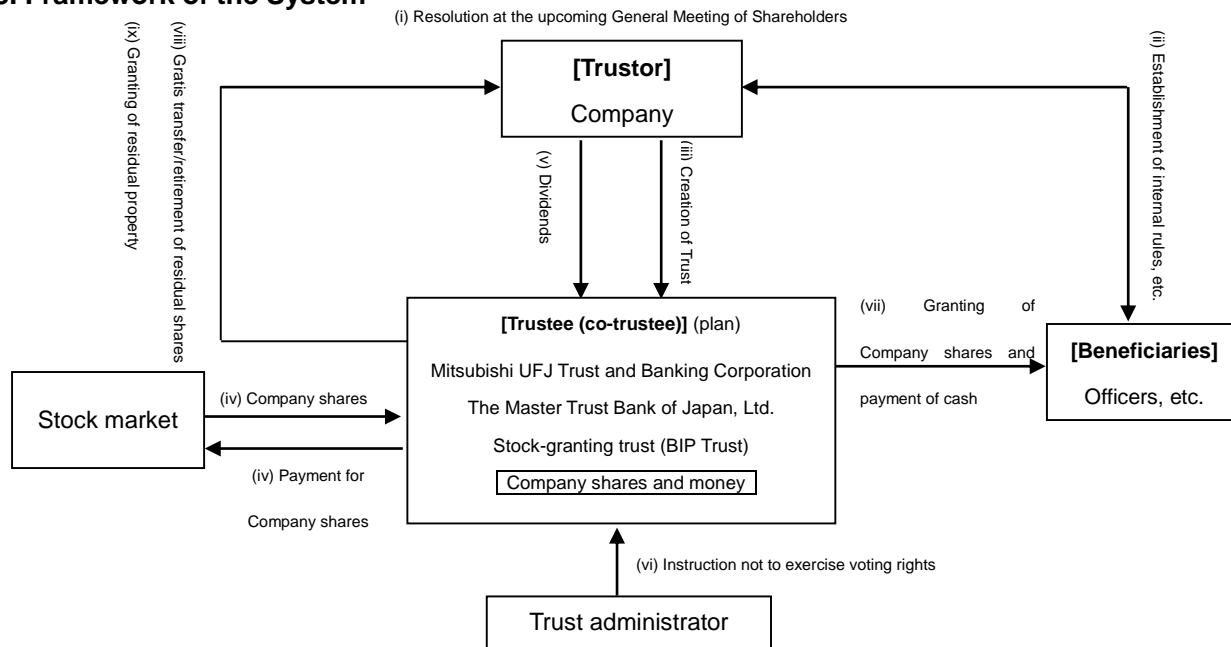
**(11) Treatment upon the expiry of the Trust period**

In cases where any residual shares have arisen as Trust property upon the expiry of the Trust period due to the failure to fulfill the targets of the Medium-Term Management Plan or for other such reasons, the Company may continue to use the Trust by amending the Trust agreement and making additional contributions to the Trust. If the Trust is to be terminated upon the expiry of the Trust period, the Trust plans to transfer such residual shares to the Company without charge and the Company plans to retire such shares by resolution of the Board of Directors as a measure to generate shareholder returns.

Property remaining after distribution to beneficiaries upon the expiry of the Trust period is slated to be vested in the Company within the scope of the Trust expense

reserve. The portion outside the scope of the Trust expense reserve is slated to be donated to an organization in which neither the Company nor Officers, etc. have any interest.

### 3. Framework of the System



- (i) The Company will obtain approval for the compensation of Officers, etc. by resolution at the upcoming General Meeting of Shareholders in relation to the introduction of the System.
- (ii) The Company will establish internal rules, etc. on the compensation of Officers, etc. based on the System at the meeting of the Board of Directors in relation to the introduction of the System.
- (iii) The Company will create the Trust in which the beneficiaries are Officers, etc. who meet the beneficiary requirements based on the approval resolution at the upcoming General Meeting of Shareholders referred to in (i) and contribute money to the Trust within the scope of said resolution.
- (iv) The Trust will acquire Company shares from the stock market by using the money contributed to the Trust in (iii) as the source of financing, in accordance with the Trust administrator's instructions. The number of shares acquired by the Trust shall be within the scope of the approval resolution at the upcoming General Meeting of Shareholders referred to in (i).
- (v) Dividends of Company shares in the Trust will be paid in the same manner as other Company shares.
- (vi) Voting rights for Company shares in the Trust shall not be exercised by the Trust throughout the Trust period.
- (vii) Officers, etc. who meet the beneficiary requirements will receive the Granting, etc. of Company shares, etc. based on the extent to which the targets of their respective job positions and the Medium-Term Management Plan have been fulfilled and other such factors in

accordance with internal rules, etc. after the end of the Period (refer to 2(1)). In the event of the premature resignation of an Officer, etc., in the event of the death of an Officer, etc., and in the event that an Officer, etc. becomes a non-resident of Japan, please refer to 2(3)\*3 above.

- (viii) In cases where any residual shares have arisen as Trust property upon the expiry of the Trust period due to the failure to fulfill the targets of the Medium-Term Management Plan or for other such reasons, the Company plans to either: continue to use the Trust in the form of the System or the same type of stock compensation system as the System by amending the Trust agreement and making additional contributions to the Trust; or terminate the Trust, and as a measure to generate shareholder returns, have such residual shares transferred from the Trust to the Company without charge and retire such shares by resolution of the Board of Directors.
- (ix) Property remaining after distribution to beneficiaries at the time of the termination of the Trust is slated to be vested in the Company within the scope of the Trust expense reserve. The portion exceeding the allowances for the Trust expenses of the Trust expense reserve is slated to be donated to an organization in which neither the Company nor Officers, etc. have any interest.

(Note) If there are no Company shares left in the Trust as a result of Granting, etc. of Company shares, etc. to Officers, etc. who meet the beneficiary requirements, the Trust will be terminated before the expiry of the Trust period. The Company may entrust additional money to the Trust as funds for acquiring Company shares to the extent approved at the upcoming General Meeting of Shareholders.



(Reference)

**[Content of Trust agreement]**

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| (i) Type of trust   | Monetary trust other than designated individually-operated monetary trust (third-party benefit trust)                          |
| (ii) Purpose of trust   | Provide incentives to Officers, etc.   |
| (iii) Trustor   | Company  |
| (iv) Trustee  | Mitsubishi UFJ Trust and Banking Corporation (plan)<br>(Co-trustee: The Master Trust Bank of Japan, Ltd. (plan))               |
| (v) Beneficiaries   | Officers, etc. who meet beneficiary requirements   |
| (vi) Trust administrator  | Third party who has no interest in the Company (certified public accountant)   |
| (vii) Trust agreement date  | August 1, 2017 (plan)  |
| (viii) Trust period   | From August 2017 (plan) to August 2020 (plan)  |
| (ix) Exercise of voting rights                                    | Voting rights shall not be exercised.  |
| (x) Type of shares to be acquired                                 | Common stock of the Company  |
| (xi) Maximum amount of money that can be contributed to the Trust | ¥2.2 billion (including Trust fees and expenses)   |
| (xii) Timing of acquisition of shares                             | From August 2, 2017 (plan) to October 31, 2017 (plan)<br>(excluding from September 25, 2017 to September 30, 2017)             |
| (xiii) Method of acquisition of shares                            | Acquisition from the stock market  |
| (xiv) Vested right holder of residual property                    | Company  |
| (xv) Scope of vesting of residual property                        | Residual property receivable by the Company as the vested right holder shall be within the scope of the Trust expense reserve. |
- (Note) The planned timing referred to above may be changed to an appropriate time in light of applicable laws and regulations, etc.

**[Description of clerical tasks related to the Trust and shares]**

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| (i) Clerical tasks related to the Trust | Mitsubishi UFJ Trust and Banking Corporation plans to serve as the trustee of the Trust and perform clerical tasks related to the Trust.                                  |
| (ii) Clerical tasks related to shares   | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. plans to perform clerical tasks for the granting of Company shares to beneficiaries based on an outsourcing agreement. |

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