

Policy for determining individual compensation for Directors and Executive Officers

Established June 23, 2021

Revised on May 30, 2023

As a result of the transition to a Company with Three Committees through a resolution of the 143rd Ordinary General Meeting of Shareholders held on June 23, 2021, Ajinomoto Co., Inc. (hereinafter referred to as “the Company”) has decided on the following policy regarding the determination of Compensations for individual Directors and Executive Officers.

In this policy, the term “Compensations” shall mean the Basic Compensation, the performance-linked incentives, and other property benefits to be received by Directors and Executive Officers (hereinafter collectively referred to as “Officers”) in consideration of execution of their duties (the “Compensation, etc.” stipulated in the main clause of Article 361 of the Companies Act.)

1. Basic principles for Officers’ Compensations decisions

- (1) In line with the Ajinomoto Group Policy (AGP), it will lead to medium- to long-term expansion of the corporate value
- (2) The level of Compensations is sufficiently competitive with the market level
- (3) Compensations will be determined through a transparent process that is accountable to stakeholders

2. Outline of Compensations for Officers

- (1) Compensations of Executive Officers (including persons who concurrently serve as Directors)
Comprised of the Basic Compensation, the Short-term Incentives (hereinafter referred to as “STI”), and the Medium-term Stock-based Incentives (hereinafter referred to as “MTI”), the details of which are as follow:
 - 1) Basic Compensation
The Basic Compensation is a monetary compensation that is paid every month to fully demonstrate the qualities and abilities that drive corporate growth and to meet the responsibilities of employees. A fixed amount is paid monthly.
 - 2) Short-term Incentives (STI)
The STI is a monetary compensation that is paid at the end of June once a year, depending on the performance evaluation of the entire Company and each unit after the end of the fiscal year, as an incentive to encourage steady achievement of performance targets for a single fiscal year and appropriate management.
 - 3) Medium-term Stock-based Incentives (MTI)
The MTI is a performance-linked compensation that is assessed using a predetermined valuation index after the end of the three fiscal years commencing on April 1, 2023 (hereinafter referred to as the “3-Year Period”) with the aim of achieving sustained medium-to long-term improvement in business performance and increasing corporate value of the Ajinomoto Group, and is paid in the Company's

shares and the amount equivalent to the conversion and disposal of the Company's shares. The maximum amount of monies the Company contributes to the stock-granting trust (hereinafter referred to as the "Trust") for the MTI is ¥2.2 billion for the 3-Year Period covered and the maximum amount of the Company's shares to be acquired by the Trust in the money provided to the Trust is 1.1 million. The number of the Company's shares, etc. to be used for payment of MTI is obtained as follows. Each evaluation index (calculated from the target achievement rate and evaluation weight for each evaluation index) is multiplied by the predetermined standard amount for each job position. The total number obtained is then divided by the closing price of the Company's shares on March 31, 2023, to yield the number of shares to be used for payment of MTI.

Half of the MTI will be delivered in the form of Company's shares, and the remaining half will be delivered in cash to be used for payment of income tax, etc., therefore the Trust will convert this half to cash by selling the shares on the market and then paying the amount equivalent to the conversion and disposal of the Company's shares. However, Executive Officers and their successors who have been resolved by the Compensation Committee of the Company that they are not appropriate to receive the MTI in light of the purpose of such compensation system may not receive such compensation, and in the event a resolution is made by the Compensation Committee of the Company that it is not appropriate to pay the MTI to Executive Officers in light of the purpose of such compensation system, the Company may seek the return of such compensation from the person who received such compensation.

(2) Compensations for Independent Outside Directors and Internal Directors who are members of the Audit Committee

The Compensations for Independent Outside Directors shall be based solely on the Basic Compensation, which shall be paid monthly in a fixed amount of cash.

The Compensations for the Internal Directors who are members of the Audit Committee shall be based solely on the Basic Compensation, which shall be paid monthly in a fixed amount of cash.

3. Policy on determining the amount of Compensations for individual Officers

(1) How to determine Compensations

The amount of Compensations will be determined by job position based on the responsibilities of supervision and execution performed by Officers.

(2) How to determine levels of Compensations

1) Compensations levels for Internal Directors and Executive Officers are based on the 75th percentile (the top 25th percentile) of that level (based on the results of surveys conducted by external organizations on about 20 companies of Companies with Three Committees that are similar in size to the Company).

When such Internal Directors or Executive Officers concurrently serve as a president of an overseas group company of the Company, the Company will pay allowances due to overseas assignments and adjust the amount of Compensations in consideration of the amount equivalent to individual income taxes that would be levied if the Internal Director or Executive Officer worked in Japan and the amount of compensation from the overseas group company of the Company. If individual income taxes are incurred in the host country, the overseas group companies will bear the amount equivalent to such taxes.

2) Notwithstanding of the above, compensation levels for Internal Directors and Executive Officers who

have the closest relationship with countries (or regions) other than Japan (“Foreign Directors and Officers”) are based on 50th to 75th percentiles (top 25th to 50th percentiles) of the level based on the results of surveys conducted by external organizations on companies that are similar in size and business type in the countries (or regions).

The Company will adjust the amount of Compensations from the Company in consideration of the amount of taxes that would be levied if they worked in that most closely related country or region. In addition to the above, if individual income taxes are incurred in Japan due to the appointment of a seconded person from an overseas group company to the Company as an Internal Director or Executive Officer, the Company will bear the amount equivalent to such taxes.

- 3) The level of Compensations for Independent Outside Directors is based on the 75th percentile (the top 25th percentile) of that level (based on the results of surveys conducted by external organizations on us and about 20 companies of Companies with Three Committees that are similar in size to the Company).

4. Policy on determination of payment ratio of the performance-linked incentives and compensations other than the performance-linked incentives

Directors, Representative Executive Officer & President (hereinafter referred to as the “CEO”) will be paid the Basic Compensation, the STI, and the MTI at approximately 30:25:45 (on an annual basis*) at the time of achieving the standard performance target. Executive Officers will be paid at approximately 50:30:20.

- 1) In fiscal years when the MTI is paid, the STI and the MTI (monetary value conversion at the time of contribution to the Trust) account for a minimum of 0% and a maximum of around 90% of total compensation.
- 2) The STI accounts for between 0% and 56% of total compensation in fiscal years when the MTI is not paid.
- 3) If the total Compensations in the case of standard achievement (on an annual basis *) is deemed as an index of 100, then the indices of total compensation under the conditions of highest possible performance and of lowest possible performance, as well as the proportions of each type of compensation in total compensation are as follows.

* “On an annual basis” means when the MTI to be paid after the end of the 3-Year Period would be leveled and paid annually.

The proportions of compensation under the conditions of highest possible performance

	Position	Basic Compensation		STI		MTI		Total Compensations	
		Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage
①	CEO	30	10%	38	13%	230	77%	297	100%
	Executive officers	50	25%	45	23%	102	52%	197	100%
②	CEO	30	21%	38	26%	77	53%	144	100%
	Executive Officer	50	39%	45	35%	34	26%	129	100%
③	CEO	30	44%	38	56%	0	0%	68	100%
	Executive Officer	50	53%	45	47%	0	0%	95	100%

The proportions of compensation under the conditions when the standard achievement

	Position	Basic Compensation		STI		MTI		Total Compensations	
①	CEO	30	16%	25	13%	135	71%	190	100%
	Executive officers	50	36%	30	21%	60	43%	140	100%
②	CEO	30	30%	25	25%	45	45%	100	100%
	Executive Officer	50	50%	30	30%	20	20%	100	100%
③	CEO	30	55%	25	45%	0	0%	55	100%
	Executive Officer	50	63%	30	38%	0	0%	80	100%

The proportions of compensation under the conditions of lowest possible performance

	Position	Basic Compensation		STI		MTI		Total Compensations	
①	CEO	30	100%	0	0%	0	0%	30	100%
	Executive officers	50	100%	0	0%	0	0%	50	100%
②	CEO	30	100%	0	0%	0	0%	30	100%
	Executive Officer	50	100%	0	0%	0	0%	50	100%
③	CEO	30	100%	0	0%	0	0%	30	100%
	Executive Officer	50	100%	0	0%	0	0%	50	100%

①Payment Year of MTI

②MTI (on an annual basis)

③Non-Payment year of MTI

5. Policy on the content of performance indicators for the performance-linked incentives

(1) Short-term Incentives (STI)

Executive Officers who concurrently serve as Directors, and the Executive Officer & Chairman of Company are evaluated only based on the Company-wide Performance. Other Executive Officers are evaluated based on the Company-wide Performance and the Individual Performance, and the weight of the evaluation of the Company-wide Performance and the Individual Performance is generally 1:1.

In addition to Sales and Business profit, which are key indicators of annual financial results, the Company's performance is calculated using Profit for the business year attributable to the owners of the parent company (both on a consolidated basis) as an evaluation indicator and using the following formula.

The individual Performance is determined based on a predetermined compensation table, by the resolution of Compensation Committee.

Amount of the STI

= Base amount by position × Evaluation indicators (*)

(*) The evaluation indicators are calculated based on the sum of the following three elements.

If the achievement rate of each evaluation indicator exceeds 1.25, the upper limit shall be 1.25.

(Consolidated Sales achievement rate × 2-1) × 30%

(Consolidated Business profit achievement ratio × 2-1) × 50%

(Consolidated Net income achievement rate × 2-1) × 20%

(2) Medium-term Stock-based Incentives (MTI)

The following table shows the metrics, target values and evaluation weights of the MTI.

Evaluation indicators		Target	Weight in evaluation
Economic value indicators	ROIC (Return on Invested Capital)	FY2023: 9.5% FY2024: 10.0% FY2025: 11.0%	40%
	Relative TSR (Comparison to TOPIX)	1	20%
Social value indicators	GHG emission reduction rate	Scope 1,2: 30% reduction Scope 3: 14% reduction	10%
	Headcount of extending the healthy life expectancy	850m	10%
Strengthening intangible assets indicators	Employee engagement score	80%	10%
	Percentage of female line managers	35%	5%
	Corporate brand value	USD1,484m	5%

(NOTE 1) ROIC (Return on Invested Capital) is calculated using the method shown below (all values are on a consolidated basis).

$$\therefore \text{ROIC} = (\text{Operating income after tax for the fiscal year}) \div [(\text{Capital invested in that fiscal year}) + (\text{Capital invested in the previous fiscal year}) \div 2] * \text{Invested capital} = \text{Shareholders' equity attributable to the owners of the parent company} + \text{interestbearing debt}$$

(NOTE 2) Weighted average value of target achievement rate in each financial year of the Period (Weighted average weight: 25% in FY2023, 25% in FY2024, 50% in FY2025)

(NOTE 3) Rate of achievement of FY2025 targets Relative TSR is calculated using the method shown below.

$$\therefore \text{Relative TSR} = (\text{Total shareholder return on the last day of the most recent fiscal year}) \div (\text{TOPIX total shareholder return including dividends for the period corresponding to the Company's total shareholder yield calculation period})$$

(NOTE 4) The Employee engagement score is determined by the average value of the nine questions about “the ASV achievement process” in the engagement survey by the Company.

(NOTE 5) The Corporate brand value is evaluated by using the “Best Japan Brands” published by Interbrand

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