

## Ajinomoto Co., Inc. to Accelerate the Expansion of Its Consumer Food Products Business in South Korea

### Agreement to Establish a Production Company for Dry Soups through a Joint Venture with Nongshim Co., Ltd.

**TOKYO, December 21, 2017** – Ajinomoto Co., Inc. (“Ajinomoto Co.”) has agreed to establish a production company for dry soups through a joint venture with Nongshim Co., Ltd. (“Nongshim”). The companies entered into a joint venture agreement today. Capital will be KRW 13 billion (approximately JPY 1.3 billion), and equity ownership will be Ajinomoto Co. 51% and Nongshim 49%. The joint venture company is scheduled to be established in Gyeonggi-do, South Korea in January 2018, with the aim of starting sales of locally produced products (VONO® brand single-serving dry soups\*) in September 2019. Manufacturing will be conducted by the joint venture company and sales will be conducted by Nongshim, which has a cooperative relationship with Ajinomoto Korea, Inc. (“Ajinomoto Korea”). Through these measures, Ajinomoto Co. will accelerate the expansion of its consumer food business in South Korea.

In 1983, Ajinomoto Co. opened its Seoul Office in South Korea, and in 2003 it established Ajinomoto Korea, which handles sales promotion and technical support of seasonings for processed food manufacturers and restaurant use, among other functions. Since 2006, Ajinomoto Co. has strengthened its consumer food products business by consigning sales of flavor seasonings, VONO® brand single-serving dry soups and other products to Nongshim, which is strong in sales to mass retailers of household-use products. The Ajinomoto Group and Nongshim have also been conducting transactions in the business for processed foods (instant noodles and snacks) for some time, and have a good relationship.

The dry soup market in South Korea is approximately KRW 58 billion (approximately JPY 6 billion) and has been growing steadily with a solid compound annual growth rate (CAGR) of 7% from 2014 to 2016. The single-serving dry soup category, which Ajinomoto Korea has entered, accounts for about 40% of this market and its annual growth rate of 26% is driving the growth of the market as a whole. The VONO® brand has captured a predominant share of more than 70% of sales in this category. Per capita consumption of single-serving dry soups in South Korea is 0.6 servings per year, about one-tenth the level in Japan. However, the market is expected to expand further, backed by growing demand for bread at breakfast in recent years and rising needs for simpler dishes due to increases in single-person households and working women. (2016, Ajinomoto Co. survey)



Product lineup of VONO® brand single-serving dry soups sold in South Korea

The establishment of this joint venture company will accelerate the expansion of the consumer food products business in South Korea by combining the Ajinomoto Group’s strengths in product development and production technology with Nongshim’s strength in sales to the household-use market. In addition, by conducting production and raw material procurement locally in South Korea, Ajinomoto Korea will mitigate the impact of currency exchange and cut costs, thus reinforcing its business structure.

In the future, Ajinomoto Co. intends to diversify the business in South Korea by capitalizing on localized production in areas including lineup extensions for single-serving dry soups and the development of soups in containers and dry sauces, aiming for consumer food products business sales of more than JPY 5 billion in fiscal 2022 (more than 2.5 times fiscal 2016 sales).

Ajinomoto Co. has been implementing growth strategies to refine the regional portfolio of its food products business as part of its FY2017-2019 Medium-Term Management Plan. In South Korea, one of the “Rising Stars” in the plan, Ajinomoto Co. aims to expand its existing business and pursue future growth opportunities through cooperation with local industry leaders. Ajinomoto Co. will contribute to the health and well-being of local consumers through continuous development of product categories adapted to the local food culture and eating habits in each country and region.

The impact of this matter on Ajinomoto Co.’s business results for fiscal 2017 will be immaterial.

\* VONO® is an umbrella brand for soups of the Ajinomoto Group’s international consumer food products business. The brand is currently sold in South Korea, Brazil and Taiwan.

#### **New Company: Ajinomoto Nongshim Foods, Co., Ltd.**

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|---------------------------|--|
| (1) Location:             | Pyeongtaek, Gyeonggi-Do, Republic of Korea (on the premises of the Boseong Distribution Center of Nongshim Co., Ltd.)  |
| (2) Establishment:        | January 2018 (scheduled)   |
| (3) Representative:       | Naoyuki Otani, Representative Director (President)   |
| (4) New plant:            | Start of sales of locally produced products in September 2019 (scheduled); site area: 11,900m <sup>2</sup> (planned)   |
| (5) Number of employees:  | Undetermined   |
| (6) Business description: | Production of VONO® single-serving dry soups   |
| (7) Capital:              | KRW 13.0 billion (approximately JPY 1.3 billion)   |
| (8) Equity ownership:     | Ajinomoto Co., Inc. 51%, Nongshim Co., Ltd. 49%<br>Note: Amount invested by Ajinomoto Co., Inc.: approximately KRW 6.6 billion (approximately JPY 690 million) |

#### Reference

#### **Overview of Nongshim Co., Ltd.**

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|---------------------------|---|
| (1) Location:             | Dongjak-gu, Seoul Special Metropolitan City, Republic of Korea  |
| (2) Established:          | 1965  |
| (3) Representatives:      | Shin Dong Won, Vice Chairman;<br>Park Joon, Representative Director (President)   |
| (4) Sales:                | KRW 2,016.5 billion (approximately JPY 209.3 billion, 2016)   |
| (5) Number of employees:  | 4,646 (as of November 2017)   |
| (6) Business description: | Manufacture and sale of instant noodles, snacks and other products  |
| (7) Capital:              | KRW 30.4 billion (approximately JPY 3.2 billion)  |
| (8) Equity ownership:     | Nongshim Holdings Co., Ltd. 33%, National Pension Service of South Korea 12%, Shin Choon Ho 6%, other individual shareholders 49% |

## Overview of Ajinomoto Korea, Inc.

- (1) Location: Yeongdeungpo-gu, Seoul Special Metropolitan City, Republic of Korea
- (2) Established: 2003
- (3) Representatives: Naoyuki Otani, Co-Representative Director (President);  
Kim Kyung Han, Co-Representative Director (President)
- (4) Sales: KRW 23.6 billion (approximately JPY 2.4 billion, 2016)
- (5) Number of employees: 22 (as of November 2017)
- (6) Business description: (1) Wholesale and import/export of food product ingredients, seasonings, processed foods and health supplements  
(2) Retail and mail-order sales of seasonings, processed foods and health supplements
- (7) Capital: KRW 1.0 billion (approximately JPY 0.1 billion)
- (8) Equity ownership: Ajinomoto Co., Inc. 70%, VIXXOL Co., Ltd. (joint venture partner in South Korea) 30%

Note: KRW 1 = JPY 0.1038 (as of November 30, 2017)

## About Ajinomoto Co.

Ajinomoto Co. is a global manufacturer of high-quality seasonings, processed foods, beverages, amino acids, pharmaceuticals and specialty chemicals. For many decades Ajinomoto Co. has contributed to food culture and human health through wide-ranging application of amino acid technologies. Today, the company is becoming increasingly involved with solutions for improved food resources, human health and global sustainability. Founded in 1909 and now operating in 30 countries and regions, Ajinomoto Co. had net sales of JPY 1,091.1 billion (USD 10.07 billion) in fiscal 2016. For more about Ajinomoto Co. (TYO: 2802), visit [www.ajinomoto.com](http://www.ajinomoto.com).

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