

Ajinomoto Co., Inc. Records Impairment Losses at Ajinomoto Foods North America, Inc. and on Its Investment in Promasidor Holdings Limited

TOKYO, January 31, 2019 – Ajinomoto Co., Inc. (“Ajinomoto Co.”) recorded an impairment loss and an impairment loss on an investment accounted for using the equity method in its consolidated settlement of accounts for the nine months ended December 31, 2018 (April 1, 2018 - December 31, 2018). In conjunction with this matter, Ajinomoto Co. has also announced “Revision to Consolidated Performance Forecast of Ajinomoto Co., Inc. for Fiscal 2018,” dated January 31, 2019.

1. Details of the Impairment Losses (Consolidated Settlement of Accounts)

(JPY millions unless otherwise noted)

Amount of Impact on Each Level of Income	Business Profit	Profit before Income Taxes	Profit Attributable to Owners of the Parent Company
(1) Impairment loss on goodwill of Ajinomoto Foods North America, Inc. (“AFNA”)	—	13,525	10,047
(2) Impairment loss on investment in Promasidor Holdings Limited (“PH”), which is accounted for using the equity method (investment equivalent to 33.33%)	—	13,604	13,604
(3) Impairment loss on trademark rights of PH (investment equivalent to 33.33%)	3,222	3,222	3,222
Total	3,222	30,352	26,874

2. Background of the Impairment Losses and Current Status of the Businesses

(1) Frozen Foods Business in North America

Sales are continuing to increase, mainly for Asian food products. Centered on Ajinomoto Co.’s strengths in gyoza, noodles and cooked rice, the business is using AFNA’s sales network to accelerate sales to retail channels throughout the United States in the Japanese and Asian/ethnic foods market, which was a growing category in the frozen foods market in North America at the time of Ajinomoto Co.’s acquisition of the former Ajinomoto Windsor, Inc. (currently AFNA). However, in the course of improving production efficiency, profitability has fallen due to an increase in costs associated with the new production system as well as higher logistics expenses associated with new trucking regulations introduced in the United States as of December 2017.

Ajinomoto Co. will stabilize production in the fourth quarter of fiscal 2018 and plans to make further improvements from fiscal 2019. However, due to the near-term low profitability, Ajinomoto Co. recorded an impairment loss.

(2) PH Business

The operating environment is changing rapidly due to worsening government fiscal balances and an associated substantial slowdown in the economic growth rate caused by a drop in crude oil prices in the main countries where PH conducts business. In addition to these external conditions, the profitability of PH and its subsidiaries is declining due to intensifying competition in these main countries, and therefore Ajinomoto Co. recorded an impairment loss.

3. Outlook

(1) Frozen Foods Business in North America

A specific plan to reinforce the business structure in response to changes in the operating environment in the United States is currently under discussion at the Management Base Review Committee led by CEO Takaaki Nishii. To reliably carry out the structural reforms concurrently with the plant production improvements and logistics improvements that are already underway, Ajinomoto Co. will also formulate an execution plan that will enable it to visualize a diverse range of items for improvement and manage its progress toward improvement targets. This plan will be based on a) introduction of additional personnel to improve production, b) reduction of procurement and purchasing costs, and c) a diagnosis by external logistics experts.

(2) PH Business

Although the growth rate of the African market has slowed, Ajinomoto Co. and the management team of PH will consider growth strategies centered on the dry savories business, which has a high growth rate and where Ajinomoto Co. has expertise.

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 35 countries and regions, Ajinomoto Co. had net sales of JPY 1,150.2 billion (USD 10.36 billion) in fiscal 2017. For more about Ajinomoto Co. (TYO: 2802), visit www.ajinomoto.com.

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