Annual Report 2001

For the year ended March 31, 2001

A taste of the future.

AJINOMOTO

Profile

Corporate Philosophy

From its beginnings in Japan, Ajinomoto aims to be a global corporation in food and amino acid products. A focus on leadership, innovation and foresight complements our commitment to providing safe and reliable products of the highest quality. Ajinomoto is also globally active in promoting better health and nutrition and in education and disaster assistance programs.

Clearly Defined Strategies for Growth

Ajinomoto is implementing a three-year management plan that will be completed in March 2002. The plan encompasses five key areas: improving consolidated management, strengthening our brands, establishing world-leading cost competitiveness, enhancing our R&D system, and contributing to society. Efforts in these areas will help us meet management plan objectives that include consolidated net income of ¥30 billion and return on equity of at least 6 percent.

The Ajinomoto Way

Ajinomoto has numerous number one and strong number two brands in its chosen markets, both in Japan and around the world. Our technological expertise is a core strength with which we can differentiate existing products and develop new ones, while 105 factories in 15 countries and regions including Japan support operations that span 22 countries and regions. We will grow by emphasizing the Ajinomoto Way: continue developing the people, products and strategies required to differentiate Ajinomoto from competitors and provide the means to succeed in global markets.

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Financial Highlights

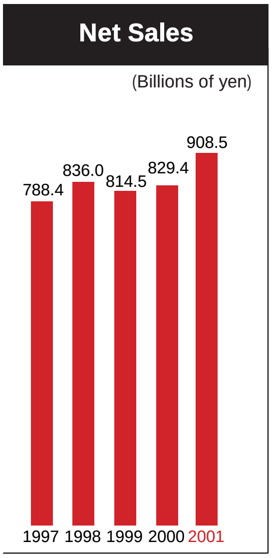
Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

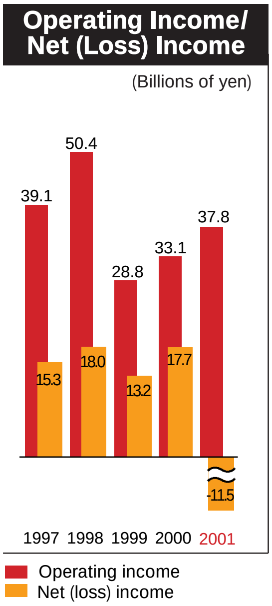
	Millions of Yen		Thousands of U.S. Dollars	Percent Change
	2001	2000	**2001**	**2001**/2000
For the year:				
Net sales	**¥908,528**	¥829,422	**$7,326,839**	9.5%
Gross profit	**242,672**	215,670	**1,957,032**	12.5
Operating income	**37,805**	33,050	**304,879**	14.4
(Loss) income before income taxes and minority interests	**(12,995)**	34,336	**(104,798)**	—
Net (loss) income	**(11,547)**	17,658	**(93,121)**	—
At year-end:				
Shareholders' equity	**¥361,771**	¥330,557	**$2,917,508**	9.4%
Total assets	**828,945**	732,980	**6,685,040**	13.1
Per share (yen and U.S. dollars):				
Net (loss) income	**¥ (17.8)**	¥ 27.2	**$ (0.14)**	—
Shareholders' equity	**556.6**	509.0	**4.49**	9.4%
Cash dividends	**10.0**	10.0	**0.08**	0.0

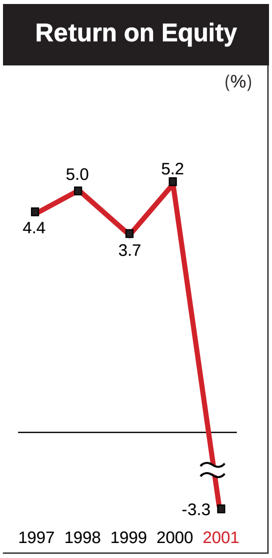
Notes: 1. U.S. dollar amounts represent translations of yen, for convenience only, at ¥124=US$1, the approximate rate prevailing on March 31, 2001.

2. In connection with the implementation of new accounting standards for retirement benefits in Japan, Ajinomoto opted to accrue ¥52.3 billion in net retirement benefit obligations as a one-time charge during the fiscal year ended March 31, 2001. As a result, the Company posted a loss before income taxes and minority interests, net loss and net loss per share, and return on equity was a negative number.

3. Shareholders' equity, total assets, shareholders' equity per share and return on equity for the past fiscal years through March 31, 2000 have been restated due to a change in the regulations relating to the presentation of translation adjustments. See the notes on pages 23 and 33 (1-c).







Message from the President

Kunio Egashira, President

Ajinomoto's operating environment is being influenced by changes of immense magnitude. The Japanese economy is becoming truly integrated with the international economy as competition on a global scale becomes the norm, while the structure of the domestic marketplace is being transformed by the entry of foreign corporations with new business models. Moreover, the information technology revolution has compressed time and distance between suppliers and customers, resulting in not only the ability to reduce costs, but also intense pressure to reduce them to remain competitive.

Ajinomoto is aggressively embracing and adapting to emerging market realities to benefit from change and lead in its chosen global markets, as results from the past fiscal year demonstrated. Supported by the initiatives of our current three-year management plan, consolidated net sales for fiscal 2000, ended March 31, 2001, increased 9.5 percent to ¥908.5 billion, while operating income rose 14.4 percent to ¥37.8 billion. These gains were particularly significant given the overall weakness of consumer spending in Japan and the maturity of the domestic food market, which have created a highly competitive operating environment. A one-time charge of ¥52.3 billion due to the implementation of new accounting standards for retirement benefits resulted in a net loss for the year of ¥11.5 billion. Cash flow remained strong and management maintained the annual cash dividend at ¥10.0 per share. With the decisive handling of the pension plan issue, Ajinomoto is on track to achieve the objectives of its current management plan during fiscal 2001, the final year of the plan. These include consolidated net income of ¥30 billion and return on equity of at least 6 percent.

Management Strategies

In April 1999, we started a three-year management plan aimed at making Ajinomoto a global food and amino acid products company. Progress in the five main areas of the plan, outlined below, has raised Ajinomoto's global competitiveness significantly.

Improving Consolidated Management

A primary theme during fiscal 2000 was consolidating divisions and subsidiaries with similar functions and market domains to build critical mass and increase competitiveness. Results of this focus included the creation of separate companies in frozen foods and edible oils and the consolidation of distribution companies for greater efficiency. Since its establishment in October 2000, the new frozen foods company is already contributing to improved earnings. Moreover, the April 2000 launch of an Internet-based system for settlement of accounts linking all consolidated companies has greatly accelerated the collection and dissemination of operating and financial data, making Ajinomoto both more responsive and better able to allocate resources effectively.

Strengthening Our Brands

The implementation of our new corporate logo with the new slogan, "A Taste of the Future," has been highly effective in building consumer awareness. This initiative has been supported by a corporate advertising campaign covering a variety of media that has proven to be a sound investment. The success of our ongoing corporate brand-building program was affirmed by Ajinomoto's selection as one of Japan's top 10 brands in 2000 by the influential *Nihon Keizai Shimbun* newspaper.

Establishing World-Leading Cost Competitiveness

Ajinomoto's World Number 1 Network (WIN) Plan has contributed strongly to the attainment of world-leading cost competitiveness in core businesses such as monosodium glutamate and feed-use amino acids. In addition, the construction of an efficient new plant for threonine in the United States and capacity expansion projects for threonine and/or lysine plants in France and Thailand will raise productivity and cost competitiveness in these markets. As a result, Ajinomoto has improved its ability to compete on the bases of both quality and cost, a powerful formula for success in global markets.

Enhancing Our R&D System

Corporate and divisional R&D roles have been clarified for increased efficiency. At the same time, Ajinomoto-Genetika Research Institute (AGRI) is contributing measurably to our amino acid fermentation technology. This joint venture was established in Russia at the end of 1998 with Genetika Research Laboratory, a world leader in the field of strain breeding. In our pharmaceuticals business, substantial investment in facilities and personnel to enhance research has been complemented by the creation of a tripolar development structure encompassing Japan, the United States and Europe. The success of nateglinide, a diabetes drug sold in 34 countries including Japan, the United States, the United Kingdom, Germany and Switzerland as of May 2001, is representative of the results we expect to produce from our R&D initiatives. In line with our drive to develop new products and avenues for growth, Ajinomoto has created the specialized Nutritional Health Science Research Project Department headed by a leading scientist in the field. In addition, an incentive program for all researchers and a compensation scheme that rewards them for outstanding research have enhanced motivation and supported innovation.

Contributing to Society

In Japan, Ajinomoto dedicates 2 percent of recurring profit to social responsibility activities, providing support for a wide range of activities including research into culinary culture. Internationally, Ajinomoto is active in cooperating with developing countries in the fields of food, nutrition and health and in promoting education and disaster assistance programs.

Outlook for Fiscal 2001 and Beyond

Selectivity and concentration have supported expansion and yielded solid performance gains. Ajinomoto will continue to consolidate synergistic operations within the Ajinomoto Group and look externally for acquisitions that present strategic benefits. Our objective is not simply to generate short-term performance gains, but to achieve and maintain the number one position in each of our chosen businesses through continuous progress and improvement. In fiscal 2001, key themes will be further improvement in the companies we have created in frozen foods and edible oils, as well as maximizing the benefit of selectively consolidating the domestic food divisions that remain components of the parent company. Organizational reform will remain a primary initiative as we seek to raise intra-Group cooperation and create unified strategies for growth. For example, our five regional sales branches in Japan are now cooperating with food business subsidiaries in marketing activities such as campaigns to strengthen ties with retailers and consumers. At the same time, we are clarifying and right-sizing administrative functions to improve efficiency, and have established a company in charge of treasury management to optimize capital deployment and liquidity management. Overseas, we intend to maximize the benefits of our leadership in growing markets such as threonine and lysine, while further strengthening our presence in the high-potential retail food markets of Southeast Asia and Central and South America.

Ajinomoto is now determining how best to become more global and competitive under its next management plan, which will begin after the end of the current fiscal year. We intend to create teams of directors who will formulate proposals, which will then be synthesized into an overall strategic framework. Moreover, we are considering concrete measures for raising accountability and market responsiveness that may include an internal company system.

Together, our initiatives exemplify the Ajinomoto Way, which is our unique approach to qualitatively improving our competitiveness based on true value creation. Our overall objective is to deploy corporate resources ranging from technology and capital to marketing and people so that Ajinomoto can compete and succeed among the top tier of global corporations. By doing so, we intend to maintain leading positions in our chosen markets and generate solid value for shareholders and customers. We are counting on your continued support.

July 2001

Kunio Egashira

Kunio Egashira
President

Maximizing Deployment of

Group Stren

Ajinomoto is improving consolidated selectivity, concentration and expansi efficiency, raise competitiveness and changing markets.

During fiscal 2000, Ajinomoto made several moves to build critical mass in high-potential business areas and counter increasingly stiff competition.

Consolidation Building Critical Mass

Ajinomoto Frozen Foods Co., Inc. was created in October 2000 by consolidating several departments and sales organizations and affiliate Ajinomoto Fresh Foods Co., Ltd. into a new company. Core initiatives include integrating technology, production and marketing to lower costs and speed decision making, and increasing the use of part-time workers to lower personnel costs. Moreover, Ajinomoto Frozen Foods will increase its focus on generating sales growth in the institutional and food service market.

Ajinomoto Frozen Foods U.S.A., Inc., established in June 2000 following the purchase of GranPac Foods, Inc., is not only Ajinomoto's first U.S. manufacturing plant dedicated to the retail food business, but is also strengthening Ajinomoto's domestic frozen food business. The new company, together with other frozen food plants in China and Thailand, allows Ajinomoto to make the most of geographical advantages to procure low-cost materials and develop products for export to Japan.

Oil operations were consolidated into Ajinomoto Oil Mills Co., Inc. in April 2001. This move is expected to enhance competitiveness in the challenging edible oil market, while engendering the accountability of an independent company. The new company is increasing R&D staff as part of its drive to improve production and strengthen marketing through product development.

Seasonings and processed foods remain parent company divisions, and are also undergoing restructuring for enhanced performance. Moves include the integration of R&D, production and marketing for greater responsiveness and a reorganization along product lines with a focus on three main groups: seasonings; soup and mayonnaise; and retort pouch products such as the *Cook Do* line.

Marketing is a top priority for frozen foods.

NEW COMPANIES SUPPORT MARKET FOCUS AND ACCOUNTABILITY

The creation of discrete companies in the frozen food and edible oils businesses is expected to result in increased market focus and enhanced accountability for performance. Transforming these operations into separate companies will clarify responsibilities and improve lines of communication among R&D, production and sales, in turn heightening market responsiveness. As a representative result, Ajinomoto Frozen Foods Co., Inc. has increased its emphasis on the institutional market as a means of generating profitable sales growth. Another benefit for the new companies is a clearer awareness of competitors and relative strengths.

Operations management at the Production Center

The concentration of edible oil production at Ajinomoto Oil Mills Co., Inc. will enhance competitiveness by supporting improved manufacturing productivity.

gths

Group management through on to maximize asset stay at the forefront of

In the sweetener business, Ajinomoto acquired joint-venture partner Monsanto Company's 50 percent stake in two European subsidiaries in a May 2000 transaction valued at US$67 million.

Improved internal efficiency and market responsiveness was the rationale behind the April 2000 consolidation of logistics operations into AJINOMOTO LOGISTICS CORPORATION. Similarly, in October 2000 Ajinomoto consolidated its packaging divisions to enhance efficiency and cost competitiveness.

▶ Consolidated Management System Supports Performance

A key step in maximizing deployment of Group strengths is Ajinomoto's drive to implement a management system covering all consolidated companies. The system, which went into effect in April 2000, will support improved cash flow through better earnings management and asset allocation, and by clarifying the relationship between earnings and capital deployed.

In January 2001, Ajinomoto's accounting divisions were consolidated into the Accounting Service Center, which was established in Kawasaki. In addition to raising efficiency, the move is aimed at strengthening accounting through the accumulated specialized expertise and experience of the staff and offering more complete data for each internal division. Future plans include offering accounting services for Group companies as a Shared Service Center that will ultimately become an independent profit center.

▶ Move Toward Performance-Based Compensation

With new management control systems in place, Ajinomoto is now prepared to begin implementing a performance-based compensation system for directors and employees. This system will allow for consistent evaluation of performance at the corporate, division and personal levels. For directors, performance will be evaluated on consistent numerical metrics gauging business performance and function.

▶ Unified Treasury Management Enhances Financial Strengths

Treasury management is another area in which Ajinomoto has moved to unify Group functions for greater efficiency and clarity. Ajinomoto Treasury Management Inc. was established in July 2000, and assumed control over the treasury operations, totaling approximately ¥50 billion in capital, of 17 domestic consolidated subsidiaries and the parent company. Newly created companies such as Ajinomoto Frozen Foods and Ajinomoto Pharma Co., Ltd. have unique capital needs, and the cash management system has unified fundraising while making best use of the parent company's financial strength in support of subsidiaries. Ajinomoto Treasury Management is focusing on internal loans and cash pooling, and the Company will extend its scope to include foreign exchange control. A new global treasury management system, scheduled for implementation in stages starting from 2001, will serve as a foundation for efficient cash and liquidity management and improved financial risk management worldwide.

Ajinomoto Euro-Aspartame S.A.

POWER PLAYER IN THE GLOBAL SWEETENER BUSINESS

With the acquisition of 100 percent ownership of two European sweetener subsidiaries formerly operated as joint ventures, Ajinomoto has created a unified European presence and significantly strengthened its position to be one of the largest suppliers in the 120-country-strong global market for aspartame. Additional benefits include the extension of Ajinomoto's aspartame production network to include both Japan and Europe, and the creation of a direct sales and marketing organization that can grow sales and market share in the large European market. This initiative also enables a global sweetener business service and support system, an important factor in building relationships with multinational commercial customers.

Building on
Solid Brand

Ajinomoto is further strengthening identity through an integrated series

***HON-DASHI*: THE TRUE TASTE OF JAPAN**

No Japanese would be without the seasonings required for such beloved traditional foods as *miso* soup, making this segment an area of stable demand. The *Hon-Dashi* line of seasoning mixes, created by melding Ajinomoto's expertise in glutamic acid and the science of flavor, is a powerful brand that has become synonymous with the unique flavor of Japanese foods. A leading brand in Japan for over 30 years, *Hon-Dashi*'s powerful market position is a result of enthusiastic support among Japanese consumers because the rich flavor these seasonings provide is the perfect complement to the dishes the Japanese enjoy most.

Innovative advertising strategies in Indonesia help Ajinomoto cost effectively reach a broad audience in key urban markets.

Ajinomoto has consistently been named one of the top 10 most powerful brands in Japan in a survey conducted annually by a prestigious Japanese daily newspaper. While gratified by this recognition of Ajinomoto's trusted public profile, the Company is conducting a concerted effort to raise its corporate brand equity further, both in Japan and abroad.

Powerful, Unified Corporate Brand

Ajinomoto's many businesses and multitude of brands pose challenges in creating a powerful, unified corporate brand. Ajinomoto has therefore created the Brand Committee, an interdisciplinary organization of senior executives, to coordinate and unify brand building initiatives. Efforts to strengthen the Ajinomoto brand at the corporate level dovetail well with management programs to enhance consolidated management, as the Brand Committee draws on expertise from throughout the Ajinomoto Group and provides advice and direction to all Group companies as well. The result is effective brand building inside the Ajinomoto Group to strengthen cohesion and identity.

A successful initial project of the Committee was the launch in April 1999 of a new corporate logo and slogan representing Ajinomoto's new concept, supported by a manual and other guidelines for creating a consistent brand image among Group companies. In July 1999, the logo was implemented on all packages and integrated with television advertising campaigns, followed by its addition to corporate advertising campaigns in October 1999. During 2000, corporate advertising campaigns centered on the creation of a new image of Ajinomoto as a company that contributes to food and health, using amino acids as the theme. The tag line "The source of good taste is also the source of life" underscored Ajinomoto's commitment to quality and reliability.

Equity

its powerful corporate brand of initiatives.

Consistent promotional support has helped Ajinomoto successfully expand its product lineup in Thailand.

AJI-NO-MOTO is a leading brand in the Philippines and elsewhere in Southeast Asia because of its quality and well-established mindshare.

Global Brand Building

The Committee's activities have become a key driver of global brand building, and globally consistent guidelines for brand treatment are now being established from the corporate to the individual product level. Moreover, the Committee is working to raise brand value by overseeing the implementation of the Ajinomoto brand and name at all subsidiaries.

Outside the activities of the Brand Committee, another major project now underway is the effort to make branded packaging consistent in various countries and regions worldwide. The flavor enhancer *AJI-NO-MOTO* (*umami* seasoning) is a key focus at present because it is one of Ajinomoto's most global brands, and activities are focused on unifying package design and setting basic quality standards.

Core themes have been formulated for brand building, with technology and creativity chief among them. Safety and reliability are other primary image drivers, and all are being employed in working to create a favorable experience among customers using Ajinomoto products. These considerations are not simply an advertising issue. Product development and manufacturing operations are also involved in creating a sound customer experience and the expression of Ajinomoto's unique identity.

Embarking on New Initiatives

Looking forward, brand formation at the corporate level will increasingly have to transcend company lines and national borders. Initiatives include ensuring unity and consistency among all communication activities, and the creation of consumer brands that live up to customer expectations. During the first half of fiscal 2001, Ajinomoto will further delineate brand responsibility and set new initiatives. Another focus will be creating a unified communications plan for facilitating brand penetration among constituents including the corporate sector and investors. Preparations are slated for reflecting the creation of an internal company system in brand treatment, and intra-Group brand education activities will be implemented.

AJI-NO-MOTO in Vietnam ...

...in Thailand...

...and in Peru

THE BASIS FOR GLOBAL BRANDS

Over more than eight decades of operating outside Japan, Ajinomoto has built strong brands serving both the household and commercial markets. The flavor enhancer *AJI-NO-MOTO* (*umami* seasoning) has a powerful franchise worldwide, and the Company has also created a number of growing brands internationally in foods and seasonings. Moreover, Ajinomoto has significant shares of the global markets for products including feed-use lysine and pharmaceutical-use amino acids. In today's highly competitive global economy, we are emphasizing brands that we can profitably grow in markets worldwide because they are innovative and demonstrate Ajinomoto's unique technological capabilities. These include our aspartame brands, which have emerged as solid global products.

Global

Cost Compe

Ajinomoto is reducing costs to gene in global markets.

Plant managers from around the world meet to discuss cost reduction measures.

WIN PLAN COST CUTS AHEAD OF SCHEDULE

The WIN Plan has the objective of achieving annual cost reductions totaling US$70 million compared to fiscal 1998 by the end of March 2002. For fiscal 2000, ended March 2001, Ajinomoto achieved annual cost reductions totaling US$83 million, well above target. During fiscal 2001, Ajinomoto will build on this momentum to further strengthen its ability to compete profitably on a global scale, particularly in its core businesses.

To meet rising demand in Europe for feed-use threonine, AJINOMOTO EUROLYSINE plans to double its production capacity by the end of 2002.

As a global supplier of a broad array of products, Ajinomoto is moving to ensure world-leading cost competitiveness in support of profitable growth. The comprehensive World Number 1 Network (WIN) Plan entails making the best use of Ajinomoto's technological capabilities and selecting optimal locations for its international network of production facilities. These moves will reduce costs throughout the entire supply chain through emphasis on continuous cost improvement at every stage of operations, from raw materials to selling expenses and product delivery.

Multiple Benefits of WIN Plan

Ajinomoto's WIN Plan primarily emphasizes the creation of new processes and work flows that reduce costs, and greater efficiency in capital investment. Specific achievements under the WIN Plan include improvement of fermentation strains for greater efficiency, simplified refining work flow and reduced facilities development expenses.

In addition, success in creating global procurement that concentrates purchasing wherever the cost advantages are greatest has also been one of the most positive benefits of the WIN Plan. As part of the plan, Ajinomoto has created a global procurement database for ingredients and materials. The International Production & Technology Center, which provides technical support to plants outside Japan, also serves as a clearinghouse for information to support streamlined, lower-cost procurement of equipment and facilities. Other results include successes in areas such as revising purchasing methods and locating new sources of raw materials and manufactured goods.

Solid Productivity Gains

A core initiative is further improvement in Ajinomoto's high levels of manufacturing productivity, while concurrently lowering fixed costs in areas such as personnel and logistics

titiveness

rate strong competitiveness

to allow Ajinomoto to benefit from the consequent increase in unit profitability. Ajinomoto is emphasizing cost reduction for high-volume products including monosodium glutamate, lysine, other amino acids and nucleic acids. In these areas, even a proportionally small reduction in cost can generate large absolute savings because it is leveraged over a large production volume.

The WIN Plan is yielding solid results in achieving these objectives. Ajinomoto has substantially reduced production costs for lysine and threonine under the WIN Plan, and a new threonine plant scheduled for completion during 2002 at Ajinomoto Heartland, Inc. in the United States will contribute to further gains in competitiveness in this product segment. Moreover, diverse operations such as Ajinomoto's presence in Thailand, where a large variety of different products are manufactured, have been able to significantly reduce costs through the WIN Plan because of concentrated purchasing and heightened global access to cost-efficient resources.

Reducing the cost of amino acids and nucleic acids offers clear benefits in other areas such as food products and seasonings, where they are used as ingredients. In addition, making use of Ajinomoto's network to increase economies of scale in purchasing packaging materials for domestic food products has contributed significantly to cost competitiveness.

▶ Improvements in Production Technology

Industrial engineering carried out at the Technology & Engineering Center is another technique that Ajinomoto uses to create the most appropriate, cost-efficient technologies. One result has been the Ajinomoto Flexible Production System, which is primarily employed in the food, seasonings and pharmaceuticals businesses. This system is designed to support the flexible allocation of production resources while maintaining the highest levels of quality. This flexibility strengthens responsiveness to demand trends while also contributing to fixed cost reductions. Also, the Ajinomoto Production System has been developed to promote just-in-time manufacturing that reduces inventory costs, and Ajinomoto has made solid progress in using information technologies in ways such as raising the efficiency and flexibility of plant control.

The WIN Plan also harnesses Ajinomoto's strengths in research and technology development to greater cost efficiency. Ajinomoto's increasingly global organization is better positioned to remain at the leading edge of industrial and technological developments. To complement the world-class fermentation and related technologies that form the core of Ajinomoto's production technology, joint research with Russia's Genetika Research Laboratory into fermentation microbiology is expected to lead to innovative technologies in the near future. Regional Technology Centers help ensure that such innovations in production technology are rapidly incorporated into operations worldwide to raise efficiency and productivity.

REGIONAL TECHNOLOGY CENTERS SPUR TECHNOLOGY DIFFUSION

The establishment of Regional Technology Centers (RTCs) under the integrated control of the International Production & Technology Center is making a significant contribution to progress in raising global cost competitiveness. Based on their core function of maintaining stable production at plants, RTCs also facilitate the transfer and implementation of production technologies, thus contributing to higher productivity and lower unit costs by reducing the time between technological development in Japan and deployment to meet market demands. RTCs also provide training for engineers to raise in-market capabilities, while providing technical personnel with opportunities for broader global management roles. In addition, each RTC serves as a technology information collection center that helps keep Ajinomoto in touch with global technology development trends and emerging market needs. RTCs also help Ajinomoto raise efficiency in developing products that match the requirements and sensibilities of particular markets.

Thai Technology and Engineering Center

Optimum

R&D Structu

Ajinomoto is structuring R&D to max and ensure progress in high-growth

NEW NUTRITIONAL RESEARCH ORGANIZATION

In April 2000, Ajinomoto established the Nutritional Health Science Research Project Department. The staff of 20 researchers has a mandate to focus on developing functional foods for the global market, discovering new functions for amino acids and natural ingredients, and contributing to health and longer lives. In the short period since the start of research, the Project Department has achieved successes in areas such as investigation of the role of amino acids in maintaining liver functions and animal-based research into the mechanisms that cause diabetes and obesity. A new experimentation facility is currently under construction.

Joint research with Russia's Genetika Research Laboratory has outstanding potential to contribute to Ajinomoto's manufacturing efficiency and product development.

Clarity is essential to rapid progress in R&D and to generating strong returns on R&D investment. Having created a more efficient five-laboratory research structure, Ajinomoto has determined nine Company-wide themes with timetables, and conducts regular progress reviews. During fiscal 2000, advances in nearly all themes proceeded according to schedule.

Progress in Fiscal 2000

Each of Ajinomoto's five primary research organizations made substantial progress in their chosen areas of study during the past fiscal year. At the Central Research Laboratories, the center for corporate-level research at Ajinomoto, the creation of a strong scientific basis for confirming the safety of amino acids over a full range of quantities and usage conditions was a priority. As a global leader in amino acids, Ajinomoto used the Central Research Laboratories to confirm safety according to global standards. Another key theme was the use of magnetic resonance imaging (MRI) to determine the functions of glutamic acid and how it transmits taste-related sensory information.

At the Pharmaceutical Research Laboratories, clinical trials in the U.K. and U.S. of antiplatelet drug AT1015 proceeded on schedule. The AminoScience Laboratories worked with Ajinomoto Fine-Techno Co., Inc. in developing new electronic materials for use in processors and mobile phone technology, while the Food Research & Development Laboratories emphasized investigation of the link between sterol in beans and cholesterol reduction. Work at the Fermentation & Biotechnology Laboratories included the construction of a new production process for nucleic acids that uses a combination of recent technologies.

re

imize returns on investment fields.

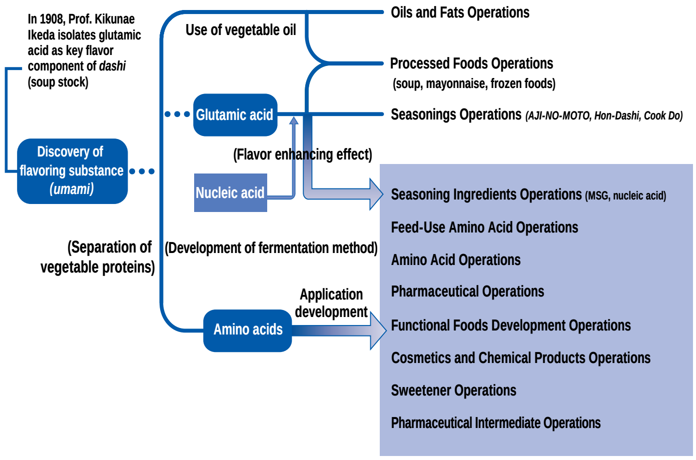
▶ New Approaches in a New Market

Functional foods and clinical nutrition are fields with solid growth potential. Ajinomoto approaches functional foods not as medical cures, but as part of a balanced diet, helping to give the body what it requires to stay healthy. A key theme is changes in the body over the life cycle. The Japanese have the longest life span in the world in large part because of their diet, and so Ajinomoto is studying the physiology of nutrition by investigating the interactions of food materials to find ways to contribute to good health. Progress is apparent in determining amino-acid-related approaches to maintaining a healthy liver, and in investigating the metabolism and food materials related to diabetes and obesity. Having uncovered promising new mechanisms, Ajinomoto is now collecting data and testing hypotheses.

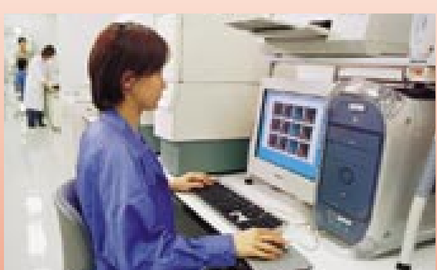
▶ Collaboration to Take On New Challenges

Management strategy revolves around Ajinomoto as an R&D-based company because R&D is a powerful platform for adding value. While devoting resources to developing original Ajinomoto technologies, the Company is also pursuing a strategy of mutually beneficial alliances to raise the speed and cost efficiency of R&D.

Business Expansion Based on Amino Acids and Nucleic Acids



Ajinomoto's pharmaceutical alliances include a license agreement with Novartis Pharma AG of Switzerland covering the diabetes drug nateglinide. During fiscal 2000, Ajinomoto also began collaborating with a major global enzyme manufacturer in the field of enzyme applications. Another area of focus is genomic research to find new fermentation and pharmaceutical technologies. Ajinomoto plans to continue to enlarge its research network through alliances with numerous outside institutes and companies.



Pharmaceutical Research Laboratories
in Kawasaki, Japan

BUILDING THE NEXT STAGE IN GENOMIC RESEARCH

Genomic research is one of the core research themes at Ajinomoto, with activities spanning the field. Primary themes include the use of genomic data in drug synthesis, applications for functional foods, and fermentation production technology. The number of researchers now working on genome-related projects has been doubled to 40. Research to date has focused on unlocking the genetic code, but future activities will shift from DNA toward analysis of the practical applications of the functions of proteins, a new concept in genomic research.

Meaningful
Corporate Citizenship

Ajinomoto's global commitment to social responsibility activities and environmental preservation supports the communities that support the Company.

Social Responsibility Activities

Ajinomoto contributes to communities through global efforts to assist developing countries with food, nutrition and health programs, as well as meeting unique regional needs and supporting employee participation in volunteer activities.

Ajinomoto's employees' union funded the construction of the first elementary school in the village of Wat An, Cambodia, which was completed in 1999. Following an expansion in April 2000, Ajinomoto has been working with the union to support construction of a library and provide donations of books and other library materials annually until 2004.

In the Philippines, Ajinomoto provides joint support with the Japanese Organization for International Cooperation in Family Planning (JOICFP) for a three-year program being conducted by Batangas Province to raise the quality of life by working at the household level to improve reproductive health and nutritional status. The Company's foundations in Thailand, Indonesia and Brazil conduct a variety of activities that contribute to society, and in Peru, Ajinomoto contributes to the construction of elementary schools.

In Japan, since 1975 Ajinomoto has been cooperating with the Future Homemakers of Japan (FHJ) in sponsoring the FHJ-Ajinomoto Home Project Contest for essays covering culture- and diet-related themes. The Ajinomoto Foundation for Dietary Culture, established in 1989, also manages the Dietary Culture Library, which supports research and disseminates a broad array of dietary information. Ajinomoto also supports a service that delivers meals to seniors.

Environmental Preservation and Quality Control

Ajinomoto's domestic plants have raised their recycling ratio to 82 percent by turning waste into fertilizer or reclaiming the energy generated by incineration, and achieved a ratio of 91 percent in working toward zero emissions. Both these percentages exceeded Ajinomoto's targets for 2001 ahead of schedule. In addition, the Company evaluates the environmental impact of each stage from product development to consumption.

The Company's Eco Index provides benchmarks for evaluating the environmental impact of packaging and containers and determining ways to reduce resource use and facilitate recycling. Results from the implementation of the Eco Index include the introduction of refillable containers and standing pouch packages that eliminate outer packaging. Ajinomoto has also switched from aluminum-lined fiber drums with steel rims to all-fiber drums for shipping amino acids and has terminated its use of chlorinated packaging. These and other accomplishments are detailed in the Company's first Environmental Report, which was published in 2000. Preparations are also underway to introduce environmental accounting. To date, three of Ajinomoto's domestic plants have obtained ISO 14001 certification of their environmental management systems and the Company has set a target of certification for all of its 68 business sites worldwide by 2005.

In addition to environmental measures, quality assurance (QA) must be conducted on a global level for Ajinomoto to be a truly superior global company. Food, pharmaceuticals and amino acid operations now hold QA meetings together at the highest management level, and efforts in 2001 will focus on taking the unique features of each business into account to ensure optimum QA. Other initiatives include the implementation of Good Research Practices by pharmaceutical operations to support the creation of safe products through the collection of sound data.

As part of its global commitment to community service, Ajinomoto donated a library to Wat An elementary school in Cambodia.

Ajinomoto's first Environmental Report, published in 2000.

Ajinomoto at a Glance

FOOD PRODUCTS

	OVERVIEW	STRENGTHS
SEASONINGS	Ajinomoto's 92-year presence in seasonings began with *AJI-NO-MOTO*, and now encompasses basic seasonings, Japanese seasonings and liquid seasoning mixes in retort pouches. With brands known for safety and reliability, Ajinomoto proactively responds to emerging needs through product development, and continues its emphasis on commercial segments.	The leading brand in the categories of *umami* seasonings, Japanese seasonings, and Chinese seasonings. Strong in the commercial market. Solidifying leadership in the liquid Japanese seasoning category.
EDIBLE OILS	With a background of prominence in premium oils for the domestic household market, Ajinomoto is also building its lineup of lighter, healthier oils. Innovative standing pouches and refillable bottles exemplify Ajinomoto's commitment to environmental protection. Product development has supported successful response to commercial-use market changes.	Strong brand recognition in premium household oils. Solid product development capabilities. Emphasis on health and environmental friendliness. Known for quality and functionality in commercial segments.
PROCESSED FOODS	Core processed food products include soups and mayonnaise. The *Knorr* brand has been a consumer favorite for 38 years and leads the Japanese soup market. The popular *Pure Select Mayonnaise* has been complemented by the healthy, reduced calorie *Pure Select Half*. In the commercial market, Ajinomoto supplies soups, mayonnaise and high-quality sauces.	Soup market leadership. Potent brands in diverse segments give solid market coverage. Strong presence in both household and commercial markets.
FROZEN FOODS	Ajinomoto Frozen Foods Co., Inc., created in October 2000 through consolidation of Ajinomoto Fresh Foods Co., Ltd. with frozen food-related divisions, encompasses product development, production and marketing. Plans for growth focus on offering a variety of proposals to consumers in the household market and accurately meeting the needs of each industry in the commercial market.	Highly focused frozen food operations supporting segment expansion. Top brand for gratin, pilaf and Chinese dishes such as dumplings in household market, and vegetable dishes in commercial market. Rationalized distribution costs support improved price formation.
BEVERAGES AND DAIRY PRODUCTS	Joint venture Ajinomoto General Foods, Inc. (AGF) operates the coffee segment, offering a diverse lineup of brands, including *Blendy* and *Maxim*, in an expanding market. In the beverage segment, the broad array of unique products offered by Calpis Co., Ltd. include *CALPIS*, a lactose-based drink that is still popular after more than 80 years, and *CALPIS Water*. Dairy product operations, handled by Calpis Ajinomoto Danone Co., Ltd., provide popular yogurt products.	Unique *CALPIS* brand enjoys broad consumer support. Demonstrated effectiveness in developing popular new *CALPIS* products. Global business alliances allow Ajinomoto to offer powerful brands, with access to superior technologies and product development capabilities. Joint ventures have enabled rapid, cost-efficient expansion in coffee and yogurt.
INTERNATIONAL OPERATIONS	Ajinomoto has been active in food markets internationally since opening its first overseas office in 1917. *AJI-NO-MOTO* is now sold in more than 100 countries and has the number one share of the global monosodium glutamate market. Ajinomoto tailors product development to specific market tastes, and has developed solid positions in the seasoning and seasoning mix markets in Thailand, Indonesia and Brazil. Ajinomoto has also been steadily raising sales of instant noodles in Brazil and Thailand; frozen foods in North America; beverages in Thailand and Indonesia; and processed foods in six southeast Asian countries.	Powerful brand identity in the global monosodium glutamate market. Broad international experience and skill in localizing management and product development. Reputation for quality and product safety.

FINE CHEMICALS

	OVERVIEW	STRENGTHS
AMINOSCIENCE	Focusing on amino acid-based products, the AminoScience business helps realize Ajinomoto's fundamental philosophy of contributing to better food, health and lifestyles. The business comprises the fields of amino acids, specialty chemicals, sweeteners, pharmaceutical intermediates and functional nutritional products. In each category, Ajinomoto holds a position of market leadership, and emphasizes quality, reliability and expertise in their use. Using a highly advanced technology portfolio to develop innovative new products is another core management theme.	Original technology and cost competitiveness. *Amino Acids:* Ability to provide a stable supply of high-quality amino acids and diversified technology for their use. *Specialty Chemicals:* Cosmetic and Toiletry Ingredients: Materials that are highly friendly to both human skin and the environment; excellent product reputation. Electrochemicals: World's first film-type insulation material. *Sweeteners:* Two aspartame production bases, in Japan and Europe; global cost competitiveness. *Pharmaceutical Intermediates:* Core technologies combining chemical technology and biotechnology; multipurpose facilities with full GMP compliance. *Functional Nutritional Foods:* Product development with a firm scientific base.
PHARMACEUTICALS	Ajinomoto focuses on infusions, clinical nutrition, gastrointestinal disease, diabetes and cardiovascular disease. Its R&D network, based in Japan, the United States and Europe, works to create breakthrough drugs for worldwide use. In the clinical nutrition and gastrointestinal fields, Ajinomoto supports "total nutrition care," and has gained a high market share for products that employ amino acid technology.	Expertise in employing amino acid technology. Tripolar network supports global development. Solid alliances with global pharmaceutical leaders. Growing pipeline of innovative products.
FEED-USE AMINO ACIDS	Since entering the feed-use amino acid business in 1965, Ajinomoto has become an industry leader with an international production and supply network. Ajinomoto has a share of 35 percent of the global market for feed-use lysine and more than 60 percent of the rapidly growing market for feed-use threonine. Ajinomoto is now developing the market for tryptophan, the third feed-use amino acid product, and has already gained a market share of more than 50 percent.	The most advanced research in amino acid fermentation. A pioneer and the leader in developing new markets. Six manufacturing plants worldwide, strategically located close to markets and raw materials. Well-spread sales network connected with IT systems.

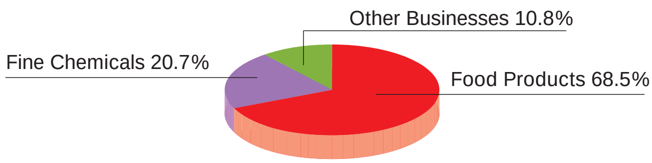
Review of Operations

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

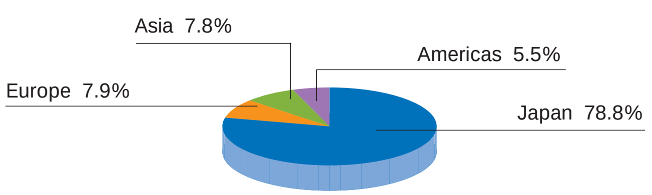
	Millions of Yen		Thousands of U.S. Dollars	Percent Change
	2001	2000	**2001**	**2001**/2000
Business Segments				
Net Sales				
Food Products	**¥622,001**	¥598,841	**$5,016,137**	3.9%
Fine Chemicals	**188,421**	134,573	**1,519,524**	40.0
Other Businesses	**98,106**	96,006	**791,177**	2.2
Operating Income				
Food Products	**¥ 23,629**	¥ 23,913	**$ 190,556**	(1.2)%
Fine Chemicals	**10,998**	5,010	**88,694**	119.5
Other Businesses	**3,405**	4,128	**27,460**	(17.5)
Eliminations	**(227)**	(1)	**(1,831)**	N.A.
Geographical Segments				
Net Sales				
Japan	**¥716,294**	¥688,276	**$5,776,565**	4.1%
Asia	**70,527**	60,136	**568,766**	17.3
Americas	**50,224**	35,490	**405,032**	41.5
Europe	**71,482**	45,518	**576,468**	57.0
Operating Income				
Japan	**¥ 25,096**	¥ 24,521	**$ 202,387**	2.3%
Asia	**8,822**	7,451	**71,145**	18.4
Americas	**1,252**	726	**10,097**	72.5
Europe	**2,634**	350	**21,242**	652.6

Note: U.S. dollar amounts represent translations of yen, for convenience only, at ¥124=US$1, the approximate rate prevailing on March 31, 2001.

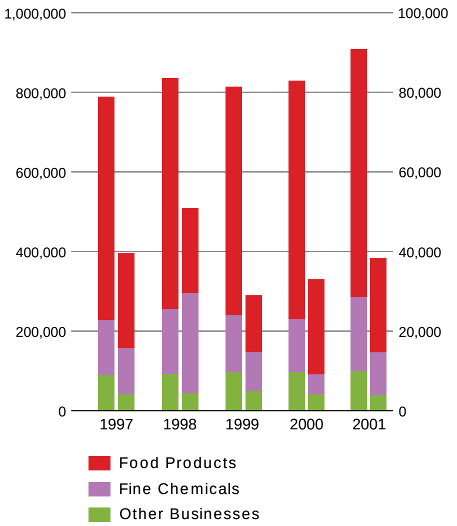
Composition of Net Sales by Business
(as of March 31, 2001)



Composition of Net Sales by Region
(as of March 31, 2001)



Net Sales (left)/Operating Income (right)
(Years ended March 31) (Millions of yen)



Food Products

Food Products sales increased 3.9 percent year-on-year to ¥622.0 billion, and operating income was essentially unchanged at ¥23.6 billion. Programs to improve group management, consolidate subsidiaries for greater efficiency and heighten responsiveness to market needs supported both sales and operating income.

MAIN PRODUCTS

- *AJI-NO-MOTO*
- *Umami Dashi Hi-Me*
- *Hon-Dashi Katsuodashi*
- *Hon-Dashi Katsuo Kiwami*
- *Hon-Dashi Udon Oden Dashi*
- *Cook Do* series
- *Chuka Aji*
- *Seto no Honjio*
- *Ajinomoto kk Marutori shiyo Garasoup*
- *Cook Do Oyster Sauce*
- *Cook Do Tobanjan*
- *Gohan Ga Susumu Kun*
- *Honzukuri Rishiri Konbudashi*
- *Honzukuri Yaizu Katsuodashi*

JAPAN

Ajinomoto generates growth in the Food Products business by providing products that offer consumers added value, with a focus on having the number one or solid number two brand in its chosen segments. Stronger consolidated operations and improved efficiency were key themes during fiscal 2000. Ajinomoto Frozen Foods Co., Inc. was created in October 2000 by consolidating several departments and sales organizations and affiliate Ajinomoto Fresh Foods Co., Ltd. into a new company. Oil operations were consolidated into Ajinomoto Oil Mills Co., Inc. in April 2001 to enhance competitiveness. In other foods including seasonings, initiatives included the integration of R&D, production and marketing and a reorganization along product lines with a focus on three main groups: seasonings; soup and mayonnaise; and retort pouch products.

SEASONINGS

Strategic Initiatives and Results

Sales in the household market increased during fiscal 2000. Highlights of the fiscal year included a campaign celebrating the thirtieth anniversary of the *Hon-Dashi* line of seasoning mixes, which contributed to improved performance in the Japanese market. Sales of the *Cook Do* and *Gohan Ga Susumu Kun* lines were firm, while the market for Chinese seasoning mixes expanded. In the three years since its introduction through the end of fiscal 2000, the *Gohan Ga Susumu Kun* brand has generated some ¥6.5 billion in retail sales, making it a bona fide hit product.

Sales rose in the commercial market, driven by more than 20 percent expansion in the liquid seasoning mix segment and by performance gains resulting from a renewal of the *Cook Do* line. In July 2000, Ajinomoto launched *Kakedare Kobo,* an easy-to-use seasoning that gives restaurants wide flexibility in menu development.

Outlook

During fiscal 2001, Ajinomoto will strengthen core brands including *Hon Dashi, Cook Do, AJI-NO-MOTO* and *Gohan Ga Susumu Kun,* while aggressively introducing products in new segments. In the commercial market, Ajinomoto plans to launch new seasoning products specifically designed to meet health care needs.

Fiscal 2000 Highlights

NEW CONCEPTS ADD APPEAL TO THE *COOK DO* LINE

Adding appeal to the *Cook Do* line, in January 2001 Ajinomoto introduced new packaging designs and new flavors and ingredients, such as *Chicken and Cashew Nuts* and *Harusame Oyster Stew*. We also launched a dessert, *Mango Pudding*. These new approaches are representative of our drive to further build the *Cook Do* line by adding interesting concepts that capture consumer interest.

EDIBLE OILS

Strategic Initiatives and Results

Ajinomoto countered downward pressure on prices by taking advantage of lower raw material prices, reducing costs and offering value added products. As a result, earnings grew substantially despite a decrease in sales.

In the household market, lower prices in the important salad oil segment impacted revenues, but growth in sales of premium products, such as canola oil, and the success of the *Kenko Sarara* line supported improved earnings. The commercial market was also affected by downward price pressure, but success in winning the business of high-volume institutional users of processed oils contributed to solid earnings growth.

Outlook

The creation of Ajinomoto Oil Mills Co., Inc. as an independent company in April 2001 and integration of R&D, production, marketing and sales is supporting stronger product development capabilities, management efficiency and cost competitiveness. Thus revitalized, oil operations aim to maintain a position of industry leadership.

MAIN PRODUCTS

- *Corn Oil*
- *Safflower Oil*
- *Pure Light Oil*
- *Kenko Sarara*
- *Canola Oil* (standing pouch)
- *Salad Oil* (standing pouch)
- *Olive Oil*
- *Olive Oil Extra Virgin*
- *Gomaaburazukino Goma Abura* (sesame oil)

PROCESSED FOODS

Strategic Initiatives and Results

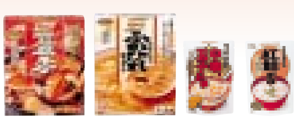
Building on brand equity and the core product values of good taste and nutrition, Ajinomoto is launching new products and renewing existing lines with the goal of building number one brands in each category. Products cover a variety of segments, such as *Knorr Cup Soup* in the breakfast market, the *Knorr Hokkaido Potage* series in the premium market and *Soup Do* in the instant market. Ajinomoto is emphasizing healthiness and outstanding quality to differentiate mayonnaise products. An emphasis on responsiveness and the creation of effective product delivery systems has supported commercial market penetration.

Outlook

During fiscal 2001, Ajinomoto will continue developing products that create new markets, while further strengthening brand identity. Product quality will remain a primary initiative to ensure that Ajinomoto retains customer loyalty.

MAIN PRODUCTS

- *Knorr Cup Soup*
- *Knorr Hokkaido Potage* series
- *Knorr Funwari Tamago Soup*
- *Knorr Soup Do*
- *Knorr Ebi Wonton Soup*
- *Knorr Gudakusan Chuka Soup*
- *Ajinomoto kk Consomme*
- *Pure Select Mayonnaise*
- *Pure Select Half*
- *Pure Select Benibana Mayonnaise*
- *Pure Select Nanohanayu Calorie 70% Cut*
- *Pasta Do*
- *Chanto Gohan Okayu*
- *Kellogg's Corn Flakes*
- *Kellogg's Bran Flakes*



Fiscal 2000 Highlights

***PURE LIGHT OIL* GOES COMMERCIAL**

Ajinomoto's *Pure Light Oil* pioneered the consumer market for light, smooth oils with little or no odor. We are now expanding this brand equity into new areas by extending this product concept to the commercial market.

FROZEN FOODS

Strategic Initiatives and Results

Ajinomoto Fresh Foods Co., Ltd. was consolidated with the Company's frozen food-related divisions in October 2000 to create Ajinomoto Frozen Foods Co., Inc., a full-function company that integrates all stages of frozen foods operations from development to production and marketing. During the fiscal year, the Company posted double-digit growth for dumplings, a core product line with a 29-year history. Other core products, primarily Chinese-style shrimp and fried chicken dishes, also performed well. *Hot! 1* promotional campaigns supported this brand's performance. In the commercial market, dumplings led an overall expansion in sales.

Outlook

Introductions starting in spring 2001 will focus on offering consumers new product alternatives, centering on extensions to the *Gohan Ga Areba* and *Yakiniku-ni Mouippin* lines, to expand use by households. Innovative proposals for customers will include a cross-merchandising campaign combining Ajinomoto dumplings and *Kirin Ichiban Shibori* beer at supermarkets nationwide. Efforts to precisely determine developing needs in each relevant industry will also support sales growth in the commercial market.

MAIN PRODUCTS

- *Hot! 1*
- *Obentou-ni Mouippin*
- *Gohan Ga Areba*
- *Yakiniku-ni Mouippin*
- *Mother Select*
- *Yasaioendan* series

BEVERAGES AND DAIRY PRODUCTS

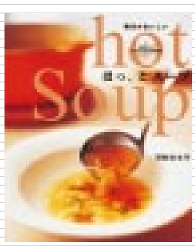
Strategic Initiatives and Results

CALPIS products enjoy widespread customer support because they are delicious, healthy, reliable and economical. Calpis Co., Ltd. built this brand during fiscal 2000 with the introduction of products including *CALPIS Fruit,* while expanding into new markets with a commercial-use *CALPIS* product. *CALPIS Water* underwent design refinements to emphasize its improved flavor, which supported strong sales growth. Other themes included the introduction of functional and healthy *CALPIS* products. At Ajinomoto General Foods, Inc., sales of *Blendy were* strong, in tandem with the stable growth of the coffee market. The hot summer supported an expanded lineup of products in plastic bottles, with coffee drinks as a primary driving force. However, sales growth in the coffee, oolong tea and mineral water segments was offset by contraction in the gift market. Among dairy products, yogurt products performed well, with the introduction of a new lineup of *Fruit Selection* products and growth in sales of *Danone Yogurt.* Cheese products also posted a year-on-year increase in sales.

MAIN PRODUCTS

- *Blendy*
- *Maxim*
- *Blendy Hikitate Café*
- *CALPIS*
- *CALPIS Water*
- *CALPIS Cultured Milk AMEAL S*
- *Evian*
- *Welch's*
- *Petite Danone*
- *Baby Danone*
- *Danone Yogurt*
- *Fruit Selection*
- *CALPIS Kids*

Fiscal 2000 Highlights



SUPPORT FOR SOUP SEGMENT LEADERSHIP

Aggressive promotional campaigns supported Ajinomoto's drive to maintain top brand status in the soup segment. A television ad campaign featuring the popular young actress Rina Uchiyama promoted the fundamental goodness of *Knorr Cup Soup*, while good taste and nutrition were the themes of a television ad campaign for *Ajinomoto kk Consomme*. Ajinomoto also sponsored a special edition of popular culinary magazine *Lettuce Club* that explored soup.

Outlook

Continuing efforts to build the brand equity of *CALPIS* will entail vigorous marketing, promotion and advertising, as well as introductions of new seasonal flavors for *CALPIS Fruit* and an extension of the basic *CALPIS* line. Marketing for *Evian* will concentrate on increasing sales by building a unique position as a premium mineral water. In the rapidly expanding unsweetened tea category, Ajinomoto will launch a new brand that stresses health benefits to clearly differentiate it from the competition. The coffee business will continue to strengthen and build core brands *Blendy* and *Maxim*. Future product development will focus on more environmentally friendly products and sizes that reflect trends toward smaller households and individual portions.

MAIN PRODUCTS

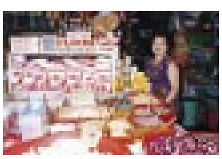
- *AJI-NO-MOTO*
- *Ros Dee* (Thailand)
- *Sazon* (Brazil)
- *Masako* (Indonesia)
- *Birdy* (Thailand)

INTERNATIONAL OPERATIONS

ASIA

Ajinomoto emphasizes retail markets in Asia, the region that accounts for the majority of Ajinomoto's retail sales outside Japan. Since the start of sales of *AJI-NO-MOTO* seasoning in Asia 90 years ago, the Company has developed a marketing and production network that covers Thailand, the Philippines, Malaysia, Indonesia, Vietnam and China. *AJI-NO-MOTO* is the top brand in its category in most of the countries.

Furthermore, Ajinomoto has been building other product categories into popular brands. Mixed seasonings *Ros Dee* (Thailand), *Masako* (Indonesia) and *Ajinomoto Ginisa Flavor Mix* (the Philippines) all posted sales growth. New product introductions included extensions to the *Yum Yum* instant noodle line in Thailand, as well as additions to *Birdy* coffee drink and *Calpico* beverage, which are manufactured and marketed in Thailand and Indonesia. Joint ventures with Bestfoods supported sales growth for processed foods. The overall steady expansion of the retail business in Asia during fiscal 2000 is expected to continue in fiscal 2001.



THE AMERICAS

Ajinomoto's position in the North American frozen food retail market has been expanding steadily. The creation during fiscal 2000 of Ajinomoto Frozen Foods U.S.A., Inc. from an acquisition has bolstered U.S. operations. In South America, Ajinomoto has been introducing new household seasonings, and is building solid market positions in instant noodles, processed foods and low-calorie sweeteners.

EUROPE AND AFRICA

Ajinomoto is focusing marketing on East and Central Europe in tandem with the scheduled expansion of the European Union to this region. In Africa, Ajinomoto is expanding its sales of seasoning in several West African countries. Sales growth of *AJI-NO-MOTO* has been particularly strong in Nigeria, where repacking operations also contribute to the local community.

Fiscal 2000 Highlights

OPERATIONS IN THAILAND POSITIONED TO GROW

Ajinomoto Co., (Thailand) Ltd. celebrated its fortieth anniversary in fiscal 2000. Over the past four decades, it has built strong positions in a variety of markets ranging from seasonings and processed foods to beverages. Moreover, the Thai Technology and Engineering Center, established in 2000, will provide the technological support required to build on a solid foundation and expand operations in both Thailand and Southeast Asia.

Fine Chemicals

Fine chemicals sales increased 40.0 percent year-on-year to ¥188.4 billion, and operating income increased 119.5 percent to ¥11.0 billion. Ajinomoto's strategic focus on strong niche products and global new drugs supported growth in pharmaceuticals, while market building efforts in the feed-use amino acid business led to solid results.

AMINOSCIENCE

Amino Acids

Worldwide measures to reduce healthcare costs and declines in the value of the Euro and U.S. dollar against the yen resulted in a year-on-year decrease in amino acid sales. During fiscal 2000, a new plant for pharmaceutical-use amino acids opened in Shanghai. Combined with an existing fermentation plant in Henan Province, Ajinomoto now has an integrated production system in China, and a tripolar production network that spans Japan, the United States and China. Objectives for fiscal 2001 include solidifying Ajinomoto's position as the world's leading amino acid manufacturer by providing a stable supply of high-quality amino acids and strengthening R&D.

MAIN PRODUCTS

- Amino Acids and Related Compounds
  - As active pharmaceutical ingredient
  - As food/food additive
  - For industrial applications

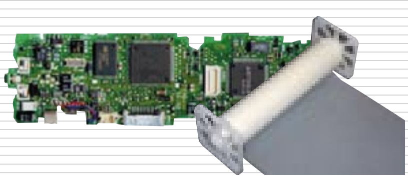
Specialty Chemicals

In response to growing concern about the environmental impact of cosmetic and toiletry ingredients, several large customers shifted to Ajinomoto's environmentally friendly amino acid-based products, which stimulated sales growth. A major project contributed to a substantial increase in sales of electrochemicals. Activities in fiscal 2001 will center on sales of cosmetic ingredients and electrochemicals and implementation of further cost reductions, while strengthening supply stability. Another area of focus will be accelerating technological development of future generations of electrochemicals.

MAIN PRODUCTS

- Cosmetic Ingredients
  - *Amisoft* and *Amilite* surfactants
  - *Ajidew* moisturizing agent
  - *CAE* and *Amisafe* conditioning agents
  - *Eldew* emollient
- *JINO* Series of Cosmetics
- Functional Chemicals
  - *Empara* and *Reofos* flame retardants
  - *Ajicure* resin curing agent
- Electrochemicals
  - *ABF* (Ajinomoto Build-Up Film) insulation film for build-up
  - Solder resist ink for TAB (Tape Automated Bonding)
- *DN-TP* Release Paper

Fiscal 2000 Highlights



RAPID GROWTH IN ELECTROCHEMICALS BUSINESS

***ABF* (Ajinomoto Build-Up Film), insulation film for build-up developed through Ajinomoto's original technology, has started coming into widespread use, and demand is expanding rapidly. Ajinomoto has applied for a patent for *ABF*, the world's first film-type insulation layer formation material, and considers it a product with excellent future potential.**

MAIN PRODUCTS

- Food Ingredient
  - Aspartame
- Table Top Sweeteners
  - *Pal Sweet*
  - *Pal Sweet Calorie Zero*
  - *Slim-Up Sugar*
  - *MID SUGAR*
  - *Slim Up*
- Powdered Juice
  - *Refresco MID*

Sweeteners

Sales of sweeteners increased during the fiscal year, primarily in the European and U.S. markets. In Europe, a manufacturing company and a sales company, formerly both 50:50 joint ventures with Monsanto Company of the United States, became wholly owned subsidiaries of Ajinomoto. Increased capital participation in a sweetener production base has strengthened the Company's proprietary sales network in Europe, the largest market for aspartame after the United States. It also enabled Ajinomoto to upgrade its global supply and service system. In 2001, as the only supplier with two major production bases and global service capabilities, Ajinomoto will be well positioned to offer customers outstanding flexibility in meeting their needs. Efforts will focus on strengthening cost competitiveness through comprehensive cost reduction programs to further solidify Ajinomoto's leadership in the global market, and development of new sweeteners.

MAIN PRODUCTS

- Pharmaceutical Intermediates
  - Amino acid derivatives
  - Nucleic acid derivatives
  - Optically active compounds
- Pharmaceutical Active Ingredients

Pharmaceutical Intermediates

Sales of pharmaceutical intermediates decreased due to lower demand, which reflected a decline in sales of end products and the termination of development programs at customers. Manufacturing was strengthened with the completion of a ¥2.3 billion facility at the Tokai Plant that began shipment of major intermediates. In Europe, S.A. OmniChem N.V. also boosted its capacity by investing ¥3.2 billion and improving its ability to handle various types of specialized organic reactions. A key emphasis will be acquisition of new R&D themes and development of core technologies incorporating chemical technology and biotechnology.

MAIN PRODUCTS

- *Amino Vital* series

Functional Nutritional Foods

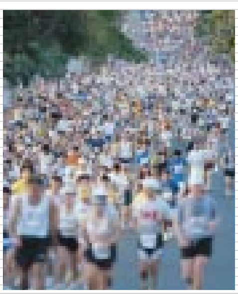
Expansions of the *Amino Vital* product line, sales areas and sales channels all contributed to higher sales in this segment. To further increase sales, Ajinomoto will continue efforts to spread knowledge of amino acids to consumers, while working to strengthen an image linking the *Amino Vital* brand with sports and fitness.

Fiscal 2000 Highlights

AMINO VITAL **GAINING RECOGNITION AS A SPORTS SUPPLEMENT**

Public awareness of *Amino Vital* increased steadily during fiscal 2000 as *Amino Vital* users captured medals at the Sydney Olympics. In addition, the product is the official sports supplement drink of the JAL Honolulu Marathon, and has gained recognition from the Japan Amateur Athletic Federation and the Japan Pro Golf Association. As a result, it has established a solid market position as a sports supplement.

Amino Vital has been the official sports supplement drink of the JAL Honolulu Marathon since 1999.



MAIN PRODUCTS

- Infusions, Clinical Nutrition and Gastrointestinal: *Livact Granule, Hepan ED, Elental, PN Twin, Elemenmic, Niflec*
- Diabetes: Nateglinide *(Fastic)*
- Cardiovascular: *ATELEC*
- Medical Foods: *Medi-F, Amino Plus*
- Others: *Lentinan, DDI*

Ajinomoto is developing global markets for its expanding portfolio of successful pharmaceuticals.

Medical foods represent an excellent opportunity for Ajinomoto to profit from its expertise in using amino acids to contribute to good health.

PHARMACEUTICALS

Strategic Initiatives and Results

Ajinomoto's consolidated pharmaceutical sales for fiscal 2000 totaled ¥64 billion. Domestic sales were favorable for core products *Livact Granule, Elental* and *PN Twin,* while antidiabetic agent nateglinide also contributed to earnings. One promising product under development is AT-1015, an antiplatelet drug for intermittent claudication that is currently undergoing Phase II clinical trials in the United Kingdom and the United States. Ajinomoto also expects to receive approval for a trace element mixture, a clinical nutrition agent, during fiscal 2001.

Ajinomoto Pharma Co., Ltd., a wholly owned subsidiary of Ajinomoto, has purchased the Shirakawa plant of Aventis Pharma AG, and plans to put it into operation in July 2001. The company has also been entrusted with copromotion of *Zefix,* a hepatitis B treatment from GlaxoSmithKline Plc.

Outlook

By developing both strong niche products and global new drugs, Ajinomoto will work to strengthen the business foundation of the Group as a whole, as well as increase profits.

The three companies marketing nateglinide will emphasize it as the treatment of choice among patients with type II diabetes because the drug's mechanism of action closely approximates the body's normal insulin secretions. Ajinomoto will also work toward receiving approval to manufacture and market Actonel, a bisphosphonate compound that improves bone metabolism, and make progress in the development of AT-1015.

NEW DRUG PIPELINE

(As of March 31, 2001)

Area	Name/Indication	Pre-clinical Tests	Stage			Application
			Phase I	Phase II	Phase III	
Clinical nutrition/ Gastrointestinal	GA-1166 Peripheral parenteral nutrition			○		
	TE-5MD Trace element mixture					○
	TE-4 Trace element mixture					○
Diabetes	Nateglinide (Europe)					○
	Nateglinide (additional indications)				○	
Cardiovascular	Antiplatelet drug (intermittent claudication)					
	AT-1015 (U.S.A.)			○		
	AT-1015 (Europe)			○		
	Antithrombotic drug (cardiac diseases) AJW200	○				
Others	Osteoporosis NE-58095 (Risedronate)(Japan)					○
	Cancer AC7700	○				

Fiscal 2000 Highlights

ANTIDIABETIC AGENT NATEGLINIDE LAUNCHED OVERSEAS

Ajinomoto licensed the rights for nateglinide to Novartis Pharma AG (Novartis) in Switzerland in 1993. Novartis plans to market nateglinide under its brand name *Starlix* worldwide, except for Japan and Korea. Novartis has obtained marketing authorization in numerous countries and regions. *Starlix* was launched in November 2000 in Switzerland, February 2001 in the United States and May 2001 in the United Kingdom and Germany, with introductions scheduled in other European countries.

In Korea, nateglinide was licensed to ILDONG Pharmaceutical Co., Ltd., which expects to obtain approval this year.

MAIN PRODUCTS

● Lysine ● Threonine ● Tryptophan

Global brand building programs include the feed-use amino acid business.

FEED-USE AMINO ACIDS

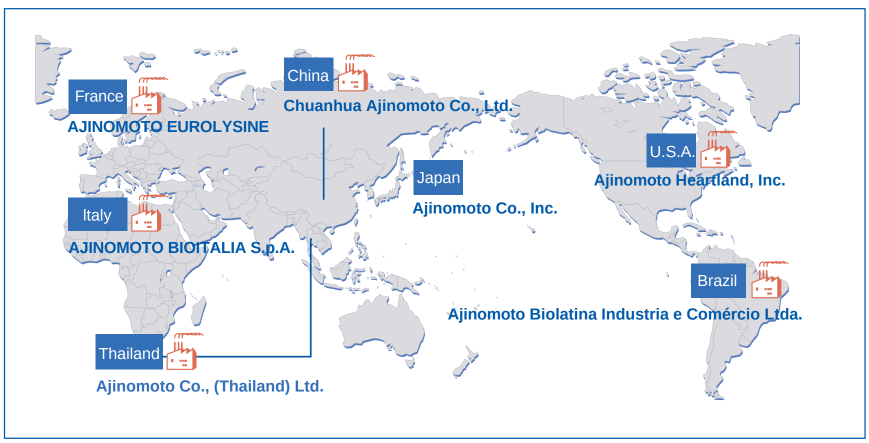
Strategic Initiatives and Results

In the feed-use lysine segment, the spread between the price of soybean meal and corn increased from June 2000, which led to expansion in demand for lysine. Lysine prices increased as a result, but leveled off in February 2001 after a contraction of the spread. The spread also increased in the feed-use threonine market, driving up prices. Continued tight supply kept prices at a high level, which supported the strong performance of feed-use threonine. Feed-use tryptophan production was transferred from the Kyushu Plant in Japan to AJINOMOTO EUROLYSINE in France in spring 2000. AJINOMOTO EUROLYSINE has worked to build the market, and achieved a threefold sales increase compared to the level before the transfer. As a result, overall sales of feed-use amino acids exceeded projections for the fiscal year.

Outlook

With strong market growth expected to continue, Ajinomoto will work to create a stable, high-return profit-making structure to establish clear global leadership in the market for feed-use amino acids. Measures will include capital investment and improvements in amino acid fermentation and production technology that reduce costs. Efforts are under way to build a stable supply network to meet projected expansion of demand.

AJINOMOTO ANIMAL NUTRITION group



Fiscal 2000 Highlights

THREONINE: A NEW AND GROWING MARKET

Threonine is now Ajinomoto's second major feed-use amino acid, and AJINOMOTO EUROLYSINE in France produces 19,000 tons annually for a 60 percent share of the global market. During fiscal 2001, Ajinomoto plans to establish a new threonine plant with an annual production capacity of 10,000 tons at Ajinomoto Heartland, Inc. in the United States and raise production capacity at AJINOMOTO EUROLYSINE to 35,000 tons. By the end of 2002, Ajinomoto's total threonine supply capability will be 45,000 tons, putting the Company in an excellent position to meet rapidly growing demand in various regions.

Six-Year Summary of Selected Financial Data

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					
	2001	2000	1999	1998	1997	1996
For the year:						
Net sales	**¥908,528**	¥829,422	¥814,538	¥835,965	¥788,400	¥750,844
Cost of sales	**665,856**	613,751	612,401	616,777	588,174	569,443
Gross profit	**242,672**	215,670	202,136	219,187	200,225	181,400
Selling, general and administrative expenses	**204,867**	182,620	173,374	168,765	161,099	149,234
Operating income	**37,805**	33,050	28,762	50,422	39,125	32,166
Other (expenses) income	**(50,800)**	1,286	113	(8,141)	(2,420)	(11,993)
(Loss) income before income taxes and minority interests	**(12,995)**	34,336	28,875	42,281	36,705	20,172
Net (loss) income	**(11,547)**	17,658	13,242	17,975	15,332	10,487
Capital expenditures	**46,914**	55,765	53,395	50,077	45,692	30,785
Depreciation and amortization	**38,640**	37,334	33,365	32,029	31,725	30,506
At year-end:						
Shareholders' equity [1]	**¥361,771**	¥330,557	¥349,939	¥359,245	¥354,748	¥338,169
Total assets [1]	**828,945**	732,980	762,173	796,149	774,150	742,198
Long-term debt	**98,511**	139,821	137,999	118,572	74,372	145,871
Per share (yen):						
Net (loss) income	**¥ (17.8)**	¥ 27.2	¥ 20.4	¥ 27.7	¥ 23.6	¥ 16.2
Shareholders' equity [1]	**556.6**	509.0	538.8	553.2	546.6	521.1
Cash dividends	**10.0**	10.0	12.0	10.0	10.0	10.0
Value indicators:						
Liquidity ratios:						
Debt/equity ratio (%) [1,2]	**52.0**	59.0	54.7	57.0	62.6	63.9
Interest coverage ratio (times) [3]	**7.4**	6.8	6.5	9.6	8.4	5.8
Investment indicators:						
Price/earnings ratio (times) [4]	**—**	46.0	69.1	41.9	41.9	75.3
Price/book value (times) [1,5]	**2.2**	2.5	2.6	2.1	1.8	2.3
Return indicators:						
Return on assets (%) [1,6]	**(1.5)**	2.4	1.7	2.3	2.0	1.4
Return on equity (%) [1,7]	**(3.3)**	5.2	3.7	5.0	4.4	3.3
Number of employees	**23,739**	22,373	17,365	16,991	13,663	13,344

Notes: 1. Shareholders' equity, total assets, shareholders' equity per share and the related indicators for each of the five years in the period ended March 31, 2000 have been restated due to a change in the regulations relating to the presentation of translation adjustments. See accompanying note 1-c on page 33.
2. Debt = Short-term borrowings and current portion of long-term debt + Long-term debt
3. Interest coverage ratio = (Operating income + Interest and dividend income)/Interest expense
4. PER = Year-end share price/Net income per share (diluted)
5. PBR = Year-end share price/Shareholders' equity per share
6. ROA = Net income (or loss)/Average total assets
7. ROE = Net income (or loss)/Average total shareholders' equity

Management's Discussion and Analysis

Ajinomoto Co., Inc. and Consolidated Subsidiaries
For fiscal 2000, ended March 31, 2001

Overview of Financial Strategy

The Ajinomoto Group's financial strategy is based on increasing cash flow as a means to provide both appropriate returns to shareholders and flexibility in funding research and development, capital expenditures and growth through acquisitions. Consolidated management of businesses in each segment is being strengthened to increase profitability and cash provided by operations, and Ajinomoto is liquidating underutilized land and lower-yield securities to generate cash for investment in income-producing assets. Capital investments will focus on the Fine Chemicals business, including pharmaceuticals. The Group has further strengthened its ability to increase cash flow by establishing Ajinomoto Treasury Management Inc.

Analysis of Sales

For the fiscal year ended March 31, 2001, net sales increased 9.5 percent to ¥908.5 billion. Primary factors in the sales increase included expansion in the scope of consolidation, with the inclusion of Ajinomoto Switzerland AG and Ajinomoto Euro-Aspartame S.A., two former joint ventures in Europe involved in the sweetener business that had been accounted for using the equity method, and the full-year contribution of Ajinomoto Pharma Co., Ltd., which was consolidated shortly before the start of the fiscal year. In the domestic market, sales of beverages and dairy products improved, and sales of fine chemical products including pharmaceuticals, specialty chemical products and functional nutritional products expanded strongly. Overseas, sales of food products increased, particularly in Asia, while sales of feed-use amino acids increased due to higher market prices and made a significant contribution to growth in net sales.

Food Products

Net sales of Food Products increased 3.9 percent to ¥622.0 billion, and operating income decreased 1.2 percent to ¥23.6 billion. Domestic sales of seasonings and edible oils were affected by downward price pressure, while an unusually hot summer helped to spur higher sales of beverages and dairy products. Overseas, sales in Indonesia were impacted by concerns about a catalyst to produce an ingredient for bacteria cultivation alleged to violate the tenets of Islam (halal), which Ajinomoto immediately dealt with, while sales in other Asian countries expanded. Cost reductions in the domestic edible oils and frozen foods businesses resulted in an improvement in operating income, although it was insufficient to compensate for the effect of lower unit prices for industrial-use seasonings and the effects of the halal issue in Indonesia.

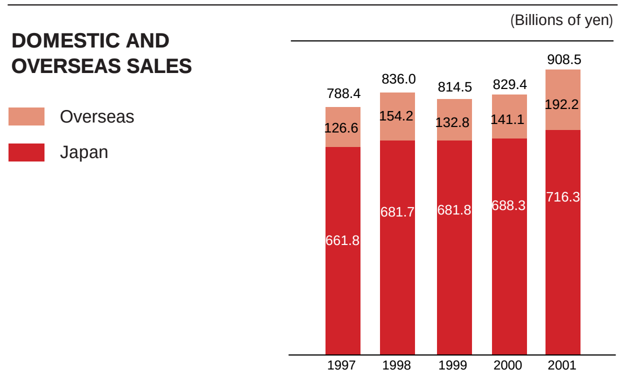
Fine Chemicals

Net sales of Fine Chemicals increased 40.0 percent to ¥188.4 billion, and operating income rose 119.5 percent to ¥11.0 billion. Sales of pharmaceutical-use amino acids were impacted by reduced prices, but sales of feed-use amino acids expanded strongly. Sales of pharmaceutical products increased, supported by the launch of new products such as an amino acid treatment for liver cirrhosis and the creation of a company to handle infusions and clinical nutrition products. The purchase of 50 percent of the equity of two sweetener joint ventures in Europe and their addition to the scope of consolidation as subsidiaries resulted in significant growth in sweetener sales. The depreciation of the yen against the U.S. dollar and European currencies exerted a favorable impact on overall sales. Despite negative factors including consolidation adjustments following the purchase of the European sweetener joint ventures and lower prices for pharmaceutical-use amino acids, higher earnings from feed-use amino acids, pharmaceuticals and specialty chemical products resulted in a substantial increase in operating income.

Sales by Region

Net sales in Japan increased 4.1 percent to ¥716.3 billion. Net sales outside Japan, excluding interarea sales and transfers, increased 36.2 percent to ¥192.2 billion, and accounted for 21.2 percent of total net sales. By region, net sales in Asia increased 17.3 percent to ¥70.5 billion, net sales in the Americas increased 41.5 percent to ¥50.2 billion, and net sales in Europe increased 57.0 percent to ¥71.5 billion. Net sales in Europe increased in part due to the expanded scope of consolidation.

DOMESTIC AND OVERSEAS SALES

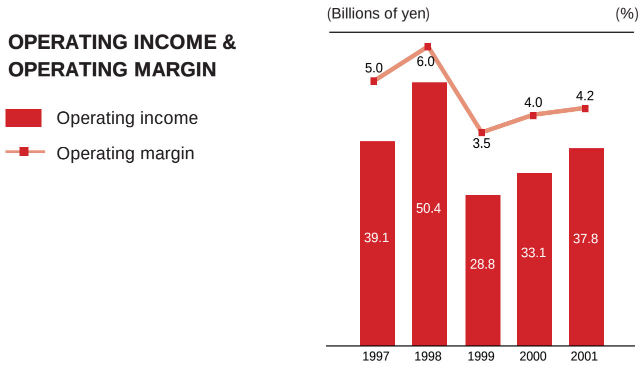


Expenses and Operating Income

Gross profit increased 12.5 percent to ¥242.7 billion, and the gross margin improved to 26.7 percent from 26.0 percent. The successful use of technology to reduce production costs and a greater proportion in net sales of higher-margin products such as lysine helped to contain cost growth below the rate of increase in net sales. Cost reductions in the frozen foods and edible oils businesses also restrained growth in cost of sales.

Selling, general and administrative (SG&A) expenses increased 12.2 percent to ¥204.9 billion, due to factors including the increase in consolidated subsidiaries. Research and development expenses, which are accounted for under cost of sales and SG&A expenses, increased 9.0 percent to ¥26.2 billion. Despite the increase in SG&A expenses, operating income rose 14.4 percent to ¥37.8 billion because of the increase in gross profit. The ratio of operating income to net sales increased to 4.2 percent from 4.0 percent for the prior fiscal year.

OPERATING INCOME & OPERATING MARGIN



By business, operating income for Food Products decreased 1.2 percent to ¥23.6 billion, operating income for Fine Chemicals more than doubled to ¥11.0 billion and operating income for Other Businesses decreased 17.5 percent to ¥3.4 billion. By region, operating income increased 2.3 percent in Japan to ¥25.1 billion, 18.4 percent in Asia to ¥8.8 billion, 72.5 percent in the Americas to ¥1.3 billion, and by more than seven times in Europe to ¥2.6 billion. The increase in operating income in the Americas and Europe was largely attributable to the price increase of feed-use amino acids and in part to expansion in the scope of consolidation in Europe.

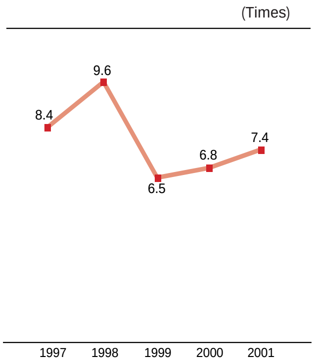
Costs, Expenses and Income as Percentages of Net Sales

	2001		2000		1999
Cost of sales	**73.3%**	**(-0.7)**	74.0%	(-1.2)	75.2%
Gross profit	**26.7**	**(+0.7)**	26.0	(+1.2)	24.8
SG&A expenses	**22.5**	**(+0.5)**	22.0	(+0.7)	21.3
Operating income	**4.2**	**(+0.2)**	4.0	(+0.5)	3.5
Income before income taxes & minority interests	**—**		4.1	(+0.6)	3.5
Net income	**—**		2.1	(+0.5)	1.6

Note: Figures in parentheses represent change in percentage points from the previous years.

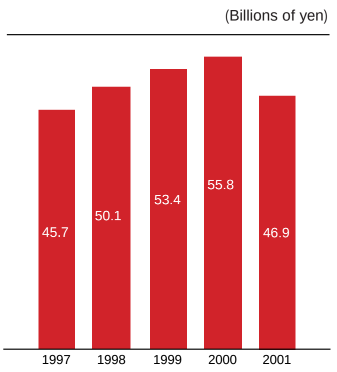
Other expenses totaled ¥50.8 billion, compared to other income of ¥1.3 billion in the prior fiscal year, primarily because Ajinomoto opted to accrue ¥52.3 billion in net retirement benefit obligations arising from the implementation in Japan of a new accounting standard as a one-time charge, rather than amortizing the amount over a period of several years as permitted under the new standard. Moreover, Ajinomoto incurred a one-time charge of ¥12.2 billion stemming primarily from exchange rate differences in connection with the discontinuation of subsidiary A.I.F. Investments Pte. Ltd. in Singapore. These charges were offset primarily by a gain of ¥7.1 billion on the sale of lower-yield securities. Interest and dividend income totaled ¥2.3 billion, and the interest coverage ratio, defined as the sum of operating income and interest and dividend income divided by interest expense, was 7.4 times, compared to 6.8 times for the prior fiscal year.

INTEREST COVERAGE RATIO



The net other expenses resulted in a loss before income taxes and minority interests of ¥13.0 billion, compared to income before income taxes and minority interests of ¥34.3 billion for the prior fiscal year. Consequently, Ajinomoto booked a net loss of ¥11.5 billion, compared to net income of ¥17.7 billion for the prior fiscal year. Net loss per share totaled ¥17.8, compared to net income per share of ¥27.2 for the prior fiscal year. Cash dividends per share totaled ¥10.0, unchanged from the prior fiscal year.

CAPITAL EXPENDITURES



Liquidity and Financial Position

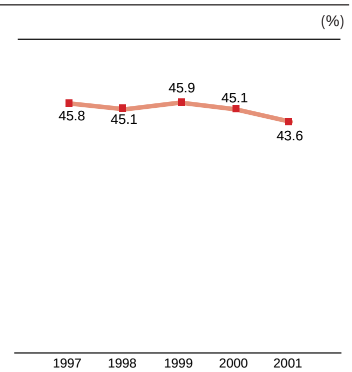
Net cash provided by operating activities decreased 47.4 percent from the prior fiscal year to ¥38.0 billion. Net changes in receivables and payables tend to represent a use of cash during periods of revenue growth. Moreover, the balance sheet date was a holiday, which along with the addition of the two European sweetener subsidiaries and Ajinomoto Pharma to the scope of consolidation increased the impact of accounts receivable and payable on cash flow. A significant non-cash increase in the provision for accrued severance benefits, net of reversal, offset the net impact of receivables and payables on cash flow from operations.

Net cash used in investing activities decreased to ¥23.4 billion from ¥29.2 billion, primarily because the Company reduced acquisition of intangible assets and increased proceeds from sales of property, plant and equipment. These factors compensated for the use of cash to acquire stock in companies added to the scope of consolidation. Purchases of property, plant and equipment on a cash basis were essentially unchanged at ¥46.3 billion. Investments during the year emphasized global expansion of production capacity for lysine, pharmaceuticals and pharmaceutical intermediates, and expansion of food production capacity outside Japan.

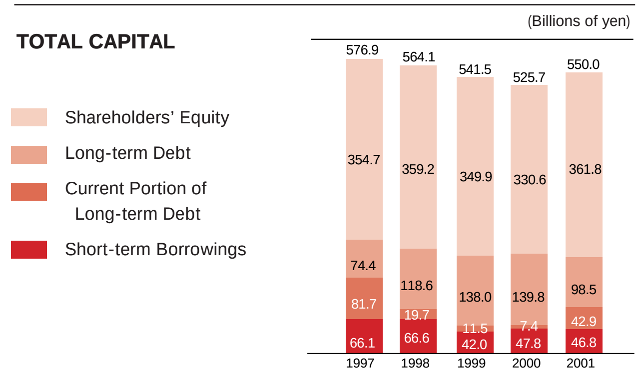
Net cash used in financing activities totaled ¥20.2 billion, compared to ¥37.2 billion for the prior fiscal year, principally because of net repayment of borrowings totaling ¥13.0 billion and payment of cash dividends totaling ¥6.5 billion. As a result, interest-bearing liabilities decreased 3.5 percent to ¥188.2 billion from ¥195.1 billion a year earlier. Cash and cash equivalents at the end of the year were down marginally from a year earlier at ¥59.4 billion. The Company maintains stable, broadly based access to external funding.

Total assets increased 13.1 percent to ¥828.9 billion, with the expanded scope of consolidation and the implementation of present value accounting contributing to increases in current assets and investment securities. Shareholders' equity increased 9.4 percent to ¥361.8 billion. Primary factors included a decrease in translation adjustments and the inclusion of unrealized holding gains on securities in shareholders' equity as per newly implemented accounting standards. The ratio of shareholders' equity to total assets stood at 43.6 percent, compared to 45.1 percent a year earlier. Shareholders' equity per share totaled ¥556.6, compared to ¥509.0 at March 31, 2000.

SHAREHOLDERS' EQUITY RATIO



TOTAL CAPITAL



	Millions of yen (Percentage of total assets)				Thousands of U.S. dollars
	2001		2000		**2001**
Total assets	**¥828,945**	**(100.0%)**	¥732,980	(100.0%)	**$6,685,040**
Notes and accounts receivable	**157,416**	**(19.0)**	120,919	(16.5)	**1,269,484**
Cash and cash equivalents	**59,389**	**(7.2)**	60,309	(8.2)	**478,944**
Inventories	**96,449**	**(11.6)**	85,399	(11.7)	**777,815**
Investments and long-term advances	**144,953**	**(17.5)**	114,916	(15.7)	**1,168,976**
Property, plant and equipment	**284,156**	**(34.3)**	279,251	(38.1)	**2,291,581**
Total liabilities	**448,798**	**(54.1)**	379,434	(51.8)	**3,619,339**
Notes and accounts payable	**106,067**	**(12.8)**	82,114	(11.2)	**855,379**
Short-term borrowings	**46,755**	**(5.6)**	47,837	(6.5)	**377,056**
Current portion of long-term debt	**42,922**	**(5.2)**	7,448	(1.0)	**346,145**
Accrued income taxes	**14,066**	**(1.7)**	9,719	(1.3)	**113,435**
Long-term debt	**98,511**	**(11.9)**	139,821	(19.1)	**794,444**
Shareholders' equity	**361,771**	**(43.6)**	330,557	(45.1)	**2,917,508**

Subsequent Events

On April 6, 1995, the Company filed a complaint for patent infringement against Archer-Daniels-Midland Company (ADM) in the United States District Court in Delaware seeking an injunction and damages for such infringement.

In March 1998, a judgment was entered in favor of the Company on the finding of infringement and validity of the patent entitled "Method for Preparing Bacteria Strains Which Produce Amino Acids," which is owned by the Company. This judgment was affirmed by the United States Court of Appeals for the Federal Circuit in October 2000.

Against these judgments ADM filed a petition for certiorari and sought a review by the United States Supreme Court. The United States Supreme Court denied ADM's petition for certiorari on May 14, 2001 and the patent infringement suit against ADM was resolved in the Company's favor. As a result, the Company received compensation for damages from ADM for such infringement in the amount of US$26.8 million (¥3.2 billion), including related interest.

Forward-Looking Statements

This report contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

Consolidated Balance Sheets

Ajinomoto Co., Inc. and Consolidated Subsidiaries
As of March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2001**	2000	**2001**
Current assets:			
Cash and cash equivalents	**¥ 59,389**	¥ 60,309	**$ 478,944**
Time deposits and short-term investments (Note 15)	**1,470**	5,840	**11,855**
Notes and accounts receivable:			
Trade	**153,316**	115,648	**1,236,419**
Unconsolidated subsidiaries and affiliates	**6,479**	6,984	**52,250**
Allowance for doubtful receivables	**(2,379)**	(1,713)	**(19,185)**
Inventories (Note 3)	**96,449**	85,399	**777,815**
Deferred tax assets (Note 7)	**7,952**	6,186	**64,129**
Prepaid expenses and other current assets	**21,136**	17,564	**170,452**
Total current assets	**343,814**	296,220	**2,772,694**
Investments and long-term advances (Notes 6 and 15)**:**			
Investments in and advances to unconsolidated subsidiaries and affiliates	**42,809**	41,705	**345,234**
Investment securities	**93,177**	60,450	**751,427**
Other advances	**8,966**	12,759	**72,306**
Total investments and long-term advances	**144,953**	114,916	**1,168,976**
Property, plant and equipment (Notes 4 and 6)**:**			
Land	**65,290**	67,624	**526,532**
Buildings and structures	**224,728**	206,253	**1,812,323**
Machinery and equipment	**416,646**	385,104	**3,360,048**
	706,665	658,983	**5,698,911**
Accumulated depreciation	**(422,509)**	(379,731)	**(3,407,331)**
Property, plant and equipment, net	**284,156**	279,251	**2,291,581**
Other assets:			
Deferred tax assets (Note 7)	**17,327**	7,473	**139,734**
Other	**38,694**	35,118	**312,048**
Total other assets	**56,021**	42,591	**451,782**
Total assets	**¥828,945**	¥732,980	**$6,685,040**

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 2) 2001
Current liabilities:			
Short-term borrowings (Notes 5 and 6)	**¥ 46,755**	¥ 47,837	**$ 377,056**
Current portion of long-term debt (Notes 5 and 6)	**42,922**	7,448	**346,145**
Notes and accounts payable (Note 6):			
Trade	**69,065**	52,501	**556,976**
Unconsolidated subsidiaries and affiliates	**36,409**	28,715	**293,621**
Construction	**593**	898	**4,782**
Accrued income taxes (Note 7)	**14,066**	9,719	**113,435**
Deferred tax liabilities (Note 7)	**13**	10	**105**
Accrued expenses and other current liabilities	**62,747**	65,516	**506,024**
Total current liabilities	**272,574**	212,647	**2,198,177**
Long-term liabilities:			
Long-term debt (Notes 5 and 6)	**98,511**	139,821	**794,444**
Accrued employees' retirement benefits (Note 8)	**70,687**	20,093	**570,056**
Accrued officers' severance benefits	**1,754**	1,369	**14,145**
Deferred tax liabilities (Note 7)	**5,271**	4,336	**42,508**
Accrual for loss on guarantees	**—**	1,167	**—**
Total long-term liabilities	**176,224**	166,787	**1,421,161**
Minority interests	**18,374**	22,987	**148,177**
Shareholders' equity (Notes 9 and 18)**:**			
Common stock, ¥50 par value:			
Authorized: 2001 and 2000 — 1,000,000,000 shares			
Issued: 2001 — 649,981,182 shares	**79,863**	—	**644,056**
2000 — 649,445,034 shares	**—**	79,836	**—**
Capital surplus	**111,578**	111,123	**899,823**
Retained earnings	**198,282**	214,673	**1,599,048**
Unrealized holding gains on securities	**21,313**	—	**171,879**
Translation adjustments	**(49,262)**	(75,065)	**(397,274)**
Treasury common stock, at cost:			
3,733 shares in 2001 and 8,577 shares in 2000	**(4)**	(10)	**(32)**
Total shareholders' equity	**361,771**	330,557	**2,917,508**
Commitments and contingent liabilities (Note 12)			
Total liabilities and shareholders' equity	**¥828,945**	¥732,980	**$6,685,040**

Consolidated Statements of Operations

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2001	2000	1999	**2001**
Net sales	**¥908,528**	¥829,422	¥814,538	**$7,326,839**
Cost of sales (Note 10)	**665,856**	613,751	612,401	**5,369,806**
Gross profit	**242,672**	215,670	202,136	**1,957,032**
Selling, general and administrative expenses (Note 10)	**204,867**	182,620	173,374	**1,652,153**
Operating income	**37,805**	33,050	28,762	**304,879**
Other income (expenses):				
Interest expense	**(5,398)**	(5,298)	(5,010)	**(43,532)**
Interest and dividend income	**2,329**	2,827	3,792	**18,782**
Amortization of prior service cost relating to additional pension benefits	**—**	(5,008)	(4,333)	**—**
Amortization of net retirement benefit obligation at transition	**(52,293)**	—	—	**(421,718)**
Reversal to income of accrued retirement benefits	**12**	451	309	**97**
Unrealized loss on securities	**(1,329)**	(1,291)	(397)	**(10,718)**
Gain (loss) on sales of securities	**7,125**	(473)	26,269	**57,460**
Loss on liquidation of affiliates	**(12,161)**	(109)	(27,447)	**(98,073)**
Equity in earnings of affiliates	**4,617**	5,976	6,966	**37,234**
Provision for loss on guarantees	**—**	(1,167)	—	**—**
Other, net	**6,295**	5,380	(35)	**50,766**
	(50,800)	1,286	113	**(409,677)**
(Loss) income before income taxes and minority interests	**(12,995)**	34,336	28,875	**(104,798)**
Income taxes (Note 7):				
Current	**22,689**	15,183	15,175	**182,976**
Deferred	**(26,798)**	(1,148)	(417)	**(216,113)**
	(4,109)	14,035	14,757	**(33,137)**
Minority interests	**(2,661)**	(2,642)	(874)	**(21,460)**
Net (loss) income (Note 13)	**¥ (11,547)**	¥ 17,658	¥ 13,242	**$ (93,121)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2001	2000	1999	**2001**
Common stock				
Beginning of year	**¥ 79,836**	¥ 79,836	¥ 79,836	**$ 643,838**
Add:				
New shares issued in exchange for subsidiary's stock (2001 — 535,590 shares)	**26**	—	—	**217**
Conversion of convertible bonds (2001 — 558 shares)	**0**	—	—	**0**
End of year	**¥ 79,863**	¥ 79,836	¥ 79,836	**$ 644,056**
Capital surplus				
Beginning of year	**¥111,123**	¥111,123	¥111,123	**$ 896,153**
Add:				
New shares issued in exchange for subsidiary's stock	**455**	—	—	**3,669**
Portion of principal of bonds converted but not transferred to common stock	**0**	—	—	**0**
End of year	**¥111,578**	¥111,123	¥111,123	**$ 899,823**
Retained earnings				
Opening balance	**¥214,673**	¥204,488	¥200,664	**$1,731,234**
Adjustments to retained earnings for inclusion in or exclusion from consolidation or equity method of accounting and other	**1,836**	505	(2,730)	**14,806**
Beginning of year	**216,510**	204,994	197,934	**1,746,048**
Add:				
Net (loss) income	**(11,547)**	17,658	13,242	**(93,121)**
Deduct:				
Cash dividends paid	**(6,494)**	(7,793)	(6,494)	**(52,371)**
Bonuses to directors and statutory auditors	**(185)**	(185)	(193)	**(1,492)**
End of year	**¥198,282**	¥214,673	¥204,488	**$1,599,048**
Unrealized holding gains on securities				
Balance at beginning of the year	**¥ —**	¥ —	¥ —	**$ —**
Net change during the year	**21,313**	—	—	**171,879**
Balance at end of the year	**¥ 21,313**	¥ —	¥ —	**$ 171,879**
Translation adjustments				
Balance at beginning of the year	**¥ (75,065)**	¥ (45,498)	¥ (32,372)	**$ (605,363)**
Net change during the year	**25,803**	(29,567)	(13,126)	**208,089**
Balance at end of the year	**¥ (49,262)**	¥ (75,065)	¥ (45,498)	**$ (397,274)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2001	2000	1999	**2001**
Cash flows from operating activities				
(Loss) income before income taxes and minority interests	**¥(12,995)**	¥34,336	¥28,875	**$(104,798)**
Depreciation and amortization	**38,640**	37,334	33,365	**311,613**
Amortization of excess of cost over net assets acquired	**4,415**	2,639	1,987	**35,605**
Accrued employees' retirement benefits	**50,156**	1,333	1,163	**404,484**
Accrued officers' severance benefits	**406**	(42)	270	**3,274**
Provision for loss on guarantees	**(1,167)**	1,167	—	**(9,411)**
Interest and dividend income	**(2,329)**	(2,827)	(3,792)	**(18,782)**
Interest expense	**5,398**	5,298	4,920	**43,532**
Equity in earnings of affiliates	**(4,617)**	(5,976)	(6,966)	**(37,234)**
Loss on liquidation of affiliates	**12,161**	109	27,447	**98,073**
(Gain) loss on sales of securities	**(6,953)**	528	(26,268)	**(56,073)**
Loss on revaluation of securities	**1,177**	1,291	397	**9,492**
Notes and accounts receivable	**(33,764)**	9,836	1,771	**(272,290)**
Notes and accounts payable	**18,805**	(8,376)	(3,197)	**151,653**
Penalty paid	**2,636**	—	335	**21,258**
Other	**(10,689)**	10,826	(11,086)	**(86,202)**
Subtotal	**61,279**	87,476	49,221	**494,185**
Interest and dividends received	**2,165**	2,867	3,783	**17,460**
Interest paid	**(5,494)**	(5,471)	(5,003)	**(44,306)**
Penalty paid	**(2,636)**	—	(335)	**(21,258)**
Income taxes paid	**(17,358)**	(12,742)	(17,556)	**(139,984)**
Net cash provided by operating activities	**37,955**	72,130	30,110	**306,089**
Cash flows from investing activities				
Decrease (increase) in marketable securities	**4,897**	(2,257)	19,333	**39,492**
Acquisition of property, plant and equipment	**(46,277)**	(46,381)	(53,395)	**(373,202)**
Proceeds from sales of property, plant and equipment	**20,561**	5,389	2,623	**165,815**
Acquisition of intangible assets, net of proceeds	**(1,867)**	(8,511)	(2,593)	**(15,056)**
Acquisition of investments in securities	**(2,945)**	(5,869)	(38,986)	**(23,750)**
Proceeds from sales of investments in securities	**12,432**	25,630	15,906	**100,258**
Losses on guarantees for liabilities	**(1,256)**	—	—	**(10,129)**
Acquisition of shares to consolidate	**(9,555)**	—	(28)	**(77,056)**
Acquisition of shares of affiliates	**(3,089)**	(838)	—	**(24,911)**
Other	**3,741**	3,618	23,600	**30,169**
Net cash used in investing activities	**(23,360)**	(29,219)	(33,539)	**(188,387)**
Cash flows from financing activities				
Decrease in short-term borrowings	**(6,357)**	(27,830)	(509)	**(51,266)**
Proceeds from long-term debt	**3,373**	10,357	36,778	**27,202**
Repayments of long-term debt	**(10,053)**	(11,485)	(13,719)	**(81,073)**
Cash dividends paid	**(6,495)**	(7,793)	(6,494)	**(52,379)**
Other	**(673)**	(404)	(319)	**(5,427)**
Net cash (used in) provided by financing activities	**(20,205)**	(37,156)	15,734	**(162,944)**
Effect of exchange rate changes on cash and cash equivalents	**2,208**	(2,672)	(412)	**17,806**
(Decrease) increase in cash and cash equivalents	**(3,401)**	3,080	11,893	**(27,427)**
Cash and cash equivalents at beginning of year	**60,309**	47,854	33,956	**486,363**
Increase due to inclusion of subsidiaries in consolidation	**1,260**	5,493	2,005	**10,161**
Increase arising from change in fiscal year end of consolidated subsidiaries	**1,220**	3,880	—	**9,839**
Cash and cash equivalents at end of year	**¥59,389**	¥60,309	¥47,854	**$ 478,944**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries March 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying consolidated financial statements of Ajinomoto Co., Inc. (the "Company") and its consolidated subsidiaries are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan and are prepared on the basis of accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

b. Basis of Consolidation

Until the year ended March 31, 1999, the consolidated financial statements included the accounts of the Company and its significant subsidiaries (owned more than 50%), and investments in significant affiliates (owned 20% to 50%) were accounted for by the equity method.

In accordance with the revised accounting standard for consolidation, the accompanying consolidated financial statements for the year ended March 31, 2001 and 2000 include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The minor differences arising from the cost of the companies' investments in subsidiaries and affiliates over the equity in their net assets at fair value are charged or credited to income in the year of acquisition. Significant differences are, as a rule, amortized over periods of 5, 20 or 25 years.

Investments in other affiliates and unconsolidated subsidiaries, not significant in amount, are carried at cost or less. Where there has been permanent impairment in the value of its investments, the Company has written down such investments.

c. Foreign Currency Translation

Current and non-current monetary accounts denominated in foreign currencies are translated into yen at the current rates.

The revenue and expense accounts of the foreign consolidated subsidiaries are translated at the rates of exchange in effect at the balance sheet date. Except for shareholders' equity, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

A revised accounting standard for foreign currency translation became effective April 1, 2000. The effect of the adoption of the revised standard on the consolidated financial statements was immaterial for the year ended March 31, 2001. Due to a change effective the year ended March 31, 2001 in the regulations relating to the presentation of translation adjustments, the Company has presented translation adjustments as a component of shareholders' equity and minority interests (instead of as a component of assets or liabilities) in its consolidated financial statements for the year ended March 31, 2001, and has restated the previously reported consolidated financial statements for the years ended March 31, 2000 and 1999.

d. Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

e. Inventories

Inventories are stated at the lower of cost or market, cost being determined by the average method.

f. Securities

Until the year ended March 31, 2000, marketable securities had been valued principally at the lower of cost or market, cost being determined by the moving average method, and investment securities other than marketable securities had been stated at cost determined by the moving average method.

A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the new standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

As of April 1, 2000, the Company and its consolidated subsidiaries assessed their intent to hold their investments in securities and classified their investments as "other securities" and accounted for the securities at March 31, 2001 in accordance with the new standard referred to above. As a result, marketable securities presented as current assets of ¥745 million ($6,008 thousand) were reclassified to investment securities as of April 1, 2000. However, the adoption of this new standard had no material effect on the consolidated statement of operations for the year ended March 31, 2001.

g. Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at cost. Depreciation is computed primarily by the declining-balance method at rates based on the estimated useful lives of the respective assets, ranging from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment.

Maintenance and minor repairs are charged to income as incurred; major renewals and improvements are capitalized.

h. Leases

Noncancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the foreign consolidated subsidiaries are generally classified as either finance or operating leases and accounted for accordingly.

i. Bond Issuance Expenses

Bond issuance expenses are charged to income as incurred.

j. Retirement Benefits

Until the year ended March 31, 2000, accrued employees' retirement benefits were stated at the amount which would be required to be paid if all employees covered by the retirement benefit plans voluntarily terminated their employment at the balance sheet date.

Costs with respect to the pension plans are funded as accrued at an amount determined actuarially. Prior service cost is being funded over a period of seven years.

In accordance with a new accounting standard for retirement benefits which became effective April 1, 2000, accrued employees' retirement benefits at March 31, 2001 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2001 as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the years of service. The net retirement benefit obligation at transition was charged to operations as incurred.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the period of mainly 10 years which are shorter than the average remaining years of service of the employees.

The effect of the adoption of the new standard for retirement benefits was to increase loss before income taxes and minority interests by ¥48,358 million ($389,984 thousand) for the year ended March 31, 2001.

In addition, subject to the shareholders' approval, directors and corporate auditors of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded severance benefit plans. Provision for the indemnity for severance benefits for those officers has been made at an estimated amount.

k. Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

l. Research and Development Expenses

Research and development expenses are charged to income when incurred.

A new accounting standard for research and development expenses became effective the year ended March 31, 2000. However, the adoption of this new standard had no material effect on the consolidated statement of operations for the year ended March 31, 2000.

m. Derivative Financial Instruments

The Company and certain consolidated subsidiaries have entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and commodity prices. In accordance with a new accounting standard for financial instruments which became effective April 1, 2000, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

2. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥124 = U.S.$1.00, the approximate rate of exchange on March 31, 2001.

The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. INVENTORIES

Inventories at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Finished goods	**¥48,569**	¥41,553	**$391,685**
Work in process	**24,278**	22,965	**195,790**
Raw materials and supplies	**23,600**	20,881	**190,323**
	¥96,449	¥85,399	**$777,815**

4. DEPRECIATION

Depreciation expense for the years ended March 31, 2001, 2000 and 1999 was ¥35,630 million ($287,339 thousand), ¥34,472 million and ¥33,101 million, respectively.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings are, with minor exceptions, unsecured and generally represented overdrafts. The annual interest rates applicable to the borrowings at March 31, 2001 and 2000 ranged from 0.33% to 20.00% and from 0.22% to 29.00%, respectively.

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Bonds without collateral:			
1.9% convertible bonds due 2002	**¥ 18,303**	¥ 18,304	**$ 147,605**
2.675% bonds due 2007	**15,000**	15,000	**120,968**
2.425% bonds due 2005	**10,000**	10,000	**80,645**
2.075% bonds due 2003	**15,000**	15,000	**120,968**
1.600% bonds due 2001	**10,000**	10,000	**80,645**
2.050% bonds due 2008	**20,000**	20,000	**161,290**
Loans from banks, insurance companies and government-sponsored agencies:			
With collateral	**10,835**	8,584	**87,379**
Without collateral	**26,391**	34,611	**212,831**
Customers' deposits	**14,770**	14,472	**119,113**
Other	**1,134**	1,297	**9,145**
	141,433	147,270	**1,140,589**
Current portion	**(42,922)**	(7,448)	**(346,145)**
	¥ 98,511	¥139,821	**$ 794,444**

The conversion price of the convertible bonds and the prices at which they are redeemable at the option of the issuer are as follows:

	Conversion Price per Share at March 31, 2001 (yen)	Redemption at the Option of the Issuer
1.9% convertible bonds due 2002	¥1,790.70	At 106% to 100% of the principal after April 1, 1995, decreasing by 1% annually

At March 31, 2001, if all outstanding convertible bonds had been converted at the then current conversion price, 10,221 thousand new shares would have been issuable.

Under the provisions of the issue, the conversion price is subject to adjustment in certain cases which include stock splits. The cumulative amount of cash dividends declared may not exceed ¥10,000 million ($80,645 thousand) plus the aggregate amount of net income (as defined) of the Company subsequent to March 31, 1987. A sufficient number of shares of common stock is reserved for the conversion of all outstanding convertible bonds.

The annual maturities of long-term debt subsequent to March 31, 2001 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 42,922	$ 346,145
2003	4,899	39,508
2004	20,423	164,702
2005	10,048	81,032
2006 and thereafter	63,141	509,202
	¥141,433	$1,140,589

6. PLEDGED ASSETS

The assets pledged as collateral for short-term borrowings, notes and accounts payable and long-term debt at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, at net book value	**¥21,419**	**$172,734**
Investment securities	**12**	**97**
Other assets	**258**	**2,081**
	¥21,688	**$174,903**

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in statutory tax rates of approximately 42% in 2001 and 2000 and 48% in 1999. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The effective tax rate in the accompanying consolidated statement of operations for the year ended March 31, 1999 differs from the statutory rate primarily because of the effect of permanently nondeductible expenses and the effect of the different tax rates applied to the income of the foreign consolidated subsidiaries.

The effective tax rates reflected in the consolidated statements of operations for the years ended March 31, 2001 and 2000 differ from the statutory tax rate for the following reasons:

	2001	2000
Statutory tax rate	**(42.0)%**	42.0%
Effect of:		
Expenses not deductible for income tax purposes	**17.2**	4.3
Dividend income deductible for income tax purposes	**(4.4)**	(2.5)
Other, net	**(2.4)**	(2.9)
Effective tax rate	**(31.6)%**	40.9%

The significant components of deferred tax assets and liabilities as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deferred tax assets:			
Inventories	**¥ 990**	¥ 1,390	**$ 7,984**
Securities	**4,540**	2,086	**36,613**
Property, plant and equipment	**907**	757	**7,315**
Accrued retirement benefits	**28,896**	6,206	**233,032**
Accrued expenses	**2,516**	1,342	**20,290**
Accrued bonuses	**2,181**	1,693	**17,589**
Unrealized profit	**4,323**	4,018	**34,863**
Accrued enterprise tax	**968**	739	**7,806**
Other	**1,428**	1,701	**11,516**
Total deferred tax assets	**46,753**	19,938	**377,040**
Deferred tax liabilities:			
Depreciation	**8,135**	6,504	**65,605**
Unrealized gain on land	**2,470**	2,470	**19,919**
Other	**16,152**	1,651	**130,258**
Total deferred tax liabilities	**26,758**	10,625	**215,790**
Net deferred tax assets	**¥19,994**	¥ 9,312	**$161,242**

8. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Certain foreign consolidated subsidiaries have defined contribution plans in addition to defined benefit plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2001 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation	**¥(236,964)**	**$(1,911,000)**
Plan assets at fair value	**155,258**	**1,252,081**
Unfunded retirement benefit obligation	**(81,705)**	**(658,911)**
Unrecognized actuarial gain or loss	**11,018**	**88,855**
Accrued retirement benefits	**¥ (70,687)**	**$ (570,056)**

The government-sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

The components of retirement benefit expenses for the year ended March 31, 2001 are outlined as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	**¥ 6,900**	**$ 55,645**
Interest cost	**7,869**	**63,460**
Expected return on plan assets	**(5,505)**	**(44,395)**
Amortization of net retirement benefit obligation at transition	**52,293**	**421,718**
Total	**¥61,557**	**$496,427**

The assumptions used in accounting for the above plans were as follows:

	As of March 31, 2001
Discount rates	Mainly 3.5%
Expected return on assets	Mainly 3.5%

9. SHAREHOLDERS' EQUITY

Retained earnings include a legal reserve provided in accordance with the provisions of the Commercial Code of Japan. The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2001, 2000 and 1999 were ¥26,261 million ($211,782 thousand), ¥24,087 million and ¥24,908 million, respectively.

11. LEASE TRANSACTIONS

a) Lessees' Accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2001 and 2000, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2001	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	**¥7,024**	**¥4,145**	**¥2,879**	**$56,645**	**$33,427**	**$23,218**

	Millions of yen		
March 31, 2000	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥6,421	¥3,394	¥3,026

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,316 million ($10,613 thousand), ¥1,221 million and ¥745 million, which were equal to the depreciation of the leased assets computed by the straight-line method over the respective lease terms, for the years ended March 31, 2001, 2000 and 1999, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2001 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥1,048	$ 8,452
2003 and thereafter	1,830	14,758
Total	¥2,879	$23,218

Future minimum lease payments subsequent to March 31, 2001 for operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 302	$ 2,435
2003 and thereafter	1,046	8,435
Total	¥1,349	$10,879

b) Lessors' Accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2001 and 2000:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2001	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	**¥1,057**	**¥320**	**¥737**	**$8,524**	**$2,581**	**$5,945**

	Millions of yen		
March 31, 2000	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥563	¥98	¥464

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥193 million ($1,556 thousand), ¥82 million and ¥53 million for the years ended March 31, 2001, 2000 and 1999, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥174 million ($1,403 thousand), ¥74 million and ¥47 million for the years ended March 31, 2001, 2000 and 1999, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2001 for the finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥218	$1,758
2003 and thereafter	598	4,823
Total	¥816	$6,581

12. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments for capital expenditures outstanding at March 31, 2001 aggregated approximately ¥6,205 million ($50,040 thousand).

At March 31, 2001, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
As endorser of documentary export bills and trade notes receivable discounted with banks	**¥ 882**	**$ 7,113**
As guarantor of indebtedness of unconsolidated subsidiaries, affiliates and employees	**2,855**	**23,024**
	¥3,737	**$30,137**

13. AMOUNTS PER SHARE

	Yen			U.S. dollars
	2001	2000	1999	**2001**
Net income—basic	**¥ (17.8)**	¥ 27.2	¥ 20.4	**$(0.144)**
Net income—diluted	**—**	27.1	—	**—**
Cash dividends	**10.0**	10.0	12.0	**0.081**
Net assets	**556.6**	624.6	608.9	**4.489**

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common stock to be issued upon the conversion of convertible bonds. No dilutive net income per share for the year ended March 31, 1999 was presented because the effect of such conversion was anti-dilutive.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Net assets per share are based on the number of shares outstanding at the respective balance sheet dates.

14. RELATED PARTY TRANSACTIONS

The Company purchased goods for resale in the amount of ¥176,468 million ($1,423,129 thousand) and ¥168,433 million from its affiliates, which were accounted for by the equity method, for the years ended March 31, 2001 and 2000, respectively. Purchase prices were negotiated on an arm's-length basis based on the final retail prices of the Company.

15. SECURITIES

a) Information regarding marketable securities classified as other securities as of March 31, 2001 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	**¥44,294**	**¥81,886**	**¥37,592**	**$357,210**	**$660,371**	**$303,161**
Debt securities	**24**	**25**	**1**	**194**	**202**	**8**
Other	**200**	**201**	**1**	**1,613**	**1,621**	**8**
Subtotal	**44,518**	**82,112**	**37,594**	**359,016**	**662,194**	**303,177**
Securities whose acquisition cost exceeds their carrying value:						
Stock	**5,019**	**4,030**	**(988)**	**40,476**	**32,500**	**(7,968)**
Debt securities	**—**	**—**	**—**	**—**	**—**	**—**
Other	**355**	**343**	**(11)**	**2,863**	**2,766**	**(89)**
Subtotal	**5,374**	**4,374**	**(999)**	**43,339**	**35,274**	**(8,056)**
Total	**¥49,892**	**¥86,486**	**¥36,594**	**$402,355**	**$697,468**	**$295,113**

b) Sales of securities classified as other securities amounted to ¥29,262 million ($235,984 thousand) with an aggregate gain of ¥7,212 million ($58,161 thousand) and an aggregate loss of ¥309 million ($2,492 thousand) for the year ended March 31, 2001.

c) The redemption schedule for securities with maturity dates classified as other securities as of March 31, 2001 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds	**¥ —**	**¥152**	**¥ —**	**$ —**	**$1,226**	**$ —**
Corporate bonds	**20**	**4**	**—**	**161**	**32**	**—**
Other	**201**	**300**	**—**	**1,621**	**2,419**	**—**
Total	**¥222**	**¥456**	**¥ —**	**$1,790**	**$3,677**	**$ —**

d) The carrying and related fair values of current and noncurrent marketable securities at March 31, 2000 were as follows:

	Millions of yen		
	Carrying value	Estimated fair value	Net unrealized gain
(1) Current:			
Stock	¥ —	¥ —	¥ —
Bonds	—	—	—
Others	5,469	5,558	89
Subtotal	¥ 5,469	¥ 5,558	¥ 89
(2) Noncurrent:			
Stock	¥72,083	¥107,217	¥35,134
Bonds	98	114	15
Others	—	—	—
Subtotal	¥72,181	¥107,331	¥35,149
Total	¥77,650	¥112,890	¥35,239

16. DERIVATIVE TRANSACTIONS

The Company and certain consolidated subsidiaries have entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and commodity prices.

The Company is exposed to credit risk in the event of nonperformance by the counterparties to the derivative financial instruments, but any such loss would not be material because the Company enters into transactions only with financial institutions with high credit ratings. The notional amounts of the derivative financial instruments do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's risk exposure in connection with derivative financial instruments.

a) Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2001:
1) Currency-related transactions

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell:						
US$	**¥6,968**	**¥7,030**	**¥(61)**	**$56,194**	**$56,694**	**$(492)**
Others	**839**	**815**	**24**	**6,766**	**6,573**	**194**
Buy:						
US$	**111**	**120**	**8**	**895**	**968**	**65**
Others	**64**	**58**	**(6)**	**516**	**468**	**(48)**
Options:						
Put options, purchased:						
US$	**926**	**50**	**37**	**7,468**	**403**	**298**
Premium	**12**			**97**		
Total			**¥ 3**			**$ 24**

Note: The notional amounts of the forward foreign exchange contracts and currency swaps presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

2) Interest-related transactions

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:						
Receive/floating and pay/fixed	**¥1,350**	**¥1,342**	**¥ (7)**	**$10,887**	**$10,823**	**$ (56)**
Receive/fixed and pay/floating	**124**	**269**	**35**	**1,000**	**2,169**	**282**
Total	**¥ —**	**¥ —**	**¥28**	**$ —**	**$ —**	**$226**

3) Commodity-related transactions

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Options:						
Call options, purchased	**¥88**	**¥87**	**¥(0)**	**$710**	**$702**	**$(0)**
Total	**¥—**	**¥—**	**¥(0)**	**$ —**	**$ —**	**$(0)**

b) Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2000:

	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
US$	¥2,194	¥2,158	¥36
Others	1,069	1,063	5
Buy:			
US$	1,353	1,366	12
Others	196	196	—
Options:			
Put options, purchased:			
US$	791	7	(5)
Premium	12		
Total			¥48

Note: The notional amounts of the forward foreign exchange contracts and currency swaps presented above exclude those entered into in order to hedge receivables and payables denominated in foreign currencies, which have been translated and are reflected at the corresponding contracted rates in the accompanying consolidated balance sheets.

17. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of products in Japan and overseas in three major segments: foods which include *AJI-NO-MOTO* and other seasonings, edible oils, processed foods, beverages and dairy products; fine chemicals which include pharmaceuticals, amino acids and specialty chemicals; and other which includes distribution and other products.

The business and geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2001, 2000 and 1999 are outlined as follows:

Business Segments

	Millions of yen					
Year ended March 31, 2001	Foods	Fine Chemicals	Other	Total	Eliminations	Consolidated
I. Sales and operating income						
Sales to third parties	**¥622,001**	**¥188,421**	**¥ 98,106**	**¥908,528**	**¥ —**	**¥908,528**
Intragroup sales and transfers	**11,618**	**2,050**	**62,618**	**76,287**	**(76,287)**	**—**
Total sales	**633,620**	**190,472**	**160,724**	**984,816**	**(76,287)**	**908,528**
Operating expenses	**609,991**	**179,474**	**157,318**	**946,784**	**(76,060)**	**870,723**
Operating income	**¥ 23,629**	**¥ 10,998**	**¥ 3,405**	**¥ 38,032**	**¥ (227)**	**¥ 37,805**
II. Assets, depreciation and capital expenditures						
Total assets	**¥371,626**	**¥219,752**	**¥100,604**	**¥691,984**	**¥ 136,960**	**¥828,945**
Depreciation and amortization	**19,433**	**17,732**	**2,456**	**39,621**	**(981)**	**38,640**
Capital expenditures	**25,306**	**16,708**	**5,455**	**47,469**	**(555)**	**46,914**

	Thousands of U.S. dollars					
I. Sales and operating income						
Sales to third parties	**$5,016,137**	**$1,519,524**	**$ 791,177**	**$7,326,839**	**$ —**	**$7,326,839**
Intragroup sales and transfers	**93,694**	**16,532**	**504,984**	**615,218**	**(615,218)**	**—**
Total sales	**5,109,839**	**1,536,065**	**1,296,161**	**7,942,065**	**(615,218)**	**7,326,839**
Operating expenses	**4,919,282**	**1,447,371**	**1,268,694**	**7,635,355**	**(613,387)**	**7,021,960**
Operating income	**$ 190,556**	**$ 88,694**	**$ 27,460**	**$ 306,710**	**$ (1,831)**	**$ 304,879**
II. Assets, depreciation and capital expenditures						
Total assets	**$2,996,984**	**$1,772,194**	**$ 811,323**	**$5,580,516**	**$1,104,516**	**$6,685,040**
Depreciation and amortization	**156,718**	**143,000**	**19,806**	**319,524**	**(7,911)**	**311,613**
Capital expenditures	**204,081**	**134,742**	**43,992**	**382,815**	**(4,476)**	**378,339**

As a result of an adoption of a new accounting standard for retirement benefits as explained in Note 1.j, operating income for "Foods", "Fine Chemicals" and "Other" decreased by ¥1,933 million ($15,589 thousand), ¥1,199 million ($9,669 thousand) and ¥89 million ($718 thousand) for the year ended March 31, 2001 over the corresponding amounts for the previous year.

	Millions of yen					
Year ended March 31, 2000	Foods	Fine Chemicals	Other	Total	Eliminations	Consolidated
I. Sales and operating income						
Sales to third parties	¥598,841	¥134,573	¥ 96,006	¥829,422	¥ —	¥829,422
Intragroup sales and transfers	16,047	2,856	47,563	66,467	(66,467)	—
Total sales	614,889	137,430	143,570	895,889	(66,467)	829,422
Operating expenses	590,976	132,419	139,441	862,838	(66,465)	796,372
Operating income	¥ 23,913	¥ 5,010	¥ 4,128	¥ 33,051	¥ (1)	¥ 33,050
II. Assets, depreciation and capital expenditures						
Total assets	¥349,774	¥180,864	¥ 95,550	¥626,189	¥106,791	¥732,980
Depreciation and amortization	20,389	14,642	3,081	38,112	(778)	37,334
Capital expenditures	21,256	30,693	4,605	56,555	(790)	55,765

	Millions of yen					
Year ended March 31, 1999	Foods	Fine Chemicals	Other	Total	Eliminations	Consolidated
I. Sales and operating income						
Sales to third parties	¥575,179	¥142,905	¥ 96,453	¥814,538	¥ —	¥814,538
Intragroup sales and transfers	12,312	938	46,867	60,117	(60,117)	—
Total sales	587,492	143,843	143,320	874,656	(60,117)	814,538
Operating expenses	573,313	133,991	138,411	845,716	(59,940)	785,776
Operating income	¥ 14,178	¥ 9,852	¥ 4,908	¥ 28,939	¥ (177)	¥ 28,762
II. Assets, depreciation and capital expenditures						
Total assets	¥361,600	¥174,023	¥106,794	¥642,418	¥119,755	¥762,173
Depreciation and amortization	17,182	13,824	2,902	33,909	(543)	33,365
Capital expenditures	27,997	19,708	6,530	54,236	(841)	53,395

Geographical Segments

	Millions of yen						
Year ended March 31, 2001	Japan	Asia	America	Europe	Total	Eliminations	Consolidated
Sales to third parties	**¥716,294**	**¥70,527**	**¥50,224**	**¥71,482**	**¥908,528**	**¥ —**	**¥908,528**
Interarea sales and transfers	**30,489**	**6,233**	**6,912**	**2,029**	**45,665**	**(45,665)**	**—**
Total sales	**746,784**	**76,760**	**57,136**	**73,512**	**954,194**	**(45,665)**	**908,528**
Operating expenses	**721,688**	**67,938**	**55,883**	**70,878**	**916,388**	**(45,665)**	**870,723**
Operating income	**¥ 25,096**	**¥ 8,822**	**¥ 1,252**	**¥ 2,634**	**¥ 37,805**	**¥ —**	**¥ 37,805**
Total assets	**¥515,798**	**¥59,540**	**¥48,740**	**¥54,285**	**¥678,364**	**¥150,580**	**¥828,945**
	Thousands of U.S. dollars						
Sales to third parties	**$5,776,565**	**$568,766**	**$405,032**	**$576,468**	**$7,326,839**	**$ —**	**$7,326,839**
Interarea sales and transfers	**245,879**	**50,266**	**55,742**	**16,363**	**368,266**	**(368,266)**	**—**
Total sales	**6,022,452**	**619,032**	**460,774**	**592,839**	**7,695,113**	**(368,266)**	**7,326,839**
Operating expenses	**5,820,065**	**547,887**	**450,669**	**571,597**	**7,390,226**	**(368,266)**	**7,021,960**
Operating income	**$ 202,387**	**$ 71,145**	**$ 10,097**	**$ 21,242**	**$ 304,879**	**$ —**	**$ 304,879**
Total assets	**$4,159,661**	**$480,161**	**$393,065**	**$437,782**	**$5,470,677**	**$1,214,355**	**$6,685,040**

As a result of an adoption of a new accounting standard for retirement benefits as explained in Note 1.j, operating income for "Japan" decreased by ¥3,222 million ($25,984 thousand) for the year ended March 31, 2001 over the corresponding amount for the previous year.

	Millions of yen						
Year ended March 31, 2000	Japan	Asia	America	Europe	Total	Eliminations	Consolidated
Sales to third parties	¥688,276	¥60,136	¥35,490	¥45,518	¥829,422	¥ —	¥829,422
Interarea sales and transfers	31,070	5,617	6,236	2,288	45,213	(45,213)	—
Total sales	719,347	65,754	41,726	47,807	874,635	(45,213)	829,422
Operating expenses	694,826	58,302	41,000	47,456	841,585	(45,213)	796,372
Operating income	¥ 24,521	¥ 7,451	¥ 726	¥ 350	¥ 33,050	¥ —	¥ 33,050
Total assets	¥493,245	¥63,662	¥38,702	¥34,252	¥629,864	¥103,116	¥732,980

	Millions of yen						
Year ended March 31, 1999	Japan	Asia	America	Europe	Total	Eliminations	Consolidated
Sales to third parties	¥681,772	¥35,432	¥35,982	¥61,351	¥814,538	¥ —	¥814,538
Interarea sales and transfers	20,120	4,519	8,794	1,472	34,907	(34,907)	—
Total sales	701,893	39,951	44,776	62,824	849,445	(34,907)	814,538
Operating expenses	681,950	36,696	43,109	58,927	820,683	(34,907)	785,776
Operating income	¥ 19,942	¥ 3,255	¥ 1,666	¥ 3,897	¥ 28,762	¥ —	¥ 28,762
Total assets	¥485,405	¥50,622	¥48,437	¥50,224	¥634,689	¥127,484	¥762,173

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries for the years ended March 31, 2001, 2000 and 1999, are summarized as follows:

	Millions of yen			
Year ended March 31, 2001	Asia	America	Europe	Total
Overseas sales	**¥79,182**	**¥56,798**	**¥70,701**	**¥206,682**
Consolidated net sales				**908,528**
	Thousands of U.S. dollars			
Overseas sales	**$638,565**	**$458,048**	**$570,169**	**$1,666,790**
Consolidated net sales				**7,326,839**
Overseas sales as a percentage of consolidated net sales	**8.7%**	**6.3%**	**7.8%**	**22.8%**

	Millions of yen			
Year ended March 31, 2000	Asia	America	Europe	Total
Overseas sales	¥65,312	¥40,692	¥44,820	¥150,825
Consolidated net sales				829,422
Overseas sales as a percentage of consolidated net sales	7.9%	4.9%	5.4%	18.2%

	Millions of yen			
Year ended March 31, 1999	Asia	America	Europe	Total
Overseas sales	¥47,332	¥46,683	¥58,791	¥152,807
Consolidated net sales				814,538
Overseas sales as a percentage of consolidated net sales	5.8%	5.7%	7.2%	18.8%

18. SUBSEQUENT EVENTS

1) On April 6, 1995, the Company filed a complaint for patent infringement against Archer-Daniel-Midland Company (ADM) in the United States District Court in Delaware seeking an injunction and damages for such infringement.

In March 1998, a judgment was entered in favor of the Company on the finding of infringement and validity of the patent entitled "Method for Preparing Bacteria Strains which Produce Amino Acids," which is owned by the Company. This judgment was affirmed by the United States Court of Appeals for the Federal Circuit in October 2000.

Against these judgments ADM filed a petition for certiorari and had sought a review by the United States Supreme Court. The United States Supreme Court denied ADM's petition for certiorari on May 14, 2001, and the patent infringement suit against ADM was resolved in the Company's favor. As a result, the Company will receive compensation for damages from ADM for such infringement in the amount of US$26.8 million (including related interest) or approximately ¥3,176 million.

2) The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2001, were approved by the shareholders at a meeting held on June 28, 2001:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥5=US$0.040 per share)	¥3,429	$27,653
Bonuses to directors and statutory auditors	185	1,492

Report of Certified Public Accountants

Century Ota Showa & Co.

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641

Phone: 03 3503 [illegible]
Fax: 03 3503 [illegible]

The Board of Directors and Shareholders
Ajinomoto Co., Inc.

We have examined the consolidated balance sheets of Ajinomoto Co., Inc. and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2001, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Ajinomoto Co., Inc. and consolidated subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the consolidated financial statements, Ajinomoto Co., Inc. and consolidated subsidiaries have adopted new accounting standards for consolidation and research and development expenses effective the year ended March 31, 2000 and for employees' retirement benefits, financial instruments and foreign currency translations effective the year ended March 31, 2001 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

June 28, 2001

Century Ota Showa & Co.

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Ajinomoto Co., Inc. and consolidated subsidiaries under Japanese accounting principles and practices.

Board of Directors and Auditors

(As of July 1, 2001)

Kunio Egashira

Takeshi Suzuki

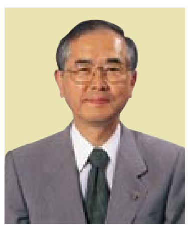
Takuzo Kitamura

Hisaya Ushioda

Tohru Nishiyama

Keiichiro Aihara

Tadao Toki



Norio Yamaguchi

Sohei Ishiwata

Takao Ikeda

Kinzo Iitani

PRESIDENT

Kunio Egashira

EXECUTIVE VICE PRESIDENT

Takeshi Suzuki

Public Relations Dept.; Environment Dept.

EXECUTIVE MANAGING DIRECTORS

Takuzo Kitamura

General Manager, International Div.

Hisaya Ushioda

Secretarial Office; General Affairs Dept.; Finance Dept.; Legal Dept.; Administration Office for Calpis Co., Ltd.; Administration Office for Ajinomoto General Foods, Inc.; Administration Office for Ajinomoto Frozen Foods Co., Inc. and Ajinomoto Oil Mills Co., Inc.

Tohru Nishiyama

Quality Assurance & External Scientific Affairs Dept.; R&D Management Dept.; Intellectual Property Center; Central Research Laboratories; Nutritional Health Science Research Project Dept.; Fermentation & Biotechnology Laboratories

Keiichiro Aihara

General Manager, Pharmaceutical Div.; Purchasing Dept.; Pharmaceutical Research Laboratories

MANAGING DIRECTORS

Tadao Toki

General Manager, AminoScience Div.; AminoScience Laboratories

Norio Yamaguchi

Corporate Planning & Information Systems Dept.; Personnel Dept.

Sohei Ishiwata

General Manager, Food Products Div.; Advertising Dept.

Takao Ikeda

Deputy General Manager, Food Products Div.; Branches; Food Service Dept.; Sales Logistics Center

Kinzo Iitani

Production Management Dept.; International Production & Technology Center; Technology & Engineering Center; Domestic & Foreign Plants

DIRECTORS

Yoichi Kobayashi

President, Ajinomoto U.S.A., Inc.

Hiroshi Sakaguchi

General Manager, Kawasaki Plant

Toshihide Yukawa

General Manager, Tokai Plant

Shigetoshi Suzuki

President, Ajinomoto Takara Corporation, Inc.

Chikahiko Eguchi

Deputy General Manager, Pharmaceutical Div.; General Manager, Pharmaceutical Research Laboratories

Tsuyoshi Miura

President, Ajinomoto Co., (Thailand) Ltd.

Shinji Sasaki

President, Ajinomoto Oil Mills Co., Inc.

Masatoshi Ito

Executive Vice President, Ajinomoto Frozen Foods Co., Inc.

Daiji Shindo

General Manager, Tokyo Branch

Yukimichi Tamura

General Manager, European Head Office

Yasunori Yoshioka

General Manager, Finance Dept.

Takashi Kurematsu

General Manager, Corporate Planning & Information Systems Dept.

Osamu Tosaka

General Manager, Kyushu Plant

Toshio Takahashi

General Manager, Sweetener Dept., AminoScience Div.

Takashi Utagawa

General Manager, Fermentation & Biotechnology Laboratories

Namio Terashi

General Manager, Personnel Dept.

Keiichi Yokoyama

General Manager, Osaka Branch

Yutaka Kunimoto

Deputy General Manager, AminoScience Div.

Hirozumi Eto

General Manager, R&D Management Dept.

STANDING CORPORATE AUDITORS

Ichiro Ohashi

Yutaka Naito

Toshikatsu Saito

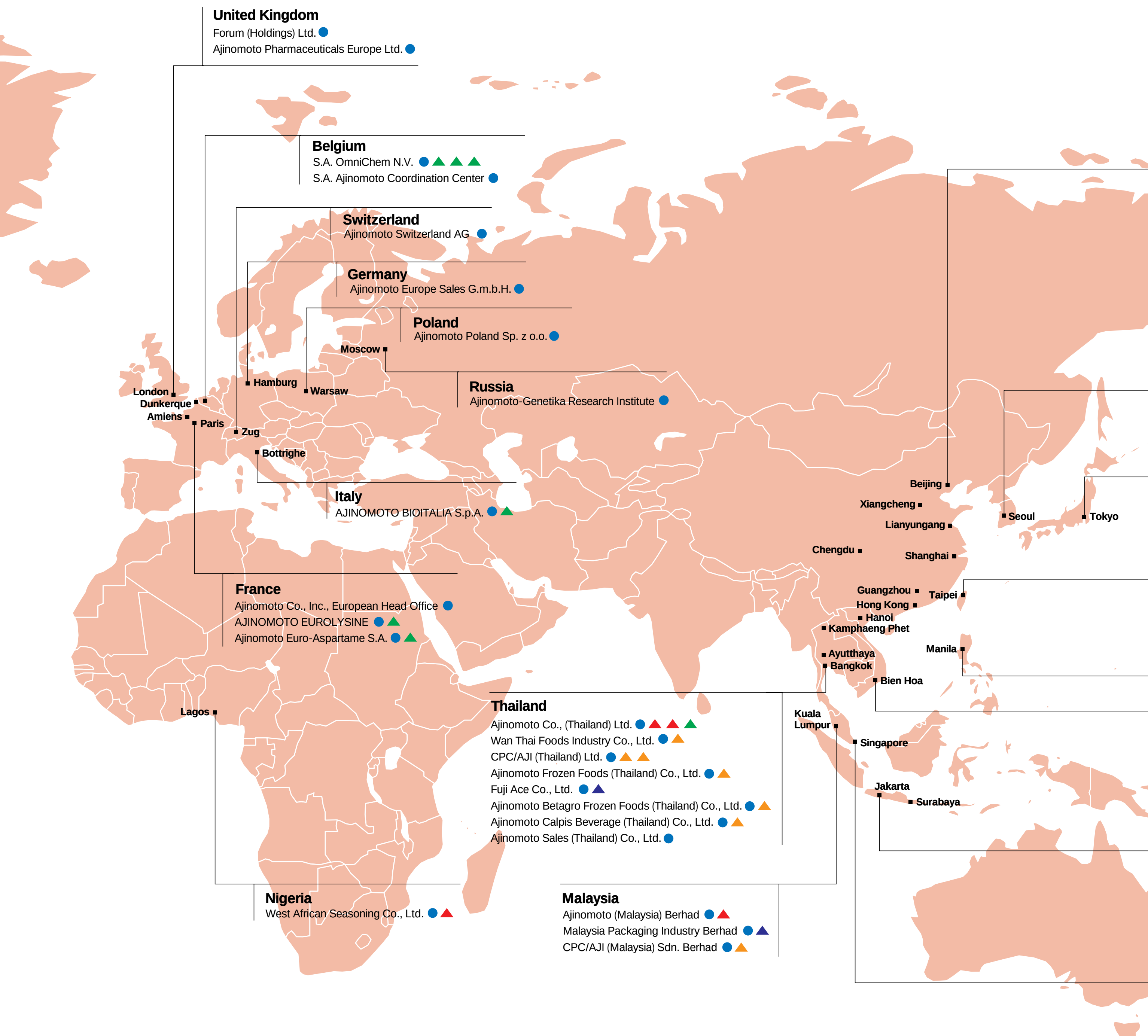
CORPORATE AUDITOR

Tadao Suzuki

President, Mercian Corporation

Global Network

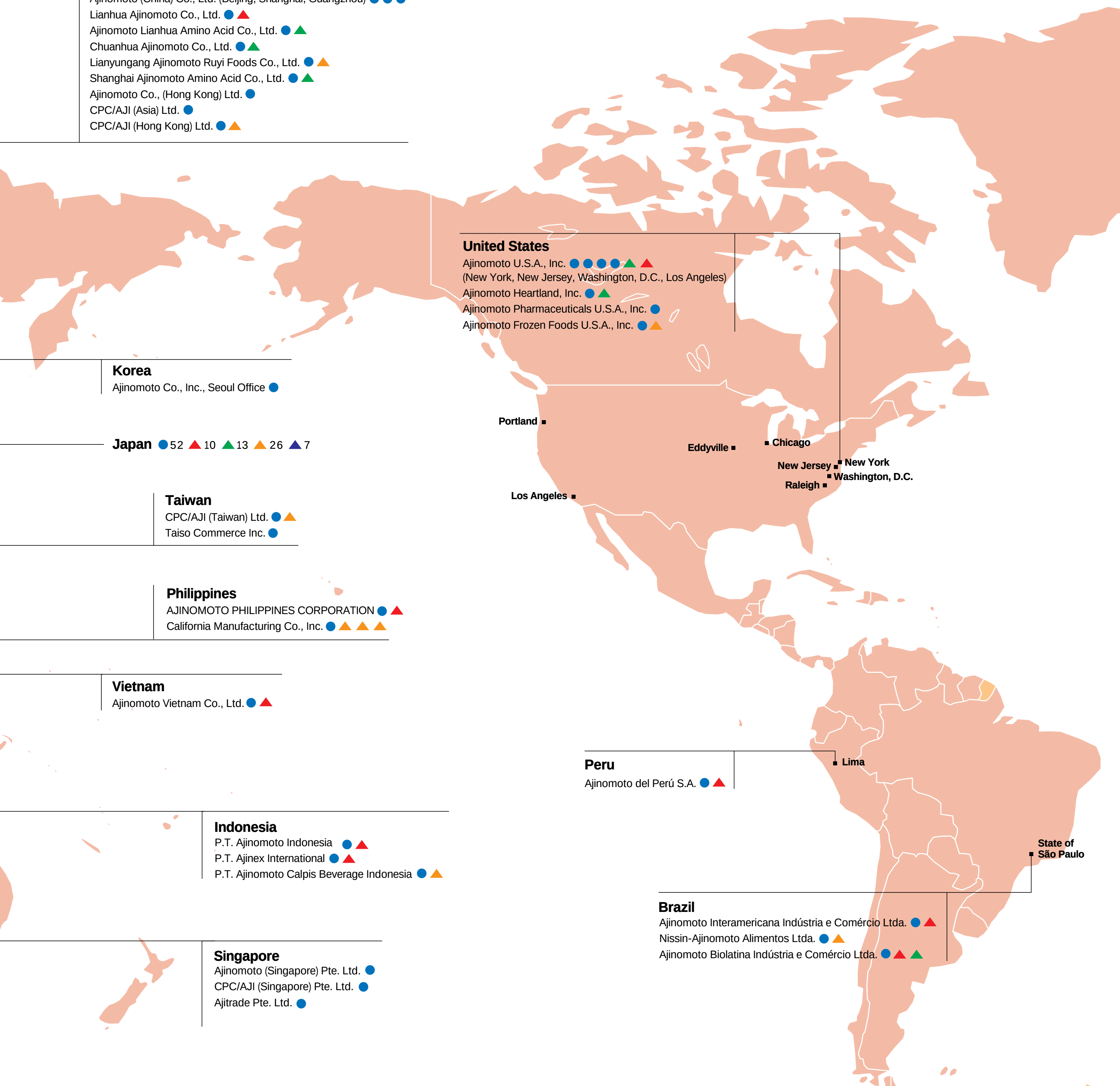
(as of April 1, 2001)



Global network: 22 countries and regions
(including 105 manufacturing plants* in 15 countries and regions)
(Japan: 56; Other Countries: 49)

● Subsidiaries, affiliates and offices of the Parent Company
▲ Seasonings Plants (26)
▲ Amino Acids and Specialty Chemicals Plants (26)
▲ Processed Foods Plants (42)
▲ Other Plants (11)
*Includes packaging plants

China
Ajinomoto (China) Co., Ltd. (Beijing, Shanghai, Guangzhou) ● ● ●
Lianhua Ajinomoto Co., Ltd. ● ▲
Ajinomoto Lianhua Amino Acid Co., Ltd. ● ▲
Chuanhua Ajinomoto Co., Ltd. ● ▲
Lianyungang Ajinomoto Ruyi Foods Co., Ltd. ● ▲
Shanghai Ajinomoto Amino Acid Co., Ltd. ● ▲
Ajinomoto Co., (Hong Kong) Ltd. ●
CPC/AJI (Asia) Ltd. ●
CPC/AJI (Hong Kong) Ltd. ● ▲



United States
Ajinomoto U.S.A., Inc. ● ● ● ● ▲ ▲
(New York, New Jersey, Washington, D.C., Los Angeles)
Ajinomoto Heartland, Inc. ● ▲
Ajinomoto Pharmaceuticals U.S.A., Inc. ●
Ajinomoto Frozen Foods U.S.A., Inc. ● ▲

Korea
Ajinomoto Co., Inc., Seoul Office ●

Japan ● 52 ▲ 10 ▲ 13 ▲ 26 ▲ 7

Taiwan
CPC/AJI (Taiwan) Ltd. ● ▲
Taiso Commerce Inc. ●

Philippines
AJINOMOTO PHILIPPINES CORPORATION ● ▲
California Manufacturing Co., Inc. ● ▲ ▲ ▲

Vietnam
Ajinomoto Vietnam Co., Ltd. ● ▲

Peru
Ajinomoto del Perú S.A. ● ▲

Indonesia
P.T. Ajinomoto Indonesia ● ▲
P.T. Ajinex International ● ▲
P.T. Ajinomoto Calpis Beverage Indonesia ● ▲

Brazil
Ajinomoto Interamericana Indústria e Comércio Ltda. ● ▲
Nissin-Ajinomoto Alimentos Ltda. ● ▲
Ajinomoto Biolatina Indústria e Comércio Ltda. ● ▲ ▲

Singapore
Ajinomoto (Singapore) Pte. Ltd. ●
CPC/AJI (Singapore) Pte. Ltd. ●
Ajitrade Pte. Ltd. ●

Major Subsidiaries and Affiliates

(as of April 1, 2001)

Ajinomoto Group (International)

COMPANY NAME

Food Products

- **Seasonings**
  - Ajinomoto Co., (Thailand) Ltd.
  - Ajinomoto Sales (Thailand) Co., Ltd.
  - AJINOMOTO PHILIPPINES CORPORATION
  - Ajinomoto (Malaysia) Berhad
  - Ajinomoto (Singapore) Pte. Ltd.
  - Ajitrade Pte. Ltd.
  - P.T. Ajinomoto Indonesia
  - P.T. Ajinex International
  - Ajinomoto Vietnam Co., Ltd.
  - Ajinomoto Co., (Hong Kong) Ltd.
  - Lianhua Ajinomoto Co., Ltd.
  - Ajinomoto U.S.A., Inc.
  - Ajinomoto Interamericana Indústria e Comércio Ltda.
  - Ajinomoto Biolatina Indústria e Comércio Ltda.
  - Ajinomoto del Perú S.A.
  - West African Seasoning Co., Ltd.
- **Frozen Foods**
  - Ajinomoto Frozen Foods (Thailand) Co., Ltd.
  - Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd.
  - Lianyungang Ajinomoto Ruyi Foods Co., Ltd.
  - Ajinomoto Frozen Foods U.S.A., Inc.
- **Processed Foods**
  - CPC/AJI (Asia) Ltd.
  - CPC/AJI (Hong Kong) Ltd.
  - CPC/AJI (Malaysia) Sdn. Berhad
  - CPC/AJI (Singapore) Pte. Ltd.
  - California Manufacturing Co., Inc.
  - CPC/AJI (Taiwan) Ltd.
  - CPC/AJI (Thailand) Ltd.
  - Nissin-Ajinomoto Alimentos Ltda.
  - Wan Thai Foods Industry Co., Ltd.
  - Ajinomoto Poland Sp. z o. o.
- **Beverages**
  - Ajinomoto Calpis Beverage (Thailand) Co., Ltd.
  - P.T. Ajinomoto Calpis Beverage Indonesia

Fine Chemicals

- **Pharmaceuticals**
  - Ajinomoto Pharmaceuticals U.S.A., Inc.
  - Ajinomoto Pharmaceuticals Europe Ltd.
  - Forum (Holdings) Ltd.
- **Amino Acids and Specialty Chemicals**
  - Ajinomoto U.S.A., Inc.
  - Ajinomoto Europe Sales G.m.b.H.
  - Ajinomoto Lianhua Amino Acid Co., Ltd.
  - Shanghai Ajinomoto Amino Acid Co., Ltd.
  - S.A. OmniChem N.V.
  - AJINOMOTO EUROLYSINE
  - Ajinomoto Heartland, Inc.
  - Ajinomoto Co., (Thailand) Ltd.
  - AJINOMOTO BIOITALIA S.p.A.
  - Chuanhua Ajinomoto Co., Ltd.
  - Ajinomoto Biolatina Indústria e Comércio Ltda.
  - Ajinomoto Euro-Aspartame S.A.
  - Ajinomoto Switzerland AG
  - Taiso Commerce Inc.

Other Businesses

- Fuji Ace Co., Ltd.
- Malaysia Packaging Industry Berhad
- Ajinomoto (China) Co., Ltd.
- S.A. Ajinomoto Coordination Center
- Ajinomoto-Genetika Research Institute (AGRI)

Ajinomoto Group (Japan)

COMPANY NAME

Food Products

Seasonings and Processed Foods

- Knorr Foods Co., Ltd.
- Ajinomoto Packaging Inc.
- Delica Ace Co., Ltd.
- Kumamoto Delica Ace Co., Ltd.
- Shimadaya Corporation
- Ajinomoto Frozen Bakery Product Co., Ltd.
- Ace Bakery Co., Ltd.

Frozen Foods

- Ajinomoto Frozen Foods Co., Inc.
- Komec Co., Ltd.

Edible Oils

- Ajinomoto Oil Mills Co., Inc.
- Asahi Yushi Co., Ltd.
- Ohta Oil Co., Ltd.

Beverages and Dairy Products

- Ajinomoto General Foods, Inc.
- Calpis Co., Ltd.
- Calpis Ajinomoto Danone Co., Ltd.

Fine Chemicals

Pharmaceuticals

- Ajinomoto Pharma Co., Ltd.
- Showa Yakuhin Kako Co., Ltd.

Amino Acids and Specialty Chemicals

- Ajinomoto Takara Corporation, Inc.
- Nippon Protein Co., Ltd.
- Ajinomoto Fine-Techno Co., Inc.
- Kawaken Fine Chemicals Co., Ltd.

Other Businesses

- Ajinomoto Communications Inc.
- AJINOMOTO LOGISTICS CORPORATION
- Ajinomoto Engineering Co., Ltd.
- Acepackage Co., Ltd.
- Ajinomoto System Techno Corporation
- Ajinomoto Treasury Management Inc.
- Aji-Estates Co., Inc.
- Shin-Nippon Commerce, Inc.
- Chiyoda Bussan Co., Ltd.
- Takara-Daimi Co., Ltd.
- Okinawa Ajinomoto Co., Inc.
- Ajitsu Corporation
- Charles River Japan, Inc.

Directory

(as of April 1, 2001)

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Investor Information

(as of March 31, 2001)

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Established	May 20, 1909
Number of Employees	23,739 (consolidated basis) 4,166 (non-consolidated basis)
Fiscal Year	April 1 — March 31 Annual meeting held in June
Common Stock	
Authorized:	1,000,000,000 shares
Issued:	649,981,182 shares
Paid-in Capital:	¥79,863 million
Listings:	The Tokyo Stock Exchange and the four other domestic stock exchanges (Ticker Code: 2802)
Transfer Agent:	The Mitsubishi Trust and Banking Corporation
Independent Auditor:	Century Ota Showa & Co.

Major Shareholders

Name of Shareholders	Thousands of Shares
The Dai-Ichi Mutual Life Insurance Company	39,504
Nippon Life Insurance Company	39,470
Japan Trustee Services Bank, Ltd. (trust account)	32,557
The Bank of Tokyo-Mitsubishi, Ltd.	32,452
The Dai-Ichi Kangyo Bank, Ltd.	27,454
The Mitsubishi Trust & Banking Corp.	26,554
Fukoku Mutual Life Insurance Company	16,823
Meiji Life Insurance Company	16,156
The Yasuda Fire And Marine Insurance Company, Limited	15,810
The Mitsubishi Trust & Banking Corp. (trust account)	15,741

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Sales Logistics Center, and 10 sales offices

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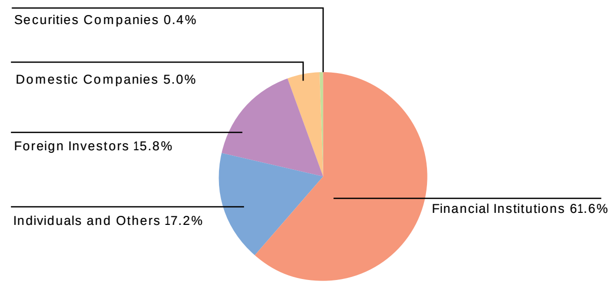
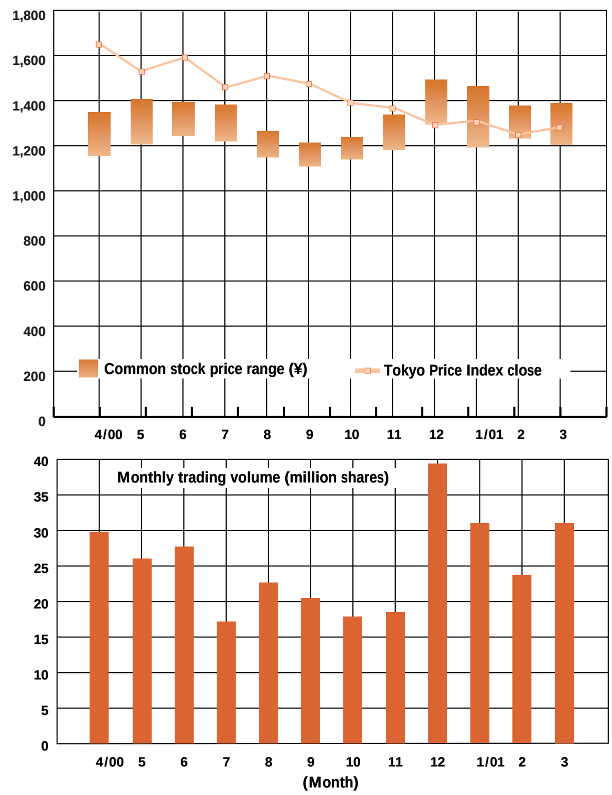
Distribution of Shareholders



Monthly Stock Price Range (TSE)



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