A taste of the future.

AJINOMOTO®

STEADILY ACHIEVING GOALS

Annual Report 2004 For the year ended March 31, 2004

Fiscal 2003 Highlights

Notable events in Ajinomoto's core fields of domestic food products, overseas food products, amino acids and pharmaceuticals.

DOMESTIC FOOD PRODUCTS

Successful Two-Pronged Approach to Building Demand for *Hon-Dashi*

Building demand for core product *Hon-Dashi* flavor seasoning focused on two areas: first, strengthening customer loyalty by promoting use in standard Japanese dishes, such as miso soup; and second, broadening the consumer base by offering new menu proposals for stir-fried and sauteed dishes that appeal to young homemakers. As a result, *Hon-Dashi* maintained its strong number-one market share.

Knorr Instant Soups Continue Substantial Growth in Sales

A continuing strategic focus on strengthening core products helped *Knorr* instant soups achieve a second consecutive year of substantial sales growth. Popular new cup-type soup launches included *Knorr Soup Harusame*, *Knorr Soup Risotto* and *Knorr Pota*, which offers vegetable ingredients with a robust, full-fledged flavor that clearly distinguishes the brand from competitors.

New Frozen Food Joint Venture in Thailand Ensures Reliable Quality Pork Products

Ajinomoto Betagro Specialty Foods Co., Ltd., a joint venture between Ajinomoto Frozen Foods Co., Inc. and Betagro Agro-Group Public Co., Ltd., was established in February 2004 in Thailand. The company combines fresh, high-quality pork from a network of stockyards that use Betagro's specific pathogen-free (SPF) breeding technology with Ajinomoto's processing technology and strengths in product development and marketing.

AMINO ACIDS

Expanding Production Capacity of Feed-Grade Amino Acids

Brazilian subsidiary Ajinomoto Biolatina Indústria e Comércio Ltda. raised its production capacity of feed-grade Lysine from 30,000 tons to 48,000 tons in October 2003, the first phase of a planned expansion to 72,000 tons by December 2004. Following the second increase, the total annual feed-grade Lysine production capacity for the AJINOMOTO ANIMAL NUTRITION group will reach 287,000 tons.

Extending the *ASF Medium* Series Lineup

As part of the *ASF (Ajinomoto Serum-Free) Medium* series for culturing animal cells, Ajinomoto launched *ASF Medium 104N*, which contains no animal-origin raw materials. *ASF Medium 104N* offers the same high productivity as the rest of the *ASF Medium* series, and has been enthusiastically received for its reliability as both a pharmaceutical manufacturing medium and a research reagent.

OVERSEAS FOOD PRODUCTS

Ajinomoto Launches New Products for the Chinese Market

Changing lifestyles in China are giving rise to a consumer preference for high-quality foods that offer greater convenience. Ajinomoto strengthened its foothold in the consumer foods business in this growing market with the launch of three new, easy-to-prepare foods: *Younong*, a single-serving Western-style instant soup; *MOR CHU GAOTANG* flavor seasoning; and *Hon-Dashi* dried scallop flavor.

Test Marketing of *Amino Vital* Begins in the United States

The accumulated scientific evidence of *Amino Vital*'s effectiveness in enhancing sports performance is supporting the first introduction of a functional amino acid beverage outside Japan. Signing on as the "Official Amino Acid Sports Performance Drink" of the Seattle Mariners and New York Yankees Major League Baseball teams is reinforcing the product's linkage with athletes. *Amino Vital* is available in mix-and-shake, fast-charge and ready-to-drink formats.

Acquisition of MSG Manufacturer ORSAN SA of France

The acquisition of ORSAN SA, a major French producer of monosodium glutamate (MSG), and its start of operations under the name AJINOMOTO FOODS EUROPE S.A.S. in October 2003, contributed to building Ajinomoto's global MSG production and distribution network. Production capacity of 60,000 tons a year will support both stable supply of high-quality MSG globally and better service for customers in the large, important European market.

PHARMACEUTICALS

Long Term Survival Study Further Proves Excellent Efficacy of *LIVACT Granules*

A large-scale post-marketing clinical study was conducted to examine the effect of *LIVACT Granules*, an amino acid formula for treatment of liver cirrhosis, on patient life expectancy. The study confirmed that *LIVACT Granules* significantly delayed severe complications or death from liver cirrhosis compared to the current dietary therapy. With its evidence-based clinical superiority, *LIVACT Granules* maintained its unwavering position in the therapeutic area of liver cirrhosis. In addition, an improved formulation of *LIVACT Granules* was successfully launched in September 2003.

Nateglinide (*FASTIC*) and Risedronate (*Actonel*) Sales Reach New Milestones

Nateglinide, an effective treatment for early-stage diabetes, achieved cumulative sales of ¥10 billion (NHI price base) in fiscal 2003 as prescriptions steadily increased. Clinical data demonstrating risedronate's efficacy in reducing vertebral fractures due to osteoporosis has made it a major product, with sales of ¥17.5 billion (NHI price base) in fiscal 2003.

Profile

Contents

Forward-Looking Statements

This annual report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication.

Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses; competitive pressures; related laws and regulations; product development programs; and changes in exchange rates.

Corporate Philosophy

Ajinomoto Co., Inc. aims to be a unique and distinctive company trusted by people around the world. Our management philosophy centers on contributing to significant advances in food and health on a global basis, and ultimately creating a better life for all. Leadership, innovation and foresight are key to our commitment to providing safe and reliable products of the highest quality, and we are currently executing a comprehensive program to further improve our rigorous system of quality assurance. Environmental preservation is a top management priority, and Ajinomoto has adopted zero emission standards for minimizing its various environmental loads that go well beyond existing regulatory obligations.

Profitable Growth and Stakeholder Commitment

Consistently profitable growth is the cornerstone of Ajinomoto's current three-year management plan, which will be completed in March 2005. Evolving into a truly global corporation, Ajinomoto is emphasizing the five key areas of expanding business in growth sectors, shifting toward a high-earnings structure, strengthening corporate governance, nurturing personnel capable of working in the global arena, and operating in harmony with society as a good corporate citizen. We expect to achieve our objectives under the plan of operating income of ¥75 billion, net income of ¥45 billion and return on equity of at least 10 percent. Ajinomoto has also improved its effective system of corporate governance by including an outside director and implementing a corporate executive officer system to enhance efficiency and clarify responsibility.

The Ajinomoto Way

Ajinomoto operates globally, with 106 factories in 15 countries and regions including Japan that support operations in 23 countries and regions. We have achieved consistent success in building a broad portfolio of strong number one brands by concentrating resources in selected markets. We differentiate our leading brands and create new ones by deploying our strength in technological innovation. Acquisitions and alliances have accelerated our drive to grow profitably while raising efficiency. Our efforts to steadily increase corporate value are based on the Ajinomoto Way, our approach to developing the people, products and strategies that differentiate Ajinomoto from competitors and generate benefits for shareholders.

Note: Global operations data as of April 2004.

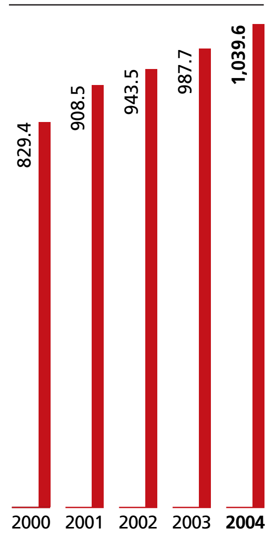
Financial Highlights

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

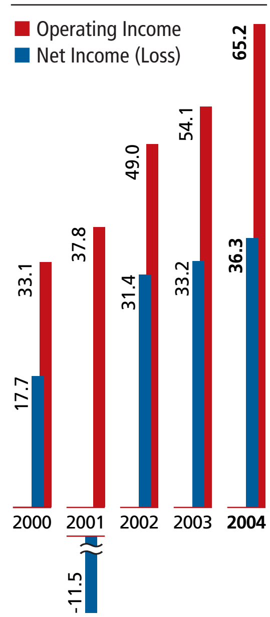
	Millions of yen			Thousands of U.S. dollars	Percent change
	2004	2003	2002	**2004**	**2004**/2003
For the year:					
Net sales	**¥1,039,551**	¥987,727	¥943,540	**$9,807,085**	5.2%
Gross profit	**296,299**	270,727	263,536	**2,795,274**	9.4
Operating income	**65,190**	54,059	49,015	**615,000**	20.6
Income before income taxes and minority interests	**67,017**	65,466	58,464	**632,236**	2.4
Net income	**36,276**	33,178	31,442	**342,226**	9.3
At year-end:					
Shareholders' equity	**¥428,077**	¥391,154	¥381,017	**$4,038,462**	9.4%
Total assets	**871,780**	864,588	840,152	**8,224,340**	0.8
Per share (yen and U.S. dollars)					
Net income	**¥ 55.6**	¥ 50.7	¥ 48.4	**$ 0.52**	9.7%
Shareholders' equity	**659.8**	602.7	586.3	**6.22**	9.5
Cash dividends	**12.0**	11.0	10.0	**0.11**	9.1
Return on equity (ROE)	**8.9%**	8.6%	8.5%		
Number of employees	**24,861**	24,406	24,326		

Note: U.S. dollar amounts represent translations of yen, for convenience only, at ¥106=US$1, the approximate rate prevailing on March 31, 2004. All figures are rounded to the nearest whole number.

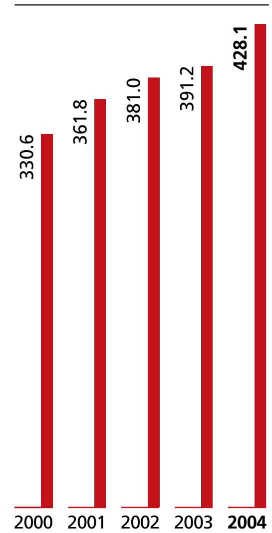
Net Sales
(Billions of yen)



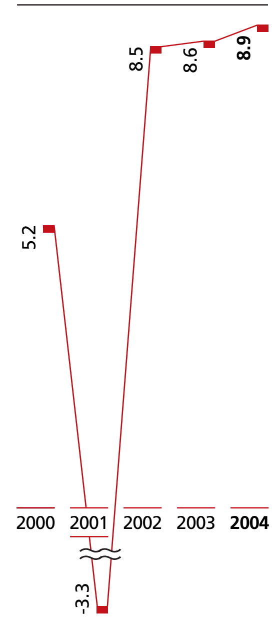
Operating Income/ Net Income (Loss)
(Billions of yen)



Shareholders' Equity
(Billions of yen)



Return on Equity
(%)



Note: 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.

To Our Shareholders

Results for the past fiscal year indicate that Ajinomoto will meet or exceed the challenging goals of its current three-year management plan. Success in initiatives ranging from product launches in growth markets and international expansion to continuous cost-reduction programs and human resource development is the result of the passion of Ajinomoto Group employees and their commitment to excellence.

Kunio Egashira, President & Chief Executive Officer

Net sales for the year ended March 31, 2004 increased 5.2 percent to ¥1.04 trillion. Supported by ongoing programs to reduce costs and raise efficiency, operating income increased 20.6 percent to ¥65.2 billion. Net income increased 9.3 percent to ¥36.3 billion, and net income per share increased 9.7 percent to ¥55.6. Ajinomoto increased cash dividends per share for the year 9.1 percent to ¥12.0, reflecting the Company's policy of linking dividends to performance gains.

Our approach to generating growth centers on five clear initiatives. The first is the Ajinomoto Way, our unique approach to developing the people, products and strategies that differentiate Ajinomoto from competitors. Second, we have selected businesses in which we have a strong competitive advantage, concentrated resources in them, and are now expanding as a result. Strong number-one brands are a third crucial initiative, as brand leadership has consistently resulted in market leadership and earnings growth. Fourth, safety and reliability are cornerstones of our operations, as is the fifth initiative, the energetic involvement of all employees in improving operating performance.

Structuring Operations to Generate Value

The performance gains of the second year of our current three-year management plan are among the positive results of our efforts to structure operations to generate value. However, these efforts began long before the current plan, since they are part of our fundamental strategy of selection, concentration and expansion. In less than seven years since I took office, Ajinomoto has been involved in numerous acquisitions, divestitures, mergers and other activities to improve the strength and efficiency of its operating structure.

Acquisitions that increase economies of scale and scope in our selected arenas have played a key role in this process, and Ajinomoto has consistently demonstrated the ability to rapidly add value to acquisitions. Representative examples include Shimizu Pharmaceutical Co., Ltd., now part of our pharmaceuticals business. We quickly integrated the former Shimizu's marketing and R&D resources after the December 2002 acquisition, while adding its complementary products to our brand portfolio. Similarly, we completed the acquisition of Frec Corporation, formerly the frozen foods division of Nippon Sanso Corporation, in April 2003 and have effectively enhanced the ability of these operating assets to generate growth in sales and earnings for our frozen foods business.

During the past fiscal year, we acquired ORSAN SA, a French producer of monosodium glutamate (MSG), and began operations under the name AJINOMOTO FOODS EUROPE S.A.S. in October 2003. This move contributed to our global production network for MSG and raised our market share to about 33 percent. Moreover, it has strengthened our position in Europe because of our success at deploying our technologies and strategies to lower costs and raise productivity. It has also improved our ability to provide superior service to European customers.

Strong Number-One Brands Drive Growth

We have been very effective at building brands that lead in their respective categories. Over the first two years of our management plan, we have shifted away from a strategy that includes number-two brands to focus more fully on maintaining and further strengthening the number-one brands in our product portfolio.

Our strong number-one strategy ultimately centers on the attractiveness of our products to consumers. When we focus on brand leadership, we consistently emphasize how to make our brands exceptionally appealing. The results have been compelling, and *Amino Vital* is representative. The *Amino Vital* line has grown rapidly into a ¥18 billion brand, indicating our success in attracting consumers. Moreover, it is one of the products that have helped the Ajinomoto corporate brand capture a strong mind share among younger consumers because of its clear association with sports

The Three-Year Management Plan (April 2002-March 2005)

	FY2001	FY2002	**FY2003**	**FY2004**
Net Sales	¥944 billion	¥988 billion	**¥1.04 trillion**	**¥1.1 trillion**
Operating Income	¥49 billion	¥54 billion	**¥65 billion**	**¥75 billion**
Net Income	¥31 billion	¥33 billion	**¥36 billion**	**¥45 billion**
Return on Equity	8.5%	8.6%	**8.9%**	**≥10.0%**

Basic Strategy

- **Expanding Business in Growth Sectors**
- **Shifting toward a High-Earnings Structure**
- **Strengthening Corporate Governance**
- **Nurturing Personnel Capable of Working in the Global Arena**
- **Operating in Harmony with Society as a Good Corporate Citizen**

and exercise. In the past fiscal year, we took advantage of Japanese interest in U.S. Major League Baseball teams for which Japanese stars play while reaching out to a new market when *Amino Vital* became the "Official Amino Acid Sports Performance Drink" of the New York Yankees, following a similar agreement with the Seattle Mariners. This move further strengthens the appeal of the Ajinomoto corporate brand and *Amino Vital* in Japan while helping us build recognition among consumers in the United States.

Our focus on health, one of the key issues of the twenty-first century, has been a crucial component of our success in building leading brands. We have demonstrated solid success at creating new brands that appeal to consumers because they promote health, while revitalizing existing brands by enhancing awareness of their health benefits. We expect our pharmaceuticals and nutritional health businesses to become important sources of income growth in the future. On the organizational level, the Research Institute for Health Fundamentals and the Health Services Development Department promote cross-fertilization among Ajinomoto Group companies in developing new products for this high-potential market.

Technology Contributes to Margins

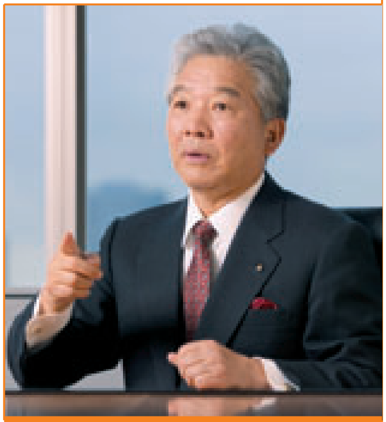
Our success in deploying our technology has been and will remain key to our ability to grow. We will continue to make organizational adjustments that refine our technological strength, while cultivating technologically skilled employees. We have been particularly adept at using technology to obtain a powerful cost advantage that has contributed to achieving and maintaining brand leadership.

In the nucleotide seasonings business, we needed to improve our advantage in cost competitiveness. We effectively addressed this issue by creating a new production technology that reduces costs and investing ¥6 billion in an advanced, highly productive nucleotide seasonings plant in Thailand. Now in full-scale operation, the new plant has created the same powerful cost advantage for the nucleotide seasonings business that we have in the feed-use amino acids business, and should contribute to increased market share. We are applying a similar approach for aspartame, an amino acid-based sweetener. Extensive cost reductions are now in progress.

Given the challenges of the global operating environment and the domestic market, cost control is critical and must be a continuous process. In some cases we are surprising even ourselves by the progress we can make. This was the case as we set about implementing a comprehensive program to reduce costs in the *Hon-Dashi* value chain. A key result is confidence that we can apply our cost control skills to any product, not just large-volume amino acid products. We can never adopt the attitude that costs are as low as they can go, and must apply technology to make breakthroughs consistently.

People Make Ajinomoto Strong

Our focus on people will be essential as we nurture personnel capable of competing in a global marketplace to support international expansion. Following our acquisition of ORSAN SA, the enthusiastic response of its employees to Ajinomoto's management stance has supported improvements in efficiency as we have upgraded technology. As a result, annual production of MSG is on track to increase from 50,000 tons to 60,000 tons. People-oriented management also generated a



successful outcome at the Kyushu Plant. Three years ago, its cost competitiveness compared to plants overseas had fallen to an unacceptable level. We faced the choice of investing in increasing cost competitiveness or simply closing the plant. The plant manager, however, developed a viable turnaround program and got the go-ahead. By February 2004, personnel had decreased from 286 to 110 through reassignments and attrition, and our decision to refrain from laying off workers helped motivate everyone to turn the operation around. We have disseminated this experience to plant managers throughout the company to make sure that sharing knowledge among operations remains an Ajinomoto strength.

In each case, we achieved a positive outcome because our people have the flexibility and skills needed to manage change effectively. We will continue to stress these traits as we nurture personnel capable of succeeding in the global marketplace. We will open the new, state-of-the-art Ajinomoto Group Training Center in Takanawa, Tokyo in November 2004 with the objective of using it as a key component of our drive to enhance the leadership skills of each of our nearly 30,000 Group employees. Leaders are people who can contribute to our success, and we firmly believe that leadership is not constrained by issues such as nationality or gender.

Corporate Governance

Ajinomoto has steadily improved corporate governance to support its evolution as a global company. Our objective is transparent management of a corporation that stakeholders can easily understand and respect. Building on the introduction of an internal company system in April 2002 that clarified authority and responsibilities in each business area, during the past fiscal year we reduced the number of Board members by more than half. Having fewer directors has made discussion more meaningful. In addition, we invited an outside member to join the Board of Directors, adding an objective new perspective to the Board that has been strongly beneficial. We also implemented a corporate executive officer system, which has sharpened the focus of officers on their businesses while clarifying authority and accelerating decisions. Perhaps more important, it creates a framework for corporate executive officers to participate in discussions and decision-making on a company-wide level in addition to their duties in their respective areas. Moves to enhance corporate governance in the current fiscal year have included increasing the number of corporate auditors and appointing an accountant and an attorney from outside the company as corporate auditors in June 2004, which strengthens our position as an objective, professionally managed corporation.

Corporate Social Responsibility

Throughout nearly a century in business, Ajinomoto has consistently fulfilled its responsibilities as a corporate citizen and worked to preserve the environment. Looking forward, the concept of commitment to social responsibility will unify and strengthen our management strategies and corporate activities.

We intend to apply the same emphasis on continuous improvement we demonstrate throughout our businesses to environmental preservation. Our new approach to environmental activities centers on achieving zero emissions throughout the Ajinomoto Group. However, our definition of “zero emissions” goes far beyond simply eliminating waste in landfills to incorporate wide-ranging efforts to minimize our various environmental loads in every aspect of operations on a global scale by defining voluntary worldwide unified standards. These efforts will serve to minimize future environmental risks, improve our technology and strengthen our competitiveness. At the same time, we are making progress toward our target of acquiring ISO 14001 certification at nearly 100 major sites around the world by March 2006. As of May 2004, 46 sites had already been certified.

Society expects the highest levels of quality, safety and reliability from Ajinomoto, and we continue to strengthen our commitment in this critical area. The Ajinomoto System of Quality Assurance is an extremely rigorous system of internal quality standards. Executed globally, they incorporate a Hazard Analysis and Critical Control Point (HACCP) system and the ISO 9000 quality standards. An important strength of our system is that each Group company leader is directly and clearly responsible for maintaining the highest quality standards from the raw materials to the final products. Accordingly, our system includes audits of supplier quality, an issue that is growing in importance due to the strategic value of in-market production and sourcing of raw materials.

Achieving Goals, Setting New Targets

Return on equity (ROE) for the fiscal year ended March 2004 was 8.9 percent, below our goal for the final year of the current three-year management plan, which ends in March 2005. ROE indicates our progress in generating profitable growth, and increasing ROE will therefore be a key focus during the current fiscal year. The weighting of Domestic Food Products, a comparatively mature business, in calculating ROE will require Ajinomoto to further sharpen its focus on appealing products and cost reductions to achieve its target. Progress in raising the profitability of this business during the past fiscal year provides confidence that we can attain our ROE target on schedule.

During the current fiscal year, we will be finalizing the next medium-term management plan. We believe that although long-term perspective has great value, plans covering three-year periods contribute strongly to keeping the Company focused on definite goals. Ajinomoto has benefited from embracing change over the course of the current management plan. As we develop our next management blueprint, we will be focusing on even more extensive innovation that will result in even greater gains in operating strength and profitability.

Finally, we continue to meet our objective of consistent increases in shareholder returns. With the 9.1 percent increase in cash dividends per share for the past fiscal year, Ajinomoto has increased cash dividends by 20.0 percent since the fiscal year ended March 2002.

As always, I would like to thank our customers, shareholders, employees and other stakeholders for the support you have given Ajinomoto. Our operations are founded on a commitment to exceeding your expectations.

July 2004

Kunio Egashira

Kunio Egashira
President & Chief Executive Officer

STEADILY ACHIEVING GOALS

Ajinomoto is meeting its interim objectives in working towards achieving its management goals for the year ending March 2005.

Global Bulk Ingredients:

Making the Most of the Benefits of Global Market Leadership

Domestic Food Products:

Energizing Profitability through Brand Leadership, Unique Value and Cost Reductions

Pharmaceuticals:

Innovation Drives Performance, Supports Future Growth

Overseas Retail Business:

Appealing Products, Efficient Marketing and Thorough Quality Support Expansion

Nutritional Health:

"Strong Number-One" Strategy Drives a New and Growing Business

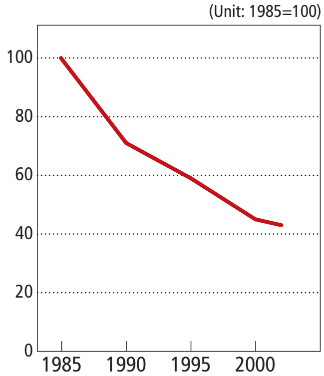
The perception that global bulk ingredients is a mature, slow-growth market is inaccurate. Nearly half the world's people live in China, India and the former U.S.S.R., where amino acid markets are relatively undeveloped – and where Ajinomoto has an increasingly powerful in-market presence. Ajinomoto is fortunate to already have business bases in the so-called BRICs (Brazil, Russia, India and China), which are expected to be the important countries of the 21st century. The changing content of diets in these countries will be an important source of future growth. The rapidly growing Chinese market in particular presents excellent potential. Increasing affluence is improving dietary content just as the regulatory environment is becoming more favorable to market participants from outside the country. We intend to build our next Lysine plant in Brazil to cover these emerging markets. We also see solid opportunities there for umami seasonings, MSG and nucleotides.

Takuzo Kitamura
Member of the Board & Corporate Executive Deputy President
President, Global Foods & Amino Acids Company

Global Bulk Ingredients: *Making the Most of the Benefits of Global Market Leadership*

Cost Reductions for Feed-Grade Lysine

(Unit: 1985=100)



Note: Weighted average index on a local currency basis.

Building on a Position of Strength

An improving standard of living worldwide is contributing to culinary changes, with people eating more meat. This trend is providing solid support for the global bulk ingredients business, as demand for feed-use amino acids and ingredients for processed foods has risen in tandem with quantitative and qualitative dietary improvements. A pioneer in supplying amino acid products that help people eat better and raise their quality of life, Ajinomoto is now building on its position of leadership.

While market share is a primary competitive advantage, production capacity is the key to profitable growth. Ajinomoto has consistently improved its ability to meet expanding market demand while becoming the global cost leader. As a result, we now have crucial economies of scale and a global production network that provides both supply flexibility and cost advantages for customers.

AJINOMOTO EUROLYSINE S.A.S., based in France, is representative. Its strong production capacity, employing unique Ajinomoto technologies, allows us to serve European customers more effectively and at lower cost. As a result, it is the leading supplier of feed-use amino acids in Europe, with a market share of over 30 percent for Lysine and 70 percent or higher for Threonine and Tryptophan.

Strengthening the Global Production Network

Our acquisition of ORSAN SA, a major French producer of monosodium glutamate (MSG), and its start of operations under the name AJINOMOTO FOODS EUROPE S.A.S. in October 2003, was the final step in building our global MSG production and distribution network outside China. A production capacity of 60,000 tons a year in the large and important European market will support stable supply of high-quality MSG globally, as well as better service for customers in the region.

With dominant market share in every category of the global bulk ingredients business, Ajinomoto is expanding in high-potential segments such as nucleotide seasonings. The nucleotides plant in Thailand that went on line in December 2003 incorporates our world-leading fermentation technology and production process. This advanced plant provides a strong competitive edge in terms of cost and service, and positions us to begin increasing our share in high-potential regions such as China while expanding profitable share in existing channels.

Global Market Share for Feed-Use Amino Acids (Fiscal 2003)

Feed-Use Lysine | Feed-Use Threonine | Feed-Use Tryptophan

(Ajinomoto estimate)

Maintaining Leadership while Enhancing Profitability

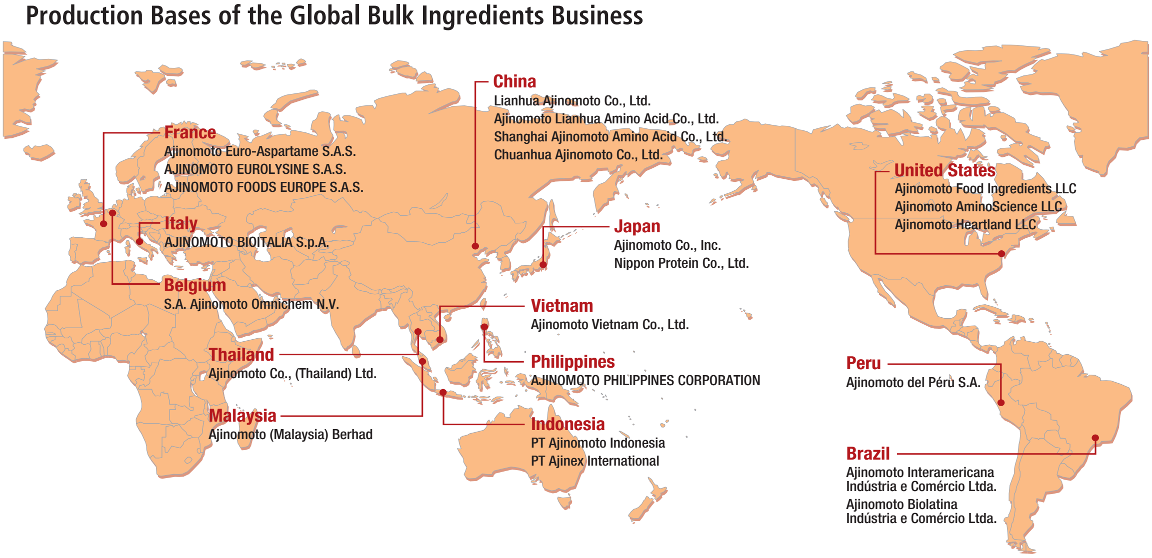
Ajinomoto will continue the incremental improvements in cost efficiency that made it the global cost leader in bulk ingredients. Our enhanced global presence has opened new sources of lower-cost raw materials in Brazil and other locations. We continue to improve our production technology to increase productivity and enhance our leadership in environmental preservation.

A core theme in maintaining leadership will be heightening awareness among consumers that amino acids are as important to healthy living as vitamins became during the past century. The benefits of vitamins came to be fully understood during the last half century, and rapidly became a well-known component of global dietary habits. We are now working to do the same for amino acids, and are steadily expanding consumer understanding and acceptance of their importance. We will also continue to use our R&D strengths to explore the functions of each amino acid and find new ways to put them to work helping people.

Demographic and dietary trends are also supporting growth in segments including aspartame and other high-intensity sweeteners. Interest in avoiding obesity indicates that demand for low- and non-calorie sweeteners will continue to expand. We are therefore deploying R&D capabilities to increase production capacity and improve efficiency to profitably build share despite intense competition.

AJINOMOTO FOODS EUROPE S.A.S.

Production Bases of the Global Bulk Ingredients Business



Hon-Dashi is a strong number-one brand that exemplifies our strategies. We have maintained a share of about 60 percent in this category by conducting market research and launching line extensions that keep *Hon-Dashi* at the forefront of consumer awareness. At the same time, we have reduced the cost of this brand while maintaining its high quality. We established Bonito Technical Laboratory Co., Inc. and deployed its findings to shorten the production line and use every part of the bonito, which is the raw material of *Hon-Dashi*. The result: We achieved our three-year goal of cost reductions of about ¥1.5 billion one year early.

Sohei Ishiwata
Member of the Board & Corporate Senior Vice President
President, Seasonings & Food Products Company

Domestic Food Products: *Energizing Profitability through Brand Leadership, Unique Value and Cost Reductions*

Strong Brands, Profitable Brands

Under the current three-year management plan, we have concentrated on thoroughly strengthening our core business while cutting costs. One representative result of our efforts to make our strong number-one brands even stronger is *Hon-Dashi*. We maintained our share in a shrinking market through means including a focus on consumers who had not previously used flavor seasonings and energetic menu proposals. For *Cook Do* menu seasonings, we supported growth with database marketing to create menu proposals including cross-merchandising with fresh foods and area marketing that opened up new markets.

Simply put, Ajinomoto's policy of focusing on strong number-one brands works. Besides being more profitable, they give us leverage with buyers and help ensure shelf space availability. Strategies to support and build brand leadership include regular brand surveys to keep us on top of changing trends and tastes. We then use the results to retool our brand strategies and renew products, and our rigorous brand rating system allocates resources for greatest return. Effective advertising that keeps communication with consumers open and relevant is also key. The result of our strategies has been number-one status in virtually every core segment.

Employee taste tests and exchanges of opinions support the development of new concepts and menu proposals for instant soups and other processed foods, which drove strong growth in market share in fiscal 2003.

Reduced Costs Raise Competitiveness

In our competitive markets, lower costs are critical to increasing earnings despite uncertain sales growth. The seasonings and processed foods businesses are working toward a target of cutting costs for core products by over ¥7 billion during the current three-year management plan. Cost reductions focused on raw materials and packaging have kept us on track to meet the targets under the plan. Distribution has been another area of emphasis. Eight years ago we created a transaction system and pricing strategies that provide product-by-product guidelines. These measures have helped control margins, while Efficient Customer Response (ECR) and Electronic Data Interchange (EDI) networks have optimized distribution efficiency.

In the frozen foods business, we have been working to maximize the benefits of our April 2003 acquisition of Frec Corporation while reducing costs by integrating purchasing, distribution and administration. A strategic concentration on core brands has led to a reduction of more than 25 percent from the total items offered by both companies before the integration. This in turn will enable a significant reduction in the variety of ingredients purchased. This initiative works in tandem with our objective of further raising the percentage of frozen food products produced exclusively at our own facilities.

Market Share in Main Product Areas

(Ajinomoto estimate)

Product Area	Brand	Fiscal 2003	
		Market Size (Billions of yen)	Ajinomoto Share (Position)
Umami Seasonings	*AJI-NO-MOTO, Hi-Me*	9.0	84% (No. 1)
Flavor Seasonings	*Hon-Dashi*	45.6	55% (No. 1)
Soup/Comsommé	*Knorr*	74.0	48% (No. 1)
	Ajinomoto kk Consommé	11.8	68% (No. 1)
Mayonnaise	*Pure Select*	46.5	24% (No. 2)
Menu Seasonings for specific dishes	*Cook Do*	44.0	28% (No. 1)
	Gohan Ga Susumu Kun		8% (No. 4)

Note: Market size for umami seasonings and flavor seasonings based on manufacturers' shipments; others based on consumer purchase prices.

Creating New Value and New Markets

Our efforts to create new value and new markets entail new approaches to procurement, distribution and the increasing variety in customer lifestyles. In the frozen foods business, we source safe, reliable ingredients from partners worldwide, such as Ajinomoto Betagro Specialty Foods Co., Ltd., a joint venture established in February 2004 in Thailand. This company produces high-quality specific-pathogen-free (SPF) pork products through an integrated supply network from raw materials to final product. In the processed foods business, swift development of exciting new concepts and menu proposals is also critical and has been a key factor in the growth of *Knorr Soup Pasta* to a 70 percent share of a ¥8 billion market. We created an entirely new market by launching the light snack size, then rapidly strengthened the brand with line extensions.

Other areas we have targeted for expansion include the commercial market, particularly restaurants and delicatessens. An important initiative has been working with 60 leading distributors on improving sales methods, making menu proposals, and ideas for product development. The results are being incorporated in proposals for our *Chubo Daiko* brand for the commercial market. We are also looking outside of Japan for growth through exports of brands such as *Hon-Dashi*, and by uncovering new menu ideas in markets such as China that will sell well in Japan. Acquisitions and equity alliances that build on our core brands remain an important option, as exemplified by our equity participation in spice company GABAN Co., Ltd.

The success of Ajinomoto's Pharmaceutical Company lies in making the most of our unique technologies in accordance with the Ajinomoto Way. We have a clear focus on creating unique pharmaceuticals and evidence-based foods using amino acids, unifying ideas throughout the Ajinomoto Group to create high-potential products. This provides a powerful competitive advantage because other companies simply cannot duplicate Ajinomoto's expertise in amino acids. We emphasize strong interdisciplinary cooperation among our competencies in life sciences and amino acids to make full use of Ajinomoto's technology. Overall, our goal is to contribute to better health for people around the world.

Keiichiro Aihara
Member of the Board & Corporate Senior Vice President
President, Pharmaceutical Company

Pharmaceuticals:
Innovation Drives Performance, Supports Future Growth

Synergy among Marketing, Production and R&D

Effective synergy among marketing, production and R&D creates a strong competitive advantage. Moving to maximize returns from the December 2002 acquisition of Shimizu Pharmaceutical Co., Ltd., Ajinomoto established a new research organization for infusions, clinical nutrition and dialysis, with integrated operations going on-line in July 2003. Integration and focus are also key themes in marketing operations. The marketing & sales organization of Shimizu was integrated into Ajinomoto Pharma Co., Ltd., giving it a total of 500 medical representatives (MRs). Since then, we have launched two special sales teams focusing on hemodialysis and medical foods. We plan to further reinforce our sales force in stages from 2004. Moreover, in anticipation of the revision of the Pharmaceutical Affairs Law scheduled for April 2005, Ajinomoto is considering restructuring the production sector by unifying four Pharmaceutical Company factories under a single legal entity to create a strong competent organization in which Ajinomoto will enhance productivity to inspire manufacturing competitiveness.

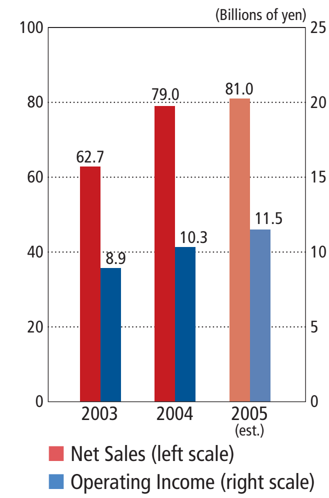
Functional food *Mitherapist Superfine Dispersed β-Glucan* was developed using Ajinomoto's expertise in immunology research and nanotechnology that reduces the particle size of beta glucan for easier passage through the intestinal membrane.

Effective Evidence-Based Development Capabilities

We use Ajinomoto's strength in amino acid technology to enhance our pipeline, with R&D focused on infusions, clinical nutrition, dialysis, inflammatory bowel disease (IBD) and liver diseases in the gastrointestinal field, and diabetes in the field of lifestyle-related diseases. Ajinomoto has consistently developed unique, successful products, and its pipeline contains excellent potential. We are developing AJM300, a novel orally available compound in a new class of treatment for inflammatory diseases that has potential in fields including IBD, asthma, rheumatoid arthritis and multiple sclerosis. AJM300's mechanism of action is to inhibit integrin receptors, thus preventing lymphocytes from binding to and passing through blood vessels to a site of inflammation. Clinical trials of AJM300 are in progress for IBD, which is a key area of focus for Ajinomoto.

Life cycle management (LCM) is a strategic approach that helps us make the most of the pharmaceuticals we develop. LCM helps in creating evidence-based medicine with accumulated data on efficacy and safety, while adding diversity in indications and formulations of the current products to thoroughly meet the needs of healthcare practitioners. Ajinomoto's key LCM activities for core product *LIVACT Granules*, an amino acid formula for treatment of liver cirrhosis, have been a long-term survival (LTS) post-marketing clinical study and the launch of an improved formulation for better patient compliance. The LTS study generated incontrovertible evidence that *LIVACT Granules* prevents severe complications or death from liver cirrhosis, and the study was completed well ahead of schedule. LCM efforts are also in progress for many of our other products. An additional indication is now under development for the diabetes treatment *FASTIC* for combination use with a biguanide agent to expand its potential. Our emphasis on enhancing patient compliance has also led to clinical development of a once-a-week dosage formulation for *Actonel*.

Pharmaceuticals Net Sales and Operating Income



Originality Leads to Strong Brands

LIVACT Granules, *ELENTAL*, *SOLITA*, *ELEMENMIC* and *NIFLEC* are all products developed through the use of our original ideas and technologies in their creation. These pharmaceuticals have opened up new treatment categories and contributed to progress in treatment as innovators in the fields of liver cirrhosis, elemental diets, electrolyte solutions, total parenteral nutrition, and intestinal lavage solutions for colon testing. As a result, all have become leading brands in their respective product categories. In order to achieve strong number-one positions for each of these products, we are taking an LCM approach that incorporates amino acid technologies, evidence-based data and improvements that make products more patient- and healthcare practitioner-friendly. In carrying out this initiative, the Total Nutrition Care concept of Ajinomoto's Pharmaceutical Company and Ajinomoto's strong number-one brand strategy will go hand in hand.

Ajinomoto Group's Pipeline (As of March 31, 2004)

Field	Name	Stage	Indication	Note
Infusions, clinical nutrition and dialysis	*PNTWIN*	Launched (Aug. 2003)	Total parenteral nutrition; electrolytes, amino acids, glucose	New double chamber film bag
	PNTWIN ONEDAYBAG	Launched (Nov. 2003)		
	HF-SOLITA BW Kit	Launched (Dec. 2003)	Replacement solution for artificial kidneys	New double chamber film bag
	PEMIROC	Launched (Jan. 2004)	Heparin for infusion line	Prefilled syringe
	Harmonic	Launched (Feb. 2004)	Enteral nutrition	New container
	BICARBON inj.	Approved (Feb. 2004)	Bicarbonated Ringer's solution	
	levocarnitine	Phase II	EPO-resistant anemia in blood dialysis patients	Orphan designation
Gastrointestinal	*LIVACT Granules*	Launched (Sep. 2003)	Liver cirrhosis	New granular formulation
	AJM300	Phase I (Europe/Japan)	Inflammatory bowel disease	
	Dehydrated ethanol inj. "Shimizu"	NDA filed	Hepatocellular carcinoma	
Lifestyle-related diseases	*FASTIC* (nateglinide)	Phase II	Diabetes	Additional indication/ Combination use with biguanide agent
	nateglinide*	Phase III*	Diabetes	Additional indication/ Impaired glucose tolerance
	Actonel (risedronate)	Phase III	Osteoporosis	Additional formulation/ Once a week dosage formulation
	AJW200	Phase I	Antiplatelet	
Others	AC-7700 (AVE-8062)**	Phase I**	Solid tumor	

Notes: *Clinical studies are being conducted by Novartis Pharma AG (exclusive licensee outside Japan and Korea).
**Clinical studies are being conducted by Aventis Pharma S.A. (worldwide exclusive licensee).

Thailand is a core ASEAN market where Ajinomoto has a long history of involvement and an established presence from manufacturing to sales. It is representative of our approach in the overseas retail business. Our brand lineup, well respected among consumers for safety and reliability, ranges from umami seasonings and instant noodles to canned coffee. Solid marketing and distribution capabilities complement our brands. The new nucleotide plant there, our first outside Japan, will support growth in consumer foods. Synergy with our core amino acid technology will drive entry into new segments, such as aspartame sweeteners, throughout the ASEAN region.

Tsuyoshi Miura
Member of the Board & Corporate Vice President
Vice President, Global Foods & Amino Acids Company

Overseas Retail Business: *Appealing Products, Efficient Marketing and Thorough Quality Support Expansion*

A Growing Profit Driver

Ajinomoto's overseas retail business is positioned to increase in importance as a profit driver because it is based on a simple proposition: everyone likes good food. Focused on seasonings and processed foods, Ajinomoto is undertaking organized expansion into new regions and broadening its product lineup around core businesses.

Our original umami seasoning *AJI-NO-MOTO* has been the core strength and the spearhead of overseas development. The sales channels we have built for *AJI-NO-MOTO* form the basis of a solid overseas sales network. Once operations have been established overseas, we emphasize in-market production using locally sourced raw materials rather than exporting from Japan. This approach is a key competitive advantage, allowing us to be even more responsive to particular consumer needs.

Under the current three-year plan, we are diversifying our overseas product lineup, centered on seasonings, while making effective use of company resources in developing new markets. In the ASEAN countries, we have set the numerical target of doubling our fiscal 2000 sales and operating income by the end of fiscal 2005. We call this our "2 in 5" goal, and it will require 15 percent compound annual growth in sales.

New product launches offering greater convenience to consumers in the high-potential Chinese market included *Younong* (left), a Western-style single-serving instant soup, and *Hon-Dashi* dried scallop flavor (right).

Continued Expansion in Attractive Markets

Strong growth in sales of seasoning products during the past fiscal year indicates our growing ability to meet global market needs. In Thailand, a key market in which Ajinomoto is a trusted and profitable brand, sales of *AJI-NO-MOTO* grew steadily, while *ROSDEE* flavor seasoning has grown into a new flagship brand. Elsewhere in the ASEAN region, sales of our various flavor seasoning brands also rose strongly. Sales of the *Masako* brand soared in Indonesia while *GINISA* in the Philippines and *Aji-ngon* in Vietnam recorded remarkable growth.

China is a large, growing market in which we focus on premium brands that offer consumers high quality and convenience. Having established the joint venture SHANGHAI HOUSE AJINOMOTO FOODS CO., LTD. to produce and market retort pouch products in 2001, we have continued to expand our category coverage. In November 2003, we launched *Younong*, a Western-style single-serving soup, and *MOR CHU GAOTANG*, a premium flavor seasoning, in order to strengthen our business foundation in the growing consumer foods business in China. Future growth will come from deploying resources to strengthen distribution capabilities and brand awareness.

In South America, Ajinomoto is building on a solid presence in flavor seasonings and leadership in the instant noodle category. We have linked our brands to quality backed by our expertise in amino acid technology as we expand to segments including powdered juice that uses aspartame. Plants in Brazil and Peru will support expansion to neighboring South American countries.

Sales Growth of Main Overseas Flavor Seasonings

Region	Product Name	Country	Year-on-year Growth (2003/2002)
Southeast Asia	*ROSDEE*	Thailand	20%
	Masako	Indonesia	20%
	GINISA	Philippines	60%
	Aji-ngon	Vietnam	240%
South America	*Sazon*	Brazil	30%
	Dona Gusta	Peru	50%

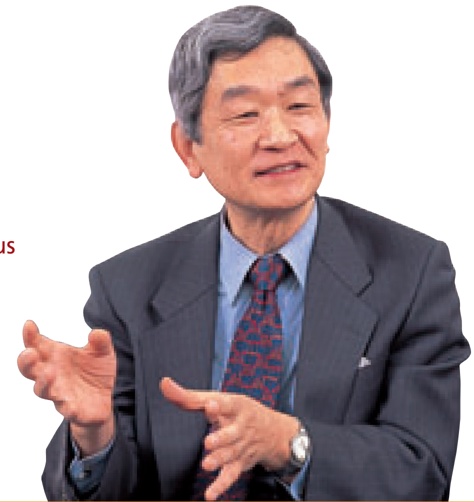
Note: Based on sales volume.

Preparing for Future Growth

Steady creation of new market opportunities is a core Ajinomoto strategy. In India, where our products complement the local cuisine, we have established a plant to produce *AJI-NO-MOTO*. This move represents a step forward in increasing our presence and serving this market of more than a billion consumers. We are also emphasizing *AJI-NO-MOTO* in our rapidly growing retail business in Western Africa. In each market, we will concentrate on products tailored to local tastes and strong number-one brands.

We look to nature in developing new products. Plants are a good source of ideas for healthful products because they produce the compounds they need to stay healthy despite the challenges of their environment. One of our objectives is to develop effective combinations of these plant compounds in products that help people stay healthy. Our amino acid-based products may not provide the immediate effect of pharmaceuticals, but their ability to enhance the body's physiological functions gives us the opportunity to create more generally applicable products that contribute to good health for a broader number of people. Lifestyle- and aging-related diseases, such as obesity and diabetes, are a primary area of focus in our new product development.

Michio Takahashi, Ph.D., D.V.M.
General Manager, Research Institute for Health Fundamentals



Nutritional Health:
"Strong Number-One" Strategy Drives a New and Growing Business

CALVITAL, a new product that contains polyglutamic acid to promote absorption of calcium and other minerals, exemplifies Ajinomoto's objective of developing products that use amino acids to help people stay healthy.

Success Based on Efficient Science

A key issue for Ajinomoto is how to best deploy its strong portfolio of skills in amino acid production and fermentation to break new ground in nutritional health-related products. Research cooperation across functional lines is key. We share knowledge among laboratories to move quickly and eliminate duplication of effort in building strong number-one brands. Our ability to incorporate development considerations during basic research has contributed strongly to efficiency by helping to define research tasks in terms of marketable products. We also rotate researchers to other areas such as development and marketing and then back to research to preclude insularity and keep research focused on the goal of higher sales and earnings.

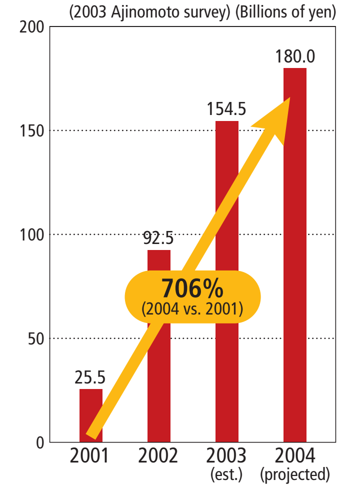
The potential of amino acid formulations to prevent disease is a core research theme. The profile of amino acids in humans changes according to factors such as the progress of disease, gender, age and body weight. However, the changes vary from person to person. With so many variables and potential combinations, bioinformatics is an essential research tool. This post-genome science uses computers to analyze enormous amounts of data, and is yielding excellent results. Bioinformatics allows us to create products that are effective within wide but clearly specified parameters. This represents a unique Ajinomoto strength.

Our approach to science also plays an important role when we go to market. We want consumers to comprehend and accept our products, but we also want to differentiate our nutritional health-related offerings on the basis of science. We are therefore building our market presence with an evidence-based marketing approach to help consumers understand and embrace our sophisticated products.

Amino Vital: A High-Margin, Market-Making Product

Amino Vital demonstrates our ability to harness science to the creation of a ¥20 billion market-making product. We developed *Amino Vital* using skills we acquired in developing the pharmaceutical *LIVACT Granules*. Promotional activities have emphasized the scientific evidence demonstrating *Amino Vital*'s effectiveness that we have been accumulating since its launch in 1995. We began marketing through health clubs with a focus on athletes, providing education about the integral role amino acids play in effective exercise. These efforts were complemented by offering samples at marathons and other sports events. Once *Amino Vital* had acquired a strong level of recognition among this influential group, we moved into the drug store channel. Our task now is to maintain clear and appealing differentiation as we add to the product lineup and expand the brand in mass channels such as convenience stores. We have been successful in developing understanding of the role of amino acids among consumers and the value-added health benefits of *Amino Vital*.

Market in Japan for Nutritional Foods Containing Amino Acids



Development of High-Potential New Products

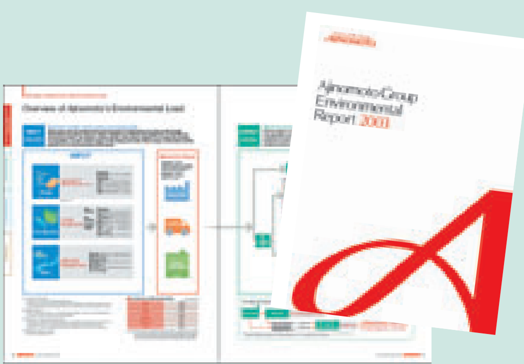
CALVITAL is representative of Ajinomoto's strategy of developing innovative, uniquely effective products. Calcium supplements have become more important with the aging of society and the increasing prevalence of osteoporosis. *CALVITAL* contains polyglutamic acid, a polymerized chain of amino acids that is the sticky and viscous part of fermented soybeans (natto). Our researchers recognized that polyglutamic acid's numerous negative ions would enhance absorption of minerals such as calcium, thus offering greater effectiveness than simply increasing calcium intake. *CALVITAL* received designation as a Food for Specified Health Use in June 2003. The product will play a key role in our efforts to build recognition of the functions and benefits of amino acids, as we work to promote a role for amino acids in the twenty-first century equivalent to that of vitamins in the twentieth century.

Commitment to Society and the Environment

The Ajinomoto Group sees fulfilling its social responsibilities as an integral part of contributing to significant advances in food and health on a global basis.

Principled Commitment to CSR

The Ajinomoto Group Principles delineate our fundamental stance regarding corporate social responsibility (CSR), which covers areas from our product responsibilities, environmental preservation and social contributions to compliance, sourcing, workplace conditions and human rights. To tie together these diverse elements, the Ajinomoto Group employs the concept of the Triple Bottom Line, a management metric that places equal importance on environmental preservation, compliance and financial performance. Ajinomoto also strives to clearly and energetically communicate with its stakeholders through publications such as the *Ajinomoto Group Environmental Report 2003*. We intend to begin producing an expanded version of the environmental report that also covers Ajinomoto's CSR activities starting in autumn 2004.



The *Ajinomoto Group Environmental Report 2003* is available to read or download at the Ajinomoto website: http://www.ajinomoto.com/

Quality Assurance at a Global Level

Consumers are increasingly basing purchases on their evaluation of the quality and reliability of the company that produces the food. Quality assurance (QA) is therefore an issue of central importance as Ajinomoto develops its global presence. In February 2002, we implemented a three-year plan to further improve the Ajinomoto System of Quality Assurance (ASQUA). Under the plan, each Group company, including Ajinomoto, has a senior manager reporting directly to top management who is responsible for guaranteeing product quality. Ajinomoto has also set QA goals for each business area. In food-related operations, each Group company must obtain ISO 9001 certification of its quality management system, manufacturing operations must implement HACCP, and all purchasers, contract manufacturers and material suppliers must meet Ajinomoto Group quality standards. All pharmaceutical operations worldwide must strictly comply with good manufacturing practice (GMP) regulations. To support progress toward the plan's objectives, Ajinomoto strengthened its quality audit capabilities in April 2003 by creating the Quality Audit Group, a specialized quality audit organization within the Quality Assurance & External Scientific Affairs Department.

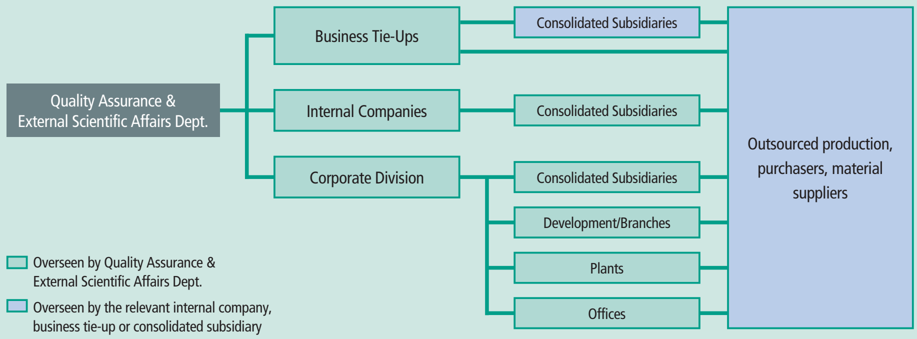
ASQUA audits support achievement of the QA goals of all Ajinomoto Group business operations.

Takeshi Suzuki
Member of the Board &
Corporate Executive Deputy President

Recognition for Environmental Activities

Ajinomoto takes a global perspective in fulfilling its corporate social responsibility, but also understands that this commitment needs to be just as effective at the local level. We were therefore pleased to receive both the 2003 Award for Wildlife Protection, presented by the Ministry of the Environment and the Japanese Society for the Preservation of Birds, as well as the Mie Prefecture's 2003 Environmental Award. These awards recognize the simple but meaningful creation of the Ajinomoto Tokai Bird Sanctuary centered around a naturally occurring lake on the site of our Tokai Plant. The sanctuary encompasses 10,000m^2 of green zone, and is designed to limit human access to maintain an undisturbed natural habitat.

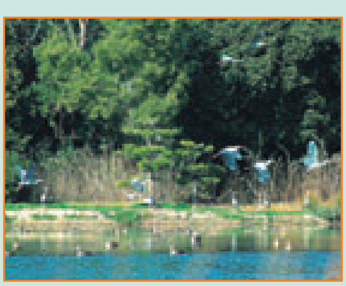
Strengthening Quality Assurance



A New Approach to Zero Emissions

The Ajinomoto Group Zero Emissions policy, announced in 2003, sets ambitious new voluntary worldwide unified standards.

The entire Ajinomoto Group continues to make progress toward acquiring ISO 14001 certification of its environmental management practices, which approximately half of Group companies have acquired. In addition, we have initiated a new environmental policy, Ajinomoto Group Zero Emissions. This policy aims to minimize Ajinomoto's various environmental loads in every aspect of operations on a global scale by defining voluntary worldwide unified standards. These standards go well beyond simply following laws and regulations or zero emissions in the narrow sense of the elimination of waste disposal in landfills. Targets include resource recovery of waste and by-products of 99 percent or more, which 16 plants in 8 countries have already achieved. In addition, standards for biochemical oxygen demand (BOD) and nitrogen in wastewater have been set at 1/10 the values defined by regulations in advanced countries. The Ajinomoto Group Zero Emissions policy has the full support of senior management, and we are energetically communicating it to and seeking feedback from stakeholders including the media, environmental audit organizations, and non-profit organizations.



The Ajinomoto Tokai Bird Sanctuary occupies 10,000m^2 of natural wetlands on the Tokai Plant site in Yokkaichi, Mie Prefecture, one of Japan's major industrial regions.

Contributing to Society

Library of the Ajinomoto Foundation for Dietary Culture

Ajinomoto has always emphasized open communication with society and sound corporate citizenship, and policies centered on sound regulatory compliance, transparency, health, safety and environmental preservation are a sincere and beneficial form of corporate citizenship. The annual Ajinomoto Group Citizenship Day campaign encourages employees and their families in Japan and overseas to participate in social activities such as neighborhood clean-ups, fund-raising activities and holding computer classes. The Ajinomoto Foundation for Dietary Culture supports research and provides a wide range of dietary information. Ajinomoto also assists a service that delivers meals to senior citizens.

Overseas, the activities of the Thai Ajinomoto Foundation have included school building projects and meal programs, as well as scholarship grants. In Indonesia, Ajinomoto's activities have included scholarships for graduate students. In Brazil, the Instituto Assistencial Ajinomoto (IAA) donates medical equipment and carrier vehicles to local medical organizations. In Peru, Ajinomoto Foundation for Community Development donates books on food nutrition science to the library of the National University in Lima and the Peruvian Japanese Association. In the Philippines, Ajinomoto provides joint support with the Japanese Organization for International Cooperation in Family Planning (JOICFP) for a project administered by Batangas Province to improve reproductive health and nutritional status at the household level.

The Ajinomoto International Cooperation Network for Nutrition and Health (AIN), founded in 1999, promotes international cooperation with external experts in the areas of food, nutrition and health. Ajinomoto is also planning a new global program that will address the issues of global environmental preservation and society's ability to maintain sustainable growth.

Research and Development: Focused, Efficient and Global

Innovative technologies have been the foundation of Ajinomoto's growth since its establishment. Today, we focus on synergies with core technologies in working to create successful new business opportunities in growth sectors.

Health Is a Key Emphasis

Isolation and purification of natural products

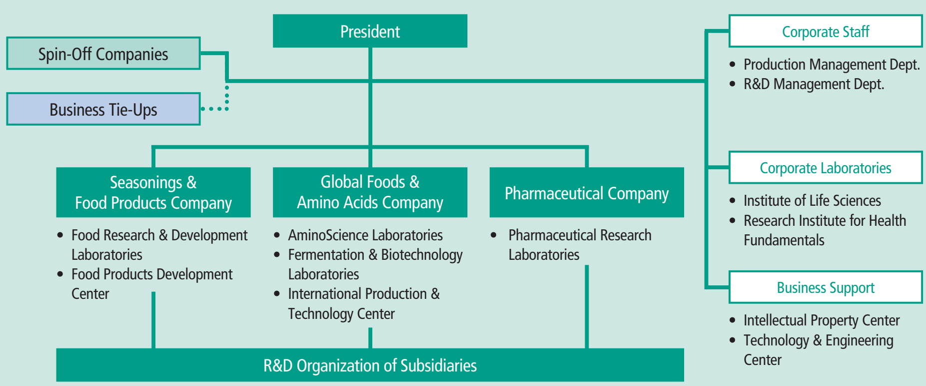
Amino acids are the building blocks of proteins, which in turn are the main components of the human body. A global leader in understanding and applying amino acids, Ajinomoto is using its technology portfolio to develop new products that help maintain good health and prevent illness, tapping into a market potentially larger than that for products to treat illness.

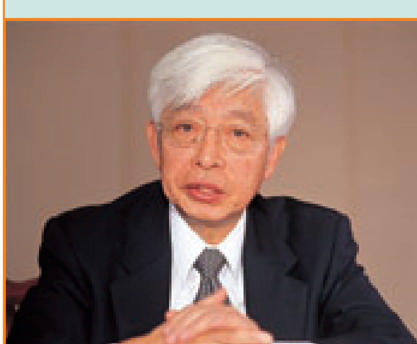
In the twentieth century, Ajinomoto concentrated on good flavor, beginning with the development of umami seasoning. Today, our focus is on contributing to good health. We are putting particular emphasis on amino acid-based products and plant-derived compounds that help prevent the development of lifestyle-related illnesses such as diabetes and obesity. Products that combat cholesterol and dietary supplements offer excellent growth potential. Moving rapidly to build a strong position in these markets, Ajinomoto has begun launching effective new products such as *CALVITAL*, a calcium supplement created using polyglutamic acid.

Our position as a global corporation with its beginnings in Japan gives us a uniquely Oriental perspective. While Western medicine tends to emphasize the role of doctors, Eastern medicine stresses the importance of maintaining a personal physiological balance to keep in good health. As we share this perspective with the world, we will continue to place the greatest importance on safety and reliability, both hallmarks of the Ajinomoto brand.

Cultivation of plants for experiments

R&D Organization in Japan





Tohru Nishiyama
Member of the Board &
Corporate Senior Vice President

Environmentally Friendly Bioplastics

Although petrochemical-based plastics play an integral role in modern society, they are hard on the environment. We are developing environmentally friendly bioplastics from plant materials, a new business that will make the most of our core competency in amino acids. Our approach is to produce the monomer component of plastics by fermentation, a process similar to producing amino acids. We see huge potential demand for green sustainable plastics from petroleum plastic-consuming industries, and we are working with a large chemical company to accelerate our efforts to make this product a reality at a price point that makes it competitive.

Amino Acids and the Environment Present Growth Opportunities

Ajinomoto's other R&D themes can be broadly divided into amino acids and the environment. We constantly work to find new ways of using amino acids to differentiate products in fields ranging from cosmetics to chemical products. We anticipate a growing role for amino acids in life sciences. In the post-genome era, the function and metabolism of proteins is a main area of study worldwide. We are therefore using advanced laboratory research and quantitative analysis based on bioinformatics to better understand how amino acids can improve people's lives.

Environmental preservation is a social issue that science and technology can help resolve. Given the increasing focus on the need for sustainable growth, environmentally friendly technologies are a high-potential business. Ajinomoto is taking several innovative approaches in its product development. We have developed a bacterial cellulose for a variety of uses. Another innovative idea under development is production of biodegradable polymers and bioplastics from efficient fermentation of succinic acid.

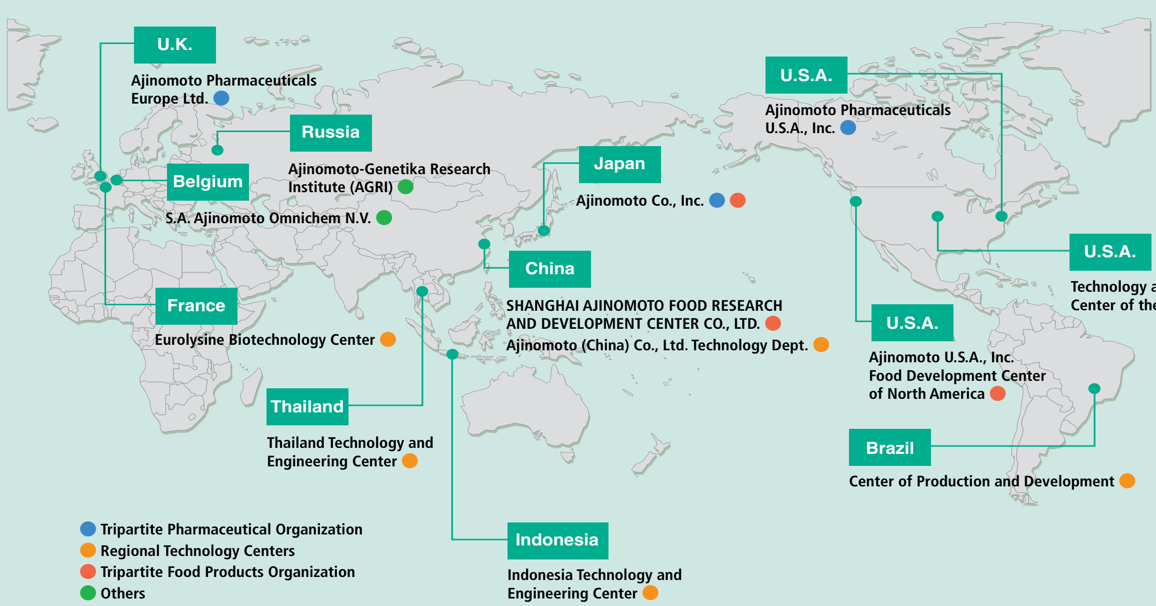
R&D Structured for Efficiency and Global Success

Ajinomoto integrates research, development, production and sales, managing them concurrently to accelerate operations. True innovation, however, requires a long-term perspective that operating companies, which look for rapid returns on investment, may hesitate to make. Ajinomoto has resolved this conflict by creating a corporate-level R&D organization, including the Institute of Life Sciences and the Research Institute for Health Fundamentals, to explore new business areas with a medium- to long-term perspective. We evaluate these corporate R&D programs at three-year intervals to ensure relevancy and market linkage. Our operating companies are then free to conduct R&D that specifically applies technology to strengthening competitiveness in their markets.

Our R&D strategy mirrors our evolution as a global company. During the past fiscal year, Ajinomoto-Genetika Research Institute (AGRI) in Russia became a wholly owned subsidiary. Offering solid cost performance in R&D, AGRI's fermentation and microorganism breeding technologies mesh well with Ajinomoto's strength in life sciences.

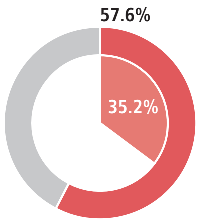
Ajinomoto's six overseas regional technology centers (RTCs) are R&D bases that excel at process development in core amino acid businesses. RTCs have played key roles in moving projects into commercial production in Brazil, Thailand and other countries. They also help us maintain industry-leading low costs, a powerful competitive advantage that discourages new entrants and encourages less efficient producers to exit the market. The value of RTCs was apparent during the recent construction of a nucleotide plant in Thailand. The RTC in Thailand played a critical role in creating a leading-edge production facility by putting together breeding technology from AGRI, process technology from the Fermentation & Biotechnology Laboratories, and a novel solution for process analysis from the Institute of Life Sciences.

Global R&D Network



Ajinomoto at a Glance

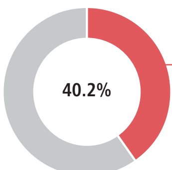
DOMESTIC FOOD PRODUCTS



Outer circle: Net Sales
Inner circle: Operating Income

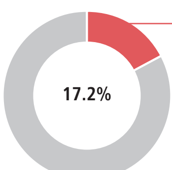
Seasonings

- AJI-NO-MOTO
- Umami Dashi Hi-Me
- Aji-Shio
- Seto no Honjio
- Hon-Dashi Katsuodashi
- Hon-Dashi Irikodashi
- Hon-Dashi Konbudashi
- Ajinomoto kk Marudori Gara Soup
- Cook Do Tobanjan
- Cook Do Oyster Sauce
- Cook Do
- Gohan Ga Susumu Kun



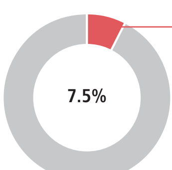
Processed Foods

- Knorr Cup Soup
- Knorr Funwari Tamago Soup
- Knorr Soup Pasta
- Knorr Soup Harusame
- Ajinomoto kk Consommé
- Knorr Chicken Consommé
- Pure Select Mayonnaise
- Pure Select Half
- Pure Select Super Low Calorie 70% Cut
- Pasta Do
- Okayusan
- Ajiamen
- Kellogg's Corn Flakes



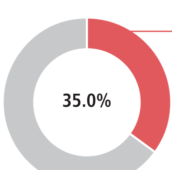
Frozen Foods

- Ebi Shumai
- Gyoza
- Yawaraka Wakadori Kara-Age
- Hot! 1 Ebi Pilaf
- Yoshokutei Hamburg



Edible Oils

- Kenko Sarara
- Oleic Acid Tappuri Safflower Oil
- Healthy Pure Light
- Olive Oil
- Olive Oil Extra Virgin
- Gomaaburazukino Goma Abura
- Canola Oil
- Salad Oil

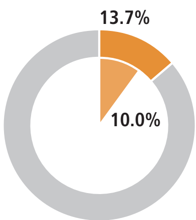


Beverages and Dairy Products

- Blendy
- Maxim
- Maxim Handy Drip
- Marim
- CALPIS
- CALPIS Water
- CALPIS Interbalance L-92
- CALPIS Cultured Milk AMEAL S
- Evian
- Petite Danone
- Danone Yogurt
- Fruit Selection
- BIO

Note: Segment information for operating income is shown prior to eliminations.

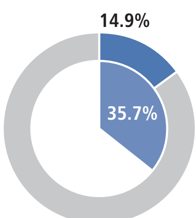
OVERSEAS FOOD PRODUCTS



Outer circle: Net Sales
Inner circle: Operating Income

- *AJI-NO-MOTO*
- *ROSDEE* (Thailand)
- *WEIDUDU* (China)
- *Sazon* (Brazil)
- *Masako* (Indonesia)
- *Birdy* (Thailand)
- *yumyum* (Thailand)
- *Younong* (China)

AMINO ACIDS



Outer circle: Net Sales
Inner circle: Operating Income

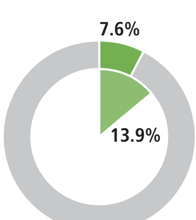
Feed-Use Amino Acids

- Feed-Use Lysine
- Feed-Use Threonine
- Feed-Use Tryptophan

Amino Acids for Pharmaceuticals and Foods/Cosmetics/Specialty Chemicals

- Sweeteners
  - *Pal Sweet*
  - *Pal Sweet Calorie Zero*
  - *Slim-Up Sugar*
  - *Slim-Up Sugar Syrup*
  - *Slim-Up Sugar Hachimitsu Syrup*
  - *MID SUGAR*
- *ASF Medium* series
  - *ASF Medium 104N*
- *CALVITAL*
- Cosmetic Ingredients
  - Surfactants: *Amisoft, Aminosoap*
  - Functional Powder: *Amihope*
  - Emollient: *Eldew*
  - *Jino* series
- Electrochemicals
  - *ABF* (Ajinomoto Build-Up Film)
- *Amino Vital*
  - *Amino Vital Kanpai Iki-Iki*
  - *Amino Vital Jelly* series
  - *Amino Vital Pro*

PHARMACEUTICALS



Outer circle: Net Sales
Inner circle: Operating Income

- Infusions, Clinical Nutrition and Dialysis: *PNTWIN, HEPAN ED, SOLITA-T, AK-SOLITA, Hisolve*
- Gastrointestinal: *LIVACT Granules, ELENTAL, NIFLEC*
- Lifestyle-Related Diseases: *FASTIC* (nateglinide), *ATELEC* (cilnidipine), *Actonel* (risedronate)
- Medical Foods: *Impact, MEDI-F Bag, MEDI-F Amino Plus*
- Functional Foods: *Mitherapist Superfine Dispersed β-Glucan*

Review of Operations

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars	Percent change
	2004	2003	2002	**2004**	**2004**/2003
Business Segments					
Net Sales					
Domestic Food Products	**¥598,441**	¥583,243	¥563,096	**$5,645,670**	2.6%
Overseas Food Products	**142,307**	139,236	138,607	**1,342,519**	2.2
Amino Acids	**154,922**	135,933	129,991	**1,461,528**	14.0
Pharmaceuticals	**78,958**	62,693	53,509	**744,887**	25.9
Other	**64,921**	66,621	58,334	**612,462**	(2.6)
Operating Income					
Domestic Food Products	**¥ 26,297**	¥ 26,805	¥ 25,106	**$ 248,085**	(1.9)%
Overseas Food Products	**7,485**	9,250	6,999	**70,613**	(19.1)
Amino Acids	**26,666**	13,558	14,186	**251,566**	96.7
Pharmaceuticals	**10,339**	8,883	6,540	**97,538**	16.4
Other	**3,824**	3,849	4,349	**36,075**	(0.6)
Geographical Segments					
Net Sales					
Japan	**¥790,781**	¥758,337	¥716,774	**$7,460,198**	4.3%
Asia	**92,760**	88,661	87,836	**875,094**	4.6
America	**58,134**	52,150	56,598	**548,434**	11.5
Europe	**97,875**	88,577	82,329	**923,349**	10.5
Operating Income					
Japan	**¥ 30,078**	¥ 31,330	¥ 26,606	**$ 283,755**	(4.0)%
Asia	**12,370**	9,387	11,209	**116,698**	31.8
America	**12,230**	7,372	3,077	**115,377**	65.9
Europe	**10,510**	5,969	8,120	**99,151**	76.1

Notes: 1. U.S. dollar amounts represent translations of yen, for convenience only, at ¥106=US$1, the approximate rate prevailing on March 31, 2004.
2. Following the introduction of the internal company system in the year ended March 31, 2003, the Company reclassified its former business segments (Foods, Fine Chemicals and Other) as presented above. Segment information for the year ended March 31, 2002 has been restated to reflect the change.

Net Sales by Business & Region

(Year ended March 31, 2004)

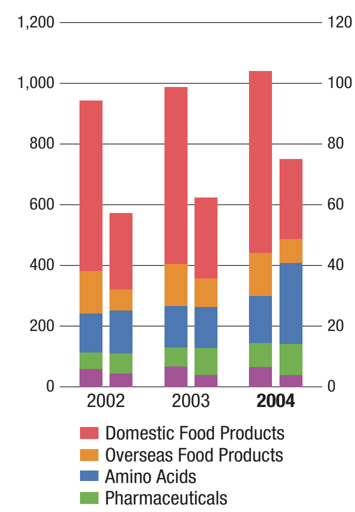
(Billions of yen)

	Japan	Asia	America	Europe	Total
Domestic Food Products	595.6 [16.8]	0.6 [-1.6]	1.2 [-0.1]	1.1 [0.1]	598.4 [15.2]
Overseas Food Products	14.7 [-0.2]	76.0 [1.9]	18.0 [0]	33.6 [1.3]	142.3 [3.1]
Amino Acids	39.8 [1.3]	13.0 [3.7]	38.9 [6.0]	63.3 [7.9]	154.9 [19.0]
Pharmaceuticals	79.0 [16.3]				79.0 [16.3]
Other	61.8 [-1.7]	3.2 [0]			64.9 [-1.7]
Total	790.8 [32.4]	92.8 [4.1]	58.1 [6.0]	97.9 [9.3]	1,039.6 [51.8]

Notes: 1. Unaudited figures; for reference only.
2. Figures in brackets represent year-on-year change.

Net Sales (left)/Operating Income (right)

(Years ended March 31) (Billions of yen)



Note: Segment information for operating income is shown prior to eliminations.

DOMESTIC FOOD PRODUCTS

Domestic Food Products sales for fiscal 2003 increased 2.6 percent year-on-year to ¥598.4 billion, and operating income decreased 1.9 percent year-on-year to ¥26.3 billion. Under its strong number-one strategy, Ajinomoto worked to reduce costs and expand demand for its top-selling mainstay brands.

Seasonings

➤ Strategic Initiatives and Results

Conditions in the domestic food industry grew even more challenging, as the effects of concerns about bovine spongiform encephalopathy (BSE) and avian influenza were added to already weak consumer spending. Ajinomoto took a number of measures to stimulate demand and increase sales of key products.

The Company implemented in-store promotions for *Hon-Dashi* products for miso soup and cooked dishes, with a focus on raising demand in the fried dish market. However, overall sales of seasonings declined compared with the previous fiscal year, primarily due to a downward trend in sales of umami seasoning in a mature market, and inventory reductions and rationalization at wholesalers. The introduction of limited seasonal products, new varieties and area-based marketing efforts helped generate 8 percent year-on-year growth in sales and increase market share of the *Cook Do* line of menu seasonings. In-store promotions introducing menus featuring Ajinomoto seasonings supported a 7 percent increase in sales of Chinese seasonings such as *Ajinomoto kk Marudori Gara Soup* (chicken soup stock) and *Cook Do Oyster Sauce*.

In the commercial market, sales of savory seasonings to food processing companies declined year-on-year due to delays in key initiatives, although *Koji-Aji* and *Super Yeast Extract* performed well. Sales of *ACTIVA* transglutaminase, an enzyme that improves food texture, grew steadily in Japan and overseas, mainly to the meat processing industry.

Market Size of Main Product Areas
(Household Market in Japan)

(Ajinomoto estimate) (Billions of yen)

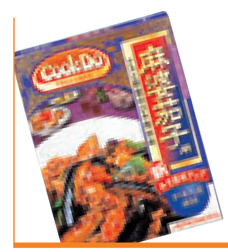
Product Area	Brand	FY2003	FY2002
Umami Seasonings	*AJI-NO-MOTO, Hi-Me*	9.0	9.6
Flavor Seasonings	*Hon-Dashi*	45.6	46.5
Soup/Comsommé	*Knorr*	74.0	69.4
	Ajinomoto kk Consommé	11.8	11.9
Mayonnaise	*Pure Select*	46.5	49.3
Menu Seasonings for specific dishes	*Cook Do*	44.0	47.0
	Gohan Ga Susumu Kun		

Note: Market size for umami seasonings and flavor seasonings based on manufacturers' shipments; others based on consumer purchase prices.

➤ Outlook

In the retail market, the Seasonings business will continue to implement Ajinomoto's strong number-one strategy. In addition, Ajinomoto will deploy research and development results to develop new markets. Other objectives will include revitalizing domestic sales of savory seasonings. Ajinomoto will continue working to raise efficiency and reduce costs, while taking steps to increase demand and reinvesting in new products.

Hon-Dashi Katsuodashi



Cook Do


Ajinomoto kk Marudori Gara Soup






Processed Foods

Knorr Soup Harusame, Knorr Soup Pasta

➤ Strategic Initiatives and Results

The Processed Foods business took steps to strengthen individual product lines. An overhaul of soup and consommé sales displays and the introduction of new varieties helped reinforce strong number-one products. Sales of core brand *Knorr Cup Soup* grew steadily, supported by the addition of a new spinach potage to the growing vegetable potage line, which appeals to health-conscious consumers. *Knorr Soup Pasta*, launched nationwide in 2002, continued to post steady sales growth and secured its position as the leader in the fast-growing snack-soup segment. *Knorr Pota*, a new brand of soup in containers that makes the most of the delicious flavor of its vegetable ingredients, was launched in fall 2003. *Ajinomoto kk Consommé* further increased its leading market share, supported by product improvements, a package redesign for *Ajinomoto kk Consommé Chicken* and an ongoing television advertising campaign. Improvements to *Pure Select Mayonnaise* and reduced-calorie *Pure Select Half* kept mayonnaise sales near the previous year's level in an increasingly competitive market. Sales of the *Kellogg's* cereal lineup continued to increase. Efforts to raise cost competitiveness included cost reductions in areas such as ingredients, manufacturing and distribution that met the interim targets of the current three-year plan.

Ajinomoto kk Consommé

➤ Outlook

Ajinomoto will continue working to raise the value of its core brands while bolstering cost competitiveness. Efforts to generate new sources of growth will emphasize focused development and cultivation of new markets and product categories, such as *Knorr Soup Pasta* and health-oriented soup and mayonnaise products.

Frozen Foods

Gyoza

➤ Strategic Initiatives and Results

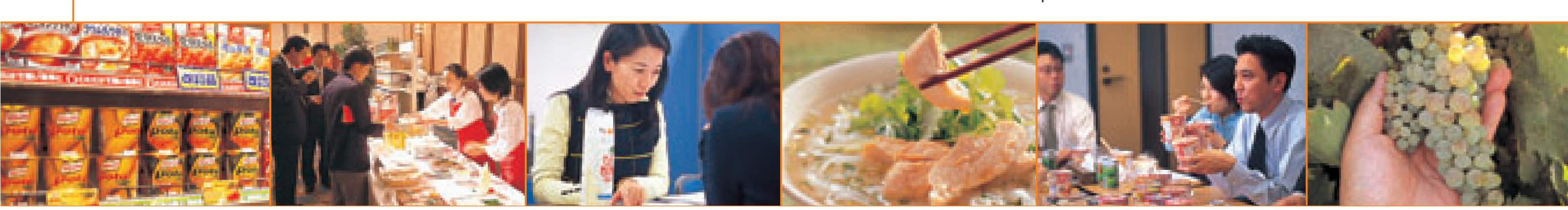
Ajinomoto made positive strides in its effort to attain the number-one position in the domestic frozen foods market. In the household market, product improvements and promotions linked to an advertising campaign drove a sharp increase in sales of *Gyoza* (Chinese dumplings), a core product in this segment. Promotions also contributed to solid sales growth for *Hot! 1 Ebi Pilaf* and *Hot! 1 Kongari Ebi Gratin*, while *Yoshokutei Hamburg*, a product added with the April 2003 acquisition of Frec Corporation, also contributed to results. In the commercial market, the addition of the *Frec* brand to the product assortment offset the effects of a weak market and sluggish sales of large-scale special-order products. As a result, sales increased substantially over the previous fiscal year.

Hot! 1 Ebi Pilaf

Responding to consumer concerns about food safety and reliability, Ajinomoto has been sharpening its focus on ingredients to accelerate development of frozen foods that distinguish themselves by their ingredient quality. Product ingredients introduced under this initiative have included chicken raised without antibiotics, specific pathogen-free (SPF) pork, and frozen vegetables grown by contract farms.

➤ Outlook

Ajinomoto will work to increase earnings and profitability in the frozen food business by carrying out business structure reforms and contributions to customers, establishing a globally oriented production network, strengthening its ingredient procurement strategy and managing quality assurance from the standpoint of customers.



Beverages and Dairy Products

➤ Strategic Initiatives and Results

Products that offer health benefits and added value are central to the growth strategy of the Beverages and Dairy Products business. During fiscal 2003, an unusually cool summer strongly impacted beverage sales. However, aggressive marketing supported solid growth in sales of healthy tea product *Kenchao*, which reached its targeted market share of 15 percent and secured the number-two position in the market for beverages that maintain a healthy blood glucose level. *CALPIS Interbalance L-92*, a functional health beverage that contains L-92 lactic acid bacteria, was launched in January 2004 in three varieties, contributing to results. In the coffee segment, sales of instant coffee increased, due in part to successful expansion of products in waste-reducing refill bags. Sales of liquid coffee also increased. The market for dairy products shrank following a sharp rise in popularity for yogurt products in the previous fiscal year, but new products contributed to growth.

➤ Outlook

Health and added value will continue to be a key theme. In the beverage segment, Calpis Co., Ltd. will focus on strengthening functional health beverages *CALPIS Cultured Milk AMEAL S*, *Kenchao* and *CALPIS Interbalance L-92*, as well as implementing a promotional campaign to commemorate the 85th anniversary of the sale of *CALPIS* drinks. In the coffee segment, Ajinomoto General Foods, Inc. will work to fully deploy its strengths as a full-line coffee manufacturer supplying instant, regular and liquid coffee.

Blendy refill bag

CALPIS Interbalance L-92

BIO

Edible Oils

➤ Strategic Initiatives and Results

Sales of edible oils increased in both the household and commercial markets, as the Company continued efforts to optimize prices. Oils for the household market returned to profitability, reflecting optimized prices as well as increased sales of premium oils such as flagship product *Kenko Sarara*, which is certified as a Food for Specified Health Use. *Kenko Sarara* posted retail sales growth of about 40 percent year-on-year, maintaining its number-one position in the market for cholesterol-lowering oils on both a volume and value basis.

➤ Outlook

On July 1, 2004, J-OIL MILLS, INC. merged and absorbed the four companies under its umbrella. In addition to improving management efficiency, product development and marketing, the merger will speed efforts to reduce production, sales, distribution and other costs. In the household market, Ajinomoto will take advantage of the merger to pursue a strategy of selection and concentration in products, sales areas and sales channels, with the aim of leading the industry in profitability.

Kenko Sarara

OVERSEAS FOOD PRODUCTS

Overseas Food Products sales increased 2.2 percent to ¥142.3 billion during fiscal 2003, and operating income fell 19.1 percent to ¥7.5 billion. Ajinomoto's overseas operations offer a broad product lineup that employs the Company's core expertise in product development that meets specific market needs.

ROSDEE (Thailand)

Masako (Indonesia)

Aji-ngon (Vietnam)

Seasonings

➤ Strategic Initiatives and Results

AJI-NO-MOTO umami seasoning, which is sold in more than 100 countries, not only leads many markets worldwide, but also plays an integral role in building Ajinomoto's overseas sales network. In the ASEAN region, solid sales of *AJI-NO-MOTO* continued, particularly in Thailand and Vietnam. Flavor seasonings also sold well, notably in Thailand and Indonesia. The fall 2003 revision of the *Aji-ngon* product lineup in Vietnam led to substantial sales growth there, while new launches of flavor seasoning products included *TUMIX* in Malaysia and *Sabaw* in the Philippines. In China, retailers responded favorably to new products *Hon-Dashi* dried scallop flavor and *MOR CHU GAOTANG*, which is creating a new market as China's first premium flavor seasoning. In South America, *AJI-NO-MOTO* and flavor seasonings posted year-on-year gains in both the household and restaurant sectors, while household sales in West African countries increased substantially. Sales of *AJI-NO-MOTO* to the food processing industry increased over the previous year as solid overall sales were bolstered by the addition of AJINOMOTO FOODS EUROPE S.A.S. (formerly ORSAN SA) to consolidated results. For nucleotides, although the start-up of a new plant in Thailand supported aggressive efforts to build a sales network, the effects of the higher yen resulted in a year-on year decline in sales.

➤ Outlook

To establish its position as a unique global company with special expertise in Japanese and Asian culinary culture, Ajinomoto is working to develop strong number-one businesses through growth by strategic focus. Areas of focus will include strengthening the Company's business base in China by promoting new products and further building its sales network. Entry into new markets and initiatives to build newly introduced brands will complement efforts to secure and maintain leading positions for *AJI-NO-MOTO* and established flavor seasonings.

Overseas production of *AJI-NO-MOTO* umami seasoning






Ajinomoto's overseas food products operations are building a powerful global presence.

Processed Foods

➤ Strategic Initiatives and Results

In the processed foods business outside Japan, Ajinomoto has established a solid presence and a reputation for quality and safety in segments ranging from instant noodles to beverages. New instant noodle products that sold strongly included the *JUMBO* series of the *yumyum* brand in Thailand and *Aji-no-men* in Peru. In China, Ajinomoto introduced its first Western-style soup, the single-serving *Younong*. In beverages, sales in Thailand of *Birdy* canned coffee, which celebrated its tenth anniversary in 2003, continued to grow. Ajinomoto also began test marketing in the U.S. of *Amino Vital*, its flagship product in the nutritional foods business, which received an enthusiastic response as a product that embodies Ajinomoto's strengths in amino acid R&D.

➤ Outlook

Ajinomoto will reinforce its foundation in established businesses such as instant noodles and beverages by further nurturing core products and vitalizing the product portfolio, including the launch of new products. *Amino Vital* will work to secure its position in North America through communication focused on top athletes and health-conscious consumers. Efforts to increase sales of soup in China will emphasize giving consumers the opportunity to taste the new flavors Ajinomoto is offering.

Sales of Overseas Food Products

(Billions of yen, %)

	FY2003	FY2002	Change
Consumer Foods	81.2	77.9	4 %
Umami Seasonings for Processed Food Manufacturers	29.1	25.8	13 %
Others	32.0	35.5	(10)%
Total	142.3	139.2	2 %

Birdy (Thailand)

yumyum (Thailand)

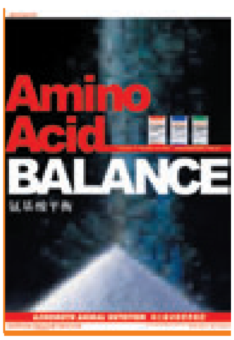
Younong (China)






AMINO ACIDS

Sales of Amino Acids increased 14.0 percent to ¥154.9 billion during fiscal 2003, and operating income increased 96.7 percent to ¥26.7 billion. Unique technologies and a recognized commitment to quality have earned Ajinomoto a strong number-one position in markets around the world.



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

Feed-Use Amino Acids

➤Strategic Initiatives and Results

Ajinomoto is the market leader for its three core feed-use amino acids, Lysine, Threonine and Tryptophan. During fiscal 2003, sales in Asia expanded significantly, backed by increased Lysine production capacity in Thailand. In the Americas, decreased production of soybeans coupled with increased demand contributed to a sharp increase in sales. Steady growth in demand for feed-use Threonine, supported by technical service activities, led to gains in volume and sales. Sales in Europe also grew substantially year-on-year.

The price difference (the "spread") between soybean meal and corn has been high at the Chicago Board of Trade since summer 2003, reflecting reduced inventories and higher demand for soybeans. The large spread helped fuel expansion of feed-use Lysine demand, and global prices were high from summer through winter. Intense fluctuations in the swiftly growing Chinese market included a price drop for Lysine from fall through winter, with an ongoing rapid recovery at present. In addition, demand throughout Asia declined in winter due to the effect of the avian influenza outbreak. Overall, the average Lysine price for fiscal 2003 was higher than for fiscal 2002.

Ajinomoto Biolatina Indústria e Comércio Ltda. in Brazil increased its annual feed-grade Lysine production capacity from 30,000 tons to 48,000 tons in October 2003, and is undertaking a new project to expand capacity to 72,000 tons by December 2004. Total feed-grade Lysine production capacity for the Ajinomoto Group at the end of 2003 was 263,000 tons.

➤Outlook

Ajinomoto will continue to make efficient capacity expansions for feed-grade Lysine, and expects to achieve its annual production

Market Size of Feed-Use Amino Acids and Ajinomoto's Share

(Ajinomoto estimate) (Thousands of tons, %)

	FY2003	FY2002	FY2001	FY2000
Lysine	700	650	600	550
Ajinomoto's share	35%	35%	35%	35%
Threonine	55	40	33	30
Ajinomoto's share	70%	60%	60%	60%
Tryptophan	1.3	1.2	1.0	0.7
Ajinomoto's share	70-80%	70%	60%	40%

capacity target of 300,000 tons by fiscal 2005. In addition, the Company will build new production facilities with significant cost advantages. Ongoing cost-cutting measures will also support earnings.

Amino Acids for Pharmaceuticals and Foods

➤Strategic Initiatives and Results

In Japan, cooperation with leading manufacturers in product development and promotional support substantially increased market demand, contributing to a year-on-year increase in sales. Overseas, reinforced sales to major pharmaceutical and nutritional product manufacturers contributed to earnings. The Company also worked to expand demand in the biotechnology field with products such as amino acids for culture media, *ASF (Ajinomoto serum-free) Medium* and radioisotope labeled amino acids for research purposes.

➤Outlook

As the premier global supplier of amino acids, Ajinomoto will work to further increase its leadership in both existing markets and newly emerging markets in various areas such as biotechnology, beverages and food. As a market driven-company, Ajinomoto will strive to thoroughly meet customer requirements for quality by developing the core competency of understanding what the customer wants. Reorganization of existing plants and continuous development of new manufacturing technologies will lay the groundwork for further improvement in profits.

North Carolina Plant of Ajinomoto AminoScience LLC

Ajinomoto Euro-Aspartame S.A.S.

Amino Acid-Based Sweeteners

➤Strategic Initiatives and Results

Key strategies in this segment are reducing costs and expanding sales in the bulk sweetener business and developing the retail sweetener business globally by emphasizing their basis in amino acids.

In the bulk sweetener business, strong consumer demand for zero or low-calorie products substantially increased sales volume worldwide, although lower prices resulted in a decline in sales. In the domestic retail sweetener business, the improvement of *Pal Sweet Calorie Zero* for use in cooking and a marketing campaign that promoted aspartame as an amino acid-based sweetener drove a solid increase in sales. *Slim-Up Sugar* also continued to perform solidly in the household and restaurant markets. Outside Japan, growth in sales of existing businesses, as well as the creation of new markets and new products in Thailand and the Philippines, resulted in increased retail sweetener sales.

➤Outlook

In the bulk sweetener business, Ajinomoto is developing a new strategy to become the number-one supplier of aspartame.

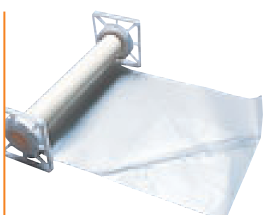
In the domestic retail sweetener business, increasing health consciousness will support steady growth in sales of *Pal Sweet* and *Slim-Up Sugar*. Ajinomoto will continue to offer products that help people around the world lead healthier lives.

Pal Sweet Calorie Zero

Slim-Up Sugar

Amisoft, Amihope, Aminosoap and *Eldew*

Jino series of cosmetics



ABF (Ajinomoto Build-Up Film)

Amino Vital

Pharmaceutical Intermediates

Ajinomoto responds to the needs of the pharmaceutical industry with original technologies based on amino acids and nucleic acids. In fiscal 2003, sales of core products in Europe expanded steadily amid overall weakness in the pharmaceutical intermediate industry. In the areas of synthetic and plant extract technologies, speedy response and the use of Good Manufacturing Practices helped Ajinomoto win the confidence of customers. The Company will continue to improve its core products while developing new projects that anticipate customer needs.

Specialty Chemicals

Sales of the *Jino* line of amino acid-based cosmetics increased strongly over the previous fiscal year, driven by steady advertising and promotional efforts. Sales of ingredients for personal care were firm overseas, but declined in Japan. Sales of electrochemicals, including *ABF* (Ajinomoto Build-Up Film), increased. Ajinomoto will deploy its R&D capabilities based on amino acid technologies, as well as the expertise of Group companies, to keep this business on a growth track.

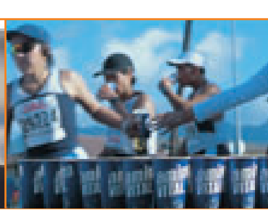
Amino Vital

➤ Strategic Initiatives and Results

Sales of amino acid supplement *Amino Vital* continued to post strong growth in fiscal 2003. Ajinomoto supported sales with advertisements and television programs that expanded awareness of the benefits and use of amino acids, which helped spur demand. Sales of granulated *Amino Vital* products were strong, while sales of jelly drinks grew substantially. In addition, as an official partner of the Japan Olympic Committee (JOC), Ajinomoto started the *Amino Vital* Victory Project to provide nutritional support for Japan's Olympic team. As a result, the brand further improved both its market share and position.

➤ Outlook

In the growing market for amino acid products, Ajinomoto will work to maximize the potential of the *Amino Vital* brand by cultivating consumer trust. A comprehensive marketing campaign will tie in with the *Amino Vital* Victory Project at the Athens Olympics in August.



PHARMACEUTICALS

Sales of Pharmaceuticals increased 25.9 percent to ¥79.0 billion during fiscal 2003, and operating income rose 16.4 percent to ¥10.3 billion. The core fields of Ajinomoto's Pharmaceuticals business are infusions, clinical nutrition and dialysis, gastrointestinal diseases and lifestyle-related diseases.

➤Strategic Initiatives and Results

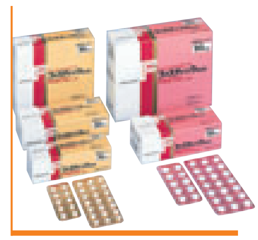
In the field of infusions, clinical nutrition and dialysis, Ajinomoto strengthened its R&D and sales activities through the strategic acquisition of Shimizu Pharmaceutical Co., Ltd., which was completed in December 2002. With the integration of the sales forces of Shimizu into Ajinomoto Pharma Co., Ltd., Ajinomoto efficiently promoted its TNC (Total Nutrition Care) strategy and expanded market share. Major products include *PNTWIN*, a total parenteral nutrition infusion, *SOLITA*, the leading brand of electrolyte infusions, *LIVACT Granules*, an amino acid formula used to treat liver cirrhosis, and *ELENTAL*, the first choice prescription drug for Crohn's disease.

Ajinomoto placed a premium on collecting evidence-based data to maximize the value of existing products as well as searching for innovative approaches toward targeted areas. A major activity was post-marketing studies for *LIVACT Granules*, including a long-term survival (LTS) clinical study. These studies generated incontrovertible evidence that *LIVACT Granules* prevents severe complications or death from liver cirrhosis and yielded profitable results for further improvement. In September 2003, Ajinomoto successfully launched an improved granule formulation for patients' better compliance.

With successful partnerships with Sankyo Co., Ltd. and Yamanouchi Pharmaceutical Co., Ltd., Ajinomoto strengthened its presence in the field of lifestyle-related diseases. Ajinomoto's *FASTIC* (nateglinide), an antidiabetic agent, is marketed by Sankyo (also sold as *STARSIS* by Yamanouchi) and has gained substantial market share. Also, it is marketed in approximately 90 countries through the strong sales network of Ajinomoto's licensee, Novartis Pharma AG, fulfilling the medical needs of patients who suffer from diabetes around the world. Risedronate, an osteoporosis drug marketed under the brand name *Actonel* by Ajinomoto in cooperation with Aventis Pharma Ltd. and the brand name *BENET* by Takeda Chemical Industries, Ltd., has obtained a considerable position among bisphosphonates for the treatment of osteoporosis in Japan. These business collaborations not only contributed to solid sales growth but also created significant value in comprehensive medical care settings. In addition, proactive marketing improved sales of *Atelec*, an antihypertensive drug.

In the new field of clinical foods, *IMPACT*, a highly recognized liquid immunonutrition diet in the clinical field worldwide, continued to make inroads into the Japanese market. In December 2003, following test marketing in the Tokyo area, Ajinomoto started nationwide mail-order sales of *Mitherapist Superfine Dispersed β-Glucan*, a functional food yielded from Ajinomoto's immunology research and nanotechnology and it is attracting a growing number of customers with its high quality and performance.

LIVACT Granules



FASTIC

Actonel

Mitherapist Superfine Dispersed β-Glucan






ATELEC

SOLITA-T

➤ Outlook

With its sights set firmly on the goal of obtaining a leading position in the Japanese market, Ajinomoto concentrates its management resources, including its strong amino acid technologies, to thoroughly meet the market needs of targeted areas such as infusions, clinical nutrition, dialysis, gastrointestinal diseases and lifestyle-related diseases.

A core theme for fiscal 2004 will be the enhancement of synergies among Ajinomoto's Pharmaceutical Company, Ajinomoto Pharma and Shimizu Pharmaceutical in the areas of R&D, marketing & sales, manufacturing and logistics. The creation of a new "virtual company" incorporating the three companies will spur the development of a new corporate culture that promotes greater speed, integration and streamlining.

One of the highlights of this "virtual company" was the integration of Shimizu's sales force into Ajinomoto Pharma's, giving it a total of 500 medical representatives including 50 members highly specialized in dialysis. A newly reinforced team of 30 nutrition representatives focuses on expansion of the marketing needs of clinical nutrition. This strategic integration played a key role in strengthening Ajinomoto's sales practices.

In order to establish a strong number-one position in therapeutic areas of focus, Ajinomoto will continue to seek opportunities for business alliances. In parallel, Ajinomoto will continue to place a strategic emphasis on amino acid-derived pharmaceuticals for the expansion of the development pipeline, and promote life cycle management to optimize the value of existing products.

In Ajinomoto's medium-term R&D themes, the lineup of projects includes infusion-related products, distinctive new integrin antagonists for inflammatory bowel disease (IBD) and other inflammatory diseases and drugs for diabetes in the field of lifestyle-related diseases. Moreover, in anticipation of the revision of the Pharmaceutical Affairs Law scheduled for April 2005, Ajinomoto is considering the restructuring of its production sector by unifying four Pharmaceutical Company factories under a single legal entity to create a strong competent organization in which Ajinomoto will enhance productivity to inspire manufacturing competitiveness.

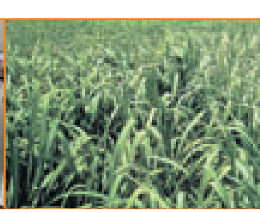
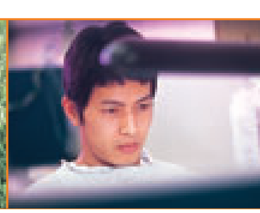
Ajinomoto will continue to focus on improving overall productivity and efficiency in the never-ending pursuit of producing high quality and performance pharmaceuticals, and this challenge will open new doors of unseen potential markets.

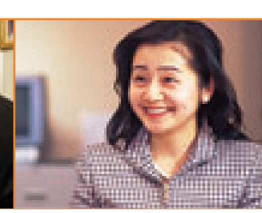
Ajinomoto's Main Pharmaceuticals Sales by Product

(Ajinomoto estimate/NHI price base) (Billions of yen)

Field	Main Products	Launch Date	Marketing Company	Sales		
				FY2003	FY2002	FY2001
Infusions, clinical nutrition and dialysis/ Gastrointestinal diseases	*LIVACT Granules*	May 1996	Ajinomoto Pharma Co., Ltd.	15.4	16.1	16.1
	SOLITA-T	Feb. 1962	Ajinomoto Pharma Co., Ltd.	11.8	4.3 *	—
	PNTWIN	Dec. 1993	Ajinomoto Pharma Co., Ltd.	8.5	10.8	11.2
	ELENTAL	Sept. 1981	Ajinomoto Pharma Co., Ltd.	8.1	8.1	8.0
	HEPARIN	Apr. 1972	Ajinomoto Pharma Co., Ltd.	4.2	0.9 *	—
	AK-SOLITA	Nov. 1970	Ajinomoto Pharma Co., Ltd.	3.6	1.5 *	—
	NIFLEC	June 1992	Ajinomoto Pharma Co., Ltd.	2.4	2.6	3.0
	ELEMENMIC	Apr. 1992	Ajinomoto Pharma Co., Ltd.	2.4	2.6	2.6
	HEPAN ED	Sept. 1991	Ajinomoto Pharma Co., Ltd.	2.0	2.2	2.4
Lifestyle-related diseases	*ATELEC*	Dec. 1995	Mochida Pharmaceutical Co., Ltd.	6.5	5.5	4.5
	Actonel	May 2002	Aventis Pharma Ltd.	5.7	2.4	—
	FASTIC	Aug. 1999	Sankyo Co., Ltd.	5.4	4.1	3.0

* Sales for four months (Dec.2002-Mar.2003) following the acquisition of Shimizu Pharmaceutical Co., Ltd.




Board of Directors and Auditors


Kunio Egashira


Takeshi Suzuki


Takuzo Kitamura


Tohru Nishiyama


Keiichiro Aihara


Norio Yamaguchi


Sohei Ishiwata


Kinzo Iitani

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Kunio Egashira*

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Internal Auditing Dept.
Environment Dept.

Takuzo Kitamura*
President, Global Foods & Amino Acids Company

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Keiichiro Aihara*
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Norio Yamaguchi*
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Sohei Ishiwata*
President, Seasonings & Food Products Company; Advertising Dept.

Kinzo Iitani
Production Management Dept.; Tokai Administration & Coordination Office; Kyushu Administration & Coordination Office; Technology & Engineering Center

MEMBERS OF THE BOARD & CORPORATE VICE PRESIDENTS

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Vice President, Global Foods & Amino Acids Company

Osamu Tosaka
Vice President, Seasonings & Food Products Company; Kawasaki Administration & Coordination Office; Kawasaki Plant I

Yoichi Kobayashi
Finance Dept.; Affiliates Management Dept.

Yasufumi Yanagihara
Vice President, Global Foods & Amino Acids Company

OUTSIDE DIRECTOR

Shozo Hashimoto
Chairman, Nomura Research Institute, Ltd.

STANDING CORPORATE AUDITORS

Ryozo Nishio

Chikahiko Eguchi

Yutaka Naito

CORPORATE AUDITORS

Kazuhide Kondo
Certified Public Accountant

Rieko Sato
Attorney-at-law, Ishii Law Office

Note: An asterisk (*) designates a representative director.

(As of July 1, 2004)

Stakeholder-Oriented Corporate Governance

Ajinomoto places the highest priority on stakeholder-oriented corporate governance that enhances corporate value, competitiveness and the Company's ability to fulfill its social responsibilities. While studying examples and materials from Japan and abroad, Ajinomoto has created a practical system of corporate governance that incorporates global best practices and retains the positive aspects of Japanese-style management.

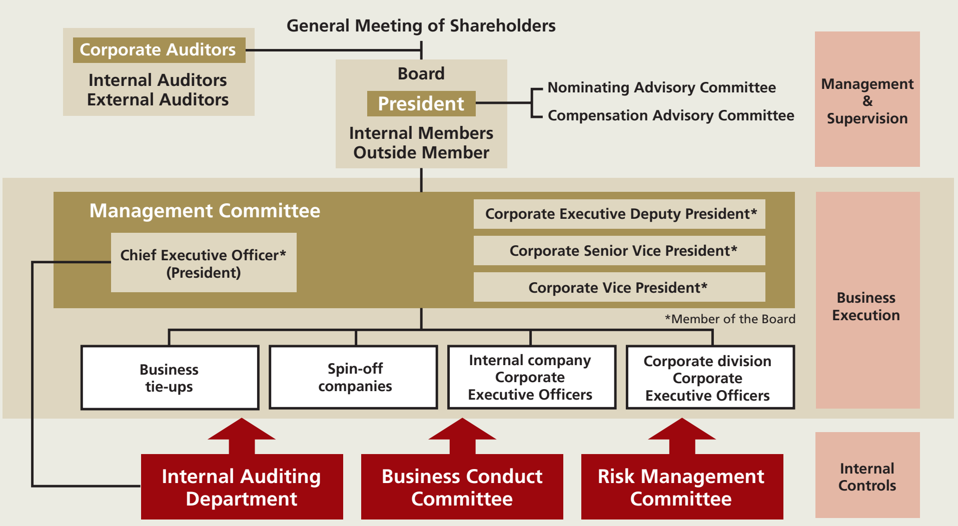
In June 2003, Ajinomoto implemented a number of changes to the Board and the relationship between management supervision and business execution. These changes have improved competitiveness by accelerating decision making. Ajinomoto reduced the number of members of the Board from 30 to 12, and included one outside member of the Board. The reduced size has made Board meetings a more effective forum for managing overall Group strategy. The inclusion of an outside member has added an external perspective that enhances the objectivity of the Board and makes it more sensitive to the external operating environment.

Ajinomoto also implemented a corporate executive officer system in June 2003 to separate management supervision and business execution. It has accelerated execution and improved monitoring and accountability. Corporate executive officers have the authority formerly held by directors and specialize in implementing the Company's initiatives. The Board monitors and assesses operational implementation. Internal members of the Board also serve as corporate executive officers. In order to make accurate management decisions in response to risks in line with actual business conditions, the Board judges the appropriateness of business execution as part of its operating supervision function.

Ajinomoto has strengthened its auditing function to enhance corporate governance. Supplementing the Company's existing auditing structure, the Nominating Advisory Committee advises the President on the appointment of members of the Board and corporate executive officers. The Compensation Advisory Committee enhances the transparency of Board personnel affairs. The Internal Auditing Department reports directly to the CEO, providing systematic oversight of the Company and its subsidiaries and affiliates to support operational integrity. Moreover, following approval at the General Meeting of Shareholders in June 2004, Ajinomoto increased the number of auditors from four to five, in order to strengthen corporate governance. Ajinomoto newly appointed an accountant and an attorney from outside the company to strengthen Ajinomoto's position as an objective, professionally managed corporation.

Ajinomoto's Business Conduct Committee oversees the legal compliance and corporate citizenship of all domestic and international operations. The committee also checks that all Group operations are fully aware of the Ajinomoto Group Principles and that all Group companies and employees act in accordance with them. Ajinomoto's Risk Management Committee swiftly and accurately assesses corporate risks, reporting directly to senior management and dealing with issues in accordance with management instructions.

Corporate Structure (adopted in June 2003)



FINANCIAL SECTION

Six-Year Summary of Selected Financial Data

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

	Millions of yen					
	2004	2003	2002	2001	2000	1999
For the year:						
Net sales	**¥1,039,551**	¥987,727	¥943,540	¥908,528	¥829,422	¥814,538
Cost of sales	**743,251**	716,999	680,003	665,856	613,751	612,401
Gross profit	**296,299**	270,727	263,536	242,672	215,670	202,136
Selling, general and administrative expenses	**231,109**	216,668	214,521	204,867	182,620	173,374
Operating income	**65,190**	54,059	49,015	37,805	33,050	28,762
Other income (expenses)	**1,826**	11,407	9,449	(50,800)	1,286	113
Income (loss) before income taxes and minority interests	**67,017**	65,466	58,464	(12,995)	34,336	28,875
Net income (loss)	**36,276**	33,178	31,442	(11,547)	17,658	13,242
Capital expenditures	**50,916**	57,403	45,277	46,914	55,765	53,395
Depreciation and amortization	**39,925**	38,969	37,222	38,640	37,334	33,365
At year-end:						
Shareholders' equity [1]	**¥ 428,077**	¥391,154	¥381,017	¥361,771	¥330,557	¥349,939
Total assets [1]	**871,780**	864,588	840,152	828,945	732,980	762,173
Long-term debt	**122,099**	71,523	94,435	98,511	139,821	137,999
Per share (yen):						
Net income (loss)	**¥ 55.6**	¥ 50.7	¥ 48.4	¥ (17.8)	¥ 27.2	¥ 20.4
Shareholders' equity [1]	**659.8**	602.7	586.3	556.6	509.0	538.8
Cash dividends	**12.0**	11.0	10.0	10.0	10.0	12.0
Value indicators:						
Liquidity ratios:						
Debt/equity ratio (%) [1, 2]	**36.0**	40.7	41.0	52.0	59.0	54.7
Interest coverage ratio (times) [3]	**22.6**	16.6	10.9	7.4	6.8	6.5
Investment indicators:						
Price/earnings ratio (times) [4]	**22.3**	24.0	24.4	—	46.0	69.1
Price/book value (times) [1, 5]	**1.87**	2.0	2.0	2.2	2.5	2.6
Return indicators:						
Return on assets (%) [1, 6]	**4.2**	3.9	3.8	(1.5)	2.4	1.7
Return on equity (%) [1, 7]	**8.9**	8.6	8.5	(3.3)	5.2	3.7
Number of employees	**24,861**	24,406	24,326	23,739	22,373	17,365

Notes: 1. Shareholders' equity, total assets, shareholders' equity per share and the related indicators for the years ended March 31, 2000 and 1999 have been restated due to a change in the regulations relating to the presentation of translation adjustments.
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
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

Ajinomoto Co., Inc. and Consolidated Subsidiaries
For fiscal 2003, ended March 31, 2004

Overview of Financial Strategy

Ajinomoto's financial strategy focuses on three main points to ensure that the Company achieves the objectives of its current three-year management plan.

1. Reduction of Interest-Bearing Debt

During the current three-year management plan, Ajinomoto has emphasized selection, concentration and expansion to improve cash flow. The Company has deployed the increased cash flow that has resulted from this strategic emphasis to reduce interest-bearing debt and further improve its flexibility in executing strategic initiatives. During the year to March 2005, the final year of the plan, Ajinomoto intends to increase its focus on cash flow generation and return on equity to meet its earnings objectives.

2. Securing Liquidity

While enhancing cash flow by reducing total interest-bearing debt and related interest expenses, Ajinomoto has steadily reduced short-term borrowings and increased the ratio of long-term debt in its capital structure. Concurrently, the Company has diversified maturities to smooth cash flow. On June 10, 2003, Ajinomoto issued a total of ¥50.0 billion in straight bonds as part of the shift of interest-bearing debt from short-term to long-term maturities. This issuance changed the ratio of long-term debt to short-term borrowings to approximately 7:3 as of March 31, 2004, from approximately 4:6 a year earlier, further enhancing short-term liquidity and Ajinomoto's ability to meet current obligations while funding shareholder returns.

3. Maintaining or Improving Credit Ratings

Ajinomoto emphasizes direct access to capital markets. The Company has therefore consistently emphasized maintaining or further improving its solid credit ratings as one means of controlling the cost of funding global growth by ensuring favorable access to external sources of capital. Standard & Poor's maintains a credit rating of AA- for Ajinomoto's long-term debt. Rating and Investment Information, Inc., a Japanese credit rating agency, maintains an AA credit rating on Ajinomoto's long-term debt. In addition, in March 2004 Moody's Investors Service raised its rating for Ajinomoto's long-term debt to A1.

The Ajinomoto Group's financial strategy is based on increasing cash flow as a means to provide flexibility in funding capital expenditures, research and development, and growth through acquisitions. Ajinomoto's program to improve cash flow has included the objective of reducing interest-bearing debt from ¥172.3 billion at March 31, 2001. Investment activities, particularly better discipline in making capital expenditures, and working capital have been two key areas targeted for improvement. By March 31, 2004, Ajinomoto had reduced interest-bearing debt to ¥143.7 billion. Increased profits have been a key factor in debt reduction. Under a strategy of concentrating resources in selected markets, Ajinomoto has strengthened consolidated management of businesses in each segment to build highly profitable number-one brands, increase profitability and enhance cash provided by operations.

The Company has also unified treasury management for a substantial proportion of Group companies in order to raise the efficiency of asset and liability management and reduce external borrowing and its costs. In addition, Ajinomoto has been liquidating securities and underutilized land to generate cash for investment in income-producing assets. All divisions have been made more aware of the importance of cash flow, and have worked to improve cash flow by reducing receivables and inventories. The internal company system also relies to a significant degree on cash flow metrics, including free cash flow and return on assets, in allocating capital and evaluating the performance of each company.

Looking forward, capital investment will focus on health-related products, global expansion, further strengthening businesses in which Ajinomoto has the strong number-one product, and high-potential new businesses. As a general principle, Ajinomoto intends to fund capital expenditures using internally generated cash flow. At the same time, the Company maintains an active program of evaluating and executing acquisitions when they represent a good strategic fit. Given the Company's sound financial condition and stable cash flow, Ajinomoto has excellent flexibility in structuring investment in such opportunities. Ajinomoto intends to access capital markets directly as one means of funding global growth, and therefore emphasizes maintaining or improving credit ratings to ensure appropriate access to capital markets.

Exchange Rate Fluctuations

Ajinomoto is subject to the influence of changes in foreign exchange rates because it operates in global markets. The Company's financial statements are prepared in Japanese yen according to accounting practices generally accepted in Japan (Japanese GAAP) using current foreign exchange rates as of the balance sheet date. In general, sales, operating income and net income increase when the yen weakens relative to principal global currencies, and decrease when the yen strengthens relative to principal global currencies. As of March 31, 2004, exchange rates for principal global currencies were ¥105.69 to US$1.00 and ¥128.88 to 1.00 euro, compared to ¥120.20 to US$1.00 and ¥129.83 to 1.00 euro at March 31, 2003.

Changes in foreign exchange rates from March 31, 2003 to March 31, 2004 reduced net sales by ¥12.8 billion, operating income by ¥1.4 billion and net income by ¥1.1 billion. These amounts represent the translation differences arising from changes in the exchange rates at which the financial statements of consolidated subsidiaries and equity method affiliates overseas were translated into Japanese yen.

Operating Environment

During the fiscal year ended March 31, 2004, economic conditions in Japan showed signs of improvement, with recovery in the United States stimulating manufacturing and exports in several sectors. Competition in the domestic food industry remained intense, and import restrictions were placed on certain meat imports, such as beef from the United States and chicken from Thailand, due to outbreaks of bovine spongiform encephalopathy (BSE) and avian influenza. An outbreak of avian influenza in Japan also made consumers uneasy, as did issues related to food labeling and the use of unapproved ingredients by certain companies. Many Asian economies generated growth, while restrained consumption and an unfavorable employment environment hampered economic growth in Europe.

In this operating environment, the Ajinomoto Group completed the second year of a three-year management plan to generate profitable growth. Sales of the food products business increased in Japan and overseas. The amino acids and pharmaceuticals businesses performed well. The Group placed particular emphasis on reducing costs and improving profitability in the domestic food products business, and on increasing the benefits of acquisitions to concentrate resources in selected markets.

Analysis of Statements of Operations

Overview

For the fiscal year ended March 31, 2004, consolidated net sales drew support from year-on-year sales growth in each of Ajinomoto's four main operating segments. Domestic food products sales increased. Sales of frozen foods grew solidly, supported by the acquisition of Frec Corporation. Sales of soups and coffee also increased strongly. The year-on-year increase in overseas food products sales in local currency terms was reduced by translation into yen. Sales of amino acids increased substantially, supported by solid growth in the feed-use amino acids market. Pharmaceutical sales rose strongly, supported by growth in sales of *FASTIC* and *Actonel*, and the positive effect of the acquisition of Shimizu Pharmaceutical Co., Ltd. in the previous fiscal year.

As a result, consolidated net sales increased 5.2 percent year-on-year, or ¥51.8 billion, to ¥1,039.6 billion. Successful efforts to raise operating efficiency and increased earnings from higher overseas sales of feed-use amino acids supported an increase of 20.6 percent, or ¥11.1 billion, in operating income to ¥65.2 billion. Net income increased 9.3 percent, or ¥3.1 billion, to ¥36.3 billion. Return on average total shareholders' equity was 8.9 percent, compared to 8.6 percent for the previous fiscal year.

Segment Information

Ajinomoto classifies results into the five segments of domestic food products, overseas food products, amino acids, pharmaceuticals and other. Internal companies conduct operations, and pay corporate headquarters royalty commissions that they record as corporate expenses.

Ajinomoto has implemented a number of reclassifications of sales and operating income as a result of the internal company system and other issues. For example, sales of *Amino Vital* and *Pal Sweet* to domestic consumers are in large part included in domestic food products because of the sales channels used. However, operating income for these products is reported in amino acids, and they are presented in the amino acids section of the review of operations.

The operating expenses of the administrative division and part of the operating expenses of research facilities are included in Corporate and Eliminations in reflection of the need to manage operating expenses more clearly on a segmental basis. In addition, major items included as assets under Corporate and Eliminations are parent company operating funds as represented by cash and marketable securities; long-term investment funds as represented by investment securities; land not used for business purposes; and the assets employed in the administration division and in some research facilities. For the year ended March 31, 2004, these items totaled ¥230.1 billion, compared to ¥232.4 billion for the previous fiscal year.

Domestic Food Products

The domestic food products segment includes sales of seasonings; processed foods such as soups; sweeteners and nutritional foods; delicatessen and bakery products; frozen foods; edible oils; and coffee, beverages and dairy products. Sales of domestic food products for the fiscal year ended March 31, 2004 increased 2.6 percent, or ¥15.2 billion, to ¥598.4 billion. Increased sales of frozen foods, processed foods such as soups, coffee, and *Amino Vital* amino acid supplement supported overall sales growth.

Seasonings: In the retail market, sales of *Hon-Dashi* flavor seasoning decreased marginally year-on-year, while sales of the *Cook Do* line of liquid seasoning mixes performed well due to the full-year contribution of new varieties introduced in January 2003. Sales of *Ajinomoto kk Marudori Gara Soup*, *Chuka-Aji* increased as a result of intensive marketing support. In the commercial market, sales of *Hon-Dashi* and *AJI-NO-MOTO* were lower year-on-year, as were sales of savory seasoning products to food processing companies. However, sales of *ACTIVA*, an enzyme (transglutaminase) that improves food texture, increased significantly.

Processed Foods: Sales of soups increased, supported by the continued strong performance of the *Knorr Soup Pasta* line. Mayonnaise sales declined slightly year-on-year, impacted by weakness in the market. Sales of *Kellogg's* brand products increased steadily, as did sales of the *Okayusan* rice porridge in retort pouches.

Sweeteners and Nutritional Foods: Revenue from sales of amino acid-based sweeteners for home and restaurant use increased as sales of *Pal Sweet Calorie Zero* remained solid. Sales of *Amino Vital* continued to increase significantly in both jelly drink and granulated product format.

Frozen Foods: Household sales increased year-on-year despite the impact of BSE and avian influenza. Sales of core product *Gyoza* Chinese meat dumplings increased, supported by technical improvements in product quality and aggressive marketing. Commercial sales increased strongly year-on-year as a result of merging Frec Corporation into operations in April 2003 and adding its brands to the product lineup.

Edible Oils: Overall sales of edible oils increased despite price adjustments resulting from higher ingredient costs from the second half of the year. Retail sales of the premium *Kenko Sarara* oil series, which is approved as a Food for Specified Health Use, continued to expand. Sales of commercial oils increased, while sales of meal products were down.

Coffee, Beverages and Dairy Products: Sales rose year-on-year because of the solid performance of *Blendy* bottled coffee and other liquid coffee products. Sales of instant coffee in refill packaging were particularly strong, while sales of regular coffee products increased marginally. Sales of beverages drew support from sales of *Amino CALPIS*, launched in March 2003, and new product *CALPIS Interbalance L-92*, although the cool summer resulted in lower sales of *CALPIS Water* and *Evian*. Chilled dairy product sales increased, with strong sales of *BIO* compensating for lower sales of core product *Fruits Selection*.

Overseas Food Products

The overseas food products segment includes sales of seasonings and processed foods outside Japan, as well as worldwide sales of *AJI-NO-MOTO* and nucleotides to the food processing industry. Overseas food products sales increased 2.2 percent, or ¥3.1 billion, over the previous fiscal year to ¥142.3 billion. Sales of flavor and menu seasonings increased steadily, as did sales of *AJI-NO-MOTO* to the food processing industry.

Seasonings: In Asia, sales of *AJI-NO-MOTO* and nucleotides to the food processing industry increased year-on-year, and sales of flavor seasonings increased considerably. Sales of *AJI-NO-MOTO* for home and restaurant use increased on a local currency basis, but were adversely impacted by the appreciation of the yen. In the Americas, sales of *AJI-NO-MOTO* decreased year-on-year due to the impact of exchange rates, but sales of flavor seasonings increased in South America. In Europe, sales of *AJI-NO-MOTO* for the food processing industry rose with the addition of AJINOMOTO FOODS EUROPE S.A.S. (formerly ORSAN SA) to consolidated results. Sales of *AJI-NO-MOTO* for home and restaurant use increased strongly, supported by solid sales in West African countries. Domestic sales of *AJI-NO-MOTO* to the food processing industry were essentially unchanged year-on-year, while sales of nucleotides decreased.

Processed Foods: Sales of instant noodles decreased in Asia due to factors including the impact of exchange rates. Sales of *Birdy* canned coffee increased year-on-year.

Amino Acids

The amino acids segment includes global sales of feed-use amino acids; amino acids for pharmaceuticals and foods; amino acid-based sweeteners; pharmaceutical intermediates; and specialty chemicals. Sales of amino acids increased 14.0 percent year-on-year, or ¥19.0 billion, to ¥154.9 billion, supported by factors including higher sales of feed-use amino acids.

Feed-Use Amino Acids: Sales of all feed-use amino acids, led by Lysine, increased significantly year-on-year in all regions. High levels of productivity and customer service resulting from expansion in Ajinomoto's global supply structure and the implementation of advanced technology supported growth in sales.

Amino Acids for Pharmaceuticals and Foods: Sales in Japan for infusion applications increased, as did sales to beverage manufacturers. Bio-related sales in the Americas were strong on a local currency basis, but were lower year-on-year on a yen basis. Sales in Europe decreased as certain customers adjusted inventories.

Amino Acid-Based Sweeteners: Sales volume increased significantly year-on-year. Lower unit prices and the effect of exchange rates, however, resulted in a year-on-year decrease in sales.

Pharmaceutical Intermediates: Sales increased year-on-year, supported by steady growth in sales of key products in Europe.

Specialty Chemicals: Sales of cosmetic ingredients were lower year-on-year, although aggressive marketing of *Jino*, a line of amino acid-based cosmetics, resulted in year-on-year growth for that brand. Sales of multilayer insulation film for use in manufacturing electronic components grew strongly, and sales of release paper also increased.

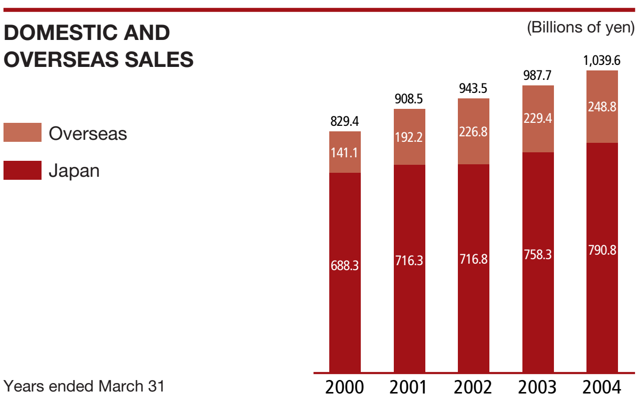
Pharmaceuticals

The pharmaceuticals segment encompasses sales of Ajinomoto's pharmaceutical products, including worldwide revenue from licensing and sales rights. Sales for the year ended March 31, 2004 increased 25.9 percent, or ¥16.3 billion, to ¥79.0 billion. Factors included the full-year contribution of Shimizu Pharmaceutical Co., Ltd., which Ajinomoto acquired in December 2002. Introduction of an improved formulation of *LIVACT Granules*, a branched-chain amino acid formula for the treatment of liver cirrhosis, helped maintain sales at about the same level as the previous fiscal year. Sales of non-insulin-dependent diabetes treatment *FASTIC* increased as a result of a recovery in bulk sales of the active ingredient nateglinide to the overseas licensee, and domestic sales grew strongly. Sales of *Actonel*, a treatment for osteoporosis, grew strongly.

Other

The other segment includes sales from logistics services and other activities. Sales in this segment decreased by 2.6 percent year-on-year, or ¥1.7 billion, to ¥64.9 billion.

DOMESTIC AND OVERSEAS SALES



Note: Excludes interarea sales and transfers

Sales by Geographical Segment

Domestic sales increased 4.3 percent year-on-year, or ¥32.4 billion, to ¥790.8 billion. Overseas sales increased 8.4 percent, or ¥19.4 billion, to ¥248.8 billion. Sales increased 4.6 percent to ¥92.8 billion in Asia, increased 11.5 percent to ¥58.1 billion in America, and increased 10.5 percent to ¥97.9 billion in Europe.

Cost of Sales and SG&A Expenses

Cost of sales increased 3.7 percent year-on-year, or ¥26.3 billion, to ¥743.3 billion, and improved to 71.5 percent of net sales, compared to 72.6 percent of net sales for the previous fiscal year. With the rate of growth in cost of sales below that of net sales, gross profit increased 9.4 percent, or ¥25.6 billion, to ¥296.3 billion. The gross profit margin improved to 28.5 percent from 27.4 percent for the previous fiscal year.

Selling, general and administrative (SG&A) expenses increased 6.7 percent year-on-year, or ¥14.4 billion, to ¥231.1 billion. The increase resulted from higher marketing costs, such as advertising and sales promotion expenses, and an increase in research and development outlays and retirement benefit expenses. The increase in retirement benefit expenses, which are accounted for in SG&A expenses and cost of sales, was largely due to the amortization of actuarial loss in connection with revisions to the discount rate and a decrease in the investment return on pension assets prior to the past fiscal year.

In April 2004, Ajinomoto moved to counter the increase in retirement benefit expenses it has experienced in recent fiscal years by adopting a cash balance pension system, which employs market interest rates, and a retirement benefit point system. Management believes that these changes will make the Company's retirement benefits system both better able to accommodate changes in the economic environment and more stable and secure over the long term. As a result of these revisions, retirement benefit obligations and unrecognized prior service cost will each decrease by ¥19.1 billion. Prior service cost will be amortized over 10 years.

Costs, Expenses and Income as Percentages of Net Sales

Years ended March 31	**2004**		2003		2002
Cost of sales	**71.5%**	**(-1.1)**	72.6%	(+0.5)	72.1%
Gross profit	**28.5**	**(+1.1)**	27.4	(-0.5)	27.9
SG&A expenses	**22.2**	**(+0.3)**	21.9	(-0.8)	22.7
Operating income	**6.3**	**(+0.8)**	5.5	(+0.3)	5.2
Income before income taxes & minority interests	**6.4**	**(-0.2)**	6.6	(+0.4)	6.2
Net income	**3.5**	**(+0.1)**	3.4	(+0.1)	3.3

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

Operating Income

Operating income for the year ended March 31, 2004 increased 20.6 percent year-on-year, or ¥11.1 billion, to ¥65.2 billion. Operating income represented 6.3 percent of net sales, compared to 5.5 percent for the previous fiscal year.

Operating income in the domestic food products segment decreased 1.9 percent, or ¥0.5 billion, to ¥26.3 billion, primarily because of the increase in advertising expenses, sales promotions and other marketing costs necessitated by the competitive environment.

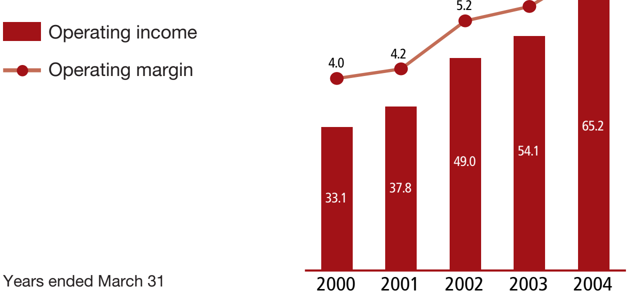
Operating income in the overseas food products segment decreased 19.1 percent, or ¥1.8 billion, to ¥7.5 billion, primarily because of aggressive investment in marketing and new product development.

Operating income in the amino acids segment increased 96.7 percent year-on-year, or ¥13.1 billion, to ¥26.7 billion, primarily because Ajinomoto leveraged economies of scale over a larger sales volume in strong markets for all feed-use amino acids.

Operating income in the pharmaceuticals segment increased 16.4 percent, or ¥1.5 billion, to ¥10.3 billion. Increased unit volume and the full-year contribution of Shimizu Pharmaceutical Co., Ltd. to earnings supported the increase.

Operating income in the other segment decreased 0.6 percent, or ¥0.03 billion, to ¥3.8 billion.

OPERATING INCOME & OPERATING MARGIN



Other Income (Expenses)

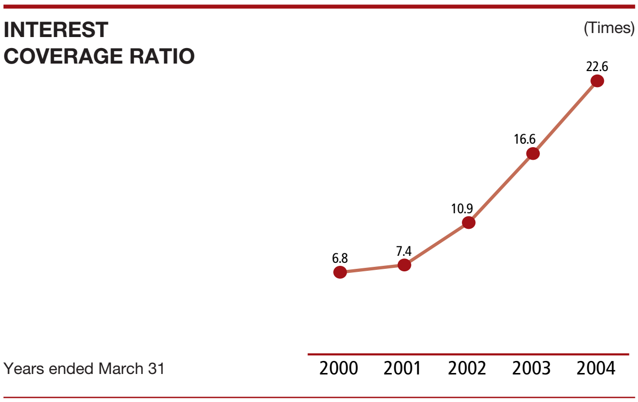
Other income, net totaled ¥1.8 billion, compared to other income, net of ¥11.4 billion for the previous fiscal year. Interest expense decreased 12.3 percent, or ¥0.4 billion, to ¥3.0 billion, reflecting Ajinomoto's emphasis on efficiently deploying capital, reducing interest-bearing debt and reducing fixed interest expenses. Interest and dividend income decreased 10.4 percent, or ¥0.2 billion, to ¥1.7 billion due to the sale of a part of Ajinomoto's equity interest in CPC/AJI and continued low interest rates in Japan. The interest coverage ratio, defined as the sum of operating income and interest and dividend income divided by interest expense, improved to 22.6 times from 16.6 times in the previous fiscal year. A newly adopted accounting standard for impairment of fixed assets resulted in a loss of ¥7.6 billion.

During the fiscal year ended March 31, 2004, Ajinomoto newly added ten companies to the scope of consolidation, including AJINOMOTO FOODS EUROPE S.A.S. following its acquisition. Eight companies were excluded from consolidation through liquidation or merging of consolidated subsidiaries. One company was added to the scope of affiliates accounted for by the equity method, while four were excluded.

On February 18, 2003, Ajinomoto reached an agreement with Unilever PLC/Unilever NV to terminate joint venture operations involving seven companies in six Asian countries and regions, and to sell its stake in those companies to the Unilever Group. In March 2003, Ajinomoto sold to the Unilever Group its 50 percent stakes in CPC/AJI (Asia) Ltd., CPC/AJI (Malaysia) Sdn. Bhd., CPC/AJI (Singapore) Pte. Ltd., and CPC/AJI (Thailand) Ltd., and removed them from the scope of companies accounted for by the equity method. Ajinomoto also sold to the Unilever Group its respective 30 percent and 25 percent stakes in CPC/AJI (Hong Kong) Ltd. and CPC/AJI (Taiwan) Ltd.* The transaction was completed during the year to March 31, 2004, during which time Ajinomoto sold to Unilever Group its 50 percent stake in California Manufacturing Co., Inc. and its remaining respective 20 percent and 25 percent stakes in CPC/AJI (Hong Kong) Ltd. and CPC/AJI (Taiwan) Ltd., which were then removed from the scope of companies accounted for using the equity method. The transaction added ¥19.9 billion to other income in the previous fiscal year and ¥18.4 billion in the year ended March 31, 2004. Ajinomoto is deploying the proceeds from the sale in expanding international operations within the scope of the Ajinomoto Group.

The net decrease in companies accounted for using the equity method as a result of divestiture, principally in connection with the sale of interest in CPC/AJI discussed above, decreased equity in earnings of affiliates by 31.8 percent, or ¥2.1 billion, to ¥4.5 billion. Other income also decreased year-on-year absent the significant gain on sale of securities recorded in the previous fiscal year as Ajinomoto used internal capital resources to fund the acquisition of Shimizu Pharmaceutical Co., Ltd. and execute other strategic initiatives. Other, net totaled expenses of ¥11.2 billion, compared with expenses of ¥14.1 billion in the previous fiscal year, as higher retirement benefit expenses were offset by a significant decrease in penalties and settlement payments in connection with the nucleotides business.

* The names of CPC/AJI (Hong Kong) Ltd. and CPC/AJI (Taiwan) Ltd. have been changed to UNILEVER BESTFOODS HONG KONG LTD. and UNILEVER BESTFOODS TAIWAN LTD., respectively.



Net Income

As a result of the performance discussed above, income before income taxes and minority interests increased 2.4 percent, or ¥1.6 billion, to ¥67.0 billion. Income taxes net of deferrals decreased 5.1 percent, or ¥1.5 billion, to ¥27.7 billion. The effective tax rate was 41.3 percent. Minority interests were essentially unchanged year-on-year at ¥3.1 billion. Net income increased 9.3 percent, or ¥3.1 billion, to ¥36.3 billion. Return on average total shareholders' equity was 8.9 percent, and net income per share of common stock was ¥55.6, compared to ¥50.7 for the previous fiscal year.

Dividends

Ajinomoto determines dividend payments based on a policy of making stable and sustainable payments that take into account progress toward achieving medium-term management plan goals and consolidated performance for the relevant period.

Ajinomoto considers appropriate returns to shareholders a primary management task and intends to increase dividends to reflect improvement in operating performance. The Company structures its operating base to support continued growth, and considers overall profitability and capital requirements in determining an appropriate level of dividends that meet the expectations of shareholders.

Management has adopted a policy of increasing dividends by maintaining a specified payout ratio for each three-year period, set at 20 percent or higher from fiscal 2002 to fiscal 2004, and linking dividends to the achievement of management objectives. As a result, Ajinomoto increased the dividend for the year ended March 31, 2004 by 9.1 percent to ¥12.0 per share.

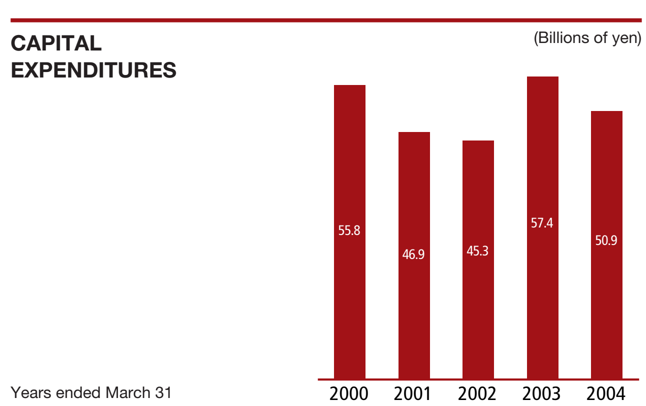
Liquidity and Financial Condition

Cash Flows

Net cash provided by operating activities increased ¥7.5 billion compared with the previous fiscal year to ¥64.8 billion. Core cash flow increased in reflection of the increases in income before income taxes and minority interests, and depreciation and amortization. Operating cash flow, defined as the sum of income before income taxes and minority interests and depreciation and amortization, increased to ¥106.9 billion from ¥104.4 billion for the previous fiscal year. Loss on impairment of fixed assets totaling ¥7.6 billion was a non-cash charge that reduced income before income taxes on an accrual basis, but did not reduce cash flow. This offset the impact of adjustments to working capital resulting from changes in receivables and payables, which used net cash of ¥6.5 billion, due mainly to the use of cash to reduce notes and accounts payable. In the previous fiscal year, changes in receivables and payables provided net cash of ¥0.4 billion.

Net cash used in investing activities decreased to ¥35.6 billion from ¥49.5 billion for the previous fiscal year. Absent the major acquisitions that required the liquidation of investment securities to generate cash in the previous fiscal year, net proceeds from sales of investments in securities totaled ¥4.0 billion, compared to ¥10.1 billion in the previous fiscal year. Net proceeds from sale of shares of subsidiaries and affiliates totaled ¥11.0 billion, reflecting the consummation of the sale of Ajinomoto's interest in CPC/AJI. In the previous fiscal year, net acquisitions of shares of subsidiaries and affiliates totaled ¥12.6 billion, with the year-on-year change compensating for the reduction in cash flow from lower net proceeds from sales of investments in securities.

Acquisition of property, plant and equipment decreased to ¥47.0 billion from ¥54.8 billion for the previous fiscal year. Capital expenditures by the parent company and domestic subsidiaries increased ¥1.8 billion year-on-year to ¥33.8 billion, while capital expenditures by overseas subsidiaries decreased ¥8.3 billion to ¥17.7 billion. Principal investments included investments to raise production and distribution efficiency in the domestic food business, expanded production capacity for feed-grade amino acids, and the nucleotide plant in Thailand. Free cash flow, defined as net cash provided by operating activities minus net cash used in investing activities, increased to ¥29.2 billion from ¥7.7 billion for the previous fiscal year.



Net cash used in financing activities increased ¥7.5 billion to ¥14.1 billion, reflecting net reduction in debt and increased dividends for the fiscal year. Ajinomoto reduced short-term borrowings as part of its financial strategy of reducing interest-bearing debt and lengthening their maturities to take advantage of low interest rates. Net proceeds from long-term debt totaled ¥29.4 billion, primarily as a result of the issue of ¥50.0 billion in bonds in June 2003, compared to net repayments of long-term debt totaling ¥7.0 billion in the previous fiscal year. Reduction in short-term borrowings and commercial paper, however, used net cash of ¥35.2 billion. Cash dividends paid increased to ¥7.8 billion from ¥6.5 billion for the previous fiscal year. The Company maintains excellent access to external short-term funding and committed lines of credit, and may access them as necessary to support business growth.

As a result of the above, cash and cash equivalents at the end of the fiscal year increased ¥13.8 billion from a year earlier to ¥69.5 billion.

Cash Flow Highlights (Millions of yen)

Years ended March 31	**2004**	2003	2002
Net cash provided by operating activities	**¥ 64,753**	¥ 57,236	¥ 58,306
Net cash used in investing activities	**(35,559)**	(49,516)	(36,812)
Net cash used in financing activities	**(14,084)**	(6,628)	(26,376)
Cash and cash equivalents at end of year	**69,526**	55,722	56,550

Assets, Liabilities and Shareholders' Equity

As of March 31, 2004, total assets stood at ¥871.8 billion, an increase of ¥7.2 billion from a year earlier. Return on average total assets was 4.2 percent, compared to 3.9 percent for the previous fiscal year.

Current assets increased ¥13.3 billion from a year earlier to ¥378.2 billion, due primarily to the increase in cash and cash equivalents. Notes and accounts receivable - trade decreased ¥3.6 billion, reflecting in part the impact of exchange rate fluctuations on the receivables of overseas subsidiaries. Inventories decreased ¥1.6 billion.

Investment securities included in investments and long-term advances increased ¥14.5 billion from a year earlier, reflecting a recovery in financial asset prices during the fiscal year. Property, plant and equipment, net decreased ¥2.8 billion. Buildings and structures increased by ¥8.2 billion and machinery and equipment increased by ¥18.0 billion, reflecting capital investment completed during the fiscal year. Land decreased by ¥6.4 billion, primarily due to the implementation of impairment accounting standards during the fiscal year. Compared with the previous method, the impact of these changes was to decrease income before income taxes by ¥7.6 billion, which represented the impairment amount deducted from the book value of land assets. Deferred tax assets decreased ¥17.6 billion from March 31, 2003, due primarily to the treatment under Japanese GAAP of net unrealized gains on investment securities.

Current liabilities decreased ¥79.5 billion from a year earlier to ¥226.2 billion, due primarily to repayments of short- and long-term debt. Short-term borrowings decreased ¥36.2 billion, which accounted for a substantial portion of the decrease. Commercial paper, which is accounted for under accrued expenses and other current liabilities, also decreased from the previous fiscal year-end. Repayment of the portion of corporate bonds current at the end of the previous fiscal year, totaling ¥15.0 billion, accounted for a significant portion of the decrease in current liabilities as well. As discussed above, Ajinomoto

	Millions of yen (Percentage of respective total)				Thousands of U.S. dollars
As of March 31	**2004**		2003		**2004**
Total assets	**¥871,780**	**(100.0%)**	¥864,588	(100.0%)	**$8,224,340**
Notes and accounts receivable	**177,262**	**(20.3)**	179,643	(20.8)	**1,672,283**
Cash and cash equivalents	**69,526**	**(8.0)**	55,722	(6.4)	**655,906**
Inventories	**97,178**	**(11.1)**	98,754	(11.4)	**916,774**
Investments and long-term advances	**133,112**	**(15.3)**	116,236	(13.4)	**1,255,774**
Property, plant and equipment	**293,811**	**(33.7)**	296,579	(34.3)	**2,771,802**
Total liabilities	**421,410**	**(48.3)**	450,314	(52.1)	**3,975,566**
Notes and accounts payable	**108,966**	**(25.9)**	119,833	(26.6)	**1,027,981**
Short-term borrowings	**29,950**	**(7.1)**	66,118	(14.7)	**282,547**
Current portion of long-term debt	**2,162**	**(0.5)**	21,577	(4.8)	**20,396**
Accrued income taxes	**7,701**	**(1.8)**	19,706	(4.4)	**72,651**
Long-term debt	**122,099**	**(29.0)**	71,523	(15.9)	**1,151,877**
Shareholders' equity	**428,077**	**(49.1)**	391,154	(45.2)	**4,038,462**

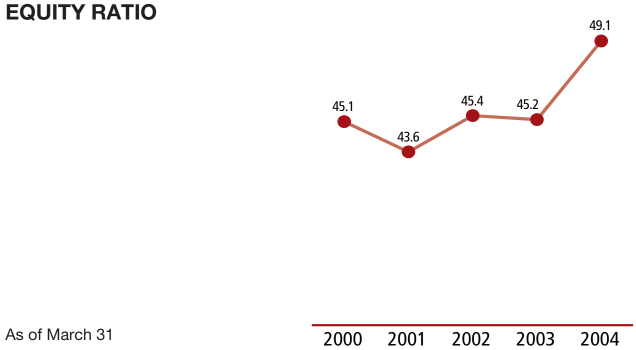
issued long-term straight bonds during the year to March 31, 2004 to reduce current liabilities. Working capital increased to ¥152.0 billion from ¥59.2 billion a year earlier, and the current ratio increased to 1.67 times from 1.19 times from a year earlier.

Long-term debt increased ¥50.6 billion from a year earlier to ¥195.2 billion, primarily reflecting the ¥50.0 billion bond issue in June 2003. Interest-bearing debt decreased ¥7.4 billion from a year earlier to ¥143.7 billion, reflecting Ajinomoto's emphasis on reducing debt levels.

Shareholders' equity increased ¥36.9 billion from a year earlier to ¥428.1 billion. Retained earnings increased ¥28.6 billion. Unrealized holding gains on securities increased ¥11.7 billion, due to factors including the recovery in Japan's stock market. These factors more than compensated for the impact on the net assets of overseas subsidiaries resulting from exchange rate fluctuations. Total capital, the sum of short-term borrowings, long-term debt including the current portion and shareholders' equity, was ¥582.3 billion, compared to ¥550.4 billion a year earlier, of which shareholders' equity accounted for 73.5 percent, compared to 71.1 percent a year earlier. Return on average total shareholders' equity was 8.9 percent compared to 8.6 percent for the previous fiscal year. The ratio of shareholders' equity to total assets was 49.1 percent, compared to 45.2 percent a year earlier.

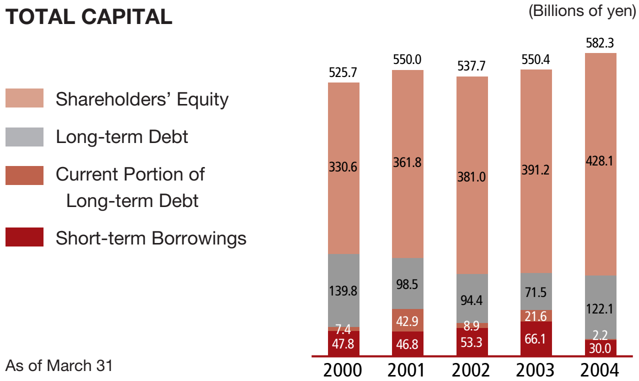
SHAREHOLDERS' EQUITY RATIO

(%)



TOTAL CAPITAL

(Billions of yen)



Outlook for the Year Ending March 31, 2005

Although the Japanese economy is showing signs of an export-led recovery, the exchange rate remains unstable and the employment situation is likely to remain severe. Globally, the U.S. economy is projected to continue recovering, although factors such as a worsening of the situation in the Middle East and rising oil prices could impact growth significantly. Recovery in Europe is likely to take considerably more time. The operating environment for Ajinomoto is expected to remain difficult.

Given such conditions, in the domestic food products segment Ajinomoto aims to improve the profitability of core products by reducing costs, while working to maintain the highest levels of reliability and safety by improving product quality assurance. In the overseas food products segment, we will continue to seek to expand seasoning sales and develop processed foods operations in each country. An example of such development is the November 2003 launch of flavor seasonings and Western-style soups in China. In the amino acids segment, we intend to leverage Ajinomoto's technical abilities to further improve the profitability of the feed-use amino acids business. In the pharmaceuticals segment, we will seek to boost the product strength of our top brands while working to further reduce costs and maximize synergies in production and distribution.

Ajinomoto forecasts that consolidated sales for the fiscal year ending March 31, 2005 will increase 3.9 percent to ¥1,080.0 billion, and that operating income will increase 15.0 percent to ¥75.0 billion. Net income for the period is forecast to increase 24.0 percent year-on-year to ¥45.0 billion yen. These forecasts are based on a projected exchange rate of ¥110.0 to US$1.00.

Ajinomoto plans to increase total dividend payments by ¥1.0 to ¥13.0 per ordinary share, with an interim dividend payment of ¥6.0 per share.

Operational Risk

The Ajinomoto Group is exposed to various operational risks that could affect its performance and financial position, including the market price of Ajinomoto shares, as outlined below.

Exchange Rate Risk

The Ajinomoto Group, including Ajinomoto Co., Inc. and related companies (the "Group"), continues to expand and strengthen its global manufacturing and supply structure. The Group operates in 23 countries and regions including Japan, with manufacturing plants at 106 sites in 15 of these countries and regions. The relative importance of international operations is therefore very high. In the fiscal years to March 31, 2003 and

March 31, 2004 sales to outside parties in countries other than Japan (i.e., Asia, the Americas and Europe) were ¥229.3 billion and ¥248.7 billion, respectively, accounting for 23.2 percent and 23.9 percent of consolidated net sales. Operating income derived from these regions in the same periods was ¥22.7 billion and ¥35.1 billion, accounting for 42.0 percent and 53.9 percent of consolidated operating income. The Group hedges the associated exchange risks with forward exchange contracts and other mechanisms. However, exchange rate fluctuations have the potential to affect the business results of international operations.

Changes in Market Conditions

Feed-use amino acids are a primary product of the amino acids business. Changes in the grain market and in demand trends exert a significant impact on their unit price. The Group seeks to reduce and diversify such risks by handling a variety of feed-use amino acids (Lysine, Threonine and Tryptophan), while also working to stabilize and improve profitability by reducing production costs. However, fluctuations in the grain market have the potential to affect Group financial performance.

Natural Disasters, Social Disruption, Political Changes

The Group is actively developing its international operations. Some of the risks accompanying this development are as follows, and each of the identifiable risks outlined could affect Group performance.

- Unforeseen implementation of or changes to regulations, such as unfavorable taxation
- Unforeseen and unfavorable economic or political situations
- Social disruption brought about by events such as terrorism, war, or epidemics such as SARS
- Natural disasters such as earthquakes
- IT-related problems such as computer viruses or the leaking of information.

Laws and Regulations

Within Japan, the Group endeavors to comply with all laws and regulations, including those pertaining to food, pharmaceuticals, the environment and recycling. The Group also seeks to meet all legal obligations in each country in which it operates, such as those relating to permission to operate or invest, tariffs and duties, import and export rules, and foreign exchange and foreign trade control laws. The Group also makes every possible effort through legal means to secure its intellectual, product and other rights. The possibility exists, however, that unforeseen legal changes may be introduced, and complying with any such changes may restrict the Group's operations and adversely affect financial performance.

Food Safety Issues

In recent years various food safety issues have arisen in the food industry, relating to matters such as BSE, avian influenza, and product safety and quality. The Group has in place strict internal procedures and policies to maintain the highest standards of product quality, including Groupwide product quality audits and a product tracing system that tracks product information at each stage from production through to distribution. The Group makes extensive efforts to maintain the reliability and safety that are the foundation of its business. However, universal issues affecting product quality may arise, or problems may arise outside of those areas controlled by the processes outlined above. Such occurrences could adversely impact the Group's performance.

Litigation

In September 2002, a former employee filed a case against Ajinomoto Co., Inc. in the Tokyo District Court seeking ¥2.0 billion in partial consideration of patent rights granted to the Company relating to an aspartame crystallization method. In February 2004, the Tokyo District Court ruled in favor of the claimant and awarded compensation of approximately ¥189 million. Both Ajinomoto and the former employee are appealing this decision to the High Court.

In ten states and the District of Columbia of the United States, a total of 14 cases claiming compensation for damages relating to breaches of the anti-trust law and the consumer protection act in the sale of nucleotides and MSG are being brought against Ajinomoto and its subsidiary Ajinomoto U.S.A., Inc. by groups operating in the indirect purchase of nucleotides and MSG. All of these cases are in the earliest stages, and specific compensatory claims and other details have yet to emerge.

Consolidated Balance Sheets

Ajinomoto Co., Inc. and Consolidated Subsidiaries
As of March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	**2004**
ASSETS			
Current assets:			
Cash and cash equivalents	**¥ 69,526**	¥ 55,722	**$ 655,906**
Time deposits and short-term investments (Notes 6 and 15)	**2,742**	—	**25,868**
Notes and accounts receivable:			
Trade	**167,450**	171,081	**1,579,717**
Unconsolidated subsidiaries and affiliates	**10,593**	9,302	**99,934**
Allowance for doubtful receivables	**(781)**	(740)	**(7,368)**
Inventories (Note 3)	**97,178**	98,754	**916,774**
Deferred tax assets (Note 7)	**8,511**	11,405	**80,292**
Prepaid expenses and other current assets	**22,984**	19,409	**216,830**
Total current assets	**378,207**	364,936	**3,567,991**
Investments and long-term advances (Notes 6 and 15)**:**			
Investments in and advances to unconsolidated subsidiaries and affiliates	**63,370**	62,216	**597,830**
Investment securities	**61,488**	46,969	**580,075**
Other advances	**8,253**	7,049	**77,858**
Total investments and long-term advances	**133,112**	116,236	**1,255,774**
Property, plant and equipment (Notes 4 and 6)**:**			
Land	**62,727**	69,119	**591,764**
Buildings and structures	**237,635**	229,474	**2,241,840**
Machinery and equipment	**465,841**	447,871	**4,394,726**
	766,204	746,465	**7,228,340**
Accumulated depreciation	**(472,393)**	(449,886)	**(4,456,538)**
Property, plant and equipment, net	**293,811**	296,579	**2,771,802**
Other assets:			
Deferred tax assets (Note 7)	**17,347**	34,940	**163,651**
Other (Note 6)	**49,301**	51,896	**465,104**
Total other assets	**66,649**	86,837	**628,764**
Total assets	**¥ 871,780**	¥ 864,588	**$8,224,340**

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	**2004**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Notes 5 and 6)	**¥ 29,950**	¥ 66,118	**$ 282,547**
Current portion of long-term debt (Notes 5 and 6)	**2,162**	21,577	**20,396**
Notes and accounts payable (Note 6):			
Trade	**66,668**	76,711	**628,943**
Unconsolidated subsidiaries and affiliates	**41,623**	40,240	**392,670**
Construction	**675**	2,882	**6,368**
Accrued income taxes (Note 7)	**7,701**	19,706	**72,651**
Deferred tax liabilities (Note 7)	**18**	25	**170**
Accrued expenses and other current liabilities	**77,417**	78,475	**730,349**
Total current liabilities	**226,217**	305,737	**2,134,123**
Long-term liabilities:			
Long-term debt (Notes 5 and 6)	**122,099**	71,523	**1,151,877**
Accrued employees' retirement benefits (Note 8)	**69,492**	68,560	**655,585**
Accrued officers' severance benefits	**1,584**	1,769	**14,943**
Deferred tax liabilities (Note 7)	**2,016**	2,724	**19,019**
Total long-term liabilities	**195,193**	144,577	**1,841,443**
Minority interests	**22,291**	23,118	**210,292**
Shareholders' equity (Notes 9 and 20)**:**			
Common stock:			
Authorized: 2004 and 2003 — 1,000,000,000 shares			
Issued: 2004 — 649,981,740 shares	**79,863**	—	**753,425**
2003 — 649,981,740 shares	**—**	79,863	**—**
Capital surplus	**111,579**	111,579	**1,052,632**
Retained earnings	**279,539**	250,973	**2,637,160**
Unrealized holding gains on securities	**13,413**	1,727	**126,538**
Translation adjustments	**(54,436)**	(51,349)	**(513,547)**
Treasury stock, at cost:			
1,522,814 shares in 2004 and 1,326,617 shares in 2003	**(1,881)**	(1,639)	**(17,745)**
Total shareholders' equity	**428,077**	391,154	**4,038,462**
Contingent liabilities (Note 12)			
Total liabilities and shareholders' equity	**¥871,780**	¥864,588	**$8,224,340**

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2004	2003	2002	**2004**
Net sales	**¥1,039,551**	¥987,727	¥943,540	**$9,807,085**
Cost of sales (Note 10)	**743,251**	716,999	680,003	**7,011,802**
Gross profit	**296,299**	270,727	263,536	**2,795,274**
Selling, general and administrative expenses (Note 10)	**231,109**	216,668	214,521	**2,180,274**
Operating income	**65,190**	54,059	49,015	**615,000**
Other income (expenses):				
Interest expense	**(2,960)**	(3,377)	(4,675)	**(27,925)**
Interest and dividend income	**1,721**	1,921	2,105	**16,236**
Reversal to income of accrued retirement benefits	**36**	3	323	**340**
Unrealized loss on securities	**(360)**	(237)	(239)	**(3,396)**
Gain on sales of securities	**18,443**	20,687	403	**173,991**
Loss on impairment of fixed assets (Note 1.g)	**(7,645)**	—	—	**(72,123)**
Loss on liquidation of affiliates	**(683)**	—	(11)	**(6,443)**
Equity in earnings of affiliates	**4,467**	6,549	3,713	**42,142**
Other, net	**(11,193)**	(14,138)	7,830	**(105,594)**
	1,826	11,407	9,449	**17,226**
Income before income taxes and minority interests	**67,017**	65,466	58,464	**632,236**
Income taxes (Note 7):				
Current	**14,421**	33,834	26,448	**136,047**
Deferred	**13,232**	(4,685)	(3,089)	**124,830**
	27,654	29,149	23,359	**260,887**
Minority interests	**(3,086)**	(3,138)	(3,662)	**(29,113)**
Net income (Note 13)	**¥ 36,276**	¥ 33,178	¥ 31,442	**$ 342,226**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2004	2003	2002	2004
Common stock				
Beginning of year	¥ 79,863	¥ 79,863	¥ 79,863	$ 753,425
Add:				
Conversion of convertible bonds				
(2002 — 558 shares)	—	—	0	—
End of year	¥ 79,863	¥ 79,863	¥ 79,863	$ 753,425
Capital surplus				
Beginning of year	¥ 111,579	¥111,579	¥111,578	$1,052,632
Add:				
Portion of principal of bonds converted				
but not transferred to common stock	—	—	0	—
End of year	¥ 111,579	¥111,579	¥111,579	$1,052,632
Retained earnings				
Opening balance	¥ 250,973	¥222,565	¥198,282	$2,367,670
Adjustments to retained earnings for inclusion				
in or exclusion from consolidation or equity method				
of accounting and other	312	1,968	(430)	2,943
Beginning of year	251,285	224,533	197,852	2,370,613
Add:				
Net income	36,276	33,178	31,442	342,226
Deduct:				
Cash dividends paid	(7,783)	(6,497)	(6,499)	(73,425)
Bonuses to directors and statutory auditors	(239)	(241)	(228)	(2,255)
End of year	¥ 279,539	¥250,973	¥222,565	$2,637,160
Unrealized holding gains on securities				
Balance at beginning of the year	¥ 1,727	¥ 9,583	¥ 21,313	$ 16,292
Net change during the year	11,686	(7,855)	(11,730)	110,245
Balance at end of the year	¥ 13,413	¥ 1,727	¥ 9,583	$ 126,538
Translation adjustments				
Balance at beginning of the year	¥ (51,349)	¥ (42,441)	¥ (49,262)	$ (484,425)
Net change during the year	(3,087)	(8,907)	6,821	(29,123)
Balance at end of the year	¥ (54,436)	¥ (51,349)	¥ (42,441)	$ (513,547)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2004	2003	2002	**2004**
Cash flows from operating activities				
Income before income taxes and minority interests	**¥ 67,017**	¥ 65,466	¥ 58,464	**$ 632,236**
Depreciation and amortization	**39,925**	38,969	37,222	**376,651**
Loss on impairment of fixed assets	**7,645**	—	—	**72,123**
Amortization of excess of cost over net assets acquired	**3,619**	3,257	2,790	**34,142**
Accrued employees' retirement benefits	**944**	(1,608)	(68)	**8,906**
Accrued officers' severance benefits	**(184)**	154	(305)	**(1,736)**
Interest and dividend income	**(1,721)**	(1,921)	(2,105)	**(16,236)**
Interest expense	**2,960**	3,377	4,675	**27,925**
Equity in earnings of affiliates	**(4,467)**	(6,549)	(3,713)	**(42,142)**
Gain on sales of securities	**(55)**	(613)	(242)	**(519)**
Loss on revaluation of securities	**324**	237	232	**3,057**
Gain on sales of investments in affiliates	**(18,388)**	(19,983)	—	**(173,472)**
Notes and accounts receivable	**655**	(1,585)	(6,655)	**6,179**
Notes and accounts payable	**(7,180)**	1,983	(1,951)	**(67,736)**
Gain on compensation received for damages	**—**	—	(3,176)	**—**
Settlement package	**1,363**	6,894	—	**12,858**
Penalty paid	**—**	1,977	728	**—**
Other	**1,507**	(702)	(4,462)	**14,217**
Subtotal	**93,966**	89,355	81,433	**886,472**
Interest and dividends received	**3,913**	6,536	5,986	**36,915**
Interest paid	**(2,937)**	(3,367)	(4,981)	**(27,708)**
Compensation received for damages	**—**	—	3,176	**—**
Settlement package	**(1,363)**	(6,816)	—	**(12,858)**
Penalty paid	**—**	(1,977)	(728)	**—**
Income taxes paid	**(28,825)**	(26,494)	(26,579)	**(271,934)**
Net cash provided by operating activities	**64,753**	57,236	58,306	**610,877**
Cash flows from investing activities				
(Increase) decrease in marketable securities	**(156)**	—	1,017	**(1,472)**
Acquisition of property, plant and equipment	**(47,007)**	(54,753)	(45,821)	**(443,462)**
Proceeds from sales of property, plant and equipment	**4,278**	9,473	8,135	**40,358**
Acquisition of intangible assets, net of proceeds	**(6,194)**	(3,812)	(3,564)	**(58,434)**
Increase in investments in securities	**(229)**	(14,986)	(607)	**(2,160)**
Proceeds from sales of investments in securities	**4,194**	25,054	2,157	**39,566**
Acquisition of subsidiaries' stock resulting in change in scope of consolidation	**(7,384)**	(32,671)	—	**(69,660)**
Proceeds from sales of subsidiaries' stock resulting from change in the scope of consolidation	**—**	650	—	**—**
Acquisition of shares of affiliates	**(2,483)**	(3,136)	(418)	**(23,425)**
Proceeds from sales of shares of affiliates	**20,844**	22,536	—	**196,642**
Other	**(1,420)**	2,128	2,290	**(13,396)**
Net cash used in investing activities	**(35,559)**	(49,516)	(36,812)	**(335,462)**
Cash flows from financing activities				
(Decrease) increase in short-term borrowings	**(34,175)**	15,719	21,667	**(322,406)**
Decrease in commercial paper	**(1,000)**	(7,000)	—	**(9,434)**
Proceeds from long-term debt	**2,461**	3,503	3,336	**23,217**
Repayments of long-term debt	**(7,744)**	(10,493)	(16,572)	**(73,057)**
Proceeds from bond issuance	**49,726**	—	—	**469,113**
Repayment of bonds and convertible bonds	**(15,000)**	—	(28,303)	**(141,509)**
Cash dividends paid	**(7,783)**	(6,500)	(6,499)	**(73,425)**
Acquisition of shares of treasury common stock	**(242)**	(1,506)	—	**(2,283)**
Other	**(327)**	(351)	(4)	**(3,085)**
Net cash used in financing activities	**(14,084)**	(6,628)	(26,376)	**(132,868)**
Effect of exchange rate changes on cash and cash equivalents	**(1,976)**	(1,750)	1,888	**(18,642)**
Increase (decrease) in cash and cash equivalents	**13,133**	(659)	(2,992)	**123,896**
Cash and cash equivalents at beginning of year	**55,722**	56,550	59,389	**525,679**
Increase due to inclusion of subsidiaries in consolidation	**670**	718	154	**6,321**
Decrease due to inclusion of subsidiaries in consolidation	**—**	(887)	—	**—**
Cash and cash equivalents at end of year	**¥ 69,526**	¥ 55,722	¥ 56,550	**$ 655,906**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries March 31, 2004

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 generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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

The accompanying consolidated financial statements 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 are included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions are eliminated in consolidation.

The minor differences arising from the cost of the 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 5,10,15, 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.

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

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. 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 any 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.

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.

Effective the year ended March 31, 2004, the Company has early adopted a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs and (2) the present value of future cash flows arising ongoing utilization of the assets and from disposal after asset use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets will be grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows of other groups of assets.

As a result of the adoption of this new accounting standard, a loss on impairment of land in the amount of ¥7,645 million ($72,123 thousand) was recognized and income before income taxes and minority interests decreased by the same amount for the year ended March 31, 2004 as compared with the corresponding amount under the previous method.

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

Accrued employees' retirement benefits are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the employees. The net retirement benefit obligation at transition was charged to income 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.

Prior service cost is being amortized as incurred by the straight-line method over the period of principally 10 years which are shorter than the average remaining years of service of the employees.

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.

m. Derivatives

The Company and certain consolidated subsidiaries have entered into derivatives transactions in order to manage certain risks arising from adverse fluctuation in foreign currency exchange rates, interest rates, and commodity and stock prices. Derivatives are carried at fair value with any changes in unrealized gain or loss charged or credited to income.

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 ¥106 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2004.

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, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Finished goods	**¥54,903**	¥53,376	**$517,953**
Work in process	**18,609**	22,120	**175,557**
Raw materials and supplies	**23,665**	23,257	**223,255**
	¥97,178	¥98,754	**$916,774**

4. DEPRECIATION

Depreciation expense for the years ended March 31, 2004, 2003 and 2002 amounted to ¥35,115 million ($331,274 thousand), ¥34,894 million and ¥33,496 million, respectively.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings are, with minor exceptions, unsecured and generally represent overdrafts. The annual interest rates applicable to the borrowings at March 31, 2004 and 2003 ranged from 0.02% to 20.50% and from 0.07% to 20.50%, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Bonds without collateral:			
2.675% bonds due 2007	**¥ 15,000**	¥ 15,000	**$ 141,509**
2.425% bonds due 2005	**10,000**	10,000	**94,340**
2.075% bonds due 2003	**—**	15,000	**—**
2.050% bonds due 2008	**20,000**	20,000	**188,679**
0.710% bonds due 2015	**15,000**	—	**141,509**
0.620% bonds due 2013	**20,000**	—	**188,679**
0.360% bonds due 2010	**15,000**	—	**141,509**
Loans from banks, insurance companies and government-sponsored agencies:			
With collateral	**1,597**	4,524	**15,066**
Without collateral	**7,160**	9,447	**67,547**
Customers' deposits	**13,810**	14,139	**130,283**
Other	**6,692**	4,990	**63,132**
	124,259	93,100	**1,172,255**
Current portion	**(2,162)**	(21,577)	**(20,396)**
	¥122,099	¥ 71,523	**$1,151,877**

The annual maturities of long-term debt subsequent to March 31, 2004 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	**¥ 2,162**	**$ 20,396**
2006	**11,609**	**109,519**
2007	**1,012**	**9,547**
2008	**16,288**	**153,660**
2009 and thereafter	**93,188**	**879,132**
	¥124,259	**$1,172,255**

6. PLEDGED ASSETS

The assets pledged as collateral for short-term borrowings, notes and accounts payable and long-term debt at March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	**¥ 654**	**$ 6,170**
Property, plant and equipment, at net book value	**8,953**	**84,462**
Investment securities	**9**	**85**
	¥9,618	**$90,736**

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 a statutory tax rate of approximately 42% in 2004, 2003 and 2002. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2004, 2003 and 2002 differ from the statutory tax rate for the following reasons:

	2004	2003	2002
Statutory tax rate	**42.0%**	42.0%	42.0%
Effect of:			
Expenses not deductible for income tax purposes	**8.4**	2.6	6.2
Dividend income deductible for income tax purposes	**4.1**	1.7	(6.2)
Other, net	**(4.1)**	(1.8)	(2.0)
Effective tax rate	**41.3%**	44.5%	40.0%

New legislation was enacted in March 2003 which will change the aggregate statutory tax rate from 42.0% to 40.6% effective for fiscal years beginning after March 31, 2004. The effect of this tax rate change was to decrease deferred tax assets (net of deferred tax liabilities) by ¥350 million ($2,917 thousand) at March 31, 2003 and to increase income taxes – deferred by ¥390 million ($3,250 thousand) for the year ended March 31, 2003.

The significant components of deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Inventories	**¥ 307**	¥ 254	**$ 2,896**
Securities	**769**	3,701	**7,255**
Property, plant and equipment	**1,585**	873	**14,953**
Accrued retirement benefits	**27,949**	27,130	**263,670**
Accrued expenses	**1,986**	2,264	**18,736**
Accrued bonuses	**3,823**	3,573	**36,066**
Unrealized profit	**3,448**	4,221	**32,528**
Accrued enterprise tax	**291**	1,848	**2,745**
Loss on impairment of fixed assets	**3,103**	—	**29,274**
Other	**(90)**	11,423	**(849)**
Total deferred tax assets	**43,174**	55,290	**407,302**
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	**7,189**	6,805	**67,821**
Unrealized gain on land	**2,812**	2,889	**26,528**
Other	**9,348**	1,998	**88,189**
Total deferred tax liabilities	**19,350**	11,693	**182,547**
Net deferred tax assets	**¥ 23,824**	¥43,596	**$224,755**

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 sheets at March 31, 2004 and 2003 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Retirement benefit obligation	**¥(257,450)**	¥(274,916)	**$(2,428,774)**
Plan assets at fair value	**165,650**	148,832	**1,562,736**
Unfunded retirement benefit obligation	**(91,799)**	(126,083)	**(866,028)**
Unrecognized actuarial gain or loss	**43,485**	58,838	**410,236**
Unrecognized prior service cost	**(21,178)**	(1,259)	**(199,792)**
Prepaid pension cost	**—**	55	**—**
Accrued retirement benefits	**¥ (69,492)**	¥ (68,560)	**$ (655,585)**

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

In connection with amendments to the Company's defined benefit plans effective April 2004, prior service cost (a reduction of the liability) of ¥19.1 billion ($180 million) was incurred for the year ended March 31, 2004.

The components of retirement benefit expenses for the years ended March 31, 2004 and 2003 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Service cost	**¥ 7,149**	¥ 7,698	**$ 67,443**
Interest cost	**6,778**	6,649	**63,943**
Expected return on plan assets	**(5,065)**	(5,345)	**(47,783)**
Amortization of prior service cost	**(610)**	(264)	**(5,755)**
Amortization of actuarial gain or loss	**6,674**	4,780	**62,962**
Other	**2,336**	674	**22,038**
Total	**¥17,262**	¥14,194	**$162,849**

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

As of March 31,	**2004**	2003
Discount rates	**Mainly 2.5%**	Mainly 2.5%
Expected return on assets	**Mainly 3.5%**	Mainly 3.5%

9. SHAREHOLDERS' EQUITY

Retained earnings include a legal reserve provided in accordance with 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. The Code also provides that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

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, 2004, 2003 and 2002 were ¥28,172 million ($265,774 thousand), ¥26,526 million and ¥27,000 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 at March 31, 2004 and 2003, 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, 2004	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	**¥1,510**	**¥ 65**	**¥1,445**	**$14,245**	**$ 613**	**$13,632**
Machinery and equipment	**6,923**	**4,447**	**2,476**	**65,311**	**41,953**	**23,358**
Total	**¥8,435**	**¥4,512**	**¥3,922**	**$79,575**	**$42,566**	**$37,000**

	Millions of yen		
March 31, 2003	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥1,509	¥ 46	¥1,463
Machinery and equipment	7,842	4,562	3,279
Total	¥9,352	¥4,609	¥4,743

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,327 million ($12,519 thousand), ¥1,550 million and ¥1,507 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, 2004, 2003 and 2002, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2004 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥1,071	$10,104
2006 and thereafter	2,863	27,009
Total	¥3,934	$37,113

Future minimum lease payments subsequent to March 31, 2004 for operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 652	$ 6,151
2006 and thereafter	4,037	38,085
Total	¥4,690	$44,245

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, 2004 and 2003:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2004	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	**¥2,001**	**¥1,179**	**¥822**	**$18,877**	**$11,123**	**$7,755**

	Millions of yen		
March 31, 2003	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥1,741	¥782	¥959

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥410 million ($3,868 thousand), ¥349 million and ¥623 million for the years ended March 31, 2004, 2003 and 2002, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥369 million ($3,481 thousand), ¥315 million and ¥256 million for the years ended March 31, 2004, 2003 and 2002, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2004 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
2005	**¥360**	**$3,396**
2006 and thereafter	**559**	**5,274**
Total	**¥920**	**$8,679**

12. CONTINGENT LIABILITIES

At March 31, 2004, 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	¥ 82	$ 774
As guarantor of indebtedness of unconsolidated subsidiaries, affiliates and employees	1,445	13,632
	¥1,527	$14,406

13. AMOUNTS PER SHARE

	Yen			U.S. dollars
	2004	2003	2002	2004
Net income	¥ 55.6	¥ 50.7	¥ 48.4	$0.525
Cash dividends	12.0	11.0	10.0	0.113
Net assets	659.8	602.7	586.3	6.225

Until the year ended March 31, 2002, net income per share was computed based on the net income reported in the consolidated statements of income and the weighted average number of shares of common stock outstanding during each year, and amounts per share of net assets were computed based on the net assets reported in the consolidated balance sheets and the number of shares of common stock outstanding at each balance sheet date.

In accordance with a new accounting standard for earnings per share which became effective April 1, 2002, net income per share for the years ended March 31, 2004 and 2003 were computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and amounts per share of net assets at March 31, 2004 and 2003 were computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

14. RELATED PARTY TRANSACTIONS

The Company purchased goods for resale in the amount of ¥425,606 million ($4,015,151 thousand) ¥368,687 million and ¥400,106 million from its affiliates which were accounted for by the equity method for the years ended March 31, 2004, 2003 and 2002, 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 at March 31, 2004 and 2003 is as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2004	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥32,715	¥54,909	¥22,193	$308,632	$518,009	$209,368
Other	300	311	11	2,830	2,934	104
Subtotal	33,015	55,220	22,205	311,462	520,943	209,481
Securities whose acquisition cost exceeds their carrying value:						
Stock	1,438	1,112	(326)	13,566	10,491	(3,075)
Other	55	42	(12)	519	396	(113)
Subtotal	1,493	1,154	(339)	14,085	10,887	(3,198)
Total	¥34,509	¥56,375	¥21,865	$325,557	$531,840	$206,274

March 31, 2003	Millions of yen Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥11,687	¥21,933	¥10,245
Subtotal	11,687	21,933	10,245
Securities whose acquisition cost exceeds their carrying value:			
Stock	22,482	15,414	(7,068)
Other	355	336	(18)
Subtotal	22,837	15,751	(7,086)
Total	¥34,525	¥37,684	¥ 3,158

b) Sales of securities classified as other securities amounted to ¥4,194 million ($39,566 thousand) with an aggregate gain of ¥70 million ($660 thousand) and an aggregate loss of ¥14 million ($132 thousand) for the year ended March 31, 2004. For the year ended March 31, 2003, sales of securities classified as other securities amounted to ¥25,054 million with an aggregate gain of ¥4,817 million and an aggregate loss of ¥4,204 million.

c) The redemption schedule for securities with maturity dates classified as other securities at March 31, 2004 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	**¥ 0**	**¥ 0**	**¥ —**	**$ 0**	**$ 0**	**$ —**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**311**	**—**	**—**	**2,934**	**—**	**—**
Total	**¥312**	**¥ 0**	**¥ —**	**$2,943**	**$ 0**	**$ —**

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 and stock prices.

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

Summarized below are the notional amounts and the estimated fair value of the derivative positions outstanding at March 31, 2004 and 2003:

a) Currency-related transactions

	Millions of yen			Thousands of U.S. dollars		
March 31, 2004	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell:						
US$	**¥9,409**	**¥9,158**	**¥250**	**$88,764**	**$86,396**	**$2,358**
EUR	**5,455**	**5,211**	**244**	**51,462**	**49,160**	**2,302**
Others	**64**	**65**	**(1)**	**604**	**613**	**(9)**
Buy:						
US$	**926**	**904**	**(21)**	**8,736**	**8,528**	**(198)**
EUR	**7**	**8**	**0**	**66**	**75**	**0**
Others	**160**	**159**	**(1)**	**1,509**	**1,500**	**(9)**
Total			**¥470**			**$4,434**

March 31, 2003	Millions of yen Notional amount	 Fair value	 Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
US$	¥7,432	¥7,417	¥ 14
EUR	4,228	4,327	(98)
Others	17	17	(0)
Buy:			
US$	1,438	1,462	23
EUR	—	—	—
Others	49	47	(2)
Total			¥(62)

b) Interest-related transactions

	Millions of yen			Thousands of U.S. dollars		
March 31, 2004	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:						
Receive/floating and pay/fixed	**¥ 70**	**¥ (0)**	**¥ (0)**	**$ 660**	**$ (0)**	**$ (0)**
Receive/fixed and pay/floating	**336**	**0**	**0**	**3,170**	**0**	**0**
Currency swaps:						
Receive/THB and pay/JPY	**—**	**—**	**—**	**—**	**—**	**—**
Receive/JPY and pay/US$	**65**	**(1)**	**(1)**	**613**	**(9)**	**(9)**
Total			**¥ (1)**			**$ (9)**

March 31, 2003	Millions of yen Notional amount	 Fair value	 Unrealized gain (loss)
Interest rate swaps:			
Receive/floating and pay/fixed	¥760	¥(8)	¥ (8)
Currency swaps:			
Receive/THB and pay/JPY	1,057	14	14
Total			¥ 6

c) Stock-related transactions

March 31, 2003	Millions of yen Notional amount	 Fair value	 Unrealized gain (loss)
Forward contracts:			
Sell	¥23,220	¥ —	¥ —
Total			¥ —

17. SUPPLEMENTARY CASH FLOW INFORMATION

The following is a summary of the assets and liabilities of subsidiaries which were included in consolidation upon acquisition of their stock for the years ended March 31, 2004 and 2003 as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Current assets	**¥ 4,429**	¥20,896	**$ 41,783**
Non-current assets	**7,665**	17,304	**72,311**
Total assets	**¥12,095**	¥38,200	**$114,104**
Current liabilities	**¥ 4,111**	¥21,417	**$ 38,783**
Non-current liabilities	**802**	1,953	**7,566**
Total liabilities	**¥ 4,913**	¥23,370	**$ 46,349**

18. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of products in Japan and overseas in the following five business segments.

- Domestic food products segment which includes *AJI-NO-MOTO*, *Hon-Dashi*, *Cook Do*, soups, mayonnaise, *Pal Sweet* (domestic market), *Amino Vital*, *Mieki* (soy bean hydrolyzate), frozen foods, coffee, domestic beverages, dairy products, domestic wholesale, etc.;
- Overseas food products segment which includes *AJI-NO-MOTO*, nucleotides, overseas instant noodles, overseas beverages, overseas services, etc.;
- Amino acids segment which includes various kinds of amino acids, aspartame, specialty chemicals, etc.;
- Pharmaceuticals segment which includes pharmaceuticals, medical foods; and
- Other segment which includes distribution, various services, etc.

Business Segments

	Millions of yen							
Year ended March 31, 2004	Domestic Food Products	Overseas Food Products	Amino Acids	Pharmaceuticals	Other	Total	Corporate and Eliminations	Consolidated
I. Sales and operating income:								
Sales to third parties	¥598,441	¥142,307	¥154,922	¥78,958	¥ 64,921	¥1,039,551	¥ —	¥1,039,551
Intragroup sales	2,379	11,716	19,800	60	61,508	95,466	(95,466)	—
Total sales	600,820	154,024	174,723	79,018	126,430	1,135,017	(95,466)	1,039,551
Operating expenses	574,523	146,538	148,057	68,679	122,605	1,060,404	(86,043)	974,361
Operating income	¥ 26,297	¥ 7,485	¥ 26,666	¥10,339	¥ 3,824	¥ 74,613	¥ (9,422)	¥ 65,190
II. Assets, depreciation and capital expenditures:								
Total assets	¥253,989	¥133,493	¥161,396	¥96,380	¥ 65,798	¥ 711,058	¥160,721	¥ 871,780
Depreciation	7,836	6,914	12,303	5,268	2,527	34,850	5,075	39,925
Impairment losses on fixed assets	—	—	—	—	—	—	7,645	7,645
Capital expenditures	8,920	9,858	11,839	8,428	1,510	40,557	10,359	50,916

	Thousands of U.S. dollars							
Year ended March 31, 2004	Domestic Food Products	Overseas Food Products	Amino Acids	Pharmaceuticals	Other	Total	Corporate and Eliminations	Consolidated
I. Sales and operating income:								
Sales to third parties	$5,645,670	$1,342,519	$1,461,528	$744,887	$ 612,462	$ 9,807,085	$ —	$9,807,085
Intragroup sales	22,443	110,528	186,792	566	580,264	900,623	(900,623)	—
Total sales	5,668,113	1,453,057	1,648,330	745,453	1,192,736	10,707,708	(900,623)	9,807,085
Operating expenses	5,420,028	1,382,434	1,396,764	647,915	1,156,651	10,003,811	(811,726)	9,192,085
Operating income	$ 248,085	$ 70,613	$ 251,566	$ 97,538	$ 36,075	$ 703,896	$ (88,887)	$ 615,000
II. Assets, depreciation and capital expenditures:								
Total assets	$2,396,123	$1,259,368	$1,522,604	$909,245	$ 620,736	$ 6,708,094	$1,516,236	$8,224,340
Depreciation	73,925	65,226	116,066	49,698	23,840	328,774	47,877	376,651
Impairment losses on fixed assets	—	—	—	—	—	—	72,123	72,123
Capital expenditures	84,151	93,000	111,689	79,509	14,245	382,613	97,726	480,340

Year ended March 31, 2003	Domestic Food Products	Overseas Food Products	Amino Acids	Pharmaceuticals	Other	Total	Corporate and Eliminations	Consolidated
	Millions of yen							
I. Sales and operating income:								
Sales to third parties	¥583,243	¥139,236	¥135,933	¥62,693	¥ 66,621	¥ 987,727	¥ —	¥987,727
Intragroup sales	2,735	12,749	22,267	7	60,336	98,096	(98,096)	—
Total sales	585,979	151,985	158,200	62,700	126,957	1,085,823	(98,096)	987,727
Operating expenses	559,173	142,735	144,641	53,817	123,108	1,023,476	(89,808)	933,667
Operating income	¥ 26,805	¥ 9,250	¥ 13,558	¥ 8,883	¥ 3,849	¥ 62,346	¥ (8,287)	¥ 54,059
II. Assets, depreciation and capital expenditures:								
Total assets	¥261,720	¥119,903	¥152,142	¥95,725	¥ 67,910	¥ 697,402	¥167,186	¥864,588
Depreciation	7,358	7,172	12,497	3,625	2,514	33,167	5,801	38,969
Capital expenditures	6,993	11,778	18,404	7,733	2,322	47,232	10,170	57,403

Year ended March 31, 2003	Domestic Food Products	Overseas Food Products	Amino Acids	Pharmaceuticals	Other	Total	Corporate and Eliminations	Consolidated
	Thousands of U.S. dollars							
I. Sales and operating income:								
Sales to third parties	$4,860,358	$1,160,300	$1,132,775	$522,442	$ 555,175	$8,231,058	$ —	$8,231,058
Intragroup sales	22,792	106,242	185,558	58	502,800	817,467	(817,467)	—
Total sales	4,883,158	1,266,542	1,318,333	522,500	1,057,975	9,048,525	(817,467)	8,231,058
Operating expenses	4,659,775	1,189,458	1,205,342	448,475	1,025,900	8,528,967	(748,400)	7,780,558
Operating income	$ 223,375	$ 77,083	$ 112,983	$ 74,025	$ 32,075	$ 519,550	$ (69,058)	$ 450,492
II. Assets, depreciation and capital expenditures:								
Total assets	$2,181,000	$ 999,192	$1,267,850	$797,708	$ 565,917	$5,811,683	$1,393,217	$7,204,900
Depreciation	61,317	59,767	104,142	30,208	20,950	276,392	48,342	324,742
Capital expenditures	58,275	98,150	153,367	64,442	19,350	393,600	84,750	478,358

Year ended March 31, 2002	Domestic Food Products	Overseas Food Products	Amino Acids	Pharmaceuticals	Other	Total	Corporate and Eliminations	Consolidated
	Millions of yen							
I. Sales and operating income:								
Sales to third parties	¥563,096	¥138,607	¥129,991	¥53,509	¥ 58,334	¥ 943,540	¥ —	¥943,540
Intragroup sales	2,494	11,654	20,632	1	65,057	99,841	(99,841)	—
Total sales	565,591	150,262	150,624	53,510	123,391	1,043,381	(99,841)	943,540
Operating expenses	540,485	143,262	136,438	46,970	119,042	986,199	(91,674)	894,525
Operating income	¥ 25,106	¥ 6,999	¥ 14,186	¥ 6,540	¥ 4,349	¥ 57,181	¥ (8,166)	¥ 49,015
II. Assets, depreciation and capital expenditures:								
Total assets	¥258,354	¥134,421	¥156,405	¥52,791	¥ 82,355	¥ 684,328	¥155,823	¥840,152
Depreciation	11,611	6,207	11,535	2,938	1,801	34,093	3,128	37,222
Capital expenditures	10,064	8,790	15,115	2,439	1,567	37,976	7,301	45,277

Year ended March 31, 2002	Domestic Food Products	Overseas Food Products	Amino Acids	Pharmaceuticals	Other	Total	Corporate and Eliminations	Consolidated
	Thousands of U.S. dollars							
I. Sales and operating income:								
Sales to third parties	$4,233,805	$1,042,158	$ 977,376	$402,323	$438,602	$7,094,286	$ —	$7,094,286
Intragroup sales	18,752	87,624	155,128	8	489,150	750,684	(750,684)	—
Total sales	4,252,564	1,129,789	1,132,511	402,331	927,752	7,844,970	(750,684)	7,094,286
Operating expenses	4,063,797	1,077,158	1,025,850	353,158	895,053	7,415,030	(689,278)	6,725,752
Operating income	$ 188,767	$ 52,624	$ 106,662	$ 49,173	$ 32,699	$ 429,932	$ (61,398)	$ 368,534
II. Assets, depreciation and capital expenditures:								
Total assets	$1,942,511	$1,010,684	$1,175,977	$396,925	$619,211	$5,145,323	$1,171,602	$6,316,932
Depreciation	87,301	46,669	86,729	22,090	13,541	256,338	23,519	279,865
Capital expenditures	75,669	66,090	113,647	18,338	11,782	285,534	54,895	340,429

Geographical Segments

Year ended March 31, 2004 (Millions of yen)	Japan	Asia	America	Europe	Total	Corporate and Eliminations	Consolidated
Sales to third parties	**¥790,781**	**¥ 92,760**	**¥58,134**	**¥97,875**	**¥1,039,551**	**¥ —**	**¥1,039,551**
Interarea sales and transfers	**37,180**	**11,571**	**10,047**	**4,396**	**63,196**	**(63,196)**	**—**
Total sales	**827,961**	**104,331**	**68,182**	**102,271**	**1,102,747**	**(63,196)**	**1,039,551**
Operating expenses	**797,883**	**91,960**	**55,951**	**91,761**	**1,037,557**	**(63,196)**	**974,361**
Operating income	**¥ 30,078**	**¥ 12,370**	**¥12,230**	**¥10,510**	**¥ 65,190**	**¥ —**	**¥ 65,190**
Total assets	**¥416,376**	**¥104,931**	**¥54,043**	**¥84,834**	**¥ 660,185**	**¥211,594**	**¥ 871,780**

Year ended March 31, 2004 (Thousands of U.S. dollars)	Japan	Asia	America	Europe	Total	Corporate and Eliminations	Consolidated
Sales to third parties	**$7,460,198**	**$875,094**	**$548,434**	**$923,349**	**$9,807,085**	**$ —**	**$9,807,085**
Interarea sales and transfers	**350,755**	**109,160**	**94,783**	**41,472**	**596,189**	**(596,189)**	**—**
Total sales	**7,810,953**	**984,255**	**643,226**	**964,821**	**10,403,274**	**(596,189)**	**9,807,085**
Operating expenses	**7,527,198**	**867,547**	**527,840**	**865,670**	**9,788,274**	**(596,189)**	**9,192,085**
Operating income	**$ 283,755**	**$116,698**	**$115,377**	**$ 99,151**	**$ 615,000**	**$ —**	**$ 615,000**
Total assets	**$3,928,075**	**$989,915**	**$509,840**	**$800,321**	**$6,228,160**	**$1,996,170**	**$8,224,340**

Year ended March 31, 2003 (Millions of yen)	Japan	Asia	America	Europe	Total	Corporate and Eliminations	Consolidated
Sales to third parties	¥758,337	¥88,661	¥52,150	¥88,577	¥ 987,727	¥ —	¥987,727
Interarea sales and transfers	34,502	9,605	10,320	3,051	57,480	(57,480)	—
Total sales	792,839	98,267	62,471	91,629	1,045,207	(57,480)	987,727
Operating expenses	761,509	88,879	55,098	85,660	991,148	(57,480)	933,667
Operating income	¥ 31,330	¥ 9,387	¥ 7,372	¥ 5,969	¥ 54,059	¥ —	¥ 54,059
Total assets	¥431,182	¥97,513	¥51,413	¥67,950	¥ 648,060	¥216,528	¥864,588

Year ended March 31, 2002 (Millions of yen)	Japan	Asia	America	Europe	Total	Corporate and Eliminations	Consolidated
Sales to third parties	¥716,774	¥87,836	¥56,598	¥82,329	¥ 943,540	¥ —	¥943,540
Interarea sales and transfers	33,567	11,498	9,785	4,217	59,068	(59,068)	—
Total sales	750,342	99,335	66,384	86,546	1,002,608	(59,068)	943,540
Operating expenses	723,735	88,125	63,306	78,426	953,593	(59,068)	894,525
Operating income	¥ 26,606	¥11,209	¥ 3,077	¥ 8,120	¥ 49,015	¥ —	¥ 49,015
Total assets	¥508,701	¥72,034	¥58,645	¥61,753	¥ 701,135	¥139,017	¥840,152

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, 2004, 2003 and 2002, are summarized as follows:

Overseas Sales

Year ended March 31, 2004	Millions of yen Asia	America	Europe	Total
Overseas sales	**¥104,152**	**¥66,631**	**¥95,435**	**¥ 266,220**
Consolidated net sales				**1,039,551**

Year ended March 31, 2004	Thousands of U.S. dollars Asia	America	Europe	Total
Overseas sales	**$982,566**	**$628,594**	**$900,330**	**$2,511,509**
Consolidated net sales				**9,807,085**
Overseas sales as a percentage of consolidated net sales	**10.0%**	**6.4%**	**9.1%**	**25.6%**

Year ended March 31, 2003	Millions of yen Asia	America	Europe	Total
Overseas sales	¥99,395	¥57,835	¥87,762	¥244,993
Consolidated net sales				987,727
Overseas sales as a percentage of consolidated net sales	10.0%	5.9%	8.9%	24.8%

Year ended March 31, 2002	Millions of yen Asia	America	Europe	Total
Overseas sales	¥97,863	¥63,161	¥82,744	¥243,769
Consolidated net sales				943,540
Overseas sales as a percentage of consolidated net sales	10.4%	6.7%	8.8%	25.8%

19. ADDITIONAL FINANCIAL INFORMATION

1) In accordance with an agreement between the Company and Unilever NV ("Unilever") dated February 18, 2003 with respect to sales of the Company's shares in their seven joint ventures in six Asian countries/regions to Unilever group companies, the Company sold part of its shares in the joint ventures for ¥22,278 million which resulted in recognition of a gain of ¥19,865 million for the year ended March 31, 2003. The remaining shares were sold for ¥20,844 million ($196,642 thousand) at a gain of ¥18,388 million ($173,472 thousand) for the year ended March 31, 2004.
2) In accordance with an agreement between the Company and Amylum France SAS dated November 21, 2002, the Company acquired all shares of Orsan SA ("Orsan") for Euro 60 million (approximately ¥8 billion) in July 2003. Orsan is a French company which is engaged in the manufacture and sales of MSG and other seasonings. Orsan's net sales for the year ended March 31, 2003 were Euro 68.9 million.

20. SUBSEQUENT EVENT

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, 2004, were approved by the shareholders at a meeting held on June 29, 2004:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥6=U.S.$0.050 per share)	¥3,890	$36,698
Bonuses to directors and statutory auditors	201	1,896

Report of Independent Auditors

Shin Nihon & Co.

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

We have audited the accompanying consolidated balance sheets of Ajinomoto Co., Inc. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2004, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ajinomoto Co., Inc. and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

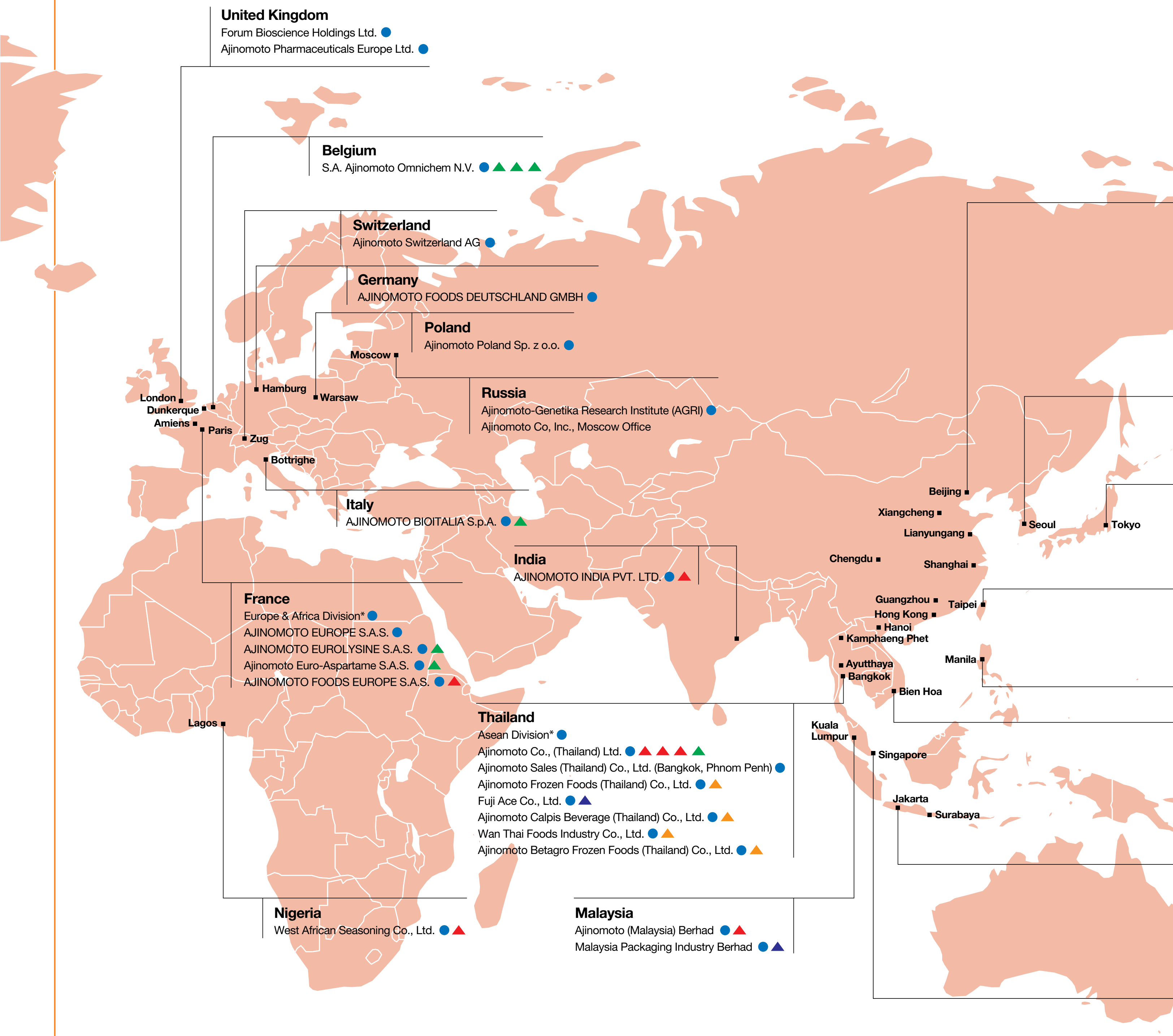
As described in Note 1.g, effective the year ended March 31, 2004, the Company has adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit 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.

Shin Nihon & Co.

June 29, 2004

Global Network (As of April 1, 2004)



Global network: 23 countries and regions
(including 106 manufacturing and packaging plants in 15 countries and regions)
(Japan: 59; Other Countries: 47)

- ● Subsidiaries, affiliates and offices of the Parent Company
- ▲ Seasonings Plants (31)
- ▲ Processed Foods Plants (37)
- ▲ Amino Acids and Specialty Chemicals Plants (22)
- ▲ Pharmaceuticals Plants (10)
- ▲ Other Plants (6)

＊Divisions are regional headquarters.

China

China Division* ●
Ajinomoto (China) Co., Ltd. (Offices in Beijing, Shanghai, Guangzhou) ●
Lianhua Ajinomoto Co., Ltd. ● ▲
Ajinomoto Lianhua Amino Acid Co., Ltd. ● ▲
Chuanhua Ajinomoto Co., Ltd. ● ▲
Lianyungang Ajinomoto Ruyi Foods Co., Ltd. ● ▲
Lianyungang Ajinomoto Frozen Foods Co., Ltd. ● ▲
Shanghai Ajinomoto Amino Acid Co., Ltd. ● ▲
SHANGHAI HOUSE AJINOMOTO FOODS CO., LTD. ● ▲
Shanghai Ajinomoto Seasoning Co., Ltd. ● ▲
SHANGHAI AJINOMOTO FOOD RESEARCH AND DEVELOPMENT CENTER CO., LTD. ●
Ajinomoto Co., (Hong Kong) Ltd. ●

Korea

Ajinomoto Korea, Inc. ●

Japan ●49 ▲11 ▲27 ▲9 ▲10 ▲2

Taiwan

Taiso Commerce Inc. ●

Philippines

AJINOMOTO PHILIPPINES CORPORATION ● ▲

Vietnam

Ajinomoto Vietnam Co., Ltd. ● ▲

Indonesia

PT Ajinomoto Indonesia ● ▲
PT Ajinex International ● ▲
PT Ajinomoto Calpis Beverage Indonesia ● ▲

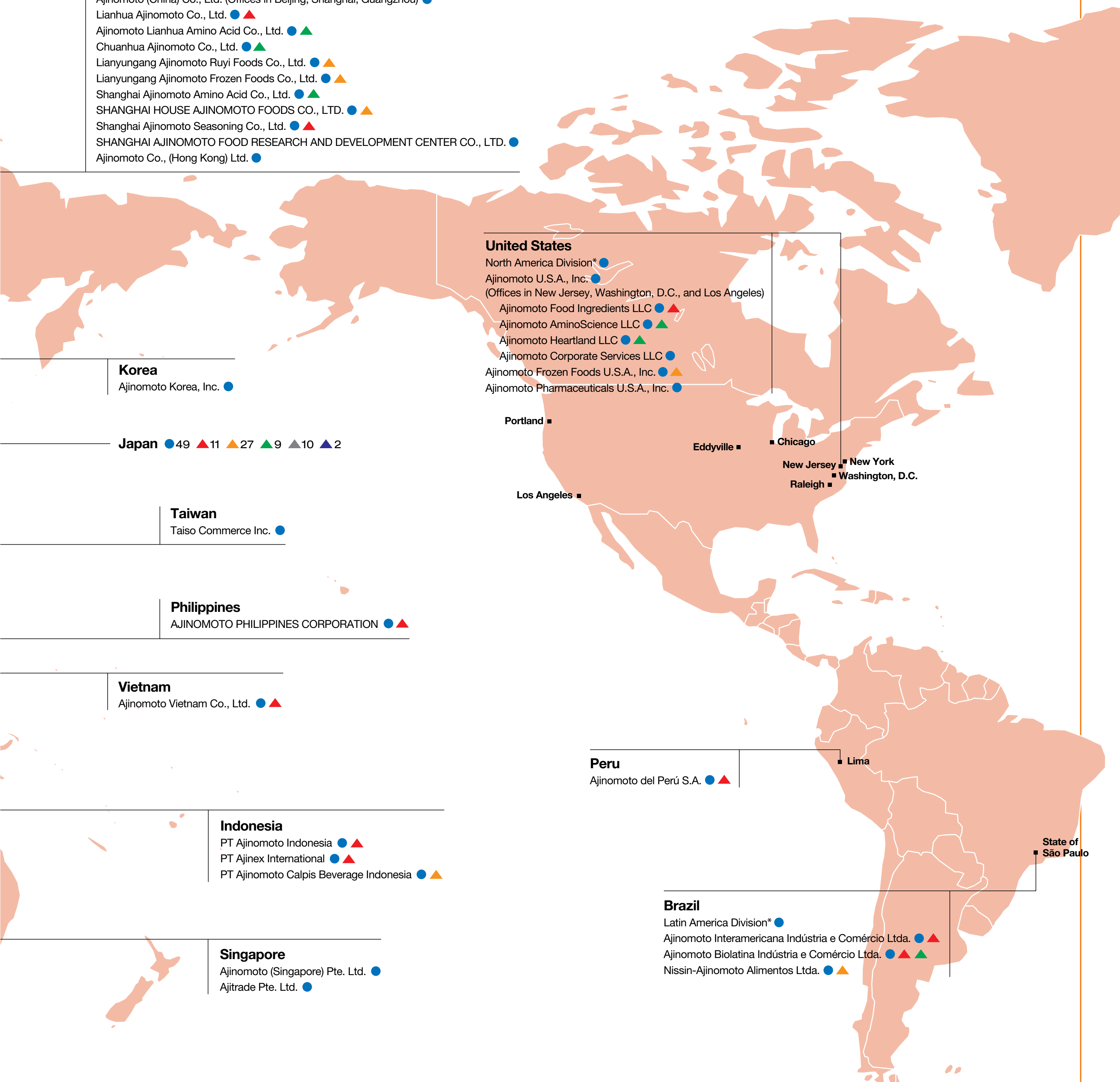
Singapore

Ajinomoto (Singapore) Pte. Ltd. ●
Ajitrade Pte. Ltd. ●

United States

North America Division* ●
Ajinomoto U.S.A., Inc. ●
(Offices in New Jersey, Washington, D.C., and Los Angeles)
- Ajinomoto Food Ingredients LLC ● ▲
- Ajinomoto AminoScience LLC ● ▲
- Ajinomoto Heartland LLC ● ▲
- Ajinomoto Corporate Services LLC ●

Ajinomoto Frozen Foods U.S.A., Inc. ● ▲
Ajinomoto Pharmaceuticals U.S.A., Inc. ●



Peru

Ajinomoto del Perú S.A. ● ▲

Brazil

Latin America Division* ●
Ajinomoto Interamericana Indústria e Comércio Ltda. ● ▲
Ajinomoto Biolatina Indústria e Comércio Ltda. ● ▲ ▲
Nissin-Ajinomoto Alimentos Ltda. ● ▲

Major Subsidiaries and Affiliates (As of April 1, 2004)

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.
- PT Ajinomoto Indonesia
- PT Ajinex International
- Ajinomoto Vietnam Co., Ltd.
- Ajinomoto Co., (Hong Kong) Ltd.
- Lianhua Ajinomoto Co., Ltd.
- Shanghai Ajinomoto Seasoning Co., Ltd.
- Ajinomoto Korea, Inc.
- AJINOMOTO INDIA PVT. LTD.
- Ajinomoto U.S.A., Inc.
  - Ajinomoto Food Ingredients LLC
- Ajinomoto Interamericana Indústria e Comércio Ltda.
- Ajinomoto Biolatina Indústria e Comércio Ltda.
- Ajinomoto del Perú S.A.
- AJINOMOTO FOODS EUROPE S.A.S.
- AJINOMOTO FOODS DEUTSCHLAND GMBH
- 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.
- Lianyungang Ajinomoto Frozen Foods Co., Ltd.
- Ajinomoto Frozen Foods U.S.A., Inc.

Processed Foods

- Wan Thai Foods Industry Co., Ltd.
- SHANGHAI HOUSE AJINOMOTO FOODS CO., LTD.
- SHANGHAI AJINOMOTO FOOD RESEARCH AND DEVELOPMENT CENTER CO., LTD.
- Nissin-Ajinomoto Alimentos Ltda.
- Ajinomoto del Perú S.A.
- Ajinomoto Poland Sp. z o. o.

Beverages

- Ajinomoto Calpis Beverage (Thailand) Co., Ltd.
- PT Ajinomoto Calpis Beverage Indonesia

Amino Acids

- Ajinomoto Co., (Thailand) Ltd.
- Ajinomoto Lianhua Amino Acid Co., Ltd.
- Shanghai Ajinomoto Amino Acid Co., Ltd.
- Chuanhua Ajinomoto Co., Ltd.
- Taiso Commerce Inc.
- Ajinomoto U.S.A., Inc.
  - Ajinomoto Heartland LLC
  - Ajinomoto AminoScience LLC
- Ajinomoto Biolatina Indústria e Comércio Ltda.
- AJINOMOTO EUROLYSINE S.A.S.
- Ajinomoto Euro-Aspartame S.A.S.
- Ajinomoto Switzerland AG
- AJINOMOTO FOODS DEUTSCHLAND GMBH
- S.A. Ajinomoto Omnichem N.V.
- AJINOMOTO BIOITALIA S.p.A.

Pharmaceuticals

- Ajinomoto Pharmaceuticals U.S.A., Inc.
- Ajinomoto Pharmaceuticals Europe Ltd.
- Forum Bioscience Holdings Ltd.

Other Businesses

- Fuji Ace Co., Ltd.
- Malaysia Packaging Industry Berhad
- Ajinomoto (China) Co., Ltd.
- AJINOMOTO EUROPE S.A.S.
- Ajinomoto-Genetika Research Institute (AGRI)
- Ajinomoto U.S.A., Inc.
  - Ajinomoto Corporate Services LLC

Ajinomoto Group (Japan)

COMPANY NAME

Food Products

Seasonings and Processed Foods

- Knorr Foods Co., Ltd.
- Delica Ace Co., Ltd.
- Shimadaya Corporation
- AJINOMOTO BAKERY CO., LTD.
- GABAN Co., Ltd.

Frozen Foods

- Ajinomoto Frozen Foods Co., Inc.

Edible Oils

- J-OIL MILLS, INC.

Beverages and Dairy Products

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

Amino Acids

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

Pharmaceuticals

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

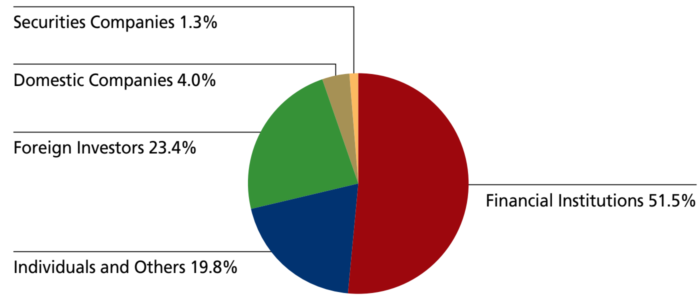
Other Businesses

- AJINOMOTO LOGISTICS CORPORATION
- Ajinomoto Packaging Co., Inc.
- Ajinomoto Engineering Corporation
- Ajinomoto System Techno Corporation
- Ajinomoto Communications Inc.
- Ajinomoto Trading, Inc.
- Ajinomoto Treasury Management, Inc.
- Aji-Estates Co., Inc.
- Okinawa Ajinomoto Co., Inc.
- Hokkaido Ajinomoto Co., Inc.

Ajinomoto Co., Inc.

Established:	May 20, 1909
Number of Employees:	24,861 (consolidated basis) 3,450 (non-consolidated basis)
Fiscal Year:	April 1 — March 31 Annual meeting held in June
Common Stock	
Authorized:	1,000,000,000 shares
Issued:	649,981,740 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:	Shin Nihon & Co.
Number of Shareholders:	60,373

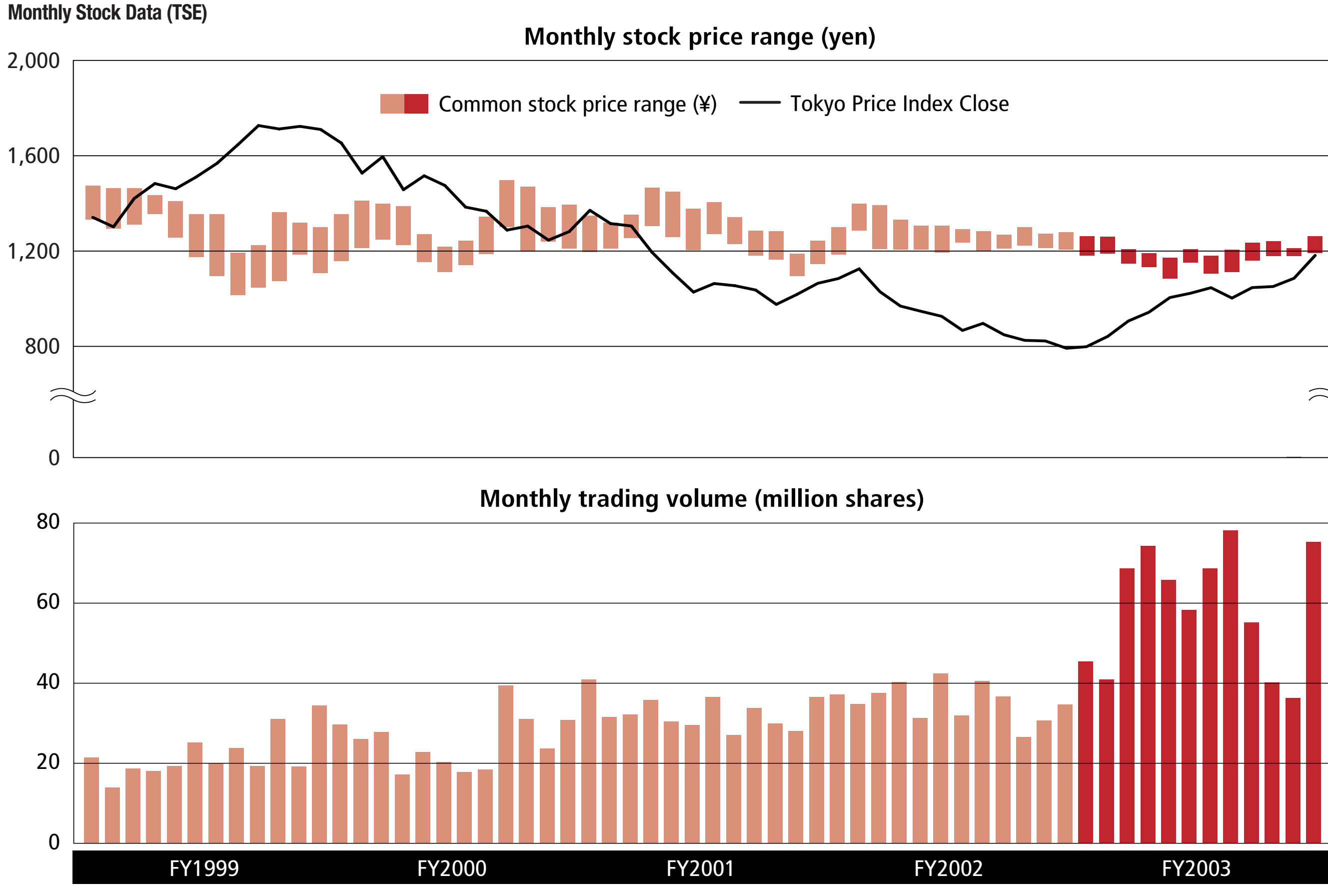
Distribution of Shareholders



Major Shareholders

Name of Shareholders	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd. (trust account)	57,754	8.89%
Japan Trustee Services Bank, Ltd. (trust account)	47,881	7.37
The Dai-ichi Mutual Life Insurance Company	25,550	3.93
Nippon Life Insurance Company	24,770	3.81
The Bank of Tokyo-Mitsubishi, Ltd.	20,149	3.10
Mizuho Corporate Bank, Ltd.	17,036	2.62
NIPPONKOA Insurance Co., Ltd.	16,097	2.48
Meiji Yasuda Life Insurance Company	15,624	2.40
Sompo Japan Insurance Inc.	11,810	1.82
The Mitsubishi Trust and Banking Corporation	10,756	1.65

Monthly Stock Data (TSE)



Note: Fiscal years beginning April and ending March the following calendar year.

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Published July 2004