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AJINOMOTO®

Ajinomoto Co., Inc.

Financial Report 2007

For the year ended March 31, 2007

Financial Report 2007

Ajinomoto Co., Inc. and Consolidated Subsidiaries
For the year ended March 31

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FORWARD-LOOKING STATEMENTS

This financial report contains forward-looking statements regarding the plans, outlook, strategies and results of Ajinomoto Group ("Ajinomoto" or "the Group"). All forward-looking statements are based on judgments derived from the information available to the Group at the time of publication. Certain risks and uncertainties could cause the Group'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 Group's businesses; competitive pressures; related laws and regulations; product development programs; and changes in exchange rates.

Note: In this document, trademarks are indicated in italics. *AJI-NO-MOTO* is the trademark of the Ajinomoto Group's umami seasoning products.

Top-line growth in a tough environment

Norio Yamaguchi
President & Chief Executive Officer

The Ajinomoto Group again faced a challenging business environment in fiscal 2006, and although we were able to increase sales and earnings year on year, we fell short of our initial targets.

Three key factors influenced our performance. The first factor was strong growth in overseas food markets. We made sure we were part of this growth, and the higher sales we achieved in our overseas food products division drove the performance of Ajinomoto for the year.

The second factor was the sharp rise in raw material and energy costs. This presented a severe challenge for most of our business divisions, but we responded aggressively and managed to minimize the impact of these cost increases on our performance.

The third was the continued intense competition in globally marketed bulk products, typified by the situation with regard to feed-use amino acids. Particular pressure came from Chinese manufacturers, and although we have taken specific steps to deal with this situation (outlined later), lower unit prices affected our revenues.

Balanced group performance

Given this business environment, we were encouraged by the fact that we were able to grow the top line by 4.7%. We also increased operating income by 5.8%. Net income decreased by 13.4%.

In my view, the highlight of the year—and evidence of our strength as a group of companies—was the way we compensated for very tough conditions in the feed-use amino acids market by extracting higher performance from other divisions such as overseas food products and specialty chemicals. I view this as a solid indicator of our latent potential for the growth we are targeting under our medium- to long-term management plan *A-dvance 10*. We have been diversifying not only our product lines but also our operating regions, and this is giving Ajinomoto greater overall resilience. We are changing clearly for the better, and I believe we can get back on track to achieving our goals for fiscal 2010.

Breaking down our consolidated performance by business segment, we can gain further insight into the factors, outlined above, that are affecting our business.

President's Message Norio Yamaguchi *(cont.)*

Pressure in domestic food markets

In domestic food products, the deflationary trend affecting the overall market has continued. This puts constant pressures on margins, and our results for the year were also impacted by a warm winter, which restrained sales of soups, and higher raw material costs. To counteract this, we actively reviewed fixed and variable costs, identifying opportunities for production innovation and concentrating on developing products with high added value. At the same time we worked to contain and improve the effectiveness of our marketing spend, as part of measures to conduct our marketing activity more efficiently.

Growth in overseas food markets

In overseas food products, there was strong demand for umami seasoning *AJI-NO-MOTO*, with a steady increase in sales volumes. The challenge for us was—and is—dealing with higher raw material costs, and in response we adjusted prices according to the situation in each region. The overall environment for us in this market is sound, and businesses in Vietnam and West Africa, for example, is growing rapidly. Sales of flavor seasonings and soups have trended favorably in a growing overall market. Competition has been increasing, but our product strength puts us at an advantage. This strength derives from our ability to localize product concepts and technologies that have been successful in Japan, and is another example of how we are realizing the strategy outlined in *A-dvance 10* of advancing from Japan into markets around the world. The best performing countries for us currently are Thailand, Indonesia, Vietnam and Brazil.

Total review of feed-use amino acids business

In feed-use amino acids, we faced continued pressure from Chinese manufacturers. Lysine price competition, which had been very severe, lead us to establish a project team in autumn of 2005 that has been rigorously reviewing our business structure. The team's work has covered everything from market and competitor analysis through to a review of our product strengths, technical capabilities and production systems, and has resulted in the implementation of specific initiatives. We are improving our operation, with reduced costs through the introduction of new technology, and careful setting of prices and production volumes in response to close monitoring of the supply and demand balance. We think our forward-looking product and sales strategy is the correct approach to take, and that the current industry situation with regard to pricing is fundamentally unsustainable.

Strong industry support in specialty chemicals

Performance in our specialty chemicals business has been very strong indeed, with particularly good sales of electronic materials. Our technologies developed in curing agents for epoxy resins are especially suited for applications in insulation for build-up printed wiring board, and are highly rated within the semiconductor industry. We already have a very high market share worldwide for use in CPUs, and expect this business to continue contributing to earnings.

Sales of cosmetic ingredients were also strong, due partly to a major increase in revenue from sales to North America. Sales of amino acid-based cosmetic *Jino* continued to post major growth.

In other businesses in the amino acids segment, competition also has become more severe. There is strong pressure on revenues, and we are targeting higher operating efficiency through a global review of our manufacturing structure. We expect to have a superior cost structure in place in the near future.

President's Message Norio Yamaguchi *(cont.)*

Holding firm in pharmaceuticals

Our pharmaceuticals business faced a negative impact of around 7% (¥5 billion) from NHI (National Health Insurance) reimbursement price reduction in April 2006. We were able to compensate for this through measures such as rationalizing operations, increasing sales of products for lifestyle-related diseases, and licensing out a new diabetes drug AJD101. The market for infusions is extremely competitive, so we are responding with an enhanced sales approach, efforts to reduce costs, and other such measures.

Addressing key issues in the domestic food products business

As already mentioned, there was an unavoidable impact on certain product lines as a result of competitive pressure, the warm winter and higher raw material costs. However, we have been carefully addressing the key issues in those of our businesses that performed below our initial targets. Our core product *HON-DASHI*, a flavor seasoning which enjoys high market share, has nonetheless been caught up in competition at the retailer level, but we avoided any impact on profits by stringent measures to control selling expenses in fiscal 2006. We took similar measures with mayonnaise. It is not our policy to chase higher volumes at any cost, so even though sales volumes declined we managed to increase profits.

The strength of our products and brand is also evident in frozen foods, where we were able to increase the price of frozen gyoza despite the deflationary environment. It took considerable courage to do this, but by improving the product quality at the same time, we gained the understanding of both distributors and consumers, and sales volume growth has continued.

Amoy Food Group now part of Ajinomoto

One of our most significant recent business portfolio initiatives was the consolidation into the Ajinomoto Group of the Amoy Food Group (Amoy). We see this acquisition generating three main synergies. The first is in seasonings, where Amoy's strengths in liquid seasonings are complemented by our strengths in powdered and granulated seasonings. The second is in frozen foods. We intend to make effective use of Amoy's overseas distribution channels, as well as to share technological and product strengths. In the United States, we have started selling Ajinomoto branded products manufactured at our factory in Portland, Oregon through Amoy's marketing channels. The third synergy lies in the broader concept of making effective use of our combined management resources with regard to branding, distribution channels, and marketing structure. We are looking into the idea of marketing Amoy's products through Ajinomoto Group companies, and believe that in many countries the well-known Amoy brand can be of use in marketing products from Ajinomoto.

Strategy and outlook

In domestic food products, one of our key themes is to increase profitability in what is basically a saturated market. The market for health and nutritional foods has considerable potential, so it is important for us to make effective use of materials and ingredients held within the Group and launch appealing products in this market.

We envisage the tough operating environment in Japan continuing. There is structural overcapacity at many levels, with too many manufacturers, too many wholesalers, and too many retailers. The pressure caused by an environment of upstream inflation and downstream deflation is starting to bring about some changes, with the emergence of M&A activity and other forms of restructuring. If these changes continue, it is reasonable to expect an end to the deflation that has dogged Japan's food industry.

President's Message Norio Yamaguchi *(cont.)*

In overseas food products, we are striving to establish a strong competitive position in a growth market. Our market share is growing, and the crucial matter for us now is to increase the pace of our development. We need to adapt more of our success stories in each country to other countries, and will transfer experienced personnel and other management resources between different markets to help replicate our successes.

Demand in each amino acids business is growing. We are the leading manufacturer in all our markets, and it is important for us to take the lead in market expansion. As typified by feed-use amino acids, the market is inherently unstable, so we believe it is critical to take measures to minimize the impact of fluctuations. Our approach is to reduce costs through technological developments, and make our products resistant to price erosion by adding further value. Currently, the raw materials used in amino acids overlap with the raw materials used in bioethanol applications. Based on the assumption that over the longer term the shortage of raw materials will continue, we need to find ways to increase the efficiency of our current manufacturing process, and develop ways to make effective use of new raw materials.

As a specialty pharmaceutical company, our strategy in pharmaceuticals is to develop and launch a major new pharmaceutical every few years, interspersed with the launch of smaller scale products. One of our focuses now is to build on our strengths in medical food development by creating products in the nursing care and medical care food field that incorporate the expertise and experience we have acquired in the foods business.

Health and nutrition business is also an important theme in *A-dvance 10*, based on our extensive range of existing proprietary health materials. By effectively using and combining this rich range of materials, including *Capsiate* and glycine, as well as lactotripeptide owned by Calpis Co., Ltd. (Calpis), and oligosaccharide of Ajinomoto General Foods, Inc. deriving from coffee beans, we intend to accelerate the enhancement of our product lineup.

Meeting the targets of *A-dvance 10*

We are of course fully aware of the gap between our results for fiscal 2006 and the targets of *A-dvance 10*, and we are preparing additional initiatives in every business segment to make up for the shortfall. An example of this process is the project team we set up for feed-use amino acids. The initiatives of this team include development of a new technological procedure that enables reduced production costs. Another example is the joint venture company we established in Xiamen, China. This company manufactures soup ingredients, and is now serving as an in-house source of ingredients produced to our exacting safety and other standards. Previously we had to buy in these ingredients, so we see this new venture making a useful contribution to earnings.

Another way we are working to close the gap is by speeding up our development of health and nutrition business operations. In *A-dvance 10* we initially set sales targets for this business sector of ¥100 billion in fiscal 2010. However, we believe it is possible to achieve sales of ¥200 billion by bringing the program forward, and are now getting down to the specifics of achieving this.

In addition, we believe that mergers and acquisitions are important tools with which to boost our growth. We have been pursuing attractive M&A opportunities from the allocation of ¥100 billion contained in our plan, and have already acquired Amoy and formed a capital and business alliance with YAMAKI Co., Ltd., a seasoning company in Japan. Moreover, we have just announced that Ajinomoto Co., Inc. is to make Calpis a wholly owned subsidiary through a share exchange. We expect to implement further projects through to fiscal 2010, at the same time as selecting and concentrating our operations, as evidenced by the sale of our stake in Mercian Corporation and Calpis Ajinomoto Danone Co., Ltd. in fiscal 2006. Through the measures outlined we aim to achieve our goals for fiscal 2010.

President's Message Norio Yamaguchi *(cont.)*

Balancing long-term growth with stable shareholder returns

In making decisions on allocating earnings, we believe it is important to balance short-term returns to shareholders with longer-term requirements for business growth. Our aim is to pay stable dividends, while retaining sufficient funds to meet capital expenditures, M&A and other needs. In recent years we have been increasing the dividend by one yen per share each year, and it is our intention to maintain the stability engendered by our shareholder returns policy.

The Ajinomoto Renaissance

The "Ajinomoto Renaissance" has begun. Ajinomoto's business is diversifying and we are growing on a global scale. Our origins trace back to monosodium glutamate (MSG) which we have been producing for 98 years. Our scientists have now made an important new discovery, showing that MSG receptors are present not only in the tongue but also in the digestive system. We have proven that MSG entering the digestive system sends out a signal that is conveyed to the brain selectively through the nervous system, and the brain then processes this signal and recognizes the ingestion of food. It has thus become apparent that MSG is not only an umami seasoning, but also has a significant role to play in terms of its nutritional physiology function. Our task now is to communicate this discovery of new MSG functions, reaching out to consumers and other stakeholders around the world, and consequently to further develop demand for MSG. Our success in doing this will be another driver of our growth through fiscal 2010 and beyond, and we look forward to the support of our shareholders and investors as we work to realize this very real potential.

Norio Yamaguchi
President & Chief Executive Officer

Six-Year Summary of Selected Financial Data

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

(Millions of yen)	2007	2006	2005	2004	2003	2002
FOR THE YEAR:						
Net sales	¥1,158,510	¥1,106,807	¥1,073,010	¥1,039,551	¥987,727	¥943,540
Cost of sales	828,050	795,007	760,554	743,251	716,999	680,003
Gross profit	330,459	311,799	312,455	296,299	270,727	263,536
Selling, general and administrative expenses	266,658	251,476	241,538	231,109	216,668	214,521
Operating income	63,800	60,322	70,916	65,190	54,059	49,059
Other income (expenses)	(8,079)	(3,153)	10,821	1,826	11,407	9,449
Income (loss) before income taxes and minority interests	55,721	57,169	81,737	67,017	65,466	58,464
Net income (loss)	30,229	34,912	44,817	36,276	33,178	31,442
Capital expenditures	76,386	79,162	58,082	50,916	57,403	45,277
Depreciation and amortization	45,138	40,341	39,854	39,925	38,969	37,222
AT YEAR-END:						
Shareholders' equity*1	¥ 563,446	¥ 528,762	¥ 467,297	¥ 428,077	¥391,154	¥381,017
Total assets	1,061,688	997,405	903,542	871,780	864,588	840,152
Long-term debt	108,088	110,382	90,533	101,595	52,393	75,238
PER SHARE (YEN):						
Net income (loss)	¥ 46.7	¥ 53.6	¥ 68.8	¥ 55.6	¥ 50.7	¥ 48.4
Shareholders' equity*1	870.0	815.8	720.6	659.8	602.7	586.3
Cash dividends	15.0	14.0	13.0	12.0	11.0	10.0
VALUE INDICATORS:						
Liquidity ratios:						
Debt/equity ratio (%)*1, 2	26.8	27.5	26.9	33.6	38.6	40.8
Interest coverage ratio (times)*3	13.3	19.1	24.3	22.6	16.6	10.9
Investment indicators:						
Price/earning ratio (times)*4	29.0	23.4	19.0	22.3	24.0	24.4
Price/book value (times)*1, 5	1.6	1.5	1.8	1.9	2.0	2.0
Return indicators:						
Return on assets (%)*6	2.9	3.7	5.0	4.2	3.9	3.8
Return on equity (%)*1, 7	5.5	7.0	10.0	8.9	8.6	8.5
Number of employees	24,733	26,049	25,812	24,861	24,406	24,326

Notes: 1. Shareholders' equity for the year ended March 31, 2007 = Net assets - minority interests
2. Debt = Short-term borrowing 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

Management's Discussion and Analysis

Ajinomoto Co., Inc. and Consolidated Subsidiaries
For fiscal 2006, ended March 31, 2007

Overview of Financial Strategy

The financial strategy of the Ajinomoto Group for the implementation of its medium- to long-term management plan, *A-dvance 10*, focuses on four key areas:

Capital Investment

Ajinomoto has divided its *A-dvance 10* plan, which covers the period from fiscal 2005 to fiscal 2010, into two three-year phases. The first phase is a strategic growth phase, during which we are undertaking proactive forward investment aimed at ensuring the achievement of our goals. For this first phase we planned total investment of around ¥250 billion, or around ¥80–90 billion per year, and progress to date has been largely in line with the plan. Investment in fiscal 2005 and fiscal 2006 was ¥79.2 billion and ¥76.4 billion respectively, and planned investment for fiscal 2007 is ¥86.0 billion. Depreciation for the first two years of the first phase was ¥40.3 billion and ¥45.1 billion, with ¥56.8 billion estimated for fiscal 2007, for a total of around ¥142 billion. Prior to fiscal 2005 our general policy was to invest at a level within the scope of total depreciation, but under the present period of active investment, the level is exceeding depreciation. We aim to reach our goals by reaping the benefits of this investment during the second phase of *A-dvance 10*.

Return on Investment

As in the case of the acquisition of the Amoy Food Group Companies, YAMAKI Co., Ltd. , GABAN Co., Ltd. and Calpis Co., Ltd. (announced in June 2007), we plan to engage in M&A activities as required for our future growth. We are actively investigating a range of M&A opportunities, with an allocation of around ¥100 billion over the six years of *A-dvance 10*. We are restricting our focus to sectors that have strong synergies with our existing businesses or the technologies of our core businesses. We have a number of investment criteria that we apply to M&A and capital investments. Investment decisions are made after due consideration of factors such as IRR to date, net present value, and investment return period. We consider not only business potential but also business performance to date, and to reflect this have introduced two additional criteria: the ratio of operating income to fixed assets, and the number of years required to repay the additional funding. Investments must in principle meet these criteria, and all proposals for internal investment or lending are subject to thorough deliberations by the Investment, Loan and Examination Committee before decisions are made by the Management Committee. In addition, any business operations that continue to make losses at the operating profit level in three consecutive years will in principle be reviewed. The final decision to withdraw is taken after the business has been assessed. This standard is applied throughout the Ajinomoto Group.

Liquidity

Ajinomoto has been working to generate cash for investment in operating assets, which generate higher returns, by means such as liquidating securities and underutilized land. In addition, we are working to maximize free cash flows by reducing inventories. We aim to maintain liquidity at 5%–6% of consolidated net sales. Assets will be continually reviewed, and any that are not essential to business operations will be liquidated. Improved liquidity management will continue to support financial performance. Ajinomoto has 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. As a result, Ajinomoto Group companies in Japan obtain 93% of their capital through group pooling. In Thailand, North America and Europe, funding is secured in each region to minimize costs. Funding for capital investment and M&A is sourced through long-term borrowing and, in light of rising interest rates, overall funding is based on achieving a balance of 70% long-term borrowing and 30% short-term borrowing, monitoring this ratio with a view to reducing borrowing costs. The long-term debt will be spread out over multiple repayment dates, so as to avoid exposure to market risks and excessive risk from rising interest rates.

Credit Rating

Ajinomoto Co., Inc. ("the Company") will continue to emphasize maintaining its solid credit ratings as one means of controlling the cost of funding global growth by ensuring favorable access to external sources of capital. Therefore, despite the anticipated increase in borrowing to support our investment and lending activities over the first phase of *A-dvance 10*, in the second phase of *A-dvance 10* we intend to return the D/E ratio to within 30%.

Credit Rating Agencies	Ratings for the Company's Long-Term Debt
Standard & Poor's	AA-
Moody's Investors Service	A1
Rating and Investment Information, Inc. (Japanese agency)	AA

Note: Ratings current as of June 30, 2007.

Foreign Currency Translation

Foreign currency-denominated assets and liabilities have been translated into yen at the rates of exchange in effect at the fiscal year end date, with translation differences treated as profits or losses. Furthermore, assets, liabilities of foreign subsidiaries have been translated into yen at the rates of exchange in effect at the consolidated fiscal year end date and income and expenses at the average exchange rates for the period, with translation differences included in the foreign exchange translation adjustment and minority interests accounts of net assets.

Operating Environment

In the period under review, the Japanese economy continued its basic recovery trend, underpinned by factors including improved corporate profits and increased capital expenditure. Consumer spending, however, remained weak.

In the Japanese food industry the business environment remained severe as a result of the total population starting to decrease, the unseasonable weather having a major impact, and other factors.

Internationally, the U.S. economy continued its moderate expansion, despite the impact of rising crude oil prices and other factors. The Asian economy continued its expansion, led by investment-driven growth in China and other factors, and Europe continued its economic recovery.

Within this environment, based on *A-dvance 10*, Ajinomoto focused its efforts on pursuing reforms on all levels throughout the entire group, and extensively reducing costs and strengthening the business structure, aiming to be successful in the increasingly severe operating environment and to overcome competitive pressures.

Consolidated net sales for the fiscal year ended March 31, 2007 increased 4.7% (¥51.7 billion) year on year to ¥1,158.5 billion. Operating income increased 5.8% (¥3.4 billion) to ¥63.8 billion, and ordinary income increased 0.2% (¥0.1 billion) to ¥61.5 billion. Consolidated net income decreased 13.4% (¥4.6 billion) to ¥30.2 billion.

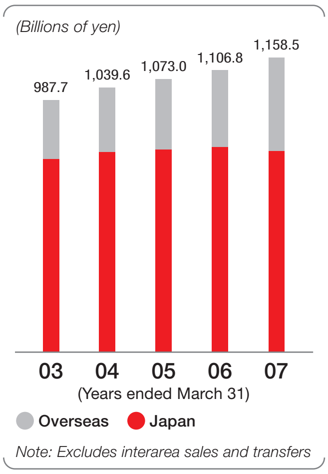
Analysis of Statements of Operations

Note: *All comparisons are with the previous fiscal year, ended March 31, 2006, unless stated otherwise.*

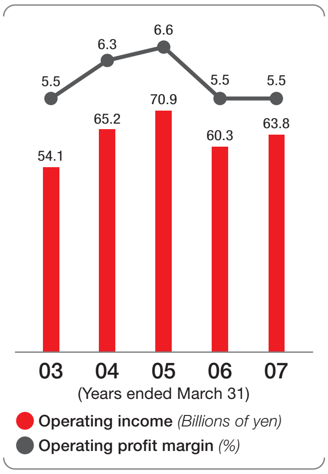
Net Sales

Net sales rose 4.7%, or ¥51.7 billion, year on year to ¥1,158.5 billion. By region, sales in Japan rose 1.1% to ¥813.7 billion, while sales overseas rose 14.1% to ¥344.7 billion. Overseas, sales in Asia rose 14.0% to ¥134.8 billion, sales in the Americas rose 20.7% to ¥92.5 billion, and sales in Europe rose 9.5% to ¥117.3 billion.

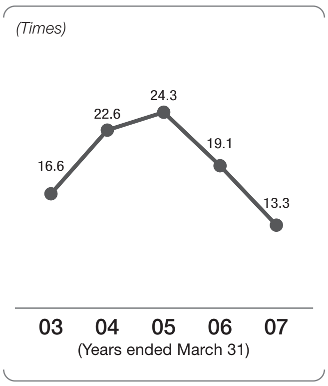
Domestic and Overseas Sales



Operating Income & Operating Profit Margin



Interest Coverage Ratio



Cost of Sales and SG&A Expenses

The cost of sales increased 4.2%, or ¥33.0 billion, to ¥828.0 billion. The ratio of cost of sales to net sales fell 0.3 percentage points to 71.5%, due to initiatives to reduce production costs, higher unit prices for umami seasoning *AJI-NO-MOTO* mainly overseas, and the contribution from receipt of a one-off payment for a drug for treatment of diabetes, despite weak unit prices for feed-use amino acids and price increase in raw materials and fuels.

Selling, general and administrative expenses rose 6.0%, or ¥15.1 billion, from the year before to ¥266.6 billion. The main reason for this rise was increases in marketing costs, such as sales promotions, and research and development costs.

Costs, Expenses and Income as Percentages of Net Sales

	2007	2006	2005
Cost of sales	71.5% (-0.3)	71.8% (+0.9)	70.9%
Gross profit	28.5 (+0.3)	28.2 (-0.9)	29.1
SG&A expenses	23.0 (+0.3)	22.7 (+0.2)	22.5
Operating income	5.5 (-0.0)	5.5 (-1.1)	6.6
Income before income taxes & minority interests	4.8 (-0.4)	5.2 (-2.4)	7.6
Net income	2.6 (-0.6)	3.2 (-1.0)	4.2

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

Operating Income

Operating income rose 5.8%, or ¥3.4 billion, from the year before to ¥63.8 billion. By region, operating income in Japan decreased 1.2% to ¥43.1 billion, while operating income from operations overseas increased 24.2% to ¥20.6 billion. The main reason for the domestic decrease in operating income was rising raw materials costs in the domestic foods business and upfront investment in the health and nutrition business, which more than offset a strong performance by electronic materials and the contribution from receipt of a one-off payment for a drug for treatment of diabetes. Overseas, operating income in Europe declined substantially, strongly impacted by the lower unit prices of feed-use amino acids, while operating income in Asia and the Americas increased significantly, reflecting strong performance mainly in the overseas food business, and leading to the overall increase in operating income. Operating income in Asia increased 98.6% to ¥11.0 billion, operating income in the Americas increased 27.5% to ¥5.5 billion, and operating income in Europe decreased 39.5% to ¥4.0 billion.

Other Income (Expenses)

Other income, net totaled minus ¥8.0 billion, compared to other income, net of minus ¥3.1 billion for the previous fiscal year. Factors influencing this figure included higher interest expense, which increased from ¥3.2 billion to ¥5.0 billion due to an increase in interest-bearing debt, and a loss on impairment of fixed assets amounting to ¥1.7 billion, compared to a nil figure in the previous fiscal year. This impairment loss related principally to the manufacturing facilities of a certain consolidated overseas subsidiary. A third factor was a decrease in other, net from minus ¥6.4 billion in the previous year to minus ¥12.7 billion in the year under review. This year-on-year decrease mainly reflected a decrease in gain on sales of fixed assets and an increase in loss on disposal of fixed assets.

Net Income

Net income for the period under review fell 13.4%, or ¥4.6 billion, to ¥30.2 billion. The effective tax rate rose from 33.8% the previous year to 39.9%, as a result of the recording of impairment losses and a reduction of tax exemptions at the non-consolidated level. Net income per share for the year was ¥46.70, compared to ¥53.64 per share the year before.

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Dividends

The Company made a stable dividend payment of ¥10 per share from 1962 onwards, but since fiscal 2002 has adopted the basic principle of making stable and sustainable dividend payments that take into account progress towards achieving medium-term management plan goals and consolidated performance for the period concerned. From the fiscal year ended March 31, 2003 onward the annual dividend has been increased by ¥1 over each previous year, and for the fiscal year ended March 31, 2007, an annual dividend of ¥15 per share was provided. For the fiscal year ending March 31, 2008, it is planned to further increase the dividend by ¥1 to ¥16 per share. Subsequent to the enforcement of the Corporate Act on May 1, 2006, the Company will continue to pay dividends twice a year, an interim dividend and a year-end dividend.

In *A-dvance 10*, Ajinomoto is pursuing sustainable growth with the aim of attaining an operating profit margin higher than 10% in fiscal 2010. During the first half of the plan, however, Ajinomoto's policy is to invest actively to expand the Group's operations. Under this policy, retained earnings will be managed with respect to the Group's demand for capital relating to matters such as domestic and foreign capital expenditure, loans and investments, and R&D.

Ajinomoto seeks to manage shareholders' equity efficiently, and in a way that meets the expectations of its shareholders.

Segment Information

Note: *All comparisons are with the previous fiscal year, ended March 31, 2006, unless stated otherwise.*

Domestic Food Products

Domestic food product sales increased 1.4%, or ¥8.5 billion, to ¥617.1 billion. Operating income decreased 12.9%, ¥4.0 billion, to ¥27.7 billion. The increase in sales came as a result of the contribution from coffee as well as the new consolidation of GABAN Co., Ltd. and the frozen foods business of the Amoy Food Group, etc., which was offset by lower sales of lunchboxes, prepared dish products and beverages. Operating income was lower, due to the higher cost of raw materials, upfront investment in health and nutrition business, and other factors.

Seasonings and Processed Foods: In the retail market, despite the impact of the warm winter, sales of seasoning product *HON-DASHI* and consommé were maintained at the same level as the previous year, supported by promotion activities integrated with advertising for the Japanese, Western and Chinese dashi product range, and sales of Chinese dashi progressed favorably. Revenue from sales of *AJI-NO-MOTO* decreased. Although sales of *Knorr Cup Soup* were maintained at the same levels as the previous year, overall soup sales decreased slightly, due to sales of *Knorr Soup Pasta* and others declining significantly. Sales of the *Cook Do* line were maintained at the same level as the previous year, supported by a renewal of the product line, despite the rise in price of vegetables, which are used in *Cook Do* products. Sales of mayonnaise and mayonnaise-type dressings were slightly lower than in the previous year, but sales of *Pure Select Saralear* increased significantly. Sales of *Kellogg's* products increased slightly.

In the commercial market, although sales of mayonnaise and mayonnaise-type dressings were maintained at the same level as the previous year, sales of *HON-DASHI* products were slightly lower. Revenue from sales of *ACTIVA*, an enzyme (transglutaminase) that improves food texture, to food processing companies increased, and sales of savory seasoning products increased marginally.

Sweeteners and Nutritional Foods: In low-calorie sweeteners for home and restaurant use, sales increased driven by good sales of *PAL SWEET Calorie Zero.* Revenue from sales of amino acid supplement *amino VITAL* was lower, reflecting lower sales of the jelly drink type, although sales of granulated products maintained the same level as the previous year.

Delicatessen and Bakery Products: Revenue from sales of lunchboxes and prepared dish delicatessen products were significantly lower than in the previous year. Bakery product sales declined.

Frozen Foods: In products for the retail market, sales of *Ebi Shumai* and *Ebi Pilaf* were at the same level as the previous year, but sales of *Gyoza* and *Yawaraka Wakadori Kara-Age* were strong, resulting in overall sales increasing slightly. Sales for restaurant and institutional use increased, mainly due to the growth in sales of dessert products and rice products such as pilaf, supported by a heightened focus on products by restaurant or institutional type.

Edible Oils: Sales decreased slightly compared to the previous year, despite strong sales of *Canola Oil*.

Coffee, Beverages, Dairy Products: Sales of instant coffee increased steadily, as did sales of liquid coffee such as *Blendy* bottled coffee, but sales of regular coffee were slightly lower than the previous year.

Revenue from beverage sales decreased, with strong sales growth in *evian* offset by weak sales of other beverages and related products as a result of the unseasonable weather.

Chilled dairy product sales increased, with significantly higher sales of *BIO* resulting from active investment in advertising.

Market Share in Main Product Areas (Household Market in Japan) *(Ajinomoto estimate)*

Product Area	Brand	FY 2006	
		Market size (Billions of yen)	Ajinomoto Share (Position)
Umami seasonings	*AJI-NO-MOTO, Hi-Me*	8.0	86% (1)
Japanese flavor seasonings	*HON-DASHI*	40.9	53% (1)
Consommé	*Ajinomoto KK Consommé*	12.4	68% (1)
Soup	*Knorr*	91.1	42% (1)
Mayonnaise and mayonnaise-type dressings	*Pure Select*	42.7	25% (2)
Seasonings for Chinese dishes	*Cook Do*	44.0	36% (1)

Note: Market size is based on consumer purchase prices.

Overseas food products

Overseas food product sales increased 28.3%, or ¥28.1 billion, to ¥127.7 billion. Operating income increased 102.4%, or ¥5.1 billion, to ¥10.1 billion. The major increases in revenue and income were driven by significant growth in sales of flavor seasonings in Asia and South America, higher unit prices of seasoning products, and the favorable impact of foreign exchange fluctuations. The consolidation of the seasonings business of the Amoy Food Group also contributed to increased revenue.

Seasonings: In Asia, sales of *AJI-NO-MOTO* for home use and restaurant use increased substantially, due partly to raising product prices in the previous year, and sales of flavor seasonings for home use grew significantly. In the Americas, revenue from sales of flavor seasonings for home use in South America was much higher than in the previous year. In Europe and Africa, retail sales of *AJI-NO-MOTO* grew strongly in West African nations. Overall, exchange rate fluctuations during the year also contributed to the increased revenue.

Processed foods: In Asia, sales of instant noodles increased significantly and revenue from sales of *Birdy* canned coffee also improved year on year, partly due to the impact of exchange rates.

Amino acids

Sales in the amino acids business increased 6.1%, or ¥15.6 billion, to ¥271.4 billion. Operating income increased 1.1%, or ¥0.1 billion, to ¥14.9 billion. In the feed-use amino acids business, sales increased but operating income deceased, with a sales volume increase, lower unit prices of feed-use Threonine, and higher energy and raw material costs. In the umami seasonings for processed food manufacturers business, certain overseas subsidiaries were excluded from consolidation. However, the overall revenue and operating income of the amino acids segment increased, with contributions from electronic materials and others.

Umami seasonings for processed food manufacturers: Revenue from sales of *AJI-NO-MOTO* to the food processing industry increased in Japan, and overseas sales performed well, partly due to higher unit prices. However, the impact from the exclusion from consolidation of certain overseas subsidiaries led to a major fall in revenue. Sales of nucleotides increased significantly, mainly to major overseas customers.

Feed-use amino acids: Revenue from sales of Lysine increased, mainly in Asia and the Americas. Sales of Threonine fell substantially, due to lower unit prices, while sales of Tryptophan grew substantially.

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

(Ajinomoto estimate) (Thousands of metric tons)

	FY2006	FY2005	FY2004	FY2003	FY2002
Lysine	940–960	900	830	700	650
Ajinomoto's share	30% (approx.)	30% (approx.)	30% (approx.)	35%	35%
Threonine	100–120	85	65	50	40
Ajinomoto's share	60% (approx.)	60–70%	70%	70%	60%
Tryptophan	2.0–2.2	1.8	1.5	1.3	1.2
Ajinomoto's share	80% (approx.)	70–80%	70–80%	70–80%	70%

Amino Acids for pharmaceuticals and foods: In Japan, sales decreased year on year due to a major decrease in demand for amino acids for beverages. Overseas, sales of amino acids for pharmaceuticals were strong in North America and Europe.

Sweeteners: Sales of sweeteners to the processing industry increased significantly, driven particularly by sales to major customers. In South America, sales of powdered juice *Refresco MID*, which contains aspartame, increased significantly over the previous year, partly due to the impact of exchange rates.

Pharmaceutical fine chemicals: Sales of pharmaceutical fine chemicals were strong, supported by the contribution from sales in Europe.

Specialty chemicals: Sales of cosmetic ingredients were strong, due partly to a major increase in revenue from sales to North America. Sales of amino acid-based cosmetic *Jino* and sales of insulation film for build-up printed wiring board both continued to post major growth.

Pharmaceuticals

Pharmaceutical sales increased 0.1%, or ¥98 million, to ¥83.3 billion. Operating income increased 25.4%, or ¥3.1 billion, to ¥15.7 billion. Sales of products distributed by Ajinomoto itself were lower than in the previous year. The increases in revenue and income are mainly attributable to the contribution from the receipt of one-off payment for a drug for treatment of diabetes.

For sales of products distributed by Ajinomoto itself, medical foods and peripheral nutrition infusion *TWINPAL* contributed to sales, but sales of other infusions such as *SOLITA* and *PNTWIN* decreased. Sales of *LIVACT*, a branched-chain amino acids formula for the treatment of liver cirrhosis, also decreased slightly. For sales under cooperative agreements, sales of nateglinide products such as non-insulin-dependent diabetes treatment *FASTIC,* sales of *ATELEC*, an antihypertensive drug, and sales of *ACTONEL*, a preparation used in the treatment of osteoporosis, all increased substantially, while the receipt of one-off payments for a drug for treatment of diabetes also contributed.

Ajinomoto's Main Pharmaceuticals Sales by Product

(Ajinomoto estimate/NHI reimbursement price basis) (Billions of yen)*

Field	Main Products	Launch Date	Indication or formulation	Sales		
				FY2006	FY2005	FY2004
Infusions, clinical nutrition and dialysis/ Gastrointestinal diseases	*LIVACT* Granules	May 1996	Amino acid formula for treatment of liver cirrhosis	15.0	15.0	15.4
	SOLITA-T	Feb. 1962	Electrolyte solution	8.5	10.2	10.8
	ELENTAL	Sept. 1981	Elemental diet	7.5	7.6	8.1
	PNTWIN	Dec. 1993	Glucose, electrolyte and amino acid infusion for total parenteral nutrition	4.3	5.2	6.6
	heparin	Apr. 1972	Anticoagulant	3.6	3.8	4.1
	TWINPAL	Sept. 2004	Peripheral infusion with glucose, electrolyte and amino acids	2.8	2.2	0.4
	NIFLEC	June 1992	Oral cleaning solution for the intestine	2.5	2.5	2.2
	AK-SOLITA	Nov. 1970	Hemodialysis solutions for use in artificial kidneys	2.0	2.7	3.1
	ELEMENMIC	Apr. 1992	Trace mineral mixture for total parenteral nutrition	1.8	2.1	2.3
	HEPAN ED	Sept. 1991	Elemental diet for hepatic failure	1.7	1.8	1.8
Lifestyle-related diseases	*ATELEC*	Dec. 1995	Long-acting calcium channel blocker	11.5	10.0	8.2
	ACTONEL	May 2002	Osteoporosis treatment	9.3	8.9	7.6
	FASTIC	Aug. 1999	Diabetes mellitus. Fast-acting insulin secretagogue	5.9	6.0	6.0

**Effect of NHI price revisions implemented in April 2006: approx. -7%.*

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Other

Sales in this segment decreased 1.3%, or ¥0.7 billion, to ¥58.8 billion. Operating income decreased 12.0%, ¥0.3 billion, to ¥2.8 billion.

Net Sales by Business and Region

(Years ended March 31) (Millions of yen)

		Japan	Asia	The Americas	Europe	Total
Domestic Food Products	2007	¥606.0	¥ 5.7	¥ 4.0	¥ 1.6	¥ 617.2
	2006	602.2	2.2	2.9	1.3	608.6
Overseas Food Products	2007	¥ 0.1	¥100.2	¥18.9	¥ 8.4	¥ 127.7
	2006	0.1	78.1	15.3	6.1	99.6
Amino Acids	2007	¥ 71.4	¥ 23.0	¥69.7	¥107.3	¥ 271.4
	2006	64.8	32.7	58.5	99.8	255.8
Pharmaceuticals	2007	¥ 83.3	¥ —	¥ —	¥ —	¥ 83.3
	2006	83.2	—	—	—	83.2
Other	2007	¥ 52.9	¥ 5.9	¥ —	¥ —	¥ 58.9
	2006	54.4	5.3	—	—	59.6
Total	2007	¥813.8	¥134.8	¥92.6	¥117.3	¥1,158.5
	2006	804.6	118.3	76.7	107.2	1,106.8

Note: Unaudited figures; for reference only.

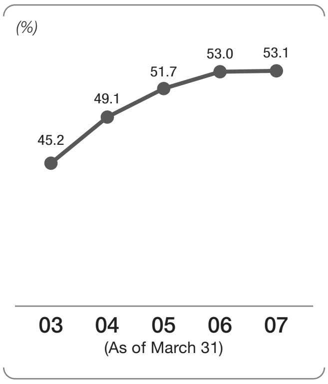
Liquidity and Financial Condition

Total assets as of March 31, 2007 were ¥1,061.6 billion, ¥64.2 billion more than the ¥997.4 billion recorded one year earlier. The amount of marketable securities recorded on the balance sheet decreased, but the key factors contributing to this overall increase include the higher value recorded from the assets of overseas subsidiaries due to the weakening of the yen, and increased operating assets, capital expenditure, and others in line with expansion of the earnings foundation.

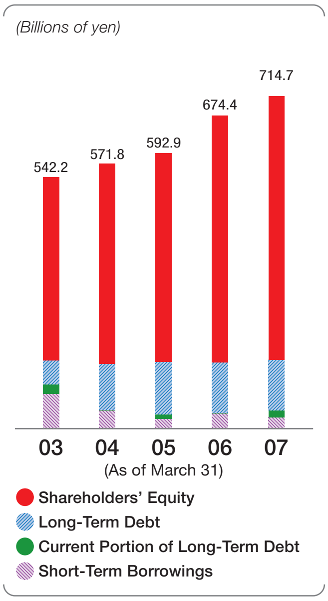
Total interest-bearing debt was ¥151.2 billion, ¥5.5 billion higher than March 31, 2006, due to procuring funds for capital and other investment partly through borrowing, and other factors.

Net assets increased ¥78.8 billion compared to March 31, 2006, due to factors such as the inclusion of minority interests as a result of the change in accounting treatment and higher operating revenue. Shareholders' equity, which is net assets minus minority interests, was ¥563.4 billion, and the shareholders' equity ratio was 53.1%.

Shareholders' Equity Ratio



Total Capital



Balance Sheet (Excerpts)

As of March 31	Millions of yen (Percentage of respective total) 2007		Millions of yen (Percentage of respective total) 2006		Thousands of U.S. dollars 2007
Total assets	1,061,688	(100.0%)	997,405	(100.0%)	8,997,356
Notes and accounts receivable	205,083	(19.3)	195,841	(19.6)	1,737,997
Cash and cash equivalents	81,486	(7.7)	75,133	(7.5)	690,559
Inventories	122,652	(11.6)	108,324	(10.9)	1,039,424
Investments and long-term advances	144,247	(13.6)	154,341	(15.5)	1,222,432
Property, plant and equipment	385,928	(36.4)	341,950	(34.3)	3,270,576
Total liabilities	454,103	(42.8)	435,997	(43.7)	3,848,330
Notes and accounts payable	122,804	(11.6)	109,966	(11.0)	1,040,712
Short-term borrowings	27,734	(2.6)	34,851	(3.5)	235,034
Current portion of long-term debt	15,401	(1.5)	410	(0.0)	130,517
Accrued income taxes	12,122	(1.1)	7,274	(0.7)	102,729
Long-term debt	108,088	(10.2)	110,382	(11.1)	916,000
Shareholders' equity	563,446	(53.1)	528,762	(53.0)	4,697,746

Notes: Shareholders' equity for the year ended March 31, 2007 = Net assets - minority interests

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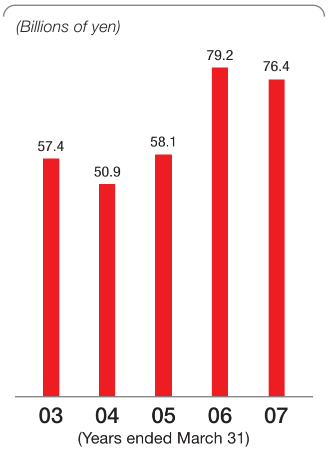
Capital Expenditure



Cash Flow

Net cash provided by operating activities increased ¥20.5 billion over the previous year to ¥75.7 billion. The main factors behind this increase were higher operating income and lower income taxes paid. In addition, the amount was influenced by early payments received for accounts receivable, and the carrying over of accounts payable, due to the fact that the final day of the financial year fell on a bank holiday.

Net cash used in investing activities was ¥67.9 billion. This decrease mainly reflects the acquisition during the previous year of shares in the Amoy Food Group.

Net cash used in financing activities was ¥5.5 billion.

As a result of the foregoing, cash and cash equivalents at March 31, 2007 was ¥81.4 billion, an increase of ¥6.3 billion compared to March 31, 2006.

Cash Flow Highlights

(Millions of yen)

Years ended March 31	2007	2006	2005
Net cash provided by operating activities	¥75,764	¥55,174	¥82,895
Net cash used in investing activities	(67,911)	(83,731)	(33,692)
Net cash provided by (used in) financing activities	(5,504)	6,640	(27,486)
Cash and cash equivalents at end of year	81,486	75,133	92,980

Outlook for the Fiscal Year Ending March 31, 2008

The Japanese economy is expected to continue its recovery, supported by domestic private-sector demand, despite a slight deceleration in the rise in consumer spending. Internationally, widespread economic expansion is also expected to continue, although there are causes for concern about the Japanese economy and overseas economies, such as the impact of the slowing down of the U.S. economy, crude oil and raw materials prices movements, and foreign exchange market fluctuations.

Given such conditions, in domestic food products Ajinomoto aims to boost sales of core products and further improving profitability through reducing production costs. In overseas food products Ajinomoto will focus on expanding sales of seasonings and developing its processed foods operations. In amino acids Ajinomoto intends to enhance production capabilities in response to growing demand and utilize the Group's technical expertise to further boost profitability. In pharmaceuticals Ajinomoto will seek to boost sales of top brands while working to maximize efficiencies in production and distribution and further reduce costs.

Ajinomoto's operating income target for the fiscal year ending March 31, 2008 for feed-use amino acids, which is part of the amino acids business, is ¥5.0-10.0 billion. This business is characterized by the significant influence exerted on the feed-use amino acid supply and demand balance by external factors, such as fluctuating markets for corn, soybean meal, and other grains, and competing companies opening new or additional facilities or withdrawing, factors which also influence prices and sales volumes. In projecting the impact of these factors, a lower limit of 1.5 U.S. dollars/kg (on a CIF basis) and an upper limit of 1.6 U.S. dollars/kg has been assumed for the price of feed-use Lysine, a key product of the feed-use amino acid business. The variation in profit depending on whether prices are at the lower or upper limit would be approximately ¥4.0 billion, and combined with the other products of this business, a profit variation is assumed of around ¥5.0 billion for the full year and approximately ¥2.0 billion for the fiscal first half.

As a result of the above, Ajinomoto forecasts consolidated sales for the fiscal year ending March 31, 2008 to increase 4.4% to ¥1,210.0 billion, and operating income to increase 17.6–25.4% to ¥75.0–80.0 billion. Ordinary income is forecast to increase 13.7–21.8% to ¥70.0–75.0 billion, with net income increasing 10.8–20.7% to ¥33.5–36.5 billion.

These forecasts are based on an assumed exchange rate of ¥115 to the U.S. dollar.

Management's Discussion and Analysis *(cont.)*

Ajinomoto Co., Inc. and Consolidated Subsidiaries
For fiscal 2006, ended March 31, 2007

Ajinomoto's Pharmaceutical Product Pipeline *(March 31, 2007)*

Field	Name	Development Status	Indication	Note
Infusions, Clinical Nutrition & Dialysis	*PARESAFE* for i.v. infusion [#1]	Approved [#1]	Peripheral parenteral infusion with glucose, electrolyte, amino acids and vitamin B1	Peripheral parenteral infusion with vitamin B1 in double chamber container
	CARBBOSTAR	Approved	Dialysate	Acetate-free dialysate, liquid formulation and powdered formulation (Former code: SZ-D21)
Gastrointestinal diseases [*1]	AJM300	Phase II	Inflammatory bowel disease	
Lifestyle-related diseases [*2]	*FASTIC*	NDA filed	Diabetes	Additional indication/Combination use with biguanide agent
	FASTIC	NDA filed	Diabetes	Additional indication/Combination use with insulin-sensitising agent
	nateglinide [1]	Phase III [1] (Overseas)	Diabetes	Additional indication/Impaired glucose tolerance
	ACTONEL [#2]	NDA filed [#2]	Osteoporosis	Additional formulation/Once-a-week dosage formulation
	ACTONEL	Phase III	Paget's disease	Additional indication/Orphan drug designation
	AJD101	Phase I (Overseas) PC (Japan)	Diabetes	
	SGLT2 inhibitor [2]	Phase I [2] (Overseas)	Diabetes	
Other	AC-7700 (AVE-8062) [3]	Phase I [3] (Overseas)	Solid tumor	

**1 Ajinomoto's research and development in the field of gastrointestinal disease is centered on liver diseases and inflammatory bowel disease (iBD).*
**2 Ajinomoto's research and development in the field of lifestyle-related diseases is centered on diabetes.*
1 Clinical studies are being conducted by Novartis Pharma AG (exclusive licensee outside Japan and Korea for the rights to develop, manufacture and sell the drug).
2 Clinical studies are being conducted by Boehringer Ingelheim (worldwide exclusive licensee for the rights to develop, manufacture and sell the drug.) Ajinomoto retains a co-promotion right in Japan.
3 Clinical studies are being conducted by Sanofi-Aventis SA (worldwide exclusive licensee for the rights to develop, manufacture and sell the drug).
#1 Launched in April 2007.
#2 Manufacturing and marketing approval obtained in April 2007.

Operational Risk

Operational risks faced by Ajinomoto that could affect its performance and financial position, including the share price of Ajinomoto Co., Inc., are outlined as follows. Future risks outlined in this document are as judged by the Group as of March 31, 2007.

Exchange rate risk

The Ajinomoto Group, including Ajinomoto Co., Inc. and related companies, is further establishing and strengthening its global manufacturing and supply structure. The Group operates in 23 countries and regions including Japan, with manufacturing plants at 102 sites in 16 of these countries and regions. The relative importance of overseas operations is therefore very high. In the fiscal years to March 31, 2006 and March 31, 2007 sales to outside parties in countries other than Japan (i.e. Asia, the Americas and Europe) were ¥302.1 billion and ¥344.7 billion respectively, comprising 27.3% and 29.8% of consolidated sales. Operating income derived from these regions in the same periods was ¥16.6 billion and ¥20.6 billion, comprising 27.6% and 32.4% of consolidated operating income. Ajinomoto hedges these associated exchange risks with forward exchange contracts and other mechanisms, but there remains the potential for exchange rate fluctuations impacting on business results.

Changes in Market Conditions

In the amino acids business Ajinomoto handles feed-use amino acids. The unit price for products in this market tends to be affected by changes in the grain market and by demand trends for feed-use amino acids. Ajinomoto seeks to reduce and diversify such risks by handling a variety of amino acids (Lysine, Threonine and Tryptophan) while also working to stabilize and improve profitability by reducing costs related to fermentation technologies. However, the possibility remains of the Group's financial performance being affected by fluctuations in the grain market and demand trends.

Natural disasters, social disruption, political changes

Building on business foundations in Japan, Ajinomoto is actively pursuing development in overseas markets. Some of the risks accompanying this development are as follows, and each of the foreseeable risks outlined could impact on the Group's performance if they occur.

- 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
- Natural disasters such as earthquakes

Laws and regulations

Within Japan Ajinomoto endeavors to comply with all laws and regulations relating to food, pharmaceuticals, the environment and recycling and so on. At the same time, in each of the other countries Ajinomoto operates in the Group seeks to meet all legal obligations, 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 legal changes may be introduced that cannot currently be foreseen, 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 foods industry, relating to matters such as BSE, avian flu, and product safety and quality. Ajinomoto has in place strict internal procedures and policies to maintain the highest standards of product quality, including group-wide 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' on which its business foundations are built. The possibility remains, however, that universal issues affecting product quality may arise, or that problems may arise outside of those areas controlled by the processes outlined above, and in such cases an adverse impact on the Group's performance may occur.

Litigation (As of June 7, 2007)

The Group is now involved in lawsuits and other incidents in and outside of Japan. In addition, the Group has been diversifying and expanding its business in and to a larger number of countries and there thus is a possibility that the Group will be involved in unexpected new lawsuits, complaints and other incidents.

The incidents in which the Group is currently involved include lawsuits brought in the United States claiming damages on the ground of violation of U.S. anti-trust law by persons who allegedly purchased aspartame, and lawsuits brought in France by persons who allegedly purchased feed-use Lysine claiming damages on the ground of violation of EU competition law. Of these, the aspartame cases are still at a preliminary stage and the amounts of damages claimed are not specified in these cases. In the feed-use Lysine cases in France, the total amount of the damages claimed is 2,435,000 euros.

In Brazil, an investigation is currently under way on the ground of possible violation of Brazil's antitrust law in relation to the sale of feed-use Lysine in or prior to 1995.

These kinds of incidents entail uncertainty and it is therefore difficult to foresee the outcomes of the current and future incidents in which the Group is or might be involved. Depending on their outcomes, the Group may possibly be affected.

Changes in cost of raw materials

The prices of certain raw materials and energy resources including crude oil used by Ajinomoto are liable to fluctuate according to market conditions. The number of factors influencing fluctuations in raw material prices is increasing, including poor crop harvests due to unseasonable weather resulting from global warming, and higher prices of grain caused by rising demand for ethanol. In cases where higher manufacturing costs resulting from significant price rises cannot be absorbed by reducing costs with technical developments or other reforms, or in situations where higher costs cannot be reflected in unit prices, an adverse impact on the Group's performance may occur.

Information leaks

Ajinomoto obtains a substantial quantity of customer information through mail-order services, marketing campaigns and other activities. To prevent the leakage or other misuse of this information the Group has formulated an 'Ajinomoto Group Information Security Policy', and through measures such as distributing an internal 'Information Handling Guidebook' and training programs is implementing appropriate measures to maintain information security, including the security of IT systems. However, risks such as those from hacking, unauthorized access or other information leakages, remain. Furthermore, computer viruses could temporarily damage the Group's computer systems. These may adversely impact Ajinomoto's financial position and business performance.

Consolidated Balance Sheets

Ajinomoto Co., Inc. and Consolidated Subsidiaries
As of March 31, 2007 and 2006

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 81,486	¥ 75,133	$ 690,559
Time deposits and short-term investments *(Note 14)*	503	1,263	4,263
Notes and accounts receivable:			
Trade	197,647	187,800	1,674,975
Unconsolidated subsidiaries and affiliates	8,580	9,166	72,717
Allowance for doubtful receivables	(1,144)	(1,125)	(9,695)
Inventories *(Note 3)*	122,652	108,324	1,039,424
Deferred tax assets *(Note 6)*	11,442	10,787	96,966
Prepaid expenses and other current assets	38,955	34,640	330,127
Total current assets	460,126	425,991	3,899,373
Investments and long-term advances *(Note 14)*:			
Investments in and advances to unconsolidated subsidiaries and affiliates	75,763	68,785	642,059
Investment securities	60,170	78,213	509,915
Other advances	8,314	7,342	70,458
Total investments and long-term advances	144,247	154,341	1,222,432
Property, plant and equipment *(Note 5)*:			
Land	59,708	55,611	506,000
Buildings and structures	312,585	272,416	2,649,025
Machinery and equipment	585,408	554,107	4,961,085
	957,702	882,135	8,116,119
Accumulated depreciation	(571,773)	(540,184)	(4,845,534)
Property, plant and equipment, net	385,928	341,950	3,270,576
Other assets:			
Deferred tax assets *(Note 6)*	7,485	6,616	63,432
Other	63,900	68,505	541,525
Total other assets	71,385	75,122	604,958
Total assets	¥1,061,688	¥ 997,405	$ 8,997,356

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets *(cont.)*

Ajinomoto Co., Inc. and Consolidated Subsidiaries
As of March 31, 2007 and 2006

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)			
Current liabilities:			
Short-term borrowings *(Notes 4 and 5)*	¥ 27,734	¥ 34,851	$ 235,034
Current portion of long-term debt *(Notes 4 and 5)*	15,401	410	130,517
Notes and accounts payable *(Note 5)*:			
Trade	76,236	63,809	646,068
Unconsolidated subsidiaries and affiliates	45,793	45,283	388,076
Construction	775	874	6,568
Accrued income taxes *(Note 6)*	12,122	7,274	102,729
Deferred tax liabilities *(Note 6)*	—	12	—
Accrued expenses and other current liabilities	88,390	85,325	749,068
Total current liabilities	266,453	237,840	2,258,076
Long-term liabilities:			
Long-term debt *(Notes 4 and 5)*	108,088	110,382	916,000
Customers' deposits received	13,232	13,298	112,136
Accrued employees' retirement benefits *(Note 7)*	51,421	57,234	435,771
Accrued officers' severance benefits	2,201	1,607	18,653
Deferred tax liabilities *(Note 6)*	5,186	9,076	43,949
Other long-term liabilities	7,520	6,558	63,729
Total long-term liabilities	187,650	198,157	1,590,254
Net assets:			
Shareholders' equity *(Notes 8 and 18):*			
Common stock, without par value:			
Authorized: 2007 – 1,000,000,000 shares			
Issued: 2007 – 649,981,740 shares	79,863	—	676,805
Capital surplus	111,581	—	945,602
Retained earnings	365,791	—	3,099,924
Treasury stock at cost:			
2,334,244 shares in 2007	(2,902)	—	(24,593)
Total shareholders' equity	554,334	—	4,697,746
Valuation, translation adjustments and others:			
Unrealized holding gain on securities	15,633	—	132,483
Unrealized gain from hedging instruments	27	—	229
Translation adjustments	(6,549)	—	(55,500)
Total valuation, translation adjustments and others	9,111	—	77,212
Minority interests	44,138	—	374,051
Total net assets	607,584	—	5,149,017
Contingent liabilities *(Note 11)*			
Total liabilities and net assets	¥1,061,688	—	$8,997,356
Minority interests	—	32,644	—
Shareholders' equity *(Note 8):*			
Common stock, without par value:			
Authorized: 2006 – 1,000,000,000 shares			
Issued: 2006 – 649,981,740 shares	—	79,863	—
Capital surplus	—	111,579	—
Retained earnings	—	341,528	—
Unrealized holding gain on securities	—	23,848	—
Translation adjustments	—	(25,547)	—
Treasury stock at cost:			
2,043,808 shares in 2006	—	(2,510)	—
Total shareholders' equity	—	528,762	—
Total liabilities and shareholders' equity	—	¥997,405	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2007, 2006, and 2005

	2007	2006	2005	2007
		(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales	¥1,158,510	¥1,106,807	¥1,073,010	$9,817,881
Cost of sales *(Note 9)*	828,050	795,007	760,554	7,017,373
Gross profit	330,459	311,799	312,455	2,800,500
Selling, general and administrative expenses *(Note 9)*	266,658	251,476	241,538	2,259,814
Operating income	63,800	60,322	70,916	540,678
Other income (expenses):				
Interest expense	(5,008)	(3,292)	(3,020)	(42,441)
Interest and dividend income	2,610	2,567	2,537	22,119
Unrealized loss on securities	(372)	(99)	(104)	(3,153)
Gain on sales of securities	5,280	1,314	11,202	44,746
Loss on impairment of fixed assets	(1,769)	—	(6,075)	(14,992)
Loss on liquidation of affiliates	(22)	(872)	(124)	(186)
Equity in earnings of affiliates	3,920	3,703	3,263	33,220
Other, net	(12,718)	(6,473)	3,142	(107,780)
	(8,079)	(3,153)	10,821	(68,466)
Income before income taxes and minority interests	55,721	57,169	81,737	472,212
Income taxes *(Note 6)*:				
Current	22,125	15,800	28,513	187,500
Deferred	118	3,510	5,826	1,000
	22,243	19,311	34,340	188,500
Minority interests	(3,248)	(2,945)	(2,580)	(27,525)
Net income *(Note 12)*	¥ 30,229	¥ 34,912	¥ 44,817	$ 256,178

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized holding gain on securities	Unrealized gain from hedging instruments	Translation adjustments	Minority interests	Total net assets
	(Millions of yen)								
Balance at March 31, 2006	¥79,863	¥111,579	¥341,528	¥ (2,510)	¥23,848	¥ —	¥ (25,547)	¥32,644	¥561,407
Changes for the year ended March 31, 2007									
Cash dividends paid			(4,535)						(4,535)
Bonuses to directors and statutory auditors			(156)						(156)
Interim cash dividends paid			(4,534)						(4,534)
Net income			30,229						30,229
Changes in useful lives of fixed assets applied by overseas subsidiaries			3,308						3,308
Pension liability adjustment of an overseas subsidiary			(21)						(21)
Exclusion from equity method of accounting			(26)	13					(12)
Purchases of treasury stock				(439)					(439)
Disposition of treasury stock		2		33					35
Net changes in items other than those in shareholders' equity					(8,215)	27	18,998	11,493	22,304
Total changes for the year ended March 31, 2007	—		24,262	(392)	(8,215)	27	18,998	11,493	46,177
Balance at March 31, 2007	¥79,863	¥111,581	¥365,791	¥(2,902)	¥15,633	¥27	¥ (6,549)	¥44,138	¥607,584

	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized holding gain on securities	Unrealized gain from hedging instruments	Translation adjustments	Minority interests	Total net assets
	(Thousands of U.S. dollars)								
Balance at March 31, 2006	$676,805	$945,585	$2,894,305	$ (21,271)	$202,102	$ —	$ (216,500)	$276,644	$4,757,686
Changes for the year ended March 31, 2007									
Cash dividends paid			(38,432)						(38,432)
Bonuses to directors and statutory auditors			(1,322)						(1,322)
Interim cash dividends paid			(38,424)						(38,424)
Net income			256,178						256,178
Changes in useful lives of fixed assets applied by overseas subsidiaries			28,034						28,034
Pension liability adjustment of an overseas subsidiary			(178)						(178)
Exclusion from equity method of accounting			(220)	110					(102)
Purchases of treasury stock				(3,720)					(3,720)
Disposition of treasury stock		17		280					297
Net changes in items other than those in shareholders' equity					(69,619)	229	161,000	97,398	189,017
Total changes for the year ended March 31, 2007	—	17	205,610	(3,322)	(69,619)	229	161,000	97,398	391,331
Balance at March 31, 2007	$676,805	$945,602	$3,099,924	$ (24,593)	$132,483	$229	$ (55,500)	$374,051	$5,149,017

See accompanying notes to consolidated financial statements.

Consolidated Statement of Shareholders' Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	2006	2005
	(Millions of yen)	
Common stock		
Beginning of year	¥ 79,863	¥ 79,863
End of year	¥ 79,863	¥ 79,863
Capital surplus		
Beginning of year	¥111,579	¥111,579
Add:		
Gain on sales of treasury stock	—	0
Deduct:		
Loss on sales of treasury stock	0	—
End of year	¥111,579	¥111,579
Retained earnings		
Opening balance	¥315,981	¥279,539
Adjustments to retained earnings for inclusion in or exclusion from consolidation or equity method of accounting and other	(85)	(350)
Beginning of year	315,895	279,188
Add:		
Net income	34,912	44,817
Deduct:		
Cash dividends paid	(9,073)	(7,780)
Bonuses to directors and statutory auditors	(206)	(243)
End of year	¥341,528	¥315,981
Unrealized holding gain on securities		
Balance at beginning of the year	¥ 9,239	¥ 13,413
Net change during the year	14,609	(4,173)
Balance at end of the year	¥ 23,848	¥ 9,239
Translation adjustments		
Balance at beginning of the year	¥ (47,116)	¥ (54,436)
Net change during the year	21,568	7,320
Balance at end of the year	¥ (25,547)	¥ (47,116)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	2007	2006	2005	2007
	(Millions of yen)			(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 55,721	¥ 57,169	¥ 81,737	$ 472,212
Depreciation and amortization	45,138	40,341	39,854	382,525
Loss on impairment of fixed assets	1,769	—	6,075	14,992
Amortization of excess of cost over net assets acquired	4,650	4,421	4,219	39,407
Accrued employees' retirement benefits	(6,236)	(6,326)	(6,365)	(52,847)
Accrued officers' severance benefits	500	(255)	273	4,237
Interest and dividend income	(2,610)	(2,567)	(2,537)	(22,119)
Interest expense	5,008	3,292	3,020	42,441
Equity in earnings of affiliates	(3,920)	(3,703)	(3,263)	(33,220)
Gain on sales of securities	(4,092)	(1,634)	(6,860)	(34,678)
Loss on revaluation of securities	121	92	104	1,025
(Gain) loss on sales of investments in affiliates	(1,188)	319	(4,341)	(10,068)
Notes and accounts receivable	(4,598)	(1,734)	(7,435)	(38,966)
Notes and accounts payable	8,957	(612)	(738)	75,907
Settlement package	—	—	2,048	—
Penalty paid	—	—	131	—
Other	(5,518)	(7,915)	(5,175)	(46,763)
Subtotal	93,700	80,887	100,746	794,068
Interest and dividends received	3,610	4,375	4,041	30,593
Interest paid	(3,899)	(2,596)	(2,887)	(33,042)
Settlements package	(1,993)	—	(150)	(16,890)
Income taxes paid	(15,654)	(27,490)	(18,855)	(132,661)
Net cash provided by operating activities	75,764	55,174	82,895	642,068
Cash flows from investing activities				
Decrease in marketable securities	—	—	156	—
Acquisition of property, plant and equipment	(72,201)	(62,628)	(52,691)	(611,873)
Proceeds from sales of property, plant and equipment	604	9,862	13,883	5,119
Acquisition of intangible assets, net of proceeds	(4,001)	(9,317)	(4,969)	(33,907)
Acquisition of investments in securities	(424)	(1,993)	(6,088)	(3,593)
Proceeds from sales of investments in securities	8,783	3,521	12,713	74,432
Acquisition of subsidiaries' stock resulting in change in scope of consolidation	2,299	(19,612)	—	19,483
Acquisition of shares of affiliates	(6,400)	(2,379)	(2,972)	(54,237)
Proceeds from sales of shares of affiliates	2,742	5	5,952	23,237
Other	685	(1,190)	323	5,805
Net cash used in investing activities	(67,911)	(83,731)	(33,692)	(575,517)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings	1,277	(2,434)	(6,163)	10,822
(Decrease) increase in commercial paper	(10,000)	10,000	(10,000)	(84,746)
Proceeds from long-term debt	14,665	21,383	1,073	124,280
Repayment of long-term debt	(2,509)	(3,064)	(4,003)	(21,263)
Repayment of bonds	—	(10,000)	—	—
Cash dividends paid	(9,063)	(9,073)	(7,776)	(76,805)
Acquisition of shares of treasury stock	(439)	(301)	(450)	(3,720)
Other	564	131	(165)	4,780
Net cash (used in) provided by financing activities	(5,504)	6,640	(27,486)	(46,644)
Effect of exchange rate changes on cash and cash equivalents	4,732	3,928	1,474	40,102
Increase (decrease) in cash and cash equivalents	7,080	(17,987)	23,191	60,000
Cash and cash equivalents at beginning of year	75,133	92,980	69,526	636,720
Increase due to inclusion of subsidiaries in consolidation	164	140	262	1,390
Decrease due to exclusion of subsidiaries in consolidation	(891)	—	—	(7,551)
Cash and cash equivalents at end of year	¥ 81,486	¥ 75,133	¥ 92,980	$ 690,559

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2007

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 method basis. All significant intercompany balances and transactions are eliminated in consolidation.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method have been amortized by the straight-line method over periods of the estimated useful economic lives, except for the immaterial difference which is fully charged to income in the year of acquisition.

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 balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except for the components of net assets excluding minority interests (shareholders' equity in 2006) which are translated at their historical exchange rates.

Until the year ended March 31, 2005, the revenue and expense accounts had been translated at the rates of exchange in effect at the balance sheet date. However, effective the year ended March 31, 2006, these accounts have been translated at the average rate of exchange in effect during the year.

The effect of this change was to decrease net sales, gross profit, operating income, income before income taxes and minority interests, and net income by ¥16,893 million, ¥5,277 million, ¥1,098 million, ¥1,003 million and ¥482 million, respectively, for the year ended March 31, 2006 as compared with the corresponding amounts under the previous method. The effect of this change on segment information is explained in Note 17.

Differences arising from translation are presented as translation adjustments and minority interests in the consolidated balance sheets.

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 two categories: held-to-maturity or other securities. 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 net assets (shareholders' equity in 2006). 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 are 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.

The Company and domestic consolidated subsidiaries have adopted an accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation or amortization, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies are 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 asset 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 are grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows of other groups of assets.

h. Leases

Non-cancelable 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. 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.

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.

j. 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.

k. Research and Development Expenses

Research and development expenses are charged to income when incurred.

l. 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.

With respect to interest rate swaps which qualify as hedging instruments, however, any differences paid or received on the interest rate swaps are recognized as adjustments to interest expense over the life of each swap, thereby adjusting the effective interest rate on the hedged items.

m. Accounting Standard for the Presentation of Net Assets in the Balance Sheet

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. Shareholders' equity under the previous presentation method amounted to ¥563,418 million ($4,774,729 thousand) as of March 31, 2007. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity.

n. Accounting Standard for Bonuses to Directors and Statutory Auditors

Effective the year ended March 31, 2007, the Company and domestic consolidated subsidiaries have adopted a new accounting standard for bonuses to directors and statutory auditors which requires that such bonuses be recorded as expenses in the year incurred.

The effect of adoption of this standard was to decrease operating income and income before income taxes and minority interests by ¥177 million ($1,500 thousand) for the year ended March 31, 2007 from the corresponding amounts which would have been recorded under the previous method.

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 ¥118 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007.

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.

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3. Inventories

Inventories at March 31, 2007 and 2006 consisted of the following:

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Finished goods	¥ 72,545	¥ 60,978	$ 614,788
Work in process	19,357	17,533	164,042
Raw materials and supplies	30,749	29,812	260,585
	¥122,652	¥108,324	$1,039,424

4. 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, 2007 and 2006 ranged from 0.33% to 17.5% and from 0.32% to 16.5%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Bonds without collateral:			
2.675% bonds due 2008	¥ 15,000	¥ 15,000	$ 127,119
2.050% bonds due 2009	20,000	20,000	169,492
0.360% bonds due 2011	15,000	15,000	127,119
0.620% bonds due 2014	20,000	20,000	169,492
0.710% bonds due 2016	15,000	15,000	127,119
Loans from banks, insurance companies and government-sponsored agencies:			
With collateral	2,727	2,989	23,110
Without collateral	35,762	22,803	303,068
	123,489	110,792	1,046,517
Current portion	(15,401)	(410)	(130,517)
	¥108,088	¥110,382	$ 916,000

The annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2008	¥ 15,401	$ 130,517
2009	22,846	193,610
2010	3,808	32,271
2011	16,854	142,831
2012 and thereafter	64,580	547,288
	¥123,489	$1,046,517

5. Pledged Assets

The assets pledged as collateral for short-term borrowings, notes and accounts payable and long-term debt at March 31, 2007 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Property, plant and equipment, at net book value	¥7,937	$67,263

Notes to Consolidated Financial Statements *(cont.)*

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2007

6. 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 40.6% in 2007, 2006 and 2005. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2007 and 2005 have not been disclosed because such differences were less than 5% of the statutory tax rate.

The effective tax rate reflected in the consolidated statements of income for the year ended March 31, 2006 differs from the statutory tax rate for the following reasons:

	2006
Statutory tax rate	40.6%
Effect of:	
Special deduction of income taxes	(10.2)
Impairment loss	(5.6)
Net loss of consolidated subsidiaries	6.7
Different tax rates applied to income of foreign consolidated subsidiaries	(3.7)
Dividend income deductible for income tax purposes	4.5
Other, net	1.4
Effective tax rate	33.7%

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Inventories	¥ 527	¥ 340	$ 4,466
Securities	1,624	1,577	13,763
Property, plant and equipment	2,844	2,281	24,102
Accrued retirement benefits	21,084	23,690	178,678
Accrued expenses	2,627	2,503	22,263
Accrued bonuses	4,257	4,086	36,076
Unrealized profit	3,757	3,462	31,839
Accrued enterprise tax	1,200	930	10,169
Loss on impairment of fixed assets	2,965	2,349	25,127
Allowance for doubtful receivables	324	341	2,746
Not operating loss of consolidated subsidiaries	1,114	1,145	9,441
Other	2,106	1,639	17,847
Gross deferred tax assets	44,434	44,348	376,559
Valuation allowance	(6,401)	(5,579)	(54,246)
Total deferred tax assets	38,033	38,769	322,314
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	9,625	10,565	81,568
Unrealized gain on land	2,788	2,861	23,627
Unrealized holding gain on securities	9,849	15,307	83,466
Other	2,027	1,719	17,178
Total deferred tax liabilities	24,290	30,454	205,847
Net deferred tax assets	¥ 13,742	¥ 8,314	$ 116,458

Notes to Consolidated Financial Statements *(cont.)*

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2007

7. 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, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation	¥(270,037)	¥(269,675)	$(2,288,449)
Plan assets at fair value	204,368	196,305	1,731,932
Unfunded retirement benefit obligation	(65,669)	(73,369)	(556,517)
Unrecognized actuarial gain or loss	29,242	33,300	247,814
Unrecognized prior service cost	(14,995)	(17,165)	(127,076)
Accrued retirement benefits	¥ (51,421)	¥ (57,234)	$ (435,771)

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

The components of retirement benefit expenses for the years ended March 31, 2007, 2006 and 2005 are outlined as follows:

	2007	2006	2005	2007
	(Millions of yen)			(Thousands of U.S. dollars)
Service cost	¥ 5,803	¥ 5,774	¥ 5,811	$ 49,178
Interest cost	6,639	6,605	6,269	56,263
Expected return on plan assets	(6,692)	(6,020)	(5,678)	(56,712)
Amortization of prior service cost	(2,317)	(2,290)	(2,283)	(19,636)
Amortization of actuarial gain or loss	6,015	5,504	5,595	50,975
Other	632	1,541	532	5,356
Total	¥10,082	¥11,115	¥10,247	$ 85,441

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

	As of March 31,	
	2007	2006
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 3.5%	Mainly 3.5%

8. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

9. Research and Development Expenses

Research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2007, 2006 and 2005 were ¥31,762 million ($269,169 thousand), ¥30,535 million and ¥28,432 million, respectively.

10. 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, 2007 and 2006, 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:

	March 31, 2007							
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
	(Millions of yen)				(Thousands of U.S. dollars)			
Buildings and structures	¥ 1,598	¥ 91	¥1,352	¥ 154	$ 13,542	$ 771	$11,458	$ 1,305
Machinery and equipment	10,650	4,104	118	6,427	90,254	34,780	1,000	54,466
Total	¥12,248	¥4,195	¥1,471	¥6,581	$103,797	$35,551	$12,466	$55,771

	March 31, 2006			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
	(Millions of yen)			
Buildings and structures	¥ 1,521	¥ 78	¥1,352	¥ 89
Machinery and equipment	12,092	4,711	77	7,302
Total	¥13,613	¥4,790	¥1,430	¥7,392

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,830 million ($15,508 thousand), ¥2,494 million and ¥1,796 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, 2007, 2006 and 2005, respectively. Impairment loss recorded on such leased assets amounted to ¥56 million ($475 thousand) for the year ended March 31, 2007 and ¥1,430 million for the year ended March 31, 2005. The reversals of impairment loss applicable the above lease payments for the years ended March 31, 2007 and 2006 amounted to ¥95 million ($805 thousand) and ¥112 million, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2008	¥1,810	$15,339
2009 and thereafter	6,045	51,229
Total	¥7,855	$66,568
Accumulated impairment loss on leased assets	¥1,273	$10,788

Future minimum lease payments subsequent to March 31, 2007 for operating leases are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2008	¥ 791	$ 6,703
2009 and thereafter	5,062	42,898
Total	¥5,853	$49,602

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, 2007 and 2006:

	March 31, 2007					
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
	(Millions of yen)			(Thousands of U.S. dollars)		
Machinery and equipment	¥193	¥83	¥110	$1,636	$703	$932

	March 31, 2006		
	Acquisition costs	Accumulated depreciation	Net book value
	(Millions of yen)		
Machinery and equipment	¥156	¥56	¥99

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥43 million ($364 thousand), ¥56 million and ¥1 million for the years ended March 31, 2007, 2006 and 2005, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥43 million ($364 thousand), ¥56 million and ¥1 million for the years ended March 31, 2007, 2006 and 2005, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2007 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)
2008	¥ 43	$364
2009 and thereafter	66	559
Total	¥110	$932

Future minimum lease income subsequent to March 31, 2007 for operating leases are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2008	¥ 81	$ 686
2009 and thereafter	287	2,432
Total	¥368	$3,119

11. Contingent Liabilities

At March 31, 2007, 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	¥2,471	$20,941
As guarantor of indebtedness of unconsolidated subsidiaries, affiliates and employees	529	4,483
	¥3,000	$25,424

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Ajinomoto Co., Inc. and Consolidated Subsidiaries
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12. Amounts Per Share

	2007	2006	2005	2007
	(Yen)			(U.S. dollars)
Net income	¥ 46.7	¥ 53.6	¥ 68.8	$0.396
Cash dividends	15.0	14.0	13.0	0.127
Net assets	870.0	815.8	720.6	7.373

Net income per share is 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 are computed based on the net assets excluding minority interests (the amounts of shareholders' equity in 2006 and 2005) 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.

13. Related Party Transactions

The Company purchased goods for resale in aggregate amounts of ¥202,580 million ($1,716,780 thousand) and ¥204,590 million from Calpis Co., Ltd. and Ajinomoto General Foods, Inc., its major affiliates, which were accounted for by the equity method for the year ended March 31, 2007 and 2006, respectively. The purchase prices were negotiated on an arm's-length basis based on the final retail prices of the Company.

14. Securities

a) Information regarding marketable securities classified as other securities at March 31, 2007 and 2006 is as follows:

	March 31, 2007					
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)			(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥30,283	¥54,704	¥24,420	$256,636	$463,593	$206,949
Other	9	18	8	76	153	68
Subtotal	30,293	54,722	24,429	256,720	463,746	207,025
Securities whose acquisition cost exceeds their carrying value:						
Stock	1,346	1,191	(154)	11,407	10,093	(1,305)
Subtotal	1,346	1,191	(154)	11,407	10,093	(1,305)
Total	¥31,639	¥55,914	¥24,274	$268,127	$473,847	$205,712

	March 31, 2006		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥34,731	¥72,574	¥37,842
Other	5	5	0
Subtotal	34,736	72,579	37,842
Securities whose acquisition cost exceeds their carrying value:			
Stock	1,053	895	(157)
Other	—	—	—
Subtotal	1,053	895	(157)
Total	¥35,790	¥73,475	¥37,684

b) Sales of securities classified as other securities for the years ended March 31, 2007, 2006 and 2005 are summarized as follows:

	March 31,			
	2007	2006	2005	2007
	(Millions of yen)			(Thousands of U.S. dollars)
Proceeds from sales	¥8,783	¥3,521	¥12,713	$74,432
Gains on sales	4,093	1,634	6,860	34,686
Losses on sales	0	—	—	0

c) The redemption schedule for securities with maturity dates classified as other securities at March 31, 2007 is summarized as follows:

	March 31, 2007					
	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
	(Millions of yen)			(Thousands of U.S. dollars)		
Government bonds	¥—	¥0	¥—	$—	$0	$—
Total	¥—	¥0	¥—	$—	$0	$—

15. Derivative Transactions

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.

The Company is exposed to credit risk in the event of nonperformance by the counterparties to its derivatives 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 derivatives positions outstanding at March 31, 2007 and 2006:

1) Currency-related transactions

	March 31, 2007					
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)			(Thousands of U.S dollars)		
Forward foreign exchange contracts:						
Sell:						
US$	¥13,356	¥13,385	¥ (29)	$113,186	$113,432	$ (246)
Euro	2,240	2,270	(30)	18,983	19,237	(254)
Others	1,584	1,661	(78)	13,424	14,076	(661)
Buy:						
US$	3,322	3,340	17	28,153	28,305	144
Euro	6	6	0	51	51	0
Other	1,375	1,428	53	11,653	12,102	449
Options:						
Put options, Written:						
US$	513	41	0	4,347	347	0
Premium	40			339		
Call options, Purchased:						
US$	513	2	(13)	4,347	17	(110)
Premium	15			127		
Put options, Written:						
Euro	481	12	30	4,076	102	254
Premium	42			356		
Call options, Purchased:						
Euro	481	53	30	4,076	449	254
Premium	23			195		
Total			¥ (21)			$ (178)

	March 31, 2006		
	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)		
Forward foreign exchange contracts:			
Sell:			
US$	¥11,534	¥11,163	¥371
Euro	1,999	2,042	(43)
Others	2,347	2,376	(29)
Buy:			
US$	2,368	2,350	(18)
Euro	47	48	1
Other	732	724	(8)
Total			¥273

2) Interest-related transactions

	March 31, 2007					
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)			(Thousands of U.S dollars)		
Interest-rate swaps:						
Receive/fixed and pay/floating	¥ 185	¥ (1)	¥ (1)	$ 1,568	$ (8)	$ (8)
Currency swaps:						
Receive/JPY and pay/US$	11,512	(551)	(551)	97,559	(4,669)	(4,669)
Receive/JPY and pay/Euro	2,322	(37)	(37)	19,678	(314)	(314)
Receive/US$ and pay/JPY	1,641	42	42	13,907	356	356
Total			¥(548)			$(4,644)

	March 31, 2006		
	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)		
Interest-rate swaps:			
Receive/floating and pay/fixed	¥ —	¥ —	¥ —
Receive/fixed and pay/floating	1,521	(17)	(17)
Currency swaps:			
Receive/JPY and pay/US$	8,610	(217)	(217)
Total			¥(235)

16. 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, 2007 and 2006:

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S dollars)
Current assets	¥ 8,077	¥6,308	$ 68,449
Non-current assets	6,523	3,331	55,280
Total assets	¥14,600	¥9,640	$123,729
Current liabilities	¥ (1,615)	¥3,793	$ (13,686)
Non-current liabilities	(218)	2,597	(1,847)
Total liabilities	¥ (1,834)	¥6,390	$ (15,542)

The following is a summary of the assets and liabilities of subsidiaries which were excluded from consolidation upon sale of their stock for the year ended March 31, 2006:

	2006
	(Millions of yen)
Current assets	¥1,120
Non-current assets	2,303
Total assets	¥3,424
Current liabilities	¥2,442
Non-current liabilities	—
Total liabilities	¥2,442

17. 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 and mayonnaise type dressings, *PAL SWEET* (domestic market), delicatessen, bakery products, *amino VITAL,* frozen foods, edible oils, coffee, domestic beverages, chilled dairy products, etc.;
– Overseas food products segment, which includes *AJI-NO-MOTO,* flavor seasonings, instant noodles, beverages, etc.;
– Amino acids segment, which includes *AJI-NO-MOTO* for processed food manufacturers, nucleotides, various kinds of amino acids, aspartame, specialty chemicals, etc.;
– Pharmaceuticals segment, which includes pharmaceuticals, medical foods;
– Other segment, which includes distribution, various services, etc.

The business and geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2007, 2006 and 2005 are outlined as follows:

Business Segments

	Year ended March 31, 2007							
	Domestic food products	Overseas food products	Amino acids	Pharma-ceuticals	Other	Total	Corporate and eliminations	Consolidated
	(Millions of yen)							
I. Sales and operating income:								
Sales to third parties	¥617,172	¥127,723	¥271,417	¥83,325	¥ 58,870	¥1,158,510	¥ —	¥1,158,510
Intragroup sales	2,753	1,989	19,848	136	67,811	92,539	(92,539)	—
Total sales	619,926	129,713	291,265	83,462	126,682	1,251,049	(92,539)	1,158,510
Operating expenses	592,220	119,556	276,284	67,687	123,807	1,179,557	(84,847)	1,094,709
Operating income	¥ 27,705	¥ 10,156	¥ 14,980	¥15,774	¥ 2,874	¥ 71,492	¥ (7,691)	¥ 63,800
II. Assets, depreciation and capital expenditures:								
Total assets	¥311,371	¥ 90,189	¥370,371	¥81,745	¥ 75,129	¥ 928,808	¥132,880	¥1,061,688
Depreciation and amortization	8,834	3,325	22,989	3,462	2,148	40,759	4,378	45,138
Impairment losses on fixed assets	311	—	1,457	—	—	1,769	—	1,769
Capital expenditures	21,270	3,393	44,639	2,269	1,791	73,363	3,022	76,386

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	Year ended March 31, 2007							
	Domestic food products	Overseas food products	Amino acids	Pharma-ceuticals	Other	Total	Corporate and eliminations	Consolidated
	(Thousands of U.S. dollars)							
I. Sales and operating income:								
Sales to third parties	$5,230,271	$1,082,398	$2,300,144	$706,144	$ 498,898	$ 9,817,811	$ —	$9,817,881
Intragroup sales	23,331	16,856	168,203	1,153	574,669	784,229	(784,229)	—
Total sales	5,253,610	1,099,263	2,468,347	707,305	1,073,576	10,602,110	(784,229)	9,817,881
Operating expenses	5,018,814	1,013,186	2,341,390	573,619	1,049,212	9,996,246	(719,042)	9,277,195
Operating income	$ 234,788	$ 86,068	$ 126,949	$133,678	$ 24,356	$ 605,864	$ (65,178)	$ 540,678
II. Assets, depreciation and capital expenditures:								
Total assets	$2,638,737	$ 764,314	$3,138,737	$692,754	$ 636,686	$ 7,871,254	$1,126,102	$8,997,356
Depreciation and amortization	74,864	28,178	194,822	29,339	18,203	345,415	37,102	382,525
Impairment losses on fixed assets	2,636	—	12,347	—	—	14,992	—	14,992
Capital expenditures	180,254	28,754	378,297	19,229	15,178	621,720	25,610	647,339

	Year ended March 31, 2006							
	Domestic food products	Overseas food products	Amino acids	Pharma-ceuticals	Other	Total	Corporate and eliminations	Consolidated
	(Millions of yen)							
I. Sales and operating income:								
Sales to third parties	¥608,573	¥ 99,588	¥255,794	¥83,227	¥ 59,623	¥1,106,807	¥ —	¥1,106,807
Intragroup sales	2,929	1,949	22,476	107	65,925	93,387	(93,387)	—
Total sales	611,503	101,538	278,270	83,334	125,548	1,200,195	(93,387)	1,106,807
Operating expenses	579,700	96,520	263,450	70,756	122,281	1,132,709	(86,224)	1,046,484
Operating income	¥ 31,802	¥ 5,018	¥ 14,819	¥12,578	¥ 3,267	¥ 67,485	¥ (7,163)	¥ 60,322
II. Assets, depreciation and capital expenditures:								
Total assets	¥282,139	¥ 78,645	¥327,494	¥82,380	¥ 71,627	¥ 842,287	¥155,117	¥ 997,405
Depreciation and amortization	7,580	2,363	20,841	3,765	2,119	36,670	3,670	40,341
Impairment losses on fixed assets	—	—	—	—	—	—	—	—
Capital expenditures	12,398	4,277	48,040	2,717	1,446	68,880	10,282	79,162

As described in Note 1c., the Company changed its translation method of the revenue and expense accounts of the foreign consolidated subsidiaries. The effect of this change was to decrease sales of "Domestic food products" segment, "Overseas food products" segment, "Amino acids" segment and "Other" segment by ¥277 million, ¥7,881 million, ¥8,489 million and ¥431 million and increase sales of "Corporate and eliminations" by ¥186 million for the year ended March 31, 2006 as compared with the corresponding amounts under the previous method. Operating income of "Domestic food products" segment, "Overseas food products" segment, "Amino acids" segment, "Pharmaceuticals" segment and "Other" segment also decreased ¥0 million, ¥845 million, ¥212 million, ¥0 million and ¥40 million, respectively.

	Year ended March 31, 2005							
	Domestic food products	Overseas food products	Amino acids	Pharma-ceuticals	Other	Total	Corporate and eliminations	Consolidated
	(Millions of yen)							
I. Sales and operating income:								
Sales to third parties	¥598,888	¥80,825	¥251,646	¥80,736	¥ 60,913	¥1,073,010	¥ —	¥1,073,010
Intragroup sales	1,357	5,309	24,915	120	57,159	88,863	(88,863)	—
Total sales	600,246	86,135	276,561	80,857	118,073	1,161,873	(88,863)	1,073,010
Operating expenses	569,929	83,148	247,454	69,457	114,437	1,084,428	(82,334)	1,002,093
Operating income	¥ 30,317	¥ 2,986	¥ 29,106	¥11,399	¥ 3,635	¥ 77,445	¥ (6,528)	¥ 70,916
II. Assets, depreciation and capital expenditures:								
Total assets	¥265,611	¥55,028	¥272,486	¥90,692	¥ 64,411	¥ 748,230	¥155,311	¥ 903,542
Depreciation and amortization	8,577	2,090	19,096	4,323	2,062	36,150	3,704	39,854
Impairment losses on fixed assets	1,602	—	—	—	—	1,602	4,472	6,075
Capital expenditures	6,742	7,771	30,781	3,473	1,483	50,252	7,829	58,082

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Geographical Segments

	Year ended March 31, 2007						
	Japan	Asia	America	Europe	Total	Corporate and eliminations	Consolidated
	(Millions of yen)						
Sales to third parties	¥813,769	¥134,802	¥ 92,598	¥117,338	¥1,158,510	¥ —	¥1,158,510
Interarea sales and transfers	43,073	21,687	14,339	5,979	85,079	(85,079)	—
Total sales	856,843	156,490	106,938	123,317	1,243,589	(85,079)	1,158,510
Operating expenses	813,712	145,466	101,360	119,250	1,179,789	(85,079)	1,094,709
Operating income	¥ 43,130	¥ 11,024	¥ 5,577	¥ 4,067	¥ 63,800	¥ —	¥ 63,800
Total assets	¥435,076	¥184,168	¥125,193	¥106,103	¥ 850,542	¥211,146	¥1,061,688

	Year ended March 31, 2007						
	Japan	Asia	America	Europe	Total	Corporate and eliminations	Consolidated
	(Thousands of U.S. dollars)						
Sales to third parties	$6,896,347	$1,142,390	$ 784,729	$ 994,390	$ 9,817,881	$ —	$9,817,881
Interarea sales and transfers	365,025	183,788	121,517	50,669	721,008	(721,008)	—
Total sales	7,261,381	1,326,186	906,254	1,045,059	10,538,890	(721,008)	9,817,881
Operating expenses	6,895,864	1,232,763	858,983	1,010,593	9,998,212	(721,008)	9,277,195
Operating income	$ 365,508	$ 93,424	$ 47,263	$ 34,466	$ 540,678	$ —	$ 540,678
Total assets	$3,687,085	$1,560,746	$1,060,958	$ 899,178	$ 7,207,983	$1,789,373	$8,997,356

	Year ended March 31, 2006						
	Japan	Asia	America	Europe	Total	Corporate and eliminations	Consolidated
	(Millions of yen)						
Sales to third parties	¥804,634	¥118,256	¥ 76,734	¥107,181	¥1,106,807	¥ —	¥1,106,807
Interarea sales and transfers	41,073	15,935	12,491	6,737	76,238	(76,238)	—
Total sales	845,708	134,192	89,226	113,918	1,183,045	(76,238)	1,106,807
Operating expenses	802,032	128,641	84,852	107,195	1,122,722	(76,238)	1,046,484
Operating income	¥ 43,675	¥ 5,550	¥ 4,373	¥ 6,722	¥ 60,322	¥ —	¥ 60,322
Total assets	¥414,108	¥155,884	¥107,623	¥ 98,810	¥ 776,427	¥ 220,978	¥ 997,405

	Year ended March 31, 2005						
	Japan	Asia	America	Europe	Total	Corporate and eliminations	Consolidated
	(Millions of yen)						
Sales to third parties	¥793,652	¥102,075	¥69,487	¥107,794	¥1,073,010	¥ —	¥1,073,010
Interarea sales and transfers	38,635	13,781	11,548	6,596	70,562	(70,562)	—
Total sales	832,288	115,856	81,036	114,391	1,143,573	(70,562)	1,073,010
Operating expenses	790,163	106,468	69,406	106,617	1,072,656	(70,562)	1,002,093
Operating income	¥ 42,125	¥ 9,388	¥11,629	¥ 7,773	¥ 70,916	¥ —	¥ 70,916
Total assets	¥408,067	¥113,046	¥67,440	¥ 91,364	¥ 679,919	¥223,622	¥ 903,542

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Overseas Sales

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, 2007, 2006 and 2005 are summarized as follows:

	Year ended March 31, 2007			
	Asia	America	Europe	Total
	(Millions of yen)			
Overseas sales	¥150,384	¥100,649	¥120,520	¥ 371,554
Consolidated net sales	—	—	—	1,158,510
	(Thousands of U.S. dollars)			
Overseas sales	$1,274,441	$852,958	$1,021,356	$3,148,763
Consolidated net sales	—	—	—	9,817,881
Overseas sales as a percentage of consolidated net sales	13.0%	8.7%	10.4%	32.1%

	Year ended March 31, 2006			
	Asia	America	Europe	Total
	(Millions of yen)			
Overseas sales	¥133,276	¥86,266	¥107,000	¥ 326,543
Consolidated net sales	—	—	—	1,106,807
Overseas sales as a percentage of consolidated net sales	12.0%	7.8%	9.7%	29.5%

	Year ended March 31, 2005			
	Asia	America	Europe	Total
	(Millions of yen)			
Overseas sales	¥116,176	¥77,835	¥104,296	¥ 298,308
Consolidated net sales	—	—	—	1,073,010
Overseas sales as a percentage of consolidated net sales	10.8%	7.2%	9.7%	27.8%

18. Subsequent Events

a) The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, was approved by the shareholders at a meeting held on June 28, 2007:

	(Millions of yen)	(Thousands of U.S. dollars)
Year-end cash dividends (¥8 = U.S.$0.068 per share)	¥5,181	$43,907

b) At a meeting of the Board of Directors of the Company held on June 11, 2007, a resolution making Calpis Co., Ltd. (“CALPIS”), which operates in the food products industry and is an affiliate of the Company accounted for by the equity method, into a wholly-owned subsidiary of the Company effective October 1, 2007 was approved, and the Company entered into a share exchange agreement on the same day.

Under the terms of the agreement, the Company will issue 0.95 shares of its own common stock in exchange for each share of CALPIS's common stock to all CALPIS's shareholders of record as of September 30, 2007 excluding the Company. Treasury stock amounting to 1,500 thousand shares of common stock is to be reissued for this purpose and new shares of common stock are to be issued for the remainder required for this exchange of shares.

CALPIS's consolidated net sales and net income for the year ended December 31, 2006 amounted to ¥120,445 million ($1,020,720 thousand) and ¥4,726 million ($40,051 thousand), respectively, and consolidated total assets, total liabilities and net assets at December 31, 2006 amounted to ¥97,525 million ($826,483 thousand), ¥40,950 million ($347,034 thousand) and ¥56,575 million ($479,449 thousand), respectively.

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ERNST & YOUNG SHINNIHON

Certified Public Accountants
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Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

Tel : 03 3503 1100
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Report of Independent Auditors

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, 2007 and 2006, and the related consolidated statements of income and cash flows for each of the three years in the period ended March 31, 2007, changes in net assets for the year ended March 31, 2007 and shareholders' equity for the years ended March 31, 2006 and 2005, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 18. b), on June 11, 2007, the Company entered into a share exchange agreement to make Calpis Co., Ltd. into a wholly-owned subsidiary of the Company effective October 1, 2007.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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.

Ernst & Young ShinNihon

June 28, 2007

Major Subsidiaries and Affiliates (1/2)

(As of March 31, 2007)

● Consolidated subsidiaries
○ Affiliated companies accounted for under the equity method

Company name	Country	Capital Stock (thousands)		Ratio of voting*	Major business
Japan					
● Ajinomoto Frozen Foods Co., Inc.	Japan	JPY	9,537,000	100.0	Frozen Foods
● Ajinomoto Medica Co., Ltd.	Japan	JPY	80,000	100.0	Pharmaceuticals
● AJINOMOTO LOGISTICS CORPORATION	Japan	JPY	1,930,000	89.2 (0.9)	Other
● Ajinomoto Pharma Co., Ltd.	Japan	JPY	4,560,000	100.0	Pharmaceuticals
● Ajinomoto Treasury Management, Inc.	Japan	JPY	500,000	100.0	Other
● GABAN Co., Ltd.	Japan	JPY	2,827,000	55.4	Domestic Seasonings and Processed Foods
● Knorr Foods Co., Ltd.	Japan	JPY	4,000,000	100.0	Domestic Seasonings and Processed Foods
○ Ajinomoto General Foods, Inc.	Japan	JPY	3,862,000	50.0	Beverages and Dairy Products
○ Calpis Co., Ltd.**	Japan	JPY	13,056,000	26.7	Beverages and Dairy Products
○ J-OIL MILLS, INC.	Japan	JPY	10,000,000	27.3	Edible Oils
Asia					
● Ajinomoto (China) Co., Ltd.	China	USD	102,830	100.0	Overseas Food Products
● SICHUAN CHUANHUA AJINOMOTO CO., LTD.	China	USD	53,396	70.0	Feed-Use Amino Acids
● HENAN AJINOMOTO AMINO ACID CO., LTD.	China	USD	6,000	100.0 (100.0)	Amino Acids for Pharmaceuticals and Foods
● Lianyungang Ajinomoto Frozen Foods Co., Ltd.	China	USD	5,800	100.0 (100.0)	Frozen Foods
● Lianyungang Ajinomoto Ruyi Foods Co., Ltd.	China	USD	5,500	90.0 (90.0)	Frozen Foods
● Shanghai Ajinomoto Amino Acid Co., Ltd.	China	USD	12,000	60.0 (58.0)	Amino Acids for Pharmaceuticals and Foods
● Shanghai Ajinomoto Seasoning Co., Ltd.	China	USD	27,827	100.0 (99.0)	Overseas Food Products
● SHANGHAI HOUSE AJINOMOTO FOODS CO., LTD.	China	USD	17,264	70.0 (65.0)	Overseas Food Products
● Xiamen Ajinomoto Life Ideal Foods Co., Ltd.	China	USD	7,000	51.0 (51.0)	Frozen Foods
● PT Ajinex International	Indonesia	USD	44,000	100.0	Umami Seasonings for Processed Food mfrs
● PT Ajinomoto Indonesia***	Indonesia	USD	8,000	50.0	Overseas Food Products
● Ajinomoto (Malaysia) Berhad	Malaysia	MYR	60,798	50.1	Overseas Food Products
● AJINOMOTO PHILIPPINES CORPORATION	Philippines	PHP	440,444	95.0	Overseas Food Products
● Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd.	Thailand	THB	610,500	50.0 (50.0)	Frozen Foods
● Ajinomoto Betagro Specality Foods Co., Ltd.	Thailand	THB	390,000	51.0 (51.0)	Frozen Foods
● Ace Pack Co., (Thailand) Ltd.	Thailand	THB	277,500	100.0 (94.6)	Packaging Materials

Notes: * Numbers in parentheses indicate indirect equity ownership.
** A share exchange agreement was announced on June 11, 2007 to make this company a wholly owned subsidiary of Ajinomoto Co., Inc. from October 1, 2007.
*** This company is classified as a subsidiary as it is under the substantial control of Ajinomoto.

Major Subsidiaries and Affiliates (2/2)

(As of March 31, 2007)

● Consolidated subsidiaries
○ Affiliated companies accounted for under the equity method

Company name	Country	Capital Stock (thousands)		Ratio of voting*	Major business
Asia *(cont.)*					
● Ajinomoto Co., (Thailand) Ltd.	Thailand	THB	796,362	78.7 (4.4)	Overseas Food Products
● Ajinomoto Calpis Beverage (Thailand) Co., Ltd.	Thailand	THB	660,000	60.0 (60.0)	Overseas Food Products
● Ajinomoto Frozen Foods (Thailand) Co., Ltd.	Thailand	THB	105,000	100.0 (100.0)	Frozen Foods
● Fuji Ace Co., Ltd.	Thailand	THB	500,000	51.0 (51.0)	Packaging Materials
● Ajinomoto Vietnam Co., Ltd.	Vietnam	USD	45,255	100.0	Overseas Food Products
The Americas					
● Ajinomoto Biolatina Indústria e Comércio Ltda.	Brazil	BRL	144,417	100.0	Feed-Use Amino Acids
● Ajinomoto Interamericana Indústria e Comércio Ltda.	Brazil	BRL	340,952	100.0	Umami Seasonings for Processed Food mfrs
● Ajinomoto del Perú S.A.	Peru	PEN	45,282	99.6	Overseas Food Products
● Ajinomoto Frozen Foods U.S.A., Inc.	United States	USD	15,030	100.0 (100.0)	Frozen Foods
● Ajinomoto U.S.A., Inc.	United States	USD	750	100.0	Other
○ Nissin-Ajinomoto Alimentos Ltda.	Brazil	BRL	12,689	50.0	Overseas Food Products
Europe					
● S.A. Ajinomoto OmniChem N.V.	Belgium	EUR	21,320	100.0 (0.0)	Pharmaceutical Fine Chemicals
● Ajinomoto Euro-Aspartame S.A.S.	France	EUR	51,000	100.0 (0.0)	Amino Acid-Based Sweetners
● AJINOMOTO EUROLYSINE S.A.S.	France	EUR	26,865	100.0 (0.0)	Feed-Use Amino Acids
● AJINOMOTO FOODS EUROPE S.A.S.	France	EUR	23,875	100.0 (0.0)	Umami Seasonings for Processed Food mfrs
● Ajinomoto Poland Sp. z o.o.	Poland	PLN	39,510	100.0	Overseas Food Products
● ZAO “AJINOMOTO-GENETIKA Research Institute”	Russia	RBL	397,151	100.0	Other

Notes: * Numbers in parentheses indicate indirect equity ownership.

Investor Information (1/2)

(As of March 31, 2007)

Ajinomoto Co., Inc.

Established: May 20, 1909

Number of employees: 24,733 (consolidated basis)
3,531 (non-consolidated basis)

Fiscal year: April 1—March 31
Annual shareholders' meeting held in June

Common stock

Authorized: 1,000,000,000 shares

Issued: 649,981,740 shares

Paid-in capital: ¥79,863 million

Listings: Tokyo Stock Exchange and
Osaka Securities Exchange
(Ticker Code: 2802)

Shareholder registrar: Mitsubishi UFJ Trust and
Banking Corporation

Independent auditor: Ernst & Young ShinNihon

Number of shareholders: 59,365

Head office: 15-1, Kyobashi 1-chome, Chuko-ku,
Tokyo 104-8315, Japan
Tel: +81 (3) 5250-8111
http://www.ajinomoto.com

Investor relations: Securities analyts and investment professionals should direct inquiries to:
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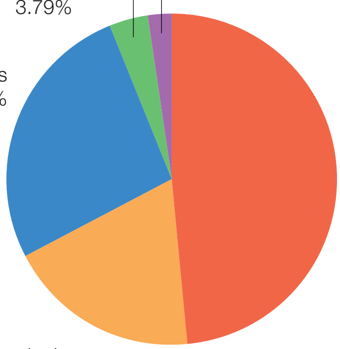
E-mail: investor_relations@ajinomoto.com
Tel: +81 (3) 5250-8291
Fax: +81 (3) 5250-8378

Distribution of shareholders

(By number of shares)



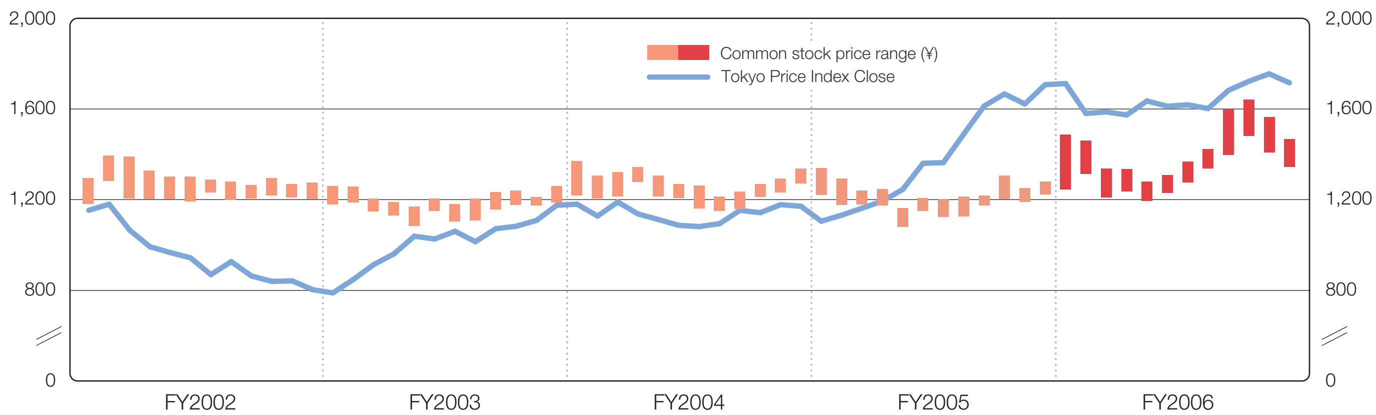
Major shareholders

Name of shareholders	Number of Shares (Thousands)	Equity Position
The Master Trust Bank of Japan, Ltd. (trust account)	48,917	7.53%
Japan Trustee Services Bank, Ltd. (trust account)	31,424	4.83
The Dai-ichi Mutual Life Insurance Company	25,550	3.93
Nippon Life Insurance Company	22,770	3.50
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,149	3.10
Mizuho Corporate Bank, Ltd.	17,036	2.62
NIPPONKOA Insurance Co., Ltd.	16,097	2.48
SSB Client Omnibus OM04 (Standing proxy: Sumitomo Mitsui Banking Corporation)	13,380	2.06
Meiji Yasuda Life Insurance Company	12,624	1.94
Japan Trustee Services Bank, Ltd. (trust account 4)	12,448	1.92

Investor Information (2/2)

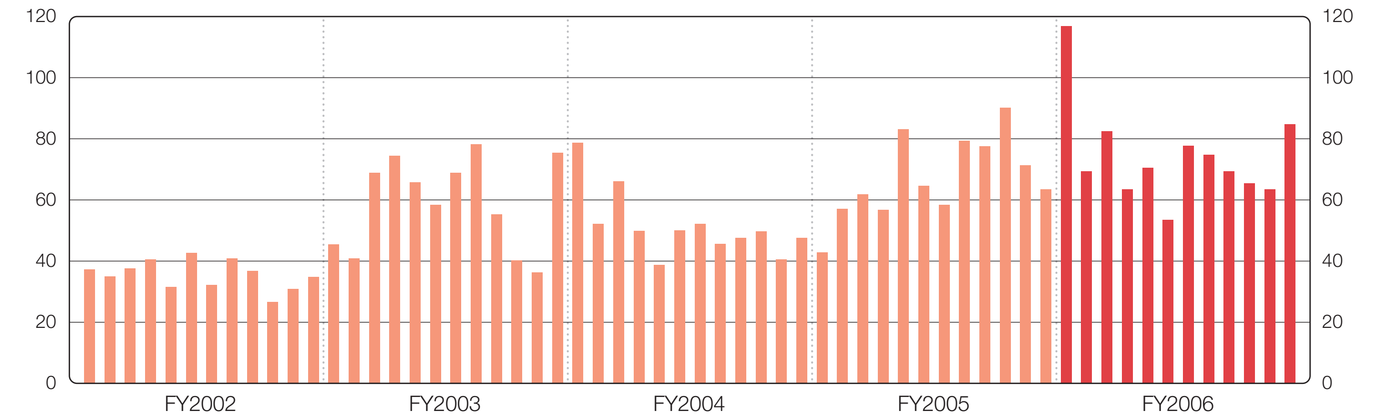
(As of March 31, 2007)

Monthly stock price range (¥)



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

Monthly trading volume (million shares)



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

Related links

Ajinomoto Group Home: www.ajinomoto.com

Investor Relations: www.ajinomoto.com/ar/index.html

- *Message to Investors*
- *Financial Information*
- *IR Library*
  (Annual Reports, Investors' Guides, Fact Sheets, etc.)
- *Press Releases*
- *Share Price Information*
- *Shareholder Information*

Corporate Guidance

CSR Report