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AJINOMOTO®

Ajinomoto Co., Inc.

Financial Report 2008

For the year ended March 31, 2008

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FORWARD-LOOKING STATEMENTS

This financial report contains forward-looking statements regarding the plans, outlook, strategies and results of the 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.

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Contrasting results in an unforgiving environment

Norio Yamaguchi
President & Chief Executive Officer

The Ajinomoto Group had a year of contrasting results in fiscal 2007, with strong sales of overseas food products and amino acids counteracted by very tough conditions in our domestic market of Japan. And reflecting international trends, we again faced escalating raw material costs in all our businesses.

As a result, we met our sales targets but fell short of our earnings targets, with net sales rising 5%, and operating income and net income falling by 5% and 7% respectively.

In many ways we face an unprecedented business environment, and by this I mean it presents both unprecedented challenges and unprecedented opportunities. Later in this report I will discuss how we are dealing with these challenges, but first allow me to cover key aspects of the Group's performance for the year under review.

Domestic sales down, overseas sales up

In our food products business, domestic operating income decreased substantially. We struggled to make headway with sales of our core product *HON-DASHI*, and sales of frozen foods were affected by a Chinese-manufactured frozen dumplings incident that occurred at the end of January. Although this incident had nothing whatsoever to do with Ajinomoto products, we were unable to avoid the impact of negative consumer sentiment that has temporarily affected the entire industry. Higher raw material costs also ate into our bottom line, despite a range of cost-saving and other initiatives that I will discuss later.

In contrast to the domestic market, our overseas operations grew significantly on higher sales volume of core products. This was a pleasing outcome, following on from the strong growth achieved in the previous year, and we believe that in many ways we have only just begun to develop our potential outside of Japan.

Good results in amino acids

In our amino acids business, we achieved 5% growth in net sales and 28% growth in operating income. This was driven mainly by feed-use amino acids, with Lysine sales volumes and prices showing improvement from the second quarter onward, which compensated for the effects of higher raw material costs and the appreciation of local currencies.

The impact of higher crude oil and raw material prices was dramatic. Year-on-year increases in crude oil costs alone accounted for ¥1.2 billion, with cost increases of around ¥3.5 billion in the raw materials required for our domestic food products, and approximately ¥5.0 billion for raw materials used in fermentation. These are serious numbers, for which even our accelerated cost reduction program was unable to fully compensate, although we did achieve reductions of around ¥4.3 billion in amino acids, ¥1.3 billion in domestic food products, and ¥0.6 billion in pharmaceuticals.

Unprecedented challenges

The challenges we face can be broadly categorized as costs, competition, and consumption. The rise in raw material costs that I have just described greatly exceeded our estimates at the start of the period, and the cumulative impact of recent and projected cost increases is having a large effect on the progress of *A-dvance 10*, our business plan for fiscal 2005 through 2010. As everyone knows, there is intense global competition for oil and other resources. Consumption patterns are changing, and users of agricultural products—the main ingredients for fermentation—are now in competition with fuel producers. The livestock industry is also under pressure from the increase in meat consumption in China and other developing nations, as is the fishing industry with the trend towards health-consciousness by consumers in Europe and North America. At the same time, exchange rates are undergoing realignment in many countries, most notably with the weakening of the U.S. dollar.

These factors, taken in combination, mean that it would be unwise to view these sharp cost increases as a short-term phenomena. A prudent analysis of the situation suggests that the global economy is undergoing structural change, and it is essential for us to adjust our business approach accordingly.

The pricing environment in Japan

Before discussing some of the opportunities arising from the structural changes taking place in the global economy, I would like to mention the food pricing environment in Japan. Investors from outside Japan often ask the managers of commodity companies such as ours why we don't simply increase prices on a regular basis to compensate for higher costs. This is a complex issue that involves both cultural and structural factors in the Japanese market.

Cultural factors relate to the fact that Japan has endured around 15 years of deflation, and many years of recession after the collapse of the asset bubble. Household incomes have shrunk or stagnated, deflationary expectations have become entrenched, and consumers have developed a severe aversion to price increases, showing sensitivity to a change of even a few yen. Structural factors include the balance of power in the manufacturing and distribution sectors, Japan's massive dependence on imported food, and the severe competitive environment.

Competition in Japan

Whereas the global competitive pressure for food resources is a relatively new consideration for our industry, competition from peers is not. Japan's domestic food industry is characterized by an excessive number of competitors, which has led to low profitability. Restructuring at the upstream level of the value chain has not matched the pace of change at the downstream level, and if the manufacturing industry does not move to redress the balance of power that currently is tipped in favor of the distribution industry, we will ultimately lose in the competition for margin. So this represents a further challenge.

Nonetheless, the environment is changing: most indicators show that the consumer price index in Japan has turned positive; various companies are implementing price increases; and changes visible in the daily lifestyles of consumers, such as higher prices at the petrol pump, are increasing awareness of the fact that prices cannot stay the same forever. We are watching all these factors closely, and will continue to review our pricing policy for every product in order to optimize earnings.

Adding value with technology

Given this environment, Ajinomoto, like many consumer companies in Japan, has been absorbing costs through rigorous measures to increase efficiency and protect margins. We have also revised the price of some products, being sure to link price rises with added value and innovation so that consumers and distributors alike recognize the value. Adding value to food products can only be achieved through superior technology, and superior technology can only be developed with the benefits of scale and experience. Ajinomoto is strongly positioned in this respect, and our success in raising prices for *Gyoza*, *HON-DASHI* and other such products is evidence that our distributors and consumers will pay for the quality and taste they trust us to deliver.

Making optimal use of resources

In meeting the challenge of limited or expensive resources and positioning Ajinomoto for another century of growth, there are three important points to consider.

1. We must develop the technology to make maximum use of resources

The key is to make efficient, smart use of agricultural resources that have been developed for wide functionality and minimal waste. If we are limited to using resources within a narrow range of specifications, we have less control of costs.

2. We must improve our fermentation technology

If two companies are using the same raw materials, the company with the most efficient technology will be able to reduce production costs.

3. We must develop alternative resources

If a given resource becomes prohibitively expensive, it becomes necessary to consider how to develop alternative resources that can provide the same results.

The third point above takes a certain amount of time to realize, but we are already making solid progress with regard to points one and two.

We have also been taking steps to reduce the impact of high fuel costs and to boost efficiency and reduce environmental impact. Examples of our response to the increase in fuel prices include starting a project in Thailand to produce energy from chaff (rice hulls), and the development of co-generation power plants at factory sites.

Growing in overseas markets

One opportunity arising from pressure on costs and resources is for companies like Ajinomoto, with strong technical capabilities, to gain a competitive advantage through technical and manufacturing development, as mentioned above.

A further opportunity is the tremendous growth being seen in the populations and economies of developing countries, in contrast to the aging populations of mature economies such as Japan. Ajinomoto's performance over the past several years has benefited significantly from overseas business development, and the stage is set for further sustainable growth. We are aided in this by our ability to adapt successful products in one country to another and by our brand strength, which we believe can be used to compete effectively with even the largest global food companies. Both domestically and outside of Japan, we are actively pursuing M&A targets that offer synergies and growth potential, and at the same time paying particular attention to ensuring optimal post-M&A management. An example is the Amoy Food Group ("Amoy"), which we acquired in 2006. The purpose of acquiring Amoy was to pursue synergies that could be derived from Amoy's technical and brand strengths in liquid seasonings and frozen foods, which are complementary to our strengths in powdered and granulated seasonings. The Amoy brand is strong in the retail markets not only of Hong Kong but also Europe and North America, and we are making use of this brand as we develop our business in those markets.

Recovery in amino acids

I am happy to report that the business environment for feed-use amino acids is now improving. The price differential with corn and soybean meal on the Chicago Board of Trade is expanding, and this is contributing to an annual increase in demand for Lysine of about 10%. We think the likelihood of large-scale production increases by competitors or new market entrants is relatively low. Demand and supply are therefore projected to remain in a stable balance.

One important issue we have been pursuing is the protection of our intellectual property with regard to the amino acid manufacturing process. We have already received a significant ruling in our favor in one case, and are currently engaged in other proceedings to defend our industry-leading technologies and processes.

In summary, I think it can be said that the market for feed-use amino acids has bottomed out and is on a recovery path.

In other amino acid business, we have completed a restructuring of our production organization and are now in a much stronger competitive position, with a global supply system. Our business in sweeteners, aspartame, is benefiting from the heightened consumer health consciousness and trend toward low-calorie products.

Building the health and nutrition business

In *A-dvance 10*, we set a sales target for this field of business of ¥200 billion by fiscal 2010. At the moment we are running a little behind plan, but we are taking steps to speed up progress. The core product materials we have to work with in this area are aspartame and *amino VITAL*. We want to add to these with a range of new products that draw on basic health ingredients developed by fundamental health research. We also are working to share and make use of such materials across the Group to develop new products. In marketing, too, we are shifting to a mail order system in which each company works off a single, integrated base rather than pursuing a separate system for each group company.

New opportunities in preventative care

Our strategy in the pharmaceuticals business is to strengthen our business in our areas of expertise as a specialty pharmaceuticals company. We are actively carrying out R&D and licensing activities with the aim of commercializing distinctive new medicines. There is an increasing focus these days on preventative care—building up people's strength and immunity to prevent illness, in addition to treating medical issues when they arise. The market for healthcare-related foods is expanding, and we think that given our experience and solid track record in both pharmaceuticals and in foods, there is growth potential here for Ajinomoto.

Midpoint review of *A-dvance 10*

We have now completed the first three years of the plan and are embarking on the next three. I believe we have successfully addressed the key issues identified for the first three years, which included developing technology to reduce costs, strengthening our manufacturing base by investing in core businesses, developing products that closely reflect market needs, implementing price rises in response to higher raw material costs, undertaking M&A, and increasing alliance affects among the Group's 120 companies. However, oil prices, exchange rates and raw materials costs have changed greatly since the time the plan was formulated. Although these negative factors have outweighed the positive initiatives noted above, the situation has at the same time highlighted the fundamental soundness of our long-term approach.

Downwardly revised targets

On May 9, 2008, we announced revised targets for the final year of *A-dvance 10* that are significantly lower than those announced at the launch of the plan on March 23, 2005. In the year to March 2011 we are now targeting net sales of ¥1,350 billion instead of ¥1,500 billion, and operating income of ¥80 billion instead of ¥150 billion.

These are large changes that have been made necessary by similarly large changes in the operating environment compared to the environment when we formulated the plan. To give just one example, our assumption for the 2007 oil price when we formulated the plan was US$33 BBL, whereas it has in fact been trading at well over three times that level.

At the operating level, the ¥70 billion reduction in the earnings target is accounted for by foreign currency impact of ¥36 billion, raw materials and energy costs of ¥38 billion, and a revision of depreciation method in Japan and other such factors of ¥7 billion. Cost reductions, price increases and other internal efforts are expected to offset this by ¥11 billion.

Continuing to break new ground in our next 100 years

In the fiscal 2008-2010 medium-term management plan, Ajinomoto has outlined the following basic management objectives, which will be central to achieving our goal of increasing our corporate value from both a qualitative and a quantitative point of view.

1. Realizing the "century of amino acids"

Contributing through amino acids and technologies derived from amino acids to global issues in the 21st century

2. Responding to a new economic order and a new cost structure

Raising corporate value by through enhanced profitability and sustained growth

3. Ajinomoto Group innovation

Strengthening our management foundation and carrying out structural reform using the opportunity provided by the Group's centenary in 2009 to achieve new growth in a changing operating environment

Among a number of themes through which we want to increase corporate value, let me make some comments on the "Ajinomoto renaissance". Ajinomoto has from the beginning been founded on scientific discovery, and scientists have recently proven that glutamate is not only the source of umami taste but that it also has an important role in human nutritional physiology. With Ajinomoto celebrating its 100th year in 2009, our task is to disseminate our discovery and expand the applications for MSG. Though glutamate is derived from Japan's traditional seaweed-soupstock, the source of the umami taste is also found naturally in cheese, prosciutto and in fact a whole range of eastern and western foods, which accounts for the universality of umami.

We must also build the Ajinomoto brand domestically and abroad. The Ajinomoto brand has a very strong presence in the Japanese market as a family-oriented, household food brand. But there is a risk of our brand aging with the population, so we are now appealing to the younger generation through measures such as securing naming rights for the Ajinomoto Stadium in Tokyo. Overseas, meanwhile, we are seeing a sustained Japanese food boom in many markets, and this very much works in our favor as we take food culture developed in Japan and present it to the world.

The global leader in amino acids

In looking for growth, we have to concentrate resources in the most promising areas. We can further grow our strong overseas foods business and the amino acids sector. We want to make the 21st century the century of amino acids, capturing the strong interest being shown in this area, and advancing our technical capabilities as the global leader in the sector. For example, feed-use amino acids can play an important role in efficient livestock meat production, while also contributing to environmental management through conservation of the use of arable land and reduction of CO_2 emissions. With food resources for feed coming under pressure, feed-use amino acids can be an effective source of nutrition. We firmly believe that by making use of our strong capabilities and potential in our core amino acid technologies we can contribute to society, leading not only to a higher economic value of Ajinomoto in terms of market capitalization but also to an enhancement of Ajinomoto's intrinsic value as a company.

Stability in volatile times

In closing, I would like to emphasize that even in volatile times such as these, with the unprecedented conditions that I have described, it is essential for us to retain a sound financial base and offer stable and sustainable shareholder returns. At the same time, stability should not be taken to mean maintaining the status quo. It is imperative for us to continue adapting rapidly and effectively to the new business environment, while further developing the unique characteristics that have driven Ajinomoto's growth for nearly a century. With the support of our many stakeholders that is exactly what we intend to do.

Norio Yamaguchi

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)	2008	2007	2006	2005	2004	2003
FOR THE YEAR:						
Net sales	¥1,216,572	¥1,158,510	¥1,106,807	¥1,073,010	¥1,039,551	¥987,727
Cost of sales	856,974	828,050	795,007	760,554	743,251	716,999
Gross profit	359,597	330,459	311,799	312,455	296,299	270,727
Selling, general and administrative expenses	299,074	266,658	251,476	241,538	231,109	216,668
Operating income	60,523	63,800	60,322	70,916	65,190	54,059
Other income (expenses)	(8,673)	(8,079)	(3,153)	10,821	1,826	11,407
Income (loss) before income taxes and minority interests	51,849	55,721	57,169	81,737	67,017	65,466
Net income (loss)	28,229	30,229	34,912	44,817	36,276	33,178
Capital expenditures	62,780	76,386	79,162	58,082	50,916	57,403
Depreciation and amortization	55,189	45,138	40,341	39,854	39,925	38,969
AT YEAR-END:						
Shareholders' equity*1	¥ 628,325	¥ 563,446	¥ 528,762	¥ 467,297	¥ 428,077	¥391,154
Total assets	1,100,709	1,061,688	997,405	903,542	871,780	864,588
Long-term debt	84,996	108,088	110,382	90,533	101,595	52,393
PER SHARE (YEN):						
Net income (loss)	¥ 41.9	¥ 46.7	¥ 53.6	¥ 68.8	¥ 55.6	¥ 50.7
Shareholders' equity	899.4	870.0	815.8	720.6	659.8	602.7
Cash dividends	16.0	15.0	14.0	13.0	12.0	11.0
VALUE INDICATORS:						
Liquidity ratios:						
Debt/equity ratio (%)*2	23.0	26.8	27.5	26.9	33.6	38.6
Interest coverage ratio (times)*3	13.3	13.3	19.1	24.3	22.6	16.6
Investment indicators:						
Price/earning ratio (times)*4	24.1	29.0	23.4	19.0	22.3	24.0
Price/book value ratio (times)*5	1.1	1.6	1.5	1.8	1.9	2.0
Return indicators:						
Return on assets (%)*6	2.6	2.9	3.7	5.0	4.2	3.9
Return on equity (%)*7	4.7	5.5	7.0	10.0	8.9	8.6
Number of employees	25,893	24,733	26,049	25,812	24,861	24,406

Notes: 1. Shareholders' equity for the year ended March 31, 2007 and 2008 = 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

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 was a strategic growth phase, during which we planned to undertake proactive forward investment aimed at ensuring the achievement of our goals. For this first phase, the planned total investment was around ¥255.0 billion, or around ¥80-90 billion per year, and actual investment was ¥220.0 billion. Investment in fiscal 2005 and fiscal 2006 was ¥79.2 billion and ¥76.4 billion respectively, and investment in fiscal 2007 was ¥62.8 billion. The lower-than-planned level of investment was primarily due to the application of rigorous project selection standards and the deferment of certain investments in light of changes in the business environment. Depreciation for the first two years of the first phase was ¥40.3 billion and ¥45.1 billion, with ¥55.2 billion recorded for fiscal 2007, for a total of ¥140.6 billion. Prior to fiscal 2005 our general policy was to invest at a level within the scope of 75% of simple free cash flow (net income plus depreciation expenses) but under the period of active investment, the level exceeded 75% of simple free cash flow. For the second phase of *A-dvance 10*, we will apply this general policy. Excluding the amount carried over from the first phase, we plan investments of around ¥70 billion per year, for a total investment of ¥215 billion.

Return on Investment

We are actively investigating a range of M&A opportunities as required to achieve sustainable growth, with an allocation of around ¥100 billion over the six years of *A-dvance 10*. Examples of acquisitions already undertaken include the Amoy Food Group companies, YAMAKI Co., Ltd., GABAN Co., Ltd. and Calpis Co., Ltd. ("Calpis"). 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 seeking to maximize sales in our business operations and also through means such as liquidating securities and underutilized land. In addition, we are working to maximize free cash flow by reducing inventories. We aim to maintain cash and cash equivalents 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 91% of their funding requirements through group pooling. In Thailand, China, North America, Brazil 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 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 ensuring an appropriate balance between current and fixed assets, and also taking into consideration interest rate trends. 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. Although we planned for a maximum D/E ratio of 40% during the active investment period of the first three years of *A-dvance 10*, the actual D/E ratio for the period was within 30%. A key influence on this outcome was the acquisition of Calpis during 2007 using a share exchange, which added to the Company's shareholders' capital. In the second phase of *A-dvance 10* we intend to maintain the D/E ratio at no more than 30% on a consolidated basis.

Credit Rating Agencies	Ratings for the Company's Long-Term Debt
Standard & Poor's	AA-
Moody's Investors Service	Aa3
Rating and Investment Information, Inc. (Japanese agency)	AA

Note: Ratings current as of June 30, 2008, and apply to the parent company.

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 experienced positive trends including improved corporate profits and a moderate recovery in consumer spending, but these trends slowed down in the second half of the period and the economy started to decelerate.

In the Japanese food industry, the business environment remained severe as a result of the high prices of raw materials, rising concerns about food safety, and other factors.

Internationally, the Asian economy continued its expansion, but the U.S. economy slowed down, and the economic recovery in Europe also eased off at the end of the period.

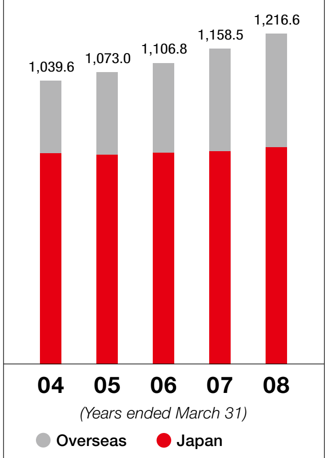
Within this environment, based on *A-dvance 10*, Ajinomoto focused its efforts on pursuing reforms on all levels throughout the entire Group, and extensively reducing costs and strengthening the business structure, aiming to be successful in the increasingly severe operating environment and to overcome competitive pressures. However, although consolidated net sales for the fiscal year ended March 31, 2008 increased 5.0% (¥58.0 billion) year on year to ¥1,216.5 billion, operating income decreased 5.1% (¥3.2 billion) to ¥60.5 billion; ordinary income decreased 9.5% (¥5.8 billion) to ¥55.7 billion; and consolidated net income decreased 6.6% (¥1.9 billion) to ¥28.2 billion.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(CONT.)*

Ajinomoto Co., Inc. and Consolidated Subsidiaries
For fiscal 2007, ended March 31, 2008

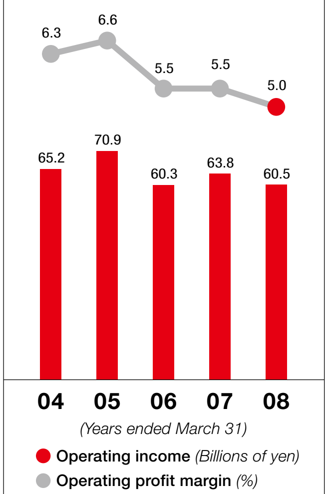
Domestic and Overseas Sales

(Billions of yen)



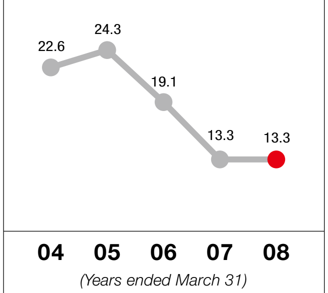
Note: Excludes interarea sales and transfers

Operating Income & Operating Profit Margin



Interest Coverage Ratio

(Times)



Analysis of Statements of Operations

All comparisons are with the previous fiscal year, ended March 31, 2007, unless stated otherwise.

Net Sales

Net sales rose 5.0%, or ¥58.0 billion, year on year to ¥1,216.5 billion. By region, sales in Japan rose 2.3% to ¥832.3 billion, while sales overseas rose 11.5% to ¥384.2 billion. Overseas, sales in Asia rose 18.1% to ¥159.2 billion, sales in America rose 18.7% to ¥109.8 billion, and sales in Europe decreased 1.9% to ¥115.1 billion.

Cost of Sales and SG&A Expenses

The cost of sales increased 3.5%, or ¥28.9 billion, to ¥856.9 billion. The cost of sales increased due to higher sales volumes and a substantial increase in prices of raw materials prices. However, the ratio of cost of sales to net sales fell 1.1 percentage points to 70.4%, partly due to the impact of Calpis shifting from being an equity method affiliate to a consolidated subsidiary on October 1, 2007.

Selling, general and administrative expenses rose 12.2%, or ¥32.4 billion, from the year before to ¥299.0 billion. The main reasons for this rise were the increase due to Calpis shifting from being an equity method affiliate to a consolidated subsidiary, increases in marketing costs, such as sales promotions, and an increase in transportation costs accompanying higher sales volumes.

Costs, Expenses and Income as Percentages of Net Sales

Years ended March 31	2008	2007	2006
Cost of sales	70.4% (-1.1)	71.5% (-0.3)	71.8.%
Gross profit	29.6 (+1.1)	28.5 (+0.3)	28.2
SG&A expenses	24.6 (+1.6)	23.0 (+0.3)	22.7
Operating income	5.0 (-0.5)	5.5 (-0.0)	5.5
Income before income taxes & minority interests	4.3 (-0.5)	4.8 (-0.4)	5.2
Net income	2.3 (-0.3)	2.6 (-0.6)	3.2

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

Operating Income

Operating income decreased 5.1%, or ¥3.2 billion, from the year before to ¥60.5 billion. By region, operating income in Japan decreased 28.1% to ¥31.0 billion, while operating income from operations overseas increased 42.7% to ¥29.4 billion. The main reasons for the domestic decrease in operating income were significant declines in the seasonings and processed foods business and the frozen foods business, which more than offset a strong performance by electronic materials. Overseas, the substantial overall increase in operating income was driven by the feed-use amino acids business and the overseas food products business. Operating income in Asia increased 21.5% to ¥13.3 billion, operating income in America increased 68.7% to ¥9.4 billion, and operating income in Europe increased 64.6% to ¥6.6 billion.

Other Income (Expenses)

Other income, net totaled minus ¥8.7 billion, compared to other income, net of minus ¥8.1 billion for the previous fiscal year. Key contributing items include a gain on sales of fixed assets of ¥4.5 billion, ¥4.1 billion more than in the previous year. Gain on sales of investment securities was ¥0.8 billion, a decrease of ¥3.3 billion. Gain on sales of affiliates' stock was ¥3.3 billion, an increase of ¥2.1 billion. Loss on disposal of fixed assets was ¥2.5 billion, a decrease of ¥5.2 billion. Loss on liquidation of affiliates was ¥4.1 billion, an increase of ¥4.1 billion.

Net Income

Net income for the period under review fell 6.6%, or ¥1.9 billion, to ¥28.2 billion. The effective tax rate fell from 39.9% the previous year to 39.4%. Net income per share for the year was ¥41.94, compared to ¥46.70 per share the year before.

Impact from Calpis Becoming a Wholly Owned Subsidiary

Making Calpis a wholly owned subsidiary on October 1, 2007 had a positive impact of ¥8.5 billion on net sales. It had a negative impact of ¥0.5 billion on operating income and of ¥0.4 billion on ordinary income. These amounts represent the difference from the estimated amounts for net sales, operating income and ordinary income if Calpis had remained as an equity method affiliate from October 1, 2007.

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, 2008, an annual dividend of ¥16 per share was provided. For the fiscal year ending March 31, 2009, it is planned to maintain the dividend at the same level as the previous fiscal year at ¥16 per share, with an interim dividend payment of ¥8 per share, taking into consideration our earnings forecasts. Subsequent to the enforcement of the Corporate Act on May 1, 2006, the Company will continue to pay dividends twice a year in the form of 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 of 5.9% in fiscal 2010, a figure that, due to significant changes in the operating environment as outlined in this report, has been revised downward from the target of 10.0% contained in the original plan.

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

Segment Information

All comparisons are with the previous fiscal year, ended March 31, 2007, unless stated otherwise.

Domestic Food Products

Domestic food product sales increased 2.5%, or ¥15.5 billion, to ¥632.7 billion. Operating income decreased 43.2%, ¥11.9 billion, to ¥15.7 billion. The slight increase in sales was attributable to a contribution by coffee and due to Calpis becoming a wholly owned subsidiary on October 1, 2007. The substantial decrease in operating income resulted from decreases in revenue from seasoning product *HON-DASHI* and frozen foods products, the higher cost of raw materials, and other factors.

Seasonings and Processed Foods: In seasonings and processed foods for the retail market, sales of *HON-DASHI* decreased substantially from the previous year, as a result of lower sales volumes due to the impact of pricing policy changes accompanying the renewal of the product line carried out in September 2007. Sales of consommé, Chinese dashi products and umami seasoning *AJI-NO-MOTO* were maintained at the same levels as the previous year. Sales of soups were higher than in the previous year, partly due to the renewal of the *Knorr Cup Soup* vegetable potage series product line. Sales of the *Cook Do* line increased slightly from the previous year, due to securing stable sales of core products. Sales of mayonnaise and mayonnaise-type dressings grew strongly, with a contribution from *Pure Select Low-Calorie Kokuuma Calorie 55% Cut*, which was launched in August 2007. Sales of *Kellogg's* products were steady.

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In seasonings and processed foods for the commercial market, sales of *HON-DASHI* and mayonnaise and mayonnaise-type dressings trended positively. Sales of *ACTIVA*, an enzyme (transglutaminase) that improves the texture and qualities of food, to food processing companies grew strongly, and sales of savory seasoning products increased slightly.

Sweeteners and Nutritional Foods: Sales of low-calorie sweeteners for home and restaurant use increased steadily, due partly to a contribution from *Pal Sweet Calorie Zero* liquid type. Revenue from sales of amino acid supplement *amino VITAL* was lower, reflecting a major decrease in sales of the jelly drink type, despite steady growth in sales of granulated products as a result of active initiatives to increase customers.

Delicatessen and Bakery Products: Sales of lunchboxes, prepared dish delicatessen products and bakery products each declined from the previous year.

Frozen Foods: Revenue from sales of products for the retail market and products for restaurant and institutional use both decreased, mainly due to the major impact on sales of *Gyoza* from the Chinese-made frozen dumpling incident that occurred at the end of January 2008, despite contributions to sales by *Yawaraka Wakadori Kara-Age* and *Obento Arabiki Juicy Hamburg* in products for the retail market, and steady sales growth of products for the prepared food market in products for restaurant and institutional use.

Edible Oils: Revenue from sales increased compared to the previous year, with growth in sales of *Canola Oil*.

Coffee, Beverages, Dairy Products: Revenue from sales increased compared to the previous year, with a steady increase in sales of instant coffee and favorable sales of regular coffee.

Revenue from beverage sales increased, with positive growth in sales of *CALPIS Water*.

Chilled dairy product sales increased, driven by higher sales of *BIO* and other yoghurt products.

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

Product Area	Brand	FY2007	
		Market size (Billions of yen)	Ajinomoto Share (Position)
Umami seasonings	*AJI-NO-MOTO, Hi-Me*	7.9	87% (1)
Japanese flavor seasonings	*HON-DASHI*	41.3	49% (1)
Consommé	*Ajinomoto KK Consommé*	12.4	68% (1)
Soup	*Knorr*	92.8	38% (1)
Mayonnaise and mayonnaise-type dressings	*Pure Select*	46.5	25% (2)
Seasonings for Chinese dishes	*Cook Do*	44.6	34% (1)

Note: Market size is based on consumer purchase prices.

Overseas Food Products

Overseas food product sales increased 21.8%, or ¥27.7 billion, to ¥155.5 billion. Operating income increased 47.2%, or ¥4.7 billion, to ¥14.9 billion. The major increases in revenue and income were driven by significant growth in sales of *AJI-NO-MOTO* and flavor seasonings for home use and restaurant use and the favorable impact of foreign exchange fluctuations.

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Seasonings: In Asia, sales of *AJI-NO-MOTO* for home use and restaurant use increased substantially, and sales of flavor seasonings for home use grew significantly. In America, revenue from sales of flavor seasonings for home use in South America was much higher than in the previous year. In Europe and Africa, sales of *AJI-NO-MOTO* for home use 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 grew strongly year on year, partly due to the favorable impact of exchange rates.

Amino Acids

Sales in the amino acids business increased 5.4%, or ¥14.6 billion, to ¥286.0 billion. Operating income increased 27.9%, or ¥4.1 billion, to ¥19.1 billion. The increase in sales and substantial increase in operating income were driven by major increases in revenue and operating income in feed-use amino acids and sweeteners, and contributions from electronic materials, amino acids for pharmaceuticals and food, and others, which offset significant decreases in operating income from umami seasonings for processed food manufacturers and pharmaceutical fine chemicals.

Umami Seasonings for Processed Food Manufacturers: Sales of *AJI-NO-MOTO* to the food processing industry increased, with sales growth both in Japan and overseas, while sales of nucleotides also increased, reflecting substantial growth in sales volumes driven by major overseas customers.

Feed-Use Amino Acids: Revenue from sales of Lysine increased substantially, with major growth in Europe, North America and Asia. Sales of Threonine grew steadily, while sales of Tryptophan increased significantly.

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

(Ajinomoto estimate) (Thousands of metric tons)

	FY2007	FY2006	FY2005	FY2004	FY2003
Lysine	1,050	960	900	830	700
Ajinomoto's share	30% (approx.)	30% (approx.)	30% (approx.)	30% (approx.)	35%
Threonine	125	105	85	65	50
Ajinomoto's share	60% (approx.)	60% (approx.)	60–70%	70%	70%
Tryptophan	2.5	2.2	1.8	1.5	1.3
Ajinomoto's share	85% (approx.)	80% (approx.)	70–80%	70–80%	70–80%

Amino Acids for Pharmaceuticals and Foods: In Japan, sales decreased slightly year on year, but overseas, sales were strong in Europe due to the favorable impact of exchange rate fluctuations, and sales also grew steadily in North America, leading to an overall increase in revenue.

Sweeteners: Sales of sweeteners to the processing industry trended favorably, driven by major growth in sales volumes. In South America, sales of powdered juice *Refresco MID*, which contains aspartame, increased significantly over the previous year, due to major growth in sales and the favorable impact of exchange rates.

Pharmaceutical Fine Chemicals: Sales of pharmaceutical fine chemicals declined from the previous year, with a decrease in sales in Europe.

Specialty Chemicals: Sales of cosmetic ingredients increased slightly from the previous year. Sales of amino acid-based cosmetic *Jino* grew steadily, and sales of insulation film for build-up printed wiring board trended favorably.

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Pharmaceuticals

Pharmaceutical sales increased 0.9%, or ¥0.7 billion, to ¥84.0 billion. Operating income decreased 5.2%, or ¥0.8 billion, to ¥14.9 billion. Operating income did not reach the level of the previous year, in which Ajinomoto received a one-off payment for a drug for treatment of diabetes, despite steady growth in sales of products distributed by Ajinomoto itself and sales under cooperative agreements.

For sales of products distributed by Ajinomoto itself, sales of infusions such as *SOLITA-T* and *PNTWIN* decreased, but sales of *LIVACT*, a branched-chain amino acids formula for the treatment of liver cirrhosis, grew significantly, and revenue from sales of *ELENTAL*, an elemental diet, and medical foods also increased. For sales under cooperative agreements, sales of natiglinide products such as non-insulin-dependent diabetes treatment *FASTIC* decreased, but sales of *ATELEC*, an antihypertensive drug, and sales of *ACTONEL*, a preparation used in the treatment of osteoporosis, both increased substantially.

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		
				FY2007	FY2006	FY2005
Infusions, clinical nutrition and dialysis/ Gastrointestinal diseases	*LIVACT*	May 1996	Amino acid formula for treatment of liver cirrhosis	15.5	15.0	15.0
	SOLITA-T	Feb. 1962	Electrolyte solution	7.7	8.5	10.2
	ELENTAL	Sept. 1981	Elemental diet	7.6	7.5	7.6
	PNTWIN	Dec. 1993	Glucose, electrolyte and amino acid infusion for total parenteral nutrition	3.8	4.3	5.2
	Heparin	Apr. 1972	Anticoagulant	3.6	3.6	3.8
	TWINPAL	Sept. 2004	Peripheral infusion with glucose, electrolyte and amino acids	2.0	2.8	2.2
	NIFLEC	June 1992	Oral cleaning solution for the intestine	2.5	2.5	2.5
	AK-SOLITA	Nov. 1970	Hemodialysis solutions for use in artificial kidneys	1.6	2.0	2.7
	ELEMENMIC	Apr. 1992	Trace mineral mixture for total parenteral nutrition	1.6	1.8	2.1
	HEPAN ED	Sept. 1991	Elemental diet for hepatic failure	1.5	1.7	1.8
Lifestyle-related diseases	*ATELEC*	Dec. 1995	Long-acting calcium channel blocker	13.9	11.5	10.0
	ACTONEL	May 2002	Osteoporosis treatment	10.2	9.3	8.9
	FASTIC	Aug. 1999	Diabetes mellitus. Fast-acting insulin secretagogue	5.8	5.9	6.0

**Effect of NHI (National Health Insurance) price revision implemented: April 2006 approx.-7%, April 2008 approx.-6%*

Other

Sales from other business decreased 1.1%, or ¥0.6 billion, to ¥58.2 billion. Operating income decreased 2.4%, or ¥68 million, to ¥2.8 billion.

Net Sales by Business and Region

(Millions of yen)

Years ended March 31		Japan	Asia	America	Europe	Total
Domestic Food Products	2008	**619.1**	**6.6**	**5.2**	**1.8**	**632.7**
	2007	606.0	5.7	4.0	1.6	617.2
Overseas Food Products	2008	**0.1**	**119.5**	**25.0**	**10.8**	**155.5**
	2007	0.1	100.2	18.9	8.4	127.7
Amino Acids	2008	**77.1**	**26.8**	**79.7**	**102.5**	**286.0**
	2007	71.4	23.0	69.7	107.3	271.4
Pharmaceuticals	2008	**84.1**	—	—	—	**84.1**
	2007	83.3	—	—	—	83.3
Other	2008	**52.0**	**6.3**	—	—	**58.2**
	2007	52.9	5.9	—	—	58.9
Total	2008	**832.3**	**159.2**	**109.9**	**115.1**	**1,216.6**
	2007	813.8	134.8	92.6	117.3	1,158.5

Note: Unaudited figures; for reference only.

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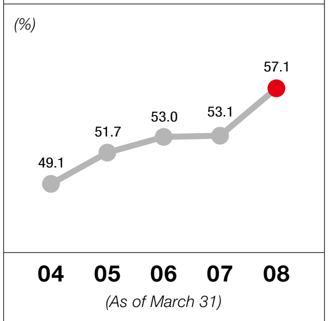
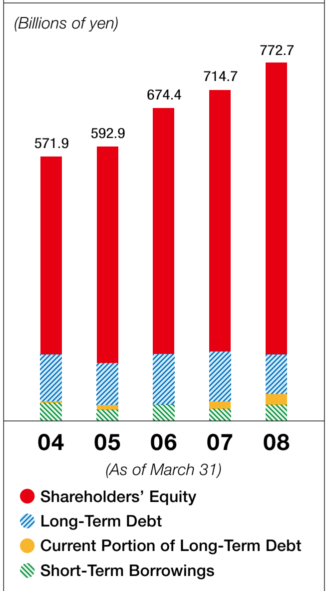
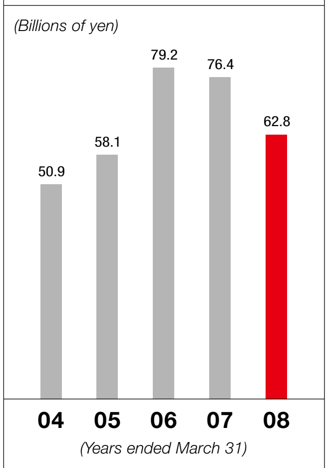
Shareholders' Equity Ratio



Total Capital



Capital Expenditure



Liquidity And Financial Condition

Total assets as of March 31, 2008 were ¥1,100.7 billion, ¥39.0 billion more than the ¥1,061.6 billion recorded one year earlier. The value recorded from the assets of overseas subsidiaries was lower due to the strengthening of the yen, and the amount of marketable securities recorded on the balance sheet decreased, due to the decline of the equities markets, but these were offset by the addition of new operating assets in line with Calpis becoming a wholly owned subsidiary, leading to the overall increase.

Total interest-bearing debt was ¥144.3 billion, ¥6.8 billion lower than March 31, 2007. Net assets increased ¥60.1 billion compared to March 31, 2007, due to an increase in capital surplus and higher operating revenue in line with the share exchange with Calpis. Shareholders' equity, which is net assets minus minority interests, was ¥628.3 billion, and the shareholders' equity ratio was 57.1%.

Balance Sheet (Excerpts)

As of March 31	Millions of yen (Percentage of respective total)		Thousands of U.S. dollars
	2008	2007	2008
Total assets	1,100,709 (100.0%)	1,061,688 (100.0%)	11,007,090
Notes and accounts receivable	191,837 (17.4)	205,083 (19.3)	1,918,370
Cash and cash equivalents	80,978 (7.4)	81,486 (7.7)	809,780
Inventories	135,557 (12.3)	122,652 (11.6)	1,355,570
Investments and long-term advances	107,983 (9.8)	144,247 (13.6)	1,079,830
Property, plant and equipment	436,686 (39.7)	385,928 (36.4)	4,366,860
Total liabilities	432,991 (39.3)	454,103 (42.8)	4,329,910
Notes and accounts payable	104,064 (9.5)	122,804 (11.6)	1,040,640
Short-term borrowings	36,036 (3.3)	27,734 (2.6)	360,360
Current portion of long-term debt	23,296 (2.1)	15,401 (1.5)	232,960
Accrued income taxes	6,997 (0.6)	12,122 (1.1)	69,970
Long-term debt	84,996 (7.7)	108,088 (10.2)	849,960
Shareholders' equity	628,325 (57.0)	563,446 (53.1)	6,283,250

Notes: Shareholders' equity = Net assets - minority interests

Cash Flow

Net cash provided by operating activities decreased ¥24.3 billion over the previous year to ¥51.4 billion. The main factors behind this decrease were lower operating income and higher income taxes paid.

Net cash used in investing activities was ¥28.2 billion. This decrease mainly reflects an increase in cash and cash equivalents due to including Calpis Group within the scope of consolidation in line with Calpis becoming a wholly owned subsidiary of the Company.

Net cash used in financing activities was ¥17.5 billion. The main factor was redemption of corporate bonds.

As a result of the foregoing, cash and cash equivalents at March 31, 2008 was ¥83.1 billion, an increase of ¥1.6 billion compared to March 31, 2007.

Cash Flow Highlights

(Millions of yen)

Years ended March 31	2008	2007	2006
Net cash provided by operating activities	51,436	75,764	55,174
Net cash used in investing activities	(28,292)	(67,911)	(83,731)
Net cash provided by (used in) financing activities	(17,592)	(5,504)	6,640
Cash and cash equivalents at end of year	83,164	81,486	75,133

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Outlook for the Fiscal Year Ending March 31, 2009

The Japanese economy is expected to continue to decelerate. Internationally, factors giving cause for concern with regard to the Japanese and other economies include the impact of the slowing down of the U.S. economy, crude oil and raw materials prices movements, and equity and foreign exchange market fluctuations.

Given such conditions, in domestic food products Ajinomoto aims to boost sales of core products and further improve 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, while actively pursuing technical developments to respond to the high prices of crude oil and raw materials. In pharmaceuticals Ajinomoto will seek to boost sales of top brands and its research and development pipeline, while working to maximize efficiencies in production and distribution and further reduce costs.

Our operating income target for the fiscal year ending March 31, 2009 for feed-use amino acids, which is part of the amino acids business, is ¥7.5–12.5 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. In projecting the impact of these factors, we assumed a lower limit of 1.8 U.S. dollars/kg (on a CIF basis) and an upper limit of 1.9 U.S. dollars/kg for the price of feed-use Lysine, a key product of the feed-use amino acid business. Combined with the other products of this business, we are assuming a profit variation of around ¥5.0 billion.

As a result of the above, Ajinomoto forecasts consolidated sales for the fiscal year ending March 31, 2009 to increase 4.6–5.0% to ¥1,272.5–1,277.5 billion, and operating income to increase 7.4–15.7% to ¥65.0–70.0 billion. Ordinary income is forecast to increase 9.4–18.4% to ¥61.0–66.0 billion, with net income increasing 6.3–16.9% to ¥30.0–33.0 billion.

These forecasts are based on an assumed exchange rate of ¥100 to the U.S. dollar.

Ajinomoto's Pharmaceutical Product Pipeline

(March 31, 2008)

Field	Name	Development Status	Indication	Notes
Gastrointestinal diseases [*1]	*NIFLEC*	NDA filed	Colon preparation for barium enema	Additional indication/Combination use with mosapride citrate
	AJM300	Phase II	Inflammatory bowel disease	
Lifestyle-related diseases [*2]	*FASTIC*	NDA filed	Diabetes	Additional indication/Combination use with insulin-sensitizing agent
	Nateglinide [1]	Phase III [1] (Overseas)	Diabetes	Additional indication/Impaired glucose tolerance
	ACTONEL	NDA filed	Paget's disease of bone	Additional indication/Orphan drug designation
	AJD101	Phase I (Overseas)	Diabetes	
		Phase II (Japan)		
	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 diseases 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).

Operational Risk

Operational risks faced by Ajinomoto that could affect its performance and financial position, including the share price of the Company, are outlined as follows. Future risks outlined in this document are as assessed by the Group as of March 31, 2008.

Exchange Rate Risk

Ajinomoto is further establishing and strengthening its global manufacturing and supply structure. The Group operates in 22 countries and regions including Japan, with manufacturing plants at 101 sites in 15 of these countries and regions. The relative importance of overseas operations is therefore very high. In the previous and current fiscal years, sales to outside parties in countries other than Japan (i.e. Asia, America and Europe) were ¥344.7 billion and ¥384.2 billion respectively, comprising 29.8% and 31.6% of consolidated sales. Operating income derived from these regions in the same periods was ¥20.6 billion and ¥29.4 billion, comprising 32.4% and 48.7% 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 Group 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 Group 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. Ajinomoto 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 Ajinomoto's operations and adversely affect financial performance.

Food Safety Issues

The Chinese frozen dumplings incident that occurred in January 2008 exerted a significant influence on the Group's frozen foods business.

Other than that incident, in recent years various food safety and quality issues have arisen in the foods industry, relating to matters such as avian flu and BSE. 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 Ajinomoto's performance may occur.

Litigation

The Group is currently 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 euro, and the court of the first instance found in favor of the Group.

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, higher prices of grain caused by rising demand for ethanol, and these commodities becoming subject to speculative trading. 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 Group 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 leakage remain. Furthermore, computer viruses could temporarily damage the company'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, 2008 and 2007

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 83,164	¥ 81,486	$ 831,640
Time deposits and short-term investments *(Note 14)*	1,212	503	12,120
Notes and accounts receivable:			
Trade	184,977	197,647	1,849,770
Unconsolidated subsidiaries and affiliates	8,248	8,580	82,480
Allowance for doubtful receivables	(1,388)	(1,144)	(13,880)
Inventories *(Note 3)*	135,557	122,652	1,355,570
Deferred tax assets *(Note 6)*	13,878	11,442	138,780
Prepaid expenses and other current assets	40,225	38,955	402,250
Total current assets	465,875	460,126	4,658,750
Investments and long-term advances *(Note 14):*			
Investments in and advances to unconsolidated subsidiaries and affiliates	47,501	75,763	475,010
Investment securities	49,589	60,170	495,890
Other advances	10,893	8,314	108,930
Total investments and long-term advances	107,983	144,247	1,079,830
Property, plant and equipment *(Note 5):*			
Land	102,625	59,708	1,026,250
Buildings and structures	341,939	312,585	3,419,390
Machinery and equipment	623,901	585,408	6,239,010
	1,068,466	957,702	10,684,660
Accumulated depreciation	(631,779)	(571,773)	(6,317,790)
Property, plant and equipment, net	436,686	385,928	4,366,860
Other assets:			
Deferred tax assets *(Note 6)*	9,047	7,485	90,470
Other	81,116	63,900	811,160
Total other assets	90,164	71,385	901,640
Total assets	¥1,100,709	¥1,061,688	$11,007,090

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS *(cont.)*

Ajinomoto Co., Inc. and Consolidated Subsidiaries
As of March 31, 2008 and 2007

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings *(Notes 4 and 5)*	¥ 36,036	¥ 27,734	$ 360,360
Current portion of long-term debt *(Notes 4 and 5)*	23,296	15,401	232,960
Notes and accounts payable *(Note 5):*			
Trade	74,644	76,236	746,440
Unconsolidated subsidiaries and affiliates	28,930	45,793	289,300
Construction	490	775	4,900
Accrued income taxes *(Note 6)*	6,997	12,122	69,970
Deferred tax liabilities *(Note 6)*	270	—	2,700
Accrued expenses and other current liabilities	88,103	88,390	881,030
Total current liabilities	258,769	266,453	2,587,690
Long-term liabilities:			
Long-term debt *(Notes 4 and 5)*	84,996	108,088	849,960
Accrued employees' retirement benefits *(Note 7)*	45,784	51,421	457,840
Accrued officers' severance benefits	1,956	2,201	19,560
Deferred tax liabilities *(Note 6)*	20,850	5,186	208,500
Other long-term liabilities	20,634	20,752	206,340
Total long-term liabilities	174,222	187,650	1,742,220
Net assets:			
Shareholders' equity: *(Notes 8 and 19)*			
Common stock, without par value:			
Authorized: 2008 and 2007 – 1,000,000,000 shares			
Issued: 2008 – 700,032,654 shares	79,863	—	798,630
2007 – 649,981,740 shares	—	79,863	—
Capital surplus	182,850	111,581	1,828,500
Retained earnings	383,648	365,791	3,836,480
Treasury stock at cost:			
1,437,086 shares in 2008 and 2,334,244 shares in 2007	(1,858)	(2,902)	(18,580)
Total shareholders' equity	644,504	554,334	6,445,040
Valuation, translation adjustments and others:			
Unrealized holding gain on securities	5,702	15,633	57,020
Unrealized gain from hedging instruments	(142)	27	(1,420)
Translation adjustments	(21,739)	(6,549)	(217,390)
Total valuation, translation adjustments and others	(16,179)	9,111	(161,790)
Minority interests	39,392	44,138	393,920
Total net assets	667,717	607,584	6,677,170
Contingent liabilities *(Note 11)*			
Total liabilities and net assets	¥1,100,709	¥1,061,688	$11,007,090

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2008, 2007, and 2006

	2008	2007	2006	2008
		(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales	¥1,216,572	¥1,158,510	¥1,106,807	$12,165,720
Cost of sales *(Note 9)*	856,974	828,050	795,007	8,569,740
Gross profit	359,597	330,459	311,799	3,595,970
Selling, general and administrative expenses *(Note 9)*	299,074	266,658	251,476	2,990,740
Operating income	60,523	63,800	60,322	605,230
Other income (expenses):				
Interest expense	(4,751)	(5,008)	(3,292)	(47,510)
Interest and dividend income	2,685	2,610	2,567	26,850
Unrealized loss on securities	(990)	(372)	(99)	(9,900)
Gain on sales of securities	4,101	5,280	1,314	41,010
Loss on impairment of fixed assets	(125)	(1,769)	—	(1,250)
Loss on liquidation of affiliates	(4,137)	(22)	(872)	(41,370)
Equity in earnings of affiliates	3,541	3,920	3,703	35,410
Other, net	(8,997)	(12,718)	(6,473)	(89,970)
	(8,673)	(8,079)	(3,153)	(86,730)
Income before income taxes and minority interests	51,849	55,721	57,169	518,490
Income taxes *(Note 6)*:				
Current	18,536	22,125	15,800	185,360
Deferred	1,903	118	3,510	19,030
	20,439	22,243	19,311	204,390
Minority interests	(3,180)	(3,248)	(2,945)	(31,800)
Net income *(Note 12)*	¥ 28,229	¥ 30,229	¥ 34,912	$ 282,290

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	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	—	2	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
Changes for the year ended March 31, 2008									
Exchange of shares		71,269		1,881					73,150
Cash dividends paid			(10,361)						(10,361)
Net income			28,229						28,229
Increase resulting from increase in consolidated subsidiaries			110						110
Pension liability adjustment of an overseas subsidiary			(120)						(120)
Purchases of treasury stock				(905)					(905)
Disposition of treasury stock		(1)		68					67
Net changes in items other than those in shareholders' equity					(9,931)	(169)	(15,190)	(4,746)	(30,037)
Total changes for the year ended March 31, 2008	—	71,268	17,857	1,044	(9,931)	(169)	(15,190)	(4,746)	60,132
Balance at March 31, 2008	¥79,863	¥182,850	¥383,648	¥(1,858)	¥5,702	¥(142)	¥(21,739)	¥39,392	¥667,717

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS *(cont.)*

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	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, 2007	$798,630	$1,115,810	$3,657,910	$(29,020)	$156,330	$ 270	$ (65,490)	$441,380	$6,075,840
Changes for the year ended March 31, 2008									
Exchange of shares		712,690		18,810					731,500
Cash dividends paid			(103,610)						(103,610)
Net income			282,290						282,290
Increase resulting from increase in consolidated subsidiaries			1,100						1,100
Pension liability adjustment of an overseas subsidiary			(1,200)						(1,200)
Purchases of treasury stock				(9,050)					(9,050)
Disposition of treasury stock		(10)		680					670
Net changes in items other than those in shareholders' equity					(99,310)	(1,690)	(151,900)	(47,460)	(300,370)
Total changes for the year ended March 31, 2008	—	712,680	178,570	10,440	(99,310)	(1,690)	(151,900)	(47,460)	601,320
Balance at March 31, 2008	$798,630	$1,828,500	$3,836,480	$(18,580)	$ 57,020	$(1,420)	$(217,390)	$393,920	$6,677,170

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

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

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Ajinomoto Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	2008	2007	2006	2008
		(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities				
Income before income taxes and minority interests	¥51,849	¥55,721	¥57,169	$518,490
Depreciation and amortization	55,189	45,138	40,341	551,890
Loss on impairment of fixed assets	125	1,769	—	1,250
Amortization of excess of cost over net assets acquired	4,902	4,650	4,421	49,020
Accrued employees' retirement benefits	(6,705)	(6,236)	(6,326)	(67,050)
Accrued officers' severance benefits	(572)	500	(255)	(5,720)
Interest and dividend income	(2,685)	(2,610)	(2,567)	(26,850)
Interest expense	4,751	5,008	3,292	47,510
Equity in earnings of affiliates	(3,541)	(3,920)	(3,703)	(35,410)
Gain on sales of securities	(789)	(4,092)	(1,634)	(7,890)
Loss on revaluation of securities	84	121	92	840
(Gain) loss on sales of investments in affiliates	(3,290)	(1,188)	319	(32,900)
Loss on revaluation of investments in affiliates	905	—	—	9,050
Loss on liquidation of affiliates	4,137	—	—	41,370
Notes and accounts receivable	9,455	(4,598)	(1,734)	94,550
Notes and accounts payable	(8,359)	8,957	(612)	(83,590)
Other	(28,779)	(5,518)	(7,915)	(287,790)
Subtotal	76,695	93,700	80,887	766,950
Interest and dividends received	4,413	3,610	4,375	44,130
Interest paid	(4,580)	(3,899)	(2,596)	(45,800)
Settlements package	—	(1,993)	—	—
Income taxes paid	(25,092)	(15,654)	(27,490)	(250,920)
Net cash provided by operating activities	51,436	75,764	55,174	514,360
Cash flows from investing activities				
Acquisition of property, plant and equipment	(62,404)	(72,201)	(62,628)	(624,040)
Proceeds from sales of property, plant and equipment	7,684	604	9,862	76,840
Acquisition of intangible assets, net of proceeds	(3,742)	(4,001)	(9,317)	(37,420)
Acquisition of investments in securities	(96)	(424)	(1,993)	(960)
Proceeds from sales of investments in securities	1,606	8,783	3,521	16,060
Proceeds from sale of subsidiaries' stock resulting in change in scope of consolidation	5,501	—	—	55,010
Acquisition of subsidiaries' stock resulting in change in scope of consolidation	26,693	2,299	(19,612)	266,930
Acquisition of shares of affiliates	(3,194)	(6,400)	(2,379)	(31,940)
Proceeds from sales of shares of affiliates	577	2,742	5	5,770
Other	(917)	685	(1,190)	(9,170)
Net cash used in investing activities	(28,292)	(67,911)	(83,731)	(282,920)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings	3,623	1,277	(2,434)	36,230
Increase (decrease) in commercial paper	5,000	(10,000)	10,000	50,000
Proceeds from long-term debt	1,114	14,665	21,383	11,140
Repayment of long-term debt	(1,613)	(2,509)	(3,064)	(16,130)
Repayment of bonds	(15,000)	—	(10,000)	(150,000)
Cash dividends paid	(10,319)	(9,063)	(9,073)	(103,190)
Acquisition of shares of treasury stock	(905)	(439)	(301)	(9,050)
Other	509	564	131	5,090
Net cash (used in) provided by financing activities	(17,592)	(5,504)	6,640	(175,920)
Effect of exchange rate changes on cash and cash equivalents	(3,803)	4,732	3,928	(38,030)
Increase (decrease) in cash and cash equivalents	1,747	7,080	(17,987)	17,470
Cash and cash equivalents at beginning of year	81,486	75,133	92,980	814,860
Increase due to inclusion of subsidiaries in consolidation	43	164	140	430
Decrease due to exclusion of subsidiaries in consolidation	(113)	(891)	—	(1,130)
Cash and cash equivalents at end of year	¥83,164	¥81,486	¥75,133	$831,640

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2008

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments 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 Financial Instruments 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 revenue and expense accounts of the foreign consolidated subsidiaries are translated into yen at the average rates of exchange in effect during the year. The balance sheet accounts 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 which are translated at their historical exchange rates.

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. 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.

(Change in method of depreciation of property, plant and equipment)

Effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have adopted the new depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporation Tax Law and its regulation. The effect of adoption of this new method was to decrease operating income by ¥949 million ($9,490 thousand) and income before income taxes and minority interests by ¥993 million ($9,930 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been reported under the previous method.

In addition to the above adoption, effective the year ended March 31, 2008, these companies depreciate the difference between 5% of acquisition cost and nominal value by the straight-line method over a period of five years from the year following the year in which the accumulated depreciation has reached 95% of acquisition cost with respect to the property, plant and equipment acquired on or before March 31, 2007. As a result, operating income, and income before income taxes and minority interests decreased by ¥1,357 million ($13,570 thousand) and ¥1,500 million ($15,000 thousand), respectively, for the year ended March 31, 2008 from the corresponding amounts which would have been reported under the previous method.

The effect of these changes on segment information is explained in Note 18.

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. Consolidated Statements of Changed in Net Assets

Effective the year ended March 31, 2007, the Company has been 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 corporate 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 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 ¥100=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(cont.)*

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2008

3. Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Finished goods	¥ 81,272	¥ 72,545	$ 812,720
Work in process	20,464	19,357	204,640
Raw materials and supplies	33,819	30,749	338,190
	¥135,557	¥122,652	$1,355,570

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, 2008 and 2007 ranged from 0.13% to 17.5% and from 0.33% to 17.5%, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Bonds without collateral:			
2.675% bonds due 2008	¥ —	¥ 15,000	$ —
2.050% bonds due 2009	20,000	20,000	200,000
0.360% bonds due 2011	15,000	15,000	150,000
0.620% bonds due 2014	20,000	20,000	200,000
0.710% bonds due 2016	15,000	15,000	150,000
Loans from banks, insurance companies and government-sponsored agencies:			
With collateral	1,796	2,727	17,960
Without collateral	36,496	35,762	364,960
	108,292	123,489	1,082,920
Current portion	(23,296)	(15,401)	(232,960)
	¥ 84,996	¥108,088	$ 849,960

The annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2009	¥23,296	$232,960
2010	3,076	30,760
2011	16,931	169,310
2012	1,569	15,690
2013 and thereafter	63,420	634,200
	¥108,292	$1,082,920

5. Pledged Assets

The assets pledged as collateral for short-term borrowings, notes and accounts payable and long-term debt at March 31, 2008 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Property, plant and equipment, at net book value	¥6,680	$66,800

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 2008, 2007 and 2006. 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, 2008 and 2007 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, 2008 and 2007 were as follows:

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Inventories	¥ 1,525	¥ 527	$ 15,250
Securities	2,548	1,624	25,480
Property, plant and equipment	3,077	2,844	30,770
Accrued retirement benefits	18,540	21,084	185,400
Accrued expenses	1,949	2,627	19,490
Accrued bonuses	5,071	4,257	50,710
Unrealized profit	3,593	3,757	35,930
Accrued enterprise tax	852	1,200	8,520
Loss on impairment of fixed assets	2,562	2,965	25,620
Allowance for doubtful receivables	769	324	7,690
Not operating loss of consolidated subsidiaries	4,200	1,114	42,000
Other	2,039	2,106	20,390
Gross deferred tax assets	46,729	44,434	467,290
Valuation allowance	(8,273)	(6,401)	(82,730)
Total deferred tax assets	38,455	38,033	384,550
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	10,752	9,625	107,520
Unrealized gain on land	18,153	2,788	181,530
Unrealized holding gain on securities	4,483	9,849	44,830
Other	3,260	2,027	32,600
Total deferred tax liabilities	36,650	24,290	366,500
Net deferred tax assets	¥ 1,805	¥13,742	$ 18,050

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, 2008 and 2007 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation	¥(277,954)	¥(270,037)	$(2,779,540)
Plan assets at fair value	202,519	204,368	2,025,190
Unfunded retirement benefit obligation	(75,435)	(65,669)	(754,350)
Unrecognized actuarial gain or loss	43,364	29,242	433,640
Unrecognized prior service cost	(12,659)	(14,995)	(126,590)
Prepaid pension cost	(1,053)	—	(10,530)
Accrued retirement benefits	¥ (45,784)	¥ (51,421)	$ (457,840)

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, 2008, 2007 and 2006 are outlined as follows:

	2008	2007	2006	2008
	(Millions of yen)			(Thousands of U.S. dollars)
Service cost	¥ 5,879	¥ 5,803	¥ 5,774	$ 58,790
Interest cost	6,684	6,639	6,605	66,840
Expected return on plan assets	(7,232)	(6,692)	(6,020)	(72,320)
Amortization of prior service cost	(2,423)	(2,317)	(2,290)	(24,230)
Amortization of actuarial gain or loss	6,121	6,015	5,504	61,210
Other	2,049	632	1,541	20,490
Total	¥11,077	¥10,082	¥11,115	$110,770

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

	As of March 31,	
	2008	2007
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, 2008, 2007 and 2006 were ¥32,874 million ($328,740 thousand), ¥31,762 million and ¥30,535 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, 2008 and 2007, 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, 2008							
	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	¥ 1,654	¥ 115	¥1,352	¥ 186	$ 16,540	$ 1,150	$13,520	$ 1,860
Machinery and equipment	11,305	5,142	133	6,029	113,050	51,420	1,330	60,290
Total	¥12,960	¥5,257	¥1,486	¥6,216	$129,600	$52,570	$14,860	$62,160

	March 31, 2007			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
	(Millions of yen)			
Buildings and structures	¥ 1,598	¥ 91	¥1,352	¥ 154
Machinery and equipment	10,650	4,104	118	6,427
Total	¥12,248	¥4,195	¥1,471	¥6,581

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,977 million ($19,770 thousand), ¥1,830 million and ¥2,494 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, 2008, 2007 and 2006, respectively. Impairment loss recorded on such leased assets amounted to ¥28 million ($280 thousand) and ¥56 million for the years ended March 31, 2008 and 2007 respectively. The reversals of impairment loss applicable the above lease payments for the years ended March 31, 2008, 2007 and 2006 amounted to ¥91million ($910 thousand), ¥95 million and ¥112 million,respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2009	¥2,005	$20,050
2010 and thereafter	5,418	54,180
Total	¥7,423	$74,230
Accumulated impairment loss on leased assets	¥1,207	$12,070

Future minimum lease payments subsequent to March 31, 2008 for operating leases are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2009	¥1,246	$12,460
2010 and thereafter	4,423	44,230
Total	¥5,670	$56,700

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, 2008 and 2007:

	March 31, 2008					
	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	¥269	¥121	¥148	$2,690	$1,210	$1,480

	March 31, 2007		
	Acquisition costs	Accumulated depreciation	Net book value
	(Millions of yen)		
Machinery and equipment	¥193	¥83	¥110

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥53 million ($530 thousand), ¥43 million and ¥56 million for the years ended March 31, 2008, 2007 and 2006, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥53 million ($530 thousand), ¥43 million and ¥56 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2008 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)
2009	¥ 55	$550
2010 and thereafter	93	930
Total	¥148	$1,480

Future minimum lease income subsequent to March 31, 2008 for operating leases are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2009	¥113	$1,130
2010 and thereafter	304	3,040
Total	¥418	$4,180

11. Contingent Liabilities

At March 31, 2008, 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	¥2,491	$24,910
As guarantor of indebtedness of unconsolidated subsidiaries, affiliates and employees	352	3,520
	¥2,843	$28,430

12. Amounts Per Share

	2008	2007	2006	2008
	(Yen)			(U.S. dollars)
Net income	¥ 41.9	¥ 46.7	¥ 53.6	$0.419
Cash dividends	16.0	15.0	14.0	0.160
Net assets	899.4	870.0	815.8	8.994

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 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.

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13. Related Party Transactions

The Company purchased goods for resale in aggregate amounts of ¥118,562 million ($1,185,620 thousand), ¥202,580 million and ¥204,590 million from Ajinomoto General Foods, Inc. and Calpis, its major affiliates, which were accounted for by the equity method for the years ended March 31, 2008, 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, 2008 and 2007 is as follows:

	March 31, 2008					
	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	¥26,098	¥36,806	¥10,707	$260,980	$368,060	$107,070
Other	4	7	3	40	70	30
Subtotal	26,103	36,814	10,711	261,030	368,140	107,110
Securities whose acquisition cost exceeds their carrying value:						
Stock	10,738	8,539	(2,198)	107,380	85,390	(21,980)
Subtotal	10,738	8,539	(2,198)	107,380	85,390	(21,980)
Total	¥36,842	¥45,354	¥ 8,512	$368,420	$453,540	$ 85,120

	March 31, 2007		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥30,283	¥54,704	¥24,420
Other	9	18	8
Subtotal	30,293	54,722	24,429
Securities whose acquisition cost exceeds their carrying value:			
Stock	1,346	1,191	(154)
Subtotal	1,346	1,191	(154)
Total	¥31,639	¥55,914	¥24,274

b) Sales of securities classified as other securities for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	March 31,			
	2008	2007	2006	2008
	(Millions of yen)			(Thousands of U.S. dollars)
Proceeds from sales	¥1,606	¥8,783	¥3,521	$16,060
Gains on sales	804	4,093	1,634	8,040
Losses on sales	15	0	—	150

c) The redemption schedule for securities with maturity dates classified as other securities at March 31, 2008 is summarized as follows:

	March 31, 2008					
	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, 2008 and 2007:

1) Currency-related transactions

	March 31, 2008					
	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$	¥25,543	¥24,167	¥1,375	$255,430	$241,670	$13,750
Euro	2,580	2,573	6	25,800	25,730	60
Others	3,014	2,958	56	30,140	29,580	560
Buy:						
US$	8,254	7,992	(261)	82,540	79,920	(2,610)
Euro	389	398	9	3,890	3,980	90
Other	711	709	(1)	7,110	7,090	(10)
Options:						
Put options, Written:						
US$	384	49	(17)	3,840	490	(170)
Premium	32			320		
Call options, Purchased:						
US$	384	3	(8)	3,840	30	(80)
Premium	11			110		
Put options, Written:						
Euro	250	9	15	2,500	90	150
Premium	24			240		
Call options, Purchased:						
Euro	250	38	26	2,500	380	260
Premium	12			120		
			¥1,198			$11,980

	March 31, 2007		
	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)		
Forward foreign exchange contracts:			
Sell:			
US$	¥13,356	¥13,385	¥(29)
Euro	2,240	2,270	(30)
Others	1,584	1,661	(78)
Buy:			
US$	3,322	3,340	17
Euro	6	6	0
Other	1,375	1,428	53
Options:			
Put options, Written:			
US$	513	41	0
Premium	40		
Call options, Purchased:			
US$	513	2	(13)
Premium	15		
Put options, Written:			
Euro	481	12	30
Premium	42		
Call options, Purchased:			
Euro	481	53	30
Premium	23		
			¥(21)

2) Interest-related transactions

	March 31, 2008					
	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	¥ —	¥ —	¥ —	$ —	$ —	$ —
Currency swaps:						
Receive/JPY and pay/US$	11,608	727	727	116,080	7,270	7,270
Receive/JPY and pay/Euro	2,625	(42)	(42)	26,250	(420)	(420)
Receive/US$ and pay/JPY	1,641	(0)	(0)	16,410	(0)	(0)
Total			¥684			$6,840

	March 31, 2007		
	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)		
Interest-rate swaps:			
Receive/fixed and pay/floating	¥ 185	¥ (1)	¥ (1)
Currency swaps:			
Receive/JPY and pay/US$	11,512	(551)	(551)
Receive/JPY and pay/Euro	2,322	(37)	(37)
Receive/US$ and pay/JPY	1,641	42	42
Total			¥(548)

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, 2008 and 2007:

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S dollars)
Current assets	¥ 59,634	¥ 8,077	$ 596,340
Non-current assets	71,096	6,523	710,960
Total assets	¥130,730	¥14,600	$1,307,300
Current liabilities	¥ 33,197	¥ 1,615	$ 331,970
Non-current liabilities	19,211	218	192,110
Total liabilities	¥ 52,409	¥ 1,834	$ 524,090

The following is a summary of the assets and liabilities of subsidiaries which were excluded from consolidation upon sale of their stock for the years ended March 31, 2008 and 2006:

	2008	2006	2008
	(Millions of yen)		(Thousands of U.S dollars)
Current assets	¥ 8,376	¥1,120	$ 83,760
Non-current assets	4,065	2,303	40,650
Total assets	¥12,442	¥3,424	$124,420
Current liabilities	¥ 7,750	¥2,442	$ 77,500
Non-current liabilities	406	—	4,060
Total liabilities	¥ 8,157	¥2,442	$ 81,570

17. Business Combination

In accordance with a share exchange agreement dated June 11, 2007, Calpis, which operates in the food products industry, became a wholly-owned subsidiary of the Company effective October 1, 2007. Calpis was an affiliate of the Company accounted for by the equity method.

The Company issued 0.95 shares of its own common stock in exchange for each share of Calpis's common stock and, as a result, acquired an additional 73.3% equity interest of Calpis in exchange for the Company's common stock of 51,550,914 shares, of which the fair value was ¥73,150 million ($731,500 thousand).

The following is a summary of the assets acquired and liabilities assumed of Calpis as of October 1, 2007:

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥ 59,634	$ 596,340
Non-current assets	71,096	710,960
Total assets	¥130,730	$1,307,300
Current liabilities	¥ 33,197	$ 331,970
Non-current liabilities	19,211	192,110
Total liabilities	¥ 52,409	$ 524,090

Goodwill of ¥24,053 million ($240,530 thousand) arising from this share exchange transaction is to be amortized over 20 years by the straight-line method.

The unaudited pro forma amounts of impact on consolidated operating results of the Company for the year ended March 31, 2008, which were estimated as if this transaction occurred at the beginning of the year ended March 31, 2008, are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Net sales	¥15,318	$153,180
Operating income	3,372	33,720
Net income	¥ 612	$ 6,120

18. Segment Information

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

—Domestic food products segment, which includes *AJI-NO-MOTO*, *HON-DASHI*, *Cook Do*, soups, mayonnaise 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, 2008, 2007 and 2006 are outlined as follows:

Business Segments

	Year ended March 31, 2008							
	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	¥632,719	¥155,509	¥286,042	¥84,074	¥ 58,226	¥1,216,572	¥ —	¥1,216,572
Intragroup sales	3,080	1,975	19,161	113	65,440	89,772	(89,772)	—
Total sales	635,800	157,485	305,203	84,187	123,667	1,306,344	(89,772)	1,216,572
Operating expenses	620,053	142,537	286,047	69,240	120,861	1,238,739	(82,690)	1,156,048
Operating income	¥ 15,746	¥ 14,947	¥ 19,156	¥14,947	¥ 2,805	¥ 67,604	¥ (7,081)	¥ 60,523
II. Assets, depreciation and capital expenditures:								
Total assets	¥395,265	¥ 88,426	¥353,023	¥72,700	¥ 67,555	¥ 976,970	¥123,739	¥1,100,709
Depreciation and amortization	11,954	3,350	30,342	3,398	2,145	51,191	3,998	55,189
Impairment losses on fixed assets	125	—	—	—	—	125	—	125
Capital expenditures	20,945	7,320	27,022	3,176	1,207	59,672	3,108	62,780

	Year ended March 31, 2008							
	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	$6,327,190	$1,555,090	$2,860,420	$840,740	$ 582,260	$12,165,720	$ —	$12,165,720
Intragroup sales	30,800	19,750	191,610	1,130	654,400	897,720	(897,720)	—
Total sales	6,358,000	1,574,850	3,052,030	841,870	1,236,670	13,063,440	(897,720)	12,165,720
Operating expenses	6,200,530	1,425,370	2,860,470	692,400	1,208,610	12,387,390	(826,900)	11,560,480
Operating income	$ 157,460	$ 149,470	$ 191,560	$149,470	$ 28,050	$ 676,040	$ (70,810)	$ 605,230
II. Assets, depreciation and capital expenditures:								
Total assets	$3,952,650	$884,260	$3,530,230	$727,000	$ 675,550	$ 9,769,700	$1,237,390	$11,007,090
Depreciation and amortization	119,540	33,500	303,420	33,980	21,450	511,910	39,980	551,890
Impairment losses on fixed assets	1,250	—	—	—	—	1,250	—	1,250
Capital expenditures	209,450	73,200	270,220	31,760	12,070	596,720	31,080	627,800

(Note) Changes in method of depreciation of property, plant and equipment

As described in Note 1g., effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have adopted the new depreciation method for property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporation Tax Law and its regulation. As a result, operating expenses increased by ¥509 million ($5,090 thousand) for “Domestic Food Products” segment, ¥0 million ($0 thousand) for “Overseas Food Products” segment, ¥257 million ($2,570 thousand) for “Amino Acids” segment, ¥85 million ($850 thousand) for “Pharmaceuticals” segment, ¥10 million ($100 thousand) for “Other” segment and ¥86 million ($860 thousand) for “Corporate and Eliminations” over the corresponding amounts which would have been reported under the previous method, and operating income decreased by the same amounts for the year ended March 31, 2008.

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As described in Note 1g., in addition to the above adoption, effective the year ended March 31, 2008, these companies depreciate the difference between 5% of acquisition cost and nominal value by the straight-line method over a period of five years from the year following the year in which the accumulated depreciation has reached 95% of acquisition cost with respect to the property, plant and equipment acquired on or before March 31, 2007. As a result, operating expenses increased by ¥601 million ($6,010 thousand) for "Domestic Food Products" segment, ¥0 million ($0 thousand) for "Overseas Food Products" segment, ¥583 million ($5,830 thousand) for "Amino Acids" segment, ¥92 million ($920 thousand) for "Pharmaceuticals" segment, ¥29 million ($290 thousand) for "Other" segment and ¥49 million ($490 thousand) for "Corporate and Eliminations" over the corresponding amounts which would have been reported under the previous method, and operating income decreased by the same amounts for the year ended March 31, 2008.

	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

	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

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Geographical Segments

	Year ended March 31, 2008						
	Japan	Asia	America	Europe	Total	Corporate and eliminations	Consolidated
	(Millions of yen)						
Sales to third parties	¥832,330	¥159,232	¥109,886	¥115,123	¥1,216,572	¥ —	¥1,216,572
Interarea sales and transfers	40,066	24,785	21,970	4,046	90,869	(90,869)	—
Total sales	872,397	184,018	131,857	119,169	1,307,441	(90,869)	1,216,572
Operating expenses	841,369	170,627	122,448	112,472	1,246,918	(90,869)	1,156,048
Operating income	¥ 31,027	¥ 13,390	¥ 9,408	¥ 6,696	¥ 60,523	¥ —	¥ 60,523
Total assets	¥526,790	¥176,401	¥126,977	¥ 97,226	¥ 927,396	¥173,313	¥1,100,709

	Year ended March 31, 2008						
	Japan	Asia	America	Europe	Total	Corporate and eliminations	Consolidated
	(Thousands of U.S. dollars)						
Sales to third parties	$8,323,300	$1,592,320	$1,098,860	$1,151,230	$12,165,720	$ —	$12,165,720
Interarea sales and transfers	400,660	247,850	219,700	40,460	908,690	(908,690)	—
Total sales	8,723,970	1,840,180	1,318,570	1,191,690	13,074,410	(908,690)	12,165,720
Operating expenses	8,413,690	1,706,270	1,224,480	1,124,720	12,469,180	(908,690)	11,560,480
Operating income	$ 310,270	$ 133,900	$ 94,080	$ 66,960	$ 605,230	$ —	$ 605,230
Total assets	$5,267,900	$1,764,010	$1,269,770	$ 972,260	$ 9,273,960	$1,733,130	$11,007,090

(Note) Changes in method of depreciation of property, plant and equipment

As described in Note 1g., effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have adopted the new depreciation method for property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporation Tax Law and its regulation. As a result, operating expenses increased by ¥949 million ($9,490 thousand) for "Japan" segment over the corresponding amount which would have been reported under the previous method, and operating income decreased by the same amount for the year ended March 31, 2008.

As described in Note 1g., in addition to the above adoption, effective the year ended March 31, 2008, these companies depreciate the difference between 5% of acquisition cost and nominal value by the straight-line method over a period of five years from the year following the year in which the accumulated depreciation has reached 95% of acquisition cost with respect to the property, plant and equipment acquired on or before March 31, 2007. As a result, operating expenses increased by ¥1,357 million ($13,570 thousand) for "Japan" segment over the corresponding amount which would have been reported under the previous method, and operating income decreased by the same amounts for the year ended March 31, 2008.

	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, 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

As described in Note 1g., from the period under review the Company and domestic consolidated subsidiaries have changed the method of depreciation for tangible fixed assets acquired on or after April 1, 2007, based on the revised Corporation Tax Law.

As a result, operating expenses increased ¥949 million in "Japan", and operating income decreased by the same amount.

Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of foreign consolidated subsidiaries, for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	Year ended March 31, 2008			
	Asia	America	Europe	Total
	(Millions of yen)			
Overseas sales	¥181,202	¥114,244	¥122,037	¥ 417,485
Consolidated net sales	—	—	—	1,216,572
	(Thousands of U.S. dollars)			
Overseas sales	$1,812,020	$1,142,440	$1,220,370	$ 4,174,850
Consolidated net sales	—	—	—	12,165,720
Overseas sales as a percentage of consolidated net sales	14.9%	9.4%	10.0%	34.3%

	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
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%

19. Subsequent Event

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, 2008, was approved by the shareholders at a meeting held on June 27, 2008:

	(Millions of yen)	(Thousands of U.S. dollars)
Year-end cash dividends (¥8 = U.S.$0.080 per share)	¥5,181	$51,810

ERNST & YOUNG SHINNIHON

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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, 2008 and 2007, and the related consolidated statements of income and cash flows for each of the three years in the period ended March 31, 2008, changes in net assets for the years ended March 31, 2008 and 2007 and shareholders' equity for the year ended March 31, 2006, 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

June 27, 2008

Ernst & Young ShinNihon

A MEMBER OF ERNST & YOUNG GLOBAL

MAJOR SUBSIDIARIES AND AFFILIATES (1/2)

(As of March 31, 2008)

● 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 LOGISTICS CORPORATION	Japan	JPY	1,930,000	89.4 (1.1)	Other
● Ajinomoto Medica Co., Ltd.	Japan	JPY	80,000	100.0	Pharmaceuticals
● Ajinomoto Pharma Co., Ltd.	Japan	JPY	4,560,000	100.0	Pharmaceuticals
● Ajinomoto Treasury Management, Inc.	Japan	JPY	500,000	100.0	Other
● Calpis Co., Ltd	Japan	JPY	13,056,000	100.0	Beverages and Dairy Products
● 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
○ J-OIL MILLS, INC.	Japan	JPY	10,000,000	27.3	Edible Oils
○ Ajinomoto General Foods, Inc.	Japan	JPY	3,862,000	50.0	Beverages and Dairy Products
Asia					
● Ajinomoto (China) Co., Ltd.	China	USD	102,830	100.0	Overseas Food Products
● 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 Calpis Beverage Indonesia	Indonesia	USD	17,920	100.0 (50.0)	Beverages and Dairy Products
● 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	665,444	95.0	Overseas Food Products
● Ace Pack Co., (Thailand) Ltd.	Thailand	THB	277,500	100.0 (94.6)	Packaging
● Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd.	Thailand	THB	764,000	50.0 (50.0)	Frozen Foods

Notes: * Numbers in parentheses indicate indirect equity ownership.
** 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, 2008)

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

Company name	Country	Capital Stock (thousands)		Ratio of voting*	Major business

Asia (cont.)

Company name	Country	Capital Stock (thousands)		Ratio of voting*	Major business
● Ajinomoto Betagro Specality Foods (Thailand) Co., Ltd.	Thailand	THB	390,000	51.0 (51.0)	Frozen Foods
● Ajinomoto Calpis Beverage (Thailand) Co., Ltd.	Thailand	THB	660,000	100.0 (100.0)	Overseas Food Products
● Ajinomoto Co., (Thailand) Ltd.	Thailand	THB	796,362	78.7 (4.5)	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
● Ajinomoto Vietnam Co., Ltd.	Vietnam	USD	45,255	100.0	Overseas Food Products

America

Company name	Country	Capital Stock (thousands)		Ratio of voting*	Major business
● Ajinomoto Biolatina Indústria e Comércio Ltda.	Brazil	BRL	144,417	100.0	Feed-Use Amino Acids
● Ajinomoto Interamericana Indústria e Comércio Ltda.	Brazil	BRL	355,552	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
● Calpis U.S.A., Inc.	United States	USD	9,000	100.0 (100.0)	Beverages and Dairy Products
○ Nissin-Ajinomoto Alimentos Ltda.	Brazil	BRL	12,689	50.0	Overseas Food Products

Europe

Company name	Country	Capital Stock (thousands)		Ratio of voting*	Major business
● S.A. Ajinomoto OmniChem N.V.	Belgium	EUR	21,320	100.0 (0.0)	Pharmaceutical Fine Chemicals
● Ajinomoto Sweeteners Europe S.A.S.	France	EUR	51,000	100.0 (0.0)	Amino Acid-Based Sweeteners
● AJINOMOTO EUROLYSINE S.A.S.	France	EUR	26,865	100.0 (0.0)	Feed-Use Amino Acids
● Ajinomoto Poland Sp. z o.o.	Poland	PLN	39,510	100.0	Overseas Food Products
● ZAO “AJINOMOTO-GENETIKA Research Institute”	Russia	RBL	468,151	100.0	Other

Notes: * Numbers in parentheses indicate indirect equity ownership.

INVESTOR INFORMATION (1/2)

(As of March 31, 2008)

Ajinomoto Co., Inc.

Established: May 20, 1909

Number of employees: 25,893 (consolidated basis)
3,636 (non-consolidated basis)

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

Common stock

Authorized: 1,000,000,000 shares

Issued: 700,032,654 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: 66,168

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

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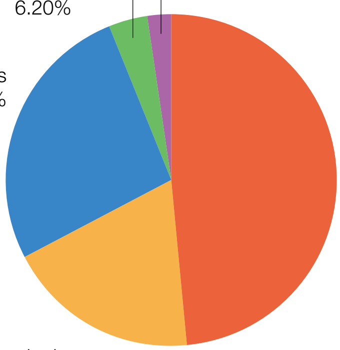
Fax: +81 (3) 5250-8378

Distribution of shareholders

(By number of shares)



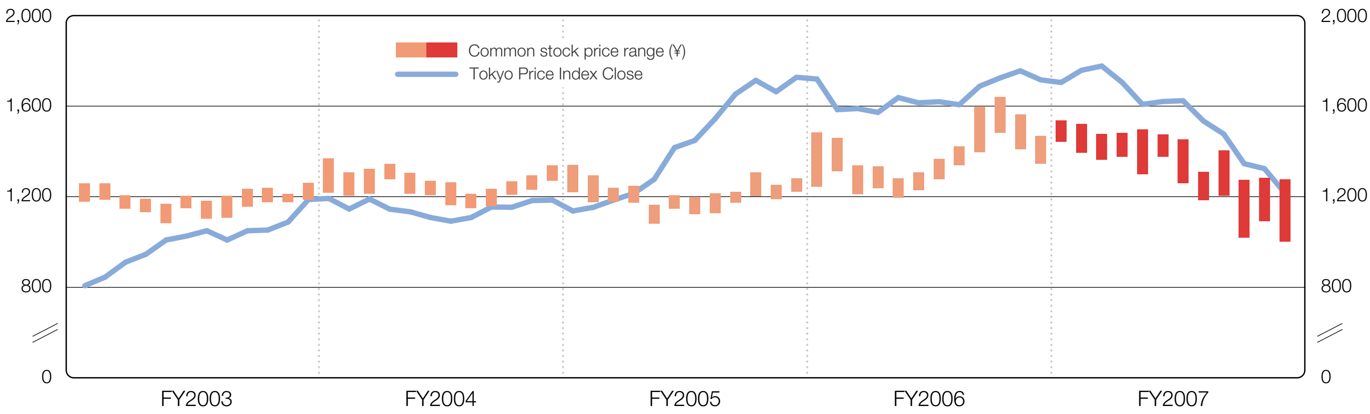
Major shareholders

Name of shareholders	Number of Shares (Thousands)	Equity Position
The Master Trust Bank of Japan, Ltd. (trust account)	68,850	9.84
Japan Trustee Services Bank, Ltd. (trust account)	33,831	4.83
The Dai-ichi Mutual Life Insurance Company	28,199	4.03
Nippon Life Insurance Company	25,706	3.67
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,149	2.88
NIPPONKOA Insurance Co., Ltd.	16,097	2.30
Meiji Yasuda Life Insurance Company	12,624	1.80
Mitsubishi UFJ Trust and Banking Corporation	11,548	1.65
Trust & Custody Services Bank, Ltd. (trust account Y)	11,459	1.64
Sompo Japan Insurance Inc.	10,377	1.48

INVESTOR INFORMATION (2/2)

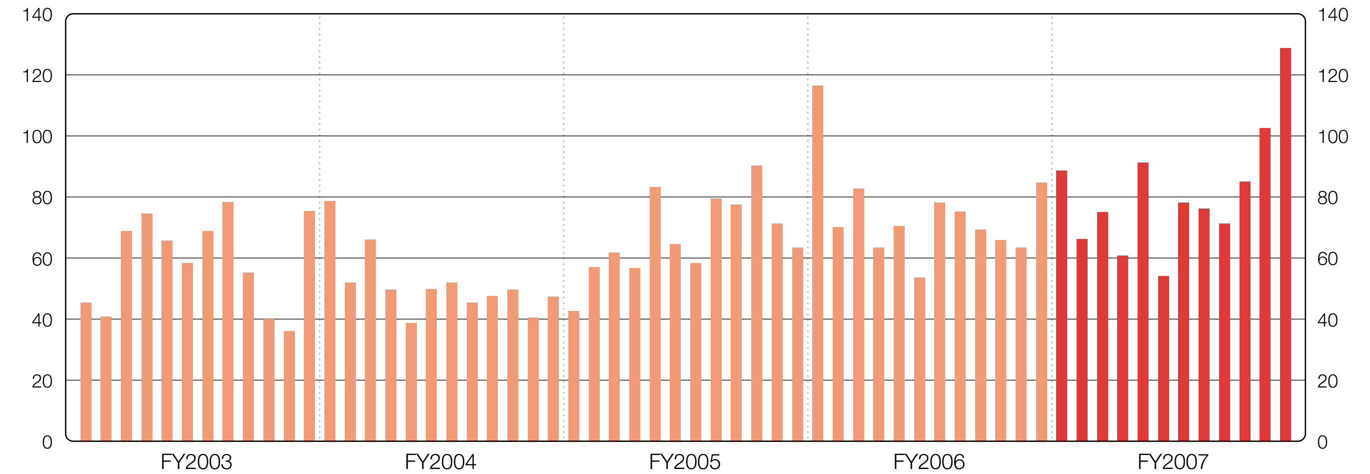
(As of March 31, 2007)

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/ir/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