

# Ajinomoto Co., Inc.

## Consolidated Interim Results

First Half of  
Fiscal Year Ending March 31, 2004

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

## SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

For the interim period ended September 30, 2003

### Ajinomoto Co., Inc.

Stock Code: 2802

<http://www.ajinomoto.com/>

President Kunio Egashira

Date of the meeting of the board of directors: November 14, 2003

U.S. GAAP Accounting Principles: Not adopted

Listed exchanges: Tokyo, Osaka, Nagoya, Fukuoka, Sapporo  
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General Manager

Finance Department

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November 14, 2003

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2003

#### 1) Consolidated Operating Results

	<i>Millions of yen</i>				
	Interim period ended September 30, 2003		Interim period ended September 30, 2002		FY ended March 31, 2003
		Change %		Change %	
Net sales .....	516,144	5.4	489,785	6.1	987,727
Operating income .....	27,530	16.2	23,686	21.5	54,059
Ordinary income .....	28,849	7.3	26,893	6.1	56,888
Net income .....	12,235	1.8	12,015	(26.5)	33,178
Net income per share (¥) .....	¥18.88		¥18.49		¥50.73
Fully diluted earnings per share (¥) .....	--		--		--

Notes: (1) Gain from investments in subsidiaries and affiliates accounted for by the equity method:

Interim period ended September 30, 2003:	2,473 million yen	Interim period ended September 30, 2002:	2,707 million yen	FY ended March 31, 2003:	6,549 million yen
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(2) Average number of shares outstanding (consolidated) during the period:

Interim period ended September 30, 2003:	648,611,878 shares	Interim period ended September 30, 2002:	649,769,529 shares	FY ended March 31, 2003:	649,382,067 shares
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(3) Changes to accounting principles: None

(4) Percentages for interim net sales, operating income, ordinary income and net income represent changes from the previous interim period

#### 2) Financial Position

	<i>Millions of yen</i>		
	As of September 30, 2003	As of September 30, 2002	As of March 31, 2003
Total assets .....	872,307	796,117	864,588
Shareholders' equity .....	404,734	377,379	391,154
Equity ratio (%) .....	46.4%	47.4%	45.2%
Shareholders' equity per share (¥) .....	¥624.07	¥580.92	¥602.66

Note: (1) Outstanding shares (consolidated) at:

September 30, 2003:	648,558,288 shares	September 30, 2002:	649,619,711 shares	March 31, 2003:	648,655,123 shares
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#### 3) Cash Flows

	<i>Millions of yen</i>		
	Interim period ended September 30, 2003	Interim period ended September 30, 2002	FY ended March 31, 2003
Net cash provided by operating activities .....	25,925	15,792	57,236
Net cash used in investing activities .....	(40,559)	(1,868)	(49,516)
Net cash (used in) provided by financing activities .....	6,266	(18,327)	(6,628)
Cash and cash equivalents at end of period .....	47,322	50,072	55,722

#### 4) Matters concerning consolidated subsidiaries and affiliates accounted for by the equity method:

Number of consolidated subsidiaries .....	95
Number of non-consolidated subsidiaries accounted for by the equity method .....	4
Number of affiliates accounted for by the equity method .....	21

#### 5) Changes in the scope of consolidation and companies accounted for by the equity method

Consolidated subsidiaries	Newly included:	8	Excluded:	6
Companies accounted for by the equity method	Newly included:	1	Excluded:	1

### 2. Forecast for the Fiscal Year Ending March 31, 2004

	<i>Millions of yen</i>	
	FY ending March 31, 2004	
Net Sales .....	1,050,000	
Ordinary Income .....	67,000	
Net Income .....	35,000	

(Note) Net income per share expected for the fiscal year ending March 31, 2004 (consolidated): ¥53.61

This forecast contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For more information, please refer to page 13 of this report.

## 1. Current State of the Ajinomoto Group

The Ajinomoto Group is made up of Ajinomoto Co., Inc. (the Company), along with 136 subsidiaries and 31 affiliates. The Group is engaged in manufacturing and marketing of seasonings and food products, frozen foods, edible oils, beverages, dairy products, seasonings and processed foods, amino acids, specialty chemicals, pharmaceuticals, medical foods, and other businesses.

A breakdown of the core businesses of the Ajinomoto Group can be found in the following chart.

Business	Product	Main Companies
Domestic Food Products (40 companies)	Seasonings and Food Products (26 companies)	Knorr Foods Co., Ltd., Ajinomoto Packaging Inc., AJINOMOTO BAKERY PRODUCT CO., LTD. (see note 1), plus 23 additional companies
	Frozen Foods (7 companies)	Ajinomoto Frozen Foods Co., Inc. (see note 2), Ajinomoto Frozen Foods (Thailand) Co., Ltd., Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd., Lianyungang Ajinomoto Ruyi Foods Co., Ltd., plus 3 additional companies
	Edible Oils (4 companies)	J-OIL MILLS, INC. (see note 3), Ajinomoto Oil Mills Co., Inc., HONEN Corporation, Yoshihara Oil Mill, Ltd. (see note 3)
	Beverages, Dairy Products (3 companies)	Ajinomoto General Foods, Inc., Calpis Co., Ltd., Calpis Ajinomoto Danone Co., Ltd.
Overseas Food Products (71 companies)	Seasonings and Processed Foods (71 companies)	Ajinomoto Co., (Thailand) Ltd., Ajinomoto (Malaysia) Berhad, Ajinomoto del Peru S.A., Ajinomoto Interamericana Industria e Comercio Ltda., PT Ajinex International, PT Ajinomoto Indonesia, AJINOMOTO PHILIPPINES CORPORATION, Ajinomoto (Singapore) Pte. Ltd., ORSAN SA (see note 4) plus 62 additional companies
Amino Acids (20 companies)	Amino acids, Specialty Chemicals (20 companies)	Ajinomoto Takara Corporation, Inc., Ajinomoto Fine-Techno Co., Inc., Ajinomoto U.S.A., Inc. (see note 5), S.A. OmniChem N.V., AJINOMOTO EUROLYSINE S.A.S., Ajinomoto Euro-Aspartame S.A.S., Ajinomoto Europe Sales G.m.b.H., Ajinomoto Switzerland AG, plus 12 additional companies
Pharmaceuticals (8 companies)	Pharmaceuticals, Medical Foods (8 companies)	Ajinomoto Pharma Co. Ltd., Shimizu Pharmaceutical Co., Ltd., Ajinomoto Pharmaceuticals U.S.A., Inc., Ajinomoto Pharmaceuticals Europe Ltd., plus 4 additional companies
Other (28 companies)	Packaging Materials (3 companies)	Fuji Ace Co., Ltd., plus 2 additional companies
	Distribution (12 companies)	AJINOMOTO LOGISTICS CORPORATION, plus 11 additional companies
	Service, others (13 companies)	Ajinomoto Communications Inc., Ajinomoto System Techno Corporation, Ajinomoto Engineering Co., Ltd., Ajinomoto-Genetika Research Institute (AGRI), plus 9 other companies

### Notes:

1. On April 1, 2003 Ajinomoto spun off its bakery business and combined it with Ajinomoto Frozen Bakery Co., Ltd., whose name was then changed to AJINOMOTO BAKERY PRODUCTS CO., LTD.

2. On April 1, 2003, Ajinomoto Frozen Foods Co., Inc. merged with Frec Corporation, after buying the outstanding shares in Frec from Nippon Sanso Corporation in February 2003 and making it a wholly-owned subsidiary.
3. Following a share swap on April 1, 2003, HONEN AJINOMOTO OIL MILLS, INC. made Yoshihara Oil Mill, Ltd., a wholly-owned subsidiary, and changed its name to J-OIL MILLS, INC.
4. On July 31, 2003, Ajinomoto Co, Inc. completed acquisition of all outstanding shares of ORSAN SA from Amylum France S.A.S. and made it a wholly owned subsidiary. From October 1, 2003 the company began operating under its new name Ajinomoto Foods Europe S.A.S.
5. On April 1, 2003, Ajinomoto U.S.A., Inc. merged with a separate company that it had established through a 100 percent capital injection. On the same date Ajinomoto Heartland Inc. was merged with Ajinomoto Heartland, LLC, a wholly-owned subsidiary of newly established Ajinomoto U.S.A., Inc.

## 2. Management Policy

### 1. Basic Management Policy

In 1909 we began selling *AJI-NO-MOTO*, the world's first umami seasoning, and in the more than 90 years since then we have developed our business as we pursue mankind's fundamental need for nourishment and common desire for well-being. While cultivating ideas in the world of food, we have developed a profound understanding of amino acids, and expanded their applications from foods to include aspects of health and medical treatment. We will continue to build on our achievements to date, using our technical and operational expertise to produce valued products that contribute positively to food, health, and the future of people around the world.

#### (1) Ajinomoto Group Philosophy

Our philosophy is to contribute significant advances in food and health on a global basis and ultimately to create a better life for all.

#### (2) Ajinomoto Group Basic Management Policies

##### Business Objectives

We aim to be a global corporation, which contributes to the general well being of all people in the world, through our business domains of food and food-related products, amino acid-based fine chemicals and pharmaceuticals.

##### Business Ethos

By always putting customers first, synergizing our vast pool of creative resources and employing only superior technologies, we offer innovative products and services of the highest standards and quality.

##### Management Principle

We continue to respect all interested parties, including shareholders, customers, local communities, trading partners and employees, and manage operations on the basis of quick and concise decision-making that is fair and open, thus realizing an appropriate return of profits to our shareholders and continually increasing our business value.

##### Social Responsibility

As an outstanding and socially aware corporate citizen, we endeavor to contribute to the harmony and progress of society.

##### Corporate Culture

We strive to maintain a creative, open, spirited, and confident atmosphere in which employees can strive for self-fulfillment and career advancement.

### 2. Allocation of profits

Ajinomoto has made a stable dividend payment of 10 yen per share since 1962, but since 2002 has adopted the basic principle of deciding dividend payments based on a policy 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. For the fiscal year that ended March 31, 2003 the annual dividend was increased by one yen over the previous year to a total of 11 yen per share.

Based on this principle, it is planned to further increase the dividend by one yen to 12 yen per share for the current fiscal year, with an interim dividend payment of six yen per share.

Management policy with regard to retained earnings is to consider a range of factors influencing demand for capital, based on an overall stance of selection, concentration, and expansion of Group activities. These factors include domestic and foreign capital expenditure requirements, loans and investments, R&D, and brand strategies. Ajinomoto seeks to manage shareholders' equity efficiently, and in a way that meets the expectations of its shareholders.

### 3. Share Trading Unit

Ajinomoto is continuing to investigate the possibility of reducing its minimum share trading unit, taking into account issues including trends in share prices and shareholder numbers, demand for Ajinomoto shares, and revisions to the Commercial Code of Japan.

### 4. Management Goals

Under the 02/04 Three-Year Management Plan, which began in April 2002, Ajinomoto has outlined Group numerical targets for the end of the fiscal year ending March 31, 2005, the last year of the plan, of net sales of 1.1 trillion yen, operating income of 75 billion yen, net income of 45 billion yen and ROE of 10% or higher.

### 5. Our tasks ahead

In the 02/04 Three-Year Management Plan we outline numerical targets in the management goals section and delineate a basic strategy of 'expanding business in growth sectors,' 'shifting toward a high earnings structure,' 'strengthening corporate governance,' 'nurturing personnel capable of working in the global arena,' and 'operating in harmony with society as a good corporate citizen.'

To expand business in growth sectors, Ajinomoto will continue to develop and strengthen businesses in the area of nutritional health such as *Amino Vital*. Furthermore, to strengthen our overseas retail business we are actively expanding our seasonings business, especially in Asia, and developing our processed foods operations. In the pharmaceuticals business, we strengthened our product line up of infusions with the acquisition of Shimizu Pharmaceuticals last December. We are continuing to reorganize the Group's research and development, production, and sales operations and continue to both increase the benefits of the acquisition and expand the overall business.

We are shifting toward a high earnings structure by strengthening and expanding our global operations, based on the themes of 'selection and concentration' and 'expansion.' We are concentrating on areas where we have leading market positions such as in seasonings and feed-use amino acids, by utilizing our expertise in world-leading amino acid technologies. In July 2003 we purchased all the outstanding shares of ORSAN SA, a producer and distributor of monosodium glutamate now operating under its new name, Ajinomoto Foods Europe S.A.S. Through this acquisition we secured production facilities in Europe and will now be able to stably supply high quality MSG around the world and provide close customer support. We intend to further expand and strengthen our businesses through M&A and alliances of this kind.

In June 2003 we reformed our management structure, reducing the number of directors, appointing an external director, and implementing an executive officer system. We are also taking steps to strengthen corporate governance, aiming to optimize the corporate value of the Group. To respond to global competition and with a view to targeting further growth, we are continuing to nurture personnel capable of working in the global arena through the establishment of a training center and performance-based compensation. We are seeking to operate in harmony with society as a good corporate citizen, and as well as strengthening our strict

proprietary quality assurance system, implementing quality audits across the Group, and establishing a tracing system (which tracks product information at each stage from production through to distribution), we are taking a proactive approach to environmental issues and social responsibilities.

## **6. Basic Approach to Corporate Governance and Related Initiatives**

### **(1) Basic Approach to Corporate Governance**

It is a top management priority to reinforce corporate governance so the Company can strengthen its competitiveness while meeting its social responsibilities. The Company has referred to examples and materials in Japan and abroad in building a practical system that retains the positive aspects of Japanese-style management. It has also bolstered competitiveness through the internal company system introduced in 2002. All these endeavors are in line with a drive to enhance the corporate value of all Group businesses.

### **(2) Initiatives**

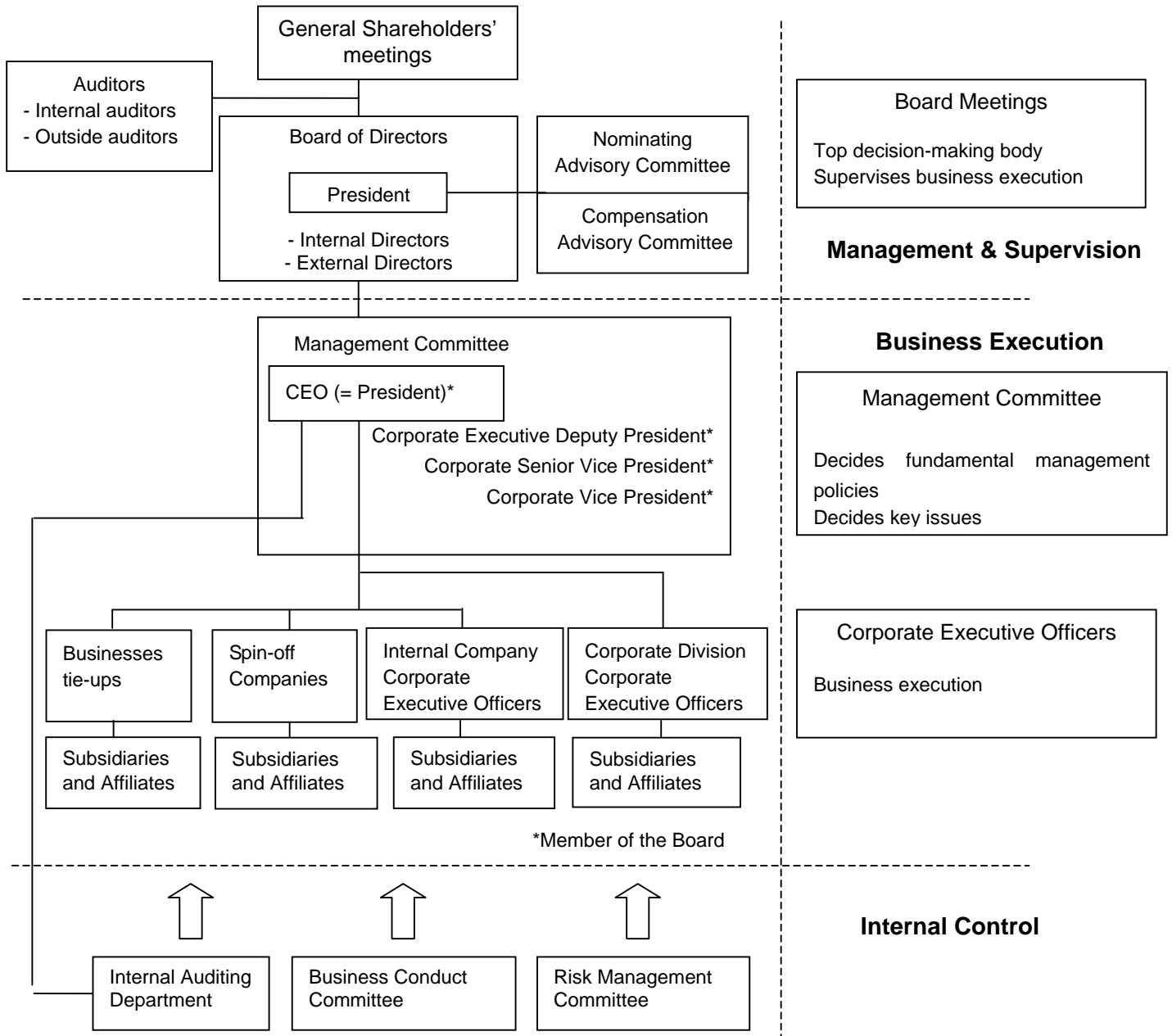
This June we reformed our management structure, reducing the number of directors, appointing an external director, and implementing an executive officer system. The board of directors now numbers 12, for more effective board meetings in which overall Group strategy can be managed. The addition of one external director means that all management activities are observed from the viewpoint of a third party while the management of the board of directors is more sensitive to the outside environment.

Furthermore, we systematically separated execution and oversight, thereby accelerating implementation and improving the monitoring of operations. The board will monitor and appropriately assess operational implementation, and internal board members will also be executive officers.

The Company will maintain its current auditor system, but has set up a committee to advise the president on the appointment of directors and executive officers, and a compensation advisory committee. These committees will enhance the transparency of board personnel affairs and help ensure sound management.

To help maintain operational health, the Internal Auditing Department oversees the Company and its subsidiaries and affiliates as an internal control system and reports its findings directly to the chief executive officer. Ajinomoto has a Business Conduct Committee that ensures that all domestic and international operations comply with legal requirements and act as good corporate citizens. The committee also checks that all Group operations are fully aware of "Ajinomoto Group Principles" and that all Group companies and employees act accordingly. In addition the Risk Management Committee swiftly and accurately assesses corporate risks, reporting directly to top management and tackling issues in line with instructions.

The Company's business execution, management auditing and internal control structure is as follows.





### 3. Operating Results and Financial Position

#### I. Operating Results

##### 1. Consolidated results outline

	<i>Billions of yen</i>			
	Net Sales	Operating Income	Ordinary Income	Net Income
Interim period ended September 30, 2003	516.1	27.5	28.8	12.2
Interim period ended September 30, 2002	489.7	23.6	26.8	12.0
Increase	5.4%	16.2%	7.3%	1.8%

#### Overview of results for this period

The economy showed signs of mild improvement during the interim period under review, with increased manufacturing and export activity and some recovery in the stock market from the middle of the term. The deflationary trend continued, however, and influences such as a quickly strengthening yen and volatile long-term interest rates contributed to ongoing uncertainty in financial markets. The operating environment for the Japanese food industry remained severe; stagnant consumption was exacerbated by an uncharacteristically cool summer, competition was strong, and there was continued downward pressure on prices. Issues also arose relating to food labeling and the use of unapproved ingredients in the industry. Internationally, the US economy began to recover, and the economic outlook in Asia brightened as the SARS epidemic passed. Europe, however, was hit by a rising euro and economies in the region stalled.

Against this background, in Japan net sales of Ajinomoto's food products, amino acids, and pharmaceuticals businesses were higher than in the previous comparable interim period. Overseas, sales of amino acids increased significantly, and sales of food products also grew. As a result, consolidated net sales for the interim period ended September 30, 2003 increased 5.4% (26.3 billion yen) to 516.1 billion yen. Operating income increased 16.2% (3.8 billion yen) to 27.5 billion yen, and ordinary income increased 7.3% (1.9 billion yen) to 28.8 billion yen. Consolidated net income increased 1.8% (0.2 billion yen) to 12.2 billion yen.

The interim dividend payment was increased by 1 yen, to 6 yen per share.

## Consolidated operating results by segment

Billions of yen

	Net Sales	YoY Change - amount	YoY Change - percent	Operating Income	YoY Change – amount	YoY Change - percent
Domestic food products	303.1	5.6	1.9%	10.3	(1.5)	(12.9%)
Overseas food products	69.6	0.8	1.2%	4.2	(0.1)	(3.0%)
Amino acids	72.2	10.0	16.2%	9.0	4.0	81.4%
Pharmaceuticals	39.5	10.0	34.2%	5.6	(1.0)	(16.3%)
Other	31.5	(0.2)	(0.7%)	1.9	0.5	40.8%

### Notes:

1. Details of main products within each segment are outlined in Note 2 on page 26 of this report.
2. Sales of amino acid supplement *Amino Vital* and domestic sales of amino acid-based sweetener *Pal Sweet* are included in domestic food products.
3. Sales of *AJI-NO-MOTO* and nucleotides for use in the food processing business are included in overseas food products.
4. The operating expenses of the administration division and part of the operating expenses of research facilities are included in the Eliminations and All Company segment. (Details are available in part one of Segment Information by business in this document.)

### (1) Domestic food products

Domestic food product sales increased 1.9% (5.6 billion yen) over the previous year to 303.1 billion yen. Operating income decreased 12.9% (1.5 billion yen) to 10.3 billion yen. Sales of frozen foods increased significantly, and sales of processed foods such as coffee and soups, and amino acid supplement *Amino Vital* were also higher than in the previous comparable period. Advertising and other marketing expenses were higher, however, and operating income for the period decreased.

**Seasonings:** In the retail market, sales of seasoning product *Hon-Dashi* were slightly lower than in the previous interim period, in spite of various marketing activities we undertook to build demand in areas such as fried cooking. Sales of the *Cook Do* line progressed well, supported by measures such as precise area marketing and the introduction of seasonal products, but sales of *Gohan Ga Susumu-kun* were affected by poor market conditions and were substantially lower than last year. In the commercial market, Ajinomoto continued to introduce products targeting large-scale users and continued to make good progress. Revenue from the sale of savory seasoning products to food processing companies was lower than in the previous comparable period. Revenue from *ACTIVA*, an enzyme (transglutaminase) that improves food texture, increased.

**Processed foods:** Sales of the *Knorr Soup Pasta* line continued to grow, as did sales of *Knorr Cup Soup*. Overall mayonnaise sales were slightly lower than in the previous interim period, although sales of *Pure Select Half* for health-conscious consumers increased. *Ajinomoto KK Ajiamen* (Asian type instant noodles), introduced in August 2002, is steadily taking its place in the market with the introduction of new varieties and seasonal products. Sales of *Kellogg's* products increased steadily.

**Sweeteners and Nutritional foods:** Revenue from sales of amino acid-based sweeteners for home and restaurant use increased on the back of strong sales of *Pal Sweet Calorie Zero* and *Slim-up Sugar*. Sales of amino acid supplement *Amino Vital* were strong, aided by significantly higher sales of the jelly drink version and growing market acceptance of the value and merits of amino acid products.

**Delicatessen and Bakery products:** Revenue from sales of lunchboxes and prepared dish delicatessen products increased. Bakery product sales were slightly lower than the previous comparable period.

**Frozen foods:** Frozen food sales increased, supported by a product revamp and enhanced marketing activities that greatly increased sales of key retail product *Gyoza*. Sales of products arising from the merger with Frec Corporation in April 2003 also contributed to results, including products such as *Yoshokutei Hamburg* (hamburger steak), and a relaunched *HOT! 1 Negi-shio Karubi Cha-han* (fried rice with leek and salty grilled beef). Commercial sales of frozen foods increased significantly with the introduction of Frec products.

**Edible oils:** Revenue from both commercial and retail sales of edible oils increased, driven by ongoing television advertising and strong sales of premium oil *Kenko Sarara*, a product that is designated as a "Food for Specified Health Use". At the same time steps were taken to adjust pricing levels. Meal product sales performed well, but in line with the reorganization and strengthening of the business under J-OIL MILLS, INC., sales of this product to Group companies were excluded from Ajinomoto revenues with the result that recorded revenues were significantly lower than in the previous interim period.

**Coffee, Beverages, Dairy products:** Sales of liquid coffee such as *Blendy bottled coffee* increased significantly, as did sales of instant coffee refill packs. Regular coffee sales were also strong. Revenue from beverage sales was lower than in the previous comparable period; sales of new products such as *Amino Calpis* and *Kencho* (released in September 2002 and designated as a "Food for Specified Health Use") were relatively good, however an unseasonably cool summer hit sales of key products *Evian* and *Calpis Water*. Chilled dairy product sales increased considerably, boosted by further strong sales of key products *Danone Fruits Selection* and *Danone Yoghurt*, as well as *Danone BIO*.

## (2) Overseas food products

Overseas food product sales increased 1.2% (0.8 billion yen) over the previous interim period to 69.6 billion yen. Operating income decreased 3.0% (0.1 billion yen) to 4.2 billion yen. Revenue from the sale of *AJI-NO-MOTO* and flavored and mixed seasonings exceeded the previous comparable period, but marketing costs and active investment in new product development resulted in lower income.

**Seasonings:** In Asia, sales of *AJI-NO-MOTO* and flavored and mixed seasonings progressed well. In the Americas, sales of *AJI-NO-MOTO* and flavored and mixed seasonings for home and restaurant use were higher year on year in South America, while sales of *AJI-NO-MOTO* to the food processing industry were in line with the previous interim period. In Europe, sales of *AJI-NO-MOTO* to the food processing industry decreased, but retail sales of *AJI-NO-MOTO* grew strongly in West African nations, with the result that overall revenue from sales of retail- and restaurant-use *AJI-NO-MOTO* increased significantly. Sales in Japan of *AJI-NO-MOTO* to the food processing industry were much higher than in the previous comparable period. Sales of nucleotides were lower in all regions as a result of severe competition.

**Processed foods:** Sales of instant noodles in Asia were affected by poor market conditions and unfavorable exchange rates, but sales of *Birdy* canned coffee were strong.

## (3) Amino acids

Sales in the amino acids business rose 16.2% (10.0 billion yen) to 72.2 billion yen. Operating income increased 81.4% (4.0 billion yen) to 9.0 billion yen. Sales of feed-use amino acids, Lysine, Threonine and Tryptophan all increased, resulting in significantly higher revenue and profit.

**Feed-use amino acids:** Revenue in Asia was well in excess of the previous interim period, aided by increased production at the enlarged facility in Thailand. Revenue in both North and South America grew significantly, and results in European markets also greatly exceeded the previous comparable period.

**Pharmaceutical and food-use amino acids:** In Japan, sales of infusion applications were lower, however sales for beverage and other manufacturers increased and overall revenue was higher than the previous comparable period. In the Americas revenue was well below the previous interim period, affected by severe competition and adverse exchange rates. Sales in European markets were maintained at similar levels.

**Sweeteners:** Revenue in the Americas exceeded the previous comparable period: Sales in North America were lower than in the previous interim period, affected by adverse exchange rates, but sales in South America grew strongly. Sales in Europe were significantly lower as a result of falling unit prices.

**Pharmaceutical intermediates:** Sales of key products in European countries grew steadily, and revenue exceeded that of the previous interim period.

**Specialty chemicals:** Sales of multilayer insulation film for use in computer MPU boards were strong, and sales of release paper also increased, while sales of facial wash materials were largely in line with the previous interim period. Sales of amino acid-based cosmetic *JINO* increased significantly.

#### (4) Pharmaceuticals

Pharmaceutical sales rose 34.2% (10.0 billion yen) to 39.5 billion yen. Operating income decreased 16.3% (1.0 billion yen) to 5.6 billion yen. The acquisition of Shimizu Pharmaceutical in December 2002 has strengthened the product line up and greatly increased sales. The lower operating income reflects increased R&D expenses, and the fact that last year's results included pricing adjustments from transactions in the previous year.

Sales of *LIVACT*, a branched-chain amino acid formula for the treatment of liver cirrhosis, were supported at the similar levels to the previous year through the introduction of improved product types. Sales of non-insulin-dependent diabetes treatment *FASTIC* were boosted through a recovery in bulk active ingredient sales of nateglinide to the overseas licensee, and sales of domestic products also grew strongly. Sales of *Actonel*, a preparation used in the treatment of osteoporosis that was launched in May 2002, continued to grow steadily as the product was adopted by an increasing number of medical institutions.

#### (5) Other

Sales in this segment decreased 0.7% (0.2 billion yen) to 31.5 billion yen. Operating income increased 40.8% (0.5 billion yen) to 1.9 billion yen.

## 2. Outlook for the Fiscal Year Ending March 31, 2004

*Billions of yen*

	Net Sales	Operating Income	Ordinary Income	Net Income
FY ending March 31, 2004	1,050.0	65.0	67.0	35.0
FY ended March 31, 2003	987.7	54.0	56.8	33.1
Increase	6.3%	20.2%	17.8%	5.5%

The outlook for some aspects of the Japanese economy is somewhat brighter, particularly in regards to exports and corporate profits, but as yet there is little sign of recovery from a protracted deflationary environment and weak consumer spending, and the problem of non-performing loans remains. Turning to the global economy, while the U.S. economy continues to improve, there has not yet been a recovery in employment, and there is concern this will impact significantly on consumer spending. There is still little sign of economic recovery in Europe, and so it is expected that the operating environment for the Ajinomoto group will remain severe.

Given such an operating environment, in the domestic foods business Ajinomoto will continue seeking to improve profitability by reducing costs, while also working to maintain a business foundation of 'security and safety' by improving product quality assurances.

In the overseas food business Ajinomoto is focusing on expanding the seasonings business, especially in Asia, and developing its processed foods operations. In the amino acids business Ajinomoto plans to strengthen its market-leading amino acid technologies and then strengthen and grow the business.

In the pharmaceuticals business, the acquisition of Shimizu Pharmaceuticals Co., Ltd. is expected to lead to synergistic benefits, and Ajinomoto is centralizing and simplifying internal group research and development, production, and marketing functions.

As a result, Ajinomoto is forecasting net sales for the year ending March 31, 2004 to rise 6.3% to 1,050 billion yen, operating income to rise 20.2% to 65 billion yen, ordinary income to rise 17.8% to 76 billion yen, and net income to rise 5.5% to 35 billion yen.

These forecasts are made assuming a dollar/yen exchange rate of 115 yen.

The dividend for the second half of the year will be 6 yen per share, the same as for the year before. Combined with the dividend for the first half, the dividend for the whole year is expected to be 12 yen per share.

## II. Financial Position

### 1. Summary of consolidated cash flow

Billions of yen

	Interim period ended September 30, 2003	Interim period ended September 30, 2002	FY ended March 31, 2003
Net cash provided by operating activities	25.9	15.7	57.2
Net cash used in investing activities	(40.5)	(1.8)	(49.5)
Net cash provided by financing activities	6.2	(18.3)	(6.6)
Effect of exchange rate changes on cash and cash equivalents	(0.7)	(1.8)	(1.7)
Increase (decrease) in cash and cash equivalents	(9.1)	(6.2)	(0.6)
Cash and cash equivalents at end of period	47.3	50.0	55.7

#### Net cash provided by operating activities

Net cash provided by operating activities increased 10.1 billion yen over the previous comparable period to 25.9 billion yen. The main factor behind this increase was increased profitability from growth in operating and ordinary income.

#### Net cash used in investing activities

Net cash used in investing activities increased 38.6 billion yen compared to the previous interim year to 40.5 billion yen. This mainly reflects the fact that in the previous year the sale of investment securities resulted in significant inflow of funds. Investment in the period under review included the acquisition of shares in ORSAN SA and proactive Group-wide capital investment.

#### Net cash provided by financing activities

Net cash provided by financing activities increased 24.5 billion yen compared to the previous interim period to 6.2 billion yen. A bond issue was made to provide funds to repay debt, settle commercial paper and maturing bonds, and to secure investment capital.

As a result of the foregoing, cash and cash equivalents at September 30, 2003 was 47.3 billion yen, 2.7 billion yen lower than at the end of the previous interim period.

## 2. Trends in Cash Flow-related Indices

	FY ended March 31, 2002		FY ended March 31, 2003		FY ending March 31, 2004
	Interim	Full year	Interim	Full year	Interim
Equity ratio (%)	43.9	45.4	47.4	45.2	46.4
Equity ratio based on market price (%)	107.5	91.4	105.2	91.5	85.4

### Notes:

1. All indices are calculated from consolidated financial results figures.
2. Equity ratio = Total shareholders' equity/total assets
3. Equity ratio based on market price = Market capitalization/total assets  
 [Market capitalization = market price on last trading day of period x total shares outstanding at end of period (excluding treasury stock)]

#### 4. Consolidated Financial Statements

##### Consolidated Balance Sheets

Millions of yen

	As of September 30, 2003		As of March 31, 2003		Increase (decrease)	As of September 30, 2002	
<b>ASSETS</b>							
<b>Current assets</b>							
Cash on hand and in banks .....	48,855		55,035		(6,179)	49,247	
Notes & accounts receivable – trade .....	172,232		180,384		(8,151)	164,882	
Marketable securities.....	1,979		687		1,291	1,550	
Inventories.....	103,237		98,754		4,483	92,724	
Deferred tax assets .....	10,033		11,405		(1,372)	8,647	
Other current assets .....	23,682		19,409		4,272	23,923	
Allowance for doubtful accounts.....	(821)		(740)		(80)	(521)	
Total current assets.....	359,199	41.2	364,936	42.2	(5,736)	340,453	42.8
<b>Fixed assets</b>							
<b>Tangible fixed assets</b>							
Buildings and structures .....	232,899		229,474		3,424	217,663	
Machinery and vehicles .....	404,139		381,562		22,577	358,859	
Others.....	44,974		43,134		1,840	39,996	
Accumulated depreciation .....	(466,436)		(449,886)		(16,549)	(428,013)	
Land .....	70,519		69,119		1,399	63,369	
Construction in process .....	19,123		23,175		(4,051)	28,179	
Total tangible fixed assets.....	305,220	35.0	296,579	34.3	8,641	280,055	35.1
<b>Intangible fixed assets</b>							
Adjustment for consolidated account.....	33,482		35,000		(1,518)	15,852	
Other intangible fixed assets .....	17,997		16,891		1,105	16,681	
Total intangible fixed assets .....	51,479	5.9	51,892	6.0	(412)	32,533	4.1
<b>Investment and other assets</b>							
Investment in securities .....	117,020		106,508		10,511	105,965	
Long-term loans receivable .....	496		242		253	337	
Deferred tax assets .....	30,548		34,940		(4,392)	28,705	
Other investments and other assets.....	10,136		11,301		(1,164)	10,084	
Allowance for doubtful accounts.....	(1,793)		(1,812)		18	(2,017)	
Total investment and other assets.....	156,407	17.9	151,180	17.5	5,226	143,074	18.0
Total fixed assets .....	513,107	58.8	499,652	57.8	13,455	455,663	57.2
<b>Total Assets .....</b>	<b>872,307</b>	<b>100.0</b>	<b>864,588</b>	<b>100.0</b>	<b>7,718</b>	<b>796,117</b>	<b>100.0</b>



## Consolidated Balance Sheets

Millions of yen

	As of September 30, 2003		As of March 31, 2003		Increase (Decrease)	As of September 30, 2002	
<b>LIABILITIES</b>							
Current liabilities							
Notes & accounts payable – trade.....	112,006		116,952		(4,946)	104,798	
Short-term borrowings .....	56,946		66,118		(9,172)	42,944	
Commercial paper .....	--		11,000		(11,000)	10,000	
Long-term loans due to be repaid within one year .....	3,107		6,577		(3,470)	4,693	
Corporate bonds to be redeemed within one year .....	--		15,000		(15,000)	15,000	
Accrued income taxes .....	7,769		19,706		(11,937)	10,261	
Accrued bonuses.....	4,011		3,313		698	2,987	
Other current liabilities.....	67,222		67,068		153	56,627	
Total current liabilities.....	251,063	28.8	305,737	35.4	(54,673)	247,314	31.1
Long-term liabilities							
Bonds .....	95,000		45,000		50,000	45,000	
Long-term debt .....	6,868		7,393		(524)	11,810	
Deferred tax liabilities .....	2,065		2,724		(658)	3,031	
Accrued employees' retirement benefits.....	68,730		68,560		170	69,478	
Accrued officers' severance benefits .....	1,360		1,769		(409)	1,558	
Other long-term liabilities.....	19,587		19,129		457	18,449	
Total long-term liabilities.....	193,613	22.2	144,577	16.7	49,035	149,328	18.7
Total liabilities .....	444,677	51.0	450,315	52.1	(5,637)	396,643	49.8
<b>MINORITY INTERESTS:</b>							
Minority interests .....	22,895	2.6	23,118	2.7	(223)	22,094	2.8
<b>SHAREHOLDERS' EQUITY:</b>							
Common stock .....	79,863	9.2	79,863	9.2	--	79,863	10.0
Capital surplus.....	111,579	12.8	111,579	12.9	--	111,579	14.0
Retained earnings .....	259,435	29.7	250,973	29.0	8,462	233,604	29.4
Unrealized holding gains on securities ..	6,922	0.8	1,727	0.2	5,195	6,136	0.8
Translation adjustments .....	(51,313)	(5.9)	(51,349)	(5.9)	36	(53,354)	(6.7)
Treasury stock .....	(1,753)	(0.2)	(1,639)	(0.2)	(114)	(450)	(0.1)
Total shareholders' equity.....	404,734	46.4	391,154	45.2	13,579	377,379	47.4
<b>Total Liabilities, Minority Interests And Shareholders' Equity.....</b>	<b>872,307</b>	<b>100.0</b>	<b>864,588</b>	<b>100.0</b>	<b>7,718</b>	<b>796,117</b>	<b>100.0</b>

## Consolidated Statements of Income

*Millions of yen*

	Interim period ended September 30, 2003		Interim period ended September 30, 2002		Increase (Decrease)	FY ended March 31, 2003	
Net sales.....	516,144	100.0	489,785	100.0	26,359	987,727	100.0
Cost of sales.....	376,950	73.0	363,296	74.2	13,653	716,999	72.6
Gross profit .....	139,194	27.0	126,488	25.8	12,705	270,727	27.4
Selling, general and administrative expenses .....	111,663	21.7	102,801	21.0	8,862	216,668	21.9
Operating income.....	27,530	5.3	23,686	4.8	3,843	54,059	5.5
<b>Non-operating income</b>							
Interest received .....	397		495		(98)	966	
Dividends received .....	396		508		(112)	954	
Profit from investments income from equity method.....	2,473		2,707		(234)	6,549	
Miscellaneous income .....	2,414		2,613		(199)	4,539	
Total non-operating income .....	5,681	1.1	6,325	1.3	(643)	13,010	1.3
<b>Non-operating expenses</b>							
Interest expense.....	1,583		1,690		(107)	3,377	
Miscellaneous losses.....	2,779		1,428		1,351	6,803	
Total non-operating expenses.....	4,363	0.8	3,118	0.6	1,244	10,180	1.0
Ordinary income.....	28,849	5.6	26,893	5.5	1,956	56,888	5.8
<b>Extraordinary income</b>							
Gain on sales of fixed assets.....	3,080		2,401		678	2,423	
Profit on sale of investment securities sold.....	42		4,780		(4,738)	4,817	
Others.....	336		511		(174)	21,370	
Total extraordinary income.....	3,460	0.7	7,694	1.6	(4,233)	28,611	2.9
<b>Extraordinary losses</b>							
Loss on disposal of fixed assets.....	5,134		703		4,431	2,929	
Loss on reorganization of related companies.....	611		--		611	1,002	
Loss on valuation of investment securities .....	189		127		61	237	
Settlement payments .....	577		6,963		(6,385)	6,894	
Others.....	1,169		425		743	8,970	
Total extraordinary losses.....	7,683	1.5	8,220	1.7	(537)	20,033	2.0
Net income before income taxes .....	24,626	4.8	26,367	5.4	(1,740)	65,466	6.6
Income taxes – current.....	7,867	1.5	11,170	2.3	(3,303)	33,834	3.4
Income taxes – deferred .....	2,702	0.5	1,405	0.3	1,296	(4,685)	(0.5)
Minority interests.....	1,822	0.4	1,776	0.4	45	3,138	0.3
<b>Net income .....</b>	<b>12,235</b>	<b>2.4</b>	<b>12,015</b>	<b>2.5</b>	<b>220</b>	<b>33,178</b>	<b>3.4</b>

## Consolidated Statements of Surplus

*Millions of Yen*

	As of September 30, 2003	As of September 30, 2002	As of March 31, 2003
<b>Capital surplus</b>			
<b>Capital surplus at beginning of period .....</b>	<b>111,579</b>	<b>111,579</b>	<b>111,579</b>
<b>Capital surplus at end of period .....</b>	<b>111,579</b>	<b>111,579</b>	<b>111,579</b>
<b>Retained earnings</b>			
<b>Retained earnings at the beginning of the period .....</b>	<b>250,973</b>	<b>222,565</b>	<b>222,565</b>
Increase in retained earnings from:			
Net income .....	12,235	12,015	33,178
Others .....	2,450	840	846
<b>Total increase in retained earnings</b>	<b>14,685</b>	<b>17,026</b>	<b>38,196</b>
Decrease in retained earnings from:			
Increase in consolidated subsidiaries .....	2	10	29
Decrease in consolidated subsidiaries .....	--	1,998	1,998
Decrease in companies accounted for by the equity method ...	--	489	1,023
Others .....	6,220	3,490	6,738
<b>Total decrease in retained earnings</b>	<b>6,223</b>	<b>5,987</b>	<b>9,789</b>
<b>Retained earnings at end of period .....</b>	<b>259,435</b>	<b>233,604</b>	<b>250,973</b>

## Consolidated Statements of Cash Flows

*Millions of yen*

	Interim period ended September 30, 2003	Interim period ended September 30, 2002	FY ended March 31, 2003
<b>I. Cash flows from operating activities</b>			
Income before income taxes.....	24,626	26,367	65,466
Depreciation and amortization .....	19,053	18,017	38,969
Amortization of consolidated adjustments .....	1,804	1,564	3,257
Increase (decrease) in allowance for doubtful accounts.....	57	(72)	275
Increase (decrease) in accrued bonuses.....	712	--	(26)
(Decrease) increase in accrued employees' retirement benefits.....	219	(500)	(1,608)
(Decrease) increase in accrued officers' severance benefits.....	(409)	121	154
Interest and dividend income.....	(794)	(1,004)	(1,921)
Interest expense .....	1,583	1,690	3,377
Equity in earnings of affiliates .....	(2,473)	(2,707)	(6,549)
Loss on sales of investment securities .....	(30)	(4,779)	(613)
Gain on revaluation of securities .....	189	127	237
Loss (gain) on sale or disposal of tangible fixed assets.....	2,054	(1,698)	506
Gain on sale of shares of affiliates.....	--	--	(19,983)
Decrease (increase) in notes and accounts receivable – trade .....	7,701	2,642	(1,585)
(Decrease) increase in notes and accounts payable – trade .....	(3,036)	(2,802)	1,983
Decrease (increase) in inventories .....	(3,393)	140	(263)
Decrease in accrued consumption tax.....	(710)	(563)	(1,081)
Bonus for directors .....	(239)	(241)	(241)
Settlements payment.....	577	6,963	6,894
Penalties.....	--	--	1,977
Others.....	(666)	(7,485)	129
<b>Sub-total.....</b>	<b>46,826</b>	<b>35,779</b>	<b>89,355</b>
Interest and dividends received .....	1,624	2,951	6,536
Interest paid.....	(1,586)	(1,836)	(3,367)
Settlements paid.....	(577)	(6,816)	(6,816)
Penalties paid.....	--	--	(1,977)
Income taxes paid .....	(20,360)	(14,284)	(26,494)
<b>Net cash provided by operating activities.....</b>	<b>25,925</b>	<b>15,792</b>	<b>57,236</b>
<b>II. Cash flows from investing activities</b>			
Net acquisition and proceeds from sale of marketable securities .....	(344)	--	--
Acquisition of tangible fixed assets.....	(27,663)	(25,794)	(54,753)
Proceeds from sale of tangible fixed assets .....	2,114	3,684	9,473
Acquisition of intangible assets.....	(3,281)	(1,375)	(3,812)
Proceeds from compensation expropriation .....	--	--	2,628
Acquisition of investment securities.....	(117)	(31)	(14,986)
Proceeds from sale of investment securities .....	51	23,176	25,054
Acquisition of shares of subsidiaries due to change in scope of consolidation .....	(7,384)	--	(32,671)
Proceeds from sale of shares of subsidiaries due to change in scope of consolidation .....	--	--	650
Acquisition of shares of affiliates .....	(148)	(1,445)	(3,136)
Proceeds from sale of shares of affiliates .....	--	--	22,536
Others.....	(3,785)	(81)	(499)
<b>Net cash used in investing activities.....</b>	<b>(40,559)</b>	<b>(1,868)</b>	<b>(49,516)</b>

<b>III. Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings .....	(8,791)	(838)	15,719
Decrease in commercial paper .....	(11,000)	(8,000)	(7,000)
Proceeds from long-term debt .....	566	654	3,503
Repayment of long-term debt .....	(4,912)	(6,285)	(10,493)
Issuance of bonds .....	49,726	--	--
Redemption of bonds .....	(15,000)	--	--
Cash dividends paid .....	(3,893)	(3,252)	(6,500)
Distribution of dividends to minority shareholders .....	(314)	(288)	(351)
Acquisition of own stock .....	(114)	--	(1,506)
Others.....	--	(317)	--
<b>Net cash used in financing activities .....</b>	<b>6,266</b>	<b>(18,327)</b>	<b>(6,628)</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(753)</b>	<b>(1,882)</b>	<b>(1,750)</b>
<b>V. Decrease in cash and cash equivalents .....</b>	<b>(9,119)</b>	<b>(6,286)</b>	<b>(659)</b>
<b>VI. Cash and cash equivalents at the beginning of the period.....</b>	<b>55,722</b>	<b>56,550</b>	<b>56,550</b>
Increase due to change in scope of consolidation .....	718	695	718
Decrease due to change in scope of consolidation .....	--	(887)	(887)
Sub-total.....	56,441	56,359	56,382
<b>VII. Cash and cash equivalents at the end of the period.....</b>	<b>47,322</b>	<b>50,072</b>	<b>55,722</b>

## Significant Items for the Preparation of Consolidated Financial Statements

### 1. Scope of consolidation

#### (1) Number of consolidated subsidiaries: 95

Names of main consolidated subsidiaries: Knorr Foods Co., Ltd., Ajinomoto Frozen Foods Co., Inc., Ajinomoto Pharma Co., Ltd., Ajinomoto Co., (Thailand) Ltd., S.A. OmniChem N.V., AJINOMOTO EUROLYSINE S.A.S.

Six companies have been newly included in the consolidated accounts, including ORSAN S.A. through acquisition, and Hokkaido Ajinomoto Co., Ltd. (and four others through being newly established). Six companies have been excluded from consolidation, including Takara-Daimi Co., Ltd. and two others through liquidation, and Frec Corporation and two other companies through the merging of subsidiaries. Furthermore, in view of their importance Shanghai Ajinomoto Seasoning Co., Ltd. and one other company have been included in consolidation.

#### (2) Names of main non-consolidated subsidiaries:

Main non-consolidated subsidiaries: Bonito Technical Laboratory Co., Inc.

Reasons for exclusion from scope of consolidation:

Subsidiaries classified as non-consolidated are all small, and none have total assets, sales, current year net income (corresponding to equity share), or surpluses (corresponding to equity share) etc. that impact the consolidated financial statements significantly.

### 2. Scope of application of the equity method

#### (1) Number of non-consolidated subsidiaries accounted for by the equity method: 4

Names of main companies: Si Ayutthaya Real estate Co., Ltd., Erawan Industrial Development Co., Ltd.,

Due to liquidation, Saeng Fah Provision Industries Co., Ltd. was removed from this category.

#### (2) Number of affiliated companies accounted for by the equity method: 21

Names of main companies: Ajinomoto General Foods, Inc., Calpis Co., Ltd., J-OIL MILLS, INC., Nissin-Ajinomoto Alimentos Ltda., GABAN Co., Ltd.

Yoshihara Oil Mill, Ltd. is being accounted for by the equity method following the share swap with J-OIL MILLS, INC. and Yoshihara Oil Mill, Ltd.

#### (3) Non-consolidated subsidiaries not accounted for by the equity method:

Net income and surpluses from non-consolidated subsidiaries not accounted for by the equity method (such as Bonito Technical Laboratory Co., Inc.) and affiliated companies not accounted for by the equity method (such as Yaguchi & Company Ltd.) would have negligible impact if included in consolidated results on an equity basis, and as these companies have minimal overall importance, they are not included in the scope of application of the equity method.

### 3. Fiscal year etc. of consolidated subsidiaries and affiliated companies accounted for by the equity method

Of the consolidated subsidiaries, Ajinomoto del Peru S.A. and eleven other companies have interim settlement dates of June 30. Of these, nine companies carry out trial settlements on September 30. In preparing the consolidated interim financial statements for companies that do not carry out trial

settlements, the Company has used the financial statements for their settlement dates, carrying out adjustments for significant transactions that have occurred in the period leading up to the consolidated settlement date.

Of the companies accounted for by the equity method, Calpis Co., Ltd. and eleven other companies have interim settlement dates of June 30 and GABAN Co., Ltd. has a settlement date of end of August. Of this total, ten companies carry out trial settlements on September 30. In preparing the consolidated interim financial statements for companies that do not carry out trial settlements, the Company has used the financial statements for their settlement dates, carrying out adjustments for significant transactions that have occurred in the period leading up to the consolidated settlement date.

#### 4. Accounting treatment standards

##### (1) Valuation standards and methods

###### 1) Marketable securities:

Other securities:

Other securities for which a price is available are stated at market value at the balance sheet date and the changes in appraisal value, are directly charged or credited to shareholders' equity. The cost of such securities sold is determined by the moving-average method. Other securities for which a price is not available are stated at cost mainly determined by the moving-average method.

###### 2) Derivatives:

Market value method

###### 3) Inventories:

Inventories of the Company and main consolidated subsidiaries are stated based on the lower of cost or market method, cost being determined by the average method.

##### (2) Depreciation method for important fixed assets

###### 1) Tangible fixed assets:

The Company and domestic consolidated subsidiaries have mainly employed the fixed percentage method, while foreign consolidated subsidiaries have mainly employed the straight-line method. However, for buildings acquired after April 1, 1998 by the Company and domestic consolidated subsidiaries (not including facilities attached to buildings), the straight-line method has been employed. Useful life for buildings and structures is from 3 to 50 years and for machinery and vehicles is 2 to 20 years.

###### 2) Intangible fixed assets:

The amortization of intangible fixed assets is computed by the straight-line method. Computer software held at the Company and domestic consolidated subsidiaries is amortized by the straight-line method based on their estimated useful life (5 years).

##### (3) Important reserves

###### 1) Allowance for doubtful accounts:

For the Company and domestic consolidated subsidiaries an allowance for doubtful accounts is provided at the amount estimated based on past bad debt experience for general debtors and for specific debtors where collection is doubtful based on estimates of the uncollectible amount in each case.

###### 2) Allowance for accrued bonuses

At certain consolidated subsidiaries, allowances for employees' bonuses have been made based on the amount of expenditure projected.

3) Allowance for retirement benefits for employees:

The allowance for accrued retirement benefits for employees is provided for at the Company and its main domestic consolidated subsidiaries in the amount required as at the end of the interim period based on projected benefit obligations and the fair value of pension plan assets at the end of the fiscal year. Prior employment liabilities are amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of occurrence. Actuarial differences are amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of occurrence, and allocated proportionately from the consolidated fiscal year following the respective fiscal year of occurrence.

4) Allowance for retirement benefits for directors:

At the Company and certain domestic consolidated subsidiaries, in order to provide for payment of retirement benefits to directors, corporate auditors and others, required amounts as calculated at the period end are accounted for in accordance with internal rules.

(4) Translation of assets and liabilities denominated in foreign currencies into yen:

Foreign currency-denominated assets and liabilities have been translated into Yen at the rates of exchange in effect at the balance sheet date, with translation differences treated as profits or losses. Furthermore, assets, liabilities, revenues, and expenses of foreign subsidiaries have been translated into yen at the rates of exchange in effect at the consolidated balance sheet date, with translation differences included in minority interests and the foreign exchange translation adjustment account of shareholders' equity.

(5) Accounting for leases

For finance lease transactions of the Company and domestic consolidated subsidiaries other than those in which a transfer of ownership of leased assets to the lessee has been recognized, accounting treatment is based on normal leasing transaction methods. For certain overseas consolidated subsidiaries, the leased assets of finance lease contracts have been included in 'Tangible fixed assets' based on the accounting regulations of the respective countries.

(6) Consumption tax

Transactions of the Company and domestic consolidated subsidiaries subject to consumption tax and/or regional consumption tax are recorded at amounts exclusive of the consumption tax. Unpaid consumption tax is included in 'Current liabilities – Other'

## 5. Scope of 'Cash' in the Consolidated Statement of Cash Flows

The category 'cash' covers cash on hand, demand deposits, and easily convertible short-term investments with low risk of price fluctuation that mature within three months of acquisition.



## 5. Segment Information

### 1. Segment information by business

Interim period ended September 30, 2003

Millions of yen

	Domestic Food Products	Overseas Food Products	Amino Acids	Pharma- ceuticals	Other	Total	Elimination or All Company	Consolidated
Sales								
(1) Sales to third parties.....	303,136	69,647	72,200	39,580	31,580	516,144	--	516,144
(2) Intra-group sales and transfers.....	920	5,843	10,345	23	30,376	47,509	(47,509)	--
Total sales .....	304,056	75,490	82,545	39,604	61,956	563,653	(47,509)	516,144
Operating expenses .....								
Operating income .....	10,387	4,219	9,063	5,618	1,946	31,235	(3,705)	27,530

Interim period ended September 30, 2002

Millions of yen

	Domestic Food Products	Overseas Food Products	Amino Acids	Pharma- ceuticals	Other	Total	Elimination or All Company	Consolidated
Sales								
(1) Sales to third parties.....	297,520	68,821	62,131	29,499	31,810	489,785	--	489,785
(2) Intra-group sales and transfers.....	1,346	6,067	11,671	0	28,438	47,524	(47,524)	--
Total sales .....	298,867	74,888	73,803	29,500	60,249	537,309	(47,524)	489,785
Operating expenses ...								
Operating income .....	11,926	4,351	4,995	6,714	1,382	29,370	(5,683)	23,686

Year ended March 31, 2003

Millions of yen

	Domestic Food Products	Overseas Food Products	Amino Acids	Pharma- ceuticals	Other	Total	Elimination or All Company	Consolidated
Sales								
(1) Sales to third parties.....	583,243	139,236	135,933	62,693	66,621	987,727	--	987,727
(2) Intra-group sales and transfers.....	2,735	12,749	22,267	7	60,336	98,096	(98,096)	--
Total sales .....	585,979	151,985	158,200	62,700	126,957	1,085,823	(98,096)	987,727
Operating expenses .....								
Operating income .....	26,805	9,250	13,558	8,883	3,849	62,346	(8,287)	54,059

Note 1. Business segments are based on the management structure of the internal company system

2. Main manufactured goods for each business segment are as follows:

Business segment	Main manufactured goods
Domestic Food Products	“AJI-NO-MOTO,” “Hon-Dashi,” “Cook Do,” soups, mayonnaise, “Pal Sweet” (for domestic market), “Amino Vital”, “Mieki” (soy bean hydrolyzate), frozen foods, coffee, domestic beverages, dairy products, domestic food wholesale etc.
Overseas Food Products	“AJI-NO-MOTO,” nucleotides, overseas instant noodles, overseas beverages, overseas services, etc.
Amino Acids	Various kinds of amino acids, aspartame, specialty chemicals, etc.
Pharmaceuticals	Pharmaceuticals, medical foods
Other	Distribution, various services, etc.

## 2. Segment information by geographical areas

Interim period ended September 30, 2003

	<i>Millions of yen</i>						Elimination or All Company	Consolidated
	Japan	Asia	America	Europe	Total			
Sales								
(1) Sales to third parties .....	397,765	46,815	26,674	44,889	516,144	--	516,144	
(2) Intra-group sales and transfers .....	17,376	6,347	5,597	1,667	30,989	(30,989)	--	
Total .....	415,142	53,163	32,272	46,556	547,133	(30,989)	516,144	
Operating expenses .....	401,926	47,108	29,001	41,567	519,603	(30,989)	488,614	
Operating income .....	13,216	6,054	3,270	4,988	27,530	--	27,530	

Interim period ended September 30, 2002

	<i>Millions of yen</i>						Elimination or All Company	Consolidated
	Japan	Asia	America	Europe	Total			
Sales								
(1) Sales to third parties .....	381,303	44,143	22,810	41,527	489,785	--	489,785	
(2) Intra-group sales and transfers .....	16,772	4,951	4,338	1,457	27,519	(27,519)	--	
Total .....	398,076	49,095	27,148	42,984	517,304	(27,519)	489,785	
Operating expenses .....	382,893	44,494	25,125	41,103	493,618	(27,519)	466,098	
Operating income .....	15,182	4,600	2,022	1,881	23,686	--	23,686	

FY ended March 31, 2003

	<i>Millions of yen</i>						Elimination or All Company	Consolidated
	Japan	Asia	America	Europe	Total			
Sales								
(1) Sales to third parties .....	758,337	88,661	52,150	88,577	987,727	--	987,727	
(2) Intra-group sales and transfers .....	34,502	9,605	10,320	3,051	57,480	(57,480)	--	
Total .....	792,839	98,267	62,471	91,629	1,045,207	(57,480)	987,727	
Operating expenses .....	761,509	88,879	55,098	85,660	991,148	(57,480)	933,667	
Operating income .....	31,330	9,387	7,372	5,969	54,059	--	54,059	

Note 1. Country and regional segments are categorized on the basis of geographic proximity.

2. Main countries and regions in segments other than Japan:

Asia: Countries of East and Southeast Asia

America: Countries of North and South America

Europe: Countries of Europe and Africa

### 3. Overseas sales

Interim period ended September 30, 2003

*Millions of yen*

	Asia	America	Europe	Total
Overseas sales .....	52,881	31,472	43,998	128,353
Consolidated net sales .....	--	--	--	516,144
Overseas sales % of consolidated net sales .....	10.2	6.1	8.5	24.9

Interim period ended September 30, 2002

*Millions of yen*

	Asia	America	Europe	Total
Overseas sales .....	48,807	26,174	40,652	115,635
Consolidated net sales .....	--	--	--	489,785
Overseas sales % of consolidated net sales .....	10.0	5.3	8.3	23.6

FY ended March 31, 2003

*Millions of yen*

	Asia	America	Europe	Total
Overseas sales .....	99,395	57,835	87,762	244,993
Consolidated net sales .....	--	--	--	987,727
Overseas sales % of consolidated net sales .....	10.0	5.9	8.9	24.8

- Note
1. Country and regional segments are categorized on the basis of geographic proximity.
  2. Main countries and regions in segments other than Japan:
    - Asia: Countries of East and Southeast Asia
    - America: Countries of North and South America
    - Europe: Countries of Europe and Africa
  3. Overseas sales are sales of the Company and its consolidated subsidiaries in countries and regions outside of Japan.

## Marketable Securities-Related

As of September 30, 2003

### 1. 'Other securities' with fair value

Millions of yen

	Acquisition cost	Carrying value as of September 30, 2003	Unrealized gain (loss)
1. Stocks.....	34,239	45,839	11,600
2. Bonds			
(1) Government and municipal bonds.....	--	--	--
(2) Corporate bonds.....	--	--	--
(3) Other.....	--	--	--
3. Other.....	403	403	(0)
<b>Total .....</b>	<b>34,642</b>	<b>46,242</b>	<b>11,599</b>

### 2. Main 'Marketable securities' without fair value

Millions of yen

	Carrying value
Other marketable securities	
Unlisted stocks (not including OTC stocks).....	4,479
Unlisted domestic bonds .....	1
Unlisted foreign bonds.....	4,482
Investment trusts .....	161
Money management funds etc. ....	1,634

As of September 30, 2002

### 1. 'Other securities' with fair value

Millions of yen

	Acquisition cost	Carrying value as of September 30, 2002	Unrealized gain (loss)
1. Stocks.....	27,872	38,098	10,225
2. Bonds			
(1) Government and municipal bonds.....	--	--	--
(2) Corporate bonds.....	3	2	(0)
(3) Other.....	--	--	--
3. Other.....	355	342	(12)
<b>Total .....</b>	<b>28,230</b>	<b>38,444</b>	<b>10,213</b>

### 2. Main 'Marketable securities' without fair value

Millions of yen

	Carrying value
Other marketable securities	
Unlisted stocks (not including OTC stocks).....	3,594
Unlisted domestic bonds .....	2
Unlisted foreign bonds.....	4,300
Investment trusts .....	--
Money management funds etc. ....	1,500

As of March 31, 2003

**1. 'Other securities' with fair value**

	<i>Millions of yen</i>		
	Acquisition cost	Carrying value as of March 31, 2003	Unrealized gain (loss)
1. Stocks.....	34,170	37,347	3,177
2. Bonds			
(1) Government and municipal bonds.....	--	--	--
(2) Corporate bonds.....	--	--	--
(3) Other.....	--	--	--
3. Other.....	355	336	(18)
<b>Total .....</b>	<b>34,525</b>	<b>37,684</b>	<b>3,158</b>

**2. Main 'Marketable securities' without fair value**

	<i>Millions of yen</i>
	Carrying value
Other marketable securities	
Unlisted stocks (not including OTC stocks).....	4,852
Unlisted domestic bonds .....	2
Unlisted foreign bonds.....	4,300
Investment trusts .....	131
Money management funds etc. ....	687

## Derivative Transactions

### Notional amounts, fair values, and unrealized gains (losses) from derivative transactions

As of September 30, 2003		<i>Millions of yen</i>		
Instrument type	Transaction type	Notional amount	Fair value	Unrealized gain (loss)
Currencies	Forward foreign exchange transactions	12,405	12,074	255
Interest rates	Interest rate swaps	1,807	(21)	(21)
Commodities	Futures contracts	57	60	2
Stock	Forward contracts	21,476	--	--
<b>Total</b>		<b>--</b>	<b>--</b>	<b>237</b>

As of September 30, 2002		<i>Millions of yen</i>		
Instrument type	Transaction type	Notional amount	Fair value	Unrealized gain (loss)
Currencies	Forward foreign exchange transactions	8,541	8,572	(14)
Interest rates	Interest rate swaps	830	(12)	(12)
Commodities	Futures contracts	43	43	(0)
Stock	Forward contracts	--	--	--
<b>Total</b>		<b>--</b>	<b>--</b>	<b>(27)</b>

As of March 31, 2003		<i>Millions of yen</i>		
Instrument type	Transaction type	Notional amount	Fair value	Unrealized gain (loss)
Currencies	Forward foreign exchange transactions	13,166	13,271	(62)
Interest rates	Interest rate swaps	1,817	6	6
Commodities	Futures contracts	--	--	--
Stock	Forward contracts	23,220	--	--
<b>Total</b>		<b>--</b>	<b>--</b>	<b>(55)</b>