



# Ajinomoto Co., Inc.

## Consolidated Results

Third Quarter Ended December 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)

Third quarter results for the year ending March 31, 2005

### Ajinomoto Co., Inc.

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January 31, 2005

### 1. Notes to preparation of these financial statements

Adoption of simplified accounting treatments:

- a) Income taxes: based on estimated actual tax rate      b) Allowance for doubtful accounts: partial use of the simple method

Differences in accounting treatments applied compared to previous consolidated fiscal year: None

Changes in the scope of consolidation and companies accounted for by the equity method compared to previous consolidated fiscal year:

Consolidated subsidiaries	(Newly included)	4 (Excluded)	2
Companies accounted for by the equity method	(Newly included)	-- (Excluded)	4

### 2. Third quarter consolidated financial results (April 1, 2004 to December 31, 2004) for the fiscal year ending March 31, 2005

#### 1) Consolidated Operating Results

*Millions of yen, rounded down*

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	FY ended March 31, 2004
Net sales .....	819,458	795,834	1,039,551
Operating income .....	57,474	54,136	65,190
Ordinary income .....	60,311	56,847	68,111
Net income .....	38,514	27,357	36,276
Net income per share (¥) .....	¥59.41	¥42.19	¥55.55
Fully diluted earnings per share (¥) .....	--	--	--

#### 2) Financial Position

*Millions of yen, rounded down*

	As of December 31, 2004	As of December 31, 2003	As of March 31, 2004
Total assets .....	906,652	904,222	871,780
Shareholders' equity .....	460,834	415,575	428,077
Equity ratio (%) .....	50.8%	45.9%	49.1%
Shareholders' equity per share (¥) .....	¥710.91	¥640.84	¥659.78

### 3. Matters concerning consolidated subsidiaries and affiliates accounted for by the equity method:

Number of consolidated subsidiaries .....	97
Number of non-consolidated subsidiaries accounted for by the equity method ....	4
Number of affiliates accounted for by the equity method .....	14

### 4. Forecast for the fiscal year ending March 31, 2005 (April 1, 2004 to March 31, 2005)

*Millions of yen, rounded down*

	FY ending March 31, 2005
Net Sales .....	1,080,000
Ordinary Income .....	76,000
Net Income .....	45,000

(Note) Net income per share forecast for the fiscal year ending March 31, 2005: ¥69.04

Please refer to pages 3, 4 and 5 of this report for qualitative information on these nine-month results.

## 1. CONSOLIDATED OPERATING RESULTS

**Note:** all comparisons are with the first nine months of the previous fiscal year, unless stated otherwise.

Consolidated net sales for the first nine months (April 1, 2004 to December 31, 2004) of the fiscal year ending March 31, 2005 rose 3% (¥23.6 billion) to ¥819.4 billion. Consolidated operating income increased 6.2% to ¥57.4 billion and consolidated ordinary income increased 6.1% to ¥60.3 billion. Consolidated net income for the nine months increased by 40.8% to ¥38.5 billion.

There are no changes to the full-year forecasts issued on November 12, 2004 for the fiscal year ending March 31, 2005.

### (1) Domestic food products

Due to change in the distributors of products with the merger of J-OIL MILLS, INC. in July 2004, domestic food product sales declined by 0.4% (¥1.8 billion) to ¥465 billion whereas operating income rose by 9.8% (¥2.2 billion) to ¥24.9 billion.

The difficult operating environment for the domestic food market continued in the period under review, with the rise in vegetable prices due to typhoon damage and the unusually warm winter having an influence on the core seasoning business and the soup business. During the period the Company undertook a number of measures to stimulate demand and increase sales of key products.

**Seasonings:** *Hon-Dashi* flavor seasonings sales were lower than in the previous comparable period, but sales of the *Cook Do* line, particularly the *Minced chicken with TOFU*, significantly increased, supported by advertising and promotional activities. Sales to processed food manufacturers of *ACTIVA*, an enzyme (transglutaminase) that improves food texture, continued to grow strongly.

**Processed foods:** In soups, sales of snack soups, *Knorr Soup Pasta* and *Knorr Soup Harusame*, grew strongly. Sales of mayonnaise increased, supported by continued growth of the core line *Pure Select* and the contribution of the new line *Pure Select Saralear*, a cholesterol-lowering product designated as a 'Food for Specified Health Use.'

**Sweeteners and nutritional foods:** Sales of amino acid-based sweeteners for home use and restaurant use remained at the same levels as the corresponding period of the previous fiscal year. Sales of amino acid supplement *Amino Vital* grew compared to the same period of last fiscal year driven by granulated products and jelly drinks.

**Frozen foods:** Sales of frozen foods for home use increased substantially driven by the contribution of continued growth in the key *Gyoza* products and the result of quality improvements and a concentration of advertising and marketing promotions on core products including *Ebi Shumai* and *Ebiyose Fry*. Sales to the restaurant and catering industry have been recovering in the second half of the fiscal year, however the significant effect of avian flu on sales in the first half of the fiscal year resulted in a decline in sales for the nine month period compared to last year.

**Edible oils:** Following the July 2004, J-OIL MILLS, INC. merger with and absorption of the operations of Ajinomoto Oil Mills Co., Ltd., HONEN Corporation, Yoshihara Oil Mill, Ltd., and other, Ajinomoto became the distributor for J-OIL MILLS, INC. edible oil to retailers, and J-OIL MILLS, INC. became the distributor of most of the edible oil, including Ajinomoto brand, to the commercial market and meal products. As a result, retail sales recorded an increase and commercial sales as well as sales of meal products recorded a decrease.

**Coffee, Beverages, Dairy products:** Sales of instant, regular and liquid coffee all rose. Sales of beverages increased as in the midst of a record-breaking hot summer, sales of core brands including *Calpis Water* and *Calpis Soda* soared, and also as a result of the success of marketing efforts in support of Calpis's 85<sup>th</sup> year. In a tough market environment, sales of chilled dairy products declined.

### (2) Overseas food products

Net sales in the overseas food product segment were up 9.8% (¥10.5 billion) to ¥118.1 billion. Partly as a result

of active investment in marketing activities for new products, operating income decreased by 36.0% (¥2.4 billion) to ¥4.3 billion,

**Seasonings:** In ASEAN countries including Thailand, Indonesia and Vietnam, sales of *AJI-NO-MOTO* for home and restaurant use remained strong and sales in West African nations increased as well. Sales of flavor seasonings also continued to grow significantly. Sales of *AJI-NO-MOTO* to processed food manufacturers overseas showed an increase and the inclusion of sales of AJINOMOTO FOODS EUROPE S.A.S., which has been consolidated since October 2003, led to a large increase in sales. Despite the increase in sales volume, revenue from nucleotides decreased because of lower unit prices.

**Processed foods:** *Birdy*, a canned coffee beverage sold in Thailand, continued to show sales growth and sales of a new green tea beverage *Sencha* also contributed to sales growth. Instant noodles sales also increased.

### (3) Amino acids

Net sales in the amino acid segment rose by 16.6% (¥18.7 billion) to ¥132.2 billion and operating income showed a 22.8% rise (¥4.2 billion) to ¥23.1 billion.

**Feed-use amino acids:** Sales of all products showed good sales growth, centered on higher sales of Lysine, mainly in Europe and America.

**Pharmaceutical and food-use amino acids:** Overall sales increased with strong sales growth recorded in the food and beverages area in Japan and in the infusion applications and nutritional food area in Europe and America.

**Sweeteners:** Sales to major customers grew strongly, leading to a large increase in sales compared to the comparable period of last fiscal year.

**Pharmaceutical intermediates:** Sales of core products in Europe grew strongly, and results substantially exceeded the previous comparable period.

**Specialty chemicals:** Sales of insulation film for use in computer MPU boards contributed to continued strong sales of electrochemicals. The amino acid-based cosmetic *Jino* recorded a major increase in sales supported by the introduction of new products and advertising and promotions. Sales of cosmetic ingredients were similar to the comparable period of last fiscal year as a strong performance overseas offset a weak performance in the domestic market.

### (4) Pharmaceuticals

Net sales in the pharmaceuticals segment declined by 3.2% (¥1.9 billion) to ¥58.4 billion, and operating income declined by 13.0% (¥1.1 billion) to ¥8.0 billion.

Sales of anti-hypertensive drug *ATELEC*, *FASTIC*, a non-insulin dependent diabetes treatment, and the preparation used in the treatment of osteoporosis *Actonel*, were all higher than in the comparable fiscal period, but the electrolyte solution *SOLITA-T* and total parenteral nutrition *PNTWIN* were weak. Affected by the National Health Insurance price revisions, revenues in the segment declined compared to the comparable period of the previous fiscal year.

### (5) Other

Net sales in this segment declined by 4.1% (¥1.9 billion) to ¥45.5 billion and operating income declined 7.3% (¥0.2 billion) to ¥2.8 billion.

## 2. FINANCIAL POSITION

Total assets at the end of the nine months under review were ¥906.6 billion. This increase of ¥34.8 billion compared to March 31, 2004 was due mainly to an increase in accounts receivable resulting from seasonal sales of gift products, and an increase in tangible fixed assets. Total shareholders' equity increased ¥32.7 billion from

March 31, 2004 to ¥460.8 billion as at December 31, 2004, and as a result the shareholders' equity ratio changed from 49.1% to 50.8% at December 31, 2004.

### **3. DISCLAIMER**

Forecasts and forward-looking statements in this document are 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 economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

## Consolidated Balance Sheets

*Millions of yen, rounded down*

	As of March 31, 2004		As of December 31, 2004		Increase (Decrease)	As of December 31, 2003	
<b>ASSETS</b>		%		%			%
<b>Current assets</b>							
Cash on hand and in banks.....	70,170		63,048		(7,122)	56,823	
Notes & accounts receivable.....	178,044		207,705		29,661	202,569	
Marketable securities .....	2,098		6,301		4,203	3,397	
Inventories.....	97,178		96,840		(337)	99,756	
Deferred tax assets .....	8,511		9,392		880	10,157	
Others .....	22,984		23,708		723	24,723	
Allowance for doubtful accounts.....	(781)		(863)		(82)	(878)	
<b>Total current assets .....</b>	<b>378,207</b>	<b>43.4</b>	<b>406,134</b>	<b>44.8</b>	<b>27,927</b>	<b>396,549</b>	<b>43.9</b>
<b>Fixed assets</b>							
<b>Tangible fixed assets</b>							
Buildings and structures.....	237,635		246,543		8,907	237,496	
Machinery and vehicles.....	402,491		421,856		19,365	405,818	
Others .....	45,792		47,572		1,780	45,766	
Accumulated depreciation .....	(472,393)		(499,552)		(27,159)	(472,366)	
Land .....	62,727		62,492		(234)	70,323	
Construction in process.....	17,558		27,856		10,298	15,891	
<b>Total tangible fixed assets .....</b>	<b>293,811</b>	<b>33.7</b>	<b>306,768</b>	<b>33.8</b>	<b>12,957</b>	<b>302,930</b>	<b>33.5</b>
<b>Intangible fixed assets</b>							
Adjustment for consolidated account ....	31,788		28,221		(3,567)	32,427	
Others .....	17,513		17,302		(210)	17,661	
<b>Total intangible fixed assets.....</b>	<b>49,301</b>	<b>5.6</b>	<b>45,524</b>	<b>5.0</b>	<b>(3,777)</b>	<b>50,089</b>	<b>5.5</b>
<b>Investment and other assets</b>							
Investment in securities.....	123,603		122,697		(905)	119,313	
Long-term loans receivable .....	483		286		(196)	505	
Deferred tax assets .....	17,347		16,516		831	25,731	
Others .....	10,748		11,130		381	10,803	
Allowance for doubtful accounts.....	(1,723)		(2,405)		(682)	(1,701)	
<b>Total investment and other assets .....</b>	<b>150,459</b>	<b>17.3</b>	<b>148,225</b>	<b>16.4</b>	<b>(2,234)</b>	<b>154,652</b>	<b>17.1</b>
<b>Total fixed assets.....</b>	<b>493,572</b>	<b>56.6</b>	<b>500,518</b>	<b>55.2</b>	<b>6,945</b>	<b>507,672</b>	<b>56.1</b>
<b>Total Assets .....</b>	<b>871,780</b>	<b>100.0</b>	<b>906,652</b>	<b>100.0</b>	<b>34,872</b>	<b>904,222</b>	<b>100.0</b>

## Consolidated Balance Sheets

Millions of yen, rounded down

	As of March 31, 2004		As of December 31, 2004		Increase (Decrease)	As of December 31, 2003	
		%		%			%
<b>LIABILITIES</b>							
Current liabilities							
Notes & accounts payable .....	108,291		117,398		9,106	125,062	
Short-term borrowings .....	29,950		35,238		5,288	44,169	
Commercial paper .....	10,000		--		(10,000)	27,000	
Long-term loans due to be repaid within one year .....	2,162		1,278		(884)	2,012	
Corporate bonds to be redeemed within one year .....	--		10,000		10,000	--	
Accrued income taxes .....	7,701		16,528		8,827	8,876	
Accrued bonuses .....	3,574		1,663		(1,910)	2,099	
Others .....	64,537		60,917		(3,619)	59,702	
Total current liabilities .....	226,217	25.9	243,025	26.8	16,807	268,922	29.8
Long-term liabilities							
Bonds .....	95,000		85,000		(10,000)	95,000	
Long-term debt .....	6,595		5,431		(1,164)	7,389	
Deferred tax liabilities .....	2,016		1,040		(976)	3,751	
Accrued employees' retirement benefits .....	69,492		64,958		(4,534)	68,832	
Accrued officers' severance benefits .....	1,584		1,767		182	1,488	
Others .....	20,503		20,784		281	20,131	
Total long-term liabilities .....	195,193	22.4	178,981	19.8	(16,212)	196,594	21.7
Total liabilities .....	421,411	48.3	422,006	46.6	595	465,516	51.5
<b>MINORITY INTERESTS:</b>							
Minority interests .....	22,291	2.6	23,812	2.6	1,520	23,130	2.6
<b>SHAREHOLDERS' EQUITY:</b>							
Common stock .....	79,863	9.2	79,863	8.8	--	79,863	8.8
Capital surplus .....	111,579	12.8	111,579	12.3	--	111,579	12.3
Retained earnings .....	279,539	32.0	309,671	34.1	30,132	270,677	29.9
Unrealized holding gains on securities ...	13,413	1.5	11,045	1.2	(2,367)	8,014	0.9
Translation adjustments .....	(54,436)	(6.2)	(49,183)	(5.4)	5,253	(52,735)	(5.8)
Treasury stock .....	(1,881)	(0.2)	(2,142)	(0.2)	(260)	(1,824)	(0.2)
Total shareholders' equity .....	428,077	49.1	460,834	50.8	32,757	415,575	45.9
<b>Total Liabilities, Minority Interests And Shareholders' Equity .....</b>	<b>871,780</b>	<b>100.0</b>	<b>906,652</b>	<b>100.0</b>	<b>34,872</b>	<b>904,222</b>	<b>100.0</b>

## Consolidated Statements of Income

Millions of yen, rounded down

	Nine months ended December 31, 2003		Nine months ended December 31, 2004		Increase (Decrease)	FY ended March 31, 2004	
		%		%			%
Net sales .....	795,834	100.0	819,458	100.0	23,623	1,039,551	100.0
Cost of sales .....	568,939	71.5	585,391	71.4	16,452	743,251	71.5
Gross profit .....	226,894	28.5	234,066	28.6	7,171	296,299	28.5
Selling, general and administrative expenses .....	172,757	21.7	176,591	21.6	3,834	231,109	22.2
Operating income .....	54,136	6.8	57,474	7.0	3,337	65,190	6.3
<b>Non-operating income</b>							
Interest received .....	604		1,340		736	989	
Dividends received .....	501		440		(60)	732	
Profit from investments income from equity method .....	4,228		3,482		(746)	4,467	
Miscellaneous income .....	3,556		3,585		(29)	5,354	
Total non-operating income .....	8,890	1.1	8,848	1.1	(41)	11,543	1.1
<b>Non-operating expenses</b>							
Interest expense .....	2,363		2,235		(127)	2,960	
Miscellaneous losses .....	3,817		3,775		(41)	5,662	
Total non-operating expenses .....	6,180	0.8	6,011	0.7	(168)	8,622	0.8
Ordinary income .....	56,847	7.1	60,311	7.4	3,464	68,111	6.6
<b>Extraordinary income</b>							
Gain on sale of fixed assets .....	3,815		771		(3,044)	3,822	
Profit on sale of investment securities sold .....	46		3,150		3,103	70	
Gain on sale of affiliates' stock .....	--		4,342		4,342	18,388	
Others .....	298		844		546	1,177	
Total extraordinary income .....	4,160	0.5	9,108	1.1	4,948	23,457	2.3
<b>Extraordinary losses</b>							
Loss on disposal of fixed assets .....	5,465		1,395		(4,069)	8,252	
Loss on reorganization of affiliates .....	643		--		(643)	683	
Loss on valuation of investment securities .....	189		84		(104)	324	
Settlement payments .....	1,372		2,021		648	1,363	
Others .....	1,437		2,073		635	13,928	
Total extraordinary losses .....	9,109	1.1	5,574	0.7	(3,534)	24,552	2.4
Net income before income taxes .....	51,898	6.5	63,845	7.8	11,947	67,017	6.5
Income taxes .....	21,822	2.7	23,200	2.8	1,377	27,654	2.7
Minority interests .....	2,718	0.3	2,130	0.3	(587)	3,086	0.3
<b>Net income .....</b>	<b>27,357</b>	<b>3.4</b>	<b>38,514</b>	<b>4.7</b>	<b>11,157</b>	<b>36,276</b>	<b>3.5</b>



## Segment information by business

Nine months of the previous fiscal year ended March, 2004 (April 1, 2003 to December 31, 2003)

Millions of yen, rounded down

	Domestic Food Products	Overseas Food Products	Amino Acids	Pharma- ceuticals	Other	Total	Elimination or All Company	Consolidated
Sales								
(1) Sales to third parties .....	466,894	107,575	113,443	60,417	47,503	795,834	--	795,834
(2) Intra-group sales and transfers .....	1,769	8,901	15,465	43	45,126	71,305	(71,305)	--
Total sales .....	468,663	116,476	128,908	60,461	92,629	867,140	(71,305)	795,834
Operating expenses .....	445,959	109,735	110,073	51,249	89,589	806,606	(64,909)	741,697
Operating income .....	22,704	6,740	18,835	9,212	3,040	60,533	(6,396)	54,136

Nine months of the fiscal year ending March, 2005 (April 1, 2004 to December 31, 2004)

Millions of yen, rounded down

	Domestic Food Products	Overseas Food Products	Amino Acids	Pharma- ceuticals	Other	Total	Elimination or All Company	Consolidated
Sales								
(1) Sales to third parties .....	465,061	118,102	132,230	58,487	45,575	819,458	--	819,458
(2) Intra-group sales and transfers .....	1,793	9,669	14,120	78	40,713	66,375	(66,375)	--
Total sales .....	466,855	127,771	146,351	58,566	86,288	885,833	(66,375)	819,458
Operating expenses .....	441,929	123,460	123,222	50,551	83,468	822,632	(60,648)	761,983
Operating income .....	24,926	4,311	23,129	8,014	2,819	63,201	(5,726)	57,474

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	<i>AJI-NO-MOTO</i> , <i>Hon-Dashi</i> , <i>Cook Do</i> , soups, mayonnaise, <i>Pal Sweet</i> (for domestic market), <i>Amino Vital</i> , <i>Mieki</i> (soy bean hydrolyzate), frozen foods, coffee, domestic beverages, dairy products, oils, domestic food wholesale, etc.
Overseas Food Products	<i>AJI-NO-MOTO</i> , 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.