# Ajinomoto Co., Inc.

## Consolidated Results

Fiscal Year Ended 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.

AJINOMOTO

# SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

For the year ended March 31, 2004

**Ajinomoto Co., Inc.**

**May 14, 2004**

| | | | |
|---|---|---|---|
| Stock Code: | 2802 | Listed exchanges: | Tokyo, Osaka, Nagoya, Fukuoka, Sapporo |
| http://www.ajinomoto.co.jp/ | | Inquiries: | General Manager |
| President: | Kunio Egashira | | Finance Department |
| Date of the meeting of the board of directors: | May 14, 2004 | | Hiromichi Ono |
| U.S. GAAP Accounting Principles: | Not adopted | Telephone: | 813 5250-8161 |

## 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2004

1) Consolidated Operating Results

*Millions of yen*

| | FY Ended March 31, 2004 | | FY Ended March 31, 2003 | |
|---|---|---|---|---|
| | | Change (%) | | Change (%) |
| Net sales | 1,039,551 | 5.2 | 987,727 | 4.7 |
| Operating income | 65,190 | 20.6 | 54,059 | 10.3 |
| Ordinary income | 68,111 | 19.7 | 56,888 | 1.2 |
| Net income | 36,276 | 9.3 | 33,178 | 5.5 |
| Net income per share (¥) | ¥55.55 | | ¥50.73 | |
| Fully diluted earnings per share (¥) | -- | | -- | |
| Return on equity | 8.9% | | 8.6% | |
| Ratio of ordinary income to total capital | 7.8% | | 6.7% | |
| Ratio of ordinary income to net sales | 6.6% | | 5.8% | |

Notes: (1) Gain from investments in subsidiaries and affiliates accounted for by the equity method:
FY ended March 31, 2004: 4,467 million yen FY ended March 31, 2003: 6,549 million yen
(2) Average number of outstanding shares (consolidated) during the period:
FY ended March 31, 2004: 648,557,309 shares FY ended March 31, 2003: 649,382,067 shares
(3) Changes to accounting principles: Some changes were made
(4) Percentages for net sales, operating income, ordinary income and net income represent changes from the previous fiscal year.

2) Financial Position

*Millions of yen*

| | As of March 31, 2004 | As of March 31, 2003 |
|---|---|---|
| Total assets | 871,780 | 864,588 |
| Shareholders' equity | 428,077 | 391,154 |
| Equity ratio (%) | 49.1% | 45.2% |
| Shareholders' equity per share (¥) | ¥659.78 | ¥602.66 |

Notes (1) Outstanding shares (consolidated) at: FY ended March 31, 2004: 648,448,926 shares
FY ended March 31, 2003: 648,655,123 shares

3) Cash Flows

*Millions of yen*

| | FY Ended March 31, 2004 | FY Ended March 31, 2003 |
|---|---|---|
| Net cash provided by operating activities | 64,753 | 57,236 |
| Net cash used in investing activities | (35,559) | (49,516) |
| Net cash used in financing activities | (14,084) | (6,628) |
| Cash and cash equivalents at end of year | 69,526 | 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 | 18 |

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

| | | | | |
|---|---|---|---|---|
| Consolidated subsidiaries | (Newly included) | 10 | (Excluded) | 8 |
| Companies accounted for by the equity method | (Newly included) | 1 | (Excluded) | 4 |

## 2. Forecast for the Fiscal Year Ending March 31, 2005

*Millions of yen*

| | 6 Months Ending September 30, 2004 | FY Ending March 31, 2005 |
|---|---|---|
| Net Sales | 540,000 | 1,080,000 |
| Ordinary Income | 33,000 | 76,000 |
| Net Income | 16,000 | 45,000 |

(Note) Net income per share expected for the fiscal year ending March 31, 2005 (consolidated): ¥69.02

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 the section entitled `Outlook for the Fiscal Year Ending March 31, 2005'

## 1. Current State of the Ajinomoto Group

The Ajinomoto Group is made up of Ajinomoto Co., Inc. (the Company), along with 139 subsidiaries and 28 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 (41 companies) | Seasonings and Food Products (25 companies) | Knorr Foods Co., Ltd., Ajinomoto Packaging Inc., AJINOMOTO BAKERY PRODUCT CO., LTD., plus 22 additional companies |
| | Frozen Foods (9 companies) | Ajinomoto Frozen Foods Co., Inc., Ajinomoto Frozen Foods (Thailand) Co., Ltd., Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd., Lianyungang Ajinomoto Ruyi Foods Co., Ltd., plus 5 additional companies |
| | Edible Oils (4 companies) | J-OIL MILLS, INC., Ajinomoto Oil Mills Co., Inc., HONEN Corporation, Yoshihara Oil Mill, Ltd. |
| | 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., P.T. Ajinex International, P.T. Ajinomoto Indonesia, AJINOMOTO PHILIPPINES CORPORATION, Ajinomoto (Singapore) Pte. Ltd., Ajinomoto Foods Europe S.A.S., 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., 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 (27 companies) | Packaging Materials (3 companies) | Fuji Ace Co., Ltd., plus 2 additional companies |
| | Distribution (11 companies) | AJINOMOTO LOGISTICS CORPORATION, plus 10 additional companies |
| | Service, others (13 companies) | Ajinomoto Communications Inc., Ajinomoto System Techno Corporation, Ajinomoto Engineering Co., Ltd., Ajinomoto-Genetika Research Institute, plus 9 other companies |

# 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. Distribution 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 1 yen over the previous year to a total of 11 yen per share, and for the year ended March 31, 2004, a total dividend of 12 yen per share is planned, including the interim dividend of 6 yen per share...

Based on this principle, it is planned to further increase the dividend by 1 yen to 13 yen per share for the current fiscal year, with an interim dividend payment of 6 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**

Ajinomoto has outlined Group numerical targets for the end of the fiscal year ending March 31, 2005 of net sales of 1.08 trillion yen, operating income of 75 billion yen, ordinary income of 76 billion yen, net income of 45 billion yen and ROE of 10% or higher.

**5. Our tasks ahead**

We seek to maintain our position as a truly global corporation that has products loved by the world, brands that assure reliability and safety, innovative technology, and creative and individual personnel who take an active role in the global arena. Under the themes of selection, concentration and expansion, we intend to pursue the following management strategies across the whole group.

One of our aims is to expand business in growth sectors. As the domestic amino acid-based food market has been continuing its high growth, we intend to further develop nutritional health products building on the strong performance of *Amino Vital*. In frozen foods business, the Company aims to maximize synergies that have become possible through the merger with Frec Corporation, while growing the business by providing consumers with high quality, safe products. In overseas markets, we will continue to develop our seasoning and processed foods businesses in Asia, particularly fast-growing China, with the aim of supplying an increasing number of customers with high value-added products that become an integral part of local dietary cultures.

We will continue efforts to shift toward a high-earnings structure. In domestic foods we will adopt measures to reduce costs and strengthen business foundations in key products lines such as *Hon-Dashi*. In edible oils business, the planned July 2004 merger of HONEN Corporation, Ajinomoto Oil Mills, Co., Inc., Yoshihara Oil Mill, Ltd., JAPAN SOYA PRODUCTS CO., LTD. is part of measures to improve management efficiency in this business line while enhancing product development and marketing capabilities. In umami seasonings and feed-use amino acids businesses, we are taking steps to make full use of technical expertise within the Group to maintain and build on our global number one share. In pharmaceuticals Ajinomoto will seek to increase the earnings power of the Company's top brands and rigorously pursue cost reductions in the areas of product manufacturing and distribution, while concentrating R&D resources on amino acid-based formulas.

In 2003 a number of steps were taken to reform the management structure of Ajinomoto, including reducing the number of board members, introducing an executive officer system, and electing an external director. In order to increase corporate value across the Group, Ajinomoto is taking further measures to strengthen corporate governance. For example, at the general shareholders' meeting in 2004 we will be proposing an increase in the number of external auditors. Moreover, with the aim of generating further growth as a truly global company, Ajinomoto is focusing energy on nurturing personnel capable of working in the global arena. The Ajinomoto Group Training Center is currently under construction, and when completed this facility will be a focal center for employee training and interchange.

Ajinomoto aims to operate in harmony with society as a good corporate citizen. Core activities carried out under the umbrella of Corporate Social Responsibility (CSR) relate to the environment and contributions to society. A key element of our environmental program is the newly introduced proprietary Ajinomoto Group Zero Emission. This program applies to all our operational areas, and has been devised with the intention of minimizing the environmental impact of our business activities. Through social responsibility activities we aim to contribute to the creation of healthy and productive communities. Our activities include such things as working to improve nutrition in developing countries, and across the Ajinomoto Group we are engaged in finding solutions to problems relating to food, nutrition and the health of people around the world.

## 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 worked to bolster competitiveness through the internal company system. All these endeavors are in line with a drive to enhance the corporate value of all Group businesses.

### (2) Initiatives

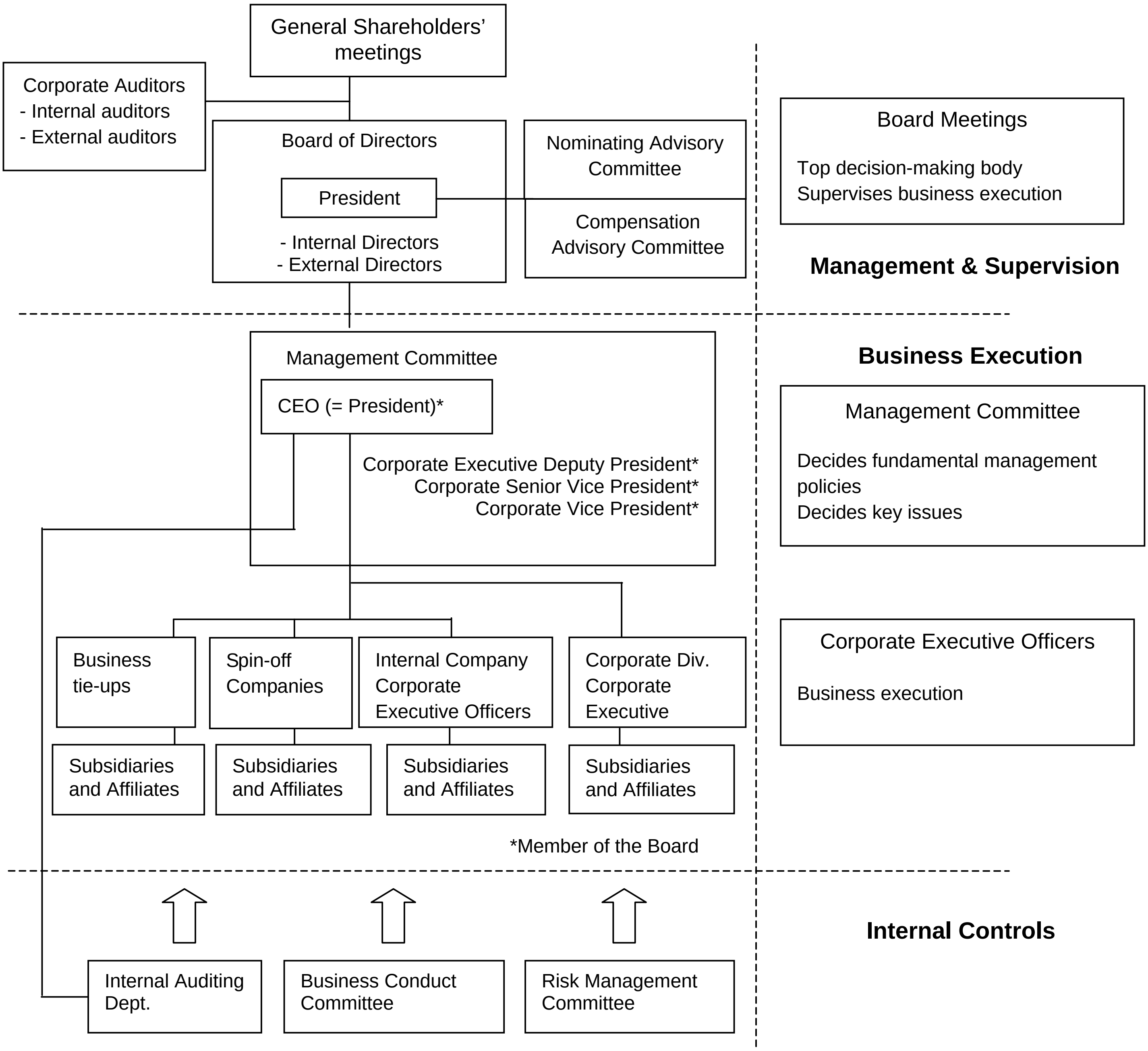
In June 2003 we reformed our management structure, reducing the number of directors, appointing an external director, and implementing a corporate executive officer system. The reduced number of directors has made board meetings a more effective forum in which to manage overall Group strategy. All management 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. At this year's general shareholders' meeting an increase in the number of external auditors will be proposed.

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 advisory 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

| | Billions of yen | | | |
|---|---|---|---|---|
| | Net Sales | Operating Income | Ordinary Income | Net Income |
| FY ended March 31, 2004 | 1,039.5 | 65.1 | 68.1 | 36.2 |
| FY ended March 31, 2003 | 987.7 | 54.0 | 56.8 | 33.1 |
| Increase | 5.2% | 20.6% | 19.7% | 9.3% |

**Overview of results for this period**

The domestic economy showed signs of improvement during the fiscal year under review, with a recovery in the US economy stimulating increased manufacturing and export activity in certain sectors. Retail spending continued to lack strength, however, and a rapidly strengthening yen towards the end of the period began to have an impact. The operating environment for the Japanese food industry remained severe: import restrictions were placed on certain meat imports, such as beef from the US and chicken from Thailand, due to BSE and avian flu outbreaks, and an outbreak of avian flu in Japan contributed to consumer unease. Issues also arose relating to food labeling and the use of unapproved ingredients in the industry. Internationally, the US economy began to recover, and economic performance in Asia—and particularly China—improved steadily. Although some areas of the economies in Europe showed signs of picking up, individual consumption remained low and the employment environment continued to be severe.

Within this environment, net sales of Ajinomoto's food products in Japan and overseas were higher than in the previous comparable period, while sales in the amino acids and pharmaceuticals businesses grew significantly. As a result, consolidated net sales for the fiscal year ended March 31, 2004 increased 5.2% (51.8 billion yen) to 1,039.5 billion yen. Operating income increased 20.6% (11.1 billion yen) to 65.1 billion yen. Ordinary income rose 19.7% (11.2 billion yen) to 68.1 billion yen. Consolidated net income rose 9.3% (3 billion yen) to 36.2 billion yen.

**Changes to main accounting items during the period under review**

**1) Net sales**

Net sales rose 51.8 billion yen, or 5.2 percent, from the same period the year before to 1,039.5 billion yen. By region, sales in Japan rose 4.3 percent to 790.7 billion yen, while sales overseas rose 8.4 percent to 248.7 billion yen. Overseas, sales in Asia rose 4.6 percent to 92.7 billion yen, sales in the Americas rose 11.5 percent to 58.1 billion yen, and sales in Europe rose 10.5 percent to 97.8 billion yen.

**2) Cost of sales / Selling, general and administrative expenses**

The rise in net sales lifted the cost of sales by 26.2 billion yen, or 3.7 percent, to 743.2 billion yen. The ratio of cost of sales to net sales fell 1.1 percentage points to 71.5 percent.

Selling, general and administrative expenses rose 14.4 billion yen from the year before to 231.1 billion yen, a 6.7 percent increase. The main reason for this rise was an increase in marketing costs such as advertising and sales promotions, and in research and development costs and retirement benefit expenses. The rise in retirement benefit expenses was largely due to the amortization of actuarial loss stemming from revisions to the discount rate and a fall in the investment return for pension assets prior to this period.

### 3) Operating income

Operating income rose 11.1 billion yen, or 20.6 percent, from the year before to 65.1 billion yen. By region, operating income in Japan fell 4.0 percent to 30 billion yen, while operating income from operations overseas climbed 54.5 percent to 35.1 billion yen. The main reason for this increase in operating income was the feed-use amino acids business; this business is operated mainly overseas, which significantly increased overseas operating income during the period under review. Overseas, operating income in Asia rose 31.8 percent to 12.3 billion yen, operating income in the Americas rose 65.9 percent to 12.2 billion yen, and operating income in Europe rose 76.1 percent to 10.5 billion yen.

### 4) Non-operating income (expenses)

The difference between non-operating income and non-operating expenses was 2.9 billion yen, about the same as the year before. After deducting interest expense from interest received, the balance of interest was narrowed from minus 2.4 billion yen the year before to minus 1.9 billion yen for the fiscal year under review. This was mainly the result of a decrease in interest-bearing liabilities.

Losses from foreign exchange adjustments were narrowed from 0.7 billion yen the year before to a loss of just under 0.1 billion yen. Equity in earnings of affiliates fell to 4.4 billion yen from 6.5 billion yen the year before. This decline was principally because Ajinomoto sold part of its stake in seven joint venture operations in Asia with Unilever PLC/Unilever NV to the Unilever Group companies as per the terms of a stock purchase agreement with Unilever in February last year.

### 5) Ordinary income

Ordinary income rose 11.2 billion yen, or 19.7 percent, from the same period the year before to 68.1 billion yen.

### 6) Extraordinary income

Extraordinary income for the period under review was 23.4 billion yen, compared to extraordinary income of 28.6 billion yen the year before. As per the terms of a stock purchase agreement with Unilever in February last year, Ajinomoto sold shares held in seven joint ventures in Asia with Unilever PLC/Unilever NV to the Unilever Group companies in two stages during the previous fiscal year and during the fiscal year under review. This share sale raised 19.8 billion yen in the previous year and 18.3 billion yen in the year under review. Among other items of note, the gain on sales of fixed assets was 3.8 billion yen compared to 2.4 billion yen the year before, while profit on sale of investment securities sold was not material, compared to the 4.8 billion-yen profit in the year before.

### 7) Extraordinary losses

Extraordinary losses were 24.5 billion yen, compared to 20.0 billion yen the year before. This figure includes the 7.6 billion yen impact from the early introduction during the fiscal year under review of asset-impairment accounting. In order to help revitalize assets, during the fiscal year under review Ajinomoto introduced ‘accounting standards relating to the impairment of fixed assets.’ The actual price of unused land is significantly lower than the book value and this difference is recorded under impairment losses on fixed assets.

Other significant items of note recorded during the fiscal year under review included a loss on disposal of fixed assets of 8.2 billion yen that followed a review of production facilities, a 1.3 billion yen loss on the disposal of inventory because of BSE and avian flu, settlement payments of 1.3 billion yen relating to nucleotides, and additional retirement expenses and other costs of 2.0 billion yen incurred following the transfer of some of the operations and personnel of a consolidated subsidiary to another company in order to improve efficiencies at domestic distribution operations. In the previous fiscal year the loss on disposal of fixed assets was 2.9 billion yen and the penalties and settlement payments relating to nucleotides were recorded at 8.8 billion yen. Finally, the loss on sale of investment securities was narrowed from last year's loss of 4.2 billion yen.

**8) Net income**

Net income for the fiscal year under review rose to 36.2 billion yen, a 9.3 percent increase from last year's net income of 33.1 billion yen. The effective tax rate declined from 44.5 percent last year to 41.3 percent this fiscal year. As a result, net income per share for the fiscal year under review came to 55.55 yen, up from 50.73 yen per share the year before.

**9) Others**

1) Impact of foreign exchange fluctuations

Changes in the rates of foreign exchange from the end of the previous fiscal year and the end of the fiscal year under review reduced net sales by 12.8 billion yen, operating income by 1.4 billion yen, ordinary income by 1.4 billion yen, and net income by 1.1 billion yen. These amounts are the translation differences stemming from changes to the rates of exchange at which the financial statements of consolidated subsidiaries and equity method affiliates overseas were translated into Japanese yen.

2) Revisions to the retirement benefits system

Because of a decline in the investment return on pension assets and other factors, there has been a significant increase in retirement expenses borne by Ajinomoto. However, Ajinomoto responded to this situation and in April 2004 we adopted a market interest rate (cash balance-type) pension system and a retirement benefit point system. We believe that these changes mean our retirement benefits system can respond more flexibly to changes in the economic environment and that they make our retirement benefits system stable and secure over the long term. As a result of these revisions to the retirement system, retirement benefit obligations and unrecognized prior service cost will each be reduced by 19.1 billion yen. Prior service cost will be amortized over 10 years.

**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 | 598.4 | 15.1 | 2.6 | 26.2 | (0.5) | (1.9) |
| Overseas food products | 142.3 | 3.0 | 2.2 | 7.4 | (1.7) | (19.1) |
| Amino acids | 154.9 | 18.9 | 14.0 | 26.6 | 13.1 | 96.7 |
| Pharmaceuticals | 78.9 | 16.2 | 25.9 | 10.3 | 1.4 | 16.4 |
| Other | 64.9 | (1.6) | (2.6) | 3.8 | (0) | (0.6) |

Notes:

1. Details of main products within each segment are outlined in Note 2 on page 29 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 industry are included in overseas food products.
4. Part of the operating expenses of the administration division and research facilities are included in the Eliminations and All Company segment. (Details are available in part one of Segment Information in this document.)

**(1) Domestic food products**

Domestic food product sales increased 2.6% (15.1billion yen) over the previous year to 598.4 billion yen. Operating income decreased 1.9% (0.5 billion yen) to 26.2 billion yen. Sales of frozen foods increased significantly, and sales of processed foods – particularly soups and coffee – also increased, along with sales of amino acid supplement *Amino Vital*. Operating income declined, however, due to increased advertising expenses, sales promotions and other marketing costs.

**Seasonings:** In the retail market, sales of seasoning product *Hon-Dashi* were slightly lower than in the previous year, while sales of the *Cook Do* line grew strongly, supported by the introduction in January 2003 of *Minced chicken with TOFU*. Sales of *Ajinomoto kk Marudori Gara Soup*, *Chuka-Aji* increased following intensive marketing support. Sales of *Hon-Dashi* and *AJI-NO-MOTO* for the commercial market were lower than in the previous year. Sales of savory seasoning products to food processing companies were lower than in the previous year, but sales of *ACTIVA*, an enzyme (transglutaminase) that improves food texture, increased significantly.

**Processed foods:** Sales of the *Knorr Soup Pasta* line again grew, producing strong revenues. Mayonnaise sales declined year on year, impacted by weakness in the market. Sales of *Okayusan* (rice porridge) retort pouches were boosted by the popularity of rice and egg porridge and grew steadily. Sales of *Kellogg's* products increased steadily.

**Sweeteners and Nutritional foods:** Continued sales of *Pal Sweet Calorie Zero* helped to secure a solid performance by amino acid-based sweeteners for home and restaurant use. Sales of amino acid supplement *Amino Vital* continued to increase significantly, boosted by increases in jelly drink sales and also granulated products.

**Delicatessen and Bakery products:** Sales of lunchboxes and prepared dish delicatessen products were in line with the previous year. Bakery product sales declined slightly year on year.

**Frozen foods:** Although unable to avoid the impact of BSE and avian flu issues on consumer sentiment, sales for home use increased significantly year on year, with higher sales of a key product *Gyoza* being supported by technical improvements to product quality and by marketing efforts. Commercial sales of frozen foods increased strongly year on year, with the addition of the Frec brand to the product line up following the merger with Frec Corporation in April 2003.

**Edible oils:** Amidst price adjustments resulting from an increase in ingredient costs from the second half of last year, retail sales increased year on year, driven by further growth in sales of *Kenko Sarara,* a premium oil product that is approved for Specified Health Uses. Commercial revenues also increased. Meal product sales decreased.

**Coffee, Beverages, Dairy products**: Sales of liquid coffee such as *Blendy* bottled coffee increased significantly, as did sales of instant coffee refill packs. Sales of regular coffee increased slightly year on year. In beverage, sales of *Amino Calpis* (released in March 2003) and new product *CALPIS Interbalance L-92* were robust, although unseasonably cool summer weather resulted in lower sales of *Calpis Water* and *Evian*. In chilled dairy products, although sales of key product *Danone Fruits Selection* decreased considerably, sales of *Danone BIO* were much higher and overall performance exceeded the previous year.

**(2) Overseas food products**

Overseas food product sales increased 2.2% (3.0 billion yen) over the previous year to 142.3 billion yen. Operating income decreased 19.1% (1.7 billion yen) to 7.4 billion yen. Sales of flavored and mixed seasonings increased steadily, as did sales of *AJI-NO-MOTO* to the food processing industry, but profitability declined due to active investment in marketing and new product development.

**Seasonings:** In Asia, sales of *AJI-NO-MOTO* and nucleotides for the food processing industry produced higher revenues year on year, and sales of flavor seasonings also increased considerably. Sales of *AJI-NO-MOTO* for home use and restaurant use were strong, but currency effects resulted in decreased revenue. In the Americas, although revenue from sales of *AJI-NO-MOTO* decreased year on year due to the impact of exchange rates, sales of flavor seasonings in South America grew strongly. In Europe sales of *AJI-NO-MOTO* to the food processing industry produced higher revenues, and sales of home- and restaurant-use *AJI-NO-MOTO* grew strongly, supported by strong sales growth in West African nations. Sales in Japan of *AJI-NO-MOTO* to the food processing industry were in line with the previous comparable period, while sales of nucleotides decreased.

**Processed foods:** Sales of instant noodles in Asia were lower than last year, due to currency effects and other factors. Sales of *Birdy*, a canned coffee beverage, performed well.

**(3) Amino Acids**

Sales in the amino acids business rose 14.0% (18.9 billion yen) to 154.9 billion yen. Operating income increased 96.7% (13.1 billion yen) to 26.6 billion yen. Sales of feed-use amino acids as Lysine, Threonine, and Tryptophan all increased, with higher revenue and profits.

**Feed-use amino acids:** Sales of all feed-use products, led by Lysine, increased significantly year on year in all regions.

**Pharmaceutical and food-use amino acids:** Strong results were produced in Japan, with steady growth of infusion applications and sales to beverage manufacturers. In the Americas, although bio-related sales were strong, currency effects reduced revenue year on year. Sales in European markets decreased compared to the previous year as certain customers carried out inventory adjustments.

**Sweeteners:** Sales volumes were significantly higher than in the previous year, but revenue decreased due to lower unit prices and currency effects.

**Pharmaceutical intermediates:** Sales of key products in European countries grew steadily, and revenue was higher than in the previous fiscal year.

**Specialty chemicals:** Although sales of cosmetic ingredients were lower than in the previous year, aggressive marketing of the amino acid-based cosmetic *JINO* resulted in further strong growth in sales of that product. Sales of multilayer insulation film for use on MPU boards grew strongly, and sales of release paper also increased.

**(4) Pharmaceuticals**

Pharmaceutical sales rose 25.9% (16.2 billion yen) to 78.9 billion yen. Operating income increased 16.4% (1.4 billion yen) to 10.3 billion yen. Net sales and income were much higher than in the year before as a result of the acquisition of Shimizu Pharmaceutical Co., Ltd. Sales of *LIVACT*, a branched-chain amino acid formula for the treatment of liver cirrhosis, were supported at similar levels to the previous year through the introduction of improved product types. Sales of non-insulin-dependent diabetes treatment *FASTIC* were boosted by 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, grew strongly.

**(5) Other**

Sales in this category decreased 2.6% (1.6 billion yen) to 64.9 billion yen. Operating income decreased 0.6% (24 million yen) to 3.8 billion yen.

## 2. Outlook for the Fiscal Year Ending March 31, 2005

*Billions of yen*

| | Net Sales | Operating Income | Ordinary Income | Net Income |
|---|---|---|---|---|
| FY ending March 31, 2005 | 1,080.0 | 75.0 | 76.0 | 45.0 |
| FY ended March 31, 2004 | 1,039.5 | 65.1 | 68.1 | 36.2 |
| Increase | 3.9% | 15.0% | 11.6% | 24.0% |

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

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

Ajinomoto forecasts consolidated sales for the fiscal year ending March 31, 2005 to increase 3.9% to 1,080.0 billion yen, and operating income to increase 15.2% to 75.0 billion yen. Ordinary income is forecast to increase 11.6% to 76.0 billion yen, with net income for the period increasing 24.0% year on year to 45.0 billion yen.

These forecasts are based on an assumed exchange rate of 110 yen to the U.S. dollar.

A total dividend payment of 13 yen per ordinary share is planned for the period, an increase of one yen, with an interim dividend payment of six yen per share.

### Operational Risk

Operational risks faced by the Company that could affect its performance and financial position, including the market price of Ajinomoto shares, are outlined as follows. Future risks outlined in this document are as judged by the Company as of May 14, 2004, the date of publication of these financial results.

**(1) Exchange rate risk**

The Ajinomoto Group, including Ajinomoto Co., Inc. and related companies, is further establishing and strengthening its global manufacturing and supply structure. The Group operates in 23 countries and regions including Japan, with manufacturing plants at 106 sites in15 of these countries and regions. The relative importance of international operations is therefore very high. In the fiscal years to March 31, 2003 and March 31, 2004 sales to outside parties in countries other than Japan (i.e. Asia, the Americas and Europe) were 229.3 billion yen and 248.7 billion yen respectively, comprising 23.2% and 23.9% of consolidated sales.  Operating income derived from these regions in the same periods was 22.7 billion yen and 35.1 billion yen, comprising 42.0% and 53.9% 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 from international regions.

**(2) 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 production costs. However, the possibility remains of Group financial performance being affected by fluctuations in the grain market.

**(3) Natural disasters, social disruption, political changes**

Building on business foundations in Japan, Ajinomoto is actively pursuing development in international 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 such as SARS
- Natural disasters such as earthquakes
- IT-related problems such as computer viruses or the leaking of information.

**(4) 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 Company seeks to meet all legal obligations, such as those relating to permission to operate or invest, tariffs and duties, import and export rules, and foreign exchange and foreign trade control laws. The Company also makes every possible effort through legal means to secure its intellectual, product and other rights. The possibility exists, however, that legal changes may be introduced that cannot currently be foreseen, and complying with any such changes may restrict the Company’s operations and adversely affect financial performance.

**(5) Food safety issues**

In recent years various food safety issues have arisen in the foods industry, relating to matters such as BSE, avian flu, and product safety and quality. Ajinomoto has in place strict internal procedures and policies to maintain the highest standards of product quality, including Groupwide product quality audits and a product tracing system that tracks product information at each stage from production through to distribution. The Company 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 Company performance may occur.

**(6) Litigation**

1. In September 2002 a former employee filed a case against Ajinomoto Co., Inc. at the Tokyo District Court seeking 2.0 billion yen in partial consideration of patent rights granted to the Company relating to an aspartame crystallization method. In February 2004 the Tokyo District Court ruled in favor of the claimant and awarded compensation of around 189 million yen. Both Ajinomoto and the former employee are appealing this decision to the High Court.
2. In ten states and the Washington special district of the United States, a total of 14 cases claiming compensation for damages relating to breaches of the anti-trust law and the consumer protection act in the sale of nucleotides and MSG are being brought against Ajinomoto and its subsidiary Ajinomoto U.S.A., Inc. by groups operating in the indirect purchase of nucleotides and MSG. All these cases are in the earliest stages, and specific compensatory claims and other details have yet to emerge.

## II. Financial Position

### 1. Overview of results for this period

**Financial position as of March 31, 2004**

Total assets as of March 31, 2004 were 871.7 billion yen. This increase of 7.1 billion yen compared to the previous year was due mainly to factors such as an increase in operating assets accompanying an expanded revenue base, and an increase in cash. These increases more than compensated for the decrease in funds repatriated from overseas subsidiaries that resulted from the strengthening of the yen.

Total interest-bearing debt was 143.7 billion yen, 7.3 billion yen lower than one year ago, and followed determined efforts to reduce debt levels.

Total shareholders' equity was 428.0 billion yen, compared to 391.1 billion yen recorded on March 31, 2003. This increase of 36.9 billion yen was primarily attributable to higher operating income, which more than compensated for the lower net asset value of overseas subsidiaries recorded under a stronger yen.

ROE increased 0.3 points to 8.9%.

**Summary of consolidated cash flow**

*Billions of yen*

| | FY ended March 31, 2004 | FY ended March 31, 2003 | Change |
|---|---|---|---|
| Net cash provided by operating activities | 64.7 | 57.2 | 7.5 |
| Net cash used in investing activities | (35.5) | (49.5) | 13.9 |
| Net cash used in financing activities | (14.0) | (6.6) | (7.4) |
| Effect of exchange rate changes on cash and cash equivalents | (1.9) | (1.7) | (0.2) |
| Increase (decrease) in cash and cash equivalents | 13.1 | (0.6) | 13.7 |
| Increase (decrease) in initial balance due to change in scope of consolidation | 0.6 | (0.1) | (0.8) |
| Cash and cash equivalents at end of period | 69.5 | 55.7 | 13.8 |

**Net cash provided by operating activities**

Net cash provided by operating activities increased 7.5 billion yen over the previous comparable period to 64.7 billion yen. The main factor behind this increase was the growth in operating and ordinary income.

**Net cash used in investing activities**

Net cash used in investing activities decreased 13.9 billion yen compared to the previous financial year to 35.5 billion yen. This decrease primarily reflects the acquisition of Shimizu Pharmaceutical Co., Ltd. and Frec Corporation in the previous period. The Company continued to implement capital expenditure at overseas subsidiaries during the period under review.

**Net cash used in financing activities**

Although Ajinomoto issued bonds during the period to raise funds for capital expenditure and the repayment of loans, commercial paper, and bonds, net cash used in financing activities increased 7.4 billion yen to 14.0 billion yen due to continued efforts to reduce interest-bearing debt. As a result of the foregoing, cash and cash equivalents at March 31, 2004 was 69.6 billion yen, an increase of 13.8 billion yen compared to March 31, 2003.

## 2. Four-year Trends in Cash Flow-related Indices

| | FY ended March 31, 2004 | FY ended March 31, 2003 | FY ended March 31, 2002 | FY ended March 31, 2001 |
|---|---|---|---|---|
| Equity ratio (%) | 49.1 | 45.2 | 45.4 | 43.6 |
| Equity ratio based on market price (%) | 92.2 | 91.5 | 91.4 | 102.5 |
| Debt service coverage (years) | 2.4 | 2.9 | 2.9 | 4.9 |
| Interest coverage ratio (times) | 22.0 | 17.0 | 11.7 | 6.9 |

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 March 2003 x total shares outstanding at end of period (excluding treasury stock)]
4. Debt service coverage = Interest-bearing debt/operating cash flow
5. Interest coverage ratio = Operating cash flow/interest paid
   [Operating cash flow is the Net Cash Provided From Operating Activities figure in the consolidated statements of cash flows]
   [Interest paid is the Interest Paid figure in the consolidated statements of cash flows

## 4. Consolidated Financial Statements

### Consolidated Balance Sheets

| | *Millions of yen* | | | | |
|---|---|---|---|---|---|
| | As of March 31, 2004 | | As of March 31, 2003 | | Increase (Decrease) |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash on hand and in banks | 70,170 | | 55,035 | | 15,135 |
| Notes & accounts receivable – trade | 178,044 | | 180,384 | | (2,339) |
| Marketable securities | 2,098 | | 687 | | 1,410 |
| Inventories | 97,178 | | 98,754 | | (1,576) |
| Deferred tax assets | 8,511 | | 11,405 | | (2,893) |
| Other current assets | 22,984 | | 19,409 | | 3,575 |
| Allowance for doubtful accounts | (781) | | (740) | | (40) |
| Total current assets | 378,207 | 43.4 | 364,936 | 42.2 | 13,270 |
| **Fixed assets** | | | | | |
| Tangible fixed assets | | | | | |
| Buildings and structures | 237,635 | | 229,474 | | 8,161 |
| Machinery and vehicles | 402,491 | | 381,562 | | 20,929 |
| Others | 45,792 | | 43,134 | | 2,657 |
| Accumulated depreciation | (472,393) | | (449,886) | | (22,506) |
| Land | 62,727 | | 69,119 | | (6,392) |
| Construction in process | 17,558 | | 23,175 | | (5,617) |
| Total tangible fixed assets | 293,811 | 33.7 | 296,579 | 34.3 | (2,768) |
| Intangible fixed assets | | | | | |
| Adjustment for consolidated account | 31,788 | | 35,000 | | (3,212) |
| Other intangible fixed assets | 17,513 | | 16,891 | | 621 |
| Total intangible fixed assets | 49,301 | 5.6 | 51,892 | 6.0 | (2,590) |
| **Investment and other assets** | | | | | |
| Investment in securities | 123,603 | | 106,508 | | 17,094 |
| Long-term loans receivable | 483 | | 242 | | 240 |
| Deferred tax assets | 17,347 | | 34,940 | | (17,592) |
| Other investments and other assets | 10,748 | | 11,301 | | (552) |
| Allowance for doubtful accounts | (1,723) | | (1,812) | | 88 |
| Total investment and other assets | 150,459 | 17.3 | 151,180 | 17.5 | (720) |
| Total fixed assets | 493,572 | 56.6 | 499,652 | 57.8 | (6,079) |
| **Total Assets** | **871,780** | **100.0** | **864,588** | **100.0** | **7,191** |

## Consolidated Balance Sheets

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | As of March 31, 2004 | | As of March 31, 2003 | | Increase (Decrease) |
| **LIABILITIES** | | | | | |
| Current liabilities | | | | | |
| Notes & accounts payable – trade | 108,291 | | 116,952 | | (8,660) |
| Short-term borrowings | 29,950 | | 66,118 | | (36,168) |
| Commercial paper | 10,000 | | 11,000 | | (1,000) |
| Long-term loans due to be repaid within one year | 2,162 | | 6,577 | | (4,414) |
| Corporate bonds to be redeemed within one year | -- | | 15,000 | | (15,000) |
| Accrued income taxes | 7,701 | | 19,706 | | (12,005) |
| Accrued bonuses | 3,574 | | 3,313 | | 260 |
| Other current liabilities | 64,537 | | 67,068 | | (2,531) |
| Total current liabilities | 226,217 | 25.9 | 305,737 | 35.4 | (79,519) |
| Long-term liabilities | | | | | |
| Bonds | 95,000 | | 45,000 | | 50,000 |
| Long-term debt | 6,595 | | 7,393 | | (797) |
| Deferred tax liabilities | 2,016 | | 2,724 | | (707) |
| Accrued employees' retirement benefits | 69,492 | | 68,560 | | 932 |
| Accrued officers' severance benefits | 1,584 | | 1,769 | | (184) |
| Other long-term liabilities | 20,503 | | 19,129 | | 1,377 |
| Total long-term liabilities | 195,193 | 22.4 | 144,577 | 16.7 | 50,615 |
| Total liabilities | 421,411 | 48.3 | 450,315 | 52.1 | (28,904) |
| **MINORITY INTERESTS** | | | | | |
| Minority interests | 22,291 | 2.6 | 23,118 | 2.7 | (827) |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Common stock | 79,863 | 9.2 | 79,863 | 9.2 | -- |
| Capital surplus | 111,579 | 12.8 | 111,579 | 12.9 | -- |
| Retained earnings | 279,539 | 32.0 | 250,973 | 29.0 | 28,565 |
| Unrealized holding gains on securities | 13,413 | 1.5 | 1,727 | 0.2 | 11,686 |
| Translation adjustments | (54,436) | (6.2) | (51,349) | (5.9) | (3,087) |
| Treasury stock | (1,881) | (0.2) | (1,639) | (0.2) | (242) |
| Total shareholders' equity | 428,077 | 49.1 | 391,154 | 45.2 | 36,922 |
| **Total Liabilities, Minority Interests And Shareholders' Equity** | **871,780** | **100.0** | **864,588** | **100.0** | **7,191** |

## Consolidated Statements of Income

| | FY Ended Mar. 31, 2004 | | FY Ended Mar. 31, 2003 | | Increase (Decrease) |
|---|---|---|---|---|---|
| | *Millions of yen* | | | | |
| Net sales | 1,039,551 | 100.0 | 987,727 | 100.0 | 51,824 |
| Cost of sales | 743,251 | 71.5 | 716,999 | 72.6 | 26,252 |
| Gross profit | 296,299 | 28.5 | 270,727 | 27.4 | 25,571 |
| Selling, general and administrative expenses | 231,109 | 22.2 | 216,668 | 21.9 | 14,440 |
| Operating income | 65,190 | 6.3 | 54,059 | 5.5 | 11,130 |
| **Non-operating income** | | | | | |
| Interest received | 989 | | 966 | | 23 |
| Dividends received | 732 | | 954 | | (222) |
| Equity in earnings of affiliates | 4,467 | | 6,549 | | (2,082) |
| Miscellaneous income | 5,354 | | 4,539 | | 814 |
| Total non-operating income | 11,543 | 1.1 | 13,010 | 1.3 | (1,466) |
| **Non-operating expenses** | | | | | |
| Interest expense | 2,960 | | 3,377 | | (417) |
| Miscellaneous losses | 5,662 | | 6,803 | | (1,140) |
| Total non-operating expenses | 8,622 | 0.8 | 10,180 | 1.0 | (1,558) |
| Ordinary income | 68,111 | 6.6 | 56,888 | 5.8 | 11,222 |
| **Extraordinary income** | | | | | |
| Gain on sales of fixed assets | 3,822 | | 2,423 | | 1,398 |
| Profit on sale of investment securities sold | 70 | | 4,817 | | (4,747) |
| Gain on sale of affiliates' stock | 18,388 | | 20,286 | | (1,898) |
| Others | 1,177 | | 1,083 | | 93 |
| Total extraordinary income | 23,457 | 2.3 | 28,611 | 2.8 | (5,153) |
| **Extraordinary losses** | | | | | |
| Loss on disposal of fixed assets | 8,252 | | 2,929 | | 5,322 |
| Loss on impairment of fixed assets | 7,645 | | -- | | 7,645 |
| Loss on sale of investment securities | 14 | | 4,204 | | (4,189) |
| Loss on valuation of investment securities | 324 | | 237 | | 86 |
| Penalties | -- | | 1,977 | | (1,977) |
| Settlement payments | 1,363 | | 6,894 | | (5,530) |
| Loss on disposal of inventory | 1,573 | | 928 | | 645 |
| Retirement benefit expenses | 2,075 | | 316 | | 1,759 |
| Others | 3,302 | | 2,546 | | 756 |
| Total extraordinary losses | 24,552 | 2.4 | 20,033 | 2.0 | 4,518 |
| Net income before income taxes | 67,017 | 6.5 | 65,466 | 6.6 | 1,550 |
| Income taxes – current | 15,799 | 1.5 | 33,834 | 3.4 | (18,035) |
| Corporate tax refund | (1,378) | (0.1) | -- | | (1,378) |
| Income taxes – deferred | 13,232 | 1.3 | (4,685) | (0.5) | 17,917 |
| Minority interests | 3,086 | 0.3 | 3,138 | 0.3 | (52) |
| **Net income** | **36,276** | **3.5** | **33,178** | **3.4** | **3,098** |

# Consolidated Statements of Surplus

| | *Millions of Yen* | |
|---|---|---|
| | As of March 31, 2004 | As of March 31, 2003 |
| **Capital surplus** | | |
| **Capital surplus at the beginning of the year** | **111,579** | **111,579** |
| **Capital surplus at the end of the year** | **111,579** | **111,579** |
| | | |
| **Retained earnings** | | |
| **Retained earnings at the beginning of the year** | **250,973** | **223,412** |
| Increase in retained earnings from: | | |
| Net income | 36,276 | 33,178 |
| Increase in companies accounted for by the equity method | -- | 4,171 |
| Increase in holdings in consolidated subsidiaries | 1,730 | -- |
| Merger of consolidated subsidiaries accounted for by the equity method | 231 | -- |
| Others | 718 | -- |
| Total increase in retained earnings | 38,957 | 37.350 |
| | | |
| Decrease in retained earnings from: | | |
| Increase in consolidated subsidiaries | 2 | 29 |
| Decrease in consolidated subsidiaries | -- | 1,998 |
| Decrease in companies accounted for by the equity method | -- | 1,023 |
| Decrease in holdings in companies accounted for by the equity method | 2,017 | -- |
| Others | 8,371 | 6,738 |
| Total decrease in retained earnings | 10,391 | 9,789 |
| **Retained earnings at the end of the year** | **279,539** | **250,973** |

## Consolidated Statements of Cash Flows

| | *Millions of Yen* | |
|---|---|---|
| | FY Ended Mar. 31, 2004 | FY Ended Mar. 31, 2003 |
| **I. Cash flows from operating activities** | | |
| Income before income taxes | 67,017 | 65,466 |
| Depreciation and amortization | 39,925 | 38,969 |
| Loss on impairment of fixed assets | 7,645 | -- |
| Amortization of consolidated adjustments | 3,619 | 3,257 |
| Increase (decrease) in allowance for doubtful accounts | (43) | 275 |
| Increase (decrease) in accrued bonuses | 283 | (26) |
| Increase (decrease) in accrued employees' retirement benefits | 944 | (1,608) |
| Increase (decrease) in accrued officers' severance benefits | (184) | 154 |
| Interest and dividend income | (1,721) | (1,921) |
| Interest expense | 2,960 | 3,377 |
| Equity in earnings of affiliates | (4,467) | (6,549) |
| Loss on sales of investment securities | (55) | (613) |
| Loss on revaluation of securities | 324 | 237 |
| Loss (gain) on sale and disposal of tangible fixed assets | 4,430 | (506) |
| Gain on sale of shares | (18,388) | (19,983) |
| Decrease (increase) in notes and accounts receivable – trade | 655 | (1,585) |
| Increase (decrease) in notes and accounts payable – trade | (7,180) | 1,983 |
| Decrease (increase) in inventories | 362 | (263) |
| Increase (decrease) in accrued consumption tax | (63) | (1,081) |
| Bonus for directors | (239) | (241) |
| Settlements payment | 1,363 | 6,894 |
| Penalties | -- | 1,977 |
| Others | (3,221) | 129 |
| **Sub-total** | **93,966** | **89,355** |
| Interest and dividends received | 3,913 | 6,536 |
| Interest paid | (2,937) | (3,367) |
| Settlements paid | (1,363) | (6,816) |
| Penalties paid | -- | (1,977) |
| Income taxes paid | (28,825) | (26,494) |
| **Net cash provided by operating activities** | **64,753** | **57,236** |
| **II. Cash flows from investing activities** | | |
| Acquisition or sale of marketable securities | (156) | -- |
| Acquisition of tangible fixed assets | (47,007) | (54,753) |
| Proceeds from sale of tangible fixed assets | 4,278 | 9,473 |
| Acquisition of intangible assets | (6,194) | (3,812) |
| Proceeds from compensation expropriation | -- | 2,628 |
| Acquisition of investment securities | (229) | (14,986) |
| Proceeds from sale of investment securities | 4,194 | 25,054 |
| Acquisitions of subsidiaries' stocks resulting from changes in the scope of consolidation | (7,384) | (32,671) |
| Proceeds from sales of subsidiaries' stock resulting from changes in the scope of consolidation | -- | 650 |
| Acquisition of shares of affiliates | (2,483) | (3,136) |
| Proceeds from sale of shares of affiliates | 20,844 | 22,536 |
| Others | (1,420) | (499) |
| **Net cash used in investing activities** | **(35,559)** | **(49,516)** |

| | | |
|---|---|---|
| **III. Cash flows from financing activities** | | |
| Increase in short-term borrowings | (34,175) | 15,719 |
| Net change in commercial paper | (1,000) | (7,000) |
| Proceeds from long-term debt | 2,461 | 3,503 |
| Repayment of long-term debt | (7,744) | (10,493) |
| Proceeds from bond issuance | 49,726 | -- |
| Redemption of bonds | (15,000) | -- |
| Cash dividends paid | (7,783) | (6,500) |
| Distribution of dividends to minority shareholders | (327) | (351) |
| Acquisition of own stock | (242) | (1,506) |
| **Net cash used in financing activities** | **(14,084)** | **(6,628)** |
| **IV. Effect of exchange rate changes on cash and cash equivalents** | **(1,976)** | **(1,750)** |
| **V. (Decrease) increase in cash and cash equivalents** | **13,133** | **(659)** |
| **VI. Cash and cash equivalents at the beginning of the year** | **55,722** | **56,550** |
| Increase due to change in scope of consolidation | 670 | 718 |
| Decrease due to change in scope of consolidation | -- | (887) |
| Sub-total | 56,393 | 56,382 |
| **VII. Cash and cash equivalents at the end of the year** | **69,526** | **55,722** |

# Significant Items for the Preparation of Consolidated Financial Statements

## 1. Scope of consolidation

(1) Number of consolidated subsidiaries:

95 companies

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.

Eight companies have been newly included in the consolidated accounts, including Ajinomoto Foods Europe S.A.S. through acquisition, and Hokkaido Ajinomoto Co., Ltd. (and six others through being newly established). Seven companies have been excluded from consolidation including Takara-Daimi Co., Ltd. and three others through liquidation, and Frec Corporation and two other companies through the merging of consolidated subsidiaries. Furthermore, in view of their importance Shanghai Ajinomoto Seasoning Co., Ltd. and one other company have been included in consolidation. Quantam Generics Ltd., a consolidated subsidiary until the previous fiscal year, has been excluded from 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 companies

Names of main companies:

Si Ayutthaya Realestate Co., Ltd., Erawan Industrial Development Co., Ltd.

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

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

18 companies

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. Following a sale of shares, California Manufacturing Co., Inc. and two other companies have been removed from the scope of application of the equity method.

(3) 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 11 other companies have settlement dates of December 31st. Of these, 10 companies carry out trial settlements up to March 31st.

Of the companies accounted for by the equity method, Calpis Co., Ltd. and 8 other companies have settlement dates of December 31st and GABAN ASAOKA Co., Ltd. has a settlement date at the end of February. Of this total, 7 companies carry out trial settlements up to March 31st. In preparing the consolidated 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 at the Company and its main domestic consolidated subsidiaries is 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 and corporate auditors 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 consolidated subsidiaries subject to consumption tax and/or regional consumption tax are recorded at amounts exclusive of the consumption tax. Unearned consumption tax is included in 'Current assets – Other', while unpaid consumption tax is included in ' Current liabilities – Other.'

## 5. Valuation of assets and liabilities of consolidated subsidiaries

Total assets and liabilities of consolidated subsidiaries are evaluated by the market value method.

## 6. Amortization of consolidated adjustment accounts

As a general rule, consolidated adjustment accounts are equally amortized over a 5-year period. Amortization of the consolidated adjustment accounts between Knorr Foods Co., Ltd., S.A. OmniChem

N.V., Ajinomoto Frozen Foods Co., Inc. and Shimizu Pharmaceutical Co., Ltd. is carried out equally over 25, 20, 15 and 10 years respectively. Also, consolidated adjustment accounts with extremely small amounts have been treated as profits or losses in the year incurred.

### 7. Items concerning the handling of profit distribution categories

The Consolidated Statement of Surplus is based on consolidated profit distributions settled during the consolidated fiscal year.

### 8. 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.

## Change to important articles used as the basis for preparing the consolidated financial statements

Fixed asset impairment accounting standards (Business Accounting Council Statement of Position relating to the setting of accounting standards for the impairment of fixed assets - August 9, 2002) and principles governing the application of asset impairment accounting standards (Principle 6 of the Application of Business Accounting Standards – October 31, 2003) can be applied to consolidated financial statements from the fiscal year that ended on March 31, 2004. These accounting standards and application principles were applied during the fiscal year under review. Compared to figures calculated under the previous method, the impact of these changes was to decrease net income before income taxes by 7,645 million yen, recorded as an extraordinary loss on land assets. This impairment amount on land assets has been deducted from the book value of land assets in accordance with revised regulations on the reporting of consolidated financial statements.

# Segment Information

## 1. Segment information by business

Fiscal Year Ended March 31, 2004

*Millions of yen*

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

Fiscal Year Ended March 31, 2003

*Millions of yen*

| | Domestic Food Products | Overseas Food Products | Amino Acids | Pharmaceuticals | Other | Total | Elimination or All Company | Consolidated |
|---|---|---|---|---|---|---|---|---|
| I. Sales and operating income and loss | | | | | | | | |
| 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 | 559,173 | 142,735 | 144,641 | 53,817 | 123,108 | 1,023,476 | (89,808) | 933,667 |
| Operating income | 26,805 | 9,250 | 13,558 | 8,883 | 3,849 | 62,346 | (8,287) | 54,059 |
| II. Assets, depreciation and amortization and capital expenses | | | | | | | | |
| Assets | 261,720 | 119,903 | 152,142 | 95,725 | 67,910 | 697,402 | 167,186 | 864,588 |
| Depreciation and amortization | 7,358 | 7,172 | 12,497 | 3,625 | 2,514 | 33,167 | 5,801 | 38,969 |
| Capital expenses | 6,993 | 11,778 | 18,404 | 7,733 | 2,322 | 47,232 | 10,170 | 57,403 |

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

2. Main manufactured goods for each business segment

| 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. |

3. Major unallocated items in operating expenses included under Elimination or All company include administrative operating expenses at the parent company and part of operating expenses at research facilities. For the fiscal year under review these items totaled 10,924 million yen.

4. Major items in all company assets included under Elimination or All company are parent company surplus operating funds (cash and marketable securities), long-term investment funds (investment securities), land not used for business purposes, assets of the administration division, and some research facilities. For the fiscal year under review, these items totaled 230,136 million yen. For the previous year, these items totaled 232,375 million yen.

## 2. Segment information by geographical area

Fiscal Year Ended March 31, 2004

*Millions of yen*

| | Japan | Asia | America | Europe | Total | Elimination or All Company | Consolidated |
|---|---|---|---|---|---|---|---|
| I. Sales and operating income and loss | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to third parties | 790,781 | 92,760 | 58,134 | 97,875 | 1,039,551 | -- | 1,039,551 |
| (2) Intra-group sales and transfers | 37,180 | 11,571 | 10,047 | 4,396 | 63,196 | (63,196) | -- |
| Total | 827,961 | 104,331 | 68,182 | 102,271 | 1,102,747 | (63,196) | 1,039,551 |
| Operating expenses | 797,883 | 91,960 | 55,951 | 91,761 | 1,037,557 | (63,196) | 974,361 |
| Operating income | 30,078 | 12,370 | 12,230 | 10,510 | 65,190 | -- | 65,190 |
| II. Assets | 416,376 | 104,931 | 54,043 | 84,834 | 660,185 | 211,594 | 871,780 |

Fiscal Year Ended March 31, 2003

*Millions of yen*

| | Japan | Asia | America | Europe | Total | Elimination or All Company | Consolidated |
|---|---|---|---|---|---|---|---|
| I. Sales and operating income and loss | | | | | | | |
| 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 |
| II. Assets | 431,182 | 97,513 | 51,413 | 67,950 | 648,060 | 216,528 | 864,588 |

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. Major items in all company assets included under elimination or all company are parent company surplus operating funds (cash and marketable securities), long-term investment funds (investment securities), land not used for business purposes, assets associated with management, and some research facilities. For the fiscal year under review, these items totaled 230,136 million yen. For the previous year, these items totaled 232,375 million yen.

## 3. Overseas sales

Fiscal Year Ended March 31, 2004

| | *Millions of yen* | | | |
|---|---|---|---|---|
| | Asia | America | Europe | Total |
| Overseas sales | 104,152 | 66,631 | 95,435 | 266,220 |
| Consolidated net sales | -- | -- | -- | 1,039,551 |
| Overseas sales % of consolidated net sales | 10.0 | 6.4 | 9.1 | 25.6 |

Fiscal Year Ended March 31, 2003

| | *Millions of yen* | | | |
|---|---|---|---|---|
| | Asia | America | Europe | Total |
| Overseas sales | 99,395 | 57,835 | 87,762 | 244,993 |
| Consolidated net sales | -- | -- | -- | 987,727 |
| Overseas sales % 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 March 31, 2004

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

*Millions of yen*

| | | Acquisition cost | Carrying value | Unrealized gain (loss) |
|---|---|---|---|---|
| Securities with carrying value greater than acquisition cost | 1. Stocks | 32,715 | 54,909 | 22,193 |
| | 2. Bonds | | | |
| | (1) Government and municipal bonds | -- | -- | -- |
| | (2) Corporate bonds | -- | -- | -- |
| | (3) Other | -- | -- | -- |
| | 3. Other | 300 | 311 | 11 |
| | Sub-total | 33,015 | 55,220 | 22,205 |
| Securities with carrying value less than acquisition cost | 1. Stocks | 1,438 | 1,112 | (326) |
| | 2. Bonds | | | |
| | (1) Government and municipal bonds | -- | -- | -- |
| | (2) Corporate bonds | -- | -- | -- |
| | (3) Other | -- | -- | -- |
| | 3. Other | 55 | 42 | (12) |
| | Sub-total | 1,493 | 1,154 | (339) |
| | **Total** | 34,509 | 56,375 | 21,865 |

**2. 'Other securities' sold during the fiscal year ended March 31, 2004**

*Millions of yen*

| Sale amount | Total gains on sale | Total losses on sale |
|---|---|---|
| 4,194 | 70 | 14 |

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

*Millions of yen*

| | Carrying value |
|---|---|
| Other marketable securities | |
| Unlisted stocks (not including OTC stocks) | 4,512 |
| Unlisted domestic bonds | 1 |
| Unlisted foreign bonds | 300 |
| Investment trusts | 198 |
| MMF, etc | 1,941 |
| **Total** | **6,954** |

**4. Of 'Other securities', bonds with maturity dates and repayment schedules for bonds to be held to maturity**

*Millions of yen*

| Type | Within 1 year | Between 1 and 5 years |
|---|---|---|
| 1. Bonds | | |
| (1) Government and municipal bonds | 0 | 0 |
| (2) Corporate bonds | -- | -- |
| (3) Other | -- | -- |
| 2. Other | | |
| Investment trusts | 311 | -- |
| **Total** | 312 | 0 |

As of March 31, 2003

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

| | | Millions of yen | | |
|---|---|---|---|---|
| | | Acquisition cost | Carrying value | Unrealized gain (loss) |
| Securities with carrying value greater than acquisition cost | 1. Stocks | 11,687 | 21,933 | 10,245 |
| | 2. Bonds | | | |
| | (1) Government and municipal bonds | -- | -- | -- |
| | (2) Corporate bonds | -- | -- | -- |
| | (3) Other | -- | -- | -- |
| | 3. Other | -- | -- | -- |
| | Sub-total | 11,687 | 21,933 | 10,245 |
| Securities with carrying value less than acquisition cost | 1. Stocks | 22,482 | 15,414 | (7,068) |
| | 2. Bonds | | | |
| | (1) Government and municipal bonds | -- | -- | -- |
| | (2) Corporate bonds | -- | -- | -- |
| | (3) Other | -- | -- | -- |
| | 3. Other | 355 | 336 | (18) |
| | Sub-total | 22,837 | 15,751 | (7,086) |
| | **Total** | **34,525** | **37,684** | **3,158** |

**2. 'Other securities' sold during the fiscal year ended March 31, 2003**

| | *Millions of yen* | |
|---|---|---|
| Sale amount | Total gains on sale | Total losses on sale |
| 25,054 | 4,817 | 4,204 |

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

| | *Millions of yen* |
|---|---|
| | 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 |
| **Total** | **9,973** |

**4. Of 'Other securities', bonds with maturity dates and repayment schedules for bonds to be held to maturity**

| | *Millions of yen* | |
|---|---|---|
| Type | Within 1 year | Between 1 and 5 years |
| 1. Bonds | | |
| (1) Government and municipal bonds | 0 | 1 |
| (2) Corporate bonds | -- | -- |
| (3) Other | -- | -- |
| 2. Other | | |
| Investment trusts | -- | 309 |
| **Total** | **0** | **311** |

## Derivative Transactions

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

As of March 31, 2004

**1. Currency-related transactions**

| Category | Type | Notional amounts | Over 1 year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|---|
| | | *Millions of yen* | | | |
| Non-market transactions | Forward foreign exchange transactions | | | | |
| | Sell | | | | |
| | U.S. dollar | 9,409 | – | 9,158 | 250 |
| | Euro | 5,455 | – | 5,211 | 244 |
| | Hungarian forint | 63 | – | 64 | (1) |
| | Yen | 1 | – | 1 | 0 |
| | Buy | | | | |
| | U.S. dollar | 926 | – | 904 | (21) |
| | Euro | 7 | – | 8 | 0 |
| | Yen | 160 | – | 159 | (1) |
| | **Total** | – | – | – | 470 |

Notes 1. Fair value calculation methods: based on forward foreign exchange rates

**2. Interest rate-related transactions**

| Category | Type | Notional amounts | Over 1 year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|---|
| | | *Millions of yen* | | | |
| Non-market transactions | Interest rate swaps: | | | | |
| | Receive floating/pay fixed | 70 | 70 | (0) | (0) |
| | Receive fixed/pay floating | 336 | 336 | 0 | 0 |
| | Currency swap transactions | | | | |
| | Receive yen/pay U.S. dollar | 65 | 65 | (1) | (1) |
| | **Total** | **--** | **--** | **--** | **(1)** |

Notes 1. Fair value calculation methods: based on prices displayed at transaction financial institutions

**3. Stock-related transactions**

None.

As of March 31, 2003

**1. Currency-related transactions**

*Millions of yen*

| Category | Type | Notional amounts | Over 1 year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|---|
| | Forward foreign exchange transactions | | | | |
| | Sell | | | | |
| | U.S. dollar | 7,432 | -- | 7,417 | 14 |
| | Euro | 4,228 | -- | 4,327 | (98) |
| Non-market transactions | Yen | 17 | -- | 17 | (0) |
| | Buy | | | | |
| | U.S. dollar | 1,438 | -- | 1,462 | 23 |
| | Euro | -- | -- | -- | -- |
| | Yen | 49 | -- | 47 | (2) |
| | **Total** | **--** | **--** | **--** | **(62)** |

Notes 1. Fair value calculation methods: Based on forward foreign exchange rates

**2. Interest rate-related transactions**

*Millions of yen*

| Category | Type | Notional amounts | Over 1 year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|---|
| | Interest rate swaps: | | | | |
| | Receive floating/ pay fixed | 760 | 70 | (8) | (8) |
| Non-market transactions | Receive fixed/pay floating | -- | -- | -- | -- |
| | Currency swap transactions | | | | |
| | Receive Thai bahts/ pay yen | 1,057 | -- | 14 | 14 |
| | **Total** | -- | -- | -- | 6 |

Notes 1. Fair value calculation methods: based on prices displayed at transaction financial institutions

**3. Stock-related transactions**

*Millions of yen*

| Category | Type | Notional amounts | Over 1 year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|---|
| | Forward delivery transactions | | | | |
| Non-market transactions | Sell | 23,220<br>$194 million | -- | -- | -- |
| | **Total** | 23,220<br>$194 million | -- | -- | -- |

Notes 1. Notional amount calculation methods: Amounts denominated in U.S. dollars were converted into yen using the exchange rate (TTB) as of the end of March 2003.

2. The above stock-related transaction is the transfer of shares to the Unilever Group.

## Retirement Benefit Plans

1. Outline of retirement benefit system used.

The Company and its domestic subsidiaries have defined benefit plans including welfare pension fund plans, tax-qualified pension plans, and lump-sum payment plans. Certain of the Company's consolidated subsidiaries have defined contribution plans in addition to defined benefit plans. Prior service obligations (reductions) have arisen within Ajinomoto Co., Inc. in relation to the introduction from April 2004 of interest rate-variable (cash balance) and other plans under the defined benefit system.

| 2. Retirement benefit obligation *Millions of yen* | FY ended March 31, 2004 | FY ended March 31, 2003 |
|---|---|---|
| Retirement benefit obligation | (257,450) | (274,916) |
| Plan assets at fair value | 165,650 | 148,832 |
| Unfunded retirement benefit obligation | (91,799) | (126,083) |
| Unrecognized actuarial gain or loss | 43,485 | 58,838 |
| Unrecognized prior service cost | (21,178) | (1,259) |
| Net accrued retirement benefits reflected in consolidated balance sheets | (69,492) | (68,505) |
| Prepaid pension expenses | -- | 55 |
| **Reserve for retirement benefits** | **(69,492)** | **(68,560)** |

Notes: 1. Includes public portion of welfare pension fund plans

2. Some consolidated subsidiaries use the simplified method in calculating retirement benefit obligations

| 3. Retirement benefit expenses *Millions of yen* | FY ended March 31, 2004 | FY ended March 31, 2003 |
|---|---|---|
| Service costs [1,2] | 7,149 | 7,698 |
| Interest costs | 6,778 | 6,649 |
| Expected return on plan assets | (5,065) | (5,345) |
| Amortization of prior service cost | (610) | (264) |
| Amortization of actuarial gain or loss | 6,674 | 4,780 |
| Extraordinary additional retirement benefit payments | 1,485 | 41 |
| Expenses due to termination of system | 590 | 274 |
| Other | 261 | 359 |
| **Total retirement benefit expenses** | **17,262** | **14,194** |

Notes: 1. Employee contributions to the welfare pension fund are deducted

2. Included service costs of retirement benefit expenses of consolidated subsidiaries that use a simplified method

| 4. Calculation basis of retirement benefit obligations *Millions of yen* | FY ended March 31, 2004 | FY ended March 31, 2003 |
|---|---|---|
| Discount rate | Mainly 2.5% | Mainly 2.5% |
| Expected return on assets | Mainly 3.5% | Mainly 3.5% |
| Period allocation method for projected benefits | Straight-line standard | Straight-line standard |
| Amortization period of prior service cost | Mainly 10 years[1] | Mainly 10 years[1] |
| Amortization period of actuarial gains or losses | Mainly 10 years[2] | Mainly 10 years[2] |
| Amortization period of net obligation existing at April 1, 2000 | -- | -- |

Notes: 1. Amortized using the straight-line method over the specified period of years within the remaining years of service at the time of occurrence

2. Amortized on a straight-line basis over the specified period of years within the average remaining years of service of employees, allocated proportionately starting from the year following the respective fiscal years of occurrence.

## Five year trends in consolidated financial results and key indicators

*Millions of yen*

| | FY Ending March 31, 2005 (est.) | FY Ended March 31, 2004 | FY Ended March 31, 2003 | FY Ended March 31, 2002 | FY Ended March 31, 2001 |
|---|---|---|---|---|---|
| Net sales | 1,080,000 | 1,039,551 | 987,727 | 943,540 | 908,528 |
| Growth rate | 3.9% | 5.2% | 4.7% | 3.9% | 9.5% |
| Operating income | 75,000 | 65,190 | 54,059 | 49,015 | 37,805 |
| Growth rate | 15.0% | 20.6% | 10.3% | 29.7% | 14.4% |
| Operating margin | 6.9% | 6.3% | 5.5% | 5.2% | 4.2% |
| Ordinary income | 76,000 | 68,111 | 56,888 | 56,217 | 44,322 |
| Ordinary margin | 7.0% | 6.6% | 5.8% | 6.0% | 4.9% |
| Net income (loss) | 45,000 | 36,276 | 33,178 | 31,442 | (11,547) |
| Return on sales | 4.2% | 3.5% | 3.4% | 3.3% | (1.3%) |
| Net income (loss) per share (yen) | | ¥55.55 | ¥50.73 | ¥48.38 | (¥17.77) |
| Fully diluted earnings per share (yen) | | -- | -- | -- | -- |
| Return on equity | | 8.9% | 8.6% | 8.5% | (3.0%) |
| Ratio of net income to total assets | | 4.2% | 3.9% | 3.8% | (1.4%) |
| Total assets | | 871,780 | 864,588 | 840,152 | 828,945 |
| Total shareholders' equity | | 428,077 | 391,154 | 381,017 | 361,771 |
| Interest-bearing debt | | 143,709 | 151,090 | 155,512 | 172,285 |
| Equity ratio | | 49.1% | 45.2% | 45.4% | 43.6% |
| Equity per share (yen) | | ¥659.79 | ¥602.66 | ¥586.30 | ¥556.59 |
| Share price at end of period (yen) | | ¥1,240 | ¥1,219 | ¥1,182 | ¥1,307 |
| P/E ratio | | 22.3 times | 24.0 times | 24.4 times | (73.6) times |
| Dividend per share (yen) | | ¥12.0 | ¥11.0 | ¥10.0 | ¥10.0 |
| Dividend payout ratio | | 21.6% | 21.7% | 20.7% | (56.3%) |
| Net cash provided by operating activities | | 64,753 | 57,236 | 58,306 | 37,955 |
| Net cash used in investment activities | | (35,559) | (49,516) | (36,812) | (23,360) |
| Net cash used in financing activities | | (14,084) | (6,628) | (26,376) | (20,205) |
| Free cash flow | | 29,193 | 7,720 | 21,494 | 14,595 |
| Number of consolidated subsidiaries | | 95 | 93 | 90 | 90 |
| Number of affiliated companies accounted for by the equity method | | 22 | 25 | 29 | 31 |

Note: 1. Net sales is exclusive of consumption tax
2. Figures are based mainly on consolidated results ("kessan tanshin") for each period
3. Free cash flow = net cash provided by operating activities – cash flow used in investing activities