Ajinomoto Co., Inc.

Consolidated Results

Fiscal Year Ended March 31, 2006

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

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

For the year ended March 31, 2006

Ajinomoto Co., Inc. **May 12, 2006**

Stock Code:	2802	Listed exchanges:	Tokyo, Osaka
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President:	Norio Yamaguchi		Finance Department
Date of the meeting of the board of directors:	May 12, 2006		Hiromichi Ono
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1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2006

1) Consolidated Operating Results *Millions of yen*

	FY Ended March 31, 2006		FY Ended March 31, 2005	
		Change (%)		Change (%)
Net sales	1,106,807	3.1	1,073,010	3.2
Operating income	60,322	(14.9)	70,916	8.8
Ordinary income	61,448	(14.9)	72,199	6.0
Net income	34,912	(22.1)	44,817	23.5
Net income per share (¥)	¥53.64		¥68.79	
Fully diluted earnings per share (¥)	--		--	
Return on equity	7.0%		10.0%	
Ratio of ordinary income to total capital	6.5%		8.1%	
Ratio of ordinary income to net sales	5.6%		6.7%	

Notes: (1) Gain from investments in subsidiaries and affiliates accounted for by the equity method:
FY ended March 31, 2006: 3,703 million yen FY ended March 31, 2005: 3,263 million yen
(2) Average number of outstanding shares (consolidated) during the period:
FY ended March 31, 2006: 648,033,294 shares FY ended March 31, 2005: 648,319,989 shares
(3) Changes to accounting principles: Yes.
(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, 2006	As of March 31, 2005
Total assets	997,405	903,542
Shareholders' equity	528,762	467,297
Equity ratio	53.0%	51.7%
Shareholders' equity per share (¥)	¥815.84	¥720.64

Note: Outstanding shares (consolidated) at: FY ended March 31, 2006: 647,927,932 shares
FY ended March 31, 2005: 648,146,670 shares

3) Cash Flows *Millions of yen*

	FY Ended March 31, 2006	FY Ended March 31, 2005
Net cash provided by operating activities	55,174	82,895
Net cash used in investing activities	(83,731)	(33,692)
Net cash used in financing activities	6,640	(27,486)
Cash and cash equivalents at end of year	75,133	92,980

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

Number of consolidated subsidiaries	102
Number of non-consolidated subsidiaries accounted for by the equity method	4
Number of affiliates accounted for by the equity method	12

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

Consolidated subsidiaries	(Newly included)	10	(Excluded)	5
Companies accounted for by the equity method	(Newly included)	0	(Excluded)	2

2. Forecast for the Fiscal Year Ending March 31, 2007

Millions of yen

	6 Months Ending September 30, 2006	FY Ending March 31, 2007
Net Sales	580,000	1,180,000
Operating income	23,500	71,500
Ordinary Income	23,000	69,000
Net Income	11,000	35,500

(Note) Net income per share expected for the fiscal year ending March 31, 2007 (consolidated): ¥54.83

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, 2007' on page 13.

AJINOMOTO

1. Current State of the Ajinomoto Group

The Ajinomoto Group is made up of Ajinomoto Co., Inc. (the Company), along with 148 subsidiaries and 23 affiliates. The Group is engaged in manufacturing and marketing of domestic seasonings and food products, frozen foods, edible oils, beverages, dairy products, overseas seasonings and processed foods, umami seasonings for processed food manufacturers, feed-use amino acids, amino acids for pharmaceuticals and foods, sweeteners, pharmaceutical fine chemicals, 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.
(◊ Represents companies accounted for by the equity method)

Business	Product	Main Companies
Domestic Food Products	Seasonings and Processed Foods	Knorr Foods Co., Ltd., Ajinomoto Packaging Co., Inc., AJINOMOTO BAKERY CO., LTD., ◊ GABAN Co. Ltd.,[1] Hokkaido Ajinomoto Co., Inc., Okinawa Ajinomoto Co., Inc.
	Frozen Foods	Ajinomoto Frozen Foods Co., Inc., Komec Co., Ltd., Ajinomoto Frozen Foods (Thailand) Co., Ltd.
	Edible Oils	◊ J-OIL MILLS, INC.
	Beverages, Dairy Products	◊ Calpis Co., Ltd.,[1] ◊ Ajinomoto General Foods, Inc., ◊ Calpis Ajinomoto Danone Co., Ltd.
Overseas Food Products	Seasonings and Processed Foods	Ajinomoto Co., (Thailand) Ltd., PT Ajinomoto Indonesia, Amoy Food Ltd., ◊ Nissin-Ajinomoto Alimentos Ltda., AJINOMOTO PHILIPPINES CORPORATION, Ajinomoto Calpis Beverage (Thailand) Co., Ltd., Ajinomoto Vietnam Co., Ltd., Ajinomoto Sales (Thailand) Ltd., Ajinomoto Co., (China) Ltd.
Amino Acids	Umami Seasonings for Processed Food Manufacturers	Ajinomoto Interamericana Industria e Comercio Ltda., AJINOMOTO FOODS EUROPE S.A.S., PT Ajinex International, Ajinomoto Trading, Inc., AJINOMOTO FOODS DEUTSCHLAND GMBH
	Feed-Use Amino Acids	AJINOMOTO EUROLYSINE S.A.S., Ajinomoto Biolatina Industria e Comercio Ltda., Ajinomoto Heartland LLC
	Amino Acids for Pharmaceuticals and Foods	AJINOMOTO HEALTHY SUPPLY, INC., Ajinomoto AminoScience LLC, Shanghai Ajinomoto Amino Acid Co., Ltd.
	Sweeteners	Ajinomoto Euro-Aspartame S.A.S., Ajinomoto Switzerland AG
	Pharmaceutical Fine Chemicals	S.A. Ajinomoto OmniChem N.V.
	Specialty Chemicals	Ajinomoto Fine-Techno Co., Ltd., JINO Co., Ltd., Taiso Commerce Inc.
Pharmaceuticals	Pharmaceuticals, Medical Foods	Ajinomoto Medica Co. Ltd., Ajinomoto Pharma Co. Ltd.
Other	Packaging Materials	Fuji Ace Co., Ltd.
	Distribution	AJINOMOTO LOGISTICS CORPORATION
	Service, others	Ajinomoto Engineering Corporation, Ajinomoto Communications, Inc., Ajinomoto System Techno Corporation, Ajinomoto-Genetika Research Institute

Note: 1. Ajinomoto Group subsidiaries listed on securities exchanges within Japan are: J-OIL MILLS, INC. and Calpis Co., Ltd. (first section of Tokyo and Osaka exchanges); and GABAN Co., Ltd (JASDAQ).

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

With a global perspective we aim to contribute to significant advances in food and health and ultimately to create a better life for all.

(2) Ajinomoto Group Basic Management Policies

Business Objectives

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

Business Ethos

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

Management Principle

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

Social Responsibility

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

Corporate Culture

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

2. Allocation of profits

Ajinomoto Co., Inc. made a stable dividend payment of 10 yen per share since 1962, but since fiscal 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. The annual dividend has been increased by 1 yen over the previous year and for the fiscal year ended March 31, 2006 a dividend of 14 yen per share is planned, including the interim dividend of 7 yen per share, and for the fiscal year ending March 31, 2007 it is planned to further increase the dividend by 1 yen to 15 yen per share, with an interim dividend payment of 7 yen per share. Following the enforcement of changes to the commercial code on May 1, 2006, Ajinomoto intends to continue its previous policy of paying a dividend twice a year in the form of an interim dividend and a year-end dividend.

In the fiscal 2005-2010 medium- to long-term management plan, Ajinomoto is pursuing sustainable growth with the aim of attaining operating profit margin higher than 10% in fiscal 2010. During the first half of the plan, however, Ajinomoto's policy is to invest actively to expand the Group's operations. Under this policy, retained earnings will be managed with respect to Group demand for capital relating to matters such as domestic and foreign capital expenditure, loans and investments, and R&D. Ajinomoto seeks to manage shareholders' equity efficiently, and in a way that meets the expectations of its shareholders.

3. Share Trading Unit

Since 2001 Ajinomoto Co., Inc. has operated a benefit program for shareholders, as part of efforts to increase the attractiveness of the Company as an investment to both existing and future shareholders. The Company 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, and demand for Ajinomoto shares.

4. Management Goals

In the fiscal 2005-2010 medium- to long-term management plan, Ajinomoto has outlined the Group's numerical targets for the end of the fiscal year ending March 31, 2011 of net sales of 1.5 trillion yen, operating income of 150 billion yen, and an operating profit margin higher than 10%.

5. Our tasks ahead

Our corporate vision is encapsulated in the slogan "Advancing from Japan to the global arena as a leader in foods and amino acids" and bearing a global perspective we aim to contribute to significant advances in food and health and ultimately to create a better life for all.

Our management plan for fiscal 2005-2010 lays out our "A-dvance 10 strategy - Laying the foundations for the next 100 years", with the aim of achieving a consolidated operating profit margin of higher than 10% in fiscal 2010.

In this management plan we have established four basic strategic guidelines: Global Management; Innovative Management; Group Management; and CSR management (management in accord with our social responsibilities as a corporation).

In terms of Global Management we will concentrate business resources in our core businesses and accelerate growth globally. Through unified management of our domestic and overseas foods businesses, and their appraisal by a common standard, we aim to improve their growth characteristics and competitiveness while achieving continued cost reduction through the relentless pursuit of technological innovation and by restructuring production systems to pursue ideal locations. Furthermore, through leveraging information technology (IT) we aim to integrate and raise the efficiency of group management, while in China we will unify our business administration and management to establish our business foundations there.

In terms of Innovative Management we aim to deliver new value in foods and amino acids with innovative technology. We aim to promote the efficient development and commercialization of original health and nutrition materials to create new products for Group companies, while injecting R&D resources to research the pharmacological effects of amino acids and create next-generation pharmaceuticals. We will also use our proprietary information on amino acids to rapidly establish and commercialize statistical techniques to analyze information on the human body.

In terms of Group Management we aim to develop group employees and foster a shared corporate culture. To nurture and retain global group executives we will improve education and training, and introduce a horizontal personnel system for critical personnel. We will also promote a dynamic allocation of staff, including Group companies, that puts the right people in the right place, introduce a system of qualifications for professional staff and review the pay and benefits system as we aim to strengthen group management. In addition, we will continue measures to strengthen corporate governance and to pursue efficient cash management within the Group.

Finally, in terms of CSR management we will create a product quality assurance system at the world's highest level to ensure safety and reliability, continue to operate with consideration for the environment and sustain our social contribution activities as a global food company. Furthermore, to establish 'Ajinomoto' as a trusted brand we will promote communications with a diverse range of stakeholders and aim to become a respected corporate citizen, worldwide.

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, 2006	1,106.8	60.3	61.4	34.9
FY ended March 31, 2005	1,073.0	70.9	72.1	44.8
Increase (decrease)	3.1%	(14.9%)	(14.9%)	(22.1%)

Overview of results for this period

A domestic demand-led steady recovery of the Japanese economy continued during the fiscal year under review, supported by factors such as improved employment and personal consumption, and increased levels of capital expenditure as corporate profits recovered.

In the food industry, products for health conscious consumers were popular, and increased emphasis was placed on product safety and quality. The overall environment remained severe, however, with high oil prices and a weaker yen that caused a sharp increase in the price of certain raw materials.

Internationally, the US economy continued to grow, although this growth slowed somewhat in the second half of the year. In Asia, investment-led growth continued in China, and economic growth continued. The economies in Europe showed continued mild recovery.

Within this environment, Ajinomoto continued efforts to concentrate investment in core business areas, create new value through technical innovation, support a shared company culture throughout the Group, and create a strong business foundation as proprietors of the trusted *AJI-NO-MOTO* brand, guided by the Group's *A-dvance 10* medium- to long-term management plan.

Consolidated net sales for the fiscal year ended March 31, 2006 increased 3.1 percent (33.7 billion yen) to 1,106.8 billion yen. However, factors such as a fall in prices for feed-use Lysine and the impact of higher raw material prices contributed to a decline in operating income of 14.9 percent (10.5 billion yen) to 60.3 billion yen. Ordinary income fell 14.9 percent (10.7 billion yen) to 61.4 billion yen. Consolidated net income fell 22.1 percent (9.9 billion yen) to 34.9 billion yen.

Changes to main accounting items during the period under review

Note: All comparisons are with the previous fiscal year, ended March 31, 2005, unless otherwise stated.

(1) Net sales

Net sales rose 33.7 billion yen, or 3.1 percent, year on year to 1,106.8 billion yen. By region, sales in Japan rose 1.4 percent to 804.6 billion yen, while sales overseas rose 8.2 percent to 302.1 billion yen. Overseas, sales in Asia rose 15.9 percent to 118.2 billion yen, sales in America rose 10.4 percent to 76.7 billion yen, and sales in Europe fell 0.6 percent to 107.1 billion yen.

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

The rise in net sales lifted the cost of sales by 34.4 billion yen, or 4.5 percent, to 795.0 billion yen. The ratio of cost of sales to net sales rose 0.9 percentage points to 71.8 percent, due to a fall in feed-use Lysine prices, a rise in the cost of certain raw materials, high oil prices and other factors.

Selling, general and administrative expenses rose 9.9 billion yen, or 4.1 percent, from the year before to 251.4 billion yen. The main reason for this rise was an increase in marketing costs such as sales promotions.

(3) Operating income

Operating income fell 10.5 billion yen, or 14.9 percent, from the year before to 60.3 billion yen. By region, operating income in Japan increased 3.7 percent to 43.6 billion yen, while operating income from operations overseas decreased 42.2 percent to 16.6 billion yen. The main reason for the domestic increase in operating income was increased earnings in the processed foods, frozen foods and other areas of the foods business, while electrochemicals also performed well. Overseas, some benefit was derived from raising prices of *AJI-NO-MOTO* for home and restaurant use and for processed food manufacturers, but factors such as a significant decline in prices for feed-use Lysine and higher costs of raw materials combined to reduce overall operating income. Operating income in Asia decreased 40.9 percent to 5.5 billion yen, operating income in America decreased 62.4 percent to 4.3 billion yen, and operating income in Europe decreased 13.5 percent to 6.7 billion yen.

(4) Non-operating income (expenses)

The difference between non-operating income and non-operating expenses was 1.1 billion yen, 0.1 billion yen lower than in the previous year. After deducting interest expense from interest received, the balance of interest was minus 2.0 billion yen, compared to minus 1.1 billion yen in the previous fiscal year. This was mainly the result of higher interest payments arising from an increase in interest-bearing debt held by subsidiaries overseas, and lower interest income received concomitant with a reduction in cash and cash equivalents.

Equity in earnings of affiliates rose to 3.7 billion yen from 3.2 billion yen the year before. This increase was principally because of a recovery in the performance of subsidiaries and affiliates accounted for by the equity method, such as J-OIL MILLS, INC.

(5) Ordinary income

Ordinary income fell 10.7 billion yen, or 14.9 percent, year on year to 61.4 billion yen.

(6) Extraordinary income

Extraordinary income for the period under review was 6.9 billion yen, compared to extraordinary income of 24.6 billion yen the year before. As in the previous year, progress was made in selling land and investment securities, with a gain on sales of fixed assets of 4.3 billion yen compared to 12.1 billion yen the year before, and profit on sale of investment securities of 1.6 billion yen, compared to 6.8 billion yen in the previous year.

(7) Extraordinary losses

Extraordinary losses were 11.2 billion yen, compared to 15.1 billion yen the year before. Although loss on disposal of fixed assets did increase, impairment losses of 6.0 billion recorded in the previous period mean that overall extraordinary losses in the period under review reduced by 3.8 billion yen.

(8) Net income

Net income for the period under review fell 9.9 billion yen, or 22.1 percent, to 34.9 billion yen. The effective tax rate fell from 42.0 percent last year to 33.8 percent. Net income per share for the year was 53.64 yen, down from 68.79 yen per share the year before.

(9) Others

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 had the effect of increasing net sales by 11.7 billion yen, operating income by 0.5 billion yen, ordinary income by 0.5 billion yen, and net income by 0.2 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.

Previously, revenues and expenses relating to overseas subsidiaries and equity method affiliates overseas were recorded using the exchange rate applicable on the closing day of the consolidated accounts. However, from the period under review onwards, such figures have been recorded using the average exchange rate throughout the relevant period. This change has been made to reflect the increasing importance of the production and future sales of overseas subsidiaries. As quarterly financial information disclosure further develops, this change will enable each financial report to show a balanced result for the period despite any marked fluctuations of the spot exchange rate that may occur. For further information and calculation of results under both the former and the current method, please see page 27, “Change to accounting treatment used in consolidated financial statements”.

Consolidated operating results by segment

Note: All comparisons are with the previous fiscal year, ended March 31, 2005, unless otherwise stated.

Billions of yen

	Net Sales	YoY Change - amount	YoY Change - percent	Operating Income	YoY Change - amount	YoY Change - percent
Domestic food products	608.5	9.6	1.6%	31.8	1.4	4.9%
Overseas food products	99.5	18.7	23.2%	5.0	2.0	68.0%
Amino acids	255.7	4.1	1.6%	14.8	(14.2)	(49.1%)
Pharmaceuticals	83.2	2.4	3.1%	12.5	1.1	10.3%
Other	59.6	(1.2)	(2.1%)	3.2	(0.3)	(10.1%)

Notes:

1. Details of main products within each segment are outlined in Note 2 on page 28 of this report.
2. Domestic 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 amino acids.
4. Part of the operating expenses of the administration division and research facilities are included in the Corporate and Eliminations segment. (Details are available in part one of Segment Information in this document.)

(1) Domestic food products

Domestic food product sales increased 1.6 percent (9.6 billion yen) over the previous year to 608.5 billion yen. Operating income increased 4.9% (1.4 billion yen) to 31.8 billion yen. Sales showed a slight increase year on year, due to higher revenues of coffee and frozen foods. Operating income increased, with the effect of cost saving initiatives more than offsetting the higher cost of certain raw materials.

Seasonings and processed foods: In the retail market, sales of *AJI-NO-MOTO* were maintained at a similar level to the previous year, supported by an ‘AjiPanda’ marketing campaign. In the Japanese, Western and Chinese dashi product range, sales of *Hon-Dashi* were slightly lower than in the previous year, while sales of consommé and Chinese dashi progressed favorably as a result of an effective marketing campaign. Sales of soups increased slightly, with higher revenues from *Knorr Cup Soup* offsetting a decline in sales of *Knorr Soup Pasta*. Sales of the *Cook Do* line progressed well with the launch of new varieties. Ajinomoto’s share of the mayonnaise and mayonnaise-type dressings market increased, however, sales were slightly lower than in the previous year. Sales of *Ajinomoto KK Ajiamen* doubled with the launch of cup varieties. Sales of *Kellogg’s* products decreased slightly.

In the commercial market, sales of Western sauces fell substantially, while sales of mayonnaise and dressings increased significantly due to good progress made in introducing products to major customers. Revenue from *ACTIVA*, an enzyme (transglutaminase) that improves food texture, increased significantly, and sales of savory seasoning products to food processing industry increased slightly.

Sweeteners and Nutritional foods: In low-calorie sweeteners for home and restaurant use, sales increased due to positive factors such as good sales of *PAL SWEET Calorie Zero.* Sales of amino acid supplement *Amino Vital* were lower, reflecting lower sales of the product in jelly drinks.

Delicatessen and Bakery products: Sales of lunchboxes, prepared dish delicatessen products and bakery products were slightly lower than in the previous year.

Frozen foods: In products for the retail market, strengthened promotional activities integrated with advertising led to considerably higher sales of *Gyoza*. Sales of new product *Fried Rice with Various Ingredients* were also favorable. In addition, sales of *Ebi Pilaf* increased significantly, as did sales of *Yawaraka Wakadori Kara-Age,* with the result that overall revenues were higher than in the previous year. Sales for restaurant and institutional use were only slightly lower, despite the removal of certain unprofitable items from the product range, due to good sales of new and continuing dessert products.

Edible oils: In July 2004, J-OIL MILLS, INC. merged with and absorbed the operations of companies including Ajinomoto Oil Mills Co., Inc., HONEN Corporation, Yoshihara Oil Mill, Ltd., with Ajinomoto Co., Inc. becoming the distributor of edible oils for home use and J-OIL MILLS, INC. becoming the distributor of products for commercial use, including most Ajinomoto-branded oils and meal products. As a result, sales for home use recorded an increase and commercial sales recorded a decrease. Retail sales of *Canola oil* were steady.

Coffee, Beverages, Dairy products: Sales of liquid coffee such as *Blendy* bottled coffee increased substantially, as did sales of instant and regular coffee. Revenue from beverage sales was in line with the previous comparable period, with a large decline in sales of functional health drinks such as *Ameal S*, but solid growth from *CALPIS Water* and *evian*. Chilled dairy product sales declined slightly, with considerably lower sales of *Danone Bio* but positive performance from *Baby Danone* and *Petite Danone*.

(2) Overseas food products

Overseas food product sales increased 23.2 percent (18.7 billion yen) to 99.5 billion yen. Operating income increased 68.0% (2.0 billion yen) to 5.0 billion yen. The significant increase over last year's results reflect the implementation of price increases of *AJI-NO-MOTO* for home and restaurant use in response to higher raw material costs, along with continued substantial growth in demand for flavor seasonings.

Seasonings: In Asia, sales of *AJI-NO-MOTO* for home use and restaurant use were strong, while sales of flavor seasonings for home use increased substantially year on year. In America, revenue from sales of flavor seasonings in South America was considerably higher, also aided by changes in the exchange rate. In Europe and Africa, sales of *AJI-NO-MOTO* for home use in West African nations continued to grow strongly.

Processed foods: Sales of instant noodles in Asia increased substantially, and sales of *Birdy*, a canned coffee beverage, were steady.

(3) Amino Acids

Sales in the amino acids business rose 1.6 percent (4.1 billion yen) to 255.7 billion yen. Operating income decreased 49.1 percent (14.2 billion yen) to 14.8 billion yen. Sales of specialty chemicals increased substantially, and a price increase of *AJI-NO-MOTO* for processed food manufacturers contributed to revenues, but the impact from a drop in the unit price of feed-use Lysine was considerable. Overall, sales were only slightly higher than in the previous year, and higher raw material costs led to a substantial drop in operating income.

Umami seasonings for processed food manufacturers: Demand for *AJI-NO-MOTO* from the food processing industry in Japan increased, with revenues boosted by a price increase. Overseas, strong demand and higher prices resulted in positive performance in Asia and substantially higher revenues in America. Sales in Europe were slightly lower than last year. Sales of nucleotides increased steadily, supported by solid overseas sales.

Feed-use amino acids: Sales of Threonine grew substantially, while revenue from Lysine was much lower in all regions, due to a major fall in prices with the rapid increase in supply from competitors in China and others. Revenues from Tryptophan progressed steadily.

Amino Acid for pharmaceuticals and foods: In Japan, sales of pharmaceutical-use amino acids declined as the size of the infusions market decreased, and sales of food-use amino acids to beverage manufacturers also fell. Sales of pharmaceutical-use amino acids grew strongly in America, and also increased slightly in European markets.

Sweeteners: Sales of sweeteners to the food processing industry were in line with the previous year, with production disruption caused by factory expansion being offset by favorable changes to the exchange rate. In South America, sales of powdered juice *Refresco MID*, which uses aspartame, increased significantly.

Pharmaceutical Fine Chemicals: Sales of pharmaceutical fine chemicals grew steadily, contributed to by sales in European countries.

Specialty chemicals: Sales of cosmetic ingredients increased slightly, aided by steady growth in Japan. Sales of the amino acid-based cosmetic *Jino* recorded a major increase, as did sales of insulation film for use in computer MPU boards.

(4) Pharmaceuticals

Pharmaceutical sales rose 3.1 percent (2.4 billion yen) to 83.2 billion yen. Operating income increased 10.3 percent (1.1 billion yen) to 12.5 billion yen. Contributing mainly to the increase in both revenue and profit were good consignment sales of pharmaceuticals for lifestyle-related diseases.

Sales of products on an in-house basis were slightly lower, with a contribution from the peripheral nutrition infusion product *TWINPAL*, launched in the previous fiscal year, not being sufficient to offset slower sales of existing products such as *LIVACT*, a branched-chain amino acids formula for the treatment of liver cirrhosis, and infusions. In consignment products, sales of *ACTONEL,* an osteoporosis treatment, and *ATELEC*, an antihypertensive drug, grew steadily. Sales of nateglinide including non-insulin-dependent diabetes treatment *FASTIC* grew substantially, with strong demand for bulk active ingredient.

(5) Other

Sales in this category decreased 2.1 percent (1.2 billion yen) to 59.6 billion yen. Operating income decreased 10.1 percent (0.3 billion yen) to 3.2 billion yen.

2. Outlook for the Fiscal Year Ending March 31, 2007

Billions of yen

	Net Sales	Operating Income	Ordinary Income	Net Income
FY ending March 31, 2007	1,180.0	71.5	69.0	35.5
FY ended March 31, 2006	1,106.8	60.3	61.4	34.9
Increase	6.6%	18.5%	12.3%	1.7%

The Japanese economy is expected to continue a recovery path, supported by growing domestic demand. Internationally, widespread economic recovery is also expected to continue, although causes for concern are apparent in factors such as the slowing down of the US economy and the impact of continued high oil prices on the economies of Japan and other countries.

Given such conditions, in domestic food products Ajinomoto aims to boost sales of core products at the same time as improving profitability through reducing production costs. In overseas food products Ajinomoto will continue to seek to expand sales of seasonings and develop its processed foods operations. In amino acids Ajinomoto intends to enhance production capabilities in response to demand and leverage the Group's technical expertise to further boost profitability. In pharmaceuticals Ajinomoto will seek to boost the product strength of top brands while working to further reduce costs and maximize efficiencies in production and distribution.

Ajinomoto forecasts consolidated sales for the fiscal year ending March 31, 2007 to increase 6.6 percent to 1,180.0 billion yen, and operating income to increase 18.5 percent to 71.5 billion yen. Ordinary income is forecast to increase 12.3 percent to 69.0 billion yen, with net income for the period increasing 1.7% year on year to 35.5 billion yen.

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

A total dividend payment of 15 yen per ordinary share is planned for the period, an increase of one yen, with an interim dividend payment of seven yen per share.

II. Financial Position

1. Overview of results for this period

Financial position as of March 31, 2006

Total assets as of March 31, 2006 were 997.4 billion yen, 93.8 billion yen more than the 903.5 billion yen recorded one year earlier. Key factors contributing to this increase include the higher value recorded from the assets of overseas subsidiaries due to the weakening of the yen, higher capital expenditure to expand the earnings foundation and an increase in operating assets arising from the acquisition of shares of Amoy Food Group.

Total interest-bearing debt was 145.6 billion yen, 20.0 billion yen higher than one year ago, resulting from additional borrowing for capital expenditure and share purchases, etc.

Total shareholders' equity was 528.7 billion yen, compared to 467.2 billion yen recorded on March 31, 2005. This increase of 61.4 billion yen was primarily attributable to increased operating income.

ROE decreased 3.0 points to 7.0 percent.

Summary of consolidated cash flow

Billions of yen

	FY ended March 31, 2006	FY ended March 31, 2005	Change
Net cash provided by operating activities	55.1	82.8	(27.7)
Net cash used in investing activities	(83.7)	(33.6)	(50.0)
Net cash used in financing activities	6.6	(27.4)	34.1
Effect of exchange rate changes on cash and cash equivalents	3.9	1.4	2.4
Increase (decrease) in cash and cash equivalents	(17.9)	23.1	(41.1)
Increase (decrease) in initial balance due to change in scope of consolidation	0.1	0.2	(0.1)
Cash and cash equivalents at end of period	75.1	92.9	(17.8)

Net cash provided by operating activities

Net cash provided by operating activities decreased 27.7 billion yen over the previous year to 55.1 billion yen. The main factors behind this decrease were lower operating income and higher income taxes paid.

Net cash used in investing activities

Net cash used in investing activities increased 50.0 billion yen compared to the previous financial year to 83.7 billion yen. This mainly reflects the acquisition during the year under review of shares in Amoy Food Group, along with capital expenditure directed primarily at overseas subsidiaries. The sale of certain fixed assets continued during the period under review, as part of efforts to improve asset utilization.

Net cash provided by financing activities

Net cash provided by financing activities was 6.6 billion yen, primarily due to borrowing undertaken for capital expenditure and share acquisitions.

As a result of the foregoing, cash and cash equivalents at March 31, 2006 was 75.1 billion yen, a decrease of 17.8 billion yen compared to March 31, 2005.

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

	FY ended March 31, 2006	FY ended March 31, 2005	FY ended March 31, 2004	FY ended March 31, 2003
Equity ratio (%)	53.0	51.7	49.1	45.2
Equity ratio based on market price (%)	81.7	93.8	92.2	91.5
Debt service coverage (years)	2.9	1.7	2.4	2.9
Interest coverage ratio (times)	21.2	28.7	22.0	17.0

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 each year 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]

III. Operational Risk

Operational risks faced by Ajinomoto 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 Group as of March 31, 2006.

(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 105 sites in 16 of these countries and regions. The relative importance of overseas operations is therefore very high. In the fiscal years to March 31, 2005 and March 31, 2006 sales to outside parties in countries other than Japan (i.e. Asia, the Americas and Europe) were 279.3 billion yen and 302.1 billion yen respectively, comprising 26.0% and 27.3% of consolidated sales. Operating income derived from these regions in the same periods was 28.7 billion yen and 16.6 billion yen, comprising 40.6% and 27.6% 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 costs related to fermentation technologies. However, the possibility remains of Group financial performance being affected by fluctuations in the grain market and demand trends.

(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
- Natural disasters such as earthquakes

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

(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 Group-wide product quality audits and a product tracing system that tracks product information at each stage from production through to distribution. The Group makes extensive efforts to maintain the ‘reliability and safety’ on which its business foundations are built. The possibility remains, however, that universal issues affecting product quality may arise, or that problems may arise outside of those areas controlled by the processes outlined above, and in such cases an adverse impact on Group performance may occur.

(6) Litigation

In the United States, two 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 the Company and its subsidiaries Ajinomoto U.S.A., Inc. and AJINOMOTO FOODS EUROPE S.A.S. by groups claiming to have purchased nucleotides and MSG outside the U.S. The cases are currently pending at the U.S. Court of Appeals for the Eight Circuit. Ajinomoto secured a victory in the trial of the first instance at the Minnesota District Court in a decision handed down on October 26, 2005. Specific compensatory claims have yet to emerge. The appeal proceedings are still in the early stages.

In North America, three cases claiming compensation for damages relating to breaches of the anti-trust law were filed in the Pennsylvania District Court and the New Jersey District Court between April 25 and April 27, 2006 by groups that claimed to have directly purchased aspartame. In addition, on May 2, 2006, a group who had indirectly purchased aspartame in Arizona and 23 other States brought a case to the Pennsylvania Eastern District Court claiming violation of unfair trading law in each of the States or Districts. These charges were brought against the Company and its subsidiaries Ajinomoto U.S.A., Inc., Ajinomoto Euro-Aspartame S.A.S. and Ajinomoto Switzerland AG. Specific compensatory claims have yet to emerge. Furthermore, except for one case (the New Jersey trial), complaints have not been serviced. All of the trials are at extremely early stages.

In France, three cases claiming compensation totaling approximately 2.5 million euros for damages under the European anti-trust laws have been brought against AJINOMOTO EUROLYSINE S.A.S. from groups purchasing feed-use Lysine.

(7) Changes in cost of raw materials

The cost of raw materials, crude oil and other energy resources used by Ajinomoto is liable to fluctuate according to market conditions. Significant price rises lead to higher manufacturing costs, and in cases where these costs cannot be absorbed by technical developments or other reforms to reduce costs, or in situations where higher costs cannot be reflected in unit prices, an adverse impact on Group performance may occur.

(8) Information leaks

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

4. Consolidated Financial Statements

Consolidated Balance Sheets

	As of March 31, 2006	%	As of March 31, 2005	%	Increase (Decrease)
	Millions of yen				
ASSETS		%		%	
Current assets					
Cash on hand and in banks	72,168		93,929		(21,761)
Notes & accounts receivable	196,967		188,010		8,957
Marketable securities	4,228		1,285		2,943
Inventories	108,324		97,459		10,865
Deferred tax assets	10,787		10,313		473
Other	34,640		24,212		10,427
Allowance for doubtful accounts	(1,125)		(795)		(330)
Total current assets	425,991	42.7	414,415	45.9	11,575
Fixed assets					
Tangible fixed assets					
Buildings and structures	272,416		252,206		20,210
Machinery and vehicles	452,736		425,227		27,509
Other	54,120		48,656		5,463
Accumulated depreciation	(540,184)		(500,050)		(40,134)
Land	55,611		57,861		(2,250)
Construction in process	47,250		18,557		28,693
Total tangible fixed assets	341,950	34.3	302,458	33.5	39,491
Intangible fixed assets					
Adjustment for consolidated account	43,194		27,152		16,042
Other	25,311		18,268		7,042
Total intangible fixed assets	68,505	6.9	45,421	5.0	23,084
Investment and other assets					
Investment in securities	146,151		119,661		26,489
Long-term loans receivable	184		247		(63)
Deferred tax assets	6,616		13,042		(6,426)
Others	8,692		10,721		(2,028)
Allowance for doubtful accounts	(687)		(2,426)		1,739
Total investment and other assets	160,957	16.1	141,246	15.6	19,710
Total fixed assets	571,413	57.3	489,126	54.1	82,287
Total Assets	**997,405**	**100.0**	**903,542**	**100.0**	93,863

Consolidated Balance Sheets

	Millions of yen				
	As of March 31, 2006		As of March 31, 2005		Increase (Decrease)
LIABILITIES		%		%	
Current liabilities					
Notes & accounts payable	109,092		109,140		(48)
Short-term borrowings	24,851		24,305		545
Commercial paper	10,000		--		10,000
Long-term loans due to be repaid within one year	410		764		(353)
Corporate bonds to be redeemed within one year	--		10,000		(10,000)
Accrued income taxes	7,274		16,584		(9,310)
Accrued bonuses	3,897		3,406		490
Other	82,314		66,608		15,706
Total current liabilities	237,840	23.8	230,810	25.6	7,029
Long-term liabilities					
Bonds	85,000		85,000		--
Long-term debt	25,382		5,533		19,848
Deferred tax liabilities	9,076		2,252		6,824
Accrued employees' retirement benefits	57,234		63,275		(6,040)
Accrued officers' severance benefits	1,607		1,860		(252)
Other	19,856		22,804		(2,948)
Total long-term liabilities	198,157	19.9	180,726	20.0	17,431
Total liabilities	435,997	43.7	411,537	45.6	24,460
MINORITY INTERESTS					
Minority interests	32,644	3.3	24,707	2.7	7,937
SHAREHOLDERS' EQUITY					
Common stock	79,863	8.0	79,863	8.8	--
Capital surplus	111,579	11.2	111,579	12.3	(0)
Retained earnings	341,528	34.2	315,981	35.0	25,546
Unrealized holding gains on securities	23,848	2.4	9,239	1.0	14,609
Translation adjustments	(25,547)	(2.6)	(47,116)	(5.2)	21,568
Treasury stock	(2,510)	(0.2)	(2,250)	(0.2)	(259)
Total shareholders' equity	528,762	53.0	467,297	51.7	61,464
Total Liabilities, Minority Interests And Shareholders' Equity	**997,405**	**100.0**	**903,542**	**100.0**	93,863

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Consolidated Statements of Income

	Millions of yen FY Ended Mar. 31, 2006		FY Ended Mar. 31, 2005		Increase (Decrease)
Net sales	1,106,807	100.0	1,073,010	100.0	33,796
Cost of sales	795,007	71.8	760,554	70.9	34,452
Gross profit	311,799	28.2	312,455	29.1	(656)
Selling, general and administrative expenses	251,476	22.7	241,538	22.5	9,938
Operating income	60,322	5.5	70,916	6.6	(10,594)
Non-operating income					
Interest received	1,287		1,873		(585)
Dividends received	1,279		664		615
Equity in earnings of affiliates	3,703		3,263		439
Miscellaneous income	3,793		4,174		(380)
Total non-operating income	10,064	0.9	9,975	0.9	89
Non-operating expenses					
Interest expense	3,292		3,020		272
Miscellaneous losses	5,645		5,672		(26)
Total non-operating expenses	8,938	0.8	8,692	0.8	245
Ordinary income	61,448	5.6	72,199	6.7	(10,750)
Extraordinary income					
Gain on sales of fixed assets	4,339		12,183		(7,844)
Profit on sale of investment securities sold	1,634		6,860		(5,226)
Gain on sale of affiliates' stock	0		4,341		(4,340)
Other	1,007		1,308		(301)
Total extraordinary income	6,981	0.6	24,694	2.3	(17,712)
Extraordinary losses					
Loss on disposal of fixed assets	4,699		2,604		2,094
Loss on impairment of fixed assets	--		6,075		(6,075)
Loss on valuation of investment securities	92		104		(11)
Settlement payments	--		2,048		(2,048)
Retirement benefit expenses	1,118		312		805
Other	5,351		4,010		1,341
Total extraordinary losses	11,261	1.0	15,155	1.4	(3,894)
Net income before income taxes	57,169	5.2	81,737	7.6	(24,568)
Income taxes – current	15,800	1.4	28,513	2.7	(12,712)
Income taxes – deferred	3,510	0.3	5,826	0.5	(2,316)
Minority interests	2,945	0.3	2,580	0.2	364
Net income	**34,912**	**3.2**	**44,817**	**4.2**	(9,904)

Consolidated Statements of Surplus

	Millions of Yen	
	As of March 31, 2006	As of March 31, 2005
Capital surplus		
Capital surplus at the beginning of the year	**111,579**	**111,579**
Increase in capital surplus from:		
Profit from sale of treasury stock	--	0
Decrease in capital surplus from:		
Loss from sale of treasury stock	0	--
Capital surplus at the end of the year	**111,579**	**111,579**
Retained earnings		
Retained earnings at the beginning of the year	**315,981**	**279,539**
Increase in retained earnings from:		
Net income	34,912	44,817
Other increase in retained earnings	7	53
Total increase in retained earnings	34,920	44,871
Decrease in retained earnings from:		
Dividends	9,073	7,780
Directors' bonuses	206	243
Other decrease in retained earnings	92	403
Total decrease in retained earnings	9,372	8,428
Retained earnings at the end of the year	**341,528**	**315,981**

Consolidated Statements of Cash Flows

	Millions of Yen	
	FY Ended Mar. 31, 2006	FY Ended Mar. 31, 2005
I. Cash flows from operating activities		
Income before income taxes and minority interests	57,169	81,737
Depreciation and amortization	40,341	39,854
Loss on impairment of fixed assets	--	6,075
Amortization of consolidated adjustments	4,421	4,219
Increase (decrease) in allowance for doubtful accounts	53	698
Increase (decrease) in accrued bonuses	694	(272)
Increase (decrease) in accrued employees' retirement benefits	(6,326)	(6,365)
Increase (decrease) in accrued officers' severance benefits	(255)	273
Interest and dividend income	(2,567)	(2,537)
Interest expense	3,292	3,020
Equity in earnings of affiliates	(3,703)	(3,263)
Loss (gain) on sales of investment securities	(1,634)	(6,860)
Loss on revaluation of securities	92	104
Loss (gain) on sale and disposal of tangible fixed assets	1,723	(9,579)
Loss (gain) on sale of shares of affiliates	319	(4,341)
Decrease (increase) in notes and accounts receivable	(1,734)	(7,435)
Increase (decrease) in notes and accounts payable	(612)	(738)
Decrease (increase) in inventories	(4,704)	1,954
Increase (decrease) in accrued consumption tax	(3,242)	(245)
Bonus for directors	(206)	(243)
Settlements payment	--	2,048
Other	(2,233)	2,643
Sub-total	**80,887**	**100,746**
Interest and dividends received	4,375	4,041
Interest paid	(2,596)	(2,887)
Settlements paid	--	(150)
Income taxes paid	(27,490)	(18,855)
Net cash provided by operating activities	**55,174**	**82,895**
II. Cash flows from investing activities		
Acquisition or sale of marketable securities	--	156
Acquisition of tangible fixed assets	(62,628)	(52,691)
Proceeds from sale of tangible fixed assets	9,862	13,883
Acquisition of intangible assets	(9,317)	(4,969)
Acquisition of investment securities	(1,993)	(6,088)
Proceeds from sale of investment securities	3,521	12,713
Acquisitions of subsidiaries' stocks resulting from changes in the scope of consolidation	(19,866)	--
Proceeds from sales of subsidiaries' stock resulting from changes in the scope of consolidation	254	--
Acquisition of shares of affiliates	(2,379)	(2,972)
Proceeds from sale of shares of affiliates	5	5,952
Purchase of loans	(2,234)	--
Other	1,043	323
Net cash used in investing activities	**(83,731)**	**(33,692)**

(Continued)

	Millions of Yen	
	FY Ended Mar. 31, 2006	FY Ended Mar. 31, 2005
III. Cash flows from financing activities		
Net change in short-term borrowings	(2,434)	(6,163)
Net change in commercial paper	10,000	(10,000)
Proceeds from long-term debt	21,383	1,073
Repayment of long-term debt	(3,064)	(4,003)
Proceeds from bond issuance	(10,000)	--
Redemption of bonds	681	--
Cash dividends paid	(9,073)	(7,776)
Distribution of dividends to minority shareholders	(590)	(247)
Acquisition of own stock	(301)	(450)
Other	40	81
Net cash used in financing activities	**6,640**	**(27,486)**
IV. Effect of exchange rate changes on cash and cash equivalents	**3,928**	**1,474**
V. (Decrease) increase in cash and cash equivalents	**(17,987)**	**23,191**
VI. Cash and cash equivalents at the beginning of the year	**92,980**	**69,526**
Increase due to change in scope of consolidation	140	262
Sub-total	93,121	69,788
VII. Cash and cash equivalents at the end of the year	**75,133**	**92,980**

Significant Items for the Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries:

102 companies

Names of main companies:

Knorr Foods Co., Ltd., Ajinomoto Frozen Foods Co., Inc., Ajinomoto Pharma Co., Ltd., Ajinomoto Co., (Thailand) Ltd., S.A. Ajinomoto OmniChem N.V., AJINOMOTO EUROLYSINE S.A.S.

A newly-established company A-Direct Co., Inc. has been included in the scope of consolidation, as has Amoy Food Ltd., Convenience Foods International Ltd. and four other companies through acquisition, along with Ajinomoto Betagro Specialty Foods Co., Ltd. and one other company due to their significance. Further, with the additional acquisition of shares, Wan Thai Foods Industry Co., Ltd., which was accounted for by the equity method company has now become a consolidated company. Moreover, Lianhua Ajinomoto Co., Ltd. has been excluded from the scope of consolidation following its sale, as has Kansai Ace Works Corporation and two other companies due to mergers, while Ajinomoto Pharmaceuticals U.S.A., Inc., currently in the process of being liquidated, has been excluded on account of its immaterial impact on consolidated performance.

(2) Names of main non-consolidated subsidiaries:

Names of main companies:

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 Real Estate Co., Ltd., Erawan Industrial Development Co., Ltd.

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

12 companies

Names of main companies:

Ajinomoto General Foods, Inc., Calpis Co., Ltd., J-OIL MILLS, INC., Nissin-Ajinomoto Alimentos Ltda., GABAN Co., Ltd.

With the acquisition of additional shares, Wan Thai Foods Industry Co., Ltd., which was accounted for by the equity method company has now become a consolidated company. Malaysia Packaging Industry Berhad has been removed from the scope of companies accounted for by the equity method following the sale of shares.

(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 18 other companies have fiscal year ends of December 31. Of these, 17 companies carry out trial settlements for the period to March 31. In preparing the consolidated financial statements for companies that do not carry out trial settlements, the Company has used the financial statements for their fiscal year end dates, carrying out adjustments for significant transactions that have occurred in the period leading up to the consolidated fiscal year end date.

Of the companies accounted for by the equity method, Calpis Co., Ltd. and 6 other companies have fiscal year ends of December 31, and GABAN Co., Ltd. has a fiscal year end of the last day of February. Of this total, 5 companies carry out trial settlements up to March 31. In preparing the consolidated financial statements for companies that do not carry out trial settlements, the Company has used the financial statements for their fiscal year end dates, carrying out adjustments for significant transactions that have occurred in the period leading up to the consolidated fiscal year end 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 fiscal year end 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

However, with respect to interest rate swaps, in cases where conditions for exceptional treatment are met, exceptional treatment is adopted.

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:

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

2) Allowance for accrued bonuses:

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

3) Allowance for retirement benefits for employees:

The allowance for accrued retirement benefits for employees is provided for at the Company and its main domestic consolidated subsidiaries 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 severance benefits for directors:

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

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

Foreign currency-denominated assets and liabilities have been translated into yen at the rates of exchange in effect at the fiscal year end 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 fiscal year end 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) Hedge accounting

Ajinomoto and its consolidated subsidiaries, in principle, do not adopt deferred hedge accounting. However, with respect to interest rate swaps, in cases where conditions for exceptional treatment are met, exceptional treatment is adopted.

(7) 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 amortized on a straight-line basis over the period in which their effects appear. However, 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 accounting treatment used in consolidated financial statements

Income and expenses of overseas subsidiaries and equity method affiliates overseas have previously been calculated using the exchange rate on the balance sheet date. However, from the current fiscal year onwards, such figures have been recorded using the average exchange rate throughout the relevant period.

This change has been made to reflect the increasing importance of the production and sales of overseas subsidiaries and affiliates to the parent company. As quarterly financial information disclosure further develops, this change will also enable each financial report to show a balanced result for the period despite severe fluctuations of the spot exchange rate that may occur.

The effect of this change compared to the previous method is to reduce sales by 16,893 million yen, gross profit by 5,277 million yen, operating income by 1,098 million yen, ordinary income by 1,102 million yen, net income before tax by 1,003 million yen, and net income by 482 million yen.

The effect of this change on each business segment is recorded in ‘Segment information’.

Segment Information

1. Segment information by business

Fiscal Year Ended March 31, 2006

Millions of yen

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

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

2. Main products for each business segment

Business segment	Main products
Domestic Food Products	*AJI-NO-MOTO*, *Hon-Dashi*, *Cook Do*, soups, mayonnaise and mayonnaise-type dressings, *PAL SWEET* (for domestic market), delicatessen products, bakery products, *Amino Vital*, frozen foods, edible oils, coffee, domestic beverages, dairy products, etc.
Overseas Food Products	*AJI-NO-MOTO*, flavor seasonings, instant noodles, beverages, etc.
Amino Acids	*AJI-NO-MOTO* for processed food manufacturers, nucleotides, feed-use amino acids, amino acids for pharmaceuticals and foods, pharmaceutical fine chemicals, aspartame, specialty chemicals, etc.
Pharmaceuticals	Pharmaceuticals, medical foods
Other	Distribution, various services, etc.

3. Major unallocated items in operating expenses included under Corporate and Eliminations include administrative operating expenses at the parent company and part of operating expenses at research facilities.
For fiscal year under review, these items totaled 8,504 million yen.

4. Major items in all company assets included under Corporate and Eliminations 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 fiscal year under review, these items totaled 256,318 million yen.

5. Change of product allocations to business segments
From the current fiscal year the Company has reorganized its internal company system as part of measures included in Ajinomoto's new medium- to long-term management plan. Accordingly, product allocations to business segments have been reorganized as follows in order to more appropriately disclose the state of Group operations.

- Food products exported by Ajinomoto Co., Inc. have been shifted from the 'Domestic Food Products' to 'Overseas Foods Products'.

- Certain frozen foods business has been shifted from ‘Overseas Food Products’ to ‘Domestic Food Products’.
- Umami seasonings for processed food manufacturers and overseas *Amino Vital* have been shifted from ‘Overseas Food Products’ to ‘Amino Acids’.
- Certain operations of overseas subsidiaries and part of other businesses have been shifted from ‘Overseas Food Products’ to ‘Amino Acids’.
- Health food projects have reached commercialization as health food businesses, and as such have been shifted from ‘Corporate’ to ‘Domestic Food Products’.

Segment information for the previous comparable period has been restated under the new product allocations to business segments adopted as of the current fiscal year, and is presented in the following page.

6. Income and expenses of overseas subsidiaries and equity method affiliates overseas have previously been calculated using the exchange rate on the balance sheet date. However, from the current fiscal year onwards, such figures have been recorded using the average exchange rate throughout the relevant period. This change has been made to reflect the increasing importance of the production and sales of overseas subsidiaries and affiliates to the parent company. As quarterly financial information disclosure further develops, this change will also enable each financial report to show a balanced result for the period despite severe fluctuations of the spot exchange rate that may occur.

   The effect of this change compared to the former method is to reduce sales of Domestic Food Products by 277 million yen, reduce sales of Overseas Food Products by 7,881 million yen, reduce sales of Amino Acids by 8,489 million yen, and reduce Other sales by 431 million yen. Corporate and Eliminations increases by 186 million yen. With regard to operating income, Domestic Food Products increases by 0 million yen, while Overseas Food Products decreases by 845 million yen, Amino Acids decreases by 212 million yen, Pharmaceuticals increases by 0 million yen, and Other decreases by 40 million yen.

Fiscal Year Ended March 31, 2005

Millions of yen

	Domestic Food Products	Overseas Food Products	Amino Acids	Pharmaceuticals	Other	Total	Corporate and Eliminations	Consolidated
I. Sales and operating income and loss								
Sales								
(1) Sales to third parties	597,758	160,406	173,195	80,736	60,913	1,073,010	--	1,073,010
(2) Intra-group sales and transfers	2,428	12,195	18,397	120	57,159	90,301	(90,301)	--
Total sales	600,187	172,601	191,592	80,857	118,073	1,163,311	(90,301)	1,073,010
Operating expenses	567,983	168,111	164,911	69,457	114,437	1,084,901	(82,807)	1,002,093
Operating income	32,203	4,490	26,681	11,399	3,635	78,410	(7,493)	70,916
II. Assets, depreciation and amortization, impairment losses on fixed assets and capital expenses								
Assets	255,856	146,200	182,084	90,692	64,411	739,246	164,296	903,542
Depreciation and amortization	7,231	8,503	12,135	4,323	2,062	34,257	5,597	39,854
Impairment losses on fixed assets	1,602	--	--	--	--	1,602	4,472	6,075
Capital expenses	6,189	16,016	22,103	3,473	1,483	49,267	8,815	58,082

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

2. Main products for each business segment

Business segment	Main products
Domestic Food Products	*AJI-NO-MOTO*, *Hon-Dashi*, *Cook Do*, soups, mayonnaise and mayonnaise-type dressings, *PAL SWEET* (for domestic market), delicatessen products, bakery products, *Amino Vital*, frozen foods, edible oils, coffee, domestic beverages, chilled dairy products, etc.
Overseas Food Products	*AJI-NO-MOTO*, nucleotides, overseas flavor seasonings, overseas instant noodles, overseas beverages, etc.
Amino Acids	Various kinds of amino acids, feed-use amino acids, aspartame, specialty chemicals, etc.
Pharmaceuticals	Pharmaceuticals, medical foods
Other	Distribution, various services, etc.

3. Major unallocated items in operating expenses included under Corporate and Eliminations include administrative operating expenses at the parent company and part of operating expenses at research facilities.
For the previous fiscal year these items totaled 8,596 million yen.

4. Major items in all company assets included under Corporate and Eliminations 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 previous year, these items totaled 241,421 million yen.

AJINOMOTO®

Restatements under new allocation of products to business segments

Fiscal Year Ended March 31, 2005

Millions of yen

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

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

2. Main products for each business segment

Business segment	Main products
Domestic Food Products	*AJI-NO-MOTO*, *Hon-Dashi*, *Cook Do*, soups, mayonnaise and mayonnaise-type dressings, *PAL SWEET* (for domestic market), delicatessen products, bakery products, *Amino Vital*, frozen foods, edible oils, coffee, beverages, chilled dairy products, etc.
Overseas Food Products	*AJI-NO-MOTO*, flavor seasonings, instant noodles, beverages, etc.
Amino Acids	*AJI-NO-MOTO* for processed food manufacturers, nucleotides, feed-use amino acids, amino acids for pharmaceuticals and foods, pharmaceutical fine chemicals, aspartame, specialty chemicals, etc.
Pharmaceuticals	Pharmaceuticals, medical foods
Other	Distribution, various services, etc.

2. Segment information by geographical area

Fiscal Year Ended March 31, 2006

Millions of yen

	Japan	Asia	America	Europe	Total	Corporate and Eliminations	Consolidated
I. Sales and operating income and loss							
Sales							
(1) Sales to third parties	804,634	118,256	76,734	107,181	1,106,807	--	1,106,807
(2) Intra-group sales and transfers	41,073	15,935	12,491	6,737	76,238	(76,238)	--
Total	845,708	134,192	89,226	113,918	1,183,045	(76,238)	1,106,807
Operating expenses	802,032	128,641	84,852	107,195	1,122,722	(76,238)	1,046,484
Operating income	43,675	5,550	4,373	6,722	60,322	--	60,322
II. Assets	414,108	155,884	107,623	98,810	776,427	220,978	997,405

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 assets included under corporate and eliminations are parent company surplus operating funds, long-term investment funds, land not used for business purposes, assets associated with management, and some research facilities.
For the fiscal year under review, these items totaled 256,318 million yen

4. Change in accounting treatment
Income and expenses of overseas subsidiaries and equity method affiliates overseas have previously been calculated using the exchange rate on the balance sheet date. However, from the current fiscal year onwards, such figures have been recorded using the average exchange rate throughout the relevant period. This change has been made to reflect the increasing importance of the production and sales of overseas subsidiaries and affiliates to the parent company. As quarterly financial information disclosure further develops, this change will also enable each financial report to show a balanced result for the period despite severe fluctuations of the spot exchange rate that may occur.
The effect of this change compared to the former method is to reduce sales in Asia, America, and Europe by 9,442 million yen, 6,579 million yen, and 3,656 million yen respectively, while corporate and eliminations increases by 2,785 million yen. With regard to operating income, Asia decreases by 558 million yen, America decreases by 271 million yen, and Europe decreases by 269 million yen.

Fiscal Year Ended March 31, 2005

Millions of yen

	Japan	Asia	America	Europe	Total	Corporate and Eliminations	Consolidated
I. Sales and operating income and loss							
Sales							
(1) Sales to third parties	793,652	102,075	69,487	107,794	1,073,010	--	1,073,010
(2) Intra-group sales and transfers	38,635	13,781	11,548	6,596	70,562	(70,562)	--
Total	832,288	115,856	81,036	114,391	1,143,573	(70,562)	1,073,010
Operating expenses	790,163	106,468	69,406	106,617	1,072,656	(70,562)	1,002,093
Operating income	42,125	9,388	11,629	7,773	70,916	--	70,916
II. Assets	408,067	113,046	67,440	91,364	679,919	223,622	903,542

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 assets included under corporate and eliminations are parent company surplus operating funds, long-term investment funds, land not used for business purposes, assets associated with management, and some research facilities.
   For the previous year, these items totaled 241,421 million yen

3. Overseas sales

Fiscal Year Ended March 31, 2006

	Millions of yen			
	Asia	America	Europe	Total
Overseas sales	133,276	86,266	107,000	326,543
Consolidated net sales	--	--	--	1,106,807
Overseas sales % of consolidated net sales	12.0	7.8	9.7	29.5

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.

4. Change in accounting treatment

   Income and expenses of overseas subsidiaries and equity method affiliates overseas have previously been calculated using the exchange rate on the balance sheet date. However, from the current fiscal year onwards, such figures have been recorded using the average exchange rate throughout the relevant period. This change has been made to reflect the increasing importance of the production and sales of overseas subsidiaries and affiliates to the parent company. As quarterly financial information disclosure further develops, this change will also enable each financial report to show a balanced result for the period despite severe fluctuations of the spot exchange rate that may occur.

   The effect of this change compared to the former method is to reduce sales in Asia, America, and Europe by 8,455 million yen, 5,182 million yen, and 3,284 million yen respectively.

Fiscal Year Ended March 31, 2005

	Millions of yen			
	Asia	America	Europe	Total
Overseas sales	116,176	77,835	104,296	298,308
Consolidated net sales	--	--	--	1,073,010
Overseas sales % of consolidated net sales	10.8	7.2	9.7	27.8

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

1. 'Other securities' with fair value

As of March 31, 2006

Millions of yen

		Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value greater than acquisition cost	Stocks	34,731	72,574	37,842
	Other	5	5	0
	Sub-total	34,736	72,579	37,842
Securities with carrying value less than acquisition cost	Stocks	1,053	895	(157)
	Other	--	--	--
	Sub-total	1,053	895	(157)
	Total	**35,790**	**73,475**	**37,684**

As of March 31, 2005

Millions of yen

		Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying value greater than acquisition cost	Stocks	29,468	44,238	14,769
	Other	--	--	--
	Sub-total	29,468	44,238	14,769
Securities with carrying value less than acquisition cost	Stocks	5,796	5,435	(360)
	Other	55	44	(10)
	Sub-total	5,851	5,479	(371)
	Total	**35,320**	**49,718**	**14,397**

Note: With regard to other securities with fair value, impairment losses of 4 million yen were recorded in the previous fiscal year, and 5 million yen in the year under review.

2. 'Other securities' sold during the fiscal year

Fiscal year ended March 31, 2006

Millions of yen

Sale amount	Total gains on sale	Total losses on sale
3,521	1,634	--

Fiscal year ended March 31, 2005

Millions of yen

Sale amount	Total gains on sale	Total losses on sale
12,713	6,860	--

3. Main 'Marketable securities' without fair value

Millions of yen

	Carrying value	
	As of March 31, 2006	As of March 31, 2005
Other marketable securities		
Unlisted stocks (not including OTC stocks)	4,535	4,577
Unlisted domestic bonds	0	0
Unlisted foreign bonds	0	407
Investment trusts	4	1,064
Money management funds etc.	4,228	381
Total	**8,769**	**6,431**

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

As of March 31, 2006

Millions of yen

Type	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
1. Bonds				
Government and municipal bonds, etc.	0	0	--	--
2. Other				
Investment trusts	--	--	--	--
Total	**0**	**0**	**--**	**--**

As of March 31, 2005

Millions of yen

Type	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
1. Bonds				
Government and municipal bonds, etc.	0	300	--	--
2. Other				
Investment trusts	--	0	--	--
Total	**0**	**300**	**--**	**--**

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.

2. Retirement benefit obligation *Millions of yen*	FY ended March 31, 2006	FY ended March 31, 2005
Retirement benefit obligation	(269,675)	(267,588)
Plan assets at fair value	196,305	175,940
Unfunded retirement benefit obligation	(73,369)	(91,647)
Unrecognized actuarial gain or loss	33,300	48,560
Unrecognized prior service cost	(17,165)	(20,188)
Reserve for retirement benefits	**(57,234)**	**(63,275)**

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, 2006	FY ended March 31, 2005
Service costs[1,2]	5,774	5,811
Interest costs	6,605	6,269
Expected return on plan assets	(6,020)	(5,678)
Amortization of prior service cost	(2,290)	(2,283)
Amortization of actuarial gain or loss	5,504	5,595
Extraordinary additional retirement benefit payments	780	291
Expenses due to termination of system	122	--
Other	639	241
Total retirement benefit expenses	**11,115**	**10,247**

Notes: 1. Employee contributions to the welfare pension fund are deducted
2. Includes service costs of retirement benefit expenses of consolidated subsidiaries that use a simplified method

4. Calculation basis of retirement benefit obligations	FY ended March 31, 2006	FY ended March 31, 2005
Discount rate	Unchanged	Mainly 2.5%
Expected return on assets	Unchanged	Mainly 3.5%
Method of allocating projected retirement benefit to each fiscal year	Unchanged	Straight-line standard
Amortization period of prior service costs	Unchanged	Mainly 10 years[1]
Amortization period of actuarial gains or losses	Unchanged	Mainly 10 years[2]

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, 2007 (est.)	FY Ended March 31, 2006	FY Ended March 31, 2005	FY Ended March 31, 2004	FY Ended March 31, 2003
Net sales	1,180,000	1,106,807	1,073,010	1,039,551	987,727
Growth rate	106.6%	103.1%	103.2%	105.2%	104.7%
Operating income	71,500	60,322	70,916	65,190	54,059
Growth rate	118.5%	85.1%	108.8%	120.6%	110.3%
Operating margin	6.1%	5.5%	6.6%	6.3%	5.5%
Ordinary income	69,000	61,448	72,199	68,111	56,888
Ordinary margin	5.8%	5.6%	6.7%	6.6%	5.8%
Net income (loss)	35,500	34,912	44,817	36,276	33,178
Return on sales	3.0%	3.2%	4.2%	3.5%	3.4%
Net income (loss) per share (yen)	¥54.83	¥53.64	¥68.79	¥55.55	¥50.73
Fully diluted earnings per share (yen)		--	--	--	--
Return on equity		7.0%	10.0%	8.9%	8.6%
Ratio of net income to total assets		3.7%	5.0%	4.2%	3.9%
Total assets		997,405	903,542	871,780	864,588
Total shareholders' equity		528,762	467,297	428,077	391,154
Interest-bearing debt		145,644	125,604	143,709	151,090
Equity ratio		53.0%	51.7%	49.1%	45.2%
Equity per share (yen)		¥815.84	¥720.64	¥659.78	¥602.66
Share price at end of period (yen)		¥1,257	¥1,308	¥1,240	¥1,219
P/E ratio (times)		23.4	19.0	22.3	24.0
Dividend per share (yen)		¥14.0	¥13.0	¥12.0	¥11.0
Dividend payout ratio		26.1%	18.9%	21.6%	21.7%
Net cash provided by operating activities		55,174	82,895	64,753	57,236
Net cash used in investment activities		(83,731)	(33,692)	(35,559)	(49,516)
Net cash used in financing activities		6,640	(27,486)	(14,084)	(6,628)
Free cash flow		(28,556)	49,202	29,193	7,720
Number of consolidated subsidiaries		102	97	95	93
Number of affiliated companies accounted for by the equity method		16	18	22	25

Note: 1. Net sales is exclusive of consumption tax, etc.

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