# Ajinomoto Co., Inc.

## Consolidated Results

Fiscal Year Ended March 31, 2007

AJINOMOTO

**SUMMARY OF FINANCIAL STATEMENTS (Consolidated)**
For the year ended March 31, 2007

**Ajinomoto Co., Inc.** **May 11, 2007**

| | | | |
|---|---|---|---|
| Stock Code: | 2802 | Listed exchanges: | Tokyo, Osaka |
| URL: http://www.ajinomoto.com | | Inquiries: | Hiromichi Ono |
| President: | Norio Yamaguchi | | General Manager |
| Scheduled date of the general meeting of shareholders: | June 28, 2007 | | Finance Department |
| Scheduled date of starting payment of dividend: | June 29, 2007 | Telephone: | 813 5250-8161 |
| Scheduled date of submission of Securities Report | June 28, 2007 | | |

## 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2007

1) Consolidated Operating Results

*Millions of yen, rounded down*

| | FY Ended March 31, 2007 | | FY Ended March 31, 2006 | |
|---|---|---|---|---|
| | | Change (%) | | Change (%) |
| Net sales | 1,158,510 | 4.7 | 1,106,807 | 3.1 |
| Operating income | 63,800 | 5.8 | 60,322 | (14.9) |
| Ordinary income | 61,589 | 0.2 | 61,448 | (14.9) |
| Net income | 30,229 | (13.4) | 34,912 | (22.1) |
| Net income per share (¥) | ¥46.70 | | ¥53.64 | |
| Fully diluted earnings per share (¥) | -- | | -- | |
| Return on equity | 5.5% | | 7.0% | |
| Ratio of ordinary income to total assets | 6.0% | | 6.5% | |
| Ratio of operating income to net sales | 5.5% | | 5.5% | |

Note: Gain from investments in subsidiaries and affiliates accounted for by the equity method:
FY ended March 31, 2007: ¥3,920 million FY ended March 31, 2006: ¥3,703 million

2) Financial Position

*Millions of yen, rounded down*

| | As of March 31, 2007 | As of March 31, 2006 |
|---|---|---|
| Total assets | 1,061,688 | 997,405 |
| Net assets | 607,584 | 528,762 |
| Shareholders' equity ratio (%) | 53.1% | 53.0% |
| Book value per share (¥) | ¥870.02 | ¥815.84 |

Note: Shareholders' equity as of: March 31, 2007: ¥563,446 million
March 31, 2006: --

3) Cash Flows

*Millions of yen, rounded down*

| | FY Ended March 31, 2007 | FY Ended March 31, 2006 |
|---|---|---|
| Net cash provided by operating activities | 75,764 | 55,174 |
| Net cash used in investing activities | (67,911) | (83,731) |
| Net cash used in financing activities | (5,504) | 6,640 |
| Cash and cash equivalents at end of year | 81,486 | 75,133 |

## 2. Dividends

| | FY Ended March 31, 2006 | FY Ended March 31, 2007 | FY Ending March 31, 2008 (forecast) |
|---|---|---|---|
| Dividend per share | | | |
| Interim | ¥7.00 | ¥7.00 | ¥8.00 |
| Year-end | ¥7.00 | ¥8.00 | ¥8.00 |
| Annual | ¥14.00 | ¥15.00 | ¥16.00 |
| Total annual dividend amount | ¥9,071 million | ¥9,715 million | -- |
| Dividend payout ratio | 26.1% | 32.1% | 28.4 – 30.9% |
| Ratio of dividends to net assets | 1.8% | 1.8% | -- |

## 3. Forecast for the Fiscal Year Ending March 31, 2008

*Millions of yen*

| | 6 Months Ending September 30, 2007 | | FY Ending March 31, 2008 | |
|---|---|---|---|---|
| | | Change % | | Change % |
| Net Sales | 600,000 | 4.5 | 1,210,000 | 4.4 |
| Operating income | 30,500 – 32,500 | 10.4 – 17.6 | 75,000 – 80,000 | 17.6 – 25.4 |
| Ordinary Income | 28,000 – 30,000 | 2.6 – 10.0 | 70,000 – 75,000 | 13.7 – 21.8 |
| Net Income | 10,500 – 11,500 | (22.9) – (15.5) | 33,500 – 36,500 | 10.8 – 20.7 |
| Net Income per share | ¥16.21 – 17.76 | | ¥51.73 – 56.36 | |

Note: "Change %" indicates the percentage change compared to the previous full year for full-year forecasts and the previous interim period for interim forecasts.

## 4. Other

**1) Transfer of important subsidiaries during the period** (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): No

**2) Changes in accounting methods, procedures and presentation in the making of these financial statements** (Key items mentioned in "Significant Items for the Preparation of Consolidated Financial Statements")

(1) Changes in line with revision to accounting standards: Yes

(2) Other changes: No

Note: For details see page 25, "Significant Items for the Preparation of Consolidated Financial Statements."

**3) Number of shares outstanding (ordinary shares)**

(1) Number of shares outstanding at end of fiscal year (including treasury shares):

March 31, 2007: 649,981,740 shares    March 31, 2006: 649,981,740 shares

(2) Number of treasury shares at end of fiscal year

March 31, 2007: 2,334,244 shares    March 31, 2006: 2,053,808 shares

Note: See "Per share information" on page 37 for details on the number of outstanding shares used as the basis of calculation of net income per share.

Forward-looking statements, such as business forecasts, made in these financial statements 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 regarding our business forecasts, please refer to pages 4 to 9, "1. Operating Results, I. Analysis of Operating Results." Audits by the corporate auditors and certified public accountants have not been completed as of the publication date of these financial statements.

1. **Operating Results**

## I. Analysis of Operating Results

### 1. Consolidated results outline

*Billions of yen, rounded down*

| | Net Sales | Operating Income | Ordinary Income | Net Income |
|---|---|---|---|---|
| Fiscal year ended March 31, 2007 | 1,158.5 | 63.8 | 61.5 | 30.2 |
| Fiscal year ended March 31, 2006 | 1,106.8 | 60.3 | 61.4 | 34.9 |
| Change | 4.7% | 5.8% | 0.2% | (13.4%) |

**Overview of results for this period**

In the period under review, the Japanese economy continued its basic recovery trend, underpinned by factors including improved corporate profits and increased capital expenditure. Consumer spending, however, remained weak.

In the Japanese food industry the business environment remained severe as a result of the total population starting to decrease, the unseasonable weather having a major impact, and other factors.

Internationally, the U.S. economy continued its moderate expansion, despite the impact of rising crude oil prices and other factors. The Asian economy continued its expansion, led by investment-driven growth in China and other factors, and Europe continued its economic recovery.

Within this environment, based on its medium- to long-term management plan “A-dvance 10”, the Ajinomoto Group (“Ajinomoto” or “the Group”) focused its efforts on pursuing reforms on all levels throughout the entire Group, and extensively reducing costs and strengthening the business structure, aiming to be successful in the increasingly severe operating environment and to overcome competitive pressures.

Consolidated net sales for the fiscal year ended March 31, 2007 increased 4.7% (¥51.7 billion) year on year to ¥1,158.5 billion. Operating income increased 5.8% (¥3.4 billion) to ¥63.8 billion, and ordinary income increased 0.2% (¥0.1 billion) to ¥61.5 billion. Consolidated net income decreased 13.4% (¥4.6 billion) to ¥30.2 billion.

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

Note: All comparisons are with the previous fiscal year, ended March 31, 2006, unless otherwise stated.

**(1) Net sales**

Net sales rose 4.7%, or ¥51.7 billion, year on year to ¥1,158.5 billion. By region, sales in Japan rose 1.1% to ¥813.7 billion, while sales overseas rose 14.1% to ¥344.7 billion. Overseas, sales in Asia rose 14.0% to ¥134.8 billion, sales in America rose 20.7% to ¥92.5 billion, and sales in Europe rose 9.5% to ¥117.3 billion.

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

The cost of sales increased 4.2%, or ¥33.0 billion, to ¥828.0 billion. The ratio of cost of sales to net sales fell 0.3 percentage points to 71.5%, due to initiatives to reduce production costs, higher unit prices for umami seasoning

*AJI-NO-MOTO* mainly overseas, and the contribution from receipt of a one-off payment for drugs for treatment of diabetes, despite weak unit prices for feed-use amino acids and price increase in raw materials and fuels.

Selling, general and administrative expenses rose 6.0%, or ¥15.1 billion, from the year before to ¥266.6 billion. The main reason for this rise was increases in marketing costs, such as sales promotions, and research and development costs.

**(3) Operating income**

Operating income rose 5.8%, or ¥3.4 billion, from the year before to ¥63.8 billion. By region, operating income in Japan decreased 1.2% to ¥43.1 billion, while operating income from operations overseas increased 24.2% to ¥20.6 billion. The main reason for the domestic decrease in operating income was rising raw materials costs in the domestic foods business and upfront investment in the health-related business, which more than offset a strong performance by electronic materials and the contribution from receipt of a one-off payment for drugs for treatment of diabetes. Overseas, operating income in Europe declined substantially, strongly impacted by the lower unit prices of feed-use amino acids, while operating income in Asia and the Americas increased significantly, reflecting strong performance mainly in the overseas food business, and leading to the overall increase in operating income. Operating income in Asia increased 98.6% to ¥11.0 billion, operating income in America increased 27.5% to ¥5.5 billion, and operating income in Europe decreased 39.5% to ¥4.0 billion.

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

The difference between non-operating income and non-operating expenses was a negative figure of ¥2.2 billion, compared to a positive figure of ¥1.1 billion in the previous year. This was mainly the result of higher interest payments arising from an increase in interest-bearing debt, and recording of maintenance and administration expenses for an overseas subsidiary for which operations are currently suspended.

**(5) Ordinary income**

Ordinary income rose 0.2%, or ¥0.1 billion, year on year to ¥61.5 billion.

**(6) Extraordinary income**

Extraordinary income for the period under review was ¥6.9 billion, the same level as the year before. The main factor was a gain of ¥4.0 billion on the sale of investment securities (compared to ¥1.6 billion the year before). In addition, a gain of ¥1.1 billion was recorded on the sale of shares of affiliate companies as part of our drive to concentrate resources in core businesses.

**(7) Extraordinary losses**

Extraordinary losses were ¥12.8 billion, compared to ¥11.2 billion the year before. Loss on disposal of fixed assets was ¥4.6 billion in the previous year, but this fiscal year was ¥7.7 billion, due to relocation of facilities in line with the establishment of new production facilities and research institutes and other factors. Impairment losses of ¥1.7 billion were recorded, mainly on plant facilities of overseas consolidated subsidiaries.

**(8) Net income**

Net income for the period under review fell 13.4%, or ¥4.6 billion, to ¥30.2 billion. The effective tax rate rose from 33.8% the previous year to 39.9%, as a result of the recording of impairment losses and a reduction of tax exemptions at the non-consolidated level. Net income per share for the year was ¥46.70, compared to ¥53.64 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 ¥28.0 billion, operating income by ¥1.8 billion, ordinary income by ¥1.7 billion, and net income by ¥0.8 billion. 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.

## Consolidated operating results by segment

Note: All comparisons are with the previous fiscal year, ended March 31, 2006, unless otherwise stated.

*Billions of yen, rounded down*

| | Net Sales | YoY Change - amount | YoY Change - percent | Operating Income | YoY Change - amount | YoY Change - percent |
|---|---|---|---|---|---|---|
| Domestic food products | 617.1 | 8.5 | 1.4 | 27.7 | (4.0) | (12.9) |
| Overseas food products | 127.7 | 28.1 | 28.3 | 10.1 | 5.1 | 102.4 |
| Amino acids | 271.4 | 15.6 | 6.1 | 14.9 | 0.1 | 1.1 |
| Pharmaceuticals | 83.3 | 0.0 | 0.1 | 15.7 | 3.1 | 25.4 |
| Other | 58.8 | (0.7) | (1.3) | 2.8 | (0.3) | (12.0) |

Notes:

1. For the main products of each business segment, please refer to "Segment Information, 1. Segment information by business, Note 2: Main products for each business segment" (page 29).
2. Domestic sales of amino acid supplement *amino VITAL* and domestic sales of low-calorie sweetener for home use and the restaurant market are included in domestic food products.
3. Frozen food products of the Amoy Food Group (Hong Kong) are classified in domestic food products.
4. Domestic and overseas sales of *AJI-NO-MOTO* and nucleotides for use in the food processing business are included in amino acids.
5. Expenses relating to our administrative operating divisions and research institutes are partly recorded in Corporate and Eliminations. For details, please refer to Segment Information, 1. Segment information by business.

### (1) Domestic food products

Domestic food product sales increased 1.4%, or ¥8.5 billion, to ¥617.1 billion. Operating income decreased 12.9%, ¥4.0 billion, to ¥27.7 billion. The increase in sales came as a result of the contribution from coffee as well as the new consolidation of GABAN Co., Ltd. and the frozen foods business of the Amoy Food Group, etc., which was offset by lower sales of lunchboxes, prepared dish products and beverages. Operating income was lower, due to the higher cost of raw materials, upfront investment in health-related business, and other factors.

**Seasonings and processed foods:** In the retail market, despite the impact of the warm winter, sales of seasoning product *HON-DASHI* and consommé were maintained at the same level as the previous year, supported by promotion activities integrated with advertising for the Japanese, Western and Chinese dashi product range, and sales of Chinese dashi progressed favorably. Revenue from sales of *AJI-NO-MOTO* decreased. Although sales of *Knorr Cup Soup* were maintained at the same levels as the previous year, overall soup sales decreased slightly, due to sales of *Knorr Soup Pasta* and others declining significantly. Sales of the *Cook Do* line were maintained at the same level as the previous year, supported by a renewal of the product line, despite the rise in price of vegetables, which are used with *Cook Do* products. Sales of mayonnaise and mayonnaise-type dressings were slightly lower than in the previous year, but sales of *Pure Select Saralear* increased significantly. Sales of *Kellogg's* products increased slightly.

In the commercial market, although sales of mayonnaise and mayonnaise-type dressings were maintained at the same level as the previous year, sales of *HON-DASHI* products were slightly lower. Revenue from sales of *ACTIVA*, an enzyme (transglutaminase) that improves food texture, to food processing companies increased, and sales of savory seasoning products increased marginally.

**Sweeteners and Nutritional foods:** In low-calorie sweeteners for home and restaurant use, sales increased driven by good sales of *PAL SWEET Calorie Zero.* Revenue from sales of amino acid supplement *amino VITAL* was lower, reflecting lower sales of the jelly drink type, although sales of granulated products maintained the same level as the previous year.

**Delicatessen and Bakery products:** Revenue from sales of lunchboxes and prepared dish delicatessen products were significantly lower than in the previous year. Bakery product sales declined.

**Frozen foods:** In products for the retail market, sales of *Ebi Shumai* and *Ebi Pilaf* were at the same level as the previous year, but sales of *Gyoza* and *Yawaraka Wakadori Kara-Age* were strong, resulting in overall sales increasing slightly. Sales for restaurant and institutional use increased, mainly due to the growth in sales of dessert products and rice products such as pilaf, supported by a heightened focus on products by restaurant or institutional type.

**Edible oils:** Sales decreased slightly compared to the previous year, despite strong sales of *Canola Oil*.

**Coffee, Beverages, Dairy products**: Sales of instant coffee increased steadily, as did sales of liquid coffee such as *Blendy* bottled coffee, but sales of regular coffee were slightly lower than the previous year.

Revenue from beverage sales decreased, with strong sales growth in *evian* offset by weak sales of other beverages and related products as a result of the unseasonable weather.

Chilled dairy product sales increased, with significantly higher sales of *BIO* resulting from active investment in advertising.

**(2) Overseas food products**

Overseas food product sales increased 28.3%, or ¥28.1 billion, to ¥127.7 billion. Operating income increased 102.4%, or ¥5.1 billion, to ¥10.1 billion. The major increases in revenue and income were driven by significant growth in sales of flavor seasonings in Asia and South America, higher unit prices of seasoning products, and the favorable impact of foreign exchange fluctuations. The consolidation of the seasonings business of the Amoy Food Group also contributed to increased revenues.

**Seasonings:** In Asia, sales of *AJI-NO-MOTO* for home use and restaurant use increased substantially, due partly to raising product prices in the previous year, and sales of flavor seasonings for home use grew significantly. In the Americas, revenue from sales of flavor seasonings for home use in South America was much higher than in the previous year. In Europe and Africa, retail sales of *AJI-NO-MOTO* grew strongly in West African nations. Overall, exchange rate fluctuations during the year also contributed to the increased revenue.

**Processed foods:** In Asia, sales of instant noodles increased significantly and revenue from sales of *Birdy* canned coffee also improved year on year, partly due to the impact of exchange rates.

### (3) Amino acids

Sales in the amino acids business increased 6.1%, or ¥15.6 billion, to ¥271.4 billion. Operating income increased 1.1%, or ¥0.1 billion, to ¥14.9 billion. In the feed-use amino acids business, sales increased but operating income deceased, with a sales volume increase, lower unit prices of feed-use Threonine, and higher energy and raw material costs. In the umami seasonings for processed food manufacturers business, certain overseas subsidiaries were excluded from consolidation. However, the overall revenue and operating income increased, with contributions from electronic materials and others.

**Umami seasonings for processed food manufacturers:** Revenue from sales of *AJI-NO-MOTO* to the food processing industry increased in Japan, and overseas sales performed well, partly due to higher unit prices. However, the impact from the exclusion from consolidation of certain overseas subsidiaries led to a major fall in revenue. Sales of nucleotides increased significantly, mainly to major overseas customers.

**Feed-use amino acids:** Revenue from sales of Lysine increased, mainly in Asia and the Americas. Sales of Threonine fell substantially, due to lower unit prices, while sales of Tryptophan grew substantially.

**Amino Acids for pharmaceuticals and foods:** In Japan, sales decreased year on year due to a major decrease in demand for amino acids for beverages. Overseas, sales of amino acids for pharmaceuticals were strong in North America and Europe.

**Sweeteners:** Sales of sweeteners to the processing industry increased significantly, driven particularly by sales to major customers. In South America, sales of powdered juice *Refresco MID*, which contains aspartame, increased significantly over the previous year, partly due to the impact of exchange rates.

**Pharmaceutical fine chemicals:** Sales of pharmaceutical fine chemicals were strong, supported by the contribution from sales in Europe.

**Specialty chemicals:** Sales of cosmetic ingredients were strong, due partly to a major increase in revenue from sales to North America. Sales of amino acid-based cosmetic *Jino* and sales of insulation film for build-up printed wiring board both continued to post major growth.

### (4) Pharmaceuticals

Pharmaceutical sales increased 0.1%, or ¥98 million, to ¥83.3 billion. Operating income increased 25.4%, or ¥3.1 billion, to ¥15.7 billion. Sales of products distributed by Ajinomoto itself were lower than in the previous year. The increases in revenue and income are mainly attributable to the contribution from the receipt of one-off payment for drugs for treatment of diabetes.

For sales of products distributed by Ajinomoto itself, medical foods and peripheral nutrition infusion *TWINPAL* contributed to sales, but sales of other infusions such as *SOLITA* and *PNTWIN* decreased. Sales of *LIVACT*, a branched-chain amino acids formula for the treatment of liver cirrhosis, also decreased slightly. For sales under cooperative agreements, sales of nateglinide products such as non-insulin-dependent diabetes treatment *FASTIC,* sales of *ATELEC*, an antihypertensive drug, and sales of *ACTONEL*, a preparation used in the treatment of osteoporosis, all increased substantially, while the receipt of one-off payments for drugs for treatment of diabetes also contributed.

### (5) Other

Sales in this segment decreased 1.3%, or ¥0.7 billion, to ¥58.8 billion. Operating income decreased 12.0%, ¥0.3 billion, to ¥2.8 billion.

## 2. Outlook for the Fiscal Year Ending March 31, 2008

*Billions of yen, rounded down*

| | Net Sales | Operating Income | Ordinary Income | Net Income |
|---|---|---|---|---|
| FY ending March 31, 2008 | 1,210.0 | 75.0 – 80.0 | 70.0 – 75.0 | 33.5 – 36.5 |
| FY ended March 31, 2007 | 1,158.5 | 63.8 | 61.5 | 30.2 |
| Increase | 4.4% | 17.6 – 25.4% | 13.7 – 21.8% | 10.8 – 20.7% |

The Japanese economy is expected to continue its recovery, supported by domestic private-sector demand, despite a slight deceleration in the rise in consumer spending. Internationally, widespread economic expansion is also expected to continue, although there are causes for concern about the Japanese economy and overseas economies, such as the impact of the slowing down of the US economy, crude oil and raw materials prices movements, and foreign exchange market fluctuations.

Given such conditions, in domestic food products Ajinomoto aims to boost sales of core products and further improving profitability through reducing production costs. In overseas food products Ajinomoto will focus on expanding sales of seasonings and developing its processed foods operations. In amino acids Ajinomoto intends to enhance production capabilities in response to growing demand and utilize the Group's technical expertise to further boost profitability. In pharmaceuticals Ajinomoto will seek to boost sales of top brands while working to maximize efficiencies in production and distribution and further reduce costs.

Our operating income target for the fiscal year ending March 31, 2008 for feed-use amino acids, which is part of the amino acids business, is ¥5.0-10.0 billion. This business is characterized by the significant influence exerted on the feed-use amino acid supply and demand balance by external factors, such as fluctuating markets for corn, soybean meal, and other grains, and competing companies opening new or additional facilities or withdrawing, factors which also influence prices and sales volumes. In projecting the impact of these factors, we assumed a lower limit of 1.5 U.S. dollars/kg (on a CIF basis) and an upper limit of 1.6 U.S. dollars/kg for the price of feed-use Lysine, a key product of the feed-use amino acid business. The variation in profit depending on whether prices are at the lower or upper limit would be approximately ¥4.0 billion, and combined with the other products of this business, we are assuming a profit variation of around ¥5.0 billion for the full year and approximately ¥2.0 billion for the fiscal first half.

As a result of the above, Ajinomoto forecasts consolidated sales for the fiscal year ending March 31, 2008 to increase 4.4% to ¥1,210.0 billion, and operating income to increase 17.6 – 25.4% to ¥75.0 – 80.0 billion. Ordinary income is forecast to increase 13.7 – 21.8% to ¥70.0 – ¥75.0 billion, with net income increasing 10.8 – 20.7% to ¥33.5 – 36.5 billion.

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

## II. Analysis of Financial Position

### 1. Overview of year under review

**Financial position as of March 31, 2007**

Total assets as of March 31, 2007 were ¥1,061.6 billion, ¥64.2 billion more than the ¥997.4 billion recorded one year earlier. The amount of marketable securities recorded on the balance sheet decreased, but the key factors contributing to this overall increase include the higher value recorded from the assets of overseas subsidiaries due to the weakening of the yen, and increased operating assets, capital expenditure, and others in line with expansion of the earnings foundation.

Total interest-bearing debt was ¥151.2 billion, ¥5.5 billion higher than March 31, 2006, due to procuring funds for capital and other investment partly through borrowing, and other factors.

Net assets increased ¥78.8 billion compared to March 31, 2006, due to factors such as the inclusion of minority interests as a result of the change in accounting treatment and higher operating revenue. Shareholders' equity, which is net assets minus minority interests, was ¥563.4 billion, and the shareholders' equity ratio was 53.1%.

**Summary of consolidated cash flow**

*Billions of yen, rounded down*

| | FY ended March 31, 2007 | FY ended March 31, 2006 | Change |
|---|---|---|---|
| Net cash provided by operating activities | 75.7 | 55.1 | 20.5 |
| Net cash used in investing activities | (67.9) | (83.7) | 15.8 |
| Net cash provided by (used in) financing activities | (5.5) | 6.6 | (12.1) |
| Effect of exchange rate changes on cash and cash equivalents | 4.7 | 3.9 | (0.8) |
| Increase (decrease) in cash and cash equivalents | 7.0 | (17.9) | 25.0 |
| Increase in initial balance due to change in scope of consolidation | 0.1 | 0.1 | 0.0 |
| Decrease in initial balance due to change in scope of consolidation | (0.8) | -- | (0.8) |
| Cash and cash equivalents at end of period | 81.4 | 75.1 | 6.3 |

Net cash provided by operating activities increased ¥20.5 billion over the previous year to ¥75.7 billion. The main factors behind this increase were higher operating income and lower income taxes paid.

Net cash used in investing activities was ¥67.9 billion. This decrease mainly reflects the acquisition during the previous year of shares in Amoy Food Group.

Net cash used in financing activities was ¥5.5 billion.

As a result of the foregoing, cash and cash equivalents at March 31, 2007 was ¥81.4 billion, an increase of ¥6.3 billion compared to March 31, 2006.

## 2. Trends in Cash Flow-related Indices

| | FY ended March 31, 2007 | FY ended March 31, 2006 | FY ended March 31, 2005 | FY ended March 31, 2004 |
|---|---|---|---|---|
| Equity ratio (%) | 53.1 | 53.0 | 51.7 | 49.1 |
| Equity ratio based on market price (%) | 82.7 | 81.7 | 93.8 | 92.2 |
| Ratio of interest-bearing debt to cash flow (%) | 216.3 | 287.0 | 166.7 | 242.3 |
| Interest coverage ratio (times) | 19.4 | 21.2 | 28.7 | 22.0 |

Notes:

1. All indices are calculated from consolidated financial results figures.
2. Shareholders' equity ratio = (Net assets – minority interests)/total assets
3. Shareholders' 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. Ratio of interest-bearing debt to cash flow: Interest-bearing debt (including customers' deposits received) /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. Basic Policy regarding Allocation of Profits and Dividends for Fiscal Year Ended March 31, 2007 and Fiscal Year Ending March 31, 2008

Ajinomoto Co., Inc. (the Company) made a stable dividend payment of ¥10 per share from 1962 onwards, but since fiscal 2002 has adopted the basic principle of making stable and sustainable dividend payments that take into account progress towards achieving medium-term management plan goals and consolidated performance for the period concerned. From the fiscal year ended March 31, 2003 onward the annual dividend has been increased by ¥1 over each previous year, and plans to provide an annual dividend of ¥15 per share, including an interim dividend of ¥7 per share, for the fiscal year ended March 31, 2007. For the fiscal year ending March 31, 2008, it is planned to further increase the dividend by ¥1 to ¥16 per share, with an interim dividend payment of ¥8 per share. Subsequent to the enforcement of the Corporate Act on May 1, 2006, we will continue to pay dividends twice a year, 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 an 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.

## IV. Operational Risk

Operational risks faced by Ajinomoto that could affect its performance and financial position, including the share price of Ajinomoto Co., Inc., are outlined as follows. Future risks outlined in this document are as judged by the Group as of March 31, 2007.

**(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 102 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, 2006 and March 31, 2007 sales to outside parties in countries other than Japan (i.e. Asia, the Americas and Europe) were ¥302.1 billion and ¥344.7 billion respectively, comprising 27.3% and 29.8% of consolidated sales. Operating income derived from these regions in the same periods was ¥16.6 billion and ¥20.6 billion, comprising 27.6% and 32.4% 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.

**(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 overseas markets. Some of the risks accompanying this development are as follows, and each of the foreseeable risks outlined could impact on Group performance if they occur.

- Unforeseen implementation of or changes to regulations, such as unfavorable taxation
- Unforeseen and unfavorable economic or political situations
- Social disruption brought about by events such as terrorism, war, or epidemics
- Natural disasters such as earthquakes

**(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**

The Group is now involved in lawsuits and other incidents in and outside of Japan. In addition, the Group has been diversifying and expanding its business in and to a larger number of countries and there thus is a possibility that the Group will be involved in unexpected new lawsuits, complaints and other incidents.

The incidents in which the Group is currently involved include lawsuits brought in the United States claiming damages on the ground of violation of U.S. anti-trust law by persons who allegedly purchased aspartame, and by persons who allegedly purchased nucleotides or MSG outside the United States, and lawsuits brought in France by persons who allegedly purchased feed-use Lysine claiming damages on the ground of violation of EU competition law. Of these, the aspartame cases are still at a preliminary stage and the amounts of damages claimed are not specified in these cases. In the nucleotides and MSG cases, the Group won at the U.S. Court of Appeals in February 2007 successively to the earlier first instance judgment in its favor. In the feed-use Lysine cases in France, the total amount of the damages claimed is 2,435,000 euro.

In Brazil, an investigation is currently under way on the ground of possible violation of Brazil's antitrust law in relation to the sale of feed-use Lysine in or prior to 1995.

These kinds of incidents entail uncertainty and it is therefore difficult to foresee the outcomes of the current and future incidents in which the Group is or might be involved. Developing on their outcomes, the Group may possibly be affected.

**(7) Changes in cost of raw materials**

The prices of certain raw materials and energy resources including crude oil used by Ajinomoto are liable to fluctuate according to market conditions. The number of factors influencing fluctuations in raw material prices is increasing, including poor crop harvests due to unseasonable weather resulting from global warming, and higher prices of grain caused by rising demand for ethanol. In cases where higher manufacturing costs resulting from significant price rises cannot be absorbed by reducing costs with technical developments or other reforms, or in situations where higher costs cannot be reflected in unit prices, an adverse impact on Group performance may occur.

**(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.

## 2. Current State of the Ajinomoto Group

The Ajinomoto Group is made up of Ajinomoto Co., Inc., along with 150 subsidiaries and 21 affiliates. The Group is engaged in manufacturing and marketing of domestic seasonings and processed foods, frozen foods, edible oils, beverages and 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 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., ◊ YAMAKI 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.[1] |
| | Beverages, Dairy Products | ◊ Calpis Co., Ltd.,[1] ◊ Ajinomoto General Foods, Inc. |
| Overseas Food Products | Seasonings and Processed Foods | Ajinomoto Co., (Thailand) Ltd., Amoy Food Ltd., PT Ajinomoto Indonesia, ◊ Nissin-Ajinomoto Alimentos Ltda., AJINOMOTO PHILIPPINES CORPORATION, Ajinomoto Calpis Beverage (Thailand) Co., Ltd., Ajinomoto Vietnam Co., Ltd., Ajinomoto Sales (Thailand) Ltd., Ajinomoto (China) Co., 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 Sweeteners Europe S.A.S. |
| | 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, ZAO "AJINOMOTO-GENETIKA Research Institute" |

Note: 1. Companies within the Group that are listed on securities exchanges within Japan are:

First section of the Tokyo and Osaka exchanges: J-OIL MILLS, INC., Calpis Co., Ltd.

JASDAQ: GABAN Co., Ltd.

## 3. 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. 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, operating income of ¥150 billion, and an operating profit margin higher than 10%.

### 3. Tasks Ahead

Our Group philosophy is “with a global perspective we aim to contribute to significant advances in food and health and ultimately to create a better life for all”. To achieve this, since fiscal 2005 we have been implementing our management plan for fiscal 2005-2010, “A-dvance 10 – Laying the foundations for the next 100 years”. The plan identifies the core strategies: Global Management; Innovative Management; Group Management; and CSR Management (management in accord with our social responsibilities as a corporation).

However, the current operating environment, two years after we started the plan, has changed significantly from the operating environment at the time of its formulation. Rising energy prices due to high crude oil prices, and rising prices of main and sub raw materials are raising production costs at our plants and serving as a major downward pressure on profits.

Meanwhile, intensifying competition in the fermented materials business, particularly in feed-use Lysine, due to the full-fledged entry of competing Chinese manufacturers, relatively lower export competitiveness resulting from exchange rate fluctuations in overseas manufacturing bases such as Brazil, the slowdown in growth of the domestic foods market, and the downturn in the domestic pharmaceuticals market due to the NHI price revisions are having considerable influence on our related businesses.

Given such circumstances, in the short term the entire Ajinomoto Group is pursuing reform at all levels, not only through introduction of innovative new technologies but also through R&D, production, sales, corporate and other reform, and aiming to extensively reduce all kinds of costs and strengthen the business structure in order to overcome the increasingly intense competition.

In the medium term, we intend to relentlessly create new technologies, and by combining these new technologies with new business models develop new product groups with high value added components, thus strengthening our various businesses.

In particular, regarding the health and nutrition business, a field where we expect future expansion, we aim to concentrate the Group’s overall strength on developing original health materials, and to leverage them to expand our business.

Furthermore, we will proceed with further selection and concentration of our businesses by regularly reviewing our business portfolio, and further strengthen our business structure through concentrated allocation of management resources to priority businesses.

AJINOMOTO®

## 4. Consolidated Financial Statements

### Consolidated Balance Sheets

*Millions of yen, rounded down*

| | As of March 31, 2007 | % | As of March 31, 2006 | % | Increase (Decrease) |
|---|---|---|---|---|---|
| **Assets** | | % | | % | |
| **Current assets** | | | | | |
| Cash on hand and in banks | 81,958 | | 72,168 | | 9,789 |
| Notes & accounts receivable | 206,228 | | 196,967 | | 9,261 |
| Marketable securities | 32 | | 4,228 | | (4,195) |
| Inventories | 122,652 | | 108,324 | | 14,328 |
| Deferred tax assets | 11,442 | | 10,787 | | 655 |
| Other | 38,955 | | 34,640 | | 4,314 |
| Allowance for doubtful accounts | (1,144) | | (1,125) | | (18) |
| Total current assets | 460,126 | 43.3 | 425,991 | 42.7 | 34,135 |
| **Fixed assets** | | | | | |
| **Tangible fixed assets** | | | | | |
| Buildings and structures | 312,585 | | 272,416 | | 40,168 |
| Machinery and vehicles | 496,534 | | 452,736 | | 43,798 |
| Other | 59,056 | | 54,120 | | 4,936 |
| Accumulated depreciation | (571,773) | | (540,184) | | (31,588) |
| Land | 59,708 | | 55,611 | | 4,097 |
| Construction in process | 29,818 | | 47,250 | | (17,432) |
| Total tangible fixed assets | 385,928 | 36.4 | 341,950 | 34.3 | 43,978 |
| **Intangible fixed assets** | | | | | |
| Goodwill | 38,497 | | 43,194 | | (4,696) |
| Other | 25,402 | | 25,311 | | 91 |
| Total intangible fixed assets | 63,900 | 6.0 | 68,505 | 6.9 | (4,605) |
| **Investment and other assets** | | | | | |
| Investment in securities | 134,366 | | 146,151 | | (11,784) |
| Long-term loans receivable | 409 | | 184 | | 225 |
| Deferred tax assets | 7,485 | | 6,616 | | 869 |
| Other | 10,335 | | 8,692 | | 1,642 |
| Allowance for doubtful accounts | (863) | | (687) | | (176) |
| Total investment and other assets | 151,733 | 14.3 | 160,957 | 16.1 | (9,224) |
| Total fixed assets | 601,561 | 56.7 | 571,413 | 57.3 | 30,148 |
| **Total Assets** | **1,061,688** | **100.0** | **997,405** | **100.0** | 64,283 |

## Consolidated Balance Sheets

*Millions of yen, rounded down*

| | As of March 31, 2007 | % | As of March 31, 2006 | % | Increase (Decrease) |
|---|---|---|---|---|---|
| **Liabilities** | | % | | % | |
| **Current liabilities** | | | | | |
| Notes & accounts payable | 122,029 | | 109,092 | | 12,937 |
| Short-term borrowings | 27,734 | | 24,851 | | 2,882 |
| Commercial paper | -- | | 10,000 | | (10,000) |
| Long-term loans due to be repaid within one year | 401 | | 410 | | (9) |
| Corporate bonds to be redeemed within one year | 15,000 | | -- | | 15,000 |
| Accrued income taxes | 12,122 | | 7,274 | | 4,848 |
| Accrued bonuses | 4,297 | | 3,897 | | 400 |
| Accrued bonuses for directors | 177 | | -- | | 177 |
| Other | 84,690 | | 82,314 | | 2,375 |
| Total current liabilities | 266,453 | 25.1 | 237,840 | 23.8 | 28,612 |
| **Long-term liabilities** | | | | | |
| Bonds | 70,000 | | 85,000 | | (15,000) |
| Long-term debt | 38,088 | | 25,382 | | 12,706 |
| Deferred tax liabilities | 5,186 | | 9,076 | | (3,890) |
| Accrued employees' retirement benefits | 51,421 | | 57,234 | | (5,812) |
| Accrued officers' severance benefits | 2,201 | | 1,607 | | 593 |
| Allowance for environmental measures | 214 | | -- | | 214 |
| Other | 20,538 | | 19,856 | | 681 |
| Total long-term liabilities | 187,650 | 17.7 | 198,157 | 19.9 | (10,506) |
| **Total liabilities** | 454,103 | 42.8 | 435,997 | 43.7 | 18,105 |
| **Net assets** | | | | | |
| **Owners' equity** | | | | | |
| Common stock | 79,863 | 7.5 | -- | -- | -- |
| Capital surplus | 111,581 | 10.5 | -- | -- | -- |
| Retained earnings | 365,791 | 34.5 | -- | -- | -- |
| Treasury stock | (2,902) | (0.3) | -- | -- | -- |
| Total owners' equity | 554,334 | 52.2 | | | |
| **Valuation, translation adjustments and others** | | | | | |
| Unrealized holding gain on securities | 15,633 | 1.5 | -- | -- | -- |
| Unrealized gain from hedging instruments | 27 | 0.0 | -- | -- | -- |
| Translation adjustments | (6,549) | (0.6) | -- | -- | -- |
| Total valuation, translation adjustments and others | 9,111 | 0.9 | -- | -- | -- |
| **Minority interests** | 44,138 | 4.1 | -- | -- | -- |
| **Total net assets** | 607,584 | 57.2 | -- | -- | -- |
| **Total liabilities & net assets** | **1,061,688** | **100.0** | **--** | **--** | **--** |

| | | | | | |
|---|---|---|---|---|---|
| **Minority interests** | | | | | |
| Minority interests | -- | -- | 32,644 | 3.3 | -- |
| **Shareholders' equity** | | | | | |
| Common stock | -- | -- | 79,863 | 8.0 | -- |
| Capital surplus | -- | -- | 111,579 | 11.2 | -- |
| Retained earnings | -- | -- | 341,528 | 34.2 | -- |
| Unrealized holding gains on securities | -- | -- | 23,848 | 2.4 | -- |
| Translation adjustments | -- | -- | (25,547) | (2.6) | -- |
| Treasury stock | -- | -- | (2,510) | (0.2) | -- |
| Total shareholders' equity | -- | -- | 528,762 | 53.0 | -- |
| **Total liabilities, minority interests and shareholders' equity** | **--** | **--** | **997,405** | **100.0** | **--** |

## Consolidated Statements of Income

*Millions of yen, rounded down*

| | FY Ended Mar. 31, 2007 | | FY Ended Mar. 31, 2006 | | Increase (Decrease) |
|---|---|---|---|---|---|
| Net sales | 1,158,510 | 100.0 | 1,106,807 | 100.0 | 51,702 |
| Cost of sales | 828,050 | 71.5 | 795,007 | 71.8 | 33,042 |
| Gross profit | 330,459 | 28.5 | 311,799 | 28.2 | 18,660 |
| Selling, general and administrative expenses | 266,658 | 23.0 | 251,476 | 22.7 | 15,182 |
| Operating income | 63,800 | 5.5 | 60,322 | 5.5 | 3,478 |
| **Non-operating income** | | | | | |
| Interest received | 1,784 | | 1,287 | | 496 |
| Dividends received | 825 | | 1,279 | | (453) |
| Equity in earnings of affiliates | 3,920 | | 3,703 | | 217 |
| Miscellaneous income | 4,606 | | 3,793 | | 812 |
| Total non-operating income | 11,137 | 1.0 | 10,064 | 0.9 | 1,072 |
| **Non-operating expenses** | | | | | |
| Interest expense | 5,008 | | 3,292 | | 1,715 |
| Miscellaneous losses | 8,340 | | 5,645 | | 2,964 |
| Total non-operating expenses | 13,348 | 1.2 | 8,938 | 0.8 | 4,409 |
| Ordinary income | 61,589 | 5.3 | 61,448 | 5.6 | 141 |
| **Extraordinary income** | | | | | |
| Gain on sale of fixed assets | 373 | | 4,339 | | (3,966) |
| Profit on sale of investment securities sold | 4,093 | | 1,634 | | 2,459 |
| Gain on sale of affiliates' stock | 1,199 | | 0 | | 1,198 |
| Other | 1,324 | | 1,007 | | 317 |
| Total extraordinary income | 6,990 | 0.6 | 6,981 | 0.6 | 9 |
| **Extraordinary losses** | | | | | |
| Loss on disposal of fixed assets | 7,725 | | 4,699 | | 3,026 |
| Loss on impairment of fixed assets | 1,769 | | -- | | 1,769 |
| Loss on valuation of investment securities | 121 | | 92 | | 29 |
| Retirement benefit expenses | 303 | | 1,118 | | (815) |
| Other | 2,939 | | 5,351 | | (2,411) |
| Total extraordinary losses | 12,859 | 1.1 | 11,261 | 1.0 | 1,597 |
| Net income before income taxes | 55,721 | 4.8 | 57,169 | 5.2 | (1,447) |
| Income taxes – current | 22,125 | 1.9 | 15,800 | 1.4 | 6,324 |
| Income taxes – deferred | 118 | 0.0 | 3,510 | 0.3 | (3,391) |
| Minority interests | 3,248 | 0.3 | 2,945 | 0.3 | 303 |
| **Net income** | **30,229** | **2.6** | **34,912** | **3.2** | (4,683) |

## Consolidated Statements of Changes in Net Assets

| *Millions of yen, rounded down* | Owners' Equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total owners' equity |
| **Balances as of March 31, 2006** | 79,863 | 111,579 | 341,528 | (2,510) | 530,461 |
| Changes in fiscal year ended March 31, 2007 | | | | | |
| Dividends distributed from retained earnings... | | | (4,535) | | (4,535) |
| Bonuses to directors and statutory auditors..... | | | (156) | | (156) |
| Dividends from surplus (interim dividends)...... | | | (4,534) | | (4,534) |
| Net income ................................................... | | | 30,229 | | 30,229 |
| Increase in retained earnings from changes in accounting standard for fixed assets at an overseas subsidiary ....................................... | | | 3,308 | | 3,308 |
| Pension liability adjustment for an overseas subsidiary ....................................................... | | | (21) | | (21) |
| Decrease due to decrease in equity method affiliates .......................................................... | | | (26) | 13 | (12) |
| Purchase of treasury stock.............................. | | | | (439) | (439) |
| Disposal of treasury stock ............................... | | 2 | | 33 | 35 |
| Net changes in items other than those in owners' equity ................................................ | | | | | |
| **Total of changes in fiscal year ended March 31, 2007** | -- | 2 | 24,262 | (392) | 23,873 |
| **Balances as of March 31, 2007** | 79,863 | 111,581 | 365,791 | (2,902) | 554,334 |

| *Millions of yen, rounded down* | Valuation, Translation Adjustments and Others | | | | **Minority Interests** | **Total Net Assets** |
|---|---|---|---|---|---|---|
| | Unrealized holding gain on securities | Unrealized gain from hedging instruments | Translation adjustments | Total valuation, translation adjustments and others | | |
| **Balances as of March 31, 2006** | 23,848 | -- | (25,547) | (1,699) | 32,644 | 561,407 |
| Changes in fiscal year ended March 31, 2007 | | | | | | |
| Dividends distributed from retained earnings ................................................ | | | | | | (4,535) |
| Bonuses to directors and statutory auditors ................................................. | | | | | | (156) |
| Dividends from surplus (interim dividends).............................................. | | | | | | (4,534) |
| Net income ............................................ | | | | | | 30,229 |
| Increase in retained earnings from changes in accounting standard for fixed assets at an overseas subsidiary ... | | | | | | 3,308 |
| Pension liability adjustment for an overseas subsidiary .............................. | | | | | | (21) |
| Decrease due to decrease in equity method affiliates.................................... | | | | | | (12) |
| Purchase of treasury stock..................... | | | | | | (439) |
| Disposal of treasury stock ...................... | | | | | | 35 |
| Net changes in items other than those in owners' equity .................................... | (8,215) | 27 | 18,998 | 10,810 | 11,493 | 22,304 |
| **Total of changes in fiscal year ended March 31, 2007** | (8,215) | 27 | 18,998 | 10,810 | 11,493 | 46,177 |
| **Balances as of March 31, 2007** | 15,633 | 27 | (6,549) | 9,111 | 44,138 | 607,584 |

## Consolidated Statements of Surplus

| | *Millions of yen, rounded down* |
|---|---|
| | As of March 31, 2006 |
| **Capital surplus** | |
| **Capital surplus at beginning of the year ........................** | **111,579** |
| **Decrease in capital surplus from:** | |
| Loss from sale of treasury stock.................................... | 0 |
| **Capital surplus at end of the year ..................................** | **111,579** |
| | |
| **Retained earnings** | |
| **Retained earnings at the beginning of the year.............** | **315,981** |
| **Increase in retained earnings from:** | |
| Net income ........................................................................ | 34,912 |
| Other ................................................................................. | 7 |
| **Total increase in retained earnings................................** | **34,920** |
| **Decrease in retained earnings from:** | |
| Dividends ......................................................................... | 9,073 |
| Directors' bonuses ............................................................ | 206 |
| Proceeds from sale of treasury stock................................ | 1 |
| Other ................................................................................. | 91 |
| **Total decrease in retained earnings ..............................** | **9,372** |
| **Retained earnings at end of the year ............................** | **341,528** |

# Consolidated Statements of Cash Flows

*Millions of yen, rounded down*

| | FY Ended Mar. 31, 2007 | FY Ended Mar. 31, 2006 |
|---|---|---|
| **I. Cash flows from operating activities** | | |
| Income before income taxes and minority interests | 55,721 | 57,169 |
| Depreciation and amortization | 45,138 | 40,341 |
| Loss on impairment of fixed assets | 1,769 | -- |
| Amortization of goodwill | 4,650 | 4,421 |
| Increase (decrease) in allowance for doubtful accounts | 145 | 53 |
| Increase (decrease) in accrued bonuses | 240 | 694 |
| Increase (decrease) in accrued bonuses for directors | 177 | -- |
| Increase (decrease) in accrued employees' retirement benefits | (6,236) | (6,326) |
| Increase (decrease) in accrued officers' severance benefits | 500 | (255) |
| Increase (decrease) in allowance for environmental measures | 214 | -- |
| Interest and dividend income | (2,610) | (2,567) |
| Interest expense | 5,008 | 3,292 |
| Equity in earnings of affiliates | (3,920) | (3,703) |
| Loss (gain) on sales of investment securities | (4,092) | (1,634) |
| Loss on revaluation of securities | 121 | 92 |
| Loss (gain) on sale and disposal of tangible fixed assets | 7,485 | 1,723 |
| Loss (gain) on sale of shares of affiliates | (1,188) | 319 |
| Decrease (increase) in notes and accounts receivable | (4,598) | (1,734) |
| Increase (decrease) in notes and accounts payable | 8,957 | (612) |
| Decrease (increase) in inventories | (10,643) | (4,704) |
| Increase (decrease) in accrued consumption tax | (3,537) | (3,242) |
| Bonus for directors | (156) | (206) |
| Other | 555 | (2,233) |
| **Sub-total** | **93,700** | **80,887** |
| Interest and dividends received | 3,610 | 4,375 |
| Interest paid | (3,899) | (2,596) |
| Settlements paid | (1,993) | -- |
| Income taxes paid | (15,654) | (27,490) |
| **Net cash provided by operating activities** | **75,764** | **55,174** |
| **II. Cash flows from investing activities** | | |
| Acquisition of tangible fixed assets | (72,201) | (62,628) |
| Proceeds from sale of tangible fixed assets | 604 | 9,862 |
| Acquisition of intangible assets | (4,001) | (9,317) |
| Acquisition of investment securities | (424) | (1,993) |
| Proceeds from sale of investment securities | 8,783 | 3,521 |
| Acquisitions of subsidiaries' stock resulting in change in scope of consolidation | -- | (19,866) |
| Proceeds from sales of subsidiaries' stock resulting in change in scope of consolidation | 2,299 | 254 |
| Acquisition of shares of affiliates | (6,400) | (2,379) |
| Proceeds from sale of shares of affiliates | 2,742 | 5 |
| Purchase of loans | -- | (2,234) |
| Other | 685 | 1,043 |
| **Net cash used in investing activities** | **(67,911)** | **(83,731)** |

**(Continued)**

| | *Millions of yen, rounded down* | |
|---|---|---|
| | FY Ended Mar. 31, 2007 | FY Ended Mar. 31, 2006 |
| **III. Cash flows from financing activities** | | |
| Net change in short-term borrowings | 1,277 | (2,434) |
| Net change in commercial paper | (10,000) | 10,000 |
| Proceeds from long-term debt | 14,665 | 21,383 |
| Repayment of long-term debt | (2,509) | (3,064) |
| Redemption of bonds | -- | (10,000) |
| Amount paid for underwriting capital increase by minority shareholders | 924 | 681 |
| Cash dividends paid | (9,063) | (9,073) |
| Distribution of dividends to minority shareholders | (395) | (590) |
| Acquisition of own stock | (439) | (301) |
| Other | 35 | 40 |
| **Net cash used in financing activities** | **(5,504)** | **6,640** |
| **IV. Effect of exchange rate changes on cash and cash equivalents** | **4,732** | **3,928** |
| **V. (Decrease) increase in cash and cash equivalents** | **7,080** | **(17,987)** |
| **VI. Cash and cash equivalents at the beginning of the year** | **75,133** | **92,980** |
| Increase due to change in scope of consolidation | 164 | 140 |
| Decrease due to change in scope of consolidation | (891) | -- |
| **Sub-total** | 74,406 | 93,121 |
| **VII. Cash and cash equivalents at the end of the year** | **81,486** | **75,133** |

## Significant Items for the Preparation of Consolidated Financial Statements

### 1. Scope of consolidation

(1) Number of consolidated subsidiaries:

102 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. Ajinomoto OmniChem N.V., AJINOMOTO EUROLYSINE S.A.S.

In consideration of their importance, AJINOMOTO TAIWAN INC. is included in the scope of consolidated companies, and PT SASA INTI has been changed from a consolidated subsidiary to a company accounted for by the equity method. Further, with the additional acquisition of shares, GABAN Co., Ltd. and Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd., which were accounted for by the equity method, have now become consolidated subsidiaries. Moreover, with procedures underway for the liquidation of s.a. Belgopia and Ajitrade Pte. Ltd. and their impact on the consolidated financial statements immaterial, they are no longer included in the scope of consolidated companies.

(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, 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:

9 companies

Names of main companies:

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

With the new acquisition of shares, YAMAKI Co., Ltd. has been included in the scope of affiliated companies accounted for by the equity method. Moreover, with the additional acquisition of shares, GABAN Co., Ltd. and Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd., which were accounted for by the equity method, have now become consolidated subsidiaries, while Shimadaya Corporation, Calpis Ajinomoto Danone Co., Ltd., and Nee Seng Ngeng & Sons Sago Industries Sdn. Bhd. have been removed from the scope of companies accounted for by the equity method following the sale of shares.

(3) Net income (corresponding to equity share) and surpluses (corresponding to equity share) 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, and GABAN Co., Ltd. has a fiscal year end of February 28 or 29. Of these, 18 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 4 other companies have fiscal year ends of December 31. Of this total, 3 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 basically 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.

5) Allowance for bonuses for directors:

In preparation for the payment of bonuses to directors, the Company has recorded an allowance for the amount of payment projected for the fiscal year under review.

6) Allowance for environmental measures:

In preparation for costs relating to disposal of polychlorinated biphenyl (PCB) and other waste, an allowance for the amount of costs projected to be incurred has been recorded.

(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 of foreign subsidiaries have been translated into yen at the rates of exchange in effect at the consolidated fiscal year end date and income and expenses at the average exchange rates for the period, with translation differences included in the foreign exchange translation adjustment and minority interests accounts of net assets.

(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

The Company 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 basically adopted.

(7) Consumption tax

Transactions of the Company and its 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 goodwill

As a general rule, goodwill is amortized on a straight-line basis over the period in which its effects appear. However, consolidated adjustment accounts with extremely small amounts have been treated as profits or losses in the year incurred.

### 7. 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.

## Major changes to the accounting treatment used in consolidated financial statements

### 1. Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective from the fiscal year ended March 31, 2007, the Company adopted the Accounting Standards Board of Japan (ASBJ) Statement No. 5 of December 9, 2005, "Accounting Standard for Presentation of Net Assets in the Balance Sheet", and ASBJ Guidance No. 8 of December 9, 2005, "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet".

Shareholders' equity under the previous presentation method amounted to ¥563,418 million as of March 31, 2007.

Net assets in the balance sheet as of March 31, 2007 have been prepared in accordance with the revised "Regulation for Consolidated Financial Statements".

### 2. Accounting Standard for Directors' Bonus

Effective from the fiscal year ended March 31, 2007, the Company adopted the ASBJ Statement No. 4 of November 29, 2005, "Accounting Standard for Directors' Bonus".

As a result, operating income, ordinary income and net income before income taxes each decreased by ¥177 million.

## Segment Information

### 1. Segment information by business

Fiscal Year Ended March 31, 2007

*Millions of yen, rounded down*

| | Domestic Food Products | Overseas Food Products | Amino Acids | Pharma-ceuticals | Other | Total | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| I. Sales and operating income and loss | | | | | | | | |
| Sales | | | | | | | | |
| (1) Sales to third parties | 617,172 | 127,723 | 271,417 | 83,325 | 58,870 | 1,158,510 | -- | 1,158,510 |
| (2) Intra-group sales and transfers | 2,753 | 1,989 | 19,848 | 136 | 67,811 | 92,539 | (92,539) | -- |
| Total sales | 619,926 | 129,713 | 291,265 | 83,462 | 126,682 | 1,251,049 | (92,539) | 1,158,510 |
| Operating expenses | 592,220 | 119,556 | 276,284 | 67,687 | 123,807 | 1,179,557 | (84,847) | 1,094,709 |
| Operating income | 27,705 | 10,156 | 14,980 | 15,774 | 2,874 | 71,492 | (7,691) | 63,800 |
| II. Assets, depreciation and amortization, impairment losses on fixed assets and capital expenses | | | | | | | | |
| Assets | 311,371 | 90,189 | 370,371 | 81,745 | 75,129 | 928,808 | 132,880 | 1,061,688 |
| Depreciation and amortization | 8,834 | 3,325 | 22,989 | 3,462 | 2,148 | 40,759 | 4,378 | 45,138 |
| Impairment losses on fixed assets | 311 | -- | 1,457 | -- | -- | 1,769 | -- | 1,769 |
| Capital expenses | 21,270 | 3,393 | 44,639 | 2,269 | 1,791 | 73,363 | 3,022 | 76,386 |

Notes 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 Company and part of operating expenses at research facilities.
For fiscal year under review, these items totaled ¥8,397 million.

4. Major items in all company assets included under Corporate and Eliminations are Company surplus operating funds, long-term investment funds, land not used for business purposes, assets of the administration division, and some research facilities.
For fiscal year under review, these items totaled ¥256,820 million.

Fiscal Year Ended March 31, 2006

*Millions of yen, rounded down*

| | Domestic Food Products | Overseas Food Products | Amino Acids | Pharma-ceuticals | 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 |

Notes 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 Company and part of operating expenses at research facilities.
   For fiscal year under review, these items totaled ¥8,504 million.

4. Major items in all company assets included under Corporate and Eliminations are Company surplus operating funds, long-term investment funds, 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.

5. Change of product allocations to business segments
   In the fiscal year under the review, the Company reorganized its internal company system as part of measures included in the Group's new medium-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' category 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* and 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 and nutrition businesses, and as such have been shifted from ‘Corporate and Eliminations’ to ‘Domestic Food Products’.

6. Changes to accounting methods

Income and expenses of overseas subsidiaries have previously been calculated using the exchange rate on the balance sheet date. However, from the fiscal year ended March 31, 2006 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 to the parent company. As quarterly financial information disclosure further develops, this change will enable each financial report to show a balanced result for the period despite severe fluctuations of the spot exchange rate that may occur.

For comparison, using the previous calculation method results net sales decreased by ¥277 million for Domestic Food Products, ¥7,881 million for Overseas Food Products, ¥8,489 million for Amino Acids, ¥431 million for Other and increased by ¥186 million for Corporate and Eliminations. Changes to operating income are: Increase of ¥0 million for Domestic Food Products. Decreases of ¥845 million for Overseas Food Products, ¥212 million for Amino Acids, ¥0 million for Pharmaceuticals, and ¥40 million for Other.

## 2. Segment information by geographical area

Fiscal Year Ended March 31, 2007

*Millions of yen, rounded down*

| | Japan | Asia | America | Europe | Total | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| I. Sales and operating income and loss | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to third parties | 813,769 | 134,802 | 92,598 | 117,338 | 1,158,510 | -- | 1,158,510 |
| (2) Intra-group sales and transfers | 43,073 | 21,687 | 14,339 | 5,979 | 85,079 | (85,079) | -- |
| Total | 856,843 | 156,490 | 106,938 | 123,317 | 1,243,589 | (85,079) | 1,158,510 |
| Operating expenses | 813,712 | 145,466 | 101,360 | 119,250 | 1,179,789 | (85,079) | 1,094,709 |
| Operating income | 43,130 | 11,024 | 5,577 | 4,067 | 63,800 | -- | 63,800 |
| II. Assets | 435,076 | 184,168 | 125,193 | 106,103 | 850,542 | 211,146 | 1,061,688 |

Notes
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 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 ¥256,820 million.

Fiscal Year Ended March 31, 2006

*Millions of yen, rounded down*

| | 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 |

Notes 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 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

4. Changes to accounting methods
Income and expenses of overseas subsidiaries have previously been calculated using the exchange rate on the balance sheet date. However, from the fiscal year ended March 31, 2006 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 to the parent company. As quarterly financial information disclosure further develops, this change will enable each financial report to show a balanced result for the period despite severe fluctuations of the spot exchange rate that may occur. For comparison, using the previous calculation method net sales decreased by ¥9,442 million for Asia, ¥6,579 million for America, ¥3,656 million for Europe, and increased by ¥2,785 million in Corporate and Eliminations. Operating income decreased by ¥558 million for Asia, ¥271 million for America, and ¥269 million for Europe.

### 3. Overseas sales

Fiscal Year Ended March 31, 2007

*Millions of yen, rounded down*

| | Asia | America | Europe | Total |
|---|---|---|---|---|
| Overseas sales | 150,384 | 100,649 | 120,520 | 371,554 |
| Consolidated net sales | -- | -- | -- | 1,158,510 |
| Overseas sales % of consolidated net sales | 13.0 | 8.7 | 10.4 | 32.1 |

Notes 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.

Fiscal Year Ended March 31, 2006

*Millions of yen, rounded down*

| | 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 |

Notes 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. Changes to accounting methods

Income and expenses of existing subsidiaries have previously been calculated using the exchange rate on the balance sheet date. However, from the fiscal year ended March 30, 2006 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 to the parent company. As quarterly financial information disclosure further develops, this change will enable each financial report to show a balanced result for the period despite severe fluctuations of the spot exchange rate that may occur.

For comparison, using the previous calculation method results. Overseas net sales decreased in each region as follows: by ¥8,455 million for Asia, ¥5,182 million for America and ¥3,284 million for Europe.

## Marketable Securities-Related

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

As of March 31, 2007

*Millions of yen, rounded down*

| | | Acquisition cost | Carrying value | Unrealized gain (loss) |
|---|---|---|---|---|
| Securities with carrying value greater than acquisition cost | Stocks | 30,283 | 54,704 | 24,420 |
| | Other | 9 | 18 | 8 |
| | Sub-total | 30,293 | 54,722 | 24,429 |
| Securities with carrying value less than acquisition cost | Stocks | 1,346 | 1,191 | (154) |
| | Sub-total | 1,346 | 1,191 | (154) |
| | **Total** | **31,639** | **55,914** | **24,274** |

As of March 31, 2006

*Millions of yen, rounded down*

| | | 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) |
| | Sub-total | 1,053 | 895 | (157) |
| | **Total** | **35,790** | **73,475** | **37,684** |

Note: With regard to other securities with fair value, impairment losses of ¥5 million were recorded in the previous fiscal year, and ¥95 million in the year under review.

### 2. 'Other securities' sold during the fiscal year

Fiscal year ended March 31, 2007

*Millions of yen, rounded down*

| Sale amount | Total gains on sale | Total losses on sale |
|---|---|---|
| 8,783 | 4,093 | 0 |

Fiscal year ended March 31, 2006

*Millions of yen, rounded down*

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

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

*Millions of yen, rounded down*

| | Carrying value | |
|---|---|---|
| | As of March 31, 2007 | As of March 31, 2006 |
| Other marketable securities | | |
| Unlisted stocks (not including OTC stocks) | 4,107 | 4,535 |
| Unlisted domestic bonds | 0 | 0 |
| Unlisted foreign bonds | 0 | 0 |
| Investment trusts | -- | 4 |
| Money management funds etc. | 181 | 4,228 |
| **Total** | **4,289** | **8,769** |

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

As of March 31, 2007

*Millions of yen, rounded down*

| 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 | -- | -- |
| **Total** | **--** | **0** | **--** | **--** |

As of March 31, 2006

*Millions of yen, rounded down*

| 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 | -- | -- |
| **Total** | **0** | **0** | **--** | **--** |

## Per share information

| | FY ended March 31, 2007 | FY ended March 31, 2006 |
|---|---|---|
| Net assets per share | ¥870.02 | ¥815.84 |
| Net income per share | ¥46.70 | ¥53.64 |

Note: Fully diluted earnings per share is not stated for either year, since the Company does not have residual securities.

The basis for calculation of net income per share is as follows.

*Millions of yen, rounded down*

| | FY ended March 31, 2007 | FY ended March 31, 2006 |
|---|---|---|
| Net income | 30,229 | 34,912 |
| Net income not attributable to common stock | | |
| Bonuses to directors through appropriation of earnings | (23) | 155 |
| Net income attributable to common stock | 30,252 | 34,757 |
| Average number of shares of common stock outstanding during the year | 647,797 | 648,033 |

(Omission of disclosure)

Disclosure in these financial statements of notes on lease transactions, related party transactions, tax effect accounting, derivative transactions, retirement benefit plans, stock options, and business combination was omitted, as the Company does not see a major necessity for their disclosure.

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

*Millions of yen, rounded down*

| | FY Ending March 31, 2008 (est.) | FY Ended March 31, 2007 | FY Ended March 31, 2006 | FY Ended March 31, 2005 | FY Ended March 31, 2004 |
|---|---|---|---|---|---|
| Net sales | 1,210,000 | 1,158,510 | 1,106,807 | 1,073,010 | 1,039,551 |
| Growth rate | 104.4% | 104.7% | 103.1% | 103.2% | 105.2% |
| Operating income | 75,000 – 80,000 | 63,800 | 60,322 | 70,916 | 65,190 |
| Growth rate | 117.6 – 125.4% | 105.8% | 85.1% | 108.8% | 120.6% |
| Operating margin | 6.2 – 6.6% | 5.5% | 5.5% | 6.6% | 6.3% |
| Ordinary income | 70,000 – 75,000 | 61,589 | 61,448 | 72,199 | 68,111 |
| Ordinary margin | 5.8 – 6.2% | 5.3% | 5.6% | 6.7% | 6.6% |
| Net income (loss) | 33,500 – 36,500 | 30,229 | 34,912 | 44,817 | 36,276 |
| Return on sales | 2.8 – 3.0% | 2.6% | 3.2% | 4.2% | 3.5% |
| Net income (loss) per share (yen) | ¥51.73 – 56.36 | ¥46.70 | ¥53.64 | ¥68.79 | ¥55.55 |
| Return on equity | -- | 5.5% | 7.0% | 10.0% | 8.9% |
| Ratio of net income to total assets | -- | 2.9% | 3.7% | 5.0% | 4.2% |
| Total assets | -- | 1,061,688 | 997,405 | 903,542 | 871,780 |
| Net assets | -- | 607,584 | 528,762 | 467,297 | 428,077 |
| Interest-bearing debt | -- | 151,223 | 145,644 | 125,604 | 143,709 |
| Equity ratio | -- | 53.1% | 53.0% | 51.7% | 49.1% |
| Book value per share (yen) | -- | ¥870.02 | ¥815.84 | ¥720.64 | ¥659.78 |
| Share price at end of period (yen) | -- | ¥1,356 | ¥1,257 | ¥1,308 | ¥1,240 |
| P/E ratio (times) | -- | 29.0 | 23.4 | 19.0 | 22.3 |
| Dividend per share (yen) | ¥16.0 | ¥15.0 | ¥14.0 | ¥13.0 | ¥12.0 |
| Dividend payout ratio | 28.4 – 30.9% | 32.1% | 26.1% | 18.9% | 21.6% |
| Net cash provided by operating activities | -- | 75,764 | 55,174 | 82,895 | 64,753 |
| Net cash used in investment activities | -- | (67,911) | (83,731) | (33,692) | (35,559) |
| Net cash used in financing activities | -- | (5,504) | 6,640 | (27,486) | (14,084) |
| Free cash flow | -- | 7,852 | (28,556) | 49,202 | 29,193 |
| Number of consolidated subsidiaries | -- | 102 | 102 | 97 | 95 |
| Number of affiliated companies accounted for by the equity method | -- | 13 | 16 | 18 | 22 |

Notes: 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