

Ajinomoto Co., Inc.
Summary of the Fiscal Year
Ended March 31, 2006 (FY 2005)
and Outlook

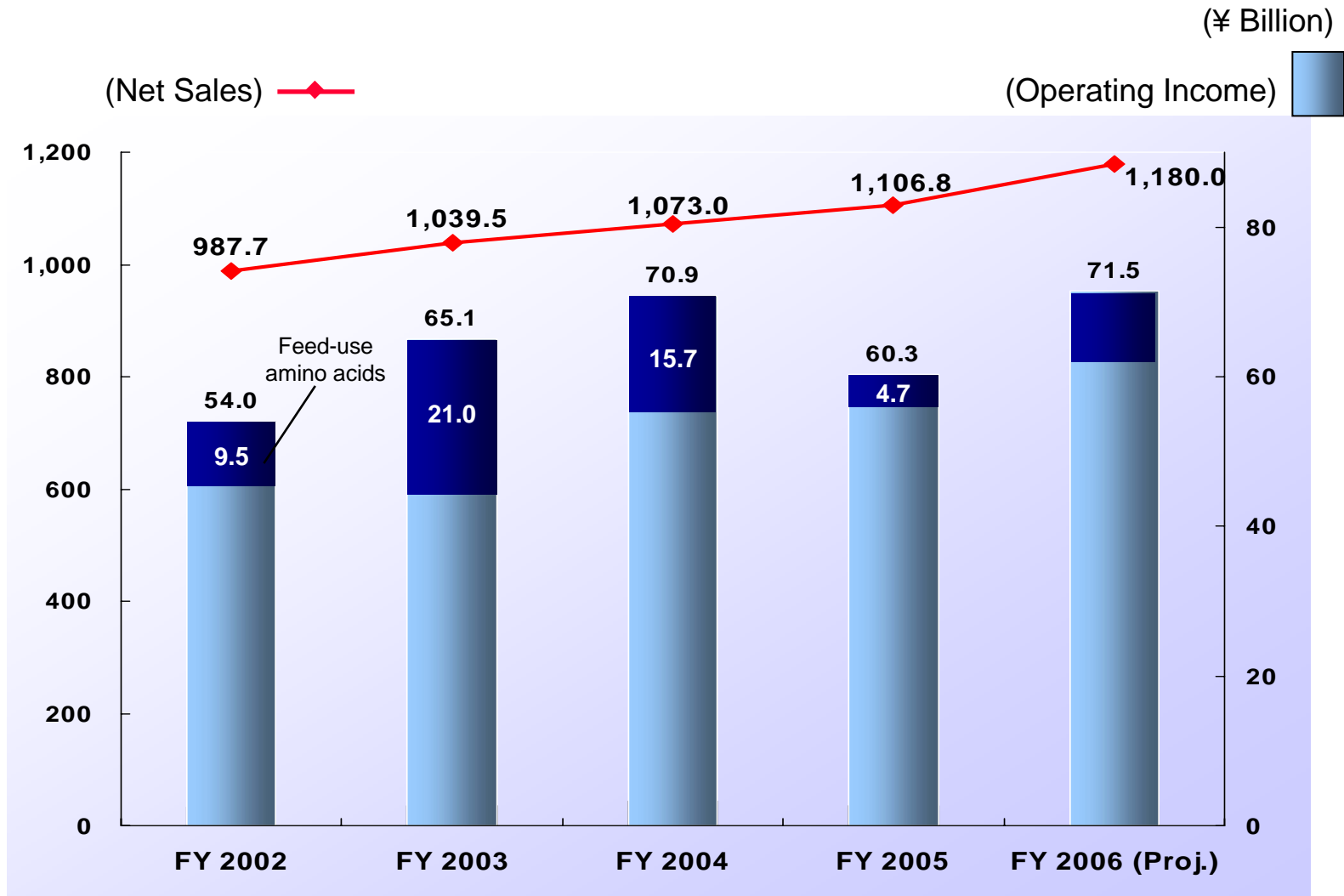
Norio Yamaguchi
President and CEO

May 16, 2006

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1. Consolidated Performance Trends



2. FY 2005 Highlights

A drop in selling prices of feed-use Lysine and rising costs from higher crude oil and raw material prices made conditions difficult. Although we made efforts to cover these factors with sales price increases and cost reductions, income decreased substantially YoY.

Results

		<u>YoY Change</u>	<u>vs. FY 2005 Target</u>
●Net sales	¥1,106.8 billion	+3%	101%
●Operating income	¥60.3 billion	-15%	99%
*Operating income excluding feed-use amino acids	¥55.6 billion (YoY Change +1%)		
●Net income	¥34.9 billion	-22%	97%

Initiatives

1. Feed-use Lysine prices FY 2005 US\$1.4/kg, CIF basis (cf. FY 2004 US\$1.9/kg, CIF basis);
Operating income of feed-use amino acids: decreased ¥11.0 billion vs. FY 2004
 2. Crude oil/raw material prices Negative impact of approx. ¥4.0 billion from crude oil, approx. ¥4.5 billion from fermentation raw materials vs. FY 2004, etc.
 3. Efforts to raise sales prices Umami seasoning *AJI-NO-MOTO* overseas retail ;
MSG for processed food mfrs.; feed-use Threonine
 4. Efforts to reduce costs Domestic Food Products: approx. ¥2.8 billion (seasonings/processed foods approx. ¥2.1 billion, frozen foods approx. ¥0.7 billion); Amino Acids: approx. ¥5.0 billion; Pharmaceuticals: approx. ¥1.0 billion in reductions vs. FY 2004
- *Cost reduction premises differ by project.

Outlook

Second Year of FY 2005-2010

Medium- to Long-Term Management Plan

3. FY 2006 Consolidated Projections and Strategies

In the second year of the FY 2005-2010 Medium- to Long-Term Management Plan, we aim to increase sales and income, and steadily work toward an operating profit margin of 10%+ in FY 2010.

Outlook

		<u>YoY Change</u>
●Net sales	¥1,180.0 billion	+6.6%
●Operating income	¥71.5 billion	+18.5%
●OPM	6.1%	
●Net income	¥35.5 billion	+1.7%

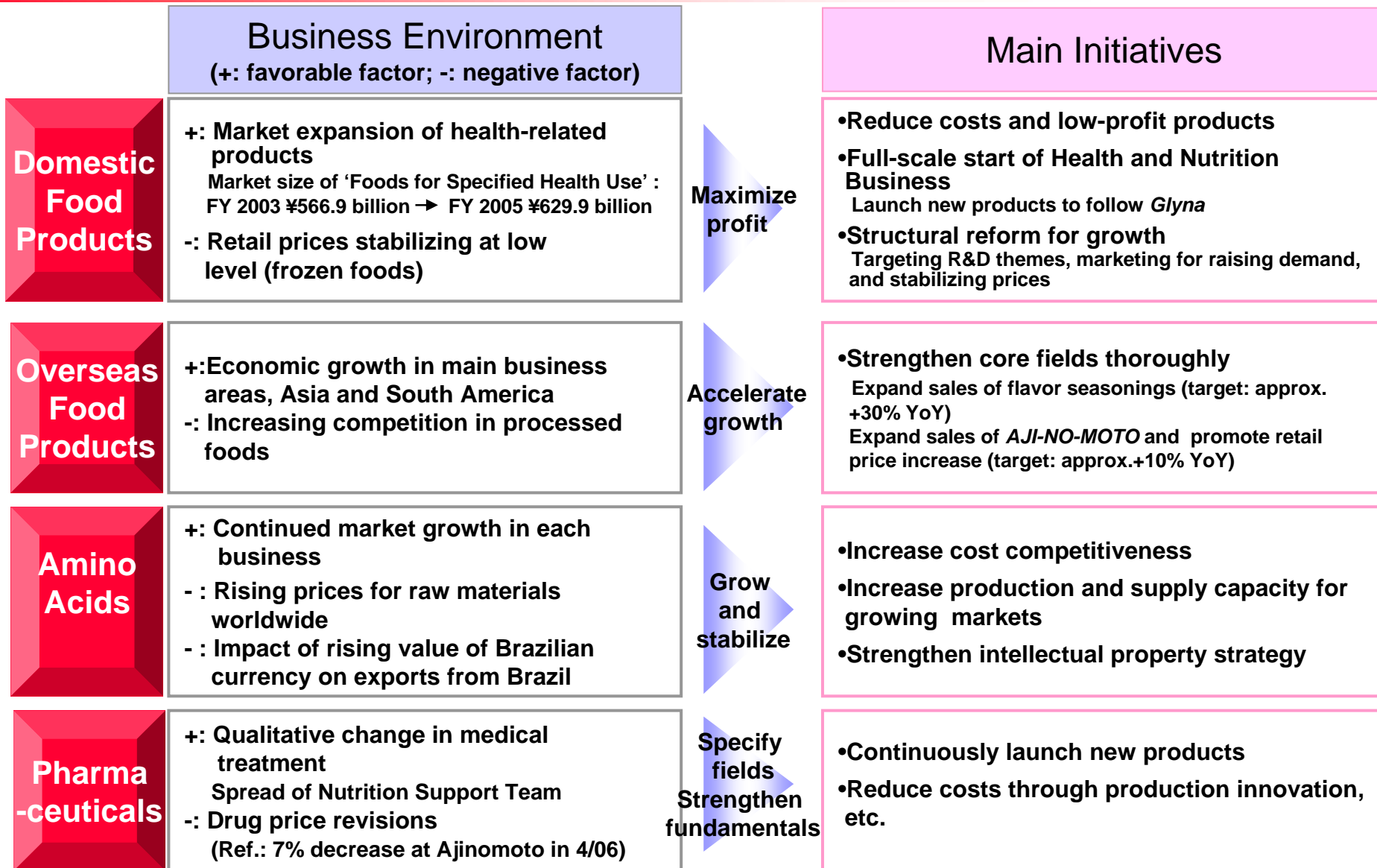
Strategies

1. Further sales expansion in growth markets
 - Feed-use amino acids, overseas food products, frozen foods

2. Promotion of cost reductions
 - Review all costs with an eye on rising raw material and fuel costs
 - Production innovation at domestic plants; full-scale start of 250-employee organization at Kawasaki Plant
 - Spread of production innovation to domestic subsidiaries and affiliates and non-production divisions

3. Full-scale development of Health and Nutrition business
 - Launch of 2nd and 3rd new products to follow *Glyna (Capsiate, etc.)*

4. FY 2006 Business Environment and Main Initiatives



5. Trends in Raw Material Prices and Measures to Strengthen Profitability

FY 2006 fermentation raw materials/energy costs

*Primarily used to produce amino acid-related products

Fermentation Raw Materials*: Cane molasses, tapioca starch, glucose, raw sugar, etc.

Forecast: Approx. ¥2.0-3.0 billion rise in costs vs. FY 2005

Energy Costs: Assumed crude oil price (FOB, Dubai) for FY 06 US\$65-70/BBL (cf. FY 05 US\$50-55BBL)

Forecast: Approx. ¥3.5 billion rise in costs vs. FY 2005

Absorb cost increases by strengthening profitability and raising sales price

Amino acids

**Increase cost competitiveness
Review all costs**

1. Develop and introduce new technology
2. Measures to deal with raw material issues
3. Production innovation
4. Effective use of by-products

Strengthen profitability

Food products

**Strengthen management based on gross profit ratio
Set a standard and cut back products that do not meet it**

- Japan: Product cutbacks, apply gross profit ratio standard to new products
- Overseas: Concentration and expansion in core fields, review of unprofitable businesses

Ongoing cost reductions (raw materials, packaging materials, production innovation, etc.)

Pharmaceuticals

Reduce costs with full-scale production innovation, review of raw material procurement, changes to distribution structure, etc.

6. Outlook for Feed-Use Amino Acids

Build a stable profit structure and establish a position as the clear global leader in the feed-use amino acid market, where continued high growth is expected.

FY 06 Market Environment

Grain conditions: Energy-related demand/supply balance is changing with demand for corn for ethanol and soybean oil for bio diesel, but spread* is expected to remain within average range (US\$80-100/ST)

Lysine demand/supply balance: Demand growth around 10% continuing from previous FY; high possibility of letup in oversupply conditions

Strategy

- 1. Cost reductions
- 2. New demand creation
- 3. Supply strategy
- 4. Strengthen intellectual property strategy

FY 2006 Targets

Sales:
Approx. ¥25.0 billion increase

Operating Income:
Approx. ¥5.0 billion increase

Factors increasing sales

Volume increase: 75%

Price increase: 25%

*Spread is the price difference between soybean meal and corn on the Chicago Board of Trade (CBOT).

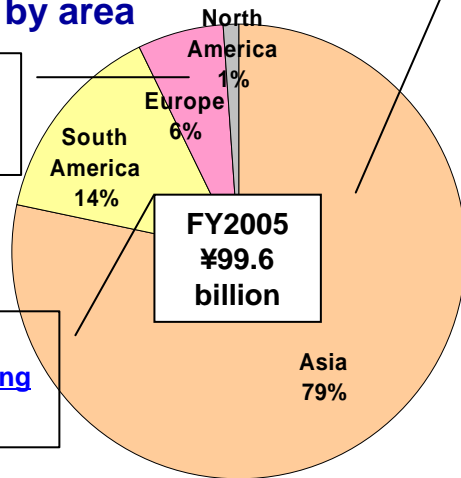
	Market price (US\$/kg, CIF)			
	FY 05	FY 06 (Proj.)	FY 07 (Proj.)	FY 10 (Proj.)
Lysine	1.4	1.4-1.6	1.50-1.70	1.50-1.70
Threonine	3.4	3.1-3.4	2.00-2.50	2.00-2.50
Tryptophan	24	22-24	20-25	15-20
Spread (US\$/ST)	113	80-100	90	90

7. Outlook for Overseas Food Products

Overseas Food Products

Increase operating income with high growth centered on core fields

Sales by area

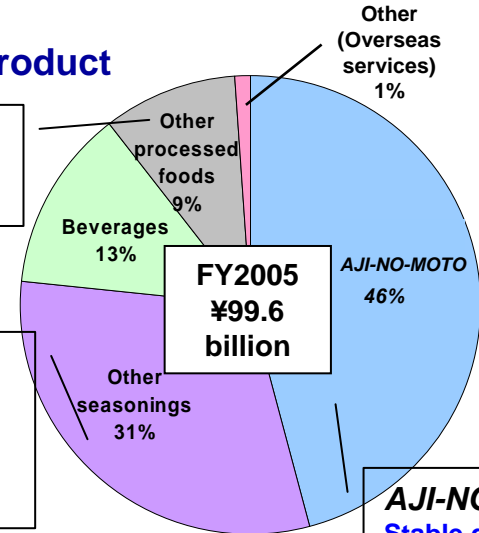


Asia
Source of profits and main region for Overseas Food Products business

Double-digit OPM in main countries in Southeast Asia

Ongoing investment in China and South Asia

Sales by product



Soups
Nurture as core products

Flavor seasonings
Continued double-digit growth

AJI-NO-MOTO
Stable growth as profit source

Europe
High growth in Africa

South America
Key profit-generating region after Asia

FY 2006 Targets

Sales: ¥121.5 billion (+22% YoY) Operating Income: ¥6.6 billion (+32% YoY)

Cost of sales ratio: Reduce (spread of sales price increase and cost reductions)

Marketing expense ratio: Same level as previous fiscal year

Sales in Main Countries

Thailand: Approx. THB15.0 billion

Brazil: Approx. BRL0.24 billion

Indonesia: Approx. IDR 980.0 billion

Ajinomoto's Strengths

Technology and marketing capabilities from Japan and a product development/sales organization tailored to regional needs in each country

8. FY 2005–2010 Medium- to Long-Term Management Plan

Strategic Targets

Achieve an OP margin of 10%+ by FY 2010 with the aim of becoming a truly global company

Assumptions (Plan created in FY 2004)	FY 2007	FY 2010
Exchange Rate ¥/US\$	105	105
¥/Euro	126	126
Oil price (US\$/BBL)	33	33

To close the gap...

Implement additional measures to strengthen profitability in existing businesses

Further promote Health and Nutrition business

Use M&As

Numerical Targets

(¥ Billion)	FY 2006 (Proj.)	FY 2007 Targets	FY 2010 Targets
Net sales	1,180.0	1,250.0	1,500.0
Operating income	71.5	100.0	150.0
OP margin	6%	8%+	10%+

A large gap remains

Spread Production Innovation/Strengthen, Raise Efficiency of Corporate Structure

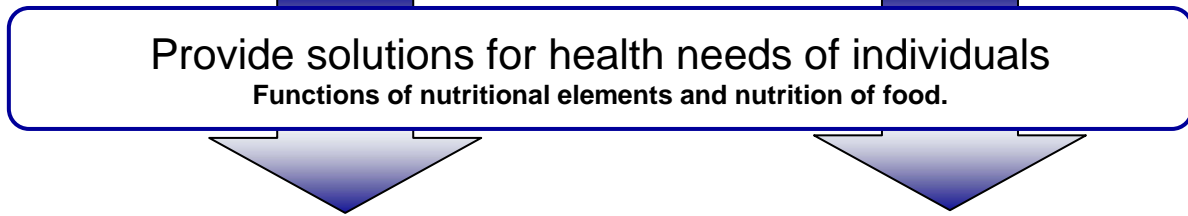
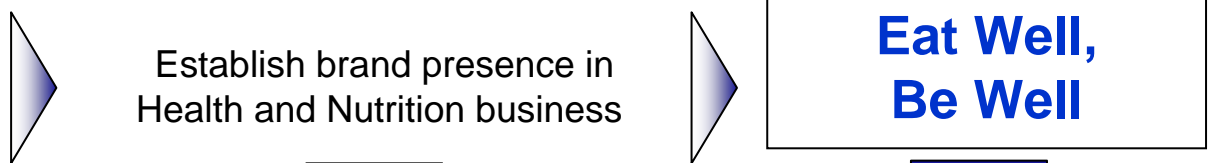
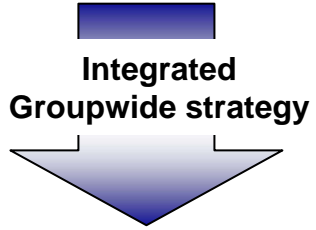
- Production innovation: Drastically rethink production methods, streamline and grow
- Sales innovation: More advanced and efficient sales activities
- Corporate innovation: Streamline and strengthen functions

Strengthen Value Chain for Core Raw Materials

- Establishment of Xiamen Ajiraku Ideal Foods Co., Ltd. (Fujian Province, China)
- Make GABAN Co, Ltd. a consolidated subsidiary

8. FY 2005–2010 Medium- to Long-Term Management Plan: Health and Nutrition Business

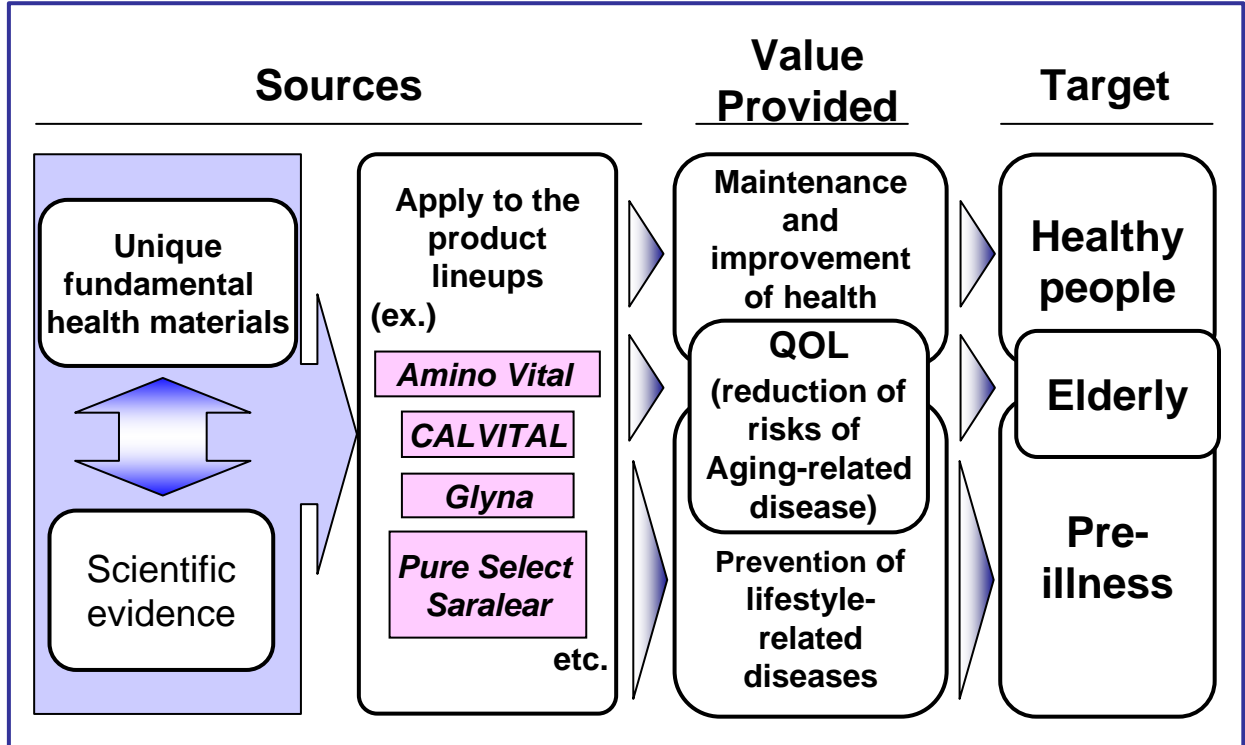
Health and Nutrition business based on Groupwide activities



Health and Nutrition Business Conference inaugurated in March 2006

Discuss and develop the Ajinomoto Group's Health and Nutrition business strategy

FY 2010 Sales Target ¥200.0 billion (Ajinomoto Group total)



8. FY 2005–2010 Medium- to Long-Term Management Plan: M&A Case Study

Jan. 12, 2006 Acquisition of Amoy Food Group Companies

Business Overview

Manufacture/sale of *Amoy* brand Chinese ethnic sauces, and *Amoy* and *Royal Dragon* brand frozen foods

Business Scale

Net sales: Approx. ¥10.0 billion OP margin 10%+ Number of employees 2,400 as of Dec. 2004

Acquisition Cost

Approx. HK\$1,845 million (approx. ¥27.3 billion) *Goodwill ¥20.3 billion (amortize equally over 20 years)

Sales Area

**Hong Kong Amoy Food Group: (Chinese ethnic sauces) Hong Kong, North America, Europe, southern China
(Frozen food) Hong Kong, North America, Australia, southern China**

Shanghai Amoy Foods Group: (Chinese ethnic sauces) domestic sales in China, primarily 9 cities (Tianjin, Xian, Chengdu, Chongqing, Shanghai, Nanjing, Shenyang, Beijing and Hangzhou)

Synergies from the Acquisition

Core seasonings and frozen food businesses can use as a platform for Asian/North American operations

1. Sales network
2. Brand
3. R&D
4. Cost (production, distribution)

9. Returns to Shareholders

Meet necessary capital demands for sustainable growth and increased corporate value, and steadily raise distribution of profits

Basic Policy

Stable and sustainable distribution of profits, based on consolidated performance for each period

- Target medium-term income growth
 - ◆ Increase business stability
 - ◆ Improve value per share
- Dividend policy:
Stable and sustainable returns
- Payout ratio target of around 20%
(FY 2005 to FY 2007)

Cash Dividend per Share

	Total Dividends	Interim
		Year-End
FY 2002	¥11	¥5
		¥6
FY 2003	¥12	¥6
		¥6
FY 2004	¥13	¥6
		¥7
FY 2005 (planned)	¥14	¥7
		¥7
FY 2006 (planned)	¥15	¥7
		¥8

[Reference] Trends in Domestic Food Industry

Consumer price index: Edible oils, seasonings, ready-to-serve foods

*Index with base value of 100 in 2000 (simple average of monthly index)

	Edible oils	Mayonnaise	Flavor seasonings	Frozen pilaf	Frozen croquettes
FY 2004	94.4	92.0	93.6	95.4	94.1
FY 2005	94.0	91.2	92.4	94.7	97.9

(Source: Statistics Bureau, Ministry of Internal Affairs and Communications)

Chain store sales: Food products

* In YoY comparisons, "After adjustment" means after adjusting number of stores to the previous years' level.

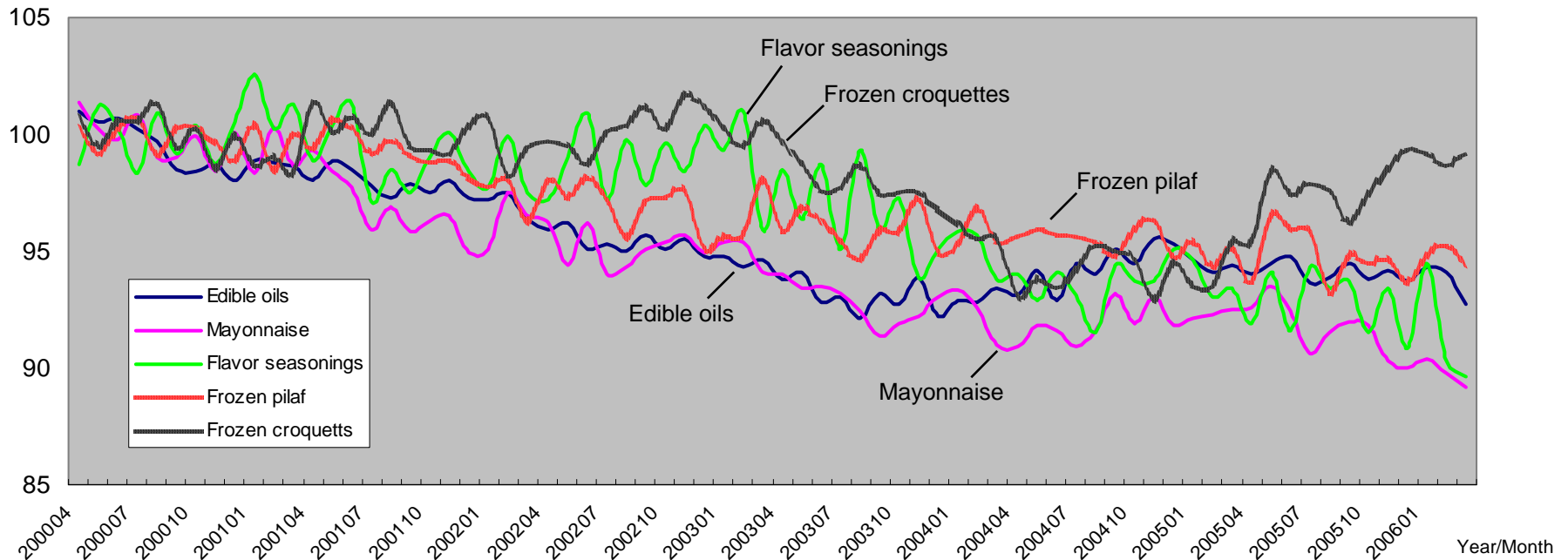
Other foods: food products elim. fresh foods and delicatessen

	Other foods (Millions of yen)	YoY comparison(%)	
		Before adjustment	After adjustment
FY 2004	4,518,003	-	-
FY 2005	4,566,234	101.1	97.5

(Source: Japan Chain Store Association)

Trend in Consumer price index: from Apr. 2000 to Mar. 2006

*Index with base value of 100 in 2000 (simple average of monthly index)



[Reference] The Group's 'Foods for Specified Health Use'

Product	Area	Company	Effect	Approval Year
<i>CALVITAL</i>	Calcium supplement	Ajinomoto Co., Inc.	Aids absorption of calcium in the body	2003
<i>Pure Select Saralear</i>	Seasoning for salad	Ajinomoto Co., Inc.	Reduces cholesterol levels in the blood	2004
<i>Kenko Sarara</i>	Edible soybean oil	J-OIL MILLS, INC.	Reduces cholesterol levels in the blood	2001
<i>OLIGO CC</i>	Carbonated drink	Calpis Co., Ltd.	Improves internal stomach conditions by increasing bifidus bacteria	2001
<i>Soybean Oligosaccharide Syrup</i>	Table-use sugar	Calpis Co., Ltd.	Improves internal stomach conditions by increasing bifidus bacteria	2001
<i>AMEAL S series 7 items</i>	Lactic acid bacterium drink/sweets	Calpis Co., Ltd.	Acts to lower blood pressure	1999
<i>CALPIS KIDS series 7 items</i>	Lactic acid bacterium drink	Calpis Co., Ltd.	Regulates intestinal functions with lactic acid bacteria	2001
<i>KEN-CHA-OH series 2 items</i>	Soft drink	Calpis Co., Ltd.	Controls increases in blood sugar levels	2002
<i>Vita Hot series 2 items</i>	Powdered soft drink	Ajinomoto General Foods, Inc.	Improves the conditions of the stomach by providing fiber	1999
<i>Blendy Coffee Oligosaccharides blended series 10 items</i>	Soft drink	Ajinomoto General Foods, Inc.	Coffee bean manooligosaccharides regulate the functions of the intestines	2004
<i>Kellogg's All-Bran</i>	Cereal	Kellogg (Japan) K.K.	Improves the conditions of the stomach by providing fiber	1998
<i>Kellogg's BranFlakes Plain</i>	Cereal	Kellogg (Japan) K.K.	Improves the conditions of the stomach by providing fiber	2002

*As of February 27, 2006, Ajinomoto Group acquired 35 items' approval out of 579 items, all Foods for Specified Health Use.

[Reference] Feed-Use Lysine Market Price and CBOT Spread* Trend

*The spread is the price difference between soybean meal and corn on the Chicago Board of Trade (CBOT).

