

# Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries March 31, 2002

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of Presentation

The accompanying consolidated financial statements of Ajinomoto Co., Inc. (the "Company") and its consolidated subsidiaries are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan and are prepared on the basis of accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

### b. Basis of Consolidation

Until the year ended March 31, 1999, the consolidated financial statements included the accounts of the Company and its significant subsidiaries (owned more than 50%), and investments in significant affiliates (owned 20% to 50%) were accounted for by the equity method.

In accordance with the revised accounting standard for consolidation, the accompanying consolidated financial statements for the years ended March 31, 2002, 2001 and 2000 include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The minor differences arising from the cost of the companies' investments in subsidiaries and affiliates over the equity in their net assets at fair value are charged or credited to income in the year of acquisition. Significant differences are, as a rule, amortized over periods of 5, 20 or 25 years.

Investments in other affiliates and unconsolidated subsidiaries, not significant in amount, are carried at cost or less. Where there has been permanent impairment in the value of its investments, the Company has written down such investments.

### c. Foreign Currency Translation

Current and non-current monetary accounts denominated in foreign currencies are translated into yen at the current rates.

The revenue and expense accounts of the foreign consolidated subsidiaries are translated at the rates of exchange in effect at the balance sheet date. Except for shareholders' equity, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

A revised accounting standard for foreign currency translation became effective April 1, 2000. The effect of the adoption of the revised standard on the consolidated financial statements was immaterial for the year ended March 31, 2001.

### d. Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### e. Inventories

Inventories are stated at the lower of cost or market, cost being determined by the average method.

### f. Securities

Until the year ended March 31, 2000, marketable securities had been valued principally at the lower of cost or market, cost being determined by the moving average method, and investment securities other than marketable securities had been stated at cost determined by the moving average method.

A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the new standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

As of April 1, 2000, the Company and its consolidated subsidiaries assessed their intent to hold their investments in securities and classified their investments as "other securities" and have accounted for the securities at March 31, 2002 and 2001 in accordance with the new standard referred to above. However, the adoption of this new standard had no material effect on the consolidated statement of operations for the year ended March 31, 2001.

### g. Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at cost. Depreciation is computed primarily by the declining-balance method at rates based on the estimated useful lives of the respective assets, ranging from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment.

Maintenance and minor repairs are charged to income as incurred; major renewals and improvements are capitalized.

### h. Leases

Noncancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the foreign consolidated subsidiaries are generally classified as either finance or operating leases and accounted for accordingly.

#### i. Bond Issuance Expenses

Bond issuance expenses are charged to income as incurred.

#### j. Retirement Benefits

Until the year ended March 31, 2000, accrued employees' retirement benefits were stated at the amount which would be required to be paid if all employees covered by the retirement benefit plans voluntarily terminated their employment at the balance sheet date.

Costs with respect to the pension plans are funded as accrued at an amount determined actuarially. Prior service cost is being funded over a period of seven years.

In accordance with a new accounting standard for retirement benefits which became effective April 1, 2000, accrued employees' retirement benefits at March 31, 2002 and 2001 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the years of service. The net retirement benefit obligation at transition was charged to operations as incurred.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the period of mainly 10 years which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over the period of principally 10 years which are shorter than the average remaining years of service of the employees.

The effect of the adoption of the new standard for retirement benefits was to increase loss before income taxes and minority interests by ¥48,358 million for the year ended March 31, 2001.

In addition, subject to the shareholders' approval, directors and corporate auditors of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded severance benefit plans. Provision for the indemnity for severance benefits for those officers has been made at an estimated amount.

#### k. Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

#### l. Research and Development Expenses

Research and development expenses are charged to income when incurred.

A new accounting standard for research and development expenses became effective the year ended March 31, 2000. However, the adoption of this new standard had no material effect on the consolidated statement of operations for the year ended March 31, 2000.

#### m. Derivative Financial Instruments

The Company and certain consolidated subsidiaries have entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and commodity prices. In accordance with a new accounting standard for financial instruments which became effective April 1, 2000, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

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## 2. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥133 = U.S.\$1.00, the approximate rate of exchange on March 31, 2002.

The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

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## 3. INVENTORIES

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished goods .....	¥ 54,426	¥48,569	\$409,218
Work in process.....	24,511	24,278	184,293
Raw materials and supplies .....	25,071	23,600	188,504
	<b>¥104,008</b>	<b>¥96,449</b>	<b>\$782,015</b>

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## 4. DEPRECIATION

Depreciation expense for the years ended March 31, 2002, 2001 and 2000 was ¥33,496 million (\$251,850 thousand), ¥35,630 million and ¥34,472 million, respectively.

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## 5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings are, with minor exceptions, unsecured and generally represented overdrafts. The annual interest rates applicable to the borrowings at March 31, 2002 and 2001 ranged from 0.38% to 28.00% and from 0.33% to 20.00%, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Bonds without collateral:			
1.9% convertible bonds due 2002 .....	¥ —	¥ 18,303	\$ —
2.675% bonds due 2007 .....	15,000	15,000	112,782
2.425% bonds due 2005 .....	10,000	10,000	75,188
2.075% bonds due 2003 .....	15,000	15,000	112,782
1.600% bonds due 2001 .....	—	10,000	—
2.050% bonds due 2008 .....	20,000	20,000	150,376
Loans from banks, insurance companies and government-sponsored agencies:			
With collateral .....	8,705	10,835	65,451
Without collateral .....	15,459	26,391	116,233
Customers' deposits .....	14,370	14,770	108,045
Other .....	4,826	1,134	36,286
	<b>103,360</b>	141,433	<b>777,143</b>
Current portion .....	<b>(8,925)</b>	(42,922)	<b>(67,105)</b>
	<b>¥ 94,435</b>	¥ 98,511	<b>\$710,038</b>

The annual maturities of long-term debt subsequent to March 31, 2002 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003 .....	¥ 8,925	\$ 67,105
2004 .....	23,008	172,992
2005 .....	2,131	16,023
2006 .....	11,552	86,857
2007 and thereafter .....	57,744	434,165
	<b>¥103,360</b>	<b>\$777,143</b>

## 6. PLEDGED ASSETS

The assets pledged as collateral for short-term borrowings, notes and accounts payable and long-term debt at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, at net book value .....	<b>¥18,583</b>	<b>\$139,722</b>
Investment securities .....	38	286
Other assets .....	271	2,038
	<b>¥18,893</b>	<b>\$142,053</b>

## 7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 42% in 2002, 2001 and 2000. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of operations for the years ended March 31, 2002, 2001 and 2000 differ from the statutory tax rate for the following reasons:

	2002	2001	2000
Statutory tax rate .....	<b>42.0%</b>	(42.0)%	42.0%
Effect of:			
Expenses not deductible for income tax purposes .....	<b>6.2</b>	17.2	4.3
Dividend income deductible for income tax purposes .....	<b>(6.2)</b>	(4.4)	(2.5)
Other, net .....	<b>(2.0)</b>	(2.4)	(2.9)
Effective tax rate .....	<b>40.0%</b>	(31.6)%	40.9%

The significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Inventories .....	¥ 984	¥ 990	\$ 7,398
Securities .....	4,443	4,540	33,406
Property, plant and equipment .....	1,100	907	8,271
Accrued retirement benefits .....	28,899	28,896	217,286
Accrued expenses .....	1,916	2,516	14,406
Accrued bonuses .....	2,804	2,181	21,083
Unrealized profit .....	3,847	4,323	28,925
Accrued enterprise tax .....	969	968	7,286
Other .....	4,835	1,428	36,353
Total deferred tax assets .....	49,801	46,753	374,444
Deferred tax liabilities:			
Depreciation .....	6,163	8,135	46,338
Unrealized gain on land .....	2,470	2,470	18,571
Other .....	7,619	16,152	57,286
Total deferred tax liabilities .....	16,253	26,758	122,203
Net deferred tax assets .....	¥33,548	¥19,994	\$252,241

## 8. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Certain foreign consolidated subsidiaries have defined contribution plans in addition to defined benefit plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2002 and 2001 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Retirement benefit obligation .....	¥(269,581)	¥(236,964)	\$(2,026,925)
Plan assets at fair value .....	155,670	155,258	1,170,451
Unfunded retirement benefit obligation .....	(113,910)	(81,705)	(856,466)
Unrecognized actuarial gain or loss .....	46,288	11,018	348,030
Unrecognized prior service cost .....	(3,049)	—	(22,925)
Accrued retirement benefits .....	¥ (70,672)	¥ (70,687)	\$ (531,368)

The government-sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

The components of retirement benefit expenses for the years ended March 31, 2002 and 2001 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost .....	¥ 6,713	¥ 6,900	\$ 50,474
Interest cost .....	8,095	7,869	60,865
Expected return on plan assets .....	(5,432)	(5,505)	(40,842)
Amortization of prior service cost .....	(48)	—	(361)
Amortization of net retirement benefit obligation at transition .....	—	52,293	—
Amortization of actuarial gain or loss .....	1,089	—	8,188
Other .....	362	—	2,722
Total .....	¥10,779	¥61,557	\$ 81,045

The assumptions used in accounting for the above plans were as follows:

	As of March 31,	
	2002	2001
Discount rates .....	Mainly 2.5%	Mainly 3.5%
Expected return on assets .....	Mainly 3.5%	Mainly 3.5%

## 9. SHAREHOLDERS' EQUITY

Retained earnings include a legal reserve provided in accordance with the provisions of the Commercial Code of Japan. The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

## 10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2002, 2001 and 2000 were ¥27,000 million (\$203,008 thousand), ¥26,261 million and ¥24,087 million, respectively.

## 11. LEASE TRANSACTIONS

### a) Lessees' Accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2002 and 2001, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
<b>March 31, 2002</b>						
Buildings and structures .....	¥1,509	¥ 28	¥1,481	\$11,346	\$ 211	\$11,135
Machinery and equipment .....	7,363	4,256	3,106	55,361	32,000	23,353
Total .....	¥8,873	¥4,284	¥4,588	\$66,714	\$32,211	\$34,496

	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
March 31, 2001			
Machinery and equipment .....	¥7,024	¥4,145	¥2,879

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,507 million (\$11,331 thousand), ¥1,316 million and ¥1,221 million, which were equal to the depreciation of the leased assets computed by the straight-line method over the respective lease terms, for the years ended March 31, 2002, 2001 and 2000, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2002 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003 .....	¥1,207	\$ 9,075
2004 and thereafter .....	3,381	25,421
Total .....	¥4,588	\$34,496

Future minimum lease payments subsequent to March 31, 2002 for operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003 .....	¥163	\$1,226
2004 and thereafter .....	630	4,737
Total .....	¥794	\$5,970

b) Lessors' Accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2002 and 2001:

March 31, 2002	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment .....	<b>¥1,436</b>	<b>¥865</b>	<b>¥570</b>	<b>\$10,797</b>	<b>\$6,504</b>	<b>\$4,286</b>

March 31, 2001	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment .....	¥1,057	¥320	¥737

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥623 million (\$4,684 thousand), ¥193 million and ¥82 million for the years ended March 31, 2002, 2001 and 2000, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥256 million (\$1,925 thousand), ¥174 million and ¥74 million for the years ended March 31, 2002, 2001 and 2000, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2002 for the finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003 .....	¥304	\$2,286
2004 and thereafter .....	652	4,902
Total .....	<u>¥957</u>	<u>\$7,195</u>

## 12. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments for capital expenditures outstanding at March 31, 2002 aggregated approximately ¥10,587 million (\$79,602 thousand).

At March 31, 2002, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
As endorser of documentary export bills and trade notes receivable discounted with banks .....	<b>¥ 388</b>	<b>\$ 2,917</b>
As guarantor of indebtedness of unconsolidated subsidiaries, affiliates and employees .....	<b>3,754</b>	<b>28,226</b>
	<u><b>¥4,142</b></u>	<u><b>\$31,143</b></u>

## 13. AMOUNTS PER SHARE

	Yen			U.S. dollars
	2002	2001	2000	2002
Net income (loss):				
Basic .....	<b>¥ 48.4</b>	¥ (17.8)	¥ 27.2	<b>\$0.364</b>
Diluted .....	—	—	27.1	—
Cash dividends .....	<b>10.0</b>	10.0	10.0	<b>0.075</b>
Net assets .....	<b>586.3</b>	556.6	624.6	<b>4.408</b>

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common stock to be issued upon the conversion of convertible bonds. No dilutive net income per share for the year ended March 31, 2002 was presented because there were no convertible bonds outstanding.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Net assets per share are based on the number of shares outstanding at the respective balance sheet dates.

## 14. RELATED PARTY TRANSACTIONS

The Company purchased goods for resale in the amount of ¥183,938 million (\$1,382,992 thousand), ¥176,468 million and ¥168,433 million from its affiliates, which were accounted for by the equity method, for the years ended March 31, 2002, 2001 and 2000, respectively. Purchase prices were negotiated on an arm's-length basis based on the final retail prices of the Company.

## 15. SECURITIES

a) Information regarding marketable securities classified as other securities as of March 31, 2002 and 2001 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
<b>March 31, 2002</b>						
Securities whose carrying value exceeds their acquisition cost:						
Stock .....	¥33,048	¥52,615	¥19,567	\$248,481	\$395,602	\$147,120
Debt securities.....	1	1	—	8	8	—
Other.....	—	—	—	—	—	—
Subtotal .....	33,049	52,616	19,567	248,489	395,609	147,120
Securities whose acquisition cost exceeds their carrying value:						
Stock .....	15,157	11,818	(3,338)	113,962	88,857	(25,098)
Debt securities.....	3	2	(0)	23	15	(0)
Other.....	355	335	(19)	2,669	2,519	(143)
Subtotal .....	15,515	12,156	(3,358)	116,654	91,398	(25,248)
Total .....	¥48,564	¥64,773	¥16,208	\$365,143	\$487,015	\$121,865

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
<b>March 31, 2001</b>			
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	¥44,294	¥81,886	¥37,592
Debt securities.....	24	25	1
Other.....	200	201	1
Subtotal .....	44,518	82,112	37,594
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	5,019	4,030	(988)
Debt securities.....	—	—	—
Other.....	355	343	(11)
Subtotal .....	5,374	4,374	(999)
Total .....	¥49,892	¥86,486	¥36,594

b) Sales of securities classified as other securities amounted to ¥2,976 million (\$22,376 thousand) with an aggregate gain of ¥694 million (\$5,218 thousand) and an aggregate loss of ¥452 million (\$3,398 thousand) for the year ended March 31, 2002. For the year ended March 31, 2001, sales of securities classified as other securities amounted to ¥29,262 million with an aggregate gain of ¥7,212 million and an aggregate loss of ¥309 million.

c) The redemption schedule for securities with maturity dates classified as other securities as of March 31, 2002 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds.....	¥ 0	¥103	¥ —	\$ 0	\$ 774	\$ —
Corporate bonds .....	2	—	—	15	—	—
Other.....	—	298	—	—	2,241	—
Total .....	¥ 3	¥401	¥ —	\$23	\$3,015	\$ —

## 16. DERIVATIVE TRANSACTIONS

The Company and certain consolidated subsidiaries have entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and commodity prices.

The Company is exposed to credit risk in the event of nonperformance by the counterparties to the derivative financial instruments, but any such loss would not be material because the Company enters into transactions only with financial institutions with high credit ratings. The notional amounts of the derivative financial instruments do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's risk exposure in connection with derivative financial instruments.

a) Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2002 and 2001:

### 1) Currency-related transactions

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
<b>March 31, 2002</b>						
Forward foreign exchange contracts:						
Sell:						
US\$ .....	¥879	¥885	¥ (5)	\$6,609	\$6,654	\$ (38)
Others.....	235	236	(0)	1,767	1,774	(0)
Buy:						
US\$ .....	913	950	36	6,865	7,143	271
Others.....	44	44	0	331	331	0
Options:						
Put options, purchased:						
US\$ .....	926	24	8	6,962	180	60
Premium.....	15			113		
Total .....			¥38			\$286

	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
<b>March 31, 2001</b>			
Forward foreign exchange contracts:			
Sell:			
US\$ .....	¥6,968	¥7,030	¥(61)
Others.....	839	815	24
Buy:			
US\$ .....	111	120	8
Others.....	64	58	(6)
Options:			
Put options, purchased:			
US\$ .....	926	50	37
Premium.....	12		
Total .....			¥ 3

Note: The notional amounts of the forward foreign exchange contracts and currency swaps presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

### 2) Interest-related transactions

	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
<b>March 31, 2002</b>						
Interest rate swaps:						
Receive/floating and pay/fixed.....	¥900	¥(16)	¥(16)	\$6,767	\$(120)	\$(120)
Total .....			¥(16)			\$(120)

	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
<b>March 31, 2001</b>			
Interest rate swaps:			
Receive/floating and pay/fixed.....	¥1,350	¥1,342	¥ (7)
Receive/fixed and pay/floating.....	124	269	35
Total .....			¥28

3) Commodity-related transactions

March 31, 2002	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Options:						
Call options, purchased .....	¥17	¥17	¥(0)	\$128	\$128	\$(0)
Total .....			¥(0)			\$(0)

March 31, 2001	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Options:			
Call options, purchased .....	¥88	¥87	¥(0)
Total .....			¥(0)

**17. SEGMENT INFORMATION**

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of products in Japan and overseas in three major segments: foods which include *AJI-NO-MOTO* and other seasonings, edible oils, processed foods, beverages and dairy products; fine chemicals which include pharmaceuticals, amino acids and specialty chemicals; and other which includes distribution and other products.

The business and geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2002, 2001 and 2000 are outlined as follows:

**Business Segments**

Year ended March 31, 2002	Millions of yen					
	Foods	Fine Chemicals	Other	Total	Eliminations	Consolidated
I. Sales and operating income:						
Sales to third parties .....	¥636,201	¥215,708	¥ 91,629	¥ 943,540	¥ —	¥943,540
Intragroup sales and transfers .....	10,677	2,786	69,325	82,789	(82,789)	—
Total sales .....	646,879	218,495	160,955	1,026,330	(82,789)	943,540
Operating expenses .....	625,393	196,004	156,128	977,525	(83,000)	894,525
Operating income .....	¥ 21,485	¥ 22,491	¥ 4,827	¥ 48,804	¥ 210	¥ 49,015
II. Assets, depreciation and capital expenditures:						
Total assets .....	¥378,674	¥229,472	¥114,709	¥ 722,855	¥ 117,296	¥840,152
Depreciation and amortization .....	19,748	15,759	2,705	38,213	(990)	37,222
Capital expenditures .....	22,856	20,208	2,724	45,788	(511)	45,277
Year ended March 31, 2002	Thousands of U.S. dollars					
	Foods	Fine Chemicals	Other	Total	Eliminations	Consolidated
I. Sales and operating income:						
Sales to third parties .....	\$4,783,466	\$1,621,865	\$ 688,940	\$7,094,286	\$ —	\$7,094,286
Intragroup sales and transfers .....	80,278	20,947	521,241	622,474	(622,474)	—
Total sales .....	4,863,752	1,642,820	1,210,188	7,716,767	(622,474)	7,094,286
Operating expenses .....	4,702,203	1,473,714	1,173,895	7,349,812	(624,060)	6,725,752
Operating income .....	\$ 161,541	\$ 169,105	\$ 36,293	\$ 366,947	\$ 1,579	\$ 368,534
II. Assets, depreciation and capital expenditures:						
Total assets .....	\$2,847,173	\$1,725,353	\$ 862,474	\$5,435,000	\$ 881,925	\$6,316,932
Depreciation and amortization .....	148,481	118,489	20,338	287,316	(7,444)	279,865
Capital expenditures .....	171,850	151,940	20,481	344,271	(3,842)	340,429

Year ended March 31, 2001	Millions of yen					
	Foods	Fine Chemicals	Other	Total	Eliminations	Consolidated
<b>I. Sales and operating income:</b>						
Sales to third parties .....	¥622,001	¥188,421	¥ 98,106	¥908,528	¥ —	¥908,528
Intragroup sales and transfers .....	11,618	2,050	62,618	76,287	(76,287)	—
Total sales .....	633,620	190,472	160,724	984,816	(76,287)	908,528
Operating expenses .....	609,991	179,474	157,318	946,784	(76,060)	870,723
Operating income .....	¥ 23,629	¥ 10,998	¥ 3,405	¥ 38,032	¥ (227)	¥ 37,805
<b>II. Assets, depreciation and capital expenditures:</b>						
Total assets .....	¥371,626	¥219,752	¥100,604	¥691,984	¥136,960	¥828,945
Depreciation and amortization .....	19,433	17,732	2,456	39,621	(981)	38,640
Capital expenditures .....	25,306	16,708	5,455	47,469	(555)	46,914

As a result of an adoption of a new accounting standard for retirement benefits as explained in Note 1.j., operating income for “Foods,” “Fine Chemicals” and “Other” decreased by ¥1,933 million, ¥1,199 million and ¥89 million for the year ended March 31, 2001 over the corresponding amounts for the previous year.

Year ended March 31, 2000	Millions of yen					
	Foods	Fine Chemicals	Other	Total	Eliminations	Consolidated
<b>I. Sales and operating income:</b>						
Sales to third parties .....	¥598,841	¥134,573	¥ 96,006	¥829,422	¥ —	¥829,422
Intragroup sales and transfers .....	16,047	2,856	47,563	66,467	(66,467)	—
Total sales .....	614,889	137,430	143,570	895,889	(66,467)	829,422
Operating expenses .....	590,976	132,419	139,441	862,838	(66,465)	796,372
Operating income .....	¥ 23,913	¥ 5,010	¥ 4,128	¥ 33,051	¥ (1)	¥ 33,050
<b>II. Assets, depreciation and capital expenditures:</b>						
Total assets .....	¥349,774	¥180,864	¥ 95,550	¥626,189	¥106,791	¥732,980
Depreciation and amortization .....	20,389	14,642	3,081	38,112	(778)	37,334
Capital expenditures .....	21,256	30,693	4,605	56,555	(790)	55,765

## Geographical Segments

Year ended March 31, 2002	Millions of yen						
	Japan	Asia	America	Europe	Total	Eliminations	Consolidated
Sales to third parties .....	¥716,774	¥87,836	¥56,598	¥82,329	¥ 943,540	¥ —	¥943,540
Interarea sales and transfers .....	33,567	11,498	9,785	4,217	59,068	(59,068)	—
Total sales .....	750,342	99,335	66,384	86,546	1,002,608	(59,068)	943,540
Operating expenses .....	723,735	88,125	63,306	78,426	953,593	(59,068)	894,525
Operating income .....	¥ 26,606	¥11,209	¥ 3,077	¥ 8,120	¥ 49,015	¥ —	¥ 49,015
Total assets .....	¥508,701	¥72,034	¥58,645	¥61,753	¥ 701,135	¥139,017	¥840,152

Year ended March 31, 2002	Thousands of U.S. dollars						
	Japan	Asia	America	Europe	Total	Eliminations	Consolidated
Sales to third parties .....	\$5,389,278	\$660,421	\$425,549	\$619,015	\$7,094,286	\$ —	\$7,094,286
Interarea sales and transfers .....	252,383	86,451	73,571	31,707	444,120	(444,120)	—
Total sales .....	5,641,669	746,880	499,128	650,722	7,538,406	(444,120)	7,094,286
Operating expenses .....	5,441,617	662,594	475,985	589,669	7,169,872	(444,120)	6,725,752
Operating income .....	\$ 200,045	\$ 84,278	\$ 23,135	\$ 61,053	\$ 368,534	\$ —	\$ 368,534
Total assets .....	\$3,824,820	\$541,609	\$440,940	\$464,308	\$5,271,692	\$1,045,241	\$6,316,932

Year ended March 31, 2001	Millions of yen						
	Japan	Asia	America	Europe	Total	Eliminations	Consolidated
Sales to third parties .....	¥716,294	¥70,527	¥50,224	¥71,482	¥908,528	¥ —	¥908,528
Interarea sales and transfers .....	30,489	6,233	6,912	2,029	45,665	(45,665)	—
Total sales .....	746,784	76,760	57,136	73,512	954,194	(45,665)	908,528
Operating expenses .....	721,688	67,938	55,883	70,878	916,388	(45,665)	870,723
Operating income .....	¥ 25,096	¥ 8,822	¥ 1,252	¥ 2,634	¥ 37,805	¥ —	¥ 37,805
Total assets .....	¥515,798	¥59,540	¥48,740	¥54,285	¥678,364	¥150,580	¥828,945

As a result of an adoption of a new accounting standard for retirement benefits as explained in Note 1.j., operating income for “Japan” decreased by ¥3,222 million for the year ended March 31, 2001 over the corresponding amount for the previous year.

Year ended March 31, 2000	Millions of yen						Consolidated
	Japan	Asia	America	Europe	Total	Eliminations	
Sales to third parties .....	¥688,276	¥60,136	¥35,490	¥45,518	¥829,422	¥ —	¥829,422
Interarea sales and transfers .....	31,070	5,617	6,236	2,288	45,213	(45,213)	—
Total sales .....	719,347	65,754	41,726	47,807	874,635	(45,213)	829,422
Operating expenses .....	694,826	58,302	41,000	47,456	841,585	(45,213)	796,372
Operating income .....	¥ 24,521	¥ 7,451	¥ 726	¥ 350	¥ 33,050	¥ —	¥ 33,050
Total assets .....	¥493,245	¥63,662	¥38,702	¥34,252	¥629,864	¥103,116	¥732,980

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries for the years ended March 31, 2002, 2001 and 2000, are summarized as follows:

Year ended March 31, 2002	Millions of yen			
	Asia	America	Europe	Total
Overseas sales .....	¥97,863	¥63,161	¥82,744	¥243,769
Consolidated net sales .....				943,540

Year ended March 31, 2002	Thousands of U.S. dollars			
	Asia	America	Europe	Total
Overseas sales .....	\$735,812	\$474,895	\$622,135	\$1,832,850
Consolidated net sales .....				7,094,286
Overseas sales as a percentage of consolidated net sales .....	10.4%	6.7%	8.8%	25.8%

Year ended March 31, 2001	Millions of yen			
	Asia	America	Europe	Total
Overseas sales .....	¥79,182	¥56,798	¥70,701	¥206,682
Consolidated net sales .....				908,528
Overseas sales as a percentage of consolidated net sales .....	8.7%	6.3%	7.8%	22.8%

Year ended March 31, 2000	Millions of yen			
	Asia	America	Europe	Total
Overseas sales .....	¥65,312	¥40,692	¥44,820	¥150,825
Consolidated net sales .....				829,422
Overseas sales as a percentage of consolidated net sales .....	7.9%	4.9%	5.4%	18.2%

## 18. SUBSEQUENT EVENTS

1) On April 1, 2002, all shares of Ajinomoto Oil Mills Co., Inc. a wholly-owned consolidated subsidiary of the Company, were transferred in exchange for a 33.4% interest in HONEN AJINOMOTO OIL MILLS, INC. (“HONEN AJINOMOTO”), a joint holding company newly established by the Company and the shareholders of HONEN Corporation. As a result, Ajinomoto Oil Mills Co., Inc. and HONEN Corporation became wholly-owned subsidiaries of HONEN AJINOMOTO.

Summarized balance sheets of Ajinomoto Oil Mills Co., Inc. and HONEN Corporation as of March 31, 2002 are as follows:

	Ajinomoto Oil Mills Co., Inc.		HONEN Corporation	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
<b>Assets:</b>				
Current assets .....	¥20,257	\$152,308	¥34,593	\$260,098
Fixed assets .....	14,660	110,226	35,158	264,346
Total assets .....	¥34,917	\$262,534	¥69,752	\$524,451
<b>Liabilities:</b>				
Current liabilities .....	¥18,113	\$136,188	¥28,161	\$211,737
Non-current liabilities .....	642	4,827	10,054	75,594
Total liabilities .....	18,756	141,023	38,215	287,331
Shareholders' equity .....	16,161	121,511	31,536	237,113
Total liabilities and shareholders' equity .....	¥34,917	\$262,534	¥69,752	\$524,451

2) The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2002, were approved by the shareholders at a meeting held on June 27, 2002:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥5=US\$0.038 per share) .....	¥3,249	\$24,429
Bonuses to directors and statutory auditors .....	186	1,398