Financial Report 2014

For the year ended March 31, 2014

Eat Well, Live Well.
AJINOMOTO

Founded in
1909

Products sold in
130
countries and regions

Net sales of
¥991.3
billion

27,579
employees

CONTENTS

Ajinomoto will pursue specialty to further reinforce its business structure and advance growth drivers.

Key Principles of the FY2014-2016 Medium-Term Management Plan

Pursuit of Specialty

- Become a food company group with specialties driven by cutting-edge bioscience and fine chemical technologies

1 Growth Driver Advancement — GROW

Global growth

Be each country's No.1 in deliciousness through assimilation with customers/countries (regions)

- Domestic Food Products for ONE: Create value for increasingly personalized/diverse customers
- Overseas Food Products for ALL: Rapid growth centered on the "Five Stars"

R&D leadership

- World No. 1 in seasonings:
  - Deepen our ability to define and design deliciousness in three dimensions
  - Expand into adjacent product categories
- Original cutting-edge biotechnology platform: New business model in the specialty materials and healthcare fields

2 Further Reinforcement of Business Structure — FIT

Structural reform centered on a shift from commodities to specialty

- Shift from bulk to specialty businesses based on our strengths in materials and technologies and our ability to identify customer needs and create customer value
- Strengthen cost competitiveness centered on fermentation using fewer resources
- Further structural reform of Pharmaceuticals including collaboration, alliance, etc.

Enhance capital efficiency to boost shareholder value/ROE

- Focus on a value-added value chain
- Cash management (improve efficiency of working capital, etc.)
- Optimize business portfolio and functional value chains (production/distribution/shared functions)

3 Evolution of the Management Foundation (Management Innovation)

- Corporate governance: Increase flexibility by expanding delegation of authority to ASEAN and Latin America for "an HQ that leads" and "local operations that can run on their own"
- Solid and large class of global human resources: Diversify internally and externally with 200 next-stage global management personnel and local specialist resources
- Open New Sky: Daily efforts to flexibly use external capabilities and expand into adjacent domains with a wider approach

Message from CEO Masatoshi Ito

FY2014–2016 Management Plan on Track

We will raise corporate value by steadily implementing the FY2014-2016 Medium-Term Management Plan with its theme of "FIT (further reinforcement of business structure) and GROW (growth driver advancement) with Specialty."

Review of the FY2011-2013 Medium-Term Management Plan

Although issues remain in bulk businesses and elsewhere, we steadily strengthened our profit structure in other businesses and carried out management with the aim of raising shareholder value.

During the three years of the FY2011-2013 Medium-Term Management Plan, we set the two themes of growth and structural reinforcement. In quantitative terms, operating income in the final year of the plan was ¥62.5 billion, falling short of our initial target of ¥87.0 billion. However, we are starting to assume the form of a global specialty company, despite some remaining issues in bulk businesses such as feed-use amino acids and in pharmaceuticals.

To begin with those issues, the unstable earnings structure of our bulk businesses has become apparent. Increased production by competitors has created an imbalance between supply and demand, and earnings have worsened substantially, with a drop in selling prices. In pharmaceuticals, our structural reforms included the spin-off of the infusion and dialysis business units, but intensifying competition and an insufficient new drug pipeline have reduced profitability. These are the main reasons we did not achieve our quantitative target. However, structural reforms are under way in both business areas, and we aim to stabilize earnings in bulk businesses and improve profitability in pharmaceuticals under our new medium-term management plan, which began in the current fiscal year.

On the other hand, our biggest achievement was steady growth in the food products business and the bioscience and fine chemicals business excluding feed-use amino acids. Domestic food products grew stably with the addition of new products backed by the Ajinomoto Group's R&D technologies, while overseas food products expanded smoothly, showing dramatic growth in

Masatoshi Ito
Masatoshi Ito became President & CEO of Ajinomoto Co., Inc. in June 2009. His career with the Company spans 43 years.

Message from CEO Masatoshi Ito

consumer foods. Those businesses proceeded exactly as initially planned. Moreover, we succeeded in strengthening the profit structure of these businesses, with increases in sales of amino acids for pharmaceuticals and foods and specialty chemicals and concentration of management resources on core businesses through a business portfolio reshuffle that included the disposal of the shares of Calpis Co., Ltd.

Another feature of the medium-term management plan was its strongly articulated management policy focused on corporate value, capital efficiency and cash flow. Management aims to increase shareholder value. In that sense, we accomplished definite results, with an upward trend in earnings per share through ongoing efforts to raise ROE with flexible share repurchases, in addition to dividends.

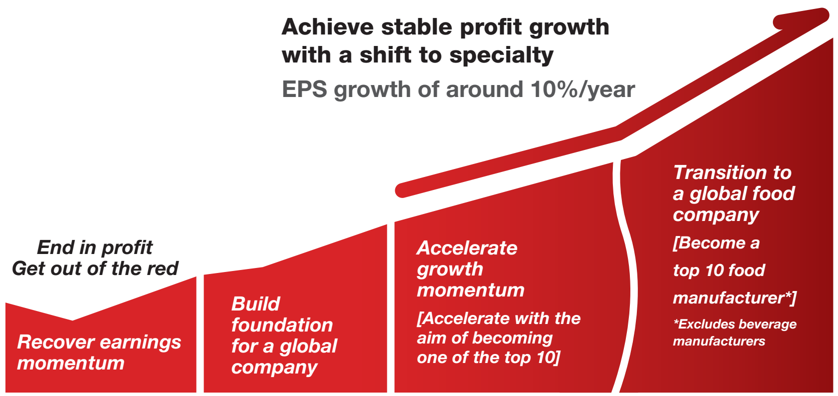
Positioning of the FY2014-2016 Medium-Term Management Plan

We will accelerate our growth momentum toward our goal of becoming a global top 10 food company by achieving "FIT" (further reinforcement of business structure) and "GROW" (growth driver advancement) with a shift to specialty businesses.

Roadmap to Fiscal 2020

I will preface my explanation of our new FY2014-2016 Medium-Term Management Plan with the Ajinomoto Group's long-term roadmap.

The Ajinomoto Group aims to be one of the global top 10 food companies by fiscal 2020. This "top 10" refers to the obvious quantitative yardsticks of corporate value, business scale and profit efficiency, but it is more than simply making the tenth spot on a list. I believe the Ajinomoto Group's unique presence and reason for existence are crucial aspects in this regard. Uniqueness is essential for specialty, and we want to create a food company that conducts science-based operations, with clear originality backed by technology.



	FY2008 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Forecast	FY2016 Targets	FY2020~ Vision
Operating income (¥ billion)	40.8	72.6	71.2	62.5	70.0	91.0	150.0
OP margin[1]	3.4%	7.5%	7.5%	6.6%	6.9%	8%	10%
OP margin excl. bulk businesses[2]	(3.6%)	(6.7%)	(7.0%)	(8.0%)	(8.0%)	(8.4%)	(10.5%)
ROE	-1.7%	6.9%	7.8%	7.1%	7.1%	9%	10%~
EPS (¥)	-14.6	61.3	74.4	69.7	74.3	100	150
Market cap (¥ billion)	486.5	704.8	898.5	905.8	—	1,000.0~	1,500.0~
Bulk business profit ratio[2]	16%	23%	19%	—	Approx. 6%	Around 10%	10%

1. Net amount of total sales through all channels, including business tie-ups, after deduction of sales promotion costs from FY2011 onward.
2. Bulk businesses: Umami seasonings for processed food manufacturers, feed-use amino acids, sweeteners

Themes of the FY2014-2016 Medium-Term Management Plan

Following this roadmap, the FY2014-2016 Medium-Term Management Plan constitutes the phase of accelerating our growth momentum toward our fiscal 2020 goal. The themes of the plan are “FIT” (further reinforcement of business structure) and “GROW” (growth driver advancement) with a shift to specialty businesses.

The FY2011-2013 Medium-Term Management Plan clarified opportunities for growth in the food products business and the bioscience products and fine chemicals business, making potential growth markets and new markets readily apparent. We have been setting up the foundation for accelerating our growth by choosing fields for focused investment of management resources and clearly defining our portfolio. On the other hand, structural reinforcement is ongoing. In addition to the structural reforms that remain to be accomplished in the bulk businesses and pharmaceuticals, we must establish a robust business structure for the entire Ajinomoto Group. Moreover, the main turbo engine for establishing both FIT and GROW will be specialty, the most important keyword of this medium-term management plan.

We define this specialty as the high added value the Ajinomoto Group provides that other companies cannot. It is generated by fusing our strengths in cutting-edge technologies and materials for bioscience and fine chemicals with our ability to identify customer needs and create customer value, which are the sources of the Ajinomoto Group’s competitive advantages. Another form of this specialty is our current ability to prevail in rolling out businesses in Japan and overseas because of our well-defined brands and ability to provide their value to customers. However, as patents expire over time and technologies become obsolete, it is the nature of products with this specialty to become commodities unless innovation continues. Consequently, we must continue working to sustain this specialty at all times by delivering to customers technologies for creating new materials and the materials themselves in the form of retail products, redefining markets by creating new value and generating new business models.

Overview of the FY2014-2016 Medium-Term Management Plan

We will achieve high-quality profit growth by pursuing specialty.

With pursuit of specialty as the engine, the FY2014-2016 Medium-Term Management Plan is structured on the three supporting strategies of growth driver advancement, further reinforcement of business structure and evolution of the management foundation.

Growth Driver Advancement

Our priority measure for growth is to accelerate growth globally, including in Japan. In Japan, we will develop new products that display clear value for increasingly personalized and diverse eating habits. *Nabe Cube*, a major hit product, is a good example of this innovation in value offerings. By expanding these sorts of initiatives, we will continue to open up new markets. Overseas, we have given the name “the Five Stars” to the core countries of Thailand, Indonesia, Vietnam, the Philippines and Brazil. We are aiming to double sales growth in Thailand and to triple sales growth in the other four countries by fiscal 2020, compared with fiscal 2012.

We have extremely strong business foundations in these countries, and our efforts will be backed by the modernization of eating habits as income levels rise. Including rollouts to adjacent countries, we expect the scale of operations overseas to surpass those in Japan by fiscal 2016.

To support this growth, we will concentrate on enhancing the technologies we take pride in and displaying our leadership in research and development. We will aim for world-leading technologies by expanding the elements of our seasoning technology beyond the five base tastes to include texture, aroma and even neuroscience and the external environment as we further enhance our ability to define and design deliciousness along three dimensions. At the same time, we will apply these efforts to expanding regional and product categories to actually deliver these scientific technologies for deliciousness to customers. We will also use our cutting-edge biotechnologies to create specialty materials and commercialize advanced medicines, regenerative medicine and next-generation therapeutic antibodies, based on the Ajinomoto Group's foundation in research with its exhaustive understanding of amino acids. Under the medium-term management plan, we have set numerous company-wide strategic themes for future growth in the technological fields I just mentioned, and plan to allocate 50% of our R&D budget to these themes.

Further Reinforcement of Business Structure

To reinforce our business structure, first of all we will complete the structural reform of our bulk businesses and pharmaceuticals, centered on a shift from commodities to specialty products. In the bulk businesses, we will focus investment of management resources on high-value-added specialty products such as AjiPro®-L Lysine for dairy cows and make them the linchpin of our operations. In feed-use amino acids, for example, we plan to raise the ratio of specialty products in operating income to 40% by fiscal 2016. Moreover, we will innovate our production technologies to enhance cost competitiveness and improve our earnings capabilities. In pharmaceuticals, we will change to an earnings structure that can consistently and stably secure a 15% operating income margin in the future by strengthening the pipeline through proactive partnerships and reviewing functions and personnel.

To reduce costs in these and other businesses, we will step up the introduction and improvement of lower resource fermentation technology that we started under the FY2011-2013 Medium-Term Management Plan. This has already shown results under the previous plan, and we have incorporated specific initiatives into the current plan. We anticipate a reduction of ¥7 billion in costs in fiscal 2016, compared with fiscal 2013.

In addition to these measures, we intend to raise capital efficiency across divisions to boost shareholder value and ROE, and thus reinforce the business structure company-wide. As well as regularly revising our value chains to raise added value in each business, other measures to further reinforce our business structure will encompass flexibly using external capabilities, conducting thorough cash management and increasing the efficiency of our infrastructure, including reorganization of domestic production functions.

Evolution of the Management Foundation

To build a foundation for growth and structural reinforcement, we are working to establish flexible, efficient corporate governance and a solid and large class of human resources appropriate for a global specialty company. As part of our commitment to rapid growth overseas, in the area of corporate governance, we will speed up local decision-making by delegating more authority to local operations, starting with ASEAN and Latin America. In the area of personnel, we will introduce a new global HR system and train a group of 200 next-stage management personnel.

The “Open New Sky” concept that we share throughout the Ajinomoto Group will be crucial for accomplishing the evolution of our management foundation and the growth I mentioned above. The idea behind Open New Sky is to grow through daily efforts to flexibly use external capabilities (open and linked) and expand into adjacent domains with a wider approach. For example, I want to create an organization in which each employee can regularly redefine our markets. The basic idea is to resolve the inconveniences that stop customers from using our products, and thus expand the domains in which we provide value. For this purpose, an “open and linked” approach is essential. Looking back at the processes the Ajinomoto Group has used to create its present-day products and businesses, about half incorporate technologies from outside the company. Since using external resources is clearly intrinsic to our makeup, I believe that partnerships with external parties in a purposeful and strategic fashion will generate even greater strength.

Quantitative Targets of the FY2014-2016 Medium-Term Management Plan

We will establish a robust earnings structure to achieve vigorous profit growth and increase shareholder value.

Earnings Targets

By unerringly carrying out the strategies I have been explaining, the Ajinomoto Group will achieve steady, vigorous growth. Over the past several years, the highly volatile bulk businesses have accounted for between 20% and 30% of the Ajinomoto Group’s operating profits, but we will lower this figure and maintain it at around 10% through our shift to specialty under the current medium-term management plan. Accordingly, we will create a structure to drive our growth in which the business domains of Consumer Foods (Branded Foods) and AminoScience will act as the two strong pillars.

As for specific numerical targets, we plan to increase operating income ¥28.5 billion over the next three years to reach ¥91.0 billion in fiscal 2016, and achieve an operating income margin of 8%, a 1.4-point increase compared with fiscal 2013.

ROE remains a key performance indicator, and we recognize the potential for raising it higher under the current medium-term management plan, mainly overseas and in domains where we can display the Ajinomoto Group’s advantages. We are therefore aiming for ROE of 9%, a 1.9-point increase compared with fiscal 2013.

Financial Targets and Shareholder Returns

Our basic financial policy remains unchanged: strengthen cash generation based on profit growth and prioritize investments for growth while providing stable, continuous returns to our shareholders.

Over the next three years, we plan to generate about ¥300 billion in operating cash flow and make capital investments of ¥180 billion, giving extra weight to investment for growth. We have also decided to be proactively involved in M&A and alliances, and although we basically set our debt-equity ratio at around 30%, we will allow it to rise to around 50% when financing for investment for growth becomes necessary.

Under the FY2011-2013 Medium-Term Management Plan, we conducted a proactive expansion of shareholder returns that included a share repurchase of approximately ¥130 billion. Having concluded that we had laid the groundwork for continuous, stable dividends while controlling shareholders' equity, we set even clearer targets in the new plan. Specifically, in addition to setting a target payout ratio of 30%, we will consider flexible share repurchases with a targeted total return to shareholders of 50%.

Conclusion

We will raise corporate value by communicating our originality on a broader scale to win favor worldwide, and thus achieve our goal of becoming a global top 10 food company.

In addition to the symbolic objectives of the FY2014-2016 Medium-Term Management Plan I have explained, we intend to promote higher-quality management by setting concrete targets for each key strategy. In addition, the Ajinomoto Group as a whole will use the three years of results produced by the FY2014-2016 Medium-Term Management Plan as a springboard toward its goal of becoming a global top 10 food company by fiscal 2020.

As I mentioned previously, the Ajinomoto Group aims to be a food company with originality that separates it from its peers. By creating new value with our proprietary science and data, we will increase our added value and take our place among the global top 10.

I ask our shareholders and investors to note the extent to which we can communicate our originality on a broader scale to win favor worldwide, and look forward to our continuing efforts to raise shareholder value.

Masatoshi Ito
President

Ten-Year Summary of Selected Financial Data

Excel File Download

Ajinomoto Co., Inc. and Consolidated Subsidiaries for the years ended March 31

Millions of yen	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
For the year:										
Net sales*1	**¥ 991,332**	¥ 984,967	¥1,007,208	¥1,015,215	¥1,170,876	¥1,190,371	¥1,216,572	¥1,158,510	¥1,106,807	¥1,073,010
Cost of sales	**635,594**	600,629	603,420	612,237	785,578	833,123	856,974	828,050	795,007	760,554
Gross profit	**355,738**	384,337	403,788	402,978	385,298	357,247	359,597	330,459	311,799	312,455
Selling, general and administrative expenses	**293,190**	313,104	331,203	333,604	321,264	316,420	299,074	266,658	251,476	241,538
Operating income	**62,548**	71,232	72,584	69,374	64,034	40,827	60,523	63,800	60,322	70,916
Other income (expenses)	**10,754**	29,595	(493)	(20,929)	(19,242)	(37,570)	(8,673)	(8,079)	(3,153)	10,821
Income before income taxes and minority interests	**73,302**	100,828	72,091	48,444	44,791	3,256	51,849	55,721	57,169	81,737
Net income (loss)	**42,795**	48,373	41,754	30,400	16,646	(10,227)	28,229	30,229	34,912	44,817
Capital expenditures	**50,602**	61,590	56,778	45,772	44,117	58,293	62,780	76,386	79,162	58,082
Depreciation and amortization	**45,746**	42,463	43,717	49,825	55,382	55,192	55,189	45,138	40,341	39,854
At year-end:										
Shareholders' equity*2	**¥ 598,925**	¥ 635,287	¥ 605,349	¥ 608,191	¥ 602,770	¥ 585,234	¥ 628,325	¥ 563,446	¥ 528,762	¥ 467,297
Total assets	**1,091,650**	1,091,741	1,097,057	1,077,418	1,082,238	1,057,786	1,100,709	1,061,688	997,405	903,542
Long-term debt	**105,627**	82,561	106,617	110,984	116,372	119,365	84,996	108,088	110,382	90,533
Per share (yen):										
Net income (loss)	**¥ 69.7**	¥ 74.4	¥ 61.3	¥ 43.6	¥ 23.9	¥ (14.7)	¥ 41.9	¥ 46.7	¥ 53.6	¥ 68.8
Shareholders' equity*2	**1,009.0**	1,004.4	894.6	871.6	863.7	838.5	899.4	870.0	815.8	720.6
Cash dividends	**20.0**	18.0	16.0	16.0	16.0	16.0	16.0	15.0	14.0	13.0
Value indicators:										
Liquidity ratios:										
Debt/equity ratio (%)*3	**23.9**	18.4	21.5	21.9	24.5	25.5	23.0	26.8	27.5	26.9
Interest coverage ratio (times)*4	**32.3**	38.4	34.8	29.3	19.1	9.0	13.3	13.3	19.1	24.3
Investment indicators:										
Price/earnings ratio (times)*5	**21.2**	19.0	16.9	19.9	38.8	–	24.1	29.0	23.4	19.0
Price/book value (times)*6	**1.5**	1.4	1.2	1.0	1.1	0.8	1.1	1.6	1.5	1.8
Return indicators:										
Return on assets (%)*7	**3.9**	4.4	3.8	2.8	1.6	(0.9)	2.6	2.9	3.7	5.0
Return on equity (%)*8	**7.1**	7.8	6.9	5.0	2.8	(1.7)	4.7	5.5	7.0	10.0
Number of employees	**27,579**	27,518	28,245	28,084	27,215	26,869	25,893	24,733	26,049	25,812

Notes:
1. For the coffee and edible oils business and some other businesses, the gross figures for sales and cost of goods sales were recorded in the accounts but from fiscal 2013 this method changed to netting off sales and cost of goods sold and recording the net figure in the accounts. Post-reclassification basis from the year ended March 31, 2011.
2. Shareholders' equity for the years ended March 31, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014 = Net assets - Minority interests
3. Debt = Short-term borrowings and current portion of long-term debt + Long-term debt
4. Interest coverage ratio = (Operating income + Interest and dividend income)/Interest expense
5. PER = Year-end share price/Net income per share
6. PBR = Year-end share price/Shareholders' equity per share
7. ROA = Net income (or loss)/Average total assets
8. ROE = Net income (or loss)/Average total shareholders' equity

Management's Discussion and Analysis

Ajinomoto Co., Inc. and Consolidated Subsidiaries for fiscal 2013, ended March 31, 2014

Overview of Financial Strategy

Investment for Growth

Under its new medium-term management plan, the Ajinomoto Group aims to increase earnings and generate operating cash flow of about ¥300 billion over three years by accelerating the Group's growth momentum while speeding up business structure reform. The cash generated will basically be allocated to investment for growth, including in business alliances, joint ventures and similar methods to expand operations overseas. For inorganic growth, we intend to proactively utilize M&A and alliances.

We plan to make ¥180 billion in capital expenditures over the three-year period. Investments will focus on growth areas, including expansion of production capacity in overseas food products.

Research and development is a core growth driver for the Ajinomoto Group. We plan to selectively allocate more than 50% of our R&D budget to Group-wide strategic themes for future growth. R&D expenses for fiscal 2014 are scheduled to total ¥34.3 billion, and we expect to maintain the same level in the future. Operating in line with this budget, we plan to invest in growth fields from a medium-to-long-term perspective.

Financing

To secure funding for capital expenditures and M&A, we will conduct flexible procurement so as not to miss opportunities for investment in growth fields while maintaining an appropriate balance between liabilities and assets. Funding procurement will include both long-term and short-term borrowings as necessary.

At the same time, we will ensure a sound financial position to maintain our credit ratings by keeping our debt/equity (D/E) ratio at a basic level of approximately 30%, with a maximum of around 50%.

Shareholder Returns

The Ajinomoto Group adopts the basic principle of ensuring continuous and stable dividends, taking into consideration its consolidated earnings, with a target payout ratio of 30% under the FY2014-2016 Medium-Term Management Plan.

To further increase shareholder returns, we will also consider flexible share repurchases with a targeted total return of 50% or more over the three years of the medium-term management plan.

Through these measures, we aim to raise ROE to 9% in fiscal 2016.

Review of Operations

Operating Environment

In fiscal 2013, ended March 31, 2014, the global economy showed a weak overall recovery. Although there was a moderate upturn in the U.S. economy and signs of economic recovery in Europe, there was also some impact from an easing of growth rates in emerging markets.

In Japan, a mild economic recovery is underway, supported by a correction of the yen's prolonged strength and signs of improving consumer sentiment and corporate capital expenditure. In the Japanese food industry, costs for raw materials for foods remained high.

Impact of Increase in Consumption Tax Rate

The consumption tax rate in Japan increased from 5% to 8% on April 1, 2014. As expected, this led to a last-minute surge in demand ahead of the increase that resulted in sales of approximately ¥2 billion, mainly in seasonings and processed foods. However, the impact of the decrease in sales in April 2014 and thereafter that followed this last-minute surge was insignificant.

Business Overview

Within this environment, the Ajinomoto Group positioned the three-year period

Management's Discussion and Analysis

from 2011 as a time to focus on building a foundation to make the Group a "Genuine Global Company," and has been endeavoring to drive growth under the two key themes of "Global growth" and "R&D leadership," while pursuing three policies for reinforcing the business structure, namely, "From VOLUME to VALUE," "From PROFIT to CASH," and "Enhance capital efficiency to boost stockholder value."

As a result of the above, consolidated net sales for fiscal 2013 increased 0.6%, or ¥6.3 billion, year on year to ¥991.3 billion. This outcome reflects the negative impact on consolidated sales arising from exclusion of Calpis Co., Ltd. ("Calpis Co.") from the scope of consolidation since the third quarter of the previous fiscal year and the spinoff of the infusions and dialysis business units into equity method affiliate AY Pharmaceuticals Co., Ltd. ("AY Pharmaceuticals") from the second quarter of the fiscal year, and also the positive effect of a weaker yen. Operating income decreased 12.2%, or ¥8.6 billion, to ¥62.5 billion, reflecting the exclusion of Calpis Co. products as well as weaker results from feed-use amino acids, and net income decreased 11.5%, or ¥5.5 billion, to ¥42.7 billion.

Financial Review

Note: All comparisons are with the previous fiscal year, ended March 31, 2013, unless stated otherwise.

Net Sales

Net sales increased 0.6%, or ¥6.3 billion, year on year to ¥991.3 billion. By region, sales in Japan decreased 11.0%, or ¥63.4 billion, to ¥514.0 billion, as growth in sales of seasonings and processed foods, frozen foods, specialty chemicals and amino acids failed to offset the absence of Calpis Co. product sales, which were included in the results until the second quarter of the previous fiscal year, and a decline in sales of pharmaceuticals as a result of the spinoff of the infusions and dialysis business units. Sales overseas increased significantly, up 17.1%, or ¥69.7 billion, year on year to ¥477.2 billion due to an increase in sales of consumer foods and amino acids and also impacted by the exchange rate. Sales increased 18.6% to ¥231.1 billion in Asia, 18.6% to ¥139.2 billion in the Americas and 12.3% to ¥106.8 billion in Europe.

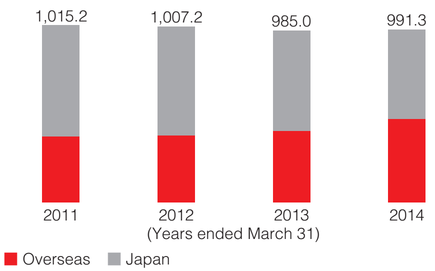
Excluding the impact of sales of Calpis Co. products and the infusions and dialysis business units, net sales increased 8.8%, or ¥80.2 billion, to ¥991.3 billion.

Cost of Sales / Selling, General and Administrative Expenses

Cost of sales increased 5.8%, or ¥34.9 billion, to ¥635.5 billion. The ratio of the cost of sales to net sales rose 3.1 percentage points to 64.1%, mainly due to the effect of the exchange rate, a drop in the sales price of feed-use

Domestic and Overseas Sales

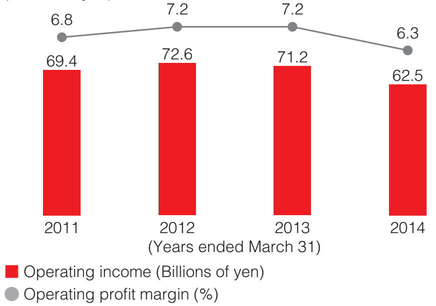
(Billions of yen)



Note: Excludes interarea sales and transfers

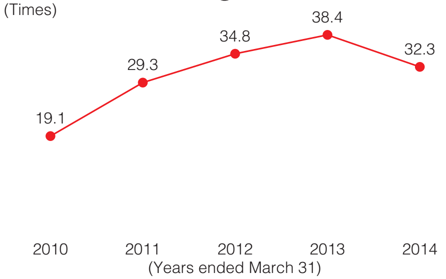
Operating Income & Operating Profit Margin

(Billions of yen)



Interest Coverage Ratio

(Times)



amino acids, and an increase in the price of raw materials for frozen foods. Selling, general and administrative expenses decreased 6.4%, or ¥19.9 billion, from the previous fiscal year to ¥293.1 billion, impacted by the removal of Calpis Co. from the scope of consolidation.

Operating Income

Operating income decreased 12.2%, or ¥8.6 billion, from the previous fiscal year to ¥62.5 billion. By region, operating income in Japan decreased 3.5% to ¥33.1 billion, while operating income from operations overseas decreased 20.3% to ¥29.3 billion.

In Japan, there was a decrease in operating income due to an increase in the cost of sales of frozen foods as well as the absence of the operating income of Calpis Co., despite contributions from seasonings and processed foods, specialty chemicals, and amino acids. In overseas regions, there was a significant overall decrease in operating income compared with the previous fiscal year, largely impacted by a drop in the sales price of feed-use amino acids, which offset contributions from consumer foods and the impact of the exchange rate. Operating income increased 13.1% to ¥24.9 billion in Asia, decreased 53.9% to ¥4.2 billion in the Americas, and decreased 98.1% to ¥0.1 billion in Europe.

Other Income (Expenses)

Other income totaled ¥10.7 billion, compared with other income of ¥29.5 billion in the previous fiscal year. The main factors in this decrease were substantial decreases in gain on transfer of benefit obligation relating to the employees' pension fund and gain on sales of investment in affiliates, although loss on impairment of fixed assets also decreased.

Net Income

Net income for fiscal 2013 decreased 11.5%, or ¥5.5 billion, to ¥42.7 billion. Net income per share for the fiscal year was ¥69.70, compared with ¥74.35 for the previous year.

The effective tax rate for fiscal 2013 was 31.5%, compared with 45.4% for the previous year, due to the larger proportion of income from ASEAN countries, where tax rates are relatively low.

Costs, Expenses and Income as Percentages of Net Sales

Years ended March 31	2014		2013		2012	
	Percentage	Change	Percentage	Change	Percentage	Change
Cost of sales	64.1%	3.1	61.0%	1.1	59.9%	-0.4
Gross profit	35.9	-3.1	39.0	-1.1	40.1	0.4
SG&A expenses	29.6	-2.2	31.8	-1.1	32.9	0.0
Operating income	6.3	-0.9	7.2	0.0	7.2	0.4
Income before income taxes & minority interests	7.4	-2.8	10.2	3.0	7.2	2.4
Net income	4.3	-0.6	4.9	0.8	4.1	1.1

Note: Change represents change in percentage points from the previous year.

Segment Information

Note: All comparisons are with the previous fiscal year, ended March 31, 2013, unless stated otherwise.

Domestic Food Products

Due to the removal of sales of Calpis Co. products from the third quarter of the previous fiscal year, domestic food product sales decreased 13.8%, or ¥54.0 billion, to ¥337.5 billion. Operating income decreased 16.0%, or ¥5.2 billion, to ¥27.4 billion. Excluding the impact of sales of Calpis Co. products, net sales increased 1.6%, or ¥5.3 billion, to ¥337.5 billion due to growth in sales of seasonings and processed foods for the retail market and frozen foods as well as the impact of a last-minute surge in

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demand prior to the consumption tax increase. Operating income decreased 1.7%, or ¥0.4 billion, to ¥27.4 billion due to an increase in costs resulting from a rise in the price of raw materials.

Seasonings and Processed Foods: In seasonings and processed foods for the retail market, sales of *HONDASHI* and Chinese menu seasoning *Cook Do®* grew due to TV advertising and related marketing initiatives. Despite a significant increase in sales of hot pot soup cube *Nabe Cube*, as well as an increase in tube-type Chinese seasoning paste *Cook Do®* flavor paste, *Cook Do® Kyo-no Ohzara*, Japanese and western-style menu seasonings, and mayonnaise products, sales of gift products declined significantly, resulting in a decrease in overall sales.

In seasonings and processed foods for the commercial market, sales of seasoning products for restaurant use decreased due to a decline in sales of chilled salad and other products, despite growth in sales of functional food products used to enhance texture and quality and draw out the flavors of rice and meat. Overseas sales of *ACTIVA®*, a food enzyme (transglutaminase), and savory seasonings products trended strongly, also impacted by the exchange rate, resulting in an increase in sales, and an overall increase in commercial market sales.

Frozen Foods: Overall sales of products for the retail market were in line with the previous fiscal year, as an increase in sales of *Gyoza* and the *Yoshokutei* Hamburg (hamburger steak) Series that were featured in television advertising, was offset by sluggish sales of *Yawaraka Wakadori Kara-Age* (fried chicken). Overall sales of products for restaurant and institutional use increased due to an increase in sales to large domestic customers. As a result, overall sales increased.

Overseas, sales of frozen rice products and yakisoba noodles increased significantly in North America, and as a result, overall sales increased.

Market Share in Main Product Areas (Household Market in Japan) FY2013

Product Area	Brand	Market Size (Billions of yen)	Ajinomoto Co. Share (Position)
Umami seasonings	*AJI-NO-MOTO®, Hi-Me®*	6.7	91% (1)
Japanese flavor seasonings	*HONDASHI*	41.9	44% (1)
Consommé	*Ajinomoto KK Consommé*	12.7	65% (1)
Soup	*Knorr®*	85.7	37% (1)
Mayonnaise and mayonnaise-type dressings	*Pure Select®*	44.3	28% (2)
Menu seasonings	*Cook Do®, Cook Do® Kyo-no Ohzara*	58.5	28% (1)

Note: Market size is based on consumer purchase prices.

Overseas Food Products

Overseas food product sales increased 19.5%, or ¥47.8 billion, to ¥293.2 billion supported by foreign exchange rates along with higher sales of consumer foods on a local currency basis. Operating income increased 21.9%, or ¥4.5 billion, to ¥25.2 billion, with the impact of a decline in unit prices for umami seasonings for processed food manufacturers offset by foreign exchange rates, higher revenues from consumer foods, and other factors.

Consumer Foods: In Asia, overall sales increased significantly due to higher sales on a local currency basis of umami seasoning *AJI-NO-MOTO®* in Vietnam, Indonesia and the Philippines, higher sales of flavor seasonings *Ros Dee®* in Thailand, *Masako®* in Indonesia, *Aji-ngon®* in

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Vietnam and instant noodles. In the Americas, sales increased significantly, reflecting higher sales on a local currency basis of products such as flavor seasoning *Sazón*® in Brazil. In Europe and Africa, overall sales increased substantially, reflecting higher sales on a local currency basis of products such as instant noodles in Poland. As a result of the above, overall consumer foods sales increased substantially.

Umami Seasonings for Processed Food Manufacturers: In Japan, sales of umami seasoning *AJI-NO-MOTO*® for the food processing industry and nucleotides decreased, reflecting a decline in unit prices. In overseas markets, although market prices declined in response to increased production by competitors, total sales increased significantly due to higher sales volumes, with the result that overall sales of umami seasonings for processed food manufacturers increased.

Bioscience Products and Fine Chemicals

Bioscience products and fine chemicals sales increased 11.9%, or ¥24.3 billion, to ¥228.5 billion, reflecting the effect of foreign exchange rates and additional sales arising from the consolidation in the first quarter of Ajinomoto Althea, Inc. ("Ajinomoto Althea") along with growth in sales of amino acids for pharmaceuticals and foods, and specialty chemicals. Operating income decreased 54.6%, or ¥7.8 billion, to ¥6.5 billion, reflecting a significant impact from a fall in unit prices for feed-use amino acids, which was only partially offset by higher revenues from sales of amino acids for pharmaceuticals and foods and higher sales of specialty chemicals.

Feed-use Amino Acids: Unit prices for Threonine and Tryptophan decreased but sales volumes increased, leading to significantly higher revenues from both these products. However, unit prices for Lysine were significantly lower and sales volumes also decreased, resulting in lower revenues, with the result that overall feed-use amino acid revenues were in line with the previous fiscal year.

Market Size of Feed-Use Amino Acids and the Ajinomoto Group's Shares

(Ajinomoto Co. estimate)
(Thousands of metric tons)

Years ended March 31	2014	2013	2012	2011	2010
Lysine	2,100	1,950	1,700	1,580	1,465
The Ajinomoto Group's share	15-20%	20% (approx.)	20% (approx.)	20% (approx.)	23% (approx.)
Threonine	400	330	270	245	190
The Ajinomoto Group's share	30% (approx.)	30% (approx.)	30% (approx.)	35% (approx.)	50% (approx.)
Tryptophan	14	9	6	4.8	4.5
The Ajinomoto Group's share	35% (approx.)	45% (approx.)	40% (approx.)	55% (approx.)	70% (approx.)

Amino Acids: Sales of amino acids for pharmaceuticals and foods increased significantly both in Japan and overseas. Sales of sweeteners also increased, supported by higher sales on a local currency basis in South America of powdered juice *RefrescoMID*®, which contains aspartame. In pharmaceutical custom manufacturing, sales increased significantly, supported by the inclusion of consolidated subsidiary Ajinomoto Althea in consolidated results. As a result, overall revenues increased significantly.

Specialty Chemicals: Overall sales increased considerably due to a significant increase in sales of higher value products in insulation film for build-up printed wiring board used in computers.

Pharmaceuticals

Pharmaceutical sales decreased 28.3%, or ¥20.2 billion, to ¥51.2 billion due to the elimination of sales of infusion and dialysis business products from consolidated results due to the spin-off of these operations into equity method affiliate AY Pharmaceuticals from the second quarter of the current fiscal year. Operating income increased 20.3%, or ¥0.6 billion, to ¥3.8 billion, due to the reinforcement of the business structure resulting from the spin-off of the infusion and dialysis business to AY Pharmaceuticals, which offset the decline in sales.

In self-distributed products, although sales were supported by factors such as the July 2012 start of sales of *MARZULENE®*, a newly introduced therapeutic agent for gastric inflammation and ulcers, and the June 2013 launch of *MOVIPREP®*, an oral bowel cleansing agent, this was offset by the elimination of sales of infusion and dialysis business products from consolidated results, and sales therefore decreased significantly.

In products sold through business tie-ups, sales fell due to a large decrease in sales of nateglinide products such as *FASTIC®* and risedronate products such as *ACTONEL®* for osteoporosis, due to the effects of competition.

AJINOMOTO PHARMACEUTICALS CO.'s Sales by Main Product

(AJINOMOTO PHARMACEUTICALS CO. estimate)
(Billions of yen)

Field	Main Products	Launch Date	Indication or Formulation	Marketing Company	Sales (Years ended March 31) 2014	2013	2012
Gastrointestinal diseases	LIVACT®	May 1996	Amino acid formula for treatment of liver cirrhosis	AJINOMOTO PHARMACEUTICALS CO., LTD.	14.8	14.9	15.6
	ELENTAL®	Sept. 1981	Elemental diet	AJINOMOTO PHARMACEUTICALS CO., LTD.	7.7	7.7	7.8
	MARZUREN®	July 2012	Antigastritis and anti-ulcer drugs	AJINOMOTO PHARMACEUTICALS CO., LTD.	3.5	2.8	—
	NIFLEC®	June 1992	Oral cleaning solution for the intestine	AJINOMOTO PHARMACEUTICALS CO., LTD.	2.2	2.3	2.2
	HEPAN ED®	Sept. 1991	Elemental diet for hepatic failure	AJINOMOTO PHARMACEUTICALS CO., LTD.	0.9	0.9	1.0
	MOVIPREP®	June 2013	Bowel preparation prior to colonoscopy and colon surgery	AJINOMOTO PHARMACEUTICALS CO., LTD.	0.8	—	—
Metabolic diseases, etc.	ATELEC®	Dec. 1995	Long-acting calcium channel blocker	Mochida Pharmaceutical Co., Ltd.	14.6	15.1	17.0
	ACTONEL®	May 2002	Osteoporosis treatment	Eisai Co., Ltd.	10.0	11.7	14.1
	FASTIC®	Aug. 1999	Fast-acting postprandial antihypoglycemic agent	Mochida Pharmaceutical Co., Ltd.	1.8	2.4	3.9

Note: National Health Insurance (NHI) reimbursement price basis. Effect of NHI price revision implemented April 2012: approx.-6%; April 2014: approx.-6%

AJINOMOTO PHARMACEUTICALS CO.'s Product Pipeline

(May 2014)

Field	Name	Development Status	Indication	Notes
Gastrointestinal diseases	AJG511	Phase II	Ulcerative colitis	In-license (Dr. Falk Pharma)
	AJM300	Phase II	Ulcerative colitis	
Metabolic diseases	ATEDIO®	Approved	Hypertension	code: AJH801
	FASTIC®	Phase III	Type 2 Diabetes Mellitus	Combination therapy with DPP-4 inhibitor

Note: Clinical studies are being conducted by Sanofi (worldwide exclusive licensee for the rights to develop, manufacture and sell the drug).

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Other Business

Other business sales increased 11.7%, or ¥8.4 billion, to ¥80.8 billion. However, low profitability in the logistics business and other factors resulted in operating loss of ¥0.4 billion, compared with operating income of ¥0.4 billion in the previous fiscal year.

Net Sales by Business and Region

(Figures in parentheses represent YoY change)
(Billions of yen)

Years ended March 31		Japan	Asia	Americas	Europe	Total
Domestic Food Products	2014	317.8 (-57.6)	5.4 (-0.4)	12.6 (3.7)	1.7 (0.4)	337.5 (-54.0)
	2013	375.5	5.8	8.9	1.3	391.6
Overseas Food Products	2014	9.5 (-0.1)	198.3 (33.3)	54.6 (9.7)	30.8 (4.9)	293.2 (47.8)
	2013	9.6	165.0	44.9	25.9	245.4
Bioscience Products & Fine Chemicals	2014	64.3 (7.1)	17.8 (2.5)	72.0 (8.4)	74.3 (6.4)	228.5 (24.3)
	2013	57.2	15.3	63.6	68.0	204.2
Pharmaceuticals	2014	51.2 (-20.2)	—	—	—	51.2 (-20.2)
	2013	71.5	—	—	—	71.5
Other Business	2014	71.2 (7.5)	9.6 (0.9)	0.1 (0.0)	—	80.8 (8.4)
	2013	63.7	8.6	0.0	—	72.4
Total	2014	514.0 (-63.4)	231.1 (36.3)	139.3 (21.8)	106.9 (11.7)	991.3 (6.4)
	2013	577.5	194.8	117.5	95.2	985.0

Note: Unaudited figures; for reference only.

Liquidity and Financial Condition

Assets

Total assets as of March 31, 2014 were ¥1,091.6 billion, ¥90 million less than the ¥1,091.7 billion recorded one year earlier. The key factor contributing to this decrease was a reduction in cash and cash equivalents arising from share repurchases and the acquisition of all shares of Althea Technologies, Inc. ("Althea"), which offset an increase in the yen values of the balance sheets of overseas subsidiaries after translation.

Liabilities

Total liabilities were ¥432.1 billion, ¥32.1 billion more than the ¥400.0 billion recorded on March 31, 2013. The key factor contributing to this increase was an increase in liability for retirement benefits associated with the early adoption of a new accounting standard for retirement benefits. Total interest-bearing debt increased ¥23.6 billion compared with the end of the previous fiscal year to ¥142.9 billion.

Net Assets

Net assets decreased ¥32.2 billion compared with March 31, 2013, due to the retirement of repurchased shares and the early adoption of accounting standards for retirement benefits, which offset an increase in the yen values of the balance sheets of overseas subsidiaries after translation. Shareholders' equity, which is net assets minus minority interests, was ¥598.9 billion, and the shareholders' equity ratio was 54.9%.

Balance Sheets (Excerpts)

	(Millions of yen) (Ratio to total assets)		(Thousands of U.S. dollars)
As of March 31	2014	2013	2014
Total assets	1,091,650 (100.0%)	1,091,741 (100.0%)	10,606,783
Notes and accounts receivable	190,739 (17.5)	187,744 (17.2)	1,853,278
Cash and cash equivalents	130,028 (11.9)	184,770 (16.9)	1,263,391
Inventories	163,528 (15.0)	159,818 (14.6)	1,588,889
Investments and long-term advances	121,591 (11.1)	107,200 (9.8)	1,181,417
Property, plant and equipment	359,370 (32.9)	351,224 (32.2)	3,491,749
Total liabilities	432,161 (39.6)	400,030 (36.6)	4,199,012
Notes and accounts payable	105,697 (9.7)	109,310 (10.0)	1,027,007
Short-term borrowings	14,641 (1.3)	12,365 (1.1)	142,262
Current portion of long-term debt	22,011 (2.0)	23,411 (2.1)	213,869
Accrued income taxes	8,497 (0.8)	20,590 (1.9)	82,564
Long-term debt	104,429 (9.6)	81,434 (7.5)	1,014,666
Shareholders' equity	598,925 (54.9)	635,287 (58.2)	5,819,335

Note: Shareholders' equity = Net assets - Minority interests

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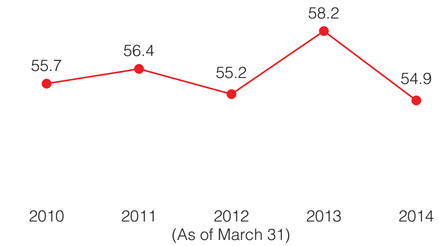
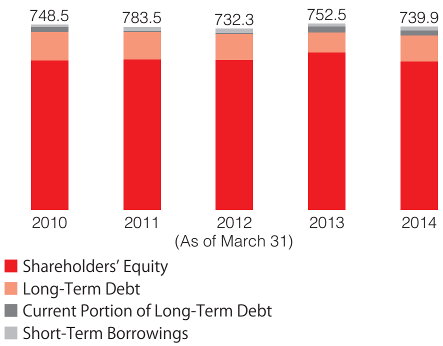
Shareholders' Equity Ratio

(%)



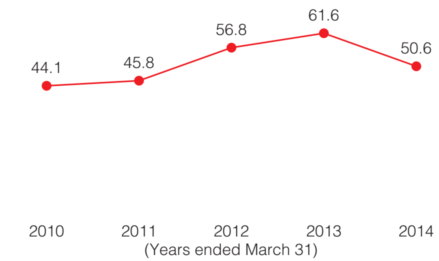
Total Capital

(Billions of yen)



Capital Expenditures

(Billions of yen)



Cash Flows

Net cash provided by operating activities was ¥63.0 billion, compared with ¥88.5 billion in the previous fiscal year. Income before income taxes and minority interests was ¥73.3 billion and depreciation and amortization was ¥45.7 billion. Income taxes paid increased significantly to ¥40.2 billion, as a result of the transfer of Calpis Co. shares in October 2012.

Net cash used in investing activities was ¥63.4 billion, compared with net cash provided by investing activities totaling ¥15.2 billion in the previous fiscal year. This was mainly attributable to outflows from the acquisition of property, plant and equipment, and the acquisition of Althea shares during the fiscal year, compared with inflows from the sale of Calpis Co. shares in the previous fiscal year.

Net cash used in financing activities was ¥55.2 billion, compared with net cash used totaling ¥74.4 billion in the previous fiscal year, partly due to the share repurchase.

As a result of the foregoing, cash and cash equivalents at March 31, 2014 totaled ¥130.0 billion, a decrease of ¥54.7 billion compared with March 31, 2013.

Cash Flow Highlights

(Millions of yen)

Years ended March 31	2014	2013	2012	2011
Net cash provided by operating activities	63,017	88,501	93,312	112,716
Net cash provided by (used in) investing activities	(63,497)	15,201	(41,701)	(45,882)
Net cash used in financing activities	(55,248)	(74,419)	(37,456)	(25,893)
Cash and cash equivalents at end of year	130,028	184,770	146,647	133,744

Shareholder Returns

The Ajinomoto Group adopts the basic principle of ensuring continuous and stable dividends, taking into consideration its consolidated earnings, with a target payout ratio of 30% under the 2014-2016 Medium-Term Management Plan.

For fiscal 2013, Ajinomoto Co., Inc. paid a dividend of ¥20 per share, including an interim dividend of ¥10 per share.

In addition, as a measure to improve the level of returns to shareholders, in continuation from the previous fiscal year, Ajinomoto Co., Inc. repurchased shares in fiscal 2013 at a cost of ¥57.5 billion. Of this total, shares worth approximately ¥30 billion were retired on September 9, 2013 and shares worth approximately ¥27.5 billion were retired on June 6, 2014.

Credit Rating

Ajinomoto Co., Inc. emphasizes maintaining a sound financial condition for efficient and stable procurement of the investment capital required for global growth. For this purpose, we control interest-bearing debt with a

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focus on the D/E ratio, and as a result we maintain high credit ratings.

Currently, Ajinomoto Co., Inc. is rated by two credit rating agencies: Standard & Poor's (S&P) and Rating and Investment Information, Inc. (R&I).

Credit Ratings

Credit Rating Agencies	Ratings for the Long-term Debt of Ajinomoto Co., Inc.
Standard & Poor's	AA-
Rating and Investment Information, Inc.	AA

Outlook for the Fiscal Year Ending March 31, 2015

Operating Environment

Although there are signs of economic recovery in Europe and the United States, the outlook for the global economy remains clouded by a number of uncertainties, including the impact of weaker growth in emerging economies and political unrest in Ukraine. The Group's operating environment is expected to remain difficult, due to unstable foreign exchange markets, continued high prices of main raw materials and fuels, and intensifying competition in our bulk and other businesses.

Strategy

Under this environment, the Ajinomoto Group is engaging in the first year of its new FY2014-2016 Medium-Term Management Plan with the aim of becoming a "Genuine Global Specialty Company," pursuing a range of initiatives to achieve steady profit growth under the strategic themes of "FIT" and "GROW": "Further Reinforcement of Business Structure" (FIT) and "Growth Driver Advancement" (GROW). To further reinforce business structure under the FIT theme, the Group will reform its operating structure by increasing the level of specialization in bioscience and fine chemicals while pursuing other measures such as building alliances and undertaking additional reforms in the pharmaceutical segment and increasing overall capital efficiency. For the advancement of growth drivers under the GROW theme, the Group will focus on achieving stable growth in the domestic food products segment by continuing to create value-added products for an increasingly diverse customer base, while pursuing strong growth in overseas food product markets to establish additional national and regional business pillars.

Forecast of Business Results

As a result of these initiatives, the Ajinomoto Group forecasts that net sales for the fiscal year ending March 31, 2015 will increase 1.7% to ¥1,008.0 billion, and operating income will increase 11.9% to ¥70.0 billion. Net income is forecast to increase 2.8% to ¥44.0 billion.

In recording consolidated net sales previously, price discounts and similar mechanisms provided to customers for sales promotion purposes were recorded as sales commissions in selling, general and administrative expenses. However from the fiscal year ending March 31, 2015, the Ajinomoto Group will change to a method in which the amount is subtracted from net sales. Despite this change, consolidated sales for the fiscal year ending March 31, 2015 are forecast to increase. If figures for the year ended March 31, 2014 are restated using the new method, consolidated sales would be ¥952.0 billion, and the consolidated sales forecast for the year would represent a year-on-year increase of 5.9%.

Please note that the Ajinomoto Group expects an insignificant impact from the decrease in sales in reaction to the last-minute surge in demand ahead of the increase in the consumption tax rate in Japan from 5% to 8% enacted in April 2014.

These forecasts are based on an assumed exchange rate of ¥100 to the U.S. dollar.

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Changes in Accounting Policy

In view of the Ajinomoto Group's further global expansion of its businesses, the Ajinomoto Group plans to make the following changes to its accounting policy from fiscal 2014 to increase the comparability of businesses in Japan and overseas for detailed management and more accurate presentation of results.

Change in Method of Recording Sales Promotion Discounts, Etc.: Until fiscal 2013, sales promotion discounts and similar mechanisms provided to customers for sales promotion purposes were mainly recorded as sales commissions in selling, general and administrative expenses at the time of payment. From fiscal 2014, the Ajinomoto Group will change to a new method in which the estimated amount is subtracted from net sales at the time of recording net sales.

Change in Method of Depreciation and Years of Useful Life: From fiscal 2014, the Ajinomoto Group will uniformly apply the straight-line method as the method of depreciation and revise the years of useful life.

IFRS

In April 2011 we established an accounting group to prepare for the adoption of International Financial Reporting Standards (IFRS) in Japan, having decided to adopt IFRS voluntarily without waiting for a regulatory requirement. There remain a number of important issues to address in order to make a smooth transition, and we will continue to use the current accounting standards until at least fiscal 2016 while considering the appropriate period for adoption.

Operational Risk

Operational risks faced by the Ajinomoto Group that could affect its performance and financial position are outlined as follows. Future risks outlined in this document are as judged by the Group as of March 31, 2014.

Exchange Rate Risk

The Ajinomoto Group is further establishing and strengthening its global manufacturing and supply structure. The Group operates in 26 countries and regions including Japan, with manufacturing plants at 120 sites in 21 of these countries and regions. The relative importance of overseas operations is therefore very high. In fiscal 2012 and fiscal 2013, sales to outside parties in countries other than Japan (i.e. Asia, the Americas and Europe) were ¥407.5 billion and ¥477.2 billion, respectively, comprising 41.4% and 48.1% of consolidated sales. Operating income derived from these regions in the same periods was ¥36.8 billion and ¥29.3 billion, comprising 51.8% and 47.0% of consolidated operating income. The Group 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.

Changes in Market Conditions

In the bioscience products and fine chemicals business, the Ajinomoto Group 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. The Group seeks to reduce and diversify such risks by handling a variety of amino acids (Lysine, Threonine and Tryptophan, etc.), while also working to stabilize and improve profitability by reducing costs related to fermentation technologies. However, the possibility remains of the Group's financial performance being affected by fluctuations in the grain market and demand trends.

Natural Disasters, Social Disruption, Political Changes

Building on business foundations in Japan, the Ajinomoto Group 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 the Group's performance if they occur.

- Unforeseen implementation of or changes to regulation, such as unfavorable taxation
- Unforeseen and unfavorable economic or political situation
- Social disruption brought about by events such as terrorism, war or epidemics
- Natural disasters such as earthquakes
- Interruption of service due to a large-scale power outage or other cause

Laws and Regulations

As it conducts business on a global basis, within Japan and overseas the Ajinomoto Group endeavors to comply with all laws and regulations relating to food, pharmaceuticals, the environment, recycling, permission to operate or invest, import and export rules, foreign exchange and foreign trade control, and various tax-related laws. The Group also makes every possible effort through legal means to secure its intellectual property and other rights. The possibility exists, however, that legal changes may be introduced that cannot currently be foreseen, and that risks may arise due to the diversity of interpretations of laws. Complying with any such changes may restrict the Group's operations and adversely affect financial performance.

Food Safety Issues

The Ajinomoto Group 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 traceability system that tracks product information at each stage from production through to logistics. The Group makes extensive efforts to maintain the reliability and safety on which its business foundations are built.

In particular, the Group is working to further strengthen its food safety structure in response to food safety-related incidents that have recently occurred in Japan.

The possibility remains, however, that new 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 the Group's performance may occur.

Litigation

The Ajinomoto 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 thus there is a possibility that the Group will be involved in unexpected new lawsuits, complaints and other incidents. In the event that a major lawsuit is instituted, the Group may be subject to a negative impact.

Changes in Cost of Raw Materials

The prices of certain raw materials and energy resources including crude oil used by the Ajinomoto Group 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, higher prices of grain caused by rising demand for ethanol, and these commodities becoming subject to speculative trading. 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 the Group's performance may occur.

Information Leaks

The 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 personal data and other such information, the Group has formulated the 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 and so forth could temporarily damage the Group's computer systems. These may adversely impact the financial position and business performance of the Group.

Impact from Application of Impairment Accounting

The Ajinomoto Group owns various tangible and intangible fixed assets such as real estate used in the business and goodwill.

Impairment accounting may have to be applied to these assets and impairment losses may occur, if it is estimated that the investment amount can no longer be recovered due to declines in their profitability such as declines in their market value or when cash flow can no longer be generated as expected.

Bankruptcy of Customers

The Ajinomoto Group is focusing on credit preservation, including through information gathering and credit management, in order to prevent the occurrence of uncollectible receivables. The possibility remains, however, that unforeseen bankruptcies of customers, including overseas customers, may arise, and in such cases the Group's performance and financial position may be adversely impacted.

Deferred Tax Assets, etc.

The Ajinomoto Group records deferred tax assets, etc. after careful consideration of their realizability based on projections for future taxable income and others. The possibility remains, however, that as a result of future business trends and so forth, situations may arise in which the realizability of all or part of the deferred tax assets, etc. is deemed unlikely and their amount therefore needs to be revised, and in such cases the Group's performance and financial position may be adversely impacted.

Consolidated Balance Sheets

Ajinomoto Co., Inc. and Consolidated Subsidiaries

Excel File Download

	March 31, 2014 (Millions of yen)	March 31, 2013 (Millions of yen)	2014 (Thousands of U.S. dollars) (Note 4)
Assets			
Current assets:			
Cash and cash equivalents	¥ 130,028	¥ 184,770	$ 1,263,391
Time deposits and short-term investments	2,681	2,149	26,059
Notes and accounts receivable:			
Trade	190,739	187,744	1,853,278
Unconsolidated subsidiaries and affiliates	9,376	9,824	91,105
Inventories *(Note 6)*	163,528	159,818	1,588,889
Deferred tax assets *(Note 10)*	7,404	9,077	71,942
Prepaid expenses and other current assets	44,309	33,786	430,527
Allowance for doubtful receivables	(1,375)	(1,095)	(13,360)
Total current assets	546,693	586,074	5,311,831
Investments and long-term advances			
Investments in and advances to unconsolidated subsidiaries and affiliates	73,701	60,996	716,102
Investment securities *(Note 22)*	38,777	34,887	376,774
Other advances *(Note 8)*	9,112	11,316	88,542
Total investments and long-term advances	121,591	107,200	1,181,417
Property, plant and equipment):			
Land *(Note 9)*	47,068	51,065	457,328
Buildings and structures *(Note 9)*	358,043	348,963	3,478,853
Machinery, equipment and other *(Note 8)*	652,073	630,369	6,335,732
	1,057,185	1,030,398	10,271,910
Accumulated depreciation and accumulated impairment losses *(Note 8)*	(697,814)	(679,173)	(6,780,165)
Property, plant and equipment, net	359,370	351,224	3,491,749
Other assets:			
Deferred tax assets *(Note 10)*	11,671	8,549	113,406
Other *(Note 8)*	52,322	38,691	508,379
Total other assets	63,994	47,241	621,786
Total assets *(Note 20)*	¥1,091,650	¥1,091,741	$10,606,783

	March 31, 2014 (Millions of yen)	March 31, 2013 (Millions of yen)	2014 (Thousands of U.S. dollars) (Note 4)
Liabilities and net assets			
Current liabilities:			
Short-term borrowings *(Note 7)*	¥ 14,641	¥ 12,365	$ 142,262
Current portion of long-term debts *(Note 7)*	22,011	23,411	213,869
Notes and accounts payable			
Trade	68,390	74,132	664,505
Unconsolidated subsidiaries and affiliates	36,320	34,770	352,903
Facilities	987	408	9,599
Accrued income taxes *(Note 10)*	8,497	20,590	82,564
Deferred tax liabilities *(Note 10)*	91	1,406	889
Accrued expenses and other current liabilities *(Note 8)*	79,091	88,455	768,480
Total current liabilities	230,033	255,541	2,235,072
Long-term liabilities:			
Long-term debts *(Note 7)*	104,429	81,434	1,014,666
Accrued employees' retirement benefits *(Note 11)*	—	28,796	—
Liabilities for retirement benefits *(Note 11)*	61,845	—	600,907
Accrued officers' severance benefits	415	517	4,035
Deferred tax liabilities *(Note 10)*	13,423	11,244	130,429
Other long-term liabilities *(Note 8)*	22,014	22,496	213,903
Total long-term liabilities	202,128	144,489	1,963,940
Net assets:			
Shareholders' equity: *(Notes 12 and 13)*			
Common stock:			
Authorized: 2014 and 2013 – 1,000,000,000 shares			
Issued: 2014 – 614,115,654 shares	79,863	—	775,979
2013 – 635,010,654 shares	—	79,863	—
Capital surplus	83,443	112,757	810,762
Retained earnings	505,921	482,501	4,915,678
Treasury stock at cost:			
20,523,658 shares in 2014 and 2,496,068 shares in 2013	(31,085)	(2,817)	(302,032)
Total shareholders' equity	638,143	672,304	6,200,388
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	13,043	9,419	126,738
Unrealized gain (loss) from hedging instruments	(26)	(141)	(254)
Translation adjustments	(31,669)	(46,295)	(307,706)
Adjustments for retirement benefits	(20,567)	—	(199,838)
Total accumulated other comprehensive income	(39,218)	(37,017)	(381,060)
Minority interests	60,562	56,423	588,444
Total net assets	659,487	691,710	6,407,772
Contingent liabilities *(Note 18)*			
Total liabilities and net assets	¥1,091,650	¥1,091,741	$10,606,783

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

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	Year ended March 31,		
	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Net sales	¥991,332	¥984,967	$9,632,072
Cost of sales	635,594	600,630	6,175,616
Gross profit	355,738	384,337	3,456,456
Selling, general and administrative expenses *(Note 14)*	293,190	313,104	2,848,720
Operating income	62,548	71,232	607,736
Other income (expenses) *(Note 15)*			
Interest expense	(2,032)	(1,931)	(19,747)
Interest and dividend income	3,196	2,902	31,063
Gain on sales of investments in affiliates *(Note 15)*	2,315	18,201	22,499
Gain on transfer of benefit obligation relating to employees' pension fund	236	27,752	2,296
Loss on impairment of fixed assets	(624)	(14,562)	(6,067)
Equity in earnings of affiliates	3,360	3,058	32,652
Gain on sales of fixed assets *(Note 15)*	3,081	908	29,937
Gain on liquidation of affiliates	1,005	—	9,773
Loss on disposal of fixed assets	(1,222)	(2,951)	(11,878)
Insurance income *(Note 15)*	1,189	1,800	11,562
Compensation expenses	(664)	—	(6,452)
Other, net	911	(1,979)	8,856
	10,754	29,595	104,494
Income before income taxes and minority interests	73,302	100,828	712,229
Income taxes *(Note 10)*:			
Current	16,896	39,716	164,174
Deferred	7,778	6,015	75,581
Refund of income taxes for prior periods	(1,603)	—	(15,577)
	23,072	45,732	224,178
Minority interests	(7,434)	(6,722)	(72,237)
Net income *(Note 19)*	¥ 42,795	¥ 48,373	$ 415,814

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

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	Year ended March 31,		
	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Income before minority interests	¥50,230	¥ 55,095	$488,051
Other comprehensive income			
Unrealized holding gain on securities	3,479	6,363	33,807
Unrealized gain (loss) from hedging instruments	10	(159)	105
Translation adjustments	14,792	41,462	143,731
Adjustments for retirement benefits	5,650	—	54,897
Adjustments in pension liabilities of overseas subsidiaries	—	478	—
Share of other comprehensive income of equity-method affiliates	722	1,339	7,021
Total other comprehensive income	24,656	49,485	239,567
Comprehensive income *(Note 16)*	¥74,886	¥104,581	727,618
(Breakdown)			
Comprehensive income attributable to Ajinomoto Co., Inc.'s shareholders	¥67,482	¥ 90,761	$655,676
Comprehensive income attributable to minority interests	¥ 7,404	¥ 13,819	$ 71,942

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Ajinomoto Co., Inc. and Consolidated Subsidiaries

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	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Adjustments in pension liabilities of overseas subsidiaries	Adjustments for retirement benefits	Minority interests	Total net assets
	(Millions of yen)										
Balance at April 1, 2012	¥79,863	¥162,381	¥444,728	¥ (2,219)	¥ 2,678	¥ (1)	¥(81,603)	¥(478)	—	¥44,809	¥650,159
Changes for the year ended March 31, 2013											
Cash dividends paid			(10,600)								(10,600)
Net income			48,373								48,373
Change in scope of consolidation			—								—
Purchases of treasury stock				(50,225)							(50,225)
Disposal of treasury stock		(49,624)		49,627							2
Net changes in items other than those in shareholders' equity					6,741	(140)	35,308	478	—	11,613	54,001
Total changes for the year ended March 31, 2013	—	(49,624)	37,772	(598)	6,741	(140)	35,308	478	—	11,613	41,551
Balance at March 31, 2013	¥79,863	¥112,757	¥482,501	¥ (2,817)	¥ 9,419	¥(141)	¥(46,295)	—	—	¥56,423	¥691,710
Balance at April 1, 2013	¥79,863	¥112,757	¥482,501	¥ (2,817)	¥ 9,419	¥(141)	¥(46,295)	—	—	¥56,423	¥691,710
Cumulative effects of changes in accounting policies			(6,975)						¥(26,887)	(180)	(34,044)
Restated Balance at April 1, 2014	¥79,863	¥112,757	¥475,525	¥ (2,817)	¥ 9,419	¥(141)	¥(46,295)	—	(26,887)	¥56,242	¥657,666
Changes for the year ended March 31, 2014											
Cash dividends paid			(12,440)								(12,440)
Net income			42,795								42,795
Change in scope of consolidation			41								41
Purchases of treasury stock				(57,584)							(57,584)
Disposal of treasury stock		(29,313)		29,316							2
Net changes in items other than those in shareholders' equity					3,624	115	14,625	—	6,320	4,320	29,006
Total changes for the year ended March 31, 2014	—	(29,313)	30,396	(28,267)	3,624	115	14,625	—	6,320	4,320	1,821
Balance at March 31, 2014	¥79,863	¥ 83,443	¥505,921	¥(31,085)	¥13,043	¥ (26)	¥(31,669)	—	¥(20,567)	¥60,562	¥659,487

	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Adjustments in pension liabilities of overseas subsidiaries	Adjustments for retirement benefits	Minority interests	Total net assets
	(Thousands of U.S. dollars) (Note 4)										
Balance at April 1, 2013	$775,979	$1,095,580	$4,688,118	$ (27,372)	$ 91,523	$(1,379)	$(449,816)	—	—	$548,224	$6,720,857
Cumulative effects of changes in accounting policies			(67,778)						$(261,249)	(1,758)	(330,785)
Restated Balance at April 1, 2013	$775,979	$1,095,580	$4,620,340	$ (27,372)	$ 91,523	$(1,379)	$(449,816)	—	(261,249)	$546,466	$6,390,072
Changes for the year ended March 31, 2014											
Cash dividends paid			(120,883)								(120,883)
Net income			415,814								415,814
Change in scope of consolidation			407								407
Purchases of treasury stock				(559,503)							(559,503)
Disposal of treasury stock		(284,819)		284,843							25
Net changes in items other than those in shareholders' equity					35,216	1,124	142,110	—	61,411	41,978	281,840
Total changes for the year ended March 31, 2014	—	(284,819)	295,338	(274,659)	35,216	1,124	142,110	—	61,411	41,978	17,700
Balance at March 31, 2014	$775,979	$ 810,762	$4,915,678	$(302,032)	$126,738	$ (254)	$(307,706)	—	$(199,838)	$588,444	$6,407,772

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

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	Year ended March 31, 2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
I. Cash flows from operating activities			
Income before income taxes and minority interests	¥ 73,302	¥100,828	$ 712,229
Depreciation and amortization	45,746	42,463	444,490
Loss on impairment of fixed assets	624	14,562	6,067
Amortization of goodwill and negative goodwill	1,589	2,265	15,446
Insurance income	(1,189)	(1,800)	(11,562)
Increase (decrease) in allowance for doubtful accounts	252	(210)	2,454
Increase (decrease) in bonus reserve	354	(237)	3,441
Increase (decrease) in bonus reserve for directors and others	(5)	(16)	(54)
Increase (decrease) in accrued employees' retirement benefits	—	(3,688)	—
Increase (decrease) in allowance for directors' retirement benefits	(103)	(240)	(1,003)
Increase (decrease) in allowance for environmental measures	(38)	52	(375)
Increase (decrease) in allowance for investment losses	152	107	1,482
Increase (decrease) in liabilities for retirement benefits	(3,005)	—	(29,204)
Interest and dividend income	(3,196)	(2,902)	(31,063)
Interest expense	2,032	1,931	19,747
Equity in earnings of non-consolidated subsidiaries and affiliates	(3,360)	(3,058)	(32,652)
Loss (gain) on sales of investment securities	(54)	37	(525)
Loss (gain) on revaluation of investment securities	52	2,346	511
Loss (gain) on sales of shares in affiliates	(2,315)	(18,201)	(22,499)
Loss (gain) on liquidation of affiliates	(1,005)	—	(9,773)
Loss (gain) on sales and disposal of tangible fixed assets	(1,430)	2,174	(13,897)
Loss (gain) on transfer of benefit obligation relating to employees' pension fund	(236)	(27,752)	(2,296)
Decrease (increase) in notes and accounts receivable	2,095	15,158	20,357
Increase (decrease) in notes and accounts payable	(6,212)	(18,516)	(60,363)
Decrease (increase) in inventories	(1,377)	(7,048)	(13,379)
Increase (decrease) in accrued consumption tax	2,501	1,863	24,309
Decrease (increase) in other current assets	5,073	1,180	49,291
Increase (decrease) in other current liabilities	(7,727)	6,699	(75,083)
Other	(1,447)	(1,518)	(14,064)
Sub-total	101,070	106,480	982,031
Insurance fees received	1,189	2,764	11,562
Retirement benefits for employment transfers paid, etc	(3,080)	—	(29,930)
Interest and dividends received	4,559	3,697	44,304
Interest paid	(2,034)	(1,965)	(19,771)
Income taxes paid	(40,214)	(22,475)	(390,732)
Refund of income taxes for prior periods	1,526	—	14,829
Net cash provided by operating activities	63,017	88,501	612,293
II. Cash flows from investing activities			
Acquisition of tangible fixed assets	(47,864)	(60,691)	(465,069)
Proceeds from sales of tangible fixed assets	6,448	1,134	62,653
Acquisition of intangible assets	(5,391)	(5,045)	(52,384)
Acquisition of investment securities	(62)	(324)	(611)
Proceeds from sales of investment securities	101	241	984
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	(15,708)	—	(152,628)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	80,890	—
Acquisition of shares of affiliates	(5,104)	(3,650)	(49,594)
Proceeds from sales of shares in affiliates	7,572	—	73,573
Decrease (increase) in term deposits	502	1,862	4,886
Payments for long-term loans receivable	(3,942)	(108)	(38,309)
Other	(46)	892	(456)
Net cash provided by (used in) investing activities	(63,497)	15,201	(616,955)
III. Cash flows from financing activities			
Net change in short-term borrowings	376	(6,026)	3,656
Proceeds from long-term debt	45,000	115	437,233
Repayment of long-term debt	(4,137)	(4,344)	(40,199)
Redemption of bonds	(20,000)	—	(194,326)
Cash dividends paid	(12,437)	(10,604)	(120,842)
Distribution of dividends to minority shareholders	(2,840)	(2,226)	(27,598)
Decrease (increase) in money held in trusts for repurchase of treasury stock	(2,520)	—	(24,488)
Acquisition of treasury stock	(57,584)	(50,225)	(559,503)
Sales of treasury stock	2	2	25
Other	(1,108)	(1,109)	(10,769)
Net cash used in financing activities	(55,248)	(74,419)	(536,811)
IV. Effect of exchange rate changes on cash and cash equivalents	958	8,838	9,312
V. (Decrease) increase in cash and cash equivalents	(54,770)	38,122	(532,161)
VI. Cash and cash equivalents at the beginning of the year	184,770	146,647	1,795,280
Increase in cash and cash equivalents on merger of nonconsolidated subsidiaries	28	—	273
VII. Cash and cash equivalents at the end of the year	130,028	184,770	1,263,391

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2014

1. Notes regarding Significant Items for the Preparation of Consolidated Financial Statements

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 Financial Instruments and Exchange Law of Japan and are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments 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. Scope of consolidation

(1) Number of consolidated subsidiaries:

89 companies

Names of main companies:

Knorr Foods Co., Ltd., Ajinomoto Frozen Foods Co., Inc., AJINOMOTO PHARMACEUTICALS CO., LTD., Ajinomoto Co., (Thailand) Ltd., Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda., AJINOMOTO EUROLYSINE S.A.S.

(2) Names of main non-consolidated subsidiaries:

Bonito Technical Laboratory Co., Inc.

(Reasons for exclusion from scope of consolidation)

Subsidiaries classified as non-consolidated are small, and none has total assets, net sales, net income (corresponding to the percentage of shares held), or retained earnings (corresponding to the percentage of shares held), etc. that impact the consolidated financial statements significantly.

(3) The newly established Ajinomoto Animal Nutrition Singapore PTE Ltd. and the newly acquired Ajinomoto Althea, Inc. have been included in the scope of consolidated subsidiaries. AJINOMOTO NUTRITION FOODS Co., Ltd. and Sazonadores del Pacifico C. Ltda. have been included in the scope of consolidated subsidiaries as they have become more material. Ajinomoto Switzerland AG has been removed from the scope of consolidated subsidiaries as a result of liquidation.

Notes to Consolidated Financial Statements

c. Scope of application of the equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method:

4 overseas 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:

8 companies

Names of main companies:

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

(3) As consolidated net income and retained earnings (corresponding to the percentage of shares held) of 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 Kükre A. .) are immaterial to the consolidated results and therefore these companies have immaterial impact, they are not included in the scope of the equity method.

(4) Taking its materiality into consideration, AY Pharma Co., Ltd. has been included in the scope of the equity method.

d. Fiscal year, etc. of consolidated subsidiaries and affiliated companies accounted for by the equity method

The fiscal year end of Ajinomoto del Perú S.A. and 14 other consolidated subsidiaries is December 31. Of these, 14 companies prepare their financial statements as of March 31 for consolidation purposes. With regard to the other companies, the Company used their financial statements as of their own fiscal year end in the preparation of the consolidated financial statements, making adjustments, if necessary, for significant transactions that occurred in the period from their fiscal year end to the consolidated fiscal year end.

As of the year ended March 31, 2014, the fiscal year end of GABAN Co., Ltd. has been changed from the end of February to March 31. In accordance with this change GABAN has prepared 13-month financial statements for the year ended March 31, 2014, and adjustments have been made across the consolidated financial statements to reflect the change in fiscal year end. The effect on net sales, operating income, ordinary income and net income before taxes for the year ended March 31, 2014 is minimal.

Of the companies accounted for by the equity method, Nissin-Ajinomoto Alimentos Ltda. and 1 other company have fiscal year end of December 31. Of this total, 1 company prepares its financial statements as of March 31 for consolidation purposes. With regard to the other companies, the Company used their financial statements as of their own fiscal year end in the preparation of the consolidated financial statements, making adjustments, if necessary, for significant transactions that occurred in the period from their fiscal year end to the consolidated fiscal year end.

e. Accounting policies

(1) Valuation standards and methods

1) Marketable securities:

Other securities:

Other securities for which market value is available are stated at market value at the fiscal year end and the changes in market value, net of applicable income taxes, are directly charged or credited to net assets. The cost of such securities sold is mainly 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:

Derivatives are carried at fair value

However, with respect to interest rate swaps for which criteria for special treatment are met, special treatment is, in principle, applied.

3) Inventories:

Inventories of the Company and its domestic consolidated subsidiaries are mainly stated at cost determined by the average method (in cases where the profitability has declined, the book value is reduced accordingly). Inventories of overseas consolidated subsidiaries are mainly stated at the lower of cost or market, cost being determined by the average method.

(2) Depreciation and amortization of significant depreciable assets

1) Tangible fixed assets (excluding leased assets):

The Company and its domestic consolidated subsidiaries recognize their depreciation expense mainly by using the declining-balance method and its overseas consolidated subsidiaries calculate the depreciation expense mainly by using the straight-line method. However, for buildings (excluding building improvements) acquired on or after April 1, 1998 by the Company and its domestic consolidated subsidiaries, the depreciation expense is calculated by the straight-line method. The range of useful life is from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery and vehicles.

2) Intangible fixed assets (excluding leased assets):

Amortization of intangible fixed assets is mainly calculated by the straight-line method for the Company and its domestic consolidated subsidiaries. Computer software held by the Company and its domestic consolidated subsidiaries for internal use is amortized by the straight-line method over the estimated useful life (5 years).

3) Leased assets:

The straight-line method is applied with the useful life of the asset being the lease term and the residual value being zero. Finance lease transactions that do not transfer ownership, for which the starting date of the lease was March 31, 2008 or earlier, are accounted for as operating leases.

Notes to Consolidated Financial Statements

(3) Accounting for significant reserves

1) Allowance for doubtful accounts:

An allowance for doubtful accounts is provided for possible bad debts at the amount estimated based on historical bad debt experience for normal receivables and by reference to the individual collectability of specific doubtful receivables.

2) Bonus reserve:

At certain consolidated subsidiaries, a bonus reserve for employees has been provided based on the estimated amount to be paid to employees.

3) Allowance for severance benefits for directors:

At the Company and certain domestic consolidated subsidiaries, accrued retirement benefits for directors and others are provided at the amount required to be paid in accordance with internal rules in order to provide for payment of severance benefits to those directors and others.

The Company abolished the system of payment of severance benefits to directors in June 2007, and has decided to pay severance benefits at the time of retirement with respect to the period in which the system was applied.

4) Allowance for bonuses for directors:

In preparation for the payment of bonuses to directors and others, a reserve for bonuses for directors and others has been provided for the amount of payment expected attributable to the year ended March 31, 2014.

5) Allowance for environmental measures:

In preparation for payment relating to disposal of polychlorinated biphenyl (PCB) and other wastes, an allowance for environmental measures has been provided for the amount of costs expected to be incurred.

(4) Accounting for retirement benefits for employees

1) Periodic allocation method for projected retirement benefits:

In calculating retirement benefit obligations, the method of allocating the projected retirement benefits at the end of the year ended March 31, 2014 is based on the benefit formula.

2) Method of accounting for actuarial gains and losses and prior service cost:

Prior service cost is amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of recognition. Actuarial gain and loss is amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

(Additional Information)

On September 1, 2012 the Ajinomoto employee's pension fund, in which the Company participates, received approval from the Minister of Health, Labour and Welfare for the transfer of the benefit obligations related to past employee service under the substitutable portion of the welfare pension fund in connection with the enforcement of the Defined-Benefit Corporate Pension Law, and the Company paid the refund amount (minimum responsibility reserve fund) to the Government of Japan on March 20, 2014. As a result of the payment, the Company recorded an extraordinary gain of ¥236 million in the year ended March 31, 2014.

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

Monetary assets and liabilities denominated in foreign currencies have been translated into yen at the rates of exchange in effect at the fiscal year end. The resulting exchange gain or loss is charged or credited to income. Assets and liabilities of overseas subsidiaries have been translated into yen at the exchange rates in effect as of the fiscal year end, and revenues and expenses of overseas subsidiaries have been translated into yen at the average rates prevailing during the fiscal year. The resulting translation differences are included in minority interests and translation adjustments in net assets.

(6) Hedge accounting

1) Hedge accounting method:

The Company and its consolidated subsidiaries adopt deferred hedge accounting.

Special treatment is, in principle, applied with respect to interest rate swaps, in cases where criteria for special treatment are met.

2) Means of hedging and transactions subject to hedging:

Hedging instruments	Hedged transactions
Foreign exchange forward contracts	Forecasted transactions and sales transactions pertaining to the acquisition of stock of or investments in affiliated companies denominated in foreign currencies
Interest rate swaps	Interest paid on borrowings

3) Hedging policy:

The Company and some of its consolidated subsidiaries hedge foreign exchange rate risk and interest rate risk for certain transactions, mainly those that are financially significant and that can be recognized individually, based on internal rules for derivative transactions.

4) Methods for evaluating the effectiveness of hedges:

Assessment of hedge effectiveness is not undertaken for forward exchange contracts, as the material conditions pertaining to the hedging instrument and the hedged item are identical. For interest rate swaps for which special treatment is applied, evaluation of effectiveness is not conducted.

Notes to Consolidated Financial Statements

(7) Amortization of goodwill

As a general rule, goodwill is amortized on a straight-line basis over its estimated useful life. However, immaterial goodwill is charged or credited to expense or income at the time of acquisition.

(8) Scope of 'Cash and cash equivalents' in the Consolidated Statement of Cash Flows

The category 'Cash and cash equivalents' covers cash on hand, deposits with immediate liquidity, and easily convertible short term investments with low risk of price fluctuation that mature within three months of acquisition.

(9) Other significant items for the preparation of consolidated financial statements

1) Accounting for consumption taxes:

Transactions of the Company and domestic 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 – Prepaid expenses and other current assets', while unpaid consumption tax is included in 'Current liabilities – Accrued expenses and other current liabilities'.

2) Adoption of consolidated tax accounting system:

The Company and some of its consolidated subsidiaries adopt the consolidated taxation system, with the company as the consolidated taxable parent company.

3) Recognition of revenue from finance lease transactions:

Revenue from finance lease transactions is not recorded in sales, but instead recorded by allocating the corresponding amount of interest to each period.

2. Changes in accounting policy, changes in accounting estimates, and retrospective restatements

Adoption of Accounting Standard for Retirement Benefits

Concomitant with the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of May 17, 2012), and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25. of May 17, 2012), which became eligible for adoption from April 1, 2013, the Company has applied these standards from the year ended March 31, 2014. Under the new standard, pension assets are deducted from retirement benefit obligations and the net amount is recognized as Liabilities for retirement benefits, and previously unrecognized actuarial gains and losses and unrecognized prior services costs are recorded as Liabilities for retirement benefits. The method of calculating retirement benefit obligations and service costs is revised, with the method of determination of the discount rate revised to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and the method of attributing benefits to accounting periods changed from the straight-line method to the standard pension benefit formula basis.

In accordance with transitional accounting as stipulated in article 37 of the Accounting Standard for Retirement Benefits, liabilities for retirement benefits is recognized as the difference between pension assets and retirement benefit obligations as of March 31, 2014. The effect of the changes in accounting policies arising from initial application is recognized in the liability for adjustments for retirement benefits as a component of accumulated other comprehensive income within the net assets section. For the amendments relating to determination of retirement benefits and service costs, the effect of changes in accounting policies arising from initial application was recognized as an adjustment to retained earnings as of April, 2013.

As a result, at the beginning of the year ended March 31, 2014, "liabilities for retirement benefits" were recorded in the amount of ¥44,883 million, "accumulated other comprehensive income" decreased by ¥26,887 million and "retained earnings" decreased by ¥6,975 million.

The effect on operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2014 is immaterial.

Net assets per share decreased by ¥46.64 and the impact on net income per share is minimal. As for diluted net income per share, there is no impact because the company does not have any dilutive shares.

Changes in recognition method of sole agent sales

Formerly, for the coffee and edible oils businesses and some other businesses, the gross figures for sales and cost of sales were recorded in the accounts, but from the year ended March 31, 2014 this method changed by netting off sales and cost of goods sales and recording the net figure in the accounts.

In accordance with the conclusion of the Company's function as sole agent of some products, a contract and transaction review was conducted with regard to invoicing and recovery administration and other risk-bearing transactions, which found that the Company's function hereafter is effectively that of an intermediary. This change in accounting methods was therefore adopted to reflect the Company's function more appropriately by recording the net figure in the accounts rather than the gross figures for sales and cost of sales, with the aim of aligning operating results more closely with the business structure.

With the adoption of this accounting method, the results of the previous year ended March 31, 2013 have been restated based on this change. As a result, sales and cost of sales in the previous fiscal year have decreased by ¥187,475 million, while there is no impact on gross profit, operating income, ordinary income and income before income taxes and minority interests. There is no cumulative impact on net assets recorded at April 1, 2012, nor on per share information for the previous year ended March 31, 2014.

3. Standards Issued but Not Yet Effective

Year ended March 31, 2014 (April 1, 2013 – March 31, 2014)

- Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21 of September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 of September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013)

Notes to Consolidated Financial Statements

(1) Outline

The main revisions are as follows.

- In cases where the parent company continues to have control, differences arising from changes in holdings of equity-method subsidiaries are now recorded in capital surplus. The previous accounting standard category of 'minority interests' has changed to 'non-controlling interests' under the new standard.
- Acquisition expenses for business combinations are now treated as expenses in the consolidated financial statements for the year in which they arise.
- In cases where provisional accounting treatments are confirmed in the fiscal year following the year in which the business combination occurs, when consolidated financial statements for both years are presented, any change to the allocation of the acquisition price arising from confirmation of the provisional accounting treatment must be reflected in the consolidated financial statements for the year in which the business combination occurred.
- The previous accounting standard category of 'net income before minority interests' has changed to 'net income' under the new standard. Concomitant with this change, the previous accounting standard category of 'net income' has changed to 'Profit attributable to owners of the parent'.

(2) Scheduled date of adoption

These accounting standards will be adopted from the start of the year ending March 31, 2016.

(3) Impact of adoption of new accounting standard

The impact on the consolidated financial statements as a result of the adoption of this accounting standard is currently being evaluated.

4. 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 ¥102.92=U.S.$1, the approximate rate of exchange in effect on March 31, 2014.

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.

5. Supplementary Cash Flow Information

The following is a summary of the assets and liabilities of Ajinomoto Althea, Inc. as of the acquisition date, which were included in consolidation upon purchase of all outstanding shares of Ajinomoto Althea, Inc. during the year ended March 31, 2014.

	2014	2014
	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥4,987	$48,464
Fixed assets	1,889	18,363
Total assets	¥6,877	$66,827
Current liabilities	¥4,160	$40,425
Long-term liabilities	392	3,810
Total liabilities	¥4,552	$44,236

6. Inventories

Inventories at March 31, 2014 and 2013 consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Finished goods	¥103,543	¥102,550	$1,006,063
Work in process	8,076	7,701	78,473
Raw materials and supplies	51,908	49,566	504,354
	¥163,528	¥159,818	$1,588,889

Inventories as of March 31, 2014 were written down due to lower profitability and unrealized loss on inventories included in cost of sales was ¥365 million ($3,555 thousand). There was a reversal of write-down as of March 31, 2013 and unrealized gain on inventories included in cost of sales was ¥207 million.

7. Short-Term Borrowings and Long-Term Debts

Short-term borrowings at March 31, 2014 and 2013 consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term borrowings	¥14,641	¥12,365	$142,262
	¥14,641	¥12,365	$142,262

The average annual interest rate applicable to the short-term borrowings at March 31, 2014 was 0.92 %.

Notes to Consolidated Financial Statements

Long-term debts at March 31, 2014 and 2013 consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Bonds without collateral:			
0.62% bonds due 2014	—	¥ 20,000	—
0.71% bonds due 2016	¥ 15,000	15,000	$ 145,744
1.37% bonds due 2015	14,999	14,999	145,735
1.89% bonds due 2021	19,993	19,992	194,248
Loans from banks, insurance companies and government-sponsored agencies:			
With collateral	23	23	223
Without collateral	76,424	34,831	742,557
	126,438	104,845	1,228,508
Current portion	(22,011)	(23,411)	(213,865)
	¥104,429	¥ 81,434	$1,014,666

The annual maturities of long-term debts subsequent to March 31, 2014 were summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2015	¥ 22,011	$ 213,865
2016	18,608	180,801
2017	18,603	180,752
2018	16,605	161,339
2019 and thereafter	50,613	491,770
	¥126,440	$1,228,527

Other interest-bearing debts at March 31, 2014 and 2013 were as follows:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Lease obligations (current)	¥ 679	¥ 993	$ 6,597
Lease obligations (non-current)	1,220	1,127	11,854
	¥1,899	¥2,121	$18,451

The annual maturities of lease obligations subsequent to March 31, 2014 were summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2015	¥ 679	$ 6,597
2016	423	4,110
2017	244	2,371
2018	126	1,224
2019 and thereafter	427	4,149
	¥1,899	$18,451

8. Notes to Consolidated Balance Sheets

"Other advances" in "Investments and long-term advances" consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Long-term loans to third parties	¥ 384	¥ 455	$ 3,738
Allowance for doubtful receivables	(303)	(278)	(2,950)
Other	9,031	11,139	87,754
Total	¥9,112	¥11,316	$88,542

"Machinery, equipment and other" consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Machinery and vehicles	¥562,769	¥528,879	$5,468,027
Tools, furniture and fixtures	67,563	69,982	656,466
Leased assets	4,051	4,944	39,363
Construction in process	17,689	26,562	171,876
Total	¥652,073	¥630,369	$6,335,732

"Accumulated depreciation and accumulated impairment losses" consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥(218,630)	¥(215,961)	$(2,124,280)
Machinery and vehicles	(420,605)	(402,081)	(4,086,724)
Tools, furniture and fixtures	(56,086)	(57,992)	(544,951)
Leased assets	(2,491)	(3,138)	(24,210)
Total	¥(697,814)	¥(679,173)	$(6,780,165)

"Other" in "Other assets" consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Goodwill	¥19,327	¥ 4,779	$187,794
Other	32,994	33,912	320,585
Total	¥52,322	¥38,691	$508,379

Notes to Consolidated Financial Statements

"Accrued expenses and other current liabilities" consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Accrued bonuses for employees	¥ 5,953	¥ 5,496	$ 57,842
Bonus reserve for officers	319	325	3,106
Other	72,819	82,634	707,532
Total	¥79,091	¥88,455	$768,480

"Other long-term liabilities" consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Allowance for environmental measures	¥ 342	¥ 380	$ 3,323
Other	21,672	22,116	210,579
Total	¥22,014	¥22,496	$213,903

9. Pledged Assets

The assets pledged as collateral for the current portion of long-term debts, and long-term debts at March 31, 2014 and 2013 consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures (Book value)	¥175	¥196	$1,700
Land (Book value)	499	499	4,848
Total	¥674	¥695	$6,549

10. 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 38.0% for the years ended March 31, 2014 and 2013 respectively. 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 income and comprehensive income for the years ended March 31, 2014 and 2013 differ from the statutory tax rate for the following reasons:

	2014	2013
Statutory tax rates	38.0%	38.0%
Effect of:		
Amortization of goodwill	0.8	0.9
Equity in earnings of affiliates	(1.7)	(1.2)
Special deduction of income taxes	(0.2)	(2.7)
Different tax rates applied to income of foreign consolidated subsidiaries	(9.8)	(5.8)
Gain on sales of investments in affiliates	—	17.1
Changes in tax rate for income and other taxes	1.1	—
Other, net	3.3	(1.0)
Effective tax rates	31.5%	45.4%

The significant components of deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Liability for retirement benefits, etc.	¥ 18,324	—	$ 178,049
Accrued retirement benefit for employees, etc.	—	¥ 10,409	—
Loss carried forward	13,174	9,103	128,009
Loss on impairment of fixed assets	6,233	10,878	60,562
Accrued bonuses for employees, etc.	4,090	4,483	39,741
Depreciable assets, etc.	2,615	2,822	25,413
Consolidated eliminations	2,465	2,761	23,959
Loss on devaluation of securities	1,913	2,412	18,588
Period expenses	1,578	2,138	15,336
Accrued enterprise tax, etc.	376	1,711	3,655
Other	5,743	4,069	55,804
Gross deferred tax assets	56,515	50,791	549,116
Valuation allowance	(19,328)	(17,674)	(187,805)
Total deferred tax assets	37,186	33,117	361,311
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	(14,749)	(12,213)	(143,313)
Gain on land under consolidation	(2,390)	(2,395)	(23,229)
Other	(14,484)	(13,532)	(140,739)
Total deferred tax liabilities	(31,625)	(28,141)	(307,281)
Net deferred tax assets	¥ 5,560	¥ 4,975	$ 54,030

Adjustment of amounts of deferred tax assets and deferred tax liabilities due to changes in tax rate for income taxes

In line with the promulgation on March 31, 2014 of the "Act on Partial Revision of the Income Tax Act, etc." (Act No.10), the corporate tax rate imposed on the Company and its domestic consolidated subsidiaries shall be amended from the year beginning April 1, 2014. As a result, the normal effective statutory tax rate, which is used in

Notes to Consolidated Financial Statements

the calculation of deferred tax assets and deferred tax liabilities, has changed from 38.0% to 35.6% for temporary differences expected to be realized from the year ended March 31, 2014.

The effect of this change was to reduce deferred tax assets (net of deferred tax liabilities) by ¥819 million ($7,961 thousand), and increase "Income taxes-deferred," by the same amount as of and for the year ended March 31, 2014.

11. Retirement Benefit Plans

Fiscal year ended March 31, 2014

1. Outline of adopted retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., corporate pension fund plans, welfare pension fund plans and lump-sum payment plans. Some consolidated subsidiaries use the simplified method for the calculation of liabilities for retirement benefits and retirement benefit cost. The Company and certain consolidated subsidiaries have defined contribution plans in addition to defined benefit plans.

On September 1, 2012, the Company received approval from the Minister of Health, Labour and Welfare of Japan for an exemption from the obligation to pay benefits related to past services of employees under the substitutable portion of the Ajinomoto Employees' Welfare Pension Fund in connection with the enforcement of the Defined-Benefit Corporate Pension Law. The Company refunded the minimum reserve during the year ended March 31, 2014.

2. Defined benefit plans

(1) Changes of beginning and ending balances of retirement benefit obligation

	2014	
	(Millions of yen)	(Thousands of U.S. dollars)
Beginning balance of retirement benefit obligation	¥263,769	$2,562,857
Service cost	7,004	68,061
Interest cost	2,732	26,548
Actuarial gain or loss	2,197	21,347
Payment of retirement benefits	(12,331)	(119,819)
Decrease due to transfer of benefit obligation relating to welfare pension fund	(21,309)	(207,051)
Other	667	6,484
Ending balance of retirement benefit obligation	¥242,729	$2,358,427

(2) Changes of beginning and ending balances of plan assets

	2014	
	(Millions of yen)	(Thousands of U.S. dollars)
Beginning balance of pension assets	¥190,682	$1,852,726
Expected return on plan assets	4,202	40,828
Actuarial gain or loss	6,348	61,679
Contributions by the Company	12,051	117,093
Payment of retirement benefits	(11,914)	(115,764)
Decrease due to transfer of benefit obligation relating to welfare pension fund	(21,073)	(204,755)
Other	927	9,009
Ending balance of pension assets	¥181,223	$1,760,817

(3) Reconciliation of the ending balance of retirement benefit obligation and pension assets, and the book value of liabilities and assets for retirement benefits

	2014	
	(Millions of yen)	(Thousands of U.S. dollars)
Funded retirement benefit obligation	¥ 233,713	$ 2,270,823
Pension assets	(181,223)	(1,760,817)
	52,489	510,007
Unfunded retirement benefit obligation	9,016	87,603
Net amount of liabilities and assets in consolidated balance sheet	61,505	597,610
Liabilities for retirement benefits	61,845	600,907
Assets for retirement benefits	(339)	(3,298)
Net amount of liabilities and assets in consolidated balance sheet	¥ 61,505	$ 597,610

Notes
1. The public portion of welfare pension fund plans is included.

(4) Retirement benefit costs and other details

	2014	
	(Millions of yen)	(Thousands of U.S. dollars)
Service cost	¥ 7,004	$ 68,061
Interest cost	2,732	26,548
Expected return on plan assets	(4,202)	(40,828)
Amortization of prior service cost	(1,478)	(14,363)
Amortization of actuarial gain or loss	5,106	49,619
Other	74	722
Retirement benefit costs for defined benefit plans	¥ 9,237	$ 89,758

Notes
1. Employee contributions to welfare pension fund are not included in the amounts shown.
2. Retirement benefit costs at consolidated subsidiaries using the simplified method are recorded in "Service cost".
3. In addition to the above, other income of ¥236 million ($2,296 thousand) is recorded due to refunding the minimum reserve.

Notes to Consolidated Financial Statements

(5) Adjustments for retirement benefits included in other comprehensive income for the year ended March 31, 2014

The amounts before tax effect consisted of the following:

	2014	
	(Millions of yen)	(Thousands of U.S. dollars)
Prior service cost	¥(1,454)	$(14,130)
Actuarial gain or loss	9,283	90,204
Total	¥ 7,829	$ 76,074

(6) Adjustments for retirement benefits included in accumulated other comprehensive income as of March 31, 2014

The amounts before tax effect consisted of the following:

	2014	
	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized prior service cost	¥ (712)	$ (6,922)
Unrecognized actuarial gain or loss	(26,386)	(256,376)
Total	¥(27,098)	$(263,298)

(7) Pension assets

① Details of main pension assets

The breakdown of plan asset for each major classification

	2014
	(%)
Fixed income securities	50
Equity securities	24
Insurance company general accounts	19
Cash and deposits	1
Other	6
Total	100

② Long-term expected rate of return on plan assets

Long-term expected rate of return on plan assets is determined considering the pension asset allocation and long-term expected return on plan assets composed of various kinds of assets, at the present and in the future.

(8) Basis of actuarial calculation

	As of March 31, 2014
Discount rate	Mainly 1.1%
Long-term expected return on plan assets	Mainly 2.5%

3. Defined contribution plans

The Company and its consolidated subsidiaries were obligated to contribute ¥960 million ($9,336 thousand) to the plan for the year ended March 31, 2014.

Year ended March 31, 2013

1. Outline of adopted retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., corporate pension fund plans, welfare pension fund plans and lump-sum payment plans. The Company and certain consolidated subsidiaries have defined contribution plans in addition to defined benefit plans.

On September 1, 2012, the Company received approval from the Minister of Health, Labour and Welfare of Japan for an exemption from the obligation to pay benefits related to past services of employees under the substitutable portion of the Ajinomoto Employees' Welfare Pension Fund in connection with the enforcement of the Defined-Benefit Corporate Pension Law. Therefore, welfare pension fund plans were shifted to defined-benefit corporate pension fund plans.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31 2013 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2013
	(Millions of yen)
Retirement benefit obligation	¥(253,842)
Plan assets at fair value	190,682
Unfunded retirement benefit obligation	(63,159)
Unrecognized actuarial gain or loss	34,924
Unrecognized prior service cost	(497)
Prepaid pension cost	64
Accrued employees' retirement benefits	¥ (28,796)

Notes
1. Includes substitutional portion of welfare pension fund.
2. At certain consolidated subsidiaries, the simplified method is used in calculating retirement benefit obligations.

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

Notes to Consolidated Financial Statements

The components of retirement benefit expenses for the year ended March 31 2013 were outlined as follows:

	2013
	(Millions of yen)
Service cost	¥ 6,054
Interest cost	5,291
Expected return on plan assets	(4,068)
Amortization of prior service cost	(2,262)
Amortization of actuarial gain or loss	5,443
Other	480
Total	¥10,938

Notes
1. Employee contributions to the welfare pension fund are not included in the amounts shown.
2. Retirement benefit expenses at consolidated subsidiaries using the simplified method are recorded in Service cost.
3. Payments into defined contribution pension funds are recorded in Other.
4. In addition to the above, an extraordinary gain of ¥27,752 million is recorded due to recognition of prior return of the substitutional portion of the welfare pension fund.

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

	As of March 31, 2013
Discount rate	Mainly 1.5%
Expected rate of return on plan assets	Mainly 2.5%

12. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

13. Dividends

Dividends paid for the years ended March 31, 2014 and 2013 were outlined as follows:

Year ended March 31, 2014							
		Total amount of dividends		Dividends per share			
Resolution	Type of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
Annual general meeting of the shareholders on June 27, 2013	Common stock	¥6,325	$61,455	¥10	$0.097	March 31, 2013	June 28, 2013
Meeting of the Board of Directors on November 6, 2013	Common stock	¥6,115	$59,415	¥10	$0.097	September 30, 2013	December 4, 2013

Year ended March 31, 2013					
		Total amount of dividends	Dividends per share		
Resolution	Type of shares	Millions of yen	Yen	Record date	Effective date
Annual general meeting of the shareholders on June 28, 2012	Common stock	¥5,413	¥8	March 31, 2012	June 29, 2012
Meeting of the Board of Directors on November 5, 2012	Common stock	¥5,187	¥8	September 30, 2012	December 4, 2012

The following dividends have a record date during the year ended March 31, 2014 but an effective date during the year ending March 31, 2015:

		Total amount of dividends		Dividends per share			
Resolution	Type of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
Annual general meeting of the shareholders on June 27, 2014	Common stock	¥5,935	$57,666	¥10	$0.097	March 31, 2014	June 30, 2014

14. Selling, General and Administrative Expenses

"Selling, general and administrative expenses" consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Transportation expenses	¥ 29,356	¥ 31,423	$ 285,239
Advertising expenses	30,330	32,700	294,701
Sales commissions	40,688	53,681	395,337
Salaries	43,989	43,955	427,414
Provision for accrued bonuses	17,097	17,421	166,123
Retirement benefit expenses	5,782	6,561	56,180
Depreciation and amortization	9,687	9,948	94,129
Research and development expenses	31,962	32,626	310,560
Amortization of goodwill	1,589	2,265	15,446
Other	82,705	82,519	803,591
Total	¥293,190	¥313,104	$2,848,720

Research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2014 and 2013 were ¥31,962 million ($310,560 thousand) and ¥32,626 million, respectively.

Notes to Consolidated Financial Statements

15. Other Income (Expenses)

"Interest and dividend income" consisted of the following:

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Interest income	¥2,129	¥1,857	$20,692
Dividend income	1,067	1,044	10,371
Total	¥3,196	¥2,902	$31,063

Insurance income

Year ended March 31, 2014

"Insurance income" mainly consists of insurance benefits of ¥1,167 million ($11,339 thousand) received resulting from the Thailand floods.

Year ended March 31, 2013

"Insurance income" mainly consists of insurance benefits of ¥1,001 million received resulting from the Thailand floods.

Gain on sales of fixed assets

Year ended March 31, 2014

"Gain on sales of fixed assets" mainly consists of gains from the sales of land.

Year ended March 31, 2013

"Gain on sales of fixed assets" mainly consists of gains from the sales of land.

Gain on sales of investments in affiliates

Year ended March 31, 2014

"Gain on sales of investments in affiliates" mainly consists of gains from the sales of investments in affiliates not accounted for by the equity method.

Year ended March 31, 2013

"Gain on sales of investments in affiliates" mainly consists of gains from the transfer of all shares held in Calpis Co., Ltd.

Refund of income taxes for prior periods

"Refund of income taxes for prior periods" mainly consists of refunds of ¥1,603 million ($15,577 thousand) resulting from a mutual agreement between Japan and the United States relating to transfer pricing taxation.

16. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects relating to other comprehensive income for the years ended March 31, 2014 and 2013.

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized holding gain on securities:			
Amount arising during the year	¥ 4,101	¥10,335	$ 39,853
Reclassification adjustments	(9)	(1,816)	(94)
Before tax effect	4,092	8,519	39,759
Tax effect	(612)	(2,155)	(5,952)
Unrealized holding gain on securities	3,479	6,363	33,807
Unrealized gain (loss) from hedging instruments:			
Amount arising during the year	15	(222)	155
Reclassification adjustments	—	8	—
Before tax effect	15	(214)	155
Tax effect	(5)	54	(50)
Unrealized gain (loss) from hedging instruments	10	(159)	105
Translation adjustments:			
Amount arising during the year	15,483	41,357	150,440
Reclassification adjustments	(1,005)	255	(9,772)
Before tax effect	14,477	41,612	140,668
Tax effect	315	(149)	3,063
Translation adjustments	14,792	41,462	143,731
Adjustments in pension liabilities of overseas subsidiaries:			
Amount arising during the year	—	—	—
Reclassification adjustments	—	784	—
Before tax effect	—	784	—
Tax effect	—	(305)	—
Adjustments in pension liabilities of overseas subsidiaries	—	478	—
Adjustments for retirement benefits:			
Amount arising during the year	3,950	—	38,385
Reclassification adjustments	3,878	—	37,689
Before tax effect	7,829	—	76,074
Tax effect	(2,178)	—	(21,172)
Adjustments for retirement benefits:	5,650	—	54,897
Share of other comprehensive income of equity-method affiliates:			
Amount arising during the year	492	1,344	4,783
Reclassification adjustments	230	(5)	2,237
Share of other comprehensive income of equity-method affiliates	722	1,339	7,021
Total other comprehensive income	¥24,656	¥49,485	$239,567

Notes to Consolidated Financial Statements

17. Lease Transactions

a. Lessees' Accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2014 and 2013, 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:

	March 31, 2014							
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
	(Millions of yen)				(Thousands of U.S. dollars)			
Buildings and structures	¥1,326	¥ 65	¥1,187	¥ 73	$12,884	$ 632	$11,533	$ 709
Machinery	297	233	–	64	2,886	2,264	–	622
Equipment	252	165	–	86	2,449	1,603	–	836
Total	¥1,876	¥464	¥1,187	¥225	$18,228	$4,508	$11,533	$2,186

	March 31, 2013			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss	Net book value
	(Millions of yen)			
Buildings and structures	¥1,533	¥ 99	¥1,352	¥ 81
Machinery	807	547	148	111
Equipment	322	220	14	87
Other	2	2	–	0
Total	¥2,666	¥869	¥1,515	¥281

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥102 million ($991 thousand) and ¥161 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, 2014 and 2013, respectively. The reversals of impairment loss applicable the above lease payments for the years ended March 31, 2014 and 2013 amounted to ¥68 million ($661 thousand) and ¥71 million, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2014 for finance leases accounted for as operating leases were summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2015	¥127	$1,234
2016 and thereafter	839	8,152
Total	¥966	$9,386
Accumulated impairment loss on leased assets	¥731	$7,103

Future minimum lease payments subsequent to March 31, 2014 for operating leases were summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2015	¥1,598	$15,527
2016 and thereafter	8,323	80,869
Total	¥9,922	$96,405

b. Lessors' Accounting

Future minimum lease income subsequent to March 31, 2014 for operating leases was summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2015	¥197	$1,914
2016 and thereafter	264	2,565
Total	¥462	$4,489

18. Contingent Liabilities

At March 31, 2014 and 2013, the Company and its consolidated subsidiaries had the following contingent liabilities.

Guarantees are for loans from financial institutions undertaken by unconsolidated subsidiaries or employees.

	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
As guarantor of indebtedness of unconsolidated subsidiaries, affiliates and employees:			
Granules OmniChem Private Ltd.	¥2,549	¥1,207	$24,757
Healthcare Committee Inc.	491	33	4,769
New Season Foods	154	216	1,496
Employees	11	24	107
Ajinomoto de Mexico S. de R.L.. de C.V.	6	5	58
Kyodo Ace Butsuryu	1	1	10
Itoham Betagro Foods	—	91	—
	¥3,214	¥1,580	$31,216

19. Amounts Per Share

Amounts per share as of and for the years ended March 31, 2014 and 2013 were as follows:

	2014	2013	2014
	(Millions of yen)		(U.S. dollars)
Net income	¥ 69.70	¥ 74.35	$0.677
Net assets	1,008.98	1,004.38	9.804

Notes to Consolidated Financial Statements

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and amounts per share of net assets are computed based on the net assets excluding minority interests and the number of shares of common stock outstanding at the year end.

20. Related Party Transactions

For the year ended March 31, 2014

Attribute	Name	Domicile	Capitalization (Millions of yen)	Nature of operation	Equity ownership by the Company	Relationship: Operational relationship	Nature of transaction	Transaction amount (Millions of yen) (Thousands of U.S. dollars)	Account	Balance at year end (Millions of yen) (Thousands of U.S. dollars)
Affiliate	Ajinomoto General Foods, Inc.	Shinjuku-ku, Tokyo	¥3,862	Beverage	50.0% Direct	Purchasing goods and resale Interlocking and secondment of directors	Purchasing goods .etc	¥145,855 $1,417,169	Notes and accounts payable	¥24,269 $235,805

Terms and policies of transaction, etc

The Company is the sole agent and the price is determined by reference to contract, with the final selling price serving as the basis. These sole agent sales are recorded in the accounts using a method of netting off sales and cost of goods sold and disclosed on a net basis. However, in the "Notes regarding Related Party Transactions" they are disclosed on a gross basis.

Due to the Company adopts tax exclusion method, the transaction price excludes consumption tax, etc although the balance of debts and credits includes.

For the year ended March 31, 2013

Attribute	Name	Domicile	Capitalization (Millions of yen)	Nature of operation	Equity ownership by the Company	Relationship: Operational relationship	Nature of transaction	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Affiliate	Ajinomoto General Foods, Inc.	Shinjuku-ku, Tokyo	¥3,862	Beverages	50.0% Direct	Purchasing goods and resale Interlocking and secondment of directors	Purchasing goods .etc	¥138,655	Notes and accounts payable	¥23,798

Terms and policies of transaction, etc

The Company is the sole agent and the price is determined by reference to contract, with the final selling price serving as the basis.

Due to the Company adopts tax exclusion method, the transaction price excludes consumption tax, etc although the balance of debts and credits includes.

21. Financial Instruments

a. Status of financial instruments

(1) Policy for financial instruments

The Company and its consolidated subsidiaries undertake fund procurement using commercial paper, bond issuances, borrowings from financial institutions and other methods, aiming to balance direct and indirect financing with long-term and short-term financing needs while considering procurement costs and risk diversification. With respect to cash management, funds are allocated only to saving and other financial instruments with low risk. Derivative transactions are undertaken only for the purposes of hedging risks outlined below, and as a matter of policy, are not undertaken for speculative purposes.

(2) Characteristics and risks of financial instruments

Trade notes and accounts receivable form part of the customer credit risk faced by the Company. Foreign currency-denominated notes and accounts receivable are also subject to risk from foreign exchange rates fluctuations, but this risk is mainly hedged through the adoption of forward foreign exchange contracts. Investment securities primarily comprise stock in transaction partner companies, and are subject to the risk of changes in stock market prices.

Trade notes and accounts payable are mainly settled within one year. Foreign currency denominated trade notes and accounts payable are subject to risk from foreign exchange rates fluctuations, but this risk is mainly hedged through the adoption of forward foreign exchange contracts. A certain amount of borrowing is undertaken using floating interest rates and is therefore subject to risk from movements in interest rates, but this is hedged through the adoption of interest-rate swaps.

Derivative transactions undertaken include forward foreign exchange contracts and currency swaps to hedge the risk associated with foreign currency-denominated payables and receivables, and interest rate swaps are undertaken to hedge interest rate risks associated with borrowings, lending to Group companies and other such activities.

Hedge accounting details with regard to hedging instruments, hedged transactions, hedging policy and assessment of hedge effectiveness are outlined in "Hedge Accounting" in the previous section, "1. Notes regarding Significant Items for the Preparation of Consolidated Financial Statements".

(3) System for financial instruments risk management

1) Credit risk management (risks of transaction partners failing to honor contracts, etc.)

Each business and sales management division within the Company conducts periodic monitoring of key transaction partners to assess risks associated with notes and accounts receivable. In addition to monitoring due dates and amounts outstanding, the Company assesses the financial status of transaction partners with the aim of identifying and minimizing any heightened risks. The same system of risk management is used at consolidated subsidiaries.

In managing the risks of derivative positions, counterparty risk is minimized by entering into transactions only with financial institutions with high credit ratings.

The Company's maximum potential exposure to credit risk is shown in the balance sheet as of March 31, 2014.

Notes to Consolidated Financial Statements

2) Market risk management (risk of changes in exchange rates, interest rates, etc.)

In managing foreign currency denominated accounts payable and receivable, the Company and certain consolidated subsidiaries assess exchange rate movement risk by currency on a monthly basis, and hedge such risks through forward foreign exchange contracts and currency swaps. Given the nature of the foreign exchange market, forward foreign exchange contracts are in principle limited to a six-month period, applicable to foreign currency denominated assets or liabilities for which planned transactions are deemed certain to take place. The Company and certain consolidated subsidiaries also undertake interest-rate swaps for the purpose of controlling risk associated with movements in interest rates on borrowings.

Investment securities are periodically assessed with respect to market value and the financial status of the issuing entity (transaction partner), and the merits or otherwise of holding such securities are continually reviewed, taking into account the Company's relationship with respective transaction partners.

Derivative transactions are undertaken by the finance division, based on a system that places limits on transaction authorizations and amounts. The performance of transactions is periodically reported to directors responsible for the finance division and to the management committee. Transaction management at consolidated subsidiaries is undertaken in the same manner.

3) Funding procurement liquidity risk management (risk of being unable to meet due dates)

The Company and main domestic consolidated subsidiaries have adopted a cash management system for the purposes of reducing consolidated interest-bearing debt and reducing liquidity risk. The system is managed in such a way as to ensure that available liquidity, including the unused portion of commitment lines established by the Company, is maintained at a certain level. Main overseas consolidated subsidiaries maintain a similar level of liquidity on a company-by-company basis.

(4) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is based on market price for items having a market price. For items not having market price, the fair value is calculated based on reasonable estimates. As a number of variables are incorporated in such estimates, the fair values arrived at are subject to change as a result of the use of different assumptions in the calculations. Furthermore, with respect to the contract prices of derivative transactions in "Note 23. Derivative Transactions," the amounts do not indicate the market risk relating to the derivative transactions.

b. Fair value of financial instruments

The book values, fair values and any differences as of March 31, 2014 were as follows:

	Book value in consolidated financial statements	Estimated fair value	Difference	Book value in consolidated financial statements	Estimated fair value	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
(1) Cash and cash equivalents	¥132,416	¥132,416	–	$1,286,592	$1,286,592	–
(2) Notes and accounts receivable	200,115	200,115	–	1,944,374	1,944,374	–
(3) Marketable securities and investment securities						
Investments in stock of subsidiaries and affiliates	20,243	12,449	¥(7,794)	196,687	120,958	$(75,729)
Other marketable securities	36,656	36,656	–	356,160	356,160	–
Total assets	¥389,432	¥381,638	¥(7,794)	$3,783,832	$3,708,103	$(75,729)
(1) Notes and accounts payable	¥104,711	¥104,711	–	$1,017,402	$1,017,402	–
(2) Short-term borrowings	14,641	14,641	–	142,262	142,262	–
(3) Current portion of corporate bonds	14,999	14,999	–	145,735	145,735	–
(4) Current portion of long-term debts	7,011	7,011	–	68,121	68,121	–
(5) Corporate bonds	34,993	36,964	¥ 1,971	340,002	359,153	$ 19,151
(6) Long-term debts	69,435	69,422	(13)	674,650	674,524	(126)
Total liabilities	245,794	247,751	1,957	2,388,204	2,407,219	19,015
Derivative transactions*	¥ 72	¥ 72	–	$ 700	$ 700	–

The assets or liabilities arising from derivative transactions are shown as a net amount.

Notes to Consolidated Financial Statements

The book values, fair values and any differences as of March 31, 2013 were as follows:

	Book value in consolidated financial statements	Estimated fair value	Difference
	(Millions of yen)		
(1) Cash and cash equivalents	¥186,501	¥186,501	–
(2) Notes and accounts receivable	197,568	197,568	–
(3) Marketable securities and investment securities			
Investments in stock of subsidiaries and affiliates	20,282	13,218	¥(7,063)
Other marketable securities	32,755	32,755	–
Total assets	¥437,108	¥430,044	¥(7,063)
(1) Notes and accounts payable	¥108,903	¥108,903	–
(2) Short-term borrowings	12,365	12,365	–
(3) Current portion of corporate bonds	20,000	20,000	–
(4) Current portion of long-term debts	3,411	3,411	–
(5) Corporate bonds	49,992	52,578	¥ 2,586
(6) Long-term debts	31,442	33,195	1,752
Total liabilities	226,115	230,453	4,338
Derivative transactions*	¥ 4,004	¥ 4,004	–

** The assets or liabilities arising from derivative transactions are shown as a net amount.*

Note 1: Method of calculating fair value of financial instruments, and notes relating to investment securities and derivative transactions

ASSETS

(1) Cash and cash equivalents, and (2) Notes and accounts receivable

These items are recorded at book value, as the short settlement period means that fair value and book value are effectively the same.

(3) Marketable securities and investment securities

The fair value of equities is based on prices at listing exchanges. The fair value of bonds is based on prices at listing exchanges or transaction prices disclosed by financial institutions. For notes relating to marketable securities according to holding purpose of such securities, please refer to “Note 22. Securities”.

LIABILITIES

(1) Notes and accounts payable, (2) Short-term borrowings, (3) Current portion of corporate bonds and (4) Current portion of long-term debts

These items are recorded at book value, as the short settlement period means that fair value and book value are effectively the same.

(5) Corporate bonds

The fair value of bonds issued by the Company is based on market price for those items having a market price. The fair value of items without a market price is calculated based on the current total amount of principal and interest, discounted for the remaining period of each bond and adjusted for credit risk.

(6) Long-term debts

The fair value of long-term debts with fixed interest rates is calculated based on the current total amount of principal and interest, discounted by the expected interest rate if the debts were refinanced at current rates. The book value is used for the fair value of long-term debts with floating interest rates, as the fair value of such debts is almost identical to its book value, because it reflects market rates over the short term.

Derivative transactions

Interest-rate swaps for which the exceptional treatment is applied are accounted for together with the fair value of the underlying long-term debts, and their fair value is included in the fair value of the long-term debts, as such swaps are treated as a single item incorporating the hedged long-term debts. For information relating to derivative transactions, please refer to “Note 23. Derivative Transactions”.

Note 2: Financial instruments as of March 31, 2014 for which the appraisal of fair value is recognized as being extremely difficult.

	Amount recorded on consolidated balance sheet	Amount recorded on consolidated balance sheet
	(Millions of yen)	(Thousands of U.S. dollars)
Investments in stock of subsidiaries and affiliates		
Unlisted shares	¥48,600	$472,211
Other securities		
Unlisted shares	2,041	19,831
Unlisted domestic bonds	0	0
Money management funds, etc.	373	3,624
Total	¥51,015	$495,676

These are items that do not have a market value and for which estimating future cash flows would incur excessive costs. Accordingly, appraising the fair value of such items is recognized as being extremely difficult, and they are excluded from “Assets (3) Marketable securities and investment securities.”

Notes to Consolidated Financial Statements

Note 3: Planned redemptions subsequent to March 31, 2014 for monetary claims and marketable securities with maturities

	2015	2016 and thereafter	2015	2016 and thereafter
	(Millions of yen)		(Thousands of U.S. dollars)	
Cash and cash equivalents	¥132,416	—	$1,286,592	—
Notes and accounts receivable	200,115	—	1,944,374	—
Investment securities				
"Other marketable securities" with maturities	—	—	—	—

Note 4: Planned repayments subsequent to March 31, 2014 for corporate bonds and long-term debts

Year ending	Corporate bonds	Long-term debts	Corporate bonds	Long-term debts
	(Millions of yen)		(Thousands of U.S. dollars)	
2015	¥15,000	¥ 7,011	$145,744	$ 68,121
2016	15,000	18,608	145,744	180,801
2017	—	3,603	—	35,008
2018	—	16,605	—	161,339
2019	—	3,603	—	35,008
2020 and thereafter	20,000	27,015	194,326	262,485

22. Securities

a. Information regarding marketable securities classified as other securities with fair value at March 31, 2014 and 2013 was as follows:

	March 31, 2014					
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥36,521	¥21,133	¥15,387	$354,848	$205,334	$149,504
Bonds						
Government bonds etc.	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Other bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	36,521	21,133	15,387	354,848	205,334	149,504
Securities whose acquisition cost exceeds their carrying value:						
Stocks	135	152	(17)	1,312	1,477	(165)
Bonds						
Government bonds etc.	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Other bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Subtotal	135	152	(17)	1,312	1,477	(165)
Total	¥36,656	¥21,286	¥15,370	$356,160	$206,821	$149,339

	March 31, 2013		
	Carrying value	Acquisition cost	Difference
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥29,255	¥17,654	¥11,600
Bonds			
Government bonds etc.	–	–	–
Corporate bonds	–	–	–
Other bonds	–	–	–
Other	–	–	–
Subtotal	29,255	17,654	11,600
Securities whose acquisition cost exceeds their carrying value:			
Stocks	3,500	3,617	(117)
Bonds			
Government bonds etc.	–	–	–
Corporate bonds	–	–	–
Other bonds	–	–	–
Other	–	–	–
Subtotal	3,500	3,617	(117)
Total	¥32,755	¥21,272	¥11,483

b. Sales of securities classified as other securities for the years ended March 31, 2014 and 2013 were summarized as follows:

	March 31, 2014					
	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
	(Millions of yen)			(Thousands of U.S. dollars)		
Stocks	¥15	¥6	–	$146	$58	–
Bonds						
Government bonds etc.	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Other bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	¥15	¥6	–	$146	$58	–

Notes to Consolidated Financial Statements

	March 31, 2013		
	Proceeds from sales	Gains on sales	Losses on sales
	(Millions of yen)		
Stocks	¥22	¥3	¥1
Bonds			
Government bonds etc.	–	–	–
Corporate bonds	–	–	–
Other bonds	–	–	–
Other	–	–	–
Total	¥22	¥3	¥1

c. Securities recognized as impaired for the year ended March 31, 2014

Impairment of ¥2 million ($19 thousand) has been recognized on other securities.

Securities recognized as impaired for the year ended March 31, 2013

Impairment of ¥2,345 million has been recognized on other securities.

23. Derivative Transactions

a. Summarized below were the notional amounts and the estimated fair value of the derivatives positions for which hedge accounting is not applied outstanding at March 31, 2014 and 2013:

1) Currency-related transactions

	March 31, 2014					
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)			(Thousands of U.S. dollars)		
Forward foreign exchange contracts:						
Sell:						
USD	¥14,175	¥ (55)	¥ (55)	$137,728	$ (534)	$ (534)
EUR	9,806	(633)	(633)	95,278	(6,150)	(6,150)
HKD	1,388	(236)	(236)	13,486	(2,293)	(2,293)
JPY	721	(5)	(5)	7,005	(49)	(49)
THB	58	(1)	(1)	564	(10)	(10)
PEN	465	(97)	(97)	4,518	(942)	(942)
SGD	58	(0)	(0)	564	(0)	(0)
Buy:						
USD	2,069	5	5	20,103	49	49
EUR	312	0	0	3,031	0	0
JPY	1,554	2	2	15,099	19	19
SGD	15	(0)	(0)	146	(0)	(0)
HKD	13	0	0	126	0	0
THB	110	0	0	1,069	0	0
PEN	272	0	0	2,643	0	0
Currency swaps						
Receive/JPY and pay/USD	167	(40)	(40)	1,623	(389)	(389)
Receive/THB and pay/JPY	28,836	1,190	1,190	280,179	11,562	11,562
Receive/THB and pay/USD	464	(41)	(41)	4,508	(398)	(398)
Total	¥60,490	¥ 89	¥ 89	$587,738	$ 865	$ 865

Note
The fair values are calculated based on prices quoted by counterparty financial institutions.

Notes to Consolidated Financial Statements

	March 31, 2013		
	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)		
Forward foreign exchange contracts:			
Sell:			
USD	¥15,567	¥(1,059)	¥(1,059)
EUR	5,807	(621)	(621)
HKD	694	(158)	(158)
JPY	515	6	6
THB	46	(9)	(9)
PEN	799	(236)	(236)
GBP	26	(0)	(0)
Buy:			
USD	1,478	(5)	(5)
EUR	130	(1)	(1)
JPY	1,017	(33)	(33)
HKD	19	(0)	(0)
THB	125	1	1
CNY	480	3	3
Currency swaps			
Receive/JPY and pay/USD	753	(100)	(100)
Receive/THB and pay/JPY	25,937	6,410	6,410
Receive/THB and pay/USD	491	36	36
Total	¥53,889	¥ 4,231	¥ 4,231

Note
The fair values are calculated based on prices quoted by counterparty financial institutions.

2) Interest-related transactions

	March 31, 2014					
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)			(Thousands of U.S. dollars)		
Interest-rate swaps:						
Receive/fixed and pay/floating	–	–	–	–	–	–
Currency swaps:						
Receive/JPY and pay/USD	¥171	¥(16)	¥(16)	$1,661	$(155)	$(155)
Total	¥171	¥(16)	¥(16)	$1,661	$(155)	$(155)

Note
The fair values are calculated based on prices quoted by counterparty financial institutions.

	March 31, 2013		
	Notional amount	Fair value	Unrealized gain (loss)
	(Millions of yen)		
Interest-rate swaps:			
Receive/fixed and pay/floating	–	–	–
Currency swaps:			
Receive/JPY and pay/USD	¥171	¥(5)	¥(5)
Total	¥171	¥(5)	¥(5)

Note
The fair values are calculated based on prices quoted by counterparty financial institutions.

b. Summarized below were the notional amounts and the estimated fair value of the derivatives positions for which hedge accounting is applied outstanding at March 31, 2014 and 2013:

1) Interest-related transactions

	March 31, 2014			
	Notional amount	Fair value	Notional amount	Fair value
	(Millions of yen)		(Thousands of U.S. dollars)	
Special treatment is applied with respect to interest-rate swaps for long-term debts:				
Pay/fixed and receive/floating	¥32,400	¥(231)	$314,808	$(2,244)
Receive/fixed and pay/floating	12	0	117	0
Total	¥32,412	¥(231)	$314,924	$(2,244)

Note
The fair values are calculated based on prices quoted by counterparty financial institutions.

	March 31, 2013	
	Notional amount	Fair value
	(Millions of yen)	
Special treatment is applied with respect to interest-rate swaps for long-term debts:		
Pay/fixed and receive/floating	¥7,800	¥(69)
Receive/fixed and pay/floating	23	0
Total	¥7,823	¥(69)

Note
The fair values are calculated based on prices quoted by counterparty financial institutions.

Notes to Consolidated Financial Statements

24. Business Combination

1. Business combination through acquisition

(1) Name of acquired company and outline of business

Name of acquired company

Althea Technologies, Inc. (“Althea”)

Outline of business

Contract development and manufacturing organization providing fill & finish, biologics manufacturing, analytical development, and stability testing services for biopharmaceutical companies based on cGMP.

(2) Reason for business combination

Althea possesses sophisticated technology, rigorous quality control, expertise for each manufacturing process required for biopharmaceuticals, and established relationships with its biopharmaceutical customer base. The Company a market leader in amino acids for 100 years, developed unique biotech capabilities, and has recently been promoting its own contract process development business for biopharmaceuticals.

Through the acquisition of Althea, the Company aims to expand the business for biopharmaceutical development and manufacturing in North America, the world’s largest market, and strengthen the Ajinomoto Group’s advanced biomedical business by combining its unique biotechnology with Althea’s sophisticated technology, experienced personnel and expertise in manufacturing and development.

(3) Date of business combination

April 4, 2013

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Post- business combination company name

Ajinomoto Althea, Inc.

(6) Percentage of voting shares acquired

100%

(7) Main basis for determining acquired company

The Company acquired shares with cash

2. Period that Ajinomoto Althea, Inc. is included in the consolidated financial results for the year ended March 31, 2014

3. Cost of acquisition and cost breakdown

Acquisition price	¥16,735 million	($162,605 thousand)
Direct acquisition expenses	¥484 million	($4,706 thousand)
Cost of acquisition	¥17,219 million	($167,311 thousand)

4. Amount of goodwill, reason for its occurrence, and amortization method and period

(1) Amount of goodwill

¥14,894 million ($144,714 thousand)

(2) Reason for its occurrence

Mainly due to the excess earning power expected from Althea’s high-level technological capabilities, strict quality control, and know-how.

(3) Amortization method and period

Straight-line amortization over 16 years

5. Amount of assets acquired and liabilities assumed on the day of the acquisition

Current assets:	¥4,987 million	($48,464 thousand)
Fixed assets:	¥1,889 million	($18,363 thousand)
Total assets:	¥6,877 million	($66,827 thousand)
Current liabilities	¥4,160 million	($40,425 thousand)
Long-term liabilities	¥392 million	($3,810 thousand)
Total liabilities	¥4,552 million	($44,236 thousand)

25. Segment Information

a. Segment information

Year ended March 31, 2014

1. Overview of reporting segments

The Company’s reporting segments mainly consist of product-based segments, with the food products business further subdivided into domestic and overseas segments. The Company has four reporting segments: domestic food products, overseas food products, bioscience products and fine chemicals, and pharmaceuticals.

Among the Group’s units, separate financial information is also obtainable for each reporting segment, and the Board of Directors and the Management Committee regularly consider these segments in order to decide on allocation of business resources and evaluate business performance.

Notes to Consolidated Financial Statements

The product categories and products belonging to each reporting segment are as follows.

Reporting Segments	Product Category	Main Products
Domestic Food Products	Seasonings and Processed Foods	*AJI-NO-MOTO® umami seasoning, HON-DASHI®, Ajinomoto KK Consommé, Cook Do®, Knorr® Cup Soup, Pure Select® Mayonnaise, Kellogg's®* products, savory seasonings, food enzyme *ACTIVA®*, lunchboxes and prepared dish products, bakery products, etc.
	Frozen Foods	*Gyoza, Yawaraka Wakadori Kara-Age, Puripuri-no-Ebi Shumai, Ebi-yose Fry, Fried rice with various ingredients, etc.*
Overseas Food Products	Consumer Food Products	*AJI-NO-MOTO® umami seasoning, Ros Dee®* (flavor seasoning), *Masako®* (flavor seasoning), *Aji-ngon®* (flavor seasoning), *Sazón®* (flavor seasoning), *YumYum®* (instant noodles), VONO® (noodle soup) Birdy® (canned coffee beverage), *Birdy®3in1* (powdered drink), etc.
	Umami Seasonings for Processed Food Manufacturers	*AJI-NO-MOTO® umami seasoning, etc.* for the food processing industry, nucleotide
Bioscience Products and Fine Chemicals	Feed-Use Amino Acids	Feed-use Lysine, feed-use Threonine, feed-use Tryptophan
	Amino Acids	Arginine, Glutamine, Valine, Leucine, Isoleucine, other amino acids, *PAL SWEET®*, Aspartame, *Refresco MID®* (powdered juice mix), Pharmaceutical fine chemicals, etc.
	Specialty Chemicals	*Amisoft®, Jino®* (cosmetics), Insulation film for build-up printed wiring boards, etc.
Pharmaceuticals	Pharmaceuticals	*LIVACT®* (amino acid formula for treatment of liver cirrhosis), *ELENTAL®* (elemental diet), *FASTIC®* (antidiabetes agent), *ATELEC®* (calcium channel blocker), *ACTONEL®* (osteoporosis treatment), etc.

Formerly, for the coffee and edible oils businesses and some other businesses, the gross figures for sales and cost of sales were recorded in the accounts but from the year ended March 31, 2014 this method has changed by netting off sales and cost of goods sold and recording the net figure in the accounts. Accompanying this change, from the year ended March 31, 2014, Business Tie-Ups has been included in the Other segment and classification into five segments: Domestic Food Products; Overseas Food Products; Bioscience Products and Fine Chemicals; Pharmaceuticals; Business Tie-Ups; and Other, has been replaced by classification into four segments: Domestic Food Products; Overseas Food Products; Bioscience Products and Fine Chemicals; and Pharmaceuticals.

2. Methods of calculating amounts for net sales, income or loss, assets and other items by reporting segment

The accounting treatment methods for each reported business segment are broadly similar to those outlined in "Significant items for the preparation of consolidated financial statements". Reporting segment income figures are on an operating income basis.

Internal sales between segments are mainly based on prices for third-party transactions.

(Changes in recognition method of sole agent sales)

Formerly, for the coffee and edible oils businesses and some other businesses, the gross figures for sales and cost of sales were recorded in the accounts but from the year ended March 31, 2014 this method changed by netting off sales and cost of goods sales and recording the net figure in the accounts.

As a result of this change, sales in the Business Tie-Ups segment have declined and become insignificant.

Accordingly, from the year ended March 31, 2014, Business Tie-Ups has been included in the Other segment and classification into five segments: Domestic Food Products; Overseas Food Products; Bioscience Products and Fine Chemicals; Pharmaceuticals; Business Tie-Ups; and Other, has been replaced by classification into four segments: Domestic Food Products; Overseas Food Products; Bioscience Products and Fine Chemicals; and Pharmaceuticals.

Amounts for the previous year ended March 31, 2013 have been restated in accordance with the classifications following this change.

For details on both the figures and the adjustment amount in accordance with the classifications following this change, please refer to page 34, "3. Information on sales, income or loss, assets and other items by reporting segment".

3. Information on sales, income or loss, assets and other items by reporting segment

Excel File Download

Year ended March 31, 2014

	March 31, 2014 (Millions of yen)						
	Reporting segments						
	Domestic Food Products	Overseas Food Products	Bioscience Products and Fine Chemicals	Pharmaceuticals	Other Business*1	Adjustment amount*2	Consolidated
Sales							
(1) Sales to third parties	¥337,533	¥293,237	¥228,528	¥51,228	¥ 80,804	–	¥ 991,332
(2) Intra-group sales and transfers	1,888	6,190	5,610	78	44,631	¥(58,399)	–
Total sales	339,422	299,428	234,138	51,307	125,435	(58,399)	991,332
Segment income	27,429	25,231	6,530	3,842	(485)	–	62,548
Segment assets	195,721	300,352	283,447	53,817	133,399	124,911	1,091,650
Other							
Depreciation and amortization	9,575	13,241	13,298	2,133	2,061	5,436	45,746
Increase in tangible and intangible fixed assets	8,517	14,975	16,498	1,299	2,562	6,793	50,647

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars						
	Reporting segments						
	Domestic Food Products	Overseas Food Products	Bioscience Products and Fine Chemicals	Pharmaceuticals	Other Business*1	Adjustment amount*2	Consolidated
Sales							
(1) Sales to third parties	$3,279,576	$2,849,179	$2,220,448	$497,753	$ 785,116	–	$ 9,632,072
(2) Intra-group sales and transfers	18,353	60,151	54,510	765	433,648	$ (567,428)	–
Total sales	3,297,929	2,909,330	2,274,958	498,518	1,218,764	(567,428)	9,632,072
Segment income	340,405	337,150	129,151	51,413	24,094	(274,477)	607,736
Segment assets	1,901,687	2,918,309	2,754,052	522,907	1,296,152	1,213,676	10,606,783
Other							
Depreciation and amortization	93,040	128,654	129,212	20,734	20,028	52,822	444,490
Increase in tangible and intangible fixed assets	82,762	145,507	160,300	12,631	24,894	66,011	492,104

Notes
1. Other business includes the business tie-ups, the wellness business, the packaging business, the logistics business and other service businesses.
2. The adjustment amounts are as follows:
   (1) Adjustments of ¥124,911 million ($1,213,670 thousand) for segment assets mainly include 'Corporate' assets of ¥214,231 million ($2,081,529 thousand) and intersegment offsetting of receivables against payables of negative ¥88,919 million ($863,962 thousand). 'Corporate' assets primarily consist of accumulated working capital, long-term investments, land not used in operations, and certain assets associated with the Company's administrative divisions and research facilities.
   (2) Adjustments of ¥5,436 million ($52,817 thousand) for depreciation related to 'Corporate' assets.
   (3) Adjustments of ¥6,749 million ($65,575 thousand) for increases in tangible fixed assets and intangible fixed assets are the acquisition cost of tangible and intangible fixed assets related to 'Corporate' assets.

Year ended March 31, 2013

	Millions of yen						
	Reporting segments						
	Domestic Food Products	Overseas Food Products	Bioscience Products and Fine Chemicals	Pharmaceuticals	Other Business*1	Adjustment amount*2	Consolidated
Sales							
(1) Sales to third parties	¥391,554	¥245,397	¥204,206	¥71,450	¥ 72,358	–	¥ 984,967
(2) Intra-group sales and transfers	5,556	6,621	6,614	90	52,992	¥(71,874)	–
Total sales	397,110	252,019	210,820	71,540	125,350	(71,874)	984,967
Segment income	32,641	20,703	14,368	3,194	324	–	71,232
Segment assets	191,008	294,304	245,908	64,808	129,132	166,578	1,091,741
Other							
Depreciation and amortization	10,272	9,832	11,344	3,321	1,921	5,771	42,463
Increase in tangible and intangible fixed assets	11,718	23,451	16,306	3,469	1,849	4,809	61,605

Notes
1. Other business includes the business tie-ups, the wellness business, the packaging business, the logistics business and other service businesses.
2. The adjustment amounts are as follows:
   (1) Adjustments of ¥166,578 million for segment assets mainly include 'Corporate' assets of ¥250,136 million and intersegment offsetting of receivables against payables of negative ¥84,070 million. 'Corporate' assets primarily consist of accumulated working capital, long-term investments, land not used in operations, and certain assets associated with the Company's administrative divisions and research facilities.
   (2) Adjustments of ¥5,771 million for depreciation related to 'Corporate' assets.
   (3) Adjustments of ¥4,809 million for increases in tangible fixed assets and intangible fixed assets are the acquisition cost of tangible and intangible fixed assets related to 'Corporate' assets.
3. The impact of the adoption of changes in recognition method for recording gross figures for sole agent transactions, and the impact of the change in reporting segments, have been reflected in the figures.

b. Related information

Information by geographical area

As of and for the year ended March 31, 2014

Excel File Download

(1) Sales

	Millions of yen				
	Japan	Asia	America	Europe	Total
Sales	¥488,580	¥247,447	¥145,932	¥109,371	¥991,332
Percentage of total consolidated sales	49.3%	25.0%	14.7%	11.0%	100.0%

	Thousands of U.S. dollars				
	Japan	Asia	America	Europe	Total
Sales	$4,747,185	$2,404,267	$1,417,914	$1,062,675	$9,632,072
Percentage of total consolidated sales	49.3%	25.0%	14.7%	11.0%	100.0%

Note: Sales are based on the location of customers, and are classified by country or region.

(2) Tangible fixed assets

	Millions of yen				
	Japan	Asia	America	Europe	Total
Tangible fixed assets	¥143,515	¥96,253	¥57,414	¥62,186	¥359,370

	Thousands of U.S. dollars				
	Japan	Asia	America	Europe	Total
Tangible fixed assets	$1,394,434	$935,231	$557,859	$604,225	$3,491,749

As of and for the year ended March 31, 2013

(1) Sales

	Millions of yen				
	Japan	Asia	America	Europe	Total
Sales	¥557,111	¥210,192	¥123,256	¥94,407	¥984,967
Percentage of total consolidated sales	56.6%	21.3%	12.5%	9.6%	100.0%

Note: 1. Sales are based on the location of customers, and are classified by country or region.
Note: 2. The impact of the adoption of changes to the method for recording gross figures for sole agent transactions has been reflected in the figures for the previous year.

(2) Tangible fixed assets

	Millions of yen				
	Japan	Asia	America	Europe	Total
Tangible fixed assets	¥151,552	¥96,098	¥52,766	¥50,807	¥351,224

c. Impairment losses on fixed assets by reporting segment

As of and for the year ended March 31, 2014

(Millions of yen)

	Reporting segments						
	Domestic Food Products	Overseas Food Products	Bioscience Products and Fine Chemicals	Pharmaceuticals	Other Business	Adjustment amount	Total
Impairment losses	¥42	¥5	¥409	¥166	–	–	¥624

(Thousands of U.S. dollars)

	Reporting segments						
	Domestic Food Products	Overseas Food Products	Bioscience Products and Fine Chemicals	Pharmaceuticals	Other Business	Adjustment amount	Total
Impairment losses	$415	$56	$3,977	$1,618	–	–	$6,067

As of and for the year ended March 31, 2013

(Millions of yen)

	Reporting segments						
	Domestic Food Products	Overseas Food Products	Bioscience Products and Fine Chemicals	Pharmaceuticals	Other Business	Adjustment amount	Total
Impairment losses	¥164	¥1	¥6,440	¥7,955	–	–	¥14,562

d. Amortization of goodwill and outstanding balance by reporting segment

As of and for the year ended March 31, 2014

(Millions of yen)

	Reporting segments						
	Domestic Food Products	Overseas Food Products	Bioscience Products and Fine Chemicals	Pharmaceuticals	Other Business	Adjustment amount	Total
Amortization	¥ 381	¥ 148	¥ 1,058	–	–	–	¥ 1,589
Outstanding balance	2,462	1,748	15,116	–	–	–	19,327

(Thousands of U.S. dollars)

	Reporting segments						
	Domestic Food Products	Overseas Food Products	Bioscience Products and Fine Chemicals	Pharmaceuticals	Other Business	Adjustment amount	Total
Amortization	$ 3,711	$ 1,446	$ 10,289	–	–	–	$ 15,446
Outstanding balance	23,931	16,990	146,874	–	–	–	187,794

As of and for the year ended March 31, 2013

(Millions of yen)

	Reporting segments						
	Domestic Food Products	Overseas Food Products	Bioscience Products and Fine Chemicals	Pharmaceuticals	Other Business	Adjustment amount	Total
Amortization	¥ 983	¥ 148	¥35	¥1,097	–	–	¥2,265
Outstanding balance	2,844	1,897	37	–	–	–	4,779

e. Gains on negative goodwill by reporting segment

Year ended March 31, 2014

No applicable items.

Year ended March 31, 2013

No applicable items.

26. Subsequent Event

The Company announced the resolution made at a board of directors meeting held today to retire repurchased shares pursuant to Article 178 of the Corporation Law, as outlined below, May 27, 2014. The resolution was executed on June 6, 2014.

1. Class of shares to be retired: Common stock
2. Number of shares to be retired: 19,645,000 shares
3. Retirement date: June 6, 2014

Following this retirement of shares, total shares issued are 594,470,654.

Building a better working world

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Independent Auditor's Report

The Board of Directors and Shareholders
Ajinomoto Co., Inc.

We have audited the accompanying consolidated financial statements of Ajinomoto Co., Inc. (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As described in Note 2, the Company applied the Accounting Standard for Retirement Benefits (Statement No. 26 of the Accounting Standards Board of Japan, dated May 17, 2012) and the Implementation Guidance on the Accounting Standard for Retirement Benefits (Implementation Guidance No. 25 of the Accounting Standards Board of Japan, dated May 17, 2012) from the year ended March 31, 2014.
2. As described in Note 2, in its recording of general agency transactions the Company changed its method of recording sales from a gross basis to a net basis, from the year ended March 31, 2014.
3. As described in Note 25, the Company changed the classification of reporting segments from the year ended March 31, 2014.

Our opinion is not qualified in respect of these matters.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 27, 2014

A member firm of Ernst & Young Global Limited

Major Subsidiaries and Affiliates

(As of March 31, 2014)

■ Consolidated subsidiary
■ Affiliated company accounted for by the equity method

Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*	Major Business
Japan					
■ Ajinomoto Frozen Foods Co., Inc.	Japan	JPY	9,537,650	100.0	Frozen Foods
■ AJINOMOTO LOGISTICS CORPORATION	Japan	JPY	1,930,240	89.4 (0.9)	Logistics
■ Ajinomoto Pharmaceuticals Co., Ltd.	Japan	JPY	4,650,000	100.0	Pharmaceuticals
■ Ajinomoto Treasury Management, Inc.	Japan	JPY	500,000	100.0	Service, etc.
■ GABAN Co., Ltd.	Japan	JPY	2,827,868	55.4	Domestic Seasonings and Processed Foods
■ Knorr Foods Co., Ltd.	Japan	JPY	4,000,000	100.0	Domestic Seasonings and Processed Foods
■ Ajinomoto Animal Nutrition Group, Inc.	Japan	JPY	500,000	100.0	Feed-Use Amino Acids
■ Ajinomoto General Foods, Inc.	Japan	JPY	3,862,697	50.0	Beverages
■ J-OIL MILLS, INC.	Japan	JPY	10,000,000	27.3	Edible Oils
Asia					
■ Ajinomoto (China) Co., Ltd.	China	USD	104,108	100.0	Consumer Foods
■ HENAN AJINOMOTO AMINO ACID CO., LTD.	China	USD	6,000	100.0 (100.0)	Amino Acids
■ Lianyungang Ajinomoto Frozen Foods Co., Ltd.	China	USD	5,800	100.0 (100.0)	Frozen Foods
■ Lianyungang Ajinomoto Ruyi Foods Co., Ltd.	China	USD	5,500	90.0 (90.0)	Frozen Foods
■ Shanghai Ajinomoto Amino Acid Co., Ltd.	China	USD	12,000	61.0 (59.0)	Amino Acids
■ Shanghai Ajinomoto Seasoning Co., Ltd.	China	USD	27,827	100.0 (99.0)	Consumer Foods
■ Xiamen Ajinomoto Life Ideal Foods Co., Ltd.	China	USD	7,000	51.0 (51.0)	Frozen Foods
■ Amoy Food Ltd.	Hong Kong	HKD	70,000	100.0 (30.0)	Consumer Foods
■ PT Ajinex International	Indonesia	USD	44,000	95.0	Umami Seasonings for Processed Food Mfrs.
■ PT Ajinomoto Indonesia**	Indonesia	USD	8,000	50.0	Consumer Foods
■ Ajinomoto (Malaysia) Berhad	Malaysia	MYR	60,798	50.1	Consumer Foods
■ AJINOMOTO PHILIPPINES CORPORATION	Philippines	PHP	665,444	95.0	Consumer Foods
■ Ace Pack Co., (Thailand) Ltd.	Thailand	THB	277,500	100.0 (94.6)	Packaging
■ Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd.	Thailand	THB	764,000	50.0 (50.0)	Frozen Foods
■ Ajinomoto Betagro Specialty Foods (Thailand) Co., Ltd.	Thailand	THB	390,000	51.0 (51.0)	Frozen Foods
■ Ajinomoto Co., (Thailand) Ltd.	Thailand	THB	796,362	78.7 (4.5)	Consumer Foods
■ Ajinomoto Frozen Foods (Thailand) Co., Ltd.	Thailand	THB	105,000	100.0 (100.0)	Frozen Foods
■ Fuji Ace Co., Ltd.	Thailand	THB	500,000	51.0 (51.0)	Packaging
■ Ajinomoto Vietnam Co., Ltd.	Vietnam	USD	50,255	100.0	Consumer Foods

Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*	Major Business
The Americas					
■ Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda.	Brazil	BRL	913,298	100.0	Feed-Use Amino Acids Umami Seasonings for Processed Food Mfrs.
■ Ajinomoto del Perú S.A.	Peru	PEN	45,282	99.6	Consumer Foods
■ Ajinomoto Frozen Foods U.S.A., Inc.	United States	USD	15,030	100.0 (100.0)	Frozen Foods
■ Ajinomoto Heartland., Inc.	United States	USD	750	100.0 (100.0)	Feed-Use Amino Acids
■ Ajinomoto Althea, Inc.	United States	USD	0	100.0	Amino Acids
■ AJINOMOTO NORTH AMERICA, INC.***	United States	USD	—	100 (15.0)	Amino Acids Umami Seasonings for Processed Food Mfrs. Frozen Foods
■ Nissin-Ajinomoto Alimentos Ltda.	Brazil	BRL	12,688	50.0	Consumer foods
Europe					
■ S.A. Ajinomoto OmniChem N.V.	Belgium	EUR	21,320	100.0 (0.0)	Amino Acids
■ Ajinomoto Sweeteners Europe S.A.S.	France	EUR	51,000	100.0 (0.0)	Amino Acids
■ AJINOMOTO FOODS EUROPE S.A.S.	France	EUR	42,609	100.0 (0.0)	Umami Seasonings for Processed Food Mfrs.
■ AJINOMOTO EUROLYSINE S.A.S.	France	EUR	26,865	100.0 (100.0)	Feed-Use Amino Acids
■ Ajinomoto Poland Sp. z o.o.	Poland	PLN	39,510	100.0 (100.0)	Consumer Foods
■ ZAO "AJINOMOTO-GENETIKA Research Institute"	Russia	RBL	468,151	100.0	Service, etc.
■ West African Seasoning Co., Ltd.	Nigeria	NGN	2,623,714	100.0	Consumer Foods

Notes: * Numbers in parentheses indicate indirect equity ownership.
** This company is classified as a subsidiary because it is under the substantial control of Ajinomoto Co., Inc.
*** Capital stock is not presented because all of the company's capital stock has been transferred to capital surplus.

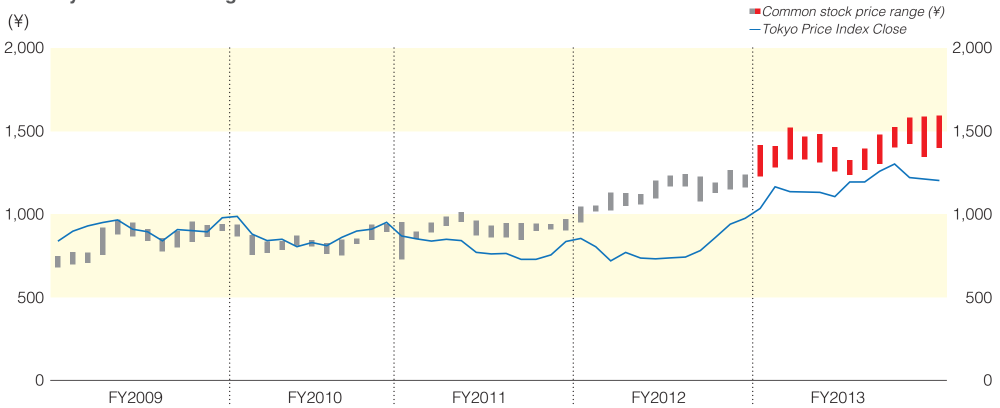
Investor Information

(As of March 31, 2014)

Ajinomoto Co., Inc.

Established:	May 20, 1909
Number of employees:	27,579 (consolidated basis) 3,398 (non-consolidated basis)
Fiscal year:	April 1 - March 31 Annual shareholders' meeting held in June
Common stock	
Authorized:	1,000,000,000 shares
Issued:	614,115,654 shares
Paid-in capital:	¥79,863 million
Listings:	Tokyo Stock Exchange (Ticker Code: 2802)
Shareholder registrar:	Mitsubishi UFJ Trust and Banking Corporation
Independent auditor:	Ernst & Young ShinNihon
Number of shareholders:	58,055
Head office:	15-1, Kyobashi 1-chome, Chuo-ku, Tokyo 104-8315, Japan Tel: +81 (3) 5250-8111 http://www.ajinomoto.com/en/
Investor relations:	Securities analysts and investment professionals should direct inquiries to: Investor relations E-mail: investor_relations@ajinomoto.com Tel: +81 (3) 5250-8291 Fax: +81 (3) 5250-8378

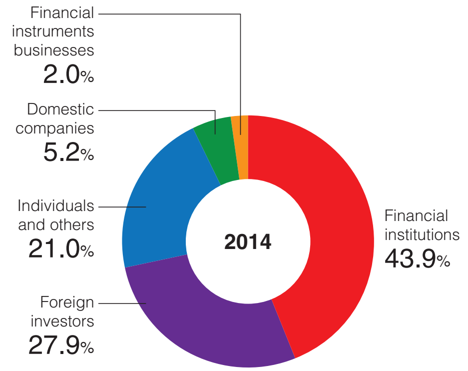
Monthly Stock Price Range



Note: Fiscal years beginning April and ending March the following calendar year.

Distribution of Shareholders

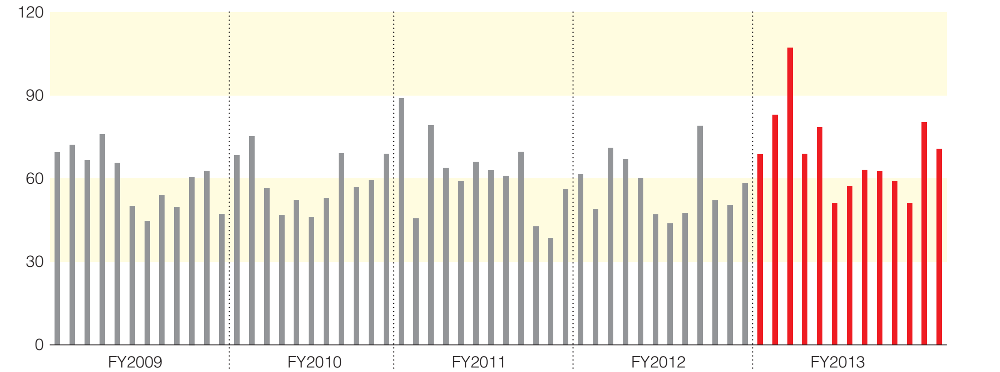
(By number of shares)



Major Shareholders

Name of shareholders	Number of Shares (Thousands)	Equity Position (%)
The Master Trust Bank of Japan, Ltd. (trust account)	47,181	7.68
Japan Trustee Services Bank, Ltd. (trust account)	27,799	4.53
The Dai-ichi Life Insurance Company, Limited	26,199	4.27
NIPPON LIFE INSURANCE COMPANY	25,706	4.19
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,149	3.28
Meiji Yasuda Life Insurance Company	12,624	2.06
Mitsubishi UFJ Trust and Banking Corporation	11,548	1.88
GIC PRIVATE LIMITED	10,646	1.73
Mizuho Corporate Bank, Ltd.	10,045	1.64
State Street Bank West Client-Treaty	8,331	1.36

Monthly Trading Volume



Note: Fiscal years beginning April and ending March the following calendar year.

Related links

- The Ajinomoto Group Home: www.ajinomoto.com/en/
- Investor Relations: www.ajinomoto.com/en/ir/
  - *Management Strategy*
  - *Financial Data*
  - *IR Library*
    (Annual Reports, Investors' Guides, Fact Sheets, Press Releases, etc.)
  - *Stock Information*
- Corporate Brochure: www.ajinomoto.com/en/aboutus/
- Sustainability Report: www.ajinomoto.com/en/activity/csr/report/

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AJINOMOTO®

FORWARD-LOOKING STATEMENTS

Note: In this document the Ajinomoto Group is referred to as "the Group", and Ajinomoto Co., Inc. is referred to as "Ajinomoto Co." or "the Company". *AJI-NO-MOTO*® is the trademark of the Ajinomoto Group's umami seasoning products.

Geographical area segments are categorized on the basis of geographic proximity and indicated in inverted commas. Main countries and regions in segments other than "Japan" – "Asia": Countries of East and Southeast Asia; "Americas": Countries of North and South America; "Europe": Countries of Europe and Africa