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Ajinomoto Announces a Share Exchange to Make Calpis Co., Ltd. a Wholly Owned Subsidiary

June 11, 2007 – Tokyo – Ajinomoto Co., Inc. (“Ajinomoto,” and together with its subsidiaries and affiliates “the Ajinomoto Group”) and Calpis Co., Ltd. (“Calpis”) announced today that their respective boards of directors have resolved to make Calpis a wholly owned subsidiary of Ajinomoto on October 1, 2007 through an exchange of shares (“the share exchange”), and have signed a share exchange agreement.

1. Background and objectives of the share exchange to make Calpis a wholly owned subsidiary

Both companies operate in the food products industry, in which the operating environment has changed significantly over the past several years. In Japan, consumers have become increasingly health conscious and their preferences have diversified with the falling birth rate and aging population. The food products market has matured, which has made providing products with high added value increasingly important from the perspective of consumers. Outside Japan, food companies have been undergoing a global reorganization, and large food companies are employing their strengths to develop their businesses in Japan, Asia and China. Dealing with such changes requires companies to exercise their capabilities more fully than ever before.

In this environment, under a policy of contributing to food, health and a better life for all, Ajinomoto has been developing its businesses in Japan and overseas markets. Moreover, as a global leader in manufacturing and marketing amino acids, Ajinomoto has expanded its operations to include the amino acids and pharmaceuticals businesses, and businesses that employ the functionality of these product areas, such as medical foods and health and functional foods. In the beverages business, the Ajinomoto Group has been developing business in a previously formed alliance with Calpis. With growth in the market for beverages that offer health value and the potential for expansion in the beverage business in Asia and elsewhere, Ajinomoto decided that making Calpis a wholly owned subsidiary and unifying management would allow it to deploy management resources more efficiently and enhance the Ajinomoto Group’s ability to provide consumers with high-value-added products. The Ajinomoto Group’s medium- to long-term management plan, *A-dvance 10*, has the goal of transforming the health and nutrition business into a pillar of growth. The *Calpis* brand, which is associated with an image of health, and Calpis’s technology for utilizing lactobacillus and microorganisms will contribute to expansion of the Ajinomoto Group’s health and nutrition business.

Calpis has steadily expanded its operations and the *Calpis* brand has a healthy image that is widely recognized among consumers. Its *Calpis* product is the first lactic acid beverage in Japan and the cornerstone of its business development. In recent years, Calpis has deployed its lactobacillus and microorganism technologies as the basis for developing high-value-added functional health beverages and foods. It quickly entered the market for Foods for Specified Health Use, and its technology for using microorganisms received strongly positive recognition in Europe and North America. In its three-year management plan covering 2005 through 2007, Calpis set the goal of becoming a value-added company through global development of milk-based beverages and functional health food and beverages with the objective of increasing corporate value. During this period, Calpis decided that strengthening its capital relationship with Ajinomoto would enable Calpis to make even greater use of Ajinomoto’s business base, which would help Calpis generate additional growth.

Ajinomoto and Calpis have maintained an advantageous business alliance since Ajinomoto became the largest Calpis shareholder in 1990. The companies have integrated their beverage businesses, and Ajinomoto is the sole agent of Calpis’s products in Japan. In addition, the companies have formed joint ventures in the beverage sector in Thailand and Indonesia, and in 2006 started a new project called

“Lactobacillus X Amino Acid” centered on the theme of health.

With this background of a long and trusting relationship between the two companies, the share exchange will allow them to have a common long-term vision and strategy and accelerate management decisions in responding to the rapid changes in the market environment of recent years. It will also enable them to effectively deploy management resources in strategic areas. In addition, both companies employ technologies that use microorganisms, including amino acid and lactobacillus technologies, and share and use other management resources to expand and accelerate their efforts to provide products and services with health value. Moreover, by developing broadly based overseas operations, the two companies aim to be a corporate group that contributes to advances in food and health for customers.

The two companies expect the following synergies from making Calpis a wholly owned subsidiary:

1) Cooperation in the health and functional foods business

The two companies will work to develop new health food and health beverage products using Calpis’s technologies for utilizing lactobacillus and microorganisms, Ajinomoto’s amino acid technologies and other health materials. They will also work to strengthen Calpis’s health beverage business.

2) Cooperation in overseas businesses

Using Ajinomoto’s business base and focusing on regions in Asia, the two companies will work toward the quick expansion of Calpis’s overseas beverage business, health beverage business, and businesses that utilize microorganism technologies.

3) Research and development

The two companies aim to establish new technologies and materials by combining Ajinomoto’s strengths in amino acid technologies and technologies for identifying and evaluating health materials with Calpis’s strengths in lactobacillus fermentation technology and substance research.

4) Use of the *Calpis* brand

The *Calpis* brand has an image associated with health and a strong franchise in demographics such as infants, children and young people, which the two companies will use to develop brand extensions not only in the beverage business but also in the food sectors.

5) Strengthening existing Calpis businesses

The two companies will work to strengthen Calpis’s existing businesses by adding Ajinomoto’s management resources to those of Calpis.

6) Reduction of common expenses through integration

The two companies will review expenses including selling expenses, logistics costs, procurement costs, and administrative expenses to establish an optimal cost structure.

In working to quickly capture the benefits of these synergies, Ajinomoto and Calpis will establish a Synergy Committee composed of directors and several executives from each company. It will study specific, concrete issues involved in creating systems to rapidly and effectively capture synergies.

The share exchange will make Calpis a wholly owned subsidiary of Ajinomoto. However, Calpis will remain an independent company that is positioned at the center of the Ajinomoto Group’s domestic and overseas beverage operations, and its current management team and systems will remain in place for the time being.

Moreover, Ajinomoto will provide as much support as possible while respecting the history, traditions, brand value and employee pride that Calpis has built with the aim of furthering Calpis’s development.

As a result of the share exchange, Calpis will become a wholly owned Ajinomoto subsidiary as of the effective date of October 1, 2007. Prior to the share exchange, Calpis will delist its shares on September 25, 2007 in accordance with the regulations of the stock exchange.

2. Share Exchange Summary

(1) Share Exchange Schedule

Board of Directors resolution on share exchange (both companies)	June 11, 2007 (Monday)
Signing of share exchange agreement	June 11, 2007 (Monday)
Record date for the general shareholders meeting (Calpis)	June 30, 2007 (Saturday)
Extraordinary shareholders meeting to approve share exchange (Calpis)	August 29, 2007 (Wednesday) (Expected)
Final day for trading (Calpis)	September 21, 2007 (Friday) (Expected)
Share delisting (Calpis)	September 25, 2007 (Tuesday) (Expected)
Effective date of share exchange	October 1, 2007 (Monday) (Expected)
Share delivery date	Late November, 2007 (Expected)

Note: Ajinomoto plans to conduct the share exchange without obtaining the approval of the general meeting of shareholders using a simple exchange of shares based on Article 796, Paragraph 3 of Corporation Law of Japan.

(2) Share exchange ratio

Company	Ajinomoto Co., Inc. (Parent company of the share exchange)	Calpis Co., Ltd. (Wholly owned subsidiary of the share exchange)
Share exchange ratio	1	0.95

Notes

1. Share allotment ratio

One share of Calpis common stock will be exchanged for 0.95 shares of Ajinomoto common stock. However, no shares will be allotted in this exchange for the 19,672,750 shares of Calpis common stock that Ajinomoto currently owns.

2. Share delivery pursuant to the exchange and other issues

Ajinomoto will deliver to shareholders of record of Calpis common stock as of the close of trading on the day immediately prior to the effective date of the share exchange, excluding Ajinomoto, 0.95 shares of Ajinomoto common stock for each and all shares of Calpis common stock owned. Calpis plans to extinguish all shares of treasury stock it holds on September 30, 2007.

Ajinomoto will use treasury stock to deliver the shares in an amount not to exceed 1,500,000 shares in executing the share exchange. Ajinomoto will issue new common shares to deliver shares in excess of these 1,500,000 shares in executing the share exchange.

As per Article 234 of the Corporation Law of Japan, Calpis shareholders will receive cash payment in lieu of fractional shares of Ajinomoto common stock they would be allotted as a result of the share exchange.

3. Dividends

Calpis plans to submit a proposal to pay a cash dividend of ¥3.5 per share (the amount equivalent to half of the planned year-end dividend for the fiscal year ending December 2007 as stated in Calpis's financial report for the year ended December 31, 2006) to all shareholders or beneficial shareholders listed or recorded in the final list of shareholders on the day immediately prior to the effective date of the share exchange (September 30, 2007) at the extraordinary meeting of shareholders (meeting to approve share exchange) scheduled to be held on August 29, 2007, subject to the approval of the share exchange agreement related to this share exchange. Calpis plans to pay an interim dividend of ¥7.0 per share (planned) to all shareholders or beneficial shareholders listed or recorded in its list of shareholders as of June 30, 2007.

(3) Basis for Calculation of Share Exchange Ratio and Other Issues

1) Basis and Background for Calculation

Ajinomoto and Calpis (the “Companies”) separately sought the advice of third-party professionals to calculate the share exchange ratios as part of the process to ensure the fairness of the share exchange ratio in this transaction. Ajinomoto requested the advice of JPMorgan Securities Japan Co., Ltd. (“JPMorgan”) and Calpis requested the advice of Deutsche Securities Inc. (“Deutsche Securities”).

The calculation results (see note below) that Ajinomoto received from JPMorgan are based on the results of a valuation of the Companies performed by JPMorgan using an average market price analysis and a discounted cash flow (DCF) analysis. For the purpose of reference, JPMorgan also considered valuations obtained using comparisons with similar companies. The periods used for calculating the average market price were the six-month, three-month and one-month periods that ended on the reference date of June 6, 2007. The share value of each of the Companies was analyzed using a calculation of the simple average of closing prices during these periods. The DCF analysis was based upon the projections of future earnings the Companies had presented to JPMorgan. These projections showed no substantial future increase or decrease in the earnings of the Companies. In valuing the Companies using the DCF method, JPMorgan made adjustments to take into account the value of certain properties of Calpis. As a result of the share value analyses of the Companies, JPMorgan assessed the allotment of shares to be 0.71–0.77 Calpis shares for one (1) Ajinomoto share based upon the average market price method, and 0.77–1.13 Calpis shares for one (1) Ajinomoto share based upon the DCF method, and submitted these results to Ajinomoto.

The calculation results (see note below) that Calpis received from Deutsche Securities are based on the results of a valuation of the Companies using an average market price analysis and a DCF analysis. For reference, Deutsche Securities also considered valuations obtained using comparisons with similar companies, and a contribution analysis. For the average market price analysis, the stock price of each Company was analyzed using a calculation of the volume weighted average price during the six-month, three-month and one-month periods that ended on the reference date of June 6, 2007, during the period beginning on May 12, 2007 (the first business day following Ajinomoto’s announcement of its results for the fiscal year ended March 31, 2007) and ending on the reference date, and on the reference date. The DCF analysis was based upon the projections of future earnings that the Companies had presented to Deutsche Securities. These projections showed no substantial future increase or decrease in the earnings of the Companies. In valuing the Companies using the DCF method, Deutsche Securities made adjustments to account for a portion of the assets of each of Calpis and Ajinomoto. As a result of its stock price analyses of the Companies, Deutsche Securities calculated an allotment of 0.71–0.78 Ajinomoto shares for one (1) Calpis share based upon the average market price method and 0.70–0.98 Ajinomoto shares for one (1) Calpis share based upon the DCF method, and submitted these results to Calpis.

Note:

In giving the results of the calculations by JPMorgan and Deutsche Securities (the “Advisors”), the Advisors relied upon and assumed, without assuming responsibility or liability for and without independently verifying the accuracy and completeness of all information that was publicly available or was furnished by the Companies to the Advisors with regard to calculation of their respective share exchange ratios. Moreover, the Advisors assumed that no undisclosed facts exist that could materially affect the calculations of share exchange ratios. The Advisors did not evaluate or assess any assets or liabilities, including contingent liabilities. In addition, other than certain survey reports on significant real estate, survey reports and appraisals were not provided to the Advisors. The Advisors provided advice on the basis of financial analysis, projections and synergy estimates provided by the management of each of the Companies. These analyses and projections are assumed to have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by the management of the Companies as to the expected future results of operations and financial condition of the Companies.

The results of the Advisors’ calculation of share exchange ratios in respect of the share exchange transaction, as set forth above, were prepared based on information made available to the Advisors as of, and economic, market and other conditions as in effect on June 6, 2007. The calculation results are presented for the purpose of providing information to the meetings of the boards of directors of the Companies in order for them to review the share exchange ratios. These calculations do not constitute a recommendation regarding how shareholders who own shares of common stock in Ajinomoto or Calpis should exercise their voting rights in connection with the exchange of shares.

Moreover, Calpis carefully considered various factors, including that the counterparty to the share exchange agreement, Ajinomoto, was already a major shareholder when the agreement was concluded. From the perspective of protecting the interests of Calpis shareholders, the board of

directors of Calpis created an independent evaluation committee composed of an outside auditor and two outside specialists (Kayoko Naito, an attorney, and Koichi Uchiyama, a certified public accountant) to serve as an advisory body with respect to the reasonableness of the share exchange ratio. The committee reviewed the various materials that Calpis provided, including the results of valuation analysis that Deutsche Securities provided to Calpis, and conducted inquiries with the assumption that the information contained in these materials was accurate and complete and that no other facts existed that would exert a material impact on the calculation of the share exchange ratio. As a result, the committee reported to Calpis's board of directors that the share exchange ratio was within a financially reasonable range for Calpis.

The Companies each took into account the share exchange ratio calculations of their respective third-party advisors, and in the case of Calpis, the report of the independent evaluation committee. They also considered factors including financial condition, financial projections and stock market price trends and conducted negotiations and discussions on the basis of careful study. As a result, the Companies decided that the share exchange ratio is appropriate and would be in the best interests of their respective shareholders. A meeting of the board of directors of each of the Companies was convened on June 11, 2007 and resolved to execute the share exchange using the Share Exchange Ratio, and the Companies executed the share exchange agreement on the same day.

Calpis's board of directors received a written opinion ("the written opinion") from Deutsche Securities on June 6, 2007 to the effect that the share exchange ratio was fair from a financial point of view to Calpis.

Note:

Deutsche Securities provided the written opinion under the assumption that the various materials that served as the basis for analysis and inspection were accurate and complete. Deutsche Securities did not conduct its own examination of the various materials, and did not evaluate or appraise the assets or liabilities of the Companies. In addition, other than certain survey reports on significant real estate, survey reports and appraisals were not provided to Deutsche Securities. Moreover, executives of the Companies provided financial projections to Deutsche Securities for use in its analysis, including analyses and estimates of the synergy projected to be achieved as a result of the share exchange. The materials provided are assumed to reflect the most accurate projections and judgments available at the time, and to have been rationally prepared. The written opinion is premised upon financial, market and other data and materials current and available to Deutsche Securities as of June 6, 2007. The written opinion was prepared for the convenience of the board of directors of Calpis, and does not constitute a recommendation for Calpis shareholders to approve the exchange of shares. Deutsche Securities is not in a position to recommend, nor is it recommending, investment or share exchanges involving Calpis or its affiliated companies. The written opinion solely represents an opinion as to whether the share exchange ratio is fair from a financial point of view, and is in no way an evaluation of the merits or demerits of the share exchange. Moreover, the written opinion is in no way an opinion regarding the share price of Ajinomoto or Calpis stock following the announcement or the execution of the share exchange.

However, in the event of material changes in the terms and conditions that formed the basis of the share exchange ratio calculation, the share exchange ratio may be changed based upon discussions between the Companies.

2) Relationship with the calculating institutions

Neither JPM nor Deutsche Securities are related parties of Ajinomoto or Calpis.

(4) Calpis share warrant and Calpis bonds with share warrant

None applicable

(5) Other

In the event of material change in the performance or financial position of Ajinomoto or Calpis, or in the event of other material obstacle or encumbrance to the practical execution of the share exchange stemming from the requirement of authorization or notification (including requirements under laws of foreign countries), or other circumstances, Ajinomoto and Calpis may, pursuant to their mutual

discussion and consent, alter the terms of the share exchange or dissolve the share exchange agreement.

3. Overview of Companies Involved in Share Exchange

(Ajinomoto Co., Inc. as of March 31, 2007 and Calpis Co., Ltd. as of December 31, 2006)

(1)	Company name	Ajinomoto Co., Inc.		Calpis Co., Ltd.		
(2)	Principal businesses	Manufacturing and sale of seasonings, processed foods, frozen foods, edible oils, coffee, beverages, chilled dairy products, amino acids, sweeteners, specialty chemicals, pharmaceuticals, medical foods, etc., and other business activities		Manufacturing and sale of beverages, functional health foods and drinks, dairy products, alcoholic beverages, feed additives, etc., and other business activities		
(3)	Date of establishment	December 17, 1925		October 13, 1917		
(4)	Head office	15-1, Kyobashi 1-chome, Chuo-ku, Tokyo		4-1 Ebisu-Minami 2-chome, Shibuya-ku, Tokyo		
(5)	Name and title of representative	Norio Yamaguchi President and CEO		Souhei Ishiwata President		
(6)	Capital	79,863 million yen		13,056 million yen		
(7)	Shares outstanding	649,981,740		78,750,000		
(8)	Net assets	607,584 million yen (consolidated)		56,575 million yen (consolidated)		
(9)	Total assets	1,061,688 million (consolidated)		97,525 million (consolidated)		
(10)	Fiscal year end	March 31		December 31		
(11)	Number of employees	24,733 (consolidated)		1,330 (consolidated)		
(12)	Major customers	Kokubu & Co., Ltd. Ryoshoku Ltd. Itochu-Shokuhin Co., Ltd.		Ajinomoto Co., Inc. Kokubu & Co., Ltd. Toyo Seikan Kaisha, Ltd.		
(13)	Major shareholders and percentage of shares owned	The Master Trust Bank of Japan, Ltd. (trust account)	7.52%	Ajinomoto Co., Inc.	24.98%	
		Japan Trustee Services Bank, Ltd. (trust account)	4.83%	Kokubu & Co., Ltd.	4.34%	
		The Dai-Ichi Mutual Life Insurance Company	3.93%	Mishima Kaiun Memorial Foundation	4.11%	
		Nippon Life Insurance Company	3.50%	Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	3.79%	
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.09%	Shimizu Corporation	2.94%	
(14)	Main banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corp. The Norinchukin Bank		Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Mitsubishi UFJ Trust and Banking Corp. Yamanashi Chuo Bank		

(15)	Relationships, etc. between the companies involved	Equity relationship	Ajinomoto Co., Inc. owns 24.98% of the total outstanding shares of Calpis Co., Ltd.				
		Personal relationships	Three of the ten directors of Calpis Co., Ltd. are former directors or employees of Ajinomoto Co., Inc.				
		Business relationship	The two companies have a contractual agreement that names Ajinomoto Co., Inc. the sole agent in Japan of all Calpis products except alcoholic beverages.				
		Other conditions relevant to the companies involved	Calpis Co., Ltd. is an equity affiliate of Ajinomoto Co., Inc.				
(16)	Consolidated Results for the Last 3 Fiscal Years (Million yen)						
	Ajinomoto Co., Inc. (Parent company)			Calpis Co., Ltd. (Wholly owned subsidiary)			
Fiscal year ended	March 31, 2005	March 31, 2006	March 31, 2007	December 31, 2004	December 31, 2005	December 31, 2006	

Net sales	1,073,010	1,106,807	1,158,510	122,526	122,775	120,445
Operating income	70,916	60,322	63,800	5,032	5,237	5,361
Ordinary income	72,199	61,448	61,589	5,057	5,372	5,426
Net income	44,817	34,912	30,229	2,904	3,148	4,726
Net income per share (yen)	68.79	53.63	46.70	38.48	41.72	63.91
Cash dividends per share (yen)	13.00	14.00	15.00	10.00	12.00	17.00
Net assets per share (yen)	720.64	815.84	870.02	674.10	725.57	765.09

4. Post-Share Exchange Status

- (1) Company name Ajinomoto Co., Inc.
- (2) Principal businesses Manufacturing and sale of seasonings, processed foods, frozen foods, edible oils, coffee, beverages, chilled dairy products, amino acids, sweeteners, specialty chemicals, pharmaceuticals, medical foods, etc., and other business activities
- (3) Head office address 15-1, Kyobashi 1-chome, Chuo-ku, Tokyo
- (4) Name and title of representative Norio Yamaguchi
President and CEO
- (5) Capital 79,863 million yen
- (6) Total assets To be determined
(consolidated)
- (7) Net assets (consolidated) To be determined
- (8) Fiscal year end March 31
Calpis plans to amend its corporate charter to change its fiscal year end from December 31 to March 31 to align it with that of Ajinomoto within a reasonable period of time after the share exchange.
- (9) Summary of accounting procedures
This transaction is classified as an acquisition (application of the purchase method) for business combination accounting purposes.
Goodwill will arise from the share exchange, but the amount and amortization period are unknown at the present time. Ajinomoto plans to amortize the goodwill that arises on a straight-line basis over its estimated life.
- (10) Expected effect on results due to the share exchange
Ajinomoto will release details of the effect of making Calpis a wholly owned subsidiary and other effects on business performance as soon as it has definite figures.

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