Ajinomoto Group

Appendix: Financial Data 2018

Management's Discussion and Analysis

Ajinomoto Co., Inc. and consolidated subsidiaries for fiscal 2017, the year ended March 31, 2018

Review of Operations

In conjunction with the adoption of the International Financial Reporting Standards (IFRS), the Ajinomoto Group has introduced "business profit" as a new profit level that will better enable investors, the Board of Directors, and the Management Committee to grasp the core business results and future outlook of each business while also facilitating continuous evaluation of the Group's business portfolio by the Board of Directors and the Management Committee. "Business profit" is defined as sales minus the cost of sales, selling expenses, research and development expenses, and general and administrative expenses, to which is then added share of profit of associates and joint ventures. Business profit does not include other operating profit or other operating expenses.

Performance Overview

In fiscal 2017, the Ajinomoto Group's consolidated sales totaled ¥1,150.2 billion, an increase of 5.4%, or ¥59.0 billion, over the previous year's result. The gain was driven by strong sales of seasonings and processed foods (international) on a local currency basis and positive forex impact, which offset a decline in sales of coffee products.

Business profit was largely flat year on year, rising 0.5% to ¥97.3 billion, primarily owing to a sharp rise in the cost of fermentation raw materials and to lower profits on frozen foods (international) and coffee products.

Profit attributable to owners of the parent company totaled ¥60.7 billion, a year-on-year increase of 14.5%, or ¥7.6 billion.

Financial Review

Sales

Sales increased by 5.4%, or ¥59.0 billion, to ¥1,150.2 billion.

By geographical region, sales in Japan stayed at the previous fiscal year level at ¥522.3 billion, a slight increase of 0.5% year on year. Overseas sales increased by 9.8%, or ¥56.2 billion, to ¥627.8 billion, from higher sales of seasonings and processed foods based on local currencies, boosted by favorable foreign exchange rates. Among overseas regions, sales increased by 7.5% to ¥273.9 billion in Asia, by 5.4% to ¥239.1 billion in the Americas, and by 27.6% to ¥114.7 billion in Europe. Accordingly, the overseas sales ratio was 54.6%, compared with 52.4% in the previous fiscal year.

Cost of Sales, Selling Expenses, Research and Development Expenses, General and Administrative Expenses, and Share of Profit of Associates and Joint Ventures

Cost of sales increased by 6.9%, or ¥48.6 billion, year on year, to ¥752.7 billion, due to higher sales and a sharp rise in the cost of fermentation raw materials. Cost of sales ratio to sales worsened by 0.9% to 65.4%.

Selling expenses rose by 2.6%, or ¥4.4 billion, to ¥173.8 billion, due to an increase in distribution expenses.

Research and development expenses were up by 2.6%, or ¥0.6 billion, to ¥27.8 billion.

General and administrative expenses increased by 6.5%, or ¥6.2 billion, to ¥102.4 billion, as a result of an increase in employee benefit expenses.

Share of profit of associates and joint ventures rose by 56.9%, or ¥1.4 billion, to ¥3.9 billion.

Business Profit

Business profit was ¥97.3 billion (up by 0.5%), almost unchanged from the previous fiscal year.

By geographical region, business profit in Japan rose by 4.6% year on year to ¥46.7 billion, while overseas business profit declined by 3.0% to ¥50.6 billion. In Japan, the overall profit increased despite the lower profit from restaurant and industrial-use bakery products, frozen foods, and coffee products. In contrast, overseas profit declined despite the higher profit from animal nutrition products, due to large declines in profits from overseas frozen foods and umami seasonings for processed food manufacturers.

Among overseas regions, business profit decreased by 4.4% to ¥34.9 billion in Asia, and by 10.7% to ¥11.3 billion in the Americas, while business profit in Europe rose by 46.5% to ¥4.3 billion. The overseas business profit ratio was 52.0%, compared with 53.9% in the previous fiscal year.

Other Operating Profit (Expenses)

Other operating profit increased by 2.4%, or ¥0.2 billion, year on year, to ¥9.7 billion. Other operating expenses rose by 4.4%, or ¥0.9 billion, to ¥23.7 billion, due to impairment losses recognized on business structural reforms.

Operating Profit

Operating profit was relatively unchanged year on year, down by 0.4% to ¥83.3 billion.

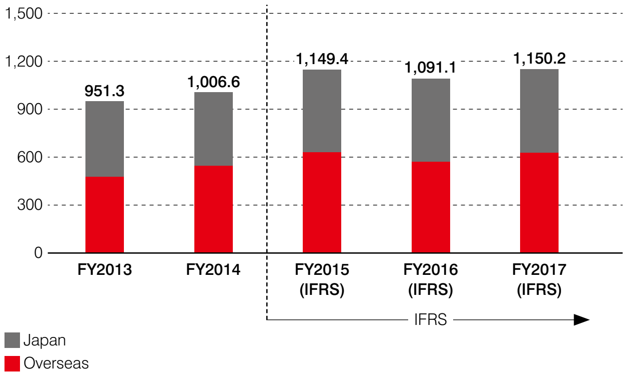
Financial Income (Expenses)

Financial income rose by 31.6%, or ¥2.3 billion, year on year, to ¥9.5 billion. Financial expenses were up by 76.9%, or ¥3.2 billion, year on year, to ¥7.4 billion.

Profit Attributable to Owners of the Parent Company

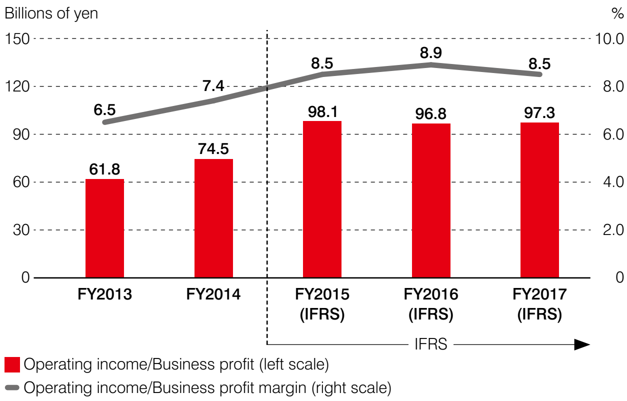
Profit attributable to owners of the parent company totaled ¥60.7 billion, a year-on-year increase of 14.5%, or ¥7.6 billion. Earnings per share for the fiscal year was ¥106.84, up from ¥92.81 for the previous fiscal year.

Domestic and Overseas Sales

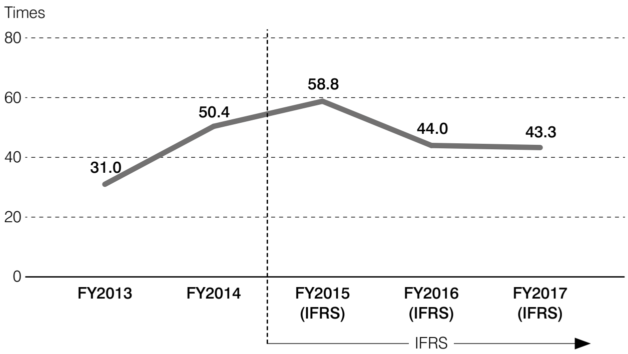


Note: Interarea sales and transfers have been excluded.

Operating Income/Business Profit & Operating Income/Business Profit Margin



Interest Coverage Ratio



Costs, Expenses, and Profit as Percentages of Sales

Years ended March 31	FY2017		FY2016
	Percentage	Change	Percentage
Cost of sales	**65.4%**	**0.9**	64.5%
Gross profit	**34.6**	**(0.9)**	35.5
Selling, R&D, and G&A expenses	**26.4**	**(0.4)**	26.8
Business profit	**8.5**	**(0.4)**	8.9
Profit before income taxes	**7.4**	**(0.5)**	7.9
Profit attributable to owners of the parent company	**5.3**	**0.4**	4.9

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

Segment Information

(Billions of yen)

	FY2017	FY2016	YoY difference	YoY change	FY2015
Sales					
Japan Food Products	**384.1**	390.4	–6.2	–1.6%	397.0
International Food Products	**464.7**	428.9	+35.7	+8.3%	463.9
Life Support	**134.2**	124.0	+10.1	+8.2%	142.4
Healthcare	**104.2**	89.5	+14.7	+16.5%	91.4
Other	**62.7**	58.1	+4.5	+7.9%	54.5
Total	**1,150.2**	1,091.1	+59.0	+5.4%	1,149.4

(Billions of yen)

	FY2017	FY2016	YoY difference	YoY change	FY2015
Business profit					
Japan Food Products	**39.1**	40.8	–1.6	–4.1%	31.7
International Food Products	**41.6**	41.7	–0.1	–0.3%	47.3
Life Support	**9.6**	5.8	+3.7	+64.2%	12.0
Healthcare	**7.9**	8.1	–0.1	–2.2%	7.0
Other	**(1.0)**	0.2	–1.3	—	(0)
Total	**97.3**	96.8	0.4	+0.5%	98.1

Japan Food Products Segment

In the Japan Food Products segment, sales fell 1.6% year on year, or ¥6.2 billion, to ¥384.1 billion, in the fiscal year under review. The decline mainly reflects lower sales of coffee products amid contraction of the home-use coffee market and the consequent intensification of competition, while sales of seasonings and processed foods in Japan were largely the same as in the previous fiscal year despite the sale of consolidated subsidiaries. Segment business profit fell 4.1%, or ¥1.6 billion, to ¥39.1 billion, on declines in profit of frozen foods and coffee products.

Main factors affecting segment sales

- Seasonings and processed foods: Despite an increase in sales primarily in soup in home-use products, overall sales were level with the previous period due to the negative effect of decreased sales in restaurant and industrial-use bakery products and the sale of a subsidiary, etc.
- Frozen foods: Sales in home-use products increased due to the expansion of major products, such as *Gyoza* and *The★Chahan* (fried rice), and contributions from new products. Sales in restaurant and industrial-use products were level with the previous fiscal year due to struggling sales of processed chicken meat products despite increased sales in core categories such as desserts and gyoza. Overall sales increased.
- Coffee products: Decrease in overall sales due to decreased sales for convenience stores and the shrinking of the market and the effects of stiff competition for home-use products and gift products, despite increased sales of stick-type coffee and restaurant and industrial-use coffee.

Market Shares in Main Product Areas (Household Market in Japan) FY2017

Product Area	Brand	Market Size (Billions of yen)	Ajinomoto Group Share (Position)
Umami seasonings	*AJI-NO-MOTO®*, *Hi-Me®*	**5.6**	**90% (1)**
Japanese flavor seasonings	*HONDASHI®*	**37.6**	**58% (1)**
Consommé	*Ajinomoto KK Consomme*	**12.1**	**81% (1)**
Soup	*Knorr®*	**94.0**	**38% (1)**
Mayonnaise	*Pure Select®*	**44.6**	**26% (2)**
Menu seasonings	*Cook Do®*, *Cook Do® Kyo-no Ohzara®*	**77.9**	**30% (1)**

Note: "Market size" is based on consumer purchases.

Main factors affecting segment profits

- Seasonings and processed foods: Even though there was an increase in profit for home-use products in seasonings and processed foods, overall profit decreased due to decreased profit in restaurant and industrial-use bakery products and the effect of increased raw material prices.
- Frozen foods: Decrease in profit due to a weakening yen and the effect of increased raw material prices despite increased sales for frozen foods.
- Coffee products: Reduced overall profit from coffee products due to a substantial decrease in profit from home-use products and profit from restaurant and industrial-use products stopping at the level of the previous fiscal year, despite the effect of the elimination of royalty payments by obtaining the rights to a trademark.

International Food Products Segment

International Food Products segment sales increased by 8.3%, or ¥35.7 billion, to ¥464.7 billion, driven by sales growth in the seasonings and processed foods category and the frozen foods category, with an additional boost provided by favorable forex trends. Segment business profits were largely the same as a year earlier, at ¥41.6 billion, a decrease of 0.3%, mainly owing to large declines in profits on overseas sales of frozen foods and on umami seasonings for processed food manufacturers.

Main factors affecting segment sales

- Seasonings and processed foods: Increase in sales due to the effects of currency translation, the new consolidation of a subsidiary, and strong sales of *AJI-NO-MOTO*® and flavor seasonings, etc.
- Frozen foods: Increase in sales due to the effect of a newly consolidated European subsidiary, the effect of currency translation, and expansion of Asian food products in the United States.
- Umami seasonings for processed food manufacturers and sweeteners: Sales of umami seasonings for processed food manufacturers were level with the previous fiscal year primarily due to the effects of lower prices overseas and trade, despite the effect of increased sales from currency translations. Sales of sweeteners increased due to increased sales in Japan and the effect of trade.

Main factors affecting segment profits

- Seasonings and processed foods: Increase in profit from seasonings and processed foods due to a significant increase in profit in flavor seasonings and the effects of currency translation and the new consolidation of a subsidiary, despite significant decrease in profit in the canned coffee business in Thailand due to stiffening competition.
- Frozen foods: Large decrease in profit from frozen foods due to the effect of a steep rise in raw material and fuel prices, the effects of transport restrictions in the United States, and increased production costs accompanying the construction of a new production system.
- Umami seasonings for processed food manufacturers and sweeteners: Large decrease in profit in umami seasonings for processed food manufacturers due to the effect of trade in addition to a decrease in the unit sales price. Increase in profit in sweeteners due to cost reductions through stable production and the effective use of selling, general and administrative expenses in addition to the effect of trade.

Life Support Segment

In the Life Support segment, sales rose 8.2%, or ¥10.1 billion, to ¥134.2 billion, boosted by higher sales of animal nutrition products and specialty chemicals. Segment business profit expanded 64.2%, or ¥3.7 billion, to ¥9.6 billion, on a significant increase in profits from animal nutrition and growth in specialty chemical profits.

Main factors affecting segment sales

- Animal nutrition: Increase in overall sales due to the effect of currency translation and a large increase of sales of tryptophan and *AjiPro*®*-L*.
- Specialty chemicals: Increase in overall sales due to increase in sales of the materials of healthcare products and chemicals.

Main factors affecting segment profits

- Animal nutrition: Large increase in profit primarily due to the effect of increased sales of tryptophan.
- Specialty chemicals: Increases in unit sales prices of chemicals and the favorable effects of currency translations on transactions.

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

(Thousands of metric tons)

Years ended March 31	**FY2017**	FY2016	FY2015	FY2014	FY2013
Lysine	**2,400 (approx.)**	2,300 (approx.)	2,200 (approx.)	2,300	2,100
Ajinomoto Group's share	**15% (approx.)**	15% (approx.)	15% (approx.)	15% (approx.)	15%–20%
Threonine	**640 (approx.)**	540 (approx.)	480 (approx.)	445 (approx.)	400
Ajinomoto Group's share	**20% (approx.)**	20% (approx.)	25% (approx.)	25% (approx.)	30% (approx.)
Tryptophan	**37 (approx.)**	33 (approx.)	28 (approx.)	23	14
Ajinomoto Group's share	**25% (approx.)**	20% (approx.)	15% (approx.)	20% (approx.)	35% (approx.)

(Ajinomoto Group estimate)

Sales by Business and Region

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

Years ended March 31		Japan		Asia		Americas		Europe		Total	
Japan Food Products	**FY2017**	**375.6**	**(–7.6)**	**3.6**	**(0.4)**	**2.6**	**(0.4)**	**2.1**	**(0.4)**	**384.1**	**(–6.2)**
	FY2016	383.3		3.1		2.1		1.7		390.4	
International Food Products	**FY2017**	**15.3**	**(–0.2)**	**240.7**	**(16.8)**	**169.2**	**(7.8)**	**39.3**	**(11.2)**	**464.7**	**(35.7)**
	FY2016	15.5		223.9		161.3		28.1		428.9	
Life Support	**FY2017**	**43.7**	**(1.8)**	**14.9**	**(0.8)**	**43.5**	**(2.7)**	**31.9**	**(4.7)**	**134.2**	**(10.1)**
	FY2016	41.8		14.1		40.8		27.2		124.0	
Healthcare	**FY2017**	**36.6**	**(5.7)**	**2.6**	**(–0.5)**	**23.6**	**(1.1)**	**41.3**	**(8.4)**	**104.2**	**(14.7)**
	FY2016	30.9		3.1		22.5		32.8		89.5	
Other	**FY2017**	**50.8**	**(3.0)**	**11.8**	**(1.5)**	**–**	**–**	**–**	**–**	**62.7**	**(4.5)**
	FY2016	47.8		10.3		–		–		58.1	
Total	**FY2017**	**522.3**	**(2.7)**	**273.9**	**(19.2)**	**239.1**	**(12.1)**	**114.7**	**(24.8)**	**1,150.2**	**(59.0)**
	FY2016	519.5		254.7		226.9		89.9		1,091.1	

Note: Unaudited figures, for reference only

Healthcare Segment

Healthcare segment sales expanded 16.5%, or ¥14.7 billion, to ¥104.2 billion, as strong sales of pharmaceutical custom manufacturing services and of supplements, including items with function food claims, were supported by an increase in sales of amino acids for pharmaceuticals and foods. Segment business profit, however, remained close to the previous fiscal year's level at ¥7.9 billion, a decrease of 2.2%, despite a large decline in profits on amino acids for pharmaceuticals and foods.

Main factors affecting segment sales

Amino acids: Overall increase in sales due to the effects of currency translation and the effect of new consolidation of a subsidiary in amino acids for pharmaceuticals and foods and pharmaceutical custom manufacturing.

- Other products: Increase in sales due to expanded sales of Foods with Functional Claims.

Main factors affecting segment profits

- Amino acids: Significant decrease in profit due to inclusion of M&A-related expenses in addition to major customers adjusting inventory of amino acids for pharmaceuticals and foods. Increase in profit in pharmaceutical custom manufacturing due to the effects of increased sales and currency translation despite investment for the future.
- Other products: Increased profit accompanying increased sales.

Other

In the Other segment, sales increased by 7.9%, or ¥4.5 billion, to ¥62.7 billion, and the segment posted a business loss of ¥1.0 billion, a ¥1.3 billion deterioration from the previous fiscal year owing to a big drop in profits by our overseas packaging materials business.

Liquidity and Financial Condition

Assets

As of March 31, 2018, the Ajinomoto Group's consolidated total assets stood at ¥1,425.8 billion, an increase of ¥75.7 billion from ¥1,350.1 billion on March 31, 2017. The main factors behind this increase were the inclusion of the assets of newly consolidated subsidiaries and an increase in property, plant and equipment as a result of investments to expand production capacity.

Liabilities

Total liabilities came to ¥705.3 billion, an increase of ¥45.8 billion from ¥659.4 billion at the end of the previous fiscal year. Interest-bearing debt totaled ¥344.2 billion, ¥8.2 billion more than a year earlier.

Equity

Total equity as of March 31, 2018, was ¥29.8 billion higher than a year earlier, mainly reflecting an increase in profit attributable to owners of the parent company and other factors. Equity attributable to owners of the parent company, which is total equity minus non-controlling interests, totaled ¥641.4 billion, and the equity ratio attributable to owners of the parent company was 45.0%.

Cash Flows

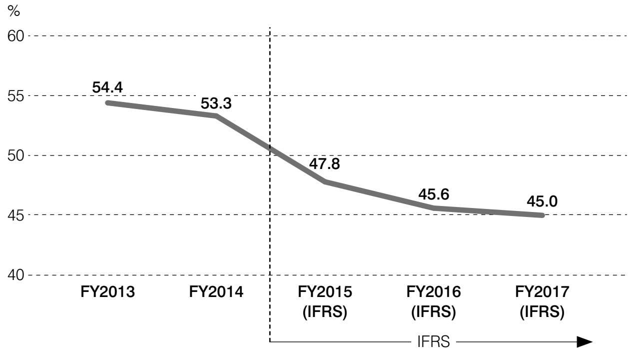
Net cash provided by operating activities during the fiscal year totaled ¥126.6 billion, up from ¥108.9 billion in the previous fiscal year. The main factors included ¥85.4 billion in profit before income taxes, ¥51.7 billion in depreciation and amortization, and ¥23.3 billion in income taxes paid.

Net cash used in investing activities came to ¥99.1 billion, down from ¥142.2 billion used in the previous fiscal year. Key investments during the year included ¥70.7 billion in the purchase of property, plant and equipment, the acquisition of equity shares of Örgen Gıda Sanayi ve Ticaret A.Ş. and that company's trademark rights, and the acquisition of equity shares of Cambrooke Therapeutics, Inc., Kükre A.Ş., and Agro2Agri, S.L.

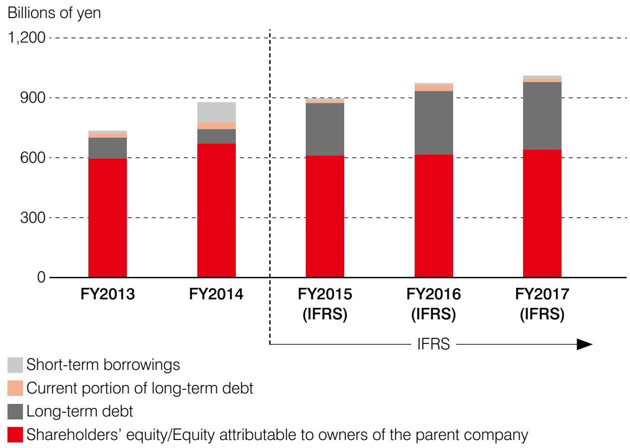
Net cash used in financing activities came to ¥23.9 billion, compared with ¥14.7 billion provided by financing activities in the previous fiscal year. Dividends paid was one of the main outflows.

As a result of the foregoing, cash and cash equivalents as of March 31, 2018, totaled ¥187.8 billion, an increase of ¥1.8 billion from March 31, 2017.

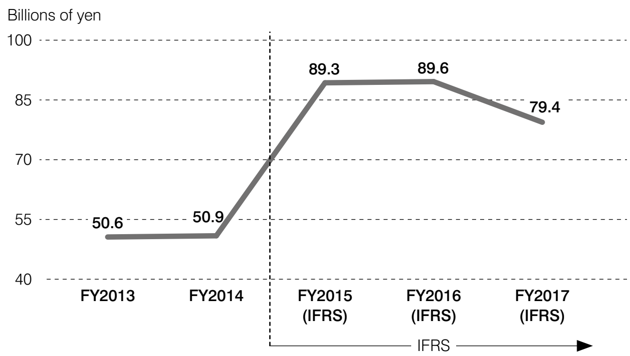
Shareholders' Equity Ratio/ Ratio of Equity Attributable to Owners of the Parent Company



Total Capital



Capital Expenditures



Cash Flow Highlights

	IFRS	IFRS	IFRS		(Billions of yen)
Years ended March 31	FY2017	FY2016	FY2015	FY2014	FY2013
Net cash provided by operating activities	**126.6**	108.9	129.3	109.2	63.0
Net cash used in investing activities	**(99.1)**	(142.2)	(58.7)	(140.3)	(63.4)
Net cash provided by (used in) financing activities	**(23.9)**	14.7	(2.8)	52.8	(55.2)
Cash and cash equivalents at end of year	**187.8**	186.0	204.4	165.1	130.0

Shareholder Returns

Under the FY2017–2019 (to March 31, 2020) Medium-Term Management Plan, the Company's use of generated cash flows will prioritize investments in growth fields based on the integrated management of capital investment, R&D, and M&A strategies. At the same time, the Company aims to make stable, continuous dividend payments, with a target payout ratio of 30%, while flexibly using share repurchases to achieve a total shareholder return ratio of at least 50%.

The Company's basic policy is to distribute dividends twice a year, in the form of interim and year-end dividends. The year-end dividend is approved by the General Meeting of Shareholders and the interim dividend is decided by the Board of Directors. The Articles of Incorporation stipulate that the Company can distribute an interim dividend in accordance with the provisions of Article 454, Paragraph 5 of the Companies Act of Japan.

For fiscal 2017, the Company plans to pay an annual dividend of ¥32 per share (including the interim dividend of ¥15 per share), an increase of ¥2 per share compared with the previous year. For fiscal 2018, the year ending March 31, 2019, an annual dividend of ¥32 per share is planned (with an interim dividend payment of ¥16 per share), the same as the fiscal year under review.

The Company endeavors to manage shareholders' equity efficiently in order to continue meeting the expectations of its shareholders.

Credit Ratings

With the aim of ensuring its ability to efficiently and stably procure the necessary investment funds for global growth, the Ajinomoto Group places emphasis on maintaining a sound financial structure. We approach this goal by controlling interest-bearing debt with a focus on the debt-equity ratio. These efforts have enabled us to retain high credit ratings.

Credit Ratings

Credit Rating Agencies	Ratings for Long-Term Debt of Ajinomoto Co., Inc.
S&P Global Ratings Japan Inc.	A+
Rating and Investment Information, Inc.	AA

Outlook for Fiscal 2018

In fiscal 2018, the year ending March 31, 2019, the second year of the Ajinomoto Group's FY2017–2019 (to March 31, 2020) Medium-Term Management Plan, we will be implementing additional measures to grow profits while also addressing the issues that arose in fiscal 2017.

We expect that these efforts will enable us to achieve consolidated sales of ¥1,184.0 billion and business profit of ¥103.0 billion in fiscal 2018. We also forecast that profit attributable to owners of the parent Company will reach ¥61.0 billion.

These forecasts are based on an assumed foreign exchange rate of ¥110.0 to the US$1.00.

Operational Risk

Operational risks faced by the Ajinomoto Group that could affect its performance and financial position are outlined as follows. However, this is not an all-inclusive list of risks, and risks that cannot be foreseen or are not viewed as material at present may have an impact in the future. The Group has developed various responses and mechanisms to minimize such management and operational risks. Future risks outlined in this document are as judged by the Group as of March 31, 2018.

(1) Risks Related to the Operating Environment

Impact of Exchange Rate Fluctuations

The Ajinomoto Group is working to establish and strengthen its global manufacturing and supply structure. The Group has manufacturing plants in 34 countries and regions including Japan, and the relative importance of overseas operations is therefore very high.

In fiscal 2017 and fiscal 2016, sales to outside customers in regions other than Japan (i.e., Asia, and the Americas and Europe) were ¥627.8 billion and ¥571.6 billion, respectively, comprising 54.6% and 52.4% of consolidated sales. Business profit derived from these regions in the same periods was ¥50.6 billion and ¥52.2 billion, comprising 52.0% and 53.9% of consolidated business profit, respectively. Because the local currency-denominated financial statements of overseas Group companies are converted into yen, the consolidated financial statements are impacted by fluctuations in exchange rates. The Group hedges these associated exchange risks with forward exchange contracts and other mechanisms for receivables and payables denominated in foreign currencies, but exchange rate fluctuations could have an impact on the Group's business results.

Impact of Natural Disasters, Etc.

In addition to conducting business in Japan, the Ajinomoto Group proactively develops markets overseas. Some of the risks accompanying this development of business operations are as follows. These events could have an adverse impact on the Group's business results if they occur.

- A decrease in production output or other effect resulting from a lack of water resources associated with climate change or other cause
- The occurrence of a natural disaster such as an earthquake, typhoon, hurricane, cyclone, or flood
- Interruption of service due to a large-scale power outage or other cause
- Social disruption brought about by an epidemic or other event

Occurrence of Unforeseen Adverse Economic or Political Factors

The Ajinomoto Group conducts business globally, and various potential economic, political, and legal impediments such as political instability due to terrorism, conflict or other reasons, uncertainty in economic trends, difficulties related to religious or cultural differences or business practices, changes in regulations for investment, overseas remittances, import and export, foreign exchange or other areas, and confiscation of property could have an adverse impact on the Group's business results.

Impact of Price Fluctuations for Raw Materials and Fuel

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 and fuel prices is increasing, including poor crop harvests due to inclement weather and higher prices of grain caused by rising demand for ethanol, as well as these commodities becoming subject to speculative trading. Cases where higher manufacturing costs resulting from significant raw material and fuel price increases cannot be absorbed through cost reductions from the introduction of new technologies or other measures, or situations where higher costs cannot be reflected in unit prices, could have an adverse impact on the Group's business results.

(2) Risks Related to Business Activities

Impact of Changes in Market Conditions

In the bioscience products and fine chemicals business, the Ajinomoto Group handles feed-use amino acids. Unit prices for products in this market tend to be affected by changes in the grain market and by supply and 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 promoting specialty with high-value-added materials such as *AjiPro®-L* rumen protected lysine for dairy cows and working to stabilize and improve profitability by reducing costs using fermentation technologies. However, the effects of fluctuations in the grain market and supply and demand trends for feed-use amino acids could have an impact on the Group's business results.

Matters Affecting Product and Service Quality

The Ajinomoto Group engages in continuous initiatives to improve its organizational culture, including efforts to foster an awareness of quality assurance from the customer's perspective, and these initiatives provide the foundation for all Group frameworks and policies. Furthermore, the Group strives to enhance its highly unique and rigorous quality assurance systems. At the same time, the Group evaluates the fairness of these systems from a variety of perspectives through organizations comprising in-house specialists, such as committees that review and determine the validity of manufacturing processes and relevant data. In addition, the Group constantly verifies whether or not these frameworks are operating as intended through auditing activities and external examinations. In these ways, the Group has in place an extremely sound structure to ensure safety and security, which provides the foundation for the existence of all its businesses.

Also, in the Group's pharmaceutical manufacturing divisions, global standards call for systems that can store documents and analyze data pertaining to manufactured products in a manner that cannot be accessed inappropriately. The Group is therefore promoting efforts to further strengthen its data integrity and is introducing and stepping up such efforts in its food manufacturing divisions as well.

The possibility remains, however, that new universal issues affecting product quality throughout the Group may arise, or that problems may arise outside those areas controlled by the processes outlined above, and such events could have an adverse impact on the Group's business results.

Impact of Information Leaks, Etc.

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 Information Security Policy and, through measures such as distributing an internal Information Management 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 or manipulation remain. Furthermore, computer viruses and other malware could temporarily damage the Group's computer systems. The occurrence of such events could create an obstacle to business activities and have an adverse impact on the Group's business results.

Capital Procurement

Disorder or suspension of capital markets, lowering of the Company's ratings by credit rating organizations, or changes in financial judgment or policy of financial institutions or other bodies could have an impact on the Ajinomoto Group's capital procurement and worsen liquidity by increasing the cost of capital it procures; i.e., the Group may be unable to procure the required amount of capital when necessary.

Bankruptcy of Customers

The Ajinomoto Group focuses 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 such events could have an adverse impact on the Group's financial position and business results.

Acquisition and Continued Employment of Personnel with a High Level of Expertise

The business operations of the Ajinomoto Group are handled by personnel with a high level of expertise in each country and occupational category, and the acquisition and training of such personnel are indispensable for achieving growth in the future. The Group is developing a solid and large class of human resources by setting up a system to accelerate the development of its next generation of management personnel and increasing diversity through measures including appointing locally hired employees to management positions at overseas subsidiaries and appointing women as managers. However, as competition for acquisition of personnel intensifies, the Group could become unable to acquire and keep personnel with a high level of expertise.

(3) Laws and Regulations, Litigation, Etc.

Impact of Laws, Regulations, and Other Rules

As it conducts business on a global basis, the Ajinomoto Group is subject to a wide variety of laws, regulations, and other rules within Japan and overseas relating to food sanitation, pharmaceuticals, the environment and recycling, permission to operate or invest, protection of private information, imports and exports, foreign exchange and foreign trade control, and various tax-related laws. In light of this, the Group makes earnest efforts toward compliance and is constantly aware of trends related to the establishment and abolishment of laws and regulations in Japan and overseas. The possibility exists, however, that unanticipated laws or regulations such as soft laws may be established in the future. There is also a possibility that the Group may be exposed to additional risk due to changes in the application of laws and regulations and their varying legal interpretations. Such circumstances may restrict the Group's operations and could have an impact on the Group's business results.

Impact of Litigation, Etc.

The Ajinomoto Group is involved in lawsuits and other civil litigation in and outside of Japan. To protect its intellectual property and other legal rights, there are cases where the Group pursues legal action on its own initiative. However, the Group conducts a wide range of business in a large number of countries, and thus, there is a possibility that the Group will be involved in unexpected new lawsuits, claims, and other litigation. The institution of a major lawsuit could have a negative impact on the Group's business results and reputation.

Impact Related to the Tax System

The introduction of a new tax system or the abolition of an existing tax system could have an impact on the Ajinomoto Group's performance and financial position. Based on the Ajinomoto Group Principles and the Group Shared Policy on Global Tax, the Group conducts its business activities in strict compliance with the applicable tax laws of each country worldwide. However, particularly outside Japan, revisions of tax systems, changes in the tax administration, or differences in opinion with tax authorities regarding tax filings could lead to a tax burden for the Group beyond its expectations.

Environmental Laws, Regulations, and Other Rules

Various environmental laws, regulations, and other rules related to air pollution, water pollution associated with wastewater and other factors, noise, harmful substances such as asbestos, wastes, pollution of soil and groundwater, and other matters are applicable to the Ajinomoto Group. Such environmental laws, regulations, and other rules may be applicable to not only the current business activities of the Group but also its past business activities and the past activities of a business the Group has taken over from another company through a corporate acquisition or other means. There is also a risk in the Group's business of violations of the law in the supply chain. For this purpose, the Group has formulated Supplier CSR Guidelines and is practicing procurement in consideration of the environment and human rights throughout its supply chain. The Group applies an environmental management system that conforms to ISO 14001 at each Group site inside and outside Japan to deal with environmental laws, regulations, and other rules according to the country or region, prevent environmental issues, and promote measures for environmental improvement.

Based on this management system, the Group closely follows trends in the revision of laws and is strengthening its structure for observing without fail laws, regulations, and other rules throughout the Group and the entire supply chain. However, the burden of environment-related expenses due to observance of environmental laws, regulations, and other rules in the future, strengthening of measures for environmental improvement, or other factors could have an adverse impact on the Group's business results.

(4) Other Risks

Impact from Application of Impairment Accounting

The Ajinomoto Group owns various tangible fixed assets and intangible assets such as facilities and real estate used in the business and goodwill acquired through a corporate acquisition. If it is estimated that the investment amount can no longer be recovered due to a decline in profitability such as a decline in fair value or a rise in interest rates, or when cash flow can no longer be generated as expected, impairment accounting may have to be applied to these assets, and impairment losses may occur, which could have an adverse impact on the Group's financial position and business results.

Deferred Tax Assets, Etc.

The Ajinomoto Group records deferred tax assets after careful consideration of their realizability based on projections and assumptions of 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 is deemed unlikely and their amount therefore would need to be revised, which could have an impact on the Group's financial position and business results.

Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	As of March 31, 2018	As of March 31, 2017
Assets			
Current assets			
Cash and cash equivalents	8, 38	**187,869**	186,003
Trade and other receivables	9, 38	**200,270**	186,503
Other financial assets	38	**10,615**	11,047
Inventories	10	**184,086**	168,755
Income taxes receivable		**8,374**	7,423
Others		**12,919**	13,711
Subtotal		**604,135**	573,445
Assets of disposal groups classified as held for sale		**–**	–
Total current assets		**604,135**	573,445
Non-current assets			
Property, plant and equipment	12	**412,613**	393,441
Intangible assets	13	**63,238**	60,422
Goodwill	13	**108,981**	96,606
Investments in associates and joint ventures	17	**131,190**	130,634
Long-term financial assets	38	**70,042**	62,923
Deferred tax assets	18	**13,080**	8,249
Others		**22,576**	24,382
Total non-current assets		**821,724**	776,660
Total assets		**1,425,859**	1,350,105

Consolidated Statements of Financial Position

(Millions of yen)

	Note	As of March 31, 2018	As of March 31, 2017
Liabilities			
Current liabilities			
Trade and other payables	19, 38	**185,443**	160,840
Short-term borrowings	20, 38	**15,280**	11,153
Current portion of long-term borrowings	20, 38	**11,285**	23,929
Other financial liabilities	38	**4,025**	5,049
Short-term employee benefits	24	**37,811**	35,501
Provisions	22	**6,348**	4,579
Income taxes payable		**10,429**	9,995
Others		**9,636**	9,744
Subtotal		**280,261**	260,794
Liabilities of disposal groups classified as held for sale		**–**	–
Total current liabilities		**280,261**	260,794
Non-current liabilities			
Corporate bonds	20, 38	**169,413**	169,347
Long-term borrowings	20, 38	**140,298**	129,617
Other financial liabilities	38	**28,428**	18,452
Long-term employee benefits	24	**64,807**	57,592
Provisions	22	**11,397**	11,261
Deferred tax liabilities	18	**9,994**	12,163
Others		**710**	202
Total non-current liabilities		**425,051**	398,637
Total liabilities		**705,312**	659,431
Equity			
Common stock	25	**79,863**	79,863
Capital surplus	25	**955**	3,797
Treasury stock	25	**(9,585)**	(6,895)
Retained earnings	25	**629,583**	584,849
Other components of equity		**(59,371)**	(45,299)
Disposal groups classified as held for sale		**–**	–
Equity attributable to owners of the parent company		**641,445**	616,315
Non-controlling interests		**79,101**	74,358
Total equity		**720,546**	690,673
Total liabilities and equity		**1,425,859**	1,350,105

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Continuing operations			
Sales	7	**1,150,209**	1,091,195
Cost of sales		**(752,779)**	(704,177)
Gross profit		**397,430**	387,018
Share of profit of associates and joint ventures	17	**3,981**	2,537
Selling expenses	28	**(173,855)**	(169,448)
Research and development expenses	29	**(27,833)**	(27,134)
General and administrative expenses	30	**(102,400)**	(96,119)
Business profit	7	**97,322**	96,852
Other operating income	32	**9,768**	9,541
Other operating expenses	33	**(23,770)**	(22,776)
Operating profit		**83,320**	83,617
Financial income	34	**9,584**	7,283
Financial expenses	35	**(7,458)**	(4,216)
Profit before income taxes		**85,445**	86,684
Income taxes	18	**(16,653)**	(21,717)
Profit from continuing operations		**68,792**	64,966
Profit from discontinued operations		**–**	–
Profit		**68,792**	64,966
Attributable to:			
Owners of the parent company		**60,741**	53,065
Non-controlling interests		**8,050**	11,901
Profit from continuing operations attributable to owners of the parent company		**60,741**	53,065
Profit from discontinued operations attributable to owners of the parent company		**–**	-
Profit attributable to owners of the parent company		**60,741**	53,065
Earnings per share from continuing operations (yen):			
Basic	37	**106.84**	92.81
Diluted	37	**–**	–
Earnings per share from discontinued operations (yen):			
Basic	37	**–**	–
Diluted	37	**–**	–
Earnings per share (yen):			
Basic	37	**106.84**	92.81
Diluted	37	**–**	–

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit		**68,792**	64,966
Other comprehensive income (Net of related tax effects)			
Items that will not be reclassified to profit or loss:			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	36	**2,282**	4,696
Remeasurements of defined benefit pension plans	24, 36	**(9,346)**	(6,607)
Share of other comprehensive income (loss) of associates and joint ventures	17, 36	**384**	540
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	36	**90**	274
Change in fair value of forward elements of forward contracts	36	**(114)**	(162)
Exchange differences on translation of foreign operations	36	**(4,670)**	1,809
Share of other comprehensive income (loss) of associates and joint ventures	17, 36	**112**	67
Other comprehensive income (Net of related tax effects)	36	**(11,262)**	617
Comprehensive income		**57,529**	65,584
Comprehensive income attributable to:			
Owners of the parent company		**47,712**	53,489
Non-controlling interests		**9,816**	12,094

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

		Equity attributable to owners of the parent company							
						Other components of equity			
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit pension plans	Cash flow hedges	Change in fair value of forward elements of forward contracts
Balance as of April 1, 2016		79,863	26,021	(6,944)	552,684	22,225	(12,256)	(3,799)	–
Profit					53,065				
Other comprehensive income	36					4,695	(6,542)	267	(126)
Comprehensive income		–	–	–	53,065	4,695	(6,542)	267	(126)
Purchase of treasury stock	25			(30,013)					
Disposal of treasury stock	25		(0)	0					
Retirement of treasury stock	25		(30,061)	30,061					
Dividends	26				(17,252)				
Transactions with non-controlling interests	41								
Changes due to business combinations									
Changes in ownership interests in subsidiaries that result in loss of control						(6)	36		
Changes in ownership interests in subsidiaries that do not result in loss of control	16		(65)						
Transfer from other components of equity to retained earnings	38				4,290	(4,290)			
Transfer of negative balance of other capital surplus			7,903		(7,903)				
Transfer to non-financial assets								513	
Share-based payment transaction									
Disposal groups classified as held for sale									
Other					(34)	(0)			
Total net changes in transactions with owners of the parent company		–	(22,223)	48	(20,900)	(4,297)	36	513	–
Balance as of March 31, 2017		79,863	3,797	(6,895)	584,849	22,624	(18,763)	(3,018)	(126)
Balance as of April 1, 2017		**79,863**	**3,797**	**(6,895)**	**584,849**	**22,624**	**(18,763)**	**(3,018)**	**(126)**
Profit					**60,741**				
Other comprehensive income	36					**2,285**	**(9,322)**	**91**	**(88)**
Comprehensive income		**–**	**–**	**–**	**60,741**	**2,285**	**(9,322)**	**91**	**(88)**
Purchase of treasury stock	25			**(2,690)**					
Disposal of treasury stock	25		**(0)**	**0**					
Retirement of treasury stock	25								
Dividends	26				**(17,073)**				
Transactions with non-controlling interests	41		**(3,192)**						
Changes due to business combinations									
Changes in ownership interests in subsidiaries that result in loss of control									
Changes in ownership interests in subsidiaries that do not result in loss of control	16		**(58)**						
Transfer from other components of equity to retained earnings	38				**1,067**	**(455)**			
Transfer of negative balance of other capital surplus			**0**		**(0)**				
Transfer to non-financial assets								**24**	
Share-based payment transaction			**407**						
Disposal groups classified as held for sale									
Other									
Total net changes in transactions with owners of the parent company		**–**	**(2,842)**	**(2,690)**	**(16,007)**	**(455)**	**–**	**24**	**–**
Balance as of March 31, 2018		**79,863**	**955**	**(9,585)**	**629,583**	**24,454**	**(28,085)**	**(2,902)**	**(215)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(Millions of yen)

		Equity attributable to owners of the parent company						
		Other components of equity						
	Note	Exchange differences on translation of foreign operations	Share of other comprehensive income (loss) of associates and joint ventures	Total	Disposal group classified as held for sale	Total	Non-controlling interests	Total
Balance as of April 1, 2016		(48,641)	495	(41,976)	(161)	609,486	71,240	680,727
Profit				–		53,065	11,901	64,966
Other comprehensive income	36	1,522	607	424		424	193	617
Comprehensive income		1,522	607	424	–	53,489	12,094	65,584
Purchase of treasury stock	25			–		(30,013)		(30,013)
Disposal of treasury stock	25			–		0		0
Retirement of treasury stock	25			–		–		–
Dividends	26			–		(17,252)	(3,927)	(21,180)
Transactions with non-controlling interests	41			–		–		–
Changes due to business combinations				–		–		–
Changes in ownership interests in subsidiaries that result in loss of control				29	161	191	(4,060)	(3,868)
Changes in ownership interests in subsidiaries that do not result in loss of control	16			–		(65)	(951)	(1,017)
Transfer from other components of equity to retained earnings	38			(4,290)		–		–
Transfer of negative balance of other capital surplus				–		–		–
Transfer to non-financial assets				513		513	5	519
Share-based payment transaction				–		–		–
Disposal groups classified as held for sale				–		–		–
Other		0		0		(34)	(43)	(77)
Total net changes in transactions with owners of the parent company		0	–	(3,746)	161	(46,660)	(8,977)	(55,638)
Balance as of March 31, 2017		(47,118)	1,102	(45,299)	–	616,315	74,358	690,673
Balance as of April 1, 2017		**(47,118)**	**1,102**	**(45,299)**	**–**	**616,315**	**74,358**	**690,673**
Profit				**–**		**60,741**	**8,050**	**68,792**
Other comprehensive income	36	**(6,490)**	**496**	**(13,029)**		**(13,029)**	**1,766**	**(11,262)**
Comprehensive income		**(6,490)**	**496**	**(13,029)**	**–**	**47,712**	**9,816**	**57,529**
Purchase of treasury stock	25			**–**		**(2,690)**		**(2,690)**
Disposal of treasury stock	25			**–**		**0**		**0**
Retirement of treasury stock	25			**–**		**–**		**–**
Dividends	26			**–**		**(17,073)**	**(5,893)**	**(22,967)**
Transactions with non-controlling interests	41			**–**		**(3,192)**		**(3,192)**
Changes due to business combinations				**–**		**–**	**443**	**443**
Changes in ownership interests in subsidiaries that result in loss of control				**–**		**–**	**(18)**	**(18)**
Changes in ownership interests in subsidiaries that do not result in loss of control	16			**–**		**(58)**	**(148)**	**(206)**
Transfer from other components of equity to retained earnings	38		**(612)**	**(1,067)**		**–**		**–**
Transfer of negative balance of other capital surplus				**–**		**–**		**–**
Transfer to non-financial assets				**24**		**24**	**0**	**24**
Share-based payment transaction				**–**		**407**		**407**
Disposal groups classified as held for sale				**–**		**–**		**–**
Other				**–**		**–**	**543**	**543**
Total net changes in transactions with owners of the parent company		**–**	**(612)**	**(1,043)**	**–**	**(22,582)**	**(5,073)**	**(27,656)**
Balance as of March 31, 2018		**(53,609)**	**987**	**(59,371)**	**–**	**641,445**	**79,101**	**720,546**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Cash flows from operating activities			
Profit before income taxes		**85,445**	86,684
Profit before income taxes from discontinued operations		**–**	–
Depreciation and amortization		**51,783**	46,273
Impairment losses	14	**11,681**	1,965
Increase (decrease) in employee benefits		**(2,560)**	(2,853)
Increase (decrease) in provisions		**1,202**	5,939
Interest income	34	**(4,405)**	(3,162)
Dividend income	34	**(1,341)**	(1,217)
Interest expenses	35	**3,042**	2,532
Share of profit of associates and joint ventures		**(3,981)**	(2,537)
Losses on disposal of property, plant and equipment	33	**2,973**	3,657
Gain on sales of property, plant and equipment	32	**(2,712)**	(5,312)
Gain on sales of shares of subsidiaries		**(40)**	–
Gain on sales of shares of associates and joint ventures		**–**	(593)
Loss on sales of shares of subsidiaries		**–**	626
Environmental measures expenses		**859**	377
Decrease (increase) in trade and other receivables		**(9,329)**	(4,174)
Increase (decrease) in trade and other payables		**20,720**	(1,478)
Decrease (increase) in inventories		**(11,287)**	3,216
Increase (decrease) in consumption taxes payable		**(1,588)**	570
Increase (decrease) in other assets and liabilities		**4,097**	1,489
Others		**1,734**	2,185
Subtotal		**146,295**	134,187
Interest received		**3,619**	3,121
Dividends received		**2,976**	1,738
Interest paid		**(2,922)**	(2,474)
Income taxes paid		**(23,313)**	(27,665)
Net cash provided by operating activities		**126,655**	108,907

Consolidated Statements of Cash Flows

(Millions of yen)

	Note	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Cash flows from investing activities			
Purchase of property, plant and equipment		**(70,727)**	(56,055)
Proceeds from sales of property, plant and equipment		**3,693**	6,407
Purchase of intangible assets		**(7,239)**	(30,138)
Purchase of financial assets		**(1,869)**	(7,242)
Proceeds from sales of financial assets		**3,082**	8,664
Purchase of shares in subsidiaries resulting in change in scope of consolidation	41	**(25,307)**	–
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	16	**386**	2,235
Purchase of shares in associates and joint ventures		**(240)**	(63,979)
Proceeds from sales of shares in associates and joint ventures		**–**	916
Others		**(881)**	(3,109)
Net cash used in investing activities		**(99,104)**	(142,299)
Cash flows from financing activities			
Net change in short-term borrowings	21	**3,313**	(1,112)
Proceeds from long-term borrowings	21	**23,388**	–
Repayments of long-term borrowings	21	**(24,174)**	(11,058)
Proceeds from issuance of corporate bonds		**–**	79,690
Dividends paid	26	**(17,065)**	(17,242)
Dividends paid to non-controlling interests		**(5,893)**	(3,927)
Purchase of treasury stock	25	**(2,690)**	(30,034)
Purchase of shares in subsidiaries not resulting in change of scope of consolidation		**(217)**	(1,017)
Others		**(611)**	(557)
Net cash provided by (used in) financing activities		**(23,951)**	14,738
Effect of currency rate changes on cash and cash equivalents		**(1,734)**	169
Net change in cash and cash equivalents		**1,865**	(18,484)
Cash and cash equivalents at beginning of the year	8	**186,003**	204,487
Cash and cash equivalents included in assets of disposal groups classified as held for sale		**–**	–
Cash and cash equivalents at end of the year	8	**187,869**	186,003

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2018

1. Reporting Company

Ajinomoto Co., Inc. (the "Company") is a listed company in Japan, duly established under the Companies Act of Japan. The Company discloses the registered address of its head office on its website (https://www.ajinomoto.com/en/). The accompanying consolidated financial statements comprise the Company and its subsidiaries (the "Group"), as well as the Group's interests in associates and joint ventures. A description of the nature of the Group's operations and its principal business activities is included in Note 7 "Segment Information." The Group's consolidated financial statements for the fiscal year ended March 31, 2018 were authorized for issue at the Management Meeting held on June 22, 2018.

2. Basis of Preparation

(1) Compliance with IFRS

As the Company meets the criteria for a "Company Specified for Designated International Accounting Standards" stipulated under Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, the Company has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) pursuant to Article 93 of the said ordinance.

(2) Basis of measurement

The consolidated financial statements of the Group are prepared on a historical cost basis, except for certain financial instruments as described in Note 3 "Significant Accounting Policies."

(3) Functional currency and presentation currency

Each company in the Group prepares separate financial statements using its functional currency. Most of these companies use the local currency as their functional currency, but where a business environment in which they operate uses currency other than the local currency, they use that currency as the functional currency.

The consolidated financial statements of the Group are presented in millions of Japanese yen, which is the functional currency of the Company. Amounts less than one million yen are rounded down.

3. Significant Accounting Policies

The following significant accounting policies have been applied in the preparation of the Group's consolidated financial statements.

(1) Basis of consolidation

1) Subsidiaries

A subsidiary is a company that is controlled by the Group. Control is achieved if the Group is exposed, or has rights, to variable returns from its involvement with the company (investee) and has the ability to affect those returns through its power over the investee. A subsidiary is consolidated from the date the Group acquires the control until it loses control, with the acquisition date deemed to be the date control is acquired. If a subsidiary applies different accounting policies from those of the Group, adjustments are made to the subsidiary's financial statements to make their accounting policies consistent with the Group's.

If the fiscal year-end of a subsidiary differs from that of the Group, the subsidiary is consolidated based on its provisional closing balances as of the Group's fiscal year-end.

Investments and equity, intercompany receivables and payables, intercompany transaction amounts, and unrealized profit or loss arising from the intercompany transactions are eliminated in preparing the consolidated financial statements.

Comprehensive income of a subsidiary is attributed to owners of the parent company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in ownership interest in a subsidiary when the Group retains control is accounted for as an equity transaction. Any difference between the adjustment to non-controlling interests and the fair value of the consideration is directly recognized in equity attributable to owners of the parent company.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, non-controlling interests and other components of equity related to the subsidiary. Any gains or losses arising from the loss of control are recognized in profit or loss. If the Group loses control but retains residual interest of a former subsidiary, the residual interest is measured at fair value on the date it loses control.

2) Associates and joint ventures

An associate is an entity over which the Group has significant influence in terms of financial and operational policies, but does not control. Associates are accounted for by the equity method from the date the Group obtains significant influence until it loses such influence. A joint venture is a joint arrangement whereby several parties having joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for by the equity method from the date the Group obtains joint control until it loses it. If an associate or a joint venture applies different accounting policies from those of the Group, adjustments are made to the associate's or joint venture's financial statements to make their accounting policies consistent with the Group's.

Under the equity method, the Group initially measures an investment at cost and subsequently adjusts the carrying amounts of the investment to reflect the changes in the Group's interests in the associates' or joint ventures' net assets. The Group's share of the associates' and joint ventures' profit or loss is included in the profit or loss of the Group. Similarly, the Group's share of the associates' and joint ventures' other comprehensive income is included in other comprehensive income of the Group. Any unrealized gain or loss arising from transactions with associates or joint ventures are added to or deducted from the investment.

When consideration paid for an investment in an associate or joint venture exceeds the Group's share of the fair value of net total of assets, liabilities and contingent liabilities of the associate or joint venture recognized on the acquisition date, that excess is accounted for as goodwill and included in the carrying amount of the investment, and that goodwill is not amortized. Goodwill that forms part of the carrying amount of the net investment in an associate or a joint venture is not separately recognized and is tested for impairment as a single asset.

If the Group loses significant influence or joint control over investment in an associate or joint venture, any gain or loss related to the change is recognized in profit or loss. If the Group loses its significant influence or joint control, but retains residual interest of a former associate or joint venture, the residual interest is measured at fair value on the date the application of the equity method is discontinued.

3) Joint operations

A joint operation is a joint arrangement whereby the parties having joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement. For an investment in a joint operation, the Group recognizes its own assets, liabilities, revenue and expenses associated with the joint operation.

(2) Business combinations

Business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. For each separate business combination, the Group decides whether to measure non-controlling interests at fair value or by the proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date. The Group recognizes goodwill as of the acquisition date measured as the excess of (a) over (b) as described below:

(a) the aggregate of the consideration transferred and the amount of non-controlling interest in the acquiree
(b) the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed

Conversely, if the amount in (b) above exceeds the aggregate of the amounts in (a) above, the Group recognizes the excess in profit or loss at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the acquisition occurs, the business combination is accounted for using the provisional amounts. During the measurement period, which is within one year of the acquisition date, the provisional amounts are adjusted retrospectively and recognized as of the acquisition date to reflect new information obtained on facts and circumstances existed as of that date.

Acquisition-related costs are expensed in the period in which they are incurred.

(3) Foreign-currency translation

1) Translation of foreign-currency denominated transactions

Foreign-currency transactions are initially recorded in a functional currency using the spot exchange rate or the rate that approximates the exchange rate at the transaction date. Subsequently, monetary items denominated in foreign currencies are translated using the spot exchange rates as of the reporting date. Foreign currency-denominated non-monetary items measured at fair value are translated using the spot exchange rates at the fair value measurement date. Foreign currency-denominated non-monetary items measured at historical cost are translated using the spot exchange rate at the transaction date or the rate that approximates that exchange rate.

Translation differences arising from the translation or settlement of foreign currency transactions are recognized in profit or loss; provided that translation differences arising from financial assets measured at fair value through other comprehensive income and cash flow hedges are included in other comprehensive income.

2) Translation of financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the spot exchange rate at the reporting date, and revenues and expenses are translated using the spot exchange rate at the transaction date or the rate that approximates the spot exchange rate, respectively. Translation differences are recognized in other comprehensive income. In case of disposing of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified to profit or loss in the period of disposal.

(4) Financial instruments

1) Financial assets

Financial assets are classified as financial assets measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss at the initial recognition. The Group initially recognizes financial assets on the transaction date when it becomes a contracting party to the financial asset. Financial assets measured at fair value through profit or loss are initially measured at fair value, and other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all of the risks and rewards of the financial assets.

(a) Financial assets measured at amortized cost
Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- Assets are held in accordance with a business model to hold assets to collect contractual cash flows.
- Under the contractual terms, cash flows that are solely payments of principal and interest on the outstanding balances of the principal are generated on a specific date.

They are subsequently measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value through other comprehensive income (debt instruments)
Financial assets held by the Group that meet both of the following conditions are classified as debt instruments at fair value through other comprehensive income.

- They are held in accordance with a business model whose objective is achieved by both of the collection of contractual cash flows and the sales of assets.
- Under the contractual terms, cash flows that are solely payments of principal and interest on the outstanding balances of the principal are generated on a specific date.
  After initial recognition, they are measured at fair value, with subsequent changes recognized in other comprehensive income. Upon disposal, any cumulative gains or losses recognized through other comprehensive income are reclassified from other components of equity to profit or loss as a reclassification adjustment.

(c) Financial assets at fair value through other comprehensive income (equity instruments)
For investments in equity instruments, the Group made an irrevocable election to recognize subsequent changes in fair value in other comprehensive income and classifies them as equity instruments measured at fair value through other comprehensive income.

After the initial recognition, they are measured at fair value, with subsequent changes in fair value recognized in other comprehensive income. Upon disposal, any cumulative gains or losses recognized through other comprehensive income are reclassified from other components of equity to retained earnings.

Dividends from financial assets measured at fair value through other comprehensive income are recognized in profit or loss as financial income.

(d) Financial assets measured at fair value through profit or loss
Financial assets other than financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income described above are classified as financial assets measured at fair value through profit or loss. There are no financial assets that the Group has made an irrevocable designation as financial assets measured at fair value through profit or loss at initial recognition.

After initial recognition, subsequent changes in fair value are recognized in profit or loss.

2) Impairment of financial assets
Loss allowance is recognized for expected credit losses on financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income (debt instruments). Addition to the loss allowance for expected credit losses on financial assets is recognized in profit or loss. Should the balance of the loss allowance is decreased, the reversal of the loss allowance is recognized in profit or loss.

For details, please see Note 38 “Financial Instruments (4) Loss allowance for expected credit losses.”

3) Financial liabilities
Financial liabilities are classified as financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss at initial recognition. The Group initially recognizes financial liabilities on the transaction date when it becomes a party to the contractual provisions of a financial liability. Financial liabilities measured at amortized cost are initially measured at fair value less transaction costs directly attributable to the issue of the financial liabilities, and financial liabilities measured at fair value through profit or loss are initially measured at fair value.

Financial liabilities are derecognized when they are extinguished, that is, when the obligation in the contract is discharged, cancelled or expires.

(a) Financial liabilities measured at amortized cost
After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Financial liabilities measured at fair value through profit or loss
After initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value, with subsequent changes in fair value recognized in profit or loss.

4) Derivatives and hedge accounting
The Group uses derivatives, including forward exchange and interest rate swaps, in order to hedge exposures to foreign currency or interest rate fluctuations.

In applying hedge accounting, at the inception of a transaction, the Group makes a formal designation and prepares documentation of the hedge relationship, the risk management objective and the strategy for undertaking the hedge. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the method of assessing the effectiveness of hedging instrument in offsetting exposures to fair value or cash flow fluctuations of hedged items arising from the hedged risk. An ongoing assessment of hedge effectiveness is performed as of the end of the each period or upon a significant change in circumstances affecting the hedge effectiveness, whichever comes first.

Derivatives are initially recognized at fair value. After initial recognition, the fair value measurement is continued to be applied, with subsequent changes in fair value accounted for as follows:

(a) Fair value hedges
Changes in the fair value of a derivative classified as a hedging instrument are recognized in profit or loss. Changes in the fair value of the underlying hedged item are recognized in profit or loss by adjusting the carrying amount of the hedged item.

(b) Cash flow hedges
The effective portion of changes in the fair value of a derivative classified as a hedging instrument is recognized in other comprehensive income. The ineffective portion of fair value changes is recognized in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or liability, or a hedged forecast transaction for a non-financial asset or liability becomes a firm commitment for which fair value hedge accounting is applied, the initial carrying amount of the non-financial asset or liability is adjusted for the amount recognized in other comprehensive income.

Cash flow hedges other than those mentioned above are reclassified from other components of equity to profit or loss in the same period or periods during which the hedged future cash flows affect profit or loss. Notwithstanding, if a loss is recognized and the recoverability of all or a portion of that loss in one or more future periods is doubtful, the unrecoverable amount is transferred immediately to profit or loss.

Hedge accounting is discontinued prospectively when a hedging instrument expires or is sold, terminated or exercised, when the hedge does not meet the conditions for hedge accounting or when the hedge designation is cancelled. If a forecast transaction is no longer expected to occur, the amount recognized in other comprehensive income is transferred immediately from other components of equity to profit or loss.

(c) Hedging net investments in foreign operations
Hedges of net investments in foreign operations are accounted for in the same way as in cash flow hedges; the effective portion of the change in value of the hedging instrument is recognized in other comprehensive income. Upon disposal of a foreign operation, the effective portion of the hedge recognized in other comprehensive income is transferred from other components of equity to profit or loss. The ineffective portion of the hedge is recognized in profit or loss.

(d) Derivatives not designated as hedges
Changes in the fair value of derivatives not designated as hedges are recognized in profit or loss.

5) Offsetting financial assets and financial liabilities
Financial assets and liabilities are offset and presented as net in the consolidated statements of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(5) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments maturing within 3 months from the acquisition, readily convertible into cash and not subject to material fluctuations in value.

(6) Inventories
The cost of inventories includes the purchase cost, the processing cost and all other costs incurred in bringing the inventories to their present location and condition. The Group's main cost formula is the weighted average method. The cost of inventories with no substitutability and used for goods or services for specific projects is determined by using a specific identification of their individual costs.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is determined at the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Non-current assets held for sale and discontinued operations
A non-current asset or disposal group is classified as non-current assets held for sale if its carrying amount will be recovered principally through a sales transaction rather than through its continuing use. Assets or disposal group are classified as non-current assets held for sale when and only when the asset is available for immediate sale in its present condition, its sale is highly probable and the management of the Group is committed to implement the sales plan and intends to complete the sale within one year from the date of classification. After being classified as a held for sale category, a non-current asset (or disposal group) is measured at the lower of its carrying amount or its fair value less costs to sell, and it is not depreciated nor amortized.

Discontinued operations include components of a business already disposed of or classified as a held for sale category. The Group recognizes them if they represent a separate major line of business or geographical area of operations and there is a plan to dispose of one of the businesses or geographical areas.

(8) Property, plant and equipment (excluding lease assets)
Property, plant and equipment are measured at cost on initial recognition. The cost of property, plant and equipment comprises the acquisition price, costs directly attributable to the acquisition, costs of dismantling, removing of assets and restoring the site to the original condition and borrowing costs.

After initial recognition, the Group applies the cost model and carries the asset at cost less accumulated depreciation and accumulated impairment losses.

Except for non-depreciable assets, such as land, property, plant and equipment are depreciated on a straight-line basis over their useful lives.

The useful lives of major classes of property, plant and equipment are as follows:

- Buildings and structures: 3 to 50 years
- Machinery and vehicles: 2 to 20 years
- Tools, furniture and fixtures: 2 to 20 years

Residual values, useful lives, and depreciation methods are reviewed at the end of each period. Changes in residual value, useful lives or depreciation methods are accounted for as a change in accounting estimate.

(9) Goodwill and intangible assets

1) Goodwill

A description of the measurement of goodwill at initial recognition is included in "(2) Business combinations."

After initial recognition, goodwill is measured at acquisition cost less accumulated impairment losses, and not subject to amortization.

Goodwill is derecognized when an asset in the cash-generating unit (or its disposal group) is disposed of. In determining gain or loss on disposal, the goodwill related to the business to be disposed of is included in the carrying value of the business.

2) Intangible assets (excluding lease assets)

Intangible assets are initially measured at cost. The acquisition cost of an intangible asset acquired in a business combination is measured at fair value as of the acquisition date. Expenditures for internally generated intangible assets are recognized as an expense as incurred, except for development expenditures that qualify for capitalization.

For measurement after initial recognition, the cost model is applied and the intangible asset is carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with definite useful lives are amortized on a straight-line basis over their respective useful lives.

The useful lives of major classes of intangible assets with definite useful lives are as follows:

- Software: 3 to 5 years
- Trademarks: up to 20 years
- Patents: up to 10 years
- Customer relationships: 6 to 15 years

Useful lives and amortization methods for intangible assets with useful lives are reviewed at the end of each period. If there is a change in the useful life or amortization method, it is accounted for as a change in accounting estimate. The residual value is deemed to be zero.

Intangible assets with indefinite useful lives or that are not yet available for use are not amortized. The Group reviews at the end of each period, whether an event or condition, which led to the conclusion that an asset has no definite life, continues to exist.

(10) Leases

A lease is classified as a finance lease if it transfers substantially all of the risks and rewards of ownership, while all other leases are classified as operating leases.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement in accordance with IFRIC 4 *Determining whether an Arrangement contains a Lease*.

1) Finance leases

At the commencement of the lease term, a lease is classified as an asset and liability at the lower of the fair value of the leased property or the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability using the effective interest method. Finance charges are recognized as an expense and allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The asset is fully depreciated on a straight-line basis over the shorter of the lease term or its useful life.

2) Operating leases

As lessee:

Lease payments under an operating lease transaction are recognized as an expense on a straight-line basis over the lease term. Contingent lease is recognized as an expense in the period incurred.

As lessor:

Lease income from operating leases is recognized on a straight-line basis over the lease term.

(11) Impairment of non-financial assets

At the end of each period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If an indication of impairment exists, the recoverable amount of the asset or cash-generating unit is estimated. Goodwill, intangible assets with indefinite useful lives and intangible assets currently not available for use are tested for impairment every year and whenever there is an indication of impairment. Goodwill is allocated to a cash-generating unit or a group of cash-generating units (minimum unit or unit group), which is expected to earn cash flows from the synergy of the combination.

The recoverable amount is the higher of the fair value less cost of disposal or the value in use of an asset or a cash-generating unit. When the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the difference is recognized in profit or loss as an impairment loss. An impairment loss recognized is first allocated to reduce the carrying amount of the goodwill allocated to the cash-generating unit and then to reduce the carrying amount of other assets in the cash-generating unit, excluding the goodwill, on a pro rata basis.

At the end of each period, the Group assesses whether there is an indication that the impairment loss recognized in prior periods for an asset, excluding goodwill, or cash-generating unit may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount, and reverses the impairment loss by increasing the carrying amount of the asset or cash-generating unit to the recoverable amount. The increase in the carrying amount of an asset or cash-generating unit attributable to a reversal of an impairment loss should not exceed the carrying amount, which would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. Impairment losses recognized on goodwill are not reversed in subsequent periods.

(12) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, an outflow of resources embodying economic benefits required to settle the obligation is highly probable and the amount of the obligation can be reliably estimated.

Where the effect of the time value of money is material, the present value of the expenditures expected to be required to settle the obligation is used for the amount of provision. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(13) Contingencies

For obligations that do not meet the recognition criteria of provisions listed in (12) Provisions, unless the probability of outflow of economic resources to fulfil the obligation is remote, the Group classifies them as contingent liabilities and disclosed in the notes.

A financial guarantee contract concluded by the Company or its subsidiaries is a contract that requires the Company or its subsidiaries to reimburse the contract holder for a loss it incurred in case the debtor failed to pay upon due in accordance with the terms of the contract.

(14) Employee benefits

1) Short-term employee benefits

Short-term employee benefits represent the undiscounted amount of the consideration expected to be paid in exchange for the services rendered by employees as liabilities and expenses.

Compensated absences are recognized as liabilities and expenses when the employees render services that increase their entitlement to future compensated absences.

Bonuses are recognized as liabilities and expenses when the Group has a present legal or constructive obligation to make payments in exchange for services rendered by employees in the past and a reliable estimate of the obligation can be made.

2) Post-employment benefits

The Group sponsors defined benefit plans and defined contribution plans as post-employment benefit plans.

For defined benefit plans, the determination of the present value of the defined benefit obligations and the related current service cost and past service cost are based on the projected unit credit method. The discount rate is mainly determined based on the high quality corporate bond market yields at the end of the reporting period, corresponding to the estimated benefit payments. The retirement benefit liability or asset is presented by netting the fair value of plan assets and the present value of the defined benefit obligation. Net interest on the defined benefit liability or asset is recognized in profit or loss as financial expenses or income.

Remeasurements of the defined benefit obligations and plan assets are recognized in other comprehensive income, and not reclassified to profit or loss in subsequent periods. Past service cost is recognized as an expense in the period in which it arises.

For defined contribution benefit plans, contributions to the plan are recognized as an expense in the period in which the employees rendered their services, and any unpaid portion is recorded as a liability.

3) Other long-term employee benefits

For long-term employee benefit obligations other than post-employment benefits, the liability is calculated by discounting the amount of future benefits that employees are entitled to receive as a consideration for the current and past services.

(15) Government grants

Government grants are recognized at fair value at the date that the Group meets necessary conditions for receiving the grant and obtains a reasonable assurance that it will receive the grant. Grants received on the expenses incurred are recognized as revenues in the same accounting period in which the expenses are recognized. Grants received on assets are recognized as deferred income and subsequently recognized in profit or loss systematically over the useful lives of the asset.

(16) Treasury stock

Treasury stock is measured at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of treasury stock. The consideration paid or received is recognized directly in equity.

(17) Share-based payment

The Company has introduced a share-based payment award referred to as Share-based Payment of Executive Officers Based on the Company's Earnings Performance. The consideration for services received under this share-based payment plan is measured based on the fair value of the Company's shares on the grant date or at fair value of liabilities incurred. The consideration is recognized as an expense over the applicable period and as an increase in equity or liabilities in the same amount.

For details, please see Note 27 “Share-based Payment (1) Overview of Share-based Payment of Executive Officers Based on the Company’s Earnings Performance.”

(18) Revenues

1) Sale of goods

The Group sells a variety of goods, including seasonings, processed foods, frozen foods, amino acids and others. Revenues from the sale of goods are recognized when all the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership of the goods to the buyer;
- the Group does not retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Usually, all of these conditions are satisfied when the goods are delivered.

Revenues are measured at the fair value of the consideration received or receivable (net of discounts, rebates, consumption tax and others). For transactions in which the Group acts as an agent, commission income is recognized as a revenue.

2) Rendering of services

When the outcome of a transaction involving services can be estimated reliably, revenues associated with the transaction is recognized by the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction can be measured reliably at the end of the period; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

3) Interest income

Interest income is recognized using the effective interest method.

4) Royalties

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

5) Dividend income

Dividend income is recognized when the shareholders’ right to receive payment is established.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense as incurred.

(20) Income taxes

Income taxes are presented as the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss, except for taxes arising from transactions or events recognized in other comprehensive income or directly in equity, or a business combination. Current taxes are measured at the amount expected to be paid to (or returned from) the tax authorities, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The Group determines deferred taxes based on the temporary differences between the tax base and the accounting base of the carrying amount of the assets and liabilities at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future deductible temporary differences, net loss carryforwards or unused tax credit can be utilized against future taxable income. The carrying amount of deferred tax assets is reviewed at the end of each reporting period, and the carrying amount is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax assets to be utilized. Unrecognized deferred tax assets are also reviewed at the end of each reporting period, and recognized to the extent that the deferred tax assets are assessed to be recoverable due to future taxable profit. Deferred tax liabilities are recognized basically for all future taxable temporary differences. Deferred tax assets and liabilities are calculated by the tax rate deemed applicable for the years the asset is realized or the liability is settled, based on the statutory tax rates effective as of the reporting date or the statutory tax rates substantively in effect as of the reporting date.

Deferred tax assets or liabilities are not recognized on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; and
- for deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is not probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on either different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

(21) Earnings per share

Basic earnings per share is calculated by dividing profit attributable to owners of the parent company by the weighted average number of ordinary shares, adjusted by the number of treasury shares for the period. Diluted earnings per share is calculated by adjusting for the impact of all potential shares with dilutive effect.

The Group has early applied the following accounting standards:

- Financial Instruments (IFRS 9 *Financial Instruments*, amended July 2014)
- Share-based Payment (IFRS 2 *Share-based Payment*, amended June 2016)

4. Changes in Accounting Policies and Disclosures

(1) Effects of newly applied IFRS

The Group has adopted the following standards from the fiscal year ended March 31, 2018:

IFRS		Overview of new standards or amendments
IAS 7	*Statement of Cash Flows*	Amended disclosure on changes in liabilities arising from financing activities
IFRS 2	*Share-based Payment*	Amended classification and measurement of share-based payment transactions

The effect of applying the above standards is immaterial to the consolidated financial statements for the fiscal year ended March 31, 2018.

Regarding IAS 7 *Statement of Cash Flows*, changes in liabilities arising from financing activities are disclosed in Note 21. Cash Flow Information.

Regarding IFRS 2 *Share-based Payment*, the Company has introduced share-based payment of Executive Officers based on the Company's medium-term earnings performance from the fiscal year ended March 31, 2018 and has early applied this standard. Details are disclosed in Note 27. Share-based Payment.

(2) Change in presentation method

Finance leases (as lessee) for the previous fiscal year are newly disclosed from the fiscal year ended March 31, 2018 due to an increase in the materiality of the amounts.

5. Significant Accounting Judgments, Estimates and Assumptions

In preparing the consolidated financial statements in accordance with IFRS, the management of the Company is required to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

These estimates and their underlying assumptions are reviewed on an ongoing basis. The effect of changes in accounting estimates is recognized in the period in which the estimate is revised and future periods that are affected.

(1) Application of accounting policies that may significantly affect the amounts recognized on the consolidated financial statements
Important judgments are included in the following notes:

- The scope of subsidiaries, associates, joint ventures and joint operations
  (Note 3. Significant Accounting Policies (1) Basis of consolidation, Note 16. Subsidiaries, Note 17. Investments Accounted for Using the Equity Method)
- Recognition and presentation of revenues
  (Note 3. Significant Accounting Policies (18) Revenues)

(2) Uncertainties of assumptions and estimates that may cause material adjustments in subsequent consolidated financial statements
Important judgments are included in the following notes:

- Valuation of financial instruments
  (Note 3. Significant Accounting Policies (4) Financial instruments, Note 38. Financial Instruments (4) Loss allowance for expected credit losses, Note 39. Fair Value)
- Valuation of inventories
  (Note 3. Significant Accounting Policies (6) Inventories)
- Estimates on useful lives and residual values of property, plant and equipment and intangible assets
  (Note 3. Significant Accounting Policies (8) Property, plant and equipment (excluding lease assets), (9) Goodwill and intangible assets)
- Impairment of non-financial assets
  (Note 3. Significant Accounting Policies (11) Impairment of non-financial assets, Note 14. Impairment of Non-financial Assets)
- Provisions
  (Note 3. Significant Accounting Policies (12) Provisions, Note 22. Provisions)
- Valuation of defined benefit obligations
  (Note 3. Significant Accounting Policies (14) Employee benefits, Note 24. Employee Benefits)
- Income taxes and recoverability of deferred tax assets
  (Note 3. Significant Accounting Policies (20) Income taxes, Note 18. Income Taxes)

6. Accounting Standards or Interpretations Issued but Not Yet Applied

The following accounting standards and interpretations have been newly issued or amended before the authorization of these consolidated financial statements and not early applied by the Company:

IFRS		Mandatory effective date (Fiscal year beginning on or after)	To be applied by the Company	Overview of new standards or amendments
IFRIC 22	*Foreign Currency Transactions and Advance Consideration**1	January 1, 2018	From fiscal year ending March 31, 2019	Clarified accounting for foreign currency transactions and advance consideration
IFRS 15	*Revenue from Contracts with Customers**2	January 1, 2018	From fiscal year ending March 31, 2019	Amended accounting for revenue recognition and related disclosures
IFRIC 23	*Uncertainty over Income Tax Treatments*	January 1, 2019	From fiscal year ending March 31, 2020	Clarified the accounting for uncertainties in income taxes
IFRS 16	*Leases**3	January 1, 2019	From fiscal year ending March 31, 2020	Amended accounting for leases and related disclosures
IAS 19	*Employee Benefits*	January 1, 2019	From fiscal year ending March 31, 2020	Clarified measurement method of service cost and interest cost in the event of a plan amendment, curtailment or settlement
IAS 23	*Borrowing Costs*	January 1, 2019	From fiscal year ending March 31, 2020	Clarified method for calculating the borrowing costs eligible for capitalization

*1. IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
This Interpretation provides guidance on how to determine the exchange rate used for initial recognition of the related asset, expense or income (or part of such) upon derecognizing a non-monetary asset or liability related to the payment or receipt of advance consideration, and clarifies that the transaction date is the date a non-monetary asset or liability arising from the payment or receipt of advance consideration is initially recognized. If there are multiple payments or receipts of advance consideration, the transaction date is determined for each payment or receipt of advance consideration.
The Group currently estimates that the effect of applying this standard is immaterial since such transactions denominated in foreign currencies are monetarily immaterial to the Company's operating results and financial position.

*2. IFRS 15 *Revenue from Contracts with Customers*
IFRS15 requires the Group to recognize revenue, excluding interest and dividend income recognized in accordance with IFRS 9 and insurance revenue recognized in accordance with IFRS 4, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group expects to be entitled in exchange for those goods or services based on the following five-step approach:
Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group mainly engages in selling seasonings, processed foods, frozen foods, amino acids and other products. The sale of such goods meets the above requirements for revenue recognition when the Group satisfies its performance obligation by transferring control over the goods to the customer at the time of the delivery. Revenues from the sale of goods have been previously required to be recognized when the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership of the goods to the buyer;
- the Group does not retain neither continuing involvement nor effective control over the goods;
- it is probable that the economic benefits will flow to the Group; and
- the benefits and corresponding costs can be measured reliably.

The Group has previously recognized revenue at the time of the delivery of goods, and thus currently estimates that the effect of applying this standard is immaterial.

EA Pharma Co., Ltd., an equity-method associate of the Company, will change its revenue recognition policy on licensing of development and products (initial payments and milestones) due to applying this standard, but the Group considers that the impact on the Group's operating results and financial position is immaterial.
In accordance with the transition requirements, the Group applies IFRS 15 retrospectively to contracts with customers not completed on the date of initial application (April 1, 2018) by recognizing the cumulative effect of initially applying this standard as an adjustment to the bigining balance of retained earnings for the fiscal year ending March 31, 2019, which includes the date of initial application.

*3. IFRS 16 *Leases*
IFRS 16 replaces IAS 17 *Leases* and related interpretations that are currently applied. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to introduce a single lessee accounting model which recognizes all leases in the consolidated statements of financial position. However, it provides exemptions for leases of low-value assets and short-term leases. A lessee recognizes a right-of-use asset representing its right to use the underlying leased asset over the lease term and a lease liability representing its obligation to make lease payments at the commencement date of the lease, and subsequently recognizes depreciation charges for the right-of-use asset and interest expense on the lease liability separately.
The Group leases buildings, vehicles, and other assets under operating leases as a lessee. Following the application of this standard, in principle, for existing operating leases as a lessee, right-of-use assets and lease liabilities are recognized in the consolidated statements of financial position, and subsequently depreciation charges and interest expense are recognized in the consolidated statements of income. The Group is currently evaluating the effects of applying this standard on the Group's operating results and financial position, but no reliable estimate of the effects is available at present.

The Company is currently evaluating the effects of applying other new standards and interpretations, but no reliable estimate of the effects is available at present.

7. Segment Information

(1) Overview of reportable segments

The Group's reportable segments are categorized primarily by product lines, with the food business further separated into domestic and overseas. Therefore, the Company has four reportable segments: "Japan Food Products," "International Food Products," "Life Support," and "Healthcare."

Each reportable segment is a component of the Group for which separate financial information is available and evaluated regularly by the Management Committee in determining the allocation of management resources and in assessing performance.

The product categories belonging to each reportable segment are as follows:

Reportable Segments	Details	Main Products
Japan Food Products	Seasonings and Processed Foods	Umami seasonings *AJI-NO-MOTO*®, *HON-DASHI*®, *Cook Do*®, *Knorr*® *Cup Soup*, *Ajinomoto KK Consommé*, *Pure Select*® *Mayonnaise*, Seasonings and processed foods for restaurant use, Food ingredients (savory seasonings, enzyme *ACTIVA*®), Lunchboxes and delicatessen products, Bakery products, etc.
	Frozen Foods	*Gyoza (Chinese dumplings)*, *Yawaraka Wakadori Kara-Age (fried chicken)*, *Puripuri-no-Ebi Shumai (shrimp dumplings)*, *EbiYose Fry (shrimp fry), Ebi Pilaf (shrimp pilaf)*, *Yoshokutei Hamburg (hamburg steak)*, *THE CHA-HAN (fried rice)*, etc.
	Coffee Products	*Blendy*® (Stick coffee, etc.), *CAFÉ LATORY*® (Stick coffee, etc.), *MAXIM*® (*Chotto Zeitakuna Kohiten*®, etc.), Various gift sets, Office supplies (Coffee Vending Machines, Tea Servers), Drinks supplied to Restaurants, Ingredients for Industrial Use, etc.
International Food Products	Seasonings and Processed Foods	Umami seasoning *AJI-NO-MOTO*® (outside Japan), *Ros Dee*® (flavor seasoning/Thailand), *Masako*® (flavor seasoning/Indonesia), *Aji-ngon*® (flavor seasoning/Vietnam), *Sazón*® (flavor seasoning/Brazil), *AMOY*® (Chinese ethnic sauce/Hong Kong), *YumYum*® (instant noodles/Thailand), *Birdy*® (coffee beverage/Thailand), *Birdy*® 3in1 (powdered drink/Thailand), *SAJIKU*® (menu-specific seasonings/Indonesia), *CRISPY FRY*® (menu-specific seasonings/Philippines), etc.
	Frozen Foods	Gyoza (POT STICKERS), Cooked rice (CHICKEN FRIED RICE, YAKITORI CHICKEN FRIED RICE, etc.), Noodles (YAKISOBA, RAMEN, etc.), etc.
	Umami Seasonings for Processed Food Manufacturers and Sweeteners	Umami Seasonings *AJI-NO-MOTO*® for the food processing manufacturers, Nucleotides, Advantame, *PAL SWEET*®, etc.
Life Support	Animal Nutrition	Lysine, Threonine, Tryptophan, Valine, *AjiPro*®*-L*, etc.
	Specialty Chemicals	*Amisoft*®, *Amilite*® (mild surfactant), *Ajidew*® (humectant), ABF (insulation film for build-up printed wiring boards used in semiconductor packaging), etc.
Healthcare	Amino Acids	Amino acids (for intravenous drip, etc.), pharmaceutical intermediates and active ingredients, etc.
	Others	Fundamental Foods (*Glyna*®, *Amino Aile*®) Functional foods (*amino VITAL*®), etc.

(2) Information by reportable segment

Upon applying IFRS, the Group has introduced the term "business profit" so that investors, the Board of Directors, and the Management Committee understand the ordinary financial performance and future outlook of each business and the Board of Directors, and the Management Committee continuously assess the business portfolio. Business profit is calculated by deducting Cost of sales, Selling expenses, Research and development expenses, and General and administrative expenses from Sales and adding Share of profit of associates and joint ventures. Other operating income and Other operating expenses are not included in business profit.

The accounting policies used for the reportable segments are largely identical to those described in Note 3 "Significant Accounting Policies."

Inter-segment sales and transfers are primarily based on transaction prices between third-parties.

1) Sales and segment profit (loss)

Information on profit (loss) by reportable segment is as follows:

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*	Total	Adjustments	As included in consolidated statements of income
Sales								
Sales to third parties	**384,185**	**464,712**	**134,283**	**104,282**	**62,744**	**1,150,209**	**–**	**1,150,209**
Inter–segment sales and transfers	**3,853**	**4,639**	**3,260**	**2,509**	**55,823**	**70,085**	**(70,085)**	**–**
Total sales	**388,039**	**469,352**	**137,544**	**106,791**	**118,568**	**1,220,295**	**(70,085)**	**1,150,209**
Share of profit of associates and joint ventures	**348**	**1,816**	**147**	**31**	**1,637**	**3,981**	**–**	**3,981**
Segment profit or loss (Business profit or loss)	**39,173**	**41,636**	**9,648**	**7,946**	**(1,082)**	**97,322**	**–**	**97,322**
						Other operating income		**9,768**
						Other operating expenses		**(23,770)**
						Operating profit		**83,320**
						Financial income		**9,584**
						Financial expenses		**(7,458)**
						Profit before income taxes		**85,445**

* Other includes the tie-up, packaging, logistics, and other service-related businesses.

Fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*	Total	Adjustments	As included in consolidated statements of income
Sales								
Sales to third parties	390,441	428,988	124,095	89,504	58,166	1,091,195	–	1,091,195
Inter–segment sales and transfers	3,970	5,583	3,069	2,225	57,865	72,714	(72,714)	–
Total sales	394,412	434,572	127,165	91,729	116,031	1,163,911	(72,714)	1,091,195
Share of profit of associates and joint ventures	633	–	202	–	1,701	2,537	–	2,537
Segment profit or loss (Business profit or loss)	40,854	41,742	5,874	8,126	255	96,852	–	96,852
						Other operating income		9,541
						Other operating expenses		(22,776)
						Operating profit		83,617
						Financial income		7,283
						Financial expenses		(4,216)
						Profit before income taxes		86,684

* Other includes the tie-up, packaging, logistics, and other service-related businesses.

2) Other income and expense items

Information on other income or expense items by reportable segment is as follows:

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segment							
	Japan Food Products	Inter-national Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Depreciation and amortization	12,291	19,648	6,388	7,214	2,017	47,560	4,222	51,783
Impairment losses	242	3,236	7,450	748	–	11,677	4	11,681

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments for depreciation and amortization consist of depreciation related to corporate assets.
Adjustments for impairment losses consist of impairment losses related to corporate assets.

Fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statement of income
Depreciation and amortization	10,739	17,526	5,927	5,858	2,166	42,217	4,055	46,273
Impairment losses	31	34	1,626	–	272	1,965	–	1,965

*1 Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments for depreciation and amortization consist of depreciation related to corporate assets.

3) Assets

Information on assets by reportable segment is as follows:

As of March 31, 2018

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of financial position
Segment assets	284,308	444,526	130,807	131,072	123,178	1,113,893	311,966	1,425,859
Of which investments in associates and joint ventures accounted for by equity method	8,795	59,819	2,622	1,446	58,506	131,190	–	131,190

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments for segment assets primarily consist of corporate assets of ¥368,168 million and elimination of inter-segment receivables and payables of ¥(56,930) million. Corporate assets primarily consist of the Group's cash and cash equivalents, long-term investments, land not used in operations, and certain assets associated with administrative divisions and research facilities.

As of March 31, 2017

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of financial position
Segment assets	280,851	414,400	132,803	106,669	123,402	1,058,126	291,978	1,350,105
Of which investments in associates and joint ventures accounted for by equity method	8,385	61,491	2,490	1,278	56,988	130,634	–	130,634

*1 Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments for segment assets primarily consist of corporate assets of ¥341,647 million and elimination of inter-segment receivables and payables of ¥(45,749) million. Corporate assets primarily consist of the Group's cash and cash equivalents, long-term investments, land not used in operations, and certain assets associated with administrative divisions and research facilities.

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statement of financial position
Additions to non-current assets*3	**16,845**	**38,905**	**6,617**	**25,112**	**3,224**	**90,706**	**6,420**	**97,126**

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments for expenditures for non-current assets consist of the acquisition cost of non-current assets associated with corporate assets.
*3. Additions to non-current assets exclude financial instruments, deferred tax assets, and defined benefit assets.

Fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statement of financial position
Additions to non-current assets*3	44,883	21,460	8,772	8,814	2,471	86,401	3,275	89,677

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments for expenditures for non-current assets consist of the acquisition cost of non-current assets associated with corporate assets.
*3. Additions to non-current assets exclude financial instruments, deferred tax assets, and defined benefit assets.

(3) Information by geographical area

The details of sales to third party customers and non-current assets by geographical area are as follows:

1) Sales

Fiscal year ended March 31, 2018

(Millions of yen)

	Japan	Asia		Americas		Europe	Total
		Thailand	Others	U.S.	Others		
Sales	**505,167**	**118,476**	**182,922**	**161,237**	**81,313**	**101,090**	**1,150,209**

Sales are classified into countries or regions based on the customer location.
Major countries or regions included in each geographical area other than Japan are as follows:
Asia: Countries in East Asia and Southeast Asia
Americas: Countries in North America and Central and South America
Europe: Countries in Europe and Africa

Fiscal year ended March 31, 2017

(Millions of yen)

	Japan	Asia		Americas		Europe	Total
		Thailand	Others	U.S.	Others		
Sales	501,837	109,871	170,394	155,742	76,370	76,980	1,091,195

Sales are classified into countries or regions based on the customer location.
Major countries or regions included in each geographical area other than Japan are as follows:
Asia: Countries in East Asia and Southeast Asia
Americas: Countries in North America and Central and South America
Europe: Countries in Europe and Africa

2) Non-current assets

As of March 31, 2018

(Millions of yen)

	Japan	Asia		Americas		Europe	Total
		Thailand	Others	U.S.	Others		
Non-current assets	**265,188**	**67,789**	**42,663**	**138,768**	**26,916**	**63,666**	**604,993**

Non-current assets are classified based on the location of the assets and exclude financial instruments, deferred tax assets, and defined benefit assets.
Major countries or regions included in each geographical area other than Japan are as follows:
Asia: Countries in East Asia and Southeast Asia
Americas: Countries in North America and Central and South America
Europe: Countries in Europe and Africa

As of March 31, 2017

(Millions of yen)

	Japan	Asia		Americas		Europe	Total
		Thailand	Others	U.S.	Others		
Non-current assets	259,212	69,824	37,878	128,339	32,577	45,073	572,907

Non-current assets are classified based on the location of the assets and exclude financial instruments, deferred tax assets, and defined benefit assets.
Major countries or regions included in each geographical area other than Japan are as follows:
Asia: Countries in East Asia and Southeast Asia
Americas: Countries in North America and Central and South America
Europe: Countries in Europe and Africa

8. Cash and Cash Equivalents

The details of cash and cash equivalents are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Cash and bank deposits	187,869	186,003
Securities classified as cash equivalents	0	–
Total cash and cash equivalents in consolidated statements of financial position	187,869	186,003
Total cash and cash equivalents in consolidated statements of cash flows	187,869	186,003

9. Trade and Other Receivables

The details of trade and other receivables are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Notes receivable - trade	7,965	6,859
Accounts receivable - trade	180,958	170,977
Others	12,594	9,888
Loss allowance for expected credit losses	(1,248)	(1,221)
Total	200,270	186,503

Trade and other receivables presented in the consolidated statements of financial position are net of loss allowance for expected credit losses.

10. Inventories

The details of inventories are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Finished goods and merchandise	104,059	91,682
Work in process	23,739	24,543
Raw materials and supplies	56,288	52,529
Total	184,086	168,755

The amounts of inventories recognized as expenses were ¥704,411 million and ¥657,090 million for the fiscal years ended March 31, 2018 and 2017, respectively.

The following table shows the write-downs of inventories recognized as expenses in the respective fiscal years. These amounts were included in the above amounts of inventories recognized as expenses.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Inventory write-downs	2,732	3,033

11. Disposal Groups Classified as Held for Sale and Discontinued Operations

On April 26, 2018, the Company entered into an agreement with KAGOME CO., LTD., The Nisshin OilliO Group, Ltd., Nisshin Foods Inc., and HOUSE FOODS GROUP INC. to reorganize each company's respective logistics functions including AJINOMOTO LOGISTICS CORPORATION ("AB"), Kagome Distribution Service Co., Ltd., House Logistics Service Corporation, F-LINE CORPORATION, and KYUSHU F-LINE CORPORATION, and to establish a nationwide logistics company in April 2019 integrating each company's logistics business.

As it became clear that this transaction would result in a loss of control of AB in April 2019, the Group will classify AB's assets and liabilities as a disposal group classified as held for sale and account for its logistics business as a discontinued operation from the first quarter of the fiscal year ending March 31, 2019.

12. Property, Plant and Equipment

(1) Changes in the carrying amount, acquisition cost, and accumulated depreciation and impairment losses of property, plant and equipment are as follows:

1) Carrying amount

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2016*1	142,769	150,670	13,884	50,003	22,083	379,410
Acquisition due to purchases from third parties*2	1,432	4,859	1,201	16	52,545	60,055
Sales or disposal	(617)	(852)	(99)	(607)	(14)	(2,191)
Impairment losses	(1,159)	(411)	(139)	(2)	(201)	(1,913)
Depreciation	(10,418)	(24,394)	(4,711)	–	–	(39,523)
Transfer from construction in progress	13,994	24,979	4,807	2	(43,784)	–
Exchange differences on translation	959	(1,839)	113	199	154	(412)
Others	(2,003)	141	(86)	(845)	810	(1,983)
Balance as of March 31, 2017*1	144,957	153,153	14,969	48,767	31,593	393,441
Acquisition due to purchases from third parties*2	**6,282**	**8,873**	**1,349**	**620**	**54,579**	**71,705**
Acquisition due to business combinations	**1,877**	**688**	**245**	**744**	**136**	**3,692**
Sales or disposal	**(716)**	**(1,107)**	**(229)**	**(569)**	**(12)**	**(2,636)**
Impairment losses	**(3,810)**	**(6,730)**	**(145)**	**(11)**	**(47)**	**(10,745)**
Depreciation	**(11,707)**	**(27,054)**	**(5,329)**	**–**	**–**	**(44,091)**
Transfer from construction in progress	**18,778**	**31,699**	**5,826**	**527**	**(56,833)**	**–**
Exchange differences on translation	**(2,054)**	**1,655**	**(82)**	**(58)**	**(658)**	**(1,198)**
Others	**2,431**	**664**	**(163)**	**148**	**(636)**	**2,445**
Balance as of March 31, 2018*1	**156,036**	**161,843**	**16,441**	**50,169**	**28,122**	**412,613**

Depreciation of property, plant and equipment is included in Cost of sales, Selling expenses, Research and development expenses, and General and administrative expenses in the consolidated statements of income.

*1. The carrying amounts of finance leases included in property, plant and equipment are as follows:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
As of April 1, 2016	132	1,075	583	1,443	3,235
As of March 31, 2017	89	1,216	560	1,429	3,296
As of March 31, 2018	**5,221**	**2,985**	**518**	**1,487**	**10,213**

*2. The borrowing costs capitalized were ¥9 million and ¥10 million for the fiscal years ended March 31, 2018 and 2017, respectively. The capitalization rates applied in calculating the borrowing costs were 0.70% and 0.62% for the fiscal years ended March 31, 2018 and 2017, respectively.

2) Acquisition cost

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2016	359,218	585,987	66,960	50,471	22,083	1,084,721
As of March 31, 2017	368,593	593,199	69,873	48,769	31,593	1,112,030
As of March 31, 2018	**390,675**	**623,702**	**74,315**	**50,171**	**28,122**	**1,166,988**

3) Accumulated depreciation and impairment losses

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2016	216,449	435,316	53,076	467	–	705,310
As of March 31, 2017	223,636	440,045	54,904	2	–	718,588
As of March 31, 2018	**234,638**	**461,858**	**57,874**	**2**	**–**	**754,374**

(2) Commitments

The amounts of commitments for the acquisition of property, plant and equipment as of March 31, 2018 and 2017 were ¥14,253 million and ¥11,419 million, respectively.

13. Goodwill and Intangible Assets

(1) Changes in the carrying amount, acquisition cost, and accumulated amortization and impairment losses of goodwill and intangible assets are as follows:

1) Carrying amount

(Millions of yen)

		Intangible assets				
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
Balance as of April 1, 2016	96,889	10,491	12,822	7,712	6,421	37,446
Increase due to individual acquisition	–	25,937	3,887	–	35	29,860
Sales or disposal	–	–	(123)	–	(3)	(126)
Impairment losses	–	–	(27)	–	–	(27)
Amortization	–	(818)	(4,184)	(1,160)	(586)	(6,749)
Exchange differences on translation	(283)	(55)	32	(20)	(91)	(134)
Others	–	–	159	–	(5)	154
Balance as of March 31, 2017	96,606	35,554	12,566	6,531	5,769	60,422
Increase due to individual acquisition	**–**	**8**	**6,936**	**–**	**717**	**7,662**
Acquisition due to business combinations	**17,708**	**2,058**	**18**	**–**	**2,351**	**4,428**
Sales or disposal	**–**	**–**	**(112)**	**–**	**(2)**	**(114)**
Impairment losses	**–**	**(167)**	**(5)**	**–**	**(227)**	**(400)**
Amortization	**–**	**(831)**	**(4,513)**	**(1,164)**	**(1,181)**	**(7,691)**
Exchange differences on translation	**(5,333)**	**(641)**	**(66)**	**(135)**	**(285)**	**(1,129)**
Others	**–**	**–**	**49**	**–**	**12**	**61**
Balance as of March 31, 2018	**108,981**	**35,981**	**14,871**	**5,231**	**7,154**	**63,238**

There were no capitalized borrowing costs for the fiscal years ended March 31, 2018 and 2017.

Amortization of intangible assets is included in Cost of sales, Selling expenses, Research and development expenses, and General and administrative expenses in the consolidated statements of income.

2) Acquisition cost

(Millions of yen)

		Intangible assets				
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
As of April 1, 2016	96,889	13,882	47,131	8,971	8,672	78,658
As of March 31, 2017	96,606	39,779	50,175	8,957	8,611	107,523
As of March 31, 2018	**108,981**	**40,981**	**56,085**	**8,784**	**11,431**	**117,283**

3) Accumulated amortization and impairment losses

(Millions of yen)

		Intangible assets				
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
As of April 1, 2016	–	3,391	34,309	1,259	2,251	41,211
As of March 31, 2017	–	4,225	37,608	2,425	2,841	47,101
As of March 31, 2018	**–**	**4,999**	**41,214**	**3,553**	**4,277**	**54,044**

(2) Commitments

The amounts of commitments for the acquisition of intangible assets as of March 31, 2018 and 2017 were ¥584 million and ¥588 million, respectively.

(3) Intangible assets with indefinite useful lives

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2018 and 2017 were ¥28,324 million and ¥26,629 million, respectively. The main assets are the trademarks of AGF's coffee products such as "Blendy" and "MAXIM" acquired by the Company in October 2016, and the trademarks of "Bizim Mutfak" and "KEMAL KÜKRER" related to the Turkish food products business, powdered seasonings of Örgen Gıda Sanayi ve Ticaret A.Ş. ("Örgen") and liquid seasonings of Kükre A.Ş. ("Kükre"), which were acquired by the Company in August and November 2017, respectively. As trademarks with indefinite useful lives continue to exist basically as long as the business lasts, it is impossible to estimate how long the inflow of economic benefits will last in the future. Thus, the trademarks are classified as intangible assets with indefinite useful lives.

(4) Individual intangible assets that are material

Individual intangible assets that were material as of March 31, 2018 and 2017 included in the consolidated statements of financial position were the trademarks of coffee products described in (3), with the carrying amount of ¥25,907 million.

14. Impairment of Non-financial Assets

(1) Impairment losses recognized by asset category

The Ajinomoto Group recognized impairment losses of ¥11,681 million and ¥1,965 million for the fiscal years ended March 31, 2018 and 2017, respectively.

These impairment losses were recorded in "Other operating expenses" in the consolidated statements of income.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Buildings and structures	**3,810**	1,159
Machinery and vehicles	**6,730**	411
Tools, furniture and fixtures	**145**	139
Land	**11**	2
Construction in progress	**47**	201
Software	**5**	27
Others	**930**	23
Total	**11,681**	1,965

(2) Details of major assets and segments for which impairment losses were recognized

Fiscal year ended March 31, 2018

1) Life Support segment

The carrying amount of manufacturing facilities and idle assets for the animal nutrition business was reduced to its recoverable amount, and an impairment loss of ¥7,450 million was recognized in the Life Support segment. These manufacturing facilities have been impaired due to continuous losses resulting from the global oversupply of feed-use amino acids and a significant decrease in unit selling prices because of severe competition, which led to the judgment that the carrying amount will not be recoverable in the future.

The details of the impairment losses are as follows:

(Millions of yen)

Location	Cash-generating unit	Classification	Amount
France	Idle assets (Manufacturing facilities for feed-use lysine)	Buildings and structures	761
		Machinery and vehicles	2,725
		Others	13
		Total	3,499

The recoverable amount was based on the fair value less costs of disposal. However, since it is difficult to sell these assets, the fair value less costs of disposal was evaluated as zero. The fair value used for calculating the recoverable amount is classified as level 3 in the fair value hierarchy.

(Millions of yen)

Location	Cash-generating unit	Classification	Amount
Brazil	Manufacturing facilities for feed-use threonine and others	Buildings and structures	2,194
		Machinery and vehicles	526
		Others	330
		Total	3,051
	Manufacturing facilities for feed-use lysine	Buildings and structures	48
		Machinery and vehicles	4
		Others	67
		Total	121

The recoverable amounts were measured based on the value in use. Since these future cash flows were negative, these recoverable amounts were evaluated as zero.

(Millions of yen)

Location	Cash-generating unit	Classification	Amount
Thailand	Manufacturing facilities for feed-use lysine	Buildings and structures	152
		Machinery and vehicles	406
		Others	218
		Total	777

The recoverable amount of ¥40 million was based on the fair value less costs of disposal, and the fair value was measured based on the market approach. The fair value used for calculating the recoverable amount is classified as level 3 in the fair value hierarchy.

2) International Food Products segment

The carrying amount of manufacturing facilities for seasonings and other facilities in Thailand was reduced to its recoverable amount, and an impairment loss of ¥2,664 million was recognized due to a decision to stop production to restructure the obsolete production system.

(Millions of yen)

Location	Cash-generating unit	Classification	Amount
Thailand	Manufacturing facilities for seasonings	Buildings and structures	368
		Machinery and vehicles	2,263
		Others	32
		Total	2,664

The recoverable amount of ¥354 million was measured based on the value in use and calculated by discounting its future cash flows to present value using the pre-tax discount rate of 12.5%.

Fiscal year ended March 31, 2017

1) Life Support segment

The carrying amount of manufacturing facilities for the animal nutrition business was reduced to its recoverable amount, and an impairment loss of ¥1,626 million was recognized. These manufacturing facilities have been impaired due to continuous losses resulting from the global oversupply of feed-use lysine and a decrease in the unit selling price because of severe competition, which led to the judgment that the carrying amount will not be recoverable in the future.

The details of the impairment losses are as follows:

(Millions of yen)

Location	Cash-generating unit	Classification	Amount
Brazil	Manufacturing facilities for feed-use lysine	Buildings and structures	1,062
		Machinery and vehicles	302
		Others	262
		Total	1,626

The recoverable amount was measured based on the value in use. Since its future cash flows were negative, its recoverable amount was evaluated as zero.

(3) Impairment tests for goodwill and intangible assets with indefinite useful lives

1. Ajinomoto Windsor, Inc.

For impairment tests for the goodwill of Ajinomoto Windsor, Inc., for the year ended March 31, 2018 and 2017, the recoverable amount was measured based on the fair value less costs of disposal. In calculating the fair value less costs of disposal, the discounted cash flows, the comparable peer company analysis, and the comparable transaction method were applied, using a weighted average with an emphasis on discounted cash flows.

The calculation of expected discounted cash flows were based on the actual operating results and the management-approved business plan. The business plan was based on the external and internal sources of information, reflecting the management's evaluation of future prospects of the industry and past experiences.

Comparable peer company analysis used the following formula: EBITDA (based on the recent experiences and the next year's budget) multiplied by listed peer companies' EV (enterprise value calculated by market capitalization) divided by EBITDA ratio, plus a control premium.

Comparable transaction method used the following formula: EBITDA (based on the recent experiences) multiplied by EV (acquisition price) divided by EBITDA ratio of the peer companies acquired in the past.

In measuring the fair value less costs of disposal, the main assumptions used by the management are as follows:

- Period used by the management for future cash flow projection: 7 years (7 years for the previous fiscal year)
- Growth rate used to extend cash flow projection: 2.5% (2.5% for the previous fiscal year)
- Pre-tax discount rate applied to future cash flow projection: 10.6% (12.9% for the previous fiscal year)
- EV / EBITDA ratio used for comparable peer company analysis: 13.0 times to 14.0 times (12.5 times to 13.5 times for the previous fiscal year)
- EV / EBITDA ratio used for comparable transaction method: 14.5 times (14.5 times for the previous fiscal year)

This fair value measurement is level 3 of the fair value hierarchy, based on the significant inputs used in the valuation method.

As of March 31, 2018, the fair value less costs of disposal exceeds the carrying amount, to the extent that even after a reasonable level of changes in the discount rate used for the calculation of the fair value, a material impairment loss is unlikely to incur.

2. Ajinomoto AGF, Inc.
(former Ajinomoto General Foods, Inc., "AGF")

For impairment tests for the AGF's goodwill and intangible assets with indefinite useful lives (trademarks) for the year ended March 31, 2018 and 2017, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used.

Calculation of the value in use was based on the management-approved next year's budget (3-year business plan used for the test for the year ended March 31, 2017). The business plan was based on the external and internal sources of information, reflecting the management's evaluation of future prospects of the industry and past experiences. The growth rate used to estimate cash flows beyond the business plan was 0.3% (0.3% for the year ended March 31, 2017), and the pre-tax discount rate applied to the cash flow projection was 7.1% (7.0% for the year ended March 31, 2017).

As of March 31, 2018, the value in use exceeds the carrying amount, to the extent that even after a reasonable level of changes in the discount rate used for the calculation of the fair value, a material impairment loss is unlikely to incur.

3. Ajinomoto Althea, Inc.

For impairment tests for the goodwill of Ajinomoto Althea, Inc. for the year ended March 31, 2018 and 2017, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used.

Calculation of the value in use was based on the management-approved 5-year (3-year for the year ended March 31, 2017) business plan. The business plan was based on the external and internal sources of information, reflecting the management's evaluation of future prospects of the industry and past experiences. The growth rate used to estimate cash flows beyond the business plan was 4.0% (3.8% for the year ended March 31, 2017), and the pre-tax discount rate applied to the cash flow projection was 19.0% (14.8% for the year ended March 31, 2017).

As of March 31, 2018, the recoverable amount exceeds the carrying amount by ¥1,933 million, and if the discount rate increased by 0.7%, an impairment loss would be recognized.

4. Örgen, Kükre, and Ajinomoto Istanbul Food Sales Ltd.

The Company performs an impairment test for the goodwill and intangible assets with indefinite useful lives (trademarks) of the Turkish food products business, which consists of Örgen, Kükre, and Ajinomoto Istanbul Food Sales Ltd., as one cash-generating unit. For impairment tests for the goodwill and intangible assets with indefinite useful lives (trademarks) related to the Turkish food products business for the year ended March 31, 2018, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used.

Calculation of the value in use was based on the management-approved 5-year business plan. The business plan was based on the external and internal sources of information, reflecting the management's evaluation of future prospects of the industry and past experiences. The growth rate used to estimate cash flows beyond the business plan was 9.5%, and the pre-tax discount rate applied to the cash flow projection was 21.1%.

As of March 31, 2018, the recoverable amount exceeds the carrying amount by ¥79 million, and if the discount rate increased by 0.1%, an impairment loss would be recognized.

The carrying amounts of goodwill allocated to the cash-generating units or groups of cash-generating units are as follows:

(Millions of yen)

Cash-generating unit or group of cash-generating units	As of March 31, 2018	As of March 31, 2017
Ajinomoto Windsor, Inc.	**46,895**	49,521
AGF	**30,906**	30,906
Ajinomoto Althea, Inc.	**14,564**	15,380
Turkish food products business	**7,435**	–
Others	**9,180**	798
Total	**108,981**	96,606

The carrying amounts of intangible assets with indefinite useful lives allocated to the cash-generating units or groups of cash-generating units are as follows:

(Millions of yen)

Cash-generating unit or group of cash-generating units	As of March 31, 2018	As of March 31, 2017
AGF	**25,907**	25,907
Turkish food products business	**1,631**	–
Others	**785**	721
Total	**28,324**	26,629

15. Leases

The Group's lease transactions are as follows:

(1) Finance leases (as lessee)

The Group leases buildings, machinery, and other assets under finance leases as a lessee.

The details of the total future minimum lease payments under finance leases and their present value are as follows:

(Millions of yen)

	Total future minimum lease payments	
	As of March 31, 2018	As of March 31, 2017
Within 1 year	**616**	562
Over 1 year within 5 years	**1,540**	1,319
Over 5 years	**6,080**	63
Total	**8,237**	1,944
Less amounts representing finance charges	**(308)**	(8)
Present value of total future minimum lease payments	**7,928**	1,935

(Millions of yen)

	Present value of total future minimum lease payments	
	As of March 31, 2018	As of March 31, 2017
Within 1 year	**591**	558
Over 1 year within 5 years	**1,452**	1,313
Over 5 years	**5,883**	63
Total	**7,928**	1,935

Some lease contracts contain renewal or purchase options. There are no material contracts which contain escalation clauses. There were no contingent lease payments recognized as expenses for the fiscal years ended March 31, 2018 and 2017.

The total future minimum sublease payments expected to be received under non-cancellable sublease contracts are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Total amount of expected future minimum sublease payments	**17**	22

(2) Operating leases (as lessee)

The Group leases buildings, vehicles, and other assets under non-cancellable operating leases as a lessee.

The total future minimum lease payments under non-cancellable operating leases are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Within 1 year	**4,071**	4,134
Over 1 year within 5 years	**9,594**	9,472
Over 5 years	**4,755**	7,046
Total	**18,421**	20,653

The total future minimum sublease payments expected to be received under non-cancellable sublease contracts are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Total amount of expected future minimum sublease payments	**422**	463

The details of lease and sublease payments recognized as expenses for the fiscal years ended March 31, 2018 and 2017 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Minimum lease payments	**4,986**	4,501
Contingent lease payments	**57**	43
Sublease payments received	**(226)**	(208)
Total amounts of lease payments and sublease payments	**4,817**	4,336

Some lease contracts contain renewal or purchase options and escalation clauses, which are not material.

(3) Operating leases (as lessor)

The Group leases vehicles and other assets under non-cancellable operating leases as a lessor.

The total future minimum lease payments to be received under non-cancellable operating leases are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Within 1 year	**180**	201
Over 1 year within 5 years	**242**	262
Over 5 years	**–**	–
Total	**422**	463

16. Subsidiaries

(1) Material subsidiaries

Material subsidiaries are as follows:

Subsidiary name	Share capital or contribution	Main business	Principal place of business	Percentage of ordinary shares held by the Group (%)	Percentage of ordinary shares held by non-controlling interests (%)
Ajinomoto Frozen Foods Co., Inc.	9,537 million JPY	Frozen foods	Japan	100.0	–
Knorr Foods Co., Ltd.	4,000 million JPY	Seasonings and processed foods	Japan	100.0	–
Ajinomoto AGF, Inc.*1	3,862 million JPY	Coffee products	Japan	100.0	–
Ajinomoto Fine-Techno Co., Inc.	315 million JPY	Specialty chemicals	Japan	100.0	–
Ajinomoto Logistics Corporation	1,930 million JPY	Logistics	Japan	96.5	3.5
Ajinomoto Co., (Thailand) Ltd.	796,362 thousand THB	Seasonings and processed foods	Thailand	78.9	21.1
Ajinomoto Sales (Thailand) Co., Ltd.	50,000 thousand THB	Seasonings and processed foods	Thailand	100.0	–
PT Ajinomoto Indonesia	8,000 thousand USD	Seasonings and processed foods	Indonesia	51.0	49.0
PT Ajinomoto Sales Indonesia	250 thousand USD	Seasonings and processed foods	Indonesia	100.0	–
Ajinomoto Vietnam Co., Ltd.	50,255 thousand USD	Seasonings and processed foods	Vietnam	100.0	–
Ajinomoto Windsor, Inc.*2	15,030 thousand USD	Frozen foods	U.S.A.	100.0	–
Ajinomoto Heartland, Inc.*3	750 thousand USD	Animal nutrition	U.S.A.	100.0	–
Ajinomoto North America, Inc.*4	0 thousand USD	Amino acids, Umami seasonings for processed food manufacturers and sweeteners, and specialty chemicals	U.S.A.	100.0	–
Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda.	863,298 thousand BRL	Seasonings and processed foods, umami seasonings for processed food manufacturers and sweeteners, animal nutrition, and amino acids	Brazil	100.0	–
Ajinomoto Eurolysine S.A.S.	26,865 thousand EUR	Animal nutrition	France	100.0	–
Ajinomoto OmniChem N.V.	21,320 thousand EUR	Amino acids	Belgium	100.0	–

*1. Ajinomoto General Foods, Inc. was renamed Ajinomoto AGF, Inc. on July 1, 2017.
*2. Ajinomoto Windsor, Inc. was renamed Ajinomoto Foods North America, Inc. on April 1, 2018.
*3. Ajinomoto Heartland, Inc. was renamed Ajinomoto Animal Nutrition North America, Inc. on April 1, 2018.
*4. Ajinomoto North America, Inc. was renamed Ajinomoto Health & Nutrition North America, Inc. on April 1, 2018.

(2) Changes in ownership interests in subsidiaries that do not result in loss of control

The effects on capital surplus from changes in ownership interests in subsidiaries that do not result in loss of control are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Changes due to equity transactions with non-controlling interests	**(58)**	(65)

(3) Profit or loss resulting from loss of control of subsidiaries

For the fiscal year ended March 31, 2018, the profit (loss) (before tax effect) recognized due to changes in ownership interests that resulted in the loss of control of subsidiaries was ¥40 million, and recorded in "Other" in Other operating income in the consolidated statements of income. No profit (before tax effect) was recognized on fair value measurement of the residual interests in subsidiaries for the fiscal year ended March 31, 2018.

For the fiscal year ended March 31, 2017, the profit (loss) (before tax effect) recognized due to changes in ownership interests that resulted in the loss of control of subsidiaries was ¥(626) million and ¥41 million, and recorded in "Other" in Other operating expenses and "Other" in Other operating income, respectively, in the consolidated statements of income. The profit (before tax effect) recognized on fair value measurement of the residual interests in subsidiaries was ¥41 million for the fiscal year ended March 31, 2017.

(4) Cash flows resulting from loss of control of subsidiaries

The effects on cash flows from loss of control of subsidiaries are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Consideration received in cash	**647**	4,249
Cash and cash equivalents of derecognized subsidiaries	**261**	2,013
Net: Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	**386**	2,235

17. Investments Accounted for Using the Equity Method

(1) Associates

The following tables show the carrying amounts of investments in associates that are individually not material, and the share of profit from continuing operations, other comprehensive income, and total comprehensive income.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Carrying amount of interests in associates	**71,015**	73,600

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit from continuing operations attributable to owners of the parent company	**1,986**	2,406
Other comprehensive income attributable to owners of the parent company	**278**	605
Total comprehensive income attributable to owners of the parent company	**2,265**	3,011

(2) Joint ventures

The following tables show the carrying amounts of investments in joint ventures that are individually not material, and the share of profit from continuing operations, other comprehensive income, and total comprehensive income.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Carrying amount of interests in joint ventures	**60,174**	57,033

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit from continuing operations attributable to owners of the parent company	**1,994**	130
Other comprehensive income attributable to owners of the parent company	**218**	2
Total comprehensive income attributable to owners of the parent company	**2,212**	133

18. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

Changes in deferred tax assets and deferred tax liabilities are as follows:

Fiscal year ended March 31, 2018

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Others	Balance at the end of the year
Deferred tax assets					
Liability for retirement benefits	**12,698**	**(1,167)**	**2,951**	**(193)**	**14,289**
Accrued compensated absences	**1,977**	**603**	**–**	**(74)**	**2,506**
Accrued bonuses	**3,947**	**(120)**	**–**	**(66)**	**3,761**
Elimination of intercompany profit	**1,771**	**1,219**	**–**	**–**	**2,990**
Period expense	**5,011**	**(521)**	**–**	**(21)**	**4,469**
Impairment losses	**1,313**	**3,172**	**–**	**(217)**	**4,268**
Others	**8,516**	**420**	**87**	**1,176**	**10,198**
Total	**35,235**	**3,606**	**3,038**	**604**	**42,482**
Deferred tax liabilities					
Revaluation of property, plant and equipment	**(13,278)**	**2,407**	**–**	**(591)**	**(11,462)**
Reserve for accelerated depreciation of property, plant and equipment	**(4,452)**	**448**	**–**	**–**	**(4,004)**
Net changes in fair value of financial assets	**(9,308)**	**–**	**(839)**	**(91)**	**(10,238)**
Appraisal of land on consolidated financial statements	**(2,559)**	**(6)**	**–**	**–**	**(2,565)**
Others	**(9,550)**	**(614)**	**–**	**(962)**	**(11,126)**
Total	**(39,150)**	**2,235**	**(839)**	**(1,644)**	**(39,397)**
Net deferred tax assets or liabilities	**(3,914)**	**5,841**	**2,199**	**(1,039)**	**3,085**

Fiscal year ended March 31, 2017

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Others	Balance at the end of the year
Deferred tax assets					
Liability for retirement benefits	12,525	(1,738)	1,949	(38)	12,698
Accrued compensated absences	2,006	(32)	–	3	1,977
Accrued bonuses	3,168	746	–	33	3,947
Elimination of intercompany profit	1,795	(24)	–	–	1,771
Period expense	4,139	883	–	(11)	5,011
Others	11,032	(1,239)	(104)	141	9,830
Total	34,667	(1,404)	1,845	128	35,235
Deferred tax liabilities					
Revaluation of property, plant and equipment	(14,912)	1,058	–	576	(13,278)
Reserve for accelerated depreciation of property, plant and equipment	(4,616)	164	–	0	(4,452)
Net changes in fair value of financial assets	(8,665)	–	(643)	–	(9,308)
Appraisal of land on consolidated financial statements	(2,559)	–	–	–	(2,559)
Others	(7,831)	(1,479)	–	(240)	(9,550)
Total	(38,585)	(257)	(643)	336	(39,150)
Net deferred tax assets or liabilities	(3,917)	(1,661)	1,202	464	(3,914)

Deferred tax assets and deferred tax liabilities recognized in the consolidated statements of financial position are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Deferred tax assets	**13,080**	8,249
Deferred tax liabilities	**(9,994)**	(12,163)
Net deferred tax assets (liabilities)	**3,085**	(3,914)

(2) Future deductible temporary differences, net loss carryforwards, and unused tax credits for which no deferred tax assets are recognized

Future deductible temporary differences, net loss carryforwards, and unused tax credits for which no deferred tax assets are recognized are as follows: (tax base)

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Future deductible temporary differences	**36,657**	44,612
Net loss carryforwards	**8,384**	8,526
Unused tax credits	**1,526**	2,851
Total	**46,568**	55,989

Net loss carryforwards and unused tax credits for which no deferred tax assets are recognized will expire as follows:

Net loss carryforwards (tax base)

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Within 1 year	**19**	15
Over 1 year within 2 years	**248**	19
Over 2 years within 3 years	**104**	84
Over 3 years within 4 years	**185**	71
Over 4 years within 5 years	**132**	178
Over 5 years	**7,692**	8,157
Total	**8,384**	8,526

Unused tax credits (tax base)

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Within 1 year	**546**	584
Over 1 year within 2 years	**416**	1,830
Over 2 years within 3 years	**563**	436
Over 3 years within 4 years	**–**	–
Over 4 years within 5 years	**–**	–
Over 5 years	**–**	–
Total	**1,526**	2,851

(3) Future taxable temporary differences related to investments in subsidiaries for which no deferred tax liabilities are recognized

As for future taxable temporary differences related to investments in subsidiaries, the Company does not recognize deferred tax liabilities except for those related to the undistributed retained earnings from which dividends will be paid at the end of the reporting period, because the Company is able to control the timing of reversing the temporary differences, and the temporary differences are unlikely to be reversed in foreseeable future. The future taxable temporary differences related to investments in subsidiaries for which no deferred tax liabilities are recognized are ¥311,572 million and ¥285,826 million as of March 31, 2018 and 2017, respectively.

(4) Deferred tax assets dependent on future taxable income

Deferred tax assets of ¥5,553 million and ¥3,571 million were recognized as of March 31, 2018 and 2017, respectively, for the Company and its certain subsidiaries that incurred net loss for the fiscal year ended March 31, 2018 or 2017, and whose recoverability of deferred tax assets depends on the future taxable income.

The deferred tax assets above were recognized after thorough assessments by the management to evaluate the possibility of future taxable income against which net loss carryforwards and future deductible temporary differences can be utilized, based on the past experiences, approved future business plans, tax planning opportunities, and other factors.

(5) Tax expenses

The details of tax expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Current tax expense	**22,494**	20,056
Deferred tax expense		
Recognition and reversal of temporary differences	**(2,764)**	2,051
Changes in tax rates	**(2,146)**	(771)
Others	**(930)**	381
Total deferred tax expenses	**(5,841)**	1,661
Total tax expenses	**16,653**	21,717

Current tax expense includes previously unrecognized tax-based net loss, tax credits, or benefits arising from temporary differences from prior periods. Consequently, the current tax expense decreased by ¥588 million and ¥1,146 million for the fiscal years ended March 31, 2018 and 2017, respectively.

(6) Reconciliation between statutory tax rate and effective tax rate

Main items that caused differences between the statutory tax rate and the effective tax rate are as follows:

The effective tax rate represents the ratio of tax expense to profit before income tax.

(%)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Statutory tax rate	**30.9**	30.9
Share of profit of associates and joint ventures	**(1.4)**	(0.9)
Difference from applicable tax rates of foreign subsidiaries	**(3.4)**	(3.7)
Special tax credit on corporate income taxes	**(3.0)**	(2.0)
Effects of tax reforms	**(2.7)**	(0.9)
Others	**(0.8)**	1.8
Effective tax rate	**19.5**	25.1

The Company is mainly subject to income taxes, inhabitant taxes, and tax deductible enterprise taxes. The statutory tax rates are calculated based on these taxes, provided that overseas subsidiaries are subject to income taxes in their respective countries of domicile.

19. Trade and Other Payables

The details of trade and other payables are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Notes payable - trade	**1,875**	896
Accounts payable - trade	**110,402**	88,228
Accounts payable - other	**44,893**	45,340
Others	**28,272**	26,375
Total	**185,443**	160,840

20. Corporate Bonds and Borrowings

(1) Corporate bonds

The details of corporate bonds as of March 31, 2018 and 2017 are as follows:

Company name	Issue	Date of issuance	As of March 31, 2018 (Millions of yen)	As of March 31, 2017 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Ajinomoto Co., Inc.	The 20th unsecured bond	September 17, 2008	**19,978 (–)**	19,973 (–)	1.890	None	September 17, 2020
Ajinomoto Co., Inc.	The 21st unsecured bond	March 2, 2016	**19,948 (–)**	19,938 (–)	0.200	None	March 2, 2023
Ajinomoto Co., Inc.	The 22nd unsecured bond	March 2, 2016	**24,918 (–)**	24,907 (–)	0.305	None	March 2, 2026
Ajinomoto Co., Inc.	The 23rd unsecured bond	March 2, 2016	**24,883 (–)**	24,876 (–)	0.939	None	February 29, 2036
Ajinomoto Co., Inc.	The 24th unsecured bond	March 9, 2017	**19,930 (–)**	19,919 (–)	0.190	None	March 8, 2024
Ajinomoto Co., Inc.	The 25th unsecured bond	March 9, 2017	**29,900 (–)**	29,889 (–)	0.355	None	March 9, 2027
Ajinomoto Co., Inc.	The 26th unsecured bond	March 9, 2017	**29,853 (–)**	29,846 (–)	0.921	None	March 9, 2037
Total			**169,413 (–)**	169,347 (–)	–	–	–

Figures in parentheses represent the current portion of corporate bonds as of March 31, 2018 and 2017.

(2) Borrowings

The details of borrowings as of March 31, 2018 and 2017 are as follows:

	As of March 31, 2018 (Millions of yen)	As of March 31, 2017 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	**15,280**	11,153	1.19	–
Current portion of long-term borrowings	**11,285**	23,929	0.43	–
Long-term borrowings	**140,298**	129,617	0.85	From April 2019 to November 2037
Total	**166,864**	164,700	–	–

Average interest rates represent the weighted average interest rate on the balance of borrowings as of the end of each fiscal year.

21. Cash Flow Information

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended March 31, 2018

(Millions of yen)

	Balance at the beginning of the year	Changes arising from cash flows	Changes arising from non-cash transactions					Balance at the end of the year
			Business combinations	Exchange differences on translation	Changes in fair value	Purchase of lease assets	Others	
Short-term borrowings	11,153	3,313	603	210	–	–	–	15,280
Long-term borrowings*1	153,546	(786)	1,036	(2,212)	–	–	–	151,584
Corporate bonds	169,347	–	–	–	–	–	66	169,413
Lease obligations	1,935	(646)	5	26	–	6,606	–	7,928
Derivative liabilities (assets)*2	2,121	(99)	–	–	1,216	–	–	3,238
Total liabilities arising from cash flows from financing activities	338,104	1,782	1,645	(1,975)	1,216	6,606	66	347,445

*1. The balance of long-term borrowings includes the current portion.
*2. Derivatives are held for the purpose of hedging exposure to interest rate risk on borrowings.

22. Provisions

Major provisions and changes in their balances are as follows:

(Millions of yen)

	Provision for levies	Provision for environmental measures	Provision for loss on contract	Provision for loss on litigation	Others	Total
Balance as of April 1, 2016	3,516	1,189	2	3,319	2,954	10,979
Increase in the period (provisions)	3,216	467	6,454	43	447	10,628
Increase in the period (increase arising from passage of time)	–	–	–	–	3	3
Decrease in the period (utilization)	(3,382)	(88)	(2)	(164)	(1,540)	(5,178)
Decrease in the period (reversal)	(0)	(235)	–	–	(200)	(437)
Exchange differences on translation	(34)	(37)	–	33	(3)	(41)
Others	(33)	–	–	(95)	15	(113)
Balance as of March 31, 2017	3,281	1,295	6,454	3,136	1,673	15,841
Increase in the period (provisions)	3,247	847	610	150	1,408	6,264
Business combinations	–	–	–	–	3	3
Increase in the period (increase arising from passage of time)	–	–	–	–	3	3
Decrease in the period (utilization)	(3,141)	(183)	(51)	–	(455)	(3,832)
Decrease in the period (reversal)	(5)	(31)	–	(477)	(180)	(694)
Exchange differences on translation	24	50	–	84	(14)	143
Others	–	–	–	–	16	16
Balance as of March 31, 2018	3,406	1,978	7,013	2,894	2,453	17,746

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Current liabilities	6,348	4,579
Non-current liabilities	11,397	11,261
Total	17,746	15,841

(1) Provision for levies

Provision for levies is recognized for the amount expected to be paid to the government in accordance with laws and regulations. The expected timing of future outflow of economic benefits is within one year from the end of the fiscal year ended March 31, 2018.

(2) Provision for environmental measures

Provision for environmental measures is recognized for the amount expected to be paid for the disposal of stored polychlorinated biphenyl (PCB) and other wastes. The expected timing of future outflow of economic benefits is mainly after one year from the end of the fiscal year ended March 31, 2018.

(3) Provision for loss on contract

Provision for loss on contract is recognized for the estimated amount of excess of future expected costs over economic benefits gained for the losses incurred as manufacturing service agreement for pharmaceuticals products is executed. The expected timing of future outflow of economic benefits is within eight years from the end of the fiscal year ended March 31, 2018, but the amount or the timing expected is subject to change due to the status of new drug approvals and other related conditions in the future.

(4) Provision for loss on litigation

Provision for loss on litigation is recognized for the reasonable estimate of compensation deemed necessary as of the reporting date of each fiscal year for litigation-related expenditures.

23. Contingent Liabilities

The undiscounted future maximum exposure from the Group's guarantee obligations is as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Granules-OmniChem Private Ltd. (joint venture)	**2,153**	2,156
Others	**54**	104
Total	**2,207**	2,260

In the event that these debtors above are unable to repay their borrowings, the Group may pay the outstanding debt for them including the associated expenses.

The maximum remaining period of these guarantee obligations is five years as of March 31, 2018.

24. Employee Benefits

(1) Post-employment benefits

The Group has established corporate pension fund, welfare pension fund, and retirement lump-sum payment plans for its defined benefit plans. Furthermore, some consolidated subsidiaries have established defined contribution plans in addition to defined benefit plans.

(a) Defined benefit plans in Japan

The Group has several defined benefit plans in Japan. The amount of retirement benefits to be provided by these defined benefit plans is determined by the base salary, calculated by the number of accumulated points earned until the employee's retirement and the interest crediting rates on the accumulated points based on the 20-year Japanese government bond yield. If the service period of an employee is 20 years or more, the employee is entitled to the annuity payment option.

The major defined benefit plan is managed by the Ajinomoto Corporate Pension Fund. Under the Japanese law, the plan is required to meet the minimum funding requirement. If the plan becomes underfunded below the minimum funding requirement, additional contributions must be made to the plan within a specified period.

The Ajinomoto Corporate Pension Fund has the responsibility for investing plan assets in accordance with the required policies designated by the Company.

(b) Defined benefit plans in overseas countries

Consolidated overseas subsidiaries, such as in Indonesia, Belgium, Thailand, France, and the Philippines, etc., sponsor defined benefit post-employment benefits plans. The major plan is a defined benefit lump-sum severance plan sponsored by PT Ajinomoto Indonesia, PT Ajinomoto Sales Indonesia, and PT Ajinex International Indonesia, which are the Company's consolidated subsidiaries in Indonesia.

The amount of benefits to be provided under the lump-sum severance plan in Indonesia is mainly determined by the final salary formula, which is based on the final salaries multiplied by a certain ratio.

The lump-sum severance plan in Indonesia is subject to the minimum benefit requirement in accordance with the Company Law of Indonesia.

1) Risks associated with defined benefit plans
The principal defined benefit plans of the Group are exposed to interest rate risk, investment risk of plan assets, and other risks.

(a) Interest rate risk
A decline in the yield on high quality corporate bonds or government bonds results in an increase in defined benefit obligations. However, this will in part be offset by an increase in the fair value of plan assets.

(b) Investment risk of plan assets
A portion of plan assets has been invested in stocks and bonds, which are subject to price fluctuations.

2) Details of defined benefit liabilities or assets
The following table shows the details of defined benefit liabilities or assets as of March 31, 2018.

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	**258,950**	**15,879**	**274,830**
Fair value of plan assets	**209,643**	**5,049**	**214,692**
Net defined benefit liabilities (assets)	**49,307**	**10,830**	**60,137**
Amounts in consolidated statements of financial position			
Assets (Other non-current assets)	**2,417**	**–**	**2,417**
Liabilities (Long-term employee benefits)	**51,725**	**10,830**	**62,555**

The following table shows the details of defined benefit liabilities or assets as of March 31, 2017.

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	246,577	13,898	260,475
Fair value of plan assets	202,814	4,191	207,006
Net defined benefit liabilities (assets)	43,762	9,707	53,469
Amounts in consolidated statements of financial position			
Assets (Other non-current assets)	1,946	–	1,946
Liabilities (Long-term employee benefits)	45,709	9,707	55,416

3) Defined benefit obligations

The following table shows changes in the present value of defined benefit obligations.

(Millions of yen)

	Japan	Overseas	Total
Balance as of April 1, 2016	238,647	12,918	251,566
Current service cost	6,359	1,040	7,399
Interest expense	1,105	486	1,592
Remeasurement of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	20,553	(5)	20,547
Actuarial (gains) losses arising from changes in financial assumptions	(6,548)	409	(6,139)
Experience adjustments	(1,229)	19	(1,209)
Past service cost	–	(3)	(3)
Contributions to the plan by plan participants	–	20	20
Benefits paid from the plan	(11,694)	(515)	(12,210)
Exchange differences on translation	–	(469)	(469)
Effects of business combinations and disposals	(489)	–	(489)
Others	(125)	(3)	(129)
Balance as of March 31, 2017	246,577	13,898	260,475
Current service cost	**5,860**	**1,270**	**7,130**
Interest expense	**1,800**	**530**	**2,330**
Remeasurement of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	**13,986**	**(36)**	**13,950**
Actuarial (gains) losses arising from changes in financial assumptions	**499**	**48**	**547**
Experience adjustments	**2,417**	**176**	**2,593**
Past service cost	**–**	**15**	**15**
Contributions to the plan by plan participants	**–**	**30**	**30**
Benefits paid from the plan	**(11,903)**	**(686)**	**(12,589)**
Exchange differences on translation	**–**	**249**	**249**
Effects of business combinations and disposals	**(301)**	**256**	**(44)**
Others	**13**	**126**	**140**
Balance as of March 31, 2018	**258,950**	**15,879**	**274,830**

The weighted average duration of defined benefit obligations as of March 31, 2018 was 15.2 years in Japan and 13.7 years in overseas countries.

4) Plan assets

The following table shows changes in the fair value of plan assets.

(Millions of yen)

	Japan	Overseas	Total
Balance as of April 1, 2016	196,682	4,061	200,744
Interest income	926	103	1,029
Remeasurement of fair value of plan assets:			
Return on plan assets	4,194	11	4,205
Actuarial (gains) losses arising from changes in financial assumptions	200	0	200
Contributions:			
Contributions to the plan by employer	12,287	456	12,743
Contributions to the plan by plan participants	–	20	20
Benefits paid from the plan	(11,380)	(189)	(11,569)
Exchange differences on translation	–	(273)	(273)
Effects of business combinations and disposals	(313)	–	(313)
Others	218	0	218
Balance as of March 31, 2017	202,814	4,191	207,006
Interest income	**1,493**	**95**	**1,589**
Remeasurement of fair value of plan assets:			
Return on plan assets	**4,429**	**36**	**4,466**
Actuarial (gains) losses arising from changes in financial assumptions	**224**	**(5)**	**218**
Contributions:			
Contributions to the plan by employer	**12,171**	**614**	**12,785**
Contributions to the plan by plan participants	**–**	**26**	**26**
Benefits paid from the plan	**(11,517)**	**(279)**	**(11,797)**
Exchange differences on translation	**–**	**246**	**246**
Others	**26**	**123**	**150**
Balance as of March 31, 2018	**209,643**	**5,049**	**214,692**

The amount of contributions to the defined benefit plans expected to be made for the fiscal year ending March 31, 2019 is ¥10,679 million.

The following table shows the components of plan assets.

(Millions of yen)

	As of March 31, 2018		As of March 31, 2017	
	Japan	Overseas	Japan	Overseas
Debt instruments				
With quoted market price	**3,890**	**–**	9,205	–
With no quoted market price	**1,502**	**–**	3,281	–
Equity instruments				
With quoted market price	**2,886**	**–**	2,686	–
With no quoted market price	**2,206**	**–**	1,309	–
Commingled investments				
Debt instruments				
With no quoted market price	**105,579**	**556**	95,497	548
Equity instruments				
With no quoted market price	**50,128**	**–**	46,356	–
Others				
With no quoted market price	**3,834**	**–**	3,533	–
Life insurance general accounts				
With no quoted market price	**38,341**	**4,326**	37,444	3,417
Cash and cash equivalents	**1,080**	**106**	1,070	143
Others	**192**	**59**	2,430	80
Total	**209,643**	**5,049**	202,814	4,191

In the table above, debt and equity instruments with quoted market prices available are evaluated using the current quoted market prices and are classified under "with quoted market price." Other debt and equity instruments are primarily pooled funds managed by trust banks, and their fair values are evaluated with reference to the net asset value determined by the trust banks. They are classified under "with no quoted market price."

There are no transferrable financial instruments issued by the Company in the plan assets.

5) Actuarial assumptions

The following table shows the main assumptions used in the actuarial valuation.

(%)

	As of March 31, 2018		As of March 31, 2017	
	Japan	Overseas	Japan	Overseas
Discount rates	**0.7**	**3.9**	0.8	4.0

6) Sensitivity analysis for defined benefit obligations

The following table shows the assumed effects of a 0.1% change in the discount rate on the present value of defined benefit obligations of principal companies of the Group.

(Millions of yen)

	As of March 31, 2018	
	Japan	Overseas
Increase in defined benefit obligations if the discount rate decreased by 0.1%	**3,908**	**225**
Decrease in defined benefit obligations if the discount rate increased by 0.1%	**(3,831)**	**(239)**

The analysis is based on an assumption that actuarial assumptions other than the discount rate are held constant. However, changes in the other actuarial assumptions may impact the actual results.

7) Defined benefit cost

The following table shows the details of defined benefit cost included in the retirement benefit costs.

(Millions of yen)

	Fiscal year ended March 31, 2018			Fiscal year ended March 31, 2017		
	Japan	Overseas	Total	Japan	Overseas	Total
Current service cost	**5,860**	**1,270**	**7,130**	6,359	1,040	7,399
Interest income or expense	**306**	**434**	**740**	179	383	562
Past service cost	**–**	**15**	**15**	–	(3)	(3)
Total (Profit or loss)	**6,166**	**1,719**	**7,886**	6,538	1,420	7,959
Actuarial (gains) losses arising from changes in demographic assumptions	**13,986**	**(36)**	**13,950**	20,553	(5)	20,547
Actuarial (gains) losses arising from changes in financial assumptions	**275**	**53**	**328**	(6,749)	409	(6,339)
Return on plan assets (Excluding the amount included in interest income)	**(4,429)**	**(36)**	**(4,466)**	(4,194)	(11)	(4,205)
Changes in other actuarial assumptions and other changes	**2,417**	**176**	**2,593**	(1,229)	19	(1,209)
Total (Other comprehensive income)	**12,249**	**157**	**12,407**	8,380	412	8,792

8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans were ¥14,681 million and ¥13,338 million for the fiscal years ended March 31, 2018 and 2017, respectively.

(2) Other employee benefits

The following table shows the amounts recognized as short-term and other long-term employee benefits in the consolidated statements of financial position.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Short-term employee benefits		
Accrued salaries	**3,249**	3,139
Accrued bonuses	**15,813**	15,906
Accrued compensated absences	**12,287**	11,308
Others	**6,460**	5,147
Total	**37,811**	35,501
Other long-term employee benefits		
Provision for Share-based payment	**84**	–
Accrued retirement benefits for directors	**543**	464
Others	**1,624**	1,710
Total	**2,252**	2,175

25. Common Stock and Reserve

(1) Numbers of shares authorized, shares issued, and treasury stock

(Number of shares)

	As of March 31, 2018	As of March 31, 2017
Number of shares authorized (Common stock with no par value)	**1,000,000,000**	1,000,000,000
Number of shares issued*1 (Common stock with no par value)		
Beginning of the year	**571,863,354**	583,762,654
Decrease due to retirement of treasury stock	–	11,899,300
End of the year	**571,863,354**	571,863,354
Treasury stock*2 (Common stock with no par value)		
Beginning of the year	**2,729,750**	2,724,205
End of the year	**3,971,026**	2,729,750

*1. All shares of common stock are fully paid.
*2. The Company introduced share-based payment of Executive Officers based on the Company's medium-term earnings performance (the "Share-based Payment") for Executive Officers of the Company in the fiscal year ended March 31, 2018.

The Share-based Payment has adopted a framework of a Directors' Remuneration Board Incentive Plan (BIP) Trust. The Directors' Remuneration BIP Trust purchased 971,000 ordinary shares of the Company (total share purchase amount: ¥2,169 million) in the fiscal year ended March 31, 2018.

The Company's shares held by the Directors' Remuneration BIP Trust are presented as "Treasury stock" in the consolidated statements of financial position. Expenditures related to the purchase of the Company's shares by the Directors' Remuneration BIP Trust are presented as "Purchase of treasury stock" in cash flows from financing activities in the consolidated statements of cash flows.

(2) Capital surplus and retained earnings

Reserve comprises the following:

1) Capital surplus

i. Legal capital surplus

The Companies Act of Japan provides that one half or more of the paid-in capital or benefits at the time of issuance of equity instruments shall be appropriated as common stock with the remainder appropriated as legal capital surplus. If certain requirements are satisfied, including a resolution at the General Meeting of Shareholders, the amount of legal capital surplus may be reduced, and all or a part of the corresponding amount may be transferred to common stock. Legal capital surplus is excluded from the calculation of distributable amounts.

ii. Other capital surplus

Other capital surplus is other than legal capital within capital surplus, and includes gains or losses on the disposal of treasury stock.

2) Retained earnings

i. Legal retained earnings

The Companies Act of Japan provides that one tenth of the amount appropriated as dividends from retained earnings shall be accumulated as legal capital surplus or legal retained earnings until the sum of legal capital surplus and legal retained earnings reaches one fourth of common stock. If certain requirements are satisfied, including a resolution at the General Meeting of Shareholders, the amount of legal retained earnings may be reduced, and all or a part of the corresponding amount may be transferred to common stock. Legal retained earnings are excluded from the calculation of distributable amounts.

ii. Other retained earnings

Other retained earnings include the reserve for dividends and the unappropriated retained earnings. These represent the cumulative amount of earnings of the Group.

(3) Capital management

The Group's basic policy on capital management is to maintain an adequate level of capital, which would balance with the risk and return of the business, in order to realize sustainable growth, and maintain sound and efficient management.

For this purpose, the Group focuses on capital efficiency and uses, as major indicators, the equity ratio attributable to the owners of the parent company and ROE (return on equity) attributable to the owners of the parent company. Capital represents the equity attributable to the owners of the parent company.

	As of March 31, 2018	As of March 31, 2017
Capital (Millions of yen)	**641,445**	616,315
Equity ratio attributable to owners of the parent company (%)	**45.0**	45.6
ROE attributable to owners of the parent company (%)	**9.7**	8.7

The management monitors and checks these indicators every time the management plan is developed and reviewed, along with revenues and investment plans.

The Group is not subject to any capital regulation from outside parties.

26. Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2018

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥15)	**8,537**	**March 31, 2017**	**June 27, 2017**	**June 28, 2017**
Interim dividend (Dividend per share: ¥15)	**8,536**	**September 30, 2017**	**November 7, 2017**	**December 5, 2017**

* The total amount of interim dividends includes ¥14 million in dividends on the Company's shares held by the Directors' Remuneration BIP Trust.

Fiscal year ended March 31, 2017

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥15)	8,715	March 31, 2016	June 29, 2016	June 30, 2016
Interim dividend (Dividend per share: ¥15)	8,537	September 30, 2016	November 8, 2016	December 5, 2016

Dividends for which the effective date falls in the next fiscal year commencing April 1, 2018 are as follows:

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥17)	9,670	March 31, 2018	June 26, 2018	June 27, 2018

The distribution of interim dividends is resolved by the Board of Directors and the distribution of year-end dividends is resolved by the General Meeting of Shareholders.

27. Share-based Payment

(1) Overview of share-based payment of Executive Officers based on the Company's earnings performance

The Company has introduced share-based payment of Executive Officers based on the Company's medium-term earnings performance (the "Share-based Payment") for the purpose of motivating the willingness of Directors, Corporate Executive Officers, and Corporate Fellows (collectively the "Executive Officers") to contribute to the Ajinomoto Group's business performance in the medium- and long-term and increased corporate value.

Under the Share-based Payment, the Company makes contributions to a stock-granting trust set up by the Company (the "Trust") with the maximum amount of ¥2.2 billion with a trust period of approximately three years. The Trust acquires the Company's shares with the maximum number of 1.1 million shares with the entrusted funds, and at the end of the three fiscal years covered by the Medium-Term Management Plan, which started on April 1, 2017 (the "Period"), the Trust grants the acquired shares to the Executive Officers based on the Group's performance for the final fiscal year of the Period.

Executive Officers who are eligible for the Share-based Payment are those who are Executive Officers of the Company during the Period (excluding Outside Directors, Executive Officers who are non-residents of Japan throughout the Period, and Executive Officers who retired by June 30, 2017).

The number of shares to be granted*1 is calculated by dividing the medium-term performance-linked remuneration, based on the pre-set indices by officers' ranks in accordance with the achievement level of business profit*2 and the ratio of business profit to total assets (ROA)*3 (both on a consolidated basis) for the final fiscal year of the Period, by the average acquisition price of the Company's shares acquired by the Trust. Shares less than 100 are rounded down.

The Share-based Payment is accounted for as equity-settled share-based payment. There is no exercise price since shares are granted as remuneration.

*1. Number of shares to be granted:
(Medium-term performance indices by ranks) × (¥10 million per index of 100) / (Average acquisition price of the Company's shares in the Trust) (Shares less than 100 are rounded down)

*2. Business profit (consolidated basis)
Sales − Cost of sales − Selling expenses, Research and development expenses, and General and administrative expenses + Share of profit of associates and joint ventures

*3. Ratio of business profit to total assets (ROA) (consolidated basis)
Business profit / Total assets × 100

(2) The Company's shares held by the Trust

The Company's shares held by the Trust are included in treasury stock at the carrying amount of the Trust (excluding the amount of related transaction costs). The carrying amount and the number of shares of treasury stock as of March 31, 2018 were ¥2,169 million and 971,000 shares, respectively.

(3) Basis of fair value measurement and weighted average fair value

The fair value as of the grant date is measured based on the observable market price of the Company's shares. Expected dividends are incorporated into the fair value measurement.

The following table shows the basis of fair value measurement and weighted average fair value of the Company's shares granted in the fiscal years ended March 31, 2018 and 2017.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Share price as of the grant date	**¥2,472.5**	–
Vesting period	**3 years**	–
Expected annual dividends	**¥30/share**	–
Discount rate	**0.0%**	–
Weighted average fair value	**¥2,382.5**	–

(4) Total expenses recorded for the Share-based Payment

Expenses recorded for the Share-based Payment were ¥407 million and ¥— million for the fiscal years ended March 31, 2018 and 2017, respectively.

(5) Estimated amounts expected to be transferred to tax authorities

In relation to the Share-based Payment, the Company estimates that ¥151 million and ¥— million are expected to be transferred to tax authorities upon settling officers' tax obligations for the fiscal years ended March 31, 2018 and 2017, respectively.

28. Selling Expenses

The details of selling expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Logistics expenses	47,723	43,787
Advertising	35,581	35,148
Sales promotion expenses	25,052	26,399
Sales commissions	2,966	2,794
Employee benefit expenses	40,879	39,996
Depreciation and amortization	2,051	2,020
Others	19,599	19,301
Total	173,855	169,448

29. Research and Development Expenses

The details of research and development expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Employee benefit expenses	12,998	12,717
Depreciation and amortization	2,324	2,201
Subcontracting and consumables expenses	6,900	6,979
Others	5,609	5,236
Total	27,833	27,134

30. General and Administrative Expenses

The details of general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Employee benefit expenses	56,642	53,496
Depreciation and amortization	8,493	8,006
Others	37,264	34,616
Total	102,400	96,119

31. Employee Benefit Expenses

The details of employee benefit expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Salaries	122,547	113,881
Bonuses	33,193	33,159
Compensated absences	2,443	2,177
Retirement benefits	9,821	9,203
Directors' remuneration	2,727	2,568
Directors' bonuses	379	328
Share-based payment	407	–
Other employee benefits	41,640	41,143
Total	213,160	202,463

32. Other Operating Income

The details of other operating income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Gain on sales of property, plant and equipment	2,712	5,312
Lease income	676	690
Refund and interest on refund	565	33
Insurance proceeds	114	696
Others	5,699	2,808
Total	9,768	9,541

33. Other Operating Expenses

The details of other operating expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Impairment losses	11,681	1,965
Losses on disposal of property, plant and equipment	2,973	3,657
Losses on litigation	1,437	1,037
Foreign exchange losses	1,103	1,272
Provision for loss on contract	610	6,451
Valuation loss on stock purchase agreement	–	2,037
Others	5,962	6,354
Total	23,770	22,776

34. Financial Income

The details of financial income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Interest income		
Financial assets measured at amortized cost	4,405	3,162
Subtotal	4,405	3,162
Dividend income		
Financial assets measured at fair value through other comprehensive income	1,341	1,217
Subtotal	1,341	1,217
Gain on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	–	975
Subtotal	–	975
Foreign exchange gains	3,108	1,303
Others	728	625
Total	9,584	7,283

35. Financial Expenses

The details of financial expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Interest expenses		
Financial liabilities measured at amortized cost	2,621	2,128
Derivatives	420	403
Subtotal	3,042	2,532
Losses on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	2,959	–
Subtotal	2,959	–
Unwinding of discount on provisions arising from passage of time	3	3
Loss allowance for expected credit losses	13	357
Others	1,439	1,322
Total	7,458	4,216

36. Other Comprehensive Income

The details of other comprehensive income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income:		
Amount arising during the period	3,224	6,675
Before tax effects	3,224	6,675
Tax effects	(942)	(1,978)
Net gain (loss) on revaluation of financial assets measured at fair value t hrough other comprehensive income	2,282	4,696
Remeasurements of defined benefit pension plans:		
Amount arising during the period	(12,297)	(8,556)
Before tax effects	(12,297)	(8,556)
Tax effects	2,951	1,949
Remeasurements of defined benefit pension plans	(9,346)	(6,607)
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	384	540
Share of other comprehensive income (loss) of associates and joint ventures	384	540
Items that may be reclassified to profit or loss:		
Cash flow hedges:		
Amount arising during the period	(460)	(95)
Reclassification adjustments:		
Currency risk	62	92
Interest rate risk	420	403
Before tax effects	22	400
Tax effects	67	(126)
Cash flow hedges	90	274
Change in fair value of forward elements of forward contracts*1:		
Amount arising during the period	(138)	(216)
Reclassification adjustments	–	–
Before tax effects	(138)	(216)
Tax effects	24	53
Change in fair value of forward elements of forward contracts	(114)	(162)
Exchange differences on translation of foreign operations:		
Amount arising during the period	(4,670)	1,624
Reclassification adjustments	–	184
Before tax effects	(4,670)	1,809
Tax effects	–	–
Exchange differences on translation of foreign operations	(4,670)	1,809
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	126	(15)
Reclassification adjustments	(14)	82
Share of other comprehensive income (loss) of associates and joint ventures	112	67
Total other comprehensive income	(11,262)	617

* Change in fair value of forward elements of forward contracts is the amount of forward elements of forward contracts to hedge period-related hedged items.

37. Earnings per Share

Respective information related to the calculation of earnings per share attributable to owners of the parent company is as follows:
Diluted earnings per share are not included in the table since no dilutive potential shares exist.

(1) Profit attributable to owners of the parent company

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit from continuing operations	60,741	53,065
Profit from discontinued operations	–	–
Amount used for calculating basic earnings per share	60,741	53,065

(2) Weighted average number of ordinary shares

(Thousands of shares)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Weighted average number of ordinary shares	568,512	571,779

(3) Basic earnings per share attributable to owners of the parent company

(Yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Basic earnings per share:		
Continuing operations	106.84	92.81
Discontinued operations	–	–
Basic earnings per share	106.84	92.81

For the calculation of basic earnings per share, the Company's shares held by the Directors' Remuneration BIP Trust, as below, are included in treasury stock, which are deducted from the weighted average number of shares during the period.
Fiscal year ended March 31, 2018: 971,000 shares
Fiscal year ended March 31, 2017: –shares

38. Financial Instruments

(1) Classification of financial instruments

Financial instruments are classified as follows:

1) Financial assets and liabilities measured at fair value through profit or loss

(Millions of yen)

	Financial instruments mandatorily measured at fair value	
	As of March 31, 2018	As of March 31, 2017
(Current assets)		
Other financial assets		
Derivative assets*1	**297**	1,085
(Non-current assets)		
Long-term financial assets		
Debt instruments	**527**	452
Derivative assets*1	**12**	30
(Current liabilities)		
Other financial liabilities		
Derivative liabilities*1	**1,937**	2,814
(Non-current liabilities)		
Other financial liabilities		
Derivative liabilities*1	**8,324**	4,404

*1. Derivative assets and liabilities designated as cash flow hedges are measured through other comprehensive income. For the amounts recognized, see "(3) Hedge accounting."

2) Financial assets and liabilities measured at amortized cost

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
(Current assets)		
Cash and cash equivalents	**187,869**	186,003
Trade and other receivables	**200,270**	186,503
Other financial assets		
Debt instruments	**10,318**	9,961
(Non-current assets)		
Long-term financial assets		
Debt instruments	**9,877**	5,048
(Current liabilities)		
Trade and other payables	**185,443**	160,840
Short-term borrowings	**15,280**	11,153
Current portion of long-term borrowings	**11,285**	23,929
Other financial liabilities	**2,088**	2,234
(Non-current liabilities)		
Corporate bonds	**169,413**	169,347
Long-term borrowings	**140,298**	129,617
Other financial liabilities	**20,104**	14,048

3) Financial assets measured at fair value through other comprehensive income

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
(Non-current assets)		
Long-term financial assets		
Equity instruments*	**59,625**	57,392

* The Company may hold shares of trade partners at their request for building better business relationships and harmonious business environment. Considering the purpose of share-holding, these shares are designated as financial assets at fair value through other comprehensive income.

The following tables show the fair values of equity instruments by major issuers as of March 31, 2018 and 2017.

As of March 31, 2018

(Millions of yen)

Issuer	Amount
Mitsubishi UFJ Financial Group, Inc.	**10,455**
HOUSE FOODS GROUP INC.	**9,521**
Seven & i Holdings Co., Ltd	**4,558**
FINET, INC.	**2,583**
Mitsubishi Shokuhin Co., Ltd.	**2,573**

As of March 31, 2017

(Millions of yen)

Issuer	Amount
Mitsubishi UFJ Financial Group, Inc.	10,496
HOUSE FOODS GROUP INC.	6,544
Seven & i Holdings Co., Ltd	4,356
Mitsubishi Shokuhin Co., Ltd.	2,911
SHIMIZU CORPORATION	2,605

The following table shows the dividends received from equity instruments held during the fiscal years ended March 31, 2018 and 2017.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Dividends from equity instruments derecognized during the period	**8**	92
Dividends from equity instruments held at the end of the period	**1,333**	1,125
Total	**1,341**	1,217

The shares of trade partners shall be kept as long as it is considered to strengthen the business relationships and benefit the Company in expanding its business, but those with insignificant effect may be sold after an annual review by the Board of Directors and in consideration of share prices and market trends, as appropriate. If additional acquisition of shares shall result in reclassifying the investment to investments in subsidiaries, the investments are accounted for as disposal.

The following table shows the fair value as of the disposal date and the cumulative gains (losses) on disposal.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Fair value as of disposal date	**1,209**	8,257
Cumulative gains (losses) on disposal	**557**	5,658

Cumulative gains (losses) arising from the changes in the fair value of financial assets measured at fair value through other comprehensive income are transferred to retained earnings when shares are sold. The cumulative gains (losses) in other comprehensive income that were transferred to retained earnings were ¥455 million and ¥4,290 million for the fiscal years ended March 31, 2018 and 2017, respectively.

(2) Risk management of financial instruments

1) Credit risk

The Group provides credit to customers within and outside of Japan in the form of trade and other receivables and others. Thus, it is exposed to the credit risk of uncollectability of these receivables in the event of a deterioration of customer's credit standing or business failure.

For trade and other receivables, each business or sales management division of the Company periodically monitors the credit status of major customers. By monitoring due dates and outstanding balances per customer, the risk of uncollectability may be early detected and minimized, and deposits are required, when deemed necessary. The Company's subsidiaries also apply the same risk management. The Group does not have excessive concentration of credit risk on any single customer.

The Group is exposed to the counterparty risk in relation to derivative transactions. To minimize this risk, derivative transactions are permitted, in principle, only with financial institutions with high credit ratings.

Except for guarantee obligations, the Group's maximum exposure to the credit risk is the carrying amounts of the financial assets recognized in the consolidated statements of financial position. The maximum exposure to the credit risk for guarantee obligations is presented in the amount guaranteed. For specific amounts, see Note 23 "Contingent Liabilities."

The Group holds deposits mainly as a collateral against some trade and other receivables. The amounts of deposits included in Other financial liabilities in the consolidated statements of financial position as of March 31, 2018 and 2017 were ¥12,220 million and ¥12,188 million, respectively. Financial instruments not offset in the consolidated statements of financial position since they do not meet the offsetting criteria are generally offset only when specific events occur, such as bankruptcy and other circumstances, in which a customer fails to settle debts.

2) Liquidity risk

The Group is exposed to the liquidity risk, by which financing may not be available in the necessary amount at the appropriate time. Confusion or disruption in the financial markets, the Company's credit rating lowered by credit rating agencies, and changes in policies and investment decisions by financial institutions all affect the Group's financing capabilities by increasing the financing cost and reducing liquidity. To minimize such risk, the Company and its principal consolidated subsidiaries use a cash management system and internal loans in an attempt to reduce consolidated interest-bearing liabilities and mitigate the liquidity risk. Liquidity risk is managed by maintaining liquidity at hand at a certain level and continuously setting commitment lines.

The following tables show the outstanding balances of non-derivative financial liabilities by maturity. Current liabilities maturing within one year and whose carrying amount is equal to the contractual cash flows are not included in the tables.

As of March 31, 2018

(Millions of yen)

	Contractual cash flows	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Corporate bonds	**182,347**	**1,149**	**1,149**	**20,945**	**771**	**20,768**	**137,561**
Borrowings	**179,629**	**28,134**	**13,871**	**16,052**	**15,467**	**12,419**	**93,684**
Others*1	**20,518**	**642**	**475**	**417**	**395**	**280**	**18,307**
Financial guarantee contracts	**2,207**	**2,207**	**–**	**–**	**–**	**–**	**–**

*1. Others mainly include deposits received for guarantees and lease obligations.

As of March 31, 2017

(Millions of yen)

	Contractual cash flows	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Corporate bonds	183,499	1,149	1,149	1,149	20,947	771	158,330
Borrowings	174,446	36,514	11,852	13,168	13,086	15,092	84,730
Others*1	14,253	704	537	368	328	156	12,157
Financial guarantee contracts	2,260	2,260	–	–	–	–	–

*1. Others mainly include deposits received for guarantees and lease obligations.

Liquidity analyses of derivatives held by the Group are as follows:

Derivatives that will be settled net with other contracts are also presented on a gross basis.

As of March 31, 2018

(Millions of yen)

		Within 1 year	Over 1 year
Currency related	In	**297**	**12**
	Out	**1,278**	**57**
Interest rate related	Out	**307**	**3,366**
Currency and interest rate related	In	**325**	**–**
	Out	**–**	**385**
Put options written on non-controlling interests	Out	**–**	**3,132**

As of March 31, 2017

(Millions of yen)

		Within 1 year	Over 1 year
Currency related	In	1,085	30
	Out	239	161
Interest rate related	Out	294	3,491
Currency and interest rate related	In	336	476
Stock purchase agreements	Out	2,115	–

3) Market risk

The Group conducts its business globally and, therefore, is exposed to the currency risk. The currency risk arises from receivables and payables and forecast transactions denominated in foreign currencies.

For receivables and payables denominated in foreign currencies, the currency fluctuation risk per currency and per month is hedged using forward contracts. For forecast transactions denominated in foreign currencies, forward exchange contracts may be used depending on the market conditions. Forward contracts are permitted only to the extent the settlement date comes within six months, with an upper limit of 50% of the monthly forecast transaction amounts, as a basic rule.

The Group also conducts financing through interest-bearing debts. The Group is exposed to the interest rate risk from the variable interest rates on some of these interest-bearing debts. Interest rate swaps are used to hedge the interest rate risk from such interest-bearing debts.

Furthermore, the Group holds equity instruments issued mainly by its trade partners and, accordingly, is exposed to the market fluctuation risk. No equity instruments are held for the short-term trading purposes. These equity instruments are periodically reviewed to assess their market values and the financial status of the issuers.

The finance division carries out derivative transactions in accordance with internal rules that specify authorization and transaction amount limits, and periodically reports the results of transactions to the Executive Officers in charge of finance and the management meetings. The Company's consolidated subsidiaries also manage their derivative transactions in accordance with the Company's rules.

The following table shows net exposures to major currency fluctuation risks, provided that, those being hedged by derivative transactions are excluded.

In thousands of respective currency unit

	As of March 31, 2018	As of March 31, 2017
U.S. dollars	**69,056**	93,105
Euro	**11,180**	12,807

For financial instruments held by the Group at the end of each fiscal year, the effects of a 1% increase in Japanese yen against the U.S. dollar and the Euro on profit before income taxes and other comprehensive income (before tax effect) are as follows:

The analysis is based on an assumption that all other variables remain constant.

The analysis does not include financial instruments denominated in functional currency, the effect of translation of income and expenses denominated in foreign currencies and of assets and liabilities of foreign operations.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Profit before income taxes		
U.S. dollars	**(68)**	(87)
Euro	**(14)**	(15)
Other comprehensive income (before tax effect)		
U.S. dollars	**(6)**	(17)
Euro	**0**	0

Exposure to the interest rate risk is as follows:

Borrowings for which the interest rate risk is hedged by derivative transactions are excluded.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Borrowings with variable interest rates	**6,797**	5,875

Exposure to the share price fluctuation risk is as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Financial assets measured at fair value through other comprehensive income		
Long-term financial assets	**59,625**	57,392

(3) Hedge accounting

1) Currency risk

The Company is exposed to the currency risk from receivables and payables denominated in foreign currencies, as well as forecasted transactions related to sales and purchases of inventories denominated in foreign currencies and acquisitions of foreign subsidiaries.

(Fair value hedge)

The Group controls its currency risk, basically by using forward contracts within the range of the receivable and payable balances denominated in foreign currencies.

Receivables and payables denominated in foreign currencies are hedged by forward contracts for the settlement currency per each transaction.

In addition, the Group uses currency swap contracts for part of the intercompany receivables and payables denominated in foreign currencies between consolidated companies with different functional currencies. In relation to this, the Group divides the currency swap into the forward element and spot element and designates only the spot element in the hedging relationship.

If receivables and payables denominated in foreign currencies being hedged qualify for hedge accounting, the fair value hedge is applied. The Group designates the hedging relationship so that the hedged receivables and payables denominated in foreign currencies would equal to the nominal principal of the hedging instrument. As for hedging the currency risk from intercompany receivables and payables denominated in foreign currencies between consolidated companies with different functional currencies, the Group designates the hedging relationship so that the hedged item and the nominal principal of the hedging instrument would equal. In determining the effectiveness of the hedge, the economic relationship between the hedged item and the hedging instrument is assessed based on whether the hedging relationship is expected to be highly effective in offsetting changes in fair values. Ineffective part of the hedge expected to affect hedging relationship during the period of the hedge is mainly caused by the difference between the exchange rates applicable to the hedged item and the hedging instrument.

(Cash flow hedge)

The Group controls the currency risk related to forecast transactions by using forward contracts. In such cases, forward contracts are permitted only to the extent the settlement date comes within six months, with an upper limit of 50% of the monthly forecast transaction amounts, as a basic rule.

Forecast transactions related to sales and purchases of inventories denominated in foreign currencies and acquisitions of foreign subsidiaries and associates are hedged by forward contracts for the settlement currency per each transaction.

If the above transactions qualify for hedge accounting, the cash flow hedge is applied. The Group designates the hedging relationship so that the hedged selling and purchasing prices of inventories denominated in foreign currencies and acquisition and selling prices of foreign subsidiaries would equal to the nominal principal of the hedging instrument.

In determining the effectiveness of the hedge, the economic relationship between the hedged item and the hedging instrument is assessed based on whether the hedging relationship is expected to be highly effective in offsetting changes in cash flows. Ineffective part of the hedge expected to affect hedging relationship during the period of the hedge is mainly caused by the difference between the exchange rates applicable to the hedged item and the hedging instrument.

The details of the balances of nominal principal of the hedging instruments by maturity and the average rates of the hedging instruments at the end of each period are as follows:

As of March 31, 2018

	Balance by maturity			
	Within 1 year	Over 1 year	Total	Average rate
Foreign exchange forward contracts				
(Short position)				
USD	**6,254 thousand USD**	**–**	**6,254 thousand USD**	**108.36 JPY/USD**
EUR	**1,536 thousand EUR**	**–**	**1,536 thousand EUR**	**132.42 JPY/EUR**
THB	**30,512 thousand THB**	**–**	**30,512 thousand THB**	**3.41 JPY/THB**
(Long position)				
USD	**37,361 thousand USD**	**–**	**37,361 thousand USD**	**110.47 JPY/USD**
				0.81 EUR/USD
Currency swaps				
(Short position)				
JPY	**90,015,400 thousand JPY**	**–**	**90,015,400 thousand JPY**	**0.29 THB/JPY**

As of March 31, 2017

	Balance by maturity			
	Within 1 year	Over 1 year	Total	Average rate
Foreign exchange forward contracts				
(Short position)				
USD	4,119 thousand USD	–	4,119 thousand USD	111.47 JPY/USD
EUR	1,335 thousand EUR	–	1,335 thousand EUR	120.69 JPY/EUR
THB	27,453 thousand THB	–	27,453 thousand THB	3.18 JPY/THB
(Long position)				
USD	21,485 thousand USD	–	21,485 thousand USD	114.85 JPY/USD
				0.93 EUR/USD
Currency swaps				
(Short position)				
JPY	80,015,400 thousand JPY	–	80,015,400 thousand JPY	0.31 THB/JPY

The status of fair value hedges related to currency risk is as follows:

Fiscal year ended March 31, 2018

The following table shows the effect of the hedging instruments designated as hedges on the consolidated statements of financial position.

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Foreign exchange forward contracts				
(Short position)	**3,247 thousand USD** **647 thousand EUR** **29,959 thousand THB**	**12 million JPY**	**–**	**Other financial assets**
Currency swap				
(Short position)	**90,015,400 thousand JPY**	**–**	**132 million JPY**	**Other financial liabilities**

The following table shows the effect of the hedged items designated as hedges on the consolidated statements of financial position.

(Millions of yen)

Hedged item	Carrying amount	Accumulated fair value hedge adjustments on hedged item included in carrying amount	Recognized in consolidated statements of financial position
Trade receivables	557	(12)	Trade and other receivables

Other than the above, fair value hedge is applied to intercompany monetary items, but the hedged items are eliminated in the consolidated statements of financial position.

There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2018.

Fiscal year ended March 31, 2017

The following table shows the effect of the hedging instruments designated as hedges on the consolidated statements of financial position.

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Foreign exchange forward contracts				
(Short position)	2,517 thousand USD 801 thousand EUR 21,369 thousand THB	0 million JPY	1 million JPY	Other financial assets Other financial liabilities
Currency swap				
(Short position)	80,015,400 thousand JPY	852 million JPY	–	Other financial assets

The following table shows the effect of the hedged items designated as hedges on the consolidated statements of financial position.

(Millions of yen)

Hedged item	Carrying amount	Accumulated fair value hedge adjustments on hedged item included in carrying amount	Recognized in consolidated statements of financial position
Trade receivables	448	0	Trade and other receivables

Other than the above, fair value hedge is applied to intercompany monetary items, but the hedged items are eliminated in the consolidated statements of financial position.

There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2017.

The status of cash flow hedges related to currency risk is as follows:

Fiscal year ended March 31, 2018

The following table shows the effect of the hedging instruments designated as hedges on the consolidated statements of financial position.

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Foreign exchange forward contracts				
(Short position)	**3,006 thousand USD** **888 thousand EUR** **553 thousand THB**	**9 million JPY**	**0 million JPY**	**Other financial assets** **Other financial liabilities**
Foreign exchange forward contracts				
(Long position)	**37,361 thousand USD**	**1 million JPY**	**179 million JPY**	**Other financial assets** **Other financial liabilities**

The following table shows the effect of the hedged items designated as hedges on the consolidated statements of financial position.

(Millions of yen)

Hedged item	Cash flow hedges
Forecast transactions related to sales of inventories	6
Forecast transactions related to purchases of inventories	(122)
Forecast transaction related to acquisition of subsidiaries	–

The hedge relationship above affected the profit or loss and other comprehensive income as follows:
There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2018.

(Millions of yen)

Hedged item	Gains (losses) recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in	Basis adjustments from cash flow hedges
Forecast transactions related to sales of inventories	**(13)**	**20**	**Other operating expenses**	**–**
Forecast transactions related to purchases of inventories	**(170)**	**–**	**–**	**59**
Forecast transaction related to acquisition of subsidiaries	**79**	**–**	**–**	**(35)**

There was no reclassification from cash flow hedges to profit or loss because the forecast transaction was no longer expected to occur.

Fiscal year ended March 31, 2017

The following table shows the effect of the hedging instruments designated as hedges on the consolidated statements of financial position.

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Foreign exchange forward contracts				
(Short position)	1,602 thousand USD	0 million JPY	2 million JPY	Other financial assets Other financial liabilities
	534 thousand EUR			
	6,084 thousand THB			
Foreign exchange forward contracts				
(Long position)	21,485 thousand USD	11 million JPY	35 million JPY	Other financial assets Other financial liabilities
Foreign currency denominated deposits	201,603 thousand TRY	(58) million JPY	–	Cash and cash equivalents

The following table shows the effect of the hedged items designated as hedges on the consolidated statements of financial position.

(Millions of yen)

Hedged item	Cash flow hedges
Forecast transactions related to sales of inventories	(0)
Forecast transactions related to purchases of inventories	(13)
Forecast transaction related to acquisition of subsidiaries	(44)

The hedge relationship above affected the profit or loss and other comprehensive income as follows:
There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2017.

(Millions of yen)

Hedged item	Gains (losses) recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in	Basis adjustments from cash flow hedges
Forecast transactions related to sales of inventories	(23)	12	Other operating expenses	–
Forecast transactions related to purchases of inventories	133	–	–	513
Forecast transaction related to acquisition of subsidiaries	(44)	–	–	–

There was no reclassification from cash flow hedges to profit or loss because the forecast transaction was no longer expected to occur.

2) Interest rate risk
The Group uses interest rate swaps to hedge interest rate risks from fluctuations of future cash flows arising from bonds and borrowings with variable interest rates.

Bonds and borrowings with variable interest rates are hedged by interest rate swaps to hedge interest payments on bonds and borrowings with variable interest rates per transaction. If the hedged bonds and borrowings with variable interest rates qualify for hedge accounting, cash flow hedge is applied. The Group designates the hedging relationship so that the hedged financial instruments' balance and the nominal principal of the hedging instrument would equal. In determining the effectiveness of the hedge, the economic relationship between the hedged item and the hedging instrument is assessed based on whether the hedging relationship is expected to be highly effective in offsetting changes in cash flows. Ineffective part of the hedge expected to affect hedging relationship during the period of the hedge is mainly caused by the difference between the interest rates applicable to the hedged item and the hedging instrument.

The degree of risk exposures of bonds and borrowings with variable interest rates under hedge accounting is as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Balance of borrowings with variable interest rates	**40,552**	44,141

The details of the balances of nominal principal of the hedging instruments by maturity and the average rates of the hedging instruments as of the end of each period are as follows:

As of March 31, 2018

	Balance by maturity (Millions of yen)			
	Within 1 year	Over 1 year	Total	Average rate (%)
Interest-rate swaps				
Receivable/variable and pay/fixed	**3,600**	**37,000**	**40,600**	**Variable 0.009** **Fixed 0.7810**

As of March 31, 2017

	Balance by maturity (Millions of yen)			
	Within 1 year	Over 1 year	Total	Average rate (%)
Interest-rate swaps				
Receivable/variable and pay/fixed	3,600	40,600	44,200	Variable 0.064 Fixed 0.7413

The status of cash flow hedge related to interest rate risk is as follows:

Fiscal year ended March 31, 2018

The following table shows the effect of the hedging instruments designated as hedges on the consolidated statements of financial position.

(Millions of yen)

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Interest-rate swaps				
Receivable/variable and paid/fixed	**40,600**	**–**	**2,554**	**Other financial liabilities**

The following table shows the effect of the hedged items designated as hedges on the consolidated statements of financial position.

(Millions of yen)

Hedged item	Cash flow hedges
Borrowings with variable interest rates	**(1,825)**

Other than the above, there was a balance of ¥(961) million in cash flow hedges arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

The hedge relationship above affected the profit or loss and other comprehensive income as follows:
There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2018.

(Millions of yen)

Hedged item	Gains (losses) recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in
Borrowings with variable interest rate	**(119)**	**238**	**Financial expenses**

Other than the above, there were a loss of ¥(29) million recognized in other comprehensive income and a reclassification of ¥83 million from cash flow hedges to profit or loss, arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

Fiscal year ended March 31, 2017

The following table shows the effect of the hedging instruments designated as hedges on the consolidated statements of financial position.

(Millions of yen)

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Interest-rate swaps				
Receivable/variable and paid/fixed	44,200	–	2,581	Other financial liabilities

The following table shows the effect of the hedged items designated as hedges on the consolidated statements of financial position.

(Millions of yen)

Hedged item	Cash flow hedges
Borrowings with variable interest rates	(1,944)

Other than the above, there was a balance of ¥(1,014) million in cash flow hedges arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

The hedge relationship above affected the profit or loss and other comprehensive income as follows:
There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2017.

(Millions of yen)

Hedged item	Gains (losses) recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in
Borrowings with variable interest rate	86	247	Financial expenses

Other than the above, there were a loss of ¥(253) million recognized in other comprehensive income and a reclassification of ¥58 million from cash flow hedges to profit or loss, arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

(4) Loss allowance for expected credit losses

1) Credit risk management practice

The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income.

In recognizing and measuring the loss allowance, the Group categorizes financial assets into three stages on the basis of existence of significant increase in the credit risk and credit impairment.

Stage 1: No significant increase in credit risk is indicated.

Stage 2: Significant increase in credit risk is indicated, but no credit impairment is indicated.

Stage 3: Both significant increase in credit risk and credit impairment are apparent.

A significant increase in credit risk refers to a significant increase in the risk of default occurring at the end of the period compared to the initial recognition. The Group determines the existence of a significant increase in credit risk mainly based on the principal and interest payment in arrears over 30 days, after consideration of the economic conditions of the debtor's industry and the possibility of future changes in debtor's solvency.

As for determining the default occurring, the Group makes assessment mainly based on significant financial difficulties of the debtor or issuer and the principal and interest payment in arrears over 90 days.

If it is determined that the default is occurring, an objective evidence of credit impairment exists, and such financial assets are classified as credit-impaired financial assets.

Irrespective of the three stages, when it is reasonably determined that all or part of a financial asset is not collectable, such as in the case of financial assets legally being extinguished, the carrying amount of the financial asset is directly written off.

In estimating the loss allowance, expected credit losses of certain financial assets are measured on a collective basis, and each group company individually sets its own grouping or sub-grouping of credit losses.

Expected credit loss is measured by the present value of the difference between the contractual cash flows, which is the amount the Group is entitled to receive per terms of contract, and the cash flows the Group expects to receive. When the credit risk on a financial asset has increased significantly since initial recognition, a loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses, and when the credit risk has not increased significantly, it is measured at an amount equal to the 12-month expected credit losses (general approach).

Irrespective of the above, for trade receivables without material financial components, the loss allowance is measured at an amount equal to the lifetime expected credit losses (simplified approach).

In measuring the 12-month and lifetime credit losses, the Group uses reasonable and substantiated information on the past events, current conditions and forecasts on future economic conditions, which is available without undue cost or effort at the reporting date. In measuring the expected credit losses on a collective basis, the actual rate of default from the past experiences may be used.

2) Loss allowance for expected credit losses and qualitative and quantitative information on financial assets for which loss allowance is recognized

Financial assets to which the general approach is applied

The following table shows the balance of major financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income classified by the stage of credit risk in accordance with the Group's internal rules:

(Millions of yen)

	As of March 31, 2018			As of March 31, 2017		
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses
Other receivables	**10,719**	**–**	**146**	7,538	1	222

The amounts in the above table represent the maximum exposure (before deducting loss allowance for expected credit losses) to credit risk, and are included in Trade and other receivables in the consolidated statements of financial position.

The following table shows the changes in the loss allowance shown above by classification.

(Millions of yen)

	Fiscal year ended March 31, 2018			Fiscal year ended March 31, 2017		
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses
Balance at the beginning of the year	**1**	**0**	**206**	1	0	210
Increase	**0**	**–**	**–**	0	–	12
Decrease	**(0)**	**–**	**(46)**	(0)	(0)	–
Exchange differences on translation	**(0)**	**(0)**	**(14)**	(0)	0	(15)
Balance at the end of the year	**1**	**–**	**146**	1	0	206

Financial assets to which the simplified approach is applied

The following table shows the classification of credit risk in accordance with the Group's internal rules, and the balance of financial assets measured at amortized cost.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Credit risk: Low	**187,888**	176,827
Credit risk: Medium	**348**	291
Credit risk: High	**704**	741
Total	**188,942**	177,860

The amounts in the above table represent the maximum exposure (before deducting loss allowance for expected credit losses) to credit risk.

The level of credit risk (low, medium, high) is determined by reference to the categories of three stages (Stage 1, 2, 3). See "(1) Credit risk management practice."

The following table shows the changes in the loss allowance shown above.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Balance at the beginning of the year	**1,027**	955
Increase	**294**	245
Decrease	**(271)**	(216)
Exchange differences on translation	**(34)**	43
Balance at the end of the year	**1,016**	1,027

3) Credit enhancement

The Group obtains insurance and collateral in the form of marketable securities and guarantee deposits as a credit enhancement for certain trade receivables and loans.

In estimating the loss allowance, the amount of credit enhancement, such as collateral, is deducted from the loss allowance.

The following table shows the status of credit enhancement on credit-impaired financial assets by classification at the end of each period.

(Millions of yen)

	As of March 31, 2018		As of March 31, 2017	
	Financial assets under general approach (Other receivables)	Financial assets under simplified approach	Financial assets under general approach (Other receivables)	Financial assets under simplified approach
Credit-impaired financial assets	**149**	**704**	236	741
Credit enhancement, including collateral held	**–**	**–**	–	–

4) Direct write-offs

The following table shows the contractual amounts outstanding for financial assets directly written-off, but still under forced collection activity for each period.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Contractual amounts outstanding	**18**	–

39. Fair Value

(1) Assets and liabilities measured at fair value on a recurring basis

Financial instruments measured at fair value on a recurring basis after the initial recognition are categorized into three levels of the fair value hierarchy depending on the observability and significance of the inputs used for the fair value measurement.

Each level of fair value hierarchy is defined as follows:
Level 1: Fair values measured at quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Fair values measured using direct or indirect observable inputs other than those of level 1; and
Level 3: Fair values measured using unobservable inputs

When two or more inputs are used for the measurement of fair value, the level of fair value measurement is determined based on the lowest level input that is significant to the entire measurement.

The details of assets and liabilities measured at fair value on a recurring basis at the end of each reporting period are as follows:

As of March 31, 2018

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets				
Currency related	–	309	–	309
Financial assets measured at fair value through profit or loss				
Debt instruments	–	527	–	527
Financial assets measured at fair value through other comprehensive income				
Equity instruments	46,474	429	12,722	59,625
Total assets	46,474	1,266	12,722	60,463
Liabilities				
Derivative liabilities				
Currency related	–	1,336	–	1,336
Interest rate related	–	2,554	–	2,554
Interest rate and currency related	–	3,238	–	3,238
Put options written on non-controlling interests	–	–	3,132	3,132
Total liabilities	–	7,128	3,132	10,261

For assets and liabilities held as of the end of the reporting period, there were no transfers between level 1 and level 2.

As of March 31, 2017

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets				
Currency related	–	1,116	–	1,116
Financial assets measured at fair value through profit or loss				
Debt instruments	–	452	–	452
Financial assets measured at fair value through other comprehensive income				
Equity instruments	43,468	411	13,512	57,392
Total assets	43,468	1,980	13,512	58,960
Liabilities				
Derivative liabilities				
Currency related	–	400	–	400
Interest rate related	–	2,581	–	2,581
Interest rate and currency related	–	2,121	–	2,121
Stock purchase agreements	–	–	2,115	2,115
Total liabilities	–	5,103	2,115	7,218

For assets and liabilities held as of the end of the reporting period, there were no transfers between level 1 and level 2.

Valuation techniques and inputs used in fair value measurement of each classification of financial instruments are as follows:

Derivative assets and liabilities

Derivative assets and liabilities classified as level 2 of the fair value hierarchy are over-the-counter derivatives, and their fair values are measured using observable inputs, including interest rates and foreign exchange rates.

Of derivative liabilities classified as level 3 of the fair value hierarchy, stock purchase agreements are measured at fair value using the discounted cash flow method. This valuation model uses unobservable inputs, including discount rates. There were no existing stock purchase agreements as of March 31, 2018, and the discount rate used in the fair value measurement was 15.5% as of March 31, 2017. Put options written on non-controlling interests are measured at fair value based on the present value of the probable amount required to be paid to the contractual counterparty. This valuation model uses unobservable inputs, including EBITDA ratio based on the contract. Fair values are subject to change due to business plans or interest rates at the time of measurement.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income classified as level 3 of the fair value hierarchy include non-marketable securities, and are measured mainly by the comparable peer company analysis and other valuation techniques. Fair values are subject to change due to changes in comparable values of PER of peer companies.

No significant change in fair value is expected even if unobservable inputs are replaced with reasonably possible alternative assumptions.

Changes in level 3 assets and liabilities measured at fair value on a recurring basis are as follows:

Fiscal year ended March 31, 2018

(Millions of yen)

	Balance at the beginning of the year	Other comprehensive income	Increase due to purchases	Decrease due to sales	Balance at the end of the year
Equity instruments	**13,512**	**(288)**	**230**	**(732)**	**12,722**

Fiscal year ended March 31, 2017

(Millions of yen)

	Balance at the beginning of the year	Other comprehensive income	Increase due to purchases	Decrease due to sales	Balance at the end of the year
Equity instruments	10,748	779	2,076	(91)	13,512

The amount recognized in other comprehensive income is included in "Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

Other than the equity instruments presented above, the stock purchase agreements included in the level 3 derivative liabilities were settled through stock purchases and decreased by ¥1,987 million for the fiscal year ended March 31, 2018. A valuation loss on the stock purchase agreements of ¥2,037 million was included in Other operating expenses in the consolidated statements of income for the fiscal year ended March 31, 2017.

For put options written on non-controlling interests, ¥3,192 million was deducted from the Capital surplus at initial recognition, and subsequent changes in the fair values were recognized as Financial income or Financial expenses in the consolidated statements of income. There was no material fair value change for the fiscal year ended March 31, 2018.

There were no transfers between levels for the fiscal years ended March 31, 2018 and 2017, respectively.

With respect to the valuation process of fair value measurement of level 3 financial instruments, the finance division measures the fair value on a quarterly basis in accordance with the valuation policies and procedures approved by the head of the finance division.

(2) Assets and liabilities measured at fair value on a non-recurring basis

The details of assets and liabilities measured at fair value on a non-recurring basis as of the end of the reporting period are presented in Note 14 "Impairment of Non-financial Assets."

(3) Fair values of financial instruments measured at amortized cost

The details of the carrying amounts and fair values of financial instruments measured at amortized cost as of the end of the period are as follows:

As of March 31, 2018

(Millions of yen)

	Carrying amount	Fair value Level 2
Assets		
Debt instruments	**5,506**	**5,397**
Total	**5,506**	**5,397**
Liabilities		
Corporate bonds	**169,413**	**173,411**
Long-term borrowings	**140,298**	**145,128**
Total	**309,712**	**318,539**

As of March 31, 2017

(Millions of yen)

	Carrying amount	Fair value Level 2
Liabilities		
Corporate bonds	169,347	171,697
Long-term borrowings	129,617	131,348
Total	298,964	303,045

Fair values of short-term financial assets and liabilities are not included as they are equal to or approximate their carrying amounts.

Fair value measurement methods of each financial instrument are as follows:

Debt instruments
Fair values are determined by discounting the sum of the redemption at maturity and the total interests using the assumed interest rate applicable if a similar debt instrument was newly acquired.

Corporate bonds
Fair values are determined based on the market prices.

Long-term borrowings
For long-term borrowings with fixed interest rates, the fair values are determined based on the present value of the sum of the principal and interests discounted by the rate with the credit risk deemed applicable if a similar borrowing was newly made. For long-term borrowings with variable interest rates, the fair values are measured at their carrying amounts, because the borrowings with variable interest rates reflect the current market rates in the short term and the Group's credit standing has not significantly changed since the initial borrowing, and thus considered to approximate the carrying amounts.

40. Related Parties

(1) Transactions with related parties

Transactions between the Company and its related parties are as follows:
Transactions with subsidiaries are not included as they are eliminated on consolidation.

Fiscal year ended March 31, 2018
There were no significant transactions.

Fiscal year ended March 31, 2017

(Millions of yen)

Category	Name	Nature of related party relationship	Nature of transaction	Amount	Outstanding balances
Directors and their close relatives	Takashi Sakamoto	Director of subsidiary	Purchase of shares in AJINOMOTO LOGISTICS CORPORATION by the Company	126	–
Directors and their close relatives	Isao Sakamoto	Close relative of director of subsidiary	Purchase of shares in AJINOMOTO LOGISTICS CORPORATION by the Company	708	–
Directors and their close relatives	Shinji Sakamoto	Close relative of director of subsidiary	Purchase of shares in AJINOMOTO LOGISTICS CORPORATION by the Company	126	–

Acquisition prices of shares are determined after discussion by reference to the assessments made by independent third parties.

(2) Management remuneration

Remuneration for the management of the Group is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Short-term employee benefits		
Monthly compensation	**494**	614
Performance-based compensation	**208**	217
Total	**702**	832

Short-term employee benefits comprise monthly compensation and performance-based compensation, which are calculated per respective calculation formula.

Other than the above, share-based payment of ¥67 million was recognized in the fiscal year ended March 31, 2018.

41. Business Combinations

Fiscal year ended March 31, 2018
(Business combinations in Turkey)

On April 3, 2017, the Company acquired all shares of Örgen, a food company in Turkey, and the trademark for its powdered seasoning brand, “Bizim Mutfak,” which is widely sold in Turkey, and made Örgen a wholly owned subsidiary. On August 17, 2017, the Company acquired an additional 50% of shares of Kükre, another Turkish food company, thus making Kükre a wholly owned subsidiary together with the 50% of Kükre shares already held by the Company.

Since its acquisition of 50% of shares of Kükre in December 2013, the Company has applied measures to achieve steady growth of sales in vinegars and fruit sauces and growing small-outlet retail chains. As a result, Kükre doubled its sales from 2014 to 2016. By making Örgen and Kükre wholly owned subsidiaries, the Group can act as a comprehensive food manufacturer in Turkey, adding Örgen’s business with “Bizim Mutfak” brand for bouillon, powdered soups and other products and Kükre’s business with “KEMAL KÜKRER” brand liquid seasonings. In the near future, the Group plans to merge the following three companies: Ajinomoto Istanbul Food Sales Ltd., established in July 2011, Örgen, and Kükre, in July 2018. By facilitating greater cooperation, the Group plans to further expand its business in Turkey, aiming for these three companies’ combined sales to exceed ¥10 billion as early as possible.

In its FY2017-2019 (for FY2020) Medium-Term Management Plan, the Company focuses on firm growth through a strengthened regional portfolio in the food products business, and Turkey and the Middle East are positioned as newly emerging regions (Rising Stars) for further business expansion.

(1) Acquisition of Örgen

1) Effect on the Group’s performance

The consolidated financial statements for the fiscal year ended March 31, 2018 include Örgen’s sales of 119 million Turkish lira (TRY) (¥3,591 million) and loss of 1 million TRY (¥94 million).

2) Fair value of consideration transferred on acquisition date

(Millions of yen)

	Amount
Cash	183 million TRY [¥5,676 million]

Note 1. The amount includes the acquisition cost of trademark of *Bizim Mutfak*, Örgen’s brand.
Note 2. Acquisition-related costs pertaining to the business combination through cash transaction totaling ¥818 million were included in General and administrative expenses.
Note 3. TRY 1 = JPY 31.01 (as of acquisition date)

3) Cash outflows related to acquisition of subsidiary

	Amount
Consideration paid by cash	183 million TRY [¥5,676 million]
Cash and cash equivalents of acquired subsidiary	(5) million TRY [¥(183) million]
Cash outflows related to acquisition of subsidiary	177 million TRY [¥5,492 million]

4) Fair value of assets acquired and liabilities assumed and goodwill

(Millions of yen)

	Amount
Current assets	2,574
Trade and other receivables	1,507
Inventories	657
Others	408
Non-current assets	2,087
Property, plant and equipment	1,127
Intangible assets	942
Others	17
Total assets	4,661
Current liabilities	1,990
Trade and other payables	896
Others	1,093
Non-current liabilities	230
Others	230
Total liabilities	2,220
Total net assets (A)	2,441
Fair value of consideration transferred on acquisition date (B)	5,676
Goodwill (C) = (B) – (A)	3,235

Goodwill primarily represents a synergy effect with existing businesses and the excess earning power expected from the acquisition.

5) Fair value, contractual amounts and estimated uncollectible amounts of receivables acquired

Trade and other receivables acquired primarily included trade receivables with a fair value of 48 million TRY (¥1,507 million). The total contractual amount was 48 million TRY (¥1,507 million), and there was no uncollectible amount.

(2) Acquisition of Kükre

1) Effect on the Group's performance

The consolidated financial statements for the fiscal year ended March 31, 2018 include Kükre's sales of 29 million TRY (¥876 million) and a profit of 1 million TRY (¥32 million). If the business combination had been completed at the beginning of the fiscal year, sales and profit of Kükre would have been approximately 50 million TRY (¥1,530 million) and 5 million TRY (¥180 million), respectively (unaudited).

2) Fair value of consideration transferred on acquisition date

	Amount
Cash	181 million TRY [¥5,672 million]
Derivative liabilities	(63) million TRY [¥(1,987) million]
Total	117 million TRY [¥3,684 million]

Note 1. Acquisition-related costs pertaining to the business combination through cash transaction totaling ¥76 million were included in General and administrative expenses.
Note 2. TRY 1 = JPY 31.31 (as of acquisition date)
Note 3. The derivative liabilities represent a stock purchase agreement, measured at fair value, set by the shareholders agreement signed in December 2013.

3) Cash outflows related to acquisition of subsidiary

	Amount
Consideration paid by cash	181 million TRY [¥5,672 million]
Cash and cash equivalents of acquired subsidiary	(0) million TRY [¥(10) million]
Cash outflows related to acquisition of subsidiary	180 million TRY [¥5,662 million]

4) Fair value of assets acquired and liabilities assumed and goodwill

(Millions of yen)

	Amount
Current assets	1,259
Trade and other receivables	884
Inventories	273
Others	102
Non-current assets	1,472
Property, plant and equipment	513
Intangible assets	953
Others	5
Total assets	2,731
Current liabilities	451
Trade and other payables	225
Others	225
Non-current liabilities	285
Others	285
Total liabilities	737
Total net assets (A)	1,994
Fair value of consideration transferred on acquisition date (B)	3,684
Fair value of previously held equity interests (C)	3,684
Goodwill (D)=[(B)+(C)] – (A)	5,375

A gain on business combination achieved in stages of ¥110 million was recognized as a result of remeasuring the fair value of the interest in the acquiree previously held before the business combination, and included in Other operating income in the consolidated statements of income.

Goodwill primarily represents a synergy effect with existing businesses and the excess earning power expected from the acquisition.

5) Fair value, contractual amounts and estimated uncollectible amounts of receivables acquired

Trade and other receivables acquired primarily included trade receivables with a fair value of 28 million TRY (¥884 million). The total contractual amount was 29 million TRY (¥910 million), and estimated uncollectible amount was 0 million TRY (¥26 million).

Acquisition of Agro2Agri, S.L. (A2A)

On October 2, 2017, the Company, through its consolidated subsidiary S.A. Ajinomoto OmniChem N.V., acquired 65.5% of shares of Agro2Agri, S.L. ("A2A") that has Agro-business subsidiaries in Spain. Combined with the Group's previous shareholding in A2A, the Group obtained 70% of A2A, making A2A a consolidated subsidiary. A stock purchase option was written on the remaining 30% of A2A's shares, and accounted for as a put option written on non-controlling interests.

A2A is specialized in the production and marketing of biostimulant products mainly based on amino acids. Biostimulant products are agro natural compounds of ingredients such as amino acids and other ingredients through microbial fermentation and natural ingredients including natural extracts that are used to improve immunity inherent in plants and promote plant growth. Through this majority share acquisition, the Group will enter into the fast-growing area of biostimulants on a full-scale and proceed with the establishment of specialties in the agro business in Europe.

1) Effect on the Group's performance

The consolidated financial statements for the fiscal year ended March 31, 2018 include A2A's sales of 10 million EUR (¥1,446 million) and a profit of 0 million EUR (¥82 million). If the business combination had been completed at the beginning of the fiscal year, sales and profit of A2A would have been approximately 19 million EUR (¥2,499 million) and 0 million EUR (¥69 million), respectively (unaudited).

2) Fair value of consideration transferred on acquisition date

	Amount
Cash	35 million EUR [¥4,677 million]

Note 1. Acquisition-related costs pertaining to the business combination through cash transaction totaling 1 million EUR (¥165 million) were included in General and administrative expenses.
Note 2. Since price adjustments will be made after acquisition, the final acquisition cost is yet undetermined.
Note 3. EUR 1 = JPY 132.85 (as of acquisition date)

3) Cash outflows related to acquisition of subsidiary

	Amount
Consideration paid by cash	35 million EUR [¥4,677 million]
Cash and cash equivalents of acquired subsidiary	(3) million EUR [¥(497) million]
Cash outflows related to acquisition of subsidiary	31 million EUR [¥4,179 million]

4) Fair value of assets acquired and liabilities assumed and goodwill

(Millions of yen)

	Amount
Current assets	1,662
Trade and other receivables	657
Inventories	381
Others	623
Non-current assets	691
Property, plant and equipment	668
Others	22
Total assets	2,353
Current liabilities	442
Trade and other payables	266
Others	175
Non-current liabilities	432
Others	432
Total liabilities	875
Non-controlling interests	443
Total net assets after deducting non-controlling interests (A)	1,034
Fair value of consideration transferred on acquisition date (B)	4,677
Fair value of previously held equity interests (C)	321
Goodwill (D)=[(B)+(C)] – (A)	3,963

Other comprehensive income of ¥169 million was recognized as a result of remeasuring the fair value of the interest in the acquiree previously held before the business combination, and included in Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income in the consolidated statements of comprehensive income.

As for the assets acquired and liabilities assumed, the allocation of the acquisition cost has not been completed yet as of March 31, 2018. The amounts above are provisional based on currently available information.

Non-controlling interests are measured by the proportionate share of the fair value of the acquiree's identifiable net assets.

Goodwill primarily represents a synergy effect with existing businesses and the excess earning power expected from the acquisition.

5) Fair value, contractual amounts and estimated uncollectible amounts of receivables acquired

Trade and other receivables acquired primarily included trade receivables with a fair value of 4 million EUR (¥657 million). The total contractual amount was 4 million EUR (¥657 million), and there was no estimated uncollectible amount.

(Cambrooke Therapeutics, Inc.)

On November 8, 2017, the Company additionally acquired 98.4% of the equity shares in U.S. medical foods company Cambrooke Therapeutics, Inc. ("Cambrooke") through Ajinomoto North America, Inc. and Cambrooke became a wholly owned subsidiary of the Group.

For years, the Group has sold amino acids into the medical foods market as ingredients. With this acquisition, the Company will make a full-scale entry into that market. By applying its scientific knowledge of amino acids' nutritional and physiological functions, "deliciousness technologies," and food application technologies to Cambrooke's operations, the Company will offer enhanced foods to patients with metabolic disorders.

1) Effect on the Group's performance

The consolidated financial statements for the fiscal year ended March 31, 2018 include Cambrooke's sales of 6 million USD (¥735 million) and loss of 2 million USD (¥323 million). If the business combination had been completed at the beginning of the fiscal year, sales and loss of Cambrooke would have been approximately 16 million USD (¥1,810 million) and 4 million USD (¥493 million), respectively. The loss includes the impact of a reversal of deferred tax assets and liabilities of 1 million USD (¥183 million) due to a reduction in the effective tax rate resulting from the enactment of the Tax Cuts and Jobs Act of 2017 (unaudited).

2) Fair value of consideration transferred on acquisition date

	Amount
Cash	63 million USD [¥7,208 million]

Note 1. Acquisition-related costs pertaining to the business combination through cash transaction totaling ¥223 million were included in General and administrative expenses.
Note 2. USD 1 = JPY 113.76 (as of acquisition date)

3) Cash outflows related to acquisition of subsidiary

	Amount
Consideration paid by cash	57 million USD [¥6,588 million]
Cash and cash equivalents of acquired subsidiary	(0) million USD [¥(27) million]
Cash outflows related to acquisition of subsidiary	57 million USD [¥6,560 million]

* Share-based payment for employees based on the stock purchase agreement, totaling 5 million USD (¥681 million) was separately paid on November 14, 2017.

4) Fair value of assets acquired and liabilities assumed and goodwill

(Millions of yen)

	Amount
Current assets	523
Trade and other receivables	192
Inventories	254
Others	75
Non-current assets	2,843
Property, plant and equipment	329
Intangible assets	2,514
Others	0
Total assets	3,367
Current liabilities	307
Trade and other payables	256
Others	51
Non-current liabilities	29
Others	29
Total liabilities	336
Total net assets (A)	3,030
Fair value of consideration transferred on acquisition date (B)	7,208
Fair value of previously held equity interests (C)	139
Goodwill (D) = [(B) + (C)] − (A)	4,316

Other comprehensive income of ¥82 million was recognized as a result of remeasuring the fair value of the interest in the acquiree previously held before the business combination and included in Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income in the consolidated statements of comprehensive income.

Goodwill primarily represents a synergy effect with existing businesses and the excess earning power expected from the acquisition.

5) Fair value, contractual amounts and estimated uncollectible amounts of receivables acquired

Trade and other receivables acquired primarily included trade receivables with a fair value of 1 million USD (¥192 million). The total contractual amount was 1 million USD (¥211 million), and estimated uncollectible amount was 0 million USD (¥18 million).

Fiscal year ended March 31, 2017

No applicable items.

42. Subsequent Events

(Share Repurchase)

At the meeting of the Board of Directors held on May 10, 2018, the resolution was made on the matter pertaining to a share repurchase based on the provisions of Article 156 of the Companies Act of Japan as applied pursuant to the provisions of Article 165-3 of the same law.

1. Reason for conducting the share repurchase

The purpose is to increase the level of shareholder returns and improve capital efficiency.

2. Details of the repurchase

(1) Class of shares to be repurchased	Common stock
(2) Total number of shares to be repurchased	25 million (maximum) (4.39% of total shares outstanding, excluding treasury stock)
(3) Total amount to be paid for repurchase	¥40.0 billion (maximum)
(4) Period of share repurchase	May 11, 2018 to September 20, 2018
(5) Method of repurchase	Purchase in the market through the Tokyo Stock Exchange
(6) Other	The Company plans to retire all of the shares repurchased under this program by resolution of the Board of Directors, pursuant to the provisions of Article 178 of the Companies Act of Japan.

(2) Other

Quarterly information for the fiscal year ended March 31, 2018

(Cumulative period)	3 months ended June 30	6 months ended Sept. 30	9 months ended Dec. 31	12 months ended Mar. 31
Sales (Millions of yen)	267,749	546,770	859,804	1,150,209
Profit before income taxes (Millions of yen)	25,639	49,872	82,689	85,445
Profit attributable to owners of the parent company (Millions of yen)	15,748	31,301	55,727	60,741
Basic earnings per share (Yen)	27.67	55.03	98.00	106.84

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	27.67	27.35	42.99	8.83

Note: In the fourth quarter of the fiscal year ended March 31, 2018, the Group finalized the provisional accounting treatment related to a business combination. The impact of the finalization has been reflected in the figures of the related items in the first, second and third quarters of the fiscal year ended March 31, 2018.

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

Independent Auditor's Report

The Board of Directors
Ajinomoto Co., Inc.

We have audited the accompanying consolidated financial statements of Ajinomoto Co., Inc. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and notes to the consolidated financial statements, 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 International Financial Reporting Standards, 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 Ajinomoto Co., Inc. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Ernst & Young ShinNihon LLC

June 26, 2018
Tokyo, Japan

Major Subsidiaries and Affiliates

(As of March 31, 2018)

■ Consolidated subsidiary ● Affiliated company accounted for by the equity method ▲ Jointly controlled company

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
Japan						
■	AJINOMOTO FROZEN FOODS CO.,INC. (Special subsidiary company)	Japan	JPY	9,537,650	100.0	Frozen Foods
■	KNORR FOODS CO.,LTD. (Special subsidiary company)	Japan	JPY	4,000,000	100.0	Seasonings and Processed Foods
■	Ajinomoto AGF, Inc. (Special subsidiary company)	Japan	JPY	3,862,697	100.0 (5.0)	Coffee Products
■	Ajinomoto Animal Nutrition Group, Inc.	Japan	JPY	1,334,182	100.0	Animal Nutrition
■	AJINOMOTO BAKERY CO., LTD.	Japan	JPY	400,000	100.0	Seasoning and Processed Foods
■	Ace Bakery Co., Ltd.	Japan	JPY	400,000	100.0 (100.0)	Seasoning and Processed Foods
■	AJINOMOTO HEALTHY SUPPLY CO., INC.	Japan	JPY	380,000	100.0	Amino Acids
■	AJINOMOTO ENGINEERING CORPORATION	Japan	JPY	324,500	100.0	Service, etc.
■	Ajinomoto Fine-Techno Co., Inc.	Japan	JPY	315,000	100.0	Chemical Products
■	Ajinomoto Communications Co., Inc.	Japan	JPY	295,000	100.0	Service, etc.
■	DELICA ACE CO.,LTD.	Japan	JPY	200,000	100.0	Seasoning and Processed Foods
■	SAPS CO.,LTD.	Japan	JPY	50,000	100.0	Seasoning and Processed Foods
■	A-Direct Co., Inc.	Japan	JPY	10,000	100.0	Other (Healthcare)
■	AJINOMOTO TRADING, INC.	Japan	JPY	200,000	96.7	Service, etc.
■	AJINOMOTO LOGISTICS CORPORATION	Japan	JPY	1,930,240	96.5 (0.9)	Logistics
●	EA Pharma Co., Ltd. (Affiliated company)	Japan	JPY	9,145,000	40.0	Pharmaceuticals
●	J-OIL MILLS, INC. (Affiliated company)	Japan	JPY	10,000,000	27.3	Edible Oils
Asia						
■	Ajinomoto SEA Regional Headquarters Co., Ltd.	Thailand	THB	2,125,000	100.0	Service, etc.
■	AJINOMOTO COMPANY (THAILAND) LIMITED (Special subsidiary company)	Thailand	THB	796,362	78.9 (4.6)	Seasoning and Processed Foods
■	AJINOMOTO SALES (THAILAND) COMPANY LIMITED	Thailand	THB	50,000	100.0 (100.0)	Seasoning and Processed Foods
■	WAN THAI FOODS INDUSTRY CO., LTD.	Thailand	THB	60,000	60.0 (35.0)	Seasoning and Processed Foods
■	Fuji Ace Co., Ltd.	Thailand	THB	500,000	51.0 (51.0)	Packaging
■	P.T.AJINOMOTO INDONESIA	Indonesia	USD	8,000	51.0	Seasoning and Processed Foods
■	PT AJINOMOTO SALES INDONESIA	Indonesia	USD	250	100.0 (80.0)	Seasoning and Processed Foods
■	AJINOMOTO VIETNAM CO.,LTD.	Vietnam	USD	50,255	100.0	Seasoning and Processed Foods
■	AJINOMOTO (MALAYSIA) BERHAD	Malaysia	MYR	60,798	50.4	Seasoning and Processed Foods
■	AJINOMOTO PHILIPPINES CORPORATION	Philippines	PHP	665,444	95.0	Seasoning and Processed Foods
■	Ajinomoto (China) Co., Ltd. (Special subsidiary company)	China	USD	104,108	100.0	Seasoning and Processed Foods

Major Subsidiaries and Affiliates

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
■	Shanghai Ajinomoto Seasoning Co., Ltd.	China	USD	27,827	100.0 (99.0)	Seasoning and Processed Foods
■	Amoy Food Limited	Hong Kong	HKD	474,356	100.0 (9.6)	Seasoning and Processed Foods
■	AJINOMOTO(HONG KONG)CO., LTD.	Hong Kong	HKD	5,799	100.0	Umami Seasonings for Processed Food Mfrs. and Sweeteners
■	AJINOMOTO ANIMAL NUTRITION (SINGAPORE) PTE. LTD.	Singapore	USD	8,955	100.0 (100.0)	Animal Nutrition
■	AJINOMOTO (SINGAPORE) PRIVATE LIMITED	Singapore	SGD	1,999	100.0	Seasoning and Processed Foods
■	Ajinomoto Korea Inc.	Korea	WON	1,000,000	70.0	Seasoning and Processed Foods
■	AJINOMOTO TAIWAN INC.	Taiwan	TWD	250,000	100.0	Seasoning and Processed Foods
	The Americas					
■	Ajinomoto North America Holdings, Inc. (Special subsidiary company)	United States	—	—	100.0 (4.1)	Holding Company
■	Ajinomoto Windsor, Inc.*2	United States	USD	15,030	100.0 (100.0)	Frozen Foods
■	Ajinomoto Heartland, Inc.*3 (Special subsidiary company)	United States	USD	750	100.0 (100.0)	Animal Nutrition
■	Ajinomoto North America, Inc.*4	United States	USD	0	100.0 (100.0)	Amino Acids, Umami Seasonings for Processed Food Mfrs. and Sweeteners, Chemical Products
■	Ajinomoto Althea, Inc.	United States	USD	0	100.0	Amino Acids
■	AJINOMOTO DO BRASIL INDUSTRIA E COMERCIO DE ALIM	Brazil	BRL	863,298	100.0	Seasoning and Processed Foods, Umami Seasonings for Processed Food Mfrs. and Sweeteners, Animal Nutrition, Amino Acids
■	AJINOMOTO DEL PERU S.A.	Peru	PEN	45,282	99.6	Seasoning and Processed Foods
	Europe					
■	AJINOMOTO FOODS EUROPE S.A.S. (Special subsidiary company)	France	EUR	106,909	100.0	Umami Seasonings for Processed Food Mfrs. and Sweeteners
■	AJINOMOTO EUROLYSINE S.A.S.*5 (Special subsidiary company)	France	EUR	26,865	100.0 (100.0)	Animal Nutrition
■	S.A. AJINOMOTO OMNICHEM N.V.	Belgium	EUR	21,320	100.0 (0.0)	Amino Acids
■	WEST AFRICAN SEASONING COMPANY LIMITED	Nigeria	NGN	2,623,714	100.0	Seasoning and Processed Foods
■	Ajinomoto Poland Sp. z o.o.	Poland	PLN	39,510	100.0 (100.0)	Seasoning and Processed Foods
▲	Promasidor Holdings Limited (Joint Venture)	British Virgin Islands	USD	0	33.3	Processed Foods

*1. Numbers in parentheses indicate indirect equity ownership.
*2. Ajinomoto Windsor, Inc. was renamed Ajinomoto Foods North America, Inc. on April 1, 2018.
*3. Ajinomoto Heartland, Inc. was renamed Ajinomoto Animal Nutrition North America, Inc. on April 1, 2018.
*4. Ajinomoto North America, Inc. was renamed Ajinomoto Health & Nutrition North America, Inc. on April 1, 2018.
*5. AJINOMOTO EUROPE S.A.S. owns one share in the company.

Eat Well, Live Well.

Ajinomoto Co., Inc.
Inquiries: Investor Relations, Global Finance Dept.
E-mail: investor_relations@ajinomoto.com
URL: https://www.ajinomoto.com/en/ir/