Eat Well, Live Well.
AJINOMOTO®

Ajinomoto Group

Appendix: Financial Data 2017

Eat Well, Live Well.
AJINOMOTO®

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Management's Discussion and Analysis

Financial results for Ajinomoto Co., Inc. and Consolidated Subsidiaries for fiscal 2016, the year ended March 31, 2017

Business Review

Starting from the year ended March 31, 2017, the Ajinomoto Group prepares financial statements based on the International Financial Reporting Standards (IFRS) with the aim of improving international comparability of financial information within and outside of the Group as well as enhancing communication with shareholders, investors, and other stakeholders.

Business Environment

In fiscal 2016, the global economy as a whole experienced a moderate recovery, as conditions in the United States and Europe improved and economies of certain emerging nations showed weakness.

The Japanese economy continued in a moderate recovery, with steady improvement in employment despite the impact of yen appreciation on corporate earnings and slow recovery in capital investment.

Performance Overview

In this environment, the Ajinomoto Group implemented its FY2014–2016 Medium-Term Management Plan with the aim of becoming a "Genuine Global Specialty Company." Under this plan, the Company made efforts to advance growth drivers and further reinforce its business structure through the pursuit of specialty businesses and has strived to develop the management base.

Sales for the fiscal year ended March 31, 2017, declined by ¥58.2 billion, or 5.1%, to ¥1,091.1 billion. This decline was mainly attributable to a significant decrease in sales of animal nutrition products as well as lower sales of seasonings and processed foods (overseas) due to the impact of foreign exchange rates.

Business profit fell by ¥1.2 billion, or 1.3%, to ¥96.8 billion, mainly reflecting the significant decrease in sales of animal nutrition products and the impact of foreign exchange rates.

Profit attributable to owners of the parent company was down by ¥18.2 billion, or 25.6%, to ¥53.0 billion.

Financial Review

Sales

Sales were down ¥58.2 billion, or 5.1%, to ¥1,091.1 billion.

Sales in Japan decreased by ¥0.5 billion, or 0.1%, to ¥519.5 billion. Overseas sales declined by ¥57.7 billion, or 9.2%, to ¥571.6 billion, owing mainly to lower sales of seasonings and processed foods (overseas) due to the impact of foreign exchange rates as well as a significant decrease in sales of animal nutrition products. In terms of sales by geographical regions overseas, sales were down by 7.2%, to ¥254.7 billion, in Asia; by 7.7%, to ¥226.9 billion, in the Americas; and by 17.4%, to ¥89.8 billion, in Europe. The ratio of overseas sales was 52.4%, compared with 54.8% in the previous fiscal year.

Cost of Sales, Selling Expenses, R&D Expenses, General and Administrative Expenses, and Share of Profit of Associates and Joint Ventures

Cost of sales decreased by ¥52.9 billion, or 7.0%, to ¥704.1 billion, due to the sales decline. The ratio of the cost of sales to sales improved by 1.3 percentage points, to 64.5%, mainly due to cost reductions.

Selling expenses fell by ¥4.9 billion, or 2.9%, to ¥169.4 billion, reflecting reductions in sales promotion expenses and the impact of foreign exchange rates.

R&D expenses increased by ¥0.5 billion, or 2.0%, to ¥27.1 billion.

General and administrative (G&A) expenses rose by ¥1.8 billion, or 1.9%, to ¥96.1 billion, due to an increase in employee benefit expenses.

Share of profit of associates and joint ventures was up by ¥1.3 billion, or 116.9%, to ¥2.5 billion, as EA Pharma Co., Ltd., became an equity-method associate in fiscal 2016.

Business Profit

Business profit declined by ¥1.2 billion, or 1.3%, to ¥96.8 billion.

While profits in Japan rose by 17.9%, to ¥44.6 billion, overseas profits fell by 13.4%, to ¥52.2 billion. Profits in Japan increased due to higher profits from frozen foods (Japan), seasonings, and processed foods (Japan). Overseas profits, on the other hand, fell as a result of lower profits from seasonings and processed foods (overseas) due to unfavorable foreign exchange rates as well as the significant decline in profits in the animal nutrition business. In terms of sales by geographical regions overseas, business profit fell by 5.8%, to ¥36.5 billion, in Asia; by 27.5%, to ¥12.6 billion, in the Americas; and by 24.8%, to ¥2.9 billion, in Europe. The overseas business profit ratio came to 53.9%, compared with 61.4% in the previous fiscal year.

Other Operating Income (Expenses)

Other operating income plummeted by ¥14.3 billion, or 60.0%, to ¥9.5 billion, mainly due to the absence of the gain on step acquisitions that was recorded in the previous fiscal year. Other operating expenses edged up by ¥0.4 billion, or 2.0%, to ¥22.7 billion.

Operating Income

Operating income was down by ¥16.0 billion, or 16.1%, to ¥83.6 billion, mainly due to the gain on step acquisitions recorded in the previous fiscal year.

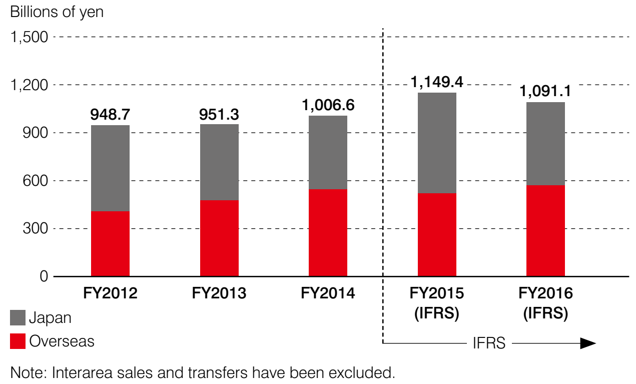
Financial Income (Expenses)

Financial income rose by ¥1.9 billion, or 37.6%, to ¥7.2 billion. Financial expenses decreased by ¥1.9 billion, or 31.9%, to ¥4.2 billion.

Profit Attributable to Owners of the Parent Company

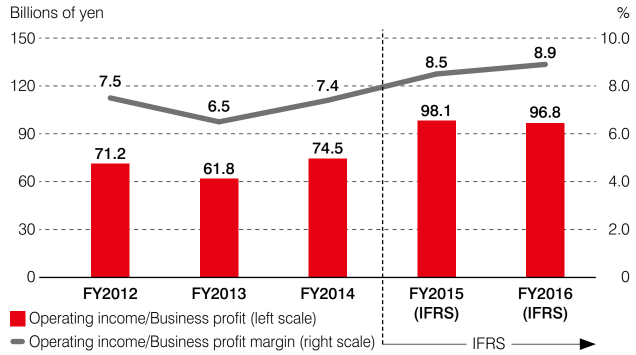
Profit attributable to owners of the parent company decreased by ¥18.2 billion, or 25.6%, to ¥53.0 billion. Earnings per share were ¥92.81, compared with ¥121.23 in the previous fiscal year.

Domestic and Overseas Sales

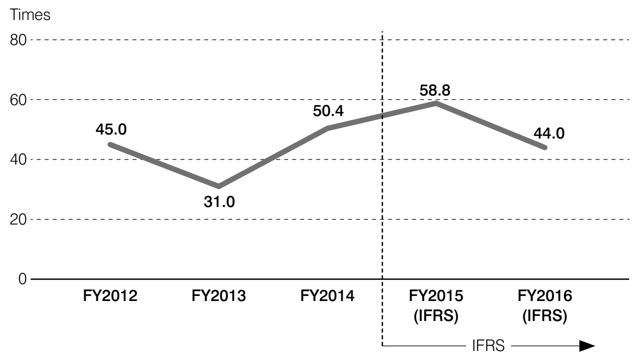


Note: Interarea sales and transfers have been excluded.

Operating Income/Business Profit & Operating Income/Business Profit Ratio



Interest Coverage Ratio



Costs, Expenses, and Income as Percentages of Sales

Years ended March 31	FY2016		FY2015
	Percentage	Change	Percentage
Cost of sales	**64.5%**	**(1.3)**	65.8%
Gross profit	**35.4**	**1.3**	34.1
Selling, R&D and G&A expenses	**26.8**	**1.2**	25.6
Business profit	**8.9**	**0.4**	8.5
Profit before income taxes	**7.9**	**(0.6)**	8.5
Profit attributable to owners of the parent company	**4.9**	**(1.3)**	6.2

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

Management's Discussion and Analysis

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Segment Information

Japan Food Products Segment

Sales in the Japan Food Products segment decreased by ¥6.6 billion, or 1.7%, to ¥390.4 billion, as growth in sales of frozen foods (Japan) was offset by a decline in sales of coffee products and seasonings and processed foods (Japan), which resulted from the impact of the sale of a subsidiary. Business profit, however, increased by ¥9.1 billion, or 28.9%, to ¥40.8 billion, mainly owing to an increase in profits from frozen foods (Japan) and seasonings and processed foods (Japan).

Seasonings and Processed Foods

Sales of home-use products increased compared with the previous year, as lower sales of Chinese menu seasoning *Cook Do®* were offset by strong sales of other products, including *Knorr® Cup Soup* and the tube-type Chinese seasoning paste *Cook Do®* koumi paste.

Sales of restaurant and industrial-use seasonings and processed foods declined compared with the previous year, owing to the impact of the sale of a subsidiary and foreign exchange rates on overseas sales of *ACTIVA®*, a food enzyme (transglutaminase).

As a result of the above factors, overall sales of seasonings and processed foods in the Japan Food Products segment were lower than in the previous fiscal year.

Frozen Foods

Sales of home-use frozen foods expanded compared with the previous year, driven by strong growth in sales of *Gyoza*, which were boosted by aggressive sales campaigns, as well as higher sales of *THE★CHA-HAN* (fried rice) and *Yawaraka Wakadori Kara-Age* (fried chicken).

Sales targeted at the restaurant and industrial-use market increased compared with the previous year, due to strong sales of processed chicken and dessert product offerings.

As a result, overall sales of frozen foods increased compared with the previous year.

Coffee Products

Despite strong sales of 3-in-1 stick products and stable sales of instant coffee products, overall sales of home-use coffee products declined as a result of weak sales of bottled coffee products and gift-packaged products, with lower sales of the latter reflecting reductions in the variety of product offerings.

Sales of restaurant and industrial-use coffee products also declined, owing to lower sales to major customers.

As a result, overall sales of coffee products fell below the previous fiscal year's result.

International Food Products Segment

Sales in the International Food Products segment declined by ¥34.9 billion, or 7.5%, to ¥428.9 billion, as yen appreciation affected yen-based sales of seasonings and processed foods (overseas) and umami seasonings for processed food manufacturers and sweeteners, as well as frozen foods (overseas). The negative impact of foreign exchange rates also affected the segment's business profit, which fell by ¥5.6 billion, or 11.8%, to ¥41.7 billion.

Seasonings and Processed Foods

In Asia, numerous products posted year-on-year sales gains on a local-currency basis, including umami seasoning *AJI-NO-MOTO®* in Indonesia and Vietnam; *RosDee®* flavor seasonings in Thailand; and *Masako®* flavor seasonings in Indonesia. On a yen-basis, however, sales of these products fell below previous-year levels due to unfavorable foreign exchange rates.

In the Americas, region-wide sales increased on a local-currency basis, led by strong sales of such products as the flavor seasoning *Sazón®* in Brazil.

Sales in Europe and Africa were down due to the negative impact of foreign exchange rates.

As a result of the above factors, overall sales of seasonings and processed foods in the International Food Products segment were lower than in the previous fiscal year.

Market Shares in Main Product Areas (Household Market in Japan) FY2016

Product Area	Brand	Market Size (Billions of yen)	Ajinomoto Group Share (Position)
Umami seasonings	*AJI-NO-MOTO®, Hi-Me®*	6.0	89% (1)
Japanese flavor seasonings	*HONDASHI®*	38.5	57% (1)
Consommé	*Ajinomoto KK Consomme*	12.0	80% (1)
Soup	*Knorr®*	92.0	37% (1)
Mayonnaise and mayonnaise-type dressings	*Pure Select®*	45.1	26% (2)
Menu seasonings	*Cook Do®, Cook Do® Kyo-no Ohzara®*	76.5	30% (1)

Note: "Market size" is based on consumer purchase prices.

Frozen Foods

Although Ajinomoto Windsor, Inc., achieved year-on-year sales growth on a local-currency basis, the negative impact of foreign exchange rates resulted in a year-on-year decrease in frozen food sales.

Umami Seasonings for Processed Food Manufacturers and Sweeteners

Sales of *AJI-NO-MOTO* to the food processing industry declined year on year, as higher average sales prices in Japan were offset by lower domestic and overseas sales volumes and the negative impact of foreign exchange rates on overseas sales expressed in yen.

Sales of nucleotides were around the same level as a year earlier, as strong increases in sales volumes in Japan and overseas offset the negative impact of lower average sales prices in Japan and overseas and unfavorable currency trends.

Sales of sweeteners fell year on year, affected by lower sales volumes of aspartame for the processing industry and the negative impact of foreign exchange rates.

Overall, sales of umami seasonings and processed foods in the International Food Products segment were lower than in the previous fiscal year.

Life Support Segment

Sales in the Life Support segment fell by ¥18.3 billion, or 12.9%, to ¥124.0 billion, as a large decline in sales of animal nutrition products outweighed increased sales of specialty chemicals. Business profit in the segment declined by ¥6.1 billion, or 51.3%, to ¥5.8 billion, owing to lower profits on sales of specialty chemicals and a sharp decline in profits from animal nutrition.

Animal Nutrition

Lysine sales fell below the previous fiscal year's level due to lower sales volume. Threonine sales declined sharply, as significantly lower sales prices outweighed an increase in sales volume. Similarly, while tryptophan volumes increased substantially, sales declined due to a large decrease in sales prices. Sales of specialty products, such as valine, were up year on year.

Overall, sales of animal nutrition products were significantly lower than the previous fiscal year's levels.

Specialty Chemicals

Sales of specialty chemicals increased year on year. Although sales of cosmetics ingredients were flat, sales of insulation film for build-up printed wiring boards used in semiconductor packaging were strong.

Healthcare Segment

Sales in the Healthcare segment were down by ¥1.9 billion, or 2.2%, to ¥89.5 billion, due to declines in sales of pharmaceutical custom manufacturing services and of amino acids for pharmaceuticals and foods. Business profit in the segment increased by ¥1.0 billion, or 14.6%, to ¥8.1 billion, due to increased profitability in the pharmaceutical custom manufacturing service and stable profits on sales of amino acids for pharmaceuticals and foods.

Amino Acids

Sales of amino acids for pharmaceuticals and foods declined year on year in both Japan and overseas. Business profit from the pharmaceutical custom manufacturing service also declined as foreign exchange rates negatively affected sales in Europe.

As a result, overall sales of amino acids fell short of the previous fiscal year's result.

Other Businesses Segment

Sales in other businesses grew by ¥3.6 billion, or 6.6%, to ¥58.1 billion, and business profit rose by ¥0.3 billion, to ¥0.2 billion.

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

(Thousands of metric tons)

Years ended March 31	FY2016	FY2015	FY2014	FY2013	FY2012
Lysine	2,300 (approx.)	2,200 (approx.)	2,300	2,100	1,950
Ajinomoto Group's share	15% (approx.)	15% (approx.)	15% (approx.)	15%-20%	20% (approx.)
Threonine	540 (approx.)	480 (approx.)	445 (approx.)	400	330
Ajinomoto Group's share	20% (approx.)	25% (approx.)	25% (approx.)	30% (approx.)	30% (approx.)
Tryptophan	33 (approx.)	28 (approx.)	23	14	9
Ajinomoto Group's share	20% (approx.)	15% (approx.)	20%	35% (approx.)	45% (approx.)

(Ajinomoto Group estimate)

Financial results for Ajinomoto Co., Inc. and Consolidated Subsidiaries for fiscal 2016, the year ended March 31, 2017

Sales by Business and Region

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

Years ended March 31		Japan		Asia		Americas		Europe		Total	
Japan Food Products	**FY2016**	**383.3**	**(–5.5)**	**3.1**	**(–0.9)**	**2.1**	**(–0.0)**	**1.7**	**(–0.1)**	**390.4**	**(–6.6)**
	FY2015	388.8		4.1		2.2		1.9		397.0	
International Food Products	**FY2016**	**15.5**	**(–0.8)**	**223.9**	**(–17.5)**	**161.3**	**(–9.3)**	**28.1**	**(–7.0)**	**428.9**	**(–34.9)**
	FY2015	16.4		241.4		170.7		35.2		463.9	
Life Support	**FY2016**	**41.8**	**(0.5)**	**14.1**	**(–1.4)**	**40.8**	**(–9.1)**	**27.2**	**(–8.2)**	**124.0**	**(–18.3)**
	FY2015	41.3		15.6		49.9		35.5		142.4	
Healthcare	**FY2016**	**30.9**	**(1.4)**	**3.1**	**(0.3)**	**22.5**	**(–0.4)**	**32.8**	**(–3.3)**	**89.5**	**(–1.9)**
	FY2015	29.5		2.7		22.9		36.2		91.4	
Other Businesses	**FY2016**	**47.8**	**(3.8)**	**10.3**	**(–0.2)**	**–**		**–**		**58.1**	**(3.6)**
	FY2015	43.9		10.6		–		–		54.5	
Total	**FY2016**	**519.5**	**(–0.5)**	**254.7**	**(–19.8)**	**226.9**	**(–18.9)**	**89.9**	**(–18.8)**	**1,091.1**	**(–58.2)**
	FY2015	520.0		274.5		245.9		108.8		1,149.4	

Note: Unaudited figures; for reference only.

Liquidity and Financial Position

Total Assets

Total assets as of March 31, 2017, were ¥1,350.1 billion, up by ¥76.2 billion from the ¥1,273.8 billion recorded on March 31, 2016. This increase was attributable primarily to the acquisition of interests in Promasidor Holdings Limited in the third quarter and the acquisition of trademarks for Ajinomoto General Foods, Inc.'s products previously licensed from Koninklijke Douwe Egberts B.V.

Total Liabilities

Total liabilities were ¥659.4 billion, an increase of ¥66.2 billion from the ¥593.1 billion recorded on March 31, 2016. Interest-bearing debt increased by ¥67.4 billion from the previous fiscal year-end, to ¥335.9 billion.

Total Equity

Total equity increased by ¥9.9 billion, mainly due to fluctuations in exchange differences on translation of foreign operations. Equity attributable to owners of the parent company, which represents total equity less non-controlling interests, came to ¥616.3 billion, with the ownership ratio attributable to owners of the parent company at 45.6%.

Cash Flows

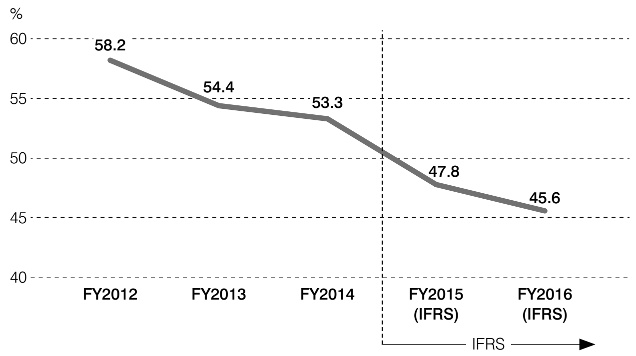
Net cash provided by operating activities was ¥108.9 billion, compared with ¥129.3 billion in the previous fiscal year. This amount was mainly attributable to ¥86.6 billion in profit before income taxes, ¥46.2 billion in depreciation and amortization, and ¥27.6 billion in income taxes paid.

Net cash used in investing activities was ¥142.2 billion, compared with ¥58.7 billion in the previous fiscal year. This amount was mainly attributable to outflows from the acquisition of interests in Promasidor Holdings Limited and the acquisition of tangible fixed assets.

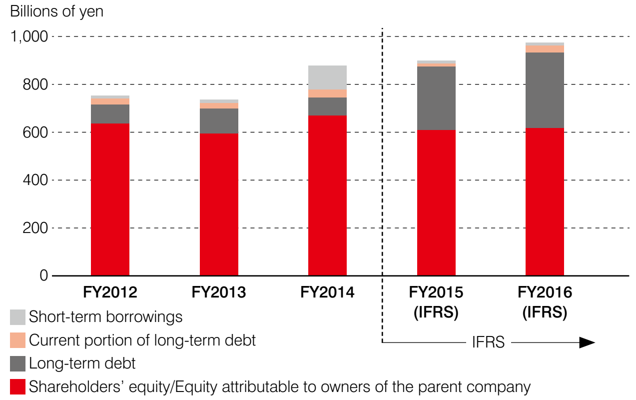
Net cash provided by financing activities was ¥14.7 billion, compared with ¥2.8 billion used in financing activities in the previous fiscal year. This reflected an inflow from the issuance of corporate bonds and an outflow from acquisition of treasury stock.

As a result of the above, cash and cash equivalents as of March 31, 2017, totaled ¥186.0 billion, a decrease of ¥18.4 billion from the amount recorded on March 31, 2016.

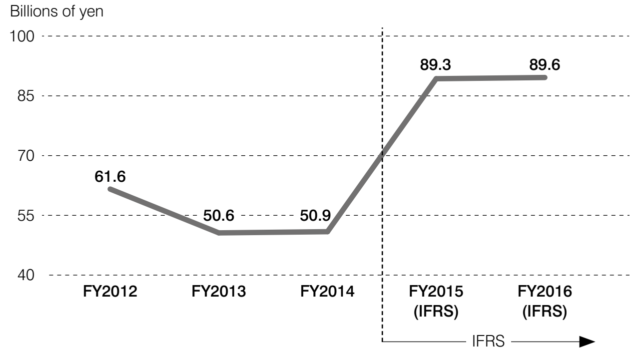
Shareholders' Equity Ratio/ Ratio of Equity Attributable to Owners of the Parent Company



Total Capital



Capital Expenditures



Cash Flow Highlights

	IFRS	IFRS		(Millions of yen)
Years ended March 31	**FY2016**	FY2015	FY2014	FY2013
Net cash provided by operating activities	**108,907**	129,311	109,259	63,017
Net cash provided by (used in) investing activities	**(142,299)**	(58,745)	(140,391)	(63,497)
Net cash provided by (used in) financing activities	**14,738**	(2,820)	52,822	(55,248)
Cash and cash equivalents at end of year	**186,003**	204,487	165,160	130,028

Shareholder Returns

From a medium- to long-term management perspective, the Company has adopted the basic policy of ensuring continuous and stable dividend payments, taking into consideration its consolidated earnings. Under both the FY2014–2016 and the FY2017–2019 (for FY2020) Medium-Term Management Plans, the Company has been aiming for a target payout ratio of 30%.

For fiscal 2016 (the year ended March 31, 2017), the Company plans to pay an annual dividend of ¥30 per share (with an interim dividend of ¥15 per share), an increase of ¥2 per share compared with the previous fiscal year. For fiscal 2017 (ending March 31, 2018), an annual dividend of ¥30 per share is planned (with an interim dividend of ¥15 per share), the same as in fiscal 2016.

In addition, the Company will consider flexible share repurchases in an effort to improve the level of shareholder returns.

Credit Rating

To efficiently and steadily procure the necessary funds for investments in global growth, the Ajinomoto Group places great importance on maintaining a sound financial position. To this end, the Group has been controlling interest-bearing debt, centered on the D/E ratio, and has maintained a high credit rating as a result.

Credit Ratings

Credit Rating Agencies	Ratings for long-term debt of Ajinomoto Co., Inc.
Standard & Poor's	A+
Rating and Investment Information, Inc.	AA

Outlook for Fiscal 2017, the Year Ending March 31, 2018

Awareness of the Business Environment

Despite a steady recovery in the U.S. economy and signs of a rebound in the economies of European and Asian nations, the potential effects of changes in the economic policies of the United States and European countries remain, and the future outlook on the business environment is difficult.

Strategy

In this environment, the Ajinomoto Group enters the first year of its new FY2017–2019 (for FY2020) Medium-Term Management Plan. Under this new plan, we will seek to achieve global growth in our Food Products business by strengthening our regional portfolio and build a stronger AminoScience business portfolio by establishing specialty businesses.

Performance Forecast

Through the above efforts, we expect to realize consolidated sales in the fiscal year ending March 31, 2018, of ¥1,187.0 billion, an increase of 8.8%, and business profit of ¥102.0 billion, an increase of 5.3%. We also forecast that profit attributable to owners of the parent company will reach ¥57.0 billion, an increase of 7.4%.

These forecasts are based on an assumed exchange rate of ¥108.0 to the U.S. dollar.

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, 2017.

(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 operates in 30 countries and regions including Japan, with manufacturing plants at 118 sites in 22 of these countries and regions. The relative importance of overseas operations is therefore very high.

In fiscal 2015 and fiscal 2016, sales to outside customers in regions other than Japan (i.e., Asia, and the Americas and Europe) were ¥629.3 billion and ¥571.6 billion, respectively, comprising 54.8% and 52.4% of consolidated sales. Business profit derived from these regions in the same periods was ¥60.2 billion and ¥52.2 billion, comprising 61.4% 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 overseas 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 resulting from global warming 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 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 related to 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 Food Safety

The Ajinomoto Group makes extensive efforts to maintain the reliability and safety on which its business foundations are built. These efforts include further strengthening its original, strict quality control system and focusing on conducting Group-wide product quality audits and building a product traceability system that tracks product information at each stage from production and processing to logistics.

In particular, in response to food safety-related incidents that have recently occurred in Japan, the Group is working to minimize risk throughout the entire supply chain and further strengthen its own food safety structure by reviewing and reinforcing tangible items such as manufacturing facilities and intangible items such as product quality standards and guidelines with a positive organizational environment, including labor and human rights issues, as its priority.

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 Ajinomoto Group 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 so forth 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 judgement 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 as officers of 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 endeavors to comply with all laws, regulations, and other rules within Japan and overseas relating to food sanitation, pharmaceuticals, intellectual property, the environment and recycling, permission to operate or invest, import and export, foreign exchange and foreign trade control, and various tax-related laws. In these areas, the Group makes every possible effort to secure its rights through legal means. The possibility exists, however, that legal changes may be introduced that cannot currently be foreseen, and that risks may arise due to the diversity of interpretations of laws. Complying with any such changes may restrict the Group's operations and 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. In addition, 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 Ajinomoto Global Tax Policy, the Group conducts its business activities in strict compliance with the applicable tax laws of each country worldwide. However, particularly outside Japan, frequent 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 it 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 CSR procurement 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 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 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 needs 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)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Assets			
Current assets			
Cash and cash equivalents (Notes 7 and 35)	**186,003**	204,487	169,413
Trade and other receivables (Notes 8 and 35)	**186,503**	177,002	217,922
Other financial assets (Note 35)	**11,047**	5,483	11,777
Inventories (Note 9)	**168,755**	175,217	183,517
Income taxes receivable	**7,423**	1,259	3,671
Others	**13,711**	15,271	15,673
Subtotal	**573,445**	578,722	601,975
Assets of disposal groups classified as held for sale (Note 10)	**–**	51,008	–
Total current assets	**573,445**	629,731	601,975
Non-current assets			
Property, plant and equipment (Note 11)	**393,441**	379,410	390,003
Intangible assets (Note 12)	**60,422**	37,446	46,344
Goodwill (Note 12)	**96,606**	96,889	70,316
Investments in associates and joint ventures (Note 16)	**130,634**	37,582	60,962
Long-term financial assets (Note 35)	**62,923**	62,696	65,690
Deferred tax assets (Note 17)	**8,249**	10,007	8,353
Others	**24,382**	20,127	13,614
Total non-current assets	**776,660**	644,161	655,285
Total assets	**1,350,105**	1,273,893	1,257,261

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Liabilities			
Current liabilities			
Trade and other payables (Notes 18 and 35)	**160,840**	158,715	172,690
Short-term borrowings (Notes 19 and 35)	**11,153**	12,499	91,513
Commercial paper (Notes 19 and 35)	**–**	–	15,000
Current portion of corporate bonds (Notes 19 and 35)	**–**	–	15,000
Current portion of long-term borrowings (Notes 19 and 35)	**23,929**	11,012	18,676
Other financial liabilities (Note 35)	**5,049**	2,653	3,283
Short-term employee benefits (Note 22)	**35,501**	34,646	32,483
Provisions (Note 20)	**4,579**	4,275	3,311
Income taxes payable	**9,995**	9,988	7,704
Others	**9,744**	8,340	10,616
Subtotal	**260,794**	242,132	370,279
Liabilities of disposal groups classified as held for sale (Note 10)	**–**	13,470	–
Total current liabilities	**260,794**	255,602	370,279
Non-current liabilities			
Corporate bonds (Notes 19 and 35)	**169,347**	89,656	19,952
Long-term borrowings (Notes 19 and 35)	**129,617**	153,570	54,121
Other financial liabilities (Note 35)	**18,452**	20,030	14,489
Long-term employee benefits (Note 22)	**57,592**	53,213	45,970
Provisions (Note 20)	**11,261**	6,704	6,270
Deferred tax liabilities (Note 17)	**12,163**	13,925	16,310
Others	**202**	461	4,535
Total non-current liabilities	**398,637**	337,562	161,650
Total liabilities	**659,431**	593,165	531,930
Equity			
Common stock (Note 23)	**79,863**	79,863	79,863
Capital surplus (Note 23)	**3,797**	26,021	53,725
Treasury stock (Note 23)	**(6,895)**	(6,944)	(4,070)
Retained earnings (Note 23)	**584,849**	552,684	497,365
Other components of equity	**(45,299)**	(41,976)	23,776
Disposal groups classified as held for sale	**–**	(161)	–
Equity attributable to owners of the parent company	**616,315**	609,486	650,660
Non-controlling interests	**74,358**	71,240	74,671
Total equity	**690,673**	680,727	725,331
Total liabilities and equity	**1,350,105**	1,273,893	1,257,261

See accompanying notes to consolidated fi nancial statements.

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Continuing operations		
Sales (Note 6)	1,091,195	1,149,427
Cost of sales	(704,177)	(757,135)
Gross profit	387,018	392,291
Share of profit of associates and joint ventures (Note 16)	2,537	1,169
Selling expenses (Note 25)	(169,448)	(174,440)
Research and development expenses (Note 26)	(27,134)	(26,591)
General and administrative expenses (Note 27)	(96,119)	(94,284)
Business profit (Note 6)	96,852	98,144
Other operating income (Note 29)	9,541	23,868
Other operating expenses (Note 30)	(22,776)	(22,335)
Operating profit	83,617	99,678
Financial income (Note 31)	7,283	5,292
Financial expenses (Note 32)	(4,216)	(6,192)
Profit before income taxes	86,684	98,778
Income taxes (Note 17)	(21,717)	(20,635)
Profit from continuing operations	64,966	78,143
Profit from discontinued operations (Note 10)	–	2,788
Profit	64,966	80,931
Attributable to:		
Owners of the parent company	53,065	71,292
Non-controlling interests	11,901	9,639
Profit from continuing operations attributable to owners of the parent company	53,065	68,504
Profit from discontinued operations attributable to owners of the parent company	–	2,788
Profit attributable to owners of the parent company	53,065	71,292
Earnings per share from continuing operations (yen):		
Basic (Note 34)	92.81	116.49
Diluted (Note 34)	–	–
Earnings per share from discontinued operations (yen):		
Basic (Note 34)	–	4.74
Diluted (Note 34)	–	–
Earnings per share (yen):		
Basic (Note 34)	92.81	121.23
Diluted (Note 34)	–	–

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Profit	64,966	80,931
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 (Note 33)	4,696	(1,832)
Remeasurements of defined benefit pension plans (Notes 22 and 33)	(6,607)	(11,468)
Share of other comprehensive income (loss) of associates and joint ventures (Note 33)	540	(698)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges (Note 33)	274	(3,037)
Change in fair value of forward elements of forward contracts (Note 33)	(162)	–
Exchange differences on translation of foreign operations (Note 33)	1,809	(57,708)
Share of other comprehensive income (loss) of associates and joint ventures (Note 33)	67	(300)
Other comprehensive income (Net of related tax effects) (Note 33)	617	(75,044)
Comprehensive income	65,584	5,886
Comprehensive income attributable to:		
Owners of the parent company	53,489	5,420
Non-controlling interests	12,094	465

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			
	Common stock	Capital surplus	Treasury stock	Retained earnings
Balance as of April 1, 2015	79,863	53,725	(4,070)	497,365
Profit				71,292
Other comprehensive income (Note 33)				
Comprehensive income				71,292
Purchase of treasury stock (Note 23)			(30,167)	
Disposal of treasury stock (Note 23)		0	0	
Retirement of treasury stock (Note 23)		(27,292)	27,292	
Dividends (Note 24)				(15,978)
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 (Note 15)		(411)		
Transfer from other components of equity to retained earnings (Note 35)				6
Transfer of negative balance of other capital surplus				
Transfer to non-financial assets				
Disposal groups classified as held for sale (Note 10)				
Other				(0)
Total net changes in transactions with owners of the parent company	–	(27,703)	(2,873)	(15,973)
Balance as of March 31, 2016	79,863	26,021	(6,944)	552,684
Profit				**53,065**
Other comprehensive income (Note 33)				
Comprehensive income				**53,065**
Purchase of treasury stock (Note 23)			**(30,013)**	
Disposal of treasury stock (Note 23)		**(0)**	**0**	
Retirement of treasury stock (Note 23)		**(30,061)**	**30,061**	
Dividends (Note 24)				**(17,252)**
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 (Note 15)		**(65)**		
Transfer from other components of equity to retained earnings (Note 35)				**4,290**
Transfer of negative balance of other capital surplus		**7,903**		**(7,903)**
Transfer to non-financial assets				
Disposal groups classified as held for sale (Note 10)				
Other				**(34)**
Total net changes in transactions with owners of the parent company	**–**	**(22,223)**	**48**	**(20,900)**
Balance as of March 31, 2017	**79,863**	**3,797**	**(6,895)**	**584,849**

See accompanying notes to consolidated financial statements.

Millions of yen

	Equity attributable to owners of the parent company										
	Other components of equity										
	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	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, 2015	24,063	(1,046)	(731)	–	–	1,492	23,776	–	650,660	74,671	725,331
Profit									71,292	9,639	80,931
Other comprehensive income (Note 33)	(1,832)	(11,372)	(3,030)	–	(48,641)	(998)	(65,871)	–	(65,871)	(9,173)	(75,044)
Comprehensive income	(1,832)	(11,372)	(3,030)	–	(48,641)	(998)	(65,871)	–	5,420	465	5,886
Purchase of treasury stock (Note 23)									(30,167)		(30,167)
Disposal of treasury stock (Note 23)									1		1
Retirement of treasury stock (Note 23)									–		–
Dividends (Note 24)									(15,978)	(3,693)	(19,672)
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 (Note 15)									(411)	(233)	(644)
Transfer from other components of equity to retained earnings (Note 35)	(6)						(6)		–		–
Transfer of negative balance of other capital surplus									–		–
Transfer to non-financial assets			(37)				(37)		(37)	(0)	(37)
Disposal groups classified as held for sale (Note 10)		161					161	(161)	–		–
Other									(0)	31	31
Total net changes in transactions with owners of the parent company	(6)	161	(37)	–	–	0	118	(161)	(46,594)	(3,895)	(50,490)
Balance as of March 31, 2016	22,225	(12,256)	(3,799)	–	(48,641)	495	(41,976)	(161)	609,486	71,240	680,727
Profit									**53,065**	**11,901**	**64,966**
Other comprehensive income (Note 33)	**4,695**	**(6,542)**	**267**	**(126)**	**1,522**	**607**	**424**		**424**	**193**	**617**
Comprehensive income	**4,695**	**(6,542)**	**267**	**(126)**	**1,522**	**607**	**424**	**–**	**53,489**	**12,094**	**65,584**
Purchase of treasury stock (Note 23)									**(30,013)**		**(30,013)**
Disposal of treasury stock (Note 23)									**0**		**0**
Retirement of treasury stock (Note 23)									**–**		**–**
Dividends (Note 24)									**(17,252)**	**(3,927)**	**(21,180)**
Changes due to business combinations									**–**		**–**
Changes in ownership interests in subsidiaries that result in loss of control	**(6)**	**36**					**29**	**161**	**191**	**(4,060)**	**(3,868)**
Changes in ownership interests in subsidiaries that do not result in loss of control (Note 15)									**(65)**	**(951)**	**(1,017)**
Transfer from other components of equity to retained earnings (Note 35)	**(4,290)**						**(4,290)**		**–**		**–**
Transfer of negative balance of other capital surplus									**–**		**–**
Transfer to non-financial assets			**513**				**513**		**513**	**5**	**519**
Disposal groups classified as held for sale (Note 10)									**–**		**–**
Other	**(0)**				**0**		**0**		**(34)**	**(43)**	**(77)**
Total net changes in transactions with owners of the parent company	**(4,297)**	**36**	**513**	**–**	**0**	**–**	**(3,746)**	**161**	**(46,660)**	**(8,977)**	**(55,638)**
Balance as of March 31, 2017	**22,624**	**(18,763)**	**(3,018)**	**(126)**	**(47,118)**	**1,102**	**(45,299)**	**–**	**616,315**	**74,358**	**690,673**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	86,684	98,778
Profit before income taxes from discontinued operations (Note 10)	–	11,064
Depreciation and amortization	46,273	50,852
Impairment loss	1,965	15,043
Pharmaceutical business restructuring charges (Note 10)	–	11,784
Increase (decrease) in employee benefits	(2,853)	(3,859)
Increase (decrease) in provisions	5,939	1,507
Interest income (Note 31)	(3,162)	(2,846)
Dividend income (Note 31)	(1,217)	(1,317)
Interest expenses (Note 32)	2,532	2,310
Share of profit of associates and joint ventures	(2,537)	(1,585)
Loss on disposal of property, plant and equipment	3,657	2,926
Gain on sales of property, plant and equipment (Note 29)	(5,312)	(878)
Gain on sales of shares of subsidiaries and associates (Note 10)	(593)	(27,570)
Loss on sales of shares of subsidiaries and associates	626	5,603
Gain on business combination achieved in stages (Note 29)	–	(18,112)
Environmental measures expenses (Note 30)	377	1,013
Decrease (increase) in trade and other receivables	(4,174)	13,800
Increase (decrease) in trade and other payables	(1,478)	(2,687)
Decrease (increase) in inventories	3,216	1,845
Increase (decrease) in consumption taxes payable	570	(716)
Increase (decrease) in other assets and liabilities	1,489	4,445
Others	653	(14,197)
Subtotal	132,655	147,203
Insurance proceeds	1,532	356
Interest received	3,121	3,436
Dividends received	1,738	2,459
Interest paid	(2,474)	(2,197)
Income taxes paid	(27,665)	(21,947)
Net cash provided by operating activities	108,907	129,311

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Cash flows from investing activities		
Purchase of property, plant and equipment	(56,055)	(51,415)
Proceeds from sales of property, plant and equipment	6,407	1,270
Purchase of intangible assets	(30,138)	(5,039)
Purchase of financial assets	(7,242)	(2,369)
Proceeds from sales of financial assets	8,664	13
Purchase of shares in subsidiaries resulting in change in scope of consolidation (Note 38)	–	(26,553)
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation (Note 15)	2,235	4,133
Purchase of shares in associates and joint ventures	(63,979)	(6,616)
Proceeds from sales of shares in associates and joint ventures	916	32,500
Others	(3,109)	(4,667)
Net cash used in investing activities	(142,299)	(58,745)
Cash flows from financing activities		
Net change in short-term borrowings	(1,112)	(85,172)
Net change in commercial paper	–	(15,000)
Proceeds from long-term borrowings	–	115,856
Repayments of long-term borrowings	(11,058)	(22,381)
Proceeds from issuance of corporate bonds	79,690	69,703
Redemption of corporate bonds	–	(15,000)
Dividends paid (Note 24)	(17,242)	(15,982)
Dividends paid to non-controlling interests	(3,927)	(3,693)
Purchase of treasury stock	(30,034)	(30,187)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(1,017)	(644)
Others	(557)	(318)
Net cash provided by (used in) financing activities	14,738	(2,820)
Effect of currency rate changes on cash and cash equivalents	169	(13,324)
Net change in cash and cash equivalents	(18,484)	54,420
Cash and cash equivalents at beginning of the year (Note 7)	204,487	169,413
Cash and cash equivalents included in assets of disposal groups classified as held for sale (Note 10)	–	(19,346)
Cash and cash equivalents at end of the year (Note 7)	186,003	204,487

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2017

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 6 "Segment Information." The Group's consolidated financial statements for the fiscal year ended March 31, 2017 were authorized for issue at the Management Meeting held on June 23, 2017.

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.

The consolidated financial statements for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017) are the first consolidated financial statements the Group has prepared in accordance with IFRS. The transition date to IFRS is April 1, 2015, and the Group applied IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1). The effect of the transition to IFRS on the consolidated statements of financial position, income and cash flows of the Group is described in Note 40 "First-time Adoption."

(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 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 hedge 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 rates or the rate that approximates those rates, 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

The Group applies voluntarily IFRS 9 *Financial Instruments* (issued in November 2009 and revised in July 2014) for accounting for 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
- 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 on 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 is 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 loss 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 loss 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 35 "Financial Instruments (4) Loss allowance for expected credit loss."

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 and 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 at each reporting date 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 value 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 is sold, cancelled, exercised or expires. 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 statement 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 include 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 are 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 reporting 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 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 reporting 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 reporting 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 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 reporting 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 reporting 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) Revenues

1) Sale of goods

The Group sells a variety of goods, including seasonings, processed foods, frozen foods, amino acids for livestock and others. Revenues from the sale of goods is 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 reporting 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.

(18) 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.

(19) 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 liabilties 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 arrangements, 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 arrangements, 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.

(20) 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.

4. 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.

Important judgments made on the application of accounting policies that may significantly affect the amounts recognized on the consolidated financial statements are included in the following notes:

- The scope of subsidiaries, associates, joint ventures and joint operations (Note 3. (1) Basis of consolidation)
- Recognition and presentation of revenues (Note 3. (17) Revenues)

Uncertainties of assumptions and estimates that may cause material adjustments in subsequent consolidated financial statements is included in the following notes:

- Valuation of financial instruments (Note 3. (4) Financial instruments)
- Valuation of inventories (Note 3. (6) Inventories)
- Estimates on useful lives and residual values of property, plant and equipment and intangible assets (Note 3. (8) Property, plant and equipment, Note 3. (9) Goodwill and intangible assets)
- Impairment of non-financial assets (Note 3. (11) Impairment of non-financial assets)
- Provisions (Note 3. (12) Provisions)
- Valuation of defined benefit obligations (Note 3. (14) Employee benefits)
- Income taxes and recoverability of deferred tax asset (Note 3. (19) Income taxes)

5. 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.

The current estimate for the effect of applying IFRS 15 *Revenue from Contracts with Customers* is immaterial. The Company is currently evaluating the effect of applying other new standards and interpretations, but no reliable estimate of the effect is available at present.

IFRS		Mandatory effective date (Fiscal year beginning on or after)	To be adopted by the Company	Overview of new standards or amendments
IAS 7	*Statement of Cash Flows*	January 1, 2017	From fiscal year ending March 31, 2018	Amended disclosure on changes in liabilities arising from financing activities
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*	January 1, 2018	From fiscal year ending March 31, 2019	Added provisions of accounting for foreign currency transactions and advance consideration
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 15	*Revenue from Contracts with Customers*	January 1, 2018	From fiscal year ending March 31, 2019	Amended accounting for revenue recognition and related disclosures
IFRS 16	*Leases*	January 1, 2019	From fiscal year ending March 31, 2020	Amended accounting for leases and related disclosures

6. 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."

From the fiscal year ended March 31, 2017, Pharmaceuticals and Nutrition Care businesses, which were included in the "Healthcare" segment in the previous fiscal year, are included in "Other" and "Japan Food Products" segments respectively.

The segment information for the fiscal year ended March 31, 2016 has been prepared to reflect the reclassification of reportable segments, and included in (2) Information by reportable segment.

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.) *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), *JINO*®, 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 a "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. The business profit is calculated by deducting the Cost of sales, Selling expenses, Research and development expenses, and General and administrative expenses from Sales and adding the Share of profit of associates and joint ventures. Other operating income and Other operating expenses are not included in the 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 prices for third-party transactions.

1) Sales and segment profit (loss)

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

Fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other *1	Total	Adjustments	As included in consolidated statement 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

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

Fiscal year ended March 31, 2016

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other *1	Total	Adjustments	As included in consolidated statement of income
Sales								
Sales to third parties *2	397,069	463,907	142,418	91,475	54,556	1,149,427	–	1,149,427
Inter-segment sales and transfers	3,015	6,543	4,307	2,094	55,710	71,671	(71,671)	–
Total sales	400,084	470,450	146,725	93,570	110,266	1,221,098	(71,671)	1,149,427
Share of profit of associates and joint ventures	312	112	19	–	724	1,169	–	1,169
Segment profit or loss (Business profit or loss)	31,705	47,344	12,059	7,093	(59)	98,144	–	98,144
							Other operating income	23,868
							Other operating expense	(22,335)
							Operating profit	99,678
							Financial income	5,292
							Financial expense	(6,192)
							Profit before income taxes	98,778

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

*2. Transactions between continuing and discontinued operations are eliminated from profit or loss from discontinued operations to reflect how they would affect continuing operations in the future. Accordingly, the transaction amount of ¥2,174 million between continuing and discontinued operations are included in the sales to third parties above.

2) Other income and expense items

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

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 loss	31	34	1,626	–	272	1,965	–	1,965

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments are as follows:
Adjustments of ¥4,055 million for depreciation and amortization consist of depreciation related to corporate assets.

Fiscal year ended March 31, 2016

(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	10,571	17,947	7,457	5,899	2,439	44,315	5,436	49,751
Impairment loss	719	2,446	3,325	38	593	7,124	–	7,124

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments are as follows:
Adjustments of ¥5,436 million 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, 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
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 are as follows:
Adjustments of ¥291,978 million 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.

As of March 31, 2016

(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
Segment assets	291,386	341,912	116,109	77,075	150,239	976,723	297,170	1,273,893
Of which investments in associates and joint ventures accounted for by equity method	7,631	4,887	2,301	808	21,953	37,582	–	37,582

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments are as follows:
Adjustments of ¥297,170 million for segment assets primarily consist of corporate assets of ¥345,892 million and elimination of inter-segment receivables and payables of ¥(48,042) 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 April 1, 2015

(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
Segment assets	219,465	393,681	130,928	116,723	133,220	994,018	263,242	1,257,261
Of which investments in associates and joint ventures accounted for by equity method	16,961	13,935	2,333	708	27,024	60,962	–	60,962

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments are as follows:
Adjustments of ¥263,242 million for segment assets primarily consist of corporate assets of ¥308,173 million and elimination of inter-segment receivables and payables of ¥(38,171) 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, 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 are as follows:
Adjustments of ¥3,275 million 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, 2016

(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	48,053	19,610	7,652	5,987	4,059	85,363	4,002	89,365

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments are as follows:
Adjustments of ¥4,002 million 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, 2017

(Millions of yen)

	Japan	Asia		Americas			
		Thailand	Others	U.S.	Others	Europe	Total
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

Fiscal year ended March 31, 2016

(Millions of yen)

	Japan	Asia		Americas			
		Thailand	Others	U.S.	Others	Europe	Total
Sales	521,576	121,881	159,632	170,234	69,699	106,402	1,149,427

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, 2017

(Millions of yen)

	Japan	Asia		Americas			
		Thailand	Others	U.S.	Others	Europe	Total
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

As of March 31, 2016

(Millions of yen)

	Japan	Asia		Americas			
		Thailand	Others	U.S.	Others	Europe	Total
Non-current assets	224,644	68,166	35,933	124,966	30,454	49,156	533,322

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 April 1, 2015

(Millions of yen)

	Japan	Asia		Americas			
		Thailand	Others	U.S.	Others	Europe	Total
Non-current assets	178,403	83,690	41,662	131,706	33,967	50,318	519,748

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

7. Cash and Cash Equivalents

The details of cash and cash equivalents are as follows:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Cash and bank deposits	**186,003**	204,487	168,804
Securities classified as cash equivalents	**–**	–	608
Total cash and cash equivalents in consolidated statements of financial position	**186,003**	204,487	169,413
Total cash and cash equivalents in consolidated statements of cash flows	**186,003**	204,487	169,413

8. Trade and Other Receivables

The details of trade and other receivables are as follows:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Notes receivable - trade	**6,859**	5,858	6,131
Accounts receivable - trade	**170,977**	162,422	196,907
Others	**9,888**	9,909	16,176
Loss allowance for expected credit loss	**(1,221)**	(1,188)	(1,293)
Total	**186,503**	177,002	217,922

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

9. Inventories

The details of inventories are as follows:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Finished goods and merchandise	**91,682**	98,550	101,249
Work in process	**24,543**	23,076	24,794
Raw materials and supplies	**52,529**	53,591	57,473
Total	**168,755**	175,217	183,517

The amounts of inventories recognized as expenses were ¥657,090 million and ¥710,653 million for the fiscal years ended March 31, 2017 and 2016, 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, 2017	Fiscal year ended March 31, 2016
Inventory write-downs	**3,033**	2,675

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

(1) Disposal groups classified as held for sale

On October 15, 2015, Ajinomoto Pharmaceuticals Co., Ltd. (hereafter "Ajinomoto Pharmaceuticals," currently known as EA Pharma Co., Ltd., hereafter "EA Pharma"), which was a wholly owned subsidiary of the Company, acquired a portion of the gastrointestinal disease treatment related business of Eisai Co., Ltd. (hereafter "Eisai") through an absorption-type split; as of April 1, 2016, shares of EA Pharma were transferred to Eisai in compensation of the acquisition.

Accordingly, as the Company lost control of Ajinomoto Pharmaceuticals, assets and liabilities of Ajinomoto Pharmaceuticals were classified as a disposal group classified as held for sale during the fiscal year ended March 31, 2016.

As a result, as of April 1, 2016, EA Pharma has become an equity-method associate with a 40% stake, and was derecognized as a consolidated subsidiary.

The details of disposal group classified as held for sale are as follows:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Assets of disposal group classified as held for sale			
Cash and cash equivalents	–	19,346	–
Trade and other receivables	–	16,974	–
Inventories	–	4,030	–
Other current assets	–	509	–
Property, plant and equipment	–	2,911	–
Intangible assets	–	6,294	–
Long-term financial assets	–	476	–
Other non-current assets	–	466	–
Total assets	–	51,008	–
Liabilities of disposal group classified as held for sale			
Trade and other payables	–	6,063	–
Other financial liabilities (current)	–	579	–
Short-term employee benefits	–	1,631	–
Income taxes payable	–	176	–
Other current liabilities	–	30	–
Other financial liabilities (non-current)	–	10	–
Long-term employee benefits	–	1,152	–
Provisions (non-current)	–	15	–
Deferred tax liabilities	–	1,056	–
Other non-current liabilities	–	2,753	–
Total liabilities	–	13,470	–

Financial assets and liabilities included in the disposal group classified as held for sale were mainly financial assets and liabilities measured at amortized cost.

(2) Discontinued operations

As stated in (1) Disposal groups classified as held for sale, the Company has classified Ajinomoto Pharmaceuticals and the Company's pharmaceuticals business as discontinued operations for the fiscal year ended on March 31, 2016, since the loss of control over Ajinomoto Pharmaceuticals was certain. Accordingly, as of April 1, 2016, Ajinomoto Pharmaceuticals and the Company's pharmaceuticals business were reclassified into "Other" segment in segment information, with EA Pharma becoming an equity-method associate and the Company continues its business.

On August 27, 2015, the Company concluded an agreement with Nissin Foods Holdings, Co, Ltd. (hereafter "Nissin Foods HD") to transfer all of the Company's shares in NISSIN-AJINOMOTO ALIMENTOS LTDA. (hereafter, "NA"), an instant noodle production and sales company in Brazil that was a joint venture with Nissin Foods HD. Accordingly, the business was classified as a discontinued operation for the fiscal year ended March 31, 2016.

The Company transferred to NISSIN TECHNOLOGY ALIMENTOS, a subsidiary of Nissin Foods HD, all of the Company's shares in NA as of October 30, 2015.

Profit (loss) from discontinued operations are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Revenue from discontinued operations	–	62,627
Expenses from discontinued operations	–	(51,562)
Profit (loss) before income taxes from discontinued operations	–	11,064
Income taxes	–	(8,276)
Profit (loss) from discontinued operations	–	2,788

Please refer to the consolidated statements of income for basic and diluted earnings per share from discontinued operations.

Transactions between continuing and discontinued operations are eliminated from profit or loss from discontinued operations to reflect how they would affect continuing operations in the future. The transaction amount of ¥2,600 million was deducted from the above revenue and expenses from discontinued operations for the transaction between continuing and discontinued operations for the fiscal year ended March 31, 2016.

The details of profit (loss) from ordinary activities from discontinued operations are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Revenue	–	35,056
Expenses	–	(51,562)
Profit (loss) before income taxes	–	(16,506)
Income taxes	–	2,068
Profit (loss)	–	(14,437)

As stated in (1) Disposal groups classified as held for sale, the Company classified assets and liabilities of Ajinomoto Pharmaceuticals as a disposal group classified as held for sale. Due to this classification, the sum of assets and liabilities of Ajinomoto Pharmaceuticals and the patents held by the Company was reduced to the recoverable amount of ¥33,320 million, and an impairment loss of ¥5,306 million was recognized. The impairment loss consists of ¥778 million for buildings and structures, ¥565 million for machinery and vehicles, ¥2,329 million for patents, and ¥1,633 million for other assets. The recoverable amount was calculated by fair value less costs of disposal, and the fair value was measured by the discount cash flow method. The main assumption used for calculation of fair value less costs of disposal was the weighted average cost of capital before income tax, which was 9.6%. The fair value measurement used for this recoverable amount is classified as level 3 of the fair value hierarchy.

In addition, an impairment loss of ¥2,269 million was recognized on manufacturing facilities of the pharmaceutical business, whose carrying amounts were reduced to their recoverable amounts. The impairment loss consists of ¥1,522 million for buildings and structures, ¥638 million for machinery and vehicles, and ¥108 million for other assets. The recoverable amount was based on the value in use. Since the future cash flows were negative, the recoverable amount was evaluated as zero. The Company recorded pharmaceutical business restructuring charges, which consist of ¥4,945 million recognized in Loss on sales of shares of subsidiaries and associates for the transfer of shares of the Company's equity-method associate in the infusion and dialysis business and ¥6,839 million of contract cancellation fees for various companies.

The details of gain (loss) on disposal related to discontinued operations are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Gain on disposal related to discontinued operations	–	27,570
Income taxes related to gain on disposal	–	(10,345)
Gain on disposal related to discontinued operations, net	–	17,225

Net cash flows from operating activities, investing activities, and financing activities attributable to discontinued operations are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Cash flows from operating activities	–	4,240
Cash flows from investing activities	–	6,261
Cash flows from financing activities	–	8,838
Total	–	19,339

Dividends received from NA in the amount of ¥163 million was included in continuing operations, and therefore not included in the above cash flows attributable to discontinued operations.

11. Property, Plant and Equipment

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

(1) Carrying amounts

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2015*1	146,839	158,676	14,171	50,408	19,907	390,003
Acquisition due to purchases from third parties*2	1,334	6,087	1,370	9	45,748	54,550
Acquisition due to business combinations	5,275	9,215	483	3,161	296	18,431
Transfer to disposal groups classified as held for sale	(1,350)	(980)	(268)	(150)	(160)	(2,911)
Sales or disposal	(274)	(1,063)	(105)	(186)	(45)	(1,675)
Impairment loss	(5,085)	(4,268)	(528)	(554)	(435)	(10,872)
Depreciation	(10,983)	(26,148)	(5,056)	–	–	(42,189)
Transfer from construction in progress	13,309	22,127	4,571	118	(40,127)	–
Exchange differences on translation	(8,654)	(10,397)	(789)	(1,774)	(1,935)	(23,552)
Others	2,359	(2,577)	36	(1,027)	(1,165)	(2,374)
Balance as of March 31, 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 loss	**(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**

*1. The carrying amounts of finance leases included in the balance as of March 31, 2017, March 31, 2016 and April 1, 2015 are as follows:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
As of April 1, 2015	105	978	500	1,507	3,092
As of March 31, 2016	132	1,075	583	1,443	3,235
As of March 31, 2017	**89**	**1,216**	**560**	**1,429**	**3,296**

*2. The borrowing costs capitalized were ¥10 million and ¥42 million for the fiscal years ended March 31, 2017 and 2016, respectively. The capitalization rates applied in calculating the borrowing costs were 0.62% and 0.67% for the fiscal years ended March 31, 2017 and 2016, 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, 2015	376,307	609,773	73,666	50,408	19,907	1,130,063
As of March 31, 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**

(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, 2015	229,468	451,096	59,494	–	–	740,060
As of March 31, 2016	216,449	435,316	53,076	467	–	705,310
As of March 31, 2017	**223,636**	**440,045**	**54,904**	**2**	**–**	**718,588**

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.

(4) Commitments

The amounts of commitments for the acquisition of property, plant and equipment as of March 31, 2017, March 31, 2016 and April 1, 2015 were ¥11,419 million, ¥8,431 million and ¥9,332 million, respectively.

12. Goodwill and Intangible Assets

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	Patents	Others	Total
Balance as of April 1, 2015	70,316	11,906	13,117	3,388	8,392	9,538	46,344
Increase due to individual acquisition	–	66	3,986	–	333	652	5,040
Acquisition due to business combinations	30,906	–	367	5,704	–	2	6,074
Transfer to disposal groups classified as held for sale	–	(0)	(243)	–	(4,041)	(2,009)	(6,294)
Sales or disposal	–	–	(42)	–	–	(0)	(43)
Impairment loss	–	(50)	(243)	–	(2,345)	(1,158)	(3,797)
Amortization	–	(887)	(4,123)	(1,182)	(1,982)	(487)	(8,662)
Exchange differences on translation	(4,333)	(544)	(204)	(196)	(2)	(384)	(1,332)
Others	–	(0)	206	–	0	(86)	119
Balance as of March 31, 2016	96,889	10,491	12,822	7,712	355	6,065	37,446
Increase due to individual acquisition	**–**	**25,937**	**3,887**	**–**	**10**	**25**	**29,860**
Sales or disposal	**–**	**–**	**(123)**	**–**	**–**	**(3)**	**(126)**
Impairment loss	**–**	**–**	**(27)**	**–**	**–**	**–**	**(27)**
Amortization	**–**	**(818)**	**(4,184)**	**(1,160)**	**(177)**	**(408)**	**(6,749)**
Exchange differences on translation	**(283)**	**(55)**	**32**	**(20)**	**(0)**	**(90)**	**(134)**
Others	**–**	**–**	**159**	**–**	**–**	**(5)**	**154**
Balance as of March 31, 2017	**96,606**	**35,554**	**12,566**	**6,531**	**187**	**5,582**	**60,422**

There were no capitalized borrowing costs for the fiscal years ended March 31, 2016 and March 31, 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	Patents	Others	Total
As of April 1, 2015	70,316	14,440	46,596	3,484	19,309	11,398	95,230
As of March 31, 2016	96,889	13,882	47,131	8,971	520	8,152	78,658
As of March 31, 2017	**96,606**	**39,779**	**50,175**	**8,957**	**529**	**8,081**	**107,523**

(3) Accumulated amortization and impairment losses

(Millions of yen)

		Intangible assets					
	Goodwill	Trademarks	Software	Customer relationships	Patents	Others	Total
As of April 1, 2015	–	2,533	33,479	96	10,916	1,859	48,886
As of March 31, 2016	–	3,391	34,309	1,259	164	2,086	41,211
As of March 31, 2017	**–**	**4,225**	**37,608**	**2,425**	**342**	**2,498**	**47,101**

(4) Commitments

The amounts of commitments for the acquisition of intangible assets as of March 31, 2017, March 31, 2016 and April 1, 2015 were ¥588 million, ¥89 million and ¥9 million, respectively.

(5) Intangible assets with indefinite useful lives

The carrying amount of intangible assets with indefinite useful lives as of March 31, 2017 was ¥26,629 million. The main asset is the trademark of AGF's coffee products such as "Blendy" and "MAXIM" acquired by the Company in October 2016. As trademarks with an indefinite useful life 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.

There were no material intangible assets with indefinite useful lives as of March 31, 2016 and April 1, 2015.

(6) Individual intangible assets that are material

Individual intangible assets that were material as of March 31, 2017 included in the consolidated statement of financial position were the trademarks of coffee products described in (5), with the carrying amount of ¥25,907 million.

There were no individual intangible assets that were material as of March 31, 2016 and April 1, 2015.

13. Impairment of Non-financial Assets

(1) Impairment losses

Major impairment losses for the fiscal year ended March 31, 2017 are as follows:

The carrying amount of production facilities for the animal nutrition business in Brazil in the Life Support segment, was reduced to its recoverable amount, and an impairment loss of ¥1,626 million was recognized. These production facilities have been impaired due to the global oversupply of feed-use lysine and a fall in unit selling price from price competitions with other companies, which led to net losses for consecutive years, with low probability to recover in the future. The impairment loss comprised ¥1,062 million for buildings and structures, ¥302 million for machinery and vehicles and ¥262 million for other assets. 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.

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

Major impairment losses for the fiscal year ended March 31, 2016 are as follows:

The carrying amount of production facilities for the animal nutrition business in Thailand in the Life Support segment, was reduced to its recoverable amount, and an impairment loss of ¥3,316 million was recognized. These production facilities have been impaired due to the oversupply of feed-use lysine in the Asian market and a fall in unit selling price from price competitions with other companies, which led to net losses for consecutive years, with low probability to recover in the future. The impairment loss comprised ¥844 million for buildings and structures, ¥2,204 million for machinery and vehicles and ¥268 million for other assets. The recoverable amount was measured 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.

The carrying amount of production facilities for seasonings in China in the International Food Products segment was reduced to its recoverable amount, and an impairment loss of ¥2,070 million was recognized. These production facilities have been impaired since the recovery of investment was expected unlikely due to lowered profitability. The impairment loss comprised ¥972 million for buildings and structures, ¥458 million for machinery and vehicles, and ¥640 million for other assets. 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.

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

The details of assets for which impairment losses were recognized are as follows:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016
Buildings and structures	**1,159**	2,784
Machinery and vehicles	**411**	3,064
Tools, furniture and fixtures	**139**	260
Land	**2**	467
Construction in progress	**201**	10
Software	**27**	102
Others	**23**	433
Total	**1,965**	7,124

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

1. Ajinomoto Windsor, Inc.

For impairment tests for the goodwill of Ajinomoto Windsor, Inc., as of March 31, 2017 and March 31, 2016, 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 as of March 31, 2017 and March 31, 2016 were based on the actual operating results and the management-approved plan. The 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 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 next year's budget) 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 the following:

- Period used by management for future cash flow projection: 7 years (6 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: 12.9% (12.9% for the previous fiscal year)
- EV / EBITDA ratio used for comparable peer company analysis: Between 12.5 and 13.5 times (12.5 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, 2017, 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.

For an impairment test for the goodwill of Ajinomoto Windsor, Inc., as of April 1, 2015, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used, based on the management-approved 5-year plan. The 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 5 years was 2.5%, and the pre-tax discount rate applied to the cash flow projection was 12.9%.

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

For AGF's goodwill and intangible assets with indefinite useful lives (trademarks) as of March 31, 2017, and for an impairment test for AGF's goodwill as of March 31, 2016, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used, based on the management-approved 3-year medium-term management plan (next year's budget for March 31, 2016). The medium-term management plan (next year's budget for March 31, 2016) 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 medium-term management plan (next year's budget for March 31, 2016) was 0.3% (0.3% for March 31, 2016), and the pre-tax discount rate applied to the cash flow projection was 7.0% (7.6% for March 31, 2016).

As of March 31, 2017, 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 an impairment test for the goodwill of Ajinomoto Althea, Inc. as of April 1, 2015, March 31, 2016 and March 31, 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, based on the management-approved 3-year medium-term management plan (next year's budget for March 31, 2016, remaining 2 years of the medium-term management plan for April 1, 2015). The medium-term management plan (next year's budget for March 31, 2016) 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 medium-term management plan (next year's budget for March 31, 2016) was 3.8% (3.9% for March 31, 2016 and April 1, 2015), and the pre-tax discount rate applied to the cash flow projection was 14.8% (14.8% for March 31, 2016 and 13.1% for April 1, 2015).

As of March 31, 2017, the value in use exceeds the carrying amount by ¥1,210 million, and if the discount rate increased by 0.5%, an impairment loss would be recognized.

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

(Millions of yen)

Cash-generating unit or group of cash-generating units	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Ajinomoto Windsor, Inc.	**49,521**	49,738	53,044
AGF	**30,906**	30,906	–
Ajinomoto Althea, Inc.	**15,380**	15,447	16,474
Others	**798**	798	798
Total	**96,606**	96,889	70,316

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

(Millions of yen)

Cash-generating unit or group of cash-generating units	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
AGF	**25,907**	–	–
Others	**721**	768	784
Total	**26,629**	768	784

14.Leases

(1) 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 lease are as follows:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Within 1 year	**4,134**	3,831	3,033
Over 1 year within 5 years	**9,472**	9,955	8,177
Over 5 years	**7,046**	8,196	5,886
Total	**20,653**	21,982	17,097

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, 2017	As of March 31, 2016	As of April 1, 2015
Total amount of expected future minimum sublease payments	**463**	252	408

The details of lease and sublease payments recognized as expenses for the fiscal years ended March 31, 2017 and 2016 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Minimum lease payments	**4,501**	4,279
Contingent lease payments	**43**	41
Sublease payments received	**(208)**	(154)
Total amounts of lease payments and sublease payments	**4,336**	4,165

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

(2) 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, 2017	As of March 31, 2016	As of April 1, 2015
Within 1 year	**201**	106	178
Over 1 year within 5 years	**262**	145	229
Over 5 years	**–**	–	–
Total	**463**	252	408

15. Subsidiaries

(1) Material subsidiaries

Material subsidiaries are listed below.

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 General Foods, Inc.	3,862 million JPY	Coffee products	Japan	100.0	–
Ajinomoto Logistics Corporation	1,930 million JPY	Logistics	Japan	96.5	3.5
Ajinomoto Fine-Techno Co., Inc.	315 million JPY	Specialty chemicals	Japan	100.0	–
Ajinomoto Co., (Thailand) Ltd.	796,362 thousand THB	Seasonings and processed foods	Thailand	78.7	21.3
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.	15,030 thousand USD	Frozen foods	U.S.A.	100.0	–
Ajinomoto Heartland, Inc.	750 thousand USD	Animal nutrition	U.S.A.	100.0	–
Ajinomoto North America, Inc.	–	Amino acids, Umami seasonings for processed food	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 sweeteners, animal nutrition, and amino acids	Brazil	100.0	–
Ajinomoto OmniChem N.V.	21,320 thousand EUR	Amino acids	Belgium	100.0	–
Ajinomoto Eurolysine S.A.S.	26,865 thousand EUR	Animal nutrition	France	100.0	–

(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, 2017	Fiscal year ended March 31, 2016
Changes due to equity transactions with non-controlling interests	(65)	(411)

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

For the fiscal year ended March 31, 2017, the profit (loss) (before tax effect) recognized due to changes in ownership interest that resulted in the loss of control of subsidiaries were ¥(626) million (¥(5,603) million for the fiscal year ended March 31, 2016) and ¥41 million (nil for the fiscal year ended March 31, 2016), and recorded in "Loss on sales of shares of subsidiaries and associates" in Other operating expenses and "Other" in Other operating income, respectively. Out of those amounts, 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 (nil for the fiscal year ended March 31, 2016).

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

The effect on cash flows from changes in ownership interests in subsidiaries that result in loss of control are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Consideration received in cash	4,249	4,355
Cash and cash equivalents of derecognized subsidiaries	2,013	222
Net: Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	2,235	4,133

16. 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 and discontinued operations, other comprehensive income (loss) and the total comprehensive income.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Carrying amount of interests in associates	73,600	37,303	41,793

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016
Profit from continuing operations attributable to owners of the parent company	2,406	1,098
Other comprehensive income attributable to owners of the parent company	605	(905)
Total comprehensive income attributable to owners of the parent company	3,011	192

(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 and discontinued operations, other comprehensive income (loss) and the total comprehensive income.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Carrying amount of interests in associates	57,033	278	19,169

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016
Profit from continuing operations attributable to owners of the parent company	130	71
Other comprehensive income attributable to owners of the parent company	2	(92)
Total comprehensive income attributable to owners of the parent company	133	(20)

17. 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, 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)

Fiscal year ended March 31, 2016

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Increase due to business combination	Transfer to assets held for sale	Others	Balance at the end of the year
Deferred tax assets							
Liability for retirement benefits	9,993	(1,058)	3,832	(68)	(310)	135	12,525
Accrued compensated absences	1,822	224	–	183	(246)	23	2,006
Impairment loss	3,313	(947)	–	–	–	345	2,711
Accrued bonuses	2,846	179	–	386	(316)	73	3,168
Elimination of intercompany profit	2,291	(487)	–	–	(9)	–	1,795
Period expense	3,306	502	–	1,303	(1,065)	93	4,139
Others	7,943	28	1,112	157	(1,178)	258	8,320
Total	31,517	(1,559)	4,944	1,961	(3,124)	927	34,667
Deferred tax liabilities							
Revaluation of property, plant and equipment	(13,619)	1,286	–	(1,971)	–	(608)	(14,912)
Reserve for accelerated depreciation of property, plant and equipment	(4,756)	(926)	–	–	1,066	–	(4,616)
Net changes in fair value of financial assets	(10,149)	–	1,484	–	–	–	(8,665)
Appraisal of land on consolidated financial statements	(2,187)	61	–	(433)	–	–	(2,559)
Others	(8,761)	485	–	–	1,135	(691)	(7,831)
Total	(39,474)	906	1,484	(2,404)	2,201	(1,299)	(38,585)
Net deferred tax assets or liabilities	(7,956)	(652)	6,428	(443)	(923)	(372)	(3,917)

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, 2017	As of March 31, 2016	As of April 1, 2015
Deferred tax assets	8,249	10,007	8,353
Deferred tax liabilities	(12,163)	(13,925)	(16,310)
Net deferred tax assets (liabilities)	(3,914)	(3,917)	(7,956)

(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, 2017	As of March 31, 2016	As of April 1, 2015
Future deductible temporary differences	44,612	45,419	41,107
Net loss carryforwards	8,526	9,758	13,249
Unused tax credits	2,851	3,796	1,963
Total	55,989	58,975	56,319

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Within 1 year	15	1,177	1,776
Over 1 year within 2 years	19	32	1,184
Over 2 years within 3 years	84	234	35
Over 3 years within 4 years	71	122	238
Over 4 years within 5 years	178	136	80
Over 5 years	8,157	8,056	9,933
Total	8,526	9,758	13,249

Unused tax credits (tax base)

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Within 1 year	584	1,296	4
Over 1 year within 2 years	1,830	666	1,294
Over 2 years within 3 years	436	1,837	664
Over 3 years within 4 years	–	–	–
Over 4 years within 5 years	–	–	–
Over 5 years	–	–	–
Total	2,851	3,796	1,963

(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 will not be reversed in foreseeable future. The future taxable temporary differences related to investments in subsidiaries for which no deferred tax liability is recognized are ¥285,826 million, ¥271,124 million and ¥259,508 million as of March 31, 2017, March 31, 2016 and April 1, 2015, respectively.

(4) Deferred tax assets dependent on future taxable income

Deferred tax assets of ¥3,571 million, ¥2,437 million and ¥1,529 million were recognized as of March 31, 2017, March 31, 2016 and April 1, 2015, respectively, for the Company and its certain subsidiaries that incurred net loss for the fiscal years ended March 31, 2017 or March 31, 2016, and whose recoverability of deferred tax assets depends on the future taxable income.

The deferred tax assets above were recognized after thorough assessments by 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, 2017	Fiscal year ended March 31, 2016
Current tax expense	**20,056**	19,982
Deferred tax expense		
Recognition and reversal of temporary differences	**2,051**	2,119
Changes in tax rates	**(771)**	(935)
Others	**381**	(530)
Total deferred tax expense	**1,661**	652
Total tax expenses	**21,717**	20,635

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 ¥1,146 million and ¥3,331 million for the fiscal years ended March 31, 2017 and March 31, 2016 respectively.

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

The reconciliation between the statutory tax rate and the effective tax rate is as follows:

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

(%)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Statutory tax rate	**30.9**	33.1
Share of profit of associates and joint ventures	**(0.9)**	(0.4)
Difference from applicable tax rates of foreign subsidiaries	**(3.7)**	(4.7)
Special tax credit on corporate income taxes	**(2.0)**	(1.4)
Gain on business combination achieved in stages	**–**	(6.0)
Others	**0.9**	0.4
Effective tax rate	**25.1**	20.9

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.

The Japanese Diet has passed legislations to "partially amend legislations to partially amend consumption tax laws for drastic tax reforms to secure financial sources of social securities" and "partially amend legislations to partially amend local tax laws and laws on tax allocation to local governments for drastic tax reforms to secure financial sources of social securities" on November 18, 2016. This will not affect the statutory tax rate used for calculating deferred tax assets and liabilities, but the tax rates have been reclassified between the national and local taxes.

There is no significant impact from this reclassification.

18. Trade and Other Payables

The details of trade and other payables are as follows:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Notes payable - trade	**896**	1,071	1,426
Accounts payable - trade	**88,228**	87,669	111,176
Accounts payable - other	**45,340**	43,703	34,739
Others	**26,375**	26,271	25,347
Total	**160,840**	158,715	172,690

19. Corporate Bonds and Borrowings

(1) Corporate bonds

The details of corporate bonds as of March 31, 2017, March 31, 2016 and April 1, 2015 are as follows:

Company name	Issue	Date of issuance	As of March 31, 2017 (Millions of yen)	As of March 31, 2016 (Millions of yen)	As of April 1, 2015 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Ajinomoto Co., Inc.	The 18th unsecured bond	June 10, 2003	– (–)	– (–)	15,000 (15,000)	0.710	None	June 10, 2015
Ajinomoto Co., Inc.	The 20th unsecured bond	September 17, 2008	19,973 (–)	19,961 (–)	19,952 (–)	1.890	None	September 17, 2020
Ajinomoto Co., Inc.	The 21st unsecured bond	March 2, 2016	19,938 (–)	19,927 (–)	– (–)	0.200	None	March 2, 2023
Ajinomoto Co., Inc.	The 22nd unsecured bond	March 2, 2016	24,907 (–)	24,897 (–)	– (–)	0.305	None	March 2, 2026
Ajinomoto Co., Inc.	The 23rd unsecured bond	March 2, 2016	24,876 (–)	24,870 (–)	– (–)	0.939	None	February 29, 2036
Ajinomoto Co., Inc.	The 24th unsecured bond	March 9, 2017	19,919 (–)	– (–)	– (–)	0.190	None	March 8, 2024
Ajinomoto Co., Inc.	The 25th unsecured bond	March 9, 2017	29,889 (–)	– (–)	– (–)	0.355	None	March 9, 2027
Ajinomoto Co., Inc.	The 26th unsecured bond	March 9, 2017	29,846 (–)	– (–)	– (–)	0.921	None	March 9, 2037
Total			169,347 (–)	89,656 (–)	34,952 (15,000)	–	–	–

Figures in parentheses () represent the current portion of corporate bonds as of March 31, 2017, March 31, 2016 and April 1, 2015.

(2) Borrowings

The details of borrowings as of March 31, 2017, March 31, 2016 and April 1, 2015 are as follows:

	As of March 31, 2017 (Millions of yen)	As of March 31, 2016 (Millions of yen)	As of April 1, 2015 (Millions of yen)	Average interest rate (%)	Repayment date
Short–term borrowings	**11,153**	12,499	91,513	1.27	–
Commercial paper	**–**	–	15,000	–	–
Current portion of long–term borrowings	**23,929**	11,012	18,676	1.21	–
Long–term borrowings	**129,617**	153,570	54,121	0.62	From April 2018 to August 2035
Total	**164,700**	177,082	179,311	–	–

Average interest rates represent the weighted average interest rate on the ending balance of borrowings for each reporting period.

20. 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, 2015	2,982	1,304	0	3,443	1,851	9,582
Increase in the period (provisions)	3,483	987	2	154	1,231	5,859
Business combinations	221	–	–	–	78	300
Increase in the period (increase arising from passage of time)	–	–	–	–	4	4
Decrease in the period (utilization)	(3,150)	(1,086)	(0)	(4)	(221)	(4,464)
Decrease in the period (reversal)	(1)	(3)	–	–	(8)	(12)
Exchange differences on translation	(37)	(12)	–	(274)	(74)	(398)
Others	18	–	–	–	89	108
Balance as of March 31, 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**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Current liabilities	**4,579**	4,275	3,311
Non-current liabilities	**11,261**	6,704	6,270
Total	**15,841**	10,979	9,582

(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, 2017.

(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, 2017.

(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 nine years from the end of the fiscal year ended March 31, 2017, 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 at the end of reporting period for litigation-related expenditures.

21. Contingent Liabilities

The undiscounted future maximum exposure from guarantee obligations is as follows:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Granules-OmniChem Private Ltd. (joint venture)	**2,156**	2,298	2,345
KUKRE GIDA A.S. (joint venture)	**64**	252	340
Others	**39**	79	253
Total	**2,260**	2,630	2,939

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 six years as of March 31, 2017.

22. 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 plans 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, 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 statement of financial position			
Assets (Other non-current assets)	1,946	–	1,946
Liabilities (Long-term employee benefits)	45,709	9,707	55,416

The following table shows the details of defined benefit liabilities or assets as of March 31, 2016.

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	238,647	12,918	251,566
Fair value of plan assets	196,682	4,061	200,744
Net defined benefit liabilities (assets)	41,965	8,856	50,822
Amounts in consolidated statement of financial position			
Assets (Other non-current assets)	552	0	552
Liabilities (Long-term employee benefits)	42,518	8,856	51,374

The following table shows the details of defined benefit liabilities or assets as of April 1, 2015

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	215,165	12,821	227,986
Fair value of plan assets	180,553	3,719	184,272
Net defined benefit liabilities (assets)	34,611	9,102	43,713
Amounts in consolidated statement of financial position			
Assets (Other non-current assets)	529	–	529
Liabilities (Long-term employee benefits)	35,141	9,102	44,243

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, 2015	215,165	12,821	227,986
Current service cost	6,379	893	7,273
Interest expense	1,996	437	2,434
Remeasurement of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	(1,257)	312	(944)
Actuarial (gains) losses arising from changes in financial assumptions	12,508	(414)	12,093
Experience adjustments	1,694	205	1,900
Past service cost	–	0	0
Contributions to the plan by plan participants	–	21	21
Benefits paid from the plan	(12,016)	(509)	(12,526)
Exchange differences on translation	–	(793)	(793)
Effects of business combinations and disposals	17,482	–	17,482
Others	26	(55)	(28)
Transfer to liabilities of disposal groups classified as held for sale	(3,332)	–	(3,332)
Balance as of March 31, 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**

The weighted average duration of defined benefit obligations as of March 31, 2017 was 14.7 years in Japan and 14.2 years in overseas countries.

4) Plan assets

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

(Millions of yen)

	Japan	Overseas	Total
Balance as of April 1, 2015	180,553	3,719	184,272
Interest income	1,747	82	1,829
Remeasurement of fair value of plan assets:			
Return on plan assets	(2,501)	87	(2,414)
Actuarial (gains) losses arising from changes in financial assumptions	65	4	70
Contributions:			
Contributions to the plan by employer	12,615	549	13,164
Contributions to the plan by plan participants	–	21	21
Benefits paid from the plan	(11,567)	(238)	(11,806)
Exchange differences on translation	–	(164)	(164)
Effects of business combinations and disposals	18,376	–	18,376
Others	(70)	0	(70)
Transfer to liabilities of disposal groups classified as held for sale	(2,535)	–	(2,535)
Balance as of March 31, 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**

The amount of contributions to the defined benefit plans expected to be made for the fiscal year ending March 31, 2018 is ¥12,815 million.

The following table shows the components of plan assets.

(Millions of yen)

	As of March 31, 2017		As of March 31, 2016		As of April 1, 2015	
	Japan	Overseas	Japan	Overseas	Japan	Overseas
Debt instruments						
With quoted market price	9,205	–	8,075	–	37,099	–
With no quoted market price	3,281	–	2,384	–	1,571	–
Equity instruments						
With quoted market price	2,686	–	2,210	–	4,425	–
With no quoted market price	1,309	–	1,332	–	1,988	–
Commingled investments						
Debt instruments						
With no quoted market price	95,497	548	100,091	622	60,210	551
Equity instruments						
With no quoted market price	46,356	–	40,767	–	40,230	–
Others						
With no quoted market price	3,533	–	3,443	–	792	–
Life insurance general accounts						
With no quoted market price	37,444	3,417	36,314	3,217	31,660	2,873
Cash and cash equivalents	1,070	143	1,169	167	1,458	194
Others	2,430	80	892	54	1,116	98
Total	202,814	4,191	196,682	4,061	180,553	3,719

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 is 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, 2017		As of March 31, 2016		As of April 1, 2015	
	Japan	Overseas	Japan	Overseas	Japan	Overseas
Discount rates	0.8	4.0	0.5	4.2	0.9	3.7

6) Sensitivity analysis for defined benefit obligation

The following table shows a sensitivity analysis of the effect 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, 2017	
	Japan	Overseas
Increase in defined benefit obligations if the discount rate decreased by 0.1%	3,474	184
Decrease In defined benefit obligations if the discount rate increased by 0.1%	(3,472)	(178)

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

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, 2017			Fiscal year ended March 31, 2016		
	Japan	Overseas	Total	Japan	Overseas	Total
Current service cost	6,359	1,040	7,399	5,964	893	6,857
Interest income or expense	179	383	562	253	355	609
Past service cost	–	(3)	(3)	–	0	0
Total (Profit or loss)	6,538	1,420	7,959	6,217	1,248	7,466
Actuarial (gains) losses arising from changes in demographic assumptions	20,553	(5)	20,547	(1,257)	312	(944)
Actuarial (gains) losses arising from changes in financial assumptions	(6,749)	409	(6,339)	12,442	(419)	12,023
Return on plan assets (Excluding the amount included in interest income)	(4,194)	(11)	(4,205)	2,501	(87)	2,414
Changes in other actuarial assumptions and other changes	(1,229)	19	(1,209)	1,694	205	1,900
Total (Other comprehensive income)	8,380	412	8,792	15,381	11	15,392

8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans were ¥13,338 million and ¥13,081 million for the fiscal years ended March 31, 2017 and 2016, 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, 2017	As of March 31, 2016	As of April 1, 2015
Short-term employee benefits			
Accrued salaries	3,139	2,587	2,562
Accrued bonuses	15,906	16,002	14,405
Accrued compensated absences	11,308	10,933	10,848
Others	5,147	5,122	4,667
Total	35,501	34,646	32,483
Other long-term employee benefits			
Accrued retirement benefits for directors	464	435	427
Others	1,710	1,402	1,299
Total	2,175	1,838	1,727

23. Common Stock and Reserve

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

(Number of shares)

	As of March 31, 2017	As of March 31, 2016
Number of shares authorized (Common stock with no par value)	1,000,000,000	1,000,000,000
Number of shares issued (Common stock with no par value)		
Beginning of the year	583,762,654	594,470,654
Decrease due to retirement of treasury stock	11,899,300	10,708,000
End of the year	571,863,354	583,762,654
Treasury stock (Common stock with no par value)		
Beginning of the year	2,724,205	2,663,656
End of the year	2,729,750	2,724,205

All shares of common stock are fully paid.

(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, all or a part of legal capital surplus 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, all or a part of legal retained earnings 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, 2017	As of March 31, 2016	As of April 1, 2015
Capital (Millions of yen)	616,315	609,486	650,660
Equity ratio attributable to owners of the parent company (%)	45.6	47.8	51.8
ROE attributable to owners of the parent company (%)	8.7	11.3	

The management monitors 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.

24. Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2017

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

Fiscal year ended March 31, 2016

	Total amount of dividends (Millions of yen)	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥14)	8,285	June 26, 2015	June 29, 2015
Interim dividend (Dividend per share: ¥13)	7,693	November 5, 2015	December 3, 2015

Dividends for which the effective date falls in the next fiscal year commencing April 1, 2017 are as follows:

	Total amount of dividends (Millions of yen)	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥15)	8,537	June 27, 2017	June 28, 2017

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.

25. Selling Expenses

The details of selling expenses are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Logistics expenses	43,787	46,432
Advertising	35,148	32,371
Sales promotion expenses	26,399	27,611
Sales commissions	2,794	3,253
Employee benefit expenses	39,996	42,396
Depreciation and amortization	2,020	2,167
Others	19,301	20,207
Total	169,448	174,440

26. Research and Development Expenses

The details of research and development expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Employee benefit expenses	12,717	12,760
Depreciation and amortization	2,201	2,024
Subcontracting and consumables expenses	6,979	6,407
Others	5,236	5,399
Total	27,134	26,591

27. General and Administrative Expenses

The details of general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Employee benefit expenses	53,496	51,948
Depreciation and amortization	8,006	9,721
Others	34,616	32,615
Total	96,119	94,284

28. Employee Benefit Expenses

The details of employee benefit expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Salaries	113,881	117,419
Bonuses	33,159	32,909
Compensated absences	2,177	2,215
Retirement benefits	9,203	7,982
Directors' remuneration	2,568	2,643
Directors' bonuses	328	481
Other employee benefits	41,143	41,800
Total	202,463	205,452

29. Other Operating Income

The details of other operating income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Gain on business combination achieved in stages	–	18,112
Foreign exchange gain	–	1,160
Gain on sales of property, plant and equipment	5,312	879
Others	4,229	3,716
Total	9,541	23,868

30. Other Operating Expenses

The details of other operating expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Impairment loss	1,965	7,124
Loss on sales of shares of subsidiaries and associates	626	5,603
Loss on disposal of property, plant and equipment	3,657	2,796
Provision for loss on contract	6,451	–
Valuation loss on stock purchase agreement	2,037	–
Environmental measures expenses	377	1,013
Foreign exchange loss	1,272	–
Others	6,389	5,798
Total	22,776	22,335

31. Financial Income

The details of financial income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Interest income		
Financial assets measured at amortized cost	3,162	2,825
Subtotal	3,162	2,825
Dividend income		
Financial assets measured at fair value through other comprehensive income	1,217	1,317
Subtotal	1,217	1,317
Gain on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	975	–
Subtotal	975	–
Foreign exchange gain	1,303	1,094
Others	625	55
Total	7,283	5,292

32. Financial Expenses

The details of financial expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Interest expenses		
Financial liabilities measured at amortized cost	2,128	2,061
Derivatives	403	265
Subtotal	2,532	2,326
Loss on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	–	2,732
Subtotal	–	2,732
Unwinding of discount on provisions arising from passage of time	3	4
Loss allowance for expected credit loss	357	149
Others	1,322	978
Total	4,216	6,192

33. Other Comprehensive Income

The details of other comprehensive income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
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	6,675	(3,315)
Before tax effects	6,675	(3,315)
Tax effects	(1,978)	1,482
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	4,696	(1,832)
Remeasurements of defined benefit pension plans:		
Amount arising during the period	(8,556)	(15,300)
Before tax effects	(8,556)	(15,300)
Tax effects	1,949	3,832
Remeasurements of defined benefit pension plans	(6,607)	(11,468)
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	540	(698)
Share of other comprehensive income (loss) of associates and joint ventures	540	(698)
Items that may be reclassified to profit or loss:		
Cash flow hedges:		
Amount arising during the period	(95)	(4,398)
Reclassification adjustments:		
Currency risk	92	1
Interest rate risk	403	265
Before tax effects	400	(4,131)
Tax effects	(126)	1,094
Cash flow hedges	274	(3,037)
Change in fair value of forward elements of forward contracts *1:		
Amount arising during the period	(216)	–
Reclassification adjustments	–	–
Before tax effects	(216)	–
Tax effects	53	–
Change in fair value of forward elements of forward contracts	(162)	–
Exchange differences on translation of foreign operations:		
Amount arising during the period	1,624	(57,634)
Reclassification adjustments	184	(74)
Before tax effects	1,809	(57,708)
Tax effects	–	–
Exchange differences on translation of foreign operations	1,809	(57,708)
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	(15)	(1,176)
Reclassification adjustments	82	876
Share of other comprehensive income (loss) of associates and joint ventures	67	(300)
Total other comprehensive income	617	(75,044)

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

34. Earnings per Share

Respective information related to the calculation of earnings per share attributable to owners of the parent company are 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, 2017	Fiscal year ended March 31, 2016
Profit from continuing operations	53,065	68,504
Profit from discontinued operations	–	2,788
Amount used for calculating the basic earnings per share	53,065	71,292

2) Weighted average number of ordinary shares

(Thousands of shares)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Weighted average number of ordinary shares	571,779	588,064

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

(Yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Basic earnings per share:		
Continuing operations	92.81	116.49
Discontinued operations	–	4.74
Basic earnings per share	92.81	121.23

35. 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, 2017	As of March 31, 2016	As of April 1, 2015
(Current assets)			
Other financial assets			
Derivative assets*1	1,085	474	7,656
(Non-current assets)			
Long-term financial assets			
Debt instruments	452	505	631
Derivative assets*1	30	86	–
(Current liabilities)			
Other financial liabilities			
Derivative liabilities*1	2,814	1,308	952
(Non-current liabilities)			
Other financial liabilities			
Derivative liabilities*1	4,404	6,466	1,463

*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, 2017	As of March 31, 2016	As of April 1, 2015
(Current assets)			
Cash and cash equivalents	186,003	204,487	169,413
Trade and other receivables	186,503	177,002	217,922
Other financial assets	9,961	5,008	4,119
(Non-current assets)			
Long-term financial assets	5,048	5,167	7,390
(Current liabilities)			
Trade and other payables	160,840	158,715	172,690
Short-term borrowings	11,153	12,499	91,513
Commercial paper	–	–	15,000
Current portion of corporate bonds	–	–	15,000
Current portion of long-term borrowings	23,929	11,012	18,676
Other financial liabilities	2,234	1,345	2,331
(Non-current liabilities)			
Corporate bonds	169,347	89,656	19,952
Long-term borrowings	129,617	153,570	54,121
Other financial liabilities	14,048	13,564	13,026

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
(Non-current assets)			
Long-term financial assets			
Equity instruments*1	57,392	56,936	57,668

*1. The Company may hold shares of trade partners at their request for building better business relationships and harmonious business environment. Considering the purpose of shareholding, 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, 2017, March 31, 2016 and April 1, 2015.

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

As of March 31, 2016

(Millions of yen)

Issuer	Amount
Mitsubishi UFJ Financial Group, Inc.	7,822
SHIMIZU CORPORATION	7,470
HOUSE FOODS GROUP INC.	5,671
Seven & i Holdings Co., Ltd	4,786
Mitsubishi Shokuhin Co., Ltd.	2,415

As of April 1, 2015

(Millions of yen)

Issuer	Amount
Mitsubishi UFJ Financial Group, Inc.	11,156
HOUSE FOODS GROUP INC.	6,792
SHIMIZU CORPORATION	6,366
Seven & i Holdings Co., Ltd	5,047
Seven Bank, Ltd.	2,965

The following table shows the dividends received from equity instruments held during the fiscal years ended March 31, 2017 and 2016.

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Dividends from equity instruments derecognized during the period	92	0
Dividends from equity instruments held at the end of the period	1,125	1,317
Total	1,217	1,317

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 the review by the Board of Directors and in consideration of share prices and market trends, as appropriate.

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, 2017	Fiscal year ended March 31, 2016
Fair value as of disposal date	8,257	8
Cumulative gains (losses) on disposal	5,658	8

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 ¥4,290 million and ¥6 million for the fiscal years ended March 31, 2017 and 2016, 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 statement of financial position. The maximum exposure to the credit risk for guarantee obligations is presented in the amount guaranteed. For specific amounts, see Note 21 "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, 2017, March 31, 2016 and April 1, 2015 were ¥12,188 million, ¥12,133 million and ¥12,050 million, respectively. Financial instruments not offset in the consolidated statement 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, 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.

As of March 31, 2016

(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	97,397	729	729	729	729	20,527	73,953
Borrowings	187,126	24,812	25,011	11,693	13,032	12,975	99,599
Others *1	14,107	752	502	355	248	155	12,092
Financial guarantee contracts	3,311	3,311	–	–	–	–	–

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

As of April 1, 2015

(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
Commercial paper	15,002	15,002	–	–	–	–	–
Corporate bonds	37,086	15,398	378	378	378	378	20,176
Borrowings	170,120	111,132	4,214	17,204	3,934	325	33,308
Others*1	13,759	588	424	278	218	74	12,174
Financial guarantee contracts	3,503	1,158	2,345	–	–	–	–

*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, 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 and sales agreements	Out	2,115	–

As of March 31, 2016

(Millions of yen)

		Within 1 year	Over 1 year
Currency related	In	474	86
	Out	1,308	266
Interest rate related	Out	318	3,895
Currency and interest rate related	In	197	92
Stock purchase and sales agreements	Out	–	77

As of April 1, 2015

(Millions of yen)

		Within 1 year	Over 1 year
Currency related	In	7,656	–
	Out	952	–
Interest rate related	Out	178	2,625
Currency and interest rate related	In	162	2,053
Stock purchase and sales agreements	Out	–	163

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, 2017	As of March 31, 2016	As of April 1, 2015
U.S. dollars	**93,105**	107,330	38,954
Euro	**12,807**	12,049	13,196

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, 2017	Fiscal year ended March 31, 2016
Profit before income taxes		
U.S. dollars	**(87)**	(120)
Euro	**(15)**	(15)
Other comprehensive income (before tax effect)		
U.S. dollars	**(17)**	(4)
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, 2017	As of March 31, 2016	As of April 1, 2015
Borrowings with variable interest rates	5,875	8,711	7,674

Exposure to the share price fluctuation risk is as follows:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Financial assets measured at fair value through other comprehensive income			
Long-term financial assets	57,392	56,936	57,668

(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 and associates.

(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 and associates 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 reporting period are as follows:

As of March 31, 2017

	Balance by maturity			
	Within 1 year	Over 1 year	Total	Average rate
Foreign exchange forward contracts				
(Short positions)				
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 positions)				
USD	21,485 thousand USD	–	21,485 thousand USD	114.85 JPY/USD 0.93 EUR/USD
Currency swaps				
(Short positions)				
JPY	80,015,400 thousand JPY	–	80,015,400 thousand JPY	0.31THB/JPY

As of March 31, 2016

	Balance by maturity			
	Within 1 year	Over 1 year	Total	Average rate
Foreign exchange forward contracts				
(Short positions)				
USD	6,466 thousand USD	–	6,466 thousand USD	116.74 JPY/USD
EUR	1,060 thousand EUR	–	1,060 thousand EUR	126.74 JPY/EUR
THB	30,422 thousand THB	–	30,422 thousand THB	3.24 JPY/THB
(Long position)				
USD	61,521 thousand USD	–	61,521 thousand USD	120.59 JPY/USD 0.89 EUR/USD

As of April 1, 2015

	Balance by maturity			
	Within 1 year	Over 1 year	Total	Average rate
Foreign exchange forward contracts				
(Short positions)				
USD	3,881 thousand USD	–	3,881 thousand USD	117.66 JPY/USD
EUR	282 thousand EUR	–	282 thousand EUR	133.37JPY/EUR
THB	17,171 thousand THB	–	17,171 thousand THB	3.60 JPY/TBH
(Long position)				
CAD	8,000 thousand CAD	–	8,000 thousand CAD	96.72 JPY/CAD

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

Fiscal year ended March 31, 2017

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statement of financial position
Foreign exchange forward contracts				
(Short positions)	2,517 thousand USD	0 million JPY	1 million JPY	Other financial assets Other financial liabilities
	801 thousand of EUR			
	21,369 thousand of THB			
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 statement 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 statement 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 statement of financial position. There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2017.

Fiscal year ended March 31, 2016

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statement of financial position
Foreign exchange forward contracts				
(Short positions)	2,575 thousand USD	13 million JPY	0 million JPY	Other financial assets Other financial liabilities
	418 thousand of EUR			
	15,711 thousand of THB			

The following table shows the effect of the hedged items designated as hedges on the consolidated statement 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 statement of financial position
Trade receivables	393	(13)	Trade and other receivables

There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2016.

April 1, 2015

Not applicable.

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

Fiscal year ended March 31, 2017

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statement of financial position
Foreign exchange forward contracts				
(Short positions)	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 positions)	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 statement 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 and associates	(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 and associates	(44)	–	–	–

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, 2016

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statement of financial position
Foreign exchange forward contracts				
(Short positions)	3,891 thousand USD	16 million JPY	1 million JPY	Other financial assets Other financial liabilities
	642 thousand EUR			
	14,711 thousand THB			
Foreign exchange forward contracts				
(Long positions)	61,521 thousand USD	–	464 million JPY	Other financial liabilities

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

(Millions of yen)

Hedged item	Cash flow hedges
Forecast transactions related to sales of inventories	10
Forecast transactions related to purchases of inventories	(719)
Forecast transaction related to acquisition of subsidiaries and associates	–

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, 2016.

(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	15	2	Other operating expenses	–
Forecast transactions related to purchases of inventories	(675)	–	–	(48)
Forecast transaction related to acquisition of subsidiaries and associates	–	–	–	11

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

As of April 1, 2015

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statement of financial position
Foreign exchange forward contracts				
(Short positions)	3,881 thousand USD 282 thousand EUR 17,171 thousand THB	0 million JPY	8 million JPY	Other financial assets Other financial liabilities
Foreign exchange forward contracts				
(Long positions)	8,000 thousand CAD	–	16 million JPY	Other financial liabilities

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

(Millions of yen)

Hedged item	Cash flow hedges
Forecast transactions related to sales of inventories	(7)
Forecast transactions related to purchases of inventories	–
Forecast transaction related to acquisition of subsidiaries and associates	(11)

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, 2017	As of March 31, 2016	As of April 1, 2015
Balance of borrowings with variable interest rates	**44,141**	47,726	25,368

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 reporting period are as follows:

As of March 31, 2017

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

As of March 31, 2016

	Balance by maturity (Millions of yen)			Average rate (%)
	Within 1 year	Over 1 year	Total	
Interest-rate swaps				
Receivable/variable and pay/fixed	3,600	44,200	47,800	Variable 0.0316 Fixed 0.7077

As of April 1, 2015

	Balance by maturity (Millions of yen)			Average rate (%)
	Within 1 year	Over 1 year	Total	
Interest-rate swaps				
Receivable/variable and pay/fixed	4,600	20,800	25,400	Variable 0.1556 Fixed 0.8716

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

Fiscal year ended March 31, 2017

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

(Millions of yen)

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statement 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 hedging items designated as hedges on the consolidated statement 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.

Fiscal year ended March 31, 2016

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

(Millions of yen)

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statement of financial position
Interest-rate swaps				
Receivable/variable and paid/fixed	47,800	–	3,024	Other financial liabilities

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

(Millions of yen)

Hedged item	Cash flow hedges
Borrowings with variable interest rates	(2,278)

Other than the above, there was a balance of ¥(819) 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, 2016.

(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	(1,760)	195	Financial expenses

Other than the above, there were a loss of ¥(823) million recognized in other comprehensive income and a reclassification of ¥4 million from cash flow hedges to profit or loss, arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

April 1, 2015

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

(Millions of yen)

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statement of financial position
Interest-rate swaps				
Receivable/variable and paid/fixed	25,400	–	935	Other financial liabilities

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

(Millions of yen)

Hedged item	Cash flow hedges
Borrowings with variable interest rates	(713)

(4) Loss allowance for expected credit loss

1) Credit risk management practice

The Group recognizes a loss allowance for expected credit loss 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 reporting 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 loss on a collective basis, the actual rate of default from the past experiences may be used.

2) Loss allowance for expected credit loss 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, 2017			As of March 31, 2016			As of April 1, 2015		
	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	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses
Other receivables	**7,538**	**1**	**222**	6,884	0	238	11,932	2	193

The amounts in the above table represent the maximum exposure 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)

	As of March 31, 2017			As of March 31, 2016		
	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**	**210**	33	–	192
Increase	**0**	**–**	**12**	1	1	6
Decrease	**(0)**	**(0)**	**–**	(0)	(0)	(2)
Changes in classification	**–**	**–**	**–**	(33)	–	33
Transfer to disposal group held for sale	**–**	**–**	**–**	(0)	–	–
Exchange differences on translation	**(0)**	**0**	**(15)**	(0)	(0)	(19)
Balance at the end of the year	**1**	**0**	**206**	1	0	210

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, 2017	As of March 31, 2016	As of April 1, 2015
Credit risk: Low	176,827	167,240	202,082
Credit risk: Medium	291	329	249
Credit risk: High	741	739	740
Total	177,860	168,309	203,072

The amounts in the above table represent the maximum exposure 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, 2017	Fiscal year ended March 31, 2016
Balance at the beginning of the year	955	1,069
Increase	245	246
Decrease	(216)	(247)
Transfer to disposal group held for sale	–	(10)
Exchange differences on translation	43	(101)
Balance at the end of the year	1,027	955

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 reporting period.

(Millions of yen)

	As of March 31, 2017		As of March 31, 2016		As of April 1, 2015	
	Financial assets under general approach (Other receivables)	Financial assets under simplified approach	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	236	741	258	739	193	740
Credit enhancement, including collateral held	–	–	–	82	–	–

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 reporting period.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Contractual amounts outstanding	–	4	–

36. 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, 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 and sales 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.

As of March 31, 2016

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets				
Currency related	–	561	–	561
Financial assets measured at fair value through profit or loss				
Debt instruments	–	505	–	505
Financial assets measured at fair value through other comprehensive income				
Equity instruments	45,800	387	10,748	56,936
Total assets	45,800	1,453	10,748	58,003
Liabilities				
Derivative liabilities				
Currency related	–	1,575	–	1,575
Interest rate related	–	3,024	–	3,024
Interest rate and currency related	–	3,096	–	3,096
Stock purchase and sales agreements	–	–	77	77
Total liabilities	–	7,696	77	7,774

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 April 1, 2015

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets				
Currency related	–	7,656	–	7,656
Financial assets measured at fair value through profit or loss				
Debt instruments	–	631	–	631
Financial assets measured at fair value through other comprehensive income				
Equity instruments	48,138	159	9,370	57,668
Total assets	48,138	8,448	9,370	65,957
Liabilities				
Derivative liabilities				
Currency related	–	952	–	952
Interest rate related	–	935	–	935
Interest rate and currency related	–	364	–	364
Stock purchase and sales agreements	–	–	163	163
Total liabilities	–	2,252	163	2,415

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.

Derivative liabilities classified as level 3 of the fair value hierarchy are over-the-counter derivatives, and their fair values are measured using the discounted cash flow method. This valuation model uses unobservable inputs, including discount rates. The discount rate used in the fair value measurement was 15.5% as of March 31, 2017 (15.0% as of March 31, 2016, and 15.2% as of April 1, 2015). 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 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, 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

Fiscal year ended March 31, 2016

(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	9,370	964	470	(56)	10,748

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, for the fiscal year ended March 31, 2017, a valuation loss on stock purchase agreement of ¥2,037 million on derivatives classified as level 3 of the fair value hierarchy was included in Other operating expenses in the consolidated statement of income. For the fiscal year ended March 31, 2016, a valuation gain on stock purchase agreement of ¥85 million on derivatives classified as level 3 of the fair value hierarchy was included in Other operating income in the consolidated statement of income. These gains and losses were all unrealized.

There were no transfers between levels for the fiscal years ended March 31, 2017 and 2016, 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 is presented in Note 10 "Disposal Groups Classified as Held for Sale and Discontinued Operations."

(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 reporting period are as follows:

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

As of March 31, 2016

(Millions of yen)

	Carrying amount	Fair value Level 2
Liabilities		
Corporate bonds	89,656	92,603
Long-term borrowings	153,570	156,132
Total	243,227	248,736

As of April 1, 2015

(Millions of yen)

	Carrying amount	Fair value Level 2
Liabilities		
Corporate bonds	19,952	21,754
Long-term borrowings	54,121	55,000
Total	74,074	76,754

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:

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.

37. 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, 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.

Fiscal year ended March 31, 2016

There were no significant transactions.

As of April 1, 2015

(Millions of yen)

Category	Name	Nature of related party relationship	Nature of transaction	Amount	Outstanding balances
Joint ventures	Ajinomoto General Foods, Inc. ("AGF")	Purchase and sale of AGF products by the Company	Purchase of products, etc.	Trade and other payables	23,472

Purchasing price of AGF products are determined per contracts, and is based on the final selling price as the Company is a general distributor of AGF.

(2) Management remuneration

Remuneration for the management of the Group is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Short-term employee benefits		
Monthly compensation	614	628
Performance-based compensation	217	338
Total	832	966

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

38. Business Combinations

Fiscal year ended March 31, 2017

No applicable items.

Fiscal year ended March 31, 2016

Acquisition of Ajinomoto General Foods, Inc. ("AGF")

(1) Overview of business combination

On April 23, 2015, the Group acquired additional 50% of the voting common stock of AGF and AGF became a wholly owned subsidiary of the Company. AGF was established in 1973 as a joint venture between the Company and a U.S. company, General Foods Inc. (currently Mondelēz International; hereafter "Mondelēz"). In the coffee business in Japan, AGF has created new markets for 3 in 1 and other products and has continued to provide new value adapted to consumer needs. With both marketing and technological capabilities, AGF holds the top share in Japan in the home-use coffee products market (excluding canned coffee) and has been expanding sales in the restaurant and institutional-use business. Currently, AGF provides a wide range of high-quality beverage products in addition to coffee, including tea and cocoa. Motivated by the global reorganization of Mondelēz's coffee business, the Company considered making AGF its consolidated subsidiary, and reached an agreement.

As part of its aim to become a "genuine global specialty company," the Company is reinforcing its business structure and working to expand into adjacent business domains (products adjacent to existing product domains and adjacent markets) for rapid growth. The Company will reinforce its business structures by promoting cooperation in each division and generate synergy in new product development and production by leveraging the common core of powdered and processed products.

(2) Effect on the Group's performance

Sales and profit generated by AGF included in the consolidated financial statements for the fiscal year ended March 31, 2016 were ¥101,780 million and ¥3,222 million respectively, and the financial impact on sales and profit if the business combination had been completed at the beginning of the fiscal year ended March 31, 2016 was not material.

(3) Fair value of consideration transferred on acquisition date

The fair value of the consideration transferred as of the acquisition date is as follows:

(Millions of yen)

	Amount
Cash	27,000

Acquisition-related costs of ¥246 million, pertaining to the business combination through cash transaction were included in General and administrative expenses.

(4) Cash outflows related to acquisition of subsidiaries

(Millions of yen)

	Amount
Consideration paid by cash	27,000
Cash and cash equivalents of acquired subsidiary	(446)
Cash outflows related to acquisition of subsidiaries	26,553

(5) Fair value of assets acquired and liabilities assumed and goodwill

(Millions of yen)

	Amount
Current assets	31,052
Trade and other receivables	20,978
Inventories	8,724
Others	1,349
Non-current assets	25,950
Property, plant and equipment	18,431
Others	7,518
Total assets	57,002
Current liabilities	32,747
Trade and other payables	27,116
Others	5,630
Non-current liabilities	1,161
Others	1,161
Total liabilities	33,908
Total net assets(A)	23,093
Fair value of consideration transferred on acquisition date (B)	27,000
Fair value of previously held equity interest(C)	27,000
Goodwill (D)=((B)+(C))-(A)	30,906

A gain on business combination achieved in stages of ¥18,112 million was recognized as a result of remeasuring the fair value of the interest in the acquiree held before the business combination and was recorded in Other operating income in the consolidated statement of income.

Goodwill primarily represents the excess earning power expected from the strong brand and customer base.

(6) 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 ¥18,185 million. The total contractual amount was ¥18,185 million, and there was no uncollectable amount.

39. Subsequent Events

(Acquisition of Örgen)

(1) Overview of business combination

The Company concluded a share purchase agreement on November 15, 2016 to acquire all of the shares of Örgen Gıda Sanayi ve Ticaret A.Ş. (“Örgen”), a food company based in Turkey, and the trademark for its powdered seasoning brand, *Bizim Mutfak*, which is widely sold in Turkey, and completed the acquisition procedures on April 3, 2017.

In its FY2017-2019 (for FY2020) Medium-Term Management Plan, the Company has set an accelerated business expansion to new regions as one of the key strategies, aiming at growth through strengthening regional portfolio for the food products business.

The Company has positioned Turkey as the starting point for business expansion in the Middle East and will leverage the business bases and brands of Örgen and KÜKRE, a company in which the Company made a 50% equity investment in 2013. The Company will contribute to the well-being of the region through food by strengthening the business portfolio in Turkey and accelerating business expansion in the Middle East.

(2) Fair value of consideration transferred on acquisition date

The fair value of the consideration transferred as of the acquisition date is as follows:

	Amount
Cash	196 million Turkish lira (TRY) (6,108 million yen)

*1. Acquisition-related costs pertaining to the business combination through cash transaction have not been settled at this time.
*2. The amount includes the acquisition costs of trademark of Örgen’s brand *Bizim Mutfak*.
*3. The amount is valued after price adjustment at the time of the share acquisition (TRY 1 = JPY 31.01). Since price adjustment will be made after the share acquisition, the acquisition costs have not been settled at this time.

(3) Cash outflows related to acquisition of subsidiaries

It has not been determined at this time

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

It has not been determined at this time

40. First-time Adoption

From the fiscal year ended March 31, 2017, the Group prepares its consolidated financial statements in accordance with IFRS. The last consolidated financial statements prepared in accordance with the Generally Accepted Accounting Principles in Japan (“J-GAAP”) were for the fiscal year ended March 31, 2016, and the date of transition to IFRS was April 1, 2015.

(1) Exemptions for first-time adopters

In principle, IFRS requires that first-time adopters apply all IFRS retrospectively. However, IFRS 1 sets out exemptions from some of the standards required by IFRS, which first-time adopters may apply at their discretion. The major exemptions applied by the Group are as follows:

- Business combinations
  A first-time adopter may elect not to apply accounting treatment under IFRS to business combinations that occurred before the transition to IFRS. Accordingly, the Group did not apply IFRS retrospectively to business combinations that occurred before the transition date.
- Accumulated exchange differences on translating foreign operations
  Accumulated exchange differences on translating foreign operations was deemed to be zero as of the transition date.
- Borrowing costs
  A first-time adopter is permitted to begin capitalization of borrowing costs for qualifying assets on the transition date. The Group has applied this exemption and has not capitalized any borrowing costs for qualifying assets before the transition date.
- Deemed cost
  A first-time adopter is permitted to use the fair value of property, plant and equipment as of the transition date as their deemed cost. For certain property, plant and equipment, the Group has used the fair value as of the transition date as their deemed cost.
- Designation of financial instruments recognized before the transition date
  In accordance with IFRS 9 Financial Instruments classification, the Group has designated investments in equity instruments as financial assets measured at fair value through other comprehensive income based on the facts and circumstances existed as of the transition date.

(2) Reconciliations

Reconciliations required for disclosures in the first-time adoption of IFRS are as follows:

“Presentation” in the following reconciliation tables include items that do not affect retained earnings and comprehensive income, as well as reclassifications due to the application of Disposal groups classified as held for sale and discontinued operations. In addition, “Recognition and measurements” include items that affect retained earnings or comprehensive income.

With respect to the revenue recognition applied by EA Pharma Co., Ltd. under J-GAAP, the Group previously recognized the royalty revenues arising from licensing development and marketing rights of pharmaceuticals products upon receipt of royalty at once, based on the contract. In the fiscal year ended March 31, 2017, the Group has changed its accounting policy to account for royalty before the manufacturing and sales approval as a reversal of research and development expenses and royalty after the manufacturing and sales approval as a revenue allocated over the contract period.

This change in accounting policies has been retrospectively applied to the financial statements prepared under J-GAAP. But since the following reconciliations show the comparison with the annual securities reports issued for the fiscal years ended March 31, 2015 and 2016, the amounts shown for the J-GAAP have not been restated.

Reconciliations of equity as of March 31, 2016

(Millions of yen)

J-GAAP accounts	J-GAAP	Presentation	Recognition and measurements	IFRS	Notes	IFRS accounts
Assets						Assets
Current assets						Current assets
Cash on hand and in banks	221,242	(16,754)	–	204,487		Cash and cash equivalents
Notes and accounts receivable	181,860	(4,849)	(8)	177,002	1	Trade and other receivables
	–	5,483	–	5,483	2	Other financial assets
Goods and products	116,303	(116,303)	–	–		
Goods in process	8,270	(8,270)	–	–		
Raw materials and supplies	55,674	(55,674)	–	–		
	–	176,185	(967)	175,217		Inventories
	–	1,259	–	1,259		Income taxes receivable
Deferred tax assets	9,711	(9,711)	–	–		
Other	33,448	(17,287)	(890)	15,271	1, 2	Others
Allowance for doubtful accounts	(1,191)	1,191	–	–		
				578,722		Subtotal
	–	51,008	–	51,008	15	Assets of disposal groups classified as held for sale
Total current assets	625,319	6,278	(1,866)	629,731		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	386,201	(2,977)	(3,812)	379,410	3	Property, plant and equipment
Intangible fixed assets						
Other	46,560	(10,898)	1,785	37,446	4	Intangible assets
Goodwill	89,450	–	7,439	96,889		Goodwill
Total intangible fixed assets	136,011					
Investments and other assets						
Investments in securities	96,133	(96,133)	–	–		
		37,771	(189)	37,582	5	Investments in associates and joint ventures
Long-term loans receivable	1,084	(1,084)	–	–		
Allowance for doubtful accounts	(320)	320	–	–		
Allowance for investment losses	(297)	297	–	–		
		54,442	8,254	62,696	6	Long-term financial assets
Deferred tax assets	4,930	5,820	(743)	10,007	13	Deferred tax assets
Net defined benefit assets	964	(964)	–	–		
Other	13,237	9,441	(2,551)	20,127	7	Others
Total investments and other assets	115,732					
Total fixed assets	637,944	(3,963)	10,180	644,161		Total non-current assets
Total assets	1,263,264	2,314	8,314	1,273,893		Total assets

(Millions of yen)

J-GAAP accounts	J-GAAP	Presentation	Recognition and measurements	IFRS	Notes	IFRS accounts
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	90,459	68,402	(146)	158,715	8	Trade and other payables
Short-term borrowings	6,456	6,042	–	12,499		Short-term borrowings
Current portion of long-term borrowings	11,189	–	(176)	11,012		Current portion of long-term borrowings
	–	2,247	406	2,653		Other financial liabilities
Bonus reserve	9,863	(9,863)	–	–		
Bonus reserve for directors and others	427	(427)	–	–		
Provision for shareholder benefit program	160	(160)	–	–		
	–	26,011	8,634	34,646	9	Short-term employee benefits
	–	1,233	3,042	4,275	10	Provisions
Accrued income taxes	10,288	(239)	(60)	9,988		Income taxes payable
Asset retirement obligations	27	(27)	–	–		
Other	103,962	(95,574)	(47)	8,340	8, 9	Others
				242,132		Subtotal
	–	13,470	–	13,470	15	Liabilities of disposal groups classified as held for sale
Total current liabilities	232,834	11,115	11,652	255,602		Total current liabilities
Long-term liabilities						Non-current liabilities
Corporate bonds	89,995	–	(338)	89,656		Corporate bonds
Long-term borrowings	155,211	–	(1,641)	153,570		Long-term borrowings
	–	11,127	8,903	20,030	11	Other financial liabilities
Accrued retirement benefits for directors and others	435	(435)	–	–		
Liability for retirement benefit	52,325	(52,325)	–	–		
	–	52,996	216	53,213	12	Long-term employee benefits
Provision for loss on guarantees	681	(681)	–	–		
Allowance for environmental measures	585	(585)	–	–		
Asset retirement obligations	594	(594)	–	–		
	–	6,616	87	6,704		Provisions
Deferred tax liabilities	13,892	(4,893)	4,927	13,925	13	Deferred tax liabilities
Other	20,405	(20,025)	81	461		Others
Total long-term liabilities	334,127	(8,801)	12,236	337,562		Total non-current liabilities
Total Liabilities	566,962	2,314	23,888	593,165		Total liabilities
Net assets						Equity
Shareholders' equity						
Common stock	79,863	–	–	79,863		Common stock
Capital surplus	26,031	–	(9)	26,021		Capital surplus
Treasury stock	(6,944)	–	–	(6,944)		Treasury stock
Retained earnings	582,824	–	(30,140)	552,684	16	Retained earnings
	–	(57,367)	15,390	(41,976)	14	Other components of equity
	–	(161)	–	(161)		Disposal group classified as held for sale
Total shareholders' equity	681,775	(57,529)	(14,759)	609,486		Equity attributable to owners of the parent company
Accumulated other comprehensive income	(57,529)	57,529	–	–		
Non-controlling interests	72,056	–	(815)	71,240		Non-controlling interests
Total net assets	696,302	–	(15,574)	680,727		Total equity
Total liabilities and net assets	1,263,264	2,314	8,314	1,273,893		Total liabilities and equity

Notes to reconciliations of equity as of March 31, 2016

1) Trade and other receivables
(Presentation)
Under J-GAAP, other receivables were included in Other in current assets, while under IFRS, they were included in Trade and other receivables.

2) Other financial assets
(Presentation)
Under J-GAAP, derivative assets were included in Other in current assets, while under IFRS, they were included in Other financial assets.

3) Property, plant and equipment
(Recognition and measurements)
Certain property, plant and equipment were measured at deemed cost as of the transition date, as permitted as an exemption. The previous carrying amount of property, plant and equipment for which the deemed cost was used was ¥9,199 million and the fair value of gross amount was ¥4,130 million as of the transition date. Accordingly, the balance of Property, plant and equipment as of the transition date decreased by ¥5,069 million.

IFRS 1 provides that if an entity becomes a first-time adopter later than its subsidiaries, the entity shall, in its consolidated financial statements, measure the assets and liabilities of the subsidiaries at the same carrying amounts as in the financial statements of the subsidiaries. In the past, the Group adjusted the carrying amounts of property, plant and equipment of IFRS compliant overseas subsidiaries to the carrying amounts measured at cost, upon consolidation under J-GAAP. Under IFRS, the carrying amounts were measured in the same amount as in the financial statements of the subsidiaries, and accordingly, the balance of Property, plant and equipment increased by ¥2,677 million.

4) Intangible assets
(Recognition and measurements)
Under J-GAAP, the Group recognized costs incurred in relation to contracts to adopt technologies as an expense when incurred, while under IFRS, they were capitalized under certain criteria. As a result, the balance of Intangible assets increased by ¥2,940 million.

5) Investments in associates and joint ventures
(Presentation)
Under J-GAAP, investments in associates and joint ventures were included in Investments in securities, while under IFRS, they were included in Investments in associates and joint ventures.

6) Long-term financial assets
(Presentation)
Under J-GAAP, equity financial instruments were included in Investments in securities, while under IFRS, they were included in Long-term financial assets.

(Recognition and measurements)
Under J-GAAP, the Group recognized unlisted equity financial instruments at cost and recognized impairment losses as required by the financial status of issuers. Under IFRS, the Group has designated them as financial assets measured at fair value through other comprehensive income. As a result, the balance on equity financial instruments increased by ¥8,045 million.

7) Other non-current assets
(Presentation)
Under J-GAAP, land leasehold was included in Intangible fixed assets-other, while under IFRS, it was included in Other non-current assets.

8) Trade and other payables
(Presentation)
Under J-GAAP, other payables and accrued expenses that were considered financial liabilities were included in Other in current liabilities, while under IFRS, they were included in Trade and other payables.

9) Short-term employee benefits
(Presentation)
Accounts presented as accrued bonuses and Provision for directors' bonuses under J-GAAP were included in Short-term employee benefits under IFRS. Under J-GAAP, accrued expenses of employee benefits were included in Other in current liabilities, while under IFRS, they were included in Short-term employee benefits.

(Recognition and measurements)
Unconsumed portion of compensated absences were not recognized under J-GAAP, and under IFRS, they are recognized as Short-term employee benefits. As a result, the balance of Short-term employee benefits increased by ¥8,631 million.

10) Provisions
(Recognition and measurements)
In compliance with IFRIC21 Levies, which clarified the timing of liability recognition, the balance of Provision increased by ¥3,042 million.

11) Other financial liabilities
(Presentation)
Under J-GAAP, deposits received for guarantees were included in Other in non-current liabilities, while under IFRS, they were included in Other financial liabilities.

(Recognition and measurements)
Integrated accounting method (special and allocation methods) was used for qualifying interest rate and currency swaps under J-GAAP. Under IFRS, as the Group decided not to apply hedge accounting, they were measured at fair value through profit or loss. As a result, derivative liabilities increased ¥6,121 million.

12) Long-term employee benefits
(Presentation)
Liability for retirement benefit under J-GAAP was included in Long-term employee benefits under IFRS.

13) Deferred tax assets and deferred tax liabilities
(Presentation)
Deferred tax assets recognized in current assets and Deferred tax liabilities recognized in current liabilities under J-GAAP were reclassified to Deferred tax assets in non-current assets and Deferred tax liabilities in non-current liabilities.

(Recognition and measurements)
Due to adjustments from J-GAAP to IFRS, temporary differences arose, which led to adjustments in Deferred tax assets and Deferred tax liabilities.

14) Other components of equity
(Recognition and measurements)
The balance of accumulated translation adjustments recognized under J-GAAP were transferred to Retained earnings under IFRS as of the transition date.

Under J-GAAP, the Group recognized unlisted equity financial instruments at cost and recognized impairment losses as required by the financial status of issuers. Under IFRS, the Group has designated them as financial assets measured at fair value through other comprehensive income. As a result, the balance of Other components of equity increased by ¥5,573 million. Under J-GAAP, the Group recognized actuarial differences in net asset through other comprehensive income as they arose, and reclassified the balance to net income over the average remaining service period of the employees. Under IFRS, remeasurements of defined benefit plans were recognized in equity through other comprehensive income as they arose. The Group transferred ¥(13,358) million of actuarial differences recognized prior to the transition date to Retained earnings.

Integrated accounting method (special and allocation methods) was used for qualifying interest rate and currency swaps under J-GAAP. Under IFRS, as the Group changed the method of cash flow hedge, the fair value of interest swap was recognized in the consolidated statement of financial position. As a result, Other components of equity decreased by ¥2,278 million.

15) Disposal groups classified as held for sale
(Presentation)
"Presentation" in the reconciliation table includes the following assets and liabilities of disposal groups classified as held for sale.

(Millions of yen)

Assets of disposal groups classified as held for sale		Liabilities of disposal groups classified as held for sale	
Cash and cash equivalents	19,346	Trade and other payables	6,063
Trade and other receivables	16,974	Other financial liabilitie	579
Inventories	4,030	Short-term employee benefits	1,631
Other current asstes	509	Income taxes payable	176
Property, plant and equipment	2,911	Other current liabilities	30
Intangible assets	6,294	Other financial liabilities (non-current)	10
Long-term financial assets	476	Long-term employee benefit	1,152
Other non-current assets	466	Provisions (non-current)	15
		Deferred tax liabilities	1,056
		Other non-current liabilities	2,753
Total assets	51,008	Total liabilities	13,470

16) Reconciliations of retained earnings

(Millions of yen)

	Notes	As of March 31, 2016
Property, plant and equipment	3	(3,812)
Intangible assets	4	1,785
Long-term financial assets	6	247
Short-term employee benefits	9	(8,634)
Provisions (current)	10	(3,042)
Other components of equity	14	(12,102)
Other		(1,419)
Subtotal		(26,978)
Tax effects		(3,977)
Non-controlling interests		815
Total adjustments of retained earnings		(30,140)

Reconciliations of equity as of April 1, 2015 (Transition date)

(Millions of yen)

J-GAAP accounts	J-GAAP	Change in scope of consolidation*1	Presentation	Recognition and measurements	IFRS	Notes	IFRS accounts
Assets							Assets
Current assets							Current assets
Cash on hand and in banks	168,294	(834)	1,953	–	169,413		Cash and cash equivalents
Notes and accounts receivable	202,980	58	14,884	(1)	217,922	1	Trade and other receivables
	–	–	11,777	–	11,777	2	Other financial assets
Marketable securities	608	1	(609)	–	–		
Goods and products	117,297	(241)	(117,056)	–	–		
Goods in process	8,871	230	(9,101)	–	–		
Raw materials and supplies	57,493	618	(58,111)	–	–		
	–	–	184,218	(700)	183,517		Inventories
	–	–	3,671	–	3,671		Income taxes receivable
Deferred tax assets	8,706	(108)	(8,598)	–	–		
Other	44,959	(156)	(28,149)	(979)	15,673	1, 2	Others
Allowance for doubtful accounts	(1,291)	(0)	1,291	–	–		
Total current assets	607,919	(432)	(3,829)	(1,681)	601,975		Total current assets
Fixed assets							Non–current assets
Tangible fixed assets	383,269	8,997	(495)	(1,767)	390,003	3	Property, plant and equipment
Intangible fixed assets							
Other	49,259	(394)	(4,908)	2,387	46,344	4	Intangible assets
Goodwill	71,396	(1,079)	–	–	70,316		Goodwill
Total intangible fixed assets	120,656						
Investments and other assets							
Investments in securities	125,440	(9,361)	(116,079)	–	–		
	–	–	61,366	(403)	60,962	5	Investments in associates and joint ventures
Long-term loans receivable	2,820	(108)	(2,712)	–	–		
Allowance for doubtful accounts	(299)	(0)	300	–	–		
Allowance for investment losses	(186)	–	186	–	–		
	–	–	58,424	7,266	65,690	6	Long-term financial assets
Deferred tax assets	3,986	339	5,342	(1,315)	8,353	13	Deferred tax assets
Net defined benefit assets	698	–	(698)	–	–		
Other	10,784	102	4,928	(2,200)	13,614	7	Others
Total investments and other assets	143,244						
Total fixed assets	647,170	(1,504)	5,653	3,966	655,285		Total non-current assets
Total assets	1,255,090	(1,937)	1,824	2,284	1,257,261		Total assets

*1. Changes in the scope of consolidation due to consolidating insignificant subsidiaries, which were not consolidated under J-GAAP, and the effect of unifying the fiscal year-end to March 31.

(Millions of yen)

J-GAAP accounts	J-GAAP	Change in scope of consolidation*1	Presentation	Recognition and measurements	IFRS	Notes	IFRS accounts
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable	114,488	(1,934)	60,174	(38)	172,690	8	Trade and other payables
Short-term borrowings	87,191	(766)	5,087	–	91,513		Short-term borrowings
Commercial paper	15,000	–	–	–	15,000		Commercial paper
Current portion of bonds	15,000	–	–	–	15,000		Current portion of corporate bonds
Current portion of long-term borrowings	18,677	–	–	(0)	18,676		Current portion of long-term borrowings
	–	–	2,912	371	3,283		Other financial liabilities
Bonus reserve	7,601	30	(7,632)	–	–		
Bonus reserve for directors and others	420	0	(420)	–	–		
Provision for shareholder benefit program	200	–	(200)	–	–		
	–	–	24,795	7,688	32,483	9	Short-term employee benefits
	–	–	694	2,616	3,311	10	Provisions
Accrued income taxes	7,725	12	(33)	–	7,704		Income taxes payable
Other	92,288	(95)	(81,519)	(57)	10,616	8,9	Others
Total current liabilities	358,594	(2,753)	3,858	10,579	370,279		Total current liabilities
Long-term liabilities							Non–current liabilities
Corporate bonds	19,994	–	–	(42)	19,952		Corporate bonds
Long-term borrowings	54,152	–	–	(30)	54,121		Long-term borrowings
	–	–	13,147	1,341	14,489	11	Other financial liabilities
Accrued retirement benefits for directors and others	427	–	(427)	–	–		
Liability for retirement benefit	43,631	22	(43,653)	–	–		
	–	–	45,380	589	45,970	12	Long-term employee benefits
Provision for loss on guarantees	564	–	(564)	–	–		
Allowance for environmental measures	648	–	(648)	–	–		
Asset retirement obligations	509	–	(509)	–	–		
	–	–	6,048	222	6,270		Provisions
Deferred tax liabilities	13,028	(114)	(2,034)	5,430	16,310	13	Deferred tax liabilities
Other	20,048	–	(18,772)	3,259	4,535	11	Others
Total long-term liabilities	153,006	(92)	(2,034)	10,770	161,650		Total non-current liabilities
Total liabilities	511,600	(2,845)	1,824	21,349	531,930		Total liabilities
Net assets							Equity
Shareholders' equity							
Common stock	79,863	–	–	–	79,863		Common stock
Capital surplus	53,725	–	–	–	53,725		Capital surplus
Treasury stock	(4,070)	–	–	–	(4,070)		Treasury stock
Retained earnings	536,170	(887)	–	(37,918)	497,365	15	Retained earnings
	–	–	4,342	19,434	23,776	14	Other components of equity
Total shareholders' equity	665,689	(887)	4,342	(18,484)	650,660		Equity attributable to owners of the parent company
Accumulated other comprehensive income	3,886	455	(4,342)	–	–		
Non-controlling interests	73,913	1,339	–	(581)	74,671		Non-controlling interests
Total net assets	743,489	907	–	(19,065)	725,331		Total equity
Total liabilities and net assets	1,255,090	(1,937)	1,824	2,284	1,257,261		Total liabilities and equity

*1. Changes in the scope of consolidation due to consolidating insignificant subsidiaries, which were not consolidated under J-GAAP, and the effect of unifying the fiscal year-end to March 31.

Notes to reconciliations of equity as of April 1, 2015

1) Trade and other receivables
(Presentation)
Under J-GAAP, other receivables were included in Other in current assets, while under IFRS, they were included in Trade and other receivables.

2) Other financial assets
(Presentation)
Under J-GAAP, derivative assets were included in Other in current assets, while under IFRS, they were included in Other financial assets.

3) Property, plant and equipment
(Recognition and measurements)
Certain property, plant and equipment were measured at deemed cost as of the transition date, as permitted as an exemption. The previous carrying amount of property, plant and equipment for which the deemed cost was used was ¥9,199 million and the fair value of gross amount was ¥4,130 million as of the transition date. Accordingly, the balance of Property, plant and equipment as of the transition date decreased by ¥5,069 million.

IFRS 1 provides that if an entity becomes a first-time adopter later than its subsidiaries, the entity shall, in its consolidated financial statements, measure the assets and liabilities of the subsidiaries at the same carrying amounts as in the financial statements of the subsidiaries. In the past, the Group adjusted the carrying amounts of property, plant and equipment of IFRS compliant overseas subsidiaries to the carrying amounts measured at cost, upon consolidation under J-GAAP. Under IFRS, the carrying amounts were measured in the same amount as in the financial statements of the subsidiaries, and accordingly, the balance of Property, plant and equipment increased by ¥3,124 million.

4) Intangible assets
(Recognition and measurements)
Under J-GAAP, the Group recognized costs incurred in relation to contracts to adopt technologies as an expense when incurred, while under IFRS, they were capitalized under certain criteria. As a result, the balance of Intangible assets increased by ¥2,387 million.

5) Investments in associates and joint ventures
(Presentation)
Under J-GAAP, investments in associates and joint ventures were included in Investments in securities, while under IFRS, they were included in Investments in associates and joint ventures.

6) Long-term financial assets
(Presentation)
Under J-GAAP, equity financial instruments were included in Investments in securities, while under IFRS, they were included in Long-term financial assets.

(Recognition and measurements)
Under J-GAAP, the Group recognized unlisted equity financial instruments at cost and recognized impairment losses as required by the financial status of issuers. Under IFRS, the Group has designated them as financial assets measured at fair value through other comprehensive income. As a result, the balance on equity financial instruments increased by ¥7,059 million as of the transition date.

7) Other non-current assets
(Presentation)
Under J-GAAP, land leasehold was included in Intangible fixed assets-other, while under IFRS, it was included in Other non-current assets.

8) Trade and other payables
(Presentation)
Under J-GAAP, other payables and accrued expenses that were considered financial liabilities were included in Other in current liabilities, while under IFRS, they were included in Trade and other payables.

9) Short-term employee benefits
(Presentation)
Accounts presented as accrued bonuses and Provision for directors' bonuses under J-GAAP were included in Short-term employee benefits under IFRS. Under J-GAAP, accrued expenses of employee benefits were included in Other in current liabilities, while under IFRS, they were included in Short-term employee benefits.

(Recognition and measurements)
Unconsumed portion of compensated absences were not recognized under J-GAAP, and under IFRS, they are recognized as Short-term employee benefits. As a result, the balance of Short-term employee benefits increased by ¥7,688 million as of the transition date.

10) Provisions
(Recognition and measurements)
In compliance with IFRIC21 Levies, which clarified the timing of liability recognition, the balance of Provision increased by ¥2,616 million at the transition date.

11) Other financial liabilities
(Presentation)
Under J-GAAP, deposits received for guarantees were included in Other in non-current liabilities, while under IFRS, they were included in Other financial liabilities.

12) Long-term employee benefits
(Presentation)
Liability for retirement benefit under J-GAAP was included in Long-term employee benefits under IFRS.

13) Deferred tax assets and deferred tax liabilities
(Presentation)
Deferred tax assets recognized in current assets and Deferred tax liabilities recognized in current liabilities under J-GAAP were reclassified to Deferred tax assets in non-current assets and Deferred tax liabilities in non-current liabilities.

(Recognition and measurements)
Due to adjustments from J-GAAP to IFRS, temporary differences arose, which led to adjustments in Deferred tax assets and Deferred tax liabilities.

14) Other components of equity
(Recognition and measurements)
The balance of ¥(3,914) million of accumulated translation adjustments recognized under J-GAAP were transferred to Retained earnings as of the transition date.

Under J-GAAP, the Group recognized unlisted equity financial instruments at cost and recognized impairment losses as required by the financial status of issuers. Under IFRS, the Group has designated them as financial assets measured at fair value through other comprehensive income. As a result, the balance of Other components of equity increased by ¥2,703 million as of the transition date. Under J-GAAP, the Group recognized actuarial differences in net assets through other comprehensive income as they arose and reclassified the balance to net income over the average remaining service period of the employees. Under IFRS, the remeasurements of defined benefit pension plans were recognized in equity through other comprehensive income as they arose.

The Group transferred ¥(13,358) million of actuarial differences recognized prior to the transition date to Retained earnings.

15) Reconciliations of retained earnings

(Millions of yen)

	Notes	As of April 1, 2015
Property, plant and equipment	3	(1,767)
Intangible assets	4	2,387
Long-term financial assets	6	206
Short-term employee benefits	9	(7,688)
Provisions (current)	10	(2,616)
Other components of equity	14	(17,417)
Other		(8,965)
Subtotal		(35,862)
Tax effects		(2,637)
Non-controlling interests		581
Total adjustments of retained earnings		(37,918)

Reconciliations of profit and loss and comprehensive income for the fiscal year ended March 31, 2016

(Millions of yen)

J-GAAP account	J-GAAP	Presentation	Recognition and measurements	IFRS	Notes	IFRS account
						Continuing operations
Net sales	1,185,980	(34,532)	(2,020)	1,149,427		Sales
Cost of sales	(768,865)	11,343	386	(757,135)	1	Cost of sales
Gross profit	417,115	(23,189)	(1,634)	392,291		Gross profit
	–	1,142	27	1,169	5	Share of profit of associates and joint ventures
Selling, general and administrative expenses	(326,069)	326,069	–	–		
	–	(175,098)	657	(174,440)	1,5	Selling expenses
	–	(28,900)	2,309	(26,591)	1,5	Research and development expenses
	–	(101,234)	6,950	(94,284)	1, 2, 5	General and administrative expenses
	–	–	–	98,144		Business profit
	–	21,152	2,715	23,868	5	Other operating income
	–	(21,921)	(414)	(22,335)	1, 5	Other operating expenses
Operating income	91,045	(1,979)	10,612	99,678		Operating profit
Non-operating income						
Interest income	2,847	(2,847)	–	–		
Dividend income	1,317	(1,317)	–	–		
Equity in earnings of non-consolidated subsidiaries and affiliates	1,558	(1,558)	–	–		
Foreign exchange gain	583	(583)	–	–		
Other	2,716	(2,716)	–	–		
Total non-operating income	9,023					
Non-operating expenses						
Interest expense	(2,269)	2,269	–	–		
Commission fee	(72)	72	–	–		
Other	(3,394)	3,394	–	–		
Total non-operating expenses	(5,736)					
Ordinary income	94,333					
Extraordinary gains						
Gain on sale of shares in affiliated companies	24,872	(24,872)	–	–		
Gain on step acquisitions	18,027	(18,027)	–	–		
Other	2,438	(2,438)	–	–		
Total extraordinary gains	45,337					
Extraordinary losses						
Loss on liquidation of subsidiaries	(6,937)	6,937	–	–		
Loss on disposal of fixed assets	(2,799)	2,799	–	–		
Pharmaceutical business restructuring charges	(16,623)	16,623	–	–		
Impairment losses	(7,467)	7,467	–	–		
Other	(5,525)	5,525	–	–		
Total extraordinary losses	(39,352)					
	–	2,437	2,855	5,292	1, 3, 5	Financial income
	–	(2,243)	(3,948)	(6,192)	1, 3, 5	Financial expenses

(Millions of yen)

J-GAAP account	J-GAAP	Presentation	Recognition and measurements	IFRS	Notes	IFRS account
Net income before taxes	100,318	(11,058)	9,519	98,778		Profit before income taxes
Income, inhabitant and business taxes	(24,907)	24,907	–	–		
Income and other tax adjustments	(2,140)	2,140	–	–		
Income taxes – total	(27,047)					
	–	(18,777)	(1,858)	(20,635)		Income taxes
	73,270	(2,788)	7,660	78,143		Profit from continuing operations
	–	2,788	–	2,788	4	Profit from discontinued operations
Net income	73,270	–	7,660	80,931		Profit
Profit attributable to owners of parent	63,592	–	7,700	71,292		Profit attributable to Owners of the parent company
Profit attributable to non-controlling interests	9,678	–	(39)	9,639		Non-controlling interests
	–	–	–	68,504		Profit from continuing operations attributable to owners of the parent company
	–	–	–	2,788		Profit from discontinued operations attributable to owners of the parent company
	–			71,292		Profit attributable to owners of the parent company

(Millions of yen)

J-GAAP account	J-GAAP	Presentation	Recognition and measurements	IFRS	Notes	IFRS account
Net income	73,270	–	7,660	80,931		Profit
Other comprehensive income						Other comprehensive income (Net of related tax effects)
						Items that will not be reclassified to profit or loss
Unrealized holding gain (loss) on securities	(4,688)	–	2,855	(1,832)		Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
Adjustment for retirement benefits	(11,159)	–	(309)	(11,468)	1	Remeasurements of defined benefit pension plans
		(734)	36	(698)		Share of other comprehensive income of associates and joint ventures
						Items that may be reclassified subsequently to profit or loss
Unrealized (loss) from hedging instruments	(1,509)	–	(1,527)	(3,037)		Cash flow hedges
Translation adjustments	(57,756)	–	47	(57,708)		Exchange differences on translation of foreign operations
		3,122	(3,422)	(300)		Share of other comprehensive income of associates and joint ventures
Share of other comprehensive income of equity method affiliates	2,387	(2,387)				
Total other comprehensive income	(72,724)		(2,319)	(75,044)		Other comprehensive income (Net of related tax effects)
Comprehensive income	545		5,341	5,886		Total comprehensive income
(Breakdown)						Total comprehensive income attributable to
Comprehensive income attributable to owners of parent	(426)		5,847	5,420		Owners of the parent company
Comprehensive income attributable to non-controlling interests	972		(506)	465		Non-controlling interests

Notes to reconciliations of profit or loss and comprehensive income for the fiscal year ended March 31, 2016

1) Reconciliations of post-retirement benefit expenses
(Presentation)
Under J-GAAP, net interests on defined benefit plans were recognized in Cost of sales or Selling, general and administrative expenses. Under IFRS, they are recognized in Financial expenses.

(Recognition and measurements)
Under J-GAAP, the Group recognized actuarial differences and past service cost in net assets through other comprehensive income as they arose and recognized them as an expense on a straight-line basis over the average remaining service period of the employees. Under IFRS, the Group recognized remeasurements of defined benefit pension plans in equity through other comprehensive income as they arose and past service cost was recognized at once as either income or expense as it arose. As a result, Cost of sales decreased by ¥25 million, Selling expenses decreased by ¥98 million, Research and development expenses decreased by ¥45 million, General and administrative expenses decreased by ¥559 million, Other operating expenses decreased by ¥213 million, Financial income increased by ¥9 million, Financial expenses increased by ¥279 million, and Other comprehensive income increased by ¥309 million.

2) Reconciliations of goodwill
(Recognition and measurements)
Under J-GAAP, goodwill was amortized on a straight-line basis over its effective period. The amortization of ¥7,093 million was included in Selling, general and administrative expenses. Goodwill is not amortized under IFRS.

3) Adjustments made to financial income and financial expenses
(Recognition and measurements)
Integrated accounting method (special and allocation methods) was used for qualifying interest rate and currency swaps under J-GAAP. Under IFRS, as the Group decided not to apply hedge accounting, they were measured at fair value through profit or loss. In addition, foreign exchange gain increased as the Group changed its foreign currency evaluation for the borrowings denominated in foreign currencies. As a result Financial expenses increased by ¥2,732 million, and Financial income increased by ¥2,329 million.

4) Discontinued operations
(Presentation)
"Presentation" in the table includes the following income and expenses arising from discontinued operations.

(Millions of yen)

Sales	34,532
Cost of sales	(11,471)
Gross profit	23,061
Share of profit of associates and joint ventures	415
Selling expenses	(8,575)
Research and development expenses	(3,951)
General and administrative expenses	(8,108)
Business profit	2,842
Other operating income	27,657
Other operating expenses	(19,467)
Operating profit	11,031
Financial income	21
Financial expenses	12
Profit before income taxes	11,064
Income taxes	(8,276)
Profit from continuing operations	(2,788)
Profit from discontinued operations	2,788

5) Other
(Presentation)
Other than the above, certain accounts have been reclassified in order to present the Group's operating results appropriately in compliance with IFRS. Financial items included in Selling, general and administrative expenses, Non-operating income, Non-operating expenses, Extraordinary income and Extraordinary loss under J-GAAP have been reclassified to Financial income or Financial expenses and other items have been transferred to Share of profit of associates and joint ventures, Selling expenses, Research and development expenses, General and administrative expenses, Other operating income or Other operating expenses under IFRS.

Reconciliations of cash flows for the fiscal year ended March 31, 2016

There was no material difference between the consolidated statements of cash flows prepared in compliance with J-GAAP and IFRS.

EY
Building a better working world

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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, 2017, 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 Internal 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with Internal Financial Reporting Standards.

Ernst & Young ShinNihon LLC

June 27, 2017
Tokyo, Japan

Major Subsidiaries and Affiliates

(As of March 31, 2017)

■ 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	3,862,000	100.0 (5.0)	Coffee Products
■	AJINOMOTO LOGISTICS CORPORATION	Japan	JPY	1,930,000	96.5 (0.9)	Logistics
■	Ajinomoto Animal Nutrition Group, Inc.	Japan	JPY	1,334,000	100.0	Animal Nutrition
■	AJINOMOTO TREASURY MANAGEMENT, INC.	Japan	JPY	500,000	100.0	Service, etc.
●	J-OIL MILLS, INC. (Affiliated company)	Japan	JPY	10,000,000	27.3	Edible Oils
●	EA Pharma Co., Ltd. (Affiliated company)	Japan	JPY	9,145,000	40.0	Pharmaceuticals
Asia						
■	Ajinomoto (Malaysia) Berhad	Malaysia	MYR	60,798	50.1	Seasonings and Processed Foods
■	Ajinomoto SEA Regional Headquarters Co., Ltd.	Thailand	THB	2,125,000	100.0	Service, etc.
■	SI AYUTTHAYA REALESTATE CO., LTD.	Thailand	THB	924,000	100.0 (100.0)	Service, etc.
■	Ajinomoto Co., (Thailand) Ltd. (Special subsidiary company)	Thailand	THB	796,362	78.7 (4.5)	Seasonings and Processed Foods
■	Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd.	Thailand	THB	764,000	50.0 (50.0)	Frozen Foods
■	Fuji Ace Co., Ltd.	Thailand	THB	500,000	51.0 (51.0)	Packaging
■	Ajinomoto Betagro Specialty Foods (Thailand) Co., Ltd.	Thailand	THB	390,000	51.0 (51.0)	Frozen Foods
■	Ace Pack (Thailand) Co., Ltd.	Thailand	THB	277,500	100.0 (94.6)	Packaging
■	Ajinomoto Frozen Foods (Thailand) Co., Ltd.	Thailand	THB	105,000	100.0 (100.0)	Frozen Foods
■	PT Ajinex International	Indonesia	USD	44,000	95.0	Umami Seasonings for Processed Food Mfrs.
■	PT Ajinomoto Indonesia	Indonesia	USD	8,000	51.0	Seasonings and Processed Foods
■	Ajinomoto Vietnam Co., Ltd.	Vietnam	USD	50,255	100.0	Seasonings and Processed Foods
■	AJINOMOTO PHILIPPINES CORPORATION	Philippines	PHP	665,444	95.0	Seasonings and Processed Foods
■	Ajinomoto (China) Co., Ltd. (Special subsidiary company)	China	USD	104,108	100.0	Seasonings and Processed Foods
■	Shanghai Ajinomoto Seasoning Co., Ltd.	China	USD	27,827	100.0 (99.0)	Seasonings and Processed Foods
■	Shanghai Ajinomoto Amino Acid Co., Ltd.	China	USD	12,000	61.0 (59.0)	Amino Acids

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
■	Xiamen Ajinomoto Life Ideal Foods Co., Ltd.	China	USD	7,000	51.0 (51.0)	Frozen Foods
■	HENAN AJINOMOTO AMINO ACID CO., LTD.	China	USD	6,000	100.0 (100.0)	Amino Acids
■	Lianyungang Ajinomoto Frozen Foods Co., Ltd.	China	USD	5,800	100.0 (100.0)	Frozen Foods
■	Lianyungang Ajinomoto Ruyi Foods Co., Ltd.	China	USD	5,500	90.0 (90.0)	Frozen Foods
■	AJINOMOTO TAIWAN INC.	Taiwan	TWD	250,000	100.0	Seasonings and Processed Foods
■	Amoy Food Ltd.	Hong Kong	HKD	474,356	100.0 (9.6)	Seasonings and Processed Foods
■	Ajinomoto Genexine Co., Ltd.	Korea	WON	35,700,000	75.0	Amino Acids
The Americas						
■	Ajinomoto Windsor, Inc.	United States	USD	15,030	100.0 (100.0)	Frozen Foods
■	Ajinomoto Heartland, Inc. (Special subsidiary company)	United States	USD	750	100.0 (100.0)	Animal Nutrition
■	Ajinomoto Althea, Inc.	United States	USD	0	100.0	Amino Acids
■	Ajinomoto North America Holdings, Inc. (Special subsidiary company)	United States	–	–	100.0 (4.2)	Holding Company
■	Ajinomoto del Perú S.A.	Peru	PEN	45,282	99.6	Seasonings and Processed Foods
■	Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda. (Special subsidiary company)	Brazil	BRL	863,298	100.0	Seasonings and Processed Foods, Umami Seasonings for Processed Food Mfrs. and Sweeteners, Animal Nutrition, Amino Acids
Europe						
■	S.A. Ajinomoto OmniChem N.V.	Belgium	EUR	21,320	100.0 (0.0)	Amino Acids
■	ZAO AJINOMOTO-GENETIKA Research Institute	Russia	RBL	468,151	100.0	Service, etc.
■	AJINOMOTO FOODS EUROPE S.A.S. (Special subsidiary company)	France	EUR	82,609	100.0	Umami Seasonings for Processed Food Mfrs. and Sweeteners
■	AJINOMOTO EUROLYSINE S.A.S. (Special subsidiary company)*2	France	EUR	26,865	100.0 (100.0)	Animal Nutrition
■	Ajinomoto Poland Sp. z o.o.	Poland	PLN	39,510	100.0 (100.0)	Seasonings and Processed Foods
■	West African Seasoning Co., Ltd.	Nigeria	NGN	2,623,714	100.0	Seasonings and Processed Foods
▲	Promasidor Holdings Limited (Jointly controlled company)	British Virgin Islands	USD	0	33.3	Processed Foods

*1 Numbers in parentheses indicate indirect equity ownership.
*2 AJINOMOTO EUROPE S.A.S. owns one share in the company.