Ajinomoto Group

Appendix: Financial Report 2020

Review of Operations

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

From the fiscal year ended March 31, 2019, the assets and liabilities of Ajinomoto Logistics Corporation ("AB"), which was a subsidiary of the Company, were included under a disposal group of assets/liabilities classified as held for sale, and the logistics business was classified as a discontinued business. On April 1, 2019, AB, Kagome Distribution Service Co., Ltd., House Logistics Service Corporation, F-LINE Corporation, and Kyushu F-LINE Corporation merged, with AB as the surviving company, and changed the company name to F-LINE Corporation. As a result, F-LINE Corporation became an equity-method affiliate of the Company from the fiscal year ended March 31, 2020. Gain on loss of control is included in profit from discontinued operations, and share of profit of associates and joint ventures is included in continuing operations for the fiscal year ended March 31, 2020.

In addition, on February 5, 2020, the Company entered into a contract to transfer the entire equity stake held by the Ajinomoto Group corresponding to 51% of the outstanding shares in Fuji Ace Co., Ltd. ("FA"), a packaging materials manufacturing and sales company in Thailand which is a consolidated subsidiary, to Fuji Seal International, Inc. and other entities. This finalized the loss of control of FA, and FA was classified as a discontinued business in the fourth quarter of the fiscal year ended March 31, 2020.

Performance Overview

During the fiscal year ended March 31, 2020, the global economy remained robust overall backed by the positive employment environment in each country although there were phases of increasing uncertainty due to such factors as trade friction between the U.S. and China. However, as a result of the COVID-19 pandemic, reported to have broken out in China from December 2019 on, there was a sharp slowdown in the global economy and social turmoil toward the end of the fiscal year. In these circumstances, the Company put the safety of its employees first by promptly establishing a task force while striving to operate its business based on a smooth transition to a working-from-home system for personnel other than production and distribution workers.

During the fiscal year ended March 31, 2020, the Ajinomoto Group's consolidated sales decreased by 1.3% year on year, or ¥14.2 billion, to ¥1,100.0 billion largely owing to a dramatic decrease in animal nutrition product sales despite increases in sales of pharmaceutical custom manufacturing, and amino acids for pharmaceuticals and foods.

Business profit increased by 6.4%, or ¥5.9 billion, to ¥99.2 billion, largely owing to significant profit growth in umami seasonings for processed food manufacturers, frozen foods (Japan), specialty chemicals, and coffee products despite an impairment loss on the trademark rights of Promasidor Holdings Limited ("PH") recorded in share of profit of associates and joint ventures in addition to a dramatic decline in profit from animal nutrition. Despite an increase in demand for some amino acids for pharmaceuticals and home-use seasonings and processed foods toward the end of the fiscal year due to the COVID-19 pandemic, there was a decrease in demand for restaurant and industrial-use seasonings and processed foods and amino acids for foods. As a result, the impact of COVID-19 remained minimal overall.

Operating profit declined 9.1% year on year, or ¥4.8 billion, to ¥48.7 billion largely owing to impairment losses on production equipment in the animal nutrition business in Europe, investments related to PH and accounted for using the equity method, production equipment in the bakery business, seasoning production equipment in Europe, and on goodwill and trademark rights of Ajinomoto Istanbul Food Industry and Trade Limited Company ("AIS").

Profit attributable to owners of the parent totaled ¥18.8 billion, down 36.6%, or ¥10.8 billion.

An itemization of the details of the impairment losses on production equipment in the animal nutrition business in Europe, PH, production equipment in the bakery business, seasoning production equipment in Europe, and on goodwill and trademark rights of AIS for each level of profit is as follows.

(Millions of yen)

	Business Profit	Operating Profit and Profit Before Income Taxes	Profit Attributable to Owners of the Parent Company
(1) Impairment loss on production equipment in animal nutrition business in Europe	—	14,958	11,739
(2) Impairment loss on investment in PH accounted for under the equity method (equivalent to 33.33% of investment)	—	4,232	4,232
(3) Impairment loss on trademark rights of PH (equivalent to 33.33% of investment)	3,897	3,897	3,897
(4) Impairment loss on production equipment in the bakery business	—	3,835	2,936
(5) Impairment losses on seasoning production equipment in Europe	—	6,899	6,899
(6) Impairment loss on goodwill and trademark rights of AIS	—	2,258	2,121
Total	3,897	36,082	31,827

Financial Review

Sales

Sales decreased 1.3%, or ¥14.2 billion, to ¥1,100.0 billion. By region, sales in Japan were unchanged year on year, at ¥484.6 billion. Overseas sales fell 2.2%, or ¥14.1 billion, year on year, to ¥615.3 billion, reducing their share of total sales to 55.9% from 56.5% in the previous fiscal year. By overseas region, sales were down 2.1% to ¥265.8 billion in Asia, 1.7% to ¥235.3 billion in the Americas and 3.6% to ¥114.1 billion in Europe.

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

Cost of sales decreased 3.2%, or ¥23.1 billion, year on year, to ¥696.1 billion, equivalent to 63.3% of sales, a 1.3-point improvement from the previous fiscal year. Selling expenses decreased 1.3%, or ¥2.1 billion, to ¥172.0 billion, mainly due to the impact of exchange rates. Research and development expenses decreased 0.8% to ¥27.5 billion. General and administrative expenses increased 3.4%, or ¥3.3 billion, to ¥102.5 billion, largely as a result of growth in employee benefits. The share of profit of associates and joint ventures collectively incurred a loss, the Group's share of which increased to ¥2.4 billion from ¥0.5 billion in the previous fiscal year.

Business Profit

Business profit increased 6.4%, or ¥5.9 billion, to ¥99.2 billion year on year. By region, Japan accounted for ¥44.2 billion, up 10.1%. Overseas business profit increased 3.7% to ¥55.0 billion to account for 55.4% of total business profit, down from 56.9% in the previous fiscal year. By overseas region, Asian and American business profit grew 10.7% and 1.3% to ¥43.0 billion and ¥13.5 billion, respectively, while European operations incurred a ¥1.6 billion business loss (vs. ¥0.4 billion profit in the previous fiscal year).

Other Operating Profit and Expenses

Other operating profit amounted to ¥7.5 billion, up 26.0%, or ¥1.5 billion, year on year. Other operating expenses increased 27.3%, or ¥12.4 billion, to ¥58.0 billion, largely as a result of impairment losses and fees related to the special second career program.

Operating Profit

Operating profit totaled ¥48.7 billion, a year-on-year decrease of 9.1%, or ¥4.8 billion.

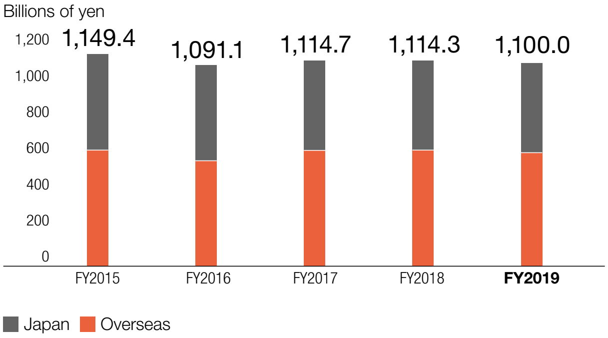
Financial Income and Expenses

Financial income decreased 1.1% year on year, to ¥8.0 billion. Financial expenses totaled ¥8.0 billion, up 13.4%, or ¥0.9 billion.

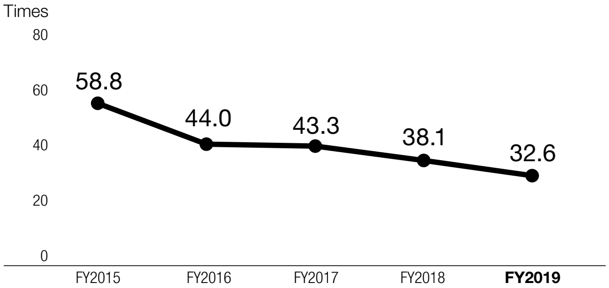
Profit Attributable to Owners of the Parent Company

Profit attributable to owners of the parent company dropped 36.6%, or ¥10.8 billion, year on year, to ¥18.8 billion. Earnings per share came in at ¥34.37, compared with ¥53.62 in the previous fiscal year.

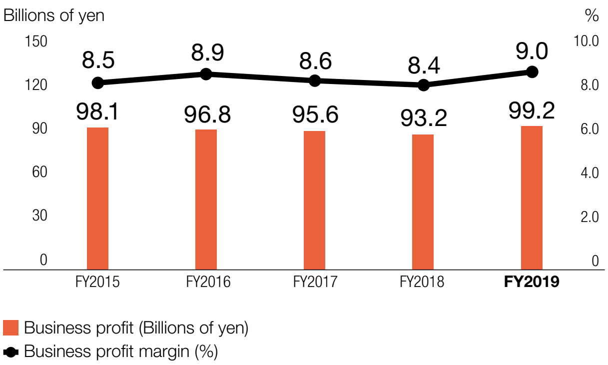
Domestic and Overseas Sales



Interest Coverage Ratio



Business Profit/Business Profit Margin



Costs, Expenses, and Profit as Percentages of Sales

Years ended March 31	FY2019		FY2018
	Percentage	Change	Percentage
Cost of sales	**63.3%**	**(1.3)**	64.6%
Gross profit	**36.7**	**1.3**	35.4
Selling, R&D, and G&A expenses	**27.5**	**0.5**	27.0
Business profit	**9.0**	**0.6**	8.4
Profit before income taxes	**4.4**	**(0.5)**	4.9
Profit attributable to owners of the parent company	**1.7**	**(1.0)**	2.7

Segment Information

(Billions of yen)

Sales	FY2019	FY2018	YoY difference	YoY change	FY2017
Japan Food Products	**375.3**	375.0	0.2	100.1%	384.1
International Food Products	**477.6**	481.6	(4.0)	99.2%	464.7
Life Support	**95.3**	107.9	(12.6)	88.3%	118.5
Healthcare	**136.3**	135.3	1.0	100.7%	119.9
Other	**15.3**	14.2	1.1	107.7%	27.3
Total	**1,100.0**	1,114.3	(14.2)	98.7%	1,114.7

Business Profit	FY2019	FY2018	YoY difference	YoY change	FY2017
Japan Food Products	**32.8**	29.8	2.9	109.9%	38.8
International Food Products	**48.8**	42.3	6.5	115.5%	41.4
Life Support	**7.1**	9.5	(2.4)	74.6%	8.0
Healthcare	**12.3**	12.0	0.2	102.4%	9.3
Other	**(1.9)**	(0.6)	(1.3)	—	(2.1)
Total	**99.2**	93.2	5.9	106.4%	95.6

Japan Food Products Segment

Japan Food Products segment sales edged up 0.1% year on year, or ¥0.2 billion, to ¥375.3 billion in fiscal 2019. This reflects sales of seasonings and processed foods (in Japan) and frozen foods (in Japan) that were unchanged. Segment business profit increased 9.9%, or ¥2.9 billion, to ¥32.8 billion, owing to large increase in profit on frozen foods (in Japan) and coffee products, despite a decline in profit on seasonings and processed foods (in Japan).

Main factors affecting segment sales

- **Seasonings and processed foods:** Despite increased sales in home-use, for sales in restaurant and industrial-use, bakery business decreased year on year, and sales of seasonings for food service decreased due to the impact of COVID-19. Overall sales were level with the previous year.
- **Frozen foods:** Sales in home-use increased due to continued expansion of sales of major categories, primarily *Gyoza*. Sales in restaurant and industrial-use decreased due to sales of some products decreasing from the effect of reduced sales promotion despite expansion of sales of major categories. Overall sales were level with the previous year.
- **Coffee products:** Despite increased sales of major products (instant coffee, stick-type coffee, and ground coffee), overall sales decreased due to downsizing the personal size liquid coffee business and ceasing sales of some gift products.

Market Shares in Main Product Areas (Household Market in Japan) FY2019

Product Area	Brand	Market Size (Billions of yen)	Ajinomoto Group Share (Position)
Umami seasonings	*AJI-NO-MOTO®, Hi-Me®*	**5.2**	**93% (1)**
Japanese flavor seasonings	*HONDASHI®*	**36.4**	**58% (1)**
Consommé	*Ajinomoto KK Consomme*	**12.0**	**66% (1)**
Soup	*Knorr®*	**96.9**	**31% (1)**
Mayonnaise	*Pure Select®*	**54.9**	**26% (2)**
Menu seasonings	*Cook Do®, Cook Do® Kyo-no Ohzara®*	**79.5**	**32% (1)**

Note: Market size is based on consumer purchase prices.

Main factors affecting segment profits

- **Frozen foods:** Large increase in profit due to improvements in productivity and the effect of price increases in restaurant and industrial-use, despite sales being level with the previous year.
- **Coffee products:** Large increase in profit due to lower costs, increased sales of major products, and the effective use of marketing expenses, despite decreased sales.
- **Seasonings and processed foods:** Despite increase in profit in home-use, profit in restaurant and industrial-use decreased due to decreased sales. Overall profit decreased.

International Food Products Segment

International Food Products segment sales declined 0.8% year on year, or ¥4.0 billion, to ¥477.6 billion. This was due to a decline in sales of frozen foods (overseas). Segment business profit increased 15.5%, or ¥6.5 billion, to ¥48.8 billion due to an increase in profits from the effect of price increases for seasonings and processed foods (overseas) in addition to a large increase in profits on sales of umami seasonings for processed food manufacturers.

Main factors affecting segment sales

- **Seasonings and processed foods:** Despite the effect of price increases, due to decreased year-on-year sales in Vietnam and the effect of currency translation, sales were level with the previous year.
- **Frozen foods:** Despite the continued expansion in sales of Asian food products in North America and Europe, sales decreased due to the effect of currency translation and the sale of Amoy Food Ltd.
- **Umami seasonings for processed food manufacturers:** Increase in sales primarily due to increased unit sales prices overseas despite the effect of currency translation.

Main factors affecting segment profits

- **Umami seasonings for processed food manufacturers:** Large increase in profit due to increased unit sales prices and cost reductions overseas.
- **Seasonings and processed foods:** Increase in profit due to effect of price increases.
- **Frozen foods:** Overall large decrease in profit due to the impact of COVID-19 and poor performance in the dessert business in Europe, despite large increase in profit in North America due to increase in sales on a local currency basis and productivity improvements.

Life Support Segment

Life Support segment sales declined 11.7% year on year, or ¥12.6 billion, to ¥95.3 billion due to a dramatic decline in animal nutrition product sales despite an increase in sales of specialty chemicals. Segment business profit fell 25.4%, or ¥2.4 billion, to ¥7.1 billion because profit on animal nutrition products fell significantly, despite a large increase in profit on specialty chemicals.

Main factors affecting segment sales

- **Animal nutrition:** Large decrease in sales due to the decrease in demand from the world-wide spread of African swine fever and the fall in sales prices.
- **Specialty chemicals:** Increase in sales primarily due to strong sales of electronic materials.

Main factors affecting segment profits

- **Animal nutrition:** Large decrease in profit accompanying large decrease in sales.
- **Specialty chemicals:** Large increase in profit accompanying increase in sales.

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

(Thousands of metric tons)

Years ended March 31	FY2019*	FY2018	FY2017	FY2016	FY2015
Lysine	—	Approx. 2,600	Approx. 2,400	Approx. 2,300	Approx. 2,200
Ajinomoto Group's share	—	Approx. 10%	Approx. 15%	Approx. 15%	Approx. 15%
Threonine	—	Approx. 700	Approx. 640	Approx. 540	Approx. 480
Ajinomoto Group's share	—	Approx. 10%	Approx. 20%	Approx. 20%	Approx. 25%
Tryptophan	—	Approx. 41	Approx. 37	Approx. 33	Approx. 28
Ajinomoto Group's share	—	Approx. 25%	Approx. 25%	Approx. 20%	Approx.15%

* In FY2019, due to the effect of African swine fever and COVID-19, there are many uncertain factors regarding the market size, making it difficult to estimate the market. For these reasons we are not disclosing information.

Sales by Business and Region

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

Years ended March 31		Japan		Asia		Americas		Europe		Total	
Japan Food Products	FY2019	**364.2**	**(–2.1)**	**3.9**	**(0.2)**	**5.2**	**(2.2)**	**1.9**	**(0.0)**	**375.3**	**(0.2)**
	FY2018	366.3		3.6		2.9		1.9		375.0	
International Food Products	FY2019	**15.0**	**(–0.0)**	**250.9**	**(–0.9)**	**169.9**	**(–1.6)**	**41.6**	**(–1.4)**	**477.6**	**(–4.0)**
	FY2018	15.0		251.9		171.6		43.0		481.6	
Life Support	FY2019	**38.5**	**(3.4)**	**6.9**	**(–5.1)**	**26.5**	**(–6.9)**	**23.1**	**(–3.9)**	**95.3**	**(–12.6)**
	FY2018	35.1		12.1		33.4		27.1		107.9	
Healthcare	FY2019	**51.4**	**(–2.5)**	**3.9**	**(0.1)**	**33.6**	**(2.2)**	**47.2**	**(1.1)**	**136.3**	**(1.0)**
	FY2018	53.9		3.8		31.3		46.1		135.3	
Other	FY2019	**15.3**	**(1.1)**	**0.0**	**(–0.0)**	**—**		**—**		**15.3**	**(1.1)**
	FY2018	14.2		0.0		—		—		14.2	
Total	FY2019	**484.6**	**(–0.1)**	**265.8**	**(–5.7)**	**235.3**	**(–4.1)**	**114.1**	**(–4.2)**	**1,100.0**	**(–14.2)**
	FY2018	484.8		271.5		239.5		118.3		1,114.3	

Healthcare Segment

Healthcare segment sales increased 0.7% year on year, or ¥1.0 billion, to ¥136.3 billion. This was due to increases in sales of pharmaceutical custom manufacturing and amino acids for pharmaceuticals and foods. Segment business profit increased 2.4%, or ¥0.2 billion, to ¥12.3 billion as a result of significant profit growth due to the increase in sales of amino acids for pharmaceuticals and foods and pharmaceutical custom manufacturing despite a large decrease in profit of other products.

Main factors affecting segment sales

- **Amino acids:** Increase in sales primarily due to increased sales of pharmaceutical custom manufacturing and of amino acids for pharmaceuticals and foods.
- **Other products:** Decrease in sales due to decrease in year-on-year sales of fundamental foods and personal care ingredients.

Main factors affecting segment profits

- **Amino acids:** Large increase in profit due to increased sales of both amino acids for pharmaceuticals and foods and of pharmaceutical custom manufacturing.
- **Other products:** Large decrease in profit due to decrease in sales.

Other

In the Other segment, sales totaled ¥15.3 billion, up 7.7% year on year, or ¥1.1 billion, attributable mainly to service-related businesses. Segment business loss totaled ¥1.9 billion, an increase of ¥1.3 billion, largely owing to impairment loss at affiliated companies accounted for by the equity method.

Liquidity and Financial Condition

Assets

As of March 31, 2020, the Ajinomoto Group's consolidated total assets stood at ¥1,353.6 billion, a decrease of ¥40.2 billion from ¥1,393.8 billion at the end of the previous fiscal year, largely owing to the impact of currency translation due to appreciation in the value of the yen although there was an increase in right-of-use assets due to adoption of IFRS 16.

Liabilities

Total liabilities came to ¥761.5 billion, an increase of ¥53.6 billion from ¥707.9 billion at the end of the previous fiscal year. Interest-bearing debt totaled ¥413.7 billion, an increase of ¥76.7 billion from the end of the previous fiscal year, mainly reflecting the increase in lease liabilities due to adoption of IFRS 16 and an increase in commercial papers.

Equity

Total equity as of March 31, 2020 decreased ¥93.8 billion compared to the end of the previous fiscal year, reflecting a decrease in other components of equity due to the effect of appreciation in the value of the yen. Equity attributable to owners of the parent company, which is total equity minus non-controlling interests, totaled ¥538.9 billion, and the equity ratio attributable to owners of the parent company was 39.8%.

Cash Flows

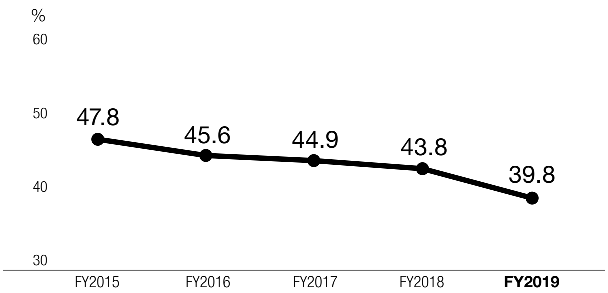
Net cash provided by operating activities during the fiscal year totaled ¥114.8 billion, down from ¥123.2 billion in the previous fiscal year. The main factors included ¥48.7 billion in profit before income taxes, ¥61.9 billion in depreciation and amortization, and ¥21.1 billion in income taxes paid.

Net cash used in investing activities came to ¥66.6 billion, down from ¥72.9 billion used in the previous fiscal year. Key investments during the year included ¥73.7 billion in purchase of property, plant and equipment and ¥8.3 billion in purchase of intangible assets.

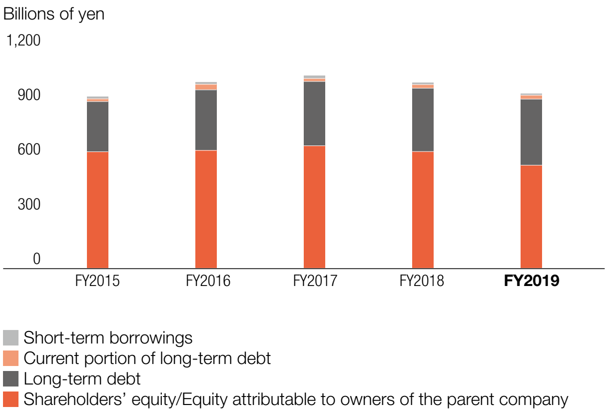
Net cash used in financing activities came to ¥52.3 billion, compared with ¥78.9 billion used in financing activities in the previous year. Dividends paid was among the main outflows.

As a result of the foregoing, cash and cash equivalents as of March 31, 2020, totaled ¥141.7 billion.

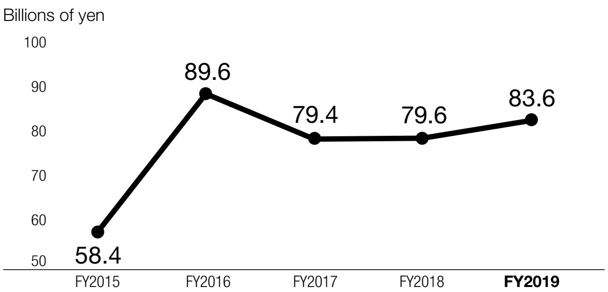
Shareholder's Equity Ratio/Ratio of Equity Attributable to Owners of the Parent Company



Total Capital



Capital Expenditures



Cash Flow Highlights

(Billions of yen)

Years ended March 31	FY2019	FY2018	FY2017	FY2016	FY2015
Net cash provided by operating activities	**114.8**	123.2	126.6	108.9	129.3
Net cash used in investing activities	**(66.6)**	(72.9)	(99.1)	(142.2)	(58.7)
Net cash provided by (used in) financing activities	**(52.3)**	(78.9)	(23.9)	14.7	(2.8)
Cash and cash equivalents at end of the year	**141.7**	153.7	187.8	186.0	204.4

Shareholder Returns

Under the Medium-Term Management Plan for 2020–2025, the Company will generate more cash from operating activities than under the FY2017–2019 plan through structural reform, and shift investment from non-core to core business. Along with these changes, we will continue the policy on shareholder returns of aiming for a total return ratio of over 50% to maintain and increase the dividend amount with a target dividend payout ratio at 40%.

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

For fiscal 2019, the Company plans to pay a dividend of ¥32 per share (including the interim dividend of ¥16 per share). For fiscal 2020, an annual dividend of ¥32 per share is planned (with an interim dividend payment of ¥16), the same as fiscal 2019.

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

Credit Ratings

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

Credit Ratings

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

Operational Risks

Material risks that may affect the Ajinomoto Group's performance and financial position are listed below by risk factor. Most notably, the Group recognizes the ongoing COVID-19 pandemic as an extremely material risk currently in play.

The list below is not all-inclusive; unforeseeable risks and risks not presently deemed material may have future impacts. The Group has developed various responses and mechanisms to minimize such management and operational risks and capitalize on them as opportunities.

Forward-looking statements in the text below are based on the Group's assessments as of March 31, 2020.

Financial risk	Relevant opportunities and risks (○ Opportunity ● Risk)	Key initiatives by the Ajinomoto Group
Impairment	● Failure of acquired subsidiaries, etc., to fulfill business plan ● Sharp increase in interest rates	· Deliberation by M&A Committee, Management Committee, etc., on appropriateness of acquisition price · Post-acquisition follow-up to achieve synergies and periodic monitoring of macroeconomic environment
Financing	● Depletion of capital due to financial crisis ● Ratings downgrade ● Additional capital procurement or other risk arising from failure to fulfill plans due to various risk factors, associated worsening of rating	· Appropriate diversification of capital sources and capital procurement periods · Maintenance and strengthening of financial structure · Timely analysis of and response to various risk factors · Timely revision of plans based on latest information
Bankruptcy of customers	● Unforeseen bankruptcies of customers including overseas customers	· Credit preservation, including through information gathering and credit management
Fluctuation in exchange and interest rates	● Slowdown in overseas business activity due to fluctuation in exchange or interest rates ● Impact on yen translation of business results of overseas subsidiaries due to fluctuation in exchange or interest rates	· Exchange contracts, swaps from variable to fixed interest rates, etc. · Capital procurement, including by parent company, in countries with low risk of exchange rate fluctuation
Country risk	● Expropriation risk ● Risk of outbreak of war, conflict, etc.	· Appropriate diversification of countries of operation
Tax system change	○ Reduction of future tax burden through system reform (e.g. reform of U.S. tax system) ● Increase in business operational costs due to system reform (e.g. value-added tax in Brazil)	For example of tax risk countermeasures, see Group Shared Policy on Global Tax at link below: https://www.ajinomoto.com/sustainability/ajinomoto-group-policies/group-shared-policy-on-global-tax
Tax effect change	○● Increase or decrease in tax expenses due to change, etc., in estimates of future taxable income	· Implementation of countermeasures against changes in tax system and tax administration in each country · Formulation and implementation of measures and plans to minimize tax and tax-related expenses

Financial risk	Related SDGs	Impact on Medium-Term Management Plan strategies	Magnitude of impact	Probability and timing of manifestation	Assessment	YoY comparison
Impairment		Slowdown in organic growth and postponement of growth investments in new value propositions for consumers due to below-target financial performance or interest rate increases	Moderate	High	Very material	↓
Financing		Slowdown in organic growth and delays in offering of new value propositions to customers as a result of postponement of growth investments due to funding shortages	Moderate	Moderate	Material	→
Bankruptcy of customers			Small	Moderate	Monitoring	→
Fluctuation in exchange and interest rates			Small	High	Monitoring	→
Country risk			Moderate	Low	Monitoring	→
Tax system change			Small	High	Monitoring	→
Tax effect change						

Material issues	Related risks and opportunities (○ Opportunity ● Risk)	Keyinitiatives by the Ajinomoto Group
Contribution to solve food and health issues	○ Rising health awareness and needs of consumers ○ Revised eating habits in response to rising health and nutrition issues ○ Brand trust ○ Enhancing corporate value ○ More restrictive health and nutrition regulations (sugar tax, etc.) ○ Involvement of food and nutrition in predictive prevention ● Rising competition and subordination risk in the health and nutrition field	· Offering tasty food and amino acid products as well as menus that nourish health and well-being · Delicious salt reduction with umami · Sugar reduction, fat reduction · Promoting protein intake · Contributing to disease prevention with "AminoIndex technology" · Developing nutritional standards that Group products should meet · Customized programs to each consumer for improving nutrition (personal nutrition)
Rapid response to consumer lifestyle changes	○ Enhancing corporate reputation by offering the joy of eating together ○ New value creation using digital media, etc. ● Loss of growth opportunities due to delayed response to consumer lifestyle changes or diversifying values ● Impact of consumer lifestyle changes on existing businesses (less time for cooking, lack of skills, changes in food distribution)	· Creating strong communities and social bonds through food · Advanced marketing efforts by leveraging big data and consumer data · Building strategies to deal with smaller markets (due to urbanization, etc.) · Properly delivering products, services and information to customers · Expanding products and services to meet the need for convenience, such as smart cooking
Assurance of product safety	○ Brand trust gained by increasing customer satisfaction ○ Trust gained through fair disclosure to stakeholders ● Impact on business of growing negative rumors regarding umami and MSG ● Lower customer confidence due to product quality complaints or incidents	· Providing proper information via product packaging and online · Reflecting customer feedback on developing and improving products and services · Enhancing communication to share the benefits of umami and MSG · Thorough quality assurance and human resource training based on the Ajinomoto System of Quality Assurance (ASQUA)
Diverse talent	○ Company growth by improving employee engagement ○ Creation of an innovative environment ● Rising costs due to intense competition for human resources	· Promoting PDCA cycle using the engagement survey · Reforming organizational culture to promote diversity · Training and promotion of female employees · Promoting health management · Human rights awareness training · Enhancing employee ASV engagement (ASV as one's own initiative) · Fostering a corporate culture of innovation (integrated accelerator program)
Climate change adaption and mitigation	○ Collaboration with outside organizations on decarbonization ● Higher production costs due to delays in initiatives to eliminate carbon emissions or increased carbon tax burden ● Failure to procure raw materials due to climate change ● Damaged corporate value due to delayed response to climate change	· Long-term effort to turning the overall product lifecycle carbon neutral · Initiatives to reduce energy use during production and transportation · Shifting to renewable energy · Disclosing information in line with the Task Force on Climate-related Financial Disclosures (TCFD) (scenario analysis, etc.) · Lowering environmental impact by feed-use amino acids (reduction of soil and water pollution)
Contribution to a circular economy	○ Development of environmentally friendly materials ● Damaged corporate value due to delays in waste reduction or recycling efforts	· Supplying highly biodegradable amino acid-based detergent · Promoting the 3Rs of containers and packaging (reduction of plastic waste, etc.) · Eco-friendly packaging (single-layer materials, biodegradable plastics, plant-derived materials, certified paper) · Promoting use of environmentally friendly product labels · Appeals on packaging labels to reduce plastic waste
Reduction of food loss and waste	○ Cost reduction through initiatives to reduce product returns and waste ● Damage to corporate value due to delays in addressing food loss and waste	· Using raw materials in manufacturing process without waste · Upgraded, optimal supply-chain management using digital technology · Reducing product returns and waste by extending product best-before dates, etc. · Reducing food loss and waste during product use by customers · Proposing eco-friendly lifestyles for enjoying food without leftovers

Material issues	Related risks and opportunities (○ Opportunity ● Risk)	Keyinitiatives by the Ajinomoto Group
Sustainable materials sourcing	● Failure to procure raw materials, product returns due to quality issues in the supply chain ● Failure to procure raw materials and damage to corporate value due to delays in addressing social and environmental issues in the supply chain ● Failure to procure raw materials due to food resource depletion	· Management of fair operating practices (traceability, etc.) · Promoting sustainability to suppliers · Human rights due diligence · Identifying important raw materials and engaging in responsible procurement (paper, palm oil, skipjack, etc.) · Ensuring fair competition and providing thorough employee training · Contributing to sustainable agriculture by using co-products
Conservation of water resources, management of production plants' water usage and wastewater discharge	● Production stagnation due to droughts, floods or water quality deterioration ● Raw material procurement failure due to water resource depletion ● Damage to corporate value due to delays in addressing water resource conservation	· Maintaining forests for water sources · Developing wastewater treatment technology
Strong corporate governance	○ Enhancing corporate value ○ Appropriate risk-taking ● Business continuity risk or other unexpected losses due to failures in corporate governance or internal controls ● Decreased competitiveness due to vulnerabilities in IT management structure ● Confusion in organizational management and reduced business profitability due to unstable political, economic, and social conditions such as financial crises, trade issues, etc. ● Impact of intellectual property risks on business ● Delays or interruptions in operations due to natural disasters, diseases, pandemics (COVID-19, African swine fever, avian influenza, etc.)	· Raising awareness of the Ajinomoto Group Policies among all Group employees · Establishing whistleblower hotline · Strengthening corporate governance system · Stronger business continuity management (BCM) · Occupational safety and health management · Selecting Group-wide significant risks and considering appropriate responses · Managing intellectual property risk · Strengthening information security through the creation of Information Security Regulations
Preparation for intense global competition	○ Business foundation reform through digital disruption ● Competitive weakness due to delays in responding to digital technology innovation and digital disruption ○ Value creation from external collaboration ○ Specialty creation through technological innovation ○ Establishment of competitive advantage by forecasting future changes ● Emergence of multiple competitors due to an inability to erect strong barriers to entry	· Stronger collaboration between food and AminoScience divisions · Evolving supply chain management (digitization, establish ecosystem, etc.) · Promoting digital transformation · Establishing solutions-oriented R&D structure · Executing global strategy in consumer food businesses (seasonings, quick nourishment and processed foods, frozen foods) · Competitive intelligence (medium- to long-term initiatives) · Promoting open & linked innovation

Material issues	Related SDGs	Impact on Medium-Term Management Plan strategies	Magnitude of impact	Probability and timing of manifestation	Assessment	YoY comparison
Contribution to solve food and health issues	2, 3, 17	Decreased ability to offer health-centric value to consumers and decrease in consumer receptiveness due to loss of value-proposition competitiveness	Major	Moderate	Very material	→
Rapid response to consumer lifestyle changes	3		Moderate	High	Very material	→
Assurance of product safety	3, 17		Small	High	Monitoring	→
Diverse talent	5, 8	Decreased ability to execute plans and successfully address food and health issues due to inability to deploy diverse talent	Moderate	Moderate	Material	→
Climate change adaption and mitigation	7, 13, 17	Cost increases that delay realization of higher ROIC, a profit structure that is capable of efficiently driving growth through solutions to food and health issues; and reduction, or decreased trust, in value provided due to impairment of brand value as a result of inadequate environmental conscientiousness	Major	Moderate	Very material	↑
Contribution to a circular economy	14, 15, 17		Moderate	High	Very material	↑
Reduction of food loss and waste	2, 12, 17		Small	Moderate	Monitoring	→
Sustainable materials sourcing	2, 12, 14, 15, 17		Moderate	High	Very material	↑
Preservation of water resources, management of production plants' water usage and wastewater discharge	6, 12, 14		Moderate	Moderate	Material	↑
Strong corporate governance	8	Decreased organizational function due to delays in implementing management reforms to strengthen governance and decreased ability to execute plans due to dysfunction	Moderate	Moderate	Material	→
		Decreased profitability due to manufacturing plant downtime and sharp market contractions	Major	Moderate	Very material	↑
Preparation for intense global competition	8	Delays in offering new added value, decreased efficiency and slower organic growth due to failure to prioritize core businesses fast enough	Moderate	High	Very material	→
			Small	Moderate	Monitoring	↑

Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	As of March 31, 2020	As of March 31, 2019
Assets			
Current assets			
Cash and cash equivalents	8, 39	**141,701**	153,725
Trade and other receivables	9, 39	**184,739**	194,270
Other financial assets	39	**8,946**	16,526
Inventories	10	**178,636**	185,036
Income taxes receivable		**8,653**	8,095
Others		**16,225**	13,944
Subtotal		**538,901**	571,599
Assets of disposal groups classified as held for sale	11	**—**	19,568
Total current assets		**538,901**	591,167
Non-current assets			
Property, plant and equipment	12	**454,357**	423,369
Intangible assets	13	**69,245**	66,132
Goodwill	13	**89,964**	91,373
Investments in associates and joint ventures	17	**116,280**	116,900
Long-term financial assets	39	**50,132**	64,812
Deferred tax assets	18	**17,781**	15,589
Others		**16,952**	24,523
Total non-current assets		**814,714**	802,701
Total assets		**1,353,616**	1,393,869

(Millions of yen)

	Note	As of March 31, 2020	As of March 31, 2019
Liabilities			
Current liabilities			
Trade and other payables	19, 39	**178,583**	183,276
Short-term borrowings	20, 39	**8,043**	10,989
Commercial papers	20, 39	**40,000**	—
Current portion of bonds	20, 39	**19,995**	—
Current portion of long-term borrowings	20, 39	**15,191**	13,089
Other financial liabilities	39	**5,401**	5,935
Short-term employee benefits	24	**41,588**	37,273
Provisions	22	**5,272**	6,560
Income taxes payable		**12,517**	9,549
Others		**8,972**	11,510
Subtotal		**335,566**	278,185
Liabilities of disposal groups classified as held for sale	11	**—**	13,571
Total current liabilities		**335,566**	291,756
Non-current liabilities			
Corporate bonds	20, 39	**149,550**	169,479
Long-term borrowings	20, 39	**124,135**	137,157
Other financial liabilities	39	**72,738**	25,412
Long-term employee benefits	24	**66,659**	64,406
Provisions	22	**7,264**	11,135
Deferred tax liabilities	18	**4,503**	7,392
Others		**1,127**	1,167
Total non-current liabilities		**425,978**	416,153
Total liabilities		**761,545**	707,909
Equity			
Common stock	25	**79,863**	79,863
Capital surplus	25	**—**	3,266
Treasury stock	25	**(2,160)**	(2,361)
Retained earnings	25	**574,287**	595,311
Other components of equity		**(113,015)**	(65,521)
Disposal groups classified as held for sale	11	**—**	(16)
Equity attributable to owners of the parent company		**538,975**	610,543
Non-controlling interests		**53,095**	75,417
Total equity		**592,070**	685,960
Total liabilities and equity		**1,353,616**	1,393,869

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Continuing operation			
Sales	7, 28	**1,100,039**	1,114,308
Cost of sales		**(696,166)**	(719,299)
Gross profit		**403,873**	395,008
Share of profit of associates and joint ventures	7, 17	**(2,444)**	(515)
Selling expenses	29	**(172,079)**	(174,263)
Research and development expenses	30	**(27,596)**	(27,823)
General and administrative expenses	31	**(102,516)**	(99,167)
Business profit	7	**99,236**	93,237
Other operating income	33	**7,572**	6,009
Other operating expenses	34	**(58,035)**	(45,604)
Operating profit		**48,773**	53,642
Financial income	35	**8,030**	8,116
Financial expenses	36	**(8,009)**	(7,060)
Profit before income taxes		**48,795**	54,698
Income taxes	18	**(20,384)**	(17,697)
Profit from continuing operation		**28,410**	37,001
Profit from discontinued operation	11	**558**	2,002
Profit		**28,969**	39,004
Attributable to:			
Owners of the parent company		**18,837**	29,698
Non-controlling interests		**10,132**	9,306
Profit from continuing operation attributable to owners of the parent company		**18,643**	27,509
Profit from discontinued operation attributable to owners of the parent company		**193**	2,188
Profit attributable to owners of the parent company		**18,837**	29,698
Earnings per share from continuing operation (yen):			
Basic	38	**34.01**	49.67
Diluted	38	**33.99**	—
Earnings per share from discontinued operation (yen):			
Basic	38	**0.35**	3.95
Diluted	38	**0.35**	—
Earnings per share (yen):			
Basic	38	**34.37**	53.62
Diluted	38	**34.35**	—

Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Profit		**28,969**	39,004
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	37	**(4,491)**	(641)
Remeasurements of defined benefit pension plans	24, 37	**(1,935)**	(4,294)
Share of other comprehensive income (loss) of associates and joint ventures	17, 37	**(297)**	(185)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	37	**406**	(165)
Change in fair value of forward elements of forward contracts	37	**109**	(335)
Exchange differences on translation of foreign operations	37	**(40,171)**	3,429
Share of other comprehensive income (loss) of associates and joint ventures	17 ,37	**(193)**	(552)
Other comprehensive income (Net of related tax effects)	37	**(46,573)**	(2,745)
Comprehensive income		**(17,604)**	36,259
Comprehensive income attributable to:			
Owners of the parent company		**(23,647)**	25,512
Non-controlling interests		**6,042**	10,747

Consolidated Statements of Changes in Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

		Equity attributable to owners of the parent company							
						Other components of equity			
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehen-sive income	Remeasurements of defined benefit pension plans	Cash flow hedges	Change in fair value of forward elements of forward contracts
Balance as of April 1, 2018		79,863	955	(9,585)	628,966	24,454	(28,079)	(2,902)	(215)
Cumulative effect of changes in accounting policies					369				
Adjusted balance as of April 1, 2018		79,863	955	(9,585)	629,335	24,454	(28,079)	(2,902)	(215)
Profit					29,698				
Other comprehensive income	37					(635)	(4,397)	(167)	(278)
Comprehensive income		—	—	—	29,698	(635)	(4,397)	(167)	(278)
Purchase of treasury stock	25			(40,008)					
Disposal of treasury stock	25		(0)	0					
Retirement of treasury stock	25		(47,221)	47,221					
Dividends	26				(18,423)				
Changes in transactions with non-controlling interests									
Changes due to business combinations									
Changes in ownership interests in subsidiaries that result in loss of control									
Changes in ownership interests in subsidiaries that do not result in loss of control	16		2,097						
Transfer from other components of equity to retained earnings	39				1,952	(1,935)			
Transfer of negative balance of other capital surplus			47,221		(47,221)				
Transfer to non-financial assets								(33)	
Stock-based remuneration transaction	27		214	10					
Disposal groups classified as held for sale	11					24	(7)		
Other					(30)				
Total net changes in transactions with owners of the parent company		—	2,311	7,224	(63,722)	(1,911)	(7)	(33)	—
Balance as of March 31, 2019		79,863	3,266	(2,361)	595,311	21,907	(32,484)	(3,103)	(494)
Balance as of April 1, 2019		**79,863**	**3,266**	**(2,361)**	**595,311**	**21,907**	**(32,484)**	**(3,103)**	**(494)**
Profit					**18,837**				
Other comprehensive income	37					**(4,493)**	**(1,927)**	**406**	**52**
Comprehensive income		**—**	**—**	**—**	**18,837**	**(4,493)**	**(1,927)**	**406**	**52**
Purchase of treasury stock	25			**(6)**					
Disposal of treasury stock	25		**(0)**	**0**					
Retirement of treasury stock	25								
Dividends	26				**(17,554)**				
Changes in transactions with non-controlling interests			**(3,215)**						
Changes due to business combinations									
Changes in ownership interests in subsidiaries that result in loss of control									
Changes in ownership interests in subsidiaries that do not result in loss of control	16		**(27,426)**						
Transfer from other components of equity to retained earnings	39				**4,941**	**(4,941)**			
Transfer of negative balance of other capital surplus			**27,231**		**(27,231)**				
Transfer to non-financial assets								**(67)**	
Stock-based remuneration transaction	27		**143**	**206**					
Other					**(16)**				
Total net changes in transactions with owners of the parent company		**—**	**(3,266)**	**200**	**(39,861)**	**(4,941)**	**—**	**(67)**	**—**
Balance as of March 31, 2020		**79,863**	**—**	**(2,160)**	**574,287**	**12,472**	**(34,411)**	**(2,764)**	**(441)**

Consolidated Statements of Changes in Equity

(Millions of yen)

		Equity attributable to owners of the parent company						
		Other components of equity						
	Note	Exchange differences on translating 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, 2018		(53,610)	987	(59,366)	—	640,833	79,780	720,613
Cumulative effect of changes in accounting policies				—		369		369
Adjusted balance as of April 1, 2018		(53,610)	987	(59,366)	—	641,203	79,780	720,983
Profit				—		29,698	9,306	39,004
Other comprehensive income	37	2,031	(737)	(4,186)		(4,186)	1,440	(2,745)
Comprehensive income		2,031	(737)	(4,186)	—	25,512	10,747	36,259
Purchase of treasury stock	25			—		(40,008)		(40,008)
Disposal of treasury stock	25			—		0		0
Retirement of treasury stock	25			—		—		—
Dividends	26			—		(18,423)	(4,954)	(23,378)
Changes in transactions with non-controlling interests				—		—		—
Changes due to business combinations				—		—	1,094	1,094
Changes in ownership interests in subsidiaries that result in loss of control				—		—		—
Changes in ownership interests in subsidiaries that do not result in loss of control	16			—		2,097	(11,183)	(9,085)
Transfer from other components of equity to retained earnings	39		(17)	(1,952)		—		—
Transfer of negative balance of other capital surplus				—		—		—
Transfer to non-financial assets				(33)		(33)	(0)	(33)
Stock-based remuneration transaction	27			—		225		225
Disposal groups classified as held for sale	11			16	(16)	—		—
Other				—		(30)	(66)	(97)
Total net changes in transactions with owners of the parent company		—	(17)	(1,969)	(16)	(56,172)	(15,110)	(71,282)
Balance as of March 31, 2019		(51,579)	232	(65,521)	(16)	610,543	75,417	685,960
Balance as of April 1, 2019		**(51,579)**	**232**	**(65,521)**	**(16)**	**610,543**	**75,417**	**685,960**
Profit				**—**		**18,837**	**10,132**	**28,969**
Other comprehensive income	37	**(36,032)**	**(490)**	**(42,484)**		**(42,484)**	**(4,089)**	**(46,573)**
Comprehensive income		**(36,032)**	**(490)**	**(42,484)**	**—**	**(23,647)**	**6,042**	**(17,604)**
Purchase of treasury stock	25			**—**		**(6)**		**(6)**
Disposal of treasury stock	25			**—**		**0**		**0**
Retirement of treasury stock	25			**—**		**—**		**—**
Dividends	26			**—**		**(17,554)**	**(4,789)**	**(22,343)**
Changes in transactions with non-controlling interests				**—**		**(3,215)**		**(3,215)**
Changes due to business combinations				**—**		**—**	**2,283**	**2,283**
Changes in ownership interests in subsidiaries that result in loss of control				**—**	**16**	**16**	**(4,465)**	**(4,448)**
Changes in ownership interests in subsidiaries that do not result in loss of control	16			**—**		**(27,426)**	**(20,998)**	**(48,424)**
Transfer from other components of equity to retained earnings	39			**(4,941)**		**—**		**—**
Transfer of negative balance of other capital surplus				**—**		**—**		**—**
Transfer to non-financial assets				**(67)**		**(67)**	**(0)**	**(67)**
Stock-based remuneration transaction	27			**—**		**350**		**350**
Other				**—**		**(16)**	**(395)**	**(412)**
Total net changes in transactions with owners of the parent company		**—**	**—**	**(5,009)**	**16**	**(47,920)**	**(28,364)**	**(76,285)**
Balance as of March 31, 2020		**(87,611)**	**(258)**	**(113,015)**	**—**	**538,975**	**53,095**	**592,070**

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Cash flows from operating activities			
Profit before income taxes		**48,795**	54,698
Profit before income taxes from discontinued operation		**680**	1,931
Depreciation and amortization		**61,986**	52,485
Impairment loss		**30,728**	18,384
Impairment loss on investments in associates and joint ventures	17	**4,232**	14,107
Increase (decrease) in employee benefits		**5,969**	(1,823)
Increase (decrease) in provisions		**(4,433)**	975
Interest income		**(4,401)**	(4,373)
Dividend income		**(1,506)**	(1,351)
Interest expense		**3,711**	3,342
Share of profit of associates and joint ventures		**2,444**	560
Loss on disposal of property, plant and equipment		**3,886**	3,414
Gain on sales of property, plant and equipment		**(1,492)**	(1,806)
Loss on sales of property, plant and equipment		**1,846**	554
Gain on sales of shares of subsidiaries		**(559)**	(74)
Loss on sales of shares of subsidiaries		**0**	688
Environmental measures expenses		**440**	1,244
Decrease (increase) in trade and other receivables		**3,754**	(644)
Increase (decrease) in trade and other payables		**(8,919)**	3,375
Decrease (increase) in inventories		**(2,092)**	(3,877)
Increase (decrease) in consumption taxes payable		**(1,923)**	492
Increase (decrease) in other assets and liabilities		**(2,250)**	(236)
Others		**(8,427)**	1,264
Subtotal		**132,466**	143,334
Interest received		**4,403**	4,378
Dividends received		**2,661**	2,111
Interest paid		**(3,522)**	(3,239)
Income taxes paid		**(21,152)**	(23,328)
Net cash provided by operating activities		**114,856**	123,256

(Millions of yen)

	Note	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Cash flows from investing activities			
Purchase of property, plant and equipment		**(73,703)**	(70,185)
Proceeds from sales of property, plant and equipment		**1,264**	4,441
Purchase of intangible assets		**(8,338)**	(9,822)
Purchase of financial assets		**(26)**	(3,495)
Proceeds from sales of financial assets		**11,621**	6,940
Purchase of shares in subsidiaries resulting in change in scope of consolidation	42	**(3,809)**	—
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	16	**2,754**	3,276
Purchase of shares in associates and joint ventures		**(516)**	—
Others		**4,100**	(4,078)
Net cash used in investing activities		**(66,651)**	(72,923)
Cash flows from financing activities			
Net change in short-term borrowings	21	**(1,759)**	(3,283)
Increase (decrease) in commercial papers	21	**40,000**	—
Proceeds from long-term borrowings	21	**3,545**	8,543
Repayments of long-term borrowings	21	**(13,735)**	(11,962)
Dividends paid		**(17,555)**	(18,455)
Dividends paid to non-controlling interests		**(4,789)**	(4,889)
Purchase of treasury stock	25	**(6)**	(40,062)
Purchase of shares in subsidiaries not resulting in change of scope of consolidation		**(49,274)**	(8,640)
Repayments of lease liabilities	21	**(8,835)**	(1,119)
Others		**103**	947
Net cash used in financing activities		**(52,306)**	(78,923)
Effect of currency rate changes on cash and cash equivalents		**(7,925)**	(754)
Net change in cash and cash equivalents		**(12,024)**	(29,344)
Cash and cash equivalents at beginning of the year	8	**153,725**	187,869
Cash and cash equivalents included in assets of disposal groups classified as held for sale		**—**	(4,799)
Cash and cash equivalents at end of the year	8	**141,701**	153,725

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.co.jp/company/en/). The accompanying consolidated financial statements comprise the Company and its subsidiaries (the "Group"), as well as the Group's interests in associates and joint ventures. A description of the nature of the Group's operations and its principal business activities is included in Note 7 "Segment Information." The Group's consolidated financial statements for the fiscal year ended March 31, 2020 were authorized for issue at the Management Meeting held on June 15, 2020.

2. Basis of Preparation

(1) Compliance with IFRS

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

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

2) Associates and joint ventures

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

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

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

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

3) Joint operations

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

(2) Business combinations

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

(a) the aggregate of the consideration transferred and the amount of non-controlling interest in the acquiree

(b) the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed

Conversely, if the amount in (b) above exceeds the aggregate of the amounts in (a) above, the Group recognizes the excess in profit or loss at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the 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 end of the period. Foreign currency-denominated non-monetary items measured at fair value are translated using the spot exchange rates at the fair value measurement date. Foreign currency-denominated non-monetary items measured at historical cost are translated using the spot exchange rate at the transaction date or the rate that approximates that exchange rate.

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

2) Translation of financial statements of foreign operations

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

(4) Financial instruments

1) Financial assets

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

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

(a) Financial assets measured at amortized cost

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

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

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

(b) Financial assets measured at fair value through other comprehensive income (debt instruments)

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

- They are held in accordance with a business model whose objective is achieved by both of the collection of contractual cash flows and the sales of assets.
- Under the contractual terms, cash flows that are solely payments of principal and interest on the outstanding balances of the principal are generated on a specific date.

After initial recognition, they are measured at fair value, with subsequent changes recognized in other comprehensive income. Upon disposal, any cumulative gains or losses recognized through other comprehensive income are reclassified from other components of equity to profit or loss as a reclassification adjustment.

(c) Financial assets at fair value through other comprehensive income (equity instruments)

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

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

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

(d) Financial assets measured at fair value through profit or loss

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

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

2) Impairment of financial assets

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

For details, please see Note 39 “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 or loss are measured at fair value, with subsequent changes in fair value recognized in profit or loss.

4) Derivatives and hedge accounting

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

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

Hedge accounting is discontinued prospectively when a hedging instrument expires or is sold, terminated or exercised, when the hedge no longer meets the criteria for hedge accounting or when the hedge designation is cancelled. If a forecast transaction is no longer expected to occur, the amount recognized in other comprehensive income is transferred immediately from other components of equity to profit or loss.

(c) Hedging net investments in foreign operations

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

(d) Derivatives not designated as hedges

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

5) Offsetting financial assets and financial liabilities

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

(5) Cash and cash equivalents

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

(6) Inventories

The cost of inventories includes the purchase cost, the processing cost and all other costs incurred in bringing the inventories to their present location and condition. The Group's main cost formula is the weighted average method. The cost of inventories with no substitutability and used for goods or services for specific projects 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 operation

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 or amortized.

Discontinued operation includes components of a business already disposed of or classified as a held for sale category. The Group recognizes it if it represents 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 right-of-use 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 loss.

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

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

(9) Goodwill and intangible assets

1) Goodwill

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

After initial recognition, goodwill is measured at acquisition cost less accumulated impairment loss, 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 gains or losses 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 right-of-use 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 loss.

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

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

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

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

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

(10) Leases

Fiscal year ended March 31, 2020

As a lessee, the Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease transaction. Lease liability is measured at the present value of the total lease payments payable, and right-of-use assets are measured based on the initial direct cost incurred by the lessee and the terms and conditions of the lease, such as lease payments made before the commencement date, and the acquisition cost adjusted for costs such as the obligation to restore to original condition. A right-of-use asset is presented at cost less accumulated depreciation and accumulated impairment loss in property, plant and equipment in the consolidated statements of financial position. After initial recognition, the right-of-use asset is depreciated using the straight-line method over the shorter of its useful life or the lease period.

Lease fees are allocated to financial expense and repayments on lease liabilities based on the effective interest rate method, and interest costs are recognized in the consolidated statements of income.

However, for short-term leases with a lease term of 12 months or less and leases with a small underlying asset amount, the right-of-use asset and lease liability are not recognized, and the lease payments are recognized as expenses over the lease term using the straight-line method.

The Group has no material lease transactions as a lessor.

Fiscal year ended March 31, 2019

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

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

1) Finance leases

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

2) Operating leases

As lessee:
Lease payments under an operating lease transaction are recognized as an expense on a straight-line basis over the lease term. Contingent lease is recognized as an expense in the period incurred.
As lessor:
Lease income from operating leases is recognized on a straight-line basis over the lease term.

(11) Impairment of non-financial assets

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

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

At the end of each period, the Group assesses whether there is an indication that 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 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 reversal of 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. Reversal of impairment loss is recognized immediately in profit or loss. Impairment loss recognized on goodwill is 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 losses 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 gains or losses are recognized on the purchase, sale or cancellation of treasury stock. The consideration paid or received is recognized directly in equity.

(17) Stock-based remuneration

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

For details, please see Note 27 "Stock-based Remuneration (1) Overview of Stock-based Remuneration of Executive Officers Based on the Company's Earnings Performance."

(18) Revenues

The Group recognizes revenue, excluding interest and dividend income recognized in accordance with IFRS 9 and insurance revenue recognized in accordance with IFRS 4, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group expects to be entitled in exchange for those goods or services based on the following five step approach:

Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(19) Borrowing costs

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

(20) Income taxes

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

Deferred tax assets are recognized to the extent that it is probable that future deductible temporary differences, net loss carryforwards or unused tax credit can be utilized against future taxable income. The carrying amount of deferred tax assets is reviewed at the end of each 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 period, and recognized to the extent that the deferred tax assets are assessed to be recoverable due to future taxable profit. Deferred tax liabilities are recognized basically for all future taxable temporary differences. Deferred tax assets and liabilities are calculated by the tax rate deemed applicable for the years the asset is realized or the liability is settled, based on the statutory tax rates effective as of the reporting date or the statutory tax rates substantively in effect as of the reporting date.

Deferred tax assets or liabilities are not recognized on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax losses);

- for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; and
- for deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is not probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

(21) Earnings per share

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

4. Changes in Accounting Policies and Disclosures

(1) Effects of newly applied IFRS

The Group has adopted the following standards from the fiscal year ended March 31, 2020:

IFRS		Overview of new standards or amendments
IFRIC 23	*Uncertainty over Income Tax Treatments*	Clarifies uncertainty over income tax treatments
IAS 19	*Employee Benefits*	Clarifies how to measure service costs and interest expenses in the case of plan amendment, curtailment or settlement
IAS 23	*Borrowing Costs*	Clarifies how to calculate borrowing costs eligible for capitalization
IFRS 16	*Leases*	Revises accounting treatments and disclosure relating to leases

*1 IFRIC 23 *Uncertainty over Income Tax Treatments*
This interpretation provides guidance on requirements that add to the requirements of IAS 12 *Income Taxes* by specifying accounting treatments for uncertain tax positions such as items for which the tax treatment is unclear or items related to matters yet to be resolved with tax authorities. If it is deemed likely that the Group's tax treatments will not be accepted by tax authorities, when calculating taxable income, the Group uses the mode or expected value to recognize the effect of uncertainty as additional taxable income.
The adoption of this interpretation does not have a material impact on the consolidated financial statements.

*2 IAS 19 *Employment Benefits*
IAS 19 clarified the use of actuarial assumptions at the time of remeasurement in the measurement of service costs and interest expenses at the closing date after the event in the case of plan amendment, curtailment or settlement. The revision of this standard will be applied to events that arise on or after the date of adoption (April 1, 2019) and does not have a material impact on the consolidated financial statements.

*3. IAS 23 *Borrowing Costs*
IAS 23 clarified that when special borrowing for a qualifying asset remains unpaid at the point when the qualifying asset is ready for the intended use or sale, the balance of the special borrowing is included in general purpose borrowing. The revision of this standard will be applied to events that arise on or after the date of adoption (April 1, 2019) and does not have a material impact on the consolidated financial statements.

*4. IFRS 16 *Leases*
The lessee recognizes the right to use the underlying assets (right-of-use assets) and the obligation to make lease payments (lease liabilities) on the lease commencement date. After initial recognition, expenses relating to depreciation arising from right-of-use assets and interest expenses for lease liabilities are recognized separately. Right-of-use assets are recorded in property, plant and equipment on the consolidated statements of financial position.

Leases as the Lessee

The Group has adopted IFRS 16 from the beginning of the fiscal year ended March 31, 2020. In adopting IFRS 16, the Group employed the method of recognizing the cumulative effect of applying the standard on the adoption commencement date, which is provided as a transition approach. When adopting IFRS 16, for lease contracts held at the end of the previous fiscal year that are not classified as finance leases under IAS 17, it is determined whether the leases are included in contracts in accordance with IFRS 16, and right-of-use assets and lease liabilities are recognized for all leases, with the exception of short-term leases for which the term of the lease is 12 months or less and leases for which the underlying asset is of low value.

The carrying amounts of right-of-use assets and lease liabilities on the adoption commencement date related to leases classified as finance leases under IAS 17 are calculated as the carrying amounts of the lease assets and lease liabilities based on IAS 17 on the immediately preceding date.

The Group disclosed lease liabilities on the adoption commencement date related to leases not classified as finance leases under IAS 17 as the amount of the total remaining lease payments as of the adoption commencement date discounted to the present value based on the interest rate for additional borrowings of the Group as of April 1, 2019, and the applicable weighted average of the interest rate for additional borrowings is 0.93%. In addition, right-of-use assets were initially measured at the measured amount of lease liabilities adjusted for prepaid lease payments. On the adoption commencement date, right-of-use assets increased ¥53,956 million and lease liabilities increased ¥51,571 million.

The difference between the ¥20,174 million (discounted to ¥19,405 million) in minimum total future lease payments based on non-cancelable operating leases disclosed with the application of IAS 17 as of the closing date for the previous fiscal year and lease liabilities of ¥57,877 million recognized at the beginning of the fiscal year ended March 31, 2020 is mainly due to the inclusion in lease liabilities of contract amounts related to land and buildings which were treated as rental contracts under the previous standards, as a result of the revision of lease terms.

The impact on the consolidated statements of income in the fiscal year ended March 31, 2020 is immaterial.

The Group has also employed the following practical expedients when adopting IFRS 16.

- Leases for which the remaining term of the lease is 12 months or less on the adoption commencement date are not recognized as right-of-use assets and lease liabilities.
- Initial direct costs may be excluded from the measurement of right-of-use assets on the adoption commencement date.
- When a contract includes an option to extend or cancel, ex post judgement may be used when calculating the term of the lease.

Leases as the Lessor

There are no changes to the accounting treatment for leases in which the Group is the lessor when adopting IFRS 16 with the exception of sub-leases.

(2) Change in presentation method

1) “Repayments of lease liabilities,” which was included in “Others” under cash flows from financing activities in the fiscal year ended March 31, 2019, is presented as a separate item in the fiscal year ended March 31, 2020, as the amount has become more material upon the application of IFRS 16 *Leases*. To reflect this change in presentation, ¥(171) million of “Others” presented under cash flows from financing activities is reclassified as “Repayments of lease liabilities” and “Others” of ¥(1,119) million and ¥947 million, respectively, in the consolidated statements of cash flows for the fiscal year ended March 31, 2019.

2) “Loss on sales of property, plant and equipment,” which was included in “Gain on sales of property, plant and equipment” under cash flows from operating activities in the fiscal year ended March 31, 2019, is presented as a separate item in the fiscal year ended March 31, 2020, as the amount has become more material. To reflect this change in presentation, ¥(1,251) million of “Gain on sales of property, plant and equipment” presented under cash flows from operating activities is reclassified as “Loss on sales of property, plant and equipment” and “Gain on sales of property, plant and equipment” of ¥554 million and ¥(1,806) million, respectively, in the consolidated statements of cash flows for the fiscal year ended March 31, 2019.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

(1) Application of accounting policies that may significantly affect the amounts recognized on the consolidated financial statements

Important judgments are included in the following notes:

- The scope of subsidiaries, associates, joint ventures and joint operations
  (Note 3. Significant Accounting Policies (1) Basis of consolidation, Note 16. Subsidiaries, Note 17. Investments Accounted for Using the Equity Method)
- Recognition and presentation of revenues
  (Note 3. Significant Accounting Policies (18) Revenues, Note 28. Sales)

(2) Uncertainties of assumptions and estimates that may cause material adjustments in subsequent consolidated financial statements

Important judgments are included in the following notes:

- Valuation of financial instruments
  (Note 3. Significant Accounting Policies (4) Financial instruments, Note 39. Financial Instruments (4) Loss allowance for expected credit loss, Note 40. Fair Value)
- Valuation of inventories
  (Note 3. Significant Accounting Policies (6) Inventories, Note 10. Inventories)
- Estimates on useful lives and residual values of property, plant and equipment and intangible assets
  (Note 3. Significant Accounting Policies (8) Property, plant and equipment (excluding right-of-use assets), (9) Goodwill and intangible assets)
- Impairment of non-financial assets
  (Note 3. Significant Accounting Policies (11) Impairment of

non-financial assets, Note 14. Impairment of Non-financial Assets)
- Provisions
(Note 3. Significant Accounting Policies (12) Provisions, Note 22. Provisions)
- Valuation of defined benefit obligations
(Note 3. Significant Accounting Policies (14) Employee benefits, Note 24. Employee Benefits)
- Income taxes and recoverability of deferred tax asset
(Note 3. Significant Accounting Policies (20) Income taxes, Note 18. Income Taxes)

(3) Impact of the novel coronavirus (COVID-19)

COVID-19 is causing widespread impact on the needs of the market, the lifestyles of consumers, and economic activities around the world. As it is difficult to predict how the virus will spread or when it will dissipate, based on external information and analysis of market trends in each country, the Company has made the following assumptions for the fiscal year ending March 31, 2021, and is currently reviewing whether or not there are any signs that any non-financial assets are impaired based on the best estimate possible at the moment.

As the impact of the future spread of COVID-19 on economic activity involves many uncertainties, any changes to the assumptions may affect the consolidated financial statements.

- The state of emergency declarations, lockdowns, and other measures will be lifted by the second quarter in each of the countries where the Ajinomoto Group operates its business, but economic activity during this period will be significantly impacted.
- Although economic and other activity will recover gradually from the third quarter, it will continue to be impacted by the onslaught of a second wave of COVID-19 in North and South America.

6. Accounting Standards or Interpretations Issued but Not Yet Applied

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

IFRS		Mandatory effective date (Fiscal year beginning on or after)	To be adopted by the Company	Overview of new standards or amendments
IFRS 7	*Financial Instruments: Disclosures*	January 1, 2020	From the fiscal year ending March 31, 2021	Amends part of the requirements for hedge accounting in response to the IBOR reform
IFRS 9	*Financial Instruments*			

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

7. Segment Information

(1) Overview of reportable segments

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

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

From the fiscal year ended March 31, 2020, the packaging business (Fuji Ace Co., Ltd.) is reclassified as a discontinued operation. During the fiscal year ended March 31, 2019, the logistics business was classified as a discontinued operation. In the following tables, only continuing operation, excluding the logistics business and the packaging business (Fuji Ace Co., Ltd.), is reported in 1) Sales and segment profit (loss) of (2) Information by reportable segment, 2) Other income and expense items and 1) Sales of (3) Information by geographical area. For details of discontinued operation, please see Note 11 “Disposal Groups Classified as Held for Sale and Discontinued Operation.”

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)*, *Shoga Gyoza*, *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)*, *THE SHUMAI*, etc.
	Coffee Products	*Blendy®* (*CAFÉ LATORY®*, Stick coffee, etc.), *MAXIM®*, *Chotto Zeitakuna Kohiten®*, 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), *SAJIKU®* (menu-specific seasonings/Indonesia), *CRISPY FRY®* (menu-specific seasonings/Philippines), YumYum® (instant noodles/Thailand), *Birdy®* (coffee beverage/Thailand), *Birdy® 3in1* (powdered drink/Thailand), etc.
	Frozen Foods	Gyoza (POT STICKERS), Cooked rice (CHICKEN FRIED RICE, YAKITORI CHICKEN FRIED RICE, etc.), Noodles (YAKISOBA, RAMEN, etc.), Desserts (MACARON, 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	*Ajinomoto Build-up Film®* (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®*), *Amisoft®*, *Amilite®* (mild surfactant), *Ajidew®*, etc.

(2) Information by reportable segment

Upon adopting IFRS, the Ajinomoto 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 transaction prices between third-parties.

1) Sales and segment profit (loss)

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

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*	Total	Adjustments	As included in consolidated statements of income
Sales								
Sales to third parties	**375,312**	**477,674**	**95,308**	**136,355**	**15,389**	**1,100,039**	**—**	**1,100,039**
Inter-segment sales and transfers	**4,479**	**4,641**	**2,863**	**2,380**	**32,205**	**46,570**	**(46,570)**	**—**
Total sales	**379,791**	**482,316**	**98,171**	**138,736**	**47,594**	**1,146,610**	**(46,570)**	**1,100,039**
Share of profit of associates and joint ventures	**241**	**(2,606)**	**206**	**(34)**	**(251)**	**(2,444)**	**—**	**(2,444)**
Segment profit or loss (Business profit or loss)	**32,854**	**48,854**	**7,149**	**12,363**	**(1,986)**	**99,236**	**—**	**99,236**

Other operating income	**7,572**
Other operating expenses	**(58,035)**
Operating profit	**48,773**
Financial income	**8,030**
Financial expense	**(8,009)**
Profit before income taxes	**48,795**

* "Other" includes the tie-up and other service-related businesses.

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segment							
	Japan Food Products	Inter-national Food Products	Life Support	Healthcare	Other*	Total	Adjustments	As included in consolidated statements of income
Sales								
Sales to third parties	375,034	481,699	107,947	135,342	14,283	1,114,308	—	1,114,308
Inter-segment sales and transfers	4,252	5,290	3,521	2,578	35,054	50,697	(50,697)	—
Total sales	379,286	486,989	111,468	137,920	49,338	1,165,005	(50,697)	1,114,308
Share of profit of associates and joint ventures	352	(2,402)	85	11	1,436	(515)	—	(515)
Segment profit or loss (Business profit or loss)	29,896	42,312	9,579	12,079	(630)	93,237	—	93,237

Other operating income	6,009
Other operating expenses	(45,604)
Operating profit	53,642
Financial income	8,116
Financial expense	(7,060)
Profit before income taxes	54,698

* "Other" includes the tie-up and other service-related businesses.

2) Other income and expense items

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

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Depreciation and amortization	**15,276**	**23,236**	**4,997**	**10,514**	**3,913**	**57,939**	**3,521**	**61,460**
Impairment loss	**4,316**	**10,741**	**15,028**	**351**	**—**	**30,437**	**291**	**30,728**
Impairment loss on shares of associates and joint ventures	**—**	**8,130**	**—**	**—**	**—**	**8,130**	**—**	**8,130**

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Depreciation and amortization	13,192	20,104	5,363	7,383	711	46,755	5,141	51,896
Impairment loss	119	17,448	674	—	—	18,241	—	18,241
Impairment loss on shares of associates and joint ventures	—	17,329	—	—	—	17,329	—	17,329

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

3) Assets

Information on assets by reportable segment is as follows:

As of March 31, 2020

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Segment assets	**317,391**	**388,003**	**90,803**	**186,280**	**112,844**	**1,095,323**	**258,292**	**1,353,616**
Of which investments in associates and joint ventures accounted for by equity method	**9,283**	**35,206**	**1,877**	**2,912**	**67,000**	**116,280**	**—**	**116,280**

*1. "Other" includes the tie-up and other service-related businesses.
*2. Adjustments for segment assets primarily consist of corporate assets of ¥312,581 million and elimination of inter-segment receivables and payables of ¥(54,289) 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, 2019

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Segment assets	293,947	420,898	111,061	162,625	125,380	1,113,913	279,956	1,393,869
Of which investments in associates and joint ventures accounted for by equity method	8,799	43,987	1,136	3,015	59,960	116,900	—	116,900

*1. "Other" includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments for segment assets primarily consist of corporate assets of ¥338,802 million and elimination of inter-segment receivables and payables of ¥(60,187) 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.
*3. As the method for allocating receivables and payables arising from inter-segment transactions to each segment was partially changed in the fiscal year ended March 31, 2020, the change was applied retrospectively for the fiscal year ended March 31, 2019.

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Additions to non-current assets*3	**33,590**	**33,277**	**5,043**	**13,402**	**686**	**86,001**	**4,600**	**90,602**

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Additions to non-current assets*3	19,782	27,497	5,658	16,136	1,379	70,453	9,179	79,632

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

(3) Information by geographical area

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

1) Sales

Fiscal year ended March 31, 2020

(Millions of yen)

		Asia		Americas			
	Japan	Thailand	Others	U.S.	Others	Europe	Total
Sales	**475,001**	**119,272**	**170,247**	**171,005**	**67,921**	**96,591**	**1,100,039**

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, 2019

(Millions of yen)

		Asia		Americas			
	Japan	Thailand	Others	U.S.	Others	Europe	Total
Sales	469,333	116,593	185,926	173,764	66,793	101,896	1,114,308

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, 2020

(Millions of yen)

		Asia		Americas			
	Japan	Thailand	Others	U.S.	Others	Europe	Total
Non-current assets	**344,876**	**68,250**	**45,388**	**203,867**	**21,835**	**33,684**	**717,903**

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, 2019

(Millions of yen)

		Asia		Americas			
	Japan	Thailand	Others	U.S.	Others	Europe	Total
Non-current assets	273,463	70,744	40,146	136,293	26,593	55,489	602,730

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

8. Cash and Cash Equivalents

The details of cash and cash equivalents are as follows:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Cash and bank deposits	**141,700**	153,725
Securities classified as cash equivalents	**0**	0
Total cash and cash equivalents in consolidated statements of financial position	**141,701**	153,725
Total cash and cash equivalents in consolidated statements of cash flows	**141,701**	153,725

9. Trade and Other Receivables

The details of trade and other receivables are as follows:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Notes receivable - trade	**6,207**	7,501
Accounts receivable - trade	**168,506**	175,730
Others	**11,138**	12,652
Loss allowance for expected credit loss	**(1,112)**	(1,613)
Total	**184,739**	194,270

Notes receivable - trade and accounts receivable - trade are consideration received from customers under contracts in the ordinary course of business, such as the sale of goods and the rendering of services.

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

10. Inventories

The details of inventories are as follows:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Finished goods and merchandise	**100,511**	104,813
Work in process	**25,102**	25,191
Raw materials and supplies	**53,022**	55,031
Total	**178,636**	185,036

The amounts of inventories recognized as expenses were ¥682,054 million and ¥722,471 million for the fiscal years ended March 31, 2020 and 2019, 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, 2020	Fiscal year ended March 31, 2019
Inventory write-downs	**1,782**	1,593

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

(1) Disposal groups classified as held for sale

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

As it became clear that this transaction would result in a loss of control of AB in April 2019, the Group classified AB's assets and liabilities as a disposal group classified as held for sale and accounted for its logistics business as a discontinued operation for the fiscal year ended March 31, 2019. As of April 1, 2019, F-LINE CORPORATION was newly established as scheduled, integrating the logistics functions of these companies.

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Assets of disposal groups classified as held for sale		
Cash and cash equivalents	–	4,799
Trade and other receivables	–	4,208
Other financial assets	–	0
Inventories	–	113
Income taxes receivable	–	660
Other current assets	–	398
Property, plant and equipment	–	5,924
Intangible assets	–	391
Investments in associates and joint ventures	–	160
Long-term financial assets	–	1,250
Deferred tax assets	–	1,624
Other non-current assets	–	35
Total assets	–	19,568
Liabilities of disposal groups classified as held for sale		
Trade and other payables	–	5,446
Other financial liabilities (current)	–	1,435
Short-term employee benefits	–	1,785
Provisions (current)	–	73
Income taxes payable	–	31
Other current liabilities	–	253
Other financial liabilities (non-current)	–	1,059
Long-term employee benefits	–	3,155
Provisions (non-current)	–	331
Total liabilities	–	13,571

Financial assets and liabilities included in disposal groups classified as held for sale are primarily measured at amortized cost, but some long-term financial assets are measured at fair value through other comprehensive income.

Other components of equity related to assets held for sale were ¥(16) million as of March 31, 2019.

(2) Discontinued operation

As described in "(1) Disposal groups classified as held for sale," the Group loses control of AB. Accordingly, the logistics business was classified as a discontinued operation in the fiscal year ended March 31, 2019.

In addition, on February 5, 2020, the Company entered into a contract to transfer the entire equity stake, equivalent to 51% of the total number of issued shares, held by the Ajinomoto Group, in consolidated subsidiary Fuji Ace Co., Ltd. ("FA"), a packaging material company in Thailand, to Fuji Seal International, Inc.

As a result, it was confirmed that the Company would lose control of FA, and FA has been classified as a discontinued operation in the fourth quarter of the fiscal year ended March 31, 2020 and presented separately with the consolidated financial statements for the fiscal year ended March 31, 2019 being restated.

The details of discontinued operation are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Income from discontinued operation	**11,771**	47,488
Expenses from discontinued operation	**(11,090)**	(45,557)
Profit before income taxes from discontinued operation	**680**	1,931
Income taxes	**(122)**	71
Profit from discontinued operation	**558**	2,002

For basic and diluted earnings per share from discontinued operation, please see the consolidated statements of income.

Transactions between continuing operation and discontinued operation are eliminated from the profit or loss of discontinued operation to reflect how these transactions subsequently affect continuing operation. The transactions with continuing operation deducted from income from discontinued operation and expenses from discontinued operation in the above table for the fiscal years ended March 31, 2020 and 2019 and were ¥(1,946) million and ¥(28,981) million, respectively.

The details of profit or loss arising from the ordinary activities of discontinued operation are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Income	**11,213**	47,488
Expenses	**(10,640)**	(45,557)
Profit before income taxes	**572**	1,931
Income taxes	**(122)**	71
Profit	**450**	2,002

The details of gains (losses) on disposal associated with discontinued operation are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Gains (losses) recognized on disposal of disposal groups constituting discontinued operation	**108**	—
Income taxes on gains (losses) on disposal	**—**	—
Profit (loss)	**108**	—

Net cash flows from operating activities, investing activities, and financing activities of discontinued operation are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Cash flows from operating activities	**1,449**	2,192
Cash flows from investing activities	**(2,360)**	10,591
Cash flows from financing activities	**(0)**	(9,510)
Total	**(911)**	3,273

* Cash flows from investing activities for the fiscal year ended March 31, 2020 include payments for sales of shares in subsidiaries resulting in loss of control (cash of derecognized subsidiaries) of ¥(4,799) million.

12. Property, Plant and Equipment

(1) Changes in the carrying amount, acquisition cost, and accumulated depreciation and impairment loss 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, 2018*1	155,063	161,843	16,441	50,169	28,122	411,640
Acquisition due to purchases from third parties*2	1,619	5,907	1,496	9	62,334	71,367
Sales or disposal	(253)	(820)	(200)	(0)	(48)	(1,323)
Impairment loss	(212)	(440)	(111)	(0)	(107)	(873)
Depreciation	(11,975)	(27,765)	(5,559)	—	—	(45,300)
Transfer from construction in progress	11,673	24,749	5,623	0	(42,047)	—
Decrease due to exclusion from consolidation	(233)	(739)	(544)	—	(176)	(1,694)
Exchange differences on translation	(413)	(764)	(4)	(13)	280	(915)
Others	(294)	(70)	(175)	(303)	(651)	(1,496)
Transfer to disposal groups held for sale	(2,662)	(1,376)	(335)	(3,660)	—	(8,035)
Balance as of March 31, 2019*1	152,309	160,524	16,630	46,199	47,706	423,369
Acquisition due to purchases from third parties*2	**17,276**	**8,160**	**1,045**	**4,203**	**63,328**	**94,012**
Acquisition due to business combinations	**378**	**285**	**—**	**13**	**—**	**677**
Sales or disposal	**(692)**	**(1,089)**	**(126)**	**(1,512)**	**—**	**(3,420)**
Impairment loss	**(6,811)**	**(19,911)**	**(281)**	**(57)**	**(914)**	**(27,976)**
Depreciation	**(19,748)**	**(28,282)**	**(5,685)**	**(400)**	**—**	**(54,116)**
Transfer from construction in progress	**23,111**	**26,496**	**4,595**	**4**	**(54,208)**	**—**
Exchange differences on translation	**(7,588)**	**(7,857)**	**(1,171)**	**(1,537)**	**(2,419)**	**(20,575)**
Increase due to application of IFRS 16 *Leases*	**46,843**	**1,010**	**20**	**6,081**	**—**	**53,956**
Others	**(7,813)**	**(764)**	**62**	**(2,096)**	**(958)**	**(11,570)**
Balance as of March 31, 2020*1	**197,265**	**138,571**	**15,088**	**50,898**	**52,533**	**454,357**

Depreciation of property, plant and equipment is included in cost of sales, selling expenses, research and development expenses, general and administrative expenses, and other operating expenses in the consolidated statements of income.

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

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
As of April 1, 2018	4,248	2,985	518	1,487	9,240
As of March 31, 2019	4,147	1,775	152	1,503	7,578

The carrying amounts of right-of-use assets included in property, plant and equipment are as follows:

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
As of March 31, 2020	48,563	3,642	133	6,776	59,116

*2. The borrowing costs capitalized were ¥66 million and ¥20 million for the fiscal years ended March 31, 2020 and 2019, respectively. The capitalization rates applied in calculating the borrowing costs were 0.83% and 0.78% for the fiscal years ended March 31, 2020 and 2019, 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, 2018	388,824	623,702	74,315	50,171	28,122	1,165,137
As of March 31, 2019	381,465	629,989	74,762	46,200	47,813	1,180,232
As of March 31, 2020	**429,751**	**617,080**	**72,681**	**51,353**	**53,447**	**1,224,314**

3) Accumulated depreciation and impairment loss

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2018	233,761	461,858	57,874	2	—	753,497
As of March 31, 2019	229,156	469,465	58,132	0	107	756,862
As of March 31, 2020	**232,485**	**478,509**	**57,593**	**454**	**914**	**769,956**

(2) Commitments

The amounts of commitments for the acquisition of property, plant and equipment as of March 31, 2020 and March 31, 2019 were ¥23,472 million and ¥21,260 million, respectively.

13. Goodwill and Intangible Assets

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

1) Carrying amount

(Millions of yen)

		Intangible assets				
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
Balance as of April 1, 2018	107,394	36,859	14,871	6,275	8,138	66,144
Increase due to individual acquisition	—	15	9,796	—	124	9,936
Sales or disposal	—	(1,600)	(119)	—	(764)	(2,484)
Impairment loss	(17,368)	—	—	—	—	—
Amortization	—	(798)	(4,607)	(1,242)	(537)	(7,185)
Exchange differences on translation	1,347	(172)	(54)	60	102	(63)
Others	—	10	219	—	25	255
Transfer to disposal groups held for sale	—	—	(416)	—	(52)	(469)
Balance as of March 31, 2019	**91,373**	**34,313**	**19,689**	**5,093**	**7,035**	**66,132**
Increase due to individual acquisition	**—**	**7**	**8,285**	**—**	**45**	**8,338**
Acquisition due to business combinations	**1,536**	**943**	**—**	**—**	**3,778**	**4,721**
Sales or disposal	**—**	**—**	**(335)**	**—**	**(16)**	**(352)**
Impairment loss	**(1,612)**	**(646)**	**(327)**	**—**	**(166)**	**(1,140)**
Amortization	**—**	**(633)**	**(4,793)**	**(1,257)**	**(608)**	**(7,293)**
Exchange differences on translation	**(1,333)**	**(435)**	**(707)**	**(80)**	**133**	**(1,089)**
Others	**—**	**(4)**	**80**	**—**	**(147)**	**(71)**
Balance as of March 31, 2020	**89,964**	**33,544**	**21,890**	**3,755**	**10,053**	**69,245**

The borrowing costs capitalized were ¥2 million and ¥34 million for the fiscal years ended March 31, 2020 and 2019, respectively. The capitalization rates used for calculating the borrowing costs for qualifying assets were 0.83% and 0.78% for the fiscal years ended March 31, 2020 and 2019, respectively.

Amortization of intangible assets is included in cost of sales, selling expenses, research and development expenses, and general and administrative expenses in the consolidated statements of income.

2) Acquisition cost

(Millions of yen)

		Intangible assets				
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
As of April 1, 2018	107,394	41,859	56,085	9,828	12,415	120,189
As of March 31, 2019	108,342	36,948	64,351	9,918	11,561	122,781
As of March 31, 2020	**107,562**	**37,392**	**69,816**	**9,816**	**14,711**	**131,736**

3) Accumulated amortization and impairment loss

(Millions of yen)

		Intangible assets				
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
As of April 1, 2018	—	4,999	41,214	3,553	4,277	54,044
As of March 31, 2019	16,968	2,634	44,662	4,825	4,526	56,648
As of March 31, 2020	**17,598**	**3,847**	**47,925**	**6,060**	**4,657**	**62,491**

(2) Commitments

The amounts of commitments for the acquisition of intangible assets as of March 31, 2020 and March 31, 2019 were ¥778 million and ¥864 million, respectively.

(3) Intangible assets with indefinite useful lives

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2020 and March 31, 2019 were ¥27,611 million and ¥28,888 million, respectively. The main assets are the “Trademarks” of Ajinomoto 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.

(4) Individual intangible assets that are material

Individual intangible assets that were material as of March 31, 2020 and March 31, 2019 included in the consolidated statements of financial position were the “Trademarks” of coffee products described in (3), with the carrying amount of ¥25,907 million.

14. Impairment of Non-financial Assets

(1) Impairment loss recognized by asset category

The Ajinomoto Group recognized impairment loss of ¥30,728 million and ¥18,241 million for the fiscal years ended March 31, 2020 and 2019, respectively. These impairment losses were recorded in “Other operating expenses” in the consolidated statements of income.

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Buildings and structures	**6,383**	212
Machinery and vehicles	**19,819**	440
Tools, furniture and fixtures	**268**	111
Land	**51**	0
Construction in progress	**914**	107
Software	**327**	—
Trademarks	**646**	—
Goodwill	**1,612**	17,368
Others*	**706**	—
Total	**30,728**	18,241

* “Others” includes impairment loss on right-of-use assets.

(2) Details of major assets and segments for which impairment loss was recognized

Fiscal year ended March 31, 2020

COVID-19, which occurred after impairment tests for the fiscal year ended March 31, 2020, is causing widespread impact on the needs of the market, the lifestyles of consumers, and economic activities around the world, and affects the determination of the recoverable amounts of non-financial assets. The Company has made the following assumptions for the fiscal year ending March 31, 2021 and reviewed whether or not there are any signs that any non-financial assets are impaired based on the best estimate possible at the moment. As a result, the Company has determined that there have been no signs of impairment for the period following the impairment tests conducted in the fiscal year ended March 31, 2020 even after reflecting the latest COVID-19 situation.

As the impact of the future spread of COVID-19 on economic activity involves many uncertainties, any changes to the following assumptions may affect the consolidated financial statements.

- The state of emergency declarations, lockdowns, and other measures will be lifted by the second quarter in each of the countries where the Ajinomoto Group operates its business, but economic activity during this period will be significantly impacted.
- Although economic and other activity will recover gradually from the third quarter, it will continue to be impacted by the onslaught of a second wave of COVID-19 in North and South America.

1) Life Support segment

The production facilities of the European animal nutrition business have seen a deterioration in profitability due to a decline in demand resulting from the global spread of African swine fever, and a subsequent decline in sales unit prices. As it is expected to be difficult for this business to recover quickly, the carrying amount has been reduced to the recoverable amount, and an impairment loss of ¥14,958 million has been recorded in “Other operating expenses.”

The breakdown of the impairment loss is as follows:

(Millions of yen)

Location	Cash-generating unit	Type	Amount
France	Feed-use amino acid production facility	Buildings and structures	**3,176**
		Machinery and vehicles	**11,466**
		Other	**315**
		Total	**14,958**

The recoverable amount of ¥5,769 million was measured based on the value in use and calculated by discounting its future cash flows to present value using the pre-tax discount rate of 10.2%.

2) Japan Food Products segment

The profitability of manufacturing equipment in the bakery business has deteriorated due to intensifying competition, and it is expected to be difficult for this business to recover quickly. As such, the carrying amount has been reduced to its recoverable amount calculated by the value in use, and an impairment loss of ¥3,835 million was recorded in "Other operating expenses."

The breakdown of impairment loss is as follows:

(Millions of yen)

Location	Cash-generating unit	Type	Amount
Japan	Bakery manufacturing equipment	Buildings and structures	**965**
		Machinery and vehicles	**2,320**
		Other	**549**
		Total	**3,835**

The recoverable amount was measured based on the value in use, however because future cash flows are negative, the recoverable amount is deemed to be zero.

3) International Food Products segment

The profitability of European seasoning production facilities has deteriorated due to intensifying competition, and it is expected to be difficult for this business to recover quickly. As such, the carrying amount has been reduced to its recoverable amount calculated by the value in use, and an impairment loss of ¥6,899 million was recorded in "Other operating expenses."

The breakdown of impairment loss is as follows:

(Millions of yen)

Location	Cash-generating unit	Type	Amount
France	Seasoning production facilities	Buildings and structures	**1,320**
		Machinery and vehicles	**4,482**
		Construction in progress	**864**
		Other	**231**
		Total	**6,899**

The recoverable amount was measured based on the value in use, however because future cash flows are negative, the recoverable amount is deemed to be zero.

For Ajinomoto Istanbul Food Industry and Trade Ltd. Co. in Turkey, the expected future profitability was lower than initially planned due to recent changes in the business environment and business results. Accordingly, an impairment loss on goodwill of ¥1,612 million and an impairment loss on trademarks of ¥646 million were recorded in "Other operating expenses." The recoverable amount of ¥2,926 million was measured based on the value in use and calculated by discounting its future cash flows to present value using the pre-tax discount rate of 26.9%.

Fiscal year ended March 31, 2019
Total impairment loss of ¥17,368 million was recognized for the goodwill of subsidiaries in the United States and Turkey in the International Food Products segment.

Ajinomoto Foods North America, Inc., a subsidiary in the United States, has been experiencing a loss, and as its profitability significantly decreased from the initial projection at acquisition. Thus, the carrying amount of the acquired goodwill was reduced to its recoverable amount, and an impairment loss of ¥13,525 million for the goodwill was recorded in “Other operating expenses.” The recoverable amount of ¥79,357 million was measured based on the fair value less costs of disposal. In calculating the fair value less costs of disposal, the discounted cash flows and the comparable peer company analysis were applied, using a weighted average with an emphasis on the discounted cash flows.

Ajinomoto Istanbul Food Industry and Trade Ltd. Co., a subsidiary in Turkey, suffered from an increased country risk due to the unpredictable Turkish economy. A higher discount rate was used for goodwill impairment test, and the result indicated the carrying amount of the acquired goodwill will not be recoverable in the future. Thus, the carrying amount of the acquired goodwill was reduced to its recoverable amount, and an impairment loss of ¥3,843 million for the goodwill was recorded in “Other operating expenses.” The recoverable amount of ¥5,943 million was measured based on the value in use by discounting the future cash flows using a pre-tax discount rate of 30.3%.

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

1. Ajinomoto Foods North America, Inc. (former Ajinomoto Windsor, Inc., “AFNA”)

For impairment tests for the goodwill of AFNA, for the fiscal years ended March 31, 2020 and 2019, 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 and the comparable peer company analysis were applied, using a weighted average with an emphasis on discounted cash flows.

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

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

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

- Period used by the management for future cash flow projection: 7 years (7 years for the previous fiscal year)
- Discount rate applied to future cash flow projection: 8.0% (8.8% for the previous fiscal year)
- Growth rate used to extend cash flow projection: 2.5% (2.5% for the previous fiscal year)
- Pre-tax discount rate applied to future cash flow projection: 10.6% (11.6% for the previous fiscal year)
- EV / EBITDA ratio used for comparable peer company analysis: 12.5 times to 13.0 times (11.5 times to 13.0 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.

In the fiscal year ended March 31, 2020, the recoverable amount exceeds the carrying amount by ¥43,911 million. If the discount rate increased by 6.6%, impairment loss would be recognized.

2. Coffee products (including Ajinomoto AGF, Inc. (“AGF”))

For impairment tests for goodwill and intangible assets with indefinite useful lives (trademarks) of coffee products (including AGF) for the fiscal years ended March 31, 2020 and 2019, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used.

Calculation of the value in use was based on the management-approved 3-year business plan (5-year business plan for the fiscal year ended March 31, 2019). The business plan was based on the external and internal sources of information, reflecting the management’s evaluation of future prospects of the industry and past experiences. The growth rate used to estimate cash flows beyond the business plan was 0.3% (0.3% for the fiscal year ended March 31, 2019), and the pre-tax discount rate applied to the cash flow projection was 7.4% (7.1% for the fiscal year ended March 31, 2019).

As of March 31, 2020, the recoverable amount exceeds the carrying amount by ¥16,216 million. If the discount rate increased by 1.0%, impairment loss would be recognized.

3. Ajinomoto Althea, Inc.

For impairment test for the goodwill of Ajinomoto Althea, Inc. for the fiscal years ended March 31, 2020 and 2019, the recoverable amount was measured based on the fair value less costs of disposal. In calculating the fair value less costs of disposal, the comparable peer company analysis was applied.

Comparable peer company analysis used the following formula: Average of listed peer companies’ EV (enterprise value calculated by market capitalization) divided by EBITDA (or sales) ratio multiplied by actual sales (based on the recent experiences), budget sales and budget EBITDA, adjusted for a control premium.

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

- EV / Sales ratio used for comparable peer company analysis: 2.0 times or 2.25 times (2.0 times or 2.5 times for the fiscal year ended March 31, 2019)
- EV / EBITDA ratio used for comparable peer company analysis: 15 times (10 times for the fiscal year ended March 31, 2019)

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

In the fiscal year ended March 31, 2020, the recoverable amount exceeds the carrying amount by ¥6,898 million. If the EV / EBITDA (or sales) ratio all decreased by 25.4%, impairment loss would be recognized.

4. Ajinomoto Istanbul Food Industry and Trade Ltd. Co.

For goodwill and intangible assets with indefinite useful lives (trademarks) related to Ajinomoto Istanbul Food Industry and Trade Ltd. Co. for the fiscal year ended March 31, 2020, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used.

Calculation of the value in use was based on the management-approved 3-year business plan (4-year business plan for the fiscal year ended March 31, 2019). The business plan was based on the external and internal sources of information, reflecting the management's evaluation of future prospects of the industry and past experiences. The growth rate used to estimate cash flows beyond the business plan was 14.4% (15.6% for the fiscal year ended March 31, 2019), and the pre-tax discount rate applied to the cash flow projection was 26.9% (30.3% for the fiscal year ended March 31, 2019).

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

(Millions of yen)

Cash-generating unit or group of cash-generating units	As of March 31, 2020	As of March 31, 2019
AFNA	**35,002**	35,696
Coffee products (including AGF)	**30,906**	30,906
Ajinomoto Althea, Inc.	**14,919**	15,215
Others	**9,136**	9,554
Total	**89,964**	91,373

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

(Millions of yen)

Cash-generating unit or group of cash-generating units	As of March 31, 2020	As of March 31, 2019
Coffee products (including AGF)	**25,907**	25,907
Others	**1,704**	2,981
Total	**27,611**	28,888

15. Leases

The Group's lease transactions are as follows:
As of March 31, 2020

(1) Leases as lessee

Each company of the Group concludes lease contracts in various forms. Right-of-use assets under lease transactions primarily consist of offices and plant sites of each company. For the lease term, the period of use is estimated by individual asset. There are no material restrictions or covenants imposed by lease contracts.

Right-of-use assets are included in property, plant and equipment in the consolidated statements of financial position, and the carrying amount at the end of the fiscal year ended March 31, 2020 is presented in Note 12 "Property, Plant and Equipment."

The amount of right-of-use assets acquired in the fiscal year ended March 31, 2020 was ¥8,581 million.

Lease liabilities with lease payments due within one year from the end of the fiscal year ended March 31, 2020 are classified as current liabilities, and other lease liabilities are classified as non-current liabilities. They are included in other financial liabilities (current) and other financial liabilities (non-current), respectively, in the consolidated statements of financial position.

(Millions of yen)

	As of March 31, 2020
Due within one year	6,219
Due over one year	50,596
Total	56,815

The outstanding balances of lease liabilities by due date are presented in Note 39 "Financial Instruments (2) Risk management of financial instruments 2) Liquidity risk."

The details of profit or loss on leases are as follows:

(Millions of yen)

	As of March 31, 2020
Depreciation charge for right-of-use assets	
Buildings and structures	7,678
Machinery and vehicles	821
Tools, furniture and fixtures	69
Land	404
Total	8,974
Interest expense on lease liabilities	732
Short-term lease payments	1,428
Payments for leases of low-value assets	3,576
Contingent lease payments excluded from lease liabilities	273
Sublease income	(189)

Total cash outflow for leases was ¥9,707 million for the fiscal year ended March 31, 2020. Lease transactions not yet commenced to which the Group is committed were ¥0 million as of the end of the fiscal year ended March 31, 2020.

(2) Leases as lessor

The Group leases vehicles and other assets under non-cancellable operating leases as a lessor. Assets used for non-cancellable operating leases are classified as machinery and vehicles in property, plant and equipment in the consolidated statements of financial position.

Lease income from operating leases for the fiscal years ended March 31, 2020 and 2019 was ¥189 million and ¥230 million, respectively. The total future lease payments to be received under operating leases are as follows:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Within 1 year	191	218
Over 1 year within 5 years	260	263
Over 5 years	—	—
Total	451	481

As of March 31, 2019

(1) Finance leases (as lessee)

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

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

(Millions of yen)

	Total future minimum lease payments
	As of March 31, 2019
Within 1 year	116
Over 1 year within 5 years	414
Over 5 years	5,779
Total	6,309
(Less) discounted value	(3)
Present value of total future minimum lease payments	6,306

(Millions of yen)

	Present value of total future minimum lease payments
	As of March 31, 2019
Within 1 year	114
Over 1 year within 5 years	412
Over 5 years	5,779
Total	6,306

Some lease contracts contain renewal or purchase options. There are no material contracts which contain escalation clauses. There were no contingent lease payments recognized as expenses for the fiscal year ended March 31, 2019.

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, 2019
Total amount of expected future minimum sublease payments	8

(2) Operating leases (as lessee)

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

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

(Millions of yen)

	As of March 31, 2019
Within 1 year	4,583
Over 1 year within 5 years	10,907
Over 5 years	4,683
Total	20,174

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, 2019
Total amount of expected future minimum sublease payments	481

The details of lease and sublease payments recognized as expenses for the fiscal year ended March 31, 2019 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019
Minimum lease payments	5,054
Contingent lease payments	96
Sublease payments received	(230)
Total amounts of lease payments and sublease payments	4,921

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

16. Subsidiaries

(1) Material subsidiaries

Material subsidiaries are as follows:

Subsidiary name	Share capital or contribution	Main business	Principal place of business	Percentage of ordinary shares held by the Group (%)	Percentage of ordinary shares held by non-controlling interests (%)
Ajinomoto Frozen Foods Co., Inc.	9,537 million JPY	Frozen foods	Japan	100.0	—
Ajinomoto Food Manufacturing Co., Ltd.	4,000 million JPY	Seasonings and processed foods	Japan	100.0	—
Ajinomoto AGF, Inc.	3,862 million JPY	Coffee products	Japan	100.0	—
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	94.5	5.5
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 Foods North America, Inc.	15,030 thousand USD	Frozen foods	United States	100.0	—
Ajinomoto Animal Nutrition North America, Inc.	750 thousand USD	Animal nutrition	United States	100.0	—
Ajinomoto Health & Nutrition North America, Inc.	0 USD	Amino acids, Umami seasonings and sweeteners for processed food manufacturers, and specialty chemicals	United States	100.0	—
Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda.	913,298 thousand BRL	Seasonings and processed foods, umami seasonings and sweeteners for processed food manufacturers, animal nutrition, and amino acids	Brazil	100.0	—
AJINOMOTO ANIMAL NUTRITION EUROPE S.A.S.	26,865 thousand EUR	Animal nutrition	France	100.0	—
Ajinomoto OmniChem N.V.	21,320 thousand EUR	Amino acids	Belgium	100.0	—

(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, 2020	Fiscal year ended March 31, 2019
Changes due to equity transactions with non-controlling interests	**(27,426)**	2,097

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

For the fiscal year ended March 31, 2020, the profit and loss (before tax effect) recognized due to changes in ownership interests that resulted in the loss of control of subsidiaries were ¥558 million and ¥(450) million, respectively, which were recorded in “Other” in other operating income and in “Other” in other operating expenses, respectively, in the consolidated statements of income.

For the fiscal year ended March 31, 2019, the profit and loss (before tax effect) recognized due to changes in ownership interests that resulted in the loss of control of subsidiaries were ¥74 million and ¥(1,074) million, respectively, which were recorded in “Other” in other operating income and in “Other” in other operating expenses, respectively, in the consolidated statements of income. A loss of ¥103 million (before tax effect) was recognized on fair value measurement of the residual interests in subsidiaries for the fiscal year ended March 31, 2019.

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

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Consideration received in cash	**4,447**	8,617
Cash and cash equivalents of derecognized subsidiaries	**1,692**	5,341
Net: Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	**2,754**	3,276

17. Investments Accounted for Using the Equity Method

(1) Associates

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Carrying amount of interests in associates	**79,830**	71,335

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Profit from continuing operation attributable to owners of the parent company	**270**	1,603
Profit from discontinued operation attributable to owners of the parent company	**—**	(42)
Other comprehensive income attributable to owners of the parent company	**(219)**	(114)
Total comprehensive income attributable to owners of the parent company	**50**	1,446

(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 operation, other comprehensive income, and total comprehensive income.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Carrying amount of interests in joint ventures	**36,450**	45,564

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Profit from continuing operation attributable to owners of the parent company	**(6,947)**	(16,226)
Profit from discontinued operation attributable to owners of the parent company	**—**	(2)
Other comprehensive income attributable to owners of the parent company	**(271)**	(622)
Total comprehensive income attributable to owners of the parent company	**(7,219)**	(16,852)

(Impairment loss on investments in associates and joint ventures)

Fiscal year ended March 31, 2020

For investments accounted for by the equity method in Promasidor Holdings Limited ("PH"), the profitability of the dairy products business in Algeria is deteriorating, mainly due to the rising cost of dairy ingredients and the stagnation of the domestic economy. Since it is expected to be difficult for this business to recover quickly, the carrying amount was reduced to its recoverable amount measured at the fair value less costs of disposal. Accordingly, an impairment loss on investments in associates and joint ventures related to PH of ¥4,232 million was recorded in "Other operating expenses."

In addition, for the trademarks related to PH, included in investments in associates and joint ventures, the carrying amount was also reduced to its recoverable amount measured at the fair value less costs of disposal, and an impairment loss of ¥3,897 million was recorded in "Share of profit of associates and joint ventures." These impairment losses are included in profit from continuing operation attributable to owners of the parent company in the above table.

These fair value measurements are level 3 of the fair value hierarchy, based on the significant inputs used in the valuation method.

Fiscal year ended March 31, 2019

Investment in PH, which is accounted for by equity method, was reduced to its recoverable amount measured based on the fair value less costs of disposal, as business environment and market competitions drastically changed in major African countries where PH operates its business, coupled with decreasing profitability of PH's associates. As a result, an impairment loss of ¥14,107 million on investments in associates and joint ventures from PH was recorded in "Other operating expenses."

In addition, for the trademark of PH, included in investments in associates and joint ventures, the carrying amount was also reduced to its recoverable amount measured based on the fair value less costs of disposal, and an impairment loss of ¥3,222 million was recorded in "Share of profit of associates and joint ventures." These impairment losses are included in profit from continuing operation attributable to owners of the parent company in the above table.

These fair value measurements are level 3 of the fair value hierarchy, based on the significant inputs used in the valuation method.

18. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

Fiscal year ended March 31, 2020

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Increase due to business combinations	Others	Balance at the end of the year
Deferred tax assets						
Liability for retirement benefits, etc.	14,422	72	652	16	(164)	15,000
Accrued compensated absences	2,288	287	—	—	(33)	2,542
Accrued bonuses	3,315	778	—	—	(149)	3,944
Elimination of intercompany profit	1,685	1,871	—	—	—	3,556
Period expense	3,042	1,707	—	6	(20)	4,735
Impairment loss	4,144	(227)	—	—	(709)	3,208
Others	13,050	(2,989)	219	4	(399)	9,885
Total	41,948	1,499	871	26	(1,473)	42,873
Deferred tax liabilities						
Revaluation of property, plant and equipment	(10,470)	2,256	—	(1,180)	378	(9,016)
Reserve for accelerated depreciation of property, plant and equipment	(3,835)	505	—	—	—	(3,330)
Net changes in fair value of financial assets	(9,123)	—	2,640	—	—	(6,483)
Appraisal of land on consolidated financial statements	(2,562)	(70)	—	—	—	(2,632)
Others	(7,759)	(832)	—	(58)	517	(8,132)
Total	(33,751)	1,859	2,640	(1,238)	895	(29,595)
Net deferred tax assets or liabilities	8,196	3,358	3,511	(1,212)	(578)	13,278

Fiscal year ended March 31, 2019

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Others	Transfer to disposal groups held for sale	Balance at the end of the year
Deferred tax assets						
Liability for retirement benefits, etc.	14,289	(319)	1,405	(396)	(555)	14,422
Accrued compensated absences	2,506	(29)	—	(134)	(54)	2,288
Accrued bonuses	3,761	(280)	—	(143)	(22)	3,315
Elimination of intercompany profit	2,990	(1,305)	—	—	—	1,685
Period expense	4,469	(1,399)	—	(14)	(13)	3,042
Impairment loss	4,268	(52)	—	(71)	—	4,144
Others	10,198	3,227	(58)	(102)	(214)	13,050
Total	42,482	(158)	1,347	(864)	(858)	41,948
Deferred tax liabilities						
Revaluation of property, plant and equipment	(11,462)	948	—	43	—	(10,470)
Reserve for accelerated depreciation of property, plant and equipment	(4,004)	147	—	—	22	(3,835)
Net changes in fair value of financial assets	(10,238)	—	1,057	(56)	114	(9,123)
Appraisal of land on consolidated financial statements	(2,565)	3	—	—	—	(2,562)
Others	(11,580)	3,546	—	273	2	(7,759)
Total	(39,851)	4,644	1,057	261	138	(33,751)
Net deferred tax assets or liabilities	2,631	4,486	2,404	(603)	(720)	8,196

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, 2020	As of March 31, 2019
Deferred tax assets	**17,781**	15,589
Deferred tax liabilities	**(4,503)**	(7,392)
Net deferred tax assets (liabilities)	**13,278**	8,196

(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, 2020	As of March 31, 2019
Future deductible temporary differences	**57,721**	38,254
Net loss carryforwards	**10,622**	8,554
Unused tax credits	**3,477**	2,158
Total	**71,822**	48,966

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

Net loss carryforwards (tax base)

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Within 1 year	**27**	156
Over 1 year within 2 years	**—**	29
Over 2 years within 3 years	**55**	0
Over 3 years within 4 years	**123**	44
Over 4 years within 5 years	**6**	123
Over 5 years	**10,409**	8,200
Total	**10,622**	8,554

Unused tax credits (tax base)

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Within 1 year	**511**	466
Over 1 year within 2 years	**1,162**	528
Over 2 years within 3 years	**1,804**	1,163
Over 3 years within 4 years	**—**	—
Over 4 years within 5 years	**—**	—
Over 5 years	**—**	—
Total	**3,477**	2,158

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

As for future taxable temporary differences related to investments in subsidiaries, the Company does not recognize deferred tax liabilities except for those related to the undistributed retained earnings from which dividends will be paid at the end of the reporting period, because the Company is able to control the timing of reversing the temporary differences, and the temporary differences are unlikely to be reversed in foreseeable future. The future taxable temporary differences related to investments in subsidiaries for which no deferred tax liabilities are recognized are ¥358,863 million and ¥350,310 million as of March 31, 2020 and March 31, 2019, respectively.

(4) Deferred tax assets dependent on future taxable income

Deferred tax assets of ¥12,034 million and ¥8,158 million were recognized as of March 31, 2020 and March 31, 2019, respectively, for the Company and its certain subsidiaries that incurred net loss for the fiscal year ended March 31, 2020 or 2019, and whose recoverability of deferred tax assets depends on the future taxable income.

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

(5) Tax expenses

The details of tax expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Current tax expense	**23,742**	22,208
Deferred tax expense		
Recognition and reversal of temporary differences	**266**	(1,348)
Assessment of recoverability of deferred tax assets	**(3,629)**	(4,813)
Others	**5**	1,650
Total deferred tax expense	**(3,358)**	(4,511)
Total tax expenses	**20,384**	17,697

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 ¥4,934 million and ¥1,856 million for the fiscal years ended March 31, 2020 and 2019, respectively.

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

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

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Statutory tax rate	**30.6**	30.6
Share of profit of associates and joint ventures	**1.5**	0.3
Difference from applicable tax rates of foreign subsidiaries	**(12.2)**	(7.9)
Permanently non-deductible or non-taxable items	**5.8**	4.4
Special tax credit on corporate income taxes	**(1.6)**	(3.3)
Effects of tax reforms	**0.0**	0.1
Increase (decrease) in unrecognized deferred tax assets and liabilities	**14.5**	10.0
Withholding taxes on dividends from foreign subsidiaries	**2.1**	1.6
Others	**1.0**	(3.4)
Effective tax rate	**41.8**	32.4

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

19. Trade and Other Payables

The details of trade and other payables are as follows:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Notes payable - trade	**1,554**	1,832
Accounts payable - trade	**91,724**	106,333
Accounts payable - other	**34,807**	32,167
Refund liabilities	**17,349**	15,388
Others	**33,147**	27,553
Total	**178,583**	183,276

20. Corporate Bonds and Borrowings

(1) Corporate bonds

The details of corporate bonds as of March 31, 2020 and March 31, 2019 are as follows:

Company name	Issue	Date of issuance	As of March 31, 2020 (Millions of yen)	As of March 31, 2019 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Ajinomoto Co., Inc.	The 20th unsecured bond	September 17, 2008	**19,995 (19,995)**	19,987 (—)	1.890	None	September 17, 2020
Ajinomoto Co., Inc.	The 21st unsecured bond	March 2, 2016	**19,969 (—)**	19,959 (—)	0.200	None	March 2, 2023
Ajinomoto Co., Inc.	The 22nd unsecured bond	March 2, 2016	**24,938 (—)**	24,928 (—)	0.305	None	March 2, 2026
Ajinomoto Co., Inc.	The 23rd unsecured bond	March 2, 2016	**24,896 (—)**	24,889 (—)	0.939	None	February 29, 2036
Ajinomoto Co., Inc.	The 24th unsecured bond	March 9, 2017	**19,954 (—)**	19,942 (—)	0.190	None	March 8, 2024
Ajinomoto Co., Inc.	The 25th unsecured bond	March 9, 2017	**29,922 (—)**	29,911 (—)	0.355	None	March 9, 2027
Ajinomoto Co., Inc.	The 26th unsecured bond	March 9, 2017	**29,869 (—)**	29,861 (—)	0.921	None	March 9, 2037
Total			**169,546 (19,995)**	169,479 (—)	—	—	—

Figures in parentheses () represent the current portion of corporate bonds as of March 31, 2020 and March 31, 2019.

(2) Borrowings

The details of borrowings as of March 31, 2020 and March 31, 2019 are as follows:

	As of March 31, 2020 (Millions of yen)	As of March 31, 2019 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	**8,043**	10,989	1.38	—
Commercial papers	**40,000**	—	0.00	—
Current portion of long-term borrowings	**15,191**	13,089	0.91	—
Long–term borrowings	**124,135**	137,157	1.10	From April 2021 to November 2037
Total	**187,370**	161,236	—	—

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

21. Cash Flow Information

The information below includes cash flows from continuing operation and discontinued operation. For cash flows from discontinued operation, please see Note 11 "Disposal Groups Classified as Held for Sale and Discontinued Operation."

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended March 31, 2020

(Millions of yen)

	Balance at the beginning of the year	Cumulative effect of changes in accounting policies	Adjusted balance as of April 1, 2019	Changes arising from cash flows	Changes arising from non-cash transactions					Balance at the end of the year
					Business combinations	Exchange differences on translation	Changes in fair value	Purchase of right-of-use assets	Others	
Short-term borrowings	**10,989**	**—**	**10,989**	**(1,759)**	**—**	**(1,186)**	**—**	**—**	**—**	**8,043**
Commercial papers	**—**	**—**	**—**	**40,000**	**—**	**—**	**—**	**—**	**—**	**40,000**
Long-term borrowings*1	**150,246**	**—**	**150,246**	**(10,189)**	**—**	**(730)**	**—**	**—**	**—**	**139,326**
Corporate bonds*1	**169,479**	**—**	**169,479**	**—**	**—**	**—**	**—**	**—**	**66**	**169,546**
Lease liabilities	**6,306**	**51,570**	**57,877**	**(8,835)**	**172**	**(981)**	**—**	**8,581**	**—**	**56,815**
Derivative liabilities (assets)*2	**1,572**	**—**	**1,572**	**538**	**—**	**—**	**(181)**	**—**	**—**	**1,930**
Total liabilities arising from cash flows from financing activities	**338,596**	**51,570**	**390,166**	**19,753**	**172**	**(2,898)**	**(181)**	**8,581**	**66**	**415,662**

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Balance at the beginning of the year	Changes arising from cash flows	Changes arising from non-cash transactions					Balance at the end of the year
			Business combinations	Exchange differences on translation	Changes in fair value	Purchase of lease assets	Others*3	
Short-term borrowings	15,280	(3,283)	—	(1,006)	—	—	—	10,989
Long-term borrowings*1	151,584	(3,419)	—	2,081	—	—	—	150,246
Corporate bonds	169,413	—	—	—	—	—	66	169,479
Lease liabilities	7,928	(1,119)	—	555	—	387	(1,445)	6,306
Derivative liabilities (assets)*2	3,238	327	—	—	(1,992)	—	—	1,572
Total liabilities arising from cash flows from financing activities	347,445	(7,495)	—	1,630	(1,992)	387	(1,379)	338,596

*1. The balance includes the current portion.
*2. Derivatives are held for the purpose of hedging exposure to interest rate risk on borrowings.
*3. Others include transfer to disposal groups held for sale.

22. Provisions

Major provisions and changes in their balances are as follows:

(Millions of yen)

	Provision for levies	Provision for environmental measures	Provision for loss on contract	Provision for loss on litigation	Others	Total
Balance as of April 1, 2018	3,406	1,978	7,013	2,894	2,453	17,746
Increase in the period (provisions)	3,027	1,153	459	1,181	727	6,550
Increase in the period (increase arising from passage of time)	—	—	—	—	8	8
Decrease in the period (utilization)	(3,182)	(439)	(1,043)	(21)	(903)	(5,590)
Decrease in the period (reversal)	(12)	(1)	—	—	(41)	(55)
Exchange differences on translation	14	(27)	(0)	(219)	(134)	(367)
Others	—	—	0	0	(188)	(188)
Transfer to disposal groups held for sale	(75)	—	—	—	(329)	(405)
Balance as of March 31, 2019	3,176	2,663	6,429	3,834	1,591	17,696
Increase in the period (provisions)	**3,169**	**312**	**—**	**1,052**	**1,337**	**5,872**
Business combinations	**—**	**—**	**—**	**—**	**50**	**50**
Increase in the period (increase arising from passage of time)	**—**	**—**	**—**	**—**	**2**	**2**
Decrease in the period (utilization)	**(3,013)**	**(1,429)**	**(950)**	**(2,054)**	**(1,015)**	**(8,462)**
Decrease in the period (reversal)	**(85)**	**(120)**	**(1,111)**	**(174)**	**(103)**	**(1,595)**
Exchange differences on translation	**(62)**	**(21)**	**—**	**(711)**	**(212)**	**(1,008)**
Others	**41**	**(3)**	**—**	**—**	**(56)**	**(18)**
Balance as of March 31, 2020	**3,226**	**1,400**	**4,368**	**1,947**	**1,592**	**12,536**

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Current liabilities	**5,272**	6,560
Non-current liabilities	**7,264**	11,135
Total	**12,536**	17,696

(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, 2020.

(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, 2020.

(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 six years from the end of the fiscal year ended March 31, 2020, but the amount or the timing expected is subject to change due to the status of new drug approvals and other related conditions in the future.

(4) Provision for loss on litigation

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

23. Contingent Liabilities

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Granules-OmniChem Private Ltd. (joint venture)	**1,972**	2,055
Others	**148**	95
Total	**2,120**	2,150

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 one year as of March 31, 2020.

24. Employee Benefits

(1) Post-employment benefits

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

(a) Defined benefit plans in Japan

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

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

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

(b) Defined benefit plans in overseas countries

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

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

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

1) Risks associated with defined benefit plans

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

(a) Interest rate risk

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

(b) Investment risk of plan assets

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

2) Details of defined benefit liabilities or assets

The following table shows the details of defined benefit liabilities or assets as of March 31, 2020.

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	**255,298**	**19,831**	**275,130**
Fair value of plan assets	**208,189**	**7,320**	**215,510**
Net defined benefit liabilities (assets)	**47,109**	**12,511**	**59,620**
Amounts in consolidated statements of financial position			
Assets (Other non-current assets)	**3,177**	**2**	**3,179**
Liabilities (Long-term employee benefits)	**50,286**	**12,513**	**62,799**

The following table shows the details of defined benefit liabilities or assets as of March 31, 2019.

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	260,404	18,071	278,475
Fair value of plan assets	211,808	6,634	218,442
Net defined benefit liabilities (assets)	48,596	11,436	60,033
Amounts in consolidated statements of financial position			
Assets (Other non-current assets)	2,669	—	2,669
Liabilities (Long-term employee benefits)	51,265	11,436	62,702

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, 2018	258,950	15,879	274,830
Current service cost	6,024	1,300	7,325
Interest expense	1,845	581	2,426
Remeasurement of the present value of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	822	—	822
Actuarial (gains) losses arising from changes in financial assumptions	5,617	(446)	5,170
Experience adjustments	1,420	75	1,495
Past service cost	—	40	40
Contributions to the plan by plan participants	—	29	29
Benefits paid from the plan	(11,445)	(919)	(12,365)
Exchange differences on translation	—	(292)	(292)
Others	13	1,823	1,836
Transfer to disposal groups held for sale	(2,842)	—	(2,842)
Balance as of March 31, 2019	260,404	18,071	278,475
Current service cost	**6,527**	**1,542**	**8,070**
Interest expense	**1,459**	**656**	**2,116**
Remeasurement of the present value of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	**19**	**89**	**109**
Actuarial (gains) losses arising from changes in financial assumptions	**(3,111)**	**1,086**	**(2,024)**
Experience adjustments	**1,164**	**(117)**	**1,046**
Past service cost	**1**	**644**	**646**
Contributions to the plan by plan participants	**—**	**29**	**29**
Benefits paid from the plan	**(11,340)**	**(812)**	**(12,152)**
Exchange differences on translation	**—**	**(1,307)**	**(1,307)**
Others	**170**	**(49)**	**120**
Balance as of March 31, 2020	**255,298**	**19,831**	**275,130**

The weighted average duration of defined benefit obligations as of March 31, 2020 was 15.3 years in Japan and 12.7 years in overseas countries.

4) Plan assets

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

(Millions of yen)

	Japan	Overseas	Total
Balance as of April 1, 2018	209,643	5,049	214,692
Interest income	1,536	114	1,651
Remeasurement of fair value of plan assets:			
Return on plan assets	1,658	(2)	1,656
Actuarial (gains) losses arising from changes in financial assumptions	172	3	175
Contributions:			
Contributions to the plan by employer	10,045	614	10,659
Contributions to the plan by plan participants	—	29	29
Benefits paid from the plan	(11,259)	(381)	(11,641)
Exchange differences on translation	—	(225)	(225)
Others	12	1,432	1,444
Balance as of March 31, 2019	211,808	6,634	218,442
Interest income	**1,263**	**154**	**1,418**
Remeasurement of fair value of plan assets:			
Return on plan assets	**(3,469)**	**119**	**(3,350)**
Actuarial (gains) losses arising from changes in financial assumptions	**(178)**	**3**	**(175)**
Contributions:			
Contributions to the plan by employer	**9,894**	**1,001**	**10,895**
Contributions to the plan by plan participants	**—**	**29**	**29**
Benefits paid from the plan	**(11,147)**	**(376)**	**(11,523)**
Exchange differences on translation	**—**	**(257)**	**(257)**
Others	**18**	**11**	**30**
Balance as of March 31, 2020	**208,189**	**7,320**	**215,510**

The amount of contributions to the defined benefit plans expected to be made for the fiscal year ending March 31, 2021 is ¥10,081 million.

The following table shows the components of plan assets.

(Millions of yen)

	As of March 31, 2020		As of March 31, 2019	
	Japan	Overseas	Japan	Overseas
Debt instruments				
With quoted market price	—	112	—	—
With no quoted market price	—	—	—	—
Equity instruments				
With quoted market price	—	—	—	—
With no quoted market price	—	—	—	—
Commingled investments				
Debt instruments				
With no quoted market price	102,185	629	93,919	584
Equity instruments				
With no quoted market price	37,291	—	44,518	—
Others				
With no quoted market price	9,004	—	15,497	—
Life insurance general accounts				
With no quoted market price	37,058	6,330	38,116	5,885
Alternative investments				
With no quoted market price	16,485	—	16,940	—
Cash and cash equivalents	928	165	899	136
Others	5,235	82	1,915	27
Total	208,189	7,320	211,808	6,634

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.” Alternative investments mainly include hedge funds.

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

5) Actuarial assumptions

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

(%)

	As of March 31, 2020		As of March 31, 2019	
	Japan	Overseas	Japan	Overseas
Discount rates	0.6	3.2	0.6	3.9

6) Sensitivity analysis for defined benefit obligations

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

(Millions of yen)

	As of March 31, 2020	
	Japan	Overseas
Increase in defined benefit obligations if the discount rate decreased by 0.1%	3,968	271
Decrease in defined benefit obligations if the discount rate increased by 0.1%	(4,408)	(258)

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

7) Defined benefit cost

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

(Millions of yen)

	Fiscal year ended March 31, 2020			Fiscal year ended March 31, 2019		
	Japan	Overseas	Total	Japan	Overseas	Total
Current service cost	6,527	1,542	8,070	6,024	1,300	7,325
Interest income or expense	195	501	697	308	466	774
Past service cost	1	644	646	—	40	40
Total (Profit or loss)	6,725	2,688	9,413	6,332	1,807	8,140
Actuarial (gains) losses arising from changes in demographic assumptions	19	89	109	822	—	822
Actuarial (gains) losses arising from changes in financial assumptions	(2,932)	1,082	(1,849)	5,445	(450)	4,994
Return on plan assets (Excluding the amount included in interest income)	3,469	(119)	3,350	(1,658)	2	(1,656)
Changes in other actuarial assumptions and other changes	1,164	(117)	1,046	1,420	75	1,495
Total (Other comprehensive income)	1,722	935	2,657	6,029	(372)	5,656

8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans were ¥15,936 million and ¥15,252 million for the fiscal years ended March 31, 2020 and 2019, 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, 2020	As of March 31, 2019
Short-term employee benefits		
Accrued salaries	7,250	3,222
Accrued bonuses	16,980	15,779
Accrued compensated absences	11,954	12,084
Others	5,402	6,186
Total	41,588	37,273
Other long-term employee benefits		
Provision for stock-based remuneration	—	98
Accrued retirement benefits for directors	123	181
Others	3,736	1,424
Total	3,859	1,703

25. Common Stock and Reserve

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

	As of March 31, 2020	As of March 31, 2019
Number of shares authorized (Common stock with no par value)	**1,000,000,000**	1,000,000,000
Number of shares issued*1 (Common stock with no par value)		
Beginning of the year	**549,163,354**	571,863,354
Decrease due to retirement of treasury stock	**—**	22,700,000
End of the year	**549,163,354**	549,163,354
Treasury stock*2 (Common stock with no par value)		
Beginning of the year	**1,063,513**	3,971,026
End of the year	**974,103**	1,063,513

*1. All shares of common stock are fully paid.
*2. The Company has introduced a Stock-based Remuneration of Executive Officers Based on the Company's Medium-term Earnings Performance (the "Stock-based Remuneration") for Executive Officers of the Company.

The Stock-based Remuneration has adopted a framework of Directors' Remuneration BIP (Board Incentive Plan) Trust. The Directors' Remuneration BIP Trust purchased 873,700 ordinary shares of the Company (total share purchase amount: ¥1,952 million) and 966,200 ordinary shares of the Company (total share purchase amount: ¥2,159 million) in the fiscal years ended March 31, 2020 and 2019, respectively.

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

(2) Capital surplus and retained earnings

Reserve comprises the following:

1) Capital surplus

i. Legal capital surplus

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

ii. Other capital surplus

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

2) Retained earnings

i. Legal retained earnings

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

ii. Other retained earnings

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

(3) Capital management

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

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

	As of March 31, 2020	As of March 31, 2019
Capital (Millions of yen)	**538,975**	610,543
Equity ratio attributable to owners of the parent company (%)	**39.8**	43.8
ROE attributable to owners of the parent company (%)	**3.3**	4.7

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

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

26. Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2020

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥16)	**8,785**	**March 31, 2019**	**June 25, 2019**	**June 26, 2019**
Interim dividend (Dividend per share: ¥16)	**8,785**	**September 30, 2019**	**November 6, 2019**	**December 4, 2019**

*1. The total amount of year-end dividends includes ¥15 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.
*2. The total amount of interim dividends includes ¥14 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.

Fiscal year ended March 31, 2019

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥17)	9,670	March 31, 2018	June 26, 2018	June 27, 2018
Interim dividend (Dividend per share: ¥16)	8,785	September 30, 2018	November 7, 2018	December 5, 2018

*1. The total amount of year-end dividends includes ¥16 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.
*2. The total amount of interim dividends includes ¥15 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.

Dividends for which the effective date falls in the next fiscal year commencing April 1, 2020 are as follows:

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥16)	8,785	March 31, 2020	June 24, 2020	June 25, 2020

* The total amount of year-end dividends includes ¥13 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.

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

27. Stock-based Remuneration

(1) Overview of Stock-based Remuneration of Executive Officers Based on the Company's Earnings Performance

The Company has introduced a Stock-based Remuneration of Executive Officers Based on the Company's Medium-term Earnings Performance (the "Stock-based Remuneration") for the purpose of motivating the willingness of Directors, Corporate Executive Officers, and Corporate Fellows (collectively the "Executive Officers") to contribute to the Ajinomoto Group's business performance in the medium- and long-term and increased corporate value.

Under the Stock-based Remuneration, the Company makes contributions to a stock-granting trust set up by the Company (the "Trust") with the maximum amount of ¥2.2 billion and a trust period of approximately three years. The Trust acquires the Company's shares with the maximum number of 1.1 million shares with the trusted fund, and at the end of the 3 fiscal years covered by the Medium-Term Management Plan started on April 1, 2017 (the "Period"), the Trust grants the acquired shares to the Executive Officers according to the performance of the final fiscal year of the Period.

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

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

The Stock-based Remuneration is accounted for as an equity-settled stock-based remuneration. It does not have an exercise price since it grants shares as remuneration.

*1. The number of shares to be granted:
(Medium-term performance indices by ranks) × (¥10 million per index of 100) / (Average acquisition price of the Company's shares in the Trust)
(Shares less than 100 are rounded down)
*2. Business profit (consolidated basis)
Sales – Cost of sales – Selling expenses, Research and development expenses, and General and administrative expenses + Share of profit of associates and joint ventures
*3. Ratio of business profit to total assets (ROA) (consolidated basis)
Business profit / Total assets × 100

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

The Company's shares held by the Trust are included in treasury stock at the carrying amount of the Trust (excluding the amount of related transaction costs). The carrying amount and the number of treasury stock as of March 31, 2020 and 2019 were ¥1,952 million and 873,700 shares, and ¥2,159 million and 966,200 shares, respectively.

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

The fair value as of the grant date is measured based on the observable market price of the Company's shares. The fair value measurement reflects expected dividends.

The following table shows the basis of fair value measurement and weighted average fair value of the Company's shares granted in the fiscal years ended March 31, 2020 and 2019.

	142nd Fiscal Year	141st Fiscal Year	140th Fiscal Year
Share price as of the grant date	–	–	¥2,472.5
Vesting period	–	–	3 years
Expected annual dividends	–	–	¥30/share
Discount rate	–	–	0.0%
Weighted average fair value	–	–	¥2,382.5

(4) Total expenses recorded for the Stock-based Remuneration

Expenses recorded for the Stock-based Remuneration were ¥350 million and ¥225 million for the fiscal years ended March 31, 2020 and 2019, respectively.

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

In relation to the Stock-based Remuneration, the Company estimates the amounts expected to be transferred to tax authorities upon settling officers' tax obligations in the amounts of ¥296 million and ¥215 million for the fiscal years ended March 31, 2020 and 2019, respectively.

28. Sales

Revenue recognized from contracts with customers is presented as sales.

(1) Sale of goods and services

1) Japan Food Products

Japan Food Products segment of the Group earns revenues mainly from sales of seasonings, processed foods, frozen foods and coffee products.

The Company's obligation in the contracts with customers is to deliver ordered products to the customers. The Company typically satisfies its performance obligations upon delivery of goods. Payment terms are based on individual contracts, but consistent with market conventions, and the promised amount of consideration does not have a significant financing component.

Rebates are deducted from sales only to the extent that it is highly probable that a significant reversal in revenue recognized will not occur. The estimate of rebates is calculated per contracts with customers, by multiplying the actual sales for a certain period by the expected rebate rate.

2) International Food Products

International Food Products segment of the Group earns revenues mainly from sales of seasonings, processed foods, frozen foods, umami seasonings for processed food manufacturers and sweeteners.

The Company's obligation in the contracts with customers is to deliver ordered products to the customers. The Company typically satisfies its performance obligations upon delivery of goods. Payment terms are based on individual contracts, but consistent with market conventions, and the promised amount of consideration does not have a significant financing component.

Rebates are deducted from sales only to the extent that it is highly probable that a significant reversal in revenue recognized will not occur. The estimate of rebates is calculated by estimating the sales volume for a certain period and multiplying it by the rebate rate based on the actual sales.

3) Life Support

Life Support segment of the Group earns revenues mainly from sales of animal nutrition and specialty chemicals.

"Animal nutrition" business sells feed-use amino acids, and the Company has obligations to deliver ordered products to the customers. "Specialty chemicals" business sells electronic materials and other products for domestic and overseas customers, and the Company has obligations to deliver ordered products to the customers.

The Company typically satisfies its performance obligations upon delivery of goods. Payment terms are based on individual contracts, but consistent with market conventions, and the promised amount of consideration does not have a significant financing component.

Rebates are deducted from sales only to the extent that it is highly probable that a significant reversal in revenue recognized will not occur. The estimate of rebates is calculated per contracts with customers, by multiplying the actual sales for a certain period by the expected rebate rate.

4) Healthcare

Healthcare segment of the Group earns revenues mainly from sales of amino acids for pharmaceuticals and foods, and pharmaceutical customized manufacturing.

"Amino acids for pharmaceuticals and foods" business sells ingredients for pharmaceuticals and foods, and the Company has obligations to deliver ordered products to the customers. The Company typically satisfies its performance obligations upon delivery of goods. Payment terms are based on individual contracts, but consistent with market conventions, and the promised amount of consideration does not have a significant financing component.

Rebates are deducted from sales only to the extent that it is highly probable that a significant reversal in revenue recognized will not occur. The estimate of rebates is calculated per contracts with customers, by multiplying the actual sales for a certain period by the expected rebate rate.

"Pharmaceutical custom manufacturing" business engages in manufacturing and developing pharmaceutical intermediates and active ingredients. The Company satisfies its performance obligations when the manufacturing and development of these intermediates and active ingredients are considered completed. Payment terms are based on individual contracts, but consistent with market conventions, and the promised amount of consideration does not have a significant financing component.

"Other" business mainly sells health foods and supplements for athletes.

(2) Breakdown of sales

The Group disaggregates revenue from contracts with customers into major product categories in each reportable segment based on the contracts with customers. For the disaggregation into major geographical areas, please see Note 7 "Segment Information."

(Millions of yen)

Reportable Segments	Major Product Categories	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Japan Food Products	Seasonings and processed foods	**192,186**	190,098
	Frozen foods	**97,741**	97,333
	Coffee products	**85,384**	87,602
	Subtotal	**375,312**	375,034
International Food Products	Seasonings and processed foods	**296,282**	298,927
	Frozen foods	**113,108**	115,363
	Umami seasonings and sweeteners for processed food manufacturers	**68,283**	67,408
	Subtotal	**477,674**	481,699
Life Support	Animal nutrition	**56,605**	72,693
	Specialty chemicals	**36,356**	32,787
	Others	**2,345**	2,466
	Subtotal	**95,308**	107,947
Healthcare	Amino acids for pharmaceuticals and foods	**44,274**	42,740
	Pharmaceutical custom manufacturing	**54,313**	51,320
	Others	**37,767**	41,281
	Subtotal	**136,355**	135,342
Others		**15,389**	14,283
Total		**1,100,039**	1,114,308

(3) Contract balance

The balance of contract liabilities arising from contracts with customers are as follows: For receivables arising from contracts with customers, please see Note 9 "Trade and Other Receivables."

Fiscal year ended March 31, 2020

(Millions of yen)

	As of March 31, 2020	As of April 1, 2019
Contract liabilities	**5,944**	7,065

Fiscal year ended March 31, 2019

(Millions of yen)

	As of March 31, 2019	As of April 1, 2018
Contract liabilities	7,065	6,213

Revenue recognized for the fiscal years ended March 31, 2020 and 2019 that was included in the opening balance of contract liabilities was ¥7,065 million and ¥6,213 million, respectively.

Contract liabilities are primarily related to advance consideration received from customers under manufacturing service agreements for pharmaceuticals products and are included in "Other current liabilities."

(4) Transaction price allocated to remaining performance obligations

There are remaining performance obligations related to a manufacturing service agreement for pharmaceuticals products as of March 31, 2020 and March 31, 2019. As the transaction price and the timing of satisfaction of the performance obligations estimated is subject to change due to the status of new drug approvals and other related conditions in the future, the aggregate amount of the transaction price allocated to the remaining performance obligations and the timing of expected revenue recognition are not disclosed. For this contract, a provision for loss on contract is recognized for the contractual losses as the obligation under agreement is performed. For details, please see Note 22 “Provisions.”

In addition, by applying the practical expedient in paragraph 121 of IFRS 15, the Group does not disclose information for a performance obligation which is part of a contract with an original expected duration of one year or less.

29. Selling Expenses

The details of selling expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Logistics expenses	**51,007**	52,857
Advertising	**35,923**	33,895
Sales promotion expenses	**22,121**	22,971
Sales commissions	**2,566**	2,787
Employee benefit expenses	**39,201**	40,247
Depreciation and amortization	**5,309**	2,221
Others	**15,948**	19,283
Total	**172,079**	174,263

30. Research and Development Expenses

The details of research and development expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Employee benefit expenses	**12,456**	12,952
Depreciation and amortization	**2,807**	2,619
Subcontracting and consumables expenses	**7,147**	6,848
Others	**5,185**	5,403
Total	**27,596**	27,823

31. General and Administrative Expenses

The details of general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Employee benefit expenses	**56,658**	55,303
Depreciation and amortization	**10,789**	8,725
Others	**35,068**	35,138
Total	**102,516**	99,167

32. Employee Benefit Expenses

The details of employee benefit expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Salaries	**117,893**	118,852
Bonuses	**33,559**	33,267
Compensated absences	**2,107**	2,082
Retirement benefits	**10,952**	10,044
Directors' remuneration	**2,467**	2,557
Directors' bonuses	**348**	306
Stock-based remuneration	**350**	225
Other employee benefits	**38,454**	40,630
Total	**206,134**	207,966

33. Other Operating Income

The details of other operating income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Gain on sales of property, plant and equipment	**1,492**	626
Lease income	**1,577**	1,487
Refund and interest on refund	**30**	236
Insurance proceeds	**121**	311
Gain on reversal of provision for loss on litigation	**863**	—
Gain on reversal of provision for contract loss	**1,111**	—
Others	**2,376**	3,347
Total	**7,572**	6,009

34. Other Operating Expenses

The details of other operating expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Impairment loss	**30,728**	18,134
Impairment loss on shares of associates and joint ventures	**4,232**	14,107
Losses on disposal of property, plant and equipment	**3,559**	3,178
Losses on litigation	**578**	658
Foreign exchange losses	**49**	210
Provision for loss on contract	**—**	368
Restructuring expenses	**1,785**	2,448
Fees related to special second career program	**6,525**	—
Others	**10,575**	6,497
Total	**58,035**	45,604

* Restructuring expenses were incurred from the restructuring and reorganization of the food production lines in Japan. The amount includes environmental measures expenses associated with construction of new plants, losses on disposal of property, plant and equipment and impairment loss.

35. Financial Income

The details of financial income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Interest income		
Financial assets measured at amortized cost	**4,409**	4,375
Subtotal	**4,409**	4,375
Dividend income		
Financial assets measured at fair value through other comprehensive income	**1,493**	1,383
Subtotal	**1,493**	1,383
Gain on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	**1,790**	2,087
Subtotal	**1,790**	2,087
Foreign exchange gain	**—**	—
Others	**338**	270
Total	**8,030**	8,116

36. Financial Expenses

The details of financial expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Interest expenses		
Financial liabilities measured at amortized cost	**3,394**	2,932
Derivatives	**409**	415
Subtotal	**3,804**	3,347
Loss on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	**—**	—
Subtotal	**—**	—
Foreign exchange loss	**2,292**	2,025
Unwinding of discount on provisions arising from passage of time	**2**	8
Loss allowance for expected credit loss	**89**	9
Others	**1,820**	1,670
Total	**8,009**	7,060

37. Other Comprehensive Income

The details of other comprehensive income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
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	(5,638)	(1,109)
Before tax effects	(5,638)	(1,109)
Tax effects	1,147	467
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(4,491)	(641)
Remeasurements of defined benefit pension plans:		
Amount arising during the period	(2,588)	(5,711)
Before tax effects	(2,588)	(5,711)
Tax effects	652	1,416
Remeasurements of defined benefit pension plans	(1,935)	(4,294)
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	(297)	(185)
Share of other comprehensive income (loss) of associates and joint ventures	(297)	(185)
Items that may be reclassified to profit or loss:		
Cash flow hedges:		
Amount arising during the period	(226)	(382)
Reclassification adjustments:		
Currency risk	(18)	(15)
Interest rate risk	409	415
Before tax effects	165	16
Tax effects	240	(182)
Cash flow hedges	406	(165)
Change in fair value of forward elements of forward contracts *:		
Amount arising during the period	160	(446)
Reclassification adjustments	—	—
Before tax effects	160	(446)
Tax effects	(51)	110
Change in fair value of forward elements of forward contracts	109	(335)
Exchange differences on translation of foreign operations:		
Amount arising during the period	(40,171)	3,584
Reclassification adjustments	—	(154)
Before tax effects	(40,171)	3,429
Tax effects	—	—
Exchange differences on translation of foreign operations	(40,171)	3,429
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	(193)	(599)
Reclassification adjustments	—	46
Share of other comprehensive income (loss) of associates and joint ventures	(193)	(552)
Total other comprehensive income	(46,573)	(2,745)

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

38. Earnings per Share

Respective information related to the calculation of earnings per share attributable to owners of the parent company is as follows:

(1) Profit attributable to owners of the parent company

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Profit from continuing operation	18,643	27,509
Profit from discontinued operation	193	2,188
Amount used for calculating the basic earnings per share	18,837	29,698
Amount used for calculating the diluted earnings per share	18,837	—

(2) Weighted average number of ordinary shares

(Thousands of shares)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Weighted average number of ordinary shares	548,145	553,908
Effect of dilutive potential ordinary shares	315	—
Weighted average number of dilutive potential ordinary shares	548,460	—

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

(Yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Basic earnings per share:		
Continuing operation	34.01	49.67
Discontinued operation	0.35	3.95
Basic earnings per share	34.37	53.62
Diluted earnings per share		
Continuing operation	33.99	—
Discontinued operation	0.35	—
Diluted earnings per share	34.35	—

* For the calculation of the basic earnings per share, the Company's shares held by Director's Remuneration BIP Trust are included in treasury stock, and deducted from the weighted average number of shares during the period.

39. 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, 2020	As of March 31, 2019
(Current assets)		
Other financial assets		
Derivative assets*	437	455
(Non-current assets)		
Long-term financial assets		
Debt instruments	626	1,079
Derivative assets*	—	3
(Current liabilities)		
Other financial liabilities		
Derivative liabilities*	1,306	2,233
(Non-current liabilities)		
Other financial liabilities		
Derivative liabilities*	4,493	4,257

* 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, 2020	As of March 31, 2019
(Current assets)		
Cash and cash equivalents	**141,701**	153,725
Trade and other receivables*	**184,739**	194,270
Other financial assets		
Debt instruments	**8,509**	16,070
(Non-current assets)		
Long-term financial assets		
Debt instruments	**10,342**	10,011
(Current liabilities)		
Trade and other payables	**178,583**	183,276
Short-term borrowings	**8,043**	10,989
Commercial papers	**40,000**	—
Current portion of bonds	**19,995**	—
Current portion of long-term borrowings	**15,191**	13,089
Other financial liabilities	**4,095**	3,701
(Non-current liabilities)		
Corporate bonds	**149,550**	169,479
Long-term borrowings	**124,135**	137,157
Other financial liabilities	**62,363**	18,385

* The Company has transferred part of trade receivables to an entity established by financial institutions. The transfer balance at the end of the fiscal year ended March 31, 2020 was ¥7,909 million. Although the Company is responsible for the recovery and management of the receivables after their transfer, it has not recorded servicing assets and liabilities because servicing costs approximate recovery fees.

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
(Non-current assets)		
Long-term financial assets		
Equity instruments*	**39,163**	53,717

* 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, 2020 and March 31, 2019.

As of March 31, 2020

(Millions of yen)

Issuer	Amount
HOUSE FOODS GROUP INC.	**5,969**
Mitsubishi UFJ Financial Group, Inc.	**4,231**
Seven & i Holdings Co., Ltd.	**3,571**
FINET, INC.	**2,395**
TOKAI DENPUN CO., LTD.	**2,179**

As of March 31, 2019

(Millions of yen)

Issuer	Amount
HOUSE FOODS GROUP INC.	11,986
Mitsubishi UFJ Financial Group, Inc.	5,774
Seven & i Holdings Co., Ltd.	4,171
FINET, INC.	2,596
SHIMIZU CORPORATION	2,511

The following table shows the dividends received from equity instruments held during the fiscal years ended March 31, 2020 and 2019.

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Dividends from equity instruments derecognized during the period	**188**	99
Dividends from equity instruments held at the end of the period	**1,304**	1,283
Total	**1,493**	1,383

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. If additional acquisition of shares shall result in reclassifying the investment to investments in subsidiaries, the investments are accounted for as disposal.

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Fair value as of disposal date	**9,476**	6,062
Cumulative gains (losses) on disposal	**6,434**	2,525

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 ¥4,941 million and ¥1,935 million for the fiscal years ended March 31, 2020 and 2019, respectively.

In addition, there were put options written on non-controlling interests of ¥5,882 million and ¥2,770 million for the fiscal years ended March 31, 2020 and 2019, respectively.

(2) Risk management of financial instrumentss

1) Credit risk

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

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

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

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

The Group holds deposits mainly as 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, 2020 and 2019 were ¥11,652 million and ¥11,522 million, respectively. Financial instruments not offset in the consolidated statements of financial position since they do not meet the offsetting criteria are generally offset only when specific events occur, such as bankruptcy and other circumstances, in which a customer fails to settle debts.

2) Liquidity risk

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

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

As of March 31, 2020

(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	179,596	20,943	771	20,768	20,729	693	115,689
Borrowings	157,452	24,427	16,391	12,679	12,565	12,150	79,238
Lease liabilities	64,428	7,172	6,918	6,323	4,829	3,249	35,934
Others*	13,831	2,148	2	2	—	—	11,677

* Others consist of deposits received for guarantees and financial guarantee contracts.

As of March 31, 2019

(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	181,198	1,149	20,946	771	20,768	20,729	116,832
Borrowings	173,353	25,752	15,779	18,170	13,300	13,010	87,339
Lease liabilities	6,309	116	298	69	31	14	5,779
Others*	13,731	2,170	3	1	—	2	11,553

* Others consist of deposits received for guarantees and financial guarantee contracts.

Liquidity analyses of derivatives and other items 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, 2020

(Millions of yen)

		Within 1 year	Over 1 year
Currency related	In	437	—
	Out	901	6
Interest rate related	Out	282	2,811
Currency and interest rate related	In	—	—
	Out	48	859
Put options written on non-controlling interests	Out	—	5,882

As of March 31, 2019

(Millions of yen)

		Within 1 year	Over 1 year
Currency related	In	455	3
	Out	1,938	—
Interest rate related	Out	299	3,111
Currency and interest rate related	In	487	602
	Out	—	—
Put options written on non-controlling interests	Out	—	2,770

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, 2020	As of March 31, 2019
U.S. dollars	**38,470**	101,829
Euro	**10,525**	13,468

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, 2020	Fiscal year ended March 31, 2019
Profit before income taxes		
U.S. dollars	**(38)**	(96)
Euro	**(12)**	(16)
Other comprehensive income (before tax effect)		
U.S. dollars	**44**	(54)
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, 2020	As of March 31, 2019
Borrowings with variable interest rates	**1,078**	7,554

Exposure to the share price fluctuation risk is as follows:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Financial assets measured at fair value through other comprehensive income		
Long-term financial assets	**39,163**	53,717

(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 period are as follows:

As of March 31, 2020

	Balance by maturity			
	Within 1 year	Over 1 year	Total	Average rate
Foreign exchange forward contracts				
(Short position)				
USD	**8,299 thousand USD**	**—**	**8,299 thousand USD**	**107.53 JPY/USD**
EUR	**1,007 thousand EUR**	**—**	**1,007 thousand EUR**	**119.80 JPY/EUR**
THB	**43,545 thousand THB**	**—**	**43,545 thousand THB**	**3.50 JPY/THB**
(Long position)				
USD	**40,985 thousand USD**	**—**	**40,985 thousand USD**	**106.69 JPY/USD**
Currency swaps				
(Short position)				
JPY	**150,015,400 thousand JPY**	**—**	**150,015,400 thousand JPY**	**0.30 THB/JPY**

As of March 31, 2019

	Balance by maturity			
	Within 1 year	Over 1 year	Total	Average rate
Foreign exchange forward contracts				
(Short position)				
USD	6,603 thousand USD	—	6,603 thousand USD	109.59 JPY/USD
EUR	575 thousand EUR	—	575 thousand EUR	127.23 JPY/EUR
CAD	277 thousand CAD	—	277 thousand CAD	83.09 JPY/CAD
THB	41,183 thousand THB	—	41,183 thousand THB	3.41 JPY/THB
(Long position)				
USD	36,602 thousand USD	—	36,602 thousand USD	106.55 JPY/USD
Currency swaps				
(Short position)				
JPY	135,015,400 thousand JPY	—	135,015,400 thousand JPY	0.28 THB/JPY

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

Fiscal year ended March 31, 2020

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Foreign exchange forward contracts				
(Short position)	**5,290 thousand USD**	**7 million JPY**	**5 million JPY**	**Other financial assets Other financial liabilities**
	818 thousand EUR			
	43,545 thousand THB			
Currency swap				
(Short position)	**150,015,400 thousand JPY**	**—**	**9 million JPY**	**Other financial liabilities**

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

(Millions of yen)

Hedged item	Carrying amount	Accumulated fair value hedge adjustments on hedged item included in carrying amount	Recognized in consolidated statements of financial position
Trade receivables	**819**	**(1)**	**Trade and other receivables**

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

There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2020.

Fiscal year ended March 31, 2019

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Foreign exchange forward contracts				
(Short position)	4,082 thousand USD	1 million JPY	5 million JPY	Other financial assets Other financial liabilities
	518 thousand EUR			
	277 thousand CAD			
	40,332 thousand THB			
Currency swap				
(Short position)	135,015,400 thousand JPY	—	1,225 million JPY	Other financial liabilities

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

(Millions of yen)

Hedged item	Carrying amount	Accumulated fair value hedge adjustments on hedged item included in carrying amount	Recognized in consolidated statements of financial position
Trade receivables	681	3	Trade and other receivables

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

There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2019.

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

Fiscal year ended March 31, 2020

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Foreign exchange forward contracts				
(Short position)	**3,009 thousand USD** **188 thousand EUR**	**0 million JPY**	**1 million JPY**	**Other financial assets** **Other financial liabilities**
Foreign exchange forward contracts				
(Long position)	**40,985 thousand USD**	**57 million JPY**	**—**	**Other financial assets**

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

(Millions of yen)

Hedged item	Cash flow hedges
Forecast transactions related to sales of inventories	**(0)**
Forecast transactions related to purchases of inventories	**39**

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, 2020.

(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	**12**	**(12)**	**Other operating expenses**	**—**
Forecast transactions related to purchases of inventories	**27**	**—**	**—**	**(67)**
Forecast transaction related to acquisition of subsidiaries and associates	**—**	**—**	**—**	**—**

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, 2019

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Foreign exchange forward contracts				
(Short position)	2,521 thousand USD 57 thousand EUR 851 thousand THB	0 million JPY	0 million JPY	Other financial assets Other financial liabilities
Foreign exchange forward contracts				
(Long position)	36,602 thousand USD	115 million JPY	—	Other financial assets

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

(Millions of yen)

Hedged item	Cash flow hedges
Forecast transactions related to sales of inventories	(0)
Forecast transactions related to purchases of inventories	79

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, 2019.

(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	3	(10)	Other operating expenses	—
Forecast transactions related to purchases of inventories	236	—	—	(33)
Forecast transaction related to acquisition of subsidiaries and associates	—	—	—	—

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

2) Interest rate risk

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

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

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2019
Balance of borrowings with variable interest rates	**33,967**	**36,960**

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

As of March 31, 2020

	Balance by maturity (Millions of yen)			Average rate (%)	
	Within 1 year	Over 1 year	Total		
Interest-rate swaps					
Receivable/variable and pay/fixed	**4,000**	**30,000**	**34,000**	**Variable** **Fixed**	**0.0145** **0.8637**

As of March 31, 2019

	Balance by maturity (Millions of yen)			Average rate (%)	
	Within 1 year	Over 1 year	Total		
Interest-rate swaps					
Receivable/variable and pay/fixed	3,000	34,000	37,000	Variable Fixed	0.010 0.8283

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

Fiscal year ended March 31, 2020

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

(Millions of yen)

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Interest-rate swaps				
Receivable/variable and paid/fixed	**34,000**	**—**	**2,961**	**Other financial liabilities**

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

(Millions of yen)

Hedged item	Cash flow hedges
Borrowings with variable interest rates	**(2,071)**

Other than the above, there was a balance of ¥(733) 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, 2020.

(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	**(174)**	**301**	**Financial expenses**

Other than the above, there were a gain of ¥143 million recognized in other comprehensive income and a reclassification of ¥108 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, 2019

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

(Millions of yen)

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Interest-rate swaps				
Receivable/variable and paid/fixed	37,000	—	2,979	Other financial liabilities

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

(Millions of yen)

Hedged item	Cash flow hedges
Borrowings with variable interest rates	(2,197)

Other than the above, there was a balance of ¥(986) 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, 2019.

(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	(602)	230	Financial expenses

Other than the above, there were a loss of ¥106 million recognized in other comprehensive income and a reclassification of ¥81 million from cash flow hedges to profit or loss, arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

(4) Loss allowance for expected credit 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 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, 2020			As of March 31, 2019		
	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	**9,189**	**—**	**155**	10,938	52	149

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

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

(Millions of yen)

	Fiscal year ended March 31, 2020			Fiscal year ended March 31, 2019		
	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	149	1	—	146
Increase	2	—	3	0	0	—
Decrease	(0)	(0)	—	(0)	—	(1)
Exchange differences on translation	0	(0)	2	0	0	4
Balance at the end of the year	3	—	155	1	0	149

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, 2020	As of March 31, 2019
Credit risk: Low	174,151	181,688
Credit risk: Medium	277	581
Credit risk: High	309	971
Total	174,738	183,240

The amounts in the above table represent the maximum exposure (before deducting loss allowance for expected credit loss) 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, 2020	Fiscal year ended March 31, 2019
Balance at the beginning of the year	1,423	1,016
Increase	275	896
Decrease	(735)	(385)
Exchange differences on translation	(112)	(105)
Balance at the end of the year	850	1,423

3) Credit enhancement

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

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

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

(Millions of yen)

	As of March 31, 2020		As of March 31, 2019	
	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	239	309	166	971
Credit enhancement, including collateral held	—	19	—	71

40. 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 period are as follows:

As of March 31, 2020

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets				
Currency related	–	437	–	437
Financial assets measured at fair value through profit or loss				
Debt instruments	–	380	246	626
Financial assets measured at fair value through other comprehensive income				
Equity instruments	25,065	445	13,653	39,163
Total assets	25,065	1,263	13,899	40,227
Liabilities				
Derivative liabilities				
Currency related	–	907	–	907
Interest rate related	–	2,961	–	2,961
Interest rate and currency related	–	1,930	–	1,930
Total liabilities	–	5,799	–	5,799

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

As of March 31, 2019

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets				
Currency related	—	458	—	458
Financial assets measured at fair value through profit or loss				
Debt instruments	—	391	688	1,079
Financial assets measured at fair value through other comprehensive income				
Equity instruments	40,025	467	13,223	53,717
Total assets	40,025	1,317	13,911	55,255
Liabilities				
Derivative liabilities				
Currency related	—	1,938	—	1,938
Interest rate related	—	2,979	—	2,979
Interest rate and currency related	—	1,572	—	1,572
Total liabilities	—	6,490	—	6,490

For assets and liabilities held as of the end of the 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.

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

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

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

Fiscal year ended March 31, 2020

(Millions of yen)

	Balance at the beginning of the year	Other comprehensive income	Increase due to purchases	Decrease due to sales	Balance at the end of the year
Equity instruments	**13,223**	**(106)**	**568**	**(33)**	**13,653**

Fiscal year ended March 31, 2019

(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	12,722	(30)	1,291	(759)	13,223

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.

The level 3 debt instruments were initially recognized at ¥688 million in the fiscal year ended March 31, 2019, and subsequent changes in the fair values were recognized as financial income or financial expenses in the consolidated statements of income. There was no material fair value change for the fiscal years ended March 31, 2020 and 2019, respectively.

There were no transfers between levels for the fiscal years ended March 31, 2020 and 2019, 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.

In addition, there were put options written on non-controlling interests of ¥5,882 million and ¥2,770 million for the fiscal years ended March 31, 2020 and 2019, respectively. Put options written on non-controlling interests are measured based on the present value of the probable amount required to be paid to the contractual counterparty. At initial recognition, a deduction is made from capital surplus, and subsequent changes are recognized as financial income or financial expenses in the consolidated statements of income. This valuation model uses unobservable inputs, including EBITDA ratio based on the contract, and the valuation is subject to change due to business plans or interest rates at the time of measurement.

(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 fiscal years ended March 31, 2020 and 2019 are presented in Note 14 "Impairment of Non-financial Assets" and Note 17 "Investments Accounted for Using the Equity Method."

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

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

As of March 31, 2020

(Millions of yen)

		Fair value
	Carrying amount	Level 2
Assets		
Debt instruments	**6,659**	**6,580**
Total	**6,659**	**6,580**
Liabilities		
Corporate bonds	**149,550**	**152,069**
Long-term borrowings	**124,135**	**135,289**
Total	**273,685**	**287,359**

As of March 31, 2019

(Millions of yen)

		Fair value
	Carrying amount	Level 2
Assets		
Debt instruments	6,522	6,542
Total	6,522	6,542
Liabilities		
Corporate bonds	169,479	174,496
Long-term borrowings	137,157	140,633
Total	306,637	315,129

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

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

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

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

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

41. 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, 2020
There were no significant transactions.

Fiscal year ended March 31, 2019
There were no significant transactions.

(2) Management remuneration

Remuneration for the management of the Group is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Short-term employee benefits		
Monthly compensation	**462**	451
Performance-based compensation	**176**	151
Total	**639**	603

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

Other than the above, share-based payment of ¥194 million and ¥97 million were recognized in the fiscal years ended March 31, 2020 and 2019, respectively.

42. Business Combinations

Fiscal year ended March 31, 2020
(More Than Gourmet Holdings, Inc. ("MTG"))
On August 23, 2019, the Company, through its consolidated subsidiary Ajinomoto Health and Nutrition North America, Inc., acquired 50.1% of the shares of MTG, a liquid seasoning company in the United States, and made it a consolidated subsidiary. The remaining 49.9% of shares are granted share trading options and are accounted for as written put options relating to non-controlling interests.

MTG's liquid seasonings business is familiar with the trends and preferences of U.S. consumers and has strong connections with processed food manufacturers and food service and restaurant companies. Through this share acquisition, the Company will utilize the menu customization capabilities in the food service and restaurant market, as well as the direct sales channel to food service and restaurant companies it will acquire through this partnership, and combine them with its own ingredients and taste and texture technologies. By doing so, Ajinomoto Co. aims to expand its Integrated Food Solutions business in North America and establish a new specialty.

1) Impact on the Group's business performance

There is no significant impact on sales and profit generated by MTG, which is included in the consolidated financial statements for the fiscal year ended March 31, 2020. Assuming the business combination was implemented at the beginning of the fiscal year ended March 31, 2020, the impact would be sales of $22 million (¥2,478 million) and profit of $0 million (¥48 million). (Non-audited information)

2) Fair value of total consideration transferred at the date of acquisition

	Amount
Cash	$35 million [¥3,829 million]

*1. Acquisition-related expenses of $2 million (¥297 million) related to the business combination by cash consideration are included in "General and administrative expenses."
*2. $1 = ¥106.66 (rate at the time of stock acquisition)
*3. A contingent consideration is attached to the contract, and the contract is paid according to a specific performance indicator of the acquired company. However, after estimating the level of the performance indicator, the Group does not recognize the contingent consideration. Note that there is no upper limit for conditional consideration.

3) Cash out from acquisition of subsidiary

	Amount
Cash spent on acquisition	$35 million [¥3,829 million]
Cash and cash equivalents of the acquired subsidiary	$0 million [¥20 million]
Cash out from acquisition of subsidiary	$35 million [¥3,809 million]

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

(Millions of yen)

	Amount
Current assets	785
Trade and other receivables	291
Inventories	466
Others	28
Non-current assets	5,432
Property, plant and equipment	677
Intangible assets	4,721
Others	33
Total assets	6,218
Current liabilities	298
Trade and other payables	256
Others	41
Non-current liabilities	1,343
Deferred tax liabilities	1,212
Others	130
Total liabilities	1,641
Non-controlling interests	2,283
Total net assets after deducting non-controlling interests (A)	2,293
Acquisition-date fair value of total consideration transferred (B)	3,829
Goodwill (C)=(B)-(A)	1,536

Non-controlling interests are measured as the share of non-controlling interests in the fair value of the identifiable net assets of the acquired company.

Goodwill mainly consists of synergies with existing businesses and excess profitability that are expected to result from acquisition.

5) Fair value of acquired receivables, contractual unearned amount and expected uncollectible amount

The "Trade and other receivables" acquired mainly consists of accounts receivable, and its fair value is $2 million (¥291 million). The total contract amount is $2 million (¥291 million), and no amount is expected to be uncollectible.

Fiscal year ended March 31, 2019
No applicable items.

43. Subsequent Events

The Group decided to change its reportable segments from the fiscal year ending March 31, 2021.

The Group's reportable segments are categorized primarily by product lines. Until the fiscal year ended March 31, 2020, the Group had four reportable segments: "Japan Food Products" and "International Food Products" for the Food business, and "Life Support" and "Healthcare" for the Aminoscience business. From the fiscal year ending March 31, 2021, the Group will revise its reportable segments into three: "Seasonings and Foods," "Frozen Foods," and "Healthcare and Others" partly with a view to enhancing a global management system aligned per business field for core businesses under the new Medium-Term Management Plan.

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.

Information on the amounts of sales, share of profit of associates and joint ventures, business profit or loss, and other items for the fiscal year ended March 31, 2020 after the change in reportable segments is currently being determined.

(2) Other

Quarterly information for the fiscal year ended March 31, 2020

(Cumulative period)	3 months ended June 30	6 months ended Sept. 30	9 months ended Dec. 31	12 months ended Mar. 31
Sales (Millions of yen)	263,735	532,266	822,422	1,100,039
Profit before income taxes (Millions of yen)	26,828	20,992	48,607	48,795
Profit attributable to owners of the parent company (Millions of yen)	16,476	7,049	23,110	18,837
Basic earnings per share (Yen)	30.06	12.86	42.16	34.37

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	30.06	(17.20)	29.30	(7.80)

*1. As the packaging business was classified as a discontinued operation in the fourth quarter of the fiscal year ended March 31, 2020, the related figures for the first, second and third quarters have been reclassified to the amounts of continuing operation excluding discontinued operation.

*2. As provisional accounting for business combinations was finalized in the fourth quarter of the fiscal year ended March 31, 2020, the related items for the second and third quarters state the figures reflecting the revision.

Major Subsidiaries and Affiliates

(As of March 31, 2020)

■ 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
■	Ajinomoto Food Manufacturing Co., Ltd. (Special subsidiary company)	Japan	JPY	4,000,000	100.0	Seasonings and Processed Foods
■	Ajinomoto AGF, Inc. (Special subsidiary company)	Japan	JPY	3,862,697	100.0 (5.0)	Coffee Products
■	Ajinomoto Animal Nutrition Group, Inc.	Japan	JPY	1,334,182	100.0	Animal Nutrition
■	Ace Bakery Co., Ltd.	Japan	JPY	400,000	100.0 (100.0)	Seasonings and Processed Foods
■	AJINOMOTO HEALTHY SUPPLY CO., INC.	Japan	JPY	380,000	100.0	Amino Acids
■	AJINOMOTO ENGINEERING CORPORATION	Japan	JPY	324,500	100.0	Service, etc.
■	Ajinomoto Fine-Techno Co., Inc.	Japan	JPY	315,000	100.0	Specialty Chemicals
■	Ajinomoto Communications Co., Inc.	Japan	JPY	295,000	100.0	Service, etc.
■	DELICA ACE CO., LTD.	Japan	JPY	200,000	100.0	Seasonings and Processed Foods
■	AJINOMOTO BAKERY CO., LTD.	Japan	JPY	100,000	100.0	Seasonings and Processed Foods
■	GeneDesign, Inc.	Japan	JPY	59,900	100.0 (5.0)	Amino Acids
■	SAPS CO., LTD.	Japan	JPY	50,000	100.0	Seasonings and Processed Foods
■	Ajinomoto Direct Co., Inc.	Japan	JPY	10,000	100.0	Other (Healthcare)
■	AJINOMOTO TRADING, INC.	Japan	JPY	200,000	96.7	Service, etc.
●	EA Pharma Co., Ltd. (Affiliated company)	Japan	JPY	9,145,000	40.0	Pharmaceuticals
●	J-OIL MILLS, INC. (Affiliated company)	Japan	JPY	10,000,000	27.3	Edible Oils
Asia						
■	Ajinomoto SEA Regional Headquarters Co., Ltd.	Thailand	THB	2,125,000	100.0	Service, etc.
■	AJINOMOTO COMPANY (THAILAND) LIMITED (Special subsidiary company)	Thailand	THB	796,362	94.5	Seasonings and Processed Foods
■	AJINOMOTO SALES (THAILAND) COMPANY LIMITED	Thailand	THB	50,000	100.0 (100.0)	Seasonings and Processed Foods
■	WAN THAI FOODS INDUSTRY CO., LTD.	Thailand	THB	60,000	60.0 (35.0)	Seasonings and Processed Foods
■	AJINOMOTO BETAGRO FROZEN FOODS (THAILAND) CO., LTD.	Thailand	THB	764,000	50.0 (50.0)	Frozen Foods
■	P.T. AJINOMOTO INDONESIA	Indonesia	USD	8,000	51.0	Seasonings and Processed Foods
■	PT AJINOMOTO SALES INDONESIA	Indonesia	USD	250	100.0 (80.0)	Seasonings and Processed Foods
■	AJINOMOTO VIETNAM CO.,LTD.	Vietnam	USD	50,255	100.0	Seasonings and Processed Foods
■	AJINOMOTO (MALAYSIA) BERHAD	Malaysia	MYR	65,102	50.4	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	Animal Nutrition
■	Shanghai Ajinomoto Seasoning Co., Ltd.	China	USD	27,827	100.0 (99.0)	Seasonings and Processed Foods

Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
■ AJINOMOTO (HONG KONG) CO., LTD.	Hong Kong	HKD	5,799	100.0	Umami Seasonings for Processed Food Mfrs. and Sweeteners
■ AJINOMOTO ANIMAL NUTRITION (SINGAPORE) PTE. LTD.	Singapore	USD	8,955	100.0 (100.0)	Animal Nutrition
■ AJINOMOTO (SINGAPORE) PRIVATE LIMITED	Singapore	SGD	1,999	100.0	Seasonings and Processed Foods
■ AJINOMOTO (CAMBODIA) CO., LTD.	Cambodia	USD	11,000	100.0	Seasonings and Processed Foods
■ Ajinomoto Korea Inc.	Korea	WON	1,000,000	70.0	Seasonings and Processed Foods
■ AJINOMOTO TAIWAN INC.	Taiwan	TWD	250,000	100.0	Seasonings and Processed Foods

The Americas

■ Ajinomoto North America Holdings, Inc. (Special subsidiary company)	United States	—	—	100.0 (4.1)	Holding Company
■ Ajinomoto Foods North America, Inc.	United States	USD	15,030	100.0 (100.0)	Frozen Foods
■ Ajinomoto Animal Nutrition North America, Inc. (Special subsidiary company)	United States	USD	750	100.0 (100.0)	Animal Nutrition
■ Ajinomoto Health & Nutrition North America, Inc.	United States	USD	0	100.0 (100.0)	Amino Acids, Umami Seasonings for Processed Food Mfrs. and Sweeteners, Specialty Chemicals
■ Ajinomoto Althea, Inc.	United States	USD	0	100.0	Amino Acids
■ Ajinomoto Cambrooke, Inc.	United States	USD	34,280	100.0 (100.0)	Medical Foods
■ AJINOMOTO DO BRASIL INDUSTRIA E COMERCIO DE ALIM (Special subsidiary company)	Brazil	BRL	913,298	100.0	Seasonings and Processed Foods, Umami Seasonings for Processed Food Mfrs. and Sweeteners, Animal Nutrition, Amino Acids
■ AJINOMOTO DEL PERU S.A.	Peru	PEN	45,282	99.6	Seasonings and Processed Foods

Europe

■ AJINOMOTO FOODS EUROPE S.A.S. (Special subsidiary company)	France	EUR	106,909	100.0 (100.0)	Umami Seasonings for Processed Food Mfrs. and Sweeteners
■ AJINOMOTO ANIMAL NUTRITION EUROPE S.A.S. (Special subsidiary company)*2	France	EUR	26,865	100.0 (100.0)	Animal Nutrition
■ S.A. AJINOMOTO OMNICHEM N.V.	Belgium	EUR	21,320	100.0 (0.0)	Amino Acids
■ WEST AFRICAN SEASONING COMPANY LIMITED	Nigeria	NGN	2,623,714	100.0	Seasonings and Processed Foods
■ Ajinomoto Istanbul Food Industry And Trade Limited Company	Turkey	TRY	51,949	100.0	Seasonings and Processed Foods
■ Ajinomoto Poland Sp. z o.o.	Poland	PLN	39,510	100.0 (100.0)	Seasonings and Processed Foods
■ Agro2Agri, S.L.	Spain	EUR	2,027	70.0 (70.0)	Amino Acids
▲ Promasidor Holdings Limited (Joint Venture)	British Virgin Islands	USD	0	33.3	Processed Foods

*1. Numbers in parentheses indicate indirect equity ownership.
*2. Ajinomoto Foods Europe S.A.S owns one share in the company.

Eat Well, Live Well.

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