

**Ajinomoto Group**

# Appendix: Financial Report 2021



# Management's Discussion and Analysis

Ajinomoto Co., Inc. and Consolidated Subsidiaries for fiscal 2020, ended March 31, 2021

## 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 income or other operating expenses.

On February 5, 2020, the Ajinomoto Group entered into a contract to transfer the entire equity stake held by the Group corresponding to 51% of the outstanding shares in Fuji Ace Co., Ltd., a packaging materials manufacturing and sales company in Thailand, to Fuji Seal International, Inc. and other entities, and transferred the equity stake on March 6, 2020. Accordingly, together with the logistics business, which had previously been classified under discontinued operations, profit related to the packaging business in the fiscal year ended March 31, 2020 has been restated as profit from discontinued operations, and the discontinued operations have been presented separately from continuing operations.

## Performance Overview

During the fiscal year ended March 31, 2021, the Company's consolidated sales fell 2.6% year-on-year, or ¥28.5 billion, to ¥1,071.4 billion. This was because there was a continued decline in sales of restaurant and industrial use products mainly in Seasonings and Foods and Frozen Foods due to the impact of lockdowns and other measures in conjunction with the COVID-19 global pandemic, even though a trend of recovery can be seen in demand for products for use in foodservice, while sales of home-use products increased due to the expansion in at-home dining demand.

Business profit increased 14.0% year-on-year, or ¥13.8 billion, to ¥113.1 billion, owing to a large increase in profit of specialty chemicals due to a large increase in revenue, the effect of an increase in revenue of home-use products, and an improved product mix in Seasonings and Foods and Frozen Foods, as well as the effect of recording impairment loss related to the trademark rights of Promasidor Holdings Limited ("PH") in the previous fiscal year.

Operating profit increased 107.3% year-on-year, or ¥52.3 billion, to ¥101.1 billion, due to recording significantly higher gain on sale of fixed assets in other operating income than in the previous fiscal year owing to the transfer of fixed assets (idle assets). In addition, in other operating expenses, even though impairment losses associated with the structural reform of the animal nutrition business in Europe and North America were recorded in the current fiscal year, significantly higher impairment losses were recorded in the previous fiscal year.

Profit attributable to owners of the parent totaled ¥59.4 billion, up 215.4%, or ¥40.5 billion.

## Financial Review

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### Sales

Sales were down 2.6% or ¥28.5 billion at ¥1,071.4 billion. In Japan, sales dropped 2.8% or ¥13.8 billion to ¥470.8 billion. Overseas sales decreased 2.4% or ¥14.7 billion to ¥600.5 billion, with Asian sales down 0.8% to ¥263.7 billion, American sales down 6.9% to ¥219.0 billion and European sales up 3.1% to ¥117.7 billion. The overseas share of sales increased to 56.1% from 55.9% in the previous fiscal year.

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

The sales decline was accompanied by a 4.4% or ¥30.9 billion decrease in cost of sales to ¥665.2 billion, equivalent to 62.1% of sales, a year-on-year improvement of 1.2 percentage points. Selling expenses decreased 6.6% or ¥11.4 billion to ¥160.6 billion, mainly as a result of reductions in sales promotion and logistics expenses due to the COVID-19 pandemic. Exchange rates also played a part in their decrease. Research and development expenses decreased 6.1% or ¥1.6 billion to ¥25.9 billion. General and administrative expenses increased 5.2% or ¥5.3 billion to ¥107.8 billion, largely reflecting an increase in consolidated subsidiaries. The Group's share of profit of associates and joint ventures was ¥1.3 billion (vs. ¥2.4 billion loss in the previous fiscal year).

### Business Profit

Business profit grew 14.0% or ¥13.8 billion to ¥113.1 billion. Business profit from Japanese operations was up 5.3% to ¥48.4 billion. Overseas business profit increased 21.7% to ¥64.6 billion, 57.2% of total business profit, up from 53.6% in the previous fiscal year. Of overseas business profit, ¥45.3 billion was earned in Asia, ¥13.9 billion in the Americas and ¥5.3 billion in Europe, respectively up 7.5%, 10.1% and ¥7.0 billion from the previous fiscal year.

### Other Operating Income and Expenses

Other operating income increased 222.7% or ¥16.8 billion to ¥24.4 billion, boosted by gains on the sale of idle non-current assets. Other operating expenses decreased 37.2% or ¥21.5 billion to ¥36.4 billion, largely as a result of nonrecurrence of year-earlier impairment losses and expenses related to the Special Second Career Program.

### Operating Profit

Operating profit grew 107.3% or ¥52.3 billion to ¥101.1 billion.

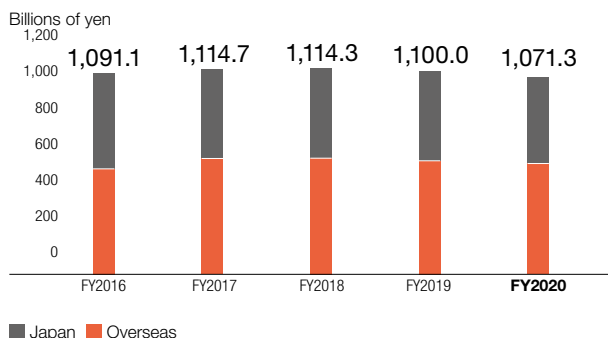
### Financial Income and Expenses

Financial income fell 51.4% or ¥4.1 billion to ¥3.9 billion while financial expenses decreased 16.3% or ¥1.3 billion to ¥6.7 billion.

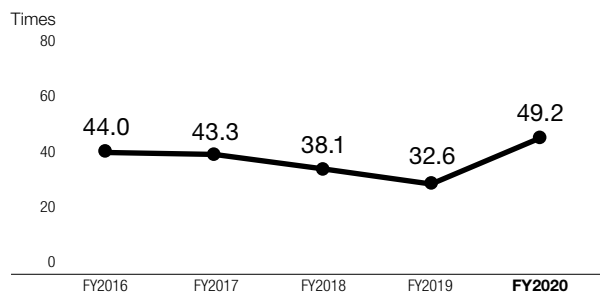
### Profit Attributable to Owners of the Parent Company

Profit attributable to owners of the parent company increased 215.4% or ¥40.5 billion to ¥59.4 billion, equivalent to ¥108.36 per share, up from ¥34.37 in the previous fiscal year.

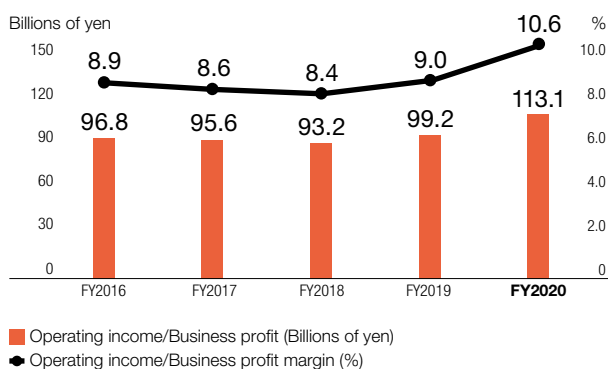
### Domestic and Overseas Sales



### Interest Coverage Ratio



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



### Costs, Expenses, and Profit as Percentages of Sales

Years ended March 31	FY2020		FY2019
	Percentage	Change	Percentage
Cost of sales	62.1%	(1.2)	63.3%
Gross profit	37.9	1.2	36.7
Selling, R&D, and G&A expenses	27.5	0.0	27.5
Business profit	10.6	1.6	9.0
Profit before income taxes	9.2	4.8	4.4
Profit attributable to owners of the parent company	5.5	3.8	1.7

## Segment Information

(Billions of yen)

Sales	FY2020	FY2019	YoY difference	YoY change
Seasonings and Foods	620.5	641.7	(21.2)	96.7%
Frozen Foods	198.2	211.2	(12.9)	93.9%
Healthcare and Others	239.5	231.6	7.8	103.4%
Other	13.1	15.3	(2.2)	85.6%
Total	1,071.4	1,100.0	(28.5)	97.4%

Business Profit	FY2020	FY2019	YoY difference	YoY change
Seasonings and Foods	86.7	81.6	5.1	106.3%
Frozen Foods	2.3	0.0	2.2	—
Healthcare and Others	26.2	19.5	6.7	134.6%
Other	(2.2)	(1.9)	(0.2)	—
Total	113.1	99.2	13.8	114.0%

### Seasonings and Foods

In the Seasonings and Foods segment, sales fell 3.3% year-on-year, or ¥21.2 billion, to ¥620.5 billion, primarily because of the effect of currency translation and lower sales of products for restaurant use due to lower foodservice demand despite the increase in sales of home-use products due to higher home cooking demand. Segment business profit increased 6.3% year-on-year, or ¥5.1 billion, to ¥86.7 billion, owing to the effect of the increase in revenue of home-use products and an improved product mix as well as the effect of recording impairment loss related to the trademark rights of PH in the previous fiscal year, despite the effect of the decrease in revenue of products for restaurant use.

#### Main factors affecting segment sales

- **Sauce & Seasonings:** Decrease in revenue due to the impacts of currency translation and decreased sales of foodservice-use products overseas from decreased demand for eating out, despite increased sales in home-use products accompanying increased at-home demand.

In Japan, revenue increased due to strong sales of home-use products.

Overseas, revenue decreased due to the impacts of currency translation and decreased sales of foodservice-use products, despite significantly increased revenue from menu-specific seasonings.

- **Quick Nourishment:** Decrease in revenue due to decreased sales of restaurant and industrial-use coffee products and the impact of currency translation, despite higher year-on-year sales of home-use products in Japan because of increased at-home demand.

In Japan, revenue decreased due to decreased sales of restaurant and industrial-use coffee products, despite higher year-on-year sales of home-use coffee and soup products.

Overseas, revenue decreased due to the impact of currency translation.

- **Solution & Ingredients:** Decrease in revenue due to decreased sales of foodservice-use products in Japan because of decreased demand for eating out and the impact of currency translation.

### Market Shares in Main Product Areas (Household Market in Japan) FY2020

Product Area	Brand	Market Size (Billions of yen)	Ajinomoto Group Share (Position)
Umami seasonings	AJI-NO-MOTO®, Hi-Me®	5.4	91% (1)
Japanese flavor seasonings	HONDASHI®	38.3	57% (1)
Consommé	Ajinomoto KK Consomme	13.3	82% (1)
Soup	Knorr®	113.3	31% (1)
Mayonnaise	Pure Select®	58.3	24% (2)
Menu seasonings	Cook Do®, Cook Do® Kyo-no Ohzara®	81.8	31% (1)

Note: Market size is based on consumer purchase prices.

### Main factors affecting segment profits

- **Sauce & Seasonings:** Increase in profit due to the effects of increased revenue from home-use products and an improved product mix.  
In Japan, increase in profit due to the effect of increased revenue.  
Overseas, increase in profit due to the effect of an improved product mix, despite the impact of currency translation.
- **Quick Nourishment:** Large increase in profit due to the recording of impairment loss on PH's trademark rights in the previous year, and an improved product mix in Japan.  
In Japan, increase in profit due to the effect of increased revenue from mainstay home-use coffee products and soup products.  
Overseas, a large increase in profit due to the recording of impairment loss on PH trademark rights in the previous-year.
- **Solution & Ingredients:** Decrease in profit primarily due to the impact of decreased revenue from foodservice-use products in Japan.

### Frozen Foods

Frozen Foods segment sales decreased 6.1% year-on-year, or ¥12.9 billion, to ¥198.2 billion, as a result of a decline in sales of restaurant-use products due to lower foodservice demand despite increased sales of home-use products due to higher home cooking demand. Segment business profit increased significantly year-on-year by ¥2.2 billion, to ¥2.3 billion, as a result of a large increase in profit due to the effect of increased sales of home-use products and improvements in the product mix.

### Main factors affecting segment sales

- Decrease in revenue due to decreased sales of restaurant-use products because of decreased demand for eating out, despite increased sales of home-use products accompanying increased at-home demand.  
In Japan, revenue decreased due to decreased sales of restaurant-use products, despite increased sales of mainstay home-use products, primarily Gyoza.  
Overseas, revenue decreased due to decreased sales of restaurant-use products and the impact of currency translation, despite increased sales of home-use products in North America.

### Main factors affecting segment profits

- Large increase in profit due to an increase in revenue from home-use products and an improved product mix.  
In Japan, profits increased due to the effect of increased revenue from mainstay home-use products.  
Overseas, profits increased significantly due to the effects of an increase in revenue from home-use products and an improved product mix, despite the impact of currency translation.

### Healthcare and Others

Healthcare and Others segment sales increased 3.4% year-on-year, or ¥7.8 billion, to ¥239.5 billion, owing to a significant increase in revenue of specialty chemicals. Segment business profit increased 34.6% year-on-year, or ¥6.7 billion, to ¥26.2 billion, accompanying a large increase in profit for specialty chemicals and animal nutrition even though there was a large decrease in profit for Bio-Pharma Services.

### Main factors affecting segment sales

- **Amino Acids:** Overall increase in revenue due to increased sales of amino acids for pharmaceuticals and foods, and the impact of currency translations in Bio-Pharma Services.
- **Specialty Chemicals:** Large increase in revenue primarily due to strong sales of electronic materials.
- **Others:** Decrease in revenue due to a decrease in demand for sports nutrition products and a decrease in sales volume of animal nutrition.

### Main factors affecting segment profits

- **Amino Acids:** Overall decrease in profit due to a significant decrease in profit from Bio-Pharma Services, despite a large increase in profit from amino acids for pharmaceuticals and foods.
- **Specialty Chemicals:** Large increase in profit accompanying large increase in revenue.
- **Others:** Large increase in profit due to increased unit sales prices in animal nutrition.

**Sales by Business and Geographical Area**

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

Years ended March 31		Japan	Asia	Americas	Europe	Total
Seasonings and Foods	<b>FY2020</b>	<b>272.4 (-9.1)</b>	<b>249.7 (-1.7)</b>	<b>68.5 (-6.6)</b>	<b>29.7 (-3.6)</b>	<b>620.5 (-21.2)</b>
	FY2019	281.6	251.4	75.1	33.4	641.7
Frozen Foods	<b>FY2020</b>	<b>91.7 (-5.8)</b>	<b>2.6 (-0.7)</b>	<b>93.4 (-6.5)</b>	<b>10.3 (0.1)</b>	<b>198.2 (-12.9)</b>
	FY2019	97.5	3.4	100.0	10.1	211.2
Healthcare and Others	<b>FY2020</b>	<b>93.6 (3.5)</b>	<b>11.2 (0.3)</b>	<b>57.0 (-3.0)</b>	<b>77.5 (7.0)</b>	<b>239.5 (7.8)</b>
	FY2019	90.0	10.9	60.1	70.4	231.6
Other	<b>FY2020</b>	<b>13.0 (-2.3)</b>	<b>0.1 (0.1)</b>	<b>—</b>	<b>0.0 (0.0)</b>	<b>13.1 (-2.2)</b>
	FY2019	15.3	0.0	—	0.0	15.3
Total	<b>FY2020</b>	<b>470.8 (-13.8)</b>	<b>263.7 (-2.0)</b>	<b>219.0 (-16.2)</b>	<b>117.7 (3.5)</b>	<b>1,071.4 (-28.5)</b>
	FY2019	484.6	265.8	235.3	114.1	1,100.0

**Other**

In the Other segment, sales totaled ¥13.1 billion, down 14.4% year-on-year, or ¥2.2 billion. Segment business profit recorded a loss of ¥2.2 billion.

## Liquidity and Financial Condition

### Assets

As of March 31, 2021, the Ajinomoto Group's consolidated total assets stood at ¥1,431.2 billion, an increase of ¥77.6 billion from ¥1,353.6 billion at the end of the previous fiscal year on March 31, 2020, largely owing to increases in cash and cash equivalents and property, plant and equipment despite a decrease in trade and other receivables.

### Liabilities

Total liabilities came to ¥763.4 billion, ¥1.8 billion more than the ¥761.5 billion at the end of the previous fiscal year, largely owing to increases in deferred tax liabilities and trade and other payables despite a decrease in interest-bearing debt. Interest-bearing debt totaled ¥406.8 billion, a decrease of ¥6.9 billion from the end of the previous fiscal year, mainly reflecting the decreases in current portion of bonds and commercial papers although long-term borrowings increased.

### Equity

Total equity as of March 31, 2021 increased ¥75.7 billion compared to the end of the previous fiscal year, reflecting an increase in other components of equity. Equity attributable to owners of the parent company, which is total equity minus non-controlling interests, totaled ¥620.2 billion, and the equity ratio attributable to owners of the parent company was 43.3%.

### Cash Flows

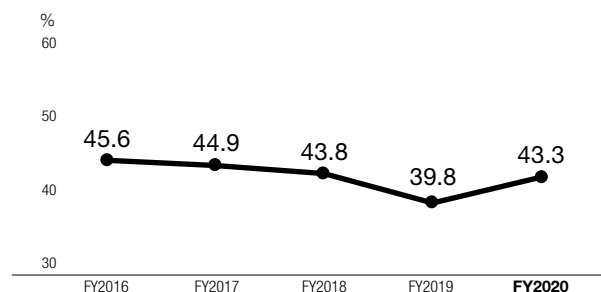
Net cash provided by operating activities during the fiscal year totaled ¥165.6 billion, up from ¥114.8 billion in the previous fiscal year. The main factors included ¥98.3 billion in profit before income taxes, ¥63.0 billion in depreciation and amortization, and ¥26.1 billion in income taxes paid.

Net cash used in investing activities came to ¥66.2 billion, down from ¥66.6 billion used in the previous fiscal year. Key investments during the year included ¥76.8 billion in purchase of property, plant and equipment and ¥9.1 billion in purchase of intangible assets.

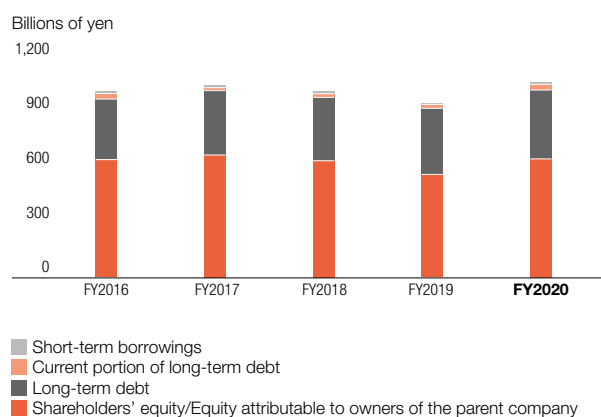
Net cash used in financing activities came to ¥60.3 billion, compared with ¥52.3 billion used in financing activities in the previous year. Purchase of shares in subsidiaries not resulting in change of scope of consolidation of ¥22.0 billion and dividends paid of ¥17.5 billion were among the main outflows.

As a result of the foregoing, cash and cash equivalents as of March 31, 2021, totaled ¥181.6 billion.

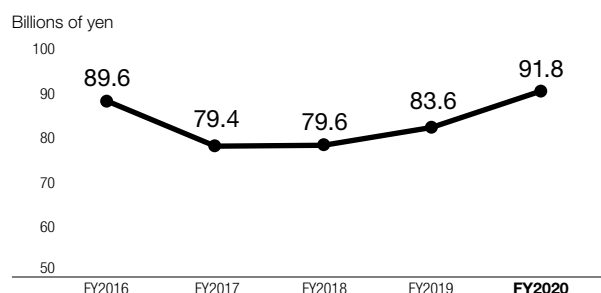
### Shareholder's Equity Ratio/Ratio of Equity Attributable to Owners of the Parent Company



### Total Capital



### Capital Expenditures





## Cash Flow Highlights

	(Billions of yen)				
Years ended March 31	FY2020	FY2019	FY2018	FY2017	FY2016
Net cash provided by operating activities	165.6	114.8	123.2	126.6	108.9
Net cash used in investing activities	(66.2)	(66.6)	(72.9)	(99.1)	(142.2)
Net cash provided by (used in) financing activities	(60.3)	(52.3)	(78.9)	(23.9)	14.7
Cash and cash equivalents at end of the year	181.6	141.7	153.7	187.8	186.0

## Shareholder Returns

Under Phase 1 of the Medium-Term Management Plan for 2020-2025, which consists of structural reform from FY2020 - 2022, the Company will allocate cash flow generated through profit growth and asset reduction to investment in growth as well as returning over ¥100.0 billion to shareholders.

Starting from the current Medium-Term Management Plan, we will increase the target dividend payout ratio from the previous 30% to 40% and enhance shareholder returns in a stable and continuous manner to make the total return ratio 50% or more.

The Company's basic policy is to distribute dividends twice a year, in the form of interim and year-end dividends. For the fiscal year under review (ended March 31, 2021), the Company paid a dividend of ¥42 per share (including the interim dividend of ¥16 per share), an increase of ¥10 from the previous fiscal year.

For the next fiscal year (ending March 31, 2022), an annual dividend of ¥44 per share is planned (with an interim dividend payment of ¥22), an increase of ¥2 in the annual dividend from the fiscal year ended March 31, 2021.

## 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

## Outlook for the Fiscal Year Ending March 31, 2022

For the fiscal year ending March 31, 2022, the Company expects consolidated sales of ¥1,113.0 billion and business profit of ¥115.0 billion. The forecast for profit attributable to owners of the parent company is ¥60.0 billion. The forecast average exchange rate for the full fiscal year is US\$1: ¥105.

## Reference: Forecast by Segments

	Fiscal year ended March 31, 2021		Fiscal year ending March 31, 2022	
	Sales	Business Profit	Sales	Business Profit
Seasonings and Foods	620.5	86.7	654.7	85.8
Frozen Foods	198.2	2.3	208.2	2.4
Healthcare and Others	239.5	26.2	231.3	29.2
Other	13.1	(2.2)	18.6	(2.6)
Total	1,071.4	113.1	1,113.0	115.0

## COVID-19 Pandemic's Impact on Earnings

At present, it is not clear when the COVID-19 pandemic will end, and the economic outlook remains uncertain. However, the Company has formulated the business results forecasts based on the following assumptions.

- Completing the rollout of COVID-19 vaccines in the countries where the Ajinomoto Group engages in business will take at least six months, and the impact of the pandemic will persist with economic activity gradually normalizing from the second half of the fiscal year.
- The U.S. and Europe will move toward containment of the

pandemic. In particular, the U.S. economy is expected to recover quickly.

- The situation in Japan, the main ASEAN countries (except for Vietnam), and Brazil is expected to continue improving and getting worse.
- Restrictions on the movement of people will remain even after the completion of the vaccine rollout in each country.
- Based on the above assumptions, the Group will aim for organic growth based on the normalization of home dining demand in each country.

## 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. 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, 2021.

### (1) Finance-Related Opportunities and Risks

Financial risk	(1) Relevant opportunities and risks (○ Opportunity ● Risk)	(2) Key initiatives by the Ajinomoto Group
Impairment	<ul style="list-style-type: none"> <li>● Failure of acquired subsidiaries, etc., to fulfill business plan</li> <li>● Sharp increase in interest rates</li> </ul>	<ul style="list-style-type: none"> <li>· Deliberation by M&amp;A Committee, Management Committee, etc., on appropriateness of acquisition price</li> <li>· Post-acquisition follow-up to achieve synergies and periodic monitoring of macroeconomic environment</li> </ul>
Financing	<ul style="list-style-type: none"> <li>● Depletion of capital due to financial crisis</li> <li>● Ratings downgrade</li> <li>● Additional capital procurement or other risk arising from failure to fulfill plans due to various risk factors, associated worsening of rating</li> </ul>	<ul style="list-style-type: none"> <li>· Monitoring of Group companies' cash and deposits and short-term interest-bearing debt, cancellation of restraint deposits, creation of internal loan system, exploration of commitment lines in foreign currencies</li> <li>· Appropriate diversification of capital sources and capital procurement periods</li> <li>· Maintenance and strengthening of financial structure</li> <li>· Timely analysis of and response to various risk factors</li> <li>· Timely revision of plans based on latest information</li> </ul>
Bankruptcy of customers	<ul style="list-style-type: none"> <li>● Unforeseen bankruptcies of customers including overseas customers</li> </ul>	<ul style="list-style-type: none"> <li>· Credit preservation, including through information gathering and credit management</li> </ul>
Fluctuation in exchange and interest rates	<ul style="list-style-type: none"> <li>● Slowdown in overseas business activity due to fluctuation in exchange or interest rates</li> <li>● Impact on yen translation of business results of overseas subsidiaries due to fluctuation in exchange or interest rates</li> </ul>	<ul style="list-style-type: none"> <li>· Monitoring of macro-indicators in main overseas markets</li> <li>· Exchange contracts, swaps from variable to fixed interest rates, etc.</li> <li>· Capital procurement, including by parent company, in countries with low risk of exchange rate fluctuation</li> </ul>
Country risk	<ul style="list-style-type: none"> <li>● Expropriation risk</li> <li>● Risk of outbreak of war, conflict, etc.</li> </ul>	<ul style="list-style-type: none"> <li>· Appropriate diversification of countries of operation</li> </ul>
Tax system change	<ul style="list-style-type: none"> <li>○ Reduction of future tax burden through system reform (e.g. reform of U.S. tax system)</li> <li>● Increase in business operational costs due to system reform (e.g. value-added tax in Brazil)</li> </ul>	<ul style="list-style-type: none"> <li>· For example of tax risk countermeasures, see Group Shared Policy on Global Tax at link below: <a href="https://www.ajinomoto.com/sustainability/agp/global-tax.php">https://www.ajinomoto.com/sustainability/agp/global-tax.php</a></li> <li>· Compliance with Group guidelines on optimal capital structure</li> <li>· Implementation of countermeasures against changes in tax system and tax administration in each country</li> <li>· Formulation and implementation of measures and plans to minimize tax and tax-related expenses</li> </ul>
Tax effect change	<ul style="list-style-type: none"> <li>○● Increase or decrease in tax expenses due to change, etc., in estimates of future taxable income</li> </ul>	

Financial risk	(3) Related SDGs	(4) Impact on Medium-Term Management Plan strategies	(5) Magnitude of impact	(6) Probability and timing of manifestation	(7) Assessment	(8) 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	Small	Major	Monitoring	↘
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	Major	Monitoring	↗
Country risk	—	—	Moderate	Small	Monitoring	→
Tax system change	—	—	Small	Major	Monitoring	→
Tax effect change	—	—	Small	Major	Monitoring	→

(2) Material Issues

Material issues	(1) Relevant opportunities and risks (○ Opportunity ● Risk)	(2) Key initiatives by the Ajinomoto Group
Contribution to solve food and health issues	<ul style="list-style-type: none"> <li>○ Rethink of diet, physical exercise, and other areas of lifestyle due to increasingly serious and diverse health issues</li> <li>○ Brand trust</li> <li>○ Strengthening of health and nutrition-related laws and regulations (sugar tax, nutritional labeling)</li> <li>○ Involvement of food and nutrition in predictive prevention</li> <li>○ Regenerative medicine technology, rollout of antibody drugs and oligonucleotide therapeutics</li> <li>● Rising competition in the health and nutrition field</li> </ul>	<ul style="list-style-type: none"> <li>· Offering tasty food and amino acid products as well as menus that nourish health and well-being</li> <li>· Delicious reduced-salt foods (umami)</li> <li>· Promoting protein intake</li> <li>· Delicious low-sugar and low-fat foods</li> <li>· Workforce nutrition improvement</li> <li>· Use of nutrient profiling system in product development</li> <li>· Provision of individually tailored products and services that help improve nutrition (personalized nutrition)</li> <li>· Contributing to disease prevention with “AminoIndex technology”</li> <li>· Provision of cell culture medium for regenerative medicine</li> <li>· Contract development and manufacture of biopharmaceuticals</li> </ul>
Rapid response to consumer lifestyle changes	<ul style="list-style-type: none"> <li>○ Enhancing corporate reputation by offering the joy of eating together</li> <li>○ New value creation using digital media, etc.</li> <li>● Loss of growth opportunities due to delayed response to consumer lifestyle changes or diversifying values</li> </ul>	<ul style="list-style-type: none"> <li>· Creating strong communities and social bonds through food</li> <li>· Advanced marketing efforts by leveraging big data and consumer data</li> <li>· Building strategies to deal with smaller markets</li> <li>· Properly delivering products, services and information to customers</li> <li>· Expanding products and services to meet the need for convenience, such as smart cooking</li> </ul>
Assurance of product safety	<ul style="list-style-type: none"> <li>○ Brand trust gained by increasing customer satisfaction</li> <li>○ Trust gained through fair disclosure to stakeholders</li> <li>● Impact on business of growing negative rumors regarding umami and MSG</li> <li>● Lower customer confidence due to product quality complaints or incidents</li> </ul>	<ul style="list-style-type: none"> <li>· Providing proper information via product packaging and online</li> <li>· Reflecting customer feedback on developing and improving products and services</li> <li>· Enhancing communication to share the benefits of umami and MSG</li> <li>· Thorough quality assurance and human resource training based on the Ajinomoto System of Quality Assurance (ASQUA)</li> </ul>
Diverse talent	<ul style="list-style-type: none"> <li>○ Company growth by improving employee engagement</li> <li>○ Creation of an innovative environment</li> <li>● Rising costs due to intense competition for human resources</li> </ul>	<ul style="list-style-type: none"> <li>· Enhancing employee ASV engagement (ASV as one's own initiative)</li> <li>· Promoting PDCA cycle using the engagement survey</li> <li>· Reform of organizational culture to promote diversity and inclusion</li> <li>· Training and promotion of female employees</li> <li>· Promoting health management</li> <li>· Human rights awareness training</li> <li>· Fostering a corporate culture of innovation</li> </ul>
Climate change adaption and mitigation	<p>Achievement of cost competitiveness through introduction of renewable energy and cutting of carbon tax burden</p> <ul style="list-style-type: none"> <li>○ Collaboration with outside organizations on decarbonization</li> <li>● Failure to procure raw materials due to climate change</li> <li>● Damaged corporate value due to delayed response to climate change</li> </ul>	<ul style="list-style-type: none"> <li>· Long-term effort to turning the overall product lifecycle carbon neutral</li> <li>· Initiatives to reduce energy use during production and transportation</li> <li>· Shifting to renewable energy</li> <li>· Utilization of internal carbon pricing</li> <li>· Disclosing information in line with the Task Force on Climate-related Financial Disclosures (TCFD) (scenario analysis, etc.)</li> <li>· Lowering environmental impact by feed-use amino acids (reduction of soil and water pollution)</li> </ul>
Contribution to a circular economy	<ul style="list-style-type: none"> <li>○ Market capture through development of environmentally friendly materials</li> <li>● Damaged corporate value due to delays in waste reduction or recycling efforts</li> </ul>	<ul style="list-style-type: none"> <li>· Supplying highly biodegradable amino acid-based detergent</li> <li>· Promoting the 3Rs of containers and packaging (reduction of plastic waste, etc.)</li> <li>· Eco-friendly packaging (mono-materials, biodegradable plastics, plant-derived materials, certified paper)</li> <li>· Promoting use of environmentally friendly product labels</li> <li>· Appeals on packaging labels to reduce plastic waste</li> </ul>
Reduction of food loss and waste	<ul style="list-style-type: none"> <li>○ Cost reductions through initiatives to improve production process yields and reduce product returns and product waste</li> <li>● Damage to corporate value due to delays in addressing food loss and waste</li> </ul>	<ul style="list-style-type: none"> <li>· Using raw materials in manufacturing process without waste</li> <li>· Upgraded, optimal supply-chain management using digital technology</li> <li>· Reducing product returns and waste by extending product best-before dates, etc.</li> <li>· Reducing food loss and waste during product use by customers</li> <li>· Proposing eco-friendly lifestyles for enjoying food without leftovers</li> </ul>

Material issues	(1) Relevant opportunities and risks (○ Opportunity ● Risk)	(2) Key initiatives by the Ajinomoto Group
Sustainable materials sourcing	<ul style="list-style-type: none"> <li>● Failure to procure raw materials, product returns due to quality issues in the supply chain</li> <li>● Failure to procure raw materials and damage to corporate value due to delays in addressing social and environmental issues in the supply chain</li> <li>● Failure to procure raw materials due to food resource depletion</li> </ul>	<ul style="list-style-type: none"> <li>· Activity to promote suppliers' awareness and understanding of procurement policy and guidelines</li> <li>· Putting in place of CSR audit system for suppliers and contract manufacturers</li> <li>· Management of fair operating practices (traceability, etc.)</li> <li>· Establishment of PDCA cycle through due diligence on human rights</li> <li>· Identifying important raw materials and engaging in responsible procurement (paper, palm oil, skipjack, etc.)</li> <li>· Ensuring fair competition and providing thorough employee training</li> <li>· Contributing to sustainable agriculture by using co-products</li> </ul>
Conservation of water resources	<ul style="list-style-type: none"> <li>○ Ensuring of stable raw material procurement and stable product supply through reduction of water risk</li> <li>● Production stagnation due to droughts, floods or water quality deterioration</li> <li>● Damage to corporate value due to delays in addressing water resource conservation</li> </ul>	<ul style="list-style-type: none"> <li>· Maintaining forests for water sources</li> <li>· Developing wastewater treatment technology</li> </ul>
Strong corporate governance	<ul style="list-style-type: none"> <li>● Appropriate risk-taking</li> <li>● Business continuity risk or other unexpected losses due to failures in corporate governance or internal controls</li> <li>● Deterioration in evaluation by investors due to failure to conduct appropriate information disclosure</li> <li>● Decreased competitiveness due to vulnerabilities in IT management structure</li> <li>● Confusion in organizational management and reduced business profitability due to changes in the macro-environment</li> <li>● Impact of intellectual property risks on business</li> </ul> <hr/> <ul style="list-style-type: none"> <li>● Delay or shutdown of operations due to combined effects of natural disasters, diseases, or pandemics (COVID-19, avian influenza, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>· Raising awareness of the Ajinomoto Group Policies among all Group employees</li> <li>· Establishing whistleblower hotline</li> <li>· Strengthening corporate governance system</li> <li>· Stronger business continuity management (BCM)</li> <li>· Occupational safety and health management</li> <li>· Selecting Group-wide significant risks and considering appropriate responses</li> <li>· Strengthening of cybersecurity measures by ensuring compliance with IT security regulations</li> <li>· Managing intellectual property risk</li> <li>· Dialogue with a diverse range of stakeholders</li> </ul>
Preparation for intense global competition	<ul style="list-style-type: none"> <li>○ Business foundation reform through digital disruption</li> <li>○ Value creation from external collaboration</li> <li>○ Specialty creation through technological innovation</li> <li>○ Establishment of competitive advantage by forecasting future changes</li> <li>● Opportunity loss and decline in competitiveness due to neglect of IT investment</li> <li>● Emergence of multiple competitors due to an inability to erect strong barriers to entry</li> </ul>	<ul style="list-style-type: none"> <li>· Stronger collaboration between food and AminoScience divisions</li> <li>· Evolving supply chain management (digitization, establish ecosystem, etc.)</li> <li>· Promoting digital transformation</li> <li>· Establishing solutions-oriented R&amp;D structure</li> <li>· Executing global strategy in consumer food businesses (seasonings, quick nourishment and processed foods, frozen foods)</li> <li>· Competitive intelligence (medium- to long-term initiatives)</li> <li>· Promoting open &amp; linked innovation</li> <li>· Review of global production, logistics, and employment systems</li> </ul>

Management's Discussion and Analysis

Material issues	(3) Related SDGs	(4) Impact on Medium-Term Management Plan strategies	(5) Magnitude of impact	(6) Probability and timing of manifestation	(7) Assessment	(8) YoY comparison
Contribution to solve food and health issues		Decreased ability to offer health-centric value to consumers and decline in consumer demand due to loss of value-proposition competitiveness	Major	Moderate	Very material	→
Rapid response to consumer lifestyle changes			Moderate	Major	Very material	→
Assurance of product safety		—	Small	Major	Monitoring	→
Diverse talent		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			Major	Moderate	Very material	→
Contribution to a circular economy			Moderate	Major	Very material	→
Reduction of food loss and waste		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	Small	Moderate	Monitoring	→
Sustainable materials sourcing			Moderate	Major	Very material	→
Conservation of water resources			Moderate	Moderate	Material	→
Strong corporate governance		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		Delays in offering new added value, decreased efficiency and slower organic growth due to failure to prioritize core businesses fast enough	Moderate	Major	Very material	→
			Small	Major	Monitoring	↑

## Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	Note	As of March 31, 2021	As of March 31, 2020
(Millions of yen)			
<b>Assets</b>			
Current assets			
Cash and cash equivalents	8, 39	<b>181,609</b>	141,701
Trade and other receivables	9, 39	<b>162,104</b>	184,739
Other financial assets	39	<b>12,078</b>	8,946
Inventories	10	<b>188,664</b>	178,636
Income taxes receivable		<b>7,459</b>	8,653
Others		<b>18,746</b>	16,225
Subtotal		<b>570,662</b>	538,901
Assets of disposal groups classified as held for sale	11	<b>14,506</b>	—
Total current assets		<b>585,169</b>	538,901
Non-current assets			
Property, plant and equipment	12	<b>486,443</b>	454,357
Intangible assets	13	<b>72,201</b>	69,245
Goodwill	13	<b>96,024</b>	89,964
Investments in associates and joint ventures	17	<b>112,246</b>	116,280
Long-term financial assets	39	<b>53,576</b>	50,132
Deferred tax assets	18	<b>14,537</b>	17,781
Others		<b>11,090</b>	16,952
Total non-current assets		<b>846,119</b>	814,714
Total assets		<b>1,431,289</b>	1,353,616

**Consolidated Statements of Financial Position**

(Millions of yen)

	Note	As of March 31, 2021	As of March 31, 2020
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	19, 39	188,452	178,583
Short-term borrowings	20, 39	10,820	8,043
Commercial papers	20, 39	30,000	40,000
Current portion of bonds	20, 39	—	19,995
Current portion of long-term borrowings	20, 39	18,085	15,191
Other financial liabilities	15, 39	11,603	5,401
Short-term employee benefits	24	38,288	41,588
Provisions	22	4,343	5,272
Income taxes payable		10,770	12,517
Others		11,371	8,972
Subtotal		323,736	335,566
Liabilities of disposal groups classified as held for sale	11	12,603	—
Total current liabilities		336,339	335,566
Non-current liabilities			
Corporate bonds	20, 39	149,608	149,550
Long-term borrowings	20, 39	141,911	124,135
Other financial liabilities	15, 39	69,381	72,738
Long-term employee benefits	24	43,487	66,659
Provisions	22	4,704	7,264
Deferred tax liabilities	18	16,240	4,503
Others		1,770	1,127
Total non-current liabilities		427,103	425,978
Total liabilities		763,443	761,545
<b>Equity</b>			
Common stock	25	79,863	79,863
Capital surplus	25	—	—
Treasury stock	25	(1,464)	(2,160)
Retained earnings	25	608,031	574,287
Other components of equity		(65,454)	(113,015)
Other components of equity related to disposal groups classified as held for sale	11	(718)	—
Equity attributable to owners of the parent company		620,257	538,975
Non-controlling interests		47,589	53,095
Total equity		667,846	592,070
Total liabilities and equity		1,431,289	1,353,616

## Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Continuing operations			
Sales	7, 28	1,071,453	1,100,039
Cost of sales		(665,234)	(696,166)
Gross profit		406,219	403,873
Share of profit of associates and joint ventures	7, 17	1,317	(2,444)
Selling expenses	29	(160,646)	(172,079)
Research and development expenses	30	(25,900)	(27,596)
General and administrative expenses	31	(107,853)	(102,516)
Business profit	7	113,136	99,236
Other operating income	33	24,436	7,572
Other operating expenses	34	(36,450)	(58,035)
Operating profit		101,121	48,773
Financial income	35	3,900	8,030
Financial expenses	36	(6,701)	(8,009)
Profit before income taxes		98,320	48,795
Income taxes	18	(32,040)	(20,384)
Profit from continuing operations		66,280	28,410
Profit from discontinued operations	11	—	558
Profit		66,280	28,969
Attributable to:			
Owners of the parent company		59,416	18,837
Non-controlling interests		6,864	10,132
Profit from continuing operations attributable to owners of the parent company		59,416	18,643
Profit from discontinued operations attributable to owners of the parent company		—	193
Profit attributable to owners of the parent company		59,416	18,837
Earnings per share from continuing operations (yen):			
Basic	38	108.36	34.01
Diluted	38	108.32	33.99
Earnings per share from discontinued operations (yen):			
Basic	38	—	0.35
Diluted	38	—	0.35
Earnings per share (yen):			
Basic	38	108.36	34.37
Diluted	38	108.32	34.35



## Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
(Millions of yen)			
Profit		66,280	28,969
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	3,405	(4,491)
Remeasurements of defined benefit pension plans	24, 37	17,809	(1,935)
Share of other comprehensive income (loss) of associates and joint ventures	17, 37	404	(297)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	37	423	406
Hedge surplus	37	169	109
Exchange differences on translation of foreign operations	37	29,883	(40,171)
Share of other comprehensive income (loss) of associates and joint ventures	17, 37	(614)	(193)
Other comprehensive income (Net of related tax effects)	37	51,482	(46,573)
Comprehensive income		117,762	(17,604)
Comprehensive income attributable to:			
Owners of the parent company		106,560	(23,647)
Non-controlling interests		11,202	6,042

# Consolidated Statements of Changes in Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Equity attributable to owners of the parent company							
		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
						Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit pension plans	Cash flow hedges	Hedge surplus
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)
Balance as of April 1, 2020		<b>79,863</b>	<b>—</b>	<b>(2,160)</b>	<b>574,287</b>	<b>12,472</b>	<b>(34,411)</b>	<b>(2,764)</b>	<b>(441)</b>
Profit					59,416				
Other comprehensive income	37					3,405	18,044	423	154
Comprehensive income		—	—	—	59,416	3,405	18,044	423	154
Purchase of treasury stock	25			(7)					
Disposal of treasury stock	25		(0)	0					
Retirement of treasury stock	25								
Dividends	26				(17,544)				
Changes in transactions with non-controlling interests			1,439						
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		(9,454)						
Transfer from other components of equity to retained earnings	39				328	(412)			
Transfer of negative balance of other capital surplus			8,458		(8,458)				
Transfer to non-financial assets								26	
Stock-based remuneration transaction	27		(443)	702					
Other components of equity related to disposal groups classified as held for sale	11								
Other					1				
Total net changes in transactions with owners of the parent company		—	—	695	(25,671)	(412)	—	26	—
Balance as of March 31, 2021		<b>79,863</b>	<b>—</b>	<b>(1,464)</b>	<b>608,031</b>	<b>15,465</b>	<b>(16,367)</b>	<b>(2,314)</b>	<b>(286)</b>

## Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company							
	Note	Other components of equity			Disposal groups classified as held for sale	Total	Non-controlling interests	Total
		Exchange differences on translating foreign operations	Share of other comprehensive income (loss) of associates and joint ventures	Total				
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
Balance as of April 1, 2020		<b>(87,611)</b>	<b>(258)</b>	<b>(113,015)</b>	<b>—</b>	<b>538,975</b>	<b>53,095</b>	<b>592,070</b>
Profit				—		59,416	6,864	66,280
Other comprehensive income	37	25,325	(209)	47,144		47,144	4,337	51,482
Comprehensive income		25,325	(209)	47,144	—	106,560	11,202	117,762
Purchase of treasury stock	25			—		(7)		(7)
Disposal of treasury stock	25			—		0		0
Retirement of treasury stock	25			—		—		—
Dividends	26			—		(17,544)	(3,721)	(21,265)
Changes in transactions with non-controlling interests				—		1,439		1,439
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			—		(9,454)	(13,338)	(22,793)
Transfer from other components of equity to retained earnings	39		83	(328)		—		—
Transfer of negative balance of other capital surplus				—		—		—
Transfer to non-financial assets				26		26		26
Stock-based remuneration transaction	27			—		259		259
Other components of equity related to disposal groups classified as held for sale	11	718		718	(718)	—		—
Other				—		1	352	353
Total net changes in transactions with owners of the parent company		718	83	416	(718)	(25,278)	(16,708)	(41,987)
Balance as of March 31, 2021		<b>(61,567)</b>	<b>(384)</b>	<b>(65,454)</b>	<b>(718)</b>	<b>620,257</b>	<b>47,589</b>	<b>667,846</b>

## Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
<b>Cash flows from operating activities</b>			
Profit before income taxes		98,320	48,795
Profit before income taxes from discontinued operations	11	—	680
Depreciation and amortization		63,045	61,986
Impairment loss and gain on reversal of impairment loss		16,465	30,728
Impairment loss on shares of associates and joint ventures	17	—	4,232
Increase (decrease) in employee benefits		(2,407)	5,969
Increase (decrease) in provisions		1,657	(4,433)
Interest income		(1,851)	(4,401)
Dividend income		(913)	(1,506)
Interest expense		3,543	3,711
Share of profit of associates and joint ventures	7	(1,317)	2,444
Loss on disposal of property, plant and equipment		4,450	3,886
Gain on sale of fixed assets	33	(15,803)	(1,492)
Loss on sale of fixed assets		692	1,846
Gain on sale of shares of subsidiaries		(118)	(559)
Decrease (increase) in trade and other receivables		21,580	3,754
Increase (decrease) in trade and other payables		8,315	(8,919)
Decrease (increase) in inventories		(8,090)	(2,092)
Increase (decrease) in consumption taxes payable		(2,397)	(1,923)
Increase (decrease) in other assets and liabilities		(2,122)	(2,250)
Others		7,661	(7,986)
Subtotal		190,710	132,466
Interest received		1,850	4,403
Dividends received		2,631	2,661
Interest paid		(3,370)	(3,522)
Income taxes paid		(26,172)	(21,152)
<b>Net cash provided by operating activities</b>		<b>165,650</b>	<b>114,856</b>

## Consolidated Statements of Cash Flows

(Millions of yen)

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(76,889)	(73,703)
Proceeds from sale of property, plant and equipment		17,226	1,264
Purchase of intangible assets		(9,148)	(8,338)
Purchase of financial assets		(652)	(26)
Proceeds from sale of financial assets		2,200	11,621
Purchase of shares in subsidiaries resulting in change in scope of consolidation	42	(5,601)	(3,809)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	16	—	2,754
Purchase of shares in investments accounted for using equity method		(257)	(516)
Proceeds from sale of shares of investments accounted for using equity method		4,404	—
Others		2,471	4,100
<b>Net cash used in investing activities</b>		<b>(66,247)</b>	<b>(66,651)</b>
<b>Cash flows from financing activities</b>			
Net change in short-term borrowings	21	3,051	(1,759)
Increase (decrease) in commercial papers	21	(10,000)	40,000
Proceeds from long-term borrowings	21	33,500	3,545
Repayments of long-term borrowings	21	(15,547)	(13,735)
Redemption of bonds	21	(20,000)	—
Dividends paid		(17,526)	(17,555)
Dividends paid to non-controlling interests		(3,585)	(4,789)
Purchase of treasury stock	25	(7)	(6)
Purchase of shares in subsidiaries not resulting in change of scope of consolidation		(22,077)	(49,274)
Repayments of lease liabilities	21	(8,939)	(8,835)
Others		745	103
<b>Net cash used in financing activities</b>		<b>(60,387)</b>	<b>(52,306)</b>
<b>Effect of currency rate changes on cash and cash equivalents</b>		<b>3,891</b>	<b>(7,925)</b>
<b>Net change in cash and cash equivalents</b>		<b>42,908</b>	<b>(12,024)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>141,701</b>	<b>153,725</b>
Cash and cash equivalents included in assets of disposal groups classified as held for sale	11	(2,999)	—
<b>Cash and cash equivalents at end of the year</b>		<b>181,609</b>	<b>141,701</b>

# Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries  
March 31, 2021

## 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, 2021 were authorized for issue at the Management Meeting held on June 16, 2021, and subsequent events for the period up to the filing date were assessed thereafter.

## 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 there is objective evidence of impairment.

Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity about loss events, including significant changes with an adverse effect that have taken place in the market or economic environment in which the associate or joint venture operates, and indicates that the cost of the investment may not be recovered.

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.  
For cash flow hedging relationships that hedge foreign exchange risk, the Group designates only changes in the fair value of the spot component of the hedging instrument. Changes in the fair value of the forward component are accounted for separately as the cost of hedging.  
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, or when the hedge does not meet the criteria for hedge accounting. 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) Put options written on non-controlling interests

The Group initially recognizes the present value of the redemption amount of put options written on the shares of subsidiaries over non-controlling interests as other financial liabilities and reduces the same amount from capital surplus. After initial recognition, the put options are measured at amortized cost using the effective interest method, and changes after initial recognition are recognized as financial income or financial expenses in the consolidated statements of income. When such put options expire, the amount of "Other financial liabilities" is transferred to "Capital surplus."

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

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

**(9) Goodwill and intangible assets****1) Goodwill**

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

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

Goodwill is derecognized when an asset in the cash-generating unit (minimum unit or unit 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**

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.

### **(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, 2021:

IFRS		Overview of new standards or amendments
IFRS 7	<i>Financial Instruments: Disclosures</i>	Partial amendment to hedge accounting requirements in response to IBOR reform
IFRS 9	<i>Financial Instruments</i>	

At present, there is no impact of applying the above accounting standards. While discussions with financial institutions are underway, the Company anticipates that adoption of alternative indicators will not have a material impact.

### (2) Change in presentation method

“Loss on sale of shares of subsidiaries” and “Environmental measures expenses,” which were presented separately under cash flows from operating activities in the fiscal year ended March 31, 2020, are included in “Others” in the fiscal

year ended March 31, 2021, as the amounts have become less material. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2020 are reclassified.

As a result, ¥450 million of “Loss on sale of shares of subsidiaries,” ¥440 million of “Environmental measures expenses,” and ¥(8,877) million of “Others,” presented under cash flows from operating activities, are reclassified as “Others” of ¥(7,986) million in the consolidated statements of cash flows for the fiscal year ended March 31, 2020.

## 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)

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

Important judgments are included in the following notes:

- Impairment of non-financial assets  
(Note 3. Significant Accounting Policies (11) Impairment of non-financial assets, Note 14. Impairment of Non-financial Assets)

### (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 assumes that the impact will continue for a certain period in the following fiscal year, and is currently reviewing whether or not there are any signs that any non-financial assets are impaired.

## 6. Accounting Standards or Interpretations Issued but Not Yet Applied

None of the accounting standards and interpretations which have been newly issued or announced to be amended before the authorization of these consolidated financial statements have a material effect.

## 7. Segment Information

### (1) Overview of reportable segments

The Group's reportable segments are categorized primarily by product lines. From the fiscal year ended March 31, 2021, the Group has reclassified its previous four reportable segments of "Japan Food Products," "International Food Products," "Life Support," and "Healthcare" into three reportable segments: "Seasonings and Foods," "Frozen Foods," and "Healthcare and Others." This reclassification accompanies changes in corporate organization aimed at strengthening business-based global management systems for the core businesses in the 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.

Segment information for the fiscal year ended March 31, 2020 discloses information prepared based on the reportable segment classifications after the changes in corporate organization.

The Group has classified the packaging business under discontinued operations since the fiscal year ended March 31, 2020, and segment information presents amounts related to continuing operations only, so the packaging business is excluded.

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

Reportable Segments	Details	Main Products
Seasonings and Foods	Sauce & Seasonings	Umami seasonings <i>AJI-NO-MOTO</i> <sup>®</sup> , <i>HON-DASHI</i> <sup>®</sup> , <i>Cook Do</i> <sup>®</sup> , <i>Ajinomoto KK Consommé</i> , <i>Pure Select</i> <sup>®</sup> <i>Mayonnaise</i> , <i>Ros Dee</i> <sup>®</sup> (flavor seasoning/Thailand), <i>Masako</i> <sup>®</sup> (flavor seasoning/Indonesia), <i>Aji-ngon</i> <sup>®</sup> (flavor seasoning/Vietnam), <i>Sazón</i> <sup>®</sup> (flavor seasoning/Brazil), <i>SAJIKU</i> <sup>®</sup> (menu-specific seasoning/Indonesia), <i>CRISPY FRY</i> <sup>®</sup> (menu-specific seasoning/Philippines), etc.
	Quick Nourishment	<i>Knorr</i> <sup>®</sup> <i>Cup Soup</i> , <i>YumYum</i> <sup>®</sup> (instant noodles/Thailand), <i>Birdy</i> <sup>®</sup> (coffee beverage/Thailand), <i>Birdy</i> <sup>®</sup> <i>3in1</i> (powdered drink/Thailand), <i>Blendy</i> <sup>®</sup> brand products ( <i>CAFÉ LATORY</i> <sup>®</sup> , Stick coffee, etc.), <i>MAXIM</i> <sup>®</sup> brand products, <i>Chatto Zeitakuna Kohiten</i> <sup>®</sup> brand products, Various gift sets, Office supplies (coffee vending machines, tea servers), etc.
	Solution & Ingredients	Umami Seasonings <i>AJI-NO-MOTO</i> <sup>®</sup> for foodservice and processed food manufacturers in Japan, Seasonings and processed foods for foodservice, Seasonings for processed foods (natural savory seasonings, enzyme <i>ACTIVA</i> <sup>®</sup> ), Drinks supplied to restaurants, Ingredients for industrial use, Lunchboxes and delicatessen products, Bakery products, Nucleotides, Sweeteners (aspartame for food processing, <i>PAL SWEET</i> <sup>®</sup> for home use, etc.) and others.
Frozen Foods	Frozen Foods	Chinese dumplings ( <i>Gyoza</i> , <i>Shoga Gyoza</i> , <i>POT STICKERS</i> , etc.), Cooked rice ( <i>THE CHA-HAN</i> , <i>CHICKEN FRIED RICE</i> , <i>YAKITORI CHICKEN FRIED RICE</i> , etc.), Noodles ( <i>YAKISOBA</i> , <i>RAMEN</i> , etc.), Desserts (cakes for restaurant and industrial-use, <i>MACARON</i> , etc.), <i>Shumai</i> ( <i>THE SHUMAI</i> , etc.), Processed chicken ( <i>Yawaraka Wakadori Kara-Age</i> (fried chicken), <i>THE KARA-AGE</i> , etc.) and others.
Healthcare and Others	Amino Acids for Pharmaceuticals and Foods	Amino acids for pharmaceuticals and foods, culture media, medical foods
	Bio-Pharma Services	Contract manufacturing services of pharmaceutical intermediates and active ingredients, sterile products (fill and finish), etc.
	Specialty Chemicals	Electronic materials ( <i>Ajinomoto Build-up Film</i> <sup>®</sup> (ABF) interlayer insulating material for semiconductor packages, etc.), Functional materials (adhesive <i>PLENSET</i> <sup>®</sup> ), Magnetic materials ( <i>AFTINNOVA</i> <sup>®</sup> <i>Magnetic Film</i> , etc.), activated carbon, release paper, etc.
	Others	Feed-use amino acids (Lysine, Threonine, Tryptophan, Valine, <i>AjiPro</i> <sup>®</sup> -L, etc.), Fundamental Foods ( <i>Glyna</i> <sup>®</sup> , <i>Amino Aile</i> <sup>®</sup> ), Functional foods ( <i>amino VITAL</i> <sup>®</sup> ), Personal Care ingredients (amino acid-based mild surfactant <i>Amisoft</i> <sup>®</sup> , <i>Amilite</i> <sup>®</sup> , amino acid-based humectant <i>Ajidew</i> <sup>®</sup> , etc.), 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, 2021

(Millions of yen)

	Reportable segment				Total	Adjust-ments <sup>*2</sup>	As included in consoli-dated statements of income	
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other <sup>*1</sup>				
Sales								
Sales to third parties	620,507	198,254	239,518	13,173	1,071,453	—	1,071,453	
Inter-segment sales and transfers	6,279	1,662	5,690	38,627	52,260	(52,260)	—	
Total sales	626,786	199,917	245,209	51,800	1,123,713	(52,260)	1,071,453	
Share of profit of associates and joint ventures	1,767	—	74	(525)	1,317	—	1,317	
Segment profit or loss (Business profit or loss)	86,796	2,318	26,264	(2,244)	113,136	—	113,136	
							Other operating income	24,436
							Other operating expenses	(36,450)
							Operating profit	101,121
							Financial income	3,900
							Financial expense	(6,701)
							Profit before income taxes	98,320

\*1. “Other” includes the tie-up and other service-related businesses.

\*2. Common corporate expenses that are not attributed to specific reportable segments are allocated to each reportable segment based on reasonable criteria. Common corporate expenses mainly relate to the parent company’s administrative divisions.

## Notes to Consolidated Financial Statements

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segment					Total	Adjust-ments* <sup>2</sup>	As included in consoli-dated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other* <sup>1</sup>				
Sales								
Sales to third parties	641,755	211,231	231,663	15,389	1,100,039	—	1,100,039	
Inter-segment sales and transfers	6,070	1,575	3,972	32,205	43,823	(43,823)	-	
Total sales	647,826	212,806	235,635	47,594	1,143,863	(43,823)	1,100,039	
Share of profit of associates and joint ventures	(2,364)	—	171	(251)	(2,444)	—	(2,444)	
Segment profit or loss (Business profit or loss)	81,620	90	19,512	(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	

\*1. "Other" includes the tie-up and other service-related businesses.

\*2. Common corporate expenses that are not attributed to specific reportable segments are allocated to each reportable segment based on reasonable criteria. Common corporate expenses mainly relate to the parent company's administrative divisions.

## 2) Other income and expense items

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

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment					Total	Adjust-ments* <sup>2</sup>	As included in consoli-dated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other* <sup>1</sup>				
Depreciation and amortization	28,902	10,079	15,150	4,255	58,387	4,658	63,045	
Impairment loss	1,610	793	16,129	—	18,533	2	18,536	

\*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, 2020

(Millions of yen)

	Reportable segment					Total	Adjust-ments* <sup>2</sup>	As included in consoli-dated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other* <sup>1</sup>				
Depreciation and amortization	27,990	10,522	15,511	3,913	57,939	3,521	61,460	
Impairment loss	14,712	344	15,379	—	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.



## Notes to Consolidated Financial Statements

### 3) Assets

Information on assets by reportable segment is as follows:

As of March 31, 2021

	Reportable segment					Total	Adjust-ments*2	As included in consoli-dated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1				
Segment assets	562,994	182,514	290,602	114,411	1,150,524	280,765	1,431,289	
Of which investments in associates and joint ventures accounted for by equity method	42,430	—	4,134	65,680	112,246	—	112,246	

\*1. "Other" includes the tie-up and other service-related businesses.

\*2. Adjustments for segment assets primarily consist of corporate assets of ¥349,486 million and elimination of inter-segment receivables and payables of ¥(68,721) 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, 2020

	Reportable segment					Total	Adjust-ments*2	As included in consoli-dated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1				
Segment assets	519,360	185,733	277,401	112,379	1,094,875	258,740	1,353,616	
Of which investments in associates and joint ventures accounted for by equity method	43,980	—	5,565	66,734	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 ¥312,767 million and elimination of inter-segment receivables and payables of ¥(54,026) million. Corporate assets primarily consist of the Group's cash and cash equivalents, long-term investments, land not used in operations, and certain assets associated with administrative divisions and research facilities.

Fiscal year ended March 31, 2021

	Reportable segment					Total	Adjust-ments*2	As included in consoli-dated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1				
Additions to non-current assets*3	52,996	13,426	23,070	615	90,109	7,043	97,152	

\*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, 2020

	Reportable segment					Total	Adjust-ments*2	As included in consoli-dated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1				
Additions to non-current assets*3	57,109	9,759	18,446	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.

**(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, 2021

(Millions of yen)

	Asia			Americas		Europe	Total
	Japan	Thailand	Others	U.S.	Others		
<b>Sales</b>	<b>461,596</b>	<b>109,917</b>	<b>177,117</b>	<b>162,541</b>	<b>58,036</b>	<b>102,244</b>	<b>1,071,453</b>

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, 2020

(Millions of yen)

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

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, 2021

(Millions of yen)

	Asia			Americas		Europe	Total
	Japan	Thailand	Others	U.S.	Others		
<b>Non-current assets</b>	<b>318,176</b>	<b>74,597</b>	<b>64,089</b>	<b>149,774</b>	<b>21,184</b>	<b>32,263</b>	<b>660,086</b>

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, 2020

(Millions of yen)

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

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:

	As of March 31, 2021	As of March 31, 2020
Cash and bank deposits	181,609	141,700
Securities classified as cash equivalents	0	0
Total cash and cash equivalents in consolidated statements of financial position	181,609	141,701
Total cash and cash equivalents in consolidated statements of cash flows	181,609	141,701

## 9. Trade and Other Receivables

The details of trade and other receivables are as follows:

	As of March 31, 2021	As of March 31, 2020
Notes receivable – trade	5,659	6,207
Accounts receivable - trade	145,411	168,506
Other receivables	11,308	9,344
Others	697	1,793
Loss allowance for expected credit loss	(972)	(1,112)
Total	162,104	184,739

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:

	As of March 31, 2021	As of March 31, 2020
Finished goods and merchandise	105,093	100,511
Work in process	27,313	25,102
Raw materials and supplies	56,257	53,022
Total	188,664	178,636

The amounts of inventories recognized as expenses were ¥651,882 million and ¥682,054 million for the fiscal years ended March 31, 2021 and 2020, 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.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Inventory write-downs	1,594	1,782

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

### (1) Disposal groups classified as held for sale

The Company resolved at a meeting of its Board of Directors on February 26, 2021, to transfer all shares of Ajinomoto Animal Nutrition Europe S.A.S. ("AANE"), which engages in the animal nutrition business in Europe and is wholly owned by the Company's subsidiary, Ajinomoto Animal Nutrition Group, Inc. ("AANG"), to METabolic EXplorer S.A. ("METEX") of France. On the same day, the Company concluded a put-option agreement under which it can request METEX to acquire the shares of AANE.

Accordingly, as it became more likely that the Company will lose control of AANE in the fiscal year ending March 31, 2022, the assets and liabilities of AANE have been classified as a disposal group held for sale at the end of the fiscal year ended March 31, 2021. The disposal group classified as held for sale mainly belongs to the "Healthcare and Others" segment.

On April 14, 2021, AANG entered into an agreement to transfer all shares of AANE to METEX, and the transfer was completed on April 28, 2021.

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

	As of March 31, 2021	As of March 31, 2020
(Millions of yen)		
Assets of disposal groups classified as held for sale		
Cash and cash equivalents	2,999	—
Trade and other receivables	5,767	—
Inventories	5,503	—
Income taxes receivable	64	—
Other current assets	171	—
<b>Total assets</b>	<b>14,506</b>	<b>—</b>
Liabilities of disposal groups classified as held for sale		
Trade and other payables	3,241	—
Short-term borrowings	1,655	—
Current portion of long-term borrowings	144	—
Other financial liabilities (current)	489	—
Short-term employee benefits	622	—
Provisions (current)	4,970	—
Other financial liabilities (non-current)	533	—
Long-term employee benefits	945	—
<b>Total liabilities</b>	<b>12,603</b>	<b>—</b>

This disposal group classified as held for sale is measured at fair value less costs to sell (¥1,723 million) because the fair value less costs to sell is lower than the carrying amount. Fair value was determined based on the estimated selling price in the option agreement with METEX, and this fair value measurement is classified as level 3 of the fair value hierarchy.

As a result, for the fiscal year ended March 31, 2021, of the difference between the fair value less costs to sell and the carrying amount of the disposal groups, the carrying amount of the feed-use amino acid production facility owned by AANE of ¥7,775 million was accounted for as an impairment loss, and the remaining ¥5,089 million was accounted for as a provision for loss on contract. Both are recorded in "Other operating expenses" in the consolidated statements of income.

As of March 31, 2021, other components of equity related to assets held for sale amounted to ¥(718) million (net of tax).

**(2) Discontinued operations**

On April 26, 2018, the Company entered into an agreement with KAGOME CO., LTD., The Nisshin Oillio Group, Ltd., Nisshin Foods Inc., and HOUSE FOODS GROUP INC. to reorganize each company's respective logistics functions including AJINOMOTO LOGISTICS CORPORATION ("AB"), Kagome Distribution Service Co., Ltd., House Logistics Service Corporation, F-LINE CORPORATION, and KYUSHU F-LINE CORPORATION, and to establish a nationwide logistics company in April 2019 integrating each company's logistics business. In line with the new establishment of the integrated company, F-LINE CORPORATION, the Company lost control of AB on April 1, 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, the profit or loss and cash flows related to the packaging business for the fiscal year ended March 31, 2020 are classified and restated as a discontinued operation. Together with the logistics business, which had already been classified as a discontinued operation, they are collectively presented as discontinued operations, apart from continuing operations.

The details of discontinued operations are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Income from discontinued operations	—	11,771
Expenses from discontinued operations	—	(11,090)
Profit before income taxes from discontinued operations	—	680
Income taxes	—	(122)
Profit from discontinued operations	—	558

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

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

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Income	—	11,213
Expenses	—	(10,640)
Profit before income taxes	—	572
Income taxes	—	(122)
Profit	—	450

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Gains (losses) recognized on disposal of disposal groups constituting discontinued operations	—	108
Income taxes on gains (losses) on disposal	—	—
Profit (loss)	—	108

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Cash flows from operating activities	—	1,449
Cash flows from investing activities*	—	(2,360)
Cash flows from financing activities	—	(0)
Total	—	(911)

\* Cash flows from investing activities for the fiscal year ended March 31, 2020 in the consolidated statements of cash flows do not include the payments for sale of shares in subsidiaries resulting in loss of control (cash of derecognized subsidiaries) of ¥(4,799) million, which were classified in the fiscal year ended March 31, 2019 as cash and cash equivalents included in the assets of disposal groups classified as held for sale.

## 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 March 31, 2019* <sup>1</sup>	152,309	160,524	16,630	46,199	47,706	423,369
Increase due to application of IFRS 16 Leases	46,843	1,010	20	6,081	—	53,956
Balance as of April 1, 2019* <sup>1</sup>	199,152	161,535	16,651	52,280	47,706	477,326
Acquisition due to purchases from third parties* <sup>2</sup>	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)
Others	(7,813)	(764)	62	(2,096)	(958)	(11,570)
Balance as of March 31, 2020* <sup>1</sup>	197,265	138,571	15,088	50,898	52,533	454,357
Acquisition due to purchases from third parties* <sup>2</sup>	<b>13,262</b>	<b>7,609</b>	<b>2,162</b>	<b>52</b>	<b>68,146</b>	<b>91,232</b>
Acquisition due to business combinations	<b>711</b>	<b>1,449</b>	<b>42</b>	<b>217</b>	<b>47</b>	<b>2,468</b>
Sales or disposal	<b>(2,539)</b>	<b>(2,790)</b>	<b>(353)</b>	<b>(1,206)</b>	<b>(333)</b>	<b>(7,223)</b>
Impairment loss	<b>(3,502)</b>	<b>(11,134)</b>	<b>(162)</b>	<b>(297)</b>	<b>(2,831)</b>	<b>(17,929)</b>
Depreciation	<b>(20,420)</b>	<b>(28,808)</b>	<b>(5,719)</b>	<b>(451)</b>	<b>—</b>	<b>(55,400)</b>
Transfer from construction in progress	<b>25,771</b>	<b>42,661</b>	<b>5,502</b>	<b>—</b>	<b>(73,935)</b>	<b>—</b>
Exchange differences on translation	<b>3,735</b>	<b>5,255</b>	<b>376</b>	<b>872</b>	<b>1,283</b>	<b>11,522</b>
Others	<b>(455)</b>	<b>4,663</b>	<b>596</b>	<b>889</b>	<b>1,720</b>	<b>7,414</b>
Balance as of March 31, 2021* <sup>1</sup>	<b>213,827</b>	<b>157,476</b>	<b>17,533</b>	<b>50,974</b>	<b>46,630</b>	<b>486,443</b>

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.

## Notes to Consolidated Financial Statements

\*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 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 April 1, 2019	46,843	1,010	20	6,081	53,956
As of March 31, 2020	48,563	3,642	133	6,776	59,116
As of March 31, 2021	46,691	3,349	866	7,619	58,527

\*2. The borrowing costs capitalized were ¥4 million and ¥66 million for the fiscal years ended March 31, 2021 and 2020, respectively. The capitalization rates applied in calculating the borrowing costs were 0.89% and 0.83% for the fiscal years ended March 31, 2021 and 2020, 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, 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
As of March 31, 2021	<b>451,550</b>	<b>617,946</b>	<b>78,387</b>	<b>52,211</b>	<b>49,462</b>	<b>1,249,557</b>

### 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, 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
As of March 31, 2021	<b>237,722</b>	<b>460,469</b>	<b>60,854</b>	<b>1,236</b>	<b>2,831</b>	<b>763,114</b>

### (2) Commitments

The amounts of commitments for the acquisition of property, plant and equipment as of March 31, 2021 and March 31, 2020 were ¥18,719 million and ¥23,472 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, 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	<b>89,964</b>	<b>33,544</b>	<b>21,890</b>	<b>3,755</b>	<b>10,053</b>	<b>69,245</b>
Increase due to individual acquisition	—	2	9,406	—	45	9,453
Acquisition due to business combinations	4,780	367	26	—	705	1,099
Sales or disposal	—	(0)	(62)	—	(3)	(66)
Impairment loss	—	—	(550)	—	(56)	(607)
Amortization	—	(687)	(5,017)	(1,254)	(686)	(7,645)
Exchange differences on translation	1,280	84	100	88	238	512
Others	—	—	167	—	42	209
Balance as of March 31, 2021	<b>96,024</b>	<b>33,312</b>	<b>25,960</b>	<b>2,589</b>	<b>10,338</b>	<b>72,201</b>

The borrowing costs capitalized were ¥68 million and ¥2 million for the fiscal years ended March 31, 2021 and 2020, respectively. The capitalization rates used for calculating the borrowing costs for qualifying assets were 0.89% and 0.83% for the fiscal years ended March 31, 2021 and 2020, 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, 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
As of March 31, 2021	<b>112,948</b>	<b>37,809</b>	<b>79,430</b>	<b>9,952</b>	<b>15,925</b>	<b>143,117</b>

#### 3) Accumulated amortization and impairment loss

	(Millions of yen)					
	Intangible assets					
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
As of April 1, 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
As of March 31, 2021	<b>16,924</b>	<b>4,497</b>	<b>53,469</b>	<b>7,362</b>	<b>5,587</b>	<b>70,916</b>



**(2) Commitments**

The amounts of commitments for the acquisition of intangible assets as of March 31, 2021 and March 31, 2020 were ¥1,130 million and ¥778 million, respectively.

**(3) Intangible assets with indefinite useful lives**

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2021 and March 31, 2020 were ¥27,757 million and ¥27,611 million, respectively. The main assets are the “Trademarks” of Ajinomoto AGF’s coffee products (Japan) 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, 2021 and March 31, 2020 included in the consolidated statements of financial position were the “Trademarks” of coffee products (Japan) 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 ¥18,536 million and ¥30,728 million for the fiscal years ended March 31, 2021 and 2020, respectively. These impairment losses were recorded in “Other operating expenses” in the consolidated statements of income.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
	(Millions of yen)	
Buildings and structures	3,502	6,811
Machinery and vehicles	11,134	19,911
Tools, furniture and fixtures	162	281
Land	297	57
Construction in progress	2,831	914
Software	550	327
Trademarks	—	646
Goodwill	—	1,612
Others	56	166
Total	18,536	30,728

Right-of-use assets are included in each asset.

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

Fiscal year ended March 31, 2021

**1) Healthcare and Others segment**

As part of its business restructuring, the Company resolved at a meeting of its Board of Directors on February 26, 2021, to transfer all shares of AANE, a European feed-use amino acid company wholly owned by the Company’s subsidiary, AANG, to METEX France. On the same day, the Company concluded a put-option agreement under which it can request METEX to acquire the shares of AANE. The Company is also considering the restructuring of its feed-use amino acid production facilities in North America.

Accordingly, the Company reduced the carrying amount of both European and North American feed-use amino acid production facilities to the recoverable amount, and recorded impairment losses of ¥7,775 million and ¥7,960 million, respectively, in “Other operating expenses.”

The breakdown of the impairment loss is as follows:

Location	Cash-generating unit	Type	Amount
France	Feed-use amino acid production facility	Buildings and structures	1,277
		Machinery and vehicles	4,647
		Other	1,851
		Total	7,775

For measurement of recoverable amount, please refer to Note “11. Disposal Groups Classified as Held for Sale and Discontinued Operations.”

## Notes to Consolidated Financial Statements

(Millions of yen)

Location	Cash-generating unit	Type	Amount
United States	Feed-use amino acid production facility	Buildings and structures	1,816
		Machinery and vehicles	4,709
		Other	1,433
		Total	7,960

The recoverable amount related to non-current assets of ¥4,050 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 16.0%.

Fiscal year ended March 31, 2020

### 1) Healthcare and Others 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) Seasonings and Foods 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.

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%.

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

#### 1. Ajinomoto Foods North America, Inc. ("AFNA")

For impairment tests for the goodwill of AFNA, for the fiscal years ended March 31, 2021 and 2020, 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: 5 years (7 years for the previous fiscal year)
- Growth rate used to extend cash flow projection: 3.0% (2.5% for the previous fiscal year)
- Pre-tax discount rate applied to future cash flow projection: 10.8% (10.6% for the previous fiscal year)
- EV / EBITDA ratio used for comparable peer company analysis: 12.5 times (12.5 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, 2021, the recoverable amount exceeds the carrying amount by ¥11,761 million. If the discount rate increased by 1.0%, impairment loss would be recognized.

#### 2. Coffee products (Japan)

For impairment tests for goodwill and intangible assets with indefinite useful lives (trademarks) of coffee products (Japan), including Ajinomoto AGF, Inc., for the fiscal years ended March 31, 2021 and 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 (3-year business plan for the fiscal year ended March 31, 2020). 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 0.2% (0.3% for the fiscal year ended March 31, 2020), and the pre-tax discount rate applied to the cash flow projection was 6.9% (7.4% for the fiscal year ended March 31, 2020).

As of March 31, 2021, the recoverable amount exceeds the carrying amount by ¥25,460 million. If the discount rate increased by 1.5%, impairment loss would be recognized.

#### 3. Bio-pharma services

For impairment tests for goodwill of bio-pharma services for the fiscal year ended March 31, 2021, 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- and 5-year business plans. The business plans were 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 plans was 2.3% to 4.9%, and the pre-tax discount rate applied to the cash flow projection was 12.2% to 15.8%.

In the fiscal year ended March 31, 2021, the recoverable amount exceeds the carrying amount by ¥29,976 million. If the discount rate increased by 2.5% in each country, impairment loss would be recognized.

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

Cash-generating unit or group of cash-generating units	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2020
AFNA	35,606	35,002
Coffee products (Japan)	30,906	30,906
Bio-pharma services	17,545	15,738
Others	11,965	8,317
<b>Total</b>	<b>96,024</b>	<b>89,964</b>

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:

Cash-generating unit or group of cash-generating units	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2020
Coffee products (Japan)	25,907	25,907
Others	1,850	1,704
<b>Total</b>	<b>27,757</b>	<b>27,611</b>

## 15. Leases

The Group's lease transactions are as follows:

### (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, 2021 is presented in Note 12 "Property, Plant and Equipment."

The amounts of right-of-use assets acquired in the fiscal years ended March 31, 2021 and 2020 were ¥9,423 million and ¥8,581 million, respectively.

Lease liabilities with lease payments due within one year from the end of the fiscal years ended March 31, 2021 and 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, 2021	As of March 31, 2020
Due within one year	6,543	6,219
Due over one year	49,854	50,596
<b>Total</b>	<b>56,398</b>	<b>56,815</b>

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)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Depreciation charge for right-of-use assets		
Buildings and structures	8,047	7,678
Machinery and vehicles	925	821
Tools, furniture and fixtures	56	69
Land	451	404
Total	9,480	8,974
Interest expense on lease liabilities	606	732
Short-term lease payments	1,312	1,428
Payments for leases of low-value assets	3,392	3,576
Contingent lease payments excluded from lease liabilities	366	273
Sublease income	(197)	(189)

Total cash outflows for leases for the fiscal years ended March 31, 2021 and 2020 were ¥9,773 million and ¥9,707 million, respectively. Lease transactions not yet commenced to which the Group is committed were ¥380 million as of the end of the fiscal year ended March 31, 2021 (¥0 million as of the end of the fiscal year ended March 31, 2020).

## (2) Leases as lessor

There were no significant transactions in the Group.

## 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	99.6	0.4
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, seasonings and processed foods	United States	100.0	—
Ajinomoto Health & Nutrition North America, Inc.* <sup>1</sup>	0 USD	Amino acids, umami seasonings and sweeteners for processed food manufacturers, specialty chemicals, and animal nutrition	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.* <sup>2</sup>	26,865 thousand EUR	Animal nutrition	France	100.0	—
Ajinomoto OmniChem N.V.	21,320 thousand EUR	Amino acids	Belgium	100.0	—

\*<sup>1</sup> Ajinomoto Animal Nutrition North America, Inc. merged with Ajinomoto Health & Nutrition North America, Inc. in October 2020, and has therefore been deleted from the table.

\*<sup>2</sup> As it became more likely that the Company will lose control of AJINOMOTO ANIMAL NUTRITION EUROPE S.A.S. (AANE) in the fiscal year ending March 31, 2022, the assets and liabilities of AANE have been classified as a disposal group held for sale. A transfer of all shares of AANE was completed on April 28, 2021.

### (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, 2021	Fiscal year ended March 31, 2020
Changes due to equity transactions with non-controlling interests	(9,454)	(27,426)

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

For the fiscal year ended March 31, 2021, there were no profit and loss (before tax effect) recognized due to changes in ownership interests that resulted in the loss of control of subsidiaries.

For the fiscal year ended March 31, 2020, the profit (before tax effect) recognized due to changes in ownership interests that resulted in the loss of control of subsidiaries was ¥108 million, which was accounted for as "Profit from discontinued operations" in the consolidated statements of income.

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

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

	Fiscal year ended March 31, 2021	(Millions of yen) Fiscal year ended March 31, 2020
Consideration received in cash	—	4,447
Cash and cash equivalents of derecognized subsidiaries	—	1,692
Net: Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	2,754

**17. Investments Accounted for Using the Equity Method****(1) Associates**

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

	As of March 31, 2021	(Millions of yen) As of March 31, 2020
Carrying amount of interests in associates	76,354	79,830

	Fiscal year ended March 31, 2021	(Millions of yen) Fiscal year ended March 31, 2020
Profit from continuing operations attributable to owners of the parent company	274	270
Profit from discontinued operations attributable to owners of the parent company	—	—
Other comprehensive income attributable to owners of the parent company	474	(219)
Total comprehensive income attributable to owners of the parent company	748	50

**(2) Joint ventures**

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

	As of March 31, 2021	(Millions of yen) As of March 31, 2020
Carrying amount of interests in joint ventures	35,891	36,450

	Fiscal year ended March 31, 2021	(Millions of yen) Fiscal year ended March 31, 2020
Profit from continuing operations attributable to owners of the parent company	1,042	(2,715)
Profit from discontinued operations attributable to owners of the parent company	—	—
Other comprehensive income attributable to owners of the parent company	(683)	(271)
Total comprehensive income attributable to owners of the parent company	359	(2,987)

**(Impairment loss on shares of associates and joint ventures)**

Fiscal year ended March 31, 2021

No applicable items.

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 shares of 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 operations 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, 2021

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Others	Balance at the end of the year
<b>Deferred tax assets</b>					
Liability for retirement benefits, etc.	15,000	(1,908)	(6,197)	(70)	6,824
Accrued compensated absences	2,542	99	—	0	2,641
Accrued bonuses	3,944	108	—	(12)	4,040
Elimination of intercompany profit	3,556	579	—	—	4,135
Net loss carryforwards	2,127	453	—	(30)	2,550
Period expense	4,735	342	—	(39)	5,038
Impairment loss	3,208	4,012	—	60	7,280
Others	7,758	2,184	(261)	289	9,970
<b>Total</b>	<b>42,873</b>	<b>5,869</b>	<b>(6,458)</b>	<b>198</b>	<b>42,480</b>
<b>Deferred tax liabilities</b>					
Revaluation of property, plant and equipment	(9,016)	(2,072)	—	172	(10,916)
Reserve for accelerated depreciation of property, plant and equipment	(3,330)	123	—	—	(3,207)
Net changes in fair value of financial assets	(6,483)	—	(1,101)	(4)	(7,588)
Appraisal of land on consolidated financial statements	(2,632)	(35)	—	—	(2,667)
Retained earnings of overseas subsidiaries and associates	(3,764)	(10,129)	—	—	(13,893)
Others	(4,367)	(1,313)	—	(230)	(5,910)
<b>Total</b>	<b>(29,595)</b>	<b>(13,426)</b>	<b>(1,101)</b>	<b>(62)</b>	<b>(44,183)</b>
<b>Net deferred tax assets or liabilities</b>	<b>13,278</b>	<b>(7,557)</b>	<b>(7,559)</b>	<b>136</b>	<b>(1,703)</b>



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
<b>Deferred tax assets</b>						
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
Net loss carryforwards	799	1,350	—	—	(22)	2,127
Period expense	3,042	1,707	—	6	(20)	4,735
Impairment loss	4,144	(227)	—	—	(709)	3,208
Others	12,250	(4,339)	219	4	(376)	7,758
<b>Total</b>	<b>41,948</b>	<b>1,499</b>	<b>871</b>	<b>26</b>	<b>(1,472)</b>	<b>42,873</b>
<b>Deferred tax liabilities</b>						
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)
Retained earnings of overseas subsidiaries and associates	(3,425)	(339)	—	—	—	(3,764)
Others	(4,333)	(493)	—	(58)	517	(4,367)
<b>Total</b>	<b>(33,751)</b>	<b>1,859</b>	<b>2,640</b>	<b>(1,238)</b>	<b>895</b>	<b>(29,595)</b>
<b>Net deferred tax assets or liabilities</b>	<b>8,196</b>	<b>3,358</b>	<b>3,511</b>	<b>(1,212)</b>	<b>(577)</b>	<b>13,278</b>

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, 2021	As of March 31, 2020
Deferred tax assets	14,537	17,781
Deferred tax liabilities	(16,240)	(4,503)
<b>Net deferred tax assets (liabilities)</b>	<b>(1,703)</b>	<b>13,278</b>

**(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, 2021	As of March 31, 2020
Future deductible temporary differences	56,597	57,721
Net loss carryforwards	12,286	10,622
Unused tax credits	2,932	3,477
<b>Total</b>	<b>71,816</b>	<b>71,822</b>

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

## Net loss carryforwards (tax base)

	As of March 31, 2021	As of March 31, 2020
Within 1 year	—	27
Over 1 year within 2 years	56	—
Over 2 years within 3 years	123	55
Over 3 years within 4 years	7	123
Over 4 years within 5 years	319	6
Over 5 years	11,780	10,409
<b>Total</b>	<b>12,286</b>	<b>10,622</b>

(Millions of yen)

## Unused tax credits (tax base)

	As of March 31, 2021	As of March 31, 2020
Within 1 year	963	511
Over 1 year within 2 years	1,783	1,162
Over 2 years within 3 years	185	1,804
Over 3 years within 4 years	—	—
Over 4 years within 5 years	—	—
Over 5 years	—	—
<b>Total</b>	<b>2,932</b>	<b>3,477</b>

(Millions of yen)

### (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 ¥335,667 million and ¥358,863 million as of March 31, 2021 and March 31, 2020, respectively.

### (4) Deferred tax assets dependent on future taxable income

Deferred tax assets of ¥8,768 million and ¥12,034 million were recognized as of March 31, 2021 and March 31, 2020, respectively, for the Company and its certain subsidiaries that incurred net loss for the fiscal years ended March 31, 2021 or 2020, 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:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Current tax expense	24,483	23,742
Deferred tax expense		
Recognition and reversal of temporary differences	9,783	266
Assessment of recoverability of deferred tax assets	(2,181)	(3,629)
Others	(44)	5
Total deferred tax expense	7,557	(3,358)
<b>Total tax expenses</b>	<b>32,040</b>	<b>20,384</b>

(Millions of yen)

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 ¥50 million and ¥4,934 million for the fiscal years ended March 31, 2021 and 2020, 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, 2021	Fiscal year ended March 31, 2020
Statutory tax rate	30.6	30.6
Share of profit of associates and joint ventures	(0.4)	1.5
Difference from applicable tax rates of foreign subsidiaries	(5.1)	(12.2)
Permanently non-deductible or non-taxable items	0.2	5.8
Special tax credit on corporate income taxes	(2.3)	(1.6)
Increase (decrease) in unrecognized deferred tax assets and liabilities	(1.0)	14.5
Withholding taxes on dividends from foreign subsidiaries	11.9	2.1
Others	(1.3)	1.0
Effective tax rate	32.6	41.8

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, 2021	As of March 31, 2020
Notes payable - trade	906	1,554
Accounts payable - trade	91,392	91,724
Accounts payable - other	45,415	34,807
Refund liabilities*	17,015	17,349
Others	33,723	33,147
Total	188,452	178,583

\* Refund liabilities primarily include rebates expected to be refunded to customers.

## 20. Corporate Bonds and Borrowings

### (1) Corporate bonds

The details of corporate bonds as of March 31, 2021 and March 31, 2020 are as follows:

Company name	Issue	Date of issuance	As of March 31, 2021 (Millions of yen)	As of March 31, 2020 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Ajinomoto Co., Inc.	The 20th unsecured bond	September 17, 2008	— (—)	19,995 (19,995)	1.890	None	September 17, 2020
Ajinomoto Co., Inc.	The 21st unsecured bond	March 2, 2016	19,979 (—)	19,969 (—)	0.200	None	March 2, 2023
Ajinomoto Co., Inc.	The 22nd unsecured bond	March 2, 2016	24,949 (—)	24,938 (—)	0.305	None	March 2, 2026
Ajinomoto Co., Inc.	The 23rd unsecured bond	March 2, 2016	24,902 (—)	24,896 (—)	0.939	None	February 29, 2036
Ajinomoto Co., Inc.	The 24th unsecured bond	March 9, 2017	19,965 (—)	19,954 (—)	0.190	None	March 8, 2024
Ajinomoto Co., Inc.	The 25th unsecured bond	March 9, 2017	29,933 (—)	29,922 (—)	0.355	None	March 9, 2027
Ajinomoto Co., Inc.	The 26th unsecured bond	March 9, 2017	29,877 (—)	29,869 (—)	0.921	None	March 9, 2037
Total			149,608 (—)	169,546 (19,995)	—	—	—

Figures in parentheses () represent the current portion of corporate bonds as of March 31, 2021 and March 31, 2020.

### (2) Borrowings

The details of borrowings as of March 31, 2021 and March 31, 2020 are as follows:

	As of March 31, 2021 (Millions of yen)	As of March 31, 2020 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	10,820	8,043	0.98	—
Commercial papers	30,000	40,000	(0.08)	—
Current portion of long-term borrowings	18,085	15,191	1.21	—
Long-term borrowings	141,911	124,135	1.02	From April 2022 to November 2037
Total	200,816	187,370	—	—

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 operations and discontinued operations. For cash flows from discontinued operations, please see Note 11 “Disposal Groups Classified as Held for Sale and Discontinued Operations.”

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended March 31, 2021

(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 right-of-use assets	Others*3	
Short-term borrowings	8,043	3,051	717	458	—	—	(1,450)	10,820
Commercial papers	40,000	(10,000)	—	—	—	—	—	30,000
Long-term borrowings*1	139,326	17,953	885	737	—	—	1,094	159,996
Corporate bonds*1	169,546	(20,000)	—	—	—	—	61	149,608
Lease liabilities	56,815	(8,939)	21	(1,581)	—	9,423	659	56,398
Derivative liabilities (assets)*2	1,930	88	—	—	(821)	—	—	1,196
Total liabilities arising from cash flows from financing activities	415,662	(17,846)	1,624	(385)	(821)	9,423	364	408,019

\*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.

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.

## 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, 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
Increase in the period (provisions)	<b>3,129</b>	<b>131</b>	<b>5,089</b>	<b>123</b>	<b>579</b>	<b>9,051</b>
Increase in the period (increase arising from passage of time)	—	—	—	—	1	1
Decrease in the period (utilization)	<b>(3,017)</b>	<b>(335)</b>	<b>(835)</b>	<b>(1,003)</b>	<b>(474)</b>	<b>(5,666)</b>
Decrease in the period (reversal)	0	<b>(119)</b>	<b>(1,499)</b>	<b>(16)</b>	<b>(246)</b>	<b>(1,880)</b>
Exchange differences on translation	<b>36</b>	<b>41</b>	—	<b>(121)</b>	<b>(6)</b>	<b>(50)</b>
Others	<b>(0)</b>	—	—	<b>(11)</b>	<b>38</b>	<b>27</b>
Transfer to disposal groups held for sale	<b>(64)</b>	—	<b>(4,905)</b>	—	—	<b>(4,970)</b>
Balance as of March 31, 2021	<b>3,310</b>	<b>1,119</b>	<b>2,217</b>	<b>916</b>	<b>1,484</b>	<b>9,048</b>

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2020
Current liabilities	4,343	5,272
Non-current liabilities	4,704	7,264
Total	9,048	12,536

### (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, 2021.

### (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, 2021.

### (3) Provision for loss on contract

Provision for loss on contract primarily consists of the following:

#### 1) Manufacturing service agreement for pharmaceuticals products

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 five years from the end of the fiscal year ended March 31, 2021, 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.

#### 2) Put-option agreement for the shares of AANE

The Company concluded a put-option agreement under which it can request METEX to acquire the shares of AANE held by the Company's subsidiary AANG. Accordingly, as it became

more likely that the Company will lose control of AANE in the fiscal year ending March 31, 2022, the assets and liabilities of AANE have been classified as a disposal group held for sale at the end of the fiscal year ended March 31, 2021, with their carrying amounts reduced to their fair values less costs to sell. For details, please see Note 11 “Disposal Groups Classified as Held for Sale and Discontinued Operations.”

#### (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:

	As of March 31, 2021	As of March 31, 2020
Ajinomoto Bio-Pharma Services India Private Limited	—	1,972
Others	6	148
Total	6	2,120

(Millions of yen)

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, 2021.

Ajinomoto Bio-Pharma Services India Private Limited (former joint venture Granules-OmniChem Private Ltd.) has become a consolidated subsidiary from the fiscal year ended March 31, 2021.

## 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, the Company and 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, 2021.

	(Millions of yen)		
	Japan	Overseas	Total
Present value of defined benefit obligations	<b>249,763</b>	<b>23,220</b>	<b>272,983</b>
Fair value of plan assets	<b>230,025</b>	<b>8,699</b>	<b>238,724</b>
Net defined benefit liabilities (assets)	<b>19,737</b>	<b>14,520</b>	<b>34,258</b>
Amounts in consolidated statements of financial position			
Assets (Other non-current assets)	<b>5,671</b>	<b>2</b>	<b>5,673</b>
Liabilities (Long-term employee benefits)	<b>25,409</b>	<b>14,522</b>	<b>39,932</b>

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



**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, 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)
Changes in other actuarial assumptions and other experience adjustments	1,095	(117)	977
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	239	(49)	190
Balance as of March 31, 2020	255,298	19,831	275,130
Current service cost	<b>6,292</b>	<b>1,782</b>	<b>8,075</b>
Interest expense	<b>1,409</b>	<b>605</b>	<b>2,015</b>
Remeasurement of the present value of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	<b>2,125</b>	<b>(100)</b>	<b>2,024</b>
Actuarial (gains) losses arising from changes in financial assumptions	<b>(13,362)</b>	<b>549</b>	<b>(12,813)</b>
Changes in other actuarial assumptions and other experience adjustments	<b>9,436</b>	<b>81</b>	<b>9,518</b>
Past service cost	—	21	21
Contributions to the plan by plan participants	—	31	31
Benefits paid from the plan	<b>(11,259)</b>	<b>(809)</b>	<b>(12,069)</b>
Exchange differences on translation	—	<b>1,852</b>	<b>1,852</b>
Others	<b>(177)</b>	<b>320</b>	<b>142</b>
Transfer to disposal groups held for sale	—	<b>(945)</b>	<b>(945)</b>
Balance as of March 31, 2021	<b>249,763</b>	<b>23,220</b>	<b>272,983</b>

The weighted average duration of defined benefit obligations as of March 31, 2021 was 15.4 years in Japan and 10.8 years in overseas countries.

**4) Plan assets**

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

	Japan	Overseas	Total
Balance as of April 1, 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
Interest income	1,155	127	1,283
Remeasurement of fair value of plan assets:			
Return on plan assets	22,508	105	22,614
Actuarial (gains) losses arising from changes in financial assumptions	100	21	122
Contributions:			
Contributions to the plan by employer	9,031	930	9,962
Contributions to the plan by plan participants	41	31	72
Benefits paid from the plan	(10,994)	(561)	(11,555)
Exchange differences on translation	—	652	652
Others	(7)	69	62
Balance as of March 31, 2021	230,025	8,699	238,724

The amount of contributions to the defined benefit plans expected to be made for the fiscal year ending March 31, 2022 is ¥10,058 million.

The following table shows the components of plan assets.

(Millions of yen)

	As of March 31, 2021		As of March 31, 2020	
	Japan	Overseas	Japan	Overseas
Debt instruments				
With quoted price in active markets	—	163	—	112
With no quoted price in active markets	—	—	—	—
Equity instruments				
With quoted price in active markets	—	—	—	—
With no quoted price in active markets	—	—	—	—
Commingled investments				
Debt instruments				
With no quoted price in active markets	108,761	580	102,185	629
Equity instruments				
With no quoted price in active markets	57,088	—	37,291	—
Others				
With no quoted price in active markets	10,121	—	9,004	—
Life insurance general accounts				
With no quoted price in active markets	36,685	7,457	37,058	6,330
Alternative investments				
With no quoted price in active markets	11,310	—	16,485	—
Cash and cash equivalents	829	309	928	165
Others	5,228	187	5,235	82
Total	230,025	8,699	208,189	7,320

In the table above, debt and equity instruments with quoted price in active markets available are evaluated using the current quoted market prices and are classified under “with quoted price in active markets.” 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 price in active markets.” 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, 2021		As of March 31, 2020	
	Japan	Overseas	Japan	Overseas
Discount rates	0.7	3.2	0.6	3.2

## 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, 2021	
	Japan	Overseas
Increase in defined benefit obligations if the discount rate decreased by 0.1%	3,831	1,546
Decrease in defined benefit obligations if the discount rate increased by 0.1%	(4,261)	(1,523)

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, 2021			Fiscal year ended March 31, 2020		
	Japan	Overseas	Total	Japan	Overseas	Total
Current service cost	6,292	1,782	8,075	6,527	1,542	8,070
Interest income or expense	253	478	731	195	501	697
Past service cost	—	21	21	1	644	646
Total (Profit or loss)	6,546	2,281	8,828	6,725	2,688	9,413
Actuarial (gains) losses arising from changes in demographic assumptions	2,125	(100)	2,024	19	89	109
Actuarial (gains) losses arising from changes in financial assumptions	(13,463)	527	(12,935)	(2,932)	1,082	(1,849)
Return on plan assets (Excluding the amount included in interest income)	(22,508)	(105)	(22,614)	3,469	(119)	3,350
Changes in other actuarial assumptions and other changes	9,436	81	9,518	1,095	(117)	977
Total (Other comprehensive income)	(24,410)	403	(24,006)	1,652	935	2,588

**8) Defined contribution plans**

The amounts recognized as expenses for defined contribution plans were ¥15,013 million and ¥15,936 million for the fiscal years ended March 31, 2021 and 2020, 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, 2021	As of March 31, 2020
Short-term employee benefits		
Accrued salaries	3,605	7,250
Accrued bonuses	17,381	16,980
Accrued compensated absences	11,812	11,954
Others	5,489	5,402
Total	38,288	41,588
Other long-term employee benefits		
Provision for stock-based remuneration	30	—
Accrued retirement benefits for directors	212	123
Others	3,312	3,736
Total	3,555	3,859

## 25. Common Stock and Reserve

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

	As of March 31, 2021	As of March 31, 2020
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	549,163,354
End of the year	549,163,354	549,163,354
Treasury stock*2 (Common stock with no par value)		
Beginning of the year	974,103	1,063,513
End of the year	663,058	974,103

\*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 holds 559,200 ordinary shares of the Company (total share purchase amount: ¥1,249 million) and 873,700 ordinary shares of the Company (total share purchase amount: ¥1,952 million) in the fiscal years ended March 31, 2021 and 2020, respectively.

The Company's shares held by the Directors' Remuneration BIP Trust are presented as "Treasury stock" in the consolidated statements of financial position.

### (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, 2021	As of March 31, 2020
Capital (Millions of yen)	<b>620,257</b>	538,975
Equity ratio attributable to owners of the parent company (%)	<b>43.3</b>	39.8
ROE attributable to owners of the parent company (%)	<b>10.3</b>	3.3

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, 2021

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥16)	<b>8,785</b>	<b>March 31, 2020</b>	<b>June 24, 2020</b>	<b>June 25, 2020</b>
Interim dividend (Dividend per share: ¥16)	<b>8,784</b>	<b>September 30, 2020</b>	<b>November 4, 2020</b>	<b>December 4, 2020</b>

\*1. The total amount of year-end dividends includes ¥13 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.

\*2. The total amount of interim dividends includes ¥11 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.

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.

Dividends for which the effective date falls in the next fiscal year commencing April 1, 2021 are as follows:

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥26)	14,275	March 31, 2021	June 23, 2021	June 24, 2021

\* The total amount of year-end dividends includes ¥14 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, a stock-granting trust (the "Trust") grants the Company's shares to the Executive Officers after the end of the Medium-Term Management Plan period (the "Period"), based on the evaluation of their performance for the final fiscal year of the Period.

For the Stock-based Remuneration, the Company makes contributions to the Trust with the maximum amount of ¥2.2 billion for the Period, and the Trust acquires the Company's shares using the trusted fund in a maximum number of 1.10 million shares.

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 retire by June 30 of the fiscal year that includes the commencement date of the Period).

The Period for the fiscal year ended March 31, 2020 was included in the three fiscal years starting from April 1, 2017, and the number of the Company's shares to be granted to the Executive Officers is calculated by dividing the amount of the medium-term performance-linked remuneration by the average acquisition price of the Company's shares acquired by the Trust. The medium-term performance-linked remuneration is calculated based on the pre-set medium-term performance evaluation indicator by officer's rank according to the achievement level of the business profit and the ratio of business profit to total assets (ROA) (both are evaluation indicators, measured on a consolidated basis) for the final fiscal year of the Period. Shares less than 100 are rounded down.

The Period for the fiscal year ended March 31, 2021 is included in the three fiscal years starting from April 1, 2020, and the number of the Company's shares to be granted to the Executive Officers is calculated by multiplying the evaluation indicators calculated based on the target achievement rate and the assessment weighting for each evaluation indicator, by the amount of the pre-set medium-term performance-linked remuneration by officers' ranks and then dividing the product by the closing price of the Company's shares on March 31, 2020 (¥2,010.5). 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.

The formula for calculating the number of the Company's shares to be granted and the evaluation indicators for the fiscal year ended March 31, 2020 are as follows:

- \*1. The number of the Company's shares to be granted:  
(Medium-term performance evaluation indicator by officer's rank) × (¥10 million per indicator 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

The assessment criteria, performance targets and assessment weighting for the fiscal year ended March 31, 2021 are as follows:

	Assessment criteria	Performance target	Assessment weighting
1	ROIC achievement rate*1	8.0%	60%
2	Core business sales ratio achievement rate*2	70%	20%
3	Relative total shareholder return*3	1	10%
4	Employee engagement*4	—	5%
5	ESG targets*5	—	5%

- \*1. Weighted average value of target achievement rate for each year in the period (weighted average: 25% in FY2020, 25% in FY2021, 50% in FY2022)  
ROIC is calculated based on the following formula. All figures are consolidated amounts.  
Net operating profit less adjusted taxes for the fiscal year ÷ ((Invested capital for the fiscal year + Invested capital for the previous fiscal year) ÷ 2)  
Invested capital = Shareholders' equity attributable to owners of the parent company + Interest-bearing debt
- \*2. Target achievement rates for FY2022  
Core business sales ratio achievement rate is calculated based on the following formula. All figures are consolidated amounts.  
Core business sales for FY2022 ÷ Consolidated sales for FY2022
- \*3. Target achievement rates for FY2022  
Relative total shareholder return is calculated based on the following formula.  
Total Company shareholder return at the final day of FY2022 ÷ Total TOPIX shareholder return including dividends for the corresponding period used to calculate total Company shareholder return
- \*4. Self-assessment of employee engagement survey results, the initiatives started in the Medium-Term Management Plan (MTP) and achievement of these initiatives
- \*5. Self-assessment of the initiatives and achievement of the ESG targets in the MTP

### (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, 2021 and 2020 were ¥1,249 million and 559,200 shares, and ¥1,952 million and 873,700 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, 2021 and 2020.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Share price as of the grant date	¥1,828.5	—
Vesting period	3 years	—
Expected annual dividends	¥32/share	—
Discount rate	0.0%	—
Weighted average fair value	¥1,732.5	—

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

Expenses recorded for the Stock-based Remuneration were ¥259 million and ¥350 million for the fiscal years ended March 31, 2021 and 2020, 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 ¥193 million and ¥296 million for the fiscal years ended March 31, 2021 and 2020, respectively.

## 28. Sales

Revenue recognized from contracts with customers is presented as sales.

### (1) Sale of goods and services

#### 1) Seasonings and Foods

Seasonings and Foods segment of the Group earns revenues mainly from sales of seasonings, nutritional and processed foods to general consumers, and the provision of services to restaurants and the food processing industry.

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. In Japan, the estimate of rebates is calculated per contracts with customers, by multiplying the actual sales for a certain period by the expected rebate rate. Overseas, the estimate of rebates is calculated by estimating the sales volume for a certain period and multiplying it by the rebate rate in line with actual transaction results.

#### 2) Frozen Foods

Frozen Foods segment of the Group earns revenues mainly from sales of frozen foods.

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.

#### 3) Healthcare and Others

Healthcare and Others segment of the Group earns revenues mainly from the provision of amino acids for pharmaceuticals and foods, bio-pharma services, and sales of specialty chemicals.

"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. "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.

"Bio-pharma services" 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.

"Others" business mainly sells feed-use amino acids, 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, 2021	Fiscal year ended March 31, 2020
Seasonings and Foods	Sauce & Seasonings	288,960	293,001
	Quick Nourishment	186,352	193,634
	Solution & Ingredients	145,193	155,119
	Subtotal	620,507	641,755
Frozen Foods	Frozen Foods	198,254	211,231
	Subtotal	198,254	211,231
Healthcare and Others	Amino Acids for Pharmaceuticals and Foods	46,576	44,274
	Bio-Pharma Services	55,009	54,313
	Specialty Chemicals	45,163	36,356
	Others	92,769	96,718
	Subtotal	239,518	231,663
Others		13,173	15,389
Total		1,071,453	1,100,039

**(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, 2021

(Millions of yen)

	As of March 31, 2021	As of April 1, 2020
Contract liabilities	8,891	5,944

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

Revenue recognized for the fiscal years ended March 31, 2021 and 2020 that was included in the opening balance of contract liabilities was ¥5,944 million and ¥7,065 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, 2021 and March 31, 2020. 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:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Logistics expenses	46,778	51,007
Advertising	38,019	35,923
Sales promotion expenses	18,439	22,121
Sales commissions	2,208	2,566
Employee benefit expenses	38,361	39,201
Depreciation and amortization	5,000	5,309
Others	11,838	15,948
<b>Total</b>	<b>160,646</b>	<b>172,079</b>

(Millions of yen)

**30. Research and Development Expenses**

The details of research and development expenses are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Employee benefit expenses	11,930	12,456
Depreciation and amortization	2,820	2,807
Subcontracting and consumables expenses	6,079	7,147
Others	5,070	5,185
<b>Total</b>	<b>25,900</b>	<b>27,596</b>

(Millions of yen)

**31. General and Administrative Expenses**

The details of general and administrative expenses are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Employee benefit expenses	59,094	56,658
Depreciation and amortization	11,874	10,789
Others	36,883	35,068
<b>Total</b>	<b>107,853</b>	<b>102,516</b>

(Millions of yen)

### 32. Employee Benefit Expenses

The details of employee benefit expenses are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
	(Millions of yen)	
Salaries	119,649	117,893
Bonuses	36,526	33,559
Compensated absences	2,333	2,107
Retirement benefits	23,842	25,350
Directors' remuneration	2,471	2,467
Directors' bonuses	511	348
Stock-based remuneration	259	350
Other employee benefits	24,906	24,056
<b>Total</b>	<b>210,501</b>	<b>206,134</b>

### 33. Other Operating Income

The details of other operating income are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
	(Millions of yen)	
Gain on sale of fixed assets	15,803	1,492
Lease income	1,145	1,577
Insurance proceeds	1,015	121
Gain on reversal of provision for contract loss	1,703	1,111
Others	4,769	3,270
<b>Total</b>	<b>24,436</b>	<b>7,572</b>

\* Gain on sale of fixed assets for the fiscal year ended March 31, 2021 includes gain on sale of idle assets located in Takatsuki, Osaka, Japan, of ¥10,442 million.

### 34. Other Operating Expenses

The details of other operating expenses are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
	(Millions of yen)	
Impairment loss	18,536	30,728
Impairment loss on shares of associates and joint ventures	—	4,232
Losses on disposal of property, plant and equipment	4,450	3,886
Provision for loss on contract	5,089	—
Fees related to special second career program	—	6,525
Others	8,374	12,661
<b>Total</b>	<b>36,450</b>	<b>58,035</b>

### 35. Financial Income

The details of financial income are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
(Millions of yen)		
Interest income		
Financial assets measured at amortized cost	1,851	4,409
Subtotal	1,851	4,409
Dividend income		
Financial assets measured at fair value through other comprehensive income	913	1,493
Subtotal	913	1,493
Gain on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	1,021	1,790
Subtotal	1,021	1,790
Foreign exchange gain	—	—
Others	113	338
Total	3,900	8,030

### 36. Financial Expenses

The details of financial expenses are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
(Millions of yen)		
Interest expenses		
Financial liabilities measured at amortized cost	2,904	2,662
Lease liabilities	511	732
Derivatives	392	409
Subtotal	3,808	3,804
Foreign exchange loss	1,113	2,292
Unwinding of discount on provisions arising from passage of time	1	2
Loss allowance for expected credit loss	(0)	89
Others	1,778	1,820
Total	6,701	8,009

### 37. Other Comprehensive Income

The details of other comprehensive income are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
(Millions of yen)		
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	4,642	(5,638)
Before tax effects	4,642	(5,638)
Tax effects	(1,236)	1,147
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	3,405	(4,491)
Remeasurements of defined benefit pension plans:		
Amount arising during the period	24,006	(2,588)
Before tax effects	24,006	(2,588)
Tax effects	(6,197)	652
Remeasurements of defined benefit pension plans	17,809	(1,935)
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	404	(297)
Share of other comprehensive income (loss) of associates and joint ventures	404	(297)
Items that may be reclassified to profit or loss:		
Cash flow hedges:		
Amount arising during the period:		
Currency risk	(492)	56
Interest rate risk	267	(282)
Reclassification adjustments:		
Currency risk	451	(18)
Interest rate risk	392	409
Before tax effects	618	165
Tax effects	(195)	240
Cash flow hedges	423	406
Hedge surplus:		
Amount arising during the period	315	1,772
Reclassification adjustments	(91)	(1,611)
Before tax effects	224	160
Tax effects	(54)	(51)
Hedge surplus	169	109
Exchange differences on translation of foreign operations:		
Amount arising during the period	29,883	(40,171)
Reclassification adjustments	—	—
Before tax effects	29,883	(40,171)
Tax effects	—	—
Exchange differences on translation of foreign operations	29,883	(40,171)
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	(577)	(193)
Reclassification adjustments	(36)	—
Share of other comprehensive income (loss) of associates and joint ventures	(614)	(193)
<b>Total other comprehensive income</b>	<b>51,482</b>	<b>(46,573)</b>

\* Reclassification adjustments for hedge surplus are recorded in financial income in the consolidated statements of income.

### 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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Profit from continuing operations	59,416	18,643
Profit from discontinued operations	—	193
Amount used for calculating the basic earnings per share	59,416	18,837
Amount used for calculating the diluted earnings per share	59,416	18,837

(Millions of yen)

#### (2) Weighted average number of ordinary shares

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Weighted average number of ordinary shares	548,344	548,145
Effect of dilutive potential ordinary shares	157	315
Weighted average number of dilutive potential ordinary shares	548,502	548,460

(Thousands of shares)

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Basic earnings per share:		
Continuing operations	108.36	34.01
Discontinued operations	—	0.35
Basic earnings per share	108.36	34.37
Diluted earnings per share:		
Continuing operations	108.32	33.99
Discontinued operations	—	0.35
Diluted earnings per share	108.32	34.35

(Yen)

\* 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, 2021	As of March 31, 2020
(Current assets)		
Other financial assets		
Derivative assets*	289	437
(Non-current assets)		
Long-term financial assets		
Debt instruments	736	626
Derivative assets*	—	—
(Current liabilities)		
Other financial liabilities		
Derivative liabilities*	2,282	1,306
(Non-current liabilities)		
Other financial liabilities		
Derivative liabilities*	3,306	4,493

\* 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, 2021	As of March 31, 2020
(Current assets)		
Cash and cash equivalents	181,609	141,701
Trade and other receivables	162,104	184,739
Other financial assets		
Debt instruments	11,788	8,509
(Non-current assets)		
Long-term financial assets		
Debt instruments	10,732	10,342
(Current liabilities)		
Trade and other payables	188,452	178,583
Short-term borrowings	10,820	8,043
Commercial papers	30,000	40,000
Current portion of bonds	—	19,995
Current portion of long-term borrowings	18,085	15,191
Other financial liabilities	2,777	4,095
(Non-current liabilities)		
Corporate bonds	149,608	149,550
Long-term borrowings	141,911	124,135
Other financial liabilities	16,220	17,648

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2020
(Non-current assets)		
Long-term financial assets		
Equity instruments*	42,107	39,163

\* 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, 2021 and March 31, 2020.

As of March 31, 2021

(Millions of yen)	
Issuer	Amount
Mitsubishi UFJ Financial Group, Inc.	6,212
HOUSE FOODS GROUP INC.	6,164
Seven & i Holdings Co., Ltd.	4,457
TOKAI DENPUN CO., LTD.	2,256
T. HASEGAWA CO., LTD.	1,903

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

The following table shows the dividends received from equity instruments held during the fiscal years ended March 31, 2021 and 2020.

(Millions of yen)		
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Dividends from equity instruments derecognized during the period	58	188
Dividends from equity instruments held at the end of the period	855	1,304
<b>Total</b>	<b>913</b>	<b>1,493</b>

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, 2021	Fiscal year ended March 31, 2020
Fair value as of disposal date	1,411	9,476
Cumulative gains (losses) on disposal	546	6,434

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 ¥412 million and ¥4,941 million for the fiscal years ended March 31, 2021 and 2020, respectively.

## (2) Risk management of financial instruments

### 1) Credit risk

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

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

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

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

The Group holds deposits mainly as 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, 2021 and 2020 were ¥11,700 million and ¥11,652 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. Trade and other payables and commercial papers in current liabilities, which mature within one year and whose carrying amounts are equal to the contractual cash flows, are not included in the tables.

As of March 31, 2021

	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	158,710	771	20,768	20,729	693	25,687	90,059
Borrowings	178,782	29,964	13,187	13,871	33,012	5,813	82,932
Lease liabilities	58,485	7,219	6,791	5,511	4,546	3,040	31,376
Others*	16,314	11	4,548	2	—	—	11,752

\* Others consist of deposits received for guarantees, put options written on non-controlling interests, and financial guarantee contracts.

As of March 31, 2020

	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*	19,714	2,149	2	5,884	—	—	11,677

\* Others consist of deposits received for guarantees, put options written on non-controlling interests, and financial guarantee contracts.

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

As of March 31, 2021

		Within 1 year	Over 1 year
Currency related	In	289	—
	Out	1,973	8
Interest rate related	Out	266	2,567
Currency and interest rate related	Out	196	792

As of March 31, 2020

		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	Out	48	859

### 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, 2021	As of March 31, 2020
U.S. dollars	66,659	38,470
Euro	(4,466)	10,525

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, 2021	Fiscal year ended March 31, 2020
Profit before income taxes		
U.S. dollars	(70)	(38)
Euro	5	(12)
Other comprehensive income (before tax effect)		
U.S. dollars	(12)	44
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, 2021	As of March 31, 2020
Borrowings with variable interest rates	3,628	1,078

Exposure to the share price fluctuation risk is as follows:

(Millions of yen)		
	As of March 31, 2021	As of March 31, 2020
Financial assets measured at fair value through other comprehensive income		
Long-term financial assets	28,580	25,065

### (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.

The Group uses currency swap contracts to hedge currency risk for part of the intercompany receivables and payables denominated in foreign currencies between consolidated companies with different functional currencies. The Group divides the currency swap into the forward element and the spot element and designates only the spot element in the hedging relationship, while accounting for the forward element as cost of hedging.

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.

The Group uses currency swap contracts to hedge currency risk for part of the intercompany cash transactions denominated in foreign currencies between consolidated companies.

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 hedging currency risk

for part of the intercompany cash transactions denominated in foreign currencies between consolidated companies, the Group designates only the fair value of the spot element of the hedging instrument in the hedging relationship, while accounting for changes in fair value of the forward element as cost of hedging.

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, 2021

	Balance by maturity		Total	Average rate
	Within 1 year	Over 1 year		
<b>Foreign exchange forward contracts</b>				
(Short position)				
USD	5,343 thousand USD	—	5,343 thousand USD	105.67 JPY/USD
EUR	1,097 thousand EUR	—	1,097 thousand EUR	126.81 JPY/EUR
THB	2,772 thousand THB	—	2,772 thousand THB	3.45 JPY/THB
(Long position)				
USD	10,648 thousand USD	—	10,648 thousand USD	104.50 JPY/USD
<b>Currency swaps</b>				
(Short position)				
JPY	140,015,400 thousand JPY	—	140,015,400 thousand JPY	0.28 THB/JPY

As of March 31, 2020

	Balance by maturity		Total	Average rate
	Within 1 year	Over 1 year		
<b>Foreign exchange forward contracts</b>				
(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
<b>Currency swaps</b>				
(Short position)				
JPY	150,015,400 thousand JPY	—	150,015,400 thousand JPY	0.30 THB/JPY

## Notes to Consolidated Financial Statements

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

Fiscal year ended March 31, 2021

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)	<b>3,064 thousand USD</b>			
	<b>584 thousand EUR</b>	—	<b>19 million JPY</b>	<b>Other financial liabilities</b>
	<b>2,772 thousand THB</b>			

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

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	<b>424</b>		<b>19 Trade and other receivables</b>

(Millions of yen)

There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2021.

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			
	818 thousand EUR	7 million JPY	5 million JPY	Other financial assets Other financial liabilities
	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.

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

(Millions of yen)

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.

## Notes to Consolidated Financial Statements

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

Fiscal year ended March 31, 2021

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)	<b>2,279 thousand USD</b>	—	<b>10 million JPY</b>	<b>Other financial liabilities</b>
	<b>513 thousand EUR</b>			
Foreign exchange forward contracts				
(Long position)	<b>10,648 thousand USD</b>	<b>64 million JPY</b>	—	<b>Other financial assets</b>
Currency swaps				
(Short position)	<b>140,015,400 thousand JPY</b>	—	<b>445 million JPY</b>	<b>Other financial liabilities</b>

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

Hedged item	(Millions of yen)
	Cash flow hedges
Forecast transactions related to sales of inventories	<b>(7)</b>
Forecast transactions related to purchases of inventories	<b>44</b>

The hedge relationship above affected the profit or loss and other comprehensive income as follows:

Other than the above, cash flow hedge is applied to intercompany monetary items between consolidated companies, 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, 2021.

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	<b>(13)</b>	<b>7</b>	<b>Other operating expenses</b>	—
Forecast transactions related to purchases of inventories	<b>(21)</b>	—	—	<b>26</b>
Part of intercompany cash transactions denominated in foreign currencies between consolidated companies	<b>(390)</b>	<b>390</b>	<b>Financial expenses</b>	—

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

Of the cost of hedging related to intercompany receivables and payables denominated in foreign currencies between consolidated companies, ¥(202 million) is recognized as other comprehensive income and ¥15 million is reclassified and accounted for as financial expenses.

## Notes to Consolidated Financial Statements

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	0 million JPY	1 million JPY	Other financial assets
	188 thousand EUR			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.

Hedged item	(Millions of yen)
	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.

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	(Millions of yen)
Forecast transactions related to sales of inventories	12	(12)	Other operating profit	—	
Forecast transactions related to purchases of inventories	27	—	—	(67)	

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.

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

	As of March 31, 2021	As of March 31, 2020
Balance of borrowings with variable interest rates	29,973	33,967

## Notes to Consolidated Financial Statements

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, 2021

	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	26,000	30,000	Variable Fixed 0.0110 0.9219

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

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

Fiscal year ended March 31, 2021

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)	(Millions of yen)
				Recognized in consolidated statements of financial position
Interest-rate swaps				
Receivable/variable and paid/fixed	30,000	—	2,410	Other financial liabilities

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

Hedged item	(Millions of yen)
	Cash flow hedges
Borrowings with variable interest rates	(1,683)

Other than the above, there was a balance of ¥(669) 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 ineffective portion of the hedge for the fiscal year ended March 31, 2021.

Hedged item	Gains (losses) recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	(Millions of yen)
			Reclassification recognized in
Borrowings with variable interest rate	173	213	Financial expenses

Other than the above, there were a gain of ¥(17) 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.



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 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.

#### (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.

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 financial assets measured at amortized cost classified by the stage of credit risk in accordance with the Group's internal rules:

	As of March 31, 2021			As of March 31, 2020		
	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	11,142	—	165	9,189	—	155
Other financial assets	11,788	—	—	8,509	—	—
Long-term financial assets	10,801	—	—	10,412	—	—
Others	687	—	—	1,784	—	—

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

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

	Fiscal year ended March 31, 2021			Fiscal year ended March 31, 2020		
	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	192	—	155	128	0	149
Increase	0	—	—	64	—	3
Decrease	(74)	—	—	(0)	(0)	—
Exchange differences on translation	0	—	9	0	(0)	2
Balance at the end of the year	118	—	165	192	—	155

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.

	As of March 31, 2021	As of March 31, 2020
	Credit risk: Low	150,501
Credit risk: Medium	338	277
Credit risk: High	256	309
Total	151,095	174,738

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, 2021	Fiscal year ended March 31, 2020
Balance at the beginning of the year	850	1,423
Increase	260	275
Decrease	(353)	(735)
Exchange differences on translation	14	(112)
Balance at the end of the year	772	850

### 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, 2021		As of March 31, 2020	
	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	165	256	155	309
Credit enhancement, including collateral held	—	—	—	19

## 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; provided that any transfer between the levels of fair value hierarchy is recognized at the end of the period in which the transfer is made.

As of March 31, 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets measured at fair value through profit or loss				
Derivative assets				
Currency related	—	289	—	289
Debt instruments	—	386	349	736
Financial assets measured at fair value through other comprehensive income				
Equity instruments	28,580	484	13,043	42,107
<b>Total assets</b>	<b>28,580</b>	<b>1,160</b>	<b>13,392</b>	<b>43,133</b>
<b>Liabilities</b>				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities				
Currency related	—	1,982	—	1,982
Interest rate related	—	2,410	—	2,410
Interest rate and currency related	—	1,196	—	1,196
<b>Total liabilities</b>	<b>—</b>	<b>5,589</b>	<b>—</b>	<b>5,589</b>

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, 2020

(Millions of yen)

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

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, 2021

	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	13,653	(272)	317	(654)	13,043

(Millions of yen)

Fiscal year ended March 31, 2020

	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

(Millions of yen)

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

Other than the above, there was no material fair value change with respect to the level 3 debt instruments for the fiscal years ended March 31, 2021 and 2020, respectively.

There were no transfers between levels for the fiscal years ended March 31, 2021 and 2020, respectively.

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

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

The details of assets and liabilities measured at fair value on a non-recurring basis as of the end of the fiscal years ended March 31, 2021 and 2020 are presented in Note 11 “Disposal Groups Classified as Held for Sale and Discontinued Operations,” 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, 2021

	Carrying amount	Fair value
		Level 2
Assets		
Debt instruments	10,732	11,123
Total	10,732	11,123
Liabilities		
Corporate bonds	149,608	152,171
Long-term borrowings	141,911	146,455
Total	291,519	298,626

(Millions of yen)

As of March 31, 2020

	Carrying amount	Fair value
		Level 2
Assets		
Debt instruments	10,342	10,263
Total	10,342	10,263
Liabilities		
Corporate bonds	149,550	152,069
Long-term borrowings	124,135	135,289
Total	273,685	287,359

(Millions of yen)

Financial assets and liabilities other than the above 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.

In addition, there were the level 3 put options written on non-controlling interests of ¥4,548 million and ¥5,882 million for the fiscal years ended March 31, 2021 and 2020, 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, and the carrying amount and fair value of these put options are equal. 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. The decrease in the balance as of March 31, 2021 from that as of March 31, 2020 is primarily due to the exercise of the put options.

## 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, 2021

There were no significant transactions.

Fiscal year ended March 31, 2020

There were no significant transactions.

### (2) Management remuneration

Remuneration for the management of the Group is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Short-term employee benefits		
Monthly compensation	464	462
Performance-based compensation	252	176
Total	717	639

(Millions of yen)

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 ¥55 million and ¥194 million were recognized in the fiscal years ended March 31, 2021 and 2020, respectively.

## 42. Business Combinations

Fiscal year ended March 31, 2021

There were no material 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.



### 43. Material Subsequent Events

(Acquisition of treasury stock)

At a meeting of the Board of Directors held on May 10, 2021, the Company passed a resolution on matters related to the acquisition of treasury stock in accordance with the provisions of Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same act.

#### 1. Reason for acquisition of treasury stock

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

#### 2. Details of matters related to the acquisition

(1) Type of shares to be acquired	Common stock
(2) Total number of shares to be acquired	25 million shares (upper limit) (4.55% of the total number of shares issued (excluding treasury stock))
(3) Total amount of shares to be acquired	¥40.0 billion (upper limit)
(4) Acquisition period	From May 11, 2021 to January 31, 2022
(5) Acquisition method	Market purchase on the Tokyo Stock Exchange
(6) Other	All of the treasury stock acquired through this acquisition will be retired by resolution of the Board of Directors in accordance with the provisions of Article 178 of the Companies Act

#### (1) Other

Quarterly information for the fiscal year ended March 31, 2021

(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)	247,927	511,382	794,939	1,071,453
Profit before income taxes (Millions of yen)	34,751	59,954	95,941	98,320
Profit attributable to owners of the parent company (Millions of yen)	22,353	36,661	62,657	59,416
Basic earnings per share (Yen)	40.78	66.87	114.28	108.36
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	40.78	26.10	47.40	(5.91)

## Major Subsidiaries and Affiliates

(As of March 31, 2021)

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

Company Name	Country	Capital Stock (Thousands)	Ratio of Voting Rights (%) <sup>*1</sup>	Major Business
<b>Japan</b>				
■ 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	Coffee Products
■ Ajinomoto Animal Nutrition Group, Inc.	Japan	JPY 1,334,182	100.0	Animal Nutrition
■ Ace Bakery Co., Ltd.*2	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 Financial Solutions, Inc.	Japan	JPY 100,000	100.0	Service, etc.
■ 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.
■ Ajinomoto Digital Business Partners Co., Inc.	Japan	JPY 51,000	66.7	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	27.2	Edible Oils
<b>Asia</b>				
■ 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	99.6	Seasonings and Processed Foods
■ AJINOMOTO SALES (THAILAND) COMPANY LIMITED*3	Thailand	THB 50,000	100.0 (100.0)	Seasonings and Processed Foods
■ Ajitrade (Thailand) Co., Ltd.	Thailand	THB 10,000	100.0 (100.0)	Umami Seasonings for Processed Food Mfrs., Amino Acids, Sweeteners, Services, etc.
■ 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

## Major Subsidiaries and Affiliates

Company Name	Country	Capital Stock (Thousands)	Ratio of Voting Rights (%)*1	Major Business
■ 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
■ Shanghai Ajinomoto Trading Co., Ltd.	China	CNY 10,000	100.0 (100.0)	Amino Acids
■ 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	Holding Company
■ Ajinomoto Foods North America, Inc.	United States	USD 15,030	100.0 (97.6)		Frozen Foods, Seasonings, Processed Foods
■ 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, Animal Nutrition
■ 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
■ More Than Gourmet Holdings, Inc.	United States	USD 21,908	50.1 (50.1)		Liquid Seasonings (Broths, Sauces, etc.)
■ 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 35,000	100.0 (0.0)		Umami Seasonings for Processed Food Mfrs. and Sweeteners
■ AJINOMOTO ANIMAL NUTRITION EUROPE S.A.S. (Special subsidiary company)*4	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	85.0 (85.0)		Amino Acids
▲ Promasidor Holdings Limited (Joint Venture)	Bailiwick of Jersey	USD 0	33.3		Processed Foods

\*1. Numbers in parentheses indicate indirect equity ownership.

\*2. Ace Bakery Co., Ltd., was dissolved in March 2021 and is heading into liquidation.

\*3. AJINOMOTO SALES (THAILAND) COMPANY LIMITED's share of consolidated sales (excluding intercompany sales) exceeds 10%.

Major financial statement line items (Millions of yen)

(1) Sales	¥108,438
(2) Operating profit	6,622
(3) Profit	7,644
(4) Total assets	82,662
(5) Total equity	71,993

\*4. On February 26, 2021, the Company's Board of Directors authorized the sale of a 100% equity stake in AJINOMOTO ANIMAL NUTRITION EUROPE S.A.S. ("AANE"), a wholly owned European animal nutrition subsidiary of subsidiary Ajinomoto Animal Nutrition Group, Inc. ("AANG"), to METabolic Explorer S.A. ("METEX"), a French company. On the same date, the Company entered into an agreement granting METEX an option to purchase AANE shares. These events increased the likelihood of the Company losing majority control of AANE in the fiscal year ending March 31, 2022. The Company accordingly classified AANE's assets and liabilities into a disposal group held for sale at March 31, 2021. On April 14, 2021, AANG entered into an agreement to sell its 100% equity stake in AANE to METEX. The sale was completed on April 28, 2021.

Eat Well, Live Well.



Ajinomoto Co., Inc.

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