Ajinomoto Group

Appendix: Financial Report 2022

AJINOMOTO®

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 continual 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.

Performance Overview

During the fiscal year ended March 31, 2022, the Company's consolidated sales increased significantly 7.3% year-on-year, or ¥77.9 billion, to ¥1,149.3 billion. This was because in Seasonings and Foods and Frozen Foods there were strong sales of home-use products, mainly overseas, and a partial recovery in sales of restaurant and industrial use products which were affected by COVID-19 in the previous fiscal year, in addition to strong sales of electronic materials and Bio-Pharma Services in Healthcare and Others.

Business profit increased 6.9% year-on-year, or ¥7.7 billion, to ¥120.9 billion. An increase in sales in Healthcare and Others contributed to higher profit despite the impact of rising fuel and raw material prices in Seasonings and Foods and Frozen Foods.

Operating profit increased 23.2% year-on-year, or ¥23.4 billion, to ¥124.5 billion, compared to the previous year when significantly higher impairment losses were recorded associated with the structural reform of the animal nutrition business in Europe and North America, despite recording impairment losses in other operating expenses in the seasonings business in North America in the current fiscal year.

Profit attributable to owners of the parent totaled ¥75.7 billion, up 27.4%, or ¥16.3 billion.

Financial Review

Sales
Sales were up 7.3% or ¥77.9 billion to ¥1,149.3 billion. In Japan, sales increased 3.2% or ¥14.9 billion to ¥485.8 billion. Overseas sales grew by 10.5% or ¥62.9 billion to ¥663.5 billion. In Asia, the Americas, and Europe, sales were up 8.2% to ¥285.2 billion, up 19.8% to ¥262.5 billion, and down 1.7% to ¥115.6 billion, respectively. The overseas share of sales increased to 57.7% from 56.1% 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 growth was accompanied by an 8.8% or ¥58.2 billion increase in cost of sales to ¥723.4 billion, equivalent to 63.0% of sales, a year-on-year deterioration of 0.9 percentage points. Selling expenses increased 5.1% or ¥8.2 billion to ¥168.8 billion, due in part to increased logistics expenses, resulting mainly from foreign exchange effects and steeply rising marine transport expenses. Research and development expenses decreased 4.1% or ¥1.0 billion to ¥24.8 billion. General and administrative expenses increased 4.1% or ¥4.4 billion to ¥112.2 billion, due notably to foreign exchange effects and an increase in depreciation and amortization. The Group's share of profit of associates and joint ventures totaled ¥0.9 billion compared to ¥1.3 billion in the previous fiscal year.

Business Profit
Business profit grew 6.9% or ¥7.7 billion to ¥120.9 billion. In Japan, business profit rose 12.5% to ¥54.5 billion. Overseas business profit also grew, by 2.7% to ¥66.3 billion. In Asia, the Americas, and Europe, business profit was up 4.7% to ¥47.4 billion, down 16.2% to ¥11.6 billion, and up 34.6% to ¥7.2 billion, respectively. The overseas share of business profit fell to 54.9% from 57.1% in the previous fiscal year.

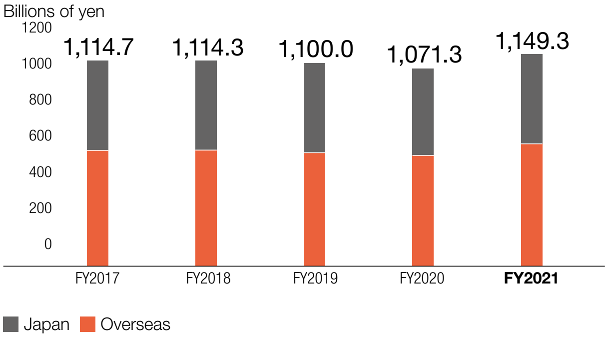
Other Operating Income and Expenses
Other operating income increased 9.6% or ¥2.3 billion to ¥26.7 billion, mainly due to income relating to a favorable judgment in a lawsuit filed by a subsidiary. Other operating expenses decreased 36.5% or ¥13.3 billion to ¥23.1 billion. The decrease, which occurred despite the recording of impairment losses in the North American Sauce & Seasonings business and other businesses, is explained mainly by the significantly greater impairment loss recorded in the previous fiscal year due to the structural reform of the animal nutrition business in Europe and North America.

Operating Profit
Operating profit grew 23.2% or ¥23.4 billion to ¥124.5 billion.

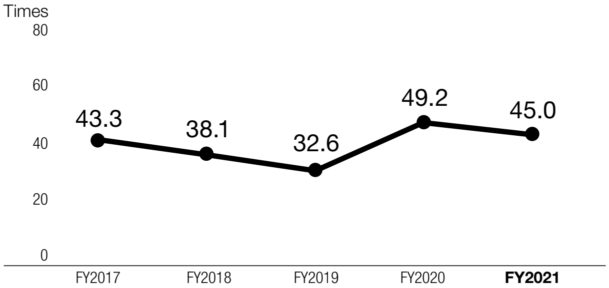
Financial Income and Expenses
Financial income expanded 76.1% or ¥2.9 billion to ¥6.8 billion. Financial expenses rose 33.8% or ¥2.2 billion to ¥8.9 billion.

Profit Attributable to Owners of the Parent Company
Profit attributable to owners of the parent company increased 27.4% or ¥16.3 billion to ¥75.7 billion, equivalent to ¥139.42 per share, up from ¥108.36 in the previous fiscal year.

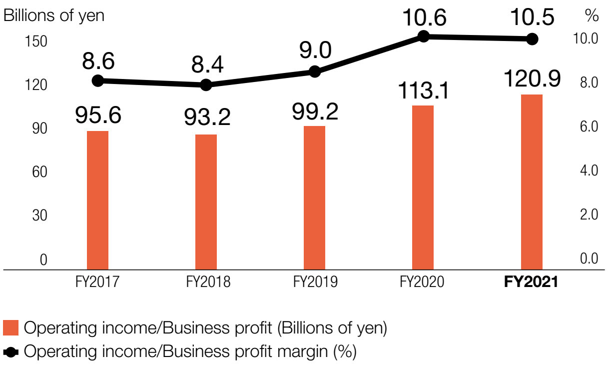
Domestic and Overseas Sales



Interest Coverage Ratio



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



Costs, Expenses, and Profit as Percentages of Sales

Years ended March 31	FY2021		FY2020
	Percentage	Change	Percentage
Cost of sales	**62.9%**	**0.8**	62.1%
Gross profit	**37.1**	**(0.8)**	37.9
Selling, R&D, and G&A expenses	**26.6**	**(0.9)**	27.5
Business profit	**10.5**	**(0.1)**	10.6
Profit before income taxes	**10.7**	**1.5**	9.2
Profit attributable to owners of the parent company	**6.6**	**1.1**	5.5

Segment Information

(Billions of yen)

Sales	FY2021	FY2020	Difference	YoY change
Seasonings and Foods	**664.2**	620.5	43.7	7.0%
Frozen Foods	**221.7**	198.2	23.4	11.8%
Healthcare and Others	**251.2**	239.5	11.7	4.9%
Other	**12.1**	13.1	(1.0)	(7.6%)
Total	**1,149.3**	1,071.4	77.9	7.3%

Business Profit	FY2021	FY2020	Difference	YoY change
Seasonings and Foods	**81.2**	86.7	(5.5)	(6.4%)
Frozen Foods	**(0.6)**	2.3	(2.9)	—
Healthcare and Others	**43.3**	26.2	17.0	65.1%
Other	**(3.0)**	(2.2)	(0.7)	—
Total	**120.9**	113.1	7.7	6.9%

Seasonings and Foods

In the Seasonings and Foods segment, sales increased 7.0% year-on-year, or ¥43.7 billion, to ¥664.2 billion, primarily because of strong sales of home-use products, mainly overseas, and a partial recovery in sales of restaurant and industrial use products, which were affected by COVID-19 in the previous fiscal year. Segment business profit fell 6.4% year-on-year, or ¥5.5 billion, to ¥81.2 billion, owing to rising fuel and raw material prices despite increased overseas revenue and the effect of currency translation.

Main factors affecting segment sales

- **Sauce & Seasonings:** Increase in revenue overall due to increased revenue overseas, despite decreased revenue in Japan.
  - **Japan:** Decrease in revenue primarily due to the fall back in at-home demand after the increase in the previous year.
  - **Overseas:** Increase in revenue primarily due to steady sales of home-use products accompanying growing at-home demand, the recovery of sales of some foodservice-use products, the effect of currency translation, and increased unit sales prices.
- **Quick Nourishment:** Increase in revenue due to increased revenue both in Japan and overseas.
  - **Japan:** Revenue increased primarily due to increased sales of soup products.
  - **Overseas:** Revenue increased primarily due to increased sales of instant noodles and increased unit sales prices.
- **Solution & Ingredients:** Increase in revenue primarily due to increased sales of umami seasonings for processed food manufacturers.

Market Shares in Main Product Areas (Household Market in Japan) FY2021

Product Area	Brand	Market Size (Billions of yen)	Ajinomoto Group Share (Position)
Umami seasonings	*AJI-NO-MOTO®, Hi-Me®*	**5.3**	**94% (1)**
Japanese flavor seasonings	*HONDASHI®*	**37.1**	**56% (1)**
Consommé	*Ajinomoto KK Consomme*	**12.3**	**81% (1)**
Soup	*Knorr®*	**113.4**	**30% (1)**
Mayonnaise	*Pure Select®*	**59.4**	**25% (2)**
Menu seasonings	*Cook Do®, Cook Do® Kyo-no Ohzara®*	**79.7**	**30% (1)**

Note: Market size is based on consumer purchase prices.

Main factors affecting segment profits

- **Sauce & Seasonings:** Overall, profit was level with the previous year due to increased profit overseas and decreased profit in Japan.
  - **Japan:** Profit decreased primarily due to cost increases, such as of raw materials, and the impact of decreased revenue.
  - **Overseas:** Profit increased primarily due to the impact of increased revenue and the effect of currency translation, despite the impact of cost increases, such as of raw materials.
- **Quick Nourishment:** Overall, profit decreased due to a large decrease in profit in Japan, despite increased profit overseas.
  - **Japan:** A large decrease in profit primarily due to the effect of launching a new soup factory and the impact of cost increases, such as of raw materials.
  - **Overseas:** Increase in profit primarily due to the impact of increased revenue, despite the impact of cost increases, such as of raw materials.
- **Solution & Ingredients:** Decrease in profit overall due to the impact of rising raw material and fuel costs for umami seasonings for processed food manufacturers, despite increased revenue.

Frozen Foods

Frozen Foods segment sales increased 11.8% year-on-year, or ¥23.4 billion, to ¥221.7 billion, primarily as a result of an increase in sales overseas and the effect of currency translation. Segment business profit decreased year-on-year by ¥2.9 billion and recorded a ¥0.6 billion loss, as a result of the rising cost of raw materials and other inputs in North America.

Main factors affecting segment sales

- Increase in revenue overall due to significantly increased revenue overseas, despite decreased revenue in Japan.
  - **Japan:** Revenue decreased primarily due to the impact of ceasing sales accompanying structural reform, despite increased sales of high-value-added products.
  - **Overseas:** Revenue increased significantly primarily due to continued steady demand in North America and Europe, and, in North America, increased unit sales prices and the effect of currency translation.

Main factors affecting segment profits

- Large decrease in profit overall due to a large decrease in profit overseas, despite profit being level with the previous year in Japan.
  - **Japan:** Profit was level with the previous year primarily due to the impact of structural reform, despite decreased revenue.
  - **Overseas:** Large decrease in profit primarily due to the impact of cost increases, such as of raw materials, despite the impact of increased unit sales prices in North America.

Healthcare and Others

Healthcare and Others segment sales increased 4.9% year-on-year, or ¥11.7 billion, to ¥251.2 billion, owing to an increase in revenue of Bio-Pharma Services & Ingredients and Functional Materials, despite a decline in revenue of animal nutrition due to structural reform. Segment business profit increased 65.1% year-on-year, or ¥17.0 billion, to ¥43.3 billion, because of the increase in revenue.

From the fiscal year ended March 31, 2022, the Company changed the names and product classifications of some of its product categories. For more details, see "Notes to Consolidated Financial Statements, 7. Segment Information." In addition, from the fiscal year ended March 31, 2022, the amino acids for pharmaceuticals and foods and Bio-Pharma Services businesses were combined and reclassified as the Bio-Pharma Services & Ingredients business.

Main factors affecting segment sales

- **Bio-Pharma Services & Ingredients:** Increase in revenue due to increased sales of Bio-Pharma Services and amino acids for pharmaceuticals and foods.
- **Functional Materials:** Large increase in revenue primarily due to strong sales of electronic materials.
- **Others:** Large decrease in revenue primarily due to the impact of structural reform in animal nutrition.

Main factors affecting segment profits

- **Bio-Pharma Services & Ingredients:** Large increase in profit accompanying increase in revenue.
- **Functional Materials:** Large increase in profit accompanying large increase in revenue.
- **Others:** Large increase in profit primarily due to decreased expenses because of structural reform of 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	FY2021	**270.5**	**(-1.8)**	**273.3**	**(23.6)**	**81.0**	**(12.4)**	**39.2**	**(9.4)**	**664.2 (43.7)**
	FY2020	272.4		249.7		68.5		29.7		620.5
Frozen Foods	FY2021	**89.3**	**(-2.4)**	**3.1**	**(0.4)**	**115.9**	**(22.5)**	**13.2**	**(2.8)**	**221.7 (23.4)**
	FY2020	91.7		2.6		93.4		10.3		198.2
Healthcare and Others	FY2021	**113.8**	**(20.2)**	**8.6**	**(-2.6)**	**65.5**	**(8.4)**	**63.2**	**(-14.3)**	**251.2 (11.7)**
	FY2020	93.6		11.2		57.0		77.5		239.5
Others	FY2021	**12.0**	**(-0.9)**	**0.1**	**(-0.0)**	**—**		**0.0**	**(0.0)**	**12.1 (-1.0)**
	FY2020	13.0		0.1		—		0.0		13.1
Total	FY2021	**485.8**	**(14.9)**	**285.2**	**(21.5)**	**262.5**	**(43.4)**	**115.6**	**(-2.0)**	**1,149.3 (77.9)**
	FY2020	470.8		263.7		219.0		117.7		1,071.4

Other

In the Other segment, sales totaled ¥12.1 billion, down 7.6% year-on-year, or ¥1.0 billion. Segment business profit recorded a loss of ¥3.0 billion, ¥0.7 billion more than in the previous fiscal year, due to recording of losses associated with structural reform.

Liquidity and Financial Condition

Assets

As of March 31, 2022, the Ajinomoto Group's consolidated total assets stood at ¥1,457.0 billion, an increase of ¥25.7 billion from ¥1,431.2 billion at the end of the previous fiscal year on March 31, 2021, largely owing to an increase in property, plant and equipment due to foreign exchange effects despite efforts to improve asset efficiency, which reduced cash and cash equivalents through the purchase of treasury stock and repayment of borrowings, and the sale of the animal nutrition business in Europe due to structural reform of the animal nutrition business.

Liabilities

Total liabilities came to ¥717.3 billion, ¥46.1 billion less than the ¥763.4 billion at the end of the previous fiscal year, largely owing to a decrease in interest-bearing debt and the sale of the animal nutrition business in Europe. Interest-bearing debt totaled ¥363.9 billion, a decrease of ¥42.8 billion from the end of the previous fiscal year, mainly reflecting the redemption of commercial papers and repayment of borrowings.

Equity

Total equity as of March 31, 2022 increased ¥71.8 billion compared to the end of the previous fiscal year, mainly reflecting an increase in exchange differences on translation of foreign operations due to the depreciation in the value of the yen. Equity attributable to owners of the parent company, which is total equity minus non-controlling interests, totaled ¥686.9 billion, and the equity ratio attributable to owners of the parent company was 47.1%.

Cash Flows

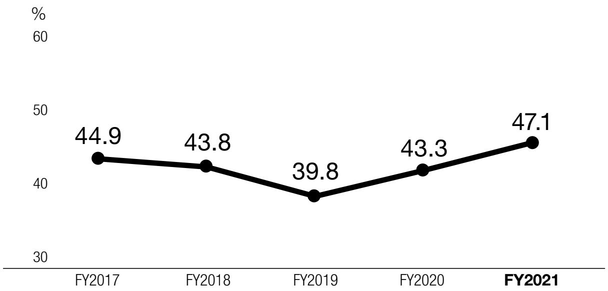
Net cash provided by operating activities during the fiscal year totaled ¥145.5 billion, down from ¥165.6 billion in the previous fiscal year. The main factors included ¥122.4 billion in profit before income taxes, ¥66.2 billion in depreciation and amortization, and ¥31.6 billion in income taxes paid.

Net cash used in investing activities came to ¥61.5 billion, down from ¥66.2 billion used in the previous fiscal year. The main factors during the year included ¥73.8 billion in purchase of property, plant and equipment and ¥6.8 billion in purchase of intangible assets.

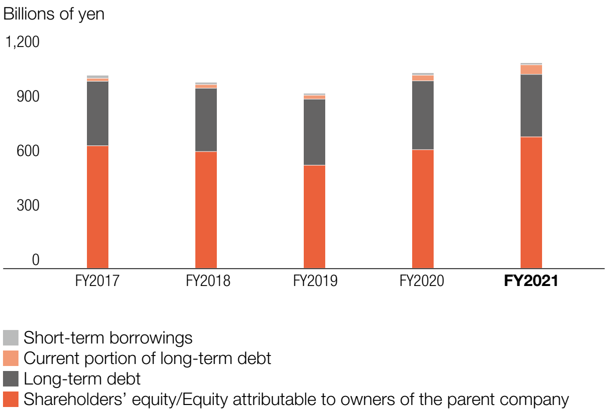
Net cash used in financing activities came to ¥123.0 billion, compared with ¥60.3 billion used in the previous year. Purchase of treasury stock of ¥40.0 billion, dividends paid of ¥27.2 billion, and decrease in commercial papers of ¥30.0 billion were among the main outflows.

As a result of the foregoing, cash and cash equivalents as of March 31, 2022, totaled ¥151.4 billion.

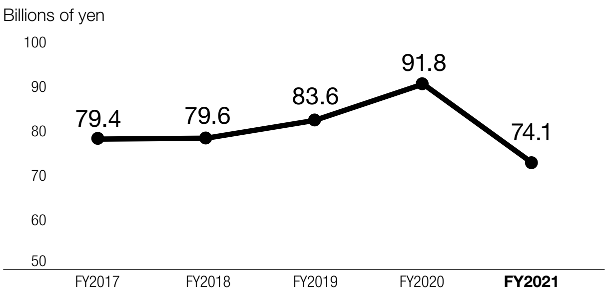
Shareholder's Equity Ratio/Ratio of Equity Attributable to Owners of the Parent Company



Total Capital



Capital Expenditures



Cash Flow Highlights

(Billions of yen)

Years ended March 31	FY2021	FY2020	FY2019	FY2018	FY2017
Net cash provided by operating activities	**145.5**	165.6	114.8	123.2	126.6
Net cash used in investing activities	**(61.5)**	(66.2)	(66.6)	(72.9)	(99.1)
Net cash provided by (used in) financing activities	**(123.0)**	(60.3)	(52.3)	(78.9)	(23.9)
Cash and cash equivalents at end of the year	**151.4**	181.6	141.7	153.7	187.8

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, 2022), the Company paid a dividend of ¥52 per share (including the interim dividend of ¥24 per share), an increase of ¥10 from the previous fiscal year.

For the next fiscal year (ending March 31, 2023), an annual dividend of ¥58 per share is planned (with an interim dividend payment of ¥29), an increase of ¥6 in the annual dividend from the fiscal year ended March 31, 2022.

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	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, 2023

For the fiscal year ending March 31, 2023, the Company expects consolidated sales of ¥1,310.0 billion and business profit of ¥124.0 billion. The forecast for profit attributable to owners of the parent company is ¥77.0 billion. The forecast average exchange rate for the full fiscal year is US$1: ¥120.

Reference: Forecast by Segments

(Billions of yen)

	Fiscal year ended March 31 ,2022		Fiscal year ending March 31 ,2023	
	Sales	Business Profit	Sales	Business Profit
Seasonings and Foods	**664.2**	**81.2**	748.3	76.5
Frozen Foods	**221.7**	**(0.6)**	255.8	2.6
Healthcare and Others	**251.2**	**43.3**	287.9	47.5
Other	**12.1**	**(3.0)**	17.8	(2.7)
Total	**1,149.3**	**120.9**	1,310.0	124.0

Main Assumptions of Business Results Forecast

The main assumptions are as follows:

- While the COVID-19 situation will continue to fluctuate, the sharp increase in fuel and raw material prices associated with the normalization of the economy will be further intensified by the situation in Ukraine. The cost of raw materials for main and secondary fermentation ingredients and other food products and the cost of fuel will generally continue to remain high.
- In addition to the above, logistics costs will also remain high due to the shortage of containers and drivers.

In this challenging business environment, the Company will respond promptly to prices and steadily reduce costs through resource-saving fermentation and innovation in the raw material mix, as well as seeking to achieve the structural goals set out in the 2020-2025 Medium-Term Management Plan through further structural reforms to realize a business structure that is not affected by raw material prices.

Operational Risks

The Ajinomoto Group has identified Group-wide risks that require cross-organizational management by comprehensively taking into account macro changes in the business environment, the magnitude of the impact (small, moderate, major), as well as the probability and timing of manifestation (low, moderate, high), the details of which are as below.

Although the Group has developed various responses and mechanisms not only to minimize such management and operational risks but also to capitalize on these as opportunities, the list below is not all-inclusive and may be affected in the future by risks that are currently unforeseeable or which are not presently deemed material.

Forward-looking statements in the text below are based on the Group's assessments as of March 31, 2022.

(1) Finance-Related Opportunities and Risks

Financial risk	(1) Relevant opportunities and risks (○ Opportunity ● Risk)	(2) Key initiatives by the Ajinomoto Group
Impairment	● Failure of acquired subsidiaries, etc., to fulfill business plan ● Sharp increase in interest rates	· Deliberation by M&A Committee, Management Committee, etc., on appropriateness of acquisition price · Post-acquisition follow-up to achieve synergies and periodic monitoring of macroeconomic environment
Financing	● Depletion of capital due to financial crisis ● Ratings downgrade ● Additional capital procurement or other risk arising from failure to fulfill plans due to various risk factors, associated worsening of rating	· Appropriate diversification of capital sources and capital procurement periods · Maintenance and strengthening of financial structure · Timely analysis of and response to various risk factors · Timely revision of plans based on latest information · Liquidation of receivables in Group companies · Introduction of global (notional) pooling · Set up a new U.S. dollar-denominated committed credit line · Change scope of use of funds for cash management system (CMS) in North America and Europe, which is limited to working capital (Basic Policy on Fund Procurement of Ajinomoto Group Companies)
Bankruptcy of customers	● Unforeseen bankruptcies of customers including overseas customers	· Data collection, credit management, etc. (preparation and monitoring of credit management guidelines applicable to the entire Group), securing receivables
Fluctuation in exchange and interest rates	● Impact on business profits from sudden fluctuations in foreign exchange and interest rates (slowdown in overseas business activity, impact of converting overseas subsidiary earnings into yen)	· Consideration of foreign exchange contracts in forecast transactions) · Prolonging the borrowing of funds and issue of corporate bonds, use of sustainable financing · Focus on long-term funding at parent company · More diversified foreign currency procurement
Inflation	● Deteriorating profits due to rising raw materials and fuel costs ○ Improving profitability through optimized product prices	· Monitoring of essential raw materials and fuels · Timely reflection on product prices · Product revisions · Cost reductions
Country risk	● Expropriation risk ● Risk of outbreak of war, conflict, etc.	· Appropriate diversification of countries of operation
Changes in tax system and deferred tax assets/liabilities	●○ Fluctuating tax burden from changes in tax system and deferred tax assets/liabilities	· Implementation of countermeasures against changes in tax system and tax administration in each country · Formulation and implementation of measures and plans to minimize tax and tax-related expenses

Financial risk	(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	High	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	High	Monitoring	↗
Fluctuation in exchange and interest rates	—	—	Small	High	Monitoring	↗ (Some emerging countries)
Inflation	—	—	Major	Moderate	Very material	New
Country risk	—	—	Moderate	Moderate	Material	↗
Changes in tax system and deferred tax assets/liabilities	—	—	Small	High	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	● Increased costs due to legislation and strengthening of rules related to health and nutrition (sugar tax, nutrition labeling, etc.) ● Intensifying competition and subordinated risk in the health and nutrition field, where competitors including the global top 10 are focusing ○ Creation of new business opportunities based on rethink of lifestyle habits such as diet and exercise due to increasingly serious health issues ○ Creation of new business opportunities based on a growing interest in cooking, nutritional balance, and immune enhancement, as well as heightened awareness of prevention of lifestyle-related diseases ○ Creation of new business opportunities based on an aging worldwide population ○ Creation of new business opportunities based on more diversified nutritional problems for consumers ○ Increased business opportunities due to growing awareness around reducing salt intake	· Offering tasty food and amino acid products as well as menus that nourish health and well-being · "Delicious salt reduction" (using umami to enhance the flavor of food with less the intake of salt) · Promoting protein intake · Low-sugar and low-fat foods · Contributing to disease prevention with "AminoIndex technology" · Establishing nutritional standards that Group products should meet · Customized programs for individual consumers for improving nutrition (personal nutrition)
Rapid response to consumer lifestyle changes	● Drop in competitiveness of existing businesses and loss of growth opportunities due to delayed response to consumer lifestyle changes and diversifying values ● Intensifying competition due to start-up companies entering the market ●○ Lost opportunities due to delayed response to purchasing behavior changes and the accelerated shift toward customers going digital, and increased business opportunities due to the growth of the D2C market with e-commerce, etc. ○ Better brand value and corporate image by promptly responding to new consumer health needs ●○ Opportunities associated with a greater tendency to eat at home, risks associated with less opportunity for homemade food due to the recovery in the food service industry ○ Creation of new business opportunities based on more diversified food (vegetarian, vegan)	· Advanced marketing efforts by leveraging big data and consumer data · Building strategies to deal with niche markets (urbanization, etc.) · Expanding products and services to meet the need for convenience, such as smart cooking · Creating strong communities and social bonds through food · Properly delivering products, services and information to customers

Material issues	(1) Relevant opportunities and risks (○ Opportunity ● Risk)	(2) Key initiatives by the Ajinomoto Group
Assurance of product safety	○ Acquisition of new customer segments by ensuring food traceability with technology ● Risk of intensifying competition in foods containing amino acids and nutritional care foods ● Impact on the Sauces & Seasonings business due to the growing spread of negative rumors about umami and MSG ● Lower customer confidence due to product quality complaints or incidents	· Reflecting customer feedback on developing and improving products and services · Providing proper information via product packaging and online · Thorough quality assurance and human resource training based on the Ajinomoto System of Quality Assurance (ASQUA)
Diverse talent	● Rising costs due to intense competition for human resources ○ Increasing talent acquisition routes and the creation of new business opportunities by recruiting human resources from diverse backgrounds ● Damage to corporate image when the acquisition of diverse talent does not progress well	· Promoting health management · Enhancing employee ASV engagement (ASV as one's own initiative) · Promoting PDCA cycle using the engagement survey · Reform of organizational culture to promote diversity · Training and promotion of female employees · Human rights awareness training · Fostering a corporate culture of innovation (integrated accelerator program)
Climate change adaption and mitigation	● Increased raw material procurement risk and slowdown in production activity due to climate change ● Delayed initiatives on decarbonization and increased production costs due to the introduction of emissions trading systems and increased burden from carbon tax ● Increased production costs due to delayed initiatives on reducing non-carbon greenhouse gases (GHGs), such as methane ○ Using renewable energy to secure cost competitiveness after the introduction of a carbon tax or tightening of the taxation rules ● Damaged corporate value and tarnished corporate image resulting from corporate activities that do not meet with the 1.5°C target ● Damaged corporate value and tarnished corporate image due to delayed response to climate change and insufficient business impact disclosure	· Long-term effort to turning the overall product lifecycle carbon neutral · Initiatives to reduce energy use during production and transportation · Shifting to renewable energy · Disclosing information in line with the Task Force on Climate-related Financial Disclosures (TCFD) (scenario analysis, etc.)
Contribution to a circular economy	○ Use of traceability systems to bring about circular supply chains ○ Development of recycled materials in collaboration with chemical manufacturers, etc. ● Lost business opportunities due to delays in responding to plastic waste regulations and taxonomy in Europe and elsewhere ● Damaged corporate value and tarnished corporate image due to delayed initiatives on reducing waste and recycling ○ Enhanced corporate value by accelerating sustainability initiatives ○ Increased demand due to population growth (animal component-free, cultured meat, etc.)	· Promoting the 3Rs of containers and packaging (reduction of plastic waste, etc.) · Eco-friendly packaging (single-layer materials, biodegradable plastics, plant-derived materials, certified paper) · Supplying highly biodegradable amino acid-based detergent · Promoting use of environmentally friendly product labels · Appeals on packaging labels to reduce plastic waste
Reduction of food loss and waste	● Failure to procure raw materials due to food resource depletion ○ Cost reductions through initiatives to improve production process yields and reduce product returns and product waste ● Damaged corporate value and tarnished corporate image due to delayed initiatives to halve food loss, and hastening depletion of food resources	· Using raw materials in manufacturing process without waste · Upgraded, optimal supply-chain management using digital technology · Reducing product returns and waste by extending product best-before dates, etc. · Reducing food loss and waste during product use by customers · Proposing eco-friendly lifestyles for enjoying food without leftovers
Sustainable materials sourcing	● Greater risks in raw material procurement due to delays in addressing social and environmental issues in the supply chain ● Disruption to supply chains due to delays in responding to export regulations in specific regions ○ Strengthening supply chains in preparation for global supply chain disruptions in the event of a pandemic, etc. ● Damaged corporate value and tarnished corporate image due to delays in addressing environmental issues in the supply chain	· Identifying important raw materials and engaging in responsible procurement (paper, palm oil, skipjack, etc.) · Contributing to sustainable agriculture by using co-products · Management of fair operating practices (traceability, etc.) · Promoting supplier sustainability · Human rights due diligence · Ensuring fair competition and providing thorough employee training

Material issues	(1) Relevant opportunities and risks (○ Opportunity ● Risk)	(2) Key initiatives by the Ajinomoto Group
Conservation of water resources	● Sluggish production due to droughts, floods, and deteriorating water quality, and increased risk of procuring raw materials ○ Ensuring of stable raw material procurement and stable product supply through reduction of water risk ● Damaged corporate value and tarnished corporate image due to delays in addressing water resource conservation	· Maintaining forests for water sources · Developing wastewater treatment technology
Strong corporate governance	(1) Corporate governance initiatives ● Failures due to delays in the development of corporate governance organizations and systems ● Business continuity risk or other unexpected losses due to failures in corporate governance or internal controls (2) Initiatives to disclose information to investors, etc. ● Diminished evaluation from investors and other stakeholders due to lack of appropriate information disclosure in line with objectives ○ Better reputation due to disclosure of high-value information required by investors (quantitative impact evaluation of business activities on society and the environment, detailed clarification of impact on major environmental changes such as the specific impact of COVID-19 on business) ○ Greater confidence from investors and other stakeholders with more efforts to disclose non-financial information (3) Initiatives to ensure consumer confidence ○ Greater confidence by establishing traceability mapping (4) Initiatives to improve the environment for business continuity for the Company and employees ○ Strengthening occupational health and safety in the upstream supply chain ○ Creation of a workplace environment that can maintain and improve mental and physical health (environmental management) ○ Promotion of diversity and inclusion ●○ Impact of intellectual property risks on business (infringement/imitation risks)	· Occupational health and safety management · Raising awareness of the Ajinomoto Group Policies among all Group employees · Establishing whistleblower hotline · Strengthening corporate governance system · Selecting Group-wide significant risks and considering appropriate responses · Managing intellectual property risk · Strengthening information security by establishing rules for IT management and operation
Preparation for intense global competition	(1) Increase in new market entrants due to the development of digital technology, etc. ● Emergence of multiple competitors (local and global) due to an inability to erect strong barriers to entry (2) Surfacing of a macro picture (geopolitical risk) ● Confusion in organizational management and reduced business profitability due to unstable political, economic and social conditions such as the global financial crisis and trade friction ● Risks stemming from political and economic instability in key countries in the Middle East and Africa ● Risks from changes in U.S.-China superpower political and trade policies affecting corporate performance in each country ● Risk of business stagnation in times of emergency and rising raw material and fuel costs due to a supply chain (procurement/production) structure highly dependent on any particular country (3) Changes in the global market ● Risk of market growth slowdown due to sluggish growth in the middle classes in key ASEAN and South American countries ● Risk of intensifying competition due to review of product portfolio strategies of global competitors off the back of changes in consumer behavior from the pandemic (heightened competition on seeing the Company's key areas, such as frozen foods, as growth sectors during and after the pandemic, etc.) ● Against the same background, intensifying competition from local competitors who offer low-priced products in our key areas ○ Creation of new business opportunities in response to ethical consumption from a growing awareness of the SDGs	· Stronger collaboration between food and AminoScience divisions · Evolving supply chain management (digitization, establish ecosystem, etc.) · Promoting digital transformation · Establishing solutions-oriented R&D structure · Executing global strategy in consumer food businesses (seasonings, quick nourishment and processed foods, frozen foods) · Competitive intelligence (medium- to long-term initiatives) · Promoting open & linked innovation · Review of global production, logistics, and employment systems · Review of customer segments (greater home demand, increased catering business demand, etc.)

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	2, 3, 17	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	3, 17		Moderate	High	Very material	→
Assurance of product safety	3, 17	—	Small	High	Monitoring	→
Diverse talent	5, 8	Decreased ability to execute plans and successfully address food and health issues due to inability to deploy diverse talent	Moderate	Moderate	Material	→
Climate change adaption and mitigation	7, 13, 17	Cost increases that delay realization of higher ROIC, a profit structure that is capable of efficiently driving growth through solutions to food and health issues; and reduction, or decreased trust, in value provided due to impairment of brand value as a result of inadequate environmental conscientiousness	Major	Moderate	Very material	→
Contribution to a circular economy	14, 15, 17		Moderate	High	Very material	→
Reduction of food loss and waste	2, 12, 17		Small	Moderate	Monitoring	→
Sustainable materials sourcing	12, 14, 15, 17		Moderate	High	Very material	→
Conservation of water resources	6, 12, 14, 17		Moderate	Moderate	Material	→
Strong corporate governance	8	Decreased organizational function due to delays in implementing management reforms to strengthen governance and decreased ability to execute plans due to dysfunction	Moderate	Moderate	Material	→
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	High	Very material	→

Summary

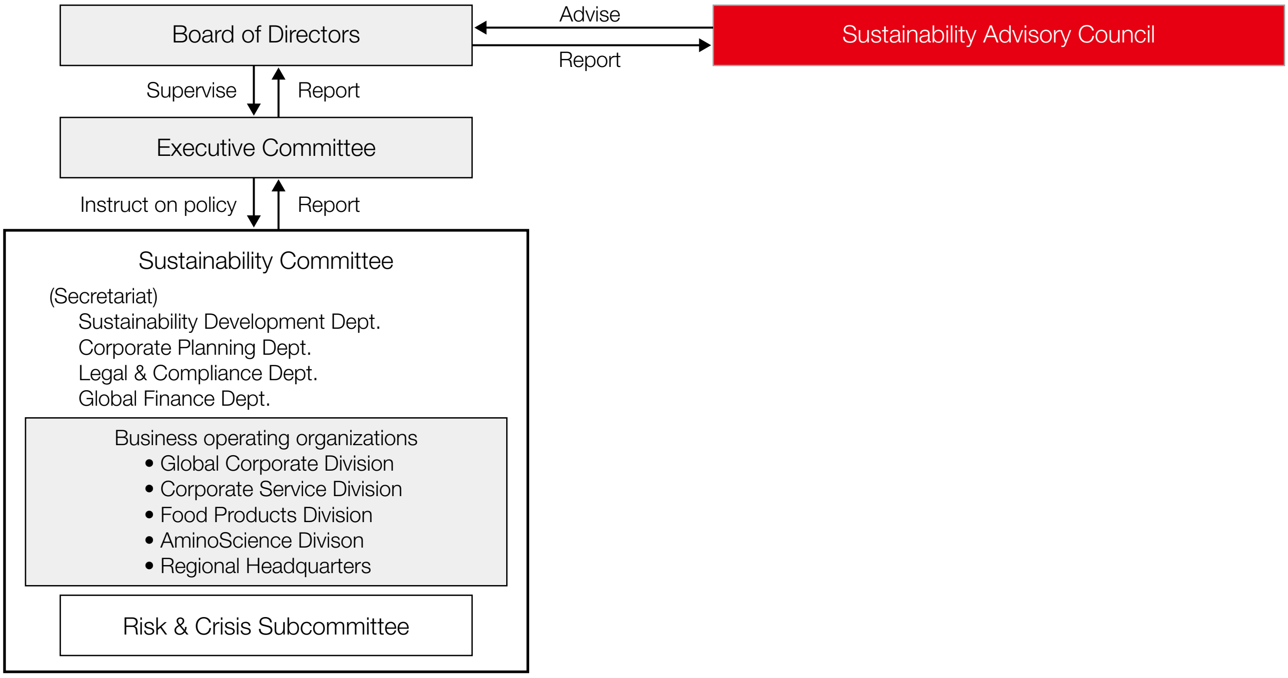
The pressing global challenge of climate change is one of the most important issues as it makes a significant impact on the business and strategy of the Ajinomoto Group. As climate change continues to worsen, we can expect to see more risks, such as difficulty in procuring raw materials. The Ajinomoto Group regards climate change as a Group-wide material risk and opportunity. As such, we are looking at countermeasures from the four perspectives of governance, strategy, risk management, and metrics and targets. In addition to promoting energy-saving activities and the use of renewables to help reduce our impact throughout the whole product life cycle, we will participate in global initiatives, striving to solve problems while collaborating both internally and externally.

Approach	Details
Governance	In the Ajinomoto Group, we honestly comply with the Ajinomoto Group Policy (AGP) that shows the ideal way of thinking and action that the Group companies and their officers and employees should comply with, continue to develop and properly operate our internal control system, strengthen our system that considers sustainability as an active risk-taking system, and continuously enhance our corporate value. The Board of Directors has established the Sustainability Advisory Council, and establishes a system to recommend the Group's approach to sustainability and ESG from a multiple-stakeholder perspective. It determines materiality items related to sustainability that serve as guidelines for ASV management, including items related to climate change. The Executive Committee has established the Sustainability Committee and selects and extracts risks and opportunities at the companywide management level, including those related to climate change, and assesses the degree of impact, formulates measures, and manages their progress.
Strategy	Products in the Ajinomoto Group's business domains range from food such as seasonings, frozen foods to healthcare. Further, our operations span the globe. Climate change may impact Group operations in many ways. Major natural disasters may diminish our business activities, affecting our ability to procure raw materials and fuel. Disasters may also alter the consumption of our products. We review production over the short, medium, and long terms, considering the physical risks of climate change (droughts, floods, rising sea levels, changes in yield of our main raw materials, etc.) and transition risks (introduction of carbon tax, tightening of other laws and regulations, rising energy prices, and changes in consumer preferences, etc.).
Risk management	In light of politics, economics, social conditions, climate change, and other circumstances surrounding the Group, the Sustainability Committee determines the overall level of risks reflecting the impact on our business and likelihood of occurrence. The committee then identifies the significant risks Group-wide and considers strategies in response. Climate-related risks are regarded as part of significant risks Group-wide. We evaluate the impact of physical risks and transition risks, such as legal risks and market risks, based on published reports and expert advice. The committee's review and recommendations were reported to the Executive Committee and the Board of Directors four times in fiscal 2021.
Metrics and targets	In our 2020-2025 Medium-Term Management Plan, the Ajinomoto Group aims to reduce GHG emissions by 50% by fiscal 2030 (compared with fiscal 2018). Total Scope 1 and 2 emissions for fiscal 2021 were down roughly 300,000 t-CO_2e over the previous fiscal year, 27% down on the base year of fiscal 2018. This was well above the target for fiscal 2021. Direct contracts with renewable energy power plants in Brazil, procurement of renewable energy certificates in Thailand, and contracts with electric power companies with low carbon emissions factors in Japan were the main reasons behind the emission reductions. Meanwhile, although Scope 3 emissions intensity was down by 5% from the previous fiscal year, it was up by 2% on the base year of fiscal 2018. The main reason for the decrease is because Ajinomoto Animal Nutrition Europe S.A.S. (AANE) is no longer a part of the Ajinomoto Group.

1. Governance

Ajinomoto Co., Inc. is strengthening its sustainability promotion system in order to continuously increase its corporate value from the perspective of sustainability. On April 1, 2021, the Sustainability Advisory Council was established as a subordinate body to the Board of Directors, and the Sustainability Committee was established as a subordinate body to the Executive Committee.

Ajinomoto's sustainability promotion framework, including its response to climate change, is as follows:



Roles and responsibilities of each body

Director, Representative Executive Officer, President & CEO	Responsible for environmental issues, including climate change, and responsible for both the assessment and management of climate-related risks and opportunities.
Board of Directors	A framework, including the establishment of the Sustainability Advisory Council as a subordinate body, has been established, to recommend the Group's approach to sustainability from a multi-stakeholder perspective. The Board determines materiality matters related to sustainability that serve as guidelines for ASV management, including matters related to climate change. In fiscal 2021, the Board received two reports from the Sustainability Advisory Council.
Sustainability Advisory Council	To enhance Ajinomoto Group's corporate value from the viewpoint of sustainability, the Advisory Council reports to the Board of Directors after conducting the following deliberations based on guidance from the Board for the purpose of proposing the Company's approach to sustainability from a multi-stakeholder perspective. i. Materiality from a long-term perspective (through to 2050) to be reflected in the materiality and strategy of the Medium-Term Management Plan; ii. Considers materiality from a multi-stakeholder perspective with policies to respond to environmental changes (risks and opportunities) associated with materiality; iii. Appropriate involvement in the creation of topics and social rules expected and required of companies in the year 2030 and beyond; and, iv. Sets goals for the year 2030 and beyond related to the creation of social value, such as reducing environmental impact and extending healthy life expectancy. The Sustainability Advisory Council meets once every six months with details of discussions actively disclosed through the publication of minutes on the Company's website and press releases.
Executive Committee	Has set up the Sustainability Committee as a subordinate body which has established a system to select and identify Group-wide material risks and opportunities, including those related to climate change, assessing the degree of impact of such risks and opportunities, formulating measures, and managing their progress. In 2021, the Executive Committee received four reports from the Sustainability Committee.
Sustainability Committee	In order to promote sustainability management in accordance with materiality, the Sustainability Committee formulates measures, proposes them to the Executive Committee, and manages progress. In addition, the Sustainability Committee formulates risk countermeasures for Group-wide management issues, manages progress, develops and promotes risk management processes that contribute to strengthening internal control, and conducts matters related to crisis (safety and security) management based on the Ajinomoto Group Crisis Management Regulations.

2. Risk management

The Group recognizes risk management as an important means for internal control and as something which plays a part in management responsibility. The Group is taking necessary measures to enhance its ability to respond to serious risks in conjunction with its Group management strategy and individual business strategies. Taking into account the business environment, political, economic, and social conditions around the world, the Group identifies and summarizes Group-wide risks that require cross-organizational management. Among the risks, we also attach importance to global climate change risks, and water risks since water-dependent crops are used as main raw materials. We believe that by promoting strategic risk management, we are becoming more resilient to the risks, thus helping to enhance the value of the Group.

As well as formulating and implementing Group-wide countermeasures for material issues that are recognized as risks for the entire Group, the Sustainability Committee regularly monitors and manages risk response. The Group's climate-related risks and opportunities are assessed through scenario analysis. Enterprise Continuity Plans are created for all business sites where risks (including climate change risks) unique to each site are identified, and countermeasures are considered. Research and development is also being stepped up to address the decline of natural resources used as raw materials for sustainable business activities.

Climate-related risks are regarded as one of the Group-wide material risks, and as such, the degree of impact of physical risks, and transition risks, such as policy and legal risks and market risk, are assessed based on publicly available reports and advice from experts. The Sustainability Committee's deliberations and recommendations are reported to the Executive Committee and the Board of Directors at least once a year.

3. Strategy

The Group has a wide range of product areas in the food business, from seasonings and foods to frozen foods, and is also expanding its business into fields such as healthcare. Climate change affects the Group's business in many ways, including delays to business due to large-scale natural disasters, impact on procuring raw materials such as agricultural produce and fuels, and changes in product consumption.

(1) Scenario analysis assumptions

Based on the scenarios that the average global temperature will rise from post-industrial revolution levels by 2°C or 4°C by 2100, in fiscal 2021 we conducted a scenario analysis on the impact of climate change between 2030 and 2050 for global umami seasonings and mainstay domestic products.

Among the effects of climate change impacting production over the short, medium, and long term, drought, floods, rising sea levels, and changing yields of raw materials were analyzed as physical risks, while the introduction of carbon taxes and tightening of other laws and regulations, rising energy prices, and changes in consumer preferences were analyzed as transition risks.

The following tables show the scenario analysis risks and opportunities when the average temperature difference between the 2°C and 4°C scenarios as of 2030 is considered to be about 0.2°C with no significant difference in physical risk, and when the average temperature difference as of 2050 is expected to be about 1°C with differences in physical risks.

The above can be summarized as follows:

	FY2020*	FY2021	FY2022 (projected)
Business	Umami seasonings (global), mainstay domestic products	Umami seasonings (global), mainstay domestic products	Umami seasonings (global), mainstay domestic and overseas products
Scenario year	2030	2030 / 2050	2030 / 2050
Scenario temp.	2°C / 4°C	2°C / 4°C	2°C / 4°C

* For the results of the scenario analysis conducted in fiscal 2020, please refer to the 2021 Sustainability Data Book.
https://www.ajinomoto.co.jp/company/en/ir/library/databook.html

(2) Scenario analysis: Risks

2°C Scenario (2050): When certain policy measures are taken to reduce GHG emissions and the use of fossil fuels decreases

Risk	Average temperature rise	Increased severity and frequency of floods and droughts	Mandates and regulations on products	Changes in consumer preferences		Carbon pricing mechanism
Risk categories	Physical risk	Physical risk	Transition risk	Transition risk		Transition risk
Business impact	Decline in productivity of agricultural, livestock, and fishery products (Assumption 1: Worsening aquaculture environment, Assumption 2: Decrease in livestock growth rate, Assumption 3: Decrease in milk yields from dairy cows, Assumption 4: Infectious disease epidemics in livestock)	Cost increases for raw material procurement (Assumption: Floods in Thailand)	Cost increases due to tightening of laws and regulations regarding raw materials used (Assumption: Laws and regulations on the traceability of raw materials and recycling)	Reduced demand due to rising temperatures (Assumption: Knorr® Cup Soup, hot coffees)	Items to the right are for the Group as a whole	Increased costs of raw materials and fuels used due to introduction of carbon taxes, tax increases and emissions trading
Potential financial impact	¥1.5bn/year	To be calculated	To be calculated	To be calculated		2030: ¥20bn/year*1 2050: ¥30bn/year*1
Countermeasures	• More diversified areas of procurement • Research and development on alternative raw materials • Development of eco-friendly manufacturing methods	• More diversified areas of procurement • Research and development on alternative raw materials	• Collating data and collaborating with suppliers	• Communication to create better eating habits by highlighting nutritional value • Marketing toward cold soup and iced coffee		• Visualization of financial impact with internal carbon pricing system • Fossil fuel phase-out • Use of renewable energies • Development of eco-friendly manufacturing methods

4°C Scenario (2050): In the event that no policy measures are taken to reduce GHG emissions				
Risk	Average temperature rise	Increased severity and frequency of floods and droughts	Changes in consumer preferences	Increased fuel costs
Risk categories	Physical risk	Physical risk	Transition risk	Transition risk
Business impact	Decline in productivity of agricultural, livestock, and fishery products (Assumption 1: Worsening aquaculture environment, Assumption 2: Decrease in livestock growth rate, Assumption 3: Decrease in milk yields from dairy cows, Assumption 4: Infectious disease epidemics in livestock, Assumption 5: Poor growth of agricultural produce and pest epidemics)	Increased raw material procurement costs, shutdown of operations, and decreased sales due to delivery delays (Assumption 1: Floods in Thailand, Assumption 2: Droughts in Brazil, Assumption 3: Flooding from localized torrential rains in Japan)	Reduced demand due to rising temperatures (Assumption: Knorr® Cup Soup, hot coffees)	Rising prices of fuel used
Potential financial impact	¥2bn/year	¥0.1bn/year	To be calculated	¥1bn/year
Countermeasure	• More diversified areas of procurement • Research and development on alternative raw materials • Introduction of high-temperature-tolerant varieties • Reflection in sales price • Development of eco-friendly manufacturing methods	• More diversified areas of procurement • Research and development on alternative raw materials	• Communication to create better eating habits by highlighting nutritional value • Marketing toward cold soup and iced coffee	• Fossil fuel phase-out • Use of renewable energies • Development of eco-friendly manufacturing methods

*1. Calculated by multiplying the Group's FY2018 standard GHG emissions (approved by the Science Based Targets initiative (SBTi)) by the International Energy Agency's (IEA) 2°C scenario carbon tax and emissions trading forecasts for 2030 of \$75/t-CO_2 for emerging countries and \$100/t-CO_2 for developed countries, and for 2040 carbon tax and emissions trading forecasts, \$125/t-CO_2 for emerging countries and \$140/t-CO_2 for developed countries. The 4°C scenario is the outcome of the current situation with no additional or higher carbon taxes or emissions trading expected.

(3) Scenario analysis: opportunities

2°C Scenario (2050): When certain policy measures are taken to reduce GHG emissions and the use of fossil fuels decreases		
Opportunity	Low emission products and services	Changes in consumer preferences
Opportunity categories	Products and services	Products and services
Business impact	Increased sales from products with low environmental impact due to rise in popularity of ethical ways of thinking	• Expanding needs due to health consciousness = Increase in sales • Expanding needs for beverages due to rising temperatures = Increase in sales
Countermeasures	• Development of eco-friendly manufacturing methods and products • Initiatives to obtain favorable ESG rating • Strengthen evidence to prove low environmental impact	• Product development that improves nutritional value • Communication to create better eating habits by highlighting nutritional value • Development of eco-friendly manufacturing methods and products

4°C Scenario (2050): In the event that no policy measures are taken to reduce GHG emissions		
Opportunity	Low emission products and services	Changes in consumer preferences
Opportunity categories	Products and services	Products and services
Business impact	Increased sales from products with low environmental impact due to rise in popularity of ethical ways of thinking	• Expanding needs due to health consciousness = Increase in sales • Expanding needs for beverages due to rising temperatures = Increase in sales
Countermeasures	• Development of eco-friendly manufacturing methods and products • Strengthen evidence to prove low environmental impact	• Product development that improves nutritional value • Communication to create better eating habits by highlighting nutritional value • Development of eco-friendly manufacturing methods and products

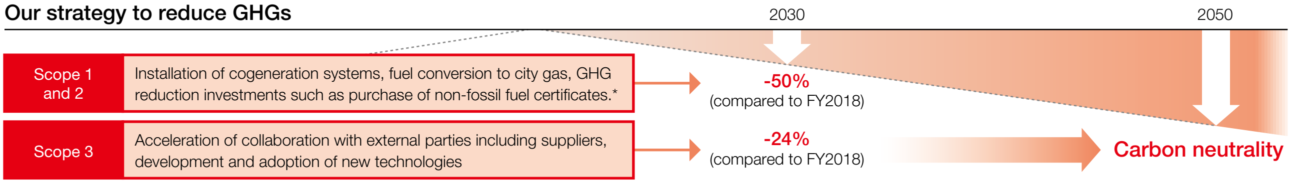
(4) Reflecting scenario analysis results in strategy

(i) Impact on business strategy

Based on the impact of the scenario analysis on our business, we plan to invest in fossil fuel phase-out and the use of renewable energies, as well as eco-friendly manufacturing methods to further reduce our GHG emissions in the future. We will also work on formulating new business strategies to create a win-win situation in which sustainability initiatives lead to greater added value for our products.

Moreover, in our scenario analyses from fiscal 2022 onwards, we will expand the range of products for which we will analyze and place more emphasis on water risks for raw materials, thereby improving our risk/opportunity analysis.

Our strategy to reduce GHGs



* We are considering further investments to reduce GHG emissions, and will disclose the details as soon as they are determined.

(ii) Impact on financing strategy

Sustainable finance is the basis for the funds that are required for various initiatives. As a result, we will further accelerate our efforts to realize two outcomes by 2030, namely, to help extend the healthy life expectancy of one billion people, and to reduce our environmental impact by 50%, as well as to realize a sustainable society.

Based on this idea, the Company issued the Group's first sustainability bonds*1 in October 2021, followed by the conclusion of a committed credit line agreement through the Positive Impact Finance scheme*2 in January 2022. Moving forward, we will continue to build on our sustainable finance initiatives.

*1. For information on the issuance of sustainable bonds, please refer to the Sustainable Finance webpage below.
https://www.ajinomoto.com/sustainability/finance.php

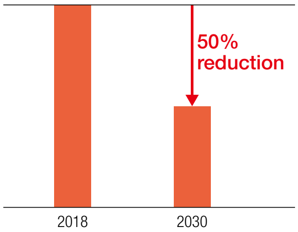
*2. Please refer to the following press release regarding the committed credit line agreement through the Positive Impact Finance scheme.
https://www.ajinomoto.co.jp/company/en/ir/news/news-20220128/main/0/link/2022_0128_E.pdf

4. Metrics and targets

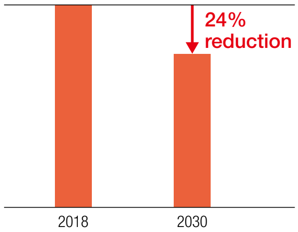
The Group has submitted a letter of commitment declaring compliance to new GHG emission reduction targets, including to the SBTi Net-Zero Standard. As a result, the Group will revise its GHG emission reduction targets in line with the Net-Zero Standard in order to further accelerate efforts toward the SBTi approved target to limit the temperature rise to 1.5°C.

(i) Targets

Targets for total Scope 1 and 2 emissions



Targets for Scope 3 emissions per ton of production

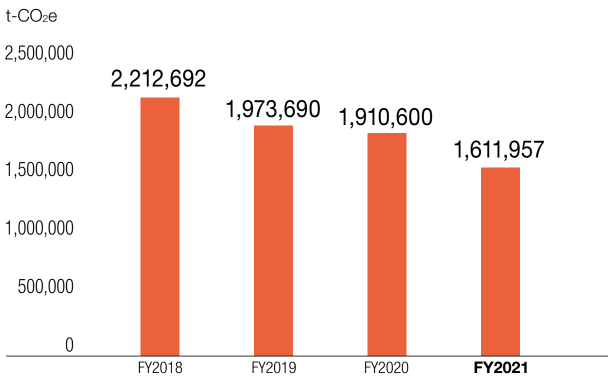


With regard to Scope 1 and Scope 2 GHG emissions, we have set a 50% reduction target (total emissions target) on 2018 levels by fiscal 2030.

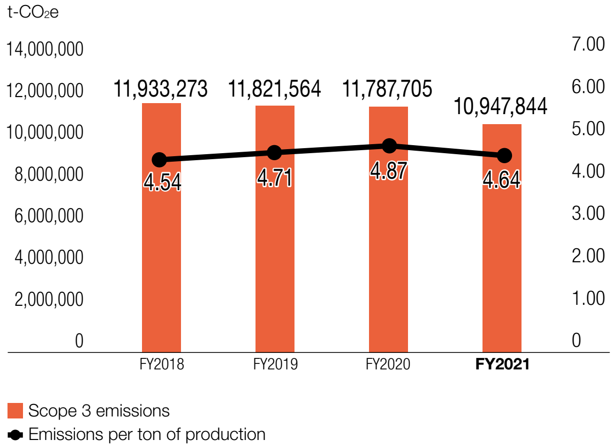
With regard to Scope 3 GHG emissions per ton of production (GHG emissions intensity), we will revise our target (emissions intensity target) to a 24% reduction on 2018 levels by fiscal 2030.

(ii) FY2021 results

Total Scope 1 and 2 emissions



Scope 3 emissions and emissions per ton of production



Total Scope 1 and Scope 2 GHG emissions were down roughly 300,000 t-CO_2e over the previous fiscal year, down 27% on the base year of fiscal 2018. This was well above the target for fiscal 2021. Direct contracts with renewable energy power plants in Brazil, procurement of renewable energy certificates in Thailand, and contracts with electric power companies with low carbon emissions factors in Japan were the main reasons behind the emission reductions. Moreover, we are currently on the verge of achieving approximately 80% of our GHG emissions targets for fiscal 2030 (down 50% from 2018 levels) through planned investments, and we are looking at making additional investments to further reduce emissions.

Although Scope 3 GHG emissions intensity was down by 5% from the previous fiscal year, it was up by 2% on the base year of fiscal 2018. The main reason for this reduction is that Ajinomoto Animal Nutrition Europe S.A.S. is no longer a part of the Ajinomoto Group. In fiscal 2022, we plan to conduct trials in collaboration with Scope 3 raw material suppliers. Going forward, we will accelerate external collaboration, including with suppliers, and promote initiatives to reduce GHG emissions.

(iii) Initiatives to achieve targets

Measures to achieve Scope 1 and Scope 2 targets include more energy-saving activities, switching to fuels that generate less GHGs, using renewable energies such as biomass and solar power, and implementing processes to reduce energy consumption (e.g., phasing out the use of heavy oil in favor of natural gas at our Kyushu Plant, and the introduction of cogeneration equipment at our Kamphaeng Phet Plant in Thailand, etc.).

In terms of Scope 3, since raw materials account for roughly 60% of all GHG emissions throughout the product lifecycle, we are working to encourage raw material suppliers to reduce their GHG emissions and looking at the introduction of new technologies including the on-site production of ammonia.

List of Officers

Men: 22 / Women: 5 (percentage of female officers: 18.5%)

(1) Directors

Position	Name	Term of office	Number of Company shares held
Outside Director	Kimie Iwata	Note	1,500
Outside Director	Takashi Nawa	Note	—
Outside Director	Joji Nakayama	Note	300
Outside Director	Atsushi Toki	Note	5,400
Outside Director	Mami Indo	Note	800
Outside Director	Yoko Hatta	Note	—
Director	Taro Fujie	Note	21,500
Director	Hiroshi Shiragami	Note	14,300
Director	Chiaki Nosaka	Note	28,200
Director	Tatsuya Sasaki	Note	6,500
Director	Masaya Tochio	Note	39,700
		Total	118,300

Note: The terms of office of the Directors are from the end of the Ordinary General Meeting of Shareholders held on June 23, 2022 to the end of the last Ordinary General Meeting of Shareholders held within one year.

(2) Executive Officers

Position	Name	Term of office	Number of Company shares held
Representative Executive Officer & President Chief Executive Officer	Taro Fujie	Note 1	21,500
Representative Executive Officer & Executive Vice President Chief Innovation Officer (CIO)	Hiroshi Shiragami	Note 1	14,300
Executive Officer & Senior Vice President	Chiaki Nosaka	Note 1	28,200
Executive Officer & Senior Vice President General Manager, Global Corporate Division General Manager, Corporate Service Division	Tatsuya Sasaki	Note 1	6,500
Executive Officer & Senior Vice President General Manager, Food Products Division	Yoshiteru Masai	Note 1	9,800
Executive Officer & Senior Vice President Chief Digital Officer (CDO) Chief Transformation Officer (CXO)	Takayuki Koda	Note 1	15,100
Executive Officer & Vice President	Tetsuya Nakano	Note 1	14,500
Executive Officer & Vice President General Manager, AminoScience Division	Sumio Maeda	Note 1	4,500
Executive Officer & Vice President	Junichiro Kojima	Note 1	27,400
Executive Officer & Vice President	Ikuo Kira	Note 1	6,300
Executive Officer & Vice President	Narutoshi Fukase	Note 1	12,700
Executive Officer & Vice President	Jiro Sakamoto	Note 1	13,900
Executive Officer & Vice President	Ichiro Sakakura	Note 1	2,500
Executive Officer & Vice President	Masami Kashiwakura	Note 1	4,300
Executive Officer & Vice President	Shigeo Nakamura	Note 1	7,600
Executive Officer & Vice President	Tatsuya Okamoto	Note 1	100
Executive Officer & Vice President	Hideaki Kawana	Note 1	12,900
Executive Officer	Chika Morishima	Note 1	11,700
Executive Officer	Masaki Kashihara	Note 1	11,700
Executive Officer	Takumi Matsuzawa	Note 1	15,200
		Total (Note 2)	170,600

Notes: 1. The terms of office of the Executive Officers are from the end of the first Board of Directors meeting held after the conclusion of the Ordinary General Meeting of Shareholders on June 23, 2022 to the end of the first Board of Directors meeting held after the conclusion of the last Ordinary General Meeting of Shareholders held within one year.

2. The number of shares held by Executive Officers who concurrently serve as Directors is not included in the total number of shares.

Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	As of March 31, 2022	As of March 31, 2021
Assets			
Current assets			
Cash and cash equivalents	8, 38	**151,454**	181,609
Trade and other receivables	9, 38	**162,397**	162,104
Other financial assets	38	**17,810**	12,078
Inventories	10	**219,356**	188,664
Income taxes receivable		**6,024**	7,459
Others		**24,375**	18,746
Subtotal		**581,419**	570,662
Assets of disposal groups classified as held for sale	11	**—**	14,506
Total current assets		**581,419**	585,169
Non-current assets			
Property, plant and equipment	12	**522,312**	486,443
Intangible assets	13	**68,309**	72,201
Goodwill	13	**99,839**	96,024
Investments in associates and joint ventures	17	**115,248**	112,246
Long-term financial assets	38	**51,864**	53,576
Deferred tax assets	18	**7,017**	14,537
Others		**11,049**	11,090
Total non-current assets		**875,641**	846,119
Total assets		**1,457,060**	1,431,289

Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	As of March 31, 2022	As of March 31, 2021
Liabilities			
Current liabilities			
Trade and other payables	19, 38	**199,908**	188,452
Short-term borrowings	20, 38	**8,219**	10,820
Commercial papers	20, 38	**—**	30,000
Current portion of bonds	20, 38	**19,990**	—
Current portion of long-term borrowings	20, 38	**14,418**	18,085
Other financial liabilities	15, 38	**15,802**	11,603
Short-term employee benefits	23	**38,567**	38,288
Provisions	22	**4,486**	4,343
Income taxes payable		**10,085**	10,770
Others		**13,153**	11,371
Subtotal		**324,631**	323,736
Liabilities of disposal groups classified as held for sale	11	**—**	12,603
Total current liabilities		**324,631**	336,339
Non-current liabilities			
Corporate bonds	20, 38	**139,631**	149,608
Long-term borrowings	20, 38	**131,650**	141,911
Other financial liabilities	15, 38	**56,740**	69,381
Long-term employee benefits	23	**38,788**	43,487
Provisions	22	**3,708**	4,704
Deferred tax liabilities	18	**20,945**	16,240
Others		**1,219**	1,770
Total non-current liabilities		**392,684**	427,103
Total liabilities		**717,316**	763,443
Equity			
Common stock	24	**79,863**	79,863
Capital surplus	24	**—**	—
Treasury stock	24	**(1,371)**	(1,464)
Retained earnings	24	**616,286**	608,031
Other components of equity		**(7,869)**	(65,454)
Other components of equity related to disposal groups classified as held for sale	11	**—**	(718)
Equity attributable to owners of the parent company		**686,909**	620,257
Non-controlling interests		**52,834**	47,589
Total equity		**739,744**	667,846
Total liabilities and equity		**1,457,060**	1,431,289

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Sales	7, 27	**1,149,370**	1,071,453
Cost of sales		**(723,472)**	(665,234)
Gross profit		**425,897**	406,219
Share of profit of associates and joint ventures	7, 17	**985**	1,317
Selling expenses	28	**(168,847)**	(160,646)
Research and development expenses	29	**(24,842)**	(25,900)
General and administrative expenses	30	**(112,277)**	(107,853)
Business profit	7	**120,915**	113,136
Other operating income	32	**26,788**	24,436
Other operating expenses	33	**(23,132)**	(36,450)
Operating profit		**124,572**	101,121
Financial income	34	**6,868**	3,900
Financial expenses	35	**(8,968)**	(6,701)
Profit before income taxes		**122,472**	98,320
Income taxes	18	**(42,244)**	(32,040)
Profit		**80,228**	66,280
Attributable to:			
Owners of the parent company		**75,725**	59,416
Non-controlling interests		**4,503**	6,864
Earnings per share (yen):			
Basic	37	**139.42**	108.36
Diluted	37	**139.42**	108.32

Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Profit		**80,228**	66,280
Other comprehensive income (Net of related tax effects)			
Items that will not be reclassified to profit or loss:			
Net gain on revaluation of financial assets measured at fair value through other comprehensive income	36	**3,828**	3,405
Remeasurements of defined benefit pension plans	23, 36	**2,202**	17,809
Share of other comprehensive income of associates and joint ventures	17, 36	**(30)**	404
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	36	**514**	423
Hedge surplus	36	**49**	169
Exchange differences on translation of foreign operations	36	**55,748**	29,883
Share of other comprehensive income of associates and joint ventures	17,36	**856**	(614)
Other comprehensive income (Net of related tax effects)	36	**63,169**	51,482
Comprehensive income		**143,398**	117,762
Comprehensive income attributable to:			
Owners of the parent company		**134,742**	106,560
Non-controlling interests		**8,656**	11,202

Consolidated Statements of Changes in Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

		Equity attributable to owners of the parent company							
						Other components of equity			
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Net gain on revaluation of financial assets measured at fair value through other comprehen-sive income	Remeasure-ments of defined benefit pension plans	Cash flow hedges	Hedge surplus
Balance as of April 1, 2020		79,863	—	(2,160)	574,287	12,472	(34,411)	(2,764)	(441)
Profit					59,416				
Other comprehensive income	36					3,405	18,044	423	154
Comprehensive income		—	—	—	59,416	3,405	18,044	423	154
Purchase of treasury stock	24			(7)					
Disposal of treasury stock	24		(0)	0					
Retirement of treasury stock	24								
Dividends	25				(17,544)				
Changes in transactions with non-controlling interests			1,439						
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	38				328	(412)			
Transfer of negative balance of other capital surplus			8,458		(8,458)				
Transfer to non-financial assets								26	
Stock-based remuneration transaction	26		(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		79,863	—	(1,464)	608,031	15,465	(16,367)	(2,314)	(286)
Balance as of April 1, 2021		**79,863**	**—**	**(1,464)**	**608,031**	**15,465**	**(16,367)**	**(2,314)**	**(286)**
Profit					**75,725**				
Other comprehensive income	36					**3,826**	**2,359**	**514**	**46**
Comprehensive income		**—**	**—**	**—**	**75,725**	**3,826**	**2,359**	**514**	**46**
Purchase of treasury stock	24			**(40,041)**					
Disposal of treasury stock	24		**0**	**0**					
Retirement of treasury stock	24		**(39,874)**	**39,874**					
Dividends	25				**(27,316)**				
Changes in transactions with non-controlling interests			**(1,026)**						
Changes in ownership interests in subsidiaries that do not result in loss of control	16								
Transfer from other components of equity to retained earnings	38				**629**	**(629)**			
Transfer of negative balance of other capital surplus			**40,710**		**(40,710)**				
Transfer to non-financial assets								**(83)**	
Stock-based remuneration transaction	26		**(76)**	**259**					
Other components of equity related to disposal groups classified as held for sale									
Other			**267**		**(71)**				
Total net changes in transactions with owners of the parent company		**—**	**—**	**93**	**(67,470)**	**(629)**	**—**	**(83)**	**—**
Balance as of March 31, 2022		**79,863**	**—**	**(1,371)**	**616,286**	**18,663**	**(14,008)**	**(1,883)**	**(240)**

Consolidated Statements of Changes in Equity

(Millions of yen)

	Note	Equity attributable to owners of the parent company: Other components of equity: Exchange differences on translation of foreign operations	Share of other comprehen-sive income of associates and joint ventures	Total	Other components of equity related to disposal groups classified as held for sale	Total	Non-controlling interests	Total
Balance as of April 1, 2020		(87,611)	(258)	(113,015)	—	538,975	53,095	592,070
Profit				—		59,416	6,864	66,280
Other comprehensive income	36	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	24			—		(7)		(7)
Disposal of treasury stock	24			—		0		0
Retirement of treasury stock	24			—		—		—
Dividends	25			—		(17,544)	(3,721)	(21,265)
Changes in transactions with non-controlling interests				—		1,439		1,439
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	38		83	(328)		—		—
Transfer of negative balance of other capital surplus				—		—		—
Transfer to non-financial assets				26		26		26
Stock-based remuneration transaction	26			—		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		(61,567)	(384)	(65,454)	(718)	620,257	47,589	667,846
Balance as of April 1, 2021		**(61,567)**	**(384)**	**(65,454)**	**(718)**	**620,257**	**47,589**	**667,846**
Profit				**—**		**75,725**	**4,503**	**80,228**
Other comprehensive income	36	**50,723**	**826**	**58,297**	**718**	**59,016**	**4,152**	**63,169**
Comprehensive income		**50,723**	**826**	**58,297**	**718**	**134,742**	**8,656**	**143,398**
Purchase of treasury stock	24			**—**		**(40,041)**		**(40,041)**
Disposal of treasury stock	24			**—**		**0**		**0**
Retirement of treasury stock	24			**—**		**—**		**—**
Dividends	25			**—**		**(27,316)**	**(3,367)**	**(30,684)**
Changes in transactions with non-controlling interests				**—**		**(1,026)**		**(1,026)**
Changes in ownership interests in subsidiaries that do not result in loss of control	16			**—**		**—**		**—**
Transfer from other components of equity to retained earnings	38			**(629)**		**—**		**—**
Transfer of negative balance of other capital surplus				**—**		**—**		**—**
Transfer to non-financial assets				**(83)**		**(83)**		**(83)**
Stock-based remuneration transaction	26			**—**		**183**		**183**
Other components of equity related to disposal groups classified as held for sale				**—**		**—**		**—**
Other				**—**		**195**	**(43)**	**152**
Total net changes in transactions with owners of the parent company		**—**	**—**	**(712)**	**—**	**(68,089)**	**(3,410)**	**(71,500)**
Balance as of March 31, 2022		**(10,843)**	**441**	**(7,869)**	**—**	**686,909**	**52,834**	**739,744**

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Cash flows from operating activities			
Profit before income taxes		**122,472**	98,320
Depreciation and amortization		**66,234**	63,045
Impairment loss and gain on reversal of impairment loss		**9,356**	16,465
Increase (decrease) in employee benefits		**(3,510)**	(2,407)
Increase (decrease) in provisions		**(929)**	1,657
Interest income		**(1,334)**	(1,851)
Dividend income		**(944)**	(913)
Interest expense		**3,314**	3,543
Share of profit of associates and joint ventures	7	**(985)**	(1,317)
Loss on disposal of property, plant and equipment		**4,825**	4,450
Gain on sale of fixed assets	32	**(15,505)**	(15,803)
Loss on sale of fixed assets		**143**	692
Gain on sale of shares of subsidiaries		**(0)**	(118)
Decrease (increase) in trade and other receivables		**6,057**	21,580
Increase (decrease) in trade and other payables		**10,972**	8,315
Decrease (increase) in inventories		**(17,914)**	(8,090)
Increase (decrease) in consumption taxes payable		**(2,065)**	(2,397)
Increase (decrease) in other assets and liabilities		**(10,132)**	(2,122)
Others		**6,949**	7,661
Subtotal		**177,004**	190,710
Interest received		**1,425**	1,850
Dividends received		**2,061**	2,631
Interest paid		**(3,233)**	(3,370)
Income taxes paid		**(31,681)**	(26,172)
Net cash provided by operating activities		**145,576**	165,650

(Millions of yen)

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Cash flows from investing activities			
Purchase of property, plant and equipment		**(73,842)**	(76,889)
Proceeds from sale of property, plant and equipment		**17,763**	17,226
Purchase of intangible assets		**(6,877)**	(9,148)
Purchase of financial assets		**(1,342)**	(652)
Proceeds from sale of financial assets		**3,555**	2,200
Purchase of shares in subsidiaries resulting in change in scope of consolidation		**—**	(5,601)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	16	**1,142**	—
Purchase of shares in investments accounted for using equity method		**—**	(257)
Proceeds from sale of shares of investments accounted for using equity method		**—**	4,404
Others		**(1,966)**	2,471
Net cash used in investing activities		**(61,567)**	(66,247)
Cash flows from financing activities			
Net change in short-term borrowings	21	**(3,949)**	3,051
Net change in commercial papers	21	**(30,000)**	(10,000)
Proceeds from long-term borrowings	21	**538**	33,500
Repayments of long-term borrowings	21	**(18,328)**	(15,547)
Proceeds from issuance of bonds	21	**9,953**	—
Redemption of bonds	21	**—**	(20,000)
Dividends paid		**(27,273)**	(17,526)
Dividends paid to non-controlling interests		**(3,779)**	(3,585)
Purchase of treasury stock	24	**(40,041)**	(7)
Net change in money held in trust to purchase treasury stock		**(66)**	—
Purchase of shares in subsidiaries not resulting in change in scope of consolidation		**(151)**	(22,077)
Repayments of lease liabilities	21	**(10,168)**	(8,939)
Others		**211**	745
Net cash used in financing activities		**(123,055)**	(60,387)
Effect of currency rate changes on cash and cash equivalents		**8,891**	3,891
Net change in cash and cash equivalents		**(30,155)**	42,908
Cash and cash equivalents at beginning of the year	8	**181,609**	141,701
Cash and cash equivalents included in assets of disposal groups classified as held for sale	11	**—**	(2,999)
Cash and cash equivalents at end of the year	8	**151,454**	181,609

1. Reporting Company

Ajinomoto Co., Inc. (the "Company") is a listed company in Japan, duly established under the Companies Act of Japan. The Company discloses the registered address of its head office on its website (https://www.ajinomoto.com/aboutus). 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, 2022 were authorized for issue at the Management Meeting held on June 20, 2022, 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 38 “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) 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 the shares of subsidiaries over non-controlling interests

In principle, 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 three 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 operations

A non-current asset or disposal group is classified as non-current assets held for sale if its carrying amount will be recovered principally through a sales transaction rather than through its continuing use. Assets or disposal group are classified as non-current assets held for sale when and only when the asset is available for immediate sale in its present condition, its sale is highly probable and the management of the Group is committed to implement the sales plan and intends to complete the sale within one year from the date of classification. After being classified as a held for sale category, a non-current asset (or disposal group) is measured at the lower of its carrying amount or its fair value less costs to sell, and it is not depreciated 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 or cash-generating 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) 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.

(14) 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.

(15) 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.

(16) 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 26 "Stock-based Remuneration (1) Overview of Stock-based Remuneration of Executive Officers Based on the Company's Earnings Performance."

(17) 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

(18) Borrowing costs

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

(19) Income taxes

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

Deferred tax assets are recognized to the extent that it is probable that future deductible temporary differences, net loss carryforwards or unused tax credit can be utilized against future taxable income. The carrying amount of deferred tax assets is reviewed at the end of each 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.

(20) Earnings per share

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

4. Changes in Accounting Policies and Disclosures

(1) Effects of newly applied IFRS
No applicable items.

(2) Change in presentation method
No applicable items.

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) and changes in international affairs due to the situation in Ukraine
The progress of the economic recovery from COVID-19 pandemic and changes in international affairs caused by the situation in Ukraine are bringing about an impact, such as an accelerating rise in raw material and fuel prices. As it is difficult to predict how the pandemic and the situation in Ukraine will develop, 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. There are three reportable segments: Seasonings and Foods, Frozen Foods, and Healthcare and Others.

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

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

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

From the fiscal year ended March 31, 2022, medical foods, which was previously included in amino acids for pharmaceuticals and foods in Healthcare and Others, and some of the businesses previously included in Bio-Pharma Services in Healthcare and Others were included in Others in Healthcare and Others.

In addition, the name of the product category previously classified as Specialty Chemicals was changed to Functional Materials.

(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, 2022

(Millions of yen)

	Reportable segment						
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Sales							
Sales to third parties	664,237	221,702	251,259	12,171	1,149,370	—	1,149,370
Inter-segment sales and transfers	6,040	63	5,195	27,842	39,141	(39,141)	—
Total sales	670,277	221,765	256,455	40,013	1,188,511	(39,141)	1,149,370
Share of profit of associates and joint ventures	1,459	—	(48)	(425)	985	—	985
Segment profit or loss (Business profit or loss)	81,269	(678)	43,362	(3,038)	120,915	—	120,915
					Other operating income		26,788
					Other operating expenses		(23,132)
					Operating profit		124,572
					Financial income		6,868
					Financial expense		(8,968)
					Profit before income taxes		122,472

*1. "Other" includes the tie-up and other service-related businesses.
*2. Corporate expenses are not attributable to specific reportable segments and are allocated to each reportable segment based on reasonable criteria. Corporate expenses mainly relate to the parent company's administrative divisions.

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment						
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1	Total	Adjustments*2	As included in consolidated statements of income
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. Corporate expenses are not attributable to specific reportable segments and are allocated to each reportable segment based on reasonable criteria. 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, 2022

(Millions of yen)

	Reportable segment						
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Depreciation and amortization	**30,944**	**10,911**	**14,699**	**2,891**	**59,447**	**6,787**	**66,234**
Impairment loss	**6,590**	**2,411**	**—**	**—**	**9,001**	**355**	**9,357**

*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, 2021

(Millions of yen)

	Reportable segment						
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1	Total	Adjustments*2	As included in consolidated statements of income
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.

3) Assets

Information on assets by reportable segment is as follows:

As of March 31, 2022

(Millions of yen)

	Reportable segment						
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Segment assets	**606,866**	**201,645**	**311,086**	**99,767**	**1,219,365**	**237,694**	**1,457,060**
Of which investments in associates and joint ventures accounted for by equity method	**45,539**	**—**	**4,308**	**65,399**	**115,248**	**—**	**115,248**

*1. "Other" includes the tie-up and other service-related businesses.
*2. Adjustments for segment assets primarily consist of corporate assets of ¥301,893 million and elimination of inter-segment receivables and payables of ¥(64,199) 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, 2021

(Millions of yen)

	Reportable segment						
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1	Total	Adjustments*2	As included in consolidated statements of income
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.

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment						
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Additions to non-current assets*3	**36,775**	**10,571**	**21,514**	**691**	**69,552**	**4,549**	**74,102**

*1. "Other" includes the tie-up 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, 2021

(Millions of yen)

	Reportable segment						
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1	Total	Adjustments*2	As included in consolidated statements of income
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 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, 2022

(Millions of yen)

		Asia		Americas			
	Japan	Thailand	Others	U.S.	Others	Europe	Total
Sales	**443,992**	**114,795**	**210,661**	**194,435**	**60,253**	**125,232**	**1,149,370**

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, 2021

(Millions of yen)

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

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, 2022

(Millions of yen)

		Asia		Americas			
	Japan	Thailand	Others	U.S.	Others	Europe	Total
Non-current assets	**312,552**	**76,353**	**76,368**	**166,276**	**28,516**	**35,702**	**695,769**

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, 2021

(Millions of yen)

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

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

8. Cash and Cash Equivalents

The details of cash and cash equivalents are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Cash and bank deposits	151,454	181,609
Securities classified as cash equivalents	0	0
Total cash and cash equivalents in consolidated statements of financial position	151,454	181,609
Total cash and cash equivalents in consolidated statements of cash flows	151,454	181,609

9. Trade and Other Receivables

The details of trade and other receivables are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Notes receivable - trade	5,382	5,659
Accounts receivable - trade	145,957	145,411
Other receivables	11,678	11,308
Others	1,132	697
Loss allowance for expected credit loss	(1,752)	(972)
Total	162,397	162,104

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

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

10. Inventories

The details of inventories are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Finished goods and merchandise	122,949	105,093
Work in process	30,260	27,313
Raw materials and supplies	66,146	56,257
Total	219,356	188,664

The amounts of inventories recognized as expenses were ¥710,784 million and ¥651,882 million for the fiscal years ended March 31, 2022 and 2021, respectively.

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Inventory write-downs	1,885	1,594

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 engaged in the animal nutrition business in Europe and was 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 would lose control of AANE in the fiscal year ended March 31, 2022, the assets and liabilities of AANE were 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.

In addition, at the Board of Directors meeting held on April 26, 2021, the Company resolved to conduct an absorption-type merger of AANG, with an effective date of July 1, 2021, and succeeded all of AANG's assets, liabilities, rights and obligations as of the effective date of the merger.

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Assets of disposal group 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
Total assets	–	14,506
Liabilities of disposal group 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
Total liabilities	–	12,603

This disposal group classified as held for sale was measured at fair value less costs to sell (¥1,723 million) because the fair value less costs to sell was lower than the carrying amount as of March 31, 2021. 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 recorded as an impairment loss, and the remaining ¥5,089 million was recorded as a loss on contract. Both are included 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

No applicable items.

12. Property, Plant and Equipment

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

1) Carrying amounts

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2020*1	197,265	138,571	15,088	50,898	52,533	454,357
Acquisition due to purchases from third parties*2	13,262	7,609	2,162	52	68,146	91,232
Acquisition due to business combinations	711	1,449	42	217	47	2,468
Sales or disposal	(2,539)	(2,790)	(353)	(1,206)	(333)	(7,223)
Impairment loss	(3,502)	(11,134)	(162)	(297)	(2,831)	(17,929)
Depreciation	(20,420)	(28,808)	(5,719)	(451)	—	(55,400)
Transfer from construction in progress	25,771	42,661	5,502	—	(73,935)	—
Exchange differences on translation	3,735	5,255	376	872	1,283	11,522
Others	(455)	4,663	596	889	1,720	7,414
Balance as of March 31, 2021*1	213,827	157,476	17,533	50,974	46,630	486,443
Acquisition due to purchases from third parties*2	**10,596**	**4,906**	**1,714**	**168**	**60,833**	**78,219**
Sales or disposal	**(4,691)**	**(1,140)**	**(101)**	**(445)**	**(66)**	**(6,444)**
Impairment loss	**(857)**	**(1,806)**	**(196)**	**(625)**	**(191)**	**(3,675)**
Depreciation	**(21,748)**	**(29,404)**	**(6,023)**	**(400)**	**—**	**(57,577)**
Transfer from construction in progress	**20,227**	**39,030**	**5,537**	**0**	**(64,797)**	**—**
Exchange differences on translation	**10,312**	**8,764**	**740**	**1,645**	**2,838**	**24,300**
Others	**507**	**127**	**(5)**	**(199)**	**617**	**1,048**
Balance as of March 31, 2022*1	**228,174**	**177,955**	**19,199**	**51,118**	**45,864**	**522,312**

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

*1. The carrying amounts of 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, 2020	48,563	3,642	133	6,776	59,116
As of March 31, 2021	46,691	3,349	866	7,619	58,527
As of March 31, 2022	46,113	3,362	851	7,806	58,133

*2. The borrowing costs capitalized were ¥16 million and ¥4 million for the fiscal years ended March 31, 2022 and 2021, respectively. The capitalization rates applied in calculating the borrowing costs were 0.83% and 0.89% for the fiscal years ended March 31, 2022 and 2021, 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, 2020	429,751	617,080	72,681	51,353	53,447	1,224,314
As of March 31, 2021	451,550	617,946	78,387	52,211	49,462	1,249,557
As of March 31, 2022	**489,936**	**674,265**	**83,494**	**53,095**	**46,056**	**1,346,848**

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, 2020	232,485	478,509	57,593	454	914	769,956
As of March 31, 2021	237,722	460,469	60,854	1,236	2,831	763,114
As of March 31, 2022	**261,762**	**496,309**	**64,294**	**1,977**	**191**	**824,535**

(2) Commitments

The amounts of commitments for the acquisition of property, plant and equipment as of March 31, 2022 and March 31, 2021 were ¥18,159 million and ¥18,719 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, 2020	89,964	33,544	21,890	3,755	10,053	69,245
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	**96,024**	**33,312**	**25,960**	**2,589**	**10,338**	**72,201**
Increase due to individual acquisition	**—**	**2**	**6,760**	**—**	**41**	**6,805**
Sales or disposal	**—**	**—**	**(746)**	**—**	**(9)**	**(756)**
Impairment loss	**(2,474)**	**(556)**	**(424)**	**—**	**(2,228)**	**(3,208)**
Amortization	**—**	**(752)**	**(6,819)**	**(321)**	**(763)**	**(8,656)**
Exchange differences on translation	**6,332**	**480**	**549**	**209**	**798**	**2,037**
Others	**(43)**	**0**	**(98)**	**—**	**(13)**	**(111)**
Balance as of March 31, 2022	**99,839**	**32,486**	**25,182**	**2,477**	**8,163**	**68,309**

In the fiscal year ended March 31, 2022, there were no borrowing costs capitalized. In the fiscal year ended March 31, 2021, the borrowing costs capitalized were ¥68 million. The capitalization rates used for calculating the borrowing costs for qualifying assets were 0.89%.

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)

	Goodwill	Intangible assets				
		Trademarks	Software	Customer relationships	Others	Total
As of April 1, 2020	107,562	37,392	69,816	9,816	14,711	131,736
As of March 31, 2021	112,948	37,809	79,430	9,952	15,925	143,117
As of March 31, 2022	**119,368**	**38,605**	**83,778**	**10,346**	**16,904**	**149,635**

3) Accumulated amortization and impairment loss

(Millions of yen)

	Goodwill	Intangible assets				
		Trademarks	Software	Customer relationships	Others	Total
As of April 1, 2020	17,598	3,847	47,925	6,060	4,657	62,491
As of March 31, 2021	16,924	4,497	53,469	7,362	5,587	70,916
As of March 31, 2022	**19,529**	**6,119**	**58,595**	**7,868**	**8,741**	**81,325**

(2) Commitments

The amounts of commitments for the acquisition of intangible assets as of March 31, 2022 and March 31, 2021 were ¥854 million and ¥1,130 million, respectively.

(3) Intangible assets with indefinite useful lives

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2022 and March 31, 2021 were ¥27,856 million and ¥27,757 million, respectively. The main assets were 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, 2022 and March 31, 2021 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 ¥9,357 million and ¥18,536 million for the fiscal years ended March 31, 2022 and 2021, respectively. These impairment losses were recorded in “Other operating expenses” in the consolidated statements of income.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Buildings and structures	**857**	3,502
Machinery and vehicles	**1,806**	11,134
Tools, furniture and fixtures	**196**	162
Land	**625**	297
Construction in progress	**191**	2,831
Software	**424**	550
Trademarks	**556**	—
Goodwill	**2,474**	—
Others	**2,228**	56
Total	**9,357**	18,536

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, 2022

1) Seasonings and Foods segment

In consideration of recent changes in the business environment and the business performance of the Company's subsidiary, More Than Gourmet Holdings, Inc. ("MTG"), the Company recognized impairment losses, consisting of ¥1,676 million of goodwill and ¥2,785 million of intangible assets of MTG, and recorded in "Other operating expenses," due to a decrease in expected future profitability of the subsidiary from the originally projected business plan. The recoverable amount of ¥4,471 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 15.7%.

2) Frozen Foods segment

As part of its business restructuring, the Company has decided to terminate production at the Osaka Plant owned by the Company's subsidiary, Ajinomoto Frozen Foods Co., Inc. around March 2023.

As a result, a total of ¥2,411 million in impairment losses, including ¥798 million for goodwill, ¥625 million for land and ¥553 million for machinery and vehicles belonging to the said plant, was recorded as "Other operating expenses." The recoverable amount (¥683 million) was measured at fair value less costs of disposal.

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, to 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. 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:

(Millions of yen)

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."

(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%.

(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, 2022 and 2021, 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 flow method was applied for the fiscal year ended March 31, 2022, and for the fiscal year ended March 31, 2021 a weighted average of the discounted cash flow and the comparable peer company analysis with an emphasis on the discounted cash flow was applied.

The calculation of expected discounted cash flows was 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.

The comparable peer company analysis used in the fiscal year ended March 31, 2021 applied 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 were as follows:

- Period used by the management for future cash flow projection: 5 years (5 years for the previous fiscal year)
- Growth rate used to extend cash flow projection: 3.0% (3.0% for the previous fiscal year)
- Pre-tax discount rate applied to future cash flow projection: 10.8% (10.8% for the previous fiscal year)
- EV / EBITDA ratio used for comparable peer company analysis: N/A (12.5 times for the previous fiscal year)

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

In the fiscal year ended March 31, 2022, the recoverable amount exceeded the carrying amount by ¥58,297 million. If the discount rate increased by 3.4%, an 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, 2022 and 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-year business plan (3-year business plan for the fiscal year ended March 31, 2021). 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 0.5% (0.2% for the fiscal year ended March 31, 2021), and the pre-tax discount rate applied to the cash flow projection was 6.8% (6.9% for the fiscal year ended March 31, 2021).

As of March 31, 2022, the recoverable amount exceeded the carrying amount by ¥49,164 million. If the discount rate increased by 4.0%, an 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, 2022, 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 1.9% to 5.9% (2.3% to 4.9% for the fiscal year ended March 31, 2021), and the pre-tax discount rate applied to the cash flow projection was 11.1% to 18.3% (12.2% to 15.8% for the fiscal year ended March 31, 2021).

In the fiscal year ended March 31, 2022, the recoverable amount exceeded the carrying amount by ¥64,033 million. If the discount rate increased by 5.8% in each country, an impairment loss would be recognized.

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

(Millions of yen)

Cash-generating unit or group of cash-generating units	As of March 31, 2022	As of March 31, 2021
AFNA	**39,363**	35,606
Coffee products (Japan)	**30,906**	30,906
Bio-pharma services	**19,258**	17,545
Others	**10,311**	11,965
Total	**99,839**	96,024

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

(Millions of yen)

Cash-generating unit or group of cash-generating units	As of March 31, 2022	As of March 31, 2021
Coffee products (Japan)	**25,907**	25,907
Others	**1,949**	1,850
Total	**27,856**	27,757

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, 2022 is presented in Note 12 "Property, Plant and Equipment."

The amounts of right-of-use assets acquired in the fiscal years ended March 31, 2022 and 2021 were ¥10,937 million and ¥9,423 million, respectively.

Lease liabilities with lease payments due within one year from the end of the fiscal years ended March 31, 2022 and 2021 are classified as current liabilities, and those with longer maturities 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, 2022	As of March 31, 2021
Due within one year	**6,975**	6,543
Due after one year	**43,077**	49,854
Total	**50,052**	56,398

The outstanding balances of lease liabilities by due date are presented in Note 38 "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, 2022	Fiscal year ended March 31, 2021
Depreciation on right-of-use assets		
Buildings and structures	**8,674**	8,047
Machinery and vehicles	**1,236**	925
Tools, furniture and fixtures	**115**	56
Land	**400**	451
Total	**10,427**	9,480
Interest expense on lease liabilities	**576**	606
Short-term lease payments	**1,073**	1,312
Payments for leases of low-value assets	**3,688**	3,392
Contingent lease payments excluded from lease liabilities	**1,756**	366
Sublease income	**(973)**	(197)

Total cash outflows for leases for the fiscal years ended March 31, 2022 and 2021 were ¥10,945 million and ¥9,773 million, respectively. Lease contracts committed but not commenced were ¥23 million as of March 31, 2022 and ¥380 million as of and March 31, 2021.

(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, Quick Nourishment	Japan	100.0	—
Ajinomoto AGF, Inc.	3,862 million JPY	Quick Nourishment	Japan	100.0	—
Ajinomoto Fine-Techno Co., Inc.	315 million JPY	Functional Materials	Japan	100.0	—
Ajinomoto Co., (Thailand) Ltd.	796,362 thousand THB	Seasonings	Thailand	99.7	0.3
Ajinomoto Sales (Thailand) Co., Ltd.	50,000 thousand THB	Seasonings, Quick Nourishment	Thailand	100.0	—
PT Ajinomoto Indonesia	8,000 thousand USD	Seasonings	Indonesia	51.0	49.0
PT Ajinomoto Sales Indonesia	250 thousand USD	Seasonings	Indonesia	100.0	—
Ajinomoto Vietnam Co., Ltd.	50,255 thousand USD	Seasonings	Vietnam	100.0	—
Ajinomoto Foods North America, Inc.	15,030 thousand USD	Frozen Foods	United States	100.0	—
Ajinomoto Health & Nutrition North America, Inc.	0 USD	Bio-Pharma Services & Ingredients	United States	100.0	—
Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda.	913,298 thousand BRL	Seasonings, Solution & Ingredients, Bio-Pharma Services & Ingredients	Brazil	100.0	—
Ajinomoto OmniChem N.V.	21,320 thousand EUR	Bio-pharma services & ingredients	Belgium	100.0	—

* Ajinomoto Animal Nutrition Europe S.A.S. concluded an agreement on April 14, 2021 to transfer all its shares held by Ajinomoto Animal Nutrition Group, Inc. to METabolic EXplorer S.A. of France and completed the share transfer on April 28, 2021. Therefore, Ajinomoto Animal Nutrition Europe S.A.S. was deleted from the table.

(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, 2022	Fiscal year ended March 31, 2021
Changes due to equity transactions with non-controlling interests	—	(9,454)

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

For the fiscal year ended March 31, 2022, the loss (before tax effect) recognized due to changes in ownership interests that resulted in the loss of control of subsidiaries was ¥1,545 million, which was included in “Others” of “Other operating expenses” in the consolidated statements of income. There were no profit and loss (before tax effect) recognized as a result of measuring the residual interests at fair value.

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.

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

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Consideration received in cash	**1,770**	—
Cash and cash equivalents of derecognized subsidiaries	**627**	—
Net: Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	**1,142**	—

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, other comprehensive income, and total comprehensive income.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Carrying amount of interests in associates	**75,265**	76,354

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Profit attributable to owners of the parent company	**(76)**	274
Other comprehensive income attributable to owners of the parent company	**13**	474
Total comprehensive income attributable to owners of the parent company	**(63)**	748

(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, other comprehensive income, and total comprehensive income.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Carrying amount of interests in joint ventures	**39,982**	35,891

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Profit attributable to owners of the parent company	**1,061**	1,042
Other comprehensive income attributable to owners of the parent company	**813**	(683)
Total comprehensive income attributable to owners of the parent company	**1,875**	359

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, 2022

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Others	Balance at the end of the year
Deferred tax assets					
Liability for retirement benefits, etc.	6,824	(712)	(785)	201	5,526
Accrued compensated absences	2,641	(73)	—	28	2,596
Accrued bonuses	4,040	(78)	—	133	4,095
Elimination of intercompany profit	4,135	530	—	—	4,665
Net loss carryforwards	2,550	(1,105)	—	163	1,608
Period expense	5,038	42	—	179	5,259
Impairment loss	7,280	(2,041)	—	603	5,842
Others	9,289	(2,493)	(180)	154	6,770
Total	41,799	(5,930)	(965)	1,460	36,365
Deferred tax liabilities					
Revaluation of property, plant and equipment	(10,235)	392	—	(1,025)	(10,868)
Reserve for accelerated depreciation of property, plant and equipment	(3,207)	133	—	—	(3,074)
Net changes in fair value of financial assets	(7,588)	—	(1,147)	(2)	(8,737)
Appraisal of land on consolidated financial statements	(2,667)	189	—	—	(2,478)
Retained earnings of overseas subsidiaries and associates	(13,893)	(2,822)	—	—	(16,715)
Others	(5,910)	(1,734)	—	(776)	(8,420)
Total	(43,502)	(3,842)	(1,147)	(1,803)	(50,294)
Net deferred tax assets or liabilities	(1,703)	(9,772)	(2,112)	(343)	(13,929)

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
Deferred tax assets					
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	1,503	(261)	289	9,289
Total	42,873	5,188	(6,458)	198	41,799
Deferred tax liabilities					
Revaluation of property, plant and equipment	(9,016)	(1,391)	—	172	(10,235)
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)
Total	(29,595)	(12,745)	(1,101)	(62)	(43,502)
Net deferred tax assets or liabilities	13,278	(7,557)	(7,559)	136	(1,703)

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, 2022	As of March 31, 2021
Deferred tax assets	**7,017**	14,537
Deferred tax liabilities	**(20,945)**	(16,240)
Net deferred tax assets (liabilities)	**(13,929)**	(1,703)

(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, 2022	As of March 31, 2021
Future deductible temporary differences	**39,746**	56,597
Net loss carryforwards	**13,745**	12,618
Unused tax credits	**2,078**	2,932
Total	**55,570**	72,148

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

Net loss carryforwards (tax base)

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Within 1 year	99	72
Over 1 year within 2 years	210	117
Over 2 years within 3 years	81	199
Over 3 years within 4 years	569	80
Over 4 years within 5 years	504	369
Over 5 years	12,281	11,780
Total	13,745	12,618

Unused tax credits (tax base)

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Within 1 year	1,767	963
Over 1 year within 2 years	139	1,783
Over 2 years within 3 years	171	185
Over 3 years within 4 years	—	—
Over 4 years within 5 years	—	—
Over 5 years	—	—
Total	2,078	2,932

(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 were ¥302,861 million and ¥335,667 million as of March 31, 2022 and March 31, 2021, respectively.

(4) Deferred tax assets dependent on future taxable income

Deferred tax assets of ¥4,238 million and ¥8,768 million were recognized as of March 31, 2022 and March 31, 2021, respectively, for the Company and its certain subsidiaries that incurred net loss for the fiscal years ended March 31, 2022 or 2021, and whose recoverability of deferred tax assets depends on the future taxable income.

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

(5) Tax expenses

The details of tax expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Current tax expense	32,471	24,483
Deferred tax expense		
Recognition and reversal of temporary differences	9,840	9,783
Assessment of recoverability of deferred tax assets	(84)	(2,181)
Others	16	(44)
Total deferred tax expense	9,772	7,557
Total tax expenses	42,244	32,040

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 for the fiscal year ended March 31, 2021.

(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, 2022	Fiscal year ended March 31, 2021
Statutory tax rate	**30.6**	30.6
Share of profit of associates and joint ventures	**(0.3)**	(0.4)
Difference from applicable tax rates of foreign subsidiaries	**(5.3)**	(5.1)
Permanently non-deductible or non-taxable items	**3.5**	0.2
Special tax credit on corporate income taxes	**(1.7)**	(2.3)
Increase (decrease) in unrecognized deferred tax assets and liabilities	**2.8**	(1.0)
Withholding taxes on dividends from foreign subsidiaries	**7.6**	11.9
Others	**(2.8)**	(1.3)
Effective tax rate	**34.5**	32.6

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, 2022	As of March 31, 2021
Notes payable - trade	**1,162**	906
Accounts payable - trade	**107,792**	91,392
Accounts payable - other	**39,009**	45,415
Refund liabilities*	**18,295**	17,015
Others	**33,648**	33,723
Total	**199,908**	188,452

* 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, 2022 and March 31, 2021 are as follows:

Company name	Issue	Date of issuance	As of March 31, 2022 (Millions of yen)	As of March 31, 2021 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Ajinomoto Co., Inc.	The 21st unsecured bond	March 2, 2016	**19,990** **(19,990)**	19,979 (—)	0.200	None	March 2, 2023
Ajinomoto Co., Inc.	The 22nd unsecured bond	March 2, 2016	**24,959** **(—)**	24,949 (—)	0.305	None	March 2, 2026
Ajinomoto Co., Inc.	The 23rd unsecured bond	March 2, 2016	**24,909** **(—)**	24,902 (—)	0.939	None	February 29, 2036
Ajinomoto Co., Inc.	The 24th unsecured bond	March 9, 2017	**19,977** **(—)**	19,965 (—)	0.190	None	March 8, 2024
Ajinomoto Co., Inc.	The 25th unsecured bond	March 9, 2017	**29,944** **(—)**	29,933 (—)	0.355	None	March 9, 2027
Ajinomoto Co., Inc.	The 26th unsecured bond	March 9, 2017	**29,884** **(—)**	29,877 (—)	0.921	None	March 9, 2037
Ajinomoto Co., Inc.	The 27th unsecured bond	October 21, 2021	**9,955** **(—)**	— (—)	0.130	None	October 20, 2028
Total			**159,621** **(19,990)**	149,608 (—)	—	—	—

Figures in parentheses () represent the current portion of corporate bonds as of March 31, 2022 and March 31, 2021.

(2) Borrowings

The details of borrowings as of March 31, 2022 and March 31, 2021 are as follows:

	As of March 31, 2022 (Millions of yen)	As of March 31, 2021 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	**8,219**	10,820	2.04	—
Commercial papers	**—**	30,000	—	—
Current portion of long-term borrowings	**14,418**	18,085	0.84	—
Long–term borrowings	**131,650**	141,911	1.06	From April 2023 to November 2037
Total	**154,288**	200,816	—	—

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.

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended March 31, 2022

(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	
Short-term borrowings	**10,820**	**(3,949)**	**—**	**1,298**	**—**	**—**	**50**	**8,219**
Commercial papers	**30,000**	**(30,000)**	**—**	**—**	**—**	**—**	**—**	**—**
Long-term borrowings*1	**159,996**	**(17,790)**	**—**	**3,678**	**—**	**—**	**184**	**146,069**
Corporate bonds*1	**149,608**	**9,953**	**—**	**—**	**—**	**—**	**60**	**159,621**
Lease liabilities	**56,398**	**(10,168)**	**—**	**(7,113)**	**—**	**10,937**	**—**	**50,052**
Derivative liabilities (assets)*2	**1,196**	**(69)**	**—**	**—**	**(1,761)**	**—**	**—**	**(634)**
Total liabilities arising from cash flows from financing activities	**408,019**	**(52,024)**	**—**	**(2,137)**	**(1,761)**	**10,937**	**295**	**363,329**

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

Fiscal year ended March 31, 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.

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, 2020	3,226	1,400	4,368	1,947	1,592	12,536
Increase in the period (provisions)	3,129	131	5,089	123	579	9,051
Increase in the period (increase arising from passage of time)	—	—	—	—	1	1
Decrease in the period (utilization)	(3,017)	(335)	(835)	(1,003)	(474)	(5,666)
Decrease in the period (reversal)	0	(119)	(1,499)	(16)	(246)	(1,880)
Exchange differences on translation	36	41	—	(121)	(6)	(50)
Others	(0)	—	—	(11)	38	27
Transfer to disposal groups held for sale	(64)	—	(4,905)	—	—	(4,970)
Balance as of March 31, 2021	3,310	1,119	2,217	916	1,484	9,048
ncrease in the period (provisions)	**3,257**	**10**	**—**	**257**	**1,004**	**4,529**
Increase in the period (increase arising from passage of time)	**—**	**—**	**—**	**—**	**1**	**1**
Decrease in the period (utilization)	**(3,214)**	**(192)**	**(146)**	**(192)**	**(527)**	**(4,272)**
Decrease in the period (reversal)	**(3)**	**(62)**	**(1,517)**	**(24)**	**(56)**	**(1,664)**
Exchange differences on translation	**46**	**24**	**0**	**307**	**166**	**544**
Others	**0**	**—**	**—**	**—**	**8**	**8**
Balance as of March 31, 2022	**3,395**	**900**	**553**	**1,265**	**2,080**	**8,194**

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Current liabilities	**4,486**	4,343
Non-current liabilities	**3,708**	4,704
Total	**8,194**	9,048

(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, 2022.

(2) Provision for environmental measures

Provision for environmental measures is recognized for the amount expected to be paid for soil remediation work and 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, 2022.

(3) Provision for loss on contract

Provision for loss on contract is primarily 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 four years from the end of the fiscal year ended March 31, 2022, but the amount or the timing expected is subject to change due to the status of new drug approvals and other related conditions in the future.

(4) Provision for loss on litigation

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

23. 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, 2022.

(Millions of yen)

	Japan	Overseas	Total
Present value of defined benefit obligations	**243,538**	**24,985**	**268,524**
Fair value of plan assets	**229,138**	**9,611**	**238,750**
Net defined benefit liabilities (assets)	**14,399**	**15,374**	**29,774**
Amounts in consolidated statements of financial position			
Assets (Other non-current assets)	**5,715**	**25**	**5,741**
Liabilities (Long-term employee benefits)	**20,115**	**15,399**	**35,515**

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

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, 2020	255,298	19,831	275,130
Current service cost	6,292	1,782	8,075
Interest cost	1,409	605	2,015
Remeasurement of the present value of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	2,125	(100)	2,024
Actuarial (gains) losses arising from changes in financial assumptions	(13,362)	549	(12,813)
Changes in other actuarial assumptions and other experience adjustments	9,436	81	9,518
Past service cost	—	21	21
Contributions to the plan by plan participants	—	31	31
Benefits paid from the plan	(11,259)	(809)	(12,069)
Exchange differences on translation	—	1,852	1,852
Others	(177)	320	142
Transfer to disposal groups held for sale	—	(945)	(945)
Balance as of March 31, 2021	249,763	23,220	272,983
Current service cost	**6,153**	**2,132**	**8,285**
Interest cost	**1,729**	**656**	**2,385**
Remeasurement of the present value of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	**(646)**	**317**	**(329)**
Actuarial (gains) losses arising from changes in financial assumptions	**(8,667)**	**(1,163)**	**(9,830)**
Changes in other actuarial assumptions and other experience adjustments	**6,763**	**147**	**6,910**
Past service cost	**—**	**27**	**27**
Contributions to the plan by plan participants	**—**	**32**	**32**
Benefits paid from the plan	**(11,311)**	**(1,463)**	**(12,775)**
Exchange differences on translation	**—**	**1,598**	**1,598**
Others	**(244)**	**(519)**	**(763)**
Balance as of March 31, 2022	**243,538**	**24,985**	**268,524**

The weighted average duration of defined benefit obligations as of March 31, 2022 was 15.9 years in Japan and 10.7 years in overseas countries.

4) Plan assets

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

(Millions of yen)

	Japan	Overseas	Total
Balance as of April 1, 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
Interest income	**1,571**	**108**	**1,680**
Remeasurement of fair value of plan assets:			
Return on plan assets	**(478)**	**103**	**(374)**
Actuarial gains (losses) arising from changes in financial assumptions	**105**	**7**	**112**
Contributions:			
Contributions to the plan by employer	**8,721**	**1,493**	**10,214**
Contributions to the plan by plan participants	**288**	**32**	**321**
Benefits paid from the plan	**(11,094)**	**(1,246)**	**(12,340)**
Exchange differences on translation	**—**	**477**	**477**
Others	**(1)**	**(64)**	**(65)**
Balance as of March 31, 2022	**229,138**	**9,611**	**238,750**

The expected amount of contributions to the defined benefit plans for the fiscal year ending March 31, 2023 is ¥10,527 million.

The following table shows the components of plan assets.

(Millions of yen)

	As of March 31, 2022		As of March 31, 2021	
	Japan	Overseas	Japan	Overseas
Debt instruments				
With quoted price in active markets	—	177	—	163
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	109,893	680	108,761	580
Equity instruments				
With no quoted price in active markets	57,016	—	57,088	—
Others				
With no quoted price in active markets	9,568	—	10,121	—
Life insurance general accounts				
With no quoted price in active markets	35,749	8,334	36,685	7,457
Alternative investments				
With no quoted price in active markets	10,272	—	11,310	—
Cash and cash equivalents	850	372	829	309
Others	5,787	46	5,228	187
Total	229,138	9,611	230,025	8,699

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, 2022		As of March 31, 2021	
	Japan	Overseas	Japan	Overseas
Discount rates	0.9	4.0	0.7	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, 2022	
	Japan	Overseas
Increase in defined benefit obligations if the discount rate decreased by 0.1%	3,778	2,118
Decrease in defined benefit obligations if the discount rate increased by 0.1%	(3,870)	(2,088)

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, 2022			Fiscal year ended March 31, 2021		
	Japan	Overseas	Total	Japan	Overseas	Total
Current service cost	6,153	2,132	8,285	6,292	1,782	8,075
Net interest cost	157	547	705	253	478	731
Past service cost	—	27	27	—	21	21
Total (Profit or loss)	6,310	2,707	9,018	6,546	2,281	8,828
Actuarial (gains) losses arising from changes in demographic assumptions	(646)	317	(329)	2,125	(100)	2,024
Actuarial (gains) losses arising from changes in financial assumptions	(8,772)	(1,170)	(9,943)	(13,463)	527	(12,935)
Return on plan assets (Excluding the amount included in interest income)	478	(103)	374	(22,508)	(105)	(22,614)
Changes in other actuarial assumptions and other changes	6,763	147	6,910	9,436	81	9,518
Total (Other comprehensive income)	(2,177)	(809)	(2,987)	(24,410)	403	(24,006)

8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans were ¥16,066 million and ¥15,013 million for the fiscal years ended March 31, 2022 and 2021, 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, 2022	As of March 31, 2021
Short-term employee benefits		
Accrued salaries	4,015	3,605
Accrued bonuses	17,570	17,381
Accrued compensated absences	12,044	11,812
Others	4,937	5,489
Total	38,567	38,288
Other long-term employee benefits		
Provision for stock-based remuneration	22	30
Accrued retirement benefits for directors	293	212
Others	2,957	3,312
Total	3,272	3,555

24. Common Stock and Reserve

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

	As of March 31, 2022	As of March 31, 2021
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
Decrease due to retirement of treasury stock	**12,167,100**	—
End of the year	**536,996,254**	549,163,354
Treasury stock*2 (Common stock with no par value)		
Beginning of the year	**663,058**	974,103
End of the year	**559,323**	663,058

*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 442,900 ordinary shares of the Company (total share purchase amount: ¥989 million) and 559,200 ordinary shares of the Company (total share purchase amount: ¥1,249 million) in the fiscal years ended March 31, 2022 and 2021, 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 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, 2022	As of March 31, 2021
Capital (Millions of yen)	**686,909**	620,257
Equity ratio attributable to owners of the parent company (%)	**47.1**	43.3
ROE attributable to owners of the parent company (%)	**11.6**	10.3

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.

25. Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2022

	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**
Interim dividend (Dividend per share: ¥24)	**13,066**	**September 30, 2021**	**November 4, 2021**	**December 3, 2021**

*1. The total amount of year-end dividends includes ¥14 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.
*2. The total amount of interim dividends includes ¥10 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.

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)	8,785	March 31, 2020	June 24, 2020	June 25, 2020
Interim dividend (Dividend per share: ¥16)	8,784	September 30, 2020	November 4, 2020	December 4, 2020

*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.

Dividends for which the effective date falls in the next fiscal year commencing April 1, 2022 are as follows:

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥28)	15,032	March 31, 2022	June 23, 2022	June 24, 2022

* The total amount of year-end dividends includes ¥12 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.

26. 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 Based on the Company's Medium-term Earnings Performance (the "Stock-based Remuneration") for the purpose of motivating the willingness 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 eligible persons after the end of the three fiscal years starting from April 1, 2020 (the "Period"), based on the evaluation using predetermined evaluation indicators.

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 were Directors, Corporate Executive Officers, and Corporate Fellows prior to the conclusion of the 143rd Ordinary General Meeting of Shareholders held on June 23, 2021, and those who were Directors (excluding Internal Directors who are Members of the Audit Committee) and Executive Officers following the conclusion of the said meeting (excluding Outside directors and those who are non-residents of Japan throughout the Period for both periods prior and after the said meeting).

The number of the Company's shares to be granted to eligible persons is calculated as follows:

(target achievement rate for each assessment criterion) × (assessment weighting) × (pre-set medium-term performance-linked remuneration by officers' rank) ÷ (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 assessment criteria, performance targets and assessment weighting 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.
Operating profit after tax 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 end 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, 2022 and 2021 were ¥989 million and 442,900 shares, and ¥1,249 million and 559,200 shares, respectively.

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

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

The following table shows the basis of fair value measurement and weighted average fair value of the Company's shares granted in the fiscal years ended March 31, 2022 and 2021.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
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 ¥183 million and ¥259 million for the fiscal years ended March 31, 2022 and 2021, 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 ¥226 million and ¥193 million for the fiscal years ended March 31, 2022 and 2021, respectively.

27. Sales

Revenue recognized from contracts with customers is presented as sales.

As described in Note 7 "Segment Information," medical foods, which was previously included in amino acids for pharmaceuticals and foods in Healthcare and Others, and some of the businesses previously included in Bio-Pharma Services in Healthcare and Others were included in Others in Healthcare and Others from the fiscal year ended March 31, 2022. In addition, the name of the product category previously classified as Specialty Chemicals was changed to Functional Materials. Accordingly, information on sales by major product category for the fiscal year ended March 31, 2021 is prepared based on the categories after the changes.

Main products belonging to each of the major product categories are described in Note 7 "Segment Information."

(1) Sale of goods and services

1) Seasonings and Foods

Seasonings and Foods segment of the Group earns revenues mainly from sales of seasonings and quick nourishment 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 functional materials.

"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. "Functional materials" 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, 2022	Fiscal year ended March 31, 2021
Seasonings and Foods	Sauce & Seasonings	**315,736**	288,960
	Quick Nourishment	**192,594**	186,352
	Solution & Ingredients	**155,906**	145,193
	Subtotal	**664,237**	620,507
Frozen Foods	Frozen Foods	**221,702**	198,254
	Subtotal	**221,702**	198,254
Healthcare and Others	Amino Acids for Pharmaceuticals and Foods	**49,136**	42,653
	Bio-Pharma Services	**55,694**	48,822
	Functional Materials	**60,552**	45,163
	Others	**85,876**	102,879
	Subtotal	**251,259**	239,518
Others		**12,171**	13,173
Total		**1,149,370**	1,071,453

(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, 2022

(Millions of yen)

	As of March 31, 2022	As of April 1, 2021
Contract liabilities	**10,590**	8,891

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

Revenues recognized for the fiscal years ended March 31, 2022 and 2021 that were included in the opening balance of contract liabilities were ¥8,891 million and ¥5,944 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 were remaining performance obligations related to a manufacturing service agreement for pharmaceuticals products as of March 31, 2022 and March 31, 2021. 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.

28. Selling Expenses

The details of selling expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Logistics expenses	53,085	46,778
Advertising	36,533	38,019
Sales promotion expenses	19,496	18,439
Sales commissions	2,160	2,208
Employee benefit expenses	38,665	38,361
Depreciation and amortization	3,809	5,000
Others	15,096	11,838
Total	168,847	160,646

29. Research and Development Expenses

The details of research and development expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Employee benefit expenses	11,407	11,930
Depreciation and amortization	2,872	2,820
Subcontracting and consumables expenses	5,276	6,079
Others	5,285	5,070
Total	24,842	25,900

30. General and Administrative Expenses

The details of general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Employee benefit expenses	61,868	59,094
Depreciation and amortization	14,781	11,874
Others	35,627	36,883
Total	112,277	107,853

31. Employee Benefit Expenses

The details of employee benefit expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Salaries	**127,452**	119,649
Bonuses	**37,159**	36,526
Compensated absences	**1,998**	2,333
Retirement benefits	**25,084**	23,842
Directors' remuneration	**2,520**	2,471
Directors' bonuses	**766**	511
Stock-based remuneration	**183**	259
Other employee benefits	**24,141**	24,906
Total	**219,306**	210,501

32. Other Operating Income

The details of other operating income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Gain on sale of fixed assets	**15,505**	15,803
Lease income	**2,038**	1,145
Insurance proceeds	**248**	1,015
Gain on reversal of provision for contract loss	**1,517**	1,703
Others	**7,478**	4,769
Total	**26,788**	24,436

*1. 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.
*2. Gain on sale of fixed assets for the fiscal year ended March 31, 2022 includes gain on sale of idle assets of ¥13,696 million.
*3. "Others" for the fiscal year ended March 31, 2022 includes an income of ¥3,263 million as Ajinomoto do Brasil Indústria e Comércio de Alimentos Ltda., a subsidiary of the Company, that filed tax lawsuits over calculations of PIS/COFINS, received favorable rulings in all cases. An interest on the tax in the amount of ¥1,049 million was recorded in financial income.

33. Other Operating Expenses

The details of other operating expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Impairment loss	**9,357**	18,536
Loss on disposal of property, plant and equipment	**4,825**	4,450
Provision for loss on contract	**—**	5,089
Expenses on leased assets	**1,722**	1,099
Others	**7,226**	7,275
Total	**23,132**	36,450

34. Financial Income

The details of financial income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Interest income		
Financial assets measured at amortized cost	**1,334**	1,851
Subtotal	**1,334**	1,851
Dividend income		
Financial assets measured at fair value through other comprehensive income	**944**	913
Subtotal	**944**	913
Gain on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	**1,921**	1,021
Subtotal	**1,921**	1,021
Others	**2,669**	113
Total	**6,868**	3,900

35. Financial Expenses

The details of financial expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Interest expenses		
Financial liabilities measured at amortized cost	**2,631**	2,808
Lease liabilities	**576**	606
Derivatives	**378**	392
Subtotal	**3,586**	3,808
Foreign exchange loss	**2,122**	1,113
Unwinding of discount on provisions arising from passage of time	**1**	1
Loss allowance for expected credit loss	**31**	(0)
Others	**3,227**	1,778
Total	**8,968**	6,701

36. Other Comprehensive Income

The details of other comprehensive income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Items that will not be reclassified to profit or loss:		
Net gain on revaluation of financial assets measured at fair value through other comprehensive income:		
Amount arising during the period	**5,166**	4,642
Before tax effects	**5,166**	4,642
Tax effects	**(1,337)**	(1,236)
Net gain on revaluation of financial assets measured at fair value through other comprehensive income	**3,828**	3,405
Remeasurements of defined benefit pension plans:		
Amount arising during the period	**2,987**	24,006
Before tax effects	**2,987**	24,006
Tax effects	**(785)**	(6,197)
Remeasurements of defined benefit pension plans	**2,202**	17,809
Share of other comprehensive income of associates and joint ventures:		
Amount arising during the period	**(30)**	404
Share of other comprehensive income of associates and joint ventures	**(30)**	404
Items that may be reclassified to profit or loss:		
Cash flow hedges:		
Amount arising during the period:		
Currency risk	**(3,331)**	(492)
Interest rate risk	**300**	267
Reclassification adjustments:		
Currency risk	**3,377**	451
Interest rate risk	**378**	392
Before tax effects	**725**	618
Tax effects	**(210)**	(195)
Cash flow hedges	**514**	423
Hedge surplus:		
Amount arising during the period	**(107)**	315
Reclassification adjustments	**164**	(91)
Before tax effects	**57**	224
Tax effects	**(7)**	(54)
Hedge surplus	**49**	169
Exchange differences on translation of foreign operations:		
Amount arising during the period	**54,742**	29,883
Reclassification adjustments	**1,005**	—
Before tax effects	**55,748**	29,883
Tax effects	**—**	—
Exchange differences on translation of foreign operations	**55,748**	29,883
Share of other comprehensive income of associates and joint ventures:		
Amount arising during the period	**931**	(577)
Reclassification adjustments	**(75)**	(36)
Share of other comprehensive income of associates and joint ventures	**856**	(614)
Total other comprehensive income	**63,169**	51,482

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

37. Earnings per Share

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

(1) Profit attributable to owners of the parent company

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Amount used for calculating the basic earnings per share	**75,725**	59,416
Amount used for calculating the diluted earnings per share	**75,725**	59,416

(2) Weighted average number of ordinary shares

(Thousands of shares)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Weighted average number of ordinary shares	**543,131**	548,344
Effect of dilutive potential ordinary shares	**5**	157
Weighted average number of dilutive potential ordinary shares	**543,137**	548,502

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

(Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Basic earnings per share	**139.42**	108.36
Diluted earnings per share	**139.42**	108.32

* 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.

38. Financial Instruments

(1) Classification of financial instruments

Financial instruments are classified as follows:

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

(Millions of yen)

	Financial instruments mandatorily measured at fair value	
	As of March 31, 2022	As of March 31, 2021
(Current assets)		
Other financial assets		
Derivative assets*	**7,057**	289
(Non-current assets)		
Long-term financial assets		
Debt instruments	**633**	736
Derivative assets*	**452**	—
(Current liabilities)		
Other financial liabilities		
Derivative liabilities*	**1,057**	2,282
(Non-current liabilities)		
Other financial liabilities		
Derivative liabilities*	**1,818**	3,306

* 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, 2022	As of March 31, 2021
(Current assets)		
Cash and cash equivalents	**151,454**	181,609
Trade and other receivables	**162,397**	162,104
Other financial assets		
Debt instruments	**10,753**	11,788
(Non-current assets)		
Long-term financial assets		
Debt instruments	**5,121**	10,732
(Current liabilities)		
Trade and other payables	**199,908**	188,452
Short-term borrowings	**8,219**	10,820
Commercial papers	**—**	30,000
Current portion of bonds	**19,990**	—
Current portion of long-term borrowings	**14,418**	18,085
Other financial liabilities	**7,768**	2,777
(Non-current liabilities)		
Corporate bonds	**139,631**	149,608
Long-term borrowings	**131,650**	141,911
Other financial liabilities	**11,844**	16,220

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
(Non-current assets)		
Long-term financial assets		
Equity instruments*	**45,656**	42,107

* 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, 2022 and March 31, 2021.

As of March 31, 2022

(Millions of yen)

Issuer	Amount
Seven & i Holdings Co., Ltd.	**5,806**
Mitsubishi UFJ Financial Group, Inc.	**5,588**
HOUSE FOODS GROUP INC.	**4,901**
CITIC Capital Asian Foods Holdings Limited	**3,129**
TOKAI DENPUN CO., LTD.	**2,673**

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

The following table shows the dividends received from equity instruments held during the fiscal years ended March 31, 2022 and 2021.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Dividends from equity instruments derecognized during the period	**6**	58
Dividends from equity instruments held at the end of the period	**937**	855
Total	**944**	913

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 on disposal.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Fair value as of disposal date	**2,169**	1,411
Cumulative gains on disposal	**819**	546

Cumulative gains 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 in other comprehensive income that were transferred to retained earnings were ¥629 million and ¥412 million for the fiscal years ended March 31, 2022 and 2021, 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 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, 2022 and 2021 were ¥11,597 million and ¥11,700 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, 2022

(Millions of yen)

	Contractual cash flows	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Corporate bonds	**168,042**	**20,771**	**20,742**	**706**	**25,700**	**30,624**	**69,496**
Borrowings	**162,072**	**23,776**	**15,373**	**34,304**	**6,896**	**3,011**	**78,710**
Lease liabilities	**51,927**	**7,380**	**6,270**	**5,663**	**4,709**	**3,044**	**24,858**
Others*	**16,472**	**4,831**	**—**	**—**	**—**	**—**	**11,641**

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

As of March 31, 2021

(Millions of yen)

	Contractual cash flows	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Corporate bonds	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.

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

As of March 31, 2022

(Millions of yen)

		Within 1 year	Over 1 year
Currency related	In	**6,875**	**—**
	Out	**1,032**	**3**
Interest rate related	Out	**241**	**2,233**
Currency and interest rate related	In	**428**	**944**

As of March 31, 2021

(Millions of yen)

		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

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, 2022	As of March 31, 2021
U.S. dollars	**18,374**	66,659
Euro	**8,827**	(4,466)

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, 2022	Fiscal year ended March 31, 2021
Profit before income taxes		
U.S. dollars	**(10)**	(70)
Euro	**(12)**	5
Other comprehensive income (before tax effect)		
U.S. dollars	**(9)**	(12)
Euro	**1**	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, 2022	As of March 31, 2021
Borrowings with variable interest rates	**2,756**	3,628

Exposure to the share price fluctuation risk is as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Financial assets measured at fair value through other comprehensive income		
Long-term financial assets	**28,512**	28,580

(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, etc.

(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.

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, 2022

	Balance by maturity			
	Within 1 year	Over 1 year	Total	Average rate
Foreign exchange forward contracts				
(Short position)				
USD	**9,280 thousand USD**	**—**	**9,280 thousand USD**	**114.71 JPY/USD**
EUR	**1,577 thousand EUR**	**—**	**1,577 thousand EUR**	**131.39 JPY/EUR**
CAD	**162 thousand CAD**	**—**	**162 thousand CAD**	**88.33 JPY/CAD**
THB	**9,234 thousand THB**	**—**	**9,234 thousand THB**	**3.53 JPY/THB**
RUB	**364,457 thousand RUB**	**—**	**364,457 thousand RUB**	**0.01 EUR/RUB**
(Long position)				
USD	**700 thousand USD**	**—**	**700 thousand USD**	**118.61 JPY/USD**
Currency swaps				
(Short position)				
JPY	**120,015,400 thousand JPY**	**—**	**120,015,400 thousand JPY**	**0.29 THB/JPY**

As of March 31, 2021

	Balance by maturity			
	Within 1 year	Over 1 year	Total	Average rate
Foreign exchange forward contracts				
(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
Currency swaps				
(Short position)				
JPY	140,015,400 thousand JPY	—	140,015,400 thousand JPY	0.28 THB/JPY

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

Fiscal year ended March 31, 2022
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)	**6,486 thousand USD**	**73 million JPY**	**55 million JPY**	**Other financial assets** **Other financial liabilities**
	736 thousand EUR			
	162 thousand CAD			
	9,234 thousand THB			
	364,457 thousand RUB			

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

(Millions of yen)

Hedged item	Carrying amount	Accumulated fair value hedge adjustments on hedged item included in carrying amount	Recognized in consolidated statements of financial position
Trade receivables	**1,235**	**346**	**Trade and other receivables**

There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2022.

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

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

(Millions of yen)

Hedged item	Carrying amount	Accumulated fair value hedge adjustments on hedged item included in carrying amount	Recognized in consolidated statements of financial position
Trade receivables	424	19	Trade and other receivables

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

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

Fiscal year ended March 31, 2022
The following table shows the effect of the hedging instruments designated as hedges on the consolidated statements of financial position.

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Foreign exchange forward contracts				
(Short position)	2,793 thousand USD	—	23 million JPY	Other financial liabilities
	841 thousand EUR			
Foreign exchange forward contracts				
(Long position)	700 thousand USD	2 million JPY	—	Other financial assets
Currency swaps				
(Short position)	120,015,400 thousand JPY	6,739 million JPY	—	Other financial assets

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

(Millions of yen)

Hedged item	Cash flow hedges
Forecast transactions related to sales of inventories	(16)
Forecast transactions related to purchases of inventories	1

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, 2022.

(Millions of yen)

Hedged item	Gains (losses) recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in	Basis adjustments from cash flow hedges
Forecast transactions related to sales of inventories	30	(39)	Other operating income	—
Forecast transactions related to purchases of inventories	41	—	—	(83)
Part of intercompany cash transactions denominated in foreign currencies between consolidated companies	(3,441)	3,441	Financial expenses	—

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, ¥(116) million was recognized as other comprehensive income and ¥165 million was reclassified and accounted for as financial expenses.

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

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

(Millions of yen)

Hedged item	Cash flow hedges
Forecast transactions related to sales of inventories	(7)
Forecast transactions related to purchases of inventories	44

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.

(Millions of yen)

Hedged item	Gains (losses) recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in	Basis adjustments from cash flow hedges
Forecast transactions related to sales of inventories	(13)	7	Other operating expenses	—
Forecast transactions related to purchases of inventories	(21)	—	—	26
Part of intercompany cash transactions denominated in foreign currencies between consolidated companies	(390)	390	Financial expenses	—

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 was recognized as other comprehensive income and ¥15 million was reclassified and accounted for as financial expenses.

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:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Balance of borrowings with variable interest rates	**25,978**	**29,973**

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, 2022

	Balance by maturity (Millions of yen)				
	Within 1 year	Over 1 year	Total	Average rate (%)	
Interest-rate swaps					
Receivable/variable and pay/fixed	**4,000**	**22,000**	**26,000**	**Variable** **Fixed**	**0.0473** **0.9981**

As of March 31, 2021

	Balance by maturity (Millions of yen)				
	Within 1 year	Over 1 year	Total	Average rate (%)	
Interest-rate swaps					
Receivable/variable and pay/fixed	4,000	26,000	30,000	Variable Fixed	0.0110 0.9219

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

Fiscal year ended March 31, 2022
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	**26,000**	**—**	**1,840**	**Other financial liabilities**

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

(Millions of yen)

Hedged item	Cash flow hedges
Borrowings with variable interest rates	**(1,280)**

Other than the above, there was a balance of ¥(589) 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, 2022.

(Millions of yen)

Hedged item	Losses recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in
Borrowings with variable interest rates	**200**	**202**	**Financial expenses**

Other than the above, there were a loss of ¥2 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, 2021

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	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.

(Millions of yen)

Hedged item	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.

(Millions of yen)

Hedged item	Losses recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in
Borrowings with variable interest rates	173	213	Financial expenses

Other than the above, there were a loss 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.

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

(Millions of yen)

	As of March 31, 2022			As of March 31, 2021		
	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	**11,496**	**—**	**181**	11,142	—	165
Other financial assets	**10,753**	**—**	**—**	11,788	—	—
Long-term financial assets	**5,417**	**—**	**172**	10,801	—	—
Others	**1,129**	**—**	**—**	687	—	—

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.

(Millions of yen)

	Fiscal year ended March 31, 2022			Fiscal year ended March 31, 2021		
	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	**118**	**—**	**165**	192	—	155
Increase	**100**	**—**	**184**	0	—	—
Decrease	**(116)**	**—**	**(0)**	(74)	—	—
Exchange differences on translation	**0**	**—**	**4**	0	—	9
Balance at the end of the year	**103**	**—**	**354**	118	—	165

Financial assets to which the simplified approach is applied

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Credit risk: Low	**150,417**	150,501
Credit risk: Medium	**647**	338
Credit risk: High	**277**	256
Total	**151,343**	151,095

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, 2022	Fiscal year ended March 31, 2021
Balance at the beginning of the year	772	850
Increase	759	260
Decrease	(259)	(353)
Exchange differences on translation	103	14
Balance at the end of the year	1,376	772

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, 2022		As of March 31, 2021	
	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	354	277	165	256
Credit enhancement, including collateral held	—	—	—	—

39. Fair Value

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

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

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

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

The details of assets and liabilities measured at fair value on a recurring basis at the end of each 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, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative assets				
Currency related	–	6,875	–	6,875
Interest rate and currency related	–	634	–	634
Debt instruments	–	387	245	633
Financial assets measured at fair value through other comprehensive income				
Equity instruments	28,512	568	16,575	45,656
Total assets	28,512	8,465	16,821	53,800
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities				
Currency related	–	1,036	–	1,036
Interest rate related	–	1,840	–	1,840
Total liabilities	–	2,876	–	2,876

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, 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
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
Total assets	28,580	1,160	13,392	43,133
Liabilities				
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
Total liabilities	—	5,589	—	5,589

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, 2022

(Millions of yen)

	Balance at the beginning of the year	Other comprehensive income	Increase due to purchases	Decrease due to sales	Balance at the end of the year
Equity instruments	**13,043**	**3,022**	**523**	**(13)**	**16,575**

Fiscal year ended March 31, 2021

(Millions of yen)

	Balance at the beginning of the year	Other comprehensive income	Increase due to purchases	Decrease due to sales	Balance at the end of the year
Equity instruments	13,653	(272)	317	(654)	13,043

The amount recognized in other comprehensive income is included in “Net gain 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, 2022 and 2021, respectively.

There were no transfers between levels for the fiscal years ended March 31, 2022 and 2021, 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, 2022 and 2021 are presented in Note 11 “Disposal Groups Classified as Held for Sale and Discontinued Operations” and Note 14 “Impairment of Non-financial Assets.”

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

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

As of March 31, 2022

(Millions of yen)

	Carrying amount	Fair value
		Level 2
Assets		
Debt instruments	**5,121**	**5,075**
Total	**5,121**	**5,075**
Liabilities		
Corporate bonds	**139,631**	**141,439**
Long-term borrowings	**131,650**	**134,180**
Total	**271,282**	**275,620**

As of March 31, 2021

(Millions of yen)

	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

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 ¥4,810 million and ¥4,548 million for the fiscal years ended March 31, 2022 and 2021, 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 increase in the balance as of March 31, 2022 from that as of March 31, 2021 is primarily due to changes in the basis of calculation for the amount required to be paid to the contractual counterparty.

40. Related Parties

(1) Transactions with related parties

Transactions between the Company and its related parties are as follows:

Transactions with subsidiaries are not included as they are eliminated on consolidation.

Fiscal year ended March 31, 2022
There were no significant transactions.

Fiscal year ended March 31, 2021
There were no significant transactions.

(2) Management remuneration

Remuneration for the management of the Group is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Short-term employee benefits		
Basic compensation	**758**	464
Performance-based compensation	**538**	252
Total	**1,297**	717

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

Other than the above, share-based payment of ¥169 million and ¥55 million were recognized in the fiscal years ended March 31, 2022 and 2021, respectively.

41. Material Subsequent Events

No applicable items.

(2) Other

Quarterly information for the fiscal year ended March 31, 2022

(Cumulative period)	3 months ended Jun. 30	6 months ended Sept. 30	9 months ended Dec. 31	12 months ended Mar. 31
Sales (Millions of yen)	276,338	550,230	854,228	1,149,370
Profit before income taxes (Millions of yen)	34,940	79,693	118,963	122,472
Profit attributable to owners of the parent company (Millions of yen)	22,066	54,152	81,539	75,725
Basic earnings per share (Yen)	40.23	98.93	149.58	139.42

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	40.23	58.70	50.63	(10.83)

Major Subsidiaries and Affiliates

(As of March 31, 2022)

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

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
Japan						
■	AJINOMOTO FROZEN FOODS CO., INC. (Special subsidiary company)	Japan	JPY	9,537,650	100.0	Frozen Foods
■	Ajinomoto Food Manufacturing Co., Ltd. (Special subsidiary company)	Japan	JPY	4,000,000	100.0	Seasonings and Quick Nourishment
■	Ajinomoto AGF, Inc. (Special subsidiary company)	Japan	JPY	3,862,697	100.0	Quick Nourishment
■	AJINOMOTO HEALTHY SUPPLY CO., INC.	Japan	JPY	380,000	100.0	Other (Healthcare)
■	AJINOMOTO ENGINEERING CORPORATION	Japan	JPY	324,500	100.0	Other
■	Ajinomoto Fine-Techno Co., Inc.	Japan	JPY	315,000	100.0	Functional Materials
■	Ajinomoto Communications Co., Inc.	Japan	JPY	295,000	100.0	Other
■	DELICA ACE CO., LTD.	Japan	JPY	200,000	100.0	Solution & Ingredients
■	Ajinomoto Financial Solutions, Inc.	Japan	JPY	100,000	100.0	Other
■	AJINOMOTO BAKERY CO., LTD.	Japan	JPY	100,000	100.0	Solution & Ingredients
■	GeneDesign, Inc.	Japan	JPY	59,900	100.0	Bio-Pharma Services & Ingredients
■	SAPS CO., LTD.	Japan	JPY	50,000	100.0	Solution & Ingredients
■	Ajinomoto Direct Co., Inc.	Japan	JPY	10,000	100.0	Other (Healthcare)
■	AJINOMOTO TRADING, INC.	Japan	JPY	200,000	96.7	Other (Healthcare)
■	Ajinomoto Digital Business Partners Co., Inc.	Japan	JPY	51,000	66.7	Other
●	EA Pharma Co., Ltd. (Affiliated company)	Japan	JPY	9,145,000	40.0	Other
●	J-OIL MILLS, INC. (Affiliated company)	Japan	JPY	10,000,000	27.2	Other
Asia						
■	Ajinomoto SEA Regional Headquarters Co., Ltd.	Thailand	THB	2,125,000	100.0	Seasonings & Foods and Frozen Foods
■	AJINOMOTO COMPANY (THAILAND) LIMITED (Special subsidiary company)	Thailand	THB	796,362	99.7	Seasonings
■	AJINOMOTO SALES (THAILAND) COMPANY LIMITED	Thailand	THB	50,000	100.0 (100.0)	Seasonings and Quick Nourishment
■	Ajitrade (Thailand) Co., Ltd.	Thailand	THB	10,000	100.0 (100.0)	Other (Healthcare)
■	WAN THAI FOODS INDUSTRY CO., LTD.	Thailand	THB	60,000	60.0 (35.0)	Quick Nourishment
■	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
■	PT AJINOMOTO SALES INDONESIA	Indonesia	USD	250	100.0 (80.0)	Seasonings
■	AJINOMOTO VIETNAM CO., LTD.	Vietnam	USD	50,255	100.0	Seasonings
■	AJINOMOTO (MALAYSIA) BERHAD	Malaysia	MYR	65,102	50.4	Seasonings
■	AJINOMOTO PHILIPPINES CORPORATION	Philippines	PHP	665,444	95.0	Seasonings
■	Ajinomoto (China) Co., Ltd. (Special subsidiary company)	China	USD	104,108	100.0	Other (Healthcare)
■	Shanghai Ajinomoto Seasoning Co., Ltd.	China	USD	27,827	100.0 (99.0)	Seasonings and Solution & Ingredients

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
■	Shanghai Ajinomoto Trading Co., Ltd.	China	CNY	10,000	100.0 (100.0)	Bio-Pharma Services & Ingredients
■	AJINOMOTO (HONG KONG) CO., LTD.	Hong Kong	HKD	5,799	100.0	Solution & Ingredients
■	AJINOMOTO (SINGAPORE) PRIVATE LIMITED	Singapore	SGD	1,999	100.0	Solution & Ingredients
■	AJINOMOTO (CAMBODIA) CO., LTD.	Cambodia	USD	11,000	100.0	Seasonings
■	Ajinomoto Korea Inc.	Korea	WON	1,000,000	70.0	Seasonings and Quick Nourishment
■	AJINOMOTO TAIWAN INC.	Taiwan	TWD	250,000	100.0	Seasonings and Quick Nourishment

The Americas

■	Ajinomoto North America Holdings, Inc. (Special subsidiary company)	United States	—	—	100.0	Holding Company
■	Ajinomoto Foods North America, Inc.*3	United States	USD	15,030	100.0 (100.0)	Frozen Foods
■	Ajinomoto Health & Nutrition North America, Inc.	United States	USD	0	100.0 (100.0)	Bio-Pharma Services & Ingredients
■	Ajinomoto Althea, Inc.	United States	USD	0	100.0	Bio-Pharma Services & Ingredients
■	Ajinomoto Cambrooke, Inc.	United States	USD	34,280	100.0 (100.0)	Other (Healthcare)
■	More Than Gourmet Holdings, Inc.	United States	USD	21,908	50.1 (50.1)	Solution & Ingredients
■	AJINOMOTO DO BRASIL INDUSTRIA E COMERCIO DE ALIM (Special subsidiary company)	Brazil	BRL	913,298	100.0	Seasonings, Solution & Ingredients, and Bio-Pharma Services & Ingredients
■	AJINOMOTO DEL PERU S.A.	Peru	PEN	45,282	99.6	Seasonings and Quick Nourishment

EMEA

■	AJINOMOTO FOODS EUROPE S.A.S.	France	EUR	35,000	100.0 (0.0)	Solution & Ingredients
■	S.A. AJINOMOTO OMNICHEM N.V.	Belgium	EUR	21,320	100.0 (0.0)	Bio-Pharma Services & Ingredients
■	AJINOMOTO FOODS NIGERIA LTD.*2	Nigeria	NGN	2,623,714	100.0	Seasonings
■	Ajinomoto Istanbul Food Industry And Trade Limited Company	Turkey	TRY	51,949	100.0	Seasonings and Quick Nourishment
■	Ajinomoto Poland Sp. z o.o.	Poland	PLN	39,510	100.0	Quick Nourishment
■	Agro2Agri, S.L.	Spain	EUR	2,027	85.0 (85.0)	Other (Healthcare)
▲	Promasidor Holdings Limited (Joint Venture)	Bailiwick of Jersey	USD	0	33.3	Quick Nourishment

*1. Numbers in parentheses indicate indirect equity ownership.
*2. Effective November 25, 2021, WEST AFRICAN SEASONING COMPANY LIMITED changed its trading name to AJINOMOTO FOODS NIGERIA LTD.
*3. The share of consolidated sales of Ajinomoto Foods North America, Inc. (excluding intercompany sales) exceeds 10%.
Major financial statement line items (Millions of yen)

(1) Sales	¥117,711
(2) Operating loss	260
(3) Loss	573
(4) Total assets	141,270
(5) Total equity	94,316

Eat Well, Live Well.

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