Ajinomoto Group

Appendix: Financial Report 2019

Review of Operations

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

Performance Overview

During fiscal 2018, the Ajinomoto Group's consolidated sales increased by 1.1% year on year, or ¥12.6 billion, to ¥1,127.4 billion, supported by a large increase in sales of pharmaceutical custom manufacturing and amino acids for pharmaceuticals and foods, as well as growth in sales of frozen foods (Overseas) and seasonings and processed foods (Overseas). Business profit declined 3.2%, or ¥3.0 billion, to ¥92.6billion, owing to large falls in profits from frozen foods (Japan), frozen foods (Overseas), and coffee products and, in addition, an impairment loss on the trademark rights of Promasidor Holdings Limited (PH) recorded in share of profit of associates and joint ventures.

Operating profit declined 32.5% year on year, or ¥25.5 billion, to ¥53.1 billion due to impairment losses on goodwill related to both Ajinomoto Foods North America, Inc. (AFNA) and Ajinomoto Istanbul Food Industry and Trade Ltd. Co. (AIS), impairment loss on investments in associates and joint ventures related to PH, and other factors. Profit attributable to owners of the parent company totaled ¥29.6 billion, a year-on-year decrease of 50.6% or ¥30.4 billion.

An itemization of the details of the impairment losses related to PH, AFNA, and AIS for the fiscal year under review, is below.

(Millions of yen)

	Business Profit	Operating Profit and Profit Before Income Taxes	Profit Attributable to Owners of the Parent Company
(1) Impairment loss on goodwill associated with AFNA	—	13,525	10,047
(2) Impairment loss on investment in PH accounted for under the equity method (equivalent to 33.33% of investment)	—	14,107	14,107
(3) Impairment loss on trademark rights of PH (equivalent to 33.33% of investment)	3,222	3,222	3,222
(4) Impairment loss on goodwill associated with AIS	—	3,843	3,843
Total	3,222	34,698	31,220

Financial Review

Sales

Sales increased by 1.1%, or ¥12.6 billion, to ¥1,127.4 billion. In Japan, sales totaled ¥484.8 billion, a slight decrease of 0.4% year on year, or ¥2.0 billion. Accordingly, the overseas sales ratio was 57.0%, compared with 56.3% in the previous fiscal year. Overseas sales amounted to ¥642.6 billion, up 2.4%, or ¥14.7 billion, mainly due to higher sales of frozen foods, seasonings and processed foods. By overseas region, sales increased 3.9% in Asia to ¥284.7 billion, increased 0.2% in the Americas to ¥239.5 billion, and increased 3.1% in Europe to ¥118.3 billion.

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

Cost of sales increased by 1.6%, or ¥11.7 billion, year on year, to ¥731.9 billion, due to higher sales, and the cost of sales ratio worsened by 0.3 of a percentage point to 64.9%. Selling expenses decreased by 0.7%, or ¥1.2 billion, to ¥175.1 billion, mainly due to the impact of exchange rates. Research and development expenses came in at ¥27.8 billion, unchanged compared with the previous fiscal year. General and administrative expenses edged up 0.7%, or ¥0.6 billion, to ¥99.4 billion, largely due to higher outlays for employee benefits resulting from an increased number of consolidated subsidiaries. Finally, the share of profit of associates and joint ventures amounted to a loss of ¥0.5 billion compared with a profit of ¥3.9 billion in the previous fiscal year.

Business Profit

Business profit decreased 3.2%, or ¥3.0 billion, to ¥92.6 billion year on year. By geographical segment, business profit declined by 18.5% to ¥36.9 billion in Japan and rose 10.6% to ¥55.6 billion overseas. Accordingly, the overseas business profit ratio came to 60.1% compared with 52.6% in the previous fiscal year. In Japan, steep decreases in profits from frozen foods and coffee products were the main reasons for the drop in segment profit. Overseas, despite falling profits from frozen foods, profit increased on the whole as a result of substantially higher profits from umami seasonings for processed food manufacturers as well as from amino acids. By overseas region, business profit grew 10.0% in Asia to ¥38.2 billion, rose 19.2% in the Americas to ¥13.3 billion, and fell 6.9% in Europe to ¥0.4 billion.

Other Operating Profit and Expenses

Other operating profit amounted to ¥6.1 billion, down 21.9%, or ¥1.7 billion, year on year. Other operating expenses jumped 83.8%, or ¥20.7 billion, to ¥45.6 billion, mainly as a result of impairment losses on goodwill and an impairment loss on investment accounted for under the equity method.

Operating Profit

Operating profit totaled ¥53.1 billion, a year-on-year decrease of 32.5%, or ¥25.5 billion.

Financial Income and Expenses

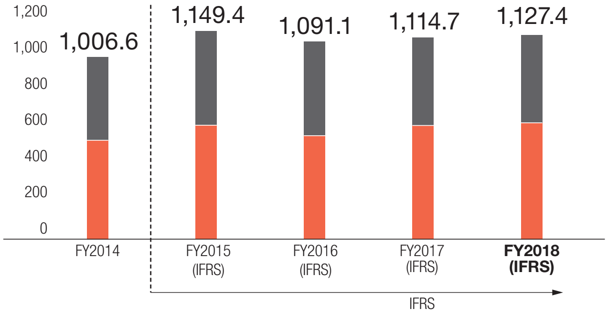
Financial income decreased by 15.3%, or ¥1.4 billion, to ¥8.1 billion. Financial expenses totaled ¥7.0 billion, down 5.4%, or ¥0.4 billion, year on year.

Profit Attributable to Owners of the Parent Company

Profit attributable to owners of the parent company dropped 50.6%, or ¥30.4 billion, year on year, to ¥29.6 billion. Earnings per share came in at ¥53.62, compared with ¥105.76 in the previous fiscal year.

Domestic and Overseas Sales

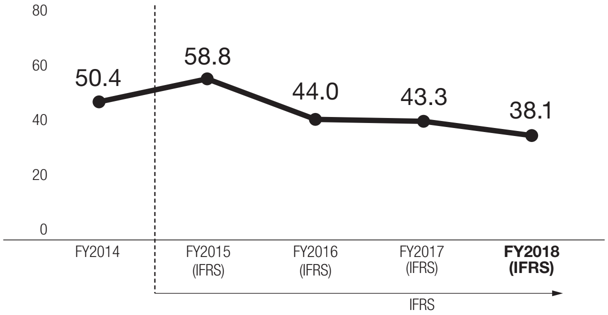
Billions of yen



Japan Overseas

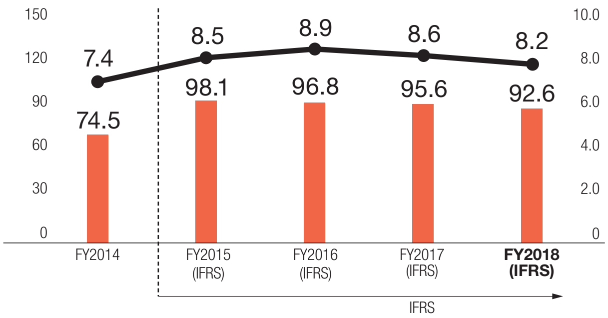
Interest Coverage Ratio

Times



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

Billions of yen %



Operating income/Business profit (Billions of yen)
Operating income/Business profit margin (%)

Costs, Expenses, and Profit as Percentages of Sales

Years ended March 31	FY2018		FY2017
	Percentage	Change	Percentage
Cost of sales	**64.9%**	**0.3**	64.6%
Gross profit	**35.1**	**(0.3)**	35.4
Selling, R&D, and G&A expenses	**26.8**	**(0.3)**	27.2
Business profit	**8.2**	**(0.4)**	8.6
Profit before income taxes	**4.8**	**(2.4)**	7.2
Profit attributable to owners of the parent company	**2.6**	**(2.8)**	5.4

Segment Information

(Billions of yen)

Sales	FY2018	FY2017	YoY difference	YoY change	FY2016
Japan Food Products	**375.0**	384.1	–9.1	–2.4%	390.4
International Food Products	**481.6**	464.7	16.9	+3.7%	428.9
Life Support	**107.9**	118.5	–10.6	–9.0%	114.0
Healthcare	**135.3**	119.9	15.3	+12.8%	99.5
Other	**27.4**	27.3	0.1	+0.5%	58.1
Total	**1,127.4**	1,114.7	12.6	+1.1%	1,091.1

Business Profit	FY2018	FY2017	YoY difference	YoY change	FY2016
Japan Food Products	**29.8**	38.8	–9.0	–23.1%	40.8
International Food Products	**42.3**	41.4	0.8	+2.0%	41.7
Life Support	**9.5**	8.0	1.4	+18.5%	4.4
Healthcare	**12.0**	9.3	2.7	+28.9%	9.5
Other	**(1.2)**	(2.1)	0.9	—	0.2
Total	**92.6**	95.6	–3.0	–3.2%	96.8

Japan Food Products Segment

Japan Food Products segment sales fell 2.4% year on year, or ¥9.1 billion, to ¥375.0 billion, in the fiscal year under review. The decline mainly reflects lower sales of coffee products and frozen foods (Japan) than in the previous fiscal year due to an intensified competition and other factors. Segment business profit fell 23.1%, or ¥9.0 billion, to ¥29.8 billion, on the declines in sales of frozen foods and coffee products.

Main factors affecting segment sales

- **Seasonings and processed foods:** Both home-use and restaurant and industrial-use were level with the previous period, and overall sales were level with the previous period.
- **Frozen foods:** Sales of restaurant and industrial use products increased due to expansion of major categories. Despite increased year-on-year sales of the Gyoza series in total, sales in home use products decreased primarily due to the effect of stiffening competition for karaage and fried rice (major products). Therefore, overall sales decreased.
- **Coffee products:** Decrease in overall sales due to decreased sales to convenience stores and of gift products and the effect of stiffening competition for home-use products accompanying the shrinking of the market.

Market Shares in Main Product Areas (Household Market in Japan) FY2018

Product Area	Brand	Market Size (Billions of yen)	Ajinomoto Group Share (Position)
Umami seasonings	*AJI-NO-MOTO®, Hi-Me®*	**5.4**	**90% (1)**
Japanese flavor seasonings	*HONDASHI®*	**36.4**	**57% (1)**
Consommé	*Ajinomoto KK Consomme*	**11.8**	**81% (1)**
Soup	*Knorr®*	**95.0**	**38% (1)**
Mayonnaise	*Pure Select®*	**53.6**	**26% (2)**
Menu seasonings	*Cook Do®, Cook Do® Kyo-no Ohzara®*	**79.5**	**31% (1)**

Note: Market size is based on consumer purchase prices.

Main factors affecting segment profits

- **Seasonings and processed foods:** Even though home-use products were level with the previous period, there was a large decrease in profit primarily due to the effect of increased raw materials and fuel prices for restaurant and industrial-use products, so overall profit decreased.
- **Frozen foods and coffee products:** Large decrease in profit primarily due to the decreased sales mentioned above.

International Food Products Segment

International Food Products segment sales totaled ¥481.6 billion, up 3.7%, or ¥16.9 billion year on year. Sales growth was driven by strong sales in the frozen foods (Overseas) category and seasonings and processed foods (Overseas) category. Segment business profits increased by 2.0%, or ¥0.8 billion year on year to ¥42.3 billion, owing to a large increase in profits on umami seasonings for processed food manufacturers in addition to an increase in profits on the seasonings and processed foods which offset impairment loss on the trademark rights of PH.

Main factors affecting segment sales

- **Seasonings and processed foods:** Even with the negative effect of currency translation, with the expansion of sales of seasonings, *AJI-NO-MOTO*®, and canned coffee in Thailand, overall sales increased.
- **Frozen foods:** Increase in sales primarily due to expansion of sales of Asian food products and appetizers in North America and expansion of sales in Europe.
- **Umami seasonings for processed food manufacturers and sweeteners:** Sales of umami seasonings for processed food manufacturers increased due to expansion of overseas sales. Sales of sweeteners increased due to expanded sales to industrial customers.

Main factors affecting segment profits

- **Seasonings and processed foods:** Overall profit was level with the previous period, primarily due to Promasidor's impairment loss, negative effect of currency translation, and increased fermentation raw materials and fuel prices, despite the effect of increased profit accompanying increased sales.
- **Frozen foods:** Large decrease in profit due to steep rise in logistics costs despite improvement in productivity in the U.S.
- **Umami seasonings for processed food manufacturers and sweeteners:** Large increase in profit due to effect of trade exchange and increased sales despite the effect of increased prices for fermentation raw materials and fuels. **Sweeteners:** Increase in profit primarily due to increased sales.

Life Support Segment

Life Support segment sales totaled ¥107.9 billion, down 9.0% or ¥10.6 billion year on year. Sales of specialty chemicals increased but sales of animal nutrition products declined. Segment business profit expanded strongly, increasing 18.5%, or ¥1.4 billion, to ¥9.5 billion, supported by large increases in profits from specialty chemicals.

Main factors affecting segment sales

- **Animal nutrition:** Large decrease in sales primarily due to decline in quantity of threonine and lysine sold.
- **Specialty chemicals:** Increase in sales primarily due to strong sales of electronic materials.

Main factors affecting segment profits

- **Animal nutrition:** Large decrease in profit primarily due to the effect of falling unit sales price of tryptophan.
- **Specialty chemicals:** Large increase in profit accompanying increase in sales.

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

(Thousands of metric tons)

Years ended March 31	FY2018	FY2017	FY2016	FY2015	FY2014
Lysine	**Approx. 2,600**	Approx. 2,400	Approx. 2,300	Approx. 2,200	2,300
Ajinomoto Group's share	**Approx. 10%**	Approx. 15%	Approx. 15%	Approx. 15%	Approx. 15%
Threonine	**Approx. 700**	Approx. 640	Approx. 540	Approx. 480	Approx. 445
Ajinomoto Group's share	**Approx. 10%**	Approx. 20%	Approx. 20%	Approx. 25%	Approx. 25%
Tryptophan	**Approx. 41**	Approx. 37	Approx. 33	Approx. 28	23
Ajinomoto Group's share	**Approx. 25%**	Approx. 25%	Approx. 20%	Approx.15%	Approx. 20%

Sales by Business and Region

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

Years ended March 31		Japan		Asia		Americas		Europe		Total	
Japan Food Products	FY2018	**366.3**	**(–9.2)**	**3.6**	**(–0.0)**	**2.9**	**(0.3)**	**1.9**	**(–0.2)**	**375.0**	**(–9.1)**
	FY2017	375.6		3.6		2.6		2.1		384.1	
International Food Products	FY2018	**15.0**	**(–0.2)**	**251.9**	**(11.1)**	**171.6**	**(2.3)**	**43.0**	**(3.7)**	**481.6**	**(16.9)**
	FY2017	15.3		240.7		169.2		39.3		464.7	
Life Support	FY2018	**35.1**	**(2.2)**	**12.1**	**(–2.0)**	**33.4**	**(–7.8)**	**27.1**	**(–3.0)**	**107.9**	**(–10.6)**
	FY2017	32.8		14.1		41.3		30.2		118.5	
Healthcare	FY2018	**53.9**	**(6.3)**	**3.8**	**(0.3)**	**31.3**	**(5.4)**	**46.1**	**(3.1)**	**135.3**	**(15.3)**
	FY2017	47.6		3.4		25.9		43.0		119.9	
Other	FY2018	**14.2**	**(–1.1)**	**13.1**	**(1.3)**	**—**	**(—)**	**—**	**(—)**	**27.4**	**(0.1)**
	FY2017	15.4		11.8		—		—		27.3	
Total	FY2018	**484.8**	**(–2.0)**	**284.7**	**(10.8)**	**239.5**	**(0.3)**	**118.3**	**(3.6)**	**1,127.4**	**(12.6)**
	FY2017	486.9		273.9		239.1		114.7		1,114.7	

Healthcare Segment

Healthcare segment sales totaled ¥135.3 billion, up 12.8% or ¥15.3 billion from the previous year's result. The gain was driven by large increases in sales of amino acids for pharmaceuticals and foods and pharmaceutical custom manufacturing. Strong sales growth in these two categories drove segment business profit up 28.9%, or ¥2.7 billion, to ¥12.0 billion.

Main factors affecting segment sales

- **Amino acids:** Large increase in sales due to the effect of expansion of sales of pharmaceutical custom manufacturing and amino acids for pharmaceuticals and foods, and the new consolidation of a subsidiary.
- **Other products:** Increase in sales primarily due to expansion of sales of personal care ingredients.

Main factors affecting segment profits

- **Amino acids:** Large increase in profit accompanying large increase in sales of both amino acids for pharmaceuticals and foods, and pharmaceutical custom manufacturing.
- **Other products:** Decrease in profit due to a change in the recorded sub-segment (moved to pharmaceutical custom manufacturing).

Other

In the Other segment, sales increased by 0.5%, or ¥0.1 billion, to ¥27.4 billion, and the segment posted a business loss of ¥1.2 billion, a ¥0.9 billion improvement from the previous year.

Liquidity and Financial Condition

Assets
As of March 31, 2019, the Ajinomoto Group's consolidated total assets stood at ¥1,393.8 billion, a decrease of ¥32.3 billion from ¥1,426.2 billion on March 31, 2018. The main reason for the decrease is the reduction in cash and cash equivalents brought about by the buyback of common shares.

Liabilities
Total liabilities came to ¥707.9 billion, an increase of ¥2.2 billion from ¥705.6 billion at the end of the previous fiscal year. Interest-bearing debt totaled ¥337.0 billion, ¥7.1 billion less than a year earlier.

Equity
Total equity as of March 31, 2019, was ¥34.6 billion lower than a year earlier, mainly due to an increase in share repurchases. Equity attributable to owners of the parent company, which is total equity minus non-controlling interests, totaled ¥610.5 billion, and the equity ratio attributable to owners of the parent company was 43.8%.

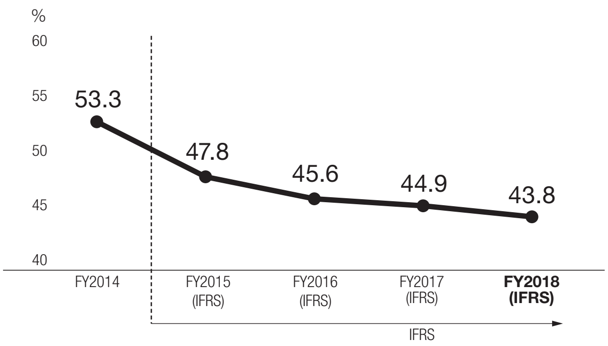
Cash Flows
Net cash provided by operating activities during the fiscal year totaled ¥123.2 billion, down from ¥126.6 billion in the previous fiscal year. The main factors included ¥54.2 billion in profit before income taxes, ¥52.4 billion in depreciation and amortization, and ¥23.3 billion in income taxes paid.

Net cash used in investing activities came to ¥72.9 billion, down from ¥99.1 billion used in the previous fiscal year. Key investments during the year included ¥70.1 billion in purchase of property, plant and equipment and ¥9.8 billion in purchase of intangible assets.

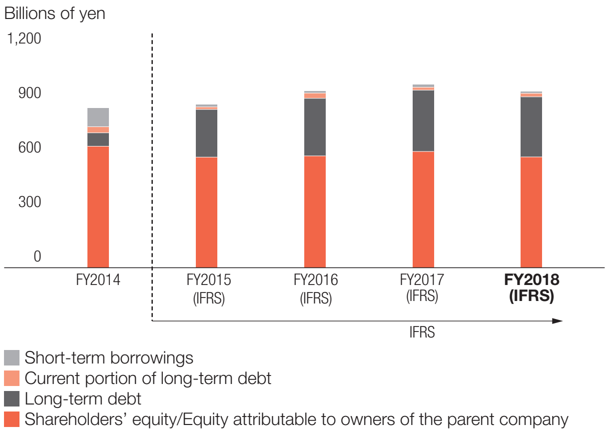
Net cash used in financing activities came to ¥78.9 billion, compared with ¥23.9 billion used in financing activities in the previous fiscal year. Purchase of treasury stock of ¥40.0 billion and dividends paid were among the main outflows.

As a result of the foregoing, cash and cash equivalents as of March 31, 2019 totaled ¥153.7 billion.

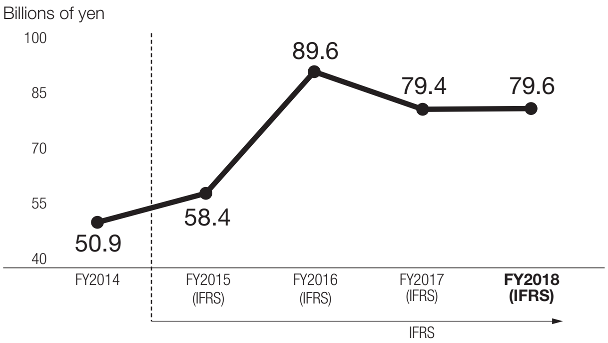
Shareholder's Equity Ratio/Ratio of Equity Attributable to Owners of the Parent Company



Total Capital



Capital Expenditures



Cash Flow Highlights

(Billions of yen)

	IFRS	IFRS	IFRS	IFRS	
Years ended March 31	FY2018	FY2017	FY2016	FY2015	FY2014
Net cash provided by operating activities	**123.2**	126.6	108.9	129.3	109.2
Net cash used in investing activities	**(72.9)**	(99.1)	(142.2)	(58.7)	(140.3)
Net cash provided by (used in) financing activities	**(78.9)**	(23.9)	14.7	(2.8)	52.8
Cash and cash equivalents at end of the year	**153.7**	187.8	186.0	204.4	165.1

Shareholder Returns

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

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

For fiscal 2018, the Company plans to pay a dividend of ¥32 per share (including the interim dividend of ¥16 per share). For fiscal 2019, an annual dividend of ¥32 per share is planned (with an interim dividend payment of ¥16), the same as fiscal 2018.

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

Credit Ratings

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

Credit Ratings

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

Outlook for Fiscal 2019

In fiscal 2019, the final year of the Ajinomoto Group's three-year medium-term plan for FY2017–2019 (ending March 31, 2020), we will be implementing measures against emerging challenges while also taking on streamlining measures to put the Group back on the track of growth.

We expect that these efforts will enable us to achieve consolidated sales of ¥1,171.0 billion and business profit of ¥97.0 billion in fiscal 2019. We also forecast that profit attributable to owners of the parent company of ¥50.0 billion.

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

Operational Risks

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

Future risks outlined in this document are as judged by the Group as of March 31, 2019.

Financial risk	Related opportunities and risks (○ Opportunity ● Risk)	Main initiatives
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
Bankruptcy of customers	● Unforeseen bankruptcies of customers including overseas customers	· Credit preservation, including through information gathering and credit management
Emergence of competition	● Presence of numerous competitors in business field with low entry barrier ● Possibility of other companies taking lead in similar product and technology areas despite efforts at differentiation	· Response to competition through improved differentiation, technology, and services
Capital procurement	● 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
Fluctuation in exchange and interest rates	● Slowdown in overseas business activity due to fluctuation in exchange or interest rates ● Impact on yen translation of business results of overseas subsidiaries due to fluctuation in exchange or interest rates	· Exchange contracts, swaps from variable to fixed interest rates, etc. · Capital procurement, including by parent company, in countries with low risk of exchange rate fluctuation
Country risk	● Expropriation risk ● Risk of outbreak of war, conflict, etc.	· Appropriate diversification of countries of operation
Tax system change	○ Reduction of future tax burden through system reform (e.g. reform of U.S. tax system) ● Increase in business operational costs due to system reform (e.g. value-added tax in Brazil)	For example of tax risk countermeasures, see Group Shared Policy on Global Tax at link below: https://www.ajinomoto.com/en/activity/policy/global_tax_policy.html · 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
Tax effect change	●○ Increase or decrease in tax expenses due to change, etc., in estimates of future taxable income	

Materiality items	Related risks and opportunities (○ Opportunity ● Risk)	Key initiatives by the Ajinomoto Group
Assurance of product safety	○ Brand trust gained by increasing customer satisfaction ○ Trust gained through fair disclosure to stakeholders ● Impact on business of growing negative rumors regarding umami and MSG ● Lower customer confidence due to product quality complaints or incidents	· Properly sharing information on package and website · Reflecting customer feedback on developing and improving products and services · Enhancing communication to share the benefits of umami and MSG · Thorough quality assurance and human resource training based on the Ajinomoto System of Quality Assurance (ASQUA)
Contribution to health and nutritional issues	○ Rising health awareness and needs of consumers ○ Brand trust ○ Enhancing corporate value	· Offering tasty food and amino acid products as well as menus that nourish health and well-being · Low-salt, low-sugar and low-fat products · Promoting protein intake · Contributing to disease prevention with "AminoIndex technology" · Developing nutritional standards that Group products should meet · Customized programs to each consumer for improving nutrition (personal nutrition)
Rapid response to consumer lifestyle changes	○ Enhancing corporate reputation by offering the joy of eating together ○ New value creation using digital media, etc. ● Loss of growth opportunities due to delayed response to consumer lifestyle changes or diversifying values ● Impact on seasonings business due to less cooking time and skills	· Creating strong communities and social bonds through food · Advanced marketing efforts by leveraging big data and consumer data · Building strategies to deal with smaller markets (due to urbanization, etc.) · Properly delivering products, services and information to customers · Expanding products and services to meet the need for convenience, such as smart cooking

Materiality items	Related risks and opportunities (○ Opportunity ● Risk)	Key initiatives by the Ajinomoto Group
Sustainable materials sourcing	● Increased risk of raw material procurement failure due to delays in addressing social and environmental issues across the supply chain ● Increased risk of raw material procurement failure due to climate change	· Management of fair operating practices (traceability, etc.) · Promoting sustainability to suppliers · Human rights due diligence · Identifying important raw materials and engaging in responsible procurement (paper, palm oil, skipjack, etc.) · Ensuring fair competition and providing thorough employee training · Contributing to sustainable agriculture by using co-products
Reduction of food loss and waste	○ Cost reduction through initiatives to reduce product returns and waste ● 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
Climate change adaption and mitigation	○ Collaboration with outside organizations on decarbonisation ● Higher production costs due to delays in initiatives to eliminate carbon emissions or increased carbon tax burden ● Procurement risk of sustainable raw materials ● Damaged corporate value due to delayed response to climate change	· Long-term effort to turning the overall product lifecycle carbon neutral · Initiatives to reduce energy use during production and transportation · Shifting to renewable energy · Disclosing information in line with the Task Force on Climate-related Financial Disclosures (TCFD) (scenario analysis, etc.) · Lowering environmental impact by feed-use amino acids (reduction of soil and water pollution)
Contribution to a circular economy	○ Development of environmentally-friendly materials ● Damaged corporate value due to delays in waste reduction or recycling efforts	· Supplying highly biodegradable amino acid-based detergent · Promoting the 3Rs of containers and packaging (reduction of plastic waste, etc.) · Using biodegradable plastic/plant-derived raw materials/certified paper · Promoting use of environmentally-friendly product labels
Conservation of water resources	● Production stagnation due to droughts, floods or water quality deterioration ● Raw material procurement failure due to water resource depletion	· Maintaining forests for water sources · Developing wastewater treatment technology
Diverse talent	○ Company growth by improving employee engagement ○ Creation of an innovative environment ● Rising costs due to intense competition for human resources	· Promoting PDCA cycle using the engagement survey · Reforming organizational culture to promote diversity · Training and promotion of female employees · Promoting health management · Human rights awareness training · Occupational safety and health management
Strong corporate governance	○ Enhancing corporate value ○ Appropriate risk-taking ● Decreased competitiveness due to inability to adapt to digital technology advances ● Decreased competitiveness due to vulnerabilities in IT management structure ● Confusion in organizational management and reduced business profitability due to unstable political, economic, and social conditions such as financial crises, trade issues, etc. ● Impact of intellectual property risks on business	· 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 through the creation of Information Security Regulations
Preparation for intense global competition	○ Value creation from external collaboration ○ Specialty creation through technological innovation ○ Establishment of competitive advantage by forecasting future changes ○ Business foundation reform through digital disruption ● Impact of digital disruption on main businesses	· Value chain restructuring (production system reorganization) · Promoting digital transformation · Rapidly commercializing research findings (R&D system reorganization) · Competitive intelligence (medium- to long-term initiatives) · Promoting open & linked innovation

Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	As of March 31, 2019	As of March 31, 2018
Assets			
Current assets			
Cash and cash equivalents	8, 39	**153,725**	187,869
Trade and other receivables	9, 39	**194,270**	200,272
Other financial assets	39	**16,526**	10,615
Inventories	10	**185,036**	184,109
Income taxes receivable		**8,095**	8,374
Others		**13,944**	12,919
Subtotal		**571,599**	604,160
Assets of disposal groups classified as held for sale	11	**19,568**	—
Total current assets		**591,167**	604,160
Non-current assets			
Property, plant and equipment	12	**423,369**	411,640
Intangible assets	13	**66,132**	66,144
Goodwill	13	**91,373**	107,394
Investments in associates and joint ventures	17	**116,900**	131,190
Long-term financial assets	39	**64,812**	70,042
Deferred tax assets	18	**15,589**	13,080
Others		**24,523**	22,576
Total non-current assets		**802,701**	822,069
Total assets		**1,393,869**	1,426,230

(Millions of yen)

	Note	As of March 31, 2019	As of March 31, 2018
Liabilities			
Current liabilities			
Trade and other payables	19, 39	**183,276**	185,269
Short-term borrowings	20, 39	**10,989**	15,280
Current portion of long-term borrowings	20, 39	**13,089**	11,285
Other financial liabilities	39	**5,935**	4,049
Short-term employee benefits	24	**37,273**	37,811
Provisions	22	**6,560**	6,348
Income taxes payable		**9,549**	10,429
Others		**11,510**	9,636
Subtotal		**278,185**	280,111
Liabilities of disposal groups classified as held for sale	11	**13,571**	—
Total current liabilities		**291,756**	280,111
Non-current liabilities			
Corporate bonds	20, 39	**169,479**	169,413
Long-term borrowings	20, 39	**137,157**	140,298
Other financial liabilities	39	**25,412**	28,428
Long-term employee benefits	24	**64,406**	64,807
Provisions	22	**11,135**	11,397
Deferred tax liabilities	18	**7,392**	10,448
Others		**1,167**	710
Total non-current liabilities		**416,153**	425,505
Total liabilities		**707,909**	705,616
Equity			
Common stock	25	**79,863**	79,863
Capital surplus	25	**3,266**	955
Treasury stock	25	**(2,361)**	(9,585)
Retained earnings	25	**595,311**	628,966
Other components of equity		**(65,521)**	(59,366)
Disposal groups classified as held for sale	11	**(16)**	—
Equity attributable to owners of the parent company		**610,543**	640,833
Non-controlling interests		**75,417**	79,780
Total equity		**685,960**	720,613
Total liabilities and equity		**1,393,869**	1,426,230

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Continuing operation			
Sales	7, 28	**1,127,483**	1,114,784
Cost of sales		**(731,904)**	(720,118)
Gross profit		**395,578**	394,666
Share of profit of associates and joint ventures	17	**(515)**	3,966
Selling expenses	29	**(175,118)**	(176,319)
Research and development expenses	30	**(27,823)**	(27,833)
General and administrative expenses	31	**(99,485)**	(98,807)
Business profit	7	**92,635**	95,672
Other operating income	33	**6,131**	7,854
Other operating expenses	34	**(45,616)**	(24,821)
Operating profit		**53,149**	78,706
Financial income	35	**8,114**	9,578
Financial expenses	36	**(7,061)**	(7,465)
Profit before income taxes		**54,202**	80,819
Income taxes	18	**(17,721)**	(15,330)
Profit from continuing operation		**36,480**	65,489
Profit from discontinued operation	11	**2,523**	2,684
Profit		**39,004**	68,174
Attributable to:			
Owners of the parent company		**29,698**	60,124
Non-controlling interests		**9,306**	8,049
Profit from continuing operation attributable to owners of the parent company		**27,276**	57,533
Profit from discontinued operation attributable to owners of the parent company		**2,421**	2,590
Profit attributable to owners of the parent company		**29,698**	60,124
Earnings per share from continuing operation (yen):			
Basic	38	**49.24**	101.20
Diluted	38	**—**	—
Earnings per share from discontinued operation (yen):			
Basic	38	**4.37**	4.56
Diluted	38	**—**	—
Earnings per share (yen):			
Basic	38	**53.62**	105.76
Diluted	38	**—**	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Profit		**39,004**	68,174
Other comprehensive income (Net of related tax effects)			
Items that will not be reclassified to profit or loss:			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	37	**(641)**	2,282
Remeasurements of defined benefit pension plans	24, 37	**(4,294)**	(9,340)
Share of other comprehensive income (loss) of associates and joint ventures	17, 37	**(185)**	384
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	37	**(165)**	90
Change in fair value of forward elements of forward contracts	37	**(335)**	(114)
Exchange differences on translation of foreign operations	37	**3,429**	(4,666)
Share of other comprehensive income (loss) of associates and joint ventures	17, 37	**(552)**	112
Other comprehensive income (Net of related tax effects)	37	**(2,745)**	(11,252)
Comprehensive income		**36,259**	56,921
Comprehensive income attributable to:			
Owners of the parent company		**25,512**	47,100
Non-controlling interests		**10,747**	9,821

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

		Equity attributable to owners of the parent company							
						Other components of equity			
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit pension plans	Cash flow hedges	Change in fair value of forward elements of forward contracts
Balance as of April 1, 2017		79,863	3,797	(6,895)	584,849	22,624	(18,763)	(3,018)	(126)
Profit					60,124				
Other comprehensive income	37					2,285	(9,316)	91	(88)
Comprehensive income		—	—	—	60,124	2,285	(9,316)	91	(88)
Purchase of treasury stock	25			(2,690)					
Disposal of treasury stock	25		(0)	0					
Retirement of treasury stock	25								
Dividends	26				(17,073)				
Changes in transactions with non-controlling interests			(3,192)						
Changes due to business combinations									
Changes in ownership interests in subsidiaries that result in loss of control									
Changes in ownership interests in subsidiaries that do not result in loss of control	16		(58)						
Transfer from other components of equity to retained earnings	39				1,067	(455)			
Transfer of negative balance of other capital surplus			0		(0)				
Transfer to non-financial assets								24	
Stock-based remuneration transaction	27		407						
Other									
Total net changes in transactions with owners of the parent company		—	(2,842)	(2,690)	(16,007)	(455)	—	24	—
Balance as of March 31, 2018		79,863	955	(9,585)	628,966	24,454	(28,079)	(2,902)	(215)
Balance as of April 1, 2018		**79,863**	**955**	**(9,585)**	**628,966**	**24,454**	**(28,079)**	**(2,902)**	(215)
Cumulative effect of changes in accounting policies					**369**				
Adjusted balance as of April 1, 2018		**79,863**	**955**	**(9,585)**	**629,335**	**24,454**	**(28,079)**	**(2,902)**	(215)
Profit					**29,698**				
Other comprehensive income	37					**(635)**	**(4,397)**	**(167)**	(278)
Comprehensive income		**—**	**—**	**—**	**29,698**	**(635)**	**(4,397)**	**(167)**	(278)
Purchase of treasury stock	25			**(40,008)**					
Disposal of treasury stock	25		**(0)**	**0**					
Retirement of treasury stock	25		**(47,221)**	**47,221**					
Dividends	26				**(18,423)**				
Changes in transactions with non-controlling interests									
Changes due to business combinations									
Changes in ownership interests in subsidiaries that result in loss of control									
Changes in ownership interests in subsidiaries that do not result in loss of control	16		**2,097**						
Transfer from other components of equity to retained earnings	39				**1,952**	**(1,935)**			
Transfer of negative balance of other capital surplus			**47,221**		**(47,221)**				
Transfer to non-financial assets								**(33)**	
Stock-based remuneration transaction	27		**214**	**10**					
Disposal groups classified as held for sale	11					**24**	**(7)**		
Other					**(30)**				
Total net changes in transactions with owners of the parent company		**—**	**2,311**	**7,224**	**(63,722)**	**(1,911)**	**(7)**	**(33)**	**—**
Balance as of March 31, 2019		**79,863**	**3,266**	**(2,361)**	**595,311**	**21,907**	**(32,484)**	**(3,103)**	**(494)**

See accompanying notes to consolidated financial statements.

(Millions of yen)

	Note	Equity attributable to owners of the parent company						
		Other components of equity						
		Exchange differences on translating foreign operations	Share of other comprehensive income (loss) of associates and joint ventures	Total	Disposal group classified as held for sale	Total	Non-controlling interests	Total
Balance as of April 1, 2017		(47,118)	1,102	(45,299)	—	616,315	74,358	690,673
Profit				—		60,124	8,049	68,174
Other comprehensive income	37	(6,491)	496	(13,023)		(13,023)	1,771	(11,252)
Comprehensive income		(6,491)	496	(13,023)	—	47,100	9,821	56,921
Purchase of treasury stock	25			—		(2,690)		(2,690)
Disposal of treasury stock	25			—		0		0
Retirement of treasury stock	25			—		—		—
Dividends	26			—		(17,073)	(5,893)	(22,967)
Changes in transactions with non-controlling interests				—		(3,192)		(3,192)
Changes due to business combinations				—		—	1,135	1,135
Changes in ownership interests in subsidiaries that result in loss of control				—		—	(18)	(18)
Changes in ownership interests in subsidiaries that do not result in loss of control	16			—		(58)	(148)	(206)
Transfer from other components of equity to retained earnings	39		(612)	(1,067)		—		—
Transfer of negative balance of other capital surplus				—		—		—
Transfer to non-financial assets				24		24	0	24
Stock-based remuneration transaction	27			—		407		407
Other				—		—	526	526
Total net changes in transactions with owners of the parent company		—	(612)	(1,043)	—	(22,582)	(4,398)	(26,981)
Balance as of March 31, 2018		(53,610)	987	(59,366)	—	640,833	79,780	720,613
Balance as of April 1, 2018		**(53,610)**	**987**	**(59,366)**	**—**	**640,833**	**79,780**	**720,613**
Cumulative effect of changes in accounting policies				**—**		**369**		**369**
Adjusted balance as of April 1, 2018		**(53,610)**	**987**	**(59,366)**	**—**	**641,203**	**79,780**	**720,983**
Profit				**—**		**29,698**	**9,306**	**39,004**
Other comprehensive income	37	**2,031**	**(737)**	**(4,186)**		**(4,186)**	**1,440**	**(2,745)**
Comprehensive income		**2,031**	**(737)**	**(4,186)**	**—**	**25,512**	**10,747**	**36,259**
Purchase of treasury stock	25			**—**		**(40,008)**		**(40,008)**
Disposal of treasury stock	25			**—**		**0**		**0**
Retirement of treasury stock	25			**—**		**—**		**—**
Dividends	26			**—**		**(18,423)**	**(4,954)**	**(23,378)**
Changes in transactions with non-controlling interests				**—**		**—**		**—**
Changes due to business combinations				**—**		**—**	**1,094**	**1,094**
Changes in ownership interests in subsidiaries that result in loss of control				**—**		**—**		**—**
Changes in ownership interests in subsidiaries that do not result in loss of control	16			**—**		**2,097**	**(11,183)**	**(9,085)**
Transfer from other components of equity to retained earnings	39		**(17)**	**(1,952)**		**—**		**—**
Transfer of negative balance of other capital surplus				**—**		**—**		**—**
Transfer to non-financial assets				**(33)**		**(33)**	**(0)**	**(33)**
Stock-based remuneration transaction	27			**—**		**225**		**225**
Disposal groups classified as held for sale	11			**16**	**(16)**	**—**		**—**
Other				**—**		**(30)**	**(66)**	**(97)**
Total net changes in transactions with owners of the parent company		**—**	**(17)**	**(1,969)**	**(16)**	**(56,172)**	**(15,110)**	**(71,282)**
Balance as of March 31, 2019		**(51,579)**	**232**	**(65,521)**	**(16)**	**610,543**	**75,417**	**685,960**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Cash flows from operating activities			
Profit before income taxes		**54,202**	80,819
Profit before income taxes from discontinued operation		**2,427**	4,009
Depreciation and amortization		**52,485**	51,783
Impairment losses		**18,384**	11,681
Impairment losses on investments in associates and joint ventures	17	**14,107**	—
Increase (decrease) in employee benefits		**(1,823)**	(2,560)
Increase (decrease) in provisions		**975**	1,202
Interest income		**(4,373)**	(4,405)
Dividend income		**(1,351)**	(1,341)
Interest expense		**3,342**	3,042
Share of profit of associates and joint ventures		**560**	(3,981)
Loss on disposal of property, plant and equipment		**3,414**	2,973
Gain on sales of property, plant and equipment		**(1,251)**	(2,712)
Gain on sales of shares of subsidiaries		**(74)**	(40)
Loss on sales of shares of subsidiaries		**688**	—
Environmental measures expenses		**1,244**	859
Decrease (increase) in trade and other receivables		**(644)**	(9,329)
Increase (decrease) in trade and other payables		**3,375**	20,720
Decrease (increase) in inventories		**(3,877)**	(11,287)
Increase (decrease) in consumption taxes payable		**492**	(1,588)
Increase (decrease) in other assets and liabilities		**(236)**	4,097
Others		**1,264**	2,351
Subtotal		**143,334**	146,295
Interest received		**4,378**	3,619
Dividends received		**2,111**	2,976
Interest paid		**(3,239)**	(2,922)
Income taxes paid		**(23,328)**	(23,313)
Net cash provided by operating activities		**123,256**	126,655

(Millions of yen)

	Note	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Cash flows from investing activities			
Purchase of property, plant and equipment		**(70,185)**	(70,727)
Proceeds from sales of property, plant and equipment		**4,441**	3,693
Purchase of intangible assets		**(9,822)**	(7,239)
Purchase of financial assets		**(3,495)**	(1,869)
Proceeds from sales of financial assets		**6,940**	3,082
Purchase of shares in subsidiaries resulting in change in scope of consolidation	42	**—**	(25,307)
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	16	**3,276**	386
Purchase of shares in associates and joint ventures		**—**	(240)
Others		**(4,078)**	(881)
Net cash used in investing activities		**(72,923)**	(99,104)
Cash flows from financing activities			
Net change in short-term borrowings	21	**(3,283)**	3,313
Proceeds from long-term borrowings	21	**8,543**	23,388
Repayments of long-term borrowings	21	**(11,962)**	(24,174)
Dividends paid	26	**(18,455)**	(17,065)
Dividends paid to non-controlling interests		**(4,889)**	(5,893)
Purchase of treasury stock	25	**(40,062)**	(2,690)
Purchase of shares in subsidiaries not resulting in change of scope of consolidation		**(8,640)**	(217)
Others		**(171)**	(611)
Net cash used in financing activities		**(78,923)**	(23,951)
Effect of currency rate changes on cash and cash equivalents		**(754)**	(1,734)
Net change in cash and cash equivalents		**(29,344)**	1,865
Cash and cash equivalents at beginning of the year	8	**187,869**	186,003
Cash and cash equivalents included in assets of disposal groups classified as held for sale		**(4,799)**	—
Cash and cash equivalents at end of the year	8	**153,725**	187,869

See accompanying notes to consolidated financial statements.

1. Reporting Company

Ajinomoto Co., Inc. (the "Company") is a listed company in Japan, duly established under the Companies Act of Japan. The Company discloses the registered address of its head office on its website (https://www.ajinomoto.com/en/). The accompanying consolidated financial statements comprise the Company and its subsidiaries (the "Group"), as well as the Group's interests in associates and joint ventures. A description of the nature of the Group's operations and its principal business activities is included in Note 7 "Segment Information." The Group's consolidated financial statements for the fiscal year ended March 31, 2019 were authorized for issue at the Management Meeting held on June 20, 2019.

2. Basis of Preparation

(1) Compliance with IFRS

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

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

2) Associates and joint ventures

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

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

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

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

3) Joint operations

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

(2) Business combinations

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

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

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

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

(3) Foreign-currency translation

1) Translation of foreign-currency denominated transactions

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

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

2) Translation of financial statements of foreign operations

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

(4) Financial instruments

1) Financial assets

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2) Impairment of financial assets

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

For details, please see Note 39 “Financial Instruments (4) Loss allowance for expected credit losses.”

3) Financial liabilities

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

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

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

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

4) Derivatives and hedge accounting

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

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

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

(c) Hedging net investments in foreign operations

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

(d) Derivatives not designated as hedges

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

5) Offsetting financial assets and financial liabilities

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

(7) Non-current assets held for sale and discontinued operation

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

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

(8) Property, plant and equipment (excluding lease assets)

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

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

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

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

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

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

(9) Goodwill and intangible assets

1) Goodwill

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

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

Goodwill is derecognized when an asset in the cash-generating unit (or its disposal group) is disposed of. In determining 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 lease assets)

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

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

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

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

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

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

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

(10) Leases

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

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

1) Finance leases

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

2) Operating leases

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

(11) Impairment of non-financial assets

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

The recoverable amount is the higher of the fair value less cost of disposal or the value in use of an asset or a cash-generating unit. When the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the difference is recognized in profit or loss as impairment losses. Impairment losses 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 losses 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 losses 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 losses should not exceed the carrying amount, which would have been determined (net of amortization or depreciation) had no impairment losses been recognized for the asset or cash-generating unit in prior years. Reversal of impairment losses is recognized immediately in profit or loss. Impairment losses recognized on goodwill are not reversed in subsequent periods.

(12) Provisions

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

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

(13) Contingencies

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

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

(14) Employee benefits

1) Short-term employee benefits

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

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

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

2) Post-employment benefits

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

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

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

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

3) Other long-term employee benefits

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

(15) Government grants

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

(16) Treasury stock

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

(17) Stock-based remuneration

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

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

(18) Revenues

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

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

(19) Borrowing costs

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

(20) Income taxes

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

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

Deferred tax assets or liabilities are not recognized on:

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

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

(21) Earnings per share

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

4. Changes in Accounting Policies and Disclosures

(1) Effects of newly applied IFRS

The Group has adopted the following standards from the fiscal year ended March 31, 2019:

IFRS		Overview of new standards or amendments
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*	Clarified accounting for foreign currency transactions and advance consideration
IFRS 15	*Revenue from Contracts with Customers*	Amended accounting for revenue recognition and related disclosures

*1 IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
This Interpretation provides guidance on how to determine the exchange rate used for initial recognition of the related asset, expense or income (or part of such) upon derecognizing a non-monetary asset or liability related to the payment or receipt of advance consideration, and clarifies that the transaction date is the date a non-monetary asset or liability arising from the payment or receipt of advance consideration is initially recognized. If there are multiple payments or receipts of advance consideration, the transaction date is determined for each payment or receipt of advance consideration.
There is no effect of applying this standard to the Group's consolidated financial statements since such transactions denominated in foreign currencies are monetarily immaterial.

*2 IFRS 15 *Revenue from Contracts with Customers*
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

The Group mainly engages in selling seasonings, processed foods, frozen foods, amino acids and other products. The sale of such goods meets the above requirements for revenue recognition when the Group satisfies its performance obligation by transferring control over the goods to the customer at the time of the delivery.

Revenues from the sale of goods have been previously required to be recognized when the following conditions are satisfied:

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

The Group has previously recognized revenue at the time of the delivery of goods, and thus there is no effect of applying this standard to the Group's consolidated financial statements.

EA Pharma Co., Ltd., the Company's associate, accounted for by equity method, has changed its revenue recognition on licensing of development and products (initial payments and milestones) due to applying this standard, but such change does not have a material impact on the Group's operating results and financial position.

In accordance with the transition requirements, the Group has applied IFRS 15 retrospectively to contracts with customers not yet completed as of the date of initial application (April 1, 2018) by recognizing the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the fiscal year ended March 31, 2019.

(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)
- Recognition and presentation of revenues
(Note 3. Significant Accounting Policies (18) Revenues, Note 28. Sales)

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

Important judgments are included in the following notes:
- Valuation of financial instruments
(Note 3. Significant Accounting Policies (4) Financial instruments, Note 39. Financial Instruments (4) Loss allowance for expected credit losses, Note 40. Fair Value)
- Valuation of inventories
(Note 3. Significant Accounting Policies (6) Inventories, Note 10. Inventories)
- Estimates on useful lives and residual values of property, plant and equipment and intangible assets
(Note 3. Significant Accounting Policies (8) Property, plant and equipment (excluding lease assets), (9) Goodwill and intangible assets)
- Impairment of non-financial assets
(Note 3. Significant Accounting Policies (11) Impairment of non-financial assets, Note 14. Impairment of Non-financial Assets)
- Provisions
(Note 3. Significant Accounting Policies (12) Provisions, Note 22. Provisions)
- Valuation of defined benefit obligations
(Note 3. Significant Accounting Policies (14) Employee benefits, Note 24. Employee Benefits)
- Income taxes and recoverability of deferred tax asset
(Note 3. Significant Accounting Policies (20) Income taxes, Note 18. Income Taxes)

6. Accounting Standards or Interpretations Issued but Not Yet Applied

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

IFRS		Mandatory effective date (Fiscal year beginning on or after)	To be adopted by the Company	Overview of new standards or amendments
IFRIC 23	*Uncertainty over Income Tax Treatments*	January 1, 2019	From fiscal year ending March 31, 2020	Clarified the accounting for uncertainties in income taxes
IFRS 16	*Leases**1	January 1, 2019	From fiscal year ending March 31, 2020	Amended accounting for leases and related disclosures
IAS 19	*Employee Benefits*	January 1, 2019	From fiscal year ending March 31, 2020	Clarified measurement method of service cost and interest cost in the event of a plan amendment, curtailment or settlement
IAS 23	*Borrowing Costs*	January 1, 2019	From fiscal year ending March 31, 2020	Clarified method for calculating the borrowing costs eligible for capitalization

*1 IFRS 16 *Leases*
IFRS 16 replaces IAS 17 *Leases* and related interpretations that are currently applied. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to introduce a single lessee accounting model which recognizes all leases in the consolidated statements of financial position. However, it provides an exemption for leases of low-value assets and short-term leases. A lessee recognizes a right-of-use asset representing its right to use the underlying leased asset over the lease term and a lease liability representing its obligation to make lease payments at the commencement date of the lease, and subsequently recognizes depreciation charge for the right-of-use asset and interest expense on the lease liability separately.

The Group has various contracts as a lessee to lease buildings, vehicles, and other assets classified as operating lease. With the application of IFRS 16, all non-cancellable leases are recognized in the consolidated statements of financial position as right-of-use assets and lease liabilities, and subsequently, depreciation and interest expense are recognized in the consolidated statements of income. Approximately ¥50 billion is estimated as an adjustment to the opening balance of the consolidated statements of financial position for the fiscal year ending March 31, 2020 as right-of-use assets and lease liabilities. The effect on the consolidated statements of income is immaterial.

Upon application of IFRS 16, the Group elected a transition method approved by the standard, which allows recognition of cumulative-effect adjustment at the application date (April 1, 2019), without restating the previous reporting periods.

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

7. Segment Information

(1) Overview of reportable segments

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

During the fiscal year ended March 31, 2019, the personal care business was changed from the Life Support segment to the Healthcare segment. The segment information for the fiscal year ended March 31, 2018 has been restated accordingly to reflect this change.

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.

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

Also, during the fiscal year ended March 31, 2019, the Company finalized the provisional accounting treatment related to a business combination. Accordingly, a significant change in the initial allocation of acquisition costs is reflected to the consolidated financial statements for the fiscal year ended March 31, 2018.

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

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

(2) Information by reportable segment

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

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

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

1) Sales and segment profit (loss)

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*	Total	Adjustments	As included in consolidated statements of income
Sales								
Sales to third parties	**375,034**	**481,699**	**107,947**	**135,342**	**27,458**	**1,127,483**	**—**	**1,127,483**
Inter-segment sales and transfers	**4,252**	**5,290**	**3,521**	**2,578**	**35,054**	**50,697**	**(50,697)**	**—**
Total sales	**379,286**	**486,989**	**111,468**	**137,920**	**62,512**	**1,178,180**	**(50,697)**	**1,127,483**
Share of profit of associates and joint ventures	**352**	**(2,402)**	**85**	**11**	**1,436**	**(515)**	**—**	**(515)**
Segment profit or loss (Business profit or loss)	**29,896**	**42,312**	**9,579**	**12,079**	**(1,232)**	**92,635**	**—**	**92,635**
						Other operating income		**6,131**
						Other operating expenses		**(45,616)**
						Operating profit		**53,149**
						Financial income		**8,114**
						Financial expense		**(7,061)**
						Profit before income taxes		**54,202**

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

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*	Total	Adjustments	As included in consolidated statements of income
Sales								
Sales to third parties	384,185	464,712	118,584	119,982	27,319	1,114,784	—	1,114,784
Inter-segment sales and transfers	3,853	4,639	3,259	2,509	30,315	44,577	(44,577)	—
Total sales	388,039	469,352	121,844	122,491	57,635	1,159,362	(44,577)	1,114,784
Share of profit of associates and joint ventures	348	1,816	53	125	1,623	3,966	—	3,966
Segment profit or loss (Business profit or loss)	38,899	41,491	8,082	9,373	(2,173)	95,672	—	95,672
						Other operating income		7,854
						Other operating expenses		(24,821)
						Operating profit		78,706
						Financial income		9,578
						Financial expense		(7,465)
						Profit before income taxes		80,819

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

2) Other income and expense items

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Depreciation and amortization	**13,192**	**20,104**	**5,363**	**7,383**	**1,300**	**47,344**	**5,141**	**52,485**
Impairment losses	**119**	**17,448**	**674**	**—**	**—**	**18,241**	**—**	**18,241**
Impairment losses on shares of associates and joint ventures	**—**	**17,329**	**—**	**—**	**—**	**17,329**	**—**	**17,329**

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

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Depreciation and amortization	12,291	19,648	6,388	7,214	1,192	46,735	4,222	50,958
Impairment losses	242	3,236	7,450	748	—	11,677	4	11,681

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

3) Assets

Information on assets by reportable segment is as follows:

As of March 31, 2019

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Segment assets	**293,779**	**418,065**	**116,977**	**159,711**	**125,380**	**1,113,913**	**279,956**	**1,393,869**
Of which investments in associates and joint ventures accounted for by equity method	**8,799**	**43,987**	**1,136**	**3,015**	**59,960**	**116,900**	**—**	**116,900**

*1. Other includes the tie-up, packaging, logistics, and other service-related businesses.
*2. Adjustments for segment assets primarily consist of corporate assets of ¥338,802 million and elimination of inter-segment receivables and payables of ¥(60,187) million. Corporate assets primarily consist of the Group's cash and cash equivalents, long-term investments, land not used in operations, and certain assets associated with administrative divisions and research facilities.

As of March 31, 2018

(Millions of yen)

	Reportable segment							
	Japan Food Products	International Food Products	Life Support	Healthcare	Other*1	Total	Adjustments*2	As included in consolidated statements of income
Segment assets	284,308	443,666	120,810	142,299	123,178	1,114,264	311,966	1,426,230
Of which investments in associates and joint ventures accounted for by equity method	8,795	59,819	1,271	2,797	58,506	131,190	—	131,190

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

Fiscal year ended March 31, 2019

(Millions of yen)

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

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

Fiscal year ended March 31, 2018

(Millions of yen)

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

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

(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, 2019

(Millions of yen)

		Asia		Americas			
	Japan	Thailand	Others	U.S.	Others	Europe	Total
Sales	**471,920**	**124,861**	**188,216**	**173,764**	**66,793**	**101,926**	**1,127,483**

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, 2018

(Millions of yen)

		Asia		Americas			
	Japan	Thailand	Others	U.S.	Others	Europe	Total
Sales	469,743	118,476	182,922	161,237	81,313	101,090	1,114,784

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, 2019

(Millions of yen)

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

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

As of March 31, 2018

(Millions of yen)

		Asia		Americas			
	Japan	Thailand	Others	U.S.	Others	Europe	Total
Sales	265,188	67,789	42,663	138,768	26,916	64,011	605,338

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, 2019	As of March 31, 2018
Cash and bank deposits	**153,725**	187,869
Securities classified as cash equivalents	**0**	0
Total cash and cash equivalents in consolidated statements of financial position	**153,725**	187,869
Total cash and cash equivalents in consolidated statements of cash flows	**153,725**	187,869

9. Trade and Other Receivables

The details of trade and other receivables are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Notes receivable - trade	**7,501**	7,965
Accounts receivable - trade	**175,730**	180,847
Others	**12,652**	12,708
Loss allowance for expected credit losses	**(1,613)**	(1,248)
Total	**194,270**	200,272

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 losses.

10. Inventories

The details of inventories are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Finished goods and merchandise	**104,813**	104,081
Work in process	**25,191**	23,739
Raw materials and supplies	**55,031**	56,288
Total	**185,036**	184,109

The amounts of inventories recognized as expenses were ¥722,471 million and ¥709,314 million for the fiscal years ended March 31, 2019 and 2018, 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, 2019	Fiscal year ended March 31, 2018
Inventory write-downs	**1,593**	2,732

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

(1) Disposal groups classified as held for sale

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

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

As of April 1, 2019, F-LINE CORPORATION was newly established as scheduled, integrating the logistics functions of these companies.

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Assets of disposal groups classified as held for sale		
Cash and cash equivalents	4,799	—
Trade and other receivables	4,208	—
Other financial assets	0	—
Inventories	113	—
Income taxes receivable	660	—
Other current assets	398	—
Property, plant and equipment	5,924	—
Intangible assets	391	—
Investments in associates and joint ventures	160	—
Long-term financial assets	1,250	—
Deferred tax assets	1,624	—
Other non-current assets	35	—
Total assets	19,568	—
Liabilities of disposal groups classified as held for sale		
Trade and other payables	5,446	—
Other financial liabilities (current)	1,435	—
Short-term employee benefits	1,785	—
Provisions (current)	73	—
Income taxes payable	31	—
Other current liabilities	253	—
Other financial liabilities (non-current)	1,059	—
Long-term employee benefits	3,155	—
Provisions (non-current)	331	—
Total liabilities	13,571	—

Financial assets and liabilities included in disposal groups classified as held for sale are primarily measured at amortized cost, but some long-term financial assets are measured at fair value through other comprehensive income.
Other components of equity related to assets held for sale were ¥(16) million as of March 31, 2019.

(2) Discontinued operation

As described in "(1) Disposal groups classified as held for sale," the Group loses control of AB as of April 2019. Accordingly, profit or loss and cash flows from the logistics business were classified as a discontinued operation and presented separately for the fiscal years ended March 31, 2019 and 2018, with the consolidated financial statements for the fiscal year ended March 31, 2018 being restated.

The details of discontinued operation are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Income from discontinued operation	**34,195**	37,013
Expenses from discontinued operation	**(31,767)**	(33,004)
Profit before income taxes from discontinued operation	**2,427**	4,009
Income taxes	**96**	(1,324)
Profit from discontinued operation	**2,523**	2,684

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

Transactions between continuing operation and discontinued operation are eliminated from the profit or loss of discontinued operation to reflect how these transactions subsequently affect continuing operation. The transactions with continuing operation deducted from "Income from discontinued operation" and "Expenses from discontinued operation" in the above table were ¥(26,507) million for the fiscal year ended March 31, 2019 and ¥(24,810) million for the fiscal year ended March 31, 2018.

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Cash flows from operating activities	**1,894**	820
Cash flows from investing activities	**11,028**	1,388
Cash flows from financing activities	**(9,494)**	(898)
Total	**3,428**	1,309

12. Property, Plant and Equipment

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

1) Carrying amounts

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2017*1	144,957	153,153	14,969	48,767	31,593	393,441
Acquisition due to purchases from third parties*2	6,282	8,873	1,349	620	54,579	71,705
Acquisition due to business combinations	1,743	688	245	809	136	3,623
Sales or disposal	(716)	(1,107)	(229)	(569)	(12)	(2,636)
Impairment losses	(3,810)	(6,730)	(145)	(11)	(47)	(10,745)
Depreciation	(11,707)	(27,054)	(5,329)	—	—	(44,091)
Transfer from construction in progress	18,778	31,699	5,826	527	(56,833)	—
Exchange differences on translation	(2,054)	1,655	(82)	(58)	(658)	(1,198)
Others	1,592	664	(163)	83	(636)	1,541
Balance as of March 31, 2018*1	155,063	161,843	16,441	50,169	28,122	411,640
Acquisition due to purchases from third parties*2	**1,619**	**5,907**	**1,496**	**9**	**62,334**	**71,367**
Sales or disposal	**(253)**	**(820)**	**(200)**	**(0)**	**(48)**	**(1,323)**
Impairment losses	**(212)**	**(440)**	**(111)**	**(0)**	**(107)**	**(873)**
Depreciation	**(11,975)**	**(27,765)**	**(5,559)**	**—**	**—**	**(45,300)**
Transfer from construction in progress	**11,673**	**24,749**	**5,623**	**0**	**(42,047)**	**—**
Decrease due to exclusion from consolidation	**(233)**	**(739)**	**(544)**	**—**	**(176)**	**(1,694)**
Exchange differences on translation	**(413)**	**(764)**	**(4)**	**(13)**	**280**	**(915)**
Others	**(294)**	**(70)**	**(175)**	**(303)**	**(651)**	**(1,496)**
Transfer to disposal groups held for sale	**(2,662)**	**(1,376)**	**(335)**	**(3,660)**	**—**	**(8,035)**
Balance as of March 31, 2019*1	**152,309**	**160,524**	**16,630**	**46,199**	**47,706**	**423,369**

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

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

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
As of April 1, 2017	89	1,216	560	1,429	3,296
As of March 31, 2018	4,248	2,985	518	1,487	9,240
As of March 31, 2019	**4,147**	**1,775**	**152**	**1,503**	**7,578**

*2. The borrowing costs capitalized were ¥20 million and ¥9 million for the fiscal years ended March 31, 2019 and 2018, respectively. The capitalization rates applied in calculating the borrowing costs were 0.78% and 0.70% for the fiscal years ended March 31, 2019 and 2018, 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, 2017	368,593	593,199	69,873	48,769	31,593	1,112,030
As of March 31, 2018	388,824	623,702	74,315	50,171	28,122	1,165,137
As of March 31, 2019	**381,465**	**629,989**	**74,762**	**46,200**	**47,813**	**1,180,232**

3) Accumulated depreciation and impairment losses

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2017	223,636	440,045	54,904	2	—	718,588
As of March 31, 2018	233,761	461,858	57,874	2	—	753,497
As of March 31, 2019	**229,156**	**469,465**	**58,132**	**0**	**107**	**756,862**

(2) Commitments

The amounts of commitments for the acquisition of property, plant and equipment as of March 31, 2019 and March 31, 2018 were ¥21,260 million and ¥14,253 million, respectively.

13. Goodwill and Intangible Assets

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

1) Carrying amount

(Millions of yen)

		Intangible assets				
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
Balance as of April 1, 2017	96,606	35,554	12,566	6,531	5,769	60,422
Increase due to individual acquisition	—	8	6,936	—	717	7,662
Acquisition due to business combinations	16,094	2,951	18	1,062	3,353	7,385
Sales or disposal	—	—	(112)	—	(2)	(114)
Impairment losses	—	(167)	(5)	—	(227)	(400)
Amortization	—	(831)	(4,513)	(1,164)	(1,181)	(7,691)
Exchange differences on translation	(5,305)	(657)	(66)	(154)	(302)	(1,180)
Others	—	—	49	—	12	61
Balance as of March 31, 2018	**107,394**	**36,859**	**14,871**	**6,275**	**8,138**	**66,144**
Increase due to individual acquisition	**—**	**15**	**9,796**	**—**	**124**	**9,936**
Sales or disposal	**—**	**(1,600)**	**(119)**	**—**	**(764)**	**(2,484)**
Impairment losses	**(17,368)**	**—**	**—**	**—**	**—**	**—**
Amortization	**—**	**(798)**	**(4,607)**	**(1,242)**	**(537)**	**(7,185)**
Exchange differences on translation	**1,347**	**(172)**	**(54)**	**60**	**102**	**(63)**
Others	**—**	**10**	**219**	**—**	**25**	**255**
Transfer to disposal groups held for sale	**—**	**—**	**(416)**	**—**	**(52)**	**(469)**
Balance as of March 31, 2019	**91,373**	**34,313**	**19,689**	**5,093**	**7,035**	**66,132**

The borrowing costs capitalized were ¥34 million for the fiscal year ended March 31, 2019. The capitalization rate used for calculating the borrowing costs for qualifying assets was 0.78%. There were no capitalized borrowing costs for the fiscal year ended March 31, 2018.

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, 2017	96,606	39,779	50,175	8,957	8,611	107,523
As of March 31, 2018	107,394	41,859	56,085	9,828	12,415	120,189
As of March 31, 2019	**108,342**	**36,948**	**64,351**	**9,918**	**11,561**	**122,781**

3) Accumulated amortization and impairment losses

(Millions of yen)

	Goodwill	Intangible assets				
		Trademarks	Software	Customer relationships	Others	Total
As of April 1, 2017	—	4,225	37,608	2,425	2,841	47,101
As of March 31, 2018	—	4,999	41,214	3,553	4,277	54,044
As of March 31, 2019	**16,968**	**2,634**	**44,662**	**4,825**	**4,526**	**56,648**

(2) Commitments

The amounts of commitments for the acquisition of intangible assets as of March 31, 2019 and March 31, 2018 were ¥864 million and ¥584 million, respectively.

(3) Intangible assets with indefinite useful lives

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2019 and March 31, 2018 were ¥28,888 million and ¥30,186 million, respectively. The main assets are the trademarks of Ajinomoto AGF's coffee products such as "Blendy" and "MAXIM" acquired by the Company in October 2016, and the trademarks of "Bizim Mutfak" and "KEMAL KÜKRER" related to the Turkish food products business, powdered seasonings of Örgen Gıda Sanayi ve Ticaret A.Ş. ("Örgen") and liquid seasonings of Kükre A.Ş. ("Kükre") which were acquired by the Company in August and November 2017, respectively. As trademarks with 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. The integration of Örgen, Kükre and Ajinomoto Istanbul Food Sales Ltd., which was established in July 2011, was completed in July 2018, and a new company, Ajinomoto Istanbul Food Industry and Trade Ltd. Co., has started its operation.

(4) Individual intangible assets that are material

Individual intangible assets that were material as of March 31, 2019 and March 31, 2018 included in the consolidated statements of financial position were the trademarks of coffee products described in (3), with the carrying amount of ¥25,907 million.

14. Impairment of Non-financial Assets

(1) Impairment losses recognized by asset category

The Ajinomoto Group recognized impairment losses of ¥18,241 million and ¥11,681 million for the fiscal years ended March 31, 2019 and 2018, respectively.

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Buildings and structures	**212**	3,810
Machinery and vehicles	**440**	6,730
Tools, furniture and fixtures	**111**	145
Land	**0**	11
Construction in progress	**107**	47
Software	**—**	5
Goodwill	**17,368**	—
Others	**—**	930
Total	**18,241**	11,681

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

Fiscal year ended March 31, 2019

Total impairment losses of ¥17,368 million was recognized for the goodwill of subsidiaries in the United States and Turkey in the International Food Products segment.

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

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

Fiscal year ended March 31, 2018

1) Life Support segment

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

The details of impairment losses are as follows:

(Millions of yen)

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

2) International Food Products segment

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

(Millions of yen)

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

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

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

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

For impairment tests for the goodwill of AFNA, for the fiscal years ended March 31, 2019 and 2018, the recoverable amount was measured based on the fair value less costs of disposal. In calculating the fair value less costs of disposal, the discounted cash flows and the comparable peer company analysis were applied, using a weighted average with an emphasis on discounted cash flows.

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

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

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

- Period used by the management for future cash flow projection: 7 years (7 years for the previous fiscal year)
- Growth rate used to extend cash flow projection: 2.5% (2.5% for the previous fiscal year)
- Pre-tax discount rate applied to future cash flow projection: 11.6% (10.6% for the previous fiscal year)
- EV / EBITDA ratio used for comparable peer company analysis: 11.5 times to 13.0 times (13.0 times to 14.0 times for the previous fiscal year)

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

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

For impairment tests for AGF's goodwill and intangible assets with indefinite useful lives (trademarks) for the fiscal years ended March 31, 2019 and 2018, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used.

Calculation of the value in use was based on the management-approved 5-year business plan (the next year's budget for the fiscal year ended March 31, 2018). The business plan was based on the external and internal sources of information, reflecting the management's evaluation of future prospects of the industry and past experiences. The growth rate used to estimate cash flows beyond the business plan was 0.3% (0.3% for the fiscal year ended March 31, 2018), and the pre-tax discount rate applied to the cash flow projection was 7.1% (7.1% for the fiscal year ended March 31, 2018).

As of March 31, 2019, the recoverable amount exceeds the carrying amount by ¥19,614 million. If the discount rate increased by 1.1%, impairment losses would be recognized.

3. Ajinomoto Althea, Inc.

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

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

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

- EV / Sales ratio used for comparable peer company analysis: 2.0 times or 2.5 times
- EV / EBITDA ratio used for comparable peer company analysis: 10 times

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, 2019, the recoverable amount exceeds the carrying amount by ¥11,457 million. If the EV / EBITDA (or sales) ratio all decreased by 31%, impairment losses would be recognized.

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

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

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

For goodwill and intangible assets with indefinite useful lives (trademarks) related to Ajinomoto Istanbul Food Industry and Trade Ltd. Co. for the fiscal year ended March 31, 2019, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used.

Calculation of the value in use was based on the management-approved 4-year business plan (5-year business plan for the fiscal year ended March 31, 2018). 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 15.6% (9.5% for the fiscal year ended March 31, 2018), and the pre-tax discount rate applied to the cash flow projection was 30.3% (21.1% for the fiscal year ended March 31, 2018).

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, 2019	As of March 31, 2018
AFNA	**35,696**	46,895
Coffee products (including AGF)	**30,906**	30,906
Ajinomoto Althea, Inc.	**15,215**	14,564
Ajinomoto Istanbul Food Industry and Trade Ltd. Co.	**1,821**	7,435
Others	**7,733**	7,593
Total	**91,373**	107,394

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, 2019	As of March 31, 2018
Coffee products (including AGF)	**25,907**	25,907
Ajinomoto Istanbul Food Industry and Trade Ltd. Co.	**1,205**	1,631
Others	**1,776**	2,647
Total	**28,888**	30,186

15. Leases

The Group's lease transactions are as follows:

(1) Finance leases (as lessee)

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

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

(Millions of yen)

	Total future minimum lease payments	
	As of March 31, 2019	As of March 31, 2018
Within 1 year	**116**	616
Over 1 year within 5 years	**414**	1,540
Over 5 years	**5,779**	6,080
Total	**6,309**	8,237
(Less) discounted value	**(3)**	(308)
Present value of total future minimum lease payments	**6,306**	7,928

(Millions of yen)

	Present value of total future minimum lease payments	
	As of March 31, 2019	As of March 31, 2018
Within 1 year	**114**	591
Over 1 year within 5 years	**412**	1,452
Over 5 years	**5,779**	5,883
Total	**6,306**	7,928

Some lease contracts contain renewal or purchase options. There are no material contracts which contain escalation clauses. There were no contingent lease payments recognized as expenses for the fiscal years ended March 31, 2019 and 2018.

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Total amount of expected future minimum sublease payments	**8**	17

(2) Operating leases (as lessee)

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

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

(Millions of yen)

	Total future minimum lease payments	
	As of March 31, 2019	As of March 31, 2018
Within 1 year	**4,583**	4,071
Over 1 year within 5 years	**10,907**	9,594
Over 5 years	**4,683**	4,755
Total	**20,174**	18,421

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Total amount of expected future minimum sublease payments	**481**	422

The details of lease and sublease payments recognized as expenses for the fiscal years ended March 31, 2019 and 2018 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Minimum lease payments	5,054	4,986
Contingent lease payments	96	57
Sublease payments received	(230)	(226)
Total amounts of lease payments and sublease payments	4,921	4,817

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

(3) Operating leases (as lessor)

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

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Within 1 year	218	180
Over 1 year within 5 years	263	242
Over 5 years	—	—
Total	481	422

16. Subsidiaries

(1) Material subsidiaries

Material subsidiaries are as follows:

Subsidiary name	Share capital or contribution	Main business	Principal place of business	Percentage of ordinary shares held by the Group (%)	Percentage of ordinary shares held by non-controlling interests (%)
Ajinomoto Frozen Foods Co., Inc.	9,537 million JPY	Frozen foods	Japan	100.0	—
Knorr Foods Co., Ltd.*1	4,000 million JPY	Seasonings and processed foods	Japan	100.0	—
Ajinomoto AGF, Inc.	3,862 million JPY	Coffee products	Japan	100.0	—
Ajinomoto Logistics Corporation*2	1,930 million JPY	Logistics	Japan	100.0	—
Ajinomoto Fine-Techno Co., Inc.	315 million JPY	Specialty chemicals	Japan	100.0	—
Ajinomoto Co., (Thailand) Ltd.	796,362 thousand THB	Seasonings and processed foods	Thailand	82.5	17.5
Ajinomoto Sales (Thailand) Co., Ltd.	50,000 thousand THB	Seasonings and processed foods	Thailand	100.0	—
PT Ajinomoto Indonesia	8,000 thousand USD	Seasonings and processed foods	Indonesia	51.0	49.0
PT Ajinomoto Sales Indonesia	250 thousand USD	Seasonings and processed foods	Indonesia	100.0	—
Ajinomoto Vietnam Co., Ltd.	50,255 thousand USD	Seasonings and processed foods	Vietnam	100.0	—
Ajinomoto Foods North America, Inc.	15,030 thousand USD	Frozen foods	United States	100.0	—
Ajinomoto Animal Nutrition North America, Inc.	750 thousand USD	Animal nutrition	United States	100.0	—
Ajinomoto Health & Nutrition North America, Inc.	0 USD	Amino acids, Umami seasonings and sweeteners for processed food manufacturers, and specialty chemicals	United States	100.0	—
Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda.	863,298 thousand BRL	Seasonings and processed foods, umami seasonings and sweeteners for processed food manufacturers, animal nutrition, and amino acids	Brazil	100.0	—
AJINOMOTO ANIMAL NUTRITION EUROPE S.A.S.*3	26,865 thousand EUR	Animal nutrition	France	100.0	—
Ajinomoto OmniChem N.V.	21,320 thousand EUR	Amino acids	Belgium	100.0	—

*1. Knorr Foods Co., Ltd. was renamed Ajinomoto Food Manufacturing Co., Ltd. on April 1, 2019.

*2. On April 26, 2018, the Company entered into an agreement to reorganize the logistics functions of Ajinomoto Logistics Corporation ("AB"), Kagome Distribution Service Co., Ltd., House Logistics Service Corporation, F-LINE CORPORATION, and KYUSHU F-LINE CORPORATION, to establish a nationwide logistics company in April 2019 integrating each company's logistics business. As it became clear that this transaction would result in a loss of control of AB in April 2019, the Company has classified AB's assets and liabilities as a disposal group held for sale. On April 1, 2019, the merger of the above companies was completed, with AB being the surviving company, renamed F-LINE CORPORATION. As a result, the Company's ownership interest in the new company became 45.0%, making it an equity method associate.

*3. Ajinomoto Eurolysine S.A.S. was renamed AJINOMOTO ANIMAL NUTRITION EUROPE S.A.S. on October 31, 2018.

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

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Changes due to equity transactions with non-controlling interests	**2,097**	(58)

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

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

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

(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, 2019	Fiscal year ended March 31, 2018
Consideration received in cash	**8,617**	647
Cash and cash equivalents of derecognized subsidiaries	**5,341**	261
Net: Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	**3,276**	386

17. Investments Accounted for Using the Equity Method

(1) Associates

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Carrying amount of interests in associates	**71,335**	71,015

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Profit from continuing operation attributable to owners of the parent company	**1,603**	1,966
Profit from discontinued operation attributable to owners of the parent company	**(42)**	20
Other comprehensive income attributable to owners of the parent company	**(114)**	278
Total comprehensive income attributable to owners of the parent company	**1,446**	2,265

(2) Joint ventures

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Carrying amount of interests in joint ventures	**45,564**	60,174

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Profit from continuing operation attributable to owners of the parent company	(16,226)	2,000
Profit from discontinued operation attributable to owners of the parent company	(2)	(5)
Other comprehensive income attributable to owners of the parent company	(622)	218
Total comprehensive income attributable to owners of the parent company	(16,852)	2,212

(Impairment losses on investments in associates and joint ventures)

Fiscal year ended March 31, 2019

Investment in Promasidor Holdings Limited (PH), which is accounted for by equity method, was reduced to its recoverable amount measured based on the fair value less costs of disposal, as business environment and market competitions drastically changed in major African countries where PH operates its business, coupled with decreasing profitability of PH's associates. As a result, impairment losses of ¥14,107 million on investments in associates and joint ventures from PH were recorded in "Other operating expenses." In addition, for the trademark of PH, included in investments in associates and joint ventures, the carrying amount was also reduced to its recoverable amount measured based on the fair value less costs of disposal, and impairment losses of ¥3,222 million were recorded in "Share of profit of associates and joint ventures." These impairment losses are included in "Profit from continuing operation attributable to owners of the parent company" in the above table.

Fiscal year ended March 31, 2018

No applicable items.

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, 2019

(Millions of yen)

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

Fiscal year ended March 31, 2018

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Others	Balance at the end of the year
Deferred tax assets					
Liability for retirement benefits	12,698	(1,167)	2,951	(193)	14,289
Accrued compensated absences	1,977	603	—	(74)	2,506
Accrued bonuses	3,947	(120)	—	(66)	3,761
Elimination of intercompany profit	1,771	1,219	—	—	2,990
Period expense	5,011	(521)	—	(21)	4,469
Impairment losses	1,313	3,172	—	(217)	4,268
Others	8,516	420	87	1,176	10,198
Total	35,235	3,606	3,038	604	42,482
Deferred tax liabilities					
Revaluation of property, plant and equipment	(13,278)	2,407	—	(591)	(11,462)
Reserve for accelerated depreciation of property, plant and equipment	(4,452)	448	—	—	(4,004)
Net changes in fair value of financial assets	(9,308)	—	(839)	(91)	(10,238)
Appraisal of land on consolidated financial statements	(2,559)	(6)	—	—	(2,565)
Others	(9,550)	(616)	—	(1,414)	(11,580)
Total	(39,150)	2,233	(839)	(2,095)	(39,851)
Net deferred tax assets or liabilities	(3,914)	5,839	2,199	(1,491)	2,631

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, 2019	As of March 31, 2018
Deferred tax assets	**15,589**	13,080
Deferred tax liabilities	**(7,392)**	(10,448)
Net deferred tax assets (liabilities)	**8,196**	2,631

(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, 2019	As of March 31, 2018
Future deductible temporary differences	**38,254**	36,657
Net loss carryforwards	**8,554**	8,384
Unused tax credits	**2,158**	1,526
Total	**48,966**	46,568

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, 2019	As of March 31, 2018
Within 1 year	**156**	19
Over 1 year within 2 years	**29**	248
Over 2 years within 3 years	**0**	104
Over 3 years within 4 years	**44**	185
Over 4 years within 5 years	**123**	132
Over 5 years	**8,200**	7,692
Total	**8,554**	8,384

Unused tax credits (tax base)

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Within 1 year	**466**	546
Over 1 year within 2 years	**528**	416
Over 2 years within 3 years	**1,163**	563
Over 3 years within 4 years	**—**	—
Over 4 years within 5 years	**—**	—
Over 5 years	**—**	—
Total	**2,158**	1,526

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

As for future taxable temporary differences related to investments in subsidiaries, the Company does not recognize deferred tax liabilities except for those related to the undistributed retained earnings from which dividends will be paid at the end of the reporting period, because the Company is able to control the timing of reversing the temporary differences, and the temporary differences are unlikely to be reversed in foreseeable future. The future taxable temporary differences related to investments in subsidiaries for which no deferred tax liabilities are recognized are ¥350,310 million and ¥311,572 million as of March 31, 2019 and March 31, 2018, respectively.

(4) Deferred tax assets dependent on future taxable income

Deferred tax assets of ¥8,158 million and ¥5,553 million were recognized as of March 31, 2019 and March 31, 2018, respectively, for the Company and its certain subsidiaries that incurred net loss for the fiscal year ended March 31, 2019 or 2018, 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, 2019	Fiscal year ended March 31, 2018
Current tax expense	**22,208**	21,064
Deferred tax expense		
Recognition and reversal of temporary differences	**(1,324)**	(2,656)
Changes in tax rates	**55**	(2,145)
Assessment of recoverability of deferred tax assets	**(4,813)**	(147)
Others	**1,595**	(784)
Total deferred tax expense	**(4,486)**	(5,734)
Total tax expenses	**17,721**	15,330

Current tax expense includes previously unrecognized tax-based net loss, tax credits, or benefits arising from temporary differences from prior periods. Consequently, the current tax expense decreased by ¥1,856 million and ¥588 million for the fiscal years ended March 31, 2019 and 2018, respectively.

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

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

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Statutory tax rate	**30.6**	30.9
Share of profit of associates and joint ventures	**0.3**	(1.5)
Difference from applicable tax rates of foreign subsidiaries	**(7.9)**	(3.6)
Special tax credit on corporate income taxes	**(3.3)**	(3.2)
Effects of tax reforms	**0.1**	(2.8)
Increase (decrease) in unrecognized deferred tax assets and liabilities	**10.0**	(4.8)
Withholding taxes on dividends from foreign subsidiaries	**1.6**	1.9
Others	**1.3**	2.2
Effective tax rate	**32.7**	19.0

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, 2019	As of March 31, 2018
Notes payable - trade	**1,832**	1,875
Accounts payable - trade	**106,333**	110,227
Accounts payable - other	**47,556**	44,893
Others	**27,553**	28,272
Total	**183,276**	185,269

20. Corporate Bonds and Borrowings

(1) Corporate bonds

The details of corporate bonds as of March 31, 2019 and March 31, 2018 are as follows:

Company name	Issue	Date of issuance	As of March 31, 2019 (Millions of yen)	As of March 31, 2018 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Ajinomoto Co., Inc.	The 20th unsecured bond	September 17, 2008	**19,987 (—)**	19,978 (—)	1.890	None	September 17, 2020
Ajinomoto Co., Inc.	The 21st unsecured bond	March 2, 2016	**19,959 (—)**	19,948 (—)	0.200	None	March 2, 2023
Ajinomoto Co., Inc.	The 22nd unsecured bond	March 2, 2016	**24,928 (—)**	24,918 (—)	0.305	None	March 2, 2026
Ajinomoto Co., Inc.	The 23rd unsecured bond	March 2, 2016	**24,889 (—)**	24,883 (—)	0.939	None	February 29, 2036
Ajinomoto Co., Inc.	The 24th unsecured bond	March 9, 2017	**19,942 (—)**	19,930 (—)	0.190	None	March 8, 2024
Ajinomoto Co., Inc.	The 25th unsecured bond	March 9, 2017	**29,911 (—)**	29,900 (—)	0.355	None	March 9, 2027
Ajinomoto Co., Inc.	The 26th unsecured bond	March 9, 2017	**29,861 (—)**	29,853 (—)	0.921	None	March 9, 2037
Total			**169,479 (—)**	169,413 (—)	—	—	—

Figures in parentheses ( ) represent the current portion of corporate bonds as of March 31, 2019 and March 31, 2018.

(2) Borrowings

The details of borrowings as of March 31, 2019 and March 31, 2018 are as follows:

	As of March 31, 2019 (Millions of yen)	As of March 31, 2018 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	**10,989**	15,280	1.38	—
Current portion of long-term borrowings	**13,089**	11,285	0.43	—
Long–term borrowings	**137,157**	140,298	1.05	From April 2020 to November 2037
Total	**161,236**	166,864	—	—

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

21. Cash Flow Information

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

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended March 31, 2019

(Millions of yen)

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

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

Fiscal year ended March 31, 2018

(Millions of yen)

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

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

22. Provisions

Major provisions and changes in their balances are as follows:

(Millions of yen)

	Provision for levies	Provision for environmental measures	Provision for loss on contract	Provision for loss on litigation	Others	Total
Balance as of April 1, 2017	3,281	1,295	6,454	3,136	1,673	15,841
Increase in the period (provisions)	3,247	847	610	150	1,408	6,264
Business combinations	—	—	—	—	3	3
Increase in the period (increase arising from passage of time)	—	—	—	—	3	3
Decrease in the period (utilization)	(3,141)	(183)	(51)	—	(455)	(3,832)
Decrease in the period (reversal)	(5)	(31)	—	(477)	(180)	(694)
Exchange differences on translation	24	50	—	84	(14)	143
Others	—	—	—	—	16	16
Balance as of March 31, 2018	3,406	1,978	7,013	2,894	2,453	17,746
Increase in the period (provisions)	**3,027**	**1,153**	**459**	**1,181**	**727**	**6,550**
Increase in the period (increase arising from passage of time)	**—**	**—**	**—**	**—**	**8**	**8**
Decrease in the period (utilization)	**(3,182)**	**(439)**	**(1,043)**	**(21)**	**(903)**	**(5,590)**
Decrease in the period (reversal)	**(12)**	**(1)**	**—**	**—**	**(41)**	**(55)**
Exchange differences on translation	**14**	**(27)**	**(0)**	**(219)**	**(134)**	**(367)**
Others	**—**	**—**	**0**	**0**	**(188)**	**(188)**
Transfer to disposal groups held for sale	**(75)**	**—**	**—**	**—**	**(329)**	**(405)**
Balance as of March 31, 2019	**3,176**	**2,663**	**6,429**	**3,834**	**1,591**	**17,696**

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Current liabilities	**6,560**	6,348
Non-current liabilities	**11,135**	11,397
Total	**17,696**	17,746

(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, 2019.

(2) Provision for environmental measures

Provision for environmental measures is recognized for the amount expected to be paid for the disposal of stored polychlorinated biphenyl (PCB) and other wastes. The expected timing of future outflow of economic benefits is mainly within one year from the end of the fiscal year ended March 31, 2019.

(3) Provision for loss on contract

Provision for loss on contract is recognized for the estimated amount of excess of future expected costs over economic benefits gained for the losses incurred as manufacturing service agreement for pharmaceuticals products is executed. The expected timing of future outflow of economic benefits is within seven years from the end of the fiscal year ended March 31, 2019, but the amount or the timing expected is subject to change due to the status of new drug approvals and other related conditions in the future.

(4) Provision for loss on litigation

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

23. Contingent Liabilities

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Granules-OmniChem Private Ltd. (joint venture)	**2,055**	2,153
Others	**95**	54
Total	**2,150**	2,207

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

The maximum remaining period of these guarantee obligations is one year as of March 31, 2019.

24. Employee Benefits

(1) Post-employment benefits

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

(a) Defined benefit plans in Japan

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

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

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

(b) Defined benefit plans in overseas countries

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

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

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

1) Risks associated with defined benefit plans

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

(a) Interest rate risk

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

(b) Investment risk of plan assets

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

2) Details of defined benefit liabilities or assets

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

(Millions of yen)

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

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

(Millions of yen)

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

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, 2017	246,577	13,898	260,475
Current service cost	5,860	1,270	7,130
Interest expense	1,800	530	2,330
Remeasurement of the present value of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	13,986	(36)	13,950
Actuarial (gains) losses arising from changes in financial assumptions	499	48	547
Experience adjustments	2,417	176	2,593
Past service cost	—	15	15
Contributions to the plan by plan participants	—	30	30
Benefits paid from the plan	(11,903)	(686)	(12,589)
Exchange differences on translation	—	249	249
Effects of business combinations and disposals	(301)	256	(44)
Others	13	126	140
Balance as of March 31, 2018	258,950	15,879	274,830
Current service cost	**6,024**	**1,300**	**7,325**
Interest expense	**1,845**	**581**	**2,426**
Remeasurement of the present value of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	**822**	**—**	**822**
Actuarial (gains) losses arising from changes in financial assumptions	**5,617**	**(446)**	**5,170**
Experience adjustments	**1,420**	**75**	**1,495**
Past service cost	**—**	**40**	**40**
Contributions to the plan by plan participants	**—**	**29**	**29**
Benefits paid from the plan	**(11,445)**	**(919)**	**(12,365)**
Exchange differences on translation	**—**	**(292)**	**(292)**
Others	**13**	**1,823**	**1,836**
Transfer to disposal groups held for sale	**(2,842)**	**—**	**(2,842)**
Balance as of March 31, 2019	**260,404**	**18,071**	**278,475**

The weighted average duration of defined benefit obligations as of March 31, 2019 was 15.5 years in Japan and 11.9 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, 2017	202,814	4,191	207,006
Interest income	1,493	95	1,589
Remeasurement of fair value of plan assets:			
Return on plan assets	4,429	36	4,466
Actuarial (gains) losses arising from changes in financial assumptions	224	(5)	218
Contributions:			
Contributions to the plan by employer	12,171	614	12,785
Contributions to the plan by plan participants	—	26	26
Benefits paid from the plan	(11,517)	(279)	(11,797)
Exchange differences on translation	—	246	246
Others	26	123	150
Balance as of March 31, 2018	209,643	5,049	214,692
Interest income	**1,536**	**114**	**1,651**
Remeasurement of fair value of plan assets:			
Return on plan assets	**1,658**	**(2)**	**1,656**
Actuarial (gains) losses arising from changes in financial assumptions	**172**	**3**	**175**
Contributions:			
Contributions to the plan by employer	**10,045**	**614**	**10,659**
Contributions to the plan by plan participants	**—**	**29**	**29**
Benefits paid from the plan	**(11,259)**	**(381)**	**(11,641)**
Exchange differences on translation	**—**	**(225)**	**(225)**
Others	**12**	**1,432**	**1,444**
Balance as of March 31, 2019	**211,808**	**6,634**	**218,442**

The amount of contributions to the defined benefit plans expected to be made for the fiscal year ending March 31, 2020 is ¥10,813 million.

The following table shows the components of plan assets.

(Millions of yen)

	As of March 31, 2019		As of March 31, 2018	
	Japan	Overseas	Japan	Overseas
Debt instruments				
With quoted market price	—	—	3,890	—
With no quoted market price	—	—	1,502	—
Equity instruments				
With quoted market price	—	—	2,886	—
With no quoted market price	—	—	2,206	—
Commingled investments				
Debt instruments				
With no quoted market price	**93,919**	**584**	105,579	556
Equity instruments				
With no quoted market price	**44,518**	—	50,128	—
Others				
With no quoted market price	**15,497**	—	3,834	—
Life insurance general accounts				
With no quoted market price	**38,116**	**5,885**	38,341	4,326
Alternative investments				
With no quoted market price	**16,940**	—	—	—
Cash and cash equivalents	**899**	**136**	1,080	106
Others	**1,915**	**27**	192	59
Total	**211,808**	**6,634**	209,643	5,049

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

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

5) Actuarial assumptions

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

(%)

	As of March 31, 2019		As of March 31, 2018	
	Japan	Overseas	Japan	Overseas
Discount rates	**0.6**	**3.9**	0.7	3.9

6) Sensitivity analysis for defined benefit obligations

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

(Millions of yen)

	As of March 31, 2019	
	Japan	Overseas
Increase in defined benefit obligations if the discount rate decreased by 0.1%	**4,086**	**260**
Decrease in defined benefit obligations if the discount rate increased by 0.1%	**(3,988)**	**(263)**

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, 2019			Fiscal year ended March 31, 2018		
	Japan	Overseas	Total	Japan	Overseas	Total
Current service cost	6,024	1,300	7,325	5,725	1,270	6,995
Interest income or expense	308	466	774	300	434	735
Past service cost	—	40	40	—	15	15
Total (Profit or loss)	6,332	1,807	8,140	6,025	1,719	7,745
Actuarial (gains) losses arising from changes in demographic assumptions	822	—	822	13,986	(36)	13,950
Actuarial (gains) losses arising from changes in financial assumptions	5,445	(450)	4,994	275	53	328
Return on plan assets (Excluding the amount included in interest income)	(1,658)	2	(1,656)	(4,429)	(36)	(4,466)
Changes in other actuarial assumptions and other changes	1,420	75	1,495	2,417	176	2,593
Total (Other comprehensive income)	6,029	(372)	5,656	12,249	157	12,407

8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans were ¥15,252 million and ¥14,495 million for the fiscal years ended March 31, 2019 and 2018, 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, 2019	As of March 31, 2018
Short-term employee benefits		
Accrued salaries	3,222	3,249
Accrued bonuses	15,779	15,813
Accrued compensated absences	12,084	12,287
Others	6,186	6,460
Total	37,273	37,811
Other long-term employee benefits		
Provision for stock-based remuneration	98	84
Accrued retirement benefits for directors	181	543
Others	1,424	1,624
Total	1,703	2,252

25. Common Stock and Reserve

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

	As of March 31, 2019	As of March 31, 2018
Number of shares authorized (Common stock with no par value)	**1,000,000,000**	1,000,000,000
Number of shares issued*1 (Common stock with no par value)		
Beginning of the year	**571,863,354**	571,863,354
Decrease due to retirement of treasury stock	**22,700,000**	—
End of the year	**549,163,354**	571,863,354
Treasury stock*2 (Common stock with no par value)		
Beginning of the year	**3,971,026**	2,729,750
End of the year	**1,063,513**	3,971,026

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

The Stock-based Remuneration has adopted a framework of Directors' Remuneration BIP (Board Incentive Plan) Trust. The Directors' Remuneration BIP Trust purchased 966,200 ordinary shares of the Company (total share purchase amount: ¥2,159 million) and 971,000 ordinary shares of the Company (total share purchase amount: ¥2,169 million) in the fiscal years ended March 31, 2019 and 2018, respectively.

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

(2) Capital surplus and retained earnings

Reserve comprises the following:

1) Capital surplus

i. Legal capital surplus

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

ii. Other capital surplus

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

2) Retained earnings

i. Legal retained earnings

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

ii. Other retained earnings

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

(3) Capital management

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

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

	As of March 31, 2019	As of March 31, 2018
Capital (Millions of yen)	**610,543**	640,833
Equity ratio attributable to owners of the parent company (%)	**43.8**	44.9
ROE attributable to owners of the parent company (%)	**4.7**	9.6

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

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

26. Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2019

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

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

Fiscal year ended March 31, 2018

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

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

Dividends for which the effective date falls in the next fiscal year commencing April 1, 2019 are as follows:

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥16)	8,785	March 31, 2019	June 25, 2019	June 26, 2019

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

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

27. Stock-based Remuneration

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

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

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

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

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

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

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

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

The Company's shares held by the Trust are included in treasury stock at the carrying amount of the Trust (excluding the amount of related transaction costs). The carrying amount and the number of treasury stock as of March 31, 2019 and 2018 were ¥2,159 million and 966,200 shares, and ¥2,169 million and 971,000 shares, respectively.

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

The fair value as of the grant date is measured based on the observable market price of the Company's shares. 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, 2019 and 2018.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Share price as of the grant date	–	¥2,472.5
Vesting period	–	3 years
Expected annual dividends	–	¥30/share
Discount rate	–	0.0%
Weighted average fair value	–	¥2,382.5

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

Expenses recorded for the Stock-based Remuneration were ¥225 million and ¥407 million for the fiscal years ended March 31, 2019 and 2018, 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 ¥215 million and ¥151 million for the fiscal years ended March 31, 2019 and 2018, respectively.

28. Sales

Revenue recognized from contracts with customers is presented as sales.

(1) Sale of goods and services

1) Japan Food Products

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

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

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

2) International Food Products

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

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

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

3) Life Support

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

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

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

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

4) Healthcare

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

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

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

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

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

(2) Breakdown of sales

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

(Millions of yen)

Reportable Segments	Major Product Categories	Fiscal year ended March 31, 2019
Japan Food Products	Seasonings and processed foods	190,098
	Frozen foods	97,333
	Coffee products	87,602
	Subtotal	375,034
International Food Products	Seasonings and processed foods	298,927
	Frozen foods	115,363
	Umami seasonings and sweeteners for processed food manufacturers	67,408
	Subtotal	481,699
Life Support	Animal nutrition	72,693
	Specialty chemicals	32,787
	Others	2,466
	Subtotal	107,947
Healthcare	Amino acids for pharmaceuticals and foods	42,740
	Pharmaceutical custom manufacturing	51,320
	Others	41,281
	Subtotal	135,342
Others		27,458
Total		1,127,483

(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."

(Millions of yen)

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

Revenue recognized for the fiscal year ended March 31, 2019 that was included in the opening balance of contract liabilities was ¥6,213 million.

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

(4) Transaction price allocated to remaining performance obligations

There are remaining performance obligations related to a manufacturing service agreement for pharmaceuticals products as of March 31, 2019 and March 31, 2018. As the transaction price and the timing of satisfaction of the performance obligations estimated is subject to change due to the status of new drug approvals and other related conditions in the future, the aggregate amount of the transaction price allocated to the remaining performance obligations and the timing of expected revenue recognition are not disclosed. For this contract, a provision for loss on contract is recognized for the contractual losses as the obligation under agreement is performed. For details, please see Note 22 "Provisions."

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

29. Selling Expenses

The details of selling expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Logistics expenses	53,029	51,826
Advertising	33,895	35,583
Sales promotion expenses	22,970	25,400
Sales commissions	2,787	2,966
Employee benefit expenses	40,354	37,738
Depreciation and amortization	2,228	2,050
Others	19,852	20,753
Total	175,118	176,319

30. Research and Development Expenses

The details of research and development expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Employee benefit expenses	12,952	12,996
Depreciation and amortization	2,619	2,323
Subcontracting and consumables expenses	6,848	6,901
Others	5,403	5,611
Total	27,823	27,833

31. General and Administrative Expenses

The details of general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Employee benefit expenses	55,303	55,321
Depreciation and amortization	8,725	8,466
Others	35,456	35,019
Total	99,485	98,807

32. Employee Benefit Expenses

The details of employee benefit expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Salaries	**119,940**	114,761
Bonuses	**33,329**	31,793
Compensated absences	**2,086**	2,409
Retirement benefits	**10,070**	9,364
Directors' remuneration	**2,557**	2,570
Directors' bonuses	**306**	362
Stock-based remuneration	**225**	407
Other employee benefits	**40,746**	39,270
Total	**209,262**	200,939

33. Other Operating Income

The details of other operating income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Gain on sales of property, plant and equipment	**636**	450
Lease income	**1,487**	1,429
Refund and interest on refund	**236**	564
Insurance proceeds	**311**	114
Others	**3,458**	5,295
Total	**6,131**	7,854

34. Other Operating Expenses

The details of other operating expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Impairment losses	**18,134**	11,681
Impairment loss on shares of associates and joint ventures	**14,107**	—
Losses on disposal of property, plant and equipment	**3,178**	2,958
Losses on litigation	**658**	1,437
Foreign exchange losses	**210**	1,103
Provision for loss on contract	**368**	610
Restructuring expenses	**2,448**	315
Others	**6,509**	6,712
Total	**45,616**	24,821

* Restructuring expenses were incurred from the restructuring and reorganization of the food production lines in Japan. The amount for the fiscal year ended March 31, 2019 includes environmental measures expenses associated with construction of new plants of ¥1,200 million, losses on disposal of property, plant and equipment of ¥229 million and impairment losses of ¥107 million.

35. Financial Income

The details of financial income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Interest income		
Financial assets measured at amortized cost	**4,373**	4,405
Subtotal	**4,373**	4,405
Dividend income		
Financial assets measured at fair value through other comprehensive income	**1,383**	1,336
Subtotal	**1,383**	1,336
Gain on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	**2,087**	—
Subtotal	**2,087**	—
Foreign exchange gain	**—**	3,108
Others	**270**	728
Total	**8,114**	9,578

36. Financial Expenses

The details of financial expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Interest expenses		
Financial liabilities measured at amortized cost	**2,937**	2,637
Derivatives	**415**	420
Subtotal	**3,352**	3,058
Loss on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	**—**	2,959
Subtotal	**—**	2,959
Foreign exchange loss	**2,025**	—
Unwinding of discount on provisions arising from passage of time	**8**	2
Loss allowance for expected credit loss	**9**	13
Others	**1,666**	1,432
Total	**7,061**	7,465

37. Other Comprehensive Income

The details of other comprehensive income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income:		
Amount arising during the period	(1,109)	3,224
Before tax effects	(1,109)	3,224
Tax effects	467	(942)
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(641)	2,282
Remeasurements of defined benefit pension plans:		
Amount arising during the period	(5,711)	(12,291)
Before tax effects	(5,711)	(12,291)
Tax effects	1,416	2,951
Remeasurements of defined benefit pension plans	(4,294)	(9,340)
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	(185)	384
Share of other comprehensive income (loss) of associates and joint ventures	(185)	384
Items that may be reclassified to profit or loss:		
Cash flow hedges:		
Amount arising during the period	(382)	(460)
Reclassification adjustments:		
Currency risk	(15)	62
Interest rate risk	415	420
Before tax effects	16	22
Tax effects	(182)	67
Cash flow hedges	(165)	90
Change in fair value of forward elements of forward contracts*[1]:		
Amount arising during the period	(446)	(138)
Reclassification adjustments	—	—
Before tax effects	(446)	(138)
Tax effects	110	24
Change in fair value of forward elements of forward contracts	(335)	(114)
Exchange differences on translation of foreign operations:		
Amount arising during the period	3,584	(4,666)
Reclassification adjustments	(154)	—
Before tax effects	3,429	(4,666)
Tax effects	—	—
Exchange differences on translation of foreign operations	3,429	(4,666)
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	(599)	126
Reclassification adjustments	46	(14)
Share of other comprehensive income (loss) of associates and joint ventures	(552)	112
Total other comprehensive income	(2,745)	(11,252)

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

38. Earnings per Share

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

(1) Profit attributable to owners of the parent company

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Profit from continuing operation	**27,276**	57,533
Profit from discontinued operation	**2,421**	2,590
Amount used for calculating the basic earnings per share	**29,698**	60,124

(2) Weighted average number of ordinary shares

(Thousands of shares)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Weighted average number of ordinary shares	**553,908**	568,512

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

(Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Basic earnings per share:		
Continuing operation	**49.24**	101.20
Discontinued operation	**4.37**	4.56
Basic earnings per share	**53.62**	105.76

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

39. Financial Instruments

(1) Classification of financial instruments

Financial instruments are classified as follows:

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

(Millions of yen)

	Financial instruments mandatorily measured at fair value	
	As of March 31, 2019	As of March 31, 2018
(Current assets)		
Other financial assets		
Derivative assets*1	455	297
(Non-current assets)		
Long-term financial assets		
Debt instruments	1,079	527
Derivative assets*1	3	12
(Current liabilities)		
Other financial liabilities		
Derivative liabilities*1	2,233	1,937
(Non-current liabilities)		
Other financial liabilities		
Derivative liabilities*1	7,027	8,324

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

2) Financial assets and liabilities measured at amortized cost

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
(Current assets)		
Cash and cash equivalents	153,725	187,869
Trade and other receivables	194,270	200,270
Other financial assets		
Debt instruments	16,070	10,318
(Non-current assets)		
Long-term financial assets		
Debt instruments	10,011	9,877
(Current liabilities)		
Trade and other payables	183,276	185,269
Short-term borrowings	10,989	15,280
Current portion of long-term borrowings	13,089	11,285
Other financial liabilities	3,701	2,088
(Non-current liabilities)		
Corporate bonds	169,479	169,413
Long-term borrowings	137,157	140,298
Other financial liabilities	18,385	20,104

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
(Non-current assets)		
Long-term financial assets		
Equity instruments*	**53,717**	59,625

* 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, 2019 and March 31, 2018.

As of March 31, 2019

(Millions of yen)

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

As of March 31, 2018

(Millions of yen)

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

The following table shows the dividends received from equity instruments held during the fiscal years ended March 31, 2019 and 2018.

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Dividends from equity instruments derecognized during the period	**99**	8
Dividends from equity instruments held at the end of the period	**1,283**	1,333
Total	**1,383**	1,341

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

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Fair value as of disposal date	**6,062**	1,209
Cumulative gains (losses) on disposal	**2,525**	557

Cumulative gains (losses) arising from the changes in the fair value of financial assets measured at fair value through other comprehensive income are transferred to retained earnings when shares are sold. The cumulative gains (losses) in other comprehensive income that were transferred to retained earnings were ¥1,935 million and ¥455 million for the fiscal years ended March 31, 2019 and 2018, respectively.

(2) Risk management of financial instruments

1) Credit risk

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

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

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

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

The Group holds deposits mainly as collateral against some trade and other receivables. The amounts of deposits included in Other financial liabilities in the consolidated statements of financial position as of March 31, 2019 and

2018 were ¥11,522 million and ¥12,220 million, respectively. Financial instruments not offset in the consolidated statements of financial position since they do not meet the offsetting criteria are generally offset only when specific events occur, such as bankruptcy and other circumstances, in which a customer fails to settle debts.

2) Liquidity risk

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

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

As of March 31, 2019

(Millions of yen)

	Contractual cash flows	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Corporate bonds	**181,198**	**1,149**	**20,946**	**771**	**20,768**	**20,729**	**116,832**
Borrowings	**173,353**	**25,752**	**15,779**	**18,170**	**13,300**	**13,010**	**87,339**
Others*1	**17,891**	**137**	**301**	**70**	**31**	**16**	**17,333**
Financial guarantee contracts	**2,150**	**2,150**	**—**	**—**	**—**	**—**	**—**

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

As of March 31, 2018

(Millions of yen)

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

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

Liquidity analyses of derivatives held by the Group are as follows: Derivatives that will be settled net with other contracts are also presented on a gross basis.

As of March 31, 2019

(Millions of yen)

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

As of March 31, 2018

(Millions of yen)

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

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, 2019	As of March 31, 2018
U.S. dollars	**101,829**	69,056
Euro	**13,468**	11,180

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.

In thousands of respective currency unit

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Profit before income taxes		
U.S. dollars	**(96)**	(68)
Euro	**(16)**	(14)
Other comprehensive income (before tax effect)		
U.S. dollars	**(54)**	(6)
Euro	**0**	0

Exposure to the interest rate risk is as follows:

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Borrowings with variable interest rates	**7,554**	6,797

Exposure to the share price fluctuation risk is as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Financial assets measured at fair value through other comprehensive income		
Long-term financial assets	**53,717**	59,625

(3) Hedge accounting

1) Currency risk

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

(Fair value hedge)

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

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

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

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

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

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

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

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

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

As of March 31, 2019

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

As of March 31, 2018

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

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

Fiscal year ended March 31, 2019

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

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

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

(Millions of yen)

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

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

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

Fiscal year ended March 31, 2018

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

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

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

(Millions of yen)

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

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

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

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

Fiscal year ended March 31, 2019

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

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

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

(Millions of yen)

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

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

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

(Millions of yen)

Hedged item	Gains (losses) recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in	Basis adjustments from cash flow hedges
Forecast transactions related to sales of inventories	**3**	**(10)**	**Other operating expenses**	**—**
Forecast transactions related to purchases of inventories	**236**	**—**	**—**	**(33)**
Forecast transaction related to acquisition of subsidiaries and associates	**—**	**—**	**—**	**—**

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

Fiscal year ended March 31, 2018

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

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

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

2) Interest rate risk

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

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

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Balance of borrowings with variable interest rates	**36,960**	**40,552**

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, 2019

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

As of March 31, 2018

	Balance by maturity (Millions of yen)				
	Within 1 year	Over 1 year	Total	Average rate (%)	
Interest-rate swaps					
Receivable/variable and pay/fixed	3,600	37,000	40,60	Variable Fixed	0.009 0.7810

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

Fiscal year ended March 31, 2019

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

(Millions of yen)

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

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

(Millions of yen)

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

Other than the above, there was a balance of ¥(986) million in cash flow hedges arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

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

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

(Millions of yen)

Hedged item	Gains (losses) recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	Reclassification recognized in
Borrowings with variable interest rate	**(602)**	**230**	**Financial expenses**

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

Fiscal year ended March 31, 2018

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

(Millions of yen)

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

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

(Millions of yen)

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

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

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

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

(Millions of yen)

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

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

(4) Loss allowance for expected credit loss

1) Credit risk management practice

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

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

Stage 1: No significant increase in credit risk is indicated.
Stage 2: Significant increase in credit risk is indicated, but no credit impairment is indicated.
Stage 3: Both significant increase in credit risk and credit impairment are apparent.

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

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

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

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

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

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

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

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

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

Financial assets to which the general approach is applied

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

(Millions of yen)

	As of March 31, 2019			As of March 31, 2018		
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses
Other receivables	**10,938**	**52**	**149**	10,833	—	146

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

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

(Millions of yen)

	Fiscal year ended March 31, 2019			Fiscal year ended March 31, 2018		
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses
Balance at the beginning of the year	**1**	**—**	**146**	1	0	206
Increase	**0**	**0**	**—**	0	—	—
Decrease	**(0)**	**—**	**(1)**	(0)	—	(46)
Exchange differences on translation	**0**	**0**	**4**	(0)	(0)	(14)
Balance at the end of the year	**1**	**0**	**149**	1	—	146

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, 2019	As of March 31, 2018
Credit risk: Low	**181,688**	187,777
Credit risk: Medium	**581**	348
Credit risk: High	**971**	704
Total	**183,240**	188,830

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, 2019	Fiscal year ended March 31, 2018
Balance at the beginning of the year	**1,016**	1,027
Increase	**896**	294
Decrease	**(385)**	(271)
Exchange differences on translation	**(105)**	(34)
Balance at the end of the year	**1,423**	1,016

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, 2019		As of March 31, 2018	
	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	**166**	**971**	149	704
Credit enhancement, including collateral held	**—**	**71**	—	—

4) Direct write-offs

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2018
Contractual amounts outstanding	—	18

40. Fair Value

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

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

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

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

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

As of March 31, 2019

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets				
Currency related	—	458	—	458
Financial assets measured at fair value through profit or loss				
Debt instruments	—	391	688	1,079
Financial assets measured at fair value through other comprehensive income				
Equity instruments	40,025	467	13,223	53,717
Total assets	40,025	1,317	13,911	55,255
Liabilities				
Derivative liabilities				
Currency related	—	1,938	—	1,938
Interest rate related	—	2,979	—	2,979
Interest rate and currency related	—	1,572	—	1,572
Put options written on non-controlling interests	—	—	2,770	2,770
Total liabilities	—	6,490	2,770	9,260

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, 2018

(Millions of yen)

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

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

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

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

Of derivative liabilities classified as level 3 of the fair value hierarchy, put options written on non-controlling interests are measured at fair value based on the present value of the probable amount required to be paid to the contractual counterparty. This valuation model uses unobservable inputs, including EBITDA ratio based on the contract. Fair values are subject to change due to business plans or interest rates at the time of measurement.

Financial assets measured at fair value through other comprehensive income

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

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

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Balance at the beginning of the year	Other comprehensive income	Increase due to purchases	Decrease due to sales	Balance at the end of the year
Equity instruments	**12,722**	**(30)**	**1,291**	**(759)**	**13,223**

Fiscal year ended March 31, 2018

(Millions of yen)

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

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

Other than the equity instruments presented above, put options written on non-controlling interests are included in the level 3 derivatives. At initial recognition, in the fiscal year ended March 31, 2018, ¥3,192 million was deducted from the Capital surplus, and subsequent changes in the fair values were recognized as Financial income or Financial expenses in the consolidated statements of income. There was no material fair value change for the fiscal years ended March 31, 2019 and 2018, respectively.

The level 3 debt instruments were initially recognized at ¥688 million in the fiscal year ended March 31, 2019, and subsequent changes in the fair values were recognized as Financial income or Financial expenses in the consolidated statements of income. There was no material fair value change for the fiscal year ended March 31, 2019, and no balance for the fiscal year ended March 31, 2018.

There were no transfers between levels for the fiscal years ended March 31, 2019 and 2018, 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 year ended March 31, 2019 are presented in Note 14 "Impairment of Non-financial Assets" and Note 17 "Investments Accounted for Using the Equity Method."

There were no material applicable items as of the end of the fiscal year ended March 31, 2018.

(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, 2019

(Millions of yen)

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

As of March 31, 2018

(Millions of yen)

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

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

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

Debt instruments

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

Corporate bonds

Fair values are determined based on the market prices.

Long-term borrowings

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

41. Related Parties

(1) Transactions with related parties

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

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

Fiscal year ended March 31, 2019

There were no significant transactions.

Fiscal year ended March 31, 2018

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, 2019	Fiscal year ended March 31, 2018
Short-term employee benefits		
Monthly compensation	**451**	494
Performance-based compensation	**151**	208
Total	**603**	702

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

Other than the above, share-based payment of ¥97 million and ¥67 million were recognized in the fiscal years ended March 31, 2019 and 2018, respectively.

42. Business Combinations

Fiscal year ended March 31, 2019

No applicable items.

Fiscal year ended March 31, 2018

(Business combination in Turkey)

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

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

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

(1) Acquisition of Örgen

1) Effect on the Group's performance

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

2) Fair value of consideration transferred on acquisition date

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

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

3) Cash outflows related to acquisition of subsidiary

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

4) Fair value of assets acquired and liabilities assumed and goodwill0

(Millions of yen)

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

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

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

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

(2) Acquisition of Kükre

1) Effect on the Group's performance

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

2) Fair value of consideration transferred on acquisition date

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

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

3) Cash outflows related to acquisition of subsidiary

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

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

(Millions of yen)

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

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

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

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

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

(Acquisition of Agro2Agri, S.L. (A2A))

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

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

1) Effect on the Group’s performance

The consolidated financial statements for the fiscal year ended March 31, 2018 include A2A’s sales of 10 million EUR (¥1,446 million) and a profit of 0 million EUR (¥80 million).
If the business combination had been completed at the beginning of the fiscal year ended March 31, 2018, sales and profit of A2A would have been approximately 19 million EUR (¥2,499 million) and (0) million EUR (¥(8) million), respectively (unaudited).

2) Fair value of consideration transferred on acquisition date

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

Note 1. Acquisition-related costs pertaining to the business combination through cash transaction totaling 1 million EUR (¥165 million) were included in General and administrative expenses.
Note 2. EUR 1 = JPY 132.85 (as of acquisition date)

3) Cash outflows related to acquisition of subsidiary

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

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

(Millions of yen)

	Amount
Current assets	1,662
Trade and other receivables	657
Inventories	381
Others	623
Non-current assets	3,648
Property, plant and equipment	668
Intangible assets	2,973
Others	6
Total assets	5,310
Current liabilities	442
Trade and other payables	266
Others	175
Non-current liabilities	1,083
Deferred tax liabilities	787
Others	296
Total liabilities	1,526
Non-controlling interests	1,135
Total net assets after deducting non-controlling interests (A)	2,648
Fair value of consideration transferred on acquisition date (B)	4,677
Fair value of previously held equity interests (C)	321
Goodwill (D)=[(B)+(C)]-(A)	2,349

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

As for the assets acquired and liabilities assumed, the allocation of the acquisition cost had not been completed as of the end of the fiscal year ended March 31, 2018, and the amounts disclosed previously were provisional based on the information available at that time. The allocation of the acquisition cost was completed in the fiscal year ended March 31, 2019.

As it was completed, the initial allocation of acquisition cost was re-calculated, increasing intangible assets and deferred tax liabilities in the amount of ¥2,957 million and ¥739 million, respectively, and the goodwill decreased by ¥1,614 million.

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

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

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

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

(Cambrooke Therapeutics, Inc.)

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

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

1) Effect on the Group's performance

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

2) Fair value of consideration transferred on acquisition date

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

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

3) Cash outflows related to acquisition of subsidiary

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

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

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

(Millions of yen)

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

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

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

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

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

43. Subsequent Events

No applicable items.

(2) Other

Quarterly information for the fiscal year ended March 31, 2019

(Cumulative period)	3 months ended June 30	6 months ended Sept. 30	9 months ended Dec. 31	12 months ended Mar. 31
Sales (Millions of yen)	**271,482**	**546,493**	**846,482**	**1,127,483**
Profit before income taxes (Millions of yen)	**21,854**	**44,006**	**44,418**	**54,202**
Profit attributable to owners of the parent company (Millions of yen)	**13,644**	**26,083**	**22,351**	**29,698**
Basic earnings per share (Yen)	**24.15**	**46.67**	**40.23**	**53.62**

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	**24.15**	**22.49**	**(6.81)**	**13.40**

Note: In the second quarter of the fiscal year ended March 31, 2019, the Group finalized the provisional accounting treatment related to a business combination. The impact of the finalization has been reflected in the figures of the related items in the first quarter of the fiscal year ended March 31, 2019.

Major Subsidiaries and Affiliates

(As of March 31, 2019)

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

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
Japan						
■	AJINOMOTO FROZEN FOODS CO., INC. (Special subsidiary company)	Japan	JPY	9,537,650	100.0	Frozen Foods
■	KNORR FOODS CO., LTD.*2 (Special subsidiary company)	Japan	JPY	4,000,000	100.0	Seasonings and Processed Foods
■	Ajinomoto AGF, Inc. (Special subsidiary company)	Japan	JPY	3,862,697	100.0 (5.0)	Coffee Products
■	AJINOMOTO LOGISTICS CORPORATION*3	Japan	JPY	1,930,240	100.0	Logistics
■	Ajinomoto Animal Nutrition Group, Inc.	Japan	JPY	1,334,182	100.0	Animal Nutrition
■	AJINOMOTO BAKERY CO., LTD.	Japan	JPY	400,000	100.0	Seasonings and Processed Foods
■	Ace Bakery Co., Ltd.	Japan	JPY	400,000	100.0 (100.0)	Seasonings and Processed Foods
■	AJINOMOTO HEALTHY SUPPLY CO., INC.	Japan	JPY	380,000	100.0	Amino Acids
■	AJINOMOTO ENGINEERING CORPORATION	Japan	JPY	324,500	100.0	Service, etc.
■	Ajinomoto Fine-Techno Co., Inc.	Japan	JPY	315,000	100.0	Specialty Chemicals
■	Ajinomoto Communications Co., Inc.	Japan	JPY	295,000	100.0	Service, etc.
■	DELICA ACE CO., LTD.	Japan	JPY	200,000	100.0	Seasonings and Processed Foods
■	SAPS CO., LTD.	Japan	JPY	50,000	100.0	Seasonings and Processed Foods
■	A-Direct Co., Inc.*4	Japan	JPY	10,000	100.0	Other (Healthcare)
■	AJINOMOTO TRADING, INC.	Japan	JPY	200,000	96.7	Service, etc.
●	EA Pharma Co., Ltd. (Affiliated company)	Japan	JPY	9,145,000	40.0	Pharmaceuticals
●	J-OIL MILLS, INC. (Affiliated company)	Japan	JPY	10,000,000	27.3	Edible Oils
Asia						
■	Ajinomoto SEA Regional Headquarters Co., Ltd.	Thailand	THB	2,125,000	100.0	Service, etc.
■	AJINOMOTO COMPANY (THAILAND) LIMITED (Special subsidiary company)	Thailand	THB	796,362	82.5	Seasonings and Processed Foods
■	AJINOMOTO SALES (THAILAND) COMPANY LIMITED	Thailand	THB	50,000	100.0 (100.0)	Seasonings and Processed Foods
■	WAN THAI FOODS INDUSTRY CO., LTD.	Thailand	THB	60,000	60.0 (35.0)	Seasonings and Processed Foods
■	Fuji Ace Co., Ltd.	Thailand	THB	500,000	51.0 (51.0)	Packaging
■	AJINOMOTO BETAGRO FROZEN FOODS (THAILAND) CO., LTD.	Thailand	THB	764,000	50.0 (50.0)	Frozen Foods
■	P.T.AJINOMOTO INDONESIA	Indonesia	USD	8,000	51.0	Seasonings and Processed Foods
■	PT AJINOMOTO SALES INDONESIA	Indonesia	USD	250	100.0 (80.0)	Seasonings and Processed Foods
■	AJINOMOTO VIETNAM CO.,LTD.	Vietnam	USD	50,255	100.0	Seasonings and Processed Foods
■	AJINOMOTO (MALAYSIA) BERHAD	Malaysia	MYR	65,102	50.4	Seasonings and Processed Foods
■	AJINOMOTO PHILIPPINES CORPORATION	Philippines	PHP	665,444	95.0	Seasonings and Processed Foods
■	Ajinomoto (China) Co., Ltd. (Special subsidiary company)	China	USD	104,108	100.0	Animal Nutrition

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
■	Shanghai Ajinomoto Seasoning Co., Ltd.	China	USD	27,827	100.0 (99.0)	Seasonings and Processed Foods
■	AJINOMOTO (HONG KONG) CO., LTD.	Hong Kong	HKD	5,799	100.0	Umami Seasonings for Processed Food Mfrs. and Sweeteners
■	AJINOMOTO ANIMAL NUTRITION (SINGAPORE) PTE. LTD.	Singapore	USD	8,955	100.0 (100.0)	Animal Nutrition
■	AJINOMOTO (SINGAPORE) PRIVATE LIMITED	Singapore	SGD	1,999	100.0	Seasonings and Processed Foods
■	AJINOMOTO (CAMBODIA) CO., LTD.	Cambodia	USD	11,000	100.0 (40.0)	Seasonings and Processed Foods
■	Ajinomoto Korea Inc.	Korea	WON	1,000,000	70.0	Seasonings and Processed Foods
■	AJINOMOTO TAIWAN INC.	Taiwan	TWD	250,000	100.0	Seasonings and Processed Foods

The Americas

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
■	Ajinomoto North America Holdings, Inc. (Special subsidiary company)	United States	—	—	100.0 (4.1)	Holding Company
■	Ajinomoto Foods North America, Inc.	United States	USD	15,030	100.0 (100.0)	Frozen Foods
■	Ajinomoto Animal Nutrition North America, Inc. (Special subsidiary company)	United States	USD	750	100.0 (100.0)	Animal Nutrition
■	Ajinomoto Health & Nutrition North America, Inc.	United States	USD	0	100.0 (100.0)	Amino Acids, Umami Seasonings for Processed Food Mfrs. and Sweeteners, Specialty Chemicals
■	Ajinomoto Althea, Inc.	United States	USD	0	100.0	Amino Acids
■	AJINOMOTO DO BRASIL INDUSTRIA E COMERCIO DE ALIM (Special subsidiary company)	Brazil	BRL	863,298	100.0	Seasonings and Processed Foods, Umami Seasonings for Processed Food Mfrs. and Sweeteners, Animal Nutrition, Amino Acids
■	AJINOMOTO DEL PERU S.A.	Peru	PEN	45,282	99.6	Seasonings and Processed Foods

Europe

	Company Name	Country	Capital Stock (Thousands)		Ratio of Voting Rights (%)*1	Major Business
■	AJINOMOTO FOODS EUROPE S.A.S. (Special subsidiary company)	France	EUR	106,909	100.0 (100.0)	Umami Seasonings for Processed Food Mfrs. and Sweeteners
■	AJINOMOTO ANIMAL NUTRITION EUROPE S.A.S. (Special subsidiary company)*5, 6	France	EUR	26,865	100.0 (100.0)	Animal Nutrition
■	S.A. AJINOMOTO OMNICHEM N.V.	Belgium	EUR	21,320	100.0 (0.0)	Amino Acids
■	WEST AFRICAN SEASONING COMPANY LIMITED	Nigeria	NGN	2,623,714	100.0	Seasonings and Processed Foods
■	Ajinomoto Istanbul Food Industry And Trade Limited Company	Turkey	TRY	51,949	100.0	Seasonings and Processed Foods
■	Ajinomoto Poland Sp. z o.o.	Poland	PLN	39,510	100.0 (100.0)	Seasonings and Processed Foods
■	Agro2Agri, S.L.	Spain	EUR	2,027	70.0 (70.0)	Amino Acids
▲	Promasidor Holdings Limited (Joint venture)	British Virgin Islands	USD	0	33.3	Processed Foods

*1. Numbers in parentheses indicate indirect equity ownership.
*2. Knorr Foods Co., Ltd., changed its company name to Ajinomoto Food Manufacturing Co., Ltd., effective from April 1, 2019.
*3. Ajinomoto Co., Inc., and four other Japanese companies concluded an agreement on April 26, 2018, to launch a nationwide logistics company in April 2019 by merging their respective logistics subsidiaries, namely Ajinomoto Logistics Corporation, Kagome Distribution Service Co., Ltd., House Logistics Service Corporation, F-LINE Corporation and Kyushu F-LINE Corporation. Consequently, Ajinomoto Co., Inc., relinquished control of Ajinomoto Logistics Corporation effective from April 1, 2019, and, accordingly, classified it as a disposed group company with assets and liabilities held for sale. Ajinomoto Logistics Corporation was merged with the aforementioned four subsidiaries on April 1, 2019, forming the new company, F-LINE Corporation. As of that date, Ajinomoto Co., Inc., held a 45.0% stake in the new company and classifies it as an affiliated company accounted for under the equity method.
*4. A-Direct Co., Inc., changed its company name to Ajinomoto Direct Co., Inc., effective from April 1, 2019.
*5. Ajinomoto Animal Nutrition Europe S.A.S. changed its company name from Ajinomoto Eurolysine S.A.S. effective from October 31, 2018.
*6. Ajinomoto Foods Europe S.A.S owns one share in the company.

Eat Well, Live Well.

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