

Ajinomoto Group

Appendix: Financial Report 2023



Management's Discussion and Analysis

Ajinomoto Co., Inc. and Consolidated Subsidiaries for fiscal 2022, ended March 31, 2023

Review of Operations

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

Performance Overview

During the fiscal year ended March 31, 2023, the Company's consolidated sales increased 18.2% year on year, or ¥209.7 billion, to ¥1,359.1 billion. This was due to the effect of currency translation and increases in sales in the Seasonings and Foods segment, the Frozen Foods segment, and the Healthcare and Others segment.

Business profit increased 11.9% year on year, or ¥14.4 billion, to ¥135.3 billion, primarily due to the effect of currency translation and an increase in sales in the Healthcare and Others segment, despite increases in costs, such as for raw materials.

Operating profit increased 19.6% year on year, or ¥24.3 billion, to ¥148.9 billion mainly as a result of gain on sale of non-current assets (idle assets) recorded in other operating income despite the impairment loss on goodwill related to Ajinomoto Foods North America, Inc. recorded in other operating expenses, as well as other factors.

Profit attributable to owners of the parent company totaled ¥94.0 billion, up 24.2%, or ¥18.3 billion.

Financial Review

Sales

Sales were up 18.2% or ¥209.7 billion to ¥1,359.1 billion. In Japan, sales increased 5.0% or ¥24.1 billion to ¥509.9 billion. Overseas sales grew by 28.0% or ¥185.6 billion to ¥849.1 billion. In Asia, the Americas, and Europe, sales were up 23.4% to ¥352.0 billion, up 34.8% to ¥353.9 billion, and up 23.7% to ¥143.1 billion, respectively. The overseas share of sales increased to 62.5% from 57.7% in the previous fiscal year.

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

As sales increased, the cost of sales rose by 22.8% or ¥165.2 billion to ¥888.7 billion, equivalent to 65.4% of sales. The ratio of cost to sales worsened by 2.4 percentage points year on year, mainly owing to the effect of higher costs of raw materials and other inputs.

Selling expenses increased 10.4% or ¥17.6 billion to ¥186.4 billion, due in part to increased logistics expenses, resulting mainly from foreign exchange effects and steeply rising marine transport expenses. Research and development expenses increased 4.1% or ¥1.0 billion to ¥25.8 billion. General and administrative expenses increased 13.1% or ¥14.7 billion to ¥127.0 billion, due notably to foreign exchange effects. The Group's share of profit of associates and joint ventures totaled ¥4.3 billion compared to ¥0.9 billion in the previous fiscal year.

Business Profit

Business profit grew 11.9% or ¥14.4 billion to ¥135.3 billion. In Japan, business profit rose 2.7% to ¥56.0 billion. Overseas business profit also grew by 19.5% to ¥79.3 billion. In Asia, the Americas, and Europe, business profit was up 8.4% to ¥51.4 billion, up 56.9% to ¥18.3 billion, and up 32.1% to ¥9.5 billion, respectively. The overseas share of business profit fell to 58.6% from 54.9% in the previous fiscal year.

Other Operating Income and Expenses

Other operating income increased 53.0% or ¥14.1 billion to ¥40.9 billion, mainly as a result of gain on sale of non-current assets (idle assets). Other operating expenses increased 18.4% or ¥4.2 billion to ¥27.3 billion, mainly due to the impairment loss on goodwill related to Ajinomoto Foods North America, Inc.

Operating Profit

Operating profit grew 19.6% or ¥24.3 billion to ¥148.9 billion.

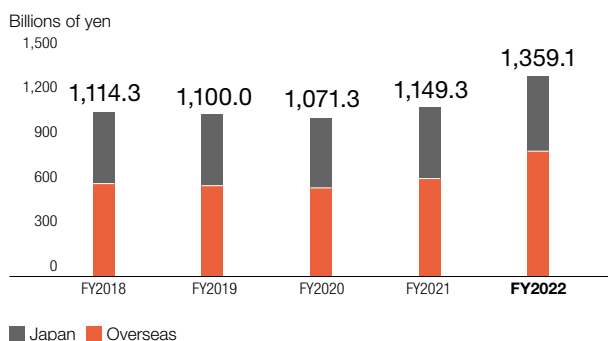
Financial Income and Expenses

Financial income shrank 11.2% or ¥0.7 billion to ¥6.0 billion. Financial expenses rose 67.2% or ¥6.0 billion to ¥14.9 billion.

Profit Attributable to Owners of the Parent Company

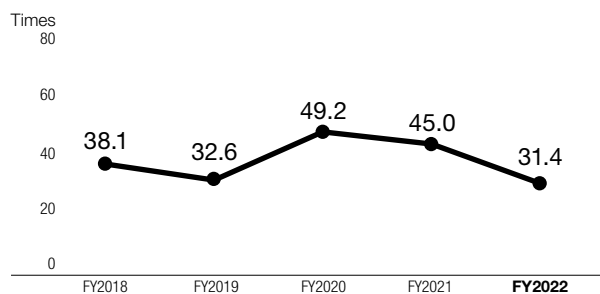
Profit attributable to owners of the parent company increased 24.2% or ¥18.3 billion to ¥94.0 billion, equivalent to ¥175.97 per share, up from ¥139.42 in the previous fiscal year.

Domestic and Overseas Sales

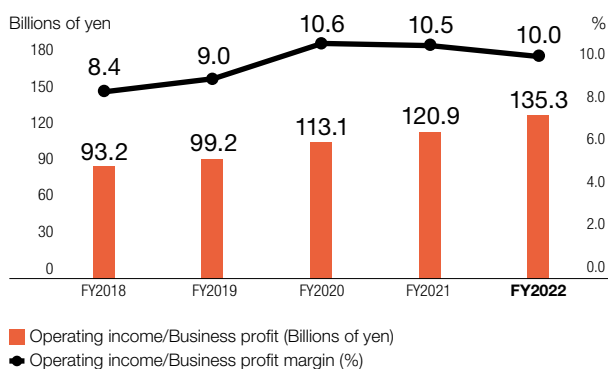


Note: Excludes interarea sales and transfers

Interest Coverage Ratio



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



Costs, Expenses, and Profit as Percentages of Sales

Years ended March 31	FY2022		FY2021
	Percentage	Change	Percentage
Cost of sales	65.4%	2.5	62.9%
Gross profit	34.6	(2.5)	37.1
Selling, R&D, and G&A expenses	25.0	(1.6)	26.6
Business profit	10.0	(0.5)	10.5
Profit before income taxes	10.3	(0.4)	10.7
Profit attributable to owners of the parent company	6.9	0.3	6.6

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

Segment Information

(Billions of yen)

Sales	FY2022	FY2021	Difference	YoY change
Seasonings and Foods	775.0	664.2	110.7	116.7%
Frozen Foods	267.2	221.7	45.5	120.5%
Healthcare and Others	299.6	251.2	48.4	119.3%
Other	17.1	12.1	5.0	141.2%
Total	1,359.1	1,149.3	209.7	118.2%

Business Profit	FY2022	FY2021	Difference	YoY change
Seasonings and Foods	82.9	81.2	1.7	102.1%
Frozen Foods	0.2	(0.6)	0.9	—
Healthcare and Others	52.5	43.3	9.1	121.1%
Other	(0.4)	(3.0)	2.5	—
Total	135.3	120.9	14.4	111.9%

Seasonings and Foods

In the Seasonings and Foods segment, sales increased 16.7% year on year, or ¥110.7 billion, to ¥775.0 billion, primarily because of increases in unit prices and sales volume overseas, in addition to the effect of currency translation. Segment business profit increased 2.1% year on year, or ¥1.7 billion, to ¥82.9 billion, mainly owing to the effect of currency translation and increased revenue, despite the effect of cost increases for raw materials and other inputs.

Main factors affecting segment sales

- **Sauce & Seasonings:** Overall large increase in revenue.
 - **Japan:** Decrease in revenue primarily due to the fall back in at-home demand after the increase in the previous year.
 - **Overseas:** Large increase in revenue due to the impact of

currency translation, and also increased unit sales prices and increased quantity of product sold.

- **Quick Nourishment:** Overall increase in revenue.
- **Japan:** Decrease in revenue, but if the impact of structural reform in coffee products is excluded, increase in revenue.
- **Overseas:** Large increase in revenue due to the impact of currency translation, increased unit sales prices, and increased sales of instant noodles, ready to drink beverages, etc.
- **Solution & Ingredients:** Large increase in revenue primarily due to increased unit sales prices of, and the impact of currency translation on, umami seasonings for processed food manufacturers and increased sales of foodservice-use products.

Market Shares in Main Product Areas (Household Market in Japan) FY2022

Product Area	Brand	Market Size (Billions of yen)	Ajinomoto Group Share (Position)
Umami seasonings	AJI-NO-MOTO®, Hi-Me®	5.5	93% (1)
Japanese flavor seasonings	HONDASHI®	34.5	55% (1)
Consommé	Ajinomoto KK Consomme	11.6	80% (1)
Soup	Knor®	115.7	29% (1)
Mayonnaise	Pure Select®	64.8	24% (2)
Menu seasonings	Cook Do®, Cook Do® Kyo-no Ohzara®	71.2	27% (1)

Note: Market size is based on consumer purchase prices.

Main factors affecting segment profits

- **Sauce & Seasonings:** Overall decrease in profit.
 - **Japan:** Large decrease in profit primarily due to the impacts of cost increases, such as for raw materials, and decreased revenue.
 - **Overseas:** Increase in profit primarily due to the impacts of increased revenue and currency translation, despite the impact of cost increases, such as for raw materials.
- **Quick Nourishment:** Overall decrease in profit.
 - **Japan:** Large decrease in profit primarily due to the impact of cost increases, such as for raw materials.
 - **Overseas:** Large increase in profit primarily due to the impacts of increased revenue and currency translation, despite the impact of cost increases, such as for raw materials.
- **Solution & Ingredients:** Overall large increase in profit primarily due to the impacts of increased revenue and currency translation, despite the impact of cost increases, such as for raw materials.

Frozen Foods

Frozen Foods segment sales increased 20.5% year on year, or ¥45.5 billion, to ¥267.2 billion, primarily as a result of the effect of currency translation and increases in unit prices. Segment business profit increased year on year by ¥0.9 billion to ¥0.2 billion, mainly owing to increased revenue and the effect of currency translation, despite the effect of cost increases for raw materials and other inputs.

Main factors affecting segment sales

- Overall large increase in revenue.
 - **Japan:** Revenue was level with the previous year primarily due to the recovery in restaurant and industrial-use products and increased unit sales prices despite the impact of structural reform.
 - **Overseas:** Large increase in revenue primarily due to the impact of currency translation and increased unit sales prices.

Main factors affecting segment profits

- Overall increase in profit.
 - **Japan:** Decrease in profit primarily due to strategic expenses and the impact of cost increases, such as for raw materials.
 - **Overseas:** Increase in profit primarily due to the impacts of increased revenue and currency translation despite the impact of cost increases, such as for raw materials.

Healthcare and Others

Healthcare and Others segment sales increased 19.3% year on year, or ¥48.4 billion, to ¥299.6 billion, mainly due to increases in sales of both Bio-Pharma Services & Ingredients and Functional Materials (electronic materials and others), and the effect of currency translation. Segment business profit increased 21.1% year on year, or ¥9.1 billion, to ¥52.5 billion, mainly due to the effects of revenue growth and currency translation.

Main factors affecting segment sales

- **Bio-Pharma Services & Ingredients:** Large increase in revenue due to increased sales of Bio-Pharma Services (CDMO services) and amino acids for pharmaceuticals and foods, and also the impact of currency translation.
- **Functional Materials (electronic materials and others):** Large increase in revenue primarily due to increased sales of electronic materials.
- **Others:** Large increase in revenue due to the impact of currency translation, and also increased sales of primarily medical foods.

Main factors affecting segment profits

- **Bio-Pharma Services & Ingredients:** Increase in profit accompanying large increase in revenue.
- **Functional Materials (electronic materials and others):** Large increase in profit accompanying large increase in revenue.
- **Others:** Decrease in profit primarily due to an increase in strategic investments.

Sales by Business and Geographical Area

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

Years ended March 31		Japan		Asia		Americas		Europe		Total
Seasonings and Foods	FY2022	274.0	(3.4)	338.2	(64.8)	110.4	(29.3)	52.2	(13.0)	775.0 (110.7)
	FY2021	270.5		273.3		81.0		39.2		664.2
Frozen Foods	FY2022	89.7	(0.3)	4.7	(1.5)	155.1	(39.1)	17.6	(4.3)	267.2 (45.5)
	FY2021	89.3		3.1		115.9		13.2		221.7
Healthcare and Others	FY2022	129.0	(15.1)	9.0	(0.4)	88.3	(22.8)	73.1	(9.9)	299.6 (48.4)
	FY2021	113.8		8.6		65.5		63.2		251.2
Others	FY2022	17.1	(5.0)	0.0	(-0.0)	—		0.0	(0.0)	17.1 (5.0)
	FY2021	12.0		0.1		—		0.0		12.1
Total	FY2022	509.9	(24.1)	352.0	(66.7)	353.9	(91.3)	143.1	(27.4)	1,359.1 (209.7)
	FY2021	485.8		285.2		262.5		115.6		1,149.3

Note: Unaudited figures; for reference only.

Other

In the Other segment, sales totaled ¥17.1 billion, up 41.2% year on year, or ¥5.0 billion. Segment business profit recorded a loss of ¥0.4 billion.

Liquidity and Financial Condition

Assets

As of March 31, 2023, the Ajinomoto Group's consolidated total assets stood at ¥1,511.7 billion, an increase of ¥54.6 billion from ¥1,457.0 billion at the end of the previous fiscal year on March 31, 2022, largely owing to higher inventories due to the increase in raw material prices and an increase in assets due to the effect of currency translation associated with the depreciation of the yen.

Liabilities

Total liabilities came to ¥688.7 billion, ¥28.5 billion less than the ¥717.3 billion at the end of the previous fiscal year, largely owing to a decrease in interest-bearing debt. Interest-bearing debt totaled ¥336.4 billion, a decrease of ¥27.4 billion from the end of the previous fiscal year, mainly reflecting the redemption of bonds and the repayment of borrowings.

Equity

Total equity as of March 31, 2023 increased ¥83.2 billion compared to the end of the previous fiscal year, mainly reflecting an increase in exchange differences on translation of foreign operations due to the depreciation in the value of the yen. Equity attributable to owners of the parent company, which is total equity minus non-controlling interests, totaled ¥768.6 billion, and the equity ratio attributable to owners of the parent company was 50.8%.

Cash Flows

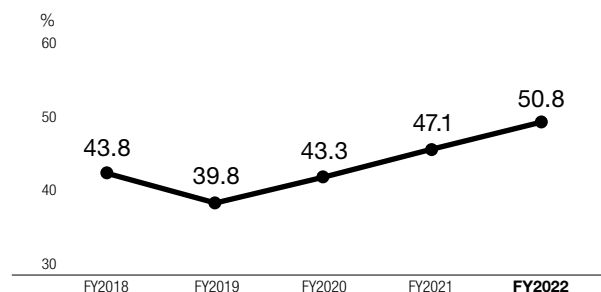
Net cash provided by operating activities during the fiscal year totaled ¥117.6 billion, down from ¥145.5 billion in the previous fiscal year. The main factors included ¥140.0 billion in profit before income taxes, ¥71.8 billion in depreciation and amortization, ¥41.6 billion increase in inventories, and ¥39.1 billion in income taxes paid.

Net cash used in investing activities came to ¥30.0 billion, down from ¥61.5 billion used in the previous fiscal year. The main factors during the year included ¥68.3 billion in purchase of property, plant and equipment and ¥40.2 billion in proceeds from sale of property, plant and equipment.

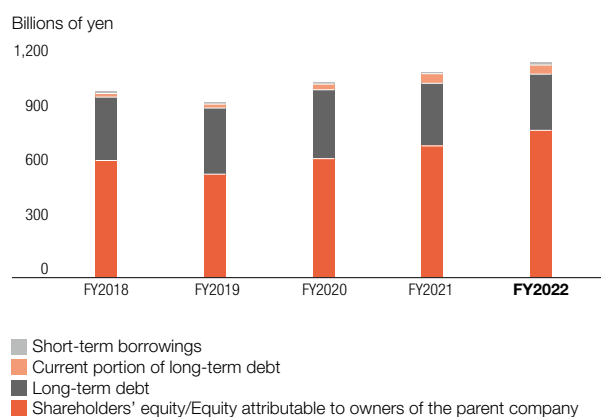
Net cash used in financing activities came to ¥111.0 billion, compared with ¥123.0 billion used in the previous year. Dividends paid of ¥31.6 billion, purchase of treasury stock of ¥30.0 billion and redemption of bonds of ¥20.0 billion were among the main outflows.

As a result of the foregoing, cash and cash equivalents as of March 31, 2023 totaled ¥132.7 billion.

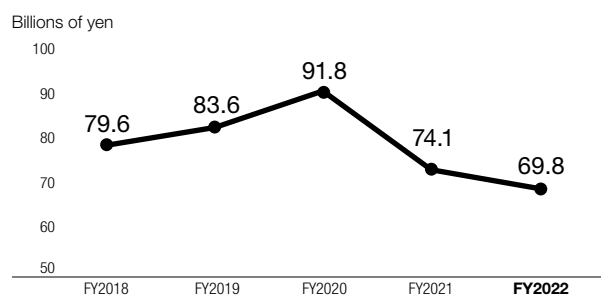
Shareholder's Equity Ratio/Ratio of Equity Attributable to Owners of the Parent Company



Total Capital



Capital Expenditures



Cash Flow Highlights

(Billions of yen)

	FY2022	FY2021	FY2020	FY2019	FY2018
Net cash provided by operating activities	117.6	145.5	165.6	114.8	123.2
Net cash used in investing activities	(30.0)	(61.5)	(66.2)	(66.6)	(72.9)
Net cash used in financing activities	(111.0)	(123.0)	(60.3)	(52.3)	(78.9)
Cash and cash equivalents at end of the year	132.7	151.4	181.6	141.7	153.7

Shareholder Returns

The Company's basic policy is to distribute dividends twice a year, in the form of interim and year-end dividends.

Under the Medium-Term Management Plan for 2020–2025, the Company has been enhancing shareholder returns in a stable and continual manner to make the total return ratio 50% or more with a target dividend payout ratio of 40%. For the fiscal year under review (ended March 31, 2023), the Company decided to pay a dividend of ¥68 per share (including the interim dividend of ¥31 per share), an increase of ¥16 from the previous fiscal year.

Moreover, in the Medium-Term ASV Initiatives 2030 Roadmap which was announced in February 2023, the Company declared a progressive dividend policy indicating dividends will not be reduced but will be increased or maintained. In addition, a concept of dividends based on normalized EPS* has been introduced, which is based on business profit less affected by extraordinary profit fluctuations such as from impairment losses. The Company will work to further improve dividends by steadily increasing business profit.

Based on this new policy and concept, for the next fiscal year (ending March 31, 2024), an annual dividend of ¥74 per share is planned (with an interim dividend payment of ¥37), an increase of ¥6 in the annual dividend from the fiscal year ended March 31, 2023.

* Dividends based on normalized EPS = (Business profit x (1 – FY2023 Ajinomoto Group standard tax rate at 27%)) / Total number of shares outstanding x Return coefficient at 35%

Credit Ratings

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

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

Outlook for the Fiscal Year Ending March 31, 2024

For the fiscal year ending March 31, 2024, the Company expects consolidated sales of ¥1,465.0 billion and business profit of ¥150.0 billion. The forecast for profit attributable to owners of the parent company is ¥95.0 billion. The forecast has been prepared using an exchange rate of US\$1: ¥135.

Reference: Forecast by Segments

(Billions of yen)

	Fiscal year ending March 31, 2024	
	Sales	Business Profit
Seasonings and Foods	823.8	92.9
Frozen Foods	292.3	3.7
Healthcare and Others	330.1	54.1
Other	18.6	(0.8)
Total	1,465.0	150.0

Main Assumptions of Business Results Forecast

Our business results forecasts are based on the following assumptions.

- The current inflationary conditions and trends in exchange rates and interest rates will continue.
- The cost of raw materials for fermentation ingredients and other food products and the cost of fuel will generally continue to remain high.

In this challenging business environment, the Company will respond promptly to prices, provide products with even higher value added, and steadily reduce costs through resource-saving fermentation and innovation in the raw material mix to achieve the Medium-Term ASV Initiatives 2030 Roadmap.

Operational Risks

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

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

Forward-looking statements in the text below are based on the Group's assessments as of March 31, 2023. In the table below, ● indicates risks and ○ indicates opportunities.

(1) Finance-Related Opportunities and Risks

Major risks and opportunities	Probability of manifestation	Magnitude of impact	Comprehensive assessment	YoY comparison	Key initiatives by the Ajinomoto Group
Impairment <ul style="list-style-type: none"> ● Failure of acquired subsidiaries, etc., to fulfill business plan ● Sharp increase in interest rates 	High	Small	Monitoring	→	<ul style="list-style-type: none"> · Deliberation by M&A Committee, Management Committee, etc., on appropriateness of acquisition price · Post-acquisition follow-up to achieve synergies and periodic monitoring of macroeconomic environment
Financing <ul style="list-style-type: none"> ● 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 ● Risk of difficulty in procuring major currencies such as U.S. dollars due to short supply mainly in emerging countries 	Moderate	Moderate	Material	→	<ul style="list-style-type: none"> · Appropriate diversification of capital sources and capital procurement periods · Maintenance and strengthening of financial structure · Timely analysis of and response to various risk factors · Timely revision of plans based on latest information · Liquidation of receivables in Group companies · Utilization of global (notional, etc.) pooling · Maintenance of U.S. dollar-denominated commitment lines · Cash management systems (CMS) operation by region enabling flexible adaptation to various uses of funds · Regularly monitoring of economic indicators, etc. in some emerging countries and close information exchange with financial institutions · More diversified foreign currency procurement
Bankruptcy of customers <ul style="list-style-type: none"> ● Unforeseen bankruptcies of customers including overseas customers 	High	Small	Monitoring	→	<ul style="list-style-type: none"> · Data collection, credit management, etc. (preparation of credit management guidelines applicable to the entire Group and monitoring), securing receivables
Fluctuation in exchange and interest rates <ul style="list-style-type: none"> ● Impact on business profits from sharp fluctuations in foreign exchange and interest rates (slowdown in overseas business activity, impact of converting overseas subsidiary earnings into yen) 	High	Small	Monitoring	→	<ul style="list-style-type: none"> · Consideration of foreign exchange contracts (in forecast transactions) · Prolonging the borrowing of funds and issue of corporate bonds, use of sustainable financing · Centralized procurement by the parent company for long-term funding · More diversified foreign currency procurement

Major risks and opportunities	Probability of manifestation	Magnitude of impact	Comprehensive assessment	YoY comparison	Key initiatives by the Ajinomoto Group
Inflation <ul style="list-style-type: none"> ● Deteriorating profits due to rising raw materials and fuel costs ○ Improving profitability through optimized product prices 	Moderate	Major	Very material	→	<ul style="list-style-type: none"> · Monitoring of essential raw materials and fuels · Timely reflection on product prices · Product revisions · Cost reductions
Country risk <ul style="list-style-type: none"> ● Expropriation risk ● Risk of outbreak of war, conflict, etc. 	Moderate	Moderate	Material	→	<ul style="list-style-type: none"> · Appropriate diversification of countries of operation
Changes in tax system and deferred tax assets/liabilities <ul style="list-style-type: none"> ●○ Fluctuating tax burden from changes in tax system and deferred tax assets/liabilities ● Reversing of deferred tax assets 	High	Small	Monitoring	→	<ul style="list-style-type: none"> · 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

(2) Risks and Opportunities Related to Material Issues (Materiality) for the Ajinomoto Group

With a view to realizing our vision and further improving our corporate value over the long term, we have arranged material issues (materiality) for the Ajinomoto Group and their connections. These issues consist of 12 requirements across four domains. We will maintain an awareness of the issues and connections as we engage in dialogue with stakeholders, taking measurements and making disclosures regarding specific initiatives, KPIs, etc. as part of our management strategy.

As of the publication of this document, we are deepening discussions with all stakeholders on how the Group will address each material issue. As soon as the Group's initiatives are finalized, we will provide these in our quarterly reports and other various disclosures.

Hone **1 co-creation** capabilities, take the **2 seikatsusha*** perspective while achieving **3 well-being** and, through our business activities, return **co-created 4 shared value**.

“AminoScience” for Well-being



Management's Discussion and Analysis

Major risks and opportunities	Related materiality requirements	Probability of manifestation	Magnitude of impact	Comprehensive assessment
<p>"AminoScience"</p> <ul style="list-style-type: none"> ○ Opportunities for business growth by leveraging the Ajinomoto Group's strength in "AminoScience," opportunities to contribute with "AminoScience" anticipating the evolution of modalities in markets ● Risk of failing to keep pace with the evolution of modalities in markets with "AminoScience" alone 	1.1 Transformative innovation capability	High	High	Very material
<p>Brand</p> <ul style="list-style-type: none"> ● Risk of negative information about MSG and sweeteners spreading, leading to damage to the corporate brand ○ Opportunities for business growth by leveraging strong, locally-rooted brand power 	1.2 Transparent & objective	High	High	Very material
<p>Human resources</p> <ul style="list-style-type: none"> ● Risk of inability to secure human resources needed for innovation and business activities due to imbalance between human resource supply and demand ○ Opportunities for human resources who resonate with our purpose to scale co-creation value through proactive investment in human resources focused on diversity and taking on challenges. 	1.1 Transformative innovation capability 2.1 Holistic & inclusive perspective 3.1 Human wellbeing 3.2 Community wellbeing 4.3 Value creating solutions	High	High	Very material
<p>Collection and quantification of non-financial data</p> <ul style="list-style-type: none"> ○ Opportunities for facilitating participation in the creation and deployment of effective standards through technological innovation enabling the collection of non-financial data that previously could not be measured or analyzed and contributing to the development of quantification methods allowing for opportunity assessment ● Risk of missing business opportunities due to delays in addressing increasing social value assessment/measurement levels (social demands) 	1.2 Transparent & objective	High	High	Very material
<p>Rise of the SDGs-native generation, spread of social media, and future orientation</p> <ul style="list-style-type: none"> ● Risk of being cast aside by young people leading to curtailed business growth and risk of deliciousness no longer being an important element of food ○ Opportunities to facilitate the creation of an ecosystem for realizing regenerative food systems with increased momentum for co-creation of sustainable solutions with other companies and institutions that exist in food systems 	2.3 Future generation perspective 3.3 Planetary wellbeing 4.3 Value creating solutions	High	High	Very material
<p>Climate change, resource depletion</p> <ul style="list-style-type: none"> ● Risk of difficulty in procuring raw materials, providing food to <i>seikatsusha</i> (consumers), and continuing business, risk of difficulty in realizing regenerative food systems due to the environmental impact of climate change and animal resource depletion issues (the protein crisis, etc.) making it impossible to ensure global sustainability 	1.3 Construction engagement for co-creation 3.1 Human wellbeing 3.3 Planetary wellbeing 4.1 Living well 4.3 Value creating solutions	High	High	Very material

Management's Discussion and Analysis

Major risks and opportunities	Related materiality requirements	Probability of manifestation	Magnitude of impact	Comprehensive assessment
<p>Technological innovation (food, agriculture, environment, digital sector)</p> <ul style="list-style-type: none"> ○ Opportunities to expand the range of solutions for realizing regenerative food systems, opportunities to promote the spread of technologies that contribute to healthy lifestyles, such as agricultural produce with high nutritional value, opportunities to facilitate the formation of a broad value chain through the shift to digital technologies and the introduction of AI technologies ● Risk of curtailed business growth or loss of business opportunities due to delays in addressing technological advances related to food (e.g., automated cooking, cultured meat, etc.) 	<ul style="list-style-type: none"> 1.2 Transparent & objective 2.3 Future generation perspective 3.2 Community wellbeing 3.3 Planetary wellbeing 4.1 Living well 4.2 Co-wellbeing 4.3 Value creating solutions 	High	High	Material
<p>Sustainability consumption/habits</p> <ul style="list-style-type: none"> ● Risk of inability to absorb investments/costs due to failure of converting sustainability-related initiatives into economic value as a result of conventionalization of sustainability consumption/habits, and risk of delay in acceptance by consumers and societies in some regions due to the respective advance of sustainability and green technologies that are constantly evolving 	<ul style="list-style-type: none"> 1.1 Transformative innovation capability 2.1 Holistic & inclusive perspective 2.2 Local community perspective 3.1 Human wellbeing 3.2 Community wellbeing 3.3 Planetary wellbeing 4.3 Value creating solutions 	High	Moderate	Material
<p>Population growth, capital inflows to developing countries</p> <ul style="list-style-type: none"> ○ Opportunities for increased demand for health and nutrition-based solutions due to global population growth and increased capital inflows from public institutions to developing countries, opportunities for significant expansion of the healthcare market, opportunities to encourage co-creation of solutions, including in emerging countries 	<ul style="list-style-type: none"> 2.3 Future generation perspective 4.1 Living well 4.2 Co-wellbeing 4.3 Value creating solutions 	High	Moderate	Material
<p>Laws and regulations</p> <ul style="list-style-type: none"> ● Risk of difficulty in continuing business due to development of regulations and inability to choose renewable energy options in some regions ○ Opportunities for business created by appropriate compliance with laws and regulations related to improving food system resilience 	<ul style="list-style-type: none"> 1.1 Transformative innovation capability 1.3 Construction engagement for co-creation 3.1 Human wellbeing 3.3 Planetary wellbeing 4.2 Co-wellbeing 	High	Moderate	Material
<p>Governance</p> <ul style="list-style-type: none"> ● Risk of discontinuing business due to non-compliance, inadequate quality and safety controls which could lead to poor basic risk management ○ Opportunities that arise from the accumulation of trust from stakeholders through the continuation of safety, quality, and environmental management activities that are unique to our company. 	<ul style="list-style-type: none"> 1.2 Transparent & objective 2.2 Local community perspective 3.1 Human wellbeing 	Moderate	Moderate	Material

Management's Discussion and Analysis

Major risks and opportunities	Related materiality requirements	Probability of manifestation	Magnitude of impact	Comprehensive assessment
<p>Pandemics, political conflicts</p> <ul style="list-style-type: none"> ● Risk of difficulty in promoting innovation and conducting business activities due to supply shortages resulting from pandemics, the invasion of Ukraine, etc., risk of stagnation in the penetration and development of Group-wide and business strategies due to restrictions on information sharing across countries resulting from political conflicts, trade wars, etc. 	<ul style="list-style-type: none"> 1.1 Transformative innovation capability 1.3 Construction engagement for co-creation 2.2 Local community perspective 3.1 Human wellbeing 3.2 Community wellbeing 4.1 Living well 4.2 Co-wellbeing 4.3 Value creating solutions 	High	High	Material
<p>Terrorism/coups d'etat</p> <ul style="list-style-type: none"> ● Risk of local executives and expatriates being detained and risk of being unable to continue business activities in particular countries due to terrorism/coups d'etat 	<ul style="list-style-type: none"> 1.1 Transformative innovation capability 1.3 Construction engagement for co-creation 2.2 Local community perspective 4.2 Co-wellbeing 	Low	High	Material
<p>IT security, intellectual property</p> <ul style="list-style-type: none"> ● Risk of leak or loss of strategic or confidential information, etc. due to inadequate knowledge management or rapid technological innovation, and risk of security vulnerabilities due to becoming a target of cybercrime ○ Opportunities for further competitive advantage and boosting business growth by strengthening intellectual property strategy, including building an intellectual property portfolio from a global perspective 	<ul style="list-style-type: none"> 1.1 Transformative innovation capability 1.2 Transparent & objective 	High	Moderate	Material

Our approach to sustainability

Our goal as the Ajinomoto Group is to contribute to the well-being of all human beings, our society and our planet with “AminoScience.” To this end, we believe it is necessary to realize two outcomes by 2030, namely, to reduce our environmental impact by 50% and to help extend the healthy life expectancy of one billion people.

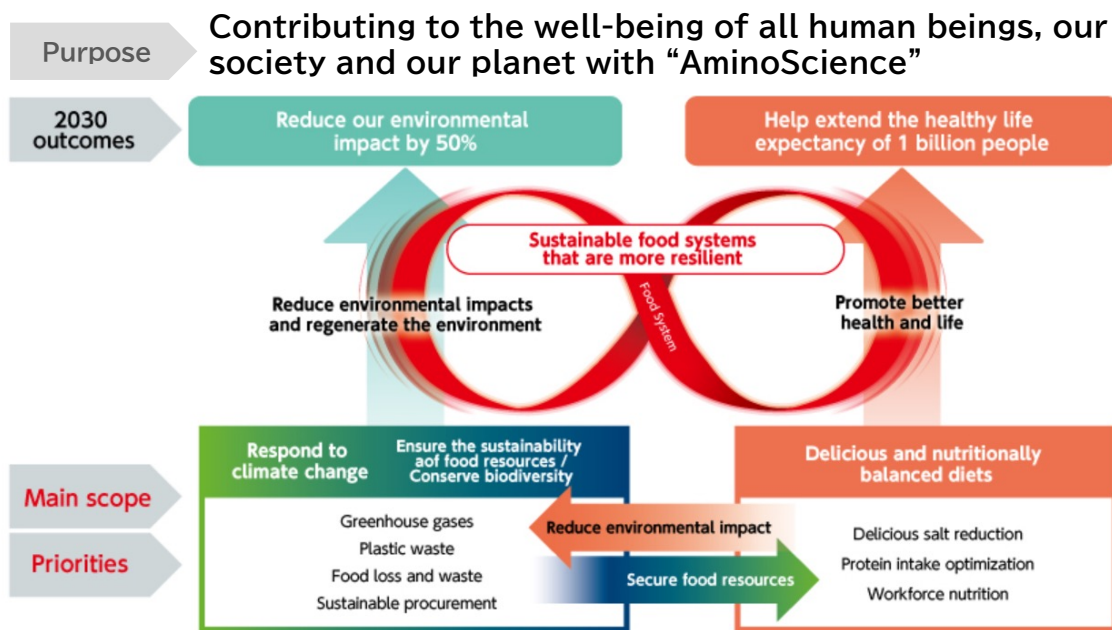
The business of the Ajinomoto Group is supported by sound food systems*1 based on stable food resources and the vibrant natural environment. However, we are also aware that our business activities have an impact on the environment. Today, as we reach the limits of what our planet can sustain, it is essential that we put in place efforts to regenerate the environment. We believe that we can only implement initiatives aimed at extending healthy life expectancy in a sustainable manner by reducing our environmental impact through measures such as responding

to climate change, ensuring sustainability of food resources, and the conservation of biodiversity.

Through our business activities, we provide products and services that are delicious, nutritionally balanced, and benefit people’s dietary habits, and further promote reduced environmental impacts caused by greenhouse gases, plastic waste, and food loss and waste. Also, through our resource recycling-based amino acids fermentation process (a bio-cycle), we are contributing to sustainable food systems that are more resilient and to regeneration of the global environment.

Furthermore, we will maximally leverage our strength in “AminoScience” and transform food systems through innovation and building ecosystems.

*1 The series of activities related to food production, processing, transport, and consumption.

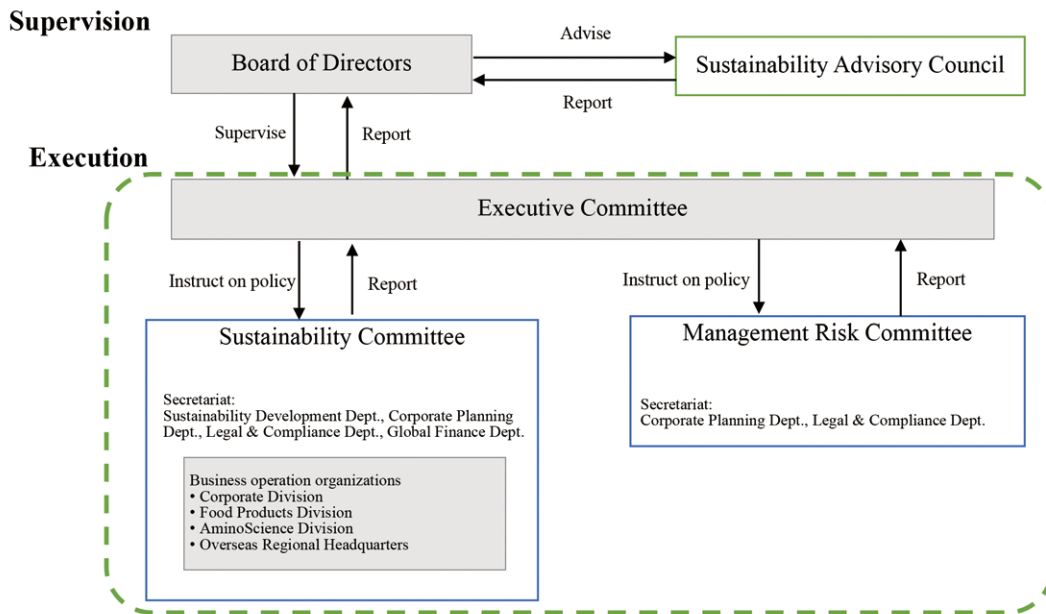


1. Governance

In the Ajinomoto Group, we honestly comply with the Ajinomoto Group Policies (AGP) that show the ideal way of thinking and action that the Group companies and their officers and employees should comply with, continue to develop and properly operate our internal control system, strengthen our system that considers sustainability as an

active risk-taking system, and continuously enhance our corporate value.

We are strengthening our sustainability promotion system in order to continuously increase our corporate value from the perspective of sustainability. As of the publication of this document, this system is outlined below.



The Board of Directors has established the Sustainability Advisory Council, and establishes a system to recommend the Group's approach to sustainability and ESG. It determines materiality items related to sustainability that serve as guidelines for ASV management and supervises the execution of initiatives related to sustainability.

The Executive Committee has established the Sustainability Committee as its subordinate body and selects and extracts risks and opportunities based on materiality, and assesses the degree of impact, formulates measures, and manages their progress. In fiscal 2022, the Executive Committee received two reports from the Sustainability Committee.

Beginning April 2023, the Second Term Sustainability Advisory Council will continue its work to enhance the Ajinomoto Group's corporate value from the viewpoint of sustainability. The Second Term Sustainability Advisory Council consists of four external experts, primarily investors and financial market specialists, and is chaired by an external expert. After receiving consultation from the Board of Directors, the council will investigate the implementation of materiality, disclosure and dialogue on its progress, and building relationships with stakeholders through these activities, in the interest of stronger monitoring of the Board of Directors, and issue a report in response to the Board of

Directors. The Second Term Sustainability Advisory Council will meet at least once a year and report the results of its deliberations to the Board of Directors.

In order to promote the Medium-Term ASV Initiatives, the Sustainability Committee formulates sustainability measures, proposes them to the Executive Committee, and manages their progress in accordance with materiality. In addition, the Sustainability Committee formulates risk countermeasures for Companywide management issues and manages their progress. It also formulates the entire Ajinomoto Group's sustainability strategy, promotes action themes (nutrition, environment, and society) based on this strategy, makes proposals and provides support for business plans from a sustainability viewpoint, and compiles internal information on ESG.

The Management Risk Committee, established in parallel with the Sustainability Committee as a subordinate body to the Executive Committee, identifies risks that call for initiative by management, assesses their impact on the Ajinomoto Group, and formulates countermeasures. If it is determined that identified risks can be more effectively handled by the Sustainability Committee, the Management Risk Committee will delegate this to and otherwise work closely with the Sustainability Committee.

2. Strategy

The Ajinomoto Group has a wide range of product areas in the food business, from seasonings and foods to frozen foods, and is also expanding its business into fields such as healthcare. As a result, our business is significantly dependent on various natural bounties, or ecosystem services, such as agricultural, livestock, and fisheries resources, genetic resources, water and soil, and pollination from insects and other organisms. We are able to enjoy these natural bounties thanks to a healthy biodiversity shaped by the diversity of organisms and their connections. The issues of biodiversity and those of the environment, such as climate change, the decline of water resources, resource waste, and the pollution of water, air, and soil, are closely intertwined and cannot be separated. Considering this mutual interrelationship, we will work to conserve biodiversity and sustainably use biological resources, taking these and other actions to reduce our environmental impact such as limiting greenhouse gas emissions, effectively using resources, and reducing waste.

In addition, we consider human assets to be the source of all intangible assets, and therefore employee engagement is an important factor for us in increasing corporate value. We will strengthen our investment in human resources so that a diverse team of colleagues imbued with our purpose can deeply engage with consumers and customers and take on the challenge of co-creating innovation.

3. Risk management

In order to realize the Purpose-Driven Management by Medium-Term ASV Initiatives2030 Roadmap, including the aforementioned two outcomes, it is extremely important to accurately identify risks and respond to them promptly and appropriately. The Management Risk Committee identifies risks calling for initiative by management, assesses their impact on the Ajinomoto Group, and formulates countermeasures, whereas the Sustainability Committee is responsible for formulating countermeasures against risks in Group-wide management-level issues based on materiality and managing countermeasure progress. To ensure that no risk is left unaddressed, the two committees work closely together, and the Management Risk Committee comprehensively identifies all risks and reports to the

Board of Directors.

At each business site in Japan and overseas, we implement a risk process cycle identifying risks and formulating countermeasures, taking into account individual business strategies and local political, economic, and social conditions. The Management Risk Committee continuously improves this risk process cycle, compiles the risks identified by each site, and responds to those calling for initiative by management. In addition, each business and corporation has formulated a business continuity plan (BCP) in preparation for emergencies, and the Management Risk Committee has established a system for constant verification of each BCP's effectiveness.

For risks analyzed and assessed based on materiality, the Sustainability Committee formulates and implements Group-wide countermeasures and regularly monitors and manages risk response.

4. Metrics and targets

We will continue our work to achieve a 50% reduction in environmental impact by 2030, as well as achieving net-zero emissions by 2050. We will also continue our efforts toward goals in existing major themes by 2030, including reducing greenhouse gas emissions, plastic waste, and food loss and waste, as well as achieving sustainable procurement.

Progress in reducing greenhouse gas (GHG) emissions in Scope 1 and 2 and cutting food loss and waste has exceeded our plans. As for reducing GHG emissions in Scope 3, we launched dialogue with suppliers in fiscal 2022 in the interest of collaboration, beginning with MSG raw materials suppliers in Thailand. In fiscal 2023, we will steadily advance these initiatives and expand them into other areas horizontally. With regard to plastic waste reduction, we are working to reduce usage and switch to recyclable packaging materials, as well as toward the social implementation of recycling. Regarding sustainable procurement, we are promoting initiatives in priority raw materials, and in fiscal 2023, we will also promote biodiversity initiatives.

In addition, we will work to improve employee engagement scores as a measure to enhance intangible assets and help achieve our ASV metrics.

ASV indicators

We are working to reduce our environmental impact by 50% by 2030 and to achieve net-zero emissions by 2050.

In addition, we are aiming to increase the employee engagement score to 80% (fiscal 2025) and 85% (fiscal 2030).

		Issues	Indicators	Targets	FY21 (Results)	
ASV indicators	Social value indicators	Responding to climate change	Greenhouse gases	Scope 1 and 2 total	FY30: 50% reduction (vs. FY18)	18% reduction
				Scope 3 basic unit	FY30: 24% reduction (vs. FY18)	8% increase
		Water risk	Water use	FY25: 80% reduction (vs. FY05)	79% reduction	
	Achieving a circular economy	Plastic waste		FY30: Zero waste	-	
		Food loss and waste	From receiving raw materials to customer delivery	FY25: 50% reduction (vs. FY18)	23% reduction	
			Overall product lifecycle	FY50: 50% reduction (vs. FY18)	-	
	Zero waste emissions	Resource recovery ratio	Maintaining 99% or more	98.4%		
	Achieving sustainable procurement	Deforestation Biodiversity Human rights Mutual relationships with animals	Sustainable procurement ratio Paper Palm oil Soy beans Coffee beans Beef, sugar cane	FY30: 100% of sustainable procurement	98% 93% 30% 58% Start risk assessment	
	Strengthening intangible assets			Employee engagement score*	62% (FY22 forecast)	

*2 From fiscal 2023, the measurement method will be changed from a single question about ASV as one's own initiative to an average value from nine questions about the ASV realization process to better grasp the actual situation.

Our approach to climate change

1. Governance

Our governance with regard to climate change issues is as described in “Our approach to sustainability.”

2. Strategy

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

(1) Scenario analysis assumptions

Based on the scenarios that the average global temperature will rise from post-industrial revolution levels by 1.5°C or 4°C by 2100*³, in fiscal 2022 we conducted a scenario analysis on the impact of climate change between 2030 and 2050

for global umami seasonings and mainstay domestic and overseas products.

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

Tables 2 and 3 below show the scenario analysis risks and opportunities when the average temperature difference between the 1.5°C and 4°C scenarios as of 2030 is considered to be about 0.2°C with no significant difference in physical risk, and when the average temperature difference as of 2050 is expected to be about 1°C with differences in physical risks.

The following is a summary of the changes in the assumptions used in our scenario analysis to date.

	FY2020* ⁴	FY2021	FY2022	FY2023 (projected)
Business	Umami seasonings (global), mainstay domestic products	Umami seasonings (global), mainstay domestic products	Umami seasonings (global), mainstay domestic and overseas products	Umami seasonings (global), mainstay domestic and overseas products, and other processed foods, etc.
Scenario year	2030	2030 / 2050	2030 / 2050	2030 / 2050
Scenario temp.	2°C / 4°C	2°C / 4°C	1.5°C / 4°C	1.5°C / 4°C
Coverage of net sales	24%	24%	55%	67%

*³ Scenarios referenced are SSP1-1.9 (1.5°C scenario) and SSP5-8.5 (4°C scenario) by the UN Intergovernmental Panel on Climate Change (IPCC) and scenarios by the International Energy Agency (IEA).

*⁴ For the results of the scenario analysis conducted in previous fiscal years, please refer to issues of the Sustainability Data Book for the respective years.
<https://www.ajinomoto.co.jp/company/en/tr/library/databook.html>

(2) Scenario analysis: Risks

1.5°C Scenario (2050): When certain policy measures are taken to reduce GHG emissions and the use of fossil fuels decreases						
Risk	Average temperature rise	Increased severity and frequency of floods and droughts	Mandates and regulations on products	Changes in consumer preferences		Carbon pricing mechanism
Risk categories	Transition risk	Physical risk	Transition risk	Transition risk		Transition risk
Business impact	Increased raw material (e.g., coffee beans) procurement costs due to carbon taxes, etc.	Measures to ensure consistent supply taken since our founding	Cost increases due to tightening of laws and regulations regarding raw materials used (Assumption: Laws and regulations on the traceability of raw materials and recycling)	Reduced demand due to rising temperatures (Assumption: Miso soup, other soups, hot coffees, shift from heating element to microwave cooking)	Items to the right are for the Group as a whole	Increased costs of fuels used due to introduction of carbon taxes, tax increases and emissions trading
Potential financial impact	¥0.2bn/year	Insignificant	—	—		2030: ¥13bn/year*5 2050: ¥30bn/year*5
Countermeasures	<ul style="list-style-type: none"> Support for raw material production areas Considering raw materials made by different production methods 	<ul style="list-style-type: none"> More diversified areas of procurement Research and development on alternative raw materials 	<ul style="list-style-type: none"> Construction of a comprehensive upstream/downstream cooperation system in the supply chain 	<ul style="list-style-type: none"> Communication to create better eating habits through ASV PR activities (nutritional value) Marketing toward chilled soup and iced coffee Exploration/proposal of microwave cooking options 	<ul style="list-style-type: none"> Visualization of financial impact with internal carbon pricing Fossil fuel phase-out Use of renewable energies Development of eco-friendly manufacturing methods 	

Sustainability Approach and Initiatives

4°C Scenario (2050): In the event that no policy measures are taken to reduce GHG emissions

Risk	Average temperature rise	Increased severity and frequency of floods and droughts	Changes in consumer preferences	Increased fuel costs
Risk categories	Physical risk	Physical risk	Transition risk	Transition risk
Business impact	Increased costs from decline in productivity of agricultural, livestock, and fishery products (Assumption 1: Worsening aquaculture environment, Assumption 2: Decrease in livestock growth rate, Assumption 3: Decrease in milk yields from dairy cows, Assumption 4: Infectious disease epidemics in livestock, Assumption 5: Poor growth of agricultural produce and pest epidemics)	Increased raw material procurement costs, decreased sales due to shutdown of operations and delivery delays (Assumption 1: Floods in Thailand, Assumption 2: Droughts in Thailand, Assumption 3: Flooding from localized torrential rains in Japan)	Reduced demand due to rising temperatures (Assumption: Miso soup, other soups, hot coffees, shift from heating element to microwave cooking)	Rising prices of fossil fuels and electricity
Potential financial impact	¥4.5bn/year	¥0.1bn/year	—	¥2.5bn/year
Countermeasures	<ul style="list-style-type: none"> • More diversified areas of procurement • Stronger cooperation with suppliers/farmers • Development of recipes with reduced extracts • Research and development on alternative raw materials • Introduction of high-temperature-tolerant varieties • Reflection in sales price 	<ul style="list-style-type: none"> • More diversified areas of procurement • Research and development on alternative raw materials • Continuation and improvement of water-saving production • Improvement of supply and logistics systems 	<ul style="list-style-type: none"> • Communication to create better eating habits through ASV PR activities (nutritional value) • Improvements of communication about easy meals using heating elements • Marketing toward chilled soup and iced coffee • Exploration/proposal of microwave cooking options 	<ul style="list-style-type: none"> • Fossil fuel phase-out • Use of renewable energies • Development of eco-friendly manufacturing methods

*5 Calculated by multiplying the Group's FY2018 standard GHG emissions (approved by the Science Based Targets initiative (SBTi)) by the International Energy Agency's (IEA) 1.5°C scenario carbon tax and emissions trading forecasts for 2030 of \$15/t-CO₂ for emerging countries, \$90/t-CO₂ for Brazil and China, and \$130/t-CO₂ for developed countries, and for 2050 carbon tax and emissions trading forecasts, \$55/t-CO₂ for emerging countries, \$200/t-CO₂ for Brazil and China, and \$250/t-CO₂ for developed countries. The 4°C scenario is the outcome of the current situation with no additional or higher carbon taxes or emissions trading expected.

(3) Scenario analysis: opportunities

1.5°C Scenario (2050): When certain policy measures are taken to reduce GHG emissions and the use of fossil fuels decreases

Opportunity	Low emission products and services	Changes in consumer preferences
Opportunity categories	Products and services	Products and services
Business impact	Increased sales from products with low environmental impact due to rise in popularity of ethical-mindedness	<ul style="list-style-type: none"> • Expanding needs due to health consciousness = Increase in sales • Expanding needs for beverages due to rising temperatures = Increase in sales
Countermeasures	<ul style="list-style-type: none"> • Development of eco-friendly manufacturing methods and products • Initiatives to obtain favorable ESG rating • Strengthen evidence to prove low environmental impact • Measures to shift customer preferences toward medium- and large-quantity products 	<ul style="list-style-type: none"> • Product development that improves nutritional value • Communication to create better eating habits by highlighting nutritional value • Development of eco-friendly manufacturing methods and products

4°C Scenario (2050): In the event that no policy measures are taken to reduce GHG emissions

Opportunity	Low emission products and services	Changes in consumer preferences
Opportunity categories	Products and services	Products and services
Business impact	Increased sales from products with low environmental impact due to rise in popularity of ethical-mindedness	<ul style="list-style-type: none"> Expanding needs due to health consciousness = Increase in sales Expanding needs for beverages due to rising temperatures = Increase in sales
Countermeasures	<ul style="list-style-type: none"> Development of eco-friendly manufacturing methods and products Strengthen evidence to prove low environmental impact Measures to shift customer preferences toward medium- and large-quantity products 	<ul style="list-style-type: none"> Product development that improves nutritional value Communication to create better eating habits by highlighting nutritional value Development of eco-friendly manufacturing methods and products

(4) Reflecting scenario analysis results in strategy

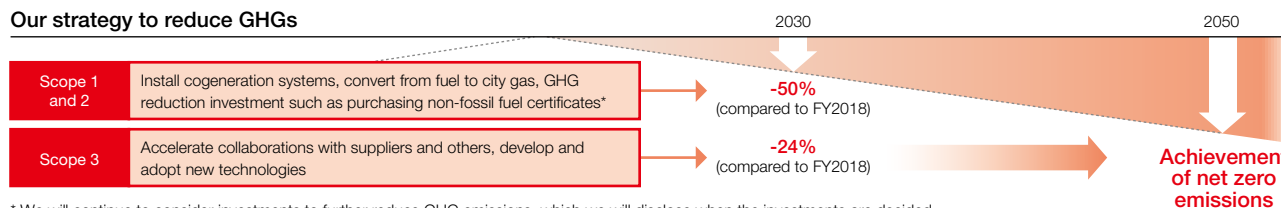
(i) Reflection in business strategy

Based on the impact of the scenario analysis on our business, we plan to invest in fossil fuel phase-out and the use of renewable energies, as well as eco-friendly manufacturing methods to further reduce our GHG emissions in the future. We will also work on formulating

new business strategies to achieve ASV, where sustainability initiatives lead to greater added value for our products.

Moreover, in our scenario analyses from fiscal 2023 onwards, we will expand the ranges of products and risks for analysis and improve our risk/opportunity analysis.

Our strategy to reduce GHGs



* We will continue to consider investments to further reduce GHG emissions, which we will disclose when the investments are decided.

(ii) Reflection on financing strategy

Sustainable finance forms the basis for our acquiring the necessary funds for our various initiatives. Following the October 2021 issuance of our sustainability bonds (SDG bonds) and the committed credit line established in January 2022 through the Positive Impact Finance scheme, we concluded a committed credit line agreement through our Sustainability-Linked Loans in December 2022. Most recently, we also issued sustainability-linked bonds in June 2023*6.

Through this financing, we will further accelerate our efforts to realize one of our two outcomes by 2030, namely, to

reduce our environmental impact by 50%, as well as to realize a sustainable society.

*6 For more details, please refer to the Sustainable Finance webpage below. <https://www.ajinomoto.com/sustainability/finance.php>

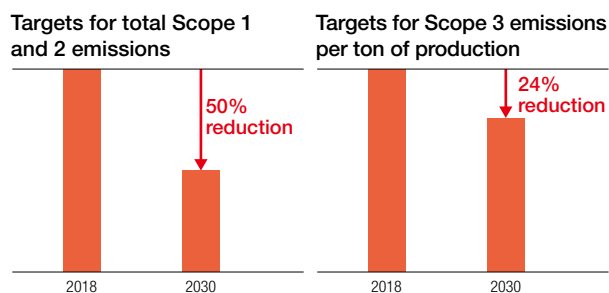
3. Risk management

Our risk management with regard to climate change is as described in “Our approach to sustainability.”

4. Metrics and targets

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

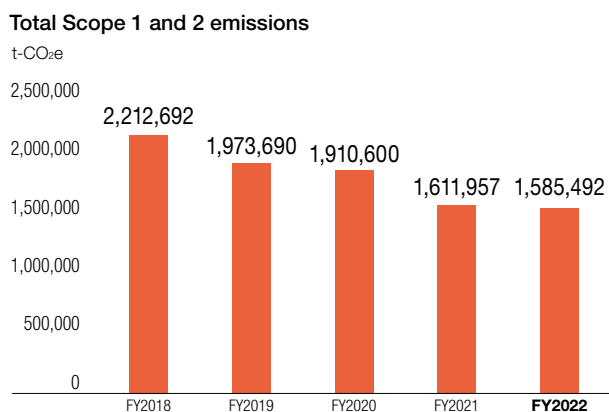
(i) Targets



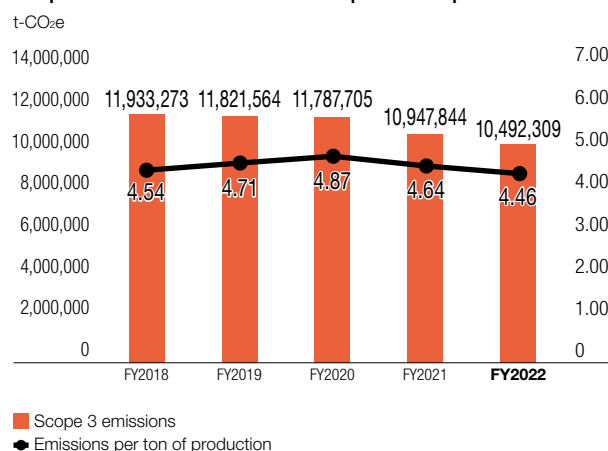
With regard to Scope 1 and Scope 2 GHG emissions, we have set a 50% reduction target (total emissions target) on 2018 levels by fiscal 2030.

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

(ii) FY2022 results



Scope 3 emissions and emissions per ton of production



Total Scope 1 and Scope 2 GHG emissions were down roughly 26,000 t-CO₂e over the previous fiscal year, down 28% on the base year of fiscal 2018. This was slightly below fiscal 2021 levels. Although the amount of in-house power generation decreased due to the unstable city gas supply, and the amount of power purchased increased at some business sites, emissions only slightly decreased due to counteracting measures via direct contracts with renewable energy power plants in Peru and procurement of renewable energy certificates at our Tokai Plant. Moreover, we are on the verge of achieving approximately 80% of our GHG emissions targets for fiscal 2030 (down 50% from 2018 levels) in our current plan, and we are looking at activities to further reduce emissions.

Scope 3 GHG emissions intensity was down by around 4% from the previous fiscal year, and down by around 2% on the base year of fiscal 2018. The main reason for this reduction was the transfer of the manufacture and sale of Ajinomoto General Foods' Blendy® bottled coffee to Suntory Beverage & Food Limited. In fiscal 2023, we plan to conduct trials in collaboration with Scope 3 raw material suppliers. Going forward, we will accelerate external collaboration, including with suppliers, and promote initiatives to reduce GHG emissions.

(iii) Initiatives to achieve targets

Measures to achieve Scope 1 and 2 targets include more energy-saving activities, switching to fuels that generate less GHGs, using renewable energies such as biomass and solar power, and implementing processes to reduce energy consumption (e.g., considering switching from fossil fuels to biomass fuels and procuring renewable energy certificates in China and at our Kyushu Plant).

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

Our approach to human capital

For the Ajinomoto Group, there are four intangible assets (technology, human, customer, and organization) that are important in order to achieve our management strategy. We believe that human assets are particularly important, as they are the source of higher value for our intangible assets overall and match technologies with customers to generate innovation. In addition, we believe that the main challenges to achieving our purpose are as follows:

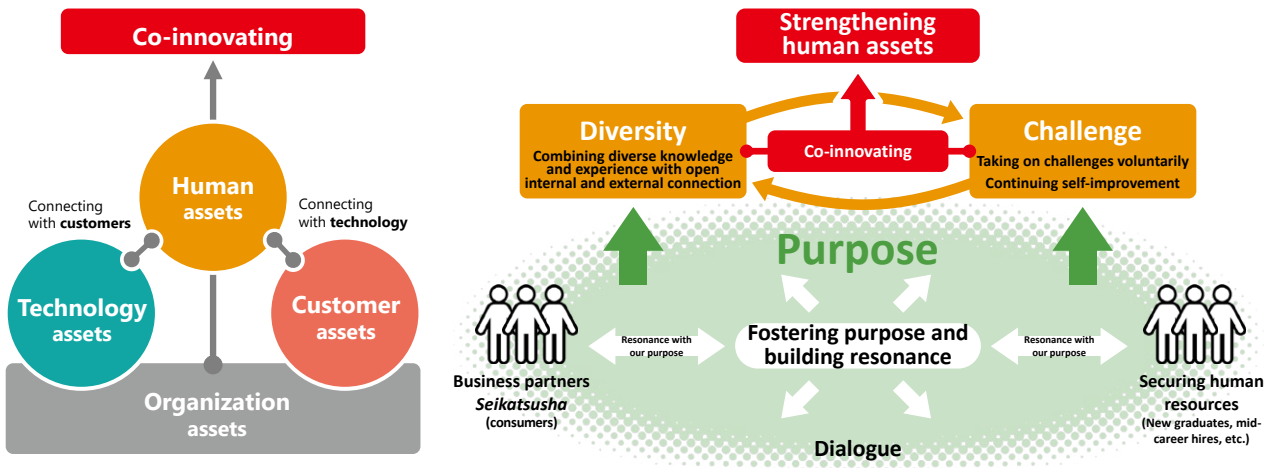
- Greater awareness of the values and purpose shared across the Ajinomoto Group
- Promotion of cross-sectional team initiatives and strengthening ability to co-innovate based on the concept of diversity, equity, and inclusion, which integrates food and “AminoScience,” regions, gender, careers, etc.
- Stronger pioneering spirit (the spirit of constantly challenging ourselves to cultivate new businesses and new markets), a value we have cherished since our founding

(1) Human resource development policy

Bringing together colleagues who resonate with our purpose will help foster purpose and build resonance through dialogue and lead to co-innovation through greater diversity and taking on challenges. To this end, we will continuously strengthen our human assets (human resource investment*7: Approx. ¥10 billion in fiscal 2022, over ¥100 billion cumulative from fiscal 2023 to fiscal 2030). We consider employee engagement an important factor in increasing the Group’s corporate value and will work to improve employee engagement scores*8 (results: 62% in fiscal 2022; target: 80% in fiscal 2025 / 85% in fiscal 2030). For us, the well-being of our employees is the foundation for strengthening our human assets, and we will work to improve this well-being from a holistic approach, including health promotion and asset building.

*7 Amounts include opportunity costs

*8 From fiscal 2023, the measurement method will be changed from a single question about ASV as one’s own initiative to an average value from nine questions about the ASV realization process to better grasp the actual situation (fiscal 2022 results: 75%).

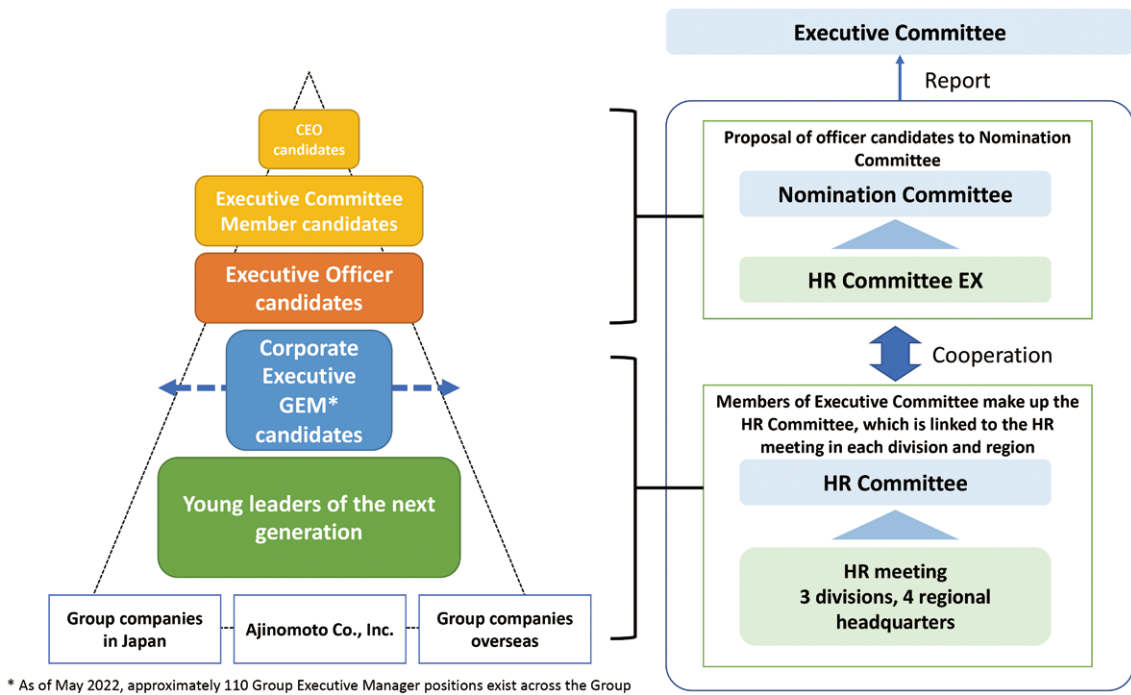


(2) Human resources management system

The Group has introduced a global human resources management system for across-the-board development and promotion of diverse human resources from different countries and regions. This system serves as the foundation for having the right person in the right place at the right time. It contains a mechanism for visualizing key posts and key human resources (a fusion of position management and talent management).

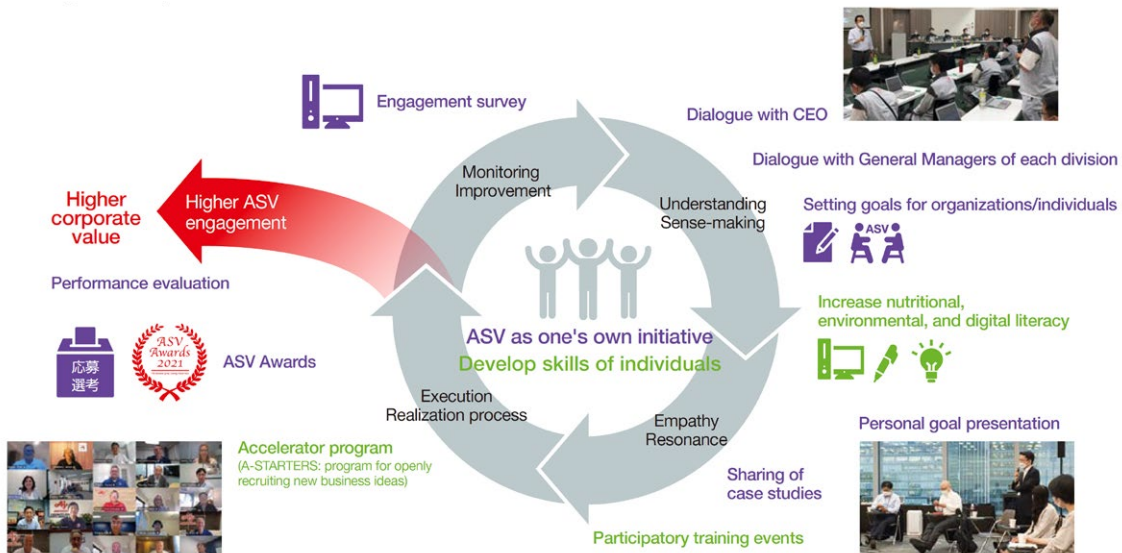
We have also created a management structure for the various measures related to strengthening human assets and

the global human resources management system. Here, we have established the HR Committee EX and HR Committee, which engaged in six discussion sessions in fiscal 2022, and which are subordinate bodies to the Executive Committee, chaired by the CEO, and comprised of members from the Executive Committee. In particular, in terms of building a human resources pipeline, we are creating succession plans for key global positions in conjunction with the Nomination Committee, forming a pool of human resources for next-generation leaders, and strengthening strategic development and appointment.

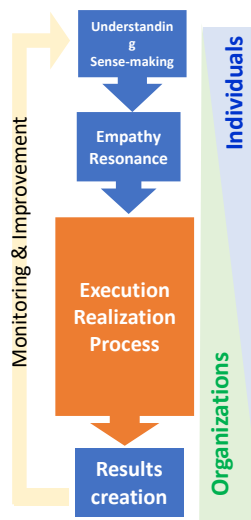


(3) Fostering purpose and building resonance

Our purpose is to “contribute to the well-being of all human beings, our society and our planet with ‘AminoScience’.” To achieve this, the Group is taking systematic action to foster our purpose and build resonance through standardizing our management cycle, and to improve engagement that emerges as a result of our actions.

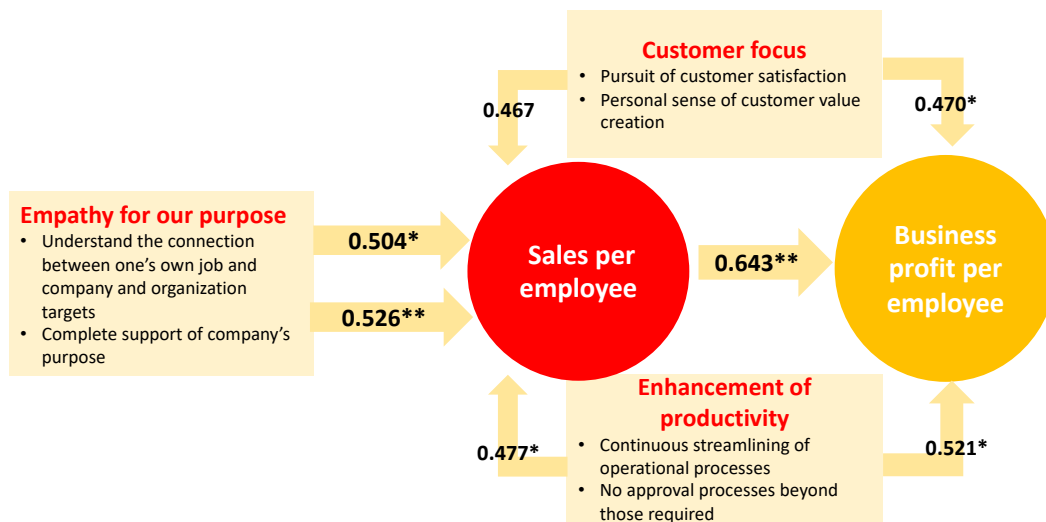


ASV management cycle



ASV Realization Process

Process	Meaning/importance
Empathy for our purpose	Understanding, agreement, and empathy toward company policies
Customer focus	Thinking based on issues for customers and society
ASV as one's own initiative	Self-motivation as the driving force for setting challenges
Encouragement for new opportunities	Accepting challenges and failure is essential for greater individual and organizational achievements
Co-creation through inclusion	Utilize diverse human resources and foster a corporate culture that produces innovation through internal and external dialogue and discussion based on equality
Enhancement of productivity	Need to streamline and refine existing operations to make space for innovation creation
Innovation creation	Innovation through new challenges is essential for resolving social issues
Creation of social and economic value	Creation of outcomes that lead to even greater social and economic value



* Statistically significant correlation at 95%
 ** Significant at 99%

Dialogue with CEO / Dialogue with General Managers	Opportunities for employees of both Ajinomoto Co., Inc. and major affiliates to engage in direct dialogue with the CEO and general managers help instill our corporate purpose.(In fiscal 2022, 63 Dialogue with CEO sessions were held, while 67 Dialogue with General Managers sessions were held.)
Personal goal presentations	At these meetings held worldwide, employees are asked to consider where the company’s purpose connects with their own individual purposes and duties, and to present their own goals for the year. (In fiscal 2022, presentation sessions were held at 29 major Group companies)
ASV Awards	Since 2016, we have commended particularly excellent examples of initiatives that embody ASV. Award-winning examples are shared globally to promote understanding of ASV. In the future, we intend to use this information to further communicate with our stakeholders, including those outside our organization, to foster resonance with our purpose. (For more information, please visit our website: https://www.ajinomoto.com/media/asv-awards)
Engagement survey	Since 2017, we have conducted an engagement survey for all employees worldwide. We have created a system where appropriate measures can be considered and implemented with respect to survey results. This includes the visualization of questions and their scores associated with each process (of the ASV realization process) from understanding and acceptance of ASV to the creation of results as an organization and the assignment of specialists to each company and organization to help clarify issues. In addition, past engagement survey score results have shown a positive correlation between sales per employee and business profit for the items of “empathy for our purpose,” “customer focus,” and “enhancement of productivity.”

(4) Diversity

We believe that an organization must have diversity, equity, and inclusion to create innovation. In such an organization, each individual employee works together in mutual respect irrespective of such concepts as gender, age, nationality, disability, and experience. This confluence of diverse individuals from inside and outside the organization creates co-growth with the organization thanks to harnessing each diverse individual’s strength, leading to the continuous creation of innovation for the future.

Diversity in leadership*9	<p>We are accelerating diversity in key positions such as executive officers and general managers of departments/organizations. By 2030, we aim to have diversity*10 in 30% of our human resources. (As of March 31, 2023: 16%)</p> <p>We aim to increase the Group-wide ratio of female managers from 27% (as of March 31, 2023) to 40% by fiscal 2030. In Japan, where the ratio is particularly low, we aim to achieve 30% by fiscal 2030 by supporting female manager candidates and current female managers through AjiPanna Academy and other programs that provide career development opportunities for women. (Ajinomoto Co., Inc. joined 30% Club Japan in 2019)</p>
Promoting and empowering women	
Mid-career hiring	<p>We are expanding recruitment of mid-career human resources, focusing on those with advanced skills and knowledge regarding launching new businesses. Our goal is to achieve an optimal composition of human resources based on business conditions.</p> <p>Ratio of mid-career hires in fiscal 2022 for Ajinomoto Co., Inc.: 33% Planned ratio of mid-career hires in each of fiscal 2023 and fiscal 2024 for Ajinomoto Co., Inc.: Approx. 50%</p>

*9 Executive officers and general managers of departments/organizations, or similar key positions
 *10 Diversity focused on gender, nationality, and affiliation

(5) Challenge

We believe that it is essential for co-growth of both the organization and individual that the Ajinomoto Group's diverse human resources maximize their capabilities and take on challenges autonomously to achieve our purpose.

Volunteer transfers/project participation	We are accelerating volunteer division transfers and participation in cross-divisional projects. As of fiscal 2022, Ajinomoto Co., Inc. has begun full-scale internal transfers through open internal recruitment. We will promote the cultivation of a culture where employees feel they can volunteer for assignments while also taking into account business conditions and other factors.
Network-based work style	Based on trust and resonance with our vision and purpose, we are providing opportunities to flexibly collaborate and create value, such as through contributions leveraging each employee's qualifications and expertise and participating in projects with external partners. (Examples: Preparation of nutrition literacy education content, support from career advisors, collaborative projects with about 40 industry, government, and academia organizations in Thailand)
Support for autonomous growth	Dispatching employees to corporate partners, external research institutions, MBA programs, or professional graduate schools, etc. (e.g., Hitotsubashi University, International University of Japan, Stanford University)
A-STARTERS (Project for creating new businesses)	In this project, we hold open recruitment and selection for employees of Ajinomoto Co., Inc. and major Group companies in Japan who want to launch new businesses, promoting commercialization of new business plans. It was launched in fiscal 2020, and in fiscal 2022 we received 51 applications. Ideas selected in the project are being considered for commercialization.
Support through 1-on-1 dialogue sessions	We value 1-on-1 dialogue with each employee to help them achieve their purpose and take on new challenges. In particular, to help employees achieve their own career goals, we have held annual one-hour career interviews and semiannual feedback interviews (about one hour) with supervisors since the 1980s. This 1-on-1 dialogue has been the foundation of our human resource development. Also, in order to improve the quality of this 1-on-1 dialogue, coaching training is to be provided to all managers (for Ajinomoto Co., Inc., this is to be implemented in fiscal 2023).




(6) Initiatives for well-being

We believe that the well-being of Group employees is the foundation of our human assets, and work to foster well-being in the interest of health, asset building, etc.

Health management	To improve employee self-care and extend healthy life expectancy, every Ajinomoto Co., Inc. employee (including part-time employees) working in Japan is interviewed by an occupational physician or medical staff once a year (once every other year for Group companies in Japan). Health guidance is provided based on the results of medical checkups, stress assessments, and other measures. We have also introduced our own Mental Health Recovery Program. While taking temporary leave, employees receive ongoing support from the start of their leave until they return to work.
Asset building	Working with outside experts, we provide employees with asset literacy education programs throughout the year while referencing our own systems and policies (approximately 2,800 employees have participated in these programs cumulatively). We also provide opportunities for free (and optional) individual consultations with financial planners, taking measures to help employees build assets. We are also promoting initiatives related to our stock ownership association in the interest of employees autonomously building assets, as well as of raising each employee's awareness of participating in the cycle of corporate value improvement from a medium-term perspective. (71% ^{*11} of employees from the 20 Group companies in Japan [including Ajinomoto Co., Inc.] have joined the association)

*11 As of May 2023

(7) External evaluations of our human capital management

<p>2023 Certified Health and Productivity Management Organization ("White 500" of Large Enterprise Category)</p>	<p>2022 Nadeshiko Brand</p>	<p>PRIDE Index 2022 (Gold)</p>
		
<p>Past certifications: Consecutive yearly certification from 2017 to 2023</p>	<p>Past selections: Selected in 2016, 2017, 2021, and 2022 (selected as a Semi-Nadeshiko Brand in 2019 and 2020)</p>	<p>Past certifications: Consecutive yearly certification from 2020 to 2022</p>

The Ajinomoto Group's approach to human capital is a story of strengthening human assets to realize its purpose, and because it is difficult to separate strategies, indicators, and targets, these are presented in an integrated section.

Management Team

List of Officers

Men: 26 / Women: 6 (percentage of female officers: 18.8%)

(1) Directors

Position	Name	Term of office	Number of Company shares held
Outside Director	Kimie Iwata	Note	1,700
Outside Director	Joji Nakayama	Note	600
Outside Director	Atsushi Toki	Note	5,400
Outside Director	Mami Indo	Note	1,100
Outside Director	Yoko Hatta	Note	—
Outside Director	Scott Trevor Davis	Note	—
Director	Taro Fujie	Note	22,200
Director	Hiroshi Shiragami	Note	14,700
Director	Tatsuya Sasaki	Note	8,000
Director	Takeshi Saito	Note	5,900
Director	Takumi Matsuzawa	Note	15,400
Total		Note	75,100

Note: The terms of office of the Directors are from the end of the Ordinary General Meeting of Shareholders held on June 27, 2023 to the end of the last Ordinary General Meeting of Shareholders held within one year.

(2) Executive Officers

Position	Name	Term of office	Number of Company shares held
Representative Executive Officer & President Chief Executive Officer	Taro Fujie	Note 1	22,200
Representative Executive Officer & Executive Vice President Chief Innovation Officer (CIO)	Hiroshi Shiragami	Note 1	14,700
Executive Officer & Senior Vice President General Manager, Corporate Division	Tatsuya Sasaki	Note 1	8,000
Executive Officer & Senior Vice President General Manager, Food Products Division	Yoshiteru Masai	Note 1	10,700
Executive Officer & Senior Vice President Chief Digital Officer (CDO)	Takayuki Koda	Note 1	15,700
Executive Officer & Vice President General Manager, AminoScience Division	Sumio Maeda	Note 1	5,700
Executive Officer & Vice President	Junichiro Kojima	Note 1	28,800
Executive Officer & Vice President	Chika Morishima	Note 1	11,900
Executive Officer & Vice President Chief Transformation Officer (CXO)	Takeshi Saito	Note 1	5,900
Executive Officer & Vice President	Eiichi Mizutani	Note 1	5,400
Executive Officer	Miroslav Smriga	Note 1	—
Executive Officer & Vice President	Ikuo Kira	Note 1	6,700
Executive Officer & Vice President	Ichiro Sakakura	Note 1	2,900
Executive Officer & Vice President	Jiro Sakamoto	Note 1	15,300
Executive Officer & Vice President	Tatsuya Okamoto	Note 1	8,500
Executive Officer & Vice President	Masami Kashiwakura	Note 1	4,500
Executive Officer & Vice President	Hideaki Kawana	Note 1	13,100
Executive Officer & Vice President	Shigeo Nakamura	Note 1	7,800
Executive Officer & Vice President	Takayuki Tahara	Note 1	9,600
Executive Officer	Masaki Kashihara	Note 1	11,900
Executive Officer	Takaaki Arashida	Note 1	1,200
Executive Officer	Shino Kayahara	Note 1	1,400
Executive Officer	Maiko Mori	Note 1	600
Executive Officer	Michael Lish	Note 1	—
Executive Officer	Shuhei Takehara	Note 1	5,400
Total (Note 2)		Note 1	167,500

Notes: 1. The terms of office of the Executive Officers are from the end of the first Board of Directors meeting held after the conclusion of the Ordinary General Meeting of Shareholders on June 27, 2023 to the end of the first Board of Directors meeting held after the conclusion of the last Ordinary General Meeting of Shareholders held within one year.

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

Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	As of March 31, 2023	As of March 31, 2022
Assets			
Current assets			
Cash and cash equivalents	8, 37	132,777	151,454
Trade and other receivables	9, 37	163,714	162,397
Other financial assets	37	12,312	17,810
Inventories	10	269,822	219,356
Income taxes receivable		12,674	6,024
Others		24,235	24,375
Subtotal		615,537	581,419
Assets of disposal groups classified as held for sale		—	—
Total current assets		615,537	581,419
Non-current assets			
Property, plant and equipment	11	536,565	522,312
Intangible assets	12	65,916	68,309
Goodwill	12	92,114	99,839
Investments in associates and joint ventures	16	119,825	115,248
Long-term financial assets	37	53,749	51,864
Deferred tax assets	17	8,969	7,017
Others		19,056	11,049
Total non-current assets		896,197	875,641
Total assets		1,511,734	1,457,060

Consolidated Statements of Financial Position

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	As of March 31, 2023	As of March 31, 2022
Liabilities			
Current liabilities			
Trade and other payables	18, 37	197,981	199,908
Short-term borrowings	19, 37	12,599	8,219
Current portion of bonds	19, 37	19,988	19,990
Current portion of long-term borrowings	19, 37	16,733	14,418
Other financial liabilities	14, 37	11,084	15,802
Short-term employee benefits	22	42,141	38,567
Provisions	21	7,723	4,486
Income taxes payable		15,990	10,085
Others		15,402	13,153
Subtotal		339,644	324,631
Liabilities of disposal groups classified as held for sale		—	—
Total current liabilities		339,644	324,631
Non-current liabilities			
Corporate bonds	19, 37	119,696	139,631
Long-term borrowings	19, 37	119,548	131,650
Other financial liabilities	14, 37	54,984	56,740
Long-term employee benefits	22	26,568	38,788
Provisions	21	3,499	3,708
Deferred tax liabilities	17	22,361	20,945
Others		2,461	1,219
Total non-current liabilities		349,120	392,684
Total liabilities		688,765	717,316
Equity			
Common stock	23	79,863	79,863
Capital surplus	23	—	—
Treasury stock	23	(1,342)	(1,371)
Retained earnings	23	652,307	616,286
Other components of equity		37,848	(7,869)
Other components of equity related to disposal groups classified as held for sale		—	—
Equity attributable to owners of the parent company		768,676	686,909
Non-controlling interests		54,292	52,834
Total equity		822,968	739,744
Total liabilities and equity		1,511,734	1,457,060

Consolidated Statements of Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Sales	7, 26	1,359,115	1,149,370
Cost of sales		(888,727)	(723,472)
Gross profit		470,387	425,897
Share of profit of associates and joint ventures	7, 16	4,326	985
Selling expenses	27	(186,488)	(168,847)
Research and development expenses	28	(25,867)	(24,842)
General and administrative expenses	29	(127,017)	(112,277)
Business profit	7	135,341	120,915
Other operating income	31	40,983	26,788
Other operating expenses	32	(27,396)	(23,132)
Operating profit		148,928	124,572
Financial income	33	6,099	6,868
Financial expenses	34	(14,994)	(8,968)
Profit before income taxes		140,033	122,472
Income taxes	17	(39,863)	(42,244)
Profit		100,170	80,228
Attributable to:			
Owners of the parent company		94,065	75,725
Non-controlling interests		6,104	4,503
Earnings per share (yen):			
Basic	36	175.97	139.42
Diluted	36	175.96	139.42

Consolidated Statements of Comprehensive Income

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Profit		100,170	80,228
Other comprehensive income (Net of related tax effects)			
Items that will not be reclassified to profit or loss:			
Net gain on revaluation of financial assets measured at fair value through other comprehensive income	35	990	3,828
Remeasurements of defined benefit pension plans	22, 35	4,939	2,202
Share of other comprehensive income (loss) of associates and joint ventures	16, 35	214	(30)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	35	528	514
Hedge surplus	35	(97)	49
Exchange differences on translation of foreign operations	35	44,384	55,748
Share of other comprehensive income (loss) of associates and joint ventures	16, 35	(2,092)	856
Other comprehensive income (Net of related tax effects)	35	48,866	63,169
Comprehensive income		149,036	143,398
Comprehensive income attributable to:			
Owners of the parent company		140,672	134,742
Non-controlling interests		8,364	8,656

Consolidated Statements of Changes in Equity

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Equity attributable to owners of the parent company					Other components of equity			
		Common stock	Capital surplus	Treasury stock	Retained earnings	Net gain on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit pension plans	Cash flow hedges	Hedge surplus	
Balance as of April 1, 2021		79,863	—	(1,464)	608,031	15,465	(16,367)	(2,314)	(286)	
Profit					75,725					
Other comprehensive income	35					3,826	2,359	514	46	
Comprehensive income		—	—	—	75,725	3,826	2,359	514	46	
Purchase of treasury stock	23			(40,041)						
Disposal of treasury stock	23		0	0						
Retirement of treasury stock	23		(39,874)	39,874						
Dividends	24				(27,316)					
Changes in transactions with non-controlling interests			(1,026)							
Changes in ownership interests in subsidiaries that do not result in loss of control	15									
Transfer from other components of equity to retained earnings	37				629	(629)				
Transfer of negative balance of other capital surplus			40,710		(40,710)					
Transfer to non-financial assets								(83)		
Stock-based remuneration transaction	25		(76)	259						
Other			267		(71)					
Total net changes in transactions with owners of the parent company		—	—	93	(67,470)	(629)	—	(83)	—	
Balance as of March 31, 2022		79,863	—	(1,371)	616,286	18,663	(14,008)	(1,883)	(240)	
Balance as of April 1, 2022		79,863	—	(1,371)	616,286	18,663	(14,008)	(1,883)	(240)	
Profit					94,065					
Other comprehensive income	35					984	5,228	528	(98)	
Comprehensive income		—	—	—	94,065	984	5,228	528	(98)	
Purchase of treasury stock	23			(30,022)						
Disposal of treasury stock	23		0	0						
Retirement of treasury stock	23		(29,894)	29,894						
Dividends	24				(31,650)					
Changes in transactions with non-controlling interests			7,881							
Changes in ownership interests in subsidiaries that do not result in loss of control	15		(5,384)							
Transfer from other components of equity to retained earnings	37				889	(889)				
Transfer of negative balance of other capital surplus			27,258		(27,258)					
Transfer to non-financial assets								0		
Stock-based remuneration transaction	25		139	155						
Other					(25)					
Total net changes in transactions with owners of the parent company		—	—	28	(58,044)	(889)	—	0	—	
Balance as of March 31, 2023		79,863	—	(1,342)	652,307	18,758	(8,779)	(1,354)	(338)	

Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company							Total
	Note	Other components of equity			Other components of equity related to disposal groups classified as held for sale	Total	Non-controlling interests	
		Exchange differences on translation of foreign operations	Share of other comprehensive income of associates and joint ventures	Total				
Balance as of April 1, 2021		(61,567)	(384)	(65,454)	(718)	620,257	47,589	667,846
Profit				—		75,725	4,503	80,228
Other comprehensive income	35	50,723	826	58,297	718	59,016	4,152	63,169
Comprehensive income		50,723	826	58,297	718	134,742	8,656	143,398
Purchase of treasury stock	23			—		(40,041)		(40,041)
Disposal of treasury stock	23			—		0		0
Retirement of treasury stock	23			—		—		—
Dividends	24			—		(27,316)	(3,367)	(30,684)
Changes in transactions with non-controlling interests				—		(1,026)		(1,026)
Changes in ownership interests in subsidiaries that do not result in loss of control	15			—		—		—
Transfer from other components of equity to retained earnings	37			(629)		—		—
Transfer of negative balance of other capital surplus				—		—		—
Transfer to non-financial assets				(83)		(83)		(83)
Stock-based remuneration transaction	25			—		183		183
Other				—		195	(43)	152
Total net changes in transactions with owners of the parent company		—	—	(712)	—	(68,089)	(3,410)	(71,500)
Balance as of March 31, 2022		(10,843)	441	(7,869)	—	686,909	52,834	739,744
Balance as of April 1, 2022		(10,843)	441	(7,869)	—	686,909	52,834	739,744
Profit				—		94,065	6,104	100,170
Other comprehensive income	35	41,842	(1,878)	46,606	—	46,606	2,259	48,866
Comprehensive income		41,842	(1,878)	46,606	—	140,672	8,364	149,036
Purchase of treasury stock	23			—		(30,022)		(30,022)
Disposal of treasury stock	23			—		0		0
Retirement of treasury stock	23			—		—		—
Dividends	24			—		(31,650)	(4,267)	(35,918)
Changes in transactions with non-controlling interests				—		7,881		7,881
Changes in ownership interests in subsidiaries that do not result in loss of control	15			—		(5,384)	(2,634)	(8,019)
Transfer from other components of equity to retained earnings	37			(889)		—		—
Transfer of negative balance of other capital surplus				—		—		—
Transfer to non-financial assets				0		0		0
Stock-based remuneration transaction	25			—		294		294
Other				—		(25)	(3)	(29)
Total net changes in transactions with owners of the parent company		—	—	(889)	—	(58,905)	(6,906)	(65,811)
Balance as of March 31, 2023		30,999	(1,436)	37,848	—	768,676	54,292	822,968

Consolidated Statements of Cash Flows

Ajinomoto Co., Inc. and Consolidated Subsidiaries

(Millions of yen)

	Note	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Cash flows from operating activities			
Profit before income taxes		140,033	122,472
Depreciation and amortization		71,820	66,234
Impairment loss and gain on reversal of impairment loss		15,075	9,356
Increase (decrease) in employee benefits		(14,675)	(3,510)
Increase (decrease) in provisions		2,846	(929)
Interest income		(3,373)	(1,334)
Dividend income		(987)	(944)
Interest expense		3,970	3,314
Share of profit of associates and joint ventures	7	(4,326)	(985)
Loss on disposal of non-current assets		4,388	4,825
Gain on sale of non-current assets	31	(33,376)	(15,505)
Loss on sale of non-current assets		217	143
Decrease (increase) in trade and other receivables		3,327	6,057
Increase (decrease) in trade and other payables		(4,065)	10,972
Decrease (increase) in inventories		(41,613)	(17,914)
Increase (decrease) in consumption taxes payable		2,252	(2,065)
Increase (decrease) in other assets and liabilities		6,681	(10,132)
Others		5,780	6,949
Subtotal		153,975	177,004
Interest received		3,334	1,425
Dividends received		3,225	2,061
Interest paid		(3,749)	(3,233)
Income taxes paid		(39,145)	(31,681)
Net cash provided by operating activities		117,640	145,576

Consolidated Statements of Cash Flows

(Millions of yen)

	Note	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Cash flows from investing activities			
Purchase of property, plant and equipment		(68,383)	(73,842)
Proceeds from sale of property, plant and equipment		40,255	17,763
Purchase of intangible assets		(4,663)	(6,877)
Purchase of financial assets		(2,155)	(1,342)
Proceeds from sale of financial assets		3,682	3,555
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	15	—	1,142
Others		1,176	(1,966)
Net cash used in investing activities		(30,087)	(61,567)
Cash flows from financing activities			
Net change in short-term borrowings	20	4,066	(3,949)
Net change in commercial papers	20	—	(30,000)
Proceeds from long-term borrowings	20	2,362	538
Repayments of long-term borrowings	20	(14,299)	(18,328)
Proceeds from issuance of bonds	20	—	9,953
Redemption of bonds	20	(20,000)	—
Dividends paid		(31,630)	(27,273)
Dividends paid to non-controlling interests		(4,100)	(3,779)
Purchase of treasury stock		(30,022)	(40,041)
Net change in money held in trust to purchase treasury stock		—	(66)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation		(8,170)	(151)
Repayments of lease liabilities	20	(9,412)	(10,168)
Others		145	211
Net cash used in financing activities		(111,061)	(123,055)
Effect of currency rate changes on cash and cash equivalents		4,831	8,891
Net change in cash and cash equivalents		(18,677)	(30,155)
Cash and cash equivalents at beginning of the year	8	151,454	181,609
Cash and cash equivalents at end of the year	8	132,777	151,454

Notes to Consolidated Financial Statements

Ajinomoto Co., Inc. and Consolidated Subsidiaries
March 31, 2023

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/?scid=pr_ot_pc_cojphead_global). 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, 2023 were authorized for issue at the Management Meeting held on June 21, 2023, and subsequent events for the period up to the filing date were assessed thereafter.

2. Basis of Preparation

(1) Compliance with IFRS

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

1) Subsidiaries

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

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

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

Comprehensive income of a subsidiary is attributed to

owners of the parent company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

2) Associates and joint ventures

An associate is an entity over which the Group has significant influence in terms of financial and operational policies, but does not control. Associates are accounted for by the equity method from the date the Group obtains significant influence until it loses such influence. A joint venture is a joint arrangement whereby several parties having joint control

of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for by the equity method from the date the Group obtains joint control until it loses it. If an associate or a joint venture applies different accounting policies from those of the Group, adjustments are made to the associate's or joint venture's financial statements to make their accounting policies consistent with the Group's.

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

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

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

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

3) Joint operations

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

(2) Business combinations

Business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by

the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. For each separate business combination, the Group decides whether to measure non-controlling interests at fair value or by the proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date. The Group recognizes goodwill as of the acquisition date measured as the excess of (a) over (b) as described below:

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

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

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

(3) Foreign-currency translation

1) Translation of foreign-currency denominated transactions

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

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

2) Translation of financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the spot exchange rate at the reporting date, and revenues and expenses are translated using the spot exchange rate at the transaction date or the rate that approximates the spot exchange rate, respectively. Translation differences are recognized in

other comprehensive income. In case of disposing of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified to profit or loss in the period of disposal.

The Company has determined that the Republic of Turkey, where it has its subsidiary, is in a hyperinflationary economy as defined by IAS 29 “Financial Reporting in Hyperinflationary Economies,” but has not applied the standard since the application of the standard would not significantly affect the consolidated financial statements.

(4) Financial instruments

1) Financial assets

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

After initial recognition, they are measured at fair value, with subsequent changes recognized in other comprehensive income. Upon disposal, any cumulative gains or losses

recognized through other comprehensive income are reclassified from other components of equity to profit or loss as a reclassification adjustment.

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

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

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

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

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

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

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

2) Impairment of financial assets

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

For details, please see Note 37 “Financial Instruments (4) Loss allowance for expected credit loss.”

3) Financial liabilities

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

Financial liabilities are derecognized when they are

extinguished, that is, when the obligation in the contract is discharged, cancelled or expires.

- (a) Financial liabilities measured at amortized cost
After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method.
- (b) Financial liabilities measured at fair value through profit or loss
After initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value, with subsequent changes in fair value recognized in profit or loss.

4) Derivatives and hedge accounting

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

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

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

- (a) Fair value hedges
Changes in the fair value of a derivative classified as a hedging instrument are recognized in profit or loss. Changes in the fair value of the underlying hedged item are recognized in profit or loss by adjusting the carrying amount of the hedged item.
- (b) Cash flow hedges
The effective portion of changes in the fair value of a derivative classified as a hedging instrument is recognized in other comprehensive income. The ineffective portion of fair value changes is recognized in profit or loss.
For cash flow hedging relationships that hedge foreign exchange risk, the Group designates only changes in the fair value of the spot component of the hedging instrument. Changes in the fair value of the forward component are accounted for separately as the cost of hedging.
If a hedged forecast transaction subsequently

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

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

Hedge accounting is discontinued prospectively when a hedging instrument expires or is sold, terminated or exercised, or when the hedge does not meet the criteria for hedge accounting. If a forecast transaction is no longer expected to occur, the amount recognized in other comprehensive income is transferred immediately from other components of equity to profit or loss.

- (c) Derivatives not designated as hedges
Changes in the fair value of derivatives not designated as hedges are recognized in profit or loss.

5) Put options written on the shares of subsidiaries over non-controlling interests

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

6) Offsetting financial assets and financial liabilities

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

(5) Cash and cash equivalents

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

(6) Inventories

The cost of inventories includes the purchase cost, the processing cost and all other costs incurred in bringing

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

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

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

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

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

(8) Property, plant and equipment (excluding right-of-use assets)

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

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

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

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

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

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

(9) Goodwill and intangible assets

1) Goodwill

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

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

Goodwill is derecognized when an asset in the cash-generating unit or cash-generating unit group is disposed of. In determining gains or losses on disposal, the goodwill related to the business to be disposed of is included in the carrying value of the business.

2) Intangible assets (excluding right-of-use assets)

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

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

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

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

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

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

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

(10) Leases

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

position. After initial recognition, the right-of-use asset is depreciated using the straight-line method over the shorter of its useful life or the lease period.

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

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

The Group has no material lease transactions as a lessor.

(11) Impairment of non-financial assets

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

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

At the end of each period, the Group assesses whether there is an indication that impairment loss recognized in prior periods for an asset, excluding goodwill, or cash-generating unit may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount, and reverses impairment loss by increasing the carrying amount of the asset or cash-generating unit to the recoverable amount. The increase in the carrying amount of an asset or cash-generating unit attributable to reversal of impairment loss should not exceed the carrying amount, which would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversal of impairment loss is recognized immediately in profit or loss. Impairment loss recognized on goodwill is not reversed in subsequent periods.

(12) Provisions

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

the obligation can be reliably estimated.

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

(13) Employee benefits

1) Short-term employee benefits

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

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

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

2) Post-employment benefits

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

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

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

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

3) Other long-term employee benefits

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

(14) Government grants

Government grants are recognized at fair value at the date that the Group meets necessary conditions for receiving the grant and obtains a reasonable assurance that it will receive

the grant. Grants received on the expenses incurred are recognized as revenues in the same accounting period in which the expenses are recognized. Grants received on assets are recognized as deferred income and subsequently recognized in profit or loss systematically over the useful lives of the asset.

(15) Treasury stock

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

(16) Stock-based remuneration

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

For details, please see Note 25 "Stock-based Remuneration (1) Overview of Stock-based Remuneration of Executive Officers Based on the Company's Earnings Performance."

(17) Revenues

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

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(18) Borrowing costs

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

(19) Income taxes

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

Group determines deferred taxes based on the temporary differences between the tax base and the accounting base of the carrying amount of the assets and liabilities at the end of the reporting period.

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

Deferred tax assets or liabilities are not recognized on:

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

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

(20) Earnings per share

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

4. Changes in Accounting Policies and Disclosures

(1) Effects of newly applied IFRS

The Group has applied “International Tax Reform—Pillar Two Model Rules (which amended IAS 12) from the fiscal year ended March 31, 2023.

This amendment stipulates the temporary exemption of the recognition and disclosure of deferred taxes related to taxes arising from the tax system concerning the Pillar Two Model Rules announced by the Organisation for Economic

Co-operation and Development (OECD) (the “Pillar Two income tax”).

The Group has retrospectively applied the exemption from the fiscal year ended March 31, 2023, and has not recognized or disclosed deferred taxes related to the Pillar Two income tax.

(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 15. Subsidiaries, Note 16. Investments Accounted for Using the Equity Method)

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

Important judgments are included in the following notes:

- Impairment of non-financial assets

(Note 3. Significant Accounting Policies (11) Impairment of non-financial assets, Note 13. Impairment of Non-financial Assets)

6. Accounting Standards or Interpretations Issued but Not Yet Applied

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

7. Segment Information

(1) Overview of reportable segments

The Group's reportable segments are categorized primarily by product lines. There are three reportable segments: Seasonings and Foods, Frozen Foods, and Healthcare and Others.

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

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

Reportable Segments	Details	Main Products
Seasonings and Foods	Sauce and Seasonings	Umami seasonings <i>AJI-NO-MOTO</i> [®] , <i>HON-DASHI</i> [®] , <i>Cook Do</i> [®] , <i>Ajinomoto KK Consommé</i> , <i>Pure Select</i> [®] <i>Mayonnaise</i> , <i>Ros Dee</i> [®] (flavor seasoning), <i>Masako</i> [®] (flavor seasoning), <i>Aji-ngon</i> [®] (flavor seasoning), <i>Sazón</i> [®] (flavor seasoning), <i>Sajiku</i> [®] (menu-specific seasoning), <i>CRISPY FRY</i> [®] (menu-specific seasoning), etc.
	Quick Nourishment	<i>Knorr</i> [®] <i>Cup Soup</i> , <i>YumYum</i> [®] (instant noodles), <i>Birdy</i> [®] (coffee beverage), <i>Birdy</i> [®] <i>3in1</i> (powdered drink), <i>Blendy</i> [®] brand products (<i>CAFÉ LATORY</i> [®] , stick coffee, etc.), <i>MAXIM</i> [®] brand products, <i>Chotto Zeitakuna Kohiten</i> [®] brand products, various gift sets, office supplies (coffee vending machines, tea servers), etc.
	Solution and Ingredients	Umami seasonings <i>AJI-NO-MOTO</i> [®] for foodservice and processed food manufacturers in Japan, Seasonings and processed foods for foodservice, Seasonings for processed foods (savory seasonings, enzyme <i>ACTIVA</i> [®]), Drinks supplied to restaurants, Ingredients for industrial use, Delicatessen products, Bakery products, Nucleotides, Sweeteners (aspartame for industrial use, <i>PAL SWEET</i> [®] for retail use, etc.) and others.
Frozen Foods	Frozen Foods	Chinese dumplings (<i>Gyoza</i> , <i>Shoga Gyoza</i> , <i>POT STICKERS</i> , etc.), Cooked rice (<i>THE CHA-HAN</i> , <i>CHICKEN FRIED RICE</i> , <i>YAKITORI CHICKEN FRIED RICE</i> , etc.), Noodles (<i>YAKISOBA</i> , <i>RAMEN</i> , etc.), Desserts (cakes for restaurant and industrial-use, <i>MACARON</i> , etc.), Shumai (<i>THE SHUMAI</i> , etc.), Processed chicken (<i>Yawaraka Wakadori Kara-Age</i> (fried chicken), <i>THE KARAAGE</i> , etc.) and others.
Healthcare and Others	Amino Acids for Pharmaceuticals and Foods	Amino acids, culture media
	Bio-Pharma Services (CDMO services)	Contract development and manufacturing services of pharmaceutical intermediates and active ingredients, aseptic fill finish services, etc.
	Functional Materials (electronic materials and others)	Electronic materials (<i>Ajinomoto Build-up Film</i> [®] (ABF) interlayer insulating material for semiconductor packages, etc.), Functional materials (adhesive <i>PLENSET</i> [®] , Magnetic materials <i>AFTINNOVA</i> [®] <i>Magnetic Film</i> , etc.), activated carbon, release paper, etc.
	Others	Feed-use amino acids, Direct marketing (Fundamental foods (<i>Glyna</i> [®] , <i>Amino Aile</i> [®]), etc.), Sports nutrition (Supplements (<i>amino VITAL</i> [®]), etc.), Personal care ingredients (amino acid-based mild surfactants <i>Amisoft</i> [®] , <i>Amilite</i> [®] , amino acid-based alternatives to plastic microbeads, the <i>AMIHOPE</i> [®] SB series, etc.), Medical foods, Crop services, etc.

(2) Information by reportable segment

Upon the adoption of IFRS, the Ajinomoto Group has introduced “business profit” as a new profit level that will better enable investors, the Board of Directors, and the Management Committee to grasp the core business results and future outlook of each business while also facilitating continual evaluation of the Group’s business portfolio by the Board of Directors and the Management Committee. “Business profit” is defined as sales and share of profit of

associates and joint ventures minus cost of sales, selling expenses, research and development expenses, and general and administrative expenses. Business profit does not include “Other operating income” or “Other operating expenses.”

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 with third parties.

1) Sales and segment profit (loss)

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment				Total	Adjustments*2	As included in consolidated statements of income	
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1				
Sales								
Sales to third parties	775,021	267,237	299,670	17,185	1,359,115	—	1,359,115	
Inter-segment sales and transfers	7,590	131	3,703	27,095	38,520	(38,520)	—	
Total sales	782,612	267,369	303,373	44,280	1,397,635	(38,520)	1,359,115	
Share of profit of associates and joint ventures	2,382	—	(76)	2,020	4,326	—	4,326	
Segment profit or loss (Business profit or loss)	82,999	277	52,504	(440)	135,341	—	135,341	
							Other operating income	40,983
							Other operating expenses	(27,396)
							Operating profit	148,928
							Financial income	6,099
							Financial expense	(14,994)
							Profit before income taxes	140,033

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

*2. Corporate expenses are not attributable to specific reportable segments and are allocated to each reportable segment based on reasonable criteria. Corporate expenses mainly relate to the parent company’s administrative divisions.

Notes to Consolidated Financial Statements

Fiscal year ended March 31, 2022

(Millions of yen)

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

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

*2. Corporate expenses are not attributable to specific reportable segments and are allocated to each reportable segment based on reasonable criteria. Corporate expenses mainly relate to the parent company's administrative divisions.

2) Other income and expense items

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment				Total	Adjustments* ²	As included in consolidated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other* ¹			
Depreciation and amortization	34,187	12,710	16,686	959	64,543	7,276	71,820
Impairment loss	1,394	13,748	—	—	15,143	—	15,143

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

*2. Adjustments for depreciation and amortization and impairment loss consist of depreciation and amortization and impairment loss related to corporate assets.

Fiscal year ended March 31, 2022

(Millions of yen)

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

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

*2. Adjustments for depreciation and amortization and impairment loss consist of depreciation and amortization and impairment loss related to corporate assets.

Notes to Consolidated Financial Statements

3) Assets

Information on assets by reportable segment is as follows:

As of March 31, 2023

(Millions of yen)

	Reportable segment					Total	Adjustments*2	As included in consolidated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1				
Segment assets	600,312	200,384	337,394	90,046	1,228,137	283,597	1,511,734	
Of which investments in associates and joint ventures accounted for by equity method	48,380	—	4,415	67,029	119,825	—	119,825	

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

*2. Adjustments for segment assets primarily consist of corporate assets of ¥342,888 million and elimination of inter-segment receivables and payables of ¥(59,290) 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, 2022

(Millions of yen)

	Reportable segment					Total	Adjustments*2	As included in consolidated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1				
Segment assets	597,177	196,156	303,529	99,128	1,195,992	261,067	1,457,060	
Of which investments in associates and joint ventures accounted for by equity method	45,539	—	4,308	65,399	115,248	—	115,248	

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

*2. Adjustments for segment assets primarily consist of corporate assets of ¥325,267 million and elimination of inter-segment receivables and payables of ¥(64,199) million. Corporate assets primarily consist of the Group's cash and cash equivalents, long-term investments, land not used in operations, and certain assets associated with administrative divisions and research facilities.

*3. In the fiscal year ended March 31, 2023, the calculation of tax expense attributed to each reportable segment was changed in order to evaluate key indicators for each segment more appropriately. The tax expense was calculated using the statutory tax rate and unaffected by the actual tax paid or refunded. Accordingly, the method of allocating assets related to income taxes to each segment was changed, and the effect was retrospectively applied for the fiscal year ended March 31, 2022.

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment					Total	Adjustments*2	As included in consolidated statements of income
	Seasonings and Foods	Frozen Foods	Healthcare and Others	Other*1				
Additions to non-current assets	29,157	11,522	24,596	789	66,065	3,784	69,850	

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

*2. Adjustments for expenditures for non-current assets consist of the acquisition cost of non-current assets associated with corporate assets.

*3. Additions to non-current assets exclude financial instruments, deferred tax assets, defined benefit assets, and right-of-use assets.

Fiscal year ended March 31, 2022

(Millions of yen)

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

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

*2. Adjustments for expenditures for non-current assets consist of the acquisition cost of non-current assets associated with corporate assets.

*3. Additions to non-current assets exclude financial instruments, deferred tax assets, defined benefit assets, and right-of-use 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, 2023

(Millions of yen)

	Asia			Americas		Europe	Total
	Japan	Thailand	Others	U.S.	Others		
Sales	457,827	137,245	261,605	263,789	81,100	157,546	1,359,115

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, 2022

(Millions of yen)

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

Sales are classified into countries or regions based on the customer location.

Major countries or regions included in each geographical area other than Japan are as follows:

Asia: Countries in East Asia and Southeast Asia

Americas: Countries in North America and Central and South America

Europe: Countries in Europe and Africa

2) Non-current assets

As of March 31, 2023

(Millions of yen)

	Asia			Americas		Europe	Total
	Japan	Thailand	Others	U.S.	Others		
Non-current assets	295,959	78,006	81,839	167,176	31,328	42,093	696,403

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, 2022

(Millions of yen)

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

Non-current assets are classified based on the location of the assets and exclude financial instruments, deferred tax assets, and defined benefit assets.

Major countries or regions included in each geographical area other than Japan are as follows:

Asia: Countries in East Asia and Southeast Asia

Americas: Countries in North America and Central and South America

Europe: Countries in Europe and Africa

8. Cash and Cash Equivalents

The details of cash and cash equivalents are as follows:

	As of March 31, 2023	As of March 31, 2022
Cash and bank deposits	132,777	151,454
Securities classified as cash equivalents	0	0
Total cash and cash equivalents in consolidated statements of financial position	132,777	151,454
Total cash and cash equivalents in consolidated statements of cash flows	132,777	151,454

9. Trade and Other Receivables

The details of trade and other receivables are as follows:

	As of March 31, 2023	As of March 31, 2022
Notes receivable - trade	6,077	5,382
Accounts receivable - trade	147,207	145,957
Other receivables	10,554	11,678
Others	1,190	1,132
Loss allowance for expected credit loss	(1,315)	(1,752)
Total	163,714	162,397

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

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

10. Inventories

The details of inventories are as follows:

	As of March 31, 2023	As of March 31, 2022
Finished goods and merchandise	159,614	122,949
Work in process	33,034	30,260
Raw materials and supplies	77,173	66,146
Total	269,822	219,356

The amounts of inventories recognized as expenses were ¥876,478 million and ¥710,784 million for the fiscal years ended March 31, 2023 and 2022, respectively.

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Inventory write-downs	1,817	1,885

11. Property, Plant and Equipment

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

1) Carrying amounts

	(Millions of yen)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2021*1	213,827	157,476	17,533	50,974	46,630	486,443
Acquisition due to purchases from third parties*2	10,596	4,906	1,714	168	60,833	78,219
Sales or disposal	(4,691)	(1,140)	(101)	(445)	(66)	(6,444)
Impairment loss	(857)	(1,806)	(196)	(625)	(191)	(3,675)
Depreciation	(21,748)	(29,404)	(6,023)	(400)	—	(57,577)
Transfer from construction in progress	20,227	39,030	5,537	0	(64,797)	—
Exchange differences on translation	10,312	8,764	740	1,645	2,838	24,300
Others	507	127	(5)	(199)	617	1,048
Balance as of March 31, 2022*1	228,174	177,955	19,199	51,118	45,864	522,312
Acquisition due to purchases from third parties*2	4,100	9,321	1,813	732	55,823	71,792
Sales or disposal	(1,361)	(1,243)	(120)	(7,524)	(17)	(10,267)
Impairment loss	(102)	(1,550)	(23)	—	—	(1,676)
Depreciation	(22,402)	(33,143)	(6,451)	(413)	—	(62,410)
Transfer from construction in progress	15,744	40,595	5,260	—	(61,599)	—
Exchange differences on translation	7,247	6,980	541	1,311	2,275	18,356
Others	(521)	(210)	(125)	605	(1,288)	(1,540)
Balance as of March 31, 2023*1	230,877	198,706	20,094	45,830	41,057	536,565

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

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

	(Millions of yen)				
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
As of April 1, 2021	46,691	3,349	866	7,619	58,527
As of March 31, 2022	46,113	3,362	851	7,806	58,133
As of March 31, 2023	40,102	6,202	1,041	8,161	55,507

*2. The borrowing costs capitalized was ¥16 million for the fiscal year ended March 31, 2022. The capitalization rates applied in calculating the borrowing costs was 0.83% for the fiscal year ended March 31, 2022. There were no borrowing costs capitalized for the fiscal year ended March 31, 2023.

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, 2021	451,550	617,946	78,387	52,211	49,462	1,249,557
As of March 31, 2022	489,936	674,265	83,494	53,095	46,056	1,346,848
As of March 31, 2023	508,193	727,118	88,163	47,662	41,057	1,412,194

3) Accumulated depreciation and impairment loss

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2021	237,722	460,469	60,854	1,236	2,831	763,114
As of March 31, 2022	261,762	496,309	64,294	1,977	191	824,535
As of March 31, 2023	277,315	528,412	68,068	1,832	—	875,629

(2) Commitments

The amounts of commitments for the acquisition of property, plant and equipment as of March 31, 2023 and March 31, 2022 were ¥16,548 million and ¥18,159 million, respectively.

12. Goodwill and Intangible Assets**(1) Changes in the carrying amount, acquisition cost, and accumulated amortization and impairment loss of goodwill and intangible assets are as follows:****1) Carrying amount**

(Millions of yen)

	Intangible assets					Total
	Goodwill	Trademarks	Software	Customer relationships	Others	
Balance as of April 1, 2021	96,024	33,312	25,960	2,589	10,338	72,201
Increase due to individual acquisition	—	2	6,760	—	41	6,805
Sales or disposal	—	—	(746)	—	(9)	(756)
Impairment loss	(2,474)	(556)	(424)	—	(2,228)	(3,208)
Amortization	—	(752)	(6,819)	(321)	(763)	(8,656)
Exchange differences on translation	6,332	480	549	209	798	2,037
Others	(43)	0	(98)	—	(13)	(111)
Balance as of March 31, 2022	99,839	32,486	25,182	2,477	8,163	68,309
Increase due to individual acquisition	—	2	4,609	—	51	4,663
Sales or disposal	—	—	(427)	—	(10)	(438)
Impairment loss	(13,467)	—	—	—	—	—
Amortization	—	(848)	(7,370)	(374)	(745)	(9,338)
Exchange differences on translation	5,811	524	295	208	764	1,792
Others	(68)	(0)	907	—	20	927
Balance as of March 31, 2023	92,114	32,164	23,197	2,311	8,243	65,916

In the fiscal year ended March 31, 2023 and 2022, there were no borrowing costs capitalized.

Amortization of intangible assets is included in “Cost of sales,” “Selling expenses,” “Research and development expenses,” and “General and administrative expenses” in the consolidated statements of income.

2) Acquisition cost

(Millions of yen)

	Intangible assets					
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
As of April 1, 2021	112,948	37,809	79,430	9,952	15,925	143,117
As of March 31, 2022	119,368	38,605	83,778	10,346	16,904	149,635
As of March 31, 2023	126,335	39,300	86,314	10,741	16,193	152,549

3) Accumulated amortization and impairment loss

(Millions of yen)

	Intangible assets					
	Goodwill	Trademarks	Software	Customer relationships	Others	Total
As of April 1, 2021	16,924	4,497	53,469	7,362	5,587	70,916
As of March 31, 2022	19,529	6,119	58,595	7,868	8,741	81,325
As of March 31, 2023	34,220	7,135	63,117	8,430	7,949	86,632

(2) Commitments

The amounts of commitments for the acquisition of intangible assets as of March 31, 2023 and March 31, 2022 were ¥694 million and ¥854 million, respectively.

(3) Intangible assets with indefinite useful lives

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2023 and March 31, 2022 were ¥27,985 million and ¥27,856 million, respectively. The main assets were the "Trademarks" of Ajinomoto AGF's coffee products (Japan) such as "Blendy" and "MAXIM" acquired by the Company in October 2016. As trademarks with an

indefinite useful life continue to exist basically as long as the business lasts, it is impossible to estimate how long the inflow of economic benefits will last in the future. Thus, the trademarks are classified as intangible assets with indefinite useful lives.

(4) Individual intangible assets that are material

Individual intangible assets that were material as of March 31, 2023 and March 31, 2022 included in the consolidated statements of financial position were the "Trademarks" of coffee products (Japan) described in (3), with the carrying amount of ¥25,907 million.

13. Impairment of Non-financial Assets**(1) Impairment loss recognized by asset category**

The Ajinomoto Group recognized impairment loss of ¥15,143 million and ¥9,357 million for the fiscal years ended March 31, 2023 and 2022, respectively. These impairment losses were recorded in "Other operating expenses" in the consolidated statements of income.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Buildings and structures	102	857
Machinery and vehicles	1,550	1,806
Tools, furniture and fixtures	23	196
Land	—	625
Construction in progress	—	191
Software	—	424
Trademarks	—	556
Goodwill	13,467	2,474
Others	—	2,228
Total	15,143	9,357

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

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

Fiscal year ended March 31, 2023

Frozen Foods segment

Since the recoverable amount of Ajinomoto Foods North America, Inc., one of the subsidiaries, was decreasing due to a significant increase in the discount rate associated with rising U.S. long-term interest rates and the current economic situation in the U.S., the Company has reduced the carrying amount of the goodwill of Ajinomoto Foods North America, Inc. to its recoverable amount and recorded the decrease of ¥13,467 million as an impairment loss in "Other operating expenses." The recoverable amount of ¥113,508 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 12.2%.

Fiscal year ended March 31, 2022

1) Seasonings and Foods segment

In consideration of changes in the business environment and the business performance of the Company's subsidiary, More Than Gourmet Holdings, Inc. ("MTG"), the Company recognized impairment losses, consisting of ¥1,676 million of goodwill and ¥2,785 million of intangible assets of MTG, and recorded in "Other operating expenses," due to a decrease in expected future profitability of the subsidiary from the originally projected business plan. The recoverable amount of ¥4,471 million was measured based on the value in use and calculated by discounting its future cash flows to present value using the pre-tax discount rate of 15.7%.

2) Frozen Foods segment

As part of its business restructuring, the Company decided to terminate production at the Osaka Plant owned by the Company's subsidiary, Ajinomoto Frozen Foods Co., Inc. in January 2022, and terminated production in March 2023.

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

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

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

For impairment tests for the goodwill of AFNA, the recoverable amount was measured based on the value in use for the fiscal year ended March 31, 2023, and based on the fair value less costs of disposal for the fiscal year ended March 31, 2022. In calculating the fair value less costs of disposal, the discounted cash flow method was applied, and in calculating the value in use, the expected discounted cash flows were used.

For the fiscal year ended March 31, 2023, calculation of the value in use was based on the management-approved 5-year business plan. The business plan was based on 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 2.0%, and the pre-tax discount rate applied to the cash flow projection was 12.2%.

For the fiscal year ended March 31, 2022, the calculation of expected discounted cash flows was based on the actual operating results and the management-approved business plan. The business plan was based on the external and internal sources of information, reflecting the management's evaluation of future prospects of the industry and past experiences.

In measuring the fair value less costs of disposal for the fiscal year ended March 31, 2022, the main assumptions used by the management were as follows:

- Period used by the management for future cash flow projection: 5 years
- Growth rate used to extend cash flow projection: 3.0%
- Pre-tax discount rate applied to future cash flow projection: 10.8%

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

2. Coffee products (Japan)

For impairment tests for goodwill and intangible assets with indefinite useful lives (trademarks) of coffee products (Japan), including Ajinomoto AGF, Inc., for the fiscal years ended March 31, 2023 and 2022, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used.

Calculation of the value in use was based on the management-approved 3-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 0.8% (0.5% for the fiscal year ended March 31, 2022), and the pre-tax discount rate applied to the cash flow projection was 6.3% (6.8% for the fiscal year ended March 31, 2022).

As of March 31, 2023, the recoverable amount exceeded the carrying amount by ¥78,932 million. If the discount rate increased by 5.5%, an impairment loss would be recognized.

3. Bio-pharma services (CDMO)

For impairment tests for goodwill of bio-pharma services (CDMO) for the fiscal year ended March 31, 2023, the recoverable amount was measured based on the value in use. In calculating the value in use, the future discounted cash flows were used.

Calculation of the value in use was based on the management-approved 3- and 5-year business plans. The business plans were based on the external and internal sources of information, reflecting the management's evaluation of future prospects of the industry and past experiences. The growth rate used to estimate cash flows

beyond the business plans was between 1.7% and 6.8% (between 1.9% and 5.9% for the fiscal year ended March 31, 2022), and the pre-tax discount rate applied to the cash flow projection was between 11.7% and 20.6% (between 11.1% and 18.3% for the fiscal year ended March 31, 2022).

In the fiscal year ended March 31, 2023, the recoverable amount exceeded the carrying amount by ¥71,257 million. If the discount rate increased by 5.2% in each country, an impairment loss would be recognized.

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

Cash-generating unit or group of cash-generating units	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
AFNA	29,366	39,363
Coffee products (Japan)	30,906	30,906
Bio-pharma services (CDMO)	20,796	19,258
Others	11,046	10,311
Total	92,114	99,839

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

Cash-generating unit or group of cash-generating units	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Coffee products (Japan)	25,907	25,907
Others	2,078	1,949
Total	27,985	27,856

14. Leases

The Group's lease transactions are as follows:

(1) Leases as lessee

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

Right-of-use assets are included in property, plant and equipment in the consolidated statements of financial position, and the carrying amount at the end of the fiscal year ended March 31, 2023 is presented in Note 11 "Property, Plant and Equipment."

The amounts of right-of-use assets acquired in the fiscal years ended March 31, 2023 and 2022 were ¥6,716 million and ¥10,937 million, respectively.

Lease liabilities with lease payments due within one year from the end of the fiscal years ended March 31, 2023 and 2022 are classified as current liabilities, and those with longer maturities are classified as non-current liabilities. They are included in other financial liabilities (current) and other financial liabilities (non-current), respectively, in the consolidated statements of financial position.

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Due within one year	6,659	6,975
Due after one year	41,274	43,077
Total	47,933	50,052

The outstanding balances of lease liabilities by due date are presented in Note 37 "Financial Instruments (2) Risk management of financial instruments 2) Liquidity risk."

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

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Depreciation on right-of-use assets		
Buildings and structures	8,010	8,674
Machinery and vehicles	1,083	1,236
Tools, furniture and fixtures	87	115
Land	413	400
Total	9,595	10,427
Interest expense on lease liabilities	651	576
Short-term lease payments	1,227	1,073
Payments for leases of low-value assets	4,012	3,688
Contingent lease payments excluded from lease liabilities	2,784	1,756
Sublease income	(22)	(973)

Total cash outflows for leases for the fiscal years ended March 31, 2023 and 2022 were ¥17,436 million and ¥16,687 million, respectively. Lease contracts committed but not commenced were ¥149 million as of March 31, 2023 and ¥23 million as of and March 31, 2022.

(2) Leases as lessor

There were no significant transactions in the Group.

16. Subsidiaries

(1) Material subsidiaries

Material subsidiaries are as follows:

Subsidiary name	Share capital or contribution	Main business	Principal place of business	Percentage of ordinary shares held by the Group (%)	Percentage of ordinary shares held by non-controlling interests (%)
Ajinomoto Frozen Foods Co., Inc.	9,537 million JPY	Frozen Foods	Japan	100.0	—
Ajinomoto Food Manufacturing Co., Ltd.	4,000 million JPY	Seasonings, Quick Nourishment, Solution & Ingredients	Japan	100.0	—
Ajinomoto AGF, Inc.	3,862 million JPY	Quick Nourishment	Japan	100.0	—
Ajinomoto Fine-Techno Co., Inc.	315 million JPY	Functional Materials	Japan	100.0	—
Ajinomoto Co., (Thailand) Ltd.	796,362 thousand THB	Seasonings	Thailand	99.7	0.3
Ajinomoto Sales (Thailand) Co., Ltd.	50,000 thousand THB	Seasonings, Quick Nourishment	Thailand	100.0	—
PT Ajinomoto Indonesia	8,000 thousand USD	Seasonings	Indonesia	51.0	49.0
PT Ajinomoto Sales Indonesia	250 thousand USD	Seasonings	Indonesia	100.0	—
Ajinomoto Vietnam Co., Ltd.	50,255 thousand USD	Seasonings	Vietnam	100.0	—
Ajinomoto Foods North America, Inc.	15,030 thousand USD	Frozen Foods	United States	100.0	—
Ajinomoto Health & Nutrition North America, Inc.	0 USD	Other (Healthcare), Solution & Ingredients, Bio-Pharma Services & Ingredients	United States	100.0	—
Ajinomoto do Brasil Ind. e Com. de Alimentos Ltda.	913,298 thousand BRL	Seasonings, Solution & Ingredients, Bio-Pharma Services & Ingredients	Brazil	100.0	—
Ajinomoto OmniChem N.V.	21,320 thousand EUR	Bio-pharma services & ingredients	Belgium	100.0	—

(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, 2023	Fiscal year ended March 31, 2022
Changes due to equity transactions with non-controlling interests	(5,384)	—

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

For the fiscal year ended March 31, 2023, there were no profit or loss (before tax effect) recognized due to changes in ownership interests that resulted in the loss of control of subsidiaries.

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

(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, 2023	Fiscal year ended March 31, 2022
Consideration received in cash	—	1,770
Cash and cash equivalents of derecognized subsidiaries	—	627
Net: Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	1,142

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

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

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Carrying amount of interests in associates	77,129	75,265

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Profit attributable to owners of the parent company	2,171	(76)
Other comprehensive income attributable to owners of the parent company	11	13
Total comprehensive income attributable to owners of the parent company	2,182	(63)

(2) Joint ventures

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

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Carrying amount of interests in joint ventures	42,696	39,982

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Profit attributable to owners of the parent company	2,155	1,061
Other comprehensive income attributable to owners of the parent company	(1,889)	813
Total comprehensive income attributable to owners of the parent company	265	1,875

17. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Others	Balance at the end of the year
Deferred tax assets					
Liability for retirement benefits, etc.	7,353	5,015	(8,750)	427	4,046
Accrued compensated absences	2,596	(17)	—	24	2,603
Accrued bonuses	4,095	746	—	38	4,879
Elimination of intercompany profit	4,665	774	—	0	5,439
Net loss carryforwards	1,608	(720)	—	63	951
Period expense	5,259	(671)	—	161	4,749
Impairment loss	5,842	(547)	—	272	5,567
Others	6,770	1,223	(220)	(349)	7,423
Total	38,188	5,803	(8,970)	636	35,657
Deferred tax liabilities					
Net defined benefit assets	(1,825)	(10,681)	7,247	—	(5,258)
Revaluation of property, plant and equipment	(10,868)	605	—	(739)	(11,002)
Reserve for accelerated depreciation of property, plant and equipment	(3,074)	118	—	—	(2,956)
Net changes in fair value of financial assets	(8,737)	—	(227)	(2)	(8,966)
Retained earnings of overseas subsidiaries and associates	(16,715)	(183)	—	—	(16,898)
Others	(10,898)	7,291	—	(360)	(3,968)
Total	(52,117)	(2,849)	7,020	(1,101)	(49,050)
Net deferred tax assets or liabilities	(13,929)	2,954	(1,950)	(468)	(13,393)

Fiscal year ended March 31, 2022

(Millions of yen)

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Others	Balance at the end of the year
Deferred tax assets					
Liability for retirement benefits, etc.	8,442	(991)	(299)	201	7,353
Accrued compensated absences	2,641	(73)	—	28	2,596
Accrued bonuses	4,040	(78)	—	133	4,095
Elimination of intercompany profit	4,135	530	—	—	4,665
Net loss carryforwards	2,550	(1,105)	—	163	1,608
Period expense	5,038	42	—	179	5,259
Impairment loss	7,280	(2,041)	—	603	5,842
Others	9,289	(2,493)	(180)	154	6,770
Total	43,415	(6,209)	(479)	1,460	38,188
Deferred tax liabilities					
Net defined benefit assets	(1,618)	279	(486)	—	(1,825)
Revaluation of property, plant and equipment	(10,235)	392	—	(1,025)	(10,868)
Reserve for accelerated depreciation of property, plant and equipment	(3,207)	133	—	—	(3,074)
Net changes in fair value of financial assets	(7,588)	—	(1,147)	(2)	(8,737)
Retained earnings of overseas subsidiaries and associates	(13,893)	(2,822)	—	—	(16,715)
Others	(8,577)	(1,545)	—	(776)	(10,898)
Total	(45,118)	(3,563)	(1,633)	(1,803)	(52,117)
Net deferred tax assets or liabilities	(1,703)	(9,772)	(2,112)	(343)	(13,929)

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, 2023	As of March 31, 2022
Deferred tax assets	8,969	7,017
Deferred tax liabilities	(22,361)	(20,945)
Net deferred tax assets (liabilities)	(13,393)	(13,929)

(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, 2023	As of March 31, 2022
Future deductible temporary differences	39,785	39,746
Net loss carryforwards	16,236	13,745
Unused tax credits	601	2,078
Total	56,622	55,570

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

Net loss carryforwards (tax base)

	As of March 31, 2023	As of March 31, 2022
Within 1 year	211	99
Over 1 year within 2 years	84	210
Over 2 years within 3 years	570	81
Over 3 years within 4 years	520	569
Over 4 years within 5 years	54	504
Over 5 years	14,794	12,281
Total	16,236	13,745

(Millions of yen)

Unused tax credits (tax base)

	As of March 31, 2023	As of March 31, 2022
Within 1 year	139	1,767
Over 1 year within 2 years	112	139
Over 2 years within 3 years	348	171
Over 3 years within 4 years	—	—
Over 4 years within 5 years	—	—
Over 5 years	—	—
Total	601	2,078

(Millions of yen)

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

As for future taxable temporary differences related to investments in subsidiaries, the Company does not recognize deferred tax liabilities except for those related to the undistributed retained earnings from which dividends will be paid at the end of the reporting period, because the Company is able to control the timing of reversing the temporary differences, and the temporary differences are unlikely to be reversed in foreseeable future. The future taxable temporary differences related to investments in subsidiaries for which no deferred tax liabilities are recognized were ¥298,821 million and ¥302,861 million as of March 31, 2023 and March 31, 2022, respectively.

(4) Deferred tax assets dependent on future taxable income

Deferred tax assets of ¥1,782 million and ¥4,238 million were recognized as of March 31, 2023 and March 31, 2022, respectively, for the Company and its certain subsidiaries that incurred net loss for the fiscal years ended March 31, 2023 or 2022, and whose recoverability of deferred tax assets depends on the future taxable income.

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

(5) Tax expenses

The details of tax expenses are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Current tax expense	42,818	32,471
Deferred tax expense		
Recognition and reversal of temporary differences	(2,112)	9,840
Assessment of recoverability of deferred tax assets	(780)	(84)
Others	(62)	16
Total deferred tax expense	(2,954)	9,772
Total tax expenses	39,863	42,244

(Millions of yen)

(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.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
		(%)
Statutory tax rate	30.6	30.6
Share of profit of associates and joint ventures	(1.0)	(0.3)
Difference from applicable tax rates of foreign subsidiaries	(4.7)	(5.3)
Permanently non-deductible or non-taxable items	2.2	3.5
Special tax credit on corporate income taxes	(2.4)	(1.7)
Increase (decrease) in unrecognized deferred tax assets and liabilities	0.1	2.8
Withholding taxes on dividends from foreign subsidiaries	5.7	7.6
Others	(2.2)	(2.8)
Effective tax rate	28.5	34.5

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.

18. Trade and Other Payables

The details of trade and other payables are as follows:

	As of March 31, 2023	As of March 31, 2022
		(Millions of yen)
Notes payable - trade	1,652	1,162
Accounts payable - trade	111,027	107,792
Accounts payable - other	36,248	39,009
Refund liabilities*	17,482	18,295
Others	31,570	33,648
Total	197,981	199,908

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

19. Corporate Bonds and Borrowings

(1) Corporate bonds

The details of corporate bonds as of March 31, 2023 and March 31, 2022 are as follows:

Company name	Issue	Date of issuance	As of March 31, 2023 (Millions of yen)	As of March 31, 2022 (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Ajinomoto Co., Inc.	The 21st unsecured bond	March 2, 2016	— (—)	19,990 (19,990)	0.200	None	March 2, 2023
Ajinomoto Co., Inc.	The 22nd unsecured bond	March 2, 2016	24,969 (—)	24,959 (—)	0.305	None	March 2, 2026
Ajinomoto Co., Inc.	The 23rd unsecured bond	March 2, 2016	24,915 (—)	24,909 (—)	0.939	None	February 29, 2036
Ajinomoto Co., Inc.	The 24th unsecured bond	March 9, 2017	19,988 (19,988)	19,977 (—)	0.190	None	March 8, 2024
Ajinomoto Co., Inc.	The 25th unsecured bond	March 9, 2017	29,955 (—)	29,944 (—)	0.355	None	March 9, 2027
Ajinomoto Co., Inc.	The 26th unsecured bond	March 9, 2017	29,892 (—)	29,884 (—)	0.921	None	March 9, 2037
Ajinomoto Co., Inc.	The 27th unsecured bond	October 21, 2021	9,962 (—)	9,955 (—)	0.130	None	October 20, 2028
Total			139,684 (19,988)	159,621 (19,990)	—	—	—

Figures in parentheses () represent the current portion of corporate bonds as of March 31, 2023 and March 31, 2022.

(2) Borrowings

The details of borrowings as of March 31, 2023 and March 31, 2022 are as follows:

	As of March 31, 2023 (Millions of yen)	As of March 31, 2022 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	12,599	8,219	5.25	—
Current portion of long-term borrowings	16,733	14,418	1.05	—
Long-term borrowings	119,548	131,650	1.08	From April 2024 to November 2037
Total	148,881	154,288	—	—

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

20. Cash Flow Information

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended March 31, 2023

(Millions of yen)

	Balance at the beginning of the year	Changes arising from cash flows	Changes arising from non-cash transactions					Balance at the end of the year
			Business combinations	Exchange differences on translation	Changes in fair value	Purchase of right-of-use assets	Others	
Short-term borrowings	8,219	4,066	—	312	—	—	—	12,599
Long-term borrowings	146,069	(11,937)	—	2,150	—	—	—	136,281
Corporate bonds	159,621	(20,000)	—	—	—	—	63	139,684
Lease liabilities	50,052	(9,412)	—	576	—	6,716	—	47,933
Derivative liabilities (assets)*2	(634)	609	—	—	(1,676)	—	—	(1,701)
Total liabilities arising from cash flows from financing activities	363,329	(36,674)	—	3,040	(1,676)	6,716	63	334,798

*1. The balance includes the current portion.

*2. Derivatives are held for the purpose of hedging exposure to interest rate risk on borrowings.

Fiscal year ended March 31, 2022

(Millions of yen)

	Balance at the beginning of the year	Changes arising from cash flows	Changes arising from non-cash transactions					Balance at the end of the year
			Business combinations	Exchange differences on translation	Changes in fair value	Purchase of right-of-use assets	Others	
Short-term borrowings	10,820	(3,949)	—	1,298	—	—	50	8,219
Commercial papers	30,000	(30,000)	—	—	—	—	—	—
Long-term borrowings*1	159,996	(17,790)	—	3,678	—	—	184	146,069
Corporate bonds*1	149,608	9,953	—	—	—	—	60	159,621
Lease liabilities	56,398	(10,168)	—	(7,113)	—	10,937	—	50,052
Derivative liabilities (assets)*2	1,196	(69)	—	—	(1,761)	—	—	(634)
Total liabilities arising from cash flows from financing activities	408,019	(52,024)	—	(2,137)	(1,761)	10,937	295	363,329

*1. The balance includes the current portion.

*2. Derivatives are held for the purpose of hedging exposure to interest rate risk on borrowings.

21. Provisions

Major provisions and changes in their balances are as follows:

(Millions of yen)

	Provision for levies	Provision for special incentive for employee stock ownership association	Provision for environmental measures	Provision for loss on litigation	Others	Total
Balance as of April 1, 2021	3,310	—	1,119	916	3,701	9,048
Increase in the period (provisions)	3,257	—	10	257	1,004	4,529
Increase in the period (increase arising from passage of time)	—	—	—	—	1	1
Decrease in the period (utilization)	(3,214)	—	(192)	(192)	(673)	(4,272)
Decrease in the period (reversal)	(3)	—	(62)	(24)	(1,574)	(1,664)
Exchange differences on translation	46	—	24	307	166	544
Others	0	—	—	—	8	8
Balance as of March 31, 2022	3,395	—	900	1,265	2,633	8,194
Increase in the period (provisions)	2,811	3,158	433	376	1,507	8,286
Increase in the period (increase arising from passage of time)	—	—	—	—	1	1
Decrease in the period (utilization)	(2,787)	—	(18)	(150)	(1,152)	(4,108)
Decrease in the period (reversal)	(55)	—	0	(205)	(1,021)	(1,283)
Exchange differences on translation	70	—	33	25	46	175
Others	—	—	—	0	(43)	(43)
Balance as of March 31, 2023	3,435	3,158	1,347	1,311	1,971	11,223

(Millions of yen)

	As of March 31, 2023	As of March 31, 2022
Current liabilities	7,723	4,486
Non-current liabilities	3,499	3,708
Total	11,223	8,194

(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, 2023.

(2) Provision for special incentive for employee stock ownership association

In preparation for the payment of special incentives to members of the employee stock ownership association, the amount accrued for the fiscal year ended March 31, 2023 has been recorded. The expected timing of future outflow of economic benefits is within one year from the end of the fiscal year ended March 31, 2023.

(3) Provision for environmental measures

In preparation for payment for environmental measures such as soil remediation work, an allowance for the amount of costs expected to be incurred has been recorded. The expected timing of future outflow of economic benefits is mainly after one year from the end of the fiscal year ended March 31, 2023.

(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.

22. Employee Benefits

(1) Post-employment benefits

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

(a) Defined benefit plans in Japan

The Group has several defined benefit plans in Japan. The amount of retirement benefits to be provided by these defined benefit plans is determined by the base salary, calculated by the number of accumulated points earned until the employee's retirement, and the interest crediting rates on the accumulated points based on the 20-year Japanese government bond yield or the fund performance. 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. Furthermore, to prepare for the future risk of fund shortage, the Company has introduced a risk-reducing contribution, which enables a balanced fund status and stable management.

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, the Philippines, and others, 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, 2023.

	(Millions of yen)		
	Japan	Overseas	Total
Present value of defined benefit obligations	224,709	29,638	254,348
Fair value of plan assets	236,989	10,960	247,950
Net defined benefit liabilities (assets)	(12,280)	18,677	6,397
Amounts in consolidated statements of financial position			
Assets (Other non-current assets)	17,194	54	17,249
Liabilities (Long-term employee benefits)	4,914	18,732	23,647

The following table shows the details of defined benefit liabilities or assets as of March 31, 2022.

(Millions of yen)

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

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, 2021	249,763	23,220	272,983
Current service cost	6,153	2,132	8,285
Interest cost	1,729	656	2,385
Remeasurement of the present value of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	(646)	317	(329)
Actuarial (gains) losses arising from changes in financial assumptions	(8,667)	(1,163)	(9,830)
Changes in other actuarial assumptions and other experience adjustments	6,763	147	6,910
Past service cost	—	27	27
Contributions to the plan by plan participants	—	32	32
Benefits paid from the plan	(11,311)	(1,463)	(12,775)
Exchange differences on translation	—	1,598	1,598
Others	(244)	(519)	(763)
Balance as of March 31, 2022	243,538	24,985	268,524
Current service cost	5,479	2,252	7,731
Interest cost	2,575	1,085	3,660
Remeasurement of the present value of defined benefit obligations:			
Actuarial (gains) losses arising from changes in demographic assumptions	(1,563)	—	(1,563)
Actuarial (gains) losses arising from changes in financial assumptions	(16,548)	(1,155)	(17,704)
Changes in other actuarial assumptions and other experience adjustments	1,984	679	2,664
Past service cost	—	23	23
Other cost	—	1,889	1,889
Contributions to the plan by plan participants	—	40	40
Benefits paid from the plan	(10,675)	(1,622)	(12,297)
Exchange differences on translation	—	1,345	1,345
Others	(81)	115	34
Balance as of March 31, 2023	224,709	29,638	254,348

The weighted average duration of defined benefit obligations as of March 31, 2023 was 15.8 years in Japan and 12.0 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, 2021	230,025	8,699	238,724
Interest income	1,571	108	1,680
Remeasurement of fair value of plan assets:			
Return on plan assets	(478)	103	(374)
Actuarial gains (losses) arising from changes in financial assumptions	105	7	112
Contributions:			
Contributions to the plan by employer	8,721	1,493	10,214
Contributions to the plan by plan participants	288	32	321
Benefits paid from the plan	(11,094)	(1,246)	(12,340)
Exchange differences on translation	—	477	477
Others	(1)	(64)	(65)
Balance as of March 31, 2022	229,138	9,611	238,750
Interest income	2,577	211	2,789
Remeasurement of fair value of plan assets:			
Return on plan assets	(10,334)	31	(10,302)
Actuarial gains (losses) arising from changes in financial assumptions	126	13	139
Contributions:			
Contributions to the plan by employer	25,979	1,317	27,296
Contributions to the plan by plan participants	—	40	40
Benefits paid from the plan	(10,457)	(878)	(11,336)
Exchange differences on translation	—	615	615
Others	(40)	(2)	(42)
Balance as of March 31, 2023	236,989	10,960	247,950

The expected amount of contributions to the defined benefit plans for the fiscal year ending March 31, 2024 is ¥14,533 million.

The following table shows the components of plan assets.

(Millions of yen)

	As of March 31, 2023		As of March 31, 2022	
	Japan	Overseas	Japan	Overseas
Debt instruments				
With quoted price in active markets	—	190	—	177
With no quoted price in active markets	—	—	—	—
Equity instruments				
With quoted price in active markets	—	—	—	—
With no quoted price in active markets	—	—	—	—
Commingled investments				
Debt instruments				
With no quoted price in active markets	113,610	733	109,893	680
Equity instruments				
With no quoted price in active markets	57,051	—	57,016	—
Others				
With no quoted price in active markets	8,418	—	9,568	—
Life insurance general accounts				
With no quoted price in active markets	38,508	9,562	35,749	8,334
Alternative investments				
With no quoted price in active markets	11,858	—	10,272	—
Cash and cash equivalents	474	428	850	372
Others	7,067	45	5,787	46
Total	236,989	10,960	229,138	9,611

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

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

5) Actuarial assumptions

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

(%)

	As of March 31, 2023		As of March 31, 2022	
	Japan	Overseas	Japan	Overseas
Discount rates	1.3	5.0	0.9	4.0

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, 2023	
	Japan	Overseas
Increase in defined benefit obligations if the discount rate decreased by 0.1%	3,318	260
Decrease in defined benefit obligations if the discount rate increased by 0.1%	(3,241)	(270)

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, 2023			Fiscal year ended March 31, 2022		
	Japan	Overseas	Total	Japan	Overseas	Total
Current service cost	5,479	2,252	7,731	6,153	2,132	8,285
Net interest cost	(2)	873	871	157	547	705
Past service cost	—	23	23	—	27	27
Other cost	—	1,889	1,889	—	—	—
Total (Profit or loss)	5,477	5,038	10,515	6,310	2,707	9,018
Actuarial (gains) losses arising from changes in demographic assumptions	(1,563)	—	(1,563)	(646)	317	(329)
Actuarial (gains) losses arising from changes in financial assumptions	(16,674)	(1,169)	(17,843)	(8,772)	(1,170)	(9,943)
Return on plan assets (Excluding the amount included in interest income)	10,334	(31)	10,302	478	(103)	374
Changes in other actuarial assumptions and other changes	1,984	679	2,664	6,763	147	6,910
Total (Other comprehensive income)	(5,918)	(521)	(6,440)	(2,177)	(809)	(2,987)

8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans were ¥18,416 million and ¥16,066 million for the fiscal years ended March 31, 2023 and 2022, 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, 2023	As of March 31, 2022
Short-term employee benefits		
Accrued salaries	4,051	4,015
Accrued bonuses	20,569	17,570
Accrued compensated absences	12,468	12,044
Others	5,052	4,937
Total	42,141	38,567
Other long-term employee benefits		
Provision for stock-based remuneration	—	22
Accrued retirement benefits for directors	353	293
Others	2,567	2,957
Total	2,921	3,272

23. Common Stock and Reserve

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

	As of March 31, 2023	As of March 31, 2022
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	536,996,254	549,163,354
Decrease due to retirement of treasury stock	7,198,100	12,167,100
End of the year	529,798,154	536,996,254
Treasury stock*2 (Common stock with no par value)		
Beginning of the year	559,323	663,058
End of the year	495,714	559,323

*1. All shares of common stock are fully paid.

*2. The Company has introduced a Stock-based Remuneration of Executive Officers Based on the Company's Medium-term Earnings Performance (the "Stock-based Remuneration") for Executive Officers of the Company.

The Stock-based Remuneration has adopted a framework of Directors' Remuneration BIP (Board Incentive Plan) Trust. The Directors' Remuneration BIP Trust holds 373,400 ordinary shares of the Company (total share purchase amount: ¥834 million) and 442,900 ordinary shares of the Company (total share purchase amount: ¥989 million) in the fiscal years ended March 31, 2023 and 2022, respectively.

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

(2) Capital surplus and retained earnings

Reserve comprises the following:

1) Capital surplus

i. Legal capital surplus

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

ii. Other capital surplus

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

2) Retained earnings

i. Legal retained earnings

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

ii. Other retained earnings

Other retained earnings include unappropriated retained earnings. These represent the cumulative amount of earnings of the Group.

(3) Capital management

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

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

	As of March 31, 2023	As of March 31, 2022
Capital (Millions of yen)	768,676	686,909
Equity ratio attributable to owners of the parent company (%)	50.8	47.1
ROE attributable to owners of the parent company (%)	12.9	11.6

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.

24. Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2023

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥28)	15,032	March 31, 2022	June 23, 2022	June 24, 2022
Interim dividend (Dividend per share: ¥31)	16,643	September 30, 2022	November 7, 2022	December 2, 2022

*1. The total amount of year-end dividends includes ¥12 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.

*2. The total amount of interim dividends includes ¥12 million in dividends on the Company's shares held by Director's Remuneration BIP Trust.

Fiscal year ended March 31, 2022

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥26)	14,275	March 31, 2021	June 23, 2021	June 24, 2021
Interim dividend (Dividend per share: ¥24)	13,066	September 30, 2021	November 4, 2021	December 3, 2021

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

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

Dividends for which the effective date falls in the next fiscal year commencing April 1, 2023 are as follows:

	Total amount of dividends (Millions of yen)	Record date	Resolution date	Effective date
Year-end dividend (Dividend per share: ¥37)	19,598	March 31, 2023	June 27, 2023	June 28, 2023

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

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

25. Stock-based Remuneration

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

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

Under the Stock-based Remuneration, a stock-granting trust (the "Trust") grants the Company's shares to eligible persons after the end of the three fiscal years starting from April 1, 2020 (the "Period"), based on the evaluation using predetermined evaluation indicators.

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

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

The number of the Company's shares to be granted to the Executive Officers is calculated by multiplying the evaluation indicators calculated based on the target achievement rate and the assessment weighting for each evaluation indicator, by the amount of the pre-set medium-term performance-linked remuneration by officers' ranks and then dividing the product by the closing price of the Company's shares on March 31, 2020 (¥2,010.5). (Shares less than 100 are rounded down.)

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

The assessment criteria, performance targets and assessment weighting are as follows:

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

*1. Weighted average value of target achievement rate for each year in the Period (weighted average: 25% in FY2020, 25% in FY2021, 50% in FY2022)
ROIC is calculated based on the following formula. All figures are consolidated amounts.

Operating profit after tax for the fiscal year ÷ ((Invested capital for the fiscal year + Invested capital for the previous fiscal year) ÷ 2)

Invested capital = Shareholders' equity attributable to owners of the parent company + Interest-bearing debt

*2. Target achievement rates for FY2022

Core business sales ratio is calculated based on the following formula. All figures are consolidated amounts.

Core business sales for FY2022 ÷ Consolidated sales for FY2022

*3. Target achievement rates for FY2022

Relative total shareholder return is calculated based on the following formula.
Total Company shareholder return at the end of FY2022 ÷ Total TOPIX shareholder return including dividends for the corresponding period used to calculate total Company shareholder return

*4. Self-assessment of employee engagement survey results, the initiatives started in the Medium-Term Management Plan (MTP) and achievement of these initiatives

*5. Self-assessment of the initiatives and achievement of the ESG targets in the MTP

*6. For non-Japanese Executive Officers, other than the amounts based on the above, separate share-based compensation linked to medium-term earnings performance based on different evaluation indicators may be paid.

(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, 2023 and 2022 were ¥834 million and 373,400 shares, and ¥989 million and 442,900 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.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Share price as of the grant date	—	—	¥1,828.5
Vesting period	—	—	3 years
Expected annual dividends	—	—	¥32/share
Discount rate	—	—	0.0%
Weighted average fair value	—	—	¥1,732.5

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

Expenses recorded for the Stock-based Remuneration were ¥269 million and ¥183 million for the fiscal years ended March 31, 2023 and 2022, 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 ¥446 million and ¥226 million for the fiscal years ended March 31, 2023 and 2022, respectively.

26. Sales

Revenue recognized from contracts with customers is presented as sales.

(1) Sale of goods and services**1) Seasonings and Foods**

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

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

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

2) Frozen Foods

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

The Company's obligation in the contracts with customers is to deliver ordered products to the customers. The Company typically satisfies its performance obligations upon delivery of goods. Payment terms are based on individual

contracts, but consistent with market conventions, and the promised amount of consideration does not have a significant financing component.

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

3) Healthcare and Others

Healthcare and Others segment of the Group earns revenues mainly from the provision of amino acids for pharmaceuticals and foods, bio-pharma services (CDMO), and sales of functional materials (electronic materials and others).

"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.

"Bio-pharma services (CDMO)" 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.

"Functional materials (electronic materials and others)" 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.

“Others” business mainly sells feed-use amino acids, health foods, and supplements for athletes.

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) 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, 2023	Fiscal year ended March 31, 2022
Seasonings and Foods	Sauce & Seasonings	379,795	315,736
	Quick Nourishment	209,546	192,594
	Solution & Ingredients	185,679	155,906
	Subtotal	775,021	664,237
Frozen Foods	Frozen Foods	267,237	221,702
	Subtotal	267,237	221,702
Healthcare and Others	Amino Acids for Pharmaceuticals and Foods	57,696	49,136
	Bio-Pharma Services (CDMO)	71,886	55,694
	Functional Materials (electronic materials and others)	70,116	60,552
	Others	99,970	85,876
	Subtotal	299,670	251,259
Others		17,185	12,171
Total		1,359,115	1,149,370

(3) Contract balance

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

Fiscal year ended March 31, 2023

		(Millions of yen)	
		As of March 31, 2023	As of April 1, 2022
Contract liabilities		8,589	10,590

Fiscal year ended March 31, 2022

		(Millions of yen)	
		As of March 31, 2022	As of April 1, 2021
Contract liabilities		10,590	8,891

Revenues recognized for the fiscal years ended March 31, 2023 and 2022 that were included in the opening balance of contract liabilities were ¥10,590 million and ¥8,891 million, respectively.

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

(4) Transaction price allocated to remaining performance obligations

There were remaining performance obligations related to a manufacturing service agreement for pharmaceuticals products as of March 31, 2023 and March 31, 2022. 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.

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.

27. Selling Expenses

The details of selling expenses are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
		(Millions of yen)
Logistics expenses	61,706	53,085
Advertising	34,369	36,533
Sales promotion expenses	21,925	19,496
Sales commissions	2,519	2,160
Employee benefit expenses	44,100	38,665
Depreciation and amortization	3,320	3,809
Others	18,545	15,096
Total	186,488	168,847

28. Research and Development Expenses

The details of research and development expenses are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
		(Millions of yen)
Employee benefit expenses	11,477	11,407
Depreciation and amortization	2,854	2,872
Subcontracting and consumables expenses	5,637	5,276
Others	5,898	5,285
Total	25,867	24,842

29. General and Administrative Expenses

The details of general and administrative expenses are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
		(Millions of yen)
Employee benefit expenses	67,419	61,868
Depreciation and amortization	17,413	14,781
Others	42,184	35,627
Total	127,017	112,277

30. Employee Benefit Expenses

The details of employee benefit expenses are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Salaries	143,982	127,452
Bonuses	40,395	37,159
Compensated absences	2,819	1,998
Retirement benefits	26,171	24,379
Directors' remuneration	2,886	2,520
Directors' bonuses	678	766
Stock-based remuneration	269	183
Other employee benefits	28,964	24,846
Total	246,168	219,306

31. Other Operating Income

The details of other operating income are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Gain on sale of non-current assets	33,376	15,505
Lease income	1,044	2,038
Insurance proceeds	91	248
Gain on reversal of provision for contract loss	239	1,517
Others	6,231	7,478
Total	40,983	26,788

*1. Gain on sale of non-current assets for the fiscal year ended March 31, 2022 includes gain on sale of idle assets of ¥13,696 million.

*2. Gain on sale of non-current assets for the fiscal year ended March 31, 2023 includes gain on sale of idle assets located in Kawasaki, Kanagawa, Japan, of ¥28,049 million.

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

32. Other Operating Expenses

The details of other operating expenses are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Impairment loss	15,143	9,357
Loss on disposal of non-current assets	4,388	4,825
Expenses on leased assets	890	1,722
Others	6,973	7,226
Total	27,396	23,132

33. Financial Income

The details of financial income are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
(Millions of yen)		
Interest income		
Financial assets measured at amortized cost	3,373	1,334
Subtotal	3,373	1,334
Dividend income		
Financial assets measured at fair value through other comprehensive income	987	944
Subtotal	987	944
Gain on valuation of derivatives		
Financial assets and liabilities measured at fair value through profit or loss	1,249	1,921
Subtotal	1,249	1,921
Others	488	2,669
Total	6,099	6,868

34. Financial Expenses

The details of financial expenses are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
(Millions of yen)		
Interest expenses		
Financial liabilities measured at amortized cost	3,097	2,631
Lease liabilities	651	576
Derivatives	351	378
Subtotal	4,099	3,586
Foreign exchange loss	2,164	2,122
Unwinding of discount on provisions arising from passage of time	1	1
Loss allowance for expected credit loss	3	31
Others	8,726	3,227
Total	14,994	8,968

35. Other Comprehensive Income

The details of other comprehensive income are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
(Millions of yen)		
Items that will not be reclassified to profit or loss:		
Net gain on revaluation of financial assets measured at fair value through other comprehensive income:		
Amount arising during the period	1,486	5,166
Before tax effects	1,486	5,166
Tax effects	(495)	(1,337)
Net gain on revaluation of financial assets measured at fair value through other comprehensive income	990	3,828
Remeasurements of defined benefit pension plans:		
Amount arising during the period	6,440	2,987
Before tax effects	6,440	2,987
Tax effects	(1,501)	(785)
Remeasurements of defined benefit pension plans	4,939	2,202
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	214	(30)
Share of other comprehensive income (loss) of associates and joint ventures	214	(30)
Items that may be reclassified to profit or loss:		
Cash flow hedges:		
Amount arising during the period:		
Currency risk	(15,324)	(3,331)
Interest rate risk	364	300
Reclassification adjustments:		
Currency risk	15,357	3,377
Interest rate risk	351	378
Before tax effects	748	725
Tax effects	(219)	(210)
Cash flow hedges	528	514
Hedge surplus:		
Amount arising during the period	321	(107)
Reclassification adjustments	(451)	164
Before tax effects	(130)	57
Tax effects	32	(7)
Hedge surplus	(97)	49
Exchange differences on translation of foreign operations:		
Amount arising during the period	44,384	54,742
Reclassification adjustments	—	1,005
Before tax effects	44,384	55,748
Tax effects	—	—
Exchange differences on translation of foreign operations	44,384	55,748
Share of other comprehensive income (loss) of associates and joint ventures:		
Amount arising during the period	(1,948)	931
Reclassification adjustments	(144)	(75)
Share of other comprehensive income (loss) of associates and joint ventures	(2,092)	856
Total other comprehensive income	48,866	63,169

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

36. Earnings per Share

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

(1) Profit attributable to owners of the parent company

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
	(Millions of yen)	
Amount used for calculating the basic earnings per share	94,065	75,725
Amount used for calculating the diluted earnings per share	94,065	75,725

(2) Weighted average number of ordinary shares

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
	(Thousands of shares)	
Weighted average number of ordinary shares	534,540	543,131
Effect of dilutive potential ordinary shares	38	5
Weighted average number of dilutive potential ordinary shares	534,579	543,137

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
	(Yen)	
Basic earnings per share	175.97	139.42
Diluted earnings per share	175.96	139.42

* 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.

37. 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, 2023	As of March 31, 2022
(Current assets)		
Other financial assets		
Derivative assets*	2,776	7,057
(Non-current assets)		
Long-term financial assets		
Debt instruments	1,956	633
Derivative assets*	1,200	452
(Current liabilities)		
Other financial liabilities		
Derivative liabilities*	842	1,057
(Non-current liabilities)		
Other financial liabilities		
Derivative liabilities*	1,388	1,818

* 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, 2023	As of March 31, 2022
(Current assets)		
Cash and cash equivalents	132,777	151,454
Trade and other receivables	163,714	162,397
Other financial assets		
Debt instruments	9,535	10,753
(Non-current assets)		
Long-term financial assets		
Debt instruments	5,553	5,121
(Current liabilities)		
Trade and other payables	197,981	199,908
Short-term borrowings	12,599	8,219
Current portion of bonds	19,988	19,990
Current portion of long-term borrowings	16,733	14,418
Other financial liabilities	3,583	7,768
(Non-current liabilities)		
Corporate bonds	119,696	139,631
Long-term borrowings	119,548	131,650
Other financial liabilities	12,321	11,844

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2022
(Non-current assets)		
Long-term financial assets		
Equity instruments*	45,253	45,656

* The Company may hold cross-shareholdings at counterparties' 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, 2023 and March 31, 2022.

As of March 31, 2023

(Millions of yen)	
Issuer	Amount
Seven & i Holdings Co., Ltd.	5,968
Mitsubishi UFJ Financial Group, Inc.	4,985
HOUSE FOODS GROUP INC.	3,807
TOKAI DENPUN CO., LTD.	2,843
CITIC Capital Asian Foods Holdings Limited	2,833

As of March 31, 2022

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

The following table shows the dividends received from equity instruments held during the fiscal years ended March 31, 2023 and 2022.

(Millions of yen)		
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Dividends from equity instruments derecognized during the period	227	6
Dividends from equity instruments held at the end of the period	760	937
Total	987	944

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

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

(Millions of yen)		
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Fair value as of disposal date	2,232	2,169
Cumulative gains on disposal	1,158	819

Cumulative gains arising from the changes in the fair value of financial assets measured at fair value through other comprehensive income are transferred to retained earnings when shares are sold. The cumulative gains in other

comprehensive income that were transferred to retained earnings were ¥889 million and ¥629 million for the fiscal years ended March 31, 2023 and 2022, respectively.

(2) Risk management of financial instruments

1) Credit risk

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

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

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

Except for guarantee obligations, the Group's maximum exposure to the credit risk is the carrying amounts of the financial assets recognized in the consolidated statements of financial position.

The Group holds deposits mainly as collateral against some trade and other receivables. The amounts of deposits included in other financial liabilities in the consolidated statements of financial position as of March 31, 2023 and 2022 were ¥11,480 million and ¥11,597 million, respectively. Financial instruments not offset in the consolidated statements of financial position since they do not meet the offsetting criteria are generally offset only when specific events occur, such as bankruptcy and other circumstances, in which a customer fails to settle debts.

2) Liquidity risk

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

The following tables show the outstanding balances of non-derivative financial liabilities by maturity. Trade and other payables in current liabilities, which mature within one year and whose carrying amounts are equal to the contractual cash flows, are not included in the tables.

As of March 31, 2023

	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	147,324	20,731	706	25,700	30,624	524	69,037
Borrowings	156,414	30,874	35,129	7,326	3,319	14,543	65,219
Lease liabilities	49,851	7,008	6,687	6,244	5,095	3,740	21,075
Others*	11,556	22	—	—	—	40	11,494

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

As of March 31, 2022

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

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

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

As of March 31, 2023

		Within 1 year	Over 1 year
Currency related	In	2,065	133
	Out	825	172
Interest rate related	Out	225	2,011
Currency and interest rate related	In	1,235	1,334

As of March 31, 2022

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

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.

As a basic rule, forward exchange 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, and when the settlement date comes beyond six months but within one year, with an upper limit of 25% of the monthly forecast transaction amounts.

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, 2023	As of March 31, 2022
U.S. dollars	21,570	18,374
Euro	17,629	8,827

For financial instruments held by the Group at the end of each fiscal year, the effects of a 1% increase in Japanese yen against the U.S. dollar and the Euro on profit before income taxes and other comprehensive income (before tax effect) are as follows:

The analysis is based on an assumption that all other variables remain constant.

The analysis does not include financial instruments denominated in functional currency, the effect of translation of income and expenses denominated in foreign currencies and of assets and liabilities of foreign operations.

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Profit before income taxes		
U.S. dollars	(16)	(10)
Euro	(25)	(12)
Other comprehensive income (before tax effect)		
U.S. dollars	(15)	(9)
Euro	0	1

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, 2023	As of March 31, 2022
Borrowings with variable interest rates	5,820	2,756

Exposure to the share price fluctuation risk is as follows:

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2022
Financial assets measured at fair value through other comprehensive income		
Long-term financial assets	27,556	28,512

(3) Hedge accounting

1) Currency risk

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

(Fair value hedge)

The Group controls its currency risk, basically by using forward exchange 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 exchange contracts for the settlement currency per each transaction.

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

(Cash flow hedge)

The Group controls the currency risk related to forecast transactions by using forward exchange contracts. In such cases, forward exchange 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, and when the settlement date comes beyond six months but within one year, with an upper limit of 25% of the monthly forecast transaction amounts. Forward exchange contracts are not permitted for settlement date beyond one year.

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

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

If the above transactions qualify for hedge accounting, the cash flow hedge is applied. The Group designates the hedging relationship so that the hedged selling and purchasing prices of inventories denominated in foreign currencies and acquisition and selling prices of foreign subsidiaries and associates would equal to the nominal principal of the hedging instrument. In hedging currency risk for part of the intercompany cash transactions denominated in foreign currencies between consolidated companies, the Group designates only the fair value of the spot element of the hedging instrument in the hedging relationship, while

accounting for changes in fair value of the forward element as cost of hedging.

In determining the effectiveness of the hedge, the economic relationship between the hedged item and the hedging instrument is assessed based on whether the hedging relationship is expected to be highly effective in

offsetting changes in cash flows. Ineffective part of the hedge expected to affect hedging relationship during the period of the hedge is mainly caused by the difference between the exchange rates applicable to the hedged item and the hedging instrument.

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

As of March 31, 2023

	Balance by maturity		Total	Average rate
	Within 1 year	Over 1 year		
Forward exchange contracts				
(Short position)				
USD	13,791 thousand USD	—	13,791 thousand USD	130.41 JPY/USD
EUR	3,621 thousand EUR	—	3,621 thousand EUR	140.99 JPY/EUR
THB	5,426 thousand THB	—	5,426 thousand THB	3.82 JPY/THB
(Long position)				
USD	6,000 thousand USD	—	6,000 thousand USD	129.53 JPY/USD
Currency swaps				
(Short position)				
JPY	100,015,400 thousand JPY	—	100,015,400 thousand JPY	0.26 THB/JPY

As of March 31, 2022

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

Notes to Consolidated Financial Statements

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

Fiscal year ended March 31, 2023

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
Forward exchange contracts				
(Short position)	10,292 thousand USD			
	3,208 thousand EUR	—	23 million JPY	Other financial liabilities
	5,426 thousand THB			

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

Hedged item	Carrying amount	Accumulated fair value hedge adjustments on hedged item included in carrying amount	Recognized in consolidated statements of financial position
Trade receivables	1,863		23 Trade and other receivables

(Millions of yen)

There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2023.

Fiscal year ended March 31, 2022

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Forward exchange contracts				
(Short position)	6,486 thousand USD			
	736 thousand EUR			
	162 thousand CAD	73 million JPY	55 million JPY	Other financial assets Other financial liabilities
	9,234 thousand THB			
	364,457 thousand RUB			

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

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

(Millions of yen)

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

Notes to Consolidated Financial Statements

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

Fiscal year ended March 31, 2023

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
Forward exchange contracts				
(Short position)	3,499 thousand USD			
	412 thousand EUR	—	7 million JPY	Other financial liabilities
Forward exchange contracts				
(Long position)	6,000 thousand USD	19 million JPY	—	Other financial assets
Currency swaps				
(Short position)	100,015,400 thousand JPY	1,109 million JPY	—	Other financial assets

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

Hedged item	(Millions of yen)
	Cash flow hedges
Forecast transactions related to sales of inventories	5
Forecast transactions related to purchases of inventories	13

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

Other than the above, cash flow hedge is applied to intercompany monetary items between consolidated companies, but the hedged items are eliminated in the consolidated statements of financial position.

There was no material ineffective portion of the hedge for the fiscal year ended March 31, 2023.

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	(91)	102	Other operating expenses	—
Forecast transactions related to purchases of inventories	11	—	—	0
Part of intercompany cash transactions denominated in foreign currencies between consolidated companies	(15,209)	15,209	Financial expenses	—

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

Of the cost of hedging related to intercompany receivables and payables denominated in foreign currencies between consolidated companies, ¥243 million was recognized as other comprehensive income and ¥(340) million was reclassified and accounted for as financial income.

Notes to Consolidated Financial Statements

Fiscal year ended March 31, 2022

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

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

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

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

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

Other than the above, cash flow hedge is applied to intercompany monetary items between consolidated companies, but the hedged items are eliminated in the consolidated statements of financial position.

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

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

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

Of the cost of hedging related to intercompany receivables and payables denominated in foreign currencies between consolidated companies, ¥(116) million was recognized as other comprehensive income and ¥165 million was reclassified and accounted for as financial expenses.

2) Interest rate risk

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

Bonds and borrowings with variable interest rates are hedged by interest rate swaps to hedge interest payments on bonds and borrowings with variable interest rates per transaction. If the hedged bonds and borrowings with variable interest rates qualify for hedge accounting, cash flow hedge

is applied. The Group designates the hedging relationship so that the hedged financial instruments' balance and the nominal principal of the hedging instrument would equal. In determining the effectiveness of the hedge, the economic relationship between the hedged item and the hedging instrument is assessed based on whether the hedging relationship is expected to be highly effective in offsetting changes in cash flows.

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

	As of March 31, 2023	As of March 31, 2022
Balance of borrowings with variable interest rates	21,982	25,978

Notes to Consolidated Financial Statements

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

As of March 31, 2023

	Balance by maturity (Millions of yen)			Average rate (%)
	Within 1 year	Over 1 year	Total	
Interest-rate swaps				
Receivable/variable and pay/fixed	4,000	18,000	22,000	Variable Fixed 0.0503 1.1020

As of March 31, 2022

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

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

Fiscal year ended March 31, 2023

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

Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	(Millions of yen)
				Recognized in consolidated statements of financial position
Interest-rate swaps				
Receivable/variable and paid/fixed	22,000	—	1,232	Other financial liabilities

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

Hedged item	(Millions of yen)
	Cash flow hedges
Borrowings with variable interest rates	(856)

Other than the above, there was a balance of ¥(507) million in cash flow hedges arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

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

There was no ineffective portion of the hedge for the fiscal year ended March 31, 2023.

Hedged item	Losses recognized in other comprehensive income	Reclassified from cash flow hedges to profit or loss	(Millions of yen)
			Reclassification recognized in
Borrowings with variable interest rates	254	169	Financial expenses

Other than the above, there were a loss of ¥7 million recognized in other comprehensive income and a reclassification of ¥74 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, 2022

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

(Millions of yen)				
Hedging instrument	Notional principal amount	Carrying amount (Assets)	Carrying amount (Liabilities)	Recognized in consolidated statements of financial position
Interest-rate swaps				
Receivable/variable and paid/fixed	26,000	—	1,840	Other financial liabilities

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

(Millions of yen)	
Hedged item	Cash flow hedges
Borrowings with variable interest rates	(1,280)

Other than the above, there was a balance of ¥(589) million in cash flow hedges arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

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

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

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

Other than the above, there were a gain of ¥(2) million recognized in other comprehensive income and a reclassification of ¥81 million from cash flow hedges to profit or loss, arising from the hedging relationships in which hedge accounting on corporate bonds was discontinued.

(4) Loss allowance for expected credit loss

1) Credit risk management practice

The Group recognizes a loss allowance for expected credit loss on financial assets measured at amortized cost.

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

Stage 1: No significant increase in credit risk is indicated.

Stage 2: Significant increase in credit risk is indicated, but no credit impairment is indicated.

Stage 3: Both significant increase in credit risk and credit impairment are apparent.

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

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

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

Irrespective of the three stages, when it is reasonably

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

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

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

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

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

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

Financial assets to which the general approach is applied

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

	As of March 31, 2023			As of March 31, 2022		
	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	10,368	—	186	11,496	—	181
Other financial assets	9,368	—	167	10,753	—	—
Long-term financial assets	5,632	—	14	5,417	—	172
Others	1,099	—	—	1,129	—	—

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

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

	Fiscal year ended March 31, 2023			Fiscal year ended March 31, 2022		
	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	103	—	354	118	—	165
Increase	28	—	167	100	—	184
Decrease	(0)	—	(160)	(116)	—	(0)
Stage change	(7)	—	—	—	—	—
Exchange differences on translation	0	—	7	0	—	4
Balance at the end of the year	124	—	368	103	—	354

Financial assets to which the simplified approach is applied

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

	As of March 31, 2023	As of March 31, 2022
	Credit risk: Low	153,369
Credit risk: Medium	132	647
Credit risk: High	225	277
Total	153,727	151,343

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, 2023	Fiscal year ended March 31, 2022
Balance at the beginning of the year	1,376	772
Increase	189	759
Decrease	(583)	(259)
Exchange differences on translation	(76)	103
Balance at the end of the year	906	1,376

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, 2023		As of March 31, 2022	
	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	368	225	354	277
Credit enhancement, including collateral held	—	—	—	—

38. Fair Value

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

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

Each level of fair value hierarchy is defined as follows:

Level 1: Fair values measured at quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured using direct or indirect observable inputs other than those of level 1; and

Level 3: Fair values measured using unobservable inputs

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

The details of assets and liabilities measured at fair value on a recurring basis at the end of each period are as follows; provided that any transfer between the levels of fair value hierarchy is recognized at the end of the period in which the transfer is made.

As of March 31, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative assets				
Currency related	—	2,199	—	2,199
Interest rate and currency related	—	1,777	—	1,777
Debt instruments	—	361	1,595	1,956
Financial assets measured at fair value through other comprehensive income				
Equity instruments	27,556	757	16,939	45,253
Total assets	27,556	5,095	18,534	51,186
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities				
Currency related	—	998	—	998
Interest rate related	—	1,232	—	1,232
Total liabilities	—	2,230	—	2,230

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, 2022

(Millions of yen)

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

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

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

Derivative assets and liabilities

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

Financial assets measured at fair value through other comprehensive income

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

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

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

Fiscal year ended March 31, 2023

	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	16,575	78	294	(9)	16,939

(Millions of yen)

Fiscal year ended March 31, 2022

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

(Millions of yen)

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

Other than the above, there was no material fair value change with respect to the level 3 debt instruments for the fiscal years ended March 31, 2023 and 2022, respectively.

There were no transfers between levels for the fiscal years ended March 31, 2023 and 2022, respectively.

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

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

The details of assets and liabilities measured at fair value on a non-recurring basis as of the end of the fiscal years ended March 31, 2023 and 2022 are presented in Note 13 “Impairment of Non-financial Assets.”

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

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

As of March 31, 2023

	Carrying amount	Fair value
		Level 2
Assets		
Debt instruments	5,553	5,522
Total	5,553	5,522
Liabilities		
Corporate bonds	119,696	118,928
Long-term borrowings	119,548	119,937
Total	239,245	238,865

(Millions of yen)

As of March 31, 2022

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

(Millions of yen)

Financial assets and liabilities other than the above are not included as they are equal to or approximate their carrying amounts.

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

Debt instruments

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

Corporate bonds

Fair values are determined based on the market prices.

Long-term borrowings

For long-term borrowings with fixed interest rates, the fair values are determined based on the present value of the sum of the principal and interests discounted by the rate with the credit risk deemed applicable if a similar borrowing was newly made. For long-term borrowings with variable interest rates, the fair values are measured at their carrying amounts, because the borrowings with variable interest rates reflect the current market rates in the short term and the Group's credit standing has

not significantly changed since the initial borrowing, and thus considered to approximate the carrying amounts.

In addition, there were the level 3 put options written on non-controlling interests of ¥4,810 million for the fiscal year ended March 31, 2022. Put options written on non-controlling interests are measured based on the present value of the probable amount required to be paid to the contractual counterparty, and the carrying amount and fair value of these put options are equal. At initial recognition, a deduction is made from capital surplus, and subsequent changes are recognized as "Financial income" or "Financial expenses" in the consolidated statements of income. This valuation model uses unobservable inputs, including EBITDA ratio based on the contract, and the valuation is subject to change due to business plans or interest rates at the time of measurement. There was no balance of the put options as of March 31, 2023 as all put options were exercised in the fiscal year ended March 31, 2023.

39. 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, 2023

(Millions of yen)

Type	Name	Relationship with related party	Details of transaction	Transaction amount	Outstanding balance
Officer and its close relatives	Gwinnett Bompas	Former Executive Officer of the Company	Compensation for early termination of employment contracts	396	396

* Mr. Gwinnett Bompas served as an executive officer of the Company while maintaining his employment contract as an employee of S.A. Ajinomoto OmniChem N.V. ("AOC"). He retired from his position as an executive officer of the Company on June 23, 2022, and his employment contract with AOC terminated on March 31, 2023. The amount payable to him by AOC was recorded in "Other operating expenses" in consolidated statements of income, which was fully paid on April 7, 2023.

Fiscal year ended March 31, 2022

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, 2023	Fiscal year ended March 31, 2022
Short-term employee benefits		
Basic compensation	834	788
Performance-based compensation	368	614
Total	1,202	1,403

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

Other than the above, share-based payment of ¥286 million and ¥282 million were recognized in the fiscal years ended March 31, 2023 and 2022, respectively.

40. Material Subsequent Events

(Acquisition of treasury stock)

At a meeting of the Board of Directors held on May 11, 2023, the Company passed a resolution on matters related to the acquisition of treasury stock as well as the treasury stock holding policy in accordance with the provisions of Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same act.

1. Reason for Acquisition of Treasury Stock

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

2. Details of matters related to the acquisition

(1) Type of shares to be acquired	Common stock
(2) Total number of shares to be acquired	12.5 million (upper limit) (2.36% of the total number of shares issued (excluding treasury stock))
(3) Total amount of shares to be acquired	¥50 billion (upper limit)
(4) Acquisition period	From May 12, 2023 to July 31, 2023
(5) Acquisition method	(a) Trading through Off-auction own share repurchase on Tokyo Stock Exchange Trading Network System (ToSTNet-3) (b) Market purchase on the Tokyo Stock Exchange
(6) Other	All of the treasury stock acquired through this acquisition will be retired, except some portion, by resolution of the Board of Directors in accordance with the provisions of Article 178 of the Companies Act.

The treasury stock was acquired on May 12, 2023 through Trading through Off-auction own share repurchase on Tokyo Stock Exchange Trading Network System (ToSTNet-3) in (5) Acquisition method.

(1) Type of shares acquired	Common stock
(2) Total number of shares acquired	5 million shares (Approximately 0.9% of the total shares issued (excluding treasury stock))
(3) Total amount of shares acquired	¥24.16 billion (¥4,832 per share)

Furthermore, after the repurchase through off-auction own share repurchase on Tokyo Stock Exchange Trading Network System (ToSTNet-3), the Company will continue the repurchase of treasury shares on the Tokyo Stock Exchange with the upper limit (subtracted by the number of shares and the amount of shares acquired by off-auction own share repurchase on Tokyo Stock Exchange Trading Network System (ToSTNet-3)) that was resolved at the meeting of the Board of Directors held on May 11, 2023.

3. Clarification of treasury stock holding policy

The Company plans to shift towards growth by accelerating investments in four growth areas. To diversify the sources of investment, the use of treasury stock, in addition to cash expenditures, is being considered. Also, to improve sustainable corporate value, not only the executives, but also the employees active stock holdings, becomes important. So the Company considers restricted stock compensation and stock options in the future.

Therefore, for the above and other reasons, the Company has resolved to hold the acquired treasury stock with the maximum of approximately 1% of the total number of shares issued. For the treasury stock acquired this time, the Company has decided to hold approximately 0.25% of the total number of shares issued and not to retire.

The Company will ensure capital mobility and maximize corporate value while taking into account the most appropriate options.

(2) Other

Quarterly information for the fiscal year ended March 31, 2023

(Cumulative period)	3 months ended Jun. 30	6 months ended Sept. 30	9 months ended Dec. 31	12 months ended Mar. 31
Sales (Millions of yen)	321,619	659,853	1,026,721	1,359,115
Profit before income taxes (Millions of yen)	38,147	68,169	111,246	140,033
Profit attributable to owners of the parent company (Millions of yen)	27,738	47,025	76,422	94,065
Basic earnings per share (Yen)	51.71	87.66	142.59	175.97
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	51.71	35.95	54.92	33.25

Major Subsidiaries and Associates

(As of March 31, 2023)

■ Consolidated subsidiaries ● Associates accounted for by the equity method ▲ Joint ventures

Company Name	Country	Capital Stock (Thousands)	Ratio of Voting Rights (%) ^{*1}	Major Business
Japan				
■ AJINOMOTO FROZEN FOODS CO., INC. (Special subsidiary company)	Japan	JPY 9,537,650	100.0	Frozen Foods
■ Ajinomoto Food Manufacturing Co., Ltd. (Special subsidiary company)	Japan	JPY 4,000,000	100.0	Quick Nourishment
■ Ajinomoto AGF, Inc. (Special subsidiary company)	Japan	JPY 3,862,697	100.0	Quick Nourishment
■ AJINOMOTO HEALTHY SUPPLY CO., INC.	Japan	JPY 380,000	100.0	Other (Healthcare)
■ AJINOMOTO ENGINEERING CORPORATION	Japan	JPY 324,500	100.0	Other
■ Ajinomoto Fine-Techno Co., Inc.	Japan	JPY 315,000	100.0	Functional Materials
■ AJINOMOTO TRADING, INC.	Japan	JPY 200,000	100.0	Other (Healthcare)
■ DELICA ACE CO., LTD.	Japan	JPY 200,000	100.0	Solution & Ingredients
■ Ajinomoto Financial Solutions, Inc.	Japan	JPY 100,000	100.0	Other
■ AJINOMOTO BAKERY CO., LTD.	Japan	JPY 100,000	100.0	Solution & Ingredients
■ Ajinomoto Communications Co., Inc.	Japan	JPY 100,000	100.0	Other
■ GeneDesign, Inc.	Japan	JPY 59,900	100.0	Bio-Pharma Services & Ingredients
■ SAPS CO., LTD.	Japan	JPY 50,000	100.0	Solution & Ingredients
■ Ajinomoto Direct Co., Inc.	Japan	JPY 10,000	100.0	Other (Healthcare)
■ Ajinomoto Digital Business Partners Co., Inc.	Japan	JPY 51,000	66.7	Other
● EA Pharma Co., Ltd.	Japan	JPY 9,145,000	40.0	Other
● J-OIL MILLS, INC.	Japan	JPY 10,000,000	27.2	Other
Asia				
■ Ajinomoto SEA Regional Headquarters Co., Ltd.	Thailand	THB 2,125,000	100.0	Seasonings & Foods and Frozen Foods
■ AJINOMOTO COMPANY (THAILAND) LIMITED (Special subsidiary company)	Thailand	THB 796,362	99.7 (0.0)	Seasonings
■ AJINOMOTO SALES (THAILAND) COMPANY LIMITED	Thailand	THB 50,000	100.0 (100.0)	Seasonings and Quick Nourishment
■ Ajitrade (Thailand) Co., Ltd.	Thailand	THB 10,000	100.0 (100.0)	Other (Healthcare) and Quick Nourishment
■ WAN THAI FOODS INDUSTRY CO., LTD.	Thailand	THB 60,000	60.0 (35.0)	Quick Nourishment
■ AJINOMOTO BETAGRO FROZEN FOODS (THAILAND) CO., LTD.	Thailand	THB 764,000	50.0 (50.0)	Frozen Foods
■ P.T. AJINOMOTO INDONESIA	Indonesia	USD 8,000	51.0	Seasonings
■ PT AJINOMOTO SALES INDONESIA	Indonesia	USD 250	100.0 (80.0)	Seasonings
■ AJINOMOTO VIETNAM CO., LTD.	Vietnam	USD 50,255	100.0	Seasonings
■ AJINOMOTO (MALAYSIA) BERHAD	Malaysia	MYR 65,102	50.4	Seasonings
■ AJINOMOTO PHILIPPINES CORPORATION	Philippines	PHP 665,444	95.0	Seasonings
■ Ajinomoto (China) Co., Ltd. (Special subsidiary company)	China	USD 104,108	100.0	Other (Healthcare)

Major Subsidiaries and Affiliates

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 Solution & Ingredients
■ Shanghai Ajinomoto Trading Co., Ltd.	China	CNY 10,000	100.0 (100.0)	Bio-Pharma Services & Ingredients
■ AJINOMOTO (HONG KONG) CO., LTD.	Hong Kong	HKD 5,799	100.0	Solution & Ingredients
■ AJINOMOTO (SINGAPORE) PRIVATE LIMITED	Singapore	SGD 1,999	100.0	Solution & Ingredients
■ AJINOMOTO (CAMBODIA) CO., LTD.	Cambodia	USD 11,000	100.0	Seasonings
■ Ajinomoto Korea Inc.	Korea	KRW 1,000,000	70.0	Quick Nourishment
■ AJINOMOTO TAIWAN INC.	Taiwan	TWD 250,000	100.0	Seasonings
■ Myanmar Ajinomoto Foods CO., LTD.	Myanmar	MMK 61,290,000	100.0 (100.0)	Seasonings

The Americas

■ Ajinomoto Foods North America, Inc.*2	United States	USD 15,030	100.0 (100.0)	Frozen Foods
■ Ajinomoto Health & Nutrition North America, Inc.*3	United States	USD 0	100.0 (100.0)	Bio-Pharma Services & Ingredients
■ Ajinomoto Althea, Inc.	United States	USD 0	100.0	Bio-Pharma Services & Ingredients
■ Ajinomoto Cambrooke, Inc.	United States	USD 34,280	100.0 (100.0)	Other (Healthcare)
■ AJINOMOTO DO BRASIL INDÚSTRIA E COMERCIO DE ALIMENTOS LTDA. (Special subsidiary company)	Brazil	BRL 913,298	100.0	Seasonings, Solution & Ingredients, and Bio-Pharma Services & Ingredients
■ AJINOMOTO DEL PERÚ S.A.	Peru	PEN 45,282	99.6	Seasonings and Quick Nourishment

EMEA

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

*1. Numbers in parentheses indicate indirect equity ownership.

*2. The share of consolidated sales of Ajinomoto Foods North America, Inc. (excluding intercompany sales) exceeds 10%.

Major financial statement line items (Millions of yen)

(1) Sales	¥157,351
(2) Operating loss	(11,069)
(3) Loss	(8,612)
(4) Total assets	144,361
(5) Total equity	94,114

*3. More Than Gourmet Holdings, Inc. was removed from this table due to its merger with Ajinomoto Health & Nutrition North America, Inc. in January 2023.

*4. Ajinomoto North America Holdings, Inc. was removed from this table as it is no longer applicable as a special subsidiary company.

Eat Well, Live Well.

