kikkoman
seasoning your life

Kikkoman Group Corporate Report 2020

Financial Section

**Note: Fiscal years in this report are April to March.
Example: FY2020 = April 2019–March 2020**

Kikkoman Corporation

Management's Discussion and Analysis

OPERATING RESULTS

In FY2020, ended March 31, 2020, the Kikkoman Group's domestic sales rose year on year as sales of food products and beverages increased steadily, despite declines in sales of soy sauce and liquor and wine. Overseas sales also increased year on year, supported by growth in soy sauce sales and Foods—Wholesale.

As a result, on a consolidated basis, net sales increased 3.3% year on year to ¥468,616 million, operating profit rose 3.7% to ¥39,826 million, and profit attributable to owners of parent increased 2.3% to ¥26,595 million.

Net Sales

(Millions of yen)

	2020	2019	Change	
Domestic Foods—Manufacturing and Sales	¥ 179,444	¥ 174,654	¥ 4,790	2.7%
Domestic Others	21,341	21,427	(85)	(0.4%)
Overseas Foods—Manufacturing and Sales	96,591	93,510	3,081	3.3%
Overseas Foods—Wholesale	200,249	192,109	8,140	4.2%
Adjustments	(29,010)	(28,136)	(873)	—
Consolidated	¥ 468,616	¥ 453,565	¥ 15,051	3.3%

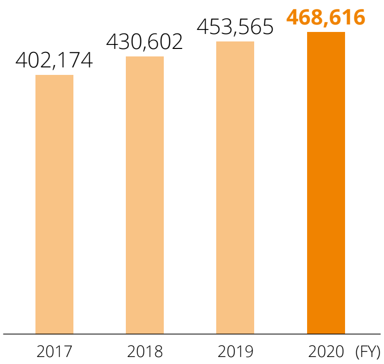
Operating Profit

(Millions of yen)

	2020	2019	Change	
Domestic Foods—Manufacturing and Sales	¥ 11,460	¥ 10,597	¥ 862	8.1%
Domestic Others	1,832	1,773	58	3.3%
Overseas Foods—Manufacturing and Sales	19,251	18,745	506	2.7%
Overseas Foods—Wholesale	9,147	8,597	549	6.4%
Adjustments	(1,864)	(1,296)	(568)	—
Consolidated	¥ 39,826	¥ 38,417	¥ 1,408	3.7%

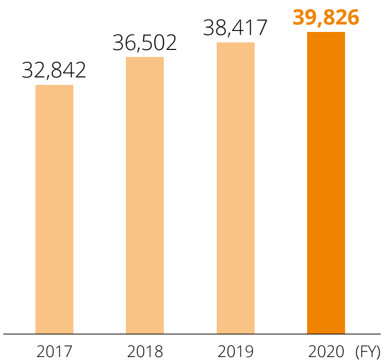
Net Sales

(Millions of yen)



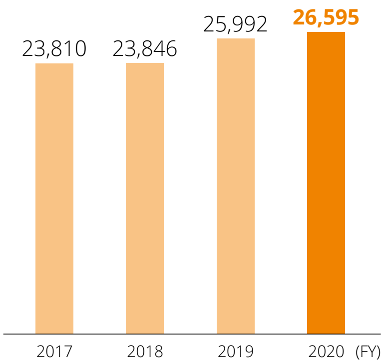
Operating Profit

(Millions of yen)



Profit Attributable to Owners of Parent

(Millions of yen)



SEGMENT INFORMATION

Domestic

Foods—Manufacturing and Sales

This business segment manufactures and sells the products listed below in the domestic market.

Division	Main Products
Soy Sauce Division	• Soy sauce
Food Products Division	• *Tsuyu* (soy sauce soup base) • *Tare* (dipping and marinade sauces) • Handy seasoning mixes • Del Monte seasonings
Beverages Division	• Soy milk beverages • Del Monte beverages
Liquor and Wine Division	• *Mirin* (sweet sake for cooking) • Wines

Others

This business segment covers the production and sale of clinical diagnostic reagents, hygiene inspection agents, processing enzymes and chemical products such as hyaluronic acid, as well as real estate rental, logistics and back-office support for the Kikkoman Group, and other businesses.

Overseas

Foods—Manufacturing and Sales

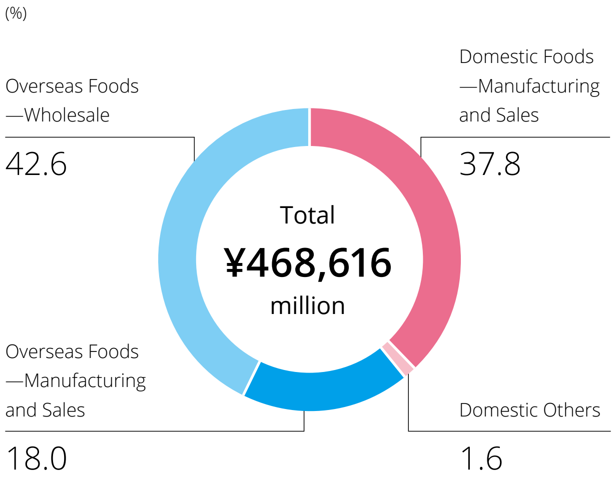
This business segment manufactures and sells the products listed below in overseas markets.

Division	Main Products	Main Region
Soy Sauce Division	• Soy sauce • *Teriyaki* sauce	North America, Europe, Asia/Oceania
Del Monte Division	• Canned fruits • Canned corn • Tomato ketchup	Asia/Oceania (Excluding the Philippines)
Other Foods Division	• Health foods	North America

Foods—Wholesale

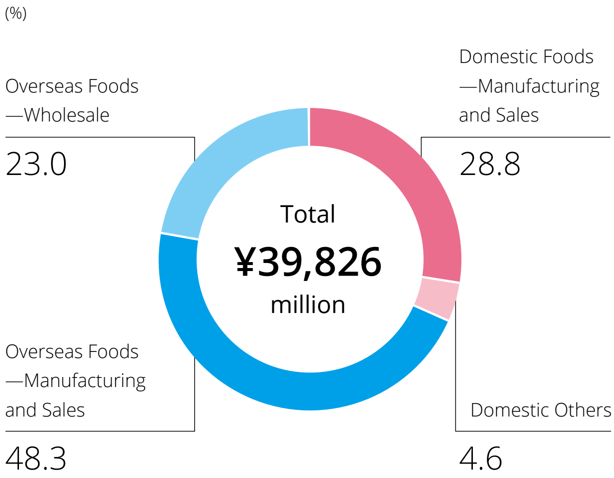
This business segment purchases and sells oriental food products in Japan and overseas.

Net Sales Composition (FY2020)



* Ratios for each business in breakdown of net sales are after elimination of transactions between businesses.

Operating Profit Composition (FY2020)



* Breakdown of operating profit includes an adjustment of -4.7% (-¥1,864 million) related to transactions between businesses.

DOMESTIC

Foods—Manufacturing and Sales

Sales in this segment rose 2.7% to ¥179,444 million and operating profit increased 8.1% to ¥11,460 million, with sales and profits both rising year on year.

Soy Sauce Division

In soy sauce for the home-use sector, sales of the *Itsudemo Shinsen* series of fresh raw soy sauce continued to rise steadily, reflecting growing recognition in the market of the product's added value, such as the flavor of raw soy sauce and the easy-to-use bottles that keep the contents fresh. Thorough marketing efforts such as TV advertising contributed to sales growth. Meanwhile, sales of products in conventional plastic bottles such as Koikuchi Soy Sauce fell year on year. In the industrial-use and food service-use sectors, sales fell year on year. As a result, sales in the Soy Sauce Division declined compared with the previous fiscal year.

Food Products Division

Tsuyu (soy sauce soup base) products in the home-use sector rose year on year. The *Gumen* series, a straight type that does not need to be diluted, sold well. Although sales of condensed *tsuyu* products were weak, sales of *Koidashi Hon Tsuyu* grew strongly. In *tare* (dipping and marinade sauces), sales of the mainstay *Wagaya wa Yakinikuyasan* series were strong, and products for industrial-use and food service-use also increased. As a result, overall *tare* sales rose from a year earlier. Sales of the *Uchi no Gohan* series (handy Japanese-style seasoning mixes) increased from a year earlier. Sales of Del Monte seasonings rose from a year ago due to strong sales of high-value-added products such as the *Lycopene-Rich* series. Total sales in the Food Products Division rose from the previous fiscal year.

Beverages Division

In soy milk beverages, amid rising interest in healthy lifestyles, sales of foods for specified health uses (FOSHU products) and plain soy milk increased. A growing number of consumers are using soy milk as a cooking ingredient, as well as a beverage. A soybean curd refuse product for home use, which was launched in 2018, was presented on TV and contributed to sales. As a result, sales of soy milk beverages rose year on year. In Del Monte beverages, sales increased year on year due to strong sales of unsalted tomato juice, unsalted vegetable juice, and *Lycopene-Rich* tomato beverages. As a result, sales in the Beverages Division increased compared with the previous fiscal year.

Liquor and Wine Division

Sales of *Hon Mirin* declined year on year. In the home-use sector, although high-value-added products such as *Komekoji Kodawari-jikomi Hon Mirin* (premium sweet sake for cooking) were strong, sales of *Mirin* products in PET bottles and *mirin* products in large containers for industrial users were weak. Sales of wine declined compared with the previous fiscal year. Although sales of Japanese wine, which is made from grapes grown in Japan, increased, other wine products were weak. As a result, sales in the Liquor and Wine Division declined compared with the previous fiscal year.

Others

Sales in this segment fell 0.4% to ¥21,341 million but operating profit increased 3.3% to ¥1,832 million, with sales decreasing and profits increasing year on year.

Sales of chemical products declined compared with the previous fiscal year. Although sales of hyaluronic acid were strong, withdrawal from alginic acid business had a negative impact.

As a result, sales in this segment declined compared with the previous fiscal year.

OVERSEAS

Foods—Manufacturing and Sales

Sales in this segment rose 3.3% to ¥96,591 million and operating profit increased 2.7% to ¥19,251 million, with sales and profits both increasing year on year.

Soy Sauce Division

In the North American market, the division worked to expand its business by leveraging the power of the Kikkoman brand by continuing efforts to enhance the lineup of mainstay soy sauce products and soy sauce-based seasonings and other products for the home-use sector. In the industrial- and food service-use sectors, the division worked to accurately address customer needs to expand its business. As a result, sales in North America increased from the previous fiscal year.

In the European market, sales increased year on year, reflecting a strong performance in key markets such as Germany, France, and the Netherlands.

In Asia/Oceania, sales rose in China. Sales in other countries such as Thailand and Indonesia also increased, which led to year-on-year sales growth overall on a local currency basis. As a result, sales in the overseas Soy Sauce Division increased compared with the previous fiscal year.

Del Monte Division

The Del Monte Division manufactures and sells products such as canned fruits/corn items and tomato ketchup in Asia/Oceania. Sales in the Del Monte Division increased compared with the previous fiscal year.

Other Foods Division

This division manufactures and sells health foods mainly in North America. Despite firm sales through medical clinics, sales declined overall due to weak sales through general stores. Sales in Other Foods Division increased compared with the previous fiscal year.

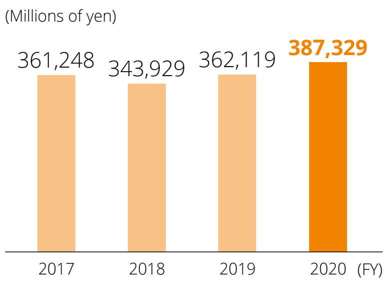
Foods—Wholesale

Sales in this segment rose 4.2% to ¥200,249 million and operating profit increased 6.4% to ¥9,147 million, with sales and profits both rising year on year.

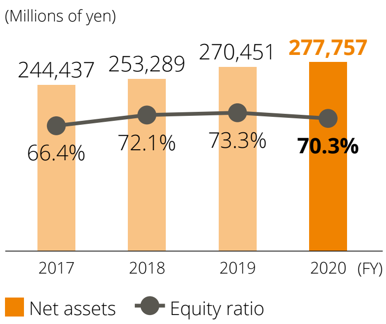
Sales in North America increased, supported by efforts to build a stronger presence in the wider local market, in addition to the Asian American market. Also, the Japanese food market continued to grow in Europe and Asia/Oceania, contributing to steady sales in each region. As a result, sales in this segment increased compared with the previous fiscal year.

FINANCIAL POSITION

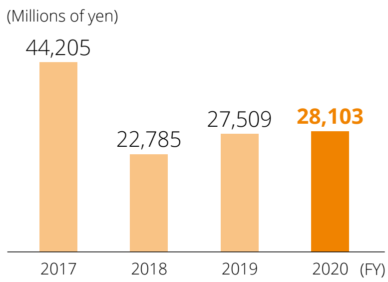
Total Assets



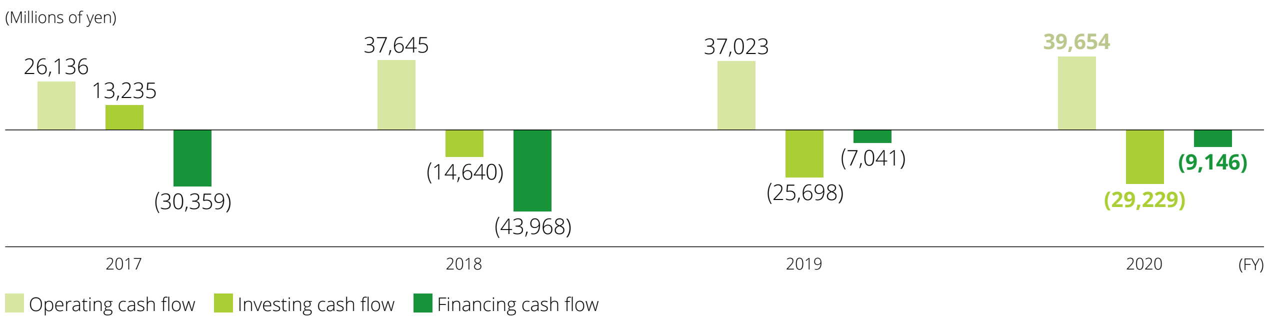
Net Assets/Equity Ratio



Cash and Cash Equivalents



Cash Flows



ASSETS

Current assets as of March 31, 2020 totaled ¥159,540 million, an increase of ¥3,022 million from the end of the previous fiscal year, mainly reflecting increases in other current assets, work in process, and merchandise and finished goods. Property, plant and equipment, net and investments and other assets totaled ¥227,788 million, an increase of ¥22,187 million from the end of the previous fiscal year. This was mainly due to a net increase in leased assets following the application of the IFRS 16 Leases accounting standard at overseas consolidated subsidiaries and the application of FASB Accounting Standards Update (ASU) No. 2016-02 Leases, as well as a net increase in buildings and structures, which outweighed a decline in construction in progress. As a result, total assets were ¥387,329 million, an increase of ¥25,210 million from the end of the previous fiscal year.

LIABILITIES

Current liabilities as of March 31, 2020 totaled ¥61,791 million, an increase of ¥5,550 million from the end of the previous fiscal year. This was mainly attributable to an increase in lease obligations following the application of the IFRS 16 Leases accounting standard at overseas consolidated subsidiaries and the application of FASB ASU No. 2016-02 Leases, as well as increases in short-term bank loans and trade notes and accounts payable. Non-current liabilities totaled ¥47,780 million, an increase of ¥12,352 million from the end of the previous fiscal year, mainly reflecting an increase in lease obligations following the application of the IFRS 16 Leases accounting standard at overseas consolidated subsidiaries and the application of FASB ASU No. 2016-02 Leases. As a result, total liabilities were ¥109,571 million, an increase of ¥17,903 million from the end of the previous fiscal year.

NET ASSETS

Net assets as of March 31, 2020 totaled ¥277,757 million, an increase of ¥7,306 million from the end of the previous fiscal year, largely due to a rise in retained earnings, which outweighed declines in foreign currency translation adjustments and unrealized holding gain (loss) on securities, net of taxes. As a result, the equity ratio was 70.3%, compared with 73.3% at the end of the previous fiscal year.

CASH FLOWS

Cash and cash equivalents were ¥28,103 million as of March 31, 2020, an increase of ¥594 million compared with the end of the previous fiscal year.

Details of cash flow positions in each type of activity and the major contributing factors during the fiscal year under review are described as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥39,654 million, an increase of ¥2,631 million from the previous fiscal year, mainly due to an increase in cash provided from profit before income taxes plus non-cash items such as depreciation and amortization.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥29,229 million, mainly reflecting cash used for the acquisition of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥9,146 million, mainly reflecting cash used for cash dividends paid.

RISK FACTORS

Listed below are the main business and accounting risks faced by the Kikkoman Group that could have a significant impact on investor decisions. Kikkoman's Group Management Committee analyzes and examines the Group's risks and screens for material risks. Forward-looking statements in this report are based on information available to the Kikkoman Group as of June 23, 2020.

(1) Risks Related to the Social Environment

1. Natural disasters and other events

The Group has production sites in North America, Europe and Asia, as well as in Japan, based on the principle of manufacturing products in local markets. To prepare for unforeseen events, the Group has formulated a Business Continuity Plan (BCP). The Group conducts training and reviews the plan as appropriate. However, damage caused by natural disasters such as earthquakes, hurricanes, droughts and severe rain storms, or major accidents and other events that lead to the suspension of production activity, supply-chain disruption or other conditions that exceed the Group's forecasts, could have an impact on the Kikkoman Group's business results and financial position.

2. Fluctuations in raw material prices

The Group formulates budgets that factor in the impact of fluctuations in crude oil prices and prices for international commodities such as soybeans and wheat, which are used in soy sauce, soy milk and other mainstay Kikkoman products, allowing the Group to monitor and respond to the monetary impact of price fluctuations on a monthly basis. However, a sharp increase in prices due to larger-than-expected market fluctuations, production shortages caused by abnormal weather, cold summers, warm winters and other changes in the climate, or other similar events, could have an impact on the Kikkoman Group's business results and financial position.

3. Social and economic disruption

The Group operates in many regions worldwide, including North America, Europe and Asia, as well as Japan, allowing the Group to spread the risk of fluctuations in regional economies. However, global pandemics such as COVID-19 or major social or economic disruption caused by political upheaval, terrorist incidents, armed conflict, or other similar events in regions where the Group operates, could have an impact on the Kikkoman Group's business results and financial position.

(2) Risks Related to the Business Environment

1. Changes in the competitive environment

The Group formulates medium- and long-term management plans based on projections for trends related to society, consumers, competitors and other factors. The Group also uses its research and development system to create innovative technologies. However, developments in the operating environment, such as changes in the values and preferences of consumers over the medium term, the emergence of new competitors, or dramatic improvements in the quality of products sold by competitors, could depress demand for the Group's products and services, which could have an impact on the Kikkoman Group's business results and financial position.

2. Response to global environmental issues

The Group is addressing environmental issues based on its Medium-Term Environmental Policy. However, amid rising international interest in the environment, an insufficient response to these issues could lead to limits on production volume, financial penalties or other restrictions, or a loss of public trust, which could have an impact on the Kikkoman Group's business results and financial position.

(3) Risks Related to Compliance

1. Legal regulations

The Group is subject to various legal regulations in Japan, such as the Food Sanitation Act, Product Liability Act and Antimonopoly Act, as well as legal regulations in other countries where it operates. The Group has established the Kikkoman Group Code of Conduct, conducts training to ensure compliance, and takes other steps to raise awareness of and rigorously enforce compliance. The Group has also established and operates internal control systems in each business process. However, changes to legal regulations, a tighter regulatory framework or other developments that make it harder to maintain existing business approaches or product specifications, or business conduct that infringes laws and regulations or is inconsistent with social obligations, could have an impact on the Kikkoman Group's business results and financial position.

2. Infringement of intellectual property rights and copyrights

The Group secures patents, utility model rights, trademarks and other protections as needed for technologies developed within the Group. The Group regards these rights as an important management resource with many benefits for its business. As such, the Group has a specialist division that is responsible for rigorously managing its rights, including confirming that the Group does not infringe product manufacturing methods patented by other companies. However, similar products made by other companies, superior technologies developed by other companies, or legal disputes with other companies related to the infringement of intellectual property rights or other matters, could have an impact on the Kikkoman Group's business results and financial position.

(4) Risks Related to Information Systems and Information Security

The Group operates IT systems in product development, manufacturing, logistics, sales and other operational areas, and retains important information related to Group management, companies and individuals. The Group takes steps to protect and preserve this data and rigorously enforces the use of its information management system. However, power failures, disasters, software or equipment defects, computer viruses, unauthorized access or other events that exceed the Group's forecasts, could lead to IT system failures, data leaks, data falsification or other damage, which could have an impact on the Kikkoman Group's business results and financial position.

(5) Risks Related to Food Safety

The Group believes that its fundamental mission is to ensure reliable supplies of safe, high-quality products. As such, the Group has established the Kikkoman Group Quality Policy and is working to reinforce its quality assurance system and quality management system. However, product-related accidents, including random events, which exceed the scope of measures being taken by the Group, could have an impact on the Kikkoman Group's business results and financial position.

(6) Risks Related to Human Resources

The Group aims to increase labor productivity through capital investment, operational efficiency improvements and other measures, while also working to attract and train human resources with advanced skills in each country and for each job type. However, difficulties securing the necessary personnel due to a decline in the working population in Japan and sharply rising labor costs in other countries worldwide could interfere with business execution, which could have an impact on the Kikkoman Group's business results and financial position.

(7) Risks Related to Finances

1. Exchange rate fluctuations

The Group's Medium-Term Management Plans, budgets and earnings forecasts are formulated based on assumptions for exchange rate fluctuations and other risks. However, larger-than-expected fluctuations in exchange rates that lead to steep increases in the price of raw materials and products procured in foreign currencies, or that result in nominal declines in earnings at overseas subsidiaries and equity-method affiliates when converted into Japanese yen, could have an impact on the Kikkoman Group's business results and financial position.

2. Asset impairment accounting

In line with the Group's decision-making guidelines for investment, the Board of Directors is required to approve investments in new businesses, capital investment, M&A deals and other items where the investment amount exceeds a certain level, taking into account expected returns on investment and other factors. However, asset impairment accounting may be applied to such investments in the event that earnings and returns do not meet expectations at the time the investment is approved, which could have an impact on the Kikkoman Group's business results and financial position.

Consolidated Financial Statements

KIKKOMAN CORPORATION
and Consolidated Subsidiaries

Year ended March 31, 2020
with Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
KIKKOMAN CORPORATION

Opinion

We have audited the accompanying consolidated financial statements of KIKKOMAN CORPORATION (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 23, 2020

福原 正三

Shozo Fukuhara
Designated Engagement Partner
Certified Public Accountant

宮沢 琢

Taku Miyazawa
Designated Engagement Partner
Certified Public Accountant

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet

	March 31, 2020	2019	2020
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and deposits *(Notes 4 and 17)*	¥ 30,088	¥ 30,162	$ 276,467
Trade notes and accounts receivable *(Notes 5, 8 and 17)*	61,145	60,719	561,839
Allowance for doubtful receivables	(1,192)	(717)	(10,952)
	59,952	60,001	550,877
Merchandise and finished goods	43,255	42,513	397,454
Work in process	11,798	10,997	108,407
Raw materials and supplies	5,901	5,330	54,222
Other	8,543	7,512	78,498
Total current assets	159,540	156,518	1,465,956
Property, plant and equipment, at cost *(Note 19)*:			
Land	20,900	20,936	192,042
Buildings and structures *(Note 9)*	120,753	107,019	1,109,556
Machinery, equipment and vehicles *(Note 9)*	217,054	207,845	1,994,431
Leased assets	20,268	357	186,235
Other	21,441	22,420	197,013
Construction in progress	7,705	14,080	70,798
	408,123	372,660	3,750,096
Accumulated depreciation	(259,056)	(249,270)	(2,380,373)
Property, plant and equipment, net	149,067	123,390	1,369,723
Investments and other assets:			
Investment securities *(Notes 6 and 17)*	50,139	53,835	460,709
Investments in and advances to unconsolidated subsidiaries and affiliates	9,379	6,840	86,180
Goodwill *(Note 9)*	4,164	4,969	38,261
Other intangible assets	5,004	5,339	45,979
Deferred tax assets *(Note 11)*	3,416	3,053	31,388
Net defined benefit asset *(Note 10)*	4,934	5,936	45,336
Other	1,682	2,235	15,455
Total investments and other assets	78,721	82,211	723,339
Total assets	¥ 387,329	¥ 362,119	$ 3,559,027

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

	March 31, 2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Liabilities			
Current liabilities:			
Short-term bank loans *(Notes 8 and 17)*	¥ 5,311	¥ 3,487	$ 48,800
Lease obligations *(Notes 7 and 14)*	2,437	50	22,392
Trade notes and accounts payable *(Note 5 and 17)*	23,414	22,383	215,142
Other accounts payable *(Notes 17and 21)*	19,249	18,872	176,872
Accrued income taxes	3,297	3,230	30,294
Provision for employees' bonuses	2,662	2,592	24,460
Provision for directors' bonuses	129	125	1,185
Other	5,288	5,497	48,589
Total current liabilities	61,791	56,240	567,775
Non-current liabilities:			
Long-term debt *(Notes 7 and 17)*	13,602	13,602	124,983
Lease obligations *(Notes 7 and 14)*	13,997	90	128,613
Net defined benefit liability *(Note 10)*	7,243	5,511	66,553
Accrued directors' severance benefits	732	711	6,726
Provision for environmental remediation	31	31	284
Deferred tax liabilities *(Note 11)*	6,847	7,934	62,914
Other	5,326	7,546	48,938
Total non-current liabilities	47,780	35,427	439,033
Total liabilities	109,571	91,667	1,006,808
Contingent Liabilities *(Note 15)*			
Net assets			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 600,000,000 shares at March 31, 2020 and 2019			
Issued: 193,883,202 shares at March 31, 2020 and 2019	11,599	11,599	106,579
Capital surplus *(Note 12)*	13,695	13,695	125,838
Retained earnings *(Note 12)*	244,044	225,835	2,242,433
Treasury stock, at cost: 1,908,731,shares at March 31, 2020 and 1,905,508 shares at March 31, 2019	(3,641)	(3,631)	(33,455)
Total shareholders' equity	265,697	247,498	2,441,394
Accumulated other comprehensive income (loss):			
Unrealized holding gain (loss) on securities, net of taxes	14,012	17,521	128,751
Deferred hedge gain (loss), net of taxes *(Note 18)*	(0)	(4)	(0)
Foreign currency translation adjustments	(4,376)	1,081	(40,209)
Remeasurements of defined benefit plans, net of taxes *(Note 10)*	(2,898)	(667)	(26,628)
Total accumulated other comprehensive income (loss)	6,736	17,930	61,894
Non-controlling interests	5,322	5,022	48,901
Total net assets	277,757	270,451	2,552,209
Total liabilities and net assets	¥ 387,329	¥ 362,119	$ 3,559,027

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income

	Years ended March 31,		
	2020	**2019**	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Net sales	¥ 468,616	¥ 453,565	$ 4,305,945
Cost of sales *(Notes 10 and 13)*	286,978	277,805	2,636,938
Gross profit	181,638	175,759	1,669,006
Selling, general and administrative expenses *(Notes 10 and 13)*	141,812	137,341	1,303,059
Operating profit	39,826	38,417	365,946
Other profit (expenses):			
Interest and dividend income	1,236	1,364	11,357
Equity in earnings of affiliates	209	126	1,920
Foreign exchange gains	1,720	120	15,804
Rental income *(Note 19)*	709	691	6,514
Gain on valuation of derivatives *(Note 18)*	450	3,650	4,134
Gain on investments in partnership	783	886	7,194
Interest expenses	(464)	(131)	(4,263)
Sales discounts	(824)	(763)	(7,571)
Foreign exchange losses	(328)	(2,315)	(3,013)
Loss on valuation of derivatives *(Note 18)*	(0)	(34)	(0)
Provision of allowance for doubtful accounts	(999)	(863)	(9,179)
Gain on sales of property, plant and equipment *(Note 19)*	15	688	137
Gain on sales of investment securities *(Note 6)*	202	1,484	1,856
Compensation for transfer	—	540	—
Loss on impairment of fixed assets *(Note 9)*	(301)	(2,378)	(2,765)
Loss on disposal of property, plant and equipment	(793)	(235)	(7,286)
Loss on revaluation of golf club memberships	(16)	(7)	(147)
Loss on valuation of shares of subsidiaries and affiliates	(253)	(210)	(2,324)
Environmental expenses	—	(213)	—
Other, net	(3,241)	(3,224)	(29,780)
Profit before income taxes	37,930	37,595	348,525
Income taxes *(Note 11)*:			
Current	10,053	9,008	92,373
Deferred	871	2,182	8,003
	10,925	11,191	100,385
Net profit	27,005	26,403	248,139
Net profit attributable to:			
Non-controlling interests	(409)	(411)	(3,758)
Owners of parent *(Note 16)*	¥ 26,595	¥ 25,992	$ 244,371

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Years ended March 31,		
	2020	**2019**	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Net profit	¥ 27,005	¥ 26,403	$ 248,139
Other comprehensive income (loss):			
Unrealized holding gain (loss) on securities, net of taxes	(3,320)	(3,266)	(30,506)
Deferred hedge gain (loss), net of taxes	4	33	36
Foreign currency translation adjustments	(5,447)	3,578	(50,050)
Remeasurements of defined benefit plans, net of taxes	(2,149)	(1,294)	(19,746)
Share of other comprehensive income of affiliates accounted for using the equity method	(241)	(216)	(2,214)
Total other comprehensive income (loss)	¥ (11,154)	¥ (1,165)	$ (102,490)
Comprehensive income	¥ 15,850	¥ 25,238	$ 145,639
Total comprehensive income attributable to:			
Owners of parent	¥ 15,401	¥ 25,081	$ 141,514
Non-controlling interests	448	156	4,116

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2020 *(Millions of yen)*

	Shareholders' equity				
	Common stock (193,883,202 shares)	Capital surplus *(Note 12)*	Retained earnings *(Note 12)*	Treasury stock	Total shareholders' equity
Balance at beginning of the period	¥ 11,599	¥ 13,695	¥ 225,835	¥ (3,631)	¥ 247,498
Cumulative effects of changes in accounting policies			(384)		(384)
Restated balance	11,599	13,695	225,450	(3,631)	247,113
Changes of items during the period					
Cash dividends			(8,065)		(8,065)
Net profit attributable to owners of parent			26,595		26,595
Change in scope of consolidation			64		64
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		0		0	0
Change in treasury stock arising from changes in equity in entities accounted for using equity method				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	0	18,593	(9)	18,584
Balance at end of the period	¥ 11,599	¥ 13,695	¥ 244,044	¥ (3,641)	¥ 265,697

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities, net of taxes	Deferred hedge gain (loss), net of taxes *(Note 18)*	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes *(Note 10)*	Total accumulated other comprehensive income (loss)		
Balance at beginning of the period	¥ 17,521	¥ (4)	¥ 1,081	¥ (667)	¥ 17,930	¥ 5,022	¥ 270,451
Cumulative effects of changes in accounting policies							(384)
Restated balance	17,521	(4)	1,081	(667)	17,930	5,022	270,066
Changes of items during the period							
Cash dividends							(8,065)
Net profit attributable to owners of parent							26,595
Change in scope of consolidation							64
Purchase of treasury stock							(8)
Disposal of treasury stock							0
Change in treasury stock arising from changes in equity in entities accounted for using equity method							(1)
Net changes of items other than shareholders' equity	(3,509)	4	(5,457)	(2,230)	(11,193)	300	(10,893)
Total changes of items during the period	(3,509)	4	(5,457)	(2,230)	(11,193)	300	7,691
Balance at end of the period	¥ 14,012	¥ (0)	¥ (4,376)	¥ 2,898	¥ 6,736	¥ 5,322	¥ 277,757

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2020

(Thousands of U.S. dollars) (Note 3)

	Shareholders' equity				
	Common stock (193,883,202 shares)	Capital surplus *(Note 12)*	Retained earnings *(Note 12)*	Treasury stock	Total shareholders' equity
Balance at beginning of the period	$ 106,579	$ 125,838	$ 2,075,117	$ (33,363)	$ 2,274,170
Cumulative effects of changes in accounting policies			(3,528)		(3,528)
Restated balance	106,579	125,838	2,071,579	(33,363)	2,270,633
Changes of items during the period					
Cash dividends			(74,106)		(74,106)
Net profit attributable to owners of parent			244,371		244,371
Change in scope of consolidation			588		588
Purchase of treasury stock				(73)	(73)
Disposal of treasury stock		0		0	0
Change in treasury stock arising from changes in equity in entities accounted for using equity method				(9)	(9)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	170,844	(82)	170,761
Balance at end of the period	$ 106,579	$ 125,838	$ 2,242,433	$ (33,455)	$ 2,441,394

	Accumulated other comprehensive income (loss)						
	Unrealized holding gain (loss) on securities, net of taxes	Deferred hedge gain (loss), net of taxes *(Note 18)*	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes *(Note 10)*	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the period	$ 160,994	$ (36)	$ 9,932	$ (6,128)	$ 164,752	$ 46,145	$ 2,485,077
Cumulative effects of changes in accounting policies							(3,528)
Restated balance	160,994	(36)	9,932	(6,128)	164,752	46,145	2,481,540
Changes of items during the period							
Cash dividends							(74,106)
Net profit attributable to owners of parent							244,371
Change in scope of consolidation							588
Purchase of treasury stock							(73)
Disposal of treasury stock							0
Change in treasury stock arising from changes in equity in entities accounted for using equity method							(9)
Net changes of items other than shareholders' equity	(32,242)	36	(50,142)	(20,490)	(102,848)	2,756	(100,091)
Total changes of items during the period	(32,242)	36	(50,142)	(20,490)	(102,848)	2,756	70,669
Balance at end of the period	$ 128,751	$ (0)	$ (40,209)	$ 26,628	$ 61,894	$ 48,901	$ 2,552,209

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Common stock (193,883,202 shares)	Capital surplus *(Note 12)*	Retained earnings *(Note 12)*	Treasury stock	Total shareholders' equity
Balance at beginning of the period	¥ 11,599	¥ 13,915	¥ 238,660	¥ (35,616)	¥ 228,558
Changes of items during the period					
Cash dividends			(7,105)		(7,105)
Net profit attributable to owners of parent			25,992		25,992
Change in accounting period of consolidated subsidiaries			140		140
Change in scope of consolidation			(72)		(72)
Purchase of treasury stock				(15)	(15)
Retirement of treasury stock		(220)	(31,779)	31,999	—
Disposal of treasury stock		0		0	1
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(219)	(12,825)	31,985	18,939
Balance at end of the period	¥ 11,599	¥ 13,695	¥ 225,835	¥ (3,631)	¥ 247,498

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities, net of taxes	Deferred hedge gain (loss), net of taxes *(Note 18)*	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes *(Note 10)*	Total accumulated other comprehensive income (loss)		
Balance at beginning of the period	¥ 20,956	¥ (38)	¥ (2,050)	¥ 647	¥ 19,514	¥ 5,216	¥ 253,289
Changes of items during the period							
Cash dividends							(7,105)
Net profit attributable to owners of parent							25,992
Change in accounting period of consolidated subsidiaries							140
Change in scope of consolidation							(72)
Purchase of treasury stock							(15)
Retirement of treasury stock							—
Disposal of treasury stock							1
Net changes of items other than shareholders' equity	(3,434)	33	3,131	(1,315)	(1,584)	(194)	(1,778)
Total changes of items during the period	(3,434)	33	3,131	(1,315)	(1,584)	(194)	17,161
Balance at end of the period	¥ 17,521	¥ (4)	¥ 1,081	¥ (667)	¥ 17,930	¥ 5,022	¥ 270,451

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Years ended March 31, 2020	2019	2020
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Cash flows from operating activities			
Profit before income taxes	¥ 37,930	¥ 37,595	$ 348,525
Depreciation and amortization	16,787	13,258	154,249
Loss on impairment of fixed assets	301	2,378	2,765
Increase (decrease) in accrued directors' severance benefits	20	(0)	183
Increase (decrease) in net defined benefit liability	597	410	5,485
Interest and dividend income	(1,236)	(1,364)	(11,357)
Interest expenses	464	131	4,263
Equity in earnings of affiliates	(209)	(126)	(1,920)
(Gain) Loss on sales of property, plant and equipment	(43)	(700)	(395)
(Gain) Loss on sales of investment securities *(Note 6)*	(202)	(1,490)	(1,856)
Loss on disposal of property, plant and equipment	1,253	1,028	11,513
(Increase) decrease in trade notes and accounts receivable	(1,592)	(1,462)	(14,628)
(Increase) decrease in inventories	(3,586)	(4,649)	(32,950)
Increase (decrease) in trade notes and accounts payable	2,026	643	18,616
Other	(3,384)	(727)	(31,094)
Subtotal	49,126	44,923	451,401
Interest and dividends received	1,250	1,414	11,485
Interest paid	(453)	(139)	(4,162)
Income taxes paid	(10,269)	(9,175)	(94,358)
Net cash provided by operating activities	39,654	37,023	364,366
Cash flows from investing activities			
Acquisition of property, plant and equipment	(24,801)	(26,585)	(227,887)
Proceeds from sales of property, plant and equipment	124	830	1,139
Acquisition of intangible assets	(1,159)	(967)	(10,649)
Acquisition of investment securities	(4,492)	(2,612)	(41,275)
Proceeds from sales of investment securities	374	3,164	3,436
Addition to loans receivable	(1,526)	(1,501)	(14,021)
Collection of loans receivable	1,028	554	9,445
Other	1,224	1,420	11,246
Net cash provided by (used in) investing activities	(29,229)	(25,698)	(268,574)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	1,949	79	17,908
Proceeds from long-term debt	—	602	—
Repayment of long-term debt	—	(300)	—
Repayment of lease obligations	(2,792)	(51)	(25,654)
Acquisition of treasury stock	(16)	(19)	(147)
Cash dividends paid	(8,065)	(7,105)	(74,106)
Cash dividends paid to non-controlling shareholders	(219)	(248)	(2,012)
Other	(1)	1	(9)
Net cash used in financing activities	(9,146)	(7,041)	(84,039)
Effect of exchange rate changes on cash and cash equivalents	(820)	246	(7,534)
Net increase (decrease) in cash and cash equivalents	458	4,529	4,208
Cash and cash equivalents at beginning of the year	27,509	22,785	252,770
Decrease in cash and cash equivalents due to change in accounting period of consolidated subsidiaries	—	(6)	—
Increase in cash and cash equivalents from newly consolidated subsidiary	135	200	1,240
Cash and cash equivalents at end of the year *(Note 4)*	¥ 28,103	¥ 27,509	$ 258,228

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

1. Basis of Preparation

KIKKOMAN CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan and have been prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

Practical Issues Task Force No. 18, "Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc., for Consolidated Financial Statements," issued by the Accounting Standards Board of Japan ("ASBJ") as revised March 31, 2020 ("PITF No. 18"), requires that accounting policies applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for preparing the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either IFRS or U.S. generally accepted accounting principles. In this case, adjustments for the following five items are required in the consolidation process so that their impacts on net profit attributable to owners of parent are accounted for in accordance with Japanese GAAP.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Changes in fair value of an equity instrument in other comprehensive income

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The consolidated financial statements for the previous year have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. In addition, companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

All significant inter-company balances and transactions have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost.

Differences between the acquisition costs and the underlying net equities in investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheet and amortized using the straight-line method over their estimated useful lives or a period of five years. Any immaterial amounts are charged or credited to profit in the year of acquisition.

(b) Foreign currency translation

Profit and expenses in foreign currencies are translated at the rates prevailing at the time of the transaction. Except as noted in (n) Derivatives below, all monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates. Resulting exchange gains or losses are charged or credited to profit for the year.

Revenue and expense accounts of foreign consolidated subsidiaries are translated at the average exchange rates in effect during the year. Except for shareholders' equity, the balance sheet accounts of foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Differences arising on translation are presented as foreign currency translation adjustments or non-controlling interests as a separate component of net assets.

(c) Cash equivalents

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(d) Securities

Marketable securities classified as other securities are carried at fair value with any unrealized gains and losses reported as a separate component of accumulated other comprehensive income, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is mainly determined by the moving average method.

(e) Inventories

Inventories are mainly stated at cost determined by the periodic average method.

In cases where the profitability has declined, the book value is written down accordingly.

(f) Depreciation and amortization

Property, plant and equipment (excluding leased assets) are depreciated mainly by the straight-line method over their estimated useful lives.

Intangible assets (excluding leased assets) are amortized by the straight-line method over their estimated useful lives. Software for internal use is amortized over its estimated useful life. The range of useful lives is 5 to 10 years.

The straight-line method is adopted for depreciation of leased assets, with the lease period set as the useful life and the residual value as zero.
The Company's foreign consolidated subsidiaries applied new lease accounting standards (IFRS 16 Leases and ASU No.2016-02 Leases) from the year ended March 31, 2020. Accordingly, all lease transactions where the subsidiaries are lessees are recognized in principle as assets and liabilities on the balance sheet, and the right-of-use assets recognized as assets are amortized by the straight-line method.

(g) Allowance for doubtful receivables

The allowance for doubtful receivables is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the balance sheet date.

(h) Provision for employees' and directors' bonuses

Provision for employees' and directors' bonuses is provided based on the estimated amounts to be paid.

2. Summary of Significant Accounting Policies (continued)

(i) Employee retirement benefits

(1) Attribution of expected retirement benefits to periods of service
In the calculation of retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods of service.

(2) Amortization of actuarial gains/losses and prior service costs
Prior service cost is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the active participants in the plans.

The adjustment made during the year arising from revisions to actuarial assumptions (the "actuarial gain or loss") is amortized by the straight-line method beginning the following year over a period of 10 years, which is shorter than the average remaining years of service of the active participants in the plans.

(j) Accrued directors' severance benefits

Certain directors, corporate auditors and corporate officers of the Company and certain domestic consolidated subsidiaries are entitled to lump-sum payments under their respective unfunded retirement allowance plans. Provision for retirement allowances for these officers has been made at the estimated amount that would be paid if all directors, corporate auditors and corporate officers resigned as of the balance sheet date.

(k) Provision for environmental remediation

In preparation for payments relating to the disposal of polychlorinated biphenyl (PCB) and other wastes under the "Law Concerning Special Measures Against PCB Waste," a provision for environmental remediation has been made for the estimated costs to be incurred.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(l) Income taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

The Company and certain domestic consolidated subsidiaries apply the Japanese consolidated taxation system.

Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system
In accordance with paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020), the Company and its domestic consolidated subsidiaries have not applied paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

(m) Research and development costs

Research and development costs are charged to profit as incurred.

(n) Derivatives

The Company and its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations in foreign currency exchange rates but not for speculative purposes. Derivatives are stated at fair value with any changes in unrealized gain or loss charged or credited to profit, except for those that meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a separate component of accumulated other comprehensive income, net of taxes. Payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates.

(o) Appropriation of retained earnings

Under the Corporate Act of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The financial statements for that period do not, therefore, reflect such appropriations.

2. Summary of Significant Accounting Policies (continued)

(p) Changes in accounting policy

Application of “Revenue from Contracts with Customers” (Accounting Standards Update (ASU) No.2014-09 issued by the Financial Accounting Standards Board (FASB))
The Company’s foreign consolidated subsidiaries that apply U.S. generally accepted accounting principles have applied “Revenue from Contracts with Customers” (ASU No.2014-09) from the year ended March 31, 2020. Accordingly, revenue is recognized when promised goods or services are transferred to a customer in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
Application of this standard was based on a transitional treatment whereby the cumulative effects of the changes in accounting policies were recorded in retained earnings at the beginning of the year ended March 31, 2020.
These changes had insignificant impact on “Retained earnings” at the beginning of the year ended March 31, 2020, and “Operating profit”, “Profit before income taxes”, and “Net profit” for the year ended March 31, 2020.

Application of new lease accounting standards (IFRS 16 Leases and ASU No.2016-02 Leases)
The Company’s foreign consolidated subsidiaries applied new lease accounting standards (IFRS 16 Leases and ASU No.2016-02 Leases) from the year ended March 31, 2020. Accordingly, all lease transactions where the subsidiaries are lessees are recognized in principle as assets and liabilities on the balance sheet.
Application of these standards was based on a transitional treatment whereby the cumulative effects of the changes in accounting policies were recorded in retained earnings at the beginning of the year ended March 31, 2020. These changes had insignificant impact on “Retained earnings” at the beginning of the year ended March 31, 2020.
As a result of application of these standards, “Leased assets” (Property, plant and equipment, net), “Lease obligations” (current liabilities), and “Lease obligations” (non-current liabilities) in the consolidated balance sheet as of March 31, 2020 increased by ¥15,540 million ($142,791 thousand), ¥2,433 million ($22,355 thousand), and ¥13,788 million ($126,693 thousand), respectively.
These changes had insignificant impact on “Operating profit”, “Profit before income taxes”, and “Net profit” for the year ended March 31, 2020.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(q) Changes in presentation

Changes in the consolidated statements of income
The following changes in presentation have been made due to change in materiality of the account:

“Sales discounts ” included in “Other, net” in “Other profit (expenses)” for the year ended March 31, 2019 are presented as a separate account for the year ended March 31, 2020 due to an increase in materiality.

The consolidated financial statements for the year ended March 31, 2019 have been reclassified to conform to the presentation used for the year ended March 31, 2020.
As a result, “Sales discounts ” of ¥763 million presented in “Other, net” for the year ended March 31, 2019 are presented as a separate account in “Other profit (expenses)” for the year ended March 31, 2020.

(r) Accounting standards issued but not yet effective

The following standard and guidance were issued but not yet adopted.
- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

(1) Overview
The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) have jointly developed comprehensive accounting standards related to revenue recognition, which were issued in May 2014 as “Revenue from Contracts with Customers” (by the IASB as IFRS 15, and by the FASB as Topic 606). Given the state of application of IFRS 15 from periods beginning on or after January 1, 2018, and of Topic 606 from periods beginning on or after December 15, 2017, the ASBJ has developed a comprehensive accounting standard on revenue recognition and issued corresponding implementation guidance.

When developing its Accounting Standard for Revenue Recognition, the ASBJ’s basic policy was to use the basic principles of IFRS 15 as a starting point from the perspective of improving the international comparability of financial statements. In addition, taking into account actual practice in Japan to date, the standard includes additional alternative treatments to the extent that international comparability would not be lost.

2. Summary of Significant Accounting Policies (continued)

(r) Accounting standards issued but not yet effective (continued)

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standard and guidance
The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview
In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:
- Financial instruments in "Accounting Standard for Financial Instruments"; and
- Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standard and guidance
The Company and its consolidated subsidiaries are currently evaluating the impact of these new standards on the consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(r) Accounting standards issued but not yet effective (continued)

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

  (1) Overview
  The International Accounting Standards Board (IASB) has issued International Accounting Standards 1 Presentation of Financial Statement (IAS 1) in 2003, in which, the information about "Sources of estimation uncertainty" is required to be disclosed as set out in Paragraph 125. Given the aforementioned information is highly useful to financial statements users, and there is a request to disclose it under Japanese GAAP as well, ASBJ has developed and published "Accounting Standard for Disclosure of Accounting Estimates" .

  (2) Effective date
  Effective from the year ending March 31, 2021.

- "Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

  (1) Overview
  In response to the request of improving disclosure pertaining to "Principles and Procedures of Accounting Treatment Adopted in the Absence of a Standard or an Interpretation that Specifically Applies", ASBJ has made the necessary amendments and approved "Accounting Policy Disclosures, Accounting Changes and Error Corrections" for public release.
  In addition, in pursuing the improvement of disclosure regarding "Principles and Procedures of Accounting Treatment Adopted in the Absence of a Standard or an Interpretation that Specifically Applies", Annotations on the Accounting Principles (Note 1-2) remains effective in the absence of specific guidance in order not to affect the existing business practices.

  (2) Effective date
  Effective from the year ending March 31, 2021.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation, at the rate of ¥108.83 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2020. The translation should not be construed as a representation that yen amounts have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

4. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2020 and 2019 were as follows:

	March 31, 2020	March 31, 2019	March 31, 2020
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥30,088	¥30,162	$276,467
Short-term investment securities	—	—	—
Time deposits with maturities of more than three months	(1,985)	(2,653)	(18,239)
Short-term investments with period from the acquisition date to the redemption date of more than three months	—	—	—
Cash and cash equivalents	¥28,103	¥27,509	$258,228

5. Notes Maturing at the End of the Year

Notes maturing at the end of the year are settled as of the clearing day. When days at the end of the year when notes are due to be cleared are holidays of financial institutions, notes maturing at the end of the year are included in the balance at the end of the year as follows:

	March 31, 2020	March 31, 2019	March 31, 2020
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes receivable	—	¥37	—
Trade notes payable	—	5	—

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Fair Value of Securities

As of March 31, 2020 and 2019, the Company and its consolidated subsidiaries did not possess any securities classified as trading securities and held-to-maturity securities. Securities classified as other securities are included in "Short-term investment securities" and "Investment securities" in the accompanying consolidated balance sheet.

The components of unrealized gain or loss on marketable securities classified as other securities as of March 31, 2020 and 2019 are summarized as follows:

	March 31, 2020					
	Acquisition costs	Carrying value	Difference	Acquisition costs	Carrying value	Difference
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Unrealized gain:						
Stocks	¥17,812	¥39,301	¥21,489	$163,668	$361,122	$197,454
Unrealized loss:						
Stocks	4,558	3,960	(598)	41,881	36,387	(5,494)
Total	¥22,371	¥43,261	¥20,890	$205,559	$397,509	$191,950

	March 31, 2019		
	Acquisition costs	Carrying value	Difference
	(Millions of yen)		
Unrealized gain:			
Stocks	¥16,501	¥42,382	¥25,881
Unrealized loss:			
Stocks	5,264	5,033	(230)
Total	¥21,766	¥47,416	¥25,650

Proceeds from sales of securities classified as other securities amounted to ¥376 million ($3,454 thousand) and ¥3,149 million with an aggregate gain on sales of ¥202 million ($1,856 thousand) and ¥1,495 million and an aggregate loss on sales of ¥3 million ($27 thousand) for the years ended March 31, 2020 and 2019, respectively.

7. Long-Term Debt and Credit Facilities

Long-term debt and lease obligations as of March 31, 2020 and 2019 consisted of the following:

	March 31,		
	2020	**2019**	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loans from banks	¥ 13,602	¥ 13,602	$ 124,983
Lease obligations	16,435	140	151,015
	30,038	13,743	276,008
Less: Current portion	2,437	50	22,392
	¥ 27,600	¥ 13,693	$ 253,606

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2020 are summarized as follows:

Years ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2021	¥ 2,437	$ 22,392
2022	2,365	21,731
2023	2,078	19,093
2024	14,383	132,160
2025 and thereafter	8,772	80,602
	¥ 30,038	$ 276,008

The Company and its consolidated subsidiaries have lines of credit from banks that provided for up to ¥67,500 million ($620,233 thousand) and ¥65,693 million in borrowings as of March 31, 2020 and 2019, respectively. There were ¥4,687 million ($43,067 thousand) and ¥2,784 million of short-term bank loans outstanding under these credit facilities as of March 31, 2020 and 2019, respectively.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Pledged Assets

The assets pledged as collateral for short-term bank loans as of March 31, 2020 and 2019 were as follows:

	March 31,		
	2020	**2019**	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes and accounts receivable	¥544	¥554	$4,998

The short-term bank loans corresponding to the above assets as of March 31, 2020 and 2019 were as follows:

	March 31,		
	2020	**2019**	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥544	¥554	$4,998

9. Impairment Loss

The Company classifies its operating assets mainly by management accounting unit and classifies assets based on the minimum unit that generates cash flows independently from the cash flows of other assets and groups of assets. Idle assets are considered individually. The Company writes down the book value of impaired assets and groups of assets to the recoverable amount and recognizes an impairment loss as an extraordinary loss in the consolidated statement of income.

9. Impairment Loss (continued)

Impairment loss was recognized for the assets and groups of assets below.

Year ended March 31, 2020

Location	Application	Type	Amount	Amount
			(Millions of yen)	*(Thousands of U.S. dollars)*
Tokyo Prefecture	Business assets	Software	¥301	$2,765
Total			¥301	$2,765

The business assets in Tokyo Prefecture are software intended to be used mainly for providing indirect operations to the Company's subsidiaries.
The Company decided not to carry out some of its initial plan to deploy the software to subsidiaries. As a result, an impairment loss was recognized for some functions of the software of ¥301 million ($2,765 thousand) since it was considered unlikely that the carrying amounts would be recovered.

Year ended March 31, 2019

Location	Application	Type	Amount	Amount
			(Millions of yen)	*(Thousands of U.S. dollars)*
Yamanashi Prefecture and Nagano Prefecture	Business assets	Buildings, machinery and equipment	¥2,378	$21,425
Total			¥2,378	$21,425

The Company wrote down the book value of the business assets in Yamanashi Prefecture and Nagano Prefecture to their recoverable value, which was measured by the net realizable value based on the appraisal value determined by the real estate appraiser, since the recoverable value is less than the book value due to a deterioration in the business environment of material price increases and poor sales.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Employee Retirement Benefits

The Company and certain consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans for benefit payments to their employees.

With defined benefit corporate pension plans (all funded plans), a lump-sum payment or pension will be provided on a points' basis by the Company and main domestic subsidiaries, and according to basic rates of pay and length of service by other subsidiaries.

In retirement lump-sum plans (which include unfunded plans and funded plans as a result of employee pension plans being set up), lump-sum payments are provided as retirement benefits on a points' basis by the Company and main domestic subsidiaries, and according to basic rates of pay and service length by other subsidiaries.

For defined benefit corporate pension plans and retirement lump-sum plans offered by certain consolidated subsidiaries, net defined benefit liability and retirement benefit costs are calculated according to a simplified method.

The disclosures for defined benefit plans in the tables below include plans to which a simplified method has been applied.

10. Employee Retirement Benefits (continued)

(a) Defined benefit plans

(1) Reconciliation of the balance of retirement benefit obligations at beginning and end of the period

	March 31,		
	2020	2019	2020
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance of retirement benefit obligations at beginning of the period	¥36,842	¥36,297	$338,527
Service cost	1,276	1,259	11,724
Interest cost	320	368	2,940
Actuarial (gain) loss	701	816	6,441
Retirement benefits paid	(2,592)	(2,396)	(23,816)
Other	110	497	1,010
Balance of retirement benefit obligations at end of the period	¥36,658	¥36,842	$336,837

(2) Reconciliation of the balance of plan assets at beginning and end of the period

	March 31,		
	2020	2019	2020
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance of plan assets at beginning of the period	¥37,267	¥38,885	$342,433
Expected return on plan assets	816	898	7,497
Actuarial gain (loss)	(2,005)	(1,222)	(18,423)
Employer contributions	802	855	7,369
Retirement benefits paid	(2,236)	(2,314)	(20,545)
Other	(294)	165	(2,701)
Balances of plan assets at end of the period	¥34,350	¥37,267	$315,629

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Employee Retirement Benefits (continued)

(a) Defined benefit plans (continued)

(3) Reconciliation of the balances of retirement benefit obligations and plan assets to net amount recorded on the consolidated balance sheet

	March 31,		
	2020	2019	2020
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligations of funded pension plans	¥ 34,803	¥ 35,074	$ 319,792
Plan assets	(34,350)	(37,267)	(315,629)
	453	(2,193)	4,162
Retirement benefit obligations of unfunded pension plans	1,855	1,768	17,044
Net amount recorded on the consolidated balance sheet	2,308	(425)	21,207
Amounts recorded on the consolidated balance sheet:			
Net defined benefit liability	7,243	5,511	66,553
Net defined benefit asset	(4,934)	(5,936)	(45,336)
Net amount recorded on the consolidated balance sheet	¥ 2,308	¥ (425)	$ 21,207

(4) Retirement benefit cost

	March 31,		
	2020	2019	2020
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 1,276	¥ 1,259	$ 11,724
Interest cost	320	368	2,940
Expected return on plan assets	(816)	(898)	(7,497)
Amortization of net actuarial loss	(249)	281	(2,287)
Amortization of prior service cost	(15)	(15)	(137)
Other	235	276	2,159
Retirement benefit costs relating to defined benefit plans	¥ 750	¥ 1,271	$ 6,891

10. Employee Retirement Benefits (continued)

(a) Defined benefit plans (continued)

(5) Remeasurements of defined benefit plans

The breakdown of remeasurements of defined benefit plans (before deducting tax effect) is as follows:

	March 31,		
	2020	**2019**	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	¥ (15)	¥ (15)	$ (137)
Actuarial gain (loss)	(2,942)	(1,830)	(27,032)
Total	¥ (2,958)	¥ (1,845)	$ (27,180)

(6) Accumulated remeasurements of defined benefit plans

The breakdown of accumulated remeasurements of defined benefit plans (before deducting tax effect) is as follows:

	March 31,		
	2020	**2019**	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized prior service cost	¥ 75	¥ 90	$ 689
Unrecognized actuarial gain (loss)	(4,088)	(1,145)	(37,563)
Total	¥(4,013)	¥ (1,054)	$ (36,874)

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Employee Retirement Benefits (continued)

(a) Defined benefit plans (continued)

(7) Plan assets

Breakdown of major plan assets

The ratio of each main category to the total plan assets is as follows:

	March 31,	
	2020	**2019**
Stock	27%	32%
Debt securities	29%	28%
General life insurance accounts	18%	17%
Other	26%	23%
Total	100%	100%

Note: 25% and 27% as of March 31, 2020 and 2019, respectively, of the total plan assets are assets contributed to a retirement benefit trust for retirement lump-sum plans.

Method for determining expected long-term rate of return

In determining the expected long-term rate of return on plan assets, the Company considers the current and projected plan asset allocations, as well as the current and expected long-term rates of return on the various assets constituting the plan assets.

(8) Actuarial assumptions

The main actuarial assumptions as of the end of the year (presented as a weighted average) are as follows:

	March 31,	
	2020	**2019**
Discount rate	Mainly 0.2%	Mainly 0.2%
Long-term expected return on assets	Mainly 2.0–2.5%	Mainly 2.0–2.5%

(b) Defined contribution plans

The Company and certain consolidated subsidiaries' contributions for defined contribution plans were ¥493 million ($4,530 thousand) and ¥761 million for the years ended March 31, 2020 and 2019, respectively.

11. Income taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants tax and enterprise tax that, in the aggregate, resulted in a statutory tax rate of approximately 30.5% and 30.5% for the years ended March 31, 2020 and 2019, respectively.

Income taxes of foreign consolidated subsidiaries are generally based on the tax rates applicable in their countries of incorporation.

(a) Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019

	March 31,		
	2020	2019	2020
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Inventories	¥ 304	¥ 341	$ 2,793
Other accounts payable	1,925	1,718	17,688
Allowance for doubtful receivables	916	649	8,416
Provision for employees' bonuses	800	776	7,350
Accrued pension and severance costs	3,075	2,542	28,255
Unrealized income	660	601	6,064
Loss on impairment of fixed assets	3,790	3,943	34,824
Tax loss carried forward	1,923	1,820	17,669
Other	3,377	3,240	31,030
Gross deferred tax assets:	16,773	15,632	154,121
Valuation allowance for tax loss carryforwards	(1,088)	(1,141)	(9,997)
Valuation allowance for deductible temporary differences	(2,269)	(1,976)	(20,849)
Valuation allowance	(3,357)	(3,117)	(30,846)
Total deferred tax assets	13,415	12,515	123,265
Deferred tax liabilities:			
Depreciation	(5,737)	(4,900)	(52,715)
Deferred capital gain	(1,327)	(1,367)	(12,193)
Gain on establishment of pension trust fund	(989)	(989)	(9,087)
Unrealized holding gains on securities	(6,135)	(7,679)	(56,372)
Other	(2,656)	(2,459)	(24,405)
Total deferred tax liabilities	(16,846)	(17,396)	(154,791)
Deferred tax assets (liabilities), net	¥ (3,430)	¥ (4,881)	$ (31,517)

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income taxes (continued)

Note

Tax loss carryforwards and its deferred tax assets by expiration periods

As of March 31, 2020 *(Millions of yen)*

	2021	2022	2023	2024	2025	2026 and beyond	Total
Tax loss carryforwards (*1)	0	¥45	¥25	¥12	¥14	¥1,825	¥1,923
Valuation allowance	—	(45)	(25)	(12)	—	(1,004)	(1,088)
Net deferred tax assets	0	0	0	0	¥14	¥820	¥835 (*2)

As of March 31, 2020 *(Thousands of U.S. dollars)*

	2021	2022	2023	2024	2025	2026 and beyond	Total
Tax loss carryforwards (*1)	0	$413	$229	$110	$128	$16,769	$17,669
Valuation allowance	—	(413)	(229)	(110)	—	(9,225)	(9,997)
Net deferred tax assets	0	0	0	0	$128	$7,534	$7,672 (*2)

(*1) Tax loss carryforwards shown in the above table is after multiplying the statutory tax rate.

(*2) Deferred tax assets of ¥835 million was recognized for tax loss carryforwards of ¥1,923 million (amount multiplied by the statutory tax rate). No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on expected future taxable income.

As of March 31, 2019 *(Millions of yen)*

	2020	2021	2022	2023	2024	2025 and beyond	Total
Tax loss carryforwards (*1)	¥35	¥56	¥26	¥14	—	¥1,687	¥1,820
Valuation allowance	(35)	(56)	(26)	(12)	—	(1,010)	(1,141)
Net deferred tax assets	—	—	—	¥2	—	¥676	¥678 (*2)

(*1) Tax loss carryforwards shown in the above table is after multiplying the statutory tax rate.

(*2) Deferred tax assets of ¥678 million was recognized for tax loss carryforwards of ¥1,820 million (amount multiplied by the statutory tax rate). No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on expected future taxable income.

11. Income taxes (continued)

(b) Reconciliation of the difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2020 and 2019

	Years ended March 31,	
	2020	**2019**
Statutory tax rate	30.5%	—
Adjustments:		
Entertainment and other permanently non-deductible expenses	0.8	—
Dividends and other permanently non-taxable income	(0.2)	—
Per capita inhabitants tax	0.2	—
Special deductions for corporate taxes paid	(1.1)	—
Tax rate differences for consolidated subsidiaries	(2.7)	—
Amortization of goodwill	0.5	—
Net change in valuation allowance	0.6	—
Other	0.2	—
Effective tax rate	28.8	—

Reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2019 is not disclosed because the difference between the two tax rates was less than 5% of the statutory tax rate.

12. Capital Surplus and Retained Earnings

The Corporate Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of common stock. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distribution.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2020 and 2019 were ¥4,373 million ($40,181 thousand) and ¥3,816 million, respectively.

14. Leases

(a) Finance leases

Finance leases, except for leases under which the ownership of the leased assets is considered to be transferred to the lessee, whose inception dates were on or before March 31, 2008, are accounted for in the same manner as operating leases. The details are omitted due to immateriality.

(b) Operating leases

Future minimum lease payments as lessee subsequent to March 31, 2020 and 2019 for non-cancelable operating leases are summarized as follows:

	March 31,		
	2020	**2019**	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 580	¥ 3,420	$ 5,329
Over 1 year	739	13,262	6,790
	¥ 1,319	¥16,683	$ 12,119

15. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities as of March 31, 2020 and 2019:

	March 31,		
	2020	**2019**	**2020**
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantor of indebtedness of:			
Others	¥ 96	¥ 56	$ 882
Contingent liabilities related to the redemption of corporate bonds by debt assumption	¥ 30,000	¥ 30,000	$ 275,659

16. Amounts Per Share

The computation of basic net profit per share is based on the weighted average number of shares of common stock outstanding during each period. Diluted net profit per share has been omitted for the years ended March 31, 2020 and 2019 because no potentially dilutive instruments were outstanding during the years.

Net assets per share are based on the number of shares outstanding at the respective balance sheet dates.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

	As of and for the years ended March 31,		
	2020	**2019**	**2020**
	(Yen)		*(U.S. dollars)*
Net profit:			
Basic	¥ 138.53	¥ 135.39	$ 1.27
Net assets	1,419.12	1,382.60	13.03
Cash dividends applicable to the year	42.00	41.00	0.38

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Financial Instruments

(a) Policy for financial instruments

In light of plans for capital investment, the Company and its subsidiaries mainly raise the funds required through bank loans and bond issuance. The Company and its subsidiaries manage temporary fund surpluses through financial assets that have a high level of liquidity. Further, the Company and its subsidiaries raise short-term working capital through bank loans. Derivative transactions are used in order to mitigate risk as described below, such that speculative transactions are not undertaken, based on the Company's policy.

Trade receivables (trade notes and accounts receivable) are exposed to credit risk in relation to customers. Each operating department and the accounting department of the Company and its subsidiaries perform periodic monitoring of the financial condition of major customers, manage due dates and balances, obtain a prompt understanding and attempt to mitigate the risk of uncollectable receivables in the event of deterioration in customers' financial condition.

Investment securities are exposed to variable risks associated with market prices. The Company and its subsidiaries perform periodic monitoring of the financial condition of the issuers for marketable investment securities. A continuing review of the holding of securities, other than held-to-maturity securities, is performed by taking into consideration the market as well as the relationship with the trading counterparties.

Accounts payable have payment due dates mostly within two months. Loans payable and bonds primarily are raised for capital investment and have payment due dates within six years at the longest.

Derivative transactions consist of foreign exchange forward contracts entered into in order to hedge currency-associated variable risks that arise from foreign currency-denominated operating receivables and payables. Enforcement and management of derivative transactions are performed by obtaining the appropriate personnel approval under the administrative procedures for trading authority and budget limits. Derivative transactions are not subject to significant credit risk since the trading counterparties are limited to financial institutions with high credit ratings. In addition, subsidiaries regularly report the actual results of the derivative transactions to the finance department of the Company.

17. Financial Instruments (continued)

(b) Fair value of financial instruments

The carrying value on the consolidated balance sheet, fair value and differences between carrying value and fair value for financial instruments as of March 31, 2020 and 2019 are set out below. The following tables do not include financial instruments for which fair values are difficult to determine.

As of March 31, 2020	Carrying amount	Fair value	Difference
		(Millions of yen)	
(1) Cash and deposits	¥ 30,088	¥ 30,088	¥ —
(2) Trade notes and accounts receivable	61,145	61,145	—
(3) Investment securities	43,261	43,261	—
Total assets	134,496	134,496	—
(1) Trade notes and accounts payable	23,414	23,414	—
(2) Other accounts payable	19,249	19,249	—
(3) Short-term bank loans	5,311	5,311	—
(4) Long-term bank loans	13,602	13,615	12
Total liabilities	61,577	61,590	12
Derivatives (*1)	¥ 1,073	¥ 1,073	¥ —

As of March 31, 2020	Carrying amount	Fair value	Difference
		(Thousands of U.S. dollars)	
(1) Cash and deposits	$ 276,467	$ 276,467	$ —
(2) Trade notes and accounts receivable	561,839	561,839	—
(3) Investment securities	397,509	397,509	—
Total assets	1,235,835	1,235,835	—
(1) Trade notes and accounts payable	215,142	215,142	—
(2) Other accounts payable	176,872	176,872	—
(3) Short-term bank loans	48,800	48,800	—
(4) Long-term bank loans	124,983	125,103	110
Total liabilities	565,809	565,928	110
Derivatives (*1)	$ 9,859	$ 9,859	$ —

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Financial Instruments (continued)

(b) Fair value of financial instruments (continued)

As of March 31, 2019	Carrying amount	Fair value	Difference
	(Millions of yen)		
(1) Cash and deposits	¥ 30,162	¥ 30,162	¥ —
(2) Trade notes and accounts receivable	60,719	60,719	—
(3) Investment securities	47,416	47,416	—
Total assets	138,298	138,298	—
(1) Trade notes and accounts payable	22,383	22,383	—
(2) Other accounts payable	18,872	18,872	—
(3) Short-term bank loans	3,487	3,487	—
(4) Long-term bank loans	13,602	13,654	51
Total liabilities	58,345	58,397	51
Derivatives (*1)	¥ 1,256	¥ 1,256	¥ —

(*1) The carrying amount and fair value of derivative transactions are stated on a net basis. Figures in parentheses represent net liabilities.

17. Financial Instruments (continued)

(b) Fair value of financial instruments (continued)

Methods for calculating fair values of financial instruments

• Assets

(1) Cash and deposits, (2) Trade notes and accounts receivable

Since these assets are short term in nature, their carrying value approximates fair value.

(3) Investment securities

Since securities such as negotiable certificates of deposit are short term in nature, their carrying value approximates fair value.

The fair value of investment securities is based on the quoted market prices for listed shares.

Unlisted stocks and others with a carrying amount of ¥14,411 million ($132,417 thousand) and ¥11,791 million as of March 31, 2020 and 2019, respectively, are excluded from investment securities in the above table, since they have no market values and their fair values are difficult to determine.

Information on investment securities categorized by holding purpose is set out in Note 6. Fair Value of Securities.

• Liabilities

(1) Trade notes and accounts payable, (2) Other accounts payable, (3) Short-term bank loans

Since these liabilities are short term in nature, their carrying value approximates fair value.

(4) Long-term debt

Fair value of long-term debt is calculated by discounting the total principal and interest using the incremental borrowing rate.

• Derivatives

Information on derivatives is set out in Note 18. Derivatives.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives

Summarized below are the notional amounts and the estimated fair value of the open derivative positions as of March 31, 2020 and 2019:

(a) Hedge accounting not applied

Currency-related transactions

Classification	Type of transaction	March 31, 2020 Notional amount	Over 1 year	Fair value	Valuation gain (loss)
			(Millions of yen)		
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	¥ 3,968	¥ —	¥ (22)	¥ (22)
	EUR	967	—	(1)	(1)
	AUD	40	—	(0)	(0)
	SGD	265	—	(0)	(0)
	Buy:				
	USD	49,387	21,427	1,650	1,650
	EUR	4,543	663	(305)	(305)
	GBP	0	—	0	0
	SGD	5,914	779	(241)	(241)
	JPY	588	—	(6)	(6)
Total		¥ 65,675	¥ 22,871	¥ 1,072	¥ 1,072

Classification	Type of transaction	March 31, 2020 Notional amount	Over 1 year	Fair value	Valuation gain (loss)
			(Thousands of U.S. dollars)		
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	$ 36,460	$ —	$ (202)	$ (202)
	EUR	8,885	—	(9)	(9)
	AUD	367	—	(0)	(0)
	SGD	2,434	—	(0)	(0)
	Buy:				
	USD	453,799	196,885	15,161	15,161
	EUR	41,744	6,092	(2,802)	(2,802)
	GBP	0	—	0	0
	SGD	54,341	7,157	(2,214)	(2,214)
	JPY	5,402	—	(55)	(55)
Total		$ 603,464	$ 210,153	$ 9,850	$ 9,850

18. Derivatives (continued)

(a) Hedge accounting not applied (continued)

March 31, 2019

Classification	**Type of transaction**	**Notional amount**	**Over 1 year**	**Fair value**	**Valuation gain (loss)**
			(Millions of yen)		
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	¥ 3,563	¥ —	¥ (23)	¥ (23)
	AUD	63	—	(0)	(0)
	JPY	23	—	0	0
	HKD	14	—	(0)	(0)
	Buy:				
	USD	49,001	35,384	1,439	1,439
	EUR	4,563	2,822	(146)	(146)
	GBP	0	—	0	0
	SGD	5,934	4,403	(3)	(3)
	JPY	436	—	(3)	(3)
Total		¥ 63,600	¥ 42,610	¥ 1,261	¥ 1,261

Notes

1. Fair value is calculated based on the prices provided by financial institutions.
2. The amounts in the table above include the profit or loss due to eliminating inter-company balances in consolidation.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives (continued)

(b) Hedge accounting applied

Currency-related transactions

March 31, 2020					
Hedge accounting method	**Type of transaction**	**Hedged item**	**Notional amount**	**Over 1 year**	**Fair value**
				(Millions of yen)	
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable	¥ 50	¥ –	(Note 2)
	Buy:				
	USD	Accounts payable	227	–	(Note 2)
	USD	Long-term debt	202	202	(Note 2)
	EUR	Accounts payable	30	–	(Note 2)
	JPY		24	–	(Note 2)
Deferral hedge accounting	Sell:				
	USD	Accounts receivable	25	–	(0)
	HKD		4	–	(0)
	Buy:				
	USD	Accounts payable	3,474	–	1
	EUR		¥ 17	¥ –	¥ (0)

March 31, 2020					
Hedge accounting method	**Type of transaction**	**Hedged item**	**Notional amount**	**Over 1 year**	**Fair value**
				(Thousands of U.S. dollars)	
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable	$ 459	$ –	(Note 2)
	Buy:				
	USD	Accounts payable	2,085	–	(Note 2)
	USD	Long-term debt	1,856	1,856	(Note 2)
	EUR	Accounts payable	275	–	(Note 2)
	JPY		220	–	(Note 2)
Deferral hedge accounting	Sell:				
	USD	Accounts receivable	229	–	(0)
	HKD		36	–	(0)
	Buy:				
	USD	Accounts payable	31,921	–	9
	EUR		$ 156	$ –	$ (0)

18. Derivatives (continued)

(b) Hedge accounting applied (continued)

March 31, 2019

Hedge accounting method	Type of transaction	Hedged item	Notional amount	Over 1 year	Fair value
				(Millions of yen)	
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable	¥ 29	¥ –	(Note 2)
	EUR		12	–	(Note 2)
	Buy:				
	USD	Accounts payable	331	–	(Note 2)
	USD	Long-term debt	202	202	(Note 2)
	EUR	Accounts payable	80	–	(Note 2)
	JPY		12	–	(Note 2)
Deferral hedge accounting	Sell:	Accounts receivable			
	USD		18	–	(0)
	Buy:				
	USD	Accounts payable	2,774	–	(3)
	EUR		¥ 120	¥ –	¥ (1)

Notes

1. Fair value is calculated based on the prices provided by financial institutions.
2. For certain accounts receivable and accounts payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, the fair value of derivative financial instruments is included in the fair value of the hedged accounts receivable and accounts payable.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Rental Properties

The Company and certain consolidated subsidiaries own a number of commercial facilities including land for rent in Chiba Prefecture and other locations. Net rental income from such rental properties for the years ended March 31, 2020 and 2019 was ¥691 million ($6,349 thousand) and ¥750 million, respectively. The Company recorded ¥7 million ($64 thousand) and ¥294 million of gain on sales of rental properties as other profit for the years ended March 31, 2020 and 2019, respectively.

The carrying amount and the fair value of such rental properties as of March 31, 2020 and 2019 were as follows:

March 31, 2020

Carrying amount *(Millions of yen)*			Fair value as of March 31, 2020 *(Millions of yen)*
Beginning of year	Net change during year	End of year	
¥ 8,543	¥ (123)	¥ 8,420	¥ 24,071

March 31, 2020

Carrying amount *(Thousands of U.S. dollars)*			Fair value as of March 31, 2020 *(Thousands of U.S. dollars)*
Beginning of year	Net change during year	End of year	
$ 78,498	$ (1,130)	$ 77,368	$ 221,179

March 31, 2019

Carrying amount *(Millions of yen)*			Fair value as of March 31, 2019 *(Millions of yen)*
Beginning of year	Net change during year	End of year	
¥ 8,594	¥ (50)	¥ 8,543	¥ 24,157

Note

The fair value of significant properties is calculated based on the appraisal standard used by real estate appraisers, and the fair value of immaterial properties is calculated based on the value for property tax assessment.

20. Segment Information

(a) Segment information

(1) Overview of reportable segments

Reportable segments are a component or aggregated component for which segment specific financial information is available. The Company's Board of Directors uses this financial information periodically to make decisions on the allocation of management resources and to evaluate business performance.

The Company, as a holding company, mainly plans Group strategy, and manages and controls its subsidiaries. The Company divides its domestic business into manufacturing and sales of foods, and other business. The Company divides its overseas business into manufacturing and sales of foods, and the sales of oriental food products. As a result, the Company identified four reportable segments, which are "Domestic Foods—Manufacturing and Sales," "Domestic Others," "Overseas Foods—Manufacturing and Sales" and "Overseas Foods—Wholesale."

"Domestic Foods—Manufacturing and Sales" includes manufacturing and sales of foods in the domestic market, including soy sauce, beverages and alcoholic beverages.

"Domestic Others" includes manufacturing and sales of pharmaceuticals and chemical products, real estate rental, logistics and back-office operations in the domestic market.

"Overseas Foods—Manufacturing and Sales" includes manufacturing and sales of soy sauce, Del Monte products and health foods in overseas markets, and sales of domestically manufactured products to overseas markets.

"Overseas Foods—Wholesale" includes the purchase of overseas oriental products for sale in domestic and overseas markets and sales of oriental products in domestic and overseas markets.

(2) Methods of calculating amounts for net sales, profit or loss, assets, liabilities and other items by reportable segment

Segment profit in the following tables is operating profit. Intra-group sales and transfers were made based on market prices.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Segment Information (continued)

(a) Segment information (continued)

(3) Information on sales, profit or loss, assets and other items by reportable segment

	As of and for the year ended March 31, 2020						
	Domestic Foods—Manufacturing and Sales	**Domestic Others**	**Overseas Foods—Manufacturing and Sales**	**Overseas Foods—Wholesale**	**Total**	**Adjustments**	**Consolidated**
	(Millions of yen)						
Sales and operating profit:							
Net sales to third parties	¥ 177,281	¥ 7,221	¥ 84,307	¥ 199,805	¥ 468,616	¥ —	¥ 468,616
Intra-group sales and transfers	2,163	14,119	12,283	444	29,010	(29,010)	—
Total net sales	179,444	21,341	96,591	200,249	497,627	(29,010)	468,616
Segment profit	11,460	1,832	19,251	9,147	41,691	(1,864)	39,826
Segment assets	124,494	22,946	162,329	93,017	402,787	(15,458)	387,329
Other items:							
Depreciation and amortization	6,802	1,419	4,170	3,440	15,832	831	16,664
Amortization of goodwill	543	—	104	29	676	—	676
Increase in property, plant and equipment and intangible assets	¥ 10,045	¥ 1,418	¥ 7,226	¥ 4,927	¥ 23,618	¥ 3,845	¥ 27,464

	As of and for the year ended March 31, 2020						
	Domestic Foods—Manufacturing and Sales	**Domestic Others**	**Overseas Foods—Manufacturing and Sales**	**Overseas Foods—Wholesale**	**Total**	**Adjustments**	**Consolidated**
	(Thousands of U.S. dollars)						
Sales and operating profit:							
Net sales to third parties	$ 1,628,971	$ 66,351	$ 774,666	$1,835,936	$4,305,945	$ —	$4,305,945
Intra-group sales and transfers	19,875	129,734	112,864	4,079	266,562	(266,562)	—
Total net sales	1,648,846	196,094	887,540	1,840,016	4,572,516	(266,562)	4,305,945
Segment profit	105,301	16,833	176,890	84,048	383,083	(17,127)	365,946
Segment assets	1,143,930	210,842	1,491,583	854,699	3,701,065	(142,038)	3,559,027
Other items:							
Depreciation and amortization	62,501	13,038	38,316	31,608	145,474	7,635	153,119
Amortization of goodwill	4,989	—	955	266	6,211	—	6,211
Increase in property, plant and equipment and intangible assets	$ 92,299	$ 13,029	$ 66,397	$ 45,272	$217,017	$ 35,330	$ 252,356

20. Segment Information (continued)

(a) Segment information (continued)

Notes

Adjustments are as follows:

(1) Adjustments of ¥(1,864) million ($(17,127) thousand) in segment profit mainly represent expenses relating to the corporate division of the Company, which totaled ¥(1,763) million ($(16,199) thousand).

(2) Adjustments of ¥(15,458) million ($(142,038) thousand) in segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥125,579 million ($1,153,900 thousand). Assets relating to the corporate division of the Company consist mainly of cash and deposits and investment securities.

(3) Adjustments of ¥831 million ($7,635 thousand) in depreciation and amortization consist of depreciation of assets relating to the corporate division of the Company.

(4) Adjustments of ¥3,845 million ($35,330 thousand) in increase in property, plant and equipment and intangible assets consist of asset acquisitions of the corporate division of the Company.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Segment Information (continued)

(a) Segment information (continued)

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
	As of and for the year ended March 31, 2019						
				(Millions of yen)			
Sales and operating profit:							
Net sales to third parties	¥ 172,899	¥ 7,661	¥ 81,325	¥ 191,679	¥ 453,565	¥ —	¥ 453,565
Intra-group sales and transfers	1,755	13,766	12,184	430	28,136	(28,136)	—
Total net sales	174,654	21,427	93,510	192,109	481,701	(28,136)	453,565
Segment profit	10,597	1,773	18,745	8,597	39,714	(1,296)	38,417
Segment assets	119,643	22,786	153,594	75,633	371,657	(9,538)	362,119
Other items:							
Depreciation and amortization	6,734	1,284	3,464	1,059	12,542	605	13,148
Amortization of goodwill	543	—	105	32	680	—	680
Increase in property, plant and equipment and intangible assets	¥ 10,601	¥ 1,289	¥ 7,719	¥ 4,515	¥ 24,125	¥ 4,220	¥ 28,346

Notes

1. Adjustments are as follows:

(1) Adjustments of ¥(1,296) million in segment profit mainly represent expenses relating to the corporate division of the Company, which totaled ¥(1,142) million.

(2) Adjustments of ¥(9,538) million in segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥121,335 million. Assets relating to the corporate division of the Company consist mainly of cash and deposits and investment securities.

(3) Adjustments of ¥605 million in depreciation and amortization consist of depreciation of assets relating to the corporate division of the Company.

(4) Adjustments of ¥4,220 million in increase in property, plant and equipment and intangible assets consist of asset acquisitions of the corporate division of the Company.

20. Segment Information (continued)

(b) Related information

Information by geographical area

Sales For the year ended March 31, 2020 *(Millions of yen)*	Japan	North America	Other	Total
Amount	¥ 187,520	¥ 204,838	¥ 76,257	¥ 468,616

Sales For the year ended March 31, 2020 *(Thousands of U.S. dollars)*	Japan	North America	Other	Total
Amount	$ 1,723,054	$ 1,882,183	$ 700,698	$ 4,305,945

Sales For the year ended March 31, 2019 *(Millions of yen)*	Japan	North America	Other	Total
Amount	¥ 185,101	¥ 194,323	¥ 74,140	¥ 453,565

Note: Sales are based on the location of customers and are classified by country or region.
Note: "North America" is managed as one region. As it is difficult to classify sales to third parties by individual country, the sales amount for each country is not disclosed.

Property, plant and equipment As of March 31, 2020 *(Millions of yen)*	Japan	United States	Other	Total
Net book value	¥ 81,492	¥ 47,710	¥ 19,863	¥ 149,067

Property, plant and equipment As of March 31, 2020 *(Thousands of U.S. dollars)*	Japan	United States	Other	Total
Net book value	$ 748,800	$ 438,390	$ 182,514	$ 1,369,723

Property, plant and equipment As of March 31, 2019 *(Millions of yen)*	Japan	United States	Other	Total
Net book value	¥ 75,876	¥ 33,363	¥ 14,149	¥ 123,390

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Segment Information (continued)

(b) Related information (continued)

Information regarding loss on impairment of fixed assets by reportable segment

	For the year ended March 31, 2020						
	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total	Adjustments	Consolidated
	(Millions of yen)						
Impairment loss	¥ —	¥ 301	¥ —	¥ —	¥ 301	¥ —	¥ 301

	For the year ended March 31, 2020						
	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
	(Thousands of U.S. dollars)						
Impairment loss	$ —	$ 2,765	$ —	$ —	$ 2,765	$ —	$ 2,765

	For the year ended March 31, 2019						
	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
	(Millions of yen)						
Impairment loss	¥ 2,378	¥ —	¥ —	¥ —	¥ 2,378	¥ —	¥ 2,378

Information regarding the balance of goodwill by reportable segment

	As of March 31, 2020						
	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
	(Millions of yen)						
Goodwill ending balance	¥ 2,777	¥ —	¥ 949	¥ 437	¥ 4,164	¥ —	¥ 4,164

	As of March 31, 2020						
	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
	(Thousands of U.S. dollars)						
Goodwill ending balance	$ 25,516	$ —	$ 8,720	$ 4,015	$ 38,261	$ —	$ 38,261

20. Segment Information (continued)

(b) Related information (continued)

	As of March 31, 2019						
	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
				(Millions of yen)			
Goodwill ending balance	¥ 3,320	¥ —	¥ 1,069	¥ 579	¥ 4,969	¥ —	¥ 4,969

Information regarding amortization of goodwill is omitted, since this information was disclosed in (a) (3). Information on sales, profit or loss, assets and other items by reportable segment.

21. Related Party Transactions

Transactions with related parties

(1) Transactions between the Company and related parties
There are no applicable matters to be reported.

(2) Transactions between the Company's subsidiaries and related parties
Officers and major shareholders of the Company, etc.

As of and for the year ended March 31, 2020										
Category	Name	Location	Paid-in capital or invest-ment	Business/ Position	Share of voting rights (shares owned)	Relationship with related parties	Nature of transactions	Trans-action value	Item	Year-end balance
			(Millions of yen)		(%)			(Millions of yen)		(Millions of yen)
Officer	Noriaki Horikiri	—	—	President & CEO	0.4	Land rent	Land rent	¥11	Other Accounts payable	¥2

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Related Party Transactions (continued)

Transactions with related parties (continued)

As of and for the year ended March 31, 2020

Category	Name	Location	Paid-in capital or invest-ment	Business/ Position	Share of voting rights (shares owned)	Relationship with related parties	Nature of transactions	Trans-action value	Item	Year-end balance
			(Thousands of U.S. dollars)		*(%)*			*(Thousands of U.S. dollars)*		
Officer	Noriaki Horikiri	—	—	President & CEO	0.4	Land rent	Land rent	$101	Other Accounts payable	$18

Notes:
1. Consumption tax is not included in “Transaction value” but is included in “Year-end balance.”
2. The Company decides the land rent based on the market rents in the area.

As of and for the year ended March 31, 2019

Category	Name	Location	Paid-in capital or invest-ment	Business/ Position	Share of voting rights (shares owned)	Relationship with related parties	Nature of transactions	Trans-action value	Item	Year-end balance
			(Millions of yen)		*(%)*			*(Millions of yen)*		*(Millions of yen)*
Officer	Noriaki Horikiri	—	—	President & CEO	0.4	Land rent	Land rent	¥11	Other Accounts payable	¥2

Notes:
1. Consumption tax is not included in “Transaction value” but is included in “Year-end balance.”
2. The Company decides the land rent based on the market rents in the area.

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