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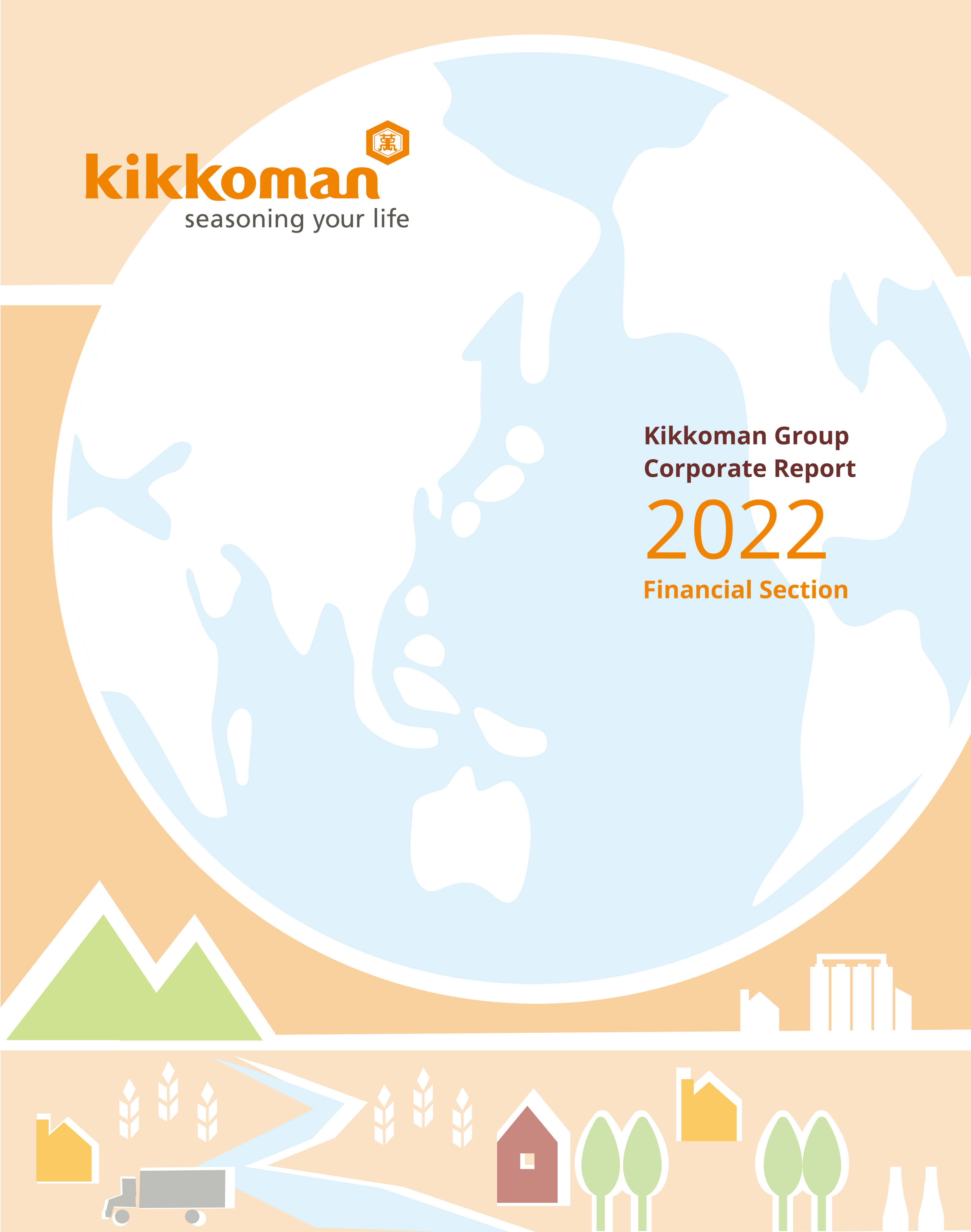
Kikkoman Group Corporate Report 2022

Financial Section



Note: Fiscal years in this report are April to March.
Example: FY2022 = April 2021–March 2022

Starting with consolidated financial statements for the year ended March 31, 2021, Kikkoman Corp. adopted IFRS.
Consolidated results for the year ended March 31, 2020 have been adjusted to reflect IFRS.

Kikkoman Corporation

Management's Discussion and Analysis

OPERATING RESULTS

In FY2022, ended March 31, 2022, the global economy remained in a challenging situation as the impact of the novel coronavirus disease (COVID-19) continued, despite signs of a recovery in the economy. In this condition, the Group's domestic sales of soy sauce, food products, and liquor & wine remained strong, and overall sales in the foods-manufacturing and sales business exceeded those of the same period of the previous year, although sales of beverages were lower than those of the previous year. Overseas, sales in the foods-manufacturing and sales business and the wholesale business were strong and exceeded those of the previous fiscal year.

◆ Revenue

(millions of yen)

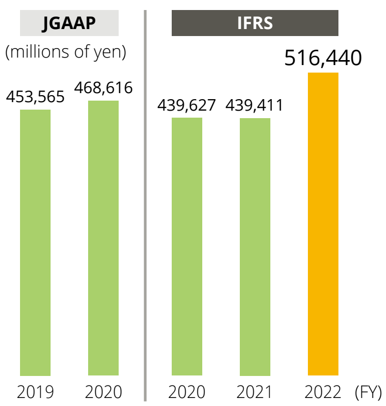
	2022	2021	Change	
Domestic Foods—Manufacturing and Sales	¥ 148,815	¥ 148,122	¥ 693	0.5%
Domestic Others	21,643	21,186	457	2.2%
Overseas Foods—Manufacturing and Sales	115,793	100,832	14,960	14.8%
Overseas Foods—Wholesale	262,068	198,332	63,736	32.1%
Adjustments	(31,880)	(29,061)	(2,819)	—
Consolidated	¥ 516,440	¥ 439,411	¥ 77,028	17.5%

◆ Business Profit

(millions of yen)

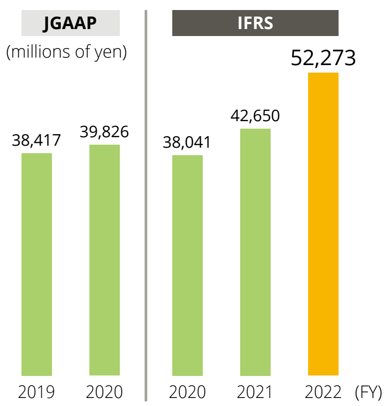
	2022	2021	Change	
Domestic Foods—Manufacturing and Sales	¥ 11,622	¥ 11,631	¥ (9)	(0.1%)
Domestic Others	1,870	1,915	(44)	(2.3%)
Overseas Foods—Manufacturing and Sales	22,711	20,416	2,294	11.2%
Overseas Foods—Wholesale	17,686	10,556	7,130	67.5%
Adjustments	(1,616)	(1,869)	252	—
Consolidated	¥ 52,273	¥ 42,650	¥ 9,622	22.6%

◆ Revenue*



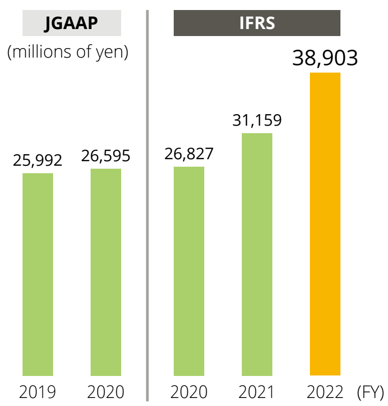
* Net sales from FY2019 to FY2020 are based on Japanese GAAP.

◆ Business Profit*



* Operating profit from FY2019 to FY2020 is based on Japanese GAAP.

◆ Profit for the Year Attributable to Owners of the Parent*



* Profit attributable to owners of parent from FY2019 to FY2020 is based on Japanese GAAP.

RISK FACTORS

The Kikkoman Group has the Kikkoman Group Risk Management Guideline, which defines basic policies and management system for risk management. Based on this guideline, we promote risk management throughout the Group. The Group Management Committee, chaired by the CEO, regularly analyzes and reviews the risks of the Group. During this process, the committee assesses and follows up on the risks.

Ensuring a stable supply of products and product safety is a basic function as a food company, and the Group has established committees for each of these risks. For a stable supply of products, we have established the Risk Management Committee to take appropriate and prompt action in the event of a crisis affecting the Group, such as an accident or disaster. For product safety, we have established the Kikkoman Group Quality Policy and established quality assurance divisions at each of the Group's major manufacturing companies. We also hold the Quality Assurance Committee consisting of members from across the Group to ensure product safety, compliance with laws and regulations, and social fairness.

Forward-looking statements in this report are based on information available to the Kikkoman Group as of June 21, 2022.

1 Risks Related to the "Socioeconomic Environment"

◆ 1. Natural disasters and other events

The Group has production sites in the Americas, 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 rainstorms, 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. Regarding the Medium-Term Management Plan, we are preparing the plan by fully examining the rising costs of raw materials and utilities. The impact of rising prices of raw materials and other materials related to the situation in Russia and Ukraine is continuing, and we will continue to consider how to address this issue, including our pricing policy. 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

Based on the Global Vision 2030, the Group operates in many regions worldwide, including the Americas, 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, rapid changes in the market environment, or other similar events in regions where the Group operates, could have an impact on the Kikkoman Group's business results and financial position.

◆ 4. The novel coronavirus disease (COVID-19)

Regarding the novel coronavirus disease, the state of infection and the measures taken by various countries and local governments have affected the economy and consumer behaviors. At the Kikkoman Group, we give priority to the safety of our employees and their families, and we continue to take measures to control and prevent the risk of infection in the workplace to continue our business operations. In terms of the market environment, we have also been quick to respond to changes such as the downturn in the foodservice industry and increasing demands of home-use. However, if the emergence of more potent variants or new infectious diseases occurs, it might lead to a significant spread of the disease, which results in economic regulations. In this case, the Group's results of operations and financial position could be affected.

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, or innovations in information technology, 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. Corporate Social Responsibility

The Kikkoman Group is working on activities that contribute to solving social issues and fulfill our corporate social responsibility. To this end, we have identified three areas of material social issues: Global Environment, Food and Health, and People and Society. The Corporate Social Responsibility Promotion Committee is in charge of promoting the activities.

As for Global Environment, we are addressing environmental issues based on our long-term environmental vision. We will reduce CO_2 emissions and water consumption per unit, and reduce plastic use by promoting the use of eco-friendly containers. Our group has also expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD). Based on TCFD recommendations, we will assess the risks and opportunities that climate change poses to our business, and advance disclosure of governance, strategy, risk management, and indicators and targets. As for Food and Health, the Group takes actions based on the values of Kikkoman's Promise, which is "To fill the world with the joy of food by delivering wholehearted flavor." As for People and Society, the Group will work on the human rights due diligence based on the Kikkoman Group Human Rights Policy.

However, in the face of increasing international attention to social issues, if these issues are not adequately addressed, there may be constraints on corporate activities and a loss of public confidence that could affect the Group's business performance and financial condition.

3 Risks Related to the "Business Operations"

◆ 1. Compliance

a) Compliance

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.

b) 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.

◆ 2. 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.

◆ 3. 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.

◆ 4. 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 or business expansion, which could have an impact on the Kikkoman Group's business results and financial position.

◆ 5. Finances

a) 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.

b) 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, 2022

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Financial Position

	March 31, 2022	March 31, 2021
	(Millions of yen)	
Assets		
Current assets:		
Cash and cash equivalents *(Note 8)*	**¥79,229**	¥55,678
Trade and other receivables *(Notes 9 and 34)*	**69,407**	62,579
Inventories *(Note 10)*	**82,700**	63,085
Other financial assets *(Notes 11 and 34)*	**2,541**	5,598
Other current assets *(Note 12)*	**6,313**	5,403
Total current assets	**¥240,192**	¥192,346
Non-current assets:		
Property, plant and equipment *(Note 13)*	**136,291**	127,077
Investment properties *(Note 16)*	**9,292**	9,388
Right-of-use assets *(Note 15)*	**23,385**	22,145
Goodwill *(Note 14)*	**4,626**	5,006
Intangible assets *(Note 14)*	**4,947**	5,075
Investments in associates accounted for using the equity method *(Note 17)*	**3,939**	3,545
Other financial assets *(Notes 11 and 34)*	**68,961**	63,267
Employee defined benefit assets *(Note 23)*	**7,824**	7,440
Deferred tax assets *(Note 18)*	**3,431**	3,005
Other non-current assets *(Note 12)*	**167**	209
Total non-current assets	**¥262,868**	¥246,162
Total assets	**¥503,061**	¥438,508

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Financial Position (continued)

	March 31,	
	2022	**2021**
	(Millions of yen)	
Liabilities		
Current liabilities:		
Trade and other payables *(Notes 19 and 34)*	**¥59,573**	¥50,600
Short-term borrowings and current portion of long-term borrowings *(Notes 20 and 34)*	**4,503**	3,950
Short-term lease liabilities *(Note 15 and 34)*	**4,313**	4,967
Income tax payable	**5,182**	4,210
Other financial liabilities *(Notes 21and 34)*	**648**	445
Other current liabilities *(Note 22)*	**9,004**	8,522
Total current liabilities	**¥83,225**	¥72,696
Non-current liabilities:		
Long-term borrowings *(Notes 20 and 34)*	**13,000**	13,400
Long-term lease liabilities *(Notes 15 and 34)*	**21,643**	19,346
Deferred tax liabilities *(Note 18)*	**8,754**	8,529
Employee defined benefit liabilities *(Note 23)*	**5,322**	5,047
Other financial liabilities *(Notes 21 and 34)*	**4,023**	4,067
Other non-current liabilities *(Note 22)*	**3,183**	1,906
Total non-current liabilities	**¥55,927**	¥52,297
Total liabilities	**¥139,153**	¥124,993
Equity		
Equity:		
Share capital *(Note 24)*	**11,599**	11,599
Capital surplus *(Note 24)*	**13,696**	13,695
Retained earnings *(Note 24)*	**297,116**	267,073
Treasury stock *(Note 24)*	**(6,808)**	(3,658)
Other components of equity *(Note 24)*	**42,212**	19,420
Total equity attributable to owners of the parent	**357,816**	308,130
Non-controlling interests	**6,091**	5,384
Total equity	**¥363,907**	¥313,514
Total liabilities and equity	**¥503,061**	¥438,508

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Profit or Loss

	2022	2021
	(Millions of yen)	
Revenue *(Notes 6 and 26)*	**¥516,440**	¥439,411
Cost of sales *(Notes 13, 14 and 23)*	**337,611**	285,178
Gross profit	**178,829**	154,233
Selling, general and administrative expenses *(Notes 13, 14, 23 and 27)*	**126,555**	111,583
Business profit	**52,273**	42,650
Other income *(Note 28)*	**5,572**	5,223
Other expenses *(Note 13, 14 and 29)*	**7,163**	6,201
Operating profit	**50,682**	41,672
Finance income *(Note 30)*	**10,168**	4,272
Finance costs *(Note 30)*	**6,869**	2,956
Share of profit of associates accounted for using the equity method *(Note 17)*	**249**	206
Profit before income taxes	**54,231**	43,194
Income taxes *(Note 18)*:	**14,885**	11,572
Profit for the year	**39,345**	31,621
Profit for the year attributable to:		
Owners of the parent	**38,903**	31,159
Non-controlling interests	**441**	462
Profit for the year	**39,345**	31,621
Earnings per share (yen) *(Note 32)*	**¥202.94**	¥162.31

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

	2022	2021
	(Millions of yen)	
Profit for the year	**¥39,345**	¥31,621
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured at FVOCI, net of taxes *(Note 31)*	**90**	2,002
Remeasurements of defined benefit plans *(Note 31)*	**133**	2,687
Share of other comprehensive income (loss) of associates accounted for using the equity method *(Note 17 and 31)*	**173**	322
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments *(Note 31)*	**22,819**	7,724
Cash flow hedges *(Note 31and 34)*	**107**	(12)
Other comprehensive income for the period, net of tax	**¥23,325**	¥12,724
Total comprehensive income for the period	**¥62,670**	¥44,346
Total comprehensive income for the period attributable to:		
Owners of the parent	**¥61,686**	¥43,919
Non-controlling interests	**¥984**	¥426

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity

Year ended March 31, 2022 *(Millions of yen)*

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Cash flow hedges
Balance at beginning of the period	**¥11,599**	**¥13,695**	**¥267,073**	**¥(3,658)**	**¥2,308**	**¥23**
Profit for the year			**38,903**			
Other comprehensive income (loss)					**22,292**	**107**
Total comprehensive income (loss)	—	—	**38,903**	—	**22,292**	**107**
Purchase of treasury stock				**(3,149)**		
Disposal of treasury stock		**0**		**0**		
Dividends *(Note 25)*			**(8,825)**			
Transfer from other components of equity to retained earnings			**(35)**			
Transfer to non-financial assets						**(26)**
(Increase) decrease in treasury stock due to change in ownership interests in associates accounted for using the equity method				**(0)**		
Other increase (decrease)						
Total transactions with owners of the parent	—	**0**	**(8,860)**	**(3,149)**	—	**(26)**
Balance at end of the period	**¥11,599**	**¥13,696**	**¥297,116**	**¥(6,808)**	**¥24,600**	**¥104**

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity					
	Net change in fair value of financial assets measured at FVOCI	Remeasurements of defined benefit plans	Total	Total		
Balance at beginning of the period	**¥17,088**	**¥—**	**¥19,420**	**¥308,130**	**¥5,384**	**¥313,514**
Profit for the year				**38,903**	**441**	**39,345**
Other comprehensive income (loss)	**269**	**113**	**22,782**	**22,782**	**542**	**23,325**
Total comprehensive income (loss)	**269**	**113**	**22,782**	**61,686**	**984**	**62,670**
Purchase of treasury stock				**(3,149)**		**(3,149)**
Disposal of treasury stock				**0**		**0**
Dividends *(Note 25)*				**(8,825)**	**(276)**	**(9,102)**
Transfer from other components of equity to retained earnings	**148**	**(113)**	**35**	—		—
Transfer to non-financial assets			**(26)**	**(26)**		**(26)**
(Increase) decrease in treasury stock due to change in ownership interests in associates accounted for using the equity method				**(0)**		**(0)**
Other increase (decrease)				—	**(0)**	**(0)**
Total transactions with owners of the parent	**148**	**(113)**	**8**	**(12,000)**	**(277)**	**(12,277)**
Balance at end of the period	**¥17,506**	**¥—**	**¥42,212**	**¥357,816**	**¥6,091**	**¥363,907**

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity (continued)

Year ended March 31, 2021 *(Millions of yen)*

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Cash flow hedges
Balance at beginning of the period	¥11,599	¥13,695	¥240,646	¥(3,641)	¥(5,453)	¥0
Profit for the year			31,159			
Other comprehensive income (loss)					7,761	(12)
Total comprehensive income (loss)	—	—	31,159	—	7,761	(12)
Purchase of treasury stock				(17)		
Disposal of treasury stock		0		0		
Dividends *(Note 25)*			(8,065)			
Transfer from other components of equity to retained earnings			3,333			
Transfer to non-financial assets						35
Increase (decrease) in treasury stocks due to change in equity interests in associates accounted for using the equity method				0		
Other increase (decrease)						
Total transactions with owners of the parent	—	0	(4,732)	(17)	—	35
Balance at end of the period	¥11,599	¥13,695	¥267,073	¥(3,658)	¥2,308	¥23

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in fair value of financial assets measured at FVOCI	Remeasurements of defined benefit plans	Total			
Balance at beginning of the period	¥15,411	¥—	¥9,958	¥272,258	¥5,285	¥277,543
Profit for the year				31,159	462	31,621
Other comprehensive income (loss)	2,235	2,774	12,759	12,759	(35)	12,724
Total comprehensive income (loss)	2,235	2,774	12,759	43,919	426	44,346
Purchase of treasury stock				(17)		(17)
Disposal of treasury stock				0		0
Dividends *(Note 25)*				(8,065)	(435)	(8,500)
Transfer from other components of equity to retained earnings	(558)	(2,774)	(3,333)	—		—
Transfer to non-financial assets			35	35		35
Increase (decrease) in treasury stocks due to change in equity interests in associates accounted for using the equity method				0		0
Other increase (decrease)				—	107	107
Total transactions with owners of the parent	(558)	(2,774)	(3,297)	(8,046)	(327)	(8,374)
Balance at end of the period	¥17,088	¥—	¥19,420	¥308,130	¥5,384	¥313,514

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	2022	2021
	(Millions of yen)	
Cash flows from operating activities		
Profit before income taxes	**¥54,231**	¥43,194
Depreciation and amortization	**20,030**	19,235
Impairment losses	**981**	1,185
Interest and dividend income	**(1,168)**	(1,116)
Interest paid	**738**	919
Share of (profit) loss of associates accounted for using the equity method	**(249)**	(206)
Increase (decrease) in net defined benefit assets and liabilities	**(1,131)**	(1,690)
(Gain) loss on sale and disposal of property, plant and equipment	**490**	975
(Gain) loss on sale of shares of subsidiaries	**(2,172)**	—
(Increase) decrease in trade and other receivables	**(3,948)**	1,355
(Increase) decrease in inventories	**(14,485)**	533
Increase (decrease) in trade and other payables	**4,966**	1,710
Other	**8,653**	1,070
Net cash generated from operating activities	**66,935**	67,167
Interest received	**108**	149
Dividends received	**1,065**	1,028
Interest paid	**(745)**	(932)
Income taxes paid	**(15,271)**	(10,245)
Net cash provided by operating activities	**¥52,093**	¥57,167
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(18,697)**	(15,718)
Proceeds from sale of property, plant and equipment	**201**	269
Acquisition of intangible assets	**(867)**	(1,353)
Proceeds from sale of intangible assets	**—**	28
Acquisition of financial instruments	**(1,823)**	(1,949)
Proceeds from sale of financial instruments	**101**	1,142
Addition to loans receivable	**(548)**	(373)
Collection of loans receivable	**401**	425
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation *(Note 33)*	**3,671**	—
Other	**1,454**	642
Net cash used in investing activities	**¥(16,105)**	¥(16,886)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings *(Note 33)*	**236**	(1,581)
Payment of principal portion of lease liabilities *(Note 33)*	**(5,597)**	(5,444)
Repayment of long-term borrowings *(Note 33)*	**(202)**	—
Purchase of treasury stock	**(3,154)**	(33)
Disposal of treasury stock	**0**	0
Dividends paid *(Note 25)*	**(8,825)**	(8,065)
Dividends paid to non-controlling interests	**(357)**	(295)
Net cash used in financing activities	**¥(17,900)**	¥(15,420)
Effect of exchange rate changes on cash and cash equivalents	**5,464**	2,714
Net increase (decrease) in cash and cash equivalents	**23,551**	27,574
Cash and cash equivalents at beginning of the year *(Note 8)*	**55,678**	28,103
Cash and cash equivalents at end of the year *(Note 8)*	**¥79,229**	¥55,678

See accompanying notes to consolidated financial statements.

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Years ended March 31, 2022 and 2021

1. Reporting Entity

KIKKOMAN CORPORATION (the "Company") is a corporation located in Japan. The Company's registered head office is located in Minato-ku, Tokyo. The Company's reporting date is March 31, 2022 and the consolidated financial statements of the Company comprise the consolidated statements of financial position, profit or loss, comprehensive income, changes in equity and cash flows of the Company and its subsidiaries (hereinafter referred to as the "Group"). See Note 6. Segment Information, for details of the business and major activities of the Group.

2. Basis of Preparation

(a) Compliance with International Financial Reporting Standards ("IFRS")

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, permitted by the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) as all requirements of "Specified Company applying Designated IFRS" set forth in Article 1-2 of said Ordinance have been fulfilled.

(b) Authorization of the consolidated financial statements

The consolidated financial statements for the year ended March 31, 2022 were authorized for issue by Shozaburo Nakano, President and COO (Chief Operations Officer), on June 21, 2022.

(c) Basis of measurement

Except for certain financial instruments that are measured at fair value, as described in Note 3. Significant Accounting Policies, the Group's consolidated financial statements have been prepared on a historical cost basis.

(d) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. The unit is in millions of yen, and figures less than one million yen are rounded to the nearest million yen.

3. Significant Accounting Policies

(a) Basis of consolidation

(1) Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity if and only if the Group has exposure, or rights, to variable returns from its involvement with the entity and power over the entity to affect the amount of the Group's returns.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when control is obtained by the Group until the date when it is lost.

When the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements. All intra-group balances, transactions, and unrealized gains or losses arising from intra-group transactions are eliminated upon consolidation.

Subsidiaries' comprehensive income is attributed to owners of the parent and the non-controlling interests, even though this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the change in non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent.

When the Group loses control over subsidiaries, gain or loss resulting from the loss of control is recognized in profit or loss in the consolidated statements of profit or loss.

(2) Associates

Associates are those entities over which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Even though the Group holds less than 20 percent of the voting power of the entity, it is presumed that the Group has significant influence over the entity if the Group can exercise significant influence over the policy-making processes of the entity.

The investment in an associate is accounted for under the equity method. Under the equity method, on initial recognition the investment in an associate is recognized at cost, and the changes in the Group's interest in the net assets of the equity method investees are included and recognized in the consolidated financial statements. The Group's investments include goodwill (net of accumulated impairment losses) recognized at the time of acquisition.

When the accounting policies applied by an associate are different from those applied by the Group, adjustments are made to the associate's financial statements.

(b) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured as the aggregate of the acquisition-date fair value of the assets transferred, the liabilities assumed and equity instruments issued by the Group in exchange for control of an acquiree. Any excess of the sum of the consideration of acquisition, the amount of non-controlling interest in the acquiree and the acquisition-date fair values of previously held interests in the acquiree over the fair value of identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. Conversely, if the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized in profit or loss. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete and retrospectively adjust the provisional amounts recognized at the acquisition date during the measurement period, which is one year from the acquisition date. In addition, the additional acquisition of non-controlling interests is accounted for as an equity transaction and no goodwill is recognized with respect to such transactions.

Identifiable assets and liabilities of the acquiree are measured at fair value at the date of acquisition except for the following:

- Deferred tax assets and liabilities and assets and liabilities associated with employee benefit contracts,
- Share-based compensation contracts of the acquiree and
- Acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with IFRS 5 "Non-current Assets Held for Sale" and Discontinued Operations.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss.

(c) Foreign Currency Translation

(1) Functional and presentation currency

Each entity within the Group has its own functional currency, in which transactions are measured. These consolidated financial statements are presented in Japanese yen, which is the Company's functional currency.

(2) Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date or at rates that approximate such rates.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the end of the reporting period. Translation differences arising from such translation and settlement are recognized in profit or loss. However, translation differences arising from financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

(3) Translation of foreign operations

The assets and liabilities of foreign operations of the Group are translated into Japanese yen at the rates of exchange prevailing at the end of reporting period, while income and expenses of foreign operations are translated into Japanese yen at the average rate for the reporting period, unless there are material fluctuations in exchange rates. The translation differences arising from translating financial statements of foreign operations are recognized in other comprehensive income. When foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations is recognized in profit or loss during the period when the Group loses control.

(d) Financial Instruments

(1) Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets as financial assets measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI) or financial assets measured at amortized cost and determines their classifications upon initial recognition.

All financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets measured at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets measured at FVOCI and financial assets measured at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of those financial assets.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

All financial assets not classified as measured at amortized cost are measured at fair value.

The Group designates each individual equity instrument as either measured at FVTPL or at FVOCI, except for equity instruments held for trading, which must be measured at fair value through profit or loss, and such a designation is continuously applied.

(ii) Subsequent measurement

Financial assets are measured according to their classification as follows:

Financial assets measured at amortized cost

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

Financial assets measured at fair value

The changes in the fair value of the financial assets that are designated as measured at fair value are recognized in profit or loss. However, for equity instruments that are designated as measured at FVOCI, changes in fair value are recognized in other comprehensive income. When such financial assets are derecognized or their fair value declines significantly, previously recognized other comprehensive income is reclassified to retained earnings. Dividends received from such equity instruments are recognized in profit or loss.

(iii) Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(2) Impairment of financial assets

For impairment of financial assets measured at amortized cost, a loss allowance is recognized for the expected credit losses on the financial assets. Expected credit losses are the present value of the difference between the contractual cash flows that the Group is entitled to receive under the contract and the cash flows that the Group expects to receive. The Group calculates expected credit losses based on past credit loss experience and recoverable amount in the future.

At each reporting date, the Group assesses whether credit risk on the financial instruments has increased significantly since the initial recognition, and, if the credit risk of the financial instruments has not increased significantly since the initial recognition, the loss allowance for the financial instruments is measured and recognized at an amount equal to 12-month expected credit losses. Conversely, if the credit risk on the financial instruments has increased significantly since the initial recognition, the loss allowance for the financial instruments is measured and recognized at an amount equal to lifetime expected credit losses.

On the other hand, a loss allowance for trade receivables, contract assets and lease receivables is always measured and recognized at an amount equal to lifetime expected credit losses.

For financial assets for which an impairment loss has been recognized in the past, the Group recognizes the amount of reversal that is required to adjust the amount of previously recognized impairment loss in profit or loss, if the amount of impairment loss decreases due to an event occurring after the initial recognition of the impairment loss.

The Group determines whether there has been a significant increase in credit risk based on changes in the risk of default and considers such factors as past due information and deterioration in the counterparty's financial condition and credit rating (internal or external) in making the determination.

When it is determined that collection from all or part of a financial asset is extremely difficult, the Group considers the asset to be a default and classifies it as a credit-impaired financial asset. The Group directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(3) Financial liabilities

(i) Initial recognition and measurement

A financial liability is recognized when the Group becomes party to the contractual provisions of the instrument. The Group classifies financial liabilities either as measured at amortized cost or FVTPL. Financial liabilities measured at FVTPL are initially measured at fair value, and financial liabilities measured at amortized cost are initially measured at fair value minus transaction costs that are directly attributable to the acquisition or issue.

(ii) Subsequent measurement

Financial liabilities are measured according to their classification as follows:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are subsequently measured at fair value and net gains and losses are recognized in profit or loss.

Financial liabilities measured at amortized cost

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

(iii) Derecognition

The Group derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged or canceled or expires.

(4) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(5) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments such as foreign exchange forward contracts to hedge its currency risk. Derivatives are initially measured at fair value and subsequently remeasured at fair value at each reporting date.

The Group recognizes changes in the fair value of derivatives in profit or loss. For a derivative designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the hedged item, the nature of the risk being hedged and the method for determining whether the hedging relationship meets the requirements for hedge effectiveness. In addition, the Group assesses whether the derivative instruments used in the hedging transactions are effective in offsetting the cash flows of the hedged items at the inception of the hedging relationship and on an ongoing basis.

A hedging relationship is considered effective if it meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item actually hedged and the quantity of the hedging instrument actually used to hedge that quantity of hedged item

In accordance with the Group's risk management policy, derivative instruments that meet the criteria for hedge accounting with respect to foreign exchange risk are accounted for as cash flow hedges.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized in other comprehensive income in the consolidated statement of comprehensive income. The gain or loss on the ineffective portion is recognized immediately in profit or loss in the consolidated statement of profit or loss.

The cumulative gain or loss recognized through other comprehensive income are reclassified into profit or loss in the period when the cash flows from the hedged item affect profit or loss. However, if a hedged forecast transaction subsequently results in the recognition of a non-financial asset, the gain or loss previously recognized in other comprehensive income is transferred and included in the measurement of the initial cost of the asset.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold. When the hedged future cash flows are still expected to occur, the cumulative amount of gain or loss recognized in other comprehensive income is continued to be recognized in accumulated other comprehensive income. When the hedged forecast transaction are not expected to occur, the amount that has been accumulated in other comprehensive income is immediately reclassified to profit or loss.

(e) Cash and cash equivalent

Cash and cash equivalents consist of cash on hand, cash that can be withdrawn at any time, and short-term investments that have a maturity of 3 months or less from the date of acquisition, are readily convertible to cash and bear little risk of price volatilities.

(f) Inventories

Inventories are recognized at the lower of cost or net realizable value. Cost is determined principally by using the weighted average cost method. The cost of goods, products and work in progress consists of the cost of raw materials, direct labor, other direct costs and related manufacturing overhead (which is based on normal production capacity). The net realizable value is the expected selling price in the normal course of business less related estimated selling expenses.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs as well as borrowing costs eligible for capitalization.

Subsequent expenditures are recognized in the carrying amount of the item of property, plant and equipment or recognized as individual assets, as appropriate, when it is probable that the future economic benefits associated with the expenditures will flow to the Group and the cost is reasonably estimated. The carrying amount of the replaced part is derecognized. Other repair and maintenance costs are recognized in profit or loss in the period when they are incurred

Land and construction in progress are not depreciated. Depreciation of other assets is calculated by allocating the cost of each asset on a straight-line basis over its respective estimated useful life. The estimated useful lives of major assets are as follows:

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

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each year, and any changes are applied prospectively as changes in accounting estimates.

(h) Goodwill and intangible assets

(1) Goodwill

See (b) Business Combinations for the measurement of goodwill at initial recognition.

Goodwill is not amortized but is tested for impairment annually, and its carrying amount is determined by deducting the accumulated impairment loss from the cost. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

(2) Intangible assets

An intangible asset is measured under the cost model and presented at its cost less any accumulated amortization and impairment losses.

A separately acquired intangible asset is recognized at cost. An intangible asset acquired in a business combination is measured at fair value as of the acquisition date. An intangible asset is amortized on a straight-line basis over its respective estimated useful life after initial recognition and is presented at cost less accumulated amortization and accumulated impairment losses.

The estimated useful life of a major class of intangible assets is stated below:

- Software: 3 to 10 years

In addition, the estimated useful lives and amortization methods of intangible assets are reviewed at the end of each year, and if there are any changes made to such estimations, such changes are applied prospectively as changes in estimate.

(i) Leases

(1) As a lessee

At the commencement date of a lease contract, the Group assesses whether a contract is, or contains, a lease based on the substance of the arrangement. When the performance of a contract depends on the use of an identified asset or group of assets, and the contract transfers the right to control the use of the identified asset in exchange for consideration over a specified period of time, the Group determines that the contract is a lease or contains a lease even though it is not explicitly identified in the contract.

If a contract is determined to be a lease or to contain a lease, the Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured and recognized at the present value of the lease payments that are not paid at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, as required under the lease contract.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. However, for short-term leases, which have a term of 12 months or less, and leases of low-value assets, the lease payments are recognized as expenses in profit or loss over the lease term on a straight-line basis.

Lease payments are separated into finance costs and repayments of lease liabilities based on the effective interest rate method, and finance costs are recognized in the consolidated statement of profit or loss.

(2) As a lessor

The Group acts as a lessor to lease certain items of property, plant and equipment. Leases in which the Group does not transfer substantially all of the risks and economic benefits associated with ownership of the underlying assets are classified as operating leases. Under operating leases, the underlying assets are recognized in the consolidated statements of financial position and lease payments received are recognized as revenue in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(j) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties are accounted for using the cost model in the same manner as property, plant and equipment are accounted for and presented at cost less accumulated depreciation and cumulative impairment losses.

Investment properties related to land are not depreciated. Depreciation of investment real estate other than land is calculated using the straight-line method over the respective estimated useful lives of the assets (2 to 50 years).

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each year, and any changes are applied prospectively as changes in accounting estimates.

(k) Impairment of non-financial assets

Intangible assets other than goodwill and those with indefinite useful lives are tested for impairment at the end of each reporting period, irrespective of whether there is any indication of impairment. Other non-financial assets are assessed for any indication of impairment at the end of each reporting period. The Group reviews the carrying amounts of its non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For assessing impairment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (cash-generating units or CGUs), if it is difficult to estimate the recoverable amount individually, and goodwill is allocated to CGUs that are expected to benefit from the synergies of the combination, and an impairment loss is recognized in profit or loss for the amount by which the carrying amount of the goodwill exceeds the recoverable amount. The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal its value in use. Value in use is calculated based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

(l) Employee benefits

(1) Post-employment benefits

The Group provides various pension plans. The Group has adopted a defined benefit plan and some consolidated subsidiaries have established a retirement benefit trust. In addition to the plan, some consolidated subsidiaries have adopted defined contribution pension plans.

A defined benefit pension plan is the post-employment benefit plan other than a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan in which the employer contributes a certain amount of fund to another independent entity and has no legal or constructive obligation to pay more than the amount of the contribution.

For the defined benefit pension plan, the present value of defined benefit obligations and related current and past service costs are calculated for each plan using the projected unit credit method.

The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds of which the maturity profile corresponds to the period until the expected date of the benefit payments in the future. The net defined benefit liability (asset) is recognized as the difference between the present value of the defined benefit obligation and the fair value of plan assets.

Contributions to pension plans are determined by periodic actuarial valuations and are usually paid into a fund administered by an insurance company or trust company.

The Group recognizes the remeasurement of the net defined benefit liability (asset) arising from defined benefit plans in other comprehensive income and immediately transfers it to retained earnings. Prior service cost is recognized as an expense in the period in which it is incurred.

Contributions to the defined benefit plans are recognized as expenses in the period in which the employee provides service.

(2) Short-term employee benefits

Short-term employee benefits are not discounted and are recognized as expenses when the relevant services are provided. Bonuses and paid annual leave are recognized as liabilities in the amount estimated to be paid under the plans when the Company has a present legal or constructive obligation to pay as a result of services previously rendered by employees and the amount can be estimated reliably.

(m) Equity

(1) Share capital and capital surplus

Common stocks are classified as equity and recognized at respective issue prices in share capital and capital surplus. Incremental costs directly attributable to the issue of common stocks are recognized as a deduction from equity

(2) Treasury stocks

Treasury stocks are measured at cost and deducted from equity. The Company does not recognize any gain or loss on the purchase, sale or extinguishment of treasury stocks. Furthermore, the difference between the carrying amount and the consideration at the time of sale is recognized as equity.

(n) Revenue

The Group recognizes revenue in the amount of consideration to which the Group expects to be entitled in exchange for the transfer of goods and services to customers in accordance with the following five-step approach, except for rental income under IFRS 16 “Leases”:

Step 1: Identify a contract with a customer
Step 2: Identify performance obligations in a contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations in a contract
Step 5: Recognize revenue when the entity satisfies its performance obligations

The Group sells food products, beverages, alcoholic beverages and other products. For sales of such products, the Group recognizes revenue at the time of delivery when control over the product is transferred to the customer and the Group's performance obligation is satisfied. Revenue is measured based on the consideration specified in a contract with a customer, less rebates and discounts.

(o) Finance income and finance costs

The Group’s finance income includes interest income, dividend income and the net gain or loss on financial assets at FVTPL. Interest income is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

The Group’s finance costs include interest expense and the net gain or loss on financial assets at FVTPL. Interest expense is recognized using the effective interest method.

(p) Income taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount that is expected to be paid to or refunded from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized with respect to temporary differences in the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, carryforward of unused tax losses and unused tax credits.

However, deferred tax assets and liabilities are not recognized for the following temporary differences:

- taxable temporary differences arising on the initial recognition of goodwill;

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- taxable temporary differences related to investments in subsidiaries and associates to the extent that it is probable that the temporary difference will not reverse in the foreseeable future or taxable profit will not be available against which the temporary difference can be utilized.

- taxable temporary differences related to investments in subsidiaries and associates to the extent that the timing of the reversal of the temporary differences is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax is measured using the statutory tax rates (and the tax law) that have been enacted or substantively enacted by the end of the reporting period and are expected to be applied in the period in which relevant deferred tax assets are realized or deferred tax liabilities are settled.

Current tax assets and current tax liabilities are offset if, and only if, the Group has a legally enforceable right to set off the recognized amounts and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(q) Earnings per Share

Basic earnings per share are calculated by dividing net profit attributable to common shareholders of the parent by the weighted-average number of common stock outstanding during the period. Diluted earnings per share are calculated by adjusting the effects of all potential dilutive common stock.

4. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting policies, the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively in the accounting period in which the estimates are revised and in accounting periods thereafter.

(a) Application of accounting policies that have the most significant effects on the amounts recognized in the financial statements

Information about significant accounting judgements is included in the following notes:

- Scope of subsidiaries and associates (Note 3. (a) Basis of consolidation)
- Recognition and presentation of revenue (Note 3. (n) Revenue and Note 26. Revenue)

(b) Uncertainty about assumptions and estimates that could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities in the next financial year

- Impairment of goodwill

The Group performs impairment tests on goodwill based on the assumptions about future cash flows, pre-tax discount rates and growth rates. These assumptions are determined based on the best estimates and judgments of management. However, in the event of significant changes in uncertain economic conditions in the future, such as significant changes in the future business plans and the market environment , the impairment of goodwill may affect the consolidated financial statements for the year ending March 31, 2023.

The impairment test for goodwill for the year ended March 31, 2022 is as described in Note 14. Goodwill and intangible assets.

5. New Accounting Standards Not Yet Adopted by the Group

Of the accounting standards or interpretations newly established or amended on and before the date of approval of the consolidated financial statements of the Group, there are no standards or interpretations that have not been early adopted by the Group but would have a material impact on the consolidated financial statements of the Group if they were early adopted.

6. Segment Information

(a) Overview of reportable segments

The Group’s reportable segments are components of the Group for which separate financial information is available. The Group’s Board of Directors uses these operating segments periodically to make decisions on the allocation of management resources and to evaluate business performance. The Group does not aggregate the operation segments in determining the reportable segments.

The Company, as a holding company, mainly formulates Group strategies and manages operating companies. Under this structure, Japanese companies are categorized into companies that primarily engage in the manufacturing and sale of foods and others. Overseas business is operated by the holding company's overseas business divisions, and the operating companies are categorized into companies that engage in foods manufacturing and sales and companies that engage in wholesale of oriental food products.

Accordingly, the Group consists of four reportable segments that are a matrix of domestic and overseas regions and types of business: “Domestic Foods—Manufacturing and Sales,” “Domestic Others,” “Overseas Foods—Manufacturing and Sales” and “Overseas Foods—Wholesale.”

The Domestic Foods—Manufacturing and Sales segment engages in the manufacturing and sale of soy sauce, food products, beverages, liquor and wine in Japan. The Domestic Others segment engages in the manufacturing and sale of pharmaceuticals and chemical products and in real estate rentals, logistics, back-office functions and other businesses in Japan. The Overseas Foods—Manufacturing and Sales segment engages in the manufacturing, sale and exporting of soy sauce, Del Monte products and health foods and in the export and sales of products for overseas market. The Overseas Foods—Wholesale segment purchases and sells oriental foods in domestic and overseas markets.

(b) Information about reportable segments

The accounting policies for the reported segments are as described in “3. Significant accounting policies.”

Segment profit (loss) represents the business profit, the amount obtained by deducting cost of sales, selling, general and administrative expenses from revenue. Inter-segment revenue and transfers are determined based on prevailing market prices.

Information about revenue, profit or loss and other items by reportable segment is set out below:

	For the year ended March 31, 2022						
	Domestic Foods— Manufacturing and Sales	**Domestic Others**	**Overseas Foods— Manufacturing and Sales**	**Overseas Foods— Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Millions of yen)			
Revenue							
External revenue	**¥145,867**	**¥7,915**	**¥100,792**	**¥261,864**	**¥516,440**	**¥—**	**¥516,440**
Inter-segment revenue	**2,947**	**13,727**	**15,000**	**204**	**31,880**	**(31,880)**	**—**
Total	**¥148,815**	**¥21,643**	**¥115,793**	**¥262,068**	**¥548,321**	**¥(31,880)**	**¥516,440**
Segment profit (loss)	**11,622**	**1,870**	**22,711**	**17,686**	**53,890**	**(1,616)**	**52,273**
Other income	—	—	—	—	—	—	**5,572**
Other expenses	—	—	—	—	—	—	**7,163**
Finance income	—	—	—	—	—	—	**10,168**
Finance costs	—	—	—	—	—	—	**6,869**
Share of profit (loss) of associates accounted for using the equity method	—	—	—	—	—	—	**249**
Profit before income taxes	—	—	—	—	—	—	**54,231**
Other items:							
Depreciation and amortization	**7,511**	**1,898**	**4,671**	**4,239**	**18,320**	**1,669**	**19,990**
Impairment losses	**980**	—	1	—	**981**	—	**981**
Capital expenditure	**¥8,726**	**¥1,692**	**¥6,252**	**¥7,175**	**¥23,847**	**¥770**	**¥24,617**

(Note)
Adjustments are as follows:
(1) Adjustment of segment income is mainly due to the difference in allocation of corporate expenses.
(2) Adjustments for depreciation and amortization are depreciation and amortization related to corporate assets.
(3) Adjustments to capital expenditures are expenditures related to corporate assets.

	For the year ended March 31, 2021						
	Domestic Foods— Manufacturing and Sales	**Domestic Others**	**Overseas Foods— Manufacturing and Sales**	**Overseas Foods— Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Millions of yen)			
Revenue							
External revenue	¥145,319	¥7,541	¥88,681	¥197,869	¥439,411	¥—	¥439,411
Inter-segment revenue	2,802	13,644	12,151	462	29,061	(29,061)	—
Total	¥148,122	¥21,186	¥100,832	¥198,332	¥468,473	¥(29,061)	¥439,411
Segment profit (loss)	11,631	1,915	20,416	10,556	44,519	(1,869)	42,650
Other income	—	—	—	—	—	—	5,223
Other expenses	—	—	—	—	—	—	6,201
Finance income	—	—	—	—	—	—	4,272
Finance costs	—	—	—	—	—	—	2,956
Share of profit (loss) of associates accounted for using the equity method	—	—	—	—	—	—	206
Profit before income taxes	—	—	—	—	—	—	43,194
Other items:							
Depreciation and amortization	7,476	1,826	4,340	4,014	17,658	1,658	19,317
Impairment losses	1,185	—	—	—	1,185	—	1,185
Capital expenditure	¥8,670	¥1,558	¥4,988	¥4,651	¥19,869	¥1,077	¥20,946

(Note)
Adjustments are as follows:
(1) Adjustment of segment income is mainly due to the difference in allocation of corporate expenses.
(2) Adjustments for depreciation and amortization are depreciation and amortization related to corporate assets.
(3) Adjustments to capital expenditures are expenditures related to corporate assets.

(c) Geographic information

The geographic information about the Group's revenue and non-current assets is as follows:

Revenue from external customers

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Japan	**¥157,975**	¥157,155
United States	**232,655**	185,097
Other	**125,810**	97,158
Total	**¥516,440**	¥439,411

(Note)
Revenue is analyzed based on the customer's country of domicile.

Non-current assets
(excluding financial assets, employee benefit assets and deferred tax assets)

	March 31,	
	2022	**2021**
	(Millions of yen)	
Japan	**¥93,351**	¥95,036
United States	**56,986**	49,254
Other	**28,373**	24,611
Total	**¥178,710**	¥168,902

(Note)
Non-current assets are analyzed based on the country of domicile of each company of the Group.

(d) Major customers

The information about major customers is omitted because there are no external customers who account for 10% or more of the revenue in the consolidated statements of profit or loss.

7. Business Combinations

For the year ended March 31, 2022

Not applicable.

For the year ended March 31, 2021

Not applicable.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents as of March 31, 2022 and 2021 is as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Cash and cash equivalents	**¥79,229**	¥55,678
Total	**¥79,229**	¥55,678

Cash and cash equivalents are classified as financial assets measured at amortized cost.

In addition, the balances agree with cash and cash equivalents in the consolidated statement of cash flows.

9. Trade and Other Receivables

The breakdown of trade and other receivables as of March 31, 2022 and 2021 is as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Trade and note receivables	**¥68,126**	¥61,739
Other receivables	**1,771**	1,496
Loss allowance	**(491)**	(656)
Total	**¥69,407**	¥62,579

Trade and other receivables are presented net of the loss allowance in the consolidated statement of financial position and are categorized as financial assets measured at amortized cost.

10. Inventories

The breakdown of inventories as of March 31, 2022 and 2021 is as follows:

	March 31,	
	2022	2021
	(Millions of yen)	
Merchandise and finished goods	**¥62,377**	¥45,388
Work in process	**12,946**	11,726
Raw materials and supplies	**7,375**	5,970
Total	**¥82,700**	¥63,085

The costs of inventories recognized as expenses for the years ended March 31, 2022 and 2021 were ¥336,457 million and ¥283,916 million, respectively.

In addition, the amounts of write-down of inventories recognized as expenses due to decreased profitability were ¥369 million and ¥514 million for the years ended March 31, 2022 and 2021, respectively.

Work-in-progress includes work-in-progress of Western-style liquors that will be sold beyond 12 months from the year end, accounting for 2.4% and 2.1% of the total work-in-progress as of March 31, 2022 and 2021, respectively.

No inventories were pledged as collateral to secure debt.

11. Other Financial Assets

(a) Breakdown of other financial assets

The breakdown of other financial assets as of March 31, 2022 and 2021 and is as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Stocks	**¥53,219**	¥53,495
Investment in limited liability partnerships	**10,200**	6,644
Time deposit	**3,713**	2,975
Loans	**2,075**	1,893
Derivatives	**838**	2,760
Other	**3,565**	3,026
Loss allowance	**(2,110)**	(1,928)
Total	**¥71,503**	¥68,866
Current assets	**2,541**	5,598
Non-current assets	**68,961**	63,267
Total	**¥71,503**	¥68,866

Other financial assets are presented net of loss allowance in the consolidated statement of financial position.

Stocks are primarily classified as financial assets measured at FVOCI (except for those classified as debt instruments).

Investments in limited liability partnerships and derivatives (except for those that qualify for hedge accounting) are classified as financial assets at FVTPL.

Time deposits and loans are classified as financial assets measured at amortized cost.

(b) Equity instruments measured at FVOCI

The company names and respective fair values of the equity instruments measured at FVOCI as of March 31, 2022 and 2021 were as follows:

(Millions of yen)

Company name	**As of March 31, 2022**
Meiji Holdings Co., Ltd.	**¥4,956**
Oriental Land Co., Ltd.	**3,761**
Riken Vitamin Co., Ltd.	**3,331**
Ono Pharmaceutical Co., Ltd..	**2,667**
The Chiba Bank, Ltd.	**2,623**
Uni-President Enterprises Corporation	**2,530**
Sakata Seed Corporation	**2,515**
Nisshin Seifunn Group Inc.	**2,174**
Mitsubishi UFJ Financial Group, Inc.	**2,146**
Ukai Co., Ltd.	**1,495**

(Millions of yen)

Company name	**As of March 31, 2021**
Meiji Holdings Co., Ltd.	¥5,339
Sakata Seed Corporation	2,773
Riken Vitamin Co., Ltd.	2,711
Oriental Land Co., Ltd.	2,660
The Chiba Bank, Ltd.	2,623
Uni-President Enterprises Corporation	2,557
Ono Pharmaceutical Co., Ltd.	2,514
Nisshin Seifunn Group Inc.	2,358
Kamedaseika Co., Ltd.	1,674
Mitsubishi UFJ Financial Group, Inc.	1,670

The equity instruments above are primarily held for the purpose of strategic investment and, therefore, designated as financial assets measured at FVOCI.

The Group disposes (derecognizes) equity instruments measured at FVOCI to improve efficiency and effectiveness in asset utilization.

The fair values and cumulative gain or loss recognized in other comprehensive income as component of equity at the time of disposal of equity instruments measured at FVOCI for the years ended March 31, 2022 and 2021 are as follows:

For the years ended March 31,			
2022		**2021**	
(Millions of yen)			
Fair value	Gain or loss recognized in other comprehensive income as component of equity*(Note)*	Fair value	Gain or loss recognized in other comprehensive income as component of equity *(Note)*
¥106	**¥74**	¥1,142	¥891

(Note)
The amounts were transferred to retained earnings.

The cumulative gain or loss recognized in other comprehensive income as component of equity was transferred to retained earnings even when the fair value significantly decreased, and the amounts were ¥(211) million and ¥(61) million for the years ended March 31, 2022 and 2021.

12. Other Assets

The breakdown of other assets as of March 31, 2022 and 2021 is as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Prepaid expenses	**¥2,635**	¥2,421
Advance payments	**957**	1,091
Consumption taxes receivable	**1,745**	1,430
Other	**1,142**	669
Total	**¥6,480**	¥5,612
Current assets	**6,313**	5,403
Non-current assets	**167**	209
Total	**¥6,480**	¥5,612

13. Property, Plant and Equipment

(a) Change in carrying amount of property, plant and equipment

The changes in the carrying amount of property, plant and equipment for the years ended March 31, 2022 and 2021 were as follows:

(Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2020	¥52,115	¥44,069	¥4,669	¥16,630	¥7,705	¥125,189
Acquisition	153	403	206	2	14,151	14,917
Reclassification from construction in progress	4,048	7,843	1,354	—	(13,246)	—
Sale or disposal	(109)	(126)	(83)	(14)	(22)	(357)
Depreciation	(3,539)	(8,136)	(1,534)	—	—	(13,211)
Impairment loss	(771)	(222)	(126)	(55)	(6)	(1,182)
Exchange differences on translation of foreign operations	826	604	40	77	229	1,779
Other	(93)	9	(1)	—	27	(57)
As of March 31, 2021	**¥52,629**	**¥44,445**	**¥4,524**	**¥16,640**	**¥8,838**	**¥127,077**
Acquisition	**303**	**460**	**260**	**0**	**17,672**	**18,696**
Reclassification from construction in progress	**4,194**	**9,595**	**1,445**	**—**	**(15,236)**	**—**
Sale or disposal	**(152)**	**(126)**	**(19)**	**(3)**	**(0)**	**(302)**
Depreciation	**(3,674)**	**(8,467)**	**(1,515)**	**—**	**—**	**(13,658)**
Impairment loss	**(269)**	**(613)**	**(19)**	**(54)**	**(4)**	**(961)**
Exchange differences on translation of foreign operations	**2,462**	**1,853**	**147**	**399**	**635**	**5,497**
Other	**2**	**(1)**	**(0)**	**—**	**(60)**	**(59)**
As of March 31, 2022	**¥55,495**	**¥47,144**	**¥4,824**	**¥16,981**	**¥11,844**	**¥136,291**

The cost, accumulated depreciation and accumulated impairment losses for property, plant and equipment as of March 31, 2022 and 2021 were as follows:

(Millions of yen)

Cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2020	¥117,111	¥220,466	¥21,550	¥17,140	¥7,808	¥384,077
As of March 31, 2021	121,412	227,939	22,598	17,205	8,843	397,999
As of March 31, 2022	**¥129,315**	**¥244,192**	**¥24,074**	**¥17,601**	**¥11,848**	**¥427,031**

Accumulated depreciation and Accumulated impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2020	¥64,995	¥176,397	¥16,881	¥510	¥103	¥258,888
As of March 31, 2021	68,783	183,494	18,073	564	5	270,921
As of March 31, 2022	**¥73,819**	**¥197,047**	**¥19,250**	**¥619**	**¥4**	**¥290,740**

Depreciation expense is recognized in “Cost of sales” and “Selling, general and administrative expenses.”

(b) Impairment loss

Based on the segments, property, plant and equipment are grouped together into the smallest group of assets that generates cash inflows largely independent of the cash inflows of other assets.

During the year ended March 31, 2022, an impairment loss of ¥961 million was recognized and the amount was included in "Other expenses" in the consolidated statement of profit or loss. In addition, during the year ended March 31, 2021, an impairment loss of ¥1,182 million was recognized and the amount was included in "Other expenses" in the consolidated statement of profit or loss.

The breakdown of impairment loss by segment is as follows:

For the year ended March 31, 2022

(Millions of yen)

Segment	Type of asset	Intended use	Impairment loss
Domestic Foods—Manufacturing and Sales	Buildings, Machinery, and equipment	Business assets	**¥960**
Overseas Foods—Manufacturing and Sales	Machinery, and equipment	Business assets	**1**
Total			**¥961**

Nihon Del Monte Corporation, a consolidated subsidiary included in Domestic Foods—Manufacturing and Sales, manufactures products in the food and beverage business at its Gunma and Nagano plants.

In the past, the Gunma and Nagano plants were identified as a single cash generating unit, because they allocated production volumes in consideration of market demand and plant operating conditions and carried out production and management in a unified manner. During the year ended March 31, 2022, the Company changed its production system in response to a decrease in sales of Del Monte products and the reorganization of unprofitable products. Due to this change, each plant has been identified as a separate cash-generating unit, because the role of each plant in production has become clear and the production and management system for each plant has become independent. As a result of the change in the production system, the recoverable amount from the Nagano plant has become lower than the carrying amount, the carrying amount was reduced to the recoverable amount, and an impairment loss of ¥938 million was recognized. The recoverable amount of ¥183 million was measured at fair value less costs of disposal due to a negative value in use, based mainly on the appraisal value of real estate by a third party using the market approach. The fair value hierarchy is Level 3, because the valuation techniques include unobservable inputs such as net selling prices. In addition, an impairment loss of ¥19 million yen was recognized for non-current assets of a consolidated subsidiary included in Domestic Foods—Manufacturing and Sales, and a total amount of impairment losses for ¥981 million was recognized in "Other expenses."

For the year ended March 31, 2021

(Millions of yen)

Segment	Type of asset	Intended use	Impairment loss
Domestic Foods—Manufacturing and Sales	Buildings, Machinery, and equipment	Business assets	¥1, 182
Total			¥1, 182

The Group recognized an impairment loss on its business assets in the domestic wine manufacturing and sales business in Yamanashi and Nagano Prefectures of Manns Wines Co., Ltd., a consolidated subsidiary included in the Domestic Foods—Manufacturing and Sales segment, and reduced the carrying amount of those assets to the recoverable amount as the recoverable amount was less than the carrying amount due to the facts that sales at the shops significantly decreased corresponding to the decrease in tourists as a result of travel restrictions caused by the spread of the COVID-19 pandemic, sales in the industrial- and foodservice-use sectors remained sluggish as a result of self-restraint of business in the hotel and restaurant industry, and, furthermore, a rapid recovery of sales in those areas could not be expected due to the recurring spread of the infections. The recoverable amount of ¥637 million was measured at fair value less costs of disposal, and the fair value hierarchy is Level 3 due to the use of valuation techniques (e.g., real estate appraisal) that include unobservable inputs such as net selling prices. The fair value hierarchy is described in Note 34. Financial instruments.

In addition, as described in Note 14. Goodwill and Intangible Assets, during the year ended March 31, 2021, an impairment loss of ¥2 million was recognized on the software of Manns Wines Co., Ltd., and a total amount of impairment losses for ¥1,185 million was recognized in "Other expenses."

14. Goodwill and Intangible Assets

(a) Change in carrying amount of goodwill and intangible assets

The changes in the carrying amount of goodwill and intangible assets were as follows:

(Millions of yen)

	Goodwill	Intangible assets		
		Software	Other	Total
As of April 1, 2020	¥4,847	¥3,773	¥1,172	¥4,946
Acquisition	—	1,223	420	1,644
Sale or disposal	—	(428)	(15)	(444)
Depreciation	—	(967)	(185)	(1,152)
Impairment loss	—	(2)	—	(2)
Exchange differences on translation of foreign operations	159	7	76	83
As of March 31, 2021	**¥5,006**	**¥3,607**	**¥1,467**	**¥5,075**
Acquisition	**—**	**872**	**32**	**905**
Sale or disposal	**(546)**	**(18)**	**(0)**	**(19)**
Depreciation	**—**	**(978)**	**(210)**	**(1,189)**
Impairment loss	**—**	**—**	**—**	**—**
Exchange differences on translation of foreign operations	**166**	**40**	**135**	**175**
As of March 31, 2022	**¥4,626**	**¥3,523**	**¥1,424**	**¥4,947**

(Note)
The decrease of ¥(546) million in the sale or disposal of goodwill resulted from the transfer of the food material business of Kikkoman Soyfoods Company.

The cost of goodwill is equal to the carrying amount as of March 31, 2022 and 2021, and there is no accumulated impairment loss.

The cost, accumulated amortization and accumulated impairment loss of intangible assets as of March 31, 2022 and 2021 were as follows:

(Millions of yen)

Cost	Intangible assets		
	Software	Other	Total
As of April 1, 2020	¥11,690	¥3,556	¥15,247
As of March 31, 2021	11,723	4,063	15,786
As of March 31, 2022	**¥12,714**	**¥4,513**	**¥17,228**

(Millions of yen)

Accumulated depreciation and Accumulated impairment losses	Intangible assets		
	Software	Other	Total
As of April 1, 2020	¥7,916	¥2,384	¥10,301
As of March 31, 2021	8,115	2,595	10,711
As of March 31, 2022	**¥9,190**	**¥3,089**	**¥12,280**

There are no intangible assets to which restrictions on ownership are attached or pledged as collateral for debt.

Amortization expense is recognized in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(b) Impairment test for goodwill

The goodwill recognized in the consolidated statement of financial position mainly consists of goodwill recognized in the acquisition of Kikkoman Soyfoods Company. The carrying amount of the goodwill has been ¥2,773 million and ¥3,320 million as of March 31, 2022 and 2021. This goodwill was recognized in the acquisition of Kikkoman Soyfoods Company and has been allocated to the cash-generating units that will benefit through synergy at the acquisition date.

The recoverable amount of the cash-generating unit to which the most part of goodwill associated with Kikkoman Soyfoods Company has been allocated was determined based on the value in use, which is calculated by discounting the future cash flows based on the budget for the next fiscal year approved by the management and the forecasted financial results for the 2 years following the next fiscal year. The growth rate used for projecting the cash flows for the periods beyond 3 years reflects the permanent growth rate determined based on the long-term average growth rate of the market to which the cash-generating unit belongs. Furthermore, the budget for the next fiscal year and the forecasted financial results for the 2 years following the next fiscal year reflect the management's assessment of the industry's future prospect and the actual results in the past and are prepared based on the external and internal information.

The pre-tax discount rates used for calculating the value in use for the years ended March 31, 2022 and 2021 were 11.19% and 9.9%, respectively, and the growth rate is 0.7% for both years.

The Group considers that it is unlikely that the recoverable amount of the cash-generating unit will be lower than the carrying amount, even if key assumptions are changed to a reasonable extent, because the recoverable amount of the cash-generating unit is sufficiently higher than the carrying amount of the goodwill.

(c) Impairment loss

Based on the segments, intangible assets are grouped together into the smallest group of assets that generates cash inflows largely independent of the cash inflows of other assets.

During the year ended March 31, 2022, no impairment loss was recognized .

The Group recognized impairment losses of ¥2 million during the years ended March 31, 2021.

During the year ended March 31, 2021, an impairment loss was recognized on the software of Manns Wines Co., Ltd., a consolidated subsidiary included in the Domestic Foods—Manufacturing and Sales segment, because the recoverable amount was less than the carrying amount. Accordingly, the carrying amount was reduced to the recoverable amount and the amount of the impairment loss was recognized in "Other expenses."

Further details are described in Note 13. Property, Plant and Equipment.

(d) Research and development costs

Research and development costs recognized in "Selling, general and administrative expenses" for the years ended March 31, 2022 and 2021 were ¥4,892 million and ¥4,758 million, respectively.

15. Leases

As a lessee, the Group leases buildings and structures, machinery, equipment and vehicles and land for use in the Group's business.

Lease agreements of the Group have widely different terms and conditions, as each company is responsible for managing its leases and negotiates terms and conditions for leases individually. There are no significant purchase options, escalation clauses or restrictions imposed by the lease arrangements (e.g., dividends, restrictions on additional debts and leases).

(a) Right-of-use assets

The breakdown of the carrying amount of right-of-use assets as of March 31, 2022 and 2021 is as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Underlying asset		
Buildings and structures	**¥15,314**	¥13,908
Machinery, equipment and vehicles	**3,763**	3,812
Land	**4,247**	4,350
Other	**60**	74
Total	**¥23,385**	¥22,145

The increase in right-of-use assets for years ended March 31, 2022 and 2021 is ¥4,847 million and ¥4,806 million, respectively.

(b) Amounts recognized in profit or loss for right-of-use assets (as a lessee)

The amounts recognized in profit or loss for right-of-use assets for the years ended March 31, 2022 and 2021 are as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Depreciation expense of right-of-use assets by class of underlying asset:		
Buildings and structures	**¥3,376**	¥3,148
Machinery, equipment and vehicles	**1,416**	1,331
Land	**239**	241
Other	**27**	31
Total	**¥5,060**	¥4,752
Interest expenses related to lease liabilities	**648**	811
Expenses related to short-term leases	**1,825**	1,472
Expenses related to leases of low-value assets	**139**	142
Income from sub-leasing right-of-use assets	**¥2**	¥3

The total cash outflow for leases for the years ended March 31, 2022 and 2021 were ¥8,191 million and ¥7,325 million, respectively.

(c) Extension options (as a lessee)

Extension options are mainly included in real estate lease contracts for offices and warehouses overseas. Many of these options allow to extend contracts for five years.

Extension options in the Groups’ lease contracts are exercisable only by the lessee, not by the lessor. These options are exercised to utilize the properties for business by the parties to the lease contract as necessary.

(d) Operating leases (as a lessor)

The Group leases mainly buildings and structures and land as a lessor under operating leases. In addition, the Group receives security deposits from lessees to ensure that the cost for restoring the leased properties to their original state is collected.

Total amounts of lease payments received for the years ended March 31, 2022 and 2021 were ¥1,290 million and ¥1,303 million, respectively.

A maturity analysis of the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years is as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Within 1 year	**¥1,166**	¥1,098
More than 1 year and within 2 years	**652**	665
More than 2 years and within 3 years	**570**	571
More than 3 years and within 4 years	**557**	548
More than 4 years and within 5 years	**396**	388
More than 5 years	**2,248**	2,241
Total	**¥5,591**	¥5,515

16. Investment Properties

(a) Change in carrying amount of investment properties

The changes in the carrying amount of investment properties for the years ended March 31, 2022 and 2021 were as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Beginning balance	**¥9,388**	¥9,467
Acquisition	**34**	60
Depreciation	**(134)**	(137)
Sale or disposal	**(0)**	(2)
Other	**4**	0
Ending balance	**¥9,292**	¥9,388
Cost of acquisition (beginning balance)	**16,337**	16,282
Accumulated depreciation and accumulated impairment losses (beginning balance)	**(6,949)**	(6,815)
Cost of acquisition (ending balance)	**16,367**	16,337
Accumulated depreciation and accumulated impairment losses (ending balance)	**¥(7,074)**	¥(6,949)

(b) Fair values

The fair values of investment properties as of March 31, 2022 and 2021 were as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Fair value	**¥25,290**	¥24,178

The fair value of investment property is mainly based on a valuation conducted by independent real estate appraisers. The valuation is made in accordance with the appraisal standards of the country where the investment property is located and based on market evidence that reflects transaction prices of similar assets.

Fair value is categorized into the three levels based on the inputs to the valuation technique adopted (fair value hierarchy). The details of each level are described in Note 34. Financial Instruments.

Investment properties are categorized as Level 3 of the fair value hierarchy as of March 31, 2022 and 2021.

(c) Amounts from investment properties recognized in profit or loss

The amounts of rental income and direct operating expenses (including repairs and maintenance) arising from investment property for the years ended March 31, 2022 and 2021 were as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Rental income	**¥1,132**	¥1,139
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	**¥349**	¥356
Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period	**¥86**	¥89

17. Investments in Associates Accounted for Using the Equity Method

The carrying amounts of investments in associates that are not individually significant as of March 31, 2022 and 2021 and were as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Investments in associates	**¥3,939**	¥3,545

Financial information regarding the associates that are not individually significant for the years ended March 31, 2022 and 2021 is as follows. The amounts are determined by taking into account the Group's relative ownership levels in each associate:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Associates		
Net profit	**¥249**	¥206
Other comprehensive income (loss)	**173**	322
Comprehensive income (loss)	**¥423**	¥528

18. Income Taxes

(a) Deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities recognized in the consolidated statements of financial position as of March 31, 2022 and 2021 were as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Deferred tax assets	**¥3,431**	¥3,005
Deferred tax liabilities	**(8,754)**	(8,529)
Deferred tax assets - net	**¥(5,323)**	¥(5,524)

The major temporary differences for which deferred tax assets and liabilities were recognized as of March 31, 2022 and 2021 were as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Deferred tax assets		
Property, plant and equipment	**¥5,489**	¥5,008
Liabilities associated with post-retirement benefits	**1,651**	1,416
Accrued expenses	**2,078**	1,909
Employee bonuses	**911**	835
Accrued paid vacation	**941**	878
Carryover of unused tax losses	**1,147**	932
Other	**3,577**	3,869
Deferred tax assets - total	**¥15,796**	¥14,851
Deferred tax liabilities		
Property, plant and equipment	**(10,977)**	(10,004)
Financial assets measured at FVOCI	**(7,741)**	(7,434)
Assets associated with post-retirement benefits	**(954)**	(954)
Other	**(1,447)**	(1,982)
Deferred tax liabilities - total	**¥(21,119)**	¥(20,375)
Deferred tax assets - net	**¥(5,323)**	¥(5,524)

The change in the balances of deferred tax assets and deferred tax liabilities for the years ended March 31, 2022 and 2021 was as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Deferred tax assets - net		

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Beginning balance	**¥(5,524)**	¥(3,306)
Deferred income taxes	**734**	(534)
Deferred taxes related to items recognized in other comprehensive income		
Cashflow hedges	**(49)**	5
Net change in fair values of financial assets measured at FVOCI	**(119)**	(980)
Remeasurement of defined benefit liability (asset)	**(229)**	(1,031)
Other	**(135)**	323
Ending balance	**¥(5,323)**	¥(5,524)

The Group considers taxable temporary differences, estimate of probable future taxable income and tax planning for recognition of deferred tax assets.

The components of deductible temporary differences, carryforward of unused tax losses and tax credits for which deferred tax assets have not been recognized in the consolidated statement of financial position as of March 31, 2022 and 2021 were as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Deductible temporary differences	**¥8,197**	¥15,089
Unused tax losses	**578**	545
Tax credit	**¥32**	¥23

The Group files consolidated tax returns in Japan, and, therefore, the amounts in the tables above do not include the amounts of deductible temporary differences and unused tax losses for which no deferred tax assets are recognized in relation to local taxes (inhabitant tax and enterprise tax) that do not apply when the consolidated tax return is filed. The amount of the deductible temporary differences for which no deferred tax assets in relation to local taxes (inhabitant tax and enterprise tax) are recognized as of March 31, 2022 and 2021 were ¥5,552 million and ¥9,809 million, respectively, and the amount of the unused tax losses for which no deferred tax assets related to local taxes are recognized as of March 31, 2022 and 2021 were ¥15,888 million and ¥17,856 million, respectively.

The carryforward period of unused tax losses related to inhabitant tax and enterprise tax is from 9 to 10 years..

The breakdown of unused tax losses and tax credits for which no deferred tax assets are recognized in the consolidated statements of financial position as of March 31, 2022 and 2021 by expiry date is as follows:

Expiry date	**March 31,**	
	2022	**2021**
	(Millions of yen)	
Within 1 year	**¥58**	¥77
2-5 years	**467**	468
Over 5 years	**30**	23
Never expires	**54**	—
Total	**¥610**	¥569

Total amounts of taxable temporary differences related to investments in subsidiaries for which deferred tax liabilities are not recognized as of March 31, 2022 and 2021 were and ¥213,890 million and ¥194,026 million, respectively.

A deferred tax liability on taxable temporary differences associated with investments in subsidiaries was not recognized because the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future.

(b) Income Taxes

The breakdown of income tax expenses for the years ended March 31, 2022 and 2021 is as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Current tax expense	**¥15,619**	¥11,038
Deferred tax expense		
Occurrence and reversal of temporary differences	**(734)**	534
Changes in unrecognized deferred tax assets	—	—
Adjustment of deferred tax assets and liabilities due to changes in tax rates	**¥—**	¥—

(c) Reconciliation of effective tax rate

The breakdown of major items that caused differences between statutory tax rate and the average effective tax rate is as follows:

	For the years ended March 31,	
	2022	**2021**
	(%)	
Statutory tax rate	**30.5**	30.5
(Adjustments)		
Non-deductible expenses such as entertainment expenses	**0.5**	0.5
Items that are not permanently included in income such as dividends received	**(0.3)**	(0.2)
Differences in subsidiaries' tax rates	**(3.0)**	(2.7)
Other	**(0.3)**	(1.3)
Average effective tax rate	**27.4**	26.8

The Group is primarily subject to corporate tax, inhabitant tax and enterprise tax.
In addition, subsidiaries are subject to the tax rate of the local jurisdictions.

19. Trade and Other Payables

The breakdown of trade and other payables as of March 31, 2022 and 2021 and is as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Notes payable and trade payables	**¥30,458**	¥25,530
Accounts payable	**19,929**	18,665
Other	**9,185**	6,403
Total	**¥59,573**	¥50,600

Trade and other payables are classified as financial liabilities measured at amortized cost.

20. Borrowings

(a) Breakdown of borrowings

The breakdown of borrowings as of March 31, 2022 and 2021 is as follows:

	March 31,		**Average interest rate**	**Repayment due**
	2022	**2021**		
	(Millions of yen)		*(%)*	
Short-term borrowings	**¥4,103**	¥3,747	0.61	—
Current portion of long-term borrowings (due within 1 year)	**400**	202	0.40	—
Long-term borrowings	**13,000**	13,400	0.15	2023-2024
Total	**¥17,503**	¥17,350	—	—
Current liabilities	**4,503**	3,950		
Non-current liabilities	**13,000**	13,400		
Total	**¥17,503**	¥17,350		

Borrowings are classified as financial liabilities measured at amortized cost.

The average interest rates in the table above show the weighted average interest rates based on the closing balance of respective borrowings.

With regard to the borrowings, there are no financial covenants that have a significant impact on the financing activities of the Group.

(b) Assets pledged as collateral

Assets pledged as collateral and the corresponding liabilities as of March 31, 2022 and 2021 were as follows:

Assets pledged as collateral

	March 31,	
	2022	**2021**
	(Millions of yen)	
Trade and other receivables	¥—	¥553
Total	¥—	¥553

Corresponding liabilities

	March 31,	
	2022	**2021**
	(Millions of yen)	
Short-term borrowings	¥—	¥553
Total	¥—	¥553

21. Other Financial Liabilities

The breakdown of other financial liabilities as of March 31, 2022 and 2021 is as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Deposits received from customers	**¥3,243**	¥3,277
Derivative liabilities	**385**	214
Other	**1,043**	1,020
Total	**¥4,672**	¥4,512
Current liabilities	**648**	445
Non-current liabilities	**4,023**	4,067
Total	**¥4,672**	¥4,512

Deposits received from customers are classified as financial liabilities measured at amortized cost.

Derivative liabilities are classified as financial liabilities measured at FVTPL (excluding those to which hedge accounting is applied).

22. Other Liabilities

The breakdown of other liabilities as of March 31, 2022 and 2021 is as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Accrued paid vacation	**¥3,535**	¥3,364
Accrued bonus	**3,483**	3,192
Other	**5,168**	3,871
Total	**¥12,187**	¥10,428
Current liabilities	**9,004**	8,522
Non-current liabilities	**3,183**	1,906
Total	**¥12,187**	¥10,428

23. Post-employment Benefit Plans

The Company and certain of its 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 the basis of cumulative points (granted every year based on the employee's position and performance evaluation) by the Company and main domestic subsidiaries, and according to basic rates of salaries 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 the basis of cumulative points (granted every year based on the employee's position and performance evaluation) by the Company and main domestic subsidiaries, and according to basic rates of salaries and service length by other subsidiaries.

The defined benefit plans are managed by the Group or pension funds that are legally separated from the Group in accordance with applicable laws and regulations.

The Group or the board of the pension funds and the trusted pension fund managers are required by laws and regulations to act in the best interest of plan participants and they are responsible for managing the plan assets based on certain defined policies.

The Group's post-employment benefit plans are exposed to risks such as investment risk associated with the plan assets and interest rate risk associated with the retirement benefit obligations.

(Additional information)
During the year ended March 31, 2022, certain of the Company's domestic subsidiaries transferred a portion of the defined benefit plan assets to the defined contribution plan due to the revision of the defined benefit plans, and certain of the Company's overseas subsidiaries discontinued their defined benefit plans.

During the year ended March 31, 2021, the Company and certain of its domestic subsidiaries have revised its defined benefit plans due to changes including introduction of a policy of retirement age extension.

In addition, certain of the Company's domestic subsidiaries have transferred a portion of the defined benefit plan assets to the defined contribution plan due to the revision of the defined benefit plans.

As a result, for the year ended March 31, 2022, ¥210 million was recognized as gain on revision of defined benefit plans in "Other income" and ¥272 million was recognized as loss on settlement in "Other expense" in the consolidated statement of profit or loss due to the effect of past service costs and settlement. For the year ended March 31, 2021, ¥2,067 million was recognized as gain on revision of defined benefit plans in "Other income" and ¥61 million was recognized as loss on settlement in "Other expense" in the consolidated statement of profit or loss due to the effect of past service costs and settlement.

(a) Defined benefit plans

(1) Reconciliation of the balances of retirement benefit obligations and plan assets

The reconciliation of the balances of retirement benefit obligations and plan assets to net amount recorded on the consolidated statements of financial position as of March 31, 2022 and 2021 is as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Retirement benefit obligations of funded pension plans	**¥27,910**	¥32,203
Plan assets	**(33,379)**	(37,503)
Total	**¥(5,469)**	¥(5,300)
Retirement benefit obligations of unfunded pension plans	**2,966**	2,907
Total	**¥(2,502)**	¥(2,392)
Amounts recognized in the consolidated statement of financial position:		
Net defined benefit liability	**5,322**	5,047
Net defined benefit asset	**(7,824)**	(7,440)
Net amount recognized in the consolidated statement of financial position	**¥(2,502)**	¥(2,392)

(2) Reconciliation of retirement benefit obligations

The reconciliation of the defined benefit obligations for the years ended March 31, 2022 and 2021 is as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Beginning balance	**¥35,110**	¥37,855
Service cost	**1,068**	1,177
Interest cost	**325**	371
Actuarial loss (gain) arising from:		
• Demographic assumptions	**37**	(20)
• Financial assumptions	**(225)**	140
• Experience adjustment	**(110)**	(35)
Increase (decrease) in obligations arising from past service cost and settlement	**(657)**	(2,107)
Benefits paid	**(5,489)**	(2,497)
Effect of changes in exchange rates	**567**	121
Other	**249**	105
Ending balance	**¥30,877**	¥35,110

The weighted-average duration of the defined benefit obligation for the years ended March 31, 2022 and 2021 was as follows:

	For the years ended March 31,	
	2022	**2021**
	(Years)	
Weighted-average duration	**15.0**	14.8

(3) Reconciliation of plan assets

Reconciliation of the balance of plan assets for the years ended March 31, 2022 and 2021 is as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Beginning balance	**¥37,503**	¥34,350
Interest income	**339**	315
Actuarial loss (gain) arising from:		
Return on plan assets (excluding interest income)	**69**	3,803
Settlement	**(724)**	(101)
Employer contributions	**1,015**	1,392
Retirement benefits paid	**(5,274)**	(2,397)
Effect of changes in exchange rates	**454**	139
Other	**(4)**	(0)
Ending balance	**¥33,379**	¥37,503

The Group plans to make a contribution of ¥551 million in the year ending March 31, 2023.

(4) Components of plan assets

The components of plan assets by major categories for the years ended March 31, 2022 and 2021 are as follows:

March 31, 2022

(Millions of yen)

	With quoted prices in active markets	Without quoted prices in active markets	Total
Equity instruments			
Domestic stocks	**¥4,943**	**¥2,586**	**¥7,530**
Foreign stocks	**1,828**	**1,306**	**3,134**
Debt instruments			
Domestic bonds	**—**	**6,471**	**6,471**
Foreign bonds	**1,103**	**2,506**	**3,609**
General life insurance policies	**—**	**3,558**	**3,558**
Cash and cash equivalents	**586**	**—**	**586**
Other	**0**	**8,489**	**8,489**
Total	**¥8,461**	**¥24,917**	**¥33,379**

March 31, 2021

(Millions of yen)

	With quoted prices in active markets	Without quoted prices in active markets	Total
Equity instruments			
Domestic stocks	¥4,908	¥3,047	¥7,955
Foreign stocks	2,584	1,652	4,237
Debt instruments			
Domestic bonds	—	6,221	6,221
Foreign bonds	1,118	2,615	3,734
General life insurance policies	—	6,831	6,831
Cash and cash equivalents	235	—	235
Other	—	8,287	8,287
Total	¥8,847	¥28,656	¥37,503

The investment policy of the Group's plan assets is aimed at securing the required total return over the long term, within the scope of acceptable risk, in order to ensure the future delivery of defined benefit plan obligations.

To achieve this objective, the plans implement pension ALM (asset-liability management) with the assistance of external organization and formulates a policy asset mix, which is the optimal combination of assets for the future. In the policy asset mix, the plan sets risk levels, expected rates of return and asset allocations by investment asset class and manage the assets by maintaining those allocations.

(5) Actuarial assumptions

The principal actuarial assumption as of March31, 2022 and 2021 were as follows:

(%)

	March 31,	
	2022	**2021**
Discount rate	**1.12**	1.11

(6) Sensitivity analysis of defined benefit obligations

The sensitivity of defined benefit obligations as of March 31, 2022 and 2021 to the discount rate used for actuarial calculation is summarized as follows. This sensitivity analysis assumes that other variables remain constant, but they do not always change independently.

	Change of assumptions	March 31,	
		2022	**2021**
		(Millions of yen)	
Discount rate	0.5% increase	**¥(1,642)**	¥(1,880)
	0.5% decrease	**¥1,686**	¥1,888

Negative numbers indicate a decrease in defined benefit plan obligations, while positive numbers indicate an increase in defined benefit plan obligations.

(b) Defined contribution plans

The Group's contributions for defined contribution plans were ¥5,217 million and ¥3,272 million for the years ended March 31, 2022 and 2021, respectively. In addition, the amount of expenses recognized in each year includes contributions to public pension plans, which were ¥2,167 million and ¥2,067 million, respectively.

(c) Retirement benefits for directors and corporate auditors

The Group recognizes retirement benefits for directors and corporate auditors as liabilities for retirement benefits in the consolidated statement of financial position. The amounts as of March 31, 2022 and 2021 were ¥695 million and ¥674 million, respectively.

(d) Employee benefit expenses

The total amount of employee benefit expenses included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss for the years ended March 31, 2022 and 2021 were ¥65,280 million and ¥58,158 million, respectively.

24. Equity and Other Components of Equity

(a) Number of authorized shares and number of issued shares

The number of authorized shares as of and the increase or decrease in the number of shares issued and outstanding during years ended March 31, 2022 and 2021 were as follows:

(Thousands of shares)

	For the years ended March 31,	
	2022	**2021**
Number of authorized shares	**600,000**	600,000
Number of issued shares		
Beginning of the year	**193,883**	193,883
Increase (decrease)	**—**	—
End of the year	**193,883**	193,883

The shares issued by the Company are non-par value common stocks that have no restrictions on shareholder rights.

In addition, the issued shares have been fully paid in.

(b) Treasury stock

The changes in the number of treasury stock during the years ended March 31, 2022 and 2021 were as follows:

(Thousands of shares)

	For the year ended March 31,	
	2022	**2021**
Beginning of the year	**1,911**	1,908
Increase	**434**	2
Decrease	**0**	0
End of the year	**2,345**	1,911

(c) Capital surplus

Under the Companies Act of Japan, at least 50% of the payment or delivery upon issuance of shares shall be credited to common stock, and the reminder shall be credited to capital reserve included under capital surplus. In addition, the Companies Act of Japan permits, upon resolution at the general meeting of shareholders, the transfer of capital reserve to common stock.

(d) 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.

(e) Other components of equity

(1) Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations represent the foreign currency translation differences that occurred upon consolidation of the financial statements of foreign operations prepared in foreign currencies.

(2) Cash flow hedges

The Group uses financial instruments as hedges against the risk associated with the changes in future cash flows, and cash flow hedges represent the effective portion of changes in the fair value of derivatives designated as hedging instrument of cash flow hedge.

(3) Net changes in fair value of financial assets measured at FVOCI

Net changes in fair value of financial assets measured at FVOCI represent the changes in fair value of financial assets measured at FVOCI.

(4) Remeasurements of the net defined benefit plans

Remeasurements of the net defined benefit plans comprise actuarial gains and losses, the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). In addition, actuarial gains and losses are the effects of differences between actuarial assumptions at the beginning of the year and actual results and the effects of changes in actuarial assumptions. Actuarial gains and losses are recognized in other comprehensive income as incurred and immediately transferred from other components of equity to retained earnings.

25. Dividends

Dividends paid for the years ended March 31, 2022 and 2021 were as follows:

For the year ended March 31, 2022

Resolution date	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Declared date	Effective date
June 22, 2021 Annual General Meeting of Shareholders	Common stock	**¥4,608**	**¥24**	March 31, 2021	June 23, 2021
October 26, 2021 Board of Directors Meeting	Common stock	**¥4,216**	**¥22**	September 30, 2021	December 6, 2021

For the year ended March 31, 2021

Resolution date	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Declared date	Effective date
June 23, 2020 Annual General Meeting of Shareholders	Common stock	¥4,032	¥21	March 31, 2020	June 24, 2020
October 28, 2020 Board of Directors Meeting	Common stock	¥4,032	¥21	September 30, 2020	December 4, 2020

Dividends that were declared in the current year but have the effective dates in the subsequent year were as follows:

For the year ended March 31, 2022

Resolution date	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Declared date	Effective date
June 21, 2022 Annual General Meeting of Shareholders	Common stock	Retained earnings	**¥7,472**	**¥39**	March 31, 2022	June 22, 2022

For the year ended March 31, 2021

Resolution date	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Declared date	Effective date
June 22, 2021 Annual General Meeting of Shareholders	Common stock	Retained earnings	¥4,608	¥24	March 31, 2021	June 23, 2021

26. Revenue

(a) Disaggregation of revenue from contracts with customers and other sources

(1) Revenue from contracts with customers and other sources

Revenue from contracts with customers and other sources for the years ended March 31, 2022 and 2021 is as follows:

Revenue from	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Contracts with customers	**¥515,876**	¥438,839
Other sources	**563**	572
Total	**¥516,440**	¥439,411

Revenue from other sources comprises mainly rental income recognized in accordance with IFRS 16.

(2) Reconciliation of the disaggregated revenue with the Group's reportable segments

The Group manages the businesses by dividing the domestic businesses into those that primarily engage in the manufacturing and sale of foods and those that operate other businesses, and the overseas businesses into those that engage in foods manufacturing and sales and those that engage in oriental food wholesaling. Consequently, the Group's operations consist of segments divided by domestic and overseas operations and overlapping businesses. The four reportable segments: Domestic Foods—Manufacturing and Sales, Domestic Others, Overseas Foods—Manufacturing and Sales and Overseas Foods—Wholesale.

The Group's reportable segments are the components of the Group for which separate financial information is available. The Group's Board of Directors uses these operating segments periodically to make decisions on the allocation of management resources and to evaluate business performance. Therefore, the Group presents amounts recognized by these segments as sales revenue. Additionally, revenue is geographically disaggregated based on customers' locations.

The Group engages in manufacturing and sales of soy sauce, food, beverages, liquor and wine, manufacturing and sale of pharmaceuticals and chemical products and real estate rental in the domestic market and manufacturing and sale of soy sauce, Del Monte products and health foods in overseas markets. In addition, the Group purchases and sells oriental food products in domestic and overseas markets.

Revenue from the sale of these products and merchandise is recognized primarily at the point in time when the product or merchandise is delivered to the customer, as the customer obtains control over the products or merchandise and the performance obligation is considered to be satisfied upon delivery. In addition, revenue from the sale of these products and merchandise is calculated as the amount of the consideration in the sales contract less rebates and discounts in accordance with the volume and amount of the sale.

Payment for these performance obligations is received within two months after the delivery in most cases. In addition, none of the contracts with customers contain a significant financing component.

For the years ended March 31, 2022 and 2021, the contract liabilities, refund liabilities, amount of assets recognized from the costs to obtain or fulfill a contract with a customer and the amount of revenue recognized from performance obligations satisfied in previous periods were not material.

The following table shows a reconciliation of the disaggregated revenue with the Group's reportable segments for the years ended March 31, 2022 and 2021:

For the year ended March 31, 2022

(Millions of yen)

	Japan	United States	Other	Total
Domestic Foods—Manufacturing and Sales	**¥145,830**	**¥—**	**¥37**	**¥145,867**
Domestic Others	**6,304**	**343**	**1,268**	**7,915**
Overseas Foods—Manufacturing and Sales	**269**	**55,773**	**44,750**	**100,792**
Overseas Foods—Wholesale	**5,571**	**176,538**	**79,754**	**261,864**
Total	**¥157,975**	**¥232,655**	**¥125,810**	**¥516,440**
Revenue from contracts with customers	**157,411**	**232,655**	**125,810**	**515,876**
Revenue from other sources	**¥563**	**¥—**	**¥—**	**¥563**

Revenue from other sources comprises mainly rental income recognized in accordance with IFRS 16.

For the year ended March 31, 2021

(Millions of yen)

	Japan	United States	Other	Total
Domestic Foods—Manufacturing and Sales	¥145,284	¥—	¥35	¥145,319
Domestic Others	6,231	358	950	7,541
Overseas Foods—Manufacturing and Sales	350	50,016	38,314	88,681
Overseas Foods—Wholesale	5,289	134,722	57,858	197,869
Total	¥157,155	¥185,097	¥97,158	¥439,411
Revenue from contracts with customers	156,583	185,097	97,158	438,839
Revenue from other sources	¥572	¥—	¥—	¥572

Revenue from other sources comprises mainly rental income recognized in accordance with IFRS 16.

(b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	March 31,	
	2022	**2021**
	(Millions of yen)	
Contract assets from contracts with customers.		
Trade and other receivables	**¥68,126**	¥61,739

As of March 31, 2022 and 2021, the Group's balances of contract assets and contract liabilities were not material.

(c) Transaction price allocated to the remaining performance obligations

The Group has no significant transactions with individual expected contract terms exceeding one year. In addition, there are no significant amounts of consideration from contracts with customers that are not included in the transaction price.

27. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses for the years ended March 31, 2022 and 2021 is as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Employee benefit expenses	**¥47,230**	¥40,585

Logistics expenses	**28,197**	24,088
Advertising and sales promotion expenses	**14,550**	14,373
Depreciation and amortization	**7,813**	7,545
Research and development expenses	**4,892**	4,758
Other expenses	**23,870**	20,231
Total	**¥126,555**	¥111,583

28. Other Income

The breakdown of other income for the years ended March 31, 2022 and 2021 is as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Gain on sales of fixed assets	**¥81**	¥227
Rental income	**728**	731
Royalty income	**275**	227
Foreign exchange gain	**329**	553
Gain on revision of retirement benefit plan	**210**	2,067
Gain on sale of shares of subsidiaries *(Note)*	**2,172**	—
Other	**1,774**	1,415
Total	**¥5,572**	¥5,223

(Note)
The ¥2,172 million in the sale of shares of subsidiaries resulted from the transfer of the food material business of Kikkoman Soyfoods Company.

29. Other Expenses

The breakdown of other expenses for the years ended March 31, 2022 and 2021 is as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Loss on sales and disposal of fixed assets	**¥571**	¥1,203
Loss on impairment of fixed assets	**981**	1,185
Rental expenses	**245**	251
Foreign exchange loss	**722**	307
Other	**4,641**	3,254
Total	**¥7,163**	¥6,201

30. Finance Income and Finance Costs

(a) Finance income

The breakdown of finance income for the years ended March 31, 2022 and 2021 is as follows:

	For the years ended March 31,	
	2022	2021
	(Millions of yen)	
Interest income		
Financial assets at amortized cost	**¥157**	¥152
Dividend income		
Equity instruments at FVOCI	**1,002**	954
Financial assets at FVTPL	**9**	9
Remeasurement to fair value		
Financial assets at FVTPL	**3,191**	567
Gain on remeasurement of derivatives	**5,784**	2,490
Foreign exchange gain	**13**	80
Other	**10**	16
Total	**¥10,168**	¥4,272

The breakdown of dividend income related to equity instruments at FVOCI for the years ended March 31, 2022 and 2021 is as follows:

	For the years ended March 31,	
	2022	2021
	(Millions of yen)	
Financial assets derecognized during the period	**¥1**	¥9
Financial assets held as of the end of the year	**¥1,001**	¥945

(b) Finance costs

The breakdown of finance costs for the years ended March 31, 2022 and 2021 is as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Interest expense		
Financial liabilities at amortized cost	**¥89**	¥108
Lease liabilities	**648**	811
Loss on remeasurement of derivatives	**93**	154
Foreign exchange loss	**5,323**	1,551
Other	**714**	331
Total	**¥6,869**	¥2,956

31. Other Comprehensive Income

Amounts arising during the year, amounts reclassified to profit or loss and the tax effect included in other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	For the years ended March 31,	
	2022	2021
	(Millions of yen)	
Exchange differences on translation of foreign operations		
Amount arising during the year	**¥22,819**	¥7,724
Amount reclassified to profit or loss	—	—
Before tax	**22,819**	7,724
Income taxes	—	—
Exchange differences on translation of foreign operations	**22,819**	7,724
Cash flow hedges		
Amount arising during the year	**133**	(21)
Amount reclassified to profit or loss	**23**	3
Before tax	**157**	(18)
Income taxes	**(49)**	5
Cash flow hedges	**107**	(12)
Financial assets at FVOCI – net change in fair value		
Amount arising during the year	**209**	2,982
Before tax	**209**	2,982
Income taxes	**(119)**	(980)
Financial assets at FVOCI – net change in fair value	**90**	2,002
Remeasurements of defined benefit liability (asset)		
Amount arising during the year	**362**	3,718
Before tax	**362**	3,718
Income taxes	**(229)**	(1,031)
Remeasurements of defined benefit liability (asset)	**133**	2,687
Investments accounted for using the equity method – share of OCI		
Amount arising during the year	**173**	322
Investments accounted for using the equity method – share of OCI	**173**	322

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Total comprehensive income	**¥23,325**	¥12,724

32. Earnings per Share

Basic earnings per share and the basis for calculation are as follows.

Diluted earnings per share is not shown because there are no dilutive potential common stocks:

	For the year ended March 31,	
	2022	**2021**
	(Yen)	
Basic earnings per share	**¥202.94**	¥162.31

	For the year ended March 31,	
	2022	**2021**
	(Millions of yen)	
Net income attributable to common shareholders of the Company	**¥38,903**	¥31,159
Net income not attributable to common shareholders of the Company	—	—
Net income attributable to common shareholders used for calculation of basic earnings per share	**¥38,903**	¥31,159
Weighted-average number of common shares used for calculation of basic earnings per share	*(Thousands of shares)*	
	191,703	191,973

33. Separate Disclosure of Statements of Cash Flows

(a) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities for the years ended March 31, 2022 and 2021 were as follows:

For the year ended March 31, 2022

(Millions of yen)

	April 1, 2021	Changes with cash flows	Changes without cash flows			March 31, 2022
			Foreign exchange movement	New leases	Other	
Short-term borrowings	**¥3,747**	**¥236**	**¥119**	**¥—**	**¥—**	**¥4,103**
Current portion of Long-term borrowings	**202**	**(202)**	**—**	**—**	**400**	**400**
Long-term borrowings	**13,400**	**—**	**—**	**—**	**(400)**	**13,000**
Lease liabilities	**24,314**	**(5,597)**	**1,875**	**5,832**	**(467)**	**25,956**
Total	**¥41,664**	**¥(5,564)**	**¥1,994**	**¥5,832**	**¥(467)**	**¥43,460**

For the year ended March 31, 2021

(Millions of yen)

	April 1, 2020	Changes with cash flows	Changes without cash flows			March 31, 2021
			Foreign exchange movement	New leases	Other	
Short-term borrowings	¥5,311	¥(1,581)	¥18	¥—	¥—	¥3,747
Current portion of Long-term borrowings	—	—	—	—	202	202
Long-term borrowings	13,602	—	—	—	(202)	13,400
Lease liabilities	23,771	(5,444)	947	5,737	(697)	24,314
Total	¥42,685	¥(7,025)	¥965	¥5,737	¥(697)	¥41,664

(Change in the presentation method)
The current portion of long-term borrowings included in short-term borrowings in the year ended March 31, 2021 is separately presented from the year ended March 31, 2022 from the viewpoint of clarity

(b) Cash flows due to loss of control of subsidiaries

The effect of the loss of control of a subsidiary on cash flow is as follows:

(Millions of yen)

	For the year ended March 31,	
	2022	**2021**
Consideration received in cash	**¥3,700**	¥—
Amount of cash and cash equivalents of subsidiaries for which control has been lost	**28**	—
Net: Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**3,671**	—

34. Financial Instruments

(a) Capital management

The Group's basic policy for capital management is to enhance capital efficiency for medium- and long-term improvement of the corporate value, while maintaining a sound financial position.

Indicators that the Group uses for capital management are equity (equity attributable to owners of the parent), ratio of equity attributable to owners of the parent to total assets and ratio of profit for the year to total equity attributable to owners of the parent (ROE). The balances as of March 31, 2022 and 2021 were as follows.

	March 31,	
	2022	**2021**
	(Millions of yen)	
Total equity	**¥357,816**	¥308,130
	(%)	
Equity attributable to owners of the parent	**71.1**	70.3
Profit for the year to total equity attributable to owners of the parent	**11.7**	10.7

Management monitors and confirms these indicators, as well as revenue and investment plans, whenever the Group develops and updates a management plan.

There are no regulatory capital requirements externally imposed on the Group.

(b) Basic policy for financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk, currency risk, interest rate risk and market price fluctuation risk) in the process of operating activities. In order to mitigate these financial risks, the Group manages risks in accordance with a certain policy.

In addition, the Group utilizes derivative transactions for the purpose of hedging their exposure to adverse fluctuations in foreign currency exchange rates but not for speculative purposes.

(c) Credit Risk

The Group’s financial assets measured at amortized cost including trade receivables (trade and other receivables) are exposed to credit risk in relation to customers.

For these trade receivables, 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 for each customer, promptly understand and attempt to mitigate the risk of uncollectable receivables in the event of deterioration in a customer’s financial condition.

The Group does not have any excessive concentration of credit risk against specific customers.
Derivative transactions are not subject to significant credit risk since the counterparties are limited to financial institutions with high credit ratings.

The Group’s maximum exposure to credit risk is the carrying amount of financial assets presented in the consolidated statement of financial position, except for guarantee obligation which is the amount of debt guarantee. The maximum exposure to credit risk associated with debt guarantees is presented as the amount of debt guarantees. For the amount of debt guarantees, see Note 38. Guarantees.

Primarily, the Group holds guarantee deposit as collateral for a part of trade receivables. The amounts recognized in other financial liabilities in the consolidated statement of financial position as of March 31, 2022 and 2021 were ¥3,243 million and ¥3,277 million, respectively.

The changes in loss allowance for doubtful receivables for the years ended March 31, 2022 and 2021 are summarized as follows:

	Trade and other receivables	Other financial assets		
		Financial assets for which loss allowance is measured at an amount equal to 12-month expected credit losses	Financial assets for which loss allowance is measured at an amount equal to lifetime expected credit losses	
			Financial assets with significantly increased credit risk	Credit-impaired financial assets
	(Millions of yen)			
Balance as of April 1, 2020	¥1,042	¥30	¥—	¥2,188
Increase (Recognition) *(Note)*	170	0	—	159
Decrease (Write-off)	(151)	(30)	—	(396)
Decrease (Reversal) *(Note)*	(450)	(0)	—	(16)
Other	45	—	—	(6)
Balance as of March 31, 2021	**¥656**	**¥0**	**¥—**	**¥1,928**
Increase (Recognition) *(Note)*	**188**	**2**	**91**	**86**
Decrease (Write-off)	**(203)**	**—**	**—**	**—**
Decrease (Reversal) *(Note)*	**(189)**	**(0)**	**—**	**(9)**
Other	**36**	**(0)**	**3**	**6**
Balance as of March 31, 2022	**¥491**	**¥1**	**¥95**	**¥2,013**

(Note)
Provision and reversal of allowance for doubtful receivables related to trade receivables mainly resulted from an increase or decrease of trade and other receivables due to sales and collection.

There were no significant changes in the carrying amount of financial assets that could have a material effect on the allowance for doubtful receivables.

The credit risk from trade and other receivables at each reporting date was assessed as extremely low. The Group does not have any credit risk concentrated on the ratings of financial instruments.

(d) Liquidity Risk

The Group is financed by loans to conduct business activities. Therefore, the Group is exposed to liquidity risk where it cannot fulfill its payment obligations at the due date. The Group manages risks by preparing and updating financing plans in a timely manner using a cash management system and based on reports from the Group companies, as well as maintaining a sufficient current cash flow.

In addition, the Group maintains lines of credit with financial institutions to ensure liquidity. Unused lines of credit as of March 31, 2022 and 2021 were ¥66,410 million and ¥65,163 million, respectively.

The balances of financial liabilities (including derivative financial instruments) by maturity date as of March 31, 2022 and 2021 were as follows:

As of March 31, 2022

(Millions of yen)

	Carrying amount	Contractual amount	Within 1 year	More than 1 year and within 2 years	More than 2 years and within 3 years	More than 3 years and within 4 years	More than 4 years and within 5 years	More than 5 years
Non-derivative financial liabilities								
Trade and other payables	**¥59,573**	**¥59,573**	**¥59,573**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Borrowings	**17,503**	**17,535**	**4,524**	**13,011**	**—**	**—**	**—**	**—**
Lease liabilities	**25,956**	**30,924**	**5,088**	**3,775**	**2,857**	**2,368**	**2,079**	**14,754**
Subtotal	**¥103,033**	**¥108,033**	**¥69,186**	**¥16,786**	**¥2,857**	**¥2,368**	**¥2,079**	**¥14,754**
Derivative financial liabilities	**385**	**385**	**385**	**—**	**—**	**—**	**—**	**—**
Total	**¥103,419**	**¥108,418**	**¥69,571**	**¥16,786**	**¥2,857**	**¥2,368**	**¥2,079**	**¥14,754**

As of March 31, 2021

(Millions of yen)

	Carrying amount	Contractual amount	Within 1 year	More than 1 year and within 2 years	More than 2 years and within 3 years	More than 3 years and within 4 years	More than 4 years and within 5 years	More than 5 years
Non-derivative financial liabilities								
Trade and other payables	¥50,600	¥50,600	¥50,600	¥—	¥—	¥—	¥—	¥—
Borrowings	17,350	17,405	3,973	421	13,011	—	—	—
Lease liabilities	24,314	29,357	5,579	3,700	2,509	2,155	1,855	13,557
Subtotal	¥92,264	¥97,363	¥60,152	¥4,121	¥15,520	¥2,155	¥1,855	¥13,557
Derivative financial liabilities	214	214	211	3	—	—	—	—
Total	¥92,479	¥97,577	¥60,363	¥4,124	¥15,520	¥2,155	¥1,855	¥13,557

(e) Currency risk

The Group is exposed to currency risk mainly with respect to the U.S. Dollar, Euro and Singapore Dollar due to international business activities. Currency risk arises from the purchase of raw materials, sales transactions such as import and export of goods or the assets and liabilities that have been already recognized. Primarily, the Group entered into foreign exchange forward contracts in order to hedge currency risk. Hedge accounting is applied to the transactions that fulfill the requirements of hedge accounting.

Certain accounts receivable and accounts payable denominated in foreign currencies are exposed to the risk of fluctuations in foreign exchange rates. However, as this risk is offset by foreign exchange forward contracts, the effect is limited.

Currency sensitivity analysis

For the financial instruments held by the Group as of March 31, 2022 and 2021, the effect of a 5% increase in functional currencies to the U.S. Dollar, Euro or Singapore Dollar on profit before taxes, assuming that all other variables remain constant, is shown below.

The effect of the translation of the functional currency-denominated financial instruments and assets and liabilities of a foreign operation into a presentation currency is not included here.

	Currency	**For the years ended March 31,**	
		2022	**2021**
		(Millions of yen)	
Effect on profit before income taxes	U.S. dollar	**¥(67)**	¥(56)
	Euro	**(13)**	(95)
	Singapore dollar	**¥22**	¥12

(f) Equity price risk

The Group is exposed to price risk for equity instruments that are classified as measured at FVOCI. In order to manage the price risk arising from investments in equity instruments, the Group periodically monitors fair value and the financial condition of issuers, while reviewing its holding status on an ongoing basis.

Equity price sensitivity analysis

In terms of equity instruments (stocks) in active markets held by the Group in each fiscal year, if quoted prices rise 1% across the board as of March 31, 2022 and 2021, the effect on other comprehensive income (before tax) in the consolidated statement of comprehensive income is as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Effect on other comprehensive income (before income taxes)	**¥457**	¥442

(g) Carrying Amount and fair value of financial instruments

The carrying amount and fair value of financial instruments as of March 31, 2022 and 2021 were as follows.

The fair value of the financial assets and liabilities measured at amortized cost other than long-term loans is not included, as the carrying amount approximates the fair value.
For the financial instruments measured at fair value on a recurring basis, the fair value is not included, either, as the carrying amount approximates the fair value.

	March 31,			
	2022		**2021**	
	(Millions of yen)			
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings *(Note)*	**¥13,400**	**¥13,387**	¥13,602	¥13,610

(Note)
The balance above includes long-term borrowings due within 1 year.

The fair value of long-term loans is measured by discounting the total principal and interest payable to the present value using an interest rate equal to the rate that would be applied to a similar new loan.

The fair value hierarchy of the long-term loans is classified as Level 2.

(h) Fair value hierarchy of financial instruments

The fair value hierarchy of the financial instruments measured at fair value on a recurring basis after initial recognition is classified into the below three levels based on the observability and significance of the inputs used for measurement.

Level 1: Fair value measured at market prices in active markets for identical assets or liabilities
Level 2: Fair value measured using directly or indirectly observable inputs other than those included in Level 1
Level 3: Fair value measured using material unobservable inputs

If fair value is measured using multiple inputs, the Group determines the level of fair value based on the lowest level input that is significant to the entire measurement of the fair value.

The Group recognized transfers between levels of the fair value hierarchy at the date an event or a change in circumstances occurred.

There were no transfers between Level 1 and Level 2 in the years ended March 31, 2022 and 2021.

Financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2022 and 2021 were as follows

As of March 31, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Stocks	**¥45,746**	**¥—**	**¥7,472**	**¥53,219**
Other	—	**621**	**10,334**	**10,955**
Derivative assets	—	**838**	—	**838**
Total	**¥45,746**	**¥1,459**	**¥17,806**	**¥65,012**
Financial liabilities				
Derivative liabilities	—	**385**	—	**385**
Total	**¥—**	**¥385**	**¥—**	**¥385**

As of March 31, 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Stocks	¥44,238	¥—	¥9,256	¥53,495
Other	—	525	6,773	7,299
Derivative assets	—	2,760	—	2,760
Total	¥44,238	¥3,285	¥16,030	¥63,554
Financial liabilities				
Derivative liabilities	—	214	—	214
Total	¥—	¥214	¥—	¥214

The fair value of listed stocks traded in active markets was classified as Level 1, as it was measured based on the market prices as of the end of the fiscal year. The fair value of unlisted stocks whose markets are not active was primarily measured using the valuation model based on net assets (the method of calculating a corporate value based on net assets of an issuer of stocks). These unlisted stocks were classified as Level 3.

The assets classified into others were principally the funds to the investment business limited partnership. The fair value of these funds to the investment business limited partnership was classified as Level 3, as the fair value is calculated based on the most recent available value of net assets.

The fair value of derivative assets and liabilities was classified as Level 2, as it was measured at value that counterparty banks calculated based on market data including exchange rates.

The accounting department determines the valuation method for the financial instruments to be classified as Level 3 and measures the fair value of them in accordance with the valuation policy and procedures stipulated by the Group.
Results of fair value measurement were approved by appropriate personnel in charge.

The changes in financial instruments classified as Level 3 generally measured at fair value for the years ended March 31, 2022 and 2021 were as follows:

	For the years ended March 31,	
	2022	**2021**
	(Millions of yen)	
Beginning balance	**¥16,030**	¥13,448
Total gain or loss		
Profit or loss *(Note 1)*	**3,182**	671
Other comprehensive income *(Note 2)*	**(6)**	827
Purchase	**1,790**	1,937
Sale	**(299)**	(24)
Distributions	**(1,888)**	(743)
Transfer from Level 3 *(Note 3)*	**(1,065)**	—
Other	**61**	(85)
Ending balance	**¥17,806**	¥16,030

(Note 1)
The amount relates to the financial assets measured at FVTPL and is included in finance income or finance costs. The amount represents unrealized gain or loss on financial instruments held as of March 31, 2022 and 2021.

(Note 2)
The amount relates to financial assets measured at FVOCI and is included in net changes in the fair value of financial assets measured through other comprehensive income.

(Note 3)
The transfer from Level 3 recognized in the year ended March 31, 2022 was due to the listing of the investee on the stock exchange.

(Change in the presentation method)
The amount of "Distributions," previously included in "Other" for the year ended March 31, 2021, is considered to be material for the year ended March 31, 2022 and presented as a separate line item. To reflect this change in the presentation method, amounts in the notes to consolidated financial statements for the year ended March 31, 2021 have been reclassified.

(i) Derivatives and hedging

As for derivatives, the Group entered into foreign exchange forward contracts in order to hedge currency risks that arise from foreign currency-denominated accounts receivable and payable as well as forecasted transactions. Execution and management of derivative transactions are in accordance with internal rules that stipulate trading authority. The Group determined the economic relationship between hedging instruments and hedged items based on the amount and timing of related cash flows. For the hedge relationship to which the Group currently applies hedge accounting, material terms and conditions related to the hedging instrument and hedged item are the same.

(1) Effect of the hedging instruments of cash flow hedges on the consolidated statements of financial position

The effect of the hedging instruments designated as cash flow hedges on the Group's consolidated statement of financial position as of the transition date and the end of each fiscal year is as follows.

As the amount of hedge ineffectiveness that has been recognized in profit or loss was not material, changes in the fair value of the hedging instruments used as the basis for recognizing hedge ineffectiveness are not presented below:

As of March 31, 2022

(Millions of yen)

	Contract amount			Carrying amount (Fair value)		Average rate (Yen)
	Within 1 year	More than 1 year	Total	Asset	Liability	
Foreign exchange forward contracts	**¥2,537**	**¥—**	**¥2,537**	**¥154**	**¥0**	115.02/U.S. dollar 126.81/Euro

As of March 31, 2021

(Millions of yen)

	Contract amount			Carrying amount (Fair value)		Average rate (Yen)
	Within 1 year	More than 1 year	Total	Asset	Liability	
Foreign exchange forward contracts	¥1,600	¥—	¥1,600	¥35	¥0	108.15/U.S. dollar 125.31 /Euro

In the consolidated statement of financial position, the fair value of assets related to hedging instruments is included in "Other financial assets (current assets)", and the fair value of liabilities related to hedging instruments is included in "Other financial liabilities (current liabilities) ."

The other components of equity resulting from cash flow hedges for the hedging instruments as of March 31, 2022 and 2021 were as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Foreign exchange forward contracts	**¥104**	¥23
Total	**¥104**	¥23

(2) Effect of hedging instruments designated as cash flow hedges on the consolidated statements of profit or loss and consolidated statements of comprehensive income

The effect of hedging instruments designated as cash flow hedges on the consolidated statements of profit or loss and consolidated statements of comprehensive income for each year is as follows:

For the year ended March 31, 2022

(Millions of yen)

	Gain (loss) recognized in other comprehensive income *(Note)*	Reclassification adjustments *(Note)*	Main account titles of reclassification adjustments in the consolidated statements of profit or loss
Foreign exchange forward contracts	**¥133**	**¥23**	Finance income/ Finance costs
Total	**¥133**	**¥23**	

(Note)
The amounts are before taking into account tax effects.

For the year ended March 31, 2021

(Millions of yen)

	Gain (loss) recognized in other comprehensive income *(Note)*	Reclassification adjustments *(Note)*	Main account titles of reclassification adjustments in the consolidated statements of profit or loss
Foreign exchange forward contracts	¥(21)	¥3	Finance income/ Finance costs
Total	¥(21)	¥3	

(Note)
The amounts are before taking into account tax effects.

The changes in the value of the hedged items used as the basis for recognizing the ineffective portion of hedges approximated the changes in the fair value of the hedging instruments for the years ended March 31, 2022 and 2021. The amount of the ineffective portion of the hedges recognized in net income was not material.

35. Related Party Transactions

(a) Transactions with key management personnel

The remuneration to the Company's directors and corporate auditors for the years ended March 31, 2022 and 2021 were as follows:

	For the year ended March 31,	
	2022	**2021**
	(Millions of yen)	
Remuneration and bonuses	**¥550**	¥495

(b) Transactions with related parties

Transactions with related parties during the years ended March 31, 2022 and 2021 were as follows:

For the year ended March 31, 2022

(Millions of yen)

Relationship	Name of company or personnel	Detail of transaction	Amount of transaction	Items in financial statements	Unsettled amount
Chairman & CEO of the Company	Noriaki Horikiri	Land lease	**¥11**	Lease liabilities	**¥206**

The transaction details including rents are determined in reference to the rents for neighboring land.

For the year ended March 31, 2021

(Millions of yen)

Relationship	Name of company or personnel	Detail of transaction	Amount of transaction	Items in financial statements	Unsettled amount
Chairman & CEO of the Company	Noriaki Horikiri	Land lease	¥11	Lease liabilities	¥215

The transaction details including rents are determined in reference to the rents for neighboring land.

36. Subsidiaries

The details of major subsidiaries as of March 31, 2022 and 2021 were as follows:

Consolidated subsidiaries

Entity name	Location	Share capital (or investment)	Major business	Share of voting rights (%)	Description of relationship			
					Number of executives who have dual responsibilities	Financial support	Business transaction	Leasing of facilities
KIKKOMAN FOOD PRODUCTS COMPANY	Noda, Chiba	¥5,000 million	Domestic Foods—Manufacturing and Sales	100.00	4	Loans for capital expenditures *2	The Company sells the subsidiary's products.	The Company leases part of its office building to the subsidiary
KIKKOMAN BEVERAGE COMPANY	Noda, Chiba	¥100 million	Domestic Foods—Manufacturing and Sales	100.00	4	*2	N/A	The Company leases part of its office building to the subsidiary
KIKKOMAN BUSINESS SERVICE COMPANY	Noda, Chiba	¥100 million	Provision of indirect services	100.00	4	*2	N/A	The Company leases part of its office building to the subsidiary
KIKKOMAN BIOCHEMIFA COMPANY	Noda, Chiba	¥100 million	Production and sales of pharmaceuticals, enzymes, chemicals etc.	100.00	5	*2	N/A	The Company leases part of its office building to the subsidiary
NIPPON DEL MONTE CORPORATION	Numata, Gunma	¥10 million	Domestic Foods—Manufacturing and Sales	100.00	4	*2	N/A	The Company leases part of its office building to the subsidiary
MANNS WINE CO., LTD.	Minato, Tokyo	¥900 million	Domestic Foods—Manufacturing and Sales	100.00	4	*2	N/A	The Company leases part of its office building to the subsidiary
JFC JAPAN INC.	Chuo, Tokyo	¥228 million	Overseas Foods—Wholesale	100.00 (25.98)	5	*2	The subsidiary sells the Company's products.	N/A
KIKKOMAN FOOD TECH COMPANY	Noda, Chiba	¥10 million	Domestic Foods—Manufacturing and Sales	100.00	2	*2	N/A	N/A
HOKKAIDO KIKKOMAN COMPANY	Chitose, Hokkaido	¥350 million	Domestic Foods–Manufacturing and Sales	100.00	1	*2	N/A	N/A
NAGAREYAMA KIKKOMAN COMPANY	Nagareyama,Chiba	¥300 million	Domestic Foods–Manufacturing and Sales	100.00	1	*2	N/A	N/A
SAITAMA KIKKOMAN COMPANY	Kuki, Saitama	¥10 million	Domestic Foods–Manufacturing and Sales	100.00	1	*2	N/A	The Company leases part of its facilities and office building to the subsidiary.
TERRA VERT CORPORATION	Minato, Tokyo	¥350 million	Domestic Foods–Manufacturing and Sales	100.00	4	*2	N/A	N/A
TAKARA SHOYU CO., LTD.	Chuo, Tokyo	¥100 million	Domestic Foods–Manufacturing and Sales	56.12	1	*2	N/A	The Company leases part of its parking space to the subsidiary.

Entity name	Location	Share capital (or investment)	Major business	Share of voting rights (%)	Description of relationship			
					Number of executives who have dual responsibilities	Financial support	Business transaction	Leasing of facilities
KIKKOMAN SOYFOODS COMPANY	Minato, Tokyo	¥3,585 million	Domestic Foods−Manufacturing and Sales	100.00	5	*2	The Company sells the subsidiary's products.	N/A
NIPPON DEL MONTE AGRI COMPANY	Minato, Tokyo	¥10 million	Domestic Foods−Manufacturing and Sales	100.00	3	*2	N/A	The Company leases part of its office building to the subsidiary.
SOBU LOGISTICS CO., LTD.	Noda, Chiba	¥60 million	Logistics	100.00	2	*2	The subsidiary stores and transports the Company's products.	The Company leases a part of its warehouse to the subsidiary.
SOBU SERVICE CENTER CO., LTD.	Noda, Chiba	¥13 million	Contract manufacturing and outsourcing services	100.00	2	*2	N/A	N/A

Entity name	Location	Share capital (or investment)	Major business	Share of voting rights (%)	Description of relationship			
					Number of executives who have dual responsibility	(1) Revenue (2 Profit before income taxes (3) Profit for the year (4) Total shareholders ’ equity (5) Total assets	Business transaction	Leasing of facilities
KIKKOMAN FOODS, INC. (KFI)	Wisconsin, U.S.A.	US$6,000 thousand	Overseas Foods—Manufacturing and Sales	100.00	6	*2, *3	The Company sells the subsidiary’s products.	N/A
KIKKOMAN SALES USA, INC. (KSU)	California, U.S.A.	US$400 thousand	Overseas Foods—Manufacturing and Sales	100.00	3	*2, *3	The subsidiary sells the Company’s products.	N/A
JFC INTER-NATIONAL INC. (JFC)	California, U.S.A.	US$1,760 thousand	Overseas Foods—Wholesale	100.00	3	*2	The subsidiary sells the Company’s products.	N/A
JFC INTERNATION-AL (CANADA) INC. (JFCI)	Ontario, Canada	CA$4,535 thousand	Overseas Foods—Wholesale	100.00 (100.00)	2	N/A	N/A	N/A
KI NUTRICARE, INC. (KIN)	New York, U.S.A.	US$49,692 thousand	Overseas Foods—Manufacturing and Sales	100.00	2	N/A	N/A	N/A
COUNTRY LIFE, LLC (CLL)	New York, U.S.A.	—	Overseas Foods—Manufacturing and Sales	100.00 (100.00)	2	*2	N/A	N/A
KIKKOMAN FOODS EUROPE B.V. (KFE)	Sappemeer, The Netherlands	EUR12,705 thousand	Overseas Foods—Manufacturing and Sales	100.00	3	*2, *3	The Company sells the subsidiary’s products.	N/A
KIKKOMAN TRADING EUROPE GmbH (KTE)	Düsseldorf, Germany	EUR255 thousand	Overseas Foods—Manufacturing and Sales	100.00	2	*2, *3	The subsidiary sells the Company’s products.	N/A
JFC INTER-NATIONAL (EUROPE) GmbH (JFCEU)	Düsseldorf, Germany	EUR1,500 thousand	Overseas Foods—Wholesale	100.00 (13.65)	4	*2	N/A	N/A
KIKKOMAN (S) PTE. LTD. (KSP)	Senoko, Singapore	S$7,500 thousand	Overseas Foods—Manufacturing and Sales	100.00	4	*2, *3	The Company sells the subsidiary’s products.	N/A
KIKKOMAN TRADING ASIA PTE LTD (KTA)	North Bridge, Singapore	S$500 thousand	Overseas Foods—Manufacturing and Sales	100.00	3	*2	The subsidiary sells the Company’s products.	N/A
PT. KIKKOMAN AKUFOOD INDONESIA (KAID)	Bekasi, Indonesia	IDR10,000 million	Overseas Foods—Manufacturing and Sales	70.00	3	N/A	N/A	N/A

Entity name	Location	Share capital (or investment)	Major business	Share of voting rights (%)	Description of relationship			
					Number of executives who have dual responsibility	(1) Revenue (2 Profit before income taxes (3) Profit for the year (4) Total shareholders ’ equity (5) Total assets	Business transaction	Leasing of facilities
DEL MONTE ASIA PTE LTD (DMA)	North Bridge, Singapore	US$240 thousand	Overseas Foods—Manufacturing and Sales	100.00	2	*3	N/A	N/A
SIAM DEL MONTE COMPANY LIMITED (SDM)	Bangkok, Thailand	THB850,800 thousand	Overseas Foods—Manufacturing and Sales	95.61 (95.61)	1	N/A	N/A	N/A
KIKKOMAN AUSTRALIA PTY. LIMITED (KAP)	North Sydney, Australia	A$500 thousand	Overseas Foods—Manufacturing and Sales	100.00	3	N/A	The subsidiary sells the Company’s products.	N/A
JFC HONG KONG LIMITED (JFCHK)	Tsuen Wan, Hong Kong	HK$600 thousand	Overseas Foods—Wholesale	100.00 (70.00)	2	N/A	The subsidiary sells the Company’s products.	N/A
JFC AUSTRALIA CO PTY LTD. (JFCAUST)	Lane Cove, Australia	A$250 thousand	Overseas Foods—Wholesale	100.00 (75.00)	2	N/A	N/A	N/A
JFC (S) PTE. LTD. (JFCSG)	Toh Guan, Singapore	S$7,200 thousand	Overseas Foods—Wholesale	100.00 (60.00)	2	*2	N/A	N/A
KIKKOMAN SHANGHAI TRADING CO., LTD. (KST)	Shanghai, China	GEN3,000 thousand	Overseas Foods—Manufacturing and Sales	100.00	4	N/A	The subsidiary sells the Company’s products.	N/A
KUNSHAN PRESIDENT KIKKOMAN BIOTECHNOLOGY CO., LTD. (KPKI)	Kunshan, Jiangsu, China	GEN 91,056 thousand	Overseas Foods—Manufacturing and Sales	50.00	6	N/A	N/A	N/A
PRESIDENT KIKKOMAN ZHENJI FOODS CO., LTD. (PKZ)	Shijiazhuang, Hebei, China	GEN 300,000 thousand	Overseas Foods—Manufacturing and Sales	50.00	5	N/A	N/A	N/A
PRESIDENT KIKKOMAN INC. (PKI)	Tainan, Taiwan	TWD120,000 thousand	Overseas Foods—Manufacturing and Sales	50.00	5	N/A	N/A	N/A
Other 21 entities	—	—	—	—	—	—	—	—

(Note) 1. The names of segments are listed in the "Major business" column.

2. The companies marked with *1 in “Company name” indicate specified subsidiaries.

3. The percentage in parentheses for “Share of voting rights” indicates the percentage of indirect ownership.

3. The companies marked with *1 in “Financial support” have introduced cash management systems to improve the efficiency of cash management and loan funds to and from the Company.

4. The companies marked with *2 in “Financial support” provide loans to the Company to improve the efficiency of cash management.

5. Major financial statement information is presented for Kikkoman Food Products Company and JFC International Inc. because the percentage of revenue compared with the consolidated revenue of the companies exceeds 10%. Revenue of JFC International Inc. represents consolidated revenue including its five subsidiaries.

6. Other 21 entities are all small-sized consolidated subsidiaries including the following:

Subsidiaries of:

JFC JAPAN INC.	2
JFC INTERNATIONAL INC.	4
KI NUTRICARE, INC.	2
COUNTRY LIFE, LLC	1
JFC INTERNATIONAL (EUROPE) GmbH	7
KIKKOMAN TRADING ASIA PTE LTD.	2
DEL MONTE ASIA PTE LTD.	2
JFC (S) PTE. LTD.	1

37. Commitments

The Group's commitments to purchasing assets outstanding as of March 31, 2022 and 2021 were as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Property, plant and equipment	**¥9,923**	¥3,122
Intangible assets	**¥24**	¥48

In addition to the above, the amount of a lease not yet commenced to which the Company is committed as of March 31, 2022 was ¥3,580 million. No right-of-use assets or lease liabilities have been recognized because the lease term of this contract has not yet started.

38. Contingencies

(a) Financial guarantees

The Group guarantees the borrowings of its business counterparties from financial institutions. The balance of guarantee obligations at the transition date and as of March 31, 2022 and 2021 were as follows:

	March 31,	
	2022	**2021**
	(Millions of yen)	
Business counterparties	**¥315**	¥185
Total	**¥315**	¥185

(b) Legal proceedings

Not applicable.

39. Subsequent Events

Not applicable.

seasoning your life

Kikkoman Corporation

Noda Head Office
250 Noda, Noda-shi, Chiba 278-8601, Japan
Tokyo Head Office
2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo 105-0003, Japan

https://www.kikkoman.com/en/