

**AJINOMOTO (MALAYSIA) BERHAD**  
**(Company No. 4295-W)**  
**(Incorporated in Malaysia)**

**Notes to the interim financial report for the period ended 31 December 2017**

**A EXPLANATORY NOTES**

**1 Basis of Preparation**

These condensed consolidated interim financial reports, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The significant accounting policies adopted for the interim financial statements are consistent with those adopted in the annual audited financial statements for the year ended 31 March 2017, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 January 2017 :

- Annual Improvements to MFRSs 2014-2016 Cycle
- Amendments to MFRS 107: Statement of Cash Flows: Disclosure Initiative
- Amendments to MFRS 112: Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The adoption of the above amendments and interpretation does not have significant impact on the Company's financial statements.

**2 Seasonality or Cyclicity of Interim Operations**

The results of the Company's operations are affected by festive seasons and economic cycles, whereas the manufacturing operations are affected by the scheduled maintenance shut-down.

**3 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow**

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual or exceptional because of their nature, size or incidence during the financial period to date.

**4 Material Changes in Estimates**

There were no material changes in the nature and amount of estimates reported in prior financial years that have a material effect in the current interim period.

**5 Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period under review.

**6 Dividends Paid**

The Company paid a first and final single-tier dividend of 42.00 sen per ordinary share amounting to RM25,535,384 in respect of the financial year ended 31 March 2017 on 20 September 2017.

The Company paid a special one-off single-tier dividend of 113.00 sen per ordinary share amounting to RM68,702,343 in respect of the financial year ended 31 March 2017 on 20 September 2017.

There was no dividend paid in the current quarter under review.

## 7 Segmental Reporting

### a. Business Segment:

The Company's business may be broadly categorized into two major segments – Consumer Business Segment and Industrial Business Segment. Consumer Business Segment consists of manufacture and distribution of consumer products including AJI-NO-MOTO®, flavor seasoning TUMIX®, menu seasoning Seri Aji® and other seasonings as well as provision of services in relation to food industry. Industrial Business Segment consists of manufacture and distribution of Monosodium Glutamate (MSG) for industry-use, Industrial Seasonings and related products.

	<b>Consumer Business Segment RM'000</b>	<b>Industrial Business Segment RM'000</b>	<b>Total RM'000</b>
<b>3 months ended 31 Dec 2017</b>			
Revenue from external customers	76,900	32,490	109,390
Operating profit	8,434	6,479	14,913
<b>3 months ended 31 Dec 2016</b>			
Revenue from external customers	78,290	28,680	106,970
Operating profit	7,529	7,249	14,778
<b>9 months ended 31 Dec 2017</b>			
Revenue from external customers	227,664	93,569	321,233
Operating profit	20,239	20,774	41,013
<b>9 months ended 31 Dec 2016</b>			
Revenue from external customers	222,140	82,849	304,989
Operating profit	27,079	18,586	45,665

### b. Geographical Segment:

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

<b>Revenue</b>	Malaysia RM'000	Middle East RM'000	Other Asian Countries RM'000	Others RM'000	Total RM'000
3 months ended 31 Dec 2017	63,927	15,232	28,981	1,250	109,390
3 months ended 31 Dec 2016	64,254	15,472	25,705	1,539	106,970
9 months ended 31 Dec 2017	193,584	40,895	82,973	3,781	321,233
9 months ended 31 Dec 2016	186,274	40,713	74,216	3,786	304,989

**7 Material Events Subsequent to the Balance Sheet Date**

There was no material event subsequent to the end of the quarter as at the date of this announcement that will affect the results of the financial period ended 31 December 2017.

**8 Effects of Changes in the Composition of the Company**

The Company has neither subsidiary nor associated company as at the end of the quarter under review and there were no changes in the composition during the current quarter under review.

**9 Contingent Liabilities**

As at the date of this report, there were no contingent liabilities which have become enforceable, or likely to become enforceable to the Company.

**10 Capital Commitments**

The amount of commitments for the purchase of plant and equipment not provided for in the interim financial statement as at 31 December 2017 is as follows:

	<b>RM'000</b>
Approved and contracted for	6,472
Approved but not contracted for	9,878
	16,350
	16,350

**11 Material Event**

The Company announced on 12 February 2018 that the Company had on 12 February 2018 entered into a Sales and Purchase Agreement with Lembaga Tabung Haji and THP Enstek Development Sdn. Bhd. for the proposed acquisition of a piece of freehold land measuring approximately 2,030,116.58 square feet (188,604.18 square meters) located in Techpark@Enstek, Bandar Baru Enstek, Daerah Seremban, Negeri Sembilan, for a total purchase consideration of RM86,076,943.10 (inclusive 6% Goods and Services Tax). The proposed land acquisition is expected to be completed by 31 July 2019.

**12 Related Party Transactions**

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries are as follows:

	<b>3 months ended 31 Dec 2017 RM'000</b>	<b>3 months ended 31 Dec 2016 RM'000</b>	<b>9 months ended 31 Dec 2017 RM'000</b>	<b>9 months ended 31 Dec 2016 RM'000</b>
Commission income	(1)	(4)	(11)	(14)
Royalties payable	2,385	2,558	7,099	7,279
Sales	(27,378)	(23,814)	(80,617)	(70,569)
Purchases	43,609	48,644	125,035	134,016
Purchase of assets	-	825	64	1,370
Promotion expenses	-	4	38	4
IT shared services and maintenance	551	692	1,715	2,111
Other expenses	165	118	546	296
	165	118	546	296

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

**B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS**

**1 Review of Performance**

*Current Quarter vs Corresponding Quarter of last year*

The Company recorded revenue of RM109.4 million in the current quarter compared to RM107.0 million in the corresponding quarter last year, an increase of 2.3% while operating profit was RM14.9 million as compared to RM14.8 million in the corresponding quarter last year. Increase in revenue was mainly contributed by higher sales quantities in Industrial Business segment. Operating profit for the current quarter was sustained with the effort taken in monitoring the production costs and selling expenses.

**2 Material Changes in the Quarterly Profit Before Taxation Compared to the Results of the Preceding Quarter.**

Revenue in the current quarter of RM109.4 million was lower than the revenue of RM115.4 million in the immediate preceding quarter. Decrease in revenue was due to slower sales quantities of AJI-NO-MOTO® in domestic market during the current quarter. However, this shortfall was mitigated by the increase in sales quantities in Industrial Business segment. As a result, operating profit of RM14.9 million in the current quarter was also lower than the operating profit RM18.2 million in the immediate preceding quarter.

**3 Commentary on Prospects**

The strengthening of the Ringgit against USD in recent months has brought some relief to the costs of imported raw materials which are priced in USD. However, this is offset by the increase in prices for the raw materials which has impacted on the Company's cost of production. The domestic and export markets continued to be competitive and business conditions remain challenging. Strategies to increase sales in the competitive domestic and export markets and effective cost control measures will continue to be fine-tuned to improve revenue and profit.

**4 Variance of Actual Profit from Forecast Profit**

Not applicable as the Company did not publish any profit forecast.

**5 Taxation**

Tax expense comprises the following: -

	<b>3 months ended 31 Dec 2017 RM'000</b>	<b>3 months ended 31 Dec 2016 RM'000</b>	<b>9 months ended 31 Dec 2017 RM'000</b>	<b>9 months ended 31 Dec 2016 RM'000</b>
Malaysian income tax :				
Current year	3,032	3,893	10,289	11,780
Under/(over)provision in respect of prior year	(2,465)	69	(2,465)	69
Deferred tax :				
Current year	220	290	(223)	692
Under/(over)provision in respect of prior year	(1,074)	(651)	(1,074)	(651)
	<u>(287)</u>	<u>3,601</u>	<u>6,527</u>	<u>11,890</u>

The effective tax rate of the tax provision for the financial period under review is lower than the statutory tax rate due to certain non-taxable income.

**6 Status of Corporate Proposals**

There were no corporate proposals announced by the Company as at the date of this report.

**7 Borrowings and Debt Securities**

As at the end of the period under review, the Company has no borrowings nor issued any debt securities.

**8 Material Litigation**

There were no material litigation as at 23 February 2018, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

**9 Dividend Payable**

There was no dividend payable as at the end of the current quarter.

The Directors do not propose the payment of dividend for the current quarter.

**10 Earnings Per Share**

Basic earnings per share are calculated based on the net profit attributable to ordinary shareholders and the number of ordinary shares in issue during the financial year by the company.

	<b>3 months ended 31 Dec 2017</b>	<b>3 months ended 31 Dec 2016</b>	<b>9 months ended 31 Dec 2017</b>	<b>9 months ended 31 Dec 2016</b>
Profit attributable to ordinary shareholders of the Company (RM'000)	17,171	13,538	41,575	38,507
Weighted average number of ordinary shares in issue ('000)	60,799	60,799	60,799	60,799
Earnings per share attributable to equity holders of the company (sen)				
-Basic	28.24	22.27	68.38	63.34

Diluted earnings per share is not applicable, as the Company does not have any convertible financial instrument as at the end of the current quarter under review.

**11 Disclosure of Realised And Unrealised Profits/(Losses)**

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The retained profits are analysed as follows:

	<b>As at end of 31 Dec 2017 RM'000</b>	<b>As at end of 31 Dec 2016 RM'000</b>
Realised	360,827	263,139
Unrealised	(2,765)	(1,370)
Total retained profits as per statement of financial position	358,062	261,769

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**12 Notes to the Condensed Statement of Comprehensive Income**

Profit before tax is arrived at after charging/(crediting) the following items:

	<b>3 months ended 31 Dec 2017 RM'000</b>	<b>3 months ended 31 Dec 2016 RM'000</b>	<b>9 months ended 31 Dec 2017 RM'000</b>	<b>9 months ended 31 Dec 2016 RM'000</b>
(a) Finance income:				
Interest income	(665)	(1,096)	(2,210)	(3,728)
Distribution from investment securities	(1,574)	-	(4,814)	-
(b) Other income – rental	-	(195)	-	(584)
(c) Depreciation and amortization	3,107	3,032	9,250	8,933
(d) Write off of inventories/(Reversal of inventories written off)	89	785	217	868
(e) Foreign exchange loss/(gain) – realized	109	201	1,081	1,011
(f) Foreign exchange loss/(gain) – unrealized	421	(907)	1,232	(2,319)
(g) Loss/(gain) on disposal of property, plant and equipment	(60)	25	(35)	168
(h) (Gain)/loss on derivatives	(15)	(131)	(158)	656

**13 Investment Securities**

Investment securities represent funds placed with licensed financial institutions which are highly liquid and allow prompt redemption at any time.

*By Order of the Board*

Kuala Lumpur  
26th February 2018

Chua Siew Chuan  
Yeow Sze Min  
Company Secretaries