

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

**Notes to the interim financial report for the period ended 31 March 2018**

**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 Mar 2018</b>			
Revenue from external customers	85,718	29,335	115,053
Segment operating profit	11,728	4,900	16,628
Gain on disposal of plant & equipment			16
Operating profit			16,644
<b>3 months ended 31 Mar 2017</b>			
Revenue from external customers	83,197	31,731	114,928
Segment operating profit	7,055	7,304	14,359
Gain on disposal of property, plant & equipment			121,488
Compensation on compulsory acquisition of land			23,543
Operating profit			159,390
<b>12 months ended 31 Mar 2018</b>			
Revenue from external customers	313,382	122,904	436,286
Segment operating profit	31,943	25,663	57,606
Gain on disposal of plant & equipment			51
Operating profit			57,657
<b>12 months ended 31 Mar 2017</b>			
Revenue from external customers	305,337	114,580	419,917
Segment operating profit	34,255	25,936	60,191
Gain on disposal of property, plant & equipment			121,320
Compensation on compulsory acquisition of land			23,543
Operating profit			205,054

## 7 Segmental Reporting (continued)

### 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 Mar 2018	68,104	18,948	26,326	1,675	115,053
3 months ended 31 Mar 2017	65,293	18,332	30,033	1,270	114,928
12 months ended 31 Mar 2018	261,688	59,843	109,299	5,456	436,286
12 months ended 31 Mar 2017	251,567	59,045	104,249	5,056	419,917

## 8 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 March 2018.

## 9 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.

## 10 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.

## 11 Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statement as at 31 March 2018 is as follows:

	<b>RM'000</b>
Approved and contracted for	74,054
Approved but not contracted for	4,007
	<u>78,061</u>

## 12 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.

### 13 Related Party Transactions

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

	<b>3 months ended 31 Mar 2018 RM'000</b>	<b>3 months ended 31 Mar 2017 RM'000</b>	<b>12 months ended 31 Mar 2018 RM'000</b>	<b>12 months ended 31 Mar 2017 RM'000</b>
Commission income	(9)	(4)	(20)	(18)
Royalties payable	2,464	2,732	9,563	10,011
Sales	(25,976)	(27,856)	(106,593)	(98,425)
Purchases	33,463	33,996	158,498	168,012
Purchase of assets	76	632	140	2,002
Promotion expenses	-	-	38	4
IT shared services and maintenance	626	706	2,341	2,817
Other expenses	184	217	730	513

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 slightly better revenue of RM115.1 million in the current quarter compared to RM114.9 million in the corresponding quarter last year while operating profit was RM16.6 million as compared to RM14.4 million excluding the gain on disposal of property, plant and equipment of RM121.5 million and compensation on compulsory acquisition of lands of RM23.5 million in the corresponding quarter last year. Consumer Business segment achieved 3.0% growth in revenue mainly due to increase in sales quantity and higher selling price from AJI-NO-MOTO®. Revenue decreased in Industrial Business segment mainly due to lower export sales quantity and weaker USD against Ringgit in the current quarter. Revenue growth in Consumer Business segment contributed to increase in operating profit for the current quarter as compared to the corresponding quarter last year. While decrease in revenue in Industrial Business segment resulted in lower operating profit for the current quarter as compared to the corresponding quarter last year.

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

Revenue in the current quarter of RM115.1 million was higher than the revenue of RM109.4 million in the immediate preceding quarter mainly contributed by stronger sales quantity in Consumer Business segment and lower key raw material cost. However revenue in Industrial Business segment reduced due to lower export sales quantity and weaker USD against Ringgit in the current quarter compared against the immediate preceding quarter. Resilient sales revenue and lower production costs in Consumer Business segment contributed to better operating profit of RM16.6 million in the current quarter which was better than the operating profit RM14.9 million in the immediate preceding quarter.

### **3 Commentary on Prospects**

It has been reported that Malaysia's economy is expected to grow between 5.5% and 6% in 2018 with domestic demand remaining the anchor of growth. Improvement in global trade and rising domestic demand is expected to be positive to business environment and market sentiment. In addition, Ringgit is expected to continue to strengthen against USD in the medium and long term.

The Company will continue to closely monitor the developments in domestic and export market and implement effective sales strategies and cost control measures to grow 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 Mar 2018 RM'000</b>	<b>3 months ended 31 Mar 2017 RM'000</b>	<b>12 months ended 31 Mar 2018 RM'000</b>	<b>12 months ended 31 Mar 2017 RM'000</b>
Malaysian income tax :				
Current year	5,028	12,554	15,317	24,334
(Over)/under provision in respect of prior year	-	-	(2,465)	69
Deferred tax :				
Current year	(749)	(437)	(972)	255
Over provision in respect of prior year	-	-	(1,074)	(651)
	<u>4,279</u>	<u>12,117</u>	<u>10,806</u>	<u>24,007</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 was no material litigation as at 21 May 2018, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

## 9 Dividend Payable

The Directors propose a first and final single-tier dividend of 46.5 sen per ordinary share in respect of the financial year ended 31 March 2018. This dividend is subject to approval by shareholders at the forthcoming Annual General Meeting. The book closure and payment dates for this dividend will be announced in due course.

## 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 Mar 2018</b>	<b>3 months ended 31 Mar 2017</b>	<b>12 months ended 31 Mar 2018</b>	<b>12 months ended 31 Mar 2017</b>
Profit attributable to ordinary shareholders of the Company (RM'000)	<u>14,686</u>	<u>148,955</u>	<u>56,261</u>	<u>187,462</u>
Weighted average number of ordinary shares in issue ('000)	<u>60,799</u>	<u>60,799</u>	<u>60,799</u>	<u>60,799</u>
Earnings per share attributable to equity holders of the company (sen)				
-Basic	<u>24.16</u>	<u>245.00</u>	<u>92.54</u>	<u>308.33</u>

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 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 Mar 2018 RM'000</b>	<b>3 months ended 31 Mar 2017 RM'000</b>	<b>12 months ended 31 Mar 2018 RM'000</b>	<b>12 months ended 31 Mar 2017 RM'000</b>
(a) Finance income:				
Interest income	(1,045)	(1,772)	(3,255)	(5,500)
Distribution from investment securities	(1,834)	-	(6,648)	-
(b) Other income – rental	-	(97)	-	(681)
(c) Depreciation and amortization	3,839	2,871	13,089	11,804
(d) Write off of inventories	166	887	383	1,755
(e) Foreign exchange loss – realized	174	196	1,255	1,207
(f) Foreign exchange loss/(gain) – unrealized	348	665	1,580	(1,654)
(g) (Gain)/loss on disposal of property, plant and equipment	(16)	(121,488)	(51)	(121,320)
(h) (Gain)/loss on derivatives	7	(93)	(151)	563

## 12 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  
24th May 2018

Chua Siew Chuan  
Yeow Sze Min  
Company Secretaries