

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

**Notes to the interim financial report for the period ended 30 September 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 2018, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 January 2018 :

- Amendments to MFRS 1: Annual Improvements to MFRS Standards 2014-2016 Cycle
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers, Clarification to MFRS 15
- Amendments to MFRS 128: Annual Improvements 2014-2016 Cycle
- Amendments to MFRS 140: Transfer of Investment Property
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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 46.50 sen per ordinary share amounting to RM28,271,318 in respect of the financial year ended 31 March 2018 on 21 September 2018.

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 30 Sep 2018</b>			
Revenue from external customers	86,708	31,136	117,844
Operating profit	11,271	6,194	17,465
<b>3 months ended 30 Sep 2017</b>			
Revenue from external customers	82,009	33,411	115,420
Operating profit	9,729	8,469	18,198
<b>6 months ended 30 Sep 2018</b>			
Revenue from external customers	156,987	56,085	213,072
Operating profit	19,179	10,596	29,775
<b>6 months ended 30 Sep 2017</b>			
Revenue from external customers	150,764	61,079	211,843
Operating profit	11,805	14,295	26,100

## 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 30 Sep 2018	72,649	17,094	26,825	1,276	117,844
3 months ended 30 Sep 2017	67,449	16,405	30,077	1,489	115,420
6 months ended 30 Sep 2018	136,198	25,390	49,335	2,149	213,072
6 months ended 30 Sep 2017	129,657	25,663	53,992	2,531	211,843

## 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 30 September 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 30 September 2018 is as follows:

	<b>RM'000</b>
Approved and contracted for	67,796
Approved but not contracted for	13,648
	<u>81,444</u>

## 12 Material Event

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 under review.

### 13 Related Party Transactions

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

	<b>3 months ended 30 Sep 2018 RM'000</b>	<b>3 months ended 30 Sep 2017 RM'000</b>	<b>6 months ended 30 Sep 2018 RM'000</b>	<b>6 months ended 30 Sep 2017 RM'000</b>
Commission income	(11)	(4)	(16)	(10)
Royalties payable	2,506	2,519	4,661	4,714
Sales	(25,735)	(29,170)	(47,171)	(53,239)
Purchases	52,988	45,889	90,856	81,426
Purchase of assets	108	30	201	64
Promotion expenses	-	-	-	38
IT shared services and maintenance	594	574	1,177	1,164
Other expenses	142	187	232	381

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 higher revenue of RM117.8 million in the current quarter compared to RM115.4 million in the corresponding quarter last year while operating profit was lower at RM17.5 million as compared to RM18.2 million in the corresponding quarter last year. Sales volume and revenue improved in Consumer Business segment in the current quarter mainly led by “Aji-no-moto” Retail during the tax holidays before the Sales and Service Tax implementation on 1 September 2018. Sales volume in Industrial Business segment in the current quarter increased but revenue was lower due to depreciation in USD exchange rate in the current quarter as compared to the corresponding quarter.

The operating profit was RM17.5 million in the current quarter as compared to RM18.2 million in the corresponding quarter last year. The decrease in the current quarter’s operating profit was due to higher expenses arising from advertising and increased sales deliveries in the current quarter.

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

Revenue in the current quarter of RM117.8 million was much higher than the revenue of RM95.2 million in the immediate preceding quarter due to increase in sales volume in the current quarter in both Consumer Business and Industrial Business segments. Advertising expense and transportation cost increased in the current quarter as compared to the immediate preceding quarter due to the advertising activities on AJI-NO-MOTO® and higher sales deliveries in the current quarter respectively. As a result, the operating profit in the current quarter increased to RM17.5 million from RM12.3 million in the immediate preceding quarter.

### **3 Commentary on Prospects**

Market condition is expected to continue to be challenging in view of the uncertainties in the global economy and fluctuations in foreign currency. Production cost is under pressure due to the fluctuations in Ringgit Malaysia against US Dollar rates. Management will continue to monitor closely sales action plans as well as cost management and at the same time focus on increasing sales and profits.

### **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 30 Sep 2018 RM'000</b>	<b>3 months ended 30 Sep 2017 RM'000</b>	<b>6 months ended 30 Sep 2018 RM'000</b>	<b>6 months ended 30 Sep 2017 RM'000</b>
Malaysian income tax :				
Current year	5,285	4,673	8,622	7,257
Deferred tax :				
Current year	(797)	(398)	(692)	(443)
	4,488	4,275	7,930	6,814

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 26th November 2018, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

## 9 Dividend Payable

At the recently concluded 57<sup>th</sup> Annual General Meeting on 27 August 2018, the shareholders approved the payment of a first and final single-tier dividend of 46.50 sen per ordinary share amounting to RM28,271,318 in respect of the financial year ended 31 March 2018. The dividend was paid on 21 September 2018.

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 30 Sep 2018</b>	<b>3 months ended 30 Sep 2017</b>	<b>6 months ended 30 Sep 2018</b>	<b>6 months ended 30 Sep 2017</b>
Profit attributable to ordinary shareholders of the Company (RM'000)	15,532	16,522	26,701	24,404
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	25.55	27.17	43.92	40.14

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 30 Sep 2018 RM'000</b>	<b>3 months ended 30 Sep 2017 RM'000</b>	<b>6 months ended 30 Sep 2018 RM'000</b>	<b>6 months ended 30 Sep 2017 RM'000</b>
(a) Finance income:				
Interest income	(874)	(863)	(1,765)	(1,545)
Distribution from investment securities	(1,843)	(1,839)	(3,386)	(3,240)
(b) Depreciation and amortization	3,994	3,075	7,965	6,143
(c) Write off of inventories	30	26	18	128
(d) Foreign exchange loss – realized	42	192	243	972
(e) Foreign exchange loss/(gain) – unrealized	10	366	(853)	811
(f) (Gain)/loss on disposal of property, plant and equipment	(8)	1	(14)	25
(g) Loss/(gain) on derivatives	63	(107)	208	(143)

## 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  
28th November 2018

Chua Siew Chuan  
Yeow Sze Min  
Company Secretaries