

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

**Notes to the interim financial report for the period ended 31 December 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 31 Dec 2018</b>			
Revenue from external customers	82,401	32,776	115,177
Operating profit	12,667	7,473	20,140
<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>9 months ended 31 Dec 2018</b>			
Revenue from external customers	239,388	88,861	328,249
Operating profit	31,846	18,069	49,915
<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

## 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>	<b>Malaysia RM'000</b>	<b>Middle East RM'000</b>	<b>Other Asian Countries RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
3 months ended 31 Dec 2018	66,829	17,402	28,834	2,112	115,177
3 months ended 31 Dec 2017	63,927	15,232	28,981	1,250	109,390
9 months ended 31 Dec 2018	203,027	42,792	78,169	4,261	328,249
9 months ended 31 Dec 2017	193,584	40,895	82,973	3,781	321,233

## 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 December 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 December 2018 is as follows:

	<b>RM'000</b>
Approved and contracted for	68,606
Approved but not contracted for	10,504
	<u>79,110</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 31 Dec 2018 RM'000</b>	<b>3 months ended 31 Dec 2017 RM'000</b>	<b>9 months ended 31 Dec 2018 RM'000</b>	<b>9 months ended 31 Dec 2017 RM'000</b>
Commission income	(5)	(1)	(21)	(11)
Royalties payable	2,483	2,385	7,144	7,099
Sales	(27,199)	(27,378)	(74,370)	(80,617)
Purchases	39,467	43,609	130,323	125,035
Purchase of assets	106	-	307	64
Promotion expenses	-	-	-	38
IT shared services and maintenance	606	551	1,783	1,715
Other expenses	268	165	500	546

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 RM115.2 million in the current quarter compared to RM109.4 million in the corresponding quarter last year. Consumer Business segment achieved higher revenue due to the increase in sales volume and better selling price of “Aji-no-moto” Retail.

The operating profit was RM20.1 million in the current quarter as compared to RM14.9 million in the corresponding quarter last year. The increase in the current quarter’s operating profit was contributed by higher revenue and lower production cost 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 RM115.2 million was lower than the revenue of RM117.8 million in the immediate preceding quarter. The sales volume in both Consumer Business and Industrial Business segments in preceding quarter were higher during the tax holiday prior to the implementation of Sales and Service Tax on 1 September 2018. However, the operating profit in the current quarter increased to RM20.1 million from RM17.5 million in the immediate preceding quarter mainly contributed by lower purchase cost of a key raw material and advertising and sales promotion expenses in the current quarter.

### **3 Commentary on Prospects**

Uncertainties in the global economy are expected to bring challenges to the business environment besides stiff competition. In addition, fluctuations in Ringgit Malaysia against US Dollar will continue to impact the cost of imported raw materials. Management will focus on increasing sales and continue to effectively manage marketing, distribution and other costs in order to meet targeted 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 31 Dec 2018 RM'000</b>	<b>3 months ended 31 Dec 2017 RM'000</b>	<b>9 months ended 31 Dec 2018 RM'000</b>	<b>9 months ended 31 Dec 2017 RM'000</b>
Malaysian income tax :				
Current year	5,015	3,032	13,637	10,289
Overprovision in respect of prior year	(434)	(2,465)	(434)	(2,465)
Deferred tax :				
Current year	-	220	(692)	(223)
Overprovision in respect of prior year	(23)	(1,074)	(23)	(1,074)
	<u>4,558</u>	<u>(287)</u>	<u>12,488</u>	<u>6,527</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 22nd February 2019, 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 2018</b>	<b>3 months ended 31 Dec 2017</b>	<b>9 months ended 31 Dec 2018</b>	<b>9 months ended 31 Dec 2017</b>
Profit attributable to ordinary shareholders of the Company (RM'000)	<u>18,056</u>	<u>17,171</u>	<u>44,757</u>	<u>41,575</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>29.70</u>	<u>28.24</u>	<u>73.62</u>	<u>68.38</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 Dec 2018 RM'000</b>	<b>3 months ended 31 Dec 2017 RM'000</b>	<b>9 months ended 31 Dec 2018 RM'000</b>	<b>9 months ended 31 Dec 2017 RM'000</b>
(a) Finance income:				
Interest income	(757)	(665)	(2,522)	(2,210)
Distribution from investment securities	(1,873)	(1,574)	(5,259)	(4,814)
(b) Depreciation and amortization	4,051	3,107	12,016	9,250
(c) Write off of inventories	259	89	277	217
(d) Foreign exchange loss – realized	54	109	297	1,081
(e) Foreign exchange loss/(gain) – unrealized	53	421	(800)	1,232
(f) Gain on disposal of property, plant and equipment	(341)	(60)	(355)	(35)
(g) (Gain)/loss on derivatives	(143)	(15)	65	(158)

## 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  
26th February 2019

Chua Siew Chuan  
Yeow Sze Min  
Company Secretaries