

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

**Notes to the interim financial report for the period ended 31 March 2019**

**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, Clarifications to MFRS 15
- Amendments to MFRS 128: Annual Improvements 2014-2016 Cycle
- Amendments to MFRS 140: Transfers 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 Mar 2019</b>			
Revenue from external customers	89,125	30,357	119,482
Operating profit	7,944	5,000	12,944
<b>3 months ended 31 Mar 2018</b>			
Revenue from external customers	85,718	29,335	115,053
Operating profit	11,741	4,904	16,645
<b>12 months ended 31 Mar 2019</b>			
Revenue from external customers	328,513	119,218	447,731
Operating profit	39,790	23,069	62,859
<b>12 months ended 31 Mar 2018</b>			
Revenue from external customers	313,382	122,904	436,286
Operating profit	31,980	25,678	57,658

## 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 2019	72,420	18,669	27,028	1,365	119,482
3 months ended 31 Mar 2018	68,104	18,948	26,326	1,675	115,053
12 months ended 31 Mar 2019	275,447	61,461	105,197	5,626	447,731
12 months ended 31 Mar 2018	261,689	59,843	109,299	5,455	436,286

## 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 2019.

## 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 2019 is as follows:

Approved and contracted for	<b>RM'000</b> 35,608
Approved but not contracted for	6,845
	<u>42,453</u>

## 12 Related Party Transactions

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

	<b>3 months ended 31 Mar 2019 RM'000</b>	<b>3 months ended 31 Mar 2018 RM'000</b>	<b>12 months ended 31 Mar 2019 RM'000</b>	<b>12 months ended 31 Mar 2018 RM'000</b>
Commission income	(3)	(9)	(24)	(20)
Royalties payable	2,578	2,464	9,722	9,563
Sales	(25,178)	(25,976)	(99,548)	(106,593)
Purchases	35,577	33,463	165,900	158,498
Purchase of assets	135	76	442	140
Promotion expenses	-	-	-	38
IT shared services and maintenance	594	626	2,378	2,341
Other expenses	177	184	676	730

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 RM119.5 million in the current quarter compared to RM115.1 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. Industrial Business segment also achieved better revenue mainly contributed by higher sales volume of industrial seasoning products.

The operating profit was RM12.9 million in the current quarter as compared to RM16.6 million in the corresponding quarter last year. The decrease in the current quarter’s operating profit was mainly attributed to higher advertising and sales promotion expenses incurred 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 RM119.5 million was higher than the revenue of RM115.2 million in the immediate preceding quarter mainly contributed by stronger sales volume in Consumer Business segment.

However, the operating profit in the current quarter decreased to RM12.9 million from RM20.1 million in the immediate preceding quarter mainly attributed to lower sales revenue in Industrial Business segment and higher advertising and sales promotion expenses incurred in the current quarter.

### **3 Commentary on Prospects**

The market is expected to remain competitive. In addition the global economic and other uncertainties may cause volatility in the exchange rate between Malaysia Ringgit and US Dollar which will impact on the cost of our key imported raw materials. In the light of these factors, management will continue to strengthen the sales and marketing strategies, further improve productivity and profitability as part of the Company’s plans for sustainable growth.

### **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 2019 RM'000</b>	<b>3 months ended 31 Mar 2018 RM'000</b>	<b>12 months ended 31 Mar 2019 RM'000</b>	<b>12 months ended 31 Mar 2018 RM'000</b>
Malaysian income tax :				
Current year	4,119	5,028	17,756	15,317
Overprovision in respect of prior year	-	-	(434)	(2,465)
Deferred tax :				
Current year	(811)	(749)	(1,503)	(972)
Under/(over) provision in respect of prior year	283	-	260	(1,074)
	<u>3,591</u>	<u>4,279</u>	<u>16,079</u>	<u>10,806</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 20th May 2019, 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 47.0 sen per ordinary share in respect of the financial year ended 31 March 2019. 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 2019</b>	<b>3 months ended 31 Mar 2018</b>	<b>12 months ended 31 Mar 2019</b>	<b>12 months ended 31 Mar 2018</b>
Profit attributable to ordinary shareholders of the Company (RM'000)	<u>11,824</u>	<u>14,687</u>	<u>56,581</u>	<u>56,262</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>19.45</u>	<u>24.16</u>	<u>93.06</u>	<u>92.54</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:

	3 months ended 31 Mar 2019 RM'000	3 months ended 31 Mar 2018 RM'000	12 months ended 31 Mar 2019 RM'000	12 months ended 31 Mar 2018 RM'000
(a) Finance income:				
Interest income	(832)	(1,045)	(3,354)	(3,255)
Distribution from investment securities	(1,775)	(1,834)	(7,034)	(6,648)
(b) Depreciation and amortization	4,099	3,839	16,115	13,089
(c) Bad debts written off	11	-	11	-
(d) Write off of inventories	706	162	983	379
(e) Foreign exchange loss – realized	162	174	459	1,255
(f) Foreign exchange loss/(gain) – unrealized	152	348	(648)	1,580
(g) Gain on disposal of property, plant and equipment	(2)	(16)	(357)	(51)
(h) Loss/(gain) on derivatives	96	7	161	(151)

## 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  
23rd May 2019

Chua Siew Chuan  
Yeow Sze Min  
Company Secretaries