

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

Notes to the interim financial report for the period ended 30 September 2019

A EXPLANATORY NOTES

1 Basis of Preparation

These condensed 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 2019, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 January 2019 :

- Amendments to MFRS 119: Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 9: Financial Instruments – Prepayment Features with Negative Compensation
- MFRS 16: Leases
- Amendments to MFRS 128: Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRSs Standards 2015-2017 Cycle)
- Amendments to MFRS 11: Joint Arrangements (Annual Improvements to MFRSs Standards 2015-2017 Cycle)
- Amendments to MFRS 112: Income Taxes (Annual Improvements to MFRSs Standards 2015-2017 Cycle)
- Amendments to MFRS 123: Borrowing Costs (Annual Improvements to MFRSs Standards 2015-2017 Cycle)
- IC Interpretation 23: Uncertainty over Income Tax Treatments

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 47.00 sen per ordinary share amounting to RM28,575,311 in respect of the financial year ended 31 March 2019 on 23 September 2019.

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® and RASA SIFU™, 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.

	Consumer Business Segment RM'000	Industrial Business Segment RM'000	Total RM'000
3 months ended 30 Sep 2019			
Revenue from external customers	88,158	33,141	121,299
Operating profit	9,967	7,682	17,649
3 months ended 30 Sep 2018			
Revenue from external customers	86,708	31,136	117,844
Operating profit	11,271	6,194	17,465
6 months ended 30 Sep 2019			
Revenue from external customers	157,918	63,985	221,903
Operating profit	18,331	14,855	33,186
6 months ended 30 Sep 2018			
Revenue from external customers	156,987	56,085	213,072
Operating profit	19,179	10,596	29,775

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.

Revenue	Malaysia RM'000	Middle East RM'000	Other Asian Countries RM'000	Others RM'000	Total RM'000
3 months ended 30 Sep 2019	70,076	21,146	28,465	1,612	121,299
3 months ended 30 Sep 2018	72,649	17,094	26,825	1,276	117,844
6 months ended 30 Sep 2019	128,434	34,014	56,333	3,122	221,903
6 months ended 30 Sep 2018	136,198	25,390	49,335	2,149	213,072

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 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 30 September 2019 is as follows:

Approved and contracted for	RM'000
Approved but not contracted for	3,666
	375,523
	<u>379,189</u>

12 Related Party Transactions

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

	3 months ended 30 Sep 2019 RM'000	3 months ended 30 Sep 2018 RM'000	6 months ended 30 Sep 2019 RM'000	6 months ended 30 Sep 2018 RM'000
Commission income	(5)	(11)	(10)	(16)
Royalties payable	2,614	2,506	4,850	4,661
Sales	(27,504)	(25,735)	(52,517)	(47,171)
Purchases	41,373	52,988	87,787	90,856
Purchase of assets	56	108	417	201
IT shared services and maintenance	697	594	1,391	1,177
Other expenses	223	142	480	232

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 RM121.3 million in the current quarter compared to RM117.8 million in the corresponding quarter last year. Consumer Business segment revenue of RM88.2 million in the current quarter increased by 1.7% as compared against the revenue of RM86.7 million in the corresponding quarter last year due to better selling price of “Aji-no-moto” Retail. Industrial Business segment revenue grew by 6.4% from RM31.1 million to RM33.1 million, it was contributed by higher sales volume and export sales value due to stronger US Dollar against Ringgit Malaysia.

The operating profit of RM17.6 million in the current quarter improved comparing to RM17.5 million in the corresponding quarter last year. The increase in the current quarter’s operating profit was mainly contributed by higher sales revenue and lower production cost led by reduced raw material cost. However, the cost saving was partially offset by higher selling expense and operational cost.

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

Revenue in the current quarter was RM121.3 million as compared to RM100.6 million in the immediate preceding quarter mainly contributed by higher sales volume in Consumer Business segment.

The operating profit of RM17.6 million in the current quarter was higher than the operating profit of RM15.5 million in the immediate preceding quarter by 13.6% mainly contributed by the increase in sales during the current quarter.

3 Commentary on Prospects

In view of the uncertainty in the global economic outlook and the fluctuations in foreign currency rates, the business environment is expected to remain competitive and challenging. Given this, and the importance of managing operations and sales costs, management will continue to monitor and review action plans and strategies in order to sustain growth in revenue 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: -

	3 months ended 30 Sep 2019 RM'000	3 months ended 30 Sep 2018 RM'000	6 months ended 30 Sep 2019 RM'000	6 months ended 30 Sep 2018 RM'000
Malaysian income tax :				
Current year	5,341	5,285	9,272	8,622
Overprovision in respect of prior year	25	-	25	-
Deferred tax :				
Current year	(908)	(797)	(731)	(692)
	<u>4,458</u>	<u>4,488</u>	<u>8,566</u>	<u>7,930</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 November 2019, 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 58th Annual General Meeting on 26 August 2019, the shareholders approved the payment of a first and final single-tier dividend of 47.00 sen per ordinary share amounting to RM28,575,311 in respect of the financial year ended 31 March 2019. The dividend was paid on 23 September 2019.

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.

	3 months ended 30 Sep 2019	3 months ended 30 Sep 2018	6 months ended 30 Sep 2019	6 months ended 30 Sep 2018
Profit attributable to ordinary shareholders of the Company (RM'000)	<u>15,321</u>	<u>15,532</u>	<u>29,038</u>	<u>26,701</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>25.20</u>	<u>25.55</u>	<u>47.76</u>	<u>43.92</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 30 Sep 2019 RM'000	3 months ended 30 Sep 2018 RM'000	6 months ended 30 Sep 2019 RM'000	6 months ended 30 Sep 2018 RM'000
(a) Finance income:				
Interest income	(718)	(874)	(1,410)	(1,765)
Distribution from investment securities	(1,544)	(1,843)	(3,302)	(3,386)
(b) Depreciation of property, plant and equipment	4,372	3,994	8,716	7,965
(c) Depreciation of right-of-use assets	186	-	312	-
(d) Bad debts written off	-	11	-	11
(e) Write off of inventories	33	30	100	18
(f) Foreign exchange loss – realized	271	42	423	243
(g) Foreign exchange (gain)/loss – unrealized	(143)	10	(259)	(853)
(h) Gain on disposal of property, plant and equipment	(30)	(8)	(75)	(14)
(i) Property, plant and equipment written off	7	8	90	9
(j) Loss on derivatives	96	63	62	208

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
27th November 2019

Chua Siew Chuan
Yeow Sze Min
Company Secretaries