

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

Notes to the interim financial report for the period ended 31 December 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 31 Dec 2019			
Revenue from external customers	86,897	32,070	118,967
Operating profit	11,217	6,378	17,595
3 months ended 31 Dec 2018			
Revenue from external customers	82,401	32,776	115,177
Operating profit	12,667	7,473	20,140
9 months ended 31 Dec 2019			
Revenue from external customers	244,815	96,055	340,870
Operating profit	29,548	21,233	50,781
9 months ended 31 Dec 2018			
Revenue from external customers	239,388	88,861	328,249
Operating profit	31,846	18,069	49,915

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 31 Dec 2019	70,374	18,946	28,316	1,331	118,967
3 months ended 31 Dec 2018	66,829	17,402	28,834	2,112	115,177
9 months ended 31 Dec 2019	198,808	52,960	84,649	4,453	340,870
9 months ended 31 Dec 2018	203,027	42,792	78,169	4,261	328,249

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 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 December 2019 is as follows:

Approved and contracted for	RM'000 28,553
Approved but not contracted for	343,091
	<u>371,644</u>

12 Related Party Transactions

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

	3 months ended 31 Dec 2019 RM'000	3 months ended 31 Dec 2018 RM'000	9 months ended 31 Dec 2019 RM'000	9 months ended 31 Dec 2018 RM'000
Commission income	(6)	(5)	(16)	(21)
Royalties payable	2,499	2,483	7,349	7,144
Sales	(26,187)	(27,199)	(78,704)	(74,370)
Purchases	41,302	39,467	129,089	130,323
Purchase of assets	287	106	704	307
IT shared services and maintenance	687	606	2,078	1,783
Other expenses	197	268	677	500

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 RM119.0 million in the current quarter compared to RM115.2 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM86.9 million, higher than the revenue of RM82.4 million in the corresponding quarter last year. The increase was contributed by higher sales volume and better selling price of “Aji-no-moto” Retail. Industrial Business segment revenue was lower in the current quarter at RM32.1 million as compared to the revenue of RM32.8 million in the corresponding quarter last year mainly due to lower selling price of certain industrial seasoning products.

The operating profit was RM17.6 million in the current quarter as compared to RM20.1 million in the corresponding quarter last year. The decrease was 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 was RM119.0 million as compared to RM121.3 million in the immediate preceding quarter. The lower revenue was due to lower sales volume in both Consumer Business and Industrial Business segments. However, the shortfall in revenue was mitigated by lower advertising expenses in the current quarter as compared to the immediate preceding quarter. As a result, operating profit was sustained at RM17.6 million.

3 Commentary on Prospects

The business environment remains competitive and challenging. The continuing fluctuations in the RM/USD currency rate are concerns which could unfavorably impact raw material prices. Management will continue to monitor, review and implement effective sales strategies and manage costs in order to deliver sustainable profits and 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: -

	3 months ended 31 Dec 2019 RM'000	3 months ended 31 Dec 2018 RM'000	9 months ended 31 Dec 2019 RM'000	9 months ended 31 Dec 2018 RM'000
Malaysian income tax :				
Current year	4,726	5,015	13,998	13,637
Under/(over)provision in respect of prior year	118	(434)	143	(434)
Deferred tax :				
Current year	(243)	-	(974)	(692)
Overprovision in respect of prior year	(14)	(23)	(14)	(23)
	<u>4,587</u>	<u>4,558</u>	<u>13,153</u>	<u>12,488</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 21st February 2020, 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.

	3 months ended 31 Dec 2019	3 months ended 31 Dec 2018	9 months ended 31 Dec 2019	9 months ended 31 Dec 2018
Profit attributable to ordinary shareholders of the Company (RM'000)	<u>14,969</u>	<u>18,056</u>	<u>44,007</u>	<u>44,757</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>24.62</u>	<u>29.70</u>	<u>72.38</u>	<u>73.62</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 Dec 2019 RM'000	3 months ended 31 Dec 2018 RM'000	9 months ended 31 Dec 2019 RM'000	9 months ended 31 Dec 2018 RM'000
(a) Finance income:				
Interest income	(854)	(757)	(2,264)	(2,522)
Distribution from investment securities	(1,250)	(1,873)	(4,552)	(5,259)
(b) Depreciation of property, plant and equipment	4,433	4,051	13,149	12,016
(c) Depreciation of right-of-use assets	221	-	533	-
(d) Bad debts written off	1	11	1	11
(e) Write off of inventories	101	259	201	277
(f) Foreign exchange loss – realized	56	54	479	297
(g) Foreign exchange loss/(gain) – unrealized	394	53	135	(800)
(h) Gain on disposal of property, plant and equipment	-	(341)	(75)	(355)
(i) Property, plant and equipment written off	8	80	98	89
(j) Loss/(gain) on derivatives	127	(143)	189	65

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 2020

Chua Siew Chuan
Yeow Sze Min
Company Secretaries