

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

**Notes to the interim financial report for the period ended 31 March 2020**

**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.

	<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 2020</b>			
Revenue from external customers	89,603	31,216	120,819
Operating profit	11,910	7,201	19,111
<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>12 months ended 31 Mar 2020</b>			
Revenue from external customers	334,418	127,271	461,689
Operating profit	41,458	28,434	69,892
<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

## 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 Mar 2020	71,182	20,783	26,398	2,456	120,819
3 months ended 31 Mar 2019	72,420	18,669	27,028	1,365	119,482
12 months ended 31 Mar 2020	269,990	73,743	111,047	6,909	461,689
12 months ended 31 Mar 2019	275,447	61,461	105,197	5,626	447,731

## 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 2020.

## 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 commitments for the purchase of property, plant and equipment contracted but not provided for in the interim financial statement as at 31 March 2020 is RM158.5 million.

## 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 2020 RM'000</b>	<b>3 months ended 31 Mar 2019 RM'000</b>	<b>12 months ended 31 Mar 2020 RM'000</b>	<b>12 months ended 31 Mar 2019 RM'000</b>
Commission income	(4)	(3)	(20)	(24)
Royalties payable	2,485	2,578	9,834	9,722
Sales	(25,635)	(25,178)	(104,339)	(99,548)
Purchases	40,302	35,577	169,391	165,900
Purchase of assets	12	135	716	442
IT shared services and maintenance	713	594	2,791	2,378
Other expenses	213	177	890	676

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 RM120.8 million in the current quarter compared to RM119.5 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM89.6 million, higher than the revenue of RM89.1 million in the corresponding quarter last year. The increase was contributed by higher export sales of AJI-NO-MOTO® which benefited from stronger USD. Industrial Business segment revenue was higher in the current quarter at RM31.2 million as compared to the revenue of RM30.4 million in the corresponding quarter last year mainly due to better selling price and stronger USD which benefited the export sales.

The operating profit was RM19.1 million in the current quarter as compared to RM12.9 million in the corresponding quarter last year. The increase 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 was RM120.8 million as compared to RM119.0 million in the immediate preceding quarter. The higher revenue was contributed by higher sales volume of AJI-NOMOTO® in the domestic and export market during the current quarter. Higher sales revenue and lower production costs in the Consumer Business segment resulted in better operating profit of RM19.1 million in the current quarter than the operating profit of RM17.6 million in the immediate preceding quarter.

### **3 Commentary on Prospects**

The ongoing COVID-19 pandemic has adversely impacted the global and domestic economy. The Malaysian Government enforced the Movement Control Order (MCO) from 18<sup>th</sup> March 2020 in order to control the spread of the virus which impacted all sectors of the economy. Many restaurants and hawkers have continued to operate only take-away and/or limited dine-in service which is expected to impact on the sales of some of the Company's products. Generally, people are still very cautious, observing social distancing and staying at home all of which will affect businesses. The Company is expected to continue to face the challenges from the unfavorable RM/USD exchange rate and price increase of key raw materials. In addition, our product distribution and production capacity are subject to the unfolding events of the COVID-19 pandemic and countermeasures the Government takes. Management will continue to actively monitor the operations to manage the impact from COVID-19 pandemic in addition to the continuous review and implementation of effective sales strategies and cost management to sustain growth 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 31 Mar 2020 RM'000	3 months ended 31 Mar 2019 RM'000	12 months ended 31 Mar 2020 RM'000	12 months ended 31 Mar 2019 RM'000
Malaysian income tax :				
Current year	5,747	4,119	19,745	17,756
Under/(over)provision in respect of prior year	-	-	143	(434)
Deferred tax :				
Current year	(1,007)	(811)	(1,981)	(1,503)
Under/(over)provision in respect of prior year	-	283	(14)	260
	4,740	3,591	17,893	16,079

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 19th June 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.

## 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 Mar 2020	3 months ended 31 Mar 2019	12 months ended 31 Mar 2020	12 months ended 31 Mar 2019
Profit attributable to ordinary shareholders of the Company (RM'000)	15,846	11,824	59,853	56,581
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	26.06	19.45	98.44	93.06

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 2020 RM'000	3 months ended 31 Mar 2019 RM'000	12 months ended 31 Mar 2020 RM'000	12 months ended 31 Mar 2019 RM'000
(a) Finance income:				
Interest income	(630)	(832)	(2,894)	(3,354)
Distribution from investment securities	(1,032)	(1,775)	(5,584)	(7,034)
(b) Depreciation of property, plant and equipment and amortization of intangible assets	4,124	4,099	17,273	16,115
(c) Depreciation of right-of-use assets	619	-	1,152	-
(d) Bad debts written off	14	11	15	11
(e) Write off of inventories	12	706	213	983
(f) Foreign exchange loss – realized	525	162	1,004	459
(g) Foreign exchange (gain)/loss – unrealized	(1,050)	152	(915)	(648)
(h) Gain on disposal of property, plant and Equipment	(150)	(2)	(225)	(357)
(i) Property, plant and equipment written off	17	9	115	98
(j) Loss/(gain) on derivatives	186	(96)	375	161

## 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  
25th June 2020

Chua Siew Chuan  
Yeow Sze Min  
Company Secretaries