

AJINOMOTO (MALAYSIA) BERHAD
(Company No. 196101000252 (4295-W))
(Incorporated in Malaysia)

Notes to the interim financial report for the period ended 30 June 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 2020, except for the adoption of the following:

Standards and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 101 and MFRS 108: Definition of Material

Standards and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions

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 did not pay any dividend in the current quarter.

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®, jelly drink with amino acids aminoVITAL® 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 Jun 2020			
Revenue from external customers	63,860	31,224	95,084
Operating profit	11,560	7,122	18,682
3 months ended 30 Jun 2019			
Revenue from external customers	69,760	30,844	100,604
Operating profit	8,364	7,173	15,537

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 Jun 2020	50,708	14,033	28,585	1,758	95,084
3 months ended 30 Jun 2019	58,358	12,868	27,868	1,510	100,604

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 June 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 [outstanding]

The commitments for the purchase of property, plant and equipment contracted but not provided for in the interim financial statement as at 30 June 2020 is RM129.8 million.

12 Related Party Transactions

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

	3 months ended 30 Jun 2020 RM'000	3 months ended 30 Jun 2019 RM'000
Commission income	(12)	(5)
Royalties payable	2,011	2,236
Sales	(27,019)	(25,013)
Purchases	42,166	46,414
Purchase of assets	243	361
IT shared services and maintenance	707	694
Other expenses	215	257

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 lower revenue of RM95.1 million in the current quarter compared to RM100.6 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM63.9 million as compared to the revenue of RM69.8 million in the corresponding quarter last year. The decrease was mainly due to lower sales volume of consumer seasoning products mainly AJI-NO-MOTO® during the period of Malaysia's Movement Control Order in which the Company sales activity had been affected. However, Industrial Business segment revenue was higher in the current quarter at RM31.2 million as compared to the revenue of RM30.8 million in the corresponding quarter last year mainly due to higher export sales which was supported by stronger USD against RM.

The operating profit was RM18.7 million in the current quarter as compared to RM15.5 million in the corresponding quarter last year. The increase was attributed to slow spending in advertising and sales promotions 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 RM95.1 million as compared to RM120.8 million in the immediate preceding quarter. The lower revenue was attributed to lower sales volume of AJI-NOMOTO® in the domestic and export market during the current quarter. Lower sales revenue in the Consumer Business segment resulted in lower operating profit of RM18.7 million in the current quarter than the operating profit of RM19.1 million in the immediate preceding quarter.

3 Commentary on Prospects

The Company has been operating in very challenging business environment since the outbreak of COVID-19 in which measures taken by various countries to contain the pandemic have restricted the movement of people and economic activities. Our business operations have been affected by the prolonged countermeasures implemented locally and globally to contain the spread of COVID-19 which is expected to adversely impact our raw material prices, sales distribution and production capacity. Management will cautiously manage the impact from COVID-19 pandemic on our operations with appropriate strategies to grow sales and monitor costs.

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 Jun 2020 RM'000	3 months ended 30 Jun 2019 RM'000
Malaysian income tax :		
Current year	4,905	3,931
Deferred tax :		
Current year	(154)	177
	<u>4,751</u>	<u>4,108</u>

The effective tax rate of the tax provision for the financial period under review is higher than the statutory tax rate due to certain non-tax deductible expenses.

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 13th August 2020, 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 do not recommend any 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 Jun 2020	3 months ended 30 Jun 2019
Profit attributable to ordinary shareholders of the Company (RM'000)	<u>15,056</u>	<u>13,717</u>
Weighted average number of ordinary shares in issue ('000)	<u>60,799</u>	<u>60,799</u>
Earnings per share attributable to equity holders of the company (sen)		
-Basic	<u>24.76</u>	<u>22.56</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 Jun 2020 RM'000	3 months ended 30 Jun 2019 RM'000
(a) Finance income:		
Interest income	(496)	(692)
Distribution from investment securities	(759)	(1,758)
(b) Depreciation of property, plant and equipment	4,149	4,246
(c) Amortization of intangible assets	160	98
(d) Depreciation of right-of-use assets	328	126
(e) Write off of inventories	123	67
(f) Foreign exchange (gain)/loss – realized	(60)	152
(g) Foreign exchange loss/(gain) – unrealized	697	(116)
(h) Gain on disposal of property, plant and equipment	-	(45)
(i) Property, plant and equipment written off	-	83
(j) Gain on derivatives	(440)	(34)
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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
17th August 2020

Chua Siew Chuan
Yeow Sze Min
Company Secretaries