

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

Notes to the interim financial report for the period ended 30 September 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 Sep 2020			
Revenue from external customers	80,173	35,469	115,642
Operating profit	9,620	7,636	17,256
3 months ended 30 Sep 2019			
Revenue from external customers	88,158	33,141	121,299
Operating profit	9,967	7,682	17,649
6 months ended 30 Sep 2020			
Revenue from external customers	144,033	66,693	210,726
Operating profit	21,180	14,758	35,938
6 months ended 30 Sep 2019			
Revenue from external customers	157,918	63,985	221,903
Operating profit	18,331	14,855	33,186

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 2020	71,087	10,389	32,191	1,975	115,642
3 months ended 30 Sep 2019	70,076	21,146	28,465	1,612	121,299
6 months ended 30 Sep 2020	121,795	24,422	60,776	3,733	210,726
6 months ended 30 Sep 2019	128,434	34,014	56,333	3,122	221,903

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 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 30 September 2020 is RM116.7 million.

12 Related Party Transactions

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

	3 months ended 30 Sep 2020 RM'000	3 months ended 30 Sep 2019 RM'000	6 months ended 30 Sep 2020 RM'000	6 months ended 30 Sep 2019 RM'000
Commission income	(5)	(5)	(17)	(10)
Royalties payable	2,541	2,614	4,552	4,850
Sales	(29,638)	(27,504)	(56,657)	(52,517)
Purchases	36,178	41,373	78,344	87,787
Purchase of assets	120	56	363	417
IT shared services and maintenance	698	697	1,405	1,391
Other expenses	264	223	479	480

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 RM115.6 million in the current quarter compared to RM121.3 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM80.2 million as compared to the revenue of RM88.2 million in the corresponding quarter last year. The decrease was attributed to lower sales volume of AJI-NO-MOTO® in the domestic and export market. However, Industrial Business segment revenue was higher in the current quarter at RM35.5 million as compared to the revenue of RM33.1 million in the corresponding quarter last year mainly due to higher sales volume of industrial seasoning products arising from the increased demand in overseas industrial customers.

The operating profit was RM17.3 million in the current quarter was closed to the operating profit of RM17.6 million in the corresponding quarter last year. The decrease was attributed to lower revenue 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 RM115.6 million as compared to RM95.1 million in the immediate preceding quarter. The higher revenue was contributed by higher sales volume in both Consumer Business and Industrial Business segment in the current quarter.

The operating profit was RM17.3 million in the current quarter as compared to the operating profit of RM18.7 million in the immediate preceding quarter. The decrease was attributed to higher sales promotion and distribution expenses in the current quarter.

3 Commentary on Prospects

The business environment and market sentiment in the global and domestic markets remain challenging and depressed. COVID-19 cases are increasing over many countries in the world. Malaysia is in the third wave of COVID-19 pandemic and the government has extended Conditional Movement Control Order (“CMCO”) in various states to control the pandemic. The Company is expected to encounter price increase in our imported key raw material and restriction in sales distribution under the prolonged situation. The Management will continue to assess various sales and cost monitoring strategies to manage the adverse impact on sales and results of the Company.

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 2020 RM'000	3 months ended 30 Sep 2019 RM'000	6 months ended 30 Sep 2020 RM'000	6 months ended 30 Sep 2019 RM'000
Malaysian income tax :				
Current year	5,611	5,341	10,516	9,272
Under provision in respect of prior year	-	25	-	25
Deferred tax :				
Current year	(1,334)	(908)	(1,488)	(731)
	<u>4,277</u>	<u>4,458</u>	<u>9,028</u>	<u>8,566</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 19th November 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, as announced on 17 August 2020, declared a first and final single-tier dividend of 49.30 sen per ordinary share in respect of the financial year ended 31 March 2020. The dividend payable as at the end of the current quarter was RM29,973,677. The dividend was paid on 28 October 2020.

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 Sep 2020	3 months ended 30 Sep 2019	6 months ended 30 Sep 2020	6 months ended 30 Sep 2019
Profit attributable to ordinary shareholders of the Company (RM'000)	<u>13,763</u>	<u>15,321</u>	<u>28,819</u>	<u>29,038</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>22.64</u>	<u>25.20</u>	<u>47.40</u>	<u>47.76</u>

10 Earnings Per Share (continued)

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 2020 RM'000	3 months ended 30 Sep 2019 RM'000	6 months ended 30 Sep 2020 RM'000	6 months ended 30 Sep 2019 RM'000
(a) Finance income:				
Interest income	(415)	(718)	(911)	(1,410)
Distribution from investment securities	(502)	(1,544)	(1,261)	(3,302)
(b) Depreciation of property, plant and equipment	4,152	4,264	8,301	8,510
(c) Amortization of intangible assets	181	108	341	206
(d) Depreciation of right-of-use assets	324	186	652	312
(e) Write off of inventories	513	33	636	100
(f) Foreign exchange loss – realized	224	271	164	423
(g) Foreign exchange loss/(gain) – unrealized	396	(143)	1,093	(259)
(h) Gain on disposal of property, plant and equipment	-	(30)	-	(75)
(i) Property, plant and equipment written off	-	7	-	90
(j) (Gain)/ Loss on derivatives	(85)	96	(525)	62

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
24th November 2020

Chua Siew Chuan
Yeow Sze Min
Company Secretaries