

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

Notes to the interim financial report for the period ended 31 December 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 paid a first and final single-tier dividend of 49.30 sen per ordinary share amounting to RM29,973,677 in respect of the financial year ended 31 March 2020 on 28 October 2020.

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 31 Dec 2020			
Revenue from external customers	81,290	31,708	112,998
Operating profit	9,382	6,183	15,565
3 months ended 31 Dec 2019			
Revenue from external customers	86,897	32,070	118,967
Operating profit	11,217	6,378	17,595
9 months ended 31 Dec 2020			
Revenue from external customers	225,323	98,401	323,724
Operating profit	30,562	20,941	51,503
9 months ended 31 Dec 2019			
Revenue from external customers	244,815	96,055	340,870
Operating profit	29,548	21,233	50,781

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 2020	67,825	16,390	27,247	1,536	112,998
3 months ended 31 Dec 2019	70,374	18,946	28,316	1,331	118,967
9 months ended 31 Dec 2020	189,620	40,812	88,023	5,269	323,724
9 months ended 31 Dec 2019	198,808	52,960	84,649	4,453	340,870

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 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 December 2020 is RM163.1 million.

12 Related Party Transactions

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

	3 months ended 31 Dec 2020 RM'000	3 months ended 31 Dec 2019 RM'000	9 months ended 31 Dec 2020 RM'000	9 months ended 31 Dec 2019 RM'000
Commission income	(6)	(6)	(23)	(16)
Royalties payable	2,400	2,499	6,952	7,349
Sales	(25,012)	(26,187)	(81,669)	(78,704)
Purchases	33,611	41,302	111,955	129,089
Purchase of assets	405	287	768	704
IT shared services and maintenance	692	687	2,097	2,078
Other expenses	219	197	698	677

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 RM113.0 million in the current quarter compared to RM119.0 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM81.3 million, lower than the revenue of RM86.9 million in the corresponding quarter last year. The decrease was mainly attributed to lower sales volume of AJI-NO-MOTO® in the domestic and export market. Industrial Business segment revenue in the current quarter was sustained at RM31.7 million as compared to the revenue of RM32.1 million in the corresponding quarter last year.

The operating profit was RM15.6 million in the current quarter was lower comparing to the operating profit of RM17.6 million in the corresponding quarter last year. The decrease was mainly attributed to lower revenue and higher production cost in the current quarter. Finance income decreased by RM1.4 million in the current quarter against the finance income in the corresponding quarter last year due to redemption of funds placed with licensed financial institutions for new factory construction. As a result profit before tax was RM16.0 million in the current quarter as compared to profit before tax of RM19.6 million in the corresponding quarter last year.

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

Revenue in the current quarter was RM113.0 million, slightly lower than RM115.6 million in the immediate preceding quarter. The lower revenue was attributed to lower sales volume in Industrial Business segment in the current quarter.

The operating profit was RM15.6 million in the current quarter as compared to the operating profit of RM17.3 million in the immediate preceding quarter. The decrease was attributed to higher selling expenses in the current quarter.

3 Commentary on Prospects

The business environment remains uncertain and markets are cautious in view of the reimplementation of the Movement Control Order (“MCO”) and its variants Conditional Movement Control Order (“CMCO”) and Recovery Movement Control Order (“RMCO”) by the Malaysian government from 13 January 2021. The business challenge to the Company is expected from price increase in certain imported raw materials and disruption to supply chains arising from the continued COVID-19 pandemic which will adversely impact the routine business operations in various industries globally and locally. The Management will continue to implement various sales strategies which prioritise our customers’ satisfaction and cost monitoring measures to sustain the sales and profits of the Company while observing the Government Standard Operating Procedures (“SOP”) for prevention of the spread of the virus.

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 2020 RM'000	3 months ended 31 Dec 2019 RM'000	9 months ended 31 Dec 2020 RM'000	9 months ended 31 Dec 2019 RM'000
Malaysian income tax :				
Current year	4,270	4,726	14,786	13,998
Under provision in respect of prior year	-	118	-	143
Deferred tax :				
Current year	(318)	(243)	(1,806)	(974)
Under/(over) provision in respect of prior year	312	(14)	312	(14)
	<u>4,264</u>	<u>4,587</u>	<u>13,292</u>	<u>13,153</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

	At 31 Dec 2020 RM'000	At 31 Dec 2019 RM'000
Islamic financing facility – unsecured Non-current	<u>65,000</u>	<u>-</u>

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 19th February 2021, 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 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 31 Dec 2020	3 months ended 31 Dec 2019	9 months ended 31 Dec 2020	9 months ended 31 Dec 2019
Profit attributable to ordinary shareholders of the Company (RM'000)	11,780	14,969	40,599	44,007
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	19.38	24.62	66.78	72.38

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 2020 RM'000	3 months ended 31 Dec 2019 RM'000	9 months ended 31 Dec 2020 RM'000	9 months ended 31 Dec 2019 RM'000
(a) Finance income:				
Interest income	(383)	(854)	(1,294)	(2,264)
Distribution from investment securities	(278)	(1,250)	(1,539)	(4,552)
(b) Depreciation of property, plant and equipment	4,131	4,302	12,432	12,812
(c) Amortization of intangible assets	223	131	564	337
(d) Depreciation of right-of-use assets	327	221	979	533
(e) Bad debts written off	-	1	-	1
(f) (Reversal of inventories written off)/write off of inventories	(414)	101	222	201
(g) Foreign exchange loss – realized	175	56	339	479
(h) Foreign exchange loss – unrealized	335	394	1,428	135
(i) Gain on disposal of property, plant and equipment	-	-	-	(75)
(j) Property, plant and equipment written off	661	8	661	98
(k) (Gain)/loss on derivatives	(47)	127	(572)	189

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 February 2021

Chua Siew Chuan
Yeow Sze Min
Company Secretaries