

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

Notes to the interim financial report for the period ended 31 March 2021

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.

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®, 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 Mar 2021			
Revenue from external customers	84,555	34,840	119,395
Operating (loss)/profit	(798)	7,404	6,606
3 months ended 31 Mar 2020			
Revenue from external customers	89,603	31,216	120,819
Operating profit	11,910	7,201	19,111
12 months ended 31 Mar 2021			
Revenue from external customers	309,878	133,241	443,119
Operating profit	29,764	28,345	58,109
12 months ended 31 Mar 2020			
Revenue from external customers	334,418	127,271	461,689
Operating profit	41,458	28,434	69,892

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 2021	68,771	18,653	29,620	2,351	119,395
3 months ended 31 Mar 2020	71,182	20,783	26,398	2,456	120,819
12 months ended 31 Mar 2021	258,391	59,465	117,643	7,620	443,119
12 months ended 31 Mar 2020	269,990	73,743	111,047	6,909	461,689

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 2021.

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 2021 is RM70.9 million.

12 Related Party Transactions

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

	3 months ended 31 Mar 2021 RM'000	3 months ended 31 Mar 2020 RM'000	12 months ended 31 Mar 2021 RM'000	12 months ended 31 Mar 2020 RM'000
Commission income	-	(4)	(23)	(20)
Royalties payable	2,665	2,485	9,617	9,834
Sales	(29,037)	(25,635)	(110,706)	(104,339)
Purchases	36,872	40,302	148,827	169,391
Purchase of assets	1,143	12	1,911	716
IT shared services and maintenance	669	713	2,766	2,791
Other expenses	221	213	919	890

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 revenue of RM119.4 million in the current quarter as compared to RM120.8 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM84.6 million as compared to the revenue of RM89.6 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. However, Industrial Business segment revenue in the current quarter was RM34.8 million as compared to the revenue of RM31.2 million in the corresponding quarter last year. The increase was contributed by higher sales volume of industrial seasoning products.

The operating profit was RM6.6 million in the current quarter as compared to the operating profit of RM19.1 million in the corresponding quarter last year. The decrease was mainly attributed to higher advertising and sales promotion expenses incurred in the current quarter. Finance income decreased by RM0.9 million in the current quarter against the finance income in the corresponding quarter last year resulting from the redemption of funds placed with licensed financial institutions for new factory construction. As a result, profit before tax was RM7.2 million in the current quarter as compared to profit before tax of RM20.6 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 RM119.4 million as compared to RM113.0 million in the immediate preceding quarter. The higher revenue was contributed by higher sales revenue in both Consumer Business and Industrial Business segment in the current quarter. However, the operating profit was RM6.6 million in the current quarter as compared to the operating profit of RM15.6 million in the immediate preceding quarter. The decrease was mainly attributed to higher advertising and sales promotion expenses incurred in the current quarter.

3 Commentary on Prospects

The Government's continued enforcement of the various modes of Movement Control Orders, Standard Operating Procedures (SOPs) and the recent spike in Covid-19 cases and mortality numbers have impacted on consumer spending and businesses. The food service business is not spared. Globally, the pandemic has also spiked in certain countries affecting businesses and lives. Supply and prices of raw materials required by the Company may be impacted and hence affect the Company's production costs. Management will continue to monitor the effectiveness of its business strategies and take appropriate actions in order to remain competitive and retain market share in this challenging environment.

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 2021 RM'000	3 months ended 31 Mar 2020 RM'000	12 months ended 31 Mar 2021 RM'000	12 months ended 31 Mar 2020 RM'000
Malaysian income tax :				
Current year	1,204	5,747	15,990	19,745
Under provision in respect of prior year	386	-	386	143
Deferred tax :				
Current year	(165)	(1,007)	(1,971)	(1,981)
Under/(over) provision in respect of prior year	-	-	312	(14)
	<u>1,425</u>	<u>4,740</u>	<u>14,717</u>	<u>17,893</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

	At 31 Mar 2021 RM'000	At 31 Mar 2020 RM'000
Islamic financing facility – unsecured		
Current	255	-
Non-current	99,527	-
	<u>99,782</u>	<u>-</u>

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 19th May 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 Mar 2021	3 months ended 31 Mar 2020	12 months ended 31 Mar 2021	12 months ended 31 Mar 2020
Profit attributable to ordinary shareholders of the Company (RM'000)	5,788	15,846	46,387	59,853
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	9.52	26.06	76.30	98.44

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 2021 RM'000	3 months ended 31 Mar 2020 RM'000	12 months ended 31 Mar 2021 RM'000	12 months ended 31 Mar 2020 RM'000
(a) Finance income:				
Interest income	(368)	(630)	(1,662)	(2,894)
Distribution from investment securities	(418)	(1,032)	(1,957)	(5,584)
(b) Depreciation of property, plant and equipment	4,161	3,975	16,593	16,787
(c) Amortization of intangible assets	260	149	824	486
(d) Depreciation of right-of-use assets	308	619	1,287	1,152
(e) Bad debts written off	-	14	-	15
(f) Write off of inventories	114	12	336	213
(g) Foreign exchange (gain)/loss – realized	(568)	525	(229)	1,004
(h) Foreign exchange (gain)/loss – unrealized	(873)	(1,050)	555	(915)
(i) Gain on disposal of property, plant and equipment	(206)	(150)	(206)	(225)
(j) Property, plant and equipment written off	71	17	732	115
(k) Loss/(gain) on derivatives	472	186	(100)	375

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 May 2021

Chua Siew Chuan
Yeow Sze Min
Company Secretaries