

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

Notes to the interim financial report for the period ended 30 June 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 2021, except for the adoption of the following:

Standards and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

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 2021 | | | |
| Revenue from external customers | 80,738 | 34,333 | 115,071 |
| Operating profit | 12,445 | 7,272 | 19,717 |
| 3 months ended 30 Jun 2020 | | | |
| Revenue from external customers | 63,860 | 31,224 | 95,084 |
| Operating profit | 11,560 | 7,122 | 18,682 |

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 2021 | 62,278 | 20,991 | 29,861 | 1,941 | 115,071 |
| 3 months ended 30 Jun 2020 | 50,708 | 14,033 | 28,585 | 1,758 | 95,084 |

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 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 30 June 2021 is RM64.5 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 2021 RM'000 | 3 months ended 30 Jun 2020 RM'000 |
|------------------------------------|--|--|
| Commission income | (15) | (12) |
| Royalties payable | 2,503 | 2,011 |
| Sales | (28,786) | (27,019) |
| Purchases | 42,648 | 42,166 |
| Purchase of assets | - | 243 |
| IT shared services and maintenance | 556 | 707 |
| Other expenses | 172 | 215 |

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 RM115.0 million in the current quarter as compared to RM95.1 million in the corresponding quarter last year. Consumer Business segment revenue of RM80.7 million in the current quarter increased by 26.3% as compared against the revenue of RM63.9 million in the corresponding quarter last year. The increase was mainly contributed by higher sales volume of AJI-NO-MOTO® in both the domestic and export market. The revenue of Consumer Business segment in last year same quarter was drastically affected by the counter measures taken by governments in worldwide to contain the spread of COVID-19. Industrial Business segment revenue grew by 9.9% from RM31.2 million to RM34.3 million. The increase was contributed by higher sales volume and better selling price of industrial seasoning products.

Operating profit was RM19.7 million in the current quarter as compared to the operating profit of RM18.7 million in the corresponding quarter last year. The increase was mainly contributed by higher sales revenue in the current quarter. Finance income decreased by RM0.5 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 RM20.3 million in the current quarter as compared to profit before tax of RM19.8 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 RM115.0 million as compared to RM119.4 million in the immediate preceding quarter. The decrease was mainly attributed to lower sales revenue and volume of AJI-NO-MOTO® in the domestic market in the current quarter.

Operating profit was RM19.7 million in the current quarter as compared to the operating profit of RM6.6 million in the immediate preceding quarter. The increase was mainly due to lower advertising and sales promotion expenses incurred in the current quarter.

3 Commentary on Prospects

The nationwide lockdown enforced by the Government under its Full Movement Control Order on 1st June 2021 for one month, followed by the current Movement Control Order due to the steep increase in the number of COVID-19 cases in Malaysia has impacted businesses, consumer sentiment and the economy. This, coupled with other factors and implementation of strict Standard Operating Procedures (“SOPs”) by the Government have caused uncertainty on the recovery of the domestic economy, made more difficult by the fact that the pandemic is not going to end any time soon. The strict SOPs enforced on manufacturing and other business operations have cost and revenue implications for the Company. Going forward Management will continue to adopt sustainable strategies to drive performance and maintain market share.

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 2021 RM'000 | 3 months ended 30 Jun 2020 RM'000 |
|------------------------|--|--|
| Malaysian income tax : | | |
| Current year | 5,221 | 4,905 |
| Deferred tax : | | |
| Current year | (130) | (154) |
| | <u>5,091</u> | <u>4,751</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 30 Jun 2021 RM'000 | At 30 Jun 2020 RM'000 |
|--|--------------------------------------|--------------------------------------|
| Islamic financing facility – unsecured | | |
| Current | 266 | - |
| Non-current | 99,561 | - |
| | <u>99,827</u> | <u>-</u> |

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 11th August 2021, 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 2021 | 3 months ended 30 Jun 2020 |
|--|---|---|
| Profit attributable to ordinary shareholders of the Company (RM'000) | 15,206 | 15,056 |
| Weighted average number of ordinary shares in issue ('000) | 60,799 | 60,799 |
| Earnings per share attributable to equity holders of the company (sen) | | |
| -Basic | 25.01 | 24.76 |

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 2021 RM'000 | 3 months ended 30 Jun 2020 RM'000 |
|---|--|--|
| (a) Finance income: | | |
| Interest income | (334) | (496) |
| Distribution from investment securities | (389) | (759) |
| (b) Depreciation of property, plant and equipment | 4,529 | 4,149 |
| (c) Amortization of intangible assets | 294 | 160 |
| (d) Depreciation of right-of-use assets | 311 | 328 |
| (e) Bad debts written off | 10 | - |
| (f) Write off of inventories | 12 | 123 |
| (g) Foreign exchange loss/(gain) – realized | 218 | (60) |
| (h) Foreign exchange loss – unrealized | 88 | 697 |
| (i) Gain on disposal of property, plant and equipment | (50) | - |
| (j) Gain on derivatives | (193) | (440) |

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 2021

Chua Siew Chuan
Yeow Sze Min
Company Secretaries