

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

Notes to the interim financial report for the period ended 30 September 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 Sep 2021			
Revenue from external customers	78,555	31,510	110,065
Operating profit	6,367	4,767	11,134
3 months ended 30 Sep 2020			
Revenue from external customers	80,173	35,469	115,642
Operating profit	9,620	7,636	17,256
6 months ended 30 Sep 2021			
Revenue from external customers	159,293	65,843	225,136
Operating profit	18,812	12,039	30,851
6 months ended 30 Sep 2020			
Revenue from external customers	144,033	66,693	210,726
Operating profit	21,180	14,758	35,938

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 2021	62,197	18,041	27,373	2,454	110,065
3 months ended 30 Sep 2020	71,087	10,389	32,191	1,975	115,642
6 months ended 30 Sep 2021	124,475	39,032	57,234	4,395	225,136
6 months ended 30 Sep 2020	121,795	24,422	60,776	3,733	210,726

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 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 September 2021 is RM53 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 2021 RM'000	3 months ended 30 Sep 2020 RM'000	6 months ended 30 Sep 2021 RM'000	6 months ended 30 Sep 2020 RM'000
Commission income	(5)	(5)	(20)	(17)
Royalties payable	2,513	2,541	5,016	4,552
Sales	(24,944)	(29,638)	(53,730)	(56,657)
Purchases	50,287	36,178	92,935	78,344
Purchase of assets	6,603	120	6,603	363
IT shared services and maintenance	557	698	1,113	1,405
Other expenses	240	264	412	479

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 a revenue of RM110.0 million in the current quarter as compared to RM115.6 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM78.6 million as compared to the revenue of RM80.2 million in the corresponding quarter last year. The decrease was due to lower sales volume in the domestic market. Industrial Business segment revenue was RM31.5 million in the current quarter as compared to RM35.5 million. The decrease was mainly attributed to lower sales volume and selling price of industrial seasoning products.

Operating profit was RM11.1 million in the current quarter as compared to the operating profit of RM17.3 million in the corresponding quarter last year. The decrease was attributed to lower sales revenue and higher advertising and sales promotion expenses, transportation expenses and administration expenses in the current quarter. Finance income decreased by RM0.3 million in the current quarter against the finance income in the corresponding quarter last year due to the redemption of funds placed with licensed financial institutions for new factory construction. As a result, profit before tax was RM11.6 million in the current quarter as compared to profit before tax of RM18.0 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 RM110.0 million as compared to RM115.0 million in the immediate preceding quarter. The lower revenue was attributed to lower sales volume in both business segments and selling price of industrial seasoning products in the current quarter.

Operating profit was RM11.1 million in the current quarter as compared to the operating profit of RM19.7 million in the immediate preceding quarter. The decrease was due to lower revenue in both business segments, higher production costs in the Consumer Business segment as well as selling and administration expenses in the current quarter.

3 Commentary on Prospects

The economic activities in Malaysia and other countries have started to recover gradually after the effort taken by the respective governments in various countries to expedite the COVID-19 vaccination program in their nations. The economy outlook and business environment remain challenging. The Company expects to encounter price increase in key raw materials and higher transportation costs that will add burden to the production and distribution costs in the coming financial periods. The Management will continue to enhance its operating efficiency and implement effective sales strategies to sustain growth in sales and performance.

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 2021 RM'000	3 months ended 30 Sep 2020 RM'000	6 months ended 30 Sep 2021 RM'000	6 months ended 30 Sep 2020 RM'000
Malaysian income tax :				
Current year	3,970	5,611	9,191	10,516
Deferred tax :				
Current year	(1,280)	(1,334)	(1,410)	(1,488)
	<u>2,690</u>	<u>4,277</u>	<u>7,781</u>	<u>9,028</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 Sep 2021 RM'000	At 30 Sep 2020 RM'000
Islamic financing facility – unsecured		
Current	273	-
Non-current	99,596	-
	<u>99,869</u>	<u>-</u>

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 18th November 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, as announced on 17 August 2021, declared a first and final single-tier dividend of 38.25 sen per ordinary share in respect of the financial year ended 31 March 2021. The dividend payable as at the end of the current quarter was RM23,255,439. The dividend was paid on 22 October 2021.

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 2021	3 months ended 30 Sep 2020	6 months ended 30 Sep 2021	6 months ended 30 Sep 2020
Profit attributable to ordinary shareholders of the Company (RM'000)	8,951	13,763	24,157	28,819
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	14.72	22.64	39.73	47.40

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 2021 RM'000	3 months ended 30 Sep 2020 RM'000	6 months ended 30 Sep 2021 RM'000	6 months ended 30 Sep 2020 RM'000
(a) Finance income:				
Interest income	(324)	(415)	(658)	(911)
Distribution from investment securities	(339)	(502)	(728)	(1,261)
(b) Depreciation of property, plant and equipment	4,539	4,152	9,068	8,301
(c) Amortization of intangible assets	583	181	877	341
(d) Depreciation of right-of-use assets	309	324	620	652
(e) Bad debts written off	-	-	10	-
(f) Write off of inventories	288	513	300	636
(g) Foreign exchange loss – realized	208	224	426	164
(h) Foreign exchange loss – unrealized	238	396	326	1,093
(i) Loss/(gain) on disposal of property, plant and equipment	9	-	(41)	-
(j) Gain on derivatives	(46)	(85)	(239)	(525)

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 2021

Chua Siew Chuan
Yeow Sze Min
Company Secretaries