

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

Notes to the interim financial report for the period ended 31 March 2022

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 paid a first and final single-tier dividend of 38.25 sen per ordinary share amounting to RM23,255,439 in respect of the financial year ended 31 March 2021 on 22 October 2021.

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 2022			
Revenue from external customers	90,822	34,544	125,366
Operating (loss)/profit	(20,267)	1,250	(19,017)
3 months ended 31 Mar 2021			
Revenue from external customers	84,555	34,840	119,395
Operating (loss)/profit	(692)	7,450	6,758
12 months ended 31 Mar 2022			
Revenue from external customers	347,125	137,553	484,678
Operating profit	4,715	19,040	23,755
12 months ended 31 Mar 2021			
Revenue from external customers	309,878	133,241	443,119
Operating profit	29,870	28,391	58,261

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 2022	76,734	18,993	27,953	1,686	125,366
3 months ended 31 Mar 2021	68,771	18,653	29,620	2,351	119,395
12 months ended 31 Mar 2022	279,766	79,913	117,523	7,476	484,678
12 months ended 31 Mar 2021	258,391	59,465	117,643	7,620	443,119

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 2022.

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 2022 is RM20 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 2022 RM'000	3 months ended 31 Mar 2021 RM'000	12 months ended 31 Mar 2022 RM'000	12 months ended 31 Mar 2021 RM'000
Commission income	(2)	-	(29)	(23)
Royalties payable	2,809	2,665	10,978	9,617
Sales	(26,726)	(29,037)	(109,895)	(110,706)
Purchases	69,509	36,872	203,269	148,827
Purchase of assets	6,558	1,143	16,884	1,911
IT shared services and maintenance	519	669	2,174	2,766
Other expenses	683	240	1,282	938

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 RM125.4 million in the current quarter compared to RM119.4 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM90.8 million, higher than the revenue of RM84.6 million in the corresponding quarter last year. Industrial Business segment revenue in the current quarter were almost same as the revenue in the corresponding quarter last year. The increase in the Consumer Business's revenue was contributed by higher sales volume and better selling price of AJI-NO-MOTO®.

The Company recorded an operating loss of RM19.0 million in the current quarter as compared to the operating profit of RM6.8 million in the corresponding quarter last year. The operating loss was attributed to the increase in the purchase price of key raw materials, depreciation, computer software and hardware maintenance costs and other administration expenses in the current quarter. Other finance expenses increased in the current quarter was due to the recognition of financing cost arising from the Islamic financing facility. As a result, the company recorded loss before tax of RM19.7 million in the current quarter as compared to profit before tax of RM7.4 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 RM125.4 million as compared to RM134.2 million in the immediate preceding quarter. The lower revenue was due to the decrease in sales revenue and volume of AJI-NOMOTO® in the current quarter.

The Company recorded an operating loss of RM19.0 million in the current quarter as compared to the operating profit of RM11.9 million in the immediate preceding quarter due to hike in purchase price of key raw materials, higher depreciation, computer software and hardware maintenance costs and other administration expenses in the current quarter.

3 Commentary on Prospects

Malaysia has moved from the Covid-19 pandemic to the endemic phase since 1st April 2022. The food and beverage sector is expected to recover in the coming periods and this should impact positively on the demand for the Company's products. However, the various lockdowns imposed by many countries since the Covid-19 pandemic started has badly disrupted global supply chains and logistics. This, coupled with increase in oil and other fuel prices arising from the Russia-Ukraine war have caused prices of raw materials and transport costs to rise. Another threat faced globally is spiraling inflation. These challenging conditions have serious cost implications which put pressure on profits. Management will continue to take appropriate action to mitigate the impact of these challenges, including reviewing our marketing, sales and pricing strategy promptly to adjust to market conditions.

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 2022 RM'000	3 months ended 31 Mar 2021 RM'000	12 months ended 31 Mar 2022 RM'000	12 months ended 31 Mar 2021 RM'000
Malaysian income tax :				
Current year	(6,894)	1,241	3,945	16,027
Under/(over) provision in respect of prior year	-	386	(312)	386
Deferred tax :				
Current year	4,625	(165)	3,263	(1,971)
Under provision in respect of prior year	-	-	394	312
	<u>(2,269)</u>	<u>1,462</u>	<u>7,290</u>	<u>14,754</u>

The Company has a tax write back for the current quarter due mainly to the recognition of capital allowance in respect to the completion of new factory building in Bandar Enstek. However, the effective tax rate the tax provision for the financial year was 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 Mar 2022 RM'000	At 31 Mar 2021 RM'000
Islamic financing facility – unsecured		
Current	8,590	255
Non-current	91,333	99,527
	<u>99,923</u>	<u>99,782</u>

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 20th May 2022, 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 2022	3 months ended 31 Mar 2021	12 months ended 31 Mar 2022	12 months ended 31 Mar 2021
(Loss)/profit attributable to ordinary shareholders of the Company (RM'000)	(17,418)	5,903	16,996	46,502
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, (loss)/profit for the period	(28.65)	9.71	27.95	76.49

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 2022 RM'000	3 months ended 31 Mar 2021 RM'000	12 months ended 31 Mar 2022 RM'000	12 months ended 31 Mar 2021 RM'000
(a) Finance income:				
Interest income	(200)	(368)	(1,172)	(1,662)
Distribution from investment securities	(235)	(418)	(1,182)	(1,957)
(b) Profit on Islamic financing	786	-	1,040	-
(c) Depreciation of property, plant and equipment	4,665	4,161	18,364	16,593
(d) Amortization of intangible assets	652	260	2,150	824
(e) Depreciation of right-of-use assets	360	308	1,330	1,287
(f) Bad debts written off	-	-	10	-
(g) Write off of inventories	583	114	784	336
(h) Foreign exchange loss/(gain) – realized	145	(568)	940	(229)
(i) Foreign exchange loss/(gain) – unrealized	314	(873)	358	555
(j) Gain on disposal of property, plant and equipment	(160)	(206)	(214)	(206)
(k) Property, plant and equipment written off	421	71	423	732
(l) Loss/(gain) on derivatives	115	472	(30)	(100)

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
26th May 2022

Chua Siew Chuan
Yeow Sze Min
Company Secretaries