

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

Notes to the interim financial report for the period ended 30 June 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 2022, except for the adoption of the following:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2022

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)

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 2022			
Revenue from external customers	106,280	35,230	141,510
Operating (loss)/profit	(4,076)	3,829	(247)
3 months ended 30 Jun 2021			
Revenue from external customers	80,738	34,333	115,071
Operating profit	12,445	7,272	19,717

b. 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 2022	85,335	25,705	29,195	1,275	141,510
3 months ended 30 Jun 2021	62,278	20,991	29,861	1,941	115,071

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 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 30 June 2022 is RM14.3 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 2022 RM'000	3 months ended 30 Jun 2021 RM'000
Commission income	(10)	(15)
Royalties payable	3,051	2,503
Sales	(27,007)	(28,786)
Purchases	98,205	42,648
Purchase of assets	116	-
IT shared services and maintenance	586	556
Other expenses	309	172

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 RM141.5 million in the current quarter, an increase of RM26.4 million as compared to RM115.0 million in the corresponding quarter last year due to higher revenue in Consumer Business segment. Consumer Business segment revenue in the current quarter was RM106.3 million, higher than the revenue of RM80.7 million in the corresponding quarter last year. The increase in revenue was contributed by higher sales volume and better selling price in both the domestic and export market.

The Company recorded an operating loss of RM0.2 million in the current quarter as compared to the operating profit of RM19.7 million in the corresponding quarter last year. The spike in the purchase price of key raw materials and higher freight costs in the current quarter had unfavorably affected the profit margin and resulted in operating loss in the Consumer Business segment in the current quarter. In addition, the Company incurred higher administrative and selling expenses including staff costs, transitional costs related to factory relocation and sales promotion expenses. Other finance expenses increased in the current quarter after the recognition of financing cost arising from the Islamic financing facility. As a result, the company recorded loss before tax of RM0.8 million in the current quarter as compared to profit before tax of RM20.3 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 RM141.5 million as compared to RM125.4 million in the immediate preceding quarter. The growth in the revenue was contributed by higher sales volume and sales revenue in Consumer Business segment in the current quarter.

The Company recorded an operating loss of RM0.2 million in the current quarter as compared to the operating loss of RM19.0 million in the immediate preceding quarter mainly due to lower selling and administration expenses in the current quarter.

3 Commentary on Prospects

The Malaysia economy is expected to recover progressively amidst the reopening of international borders and the transition from pandemic to endemic stage of COVID 19. However, the Company expects to continue to encounter challenges from the increase in raw material prices and freight costs as well as the disruptions in the supply of raw materials in the coming quarters arising from the after-effect of the pandemic and the Russia-Ukraine conflict. The Management will review its pricing and sales distribution strategies, increase production efficiency and adopt necessary cost control measures to optimize its 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 Jun 2022 RM'000	3 months ended 30 Jun 2021 RM'000
Malaysian income tax :		
Current year	198	5,221
Deferred tax :		
Current year	(188)	(130)
	<u>10</u>	<u>5,091</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 2022 RM'000	At 30 Jun 2021 RM'000
Islamic financing facility – unsecured		
Current	16,915	266
Non-current	83,035	99,561
	<u>99,950</u>	<u>99,827</u>

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 18th Aug 2022, 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 29 June 2022, declared a first and final single-tier dividend of 8.50 sen per ordinary share in respect of the financial year ended 31 March 2022. The dividend payable as at the end of the current quarter was RM5,167,875. The dividend payment date is 28 September 2022 as announced on 3 August 2022.

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 2022	3 months ended 30 Jun 2021
(Loss)/profit attributable to ordinary shareholders of the Company (RM'000)	(848)	15,206
Weighted average number of ordinary shares in issue ('000)	60,799	60,799
(Loss)/earnings per share attributable to equity holders of the company (sen)		
-Basic	(1.39)	25.01

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 2022 RM'000	3 months ended 30 Jun 2021 RM'000
(a) Finance income:		
Interest income	(138)	(334)
Distribution from investment securities	(214)	(389)
(b) Profit on Islamic financing	783	-
(c) Depreciation of property, plant and equipment	4,064	4,529
(d) Amortization of intangible assets	642	294
(e) Depreciation of right-of-use assets	373	311
(f) Bad debts written off	-	10
(g) Write off of inventories	52	12
(h) Foreign exchange loss – realized	644	218
(i) Foreign exchange (gain)/loss – unrealized	(583)	88
(j) Gain on disposal of property, plant and equipment	(78)	(50)
(k) Property, plant and equipment written off	31	-
(l) Gain on derivatives	(194)	(193)

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 August 2022

Chua Siew Chuan
Yeow Sze Min
Company Secretaries