

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

Notes to the interim financial report for the period ended 31 December 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 paid a first and final single-tier dividend of 8.5 sen per ordinary share amounting to RM5,167,875 in respect of the financial year ended 31 March 2022 on 28 September 2022.

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. 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 Dec 2022			
Revenue from external customers	117,721	28,449	146,170
Operating profit	2,462	1,792	4,254
3 months ended 31 Dec 2021			
Revenue from external customers	97,010	37,166	134,176
Operating profit	6,170	5,751	11,921
9 months ended 31 Dec 2022			
Revenue from external customers	340,005	105,824	445,829
Operating (loss)/profit	(3,530)	12,374	8,844
9 months ended 31 Dec 2021			
Revenue from external customers	256,303	103,009	359,312
Operating profit	24,982	17,790	42,772

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 Dec 2022	81,021	39,476	23,412	2,261	146,170
3 months ended 31 Dec 2021	78,557	21,888	32,336	1,395	134,176
9 months ended 31 Dec 2022	250,225	101,396	89,085	5,123	445,829
9 months ended 31 Dec 2021	203,032	60,920	89,570	5,790	359,312

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 December 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 which are approved and contracted but not provided for in the interim financial statement as at 31 December 2022 is RM9.2 million.

12 Related Party Transactions

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

	3 months ended 31 Dec 2022	3 months ended 31 Dec 2021	9 months ended 31 Dec 2022	9 months ended 31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Commission income	(12)	(7)	(33)	(27)
Royalties payable	2,476	3,153	8,582	8,169
Sales	(21,514)	(29,439)	(83,124)	(83,169)
Purchases	47,986	40,825	226,634	133,760
Purchase of assets	408	3,723	966	10,326
IT shared services and maintenance	601	542	1,761	1,655
Other expenses	506	187	1,598	599
Interest expense	252	-	252	-

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 RM146.2 million in the current quarter as compared to RM134.2 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM117.7 million, higher than the revenue of RM97.0 million in the corresponding quarter last year. The increase was contributed by higher demand and better selling price of AJI-NOMOTO® in both the domestic and export market. However, Industrial Business segment achieved lower revenue in the current quarter at RM28.5 million as compared to the revenue of RM37.2 million in the corresponding quarter last year attributed to lower sales volume of industrial seasoning products.

Operating profit was RM4.3 million in the current quarter as compared to the operating profit of RM11.9 million in the corresponding quarter last year. The decrease was attributed to higher raw material costs, staff costs, transitional costs related to factory relocation and sales promotion expenses. The Company incurred other finance expenses of RM1.2 million in the current quarter mainly for the financing cost arising from the Islamic financing facility. As a result, profit before tax was RM3.3 million in the current quarter as compared to profit before tax of RM12.0 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 RM146.2 million as compared to RM158.1 million in the immediate preceding quarter. The lower revenue in the current quarter was mainly attributed to the lower sales volume in Industrial Business segment. However, this was mitigated by higher revenue in Consumer Business segment. As a result, the operating profit of the Company was RM4.3 million in the current quarter as compared to the operating profit of RM4.8 million in the immediate preceding quarter.

3 Commentary on Prospects

The Malaysian economy has gradually improved after the pandemic. The Company expects continued challenges from inflationary pressure, fluctuation in foreign exchange rates and high purchase price of our key raw materials. The Management will continue to focus on sales growth, cost efficiency and monitoring market development to sustain the business growth.

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 Dec 2022 RM'000	3 months ended 31 Dec 2021 RM'000	9 months ended 31 Dec 2022 RM'000	9 months ended 31 Dec 2021 RM'000
Malaysian income tax :				
Current year	28	1,648	83	10,839
Over provision in respect of prior year	-	(312)	-	(312)
Deferred tax :				
Current year	950	48	1,849	(1,362)
Under provision in respect of prior year	-	394	-	394
	<u>978</u>	<u>1,778</u>	<u>1,932</u>	<u>9,559</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 Loan and Borrowing

	At 31 Dec 2022 RM'000	At 31 Dec 2021 RM'000
Unsecured and fully denominated in Ringgit Malaysia:		
<u>Current</u>		
Islamic financing facility	33,607	257
Advance from holding company	30,253	-
	<u>63,860</u>	<u>257</u>
<u>Non-current</u>		
Islamic financing facility	66,440	99,631
Total borrowings	<u>130,300</u>	<u>99,888</u>

8 Material Litigation

There was no material litigation as at 20th Feb 2023, 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 Dec 2022	3 months ended 31 Dec 2021	9 months ended 31 Dec 2022	9 months ended 31 Dec 2021
Profit attributable to ordinary shareholders of the Company (RM'000)	2,304	10,258	4,392	34,414
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	3.79	16.87	7.22	56.60

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 Dec 2022 RM'000	3 months ended 31 Dec 2021 RM'000	9 months ended 31 Dec 2022 RM'000	9 months ended 31 Dec 2021 RM'000
(a) Finance income:				
Interest income	(111)	(314)	(335)	(972)
Distribution from liquid investments	(6)	(268)	(11)	(1,025)
(b) Profit on Islamic financing	810	254	2,385	254
(c) Interest expense other borrowing	252	-	252	-
(d) Depreciation of property, plant and equipment	4,577	4,631	12,030	13,699
(e) Amortization of intangible assets	753	621	2,117	1,498
(f) Depreciation of right-of-use assets	446	350	1,216	970
(g) Bad debts written off	-	-	-	10
(h) Write off of inventories/(reversal of inventories written off)	92	(99)	55	201
(i) Foreign exchange (gain)/loss – realized	(228)	369	947	795
(j) Foreign exchange loss/(gain) – unrealized	1,527	(282)	(721)	44
(k) Gain on disposal of property, plant and equipment	(208)	(13)	(286)	(54)
(l) Property, plant and equipment written off	-	2	33	2
(m) Fair value (gain)/loss on liquid investments	(118)	49	(261)	78
(n) (Gain)/loss on derivatives	(912)	94	(519)	(145)

12 Liquid Investments

Liquid investments 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 February 2023

Chua Siew Chuan
Yeow Sze Min
Company Secretaries