

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

Notes to the interim financial report for the period ended 30 June 2023

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 2023, except for the adoption of the following:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2023

- MFRS 17, Insurance Contracts
- Amendments to MFRS 17, Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosures of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules

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. 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 2023			
Revenue	112,931	35,596	148,527
Operating profit	12,806	4,080	16,886
3 months ended 30 Jun 2022			
Revenue	106,280	35,230	141,510
Operating (loss)/profit	(4,076)	3,829	(247)

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 2023	82,338	32,848	30,918	2,423	148,527
3 months ended 30 Jun 2022	85,335	25,705	29,195	1,275	141,510

8 Material Events Subsequent to the Reporting Period

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 2023 other than as disclosed Note 14.

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 statements as at 30 June 2023 is RM12.9 million.

12 Related Party Transactions

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

	3 months ended 30 Jun 2023 RM'000	3 months ended 30 Jun 2022 RM'000
Commission income	(28)	(10)
Royalties payable	2,173	3,051
Sales	(28,408)	(27,007)
Purchases	82,883	98,205
Purchase of assets	51	116
IT shared services and maintenance	726	586
Other expenses	318	309
Interest expense on advance from ultimate holding company	261	-

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

13 Assets Held For Sale

In the previous financial year, a portion of the Company's non-current assets was classified as assets held for sale following the Company's invitation for offer to purchase the land located at Jalan Kuchai Lama, Kuala Lumpur on 29 November 2022.

The Company had announced on 20 July 2023 that it entered into a conditional sale and purchase agreement on 20 July 2023 with Paragon TSL Sdn Bhd for the disposal of 6 contiguous parcels of lands with redevelopment potential where erected upon are various buildings held under Lot/PT No. 6269, 22968, 49366, 22910, 47088 & 4508 in Mukim of Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a cash consideration of RM408,000,000 ("Proposed Disposal"). The Proposed Disposal is subject to the approval of shareholders of the Company and relevant authorities/parties, if applicable. It is expected to be completed by first (1st) quarter of calendar year 2024. Further information on the Proposed Disposal is disclosed in the announcement made to Bursa Malaysia Securities Berhad on 20 July 2023.

The Company also awarded, in the second quarter of the current financial year, an asset disposal project to a third party contractor in relation to the dismantling and clearance of assets excluded from the Proposed Disposal in its factory located at Jalan Kuchai Lama, Kuala Lumpur for a cash consideration of RM3,050,000. It is expected to be completed in third quarter of the current financial year.

As such, the assets held for sale as at 30 June 2023 are as follows:

	RM'000
Assets held for sale:	
Property, plant and equipment	228
Right-of-use assets	16,608
	<u>16,836</u>

The carrying values of property, plant and equipment and the leasehold land included in the right-of-use assets are the same as its carrying value before they were being reclassified to assets held for sale.

14 Significant and Subsequent Events

The Company had announced on 20 July 2023 that it entered into a conditional sale and purchase agreement on 20 July 2023 with Paragon TSL Sdn Bhd for the disposal of 6 contiguous parcels of lands with redevelopment potential where erected upon are various buildings held under Lot/PT No. 6269, 22968, 49366, 22910, 47088 & 4508 in Mukim of Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a cash consideration of RM408,000,000 ("Proposed Disposal"). The Proposed Disposal is subject to the approval of shareholders of the Company and relevant authorities/parties, if applicable. It is expected to be completed by first (1st) quarter of calendar year 2024. Further information on the Proposed Disposal is disclosed in the announcement made to Bursa Malaysia Securities Berhad on 20 July 2023.

The Company also awarded, in the second quarter of the current financial year, an asset disposal project to a third party contractor in relation to the dismantling and clearance of assets excluded from the Proposed Disposal in its factory located at Jalan Kuchai Lama, Kuala Lumpur for a cash consideration of RM3,050,000. It is expected to be completed in third quarter of the current financial year.

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 RM148.5 million in the current quarter as compared to RM141.5 million in the corresponding quarter last year due to higher revenue in Consumer Business segment. Consumer Business segment revenue in the current quarter was RM112.9 million compared to the revenue of RM106.3 million in the corresponding quarter last year while the revenue of Industrial Business segment was slightly better than the corresponding quarter last year. The improved revenue was mainly attributed to better selling prices of our products in the domestic and export markets. Sales volume in both business segments was lower than the corresponding quarter last year subsequent to the strong demand from the immediate preceding quarter.

Operating profit was RM16.9 million in the current quarter in contrast to an operating loss of RM0.2 million in the corresponding quarter last year. The increase was mainly contributed by higher revenue and lower administration expenses in the current quarter. In the current quarter, other finance expenses increased by RM0.3 million due to the recognition of financing cost arising from the advance from ultimate holding company. As a result, the Company recorded a profit before tax of RM16.1 million in the current quarter as compared to loss before tax of RM0.8 million in the corresponding quarter last year.

2 Material Changes in the Quarterly Profit Before Taxation Compared to the Results of the Preceding Quarter.

In the current quarter, the Company revenue was RM148.5 million as compared to RM157.9 million in the immediate preceding quarter. The decrease was mainly attributed to lower sales volume of AJI-NO-MOTO® in the domestic market in the current quarter subsequent to strong demand from the immediate preceding quarter.

The Company recorded an operating profit of RM16.9 million in the current quarter as compared to the operating profit of RM10.6 million in the immediate preceding quarter due to lower selling and administration expenses in the current quarter.

3 Commentary on Prospects

The Malaysia economy is expected to grow moderately amidst the slow down in global demand and Malaysian government's plan to rationalise current subsidies. Although the raw material and packaging material prices have stabilised during the first quarter, the USD/MYR continues to be a factor that may impact on our production cost, and hence profit. The Management will monitor and review the sales strategies and cost management to further improve 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 2023 RM'000	3 months ended 30 Jun 2022 RM'000
Malaysian income tax :		
Current year	54	198
Deferred tax :		
Current year	3,786	(188)
	<u>3,840</u>	<u>10</u>

The Company recorded low income tax for the current quarter due to utilization of unabsorbed capital allowances brought forward from the previous financial year.

6 Status of Corporate Proposals

There were no corporate proposals announced by the Company as at the date of this report other than as disclosed in Note 14 under explanatory notes.

7 Borrowings and Debt Securities

	At 30 Jun 2023 RM'000	At 30 Jun 2022 RM'000
Islamic financing facility – unsecured		
Current	33,552	16,915
Non-current	49,841	83,035
	<u>83,393</u>	<u>99,950</u>

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 18th August 2023, 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 27 June 2023, declared a first and final single-tier dividend of 9.10 sen per ordinary share in respect of the financial year ended 31 March 2023. The dividend payable as at the end of the current quarter was RM5,532,667. The dividend payment date is 25 September 2023.

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 2023	3 months ended 30 Jun 2022
Profit/(loss) attributable to ordinary shareholders of the Company (RM'000)	12,211	(848)
Weighted average number of ordinary shares in issue ('000)	60,799	60,799
Earnings/(loss) per share attributable to equity holders of the company (sen)		
-Basic	20.08	(1.39)

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 2023 RM'000	3 months ended 30 Jun 2022 RM'000
(a) Finance income:		
Interest income	(210)	(138)
Distribution from investment securities	(14)	(5)
(b) Profit on Islamic financing	699	783
(c) Interest expense on advance from ultimate holding company	261	-
(d) Depreciation of property, plant and equipment	5,431	4,064
(e) Amortization of intangible assets	842	642
(f) Depreciation of right-of-use assets	450	373
(g) Write off of inventories	344	52
(h) Foreign exchange loss – realized	463	644
(i) Foreign exchange gain – unrealized	(1,152)	(583)
(j) Gain on disposal of property, plant and equipment	(2)	(78)
(k) Property, plant and equipment written off	47	31
(l) Fair value gain on liquid investments	(143)	(209)
(m) Loss/(gain) on derivatives	451	(194)

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 August 2023

Chua Siew Chuan
Yeow Sze Min
Company Secretaries