

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

Notes to the interim financial report for the period ended 30 September 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 paid a first and final single-tier dividend of 9.1 sen per ordinary share amounting to RM5,532,667 in respect of the financial year ended 31 March 2023 on 25 September 2023.

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 Sep 2023			
Revenue from external customers	127,142	37,221	164,363
Operating profit	13,609	787	14,396
3 months ended 30 Sep 2022			
Revenue from external customers	116,004	42,145	158,149
Operating (loss)/profit	(1,916)	6,753	4,837
6 months ended 30 Sep 2023			
Revenue from external customers	240,073	72,817	312,890
Operating profit	26,415	4,867	31,282
6 months ended 30 Sep 2022			
Revenue from external customers	222,284	77,375	299,659
Operating (loss)/profit	(5,992)	10,582	4,590

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 2023	92,518	38,546	31,270	2,029	164,363
3 months ended 30 Sep 2022	83,869	36,215	36,478	1,587	158,149
6 months ended 30 Sep 2023	174,856	71,394	62,188	4,452	312,890
6 months ended 30 Sep 2022	169,204	61,920	65,673	2,862	299,659

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 September 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 announcement, 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 30 September 2023 is RM14.9 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 2023	3 months ended 30 Sep 2022	6 months ended 30 Sep 2023	6 months ended 30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Commission income	(1)	(11)	(29)	(21)
Royalties payable	2,408	3,055	4,581	6,106
Sales	(30,231)	(34,603)	(58,639)	(61,610)
Purchases	76,964	80,443	159,847	178,648
Purchase of assets	-	442	51	558
IT shared services and maintenance	695	574	1,421	1,160
Other expenses	164	783	482	1,092
Interest expense	264	-	525	-

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 Nos. 6269, 49366, PT 22910, 47088, PT 4508 and 22968 in Mukim of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur for a cash consideration of RM408,000,000 ("Proposed Disposal"). The Proposed Disposal was approved by shareholders of the Company on 25 October 2023. Further information on the Proposed Disposal is disclosed in the announcement made to Bursa Malaysia Securities Berhad on 20 July 2023. The Proposed Disposal is expected to be completed by first (1st) quarter of calendar year 2024.

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 was completed in October 2023.

As such, the assets held for sale as at 30 September 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 Event

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 Nos. 6269, 49366, PT 22910, 47088, PT 4508 and 22968 in Mukim of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur for a cash consideration of RM408,000,000 (“Proposed Disposal”). The Proposed Disposal was approved by shareholders of the Company on 25 October 2023. Further information on the Proposed Disposal is disclosed in the announcement made to Bursa Malaysia Securities Berhad on 20 July 2023. The Proposed Disposal is expected to be completed by first (1st) quarter of calendar year 2024.

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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 RM164.3 million in the current quarter as compared to RM158.1 million in the corresponding quarter last year contributed by the stronger performance of the Consumer Business segment. Consumer Business segment revenue in the current quarter was RM127.1 million, higher than the revenue of RM116.0 million in the corresponding quarter last year. The increase was mainly due to better selling price of AJI-NO-MOTO® in both the domestic and export markets.

Operating profit was RM14.4 million in the current quarter, a significant rise from the operating profit of RM4.8 million in the corresponding quarter last year. Consumer Business segment recorded operating profit of RM13.6 million in the current quarter led by better selling price and lower administrative expenses in the current quarter. Industrial Business segment recorded lower operating profit of RM0.8 million in the current quarter as compared to the operating profit of RM6.8 million in the corresponding quarter last year due to decrease in sales quantity and higher raw material costs. Other finance expenses were RM1.1 million in the current quarter mainly for the financing cost arising from the borrowings. As a result, profit before tax of the Company was RM13.8 million in the current quarter as compared to profit before tax of RM3.9 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 RM164.3 million, a significant increase from the RM148.5 million reported in the immediate preceding quarter. The growth in the revenue was mainly contributed by higher sales quantity and revenue of AJI-NO-MOTO® in both the domestic and export markets in the current quarter.

The Company recorded lower operating profit of RM14.3 million in the current quarter as compared to the operating profit of RM16.9 million in the immediate preceding quarter. The reduction in operating profit was attributed to mainly higher purchase prices of raw materials and increased sales promotion and market research expenses in the current quarter.

3 Commentary on Prospects

The economic conditions globally and in Malaysia remain challenging. In Malaysia, the cost of living and the weak Ringgit are head winds which is expected to impact on consumer spending. The Company will continue to monitor the business environment and review its strategies and implement required actions accordingly in order to ensure profitability and growth of the Company.

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 2023 RM'000	3 months ended 30 Sep 2022 RM'000	6 months ended 30 Sep 2023 RM'000	6 months ended 30 Sep 2022 RM'000
Malaysian income tax :				
Current year	69	(143)	123	55
Deferred tax :				
Current year	3,359	1,087	7,145	899
	<u>3,428</u>	<u>944</u>	<u>7,268</u>	<u>954</u>

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.

7 Loan and Borrowing

	At 30 Sep 2023 RM'000	At 30 Sep 2022 RM'000
Islamic financing facility – unsecured		
Current	33,535	25,256
Non-current	41,538	74,737
	<u>75,073</u>	<u>99,993</u>

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 23rd November 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 of the Company.

	3 months ended 30 Sep 2023	3 months ended 30 Sep 2022	6 months ended 30 Sep 2023	6 months ended 30 Sep 2022
Profit attributable to ordinary shareholders of the Company (RM'000)	10,354	2,936	22,565	2,088
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	17.03	4.83	37.11	3.43

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 2023 RM'000	3 months ended 30 Sep 2022 RM'000	6 months ended 30 Sep 2023 RM'000	6 months ended 30 Sep 2022 RM'000
(a) Finance income:				
Interest income	(245)	(86)	(455)	(224)
Distribution from liquid investments	(43)	-	(57)	(5)
(b) Profit on Islamic financing	641	792	1,340	1,575
(c) Interest expense on advance from holding company	264	-	525	-
(d) Depreciation of property, plant and equipment	5,483	3,389	10,914	7,453
(e) Amortization of intangible assets	898	722	1,740	1,364
(f) Depreciation of right-of-use assets	424	397	874	770
(g) Write off of inventories/(reversal of inventories written off)	1,163	(89)	1,507	(37)
(h) Foreign exchange loss – realized	269	531	732	1,175
(i) Foreign exchange loss/(gain) – Unrealized	446	(1,665)	(706)	(2,248)
(j) Gain on disposal of property, plant and equipment	(42)	-	(44)	(78)
(k) Property, plant and equipment written off	18	2	65	33
(l) Fair value (gain)/loss on liquid investments	(227)	66	(370)	(143)
(m) (Gain)/loss on derivatives	(287)	587	164	393

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
28th November 2023

Chua Siew Chuan
Yeow Sze Min
Company Secretaries