

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

Notes to the interim financial report for the period ended 31 December 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 31 Dec 2023			
Revenue from external customers	128,034	42,760	170,794
Operating profit	12,394	7,327	19,721
3 months ended 31 Dec 2022			
Revenue from external customers	117,721	28,449	146,170
Operating profit	2,462	1,792	4,254
9 months ended 31 Dec 2023			
Revenue from external customers	368,107	115,577	483,684
Operating profit	38,809	12,194	51,003
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

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 2023	90,622	40,744	37,100	2,328	170,794
3 months ended 31 Dec 2022	81,021	39,476	23,412	2,261	146,170
9 months ended 31 Dec 2023	265,478	112,138	99,288	6,780	483,684
9 months ended 31 Dec 2022	250,225	101,396	89,085	5,123	445,829

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 31 December 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 31 December 2023 is RM11.9 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 2023	3 months ended 31 Dec 2022	9 months ended 31 Dec 2023	9 months ended 31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Commission income	(5)	(12)	(34)	(33)
Royalties payable	2,590	2,476	7,171	8,582
Sales	(34,397)	(21,514)	(93,036)	(83,124)
Purchases	80,340	47,986	240,187	226,634
Purchase of assets	13	408	64	966
IT shared services and maintenance	720	601	2,141	1,761
Other expenses	140	506	622	1,598
Interest expense	305	252	830	252

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 ("SPA") 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. All the conditions precedent in the SPA had been fulfilled and the SPA had become unconditional on 6 December 2023. The Proposed Disposal is expected to be completed by March 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 31 December 2023 are as follows:

	RM'000
Assets held for sale:	
Property, plant and equipment	13
Right-of-use assets	16,609
	<u>16,622</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 announced on 20 July 2023 that it entered into a conditional sale and purchase agreement (“SPA”) 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.

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The Company announced on 6 December 2023 that all the conditions precedent as set out in the SPA had been fulfilled and the SPA had become unconditional in accordance with its terms and conditions on the same date. The Proposed Disposal is expected to be completed by March 2024.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

1 Review of Performance

Current Quarter vs Corresponding Quarter of last year

In the current quarter, the Company recorded higher revenue of RM170.8 million as compared to RM146.2 million in the corresponding quarter last year. This growth was contributed by higher revenue in both Consumer Business segment and Industrial Business segment. Consumer Business segment revenue in the current quarter was RM128 million, an 8.8% increase from the RM117.7 million recorded in the corresponding quarter last year. The increase was primarily due to better selling price of AJI-NO-MOTO® in both domestic and export markets. The Industrial Business segment grew by 50.3% from RM 28.4 million to RM 42.8 million driven by higher sales volume and improved selling price of industrial seasoning products.

Operating profit for the current quarter was RM19.7 million, a substantial increase from the RM4.3 million recorded in the corresponding quarter last year. The increase was mainly contributed by higher sales revenue and lower administrative expenses in the current quarter. The Company also incurred other finance expenses of 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 RM19.2 million in the current quarter as compared to profit before tax of RM3.3 million in the corresponding quarter last year.

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

The Company revenue in the current quarter was RM170.8 million as compared to RM164.3 million reported in the immediate preceding quarter. This increase was mainly contributed by higher sales volume and increased sales revenue in the Industrial Business segment.

The Company recorded higher operating profit of RM19.7 million in the current quarter as compared to the operating profit of RM14.3 million in the immediate preceding quarter. The increase was mainly contributed by higher sales revenue and lower key raw material cost in the current quarter. Profit before tax in the current quarter of RM19.2 million was also higher than that of the immediate preceding quarter of RM13.8 million.

3 Commentary on Prospects

Geopolitical conflicts, global inflation and rising costs of living have also impacted Malaysians and companies in Malaysia. The Company recognises the challenges ahead given the environment and will continue to monitor and review its plans and strategies accordingly.

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 2023 RM'000	3 months ended 31 Dec 2022 RM'000	9 months ended 31 Dec 2023 RM'000	9 months ended 31 Dec 2022 RM'000
Malaysian income tax :				
Current year	75	28	198	83
Deferred tax :				
Current year	4,533	950	11,678	1,849
	<u>4,608</u>	<u>978</u>	<u>11,876</u>	<u>1,932</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 Part A, Note 14.

7 Loan and Borrowing

	At 31 Dec 2023 RM'000	At 31 Dec 2022 RM'000
Islamic financing facility – unsecured		
Current	33,511	33,607
Non-current	33,231	66,440
	<u>66,742</u>	<u>100,047</u>

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 23rd February 2024, 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 31 Dec 2023	3 months ended 31 Dec 2022	9 months ended 31 Dec 2023	9 months ended 31 Dec 2022
Profit attributable to ordinary shareholders of the Company (RM'000)	14,648	2,304	37,213	4,392
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	24.09	3.79	61.21	7.22

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 2023 RM'000	3 months ended 31 Dec 2022 RM'000	9 months ended 31 Dec 2023 RM'000	9 months ended 31 Dec 2022 RM'000
(a) Finance income:				
Interest income	(258)	(111)	(713)	(335)
Distribution from liquid investments	(54)	(6)	(111)	(11)
(b) Profit on Islamic financing	573	810	1,913	2,385
(c) Interest expense on advance from holding company	305	252	830	252
(d) Depreciation of property, plant and equipment	5,508	4,577	16,422	12,030
(e) Amortization of intangible assets	913	753	2,653	2,117
(f) Depreciation of right-of-use assets	428	446	1,302	1,216
(g) Write off of inventories	1,630	92	3,137	55
(h) Foreign exchange loss/(gain) – realized	621	(228)	1,353	947
(i) Foreign exchange loss/(gain) – unrealized	610	1,527	(96)	(721)
(j) Gain on disposal of property, plant and equipment	(2)	(208)	(46)	(286)
(k) Property, plant and equipment written off	1,995	-	2,060	33
(l) Fair value gain on liquid investments	(341)	(118)	(711)	(261)
(m) Gain on derivatives	(519)	(912)	(355)	(519)

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
29th February 2024

Chua Siew Chuan
Yeow Sze Min
Company Secretaries