

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

Notes to the interim financial report for the period ended 31 March 2024

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.

There was no dividend paid in the current quarter under review.

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 Mar 2024			
Revenue from external customers	116,135	36,627	152,762
Operating profit	8,082	3,999	12,081
3 months ended 31 Mar 2023			
Revenue from external customers	122,059	35,859	157,918
Operating profit	7,611	2,955	10,566
12 months ended 31 Mar 2024			
Revenue from external customers	484,242	152,204	636,446
Operating profit	44,992	15,239	60,231
12 months ended 31 Mar 2023			
Revenue from external customers	462,064	141,683	603,747
Operating profit	4,081	15,329	19,410

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 Mar 2024	96,284	23,313	30,240	2,925	152,762
3 months ended 31 Mar 2023	95,470	31,194	29,143	2,111	157,918
12 months ended 31 Mar 2024	361,762	135,451	129,528	9,705	636,446
12 months ended 31 Mar 2023	345,695	132,590	118,228	7,234	603,747

8 Other Income

Included in the other income for the current quarter under review was the gain on disposal of assets held for sale of RM391.4 million.

9 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 March 2024 other than as disclosed Part A, Note 15.

10 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.

11 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.

12 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 March 2024 is RM11.7 million.

13 Related Party Transactions

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

	3 months ended 31 Mar 2024	3 months ended 31 Mar 2023	12 months ended 31 Mar 2024	12 months ended 31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Commission income	(2)	(41)	(36)	(74)
Royalties payable	2,422	2,481	9,593	11,063
Sales	(28,613)	(28,626)	(121,649)	(111,750)
Purchases	50,902	48,066	291,089	274,700
Purchase of assets	1	1,135	65	2,101
IT shared services and maintenance	703	534	2,844	2,295
Other expenses	1,365	(551)	1,987	1,047
Interest expense	289	259	1,119	511

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

14 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. All the conditions precedent in the SPA had been fulfilled and the SPA had become unconditional on 6 December 2023. The Proposed Disposal was completed on 11 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.

15 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.

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.

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 Company announced on 11 March 2024 that the Balance Purchase Price has been fully paid by Paragon TSL Sdn Bhd to the Company’s solicitors as stakeholders and the same has been subsequently released to the Company on the same date. Following thereto, the Proposed Disposal has been completed on 11 March 2024 in accordance with the terms and conditions of the SPA.

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 lower revenue of RM152.7 million in the current quarter compared to RM157.9 million in the corresponding quarter last year. Consumer Business segment revenue in the current quarter was RM116.1 million as compared to the revenue of RM122.1 million recorded in the corresponding quarter last year. The decrease was mainly attributed to lower sales volume of AJI-NO-MOTO® in both domestic and export markets. However, Industrial Business segment revenue was higher in the current quarter at RM36.6 million as compared to the revenue of RM35.8 million in the corresponding quarter last year, contributed by higher sales volume of industrial seasoning products.

Operating profit in the current quarter was RM12.1 million, better than the operating profit of RM10.5 million recorded in the corresponding quarter last year due to lower selling and administrative expenses. The Company recorded a gain of RM391.4 million on disposal of assets held for sale during the current quarter. Finance income was at RM1.2 million, contributed by higher placement of funds with licensed financial institutions, while finance expenses were RM1.1 million mainly for financing cost from borrowings. As a result, profit before tax of the Company was RM403.5 million in the current quarter as compared to profit before tax of RM9.5 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 RM152.7 million as compared to RM170.8 million reported in the immediate preceding quarter. The decline in revenue was mainly due to lower sales volume in both business segment.

Operating profit was RM12.1 million in the current quarter as compared to the operating profit of RM19.7 million in the immediate preceding quarter. The decrease was mainly due to lower sales revenue and sales volume in both business segments in the current quarter. The profit before tax increased to RM403.5 million in the current quarter as compared to RM19.2 million in the immediate preceding quarter after the recognition of gain on disposal of assets held for sale of RM391.4 million in the current quarter.

3 Commentary on Prospects

The economic headwinds from the geopolitical conflicts continue to have impact on our cost of import and profit margins. The Company will closely monitor the development in the political and business environment and review the impacts to our business and shall take appropriate actions to maintain our margins and profitability.

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 Mar 2024 RM'000	3 months ended 31 Mar 2023 RM'000	12 months ended 31 Mar 2024 RM'000	12 months ended 31 Mar 2023 RM'000
Malaysian income tax :				
Current year	158	33	356	116
Under/(over) provision in respect of prior year	2	(3,662)	2	(3,662)
Deferred tax :				
Current year	3,061	(11,672)	14,739	(9,823)
Under provision in respect of prior year	907	1,738	907	1,738
Real Property Gain Tax	35,161	-	35,161	-
	<u>39,289</u>	<u>(13,563)</u>	<u>51,165</u>	<u>(11,631)</u>

After excluding the real property gain tax effect on the gain on disposal of property, plant and machinery in old factory, the effective tax rate for the current quarter was higher than the income tax rate of 24% due to certain non-tax deductible expenses and the taken up of deferred tax underprovided in prior 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 Part A, Note 15.

7 Loan and Borrowing

	At 31 Mar 2024 RM'000	At 31 Mar 2023 RM'000
Islamic financing facility – unsecured		
Current	58,482	33,583
Non-current	-	58,142
	<u>58,482</u>	<u>91,725</u>

The Islamic financing facility is denominated in Ringgit Malaysia.

8 Material Litigation

There was no material litigation as at 24th May 2024, 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 do not recommend any dividend for the current quarter under review.

However, the Directors, as announced on 2 May 2024, declared a special one-off single-tier dividend in respect of the financial year ended 31 March 2025 of RM2.12 per ordinary share, amounting to a dividend payable of RM128,892,892. The special one-off single tier dividend payment date is 30 May 2024.

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 Mar 2024	3 months ended 31 Mar 2023	12 months ended 31 Mar 2024	12 months ended 31 Mar 2023
Profit attributable to ordinary shareholders of the Company (RM'000)	364,207	23,100	401,420	27,492
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	599.04	37.99	660.25	45.22

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 Mar 2024 RM'000	3 months ended 31 Mar 2023 RM'000	12 months ended 31 Mar 2024 RM'000	12 months ended 31 Mar 2023 RM'000
(a) Finance income:				
Interest income	(533)	(133)	(1,246)	(468)
Distribution from liquid investments	(131)	(6)	(242)	(17)
(b) Profit on Islamic financing	575	755	2,488	3,140
(c) Interest expense on advance from holding company	289	259	1,119	511
(d) Depreciation of property, plant and equipment	5,562	6,034	21,984	18,064
(e) Amortization of intangible assets	970	809	3,623	2,926
(f) Depreciation of right-of-use assets	448	519	1,750	1,735
(g) (Reversal of inventories written off)/write off of inventories	(1,886)	693	1,251	748
(h) Foreign exchange loss – realized	424	637	1,777	1,584
(i) Foreign exchange gain – unrealized	(635)	(610)	(731)	(1,331)
(j) Gain on disposal of assets held for sale	(391,378)	-	(394,231)	-
(k) Loss/(Gain) on disposal of property, plant and equipment	6	(72)	(40)	(358)
(l) Property, plant and equipment written off	20	3	85	36
(m) Intangible asset written off	-	-	1,995	-
(n) Fair value gain on liquid investments	(502)	(151)	(1,213)	(412)
(o) Loss/(gain) on derivatives	321	420	(34)	(99)

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 May 2024

Chua Siew Chuan
Yeow Sze Min
Company Secretaries