

Another demand for Islamic finance out of Japan



JAPAN

By Dr Etsuaki Yoshida

On the 13th August 2019, Japanese company Ajinomoto announced its plans to establish a new factory worth RM355 million (US\$84.97 million).

Ajinomoto, a seasoning and food manufacturer, plans to expand its production capacity of Halal foods through its Malaysian subsidiary.

Ajinomoto (Malaysia)'s investment is to strengthen manufacturing facilities and research and development for Halal products, including an administrative office for Halal food production in Techpark@Enstek based in Negeri Sembilan, Malaysia.

The two million square foot land in the industrial estate was acquired from Lembaga Tabung Haji for RM86 million (US\$20.58 million) in February 2018.

The construction will be initiated in October and expected completion is in March 2022.

Currently, there is no publicly available detailed information on the financing for this investment, or if the majority of the payment is made using the company's own funds. Still, this case implies that there will be more demand for Islamic finance from Japanese corporates.

As many people probably know, Japanese industries are keen to promote the Halal-related business not only in Japan but in Muslim-majority regions as well.

Not just inbound Halal restaurants and other tourism-related business, but exporters of Halal agricultural products and other processed foods are also positive toward promoting the Halal-related business.

The growing interest in the Halal-related business should imply that there will be more demand for Islamic finance from Japanese companies, considering the positive effects of using Islamic finance on their marketing purposes and reputation strategy as a Muslim-friendly company.

Apart from Malaysia, Ajinomoto is quite famous in Indonesia because of its popular seasoning called 'Masako'. Masako is a common name of a typical Japanese woman.

Likewise, oyster sauce seasoning in Indonesia is called 'Saori' and mayonnaise is 'Mayumi' which are also popular female names in Japan.

The Indonesian subsidiary lifted its production capacity of the Masako seasoning two years ago to respond to increasing demand in the country, with a local market share of more than 60%.

Let's just hope that the Ajinomoto subsidiaries in both Indonesia and Malaysia will use Islamic finance in expanding the Muslim-friendly business in both countries. ☺

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Qatar Central Bank centralizes Islamic banking supervision



QATAR

By Amjad Hussain

The Qatar Central Bank (QCB) has announced that it will adopt a central supervision approach for the entire Islamic finance sector in Qatar. This is similar to the approaches already taken by Malaysia, Indonesia and other GCC countries in order to harmonize Shariah compliant financial products and services.

The implementation of this approach will establish a centralized Shariah supervisory body and create Shariah standards to govern Islamic banking products and transactions. The approach will end the self-governance of Qatari Islamic banks by individual Shariah boards and help overcome some non-standard financial product structures. The QCB will soon announce further details, including the date of the launch of such a supervisory body and how it will operate. This is a major

breakthrough for the industry and has been welcomed by banks and analysts alike. It will help create greater certainty within the market and give more comfort to users of Islamic finance.

Companies listed on the Qatar Stock Exchange (QSE) have disclosed their financial results for the second half of 2019 ending on the 30th June 2019. The results showed a net profit of QAR19.6 billion (US\$5.37 billion) compared with QAR20.9 billion (US\$5.73 billion) for the same period last year — a decrease of 6.22%. This is not unexpected given that the year started slowly.

Qatar Islamic Bank (QIB) was named the 'Islamic Bank of the Year' and 'Best Islamic Retail Bank in Qatar' by Asset Magazine. QIB's net profit for the first half of 2019 amounted to QAR1.42 billion (US\$389.25 million), showing a growth of 7.5% over the same period in 2018. The growth and awards reflect QIB's successful growth strategy.

Local banks have either disclosed or will soon begin disclosing their half-yearly results, and that would be an important time to assess how the sector is progressing in 2019.

The QCB said in its 2018 report which was released this month that Qatar is likely to maintain its position as one of the fastest-growing economies in the region. The report indicated that favorable movements in global oil prices, strong exports and improvement in the fiscal balance are likely to provide overall stability throughout 2019.

While the summer continues to be quiet, the QCB's announcement to create greater uniformity has brought about much positivity and optimism in the local market. ☺

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