

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

Notes to the interim financial report for the period ended 30 Sept 2013

A EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation

These condensed consolidated 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 for the annual audited financial statements for the year ended 31 March 2013, except for the adoption of the following standards, where applicable :

- Amendments to MFRS 101 : Presentation of Financial Statements
(Annual Improvements 2009-2011 Cycle)
- MFRS 119 : Employee Benefits
- Amendments to MFRS 7 : Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
- Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards
(Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment
(Annual Improvements 2009-2011 Cycle)
- Amendment to MFRS 132 : Financial Instruments: Presentation
(Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134 : Interim Financial Reporting
(Annual Improvements 2009-2011 Cycle)

The adoption of the above standards does not have significant financial 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

Following a review of the life expectancy of the Company's plant & machinery, management has decided to revise the estimated useful lives of certain plant & machinery from 10 years to 15 years with effect from April 2013. The revision of the useful lives is applied prospectively and has the effect of increasing the Company's profit before tax for the current quarter by RM824,000 and cumulative YTD of RM1,324,000. There were no other 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 dividends in the current quarter.

7 Segmental Reporting

a. Business Segment:

The Company's business may be broadly categorized into two major segments - Umami Segment and Food & Seasoning Segment. Umami Segment consists of the manufacture and distribution of Monosodium Glutamate (MSG) and related products. The Food & Seasoning Segment consists of the manufacture and distribution of Industrial Seasonings, retail flavor seasoning ("TUMIX") and related seasonings. Other products sold by the Company include trading goods such as industrial sweetener, feed-use amino acids and frozen food.

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 30 Sept 2013				
Revenue from external customers	62,359	25,988	172	88,519
Operating profit	7,649	3,093	15	10,757
6 months ended 30 Sept 2013				
Revenue from external customers	124,126	51,804	360	176,290
Operating profit	15,269	6,464	21	21,754
3 months ended 30 Sept 2012				
Revenue from external customers	59,147	27,373	72	86,592
Operating profit	5,802	2,512	17	8,331
6 months ended 30 Sept 2012				
Revenue from external customers	115,215	52,073	225	167,513
Operating profit	11,087	4,680	33	15,800

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 Sept 2013	59,976	9,356	18,359	828	88,519
6 months ended 30 Sept 2013	119,785	19,272	35,605	1,628	176,290
3 months ended 30 Sept 2012	57,075	8,355	20,176	986	86,592
6 months ended 30 Sept 2012	111,480	16,478	37,502	2,053	167,513

8 Material Events Subsequent to the Balance Sheet Date

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 Sept 2013.

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 amount of commitments for the purchase of plant and equipment not provided for in the interim financial statement as at 30 Sept 2013 is as follows:

	RM'000
Approved and contracted for	4,804
Approved but not contracted for	11,827
	<u>16,631</u>

12 Related Party Transactions

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

	3 month ended 30 Sept 2013 RM'000	6 month ended 30 Sept 2013 RM'000	3 month ended 30 Sept 2012 RM'000	6 month ended 30 Sept 2012 RM'000
Commission income	2	5	6	59
Royalties payable	2,136	4,234	2,077	4,033
Sales	15,493	30,045	17,342	32,550
Purchases	28,137	67,599	35,721	68,367
Purchase of assets	77	223	45	72
Promotion expenses	44	91	22	113
IT shared services and maintenance	487	970	584	1,188
Other expenses	19	25	44	106

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

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 revenue of RM88.5 million in the current quarter compared to RM86.6.9 million in the corresponding quarter last year. Operating profit increased from RM8.3 million in the corresponding quarter last year to RM10.8 million in the current quarter in line with the higher revenue and contributed by lower raw material and overhead costs, including lower depreciation.

The Umami segment recorded 5.4% higher revenue compared to the corresponding quarter last year due to higher consumer sales of “AJI-NO-MOTO”, whilst the Food & Seasoning segment recorded 5.1% lower revenue due mainly to lower sales of Industrial Seasoning products.

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

Revenue in the current quarter of RM88.5 million is marginally higher than the RM87.8 million recorded in the immediate preceding quarter. Operating profit however decreased from RM11.0 million to RM10.8 million.

Revenue in the Umami segment increased from RM61.8 million to RM62.4 million in the current quarter compared to the immediate preceding quarter due to higher retail sales of “AJI-NO-MOTO”. Revenue of the Food & Seasoning segment increased from RM25.8 million in the immediate preceding quarter to RM26.0 million in the current quarter due to higher sales of Industrial Seasoning products.

3 Commentary on Prospects

Raw material prices should remain steady but competition from rival products is expected to intensify in the months ahead. In view of the challenging competition, the Company will need to increase its marketing efforts in the second half of this financial year to increase sales and market share, both locally and in the export markets. The Directors expect the Company’s performance in the second half year to be satisfactory.

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 month ended 30 Sept 2013 RM’000	6 month ended 30 Sept 2013 RM’000	3 month ended 30 Sept 2012 RM’000	6 month ended 30 Sept 2012 RM’000
Malaysian income tax :				
Current year	3,175	6,209	2,410	4,685
Deferred tax :				
Current year	(282)	(164)	(224)	(224)
	<u>2,893</u>	<u>6,045</u>	<u>2,186</u>	<u>4,461</u>

The effective tax rate of the tax provision for the financial year under review is higher than the statutory tax rate due to certain tax disallowed expenses incurred by the Company.

6 Status of Corporate Proposals

There were no corporate proposals announced by the Company as at the date of this report.

7 Borrowings and Debt Securities

As at the end of the period under review, the Company has no borrowings nor issued any debt securities.

8 Material Litigation

There are no material litigation as at 20 August 2013, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9 Dividend Payable

At the recently concluded 52nd Annual General Meeting, the shareholders approved the payment of a first and final dividend of 11% less 25% taxation and 9% tax exempt amounting to RM10,487,747, in respect of the year ended 31 March 2013. This dividend was paid on 22 October 2013.

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 month ended 30 Sept 2013	6 month ended 30 Sept 2013	3 month ended 30 Sept 2012	6 month ended 30 Sept 2012
Profit attributable to ordinary shareholders of the Company (RM'000)	8,275	16,586	6,365	11,957
Weighted average number of ordinary shares in issue ('000)	60,798	60,798	60,798	60,798
Earnings per share attributable to equity holders of the company (sen)				
-Basic	13.61	27.28	10.47	19.67

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 Disclosure of Realised And Unrealised Profits/(Losses)

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The retained profits are analysed as follows:

	As at end of 30 Sept 2013 RM'000	As at end of 30 Sept 2012 RM'000
Realised	188,859	175,413
Unrealised	(3,645)	(3,744)
Total retained profits as per statement of financial position	185,214	171,669

The determination of realised and unrealised profits is based on the Guidedance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

12 Notes to the Condensed Statement of Comprehensive Income

Profit before tax is arrived at after charging/(crediting) the following items:

	3 months ended 30 Sept 2013 RM'000	6 months ended 30 Sept 2013 RM'000	3 months ended 30 Sept 2012 RM'000	6 months ended 30 Sept 2012 RM'000
(a) interest income	(575)	(1,012)	(567)	(955)
(b) other income – rental	(147)	(294)	(147)	(294)
(c) depreciation and amortization	2,489	4,932	3,253	6,457
(d) provision for and write off of inventories	172	277	23	121
(e) foreign exchange (gain)/loss – realised	(186)	63	(47)	160
(f) foreign exchange (gain)/loss - unrealised	786	239	734	575
(g) (gain)/loss on derivatives	(278)	162	(136)	23

By Order of the Board

Kuala Lumpur
26th November 2013

Chua Siew Chuan
Company Secretary