

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

Notes to the interim financial report for the period ended 31 Dec 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 RM826,000 and cumulative YTD of RM2,150,000. 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 paid a first and final dividend of 11% less 25% taxation and 9% tax exempt in respect of the financial year ended 31 March 2013, amounting to RM10,487,747 on 22 October 2013.

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 and frozen food.

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 31 Dec 2013				
Revenue from external customers	55,332	26,045	93	81,470
Operating profit	3,005	4,627	(9)	7,623
9 months ended 31 Dec 2013				
Revenue from external customers	179,458	77,849	453	257,760
Operating profit	18,274	11,091	12	29,377
3 months ended 31 Dec 2012				
Revenue from external customers	59,453	21,104	170	80,727
Operating profit	4,543	287	(15)	4,815
9 months ended 31 Dec 2012				
Revenue from external customers	174,668	73,177	395	248,240
Operating profit	15,630	4,967	15	20,612

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 2013	55,249	7,276	18,181	764	81,470
9 months ended 31 Dec 2013	175,034	26,548	53,786	2,392	257,760
3 months ended 31 Dec 2012	56,551	9,949	13,479	748	80,727
9 months ended 31 Dec 2012	168,031	26,427	50,981	2,801	248,240

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 31 Dec 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 31 Dec 2013 is as follows:

	RM'000
Approved and contracted for	9,596
Approved but not contracted for	7,035
	16,631

12 Related Party Transactions

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

	3 months ended 31 Dec 2013 RM'000	9 months ended 31 Dec 2013 RM'000	3 months ended 31 Dec 2012 RM'000	9 months ended 31 Dec 2012 RM'000
Commission income	-	5	-	59
Royalties payable	1,948	6,182	1,944	5,977
Sales	15,325	45,370	10,326	42,876
Purchases	28,528	96,127	29,565	97,932
Purchase of assets	853	1,076	891	963
Promotion expenses	30	121	13	963
IT shared services and maintenance	470	1,440	538	1,726
Other expenses	64	89	-	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 RM81.5 million in the current quarter compared to RM80.7 million in the corresponding quarter last year. Operating profit increased from RM4.8 million in the corresponding quarter last year to RM7.6 million in the current quarter, attributed to lower raw material prices, lower depreciation charge as well as higher profit margin from higher sales of Industrial Food & Seasoning.

The Umami segment recorded 6.9% lower revenue compared to the corresponding quarter last year due mainly to lower consumer sales of “AJI-NO-MOTO”, whilst the Food & Seasoning segment recorded 23.4% higher revenue due to higher 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 RM81.5 million is lower than the RM88.5 million recorded in the immediate preceding quarter. Operating profit also decreased from RM10.8 million to RM7.6 million, in line with the lower sales as well as higher marketing expenses incurred in the current quarter.

The decline in revenue in the current quarter is mainly due to lower consumer sales of “AJI-NO-MOTO” which resulted in sales in the Umami segment decreasing from RM62.4 million in the immediate preceding quarter to RM55.3 million. Revenue of the Food & Seasoning segment remained relatively unchanged at RM26.0 million.

3 Commentary on Prospects

The price of the main raw material for the production of “AJI-NO-MOTO” is expected to be on a downtrend in the fourth quarter of this financial year which will help reduce production costs. However the stronger exchange rate for the US dollar against the Ringgit will partially offset this savings. The Company will conduct its scheduled factory maintenance shut down in March 2014 thus incurring higher costs. In addition, the Company is expected to incur higher marketing expenses in order to maintain market share in the fourth quarter.

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 2013 RM'000	9 months ended 31 Dec 2013 RM'000	3 months ended 31 Dec 2012 RM'000	9 months ended 31 Dec 2012 RM'000
Malaysian income tax :				
Current year	1,912	8,121	1,614	6,299
Underprovision in respect of prior year	(79)	(79)	468	468
Deferred tax :				
Current year	419	255	(11)	(235)
Underprovision in respect of prior year	150	150	489	489
	2,402	8,447	2,560	7,021

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 were no material litigation as at 21 February 2014, 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 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 by the company.

	3 months ended 31 Dec 2013	9 months ended 31 Dec 2013	3 months ended 31 Dec 2012	9 months ended 31 Dec 2012
Profit attributable to ordinary shareholders of the Company (RM'000)	6,173	22,759	3,015	14,969
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	10.15	37.43	4.96	24.62

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 31 Dec 2013 RM'000	As at end of 31 Dec 2012 RM'000
Realised	195,216	178,584
Unrealised	(3,829)	(3,904)
Total retained profits as per statement of financial position	191,387	174,680

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 31 Dec 2013 RM'000	9 months ended 31 Dec 2013 RM'000	3 months ended 31 Dec 2012 RM'000	9 months ended 31 Dec 2012 RM'000
(a) interest income	(870)	(1,882)	(448)	(1,403)
(b) other income – rental	(146)	(440)	(146)	(440)
(c) depreciation and amortization	2,556	7,488	3,419	9,876
(d) provision for and write off of inventories	86	363	10	131
(e) foreign exchange (gain)/loss – realised	402	465	212	372
(f) foreign exchange (gain)/loss - unrealised	(385)	(146)	(316)	259
(g) (gain)/loss on derivatives	79	241	(7)	16

By Order of the Board

Kuala Lumpur
20th February 2014

Chua Siew Chuan
Company Secretary