

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

Notes to the interim financial report for the period ended 30 September 2014

A EXPLANATORY NOTES

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 in the annual audited financial statements for the year ended 31 March 2014, except for the adoption of the following standards, amendments and interpretation effective for the financial periods beginning on or after 1 January 2014 :

- Amendment to MFRS 132 : Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136 : Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139 : Novation of Derivatives and Continuation Hedge Accounting
- IC Interpretation 21 : Levies

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 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 segment consists of products sold by the Company including trading goods such as industrial sweetener and frozen food as well as provision of services in relation to food industry.

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 30 Sep 2014				
Revenue from external customers	61,654	26,218	588	88,460
Operating profit	7,913	1,080	171	9,164
3 months ended 30 Sep 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 Sep 2014				
Revenue from external customers	120,453	53,132	1,061	174,646
Operating profit	15,642	3,412	517	19,571
6 months ended 30 Sep 2013				
Revenue from external customers	124,126	51,804	360	176,290
Operating profit	15,269	6,464	21	21,754

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 Sep 2014	58,513	9,561	18,831	1,555	88,460
3 months ended 30 Sep 2013	59,976	9,356	18,359	828	88,519
6 months ended 30 Sep 2014	114,458	19,820	38,015	2,353	174,646
6 months ended 30 Sep 2013	119,785	19,272	35,605	1,628	176,290

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 September 2014.

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 September 2014 is as follows:

	RM'000
Approved and contracted for	2,816
Approved but not contracted for	15,134
	17,950
	17,950

12 Related Party Transactions

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

	3 months ended 30 Sep 2014 RM'000	3 months ended 30 Sep 2013 RM'000	6 months ended 30 Sep 2014 RM'000	6 months ended 30 Sep 2013 RM'000
Commission income	4	2	4	5
Royalties payable	2,098	2,136	4,184	4,234
Sales	16,134	15,493	33,660	30,045
Purchases	37,835	28,137	73,027	67,599
Purchase of assets	214	77	214	223
Promotion expenses	-	44	32	91
IT shared services and maintenance	480	487	986	970
Other expenses	240	19	263	25
	240	19	263	25

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 sustained the revenue of RM88.5 million in the current quarter as achieved in the corresponding quarter last year. Operating profit was lower at RM9.2 million compared to RM10.8 million in the corresponding quarter last year due mainly to higher advertising expenses incurred in current quarter.

Revenue of the Umami segment was marginally lower whilst the Food & Seasoning segment slightly improved and this resulted in sustainable revenue in current quarter.

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 was higher than the RM86.2 million recorded in the immediate preceding quarter. Operating profit was RM9.2 million in the current quarter as compared to the operating profit in the immediate preceding quarter of RM10.4 million. The decrease was mainly due to higher advertising expenses incurred in the current quarter.

The Umami segment recorded 4.9% higher revenue compared to the immediate preceding quarter mainly due to increased consumer sales of “AJI-NO-MOTO”. Revenue from the Food & Seasoning segment decreased by 2.6% compared to the immediate preceding quarter due to slower sales of Industrial products.

3 Commentary on Prospects

The business and global economic environment is expected to remain challenging. It is envisaged that market competition will increase, possible strengthening of US Dollar against Malaysian Ringgit and hike in raw material price in the second half of the financial year. Management will strive to sustain revenue growth and continue to improve productivity and efficiency in business operations.

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 30 Sep 2014 RM'000	3 months ended 30 Sep 2013 RM'000	6 months ended 30 Sep 2014 RM'000	6 months ended 30 Sep 2013 RM'000
Malaysian income tax :				
Current year	2,804	3,175	5,622	6,209
Deferred tax :				
Current year	(136)	(282)	168	(164)
	<u>2,668</u>	<u>2,893</u>	<u>5,790</u>	<u>6,045</u>

The effective tax rate of the tax provision for the financial period 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 11 November 2014, 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 53rd Annual General Meeting, the shareholders approved the payment of a first and final single-tier dividend of 18.5 sen per ordinary share amounting to RM11,247,729 in respect of the financial year ended 31 March 2014. The dividend was paid on 21 October 2014.

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 30 Sep 2014	3 months ended 30 Sep 2013	6 months ended 30 Sep 2014	6 months ended 30 Sep 2013
Profit attributable to ordinary shareholders of the Company (RM'000)	7,620	8,275	15,845	16,586
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	12.53	13.61	26.06	27.28

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 Sep 2014 RM'000	As at end of 30 Sep 2013 RM'000
Realised	204,355	188,858
Unrealised	(3,090)	(3,645)
Total retained profits as per statement of financial position	201,265	185,213

The determination of realised and unrealised profits is based on the Guidance 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 Sep 2014 RM'000	3 months ended 30 Sep 2013 RM'000	6 months ended 30 Sep 2014 RM'000	6 months ended 30 Sep 2013 RM'000
(a) Interest income	(831)	(575)	(1,596)	(1,012)
(b) Other income – rental	(195)	(147)	(389)	(294)
(c) Depreciation and amortization	2,620	2,489	5,195	4,932
(d) Provision for and write off of inventories	228	172	243	277
(e) Foreign exchange (gain)/loss – realised	(51)	(186)	158	63
(f) Foreign exchange (gain)/loss - unrealised	(347)	786	(532)	239
(g) (Gain)/loss on derivatives	330	(278)	369	162

By Order of the Board

Kuala Lumpur
17th November 2014

Chua Siew Chuan
Company Secretary