

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

Notes to the interim financial report for the period ended 31 December 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 paid 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 on 21 October 2014.

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 31 Dec 2014				
Revenue from external customers	58,862	25,295	510	84,667
Operating profit	8,746	631	97	9,474
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 2014				
Revenue from external customers	179,315	78,427	1,571	259,313
Operating profit	24,388	4,043	614	29,045
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

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 2014	54,938	11,645	17,252	832	84,667
3 months ended 31 Dec 2013	55,249	7,276	18,181	764	81,470
9 months ended 31 Dec 2014	169,396	31,465	55,267	3,185	259,313
9 months ended 31 Dec 2013	175,034	26,548	53,786	2,392	257,760

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 December 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 31 December 2014 is as follows:

	RM'000
Approved and contracted for	4,842
Approved but not contracted for	13,108
	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 31 Dec 2014 RM'000	3 months ended 31 Dec 2013 RM'000	9 months ended 31 Dec 2014 RM'000	9 months ended 31 Dec 2013 RM'000
Commission income	(2)	-	(6)	(5)
Royalties payable	2,087	1,948	6,271	6,182
Sales	(14,713)	(15,325)	(48,373)	(45,370)
Purchases	21,092	28,528	94,119	96,127
Purchase of assets	229	853	443	1,076
Promotion expenses	6	30	38	121
IT shared services and maintenance	478	470	1,464	1,440
Other expenses	160	64	423	89
	160	64	423	89

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 RM84.7 million in the current quarter compared to RM81.5 million in the corresponding quarter last year. Operating profit increased from RM7.6 million in the corresponding quarter last year to RM9.5 million in the current quarter mainly due to lower energy prices and advertising expenses.

Improvement in revenue in current quarter was contributed by the increase in the revenue of the Umami segment by 6.4% even though revenue in the Food & Seasoning segment decreased by 2.9% due to softer demand in industrial products.

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

Revenue in the current quarter of RM84.7 million was lower than the RM88.5 million recorded in the immediate preceding quarter. However operating profit of RM9.5 million in the current quarter was higher than the operating profit in the immediate preceding quarter of RM9.2 million mainly due to lower advertising expenses and other operating expenses in the current quarter.

The revenue in Umami segment for the current quarter was reduced by 4.5% from the revenue in the immediate preceding quarter due to weaker “AJI-NO-MOTO” consumer sales. Revenue from the Food & Seasoning segment decreased by 3.5% compared to the immediate preceding quarter due to drop in Industrial product sales.

3 Commentary on Prospects

The strengthening of US Dollar will have an impact on the raw material price which will affect the profit margin of the Company. Additional challenge for the Company will be the uncertainties arising after the implementation of the Goods and Services Tax on 1st April 2015. The Management will focus on targeting stable growth in revenue and effective cost management.

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 2014 RM'000	3 months ended 31 Dec 2013 RM'000	9 months ended 31 Dec 2014 RM'000	9 months ended 31 Dec 2013 RM'000
Malaysian income tax :				
Current year	2,248	1,912	7,870	8,121
Overprovision in respect of prior year	(166)	(79)	(166)	(79)
Deferred tax :				
Current year	488	419	656	255
Underprovision in respect of prior year	-	150	-	150
	<u>2,570</u>	<u>2,402</u>	<u>8,360</u>	<u>8,447</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 12 February 2015, 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 of 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 2014	3 months ended 31 Dec 2013	9 months ended 31 Dec 2014	9 months ended 31 Dec 2013
Profit attributable to ordinary shareholders of the Company (RM'000)	8,202	6,173	24,047	22,759
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	13.49	10.15	39.55	37.43

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 2014 RM'000	As at end of 31 Dec 2013 RM'000
Realised	212,743	195,215
Unrealised	(3,276)	(3,829)
Total retained profits as per statement of financial position	209,467	191,386

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 31 Dec 2014 RM'000	3 months ended 31 Dec 2013 RM'000	9 months ended 31 Dec 2014 RM'000	9 months ended 31 Dec 2013 RM'000
(a) Interest income	(932)	(870)	(2,528)	(1,882)
(b) Other income – rental	(195)	(146)	(584)	(440)
(c) Depreciation and amortization	2,666	2,556	7,861	7,488
(d) Provision for and write off of inventories	10	86	253	363
(e) Foreign exchange (gain)/loss – realised	88	402	246	465
(f) Foreign exchange (gain)/loss - unrealised	(302)	(385)	(834)	(146)
(g) (Gain)/loss on derivatives	47	79	416	241

By Order of the Board

Kuala Lumpur
16th February 2015

Chua Siew Chuan
Company Secretary