

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

Notes to the interim financial report for the period ended 30 June 2015

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 2015, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 July 2014 :

- Amendment to MFRS 2 : Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 3 : Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendment to MFRS 8 : Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 13 : Fair Value Measurement (Annual Improvements 2011-2013 Cycle)
- Amendment to MFRS 116 : Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 119 : Employee Benefits – Defined Benefit Plans : Employee Contributions
- Amendment to MFRS 124 : Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 138 : Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 140 : Investment Property (Annual Improvements 2011-2013 Cycle)

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 Jun 2015				
Revenue from external customers	64,247	30,598	673	95,518
Operating profit	9,061	3,408	140	12,609
3 months ended 30 Jun 2014				
Revenue from external customers	58,799	26,914	473	86,186
Operating profit	7,729	2,332	346	10,407

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 Jun 2015	60,776	11,471	22,435	836	95,518
3 months ended 30 Jun 2014	55,945	10,259	19,184	798	86,186

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 June 2015.

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 June 2015 is as follows:

	RM'000
Approved and contracted for	1,592
Approved but not contracted for	20,003
	21,595

12 Related Party Transactions

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

	3 months ended 30 Jun 2015 RM'000	3 months ended 30 Jun 2014 RM'000
Commission income	(5)	-
Royalties payable	2,309	2,086
Sales	(20,125)	(17,526)
Purchases	33,777	35,192
Purchase of assets	131	-
Promotion expenses	-	32
IT shared services and maintenance	509	506
Other expenses	79	23

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 RM95.5 million in the current quarter compared to RM86.2 million in the corresponding quarter last year. Operating profit increased from RM10.4 million in the corresponding quarter last year to RM12.6 million in the current quarter mainly due to improved sales performance and lower operating expenses.

Revenue increased by 10.8% in the current quarter. Higher Sales in Umami segment was contributed by the stock replenishments from customers subsequent to the implementation of Goods and Services Tax on 1 April 2015 while increase in revenue in Food and Seasoning segment was supported by stronger export sales in industrial products.

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

Both revenue and operating profit of RM95.5 million and RM12.6 million in the current quarter were higher than the RM81.1 million and RM7.4 million recorded in the immediate preceding quarter respectively due to increase in sales and lower operating expenses

The revenue in Umami segment for the current quarter increased by 18.0% compared to the revenue in the immediate preceding quarter due to higher “AJI-NO-MOTO” consumer sales. Revenue from the Food & Seasoning segment increased by 18.0% compared to the immediate preceding quarter due to better industrial product sales.

3 Commentary on Prospects

The economic outlook is clouded by the instability of currency markets and actions taken by China and other foreign countries to address their economic challenges. Headwinds to the economic growth would unfavorably impact the market sentiment and business environment. The Management will focus on ensuring the Company’s strategies to sustain sales growth and profitability are effective in this challenging environment.

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 Jun 2015 RM’000	3 months ended 30 Jun 2014 RM’000
Malaysian income tax :		
Current year	3,382	2,818
Deferred tax :		
Current year	(6)	304
	<u>3,376</u>	<u>3,122</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 21 August 2015, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9 Dividend Payable

The Directors do not propose the payment of dividend for 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 30 Jun 2015	3 months ended 30 Jun 2014
Profit attributable to ordinary shareholders of the Company (RM'000)	10,297	8,225
Weighted average number of ordinary shares in issue ('000)	60,799	60,799
Earnings per share attributable to equity holders of the company (sen) -Basic	16.94	13.53

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 Jun 2015 RM'000	As at end of 30 Jun 2014 RM'000
Realised	228,941	208,466
Unrealised	(3,490)	(3,573)
Total retained profits as per statement of financial position	225,451	204,893

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 Jun 2015 RM'000	3 months ended 30 Jun 2014 RM'000
(a) Interest income	(868)	(765)
(b) Other income – rental	(194)	(194)
(c) Depreciation and amortization	2,775	2,575
(d) Write off of inventories	155	15
(e) Foreign exchange (gain)/loss – realised	139	209
(f) Foreign exchange (gain)/loss - unrealised	(292)	(185)
(g) (Gain)/loss on derivatives	114	39
	114	39

By Order of the Board

Kuala Lumpur
26th August 2015

Chua Siew Chuan
Company Secretary