

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

**Notes to the interim financial report for the period ended 30 June 2011**

**A EXPLANATORY NOTES PURSUANT TO FRS 134**

**1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standard Board (MASB).

The interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 March 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 March 2011, except for the adoption of the following:

**FRSs and Interpretations**

FRS 1 First-time Adoption of Financial Reporting Standards (Revised)  
FRS 3 Business Combinations (Revised)  
FRS 127 Consolidated and Separate Financial Statements (Revised)  
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters  
Amendments to FRS 1 Additional Exemptions for First-time Adopters  
Amendments to FRS 2 Share-based Payment  
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions  
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations  
Amendments to FRS 7 Improving Disclosures about Financial Instruments  
Amendments to FRS 132 Financial Instruments : Presentation  
Amendments to FRS 138 Intangible Assets  
Improvements to FRSs (2010)  
IC Interpretation 4 Determining whether an Arrangement contains a Lease  
IC Interpretation 9 Reassessment of Embedded Derivatives  
IC Interpretation 12 Services Concession Arrangements  
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation  
IC Interpretation 17 Distributions of Non-cash Assets to Owners  
IC Interpretation 18 Transfer of Assets from Customers

The application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Company.

**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 planned 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

There was no dividend paid in the current financial period to date.

## 7 Segmental Reporting

### a. Business Segment:

The Company is primarily engaged in two major areas of activity, Umami Segment and Food & Seasoning Segment. Umami Segment comprises of products that are derived from the fermentation process such as Monosodium Glutamate (MSG) and related products. The Food & Seasoning Segment consists of products derived from the extraction and mixing process such as Industrial Seasonings, TUMIX and related seasonings. Other products sold by the Company comprises of trading goods such as industrial sweetener, feed-use amino acids and frozen food.

	<b>3 months ended 30 June 2011</b>			
	<b>Umami Segment RM'000</b>	<b>Food &amp; Seasoning Segment RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
Revenue from external customers	57,412	19,991	59	77,462
Profit for segments	9,916	(269)	(29)	9,618
Interest income				424
Other income/(expenses)				264
Profit before taxation				10,306
Tax expense				(2,717)
Profit for the period				7,589

### b. Geographical Segment:

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Malaysia RM'000	Middle East RM'000	Other Asian Countries RM'000	Others RM'000	Total RM'000
<b>Revenue</b>					
3 months ended 30 Jun, 2011	55,146	8,006	13,534	776	77,462
3 months ended 30 Jun, 2010	55,795	7,215	17,167	1,950	82,127

## 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 2011.

## 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 2011 is as follows:

	<b>RM'000</b>
Approved and contracted for	3,057
Approved but not contracted for	21,924
	<u>24,981</u>

## 12 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries for the period ended 30 June 2011, are as follows:

	<b>3 month ended</b>
	<b>30/06/11</b>
	<b>RM'000</b>
Commission income	141
Royalties payable	1,830
Sales	11,168
Purchases	33,620
Purchase of assets	560
Promotion expenses	52
Other expenses	17

These transactions have been entered into 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**

For the first quarter of the fiscal year, revenue saw a decline of RM4.7 million, an attrition of 5.7% as compared to the corresponding period of last fiscal year. The decline was mainly due to lower export sales and stagnant domestic sales. This is further compounded, by the adverse impact from higher raw material and energy costs incurred in current quarter. This affected the profit before tax for the first quarter which declined by RM1 million or 8.9% against previous corresponding period.

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

The Company recorded a higher turnover of RM77.5 million for the current quarter under review compared to the preceding quarter of RM77.0 million from higher selling prices.

Profit before tax for the current quarter under review was substantially higher than the preceding quarter by RM4.8 million, primarily due to lower selling expenses incurred in the current quarter as compared to the high expenses incurred from intensified selling and promotion activities during last quarter.

**3 Commentary on Prospects**

Escalating raw material prices and high energy costs, coupled with high inflationary pressure affecting consumer sentiment will further exert pressure on margins as well as demand for the Company's products.

Notwithstanding the challenging economic environment as well as the competitive local food seasoning industry, the Company will continue to strive to stay competitive by building its brand loyalty and protect its market share to ensure long term sustainable and profitable growth objectives are met.

Additionally, the Company will continue to focus on prudent spending and cost control across the entire value chain.

**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: -

	<b>3 month ended 30/06/2011 RM'000</b>	<b>3 month ended 30/06/2010 RM'000</b>
Current tax expense :		
Malaysian income tax	<u>2,717</u>	<u>2,809</u>

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

**6 Profit/(loss) on sale of Unquoted Investment and/or Properties**

There was no sale of unquoted investments and/or properties for the quarter under review and financial period to date.

**7 Particulars of Purchase or Disposal of Quoted Securities**

There was no purchase or disposal of quoted securities for the quarter under review.

## 8 Status of Corporate Proposals

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

## 9 Borrowings and Debt Securities

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

## 10 Financial Instruments - Derivatives

As at 30 June 2011, the outstanding derivative financial instrument, which have been entered into by the Company are as follows:

Foreign Currency Contracts	Contract Value RM'000	Fair Value RM'000	Changes in Fair Value RM'000
US Dollar – less than 1 year	10,435	10,416	(19)

The Company's derivatives are principally in respect of forward foreign currency contracts used to hedge its foreign currency sales.

Derivative financial assets and liabilities are initially recognised, and subsequently measured at fair value. The fair value of the foreign currency contracts is determined using a forward market rate at the end of report period and changes in the fair value are recognised in income statement.

### Credit Risk

The above financial instruments were executed with creditworthy financial institutions in line with the Company's policy.

### Cash Requirement

The Company will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

## 11 Material Litigation

There are no material litigation as at 24th August 2011, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

## 12 Dividend Payable

No dividend was proposed or declared for the current financial period ended 30 June 2011.

## 13 Basic 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 June 2011	3 month ended 30 June 2010
Profit attributable to ordinary shareholders of the Company (RM'000)	7,589	8,504
Weighted average number of ordinary shares in issue ('000)	60,798	60,798
Earnings per share attributable to equity holders of the company (sen)		
-Basic	12.48	13.99

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.

#### 14 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 as at 30 June 2011 is analysed as follows:

	<b>RM'000</b>
Realised	160,303
Unrealised	(4,160)
Total retained profits as per statement of financial position	<u>156,143</u>

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.

*By Order of the Board*

Kuala Lumpur  
24th August 2011

Chua Siew Chuan  
Company Secretary