

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

Notes to the interim financial report for the period ended 31 December 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

The amount of dividends paid during the financial period under review is as follows:

	9 months ended 31/12/2011 RM'000
First and final dividend in respect of the financial year ended 31 March 2011, of 9% less 25% taxation and 9% tax exempt, as well as a special dividend of 2% less 25% taxation was paid on 10 October 2011	10,488

7 Segmental Reporting

a. Business Segment:

The Company's business may be broadly categorized into two major segments, viz., Umami Segment and Food & Seasoning Segment. Umami Segment comprises 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 comprises of trading goods such as industrial sweetener, feed-use amino acids and frozen food.

	3 months ended 31 December 2011			
	Umami Segment	Food & Seasoning Segment	Others	Total
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	52,298	27,869	124	80,291
Operating Profit	6,382	2,877	10	9,269
	3 months ended 31 December 2010			
	Umami Segment	Food & Seasoning Segment	Others	Total
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	53,502	25,776	108	79,386
Operating Profit	5,931	1,268	(45)	7,154

7 Segment Reporting (cont'd)

	9 months ended 31 December 2011			
	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
Revenue from external customers	170,190	71,226	358	241,774
Operating Profit	23,547	2,045	(100)	25,492

	9 months ended 31 December 2010			
	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
Revenue from external customers	164,471	74,402	326	239,199
Operating Profit	20,386	5,267	(78)	25,574

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
Revenue					
9 months ended 31 Dec, 2011	165,829	21,856	51,825	2,264	241,774
9 months ended 31 Dec, 2010	160,029	20,762	56,060	2,348	239,199

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 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 31 December 2011 is as follows:

	RM'000
Approved and contracted for	596
Approved but not contracted for	14,429
	<u>15,025</u>

12 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries for the period ended 31 December 2011, are as follows:

	3 month ended	9 month ended
	31/12/11	31/12/11
	RM'000	RM'000
Commission income	59	267
Royalties payable	1,914	5,755
Sales	15,985	41,894
Purchases	43,277	104,565
Purchase of assets	398	1,996
Promotion expenses	331	390
Other expenses	102	190

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

Current Quarter vs Corresponding Quarter of last year

Total revenue for the quarter ended 31st December 2011 registered a nominal improvement of 1.1%, an increase of RM0.9 million as compared with the corresponding period of last year. The increase in revenue was attributable to higher selling prices. The total operating profit in the quarter under review saw an increase of RM2.1 million as compared with the same period last year due to better sales mix and renewed efforts on cost savings such as optimising marketing expenses and other general expenses. However, such gains was partly off-set by higher raw material and fuel costs.

Performance of the Umami Segment saw a drop in revenue of 2% compared to the corresponding quarter of last year as a result of lower sales of bulk size product, but with better sales mix and lower marketing and promotional expenses incurred in the quarter, operating profit was RM0.5 million or 8% higher after taking into account higher raw material and energy costs.

Food & Seasoning Segment posted a higher revenue of 8% as compared to same quarter of last year due to higher selling prices as well as recovery of sales to customers affected by the earth quake in Japan and the flooding in Thailand, and the easing of key raw material shortages. Coupled with better factory capacity utilization and recovery of overheads although partly off-set by higher raw material and fuel costs, operating profit for the segment was higher by RM1.6 million.

Current Year-to-date vs Previous Year-to-date

For the first three quarters of the current financial year, the Company revenue recorded a nominal growth of 1.1% with lower sales volume that was off-set by higher selling price. Operating profit was flat against that of last year due to higher raw material and energy costs.

For Umami Segment, revenue increase by 3% amounting to RM5.7 million with better selling price. Correspondingly, operating profit registered an increase of RM3.2 million or 16% higher against the same period of last year with better sales mix and improved margins although partly off-set by higher raw material and fuel costs. Lower marketing and promotional expenses also contributed to the higher profit.

Revenue for the Food & Seasoning Segment suffered a decline of 4%, as compared to previous year due to the negative impact of the earth quake in Japan and flooding in Thailand affecting our customers. In addition, shortage of key raw material has also affected the supply of our products to the market. Compounded by higher raw material and energy costs, operating profit was lower by RM3.2 million.

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

Profit before tax for the quarter under review was higher than the preceding quarter by RM1.3 million or 17% as a result of higher margin from better product sales mix as well as lower promotional expenses. However, the improvement could have been higher if not for the foreign exchange losses incurred in the current quarter.

3 Commentary on Prospects

Looking ahead, exports will continue to be affected by global economic factors but domestic demand will provide some cushion given the favourable labour market conditions. However, consumers and businesses may be cautious about spending in light of the uncertain global economic outlook. These external forces coupled with the fluctuating raw material input costs are expected to continue to exert pressure on operating margin. Inflation on the other hand remains a concern, especially for food items given the lingering effect of floods in Thailand and certain parts of Malaysia.

The remainder of the financial year is expected to continue to be challenging, given the above situation and with lower economic growth forecasted may result in slower demand, which may lead to intense competition in the market place. To mitigate such adverse effects, the Company will continue to undertake innovative and effective sales and marketing strategies to improve sales mix, further improve the supply chain management and efficient use of plant capacity and continue to explore ways to reduce costs.

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 month ended 31/12/2011 RM'000	9 month ended 31/12/2011 RM'000	3 month ended 31/12/2010 RM'000	9 month ended 31/12/2010 RM'000
Current tax expense :				
Malaysian income tax	3,248	7,976	1,424	5,984
(Over)/under provision in prior years	(380)	(380)	-	-
	<u>2,868</u>	<u>7,596</u>	<u>1,424</u>	<u>5,984</u>

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

6 Status of Corporate Proposals

There were no corporate proposals that have been 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 are no material litigation as at 23rd February 2012, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9 Dividend Payable

No dividend was proposed or declared for the current financial period ended 31 December 2011.

10 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.

	9 month ended 31 December 2011	9 month ended 31 December 2010
Profit attributable to ordinary shareholders of the Company (RM'000)	19,711	20,210
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	32.42	33.24

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 31-12-2011 RM'000	As at end of 31-3-2011 RM'000
Realised	162,151	152,507
Unrealised	(4,375)	(3,954)
Total retained profits as per statement of financial position	157,776	148,553

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 31/12/2011 RM'000	9 months ended 31/12/2011 RM'000
(a) interest income	(378)	(1,181)
(b) other income – rental	(147)	(440)
(c) interest expense	-	-
(d) depreciation and amortization	3,598	11,212
(e) provision for and write off of receivables	-	-
(f) provision for and write off of inventories	104	600
(g) gain or loss on disposal of quoted or unquoted investments or properties	-	-
(h) (reversal of impairment) / impairment of assets	(3)	39
(i) foreign exchange (gain) / loss	717	246
(j) (gain) / loss on derivatives	(328)	108
(k) exceptional items	N/A	N/A

By Order of the Board

Kuala Lumpur
23rd February 2012

Chua Siew Chuan
Company Secretary