

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

**Notes to the interim financial report for the period ended 31 March 2012**

**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:

	12 months ended 31/03/2012 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 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 products sold by the Company include trading goods such as industrial sweetener, feed-use amino acids and frozen food.

	<b>3 months ended 31 March 2012</b>			
	<b>Umami Segment</b>	<b>Food &amp; Seasoning Segment</b>	<b>Others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue from external customers	59,817	22,958	103	82,878
Operating Profit	5,324	187	(37)	5,474
	<b>3 months ended 31 March 2011</b>			
	<b>Umami Segment</b>	<b>Food &amp; Seasoning Segment</b>	<b>Others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue from external customers	56,945	19,865	156	76,966
Operating Profit	9,683	(4,320)	(12)	5,351

## 7 Segment Reporting (cont'd)

	12 months ended 31 March 2012			
	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
Revenue from external customers	230,007	94,184	461	324,652
Operating Profit	28,870	2,232	(136)	30,966

  

	12 months ended 31 March 2011			
	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
Revenue from external customers	221,417	94,266	482	316,165
Operating Profit	30,067	947	(89)	30,925

### 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>					
12 months ended 31 Mar, 2012	223,892	29,591	68,114	3,055	324,652
12 months ended 31 March, 2011	215,501	28,633	68,961	3,070	316,165

## 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 March 2012.

## 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 March 2012 is as follows:

	<b>RM'000</b>
Approved and contracted for	2,183
Approved but not contracted for	15,382
	<u>17,565</u>

## 12 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries for the period ended 31 March 2012, are as follows:

	<b>3 month ended</b>	<b>12 month ended</b>
	<b>31/03/12</b>	<b>31/03/12</b>
	<b>RM'000</b>	<b>RM'000</b>
Commission income	138	405
Royalties payable	1,980	7,735
Sales	14,556	56,450
Purchases	24,559	129,124
Purchase of assets	763	2,759
Promotion expenses	10	400
Other expenses	223	413

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*

For the current quarter ended 31st March 2012, the Company recorded a higher turnover of RM82.9 million against RM77.0 million in the corresponding quarter ended 31st March 2011, an increase of 7.7%. The increase in revenue was due to higher selling prices and sales volume. Correspondingly, operating profit in the quarter under review saw an increase of RM0.1 million as compared with the same period last year as better sales was off-set by high raw material and energy costs.

Results of the Umami Segment saw an increase in revenue of 5.0% compared to the corresponding quarter of last year mainly attributable to higher selling price. However, operating profit was lower by 45.0%. due to higher input cost.

Food & Seasoning Segment registered a higher revenue of 15.6% as compared to same quarter of last year mainly attributable to higher volume and selling prices. Improved margins from better sales mix together with better factory capacity utilization and recovery of overheads have enhanced operating profit for the segment by RM4.5 million.

#### *Current Year-to-date vs Previous Year-to-date*

For the current financial year ended 31 March 2012, the Company revenue achieved a growth of 2.7% with higher selling price which was partly off-set by lower sales volume. Operating profit saw an increase against that of last year due to higher raw material and energy costs albeit higher sales.

For the Umami Segment, revenue increase by RM8.6 million for the current year to date, which is 3.9% higher as compared to the previous year due to better selling price. However, growth in operating earnings was not seen due to adverse impact from higher raw material and energy costs and lower capacity utilization that was partially off-set by lower marketing and promotional expenses. As a result, operating profit registered a decrease of RM1.2 million or 4.0% lower against the result of the previous year.

Revenue for the Food & Seasoning Segment for the year to-date was flat against that of previous year due to the lower sales volume as a result of the negative impact of the earth quake in Japan and flooding in Thailand affecting our customers and shortage of key raw material in the earlier part of the fiscal year but was compensated by higher selling price. Nevertheless, operating profit was higher by RM1.3 million as a result of lower selling and marketing expenses incurred in the fiscal year.

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

Revenue was higher by RM2.6 million or 3.2% as compared to preceding quarter from greater sales volume. However, profit before tax for the quarter under review was lower than the preceding quarter by RM2.9 million or 31.9% lower due to higher raw material and energy costs that have eroded margins as well as higher marketing and promotional expenses incurred in the quarter under review.

### **3 Commentary on Prospects**

Malaysia's economy is expected to grow at a slower pace this year on weaker external demand amid a global slowdown affecting Malaysia's major trade partners. The euro zone debt crisis is another factor that will impact on the outlook for 2012.

Growth would again be anchored by domestic demand this year, with private consumption set to get a boost from the government's decision to hike up public sector wages and introduction of minimum wage as well as giving one-off cash handouts to low-middle- income earners. Nevertheless, consumers and businesses may be cautious about spending in view of the uncertain global economic outlook.

Operating margin will continue to be put under further pressure by escalating commodity prices and energy costs coupled with keen competition in the local food seasoning industry which require significant brand building expenses to maintain market share and shore up sales.

### 3 Commentary on Prospects (cont'd)

In view of the above, the Company expects the next fiscal year to be challenging. The Company will continue to undertake innovative and effective sales and marketing strategies to improve sales mix, to further improve the supply chain management and efficient use of plant capacity and explore further ways to reduce costs to meet its long term sustainable and profitable growth.

### 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 31/03/12 RM'000	12 month ended 31/03/12 RM'000	3 month ended 31/03/11 RM'000	12 month ended 31/03/11 RM'000
Current tax expense :				
Malaysian income tax	983	8,959	2,249	8,233
(Over)/Underprovision in prior year				
Malaysian income tax	-	(380)	(1,216)	(1,216)
Deferred tax expense	(660)	(660)	(945)	(945)
	323	7,919	88	6,072

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 24th May 2012, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

### 9 Dividend Payable

- a. For the financial year ended 31st March 2012 the Board of Directors recommends a first and final dividend of 11 sen less 25% tax and 9 sen tax exempt (previous year : 9 sen less 25% tax and 9 sen tax exempt as well as a special dividend of 2 sen less 25% tax) per ordinary share of RM1.00 each per ordinary share of RM1.00 each, for the shareholders' consideration and approval at the Company's forthcoming Fifty-First Annual General Meeting.
- b. The date payable of the above dividend shall be announced at a later date.
- c. The closure of the books for the dividend will be notified in due course.

## 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.

	<b>12 month ended 31 March 2012</b>	<b>12 month ended 31 March 2011</b>
Profit attributable to ordinary shareholders of the Company (RM'000)	25,622	25,870
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	42.14	42.55

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:

	<b>As at end of 31/03/12 RM'000</b>	<b>As at end of 31/03/11 RM'000</b>
Realised	166,937	152,737
Unrealised	(3,250)	(4,184)
Total retained profits as per statement of financial position	163,687	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:

	<b>3 months ended 31/03/12 RM'000</b>	<b>12 months ended 31/03/12 RM'000</b>
(a) interest income	(387)	(1,568)
(b) other income – rental	(147)	(587)
(c) interest expense	-	-
(d) depreciation and amortization	2,523	13,735
(e) provision for and write off of receivables	-	21
(f) provision for and write off of inventories	300	900
(g) gain or loss on disposal of quoted or unquoted investments or properties	-	-
(h) (reversal of impairment) / impairment of assets	(66)	(27)
(i) foreign exchange (gain) / loss	(87)	159
(j) (gain) / loss on derivatives	(81)	27
(k) exceptional items	N/A	N/A

*By Order of the Board*

Kuala Lumpur  
24th May 2012

Chua Siew Chuan  
Company Secretary