

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

Notes to the interim financial report for the period ended 30 JUN 2012

A EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation

These condensed consolidated interim financial reports, for the period ended 30 June 2012, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial reports also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31Mar 2012, the Company prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These condensed consolidated interim financial reports are the Company’s first MFRS condensed consolidated interim financial reports for part of the period covered by the company’s first MFRS annual financial statements for the year ending 31 Mar 2013. MRFS 1: First time adoption of Malaysian Financial Reporting Standards (“MRFS 1”) has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 April 2011 (which is also date of transition), the Company has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Company’s financial position is as set out below. These notes include reconciliations of equity for the comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

Property, plant and equipment

Freehold land and leasehold land are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by qualified professional valuers. Land and buildings of the Company have not been revalued since they were last revalued in 1984. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of International Accounting Standards 16 (Revised): Property, Plant and Equipment adopted by the Malaysian Accounting Standards Board (“MASB”), these assets continue to be stated at their 1984 valuation less accumulated depreciation.

Upon transition to MFRS, the Company has elected to measure all its property, plant and equipment using the cost model under *MFRS 116 Property, Plant and Equipment*. At the date of transition to MFRS, the company elected to regard the revalued amount of freehold land as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus was transferred to retained earnings on date of transition to MFRS.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods at the date of transition under MFRS are provided below:

- i. Reconciliation of equity as at 1 April 2011

	FRS as at 1 April 2011 RM'000	Effects of adopting MFRS RM'000	MFRS as at 1 April 2011 RM'000
Revaluation reserve	6,533	(6,533)	-
Retained earnings	148,553	6,533	155,086

ii. Reconciliation of equity as at 30 Jun 2011

	FRS as at 30 Jun 2011 RM'000	Effects of adopting MFRS RM'000	MFRS as at 30 Jun 2011 RM'000
Revaluation reserve	6,533	(6,533)	-
Retained earnings	156,142	6,533	162,675

iii. Reconciliation of equity as at 31 March 2012

	FRS as at 31 March 2012 RM'000	Effects of adopting MFRS RM'000	MFRS as at 31 March 2012 RM'000
Revaluation reserve	6,411	(6,411)	-
Retained earnings	163,788	6,411	170,199

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 2012, except for the adoption of the above.

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'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.

	3 months ended 30 Jun 2012			
	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
Revenue from external customers	56,068	24,700	153	80,921
Operating Profit	5,285	2,168	13	7,466

7 Segmental Reporting (cont'd)

	3 months ended 30 Jun 2011			
	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
Revenue from external customers	57,412	19,991	59	77,462
Operating Profit	9,916	(269)	(29)	9,618

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					
3 months ended 30 Jun, 2012	54,405	8,123	17,326	1,067	80,921
3 months ended 30 Jun, 2011	55,146	8,006	13,534	776	77,462

2 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 2012.

3 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.

4 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.

5 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 2012 is as follows:

Approved and contracted for	RM'000 2,980
Approved but not contracted for	14,685
	<u>17,665</u>

6 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries for the period ended 30 Jun 2012, are as follows:

	3 month ended
	30/06/12
	RM'000
Commission income	53
Royalties payable	1,956
Sales	15,208
Purchases	32,646
Purchase of assets	27
Promotion expenses	91
Other expenses	62

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 first fiscal quarter ended 30th June 2012, the Company recorded a higher turnover of RM80.9 million against RM77.5 million in the corresponding quarter ended 30th June 2011, an increase of 4.5%. The increase in revenue was mainly attributable to higher selling prices from both domestic and export markets. However, operating profit in the quarter under review saw a decrease of RM2.2 million as compared with the same period last year as better sales was off-set by high input and fuel costs.

The Umami Segment performance saw a decline in revenue of 2.3% compared to the corresponding first quarter of last year mainly attributable to lower sales volume from the domestic market and operating profit was significantly lower by 46.7%. due to high raw material, energy and administrative costs.

Food & Seasoning Segment recorded a higher revenue of 23.6% as compared to same quarter of last year following a recovery in demand and restocking activities from affiliated companies for our Industrial Seasonings as well as encouraging performance from "TUMIX" retail flavor seasoning through aggressive sales and marketing activities. These have contributed to higher sales volume and better selling prices for this segment. With higher sales and better production efficiency, margins and operating profits improved significantly.

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

Revenue was lower by RM2.0 million or 2.4% as compared to preceding quarter due to lower sales volume. However, profit before tax for the quarter under review was higher than the preceding quarter by RM1.6 million or 26.1% mainly attributed to lower marketing expenses incurred in the quarter under review.

3 Commentary on Prospects

Malaysia's second Quarter Gross Domestic Product (GDP) expanded by 5.4% year-on-year despite the sluggishness that befell on the global economy. This boost in the GDP is largely credited to a strong domestic demand, which grew expeditiously in the first six months of the year coupled with the strengthening demand for manufactured goods from Asia and the United States.

Nonetheless, sustainability remains to be seen in the second half of the year, as data from across the Pacific is not rebounding as speedily as hoped. With the possibility of demand from major export destinations slowing down in tandem with slowing global growth, the pace of Malaysia's economic activity in the second half of 2012 may correspondingly be impacted.

Coupled with keen competition in the local food seasoning industry that requires significant promotion and brand building activities to maintain market share and shore up sales, the Company expects the remaining fiscal year to be challenging. To achieve sustainable revenue and profit growth, the Company will continue to improve production efficiency with better capacity utilization and introduce processes to reduce energy costs. The Company will continue to undertake innovative and effective sales and marketing strategies to expand sales as well as expanding its product range and focus on developing higher margin products.

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 30/06/2012 RM'000	3 month ended 30/06/2011 RM'000
Current tax expense :		
Malaysian income tax	<u>2,275</u>	<u>2,717</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 27th August 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 30 June 2012.

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.

	3 month ended 30 June 2012	3 month ended 30 June 2011
Profit attributable to ordinary shareholders of the Company (RM'000)	5,589	7,589
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	9.19	12.69

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 30/06/12 RM'000	As at end of 31/03/12 RM'000
Realised	179,268	167,100
Unrealised	(3,480)	(3,312)
Total retained profits as per statement of financial position	175,788	163,788

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 30/06/12 RM'000	3 months ended 30/06/11 RM'000
(a) interest income	(388)	(424)
(b) other income – rental	(147)	(147)
(c) interest expense	-	-
(d) depreciation and amortization	3,204	3,911
(e) provision for and write off of receivables	-	-
(f) provision for and write off of inventories	98	161
(g) gain or loss on disposal of quoted or unquoted investments or properties	-	-
(h) (reversal of impairment) / impairment of assets	-	-
(i) foreign exchange loss	48	16
(j) (gain) / loss on derivatives	159	(19)
(k) exceptional items	N/A	N/A

By Order of the Board

Kuala Lumpur
27th August 2012

Chua Siew Chuan
Company Secretary