

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

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

A EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation

These condensed consolidated interim financial reports, for the period ended 30 Sept 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 were previously 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 Sept 2011

| | FRS as at 30 Sept 2011 RM'000 | Effects of adopting MFRS RM'000 | MFRS as at 30 Sept 2011 RM'000 |
|---------------------|-------------------------------------|---------------------------------------|--------------------------------------|
| Revaluation reserve | 6,533 | (6,533) | - |
| Retained earnings | 162,103 | 6,533 | 168,636 |

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 - 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.

| | 6 months ended 30 Sept 2012 | | | |
|---------------------------------|-----------------------------|--|------------------|-----------------|
| | Umami Segment RM'000 | Food & Seasoning Segment RM'000 | Others RM'000 | Total RM'000 |
| Revenue from external customers | 115,215 | 52,073 | 225 | 167,513 |
| Operating Profit | 11,087 | 4,680 | 33 | 15,800 |

7 Segmental Reporting (cont'd)

| | 6 months ended 30 Sept 2011 | | | |
|---------------------------------|------------------------------------|--|--------------------------|-------------------------|
| | Umami Segment RM'000 | Food & Seasoning Segment RM'000 | Others RM'000 | Total RM'000 |
| Revenue from external customers | 117,892 | 43,357 | 234 | 161,483 |
| Operating Profit | 17,164 | (832) | (109) | 16,223 |

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 | | | | | |
| 6 months ended 30 Sept 2012 | 111,480 | 16,478 | 37,502 | 2,053 | 167,513 |
| 6 months ended 30 Sept 2011 | 110,016 | 15,050 | 34,840 | 1,577 | 161,483 |

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 Sept 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 Sept 2012 is as follows:

| | |
|---------------------------------|------------------------|
| Approved and contracted for | RM'000 8,516 |
| Approved but not contracted for | 9,149 |
| | <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 Sept 2012, are as follows:

| | 3 month ended | 6 month ended |
|------------------------------------|----------------------|----------------------|
| | 30/09/12 | 30/09/12 |
| | RM'000 | RM'000 |
| Commission income | 6 | 59 |
| Royalties payable | 2,077 | 4,033 |
| Sales | 17,342 | 32,550 |
| Purchases | 35,721 | 68,367 |
| Purchase of assets | 45 | 72 |
| Promotion expenses | 22 | 113 |
| IT shared services and maintenance | 584 | 1,188 |
| Other expenses | 44 | 106 |

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

The Company recorded higher revenue of RM86.6 million in the current quarter against RM84.0 million in the corresponding quarter ended 30 Sept 2011, an increase of 3.1%. Operating profit also increased from RM6.6 million in the corresponding period last year to RM8.3 million in the current quarter.

The revenue of the Umami segment declined by 2.2% compared to the corresponding second quarter last year, mainly attributable to lower sales volume in the domestic market due to intense competition. Operating profit of this segment was also lower by 20.0% due to higher raw material and energy costs.

The Food & Seasoning segment recorded a 17.1% increase in sales revenue as compared to corresponding quarter last year, mainly a result of significantly higher sales of our Industrial Seasoning products. The higher sales and better margins contributed to an operating profit of RM2.5 million compared to a loss of RM563,000 in the same quarter last year for this segment.

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

Revenue improved from RM80.9 million recorded in the preceding quarter to RM86.6 million in the current quarter, an increase of 7.0%. Operating profit also increased from RM7.5 million to RM8.3 million.

Both the Umami segment and Food & Seasoning segment recorded higher sales revenue in the current quarter compared to the preceding quarter due mainly to higher sales of Industrial Seasoning products. Combined with lower prices of certain key raw materials, operating profit in the current quarter is higher compared to the preceding quarter.

3 Commentary on Prospects

The Company expects sales of its products in the second half of the current financial year to continue to be challenging due to the continued intense competition in the domestic food seasoning market. Export markets are expected to see sluggish growth in view of the prevailing global economic uncertainties.

The Company will intensify its current sales promotion activities and build on its strong brand image as well as capitalise on its “Halal” status to promote sales domestically and in the Middle East and other export markets. In addition, management will continue to strive for further improvements in production efficiency and reduce wastage as part of its efforts to manage production costs. In view of the aforementioned, the Board expects the Company to maintain its profitability in the second half of the financial year.

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 Sept 2012 RM'000 | 6 month ended 30 Sept 2012 RM'000 | 3 month ended 30 Sept 2011 RM'000 | 6 month ended 30 Sept 2011 RM'000 |
|-----------------------|--|--|--|--|
| Current tax expense : | | | | |
| Malaysian income tax | 2,410 | 4,685 | 2,011 | 4,728 |
| Deferred tax | (224) | (224) | - | - |
| | <u>2,186</u> | <u>4,461</u> | <u>2,011</u> | <u>4,728</u> |

The effective tax rate of the tax provision for the financial year 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 are no material litigation as at 16th Nov 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 Sept 2012.

At the Company’s Annual General Meeting held on 10 September 2012, the shareholders approved the payment of the final dividend in respect of the year ended 31 March 2012 of 11% less 25% taxation and 9% tax exempt. This dividend, amounting to RM10,487,749, was accrued as payable as at 30 September 2012.

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.

| | 6 month ended 30 Sept 2012 | 6 month ended 30 Sept 2011 |
|--|---------------------------------------|---------------------------------------|
| Profit attributable to ordinary shareholders of the Company (RM'000) | 11,957 | 13,464 |
| 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 | 19.67 | 22.15 |

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 Sept 2012 RM'000 | As at end of 31 Mar 2012 RM'000 |
|---|---|--|
| Realised | 175,412 | 167,100 |
| Unrealised | (3,744) | (3,312) |
| Total retained profits as per statement of financial position | 171,668 | 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:

| | 6 months ended 30 Sept 2012 RM'000 | 6 months ended 30 Sept 2011 RM'000 |
|--|---|---|
| (a) interest income | (955) | (803) |
| (b) other income – rental | (294) | (294) |
| (c) depreciation and amortization | 6,457 | 5,658 |
| (d) provision for and write off of inventories | 121 | 274 |
| (e) foreign exchange loss/(gain) | 735 | (470) |
| (f) (gain)/loss on derivatives | 23 | 436 |
| | <hr/> | <hr/> |

By Order of the Board

Kuala Lumpur
22nd November 2012

Chua Siew Chuan
Company Secretary