

Panasonic

Panasonic Manufacturing Malaysia Berhad (6100-K) (Incorporated in Malaysia)

Condensed Combined Entity Statement of Comprehensive Income for the 2nd Quarter Ended 30 September 2019

| | (Unaudited) | | (Unaudited) | |
|---|----------------------|----------------------|-------------------------|----------------------|
| | 2nd Quarter ended | | Cumulative period ended | |
| | 30.09.2019 RM'000 | 30.09.2018 RM'000 | 30.09.2019 RM'000 | 30.09.2018 RM'000 |
| Revenue | 288,587 | 308,807 | 579,987 | 614,375 |
| Operating expenses | (254,525) | (274,297) | (518,368) | (552,598) |
| Other operating income | 2,526 | 141 | 6,296 | 10,178 |
| Other derivative gain / (loss) | (944) | 977 | (1,839) | (10,397) |
| Results from operating activities | 35,644 | 35,628 | 66,076 | 61,558 |
| Interest income | 5,564 | 6,439 | 11,201 | 12,598 |
| Share of results of associated company (net of tax) | (1,123) | 1,383 | (2,104) | 2,253 |
| Profit before taxation | 40,085 | 43,450 | 75,173 | 76,409 |
| Taxation | (9,297) | (9,323) | (17,295) | (17,143) |
| Profit after taxation for the period | 30,788 | 34,127 | 57,878 | 59,266 |
| Earnings per share attributable to equity holders: | | | | |
| Basic and diluted (sen) | 51 | 56 | 95 | 98 |

(The Condensed Combined Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2019)

**Condensed Combined Entity Statement of Comprehensive Income
for the 2nd Quarter Ended 30 September 2019**

| | (Unaudited) | | (Unaudited) | |
|---|--------------------------|-------------------|--------------------------------|-------------------|
| | 2nd Quarter ended | | Cumulative period ended | |
| | 30.09.2019 | 30.09.2018 | 30.09.2019 | 30.09.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit after taxation for the period | 30,788 | 34,127 | 57,878 | 59,266 |
| Other comprehensive income, net of taxation | - | - | - | - |
| Total Comprehensive Income for the period | 30,788 | 34,127 | 57,878 | 59,266 |
| Profit after taxation attributable to equity holders of the Company | 30,788 | 34,127 | 57,878 | 59,266 |
| Total Comprehensive Income attributable to equity holders of the Company | 30,788 | 34,127 | 57,878 | 59,266 |

(The Condensed Combined Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2019)

Condensed Combined Entity Statement of Financial Position

| | (Unaudited) | (Audited) |
|---|--|---|
| | As at 30.09.2019 RM'000 | As at Preceding Financial Year End 31.03.2019 RM'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 117,759 | 122,544 |
| Interest in associated company | 96,335 | 100,350 |
| Deferred tax assets | 8,110 | 7,780 |
| | 222,204 | 230,674 |
| Intangible assets | | |
| Software | 6,589 | - |
| | 6,589 | - |
| Current assets | | |
| Inventories | 59,028 | 49,580 |
| Trade and other receivables | 125,711 | 105,240 |
| Placement of funds with related company | 548,280 | 623,226 |
| Cash and bank balances | 584 | 86 |
| Derivative financial instruments | 129 | 923 |
| | 733,732 | 779,055 |
| Total assets | 962,525 | 1,009,729 |
| EQUITY | | |
| Capital and reserves attributed to equity holders | | |
| Share capital | 60,746 | 60,746 |
| Retained earnings | 705,796 | 776,092 |
| Total equity | 766,542 | 836,838 |
| LIABILITIES | | |
| Non-current liability | | |
| Provision for liabilities and charges | 438 | 443 |
| | 438 | 443 |
| Current liabilities | | |
| Trade and other payables | 177,499 | 162,973 |
| Taxation | 12,405 | 4,179 |
| Provision for liabilities and charges | 4,460 | 5,159 |
| Derivative financial instruments | 1,181 | 137 |
| | 195,545 | 172,448 |
| Total liabilities | 195,983 | 172,891 |
| Total equity and liabilities | 962,525 | 1,009,729 |
| Net assets per share (RM) | 12.62 | 13.78 |

(The Condensed Combined Entity Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2019)

**Condensed Combined Entity Statement of Changes in Equity
for the 2nd Quarter Ended 30 September 2019**

| | Attributable to equity holders | | |
|---|--------------------------------|-------------------|--------------|
| | Share Capital | Retained Earnings | Total Equity |
| | RM'000 | RM'000 | RM'000 |
| <u>Quarter Ended 30 September 2018</u> | | | |
| At 1 April 2018 | 60,746 | 820,990 | 881,736 |
| Total comprehensive income for the period | - | 59,266 | 59,266 |
| Dividends: | | | |
| - Final dividend for the financial year ended 31 March 2018 | - | (80,792) | (80,792)) |
| - Special dividend for the financial year ended 31 March 2018 | - | (60,746) | (60,746) |
| At 30 September 2018 | 60,746 | 738,718 | 799,464 |
| <u>Quarter Ended 30 Jun 2019</u> | | | |
| At 1 April 2019 | 60,746 | 776,092 | 836,838 |
| Total comprehensive income for the period | - | 57,878 | 57,878 |
| Dividends: | | | |
| - Final dividend for the financial year ended 31 March 2019 | - | (128,174) | (128,174) |
| At 30 September 2019 | 60,746 | 705,796 | 766,542 |
| | | | |

(The Condensed Combined Entity Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2019)

Condensed Combined Entity Cash Flow Statement
For the 2nd Quarter Ended 30 September 2019

| | (Unaudited) | |
|--|--------------------------------------|--------------------------------------|
| | Period ended 30.09.2019 RM'000 | Period ended 30.09.2018 RM'000 |
| Profit after taxation | 57,878 | 59,266 |
| Adjustments for: | | |
| Non Cash Flow Items | 23,034 | 33,048 |
| Share of results of associated company | 2,104 | (2,253) |
| Operating profit before working capital changes | 83,016 | 90,061 |
| Changes in working capital | | |
| Net increase in current assets | (29,859) | 3,964 |
| Net decrease in current liabilities | 15,095 | (16,086) |
| Cash generated from operations | 68,252 | 77,939 |
| Other operating activities | (10,457) | (17,869) |
| Net cash flow from operating activities | 57,795 | 60,070 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (10,877) | (18,343) |
| Purchase of Software | (6,730) | - |
| Proceeds from disposal of property, plant and equipment | 226 | 101 |
| Interest received | 11,401 | 12,599 |
| Dividend received (net) | 1,911 | 11,467 |
| Net cash flow from investing activities | (4,069) | 5,824 |
| CASH FLOWS FROM FINANCING ACTIVITY | | |
| Dividends paid | (128,174) | (141,538) |
| Net cash flow from financing activity | (128,174) | (141,538) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | (74,448) | (75,644) |
| CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD | 623,312 | 650,610 |
| CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD | 548,864 | 574,966 |
| <u>Cash and cash equivalents comprise:</u> | | |
| Placement of funds with related company | 548,280 | 574,607 |
| Cash and bank balances | 584 | 359 |
| | <u>548,864</u> | <u>574,966</u> |

(The Condensed Combined Entity Cash Flow Statement should be read in conjunction with the Annual Audited Financial Statements of the Company for the financial year ended 31 March 2019)

Panasonic
Panasonic Manufacturing Malaysia Berhad (6100-K)
(Incorporated in Malaysia)

Notes to the Interim Financial Statements for 2nd Quarter Ended 30 September 2019

Note 1. Accounting Policies and Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial report should be read in conjunction with the Company’s audited statutory financial statements for the financial year ended 31 March 2019.

The audited financial statements of the Company for the year ended 31 March 2019 were prepared in accordance with MFRS. The accounting policies and methods of computation adopted by the Company in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 March 2019; except for the capitalization of development cost incurred for software system design.

MFRS 16 – Leases came into effect on 1st January 2019, however, based on the assessment, the Company does not expect the initial application of this MFRS to have a significant impact on its financial statements as at 1 April 2019. Included in the financial statements there is a prepaid leasehold land capitalized under non-current assets property, plant and equipment.

Note 2. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2019 was not qualified.

Note 3. Seasonality or Cyclicity of Interim Operations

The Company’s business operations were not materially affected by any seasonal or cyclical factors since the last balance sheet date.

The Company’s products are generally dependent on consumer demand both in the domestic and export markets.

Note 4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

Note 5. Changes in Estimates of Amounts Reported in Prior Interim Periods for the Current Financial Year or in Prior Financial Years

There were no major changes in estimates of amounts reported in prior interim periods for the current financial year or changes in estimates of amounts reported in the prior financial year, which give a material effect in the current interim period.

Note 6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances and repayment of debt securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares since the last reporting date.

Note 7. Dividends Declared / Paid

The final single tier dividend of 211 sen per ordinary share for the financial year ended 31 March 2019 was paid on 25 September 2019.

Note 8. Segmental Reporting

Analysis of the Company's segment information is as follows:

| | Revenue for the period ended | | Profit before tax for the period ended | |
|---|---------------------------------|----------------------|---|----------------------|
| | 30.09.2019 RM'000 | 30.09.2018 RM'000 | 30.09.2019 RM'000 | 30.09.2018 RM'000 |
| Home Appliance products | 271,369 | 294,850 | 33,849 | 31,377 |
| Fan and other products | 308,618 | 319,525 | 40,756 | 46,311 |
| Total | 579,987 | 614,375 | 74,605 | 77,688 |
| Unallocated costs | - | - | 2,672 | (3,532) |
| Share of Results from Associated Companies | - | - | (2,104) | 2,253 |
| Total | 579,987 | 614,375 | 75,173 | 76,409 |

Revenue information based on geographical location is as follows:

| | Revenue for the period ended | |
|-------------------------------------|---------------------------------|----------------------|
| | 30.09.2019 RM'000 | 30.09.2018 RM'000 |
| Malaysia | 262,055 | 284,663 |
| Japan | 20,547 | 22,200 |
| Asia (excluding Malaysia and Japan) | 186,200 | 159,957 |
| North America | - | 683 |
| Europe | 474 | 2,062 |
| Middle East | 97,025 | 134,032 |
| Others | 13,686 | 10,778 |
| Total | 579,987 | 614,375 |

Note 9. Valuation of Property, Plant and Equipment

There was no valuation of property, plant and equipment for the period under review.

Note 10. Significant Post Balance Sheet Events

In the interval between 30 September 2019 and the date of this announcement, there has not been any item, transaction or event of a material or unusual nature in the opinion of the Directors that is likely to affect substantially the result of the operations of the Company for the quarter ended 30 September 2019 in respect of which this announcement is made.

Note 11. Contingent Liabilities

There were no contingent liabilities since the last financial year ended 31 March 2019.

Disclosure Requirements Pursuant to Part A, Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

Note 12. Review of Performance

(a) 2nd Quarter This Year vs 2nd Quarter Last Year

| | 2nd Quarter Ended | | Change | Cumulative Period Ended | | Change |
|------------------------|----------------------|----------------------|--------|-------------------------|----------------------|--------|
| | 30.09.2019 RM'000 | 30.09.2018 RM'000 | % | 30.09.2019 RM'000 | 30.09.2018 RM'000 | % |
| Revenue | 288,587 | 308,807 | (6.5%) | 579,987 | 614,375 | (5.6%) |
| Profit before taxation | 40,085 | 43,450 | (7.7%) | 75,173 | 76,409 | (1.6%) |

The Company's revenue of RM288.6 million for the current quarter ended 30 September 2019 was lower by 6.5% or RM20.2 million, as compared with the revenue of RM308.8 million registered in the previous year's corresponding quarter. The reduction was mainly attributed to lower sales in the domestic market for both Home Appliances and Fan products. In the previous year's corresponding quarter, the Company recorded a significantly higher domestic sales as the Goods & Services Tax ("GST") zero rated period was extended until 31 August 2018. The effect of lower sales to the domestic market was cushioned to a certain extent, by an increase in the exports sales to other Asean countries such as Vietnam, Brunei and Singapore.

Despite the reduction in the revenue by 6.5%, the Company's results from operating activities was maintained at RM35.6 million. This was achieved through a reduction in operating expenses of RM19.8 million and increase in other operating income by RM2.4 million. However, the Company incurred a derivative loss for this quarter amounting to RM 0.9 million, as compared to a derivative gain of RM 0.9 million in the previous year.

The Company's combined profit before tax of RM40.1 million for the current quarter ended 30 September 2019 was lower by 7.7% or RM3.4 million, as compared to the previous year's corresponding quarter combined profit before tax of RM43.5 million after taking into consideration :-

- (i) the reduction in interest income by RM0.9 million as placement of deposits were lower following the payment of dividend in the quarter under review, and
- (ii) a share of losses from the associated company of RM1.1 million for the current quarter, as compared to a share of profits of RM 1.3 million in the previous year.

The results of the associated company that focus on sales in the domestic market has been affected by the lower consumer demand post-GST and stiff competition.

Review by Segment

Analyzing the results by segments, Home Appliance products segment's profit before tax of RM23.1 million for the current quarter ended 30 Sep 2019, was higher by 29.8% or RM5.3 million as compared to the previous year's corresponding quarter profit before tax of RM17.8 million. The increase in profitability was mainly attributable to lower cost of materials, improved profit margins for some of the products and concerted efforts to reduce fixed costs.

However, the Fan and other products segment recorded a lower profit before tax of RM17.8 million for the current quarter ended 30 September 2019, a decrease of 17.3% or RM3.7 million as

compared to the profit before tax in the previous year's corresponding quarter of RM21.5 million mainly due to lower sales achieved in this quarter.

(b) Current Year to Date vs Last Year to Date

The Company's revenue of RM580.0 million for the half year ended 30 September 2019, was lower by RM34.4 million or 5.6% as compared to the previous year's corresponding period of RM614.4 million. This was mainly due to lower domestic sales (GST zero rated period in previous period) and lower export sales to the Middle East market.

Correspondingly, the Company achieved a lower combined profit before tax of RM75.2 million for the half yearly ended 30 September 2019, representing a decrease of RM1.2 million or 1.6% as compared to the previous year's corresponding period of RM76.4 million.

The Home Appliances products segment's profit before tax of RM33.8 million for the half year ended 30 September 2019 increased by 7.9% or RM2.4 million as compared to the previous year's corresponding period profit before tax of RM31.4 million. The increase in profitability was mainly attributable to lower cost of materials, improved profit margins for some of the products and concerted efforts to reduce fixed costs.

Conversely, the Fan and other products segment recorded lower profit before tax of RM40.8 million for the half year ended 30 September 2019, a decrease of 12.0% or RM5.5 million as compared to the profit before tax in the previous year's corresponding period of RM46.3 million. The lower profit was mainly due to a much lower sales registered in the current period.

Note 13. Material Changes in Quarterly Results Compared to Preceding Quarter

| | Current Quarter | Preceding Quarter | Change |
|------------------------|------------------------|--------------------------|---------------|
| | 30.09.2019 RM'000 | 30.06.2019 RM'000 | % |
| Revenue | 288,587 | 291,400 | (1.0%) |
| Profit before taxation | 40,085 | 35,088 | 14.2% |

The Company's revenue of RM288.6 million in the current quarter was lower by 6.5% or RM2.8 million compared to the revenue of RM291.4 million recorded in the preceding quarter. The preceding quarter's revenue was higher due to the favorable Hari Raya festive season sales.

This was mitigated, to a certain extent, by the recovery of export sales to the Middle East market and increased sales to other Asean countries such as Thailand and Vietnam.

The Company's combined profit before tax of RM40.1 million for the current quarter increased by 14.2% or RM5.0 million as compared to the combined profit before tax of RM35.1 million in the preceding quarter. This was mainly due to favorable exchange condition and product sales mix as compared to the preceding quarter.

Note 14. Prospects and Outlook

The global economy grew at a moderate pace in the second quarter of 2019. Exports in all Asian economies contracted in the second quarter, indicating weaknesses in external demand and effects from the ongoing trade tensions between the US and China.

On the local front, despite the Malaysian economy expanding by 4.9% in the current quarter of 2019 (1st Quarter 2019:4.5%), the demand in domestic sector continues to be sluggish.

The Company is cautiously optimistic with regards to its prospects despite the continued challenging environment. The Company will continue to strengthen its manufacturing capabilities through the continued expansion and modernization into robotic and automation systems consistent with the Government's aspiration to promote Industry 4.0. The enhancement in the IT system as well as the ongoing training programs for the operational staff within the Company will further improve the Company's productivity.

The Company remains positive and will strive to ensure that the Company continues to achieve satisfactory performance.

Note 15. Profit Forecast, Profit Guarantee or Internal Targets

The Company did not issue or publicly announce or disclose any profit forecasts, profit guarantee or internal targets for the period under review.

Note 16. Taxation

| | Current Quarter Ended 30.09.2019 RM'000 | Preceding Year's Quarter Ended 30.09.2018 RM'000 | Cumulative period ended 30.09.2019 RM'000 | Cumulative Period ended 30.09.2018 RM'000 |
|---------------------------|--|---|--|--|
| Taxation charge: | | | | |
| - current financial year | (9,490) | (11,357) | (17,626) | (18,178) |
| - prior financial year | - | - | - | - |
| Deferred Tax: | | | | |
| - current financial year | 193 | 2,034 | 331 | 1,035 |
| | (9,297) | (9,323) | (17,295) | (17,143) |
| Effective income tax rate | 23.2% | 21.5% | 23.0% | 22.4% |

The Company's effective income tax rate for the cumulative year was lower than the statutory tax rate of 24% mainly due to certain tax incentives enjoyed for the promotion of exports and double deduction from the research and development expenditures.

Note 17. Corporate Proposals

There were no corporate proposals announced but not completed as at the date of the issuance of this interim financial report.

Note 18. Derivatives

Derivative financial instruments are entered into by the Company in currencies other than Ringgit Malaysia for highly probable forecasted transactions to manage the exposure to fluctuation in foreign currency exchange rates.

In general, the Company's policy is to enter into foreign currency forward contracts to mitigate foreign exchange risk of highly probable forecasted transactions, such as anticipated future export sales, purchases of equipment and raw materials, as well as payment on services and other related expenditure. There is no change to the Company's policy in managing these derivatives since the last financial year.

As at 30 September 2019, the details of derivative financial instruments outstanding measured at fair values together with their corresponding contract / notional values are as follows:-

| Type of Derivatives | Contract / Notional Value RM'000 | Fair Value of Assets RM'000 | Fair Value of Liabilities RM'000 |
|---------------------------------|-------------------------------------|-----------------------------------|--|
| Less than 1 year - Sell USD | 103,570 | 0 | 1,180 |
| Less than 1 year - Buy JPY | 6,910 | 108 | 0 |
| Less than 1 year - Buy SGD | 514 | 0 | 1 |
| Less than 1 year - Sell Euro | 1,105 | 21 | 0 |
| | | 129 | 1,181 |

Note 19. Material Litigation

There were no material litigations pending on the date of this announcement.

Note 20. Dividends

The Board has declared an interim single tier dividend of 15 sen per ordinary share for the financial year ending 31 March 2020 payable on 22 January 2020 to the shareholders registered in the Record of Depositors on the entitlement date of 23 December 2019.

Note 21. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue as at 30 September 2019 of 60,745,780 shares.

(a) Basic earnings per share

| | Period ended 30.09.2019 | Period ended 30.09.2018 |
|--|----------------------------|----------------------------|
| Profit after taxation for the period (RM'000) | 57,878 | 59,266 |
| Weighted average number of ordinary shares in issue ('000) | 60,746 | 60,746 |
| Basic earnings per share (sen) | 95 | 98 |

(b) Summary of earnings per share

| | Basic (sen) | Diluted (sen) |
|--------------|-------------|----------------|
| Quarter 1 | 45 | Not Applicable |
| Quarter 2 | 51 | Not Applicable |
| Year-to-date | 95 | Not Applicable |

Note 22. Commitments for Capital Expenditure

| Analyzed as follows: Property, plant and equipment | As at 30.09.2019 RM'000 | As at 30.09.2018 RM'000 |
|---|--|--|
| Contracted | 56,724 | 72,425 |
| Not contracted | 153 | 373 |
| Total | 56,877 | 72,798 |

Note 23. Notes to the Condensed Combined Statement of Comprehensive Income

Included in the Total Comprehensive Income for the period are the following:

| | 2nd Quarter ended | | Cumulative period ended | |
|---|--------------------------|----------------------|--------------------------------|----------------------|
| | 30.09.2019 RM'000 | 30.09.2018 RM'000 | 30.09.2019 RM'000 | 30.09.2018 RM'000 |
| Interest Income | 5,564 | 6,439 | 11,201 | 12,598 |
| Interest Expenses | - | - | - | - |
| Depreciation & Amortization | (7,934) | (7,156) | (15,548) | (14,609) |
| Provision For/Write Off of Receivables | - | - | - | - |
| Provision For/Write Off of Inventories | - | - | - | - |
| Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties* | N/A | N/A | N/A | N/A |
| Impairment of Assets | N/A | N/A | N/A | N/A |
| Gain/(Loss) on Foreign Exchange | 863 | (1,443) | 2,978 | 7,077 |
| (Loss)/Gain on Derivatives | (944) | 977 | (1,839) | (10,397) |

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
25 November 2019