

# Panasonic

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

### Condensed Combined Entity Statement of Comprehensive Income for the 3rd Quarter Ended 31 December 2019

	(Unaudited)		(Unaudited)	
	3rd Quarter ended		Cumulative period ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Revenue	267,343	287,874	847,330	902,249
Operating expenses	(242,441)	(265,674)	(760,809)	(818,272)
Other operating income	1,594	1,591	7,890	11,769
Other derivative gain / (loss)	3,311	2,731	1,472	(7,666)
Results from operating activities	29,807	26,522	95,883	88,080
Interest income	4,572	5,600	15,773	18,198
Share of results of associated company (net of tax)	(2,235)	(1,910)	(4,339)	343
Profit before taxation	32,144	30,212	107,317	106,621
Taxation	(3,332)	(6,182)	(20,627)	(23,325)
<b>Profit after taxation for the period</b>	<b>28,812</b>	<b>24,030</b>	<b>86,690</b>	<b>83,296</b>
<u>Earnings per share attributable to equity holders:</u>				
Basic and diluted (sen)	47	40	143	137

(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 3rd Quarter Ended 31 December 2019**

	(Unaudited)		(Unaudited)	
	<b>3rd Quarter ended</b>		<b>Cumulative period ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit after taxation for the period</b>	28,812	24,030	86,690	83,296
Other comprehensive income, net of taxation	-	-	-	-
<b>Total Comprehensive Income for the period</b>	28,812	24,030	86,690	83,296
<b>Profit after taxation attributable to equity holders of the Company</b>	28,812	24,030	86,690	83,296
<b>Total Comprehensive Income attributable to equity holders of the Company</b>	28,812	24,030	86,690	83,296

(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)
	<b>As at 31.12.2019 RM'000</b>	<b>As at Preceding Financial Year End 31.03.2019 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	126,397	122,544
Intangible asset	8,193	-
Interest in associated company	94,100	100,350
Deferred tax assets	9,609	7,780
	<b>238,299</b>	<b>230,674</b>
<b>Current assets</b>		
Inventories	59,877	49,580
Trade and other receivables	97,269	105,240
Placement of funds with related company	551,328	623,226
Cash and bank balances	243	86
Derivative financial instruments	2,492	923
	<b>711,209</b>	<b>779,055</b>
Total assets	<b>949,508</b>	<b>1,009,729</b>
<b>EQUITY</b>		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	734,608	776,092
Total equity	<b>795,354</b>	<b>836,838</b>
<b>LIABILITIES</b>		
<b>Non-current liability</b>		
Provision for liabilities and charges	438	443
	<b>438</b>	<b>443</b>
<b>Current liabilities</b>		
Trade and other payables	137,828	162,973
Taxation	8,320	4,179
Provision for liabilities and charges	7,335	5,159
Derivative financial instruments	233	137
	<b>153,716</b>	<b>172,448</b>
Total liabilities	<b>154,154</b>	<b>172,891</b>
Total equity and liabilities	<b>949,508</b>	<b>1,009,729</b>
Net assets per share (RM)	<b>13.09</b>	<b>13.78</b>

(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 3rd Quarter Ended 31 December 2019**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<b><u>Quarter Ended 31 December 2018</u></b>			
At 1 April 2018	60,746	820,990	881,736
Total comprehensive income for the period	-	83,296	83,296
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 31 December 2018	60,746	762,748	823,494
<b><u>Quarter Ended 31 December 2019</u></b>			
At 1 April 2019	60,746	776,092	836,838
Total comprehensive income for the period	-	86,690	86,690
Dividends:			
- Final dividend for the financial year ended 31 March 2019	-	(128,174)	(128,174)
At 31 December 2019	60,746	734,608	795,354

(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 3rd Quarter Ended 31 December 2019**

	(Unaudited)	
	Period ended 31.12.2019 RM'000	Period ended 31.12.2018 RM'000
<b>Profit after taxation</b>	86,690	83,296
<b>Adjustments for:</b>		
Non Cash Flow Items	28,296	37,988
Share of results of associated company	4,339	(343)
<b>Operating profit before working capital changes</b>	119,325	120,941
<b>Changes in working capital</b>		
Net increase in current assets	(49)	9,591
Net decrease in current liabilities	(25,359)	(30,576)
<b>Cash generated from operations</b>	93,917	99,956
Other operating activities	(19,797)	(25,823)
<b>Net cash flow from operating activities</b>	74,120	74,133
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(30,959)	(30,681)
Purchase of intangible asset	(5,155)	-
Proceeds from disposal of property, plant and equipment	301	102
Interest received	16,215	18,198
Dividend received (net)	1,911	11,467
<b>Net cash flow from investing activities</b>	(17,687)	(914)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Dividends paid	(128,174)	(141,538)
<b>Net cash flow from financing activity</b>	(128,174)	(141,538)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(71,741)	(68,319)
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD</b>	623,312	650,610
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD</b>	551,571	582,291
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	551,328	581,989
Cash and bank balances	243	302
	<u>551,571</u>	<u>582,291</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 3rd Quarter Ended 31 December 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 1<sup>st</sup> 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

An interim dividend of 15 sen per share was declared to depositors registered on the record of depositors as at 22 November 2019 and paid on 22 January 2020.

## 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	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Home Appliance products	426,139	465,307	57,615	50,599
Fan and other products	421,191	436,942	51,127	56,605
<b>Total</b>	<b>847,330</b>	<b>902,249</b>	<b>108,742</b>	<b>107,204</b>
Unallocated costs	-	-	2,914	(926)
Share of Results from Associated Companies	-	-	(4,339)	343
<b>Total</b>	<b>847,330</b>	<b>902,249</b>	<b>107,317</b>	<b>106,621</b>

Revenue information based on geographical location is as follows:

	Revenue for the period ended	
	31.12.2019 RM'000	31.12.2018 RM'000
Malaysia	358,052	397,960
Japan	30,393	34,190
Asia (excluding Malaysia and Japan)	294,898	271,711
North America	-	1,285
Europe	1,346	2,649
Middle East	142,091	178,355
Others	20,550	16,099
<b>Total</b>	<b>847,330</b>	<b>902,249</b>

## 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 31 December 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 31 December 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) 3<sup>rd</sup> Quarter This Year vs 3<sup>rd</sup> Quarter Last Year

	3rd Quarter ended		Change	Cumulative Period Ended		Change
	31.12.2019 RM'000	31.12.2018 RM'000	%	31.12.2019 RM'000	31.12.2018 RM'000	%
Revenue	267,343	287,874	(7.1%)	847,330	902,249	(6.1%)
Profit before taxation	32,144	30,212	+6.4%	107,317	106,621	+0.7%

The Company's revenue of RM267.3 million for the current quarter ended 31 December 2019 was lower by 7.1% or RM20.5 million as compared with the revenue of RM287.8 million registered in the previous year's corresponding quarter. The lower revenue was attributed to lower sales in both domestic and export market as compared to the previous year's corresponding quarter.

The lower domestic sales were mainly attributed to sluggish demand for both Home Appliances and Fan products in the domestic market. The lower export sales arose from a slowdown in demand, especially for home shower products, in the Thailand market. The effect of lower sales were cushioned to a certain extent, by an increase in the exports sales to the Middle East market and other countries such as Latin America and New Zealand.

Despite a reduction in the revenue by 7.1%, the Company's results from operating activities was higher by 12% or RM 3.3 million at RM29.8 million. This was achieved by a reduction in operating expenses of RM 23 million; mainly attributed to lower cost of materials and other fixed costs.

At the Company's combined profit before tax level, the current quarter registered a profit before tax of RM32.1 million as compared to RM30.2 million; an increase of RM1.9 million attributed to the following:-

- (i) the reduction in interest income of RM1.0 million due to lower amount of deposits placement following the payment of dividend in the second quarter as well as lower interest rate as compared to previous year's corresponding quarter, and
- (ii) the marginal increase in the share of losses from associated company for the current quarter of RM2.2 million as compared to RM1.9 million in previous year's corresponding quarter. The results of the associated company continue to be affected by declining sales amidst slow market demand coupled with stiff competition faced.

### Review by Segment

Analyzing the results by segments, the profit before tax of the Home Appliance products segment of RM23.8 million for the current quarter ended 31 December 2019, was higher by 23.6% or RM4.5 million as compared to the previous year's corresponding quarter profit before tax of RM19.2 million.

The increase in profitability was mainly attributable to lower cost of materials, improved profit margins for certain products and reduction in fixed costs.



The Fan and other products segment recorded a marginal improvement in profit before tax of RM10.4 million for the current quarter ended 31 December 2019, an increase of 0.7% or RM0.1 million as compared to the profit before tax in the previous year's corresponding quarter of RM10.3 million. This was also mainly attributable to lower cost of materials.

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

The Company's revenue of RM847.3 million for the nine months ended 31 December 2019, was lower by RM54.9 million or 6.1% as compared to the previous year's corresponding period of RM902.2 million. This was mainly due to lower domestic sales for both Home Appliances and Fan products and lower export sales mainly to the Middle East market.

Despite the lower revenue, the Company achieved a higher combined profit before tax of RM107.3 million for the nine months ended 31 December 2019, representing an increase of RM0.7 million or 0.7% as compared to the previous year's corresponding period of RM106.6 million.

The profit before tax of the Home Appliances products segment of RM57.6 million for the nine months ended 31 December 2019 was higher by 13.9% or RM7.0 million as compared to the previous year's corresponding period profit before tax of RM50.6 million. The increase in profitability was mainly attributable to lower cost of materials, improved profit margins for certain products and reduction in fixed costs.

Conversely, the Fan and other products segment, recorded lower profit before tax of RM51.1 million for the nine months ended 31 December 2019, a decrease of 9.7% or RM5.5 million as compared to the profit before tax in the previous year's corresponding period of RM56.6 million. The lower profit was mainly due to a decline in sales in the current period.

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

	<b>Current Quarter</b>	<b>Preceding Quarter</b>	<b>Change</b>
	31.12.2019 RM'000	30.09.2019 RM'000	%
Revenue	267,343	288,587	(7.4%)
Profit before taxation	32,144	40,085	(19.8%)

The Company's revenue of RM267.3 million in the current quarter was lower by 7.4% or RM21.3 million compared to the revenue of RM288.6 million recorded in the preceding quarter. The lower revenue was mainly due to the sluggish market demand in the domestic market.

However, this was mitigated, to a certain extent, by increased sales to other Asean countries such as Thailand and Vietnam, in the current quarter as compared to the preceding quarter.

The Company's combined profit before tax of RM32.1 million for the current quarter decreased by 19.8% or RM8.0 million as compared to the combined profit before tax of RM40.1 million in the preceding quarter due to lower sales achieved as compared to the preceding quarter.

**Note 14. Prospects and Outlook**

The global economy grew at a more moderate pace in the fourth quarter of 2019 as there has been some progress on the US and China trade negotiation. Regional economies improved marginally and showed signs of recovery in exports and sustained domestic demand.

The Malaysian economy expanded at a lower pace at 3.6% in the fourth quarter of 2019 (3Q 2019:4.4%), primarily supported by private sector spending and domestic demand, by 4.9 %, amidst weak exports. The domestic growth may be further impacted by the recent political developments which has created uncertainties and volatility in the market.

In addition, the COVID-19 outbreak in China; if remains unresolved, may expose the Company to supply chain risks as certain materials and parts are sourced from China.

The Company will continue to strengthen its manufacturing capabilities through the continued expansion of robotic and automation systems in its facilities and enhancement in the IT system to improve the Company's productivity.

Despite the current challenging environment, 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**

	<b>Current Quarter Ended 31.12.2019 RM'000</b>	<b>Preceding Year's Quarter Ended 31.12.2018 RM'000</b>	<b>Cumulative period ended 31.12.2019 RM'000</b>	<b>Cumulative Period ended 31.12.2018 RM'000</b>
Taxation charge:				
- current financial year	(3,332)	(6,182)	(20,627)	(24,360)
- prior financial year		-		-
Deferred Tax:				
- current financial year	-	-	-	1,035
	(3,332)	(6,182)	(20,627)	(23,325)
Effective income tax rate	10.4%	20.5%	19.2%	21.9%

The Company's effective income tax rate for the cumulative period ended 31 December 2019 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.

The current quarter's effective income tax rate was much lower at 10.4% mainly due to the effect of capital allowance claim for some new software development costs which only commenced utilisation in this quarter and adjustments to an overprovision of tax charge made in the last quarter during this quarter's review.

#### **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 31 December 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
<u>Less than 1 year</u> - Sell USD	138,518	2,476	-
<u>Less than 1 year</u> - Buy JPY	1,521	16	-
<u>Less than 1 year</u> - Buy SGD	8,157	-	231
<u>Less than 1 year</u> - Sell Euro	307	-	2
		2,492	233

#### Note 19. Material Litigation

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

#### Note 20. Dividends

The Board is not recommending any dividend for the quarter under review.

#### 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 31 December 2019 of 60,745,780 shares.

##### (a) Basic earnings per share

	Period ended 31.12.2019	Period ended 31.12.2018
Profit after taxation for the period (RM'000)	86,690	83,296
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	143	137

##### (b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	45	Not Applicable
Quarter 2	51	Not Applicable
Quarter 3	47	Not Applicable
Year-to-date	143	Not Applicable

**Note 22. Commitments for Capital Expenditure**

<b>Analyzed as follows: Property, plant and equipment</b>	<b>As at 31.12.2019 RM'000</b>	<b>As at 31.12.2018 RM'000</b>
Contracted	44,888	73,318
Not contracted	699	476
<b>Total</b>	<b>45,587</b>	<b>73,794</b>

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

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

	<b>2nd Quarter ended</b>		<b>Cumulative period ended</b>	
	<b>31.12.2019 RM'000</b>	<b>31.12.2018 RM'000</b>	<b>31.12.2019 RM'000</b>	<b>31.12.2018 RM'000</b>
Interest Income	4,572	5,600	15,773	18,198
Interest Expenses	-	-	-	-
Depreciation & Amortization	8,265	6,984	23,813	21,593
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	(3,757)	(2,760)	(779)	4,317
(Loss)/Gain on Derivatives	3,311	2,731	1,472	(7,666)

\* N/A: Not Applicable to the Combined Entity

**By Order of the Board**

Leong Oi Wah  
Company Secretary  
26 February 2020