

Panasonic

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

Condensed Combined Entity Statement of Comprehensive Income for the 4th Quarter Ended 31 March 2020

	(Unaudited)		(Unaudited)	
	4th Quarter ended		Cumulative period ended	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Revenue	204,650	225,637	1,051,980	1,127,886
Operating expenses	(185,783)	(210,051)	(942,837)	(1,023,484)
Other operating income	9,982	1,612	14,116	8,542
Other derivative gain / (loss)	(3,322)	560	(1,849)	(7,106)
Results from operating activities	25,527	17,758	121,410	105,838
Finance cost	(9)	-	(9)	-
Interest income	4,346	5,656	20,119	23,854
Share of results of associated company (net of tax)	4,046	1,275	(293)	1,618
Profit before taxation	33,910	24,689	141,227	131,310
Taxation	(3,611)	(2,233)	(24,238)	(25,558)
Profit after taxation for the period	30,299	22,456	116,989	105,752
Earnings per share				
attributable to equity holders:				
Basic and diluted (sen)	50	37	193	174

(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 4th Quarter Ended 31 March 2020**

	(Unaudited)		(Unaudited)	
	4th Quarter ended		Cumulative period ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
Profit after taxation for the period	30,299	22,456	116,989	105,752
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive Income for the period	30,299	22,456	116,989	105,752
Profit after taxation attributable to equity holders of the Company	30,299	22,456	116,989	105,752
Total Comprehensive Income attributable to equity holders of the Company	30,299	22,456	116,989	105,752

(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 31.03.2020 RM'000	As at Preceding Financial Year End 31.03.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	127,306	122,544
Intangible asset	7,687	-
Right-of-use assets	6,109	-
Interest in associated company	96,872	100,350
Deferred tax assets	12,871	7,780
	250,845	230,674
Current assets		
Inventories	73,164	49,580
Trade and other receivables	74,927	105,240
Placement of funds with related company	576,900	623,226
Cash and bank balances	812	86
Derivative financial instruments	94	923
	725,897	779,055
Total assets	976,742	1,009,729
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	755,795	776,092
Total equity	816,541	836,838
LIABILITIES		
Non-current liability		
Provision for liabilities and charges	540	443
Non-current Lease payable	203	-
	743	443
Current liabilities		
Trade and other payables	136,714	162,973
Taxation	9,868	4,179
Lease payable	127	-
Provision for liabilities and charges	11,592	5,159
Derivative financial instruments	1,157	137
	159,458	172,448
Total liabilities	160,201	172,891
Total equity and liabilities	976,742	1,009,729
Net assets per share (RM)	13.44	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 4th Quarter Ended 31 March 2020**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 31 March 2019</u>			
At 1 April 2018	60,746	820,990	881,736
Total comprehensive income for the period	-	105,752	105,752
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)
- Interim dividend for the financial year ended 31 March 2019		(9,112)	(9,112)
At 31 March 2019	60,746	776,092	836,838
<u>Quarter Ended 31 March 2020</u>			
At 1 April 2019	60,746	776,092	836,838
Total comprehensive income for the period	-	116,989	116,989
Dividends:			
- Final dividend for the financial year ended 31 March 2019	-	(128,174)	(128,174)
- Interim dividend for the financial year ended 31 March 2020		(9,112)	(9,112)
At 31 March 2020	60,746	755,795	816,541

(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 4th Quarter Ended 31 March 2020**

	(Unaudited)	
	Period ended 31.03.2020 RM'000	Period ended 31.03.2019 RM'000
Profit after taxation	116,989	105,752
Adjustments for:		
Non Cash Flow Items	43,531	42,986
Share of results of associated company	293	(1,618)
Operating profit before working capital changes	160,813	146,120
Changes in working capital		
Net increase in current assets	11,119	21,255
Net decrease in current liabilities	(27,235)	(18,900)
Cash generated from operations	144,697	148,475
Other operating activities	(26,134)	(27,833)
Net cash flow from operating activities	118,563	120,642
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(45,221)	(54,386)
Purchase of intangible asset	(5,217)	-
Proceeds from disposal of property, plant and equipment	352	115
Interest received	20,119	23,854
Dividend received (net)	3,185	33,127
Net cash flow from investing activities	(26,782)	2,710
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	(137,286)	(150,650)
Repayment of lease liabilities	(95)	-
Net cash flow from financing activity	(137,381)	(150,650)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(45,600)	(27,298)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	623,312	650,610
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	577,712	623,312
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	576,900	623,226
Cash and bank balances	812	86
	<u>577,712</u>	<u>623,312</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)

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Notes to the Interim Financial Statements for 4th Quarter Ended 31 March 2020

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 January 2019 and based on the assessment undertaken, 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. During the quarter under review, leasehold land which has been previously capitalized under non-current assets Property, Plant and Equipment has now been re-classified as Right of Use Assets. Lease payments for expatriates accommodation and machinery, where applicable, are also included in Rights of Use Assets.

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 amount of dividend on ordinary shares paid by the Company since 31 March 2019 were as follows:

<u>Final Dividend paid</u>	RM'000
Final dividend (211 sen per ordinary share)	128,174
 <u>Interim Dividend paid</u>	
Interim dividend (15 sen per ordinary share)	9,112
Total	<u><u>137,286</u></u>

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	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Home Appliance products	508,099	560,037	67,117	59,954
Fan and other products	543,881	567,849	67,318	70,261
Total	1,051,980	1,127,886	134,435	130,215
Unallocated costs	-	-	7,085	(523)
Share of Results from Associated Companies	-	-	(293)	1,618
Total	1,051,980	1,127,886	141,227	131,310

Revenue information based on geographical location is as follows:

	Revenue for the period ended	
	31.03.2020 RM'000	31.03.2019 RM'000
Malaysia	426,569	479,154
Japan	39,859	44,049
Asia (excluding Malaysia and Japan)	356,529	349,738
North America	-	1,667
Europe	3,758	3,097
Middle East	198,058	227,150
Others	27,207	23,031
Total	1,051,980	1,127,886

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 March 2020 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 March 2020 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) 4th Quarter This Year vs 4th Quarter Last Year

	4th Quarter ended		Change	Cumulative Period Ended		Change
	31.03.2020 RM'000	31.03.2019 RM'000	%	31.03.2020 RM'000	31.03.2019 RM'000	%
Revenue	204,650	225,637	(9.3%)	1,051,980	1,127,886	(6.7%)
Profit before taxation	33,910	24,689	+37.3%	141,227	131,310	+7.6%

The Company's revenue of RM204.6 million for the current quarter ended 31 March 2020 was lower by 9.3% or RM21.0 million as compared with the revenue of RM225.6 million registered in the previous year's corresponding quarter. The implementation of the Movement Control Order ("MCO") by the Malaysian Government on 18 March 2020 had affected the production as it resulted in a complete shutdown of the plant, and consequently resulted in a drop of the sales revenue towards the end of the quarter. The drop in revenue amounted to RM 42.4 million; comprising mainly export sales to the Middle East market.

Despite a reduction in the revenue by 9.3%, the Company's results from operating activities was higher by 43.7% or RM 7.8 million at RM25.5 million. This was mainly attributed to the foreign exchange gain of approximately RM8.4 million as a result of a weakening in Ringgit Malaysia against US Dollars as compared to a foreign exchange loss of RM2.1 million in the previous year's corresponding quarter. There was reduction in operating expenses of RM24.3 million due 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 RM33.9 million as compared to the previous year's corresponding quarter of RM24.7 million, an increase of RM9.2 million or 37.3%. This was attributed mainly to:-

- (i) the foreign exchange gain as mentioned above, and;
- (ii) the higher share of associate results amounting to RM4.0 million as compared to previous year's corresponding quarter of RM1.2 million. A higher profit was achieved by the associate company mainly due to lower promotional and marketing expenses incurred during the quarter under review.

Review by Segment

Analyzing the results by segments, the profit before tax of the Home Appliance products segment of RM9.5 million for the current quarter ended 31 March 2020, was marginally higher by 1.6% or RM0.1 million as compared to the previous year's corresponding quarter profit before tax of RM9.4 million.

The Fan and other products segment recorded a profit before tax of RM16.2 million for the current quarter ended 31 March 2020, an increase of 18.6% or RM2.5 million as compared to the profit before tax in the previous year's corresponding quarter of RM13.7 million. This was mainly attributable to lower cost of materials.

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

The Company's revenue of RM1.052 billion for the year ended 31 March 2020, was lower by RM75.9 million or 6.7% as compared to the previous year's revenue of RM1.128 billion. Generally, the domestic sales had been slightly sluggish throughout the financial year. The revenue for the financial year under review was further impacted by the drop in revenue attributed to the sudden announcement of the MCO in mid-March 2020.

Despite the lower revenue, the Company managed to achieve a higher combined profit before tax of RM141.2 million for the year ended 31 March 2020, representing an increase of RM9.9 million or 7.6% as compared to the previous year's corresponding period of RM131.3 million. The higher profitability was attributed to lower cost of materials and higher foreign exchange gain.

The profit before tax of the Home Appliances products segment of RM67.1 million for the year ended 31 March 2020 was higher by 11.9% or RM7.2 million as compared to the previous year's corresponding period profit before tax of RM59.9 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 a lower profit before tax of RM67.3 million for the year ended 31 March 2020, a decrease of 4.2% or RM2.9 million as compared to the profit before tax in the previous year's corresponding period of RM70.2 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

	Current Quarter	Preceding Quarter	Change
	31.03.2020 RM'000	31.12.2019 RM'000	%
Revenue	204,650	267,343	(23.5%)
Profit before taxation	33,910	32,144	+5.5%

The Company's revenue of RM204.6 million in the current quarter was lower by 23.5% or RM62.7 million compared to the revenue of RM267.3 million recorded in the preceding quarter. The lower revenue was mainly due to the impact of the implementation of MCO from 18th March 2020 and the certain slow-down in the domestic market following the festive sales season peak in the last quarter.

However, this was mitigated, to a certain extent, by increased export sales for fan products to Vietnam and Middle East market, in the current quarter as compared to the preceding quarter.

The Company's combined profit before tax of RM33.9 million for the current quarter increased by 5.5% or RM1.8 million as compared to the combined profit before tax of RM32.1 million in the

preceding quarter mainly due to higher share of profit from associated company as compared to the preceding quarter.

Note 14. Prospects and Outlook

The global economy is expected to experience a further slowdown in the second quarter of 2020 due to the rapid spread of the COVID-19 virus that resulted in the introduction of lockdown and social distancing measures in many major economies.

In the regional economies, the introduction of aggressive containment measures had affected both domestic supply and demand conditions as well as disrupting supply chain.

The Malaysian economy moderated sharply from 3.6% (4Q 2019) to 0.7% (1Q 2020) reflecting the early impact of measures taken domestically to contain the spread of the COVID-19 pandemic, with the introduction of the Movement Control Order (MCO) in Malaysia. Domestic demand registered a modest growth of 3.7% in the first quarter (4Q 2019: 4.8%), due mainly to weaker capital spending by both the private and public sectors. The domestic demand is expected to grow weaker with the mobility restrictions and closure of non-essential services imposed during the MCO; even though the MCO has gradually been eased to a recovery phase now.

Nevertheless, the Company will strive to remain strong and resilient during these challenging times.

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 31.03.2020 RM'000	Preceding Year's Quarter Ended 31.03.2019 RM'000	Cumulative period ended 31.03.2020 RM'000	Cumulative Period ended 31.03.2019 RM'000
Taxation charge:				
- current financial year	(6,941)	(1,394)	(29,398)	(25,754)
- prior financial year	69	103	69	103
Deferred Tax:				
- current financial year	656	(1,609)	2,486	759
- prior financial year	2,605	667	2,605	(666)
	(3,611)	(2,233)	(24,238)	(25,558)
Effective income tax rate	10.6%	9.0%	17.2%	19.5%

The Company's effective income tax rate for the cumulative year ended 31 March 2020 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 31 March 2020, 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	59,805	-	(1,148)
Less than 1 year - Buy JPY	4,177	94	-
Less than 1 year - Buy SGD	220	-	(1)
Less than 1 year - Sell Euro	746	-	(8)
		94	(1,157)

Note 19. Material Litigation

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

Note 20. Dividends

- (a) In respect of the financial year ended 31 March 2020, the Board has proposed for shareholders' approval at the forthcoming Annual General Meeting a final dividend of 183 sen per ordinary share for the financial year ended 31 March 2020 payable on 25 September 2020 to the shareholders registered in the Record of Depositors on the entitlement date of 10 September 2020.
- (b) The final dividend for the previous financial year ended 31 March 2019 amounted to 211 sen per ordinary share was paid on 25 September 2019.
- (c) Total dividends for the current financial year ended 31 March 2020 are:
 - (i) Interim dividend of 15 sen per ordinary share paid on 22 January 2020
 - (ii) Proposed Final dividend of 183 sen per ordinary share.

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 March 2020 of 60,745,780 shares.

(a) Basic earnings per share

	Period ended 31.03.2020	Period ended 31.03.2019
Profit after taxation for the period (RM'000)	116,989	105,752
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	193	174

(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
Quarter 4	50	Not Applicable
Year-to-date	193	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 31.03.2020 RM'000	As at 31.03.2019 RM'000
Contracted	41,137	60,075
Not contracted	229	461
Total	41,366	60,536

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

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

	4th Quarter ended		Cumulative period ended	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Interest Income	4,346	5,656	20,119	23,854
Interest Expenses	-	-	-	-
Depreciation & Amortization	8,194	7,397	32,009	28,990
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	8,456	(2,081)	7,678	2,237
(Loss)/Gain on Derivatives	(3,322)	560	(1,849)	(7,106)

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
29 June 2020