

Panasonic

Panasonic Manufacturing Malaysia Berhad
Registration No. 196501000304 (6100-K)
(Incorporated in Malaysia)

Condensed Combined Entity Statement of Comprehensive Income
for the 3rd Quarter Ended 31 December 2021

	(Unaudited)		(Unaudited)	
	3rd Quarter Ended		9 Months Ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Revenue	264,606	260,950	660,008	708,997
Operating expenses	(253,198)	(230,633)	(638,605)	(648,243)
Other operating income	1,602	1,491	4,450	4,590
Other derivative gain	117	576	1,056	1,695
Result from operating activities	13,127	32,384	26,909	67,039
Finance cost	(1)	(2)	(4)	(7)
Finance Income	1,848	2,066	6,220	8,150
Share of results of associated company (net of tax)	1,727	3,844	4,745	6,968
Profit before taxation	16,701	38,292	37,870	82,150
Taxation	(1,495)	(4,888)	(2,142)	(11,267)
Profit after taxation for the period	15,206	33,404	35,728	70,883
Earning per share attributable to equity holders:				
Basic and diluted (sen)	<u>25</u>	<u>55</u>	<u>58</u>	<u>117</u>

(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 2021)

**Condensed Combined Entity Statement of Comprehensive Income
 for the 3rd Quarter Ended 31 December 2021**

	(Unaudited)		(Unaudited)	
	3rd Quarter ended		9 Months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Profit after taxation for the period	15,206	33,404	35,728	70,883
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive income for the period	15,206	33,404	35,728	70,883
Profit after taxation attributable to equity holders of the Company	15,206	33,404	35,728	70,883
Total Comprehensive income attributable to equity holders of the Company	15,206	33,404	35,728	70,883

(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 2021)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 31.12.2021 RM'000	As at Preceding Financial Year End 31.03.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	146,795	138,175
Intangible assets	4,045	5,538
Right-of-use assets	5,763	5,889
Interest in associated company	107,249	113,971
Deferred tax assets	9,475	11,213
	<u>273,327</u>	<u>274,786</u>
Current assets		
Inventories	92,071	69,632
Trade and other receivables	107,000	104,218
Tax recoverable	6,430	-
Placement of funds with related company	412,159	523,169
Cash and bank balances	538	765
Derivative financial instruments	263	10
	<u>618,461</u>	<u>697,794</u>
Total assets	<u>891,788</u>	<u>972,580</u>
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	697,796	751,972
Total equity	<u>758,542</u>	<u>812,718</u>
LIABILITIES		
Non-current liabilities		
Provision for liabilities and charges	597	597
Non-current lease payable	60	112
	<u>657</u>	<u>709</u>
Current liabilities		
Trade and other payables	126,830	148,601
Taxation	-	4,055
Lease liabilities	73	83
Provision for liabilities and charges	5,623	5,548
Derivative financial instruments	63	866
	<u>132,589</u>	<u>159,153</u>
Total liabilities	<u>133,246</u>	<u>159,862</u>
Total equity and liabilities	<u>891,788</u>	<u>972,580</u>
Net assets per share (RM)	<u>12.49</u>	<u>13.38</u>

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 2021)

**Condensed Combined Entity Statement of Changes in Equity
 for the 3rd Quarter Ended 31 December 2021**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 31 December 2020</u>			
At 1 April 2020	60,746	755,795	816,541
Total comprehensive income for the period	-	70,883	70,883
Dividends:			
- Final dividend for the financial year ended 31 Mar 2020	-	(111,165)	(111,165)
At 31 December 2020	60,746	715,513	776,259
<u>Quarter Ended 31 December 2021</u>			
At 1 April 2021	60,746	751,972	812,718
Total comprehensive income for the period	-	35,728	35,728
Dividends:			
- Final dividend for the financial year ended 31 Mar 2021		(89,904)	(89,904)
At 31 December 2021	60,746	697,796	758,542

(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 2021)

**Condensed Combined Entity Cash Flow Statement
For the 3rd Quarter Ended 31 December 2021**

	(Unaudited)	
	Period ended 31.12.2021 RM'000	Period ended 31.12.2020 RM'000
Profit after taxation	35,728	70,883
Adjustments for:		
Non cash flow items	21,798	28,002
Share of results of associated company	(4,745)	(6,968)
Operating profit before working capital changes	52,781	91,917
Changes in working capital		
Net decrease in current assets	(26,189)	(21,043)
Net decrease in current liabilities	(21,712)	(8,484)
Cash generated from operations	4,880	62,390
Other operating activities	(14,112)	(18,719)
Net cash flow from operating activities	(9,232)	43,671
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(29,884)	(34,338)
Purchase of intangible asset	(175)	(114)
Proceeds from disposal of property, plant and equipment	333	170
Interest received	6,220	8,150
Dividend received (net)	11,467	1,911
Net cash flow from Investing activities	(12,039)	(24,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(89,904)	(111,165)
Repayment of lease liabilities	(62)	(101)
Net cash flow from financing activities	(89,966)	(111,266)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(111,237)	(91,816)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	523,934	577,712
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	412,697	485,896
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	412,159	485,398
Cash and bank balances	538	498
	<u>412,697</u>	<u>485,896</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 2021)

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Notes to the Interim Financial Statements for 3rd Quarter Ended 31 December 2021

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 2021.

The audited financial statements of the Company for the year ended 31 March 2021 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 2021.

In line with the announcement by Panasonic Corporation (‘PC’), Japan Head Office, the current business structure had changed on 1 October 2021, in preparation for the transition of PC to a holding system, to reorganize the Panasonic group into new structure. The new structure will cause the composition of its reportable segments to change, the changes will be reflected in segmental reporting as follows:

No	Before	Current Quarter onwards
1.	Home Appliances Products	Living Appliances and Solutions Company (“LASC”) ^{Note 1}
2.	Fan Products	Heating & Ventilation A/C Company (“HVAC”) ^{Note 1}

^{Note 1} – the home shower products that were included under Home Appliances products has now been regrouped under HVAC products.

The segmental reporting notes for the preceding two quarters and the previous year’s corresponding periods will be restated as disclose in Note 8.

Note 2. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2021 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 December 2021 and paid on 21 January 2022.

Note 8. Segmental Reporting

The segmental reporting for the preceding two quarters and the previous year's corresponding periods has been restated to reflect the new structure as described in Note 1.

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

	Revenue for the 9 Months ended		Profit before tax for the 9 Months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Living Appliances and Solutions Company ("LASC") products (formerly referred to as Home Appliances products) Note 1	227,795	273,290	4,197	28,734
Heating & Ventilation A/C Company ("HVAC") products (formerly known as Fan products) Note 1	431,146	435,707	27,866	57,664
Total	658,941	708,997	32,063	86,398
Unallocated income/(expense)	1,067	-	1,062	(11,216)
Share of Results from Associated Companies	-	-	4,745	6,968
Total	660,008	708,997	37,870	82,150

[Note 1](#) – the change in the terms is in line with the change in business structures of Panasonic companies worldwide by Panasonic Corporation, Japan and the home shower products that were included under Home Appliances products has now been regrouped under HVAC products.

Revenue information based on geographical location is as follows:

	Revenue for the 9 Months ended	
	31.12.2021 RM'000	31.12.2020 RM'000
Malaysia	227,303	256,312
Japan	25,219	30,271
Asia (excluding Malaysia and Japan)	253,404	254,515
Europe	3,612	5,354
Middle East	135,470	145,783
Others	15,000	16,762
Total	660,008	708,997

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 2021 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 2021 in respect of which this announcement is made.

Note 11. Contingent Liabilities

No contingent liability has been provided in view that there is no further development on the Crestronics case as mentioned in Note 19.

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

Note 12. Review of Performance

3rd Quarter This Year vs 3rd Quarter Previous Year

	3rd Quarter Ended		Change	9 Months Ended		Change
	31.12.2021 RM'000	31.12.2020 RM'000		%	31.12.2021 RM'000	
Revenue	264,606	260,950	+1.4%	660,008	708,997	(6.9%)
Profit before taxation	16,701	38,292	(56.4%)	37,870	82,150	(53.9%)

The Company's revenue of RM264.6 million for the current quarter ended 31 December 2021 was higher by 1.4% or RM3.7 million as compared with the revenue of RM260.9 million registered in the previous year's corresponding quarter. The current quarter's revenue was higher due to recovery of backlog orders which was not fulfilled in the previous quarter due to Covid-19 related lockdown.

The higher revenue was attributed to higher sales especially in export market for HVAC products mainly derived from the recovering backlog orders to fulfill customer demand. However, domestic sales were lower for both LASC and HVAC products as compared to previous year's corresponding quarter due to both operational and supply chain disruption as a result of the flood in Shah Alam that occurred in mid-December 2021.

The operational activities for the Company's manufacturing plant located at Section 23, Shah Alam (SA2 Plant), were also affected by the flood incident and production for Fan products and Vacuum Cleaner products halted from 18 December 2021 till the end of the quarter under review.

Some of the key local suppliers located in the vicinity of Shah Alam and Klang were also affected by the flood incident and this had also led to the disruption of production activities in the other manufacturing plant (SA1 Plant).

The Company's combined profit before tax of RM16.7 million for the quarter under review was lower by 56.4% or RM21.6 million as compared to the previous year's corresponding quarter's combined profit before tax of RM38.3 million.

The decrease in profitability was attributed mainly due to:-

- (i) higher cost of main raw materials such as steel, aluminium, copper and resin; and
- (ii) a decrease of RM2.1 million share of profit from associated company.

Review by Segment

Analyzing the results by segments, both Living Appliances and Solutions Company (LASC) and Heating & Ventilation A/C Company (HVAC) products segment achieved 90% and 108% of their revenue respectively as compared to the previous year's corresponding quarter.

LASC products segment recorded profit before tax of RM2.7 million for the current quarter ended 31 December 2021, a decrease of 76.9% or RM8.8 million as compared to the previous year's corresponding quarter of RM11.5 million. This was mainly attributable to lower revenue and rising cost of materials.

HVAC products segment achieved profit before tax of RM13.7 million for the current quarter ended 31 December 2021, a decrease of 49% or RM13.1 million as compared to the previous year's corresponding quarter of RM26.8 million. Despite the 8% revenue growth for this segment, the profit was pressured due to unfavorable product mix and rising cost of materials.

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

The Company's revenue of RM660 million for the nine months ended 31 December 2021 was lower by RM49 million or 6.9% as compared to the previous year's corresponding period of RM709 million. This was mainly due to lower sales for both domestic and export market especially to the Middle East markets as a result of the prolonged effect of the various lockdown measures due to Covid-19 pandemic and disruption in the manufacturing activities as a result of flood in December 2021. Both Domestic sales and Export sales dropped by approximately 11.3% and 4.4% respectively as compared to previous year's corresponding period.

Correspondingly, the Company achieved a lower combined profit before tax of RM37.9 million for the nine months ended 31 December 2021, representing a decrease of RM44.3 million or 53.9% as compared to the previous year's corresponding period of RM82.2 million.

LASC product segment's profit before tax of RM4.2 million for the nine months ended 31 December 2021 decreased by 85.4% or RM24.5 million as compared to the previous year's corresponding period profit before tax of RM28.7 million.

HVAC product segment also recorded lower profit before tax of RM27.9 million for the nine months ended 31 December 2021, a decrease of 51.7% or RM29.8 million as compared to the profit before tax in the previous year's corresponding period of RM57.7 million.

The profitability for both products segment was mainly impacted by the lower sales and rising cost of materials.

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

	Current	Preceding	Difference	
	3rd Quarter 31.12.2021 RM'000	2nd Quarter 30.09.2021 RM'000	RM'000	%
Revenue	264,606	141,728	+122,878	+86.7%
Operating expenses	(253,198)	(150,428)	(102,770)	(68.3%)
Other operating income	1,602	1,434	+168	+11.7%
Other operating income/expenses:				
- Fair value gain/(loss) on derivative financial instruments	117	450	(333)	(74.0%)
Results from operating activities	13,127	(6,816)	+19,943	+292.6%
Finance cost	(1)	(1)	-	-
Finance income	1,848	2,211	(363)	(16.4%)
Share of results of associated company (net of tax)	1,727	3,539	(1,812)	(51.2%)
Profit/(Loss) before taxation	16,701	(1,067)	+17,768	+1,665.2%

The Company's revenue of RM264.6 million in the current quarter was higher by 86.7% or RM122.9 million as compared to the revenue of RM141.7 million recorded in the preceding quarter. In the preceding quarter, the revenue was impacted by the disruption in manufacturing activities as a result of the implementation of Enhanced Movement Control Order (EMCO) and the local supply chain's operations were also affected by the workforce capacity limitation of 60% enforced during the restricted period.

The Company achieved RM16.7 million combined profit before tax for the current quarter ended 31 December 2021 and a higher profit before tax of RM17.8 million as compared to the combined loss before tax of RM1.1 million for the preceding quarter.

Note 14. Prospects and Outlook

Subsequent to the flood incident on the 18th and 19th of December 2021, the SA2 Plant has started some parts of its operations in January 2022 and is expected to get back into full operation in March 2022.

Approximately 15% of the Company's key local suppliers were affected by the flood incident but most have resumed operations and are expected to fully recover by the end of February 2022. In the interim period, the Company has taken proactive measures to source parts from alternative suppliers and increase the in-house production activities to overcome disruptions in parts delivery.

The Company opines that the remaining financial year ending 31st March 2022 will be challenging in view of the current circumstances; however, the Company will strive to achieve positive results for the financial year.

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 31.12.2021 RM'000	Preceding Year's Quarter Ended 31.12.2020 RM'000	9 Months ended 31.12.2021 RM'000	9 Months ended 31.12.2020 RM'000
Taxation charge:				
- current financial year	(160)	(3,487)	(404)	(13,019)
- prior financial year	-	-	-	-
Deferred Tax:				
- origination of temporary differences (current financial year)	(1,335)	(1,401)	(1,738)	1,752
- prior financial year	-	-	-	-
	(1,495)	(4,888)	(2,142)	(11,267)
Effective income tax rate	9.0%	12.8%	5.7%	13.7%

The Company's effective tax rate for 9 months ended 31 December 2021 registered at approximately 5.7%, significantly lower than the statutory tax rate of 24%. Despite the lower profitability recorded, the Company still eligible to enjoy certain tax incentives, resulting in lower effective tax rates.

These tax incentives enjoyed include promotion of export, double deduction from R&D expenses, and the special reinvestment allowances ("RA") under the Short-term Economic Recovery Plan ("PENJANA") as announced by Government on 5 June 2020. In addition, the Accelerated Capital Allowance for machinery and equipment with Initial Allowance of 20% and Annual Allowance of 40% enjoyed also assist to lower the effective tax rates.

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 previous financial year.

As at 31 December 2021, 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	26,943	261	-
<u>Less than 1 year</u> - Buy JPY	4,722	-	(63)
<u>Less than 1 year</u> - Buy SGD	284	-	-
<u>Less than 1 year</u> - Sell Euro	237	2	-
		263	(63)

Note 19. Material Litigation

Reference is made to the announcement dated 22 February 2021 in relation to the Originating Summons filed by Crestronics (M) Sdn. Bhd ("Crestronics") against the Company on 18 December 2020.

On the 6 October 2021, the Company succeeded to strike out the Originating Summons filed by Crestronics with RM 10,000 costs awarded to the Company. However, Crestronics has filed a Notice of Appeal on the striking out decision. The Court has fixed 3 March 2022 for a Case Management in regard to the appeal.

On the intervention application, Crestronics have filed their application for leave to appeal to the Federal Court against the decision of the Court of Appeal in allowing the Company's application to intervene. The Court has fixed 4 April 2022 as the Case Management for parties to update on the filing of relevant submissions and/or court papers in this matter. Hearing date for the said application has also been fixed on 18 April 2022.

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 2021 of 60,745,780 shares.

(a) Basic earnings per share

	9 Months ended 31.12.2021	9 Months ended 31.12.2020
Profit after taxation for the period (RM'000)	35,728	70,883
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	58	117

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	29	Not Applicable
Quarter 2	4	Not Applicable
Quarter 3	25	Not Applicable
Year-to-date	58	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Contracted	5,705	28,440
Not contracted	0	900
Total	5,705	29,340

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

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

	3rd Quarter ended		9 Months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Interest Income	1,848	2,066	6,220	8,150
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,900	8,043	22,957	24,091
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 Loss of Assets	N/A	N/A	N/A	N/A
Loss on Foreign Exchange	(45)	(3,137)	(649)	(8,891)
Gain on Derivatives	117	576	1,056	1,695

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
24 February 2022