

Panasonic

Panasonic Manufacturing Malaysia Berhad

Registration No. 196501000304 (6100-K)

(Incorporated in Malaysia)

Condensed Combined Entity Statement of Comprehensive Income for the 1st Quarter Ended 30 June 2022

	(Unaudited)		(Unaudited)	
	1st Quarter Ended		3 Months Ended	
	30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
Revenue	243,679	253,674	243,679	253,674
Operating expenses	(244,347)	(234,979)	(244,347)	(234,979)
Other operating income	6,176	1,414	6,176	1,414
Other derivative (loss) / gain	(268)	489	(268)	489
Result from operating activities	5,240	20,598	5,240	20,598
Finance cost	(1)	(2)	(1)	(2)
Finance Income	2,117	2,161	2,117	2,161
Share of results of associate company (net of tax)	4,855	(521)	4,855	(521)
Profit before taxation	12,211	22,236	12,211	22,236
Taxation	(757)	(4,374)	(757)	(4,374)
Profit after taxation for the period	11,454	17,862	11,454	17,862
Earning per share attributable to equity holders:				
Basic and diluted (sen)	19	30	19	30

(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 2022)

**Condensed Combined Entity Statement of Comprehensive Income
 for the 1st Quarter Ended 30 June 2022**

	(Unaudited)		(Unaudited)	
	1st Quarter ended		3 Months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Profit after taxation for the period	11,454	17,862	11,454	17,862
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive income for the period	11,454	17,862	11,454	17,862
Profit after taxation attributable to equity holders of the Company	11,454	17,862	11,454	17,862
Total Comprehensive income attributable to equity holders of the Company	11,454	17,862	11,454	17,862

(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 2022)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 30.06.2022 RM'000	As at Preceding Financial Year End 31.03.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	138,378	143,745
Intangible assets	2,869	3,457
Right-of-use assets	5,680	5,722
Interest in associated company	119,913	115,058
Deferred tax assets	10,506	10,755
	277,346	278,737
Current assets		
Inventories	87,300	89,805
Trade and other receivables	102,360	100,627
Current tax assets	6,358	5,766
Placement of funds with related company	437,566	441,673
Cash and bank balances	735	992
Derivative financial assets	-	182
	634,319	639,045
Total assets	911,665	917,782
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	715,921	704,467
Total equity	776,667	765,213
LIABILITIES		
Non-current liabilities		
Provision for liabilities and charges	594	594
Non-current lease payable	40	50
	634	644
Current liabilities		
Trade and other payables	129,497	145,490
Taxation	-	-
Lease liabilities	51	62
Provision for liabilities and charges	4,685	6,328
Derivative financial liabilities	131	45
	134,364	151,925
Total liabilities	134,998	152,569
Total equity and liabilities	911,665	917,782
Net assets per share (RM)	12.79	12.60

(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 2022)

**Condensed Combined Entity Statement of Changes in Equity
 for the 1st Quarter Ended 30 June 2022**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 30 June 2021</u>			
At 1 April 2021	60,746	751,972	812,718
Total comprehensive income for the period	-	17,862	17,862
At 30 June 2021	60,746	769,834	830,580
<u>Quarter Ended 30 June 2022</u>			
At 1 April 2022	60,746	704,467	765,213
Total comprehensive income for the period	-	11,454	11,454
At 30 June 2022	60,746	715,921	776,667

(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 2022)

**Condensed Combined Entity Cash Flow Statement
For the 1st Quarter Ended 30 June 2022**

	(Unaudited)	
	Period ended 30.06.2022 RM'000	Period ended 30.06.2021 RM'000
Profit after taxation	11,454	17,862
Adjustments for:		
Non cash flow items	7,033	8,820
Share of results of associated company	(4,855)	521
Operating profit before working capital changes	13,632	27,203
Changes in working capital		
Net increase in current assets	890	20,153
Net decrease in current liabilities	(15,737)	(24,497)
Cash generated from operations	(1,215)	22,859
Other operating activities	(4,463)	(7,497)
Net cash flow from operating activities	(5,678)	15,362
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,070)	(24,175)
Purchase of intangible asset	-	-
Proceeds from disposal of property, plant and equipment	288	3
Interest received	2,117	2,161
Dividend received (net)	-	-
Net cash flow from Investing activities	1,335	(22,011)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Repayment of lease liabilities	(21)	(21)
Net cash flow from financing activities	(21)	(21)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,364)	(6,670)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	442,665	523,934
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	438,301	517,264
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	437,566	516,723
Cash and bank balances	735	541
	<u>438,301</u>	<u>517,264</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 2022)

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Notes to the Interim Financial Statements for 1st Quarter Ended 30 June 2022

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 2022.

The audited financial statements of the Company for the year ended 31 March 2022 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 2022.

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 previous year’s corresponding quarter will be restated as disclosed 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 2022 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

There was no dividend paid in the current quarter ended 30 June 2022.

Note 8. Segmental Reporting

The segmental reporting for the previous year's corresponding period 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 3 Months ended		Profit / (Loss) before tax for the 3 Months ended	
	30.06.2022 RM'000	30.06.2021 RM'000 (Restated)	30.06.2022 RM'000	30.06.2021 RM'000 (Restated)
Living Appliances and Solutions Company ("LASC") products (formerly referred to as Home Appliances products) Note 1	60,439	86,717	1,524	3,814
Heating & Ventilation A/C Company ("HVAC") products (formerly known as Fan products) Note 1	182,931	166,740	978	16,576
Total	243,370	253,457	2,502	20,390
Unallocated income	309	217	4,854	2,367
Share of Results from Associate Companies	-	-	4,855	(521)
Total	243,679	253,674	12,211	22,236

[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 3 Months ended	
	30.06.2022 RM'000	30.06.2021 RM'000
Malaysia	88,991	87,588
Japan	5,593	9,510
Asia (excluding Malaysia and Japan)	82,417	95,353
Europe	1,892	1,412
Middle East	58,278	53,877
Others	6,508	5,934
Total	243,679	253,674

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 June 2022 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 June 2022 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

1st Quarter This Year vs 1st Quarter Previous Year

	1st Quarter Ended		Change	3 Months Ended		Change
	30.06.2022 RM'000	30.06.2021 RM'000	%	30.06.2022 RM'000	30.06.2021 RM'000	%
Revenue	243,679	253,674	(3.9%)	243,679	253,674	(3.9%)
Profit before taxation	12,211	22,236	(45.1%)	12,211	22,236	(45.1%)

The Company's revenue of RM243.7 million for the current quarter ended 30 June 2022 was lower by 3.9% or RM10 million as compared with the revenue of RM253.7 million registered in the previous year's corresponding quarter.

The Company recorded lower sales due to the following reasons:-

- (a) A slowdown on sales of certain kitchen appliances products in this quarter as the production of these products will be terminated by the first half of the financial year under review;
- (b) Discontinuance of rice cooker business;
- (c) Disruption in supply chain caused by Covid outbreak situation in China from which certain components were sourced.

The effect of the lower sales was cushioned to a certain extent, by an increase in sales for the Fan products as the production capacity has fully recovered after the flood incident and the Company was able to supply the backlog orders.

Correspondingly, the Company's results from operating activities of RM5.2 million for the quarter under review was significantly lower by 74.7% or RM15.4 million as compared to the previous year's corresponding quarter's result of RM20.6 million. The lower profitability was attributable to lower revenue recorded, rising cost of materials (such as steel, aluminium, copper, and resin), higher production cost impacted by unstable parts supply especially imports from China (Covid lockdown) and higher labour cost from the imposition of minimum wage at RM1,500 from May 2022 onwards.

The performance of the associate company was better in the quarter under review as in the first quarter of the preceding year, there was less operational activities due to the Full Movement Control Order (FMCO) for most part of the quarter. The Company received, a higher share of profit from the associate company amounting to RM4.9 million in the current quarter as compared to the loss of RM0.5 million in the preceding year's corresponding quarter. This has enhanced the combined profit before tax for the current quarter under review to RM12.2 million.

Review by Segment

Analyzing the results by segments, Living Appliances and Solutions Company (LASC) products segment recorded a profit before tax of RM1.5 million for the current quarter ended 30 June 2022, which was lower by 60% or RM2.3 million as compared to the previous year's corresponding quarter's profit before tax of RM3.8 million. The lower profitability was mainly due to the lower sales achieved and higher labour costs.

Heating & Ventilation A/C Company (HVAC) products segment achieved profit before tax of RM1.0 million for the current quarter ended 30 June 2022, which was lower by 94.0% or RM15.6 million as compared to the previous year's corresponding quarter of RM16.6 million. Despite higher sales achievements, profitability was eroded by rising cost of materials and unfavorable product mix.

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

	Current	Preceding	Difference	
	1st Quarter 30.06.2022 RM'000	4th Quarter 31.03.2022 RM'000	RM'000	%
Revenue	243,679	208,768	+34,911	+16.7%
Operating expenses	(244,347)	(219,086)	(25,261)	(11.5%)
Other operating income	6,176	14,729	(8,553)	(58.1%)
Other operating income/expenses:				
- Fair value loss on derivative financial instruments	(268)	(63)	(205)	(325.4%)
Results from operating activities	5,240	4,348	+892	+20.5%
Finance cost	(1)	(1)	-	-
Finance income	2,117	1,737	+380	+21.9%
Share of results of associated company (net of tax)	4,855	9,083	(4,228)	(46.5%)
Profit before taxation	12,211	15,167	(2,956)	(19.5%)

The Company's revenue of RM243.7 million in the current quarter was higher by 16.7% or RM34.9 million as compared to the revenue of RM208.8 million recorded in the preceding quarter. In the preceding quarter, the revenue was impacted by the flood incident, resulting in lower production and manufacturing activities.

Correspondingly, the Company's results from operating activities of RM5.2 million for the current quarter ended 30 June 2022 was higher by 20.5% or RM0.9 million as compared to the preceding quarter's results of RM4.3 million.

Although there was higher revenue and profit generated from operating activities, the Company achieved a lower combined profit before taxation of RM12.2 million for the current quarter ended 30 June 2022, representing a decrease of RM2.96 million or 19.5% as compared to the preceding quarter. This is mainly due to lower share of profit from associate company by RM4.2 million as the performance of the associate company was affected by lower margins on products sold.

Note 14. Prospects and Outlook

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 as reported in the Bank Negara Malaysia (BNM) Quarterly Report (1Q 2022: 5.0%) amidst improving domestic demand; lifted by labor market improvements, border reopening and policy assistance. Global growth continued to be moderate as a result of a slowdown in major economic activities.

Nevertheless, the Company foresees that this financial year will continue to be a challenging year with the on-going disruptions in the global supply chain that have been affected by the prolonged Ukraine-Russia military conflict and China's zero-Covid policy. This comes with price increases in raw material and component parts, fueling inflationary pressures which may dampen consumer spending.

Despite increased pressure on its profitability, the Company remain focused on showing sustainable growth for the remaining financial year. We will continue to be vigilant to monitor the volatile situation and tighten internal efficiencies with cost optimization.

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 30.06.2022 RM'000	Preceding Year's Quarter Ended 30.06.2021 RM'000	3 Months ended 30.06.2022 RM'000	3 Months ended 30.06.2021 RM'000
Taxation charge:				
- current financial year	(508)	(3,982)	(508)	(3,982)
- prior financial year	-	-	-	-
Deferred Tax:				
- origination of temporary differences (current financial year)	(249)	(392)	(249)	(392)
- prior financial year	-	-	-	-
	(757)	(4,374)	(757)	(4,374)
Effective income tax rate	6.2%	19.7%	6.2%	19.7%

For the current quarter, the Company's effective tax rate was disproportionate to the statutory tax rate of 24% mainly due to availability of tax incentives and unabsorbed capital allowances and reinvestment allowances brought forward from last financial year.

The taxation charge for the quarter under review was in respect of the taxation provided on interest income earned from placement of fixed deposits.

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 30 June 2022, 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	31,696	-	(54)
Less than 1 year - Buy JPY	1,939	-	(76)
Less than 1 year - Buy SGD	190	-	(1)
Less than 1 year - Sell Euro	-	-	-
		-	(131)

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.

At the hearing of Crestronics Application for leave to appeal on 24 May 2022, the Federal Court dismissed Crestronics' application and awarded costs of RM 30,000 in favour of the Company.

During the Case Management on 29 June 2022, the Court has fixed 10 May 2023 for the hearing of Crestronics Judicial Review Application at the Court of Appeal and has maintained 16 August 2022 to hear the Appeal by Crestronics against the decision of High Court in striking out Crestronics' suit against the Company.

Note 20. Dividends

No interim dividends have been declared or recommended for the current quarter ended 30 June 2022 (2021: Nil)

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 June 2022 of 60,745,780 shares.

(a) Basic earnings per share

	3 Months ended 30.06.2022	3 Months ended 30.06.2021
Profit after taxation for the period (RM'000)	11,454	17,862
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	19	30

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	19	Not Applicable
Year-to-date	19	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 30.06.2022 RM'000	As at 30.06.2021 RM'000
Contracted	5,859	6,238
Not contracted	-	-
Total	5,859	6,238

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

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

	1st Quarter ended		3 Months ended	
	30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
Interest Income	2,117	2,161	2,117	2,161
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,044	7,260	7,044	7,260
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
Gain/(Loss) on Foreign Exchange	2,967	(343)	2,967	(343)
(Loss)/Gain on Derivatives	(268)	489	(268)	489

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
22 Aug 2022