

Panasonic

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

**Condensed Combined Entity Statement of Comprehensive Income
for the 2nd Quarter Ended 30 September 2022**

	(Unaudited)		(Unaudited)	
	2nd Quarter Ended		6 Months Ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Revenue	292,845	141,728	536,524	395,402
Operating expenses	(279,213)	(150,428)	(523,560)	(385,407)
Other operating income	28,180	1,434	34,356	2,848
Other derivative gain/(loss)	113	450	(155)	939
Result from operating activities	41,925	(6,816)	47,165	13,782
Finance cost	(1)	(1)	(2)	(3)
Finance Income	2,768	2,211	4,885	4,372
Share of results of associated company (net of tax)	5,702	3,539	10,557	3,018
Profit/(loss) before taxation	50,394	(1,067)	62,605	21,169
Taxation	(7,792)	3,727	(8,549)	(647)
Profit after taxation for the period	42,602	2,660	54,056	20,522
Earning per share attributable to equity holders:				
Basic and diluted (sen)	<u>70</u>	<u>4</u>	<u>89</u>	<u>34</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 2022)

**Condensed Combined Entity Statement of Comprehensive Income
 for the 2nd Quarter Ended 30 September 2022**

	(Unaudited)		(Unaudited)	
	2nd Quarter ended		6 Months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Profit after taxation for the period	42,602	2,660	54,056	20,522
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive income for the period	42,602	2,660	54,056	20,522
Profit after taxation attributable to equity holders of the Company	42,602	2,660	54,056	20,522
Total Comprehensive income attributable to equity holders of the Company	42,602	2,660	54,056	20,522

(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 30.09.2022 RM'000	As at Preceding Financial Year End 31.03.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	136,841	143,745
Intangible assets	2,282	3,457
Right-of-use assets	5,638	5,722
Interest in associated company	123,704	115,058
Deferred tax assets	7,677	10,755
	276,142	278,737
Current assets		
Inventories	86,697	89,805
Trade and other receivables	113,215	100,627
Current tax assets	3,045	5,766
Placement of funds with related company	463,441	441,673
Cash and bank balances	622	992
Derivative financial assets	1	182
	667,021	639,045
Total assets	943,163	917,782
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	717,216	704,467
Total equity	777,962	765,213
LIABILITIES		
Non-current liabilities		
Provision for liabilities and charges	594	594
Non-current lease payable	30	50
	624	644
Current liabilities		
Trade and other payables	156,030	145,490
Taxation	-	-
Lease liabilities	39	62
Provision for liabilities and charges	8,489	6,328
Derivative financial liabilities	19	45
	164,577	151,925
Total liabilities	165,201	152,569
Total equity and liabilities	943,163	917,782
Net assets per share (RM)	12.81	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 2nd Quarter Ended 30 September 2022**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<u>Quarter Ended 30 September 2021</u>			
At 1 April 2021	60,746	751,972	812,718
Total comprehensive income for the period	-	20,522	20,522
Dividends:			
- Final dividend for the financial year ended 31 Mar 2021		(89,904)	(89,904)
At 30 September 2021	60,746	682,590	743,336
<u>Quarter Ended 30 September 2022</u>			
At 1 April 2022	60,746	704,467	765,213
Total comprehensive income for the period	-	54,056	54,056
Dividends:			
- Final dividend for the financial year ended 31 Mar 2022		(41,307)	(41,307)
At 30 September 2022	60,746	717,216	777,962

(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 2nd Quarter Ended 30 September 2022**

	(Unaudited)	
	Period ended 30.09.2022 RM'000	Period ended 30.09.2021 RM'000
Profit after taxation	54,056	20,522
Adjustments for:		
Non cash flow items	20,158	11,591
Share of results of associated company	(10,557)	(3,018)
Operating profit before working capital changes	63,657	29,095
Changes in working capital		
Net increase in current assets	(6,031)	(25,571)
Net increase/(decrease) in current liabilities	11,685	(8,320)
Cash generated from operations	69,311	(4,796)
Other operating activities	(7,580)	(12,497)
Net cash flow from operating activities	61,731	(17,293)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,077)	(26,253)
Purchase of intangible asset	-	-
Proceeds from disposal of property, plant and equipment	298	41
Interest received	4,885	4,372
Dividend received (net)	1,911	-
Net cash flow from Investing activities	1,017	(21,840)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(41,307)	(89,904)
Repayment of lease liabilities	(43)	(41)
Net cash flow from financing activities	(41,350)	(89,945)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21,398	(129,078)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	442,665	523,934
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	464,063	394,856
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	463,441	393,742
Cash and bank balances	622	1,114
	<u>464,063</u>	<u>394,856</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 2nd Quarter Ended 30 September 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

The final single tier dividend of 68 sen per ordinary share for the financial year ended 31 March 2022 was paid on 23 September 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 6 Months ended		Profit before tax for the 6 Months ended	
	30.09.2022 RM'000	30.09.2021 RM'000 (Restated)	30.09.2022 RM'000	30.09.2021 RM'000 (Restated)
Living Appliances and Solutions Company ("LASC") products (formerly referred to as Home Appliances products) <small>Note 1</small>	135,350	138,582	2,718	1,540
Heating & Ventilation A/C Company ("HVAC") products (formerly known as Fan products) <small>Note 1</small>	400,617	256,092	36,752	14,207
Total	535,967	394,674	39,470	15,747
Unallocated income	557	728	12,578	2,404
Share of Results from Associate Companies	-	-	10,557	3,018
Total	536,524	395,402	62,605	21,169

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 6 Months ended	
	30.09.2022 RM'000	30.09.2021 RM'000
Malaysia	199,826	138,280
Japan	10,763	15,042
Asia (excluding Malaysia and Japan)	182,325	151,090
Europe	3,994	1,846
Middle East	122,696	79,987
Others	16,920	9,157
Total	536,524	395,402

Note 9. Valuation of Property, Plant and Equipment

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

Note 10. Significant Post Balance Sheet Events

In the interval between 30 September 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 September 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

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

	2nd Quarter Ended		Change %	6 Months Ended		Change %
	30.09.2022 RM'000	30.09.2021 RM'000		30.09.2022 RM'000	30.09.2021 RM'000	
Revenue	292,845	141,728	+106.6%	536,524	395,402	+35.7%
Profit/(loss) before taxation	50,394	(1,067)	N/A	62,605	21,169	+195.7%

The Company's revenue of RM292.8 million for the current quarter ended 30 September 2022 was significantly higher by 106.6% or RM151.1 million as compared with the revenue of RM141.7 million registered in the previous year's corresponding quarter.

The higher revenue for the quarter under review as compared to the previous year's corresponding quarter was mainly due to the full market reopening and recovery this year whereas the previous year's quarter production and sales had been impacted by various restrictions (EMCO, imposition of production capacity constraints etc). In addition, the fulfillment of backlog orders arising from the flood incident last year continued into this quarter particularly for Fan products. The backlog orders fulfillment was completed by end of September 2022.

In line with the increase in revenue, the Company's combined profit before tax of RM50.4 million for the current quarter under review, was higher by RM51.5 million as compared to the loss before tax of RM1.1 million in the previous year corresponding quarter. The higher profitability was attributable to:-

- a) higher revenue achieved;
- b) higher foreign exchange gain of approximately RM 6.0 million as a result of a weakening of Ringgit Malaysia against US Dollars as compared to a foreign exchange loss of RM 0.3 million previously; and
- c) a higher share of profit from the associate company by RM2.2 million.

However, the profitability was impacted by the rising cost of materials and higher labor costs due to the minimum wages which came into effect from 1st May 2022.

Included in other operating income is an insurance claim received during the quarter under review amounting to RM20.9 million related to the flood incident which had occurred in December 2021.

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 144% and 244% of their revenue respectively as compared to the previous year's corresponding quarter.

With the higher revenue achieved, Living Appliances and Solutions Company (LASC) products segment recorded profit before tax of RM 1.2 million for the current quarter under review, which was higher by RM 3.5 million as compared to the previous year's corresponding quarter loss before tax of RM 2.3 million.

Correspondingly, Heating & Ventilation A/C Company (HVAC) products segment recorded a profit before tax of RM35.8 million for the current quarter ended 30 September 2022, which was higher by RM 38.2 million than the previous year's corresponding quarter's loss before tax of RM 2.4 million; mainly due to improved sales condition. Included in the profit before taxation of HVAC is an insurance claim received amounting to RM 19.9 million.

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

The Company's revenue of RM536.5 million for the half year ended 30 September 2022 was higher by RM141.1 million or 35.7% as compared to the previous year's revenue of RM395.4 million.

The higher revenue achieved was mainly attributable to the full market reopening and recovery this year as compared to the various restrictions measures imposed during the Enhanced Movement Control Order (EMCO) in the previous year's corresponding period which had impacted sales and production operations; coupled with the fulfillment of backlog orders arising from the flood incident in December 2021.

However, the increase in revenue has been to a certain extent, offset by the lower sales of certain kitchen appliance products and rice cookers following the discontinuance of these products during the period under review.

Correspondingly, the Company achieved a higher combined profit before tax of RM62.6 million for the half year ended 30 September 2022, representing an increase of RM41.4 million or 195.7% as compared to the profit before tax of RM21.2 million in the previous year's corresponding period.

The higher profitability was attributable mainly due to :-

- a) Higher revenue achieved,
- b) Higher foreign exchange gain of approximately RM9.0 million as a result of a weakening of Ringgit Malaysia against US Dollars as compared to a foreign exchange loss of RM0.6 million previously,
- c) Higher share of profit from the associate company by RM7.5 million,

However, the profitability was offset partially by the rising cost of materials and higher labor cost due to the implementation of minimum wages.

Included in other operating income is an insurance claim received amounting to RM 22.3 million related to the flood incident which had occurred in December 2021.

LASC product segment's profit before tax of RM2.7 million for the half year ended 30 September 2022 was higher by 76.5% or RM1.2 million as compared to the previous year's profit before tax of RM1.5 million.

HVAC product segment recorded higher profit before tax of RM36.8 million for the half year ended 30 September 2022 as compared to the profit before tax in the previous year of RM14.2 million, which was higher by 158.7% or RM22.6 million.

Higher profitability in both segments were mainly due to higher sales achievement, favourable foreign exchange and insurance claim received at the year ended 30 September 2022.

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

	Current	Preceding	Difference	
	2nd Quarter	1st Quarter	RM'000	%
	30.09.2022	30.06.2022		
	RM'000	RM'000		
Revenue	292,845	243,679	+49,166	+20.2%
Operating expenses	(279,213)	(244,347)	(34,866)	(14.3%)
Other operating income	28,180	6,176	+22,004	+356.3%
Other operating income/expenses:				
- Fair value loss on derivative financial instruments	113	(268)	+381	+142.2%
Results from operating activities	41,925	5,240	+36,685	+700.1%
Finance cost	(1)	(1)	-	-
Finance income	2,768	2,117	+651	+30.8%
Share of results of associated company (net of tax)	5,702	4,855	+847	+17.4%
Profit before taxation	50,394	12,211	+38,183	+312.7%

Analyzing the material changes compared to the preceding quarter, the Company's revenue of RM292.8 million in the current quarter was higher by 20.2% or RM49.1 million as compared to the revenue of RM243.7 million recorded in the preceding quarter. Higher sales in the current quarter under review was mainly due to the following reasons:-

- Improved supply condition especially for parts sourced from China which enabled the backlog orders which had been carried over from the previous year to be fulfilled within this quarter; and
- Higher sales of vacuum cleaner to the Middle East market coupled with higher seasonal sales for home shower contributed to the increase of sales in the current quarter.

Correspondingly, the Company's combined profit before taxation achieved RM50.4 million for the current quarter ended 30 September 2022, representing an increase of RM38.2 million or 312.7% as compared to the preceding quarter profit before taxation of 12.2 million. The increase in profitability was due to higher results from operating activities, insurance claim received and higher share of profit from the associated company.

Note 14. Prospects and Outlook

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 as reported in the Bank Negara Malaysia (BNM) Quarterly Report (2Q 2022: 8.9%) amidst the continued expansion in domestic demand. Global growth continued to be moderate as a result of a slowdown in major economic activities and the continued inflationary pressures which remained high despite the improvement in global supply condition.

The Company foresees that this financial year will continue to be a challenging year as the global growth is expected to slow down in 2023; weighed down by tighter global financial conditions and high inflation.

Nevertheless, despite increased pressure on its profitability, the Company will 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 reduction measures.

Note 15. Profit Forecast, Profit Guarantee or Internal Targets

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

Note 16. Taxation

	Current Quarter Ended 30.09.2022 RM'000	Preceding Year's Quarter Ended 30.09.2021 RM'000	6 Months ended 30.09.2022 RM'000	6 Months ended 30.09.2021 RM'000
Taxation charge:				
- current financial year	(4,963)	-	(5,471)	(3,982)
- over provision in previous quarter	-	3,738	-	3,738
Deferred Tax:				
- origination of temporary differences (current financial year)	(2,829)	(11)	(3,078)	(403)
- prior financial year	-	-	-	-
	(7,792)	3,727	(8,549)	(647)
Effective income tax rate	15.5%	NIL	13.7%	3.1%

The Company's effective tax rate for 6 months ended 30 September 2022 registered at approximately 13.7%, which was lower than the statutory tax rate of 24%, mainly due to certain tax incentives enjoyed for promotion of export, double deduction from R&D expenses, and coupled with the special reinvestment allowances (RA).

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 September 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
<u>Less than 1 year</u> - Sell USD	-	-	-
<u>Less than 1 year</u> - Buy JPY	1,936	-	(19)
<u>Less than 1 year</u> - Buy SGD	97	1	-
<u>Less than 1 year</u> - Sell Euro	-	-	-
		1	(19)

Note 19. Material Litigation (waiting for Analise to confirm)

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 16 August 2022, the Court of Appeal has dismissed Crestronics Originating summons Appeal with RM 10,000 costs awarded to Panasonic. The 30 days period for Crestronics to appeal to the Federal Court has ended and therefore the matter considered as concluded.

The Court has fixed 10 May 2023 for the hearing of Crestronics Judicial Review Application at the Court of Appeal.

Note 20. Dividends

The Board has declared an interim single tier dividend of 15 sen per ordinary share for the financial year ending 31 March 2023 payable on 20 January 2023 to the shareholders registered in the Record of Depositors on the entitlement date of 21 December 2022.

Note 21. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue as at 30 September 2022 of 60,745,780 shares.

(a) Basic earnings per share

	6 Months ended 30.09.2022	6 Months ended 30.09.2021
Profit after taxation for the period (RM'000)	54,056	20,522
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	89	34

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	19	Not Applicable
Quarter 2	70	Not Applicable
Year-to-date	89	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 30.09.2022 RM'000	As at 30.09.2021 RM'000
Contracted	5,680	5,022
Not contracted	-	-
Total	5,680	5,022

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

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

	2nd Quarter ended		6 Months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Interest Income	2,768	2,211	4,885	4,372
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,184	7,797	14,228	15,057
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	6,000	(261)	8,967	(604)
(Loss)/Gain on Derivatives	113	450	(155)	939

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
30 Nov 2022