

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 2022**

	(Unaudited)		(Unaudited)	
	3rd Quarter Ended		9 Months Ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Revenue	259,571	264,606	796,095	660,008
Operating expenses	(252,316)	(253,198)	(766,909)	(638,605)
Other operating income	13,775	1,602	39,164	4,450
Other derivative gain/(loss)	64	117	(91)	1,056
Result from operating activities	21,094	13,127	68,259	26,909
Finance cost	(1)	(1)	(3)	(4)
Finance Income	3,857	1,848	8,742	6,220
Share of results of associated company (net of tax)	(2,079)	1,727	8,478	4,745
Profit before taxation	22,871	16,701	85,476	37,870
Taxation	(4,146)	(1,495)	(12,695)	(2,142)
Profit after taxation for the period	18,725	15,206	72,781	35,728
Earning per share attributable to equity holders:				
Basic and diluted (sen)	<u>31</u>	<u>25</u>	<u>120</u>	<u>59</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 3rd Quarter Ended 31 December 2022**

	(Unaudited)		(Unaudited)	
	3rd Quarter ended		9 Months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Profit after taxation for the period	18,725	15,206	72,781	35,728
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive income for the period	18,725	15,206	72,781	35,728
Profit after taxation attributable to equity holders of the Company	18,725	15,206	72,781	35,728
Total Comprehensive income attributable to equity holders of the Company	18,725	15,206	72,781	35,728

(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 31.12.2022 RM'000	As at Preceding Financial Year End 31.03.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	132,846	143,745
Intangible assets	1,694	3,457
Right-of-use assets	5,608	5,722
Interest in associated company	121,625	115,058
Deferred tax assets	5,332	10,755
	267,105	278,737
Current assets		
Inventories	74,035	89,805
Trade and other receivables	99,605	100,627
Current tax assets	2,893	5,766
Placement of funds with related company	470,998	441,673
Cash and bank balances	986	992
Derivative financial assets	60	182
	648,577	639,045
Total assets	915,682	917,782
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	735,941	704,467
Total equity	796,687	765,213
LIABILITIES		
Non-current liabilities		
Provision for liabilities and charges	594	594
Non-current lease payable	20	50
	614	644
Current liabilities		
Trade and other payables	114,194	145,490
Taxation	-	-
Lease liabilities	39	62
Provision for liabilities and charges	4,134	6,328
Derivative financial liabilities	14	45
	118,381	151,925
Total liabilities	118,995	152,569
Total equity and liabilities	915,682	917,782
Net assets per share (RM)	13.12	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 3rd Quarter Ended 31 December 2022**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<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
<u>Quarter Ended 31 December 2022</u>			
At 1 April 2022	60,746	704,467	765,213
Total comprehensive income for the period	-	72,781	72,781
Dividends:			
- Final dividend for the financial year ended 31 Mar 2022		(41,307)	(41,307)
At 31 December 2022	60,746	735,941	796,687

(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 3rd Quarter Ended 31 December 2022**

	(Unaudited)	
	Period ended 31.12.2022 RM'000	Period ended 31.12.2021 RM'000
Profit after taxation	72,781	35,728
Adjustments for:		
Non cash flow items	37,976	21,798
Share of results of associated company	(8,478)	(4,745)
Operating profit before working capital changes	102,279	52,781
Changes in working capital		
Net decrease/(increase) in current assets	12,762	(26,189)
Net decrease in current liabilities	(32,748)	(21,712)
Cash generated from operations	82,293	4,880
Other operating activities	(14,093)	(14,112)
Net cash flow from operating activities	68,200	(9,232)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,712)	(29,884)
Purchase of intangible asset	-	(175)
Proceeds from disposal of property, plant and equipment	538	333
Interest received	8,742	6,220
Dividend received (net)	1,911	11,467
Net cash flow from Investing activities	2,479	(12,039)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(41,307)	(89,904)
Repayment of lease liabilities	(53)	(62)
Net cash flow from financing activities	(41,360)	(89,966)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	29,319	(111,237)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	442,665	523,934
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	471,984	412,697
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	470,998	412,159
Cash and bank balances	986	538
	<u>471,984</u>	<u>412,697</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)

Panasonic

Panasonic Manufacturing Malaysia Berhad

Registration No. 196501000304 (6100-K)

(Incorporated in Malaysia)

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

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

An interim dividend of 15 sen per share was declared to depositors registered on the record of depositors as at 21 December 2022 and paid on 20 January 2023.

Note 8. Segmental Reporting

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

	Revenue for the 9 Months ended		Profit before tax for the 9 Months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Living Appliances and Solutions Company ("LASC") products (formerly referred to as Home Appliances products) <small>Note 1</small>	206,171	227,795	22,464	4,197
Heating & Ventilation A/C Company ("HVAC") products (formerly known as Fan products) <small>Note 1</small>	589,367	431,146	49,976	27,866
Total	795,538	658,941	72,440	32,063
Unallocated income	557	1,067	4,558	1,062
Share of Results from Associate Companies	-	-	8,478	4,745
Total	796,095	660,008	85,476	37,870

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	
	31.12.2022 RM'000	31.12.2021 RM'000
Malaysia	265,961	227,303
Japan	15,385	25,219
Asia (excluding Malaysia and Japan)	297,453	253,404
Europe	5,341	3,612
Middle East	189,906	135,470
Others	22,049	15,000
Total	796,095	660,008

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 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 31 December 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

3rd Quarter This Year vs 3rd Quarter Previous Year

	3rd Quarter Ended		Change	9 Months Ended		Change
	31.12.2022 RM'000	31.12.2021 RM'000	%	31.12.2022 RM'000	31.12.2021 RM'000	%
Revenue	259,571	264,606	(1.9%)	796,095	660,008	+20.6%
Profit before taxation	22,871	16,701	+36.9%	85,476	37,870	+125.7%

The Company's revenue of RM259.6 million for the current quarter ended 31 December 2022 was lower by 1.9% or RM5 million as compared with the revenue of RM264.6 million registered in the previous year's corresponding quarter. The lower sales achieved was mainly attributed to the discontinuance of rice cooker business and certain kitchen appliances products business which came into effect since end of last financial year and first half of the current financial year respectively. However, the reduction in sales was mitigated to a certain extent by increase in export sales of other products especially to Vietnam and certain Middle East countries as overall market condition improved there.

The Company's combined profit before tax achieved of RM22.9 million for the current quarter under review was higher by 36.9% or RM6.2 million as compared to the profit before tax of RM16.7 million in the previous year corresponding quarter.

The increase in profitability was mainly due to the following factors:-

- (a) Included in the Other Operating Income was a claim amounting to RM 12.4 million which was received in relation to the termination of certain kitchen appliances products;
- (b) Increase in interest income by RM2.0 million following the recent interest rate hikes, offset by a share of loss from the associated company amounting to RM2.1 million, as compared to a profit of RM1.7 million in the preceding year's corresponding quarter.

The results from operating activities, excluding the claim received, amounted to RM8.7 million in the current third quarter and a profit margin of 3.3%. In the preceding year's corresponding quarter, the profit margin was at 5.0%. The margin contraction was a result of lower sales, higher cost of materials and higher labour costs. The associated company incurred losses in the current quarter due to decline in sales and higher marketing costs expensed.

Review by Segment

Living Appliances and Solutions Company (LASC)

Revenue for the LASC products segment decreased by approximately 21% as compared to previous year's corresponding quarter. The reduction was mainly attributed to discontinuance of rice cooker and certain kitchen appliances businesses, of which, the full impact was seen in the current quarter. The loss of sales due the termination of these products were cushioned to a certain extent, by higher export sales of other products in this segment such as electric iron and vacuum cleaner to both the Vietnam and the Middle East markets.

The LASC products segment recorded profit before tax of RM19.7 million for the current quarter under review, which was higher by RM17.1 million as compared to the previous year's corresponding quarter's profit before tax of RM2.6 million. The higher profitability was mainly attributable to the claim received and higher sales achieved by other products.

Heating & Ventilation A/C Company (HVAC)

Revenue for the HVAC products segment increased by approximately 8% as compared to previous year's corresponding quarter mainly due to higher sales of fan and home shower products especially to the Vietnam market to meet local festive season sales demand there. The new home shower product launched in Vietnam also brought in increased sales for this business segment.

However, the HVAC products segment recorded a marginally lower profit before tax of RM13.2 million for the current quarter ended 31 December 2022 compared to the previous year's corresponding quarter's profit before tax of RM 13.7 million. This was on the back of margin erosion of unfavorable product mix and higher operating expenditure.

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

The Company's revenue of RM796.1 million for the nine months ended 31 December 2022 was higher by RM136.1 million or 20.6% as compared to the previous year's revenue of RM660.0 million.

The higher revenue achieved was mainly attributable to the full market reopening and recovery in this financial year. The various mobility curbs and capacity restrictions imposed in the previous year's corresponding period had impacted sales and production operations; coupled with the fulfillment of backlog orders arising from the flood incident in December 2021. However, the discontinuance of rice cooker business since the last financial year and the termination of certain kitchen appliance product businesses in the first half of the current financial year had impacted the Company's overall revenue achievement.

Corresponding to the increase in revenue, the Company achieved a higher combined profit before tax of RM85.5 million for the nine months ended 31 December 2022, representing an increase of RM47.6 million or 125.7% as compared to the profit before tax of RM37.9 million in the previous year's corresponding period. The increase in profitability was mainly due to the higher revenue achievement and higher share of profit from associated company by RM3.7 million. However, the profitability was offset partially by the higher cost of materials and higher labour cost due to the implementation of minimum wages.

Included in other operating income is an insurance claim received amounting to RM22.3 million related to the flood incidents which had occurred in December 2021 and a claim amounting to RM12.4 million; received in relation to the termination of certain kitchen appliances products.

The LASC product segment's profit before tax of RM22.5 million for the nine months ended 31 December 2022 was higher by 435% or RM18.3 million as compared to the previous year's profit before tax of RM4.2 million.

HVAC product segment recorded higher profit before tax of RM50.0 million for the nine months ended 31 December 2022 as compared to the profit before tax in the previous year of RM27.9 million, an increase of 79.2% or RM22.1 million.

Higher profitability in both the business segments was mainly due to the higher sales achievement and receipt of the insurance and claims received in the current period.

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

	Current	Preceding	Difference	
	3rd Quarter 31.12.2022 RM'000	2nd Quarter 30.09.2022 RM'000	RM'000	%
Revenue	259,571	292,845	(33,274)	(11.4%)
Operating expenses	(252,316)	(279,213)	+26,897	+9.6%
Other operating income	13,775	28,180	(14,405)	(51.1%)
Other operating income:				
- Fair value gain on derivative financial instruments	64	113	(49)	(43.4%)
Results from operating activities	21,094	41,925	(20,831)	(49.7%)
Finance cost	(1)	(1)	-	-
Finance income	3,857	2,768	+1,089	+39.3%
Share of results of associated company (net of tax)	(2,079)	5,702	(7,781)	(136.5%)
Profit before taxation	22,871	50,394	(27,523)	(54.6%)

The Company's revenue of RM259.6 million in the current quarter was lower by 11.4% or RM33.3 million as compared to a revenue of RM292.8 million recorded in the preceding quarter. The lower revenue was mainly due to slow market demand in domestic market for both the LASC and HVAC products segments. However, this was mitigated, to a certain extent, by the higher export sales in both product segments, particularly to Asean countries such as Thailand.

The Company recorded a combined profit before taxation of RM22.9 million for the current quarter ended 31 December 2022, representing a decrease of RM27.5 million or 54.6% as compared to the preceding quarter's profit before taxation of RM50.4 million. The lower profitability was mainly due to:-

- a) Lower revenue achieved;
- b) Foreign exchange losses amounting to approximately RM10.0 million arising from translation of US Dollars held at the end of the quarter with the recent strengthening of the Ringgit Malaysia against the US Dollars (3Q: USD1:RM4.415, 2Q: USD1: RM4.632). A gain of RM6.0 million was recorded in the preceding quarter;
- c) Share of losses from the associated company amounting to RM2.1 million for the current quarter as compared to a share of profit of RM5.7 million in the preceding quarter.

Note 14. Prospects and Outlook

The Malaysian economy registered a growth of 7.0% in the fourth quarter of 2022 as reported in the Bank Negara Malaysia (BNM) Quarterly Report (3Q 2022: 14.2%); mainly driven by domestic demand. Global growth continued to moderate in the fourth quarter of 2022 with slowing down of manufacturing and services activities particularly in the advanced economies.

The profit before tax of RM 85.5 million achieved in the first nine months of the financial year ending 31 March 2023 ("Financial Year 2022") has surpassed the profit before tax for the full Financial Year 2021 by 61%. For the full Financial Year 2022, the Company will strive to remain profitable on the back of economic recovery and nearly full production capacity.

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 31.12.2022 RM'000	Preceding Year's Quarter Ended 31.12.2021 RM'000	9 Months ended 31.12.2022 RM'000	9 Months ended 31.12.2021 RM'000
Taxation charge:				
- current financial year	(1,801)	(160)	(7,272)	(404)
- prior financial year	-	-	-	-
Deferred Tax:				
- origination of temporary differences (current financial year)	(2,345)	(1,335)	(5,423)	(1,738)
- prior financial year	-	-	-	-
	(4,146)	(1,495)	(12,695)	(2,142)
Effective income tax rate	18.1%	9.0%	14.9%	5.7%

The Company's effective tax rate for 9 months ended 31 December 2022 registered at approximately 14.9%, 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 31 December 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	13,204	-	(14)
<u>Less than 1 year</u> - Buy JPY	2,674	56	-
<u>Less than 1 year</u> - Buy SGD	98	1	-
<u>Less than 1 year</u> - Sell Euro	2,821	3	-
		60	(14)

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 16 August 2022, the Court of Appeal had dismissed Crestronics' Originating Summons appeal with RM10,000 costs awarded to Panasonic. No further appeal was made by Crestronics and the matter is therefore considered as concluded.

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 2022 of 60,745,780 shares.

(a) Basic earnings per share

	9 Months ended 31.12.2022	9 Months ended 31.12.2021
Profit after taxation for the period (RM'000)	72,781	35,728
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	120	59

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	19	Not Applicable
Quarter 2	70	Not Applicable
Quarter 3	31	Not Applicable
Year-to-date	120	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 31.12.2022 RM'000	As at 31.12.2021 RM'000
Contracted	9,699	5,705
Not contracted	1,278	0
Total	10,977	5,705

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	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Interest Income	3,857	1,848	8,742	6,220
Interest Expenses	-	-	-	-
Depreciation & Amortization	7,004	7,900	21,232	22,957
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	(9,988)	(45)	(1,021)	(649)
(Loss)/Gain on Derivatives	64	117	(91)	1,056

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
28 Feb 2023