

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 2023**

	(Unaudited)		(Unaudited)	
	3rd Quarter Ended		9 Months Ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Revenue	233,547	259,571	698,208	796,095
Operating expenses	(218,659)	(252,316)	(653,854)	(766,909)
Other operating income	1,586	13,775	18,431	39,164
Other derivative gain/(loss)	1,690	64	968	(91)
Result from operating activities	18,164	21,094	63,753	68,259
Finance cost	-	(1)	(1)	(3)
Finance Income	5,228	3,857	15,521	8,742
Share of results of associated company (net of tax)	(338)	(2,079)	6,922	8,478
Profit before taxation	23,054	22,871	86,195	85,476
Taxation	(1,637)	(4,146)	(11,131)	(12,695)
Profit after taxation for the period	21,417	18,725	75,064	72,781
Earning per share attributable to equity holders:				
Basic and diluted (sen)	<u>36</u>	<u>31</u>	<u>124</u>	<u>120</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 2023)

**Condensed Combined Entity Statement of Comprehensive Income
 for the 3rd Quarter Ended 31 December 2023**

	(Unaudited)		(Unaudited)	
	3rd Quarter ended		9 Months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Profit after taxation for the period	21,417	18,725	75,064	72,781
Other comprehensive income, net of taxation	-	-	-	-
Total Comprehensive income for the period	21,417	18,725	75,064	72,781
Profit after taxation attributable to equity holders of the Company	21,417	18,725	75,064	72,781
Total Comprehensive income attributable to equity holders of the Company	21,417	18,725	75,064	72,781

(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 2023)

Condensed Combined Entity Statement of Financial Position

	(Unaudited)	(Audited)
	As at 31.12.2023 RM'000	As at Preceding Financial Year End 31.03.2023 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	133,188	134,557
Right-of-use assets	5,486	5,577
Intangible assets	456	1,372
Interest in associated company	126,186	121,175
Deferred tax assets	3,348	2,676
	268,664	265,357
Current assets		
Inventories	55,592	70,053
Trade and other receivables	91,293	96,456
Current tax assets	-	7,450
Placement of funds with related company	506,210	482,525
Cash and bank balances	518	372
Derivative financial assets	928	-
	654,541	656,856
Total assets	923,205	922,213
EQUITY		
Capital and reserves attributed to equity holders		
Share capital	60,746	60,746
Retained earnings	744,246	734,180
Total equity	804,992	794,926
LIABILITIES		
Non-current liabilities		
Provision for liabilities and charges	416	417
Non-current lease payable	-	10
	416	427
Current liabilities		
Trade and other payables	112,912	122,335
Taxation	2,886	-
Lease liabilities	20	40
Provision for liabilities and charges	1,977	4,443
Derivative financial liabilities	2	42
	117,797	126,860
Total liabilities	118,213	127,287
Total equity and liabilities	923,205	922,213
Net assets per share (RM)	13.25	13.09

(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 2023)

**Condensed Combined Entity Statement of Changes in Equity
for the 3rd Quarter Ended 31 December 2023**

	Attributable to equity holders		
	Share Capital	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000
<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 2021		(41,307)	(41,307)
At 31 December 2022	60,746	735,941	796,687
<u>Quarter Ended 31 December 2023</u>			
At 1 April 2023	60,746	734,180	794,926
Total comprehensive income for the period	-	75,064	75,064
Dividends:			
- Final dividend for the financial year ended 31 Mar 2022		(64,998)	(64,998)
At 31 December 2023	60,746	744,246	804,992

(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 2023)

**Condensed Combined Entity Cash Flow Statement
For the 3rd Quarter Ended 31 December 2023**

	(Unaudited)	
	Period ended 31.12.2023 RM'000	Period ended 31.12.2022 RM'000
Profit after taxation	75,064	72,781
Adjustments for:		
Non cash flow items	17,703	37,976
Share of results of associated company	(6,922)	(8,478)
Operating profit before working capital changes	85,845	102,279
Changes in working capital		
Net decrease in current assets	17,728	12,762
Net decrease in current liabilities	(8,986)	(32,748)
Cash generated from operations	94,587	82,293
Other operating activities	(6,846)	(14,093)
Net cash flow from operating activities	87,741	68,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,533)	(8,712)
Purchase of intangible asset	(117)	-
Proceeds from disposal of property, plant and equipment	336	538
Interest received	15,521	8,742
Dividend received (net)	1,911	1,911
Net cash flow from Investing activities	1,118	2,479
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(64,998)	(41,307)
Repayment of lease liabilities	(30)	(53)
Net cash flow from financing activities	(65,028)	(41,360)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23,831	29,319
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	482,897	442,665
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	506,728	471,984
<u>Cash and cash equivalents comprise:</u>		
Placement of funds with related company	506,210	470,998
Cash and bank balances	518	986
	<u>506,728</u>	<u>471,984</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 2023)

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Notes to the Interim Financial Statements for 3rd Quarter Ended 31 December 2023

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 2023.

The audited financial statements of the Company for the year ended 31 March 2023 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 2023.

Note 2. Disclosure of Audit Report Qualification

The audit report of the Company’s annual financial statements for the financial year ended 31 March 2023 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 20 December 2023 and paid on 19 January 2024.

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	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Living Appliances and Solutions Company ("LASC") products	151,841	206,171	19,553	22,464
Heating & Ventilation A/C Company ("HVAC") products	543,482	589,367	38,305	49,976
Total	695,323	795,538	57,858	72,440
Other unallocated revenue and income	2,885	557	21,415	4,558
Share of Results from Associate Companies	-	-	6,922	8,478
Total	698,208	796,095	86,195	85,476

Revenue information based on geographical location is as follows:

	Revenue for the 9 Months ended	
	31.12.2023 RM'000	31.12.2022 RM'000
Malaysia	277,992	265,961
Japan	12,620	15,385
Asia (excluding Malaysia and Japan)	222,124	297,453
Europe	2,592	5,341
Middle East	159,754	189,906
Others	23,126	22,049
Total	698,208	796,095

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 2023 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 2023 in respect of which this announcement is made.

Note 11. Contingent Liabilities

There were no contingent liabilities since the last financial year ended 31 March 2023.

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

Note 12. Review of Performance

(a) 3rd Quarter This Year vs 3rd Quarter Previous Year

	3rd Quarter Ended		Change	9 Months Ended		Change
	31.12.2023 RM'000	31.12.2022 RM'000	%	31.12.2023 RM'000	31.12.2022 RM'000	%
Revenue	233,547	259,571	(10.0%)	698,208	796,095	(12.3%)
Profit before taxation	23,054	22,871	+0.8%	86,195	85,476	+0.8%

The Company's revenue of RM233.5 million for the current quarter ended 31 December 2023 was lower by 10.0% or RM26.1 million as compared with the revenue of RM259.6 million registered in the previous year's corresponding quarter.

The lower sales recorded was mainly attributed to the discontinuance of the Kitchen Appliances business since the end of the last financial year and lower export sales were seen in certain Asean countries particularly Vietnam and Thailand markets as demand slowed down in these countries. The effect of reduction in sales was cushioned to a certain extent by higher sales in domestic market, especially in Fan products following the year end promotional activities in the domestic market.

Despite the lower sales achieved, the Company recorded a combined profit before tax of RM23.1 million for the current quarter under review; which was marginally higher by 0.8% or RM0.2 million as compared to the profit before tax of RM22.9 million in the previous year's corresponding quarter. This was mainly attributable to lower material costs incurred and increase in interest income and slightly offset by a lower share of losses from associated company as compared to the previous year's corresponding quarter. Included in the other operating income for the previous year corresponding quarter was also a claim amounting to RM12.4 million which was received in relation to the termination of kitchen appliances products.

Review by Segment

Living Appliances and Solutions Company (LASC)

Revenue for the LASC products segment decreased by approximately 22% as compared to previous year's corresponding quarter. The reduction was mainly attributed to discontinuance of the Kitchen Appliances business, the full impact of which, was seen in the current quarter. The reduction in sales in this segment was cushioned to a certain extent, by higher export sales in Vacuum Cleaner to the Middle East markets.

Correspondingly, the LASC products segment recorded a profit before tax of RM8.2 million for the current quarter under review; which was lower by RM11.5 million as compared with the profit before tax of RM19.7 million registered in the previous year's corresponding quarter.

The lower profitability was mainly attributed to lower sales achievement and lower other operating income recorded in the current quarter under review. Included in the previous years corresponding quarter's income was a claim of RM12.4 million received for the termination of business.

Heating & Ventilation A/C Company (HVAC)

Revenue for the HVAC products segment decreased by approximately 6% as compared to previous year's corresponding quarter, mainly attributed to lower sales of Fan and Home Shower products to certain Asean countries due to slower market demand. Nevertheless, the effect of reduction in sales was mitigated to a certain extent by higher year end promotional sales for the domestic market in this segment.

The HVAC products segment recorded profit before tax of RM13.5 million, which was marginally higher by RM0.3 million as compared to the profit before tax of RM13.2 million registered in the previous year's corresponding quarter. The profitability was maintained despite the lower revenue achieved as there was lower material cost incurred during the current quarter .

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

The Company's revenue of RM698.2 million for the nine months ended 31 December 2023 was lower by RM97.9 million or 12.3% as compared to the previous year's revenue of RM796.1 million.

The revenue registered for the nine months of the current financial year was impacted by the discontinuance of the kitchen appliances business whilst the preceding period in the last financial year saw high sales volume to fulfill backlog orders after the flood incident. This was mitigated, to a certain extent, by higher sales in the domestic market following the intensified promotional activities during the year end festive season and higher sales of Vacuum Cleaner products in the Middle East markets.

Despite the lower revenue recorded, the Company managed to achieve comparable combined profit before tax of RM86.2 million for the nine months ended 31 December 2023, representing a marginal increase of RM0.7 million or 0.8% as compared to the profit before tax of RM85.5 million in the previous year's corresponding period.

Included in the previous year's combined profit before tax was an insurance claim received for the flood incident amounting to RM22.3 million recognized as other operating income and if excluded, the profit before tax for the nine months ended 31 December 2023 would be an improvement of 36% compared to last year.

The improvement in profitability was attributable mainly due to :-

- a) Generally lower material costs as compared to the preceding year's corresponding period as major raw material prices has stabilized;
- b) A claim received amounting to RM 11.8 million relation to the termination of kitchen appliances products;
- c) Higher interest income of RM6.8 million following recent interest rate hikes; and
- d) Set-off by the lower share of results of the associate company of RM1.6 million as compared to the previous corresponding period.

LASC product segment's profit before tax of RM19.6 million for the nine months ended 31 December 2023 was lower by RM2.9 million as compared to the previous year's profit before tax of RM22.5 million. Previous year's corresponding period included a claim of RM12.4 million received in this segment, if it was excluded, then the normalized profit will be higher by 94% compared to last year.

HVAC product segment recorded lower profit before tax of RM38.3 million for the nine months ended 31 December 2023 as compared to the profit before tax in the previous year of RM50.0 million, which was lower by 23% or RM11.7 million. Without taking into consideration the insurance claim received in the previous year's period, profit from operations for this segment was higher, mainly due to lower material costs and increase in selling price for certain fan products.

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

	Current	Preceding	Difference	
	3rd Quarter 31.12.2023 RM'000	2nd Quarter 30.09.2023 RM'000	RM'000	%
Revenue	233,547	236,423	(2,876)	(1.2%)
Operating expenses	(218,659)	(217,594)	(1,065)	(0.5%)
Other operating income	1,586	13,759	(12,173)	(88.5%)
Others:				
- Fair value (loss)/gain on derivative financial instruments	1,690	(505)	+2,195	+434.7%
Results from operating activities	18,164	32,083	(13,919)	(43.4%)
Finance cost	-	(1)	+1	+100.0%
Finance income	5,228	5,345	(117)	(2.2%)
Share of results of associated company (net of tax)	(338)	3,129	(3,467)	(110.8%)
Profit before taxation	23,054	40,556	(17,502)	(43.2%)

The Company's revenue of RM233.5 million in the current quarter was marginally lower by 1.2% or RM2.9 million as compared to a revenue of RM236.4 million recorded in the preceding quarter.

The Company recorded a combined profit before taxation of RM23.1 million for the current quarter ended 31 December 2023, representing a decrease of RM17.5 million or 43.2% as compared to the preceding quarter's profit before taxation of RM40.6 million. The lower profitability was mainly due to a lower share of results from the associated company and a claim amount of RM11.8 million that was received in preceding quarter in relation to the termination of kitchen appliances products.

Note 14. Prospects and Outlook

The Malaysian economy continued to grow by 3% in the fourth quarter of 2023 as reported in the Bank Negara Malaysia (BNM) Quarterly Report (3Q 2023: 3.3%). The growth was mainly supported by continued expansion in domestic demand, stronger growth of inbound tourism and higher investment growth.

Global economy is expected to grow at a sustained pace in 2024; with downside risks stemming from higher-than-expected inflation, escalation of geopolitical tensions, and tightening in financial market conditions. On a positive note, the upside potential to global growth can arise from stronger-than-expected domestic demand; especially in advanced economies.

The Company is currently intensifying its efforts to further develop new products and to diversify our existing products to both the domestic and export markets in order to maintain business competitiveness. The Company has made further progress in the utilization of technology in its manufacturing facilities to improve productivity and increase efficiency whilst continuing to implement cost reduction measures to reduce overall costs of production and to improve profitability.

With these measures in place, the Company will strive to meet these challenges ahead with agility and resilience to achieve positive results for the financial year ending 31 March 2024.

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 31.12.2023 RM'000	Preceding Year's Quarter Ended 31.12.2022 RM'000	9 Months ended 31.12.2023 RM'000	9 Months ended 31.12.2022 RM'000
Taxation over provision /(charge):				
- current financial year	(2,299)	(1,801)	(11,804)	(7,272)
- prior financial year	-	-	-	-
Deferred Tax expense:				
- origination and reversal of temporary differences	662	(2,345)	673	(5,423)
- over/(under) provision of deferred tax benefit in prior year	-	-	-	-
	(1,637)	(4,146)	(11,131)	(12,695)
Effective income tax rate	7.1%	18.1%	12.9%	14.9%

The Company's effective income tax rate 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 2023, 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	54,924	928	-
<u>Less than 1 year</u> - Buy JPY	-	-	-
<u>Less than 1 year</u> - Buy SGD	28	-	-
<u>Less than 1 year</u> - Sell Euro	507	-	(2)
		928	(2)

Note 19. Material Litigation

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

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 2023 of 60,745,780 shares.

(a) Basic earnings per share

	9 Months ended 31.12.2023	9 Months ended 31.12.2022
Profit after taxation for the period (RM'000)	75,064	72,781
Weighted average number of ordinary shares in issue (RM'000)	60,746	60,746
Basic earnings per share (sen)	124	120

(b) Summary of earnings per share

	Basic (sen)	Diluted (sen)
Quarter 1	34	Not Applicable
Quarter 2	54	Not Applicable
Quarter 3	36	Not Applicable
Year-to-date	124	Not Applicable

Note 22. Commitments for Capital Expenditure

Analyzed as follows: Property, plant and equipment	As at 31.12.2023 RM'000	As at 31.12.2022 RM'000
Contracted	6,228	9,699
Not contracted	502	1,278
Total	6,730	10,977

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	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Interest Income	5,228	3,857	15,521	8,742
Interest Expenses	-	-	-	-
Depreciation & Amortization	6,219	7,004	19,003	21,232
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	(3,351)	(9,988)	2,025	(1,021)
(Loss)/Gain on Derivatives	1,690	64	968	(91)

* N/A: Not Applicable to the Combined Entity

By Order of the Board

Leong Oi Wah
Company Secretary
28 February 2024