

Nakamichi Corporation Berhad

(Company No: 301384-H)

Explanatory Notes

1. Basis of preparation

The quarterly financial statements is unaudited and has been prepared in accordance with the Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The quarterly financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

The accounting policies, estimates and methods of computation adopted by the Group in this quarterly financial report are consistent with those adopted in the financial statements for the year ended 31 December 2008.

2. Changes in Accounting Policies

The significant accounting policies adopted by the Group are consistent with those adopted in the audited annual financial statements for the year ended 31 December 2008.

3. Qualified audit report

The auditors’ report on the financial statements for the year ended 31 December 2008 had a qualified audit opinion which is reproduced as follow:

“Basis for Qualified Opinion

As disclosed in Note 7 to the financial statements, the Group via its wholly-owned subsidiary, Nakamichi Malaysia Sdn.Bhd.(“NMSB”) had investments in bearer shares in Sansui Electric Co. Ltd (“Sansui”) with a carrying value of RM5,684,261 as at 31 December 2008. The Company had on 7 August 2007, announced that the share certificates in respect of the above said investment were missing.

As at the date of this audit report, the share certificates are still missing and we were unable to carry out appropriate alternative audit procedures to obtain sufficient and appropriate audit evidence to satisfy ourselves as to existence, the carrying value and ownership of the said investment.

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Opinion

In our opinion, except for the effects of such adjustments described in the Basis for Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Act in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the financial year ended on that date.”

As the date of this report, the investigation on the missing Sansui Shares is currently on going. The Board is continuing with their action to recover the missing shares.

4. Seasonal or cyclical factors

There were no material seasonal or cyclical factors affecting the income and performance of the Group.

5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income and cash flows for the current quarter.

6. Changes in estimates

There were no changes in estimates that have a material effect for the current quarter.

7. Debts and equity securities

There were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities during the current quarter.

8. Dividend

The Board does not recommend or declare any dividend for the financial period ended 31 March 2009.

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9. Segmental reporting

Analysis by geographical segments of the Group's customers being the primary basis of the Group's segment reporting for the Group's revenue for the financial period ended 31 March 2009 is as follows:

| | RM'000 |
|---------------|-----------------|
| Asia | 490 |
| Europe | 386 |
| North America | 3 |
| Middle East | 116 |
| Others | 1 |
| Total | <hr/> 996 <hr/> |

10. Valuation of property, plant and equipment brought forward

As at 31 March 2009, the valuation of property, plant and equipment has been brought forward, without any amendment from the previous audited financial statements.

11. Material subsequent events

There were no material events subsequent to the end of the current quarter that have not been reflected in the financial statements of the Group.

12. Changes in composition of the Group

There was no change in the composition of the Group for the current quarter and up to the date of this report.

13. Contingent liabilities/assets

There were no material contingent liabilities/assets as at 31 March 2009.

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14. Capital commitments

Save for RM30 million in capital commitment in respect of the proposed acquisition of Tamabina Sdn Bhd as disclosed in Note 22, there were no other capital commitments as at 31 March 2009.

15. Review of performance

The Group's revenue for the current quarter was RM1.0 million as compared with RM1.28 million for the preceding year corresponding quarter due mainly to weak demand as a result of the global economic crisis. Despite the decline in revenue, the Group reported a lower net loss of RM0.41 million for the current quarter as compared with a net loss of RM0.71 million for the corresponding quarter last year.

16. Comparison with preceding quarter's results

The Group's revenue for the current quarter was RM1.0 million as compared with RM0.96 million for the previous quarter. The Group reported a net loss of RM0.41 million for the current quarter as compared with a net profit of RM3.57 million for the previous quarter due to a net waiver of RM3.7 million obtained for amounts due to former related companies.

17. Prospects

The Board foresees a challenging time ahead for its audio and visual electronic business.

As stated in Note 22 of this announcement, the proposed acquisition of Tamabina Sdn Bhd ("TSB") is expected to diversify the future income stream of the Group to include extraction and sale of timber. With the guaranteed profit as part of the terms of the proposed acquisition, the Group would be assured of future earnings contribution from TSB.

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18. Variance from profit forecast/guarantee

Not applicable as no profit forecast was published.

19. Taxation

There is no tax expense for the current quarter as there is no taxable income.

20. Purchase or sale of any unquoted investments and/or properties

There was no purchase or sale of any unquoted investments and/or properties for the current quarter.

21. Purchase or sale of quoted securities

There was no purchase or sale of any quoted securities for the current quarter.

22. Status of uncompleted corporate proposals

Save as disclosed below, there are no corporate proposals that were announced but not completed within 7 days from the date of issue of the quarterly report.

The Company had on 17 December 2007, had entered into a conditional sale and purchase agreement ("SPA") with two individuals ("the Vendors") for the acquisition by the Company of 51% equity interest in Tamabina Sdn. Bhd. ("TSB") comprising 51,000 ordinary shares for a cash consideration of RM30,000,000 ("Proposed Acquisition").

TSB had on 29 May 2007 entered into the Log Extraction and Timber Sale Agreement ("Extraction and Sale Agreement") with Rakyat Berjaya Sdn. Bhd. ("RBSB") and Sabah Berjaya Sdn. Bhd. ("SBSB") for:

(i) the appointment of TSB by RBSB to extract at its own cost and expense, all the Commercial Timber ("Extracted Logs") from a designated area within the Concession Area ("TSB Concession Area") on an exclusive basis; and

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(ii) the purchase by TSB from SBSB all Extracted Logs from the TSB Concession Area on an exclusive basis.

As part of the terms of the Proposed Acquisition, the Vendors jointly and severally guarantee that TSB shall achieve an audited profit after taxation of not less than RM12,000,000 per annum ("Guaranteed Profit") for each of the three (3) financial years ending 31 December 2009, 31 December 2010 and 31 December 2011.

On 2 April 2008, the Company announced that the Foreign Investment Committee had vide its letter dated 26 March 2008 stated that it has no objection to the Proposed Acquisition subject to TSB increasing its Bumiputera equity condition to at least 30% before 30 June 2010.

The Proposed Acquisition has received approvals from the shareholders of the Company on 13 June 2008.

On 3 December 2008, the Company entered into a Supplemental Agreement with the vendors to extend the completion date to end on a business day falling before the expiry of 180 days from 3 December 2008.

On 3 December 2008, the Company also entered into a Novation Agreement with Yap Siaw Lin ("YSL") and Lai Yun Fung ("LYF") for the novation of all benefits, rights and obligations of YSL under and pursuant to the SPA and the Supplemental Agreement to LYF.

The proposed Acquisition is currently pending completion as the Company has recently received a loan facility for the Proposed Acquisition and is in the midst of preparing all the necessary documentation for the loan drawdown.

23. Group borrowings and debt securities

There were no Group borrowings and debts securities as at 31 March 2009.

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24. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at 31 March 2009 and up to the date of this report.

25. Material litigation

There are no material litigations as at the date of this report.

26. Earnings per share

Basic loss per share

The basic loss per share for the current quarter was calculated based on the Group's loss attributable to equity holders of the Company of RM0.41 million for the current quarter respectively divided by the weighted average number of ordinary shares of 55,410,180.

Diluted earnings per share

Diluted earnings per share is not applicable as there are no potentially dilutive instruments.

BY ORDER OF THE BOARD