

Panasonic

Panasonic Manufacturing Malaysia Berhad
(Company No.: 6100-K)

**Questions raised by MSWG and
Management's Response
30 August 2017 (Wednesday)**



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***STRATEGY &
FINANCIAL***

STRATEGY & FINANCIAL

QUESTION 1

The key audit matters on page 105 highlighted the carrying amount of inventories. Please share on how the Company manages its inventories and obsolete stocks? How is this risk being mitigated?

ANSWER 1

The increase in inventories are mainly due to increase in raw materials of certain rice cooker models as a result of reduction in sales demand in the Vietnam market. The excess inventory, however, has been gradually utilized from 1Q2017 onwards after intensive sales promotional campaign has been carried out by the sales companies and dealers in Vietnam to improve the sales performance of these products.

The management is actively monitoring non and slow moving inventories on a monthly basis to ensure corrective and preventive action are promptly taken to reduce any inventory write-off or obsolescence.

STRATEGY & FINANCIAL

QUESTION 2

Page 7 of the Annual Report stated that the Company's Home Appliances Business segment achieved marginally higher revenue, but recorded a lower profit before tax of RM59.1 million for FY2017, mainly due to lower sales volume of certain products with higher profit margin.

What are the measures taken by the Company to ensure there is sustainability for the sales of products with higher profit margins?

ANSWER 2

The Company is manufacturing and selling a wide range of small home appliances in different range and market. Profitability of each product model will differ depending on the currency it is sold in and the complexity of its materials and processes. Each products' category profit and loss account is closely tracked and monitored on a monthly basis. In addition, profitability of each model is reviewed on an actual cost basis every quarter.

To improve the sales of higher profit margin models, the Company will collaborate with its sales companies to promote sales of these products. However, its sales condition may vary depending on its market demand.

STRATEGY & FINANCIAL

QUESTION 3

It was reported on pages 7 and 8 of the Annual Report, Panasonic has launched new high speed Juicer, N-series home shower and bag-less vacuum cleaner models.

How was the market response for these new products?

ANSWER 3

Sales was encouraging during the launch of these products. Various sales and promotional activities were carried out to further enhance their sales performance and to further create the product awareness of these models in the market.

STRATEGY & FINANCIAL

QUESTION 4

As stated on page 8 of the Annual Report, the Company will focus on sound management to increase profitability and manage production efficiency.

What are the measures taken by the Company to increase profitability?

ANSWER 4

The Company is facing a challenging operating environment this year especially with the increasing trend of raw material prices which will erode profitability.

1Q17 vs 1Q16



To mitigate the rising trend of raw materials, the Company will increase consolidated purchase through the Panasonic group to secure better price negotiation, promote innovative design to reduce cost of materials and prudent management of fixed operational costs. All these measures will be taken to increase profitability.

STRATEGY & FINANCIAL

QUESTION 5

We noted on page 51 of the Annual Report that the Company's other operating expenses had increased significantly from approximately RM1.2 million in FY2016 to approximately RM7.2 million in FY2017.

Could the Board provide the reason(s) for the increase and the breakdown?

ANSWER 5

The increase for operating expenses is mainly attributed to derivative losses and other foreign exchange losses incurred during the financial year due to a weaker Ringgit against other major currencies.

**CORPORATE
GOVERNANCE**

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CORPORATE GOVERNANCE

QUESTION

We noted that Tan Sri Datuk Asmat Bin Kamaludin, the Chairman and Senior Independent Non-Executive Director and Datuk Supperamaniam a/l Manickam, the Independent Non-Executive Director have served on the Board for more than 9 years.

We hope the Board would look into the Succession Planning taking cognisance of the requirements under Practice 4.2 of the Malaysian Code on Corporate Governance 2017 relating to Independent Directors who have served the Board for than nine years.

ANSWER

The Board has noted the best practices of the new Malaysian Code on Corporate Governance and will endeavour to apply them where it is practicable and provide alternatives to meet the intended outcome. The Board will consider the matter raised by MSWG on the succession of our long serving Independent Directors.