

Panasonic

Panasonic Manufacturing Malaysia Berhad

(Company No. : 196501000304)

Questions raised by MSWG and Management's Response

26 August 2020 (Wednesday)

① STRATEGY & FINANCIAL MATTERS

Question 1

The Company's new factory building at its SA2 plant is estimated to be completed by early 2021 (page 12, AR 2020).

- a. By how much will this factory increase the production capacity?
- b. What was the CAPEX incurred and to be incurred for the building?

Answer 1

- a. Production capacity increased by 35% for Fan Segment.
- b. Capital Expenditure incurred in FYE 31.3.2020 was RM12.7mil; remaining RM39mil to be incurred in stages in FYE 31.3.2021 and FYE 31.3.2022.

** FYE denotes Financial Year Ending*

① STRATEGY & FINANCIAL MATTERS

Question 2

To date, approximately 6% of the production floor workforce has been replaced with automation and the Company targets to replace up to 20% of the production floor labour force by 2023.

- a. What have been the cost savings thus far (page 13, AR 2020)?
- b. What are the steps taken by the company to reduce its dependence on foreign labour since the Government has become more stringent in allowing foreign workers into the country?

Answer 2

a.

Year	AP			LS			TOTAL		
	Investment Amount (mil)	Headcount Reduction	Cost Reduction (mil)	Investment Amount (mil)	Headcount Reduction	Cost Reduction (mil)	Investment Amount (mil)	Headcount Reduction	Cost Reduction (mil)
2018 ~ 2019	3.5	40	1.2	5.3	62	1.8	8.8	102	3.0
2020 ~ 2023	7.0	80	2.5	13.0	112	4.1	20.0	192	6.6
TOTAL	10.5	120	3.7	18.3	174	5.9	28.8	294	9.6

The total cost reduction to date amounted to RM 3 mil; for next 3 years target to achieve RM 6.6 mil

- b. **Steps taken to reduce dependence on foreign labor:-**
- Accelerate in automation to reduce reliance on foreign labor; target reduce 294 persons by 2023
 - Recruit local workers (temporary, outsourced service providers) to replace Foreign workers
 - Performing temporary workers will be converted to permanent workforce after expiry of contract

① STRATEGY & FINANCIAL MATTERS

Question 3

For FYE March 31, 2020, there is a significant rise in the inventory level of the Company by 47.6% to RM73.2 million compared to the previous financial year.

What are the reasons for the substantial rise in inventories for 2020 especially since sales has gone down from RM1.13 billion in 2019 to RM1.05 billion in 2020?

Answer 3

	2019 RM'000	2020 RM'000	Diff RM'000	
Finished goods	12,653	17,465	+4,812	②
Work in progress ("WIP")	2,488	7,024	+4,536	③
Raw material	34,417	48,627	+14,210	①
Consumable stores	22	48	+26	
Total	49,580	73,164	+23,584	

① STRATEGY & FINANCIAL MATTERS

Answer 3 (continue from page 4)

① Higher inventories mainly comes from Raw Material attributable to:-

Resourcing of parts when pandemic started in China; additional orders were placed from other countries (Europe) to secure production; especially for parts with long lead time. Sudden MCO announced in March caused disruption in product plan; parts delivered were not fully utilized.

② Increase in Finished Goods due to certain export cargos were halted due to shipment period was after MCO. These shipments were arranged in early April due to special concession by Ministry of Transport.

③ Increase in WIP due to sudden MCO announcement; insufficient time to complete finished units.

② CORPORATE GOVERNANCE MATTERS

Question 1

The Board has agreed to set a limit for the tenure of independent directors at 12 years, for implementation after the financial year ending 31 March 2021. (Practice 4.2, CG Report 2020)

In the meantime, will the company carry out a two-tier voting system in the upcoming AGM to retain the Chairman (independent non-executive director) who has served the Board for more than 12 years?

Answer 1

The resolution on the retention of Tan Sri Asmat as Independent Director will be tabled for voting on a single-tier basis. This will be the final term which the Company is seeking shareholders' approval to allow Tan Sri Asmat to continue to serve as an Independent Director. After the 2021 Annual General Meeting, all Independent Directors can only serve up to a maximum term of 12 years.

② CORPORATE GOVERNANCE MATTERS

Question 2

On 19 February 2020, the Audit Committee had recommended the change of the Company's internal auditor – Deloitte Risk Advisory Sdn Bhd (Deloitte) for FYE 31 March 2021 onwards.

What are the reasons for the change (page 67, AR 2020)?

Answer 2

The reason for the change in the internal audit service providers was due to the repeated delays in deliverables by Deloitte.