# Matsushita Electric Company (Malaysia) Berhad

Since its establishment in 1965, management of Matsushita Electric Company (Malaysia) Berhad, or MELCOM, have been taking active measures to develop Malaysian employees for managerial assignments. In May 1973, the company was going to carry out a plan to promote several local employees to the positions of department and factory managers which were ourrently occupied by Japanese expatriate managers. Because MELCOM was in a sort an epitome of the Malaysian society which was made up of many ethnic groups, Mr. Kurahashi, general manager of the company[1], had a feeling that there still remained many difficult problems arising from latent racial confrontations among its workforce and requiring attentive approaches.

MELCOM was a manufacturer and distributor of "National" brand household electric appliances such as monochrome TV sets, refrigerators, electric fans, rice-cookers, dry batteries, as well as several kinds of electronics components. It was a joint venture incorporated by the Matsushita Electric Industrial Co., Ltd. (hereinafter referred to as Matsushita Electric) and the Hargemeyer Trading Company, the sole distributor in Malaysia of the "National" brands which are the products of Matsushita Electric. The company was established at the request of the Malaysian government which aimed to pursue its policies of industrial development and expansion of job opportunities. It was located in a new industrial site near Kuala Lumpur, the capital of Malaysia.

As of 1973, the authorized capital of the company was M$20,000,000 (20,000,000 shares of M$1 each[2]) and issued capital was M$3,000,000. Forty-five per cent of the issued capital was owned by Matsushita Electric and five per cent by the Hagemeyer Trading Co. The remaining fifty per cent was sold to the Malaysian public through the local security market. Exhibit 1 shows MELCOM's sales volume and domestic market share by its main products in 1973. Since 1968, the third year of its existence, MELCOM started to make profits. In 1969, it paid its first dividend of 10 per cent of the capital. The dividend in 1970 went up to 12 per cent. In 1972, the company paid a dividend of 17 per cent including 5 per cent bonus dividend in commemoration of its 5th anniversary. Balance sheets, profit and loss statements and related documents are given in Exhibits 2, 3 and 4.

## Management of Overseas Operations of Matsushita Electric

The Matsushita Electric Industrial Co., Ltd. is one of the largest companies in the electronics industry in Japan that produces a wide variety of electric household appliences and electronics products and components. Its consolidated financial statements as of the end of 1973 showd a capital of

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(1) According to the organization chart of the company, the formal title is "managing director," a position equivalent to the president of a company.
(2) M$ = $0.43

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The case does not intend to show an example of appropriate or inappropriate handling in business administration. 

¥45,750 million, sales of ¥1,046,943 million and net profits of ¥69,864 million. The company earned the biggest or the second biggest annual profits of all the Japanese corporations during the past several years. In 1973, the company had 25 manufacturing and 15 sales subsidiary companies abroad. (1)

According to the top management of Matsushita Electric, its overseas affiliates, unlike subsidiaries of American and European multinational companies, were not established in conformity with a well-defined world-wide strategy. Most of them were set up in compliance with the request of the government or distributors of the countries which had already imported an assortment of the "National" products for years. The principal objective of the activities of its overseas subsidiaries, therefore, was to serve the host country by making contributions to the improvement of its people's welfare and to the further development of its national economy. In other words, Matsushita Electric's overseas operations mainly aimed to provide local people with employment opportunities, to get them acclimated to modern production methods, to win their better understanding and support for the company's business philisophy, and to develop local nationals with managerial potential into good managers.

The manufacturing companies abroad were established as affiliates of Matsushita Electric while the sales companies were organized as affiliates of the Matsushita Electric Trading Co., Ltd. Each of them was incorporated under the laws of the host country. Whether an affiliate was fully owned by the parent or jointly owned with the local government or investers, its management was ultimately responsible for its own operations and performance. (2) Another major policy of Matsushita Electric's operations abroad was to promote the development of local managers so that key posts of subsidiaries except those of the managing director and the director for financial management, might be staffed with local nationals as soon as possible.

Once the decision was made to establish a manufacturing company in a foreign country, Matsushita Electric assisted the new establishment by means of: (1) providing managerial talents. Usually, at least three managers were transfered from the parent company or its affiliates to the new company; the general manager, senior engineer, and the director for financial and administrative management. When the company was located in a country which had no well-established distribution channels of the "National" products, one more Japanese manager in charge of sales activities was brought in. (2) technical and other training and development of local employees. Some of them were sent to Japan to be trained in factories of the parent company. (3) guidance and assistance to the factory construction; designing of the plant and related facilities, supervision of construction works, and negotiations with the local governments and construction companies. (4) transport, installation and test-run of machinery and equipment. (5) providing systematically designed manuals, methods and forms of job standardization and specifications, quality control, maintenance, etc. (6) technical know-how on production methods

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(1) 13 in Southeast Asia, 1 each in Middle East, Africa and Oceania, 2 each in Europe and North America, and 5 in Central and South America. The overseas affilicates as a whole had 570 Japanese expatriate managers from the parent company and about 12,000 local employees.

(2) The subsidiary in Belgium, a manufacturer of dry batteries jointly set up with N.V. Philips, was an exception. Philips was responsible for overall management of the company and Matsushita Electric took charge of technical aspects of production. The prices of its products were determined in consultation between the two companies.

including efficient use of locally supplied materials.

Within the managerial control system of the Matsushita group as a whole, an overseas affiliate was regarded as a unit equivalent to a department of the parent company and its general manager's functions and responsibilities were comparable to those of a department head.[1]

Selection of international assignees was made after close consultations between the overseas affiliate and the departments concerned in the parent company. Their salaries and compensations were determined in accordance with the geographical standards developed by Matsushita Electric which would allow appropriate adjustments. Each affiliate worked out its financial statements, plans for the appropriation of surplus, for capital increase or reduction, for borrowings, and the operating plan. They were sent to the parent to get its approval. The overseas operations division and the financial and administrative division of the parent company jointly reviewed those plans and reports. But it was said that the overseas operations division had the say on approval of the plan. When examining those documents, the staff of the both divisions laid stress on: (1) prospects of some major factors in and out of the company and the plan of actions based on the prospects; (2) tagets of the actions; (3) degree of consistency with the fundamental principles of the management planning given by the parent company; (4) attainment of goals set in the plans of the preceeding periods. While the staff were careful not to encroach upon autonomous management of a subsidiary, they closely examined these reports, discussed ambiguious or questionable items and gave advice to the general manager concerened. In addition to annual reports, general managers were required to send to the parent company monthly accounting reports to show how these plans were making progress. General managers had to clearly state in the reports not only the disparity between the objectives and the attainment but also the causes of the disparity, self-evaluation of their management, and measures to be taken. After the examination by the financial and administrative division, the overseas operations division approved the reports.

The parent company strongly recommended that the annual reports (the monthly reports, too, as far as possible) show profit and loss by product line or group of products. Such points as the size of profit, general manager's assessment of economic situation, his strategy and actions actually taken were considered in the examination of accounting reports by the parent company. The reports were also sent to the departments concerned, which in turn gave advice on production, engineering and sales activities of a subsidiary.

A newly established affiliate, whether it was a manufacturing or a wholesale company, usually set the target to recover deficits accumulated during the initial years and to make profits by the thrid year of its existence. According to top management of Matsushita Electric, few affiliates abroad failed in achieving this objective.

To ensure better communication between the parent company and overseas affiliates, each subsidiary set a monthly "Management Bulletin," which was composed of brief news on local political, economic and social situations as well as summary reports of the main events in the company. The parent

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(1) In Matsushita Electric, whose management control system is characterized by its "divisional organization," each department, as if it were an independent company, plays a role of investment center with its own capital account.
See "The Matsushita Electric Industrial Co., Ltd. -- Management Control System."

company on the other hand, collected and analysed regional and inter-regional news in the world, arranged them in the form of a monthly newsletter and circulated it among the subsidiaries abroad. Top management of the Matsushita Electric felt that there was still room for improvement in collecting and utilizing information sent in from overseas affiliates.

In addition to exchange of letters, documents or telephone calls, general managers visited the parent company at least two or three times a year to discuss on the problems he had with top management, managers and staff of the overseas operations division and the financial and administrative division and related departments.

Top management and staff members of the parent also visited the overseas affiliates as often as possible. These visits were welcomed by overseas managers because visitors on their own observations could have better understanding of difficulties and problems a subsidiary abroad faced, which would slip off from written reports.

From time to time, it happened that interests of a certain affiliate went against those of a related department of the parent company. If the government of a country imposed a new or higher tariff on some components which the affiliate in the country imported from a department of the parent, the company would want to switch from import to local production. For the department concerned, this change would mean a reduction of its sales volume and profits. Then, the parent company would closely study the proposal of the affiliate, taking into consideration various related factors including better service for local customers, and when it judged that the change would be advantageous to the long-run growth of the Matsushita group as a whole, it would approve the proposal. Judging on the past experience, it can be said that the parent company would somewhat more readily approve proposals of affiliates. In such cases, however, the local subsidiary was required to pay a certain percentage (usually 3 per cent) of the sales of the locally manufactured products to the department concerned as royalties. As a principle, subsidiries were not permitted to purchase and sell products of companies other than Matsushita Electric and its affiliates. When a certain kind of better components were locally available, however, subsidiaries were free to use them.

In cooperation with the fincance and administrative division, the overseas operations division took charge of coordinating relationships between the parent and subsidiaries and giving apt advice to the latters. When a subsidiary made decisions or took actions which could be considered as deviating from the business philosophy and the basic principles of Matsushita Electric, "advice" of the parent company to stop or cancel these actions were more than "advice" and had virtually a binding effect.

<u>Management of MELCOM</u>

Mr. Aratar o Takahashi, executive vice president of Matsushita Electric, had also been the chairman of MELCOM for about seven years since its inception until the end of December 1972. Prior to the beginning of plant operation, he gave a speech before all the managers of the company stressing the following three objectives:

1. To make the utmost efforts to behave as a Malaysian company.
2. To carry out autonomous management.
3. To make reasonable profits.

Of the importance of making profits, he told them that managing a company without generating profits was waste of valuable resources and it would almost amount to doing evil because, without profits, it would be impossible for a company to grow, make contributions to the national economy, increase jobs, improve employees welfare and pay dividends to the shareholders.

MELCOM was initially scheduled to start with production of dry batteries and to gradually expand its production to other kinds of products. The Malaysian government, however, urged the company to make a start on several products. Complying with the request, MELCOM hurriedly changed its original production schedule so that it could make three additional products: TV sets, refrigerators and electric fans. Currently MELCOM produced ten products which were distributed under the tradename of "National." Before the establishment of the company, all of these products except gas appliances had been on the Malaysian market through the Hagemeyer Trading Co. It was a Dutch-owned international trading firm specializing in comsumer goods such as watches, sundries, electric applicances, and so on and it had well-established distribution channels in Southeast Asia and Oceania. Since 1955, it was the sole agent of the "National" products in Malaysia and Singapore and enjoyed good sales records in the both countries. Nowadays, electric appliances handled by the Hagemeyer were confined to the "National" products. The company sold the MELCOM products by salesmen to retailers. Most of the retail shops in the country were proprietorship owned by the Chinese-Malaysians. According to top management of MELCOM, the percentage of distribution cost to retail price in Malaysia was around the same as that in Japan.

Annual sales plan and market expansion programs of the "National" products were jointly worked out by MELCOM and the Hagemeyer. But before they came to an agreement, there usually were lively discussions. Because price must be marketable and profitable one, in determining sales price of a MELCOM product, they took account of its cost and the market price of similar products. It was the Hagemeyer that was to propose a marketable price. If people from MELCOM thought that a Hagemeyer price was based on conservative estimates, here again, the representatives of the two companies got into heated discussions, and in such cases a price proposed by MELCOM was usually accepted as the marketable price. Since cost and reasonable profit of a product must be included in the marketable price, the Hagemeyer was actively involved in making MELCOM's production plans so that some agreements were made between the two companies at this stage.

After-sales service of the "National" products were handled by the Hagemeyer with necessary assistance by MELCOM.

MELCOM had nine factories by product line and each of them was regarded as a profit center with its own autonomy and responsibility (See Exhibit 5). Unlike product departments of Matsushita Electric, they were not organized as a financial unit with its own assets and equities. But a factory manager of MELCOM had responsibility to establish his factory's semi-annual operating plan with a budget and, after obtaining an approval of the general manager, to carry it out. The nine factories were located in six buildings in the company site. If a factory manager wanted to have an additional space or equipment, he made a plan for it and put it with the semi-annual plan. Factory managers were provided with a simple mannual for capital budgeting for each factory.

In November every year, the general manager announced the operating policy for the next semi-annual period starting next January. The announcement consisted of evaluation of the performance of the current year, prospects of the next year's economic situations, main directions along which efforts to be made and major points to be kept in mind in making such efforts. This policy announcement marked the first step of preparing the plan for the next period. Based on the operating policy, each factory manager mapped out the lines of operating plan of his factory. Sales and accounts departments assisted factory managers with making up plans by giving them necessary data and suggestions.

Because the operating plan of a factory contained its sales plan, the managers gave thought to the Hagemeyer's views. While each factory wanted to increase its sales of products, the Hagemeyer aimed to market all products of MELCOM as widely as possible. And their views did not necessarily coinside with each other. Since MELCOM took part in making up the Hagemeyer's sales plan, the sales department of MELCOM took charge of coordinating factory plan with the Hagemeyer's.

The operating plan of a factory was made in the form of a semi-annual profit and loss budget and each factory was expected to make a net profit of about 10 per cent of its sales after it was charged with an amount as 3 per cent of its sales volume as a contribution to cover expenses of the sales and the administrative departments.

Then, the general manager and the managers of the sales and the accounts departments got together to review the semi-annual plan with the factory manager concerned. Because one of the objectives of MELCOM was to forster autonomous management on the factory level and to develope management skills of factory managers, top management of the company never gave anything more than advice or suggestions on these plans and left to each factory managers' judgement for appropriate modifications of his plan, in accordance with the overall corporate policy.

By the middle of December, top management would have worked out the company-wide semi-annual plan and submitted it to Matsushita Electric.

Actual performance by factory was measured on monthly basis at the end of month, and statements and reports for the month prepared by the tenth of the following month.

The focus of performance evaluation was put on: (1) sales-net profit ratio, (2) per capita sales, (3) percentage of sales growth, (4) attainment of each objective in the operating plan, and (5) development of potential of employees. Factory managers were requested to report personally before the top management of the company on monthly record, self-evaluation of his factory's performance, prospects for months to come and measures to be taken. For the first several years, the Japanese managers of the company found that local employees, both managers and workers, were generally poor at appraising their own performance and finding out necessary remedial measures; in most cases, their reports had been nothing but justification of their inappropriate actions with clear intention of laying blame on others. The Japanese managers told them repeatedly and tirelessly that there was no use in blaming others when something went wrong and that what was most important was to take remedial actions immediately. Consequently, local employees became to rarely apologize for their conduct.

Before giving more responsibility and authority on production control to local nationals, the Japanese managers tried hard to plant in their mind a concept of "physical approach," that is, a process of synchronising flow of things (materials, goods in process, products, equipment and facilities) and that of data (slips or tickets.) This process required of keeping everything in good order all the time and making physical inventory check once a month. Top management believed that this would lead to orderly working conditions, better morale and cost consciousness among employees which in turn would help to improve quality control.

<u>Management of Overseas Subsidiaries of Matsushita Electric</u>

The formula of MELCOM's operating plan which was to submitted to Matsushita Electric was similar to that of the parent's production departments and domestic subsudiaries. The plan was composed of the following eight documents:

Form 1. Summary
Projected figures (target) for the following period on production of each product line, on sales, stocks, productivity, and on market share ratio. Actual performances for the current period and for the same period for the previous year, plus projected figures for the following period. Explanations to be attached on newly developed products in addition.

Form 2. Revenues and Expenses
Projected figures (target) regarding marginal and net profits accord-to the types of product and distribution channels. Actual performances of the current period and the same period for the previous year, plus plans for the following period.

Form 3. Cost Savings and Personnel
Projected figures (target) regarding unit price for materials purchased, production cost per unit product, time loss during working hours, number of employees according to each job function, and productivity of direct and indirect personnel. Actual performances for the current period and for the same period for the previous year, plus planned figures for the current period.

Form 4. Allowances and Reserves
Estimated amounts of allowances and reserves for various uncertain expenses and contingent losses for the following period, actual amounts for the current period and for the same period for the previous year, plus projected figures for the following period.

Form 5. Fund Raising and Its Uses
Projected figures for the following period (target), actual performances for the current period and for the same period for the previous year, plus planned figures for the current period.

Form 6. Fund - Comparison to Standard
Projected amounts of current assets and liabilities at the end of the following period with their standards computed on monthly sales on final three-month average, projected amounts of fixed assets and liabilities at the end of the following period, comments of the general manager regarding the financial structure.

Form 7. Resume on Capital Expenditures
Progress report on facility investment programs.

Form 8. Fund - Comparison B/S and Inventory

Around mid-January every year, the president of Matsushita Electric announced the "New Year Corporate Policy" and a copy of it was sent to each overseas affiliate. After the announcement, the overseas operations division with cooperation of all the related departments studied the president's policy and worked out the "Outlines of Overseas Operations Policy." Then, each manufacturing division prepared production and sales plans by product line. By the end of January, these policy and plans were transmitted to overseas subsidiaries.

If these plans contained some important points to be carried out without delay, management of MELCOM modified its operating plan accordingly.

Other less urgent items in the plans were incorporated into the plan for the second half of the year (July - December). The second half-year plan was made in May through a procedure similar to making the first half-year plan.

In every February, Matsushita Electric summoned general managers of its overseas manufacturing subsidiaries to a meeting where they exchanged views on their policies among themselves and with top executives of the parent company. According to Mr. Kurahashi, the meeting was a good opportunity for general managers to discuss how to solve their specific problems with their colleagues who had similar problems or to ask advice or suggestions of top management or managers of the departments concerned in the parent company.

The Outlines of Overseas Operations Policy in 1973 called on overseas general managers to reduce the number of days requred for preparing monthly accounts reports. Closing accounts at the end of every month, MELCOM had sent its reports to the parent on 10th of the following month. Now they were aiming to send the reports on every 7th. The biggest obstacle in achieving that goal was said to lie in checking inventory. Since kinds and volume of self-manufactured parts and the number of suppliers were increasing year by year, it was getting increasingly difficult to up-date inventory list in a short period. Mr. Ohashi, director in charge of accounts, believed that if they could succeed in solving this problem, they would be able to dispatch the reports on 7th.

MELCOM continued to make fair progress in its business and the top management group of the company attributed its success to (1) the Malaysian government's policies aiming at protecting its domestic industries from competitions from abroad, (2) relatively high percentage of the self-manufactured products, (3) the Hagemeyer's well-established distribution channels, (4) the fact that of all the Matsushita Electric's overseas subsidiaries, MELCOM was the only one whose shares were publicly owned; this made it easier for the company to persevere with the basic business philosophy of the parent, (5) the chairman of the board of directors, a prominent Malaysian who had once been the Speaker of the Senate and who had gained public confidence for his political foresight and gentle personality, and (6) Matsushita Electric's management guidance and technical assistance.

On the Matsushita Electric's control over MELCOM, Mr. Kurahashi said, "We must report to the parent company on our goals, plans and achievements of each operating period. But since we are supposed to manage the company on our own responsibility, they don't intervene unless we are negligent in making reports. For instance, when they reviewed our operating plan for the second half of this year, they told us that they found it to be rather conservative, but when we explained that we intended to spend more money to renovate and rationalize our production facilities, they made no further comment on our plan. But this was partly because we made good progress in the past years. Once our sales or profits slacken, they will give us more stringent guidance on our way of doing business. . . . No, there is no communication problem with the parent company. We can communicate with people in Matsushita Electric almost instantaneously through telex or telephone, and it takes only eight hours to get to Japan. As far as communication with the parent is concerned, working here is just like working in a department of the parent company."

## Personnel Management

The case-writers visited MELCOM in May 1973. What visitors saw on entering the office was a placard with slogans chosen for the year: "Heart to heart dialogues. Zero defect for our products. Involvement and participation in management."

While showing the case-writer over the factories, Mr. Kurahashi spoke casually to workers and foremen, patted them on the shoulder and they, in return, answered him smilingly. On the walls in the factories, there were posters reading "We, all quality inspectors" in English, Malayan and Chinese.

One day the case-writer had a chance to observe the morning assembly in the components factory. The meeting started at 8:00 A. M. with gymnastic exercise. Then the workers sang the company song and recited "Seven Precepts" in unison. The melody of the company song was the same as that of Matsushita Electric's but the lyrics were adopted to the Malaysian language. The "Seven Precepts" were a Malaysian translation of what was considered to be the norms of behavior of all the employees of Matsushita Electric: national service through industry; fairness; harmony and cooperation; struggle for betterment; courtesy and humility; adjustment and assimilation; and gratitude. After the recitation, a young foreman commended a worker who made the best suggestion of the month and stressed the importance of the suggestion system as a form of participation in management. The morning assembly was held daily in every workshop and the company-wide assembly was held twice a month with the presence of all of the managers including the general manager. "One day, a manager of the Volve, which also has a factory near here," said Mr. Kurahashi, "visited our company and got so much interested in our morning assembly that he wanted to have a similar meeting in his factory. But he failed, it was said, to talk his employees into accepting his proposal. When I joined Matsushita Electric, I myself was bewildered by the morning assembly with the company song and the recitation of the Seven Precepts. I almost regretted to have chosen this company. But strangely enough, I became gradually accustomed to the morning meeting to the point that when I happen to be away from the company and start a day without it, I have a feeling all day that there is something missing." When Mr. Kurahashi was sent to MELCOM from Japan, he found that comparatively few employees practiced gymnastic exercises at the morning assembly. Every morning, he spotted employees who did not take exercises and asked them why they did not. "Those who don't exercise have their reasons not to do so," said Mr. Kurahashi. "One assignment I gave to myself at that time was to put all the employees in one direction."

MELCOM adopted almost all the personnel management measures practiced in the parent company. Besides the morning assembly, MELCOM had suggestion system, Big Sister system, workshop employees meeting, joint consultative committee, company excursions, a house organ, gifts to employees at the occasions of birthday, marriage and childbirth. Each workshop had an employee meeting once a month, and some had twice. Employees were enthusiastic for the meeting and they actively exchanged information, views and suggestions on their jobs. About 100 suggestions were usually made per month. A graph depicting the number of the suggestions made by each workshop was posted on the wall, and this inspired workers with competitive ardor. The winner of the best suggestion of the year was awarded with a trip to Bangkok. One Big Sister per 10 women employees was coopted and designated by management. After receiving special training on leadership, suggestion system and quality control, Big Sisters looked after women employees. From time to time, Big Sisters organized cooking classes or meetings with guest-speakers after work hour. Every year, three representatives of the MELCOM Big Sisters were sent to the annual B. S. convention held at the parent company.

"In its essence, business philosophy of Matsushita Electric is nothing but sound common sense," said Mr. Kurahashi. "We believe, therefore, that it is baisically applicable to management in any country. But this does not mean that people can easily acquire its fundamentals. We 'apostles' cannot still be said to have grasped the real meaning of it." When top executives of the parent came to MELCOM, they never missed a chance to speak before employees about the fundamentals of management philosophy of the company. All the people of the managerial level in MELCOM were supplied with a book entitled "Matsushita Phenomenon," which described management philosophy and system of Matsushita Electric in details in English.

The Japanese managers felt that convention and custom established in the era of British colony still survived in many Malaysian companies which discriminate in favor of managers and white-collar employees against blue-collar workers; each group had lunch in separate rooms, used toilets in different places and held parties by its own. In MELCOM they made no such distinctions; Mr. Kurahashi, the general manager of the company, made it a rule to take lunch with employees in the canteen. Local nationals on the managerial level used to suggested him that he should have a better office and that he should have a Bentz as executives of other companies did. "But I don't think that the rank-and-file employees think in the same way as native managers do," said Mr. Kurahashi. "If we Japanese were to behave as the British in this country do, people would not like us. Both the Malaysians and the Japanese are orientals. People here think that even if the Japanese are richer than they are, it is only because we work harder." The case-writer asked him, "Don't you think that your way of dealing with your employees will impair your deginity as the general manager?" "Well, I don't deny that possibility," replied he. "But I am of the opinion that people in Southeast Asian countries can appreciate that sort of personal contacts we have in Japan. Japanese managers in MELCOM don't hesitate to visit workers who are ill and absent from work. We enjoy any kind of recreational and social activities with them. This, we hope, will help them to have better understanding of and reliance on us."

In Malaysia, serving tea was regarded as one of the most trifling jobs and most companies had women for the particular job. But in MELCOM, receptionists were requested to serve tea to callers as a part of their duties. They did not like it and one day, office girls of the company came in a group to tell management that they would no longer serve tea. After a few hours talk with them, management won the girls over to its view by telling them that they should take pride in their duties including that of serving guests with tea because they, as the receptionists, were performing a role as important as that of the hostess of a home party.

Mr. Kurahashi's view on his workers' love for their company; "If a worker finds his work meaningful and satisfactory, every morning he will come to work happily. If the worker can have a belief that he is making meaningful contributions to society through his job, he can be proud of it. If we succeed in implanting such satisfaction and pride in him, we can translate it into love for the company. I don't expect that our employees have loyalty to the company in an old-fashioned sense. But I can fairly say that a sort of love of the company we are expecting to see can be found now among our employees. Incidentally, our new building was completed in last March and they seem to be very proud of it."

The new building was airconditioned and had a canteen of 500 seats, a lounge, recreation rooms, a library, rooms for training courses and meetings, an office for the Joint Consultative Committee, a medical office, locker rooms, and so on. Before moving to the new building, the company launched an "Etiquette Campaign" and distributed a booklet called "Treat your new building as you treat your own house." In each workplace meetings were held to exchange views on how to use the new building orderly. According to management, even after such preparations, it took much time to accustom employees to get into line at the counters in the canteen and to get back plates to the kichen.

Labor Management Relations

Since the 1960s the Malaysian economy continued to achieve a comparatively high growth of six per cent annum, but the unemployement rate remained higher than 8 per cent. Therefore, MELCOM usually had more than ten applicants for each job open and could select applicants who showed higher marks in aptitude test than their Japanese counterparts. The starting pay was M$150 for both white-collar and blue-collar workers: consequently, blue-collar workers got better pay than those in other companies while white-collar workers were paid slightly below the prevailing rates. Blue-collar workers who proved to be competent enough were transferred to office work.

In 1972, MELCOM payed a year-end bonus amounting to two-month pay; most of the companies in Malaysia payed a bonus of less than one month pay and some others paid no bonus. While bonuses of many companies were paid as a flat amount, the MELCOM bonuses varied according to individual worker's ability and attendance.

Attendance-rate and turnover-rate in MELCOM, which were about 97 - 98 per cent and 8.3 per cent respectively in 1972, were both superior to the rates of Matsushita Electric. In the past few years, however, an increasing number of workers were snapped up by other companies after they had acquired skills in MELCOM.

In addition to the morning assembly and the workshop employee meeting, MELCOM had the Joint Consutative Committee as an important management employee communication channel. The JCC was set up two years ago. Representing management, the chief of the personnel section who was a Chinese-Malaysian had a meeting periodically with eight employee representatives of 5 Malayans and 3 Chinese. From time to time, some Japanese managers attended the meeting. At the meeting they mainly talked about how to solve workers' grievances and how to improve working conditions and welfare of employees. Employee representatives also made positive suggestions and company's management in turn explained how things stood in the company. In Malaysia, very few companies gave employees information on performance because it was generally believed that, when a company gained good profits, such, a practice only resulted in greater demands from labor union or employees assocation. Mr. Kurahashi hoped that the company could have better labor-management relations based on mutual trust than those prevailing in this country.

Several months after the JCC had started, employee representatives wanted to be paid for the hours they worked for the committee. It took a few hours for management to explain fully the roles of employee representatives in the labor-management relations and to let them withdraw their demand. At the committee meeting, Japanese managers did not hesitate to admit that some grievances made by the employee representatives were justified. But the personnel managers of local nationals did not like it; they were afraid that such attitudes on the part of the Japanese managers would encourage employee representatives to make any kind of demands.

A visiting top executive of the parent company observed a factory meeting on the "etiquette compaign" at the time of the completion of the new building and when the meeting was over he told Mr. Kurahashi, "I am happy to see that you have so many excellent workers. But I want you to be careful. If they get militant, you know, it will be very tough for you to deal with them. Do you speak Malayan? You'd better communicate with them in their own language." Communication between the Japanese managers and local employees were mainly made in English. But Mr. Kurahashi started to take private lessons in Malayan. Mr. Kurahashi always told the JCC members to think twice before deciding whether they should have a union or not, and if they would have one, whether their union should be independent or affiliated with national unions. At the same time, he asked foremen to exert their influence over their workers, as their counterparts in Japan were doing, so that the JCC would have moderate representatives, but foremen refused to do so saying that it was none of their business.

Racial Problems

The population of Malaysia is composed of Malayans (45%), Chinese (35%), Indians (10%) and others (10%). While Malayans held most of the important political positions, it was Chinese-Malaysian who controled economic affairs in the country. In May 1969, against background of increasing unemployment due to economic slowdown and the opposition parties' advance in the Parliament as the result of the latest election, race antagonism between Malay and Chienese developed into many fire crashes in Kuala Lumpur, the capital of Malaysia. After the riots, the Malaysian government adopted the "Malayanization" policies in political sphere--Islamism as the national religion, Malayan as the national language, Malayan priority to get governmental posts and obtain scholarships--as well as in economic fields. The government had been encouraging inflow of foreign capital through the Pioneer Industry Act in 1958 and the Investment Promotion Act in 1968, but during the past several years it took various measures to improve economic opportunities of Malayans. The share of foreigner's participation in a new joint venture, except export-oriented industries, was limited to less than 49 per cent and as its local partners Malayan investors or governmental agencies were recommended by the authorities concerned. Companies were urged to have the racial ratio of their workforce be commensurate with that of the population in the area in which they were located, and they were under stronger pressure to have more Malayans on managerial level and to reduce foreigners.

As of April 1973, MELCOM had 430 employees whose average age was 22 and who were about equally divided between men and women. The Malayans made up 45% of MELCOM employees and Chinese 45% and Indians and others 10%.

Since the start, about 40% of workforce of MELCOM had been Malayans. Mr. Toyoteru Kurata[1], who had been the general manager of MELCOM for the first five years of the company since April 1968, said in this respect, "Top executives of Matsushita Electric always told us to be careful not to support or hold a particular political position in the host country. I myself had a sort of intuition that if our company was to become a member of society in the host country, its composition should not be widely different from the make-up of the local community. Because our hope was that every kind of people in that country would enjoy our products, I thought we should give fair job opportunities to all local nationals. So, we could take things calmly when the government adopted administrative guidance on employees composition of companies after the riots in 1969. We had been intuitively in line with the government policy."

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(1) In 1973, Mr. Kurata was the director of 2nd overseas affiliates department of the overseas operations division of Matsushita Electric and was responsible for operations in Southeast Asia region.

When MELCOM started production, not a few Japanese had a slanted view that peoples in the South were not dilligent enough and could never be so competent as the Japanese workers. Mr. Kurata, however, was convinced that, because jobs to be done in the factories of MELCOM were not so complicated, with adequate training, he could upgrade productivity of the local workers to a sufficient level in a comparatively short period. "As a matter of fact, we were dismayed to find that local workers were only 60 per cent as efficient as Japanese workers," Mr. Kurata reminisced. "That was due to socio-economic factors such as their educational background or living conditions, and not to their innate ability. I was confident that we could raise their efficiency to 95 per cent of the Japanese standards. As for the remaining 5 per cent, I am of the opinion that it is not a matter of skills or training but it depends on motivational factors such as loyalty. Anyway, within a year, our workers could work on the 85 per cent level by the standards of the parent company."

Most Malayans were inhabited in rural areas and were Islamites. In the month of fasting, they went without food from sunrise to sunset for a whole month. The older they were, the more strictly they observed Islamite practice. During the period of fasting, stamina and performance of Malayan workers visibly declined because MELCOM operated according to ordinary production schedule. The Malayans shared a strong racial consciousness and a spirit of group loyalty and were eager to exercise initiative in recreational and sport activities in the company. Most of the Chinese-Malaysians, on the other hand, were city-dwellers, accustomed to commercial activities since childhood and educated in Chinese schools whose courses were taught in Chinese or in English. They were generally good at accounting and regarded as competent as the Japanese. They were more individualistic than the Malayans and lacked in concerted actions among themselves.

Since the beginning, management of MELCOM tried to inplement the idea of racial equity and assimilation. The company saw to it that if the chief of a section was a Chinese, a Malayan foreman supported him, and they had about equal number of Chinese and Malayan group leaders. While management encouraged all the employees to participate in sport and recreational activities, they must be very careful so that one racial group might not monopolize prize winners. Even today Mr. Kurahashi could recall vividly a scene of the company athletic meeting which was held just prior to the 1969 riots. On the program, there was an inter-factory match of tug of war. The game happened to be played between one factory where Chinese workers were prevailing and another factory where Malayans prevailing. The game caused much more heated excitement both on the part of the players and the on-lookers than management had anticipated. Despite such cautious approach, there was always a limit of what management could do to promote ethnic assimilation. For instance, pork is a favorite dish of the Chinese, but it could not be served in the canteen because Islamites are prohibited from eating park. Not a small number of male employees of MELCOM were married to girls working in the company, but there was not a single case of inter-racial marriage between a Malay and a Chinese. Both Malayan and Chinese workers were doing the same kind of jobs in the same working conditions in the same modern factory, but once out of the company, each ethnic group went back to its own living conditions which were permeated by its own customs, religious creeds, and so on.

## Conflict and Discipline

In April 1969, Mr. Kurahashi was sent from Matsushita Electric to MELCOM as the manager of administration, and was appointed as the general manager in June 1971. Almost all the general managers of overseas subsidiaries of Matsushita Electric were sent from sales or production divisions of the parent company, and Mr. Kurahashi was the first general manager abroad who had been with the personnel division. He surmised that this unusual assignment of him had something to do with dificulty of racial problems in Malaysia. It was only one month after his arrival in MELCOM that he witnessed the racial riots in May 1969. When a five-day curfew was lifted, about 90 per cent of the employees came to work and on the following day the company operated on a normal schedule. Encouraged by the Malayans-First policy of the government, Malayan workers started to take agressive attitude within the workplace after the riots. Mr. Kurahashi thought it urgent to regain work discipline. The company discharged one factory worker and gave a warning to other three for a breach of the work rules. Malayan workers were shocked by the news and said among themselves, "The former general manager was a gentle and considerate person, but the new one is cold-blooded." The discharged worker appealed his case to the government agency concerned, which summoned Mr. Kurahashi. He went to the office with the factory manager concerned and the chief of personeel section (both were Malayans) and explained MELCOM's business philosophy and principles of personnel management quoting the "Seven Precepts." The company won the case.

At one morning assembly in March 1972, workers of the refrigerator factory came in a crowd to Mr. Kurahashi and told him that all of them would quit the company unless management would discharge the assistant manager of the factory, a Malay called Ismail. The refrigerator factory had some fifty workers under a Japanese manager. Some of them were notorious for their goings-on and in the factory the workers' morale was low and the work rules were not observed strictly. Before joining MELCOM two years before, Ismail had been in a European firm for more than twenty years. He worked with might and main, often came to work on Sundays, and greatly improved the efficiency of his factory. He did not hesitate to give warnings to workers who ignored his orders and, after several warnings, discharged them.

Mr. Kurahashi told the protesting workers to go back to their factory immediately. Then he went to the factory and talked with them for about half an hour. He asked them to think over the matter and told them that they would never achieve the goal of Malaysianization if Malaysian workers could not get along with their Malaysian leader. After the day's work was over, he had again a talk with them until late at night. It was said that the workers of the refrigerator factory were trying to organize a labor union and keeping contacts with an outside union. At that time, Mr. Kurahashi was extremely busy because, in addition to his normal tasks, he was engaged in a project to expand the markets of MELCOM and he was also occupied with preparations for establishing two affiliate companies specialized in producing export goods. The Japanese manager of the refrigerator factory was informed that Ismail, his assistant, had been energetically trying to improve work habits in the factory. Because of the language barriers, however, he was not aware that his workers were dissatisfied with Ismail's way of supervising and were resisting to the changes he tried to introduce.

Mr. Kurahashi asked Ismail to apologize to his workers and to make a promise that he would change his way of supervising. But he refused to make an apology and said that he believed he was right and that, judging from his long experience as foreman of the factory of a European company, he saw no reason why he should not fire those workers who disobeyed him. Then Mr. Kurahashi told the refrigerator factory workers that Ismail had carried out his duties faithfully and that after all he, the general manager, was responsible for such an unhappy situation. One week after, the leaders of this disturbing affair left the company, and Ismail was transferred to the plant engineering department. Mr. Kurahashi instructed him to study human relations and look at them from a view point of the personnel philosophy of Matsushita Electric. The manager of the refrigerator factory spent a lot of time with his workers in the factory to improve the working conditions and recover discipline. It was only one year after the event that Ismail restored his former position and leadership in the refrigerator factory.

Although there was no large scale racial conflicts which drew the public attention after the government had adopted the Malayans First policy following the 1969 riots, continuing threat of ethnic conflicts was felt within companies. In MELCOM, the Japanese managers intervened whenever there was a dispute between two groups of different national origins lest a trifle quarrel should turn into a serious trouble. It was felt that one of the major problems to be solved before giving greater responsibility to Malaysian managers was latent animosity between Malayan and Chinese employees.

## Promotion of Local Employees

Though management was under increasing pressure from within and outside to advance Malayans to managerial positions, it was very difficult for Japanese companies in Malaysia including MELCOM to recruit sufficient number of young Malayans with engineering or managerial skills. In addition, if based on a merit system, most of managerial positions tended to be occupied by Chinese employees.

Most of the graduates of top-class universities in Malaysia, like Malaya University, wanted to find jobs in government. American and European companies offered good salaries to first-rate university graduates and gave them their own room and secretary. Average starting salary for graduates of leading Malaysian universities was M$700 – 800, which was about five or six times as much as ordinary workers' starting pay, and considerably higher than that paid to their Japanese counterparts. In general, government agencies paid higher starting salaries to university graduates than private firms and they could attract high-calibre graduates.

The recruitment policy of MELCOM was to get candidates for managers fresh from university and train them into "order-made" managers rather than to get "ready-made" managers from other companies. This policy was partly due to the fact that the company had difficulty in finding well-qualified candidates. At the same time, top management of MELCOM thought that newly graduated young people were more apt at digesting the fundamentals of business philosophy of Matsushita Electric. At its initial stage, the company resorted to local nationals who had graduated Japanese universities, mainly because of communication purpose. In recent years, however, the company selected applicants on their own merits. Incidentally, Malaysians graduated from Japanese universities (except some specialized colleges like fisheries) were not acknowledged as university graduates by the Malaysian government and its related agencies.

In the past few years, the company modified its recruitment policy and began to hire "ready-made" people. The change was made partly because the company grew so fast that training within the company could not keep pace with the growth and partly because MELCOM could now bring in well-qualified managers. Japanese managers in MELCOM found that Malaysian applicants were eager to know what kind of job they were expected to do and what responsibility and authority they were supposed to have and at the same time they were keen to sell themselves. "Some Japanese managers working in this country often complain that local people are not so efficient," said Mr. Kurahashi. "But it is because they employ third-raters. If you pay a better pay, you can get better people, and they prove to be valuable. Even if an applicant is promising man, we won't hire him if he is a man who wants a better pay more than anything else and easily changes his company. The type of people we want to have is a man who bets on what our company will be in future rather than what we are now."

As of May 1973, there were 12 Japanese in MELCOM (two of them were going to replace the other two who were going back to Japan soon); Mr. Kurahashi, works director, sales director, accounting and personnel manager, and eight factory managers. Except Mr. Kurahashi who was 40 years old and an engineer, all of them were in their thirties. Three of them, sales director, managers of the fan and the refrigerator factories, were sent from three different companies which were affiliates of Matsushita Electric, and the other Japanese came from the parent company, but from different divisions. "Because all of us had different backgrounds, we need a group spirit all the more. Happily, each one of us is a great lover of his job, and this greatly help us to work pleasantly and harmoniously," said Mr. Kurahashi.

As mentioned above, foreign companies in Malaysia had been under stronger pressure to take more vigorous actions in line with the government's "Malayanization of management" policy. As a result, for instance, the Kuala Lumpur branch of the Bank of Tokyo was forced to reduce its Japanese staff of four to two by 1976. The government took a view that management of administrative and sales departments could be easily taken over by Malaysians, and stronger pressure was placed on these areas than engineering and manufacturing departments which were valuable in technology transfer. As its number of products increased, the company needed to increase its Japanese engineering staff. As far as engineers were concerned, the company could obtain permissions by the immigration office with ease. The government wanted not only to encourage promotion of local nationals but also to give priority to Malayans rather than to other ethnic groups. As with most of the companies in the country, MELCOM had more Chinese than Malayans on managerial level: eight Chinese assistant managers as compared with three Malayans. (See Exhibit 5)

"We must do with a smaller Japanese staff. Most of our local employees are still not prepared to be managers. That must be admitted. But what is important is to give them chances to exercise their own judgement, to have confidence in their ability. And our task is not to lead them but to support them. We have already worked out an ambitious plan to promote more local employees to more important positions. We will implement it soon," Mr. Kurahashi said.

The gist of the plan is as follows. Five assistant managers of five department--personnel, accounting, planning and public relations, sales, and service--would be promoted to managers. Assistant factory managers of two factories--fan and television--would be factory managers. Ismail who was assistant manager of refrigerator factory was going to become the manager of that factory and also the manager of the plant engineering department. Mr. Ohashi, a Japanese who was currently the manager of both the personnel and accounting departments, would become an advisor. The present assistant manager of the accounting department had already been so proficient in his job that he could prepare management plan to be submitted to the parent company without much help by Mr. Ohashi. The assistant manager of planning and public relations was a graduate of a Japanese university and had a Japanese wife. Being fluent in Japanese, he also worked as the secretary of Mr. Kurahashi. All of them, except Ismail, were Chinese and university graduates.

## Management Development

To ensure further development of the company, Mr. Kurahashi aimed to upgrade its products so that they could be put on international markets. He believed that whether MELCOM could raise its managerial and technical competence to an international level or not would solely depend on how the company would be successful in developing potential of its people. Training in the company was largely made by on-the-job training programs, and management sent to training programs in Japan as many employees as they could afford to.

In early years, local managers used to bring their problems to a Japanese manager and asked him how to handle the problems. Recently, they started to propose their own idea of how to deal with a problem and asked the Japanese manager's comments. Mr. Kurahashi instructed them to work out not one but two or three possible solutions for a problem they had. "From now on, we must expect local managers to perform their duties as efficiently as their Japanese counterparts do," insisted Mr. Kurahashi. "This means that we check their performance strictly, and if something is not correct, we ask them to keep improving it to accomplishment. So far, we have always taken the lead in solving any kind of problems including racial conflicts. If we continue this way, they will depend on us forever. What we must do is to encourage them to tackle their problems with their own judgement. Of course, we must be prepared to support them when they are at a bay. You know, to find out a man with managerial aptitude and to develop him into a good manger is far more difficult than to produce a good product."

MELCOM had two kinds of management meetings and each of them was held twice a week: a meeting of people above the section-chief, and a meeting to ensure good communication between production and sales departments. Management of the company made use of these meetings as a means of training of the participants and also as a form of participation in management. The company had a system of performance review of all the employees but promotion was primarily decided on the basis of length of service. In view of growing dissatisfaction among capable young people with the current promotion system, management felt a need to put more emphasis on merit system. Turnover rate of the MELCOM workforce had so far been very low, but because rate of renewal in other companies in the industry had been showing an upward trend, management of MELCOM could not be optimistic in this respect.

The MELCOM employees who had been trained in Matsushita Electric totaled 45. Not only managerial people but also rank-and-file workers were sent to training programs in Japan. Among them were eight women workers including five Big Sisters representing the three ethnic groups who visited Japan on the occasion of the Expo-1972 in Osaka and had a chance to meet the Prime Minister. Training programs in Japan were one or two months, but some of them lasted as long as eight months. MELCOM made it a rule to send one or two local managers to the new-year meeting of the parent company where the president announced the corporate policy of the year. Those who were sent to Japan were usually surprised, and at same time felt secured, to find that their parent company was larger than they had expected. Observing management practice of Matsushita Electric and living and working with their Japanese colleagues, they could learn a great deal during their stay in Japan. Their words were far more effective than the Japanese managers' in transmitting among MELCOM employees the fundamentals of management philosophy of Matsushita.

In most of the companies in Malaysia and Singapore, employees who attended long training courses given by their companies must make a promise to stay in their companies for a certain number of years after the training and to pay a forfeit if they were to break the promise. In the early stage of MELCOM, the employees who were sent to the training courses in Japan were requested to make an oath that they would stay on in the company for three years after the training. Three years after this system was started, it was abolished because the general manager heard some employees complain that the system was revealing lack of confidence on the part of management. By that time, management of the company were confident of their employee relations and they knew that they could rely on words of their employees. Since the establishment of the company, only two local managers, one Chinese and one Malay, had left MELCOM for other companies.

According to Mr. Kurahashi, there was no difference between local and Japanese workers in the desire of self-fulfillment. "But while the Japanese, given a chance for advancement, work harder to show he is capable of that position, people here want to have a higher post before they show a good record." MELCOM paid its local managers better salary than any other Japanese companies operating in Malaysia, and, taking the occasion of the promotion scheduled to be made soon, it was going to raise their salary to ¥170,000--¥200,000 from the current ¥150,000. "In Matsushita Electric, it takes for the average engineer about ten years to be a full-fledged engineer," said Mr. Kurahashi. "But in this company, one can be manager of a department or of a factory in 6 years. The percentage of our self-manufactured products is higher than that of the parent, and our managers have wider range of assignments. A salary of ¥200,000 is about equal to what a section-chief of Matsushita Electric is paid. It is not a small sum for a salary of a manager of company with only 400 employees. They will have greater authority and responsibility, and we are expecting that they will prove to be capable of coping with their work."

The Japanese managers of MELCOM including Mr. Kurahashi usually worked in the office till eight or night o'clock in the evening. Native managers, too, as they had greater responsibility, worked harder and longer and some of them were willing to come to work even on Sundays.

According to Mr. Kurahashi, even in the future when most of managerial positions would be staffed by local people, positions of general manager and financial managers should be retained by people from the parent company. If a man like Mr. Kurahashi whose background mainly limited to office work, should be appointed as the general manager, then an additional Japanese who could deal with engineering aspects of the company would be neccessary to support the general manager. As long as a Japanese would assume the post of adviser for finance and accounts, management of the accounts department could be left to a local manager. "We are aiming to establish such a management staffing within five years," said Mr. Kurahashi.

**Exhibit 1**

**Matsushita Electric Company (Malaysia) Berhad**

**Sales and Market Shares by Main Products**

| | Percentage of Total Sales | Share in the Malaysian Market | Leading Manufacturers in Malaysia |
|---|---|---|---|
| Monochrome TV sets | 40% | 25% | 1st MELCOM*<br>2nd Sharp*<br>3rd Sanyo*<br>4th Toshiba*<br>5th Phillips (Oldest local manufacturer) |
| Refrigerators | 30% | 26% | 1st GEC (affiliate of British GE. Producing under other companies' brands as well)<br>2nd MELCOM<br>3rd Sanyo<br>4th Sharp |
| Electric Fans | | 65% | 1st MELCOM<br>2nd Sanyo<br>3rd Toshiba |
| Rice-cookers | | 85% | 1st MELCOM<br>2nd Sanyo |
| Dry batteries | 30% | 25% | 1st Union Carbide (Producer of "Everlight," which is locally known as "NECO." NECO is almost synonimous of dry battery in Malaysia.)<br>2nd MELCOM<br>3rd Contraband goods from Bangkok |
| Electric Irons<br>Radios<br>Stereograms<br>Electronics components<br>Gas appliances | | | |

Source : Company documents

* Affiliate of a Japanese company

Exhibit 2

Matsushita Electric Company (Malaysia) Berhad

Balance Sheets (1966 – 1972)

(Unit : Malaysia Dollar)

| | | Dec. 31, 1966 | Dec. 31, 1967 | Dec. 31, 1968 | Dec. 31, 1969 | Dec. 31, 1970 | Dec. 31, 1971 | Dec. 31, 1972 |
|---|---|---|---|---|---|---|---|---|
| 1 | Issued capital | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| 2 | General reserve | — | — | — | 350,000 | 950,000 | 1,650,000 | 2,350,000 |
| 3 | Surplus (deficit) carried forward | ( 207,326) | ( 242,182) | 71,744 | 99,501 | 350,095 | 712,034 | 1,040,855 |
| 4 | Total capital | 2,792,674 | 2,757,818 | 3,071,744 | 3,449,501 | 4,300,095 | 5,362,034 | 6,390,855 |
| 5 | | — | — | — | — | — | — | — |
| 6 | Long term borrowings | 1,184,410 | 1,184,409 | 592,205 | 296,103 | — | — | — |
| 7 | | — | — | — | — | — | — | — |
| 8 | Current liabilities | | | | | | | |
| 9 | Current maturiities of long-term notes | 296,103 | 296,002 | 296,102 | 296,102 | 296,103 | — | — |
| 10 | Overdraft | — | 598,611 | 670,762 | — | 87,201 | — | — |
| 11 | Trade creditors | 981,512 | 1,206,148 | 1,935,741 | 2,765,810 | 3,582,267 | 4,787,962 | 3,457,829 |
| 12 | Accrued expenses | 121,764 | 364,683 | 442,476 | 828,214 | 1,402,471 | 1,151,873 | — |
| 13 | Other provisions | — | — | — | — | — | — | 1,855,959 |
| 14 | Provision for contingencies | — | — | 51,369 | 86,042 | 131,765 | 156,248 | 177,131 |
| 15 | Provision for taxation | — | — | — | — | 14,001 | 500 | 700,000 |
| 16 | Unpaid dividend | — | — | — | 300,000 | 360,000 | 360,000 | 450,000 |
| 17 | Total current liabilities | 1,399,379 | 2,465,444 | 3,396,450 | 4,276,168 | 5,873,808 | 6,456,583 | 6,640,919 |
| 18 | Total capital and liabilities | 5,376,463 | 6,407,671 | 7,060,399 | 8,021,772 | 10,173,903 | 11,818,617 | 13,031,774 |
| 19 | | | | | | | | |
| 20 | Fixed Assets | | | | | | | |
| 21 | Leasehold land (at cost) | 304,806 | 304,806 | 304,806 | 304,806 | 304,806 | 304,806 | 304,806 |
| 22 | Less: Amortization to date | — | — | ( 7,681) | ( 10,760) | ( 13,839) | ( 16,918) | ( 19,996) |
| 23 | Tangible fixed assets | 3,516,825 | 3,689,915 | 3,862,223 | 5,069,550 | 5,727,149 | 6,427,033 | 7,180,906 |
| 24 | Less: Accumulated depreciation | ( 56,360) | ( 429,189) | ( 795,550) | (1,190,752) | (1,781,747) | (2,097,733) | (2,579,395) |
| 25 | Total fixed assets | 3,762,271 | 3,565,532 | 3,363,798 | 4,172,844 | 4,236,369 | 4,617,188 | 4,886,321 |
| 26 | Intangible fixed assets | | | | | | | |
| 27 | Unamortized share-issuing expense (at book value) | 71,473 | 71,473 | 57,178 | 42,884 | — | — | — |
| 28 | Organization expenses | 5,390 | 5,390 | 4,312 | 3,234 | — | — | — |
| 29 | Total intagible fixed assets | 76,363 | 76,863 | 61,490 | 46,118 | — | — | — |
| 30 | Current assets | | | | | | | |
| 31 | Stocks | 771,774 | 1,705,562 | 3,080,497 | 2,018,944 | 3,834,606 | 4,382,287 | 5,583,029 |
| 32 | Trade debtors less provision for doubtful debts | 178,365 | 841,959 | 449,027 | 1,235,571 | 1,962,720 | 2,533,074 | 1,772,420 |
| 33 | Other debtors, deposits and prepayments | 67,022 | 131,750 | 97,025 | 114,886 | 110,820 | 223,515 | 306,519 |
| 34 | Bank balance and cash | 520,168 | 86,005 | 8,562 | 433,409 | 29,388 | 62,552 | 483,485 |
| 35 | Total current assets | 1,537,329 | 2,765,276 | 3,635,111 | 3,802,810 | 5,937,534 | 7,201,429 | 8,145,453 |
| 36 | Total assets | 5,376,463 | 6,407,671 | 7,060,399 | 8,021,772 | 10,173,903 | 11,818,617 | 13,031,774 |

Source : Company Annual Reports

Exhibit 3

## Matsushita Electric Company (Malaysia) Berhad

## Profit and Loss Statement (1966 – 1972)

(Unit: Malaysia Dollar)

| | | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 |
|---|---|---|---|---|---|---|---|---|
| 1 | Net profit (loss) before tax | ( 207,326) | ( 34,856) | 235,134 | 591,125 | 1,224,595 | 1,422,439 | 2,178,821 |
| 2 | After charging | | | | | | | |
| 3 | Depreciation on fixed assets | 59,360 | 369,827 | 393,798 | 410,626 | 625,258 | 588,503 | 665,964 |
| 4 | Rent of land and buildings | 2,759 | 36,684 | 29,262 | 40,544 | 48,146 | 56,558 | 53,160 |
| 5 | Directors' renumeration | 37,595 | 47,469 | 62,170 | 74,694 | 84,843 | 91,178 | 106,789 |
| 6 | Auditors' renumeration | 5,000 | 5,000 | 6,500 | 6,500 | 7,500 | 7,500 | 7,500 |
| 7 | Interests on unsecured loan | 45,295 | 74,533 | 56,128 | 43,221 | 25,529 | 8,039 | — |
| 8 | Provision for contingencies | — | — | 51,369 | 34,674 | 45,723 | 27,291 | 26,821 |
| 9 | Provision for products servicing | — | — | 1,078 | 1,078 | 3,234 | — | 404,607 |
| 10 | Amortization of share-issuing expenses | — | — | 14,295 | 14,295 | 42,884 | — | — |
| 11 | Loss on disposal of fixed assets | — | — | 8,773 | 12,466 | 25,108 | 44,120 | 122,950 |
| 12 | | | | | | | | |
| 13 | After crediting | | | | | | | |
| 14 | Interest received on fixed deposit | — | — | — | — | 33,687 | 413 | 514 |
| 15 | | | | | | | | |
| 16 | Adjustments of profit and loss of previous period | — | — | 78,792 | 86,632 | — | — | — |
| 17 | | ( 207,326) | ( 34,856) | 313,926 | 677,757 | 1,224,595 | 1,422,439 | 2,178,821 |
| 18 | Less: Taxation | — | — | — | — | 14,001 | 500 | 700,000 |
| 19 | | | | | | | | |
| 20 | | | | | | | | |
| 21 | Surplus (deficit) brought forward from previous year | — | ( 207,326) | ( 242,182) | 71,744 | 99,501 | 350,095 | 712,034 |
| 22 | Profit available for appropriation | ( 207,326) | ( 242,182) | 71,744) | 749,501 | 1,310,095 | 1,772,034 | 2,190,855 |
| 23 | | | | | | | | |
| 24 | Appropriation: | | | | | | | |
| 25 | Transfer to general reserve | — | — | — | 350,000 | 600,000 | 700,000 | 700,000 |
| 26 | Dividend | — | — | — | 300,000 | 360,000 | 360,000 | 450,000 |
| 27 | Balance carried forward | ( 207,326) | ( 242,182) | 71,744 | 99,501 | 350,095 | 712,034 | 1,040,855 |
| 28 | | ( 207,326) | ( 242,182) | 71,744 | 749,501 | 1,310,095 | 1,772,034 | 2,190,855 |

Source : Company Annual Reports

## Exhibit 4

### Matsushita Electric Company (Malaysia) Berhad

### Trend of Sales and Ratio of Net Profit to Sales (1967 – 1972)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 |
|---|---|---|---|---|---|---|
| Trend of Sales | 100 | 137 | 171 | 256 | 302 | 366 |
| Sales-Net Profit (Loss) before Tax | (0.6) | (3.5) | 6.5 | 7.8 | 7.7 | 9.7 |

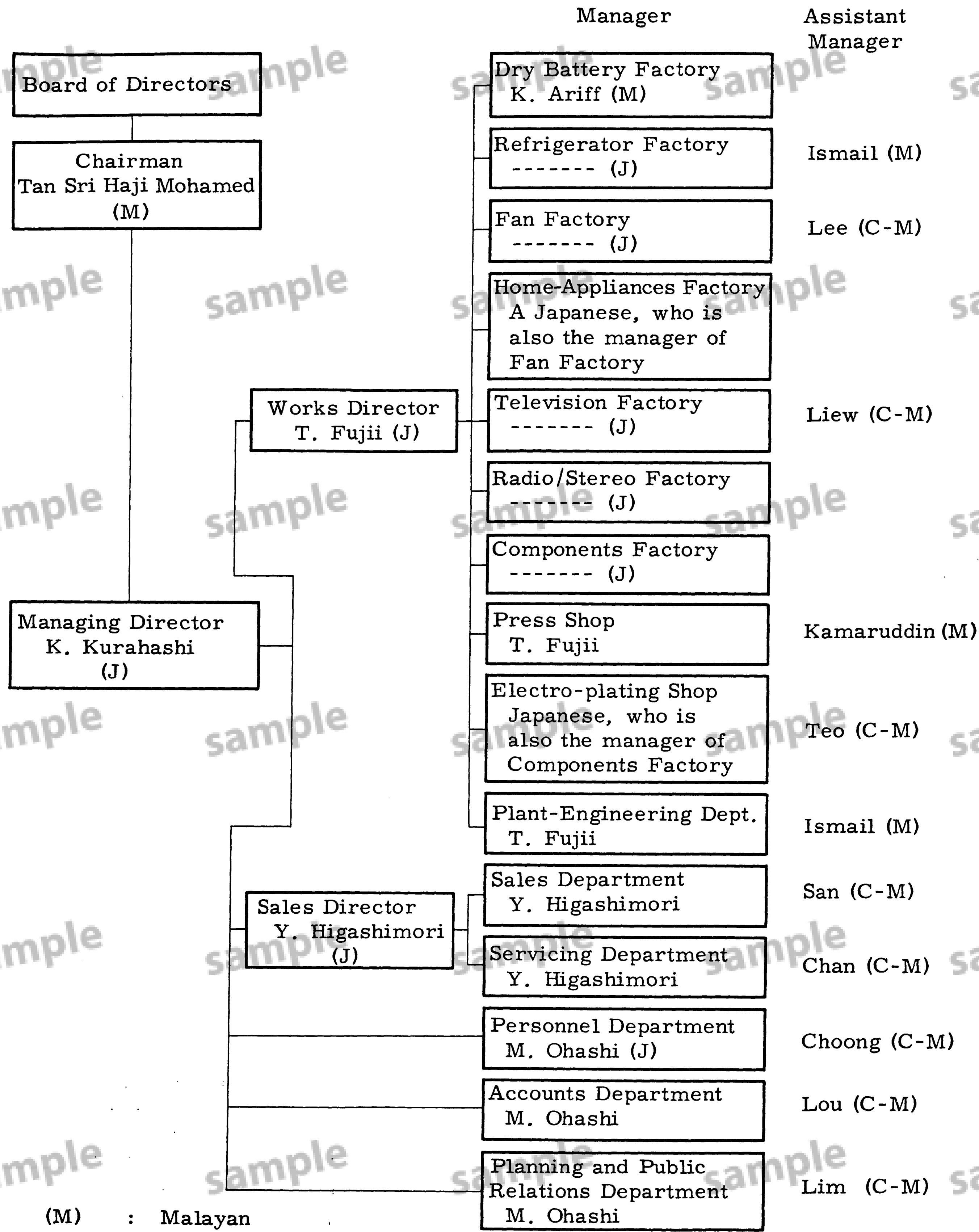
Source : Company documents

**Exhibit 5**

**Matsushita Electric Company (Malaysia) Berhad**

**Organization Chart**

(As of April 30, 1973)




(M) : Malayan
(C-M) : Chinese-Malaysian
(J) : Japanese